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DJIA 20656.10 ▼ 0.03%

NASDAQ 5877.81 ▼ 0.02%

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STOXX 600 381.26 ▲ 0.13%

BRENT 55.24 ▲ 0.64%

GOLD 1254.30 ▲ 0.32%

EURO 1.0618 ▼ 0.25%

What's News

Business & Finance

New bond sales set records last quarter, signaling investor skepticism about the prospects for faster economic growth. **A1**

◆ **Mondelez is preparing** to look for a successor to its CEO amid pressure from shareholders and a shift to healthier eating. **A1**

◆ **Shell's top executives** last year worried that a Nigerian oil deal violated an agreement with the U.S. and would spark a probe. **B1**

◆ **E-commerce retailers** and logistics firms are struggling to find warehouse workers as sales boom, boosting wages. **B1**
◆ **Shipping companies** are vying to help small retailers compete with Amazon's expansion of free delivery. **B2**

◆ **Chinese banks** are lending record volumes abroad as Beijing pushes to build infrastructure world-wide. **B1**
◆ **HNA offered** to buy Singapore logistics and warehousing firm CWT. **B3**

◆ **Goldman's purchase** of credit-reporting firm TransUnion has yielded a windfall for the bank. **B1**

◆ **Wells Fargo shareholders** should vote against most of the bank's board, proxy adviser ISS recommended. **B11**

◆ **Google pays** female workers less than men, the U.S. Labor Department said. **B4**

World-Wide

◆ **Trump officials said** the administration's focus in Syria remains the defeat of Islamic State, not pushing Assad from power. **A1**
◆ **The Syrian regime** has stepped up the pace of airstrikes against the opposition, according to antigovernment activists. **A3**

◆ **Twin blasts** claimed by Islamic State struck Egyptian churches during Palm Sunday services, killing at least 47 people. **A3**

◆ **Swedish police** said the man suspected of driving a truck into a crowd had been wanted for failing to report for his deportation. **A3**

◆ **North Korea said** that it was "not frightened" by the U.S. strike in Syria, and vowed to beef up its nuclear force. **A4**
◆ **U.S. Navy warships** headed toward the Korean Peninsula amid concerns about possible new missile tests by Pyongyang. **A4**

◆ **French authorities** began collecting ETA weapons after the Basque separatist group declared itself a "disarmed organization." **A4**

◆ **Thousands marched** in Caracas as Venezuela's opposition kept pressure on President Maduro. **A3**

◆ **An Alaska stopover** let Xi focus on trade ties with the U.S. following the Chinese leader's talks with Trump. **A4**

Journal Report

Group bias exists among stock analysts, say researchers, who find they write more favorably about companies helmed by people like them. **Investing in Funds & ETFs, B6-9**

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Islamic State Claims Deadly Palm Sunday Explosions in Egypt

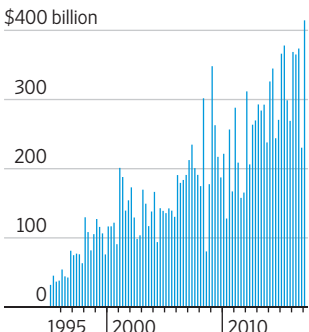


TWIN BLASTS: At least 47 people were killed in attacks that struck two churches. The Mar Girgis Church in Tanta, north of Cairo, above. **A3**

High Bond Demand Shows Economic Worries Persist

Big Buyers

Companies with top credit ratings sold bonds at a record pace in the first three months of the year.



Source: Dealogic
THE WALL STREET JOURNAL.

Investors are buying record volumes of new bonds, signaling that many remain skeptical about the prospects for faster economic growth and are reluctant to move on from a strategy that has worked for years.

By Ben Eisen,
Chris Dieterich
and Sam Goldfarb

Companies and governments in emerging markets sold \$178.5 billion of dollar-denominated debt in the first three months of the year, the best first quarter on record, according to data provider Dealogic. U.S. companies with junk-bond ratings issued \$79.6 billion, double from a year earlier.

Highly rated U.S. companies also issued \$414.5 billion of debt during the first three months of the year. That was a record for any quarter.

The booming debt sales reflect a strong investor appetite for higher-yielding bonds as the U.S. economy lumbers toward its ninth year of expansion but remains in slow-growth mode. These bonds offer more yield than low-risk government bonds, in which rates have rarely been lower. They also are viewed as less risky than stocks, especially by investors who consider valuations stretched.

"The old trade has worked really well, so you need overwhelming evidence before people will abandon some-

thing that has worked," said Mohamed El-Erian, chief economic adviser at Allianz SE.

The hunt for yield appeared to be falling out of favor right after the presidential election. Investors bid up stocks, commodities and other riskier assets geared to global growth, betting that President Donald Trump's stimulus plans would boost the economy. Consumer sentiment climbed to its highest in more than a decade, according to the University of Michigan.

Better growth could lead to higher inflation and tighter monetary policy, both of which are the main threats to the value of bonds because
Please see BONDS page A2

BEHIND THE DEATH OF A BANKER

Friends say Charles Murphy grew despondent maintaining the charmed life he built for his family

Charles Murphy used to walk home through New York City's Central Park to his 19-room townhouse for dinner with his family. Last year, he began voicing wor-

By Gregory
Zuckerman,
Serena Ng
and Leslie Scism

ries about money to his boss, hedge-fund billionaire John Paulson, who often joined him along the way.

At 56 years old, Mr. Murphy had a net worth in the tens of millions of dollars. He entered Columbia University at 16 and later earned law and business degrees at Harvard and Massachusetts

Institute of Technology.

On Wall Street, he had a ringside seat to some of the biggest financial events of the past 20 years, from the 1990s merger boom to the dot-com bust to the Bernard Madoff scandal and the travails of American International Group Inc. He made millions of dollars at banks and investment firms in New York and London, despite his share of setbacks.

During those walks, though, Mr. Paulson found himself trying to reassure Mr. Murphy, according to a person who knew both men, offering reminders of all he had accomplished. "You don't need to worry," Mr. Paulson would say.

Mr. Murphy was blessed
Please see MURPHY page A6

Swedes Stand Together Following Truck Attack



UNITED: An antiterrorism vigil in Stockholm, above. Sweden had sought to deport the suspect. **A3**

Mondelez Starts Its Search for New CEO

Mondelez International Inc. is preparing to look for a successor to its chief executive, Irene Rosenfeld, as the snack giant faces pressure from restive shareholders and the broad shift to healthier eating habits.

The maker of Oreo cookies, Trident gum and Ritz crackers

By Annie Gasparro,
Joann S. Lublin
and David Benoit

has retained executive-search firm Heidrick & Struggles International Inc. to help with the transfer of power, and its board recently has discussed

external candidates who could replace Ms. Rosenfeld, people familiar with the matter said.

Heidrick & Struggles hasn't yet been asked to interview prospects, and succession timing is up to Ms. Rosenfeld, who is also chairman, some of the people said.
Please see CEO page A2

Boating Season: Time to Light Your Socks on Fire

* * *

◆ Sailors set winter hosiery ablaze while drinking and reciting poetry ◆

BY JOHN CLARKE

ANNAPOLIS Md.—The ritual began one Saturday last month with the introduction of Gov. Larry Hogan or, for this day's purposes, the "chief sock-burner of the State of Maryland."

"I'm honored," he replied, then joined the mob of sailing enthusiasts heading for the beach near the Annapolis Maritime Museum on the Chesapeake Bay.

First, poetry was read:

"Goodbye to winter,
Only deck shoes we wear!
For the socks we are burning
Leave a stink in the air!"

Gov. Hogan threw the first offering, a worn-out pair of athletic hosiery that kicked up a shower of sparks as it plopped into the flames of a crackling fire on the beach. Onlookers cheered. Soon other doomed



Socks

textiles soared in over people's heads—red socks, argyle socks, black socks, grimy-grayish socks.

"Let's face it," Steve Schuh, a local-county executive, told the crowd before the ritual began, "you people just hate socks."

Indeed, many sailors and boatyard workers consider socks annoying wintertime wear. They prefer to spend
Please see SOCKS page A6



CHRISTOPHE ENIA/ASSOCIATED PRESS

MACRON RIDES PRO-EUROPEAN TIDE IN FRANCE

EUROPE FILE, A2



AGENCE FRANCE-PRESSE/GETTY IMAGES

NOW ANYONE CAN INVEST IN STARTUPS

BUSINESS & FINANCE, B1

WORLD NEWS

French Candidate Rides Pro-European Tide



Three months ago, few believed Emmanuel Macron stood a chance of winning the French presidency. Now he's the front-runner. Polls show the former economy minister, who is standing as an unabashedly pro-European independent, tied with Marine Le Pen in the first round of the election, on April 27, but trouncing the National Front leader by 20 percentage points in the May 7 runoff.

No poll ever showed Brexit or Donald Trump trailing as badly as Ms. Le Pen, who wants to take France out of the euro. Indeed, recent European elec-

tions in Austria and the Netherlands have seen late swings away from the far right in favor of pro-European centrist candidates.

The biggest risk to Mr. Macron may now come from the far left. Polls suggest a late surge in support for Jean-Luc Melenchon, a former Socialist party minister who is proposing a 100% tax on incomes above 20 times the national average, a 32-hour working week and pulling France out of NATO. Facing him in the second round offers Ms. Le Pen her best chance of victory. But with Mr. Melenchon support at 17%, still at least 6 percentage points adrift of Mr. Macron and Ms. Le Pen, this still seems an unlikely scenario. Berenberg Bank puts the probability at just 10%.

Mr. Macron is contributing to and benefiting from the remarkable turnaround in Europe's fortunes since the start of the year. The economic and political risks that appeared to be overwhelming the continent in 2016 seem to have eased to



Emmanuel Macron is the front-runner for the French presidency.

an extent few believed possible in January.

Certainly European growth is more robust and more evenly spread across countries and sectors than anyone was forecasting in January. Growth is at a six-year high, while unemployment is at a nine-year low thanks to strong domestic demand helped by rising real wages rise and easier credit

conditions, including in former crisis countries such as Spain and Ireland.

Fears that the European Central Bank had run out of ammunition to fight deflation have given way in just a few weeks to a lively debate about when and how the ECB should start tightening monetary policy.

Political risks are receding, too, as the refugee crisis

has ebbed and rising geopolitical anxieties have weighed more heavily on voters' minds, particularly since the election of Mr. Trump. Following the failure of far-right parties to win the Austrian presidency in December or to make the anticipated gains in last month's parliamentary elections in the Netherlands, Germany's hard-right AfD party has seen its support slump to its lowest level since the 2015 refugee crisis.

German Chancellor Angela Merkel now finds herself facing her biggest challenge in 12 years from a resurgent Social Democratic Party led by the impeccably pro-European Martin Schulz, a former president of the European Parliament.

A win for Mr. Macron would deliver a further powerful shot of confidence to Europe's establishment. Even so, any positive spillover may be short-lived unless he can use his mandate to deliver the swift overhauls to France's labor and product markets that have eluded previous

presidents and which economists say are vital to boost France's long-term potential growth. Much will depend on the outcome of parliamentary elections in June, where Mr. Macron's fledgling political movement may struggle to win a majority, forcing him to work with opposition parties.

There is no shortage of low-hanging fruit for Mr. Macron: If France could replicate the increases in employment that countries such as Germany, the U.K. and Sweden were able to achieve through reforms of their welfare systems, it could raise its potential growth from 0.8% to 1.3%, says Gilles Moec of Bank of America Merrill Lynch.

More than the fate of France is riding on Mr. Macron's success. Only a French government with a proven capacity to deliver domestic reforms is likely to persuade Germany to back the overhauls at the European level needed to increase the resilience of the eurozone as it faces what may be its gravest looming political challenge: next year's elections in Italy.

CEO

Continued from Page One

Ms. Rosenfeld, who has run Mondelez or its predecessor since 2006 and turns 64 next month, said in an interview in late February that she had no current plans to leave her post. She noted that Mondelez had no mandatory retirement age and said she was focused on running the company and doing what was best for shareholders.

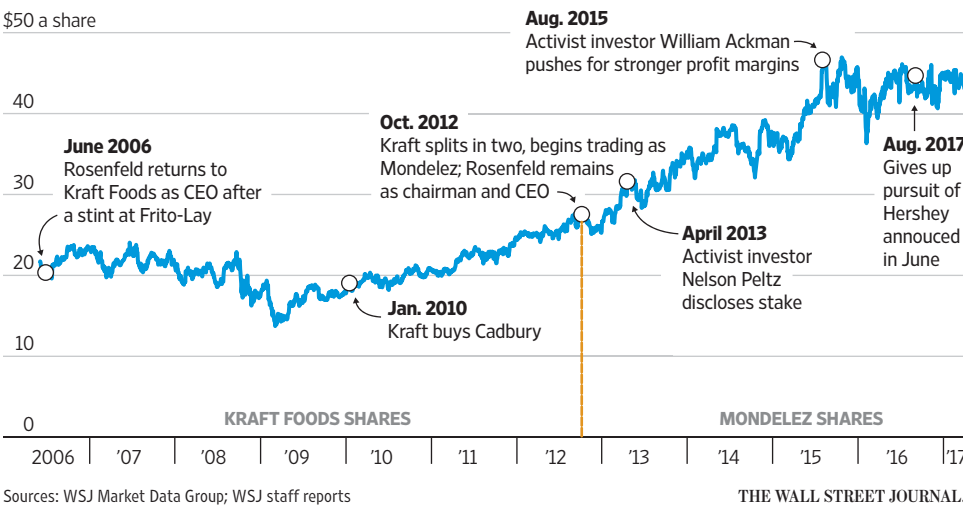
A spokesman said Friday: "We have succession plans in place for all executives. That's simply good corporate governance."

Like others in the food industry, Mondelez is contending with economic turmoil in important emerging markets and other factors such as currency fluctuations—in addition to consumers' urge to eat more nutritious foods. The company's revenue fell more than 12% in 2016.

A lagging share price has sparked unrest among some Mondelez investors. Two major shareholder activists—Nelson Peltz and William Ack-

Action-Packed Tenure

Irene Rosenfeld, 63, is chief executive of Mondelez International and has run the company or its predecessor since 2006. Since she was named chief executive, shares have more than doubled.



man—own big stakes and have urged Mondelez to take steps to improve profit margins, which trail those of its peers.

Mondelez, which has a market value of nearly \$70 billion, last year sought to buy Hershey Co. in a deal worth more than \$25 billion that would have added marquee brands and global scale. But

Mondelez walked away after Hershey rebuffed its advances.

Mondelez is also now the subject of speculation about a possible takeover attempt by a big rival.

Kraft Heinz Co., backed by 3G Capital Partners LP and Warren Buffett, has been hunting for an acquisition. Its \$143 billion bid in February for Anglo-Dutch consumer gi-

ant Unilever SA was rejected, stoking long-running speculation that Kraft Heinz could approach Mondelez next. People familiar with the matter say Mondelez isn't interested in a sale to 3G, which is known for steep cost cuts at companies it acquires.

Ms. Rosenfeld received \$16.7 million in total compensation last year. As chief ex-

ecutive of what was then Kraft Foods Inc., she orchestrated the 2010 acquisition of British confectioner Cadbury PLC for about £12 billion (about \$19 billion then), then in 2012 split the resulting company in two.

Snack foods such as Oreo Cookies and Trident Gum stayed with Mondelez, which has relatively big exposure to emerging markets. U.S.-focused brands like Oscar Mayer deli meat and Jell-O pudding went with Kraft Foods Group Inc., which later merged with H.J. Heinz Co.

Since the split, Mondelez's cumulative shareholder return is 77%, compared with a 94% gain for the S&P 500 Packaged Foods & Meats index, according to FactSet. Mondelez has returned some \$14.8 billion in dividends and stock repurchases since the split.

Ms. Rosenfeld has guided the company through a cost-cutting effort, closing or selling more than 40 factories in the past four years. That has helped boost the company's adjusted operating margin to 15.3% in 2016 from 12% in 2013.

Finding a successor with

global experience is critical for the Deerfield, Ill., company, which relies on foreign markets for most of its \$26 billion in annual sales, according to industry analysts and recruiters.

The board could seek a replacement for Ms. Rosenfeld within Mondelez's ranks, or look to tap a senior official from another company, the people said. An independent director of Mondelez is also a possibility for the next chief executive. Among Mondelez's current executives, possible successors include Tim Cofer, chief growth officer, and chief financial officer Brian Glad-

den, the people said. Adding to the complexity for Mondelez, there is disagreement among investors about what the company's focus should be.

Ali Miremadi, a fund manager at GAM Holding AG, which owns a small stake in Mondelez among roughly \$120 billion under management, said he wanted the company to focus more on boosting sales than profit margins. "I'd like to see it be a better-run growth company, but I'm not frustrated," he said.

BONDS

Continued from Page One

they erode the fixed returns over time.

Investors fled bonds, worried that a more-than-three-decade rally was ending. Bond mutual and exchange-traded funds world-wide saw \$18.1 billion in outflows during the week after Mr. Trump's election, the largest exodus since May 2013, according to fund tracker EPFR Global. Another \$22 billion moved out of bonds over the next five weeks.

But that proved to be a blip before bond investors returned forcefully this year. They have pumped more than \$112 billion into bond funds since the end of December through April 5.

The strong appetite for bonds shows how hard it is for investors to shake the assump-

tion that the economy can do any better than muddle along as it has for years.

Lackluster growth also would likely mean the Federal Reserve would keep rates relatively low, economists say. That belief was reinforced when the U.S. Labor Department on Friday reported that nonfarm payrolls rose by only 98,000 in March, a slowdown from earlier this year.

The yield grab hasn't just been in bonds. Also rising have been stocks prized for paying dividend income that is more attractive when rates are low. Shares of S&P 500 utility companies have climbed 5.1% over the past three months, second only to rapidly growing technology shares.

Investors poured a net \$2.5 billion into U.S. junk-bond funds in the week ended Wednesday, the most since December. Emerging-market debt funds

have collected new money for 10 consecutive weeks, according to Bank of America Merrill Lynch. Meanwhile, U.S. stock funds had \$14.5 billion of outflows during that week, the most in well over a year.

A definitive exit from the current low-rate environment seems "several years down the road," said Steven Oh, global head of credit and fixed income at PineBridge Investments.

That backdrop has investors willing to pay lofty prices for riskier debt, even if it has bottom-of-the-barrel credit ratings. BWAY Holding Co, a privately owned maker of plastic and metal containers, sold \$2.7 billion of bonds last month to help fund an acquisition. BWAY was able to sell eight-year unsecured bonds with a 7.25% interest rate despite its low junk rating.

That is "extremely aggressive" for a company with its fi-

nancial profile, Mr. Oh said.

A spokesman for BWAY declined to comment.

Investors demanded 3.93 percentage points more than going Treasury rates to own high-yield bonds, according to Bank of America Merrill Lynch index data. That is less than half the spread in February 2016, when the stock market bottomed after a selloff.

Some investors think the hunt for yield is on borrowed time and could fall flat if economic growth either accelerates or drops off dramatically.

Mr. El-Erian said the period of low growth that has characterized the postcrisis recovery, which he has called the "new normal," is coming to an end.

Unconventional monetary policy of super low or negative interest rates in much of the developed world is being "stretched to its limits," he wrote last year. There could

be faster growth if governments enact fiscal policies that stimulate their economies, he said, or there could a drop-off in growth that might lead to recession if these policy efforts fail.

Those who think the economy may be heating up say inflation could lead to higher rates. Both would diminish the value of outstanding bonds. The Fed's preferred measure of inflation, the personal-consumption expenditures price index, topped the central bank's 2% target for the first time in five years in February.

But if the economy falls into recession, that would also be a problem for bonds. Negative growth would hurt corporate balance sheets, spurring waves of defaults and outflows from bond funds.

But David Lafferty, chief investment strategist at Natixis Global Asset Management, contends that retirement-age investors and pension funds will provide steady demand for bonds. That interest could ease any selloff in the bond market even as the Fed aims to ratchet rates higher in the years ahead. "There is this theory that once rates go back up that investors will have this big rotation out of bonds and into stocks," Mr. Lafferty said.

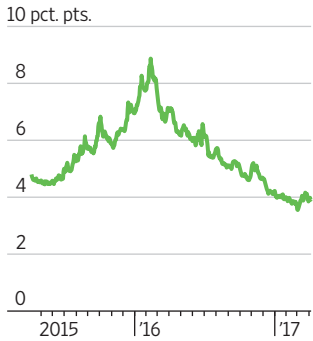
CORRECTIONS & AMPLIFICATIONS

Scarborough Shoal, known as Huangyan Island, lies about 120 nautical miles from the Philippines' northwestern coast. A World News article in the Friday-Sunday edition about disputed islands in the South China Sea incorrectly said the distance was 12 nautical miles.

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

Less Spread

Investors are demanding smaller premiums over Treasuries to own high-yield bonds



Note: High Yield Master Index data
Source: Bank of America Merrill Lynch
THE WALL STREET JOURNAL.

"What that misses is that the bond market has a built-in, self-correcting mechanism which is that as yields back up, they become more attractive to more investors."

Hamilton Cruises to Victory at Chinese Grand Prix



OUT FRONT: Lewis Hamilton, above, won the year's second Formula One race. Sebastian Vettel, who won the opener in Australia, was second.

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WORLD NEWS

ISIS Bombs Kill Dozens In Two Egypt Churches

Worshippers on Coptic Christian Palm Sunday had packed churches in Tanta, Alexandria

Twin blasts claimed by Islamic State struck Egyptian churches during Palm Sunday services, killing at least 47 people in an escalating campaign of terrorism against the country's Christian population.

By Dahlia Kholaiif in Cairo and Tamer El-Ghobashy in Erbil, Iraq

The attacks raise fresh questions about the ability of President Abdel Fattah Al Sisi's government to protect the minority group, and come just weeks ahead of an expected first visit to Egypt by Pope Francis.

The first explosion targeted the Mar Girgis Church in the Nile Delta city of Tanta, some 60 miles north of Cairo, as worshippers attended morning services. Security officials said an assailant planted a bomb under a seat in the main hall.

The ensuing blast killed 29 people and wounded another

69, a health ministry official told state media. Footage aired on state television showed bloodstains on the floor of the church hall, shattered furniture and bloodied palm fronds as victims and survivors wailed in shock and grief.

Shortly afterward, a suicide bomber attempted to enter Saint Mark's Orthodox Cathedral in the center of the coastal city of Alexandria, blowing himself up at the entrance after being stopped by police, the interior ministry said.

The cathedral is a landmark in the city and had been the historic seat of the Coptic Pope.

Surveillance videos broadcast on Egyptian networks showed the purported bomber—wearing a jacket and with a bright blue garment draped around his shoulders—approaching an open church gate before being directed to a nearby metal detector. Pausing in front of the metal detector, he triggered the blast as two female police officers stood nearby.

The incident took place as Pope Tawadros, the head of the Coptic church, led a Palm Sunday service. He was unharmed but at least 18 people were



An Egyptian raises a cross made of palm leaves in the coastal Egyptian city of Alexandria after a deadly bomb blast there.

killed and 40 others wounded, the interior ministry said.

Three of the dead were police officers, including one who physically prevented the bomber from entering, according to the interior ministry. A second bomb was later discovered and defused by officers on the cathedral grounds, the ministry said.

Islamic State claimed responsibility for the attacks but offered no further details, in a brief statement by Amaq, its official media arm. In a later statement, it described the attackers as a "covert cell."

Prime Minister Sherif Ismail

said he had telephoned Pope Tawadros to offer condolences, and vowed to bring the planners of the attacks to justice.

Tanta's provincial security chief, Hossam Khalifa, was fired Sunday after reports emerged that a bomb had been found and defused at the same church last month, according to state newspaper Al Ahram. The interior ministry said in a statement that Mr. Khalifa had been reassigned, along with another senior officer.

Egypt's Al-Azhar, the highest Sunni Muslim Islamic authority, condemned the bombings, as did Pope Francis and

other Middle Eastern and European nations.

President Donald Trump posted two tweets condemning the attacks and expressed confidence in Mr. Sisi. "So sad to hear of the terrorist attack in Egypt. U.S. strongly condemns. I have great...confidence that President Al Sisi will handle situation properly," he said.

Islamic State's Egyptian affiliate, Sinai Province, has since 2014 carried out hundreds of attacks on police and military personnel, mostly in the restive north Sinai Peninsula. It recently began targeting Egypt's Christians, who make up some

10% of the country's 92 million population and remain the largest Christian community in the Middle East.

The wave of violence has provoked rare criticism of Mr. Sisi by Copts, who said he hadn't upheld a promise to protect them made when he came to power through a 2013 military coup.

Egypt's Christians largely had supported his ascent, fearful of persecution under then-President Mohammed Morsi, a senior official of the Islamist Muslim Brotherhood and the nation's first democratically elected president.



People in Stockholm on Sunday marked Friday's deadly attack.

Sweden Sought To Expel Suspect

By NEANDA SALVATERRA

Swedish authorities said the 39-year-old man suspected of driving a truck into a crowd in downtown Stockholm had been wanted by police for failing to comply with a deportation order.

The Uzbek national, who was detained late Friday, had sought residency in Sweden in 2014, a request the state denied in June last year, police said on Sunday. In late February, police issued a warrant in his name for failing to report for his deportation.

"He had gone missing," said Jonas Hysing, national strategic commander for the Swedish police. "He was not present at the address that he had provided."

On Friday, the man is suspected to have driven a hijacked beer truck into a Stockholm shopping promenade in what authorities called a terrorist attack, killing four people—two Swedes, a British citizen and a Belgian—and injuring 15.

The suspect had been previously investigated by security services and had expressed support on social media for foreign terrorist groups, police said. Magistrates have until Tuesday to decide whether he should remain in custody and to specify charges.

On Sunday, prosecutors said police had detained a second man who is being investigated over possible involvement in the attack, for which no group has claimed responsibility.

Meanwhile, in neighboring Norway, authorities said they had raised the national threat level after detaining a 17-year-old from Russia suspected of planting an explosive device near an Oslo metro station on Saturday. A lawyer for the

teenager, Aase Karine Sigmond, said by telephone that her client has denied he intended to conduct a terrorist attack. "It was more of a prank," she said, adding the young man had come to Norway in 2010 with his family.

In Sweden, where about 200,000 people applied for asylum in the past two years, police have been overwhelmed by a steep rise in the number of deportation orders referred to them by immigration authorities.

Each year, thousands of foreigners disappear from authorities' radar after being ordered to leave the country. In the first 10 months of 2016, nearly 70% of the individuals in 6,647 deportation cases police received from the immigration agency had absconded.

Friday's attack was the fourth major assault in Europe in less than a year in which a vehicle appeared to be used as a weapon of terror. In March, a man plowed a car into pedestrians on a bridge in central London and stabbed a police officer outside Parliament, in the U.K.'s deadliest terrorist attack in more than a decade. Five people were killed.

In July, an attacker in Nice, France, plowed into revelers celebrating Bastille Day, killing 86. In December, another man drove a truck into a Berlin Christmas market, leaving 12 dead.

The U.K. Foreign Office identified one of the victims of Friday's attack as British man Chris Bevington, 41 years old.

On Sunday, at least 10,000 people gathered in Stockholm to honor the victims of the attack, police estimated. The afternoon demonstration took place in front of the Culture House, near the Ahlens department store that was rammed.

SYRIA

Continued from Page One

graphic images of dead and dying Syrian children changed his views of Mr. Assad and triggered his decision to strike.

On Sunday, though, Mr. Tillerson said America's primary focus in Syria is destroying Islamic State, also known as ISIS, which is the focus of an intensifying U.S. military campaign targeting the extremist group's de facto capital in Raqqa.

His remarks came a day after, Islamic State militants attacked a U.S.-led coalition base in al-Tanf, a town in southern Syria along the Jordan border used by American special-operation forces and Syrian rebels working with the U.S. coalition, triggering a fierce fight that required coalition airstrikes to repel, U.S. military officials said.

The president and secretary of state, along with United Nations Ambassador Nikki Haley, said the U.S. sees no future for Mr. Assad in Syria.

"Regime change is something that we think is going to happen, because all of the parties are going to see that Assad's not the leader that

needs to be taking place for Syria," Ms. Haley said on CNN.

The U.S. is looking into what Russia may have known about last week's attack. Russian forces operate side by side with Syrian forces at the Shayrat Airfield, which was targeted by the U.S. strike.

U.S. military officials said last week that they were trying to determine if a Russian pilot hit a rebel field hospital where victims of the chemical-weapons attack were taken for treatment.

While U.S. military officials said they have no firm evidence that Russia was involved in the strike, Ms. Haley said Moscow either knew about the use of chemical weapons, or it is dangerously ignorant of what its Syrian ally is doing.

The U.S. military estimates it destroyed 20 Syrian regime aircraft when it fired nearly 60 cruise missiles at the Syrian airfield on Thursday.

But the U.S. strikes didn't destroy the runway, an intentional decision that allowed the regime to resume airstrikes against rebel forces within hours of the attack.

Sen. Lindsey Graham (R., S.C.) said the resumption of

Assad Regime Keeps Up Airstrikes

The Syrian regime, emboldened by support from allies Russia and Iran, stepped up airstrikes against the opposition over the weekend, according to antigovernment activists who alleged the government had launched more attacks with chemical weapons. President Bashar al-Assad's government showed no sign it was deterred by the U.S. cruise missile strike on one of its air bases last week in retaliation for an alleged chemicals weapons attack on the opposition-held town of Khan Sheikhoun that killed at least 89 people—many of them children.

Mr. Assad said Sunday the U.S. failed in achieving the goal

of the attack and affirmed that the Syrian military was determined to eliminate terrorism in every part of the country, according to state media. The Syrian regime refers to most of its opponents as terrorists. "The Iranian people are still standing by the Syrian nation," Iranian President Hassan Rouhani told Mr. Assad in a phone call, according to the official Islamic Republic News Agency. In a call with Russian President Vladimir Putin, Mr. Rouhani pledged closer cooperation with Syria and Russia, according to the Iranian president's official website. "In such an atmosphere, strengthening cooperation among Iran, Russia and Syria in the confrontation with violence and terror is necessary," he said.

—Raja Abdulrahim and Noam Raydan

flights from the base appeared to be a crude message to the U.S. "Assad's telling Trump by flying from this base: 'F-you,'" Mr. Graham said on Sunday on NBC. "And I think he's making a serious mistake."

Mr. Graham and Sen. John McCain (R., Ariz.) have called

on the U.S. to strike all of Mr. Assad's airfields to cripple his ability to carry out airstrikes on regime forces.

The U.S. military looked at taking that step, Mr. McCain said, but Mr. Trump ultimately embraced the modest strike on the single airfield.

WORLD WATCH

VENEZUELA Opposition Maintains Pressure on Maduro

Around ten thousand Venezuelan opposition supporters marched in the capital on Saturday, as the opposition kept pressure on embattled President Nicolás Maduro heading

into the long Easter holidays.

A peaceful rally in the opposition-stronghold in eastern Caracas spiraled into clashes with police after opposition leader Henrique Capriles called on protesters to march on the government-controlled downtown. Hundreds of police officers and national guards fired tear gas and rubber bullets to disperse

the crowd on the outskirts of central Caracas, a pattern that has played out in the capital every other day in the past two weeks of unrest.

Venezuela's political crisis spilled into national protests after government-appointed top judges attempted to dissolve the opposition-controlled congress. The crisis entered a

new phase Friday when the national comptroller general, another Mr. Maduro appointee, disqualified Mr. Capriles for minor alleged administrative missteps from running in next year's scheduled presidential elections, which polls show he would easily win.

—Anatoly Kurmanaev

INDIA Alleged Call Center Scam Leader Arrested

Indian police arrested the alleged mastermind behind a network of scam call centers that stole millions from Americans by fooling them into thinking they were in trouble with tax authorities.

In October, Indian authorities raided call centers in a Mumbai suburb where more than 700 people worked, allegedly posing as Internal Revenue Service officials. At that time they detained some of the managers of the facilities but said their boss had escaped.

Sagar "Shaggy" Thakkar, who police say started facilities in Mumbai and elsewhere, had fled the country and traveled to Dubai and Bangkok. Police said he was arrested at the Mumbai airport as he re-entered the country Saturday morning.

—Corinne Abrams



CLEANSING: Thai residents of Hong Kong get an early start on Songkran, their New Year festival, which begins in Thailand on Thursday. Pouring water on each other represents a washing away of sins.

WORLD NEWS



A peace rally in Bayonne, France, followed the announcement of disarmament by the Basque separatist group ETA.

Spain Grapples With Legacy Of Bloody Separatist Drive

By JEANNETTE NEUMANN

SAN SEBASTIÁN, Spain—The disarmament by Basque separatist group ETA, whose violent campaign for an independent state killed hundreds of people over decades, has left Spaniards grappling with the legacy of one of modern Europe's longest conflicts. French authorities on Saturday began to secure and collect ETA's weapons from eight caches scattered across southwestern France. A group of international mediators said they had received the information about the location of the deposits, which contained 120 firearms, three tons of explosives, ammunition and detonators hidden in eight deposits, from Basque activists. "The confirmation of the legal and definitive disarmament, for which nothing was given in return, is a fundamental step in the process of an orderly end to the violence and the demise of ETA," Iñigo Urkullu, head of Spain's Basque Country regional government, said Saturday. But, he said, "nothing begins or ends today. We

continue to work for a normalized coexistence." ETA declared itself a "disarmed organization" on Friday. The confirmation by international mediators on Saturday was an important step because the group has reneged on pledges in the past and a 2014 arms surrender fell short of expectations. The arms handover comes more than five years after ETA declared a cease-fire to end its decadeslong bloody campaign for an independent Basque state stretching from northern Spain to southwestern France, which claimed more than 800 lives. ETA's last victim was killed in 2010. The U.S. government designates ETA a terrorist organization. Basque political parties affiliated with ETA are seeking to distance themselves from the group's violent past and broaden their electoral appeal. ETA's disarmament is unilateral. It comes after Spanish and French police have arrested many members and raided the group's arsenals, and as Spaniards have lost tolerance for the group's violence. The Spanish government,

led by conservative Prime Minister Mariano Rajoy, has expressed doubts that ETA would divulge all the details of its weapons cache and has refused to negotiate with the dwindling members of ETA, demanding they go beyond disarmament and formally disband. The group, however, has refused to do so, in part out of loyalty to the hundreds of members still serving jail sentences in Spain. Mr. Rajoy's government said Saturday it would weigh in on ETA's arms surrender once the weapons had been analyzed by authorities. In Gipuzkoa, which is among the Spanish provinces hit hardest by ETA's terror attacks and the homeland of many of its members, the way in which the disarmament has unfolded has divided locals, a testament to the scars that remain when ethnic kin kill one another. In San Sebastián, Gipuzkoa's capital city, some victims of ETA's violence say the handover of a small stockpile of obsolete weapons is a cynical ploy by the group to rewrite history and whitewash its murderous past.

"It's an attempt by ETA and its people not to appear as complete failures in their objectives," said Ignacio Latierra, a 74-year-old bookstore owner. "It was 40 years of crimes and assassinations and suffering. In the end, for nothing." Mr. Latierra, who also served as a Socialist lawmaker, became a target of ETA because, he said, he didn't share the group's fervor for an independent Basque homeland. In January 1997, ETA members broke through the bookstore's display windows and set books ablaze. Later, he said, ETA shot the husband of Mr. Latierra's business partner. Iñaki García Arrizabalaga, whose father was killed by ETA in 1980, says the group lacks "a moral self-criticism for all the pain that they've caused." Nonetheless, Mr. García Arrizabalaga meets with ETA prisoners to work toward reconciliation and talks to students about forgiveness. He wants to avoid the wounds he says haven't healed in Spain from its civil war and transition to democracy after the death of dictator Francisco Franco.

Beijing Makes the Most of U.S. Visit

By CHUN HAN WONG AND JEREMY PAGE

BEIJING—A stopover in Alaska allowed Chinese President Xi Jinping to end his U.S. visit with a spotlight on commercial ties with America after his first meeting with U.S. President Donald Trump was partially eclipsed by a U.S. missile strike against Syria. The Alaska stopover Friday evening, combined with a visit to Finland that preceded the U.S. summit, also demonstrated China's growing interests in the Arctic region and the potential for cooperation with the U.S. there, analysts said. Mr. Xi took a tour around Anchorage and discussed expanding trade ties with Alaska's governor, Bill Walker, as his plane refueled following the summit Thursday and Friday at Mr. Trump's private club in Florida, Mar-a-Lago. Regional cooperation is "one of the most dynamic aspects of China-U.S. ties," the official Xinhua News Agency quoted Mr. Xi as telling Gov. Walker. China and the U.S. both portrayed the summit as a chance to establish a new framework for a relationship thrown into confusion by Mr. Trump's harsh rhetoric toward Beijing before and after his election. But the meeting took an unexpected turn when Mr. Trump informed Mr. Xi toward the end of their dinner Thursday that the U.S. had just fired 59 Tomahawk cruise missiles at a Syrian air base in response to a chemical-weapons attack on Syrian civilians. U.S. Secretary of State Rex Tillerson told reporters Friday that Mr. Trump explained the rationale for the attack and that Mr. Xi "indicated that he understood that such a response is necessary when people are killing children." China's Foreign Ministry, in a brief statement Saturday,

didn't echo that description of Mr. Xi's response but said the Chinese leader had reiterated Beijing's opposition to the use of chemical weapons and support for a political solution in Syria. Over the weekend, most official Chinese accounts of the summit didn't mention the U.S. missile strike, which was covered in separate reports, and instead portrayed Mr. Xi as having succeeded in building a personal rapport with Mr. Trump and his family, and in establishing a "new starting point" in relations. U.S. officials said Friday that the two sides hadn't reached consensus on halting North Korea's nuclear program but had agreed on a "100-day action plan" to address the Trump administration's other priority: curbing the U.S. trade deficit with China. "We made very clear that our primary objectives are twofold," Commerce Secretary Wilbur Ross said Sunday on Fox News. "One is to reduce

the trade deficit quite noticeably between the United States and China, and two, to increase total trade between the two." Mr. Ross said the meeting between the American and Chinese leaders went well, but "words are easy, discussions are easy, endless meetings are easy. What's hard is tangible results, and if we don't get some tangible results within the first 100 days, I think we'll have to re-examine whether it's worthwhile continuing them." Official Chinese accounts didn't mention the 100-day action plan on trade, though they also indicated no progress on North Korea. China placed greater emphasis on Mr. Trump's acceptance of Mr. Xi's invitation for him to visit China and for the U.S. to participate in China's "Belt and Road" initiative to build trade and transport infrastructure between East and West. "The fact that this meeting took place so quickly after Trump took power is an achievement," said Wang Yi-

wei, professor of international studies at Renmin University in Beijing. From China's perspective, the missile strike on Syria could be regarded as a signal Washington is prepared to take unilateral action against North Korea if it deems Beijing uncooperative in curbing Pyongyang's nuclear program, Mr. Wang said. In Alaska, though, Mr. Xi sought to refocus attention on the benefits of commercial ties with China, which is the U.S. state's top export market, accounting for more than \$1 billion in goods last year, mostly fish. Mr. Xi told Gov. Walker that China and Alaska should enhance exchanges in the mineral, oil, gas, fishery and tourism industries, Xinhua reported. Mr. Walker said Alaska could provide China with a "generation's worth" of liquefied natural gas, according to the Associated Press. —Te-Ping Chen contributed to this article.



President Xi Jinping, center, smiled after getting off his plane in Anchorage, Alaska, on Friday.

Pyongyang Vows To Boost Defenses After Syria Strike

By JONATHAN CHENG

SEOUL—North Korea said that it was "not frightened" by the U.S. strike on its allies in Syria, and vowed to beef up its nuclear force as U.S. Navy ships make their way to waters near the Asian nation. North Korea's Foreign Ministry said in a statement early Sunday that the U.S. missile attack of 59 Tomahawk missiles on a Syrian airfield on Friday was "an undisguised act of aggression against a sovereign state. "What happened in Syria once again taught a bitter lesson that...one can defend oneself from the imperialist aggression only when one has one's strength," the foreign ministry spokesman was quoted as saying by Pyongyang's official Korean Central News Agency. "Any aggression should be countered with force only and we were entirely just when we have bolstered our nuclear force remarkably," the spokesman said. The remarks came as the U.S. redirected a naval strike group—which includes the aircraft carrier USS Carl Vinson—to the western Pacific Ocean, near North Korea, instead of making a port visit to Australia, according to a statement Saturday from the U.S. Third Fleet. Last month, North Korea strongly protested the deployment of the USS Carl Vinson to the Korean Peninsula, where it engaged in joint military drills with South Korea that Pyongyang called a "pre-emptive nuclear strike maneuver." The U.S. has described the exercises as purely defensive in nature. The U.S. strikes on Syria, which President Donald Trump ordered after blaming the Syrian government for a deadly chemical attack earlier in the

week, marked the first time during the Syrian conflict that the U.S. directly targeted the regime of Syrian President Bashar al-Assad, a close ally of North Korea. Shortly after the strike, U.S. Secretary of State Rex Tillerson said that the attack showed "President Trump is willing to act when governments and actors cross the line," in remarks widely regarded as being directed in part at Pyongyang. The North Korean statement Sunday appeared to take aim at those remarks, saying: "Some forces are loudmouthed that the recent U.S. military attack on Syria is on action of warning us but we are not frightened by it." Syria and North Korea have long enjoyed friendly relations, with ties stretching back to the days when Mr. Assad's father and North Korean leader Kim Jong Un's grandfather ruled their respective countries. North Korea, which experts say likely possesses vast stockpiles of chemical weapons, including the deadly nerve agent sarin believed to be used in Tuesday's attack, has long provided missile and chemical weapons assistance to Syria, experts in North Korean proliferation say. Experts say that North Korea has exported chemical weapons and know-how to Syria, both before and after the Syrian conflict began. North Korea is believed to have used another deadly nerve agent, VX, to kill Mr. Kim's half brother in February. On Thursday, Mr. Kim had sent Mr. Assad a message proclaiming North Korea's "full support and solidarity" for the Syrian government, citing the two countries' "common struggle for independence against imperialism."



The U.S. Navy's guided-missile destroyer USS Porter launching a Tomahawk missile at a Syrian air base on Friday.

U.S. Moves Warships Toward North Korea

By DION NISSENBAUM

WASHINGTON—The U.S. Navy has canceled planned port calls in Australia for the USS Carl Vinson and is instead sending the aircraft carrier toward the Korean Peninsula amid concerns about possible new weapons tests by North Korea, military officials said. The Vinson strike group, including the carrier and two guided-missile destroyers, is being dispatched to operate in the western Pacific Ocean in response to Pyongyang's recent missile tests. There is widespread speculation, based on satellite imagery and analysis, that North Korea might try to carry out another weapons test in the coming days as it prepares for its most important national holiday—the anniversary of the birth of the country's founder, Kim Il-sung, on April 15. North Korea carried out three missile tests in the past month, including a Scud missile launch on April 5 that triggered a terse response from the Trump administration. "The United States has spoken enough about North Korea," Secretary of State Rex Tillerson said in a two-sentence statement after that test. "We have no further comment." Now, one official said, the Navy is sending the strike group as a show of force. The Trump administration has issued a series of warnings to North Korea about its

missile tests. Last month, during a visit to South Korea, Mr. Tillerson said the U.S. "policy of strategic patience has ended" and that "all options are on the table." At their summit Thursday and Friday in Florida, President Donald Trump pressed President Xi Jinping of China to do more to curb North Korea's nuclear program. Mr. Tillerson said the two leaders agreed during meetings at held at Mr. Trump's Mar-a-Lago golf club to work together on the issue, but there was no pact on concrete steps to deter North Korea's nuclear ambitions. The decision to send the Vinson toward the Korean Peninsula comes as Mr. Trump is taking a more aggressive American military posture around the world. Mr. Trump on Thursday ordered America's first direct military strike against Syrian President Bashar al-Assad. The U.S. fired nearly 60 cruise missiles at a Syrian regime airfield believed to be home to pilots who carried out a suspected chemical weapons attack that killed more than 85 people, including 27 children. U.S. leaders said the one-time strike, which did modest damage to the airfield, was meant to deter Mr. Assad from using chemical weapons again. The U.S. also added to its forces in Iraq and Syria as the military tries to drive Islamic State from its biggest strongholds: Mosul in Iraq and Raqqa, the militant group's de facto capital in Syria.



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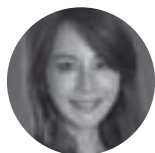
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IN DEPTH

MURPHY

Continued from Page One
with a commanding presence and boundless ambition. Yet his concerns over maintaining the life he had created for himself, his wife, Annabella, and their three young sons consumed him. The very qualities that helped him build a fortune were no match for his fear of losing it.

“In his mind, he had worries,” said Belén Hormaeche, a close friend of Mr. Murphy and his wife. “But it was all in his mind.”

Mr. Paulson, who eulogized Mr. Murphy last Monday, sought to explain his apparent suicide to friends and family during a funeral service in New York.

“The mind can play tricks with oneself, distorting reality,” Mr. Paulson said. “No matter how much those close to him tried to help, and no one tried more than Annabella, Charles could not see a path forward...his mind created a trap from which he couldn’t escape.”

This account of Mr. Murphy’s life and death is based on interviews with close friends and colleagues, as well as those familiar with his family.

Fast track

Born to a middle-class New York family in 1961, Mr. Murphy stood out at a young age for his drive and intellect. His father worked as an engineer for a utility company and sparked his son’s early interest in books and classical music. The family lived in a modest Upper East Side walk-up apartment.

Mr. Murphy attended Stuyvesant High School, one of New York City’s top public schools, before enrolling at Columbia. At 6 feet 6 inches tall, he became captain of the crew team. Out of the water, he discussed philosophy, poetry and arts, classmates recalled.

Mr. Murphy became interested in investment banking while pursuing advanced degrees at Harvard and MIT, said Tom Seeman, a Harvard classmate.

In 1985, he was recruited by Goldman Sachs Group. Inc., embarking on a two-decade career at the world’s biggest banks including Morgan Stanley, Deutsche Bank AG and Credit Suisse Group AG.

Mr. Murphy spent most of that time in London, where he was seen as polished and articulate, favoring expensive suits. He closed complicated deals involving insurance companies and won praise for his financial analysis. He could also be rigid in his point of view, and disregarded opposing ideas, colleagues said.

Some who worked with Mr. Murphy recalled times when he retreated into his office and closed the door, wanting to be left alone for days. That’s how he focused at work, said someone close to the family.

In 1993, he married Heather O’Brien, a 24-year-old American preparing to start doctoral studies in theology, according to a wedding announcement.



John Paulson, above, hired Charles Murphy to help guide his firm’s investments in insurance companies. Right, Mr. Murphy’s 11-room townhouse in Manhattan.

Six years later, after the couple had two children, the marriage collapsed. Ms. Murphy later married Sol Kerzner, a South African hotel magnate.

After the breakup of his marriage, Mr. Murphy became a fixture in London’s club scene, colleagues said. In 2004, Mr. Murphy married a young Londoner, Annabella Demetriou, and became devoted to her, friends said. In 2006, he threw her a lavish 30th birthday party in London featured in Tatler magazine.

In the late 1990s, he became excited about the chance for bigger rewards outside Wall Street. At the height of the internet-stock frenzy, Mr. Murphy quit Morgan Stanley to become chief financial officer of a London startup, Antfactory Holdings Ltd. The firm backed technology companies and eyed a lucrative initial public offering itself.

Mr. Murphy accepted a token salary and was given stock with the potential to be worth tens of millions of dollars if the company went public or was sold. Within 18 months of his move, internet stocks had crashed, ending Antfactory’s ambitions.

Mr. Murphy got another chance at a potentially lucrative IPO in 2007. Fairfield Greenwich Group, a Connecticut firm that managed \$15 billion for wealthy individuals investing in hedge funds, considered going public. Mr. Murphy was hired to oversee its strategy.

As his family prepared to move to the U.S. from London, Mr. Murphy paid \$33 million for the seven-level, 11-fire-place, limestone Upper East Side townhouse of Matthew Bronfman, an heir to the Seagram liquor fortune.

The Fairfield Greenwich IPO never happened. The firm had channeled billions of dollars of its investors’ money into a fund overseen by Mr. Madoff, whose giant Ponzi scheme was uncovered in 2008. Mr. Murphy was out of a job. He tried to sell his house in 2009 as he and his wife considered moving back to London.

By chance, Mr. Murphy and his wife were invited to a dinner party at a friend’s East



Side home, where he struck up a conversation with Mr. Paulson, of Paulson & Co.

Mr. Paulson had just made \$20 billion betting against mortgage securities and banks in what was considered one of the great trades in financial history. Now, he wanted to invest in insurance companies. Mr. Murphy knew how, and he was eventually hired for the job.

One of Mr. Murphy’s early ideas was to invest \$80 million to help recapitalize struggling insurer Conseco Inc. The deal earned Paulson & Co.

plan: break up the insurance conglomerate. AIG resisted. Mr. Murphy spent months pitching his proposal to hedge funds and eventually persuaded billionaire Carl Icahn, who was already eyeing AIG.

“I didn’t know him well,” Mr. Icahn said, “but in our meetings I found him to be very bright and knowledgeable, and I liked him.”

Mr. Murphy lobbied Wall Street analysts to write research in support of the plan. Some analysts said their conversations with Mr. Murphy amounted to

definitely confrontational.”

The following February, AIG offered Messrs. Icahn and Paulson board seats to avert a proxy fight. Mr. Paulson suggested Mr. Murphy take his spot but AIG demanded someone else. The reason, according to people familiar with the matter: Directors felt Mr. Murphy was too abrasive.

In the fourth quarter, Paulson sold nearly half of its AIG position, locking in double-digit gains from the stock’s improvement in 2016.

Retreat

Mr. Murphy made several million dollars a year at Paulson, a person close to the matter said. His compensation had been rising in recent years, though the firm performed poorly of late.

People around Mr. Murphy told him he needn’t worry about money, but he worried nonetheless. Mr. Murphy had a \$12 million mortgage on his Upper East Side home, according to public records. Two of his youngest children attended private schools; two more from his first marriage were in college.

Early in 2016, he put his townhouse on the market for \$49.5 million. By summer, the price had dropped to \$42.5 million.

Around July of last year, some of Mr. Murphy’s friends and family saw a change. He looked tired. Instead of leading conversations, he was withdrawn, seemingly lost in thought.

Making even minor decisions, whether to go to the beach or take a walk, unsettled Mr. Murphy. His wife brought him to a psychiatrist, who diagnosed him with depression, prescribed medications and closely monitored him, friends said.

Mrs. Murphy tried to draw her husband out of his shell. “Charles, what do you think?” she asked him during a dinner a few months ago with friends. Mr. Murphy smiled and made an effort to join the conversation, a friend recalled.

Mr. Seeman, the former Harvard classmate, would see Mr. Murphy when he visited New

York. In the past few months, he said, Mr. Murphy began putting off his requests to meet: “When I asked him how things were going, he would say, ‘OK,’ or, ‘Not so well,’ when in the past he would always be more expansive.”

The Paulson firm has lost money so far in 2017, according to an investor. In February, AIG’s shares fell on setbacks in its turnaround plan, though they remain above Paulson’s purchase price.

Mr. Murphy confided to a rival hedge-fund investor it had become more difficult for him to find attractive investments in a rising stock market.

A few weeks ago, Mr. Murphy had lunch with an old friend and said he was depressed and seeing a doctor. On Feb. 21, Mr. Murphy added his wife as a co-owner of their Upper East Side home, according to public records. That month, the asking price for the house was listed as \$36.5 million.

In recent weeks, Mr. Murphy spoke with colleagues at Paulson about new investment opportunities, showing signs of renewed enthusiasm. He and his family celebrated Mr. Murphy’s birthday on a ski trip in Vail, Colo., which seemed to buoy his spirits.

A friend staying at the same resort recalled fondly the sight of Mr. Murphy guiding one of his sons down the bunny slope, the father’s long legs stretched around the boy’s skis.

Flying home on Sunday, March 26, Mrs. Murphy told a friend that her husband had a “great week” and that the holiday was “fabulous.”

The next day, Mr. Murphy sat down for breakfast with his wife and children. As he left for work, the nanny took notice of Mr. Murphy’s suit and crisp shirt.

“You look good,” she said, according to a close family friend. “I feel great,” Mr. Murphy responded.

That morning, Mr. Murphy worked in Paulson’s Midtown Manhattan office.

Later, he headed to the Sofitel New York hotel a few blocks away, checked into a room and jumped from the 24th floor.

SOCKS

Continued from Page One
warmer months bare-toed inside their deck shoes.

So at marinas and yacht clubs around the U.S. in the springtime, increasingly, they get together to immolate them.

And read poetry and drink and try not to burn themselves, then avoid wearing socks until it gets cold again.

In Georgetown, S.C., sailors celebrate “Burn Your Socks for the Equinox” around a fire pit, reciting sock-burning verse. At Lake Texoma, on the Texas-Oklahoma state line, they incinerate stockings and switch to flip-flops.

Williamsburg, Va., kicks off canoe season by burning socks before a paddle trip down Taskinas Creek and York River. “I’m not sure I would describe it as sacred,” said Corrina Ferguson, a representative for the event. “But we love any event that celebrates spring.”

Ms. Ferguson said she believed the tradition dated back 100 years to the U.S. Naval Academy in Annapolis.

The keeper of the Annapolis fire had his own exotic theory. Brian DeGraw, who has tended sock-burnings for years, once figured the practice must date to some ancient ritual—perhaps a Viking sacrifice to the gods on the first

spring day, he imagined, in which Norsemen lobbed woolen socks into flames and drank mead.

A Naval Academy historian said the tradition started in Annapolis, but not at the academy.

Mr. DeGraw was “sorely disappointed,” he said, when he finally found out the rite most certainly harked back only several decades, not to ancient peoples.

It got its start, it appears, in 1978. Annapolis Harbor Boat Yard’s then-owner, Bob Turner, had survived a long winter shaving aluminum for boats, which got helical shards in his socks.

“Even talking about it 40 years later, I still wince,” he said. One day that spring, he procured a 12-pack of Budweiser longnecks and invited employees. “I’m burning my socks,” he told them. “It’s time to move on and go sailing.”

He tossed his into a paint tray, soaked them in flammable adhesive remover and lighted them. Passersby stopped and donated socks in exchange for beer.

He did it again the next year, and more gathered with their own sacrifices. One year, after the event moved to a local yacht club, he said, a package arrived from Cambodia with old socks and a note asking to burn them.

Over the years, the ritual

spread along the Coast and the Gulf, and to the Great Lakes and West Coast. “It’s a celebration,” said Roger Herrick, vice commodore of the Skidaway Island Boating Club in Savannah, Ga. “We take off our socks and get ready for summer.”

Robin and Lance Van Auken host a burning in Williamsport, Pa., on a cliff overlooking the Susquehanna River. “We’re wannabes who relocated to Pennsylvania 20 years ago from Florida,” said Mrs. Van Auken. This year, a snowstorm

killed their sock party when it buried the fire pit.

Mr. Turner moved to Georgetown, S.C., in 2010 and performed the ritual in his backyard, drawing curious neighbors. Then he read of the South Carolina Maritime Museum’s sock burning and requested to be invited the next year.

They asked how he knew of the tradition. “I started it,” he told them, and he was in.

His rite dwindled in Annapolis for some years, he said. It rekindled in several local



Many sailors consider socks annoying wintertime wear. A ritual sock-burning last month in Annapolis, Md.

Mr. DeGraw, who digs the fire pit each year, said his primary job is keeping well-lubricated celebrants from setting themselves on fire. “I use this,” he said, gesturing to an 8-foot teak dowel salvaged from a boatyard he uses to tap people’s feet when they get too close. It doubles as a staff to stir socks into the fire.

Socks aren’t aerodynamic, so best throw them balled up, advises Mr. DeGraw, a captain and sailing instructor who lived on his sailboat in Annapolis for 12 years and now lives on his boat in Baltimore.

One year, he erred by dousing the coals afterward. “That was a mistake—billowing clouds of sock-burning steam.”

Some landlubbers toss in synthetic-fleece socks, which “turn into a stinky plastic ball,” said Molly Winans, editor of SpinSheet, a local sailing magazine. “Wool and cotton are better.”

Illicit sacrifices sometimes sail into the flames, including jeans, underwear, pantyhose and bras at past events.

Mr. Turner disapproves of non-sock offerings. “I’m happy to see it embraced all over as a spring ritual,” he said, “but that’s not really in the spirit of it.”

“You have to embrace the maritime history of it all. It’s really all about getting rid of those socks because it’s time to put your deck shoes on.”

U.S. NEWS

Digital Payments Grow, but Cash Still Rules

As credit card use and digital payment systems like Venmo and Android Pay spread, Americans use less and less cash to buy things. Yet the amount of bills and coins in circulation continues to grow: Hard currency as a percentage of U.S. gross domestic product is now at 8.6%, the highest level since the early 1950s, an era long before the widespread use of plastic and smartphones. Europe, Japan, and Australia have similar trends.

The most likely reason for the cash paradox, analysts say: a thriving global underground economy of tax evasion, organized crime and terrorism financing. Digital payments may be faster and more efficient, but cash cloaks transactions in privacy. In a 2015 report titled “Why Is Cash Still King?” Europe’s police agency, Eu-



THE OUTLOOK
ADAM CREIGHTON

ropol, concluded that “while cash is slowly falling out of favor with consumers, it remains the criminals’ instrument of choice.” “The Fed has long known most of the \$100 bills aren’t in America. It doesn’t take great insight to realize they are being used to finance illicit activities,” Alan Blinder, Princeton University economist and a former vice chairman of the Federal Reserve, said in an interview.

Such concerns last year prompted a global push against cash. Harvard economist Kenneth Rogoff’s book, “The Curse of Cash,” proposed phasing out \$100 and \$50 bills. Europe decided to phase out the €500 note. India moved in December to eliminate its 500- and 1,000-rupee bills. Countries including South Korea and Venezuela have withdrawn notes or coins in recent months. But the push to get rid of cash is hitting speed bumps all over. India, for example, is already partly reintroduc-

ing its 500- and 1,000-rupee bills after the government’s abrupt demonetization program drew sharp criticism for hurting its cash-dependent rural population. The U.S. shows no inclination to pare back its notes. “I’m very conscious of the \$100 bill being the world’s reserve currency, and every central bank around the world has stacks of \$100 bills where they used to have gold,” Treasury Secretary Jacob Lew said in an interview with The Wall Street Journal shortly before he left office in January. One reason it’s a non-starter in the U.S.: About 8% of people don’t have a checking or savings account, making it all-but-impossible for them to participate in a cashless economy. Banning cash “would bring the economy and many people to their knees if enforced,” said Hoover Institution economist John Cochrane. In the aboveground economy, card-based and digital payment systems offering ever-greater speed, safety and

Cash Craze

U.S. currency in circulation as a percentage of gross domestic product



Sources: Federal Reserve; Commerce Dept.
THE WALL STREET JOURNAL.

convenience have been steadily encroaching on paper money. Euromonitor International, a market-research firm, said the volume of global cash payments in 2016 for the first time fell below payments on credit and debit cards. Some of the growth in cash can be attributed to the finan-

cial crisis and the aftermath, when people lost faith in banks, and when ultralow interest rates reduced opportunity costs of holding savings in cash. The number \$100 bills in circulation, worth \$1.15 trillion in December, has surged 76% since 2009, according to Federal Reserve data. Mr. Rogoff sees sinister uses of cash. “The idea that today’s high cash holdings are mostly explained by people engaged in legal activities taking advantage of low interest rates is nonsense,” he said in an interview. The underground economy is, by definition, difficult to measure, but large. In high-tax Europe it was 18% of GDP in 2015, and around 8% in the U.S., Japan and Australia, according to Friedrich Schneider, a University of Linz economist, who has written extensively on the shadow economy. It’s unclear whether curbing cash would be effective in reducing crime—or would just prompt resourceful criminals to find other

means of doing business. Germany, like the U.S., has so far resisted following its neighbors, due in part to civil liberties concerns. Similar views prompt objections from American conservatives. “The real reason for this war on cash... is an ugly power grab by Big Government,” conservative publisher Steve Forbes wrote in a column in his magazine last year. Rising interest rates are also taking some steam out of the argument for doing away with cash. Central banks in Europe and Japan have experimented with negative interest rates in recent years to spur spending and investment. Because cash undermines the effects of negative rates, some economists have argued for doing away with it. But now that rates are rising in the U.S. and will potentially follow suit elsewhere, the argument against cash becomes even less compelling. Cash might have its dark undersides, but it is still king.



Rep. Richard Neal (D., Mass.), the top Democrat on the Ways and Means Committee, center, has discussed goals with the White House.

Democrats Put Price on Tax Plan

By RICHARD RUBIN

WASHINGTON—Democrats are starting to settle on a price for participating in a tax-code overhaul, and many Republicans won’t want to pay it. Democrats say they oppose net tax cuts and will resist proposals that mostly benefit high-income households. Those priorities diverge from President Donald Trump’s repeated promise to “cut the hell out of taxes” and congressional Republicans’ plans to lower marginal tax rates and repeal the estate tax. “Tax reform’s got to be responsible and it’s got to be progressive,” said Sen. Ben Cardin (D., Md.). Republicans made overtures across the aisle in recent weeks and, in theory, Democratic participation on tax policy could ease legislative challenges for Republicans vexed by slim House and Senate majorities and internal disagreements. By attracting Democratic votes, Republicans could overcome procedural hurdles

without uniting fractious wings of their own party. There is, at some level, rhetorical room for agreement. Mr. Trump says middle-class tax cuts are a top priority. House Speaker Paul Ryan (R., Wis.) says he’s aiming for his plan to be revenue neutral—collecting as much money over the next decade as the current system does. Mixed with the prospect of spending on infrastructure, that makes a recipe for bipartisanship. But so far, those priorities aren’t widely shared among Republicans and GOP plans haven’t matched them. Mr. Trump’s campaign plan delivered half its tax cuts to the top 1% of households, according to the Tax Policy Center, a joint project of the Urban Institute and Brookings Institution. House Republicans haven’t shown in detail how their plan adds up and don’t want to tie infrastructure and taxes together. Lower tax rates on businesses, investors and top earners are a unifying force in the GOP, and many lawmakers are reluctant to give that up to

get a deal with Democrats. Even if the White House and Democrats reach a conceptual agreement on taxes, any accord would drive many Republicans away and require the Trump administration and lawmakers to make decisions on hundreds of details. Still, White House officials, who declared they are taking the lead on tax policy, have been meeting with Democratic lawmakers. House Ways and Means Chairman Rep. Kevin Brady (R., Texas) met with two groups of Democrats last week. Mr. Trump’s unpopularity, especially among Democratic voters, gives lawmakers political advantages in opposing the administration, and the president’s refusal to release his tax returns isn’t encouraging cooperation on tax policy. “Some Republican members of Congress and the administration are locked in competition to see who can propose the biggest tax cut for the fortunate few,” said Ron Wyden of Oregon, the top Democrat on the Senate Fi-

nance Committee. He argues that wage-earners face compulsory taxation while top earners and investors use loopholes and lawyers to lower their tax bills. The Trump administration, for its part, has left an opening, recently signaling to Congress that it is seriously concerned about pushing a tax plan whose benefits are tilted to top earners, said a GOP aide. Rep. Richard Neal of Massachusetts, the top Democrat on the Ways and Means Committee, said Democrats want to participate. “If they’re going to talk about some middle-class tax relief, we certainly want to engage,” he said. Mr. Neal said he met last month with Gary Cohn, director of the White House National Economic Council. Mr. Cohn’s comments and other recent statements from administration officials suggest the White House tax agenda remains fluid. —Nick Timiraos contributed to this article.

Gorsuch’s Ascent Highlights Close Ties in Legal World

By BRENT KENDALL

WASHINGTON—Amid the brawl over the Supreme Court, former Obama administration lawyer Neal Katyal broke with many Democrats to endorse nominee Neil Gorsuch, and Republicans in turn gave Mr. Katyal an unusually prominent role by having him introduce the judge at his confirmation hearing. Now, Judge Gorsuch’s confirmation Friday puts him on course to take the high-court bench for the first time on April 17, and he will see a familiar face at the lawyer’s lectern: Mr. Katyal, who has a case before the justices that morning. Mr. Katyal, a regular presence in Supreme Court cases, has another oral argument the following week. This convergence of law and politics highlights the close-knit nature of the Washington legal community, an insularity that can produce awkward moments, particularly when the battle over judicial appointments is so partisan. Mr. Katyal’s role also highlights how divisive the political landscape has become. Lawyers have a history of supporting court nominees, but few of those endorsements have been a part of the story line like Mr. Katyal’s backing of Judge Gorsuch, who was a longtime judge on the federal appeals court in Denver. The judge himself referred to Mr. Katyal’s support during his testimony before the Senate Judiciary Committee. Republicans highlighted the lawyer’s endorsement repeatedly, including Senate Majority Leader Mitch McConnell (R., Ky.), who cited Mr. Katyal on the Senate floor hours before the final vote—part of their effort to depict Judge Gorsuch as a moderate and undermine Democrats’ portrait of him as a heartless conservative. Some ethics experts said this could raise questions of appearance for Judge Gorsuch when it comes to Mr. Katyal’s cases before the Supreme Court, though they didn’t call for the new justice to recuse himself. “The kind of testimony that Katyal gave is within the norm

of what members of that community do,” said University of Pittsburgh law professor Arthur Hellman. Still, in this era of polarization, “I could see someone thinking this would lead Justice Gorsuch to think he owed some sort of debt to Mr. Katyal—or that he would feel pressure to reject Mr. Katyal’s legal arguments for fear of being seen as biased,” Mr. Hellman said. Stephen Gillers, a New York University law professor, said case law suggested Judge Gorsuch could participate in Mr. Katyal’s cases. “This is not enough by itself to warrant recusal,” Mr. Gillers said. Even friendships between judges and lawyers aren’t disqualifying, Mr. Gillers added. Individual justices make their own recusal decisions, and Judge Gorsuch told the Judiciary Committee he would recuse himself in cases “that might give rise to an actual or apparent conflict of interest.” Mr. Katyal, a former acting solicitor general and now a partner at the law firm Hogan Lovells, has argued 32 Supreme Court cases, and served with Judge Gorsuch on a rules committee for the federal appeals courts. He has represented a diverse range of clients. Currently he is challenging President Donald Trump’s executive order on immigration and refugees, a case that could eventually make a splash at the Supreme Court. At the other end of the spectrum, Mr. Katyal represents high-profile corporate clients. In Mr. Katyal’s April 17 case, he will represent a New York town in a dispute with a real-estate developer. On April 25, he will represent Bristol-Myers Squibb Co., which is fighting product liability lawsuits involving Plavix, a blood thinner. When he introduced Judge Gorsuch to the Judiciary Committee, Mr. Katyal said he was “outraged” that Republicans denied a hearing to President Barack Obama’s nominee for the current Supreme Court vacancy, Judge Merrick Garland. Nevertheless, Judge Gorsuch is “a first-rate intellect and a fair and decent man” who deserved confirmation, Mr. Katyal said.

U.S. WATCH

FEDERAL GOVERNMENT

Veterans Affairs, Prisons Feel Freeze

The hiring freeze President Donald Trump ordered in January is threatening to compromise the safety of correctional officers and delay payments to veterans and Social Security checks to disabled and retired Americans, union officials and government workers say. Federal agencies typically lose about 10% of their workforce every year, and, nearly three months into the Trump administration, the freeze’s impact is beginning to be felt. About one out of 10 positions at the Bureau of Prisons are vacant, according to a spokesman, and at some facilities, medical personnel are working overtime

and correctional officers are spread more thinly, prison officials and workers say. In mid-March, Veterans Affairs Secretary David Shulkin ordered that jobs tied to processing benefits claims wouldn’t be affected by the freeze. But the previous six weeks of no hiring, combined with high turnover and increased claims, pushed the backlog of veterans’ claims to recently top 100,000. Mr. Trump’s order also prolonged a hiring freeze at the Social Security Administration, which has been hit by budget constraints in recent years. The White House referred requests for comment to the Office of Management and Budget, which didn’t respond to questions. —Beth Reinhard and Rebecca Ballhaus

TRADE

U.S. Seeks ‘Results’ In China Relationship

Commerce Secretary Wilbur Ross said the U.S. wants to see “tangible results”—soon—on its trading relationship with China. In last week’s meeting between top Chinese officials and the Trump administration, “we made very clear that our primary objectives are twofold,” Mr. Ross said Sunday in an interview on Fox News. “One is to reduce the trade deficit quite noticeably between the United States and China, and two, to increase total trade between the two.” Mr. Ross said the meeting between the American and Chinese leaders went well, but “words are easy, discussions are easy, endless meetings are easy.

What’s hard is tangible results, and if we don’t get some tangible results within the first 100 days, I think we’ll have to re-examine whether it’s worthwhile continuing them.” —Ben Leubsdorf

ALABAMA

Impeachment Against Governor to Proceed

The Alabama Supreme Court said impeachment hearings can proceed against Republican Gov. Robert Bentley, who is fighting to stay in office amid fallout from an alleged affair with a former aide. The justices issued their ruling Saturday. A circuit judge had blocked the hearings, which are scheduled to begin Monday. —Associated Press



Neal Katyal, a former Obama administration lawyer, at the confirmation hearing in March for Judge Neil Gorsuch.

LIFE & ARTS



CLOCKWISE FROM LEFT: STEVE GRAYSON/WIREIMAGE; SYGMA/GETTY IMAGES; ASSOCIATED PRESS

BY JOHN JURGENSEN

SMALL SCREEN

Television's Anniversary Frenzy

After success of O.J. Simpson shows, TV producers comb history for material; Next up: L.A. riots, death of Diana



EXECUTIVES FOR at least five TV networks all had the same idea: Let's make a documentary marking the 25th anniversary of the Los Angeles riots on April 29, 1992.

Beginning next week, this crop of movies begins airing about the city's eruption of rage and violence. Demand for meaty documentaries that will stand out in an overcrowded TV landscape has producers scouring history for moments that spark our collective memory—or at least offer an easy marketing hook. Anniversaries that end in 5 or 0 are a major incentive to revisit milestone crimes, tragedies and controversies in hopes of finding new relevance.

The retrospective rush was triggered by the surprise success of two multi-part TV series about O.J. Simpson that appeared last year around the 20th anniversary of his murder trial. A documentary ("O.J.: Made In America") and a scripted drama ("The People v. O.J. Simpson") brought fresh context to a saga that many had dismissed as a dated tabloid fever dream, and won an Oscar and nine Emmy awards, respectively.

Now producers are raiding the rest of the 1990s for subject matter. The death of Princess Diana 20 years ago this August is the focus of multiple projects, including a four-hour documentary set to broadcast over two nights on ABC. Executives say multiple producers are racing to dissect the scandal involving President Bill Clinton and Monica Lewinsky, whose name hit the news 20 years ago next January. Another hot topic in the industry: the federal siege on a religious cult near Waco, Texas, 25 years ago next February.

The re-analysis trend has also spilled into scripted shows. On April 28 Netflix releases "Rodney King," a "spoken-word portrait" by Roger Guenveur Smith and directed by Spike Lee. Production begins this month on a six-part drama about Waco, starring John Leguizamo, Michael Shannon and Taylor Kitsch, with the Weinstein Company promising a story "surprising in its stark contrast to the media narrative at the time and what is remembered of Waco almost 25 years later." Colin Farrell is on deck to play Oliver North in a miniseries being developed for Amazon about the Iran Contra affair, which climaxed 30 years ago. The team behind "The People v. O.J. Simpson," who cast Cuba Gooding Jr. in the title role, is hunting for stars to play Princess Diana and Prince Charles in the next edition of the FX drama "Feud."

Vinnie Malhotra, who oversees documentaries and unscripted programming at Showtime, says he has fielded four different Monica Lewinsky pitches, plus a proposal for a scripted drama about the scandal. He passed on all—the approach was "too straightforward"—and says he's pursuing a different an-

gle but declined to elaborate.

The L.A. riots have the right ingredients for reassessment: Tons of footage remaining from blanket news coverage; timely themes, including tensions over race and policing; and the interest of top filmmakers who came of age in the '90s.

Showtime's documentary, a two-hour film titled "Burn Motherf*cker, Burn!" premieres April 21. Director Sacha Jenkins, whose experience is rooted in music films, went for historical context. The movie delves into the formation of the L.A. police department and local street gangs, along with the Watts riots of 1965, before getting to Rodney King.

The Smithsonian Channel is using anniversaries to promote coming documentaries about serial killer David Berkowitz (arrested

40 years ago), controversial TV miniseries "Jesus of Nazareth" (released 40 years ago) and Pocahontas (deceased 400 years ago).

Weighing in on the L.A. riots in a series called "Lost Tapes" is a way for the Smithsonian to get noticed, despite the glut of similar documentaries. "We're a smaller channel and we want to be part of that conversation and the same competitive set," says David Royle, Smithsonian Channel's executive vice president of production and programming.

Across the entertainment world, anniversaries are a time-honored tool for squeezing new revenue out of old releases. U2 is using the 30th anniversary of the band's "Joshua Tree" album as a reason to launch a concert tour in May. Deadheads are being lured to movie theaters on April 20 for a 40th anni-

TV specials are planned for the anniversaries of the LA riots in 1992, above left, the death of Princess Diana in 1997, above right, and the Monica Lewinsky scandal, below.

versary showing of "The Grateful Dead Movie." The 50th birthday of "Sgt. Pepper's Lonely Hearts Club Band" in June brings a deluxe reissue of the album and a yet another justification for Beatles fans to part with their money.

But the TV industry's nostalgia quest is "bigger than it was even 10 years ago," says Rob Sharenow, executive vice president and general manager of A&E and Lifetime. "We live in a fractured culture where there are very few moments of unity and focus. These anniversaries give us a way to compare shared experience and remember."

A&E is using anniversaries to help relaunch its "Biography" series this spring, featuring not one but two celebrated rappers: Notorious B.I.G. (killed 20 years ago last month) gets a two-hour life story and Tupac Shakur (killed two decades ago last year) gets a six-part murder investigation. Other installments will revolve around Elizabeth Smart (abducted 15 years ago) and David Koresh, leader of the Branch Davidian sect near Waco.

Premiering April 18, the network's two-hour "L.A. Burning: The Riots 25 Years Later," was executive produced by John Singleton, whose directorial debut, "Boyz in the Hood," came out in 1991.

To play up the prestige factor, competing riot films are opening in movie theaters first. "LA 92" premieres at this month's Tribeca Film Festival before hitting the National Geographic channel April 30. "Let It Fall: Los Angeles 1982-1992" is being released in theaters a week before its ABC broadcast on April 28.

Producers who specialize in crimes from the past, a busy category at the moment, are especially dependent on the time-machine strategy. "It's almost a formula: Take the interest in the true-crime genre, add the feeling in the country for nostalgia, and out come these anniversaries," says Henry Schleiff, group president of cable channel Investigation Discovery, which considered several Son of Sam pitches before settling on its three-part anniversary special this summer.

The anniversary angle used to be the domain of TV news divisions that compiled footage from network archives to churn out specials. But cutbacks in these departments helped open the door to outside producers with a bigger-picture documentary style, says Tom Forman, who runs a production company called Critical Content. Its six-hour CBS miniseries, "The Case of: JonBenét Ramsey," added to a recent wave of documentaries arriving 20 years after the girl's death.

"Don't think there's not a calendar in my office marked with every unsolved national homicide of the '90s and 2000s," Mr. Forman says.

PLAYLIST: LORRAINE TOUSSAINT

WHAT MIGHT HAVE BEEN



Lorraine Toussaint, 56, has appeared in films and on more than 60 television series, including "Orange Is the New Black" and "Chicago Justice." She currently co-stars in Fox's "Rosewood." She spoke with Marc Myers.



In 1987, on the eve of marrying a terrific guy, I accidentally fell in love with someone else. He was married, and I don't think either of us realized how our feelings would affect our lives in the coming years. Carmen Lundy's recording of "MOMENT TO MOMENT" gave me hope.

Back in '87, my fiancé and I were cast in an Off-Broadway play. So was another actor. He and I became friends, and I remember how easy it was to talk to him, and how we made each other laugh.

At first, this other man and I had a brother-and-sister relationship. But the longer we were in the play, the more we developed feelings for each other. After the play closed, we stayed in touch by phone. He was married, and so was I by then, and the four of us were friends.

By late 1992, I was living in Los Angeles when I went to hear singer Carmen Lundy perform at a club. She sang "Moment to Moment,"

and I bought her album. The ballad, by Henry Mancini and Johnny Mercer, captured what was going on in my soul.

Carmen Lundy's version opens with a pensive acoustic guitar before an upright bass and electric piano quietly join in. She sings the song so beautifully, with elation and longing.

The lyric is about being with a perfect partner and savoring the experience: "Then life will be rainbows / as I learn the secret of / the miracle that love can do / From moment to moment with you."

In 2013, I was back in New York and went to the theater. The curtain went up, and there he was—the man I had met in the 1987 show. I had no idea. We had lost touch for a little while. After the performance, I went backstage to say hello. He was now widowed, and I was divorced. We had dinner, walked and talked. Then we spent the next six weeks together. But an interesting thing happened. We had planned to get together for the holidays that year but ultimately decided not to. A deeper relationship wasn't meant to be. Our time had passed.

Recently I met a wonderful guy and we're now happily engaged. I haven't listened to "Moment to Moment" since.

GETTY IMAGES

Carmen Lundy's recording of 'Moment to moment' gave Ms. Toussaint hope.

LIFE & ARTS

ANATOMY OF A SONG | Marc Myers

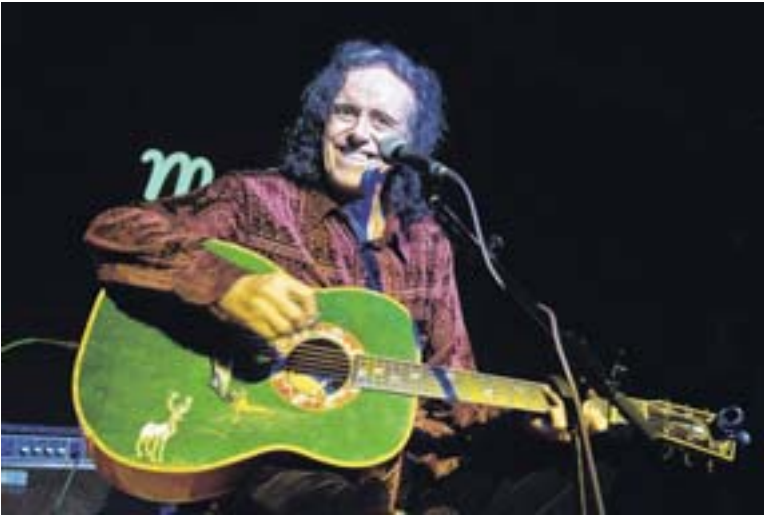
How an Early Psychedelic Hit Came to Be

Scottish Singer-Songwriter Donovan Leitch on Writing and Recording ‘Sunshine Superman’

BY MARC MYERS

THE FIRST PSYCHEDELIC hit to top Billboard’s pop chart was “Sunshine Superman,” by Scottish singer-songwriter Donovan Leitch. Written as a valentine to Linda Lawrence, his love interest, the song was recorded in December 1965 and released in July ’66, climbing to #1. Recently Donovan, who will appear June 1 at the Bergen Performing Arts Center in Englewood, N.J., arranger John Cameron and Ms. Lawrence, talked about the song’s evolution. Edited from interviews:

Donovan: I first met Linda Lawrence in March 1965 in the green room of “Ready Steady Go!,” the British pop TV show. Linda was a friend of one of the co-hosts. She had an art-school vibe, and after a brief conversation, I asked her to dance to a soul recording playing. As we jazz danced, I fell in love. In the weeks that followed, Linda and I spent time together. She told me she had recently separated from Brian Jones, the Rolling Stones’ founder. She said while they never married, they had a 1-year-old son named Julian.



After their split, Linda lived quietly at home, building her modeling portfolio. In the late spring of ’65, she moved to Los Angeles to find work. Brian wasn’t providing financial support, and Linda wanted to start fresh. She left Julian with her mother until she was settled.

That summer, my song “Catch the Wind” became a hit in the U.S., and I wound up in L.A. to promote it. I visited Linda, and we spent many weeks together. I asked her to marry me, but she said she needed time and wanted to remain in California.

I was miserable but undeterred. Back in London, in the early fall of ’65, I lived above the flat of my manager. Missing Linda, I began to write “Sunshine Superman.”

In the flat’s main room, I sat cross-legged on a tatami mat and played the cherry-red Gibson J45 I had bought in L.A. As I wrote the words and music, it became an optimistic heartbreak song. Like many of my songs, it expressed hopeful melancholy.

The second line, “Could’ve tripped out easy a-but I’ve, a-changed my ways” has nothing to do with an acid trip. It means I could have allowed my thoughts to slip into depression but I didn’t.

“Sunshine” was slang for LSD, but the reference had to do with the sun coming through my flat’s window. “Superman” had nothing to do with the superhero or physical power. It’s a reference to the book, “Thus Spoke Zarathustra,” by Friedrich Nietzsche, who wrote about the evolution of consciousness to reach a higher superman state.

“Everybody’s hustlin’ just to have a little scene” was about the attention that fame attracts and people who want to be part of that.

“Superman or Green Lantern ain’t got a-nothin’ on me” refers to my childhood obsession with comic books in Glasgow, Scotland. I had become fascinated by the

Green Lantern and loved the stone in his ring—a symbol of the Inner Light in all of us.

“When you’ve made your mind up / forever to be mine” was simply a prediction that in time, Linda and I would once again be together.

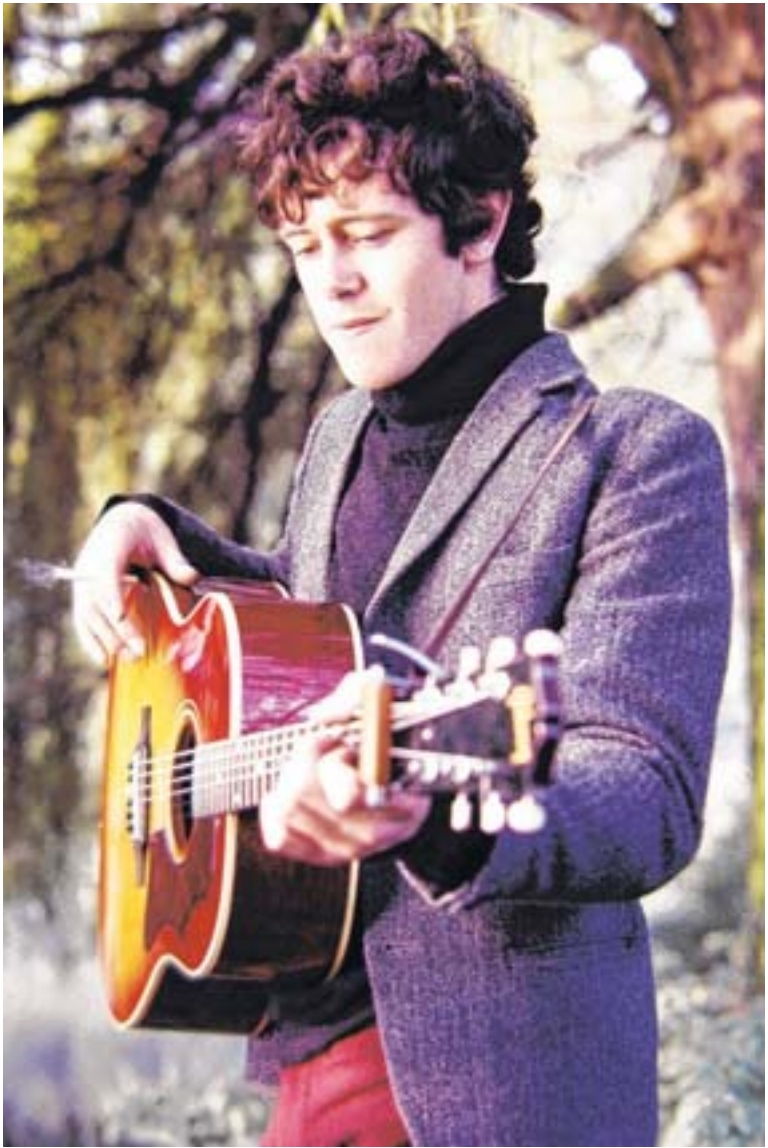
In late 1965, my U.K. manager introduced me to Allen Klein, who advised the Rolling Stones and would later manage the Beatles. Klein introduced me to Mickie Most, a hugely talented English record producer who wanted to work on my upcoming third album.

Mickie first asked me to sing a selection of my new songs. Right away, he chose “Sunshine Superman.” For the song, Mickie wanted two basses—an acoustic one for texture and an electric one to define the low end. He also hired arranger] Bassist Spike Heatley and keyboardist John Cameron co-arranged.

My guitar-playing always included bass lines, melody lines and rhythm-guitar grooves, so John listened to what I was doing and expanded the parts for the band.

John Cameron: At Abbey Road, the song opened with Tony Carr’s conga, Spike on acoustic bass and John Paul Jones on electric bass. They set a jazzy, suspenseful mood. My harpsichord and Eric Ford’s meowing guitar line came next, giving the song both a heritage and contemporary feel. When Don’s voice and acoustic guitar arrive, the song clearly is folk. It’s a fascinating progression. Jimmy Page was brought in later to add the rock guitar solo. From the start, Don wanted a light, trippy backdrop—something quite different then. But the psychedelic sound we created was an accident, really. I had never taken LSD, so I had no idea how an acid trip would translate into music. We were just shooting for a mystical feel.

Donovan: With Jimmy Page and John Paul Jones on electric bass, I had half of the future Led Zeppelin on the session. When the album was completed



Clockwise from above, Donovan Leitch in London in June 1965; performing in March at Cafe del Teatre in Lleida, Spain; and at his wedding in October 1970 at Windsor Register Office, with his bride, Linda Lawrence, and her son, Julian.

in May 1966, a legal battle began. I had become the first artist signed to Clive Davis’s Epic Records in the States. Pye Records, my label in the U.K., sued, which meant that the “Sunshine Superman” single and album were shelved until the early summer, when legal matters were resolved. When they were released, both became big hits.

By 1970, I was exhausted, so I decided to retreat to the woods of Hertfordshire, England, where I had a little cottage that I rented out.

One day, I was sleeping upstairs when I heard a car pull up. As I came down the stairs, the front door opened and Lorey, a friend, breezed in. With her was Linda, who had assumed I was away on tour and was considering renting the place. Linda and I were both in awe.

I gave Linda a hug. Then I grabbed my guitar and we walked into the woods to a field, where

we sat down. I sang her a song I was writing. Linda and I moved in together with Julian, and we married on Oct. 2, 1970. Linda and I have been together ever since.

Linda Lawrence: The first time I met Don on “Ready Steady Go!,” I felt something deep. But I had a young son then and I was only 17½. I needed time after Brian [Jones] and I split up.

In L.A., I cashed in my return ticket and rented an apartment on the Sunset Strip. Then my London modeling portfolio was stolen. I couldn’t land modeling work easily, so I supported myself by making clothes and cutting hair.

One day in 1966, I was home with my best friend Cathy when “Sunshine Superman” came on the radio for the first time. At the end, Cathy just looked at me, “Oh my God,” she said, “he still loves you.”

WEEKEND CONFIDENTIAL | Alexandra Wolfe

HAROLD BLOOM

BY ALEXANDRA WOLFE

THE LITERARY SCHOLAR Harold Bloom wishes that he were a bit more like Sir John Falstaff, the convivial, indecorous knight who appears in three of Shakespeare’s plays. Mr. Bloom considers Falstaff—with his good humor, playful wit and lack of inhibition—one of the playwright’s most textured characters. For Mr. Bloom, Falstaff represents human freedom. “The cry of the human is most intense when it comes from him,” he says.

As for Mr. Bloom, who is 86, “I was a much more Falstaffian human being in my youth and in middle age than I am now,” he says. “I had, I think, something of his marvelous exuberance.”

His latest book, “Falstaff,” is the first in a series of short studies of Shakespeare characters planned by Mr. Bloom. Falstaff often exposes pretension in others, Mr. Bloom writes—for instance, when he slyly tells Prince Hal in “Henry IV Part 1,” “Before I knew thee, Hal, I knew nothing.” Mr. Bloom himself has jokingly used the line with his friends.

“Falstaff” is the 46th book by the eminent Yale professor, who even now is teaching two courses, one on Shakespeare and another on poetry. Over the years, he has won a range of distinctions, including a Fulbright fellowship (1955), a MacArthur fellowship (1985) and a gold medal from the American Academy of Arts and Letters (1999).

But he has also been a controversial voice over his 60-plus-year career. In “The Western Canon” (1994), he argued that certain writers, including Shakespeare, Homer, Dante and Tolstoy, are essential to any real education. He also railed against what he called the “School of Resentment”: scholars who promote reading texts from the point

of view of feminism, Marxism and other ideologies and who advocate expanding the canon to be more multicultural. “To read in the service of any ideology is not, in my judgment, to read at all,” he wrote.

He sees political correctness as a continuing problem in universities today, but he hesitates to wade into the debate again. “I’ve had too many polemics in my life,” he says. “For 50 years I fought the death of humanistic studies in the universities and colleges and, in general, the failure of our intellectual education.” He’s tired of fighting, he says. “We lost the war,” he adds. “All I can do now is a kind of guerrilla action, but in the end there’s only Shakespeare.”

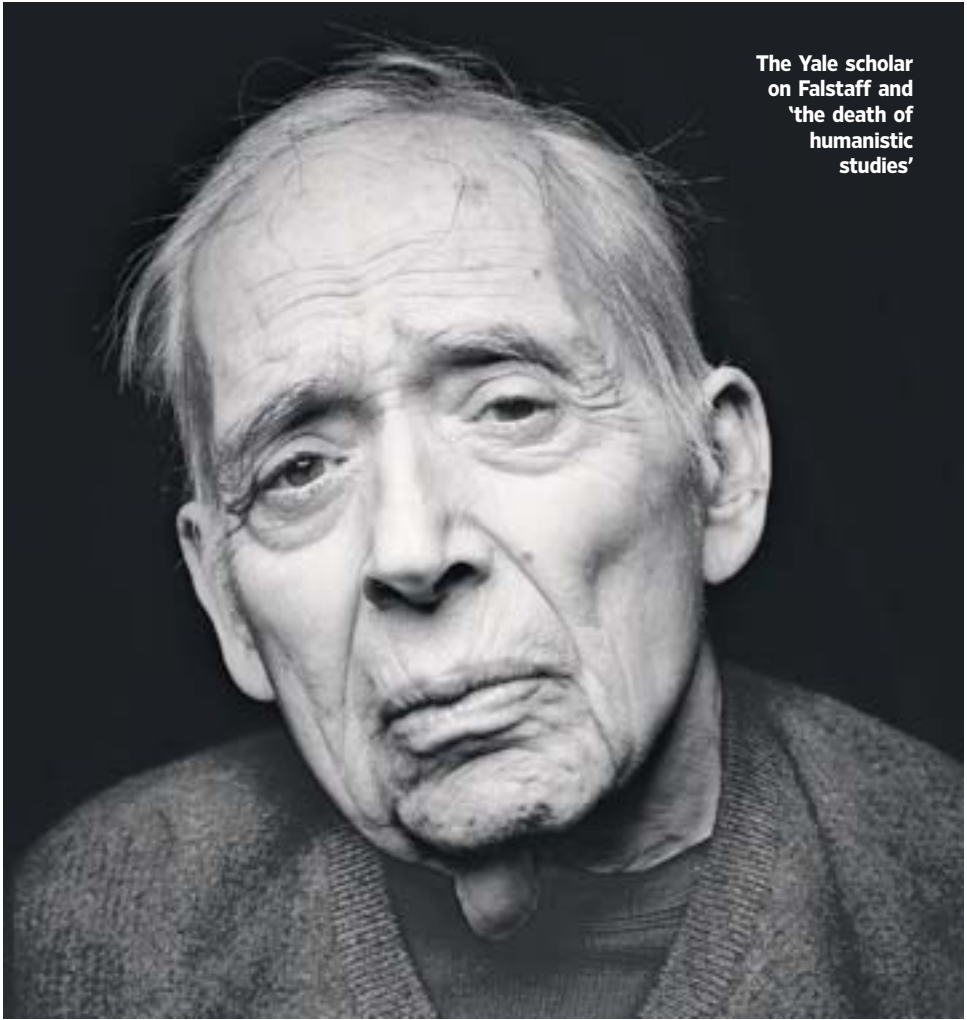
Mr. Bloom was born in the Bronx in New York City and raised in an Orthodox Jewish family. His father was a garment worker and his mother was a homemaker. He once wrote that his older sisters used to take him to the library “and thus transformed my life.” He studied English at Cornell University and then at Yale,

where he joined the faculty after receiving his Ph.D. Today, Mr. Bloom lives in New Haven, Conn., with his wife. They have two grown children.

In his widely discussed 1973 book “The Anxiety of Influence,” he argued that poets often have a difficult time freeing themselves from their imaginative debt to earlier poets who inspired them. Their own writing can be interpreted as an anxious reaction to those predecessors.

Does he experience his own “anxiety of influence” when he studies Shakespeare? Mr. Bloom swats away any comparison to his great hero. “I’m not really a writer,” he says. As a critic, he writes to appreciate, he says, adding, “I’m nothing but a teacher.”

The next book in his series on Shakespearean characters will focus on Cleopatra, followed by King Lear, Iago and Macbeth. He has turned to the playwright many times



The Yale scholar on Falstaff and ‘the death of humanistic studies’

over the years. In his 1998 book “Shakespeare: The Invention of the Human,” he argued that Shakespeare was not just a brilliant writer but the genius who created our modern notions of human nature. His characters were the first to develop psychologically, Mr. Bloom wrote, leading to “the inauguration of personality as we have come to recognize it.”

He has made one change in his teaching methods to suit modern students: He no longer asks them to memorize lines from plays and poems, as he used to. With their smartphones and the internet, “it’s getting harder and harder for them to possess

things by memory,” he says.

He likes to recite lines of literature every day. “It enhances the being,” he says. When he feels anxious or has to do something he finds uncomfortable—such as going for a walk with his trainer—he silently recites poems to calm himself.

Sometimes he even dreams about teaching Shakespeare. The other night he dreamed that he couldn’t find his copy of “Macbeth,” and then he couldn’t find the classroom where he was supposed to teach.

He says that nothing could keep him from teaching, though: “I will teach my last class until they carry me out in a body bag.”

OPINION

REVIEW & OUTLOOK

Trump’s Syria Opportunity

President Trump inherited the Syrian catastrophe from Barack Obama, and his initial instincts were to accept the awful status quo. But Bashar Assad’s latest chemical attack has galvanized his Administration to think anew, and Mr. Trump’s decision Thursday to launch a retaliatory missile strike is an important first step to save lives, enforce global order and improve the strategic outlook for the U.S. and its allies.

Mr. Trump starts with the reality that Mr. Obama’s long abdication has left the U.S. with far less leverage than it had when the civil war began in 2011. Iran has become Mr. Assad’s protector on the ground via arms supplies and Hezbollah, and Russia has moved in as a military patron and patroller of the skies. The Muslim opposition the U.S. has been feebly trying to train and arm has been degraded while Mr. Assad and the Russians leave Islamic State to the Kurds and the U.S.-led coalition.

As recently as two weeks ago Mr. Trump seemed willing to surrender to this circumstance and do nothing beyond defeating Islamic State in Syria’s east. This was reflected in U.S. Secretary of State Rex Tillerson’s comments last month that Mr. Assad was here to stay and the future of Syria would be “decided by the Syrian people.” That’s John Kerry-speak for capitulation, and it may have led Mr. Assad to believe he could unleash more chemical hell.

Mr. Trump also seemed to be courting an accommodation with Russia in Syria, but that road leads to more strategic retreat. Vladimir Putin’s price for restraining Mr. Assad would be steep: U.S. recognition of his conquests in Ukraine and the end of sanctions. This would erode the U.S.-Europe alliance and make Mr. Putin look like a hero back home. Iran might not cooperate in any case, and its goal is an arc of Shiite power from Tehran through Iraq and Syria to the Mediterranean.

The alternative to this surrender is to reassert U.S. influence with diplomacy and military force, and Mr. Assad’s chemical attack is the opening. Mr. Trump may understand this as he ordered an attack on the air base from which the chemical attack was launched, and Mr. Tillerson said Thursday that Mr. Assad has no future in Syria.

The quickest way to punish Mr. Assad for his aerial chemical attacks, and to ensure they won’t happen again, is to destroy his air power. This is the plan that Mr. Obama flinched at in 2013 when he let Mr. Assad cross his “red line.” Mr. Assad has now crossed that line again—this time after having promised to destroy his chemical stockpiles.

On Thursday the U.S. struck only a single airfield, though Mr. Assad has six active airfields used in the war. The U.S. used cruise missiles from outside Syrian air space, which avoided en-

gagement with Russian-manned air defenses. The Pentagon provided the firepower, though we wish Arabs and Europeans could have been included

to show the international rejection of Mr. Assad’s war crimes.

Mr. Putin could escalate and engage U.S. forces. But Mr. Obama used that excuse to talk himself into doing nothing, and our guess is that Mr.

Putin would shrink from fighting the U.S. lest he risk the humiliation of major losses. As for Russians on the ground, a U.S. source told the press they were forewarned about the attack to avoid casualties.

A stronger attack would have destroyed Syria’s entire air force, and another good step would be for the U.S. and its allies to create “safe zones” inside Syria that Mr. Trump promised during the campaign. This would be enforced by U.S. and allied air sorties plus renewed military supplies for the opposition. The humanitarian effort would show the U.S. purpose includes protecting the Syrian people. An international force could provide support for havens in multiple locations near the Turkish and Jordanian borders.

* * *

Every military operation carries risks but this one could also have major political and strategic benefits if Mr. Trump follows the air strike with some forceful diplomacy. The demonstration of renewed U.S. purpose in the region could have an electrifying impact across the Middle East. The Saudis, the Gulf Sunni states and Turkey would begin to rethink their accommodation to the Russia-Assad-Iran axis of dominance that none of them wants.

Mr. Trump also needs to make Russia and Iran begin to pay a price for their support for Mr. Assad’s depredations. They have had no incentive to negotiate an end to the civil war because they see themselves on the road to a relatively cost-free victory. That calculus may change if it looks like the costs of intervening are rising and Mr. Assad is no longer a sure winner.

The Trump Administration has to think about the kind of long-term solution it would like in Syria—perhaps a partition into ethnic enclaves—but the chances of getting there are better if the opposition has safe zones and Mr. Assad can’t maraud with impunity.

The larger point for Mr. Trump to recognize is that he is being tested. The world—friend and foe—is watching to see how he responds to Mr. Assad’s war crime. His quick air strike on the evening he was having dinner with China’s President Xi Jinping makes clear that the Obama era is over. If he now follows with action to protect Syrian civilians and construct an anti-Assad coalition, he may find that new strategic possibilities open up to enhance U.S. interests and make the Middle East more stable.

targets by getting the entirety of the declared stockpile removed.” The residents of Khan Sheikhou beg to differ.

Ms. Rice’s assurances were part of the Obama Administration’s foreign-policy victory lap as it ended its time in office. But did she or others know at the time that Mr. Assad still had stockpiles of

sarin gas? Were there dissenting intelligence reports raising doubts about the Assad-Russian pledges that the regime had turned everything over to United Nations monitors?

Reuters reported on Thursday that “U.S. intelligence agencies suspect Assad did not turn over all chemical weapons stockpile—intelligence official.” No kidding, but did Ms. Rice not know this a mere two months ago when she gave that interview to NPR?

Then again, perhaps Ms. Rice was so preoccupied with reading the summaries of intelligence reports on the Trump campaign or transition officials that she didn’t have time to dig into the Syrian chemical threat. Maybe the House and Senate intelligence committees can add these questions to their list of what to ask Ms. Rice when she testifies about her habit of “unmasking” the identities of Americans surveilled by U.S. intelligence.

ing Palm Sunday services when the bomber struck at Saint Mark’s.

Egyptian President Abdel Fattah Al Sisi denounced the attacks, but they raise more questions about his government’s competence in protecting the Copts. The jihadist assaults have become as regular as Easter or Christmas. Three policemen lost their lives trying to stop the bomber, but Egypt’s intelligence and security services appear to be on the back foot against the Islamic State’s Egyptian affiliate, Sinai Province. Copts make up about 10% of Egypt’s 92 million people, but many are looking to emigrate amid the jihadist terror.

The attacks also cast doubt on Mr. Sisi’s ability to protect Pope Francis when he visits Egypt later this month. The pope is a prime target as the Islamists attempt to foment sectarian religious conflict. President Trump welcomed Mr. Sisi to the White House last week as a partner in the war against Islamic extremism, but that partnership needs to include protecting Egypt’s Christian minority.

The world’s thugs are watching how the new President responds.

Susan Rice said Assad had given up all his chemical weapons.

Why can’t Egypt’s government protect its Christian minority?

Palm Sunday Massacre

This is Easter season for Christians around the world, and so the Coptic Christians of Egypt gathered their families to attend Palm Sunday services that begin what is known as Holy Week. They settled in for some quiet reflection, but a bomb planted under a seat exploded and destroyed lives and families in a moment.

So it went Sunday in Tanta, Egypt, where a bomb in a church killed some 29 worshipers and wounded another 69, according to media reports. A suicide bomber also killed at least 18 and wounded 40 as he blew himself up as police blocked him from entering Saint Mark’s Orthodox Cathedral in Alexandria, not far from Tanta. Police said they defused a second bomb they found on the cathedral grounds.

Islamic State claimed credit for both massacres, as it likes to do whether its minions were responsible or not. But the killings were the devil’s work, another case of the expanding jihadist campaign against Egypt’s Christian minority. Coptic Pope Tawadros had finished lead-

The Many Conflicts Of J. Edgar Comey



POTOMAC WATCH
By Kimberley A. Strassel

We interrupt the Russia-scandal program to ask two simple questions of one of America’s top law-enforcement officers: What exactly is FBI Director Jim Comey doing about the only crime that has so far been revealed in this Russia probe? And is he too

conflicted even to be doing it? That crime is of course the leaking that toppled Donald Trump’s first national-security adviser, Mike Flynn. The media and Democrats have done their best to avoid covering this, for the simple reason that some of them were complicit. Yet in the entire speculative drama over Russian interference in American elections, so far this is the only crime that is beyond any doubt.

It’s a serious crime, too. Someone in the U.S. government obtained highly classified information about a conversation between an incoming presidential adviser and a foreign official. Someone then leaked Mr. Flynn’s name and the contents of that conversation to the press, resulting in his resignation. As even Mr. Comey recently confirmed, the leaking of such material is an “extraordinarily unusual event.” It is also a felony, punishable by up to 10 years in federal prison.

Why? Because such leaks expose U.S. intelligence sources and methods, putting national security at risk. Moreover, leaking the names of private citizens under surveillance (with the express intent to cause harm) is among the grossest violations of civil liberties. It is what police states do.

The Washington Post story about Mr. Flynn’s conversation cited as its sources “nine current and former officials” who “had access to reports from U.S. intelligence and law enforcement agencies.” That means at least nine current or former Obama administration officials or bureaucrats should be looking at criminal charges.

Which brings us to Mr. Comey. Leaks are in the FBI’s purview, and this case ought to be a slam dunk. Unlike in some leak investigations, Mr. Comey has a trail of bread loaves to follow. Someone in the U.S. government had to take the first step of “unmasking”—requesting the identity of—Mr. Flynn. There are records of such requests, easily accessible by the FBI.

The process is then straightforward: March the unmasker to the FBI and require that official—under oath—to confess if he or she passed Mr. Flynn’s name to the media. If not, demand to know to whom that person gave the information. Track down the leakers. Ask a grand jury to indict.

But there’s also the obvious fact

LETTERS TO THE EDITOR

President Trump Has No Monopoly on Hubris

Joseph Epstein provides the fair assessment that an outsider with no political experience doesn’t understand a lot about politics and governing—only about making money (“Donald Trump and the Plutocrat’s Hubris,” op-ed, April 4).

It is also a fair assessment to say most lifelong politicians and government attorneys don’t understand much about business and the economy. There is a reason the stock market has surged and workers’ enthusiasm is high since Mr. Trump was elected. Politicians don’t understand the basic economics of the law of supply and demand, don’t have to manage a payroll and budget as if their livelihood depended on them, and their performance at solving complex problems and achieving results isn’t constantly being measured.

An Idiotic Consequence of a Badly Thought-Through Act

Regarding Nigel Green’s “Who Wins When Foreign Firms Comply With U.S. Tax Laws?” (op-ed, April 4): For several years after the Foreign Account Tax Compliance Act was enacted, the IRS held that holding a World Bank pension was a foreign asset. It insisted on knowing the total value of the entire yearlong pension payments, an actuarial calculation of life expectancy. The World Bank headquarters is located on Pennsylvania Ave. in Washington, just down the street from the White House, and is hardly foreign. The yearly report had to be sent to some office in Detroit and not with your tax return.

As I remember, Sen. (then Rep.) Chris Van Hollen’s office was instrumental in getting this idiotic rule changed. He had lots of World Bank retirees in his district. This brings up a clear issue. He had voted for the law, but it was the implementation of the regulation by the bureaucracy that caused the problem. This happens all the time and is one of the issues that got Donald Trump elected.

ROBERT YOUNKER
Rockville, Md.

that the FBI is one of only a few agencies with the power to grant an unmasking request. Mr. Comey may well have been involved in granting the request to unmask Mr. Flynn. It’s possible he has known the name of the unmasker for months.

Yet the incredibly political Mr. Comey came to Capitol Hill and refused even to confirm the existence of a leak investigation (in contrast to his eagerness to confirm a probe into possible Trump ties to Russia). Worse, sources tell me that Mr. Comey is willfully obstructing Congress’s own investigation into the leaks. He has refused requests for documents that would show who unmasked Mr. Flynn. He has refused to provide that name in a closed meeting to the speaker of the House or the leaders of intelligence committees.

The FBI chief refuses to tell Congress who requested to ‘unmask’ Mike Flynn’s name.

This is enormously problematic, since Mr. Comey has glaring conflicts of interest here. After all, it is possible Mr. Comey’s staff are among the leakers. He has an interest in avoiding an agency scandal.

Mr. Comey is, in fact, obstructing oversight of his own agency. It is Congress’s duty to investigate failings in the intelligence system. It is Congress that authorizes surveillance programs in the first place. And one of its main jobs is to assure itself and the public that intelligence and law-enforcement agencies aren’t abusing surveillance, violating citizens’ privacy. Can anyone say J. Edgar Hoover? Mr. Comey should not have the power to stymie an outside investigation into his own agency’s practices.

The obvious answer here is for Mr. Comey to start being transparent to congressional oversight. You’d think his fellow heads of intelligence agencies would be pressuring him to get straight, given the grave risk he’s posing to their own organizations. Section 702 of the Foreign Intelligence Surveillance Act, one the government’s most vital snooping tools, expires at the end of this year. I’m told that—given the appalling leak mess, and the Obama administration’s likely abuse of its spying authority—not a single Republican is yet committed to reauthorization.

If the FBI director won’t open up, maybe it’s time for a Justice Department attorney with the appropriate jurisdiction to start an investigation. Because no matter how much Mr. Comey acts the boy scout, he isn’t above supervision.
Write to kim@wsj.com.

Mr. Trump was primarily elected because he understands the economy and business. As a businessman, he understands that with more people working there is less strain on the safety net, less time for mischief by young men and more revenue to the system to support all the other government programs.

We tried it one way the last eight years. Why not explore a new way of doing things as a businessman would? From a business perspective, the worst response to change is: This is the way we have always done it.

CONNIE GAZAWAY
San Jose, Calif.

Although I hail from a blue county in a blue state, many of us out here in the Bay Area understand what Mr. Trump’s primary qualification is for the presidency, which is exactly why we voted for him.

“Everything is a nail to a hammer” comes to mind as those of us out here in the real world watch the gyrations in Washington and in the various state capitols. As most politicians are trained as lawyers, to them every social issue deserves legislation. Rather than considering market-based incentives or working with consumers, the insurance industry and health providers, the politicians gave us Obama-Care, which they either hadn’t read (Nancy Pelosi) or about which they deceived us (President Obama).

I’m willing to give Mr. Trump a chance to apply his obvious decision-making skills to his new job. He’s a refreshing change from decades of law-fully or professorial lectures from previous inhabitants of the Oval Office, most of whom couldn’t do a monthly closing or manage a cash cycle if their lives depended on it.

MIKE BAILEY
San Jose, Calif.

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OPINION

Islam’s Most Eloquent Apostate

By Tunku Varadarajan

Stanford, Calif.

The woman sitting opposite me, dressed in a charcoal pantsuit and a duck-egg-blue turtleneck, can’t go anywhere, at any time of day, without a bodyguard. She is soft-spoken and irrepressibly sane, but also—in the eyes of those who would rather cut her throat than listen to what she says—the most dangerous foe of Islamist extremism in the Western world.

We are in a secure room at a sprawling university, but the queasiness in my chest takes a while to go away. I’m talking to a woman with multiple fatwas on her head, someone who has a greater chance of meeting a violent end than anyone I’ve met (Salman Rushdie included). And yet she’s wholly poised, spectacles pushed back to rest atop her head like a crown, dignified and smiling under siege.

The West’s obsession with ‘terror’ has been a mistake, she argues. Dawa, the ideology behind it, is a broader threat.

Ayaan Hirsi Ali, born in Somalia in 1969, is Islam’s most eloquent apostate. She has just published a slim book that seeks to add a new four-letter word—*dawa*—to the West’s vocabulary. It describes the ceaseless, world-wide ideological campaign waged by Islamists as a complement to jihad. It is, she says, the greatest threat facing the West and “could well bring about the end of the European Union as we know it.”

America is far from immune, and her book, “The Challenge of Dawa,” is an explicit attempt to persuade the Trump administration to adopt “a comprehensive anti-dawa strategy before it is too late.”

Ms. Hirsi Ali has come a long way from the days when she—“then a bit of a hothead”—declared Islam to be incapable of reform, while also calling on Muslims to convert or abandon religion altogether. That was a contentious decade ago.

Today she believes that Islam can indeed be reformed, that it must be reformed, and that it can be reformed only by Muslims themselves—by those whom she calls “Mecca Muslims.” These are the faithful who prefer the gentler version of Islam that she says was “originally promoted by Muhammad” before 622. That was the year he migrated to Medina and the religion took a militant and unlovely ideological turn.

At the same time, Ms. Hirsi Ali—now a research fellow at Stanford’s Hoover Institution, where I also work—is urging the West to look at

Islam with new eyes. She says it must be viewed “not just as a religion, but also as a political ideology.” To regard Islam merely as a faith, “as we would Christianity or Buddhism, is to run the risk of ignoring dawa, the activities carried out by Islamists to keep Muslims energized by a campaign to impose Shariah law on all societies—including countries of the West.”

Dawa, Ms. Hirsi Ali explains, is “conducted right under our noses in Europe, and in America. It aims to convert non-Muslims to political Islam and also to push existing Muslims in a more extreme direction.” The ultimate goal is “to destroy the political institutions of a free society and replace them with Shariah.” It is a “never-ending process,” she says, and then checks herself: “It ends when an Islamic utopia is achieved. Shariah everywhere!”

Ms. Hirsi Ali contends that the West has made a colossal mistake by its obsession with “terror” in the years since 9/11. “In focusing only on acts of violence,” she says, “we’ve ignored the Islamist ideology underlying those acts. By not fighting a war of ideas against political Islam—or ‘Islamism’—and against those who spread that ideology in our midst, we’ve committed a blunder.”

There is a knock on the door. I hear hushed voices outside, presumably her bodyguard telling someone to come back later. To add to the mildly dramatic effect, a siren is audible somewhere in the distance, unusual for the serene Stanford campus.

Ms. Hirsi Ali is unfazed. “What the Islamists call jihad,” she continues, “is what we call terrorism, and our preoccupation with it is, I think, a form of overconfidence. ‘Terrorism is the way of the weak,’ we tell ourselves, ‘and if we can just take out the leaders and bring down al Qaeda or ISIS, then surely the followers will stop their jihad.’ But we’re wrong. Every time Western leaders take down a particular organization, you see a different one emerge, or the same one take on a different shape. And that’s because we’ve been ignoring dawa.”

Ms. Hirsi Ali wants us to get away from this game of jihadi Whac-a-Mole and confront “the enemy that is in plain sight—the activists, the Islamists, who have access to all the Western institutions of socialization.” She chuckles here: “That’s a horrible phrase. . . . ‘institutions of socialization’ . . . but they’re there, in families, in schools, in universities, prisons, in the military as chaplains. And we can’t allow them to pursue their aims unchecked.”

America needs to be on full alert against political Islam because “its program is fundamentally incompatible with the U.S. Constitution”—with religious pluralism, the equality of men and women, and other fundamental rights, including the



ZINA SAUNDERS

toleration of different sexual orientations. “When we say the Islamists are homophobic,” she observes, “we don’t mean that they don’t like gay marriage. We mean that they want gays put to death.”

Islam the religion, in Ms. Hirsi Ali’s view, is a Trojan horse that conceals Islamism the political movement. Since dawa is, ostensibly, a religious missionary activity, its proponents “enjoy a much greater protection by the law in free societies than Marxists or fascists did in the past.”

Ms. Hirsi Ali isn’t afraid to call these groups out. Her book names five, including the Council on American-Islamic Relations, which asserts—and in turn receives in the mainstream media—the status of a moderate Muslim organization. But groups like CAIR, Ms. Hirsi Ali says, “take advantage of the focus on ‘inclusiveness’ by progressive political bodies in democratic societies, and then force these societies to bow to Islamist demands in the name of peaceful coexistence.”

Her strategy to fight dawa evokes several parallels with the Western historical experience of radical Marxism and the Cold War. Islamism has the help of “useful idiots”—Lenin’s phrase—such as the Southern Poverty Law Center, which has denounced Ms. Hirsi Ali as an “extremist.” She sees that smear as a success for dawa: “They go to people like the SPLC and say, ‘Can we partner with you, because we also want to talk about what you guys talk about, which is civil rights. And Muslims are a minority, just like you.’ So, they play this victim card, and the SPLC swallows it. And it’s not just them, it’s also the ACLU. The Islamists are infiltrating all these institutions that

were historic and fought for rights. It’s a liberal blind spot.”

Western liberals, she says, are also complicit in an Islamist cultural segregation. She recalls a multiculturalist catchphrase from her years as a Somali refugee in Amsterdam in the early 1990s: “‘Integrate with your own identity,’ they used to tell us—*Integratie met eigen identiteit*. Of course, that resulted in no integration at all.”

Ms. Hirsi Ali wants the Trump administration—and the West more broadly—to counter the dawa brigade “just as we countered both the Red Army and the ideology of communism in the Cold War.” She is alarmed by the ease with which, as she sees it, “the agents of dawa hide behind constitutional protections they themselves would dismantle were they in power.”

She invokes Karl Popper, the great Austrian-British philosopher who wrote of “the paradox of tolerance.” Her book quotes Popper writing in 1945: “If we extend unlimited tolerance even to those who are intolerant, if we are not prepared to defend a tolerant society against the onslaught of the intolerant, then the tolerant will be destroyed, and tolerance with them.”

I ask Ms. Hirsi Ali what her solution might be, and she leans once more on Popper, who proposed a right not to tolerate the intolerant. “Congress must give the president—this year, because there’s no time to lose—the tools he needs to dismantle the infrastructure of dawa in the U.S.”

Dawa has become an existential menace to the West, she adds, because its practitioners are “working overtime to prevent the assimilation of Muslims into Western societies. It is assimilation versus dawa. There is a notion of ‘cocoon-

ing,’ by which Islamists tell Muslim families to cocoon their children from Western society. This can’t be allowed to happen.”

Is Ms. Hirsi Ali proposing to give Washington enhanced powers to supervise parenting? “Yes,” she says. “We want these children to be exposed to critical thinking, freedom, the Constitution, the Bill of Rights, the rights of women.” She also suggests subjecting immigrants and refugees to ideological scrutiny, so as to deny entry, residence and naturalization to those “involved with, or supportive of, Islamism.”

In effect, Ms. Hirsi Ali would modernize the “communism test” that still applies to those seeking naturalization. “I had to answer questions when I applied for citizenship in 2013: ‘Are you, or have you ever been, a communist?’ And I remember thinking, ‘God, that was the war back then. We’re supposed to update this stuff!’ Potential immigrants from Pakistan or Bangladesh, for instance, should have to answer questions—‘Are you a member of the Jamat?’ and so on. If they’re from the Middle East you ask them about the Muslim Brotherhood, ‘or any other similar group,’ so there’s no loophole.”

Might critics deride this as 21st-century McCarthyism? “That’s just a display of intellectual laziness,” Ms. Hirsi Ali replies. “We’re dealing here with a lethal ideological movement and all we are using is surveillance and military means? We have to grasp the gravity of dawa. Jihad is an extension of dawa. For some, in fact, it is dawa by other means.”

The U.S., she believes, is in a “much weaker position to combat the various forms of nonviolent extremism known as dawa because of the way that the courts have interpreted the First Amendment”—a situation where American exceptionalism turns into what she calls an “exceptional handicap.” Convincing Americans of this may be the hardest part of Ms. Hirsi Ali’s campaign, and she knows it. Yet she asks whether the judicial attitudes of the 1960s and ‘70s—themselves a reaction to the excesses of Joseph McCarthy in the 1950s—might have left the U.S. ill-equipped to suppress threats from groups that act in the name of religion.

I ask Ms. Hirsi Ali if there’s any one thing she would wish for. “I would like to be present at a conversation between Popper and Muhammad,” she says. “Popper wrote about open society and its enemies, and subjected everyone from Plato to Marx to his critical scrutiny. I’d have liked him to subject Muhammad’s legacy to the same analysis. “But he skipped Muhammad, alas. He skipped Muhammad.”

Mr. Varadarajan is a research fellow in journalism at Stanford University’s Hoover Institution.

In Striking Syria, Trump Made All the Right Calls

By Walter Russell Mead

President Trump faced his first serious foreign-policy test last week. To the surprise and perhaps frustration of his critics, he passed with flying colors.

In the first place, the president read the situation correctly. Syrian President Bashar Assad’s horrific and illegal use of chemical weapons against civilians wasn’t merely an affront to international norms. It was a probe by Mr. Assad and his patrons to test the mettle of the new White House.

It must have looked like a good week to challenge Washington. The Trump administration is beset by critics. Most senior national-security posts remain unfilled. The White House is torn by infighting. The Republican Party is divided by the bitter primary campaign and its recent health-care fiasco.

Mr. Trump concluded, correctly, that failing to respond effectively to Mr. Assad’s challenge would invite more probes and more tests. He moved quickly and decisively against the provocation, demonstrating that the days of strategic dithering are gone.

Second, Mr. Trump chose the right response: a limited missile strike against the Syrian air base that, according to U.S. intelligence, had launched the vicious gas attack. This resonated well nearly everywhere.

At home, it won approval from Jacksonians and others who want a strong president. The strikes vindicated America’s prestige and dealt a clear setback to those who seek to humiliate or marginalize the U.S. But no ground troops were involved and Mr. Trump made no move toward long-term counterinsurgency or nation-building, the type of campaign that many Americans, his

base in particular, have learned to view skeptically.

Internationally, the strike was also popular. Australia’s Prime Minister Malcolm Turnbull, putting awkward phone calls behind him, spoke up forthrightly in Mr. Trump’s support. So did Canada’s Prime Minister Justin Trudeau, not usually considered a member of the Trump Fan Club, and Germany’s foreign minister, a Social Democrat whose party has been among the most critical of past American military action.

The strike reassured nervous allies, hungry for leadership but concerned about Mr. Trump’s temperament, that he is capable of a measured response intended to support a vital principle of international law. Friends of the U.S. will sweat less, and opponents will sweat more. That is a good thing.

Third, Mr. Trump handled the process well. Congress was briefed but not asked for approval, a decision inside the long-established norms that govern military action by American commanders in chief. Engaging in a war to overthrow Mr. Assad would be another matter, but so far Mr. Trump has stayed well within the mainstream of American presidents dating back to the 18th century.

The Trump administration notified Russia before the U.S. bombed the Syrian airfield. This is a process of its own. If this were the start of a long war, we wouldn’t give our adversaries advance warning about the opening salvo. However, by telling Moscow we were about to strike, the administration was signaling that the engagement would be limited, and the Russians could therefore temper their response. By using cruise missiles, the administration also guaranteed that the action would be impossible to prevent.

Finally, Mr. Trump gets extra points for deftness. He struck at a Russian proxy while holding a summit with China’s President Xi Jinping in which North Korea was a major topic. That’s a polite way to make the point that the U.S. and its allies have kicked the North Korean can down the road for too long.

After last week, American opponents will sweat a bit more, but there are bigger challenges to come.

To avoid the kind of crisis that would benefit no one—and China least of all—Beijing ought to bring a new sense of focus and urgency to its dealings with Pyongyang. Mr. Trump’s decision to use missiles against a pariah state in the Middle East may give diplomacy a better chance to avoid similar steps in much more dangerous Northeast Asia.

Mr. Trump can expect to reap some political benefits from his Syria strike. It should bring many (though never all) Republicans into closer alignment with the White House. It also undermines the idea that Mr. Trump is some kind of Putin puppet. The Jacksonian voters whose enthusiasm put Mr. Trump in the White House will consider their faith in his leadership qualities reinforced, happy that the U.S. is no longer led by a ditherer-in-chief.

Mr. Obama’s acolytes now will have to spend less time attacking Mr. Trump and more time trying to defend their own tattered legacy in Syria. Remember when they told us that Mr. Obama’s “brilliant” deal with Messrs. Putin and Assad had eradicated chemical weapons there? Some curious journalists may even start asking whether officials in the

Obama administration knew that Mr. Assad retained dangerous stockpiles of sarin gas but kept quiet to make their Syria diplomacy look less abject.

But while Mr. Trump and his associates bask in their success, they should remember their foreign-policy travails are only beginning. China, Iran and Russia all seek to roll back U.S. power. The European Union—whatever its shortcomings, a bulwark of American power—faces its greatest threat in half a century from the combination of flawed policies at home and ruthless challengers abroad.

The bloodbath in the Middle East is by no means finished. Turkey, once a pillar of regional stability and U.S. security, threatens to become unmoored from the West and the NATO alliance that has kept it safe since the Truman administration. As anarchy and sectarian conflict rage across the Middle East, the passions of religious fanaticism and terrorism burn brighter and hotter than ever.

Mr. Trump has passed his first test, but more difficult ones are yet to come. If he is to succeed—and every American and friend of world peace must pray that he does—he will need a team in the White House that commands his full confidence. The extraordinary talents now in charge at the U.S. State Department, the Defense Department and the National Security Council need to staff up and surround themselves with the best the country can offer.

There is no job in the world more difficult than the U.S. presidency. Mr. Trump will need all the help he can get.

Mr. Mead is a fellow at the Hudson Institute, a professor of foreign affairs at Bard College, and editor at large of the American Interest.

THE WALL STREET JOURNAL.

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LIFE & ARTS

WHAT’S YOUR WORKOUT? | Jen Murphy

A Chef’s Recipe for Slimming Down

A life steeped in Italian food left Fabio Trabocchi seriously overweight before a trainer changed his thinking on diet and exercise

WHEN FABIO TRABOCCHI launched his eponymous Italian restaurant empire in Washington, D.C., in 2011, he powered through with 20 double espressos a day and late-night, pasta-centric meals. Now 43 years old, the chef at one point weighed 260 pounds.

“I realized I’d reached a seriously unhealthy weight, but there just didn’t seem to be time for regular workouts,” he says. He and his wife and business partner, Maria, opened Fiola in 2011, Casa Luca in 2013 and Fiola Mare in 2014. “With every opening I’d fall into bad eating habits,” he says.

In March 2016, he geared up for the December opening of his fourth restaurant, Sfoglina, and began construction on Del Mar, his fifth and largest restaurant, set to open this fall. “I’d never been busier, but I knew espresso wasn’t the answer to the stress or my back pain,” he says. Mr. Trabocchi’s wife was always raving about AC Cowie, her personal trainer at Balance Gym in Glover Park, a short drive from their Georgetown home. Mr. Trabocchi dubiously signed up for a session and was surprised that he and Mr. Cowie were the same age and shared a love of food. “I liked that he could understand what goes on in the body of a man in his 40s,” he says. “He is really fit, but working with him made me realize my fitness potential and that I could make healthier choices and still enjoy food.”

Most days, Mr. Trabocchi works from 9 a.m. to 11 p.m., bouncing among restaurants. His alarm goes off at 5:30 a.m. so he can be at the gym by 6 for a 45-minute training session five days a week. “The busier I am at work, the more important it is to get in my workout,” he says. Mr. Cowie also gave the chef a diet tutorial. “AC told me that the less I ate sugar, carbs and dairy, the less I would crave them, even if I was around them all day at work,” he says. He took a hard look at his diet, cut out baked goods and stopped adding sugar to his espresso.

He now weighs 202 pounds, having dropped 40 pounds in a year, and has gone from a size 40 to size 32 waist. He hopes to drop another 10 pounds this year. “I’ve never had more energy and felt so on top of my game,” he says.

The Workout

Stretching has been just as important as strengthening for Mr. Trabocchi. “Chefs look



down most of the day, and after decades in the kitchen I felt like I had a permanent curve in my back and shoulders,” he says. Mr. Cowie taught him stretches that loosen up his spine and open his chest, including twisting lunges and hanging from a chin-up bar. He starts every workout with the series of poses and also does them at home.

He gets his heart rate up by rowing or biking five to 10 minutes, followed by variations of jumping jacks, like bringing opposite elbow to opposite knee, to fire up his nervous system. Mr. Cowie designs full-body workouts that emphasize different muscle groups. Mr. Trabocchi might do four sets of eight reps of barbell bench presses, then four sets of 10 reps of pull-ups and lat pull-downs, with a hamstring stretch in between.

Strength work is followed by conditioning, which focuses on explosive movements like box jumps and medicine ball slams against a wall. Mr. Cowie might have him do three to four rounds of kettlebell snatches or sled pushes. Once a week he puts Mr.

Trabocchi through a boxing workout, using heavy bags, speed bags and mitts.

On Sundays, Mr. Trabocchi and his wife go for long walks. He tries to hit 12,000 to 16,000 steps a day on his Fitbit.

The Diet

Mr. Trabocchi revamped his diet, focusing on protein and vegetables. It wasn’t unusual for him to taste dishes all day, then eat a single large meal. “I’d get home at midnight and devour the entire refrigerator,” he says. His trainer drilled into him the importance of eating throughout the day, particularly a substantial breakfast. Mr. Trabocchi now complements his morning espresso with two or three eggs sunny side up, with smoked salmon or prosciutto, citrus fruit and whole-grain toast. Lunch is a salad and grilled fish. He eats dinner before 8 p.m., usually grilled fish or occasionally a steak, with vegetables. He treats himself to pasta once a week. “Espresso is my one bad habit,” he says. “I’ve cut back to six to eight double espres-



Fabio Trabocchi works out at his gym five days a week. He boxes with trainer AC Cowie, left, who has helped change his eating habits.



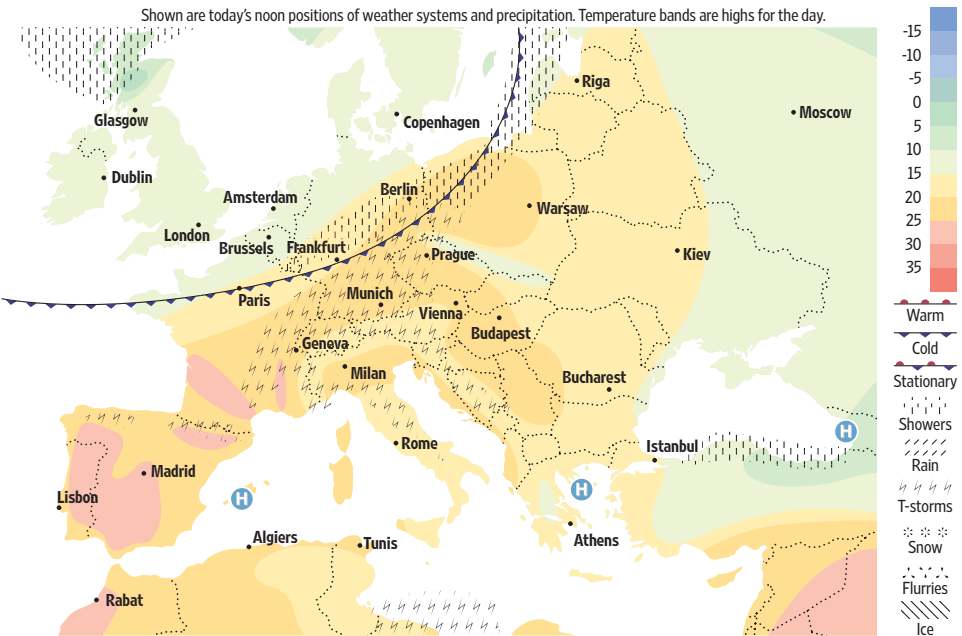
STEPHEN VOSS FOR THE WALL STREET JOURNAL

sos in the first three hours of the morning.”

The Cost & Gear

“I’ve been wearing a Fitbit for more than a year now, and it’s on me at all times,” he says. He likes sneakers from Puma and Nike and buys workout apparel from Nike, Reebok and Under Armour. An annual membership at Balance Gym in Glover Park costs \$64 a month. He pays \$75 for each personal training session.

Weather



Global Forecasts

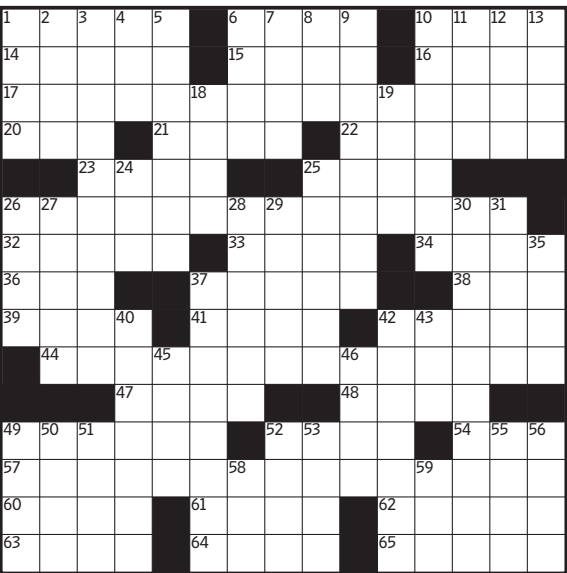
s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	13	4	c	12	7	c
Anchorage	7	-2	c	7	-3	pc
Athens	20	11	pc	20	11	pc
Atlanta	26	13	c	27	14	s
Baghdad	25	14	c	28	19	pc
Baltimore	28	13	s	28	15	pc
Bangkok	36	27	pc	36	27	s
Beijing	21	10	c	20	8	s
Berlin	18	3	t	10	4	c
Bogota	17	10	r	18	10	r
Boise	13	2	pc	14	7	c
Boston	22	11	s	27	10	s
Brussels	13	3	c	13	5	c
Buenos Aires	19	12	r	22	9	c
Cairo	28	18	pc	30	21	pc
Calgary	11	-1	pc	8	-1	c
Caracas	30	25	pc	30	24	pc
Charlotte	25	12	s	26	14	s
Chicago	24	7	t	14	4	s
Dallas	26	16	t	24	17	t
Denver	16	1	s	21	6	pc
Detroit	23	12	pc	18	4	pc
Dubai	36	25	s	37	25	s
Dublin	11	3	c	12	6	c
Edinburgh	12	4	c	11	6	sh
Frankfurt	21	5	t	13	5	c

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	22	8	t	15	4	pc
Hanoi	37	25	pc	36	23	s
Havana	29	19	s	29	19	s
Hong Kong	28	24	r	27	20	c
Honolulu	30	23	s	29	22	pc
Houston	27	19	c	28	18	t
Istanbul	15	7	pc	17	8	s
Jakarta	32	25	t	32	24	t
Johannesburg	24	13	pc	22	12	pc
Kansas City	19	4	s	17	7	s
Las Vegas	25	12	s	27	14	pc
Lima	26	20	pc	26	21	pc
London	15	5	pc	14	7	c
Los Angeles	25	13	s	24	13	pc
Madrid	25	9	s	26	8	s
Manila	35	25	pc	35	24	s
Melbourne	15	13	r	18	11	pc
Mexico City	28	12	pc	27	11	pc
Miami	27	22	s	28	22	s
Milan	24	10	s	24	11	t
Minneapolis	7	0	sh	12	4	pc
Monterrey	34	19	pc	28	18	t
Montreal	21	11	c	15	7	r
Moscow	10	5	c	15	6	pc
Mumbai	35	27	pc	36	28	pc
Nashville	27	15	pc	26	13	t
New Delhi	35	20	pc	37	22	pc
New Orleans	26	18	pc	28	17	c
New York City	24	13	s	26	14	s
Omaha	14	1	pc	16	7	pc
Orlando	28	17	pc	28	17	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Ottawa	20	8	c	14	2	sh
Paris	18	5	c	15	5	pc
Philadelphia	27	13	s	28	14	s
Phoenix	29	14	s	31	16	pc
Pittsburgh	26	15	pc	21	9	sh
Port-au-Prince	30	20	sh	31	20	t
Portland, Ore.	12	3	sh	16	8	c
Rio de Janeiro	31	24	c	32	23	s
Riyadh	38	25	s	38	24	s
Rome	20	8	s	20	9	pc
Salt Lake City	15	4	pc	16	6	c
San Diego	22	14	s	22	14	pc
San Francisco	18	10	pc	18	13	pc
San Juan	28	23	sh	29	23	t
Santiago	27	10	s	30	11	s
Santo Domingo	31	20	t	31	21	t
Sao Paulo	27	20	r	28	18	t
Seattle	10	3	sh	14	7	pc
Seoul	21	9	pc	18	6	pc
Shanghai	14	11	sh	16	8	c
Singapore	31	26	t	31	25	t
Stockholm	12	1	pc	9	-1	c
Sydney	18	16	pc	22	17	pc
Taipei	33	23	pc	26	18	sh
Tehran	22	12	c	23	14	c
Tel Aviv	25	16	pc	27	19	c
Tokyo	14	9	pc	14	12	r
Toronto	21	13	t	19	4	sh
Vancouver	11	4	sh	12	4	pc
Washington, D.C.	28	15	s	28	16	pc
Zurich	22	7	t	13	2	c

The WSJ Daily Crossword | Edited by Mike Shenk



DRINK UP! By Dan Fisher

Across	26 TUMBLER	49 Having a sickly complexion
1 Removed the outer layer of	32 Running shoes brand	52 Pay for a hand
6 Head of a crime syndicate	33 The Police or Green Day	54 Lass
10 Tortoise's rival in a race	34 Gridiron kick	57 MUG
14 Tusk material	36 Cologne conjunction	60 Molecule component
15 Yoked animals	37 Portly	61 Has a mortgage, say
16 Mil. school	38 Early auto	62 Made dove sounds
17 CUP	39 Wine barrel sediment	63 Valentine's flower
20 "Life of Pi" director's first name	41 Clue	64 Sources of some electricity
21 Egyptian serpents	42 Don Draper, for one	65 Ferber and Buchanan
22 Out of sight	47 Folk stories	Down
23 Half: Prefix	48 Newspaper columnist's piece	1 Fillable bread
25 Animal skin		2 Stratford's river

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

3 Cavalry member under Teddy Roosevelt's command	28 Duds
4 Make mistakes	29 Plug piece
5 Real go-getters	30 Old grouch
6 Provide with free tickets	31 Massage
7 Chopping tools	35 Muscle quality
8 Signing need	37 Forest of Nottinghamshire
9 Precisely	40 "What was I thinking?"
10 Convertible's opposite	42 Free from worry
11 Corrosive stuff	43 Rap's Dr. ____
12 Tear down	45 Horn output
13 Genesis setting	46 Campus mil. org.
18 "Like that's gonna happen!"	49 Prepare for a fight
19 Caplet's kin	50 Singing voice
24 List-shortening abbr.	51 Vientiane's country
25 Nevada tribe	52 "Um, pardon me..."
26 Colleague of John, George and Ringo	53 Loch of fame
27 Good ____ (repaired)	55 Vicinity
	56 Young fellows
	58 Bygone airline
	59 Fashionable, 50 years ago

Previous Puzzle's Solution



The contest answer is LURE. The four answers beginning with the word IN indicate a letter that has been taken in by the second word of the four longest Across answers (the L of MAKE PLAIN is IN PAIN; the U of LOST CAUSE is IN CASE, the R of DEAR HEART is IN HEAT, the E of STAR FACET is IN FACT). Those letters spell the contest answer.

WSJ
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Monday, April 10, 2017 | B1

Euro vs. Dollar 1.0618 ▼ 0.25%

FTSE 100 7349.37 ▲ 0.63%

Gold 1254.30 ▲ 0.32%

WTI crude 52.24 ▲ 1.04%

German Bund yield 0.228%

10-Year Treasury yield 2.375%

Shell Probe Worries Executives

By SARAH KENT IN LONDON
AND ERIC SYLVERS IN MILAN

Royal Dutch Shell PLC's top executives last year were worried that a controversial Nigerian oil deal may have violated a U.S. Justice Department agreement with the Anglo-Dutch oil giant and would spark an American probe, according to a recorded phone call between the firm's chief executive and top finance officer at the time.

The company is already under investigation in Italy, Nigeria and the Netherlands for a \$1.3 billion deal in 2011 with Italian oil firm **Eni** SpA and

the Nigerian government for a lucrative Atlantic Ocean oil license known as OPL 245, according to Italian court documents, Nigerian public records and a statement from the Dutch prosecutor. The controversial oil bloc—believed to contain billions of barrels of crude—is a valuable prize for the two companies, which already pump huge volumes from oil-rich Nigeria.

The Justice Department declined to comment.

Italian prosecutors are pursuing criminal charges against Shell and Eni, saying in court records the companies knew the deal's proceeds would be

used to pay bribes in Nigeria. Shell and Eni said Friday they paid the Nigerian government for the oil bloc but didn't be-

Recorded call between Shell executives offers closer look at Nigeria bribery investigation.

lieve the money would ultimately be used for bribes. Court documents allege the money went to various executives and Nigerian government

officials. An Italian judge has yet to rule on whether a criminal trial will take place.

The phone call between Shell Chief Executive Ben van Beurden and then-CFO Simon Henry opens a rare window into the private conversations of the company's top executives and reveals how the Nigeria bribery investigation has become a nagging worry. On the call, they say they are speaking just hours after Dutch police raided Shell's offices in The Hague in February 2016 as part of an investigation into the deal.

In response to questions about the call, a Shell spokesman said the company notified

U.S. and U.K. authorities about the raid and subsequently turned over the results of its own internal investigation into the Nigerian oil deal to them. Shell said it is cooperating with authorities but doesn't believe there is a basis for the Italian prosecution. The company didn't dispute the authenticity of the recording.

On the call, Mr. van Beurden told Mr. Henry that the company's legal team conducting their own investigation had turned up "unhelpful email exchanges" with "loose chatter" from Shell employees about the Nigeria deal, according to *SHELL* page B2

External Debt

Chinese banks' loans abroad rose faster than at home.

Change from previous year*

China Construction Bank	
Overseas	31%
Domestic	15

Industrial & Commercial Bank of China	
	26
	0.2

Bank of China	
	11
	0.7

*2016 compared with 2015

Sources: the companies

THE WALL STREET JOURNAL.

Chinese Banks Lift Overseas Lending

By CHUIN-WEI YAP

BEIJING—Big Chinese banks are lending record volumes abroad in a bid to tap new growth, helped by state-backed ambitions to build infrastructure around the world.

For banks, the timing of one of President Xi Jinping's showpiece initiatives—known as "One Belt, One Road"—is fortuitous: Loans to finance hundreds of projects along ancient trade routes promise oases of profitability amid faltering returns at home.

For the first time, three of the country's four largest lenders last year posted larger increases in overseas lending than in domestic corporate loans. The expansion comes as Chinese banks try to carve out a bigger presence in some of the world's priciest business districts, financially as well as physically: Bank of China Ltd. last year moved its U.S. headquarters to a 140-meter-tall tower in Midtown Manhattan.

The overseas financing boom is so far confined to a few state-owned banking majors, often called upon to help along policies such as the strategic push to expand China's influence via infrastructure building.

Bank of China, the fourth-biggest Chinese lender by assets, was the top originator of overseas corporate loans last year, with 1.7 trillion yuan (\$246.2 billion) in such lending, an 11% rise from 2015.

It was the first time its rise in new overseas loans, at 166.2 billion yuan, outstripped the increase in domestic corporate loans, at 94.6 billion yuan. Bank of China has always had the biggest overseas-loan portfolio among Chinese commercial lenders; the bank last month said it was "exploring deeply the 'blue sea,'" a Chinese term sometimes used to mean rich market potential.

Industrial & Commercial Bank of China Ltd. and China

Please see BANK page B2

Startups, Their Risks Are Open to All Investors

When **Oculus VR** sold to Facebook for \$2 billion in 2014, some asked: What if the people who backed the virtual-reality startup two years earlier on the crowdfunding site Kickstarter had received shares instead of T-shirts or VR headsets?

They might have seen \$100 turn into \$14,000, says Richard Swart, chief strategy officer of Next-Gen Crowdfunding.

Until the past year or two, the Oculus approach to crowdfunding was the only one available to everyday investors who aren't wealthy. Federal law prohibited Kickstarter and similar platforms from offering shares to backers, so startups doled out merchandise or other perks instead.

But the Securities and Exchange Commission recently finalized rules based on the 2012 Jumpstart Our Business Startups (JOBS) Act, creating an opportunity for so-called equity crowdfunding, which companies like Mr. Swart's are eager to promote.

An Oculus-like success story is what the equity crowdfunding industry needs in order to take off, proponents say. However, most of the deals investors are buying into so far suggest such an outcome is unlikely anytime soon.

Worse, it seems as though many investors will be unlikely to see any return on their investments at all: Some companies appear to be using this funding mechanism as a last resort, having been passed over by professional investors.

Last week, Ronco Brands—the company founded by Ron Popeil, of Veg-O-Matic and Pocket Fisherman fame—announced its intention to file for what is colloquially known as a "mini IPO." Permitted since June 2015, these are public offerings of tradeable stock, but the companies can raise only up to \$50 million.

Ronco has 22 employees, \$17 million in debt, 2015 revenue of \$9 million and auditors who have "raised substantial doubt" in securities filings about whether the company can continue to operate. Ronco's chief executive says the company needs to acquire enough capital to leverage its half-century-old brand and grow.

Then there's video-streaming site VidAngel, designed to allow viewers to skip objectionable content in Hollywood films. The company raised more than \$10 million from 7,554 customers in December 2016. The mini IPO was pitched as a way to fund VidAngel's legal battle with movie studios that say the company is illegally streaming their movies. Soon after

Please see MIMS page B4

Web Retailers Heat Up Job Market

Firms' fulfillment centers are offering flexible work schedules, raises to attract workers



ANDREW CULLEN FOR THE WALL STREET JOURNAL

Radial, which handles e-commerce fulfillment for retailers like Kate Spade, increased wages at several U.S. locations in December.

By JENNIFER SMITH

Retailers and logistics companies have been opening warehouses at a record pace to ensure online orders reach customers as quickly as possible. Now they're struggling to find workers to staff them.

Amazon.com Inc., **Wal-Mart Stores Inc.** and other e-commerce giants rely on armies of "pickers" to grab items off warehouse shelves and prep them for shipment. For years they've drawn from a seemingly limitless pool of people willing to take these jobs, which can be grueling but require little training or education.

But with the unemployment rate close to a 10-year low, competition for warehouse workers is fueling the biggest wage gains inside warehouses in at least a decade.

Starting pay for warehouse workers rose 6% over the past year to \$12.15 an hour in February, according to an analysis by ProLogistix, a logistics staffing firm. Hourly earnings rose 2.8% across all professions over the same period, according to the Labor Department's Bureau of Labor Statistics.

The warehouse and storage sector expanded dramatically as more people shop online, and accounted for 945,200 jobs in March, up 5.3% over the year-earlier period, according to seasonally adjusted Bureau of Labor Statistics data released Friday.

Warehouse workers typically earn a few dollars an hour above minimum wage, though minimum-wage laws in places like California and Massachusetts could narrow the gap.

Booming sales mean e-commerce operations have to ship more items faster, and pay increases are imposing new costs.

E-commerce fulfillment centers require two to three times as many workers as traditional warehouses, says CBRE Group Inc., a real-estate brokerage. It estimates a \$1-an-hour wage increase can raise labor costs by more than \$2 million a year at "big box" warehouses employing as many as 1,000 workers.

Many new facilities Amazon.com Inc. is opening around the country have 2,000 or more full-time employees, an Amazon spokeswoman said. The e-commerce giant, which has more than 90,000 full-time workers across its fulfillment network, said Thursday it plans to create 25,000 additional part-time warehouse

jobs over the next year.

Rising labor costs are speeding up the pace of automation and influencing where new warehouses are built. And as poaching becomes a bigger threat, employers are trying to make picker jobs more attractive, with perks like employee barbecues and holiday breakfasts, as well as more-flexible shifts.

It doesn't take much to lure workers away. "A guy who makes \$10 an hour, you offer \$10.25, he's going to leave," said Tom Landry, president of Allegiance Staffing, which supplies logistics and manufacturing workers. "That's another tank of gas."

Some warehouse operators are adding part-time positions

Please see JOBS page B2

◆ Amazon's free shipping starts a battle..... B2

Goldman's Wager on Credit Data Is Paying Off

By LIZ HOFFMAN
AND ANNA MARIA ANDRIOTIS

Goldman Sachs Group Inc. has backed skyscrapers and movie studios. But its big winner lately is a once-sleepy credit bureau.

Goldman bought **TransUnion**, the smallest of the three main credit-reporting firms, in 2012. By the time it went public three years later, TransUnion had become a data-mining machine, gathering billions of seemingly insignificant tidbits about ordinary Americans that it analyzed and sold to lenders, insurers and others.

Goldman has already pocketed nearly \$600 million in profit and is poised to make five times its initial \$550 million investment. That includes \$1.1 billion in dividends and stock sales and a remaining stake valued at \$1.7 billion, regulatory filings show. Goldman over the past months sold

20% of its stake as TransUnion shares reached records, climbing 24% so far this year.

The firm also has earned some \$50 million in fees for underwriting TransUnion's IPO and raising debt for the company—a unique perk for banks

that have buyout arms.

The windfall shows the benefit of Goldman's decision to stick with private-equity investing after the financial crisis. Most big banks exited this activity as regulation stiffened. But Goldman, which has mer-

chant banking deep in its DNA, stayed put and is even raising a new fund, its first since 2006, to buy companies.

And TransUnion's contribution to the Wall Street firm extends beyond investment gains. Goldman's new consumer-lending platform, Marcus, was developed inside its private-equity arm by many of the same people who spearheaded the TransUnion investment, according to people familiar with the matter.

Their experience running TransUnion, which includes a seat on its board for a Goldman partner, helped build the bank's familiarity with consumer credit, some of the people said. Today, Marcus is a TransUnion client, using its data and other services to find customers and manage accounts.

Goldman and private-equity firm Advent International bought TransUnion for about \$3 billion five years

ago, putting in \$550 million each and borrowing the rest. The privately held company in previous decades had been owned by the Pritzker family of Chicago.

As Goldman and Advent dug into TransUnion's business, they found the fastest-growing revenue was coming from the company's dealings with online-lending startups, people familiar with the investment said.

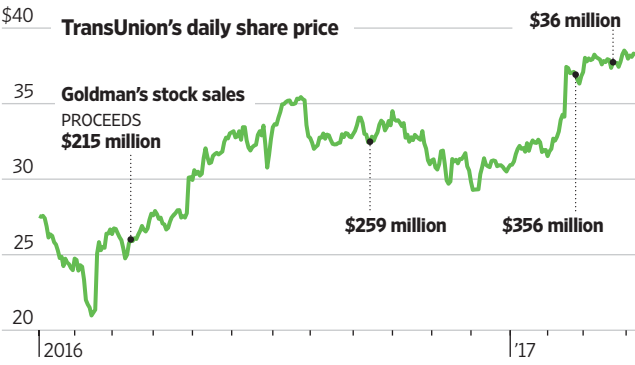
These companies, such as **LendingClub Corp.** and **Prosper Marketplace Inc.**, were using information from credit bureaus to find and vet potential borrowers. They were increasingly hungry for data that could pinpoint borrowers who traditional lenders might overlook or overcharge.

TransUnion's new owners doubled down on these clients. They recruited Jim Peck, a big-data enthusiast who had run **LexisNexis Risk Solutions**, as

Please see CREDIT page B2

Credit Worthy

Goldman is poised to make five times its money on a 2012 investment in TransUnion, whose shares have risen 70% since its IPO.



Sources: WSJ Market Data Group (share price); the company (stock sales)

THE WALL STREET JOURNAL.

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CREDIT

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chief executive. He spent his first day in the company's data center.

TransUnion began appearing at fintech conferences. It built a new data center and started scooping up small companies with niche data sets.

One acquisition tracks public records to help with fraud enforcement related to online shopping, among other things. Another uses utility payments, cellphone billing records and other data points to identify

TransUnion started scooping up small companies with niche data sets.

creditworthy borrowers who lenders might have overlooked, either because they have little or no debt history or potential red flags on their traditional credit reports.

TransUnion's costs grew by 56% between 2011 and 2014, twice as rapidly as revenue over that period. That is unusual for a company owned by private-equity firms, which often cut their way to profits.

"TransUnion has done some very innovative things...grow-

ing their offerings beyond traditional credit data," said Todd Nelson, business development officer at LightStream, **SunTrust Banks** Inc.'s online-lending unit that originates personal loans.

All three credit-reporting firms—**Equifax**, **Experian** and **TransUnion**—compile alternative data on consumers that go beyond the loan payments found in credit reports. And in some ways, **TransUnion** was late to the game. Experian says it began selling data that show whether consumers are racking up or paying down credit-card balances, to lenders in 2001, many years before **TransUnion** rolled this out.

By the time of its IPO in 2015, **TransUnion** had 30 million gigabytes of data, growing at 25% a year and ranging from voter registration in India to drivers' accident records in the U.S.

Goldman itself is a customer. In 2016, the Wall Street firm launched **Marcus** to make online personal loans of a few thousand dollars.

Goldman buys the names and credit information of potential borrowers from **TransUnion** and sends direct-mail and other advertising to them. The bank paid **TransUnion** \$1.4 million last year and buys products on the same terms as other customers, according to regulatory filings.

Goldman hasn't said when, or if, it will dispose of its remaining 25% stake in **TransUnion**.

BANKS

Continued from the prior page

Construction Bank Corp., China's No. 1 and No. 2 lenders, are quickly catching up, posting even larger percentage increases in overseas loans with volumes that for the first time exceeded one trillion yuan last year. The third-largest, Agricultural Bank of China Ltd., is more heavily focused on the domestic market.

Overseas loans are still dwarfed by banks' domestic loan books, but banks have looked to them—as well as to higher banking fees and off-balance sheet investment products—to make up for an erosion in domestic interest earnings.

"We may be slowing in our pace, but we're accelerating in our restructuring," Bank of China President **Chen Siqing** said, referring to the bank's offshore emphasis.

At a March 31 earnings conference, Mr. Chen devoted most of his remarks to the bank's overseas gains, even as a weak economy at home took down Bank of China's 2016 profit by 3.7%—its first decline

since 2004. Domestic loans eked out growth of just 0.7%.

To entice borrowers, Bank of China last year offered an average 2.5% rate on overseas loans, about two points lower than domestic corporate loans, said Executive Vice President **Gao Yingxin**.

Despite the lower interest rates, the bank's overseas divisions posted a 39% increase in profit last year.

Chinese banks predominantly lend to Chinese state-owned companies, analysts say, though they are trying to court more foreign borrowers. The banks didn't respond to questions about the makeup of their customers.

ICBC posted a 26% increase in overseas loans last year from a year earlier to 1.12 trillion yuan, compared with 0.2% on the domestic front. It said its overseas division was profitable, without elaborating.

Construction Bank said overseas loans rose 31%, compared with 1.5% growth domestically. Its overseas divisions posted a 3.2% rise in profit last year, versus the bank's overall profit growth of 1.5%.

—Grace Zhu contributed to this article.

BUSINESS & FINANCE

Retailers Lift Delivery Game

BY BRIAN BASKIN

Shipping companies, ranging from startups to the biggest package handlers, are vying to help small retailers compete with **Amazon.com** Inc.'s rapid expansion of free shipping.

Logistics companies say demand for fulfillment services has ballooned in the past year, as Amazon casts a bigger shadow across the retail world and the shipping market. Retailers are rushing to offer faster, cheaper delivery to keep customers from flocking to Amazon Prime, which promises two-day shipping on millions of items. Shipping companies fear the e-tailer will starve their networks by handling more of its own orders.

They see a lifeline in going after smaller customers, ranging from retail startups to mid-size national chains that can't afford to match the billions of dollars Amazon, **Wal-Mart Stores** Inc. and other major retailers are spending to speed delivery.

It is a shift in strategy for companies like **FedEx** Corp., which until recently tailored their e-commerce services mainly to giant retailers needing to quickly process thousands of shipments a day. Now, they are betting even tiny online storefronts will pay for access to nationwide networks of warehouses, trucks and planes that can whisk online orders to customers' doorsteps in less than 48 hours—even if Amazon's growing same-day delivery service remains out of reach for most.

"There is no universe where you can beat Amazon's shipping prices," said **Stefan Weitz**, chief product and strategy officer at **Radial**, which handles online orders from about two-



An employee sorts products into bins in a regional warehouse of ShipBob in Brooklyn, N.Y.

dozen warehouses and clients' stores. "I don't have to beat Amazon. I have to get close enough to provide a service level to my customers."

Sterling Partners, a private-equity firm, formed **Radial** about a year ago by acquiring eBay Inc.'s e-commerce solutions unit and merging it with another online shopping services provider. The company works with national chains, including **Dick's Sporting Goods** Inc. and **PetSmart** Inc. **Radial** uses sales and other data to determine where to keep inventory. The company is one of the largest shippers using **United Parcel Service** Inc.'s ground service, allowing it to offer lower rates to retailers, a spokeswoman said.

In February, **FedEx** said it had started a new service managing fulfillment for smaller retailers. The company can pack merchandise from up to 400

sellers in a distribution center in Indianapolis and, soon, a second facility in southern California, said **Ryan Kelly**, a senior vice president at **FedEx** Supply Chain. A technology platform will distribute inventory across different locations, allowing customers to reach 98% of Americans via two-day ground shipping. **FedEx** previously offered that level of service mainly to big customers that needed multiple warehouses for themselves, Mr. Kelly said.

Newer entrants include startups like **ShipBob**, which runs fulfillment centers in Los Angeles, Chicago and Brooklyn, and **Red Stag Fulfillment**, operating out of three facilities in Tennessee and Utah. These companies pool orders from hundreds of customers to negotiate lower shipping rates than the retailers could get on their own.

Amazon pioneered many of

the tactics these companies are using.

Fulfillment by Amazon, started in 2006, today ships items for third-party sellers of all sizes out of all of the company's 149 fulfillment centers world-wide, including 75 in North America, a spokesman said.

The company is expanding same-day shipping and leasing planes to expedite shipments from as far away as China.

Many sellers are wary of handing over fulfillment to Amazon, which is selling more products under its own brand. **ChannelAdvisor** says Amazon handles less than 3% of client orders not placed on the site. **Radial**, **ShipBob** and others promise in marketing materials to help smaller retailers meet the higher expectations for shipping set by Amazon.

—Jennifer Smith contributed to this article.

Warehouse Lift

Average wages for warehouse workers were flat for years before rising recently.

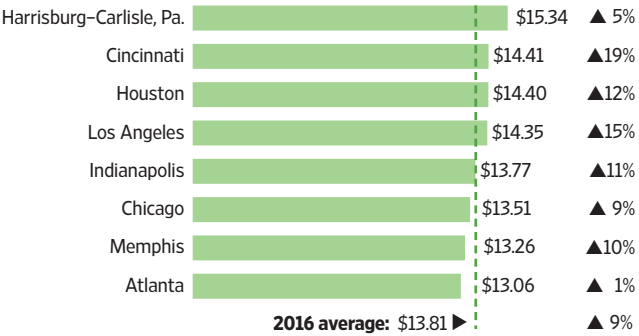
Average hourly wages*



*According to an employee pay analysis by ProLogistix, a logistics staffing firm. †Average hourly wage earned by workers who move freight, stock or other materials by hand

Sources: ProLogistix (entry level); Labor Dept.; CBRE Group (areas)

Average wages for warehouse associates by area, 2016†



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Northern Kentucky Tri-ED, a regional economic development agency.

"We've got pretty low unemployment in the area," he said, and the population isn't "growing as fast as the jobs are."

Competition for labor is intense in areas such as Southern California's Inland Empire and Central Pennsylvania, within a day's reach of millions of consumers. Demand is heating up in Midwestern cities like Indianapolis and St. Louis, according to commercial real-estate services firm **JLL**.

Radial, which handles e-commerce fulfillment for retailers like **Kate Spade & Co.** and **DSW** Inc., increased wages at eight U.S. locations in December, including raises of between 5% and 7% at a facility in Redlands, Calif.

Raising pay can reduce employee turnover and save companies money on training. Experienced workers tend to be more productive, said **David Caines**, chief operating officer at logistics provider **Kenco**.

Some companies are investing in automated systems so their facilities can handle more orders without hiring



Royal Dutch Shell Chief Executive Ben van Beurden.

SHELL

Continued from the prior page

ing to a recording heard by The Wall Street Journal that was provided by a person in possession of the recording.

The emails, Mr. van Beurden said on the call, included "things like 'Well, yeah, you know, I wonder who gets a payoff here' and whatever."

BuzzFeed reported the call on Sunday.

Mr. van Beurden said on the call that he didn't believe investigators had found anything in-

criminating, but he and Mr. Henry wondered whether the Justice Department was working with the Dutch police.

"Apparently it was judged to be, you know, just pub talk in emails, which was stupid, but nevertheless, it's there," he told Mr. Henry. Later in the call, Mr. van Beurden said Shell concluded the U.S. wasn't involved in the Dutch raid.

Mr. van Beurden, who took over as CEO in 2014 and wasn't involved in the OPL 245 deal, expressed concern that his predecessors hadn't disclosed enough about the deal to the U.S. Justice Depart-

ment. The Justice Department had already investigated Shell for Nigeria bribery allegations in a separate case and entered a deferred prosecution arrangement with the company in 2010 requiring a \$30 million criminal settlement and adherence to what the Justice Department called "enhanced corporate compliance and reporting obligations."

"We should have maybe at the time been more open with the DOJ than we now find we have been," Mr. van Beurden said on the phone call, referring to the bribery allegations arising from the subsequent 2011 OPL 245 deal.

The U.S. has been a tough enforcer of anticorruption laws and has used the Foreign Corrupt Practices Act to levy huge fines against international companies.

The U.K.'s Serious Fraud Office wouldn't confirm or deny its interest in the case. The Dutch Public Prosecutor said Sunday it is working on a joint investigation with Italian authorities into whether Shell bribed Nigerian officials, but wouldn't comment on the Shell executives' conversation. Italian prosecutors didn't respond to requests for comment.

Shell pursued the rights to OPL 245 for years before joining with **Eni** to strike the complicated 2011 deal now under investigation. Under the \$1.3 billion arrangement, **Eni** put \$1.1 billion into an escrow account for the Nigerian government.

In internal Shell emails obtained by nonprofit **Global Witness** and reviewed by the Journal, Shell's executives and managers in Africa show the deal was being structured so the government would send the escrow money to a company called **Malabu Oil and Gas**, which was linked to former oil minister **Dan Etete**, according to court documents. The deal was intended to settle years of wrangling over the bloc's ownership.

London-based **Global Witness** has conducted an investigation into Shell's oil deal with **Finance Uncovered**, a group of investigative reporters and campaigners. Italian prosecutors in court records say Mr. Etete's company then used the money for bribes, with the knowledge of the Nigerian government, Shell and **Eni**.

Attempts to reach Mr. Etete were unsuccessful.

—Aruna Viswanatha in Washington contributed to this article.

BY MIKE SPECTOR

Auto executives descend on New York's annual auto show this week amid cooling demand for new cars and trucks. But getting buyers to open their wallets could be a breeze compared with the emissions battle the executives face in the Empire State.

New York is one of a dozen states that follow California's vehicle-emissions standards, which are set separately from Environmental Protection Agency regulations. The states make up roughly 40% of the U.S. car market.

New York and California officials bristled when the Trump administration, after weeks of industry lobbying, reopened a review of stringent federal emissions standards that are currently aligned with their rules. They have criticized automakers for running to the White House for relief, and suggested they will wage legal battles to keep their regulations strict.

"The Trump administration's attempts to roll back readily achievable vehicle emission standards is a dangerous attack on the decades of progress we've made in cleaning up our air," said New York Attorney

California and New York opposed the Trump administration reopening a review of U.S. vehicle-emissions standards. But so-called zero-emission vehicles—including electric and fuel-cell cars—aren't hot sellers.

State	Total Vehicles	Share from zero-emission vehicles
California	2,029,511	3.6%
Texas	1,507,216	0.3%
Florida	1,330,878	0.48%
New York	1,027,736	0.57%
Ohio	603,738	0.27%

Source: Global Automakers

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Source: Global Automakers

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General Eric Schneiderman in a statement.

Auto makers want to relax federal rules, saying that low gasoline prices are pushing consumers toward fuel-thirsty pickup trucks and sport-utility vehicles that now account for 60% of U.S. sales. That makes it harder to sell electric cars and other more expensive cleaner technologies that help car makers meet gas-mileage standards, they say. U.S. regulations on tailpipe emissions are often expressed in terms of fuel economy.

Car companies toe a careful line at auto shows: They are trying to woo buyers while also

impressing regulators or investors who want to see progressive technology, even as manufacturers lobby against government rules meant to speed their adoption. Once primarily a showcase for fresh sheet metal, they have increasingly become displays for futuristic rides, such as self-driving cars years away from hitting dealerships.

Among this year's moonshots: **Honda Motor** Co. is showcasing its Clarity electric car and **BMW** AG's iPerformance plug-in hybrid vehicle lineup will also be displayed.

New York's exposition at the sprawling Javits Center is the

first major U.S. car show since the Trump administration reopened a review of federal targets that require auto makers sell vehicles averaging 54.5 miles a gallon, or 40 mpg in real-world driving, by 2025. California sets its own standards under a waiver from the EPA.

“California’s not alone,” said Margo Oge, who headed the EPA’s transportation and air-quality office for 18 years until 2012. “Industry and this administration must work with California.”

New York has joined California as part of a broader resistance to President Donald Trump's effort to reverse the

Obama administration's climate-change agenda.

California in late March upheld its own vehicle-emissions standards, which emulate the current federal targets and start climbing sharply in five years, furthering the potential of a future showdown.

In a March 23 letter to White House Economic Council Director Gary Cohn, auto makers signaled they were hoping to avoid a confrontation.

"We were pleased to see that the White House indicated a desire to bring all relevant stakeholders, including California, to the table in a genuine, serious and constructive effort to build consensus," wrote Mitch Bainwol, head of a Washington industry lobbying group. Auto makers want to keep California on board with U.S. rules, avoiding different standards across state lines.

Car companies have pointed to stretching the time frame for meeting the standards, and receiving more credits for certain technologies, as possible changes that would ease compliance. They estimate current rules will cost them \$200 billion.

Rocket's Price Tag May Be Coming Back to Earth

BY ANDY PASZTOR

COLORADO SPRINGS, Colo.—Before NASA's Orion exploration capsule has had its first full-blown test flight, **Boeing Co.** and **Lockheed Martin Corp.** already are talking about slashing roughly 50% off the price of later versions of the spacecraft and its heavy-lift rocket.

The cost-cutting push so early in the program, spelled out by officials from both companies at a conference here, reflects new financial and policy challenges confronting the National Aeronautics and Space Administration

and its two largest contractors.

The U.S. agency likely faces flat or declining budgets for at least the next few years, even as funding needs for these and other big-ticket development programs persist and perhaps even climb.

The result is that Lockheed Martin, the prime contractor for Orion, and Boeing, which heads up the team developing a powerful rocket called the Space Launch System, are seeking to fend off rivals and shore up congressional and public support by emphasizing projections of aggressive cost reductions in future years.

Orion's immediate challenges include potential extra costs if NASA and the White House opt to put astronauts on the first test flight. The initial schedule called for a 2018 mission without a crew, followed by one in 2021 carrying astronauts. But to show more dramatic progress, NASA and Lockheed appear to be leaning toward accelerating certain work to allow two astronauts to be on board for the first demonstration flight that is targeted for 2019.

Jim Chilton, president of Boeing's network and space systems, told reporters that managers for the SLS rocket

“are trying to get good economics into the production system” by relying on increased automation, which translates into fewer workers on the factory floor.

Reflecting large upfront engineering and development costs, NASA has estimated that early SLS flights are likely to cost roughly \$1 billion apiece. But Boeing has an internal target of eventually reducing recurrent launch costs to about half that, according to company and industry officials familiar with the details.

Costs for big aerospace programs typically drop following the development phase,

though savings in this case will be harder than usual to achieve because the production volume will be so low—NASA anticipates a single Orion launch annually.

SLS is slated to be the most powerful rocket ever built. In the ultimate version, it is intended to carry more than 130 tons into orbit.

Mike Hawes, a veteran former NASA official who now runs the Orion program for Lockheed Martin, said in an interview that his target is reducing the capsule's eventual per-flight cost to less than \$300 million from today's roughly \$600 million figure.


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TECHNOLOGY

WSJ.com/Tech

Tech Firms Bet on Costly Data Centers

By Jay Greene

Just as oil and gas companies plow billions of dollars in searching for new energy reserves, big technology companies are spending lavishly on a global footprint of sophisticated computers to run every startup and corporate colossus's business in the cloud.

Amazon.com Inc. raised the ante last week, announcing plans to plunk down a massive collection of data centers in Stockholm. It is the latest move in a high-stakes race to own the biggest piece of a market that is expected to reach into the hundreds of billions of dollars.

Amazon and its chief rivals—Microsoft Corp. and Alphabet Inc.'s Google—are aggressive players in so-called hyperscale computing, which provides digital horsepower that scales quickly when needed in real time, like when NFL fans crush a fantasy-sports site before kickoff.

Combined, Amazon, Microsoft and Alphabet doled out \$31.54 billion in 2016 in capital expenditures and capital leases, according to company filings.

That is up 22% from 2015.

Not every dollar of that is spent on data centers that deliver infrastructure as a service, but each company describes the cloud as a major investment area. Amazon, the leader in providing such web-based, on-demand resources, didn't disclose the cost of the new cluster of data centers in Stockholm, known in industry-speak as a "region."

Analysts peg the price tag of a region at several hundred million dollars.

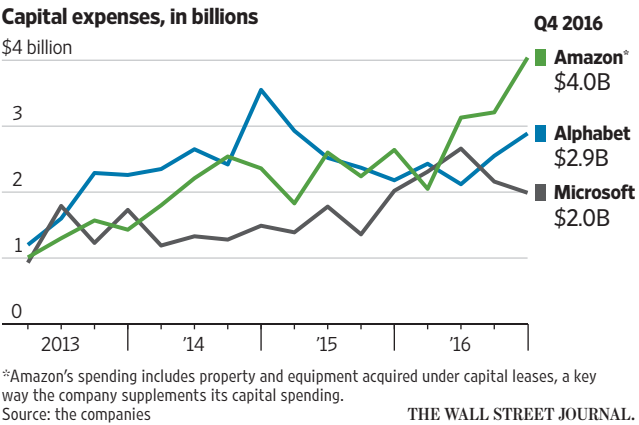
Investors are willing to tolerate the hefty tab, as they often do for energy exploration, or by telecommunications companies unfolding vast networks of fiber. That's because the potential payoff is big: a piece of the roughly \$500 billion businesses spent last year on computing, storage, networking, database technology and more, according to research firm Gartner Inc.

That spending is shifting from customers' own servers to the cloud, and "being concentrated in the hands of a few companies," said Gartner analyst Ed Anderson.

The massive investment is

Cloud Capital

The three giants of cloud infrastructure are spending lavishly to keep up with one another, and distance themselves from rivals.



THE WALL STREET JOURNAL.

creating a barrier for would-be rivals that would need to spend tens of billions of dollars to match the computing capacity Amazon, Microsoft and Google already have, Deutsche Bank Securities Inc. analyst Karl Keirstead said.

"They've created a powerful moat," he said.

One rival that isn't shying away: Oracle Corp. Last summer, the business-software maker unveiled cloud-infra-

structure services it brashly said would challenge Amazon's dominance. But Oracle's spending on cloud infrastructure pales in comparison with that of Amazon, Microsoft and Google. In the four quarters through February, Oracle's capital spending, which includes data-center development, was \$1.7 billion.

Oracle's senior vice president of product marketing, Steve Daheb, said capital ex-

penditures don't paint a complete picture. He believes Oracle's infrastructure services outperform the industry giants, allowing the company to compete without spending as much on data centers.

"Dollars of capex in isolation are interesting but hardly conclusive," Mr. Daheb said in an email. Oracle has plenty of catching up to do. In the most recent quarter, Oracle's infrastructure-as-a-service revenue grew 17% to \$178 million. Net sales at Amazon Web Services, comprised largely of Amazon's infrastructure-as-a-service business, grew 47% to \$3.54 billion in its most recent quarter.

Deutsche's Mr. Keirstead believes the "game is over" for any company to crack the market of providing "general purpose" cloud-infrastructure services Amazon, Microsoft and Google now lead.

Oracle might have a better chance providing infrastructure services to customers moving their databases running on Oracle software from their own servers to the cloud, Mr. Keirstead said.

Oracle's expertise in both legacy and cloud computing

should help it appeal to a wide swath of customers, Mr. Daheb wrote.

Some early entrants to the market have shifted strategies. In 2015, Hewlett-Packard Co. closed its Helion Public Cloud, which struggled to generate revenue. International Business Machines Corp. bought SoftLayer Technologies Inc. in 2013, in part, to better compete with AWS. These days, IBM, which spent \$3.73 billion in capital expenditures in 2016, sells infrastructure services but places more emphasis on higher-margin offerings such as data analytics.

The pace at which the big cloud-infrastructure providers are opening regions isn't likely to slow. In addition to Stockholm, which is expected to open next year, Amazon has announced plans to open regions in the coming months in Paris and Ningxia, China. Microsoft is set to soon add locations in France, Texas and Arizona. And Google announced plans last month to open regions in California, Canada and the Netherlands.

—Ted Greenwald
contributed to this article.

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Legal Notices

BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION
In re: EMAS CHYODA: Chapter 11 Case
SUBSEA LIMITED, : No. 17-31146 (MI)
et al., Debtors. : (Jointly Administered)
NOTICE OF DEADLINE FOR FILING PROOFS
OF CLAIM

TO: ALL CREDITORS, EQUITY INTEREST
HOLDERS OF THE DEBTORS, AND OTHER
PARTIES IN INTEREST:

PLEASE TAKE NOTICE OF THE FOLLOWING:

GENERAL BAR DATE

On March 20, 2017, the United States Bankruptcy Court for the Southern District of Texas (the "Court") entered an order (Docket No. 177) (the "Bar Date Order") establishing **May 15, 2017 at 5:00 p.m. (prevailing Central Time)** as the general claims bar date (the "General Bar Date") in the chapter 11 cases (collectively, the "Chapter 11 Cases") of the above-captioned debtors and debtors in possession (collectively, the "Debtors"). Except as described below, the Bar Date Order requires all Entities, as defined in section 101(15) of title 11 of the United States Code (the "Bankruptcy Code"), including persons, estates, trusts, and the United States trustee (but excluding governmental units), that have or assert any prepetition Claims (as defined herein) against any of the Debtors to file a proof of claim so that such proof of claim is received on or before **May 15, 2017 at 5:00 p.m. (prevailing Central Time)** at the following addresses: **If by First-Class Mail: EMAS Chiyoda Subsea Limited (ECS), c/o Epiq Bankruptcy Solutions, LLC, P.O. Box 4412, Beaverton, OR 97076-4412. If by hand delivery or overnight mail: EMAS CHYODA SUBSEA LIMITED (ECS), c/o Epiq Bankruptcy Solutions, LLC, 10300 SW Allen Blvd., Beaverton, OR 97005.**

The Debtors filed their Schedules of Assets and Liabilities and Statements of Financial Affairs (the "Schedules and Statements") with the Bankruptcy Court on April 4, 2017. The Schedules and Statements are available for download, free of charge, at the website for the Debtors' claims agent at (<http://dm.epiq11.com/ECS>).

GOVERNMENTAL BAR DATE

In accordance with Bankruptcy Code section 502(b)(9), any Claims of governmental units, as defined by Bankruptcy Code section 101(27), against any of the Debtors, must be filed so that such proof of claim is received on or before **August 28, 2017 at 5:00 p.m. (prevailing Central Time)** (the "Governmental Bar Date"), at the following address delivered by mail, hand delivery or overnight courier: **If by First-Class Mail: EMAS Chiyoda Subsea Limited (ECS), c/o Epiq Bankruptcy Solutions, LLC, P.O. Box 4412, Beaverton, OR 97076-4412. If by hand delivery or overnight mail: EMAS CHYODA SUBSEA LIMITED (ECS), c/o Epiq Bankruptcy Solutions, LLC, 10300 SW Allen Blvd., Beaverton, OR 97005.**

DEFINITION OF CLAIM

For purposes of this Bar Date Notice, "Claim" shall mean, as to or against any of the Debtors: (i) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (ii) any right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, whether or not such right is fixed, undisputed, secured, or unsecured.

PERSONS OR ENTITIES WHO MUST FILE A PROOF OF CLAIM

Under the Bar Date Order, all Entities holding or asserting Claims against the Debtors, including, but not limited to, personal injury and tort Claims against the Debtors (whether secured, priority, or unsecured) that arose prior to February 27, 2017 (the "Petition Date") are required to file proofs of claim by the General Bar Date, unless such Claims are "Excluded Claims" as defined below. Excluded Claims as defined in the Bar Date Order are:

(i) Claims listed in the Schedules of Assets and Liabilities and Statements of Financial Affairs (the "Schedules and Statements") or any amendments thereto that are not therein listed as "contingent," "unliquidated," "disputed," or "undisputed" and that are not disputed by the holders thereof as to (a) amount, (b) priority, (c) nature, (d) classification, or (e) the identity of the Debtor against whom such Claims are scheduled;

(ii) Claims on account of which a proof of claim has already been properly filed with the Bankruptcy Court against the correct Debtor;

(iii) Requests for payment under Bankruptcy Code sections 503(b) and 507(a)(1) of expenses of administration, except, however, for requests for payment asserted under Bankruptcy Code section 503(b)(9), which 503(b)(9) requests must be filed on or before the General Bar Date; and

(iv) Claims which have been paid in full by the Debtors prior to the applicable bar date pursuant to the Bankruptcy Code or any order of this Court.

Any entity, as defined in Bankruptcy Code section 101(15) (an "Entity") whose prepetition Claim against a Debtor is not listed in the applicable Debtor's Schedules and Statements, (ii) is listed as "disputed," "contingent," or "unliquidated" in the Schedules and Statements, or (iii) whose Claim is not an Excluded Claim and that desires to participate in any of the Chapter 11 Cases or share in any distribution in any of the Chapter 11 Cases must file a proof of claim on or before the General Bar Date.

Any Entity whose prepetition Claim is improperly classified in the Schedules and Statements, is listed in an incorrect amount in the Schedules and Statements, or is scheduled against an incorrect Debtor in the Schedules and Statements and that desires to have its Claim allowed in a classification or amount other than that set forth in the Schedules and Statements, is listed in an incorrect amount in the Schedules and Statements, or is scheduled against a Debtor other than as set forth in the Schedules and Statements, must file a proof of claim on or before the General Bar Date.

Executory Contract and Unexpired Lease Rejection Claims: Any Entity whose Claims arise out of the rejection of an executory contract or unexpired lease (pursuant to Bankruptcy Code section 365) after the Petition Date, must file a proof of claim on or before the latest of: (i) thirty (30) days after the date of the order, pursuant to Bankruptcy Code section 365, authorizing the rejection of such contract or lease; (ii) any date set by another order of this Court; and (iii) the General Bar Date (the "Rejection Bar Date").

(the "Amended Schedule Bar Date").

Interests. Any Interest Holder (other than a governmental unit as defined in Bankruptcy Code section 101(27)) who wishes to assert a Claim against any of the Debtors, including, without limitation, any Claim based on a transaction in the Debtors' securities and/or a Claim for damages or rescission based on the purchase or sale of the Interests must file a proof of claim on or prior to the General Bar Date; provided, however, that any Interest Holder that is a governmental unit (as defined in Bankruptcy Code section 101(27)), who wishes to assert a Claim against any of the Debtors, including, without limitation, based on a transaction in the Debtors' securities and/or a Claim for damages or rescission based on the purchase or sale of the Interests must file a proof of claim on or prior to the Governmental Bar Date.

FILING PROOFS OF CLAIM FOR 503(b)(9) CLAIMS

Any claimant asserting a Claim under Bankruptcy Code section 503(b)(9) (each, a "503(b)(9) Claim") must complete the appropriate box in the Proof of Claim Form and, thereby, certify that the claimant is not entitled to be entitled to administrative expense priority treatment under Bankruptcy Code section 503(b)(9). To the extent that a claimant fails to identify the existence and amount of its 503(b)(9) Claim on the Proof of Claim Form, the claimant will not be regarded as a 503(b)(9) Claim, and the claimant shall not be entitled to seek priority treatment under Bankruptcy Code section 503(b)(9).

FILING PROOFS OF CLAIM AGAINST MULTIPLE DEBTORS

Any Entity asserting Claims against more than one Debtor must file a separate proof of claim with respect to each such Debtor. All Entities must identify on their proof of claim the particular Debtor against which their Claim is asserted and the case number of that Debtor's bankruptcy case.

Additionally, creditors may choose not to use the personalized Proof of Claim Form and instead submit proofs of claim on Official Form 410 as to and to the extent provided in the Order.

CONSEQUENCES OF FAILURE TO FILE PROOF OF CLAIM

Any Entity that is required to file a proof of claim, but fails to do so in a timely manner, will be forever barred, estopped, and enjoined from: (i) asserting any Claim against any of the Debtors that such Entity has that (a) is in an amount that exceeds the amount, if any, that is set forth in the Schedules and Statements as undisputed, noncontingent, and liquidated, or (b) is of a different nature or in a different classification or against a different Debtor than as set forth in the Schedules and Statements (any such Claim being referred to as an "Unscheduled Claim"); and (ii) voting upon, or receiving distributions under, any plan or reorganization of the Debtors.

RESERVATION OF RIGHTS

The Debtors reserve the right to: (i) dispute, or to assert offsets or defenses against, any filed Claim or any Claim listed or reflected in the Schedules and Statements as to nature, amount, liability, classification, Debtor or otherwise; or (ii) subsequently designate any Claim as disputed, contingent, or unliquidated. Nothing in this Notice shall preclude the Debtors from objecting to any Claim, whether scheduled or filed, on any grounds.

TIME AND PLACE FOR FILING PROOFS OF CLAIM

A signed original of any proof of claim, substantially in the form enclosed herewith, together with any supporting documentation, must be delivered by mail, hand delivery, or overnight courier so as to be received no later than 5:00 p.m. prevailing Central Time, on the General Bar Date, the Rejection Bar Date, the Governmental Bar Date, or the Amended Schedule Bar Date, as applicable, depending upon the nature of the Claim, at the following addresses: **If by First-Class Mail: EMAS Chiyoda Subsea Limited (ECS), c/o Epiq Bankruptcy Solutions, LLC, P.O. Box 4412, Beaverton, OR 97076-4412. If by hand delivery or overnight mail: EMAS CHYODA SUBSEA LIMITED (ECS), c/o Epiq Bankruptcy Solutions, LLC, 10300 SW Allen Blvd., Beaverton, OR 97005.**

Any proof of claim submitted by facsimile or other electronic means will not be accepted and will not be deemed filed until such proof of claim is submitted by the method described in the foregoing section. Proofs of claim will be deemed filed only when actually received at the address listed above. If you wish to receive acknowledgment of the Debtors' receipt of your proof of claim, you must also submit a copy of your original proof of claim and a self-addressed, stamped envelope.

ADDITIONAL INFORMATION

If you require additional information regarding the filing of a proof of claim, you may contact the Debtors in writing, through their counsel, at the address listed below. You may also contact the Debtors' Claims and noticing agent, Epiq Bankruptcy Solutions, LLC ("Epiq") at (877) 634-7178, Monday through Friday between 9:00 a.m. and 5:00 p.m. Pacific Time. Please note that Epiq is not permitted to provide legal advice. The claims registers for the Debtors will be available at the office of Epiq and/or online at dm.epiq11.com/ECS.

*The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number and jurisdiction of formation are as follows: EMAS CHYODA Subsea Limited (UK) (3187); EMAS CHYODA Subsea Inc. (Delaware) (7884); EMAS CHYODA Subsea Marine Base LLC (Texas) (5974); Lewek Falcon Shipping Pte. Ltd. (Singapore) (041E); EMAS CHYODA Marine Base Holding Co., LLC (Texas) (7463); EMAS Chiyoda Subsea Services Pte. Ltd. (Singapore) (3332); EMAS-AMC Pte. Ltd. (Singapore) (0442); EMAS Saudi Arabia Ltd. (Saudi Arabia) (0669); Lewek Constellation Pte. Ltd. (Singapore) (376E); EMAS CHYODA ROV Pte. Ltd. (Singapore) (049M); EMAS CHYODA Subsea Services B.V. (Netherlands) (4073); EMAS CHYODA Subsea Services (UK) Limited (Scotland) (3187); EMAS CHYODA Subsea Services LLC (Delaware) (1728); EMAS CHYODA Subsea (Thailand) Co., Ltd. (Thailand) (1011); Gallatin Marine Management, LLC (Delaware) (8989).

The address of the Debtors' U.S. headquarters is 525 Town & Country Ln, Suite 1500, Houston, TX 77024. *Creditors holding or wishing to assert requests for payment under Bankruptcy Code section 503(b)(9) are required to properly file a proof of claim on or before the General Bar Date, as further provided herein.

U.S. Says Google Pays Women Less

By Jack Nicas

An investigation of Google Inc. has found it systematically pays female employees less than their male counterparts, U.S. Department of Labor officials said, a claim that adds to allegations of gender bias in Silicon Valley.

The Labor Department found the gender-pay gap during a routine probe into whether Google, a federal contractor, is complying with laws that prohibit contractors from discriminating against applicants or employees.

The department is suing Google to compel the company to disclose more compensation

data for its investigation. At a procedural hearing before a federal administrative law judge in San Francisco on Friday, Labor Department Regional Director Janette Wipper said the agency "found systemic compensation disparities against women pretty much across the entire workforce" at Google, according to the Guardian newspaper, which attended the hearing.

A Labor Department spokesman confirmed the testimony.

Google, a unit of Alphabet Inc., said in a statement that "we vehemently disagree with Ms. Wipper's claim," which it said it heard for the first time

Friday. The company said the Labor Department hadn't shared the data or methodology it used, and Google's internal pay analysis found no gender gap.

The Labor Department's claims don't amount to formal charges, and Janet Herold, the department's regional solicitor, said its investigation is ongoing.

But, in an interview with the Guardian, Ms. Herold also said the department has received "compelling evidence of very significant discrimination against women in the most common positions at Google headquarters." The government's analysis indicates dis-

crimination against women at Google "is quite extreme, even in this industry," the newspaper quoted her as saying.

The tech industry has been under fire for years over the large percentage of white and Asian male employees and executives.

The industry is now under scrutiny from the Labor Department for the issue. The department sued software giant Oracle Corp. earlier this year for allegedly paying white male workers more than other employees. Oracle said at the time of the suit that the complaint was politically motivated, based on false allegations, and without merit.

MIMS

Continued from page B1
the fundraising round closed, a district court judge issued an injunction to shut down VidAngel's streaming of studio films. Meanwhile, the company is developing original content such as "family friendly" stand-up comedy.

Or take Elio Motors, maker of a three-wheel car and the first company to launch a mini IPO under the new rules, in November 2015. The company probably couldn't have survived without the \$16.9 million it raised through equity crowdfunding, founder and Chief Executive Paul Elio says. It has helped open doors to bankers and traditional sources of private equity, he adds. None of them has committed to the additional \$300 million the company says it needs to start production, however.

One of the highest-funded projects in Kickstarter history is The Coolest Cooler, which has raised more than \$13 million on the site. Then it attempted in March 2016 to raise equity crowdfunding via the site CircleUp from accredited investors, or those with more than \$200,000 in income or net worth of at least \$1 million. This led to negative press, and the listing was pulled. The Coolest Cooler "weren't a fit for our platform," a CircleUp spokeswoman said. The startup, which didn't respond to requests for comment, still hasn't shipped coolers to all



An Elio Motors P5, shown at the Los Angeles Auto show in 2015.

of its Kickstarter backers.

Mini IPOs are allowed by the JOBS Act's Regulation A+: Participants can raise up to \$50 million, and the stock is immediately tradeable. Another part of the JOBS Act, Regulation CF (for "crowdfunding"), allows companies to sell as much as \$1 million in shares, which must be held for at least 12 months. These smaller offerings, possible since May 2016, are increasingly used by early-stage startups, often in combination with product preorders.

Darren Marble, CEO of CrowdfundX, which markets equity crowdfunding deals including Elio's mini IPO, says he is worried about many of these offerings. "We probably reject 90% or 95% of the deals directed to us," he says. "I think the vast majority of [companies] choosing [mini IPOs] are inherently poor fits for this regulation."

Both sets of rules allow anyone, regardless of income, to invest. But Regulation CF has very stringent caps on the size of the investments,

segmented by investors whose net worth or income is less than \$100,000, and those whose income or net worth is higher. For Regulation A+, the cap is 10% of a person's net worth or income, whichever is greater.

Mini IPO participants can raise as much as \$50 million.

"It's very early," says Slava Rubin, co-founder and chief business officer of crowdfunding site Indiegogo. Through a partnership with equity-crowdfunding platform MicroVentures, Indiegogo has been offering shares for less than a year.

To date, 11 equity-based projects have been fully funded, including an at-home beer-tap startup called Fizzicks, a smart connected ball from Play Impossible, a movie

called "The Field Guide to Evil" and a food truck that serves "seasonal" grilled-cheese sandwiches.

he average investment on Indiegogo's equity platform is more than \$500, Mr. Rubin says.

The SEC has been careful—some critics say excessively careful—in crafting investor-protecting regulations around equity crowdfunding. But the fact that the rules are looser than conventional IPO regulations means there will be fraud, says Josh Brown, CEO of financial planning firm Ritholtz Wealth Management.

"I'm not against [these rules]," Mr. Brown says. "The problem is some [investors] are going to get f—ed. Without a doubt." Some Wall Street traders, he adds, call the JOBS Act the "Just Open Bucket Shops" Act, a reference to the fraudulent brokerage firms whose high-pressure sales tactics were in part responsible for the stock market crash of 1929 and the formation of the SEC.

It's clear that the original intention of the JOBS act—to encourage formation and growth of new businesses in a world in which the stock market is actually shrinking—was a good one. What isn't yet clear, and won't be clear for some time, is whether everyday investors will be savvy enough to sort the good deals from the bad.

The government shouldn't "set loose a new generation of wolves of Wall Street who can sell people stories and a dream and leave people holding the bag," Mr. Brown says.

BUSINESS WATCH

ACTIVISION BLIZZARD King Unit to Create A 'Call of Duty' Game

Activision Blizzard Inc. tapped King, its unit behind the hit game "Candy Crush Saga," to create a new "Call of Duty" mobile game, putting one of its most lucrative properties in the hands of the casual-gaming company it acquired last year for \$5.9 billion.

"Call of Duty," a more-than-decade-old war-shooter series made by Activision's publishing unit, has ranked among the top-

selling personal-computer and console games in the U.S. for years, according to NPD Group.

Activision Publishing has several mobile games based on the first-person shooter franchise, though none have been big hits.

An Activision Blizzard spokeswoman declined to say whether King is working on any other games featuring characters from Activision Publishing or Blizzard Entertainment franchises.

King didn't give a timetable for releasing the new "Call of Duty" game.

—Sarah E. Needleman

FRESENIUS

Firm Is in Talks To Buy U.S. Maker

German health-care company Fresenius SE is in talks to acquire U.S. company Akorn Inc., a maker of generic drugs that is currently valued at approximately \$3.7 billion.

In separate statements, the companies said there was no certainty the discussions would lead to a deal. Akorn generated sales of \$1.1 billion last year

—Tom Fairless
and Sarah Sloat

CBS

Moonves's 2016 Pay Hit \$69.6 Million

CBS Corp. Chief Executive Leslie Moonves received \$69.6 million in total compensation in 2016, a nearly 23% increase driven by a \$32 million bonus.

The change was disclosed in a regulatory filing Friday.

According to Friday's proxy, Mr. Moonves's base salary was unchanged at \$3.5 million but his bonus was nearly doubled to \$32 million, from \$19 million.

—Maria Armental

FINANCE & MARKETS



A Snap banner on the facade of the New York Stock Exchange. Vanguard Group is 'troubled' by the rise of nonvoting shares.

Voting Rights Scrutinized

FTSE Russell excludes Snap from indexes over nonvoting shares; competitors take note

By RICHARD TEITELBAUM

No vote, no index. FTSE Russell said it won't add Snap Inc. or other companies with nonvoting shares to its major stock benchmarks when it updates them in June.

The issue of voting rights is raising the ire of some shareholders' rights advocates because founders and executives often end up with far more votes than shares. That has put index firms in the spotlight.

FTSE Russell issued a statement last week in response to concerns about stocks with no voting rights, such as the Class A shares Snap sold in March. The firm plans to consult with investors and other stakeholders over the next few months about whether to include companies with no voting rights in its indexes.

Current index members with nonvoting shares could be affected depending on the feedback that FTSE Russell receives in its discussions. "It is possible that the future eligibility of existing securities, or the investment weighting assigned to them, may change," FTSE Russell said.

Changes could affect companies like Alphabet Inc. The technology giant's Class C shares, which carry no voting

rights, are already included in various FTSE and Russell indexes, according to FactSet. So are its Class A shares, which do carry voting rights.

Alphabet is controlled by co-founders Larry Page and Sergey Brin and Executive Chairman Eric Schmidt through Class B shares that have 10 votes each.

"We as an index provider need to come to a decision on what the policy is," said FTSE Russell spokesman Tim Benedict. The firm said it plans to announce the results of its consultations in July.

Other companies with nonvoting share classes include Under Armour Inc. and Zillow Group Inc.

"It doesn't make sense to exclude companies that are well run," said Zillow finance chief Kathleen Philips, especially if there is no evidence that the lack of voting rights hurts performance.

Companies are generally eager to be included in a market index because doing so increases their investor base, according to Ben Johnson, director of exchange-traded fund research at Morningstar Inc. "From the point of view of Snap, I'm sure they are desperate to get on the other side of the velvet rope," he said.

Spokeswomen for Snap and Under Armour declined to comment. Alphabet didn't respond to an email and phone call.

Still, more nonvoting shares are in the pipeline. IAC/InterActiveCorp. shareholders approved a nonvoting share class last year, but the company

said it won't issue stock until it resolves a lawsuit challenging the move. A company spokeswoman declined to comment.

Facebook Inc. last year proposed the issuance of a nonvoting class of stock and is also the subject of a lawsuit to prevent it from doing so. A Facebook spokeswoman declined to comment.

Big investors have begun to weigh in on the topic, since in many cases they are required to hold the stocks in an index.

"We are increasingly troubled by the rise of nonvoting and low-voting shares," said Arianna Stefanoni Sherlock, a spokeswoman for index-fund

said Lori Ryan, director of the Corporate Governance Institute at San Diego State University. "The ability to separate economic offerings from voting rights allows control-oriented founders to make shares available to the public."

FTSE Russell, which is owned by the London Stock Exchange Group PLC, maintains thousands of major indexes under the FTSE and Russell names. They are used by asset managers and others to gauge performance and determine which securities go into certain exchange-traded funds. The company said more than \$10 trillion is benchmarked to FTSE and Russell indexes.

Each year, FTSE Russell adds firms to its Russell indexes and removes them based on characteristics like market capitalization. The additions and deletions are disclosed starting in June. FTSE indexes are generally reviewed quarterly or semiannually.

FTSE Russell and rival MSCI Inc. excluded shares of Snap, parent of messaging app Snapchat, from accelerated inclusion in some of their broad stock-market indexes after the company's initial public offering because they failed to meet certain market criteria.

The methodology for a third firm, S&P Dow Jones Indices, included several obstacles to Snap's inclusion in the S&P 500, S&P MidCap 400, or S&P SmallCap 600 indexes—notably a requirement that IPOs must trade for six to 12 months before being considered for inclusion.

Other companies with restrictive share classes include Under Armour and Zillow.

giant Vanguard Group in an email. "These structures contradict our fundamental belief that shareholders' economic interests and voting rights should be aligned."

Some governance experts caution against excluding companies from indexes based on voting rights, noting how the precipitous decline in stock listings over the past 20 years has diminished the pool accessible to investors.

"Recent regulations have discouraged many private companies from making their equity available to the public,"

Fresh Face of Swiss Banking Makes Waves at Julius Baer

By MAX COLCHESTER
AND BRIAN BLACKSTONE

ZURICH—In the discreet world of Swiss private banking, Julius Baer Group AG Chief Executive Boris Collardi likes to stand out.

After taking the helm of the century-old bank in 2009 at the age of 35, Mr. Collardi doubled its size with a string of bold deals, aggressively expanding the private bank as several Swiss lenders fell by the wayside amid a crackdown on secrecy rules.

Today, as he plans for further expansion, hiring more bankers and perhaps bulking up through more acquisitions, some bankers in Zurich question whether the hard-charging Mr. Collardi is out of his depth. Others say the snowboard-loving executive embodies a new generation of go-getting Swiss financiers.

As a rare Swiss top banking executive, he is tipped by some in the industry as a future leader at a larger Alpine institution like Credit Suisse Group AG.

"I am today in a very lucky spot," Mr. Collardi says, sitting in his office with a large replica Formula E race car on a shelf behind him. "The pool of Swiss senior executives is very thin. Frankly, there are not many Swiss guys who like to

do this job."

In Zurich, that makes Mr. Collardi a local celebrity of sorts. A keen networker, he has been snapped on the red carpet with Leonardo DiCaprio, Sophia Loren and Carlos Slim at events sponsored by the bank. But in everyday life, the 42-year-old says he tries not to get noticed. "I live the most discreet life you can imagine," he says.

'Frankly, there are not many Swiss guys who like to do this job,' says Mr. Collardi.

Mr. Collardi's rise and Julius Baer's expansion have coincided with a Swiss banking identity crisis.

The neutral nation, once a popular place to hide cash from tax collectors, has been rocked in recent years by a series of scandals. Banks, including Julius Baer, have had to pay multimillion-dollar settlements to U.S. authorities for their alleged role in helping American clients avoid paying tax. Those payments hit banks' bottom lines as new regulations aimed at aligning Swiss banking rules with the rest of

the world led some foreign clients to pull money from Switzerland. Meanwhile, the country's negative interest rates have forced banks to pay to store money with the Swiss National Bank, further denting margins.

The number of Swiss banks fell to 266 in 2015 from 330 in 2007, the year before the global financial crisis, according to the latest data from the SNB.

Employment in the sector is down more than 12,000, to 124,000, over the same period. Other parts of Europe have also seen their banking sectors shrink.

"The Swiss financial center has lost its special status," said Tobias Straumann, lecturer in economic history at the University of Zurich. "It is undisputable that there is a relative decline."

Shortly after Mr. Collardi took over, Julius Baer split from its asset-management unit, GAM, and a series of acquisitions followed, including ING Groep NV's Swiss private bank in 2009 and Bank of America Corp.'s non-U.S. wealth-management unit in 2012. In 2014, Julius Baer acquired the private-banking assets of Israel's Bank Leumi with 7 billion Swiss francs (\$7 billion) under management. The bank's share price has



Boris Collardi, right, with tycoon Carlos Slim and Sophia Loren at an event organized by Julius Baer.

climbed 40% since Mr. Collardi took over.

Mr. Collardi doesn't rule out that more deals might be in the pipeline. "We will be looking at the bigger transactions in the future," he says.

First Trust's ETFs Are Unsung Force

By ASJYLYN LODER

Some of the biggest action in exchange-traded funds last month took place in two little-known First Trust ETFs.

The biggest trader? First Trust Advisors LP itself.

The trading was triggered by a rebalancing of the \$2.5 billion First Trust Dorsey Wright Focus 5 ETF. The fund tracks a Dorsey, Wright & Associates index that analyzes recent market trends for signs of momentum, buying sectors and industries with the most substantial recent gains. It owns just five ETFs at a time, all picked from the First Trust lineup.

Last month, energy stocks dropped out of the index while the banking sector gained favor, reflecting its postelection rally. The shift prompted the Dorsey Wright ETF to sell one First Trust ETF and buy another.

As a result, assets in a First Trust ETF that buys bank stocks swelled 34-fold in March to \$910.6 million, marking the six-month-old fund as one of the most-successful recent launches in the ETF industry. During the month, the First Trust Energy AlphaDEX ETF, which invests in energy companies, lost almost two-thirds of its assets.

Dorsey Wright, now a unit of Nasdaq Inc., has long been a favorite among investment advisers. Some follow its strategy without using the Dorsey Wright ETF, buying and selling the underlying First Trust ETFs themselves.

First Trust created the ETF in 2014 because customers wanted the popular Focus 5 strategy packaged into one product, said Ryan Issakainen, senior vice president and ETF strategist with First Trust. Bundling the ETFs saves investors the trouble of rebalancing themselves and offers some tax benefits. First Trust also offers a second Dorsey Wright ETF that makes many of the same trades.

But analysts have questioned the Dorsey Wright ETF for its high fees, market-roiling trades and subpar returns.

"There are significant benefits for First Trust for launching products that fit into this strategy, but some investors don't necessarily know what they're buying," said Todd Rosenbluth, director of ETF and mutual-fund research for CFRA, a consulting firm.

It has been one of First Trust's most successful ETFs. It is also one of its most expensive because First Trust charges investors both for the Dorsey Wright ETF and for the five First Trust ETFs it owns, pushing the total cost to \$89 a

year for every \$10,000 invested. The average investor in an index-tracking stock ETF pays \$20, according to Morningstar.

The ETF's trading also stokes interest in First Trust's other ETFs. Its recent purchase of the First Trust Nasdaq Bank ETF made the new fund more appealing to investors who won't buy small, thinly traded products.

While funds of funds are common in the mutual-fund industry, they are relatively rare in ETFs, accounting for 191 U.S. funds with combined assets of \$35 billion out of a \$2.8 trillion market, according to XTF, a market-analytics firm. Some of the ETFs, especially leveraged equity funds, buy ETFs from several issuers while others invest only in in-house products.

One common use of funds of funds is target-date retirement products. BlackRock Inc., for example, offers several iShares ETFs that invest in other iShares ETFs based on risk models that range from conservative to aggressive.

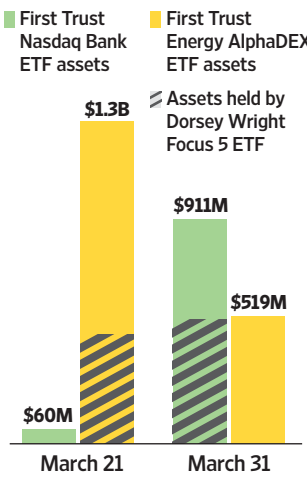
The strategy can leave ETFs with high concentrations in other funds. The iShares allocation ETFs combined own as much as 68% of some of the underlying ETFs, according to FactSet. The Dorsey Wright rebalance leaves the ETF as the biggest shareholder in the First Trust bank fund.

The Dorsey Wright rebalance is notable because funds of funds rarely make such a large investment in a new product, said Mr. Rosenbluth. It raises concerns about its potential price impact on the bank ETF once its biggest investor bails out, Mr. Rosenbluth said.

—Chris Dieterich contributed to this article.

Big Trade

The rebalance of First Trust's Dorsey Wright Focus 5 ETF triggered huge trades in two other First Trust ETFs.



Source: Morningstar
THE WALL STREET JOURNAL.

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FUND NAME	GF	AT	LB	DATE	CR	NAV	—%RETURN—
							YTD 12-MO 2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866							
Fax No: 65-6835-8865, Website: www.cam.com.sg , Email: cam@cam.com.sg							
CAM-GIF Limited 01 01 MU5 03/31 USD 31119.76 3.0 7.6 -2.4							

For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com

JOURNAL REPORT | INVESTING IN FUNDS & ETFS

NEWS CHALLENGE: FUNDS AND INVESTING

Test Your Smarts...on Bitcoin

BY ROB CURRAN

AS THE WORLD'S monetary systems teetered on the edge in late 2008, some computer whizzes sought a digital solution. As Lehman Brothers lay dying, a math-based, completely digital means of exchange known as bitcoin was born.

A few months after the white paper that defined it, bitcoin went quietly into operation. As with the internet itself, bitcoin's first adopters were mostly the highly computer-literate and the highly criminal, followed by speculators. The image of the "digital gold" was first tarnished by association with online drug bazaars such as Silk Road and a massive theft called Mt. Gox, and later by price crashes.

This year, bitcoin returned to the headlines. Its dollar-denominated price hit a record in March amid speculation that the Securities and Exchange Commission would approve a bitcoin exchange-traded fund. In March, the SEC ruled against it, then rejected another ETF, from lower-profile firm SolidX, citing the same concerns about the lack of transparency and regulation in bitcoin markets. But bitcoin's price remains above \$1,000.

Even without the ETF, investors are enticed by bitcoin's record run and a sense that, nearing its 10th birthday, the cryptocurrency is here to stay. But how much do you know about bitcoin? Let's find out:

1. **Who, or what, is known by the words Satoshi Nakamoto?**

- A. The pseudonym of the individual who invented bitcoin.
- B. A California computer engineer who might have played a role in the invention of bitcoin, but denies it.
- C. A collection of computer scientists that jointly launched bitcoin.
- D. Nobody really knows, but possibly all of the above.

ANSWER: D. Bitcoin's inventor has scrupulously remained behind a pseudonym that he or she uses for public statements. There have been multiple people fingered as "the" Satoshi Nakamoto, but none conclusively. And nobody has made a public statement under that name for years.

2. **What is the blockchain?**

- A. The company that owns bitcoin.
- B. The software on which bitcoin works.
- C. A chunky gold necklace popularized by Mr. T.



DAVID GRAY/REUTERS

FROTHY CURRENCY? Bitcoin was accepted at a Sydney, Australia, bar in 2015.

- D. The time-stamped ledger that records all bitcoin transactions.

ANSWER: D. Whatever happens with bitcoin's value, the blockchain will be remembered as the most significant innovation in finance in two decades. It is what IBM, which sells a version of it for commercial accounting, has called a "shared, distributed ledger"—like a massive version of one of those collaborative Excel spreadsheets that anyone in the office can jump aboard.

3. **What, according to Satoshi Nakamoto's October 2008 white paper, is bitcoin made of?**

- A. Digital signatures.
- B. Internet cloud particles.
- C. Pixels.
- D. Silicon.

ANSWER: A. What you purchase is effectively two sets of numbers. One is a private key, the number that only you—the new owner of the bitcoin—can know, and the other is the public key, which is the address of your wallet, much like a PayPal address. To send your bitcoin to someone else, you sign with your private key.

4. **Which of these had the biggest percentage gains in 2016?**

- A. The S&P 500 index.
- B. Shares of detention-center operator CoreCivic.
- C. Bitcoin.
- D. Copper.

ANSWER: C. Bitcoin's five-year chart is as

zigzag as they get, with a gentle slope leading to a peak in 2014 (around \$1,200), and then a drop during 2015 and 2016 to as low as \$170 before a rally in late 2016 and early this year back above \$1,300.

5. **Who had a bitcoin-ETF application rejected by U.S. regulators?**

- A. Mark Zuckerberg.
- B. Satoshi Nakamoto.
- C. Cameron and Tyler Durden.
- D. Tyler and Cameron Winklevoss.

ANSWER: D. The Winklevosses won a large settlement from Facebook in 2010 and sunk a large amount of the winnings into bitcoin and bitcoin projects. The twins filed for SEC approval of their fund in 2014. On March 10, the SEC rejected the ETF on the grounds that there were no regulated exchanges. "It sort of feels like they're putting the ETF in a Catch-22 situation," says Jesse Powell, CEO of bitcoin exchange Kraken. "where to be traded on a regulated exchange you have to be traded on a regulated exchange."

6. **What is Bitcoin Investment Trust and what happened after the SEC ruling?**

- A. The Winklevosses' next ETF.
- B. An ETF-like fund that trades over the counter on the Pink Sheets.
- C. An exchange-traded note that trades on the Nordic Nasdaq.
- D. Warren Buffett's bitcoin company.

ANSWER: B. A funny thing happened on the

way to the SEC's rejection of the ETF: The longstanding Bitcoin Investment Trust started acting more like the de facto ETF that some people had predicted it would be all along. The fund averted SEC oversight with an unorthodox design in which primary shares are issued only to high-net-worth investors who must hold them for a year and then sell only on the Pink Sheets. The structure caused dissonance between the price of bitcoin and the fund's shares. But as trading in the fund grew ahead of the anticipated Winklevoss launch, the spread between bitcoin and the shares on the electronic Pink Sheets narrowed.

7. **In bitcoin nomenclature, what is a hard fork?**

- A. 10,000 bitcoin.
- B. Potential split in the bitcoin network.
- C. A method of storing bitcoin.
- D. German potato delicacy with a crust that's difficult to penetrate with a fork.

ANSWER: B. Michael Moro, chief executive of bitcoin market maker Genesis Trading, says everyone in the bitcoin network would like to tweak the software to speed up transactions, now slowed by high demand. There's a divide on how to get there, he says. Miners—the independent programmers who solve the math riddles embedded in bitcoin transactions—want to update software unilaterally so they can process more transactions simultaneously. Software developers and bitcoin users and owners want to solve the problem in a way that's not so potentially lucrative for miners.

8. **What will happen in 2140 if bitcoin markets keep growing at this pace?**

- A. The Winklevoss twins will be the world's richest men.
- B. Bitcoin will stop working.
- C. Miners will start their own ETF.
- D. The last bitcoin will be created by miners.

ANSWER: D. When Satoshi Nakamoto launched bitcoin, it had a circumscribed size limit. To prevent the miners from eroding the value of the currency, the reward for "solving a block" of bitcoin would be halved every four years or so. It is now at \$12.50 a block. In about 123 years, the rewards will dry up completely.

Mr. Curran, a writer in Denton, Texas, is a regular contributor to Dow Jones Newswires and The Wall Street Journal. Email him at reports@wsj.com.

FOREIGN EXCHANGE

Guidelines for Handling Currency Exposure

What investors might want to do if their portfolios are affected by a changing dollar

BY JOHN COUMARIANOS

A STRONG DOLLAR is great when traveling abroad. It can buy a nicer hotel and better meals, and let you do more shopping.

But while it may be a good time to book that Continental jaunt given the dollar's torrid run since mid-2014 against the euro and other currencies, remember that an appreciating dollar can also reduce the returns of your foreign stock and bond investments. That's because buying foreign stocks and bonds automatically gives you exposure to foreign currencies and their performance relative to the dollar—unless you buy a fund that uses forward currency contracts to hedge or avoid the exposure.

Here are some rules for how to handle currency issues in your portfolio if the Federal Reserve raises rates (and further strengthens the dollar) or if the Trump administration seeks to increase American exports (and tries to weaken the dollar).

Bonds—use a hedge

It's possible the dollar's run is over for now and foreign currencies are poised to rebound. That means investing in foreign bonds without a currency hedge can provide an investor with the return of the bonds plus some possible added currency return if foreign currencies rebound.

But precisely because currency moves can be powerful—and unpredictable—a good general rule for investors is to use a currency hedge when buying foreign bonds, even if it means missing some gains if foreign currencies rally. Hedges against currency fluctuation can be particularly useful in foreign bond investing, because most investors want their bonds to provide stability to their portfolios.

To give an idea of how volatile currencies are compared with typical bond investments, compare the 13% standard deviation of the dollar-euro exchange rate over the past decade, or by how much the rate deviated from its average, with the standard

deviation of returns of the Bloomberg Barclays US Aggregate Index, which was less than 4%. Triple or more volatility is too much for most bond investors.

An easy way to get international bond exposure with a currency hedge is through Vanguard Total International Bond ETF (BNDX). This ETF tracks the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). The fund charges a 0.12% fee.

Two international-bond fund choices for investors who want either corporate or sovereign international bond exposure are Deutsche X-trackers Barclays International Corporate Bond Hedged ETF (IFIX) and Deutsche X-trackers Barclays International Treasury Bond Hedged ETF (IGVT). These funds have among the lowest fees for funds that hedge: expense ratios of 0.30% and 0.25%, respectively.

Investors who want some extra yield—and extra credit risk—from their foreign bonds have a high-yield choice in iShares Currency Hedged International High Yield Bond ETF (HHYX). The fund's net expense ratio is 0.43%, including a fee waiver from its parent, BlackRock Inc., that runs through the end of February 2022.

Forward currency contracts aren't free, so these funds have somewhat higher expense ratios than the most plain-vanilla index trackers that im-

Dollar Run

Dollar/euro foreign-exchange rate, chart inverted to show movement of the dollar



Source: St. Louis Fed
THE WALL STREET JOURNAL.



ISTOCKPHOTO/GETTY IMAGES

Should investors in foreign stocks heed the hedging lesson that has been learned by foreign-bond investors?

pose currency risk on investors. But these funds' fees are still modest.

Stocks—more choices

Many argue that for investors who want to own foreign assets, stocks make the most sense because the possibility of currency volatility can add risk diversification in their portfolios. The risk of currency volatility is said to provide an extra layer of diversification or uncorrelated return compared with the other typical asset classes in a diversified portfolio.

But a 2015 research paper from asset manager AQR argues that over long periods (1975 to 2015 for the study underlying the paper), foreign-currency exposure has given foreign-equity investors extra volatility with almost no extra return, making it a terrible proposition.

According to the paper, unhedged foreign-stock exposure resulted in a lower Sharpe ratio (a measure of volatility-adjusted return) than foreign-stock exposure with a partial or full foreign-currency hedge.

The problem is that currencies don't provide any positive return over long periods to compensate for their volatility. Currencies appreciate and depreciate against each other in dramatic moves and for long cycles, but ultimately their sound and fury amount to nothing.

The upshot of this analysis—which runs counter to the conventional wisdom on the topic—is that

investors in foreign stocks should hedge their currency exposure just as investors in foreign bonds should.

Hedge now, after the dollar's scorching run?

Even if you think the dollar has seen its best days for a while, you can always hedge some—say, half—of your foreign-stock-related currency exposure to capture part of a foreign-currency rebound.

For example, an investor contemplating putting all of his or her foreign-stock allocation in a plain-vanilla foreign-index fund, giving the investor full exposure to foreign currencies, can opt to put half of that allocation in Deutsche X-trackers MSCI EAFE Hedged Equity ETF (DBEF) or in Deutsche X-trackers MSCI All World ex-US Hedged Equity ETF (DBAW).

The former will provide exposure to developed countries, while the latter will deliver exposure to the world stock markets beyond the U.S., including emerging markets. Both will eliminate exposure to foreign currencies.

And all investors will likely do better by sticking to their prearranged hedging strategy through thick and thin rather than trying to alter it along the way.

Mr. Coumarianos, a former Morningstar analyst, is a writer in Laguna Niguel, Calif. He can be reached at reports@wsj.com.



SPOTLIGHT | CORE MSCI EMERGING MKTS.

INVESTORS CHECK IN TO THIS ETF, AND STAY

In the emerging-markets sector, there is an exchange-traded fund that has never experienced a day in which more money flowed out of it than in.

That ETF is BlackRock Inc.'s iShares Core MSCI Emerging Markets (IEMG), a \$26.75 billion ETF that was up 11.7% in the first quarter. The fund tracks the MSCI Emerging Markets Investable Market Index, providing exposure to a broad range of small-capitalization, midcap and large-cap emerging-markets stocks.

The fund has seen no net redemptions since its launch in October 2012, according to BlackRock. The firm says only one other fund in the U.S. ETF marketplace has gone that long without a net redemption, and that is its own iShares Emerging Markets Small-Cap ETF (EEMS), which last saw a redemption in May 2012.

The aim of IEMG is to provide a good core strategic holding, says Daniel Prince, head of product consulting for BlackRock's iShares U.S. wealth-advisory business. The fund's relatively low costs—it has an expense ratio of 0.14%—has attracted buy-and-hold investors, he says, along with institutions seeking to broaden their investment policy to include small-cap companies.

BlackRock says valuations in emerging markets are relatively attractive compared with the broader global market, despite a recent run-up.

While emerging markets traditionally have been an area of growth opportunities, they also can be more volatile than U.S. markets, Mr. Prince notes. "You take that growth and you balance it with the idea of the risk," he says.

—Gerrard Cowan

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JOURNAL REPORT | INVESTING IN FUNDS & ETFs

Should the U.S. Social Security Trust Fund Be Allowed to Invest in Stocks?

There isn't a lot of common ground between the detractors and proponents of investing some of the assets of the Social Security trust fund in the U.S. in stocks.

On the one side are those who can't believe anyone would even consider such an idea; on the other side are those who say

the detractors are overreacting. After all, no one is proposing that 100% of the Social Security kitty be plowed into stocks, or used for day trading, they say.

What the two sides generally do agree on is that the fund needs shoring up.

The idea of having the government invest

some Social Security assets in stocks—which is separate from the “privatization” notion of allowing citizens themselves to do the investing—isn't new. In the 1990s, during a historic bull market, President Bill Clinton floated the idea, saying it could help the Social Security's long-term solvency. (He drew

laughs at a public forum by conceding it would be a tough sell since Americans “believe the government could mess up a two-car parade.”) He eventually dropped the idea.

Nearly 20 years later, the trust fund still needs help. And the debate over what to do remains as contentious as ever.

YES

It Should Reduce the Need for Benefit Cuts Or Tax Increases

BY ALICIA H. MUNNELL



INVESTING SOME OF the Social Security trust fund in stocks would likely increase investment returns, improve the program's long-term financial outlook and reduce the need for benefit cuts or tax increases. Nevertheless, the proposal makes some people crazy. Here's why it shouldn't:

Starting with defense

First, no one thinks that investing in stocks is a free lunch. Stocks are riskier than bonds, so shifting some Social Security assets from low-risk, low-return Treasury bonds to high-risk, high-expected-return stocks would expose the program to greater financial risk. This risk, however, has to be balanced against the likelihood of a larger trust fund and thereby less need for benefit cuts or tax increases to shore it up down the road. Economists also make a theoretical argument that the plan would especially benefit the young—who haven't yet accumulated much financial wealth—by enabling them to invest in high-yielding financial assets without direct exposure to market risk.

Second, no one wants the Social Security trust fund to control the stock market. Even if the entire trust fund was plowed into stocks, it would account for only a fraction of the market. And that isn't even what's being proposed. Those pushing to diversify Social Security's holdings have called for investing only a portion of the trust fund in stocks. The typical proposal would increase the percentage of the trust fund invested in stocks by 2 to 3 percentage points annually until stocks accounted for 40% of total Social Security assets.

Third, no one wants members of Congress lobbying Social Security to buy shares of companies in their districts. That's why proponents of stock investing suggest such investments track a broad market index such as the Wilshire 5000, Russell 2000 or S&P Composite 1500. In terms of corporate governance, the voting rights associated with trust-fund shares could be handled in one of three ways: not voted at all, voted in a pattern that reflects the votes of other common shareholders, or delegated to the individual portfolio managers, which is the practice of the federal government's Thrift Savings Plan.

Finally, no one wants to create the impression that Social Security selling a \$100 bond and buying a \$100 stock would automatically improve the program's finances. So the accounting must be done on a risk-adjusted basis, with gains reflected only after they occur.

Moving to offense

OK, that's enough defense. So what do we know about how stock investment would have

affected Social Security's finances historically and how it would likely contribute prospectively?

Historically, the answer is easy. Whether stock investment had started in the early 1980s or late 1990s, trust-fund assets would be significantly higher than they currently are, despite the bursting of the dot-com bubble in 2000 and the financial crisis in 2008.

Looking forward requires a little work, as detailed in a recent paper I co-authored.

First, Social Security's current trust fund is rapidly declining, which means that it wouldn't matter much what it was invested in. So the assumption is that the government raises taxes enough to eliminate the long-term deficit and invests a portion of the emerging trust fund in stocks. The second assumption is that stock returns going forward will average 6.8% annually rather than the historical 9.5%. Based on these assumptions, the 50th percentile of 10,000 simulations shows that, after 75 years, a portfolio with stocks produces a healthy ratio of trust-fund assets to benefits, while a trust fund invested all in bonds is exhausted. Even at the 25th percentile, the trust fund shows no evidence of running out of money.

Moreover, the research shows that Social Security investing in stocks is unlikely to disrupt the market. If Social Security had begun investing in equities in the early 1980s, the trust fund today would hold about 4% of the market value of U.S. equities. The simulations going forward suggest that stake would decline slowly to less than 2% as stock-market growth outpaces growth in the trust fund, which also holds bonds. As a point of comparison, state and local government pension plans currently hold about 6% of total stocks. Social Security wouldn't take over the stock market!

In short, policy makers should include investing Social Security's assets in equities on their list of options when constructing a comprehensive package to restore long-run balance to the program.

Ms. Munnell is director of the Center for Retirement Research at Boston College and the Peter F. Drucker professor of management sciences at the college's Carroll School of Management. Email her at reports@wsj.com.

NO

Let's Keep Government Out of The Stock Market

BY MICHAEL D. TANNER



THERE IS NO QUESTION that Social Security needs reform. With more than \$32 trillion in unfunded liabilities over an infinite horizon, Social Security quite simply cannot pay future promised benefits with existing taxes.

Much of the program's problems stem from its pay-as-you-go nature, under which it is little more than a transfer payment from young to old, without any sort of investment. Transitioning to a funded system, where contributions were invested, makes sense.

Yet allowing the government itself to invest, either directly or indirectly, the roughly \$2.9 trillion Social Security trust fund would be an enormous mistake.

First, it is hard to see how this would actually take place. The bonds in the Social Security trust fund aren't actual assets, but merely claims against future general revenues (that is part of Social Security's funding problem). To invest those funds in other assets, the Social Security Administration would first have to redeem those bonds for cash. With the U.S. running a deficit and already \$20 trillion in debt, finding money to redeem the bonds likely would require either additional taxes or borrowing or both.

But even if a financial workaround could be found, the federal government should stay out of the stock market.

The total value of all stocks traded on the New York Stock Exchange is roughly \$21 trillion, meaning the funds available from the trust fund would be about 14% of stock value. It is easy to see, therefore, that investing even

Social Security Facts & Figures

What we call the Social Security trust fund is technically two funds managed by the Treasury Department: the Old-Age and Survivors Insurance (OASI) and the Disability Insurance (DI) funds.

What the Fund Invests In
Special-issue Treasury bonds.

Who Gets the Payouts
In 2016, nearly 61 million Americans received about \$918 billion in benefits.

But With More and More Customers...

In 1940, the life expectancy of a 65-year-old was almost 14 years. Today, it is about 20.

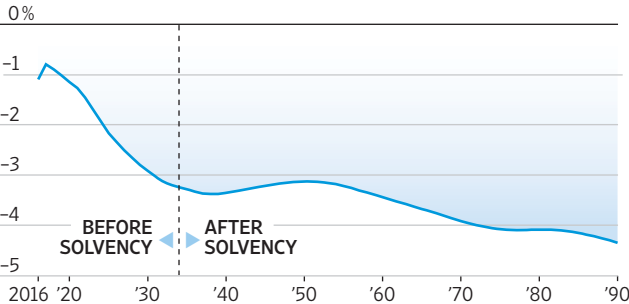
And More Coming...

By 2035, the number of 65-and-up citizens will increase from the current 48 million to 79 million.

Sources: Social Security Administration; 2016 OASDI Trustees Report (Table IV.B1, intermediate assumptions)

...the Fund's Reserves Are on the Way to Depletion

Social Security trustees project that trust-fund reserves will be depleted by 2034, although tax income is projected to cover about 75% of benefits from that point on. Annual balances (income minus costs) as a percentage of taxable payroll.



THE WALL STREET JOURNAL.

SUSTAINABLE INVESTING

'Green Bonds' Warm Up

Popular in Europe, the do-good debt grows in U.S.



ERRATA CARNOVA

The S&P Green Bond Index had an annualized return of negative 0.81% over the five years through the end of March, compared with negative 0.39% for its parent index, the S&P Global Aggregate Developed ex-Collateralized Index, which tracks the performance of a broad range of investment-grade debt around the world.

The VanEck ETF was launched on the heels of the **Mirova Global Green Bond** fund (MGYX), a mutual fund that launched in late February. **Mirova**, a subsidiary of **Natixis Asset Management** that focuses on sustainable investment, had already launched a green-bond fund in Europe, the **Mirova Green Bond-Global** fund.

“Both institutional plan sponsors and wealth-management advisers are hearing demands from their participants and clients for investments with positive impact,” says Kenneth St. Amand, vice president and client portfolio manager at Mirova, explaining the impetus behind the Mirova funds.

The two new U.S.-listed funds join **Calvert Green Bond** fund (CGAFX), a \$74 million mutual fund that was launched in October 2013 by **Calvert Investments**, one of the original sustainable-investing firms.

The Calvert fund takes a broad approach, investing both in labeled green bonds

and in the bonds of companies it considers to be leaders on environmental issues. For example, the fund will buy any bond issued by Apple—even if a bond doesn't finance an environmentally friendly project—because of the tech giant's efforts to reduce its carbon footprint, says Vishal Khanduja, the fund's portfolio manager.

Bigger in Europe

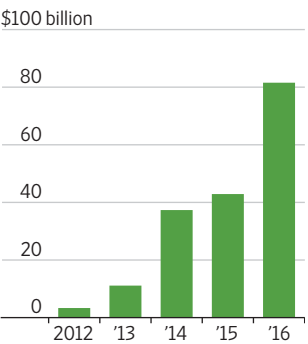
The U.S. is behind Europe in the listing of green-bond funds; there are several in Europe that aren't open to U.S. investors. That includes the Lyxor **Green Bond UCITS** ETF, launched in late February by **Lyxor Asset Management**, part of the Paris-based **Société Générale Group**, which just beat VanEck's GRNB as the world's first green-bond ETF.

There are numerous Europe-based mutual funds focused on green bonds, including the **Allianz Green Bond** fund, the **AXA WF Planet Bonds** fund and **NN Investment Partners' NN (L) Euro Green Bond** fund. **BlackRock** Inc. launched a Europe-listed Green Bond Index fund in March, while **State Street** Corp.'s State Street Global Advisors operates the **State Street Global Green Bond Index** fund in Europe.

Europe has shown greater interest in the green-bond market than the U.S., in terms of both issuance and investor

Greener Pasture

Green-bond issuance over the past five years



Source: Climate Bonds Initiative
THE WALL STREET JOURNAL.

demand, says Chris McKnett, head of State Street Global Advisor's global environmental, social and governance, or ESG, investments business.

He points to several reasons, including the relatively early issuance of green bonds on the continent by organizations like the European Investment Bank in 2007 and the World Bank in 2008, which helped foster an investor base.

About 37% of green bonds outstanding, by face value, are denominated in euros, according to the Climate Bonds Initiative, the most for any currency. Mr. McKnett says that bodes well for the market's further development there.

Mr. Cowan is a writer in Northern Ireland. He can be reached at reports@wsj.com.

JOURNAL REPORT | INVESTING IN FUNDS & ETFs

Stock Analysts’ Biases Are Showing, a Study Finds

BY JEFF BROWN

Turns out birds of a feather flock together on Wall Street, too: Male stock analysts tend to write more favorably about public companies headed by men than about companies led by women. White analysts favor firms run by white chief executives. And Republicans and Americans in general prefer companies helmed by people like them.

It is called group bias, and four academics have nailed down evidence that it exists among stock analysts, who are paid to guide investors’ bets with hardheaded, rational views of companies’ prospects.

As a result, earnings surprises of firms headed by female, foreign or Democratic CEOs are systematically upward biased, the researchers write in their paper. In other words, because analysts have underestimated the CEOs who don’t belong to their in-group, those CEOs’ companies more often surprise the market when earnings are reported, boosting share prices.

“These results are also reflected in analysts’ buy and sell recommendations, with systematically more buy than sell recommendations for stocks of firms headed by CEOs belonging to their in-group,” says the

paper, by Sima Jannati and Alok Kumar at the University of Miami School of Business Administration, Alexandra Niesen-Ruenzi at the University of Mannheim in Germany, and Justin Wolfers at the University of Michigan’s Gerald R. Ford School of Public Policy.

Men’s club

Since analysts tend to be male (80%), more likely to be Republicans (48.1%, compared with 41.1% Democrats), white and American, companies headed by women, foreigners, nonwhites and non-Republicans are the most likely to suffer this bias, the study finds. The percentage of “buy” or “strong buy” recommendations is 3.24 percentage points lower for female-headed companies than for male-headed companies, and the percentage of “sell” and “strong sell” recommendations is 2.13 points higher for companies run by women.

Refining the analysis to male analysts only, the percentage of buys and strong buys for companies led by women is lower by 4.21 points, and for sells on female-led companies it is 2.50 points higher.

Female analysts tend to be less biased against male-run companies than male analysts are against female-run companies, the study finds.

The earnings and sell-versus-buy tilt is enough for a savvy trader to make money by purchasing shares in female-run companies before earnings announcements that surprise, Dr. Kumar says, though gains wouldn’t be certain.

Long-term, buy-and-hold investors aren’t likely to feel much effect, Dr. Kumar says, because prices adjust when financial statements are issued. The study used a variety of databases to identify analyst and CEO gender, ethnicity, nationality and, through campaign donations, political affiliation.

They’re only human

“In-group bias is one of the main aspects of human behavior,” the authors write, citing



research by others. Theories on causes include genetics, a need to reinforce “social identity,” encouragement from leaders trying to rally supporters, and a need to identify potential allies and adversaries, they write.

To reduce such bias, Wall Street firms could hire more women, minorities and foreigners, Dr. Kumar says. Analysts’ supervisors also could also keep an eye out for patterns in earnings surprises.

“The biggest surprise for

me,” Dr. Kumar concludes, “was the fact that the market consistently doesn’t recognize that this bias exists.”

Mr. Brown is a writer in Livingston, Mont. Email reports@wsj.com.

ANNUAL REPORTS

Hey, CEO: English Class Counted

BY DAISY MAXEY

Good writing is its own reward—at least when it comes to companies’ annual reports, say two researchers who studied its importance.

There’s evidence that poorly written annual shareholder reports cause companies to trade at significant discounts to their fundamental value, say researchers Byoung-Hyoun Hwang, assistant professor of finance at the Dyson School of Applied Economics and Management in Cornell University’s SC Johnson College of Business, and Hugh Hoikwang Kim, assistant professor of finance at the University of South Carolina’s Darla Moore School of Business, in a new paper.

Their research shows that firms for which there is relatively little public information “can meaningfully increase their market value by increasing the readability of their annual reports,” says Mr. Hwang.

Active vs. passive (verbs)

The two used the copy-editing software StyleWriter to count the most important writing faults in the annual shareholder reports of 96 closed-end stock funds. Messrs. Hwang and Kim searched the reports for five of the eight language-related factors that the Securities and Exchange Commission mentions in its handbook on creating clearer disclosure documents.

The traps to avoid: legal words, hidden verbs, passive verbs, overwriting and wordy phrases.

Closed-end funds trade on exchanges like stocks, and can trade at a discount or a premium to the underlying value of the securities they hold.

The researchers found that “closed-end funds with less easily readable reports trade at greater discounts relative to closed-end funds with more easily readable annual reports,” says Mr. Hwang. “In particular, our analysis suggests that a 10 percentage-point increase in the number of writing faults per sentence, on average, increases the closed-end fund discount by

2.7 percentage points.”

The two focused on closed-end funds because there’s so little public information on the funds that it’s likely the shareholder reports are the primary source of information for shareholders, and because closed-end funds are primarily held by individuals. “We’re actually not sure to what degree our findings extend to large, visible firms, such as Apple Inc.,” Mr. Hwang says.

Because closed-end funds’ discounts or premiums can be affected by factors other than the readability of their annual reports, such as liquidity, managerial skill and investor sentiment, the two sought to control for those factors.

Their data suggest that “higher readability generates more trust and higher perceived managerial skill,” Messrs. Hwang and Kim say. They write, “When a firm’s annual report becomes difficult to read, investors become suspicious, perceive the firm and its managers to be of lower quality or subconsciously develop negative sentiments.”

Erik Herzfeld, president of Thomas J. Herzfeld Advisors Inc., a Miami advisory firm specializing in managing money in closed-end funds, says that only a small amount of closed-end funds hold quarterly calls for shareholders and that the funds garner little analyst coverage or attention from the media, making reports more important to investors. However, some large fund companies, such as Putnam Investments, Pacific Investment Management Co. (Pimco) and Nuveen Investments, do post a lot of information on their funds on their websites, he says.

Research ‘makes sense’

The researchers had a small sample size, but “it makes sense—all things equal—that it would make a difference whether a shareholder letter was well-written or not,” says Mr. Herzfeld. “I am not surprised that this could affect the discount.”

It’s also possible that closed-end funds with well-written shareholder reports may trade at smaller discounts or at premiums simply because they’re from bigger fund complexes with more resources at their disposal, he says. “This affords them larger compliance departments and dedicated proofreading services,” he says.

Ms. Maxey is a reporter for The Wall Street Journal in New York. Email her at daisy.maxey@wsj.com.

Developing countries will consume 65% of global energy by 2040.

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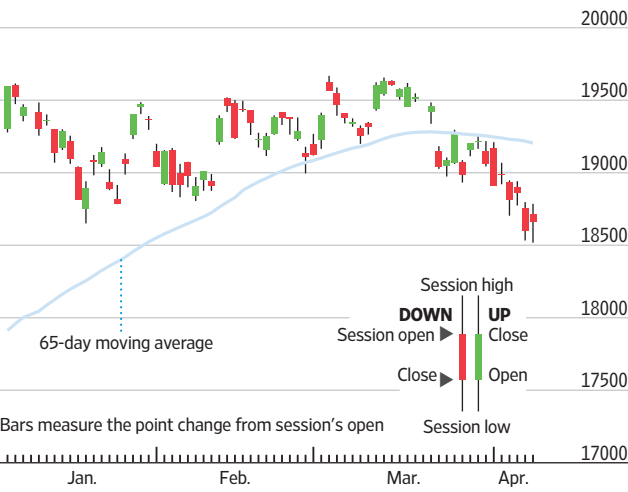
See more articles from the Investing in Funds & ETFs report, and quarterly funds statistics, at WSJ.com/FundsETFs.

MARKETS DIGEST

Data as of Friday, April 7, 2017

Nikkei 225 Index

18664.63 ▲67.57, or 0.36%
High, low, open and close for each trading day of the past three months.



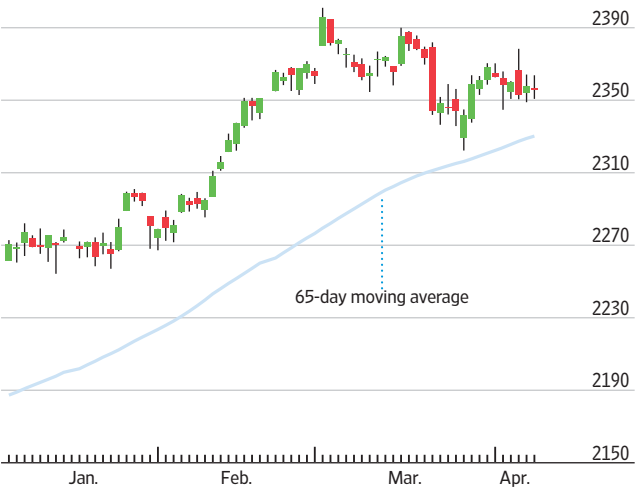
STOXX 600 Index

381.26 ▲0.49, or 0.13%
High, low, open and close for each trading day of the past three months.



S&P 500 Index

2355.54 ▼1.95, or 0.08%
High, low, open and close for each trading day of the past three months.



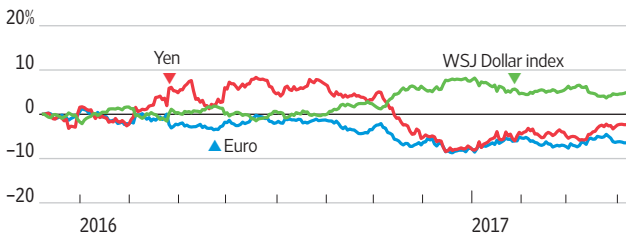
International Stock Indexes

Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range Close	High	YTD % chg
World		The Global Dow	2680.49	-1.89	-0.07	2197.91		2704.60	5.9
		MSCI EAFE	1780.11	-0.33	-0.02	1520.94		1812.06	5.7
		MSCI EM USD	961.61	-1.68	-0.17	781.84		973.08	11.5
Americas		DJ Americas	568.27	-0.38	-0.07	480.83		577.52	5.2
		Sao Paulo Bovespa	64593.10	370.38	0.58	48471.71		69052.03	7.2
		S&P/TSX Comp	15667.13	-30.05	-0.19	13396.73		15922.37	2.5
		IPC All-Share	49343.64	331.22	0.68	44282.03		49343.64	8.1
		Santiago IPSA	3773.34	-7.17	-0.19	3054.30		3780.51	17.1
U.S.		DJIA	20656.10	-6.85	-0.03	17140.24		21115.55	4.5
		Nasdaq Composite	5877.81	-1.14	-0.02	4594.44		5914.34	9.2
		S&P 500	2355.54	-1.95	-0.08	2000.54		2395.96	5.2
		CBOE Volatility	12.87	0.48	3.87	10.58		25.76	-8.3
EMEA		Stoxx Europe 600	381.26	0.49	0.13	308.75		381.26	5.5
		Stoxx Europe 50	3163.46	4.50	0.14	2636.71		3163.46	5.1
		ATX	2908.74	11.66	0.40	1988.40		2908.74	11.1
		Bel-20	3819.44	-1.36	-0.04	3141.13		3820.80	5.9
		CAC 40	5135.28	13.84	0.27	3984.72		5135.28	5.6
		DAX	12225.06	-5.83	-0.05	9268.66		12312.87	6.5
		ATG	681.08	9.93	1.48	519.33		681.08	5.8
		BUX	32600.34	46.81	0.14	25390.23		34324.99	1.9
		Tel Aviv	1400.30	...	Closed	1382.34		1502.66	-4.8
		FTSE MIB	20300.06	3.09	0.02	15103.58		20492.94	5.5
		AEX	518.70	2.40	0.46	411.62		518.70	7.4
		WIG	59287.92	-118.44	-0.20	43549.58		60440.57	14.6
		RTS Index	1113.45	-35.30	-3.07	879.07		1195.61	-3.4
		IBEX 35	10529.00	10.10	0.10	7645.50		10529.00	12.6
		SX All Share	560.81	2.17	0.39	445.00		563.92	4.9
		Swiss Market	8640.91	2.54	0.03	7593.20		8704.39	5.1
		Johannesburg All Share	52853.36	-65.06	-0.12	48935.90		54474.09	4.3
		BIST 100	88497.33	-181.71	-0.20	71594.98		91044.99	13.3
		FTSE 100	7349.37	46.17	0.63	5923.53		7429.81	2.9
Asia-Pacific		DJ Asia-Pacific TSM	1542.81	3.28	0.21	1324.15		1569.47	8.4
		S&P/ASX 200	5862.50	6.20	0.11	4931.50		5896.20	3.5
		Shanghai Composite	3286.62	5.61	0.17	2806.91		3286.62	5.9
		Hang Seng	24267.30	-6.42	-0.03	19694.33		24593.12	10.3
		S&P BSE Sensex	29706.61	-220.73	-0.74	24673.84		29974.24	11.6
		Nikkei Stock Avg	18664.63	67.57	0.36	14952.02		19633.75	-2.4
		Straits Times	3177.27	1.68	0.05	2729.85		3187.51	10.3
		Kospi	2151.73	-1.02	-0.05	1925.24		2178.38	6.2
		Weighted	9873.37	-24.43	-0.25	8053.69		9972.49	6.7

Source: SIX Financial Information;WSJ Market Data Group

Currencies

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



Country/currency	Fri in US\$	per US\$	US\$ vs. YTD chg (%)
Americas			
Middle East/Africa			
Europe			
Asia-Pacific			

London close on April 7

Country/currency	Fri in US\$	per US\$	US\$ vs. YTD chg (%)
Europe			
Middle East/Africa			
Asia-Pacific			

Cur Stock	Sym	Last	% Chg	YTD % Chg
Asia Titans				
Stoxx 50				
Eurodollars				

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Latest	Spread Over Treasuries, in basis points	Previous	Month Ago	Year ago	Yield	Previous	Month ago	Year ago
5.250	Australia 2	1.665	38.3	44.7	52.9	119.3	1.689	1.859	1.884		
4.750	10	2.562	18.9	24.6	31.1	77.3	2.587	2.829	2.462		
3.000	Belgium 2	-0.588	-187.0	-180.1	-191.3	-115.0	-0.559	-0.583	-0.459		
0.800	10	0.758	-161.5	-156.8	-170.0	-133.2	0.773	0.818	0.356		
0.000	France 2	-0.513	-179.5	-172.9	-187.9	-113.4	-0.487	-0.549	-0.443		
0.250	10	0.889	-148.4	-143.9	-155.4	-125.0	0.902	0.964	0.438		
0.000	Germany 2	-0.807	-208.9	-202.8	-221.2	-119.3	-0.786	-0.883	-0.501		
0.250	10	0.228	-214.5	-207.7	-219.7	-159.5	0.265	0.321	0.094		
0.300	Italy 2	-0.090	-137.3	-131.7	-138.1	-63.8	-0.075	-0.051	0.054		
1.250	10	2.043	-33.1	-24.4	-33.1	-29.0	2.098	2.187	1.398		
0.100	Japan 2	-0.214	-149.6	-144.5	-161.9	-92.7	-0.203	-0.290	-0.235		
0.100	10	0.050	-232.4	-228.0	-244.8	-174.6	0.061	0.070	-0.058		
4.000	Netherlands 2	-0.750	-203.2	-197.3	-218.2	-117.7	-0.731	-0.852	-0.485		
0.750	10	0.473	-190.0	-184.8	-192.3	-149.6	0.494	0.595	0.192		
4.750	Portugal 2	0.413	-87.0	-78.2	-136.2	-38.0	0.460	-0.033	0.312		
4.125	10	3.847	147.4	153.9	143.8	154.8	3.880	3.956	3.236		
2.750	Spain 2	-0.233	-151.6	-144.9	-148.9	-63.2	-0.207	-0.159	0.060		
1.500	10	1.602	-77.1	-71.8	-79.0	-6.8	1.623	1.728	1.621		
4.250	Sweden 2	-0.633	-191.5	-184.9	-194.9	-134.3	-0.607	-0.620	-0.651		
1.000	10	0.534	-183.9	-177.1	-186.9	-96.9	0.570	0.649	0.719		
1.750	U.K. 2	0.114	-116.8	-110.0	-122.5	-33.7	0.143	0.105	0.355		
4.250	10	1.078	-129.5	-123.7	-132.4	-35.8	1.105	1.194	1.330		
1.250	U.S. 2	1.282	...	...	...	...	1.242	1.330	0.692		
2.250	10	2.373	...	...	...	...	2.341	2.518	1.688		

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

Commodity	Exchange	Last price	Net	One-Day Change Percentage	Year high	Year low
Grains						
Metals						
Energy						

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3300	1.6492	1.3215	0.0120	0.1712	1.4120	0.9933	...
Canada	1.3390	1.6603	1.3307	0.0121	0.1723	1.4216	...	1.0067
Euro	0.9418	1.1677	0.9358	0.0085	0.1212	...	0.7034	0.7082
Hong Kong	7.7690	9.6335	7.7203	0.0702	...	8.2487	5.8023	5.8415
Japan	110.7370	137.3100	110.0300	...	14.2540	117.5700	82.7100	83.2600
Switzerland	1.0063	1.2478	...	0.0091	0.1295	1.0686	0.7515	0.7567
U.K.	0.8065	...	0.8014	0.0073	0.1038	0.8563	0.6023	0.6064
U.S.	...	1.2400	0.9937	0.0090	0.1287	1.0618	0.7469	0.7519

Source: Tullett Prebon

FINANCE WATCH

GUVNOR GROUP

Oil Trader Sought Talks About Sale

Gunvor Group, one of the world's largest oil traders, has sounded out competitors over a possible sale, two people familiar with the matter said.

A deal would further consolidate a sector that is already dominated by a small group of secretive firms that buy and sell physical oil and ship it around the world.

Gunvor has discussed a possible sale of the entire company with at least two competitors, according to the people familiar with the matter. It is unclear what stage those discussions have reached.

Gunvor Chief Executive Torbjörn Törnqvist said the company has no sale plans "at this time." Mr. Törnqvist is the majority owner of the closely held Switzerland-based company.

A person familiar with the company said that Gunvor has had multiple approaches by others to acquire a stake in or the entire company. It would likely be valued in the single-digit billions of dollars, according to people who work in the sector.

—Sarah McFarlane

GAM HOLDING

CEO Fights Back Against Activist

The chief executive of struggling Swiss investment manager **GAM Holding AG** has come out fighting in the face of an assault by an activist hedge fund.

Alexander Friedman, who is partway through an attempt to reverse client outflows and falling profit, said the hedge fund, **RBR Capital Advisors AG**, was acting in a "bullying" manner.

RBR, a small fund based close to Lake Zurich, owns about 4.4% of GAM. Led by fund manager Rudolf Böhli, it wants to replace Mr. Friedman and appoint new board members at GAM's annual general meeting this month.

Mr. Friedman says he has already made tough decisions at GAM, such as cutting jobs and merging units to reduce costs.

RBR's is an unusually personalized campaign for an activist

based in Europe—where U.S.-style hostile tactics are relatively rare. The hedge fund has claimed Mr. Friedman is paid too much and isn't up to the job.

"You should ask the prior CEO [of GAM] why we didn't take the difficult decisions in the past," said Mr. Friedman, in an interview with The Wall Street Journal.

"I'm trying to turn around a business that for a long time has been left to drift," he said. "You can't turn around an investment shop in a year or two."

Mr. Friedman said he had reduced GAM's head count by about 200 people.

—Laurence Fletcher

FOREIGN EXCHANGE

Beijing's Reserves Increased in March

China's foreign-exchange reserves edged up for a second consecutive month in March, as a weaker dollar and strict capital controls gave Beijing a break from dipping into its currency pile to defend the yuan.

The reserves ended March at \$3,009 trillion, up \$396 billion from a month earlier and following a gain of \$6.92 billion in February, the **People's Bank of China** reported Friday. Economists polled by The Wall Street Journal had expected a \$10 billion rise in March.

The recovery suggests that after 16 months of selling foreign exchange to prop up the yuan, the central bank largely halted its intervention in March, said Julian Evans-Pritchard of Capital Economics—though policy makers could feel pressure to resume if the dollar strengthens again, setting off yuan bearishness and spurring capital outflows.

Beijing's pile of foreign exchange last year shrank at an average monthly rate of \$26.65 billion.

The country's foreign-exchange regulator said the steadying of the stockpile reflected more-balanced capital flows. Major global currencies edged up against the dollar while asset prices remained largely steady, the **State Administration of Foreign Exchange** said in a statement accompanying the release of Friday's data.

—Liyan Qi and Grace Zhu

FINANCE & MARKETS

ISS Targets Wells Fargo Directors

By Emily Glazer

Proxy advisory firm Institutional Shareholder Services Inc. took a rare step Friday in suggesting that **Wells Fargo & Co.** shareholders should vote against the majority of the bank's directors after last fall's sales-practices scandal.

ISS recommended a vote against 12 of Wells Fargo's 15 board members at the bank's coming annual shareholders meeting.

Wells Fargo's board said in a statement that it strongly disagreed with the "extreme and unprecedented" ISS recommendation.

The proxy advisory firm also suggested votes in favor of two shareholder proposals, including one to review and report on business standards.

In September, Wells Fargo paid a \$185 million settlement for opening as many as 2.1 million accounts using fictitious or unauthorized cus-



VICTOR J. BLUE/BLOOMBERG NEWS

A recommendation urges a vote against 12 of the 15 directors.

tomers' information. Since then, the bank has been in the spotlight after two U.S. congressional hearings and a spate of federal and state probes.

The ISS report "fails to recognize the active engagement of the board and the substantial actions it has already taken to strengthen oversight

and increase accountability at all levels of Wells Fargo, including important improvements to corporate governance," the board said.

The board added that the ISS report was issued without taking into account findings of the board's independent investigation, which was launched

last September but hasn't yet been made public.

"If Wells Fargo wants the [proxy advisory] services to take its report into account, they have to get the report out in time," said Erik Gordon, a professor at the University of Michigan Ross School of Business who studies corporate governance. He said Wells Fargo's widespread aggressive sales tactics were "unprecedented and extreme" so the ISS recommendation is "justified."

ISS suggested voting against members of the bank's audit-and-examination committee, its risk committee and human-resource committee given their failures to provide "sufficient timely" risk management or risk oversight.

Wells Fargo's annual shareholder meeting is scheduled for April 25 in Ponte Vedra Beach, Fla.

—Joann S. Lublin contributed to this article.

Venezuela to Make A Bond Payment

By Julie Wernau

Venezuelan officials said late Thursday they will make a \$2.1 billion bond payment due this week, fending off fears of default for the moment.

Nevertheless, many investors say the country still looks vulnerable to default by year's end, an outcome that could inflict more pain on the country's struggling people.

Venezuela's government and its state-owned energy company owe approximately \$8 billion in debt still due this year. Next year, a further \$7.9 billion of debt comes due. With the country's foreign reserves dwindling to about \$10 billion and its options for raising cash narrowing, investors are becoming more skeptical that Venezuela will be able to

service its debt much longer.

The country has a 41% probability of a default or missed payment in the next six months, according to the credit-default swap market. That is up from a 34% chance only a month ago.

The bonds that have a payment due on Wednesday were issued by **Petróleos de Venezuela SA**, the state oil-and-gas company known as PdVSA that has suffered a cash crunch since oil prices began plunging in 2014. Venezuela has bountiful oil reserves, but underinvestment has led to a sharp decline in output. The country has spiraled into a crippling economic crisis marked by a shortage of basic goods, rising crime and soaring inflation.

Despite this, President Nicolás Maduro has prioritized

On the Edge

The price of Venezuelan oil bonds due this month has been rising because investors expect payment. But prices of later-dated Venezuelan bonds have been falling over default concerns.



debt payments to PdVSA's mostly foreign bondholders. Government officials fear that a default could cause the country to lose control of the oil giant, which provides nearly all of the foreign currency used by Venezuela to import things as diverse as

milk and machinery parts. "The dollars aren't enough to pay for food and debt service," said Alejo Czerwonko, an emerging-markets investor at UBS Wealth Management. "So you need to find dollars under the couch and mattress to make ends meet."

WSJ **PRO**

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Minister of
Security and Counter
Terrorism (2010-2011)



DAVID OMAND

Visiting Professor,
Dept. of War Studies
King's College, London



CHARLES PALMER

Senior Managing
Director and Global
Head of TMT
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MARKETS

On the Floor: Odd Case of Calm Trading

Money managers' use of insurance against sharp market moves helps limit volatility

By Jon Sindreu
And Christopher Whittall

What if selling insurance against tornadoes made tornadoes occur less frequently? Something like that might be behind the incredible calm in global financial markets. The theory, advanced by several money managers, bankers and analysts, describes a type of feedback loop in which calm markets make selling insurance against sharp swings in asset prices profitable, which makes the markets more calm, which then makes selling insurance yet more attractive. And on and on. Behind the loop is a danger: If a giant shock—a big tornado—does materialize, the

loop could suddenly run in the other direction, amplifying sizable moves rather than damping them. The feedback loop is one explanation for a perplexing moment in finance right now: Despite vast uncertainty—an unpredictable and untested new American president, rising populism in Europe and the twilight of a long era of low interest rates—markets are eerily calm. The Dow Jones Industrial Average, which popped above 20000 earlier this year, has spent much of the past two months treading water. The average level of the CBOE Volatility Index—or VIX, which tracks S&P 500 options prices—reached a record first-quarter low in the first three months of the year, according to Goldman Sachs Group Inc. VIX equivalents for eurozone stocks and Treasuries also remain close to historic lows.

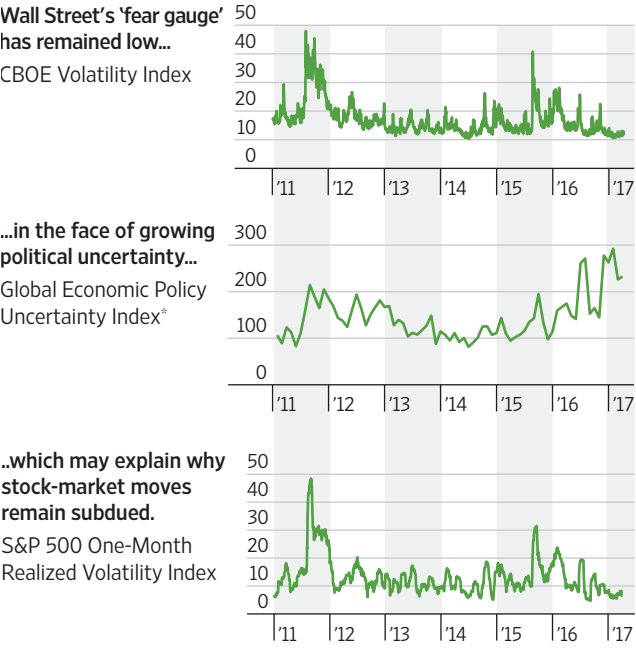
The slump in volatility has forced big money managers to change their approach to insurance. They used to buy insurance in the form of options contracts to protect portfolios against sharp moves. Now, they are selling it. GAM Holding AG was a buyer last year: It tried to shield against the risk of political events by betting on volatility. But despite the U.K.'s decision to leave the European Union, Donald Trump's election and the failure of Italy's constitutional overhaul, such insurance failed to pay off. The firm has stopped buying it, said Larry Hatheway, GAM's chief economist. Indeed, volatility in the S&P 500 in the first quarter of the year was the lowest since 1965, according to Goldman Sachs. The recent fall in volatility "caught a lot of people off guard," said Tobias Knecht, who co-manages a volatility fund at Assenagon Asset Management. That fund is down nearly 4% this year, according to researcher Morningstar Inc., after recording returns of more than 10% in both 2015 and 2016.

Selling insurance, on the other hand, has been great business, and more money managers are piling in. "Our philosophy is always to be short volatility," said Bernhard Brunner, a fund manager at Allianz Global Investors, who adds that selling options on U.S. and eurozone stocks remains attractive. That is where the feedback loop comes in. Deutsche Bank AG research suggests that investors such as Mr. Brunner are more willing to play the role of insurer than to buy insurance themselves. When investors want to sell insurance, the buyers are typically bank trading desks. As derivatives dealers, they will generally do whatever trade their clients want. Thus banks are pushed into



Volatility in the S&P 500 in the year's first quarter was the lowest since 1965, Goldman Sachs says.

A Bit Too Quiet?



*The index measures policy uncertainty in 18 countries, weighted by GDP, by tracking the frequency of local newspaper articles discussing economic-policy uncertainty. Sources: FactSet (VIX); policyuncertainty.com (uncertainty); S&P Dow Jones Indices (realized volatility)

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Investors Are Right to Oppose Excess Pay

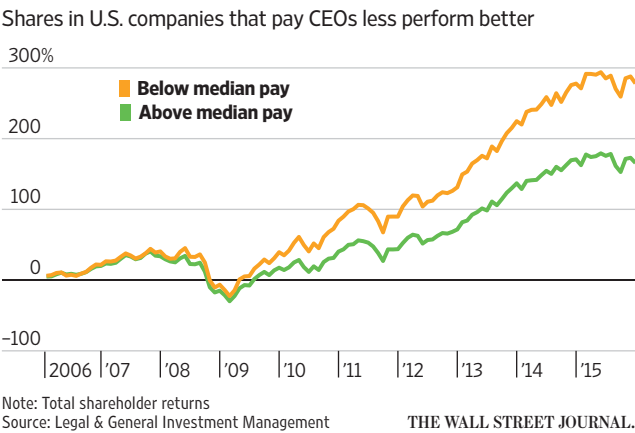
One of the world's biggest investors has gone very cold regarding overly complicated incentive packages for top executives. Other investors should get on board. Norway's sovereign oil fund, which has more than \$900 billion in assets and holds stakes in about 9,000 companies over 77 countries, wants chief executives and

Excessive pay that doesn't reflect company performance has drawn protest.

others in top teams to take a large part of their pay in the form of shares that they would hold for at least five, but preferably as many as 10 years. Excessive pay awarded through complex schemes that don't reflect company performance have been attracting increasing cries of protest from politicians, the

public and, at times, investors. Two U.K.-based chiefs of global companies, Bob Dudley of oil group BP, and Rakesh Kapoor of consumer-products giant **Reckitt Benckiser**, have had their 2016 awards slashed in recent days in response to investor protests. U.S. proxy advisers were active, too, recently. Institutional Shareholder Services came out against a \$3 million 2016 pay increase for **Coca-Cola's** chief executive, Muhtar Kent, who hasn't met financial goals. Glass Lewis urged investors to reject bonuses at Credit Suisse, the Swiss bank that has endured two years of losses. **Bombardier** in Canada has faced a firestorm of protests over its executive pay, too. Rewards for mediocrity or even failure appear common. In part this is because pay benchmarking, which sets packages purely in relation to what other leaders get, has created a ratchet effect by which long-term execu-

Pay Grades



tive pay has been hoisted ever higher by its own bootstraps. **Legal & General Investment Management**, which recently slammed ever-increasing multiples of long-term packages to executives' base salaries, said the arguments about executives defecting to U.S. companies or private equity used to drive pay higher never came to pass. The firm also noted that U.S. companies with chief ex-

ecutives paid above the median total of their peers have underperformed those companies whose CEOs got less compensation than the median. Norway's preference to have executives hold lots of shares is no guarantee they will make sound long-term decisions. Lehman Brothers in 2008 blew up that argument. The time scale for awards is a more difficult question: the lifespan of a fashion re-



BP Chief Executive Bob Dudley

tailor is much shorter than that of a life insurer. However, keeping executives exposed to a company's performance for several years after they leave should help to ensure that they don't tune performance to peak just as they are ready to cash out. In an age of populism, pay is political. Investors and boards should use their powers for change before someone else does it for them. —Paul J. Davies

Airstrikes in Syria Won't Upend Oil

Given the sensitivity of oil prices to Middle East politics, a 2% jump following U.S. missile strikes in Syria isn't a surprise. Yet unless Iran or other regional actors react in a drastic tension-escalating way, the attack is unlikely to kick prices much higher for long. The fundamental equation in oil markets remains unchanged: Strong global growth is pushing up demand, and U.S. producers are responding by increasing supply. Periodic swings in sentiment over the past 18 months have failed to wrest oil out of its trading range of \$45 to \$60 a barrel—roughly where U.S. shale production starts to look a lot more attractive. West Texas Intermediate oil increased 1% to \$52.24 a barrel in New York on Friday. One reason for skepticism about a sustained leg upward for oil is that the region of strongest demand, the U.S., is also where the supply response is quickest. Weekly demand there in March was up around 0.5% from a year earlier, compared with falls of about 1% to 2% in December and January. But over the same period, U.S. production has moved to 2% growth from a 3% to 5% decline, and there are few signs that drilling activity is slowing. And though American drivers remain exposed to Mideast oil, that exposure has lessened drastically over the past decade. Syrian oil production amounts to only about 30,000 barrels a day, or 0.03% of global output. There might be no end in sight for the country's long tragedy, but for now its effect on oil markets should remain contained. —Nathaniel Taplin

Bond Investors Have Nowhere to Turn

Bond bears have been forced into extended hibernation these past few months. Yields have halted their fourth-quarter march upward; overnight the U.S. strike on Syria pushed 10-year U.S. Treasury yields briefly below 2.30%, the bottom of the range that has held since November. That still leaves bonds in an uncomfortable spot. Even after rising from 2016's lows, yields are far from enticing. Bank of America Merrill Lynch's global government bond index yields less than 1%. The crucial aspect of this low-yield picture is that it offers very

little protection against price declines. Uncertainty about geopolitics and the economy can support bond prices, as they have done in the first quarter. But these concerns might only produce short-term gains, and any rally will only serve to make the return outlook poorer. If the French election outcome doesn't threaten the eurozone's cohesion, German bonds should lose some of their haven appeal. In Germany there is no cushion against this at all, with yields still in negative territory for a big chunk of the market. Even as bond markets doze, central banks are

edging away from the emergency monetary-policy settings that have produced strong fixed-income returns. A slow normalization of monetary policy should put pressure on bonds over time, eroding the skinny compensation of today's yields. J.P. Morgan Asset Management pegs long-term expected returns on intermediate-maturity U.S. Treasuries only just above the 2% expected on cash—or around zero in real terms. Even if bearish investors continue to be frustrated, bond returns still look like they are on a long, slow road to nowhere. —Richard Barley

OVERHEARD

Perhaps it should come as little surprise that in a country where water was supposedly turned into wine there is more of the latter than people are prepared to drink. The wineries in the Holy Land have become a holy mess. They are facing a surplus of local varieties ahead of the Passover holiday. That is the time when some 30% to 40% of local Israeli wine sales happen, according to the newspaper Globes. As those familiar with wine that is kosher for Passover can attest, much of it isn't of the quality that has growers

in places like Bordeaux quaking in their boots. The surfeit is mostly cheaper stuff that sells for 20 shekels (\$5.50) a bottle or less. But deals on that category are now pulling down prices of the higher-quality varieties. Globes reports that a brand selling for 50 shekels a year ago is now fetching only half as much. Jews world-wide traditionally down four glasses of kosher wine at their Passover meals. Perhaps a temporary increase in consumption is in order to help bring this market back into balance.