

THE WALL STREET JOURNAL.

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What's News

Business & Finance

Exxon applied for a waiver from sanctions on Russia as it seeks to resume its joint venture with state oil giant Rosneft. A1

◆ Fox News said O'Reilly is leaving in the wake of a sexual-harassment scandal, marking a sea change for the network and its parent. A1

◆ The letter from Arconic's ex-CEO that led to his ouster contained a vague threat toward the hedge-fund leader who opposed him. A1

◆ Cybersecurity startup Tanium pitched its software by showing it working in the network of a hospital without permission, exposing data. B1

◆ Morgan Stanley posted results that topped analysts' estimates, boosted by fixed-income trading. B1

◆ BlackRock's assets under management were up 14% in the first quarter from a year earlier. Profit climbed 31%. B3

◆ American Express reported lower earnings and revenue, hurt by the loss of its relationship with Costco. B9

◆ A drop in energy shares pressured U.S. stocks. The Dow fell 118.79 points to 20404.49 as IBM slid. B10

◆ Hollywood is bracing for a strike by writers over issues that include TV contracts and health care. B5

◆ Qualcomm's results were hurt by an arbitration decision involving a dispute with BlackBerry. B4

◆ Google plans to introduce an ad-blocking feature in the mobile and desktop versions of its Chrome web browser. B5

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◆ The White House worked to quell an international furor after misstating the location of an aircraft carrier officials had said could be used to strike North Korea. A6

◆ Tillerson said the nuclear accord with Iran risks repeating mistakes of past U.S. policy toward North Korea. A6

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◆ Clashes across Venezuela turned deadly as protesters sought to force President Maduro to hold elections. A18

◆ Trump plans to revive a decades-old, rarely used law to explore imposing new barriers on steel imports. A4

◆ Rep. Chaffetz, a Utah Republican who heads the House oversight panel, said he won't seek re-election. A3

◆ Democrats launched the second phase of their fight for a House seat in Georgia after their candidate fell just shy of a 50% threshold. A4

◆ Trump's inauguration was bankrolled by dozens of billionaires and corporations, a new campaign-finance report shows. A5

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A Super Bowl Party—Without the Guacamole



PATRIOTS' PRESENT: President Donald Trump holds a jersey given to him by New England Patriots owner Robert Kraft, right, alongside members of the team during a ceremony at the White House on Wednesday in honor of the Super Bowl champions. Columnist Jason Gay weighs in, A14.

Fox News Says Host O'Reilly Will Leave the Network

By JOE FLINT

Fox News is parting ways with Bill O'Reilly in the wake of a sexual-harassment scandal, bringing an end to the combative host's two-decade run that drew millions of loyal viewers and helped build the network's political influence.

The decision to cut ties with Mr. O'Reilly, a staple of the Fox News Channel since its launch

in 1996, is a sea change for both the network and its parent company 21st Century Fox. Mr. O'Reilly's take-no-prisoners approach to hosting and glee in belittling those he disagreed with became the template for much of the network's programming strategy.

Mr. O'Reilly is being swept out of Fox News after revelations that he and the company paid settlements to women

who accused him of sexual harassment and verbal abuse. A New York Times report detailing the \$13 million paid to five women who worked at or appeared on his show led to dozens of advertisers boycotting his program and brought a slew of negative attention to the company.

While the company initially defended him, the emergence

Please see FOX page A2

Democrats Aim to Rally in Georgia

Democrats launched the second phase of their fight to capture a long-held Republican House seat in Georgia, but the party's attempts to unify are hindered by lingering internal divisions. A4

Georgia 6th congressional district race voter turnout

	Votes for Republican	Votes for Democrat/other
2010 Tom Price vs. Sean Greenberg*	198,100	188
2014 Tom Price vs. Robert Montgel	139,018	71,486
2017 Multiple candidates vs. Jon Ossoff	97,997	92,390

*Write-in independent candidate. Note: Other 2017 Democrats received less than 1% of the vote. Source: Georgia Secretary of State

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CHAFFETZ WON'T SEEK RE-ELECTION
U.S. NEWS, A3

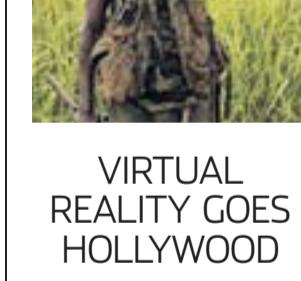
INSIDE



CHAFFETZ
WON'T SEEK
RE-ELECTION



WHITE HOUSE
FACES FLAK
ON ARMADA



VIRTUAL
REALITY GOES
HOLLYWOOD

LIFE & ARTS, A9

These Butchers
Sell Baloney
That's Phony

* * * *
Vegan shops hawk
veggies that look,
taste like real meat

By ERIN AILWORTH

Michael Abramson has set up his butcher shop in Toronto's Little Italy to look much like any other, with gleaming knives lining the wall, employees prepping cuts and someone hand-cracking lamb, but yam.

Mr. Abramson, a 62-year-old vegan, is the proprietor of YamChops, a faux meat market where every patty, link, and fillet is made from edible plants. To entice "veg curious" meat eaters as well as vegetarians.

Please see VEGGIE page A8

EU LOYALISTS FIND THEIR VOICE

To counter rising nationalism, French, German politicians try pitching deeper integration

By STACY MEICHTRY
AND ANTON TROIANOVSKI

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

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

The shift is embodied by

Please see EUROPE page A8

◆ France's left-right punch rolls markets..... B10

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

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Exxon Seeks Waiver for Russia Deal

By JAY SOLOMON
AND BRADLEY OLSON

WASHINGTON—Exxon Mobil Corp. has applied to the Treasury Department for a waiver from U.S. sanctions on Russia in a bid to resume its joint venture with state oil giant PAO Rosneft, according to people familiar with the matter.

Exxon has been seeking U.S. permission to drill with Rosneft in several areas banned by sanctions and renewed a push for approval in March, shortly after its most recent chief executive, Rex Tillerson, became secretary of state on Feb. 1, according to one of these people.

The company originally applied for a waiver to gain access to the Black Sea in July 2015 but its application wasn't approved, the person said.

The waiver request is likely to be closely scrutinized by members of Congress who are

seeking to intensify sanctions on Russia in response to what the U.S. said was its use of cyberattacks to interfere with elections last year. Congress has also launched an investigation into whether there were ties between aides to Donald Trump and Russia's government during the presidential campaign and the political transition.

Mr. Tillerson during his time at Exxon forged a close working relationship with Russian President Vladimir Putin and with Rosneft, a company that is critical to Russia's oil-reliant economy.

The State Department is among the U.S. government agencies that have a say on Exxon's waiver application, which was submitted to the Treasury Department's Office of Foreign Assets Control, according to current and former

Please see EXXON page A6

Ousted CEO Sent A Vague Threat

By DANA MATTIOLI
AND DAVID BOENO

The letter that cost Klaus Kleinfeld his job as chief executive of aerospace-parts maker Arconic Inc. on Monday contained a vague threat toward the billionaire whose hedge fund had been campaigning for Mr. Kleinfeld's ouster.

The letter, sent last week to Elliott Management Corp., referenced the alleged partying of Elliott's president, Paul Singer, at the 2006 World Cup in Germany, Mr. Kleinfeld's home country.

Mr. Kleinfeld wrote, in sometimes imperfect English, that while the two had never met, he had heard stories from friends

in Germany about what the letter called Mr. Singer's "legendary" conduct during and after several matches. The letter alludes to the Wall Street magnate singing "Singing in the Rain" in a fountain. Mr. Kleinfeld added that he had been looking for an Indian headdress to send to Mr. Singer. It isn't clear what he meant by that.

Along with the letter, Mr. Kleinfeld sent a commemorative soccer ball from the 2006 World Cup via a courier from Arconic's Park Ave headquarters in New York.

Elliott said Monday that the Please see LETTER page A4

◆ At Arconic, race for next chief executive heats up..... A4

U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Is Trump Turning Globalist? Not So Fast



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

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

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

This bifurcation tracks Mr. Trump's own philosophical priorities and the evolution of the party he leads. Republicans have long favored a muscular approach to national security founded on military

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

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

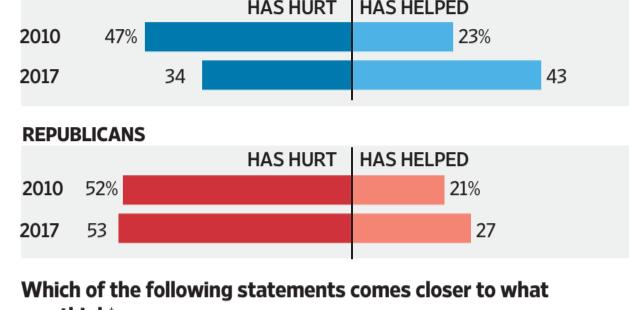
But Mr. Trump's mistrust of foreign entanglements is rooted less in principle than resentment at paying for them. That has left him open to persuasion by traditional foreign policy hawks such as Vice President Mike Pence and Defense Secretary Jim Mattis. Mr. Bannon has been removed from the National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

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

Two-Track Nationalism

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

Impact of free trade on the U.S.*



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



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

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ments, in part, reflect those views: Jeff Sessions, the attorney general, has spearheaded the crackdown on illegal immigration, while Commerce Secretary Wilbur Ross is

studying how to use existing trade tools more aggressively against imports. Messrs. Miller and Bannon accompanied Mr. Trump on a trip to Wisconsin on Tuesday, where

the president railed against the North American Free Trade Agreement and Canadian restrictions on milk imports, and called the World Trade Organization a "disaster" while signing an executive order stiffening "buy American" rules and conditions for H-1B visas.

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

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

Yet trade wars and shredded treaties were never the likeliest outcome. The point of Mr. Trump's threats was to extract concessions. On Nafta, he wants the right to hit Mexico and Canada with tariffs if imports from either surge. In declining to name China a currency manipulator Mr.

Trump, besides acknowledging reality, concluded like previous presidents that withholding the designation could encourage Chinese cooperation on North Korea. Whether that calculus is wise remains to be seen.

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

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

U.S. WATCH

SPORTS

Ex-Patriot Hernandez Found Hanged in Cell

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

Officers at the Souza Baranowski Correctional Center discovered Mr. Hernandez hanging from a bedsheet in his cell at around 3:05 a.m. local time Wednesday, according to a statement from the Massachusetts Department of Correction. Authorities attempted to save Mr. Hernandez's life and transported him to a hospital, where he was pronounced dead, the statement said.

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

Mr. Hernandez, who was 27, was serving life without parole for the 2013 slaying of a former friend. A jury in Boston on Friday

found him not guilty on charges stemming from a shooting that left two men dead in 2012.

—Jennifer Levitt and Jon Kamp

ECONOMY

Fed Says Tighter Job Market Lifting Wages

A tightening labor market is putting upward pressure on wages, according to a new Federal Reserve report.

In some regions, "worker shortages and increased labor costs were restraining growth in some sectors, including manufacturing, transportation and construction," the Fed said in its report, known as the beige book.

The report was based on anecdotal information covering mid-February through the end of March across the central bank's 12 districts. The report found that "modest wage increases broadened" and "employers in most districts had more difficulty filling low-skilled positions."

The Fed said economic activity expanded across all 12 districts and inflation continued to firm.

—Ben Leubsdorf and Sarah Chaney

FOX

Continued from Page One of more complaints against Mr. O'Reilly during an internal probe by law firm Paul Weiss, Rifkind, Wharton & Garrison LLP became the deciding factor in the Murdoch family's decision, according to a person familiar with the matter.

"After a thorough and careful review of the allegations, the company and Bill O'Reilly have agreed that Bill O'Reilly will not be returning to the Fox News Channel," 21st Century Fox said in a statement Wednesday.

Mr. O'Reilly, who announced on the air last week that he was taking a vacation until April 24, cut his Italy trip short amid the firestorm and returned to New York on Wednesday. He has consistently denied any wrongdoing, saying he only paid settlements to put controversies to rest "to spare" his children.

"It is tremendously disheartening that we part ways due to completely unfounded claims," Mr. O'Reilly said in a statement. "But that is the unfortunate reality many of us in the public eye must live with today. I will always look back on my time at Fox with great pride in the unprecedented success we achieved and with my deepest gratitude to all my dedicated viewers."

To plug the huge hole in the network's prime-time lineup, Fox News announced it is moving Tucker Carlson up one hour into Mr. O'Reilly's 8 p.m. time slot and putting "The Five" on at 9 p.m., starting Monday.

21st Century Fox Co-Chairman Rupert Murdoch and his sons, Co-Chairman Lachlan and Chief Executive James, praised Mr. O'Reilly as "one of the most accomplished TV personalities in the history of cable news" and expressed confidence that the network will continue to be a powerhouse. "Lastly, and most importantly, we want to underscore our consistent commitment to fostering a work environment built on the values of trust and respect," the Murdochs wrote in the memo. 21st Century Fox and News Corp, parent company of The Wall Street Journal, share common ownership.

Mr. O'Reilly, 67 years old,



Fox News is replacing longtime anchor Bill O'Reilly amid a sexual-harassment scandal.

Tucker Carlson to Take O'Reilly Slot

Tucker Carlson has become the quick fix for Fox News.

Already a surprising success in the 9 p.m. hour where he succeeded the popular Megyn Kelly in January, Fox News is now asking Mr. Carlson to fill the very big shoes of Bill O'Reilly at 8 p.m., a much more daunting task.

Mr. O'Reilly's show averaged around four million viewers a night in the first quarter of the year, according to Nielsen. That made it not only the most-watched show on Fox News but also one of the biggest shows on all of cable.

Much of Mr. O'Reilly's audience also stuck around for Mr. Carlson's show at 9 p.m., which averaged 3.3 million viewers in

the first quarter.

The 47-year-old Mr. Carlson was catapulted to national prominence as the conservative representative on CNN's original version of "Crossfire" more than a decade ago. The show was canceled not long after "Daily Show" host Jon Stewart appeared on a memorable episode and begged the hosts to "stop hurting America" with their partisan discourse.

Mr. Carlson, who also co-founded the conservative site the Daily Caller, has been rising in prominence at Fox News in short order. In November, he replaced Greta Van Susteren in the 7 p.m. slot before moving to 9 p.m. in January and now 8 p.m.

During the election, Mr. Carlson wasn't a Donald Trump supporter but did identify early on that Mr. Trump's candidacy offered lessons for Republicans.

—Joe Flint



Prime-time ratings for the first quarter

	Total viewers	Chg. from year-ago
Fox News	2.84 million	▲ 20%
MSNBC	1.43	▲ 61%
CNN	1.18	▼ 17%

Source: Nielsen

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\$178 Million

How much "The O'Reilly Factor" drew in ad spending in 2015; it drew about \$119 million in the first nine months of 2016, according to Kantar Media.

seized on the scandal as an opportunity to demand his exit. "The O'Reilly Factor" averaged about four million viewers a night, making it one of the highest rated programs in all of cable television.

But inside 21st Century Fox debate grew about whether holding on to Mr. O'Reilly and his ratings was worth the trade-off. Advertisers were withdrawing from his show, and concerns were growing about the message the company was sending by defending Mr. O'Reilly.

Mr. O'Reilly's show had been the anchor of the evening, and his ratings power had boosted viewership for the shows that followed him.

To many, he was the face of the network, and it remains to be seen what he may do next.

"Bill O'Reilly's legacy is Fox News," said Jon Klein, a former president of rival CNN. "He not only put Fox News on the map but he became the public face of a movement."

—Jeffrey A. Trachtenberg contributed to this article.

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U.S. NEWS

Puerto Rico Firms Follow Their Market

As islanders migrate to central Florida, familiar retailers are setting up outposts

BY ARIAN CAMPO-FLORES

ORLANDO, Fla.—With Puerto Rico's economy sinking deeper into crisis, Francisco Febus and his family decided they needed to expand their furniture and home-accessory business beyond the island.

The destination: Florida, a short flight away and home to a booming Puerto Rican population.

The family's first Casa Febus store—which sells sleek, contemporary furnishings—opened in Pembroke Pines, north of Miami, in 2015. An-

other one soon followed in Altamonte Springs, north of Orlando. In February, they opened their third outlet, at the Florida Mall here.

They are following their market north. The Puerto Rican population in the Sunshine State has doubled since 2000 and has surpassed 1 million, according to a Pew Research Center analysis. The Orlando metro area, with more than 318,000 Puerto Ricans, is the top destination, according to data from real-estate firm JLL.

"All the Puerto Ricans are moving here," Mr. Febus said, giving him confidence that his furniture business would have a strong base to build from.

Casa Febus is one of several Puerto Rican businesses planting a flag on the mainland as the U.S. territory contends with a decadelong recession and struggles to repay \$70 billion in debt. The crisis has triggered an exodus of residents, shrinking the market for local companies while creating new opportunities in states like Florida and Texas where islanders resettle and may be familiar with the retailers.

Recently arrived businesses include National Lumber & Hardware, a home-improvement chain; Novus Inc., which sells shoes and accessories; and Titan Products of Puerto Rico Corp., a food distributor. The stream of Puerto Rican businesses to the mainland began accelerating about five years ago, said Andrew Carlson, vice president of retail brokerage at JLL, who has ad-



Puerto Rico has been coping with a decadelong recession and heavy debt. Above, a store under liquidation in San Juan last year.

vised some. Many Puerto Rican businesses say they aren't shutting locations on the island, and some are continuing to grow there.

This month, about 15 Puerto Rican companies, including accounting and security firms, are scheduled to visit the Orlando area to explore expansion opportunities, said Luis Figueroa, director of the Florida office of the Puerto Rico Federal Affairs Administration.

Though U.S. Census Bureau data on Puerto Rican-owned businesses is years old, it shows that their number on the U.S. mainland has grown in tandem with the population. Over the decade ended in 2012, the number of firms owned by Puerto Ricans nearly doubled, to 258,000, according

to a study by the Center for Puerto Rican Studies at Hunter College in New York. The revenue they generated increased by about 50% to \$24.4 billion.

Felipe Pérez Grajales, president of El Mesón Sandwiches, a fast-casual chain in Puerto Rico, said his family had long dreamed of expanding to the mainland. The company, which has 37 stores on the island, made its first foray in 2015, opening in the Florida Mall. Demand was so strong that lines of customers snaked through the food court.

"You feel like a little piece of Puerto Rico is here," said Michelle Santana, a 36-year-old medical technician from the island, while waiting at an El Mesón recently for an order of corn sticks and a bocadillo sandwich.

Stores Adapt to Different Tastes

Some Puerto Rico retailers have had to tweak their approaches to compete more effectively in the mainland.

Furniture store Casa Febus toned down its products' color schemes, which seemed too bright and busy for some U.S. customers, manager Francisco Febus said.

Bobby Van Kirk, vice president at Valija Gitana, which sells "hippie-chic" clothing and has two stores in South Florida, found it challenging to build brand recognition in a crowded, competitive market.

"We didn't think it was go-

ing to be as hard as it has been," Mr. Van Kirk said. The company has beefed up its digital marketing efforts to improve sales.

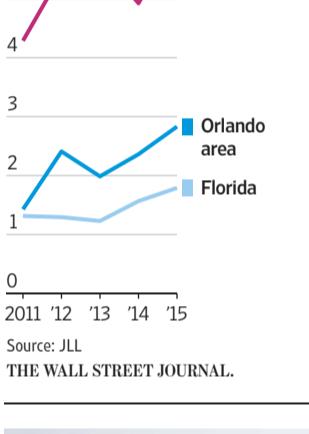
Jewelry and accessory retailer PS International opened up its display cases and redeployed some salespeople because U.S. customers prefer self-service, according to founder Paul Shames.

Recently, at one of the company's Beya stores in Orlando—where signs promised "Everything \$7 or Less"—Karla Quiroz was looking for a choker necklace and earrings. "Every time I come in, I buy something," said the 19-year-old student. "It's very cheap and very trendy."

—Arian Campo-Flores

Mainland Migrants

Annual population growth



Source: JLL

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High-court justices questioned Missouri over its exclusion of a church school from playground funding.

Justices Question Missouri For Denying Church Funding

BY JESS BRAVIN

WASHINGTON—Supreme Court justices across the ideological spectrum on Wednesday questioned Missouri's exclusion of a church-run school from a state playground-funding program that has only been available to secular nonprofit institutions.

The program provides grants to schools that resurface their playgrounds with material made from recycled tires. For years, the state has disqualified church-run schools under a provision of the Missouri Constitution providing "that no money shall ever be taken from the public treasury, directly or indirectly, in aid of any church, sect, or denomination of religion."

Trinity Lutheran Church of Columbia, Mo., contends that reading violates its federal constitutional right to free exercise of religion, forcing it to choose between its faith and its eligibility for the program.

The court accepted the case in January 2016, but after conservative Justice Antonin Scalia died the following month, the suit went to the back burner.

Senate approval of President Donald Trump's nominee for the high court, Justice Neil Gorsuch, a conservative backed by right-leaning religious activists, put him on the bench in time to hear Wednesday's argument, which both sides considered an ideological contest between religious prerogatives and secular interests.

On Wednesday, like their conservative colleagues, liberal Justices Stephen Breyer and Elena Kagan questioned Missouri's prohibition of the playground funding for church-affiliated schools. The otherwise volatile Justice Gorsuch asked only two questions near the argument's close, following up on points made by Justice Kagan.

"Does the Constitution of the United States permit a state or a city to say, 'We give everybody in this city police protection but not churches. We give everybody fire protection but let the church burn down?'" asked Justice Breyer.

Justice Samuel Alito mentioned several federal grant programs available to religious organizations.

House Oversight Chairman Won't Run for Re-Election

BY BYRON TAU

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

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

"I have long advocated public service should be for a limited time and not a lifetime or full career. Many of you have heard me advocate, 'Get in, serve, and get out.' After more than 1,500 nights away from my home, it is time," wrote Mr. Chaffetz, 50 years old.

"For those that would speculate otherwise, let me be clear that I have no ulterior motives," Mr. Chaffetz said.

As panel chairman and the House's watchdog, Mr. Chaffetz has primary responsibility over any waste, fraud, abuse or mismanagement by President Donald Trump's administration or others in the federal government. Mr. Chaffetz had promised to be an independent watchdog despite being in the same party as Mr. Trump. Many critics, including congressional Democrats, have urged him to be more aggressive about investigating conflicts of interest around the president's businesses.

During the 2016 election, Mr. Chaffetz held a number of hearings on Democratic presidential candidate Hillary Clinton's use of a private email server while serving as secretary of state,

drawing protests from Democrats who said he was using a congressional committee for partisan political purposes. Mr. Chaffetz defended the investigation as a legitimate inquiry into a matter that his committee had jurisdiction over.

Because the District of Columbia is a federal district, laws passed by its council can be reviewed and overturned by Congress. The oversight committee has jurisdiction over the city. Mr. Chaffetz's committee recently voted to overturn the city's assisted-suicide law, but the effort stalled in the Senate and the law remains on the books.

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

First elected to the House in 2008, Mr. Chaffetz has indicated he could be interested in a run for Utah governor in 2020. Gov. Gary Herbert has been in office since 2009, but isn't term-limited and could run again.

In his statement announcing his decision not to seek re-election, Mr. Chaffetz acknowledged that he may run for office again, "but not in 2018."



UC Berkeley Cancels Coulter Speech Over Safety

BY ALEJANDRO LAZO

SAN FRANCISCO—Officials at the University of California, Berkeley, canceled a scheduled appearance by Ann Coulter, the conservative commentator and Donald Trump supporter, citing safety concerns.

It is the second cancellation by the university this year of a high-profile figure from the right. In February, university officials canceled a planned

event by Milo Yiannopoulos, the media provocateur and former writer for the Breitbart website, following violent protests on campus. That incident resulted in a tweet by President Donald Trump that appeared to threaten the school's federal funding.

The cancellation follows clashes in downtown Berkeley last Saturday between far-right and far-left groups protesting in the streets.

The school's Vice Chancellor Scott Biddy and Vice Chancellor for Student Affairs Stephen Sutton sent a letter to Berkeley College Republicans on Tuesday night saying that they hoped to reschedule Ms. Coulter's address.

A spokesman for the university, Dan Mogulof, said that officials simply didn't get word of Ms. Coulter's scheduled appearance in time.

"We have two commit-

ments, we have a commitment to the First Amendment and free speech regardless of the person's perspective," he said. "And second is we have a commitment to the security and well-being of our students, and we are not going to compromise on either of those."

Ms. Coulter, who was invited to speak April 27, said on Twitter on Wednesday night that she planned to speak anyway.

U.S. NEWS

Democrats Reload for Georgia Race

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

BY REID J. EPSTEIN
AND NATALIE ANDREWS

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

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

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

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

Vermont Sen. Bernie Sanders, in an interview Tuesday here, said he didn't know much about Mr. Ossoff, a 30-year-old

former House staffer. Mr. Sanders said he isn't prepared to back Democrats just because of a party label. "Some Democrats are progressive and some Democrats are not," he said.

Asked if Mr. Ossoff is a progressive, Mr. Sanders, an independent who challenged Hillary Clinton in the 2016 presidential primary, demurred. "I don't know," he said. Mr. Ossoff's campaign didn't respond to requests for comment.

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

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

Democratic National Committee Chairman Tom Perez took the strength of Mr. Ossoff's campaign as the latest signal that Democrats are making headway. "They've pulled out the heavy artillery, they have Donald Trump making robocalls," Mr. Perez said. "My main message from this is swing the bat, swing it early, swing it often and swing it with your best shot."

Mr. Ossoff drew more votes Tuesday than the Democratic candidate in the 2014 election. About 92,300 people backed him, compared with 71,400 Democratic voters previously.

Still, the runoff with Ms. Handel will be daunting, given the partisan leaning of the district and that Republican votes won't be splintered by multiple



Democrats are looking to secure a victory for Mr. Ossoff in the runoff and build on that for campaigns in other GOP strongholds.

candidates. The open primary Tuesday featured 18 candidates, and most were Republicans.

Messrs. Perez and Sanders are in the midst of a coast-to-coast tour titled "Come Together and Fight Back," but Mr. Sanders appears just as uninterested in coming together with

the party as he did while fighting its leaders during last year's presidential primary campaign.

Mr. Sanders told a Maine crowd Monday night that "our job is to radically transform the Democratic Party." He put the onus on Mr. Perez and other party leaders to adopt his ag-

gressive power-to-the-people worldview.

For Mr. Perez, a former Obama administration Labor secretary with little national profile, the symbolism of being seen stumping with Mr. Sanders is that it highlights the DNC chairman's embrace of the party's liberal wing.

Mr. Sanders's progressive standard relies largely on economic issues, not social or cultural ones. He plans to campaign Thursday in Nebraska with Heath Mello, a former Nebraska state senator who in 2009 sponsored legislation requiring women to look at ultrasound images of their fetuses before receiving an abortion.

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

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

Mr. Sanders called himself "100% pro-choice" and said that if Mr. Mello wins his May 9 election against an incumbent Republican, it will energize Democrats to seek office in other conservative states.

Mr. Perez said the Democratic Party platform supports abortion rights but doesn't require its candidates to do so.

Donald Trump's First 100 Days

The administration's latest actions and agenda at a glance

WEDNESDAY

◆ **World Champions:** The Super Bowl-winning New England Patriots visited the White House, where President Donald Trump welcomed them. Some team members were absent—notably quarterback Tom Brady, whose friendship Mr. Trump touted during the campaign.

◆ **Veterans Affairs:** The president signed an extension of a Department of Veterans Affairs law Wednesday to continue a program that helps veterans seek health care outside the VA system.

WHAT'S AHEAD

◆ **Papal Audience:** The White House is seeking a meeting between Mr. Trump and Pope Francis when the U.S. leader travels to Europe next month, a prospect welcomed by the pontiff, U.S. and Vatican officials said. The pope and the president share common ground in their opposition to abortion, but they have conflicting stands on a range of issues including migration and climate change.

QUOTE

"Whether you're trying to win a Super Bowl or rebuild our country, as Coach [Bill] Belichick would say, there are no days off."

—President Trump, during the Patriots' visit to the White House on Wednesday

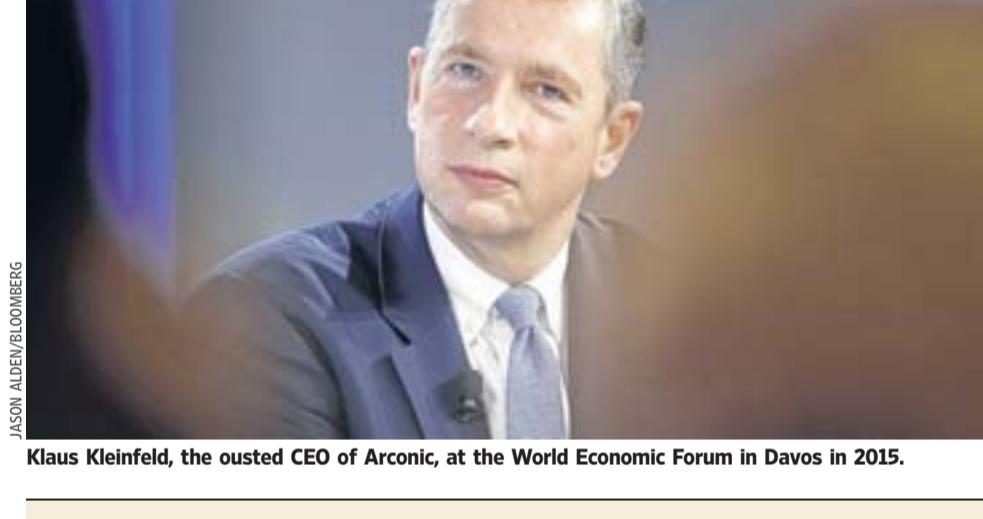
lackluster stock returns and missed financial targets.

While Mr. Singer is the founder of the \$33 billion fund, which is known for its aggressive tactics, he himself isn't typically involved in the firm's activist campaigns.

Mr. Kleinfeld created the parts maker inside aluminum giant Alcoa before breaking up the company last fall. Arconic has continued to praise Mr. Kleinfeld's performance as chief executive and back his strategy, while criticizing Elliott's campaign. The company argues the board's willingness to make changes is proof enough that shareholders should have faith in its current course.

Mr. Kleinfeld took over at Alcoa in 2008, shortly before the financial crisis sent aluminum prices and the company's stock price plunging. He moved to diversify the business more by building up units making parts for aircraft and automobiles, which would eventually become an independent Arconic.

His supporters credit him with saving the company in the crisis, strengthening its two businesses and then separating them when they were ready to stand alone.



Klaus Kleinfeld, the ousted CEO of Arconic, at the World Economic Forum in Davos in 2015.

wants the top job.

But activist hedge fund Elliott Management Corp. is already pushing its own choice: Larry Lawson, a one-time chief executive at aerospace supplier Spirit AeroSystems Holdings Inc. who also held senior roles at Lockheed Martin Corp.

Mr. Hess, 61 years old, recruited by Mr. Kleinfeld, has more than three decades of ex-

perience managing aerospace businesses, including United Technologies Corp.'s Pratt & Whitney jet engine unit, an Arconic customer.

Mr. Lawson, 58, has 37 years' experience in the aviation industry and is a consultant for Elliott. He is credited with turning around Spirit by reigning in spending and raising prices.

—Bob Tita and David Benoit

—Bob Tita and David Benoit

LETTER

Continued from Page One
letter was "based on completely false insinuations." The fund said it viewed it as "a threat to intimidate or extort" the hedge fund and complained to Arconic's board.

After The Wall Street Journal reported the details of the letter, the hedge fund released the text and two letters it sent to the board complaining about Mr. Kleinfeld's actions and raising concerns about what else he could have been seeking to say about Mr. Singer.

Mr. Singer declined to comment through a spokesman on Wednesday. Mr. Kleinfeld couldn't be reached for comment.

Arconic said Monday that the letter was unauthorized and showed poor judgment. It said Mr. Kleinfeld was stepping down by mutual decision.

Elliott alerted the Arconic board on April 12, demanding to know if Mr. Kleinfeld even sent it. After Arconic disclosed its existence Monday, the hedge fund sent another letter complaining about the board's

move to make it public and asking it to pledge that Mr. Singer faced no other threats. The hedge fund's security has the soccer ball, a person familiar with the matter said.

German business magazine WirtschaftsWoche earlier reported that the letter touched on the 2006 World Cup without giving additional details.

Elliott had been trying to get Mr. Kleinfeld fired since late January and last week released a 336-slide presentation bashing his performance. The hedge fund also has raised questions around Mr. Kleinfeld's tenure at Siemens AG, which he left in 2008 amid a bribery scandal, and criticized steps he has taken to defend against Elliott's onslaught. Mr. Kleinfeld was never personally implicated in the Siemens scandal and denied wrongdoing. He rejected the criticism of his recent actions.

The departure of Mr. Kleinfeld came amid a bitter fight between Elliott and Arconic, which is expected to culminate in a shareholder vote next month.

Elliott has sought to remove Mr. Kleinfeld and take over part of the board. It argues Arconic has underperformed, pointing to

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U.S. NEWS

Trump Turns to Rarely Used Law To Curb Imports

BY JACOB M. SCHLESINGER
AND WILLIAM MAULDIN

WASHINGTON—President Donald Trump is ramping up his tougher “America First” trade policy with plans to wield a decades-old, rarely used law to explore imposing new barriers on steel imports, the White House announced Wednesday night.

Mr. Trump plans a signing event at noon Thursday ordering a special investigation under the 1962 Trade Expansion Act, which allows emergency trade sanctions on “national security” grounds, according to an administration statement.

The statement didn’t elaborate on the specific nature of the investigation, but people familiar with the matter said that it would focus on steel imports and that representatives of the steel industry would attend the ceremony. Another person familiar with the planned announcement said it could in-

clude other products deemed “important to defense.”

The U.S. government hasn’t used the law to impose penalties since the creation of the World Trade Organization in 1995, which discourages such unilateral sanctions. The law was most famously used by President Richard Nixon in 1971 to impose an across-the-board 10% import surcharge to contain the U.S. trade deficit at the time.

The planned ceremony follows a Trump rally Tuesday at a Wisconsin tool factory where he ordered aides to craft new policies increasing “Buy American” provisions for government procurement spending. In the speech unveiling the action, he blasted the WTO as “another one of our disasters,” and vowed to accelerate acting on his campaign promises to rewrite American trade policy.

—Peter Nicholas
contributed to this article.



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

Big Donors Bankrolled Inauguration

BY REBECCA BALLHAUS

from the Office of Government Ethics.

Mr. Ricketts had been prepared to divest himself of his own financial portfolio but was told by OGE that his entire family would have to divest themselves for him to be in full compliance with ethics rules, the person familiar with the conversations said. That requirement, for Mr. Ricketts, was prohibitive.

A spokesman for Mr. Ricketts said the nominee had told Mr. Trump he wouldn’t be able to serve in the post because “the scope of issues that face the Department of Commerce is very broad and these issues potentially could touch many of Mr. Ricketts’s family’s current financial interests.”

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

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

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

Sports Team Owners Loom Large on List

- ◆ Sheldon Adelson, casino owner—\$5 million
- ◆ Robert Kraft, New England Patriots owner—\$1 million
- ◆ Robert McNair, Houston Texans owner—\$1 million
- ◆ Robert Mercer, co-founder of Renaissance Technologies—\$1 million
- ◆ Marlene Ricketts, Chicago Cubs co-owner—\$1 million
- ◆ Boeing—\$1 million
- ◆ Pfizer—\$1 million
- ◆ AT&T—\$1 million
- ◆ Dow Chemical—\$1 million
- ◆ Bank of America—\$1 million

that owns the Chicago Cubs, who gave \$1 million; and Robert Kraft, owner of the New England Patriots, who gave \$1 million.

Hedge-fund billionaire Paul Singer gave \$1 million to the inauguration fund in December, after criticizing Mr. Trump frequently during the campaign. Mr. Singer, a Republican megadonor, had backed Florida Sen. Marco Rubio’s presidential campaign and didn’t support Mr. Trump after he won the nomination.

Mr. Trump said at a news conference during February that Mr. Singer had visited him at the White House, and the president added, “He’s given us his total support, and it’s all about unification.”

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

The fund also took \$1 million from Alexander Shustorovich, a Russian-American businessman. His past relationships with top Russian

officials and state-owned companies—dealings that prompted the U.S. to refuse to allow him to be part of a uranium deal two decades ago on national-security grounds—led the Republican National Committee to return a \$250,000 check from him in 2000.

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

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

Among the major corporations that donated to the committee were Pfizer Inc., Boeing Co., AT&T Inc. and Qualcomm Inc., which each gave \$1 million. Corporate donations have come under scrutiny as Mr. Trump has often singled out companies for praise or criticism in recent months.

Nominee Withdraws His Bid

BY REBECCA BALLHAUS

Todd Ricketts, whom President Donald Trump tapped late last year to serve as deputy commerce secretary, withdrew his nomination on Wednesday after complications arose as he tried to divest himself of his portfolio.

Mr. Ricketts, whose billionaire family owns the Chicago Cubs and whose father was a top donor to Mr. Trump during the campaign, had been approved by the Commerce Department’s ethics team and had submitted an ethics questionnaire to the Senate Commerce Committee, a person familiar with his efforts said.

But the nominee ran into trouble as he sought approval

from the Office of Government Ethics.

Mr. Ricketts had been prepared to divest himself of his own financial portfolio but was told by OGE that his entire family would have to divest themselves for him to be in full compliance with ethics rules, the person familiar with the conversations said. That requirement, for Mr. Ricketts, was prohibitive.

A spokesman for Mr. Ricketts said the nominee had told Mr. Trump he wouldn’t be able to serve in the post because “the scope of issues that face the Department of Commerce is very broad and these issues potentially could touch many of Mr. Ricketts’s family’s current financial interests.”

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THOMAS DASCHLE | U.S. SENATOR (D., S.D.) (1987–2005); FOUNDER AND CEO, THE DASCHLE GROUP

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JAY C. SHAMBAUGH | MEMBER (2015–2017), COUNCIL OF ECONOMIC ADVISERS; PROFESSOR, THE GEORGE WASHINGTON UNIVERSITY

MIKE FOLEY | CEO, ZURICH NORTH AMERICA

DAVID M. BRACKETT | MANAGING PARTNER AND CO-CEO, ANTARES CAPITAL

PHIL SEEFRID | FOUNDER AND CEO, HEADWATERS MB

MARCO ANNUNZIATA | CHIEF ECONOMIST AND EXECUTIVE DIRECTOR OF GLOBAL MARKET INSIGHT, GENERAL ELECTRIC COMPANY

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WORLD NEWS

U.S. Says It Didn't Mislead on Ship

Defense Department takes responsibility for Vinson confusion, points to media's role

The Trump administration worked to quell an international furor and calm questions over its credibility on Wednesday after misstating by thousands of miles the location of a U.S. aircraft carrier officials had warned could be used to strike North Korea.

By Ben Kesling
in Washington, Gordon Lubold in Riyadh and Jonathan Cheng in Seoul

The White House shrugged off any blame for its role, saying it didn't mislead U.S. allies about the destination of the USS Carl Vinson and its strike group. "The president said we have an armada going toward the peninsula," White House press secretary Sean Spicer said. "That's a fact. It happened. It is happening, rather."

The Pentagon, meanwhile, acknowledged it could have more effectively handled information about the Vinson's location and course. "We communicated this badly," a defense official said.

Earlier this month, military officials said they were canceling the Vinson group's planned port calls in Australia to send it north toward the Korean Peninsula as concerns grew about preparations for possible North Korean weapons tests. The ships proceeded to Australia for



USS Carl Vinson, left, and the rest of its strike group, the USS Lake Champlain and the USS Michael Murphy in the Indian Ocean on April 14.

planned maneuvers, and are scheduled to reach the Koreas next week, officials said.

But administration and Pentagon officials throughout last week described their location in markedly more ominous terms. "We have ships heading there," President Donald Trump said he told Chinese President Xi Jinping in an April 12 phone call. "We have the nuclear subs, which are far more destructive."

Across Asia, the difference between the threats and the actual location of the ships prompted widespread criticism and confusion and threatened to open a credibility gap between the U.S. and some government officials and political observers.

North Korea's state-run news service said Washington "now bluffs" as part of its approach.

In South Korea, Hong Joon-pyo, the presidential candidate

from former leader Park Geun-hye's ruling party, said, "What [Mr. Trump] said was very important for the national security of South Korea. If that was a lie, then during Trump's term, South Korea will not trust whatever Trump says."

In China, the shifting narrative about the whereabouts of the Vinson and its strike group prompted some jibes on social media and in news outlets. The

Global Times, a nationalistic tabloid, called the incident a "scandal" that "sours Trump's authority."

The defense official said the media played a role. "Sloppy reporting" from national and international media contributed to the problem because some reports jumped to conclusions and didn't clarify the specific timing of the Vinson's arrival in that area, the official said.

Tillerson Questions Iran Deal Rationale

By FELICIA SCHWARTZ

WASHINGTON—Secretary of State Rex Tillerson said the nuclear agreement with Iran risks repeating mistakes of past U.S. policy toward North Korea, underscoring a tough Trump administration line against both countries.

Mr. Tillerson raised the prospect of new sanctions against Tehran for regional provocations and said the administration was reviewing whether to abide by the landmark nuclear deal reached in 2015.

He said the U.S. also is evaluating whether to redesignate Pyongyang as a state sponsor of terrorism.

"The Trump administration is currently conducting across the entire government a review of our Iran policy," Mr. Tillerson said. "An unchecked Iran has the potential to travel the same path as North Korea and take the world along with it."

He spoke in remarks at the State Department a day after he certified to Congress that Iran is abiding by the parameters of the nuclear accord.

It was unclear whether Mr. Tillerson's comments reflect the Trump administration's hard line on Iran or represent the beginning of a more serious policy shift. European officials have said the U.S. has signaled it will abide by the nuclear deal.

The accord, which the Obama administration considered a legacy achievement, has faced Republican opposition, and Mr. Trump denounced the deal on the campaign trail, calling it "the worst deal ever." The accord, negotiated between the U.S., France, U.K., Germany, Russia, China and Iran, curbs Iran's nuclear program in exchange for sanctions relief.

Following a February missile test, the Trump administration imposed new sanctions against Iranian entities.

Mr. Tillerson's tough talk comes ahead of elections in Iran in May, in which President Hassan Rouhani is seeking re-election. U.S. and European officials had hoped the nuclear accord would broaden cooperation with Tehran. But Iran's provocative behavior has continued since the accord took effect, U.S. officials say.

Mr. Tillerson said the deal was "another example of buying off a power who has nuclear ambitions."

—Jay Solomon contributed to this article.

Voters Oust Jakarta's Christian Governor

BY BEN OTTO
AND ANITA RACHMAN

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

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

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

donesia's tolerant traditions of Islam.

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

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

The loss injects uncertainty into Mr. Widodo's political position, handing a close ally and his party a defeat just as Vice President Mike Pence arrives in Jakarta for two days of talks with the president and

others, including a group of religious leaders at the largest mosque in Southeast Asia.

Indonesia is a key U.S. counterterrorism partner and political anchor of nations bordering the busy trade lanes and fishing grounds of the South China Sea. Mr. Pence is halfway through a 10-day trip that included stops in South Korea and Japan and will include Australia.

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

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



Supporters of Anies Baswedan celebrate his victory in Jakarta.

edge drilling techniques. The sanctions, instituted after Russia annexed the Crimea region of Ukraine in 2014, also bar dealings with Rosneft's chief executive, Igor Sechin.

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

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

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

Exxon received a U.S. waiver in September 2014, when the sanctions were first implemented and the company was working on a well in the Russian Arctic.

Mr. Tillerson and other Exxon executives asked the Treasury Department and senior Obama administration officials to allow the company to complete the well, saying it wouldn't be safe to leave before it was finished, according to people familiar with the matter. Treasury granted an extension, and the company

completed drilling in October and eventually withdrew its employees from the project.

Exxon's proposal to drill in the Black Sea has been circulated in various federal departments in recent months, several people said. Exxon is arguing that it deserves a waiver there because under its deal with Rosneft its exploration rights in the Black Sea will expire if it doesn't act,

and because some of its top foreign competitors aren't similarly restricted.

It is unusual for a company to seek a waiver based purely on future business prospects, according to former U.S. officials. American companies often seek waivers from sanctions citing humanitarian, trade or operational issues, the officials said.

SENATOR JOHN McCAIN (R., Ariz.), the chairman of the Senate Armed Services Committee and a supporter of a bill that

Black Sea Frontier

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



Source: Rosneft

THE WALL STREET JOURNAL.

would limit President Donald Trump's ability to waive or weaken U.S. sanctions on Russia, tweeted in response to news of Exxon's waiver request, "Are they crazy? @WSJ: 'Exxon Seeks U.S. Waiver to Resume #Russia Oil Venture.'"

REP. ADAM SCHIFF, the senior Democrat on the House Intelligence Committee investigating Russia's role in the 2016 presidential election, called on the Treasury to turn down Exxon's request. "Until Russia abides by the Minsk accords and ends its illegal occupation of Crimea, the only changes to sanctions should be their intensification, not their dilution," Mr. Schiff said.

Exxon opposed how the Obama administration applied sanctions on a number of its projects, according to people familiar with the matter, in part because the European Union, which has its own sanctions, granted waivers to its competitors to continue operating.

Italy's Eni SpA is allowed to operate in the Barents and Black seas and has been aggressively exploring in cooperation with Russia. "Exxon is worried it could get boxed out of the Black Sea by the Italians," said a person briefed on the company's waiver application.

The Black Sea may hold 30 billion barrels of oil, according to estimates from Russia, Turkey and Romania. Under the terms of its deal with Rosneft, Exxon needs an oil discovery in the Black Sea by the end of this year to obtain a Russian government license to drill.

—James Marson in Moscow contributed to this article.

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WORLD NEWS

U.K. Parliament Gives Approval For June Election

BY JENNY GROSS

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

The 522-13 vote on Wednesday puts the Labour Party in an uncomfortable position as it grapples with waning support from its traditional working-class base and low approval ratings in comparison with Mrs. May's Conserva-



Prime Minister Theresa May said an early election would strengthen her hand in Brexit negotiations.

tives. Pollsters and analysts say Mrs. May, in the June 8 election, could increase her majority in Commons to more than 100 from 17.

Labour leader Jeremy Corbyn said he supported an early election because it gives the British people an opportunity to vote for a government that puts the national interest first.

The prime minister, who took office in July after David Cameron resigned following the U.K. vote to leave the EU, said an early election would give her a stronger hand in coming negotiations with the EU on Britain's exit from the bloc.

Matthew Flinders, politics professor at the University of Sheffield, said it is difficult to understand why the Labour Party would support an early election, given they are likely to suffer a disastrous defeat. Mrs. May needed a two-thirds ma-

jority to approve her proposal.

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

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

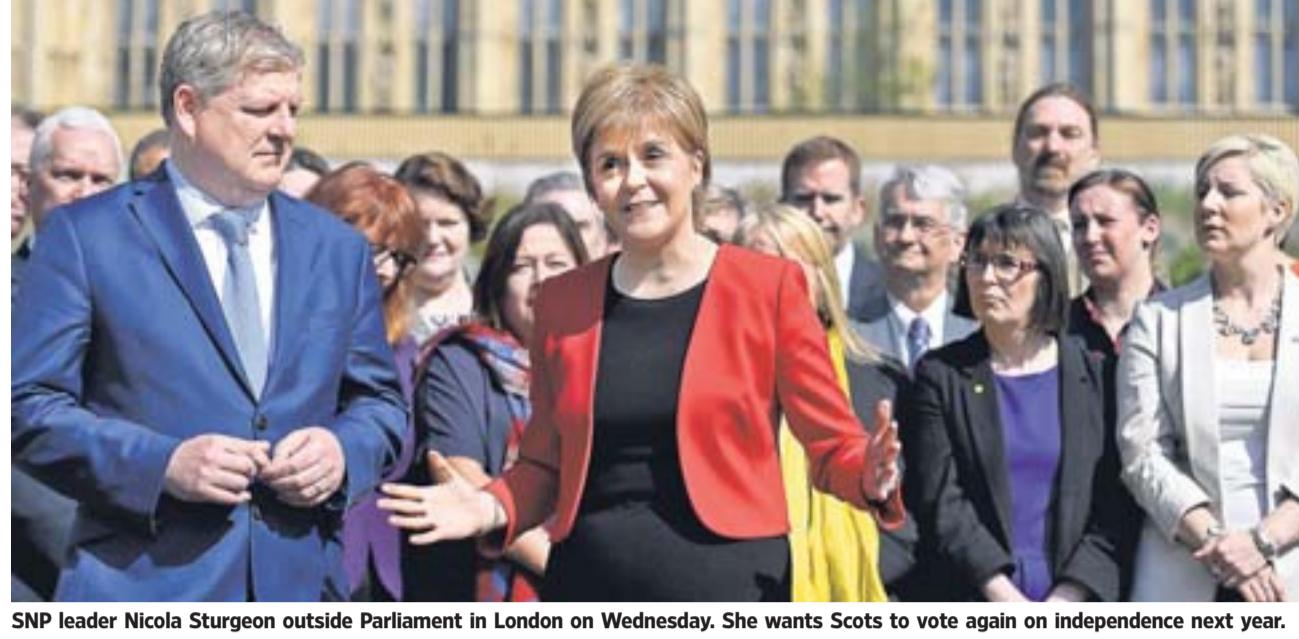
Mrs. May announced the June 8 election on Tuesday, saying that in recent days she had shifted from her previous opposition to an early ballot out of concern that a divided Parliament could hinder stability and the government's efforts to get a good deal in the negotiations.

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

With more Conservative support in Parliament, Mrs. May will be less beholden to anti-EU lawmakers in her party who favor a quick break from the EU, regardless of whether the U.K. secures an agreement to protect its trading relationship with member countries.

The elections aren't expected to delay EU negotiations. In Brussels, a spokesman for Jean-Claude Juncker, president of the European Commission, said "the real political negotiations" on Brexit will start after the June balloting.

—Laurence Norman
in Brussels
contributed to this article.



SNP leader Nicola Sturgeon outside Parliament in London on Wednesday. She wants Scots to vote again on independence next year.

Vote to Test Scots' Resolve

BY JASON DOUGLAS

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

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

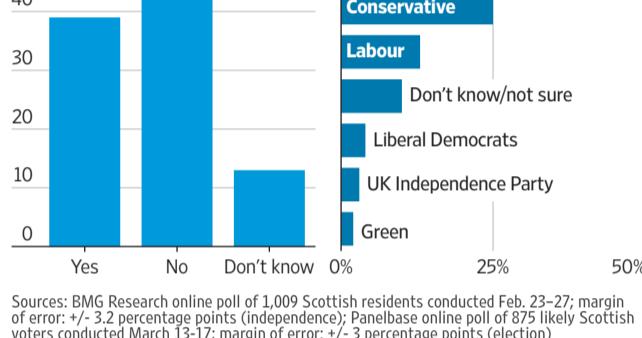
Ms. Sturgeon has already secured the backing of the Scottish Parliament in Edinburgh to hold another vote, but the referendum requires the support of Mrs. May's government to give the result legal weight and, so far, the British prime minister has resisted offering that support. She says the independence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

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

Independence Day II

The U.K.'s general election June 8 will test Scottish voters' enthusiasm for another referendum on independence, a cause championed by the Scottish National Party.

Should there be another Scottish independence vote before the U.K. leaves the EU?



Sources: BMG Research online poll of 1,009 Scottish residents conducted Feb. 23-27; margin of error: +/- 3.2 percentage points (independence); Panelbase online poll of 875 likely Scottish voters conducted March 13-17; margin of error: +/- 3 percentage points (election)

THE WALL STREET JOURNAL.

election—together with local elections in Scotland on May 4—will test the enthusiasm of Scots for a second referendum on independence. Opinion polls suggest voters are wary of a rerun after the closely fought campaign in 2014, which left battle scars on both

sides that haven't fully healed.

Lawmakers in Ms. Sturgeon's Scottish National Party argue that another strong showing in June's election would strengthen their case for a fresh push for secession. But analysts say the party is unlikely to repeat its stunning

success of 2015's election, when it swept 56 of 59 Scottish seats at the U.K. Parliament at Westminster in London. They also say that any losses will be seized on by Mrs. May as evidence the nationalist surge that threatens Scotland's 300-year-old place in the U.K. is ebbing.

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

But Ms. Sturgeon argues that June's Brexit vote means another vote is now necessary. Although the U.K. as a whole opted to leave the EU, Scots overwhelmingly chose to remain, 62% to 38%. Ms. Sturgeon says that means Scottish voters should be given the choice between leaving the EU under whatever terms Mrs. May negotiates, or going it alone as an independent country.

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

German Anti-Immigrant Leader to Skip Election

BY ANTON TROIANOVSKI

BERLIN—Germany's most prominent anti-immigrant politician said she wouldn't lead her party's ticket in September's national elections, reflecting disarray in an upstart political movement that is fighting falling poll numbers. Frauke Petry, the co-chairman of the four-year-old Alternative for Germany party, or AfD, made the announcement Wednesday in the face of heated internal opposition and amid a party dispute over strategy and leadership personnel.

Ms. Petry had been expected to seek the nomination at the party's national convention in Cologne this weekend. But on Wednesday she said a fight over leadership would distract members from the more important debate over the party's future strategy. "It is important to me that we discuss the urgent, factual questions" at the convention, Ms. Petry said, "independent of alleged or real questions of personnel."

Ms. Petry's move could further hurt the AfD. The party saw its ratings shoot up in the wake of the net inflow of more

than a million migrants to Germany in 2015. But its fortunes dropped this year after the center-left Social Democratic Party nominated a popular candidate, Martin Schulz, to challenge Chancellor Angela Merkel in the September elections. Internal disputes, including over how to treat Germany's Nazi past, have also hobbled the party in recent weeks.

The travails of the AfD offer a contrast to the rise of French nationalist leader Marine Le Pen, whose party is leading French polls and seems on track to emerge as a finalist in

the first round of that country's presidential election on Sunday. The AfD now draws 8% support, according to a Forsa poll released Wednesday, down from 12% in January.

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

"She has been the face of the AfD for people who don't know it so well," said Oskar Niedermayer, a political sci-

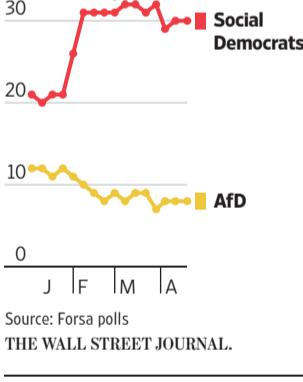
tist at the Free University of Berlin. "I don't think this will help the party."

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

The AfD, founded in 2013 mainly to oppose the euro, has since turned its focus against refugees, saying their vast numbers are threatening Germany's identity.

Back to Earth

The anti-immigrant Alternative for Germany is struggling in the polls amid a leadership dispute.



Source: Forsa polls

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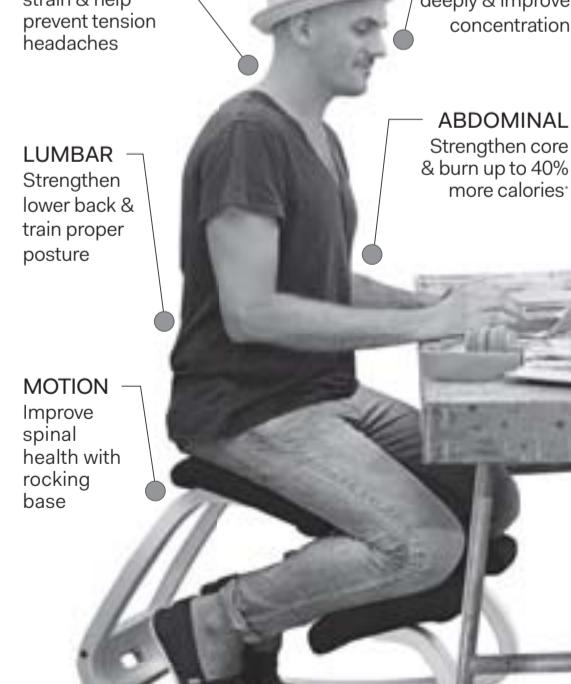
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IN DEPTH

EUROPE

Continued from Page One

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

"Our fight for fraternity will be our fight for Europe," Mr. Macron told a February rally in Lyon organized across town from where Ms. Le Pen was declaring her candidacy. "Europe! Europe!" the crowd of thousands chanted.

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

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

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

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

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

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

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

Attitudes to the EU

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

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

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

The latest polling for the French election shows four con-



CHRISTIAN HARTMANN/REUTERS

French presidential candidate Emmanuel Macron tackles skepticism about the EU by calling for more European integration, not less.

tenders clustering near the top. Mr. Macron has vaulted ahead of candidates from France's traditional parties to pull even with Ms. Le Pen for the lead. It is difficult to pinpoint how much of his support is due to his European-unity stance and how much is primarily opposition to the far right and far left.

If Mr. Macron and Ms. Le Pen make it to a decisive second round, the polls indicate he would come out ahead.

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

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

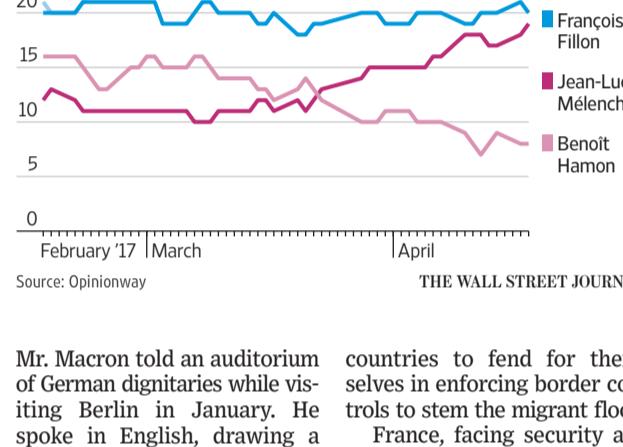
"Dear friends in France," Mr. Schulz said, suddenly switching to French at a recent gathering of center-left politicians. "We are sending you today, from Berlin, a sign of our unshakable solidarity. Together, we will defeat the enemies of tolerance and cooperation."

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

"I cannot accept leaving the idea of sovereignty to the far-right or the far-left populists,"

Tight Race

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



Source: Opinionway

THE WALL STREET JOURNAL.

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

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

Achilles' heel

The north and south are at odds over how to repair what many economists regard as the Achilles' heel of the eurozone: its inability to deal with the debt burdens of weaker members such as Greece. German-imposed austerity has damaged fragile economies, many economists say, but loosening fiscal rules could put northern European taxpayers on the hook for what many of them see as the profligacy of the south.

Southern EU countries, for their part, blame the north both for imposing austerity on them and for leaving peripheral

countries to fend for themselves in enforcing border controls to stem the migrant flood.

France, facing security and economic challenges, has retreated from its traditional role as a bridge over the north-south divide. President François Hollande flouted eurozone budget-deficit rules and bucked the EU's call to deeply overhaul rigid French labor rules. His government has refused to accept large numbers of refugees.

After Islamic State's attacks in Paris on Nov. 13, 2015, Mr. Hollande proposed amending the constitution so some French nationals convicted of terrorism could be stripped of citizenship.

The proposal scrambled French politics, with parts of his majority joining the opposition to block it.

Mr. Macron, who was then the economy minister, began charting a different course. He declared his "philosophical unease" with taking away citizenship, a proposal that looked to critics like borrowing from Ms. Le Pen's National Front playbook.

Unhappy, too, that his proposals to loosen labor rules were shelved by Mr. Hollande,

Mr. Macron founded his own movement, called En Marche, or On the Move, and quit the government.

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

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

Red meat

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

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

In France, Mr. Macron's camp reached out to Ms. Merkel in February to request a meeting. The French politician, just 39 years old and never

having won elective office, was under pressure to show he could go toe-to-toe with world leaders, and landing an audience with the German chancellor was a boon for him. In taking the meeting, Ms. Merkel departed from her decision in France's 2012 election to meet only with then-President Nicolas Sarkozy, who was seeking re-election, and not with Mr. Hollande.

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

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

"The dysfunctioning of the euro is good news for Germany, I have to say. You benefit from this dysfunctioning," he told a crowd at Humboldt University of Berlin. German officials counter that economic weakness in the eurozone, the country's biggest export market, is bad for Germany, too.

Eurozone 'new deal'

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

The French election will test the political wisdom of tackling euroskeptics head on.

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

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

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

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

"We congratulated each other," Mr. Macron said.

VEGGIE

Continued from Page One

ians, he takes great pains to make sure his substitutes look as much like the real thing as possible.

So his ground beet burger—actually a medley of beets, carrots, turnips, and zucchini bonded with brown rice and mashed potatoes—doesn't just resemble a beef burger. It oozes a reddish-pink juice, to appeal to those who like it when their burger "bleeds a little bit," he says.

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

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

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

World-wide, the market for meat substitutes sold to grocery stores and restaurants by manufacturers or distributors is anything but ersatz; even with small producers excluded, it is projected to hit nearly \$6



THE HERBIVOROUS BUTCHER

The deli case at the Herbivorous Butcher in Minneapolis offers many kinds of meat-free products.

billion by 2022, according to MarketsandMarkets, a research firm.

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

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

It took roughly 150 attempts, Mr. Walch says, to recreate the taste and texture of

the barbecue ribs he used to eat with his dad on road trips inspired by the Food Network show "Diners, Drive-Ins and Dives."

As in other vegan kitchens, the backbone of many of their mock meats is a wheat dough, called seitan after it is cooked, that "looks like muscle in the mixing," says Mr. Walch, 23.

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

"So many people just saw the words free meat," Ms. Walch recalls, that they rushed over to try samples—with

some thinking meat was being given away and wondering whether the vital wheat gluten jerky was actually venison. "We're getting the last laugh now."

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

Many are just confused about the point of it all.

"Like fine be vegan," Raven Dakota, a 23-year-old Floridian, wrote on Twitter after watching an episode of "Din-

ers, Drive-Ins and Dives" featuring the Herbivorous Butcher. "But why on earth would you call it a butcher shop?"

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

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

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

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

Mr. Fikaris wanted to hang cured salamis from the ceiling like a traditional butcher. He found the vegan versions didn't look right because they couldn't grow the benign white mold that covers real salamis while they're curing.

"It just doesn't have the fats and the salts and the sugars," he says.

In Brooklyn—no shock there—Chris Kim, executive chef at Monks Meats, makes a

vegan brisket. He also makes a grain-based version of the quintessential New York deli meat: pastrami.

Mr. Kim brines seitan for at least three days, then coats it with a spice rub for 24 hours, to make his faux pastrami. He says it took him about a year to fine-tune the technique.

"We do all the things that you would do to a piece of beef to turn it into pastrami," he says.

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

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

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

Mr. Karant says Mr. Kim's meats won't fool many carnivores, but he finds the flavors faithful to the food traditions they're mimicking.

"It's totally its own thing: nothing bloody or Texan about it, but nice and smoky and salty and toothsome," he says of the brisket. "Great with the slaw and pickles too."

GREATER NEW YORK

Lawmakers Seek Funds

By KATE KING

NEWARK, N.J.—New Jersey Democratic U.S. Sen. Cory Booker and Republican Gov. Chris Christie again joined political forces on Wednesday to call for federal investment in the region's troubled transit system.

Messrs. Booker and Christie have sharply divergent views on President Donald Trump. But at a news conference at Newark Penn Station on Wednesday, both men said they are pushing the Republican president's administration to commit federal funding for the construction of two long-delayed train tunnels under the Hudson River.

Mr. Christie, who has a longtime friendship with Mr. Trump and was one of his earliest endorsers from the GOP establishment, said he has emphasized the project's importance to the president. "I absolutely will continue to speak

my mind on this, both publicly and privately," he said.

Two recent train derailments at New York Penn Station caused days of severe delays for New Jersey commuters and intensified demands by lawmakers from both states on the federal government to provide its share of funding needed to start the Hudson River rail project.

Sen. Booker and Gov. Christie want federal money for Hudson train tunnels.

Local funding and permits for the first phase of the roughly \$24 billion project are all in place, but Mr. Trump's initial budget proposal didn't appear to include the \$750 million in federal funding needed to start construction.

"We're teetering every sin-

gle day on the brink of, truly, a traffic Armageddon," said Mr. Booker, who has harshly criticized many of Mr. Trump's cabinet appointments and policy proposals.

The recent commuting nightmares resurfaced criticism of Mr. Christie's controversial decision to cancel an earlier version of the Hudson River rail project. A small group of protesters heckled Mr. Christie at Wednesday's event, but Mr. Booker defended the governor, saying he has committed New Jersey resources to the new plan.

"That's history and I hate that I have to revisit it all the time," Mr. Booker said, referring to the project Mr. Christie scuttled. "I want to talk about where we are right now."

Messrs. Booker and Christie, along with other Democratic lawmakers from New Jersey, said they have invited U.S. Transportation Secretary Elaine Chao to tour the exist-



Sen. Cory Booker, right, and New Jersey Gov. Chris Christie spoke at a news conference Wednesday.

ing train tunnels and discuss their precarious condition.

Another storm similar to superstorm Sandy, which caused extensive damage to transit infrastructure in New York and New Jersey, would severely hamper bimodal travel and devastate the region's economy,

Mr. Booker said.

Many New York lawmakers agree. "The Gateway tunnel project is the most important infrastructure project in the country and would go a long way toward reducing delays," U.S. Sen. Chuck Schumer said through a spokesman.

A spokesman for the Transportation Department said the agency is "actively engaged" with the initiative, adding that Ms. Chao "intends to tour a number of the country's nationally significant infrastructure projects, including the Gateway project."

Pedestrian Path Back in Action in Brooklyn



SIGHT TO BEHOLD: Squibb Park Bridge, which links Brooklyn Bridge Park and Brooklyn Heights, reopened to the public on Wednesday. The 450-foot span was closed in 2014, the year after it opened, following complaints that it was undulating too much.

Judge Alone Shortly Before Her Death

By ZOLAN KANNO-YOUNGS

New York police detectives have discovered video showing Judge Sheila Abdus-Salaam walking alone toward the Hudson River in Manhattan the night before police found her body floating in the water, a senior law-enforcement official said Wednesday.

Judge Abdus-Salaam, the first African-American woman on the New York Court of Appeals, had no visible signs of trauma or foul play when her body was discovered in the Hudson River on April 12.

New York Police Department officials have said the death was likely a suicide, but haven't closed the investigation. An official cause of death hasn't yet been determined, according to a spokeswoman for the New York City office of the chief medical examiner.

The video footage shows Judge Abdus-Salaam at about 9 p.m. on April 11, walking west alone between her home on West 131st Street and the Hudson River, the senior law-enforcement official said. She appeared to be wearing the same clothes that were on her body when she was pulled from the Hudson, the official said.

The video footage is helping investigators work out a timeline of the 65-year-old judge's final hours. The last time anyone had heard from Judge Abdus-Salaam was before 10:20 a.m. on April 11, when she called her assistant.

Police also now know there

was no one else with her as she walked to the river.

"If she was walking with two other people that might give us a bigger question here," the official said.

Police responded to a 911 call on the afternoon of April 12 and found Judge Abdus-Salaam's body in the river. Authorities don't believe she had been in the water a long time.

Judge Abdus-Salaam was married to Rev. Gregory A. Jacobs of the Episcopal Diocese of Newark, who reported her missing on April 12.

Investigators were still searching the area for additional surveillance video that could provide more details about the judge's death.

On Tuesday, police issued a public appeal on Twitter for tips about Judge Abdus-Salaam's death. The public notice says she was last seen wearing a gray sweatshirt with the word "Canada" in red letters on the front. She also wore black sweatpants, white ankle socks and white sneakers.



Judge Sheila Abdus-Salaam

City Aims for \$13 a Pack to Get Smokers to Quit

By MELANIE GRAYE WEST
AND MARA GAY

In an effort to bring the city's smoking rate to its lowest-ever level by 2020, New York City Mayor Bill de Blasio on Wednesday endorsed a proposal that would raise the cost of a pack of cigarettes from \$10.50 to \$13, a price designed to snuff sales.

The measure is part of a handful of legislative proposals city officials hope will work to reduce the number of smokers in the city by 160,000 over three years. Currently, there are 900,000 smokers in the city, including 15,000 youths, according to the New York City Department of Health and Mental Hygiene.

"Tobacco causes one in three heart-disease deaths," said Mr. de Blasio. "What we're going to do now is move forward on a plan that will hit tobacco hard on many different fronts and address the problem of smoking in ways that reach down to the grass roots of the city."

The proposed \$13 price floor isn't significantly more than the current cost of a popular pack commonly sold in Midtown Manhattan. The new law, if enacted, would also set a price floor on other tobacco products, raising the base price on a single cigar to \$2, and smokeless tobacco to \$8 a package, with loose tobacco at \$17 a package.

The law would also newly tax some tobacco products at 10% of the minimum price; the proceeds of that new tax revenue, estimated at \$1 million, would go to support public housing, per an established city law.

Joel Kaplan, an artist who lives in the Ridgewood neighborhood of Queens, said he often finds cigarettes at nearby bodegas at prices below the current legal price floor, sometimes for as little as \$7 a pack. Mr. Kaplan, 31 years old, said he doubted the price would make him change his behavior.

"I call myself a part-timer; I can go days without buying

Up in Smoke

Percentage of adults who smoke cigarettes in New York City



Source: New York City Community Health

THE WALL STREET JOURNAL.

pitality Alliance, said the only impact of the legislation would be hurting the bottom line of small businesses that sell cigarettes across the city. Mr. Bookman said smokers would turn to illegal cigarettes to get around the price increase.

Rich Marianos, a Washington-based consultant for Newport-maker Reynolds American Inc. and a retired assistant director for the Bureau of Alcohol, Tobacco, Firearms and Explosives, said the new proposals open "more doors for more crooks to buy tobacco products in lower-taxed states and areas, or bring in more narcotics, guns and criminal entities to use New York as a home base."

Health commissioner Mary T. Bassett, who started smoking as a teenager and stopped after 15 years, said the city is trying to make it easier to quit and harder to smoke.

"We're talking about saving lives," she said.

—Sharon Terlep
and Jennifer Maloney
contributed to this article.

In New York City criminal courts in 2015, a defendant waited an average of 474 days to get a bench trial and 564 days for a jury trial, according to court-system data.

At the hearing Wednesday, Henry Berger, special counsel to the mayor, defended the administration. He said the delays in the courts aren't because of a lack of judges, but because of a lack of other resources, such as court officers.

Mr. Berger said judges for all the seats are currently going through the approval process and should be in the courts soon.

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GREATER NEW YORK

GREATER NEW YORK WATCH

NEW JERSEY

Ire Over Courthouse Immigration Arrests

New Jersey Supreme Court Chief Justice Stuart Rabner asked the Trump administration Wednesday to avoid immigration arrests at state courthouses, following a similar request last month from a judge in California.

In a letter to Homeland Security Secretary John Kelly, Chief Justice Rabner said federal immigration officials recently arrested two people in New Jersey courthouses. The arrests could cause witnesses to stay silent or domestic-abuse victims to avoid court, he said.

"A true system of justice must have the public's confidence," the judge said in his letter.

Chief Justice Rabner said he wants Mr. Kelly to add courthouses to a list of sensitive locations—like houses of worship and schools—recognized by immigration officials.

California Chief Justice Tani Cantil-Sakauye made a similar request in March.

Mr. Kelly and Attorney General Jeff Sessions have defended the practice, saying visitors to courthouses are typically screened for weapons.

—Associated Press

LONG ISLAND

Driver in Fatal Crash Sentenced to Prison

A man convicted of aggravated vehicular homicide has been sentenced to a prison term of 12 to 36 years for a 2015 Long Island crash that killed a father and his two young children.

Oniel Sharpe Jr. was sentenced this week after being convicted in February in the July 12, 2015, deaths of Ancio Ostane, his 8-year-old son and 4-year-old daughter on the Southern State Parkway. Mr. Ostane's wife, Lucnie Bouaz-Ostane survived the crash. Authorities said Mr. Sharpe was driving at more than 90 mph.

—Associated Press

CONNECTICUT

Plane Goes Down, Killing Two People

Two people were killed in a plane crash near a small airport in East Windsor, authorities said.

The aircraft went down in the woods shortly after taking off from privately owned Skylark Airport around 6:45 p.m. Tuesday, according to the Federal Aviation Administration.

The names of the people who died weren't yet released.

—Associated Press



New-Old Homes Are Hot Properties

BY JOSH BARBANEL

From the outside, the pre-Civil War townhouse in Brooklyn looks little changed in a hundred years, with its rounded parlor windows, ivy and Juliet balconies.

Inside, everything is stylishly modern, from the limestone and oak floors to the fittings for powered window shades.

The townhouse at 100 Pierrepont St. in Brooklyn Heights is the latest new-old townhouse to come on the market in what has become a formula for success for many developers. The asking price: \$10 million.

Many affluent buyers want the finishes and style of a new high-rise condo, but in an older private house, with a patina of history. As a result, brokers say, the premium for a freshly finished townhouse is rising.

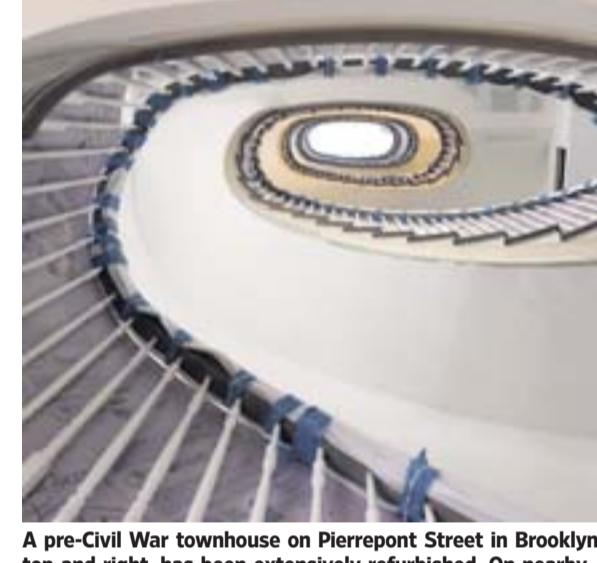
Some clients enjoy tackling renovations, said Michael Ingui, a principal of Baxt Ingui Architects P.C., who recently turned a developer-owned townhouse at 146 Willow St. a few blocks away into an energy-efficient house that is on the market for \$15 million. "Others don't want to deal with demolition and the buildings department."

Many townhouse developers begin as small as do-it-yourselfers, and then take one project after another.

But 100 Pierrepont St. is different. It is being renovated by Kushner Cos., a New York-based real-estate organization that until recently was headed by Jared Kushner, President Donald Trump's son-in-law and a senior White House official.

Mr. Kushner has since stepped down from the company and sold his stake in properties to other family members.

The Kushners joined the



A pre-Civil War townhouse on Pierrepont Street in Brooklyn, top and right, has been extensively refurbished. On nearby Willow Street, above, renovations included an oval staircase.



townhouse-renovation scene in Brooklyn Heights through the opportunities presented in an unusual \$36.5 million transaction in 2014. They bought a package of six apartment buildings used as dormitories for Brooklyn Law School.

Three buildings are now market-rate rentals, while the smaller ones are being converted back to the single-family houses they once were.

The most expensive townhouse sale in Brooklyn was a freshly renovated 10,000 square-foot carriage house with a movie theater that seats 20,

at 177 Pacific St. in Cobble Hill. It sold for \$15.5 million in 2015, after changing hands for \$1.5 million in 2012, pre-renovation.

In January, one of the Kushner houses, a 7,000 square-foot, 25-foot-wide residence at 27 Monroe Place, went into contract. It originally was listed for \$18 million last year, then cut to \$16 million. The deal, several brokers say, was

signed for a lower price that wouldn't set a record.

Terry Naini, a broker at Brown Harris Stevens who is listing the 100 Pierrepont St.

house, said major developers typically don't go into the townhouse business because the margins are too small.

More clients want private homes with a patina of history and new-condo finishes.

At 100 Pierrepont St., the Kushners ripped out the interior, added an elevator and created a garden level paved entirely in limestone, with a kitchen facing the landscaped backyard. A rectangular central staircase rises five stories to a rooftop patio.

The 5,900 square-foot house has five bedrooms, six full baths and two half-baths, with upstairs and downstairs

washers and dryers. The design is contemporary, without elaborate detailing, to appeal to a range of potential buyers, Ms. Naini said.

At 101 Willow St., another developer, Ryan Chang, has taken a decidedly different approach. Mr. Chang renovates one apartment or house at a time. "I don't have a team," he said. "I try to do one project perfectly."

Mr. Chang spent \$7.3 million to buy the corner townhouse, and then excavated downward about 6 feet to raise the ceiling heights on the garden and parlor floors.

In the kitchen, he and his crew created a floor-to-ceiling wall of windows the width of the 25-foot wide house. A curved oval staircase rises up five stories.

Mr. Chang hasn't set a price for his residence, which is expected to be completed in a few weeks. He said he may even move in himself. "I have to be convinced to sell it," he said.

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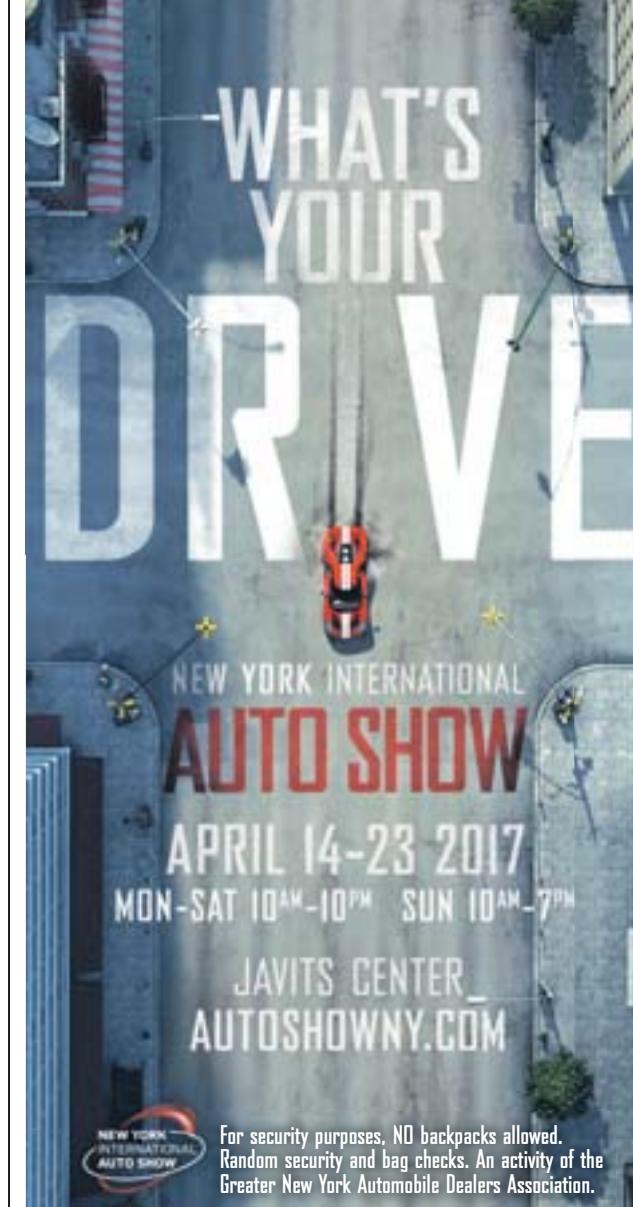
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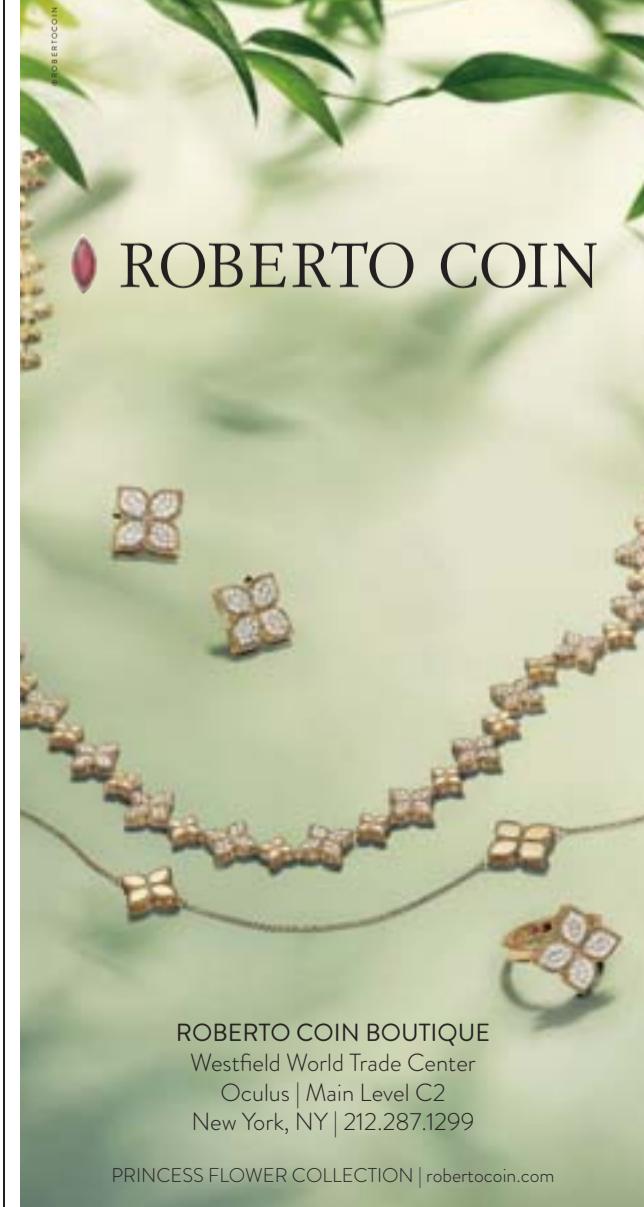
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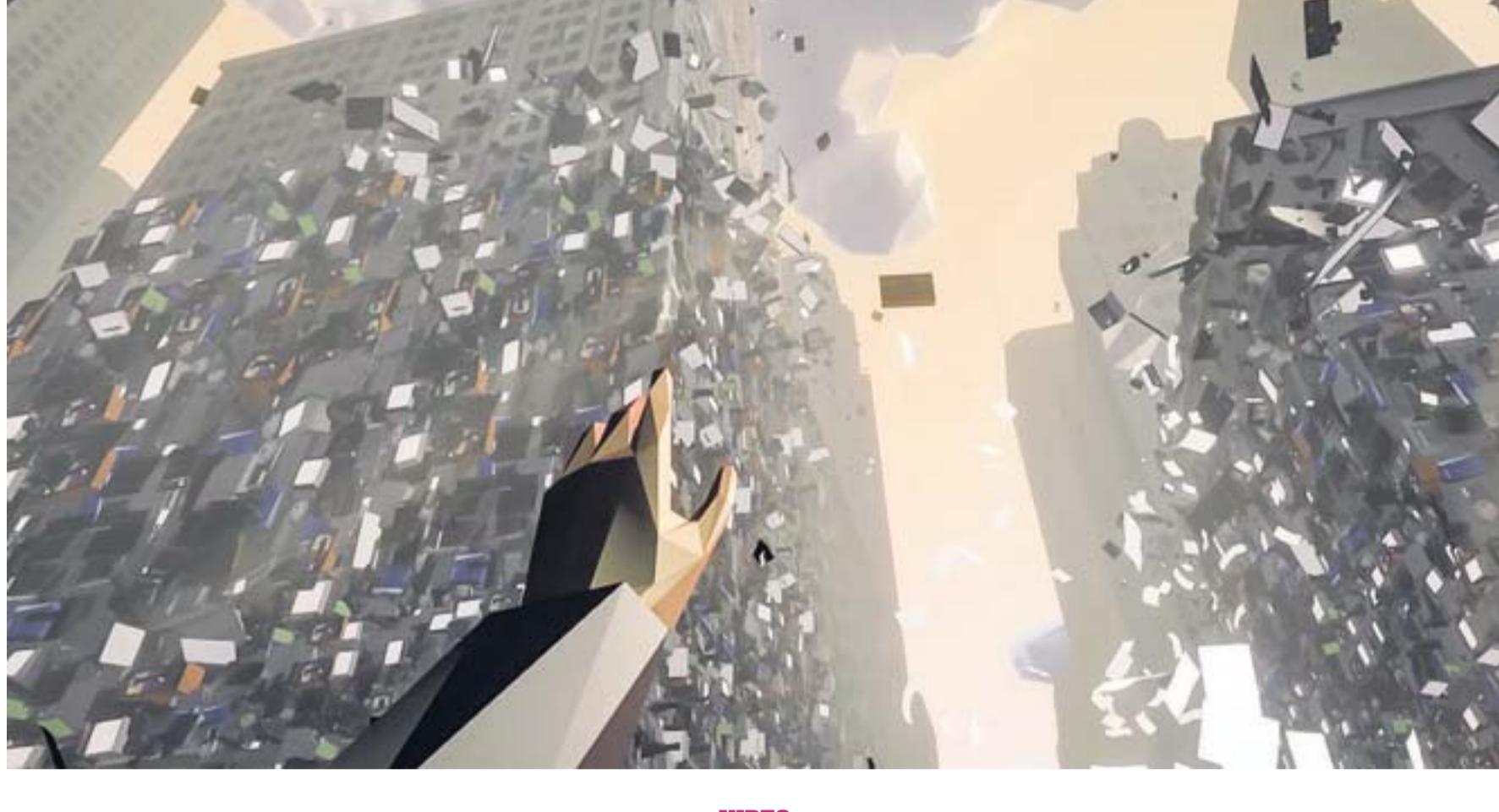
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LIFE & ARTS



VIDEO

The A-List Tackles VR

Kathryn Bigelow, Alejandro G. Iñárritu and Megan Ellison join the creative push into virtual reality

BY ELLEN GAMERMAN

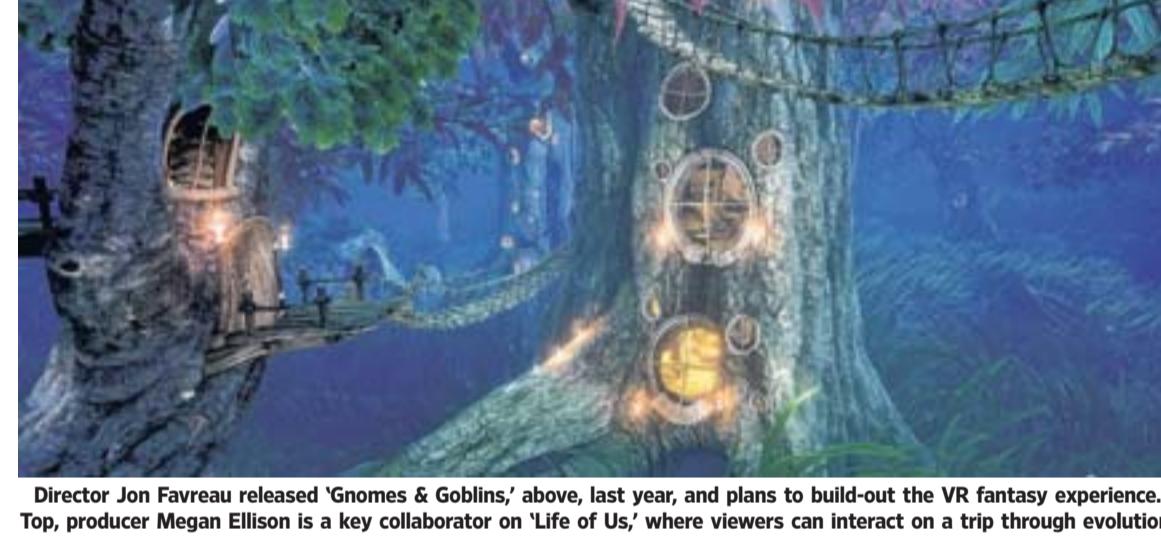
IN SHOW BUSINESS, virtual reality is the new ingénue.

The 360-degree immersive technology started emerging at film festivals about five years ago, often in projects that were more snazzy demos than stirring narratives. Since then, movie executives have used VR to promote existing franchises and provide interactive extras for anticipated blockbusters.

Now, the entertainment industry is dedicating new levels of talent, money and time to VR projects, with a premium on original stories, award-worthy performances, Hollywood production values and a pinch of celebrity.

At the Tribeca Film Festival, which opens this week, the VR lineup includes projects connected to director Kathryn Bigelow, musicians John Legend and Pharrell Williams, producer Megan Ellison and others.

"We can look forward to seeing people put way more art into vir-



Director Jon Favreau released 'Gnomes & Goblins,' above, last year, and plans to build-out the VR fantasy experience. Top, producer Megan Ellison is a key collaborator on 'Life of Us,' where viewers can interact on a trip through evolution.

tual reality," said Loren Hammonds, the New York festival's programmer for film and immersive. Mr. Hammonds, who refers to traditional films as "flatties," said

curating the VR content was even tougher this year given the heightened competition.

It's a creative niche that has yet to be fully identified or under-

stood. Enthusiasts are unsure whether audiences will watch VR movies wearing headsets in theaters or experience them privately like video games. They don't know

how long people will want to wear the bulky headsets at a sitting. (Most VR pieces now last around 10 minutes.) It's also unclear whether mainstream audiences will want to interact with characters and alter plots or play a more ghost-like observational role.

"Nobody quite knows what it is but you can tell that the sauce is bubbling and something's going to happen soon," said Jon Favreau, director of "The Jungle Book" and "Iron Man" who created the interactive VR fantasy work "Gnomes & Goblins" released last year. Mr. Favreau, who has been digging into research on Walt Disney to better understand how the legendary animator used new technology to connect with his audiences, said VR has the potential for the greatest impact when it is used in the service of emotionally engaging stories.

Hollywood can't necessarily apply its old expertise to the new medium, which many argue is not a movie, not a video game, but some-

Please see VR FILMS page A10

FROM TOP: WITHIN; WEVR

EXERCISE

Rise of a Free Fitness Empire

BY RACHEL BACHMAN

ONE OF THE NATION'S hottest gyms isn't a gym. And it's free.

Fitness Blender, an online-workout company run by personal trainers Kelli and Daniel Segars, is the most-watched fitness channel on YouTube and just passed 4 million subscribers. That's more than the number of members at 24 Hour Fitness, one of the nation's biggest health-club chains.

Fitness Blender's YouTube channel and corresponding website feature more than 500 workout videos, most of them filmed in the Segars' garage north of Seattle. Against a plain-white background, they sweat through basic but challenging moves, including the occasional stumble.

"These people look normal," says Haley Wilson, a 20-year-old fan in Fort Erie, Ontario, who last year had Fitness Blender's logo tattooed on her left arm.."

Fitness Blender is a leader in the quiet migration away from traditional health clubs and toward on-demand services such as online-streaming workouts that people can do in their living room.

Boutique online offerings have gained traction, such as Peloton, which streams live classes for \$39 a month to those with one of the company's \$2,000 bikes. Fitness Blender is the leader in free workouts. The site's fans have embraced its simple approach to health: Do a blend of exercise types and eat whole, healthy foods.

"It's not about being bikini-ready," Ms. Segars says. "It's about



not dying of a heart attack."

Fitness Blender workouts have no music, no yelling, no fitness models glistening in the background. Most workouts require little equipment, such as a set of dumbbells, or none. The company employs one full-time staff member, one three-quarters time and six to 12 contractors. It doesn't sell nutritional supplements, a lucrative part of the fitness industry.

Fitness Blender makes most of its revenue from video ads, plus digital eating plans and workout plans that sell for \$6 to \$25. Despite the bare-bones approach, or perhaps because of it, the seven-year-old Fitness Blender has grown into what the Segars say is a multimillion-dollar business with revenue growing more than 20% a year.

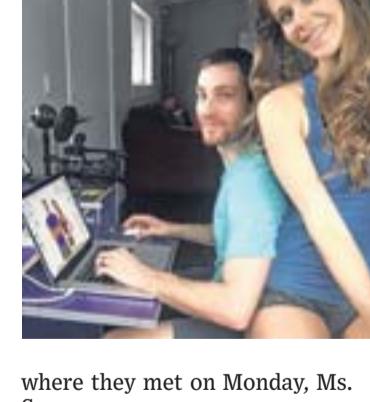
Cynthia Winward of Provo, Utah, uses Fitness Blender's online calendar to queue up workouts for herself and her husband, Paul, five

days a week. He does them first thing in the morning, she after the children go to school.

The site was less "girly" than the videos Cynthia favored, she says, and more low-key than others they'd done that featured bellying trainers. "Certain famous workout people, they like to yell at you," says Ms. Winward, who runs an embroidery-design business from home. The Segars say "were like, 'Take a break if you need to.'"

More than half of Fitness Blender's users live outside the U.S., Mr. Segars says. The workouts include a thermometerlike progress clock and an inset video showing how to do the next exercise, making them easy for non-English speakers to follow.

Fitness Blender was born during the financial crisis. The Segars closed on their first house in 2008 on a Friday, got married on Sunday and lost their jobs at the gym



Daniel and Kelli Segars, left, have developed a large YouTube following by making exercise videos in the converted garage, above and far left, in their home outside Seattle.

industry a little bit," says Ms. Segars, who is 33. "You can get free workouts built by professionals and you never have to open your wallet."

In the faddish fitness industry, Fitness Blender has shown staying power. It has a four-year-old workout that's getting 30,000 views a day, says Kevin Allocca, head of culture and trends at YouTube.

Amy Harris Gray, a 52-year-old physical therapist and group-fitness instructor in West Linn, Ore., says Fitness Blender's thorough warm-ups and cool-downs and modifications for people with sore joints are unusual among the many paid and free workout sites she's tried. "No one else compares in quality, personality, options and with balanced, safe workouts," Ms. Gray says.

The Segars were silent in the early workout videos but found that people liked it better when they were talking and "huffing and puffing along with them," Ms. Segars says.

"I think we kind of shook the in-

terview," Ms. Segars says.

As they cobbled together a living—Daniel as a plumber's apprentice and personal trainer, Kelli writing freelance and counseling unemployed people—they began filming and posting full workout videos on YouTube. The idea was to get their ideas out to as many people as possible, Mr. Segars, 36, says. At the time, most fitness gurus saved their best content for DVDs or paid-subscription services, using YouTube only for promotional clips.

"I think we kind of shook the in-

LIFE & ARTS

THE MIDDLE SEAT

A Guide to Wrinkle-Free Travel

BY SCOTT McCARTNEY AND
RAY A. SMITH

EXPERIENCED TRAVELERS have a million and one strategies for one of the most persistent hassles of travel: wrinkled clothes.

Some roll garments. Others swear wrapping clothes in plastic dry cleaning bags wards off wrinkles. "People who travel a lot like me have to have a system," says David Lax, a Boston-based corporate negotiations adviser. He keeps suits at hotels in Frankfurt and London so he has un wrinkled clothes for client meetings.

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

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

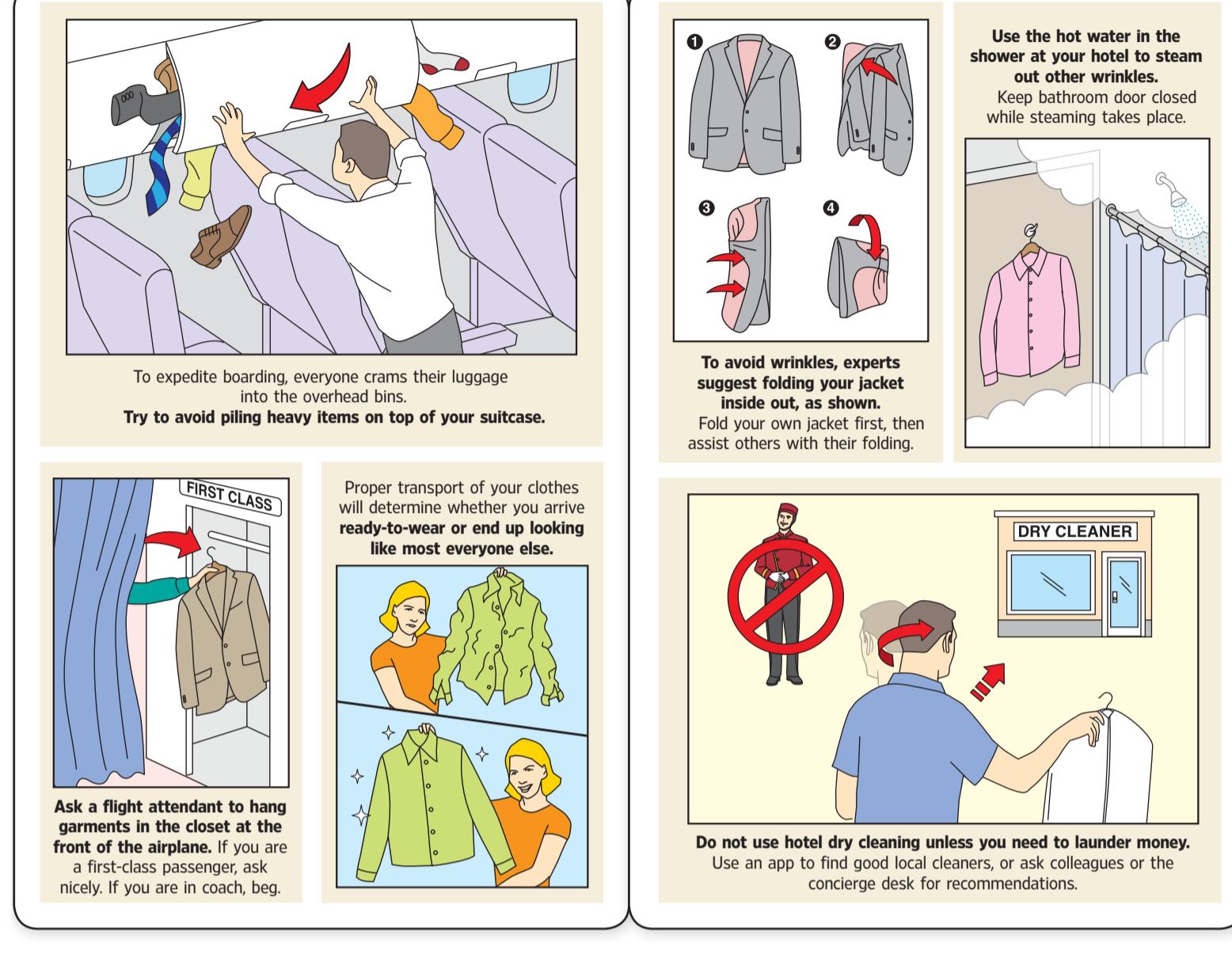
Airlines also sell wrinkle-busting—for their premium passengers. Some arrivals lounges offer pressing service while you shower.

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

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

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

Eugene Tong, a fashion consultant, fashion-show stylist and former style director at Details magazine, recommends suit jackets or sport coats and blazers that are unstructured, with little or no lin-



ing and soft shoulders. "They're easier to pack than a structured shoulder, and that kind of soft shoulder Italian suit is kind of trendy now," he says.

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

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

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

How tight your clothing's fabric is woven can determine whether it

will wrinkle or not. And blending materials can help it stay crisp.

"If you want mostly cotton, then find something that has some spandex, rayon or polyester in it also. They will help create some flexibility in the fabric," says Megan M. Evans, founder of the Well Coiffed Closet, a personal wardrobe styling company based in Nashville, Tenn.

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

With wrinkle-resistant clothing, just stand up and "shake it out a little bit," says Mary Beth Blake, brand president of Jos. A. Bank, the men's clothing retailer which sells a wrinkle-resistant Traveler Collection.

Noniron shirts are usually treated with a resin that stiffens the fabric. The resin typically releases traces of formaldehyde, a carcinogenic chemical used in embalming fluids. The chemical can be found in household products including sheets and shampoo. Most consumers don't suffer any reactions, but a small group might experience skin issues such as itchiness, manufacturers say.

Mr. Lax has tried noniron dress shirts from Brooks Brothers and Jos. A. Bank and thinks they are marginally better than untreated shirts. His favorite no-iron traveler shirt is a \$20 Costco house brand.

Leaving suits at the Conrad London St. James and the Sherraton at the Frankfurt airport not only saves wrinkles but also lightens his carry-on and lets him avoid checking bags. There's a risk the hotels could lose his suits, but he thinks the risk of airlines losing his luggage is greater.

Mr. Lax doesn't iron: "I'm just

not very good at it," he says. He'll sometimes employ the bathroom steam trick, which he finds useful but imperfect. One new problem: some hip hotels don't have real doors on the bathroom.

Zigmund Denbeck, a public health expert who travels frequently around the world, is a big believer in the power of steam. He'll hold his jacket on his lap in coach. As soon as he gets to his hotel, he hangs clothes in the bathroom and fires up the shower. "That's a miracle worker," he says.

Experts say rolling can work. Ms. Evans, the personal wardrobe stylist, says women should roll silks and jersey "as if you are using a rolling pin." She says to fold blazers and more structured pieces and wrap it all in dry cleaner plastic.

The shower trick, Mr. Tong says, can leave clothes feeling damp. So he runs the shower for his clothes while he has breakfast and lets them dry out in the closet while he showers and shaves.

VR FILMS

Continued from page A9

thing entirely its own. Many works branch in alternate directions based on where viewers direct their gaze. Writers do math to track a single story's potential outcomes. Actors perform long continuous takes, on view without the benefit of edits, visible at all times. Filmmakers search for new tricks to direct the audience's focus since they can't rely on close-ups and other traditional cinematic techniques to do it for them.

The new art form has recently experienced several milestones, including the first Oscar-nominated film connected to VR. "Pearl," a nearly six-minute piece created for Google Spotlight Stories about a girl and her father driving across the country, was nominated for best animated short. Though the 2D movie was up for the award, not the virtual-reality version of the film, entertainment industry veterans called this association a major step forward for VR.

Next month, director Alejandro G. Iñárritu and cinematographer Emmanuel Lubezki, both 2016 Oscar winners for "The Revenant," will debut a virtual-reality installation at Cannes, "CARNE Y ARENA"—the first VR project chosen for the Official Selection of the film festival. The project, based on real accounts, revolves around the personal pilgrimages of immigrants and refugees. In a recent statement, Mr. Iñárritu called the work "an attempt to break the dictatorship of the frame—within which things are just observed—and claim the space to allow the visitor to go through a direct experience walking in the immigrants' feet, under their skin, and into their hearts."

Last year marked the first time an Emmy went to an original VR story rather than a VR project created as a tie-in for a TV series. "Henry," an animated short from Oculus Story Studio about a lonely hedgehog's birthday wish, won the trophy for outstanding original interactive program.

Unlike the many animated VR works, the rise of immersive pieces with human actors offers new possibilities for intimacy. In "Broken Night," an interactive drama pre-



'Pearl,' about a girl and her father driving across the country, is the first Oscar-nominated film connected to VR.

miring at Tribeca, Emily Mortimer is an unreliable narrator recounting a traumatic encounter with an intruder in her home. Viewers can choose which of her fragmented memories to pursue. "It's kind of hard to empathize with a green-skinned alien made out of computer imaging," said the film's writer, Alex Vick. "But if it's a real human being crying in front of you, it's pretty intense."

Currently, most VR watching happens at home, with audiences streaming or downloading content via apps and sites like YouTube. Films are made for a mix of VR headsets, including cheaper options like Google Cardboard. Some pieces play at theaters in museums and other institutions. Earlier this year, an IMAX center dedicated to VR opened in Los Angeles with vibrating vests, motion chairs and headsets inside 14 pods for experiencing the works. IMAX plans to open more centers in the U.S., U.K. and China in the coming months.

Robert Stromberg, cofounder of the Virtual Reality Company, a Los Angeles content studio and production firm, said VR will start

reaching its full potential when filmmakers figure out how to place popular actors inside these generated worlds, enabling audiences to exist alongside those living, breathing performances. "That's the holy grail of what needs to happen," he said. The Oscar-winning "Avatar" production designer is creating a one-hour VR film he aims to release next year. He talked about potentially reviving the movie intermission so viewers could share their experiences and described the possibility of 30-seat VR theaters in the future.

VR filmmaker Chris Milk, the founder and CEO of the virtual-reality company Within, wants viewers to interact not just with the story but with each other. When his roughly seven-minute work about evolution, "Life of Us," debuted at this year's Sundance Film Festival, people waited as long as nine hours to experience the interactive work. When they emerged, he said, many had bonded in the virtual environment. "We saw all these straight bro dudes like, 'Oh, we should totally keep in touch,'" Mr. Milk said. "Bar none, VR is going to be the most connected artistic medium for storytelling that we've ever experienced."

5 Virtual Reality Projects to See:

Virtual-reality is luring the high-profile ranks of Hollywood. The Tribeca Film Festival, which kicks off in New York this week, features 30 VR projects, most of them world debuts. Next month at the Cannes film festival, VR is expected to make another splash. Here, some VR projects stirring up the movie business:

'THE PROTECTORS: WALK IN THE RANGER'S SHOES' Kathryn Bigelow, Oscar-winning director of "The Hurt Locker," premieres this documentary at Tribeca about African rangers defending elephants from ivory poachers. The film includes suspenseful shots where viewers are surrounded by tall grass and a lingering image of a mutilated elephant head buzzing with flies.

'CARNE Y ARENA (VIRTUALLY PRESENT, PHYSICALLY INVISIBLE)' Alejandro G. Iñárritu's virtual-reality installation premieres at Cannes next month, marking the first VR project ever chosen as an Official Selection of the film festival. The six-and-a-half minute VR experience about immigrants and refugees reunites Mr. Iñárritu with cinematographer Emmanuel Lubezki. Both won 2016 Oscars for "The Revenant."

'LIFE OF US' Producer Megan Ellison, founder of Annapurna Pictures, is a key collaborator on this immersive evolution story with new music by Pharrell Williams, on view at Tribeca.

'RAINBOW CROW' The animated VR series based on a Native American story of a singing bird debuts at Tribeca with John Legend voicing the title role.

'ARDEN'S WAKE' Eugene Chung, formerly of Oculus VR and Pixar Animation Studios, directed this post-apocalyptic tale of a young woman entering forbidden seas on a quest to find her father. It debuts at Tribeca.

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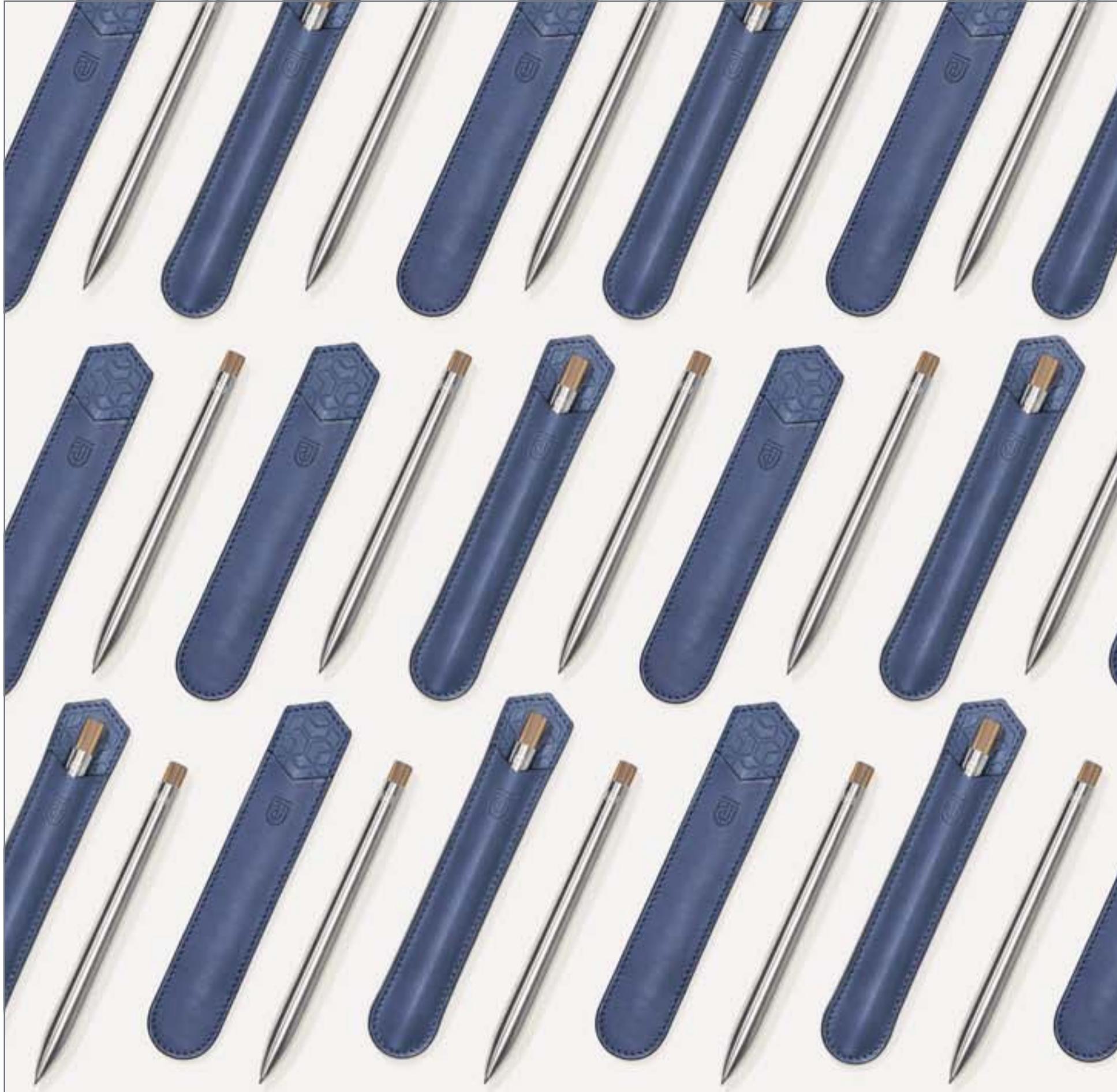
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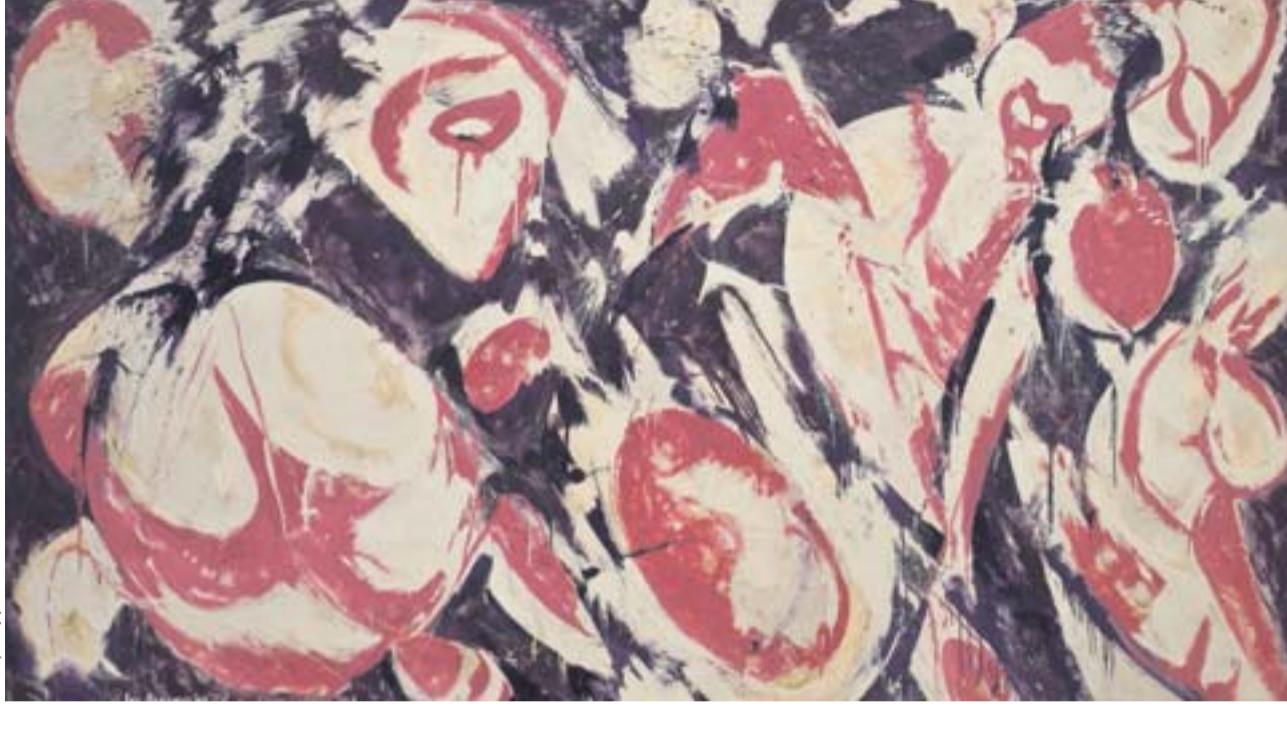
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ART REVIEW

'MAKING SPACE' WITHOUT ENOUGH ROOM

In striving to make up for the neglect of women artists, an exhibition seriously skews the history it's trying so hard to correct



BY PETER PLAGENS

New York A BIG MUSEUM thrill is seeing great works of art in the flesh. A bigger one is seeing a great work of art by an artist heretofore unknown to you. That's the case for me with a small (39 3/8 inches by 13 inches) untitled, geometric oil painting made in 1957 by the Venezuelan artist Elsa Gramcko (1925-1994). The work is one of about 100, by 50 artists from the U.S. and elsewhere, in the timely exhibition "Making Space: Women Artists and Postwar Abstraction," at the Museum of Modern Art in New York through Aug. 13. The period covered is from the end of World War II to the late 1960s.

Gramcko's little masterpiece of inventive and quirky balanced shapes and painstakingly applied, subtly gradated colors on a cliché-challenging black background isn't, however, the only wowser from MoMA's loaded vaults. (All the art in the show is either owned by the museum or has been promised to it.) A big, breathtaking 1966 Lee Krasner—the equal in all but the radicalism of her husband, Jackson Pollock—greets viewers almost immediately upon entering the exhibition. A gracefully gothic all-black Louise Nevelson wall sculpture gives life to another gallery, as does (to the point of overwhelming everything else in the room) Lee Bontecou's large, grimly black-and-tan, untitled construction in canvas and steel from 1961. "Making Space" is chock full of both under-known aesthetic gems and textbook examples by artists (e.g., Lynda Benglis and Louise Bourgeois) whom, to invoke the old chestnut, we already know and love.

But there's a big problem with this exhibition. While claiming in its press materials that it "spotlights the stunning achievements of women artists during a pivotal period in art history," it confuses an exhibition checklist with an actual exhibition. "Making Space" seriously misrepresents the "achievements" of several artists in the show. In striving to offer museological reparations for the past and continuing ne-



glect of women artists, it seriously skews the history it's trying so hard to correct.

The spotlight that MoMA has focused on women artists in "Making Space" is on the blink. To take a small matter first, the sculpture by Eva Hesse (1936-1970), an untitled black wall piece from 1966, with elastic cord wound around a curved papier-mâché tube with a looping surplus at both ends, is typical of Hesse's eccentric originality but hardly capable, on its own, of indicating her clout and quality as a sculptor.

MoMA owns far more impressive Hesses than this one, such as those from her "Repetition Nineteen" series of irregular cylinders set about on the floor. The almost sui generis California sculptor Ruth Asawa (1926-2013) is represented by a delicately strong hanging wire piece from 1955 that seems to undulate while standing still. But Asawa's porous forms are suspended near the center of its gallery instead of in a corner against



plain white walls, and the noise of the other art one sees through her work mitigates its beauty.

A real crime, however, is perpetrated upon the Minimalist sculptor Anne Truitt (1921-2004). Instead of including one of the lovingly painted boxes (think Donald Judd with no bombast) for which Truitt is best known, the curators confine her presence to three 1966 ink drawings, each titled "Sumi Drawing" and offering simple compositions of gray stripes. They're elegant and precise, and with very spare means say a lot about perception. Still, they're lost on the wall and give the viewer who might have been attracted to the exhibition by its subtitle a misleading picture—if a picture at all—of Truitt's quiet power. The museum does, however, own "Catawba" (1962), a dark symmetrical combination of boxes, which would have made a wonderful counterpoint to "Yellow Abakan" (1967-68) the big, beastly yellow-ochre weaving in sisal twine by the Polish artist Magdalena Abakanowicz (b. 1930).

One of the exhibition's curators said in conversation at the press preview that they'd considered a freestanding

Clockwise from above: Lee Krasner's 'Gaia' (1966); Louise Bourgeois's 'The Quartered One' (1964-65); Ruth Asawa's 'Untitled' (1955)

Truitt, but there just wasn't enough space for it to be seen properly—or, presumably, to include Hesse's "Repetition Nineteen," which requires a lot of floor space. And thereby hangs the relative failure of "Making Space." The complex logistics of thinking up, organizing and installing exhibitions at MoMA notwithstanding, the museum should have either cut down the number of artists it included (for example, by eliminating pottery and furniture design, which have little to do with "abstraction"), or—a far better option—devoted more room to the show. But alas for the women, a massive Robert Rauschenberg retrospective arrives May 21, and will homestead the more capacious fourth-floor galleries.

Crammed into its third-floor quarters, and cluttered with too many minor or ancillary works, "Making Space" contradicts its own title. While there are several serendipitous encounters with undersung artists to be had, as well as refreshing reacquaintances to be made with such major figures as Grace Hartigan, Jo Baer and Bridget Riley—who managed to establish themselves in spite of the unconcern and even hostility of the art world—this show feels like a lounge act for the coming main event upstairs. Or, in terms a more militant feminist than I am might sarcastically use: Back to the kitchen, ladies. Bob's got the dining hall all to himself.

Making Space: Women Artists and Postwar Abstraction
Museum of Modern Art,
through Aug. 13

Mr. Plagens is an artist and writer in New York.

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Marc Porter returns to Christie's after brief stint at Sotheby's.

ART

Exec Returns To Christie's

BY KELLY CROW

THREE MONTHS after taking a top post at **Sotheby's**, auction deal maker Marc Porter has switched again, returning to rival **Christie's International**, the latest sign that competition between the world's two biggest auction houses is increasingly cut-throat.

Mr. Porter, who had started working as chairman of Sotheby's fine art division Jan. 17, confirmed Wednesday that he had resigned and rejoined Christie's, where he had previously worked for 25 years in a variety of roles.

His start date remains unknown, but the house said he will assume his former title as chairman of Christie's Americas, overseeing business-getting in the U.S.

The house's new Chief Executive Guillaume Cerutti said Mr. Porter, 56 years old, will also serve an expanded role on the executive management group, which assists the board with global strategy.

"I am thrilled to be returning to Christie's in a new role that allows me to work with clients, mentor colleagues and engage with works of art," said Mr. Porter in a statement. "Incubating the talents of all people in the organization and working on large strategic projects has long been my primary interest and I now have an opportunity to do that at the highest level in the art field."

His move to Sotheby's was deemed a poaching coup when it was initially announced in December 2015; because of a noncompete clause, he didn't start working at Sotheby's until early this year. Christie's said it wasn't aware of any restrictions on Mr. Porter's

contract with Sotheby's.

Mr. Porter had once been considered a lifer at Christie's, a lawyer who worked his way up from handling small estates to brokering multimillion-dollar art sales, both privately and at auction. Within Christie's, he was considered the company's primary pitchman for hotly coveted consignments in the U.S.

Defections at his management level were once rare in the auction industry—and doubling back after such a short stint, unheeded of.

Sotheby's didn't comment on the move.

Christie's effort to woo back one of its former rainmakers comes at a time when the world's chief auction houses have gone into

Defections at his level were once rare in the auction industry.

competitive overdrive. For the past couple of years, the houses and their new CEOs have been hiring away staff from each other, creating a musical-chair environment that some say disrupted auction business at the high end.

The shuffling had appeared to die down in recent months, leaving market watchers to predict a more reliable pipeline of art to head to auction this year. It remains to be seen whether Mr. Porter's latest switch will have any lasting effect on the art market's trajectory overall.

Mr. Porter is known for helping collectors and institutions unload high-profile pieces, sometimes under delicate circumstances.

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OPINION

A Trump Alliance Strategy



WONDER LAND
By Daniel Henninger

After 59 Tomahawk missiles landed on a Syrian airfield, followed by the dropping of a 21,600-pound bomb on Islamic State's hideouts in Afghanistan, the world has begun to ask: What is Donald Trump's foreign policy? And so the search begins by pressing what Mr. Trump has done so far against various foreign-policy tempests. Is he a neoconservative, a Scowcroftian realist or a babe in the woods?

We know this is a fool's errand. There will be no Trump Doctrine anytime soon, and that's fine. The Obama Doctrine, whatever it was, left his successor a steep climb in the Middle East and Asia. It is difficult to find doctrinal solutions for issues that everyone calls "a mess." It is possible, though, to see the shape of an emerging strategy.

The place to look for that strategy is inside the minds of Defense Secretary Jim Mattis and National Security Adviser H.R. McMaster.

During his Senate confirmation hearings, Mr. Mattis said something that jumped out at the time. He called the North Atlantic Treaty Organization "the most successful military alliance probably in modern history, maybe ever."

This was in notable contradistinction to the view of his president that NATO was obsolete. Then last week, after

meeting with NATO Secretary General Jens Stoltenberg, President Trump said of the alliance: "I said it was obsolete. It's no longer obsolete."

Let's set aside the obligatory sniggering over such a remark and try to see a president moving toward the outlines of a foreign policy that, for a president who likes to keep it simple, may be described with one word: allies.

NATO emerged as a formal alliance after World War II. Less formally, the U.S. struck alliances with other nations to base troops and ships, as in the Persian Gulf.

After the Soviet Union dissolved in 1991, foreign-policy thinkers began to debate the proper role of the U.S. as the world's only superpower. Liberals argued that maintaining the U.S. at the apex of this alliance system was, well, obsolete. Instead the U.S. should act more like a co-equal partner with our allies, including international institutions such as the United Nations.

The idea of a flatter alliance structure, or leading from behind, came to life with the Obama presidency. It doesn't work.

If indeed Jim Mattis and H.R. McMaster are the architects of an emerging Trump foreign policy, their most formative experiences, in Iraq, may shape that policy.

After the Iraq War began in 2003, the U.S. tried to defeat the enemy essentially with brute force. Serving in different areas of Iraq—Gen. Mattis in Anbar province and

then-Col. McMaster in the city of Tal Afar—the two men realized that force alone wasn't winning. Instead, they sought, successfully, to gain buy-in from the local populations and tribal leaders. In return for that buy-in, U.S. forces provided security to their new allies.

Mattis and McMaster learned in Iraq that if you make allies, you should keep them.

The difficult and ultimately tragic question was, what happens after the U.S. leaves? In strategic terms: How does the U.S. stabilize a volatile world without becoming a permanent occupying force?

Last month, Gen. McMaster brought onto the NSA staff Nadia Schadlow, who has thought a lot about that question. Her assignment is to develop the National Security Strategy Report. The title of her just-released book, "War and the Art of Governance: Consolidating Combat Success Into Political Victory," summarizes its core idea:

Unlike its pullout from Iraq, the U.S. has to remain involved—engaged—in the turbulent political space that always exists between conflict and peace, a space filled with competition for influence and power. What Gens. Mattis and McMaster learned in the wake of Iraq is that if you make allies, you should keep them.

Thus, Vice President Mike Pence stood at the DMZ across from North Korea reconfirming the U.S.'s alliance with South Korea. A day later, he did the same in Japan.

Mr. Trump met in recent weeks with King Abdullah of Jordan, President Abdel Fattah Al Sisi of Egypt and, most importantly, Saudi Arabia's Deputy Crown Prince Salman. This week, Mr. Trump called to congratulate Turkish President Recep Tayyip Erdogan on his referendum "victory."

These are the Middle East's "tribal leaders," or allies, whose buy-in will be necessary if the U.S. is to consolidate gains from the military strikes in Syria and Afghanistan—possibly with the partition of Syria into three tribal sectors.

Russia has separated itself by choosing instead an alliance with Iran to create a Russo-Iranian Shiite crescent extending across the Middle East to the Mediterranean.

The Mattis-McMaster foreign policy taking shape looks like a flexible strategy born of military experience in fast, fluid circumstances—our world. It is based on both formal and mobile alliances with partners willing to use diplomatic, financial, political and, if necessary, military pressure to establish stable outcomes. The word "abandon" doesn't fit here.

Some might say that sounds like the U.S. leading alongside. With one big difference: The U.S. is in fact leading.

Write henninger@wsj.com.

BOOKSHELF | By Matthew Rees

Whose Song Is It, Anyway?

Move Fast and Break Things

By Jonathan Taplin

(Little, Brown, 308 pages, \$29)

Musicans have a long, if not always distinguished, history of political advocacy. Of late they've taken supposedly bold positions on climate change, gun control, Brexit and low voter turnout. One advocacy effort is notable for its obscurity, however: Last year, nearly 200 luminaries, from the young (Taylor Swift) to the old (Paul McCartney), urged Congress to modernize the Digital Millennium Copyright Act. The 1998 law, they said, enriches YouTube and other corporate platforms while providing only meager benefits to artists and songwriters: "We ask you," they declared, "to enact sensible reform that balances the interests of creators with the interests of the companies who exploit music for their financial enrichment."

It may be hard to get stirred up about the interests of celebrity millionaires like Ms. Swift and Sir Paul, but the broader concern is legitimate: how to reward those who create content—music, film, even mere words—in an era when technology can distribute it at virtually no cost. In "Move Fast and Break Things," Jonathan Taplin argues that today's technology behemoths are decimating content industries and eroding the broader culture.

Mr. Taplin brings an informed perspective to his task, and an idiosyncratic background. He is an entertainment-industry veteran (a producer as well as a long-ago tour manager for Bob Dylan); an entrepreneur (he founded an early streaming-on-demand company); and a professor (at the University of Southern California). Art and culture, he says, serve as a "corrective against the missteps of the establishment" and "change lives."

For Mr. Taplin, Facebook, Google and Amazon threaten all he holds dear. "The rise of the digital giants is directly connected to the fall of the creative industries in our country." Part of his complaint is that these companies unleash content of questionable value. "Have the 400 hours of video uploaded to YouTube every minute produced the new Scorsese or Coppola? Could it be that the economics of 'more' is drowning us in a sea of mediocrity?"

But he devotes more space to a more mundane concern: money. Consider music revenues. Last year, in the U.S., they were \$7.7 billion, down from \$19.8 billion in 2000. In 2015, music creators earned more from the sale of vinyl records than they did from music streams on YouTube and other platforms. "How can it be," Mr. Taplin asks, "that the arrival of digital networks composed of billions of music fans has not been a boon to musicians?"

The same forces are at work in other sectors of the culture, Mr. Taplin says. He (rather simplistically) attributes Amazon's success in the book business to a law that prohibits the imposition of internet-specific taxation. The effect, he says, has been the devastation of stores selling books and records. Meanwhile, Facebook's "News Feed," which uses algorithms to push content to Facebook users, is a leading source of news for millions of Americans. Digital advertising thus goes to Facebook rather than to the companies creating the journalism.

Behind the success of YouTube, Facebook, Amazon and other digital giants is a creative class whose work is being rewarded less and less.

Mr. Taplin sees a "massive reallocation of revenue from creators of content to owners of platforms." Facebook and Google, he says, seek to "extract as much personal data from as many people in the world at the lowest possible price and to resell that data to as many companies as possible at the highest possible price." Platforms also show a "blatant disregard for the artist's intellectual property." They routinely host content that someone else owns, moving it to a different URL when someone complains, a policy that is "perfectly legal" under the Digital Millennium Copyright Act. Mr. Taplin wants the law changed, and he wants companies to screen for piracy the way they screen for other prohibited content (such as pornography). He notes that the chief content villain, YouTube, doles out just 13% of all streaming-music revenues despite having a 52% market share (and a parent company, Google, with \$89.5 billion in revenues last year).

Mr. Taplin proposes some thought-provoking solutions to the challenge of getting people to pay for content: e.g., more robust guidelines from the Library of Congress on "fair use" (which is now a loophole for posting more than is "fair") and, in the music industry, the tiered release of songs so that creators can take in revenues before the songs appear on platforms such as Spotify. He also suggests requiring Google to license its patents, for a nominal fee, to any company that requests one: This policy would, he says, drive job creation as new firms were launched to exploit Google technologies.

Whatever one thinks of these ideas, Mr. Taplin's broader explanation of the upheaval in the music and media industries is illuminating. But he is so incensed by Facebook, Google and Amazon that he never considers the benefits that platforms deliver. What about the musicians who get visibility from YouTube and the chance to "monetize" their music through concerts and merchandise? The same dynamic applies to a lot of internet sensations: authors, filmmakers and oddball personalities who attract an audience and build a following because of the broad reach of platforms.

Mr. Taplin wages a prolonged attack on the "libertarian" ethos that he says underpins technology firms. But "libertarian" is the wrong label. These companies are often closely tied to government (Mr. Taplin himself documents the revolving door between Google and the Obama administration) and are far from bastions of free-market purity. "The men who lead these monopolies," he himself says, "believe in an oligarchy in which only the brightest and richest get to determine our future." Meanwhile, he goes out of his way to disparage the views of Peter Thiel (an early investor in Facebook), the Koch brothers, Robert Bork and George Gilder.

Blaming the woes of content providers on a vast right-wing conspiracy will appeal to certain readers, but Mr. Taplin would have been on firmer ground had he left politics aside. Perhaps he and his friends in the entertainment industry can draw inspiration from Sir Paul. The Beatles tune "Taxman" was a lyrical statement against Britain's 95% tax rate. We'll know that America's creative class is fighting back when there's a hit song devoted to the Digital Millennium Copyright Act.

Mr. Rees is president of the speechwriting firm Geonomica and a senior fellow at Dartmouth's Tuck School of Business.

By Karl Rove

Here's the takeaway from Tuesday's special election in Georgia's Sixth Congressional District: Democrats and Republicans have reasons to be concerned.

Democrat Sachems cleared the field for 30-year-old Jon Ossoff and showered him with millions of dollars. They hoped to clinch victory without a runoff by clearing 50% of the vote in the first round against the splintered GOP field. It didn't happen.

Mr. Ossoff won 48.1%, only 1.3 points better than Hillary Clinton did in the district last fall. Because the early in-person and absentee vote was reported first, he started the evening with 61.5%. But as the votes cast on Election Day were tallied, his numbers fell and finally settled below the 50% threshold. Mr. Ossoff now goes to a June 20 runoff.

Democrats have a decision to make. Should they keep plowing millions into this race? Or do they divert resources to the May 25 special election for a House seat in Montana—a state that actually elects Democrats? The party could also simply stockpile dollars for 2018.

Complicating the decision are Mr. Ossoff's lackluster political skills. He tries compensating for his youth by speaking clichés slowly in a bass voice, betraying excessive ambition. It doesn't help that he lives outside the district. All this largely escaped attention

as 11 Republicans—four of them credible candidates—cut each other up. But Mr. Ossoff's shortcomings will be more visible in a two-person race.

Also advancing to the runoff, with 19.8% of the vote, was Karen Handel, a former Georgia secretary of state. She has campaigned as the traditional, conservative Republican that she is. As an added

Neither party has a sustainable strategy to carry it to victory in the midterms.

advantage, she once was chairman of the Fulton County Commission, giving her chops on local issues in the state's most populous county.

A two-person runoff will magnify Mr. Ossoff's liberal views and give Ms. Handel a good shot at winning the 13% of district voters who supported former Rep. Tom Price last fall but did not vote for Donald Trump.

But Ms. Handel has a reputation as a poor fundraiser and lost primaries for governor (2010) and senator (2014). It's also unclear if the GOP will remain unified in this deep-red district. The major Republican candidates earned 92,590 votes compared with Mr. Ossoff's 92,390. Ms. Handel has little room for defections.

To cultivate a screen-free environment—if only for a few years—we've taken an old-fashioned approach. We bought a 1987 Golden Book Encyclopedia set on eBay. We've also developed a habit of contacting "local experts." How does the sun move?

They question, imagine and create, while learning real-world social skills.

That's a good question for Uncle Ariel, who studied chemistry in college. How do you build a door? Ask Uncle David, the contractor. Who created the world? As the self-appointed Bible scholar, that's my turf.

We aren't absolutists. The only way the children can survive the eight-hour drive

The quality of each side's ground game will prove critical in the runoff. Ms. Handel's victory could depend on how many volunteers show up at her headquarters or that of the Congressional Leadership Fund, the Republicans' principal outside group in the race.

A defeat could foreshadow major Republican losses in 2018. Still, neither party's approach to this special election is sustainable or provides an obvious path to victory in the midterms.

Democrats will not be able to clear the field in each priority contest or shower candidates with Mr. Ossoff's record spending of perhaps \$10 million. There won't be enough open races in 2018 for Democrats to pick up the 24 seats they need for control of the House. They'll mostly face incumbents, who tend to win re-election, except in massive wave elections like 2006 and 2010.

Republicans relied on the Congressional Leadership Fund's attack ads to keep Mr. Ossoff under 50%. Along with the National Republican Congressional Committee, the group will fill airwaves and computer screens with spots as the runoff approaches. But not all 2018 GOP candidates will count on similar levels of support.

There are 23 Republican incumbents in House districts Mrs. Clinton won. There are 47 in districts more Democratic than Georgia's Sixth. At least 28 of these are similar

to Rep. Price's former stomping grounds: suburbs with white-collar, college-educated Republicans who are sometimes lukewarm toward Mr. Trump.

One astute operative suggested that Republican incumbents need to hold more town-hall meetings, not fewer. Let everybody vent, wear out the professional left-wing protesters, and lower the temperature. Lead voters to say, "I may not agree with everything my congressman does, but he listens, has good reasons for doing what he does, and cares." It wouldn't hurt if the GOP proves it can govern by passing a pro-growth tax cut and repealing and replacing ObamaCare.

It's impossible at this stage to know who will control the House in 2019. The first round in Georgia didn't clarify matters much.

But it's undeniable that both parties are in trouble. Since January, the Republicans' unfavorability rating is up eight points, according to the Pew Research Center. The Democrats' is up six points. Public disgust with politicians, already sky-high, is getting worse. Maybe next year's elections will be remembered as the lesser-of-two-evils midterms.

Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

By Batsheva Neuer

My 5-year-old son is beyond his years in many ways—with one big exception. He still doesn't know how to turn on an iPad. In an effort to stave off a lifetime of device dependence, my husband and I have nurtured a screen-free environment in our home. It's kooky, but if you ask me, it's made all the difference in my children's development.

Having both been raised in homes without televisions, our decision to limit screens came somewhat naturally to us. We wanted to delay technologically induced social isolation and encourage our children to develop skills that would serve them well in the real world. In our minds, childhood should be about fostering social interactions, encouraging creativity, and responding to real-world stimuli.

To my Canadian parents' home in one piece is by watching "Sesame Street" on the TV screen in the back seat of our SUV. And when it's been weeks since they've seen their grandparents, we know that they have more to gain than lose by a video-chat session.

We're OK with making exceptions, so long as they remain only that.

The gains in their development and character have been invaluable. My children's concentration skills are strong.

They can spend hours listening to tales of the gnarling and wizened trees of Narnia. They have learned how to share in household tasks, quickly becoming adept at polishing candlesticks, setting a table and folding stemware into napkins.

Most important, the no-screen rule is bringing our children closer to our extended family. The practice of

asking questions to humans rather than the Google search bar has generated interest in the talents of family members and friends. Albert Einstein said, "Imagination is more important than knowledge." So while my children don't have kiddie apps to master Mandarin or the fineries of classical music—at least not yet—they do a lot of questioning, imagining and creating.

I recognize that our hold on technology may only last for a few more years. At some point, my children will need to enter the digital world and learn the skills necessary to succeed there too. Undoubtedly, device dependence lies ahead. But for now I am glad that they can learn to depend on their own minds and hearts—and on the special humans in their lives.

Ms. Neuer is a writer in New York.

OPINION

REVIEW & OUTLOOK

Unfinished Preet Bharara Business

President Trump dumped Preet Bharara as U.S. Attorney for the Southern District of New York, and the celebrity prosecutor is conducting another media vindication tour. But a few problems from his tenure are left to resolve, including the ongoing legal crusade against David Ganek.

When we last checked on this saga, the Southern District had appealed a district judge's ruling that discovery and trial could proceed in Mr. Ganek's lawsuit against Mr. Bharara and the Federal Bureau of Investigation. The investor alleges that law enforcement violated his civil and constitutional rights with a 2010 insider-trading raid on his hedge fund, Level Global. The press was tipped off beforehand, Mr. Ganek was named as a suspect, and the reputational damage of the media circus ruined the firm.

Mr. Ganek was never charged with a crime, and the fraud conviction of one of his portfolio managers was overturned on appeal as an appellate court held that Mr. Bharara's insider-trading theories exceeded the law. The feds now concede—or used to—that the affidavits used to obtain the Level Global search warrant contained false information about Mr. Ganek's involvement in this non-scheme. Maybe these misrepresentations were honest mistakes, but that's all the more reason to review evidence of the investigation such as emails and interview transcripts in public.

Instead, the Southern District is hiding behind the doctrine of prosecutorial immunity—and re-smearing Mr. Ganek to evade accountability for its botched investigation. At oral arguments late last month, a Second Circuit Court of Appeals panel seemed skeptical of the government's arguments. So under questioning by deputy U.S. attorney Sarah Normand accused Mr. Ganek of participating in "a scheme with regard to many, many pieces of inside information from many public companies."

This accusation was never raised in the copious pretrial and appeal briefings, and presumably if prosecutors had anything solid on Mr.

Ganek they'd have sought an indictment at the height of Mr. Bharara's insider-trading bubble. Judge Reena Raggi noted that "certainly there's no evidence at trial, or in the record that you've put forward, that the confidential informant or the cooperator ever said to law enforcement that Mr. Ganek did know that he was trading in whole or in part on inside information. That's the record that we've got before us. That's a statement made in the affidavit [that] is not true."

The case's larger import concerns accountability for alleged prosecutorial misconduct. Judge Alex Kozinski of the Ninth Circuit recently noted that improper and abusive behavior by prosecutors has reached "epidemic proportions." If Mr. Bharara's false affidavit was deliberate, it violated due process.

There's also emerging evidence that something was rotten in Mr. Bharara's operation. The FBI special agent who supervised securities fraud investigations in New York, David Chaves, who is also a defendant in the Ganek case, was recently cited for leaking confidential grand jury information in the insider-trading case of sports gambler William "Billy" Walters. Judge Kevin Castel issued an unusual order instructing the FBI to provide updates on Mr. Chaves's internal disciplinary process.

According to emails revealed in the Walters case, Mr. Bharara knew about the leaks pouring out of the FBI's white-collar unit, including to reporters at the Journal. He called it "outrageous and harmful" in a 2014 email, but as far as we know he did nothing to stanch the leaking. Earlier this year the FBI reached a rare settlement with the wife of a convicted inside-trader who was wiretapped in violation of the FBI's eavesdropping guidelines. The terms aren't public.

In other words, there's a pattern of troubling behavior and a problematic culture inside Mr. Bharara's old shop. Not least because there are so few consequences for prosecutorial abuse, the Second Circuit should allow Mr. Ganek's suit to head to trial.

The 'Armada' That Wasn't There

One of the odder stories this week is the Carmen Sandiego search for a U.S. aircraft carrier that was supposedly heading toward the Korean Peninsula. The White House is chalking up the confusion to a miscommunication, but President Trump's hyperbole about deploying U.S. military force didn't help.

Earlier this month Adm. Harry Harris, head of U.S. Pacific Command, announced that the USS Carl Vinson strike group would cancel planned port visits to Australia and head north from Singapore to the Western Pacific. President Trump told Fox News last week that he was "sending an armada" as a powerful warning to North Korea, and White House Press Secretary Sean Spicer defended the move in the briefing room.

Then the U.S. Navy released photos of the Vinson sailing through the Sunda Strait in Indonesia, and now we learn that the ships moved south to participate in joint exercises with the Australian navy. The military has since suggested the plan was always to do a short stint with the Aussies before steaming north. The USS Vinson is now

hanging a U-turn and will arrive in the Western Pacific in the coming weeks. On Wednesday Defense Secretary Jim Mattis said the U.S. is doing "exactly what we said we were going to do."

But North Korea's propaganda arm mocked the late arrival as a bluff, and a prominent South Korean politician told the Journal that if President Trump lied, then "South Korea will not trust whatever Trump says." Some are asking if perhaps the misinformation was deliberate, and sometimes in war you have to fake out the enemy. But this isn't D-Day, and allies might wonder the next time the President trumpets an arriving "armada."

The White House is directing questions to the Pentagon, which has conceded it should have communicated the timing more clearly, but then the Defense Department did nothing to correct press reports suggesting the vessels were underway. Mr. Trump broadcast a show of force to underscore the power of an American deterrent, but the lesson is that it's dangerous for Presidents to sell a military mirage.

French Political Roulette

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

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

But suddenly the two reformers might be surpassed by far-left independent Jean-Luc Mélenchon, who is telling the French they can grow richer by working less and spend more by earning less. He'd cut the work week to 32 hours from 35, cut the retirement age to 60 from 66, prevent companies that have laid off workers from paying dividends, and ignore European Union limits on fiscal deficits. On foreign policy he is anti-American, anti-NATO and pro-Vladimir Putin, and he has written a book subtitled "The German Poison," which should make for pleasant summits in Berlin.

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

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

The Pentagon and White House sell a mirage as a military deterrent.

tween Ms. Le Pen and one of the centrists.

Mr. Fillon's agenda comes closest to what France needs to revive its stagnant economy,

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

Mr. Macron's reforms don't go as far as Mr. Fillon's, but he'd also cut the corporate-tax rate to 25%, reform the work week and reduce labor-related taxes for entrepreneurs. But the 39-year-old has never held elected office and failed to sell this program to the National Assembly when current Socialist President François Hollande made him economy minister.

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

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

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

LETTERS TO THE EDITOR

Trump Faithfully Fulfilled His Court Promise

Fred Barnes's "Gorsuch Lessons for Trump's Next Nominee" (op-ed, April 19) is wrong about one key point—it understates the key role Donald Trump played as candidate and president during the more than yearlong political drama that unfolded with the passing of Justice Antonin Scalia.

Early in his campaign Mr. Trump recognized, more than almost any other presidential candidate in recent history, the importance of Supreme Court appointments, and he made the clearest possible commitment to appointing individuals devoted to a judicial role grounded in strict adherence to the text and structural protections of the Constitution. He kept this promise, appointed highly capable White House staff to facilitate the underlying process and made an appointment of Judge Neil Gorsuch that hewed to a specific set of criteria that he set forth personally just after the election. He was neither

"all but silent" nor "handled" by staff as Mr. Barnes suggests, but instead laid down clear guiding principles, delegated the details of daily management to his West Wing staff and at key points rallied his supporters through well-timed reminders of the stakes involved in Judge Gorsuch's confirmation at rallies and in weekly addresses.

The real lesson is that presidents cannot just say Supreme Court appointments are their most important legacy, but must demonstrate it through a clear and unbroken course of action. For conservatives bruised by the mistakes of past Supreme Court nominations, President Trump's dedication to appointing true constitutionalists to the federal judiciary is a cause for hope and a most helpful marker for future presidents.

LEONARD A. LEO
Washington

No Pre-emptive Court Veto but Judicial Review

Theodore Furchtgott's letter (April 8) claiming that James Madison's Constitutional Convention notes prove that the Convention rejected the idea of judicial review is wrong.

Madison's notes aren't a new discovery. All they show is that the Convention rejected giving the Supreme Court veto power over acts of Congress, a power similar to that given the president. Such a veto power would have meant that the Supreme Court could veto a proposed law because it disagreed with the policy incorporated in that law, and the Convention was very wise in refusing to give such a power to a body serving for life.

This action by the Convention wasn't a rejection of judicial review, which is the power of the Court to strike down legislation that is incom-

patible with the Constitution. This power has been exercised by the Supreme Court since *Marbury v. Madison* (1803) and was expressly discussed and approved by Alexander Hamilton in Federalist 78, a leading contemporary explanation of the meaning of the Constitution.

Judicial review is also implicitly required and authorized by the Supremacy Clause of the Constitution: "This Constitution, and the laws of the United States which shall be made in pursuance thereof . . . shall be the supreme law of the land." Clearly, since the Constitution is our supreme law, mere legislation which conflicts with it must not be upheld by the courts.

EM. PROF. PAUL DELESPINASSE
Adrian College
Corvallis, Ore.

Coleman Fought for Freedom in Multiple Ways

The obituary for William T. Coleman Jr. fails to mention that he served with the 477th Bombardment Group (Medium), which was a Tuskegee Airmen unit (Obituaries, April 8). He was a Documented Original Tuskegee Airman and was instrumental in a civil-rights action conducted by the officers of that unit in April 1945 at Freeman Field in Seymour, Ind. Contrary to existing Army Air Corps regulations, the base commander had separate clubs for black and white officers. That month more than 100 black officers were arrested for trying to enter the all-white officers club or for refusing to sign documents.

We Need More Women STEM Professors as Role Models

"Computer Science Is Tough Sell to Women" (U.S. News, April 11) casts a much-needed spotlight on the shortfall in women earning degrees in STEM disciplines like engineering and computer science. The STEM degree deficit hardly just affects earnings. A dearth of diversity creates a headwind for discovery and innovation, too. A growing body of research has found that diverse teams are more innovative than homogenous ones, especially within STEM contexts. Compared exclusively to male teams, for example, mixed-gendered teams generate 40% more technology patents.

Diversifying the faculty who teach STEM students is important in addressing these underlying issues. More diverse faculty encourage more diverse students who, in turn, help create a pipeline for more diverse faculty. Recent research has indicated that women faculty and faculty of color who teach STEM courses achieve remarkable reductions in achievement gaps among their students. If we fail to increase diversity in STEM sectors, we can expect less innovation.

HOWARD GOBSTEIN
Association of Public
and Land-grant Universities
Washington

ments acknowledging segregated officers' clubs, which War Department regulations didn't authorize. Although most of the officers eventually were released, three who had been accused of using force were court-martialed; two of them were acquitted. Mr. Coleman, who less than 10 years later was on the team of lawyers arguing the *Brown v. Board of Education* case, served as assistant defense counsel during the court-martials. It has been said that this act of civil disobedience was instrumental in President Truman issuing Executive Order 9981 in July 1948, which directed the desegregation of the U.S. military. More information can be found at the website www.tuskegeearmen.org.

BRIG. GEN. LEON JOHNSON, (RET.) USAF
National President
Tuskegee Airmen Inc.
Irving, Texas

Debt Bomb Has Shorter Fuse Than Many Citizens Think

Regarding your editorial "Obama's Debt Interest Bomb" (April 11), a couple of factors will aggravate the federal government's net interest costs. First, the Treasury is particularly exposed to higher rates because its debt matures so quickly; half of its marketable securities must be refinanced within the next three years. The front-loaded profile of Treasury maturities helped the budget when short-term rates were near zero. Unfortunately, the Treasury has yet to make much of the opportunity to lock in low, long-term rates.

Second, the Fed's subsidy of the Treasury is more potent than many realize. The Fed amassed large shares of higher-yield T-notes and T-bonds and cleared out its low-yield T-bills, providing a rich interest stream that it remits back to the Treasury. The Treasury could be swamped by rising rates and rapidly maturing debt at the same time the Fed stops bailing it out.

WINTHROP T. SMITH
Littleton, Colo.

CORRECTIONS

Judge Thomas Hardiman sits on the Third U.S. Circuit Court of Appeals. The circuit was misidentified in the April 19 op-ed "Gorsuch Lessons for Trump's Next Nominee."

* * *

Valley Forge, Pa., was the site of a military camp during the American Revolution. An April 13 architecture review misidentified it as a battlefield.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Hard work got me to where I am, and yours will ensure I stay there."

OPINION

Do You Want Reagan's Economy or Obama's?

By Phil Gramm
And Michael Solon

The best way to gauge America's capacity to reignite economic growth through tax reform is to move beyond congressional economic models and look to the empirical evidence of our historical ability to grow and prosper. America's economic exceptionalism has been the product of freedom and opportunity, secured through limited government. When government policies have strengthened or impeded these sources of American exceptionalism, they have yielded quantifiably different results.

The CBO failed to predict the tax-reform boom of the 1980s and the weak recovery in recent years.

The economic policies implemented by Presidents Reagan and Obama were the polar extremes of postwar policies. The economic consequences of those policies defined the highs and lows of America's postwar experience. These extremes help define what might be expected if this administration and Congress are successful in reversing the Obama program and moving toward a more Reagan-type policy of tax reform and regulatory relief.

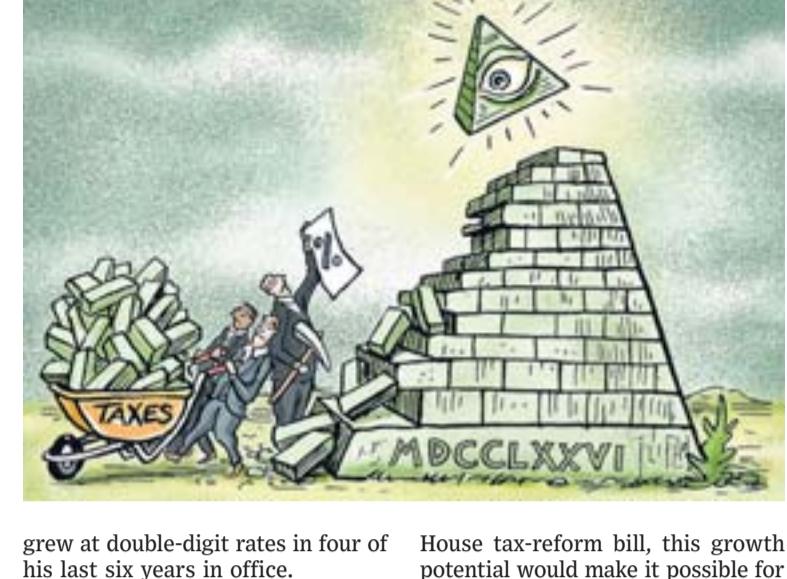
Mr. Obama implemented policies dramatically different from the postwar norm. Marginal tax rates soared; federal spending spiraled with a nearly trillion-dollar stimulus; Social Security Disability and food-stamp qualifications were eased; work requirements in welfare programs were

suspended; Medicare and Medicaid were expanded and ObamaCare created. Federal debt doubled, and public and private debt held by the Federal Reserve quadrupled. New legislation, an unprecedented number of new regulations, and a torrent of executive orders transformed the role of government in American life.

Dramatically different policies were followed by dramatically different economic results. Economic growth during the Obama years averaged an astonishingly low 1.47%, as compared with the 3.4% average throughout all the postwar booms and busts before 2009. The extraordinary economic failure of the Obama era is not found in the recession that ended six months into his presidency but in the subsequent failed recovery, where real growth in gross domestic product averaged 2.1% per year, less than half the 4.5% average during previous postwar recoveries of similar duration.

Even after Mr. Obama announced a "summer of recovery" in 2010, the Congressional Budget Office was repeatedly forced to cut GDP and federal revenue estimates—by a total of \$9 trillion and \$4.2 trillion, respectively—due to weak economic growth. Federal revenues were supposed to rise by \$650 billion over the following decade because of the Obama 2013 tax increase. They are now projected to fall by almost five times that amount because economic growth continues to falter.

GDP growth averaged 2.5% between 1974 and 1980. After taking office during a recession in 1981, Reagan cut marginal tax rates, cut nondefense and entitlement spending, and reduced the regulatory burden. Once those policies were in place, economic growth averaged 4.6% during the remainder of his presidency and federal revenues



CHAD CROWE

grew at double-digit rates in four of his last six years in office.

With efforts now under way to repeal the Obama program and replicate, at least in part, the successful tax reform of the Reagan era, it seems reasonable to assume that the economic benefits from these changes would help to pull the economy out of its current low-growth rut and propel it toward its historical postwar norm. Lifting the economy from the CBO's post-Obama projection of 1.8% growth to the 3.4% postwar average would generate \$4.6 trillion of additional federal revenues over 10 years.

Even if tax reform and the repeal of the Obama program closed only half the gap between the current 1.8% GDP growth rate and the 3.4% GDP growth rate that the economy averaged for the previous 64 years, that alone would deliver \$2.3 trillion in new revenues due to higher growth over the next 10 years. This is important because together with the real reforms contained in the

House tax-reform bill, this growth potential would make it possible for the House to drop the border-adjustment provision, which would supposedly raise \$1.1 trillion in revenue. This change alone would remove the biggest obstacle to passing tax reform.

Budget and economic data over the seven postwar decades prove that American exceptionalism flourishes when supported by policies that promote freedom and opportunity and disappears when they are suppressed. But the CBO's methods do not recognize that truth. No single part of the Obama program was ever scored in advance by the CBO as losing \$4.2 trillion in federal revenues, but those losses reflect the totality of the impact of his policies.

No single Reagan action was ever scored by the CBO as producing the equivalent of \$2.9 trillion in new revenues (relative to the current GDP), but that was the overall result of his program, which increased annual economic growth by

an additional 1% over his presidency. The CBO originally assumed that the 1986 tax reform would produce no economic benefits and that the 1997 Balanced Budget Act would have only a small positive effect, yet together they helped produce a quarter-century of rapid growth, surging federal revenues and a balanced budget.

Since its models are incapable of distinguishing between failed and successful economic policies, the CBO will not score the economic growth and federal revenue coming from improved economic policy. If the House drops the border-adjustment provision, the current tax-reform bill could still be considered in the context of the budget reconciliation process, which requires only 51 votes in the Senate. But under Senate rules, a tax reform passed that way would be in place for only 10 years. If the reforms work as they have in the past, Republicans will win the 2018 elections, and then they can make the tax reform permanent.

Critics will denounce the idea that good policies have anything to do with economic growth. These are largely the same critics who have spent most of the past eight years denying that President Obama's policies had anything to do with poor economic performance. But America itself is proof that policies matter. After all, policies of freedom and opportunity are what allowed America to take the world's "huddled masses" and produce the most impressive empirical evidence the world has ever seen.

Mr. Gramm, a former chairman of the Senate Banking Committee, is a visiting scholar at the American Enterprise Institute. Mr. Solon is a partner of US Policy Metrics.

Scientists Take a Stand Against Academic Boycotts of Israel

By Ruth R. Wisse

More than 100 Boston-area researchers in health care and life sciences released a statement April 13 in defense of "the liberal ideals which have shaped our democracy" and in support of "the free flow of ideas and information" that is central to their work. Why affirm something so obvious? To stop academic blacklisting by the Boycott, Sanctions and Divestment movement, which targets Israeli universities and scholars.

Attempts to isolate Israel and its educational institutions aren't new. In 1945 the Arab League declared that all Arab institutions and individuals must "refuse to deal in, distribute, or consume Zionist products of manufactured goods." The original boycott soon extended to entities that traded with Israel. This did great economic and political damage until the U.S. Congress in 1977 prohibited American companies from cooperating with it, as some were doing. Only U.S. prohibition of the prohibition had the force to guarantee free international trade.

In 2002, a group of professors from Harvard and the Massachusetts Institute of Technology were among the first academics to advocate divesting from Israel. Two years later the Palestinian Campaign for the Academic and Cultural Boycott of Israel was founded with the explicit purpose of isolating Israeli academics and institutions. Its goal was to deny Israeli scholars access to scholarly conferences, journals and employment opportunities. The boycott also includes keeping unwelcome speakers and information from campus to maintain Israel as the permanent object of blame.

The campaign's efforts paid off in the U.S., where the American Studies Association and the National Women's Studies Association approved boycotts in 2013 and 2015, respectively. Academic associations that have so far voted such resolutions down—the American Anthropological Association, Modern Language Association and American Historical Association—introduce new ones every year. Only through a concerted effort by school administration can universities remain free spaces. Jewish students should

not be expected to bear the full brunt of attack by those who import the Arab-Muslim war against Israel into the American campus.

Researchers in science and medicine have a special interest in opposing a boycott that tries to destroy the benefits of shared ideas and knowl-

How can scholars reconcile opposition to the Trump travel ban with blacklists aimed at the Jewish state?

edge. Although people in the sciences do not normally issue collective political statements, signatories of the recent letter cite the collaboration of Israeli scientists in lifesaving treatments as reason enough to protest the blacklist. Their statement condemns boycotts that contravene core democratic values and threaten "the free flow of information and ideas," which functions as "the lifeblood of the academic world."

The Boston group's aim is similar to those of recent academic protests against President Trump's temporary travel ban. A friend-of-the-court brief filed by 17 universities affirms that students from the six suspect countries could have much to contribute by "making scientific discoveries, starting businesses, and creating works of literature and art that redound to the benefit of others" far beyond university campuses.

If universities are willing to fight the government's travel ban against students from Muslim-majority countries, why are members of their faculties fighting to prevent exchange with academic counterparts in the Jewish homeland? American academics ought to entertain pluralistic and multicultural perspectives and refrain from cutting themselves off from those with whom they disagree. Universities cannot pretend to be protecting the free flow of information while their faculty members try to prevent interaction with the most dynamic academic center in the Middle East.

The restrictions the Trump administration placed on potentially hostile immigrants were intended to prevent attacks on America's liberal democratic way of life. Meantime, the goal of the BDS campaign is to attack the freest democracy in the Middle East. Not coincidentally, Iran and Syria, two countries singled out by the travel ban, are also dedicated to the destruction of Israel. The repressive tactics of BDS proponents resemble the strategy and destructive aims of those who threaten the U.S.

Perhaps the academics who signed the statement in defense of liberal ideals can help stop the aggression against Israel in academia, a place that, in their words, promotes "the dialogue and cooperation essential to advancing knowledge, solving problems, and promoting understanding." The rest of the academic community and all who benefit from its labors would be grateful.

Ms. Wisse, a former professor of Yiddish and comparative literature at Harvard, is the author of "Jews and Power" (Schocken, 2007).

Tuition-Free College Is Nothing More Than a Political Ploy

By Allyssia Finley

New York's Gov. Andrew Cuomo rolled out a plan last week to give free tuition to middle-class students attending the state's public colleges. Bernie Sanders and Hillary Clinton were quick to praise Mr. Cuomo's political ploy, whose true target isn't New Yorkers but Democratic voters in Iowa and New Hampshire.

The governor presents himself as a champion of the middle class, but it has been fleeing the state in droves due to the lack of jobs and high cost of living. More than 191,000 New Yorkers decamped last year for other states, 43,000 of them to Florida alone. About three-quarters of the state's counties have lost population since 2010, when Mr. Cuomo was elected. The New York City area continues to grow thanks

largely to an influx of foreign immigrants.

Alas, the plan for tuition-free college merely redistributes income while giving the middle class little actual help. In fact, many of the scheme's putative beneficiaries may be harmed.

Consider the terms and conditions for the state scholarship. To qualify, students must come from families earning less than \$100,000 (\$125,000 by 2019)—and they must attend school full-time and graduate on time. The State University of New York estimates that about a fifth of its undergraduates would be eligible. A mere 2% of students at the City University of New York would qualify—in part because of low graduation rates, just 5% for full-time students at CUNY's York College.

There are also claw-back provisions. At the end of each year, scholarship recipients who don't complete 30 credits—a full course load for two semesters—could lose their grant award for that second semester and get stuck taking out loans to pay back the state.

Students also have to commit to living and working in New York after they graduate for as many years as they receive the scholarship. If they leave the state, the grant turns into a loan. This kind of indentured servitude could keep young graduates from pursuing higher-paying employment elsewhere.

Scholarship recipients also won't save as much money as they might think. Annual tuition for in-state students at SUNY community colleges is roughly \$4,370. The figure for the state's public four-year schools is about \$6,470. Low-income students can get federal Pell grants of up to \$5,920 a year. New York's Tuition

Assistance Program, which covers students whose families earn less than \$80,000, can further reduce tuition by \$500 to \$5,000 each year.

In other words, many middle-class students already are paying little to nothing for tuition. Students who

New York's plan makes no sense except as a way for Gov. Cuomo to pitch Iowa voters ahead of 2020.

receive Gov. Cuomo's scholarships, however, would still have to pay for room and board, which SUNY estimates will run between \$10,000 and \$13,000 a year.

Mr. Cuomo says the plan will cost state taxpayers a mere \$163 million by 2019. Yet hundreds of millions more in federal student aid may flow to public colleges because of increased enrollment, which may be one of the governor's unstated goals. Since 2010, enrollment at SUNY community colleges has fallen on average by about 12%. Between 2011 and 2015, enrollment dropped by 8% at SUNY Buffalo State and 18% at Erie Community College.

Promising free tuition could steer more students to public schools from private ones. The Commission on Independent Colleges and Universities in New York estimates Gov. Cuomo's plan would boost enrollment at public colleges by 116,000 while reducing the head count at nonprofit schools by 11%. The declines would be particularly acute at small, less selective colleges. For-profit schools would be pinched, too.

According to the commission's analysis, the plan would shift \$1.4

billion away from nonprofit colleges, resulting in 45,000 job losses. Compensating jobs would be created at public schools, but dislocations would invariably occur. "Once this is out there and implemented, possibly some of the more precarious institutions will go under," Gary Olson, president of Daemen College, told Inside Higher Ed. "And what that will do is cause millions of dollars of lost economic impact on the local community where the college is located."

Thus, the plan could cause thousands of job losses in the upstate areas Mr. Cuomo has spent \$25 billion—by his own estimate—trying to resuscitate. Yet his economic stimulus has so far produced little bang for taxpayers' bucks.

According to a March report by InvestigativePost.org, upstate employment has grown by only 2.7% during the governor's tenure, compared with 13.1% downstate and 11% nationally. Meanwhile, several of Mr. Cuomo's cronies were charged last year in a pay-to-play scheme involving projects funded by his Buffalo Billion initiative—a plan to put \$1 billion into the Rust Belt city.

"Why a billion? A billion to say to people this isn't just another plan, and I'm not just another politician with another plan," the governor explained in January during a visit to Buffalo. "We need something to really capture people's attention because they have to believe it's going to work if it's actually going to work."

Lawmakers this month approved an additional \$400 million in subsidies for Buffalo. Add in the cost of free college, and this could wind up the most expensive publicly financed presidential campaign in history.

Ms. Finley is an editorial writer for the Journal.

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WORLD NEWS

Turkey Rejects Appeal Of Vote

By MARGARET COKER

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

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

There were no further details published.

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

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

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

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

The head of the country's main opposition party, Kemal Kilicdaroglu, told The Wall Street Journal on Tuesday that he had lost faith in the YSK's impartiality. His Republican People's Party was one of three that had filed for an annulment of the vote.

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

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

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

Meanwhile, more opposition protesters took to the streets Wednesday evening around the country.

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

—Yeliz Candemir in Istanbul contributed to this article.



Demonstrators facing off against government riot police during a march against President Nicolás Maduro in Caracas on Wednesday. At least two people died.

CARLOS BECERRA/AGENCE FRANCE PRESSE/GETTY IMAGES

Venezuela Clashes Flare and Fizzle

By ANATOLY KURMANAEV
AND JUAN FORERO

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

Red-eyed opposition activists tried unsuccessfully to keep the demonstrators on the streets as thousands ran from tear gas in eastern Caracas, some even wading into the dirty Guaire River to escape

the fumes. Many here hoped the march would be the start of a new and more aggressive street campaign against Mr. Maduro.

"Today was supposed to be the day. Please don't go," 22-year-old university student Virginio Correa yelled to mostly indifferent onlookers.

Caracas teenager Carlos Moreno, 17 years old, died from a gunshot to the head at a protest rally in the San Bernardino neighborhood outside central Caracas, a doctor at the local hospital said. Opposition lawmaker Gaby Arellano, who was present, said the protesters

came under fire from pro-government paramilitaries.

Later in the afternoon, a 23-year-old woman was shot dead in the western city of San Cristóbal as she got caught in a skirmish between protesters and the paramilitaries, local police said. Dozens of people across the country received lighter injuries from rubber bullets and tear-gas canisters, local health authorities said.

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

"Again, they came out, to break laws, to burn, to carry out

violent acts," he said. "We're still here governing, governing."

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

The government on Wednesday brought thousands of its red-shirted supporters into Caracas to defend what it calls the "Socialist Revolution." Security forces swiftly moved on thousands of protesters trying to enter downtown Caracas from all directions, stopping

them in their tracks with volleys of tear gas and rubber bullets. Pro-government militias riding motorbikes and armed with clubs and live weapons blocked smaller columns of demonstrators, witnesses and opposition leaders said.

The two young people shot Wednesday bring to seven the death toll during the wave of inconclusive protests that have rocked Venezuela since Mr. Maduro tried to dissolve the opposition-controlled congress late last month.

—Kejal Vyas
and Sheyla Urdaneta contributed to this article.

Zambia Charges Opposition Leader

By NICHOLAS BARIYO
AND JOE PARKINSON

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

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

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

The episode has sparked days of demonstrations by opposition supporters, which police have repelled with tear gas.

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

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



Police officers on Tuesday patrolled outside a Lusaka court during a hearing for Hakainde Hichilema.

called for Mr. Hichilema's immediate release, with Kenya's Raila Odinga urging the president to "step back from the brink before irreversible damage is done."

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

Mr. Lungu, who rose to power following a 2015 snap

election after his predecessor, Michael Sata, died in office, has denied any link to the case.

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

Political analysts said the capital charges mark a major escalation in the president's attempts to muzzle dissent that could see widening political divisions explode onto the streets. Mr. Lungu has closed

opposition media and in February pledged to pull his country from the International Criminal Court.

"It's an unfortunate but predictable escalation in the climate of intimidation and harassment," said Gary van Staden, an analyst at NKC African Economics, an economic-research consultancy. "The actions raise serious questions over the ability of the Lungu administration to tone down its increasingly repressive and authoritarian behavior."

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

It wasn't clear what wrongdoing China suspects Mr. Guo to have committed.

Interpol declined to comment, saying it doesn't discuss specific cases or publish information about red notices without approval from the relevant member country.

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

—Chun Han Wong

PALESTINIAN AUTHORITY

Abbas to Meet Trump on U.S. Visit

Palestinian Authority President Mahmoud Abbas will meet President Donald Trump in Washington on May 3, the White House said. Mr. Trump will use the visit to reaffirm the U.S. commitment to reaching a peace agreement in the Israeli-Palestinian conflict, White House press secretary Sean Spicer said.

Israeli Prime Minister Benjamin Netanyahu already visited the White House this year. At that time, Mr. Trump abandoned Washington's decades-old push for a two-state solution to the Israel-Palestinian conflict, saying the two sides should determine for themselves whether separate states were necessary for peace.

—Rebecca Ballhaus



By ELLIE KINCAID

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

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

the journal Nature.

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

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

The new research shows that

the meltwater doesn't only stand still on Antarctica's ice, as current models of ice-sheet melting assume, Dr. Bell said. She describes a river of meltwater on Antarctica's Nansen Ice Shelf that ends in a waterfall into the ocean. Satellite data show the river formed in six of the eight summer melt seasons between 2006 and 2015, and polar-expedition records from 1909 and 1912 that Dr. Bell examined describe meltwater streams on the ice shelf.

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

—Rebecca Ballhaus

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

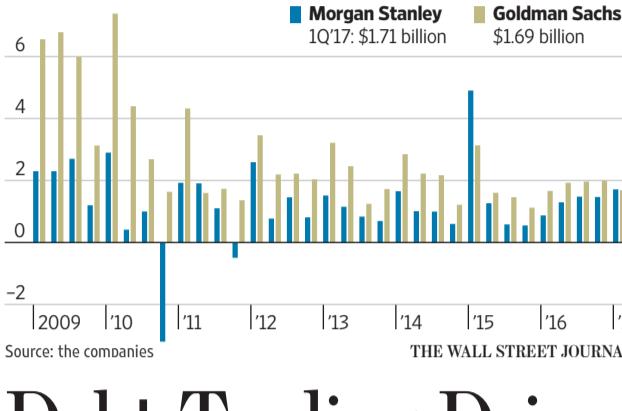
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S&P 2338.17 ▼ 0.17% S&P FIN ▼ 0.26% S&PIT ▼ 0.08% DJ TRANS ▲ 0.48% WSJ \$IDX ▲ 0.36% LIBOR 3M 1.156 NIKKEI (Midday) 18489.05 ▲ 0.31% See more at WSJMarkets.com

Pulling Even

Morgan Stanley outearned rival Goldman Sachs this quarter in fixed-income trading for only the second time since the financial crisis.

Fixed-income revenue, quarterly



Source: the companies

Debt Trading Drives Morgan Stanley Net

By LIZ HOFFMAN

Morgan Stanley rode a boost in debt trading to surpass rival **Goldman Sachs Group Inc.** and join other big Wall Street firms in posting strong results to start the year.

The firm reported a first-quarter profit of \$1.93 billion, or \$1 a share, on revenue of \$9.75 billion, all above analyst estimates. The results were also well ahead of the prior year's quarter, which was a time of tumult for all Wall Street firms.

Morgan Stanley has hit several targets set by Chief Executive Officer James Gorman.

Morgan Stanley's shares rose 2%, to \$42.04 on Wednesday.

The biggest surprise was \$1.71 billion in revenue from Morgan Stanley's fixed-income desk, which trades corporate and government bonds, currencies and commodities. For years the runt of the Wall Street litter, the business is showing steady progress after a leadership change and layoffs last year.

The unit has strung together four quarters of \$1 billion-plus revenue, a goal cautiously laid out 10 months ago by Chief Executive James Gorman. This quarter, the fixed-income desk added another feather to its cap: besting Goldman Sachs, which reported \$1.69 billion in fixed-in-

come trading revenue.

Morgan Stanley has topped Goldman Sachs in that business just one other time since the financial crisis, during a tumultuous stretch in the summer of 2011, when skittish Goldman executives pulled back on trading.

The rivalry between the two firms is decades old and has persisted even as their business models have diverged, with Morgan Stanley diving headlong into its retail brokerage while Goldman stuck to its banking and trading guns. Morgan Stanley's success on the fixed-income front only underscored the severity of Goldman's first-quarter stumble. On Tuesday, that firm's first-quarter report shocked investors with a year-to-year decline in overall trading revenue, while fixed-income revenue was flat with the prior year.

Other banks with big trading arms such as **J.P. Morgan Chase & Co.**, **Bank of America Corp.** and **Citigroup Inc.** had posted double-digit percentage gains in these areas.

Morgan Stanley's trading gains also raised more questions for investors about what might have gone wrong at Goldman. While that firm cited slow trading in commodities and corporate credit, Morgan Stanley finance chief Jonathan Pruzan said corporate bonds, interest-rate products and commodities saw strong demand.

With its latest results, Morgan Stanley hit several targets Mr. Gorman had set publicly.

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Firm Exposed Client's Data

Cybersecurity startup Tanium used hospital's information in demos without permission

By ROLFE WINKLER

For years, cybersecurity startup Tanium Inc. pitched its software by showing it working in the network of a hospital it said was a client, according to people familiar with the matter and videos of the demonstrations.

That and other efforts helped the company grow quickly, notching a valuation

of \$3.5 billion and a big investment from **Andreessen Horowitz**, one of Silicon Valley's most prominent venture firms.

But Tanium never had permission to present the demos, the hospital said, meaning a company selling security actually was giving outsiders an unauthorized look at information from inside its customer's system.

Tanium sells software that rapidly maps computer networks and diagnoses companies' vulnerabilities. To drive sales, co-founder and Chief Executive Orion Hindawi designed a presentation that he

said showed his company's software running inside a client. The system in the demo belonged to El Camino Hospital, a nonprofit community hospital based in Santa Clara County, Calif. He and his staff gave the presentation hundreds of times, from at least as early as 2012 through mid-2015, according to people familiar with the matter and three demonstration videos posted online by Tanium and its resellers.

"The hospital did not authorize desktop management data or other information to be used in any product demonstration and was not previously aware of these demonstrations or vid-

eos," El Camino Hospital said in a response to inquiries by The Wall Street Journal. "We are dismayed to learn that desktop and server management information was shared. We are thoroughly investigating this matter and take our responsibility to maintain the integrity of our systems very seriously." The hospital said Tanium didn't have access to any patient information, and said, "based on our review to date, patient information remains secure."

People familiar with the matter said Tanium's software was installed on El Camino Hospital's network around Please see TANIUM page B2



A Wall Street Whiz Loses His Mojo

By JULIET CHUNG

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

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

firm laid off one-tenth of its staff in recent months.

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

In conversations with clients, Mr. Meyer blames calm markets for Convexity's string of poor returns and says he expects investment opportunities to improve. "I just don't think it's time to quit," said Mr. Meyer in an interview recently at Convexity's offices high above Boston. He is the firm's chief executive.

Mr. Meyer has often told

smaller endowments and foundations that ask for advice to index 75% of their assets and use board connections to access world-class active managers for a sliver of their portfolios. He says he used to think 80% of active managers didn't add value but now thinks it is closer to 95%.

Convexity is in that remaining 5%, he said.

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

He acknowledged the decision might not be entirely theirs.

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

"We would have to do it [then]," Mr. Meyer said of closing Convexity. He said in a Please see MEYER page B10

HEARD ON THE STREET | By Richard Barley

Heed the Alarm Sounded by the Bond Markets

Warning Sign?

Gap between two- and 10-year U.S. Treasury yields

14 percentage points



Sources: FactSet

THE WALL STREET JOURNAL

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

The bond-market reversal has been swift. Ten-year Treasury yields have fallen around 0.4 percentage point in just six weeks and settled at 2.20% on Wednesday; the 10-year German yield is

back below 0.2% and Japanese 10-year bonds yield zero. The U.S. yield curve has flattened, with the gap between two-year and 10-year yields narrowing to pre-election levels. That could signal concern about the economic outlook. Headline inflation may have peaked, and hard growth data have failed to match the lofty heights suggested by surveys of economic sentiment, particularly in the U.S.

Yet other asset classes haven't succumbed to gloom. Corporate-bond spreads have remained tight even as Treasuries have rallied; U.S. stocks are moving broadly

sideways, with European stocks winning favor. In emerging markets, bonds and stocks are taking the softer U.S. dollar and lower yields as encouragement to push higher. Global growth seems to be in decent shape.

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

All of that supports havens such as Treasuries.

Moreover, investors who were betting on higher yields have been wrong-footed. Ultralow rates elsewhere make Treasuries look appealing.

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

INSIDE

HOLLYWOOD FEARS STRIKE BY WRITERS

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SENIOR WOMEN IN FINANCE ON CAREERS

WALL STREET, B9

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Tesla Reaches Settlement

Tesla Inc. has settled a lawsuit against the former director of its semiautonomous Autopilot system.

Sterling Anderson, who left Tesla in January to form an autonomous-vehicle startup with the former head of Alphabet Inc.'s Google car project, was accused by the electric-car maker of taking

proprietary documents and improperly colluding to recruit Autopilot workers.

Aurora Innovation LLC agreed to a nonsolicitation agreement with Tesla employees and to audits of its files to ensure any data allegedly taken wasn't used by Aurora. The startup also agreed to pay Tesla \$100,000. —Tim Higgins

Note: Through Tuesday Source: FactSet

The British luxury house's shares fell 7.9% Wednesday on disappointing fourth-quarter results and fears that the currency-induced rally could be coming to an end. The shares had been up 53% from the Brexit vote through Tuesday.

Burberry's 2% rise in fourth-quarter same-store sales came in below the 5% expected by analysts. The company also warned that it expects currency headwinds in its fiscal 2018, which ends in March, as it loses foreign-exchange hedges locked in last year when the pound was weaker.

"Burberry's own, FX-driven rally could disintegrate," warned Tom Gadsby, an analyst at Liberum. "We urge in-

vestors to take profits and sell from a position of relative strength."

Burberry isn't alone.

Shares of Johnnie Walker maker **Diageo** PLC, the world's largest spirits company, had risen 22% since the vote but dropped 1.9% Wednesday. The U.S. is Diageo's biggest market, and the strong dollar translated into

more money back home while the weak pound lowered the cost of making Scotch whisky.

FTSE 100 commodity giants such as **Royal Dutch Shell** PLC, **BP** PLC and **Glencore** PLC have also received a boost from sterling's decline as well as the rally in commodity prices. BP and Shell sell oil and gas for dollars and have significant expenses—in

cluding hefty dividends—that they pay in pounds. Switzerland-based Glencore has been helped as it sells dollar-denominated commodities such as copper into a strong-dollar environment.

Foreign-exchange moves also complicate matters for global retailers because savvy shoppers change their buying patterns to exploit currency differences. A strong dollar was partly responsible for Burberry's woes in the Americas, which makes up about 25% of Burberry's total sales. On Wednesday, the company reported Americas sales fell by a mid-single-digit percentage as demand from Americans and tourists in the region dropped.

Chief Financial Officer Julie Brown said Americans have increased their shopping abroad, helping Burberry report strong growth in the U.K. Sales to American shoppers in the U.K. rose 90% in the six months ended March 31 compared with the year-earlier period, Ms. Brown said.

—Robert Wall
and Michael Amon
contributed to this article.

TANIUM

Continued from the prior page
2010 by Allscripts Healthcare Solutions Inc., which then managed the hospital's systems. A person familiar with the matter said Tanium no longer has a relationship with the hospital. Details of the past relationship are unclear.

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

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

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

Mr. Hindawi didn't respond to a direct request for comment. Late Wednesday, after this story was first published, he issued a statement on Tanium's blog saying "we take responsibility for mistakes in the use of this particular customer's demo environment. We should have done better anonymizing that customer's data."

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

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

those complaints earlier.

In his blog post, Mr. Hindawi denied the company has a toxic culture. "We do not belittle each other at work, and it is completely untrue that we fire people to save a few shares of stock," he said.

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

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

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

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

The demonstrations stopped in mid-2015, according to people familiar with the matter, when Tanium staff suddenly were unable to log in, and Mr. Hindawi couldn't restore access as he had been able to before, one of the people said.

Bloomberg reported

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

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BUSINESS NEWS

Index Trackers Lift BlackRock

BY SARAH KROUSE

BlackRock Inc. posted increases in everything from revenue to assets in the first quarter, but the world's largest asset manager wasn't immune from the dynamics causing headaches for many in its industry.

The New York firm pulled in a net \$64.6 billion, thanks largely to investors seeking out lower-cost funds that track the performance of indexes, known as passively managed investments. Assets under management rose 14% from a year ago to \$5.42 trillion.

Profit climbed 31%.

But clients who are losing faith in more traditional stock pickers continued to pull money from that unit of BlackRock. Investors withdrew a net \$6.8 billion from BlackRock's actively managed stock products during the first quarter.

BlackRock is overhauling its stock-picking business in an effort that has included layoffs, pricing changes and greater emphasis on computer investment models.

"Active equities is not dead at BlackRock," Chief Executive Laurence Fink said in an inter-

view. The firm is working to mitigate outflows in problem areas and bring in new money in areas that have delivered more consistent performance, he said.

BlackRock, as part of its overhaul, will be offering its Main Street customers lower-cost quantitative stock funds that rely on data and computer systems to make predictions, an investment option previously available only to large institutional investors. Mr. Fink said the firm's quantitative funds started 2017 with "probably the best performance of any year"

after a difficult 2016.

The performance of existing quantitative funds improved in the first quarter compared with a year earlier. Over one year, 18% of those assets underperformed their benchmark or peers, down from 59% at the end of the first quarter of 2016. Over three years, 15% of assets underperformed, compared with 16% a year ago.

During the quarter, BlackRock attracted net new money in indexed funds, actively managed fixed-income funds and multiasset strategies. The big driver was its giant iShares ex-

change-traded-fund business, which attracted a net \$44.6 billion into stock exchange-traded funds. The stock ETF inflows were about 70% of total iShares net inflows.

Profit totaled \$862 million, or \$5.23 a share, up from \$657 million, or \$3.92 a share, a year earlier. Revenue increased 7.6% to \$2.82 billion.

Some analysts questioned whether some of the firm's ultralow-cost ETFs had led the firm's revenue to fall short of Wall Street's expectations.

—Austen Hufford contributed to this article.



Laurence Fink says BlackRock is working to mitigate outflows.

CSX Receives Boost From Uptick in Coal Shipments

BY EZEQUIEL MINAYA

CSX Corp. on Wednesday posted earnings that easily beat Wall Street expectations as its first quarter under the leadership of turnaround artist Hunter Harrison benefited from the continued recovery of coal shipments, a key product for freight lines.

The company's first-quarter revenue rose 9.6% from a year earlier, helped by a 3% rise in coal shipments, much of which were destined for export.

The railway sector in general has been squeezed by slumping volumes for coal in recent years. CSX has been particularly vulnerable as it gets a greater share of its revenue from coal compared with some peers.

The lone segment at CSX to retreat during the first quarter was its forest-products unit, which contracted 1%. Its intermodal business, or the moving of shipping containers, edged up 1%.

Wednesday marked the first earnings report for Mr. Harrison, an industry maverick who is known for rejuvenating companies through cost cutting and streamlining operations. The railway's market value has surged some \$9 billion since the start of the year



PATRICK SEMANSKY/ASSOCIATED PRESS

The freight railroad, which is now under new leadership, had contended in recent years with a slump in the U.S. coal market.

when it was first hinted he would be taking a leadership role.

CSX shares, which have gained 78% over the past 12 months, rose 2.6% after hours

Wednesday to \$48.15.

In his first few weeks on the job, Mr. Harrison, 72 years old, has held off on any sweeping comments about his overall plan. He is scheduled

to publicly address investors Thursday in a conference call, during which they are hoping to hear just how low Mr. Harrison thinks he can push CSX's operating ratio—a key metric

that measures costs as a percentage of revenue. Investors expect CSX to eventually reach a target percentage in the mid-60s. Last year, CSX logged an operating ratio of 69.4%.

Revenue climbed to \$2.87 billion.

Analysts surveyed by Thomson Reuters expected earnings of 43 cents a share on revenue of \$2.76 billion.

Marathon Sponsor Adidas Offers an Apology



Adidas AG apologized for sending an email to finishers of this week's Boston Marathon that congratulated them for "surviving" the race, a remark some viewed as insensitive after the 2013 bombings at the event.

The sportswear maker issued an apology Tuesday on its social media after screenshots of the email subject line ricocheted online. "Clearly, there was no thought

given to the insensitive email subject line we sent Tuesday. We deeply apologize for our mistake," the Adidas statement said.

The company has been an official race sponsor and outfitter for decades at the marathon. In 2013, the brothers Dzhokhar and Tamerlan Tsarnaev positioned twin bombs at the race's finish line, which killed three and injured hundreds of others. Tamer-

Ian was killed in a subsequent shootout with police, while Dzhokhar was convicted of charges related to the bombing and sentenced to death in 2015.

In the years since the bombings, the Boston Marathon has taken on renewed significance within the running community and Boston itself, with annual ceremonies commemorating the victims.

—Sara Germano

Akzo Sets Plan to Dodge PPG Takeover

BY CHRISTOPHER ALESSI

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

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

"We believe this plan creates superior value" to the PPG offer, Akzo Chief Executive Ton Büchner said

Wednesday. "It has significantly less uncertainty."

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

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

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

The company said it is targeting increased shareholder returns and plans to issue a €1 billion special dividend to shareholders in November, as well as a 50% increase in the

regular dividend, to €2.50 a share.

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

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

The company said quarterly net profit stayed flat year over year, at €240 million. Quarterly revenue rose 7% to €3.67 billion, mainly as a result of higher volumes and acquisitions.

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TECHNOLOGY

WSJ.com/Tech

Hyperloop One Makes Halting Progress

California startup dials back testing of newfangled mode of transportation

By GEORGIA WELLS AND ELIOT BROWN

The self-proclaimed transportation of the future is running late, short and slow.

Hyperloop One Inc. is delaying and scaling back the first full test of its prototype of trainlike pods that whisk through low-pressure tubes. The company has touted the event as a historic milestone that would showcase the technology and help attract crucial investment.

Last year, Hyperloop One said it would perform the public test—which it called its “Kitty Hawk moment,” referring to the Wright brothers’ aviation achievement—before the end of 2016. It later put off the deadline to March 31, which it also missed. Last month, Hyperloop One’s general counsel said at a public hearing the company plans to hold a public test of a



A Hyperloop One site near Las Vegas for testing its prototype.

stated and the concept impractical, the technology has dazzled venture-capital investors, from whom Hyperloop One has collected about \$160 million. Mr. Giegel, who is now responsible for the technology, rose to the top engineering position last July after the previous engineering head left the company and filed a lawsuit alleging mismanagement and mistreatment. The parties settled in November.

Last May, Hyperloop One conducted a test of its propulsion system in a high-profile display of its technology. In front of bleachers filled with journalists, investors and employees’ family members, a sled zipped down a track in the Nevada desert for about two seconds and crashed into a pile of sand, as intended.

As soon as the test concluded, Hyperloop One executives began touting the next step: Kitty Hawk. In January, Hyperloop One finance chief Brent Callinicos predicted the Kitty Hawk test would “cause a spike in demand” from investors. At the time, he said the company expected to soon

raise additional money from investors.

Mr. Giegel favors undertaking more frequent and smaller tests, moving away from Hyperloop One’s previous public displays of prowess. “The quicker we get to testing, the quicker we get to data to influence our design,” he said.

He affirmed that the company is still working toward its Kitty Hawk moment—with a complete tube and pod, using levitation technology—but on a shorter track that won’t allow the pod to reach full speed.

Hyperloop One has built its track to 500 meters instead of the full 3,000 meters planned when the company struck an incentive deal with Nevada in March 2016. The demonstration doesn’t need to test the technology at the full speed, Mr. Giegel said. He declined to say what speed he expects the pod to reach.

With the shorter test, Mr. Giegel hopes to learn, for example, how leaky the hyperloop’s tube will be, something for which a longer tube wouldn’t have provided much more information, he said.

BlackBerry Row Hits Qualcomm’s Results

By TED GREENWALD

An arbitration decision in a dispute with **BlackBerry** Ltd. weighed on **Qualcomm** Inc.’s earnings in the latest quarter, a further blow to its results after the chip maker paid a hefty South Korean government fine the previous quarter, and a reminder of ongoing challenges to its patent licensing business.

The smartphone chip leader reported a second-quarter profit of \$749 million on total sales of \$5.02 billion, as the arbitration decision cut sharply into the company’s top line and helped pull down revenue in its patent licensing segment by 40%, to \$1.33 billion. That division, which licenses patents essential to mobile communications and collects royalties on nearly every smartphone sold, typically brings the majority of Qualcomm’s pretax net profit. The impact from the BlackBerry decision amounted to \$974 million, the company said.

Qualcomm, meanwhile, worked to quell concerns over royalty payments withheld on sales of **Apple** Inc. iPhones, a consequence of disputes between the two companies that came to a head in lawsuits filed by Apple in January. It said it expected Apple’s contract manufacturers to underpay royalties during the quarter commensurate with the amount that is in dispute, but also widened its range of guidance for the third quarter to reflect uncertainty over iPhone-related royalties. The guidance doesn’t include a scenario in which no payments are made by the contract manufacturers, Qualcomm said.

The question is how much of those royalties will continue

to be absent going forward.

“Things we can control, we’re executing well on,” Qualcomm Chief Executive Steve Mollenkopf said in an interview.

Still, shares of Qualcomm rose on the earnings beat, climbing 2.4% after hours to \$53.87. The stock’s price has dropped sharply this year, down 19% through Wednesday’s close, as the U.S. Federal Trade Commission sued the company for anticompetitive practices in its patent licensing division. Qualcomm has filed a motion to dismiss the case.

Days later, Apple filed its own allegations of unfair dealing around Qualcomm’s intellectual property licensing business. Qualcomm has characterized the conflict as a

19%

Drop in Qualcomm’s stock price this year through Wednesday

commercial dispute in which Apple aims to cut costs.

Qualcomm, in a recent court filing answering Apple’s lawsuit, alleged that Apple influenced contract manufacturers that assemble iPhones, and which have license agreements with Qualcomm, to stop paying royalties for their use of Qualcomm’s patents. Apple’s alleged interference was retaliation for the chip maker’s own withholding of payments it owed to Apple in a separate contract dispute, Qualcomm claimed.

Apple, in its lawsuit, tallied those payments at \$1 billion.

Qualcomm said it expects iPhone royalties to be withheld only up to that amount.

‘Add-Ons’ Push Up Game Revenue

By SARAH E. NEEDLEMAN

Forget “game over.”

Videogames are generating billions of dollars a year in revenue by creating additional characters and stories that players can buy long after a title’s launch—the equivalent of selling new chapters to an already completed book.

“Add-ons” are a bonanza for major game publishers: Last year, world-wide spending on add-ons for PC and console games was \$4.78 billion, nearly double 2012’s haul, according to SuperData Research, which projects \$5.21 billion in 2017 spending.

“It’s the most important trend we’ve seen over the past five years,” said Tim O’Shea, an analyst at Jefferies. “These are incremental dollars that weren’t being captured before.”

Analysts say add-ons’ popularity is a major reason stock prices have more than tripled in the past five years at game giants Activision Blizzard Inc., Electronic Arts Inc., Take-Two Interactive Software Inc. and Ubisoft Entertainment SA.

There is a downside, though: With players adding on to their favorite titles and playing them for longer stretches, executives say, it becomes more difficult to produce new blockbusters that stand out.

Here’s how add-ons work: A person buys a game such as EA’s “Battlefield 1,” typically spending \$60. The customer then spends more for extras, which can range from a 99-cent upgrade such as a special weapon to an “expansion pack” with new stories costing between roughly \$10 and \$40.

Videogame publishers dole out the add-ons at intervals, typically over a year, but may also sell them as part of a package called a “season pass.”

Electronic Arts, publisher of popular sports franchises such as FIFA soccer and Madden football, last year generated \$1.2 billion in revenue from add-ons, including about \$800 million from Ultimate Team, a mode launched in 2009 that mode launched in 2009 that

Previously, “people would

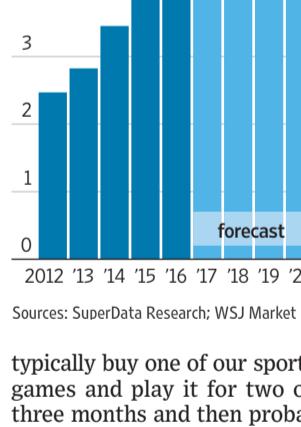


The Electronic Arts videogame ‘Battlefield 1’ offers extras such as new stories and content.

Playing the Game

The popularity of add-on content for PC and console videogames is a major reason stock prices have more than tripled in the past five years for videogame giants.

Global annual revenue from add-on content



Sources: SuperData Research; WSJ Market Data Group

Five-year share performance of selected videogame publishers



THE WALL STREET JOURNAL.

typically buy one of our sports games and play it for two or three months and then probably put it away,” Blake J. Jorgensen, EA’s finance chief, said at an investor conference in February. “Today, people engage in Ultimate Team for a full year.”

In some cases, the payoff from games with longer lifespans can provide cover for new titles that flopped, said Strauss Zelnick, chief

executive at Take-Two.

Take-Two’s “Battleborn” game didn’t meet the company’s expectations when it launched in May last year. Even so, revenue that quarter rose 13% despite no other major releases.

The company credited sales of digital add-ons for its Grand Theft Auto games, which were released in 2013 and 2014.

Mr. Zelnick declined to say

when a new Grand Theft Auto game might launch. “There is a limited amount of mind share,” he said.

Add-ons are part of a shift in the industry toward “games as a service”—a play on the idea of “software as a service,” where companies such as Salesforce.com Inc. sell subscriptions to software rather than boxed or downloaded programs that customers pay for once.

Facebook’s Next Frontier: Mind-Reading

By DEEPA SEETHARAMAN

Facebook Inc. wants to read your mind.

“What if you could type directly from your brain?” asked Regina Dugan, who runs Facebook’s secretive hardware division, Building 8, during a keynote address at the company’s F8 developer conference Wednesday.

Building 8, which was created at last year’s F8, has been working on a “brain-computer interface” for several months, Ms. Dugan said.

Recent job postings for Building 8 show the unit is hiring engineers for a two-year project “focused on de-

veloping advanced (brain-computer interface) technologies.”

Ultimately, the mind-reading technology could help people type 100 words a minute from their minds—about five times faster than we type from our smartphones, Ms. Dugan told developers at the conference in San Jose, Calif.

Separately, Building 8 also is working on technology that could help people “hear” with their skin, Ms. Dugan said.

Building 8 tackles Facebook’s bleeding edge ideas—way beyond projects such as the augmented reality technology Chief Executive Mark Zuckerberg announced Tuesday.

Instead, Facebook hopes only to interpret and send the thoughts people would speak

aloud anyway, Ms. Dugan said.

“You take many photos, you choose to share some of them,” she said during her keynote. “Similarly you have many thoughts, you choose to share some of them.”

The technology could help disabled people, Ms. Dugan said, showing a video of a woman with amyotrophic lateral sclerosis, also known as Lou Gehrig’s disease or ALS, who is able to slowly type with her brain through a project at Stanford University. It also could have more broad uses, such as allowing people to respond to texts or emails without looking at their phones.

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BUSINESS NEWS

Google's Chrome To Include Ad Blocker

By JACK MARSHALL

Alphabet Inc.'s Google plans to introduce an ad-blocking feature in the mobile and desktop versions of its popular Chrome web browser, according to people familiar with the company's plans.

The ad-blocking feature, which could be switched on by default within Chrome, would filter out certain online ad types deemed to provide bad experiences for users as they move around the web.

Google could announce the feature within weeks, but it is still ironing out specific details and still could decide not to move ahead with the plan, the people said.

Unacceptable ad types would be those recently defined by the Coalition for Better Ads, an industry group that released a list of ad standards in March. According to those standards, ad formats such as pop-ups, auto-playing video ads with sound and "prestitial" ads with countdown timers are deemed to be "beneath a threshold of consumer acceptability."

In one possible application Google is considering, it may choose to block all advertising that appears on sites with offending ads, instead of the individual offending ads themselves. In other words, site owners may be required to ensure all of their ads meet the standards, or could see all advertising across their sites blocked in Chrome.

Google declined to comment.

The ad-blocking step may seem counterintuitive given Google's reliance on online advertising revenue, but the move is a defensive one, people familiar with the plans said.

Hollywood Faces Strike Scenario

TV and movie studios bargain with writers amid memories of stoppage in 2007

By JOE FLINT
AND ERICH SCHWARTZEL

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

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

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

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

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

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

Meanwhile, U.S. movie at-



A Writers Guild of America strike rally in Hollywood in 2007. Key issues this year include health-care plans and exclusive contracts.

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

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

"It is incredibly damaging to the health of the entertainment community," said Ben Silverman, a television pro-

ducer and former NBC Entertainment president, adding that a work stoppage "paralyzes the whole industry," including the hundreds of thousands of ancillary nonunion members who work on TV and movie productions.

Neither the WGA or AMPTP would comment on the talks.

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

Streaming services such as Netflix and Hulu may be better prepared to endure a strike given their large libraries of content and acquisitions of overseas television shows.

Writers' Lament: Fewer Episodes Per Show, Less Pay

more writers go months or even years without work," he added.

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

"You are not allowed to continue to make money," said writer Erik Oleson of contract exclusivity. The shorter seasons and the reduction in residuals from declining reruns "is literally driving the price of a writer to the minimum scale of the Writers Guild," said Mr. Oleson, whose writing credits include Amazon's "The Man in the High Castle" and the CW's "Arrow."

BUSINESS WATCH

EBAY

Earnings Top Expectations

eBay Inc. surprised to the upside by one cent, reporting first-quarter adjusted earnings per share of 49 cents as it continued to sell more merchandise and add shoppers to its site.

Revenue was in line with analyst expectations at \$2.2 billion, but eBay gave second-quarter guidance that was shy of consensus.

The company also said it bought back \$350 million in shares—far short of the \$1.3 billion for which it was authorized. Analysts in recent days speculated the company might take bigger advantage of that, and shares had risen about 14% since the beginning of the year.

—Laura Stevens

HEINEKEN

Brewer Displays Strength in Europe

Heineken NV, the world's second-largest brewer by sales, reported on Wednesday an increase in its first-quarter profit as it beat expectations for sales on a stronger-than-forecast performance in Europe.

The company booked a net profit of €293 million (\$314 million), up 11% on the comparable period in 2016. Beer sales edged up 0.6% on an organic basis, helped by Europe and Asia-Pa-



Heineken's beer sales were helped by Europe and Asia-Pacific.

cific. Analysts had expected sales to decrease by 0.5%.

"Performance in the first quarter was in line with expectations, delivering volume growth against strong comparatives last year," Heineken Chief Executive Jean-Francois van Boxmeer said.

The company, which gets about two-thirds of its profit from emerging markets, said its full-year expectations remained unchanged.

—Nick Kostov

UBER TECHNOLOGIES

Axel Springer Buys Interest

Axel Springer SE said Wednesday that it had bought a stake in Uber Technologies Inc.,

the U.S. ride-hailing company that has faced several regulatory and legal challenges in Europe.

A Springer spokeswoman said the stake was "minimal" and represented a financial rather than a strategic investment. Springer had acquired its stake recently, an Uber spokeswoman said, but neither company would disclose the exact timing or value of the investment.

The German publisher has made early-stage investments in about 100 companies, the spokeswoman said—part of a move to diversify outside its traditional publishing business.

News of Springer's investment comes as Uber faces accusations of institutional sexism and sexual harassment and criticism of its workplace culture.

—Friedrich Geiger and Natalia Drozdiak

GM Plans Push for Chevy in China

By MIKE COLIAS

SHANGHAI—Chevrolet, General Motors Co.'s biggest brand, is counting on a spate of vehicle rollouts in coming years to end a sales skid in China.

GM's other brands have been on a tear in the world's largest car market, including Buick, which topped 1 million vehicle sales in China last year to rise to second place behind Volkswagen AG's namesake brand. However, Chevy's sales have declined for two consecutive years, a slump executives blame on a vehicle lineup thin on sport-utility vehicles, whose

popularity is surging in China.

Until recently, GM had been using older, "legacy" vehicles to fill out much of Chevy's lineup, said Alan Batey, head of the brand globally, referring to a common tactic among auto makers for sustaining profit margins in emerging markets. He said Chevy was gradually replacing those with the same vehicles it sells in the U.S., which are more refined and have better technology.

"Over the next two or three years, we've got a whole arsenal of products," Mr. Batey said in an interview on the sidelines of the Shanghai auto show Wednesday.

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

20404.49 ▼118.79, or 0.58%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 20.33 18.92
P/E estimate * 17.59 17.06
Dividend yield 2.37 2.51
All-time high 21115.55, 03/01/17

Current divisor 0.14602128057775

21500
21000
20500
20000
19500
19000

Session high
DOWN UP
Session open ► Close
Close ► Open
Session low

65-day moving average

18500

Jan. Feb. Mar. Apr.

Bars measure the point change from session's open

* P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2338.17 ▼4.02, or 0.17%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 24.45 24.15
P/E estimate * 18.25 18.50
Dividend yield 1.98 2.19
All-time high: 2395.96, 03/01/17

2390
2350
2310
2270
2230
2190
2150

65-day moving average

Jan. Feb. Mar. Apr.

Nasdaq Composite Index

5863.03 ▲13.56, or 0.23%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 25.85 22.54
P/E estimate * 20.25 18.75
Dividend yield 1.11 1.25
All-time high: 5914.34, 03/30/17

5960
5850
5740
5630
5520
5410
5300

65-day moving average

Jan. Feb. Mar. Apr.

Bars measure the point change from session's open

18500

Jan. Feb. Mar. Apr.

18000

17500

17000

16500

16000

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8000

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7000

6500

6000

5500

5000

4500

4000

3500

3000

2500

2000

1500

1000

500

0

Jan. Feb. Mar. Apr.

Bars measure the point change from session's open

18500

Jan. Feb. Mar. Apr.

18000

17500

17000

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Jan. Feb. Mar. Apr.

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Jan. Feb. Mar. Apr.

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4500

4000

3500

3000

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract		Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.	2,5495	2,5495	2,5335	2,5335	2,5045	599		
April	2,5495	2,5495	2,5335	2,5335	2,5045	599		
July	2,5415	2,5750	2,5085	2,5490	0,0085	102,750		
Gold (CMX)-100 troy oz.; \$ per troy oz.	1288.00	1288.00	1274.00	1281.40	-10.30	930		
June	1291.70	1292.70	1275.40	1283.40	-10.70	341,968		
Aug	1294.80	1295.30	1279.00	1286.70	-10.60	45,931		
Oct	1295.10	1295.10	1282.10	1289.90	-10.50	7,391		
Dec	1300.90	1300.90	1285.10	1293.10	-10.50	49,331		
Feb'18	1302.20	1302.20	1288.50	1296.40	-10.40	7,866		
Palladium (NYM)-50 troy oz.; \$ per troy oz.	1288.00	1288.00	1274.00	1281.40	-10.30	930		
April	979.00	979.00	979.00	975.45	4.60	1		
May	786.00	786.00	778.05	775.45	4.60	2		
June	771.20	771.20	770.40	775.60	4.60	31,011		
Sept	771.90	775.35	771.20	775.40	4.20	2,456		
Platinum (NYM)-50 troy oz.; \$ per troy oz.	1288.00	1288.00	1274.00	1281.40	-10.30	930		
April	976.60	976.60	976.60	967.50	-8.30	40		
July	978.70	982.90	966.30	970.30	-8.30	60,337		
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	184.30	184.35	184.30	181.36	-0.115	86		
May	183.00	183.25	180.85	181.62	-0.110	111,262		
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	52.36	52.65	50.09	50.44	-1.97	72,578		
June	52.75	53.08	50.51	50.85	-2.00	584,650		
July	53.12	53.42	50.87	51.20	-2.20	220,244		
Sept	53.58	53.82	51.43	51.71	-1.98	189,663		
Dec	54.01	54.25	51.85	52.16	-1.94	274,089		
Dec'18	53.57	53.75	51.66	51.95	-1.66	129,823		
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.	1,6219	1,6316	1,5696	1,5813	-0.046	61,976		
June	1,6259	1,6403	1,5775	1,5892	-0.0419	116,518		
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.	1,7016	1,7123	1,6500	1,6590	-0.0520	68,966		
June	1,7064	1,7177	1,6540	1,6634	-0.0531	119,172		
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.	3,150	3,223	3,143	3,185	.040	97,464		
June	3,242	3,312	3,233	3,276	.040	208,661		
July	3,313	3,386	3,310	3,353	.039	184,208		
Sept	3,345	3,404	3,334	3,369	.030	129,347		
Oct	3,361	3,418	3,350	3,384	.028	136,819		
Jan'18	3,618	3,663	3,605	3,632	.018	89,919		

Agriculture Futures

	Corn (CBT)-5,000 bu.; cents per bu.		Oats (CBT)-5,000 bu.; cents per bu.		Soybeans (CBT)-5,000 bu.; cents per bu.		Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.	
May	361.25	365.25	360.50	361.75	...	293,315		
July	368.00	371.75	367.25	368.25	...	630,121		
Sept	371.25	375.75	369.00	370.25	...	630,121		
Dec	379.75	380.75	371.25	370.25	...	3,010		
Dec'18	380.75	381.75	371.25	370.25	...	3,010		

	Gasoline (NYM)-42,000 gal.; \$ per gal.		Soybean Meal (CBT)-100 tons; \$ per ton.		Soybean Oil (CBT)-60,000 lbs.; cents per lb.		Rough Rice (CBT)-2,000 cwt.; \$ per cwt.	
May	1,7016	1,7123	1,6500	1,6590	-0.0520	68,966		
June	1,7064	1,7177	1,6540	1,6634	-0.0531	119,172		
July	1,7125	1,7225	1,6580	1,6670	-0.0531	119,172		
Sept	1,7175	1,7275	1,6620	1,6710	-0.0531	119,172		
Dec	1,7225	1,7325	1,6660	1,6750	-0.0531	119,172		
Dec'18	1,7275	1,7375	1,6700	1,6790	-0.0531	119,172		

	Crude Wheat (CBT)-5,000 bu.; cents per bu.		Wheat (KCC)-5,000 bu.; cents per bu.		Wheat (MPLS)-5,000 bu.; cents per bu.		Wheat (WRS)-5,000 bu.; cents per bu.	
May	421.50	425.75	417.50	419.00	-3.50	113,588		
July	436.25	440.50	432.75	434.50	-2.50	259,955		
Sept	448.25	452.50	440.75	442.50	-2.50	202,442		
Dec	456.50	460.50	442.75	446.50	-2.50	141,112		
Dec'18	464.75	469.00	445.25	449.50	-2.50	141,112		

	Cattle-Feeder (CME)-50,000 lbs.; cents per lb.		Cattle-Live (CME)-40,000 lbs.; cents per lb.		Hogs-Lean (CME)-40,000 lbs.; cents per lb.		Lumber (CME)-110,000 bd ft.; \$ per 1,000 bd ft.	
April	138.50	139.20	137.15	138.65	...	3,403		
Aug	142.00	142.50	140.75	142.95	.75	25,418		
Dec	146.95	147.50	145.00	147.25	.75	25,418		
Dec'18	147.50	148.00	145.25	147.25	.75	25,418		

	Crude Oil (CBT)-5,000 bu.; cents per bu.		Distillates (CBT)-5,000 bu.; cents per bu.		Heating Oil (CBT)-5,000 bu.; cents per bu.		Diesel (CBT)-5,000 bu.; cents per bu.	

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISYE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
 i-New 52-week high.
 i-New 52-week low.
 dd-Indicates loss in the most recent four quarters.
 FD-FIRST day of trading.
 h-Does not meet continued listing standards.
 If-Late filing
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 vi-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, April 19, 2017		Net		Net	
Stock	Sym Close Chg	Stock	Sym Close Chg	Stock	Sym Close Chg

NYSE

Stock	Sym	Close	Net	Stock	Sym	Close	Net	Stock	Sym	Close	Net	Stock	Sym	Close	Net	Stock	Sym	Close	Net	Stock	Sym	Close	Net								
ABB	ABB	22.27	.08	Avtel	AVT	44.14	-.01	Cemex	CX	8.65	-1.05	HudsonPacProp	HPP	35.36	0.08	MidAmpt	MAA	101.39	-0.51	RepPubServices	RSS	63.05	0.19	TransDigm	TDG	237.41	0.95	ADP	ADP	102.07	0.14
AES	AES	11.37	-0.04	BBArt	BBA	42.63	-.01	EMN	EMN	78.58	-0.16	HuntingnGalls	HUN	213.11	1.41	RestMed	RM	69.10	0.45	Baidu	BIDU	177.81	3.34	Marriott	MAR	91.49	-0.53				
Aflac	AFL	73.57	-0.31	BHPBillion	BHP	35.44	-0.13	Eaton	ETN	73.63	-0.84	Huntsman	HUN	23.79	-0.12	RestaurantBands	QSR	56.22	-0.44	BankOfOzarks	OZRK	48.42	0.94	MarvellTech	MRLV	14.90	-0.01				
AT&T	AT	40.25	-.09	BHPBillion	BBL	30.61	-0.22	Ecolab	ECL	19.57	-0.53	ICICI Bank	IBN	8.49	0.34	Travellers	TRV	120.40	-0.37	Mattel	MAT	25.11	-0.13								
AXIS Capital	AXS	66.21	.26	BRE	BRE	12.78	-0.20	Edcopetrol	EC	9.49	-0.13	ING	ING	15.16	0.48	MobileTeleSys	MBT	10.31	-0.17	Turkcell	TKC	8.05	-0.02	MaximInProducts	XMM	44.59	-0.17				
AbbottLab	ABT	43.59	.16	BRE	BTF	20.02	-.01	EdisonInt'l	EIX	80.62	-0.25	MobileW	MLB	61.87	-.01	RioTinto	RIO	38.52	-0.10	TurquoiseHill	TRQ	2.73	-0.04	MelcoResorts	MLOCO	19.92	-0.04				
AbbVie	ABBV	63.45	-0.29	BakerHughes	BH	59.47	-0.54	Bernard	BIN	96.69	1.93	Monsoontech	MTS	224.22	2.56	Rockwell	RHT	45.20	0.29	Biogen	BIB	271.94	0.78	MercadoLibre	MELI	218.83	1.00				
Accenture	ACN	116.95	.71	BanksBilbav/B	BBVA	7.14	0.11	Bethco	BCE	71.70	0.53	MotorolaSolutns	MS	83.37	0.73	RockwellCollins	COL	98.04	1.26	Bioverativ	BIVV	55.99	-0.06	MicrochipTech	MCHP	74.86	0.73				
AcuityBrands	AVI	174.42	-0.28	Bancroft	BCH	45.72	-0.51	Bethco	BCH	45.72	-0.51	MonacoIndustries	MHI	224.32	2.56	RoverTech	TYL	158.48	1.90	Mondelez	MDLZ	44.26	-0.12								
Adient	ADNT	67.58	1.42	BocoSamChile	BSAC	23.64	-0.01	Bethco	BCH	45.50	-.01	MotorolaSolutns	MS	83.37	0.73	TylerTech	TYL	158.48	1.90	MonteBevor	MNST	45.10	-0.21								
AdvanceAuto	AAU	142.42	1.51	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	Unilever	UN	50.99	-0.32	Mylan	MYLN	36.06	-0.07								
AdvSemEngg	ASX	6.14	-0.07	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	Nexcom	NEXP	101.40	2.92	NXP Semicond	NXPI	104.23	0.92								
Aegon	AEG	4.86	0.07	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	Nordson	NDSN	120.81	0.27	Nasdaq	NDQ	69.17	0.07								
AerCap	AER	44.11	-.01	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetApp	NTAP	39.75	0.02	Net	NET	105.28	-1.82								
AerTec	AER	129.26	0.72	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetEase	NET	262.88	-1.32	Netease	NET	139.76	-3.60								
AffiliatedMgrs	AMG	162.77	0.79	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	Netflix	NFLX	139.26	0.05	NewsCorp	AWX	12.13	0.00								
Allegion	ALLE	77.34	1.24	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NewCorp	NWSA	12.13	0.00	NewsCorp	NWSB	12.13	0.00								
Ally	ALLY	174.42	-0.28	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NewsCorp	NWSA	12.13	0.00	NewsCorp	NWSB	12.13	0.00								
AllyFinancial	ALLY	79.75	-0.56	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Allstate	ALL	115.00	0.24	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Altria	MO	72.11	-0.23	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Altria	MO	72.11	-0.23	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Altria	MO	72.11	-0.23	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Altria	MO	72.11	-0.23	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Altria	MO	72.11	-0.23	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Altria	MO	72.11	-0.23	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Altria	MO	72.11	-0.23	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Altria	MO	72.11	-0.23	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13	0.00								
Altria	MO	72.11	-0.23	Bernard	BFR	12.78	-0.20	Bernard	BFR	12.78	-0.20	MotorolaSolutns	MS	83.37	0.73	NetScout	NSC	12.13	0.00	NetScout	NSCA	12.13									

BANKING & FINANCE

Top Wall Street Women Offer Wisdom

Female leaders of finance offer advice to peers on how to advance their careers

BY SARAH KROUSE AND EMILY GLAZER

Back in 1987 when she started her career on Wall Street, Carla Harris could name all of the senior women in banking. The Morgan Stanley vice chairman said that today, that is no longer possible—one sign of women's advancement in finance. But she and other top female leaders say the financial services industry must do more for women.

At a New York event hosted by The Wall Street Journal Tuesday night, senior women in finance offered advice for companies and employees on creating equal opportunities for women—and advancing them into positions of power. "The moment is now" for advancing more women, said Lisa Carnoy, division executive for the Northeast at Bank of America Corp.'s U.S. Trust.

Here is some of their best advice for navigating a career on Wall Street.

Take Some Control

Jobs in finance can be demanding. But there is a way to do your job and maintain a

semblance of work-life balance by controlling your schedule, the women said.

The more senior women become, the more able they are to redefine time management. For instance, Ms. Carnoy, who was previously head of global capital markets at **Bank of America Merrill Lynch**, said she blocks time on calendars for members of her team so that they can keep appointments for a music class or make time for the gym.

"You may not have control over what day the IPO prices," but there are times when employees can and should take control, making time for family and life outside work, she said.

Bosses can't read your mind, said Geraldine Buckingham, global head of corporate strategy at **BlackRock**. She advises talking to managers directly about scheduling. Ms. Buckingham often travels on Fridays to meet her partner, who is frequently traveling abroad for work, so that they are able to spend time together over the weekend.

Be Clear on Comp

Women often avoid talking about money, but "you have to ask for the order," Ms. Harris said, using an investment-banking term. Pay is "the dominant competitive parameter in our business," she added.

Employees should know how they perform each year,



From left: BlackRock's Geraldine Buckingham, Lisa Carnoy of Bank of America Corp.'s U.S. Trust and Morgan Stanley's Carla Harris

where they are versus their peers and what they need to do to get to the top.

Pay Equity Matters

Companies, too, must take pay equity seriously and show women that they are valued by paying them the same as their male counterparts. Ms. Buckingham said pay inequality often persists for women because companies pay staff relative to their prior compen-

sation, which has a "compounding effect over years," she said.

Many companies need a "reset," she said, where firms pay a set salary for a role, even if that is significantly more or less than a job candidate made previously.

Have a Plan, Stick to It

If companies want to build a pipeline of female talent and improve gender diversity, they

need to formalize internal staffing procedures.

Morgan Stanley's Ms. Harris cited the need for intentionality, putting women in positions with responsibilities that can develop and showcase their talents.

They must also create an accountability or an oversight function for gender equality with penalties or rewards to make sure women get the

same opportunities as men, and they must be consistent with these efforts—even when times are tough.

"It can't be a bull-market phenomenon," she said, noting that such personnel efforts often fall by the wayside when markets deteriorate. "There has to be a bright light even at that point," to make sure companies are building a pipeline of talent.

AmEx Feels Loss of Relationship With Costco

BY ANNAMARIA ANDRIOTIS AND ANNE STEELE

American Express Co. posted lower first-quarter earnings and revenue versus a year earlier, hurt by the loss of its relationship with warehouse-club retailer **Costco Wholesale** Corp. Card-member spending climbed, though, and the results beat Wall Street expectations.

AmEx reported a profit of \$1.2 billion, or \$1.34 a share, down from \$1.4 billion, or \$1.45 a share, a year earlier. Analysts, on average, were expecting \$1.28 a share. The stock rose more than 2% after hours.

AmEx has suffered of late from issues ranging from the end of its 16-year exclusive deal with Costco, heavy competition and declines in corporate travel budgets. The latest earnings showed signs of stabilization, however.

The card issuer reported flat world-wide billed business growth, adjusted for currency fluctuations, from a year ago.

That broke two consecutive quarters of declines during the last half of 2016. The company said that excluding the Costco card portfolio, this measure would have shown an 8% increase year over year.

AmEx also reiterated its 2017 outlook for earnings per share of \$5.60 to \$5.80.

"The last couple of years have been an important transition period, and we've entered 2017 stronger, more focused and more resilient," Chief Executive Kenneth Chenault said in a statement.

Card-member spending grew by 8% during the quarter, excluding the impact of Costco in the year-earlier period and the effect of the stronger dollar.

The results gave some shareholders reason for optimism. "You kind of knew there was going to be two to three years of pain and if this is the kind of pain I have to put up with, we think we'll be very excited to own AmEx," said Bill Smead, chief executive of Smead Capital

Management.

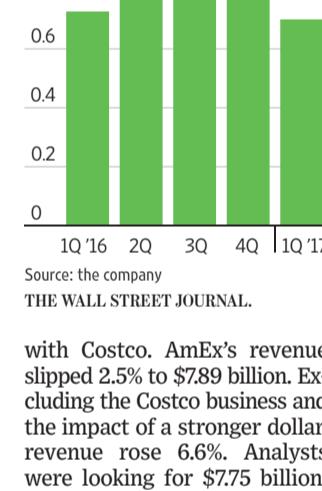
AmEx is in the midst of several key changes in its consumer-facing strategy. Best known for its charge cards that require customers to pay their bills in full every month, AmEx is expanding its credit-card portfolio to encourage more customers to carry a balance. The company is continuing to increase credit-card balances more rapidly than the industry as it seeks to get more of its existing cardholders to sign up for loans or take on more card balances. Total loans increased 11% to \$63.6 billion from a year earlier.

The company increased loan-loss reserves 23%, but credit didn't deteriorate markedly. Net write-offs including principal, interest and fees for its card-member loans increased to 2% in the first quarter from 1.8% a year ago.

Still, the company has many hurdles to clear. Results again were dragged down by the end of the company's relationship

Belt Tightening

Marketing and promotion expenses at AmEx, by quarter



Source: the company

THE WALL STREET JOURNAL

with Costco. AmEx's revenue slipped 2.5% to \$7.89 billion. Excluding the Costco business and the impact of a stronger dollar, revenue rose 6.6%. Analysts were looking for \$7.75 billion, according to Thomson Reuters.

New risks have emerged. AmEx faces more competition in the premium card sector—especially from the popular Sapphire Reserve card from J.P. Morgan Chase & Co.—and has recently ramped up rewards on its Platinum charge card. Analysts have expressed concern about what these increases could mean for the company's expenses

In the short term, though, AmEx has tried to keep those in check. Marketing and promotion expenses, which hit a record level in the fourth quarter, fell to \$700 million in the first quarter, down 4% from a year prior.

Total expenses ticked up slightly to \$5.5 billion, the result of higher rewards expenses from recent upgrades the card issuer made to its card programs. Jeffrey Campbell, AmEx's finance chief, said on the earnings call that the company believes it is on track to remove \$1 billion in total expenses by the end of 2017.

Premium Card Battle Intensifies

BY ANNAMARIA ANDRIOTIS

American Express Co.'s Platinum card is going to get even more competition.

U.S. Bancorp plans on May 1 to launch a premium card geared toward high spenders and millennials. This adds to the threats facing AmEx in a card category where it was until recently unrivaled.

AmEx launched the Platinum card in 1984 and for decades remained the only large force in the premium rewards card market. That changed in 2013 when **Citigroup** Inc. launched its Prestige card; the pressure intensified last year after **J.P. Morgan Chase & Co.** launched its Sapphire Reserve card.

The hugely popular Sapphire Reserve offered a large sign-up bonus and a generous points system that in many ways trumped the Platinum card and has become a must-have with many millennials. AmEx has since upgraded its card benefits three times, though the company says the moves were in the works before the Sapphire Reserve launch.

Minneapolis-based U.S. Bancorp is less of a national threat to AmEx. But if "U.S. Bank is thinking about it, then PNC [Financial Services Group Inc.] is thinking about it, KeyBank is thinking about it, and it means the barrier to entry is low, anybody can roll out" one of these cards, said Vincent Cainic, managing director at investment banking firm Stephens Inc. who follows AmEx.

Called the Altitude Reserve Visa Infinite, U.S. Bancorp's card will offer three points per dollar spent on airfare, hotels and other travel categories and three points per dollar on any category when cardholders make the purchases with their mobile wallets. The card will cost \$400 a year, which is lower than the \$550 a year AmEx charges for the Platinum card or the \$450 for a Sapphire Reserve card.

Like AmEx's card, the Altitude Reserve claims a host of benefits including access to celebrity chef tours, upgrades at high-end hotels, a concierge service for dinner, sports events and other reservations, as well as help with hotel and airfare bookings and free in-flight wi-fi. The card also offers points for spending with smartphone wallets, such as Apple Pay or Samsung Pay, which the bank is hoping will resonate with millennials.

Rivals have piled into the

premium-card market to boost purchase volume among creditworthy borrowers. Consumers who sign up for these cards tend to be affluent and

pay their bills on time.

—Peter Rudgeair contributed to this article.

Lender Fifth Street Eyes Sale

BY MATT JARZEMSKY

Specialty lender **Fifth Street Asset Management Inc.** is exploring a sale amid a deterioration in its loan portfolio and management turnover.

The Greenwich, Conn., company is working with **Morgan Stanley** to sound out potential buyers, according to people familiar with the matter. The process is in an early stage, and there is no assurance it will yield a transaction. Fifth Street explored a sale last year

but failed to come to terms with bidders, the people said. Its shares rose 13% Wednesday after The Wall Street Journal reported it was on lookout for a sale. The company, with a market value of about \$242 million, has seen its shares drop about 30% this year.

Fifth Street manages \$4.7 billion in corporate loans and other investments. The bulk of its assets are held in two publicly traded investment vehicles known as business-development companies. BDCs, as

they are known, sell stock to raise money that they invest, often in the debt of small to midsize companies. They also borrow in their own right to boost buying power. Like real-estate investment trusts, they avoid corporate taxes by paying out their income to shareholders as dividends.

Fifth Street's BDCs, Fifth Street Finance Corp. and Fifth Street Senior Floating Rate Corp., have reported a deterioration in their portfolios after some loans soured.

FINANCE WATCH

WELLS FARGO

Regulator Criticizes Own Supervision

A national bank regulator blamed itself for failing to catch questionable sales practices at **Wells Fargo & Co.** for years before a national scandal last fall.

The Office of the Comptroller of the Currency published the results of an internal review that found OCC supervisors missed or failed to address warning signs about the bank's risky sales-incentive program.

The bank examiners knew of reports of sales-integrity violations as far back as 2010 but "did not take timely and effective supervisory actions," the report said.

The bank paid a \$185 million fine in September 2016 for what authorities called widespread illegal sales practices that led to the opening of as many as two million phony customer accounts. Many employees were fired or quit as a result of a cutthroat sales culture, and customers

were stuck with credit cards or other products they didn't seek.

The OCC report amounts to a detailed critique of failures at the agency, the primary regulator of Wells Fargo. It found that supervisors were aware of complaints about the sales program, including a meeting with a senior Wells Fargo executive in January 2010 where they inquired about 700 whistleblower complaints "related to the gaming of incentive plans."

Examiners in 2010 also pointed out that they hadn't seen the bank assess risks associated with the sales practices or create a good system for monitoring complaints about them, the report said.

—Ryan Tracy

ENERGY

Crude Falls on Rise In Gasoline Stockpile

Crude prices had their worst day in over a month after the U.S. Energy Information Administration reported an unexpected

increase in gasoline supplies.

The 1.5-million-barrel increase in gasoline stockpiles raised fears that a gasoline glut would cause refiners to cut their purchases of crude.

U.S. crude futures fell \$1.97, or 3.8%, to \$50.44 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, fell \$1.96, or 3.6%, to \$52.93 a barrel.

It was the biggest tumble for both benchmarks since March 8, when oil prices sold off sharply after weekly EIA data showed an unexpected increase in crude supplies. This time the data showed that crude-oil inventories fell last week, but the 1-million-barrel decline wasn't big enough to assuage concerns about rising gasoline supplies and a 17,000-barrel-a-day increase in U.S. oil production. Output from U.S. oil fields has been steadily rising—something that could stand in the way of efforts by the Organization of the Petroleum Exporting Countries to bring supply and demand into balance.

—Alison Sider

Dividend Changes

Dividend announcements from April 19.

Company	Symbol	Yld %	Amount New/Old	Frq	Payable / Record
Increased					
Cross Timbers Royalty Tr	CRT	7.2	.0915/.08946	M	May12/Apr28
Goldman Sachs	GS	14	.75/.65	Q	Jun29/Jun01
Lithia Motors CIA	LAD	12	.27/.25	Q	May26/May12
Permian Basin Royalty Tr	PBT	6.7	.0563/.04723	M	May12/Apr28
Star Gas Partners	SGU	4.8	.11/.1025	Q	May08/Apr28
Reduced					
Enduro Royalty Trust	NDR	12.1	.0352/.0409	M	May12/Apr28
Hugoton Royalty Trust Un	HGT	7.4	.0126/.02343	M	May12/Apr28
San Juan Basin Royalty Tr	SJT	8.3	.0516/.07102	M	May12/Apr28
Funds and investment companies					
Franklin Ltd Duration IT	FTF	10.8	.1079	M	May15/Apr28
Franklin Universal Trust	FT	5.4	.032	M	May15/Apr28
iPath Asian & Gulf Curr</td					

MARKETS

AHEAD OF THE TAPE | By Steven Russolillo

Time for Verizon To Make Big Splash



Verizon Communications Inc.
needs to make a splash, and fast.

The U.S.'s largest wireless carrier by subscribers has had a busy start to the year, but it hasn't been enough. It unexpectedly brought back its unlimited wireless plans for the first time since 2011. The company rebranded its media and advertising unit as "Oath," housing AOL and eventually **Yahoo**—with that deal expected to close in June. Verizon also declined to bid on the U.S. government's recent wireless airwaves auction.

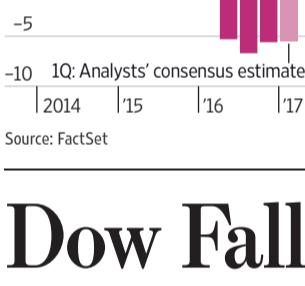
What the company didn't do was undertake a rumored big acquisition to improve its trajectory. That leaves Verizon in a familiar position: Growth is slowing on the top and bottom lines and its stock price is struggling. First-quarter results, out Thursday, likely won't change any of that.

Analysts polled by FactSet anticipate earnings of 96 cents a share, down 10 cents from a year earlier. Revenue is expected to have decreased 5.5% to \$30.4 billion, which would mark the fourth consecutive quarterly decline after six years of growth. Verizon has said it expects earnings and sales will be roughly flat this year.

The company has opted

Under Oath

Verizon Communications' revenue, change from a year earlier



Source: FactSet

for smaller digital deals in recent years to diversify itself from a saturated wireless market that has hurt subscriber growth. That pales in comparison to rival telecom giant **AT&T Inc.**, which bought DirecTV for nearly \$50 billion in 2015 and reached a still-pending deal last year to acquire **Time Warner Inc.** for \$85 billion.

In January, The Wall Street Journal reported Verizon was exploring a combination with **Charter Communications Inc.** Just this week, Lowell McAdam, Verizon's chief executive, told Bloomberg News that he would be open to deal talks with a handful of companies.

All of this comes as Verizon's main wireless business has struggled. Wireless service revenue dropped 5% in its fourth quarter and postpaid churn—the rate at which contract customers canceled service—increased to 1.1% from a year earlier, higher than usual. That came before Verizon said it would start offering unlimited plans again. And with more people now likely to opt for them, that raises questions about how Verizon's network will accommodate the burden of additional data traffic.

These concerns help explain why Verizon's stock is down about 8% this year. It is one of the worst performers in the Dow Jones Industrial Average, lagging behind AT&T as well as smaller rivals **Sprint Corp.** and **T-Mobile US Inc.**

Yet Verizon's share price, which is little changed from where it traded three years ago, probably hasn't fallen far enough to warrant much attention from bargain hunters. Fetching 13 times projected earnings over the next 12 months, its forward multiple is roughly around its average in recent years.

This stock isn't ready to dial up gains just yet.

France's Left-Right Punch

The possibility of victorious candidates from each political extreme roils markets

BY MIKE BIRD
AND CHRISTOPHER WHITTALL

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

In recent days, a surge in opinion polls has placed Jean-Luc Mélenchon, a left-wing firebrand who promises higher wages and fewer working hours, as a potential candidate to move past this Sunday's first round of voting. That could set up a second-round vote on May 7 with Marine Le Pen, an economic nationalist who wants to pull France out of the euro.

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

A runoff between Ms. Le Pen and Mr. Mélenchon "would be a disaster for France...[and] a disaster for Europe," said Patrick Zweifel, chief economist at Pictet Asset Management.

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

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

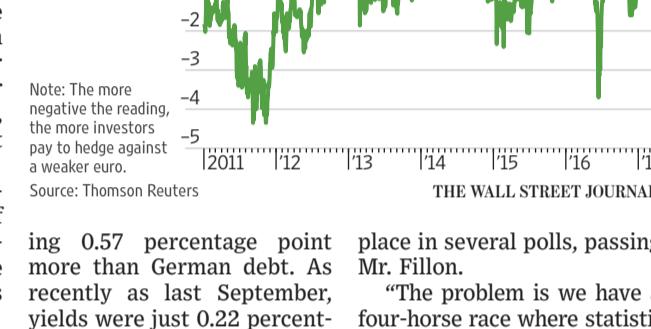
On Tuesday, the spread between French and German 10-year government-bond yields, the most popular measure of election risk, widened to 0.73 percentage point, though it narrowed to 0.69 percentage point on Wednesday. In mid-March, French debt was yield-



Far-left candidate Jean-Luc Mélenchon and the far-right's Marine Le Pen at a debate last month.

Getting Risky

A measure of how much investors must pay to protect against a plunge in the euro has hit the most extreme levels on record.



Note: The more negative the reading, the more investors pay to hedge against a weaker euro.
Source: Thomson Reuters

ing 0.57 percentage point more than German debt. As recently as last September, yields were just 0.22 percentage point apart.

For months, investors prepared for a runoff that pitted Ms. Le Pen against a candidate from the political mainstream, either François Fillon, a center-right former prime minister, or Emmanuel Macron, a former economy minister.

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

But the rise of Mr. Mélenchon has scrambled those calculations. He moved into third

place in several polls, passing Mr. Fillon.

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

Mr. Le Pen's desire to pull France out of the eurozone has raised concerns that the entire bloc could unravel. These worries already have hit the debt of Portugal, Italy and other European economies.

Mr. Mélenchon doesn't favor exiting the euro, but some policies he advocates would

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

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

"That euro breakup risk really becomes a tradable theme if it's Mélenchon versus Le Pen, if you get a battle between the extremes," said Ned Rumpeltin, European head of foreign-exchange strategy at TD Securities.

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

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

Dow Falls 118.79 Points, Weighed Down by IBM, Chevron

BY RIVA GOLD
AND AARON KURILOFF

Falling energy shares and mixed corporate earnings pressured U.S. stocks.

Some investors and analysts are hoping earnings growth will support what they say are elevated stock prices, after signs of economic expansion and expectations for corporate-friendly policies from the Trump administration helped drive major indexes to records.

Cooling economic data and concerns about the administration's ability to enact tax cuts and regulatory rollbacks have weighed on major U.S. indexes in recent weeks, along with worries about rising geopolitical tensions.

The Dow industrials lost 118.79 points, or 0.6%, to 20404.49 on Wednesday. The S&P 500 slipped 4.02 points, or 0.2%, to 2338.17, and the Nasdaq Composite gained 13.56, or 0.2%, to 5863.03.

Investors' allocation to U.S. stocks fell to its lowest levels since January 2008, according

to an April survey of global fund managers by Bank of America Merrill Lynch, with 83% of investors, the highest ever, saying U.S. stocks are overvalued. Allocation to eurozone equities climbed to a 15-month high in April amid decreasing fears about the impact of European elections.

"Investors are expecting another strong earnings season," said Nandini Ramakrishnan, strategist at J.P. Morgan Asset Management. "It would be disappointing if earnings-per-share numbers didn't come out [well]...given the exuberance of markets in the past five or six months."

International Business Machines shaved 57 points off the Dow industrials, falling \$8.36, or 4.9%, to \$161.69, after the technology giant on Tuesday reported that revenue fell from the year-earlier period for the 20th consecutive quarter. It was the stock's biggest one-day percentage decline since June.

Morgan Stanley climbed 83 cents, or 2%, to 42.04, after

the bank said its quarterly earnings rose 70%.

Yahoo shares were choppy during the session and closed down 56 cents, or 1.2%, at 47, after the company Tuesday released results above expectations and reaffirmed it expects to close its deal with **Verizon** by the end of June.

He and a team of traders left Harvard following sustained criticism over their pay. They started trading at Convexity in 2006 with \$6.3 billion.

Convexity manages about \$4 billion, down from almost \$15 billion in 2013.

Like other hot hedge funds then, clients accepted some stringent terms to get into the firm. But unlike many hedge funds, Convexity collects performance fees not off its absolute returns but on its results against benchmarks clients choose, such as the S&P 500. That means Convexity's investors may not

be charged fees even if the firm makes money but lags behind its benchmarks.

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

Convexity's strategy is to look for mispricings in bonds, largely in options and options-related markets. It has thrived in environments with rising rates and volatile markets. It notched a string of benchmark-beating returns from 2007 to 2011.

Performance reversed starting in 2012. A low point came at the end of March 2016, when each of its eight strategies was down, according to people familiar with the matter.

Harvard's and Stanford University's endowments are among clients that have asked to redeem in recent years, according to people familiar with the matter. Spokeswomen for the endowments declined to comment.

Information Administration said weekly gasoline supplies rose for the first time since February. Energy shares were among the biggest decliners in the S&P 500, losing 1.4%.

Assets that investors consider relatively safe retreated after strengthening on Tuesday. Gold for April delivery fell 0.8%

to \$1,281.40 a troy ounce after climbing for five straight sessions.

The Stoxx Europe 600 inched up 0.2%, recovering from its worst session since September. Early Thursday, Japan's Nikkei, Australia's S&P ASX 200 and South Korea's Kospi were each up 0.3%.

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Convexity's struggles have sparked some philosophical disagreements.

One top trader, Edward DeNoble, for years pushed for more of a "macro" approach that would take views on the direction of rates instead of one that was agnostic about their future path, people familiar with the matter said. Mr. Meyer and his co-founders, former Harvard bond traders David Mittelman and Maurice Samuels, ultimately decided they were uncomfortable making such trades.

Mr. DeNoble left Convexity and in 2015 started a macro hedge-fund firm, **Frontlight Capital LP**. A spokesman for Mr. DeNoble declined to comment.

Some clients are standing

firm. Convexity is "a coiled spring" that could outperform when other parts of investors' portfolios fare poorly, said David Salem, chief investment officer of Boston-based Windhorse Capital Management and a friend of Mr. Meyer's.

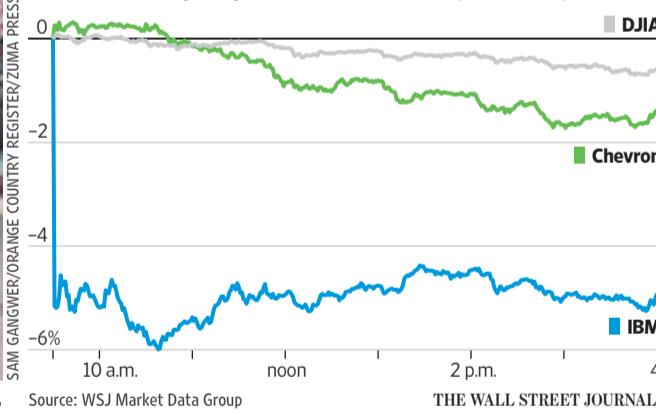
Convexity has told investors that factors such as expected rate increases by the Federal Reserve mean bond markets won't stay calm forever. The fourth quarter of 2016, when markets moved around Donald Trump's surprise election, was Convexity's strongest showing in years.

The fund for 2016 still lagged behind its benchmarks by 2.9 percentage points. Its annualized return since inception is 2.7 percentage points over its benchmarks.

Leaning back in a brown leather armchair as afternoon turned into evening, Mr. Meyer said, "I never thought we'd be in this position. I never thought we'd have a stretch of tough performance for so long."



Energy shares were among the biggest decliners. Chevron fell 1.4%.



Source: WSJ Market Data Group

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Some clients are standing

MEYER

Continued from page B1
subsequent interview Convexity has no plans to close in three months' time.

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

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

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

So far, the sales pitch has netted uneven results. Investor redemptions helped drive the highest number of hedge-fund closures last year since

MARKETS

Oil Prices Stop Swinging for Now

Commodity has been volatile in the past two years, but that has changed in 2017

By TIMOTHY PUO AND ALISON SIDER

The wild price swings that characterized the oil market for much of the past two years have faded in 2017, a welcome development for stock and bond investors whose holdings tend to suffer when crude turns volatile.

U.S. oil prices traded in a range of \$50.82 to \$54.45 a barrel for most of the past four months. No 60-day trading range has been that tight in nearly 14 years.

Two opposing forces have trapped oil prices in that narrow band: Production cuts by the major producing nations have limited price declines while growing U.S. supply has held rallies in check.

That doesn't mean the market is free from the occasional big price swing. Crude futures declined 3.8% on Wednesday after a surprising increase in U.S. gasoline stockpiles. But even those losses weren't enough to knock prices below \$50 a barrel, and traders and investors are still betting that the market will remain stable in coming weeks.

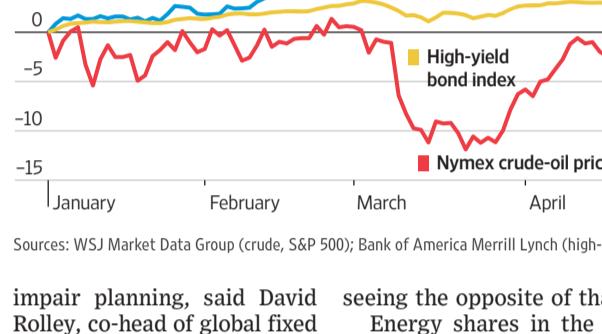
The low volatility is a stark change from the previous two years, when prices often swung \$10 or more monthly, as the Organization of the Petroleum Exporting Countries ramped up production to compete with U.S. shale drillers. Prices fell from \$100 a barrel to less than \$30 before rebounding last year after OPEC began to explore reductions to output.

Oil-price stability is a bullish indicator for other financial markets, many investors say. Fuel and shipping are major costs for businesses, so big swings in energy prices can

Oil's New Calm

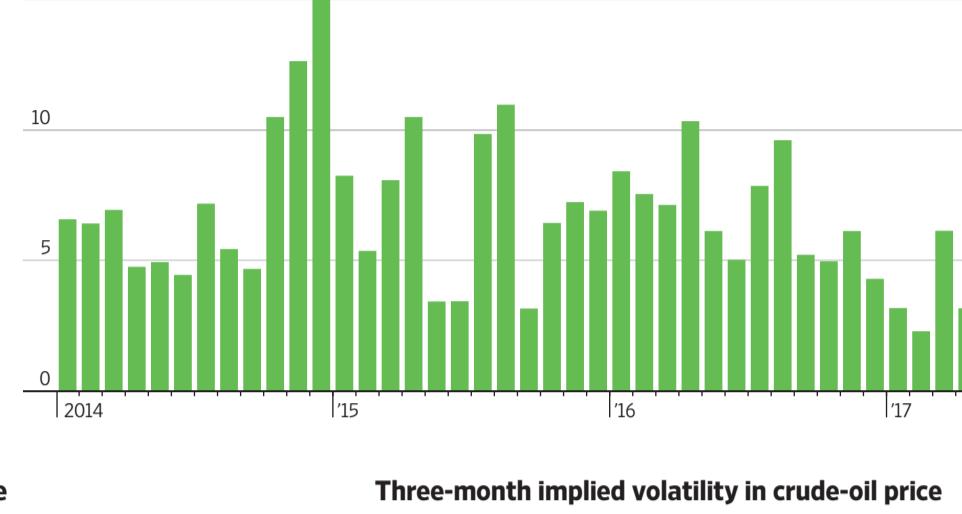
After two years of volatility, oil prices have been trading in a tight range since December. That calm has helped stocks and high-yield bonds. Traders are betting that this period of placid oil prices will last for months.

Year-to-date performance

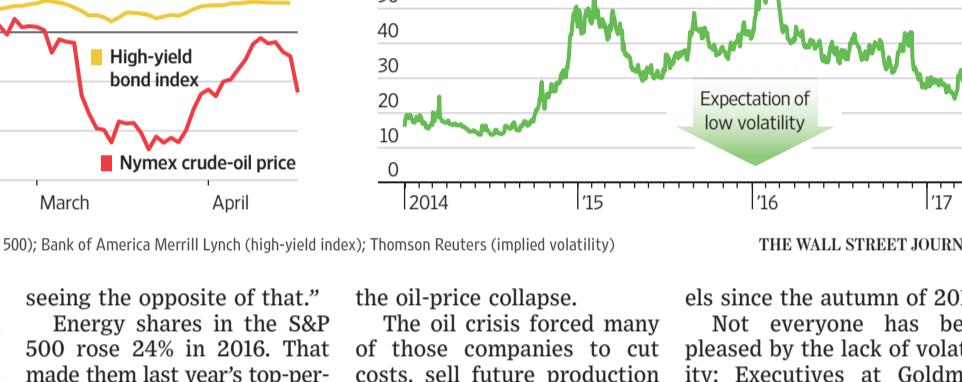


Sources: WSJ Market Data Group (crude, S&P 500); Bank of America Merrill Lynch (high-yield index); Thomson Reuters (implied volatility)

Monthly spread between high and low price for Nymex crude-oil futures



Three-month implied volatility in crude-oil price



THE WALL STREET JOURNAL.

Treasurys Retreat as Anxiety Subsides

By MIN ZENG

U.S. government bonds pulled back Wednesday following the biggest one-day price rally in more than a month as demand for haven assets retreated.

The yield on the benchmark 10-year Treasury note closed at 2.202%, compared with a five-month low of 2.177% Tuesday. Yields rise as bond prices fall.

Some other haven assets—gold, German bonds and the Japanese yen—also weakened Wednesday.

Investors had flocked to the harbor of Treasury debt a day earlier, driven by geopolitical worries over North Korea and Syria and uncertainty surrounding the first round of French presidential race this Sunday. U.K. Prime Minister Theresa May on Tuesday announced plans to call a snap general election in June, injecting a fresh layer of uncertainty in Europe.

"It is just a small [retreat] in this massive risk-off move," said Thomas Roth, executive director in the rates trading group at MUFG Securities Americas Inc. "The scary news seems to have taken a breather for a day."

Government-bond yields in France fell Wednesday, as the latest poll showed Centrist Emmanuel Macron maintained his lead. The yield on the 10-year French government bond was 0.880%, compared with 0.902% Tuesday, according to Tradeweb.

Some traders said this provided a reason for some investors to lighten up on haven bonds including bonds and Treasurys.

impair planning, said David Rolley, co-head of global fixed income for money manager Loomis Sayles & Co., which has \$250 billion in assets.

A stable price "makes us more optimistic about global growth," Mr. Rolley said, as businesses invest more and energy companies face a lower risk of bankruptcy.

Earnings growth for oil-and-gas companies could hit double digits in the first quarter of 2017, said Joseph Tannous, senior investment strategist for **Bessemer Trust**. "When oil prices were dipping lower, that was having a drag on the overall results for the S&P 500," he said. "Now we're

seeing the opposite of that."

Energy shares in the S&P 500 rose 24% in 2016. That made them last year's top-performing sector and helped boost the broader market, though these stocks have given back some of those gains this year.

Bond markets also have enjoyed a lift from oil. High-yield debt tends to move alongside crude prices because smaller energy companies have issued \$190 billion of outstanding junk bonds, accounting for 15% of the U.S. high-yield market, according to research from Bank of America Merrill Lynch. Dozens of these borrowers went bankrupt during

the oil-price collapse.

The oil crisis forced many of those companies to cut costs, sell future production and assets, raise new equity and refinance debt. Rebounding prices stabilized their finances and steadied the high-yield market.

Markets have been steadier than they were in early 2016, when stocks and many commodities plunged amid fears that a global recession was at hand. Crude prices dropped 9% over three days in March but otherwise have been largely stable.

Options traders are betting that volatility in the next three months will hit its lowest level

since the autumn of 2014.

Not everyone has been pleased by the lack of volatility. Executives at Goldman Sachs Group Inc. said during a Tuesday earnings call that stable oil prices meant fewer opportunities to make wagers on large price moves, hitting earnings.

And some investors remain unconvinced that volatility is going away. Oil's trading range is pricing in an OPEC decision to extend its production cuts for another six months, brokers and traders said. If OPEC reconsiders, that could send prices back to near \$40 a barrel, analysts at Citigroup Inc. said last week.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Qualcomm's Outlook Is a Leap of Faith

Qualcomm hasn't had many reasons for optimism lately. So the chip maker took a bit of a risk by painting a relatively sanguine picture of royalty payments tied to its increasingly nasty dispute with **Apple**.

When Qualcomm reported fiscal second-quarter results Wednesday, it confirmed that some royalty revenue from Apple's contract manufacturers has gone unpaid. The two companies are fighting a building legal war over licensing fees for Qualcomm's technology.

Qualcomm said that the amounts unpaid are equal to what the company has withheld from Apple from another agreement, making the situation a wash.

That is a best-case scenario, given the circumstances. The worst case would be Qualcomm not collecting any royalties related to Apple's products for the duration of a dispute, which will most likely extend well beyond this year. Qualcomm says its overall revenue forecast for the third quarter ending in June embodies "a variety of scenarios," but not the possibility of getting nothing from Apple's contract manufacturers. The midpoint of that forecast is for a 5% decline in overall revenue.

Technology licensing remains crucial to Qualcomm's business model. It also has put the company in the crosshairs of Apple and several regulatory agencies. That has helped push down Qualcomm's stock to a record 48% discount to the Nasdaq as a multiple of forward earnings.

But even that could be optimistic if Qualcomm's war with its largest customer escalates.

—Dan Gallagher

A Path to Gains for U.S. Lenders

Morgan Stanley has delivered a timely reminder that capital returns matter most these days for bank stocks, and investors can probably look forward to seeing more.

The investment bank joined most of its peers in reporting solid quarterly earnings. Fixed-income trading revenue nearly doubled from a year earlier, underwriting revenue more than doubled and return on equity rose above 10% for the first time in two years.

The strong trading results contrast sharply with those at **Goldman Sachs Group**, further suggesting that something went wrong with the rival bank's trading operations in the first quarter.

Every other bank with big trading operations did well in the quarter. Still, Goldman's earnings miss wasn't disastrous. The bigger picture is that the largest banks in the U.S. now have safer business profiles than at any time in recent memory. That makes their big and growing piles of excess capital very trimmable. Returning more

Capital Buildup

Morgan Stanley's common equity Tier 1 capital ratio



Sources: the company; Bloomberg News (photo)

THE WALL STREET JOURNAL.

of this cash to shareholders would help boost returns on equity by shrinking dormant equity capital.

On a conference call with analysts, Morgan Stanley Chief Executive James Gorman highlighted how some minor adjustments in the Federal Reserve's stress-test process could make a big difference. The Fed, for instance, assumes that banks would maintain their share buybacks even during a fi-

nancial crisis. Relaxing this unrealistic assumption would allow banks to set buybacks higher during ordinary times. Banks could also be put through the stress test process once every two years instead of annually, he said.

The Fed already has said it may lift the "soft cap" on dividend payout ratios in next year's tests. This would allow banks to return more capital in the form of dividends, which many investors

prefer to buybacks. Minor moves like these would make bank shares substantially more attractive even without lowering the absolute level of capital requirements.

Thanks to several quarters of accumulated profits, Morgan Stanley now looks to be one of the most overcapitalized banks on the street with a Tier 1 common equity ratio of 16.6%, compared to 12.9% at Goldman Sachs. Morgan Stanley may be more constrained by the supplementary leverage ratio, which at 6.4% is on par with Goldman but still comfortably above the regulatory minimum of 5%. Potential changes to how this ratio is calculated could give both banks more breathing room.

Investors should focus on the regulatory outlook more than quarter-to-quarter fluctuations in trading results. The Trump administration's stance on financial regulation remains unclear, but even small moves to relax the capital regime would give a powerful boost to bank stocks.

—Aaron Back

nancial crisis. Relaxing this unrealistic assumption would allow banks to set buybacks higher during ordinary times. Banks could also be put through the stress test process once every two years instead of annually, he said.

The Fed already has said it may lift the "soft cap" on dividend payout ratios in next year's tests. This would allow banks to return more capital in the form of dividends, which many investors

prefer to buybacks. Minor moves like these would make bank shares substantially more attractive even without lowering the absolute level of capital requirements.

Thanks to several quarters of accumulated profits, Morgan Stanley now looks to be one of the most overcapitalized banks on the street with a Tier 1 common equity ratio of 16.6%, compared to 12.9% at Goldman Sachs. Morgan Stanley may be more constrained by the supplementary leverage ratio, which at 6.4% is on par with Goldman but still comfortably above the regulatory minimum of 5%. Potential changes to how this ratio is calculated could give both banks more breathing room.

Investors should focus on the regulatory outlook more than quarter-to-quarter fluctuations in trading results. The Trump administration's stance on financial regulation remains unclear, but even small moves to relax the capital regime would give a powerful boost to bank stocks.

—Aaron Back

Trump Adds Pain to Indian Outsource Firms

President Donald Trump's "Buy American, Hire American" executive order could rub salt into already wounded Indian out-

Job Seekers

Applications for H-1B visas, including renewals, for the year ended September 2016



Source: myvisajobs.com

changes could include raising the minimum salary requirement for visa recipients or placing caps on the number of employees with H-1B visas a firm can have. That means these out-

sourcers may be forced to tap more into the local U.S. talent market, which could increase their costs. Infosys and Tata could be badly hit. Goldman Sachs Group estimates only one-third of their staff in the U.S. currently are local hires, much lower than their peers like

HCL Tech or **Wipro**.

The problem is tricky to avoid: Both companies generate more than half their revenue from North America, meaning they have to maintain significant head count there.

Outsourcers are already facing a challenging environment as more clients come to rely on cloud-

based services to run functions like payroll. That means they have less need for the likes of Infosys or Tata to develop and maintain customized in-house systems. Both firms still derive around 60% of sales from the traditional application services business.

Shares of Infosys and Tata have been moving sideways over the past couple of years, but are still significantly higher than five years ago.

Unless the companies can offer fresh strategies for the Trump era, it may be time for investors to put these outsourcers out to pasture.

—Jacky Wong

OVERHEARD

International Business

Machines should be happy about high-margin revenue from its vast library of intellectual property. It has generated more than \$1 billion in annual sales this way at least as far back as 2009.

But as IBM's core business has faded, this has grown more vital to the company. It accounted for a record 31% of pretax earnings from continuing operations in the first quarter versus 13% in 2016 and an average of 4.5% over the previous five years.

This feeds the "quality problem" many on Wall Street see in IBM's bottom line.

Despite topping analysts' earnings-per-share estimates for 10 consecutive quarters, the stock has slid following nine of those reports, including on Wednesday. Patents provide only so much padding.

* * *

The 411 on how 4/20 affects consumer behavior could be good news for the local ramen shop, but the corner liquor store might be in trouble.

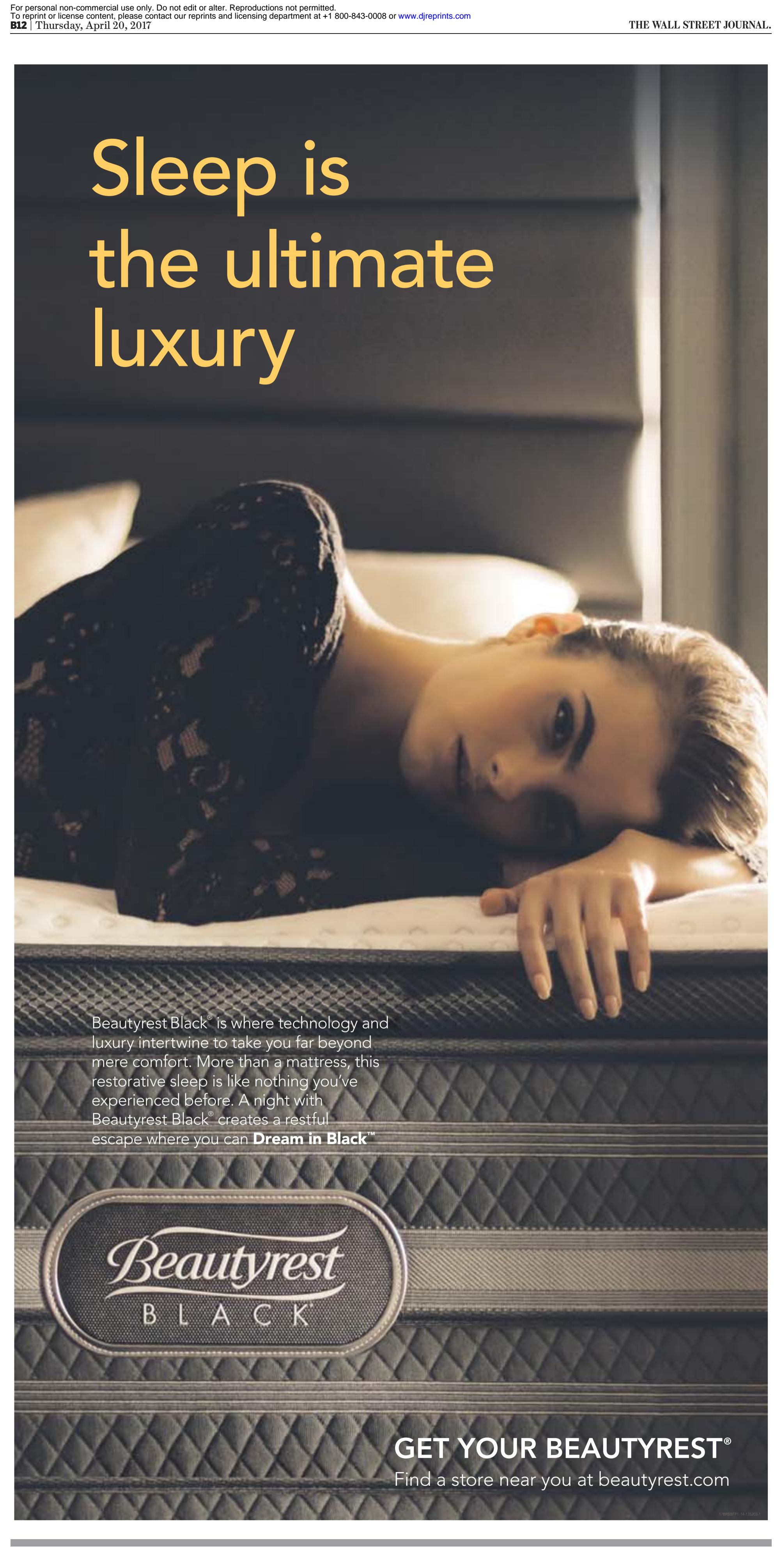
Four states have legal recreational marijuana sales and four more will soon follow—a shift that could profoundly affect how Americans spend their money.

Data collected by **Foursquare** provides some clues. Examining foot traffic last April 20—marijuana's unofficial day of celebration—visits to fast food chains rose by 20% where pot was legal. Asian restaurants did especially well.

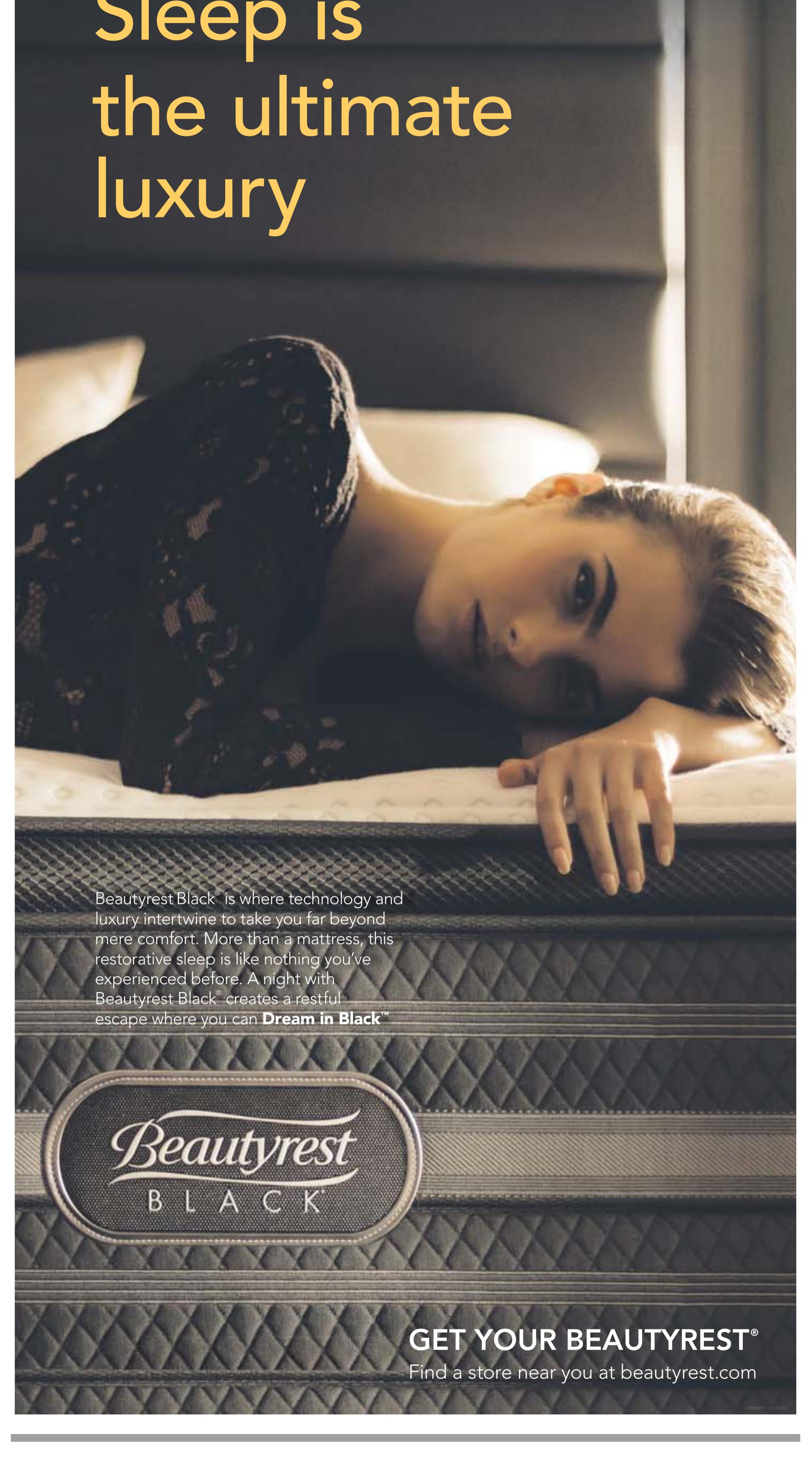
But in Oregon, where pot was legalized in late 2015, Foursquare found that visits to liquor stores last year increased by half as much as elsewhere.

Unless it

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