

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

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★★★★ \$4.00

DJIA 23979.10 ▲ 46.34 0.2%

NASDAQ 6950.34 ▲ 0.5%

STOXX 600 375.30 ▲ 0.1%

10-YR. TREAS. ▼ 2/32, yield 2.786%

OIL \$63.42 ▲ \$1.36

GOLD \$1,336.30 ▲ \$4.40

EURO \$1.2323

YEN 106.78

What's News

Business & Finance

The Justice Department decided to allow Bayer's megadeal to acquire Monsanto after the firms pledged to sell off additional assets to secure antitrust approval. **A1**

◆ Zuckerberg will tell lawmakers that Facebook failed to do enough to protect personal data from misuse and will lay out corrective steps. **B1, B4, B5**

◆ Russian stocks plunged in the wake of new U.S. sanctions. Aluminum maker Rusal lost half its value. **B1**

◆ China's Xi promised foreign firms greater access to the country's financial and manufacturing sectors. **B3**

◆ Novartis agreed to buy gene-therapy firm AveXis for \$8.7 billion, aiming to refresh its drug pipeline. **B7**

◆ PayPal has been offering some customers the option to add basic banking features to their digital wallets. **B1**

◆ Alibaba is leading a \$600 million funding round in a facial-recognition startup. **B6**

◆ U.S. stocks pared gains after powering higher for much of the session. The Dow rose 46.34 points to 23979.10. **B13**

◆ The NYSE opened its doors to stocks listed on rival exchanges, abandoning a decades-old policy. **B13**

◆ Leucadia is selling assets to focus more on financial services and changing its name to Jefferies Financial. **B12**

◆ The OCC's chief laid out plans to ease the application of banking regulations. **B12**

◆ Apple said it achieved its goal of powering its facilities world-wide exclusively by renewable energy. **B6**

World-Wide

◆ The FBI searched the office, home and hotel room of Trump lawyer Cohen, seizing records including those related to a payment to a former adult-film actress. **A1, A4**

◆ Trump and his national security team began laying groundwork for a possible military strike against Syria's Assad regime over a suspected chemical-weapons attack. **A1**

◆ Suspected Israeli jets carried out a deadly missile strike on a military base in Syria that Israel has said was used by Iranian forces. **A6**

◆ China has installed military jamming equipment on two of its fortified outposts in the South China Sea. **A1**

◆ North Korea's Kim acknowledged for the first time the prospect of a "dialogue" with the U.S. **A16**

◆ Trump promised relief to U.S. farmers caught up in his administration's burgeoning trade dispute with China. **A2**

◆ The CBO said that tax cuts and spending increases will lead to wider budget deficits than previously projected. **A5**

◆ The EPA was urged by the government ethics office to "take action" to address any violations by Pruitt. **A5**

◆ Florida Gov. Scott said he is running for the U.S. Senate seat held by Democratic Sen. Nelson. **A3**

◆ U.S. authorities shut down Backpage, a website accused of fostering prostitution and sex trafficking. **A5**

◆ Bill Cosby's retrial on sexual-assault charges opened near Philadelphia. **A3**

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U.S. NEWS

Trump Promises Farm Aid

BY MICHAEL C. BENDER

WASHINGTON—President Donald Trump promised relief to U.S. farmers caught up in his administration's burgeoning trade dispute with China.

"These are great patriots," he said on Monday, acknowledging they could be pinched by new Chinese tariffs aimed at the president's political base.

"They understand that they're doing this for the country. And we'll make it up to them. And, in the end, they're going to be much stronger than they are right now," President Trump said.

Speaking at the start of a cabinet meeting at the White House, the president said, "It will take a little while to get there."

China last week said it would levy penalties on U.S. soybeans, sorghum and other agricultural products, hours after the Trump administration unveiled plans to impose tariffs of 25% on Chinese products worth \$50 billion.

After China retaliated, the president then threatened a major escalation in trade tensions by saying he was considering tariffs on an additional \$100 billion in imports from China.

The president has asked the Agriculture Department for a list of options to mitigate China's "attack" on farmers,



China says it will levy penalties on U.S. agricultural products in response to the president's tariffs.

White House press secretary Sarah Huckabee Sanders said later on Monday.

The president will "present a plan on specifics of that shortly," Ms. Sanders said.

Before China announced its tariffs last week, net farm income in 2018 was already projected to decrease by \$4.3 billion, or 6.7%, to \$59.5 billion, according to a USDA forecast updated last month.

That drop would put farm profits at their lowest level since 2006.

Mr. Trump noted that on Monday the nation's farm

economy had already "significantly" declined.

"Farmers have been trending downward over an eight-year period," he said.

He said that farmers would be helped by his efforts to revise the North American Trade Agreement, which his trade team is working to overhaul in the coming weeks, and a possible deal with China.

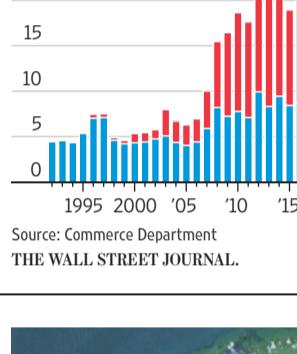
Mr. Trump said he would "probably" find a way to negotiate with China over trade.

If not, he said, "they'll have to pay pretty high taxes to do business in our country."

Tofu to Go

U.S. soybean exports

■ Rest of world ■ China



Source: Commerce Department

THE WALL STREET JOURNAL.

Test Scores Show Little Progress

BY TAWNELL D. HOBBES

American students had nearly flat results in math and reading on a national exam, continuing a pattern of stagnation over most of the past decade, as some of the lowest performers fell further behind.

Eighth-graders made the only statistically significant gain—1 point—in reading, for an average score of 267 out of a possible 500, according to the 2017 National Assessment of Educational Progress, known as the Nation's Report Card, released Tuesday.

Average scores were statistically unchanged for eighth-graders in math and fourth-graders in reading and math, the two grades tested.

"The scores today on average are flat except for that one case, eighth-grade reading," said Peggy G. Carr, associate commissioner of assessment at the National Center for Education Statistics, which analyzes the results. "Fourth-graders are continuing to show some decline."

Results for the NAEP, taken every two years, are based on a national sampling of students. The new results are on par with those from 2011.

Education Secretary Betsy DeVos has cited flat test scores in arguing for a new approach in educating children. She is a

big supporter of "school choice," providing families with options outside of a traditional public-school education, such as charter schools and voucher programs. Her opponents say the alternative methods shift money from public schools.

In the eighth-grade reading results, gains made by high-performing students were partly offset by the largely unchanged scores of lower-performing peers, according to education-department officials.

In eighth-grade math, high performers again made improvements, but they were offset by declines among lower performers, for an average score of 283.

Among fourth-graders, the scores of lower-performing students declined in both math and reading, while those of higher-performing students held steady. The average fourth-grade score in 2017 was 240 in math and 222 in reading.

Average scores for most states in both subjects at both grade levels weren't significantly different from those in 2015.

"Today's release of The Nation's Report Card confirms that there is still much work to be done," said Carissa Moffat Miller, executive director of the Council of Chief State School Officers, in a statement.

CHINA

Continued from Page One

over with concrete.

China's Defense Ministry didn't respond to a request for comment.

Beijing claims "indisputable" sovereignty over all South China Sea islands and their adjacent waters. It demarcates its claims with a U-shaped line stretching from the Chinese coast almost as far south as Malaysia.

China says its island-building is for defensive purposes only, but the activity has stirred fears that it could use the outposts to enforce territorial claims that overlap with those of Brunei, Malaysia, Taiwan and Vietnam, as well as the Philippines, which is a U.S. treaty ally. In the past year or so, China has tried to smooth relations with other claimants while continuing work on the islands.

Three of its outposts in the Spratlys—Fiery Cross Reef, Mischief Reef and Subi Reef—now feature 10,000-foot runways, hangars for fighter planes, ammunition bunkers, barracks and deep-water piers for ships.

While Chinese military per-

sonnel are at the Spratly outposts and Chinese ships dock there, China has yet to station ground units or fighter planes on the artificial islands, U.S. officials said. Nor have surface-to-air missiles or antiship cruise missiles been deployed in the Spratlys, though spots to install such weapons have been prepared, U.S. officials said.

But China's ability to quickly shift military assets to the outposts is a serious concern for the Pentagon since it could enable Beijing to control

The move strengthens China's ability to exert its regional territorial claims.

vital trade routes, exclude other claimants from disputed areas and interfere with the U.S. military's plans to defend Taiwan.

"China has built a massive infrastructure specifically—and solely—to support advanced military capabilities that can deploy to the bases on short notice," Adm. Harry Harris, the head of the U.S. Pacific Command, told the Sen-

ate Armed Services Committee last month.

According to U.S. intelligence, the new jamming equipment was deployed within the past 90 days on Fiery Cross Reef and Mischief Reef.

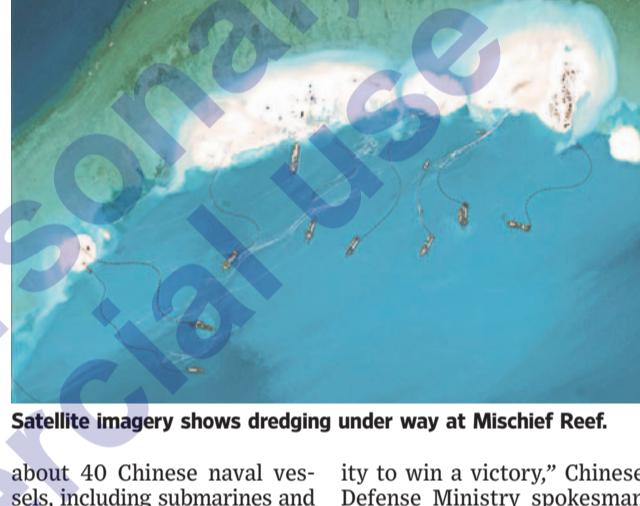
"While China has maintained that the construction of the islands is to ensure safety at sea, navigation assistance, search and rescue, fisheries protection and other nonmilitary functions, electronic-jamming equipment is only for military use," the U.S. Defense Department official said.

The U.S. regards most of the South China Sea as international waters and has sent ships through the Spratly archipelago to assert its right to freedom of navigation in the area.

China has been steadily escalating its military activities in the area. Beijing has deployed HQ-9 surface-to-air missiles and J-11B jet fighters in the disputed Paracel Islands since 2016. Those islands are about 500 miles north of the Spratlys in the South China Sea.

Beijing also has established a new Southern Theater Command to oversee Chinese forces responsible for the South China Sea.

Recent satellite images from Planet Labs Inc. showed



Satellite imagery shows dredging under way at Mischief Reef.

ing carrier group, based in China's northeast, as well as air, missile and other forces.

Chinese air force spokesman Shen Jinke acknowledged last month that Su-35s and H-6s recently conducted joint combat patrols over the South China Sea, without specifying the exact timing or location. China revealed in February that it had sent Su-35s, bought from Russia and delivered in late 2016, to the South China Sea for the first time.

U.S. officials said drills involving Chinese marines on the mainland were part of the broader exercise as well.

Timothy R. Heath, a senior analyst at the Rand Corporation, said that while the main purpose of the exercise was to improve the readiness of China's forces, it was also sending a political message.

To Chinese domestic audiences, Beijing is signaling strength and readiness to defend the country's interests, which may bolster nationalist support for the government, Mr. Heath said.

To the region and the United States, Beijing is signaling that it has been acting with restraint, but that it is willing to meet confrontational policies with its own confrontational policies.

ARIZONA

Guard Members Deployed to Border

Arizona Gov. Doug Ducey said Monday that 225 members of the state's National Guard were heading to the U.S.-Mexico border to support President Donald Trump's call for troops to fight drug trafficking and illegal immigration.

More of the state's Guard members will be deployed on Tuesday, said Mr. Ducey, a Republican. The Arizona troops were being sent after Texas announced Friday it would send 250 National Guard members.

President Trump said last week he wants to send 2,000 to 4,000 National Guard members to the border.

—Associated Press

ROSS D. FRANKLIN/ASSOCIATED PRESS



Arizona Gov. Doug Ducey met with National Guard soldiers on Monday prior to their deployment.

MISSISSIPPI

Senator Is Sworn In And Makes History

Republican Cindy Hyde-Smith made history Monday when she was sworn in as the first woman to represent Mississippi in the U.S. Senate.

Ms. Hyde-Smith was picked by Gov. Phil Bryant to fill the seat held by GOP Sen. Thad Cochran, who resigned amid health con-

cerns. Ms. Hyde-Smith faces several challengers in the wide-open Nov. 6 special election to serve the remainder of Mr. Cochran's term, through January 2021.

—Associated Press

COURT RULING

Equal Pay Act Applies Despite Past Salaries

Employers can't pay women less than men for the same work

based on differences in their salaries at previous jobs, a federal appeals court said Monday.

Pay differences based on prior salaries are discriminatory under the federal Equal Pay Act, a unanimous 11-judge panel of the Ninth U.S. Circuit Court of Appeals said.

The decision overturned a ruling last year by a smaller panel of Ninth Circuit judges that had been criticized by equal-pay advocates.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Facebook Inc. has a market value of more than \$450 billion. A Page One article on Monday about the company and its CEO incorrectly implied Facebook's annual revenue is \$450 billion. Facebook's revenue in 2017 totaled \$40.65 billion.

In some editions Monday, the last name of James Libson, a lawyer for Mishcon de Reya LLP, was misspelled as Lisbon in a Business News article about BSG Resources Ltd.

Golfer Rickie Fowler birdied the 18th hole in the final

round of the Masters. A Sports article on Monday about the tournament incorrectly said Mr. Fowler birdied the 17th hole.

An index of economic-policy uncertainty, which averaged 100 from 1985 through 2009, averaged 140.2 during President Donald Trump's first 14 months in office. The Outlook column in the April 2 edition incorrectly said the index averaged 140.2 during President Trump's first 13 months in office and said it averaged 100 between 1985 and 2010.

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

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U.S. NEWS

Florida Governor Runs for Senate

By SIOBHAN HUGHES

WASHINGTON—Florida Gov. Rick Scott said he is running for the U.S. Senate seat held by Democratic Sen. Bill Nelson, committing to a contest likely to become one of the most competitive and costly in the nation.

"Our work is not done," Mr. Scott, a Republican, said in a speech Monday in Orlando, Fla., with firm ODC Construction as a backdrop. Saying he had helped turn the state's economy around during his two terms in office, Mr. Scott said, "We have to keep looking forward and that's why today I'm announcing another mission...I have decided to run for the United States Senate."

Republicans consider Mr. Scott, with his personal wealth and broad name recognition, the only candidate with a shot at ousting Mr. Nelson, given Florida's size and expensive media markets. Mr. Scott, who took office in 2011, couldn't seek re-election as governor because of term limits.

The GOP holds 51 seats in the Senate, but Republicans have many more opportunities to flip seats than Democrats do. Holding Mr. Nelson's seat is imperative for Democratic hopes of retaking the Senate, or at least blocking Republicans from expanding their majority.

Mr. Nelson, who has represented Florida in the Senate since 2001, has built a reputation as an effective advocate, winning money to help the state recover from Hurricane Irma, fighting periodic at-



Florida Gov. Rick Scott said he would run for the Senate against longtime Democratic Sen. Bill Nelson at an event in Orlando on Monday.

tempts to open Florida's waters to oil drilling, and most recently pushing for stronger gun controls, including a ban on the sale or manufacture of guns like the one used in February's shooting at a high school in Parkland, Fla.

Mr. Nelson's prior rivals were considered weak, a trend that changes with the entry of Mr. Scott into the race. Mr. Scott's political standing has

been on the rise following his handling of last year's hurricane and this year's school shooting. In a Quinnipiac University poll released in February, Mr. Scott had his highest ratings ever, with 49% approving of his performance and 40% disapproving—reversing a seven-year history of negative ratings.

"I don't care who is an opponent," Mr. Nelson said on

Capitol Hill. "I always take things seriously and I run like there's no tomorrow. And I think in this case, a lot of the differences between the two of us are going to come out in the course of the campaign."

On Monday, the Cook Political Report, a nonpartisan political forecaster, changed its rating on the Senate race to "tossup" from "lean Democratic," reflecting Mr. Scott's

entry into the contest. It had previously ranked four Senate races featuring Democratic incumbents as tossup races, with all four in states that President Donald Trump won by at least 19 percentage points.

Mr. Scott has a close relationship with the GOP president, who won Florida by a single percentage point, and those personal ties are likely to become a focal point of the race.

One-Year Alternatives to College Pop Up

By DOUGLAS BELKIN

As a high-school senior in Hampton, Va., Aidan Cary applied last year to prestigious universities like Dartmouth, Vanderbilt and the University of Virginia.

Then he clicked on the website for a one-year-old school called MissionU and quickly decided that's where he wanted to go.

Mr. Cary, 19 years old, is enrolled in a one-year, data-science program. He studies between 40 and 50 hours a week, visits high-tech, Bay Area companies as part of his education, and will pay the San Francisco-based school a percentage of his income for three years after he graduates.

This new type of postsecondary education is proving a hit: The school says it has received more than 10,000 applications for 50 spots.

"I think people feel backed into a corner by the cost of college," Mr. Cary said. "They've been waiting for something like this so when it

finally came around they could instantly see the value."

MissionU, which enrolled its first class in September, is part of new breed of institutions that bill themselves as college alternatives for the digital age. The schools—whose admission rates hover in the single digits, comparable with the Ivy League, according to the schools—offer a debt-free way to attain skills in hot areas and guaranteed apprenticeships with high-tech companies. Together, those create a pipeline to well-paying high-tech jobs.

What they lack is an accredited degree, the longtime entry ticket to a professional career, and the traditional trappings of college, including a full liberal-arts education.

While alternative colleges can teach a person how to work, they don't teach their students why they are working, said Gardner Campbell, an English professor at Virginia Commonwealth University. Without that context, graduates of these programs run the risk of becoming well-paid

Beyond Camp

Coding boot camps have been growing quickly, paving the way for schools pitching themselves as alternatives to college.

25,000 boot camp students



Source: Course Report

THE WALL STREET JOURNAL.

drones, he said.

Many politicians are pushing the attractiveness of college alternatives like vocational schools, amid rising debt. The enrollment pressures are creating winners and losers among traditional four-year colleges.

The precursor to alternative colleges was coding boot camps that started to show up in 2011. They teach students software engineering skills and draw mostly college graduates

or college dropouts. In 2017, there were at least 95 schools in dozens of cities that produced 22,949 graduates, said Liz Eggleston, co-founder of Course Report, based in New York, which tracks the industry. They cost an average of \$11,000, last 14 weeks and place graduates in jobs with average starting salaries of nearly \$71,000 a year.

A new breed of longer programs such as MissionU has begun to pop up. In California, the Holberton School and the "42" program recently opened, and in Indianapolis, the Kenzie Academy has begun its second class. While they remain focused on digital skills, they also add a smattering of general education courses—in areas like problem solving and teamwork—and market themselves as college alternatives.

"The degree is dead. You need experience," says the website for Praxis, a five-year-old digital school based in South Carolina.

Praxis teaches students an array of digital and soft

skills—such as communications—for six months before finding them apprenticeships with startups, mostly in technology. The program costs \$11,000 and is designed to be covered by the wages earned during the apprenticeship.

Just 11% of Praxis students who apply are accepted and about 200 students have graduated, said Isaac Morehouse, the company's founder.

ClickUp, a two-year-old project management software company in San Francisco with nearly 50 employees, has worked with five Praxis grads. They have all been strong, productive apprentices, said Chris Cunningham, ClickUp's president of client success.

MissionU founder Adam Braun said students formally meet once a week and take most of their classes online. About half are traditional college-aged, the rest are older. Students pay nothing up front. After they graduate and they have found a job paying at least \$50,000, they pay 15% of their income for three years.

Bill Cosby Retrial Opens

By KRIS MAHER

NORRISTOWN, Pa.—Prosecutors opened Bill Cosby's criminal trial outside Philadelphia Monday, telling jurors they will hear evidence that the entertainer assaulted an acquaintance in his home in 2004 using a predatory pattern he had used with women previously, including by positioning himself as a mentor and providing drugs to incapacitate them.

In this case, the 80-year-old former star of "The Cosby Show" is charged with drugging and sexually assaulting a former Temple University employee named Andrea Constand, after giving her three Benadryl pills and wine in his home 14 years ago.

During a roughly two-hour opening statement, Montgomery County District Attorney Kevin Steele said Mr. Cosby first won Ms. Constand's trust and then betrayed it, as he had with other women in the past.

"This case is about betrayal and that betrayal leading to the sexual assault of a woman named Andrea Constand," Mr. Steele said. He alleged that Mr. Cosby handed the pills to Ms. Constand with the words, "These are your friends."

Mr. Cosby has said he had a consensual sexual relationship with Ms. Constand and is innocent of the charges. Each of three counts of aggravated indecent assault against Mr. Cosby carry a maximum penalty of 10 years in prison.

The entertainer's retrial on sexual-assault charges comes roughly 10 months after his first trial here ended in a hung jury and mistrial. Beyond the atmosphere of the #MeToo movement surrounding the retrial, a number of factors make it far from a replay of Mr. Cosby's first turn in the courtroom.

Judge Steven T. O'Neill has ruled that five other women besides Ms. Constand can testify, opening the door to allegations of Mr. Cosby's past behavior with other women.

Mr. Cosby has denied the allegations in each of those other cases.



The entertainer faces a new trial.

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U.S. NEWS

A Toxic Cloud Creeps Over Trump-Putin Ties

**CAPITAL JOURNAL**

By Gerald F. Seib

Can you have a good relationship with the leader of Russia at the same time you have a bad relationship with the country of Russia?

The quest to do exactly that has been at the heart of President Donald Trump's global strategy. He has tried hard to separate his leader-to-leader relationship with Russian President Vladimir Putin

(friendly, free from personal criticism) from the considerable problems in the broader U.S.-Russia relationship (increasingly tense, marked by Russian defiance and American sanctions).

Now that strategy is being put sorely to the test. In fact,

it may have died in a mist of chemicals raining down on civilians in Syria over the weekend.

In launching a chemical-weapons attack inside his own country, Syrian President Bashar al-Assad—Russia's friend and recipient of all manner of Russian help—stuck a finger in the world's

eye. The attack came just days after Mr. Trump had said he wanted U.S. troops out of Syria and away from its civil war, a declaration that may have emboldened the Syrians.

In any case, the president responded with a rare public rebuke of Mr. Putin, in essence charging he was complicit in the chemical attack. That marked a significant departure.

Mr. Trump, moreover, has essentially promised a response. He has a range of options. He could order the kind of limited reprisal strike at Syrian targets that he launched under similar circumstances a year ago, simply to make a point. He could launch broader U.S. attacks on Syrian military sites, which would have the added effect of indirectly helping the Syrian opposition forces the U.S. continues to aid in the country.

Alternatively, Mr. Trump could try to lead a broader international response. The Russians will use their veto to block meaningful action at the United Nations Security Council, but the U.S. likely could get cooperation from France and the U.K. if Mr. Trump seeks it. The president likes to act unilaterally; this may be the occasion to think multilaterally.

More broadly, the chemical attack may prompt Mr. Trump to rethink his impulse to withdraw the small contingent of American forces



President Vladimir Putin of Russia, left, with President Trump at a summit in Vietnam in November.

he the first to be hammered for doing so. Notably, former President George H.W. Bush tried to maintain ties to China's leaders even amid the 1989 crackdown on democracy protesters in Beijing's Tiananmen Square. He was widely criticized for not being more outspoken, but his approach preserved his ability to get Chinese cooperation when Iraq invaded Kuwait the next year.

Mr. Trump seems to have a particularly strong belief in the power of his personal ability to woo, cajole and manipulate other leaders. In separate conversations, several of his advisers said that belief is rooted in his New York business experience.

Mr. Trump has tried a similar approach with Chinese President Xi Jinping, seeking to cultivate a personal connection that can be walled off from the eruption of trade tensions.

But maintaining that approach with Mr. Putin, already a strain because of the investigation into alleged Russian efforts to help Mr. Trump win the presidency in the first place, has become increasingly difficult. Mr. Putin has proved to be not just antidemocratic, but determined to make a mockery of democracy with his interference in an American election. The weekend tragedy in Syria simply makes the strain more extreme.

on the ground in Syria, where their ostensible goal is to help mop up the remnants of Islamic State fighters. Mr. Trump's urge, stated explicitly last week, is to get out and let Mr. Assad and his Russian and Iranian friends and the Turks next door sort out the future.

But in the wake of the weekend attack, a withdrawal would make it appear the U.S. is willing to turn the fate of Syria over to the same people who use chemical weapons against the populace. At

a minimum, Mr. Trump, having again just criticized his predecessor, Barack Obama, for not taking more decisive action in Syria, now can't so easily walk away.

In short, Mr. Trump, like other presidents before him, would prefer to extract himself from the messes of the Middle East; like them, he now may conclude that isn't easy, and may not even be possible.

Mr. Putin isn't the kind of leader to sit passively if Russian interests in Syria come under attack by the U.S. The prospect of tit-for-tat escal-

ation of U.S.-Russian tensions in Syria—piled on top of worries over Russian interference in U.S. politics, the apparent Russian poisoning of a former spy in Britain and a sham Russian presidential election—is now very real. And the idea that the Trump-Putin relationship can somehow be insulated from those broader tensions is under increasing strain.

Mr. Trump is, of course, hardly the first president to try to keep cordial relations with a fellow world leader even as their countries clash in the trenches below. Nor is

President Trump, commenting Monday after the FBI raid of his attorney's office:

'So I just heard that they broke into the office of one of my personal attorneys—a good man. And it's a disgraceful situation. It's a total witch hunt.'

'This is the most conflicted group of people I've ever seen. The Attorney General made a terrible mistake when he did this, and when he recused himself. Or he should have certainly let us know if he was going to recuse himself, and we would have used a—put a different Attorney General in.'

'It's an attack on our country, in a true sense. It's an attack on what we all stand for.'

Lawyer's Office Is Unusual Target

BY JACOB GERSHMAN
AND JOE PALAZZOLO

The Manhattan law office of Michael Cohen, President Donald Trump's personal attorney, made for an unusual target for federal agents, who raided it Monday morning.

Typically, federal agents need special permission to comb the files of an attorney, whose client communications are generally protected from disclosure, legal experts said. To obtain a federal warrant, Justice Department officials need a special finding that an attorney's office contains crucial evidence, said Christopher Slobogin, a criminal-procedure expert at Vanderbilt Law School.

It is unclear if agents targeted client files or were

searching for business records falling outside the scope of attorney-client privilege, though the lines separating them aren't always clear. Steve Ryan, a lawyer for Mr. Cohen, said Monday that the search led to the unnecessary seizure of protected attorney-client communications.

When searching the offices of an attorney who is a subject of an investigation, "prosecutors are expected to take the least intrusive approach," according to the U.S. Attorneys' Manual, which instructs prosecutors to consider a subpoena before resorting to a search warrant.

The raid carries risks for the Justice Department as well. The attorney-client privilege generally shields interactions between lawyers and clients from

being deployed as evidence against a defendant. If government lawyers use privileged communications to build their case, a court could deem their entire prosecution tainted.

To guard against that, the Justice Department uses what are known as "taint teams," groups of government attorneys who are segregated from Federal Bureau of Investigation agents and prosecutors involved in the investigation, said Daniel Goldman, a former assistant U.S. attorney for the Southern District of New York. Taint teams are charged with sifting through seized files and determining what prosecutors can use.

Courts have approved the use of taint teams, but criminal defense lawyers have long criticized the practice as an exam-

ple of the fox guarding the chicken coop. In rare cases, a judge could appoint an independent special master to review the files or examine seized documents him or herself.

Attorney-client privilege is intended to allow lawyers to give robust legal advice without worrying about incriminating a client. But attorney-client information may not be protected if the communications were in service of an illegal act, under the "crime-fraud exception" to the privilege.

If agents were after Mr. Cohen's client files, prosecutors could still use the information if they found an intention of committing or concealing a crime or fraud, a difficult standard to meet, said Sara Kropf, a white-collar defense lawyer in Washington.

COHEN

Continued from Page One

The actions suggest authorities received high-level approval to conduct the searches because investigators typically don't seize documents from personal lawyers because of the sensitivities surrounding attorney-client privilege.

"You don't know what the heck they're going to find," said Peter Zeidenberg, a former federal prosecutor who described the raids as an "aggressive move."

Federal prosecutors in Manhattan are examining possible bank fraud by Mr. Cohen, among other matters, the person familiar with the matter said. The probe is being conducted out of the office's public-corruption unit. Mr. Cohen's attorney didn't respond to a request for comment about investigators examining bank fraud. Mr. Cohen has previously said suggestions a payment to Stephanie Clifford, the former porn actress known as Stormy Daniels, violated campaign-finance laws were "without legal merit."

In October 2016, less than two weeks before the presidential election, Mr. Cohen made a \$130,000 payment to Ms. Clifford, The Wall Street Journal reported in January. He made the payment as part of an agreement that bars Ms. Clifford from discussing an alleged sexual encounter with Mr. Trump.

Steve Ryan, Mr. Cohen's lawyer, confirmed in a statement Monday that prosecutors executed a series of search warrants.

Mr. Ryan called the use of search warrants "completely inappropriate and unnecessary" and said it had "resulted in the unnecessary seizure of protected attorney-client commun-



Michael Cohen, President Donald Trump's personal attorney.

Trump's Lawyer The 'Fix-It Guy'

was in private practice before 2007, when he joined the Trump Organization as an executive vice president.

Mr. Cohen said he entered Mr. Trump's orbit after purchasing four units in a Trump building and helped with a dispute involving condominium board members at a different building.

Anthony Scaramucci, briefly President Trump's communications chief, has called Mr. Cohen the "3 a.m. break-the-glass call" for about 150 people. Mr. Scaramucci said: "If I had a problem, someone broke into the house, or drunk driving, he would be there in a minute."

—WSJ Roundup

Meantime, federal authorities have demanded bank records related to the \$130,000 payment, according to a person briefed on the matter. First Republic Bank, which Mr. Cohen used to wire \$130,000 to Ms. Clifford's lawyer on Oct. 27, 2016, conducted its own investigation of the transaction after receiving the subpoena from the authorities, the person said.

The bank sent its findings to

the Treasury Department in a suspicious-activity report, the person said.

A First Republic Bank representative declined to comment.

The 2016 payment was received in a client-trust account for Ms. Clifford's then-attorney, Keith Davidson, at City National Bank in Los Angeles, people familiar with the matter said. The bank also investigated the transaction last year.

City National previously said in a statement that it doesn't "confirm or comment on inquiries from regulatory agencies or law enforcement, including subpoenas."

For months, Mr. Mueller's team has asked witnesses about Mr. Cohen's role during the 2016 presidential campaign, according to people familiar with the matter. Their questions have focused on a number of episodes, including his efforts in the early months of the campaign to have a Trump Tower built in Moscow.

Federal agents raided Mr. Cohen's office on the 23rd floor of 30 Rockefeller Plaza after 9 a.m. and remained for several hours, a person familiar with the matter said.

Mr. Cohen has said he paid the \$130,000 to Ms. Clifford out of his own pocket and wasn't reimbursed by the Trump Organization or the Trump campaign. But he hasn't said whether Mr. Trump had personally paid him back. After the election, Mr. Cohen complained to friends that he had yet to be reimbursed for the payment, according to people familiar with the matter.

Mr. Trump denied last week any knowledge of the payment.

The New York Times reported on Monday that federal investigators had searched Mr. Cohen's office.

—Joe Palazzolo
and Shelby Holliday
contributed to this article.

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U.S. NEWS

U.S. Shuts Down Backpage Website

BY DEL QUENTIN WILBER
AND LALITA CLOZEL

Federal officials said they were shutting down Backpage, a classified-ad website that has long been accused by political leaders and law-enforcement officials of providing a platform for prostitution and sex trafficking.

As part of the federal operation, a grand jury in Arizona indicted seven people associated with Backpage on charges of facilitating prostitution and money laundering. They included Michael Lacey, 69 years old, and James Larkin, 68, the co-founders of Backpage.

Backpage lawyers didn't respond to a request to comment on Monday. But Backpage and its attorneys have previously rejected assertions that it participates in fostering prostitution and said it has taken steps

to ensure advertisers aren't dealing with children.

The 93-count indictment identified at least 17 instances where people were allegedly trafficked for sex through Backpage, one of whom the indictment said was slain by a client. Some of the alleged victims were children, one as young as 14, officials said.

Other charges allege that people associated with Backpage have earned about \$500 million in revenue related to prostitution since 2004, and that they engaged in a conspiracy to launder the illicit funds through overseas banks.

U.S. officials on Monday called Backpage the leading online forum for prostitution ads, including those showing the prostitution of children. Authorities have been trying for years to shut down Backpage, but have faced legal set-

backs due to laws that limit the liability of websites for the activities of their users.

"For far too long, Backpage.com existed as the dominant marketplace for illicit commercial sex, a place where

Seven were indicted on charges of facilitating prostitution and money laundering.

sex traffickers frequently advertised children and adults alike," Attorney General Jeff Sessions said.

Backpage, already the subject of multiple criminal probes, had become a lightning rod for critics of websites accused of turning a blind eye

to human trafficking. Congress recently passed a law limiting the legal immunity granted to websites for actions by users.

Members of Congress, including Sens. Claire McCaskill (D., Mo.) and Rob Portman (R., Ohio), have investigated the alleged role of Backpage in the sex-trafficking system.

The bipartisan law passed last month, led by Sen. Richard Blumenthal (D., Conn.) and Mr. Portman, would amend the Communications Decency Act of 1996 to roll back immunity that Congress had conferred on websites for the actions of their users.

Its passage marked a rare political defeat for big technology firms, which have become a powerful lobbying force in Washington. Since then, a number of websites have taken down forums allegedly involved in sex solicitation, in-

cluding Craigslist and Reddit. Others, such as NightShift and CityVibe, have shut down.

Large companies like Alphabet Inc.'s Google long resisted any change to the website immunity law, fearing it could lead to a greater erosion of congressionally granted legal protections. Technology advocacy groups have supported Backpage in some of its legal battles.

But a series of political misfortunes, including Russian use of online platforms to meddle in the 2016 election, have diminished the tech industry's standing in Washington, making it easier for lawmakers to pass the legislation effectively targeting adult-services sites.

The moves against Backpage didn't appear directly linked to the legislation, but instead resulted from a long-running investigation.

Review of Pruitt by EPA Urged

BY REBECCA BALLHAUS

WASHINGTON—The head of the Office of Government Ethics on Friday wrote a letter to the Environmental Protection Agency urging the department to "take action" to address any ethical violations by its administrator, Scott Pruitt.

Dave Apol, the acting head of ethics office, in the letter cited Mr. Pruitt's recent actions that "raise concerns and may constitute a violation of the Standards of Ethical Conduct for Employees of the Executive Branch" and outlined "the resulting need for your agency [to] take action to appropriately address any violations."

Mr. Apol's letter comes as the White House is conducting a review of Mr. Pruitt's activities. White House chief of staff John Kelly told President Donald Trump in recent weeks that he was convinced Mr. Pruitt needed to step down after recent negative reports about his spending habits and management style, but the president is not ready to fire him, according to a White House official. "Scott is doing a great job!" Mr. Trump tweeted on Saturday.

Mr. Apol cited recent news reports that Mr. Pruitt had rented accommodations in Washington at below-market rates from the family of an energy lobbyist. Mr. Pruitt also has faced questions over his travel expenses, and he had a testy interview with Fox News when he was pressed over large pay raises reportedly given to two EPA employees.

A spokesman for Mr. Pruitt didn't return a request to comment on the letter, which was reported earlier by the New York Times.

Mr. Pruitt has defended his living arrangements and said he reversed the pay raises given to two staff members once he found out about them.

CBO Raises Estimates for Budget Deficits

BY BEN LEUBSDORF

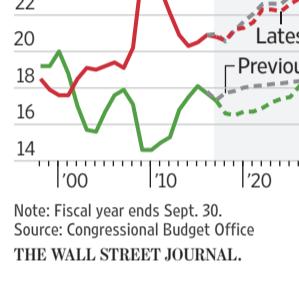
WASHINGTON—Tax cuts and spending increases enacted over the past four months will lead to wider budget deficits than previously expected and a mostly temporary spurt in economic growth, Congress's nonpartisan scorekeeper predicted Monday.

The Congressional Budget Office said the federal budget deficit would total \$804 billion this year, 43% larger than it had projected last summer, and exceed \$1 trillion a year starting in 2020. The deficit was \$665 billion in the fiscal year ended Sept. 30.

Economic growth will jump above 3% this year thanks to fiscal stimulus, the CBO said, but the agency predicted the acceleration will prove largely fleeting. Larger deficits will add to the national debt: Debt held by the public will hit \$28.7 trillion at the end of fiscal 2028, or 96.2% of gross domestic product, up from 78% of GDP in 2018.

Wider Deficits

New ten-year projections predict wider near-term gaps between government spending and tax revenue compared with 2017 projections.



Note: Fiscal year ends Sept. 30.
Source: Congressional Budget Office
THE WALL STREET JOURNAL.

Those estimates assume current law will remain in effect, meaning Congress would allow some tax cuts to expire and spending caps to take effect again in the coming years. If Congress extends the tax cuts, as many Republicans



want to do, the CBO predicted wider deficits and publicly held debt of about 105% of GDP by the end of 2028—a level exceeded only once in U.S. history, in the immediate aftermath of World War II.

"Such high and rising debt

would have serious negative consequences for the budget and the nation; in particular, the likelihood of a fiscal crisis in the United States would increase," CBO Director Keith Hall said.

Congress in December enacted corporate and individual tax cuts and in February approved a two-year budget deal, followed last month by a spending bill that boosted government outlays this year on both domestic and military programs.

Hoping to rein in federal spending, top White House officials are working on a proposal of "rescissions," or cuts they hope to make to last month's \$1.3 trillion spending bill, but it isn't clear a rescission bill could pass the Senate.

When the CBO last issued projections in June, it expected the federal budget deficit would widen from 2.8% of gross domestic product in the 2018 fiscal year to 5.2% of GDP in 2027. That would take the debt held by the public from 78% of GDP in the current fiscal

year to 91.2% of GDP in 2027.

In Monday's report, the CBO revised deficit numbers higher in the short term. The deficit is expected to rise from 4% of GDP in 2018 to 5.4% of GDP in 2022, then ease to 5.1% of GDP in 2028. The debt held by the public will climb from 78% of GDP in 2018 to 94.5% of GDP in 2027, then 96.2% in 2028, the agency said.

Among other things, the CBO projected lower revenues because of the tax cuts and higher interest payments on the national debt.

"We've just had a great deal of fiscal stimulus on an economy that's nearly out of slack," Mr. Hall said.

The CBO predicted economic output would expand 3.3% in the fourth quarter of 2018 from a year earlier, up from its June 2017 estimate of 2% growth. Annual growth would slow in subsequent years: 2.4% in 2019; 1.8% in 2020; 1.5% in 2021 and 2022; and 1.7% in 2023 through 2028.

DEAL

Continued from Page One
sought structural changes to the deal, in the form of asset sales, instead of promises from the companies on how they would run their businesses postmerger.

AT&T didn't agree. Bayer did.

Bayer, a German pharmaceutical and chemical conglomerate, is a leading player in the pesticide industry, while Monsanto, based in St. Louis, is a market leader on seeds and crop genes. The deal, which was announced in September 2016, would make Bayer the world's biggest supplier of pesticides and seeds for farmers.

The European Union last month conditionally approved the deal after Bayer agreed to sell more than \$7 billion worth of assets to rival BASF SE. The sales include Bayer's soybean and cottonseed businesses, as well as Bayer's glufosinate weedkiller, which competes against Monsanto's Roundup.

U.S. antitrust officials continued to harbor concerns. After the EU's move, the Justice Department said the deal could have different competitive effects on American farmers and consumers, citing for example the market for genetically modified seeds, which are widely used in the U.S. but largely prohibited in Europe.

As part of an agreement with U.S. antitrust enforcers, people familiar with the matter said Bayer will divest itself of additional seed and seed-treatment assets and will make concessions related to its digital agriculture business, which provides data-driven farming advice and services. BASF will also acquire those assets, the people said.

It isn't clear when U.S. approval could be completed.

"As we've said from the beginning, this opportunity is about combining highly complementary businesses and bringing new innovative solutions to our customers," Bayer said in a statement. "We remain confident in our ability to obtain all necessary regulatory approvals and look forward to continuing to work diligently with regulators to



support that process. We anticipate closing in second quarter 2018."

A Monsanto spokeswoman pointed to a company earnings statement last week, in which Monsanto said it "continues to be confident in the companies' collective ability to secure the required approvals within the second calendar quarter of 2018 and in the time contemplated by the agreement."

Representatives for the Justice Department and BASF declined to comment.

Bayer's purchase of Monsanto would be the third in a series of megadeals to reshape the \$100 billion global market in crop seeds and chemicals.

Dow Chemical Co. and DuPont Co. last year completed a merger that united the companies' agricultural divisions, which eventually will be spun out into a new company called Corteva Agriscience. Swiss seed and pesticide maker Syngenta AG last year completed its \$43 billion sale to China National Chemical Corp., expanding the state-owned company's heft in high-tech seeds and pesticides.

This consolidation has raised worries among farmers, who are struggling against a global crop glut that has pushed down prices and farm incomes. Groups including the National Farmers Union have urged antitrust enforcers to block the deals, warning that diminished competition among the global giants could lead to higher prices and fewer choices for already-strapped farmers.

"A game of 'musical chairs' among a dwindling set of market players is not a prescrip-

tion for healthy, competitive agricultural [supply] markets," wrote officials for the NFU, the American Antitrust Institute and Food & Water Watch, in a letter sent to the Justice Department last year.

Bayer and Monsanto executives have said combining would allow the companies to bring better products to market faster by integrating research across chemicals, seed breeding and biotechnology.

The companies still need some additional approvals, including from regulatory bodies in Canada and Mexico.

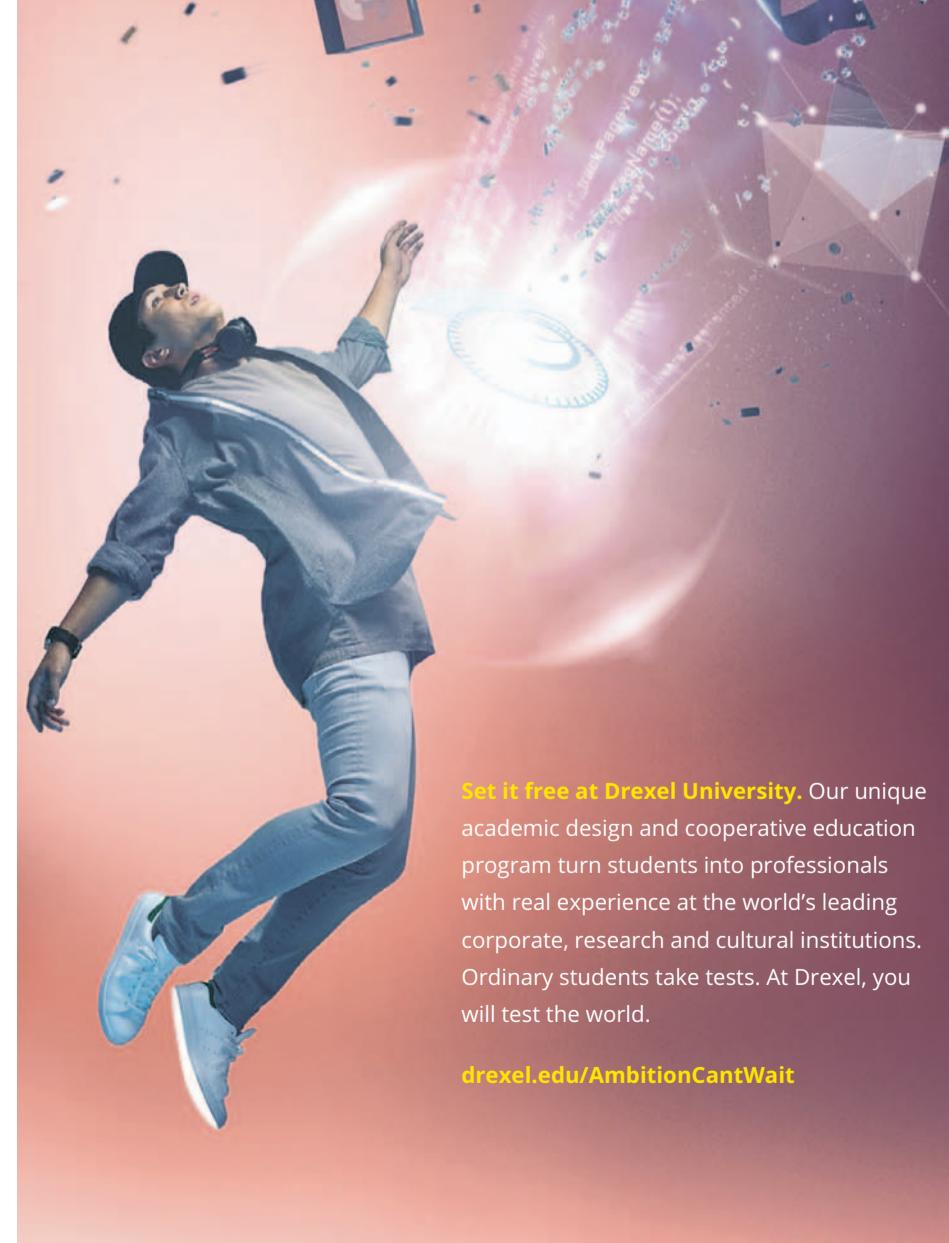
While analysts have generally expected the deal to close, some have warned of uncertainty around the Justice Department review.

There have been recent public signs that the Justice Department was heading toward allowing the deal. The department had a group of lawyers preparing for possible litigation on the Bayer transaction in case talks broke down, but a leading member of the team, Julie Elmer, is now working on the department's current litigation against the AT&T-Time Warner deal.

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WORLD NEWS

Jets Strike Syrian Base; Israel Suspected

Rockets hit site
Israelis have said is
being used by Iran to
support Hezbollah

By SUNE ENGEL RASMUSSEN
AND RORY JONES

Suspected Israeli warplanes carried out a deadly missile strike on a military base in central Syria on Monday, targeting a site that Israel has said was used by Iranian forces.

The attack on Tiyas Airbase, west of the city of Palmyra, came two days after Syria was accused of using chemical weapons against a rebel-held Damascus suburb, killing dozens of civilians and spurring calls for international action.

It wasn't clear whether Monday's strike was a response to Saturday's chemical attack. Israel has previously accused Syria of allowing Iran to set up operations at the base, also known as T-4, to supply the Lebanon-based Hezbollah militia with weapons. T-4 isn't used for chemical weapons, analysts say.

Russia's Defense Ministry said two Israeli F-15 fighters fired eight guided missiles from Lebanese airspace, state news agency RIA Novosti reported. Pro-government Syrian media said some 20 missiles were fired, adding that the direction of the strike indicated Israel might be behind it.

Russia, which along with Iran has supported the Assad regime in its seven-year-old war, said it was concerned



Syrian forces gathered Monday outside the rebel-held town of Douma, where a suspected chemical-weapons attack occurred Saturday.

about the strike on T-4 and was in touch with the Israeli government about it.

At least 14 military personnel were killed in the strike, including three Syrian commanders, the Syrian Observatory for Human Rights said. Iran's semi-official Fars News Agency reported that four Iranians also were among the dead and it published their names and photographs.

The Israeli army declined to comment on the Russian and Syrian allegations, in line with its policy of neither confirm-

ing or denying airstrikes. Israeli Prime Minister Benjamin Netanyahu appeared to allude to the reports during a public appearance on Monday.

"We have one clear and simple rule and we seek to express it constantly: If someone tries to attack you—rise up and attack him," Mr. Netanyahu said at a ceremony near the Gaza Strip, without referring to the Syrian strikes. "Security in the present is a necessary condition for security in the future," he said.

The attack came a day after

world leaders condemned the alleged chemical-weapons attack late Saturday on civilians in the rebel-held town of Douma in Eastern Ghouta outside Damascus. U.S. President Donald Trump said Syria would pay "a big price" for the alleged attack and vowed Sunday a "strong, joint response" with his French counterpart, Emmanuel Macron.

Israel for years largely stayed neutral in the Syrian war, launching airstrikes only against Iranian weapons convoys bound for Hezbollah. But

backed by Russia, Iran and Hezbollah, Syrian President Bashar al-Assad is emerging victorious in his country's war and Israel has expressed concern that Tehran will establish weapons factories and military sites in Syria to attack Israeli territory.

Mr. Netanyahu's posture has shifted in recent months and Israel's air force has repeatedly attacked sites in Syria, raising the prospect of a wider regional war.

Current and former Israeli officials didn't directly ac-

knowledge an Israeli role in the Monday strike but many publicly supported the attack.

"We have clear interests in Syria and we set red lines," Yoav Galant, construction minister and a member of Israel's security cabinet, told the national broadcaster Kan. "We will not allow weapons to be transferred from Syria to Lebanon and we will not allow an Iranian entrenchment."

Israeli officials reacted negatively to the chemical attack in Syria, and Defense Minister Avigdor Lieberman on Sunday warned that Israel would have to act alone in the Middle East, given the signs in recent weeks that Mr. Trump aimed to pull U.S. troops from the Syrian conflict.

Syrian media said loud explosions were heard in Homs province after jets entered Syria from Lebanon. Some missiles hit the maintenance section of the base, damaging a number of drones, Syrian pro-regime media reported.

In February said the site targeted Monday was an air base operated by Iran and its proxies, after the Israeli army shot down an Iranian drone it said took off from the base. It then launched airstrikes on Syria, drawing anti-aircraft fire from Syrian batteries that in turn shot down an Israeli jet. It was the first time in more than 30 years that Israel had lost a fighter aircraft.

—Nour Al Akraa,
Dov Lieber, Asa Fitch,
James Marson
and Dion Nissenbaum
contributed to this article.

Assad Regime Has Wagered on Brutal Tactics

BY RAJA ABDULRAHIM

BEIRUT—President Bashar al-Assad's suspected use of chemical weapons on a rebel-held city this weekend would be the latest example of the Syrian leader's calculus that the gains from using poisonous gas to terrorize the population outweigh the damage from any Western retaliation.

Local doctors said a possible combination of chlorine and nerve agents killed 43 people, many of them children, in Saturday's attack on the city of Douma.

Though chemical weapons account for a tiny fraction of what the United Nations says is more than 400,000 deaths in the seven-year Syrian conflict, their use has stirred terror in civilians unmatched by the rockets and barrel bombs that have killed far more.

The day after Saturday's attack, the rebel faction in control of Douma agreed to surrender and leave the city in Eastern Ghouta, on the out-

skirts of the capital Damascus.

The capitulation suggests Mr. Assad is seeking to end the war not through a political settlement but on his own terms: by crushing the opposition wherever it is and by any means, including siege warfare and attacks on hospitals, as well as chemical attacks.

"Assad has routinely increased the barbarity of his violence against his own people to test the limits of his freedom to act without serious Western reprisal," said Jennifer Cafarella of the Washington-based Institute for the Study of War.

A year ago, after a sarin-gas attack that killed more than 80 people in the opposition-held town of Khan Sheikhoun, the U.S. fired 59 cruise missiles on a Syrian airfield suspected of being used to carry out the attack. Hours after the U.S. airstrike, the Shayrat air base was back in operation.

The Assad regime will continue to follow the same playbook of focusing much of its

attacks on one area until rebels agree to surrender, said Reed Foster, a Middle Eastern military capabilities analyst with IHS Jane's, a defense intelligence provider.

That includes "the sporadic use of chemical weapons which does apparently seem to aid the Syrian regime and does not seem to have enough consequences," Mr. Foster said.

In late 2016, pro-govern-

ment forces secured control of Aleppo by laying siege to the city and destroying much of it with daily airstrikes.

The Syrian government is supposed to have relinquished all of its chemical weapons. After a 2013 sarin gas attack on Eastern Ghouta, which killed more than 1,400 people, the Syrian government joined the Convention on Chemical Weapons and agreed to give

up its arsenal to avert U.S. military strikes.

Despite the 2013 deal, chemical attacks on civilians have continued, including the use of weaponized chlorine gas, according to the U.N. and other investigating bodies.

The Organization for the Prohibition of Chemical Weapons said Monday it had begun an investigation to establish whether chemical weapons were used in Saturday's attack. But the group, which oversaw the mission to remove and destroy Syria's chemical weapons, will need the Assad government's permission to gain access to Douma.

Syrian government officials haven't responded to requests to comment on the allegations of chemical-weapons use. Syrian state media accused the rebel faction in Douma of fabricating the reports of a chemical attack to elicit support and stave off defeat.

—Nour Alakraa in Berlin and James Marson in Moscow contributed to this article.

Israeli Military Probes Video

BY RORY JONES
AND DOV LIEBER

The Israeli military said Monday it has launched an investigation into a video in which men are heard cheering as a person is shot at what appears to be a Palestinian demonstration in the Gaza Strip.

The video has been widely circulated on social media and comes as the Israeli military faces international calls for an investigation into whether it used unlawful force in recent weeks in dealing with Palestinian protests at the fence dividing Gaza from Israel.

The video appears to be filmed through a pair of binoculars or a scope focused on a group of Palestinians at a fence and men are heard discussing a potential shot. Then, after a shot is heard, the video shows a person collapsing to the ground. In the video, the person doesn't appear to be armed.

"What a video. Yes. Son of a bitch," someone says in Hebrew after the shot. "Look, they're running to evacuate him... What a legendary video."

It wasn't immediately clear when or where the unverified video was filmed.

In a statement, the Israeli military said "the event depicted apparently occurred a number of months ago. The incident is being reviewed and will be thoroughly investigated."

There have been large protests at the fence on a number of occasions in recent months, including two consecutive Friday protests within the past two weeks in which demonstrators died and in December, after the White House announced it would move the U.S. embassy from Tel Aviv to Jerusalem.

Palestinian authorities said at least 30 people, including a journalist with a flak jacket marked "Press," have been killed in demonstrations since March 30 and more than 2,500 injured, with roughly 1,000 from gunfire.

The Israeli military said the army has responded with gunfire and water cannons as Palestinians hurled firebombs at soldiers and attempted to infiltrate Israel.

Israeli human rights groups immediately called on the military to conduct a transparent investigation into the incident.

SYRIA

Continued from Page One
the deaths of the women and children, the official said.

The United Nations Security Council held an emergency meeting on Syria that produced no consensus for an international response, but the chemical attack represented another failure of a 2013 international plan to eliminate Syria's chemical weapons program, in which Russia assumed the role of guarantor.

The Pentagon prepared a series of military options for Mr. Trump, who said Russian President Vladimir Putin and Iran shouldn't evade responsibility if they helped Mr. Assad carry out the chemical strike.

"Everybody's going to pay a price," Mr. Trump said. "He [Putin] will, everybody will."

Syria and Russia both have denied reports that Mr. Assad's forces used chemical weapons in the attack on a rebel stronghold that killed at least 43 men, women and children.

Relief workers released graphic images of families felled by the strike. Some had foam bubbling from their mouths and noses, one sign that a deadly nerve agent had been used.

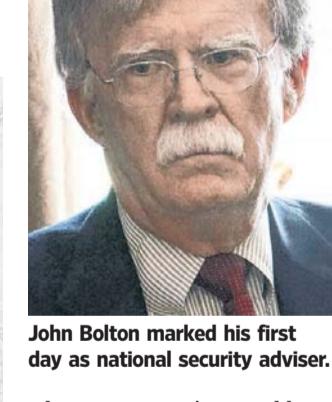
Medical experts and human rights groups said the preliminary evidence suggested that Mr. Assad's forces used a nerve agent. On Monday, various American allies, including France, the U.K. and the European Union, coalesced around

Military Presence

A look at the U.S. military assets known to currently be in and around Syria:



Note: The destroyer USS Porter is near France, a few days from the eastern Mediterranean Sea.
Source: Defense Department



John Bolton marked his first day as national security adviser.

NICHOLAS KAMM/AGENCE FRANCE PRESSE/GETTY IMAGES

where, we are going to address this issue." The deliberations came a week after Mr. Trump vowed to quickly pull U.S. forces out of Syria, where about 2,000 troops are working alongside Kurdish and Arab fighters to eliminate the last pockets of Islamic State militants.

Mr. Trump's push led to a transnational security meeting last week in which the president pressed the military to wrap up the fight against Islamic State, also known as ISIS, in six months, according to U.S. officials.

The U.S. already has one guided-missile destroyer, the USS Donald Cook, in the eastern Mediterranean, where it could take part in any strike on Syria, according to U.S. defense officials. A second, the USS Porter, could get there in a few days, they said. The Porter took part in last year's U.S. strikes against a Syrian air base in retaliation

for an earlier chemical attack.

The deliberations over Syria come amid a shake-up in Mr. Trump's national security team. Monday marked the first official day in the White House for John Bolton, the hawkish former U.S. ambassador to the U.N. and former Fox News commentator who is a proponent of using U.S. military force to advance American interests.

Adding to the tension in Syria, a Syrian military base used by Iranian forces was hit in a missile strike early Monday, killing at least 14 people, including four Iranians, according to Iran's semi-official Fars News Agency.

Russia accused Israel of staging the strike, which didn't appear to be directly related to the weekend chemical weapons attack. Israel declined to comment on the reports, but it has carried out scores of strikes in Syria. White House and Pentagon officials said they couldn't confirm the origin of the strike.

The suspected chemical attack and missile strike came one year after Mr. Trump ordered the U.S. military to launch nearly 60 cruise missiles at a Syrian air base used by pilots who dropped chemical weapons in a strike that killed more than 80 people. The strike was meant to deter Mr. Assad from using chemical weapons, not force him from power.

—Nancy A. Youssef and Rebecca Ballhaus in Washington, Farnaz Fassihi at the United Nations and Laurence Norman in Brussels contributed to this article.

the conclusion that pro-Assad forces carried out a chemical weapons strike.

Mr. Trump spoke Sunday with French President Emmanuel Macron and they shared "analysis confirming the use of chemical weapons," according to the French president's office.

After a call between acting U.S. Secretary of State John Sullivan and the U.K.'s foreign secretary, Boris Johnson, a spokesman for the British foreign office said the two agreed that "this attack bore hallmarks of previous chemical weapons attacks by the Assad regime."

The international discussions

WORLD NEWS

With Strongman Out, Zimbabwe Courts Investors

BY ALEXANDRA WEXLER

HARARE, Zimbabwe—At a faded colonial-era hotel hosting Zimbabwe's first mining conference since the fall of longtime strongman Robert Mugabe, a succession of government officials repeated what has become a familiar mantra: "Zimbabwe is open for business."

The question is whether investors believe them.

Since Mr. Mugabe's resignation in November, new President Emmerson Mnangagwa has been at pains to show the world that Zimbabwe is overhauling its dilapidated economy.

He has scrapped, for all but diamond and platinum miners, laws that required foreign-owned companies to sell at least 51% of their shares to native Zimbabweans.

He has also cut excise duties on gasoline and pledged to clear more than \$1 billion in

Mining will be at the heart of any broader economic recovery in Zimbabwe.

overdue debt owed to international financial institutions.

Mr. Mnangagwa says his efforts have secured billions of dollars in investment commitments "from some of the biggest companies in the world" who want to dip into the country's mineral reserves, including platinum, diamonds and the lithium that powers the batteries in electric cars and mobile phones.

Mining, a sector that accounts for more than half of foreign direct investment and export earnings, will be at the heart of any broader economic recovery.

Mines Minister Winston Chitando said in March that **Karo Mining Holdings**, a private company headed by Cypriot mining entrepreneur Lucas Pouroulis, would invest \$4.2 billion in a new platinum mine and refinery, expected to go into production in 2020. Mr. Chitando said it was the largest investment agreement in the history of the Zimbabwean mining industry and that the government intends to establish a full-time "mining one-stop shop" by May to fast-track permits and cut red tape for Karo and others.

But with Zimbabwe still gripped by an economic emergency that has left people sleeping outside banks to get cash and with national elections due by August, many other potential investors are opting to wait and see. Foreign governments, including those of the European Union and the U.S., have said they want to see a free and fair election and a clearer policy agenda before re-instituting support for the country, conditions that were echoed by many investors at the Harare conference.

"The first 100 days [of the new government] was a lot of talk," said Alex Mhembere, chief executive of Zimplats Holdings, Zimbabwe's largest platinum miner and a subsidiary of Johannesburg-based **Impala Platinum Holdings**, the world's No. 2 platinum producer.

Whether Mr. Mnangagwa can win investments and debt relief could play an outsize role in the political and economic future of Zimbabwe, a commodity-rich nation turned pariah state that has been pounded by years of recession and hyperinflation.

Success could cement Mr. Mnangagwa's position at the helm of his splintering ZANU-PF



Supporters held posters of Zimbabwe's president, Emmerson Mnangagwa, at his inauguration ceremony in the capital Harare in November.

party and lure millions of skilled workers back to the country.

Failure could doom his presidency and herald another period of instability.

For years, Zimbabwe's mining industry has suffered from underinvestment, with much of its vast mineral deposits lying unexplored. Despite having the world's third-largest reserves of platinum group of metals—including platinum, palladium and rhodium—Zimbabwe's production is underperforming because of the uncertainty of policies surrounding operations in the country as well as restricted access to capital, some analysts and investors say.

At the February conference, executives said the government needed to act quickly to capitalize on the current recovery in commodity prices.

Mr. Mhembere said Zimplats could easily double or even triple its output from the metal deposits it currently mines.

To do so, the company still wants to see whether the government is willing to ease local ownership requirements also for platinum miners or al-

Double Trouble

Zimbabwe has been pounded by years of low growth...

Gross domestic product

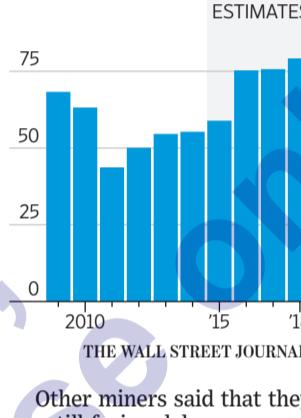
Change from previous year



...and ballooning government debt.

Gross government debt

As a share of GDP



Other miners said that they are still facing delays.

"Zimbabwe is not an easy country to do business," said Victor Tshkovrebov, chief executive of coal miner **Liberation Mining**, whose Zimbabwean mine is being held up by slow licensing.

"There is still a long way to go."

Lawyers for Trump Firm Sought Help Of Panama's President

BY RYAN DUBE

Lawyers representing President Donald Trump's business asked Panama's president last month for help in a legal dispute over the control of a luxury hotel, writing in a letter that the case would have repercussions for the Central American country.

"We appreciate your influence in order to prevent these damages being attributed not to the other party, but to the Panamanian government," the letter said.

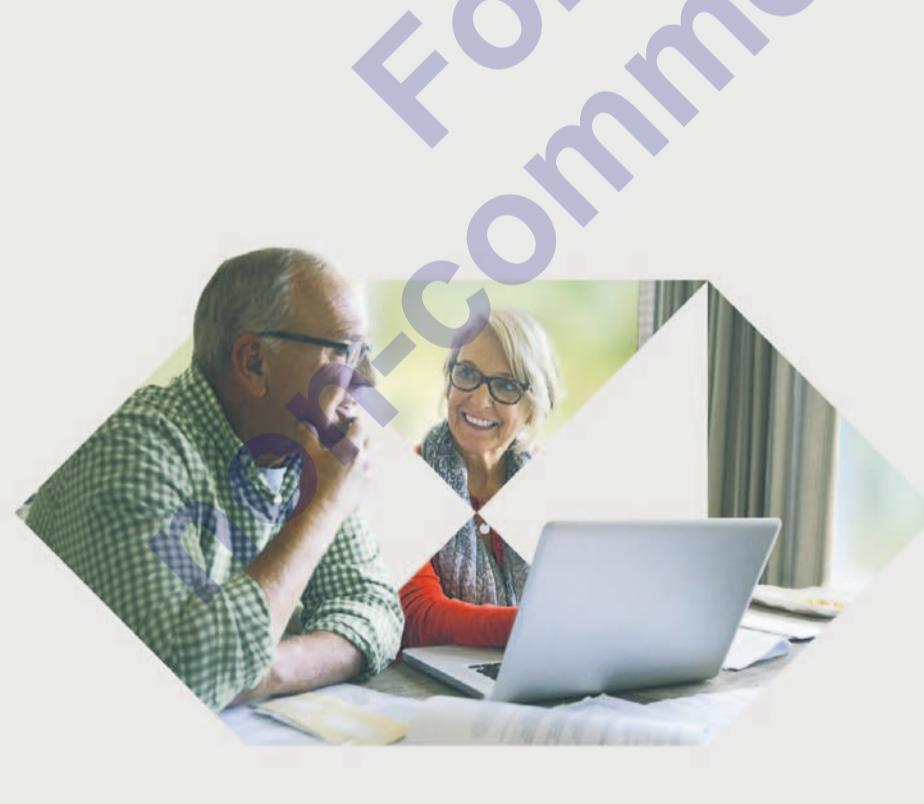
Panama's Britton & Iglesias law firm sent the letter March 22 to President Juan Carlos Varela on behalf of Trump Organization's local company, Trump Panama Hotel Management LLC. The letter, which was reviewed by The Wall Street Journal, claimed that a Panamanian court committed "innumerable violations of due process" in ruling against Trump Organization in a dispute.

Panama's Foreign Relations Ministry, which said it received a copy of the letter, ruled out that the government would intervene in the case.

Trump Organization, asked for comment, referred the Journal to the letter from Britton & Iglesias. The letter said Trump Organization wasn't aware of the firm's request to the Panamanian president until Monday. In a statement, Britton & Iglesias denied that it was aiming to pressure Mr. Varela.

According to a six-page "white paper" devised by the law firm of Morgan, Lewis & Bockius, a trust containing Mr. Trump's assets would be run by his sons and a company executive, Allen Weisselberg, and Mr. Trump wouldn't have access to details about his business.

—Michael Rothfeld contributed to this article.



DELIGHT

IN NEW POSSIBILITIES THIS TAX YEAR WITH A HIGH-YIELD SAVINGS PROMOTION FROM HSBC

- Offer applies to new and existing HSBC Premier clients who open an HSBC Promotional Premier Savings account and fund with New Money
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Together we thrive

This offer requires each of the elements to be met. • HSBC Premier relationship required to open an HSBC Promotional Premier Savings account from January 16, 2018 through and including May 11, 2018 with the stated Annual Percentage Yield (APY) effective through September 4, 2018. Charges and fees may reduce earnings. • New Money is defined as deposits and investments not previously held by any member of the HSBC Group in the U.S. • HSBC Premier is a relationship product requiring a Premier checking account. Monthly maintenance fee will be incurred if minimum balance requirement is not maintained for your account relationship. Premier relationship requires the maintenance of \$100,000 in U.S. personal deposit and investment balances to avoid a monthly maintenance fee of \$50. Investment and certain insurance products, including annuities, are offered by HSBC Securities (USA) Inc. (HSI), member NYSE/FINRA/SIPC. HSI is an affiliate of HSBC Bank USA, N.A. • HSBC reserves the right to change or terminate this offer in its sole discretion. • Deposit products are offered in the U.S. by HSBC Bank USA, N.A. Member FDIC. • ©2018 HSBC Bank USA, N.A.

IN DEPTH

CINEMA

Continued from Page One
options, and sophisticated sound and screens that no home theater could replicate. Special attractions such as virtual-reality sections and child-friendly play areas are extras to entice people to leave their living rooms.

"There's the face of what theaters were at one time," said Rolando B. Rodriguez, the chief executive of Milwaukee-based Marcus Theatres, gesturing toward Eastgate. "If you're building a product for the next 20 years, you need to either renovate it or you build new." Marcus, the nation's fourth-largest circuit, closed the Eastgate location in 2015 and opened the Palace.

The internet has forced nearly every mall-based retailer to retool. Many, from handbags stores to pet food sellers, have moved upmarket in search of growth. Coach Inc. cut ties with hundreds of department stores and shifted its focus to selling fewer but higher-priced handbags. Starbucks Corp. is building high-end coffee shops that will charge as much as \$12 a cup in response to competition from specialty roasters. Boutique clothing stores, facing heavy pressure from the internet, have been turning themselves into destinations, offering everything from high-end restaurants to meditation classes.

Movie theaters need to lure customers who have plenty of options to watch at home, and increasingly need a special reason to come out—a big-screen blockbuster or a date-night occasion. Big-budget productions are available on Netflix Inc., and studios continue to shorten the amount of time a movie stays in theaters before becoming available at home, which threatens to push numbers down even more.

The nation's three largest movie chains—AMC Entertainment Holdings Inc., Regal Entertainment Group and Cinemark Holdings Inc.—have each dedicated hundreds of millions of dollars to the reseating efforts, saying between 40% and 55% of their auditoriums will be eventually renovated. AMC, the world's largest exhibitor, said 247 of its 640 locations were outfitted with recliner seats at the end of last year.

AMC has reported increased attendance in renovated theaters, especially for weekday screenings that used to play to empty houses. Regal, which has focused on offering more-profitable food and alcohol options, reported in January that while 2017 box-office revenue fell 2.6%, sales of concessions slipped only 0.3%—a sign that adding chicken panini sandwiches and Stella Artois beer to some locations was working.

Investors wonder if consumers will ever return to the movies in the same numbers they once did. People have access to deep libraries of entertainment through Netflix, which plans to spend \$8 billion on original content in 2018 and has indicated it doesn't view theatrical release as a necessary part of making movies. Other streaming services are gaining popularity, and quality scripted television offers more competition for entertainment hours.

Ron Horton, former chief executive of Kansas-based Dickinson Theatres, sold his 169-screen circuit in 2014 after calculating it would cost about

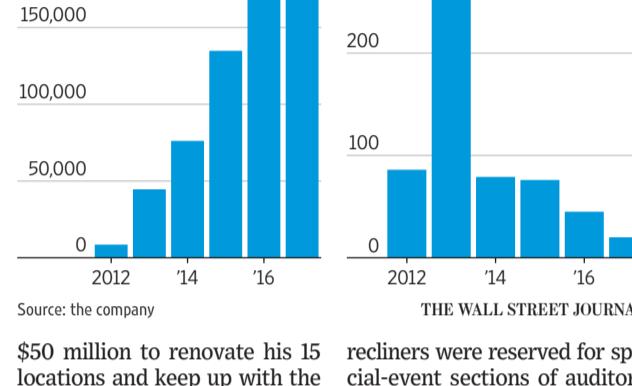


Mark and Laurie Schneider, above, lounged before a show at the upscale Palace Cinema in Sun Prairie, Wis. Below, patrons line up at the theater's lobby bar. The Palace is in the vanguard of a theater building boom that's putting an emphasis on luxury.

Lounge King

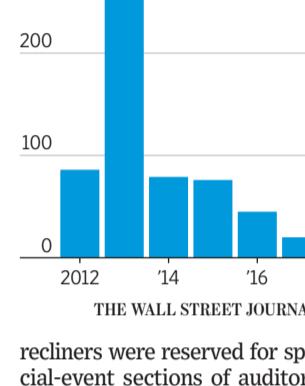
VIP Cinema Seating controls 80% of the U.S. market for luxury recliners for movie theaters.

VIP seats produced and installed



Source: the company

Revenue, change from a year earlier



Source: the company

\$50 million to renovate his 15 locations and keep up with the trends. "It was an expense I wasn't willing to do," he said.

Dickinson was sold to B&B Theatres, a larger regional chain that has closed underperforming locations and put recliners and fancier food options in more successful auditoriums.

Studio Movie Grill, with 30 locations in nine states, is buying dying multiplexes or big-box locations left behind by bankrupt chains such as Circuit City and Sports Authority and retrofitting them with movie screens, in-theater dining and full-service bars.

"You break it down to the studs," said Brian Schultz, the chief executive. "The Toys 'R' Us closures have us super busy right now."

In locales such as Monrovia, Calif., near Los Angeles, where Studio Movie Grill retrofitted an older movie house, "People are staying for hours," he said.

Since the newer auditoriums have higher ticket prices and pricier food and drink options, the trend began in affluent neighborhoods but has since migrated to smaller communities where moviegoers treat the outing as a luxury. "You might not be able to go to the Bahamas, but it's a staycation," Mr. Schultz said.

Regal was acquired by U.K. operator Cineworld Group PLC in December for \$3.6 billion. Former No. 4 chain Carmike Cinemas Inc., sold itself to AMC after seeing its market share fall any time a splashier theater opened nearby.

VIP Cinema Seating, a New Albany, Miss.-based company, now controls 80% of the market for theater recliners in the U.S. Co-founder Stephen Simons started the company in 2008 after walking the show floor at an exhibitor convention with a friend and noticing that there were few options for auditorium seats.

"The U.S. market knew nothing of the premium seat," and

recliners were reserved for special-event sections of auditoriums, he said. The company started with 25 employees working in a 40,000-square-foot facility. Today it has 550 workers in a 600,000-square-foot space, and has plans this year for a second headquarters in the U.K. and a 150,000-square-foot manufacturing facility in Eastern Europe.

The company has installed more than 600,000 recliners around the world in the past decade, at a cost of \$600 to \$900 per single seat. Annual revenue hit \$130 million last year, up from \$48 million in 2014, Mr. Simons said, forecasting higher revenue in 2018.

Creating the company "was my 17th midlife crisis, so I just gave it a shot," said Mr. Simons. "As luck would have it, we were prepared to handle" the demand.

In the 1990s, U.S. theater chains built sprawling multiplexes in response to increased competition from VHS rental stores such as Blockbuster. The number of screens ballooned to more than 36,000 from 25,000.

The AMC Grand 24 opened in

1995 in northwest Dallas, a 24-screen, 85,000-square-foot colossus with stadium seating that was once the biggest theater in the country. Moviegoers drove three hours to visit.

The layout reinvigorated the industry, and multiplexes with one or two dozen screens sprang up across the suburbs. In many cases, securing a multiplex as an anchor tenant enabled developers to build an en-

take away the underperforming," said Mark McDonald, AMC's executive vice president of global development. "The real-estate crisis told us we need to do more with the real estate we have."

In early 2011, AMC decided to try out a concept it had seen in some European chains. It added plush recliners into four of the 12 auditoriums at the AMC Lakewood Mall theater outside Tacoma, Wash., reducing capacity in each by two-thirds. The reconfigured auditoriums operated alongside unrenovated ones, as a controlled experiment. Ticket prices initially remained the same.

AMC noticed that some customers were deciding what to see based on which auditorium it was playing in, rather than the movie itself. Ticket sales rose for weeknight showings, a typically dead time for most theaters. A traditional movie theater sees attendance decline 1% or 2% a year as the facility ages, Mr. McDonald said. Attendance overall at Lakewood doubled within 18 months of all auditoriums getting the recliners.

tire mall. But overbuilding quickly led to a bust. A wave of bankruptcies hit around 2001, and amid consolidation AMC, Regal and Cinemark emerged as the three biggest chains.

The financial crisis in 2008

froze financing for new malls and shopping plazas that would house new theaters. "Our approach used to be, add new and

more screens," said Mr. McDonald. "Inflation adjusted, ticket prices were actually lower in 2014 than they were in 2008."

AMC is now exporting the design to London-based Odeon & UCI Cinemas, the theater company with about 2,200 screens across Europe it bought in 2016. (The U.S.'s busiest theaters, such as those found in New York's Times Square or Los Angeles, are unlikely to ever get the luxury-recliner treatment since they regularly sell out hundreds of seats.)

Even single-screen houses like the Diamond Theatre in Ligonier, Pa., a tiny community about 60 miles east of Pittsburgh, are getting on the concept.

Leigh Ann Rice-McCullum and her husband purchased the 1930s theater in 2015 for \$225,000. They couldn't get a loan for the purchase—banks said it was a money loser—so they cashed in their savings to buy it.

They spent an additional \$15,000 to install two rows of what she calls "sweet seats" from VIP covering about 10% of the auditorium's 200 seats. Most tickets cost \$8; the recliners cost \$12 and must be reserved in advance.

"A lot of people didn't know what they were" at the time, said Mrs. Rice-McCullum, but now they often sell out first. "They were smitten with them."

Looking for the Next Hit

Movie ticket sales are falling, while the growth in screens and ticket prices is stagnating.

Movie admissions in the U.S. and Canada

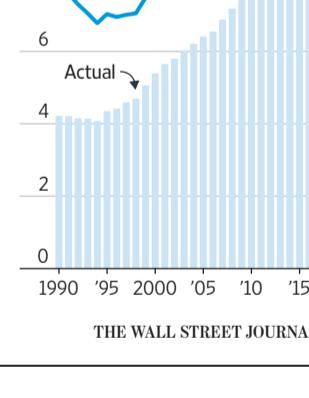


Sources: National Association of Theatre Owners; Labor Department (inflation adjustment)

Movie screens in the U.S.



Average U.S. movie ticket prices



THE WALL STREET JOURNAL.

truck. "My name is Scott Brown," he said, "and this is my truck."

Mr. Brown and his truck won an upset victory that turned out to be the Democratic Party's first major political defeat of the Obama era. Rick Scott and Scott Walker were among Republican candidates that year who drove to victory with driving ads in gubernatorial races in

Florida and Wisconsin, respectively.

Candidate ads now sit bumper to bumper. Campaign videos for four of seven Democratic candidates running in New York's 19th Congressional District show them driving. Seven gubernatorial candidates also are motorizing.

GOP Rep. Mike Bishop drives a Buick Enclave through his

hometown of Rochester, Mich., in a web video launching his reelection campaign. Mr. Bishop's Democratic opponent, Elissa Slotkin, drives a Ford SUV to her grandparents' farm in her campaign video.

The incumbent's preferred Big Three auto maker isn't a coincidence. "It's a GM district," said Stu Sandler, a consultant for Mr. Bishop.

The campaign genre has some rules of the road, according to advertising professionals: It has to be an American-made car, not too expensive. Show recognizable landmarks. Candidates should watch traffic, not the camera.

In Colorado, Cary Kennedy hit some bumps on the debut of her campaign for governor last year. On Facebook Live, she drove in her neighborhood, her eyes darting between the road and her aide.

As Ms. Kennedy, a Democrat, stopped in her driveway and got out of her Volvo sedan, the camera caught six note cards taped to the dashboard. "Mental cues," a spokeswoman said.

Ms. Kennedy appeared on lo-

cal TV the night of her announcement and the first question: *Did you know it was Distracted Driving Awareness Month?*

Michael Erin Woody, a Republican from California's central coast running for Congress, had his own solution for distracted-driving problem. He put his Jeep Wrangler on a trailer and had a friend tow it slowly while filming. "If you pay attention," he said, "the steering wheel is sideways."

In West Virginia, Republican Evan Jenkins got sideswiped by Democrats who called him a "phony" for kicking off his Senate campaign with a video showing him in a red Ford 150 pickup truck.

The pickup, which has a side-view mirror patched with duct tape, belongs to his brother-in-law. "That truck is meant to represent the idea that Evan is in it for the long haul," said Andy Seré, the campaign consultant who produced the video.

"He's been a lifelong West Virginian."

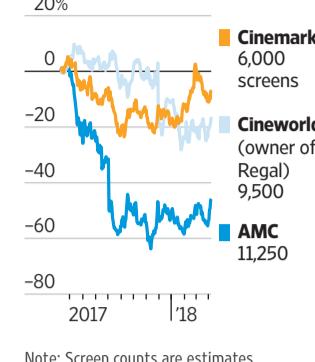
Roger Dean Huffstetler, a Democrat running for Congress



Candidates driving in ads, clockwise from top left: Cary Kennedy, Andy Thorburn, U.S. Rep. Mike Bishop and Michael Erin Woody.

Sold Out

Shares of the biggest movie theater chains have struggled this year.



Note: Screen counts are estimates.
Sources: FactSet (stocks); the companies (number of screens)

THE WALL STREET JOURNAL.



LAUREN JUSTICE FOR THE WALL STREET JOURNAL (2)

DRIVER

Continued from Page One
ads, enough drivers to field a lineup for the Indianapolis 500. With months to Election Day, the candidate traffic jam can only get worse.

The driving gimmick is meant to convey a sense of accessible authenticity—someone caught by the camera in a workaday moment. The idea is to evoke trust and familiarity, a common touch. No candidate wants to make the same mistake as Hillary Clinton, a former first lady, U.S. senator and secretary of state, who acknowledged just before launching her 2016 presidential campaign that she hadn't driven since 1996.

"Everybody drives," said Dave Jacobson, a Los Angeles political consultant who produced the ad for Mr. Thorburn, a Democrat.

Republican Scott Brown was a trailblazer in the genre. In the 2010 Massachusetts Senate special election, he ran TV ads with his GMC Grand Canyon pickup

from Charlottesville, Va., released a video announcing his candidacy in January. In it, he drives a white Ford truck while talking about his father's job at a Ford factory.

Local Republicans circulated a Facebook post that Mr. Huffstetler's campaign manager, Kevin Zeithaml, wrote before the video shoot: "I am in need of an old Ford pickup truck for a few hours. No Chevy or GMC need apply."

A farmer lent his truck. "Roger's fondest memory of his dad was driving the truck down to his grandmother's farm," Mr. Zeithaml said.

Now that the campaign driving ad has been added to the list of

GREATER NEW YORK

Chancellor Begins Tour of Schools

Richard Carranza
praises educators' can-do spirit, as he starts his new job

BY LESLIE BRODY

New York City's new schools chancellor, Richard Carranza, got his first full taste of the job on Monday, as he visited classrooms in the Bronx to highlight the agenda of his boss, Mayor Bill de Blasio.

Mr. Carranza danced like a daisy, fluttering his fingers like petals, with a pre-kindergarten class singing about plants at Concourse Village Elementary School. He made a duck out of colored dough in a so-called 3-K room at P.S. 25, the Bilingual School. And he toured Bronx Community College with seventh-graders from P.S./M.S. 279 as they glimpsed what could await them after high-school graduation.

Expanding access to early education and college are key parts of what the mayor calls his "equity and excellence for all" initiatives, and Mr. Carranza was quick to show his



Richard Carranza, center, visited students at Concourse Village Elementary School in the Bronx.

BRYAN SMITH FOR THE WALL STREET JOURNAL

embrace of those efforts. This week will be full of photo ops as he spends a day in each borough visiting schools. On Tuesday, he will be in Brooklyn.

"Right now I'm in fact-finding mode and I like what I see," Mr. Carranza said. While

his predecessor, Carmen Farina, spent more than 50 years in the city system, learning nitty-gritty details and developing longstanding relationships with staff in many schools, Mr. Carranza has to meet a host of educators and learn about a vast bureaucracy.

He took over the nation's largest school system, with 1.1 million students, on April 2, just as the public schools started a week of spring break. Before that, he was superintendent of Houston schools, which serve about 214,000 students.

Echoing Ms. Farina, the chancellor said he wants to see joy in classrooms. He praised principals, teachers and their can-do spirit. "Kids are not being allowed to think that they can't do it," he said. "They're going to conquer the world."

Mr. Carranza must grapple with daunting problems. About 57% of elementary schools citywide were overcrowded last year, according to the mayor's management report. The city's Renewal program to fix the most troubled schools by adding social services and other resources has had uneven results: Five of the schools in the program will be closed in June after failing to turn around.

While test scores have inched up in recent years, they remain low in many schools. About 41% of children citywide in grades 3 through 8 were proficient on state tests in English last spring. That figure was 27% in the Bronx.

Mr. Carranza said he aims to tackle segregation and achievement gaps among students from different backgrounds. "I'm trying to take a very non-prejudiced eye to just taking it in," he said.

Council Chastises NYPD Over Unit

BY ZOLAN KANNO-YOUNGS

New York City Council members criticized the New York Police Department for neglecting victims of sexual assault during a fiery hearing Monday after a watchdog agency found the department's Special Victims Division lacked resources and sufficient training.

"It is no wonder that victims don't report more often," said Donovan Richards, chair of the public-safety committee. "And it seems that NYPD leadership is just fine with victims of sex crimes being ignored."

NYPD officials have said they disagree with the findings in last month's Department of Investigation report and that the bipartisan agency's officials didn't interview key people with knowledge of the division, such as the chief of detectives. The NYPD will soon issue a formal response to the report. Last week, NYPD Commissioner James O'Neill said Dermot Shea will look at the leadership and staffing of Special Victims when he steps into the role of chief of detectives later this month.

The Department of Investigation reported that the NYPD didn't add enough investigators to handle a 65% increase in case loads since 2009, despite requests from Michael Osgood, the deputy chief of the Special Victims Division, who was interviewed for the report, and recommendations from a 2010 working group. Mr. Osgood was present at the hearing Monday but didn't testify.

At the end of 2017, 72 detectives were assigned to the Adult Sex Crimes unit in the division, Chief of Department Terence Monahan said. On Monday, 20 more investigators started at the Special Victims Division. The division's overall head count has risen to 238 last year from 149 in 2010.

New York City has recorded 384 rapes this year compared with 308 in the same period last year, a 25% increase. There have been 806 misdemeanor sexual assaults, an 8% increase over last year.

Mr. Richards pressed on the fact that 15 of the 20 investigators added to the division aren't full-fledged detectives; they are officers working in that capacity to earn the rank, known as "white shields." The DOI recommended the NYPD consider only "highly experienced and knowledgeable detectives" for the division. NYPD brass contended that calling "white-shield" investigators inexperienced is misleading because they have an average of 6.6 years on duty.

Diner Files for Chapter 11, Plans to Stay Open

BY JONATHAN RANDLES

The company behind Waverly Restaurant, a legendary diner in the West Village that serves classic American-style comfort food, has filed for bankruptcy protection.

Village Red Restaurant Corp., the diner's corporate name, filed for chapter 11 protection Friday in the U.S. Bankruptcy Court in New York. The restaurant is facing potential liability in two lawsuits alleging management didn't pay overtime to a group of former waiters, dishwashers, busboys and delivery men.

Filing chapter 11 bankruptcy halts the litigation and allows Waverly Restaurant to keep its doors open as it attempts to address its liabilities. The restaurant's bankruptcy petition estimates it has up to \$50,000 in assets and between \$500,000 and \$1 million in liabilities.

"Yes, we do intend to remain open," Stuart P. Gelberg, a bankruptcy lawyer representing Waverly Restaurant, said Monday.

Waverly Restaurant's move into bankruptcy comes amid challenging times generally for New York diners, which have been squeezed by changing dining habits and rising rents. Restaurant founder Nick Serafis filed for personal bankruptcy protection in January, court records show. The diner is owned by his daughter, Christine Serafis, who received the restaurant as an inheritance gift, court papers say.



Former employees who sued the restaurant are listed as creditors in the bankruptcy filing. The business disputes their claims.

Court filings list as creditors former employees who have sued the business. The workers' legal claims are disputed by the restaurant, according to the petition.

A federal judge last year determined Waverly Restaurant is liable to the employees for unpaid wages, according to court papers filed in the lawsuit. The

court last month concluded a bench trial to determine damages against the diner.

The employees have estimated the amount of their potential damages for alleged violations of New York and federal labor law at more than \$2.2 million, plus interest, according to a June court filing. Several of the employees had worked at

the diner for a number of years, including plaintiff Valente Garcia who worked there from 1992 to 2015 as a waiter, host and bartender.

"The bankruptcy is a blatant attempt to avoid paying the back wages owed to the restaurant's workers," said Lou Pechman, a lawyer who is representing former Waverly

Restaurant employees.

A lawyer who is defending Waverly Restaurant in the wage-and-hour litigation didn't return a message Monday seeking comment. Ms. Serafis wasn't involved in hiring or pay decisions for any employees at the restaurant, according to papers filed by the company last year.

GPS Might Be Culprit in Bus Crash

BY MELANIE GRAYCE WEST

New York State Police are looking into whether a navigation device played a role in a bus slamming into a Long Island overpass, injuring dozens of students returning home Sunday night from a European trip.

Investigators are examining the device the driver, Troy Gaston, 43 years old, was using when the roof of the charter bus was ripped off by an overpass on the Southern State Parkway, police said Monday.

The bus was carrying 38 students ranging in ages from 16 to 18, with five adult chaperones, police said.

Dozens of passengers were injured in the crash; most were

taken to area hospitals and later released. The two most seriously injured victims are both 17-year-old girls, police said.

The vehicle, operated by Journey Bus Lines of Irvington, N.J., was traveling from John F. Kennedy International Airport in Queens when it hit an overpass in Hempstead, N.Y., at about 9 p.m.

Mr. Gaston had a valid driver's license and didn't have alcohol in his bloodstream, police said. A drug evaluation is pending. Mr. Gaston,

who couldn't immediately be reached, lives in Pennsylvania, police said.

An employee who answered the phone at Journey Bus Lines but declined to give his name said the company's main concern was taking care of the passengers and their families, and working with the state police.

According to a federal database, Journey Bus Lines has five buses and 16 drivers. The company has a satisfactory rating, with no crashes or injuries in the past 24 months.



A charter bus carrying 38 students and five adults hit an overpass on the Southern State Parkway on Long Island on Sunday night.

KEVIN HAGEN/ASSOCIATED PRESS

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GREATER NEW YORK

Musical Chairs at Lincoln Center

By CHARLES PASSY

With the announcement late last week of another leadership change at Lincoln Center for the Performing Arts, some arts-industry insiders and observers are speculating that the cultural institution could face a difficult future.

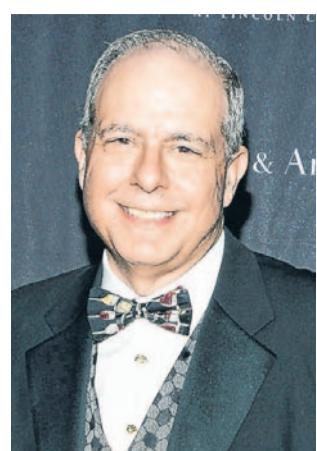
Debra Spar, a seasoned academic administrator who took over as president of the center just a year ago, said Friday she was resigning. In a letter to staff that was made available publicly, Ms. Spar said that she "ultimately determined that the fit I'd hoped for has not materialized."

The center has appointed Russell Granet, a member of its senior leadership team since he joined the institution in 2012, as its acting president.

Ms. Spar's departure marks the second time in the last two years that Lincoln Center's top executive has left. In 2016, Jed Bernstein, a Broadway producer who was appointed the center's president in 2013, resigned.

Such turnover doesn't bode well for most cultural organizations, insiders and observers say, and that can be especially true for an organization of the size and scope of Lincoln Center.

The nonprofit entity, which has an annual budget of \$138 million, serves as the home for



In 2016, Jed Bernstein, left, resigned as Lincoln Center's president. He was replaced in 2017 by Debora Spar, who stepped down last week. Russell Granet, right, will temporarily replace her.

such august institutions as the Metropolitan Opera, the New York Philharmonic and the New York City Ballet. It also produces many of its own programs.

Ms. Spar's resignation could have a decisive impact on Lincoln Center's ability to raise funds, said Michael Kaiser, former president of the John F. Kennedy Center for the Performing Arts in Washington.

Aside from raising money to meet its annual budget, the center also had been working with the New York Philharmonic on an ambitious \$500 million plan to revamp David Geffen Hall, the orchestra's home at the center.

Last October, the center and

orchestra announced the proposal was being shelved. But a new plan is in the works and expected to be announced this summer, according to Deborah Borda, the Philharmonic's president and chief executive.

She said Ms. Spar's resignation didn't change the efforts going forward on Geffen Hall.

Key officials with Lincoln Center's board didn't respond for comment about the latest management shake-up. But in a statement, board chair Katherine Farley said Ms. Spar "led efforts to develop a new strategic plan" for the center and "has been a champion for expanding community engagement and

cultivating new audiences."

Ms. Spar declined to comment on her resignation beyond her letter to the staff.

As much as Ms. Spar's departure may spark questions about Lincoln Center's operations, some who are familiar with the institution suggest this may have simply been a case of a hire who didn't work out. In particular, they say Ms. Spar's background in academia—she was formerly the president of Columbia University's Barnard College—may not have fully prepared her to make it in the nonprofit cultural world.

—Jennifer Smith contributed to this article.

GREATER NEW YORK WATCH

ATLANTIC CITY

Profits Rose in 2017 At Remaining Casinos

Less competition led to higher profits for Atlantic City's casinos in 2017.

The seaside gambling resort saw five of its 12 casinos shut down since 2014. The seven casinos that remain saw their gross operating profits increase 22.5% last year, to \$723 million.

Harrah's was the only casino whose profit declined, down 2.7% to \$115.8 million. The Borgata had the highest profit at \$292 million, up 19.5% from 2016.

Gross operating profit reflects earnings before interest, taxes, and other charges, and is a widely accepted measure of profitability in the Atlantic City casino industry.

"It was a very up year," said James Plousis, chairman of the Casino Control Commission.

He noted that all seven casinos showed an increase in total revenue and that hotel occupancy and room rate stats were up as well.

This summer, two of the closed casinos are due to reopen: the former Trump Taj Mahal as Hard Rock, and the former Revel as the Ocean Resort.

—Associated Press

BROOKLYN

Chuck McCann, Comic And Actor, Dies at 83

Brooklyn native Chuck McCann, the zany comic who hosted a children's television show in the 1960s before branching out as a character actor in films and TV, died Sunday in Los Angeles. He was 83 years old.

Mr. McCann died of congestive heart failure in a Los Angeles hospital, according to his publicist.

Born Sept. 2, 1934, Mr. McCann, became a household name

in New York when he took over a variety show, entertaining a generation of children with light-hearted humor and puppets.

In 1968, Mr. McCann appeared in his first major film, "The Heart Is a Lonely Hunter." He expanded his work into animation acting and created the voice of Sonny the Cuckoo Bird, who cried "I'm cuckoo for Cocoa Puffs!" in commercials for General Mills.

He moved to Los Angeles in the 1970s and made guest appearances on shows including "Little House on the Prairie," "Bonanza" and "Columbo."

—Associated Press



'Harry Potter' is in previews at the Lyric Theatre in Manhattan.

Harry Potter and The Shattered Box Office

By CHARLES PASSY

Even weeks before it opens on Broadway, "Harry Potter and the Cursed Child" is breaking box-office records.

The two-part drama, which brings the popular literary franchise to the stage, set an all-time weekly sales mark for a Broadway play, according to the Broadway League, the trade group that tracks the industry.

While still in previews, the

praised drama in its own right.

The play, which can be seen over two nights or on the same day in matinee and evening performances, opened in London's West End in 2016 and won a record nine Olivier Awards—the British equivalent to the Tony Awards, including one for Best New Play.

Though it features the key characters from the literary series about the world of wizardry, "Harry Potter and the Cursed Child" stands apart from it as a new and original endeavor.

Harry Potter author J.K. Rowling developed the story in collaboration with theater professionals Jack Thorne and John Tiffany. Mr. Thorne wrote the script.

Most Broadway observers see the show's early success as just the beginning, noting that the box office should increase during such peak sales periods as the winter holidays.

Melissa Anelli, who runs events for both Harry Potter and Broadway fans, notes that the literary series is now attracting a new generation of readers—and Potter fans are likely to be interested in the Broadway incarnation. The play "is going to be in business for a very long time," she added.

show grossed \$2.1 million for the seven-day period ended this past Sunday, eclipsing the previous record of \$1.6 million set by the play "All the Way," starring Bryan Cranston, in 2014.

"Harry Potter and the Cursed Child," which opens on April 22, has been among the most anticipated arrivals on Broadway in recent seasons.

Not only does the show tap into the fervor for all things Potter, but it has proven to be a critically



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LIFE & ARTS



DIGITAL MEDIA

On the Road, Podcasts Take Off

The most popular audio shows now draw millions of listeners, and their hosts and producers are capitalizing on that connection

BY JOHN JURGENSEN

THE HORROR and true-crime series "Last Podcast on the Left" played 39 live gigs last year, from Atlanta to Vancouver. Fans waited for hours to meet the three hosts, sometimes presenting them with "gifts" such as vials of blood and a relative's remains.

"It's not 'Prairie Home Companion,'" said the trio's booking agent, Josh Lindgren, whose agency Billions represents bands like Arcade Fire. "It's the only podcast show where I've seen a fight break out."

Podcasters are the new rock stars of the touring circuit. A niche industry only a few years ago, the most popular podcasts now draw millions of steadfast listeners, and their hosts and producers are capitalizing on that connection by taking their audio shows on the road.

"It's an intimate experience being in someone's earholes. They take us on road trips, on their commute, on the treadmill," Chuck Bryant, co-host of "Stuff You Should Know," said last week as he prepared to perform in Boston for 1,000 fans. "People we meet always say we feel like friends of theirs."

In 2015, the rollicking advice show "My Brother, My Brother and Me" made an appearance in Minneapolis that drew 500 people and \$8,500 in ticket sales. The following year the three brothers who host it hit venues twice as large, generating triple the sales. Their



Fans surround Henry Zebrowski of 'Last Podcast on the Left' after a live show.

podcast averages up to 1 million downloads per episode, and their most recent tour included two back-to-back shows at the Chicago Theatre, capacity 3,500.

But show business presents challenges for some podcasters used to hunkering in their recording studios and interacting with listeners primarily online.

"I have spent my life in dark rooms, alone, staring at sound waves. It's going to be an adjustment," said Alix Spiegel of "Invisibilia," an NPR podcast exploring unseen forces in human behavior. She and co-host Hanna Rosin joke that alcohol will help them loosen up for their first big show. It will be April 19 at the Lincoln Theatre, a Washington, D.C., venue whose lineup is increasingly podcast-heavy.

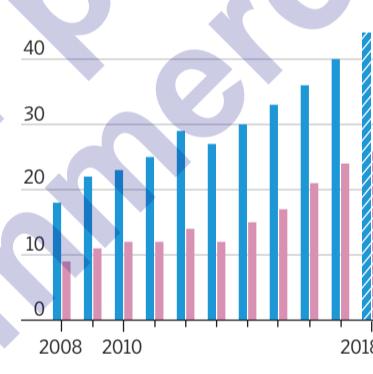
Live shows are the first opportunity for many podcasters to meet their listeners—and discover how their version of groupies behave. Performers in "Welcome to Night Vale," a sci-fi drama that has released 135 episodes since 2012 and

Tuned In

The U.S. podcasting audience has grown sharply over the past 10 years, with 26% of Americans listening to at least one in the past month.

Percentage of people 12 years and older who have ever listened to a podcast

Listened to a podcast in the last month



*Estimated
Source: Edison Research and Triton Digital
THE WALL STREET JOURNAL.

now visits about 55 cities a year, got a post-show jolt in Amsterdam with a fan, seeking autographs and selfies, threw himself on their taxi.

Producers of podcasts, which are typically free, are selling VIP access. For its East Coast tour next month, Cambridge, Mass.-based podcast network Radiotopia is selling "super citizen" tickets, from \$500 to \$1,000 for a package that includes a party with stars from shows such as "99% Invisible" and "The Kitchen Sisters Present."

There are more than 525,000



Clockwise from left: A sold-out 'Last Podcast on the Left' show in Millvale, Pa.; Josh Clark and Chuck Bryant at a 'Stuff You Should Know' performance in Washington, D.C.; the cast of 'Welcome to Night Vale' in Portland, Ore.



CLOCKWISE FROM TOP LEFT: HEATHER SCHOR (2); STEPHEN VOSS/THE WALL STREET JOURNAL (2); VERONICA ROSE

active podcasts available on Apple Podcasts, the genre's most popular platform. More than one out of four Americans ages 12 and up—an estimated 73 million people—listen to podcasts at least monthly, up from 9% a decade ago, according to a 2018 survey by Edison Research. Some 48 million tune in to podcasts every week, the market-research firm said, listening to seven shows on average.

Hollywood talent firm Creative Artists Agency has 12 agents handling the touring careers of podcast clients, and another dozen working on their film, television and book deals. Booking agents map out tours after studying where the streaming and download activity is strongest.

For one podcasting client, former mixed-martial-arts fighter Brendan Schaub, pockets of listeners in Dublin, Ireland, and Melbourne, Australia, led to live shows there during his first overseas dates. Such gigs "would be a very risky and expensive gamble if you don't have that data," said CAA agent Justin Edbrooke.

The data also help convince venues to book podcast stars they've never heard of. Part of the introduction: talking promoters into paying podcasters the thousands of dollars they would otherwise devote to advertising.

"We don't want you to spend that money up front to market this, because these people are probably going to sell out your venue just by announcing the show on their podcast," said Kenny Layton of the William Morris Endeavor agency. Of the 75 podcasts represented by WME, about 50 are expected to perform

live this year.

Radio shows such as "This American Life" have long done live tapings. Since the podcast genre's explosion, thanks in part to hits like "Serial" in 2014, distributors such as NPR have scaled up live performances to bolster marketing, revenue and sponsors.

However, "not every podcast is meant to be a live show," said Jessica Goldstein, NPR's director of events and strategic initiatives. The company recently mounted its first "pilot" performance for a few hundred people at its Washington headquarters, testing the stage potential for the current-events podcast "It's Been a Minute With Sam Sanders."

When "The Last Podcast on the Left" began playing bigger rooms, its team dealt with it like a band experiencing a growth spurt.

"We were worried we wouldn't be able to control a room that size in a rock venue," especially once the bar opened, said Marcus Parks, who co-hosts the comedy show with Ben Kissel and Henry Zebrowski. "You're not usually expected to listen politely at places like that."

Some concert rituals do carry over. "Say 'hello' and the city name," said Meg Bashwiner, one of the stars of "Welcome to Night Vale," "and they start screaming."

Mr. Bryant, who co-hosts "Stuff You Should Know" with Josh Clark, dealt with his initial stage fright by fessing up onstage.

"I could go out and tell everyone in the audience that I felt like I was about to throw up and poop in my pants. And they'd all laugh, because it was relatable," he recalled. "They want Josh and Chuck up there, awkwardly stumbling through the show."

BURNING QUESTION

HOW CAN YOU MAKE RUNNING LESS PAINFUL?

BY TOM PERROTTA

MILLIONS OF U.S. runners are starting to greet the warmer weather with an outdoor run. Some portion will finish those runs with knee, foot or back pain.

What can a runner with consistent pain do to fix it short of a costly gait analysis? There's no easy solution, but experts say there are ways of lessening the discomfort. Some are simple, while others require more work.

Fortunate runners feel no pain thanks to superior technique and genes, says Jonathan Roth, an orthopedic surgeon based in Wayne, N.J. For those who regularly ache after running, it's smart to make an adjustment. That can mean a change in routine or a different sneaker.

"The best person to tell whether you're running correctly is you," Dr. Roth says. "If it doesn't feel right

to you, if it causes pain, if it makes your knees hurt, then it's not the right shoe for you. It's not putting you into a right position. It's more trial and error at that point."

New sneakers aren't expensive, but buying the right set can take some work. Some stores put customers on a treadmill to observe their technique and the sneakers that best work for them. People with knee and hip pain are sometimes better off with a flatter shoe.

Irene Davis, a professor of physical medicine and rehabilitation at Harvard Medical School, has studied what role modern shoes play in runners' pain. Among her conclusions: Modern, heavily padded sneakers can be a major problem for runners.

In the 1970s, the early days of the running boom, shoes were thin and didn't change your style of running as much. Feet would hit

Please see RUNNING page A10



Avoiding hard surfaces like concrete in favor of dirt trails is one way to reduce running pain.

LIFE & ARTS

CULTURAL COMMENTARY

From Budapest to Broadway

BY WILL FRIEDWALD

STEPHEN SONDEHIM'S famous one-sentence appraisal of Rodgers and Hammerstein's first two collaborations—"Oklahoma!" is about a picnic, 'Carousel' is about life and death"—is only partly true. The power of "Carousel," whose latest Broadway revival opens this week, is that it's both things at once, encompassing not only life and death but a "real nice clambake."

When the Theater Guild first proposed in 1943 that composer Richard Rodgers and lyricist Oscar Hammerstein II turn Ferenc Molnár's "Liliom" into a musical, Rodgers initially declined because the play, introduced in Hungary in 1909, "was continually being revived without any help from a songwriting team." But even then, two years before their show first came to Broadway, the two men were drawn to the possibilities the story opened up for the rapidly expanding medium of musical theater.

Molnár (1878-1952) was known for combining romantic comedy and whimsy with dramatic irony and a heavy dose of moralism. In both "The Guardsman" (1910) and "The Good Fairy" (1930), he plays with notions of infidelity and mistaken identity. Those works and "Liliom" have a considerable amount of sexual intrigue, and all were translated into various languages, staged on Broadway and adapted into early sound films.

Although Rodgers and Hammerstein shifted the setting of "Carousel" from the Budapest of "Liliom" to New England and gave it a distinctly American flavor, they



maintained Molnár's balancing act. Working from his blueprint, they created a Broadway masterpiece, a tale of a wife-beating miscreant who is somehow strangely sympathetic—a story with a message that no soul is beyond redemption, even if he has to transcend his own lifetime and travel back and forth from The Next World to achieve it.

As Tim Carter delineates in his new book, "Rodgers and Hammerstein's 'Carousel,'" "Liliom" premiered in Budapest but fared better in Berlin and then Vienna in the immediate pre-World War I period. It was also a hit on Broadway in 1921, pro-

duced by the Theater Guild in an English translation primarily (although anonymously) by Rodgers's future songwriting partner, Lorenz Hart. The basics of "Carousel" are all there: Julie is an innocent but dissatisfied young girl who wants more out of life than the restrictive path that society lays out for her. In contrast to her best friend, Marie (Carrie in "Carousel"), who marries a respectable, hardworking fisherman-cum-businessman, Julie falls for a charming, low-life ex-carnival barker with no employment prospects.

After Molnár saw "Oklahoma!" he was convinced, no less than the Theater Guild, that Rodgers and Hammerstein were the ones to turn "Liliom" into a musical. The collaborators themselves couldn't resist the challenge of bringing to life the story's complex antihero. In "Oklahoma!" terms, Billy Bigelow is both Curly (with perhaps even more flamboyance and animal magnetism) and Jud (with his violent and sociopathic tendencies): the good guy and heavy rolled into one. Rodgers and Hammerstein were especially eager to write "Soliloquy," Billy's reaction to the news that Julie is pregnant, where he expresses mixed feelings over the notion of paternity in general and the gender of his forthcoming child in particular. This was something entirely new in musical comedy, a number in which a character reveals his inner turmoil and undergoes a complete emotional arc in song, in full view of the audience.

They also created the

The scene from Rodgers and Hammerstein's 'Carousel' (1945) when Billy spots Julie and falls in love with her, above; Shirley Jones and Gordon MacRae in the 1956 film version, below



show's iconic "bench" sequence, a combination of love scene and romantic duet—incorporating the song "If I Loved You"—that brilliantly and logically brings the two protagonists from first meeting to matrimony in a matter of minutes. (This classic scene lost most of its magic in the disappointing 1956 movie version, whose effervescent Shirley Jones, as Julie, desperately needs a leading man with both charisma and menace. Gordon MacRae seems merely naive; Frank Sinatra, the original casting choice, would have been perfect.) Because Molnár's ending wasn't strong

enough for the team, they concluded with a rousing finale, which centers on the most anthemic hymn in Broadway history, "You'll Never Walk Alone."

In Fritz Lang's 1934 French film of "Liliom," when the title character returns from the afterlife, just for one day, he meets his daughter, now 16 years old, and tells her that he was a friend of her late father. She asks if he was a good man and he says, "well, he knew some good songs. Some pretty ones!" Amen to that.

Mr. Friedwald writes about music and popular culture for the Journal.

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Continued from page A9

The ground at a flatter angle, rather than striking dominantly with the heel, as often happens today.

"Because of wearing this chronic, supportive, cushion shoe, we end up coddling our feet, making them weaker and putting them at the risk of being injured," Dr. Davis says. "The closer that we run to the way we were adapted to run, from an evolutionary standpoint, the lower the risk of injury."

To change your form, Dr. Davis suggests thin shoes. (Among those she recommends: Vivobarefoot, Xero Shoes and Inov8 Bare-XF 210.)

But she adds a warning: It could take up to a year for your body to adjust. You must condition your legs

RUNNING

Continued from page A9
properly, and the process is slow. It begins with brisk walking, then adding slow running miles one at a time, with days off in between. The key is not to rush, she says.

"It would be like me going to the gym and lifting a hundred pounds when I haven't

done any training for it," she says. "And you're going to get hurt."

Dr. Davis says that when you run in minimalist shoes that make it easier to land on the front of your foot, your feet and calves get stronger. Stronger feet are

healthier feet. Her team's research on the increase in leg and foot muscle volume after a transition to minimalist running shoes was published in the July 2016 edition of Clinical Biomechanics.

"There is a building body of evidence that this type of running is going to help us be less injured," she says. "I go back to the fact that you can't outdo Mother Nature."

There's also a matter of where you run. Roads or sidewalks made of asphalt or concrete are hard and put a lot more pressure on your feet and legs than a track made from a softer surface. Better still: running on grass or dirt.

"A nice, flat, well-maintained dirt trail is probably one of the best," Dr. Roth says. "That's what people have been running on hundreds and thousands of years."

SPORTS



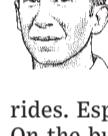
Flowers lie at center ice as people gather for a vigil at the Elgar Petersen Arena, home of the Humboldt Broncos, to honor the victims of a fatal bus accident.

JONATHAN HAYWARD/PRESS POOL

HOCKEY | By Jason Gay

Tragedy and a Team

A horrific collision in Canada involving a hockey bus shakes a country—and all of sports



The games are the games, but what really bonds a team are the hours in between: the practices, locker rooms, dinners, bus rides. Especially those bus rides. On the bus, you can discover a lot: if the team is loose, confident, anxious, divided or tightly knit. You can watch from the stands for an entire season, and never truly understand a team's dynamic, its heart.

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Adam. Jaxon. Connor. Stephen. Evan. Jacob. Parker. Three Logans—Logan Hunter, Logan Schatz, Logan Boulet.

Brody. Mark. Tyler. Glen. Darcy. The unthinkable, made real.

"The worst nightmare has happened," said Bill Chow, the president of the Saskatchewan league in which the Broncos played.

As the Journal's Kim Mackrael reported from Humboldt, the hockey team is thoroughly embedded into the small, population-5,800 farming and potash-mining town. "They're our boys," one resident told Mackrael. "They're everybody's boys."

Days later, the sorrow continues, as does the shock. On Monday, word arrived that a player

misidentified as dead (Xavier La belle) was, in fact, alive—which, in turn, meant a teammate identified as a survivor (Parker Tobin) was actually dead.

It's horrifying, all of it.

"It's got to rip the heart out of your chest," said the Toronto Maple Leafs head coach Mike Babcock, who grew up in nearby Saskatoon.

This tragedy cuts to the core of the sport and the whole of Canada. But you don't have to know them to mourn them. Their deaths are agonizingly relatable. The bus is a way of life in sports, at almost every level—from arena to arena, school to school, city to city. Those rides can be tedious, but also essential—there are conversations, songs, movies, naps, jokes. Friendships are made. Talk to a pro athlete, and what they often recall about their early days is not what happened in the games, but those

long, humble bus rides.

"Everyone in hockey knows how much time you spend traveling around on buses," said the NHL superstar Connor McDavid. "It never even came across my mind that something like that could happen while I was on the bus."

That's really it, isn't it? What athlete steps on a team bus thinking that this will happen? Even in our ordinary lives, we treat safe passage as a given, getting from point A to point B. Tragic accidents do occur—but they're quickly compartmentalized. Parents worry about their children, but hide it in the backs of their minds. It's human. To worry too much is to live in fear.

There was another tragedy in sports over the weekend, in the Paris-Roubaix bicycle race in France. A 23-year-old rider named Michael Goolaerts was involved in

a crash and went into cardiac arrest. His team announced his death Sunday night, and it sent a chill through the sport. Bike racing can be dangerous, and to enjoy it—not to mention compete in it—you have to tuck away the chance that something like this could happen.

When it does happen, it exposes a vulnerability that's difficult to confront.

Goolaerts was a young rider, talented enough to get the call to race in a major event like Paris-Roubaix. Now he's gone. And yet bike racing continues.

In Humboldt, they have begun the process of paying tribute to the fallen. On Sunday, there was a vigil attended by Canada's Prime Minister Justin Trudeau. The Broncos team pastor, Sean Brandow, spoke. Brandow had come upon the crash scene in his own car, and was still processing what he'd encountered. His words were anguished and raw.

"[I] walked up on a scene that I never want to see again, to sounds I never want to hear again," the pastor said. "To go to the hospital and walk around and just hear groaning and panic and fear and distress and pain, just nothing but darkness. To sit and hold the hand of a lifeless body."

Brandow made reference to Psalm 23:4: "That's all that went through my head, 'This is it, this is the valley of death, this is the valley of darkness.' And all I saw was darkness. All I saw was hurt and anguish and fear and confusion. And I had nothing. Nothing. I'm a pastor, I'm supposed to have something."

There are no perfect words, no easy path forward. There may never be. Brandow said he believed healing is possible, but scars would always remain.

Meanwhile, there are gestures of kindness and hope. An internet fund set up for players and their families has already raised more than \$5 million, much of it from strangers. Across the world, hockey fans are taking out their hockey sticks and putting them in front of their homes—a stark tribute to lives lost, and a sport in grief.

And in the hospital, the injured Humboldt Broncos are fighting to recover. A recent photograph of the Broncos, taken not long before the collision, showed the team happily posing in dyed blond hair—a move of playoff unity, like those lumberjack beards their NHL idols grow.

A new photo released over the weekend showed three Broncos in their beds and hospital gowns and blond hair. They were holding hands, in courage and friendship, bonded as hockey players—and riders from that bus.

A team, forever.

THE MASTERS

GOLF'S PERFECT STORM

BY BRIAN COSTA

WHEN TIGER WOODS teed off at the Masters last week, the immediate surge of interest was predictable. Ratings for ESPN's first-round coverage, which came on the air after Woods was done for the day, were up 40% from a year before. A day later, with Woods's afternoon tee time within the broadcast window, the spike was 55%.

But the most telling indication of the state of pro golf might have come over the weekend. With Woods falling from contention, CBS still drew a 24% higher rating for the third round than it did in 2017. On Sunday, when Woods was nearly done by the time the Masters went on the air, the final-round rating jumped 14% from the year before.

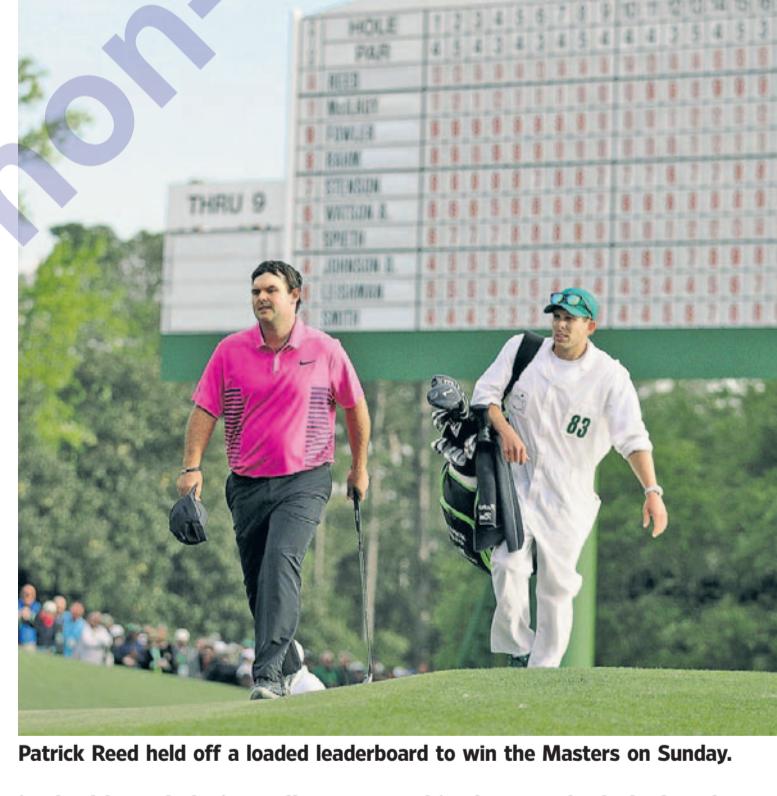
Those increases, at a time when traditional television viewership across the board is trending downward, are the byproduct of a perfect storm in golf.

Behind Woods and Phil Mickelson, a new generation of stars has matured to the point where it isn't even that new anymore. Jordan Spieth is a three-time major champion. Rory McIlroy won his first major seven years ago. Rickie Fowler will turn 30 years old this year.

Yet just as the game seemed less in need of Woods and Mickelson's drawing power than ever, those two have reemerged as threats to win tournaments. Though Woods wasn't great at the Masters—he tied for 32nd place—his health and play suggest he isn't going away again anytime soon. Ditto that for Mickelson, who tied for 36th.

It's akin to Major League Baseball watching Bryce Harper and Mike Trout come of age, only to suddenly have Derek Jeter back on the field. And it is perhaps only possible in golf, which remains unique in its agelessness even as PGA Tour winners trend younger overall.

"I think the addition of Tiger be-



Patrick Reed held off a loaded leaderboard to win the Masters on Sunday.

ing healthy and playing well, no matter what else happened, was probably going to make it as anticipated as any [Masters] going back five, six, seven years," Spieth said. "But then Phil winning recently, Rory winning recently...there's just a lot of guys playing really good golf that create story lines in general."

Woods may remain the ultimate magnet for attention, but the generation of players that grew up watching him is more than holding its own. With Patrick Reed's win at Augusta National on Sunday, all four current major champions are Americans between the ages of 24 and 27.

Spieth, 24, won last year's British Open. Justin Thomas, 24, won the PGA Championship. And Brooks Koepka, 27, won the U.S. Open.

Rarely does a major champion

ship showcase both the best-known aging greats on the tee sheet and nearly all of the best young players in the game near the top of the leaderboard. But this Masters served as the best proof yet of what golfers themselves have been saying for a couple of years: The depth at the top of the sport is as good as it has ever been.

At one point late in the final round on Sunday, the top 11 players on the leaderboard included the Nos. 1, 2, 3, 4, 5, 7 and 8 players in the world rankings. Golf is supposed to be flukier than that.

It was the rare golf major that couldn't lose no matter who won, even if Reed was the last contender that most people were rooting for. And it pointed to where golf is heading in 2018:

Putting Woes Sink Rory McIlroy

AUGUSTA, Ga.—In scientific terms, the crowds here went bananas as Jordan Spieth and Rickie Fowler made charges for the lead during the final round.

But even their extraordinary performances weren't enough to catch Patrick Reed at this year's Masters. There was only one person who could be realistically expected to match or surpass his winning score of 15 under par.

Rory McIlroy's most glaring flaw—putting—didn't just leave him barely short. His struggles on the green took out of contention the single golfer with a reasonable chance to catch Reed. And the outcome underlines why one of the game's most talented golfers hasn't won a major since 2014: Some days, it really doesn't matter how well he can hit the ball if he can't putt the ball in the hole.

Reed entered the day at 14 under. McIlroy was three shots back. Everybody else was at least five strokes back. It took Spieth carding an 8 under 64 to finish the tournament within two. Fowler also turned in one of the best days with a 67 to finish second and one back.

The hopes for the rest of the field largely hinged on Reed faltering. He didn't. He posted his highest score of the tournament, a 71, but that was 1 under and reasonably enough to fend off almost everybody.

That almost includes everybody but McIlroy, who charged on Saturday to put the pressure on Reed. McIlroy knew well the pressure his counterpart faced—because he had gone through it. In 2011, McIlroy had a four-shot lead going into Sunday at the Masters. He fell apart that final round in the most extraordinary fashion. He didn't just lose. He shot an 80. He triple bo-



Rory McIlroy reacts after a missed putt during Sunday's final round.

geyed the 10th hole, and it unraveled more from there.

This time, McIlroy wasn't in first. He was in second. And this collapse won't become part of Augusta National lore, but it's the more telling revelation about the state of his game.

"I'll sit down and reflect over the next few days and see what I could have potentially done better," McIlroy said.

In the final round, McIlroy ranked 53rd in strokes gained putting. Which is problematic because only 53 players made the cut. He ultimately finished with a 74 and finished tied for fifth, at 9 under and six shots behind Reed.

These problems aren't anything new. Last year, he ranked 140th in strokes gained putting. And 135th the year before that.

That he could rate so poorly and still be one of the best golfers in the world for all of this time is possibly the best testament to just how good he is at everything else—and how dangerous he might be if he ever solves his putting woes.

—Andrew Beaton

gor. "I am ready to go win a major," he said. "But this was kind of the first week that I've understood that and known that and felt that."

The U.S. Open is two months away. "Should be a very good major season," Fowler said.

OPINION

Bolton Faces a Dangerous World



GLOBAL VIEW
By Walter Russell Mead

Welcome to the White House, Mr. Bolton. Not since the 1940s has a national security adviser faced an array of challenges this urgent, this numerous and this perplexing.

Five distinct threats will compete for John Bolton's attention as he settles into Henry Kissinger's old digs: First, North Korea's drive toward nuclear weapons that threaten the U.S. has reached a critical juncture. Second, China's militarization of the South China Sea coincides with a crisis in U.S.-China trade relations. Third, Russia's efforts to disrupt the Western alliance system and re-establish itself as a major power in the Middle East have progressed to the point that not even Donald Trump can ignore them. Fourth, Iran's push to consolidate its gains in Syria and Lebanon has alarmed and provoked Israel and its once-hostile Arab neighbors. Fifth, Islamist terrorism continues to lurk in the shadows, threatening to emerge at any moment and force Western governments to respond.

As the White House considers these threats, its options are constrained. Seventeen years of indecisive war has left a polarized American public weary of global engagement.

The midterm elections may yield a "blue wave" that forces the president into a defensive crouch to fend off investigations and perhaps even impeachment by a Democratic Congress. The press is deeply hostile to the Trump administration and unwilling to grant it the benefit of the doubt in foreign policy. Traditional alliances are strained: Europe and Asia worry that an "America First" administration is less valuable and reliable as a partner; Turkey, meanwhile, flirts with a revisionist confederation with Russia and Iran.

Compounding the challenge is that adversaries world-wide share an interest in keeping Uncle Sam off-balance. North Korea, China, Russia, Iran and the jihadists don't operate on a single master plan, but this common interest leads to a kind of informal coordination. Crises may erupt at inconvenient times for the U.S. precisely because they are inconvenient times for the U.S.

Then there is Mr. Bolton's boss. Donald Trump is not interested in subordinating his improvisational leadership style to the demands of any Washington routine. He believes that the foreign-policy establishment is deeply flawed, that the career bureaucracy actively seeks to undermine his administration, and that many of the basic principles that have informed American thinking abroad for 70 years need to be discarded.

As national security adviser, Mr. Bolton sits where the rubber of presidential spontaneity meets the road of the institutional foreign-policy process. Mr. Bolton's unenviable but critical task is to bring some kind of order to the most chaotic administration in recent memory, which is confronting the most dangerous international situation since the Truman administration.

OPINION

REVIEW & OUTLOOK

Republican Spending Reprieve

The Congressional Budget Office finally rolled out its semiannual budget outlook on Monday, and the federal deficit is expected to be \$804 billion this fiscal year and is heading toward \$1 trillion by 2020. That should concentrate the minds of Republicans to use their power to rescind at least some of the excess spending in the recent blowout omnibus budget bill.

The Congressional Budget and Impoundment Control Act of 1974 is a bad law that has made it hard for the GOP to repeal ObamaCare or reform other entitlements. But a corner of the statute lets the President request that certain discretionary (that is, non-entitlement) funds not be spent even though they have been appropriated. Congress then has 45 days to approve the rescission request. If Congress fails to act, the spending proceeds. A rescission package is subject to limited debate and requires only a 51-vote majority in the Senate.

This has the potential to undo some of the fiscal damage in this year's 2,232-page, \$1.3 trillion spending bill. The GOP felt obliged to accept huge increases in domestic discretionary spending in exchange for a modest and long-needed increase for defense. For example, the omnibus included \$13.7 billion more for transportation and housing in 2018 than what the House passed in appropriations bills. The deal featured large increases for environment, labor, health and more, none of which were pinched for cash before this gusher.

Democrats are acting like rescission is a novel or extralegal idea, but it isn't. Presidents have proposed 1,178 rescissions since 1974, according to the American Action Forum's Gordon Gray. Congress agreed to only 461, and 101 were in 1981 thanks to Ronald Reagan. The total amount rescinded over the years comes to about \$25 billion out of \$76 billion proposed by Presidents. Bill Clinton in 2000 was the last President to propose rescissions.

Trump's Russia Blacklist

The Trump Administration announced sweeping sanctions on Vladimir Putin's inner circle Friday, and the news deserves more attention. The sanctions hit the Kremlin's cronies where it hurts—their fortunes.

Treasury blacklisted seven oligarchs, 14 companies and 17 government officials for engaging "in a range of malign activity," including the occupation of Ukraine's Crimea, aiding Syria's Bashar Assad, meddling in the 2016 U.S. election, and more. The blacklist includes Putin son-in-law Kirill Shamalov, industrial tycoon Oleg Deripaska, Gazprom executive Alexei Miller, Interior Affairs Minister Vladimir Kolokoltsev, and Rusal, the giant aluminum producer.

The order freezes assets subject to U.S. jurisdiction, prohibits Americans from dealing with the individuals and companies, and threatens sanctions against "non-U.S. persons" who facilitate "significant transactions" for the Russians. A sign of the impact is that the ruble fell nearly 4% against the dollar Monday, and Russia's main

Democrats will also cry that the GOP is renegeing on a spending deal, but Democrats used their leverage with the 60-vote filibuster rule to coerce more non-defense spending. Republicans would now use their power under the Budget Act to claw some of that back. This is using legitimate political leverage under the law.

Republicans have been getting pounded by their voters for passing a Democratic budget, with the exception of defense, despite having GOP majorities. A rescission vote can restore some of the political accountability that the filibuster blurs.

House Republicans are already discussing possible rescissions, and it'll take finesse to command a majority. Senate Republicans will be even less thrilled given their narrow 51-vote majority. But one reason Republicans are at political risk of losing in November is the lack of enthusiasm among their voters, and a fight over spending restraint would show grassroots Republicans that it matters who controls the House and Senate next year.

Congress and the White House will also have to work together on a consensus package of what to rescind. The worst case would be for a rescission proposal to get public attention but then fail as Republicans defect or Mr. Trump wiggles out. Cooperation isn't impossible. The Administration and Congress managed to work together last year to repeal more than a dozen Obama-era regulations under the Congressional Review Act, and some votes were close.

President Trump should be on board after announcing how unhappy he was to sign the omnibus to get more dollars for defense. "I will never sign another bill like this again," the President threatened at the signing. But if the GOP loses the House in the fall, Mr. Trump will be signing bills so big he'll be sick of losing. A fight over spending restraint is worth having.

**New sanctions target
Putin's cronies
in the pocketbook.**

stock index fell more than 8%. Rusal's shares lost some 50% in Hong Kong trading.

The Treasury order has particular implications for Europe. Gazprom is developing the Nord Stream II gas pipeline that would give Moscow leverage over European energy supplies.

One reason Mr. Putin has been able to stay in power is his ability to make his friends rich. But if their association with the Kremlin confines them to business in Russia, Mr. Putin's patronage becomes far more problematic. Moscow said the sanctions are "unacceptable" and "illegitimate," but the Kremlin lacks America's financial and economic leverage.

The sanctions are more evidence of a toughening U.S. policy toward Russia. While Mr. Trump has been reluctant to criticize Mr. Putin, he has sold lethal weapons to Ukraine, moved NATO military assets to the east, and expanded U.S. energy production to give Europe an alternative to Gazprom. Perhaps Mr. Trump's critics should give him some credit.

A Nafta Poison Pill

Donald Trump's rewrite of the North American Free Trade Agreement is supposed to tilt the 24-year-old pact toward American commercial interests. Yet U.S. Trade Representative Robert Lighthizer's demand to eliminate Nafta's dispute-settlement panels, which protect the property rights and contracts of North American investors, would produce the opposite.

The damage to Americans would be so serious that U.S. business groups are quietly threatening to oppose a renegotiated Nafta if Mr. Lighthizer doesn't back down. Last month Senate Finance Chairman Orrin Hatch, House Ways and Means Chairman Kevin Brady and more than 100 colleagues warned in a letter that removing the "investor-state dispute settlement" (ISDS) mechanism in Nafta "will jeopardize Republican support, even among Members who consistently have voted for trade agreements."

ISDS agreements are common in modern trade pacts and bilateral investment treaties because they provide foreigners recourse if domestic courts discriminate against them. They also protect against capricious regulations that are disguised protectionism. The U.S. is party to 50 agreements world-wide that use ISDS. Some critics say ISDS mechanisms encroach on U.S. sovereignty. But the U.S. government won all 11 cases it was involved in with Nafta arbitration panels.

In October Mr. Lighthizer described ISDS as a subsidy to business, "an advantage that's outside the market." Mr. Lighthizer seems to be arguing that the free market is the law of the jungle and the rule of law is a government handout. That's strange from a trade lawyer who made his career using U.S. courts to protect American steel from competition.

Mr. Lighthizer also asked, "why is it a good policy of the United States government to encourage investment in Mexico?" Mr. Lighthizer's goal is to raise the cost of investing outside the U.S. so Americans invest only at home. The more political risk to U.S. companies abroad in his view, the better.

This is bizarre: Nafta lets American companies allocate capital to its best use on the continent and thus strengthen U.S. productivity and competitiveness.

Mr. Lighthizer in particular doesn't want U.S. car makers to invest in Mexico. Yet those investments have kept the U.S. industry globally competitive, resulting in thousands of new, higher-paying jobs in the U.S. despite automation. American oil-and-gas drillers also go where the resources are and that means investing across borders to explore and drill.

Sometimes investing locally is the only way to do business locally. Railroads are literally on the ground. Finance companies train personnel and develop brands by putting capital into marketing and sales. Telecom companies spend big to develop local market share. Walmart has stores in Mexico to serve the growing middle class. U.S. farmers invest abroad to get their exports to market.

American businesses know ISDS protection levels the playing field with foreign competitors. Without it, the certainty that foreigners enjoy in U.S. courts isn't reciprocal.

As the Business Roundtable, National Association of Manufacturers and Chamber of Commerce explained in a letter to the Administration in August, ISDS "upholds the same fundamental due process and private property guarantees protected by our Constitution, and it obligates other countries to uphold these precepts as well." An example was Exxon's use of a bilateral investment treaty in 2004 to protect its property rights after Argentina's government seized its assets.

The U.S. has championed the rule of law around the world because it is good for human development—American and foreign. Trade or investment treaties protect property rights so investors have greater certainty and poor countries have more incentive to build institutions that lead to peace and prosperity. A Nafta rewrite without ISDS would be a major defeat for U.S. companies and the rule of law—and could be defeated in Congress.

**Congress can claw back
some of its spending
with rescissions.**

LETTERS TO THE EDITOR

More Labor Mobility Would Help to Fill Jobs

I was struck by the juxtaposition of your two front-page articles on April 2 ("Trump's Loyalty to Coal Is Tested" and "Worker Shortage Dogs Midwest") because it occurs to me that we can kill two birds with one stone: We can avoid use of scarce government resources to prop up a dying industry and satisfy the needs of the manufacturers in Iowa if the displaced coal workers were simply willing to move and retrain. This is especially feasible because the change is from one blue-collar career to another; we wouldn't be asking people to suddenly retrain as computer scientists.

Especially in a booming economy, it is at least worth discussing whether a combination of individual unwillingness and lack of societal support for striking out for new territory is more to blame for blue-collar unemployment than technology, globalization and competing energy sources.

PETER GRAF
Boulder, Colo.

How ironic that at a time when the primary growth impediment affecting many businesses across the Midwest is an acute labor shortage, our president continues to justify many of his actions as necessary to stimulate the economy and protect our southern border. The lack of workers won't be remedied by President Trump's current actions. Taking into account the historic work ethic of desperate immigrants who have entered our country, I expect that we would see many promptly employed here.

THOMAS G. LANGKAMMER
Oshkosh, Wis.

If there were a true shortage of workers, wage rates would be driven

up so as to bring more workers into the job market. Witness the surge of workers that came from Southern states to Michigan to work in the automobile and defense industries in the 1940s. That doesn't mean, however, there isn't a problem with the labor market. In particular, the labor market is beset with constraints in the mobilization of workers to areas of rekindled labor demand.

Imagine a labor market suffers a severe downturn that lasts several years. Seeing no local prospects, workers rationally choose to move out of the area. However, given the downturn, local housing market conditions are such that houses cannot be sold and those workers who choose to move lose significant wealth by selling their homes at depressed market prices. Now, several years later, improved conditions in the general economy provide an incentive to employers to revive their shuttered assets and hire more workers. With this increase in the demand for labor, job openings and wage offerings rise accordingly. Furthermore, given the reduced size of the labor pool, a true shortage might actually exist. However, unless these employers provide some sort of tenure security, workers will be reluctant to migrate back into the area due to the prospect of again losing wealth in the housing market with the next economic downturn.

Thinking strategically, a smart entrepreneur might take the long view and offer home-buying assistance, home-selling assistance and long-term contracts. These perquisites are typically offered to CEOs. What's wrong with using these incentives for other workers?

PROF. ROBERT H. BRUHL
University of Illinois at Chicago

Fed Should Do a Cost-Benefit Policy Analysis

Joseph C. Sternberg describes how prolonged ultralow interest rate policies have caused serious problems for defined-benefit pension plans in Britain ("Britain's Monetary 'Stimulus' Has Fed the Pension Crisis," Political Economics, March 30). According to a recent study by the Bank of England, such pension problems are now causing corporations to reduce their dividends and investment. Such a study was overdue, but at least the British central bank is willing to analyze one of the many costs of ultralow rates.

In contrast, our Federal Reserve refuses to embark on any serious cost-benefit analysis of its policies since 2008. It is quick to recognize how low rates help debtors and how rising stock prices have a positive wealth effect. But have you ever heard a Fed official give an estimate of the drop in interest income to savers and pensioners, and how this decline affected consumption? How is punishing long-term

saving a good policy? Ultralow rates were necessary after the crisis, but that doesn't mean they were needed for almost nine years. The anemic growth of the economy before 2017 raises the question of whether ultralow rates are subject to diminishing returns, or even negative returns at some point. Failure to investigate that question raises the risk of misguided monetary policy in the future.

R.F. STAUFFER
Salem, Va.

King's Legacy: Christian Love and Responsibility

Regarding Jason L. Riley's "Martin Luther King: We Can't Keep on Blaming the White Man" (Upward Mobility, April 4): Progressives eventually devour honest liberals like King who don't conform to progressives' constantly changing dogmas (see Booker T. Washington). One day, when progressives want to remove all the Martin Luther King memorials—because he was a religionist (worse yet, a Christian), or because he dared to criticize protected classes of victims, or because he was accused of an impropriety—the last group to defend him will be conservatives like Mr. Riley, who understand that a person's character, not gender, race, ethnicity or any other factor, is what matters.

THOMAS M. DORAN
Plymouth, Mich.

King espoused colorblind equality of opportunity and justice. He is surely weeping in heaven at the anti-white racism used for political gain by many Democrats and their media allies.

BILL MENZEL
Randolph, N.J.

Mr. Riley suggests that King's successors have succeeded in demonstrating Eric Hoffer's observation that: "Every great cause begins as a movement, becomes a business and eventually degenerates into a racket."

LARRY W. WHITE
Dallas

The Regulating of 'Love' Is A Massive FDA Power Grab

Regarding Sheldon Bradshaw and Marisa Maleck's "The Twisted Case of the 'Deceptive' Pretzels" (op-ed, April 2): The article underestimates the value of the work provided by the Food and Drug Administration. Despite the regulation of the local, family-owned Nashoba Brook Bakery in Concord by almost 10 government agencies, it took the FDA to sanction it for actively deceiving its customers into thinking that "love" was an ingredient in its granola. Fortunately, following the FDA's warning letter, the practice ended. Now, we only need to ensure that the love formerly in the granola mix isn't a carcinogen. Perhaps an enterprising plaintiff's lawyer will take up the case.

DEBORAH J. CLARKE
Sudbury, Mass.

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Pepper ... And Salt

THE WALL STREET JOURNAL



OPINION

Cuomo Loots A Catholic Charity

By Bill Hammond

Gov. Andrew Cuomo has a disturbing new way to raise revenue: using government muscle to squeeze private organizations into "voluntarily" writing billion-dollar checks. That's what he did to Fidelis Care, a nonprofit health plan affiliated with the Catholic Church, and its would-be buyer, Centene Corp.

In a murky deal announced on Good Friday, Fidelis and Centene agreed to pay the state \$2 billion over four years. The payments are not technically required by law. But Fidelis and Centene agreed to them after a three-month pressure campaign by Mr. Cuomo, including overt and implied threats to seize the funds, block the sale or both.

Fidelis planned to devote billions to health care for the needy. New York's governor had other ideas.

Fidelis would seem an odd target for a gubernatorial money grab. Founded in 1993, it specializes in health coverage for the poor. With 1.6 million members, it is the largest purveyor of state-sponsored programs such as Medicaid managed care, Child Health Plus and the Essential Plan, as well as Medicare Advantage and commercial ObamaCare coverage. It has played a big role in reducing the state's uninsured rate, and it has not been publicly accused of wrongdoing.

What sparked Mr. Cuomo's campaign was Fidelis's pending sale to Centene, announced in September, for a price of \$3.75 billion. The bishops planned to put the money into a charitable foundation in support of health care for the needy. Mr. Cuomo argued that the state was entitled to \$3 billion of the proceeds because Fidelis earned most of its revenue from state programs. By that logic, the state could skim the savings accounts of public employees when they retire.

He also cited the precedent of Empire Blue Cross Blue Shield, which yielded billions to the state when it converted to for-profit status in the mid-2000s. But that was a unique transaction under a narrowly tailored law that applies to no other company.

Despite lacking a legal claim to the money, Mr. Cuomo pursued it aggressively. Bills he submitted to the Legislature would not only have seized 80% of the proceeds from the sale but also raided Fidelis's reserve accounts if the deal were canceled. The bishops would have paid either way. The sale needed regulatory approval from two state agencies, the departments of Health and of Financial Services, leaving it vulnerable to delay or rejection by Mr. Cuomo's appointees.

In the face of a three-way bind, and with no meaningful support from either party in the Legislature, Fidelis and Centene agreed to give up \$2 billion over four years, including \$1.35 billion this year. The bishops' charitable foundation is left with \$3.2 billion, including both sale proceeds and surplus cash, and Centene salvages an expansion that has been well-received on Wall Street. But the state's end of the deal creates the ugly appearance that regulatory approval of the Fidelis-Centene sale has been bartered for a 10-figure sum.

A final disturbing twist is where the state's \$2 billion is destined to go: into a "health care transformation fund," into which the governor's budget director can dip without even notifying the Legislature (or the public) for 15 days. So Mr. Cuomo is diverting money otherwise meant for charity to furnish himself with \$1.35 billion to spend as he wishes in an election year. What innocent but deep-pocketed organization will be next?

Mr. Hammond is director of health policy at the Empire Center.

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The GOP Needs a Free Facebook

By Chris Wilson

Social media was a godsend for Republican campaigns. Online networks allow conservatives to communicate to voters without the filter of liberal media. A well-established narrative holds that Democrats mastered social media in Barack Obama's presidential campaigns. But an internal Facebook memo obtained by Bloomberg News claims the GOP is using Facebook better than its Democratic opponents.

As director of data and digital strategy for Sen. Ted Cruz's presidential campaign, I developed methods to send microtargeted messages to voters on a variety of issues, using Facebook as a primary medium. We spent time learning the site's rules, we played by them, and it worked.

In Iowa we used data-driven digital advertising to help propel Mr. Cruz to victory. We went through the media filter for TV and radio ads, but we also bypassed it, taking our message directly to voters online.

It is much harder for congressional campaigns to generate media coverage, and harder still to persuade reporters and editors of the merits of conservative positions. But congressional Republicans are considering new regulations on the social-media sites that allow them to reach voters. They should be careful what they wish for.

If Hillary Clinton had won the election as well as the media's coronation, would we even be debating a new regulatory scheme for social-media advertising, and would Facebook chief Mark Zuckerberg be



MLADEN ANTONOV/AGENCE FRANCE PRESSE/GTY IMAGES

appearing before Congress this week to be grilled about his company's role in the 2016 election? We know the answer. Regulation is considered only when Republicans

Regulation would turn the social-media giant into just another media filter—with the usual bias.

become innovative enough to surpass Democrats in digital campaigning.

Some legitimate concerns have been raised about foreign-intelligence services using social media to spread "fake news," but liberals have largely overstated the effects

of those efforts. Hillary Clinton's failure to visit Wisconsin, and her description of millions of voters as "deplorables," contributed far more to her losses in key states than did Russian clickbait.

One sensible safeguard for social-media advertising would be greater disclosure in political ads. Facebook is on the right track with voluntary measures to verify the legitimacy of political advertisers and to require disclaimers on such ads.

But conservatives and Republicans should fiercely resist any attempt to make social-media platforms arbiters of truth in digital advertising.

Such a move would transform the free advertising market into a highly regulated monopoly, in which the liberal media filter would disadvantage conservative candidates online it has for

decades on television and in print.

Giant tech companies like Facebook can not only survive but also thrive under regulation. They can afford the cost of compliance, hiring tens of thousands of employees dedicated to ad verification. Smaller competitors would stand no chance of keeping up. This is how government regulation cements market share and creates monopolies.

Why should conservatives worry about this? Look at the newspaper industry as an example. Across America, two-paper towns once benefited from healthy competition between newsrooms. Then they became one-paper towns. When news monopolies became the reality from Minneapolis to Houston, the news slanted further left. The Houston Chronicle, after vanquishing the Houston Post in 1995, lurches left editorially. Consumers in America's most populous purple county had nowhere else to go for local news.

A similar dynamic would likely play out if Congress imposed regulations on Facebook and its competitors. A tool once used successfully by conservative campaigns would see its market share frozen in place, and in the absence of competition it would become like all media before it, free to express political bias.

Tread carefully, my Republican friends, lest you transform the tool that bypasses the media filter into another media filter, with all the inherent biases.

Mr. Wilson is CEO of WPA Intelligence, a Republican data-science firm.

Clinton Supporters Have Some Questions for Comey

By Lanny J. Davis

James Comey's book comes out next week. While promoting "A Higher Loyalty: Truth, Lies, and Leadership" the former director of the Federal Bureau of Investigation should face some tough questions. First, will he correct the post-election distortions by "friends and associates" meant to justify his decision to send the Oct. 28, 2016, letter to Congress? That letter—which announced the FBI was reopening its investigation into Hillary Clinton's emails—almost certainly handed Donald Trump the presidency.

In an Oct. 29, 2016, internal memo, Mr. Comey claimed he was "obligated" to inform Congress because of a public commitment he had made during a congressional hearing. But that is untrue. On Sept. 28, 2016, Rep. Lamar Smith (R., Texas) had asked what the FBI chief would do if anything new on the Clinton emails issue was discovered.

Mr. Comey responded only that "we would certainly look at any new and substantial information."

The FBI began reviewing emails found on former Rep. Anthony Weiner's laptop on Oct. 31, 2016, some four weeks after Mr. Comey was made aware of their existence. Agents completed their work on Nov.

5. Since it took less than a week to review the emails, couldn't Mr. Comey have done so before informing Congress? If Mr. Comey argues he didn't know how long it would take, the question remains: Why didn't he look first? This is especially important given the undeserved political damage caused by the letter.

Mr. Comey also falsely claimed that the FBI needed to obtain a warrant before reviewing the Clinton emails on Mr. Weiner's laptop. In fact, attorneys for Huma Abedin and Mr. Weiner told the New Yorker's Peter Elkind that they would have "readily acceded" to FBI requests to review the Clinton emails without a warrant. But Mr. Comey and the FBI never asked. Why?

Then there is the still-unexplained delay between Mr. Comey's being told about the Weiner-Clinton emails and obtaining a warrant. On Oct. 3, 2016, Mr. Comey first learned about the discovery of the new emails. Yet it wasn't until Oct. 30 that he and the FBI obtained a warrant to look at them. Many conservatives believe Mr. Comey and Deputy Director Andrew McCabe deliberately delayed the review to help Mrs. Clinton, but the opposite is the case.

Had Messrs. Comey and McCabe immediately begun the search after

finding the emails Oct. 3, the FBI would have completed its review within days. By Oct. 10, the headlines would have been that Mrs. Clinton had been "cleared," again, of legal wrongdoing regarding her emails. She could have spent the last

Why did the FBI wait almost four weeks before examining the emails on Anthony Weiner's laptop?

four weeks of her presidential campaign focused on positive messages. Instead, the crucial closing days of the campaign were about her emails—and her polling numbers plummeted in key battleground states.

Worst of all is Mr. Comey's self-serving distortion that once the emails were discovered on Mr. Weiner's laptop, he had only two choices: to speak or to conceal. There was a third choice.

As Deputy Attorney General Rod Rosenstein wrote in his May 10, 2017, memorandum to President Trump, Mr. Comey could have remained silent, as required by longstanding Justice Department policies and due-process principles.

Mr. Rosenstein wrote: "Concerning his letter to the Congress on October 28, 2016, the Director cast his decision as a choice between whether he would 'speak' about the decision to investigate the newly-discovered email messages or 'conceal' it. 'Conceal' is a loaded term that misstates the issue. When federal agents and prosecutors quietly open a criminal investigation, we are not concealing anything; we are simply following the longstanding policy that we refrain from publicizing nonpublic information." Mr. Rosenstein concluded: "Silence is not concealment."

The irony of Mr. Comey's book title—"A Higher Loyalty"—should be obvious. While he deserves respect for resisting President Trump's demand for personal loyalty, the FBI director's true higher loyalty is to his self-righteous definition of what is best for himself and the FBI—the rules applicable to the rest of us be damned.

Mr. Davis, who served as a special counsel to President Bill Clinton, is a columnist for the Hill newspaper and author of "The Undeclared War: How FBI Director James Comey Cost Hillary Clinton the Presidency" (Scribner, 2018).

A Former President Goes to Prison

By Diogo Costa And Magno Karl

Brazil's former President Luiz Inácio Lula da Silva is officially a prisoner of the state. On Saturday Mr. da Silva turned himself over to the police to begin serving his 12-year sentence for corruption and money laundering. An emotional and tumultuous affair, Lula's imprisonment is nonetheless a necessary step to restore public trust in Brazil's institutions.

Still, the road ahead will not be easy. Mr. da Silva's political party, the Workers' Party (known as the PT), will try to turn his story into a tale of political prosecution. But the trial fully complied with Brazilian law. As long as Brazil's judicial

institutions remain firm, the country's ruling elite will take to heart the real lesson: that no one is above the law—not even powerful and rich men with loud, influential supporters.

Mr. da Silva had asked Brazil's Supreme Court to allow him to remain free while appeals in his case were pending. The justices held last week, however, that defendants can be jailed so long as one appeals court has already upheld the conviction. Had the Supreme Court ruled for Lula, many corrupt officials all across the political spectrum could have escaped prison on countless technical appeals. That remains the strategy for sitting politicians, who have *foro privilegiado*, the right to be tried only by higher courts, where justice is slower and more political. Because the courts are overloaded with cases that they do not have time to process, this privilege often amounts to de facto immunity from conviction.

To continue enjoying *foro privilegiado*, public officials will need to win re-election in Brazil's national elections this October. With corporate political donations now banned, politicians have argued they need public funds to campaign. Last year lawmakers set up a campaign fund with about \$540 million of tax money, which will be allocated according to parliamentary representation.

But the result is tax money going to support the very political parties embroiled in the Operation Car Wash corruption scandal. That investigation uncovered a massive web of bribes and kickbacks among politicians and

private parties. Depositions from the construction giant Odebrecht alone mention 415 politicians from 26 parties. In four years, it has led to 188 convictions against 123 individuals, totaling 1,861 years in jail.

At the center of the scandal are government-controlled corporations that went through a period of rapid

Only 6% of Brazilians trust the government. Lula's conviction for corruption may change that.

growth under Mr. da Silva's presidency. In 2007, the oil giant Petrobras embarked on an enormous capital expenditure program, with state banks responsible for much of the company's debt. One of those state banks, BNDES, disbursed about \$380 billion from 2003 to 2010, Lula's eight years in power. That's more than twice what the International Monetary Fund disbursed over the same period.

In exchange for contracts, subsidies and other benefits, well-connected companies illegally channeled resources to Brazil's political parties. Investigators have unearthed about \$1.9 billion in bribes and kickbacks. The ruling coalition around Mr. da Silva's PT got a big share of the action. Federal prosecutors called Lula the "commander in chief" of the corruption scandal. They estimated that he had received up to about \$67 million in gifts and illegal donations.

Since Operation Car Wash began

to expose the inner workings of Brazil's corruption machine, trust in public institutions has severely deteriorated. An annual survey shows that only 6% of Brazilians trust the federal government, followed by 7% each for the National Congress and political parties. The most trusted institution in Brazil, with a 56% rating, is the military.

Brazil's democracy can regain the public's confidence and make further strides in the fight against corruption, but the country's institutions must change. Campaign-finance legislation should be a priority. The next government should pass a law to prevent lawyers from launching endless appeals that keep powerful clients out of jail. Effective immunity *foro privilegiado* should be abolished, or at least strictly limited to specific situations. Political parties should be held accountable for misconduct, and any that turn into criminal organizations should be dissolved.

Such bold reforms will not come from today's politicians. But as Lula's conviction indicates, Brazilians are willing to bring their most popular leaders to justice. The Operation Car Wash investigation is doing its part. Soon it will be time for voters to do theirs. With elections coming up in October, the case for political renovation in Brasilia is stronger than ever.

Mr. Costa is public policy coordinator for Brazil's Novo Party and a doctoral candidate at King's College London. Mr. Karl is a political consultant and a doctoral candidate at the Willy Brandt School of Public Policy.

WORLD NEWS

Hungary Premier's Win Lifts Clout in EU

Landslide victory puts Orban in position to advance laws against migrant movement

BY DREW HINSHAW
AND ANITA KOMUVES

BUDAPEST—A landslide victory has left Hungary's nationalist Prime Minister Viktor Orban in a position to cement both his authority at home and his influence in the European Union, potentially shifting the Continent's balance of power further to the right, even as international observers declared the vote unfair.

Mr. Orban's Fidesz party won 134 of the legislature's 199 seats in Sunday's election, ensuring it has the number of votes to pass major overhauls and constitutional changes unilaterally. Hungarian political analysts and Fidesz officials said they widely expected their now four-term prime minister to do both.

Hours after the election, a Fidesz spokesman said the party within weeks would pass a law imposing a 25% tax on aid groups that assist migrants—the so-called Stop Soros Law, aimed at Hungarian-born billionaire George Soros, a liberal donor to nongovernmental institutions. A spokesman for Mr. Orban said the prime minister would tighten restrictions preventing NGOs from getting involved in politics.

The results were felt in the EU, which was as much Mr. Orban's opponent on the campaign trail as any of the minor parties he prevailed over. For three years, Mr. Orban has castigated the bloc and its 2015 plan to resettle 1,294 ref-



Hungarian Prime Minister Viktor Orban addressed supporters in Budapest on Sunday, when he won re-election by a wide margin.

ugees from Greece and Italy in Hungary, comparing it to the Soviet Union, which once dominated the country.

Mr. Orban's victory underscored just how fully the issue of immigration has remade Europe's political order. In Italy, Poland, the Netherlands, France and elsewhere, technocratic center-left parties that were once the chief governing force on the Continent have seen steep declines, unable to answer voter anxieties on migration.

In the nearby Czech Republic, the 140-year-old Social Democratic Party fared so

poorly in last year's border-focused election that the once formidable center-left faction now holds fewer seats in Parliament than the Pirate Party, a youth-powered direct-democracy movement.

In Hungary, no major politician disagrees with Mr. Orban's refusal to settle refugees or migrants here—and several think he hasn't been tough enough on Hungary's border. Even still, Mr. Orban ran his campaign almost exclusively on immigrants, telling voters that millions of Africans and Middle Easterners could cross

into the country if he lost.

"They want us to voluntarily hand our country over to others," he said at a rally in March. "Europe is now under invasion."

While Mr. Orban's opponents ran on issues like corruption or health care, he hammered away at the issue.

"Any party would be crazy to give up a political tool that is so valuable and effective," said Gábor Török, a political scientist at the Corvinus University of Budapest.

There were hardly any bright spots for the fractured opposi-

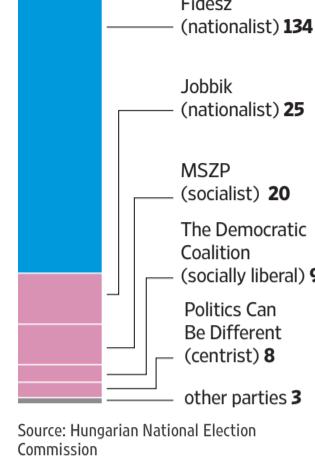
tion, except for a statement by an international observer group that effectively agreed with them that elections in Mr. Orban's country have become unfair. The prime minister's party mixed state funds into its own coffers to run its campaign, said observers from Vienna's Organization for Security and Cooperation in Europe.

The country's major TV outlets, virtually all of which are owned by Mr. Orban's government or his allies, covered the prime minister "in almost exclusively positive terms," the observers said. Mr. Or-

Sealed Mandate

Viktor Orban's party won a two-thirds majority in Hungary's parliament, expanding his broad authority over the nation.

Seats won per party:



Source: Hungarian National Election Commission

THE WALL STREET JOURNAL.

ban's government rewarded them with by buying advertising, they added. Its rules on how voters abroad could cast ballots were different for different categories of voters—seemingly along partisan lines, the observers said.

On Tuesday, European Commission President Jean-Claude Juncker was set to hold talks with Mr. Orban. EU officials are looking at ways to link aid to countries that respect the rule of law, a proposal understood to target Poland and Hungary.

But Mr. Orban has powerful supporters within Mr. Juncker's own European People's Party, an umbrella organization of center-right parties including German Chancellor Angela Merkel's Christian Democrats.

—Valentina Pop in Brussels contributed to this article.

Pope Puts Social Causes at Forefront

BY FRANCIS X. ROCCA

ROME—Pope Francis criticized Christians who emphasize opposition to abortion above social causes such as poverty and migration, in his latest effort to readjust the priorities of Catholic moral teaching from what he has characterized as an overemphasis on sexual and medical ethics.

"Our defense of the innocent unborn needs to be clear, firm and passionate," the pope wrote in a document released by the Vatican on Monday. "Equally sacred, however, are the lives of the poor, those already born," including the neglected elderly and victims of human trafficking.

The pope's words appeared in "Gaudete et Exsultate" ("Rejoice and Be Glad"), a reflection on "holiness in today's world" that includes advice on resisting the "verbal violence" of social media and achieving spiritual concentration amid a "culture of zapping."

The document is known technically as an apostolic exhortation, one of the more authoritative forms of papal writing below the level of an encyclical. Pope Francis didn't



Pope Francis leaving St. Peter's Square after Mass on Sunday.

invoke papal infallibility in the document, but Catholics are generally expected to regard papal teaching at this level with reverence and "submission of mind and will."

Pope Francis has repeatedly called for reducing the emphasis on certain moral issues and increasing attention to social and economic justice.

That approach stands in contrast to that of his predecessor, Pope Benedict XVI, who specified opposition to

abortion, euthanasia and same-sex marriage among a handful of "nonnegotiable" values for the church.

In terms of ethical priorities, Pope Francis wrote in the document released Monday that an exclusive focus on abortion reflects a "harmful ideological error" of those who play down the importance of social action or denigrate it as "superficial, worldly, materialist, communist or populist."

"We cannot uphold an ideal

of holiness that would ignore injustice" in the form of economic inequality, the pope added.

The pope also criticized what he characterized as an exaggerated focus on moral relativism, a concept closely associated with the teaching of Pope Benedict, who famously denounced what he called a "dictatorship of relativism" in contemporary culture.

"We often hear it said that, with respect to relativism and the flaws of our present world, the situation of migrants, for example, is a lesser issue. Some Catholics consider it a secondary issue compared to the 'grave' bioethical questions. That a politician looking for votes might say such a thing is understandable, but not a Christian," Pope Francis wrote.

He also warned against the danger of seeking social change while neglecting personal piety through prayer and Bible reading.

"Christianity thus becomes a sort of NGO stripped of the luminous mysticism exemplified by St. Francis of Assisi and Mother Teresa of Kolkata," the pope wrote.

North Korea Leader Affirms U.S. Talks

BY JONATHAN CHENG

SEOUL—North Korean leader Kim Jong Un publicly acknowledged for the first time the prospect of a "dialogue" with the U.S. and a planned summit meeting with South Korea's president, breaking a weekslong silence that had raised questions about Pyongyang's participation in the high-level meetings.

Mr. Kim, speaking at a meeting of the Politburo of the Workers' Party of Korea on Monday, "made a profound analysis and appraisal of the orientation of the development of the north-south relations at present and the prospect of the DPRK-U.S. dialogue," according to a state media report published Tuesday.

Mr. Kim's remarks were published just hours after President Donald Trump said at a cabinet meeting Monday that a summit with Mr. Kim could take place "in May, or early June," extending a timeline that the White House had first made public last month.

Mr. Kim's acknowledgment

of the high-level meetings came after a lengthy silence that had led some experts to wonder about North Korea's willingness to meet Mr. Trump and South Korean President Moon Jae-in.

Word of Pyongyang's apparent agreement on the summits had initially come from South Korean envoys who had met with Mr. Kim, and not directly from North Korea, which for several weeks made no mention of the meetings.

The Wall Street Journal reported on Sunday that Pyongyang had made direct assurances to Washington that the issue of its nuclear arsenal would be up for discussion at a possible U.S.-North Korea summit—fulfilling a key demand of the White House.

"There will be great respect paid by both parties and hopefully there will be a deal on de-nuking," Mr. Trump said on Monday. "Hopefully it will be a relationship that will be much different than it has been for many, many years."

—Michael Bender in Washington contributed to this article.

WORLD WATCH

COLOMBIA

Top FARC Leader Faces Drug Charges

Police arrested a top leader of the FARC, the guerrilla group turned political party, on charges of conspiring to smuggle 10 tons of cocaine to the U.S. in violation of a peace pact that paved the way for the group's disarmament. Colombia's government announced.

Moving on a federal grand jury indictment handed up in New York, Colombian police on Monday raided the home of Seuxis Hernández, 51 years old, arresting him and three associates.

—Juan Forero, Kejal Vyas

JAPAN

Central Banker Warns Of Trade-War Fallout

Bank of Japan Gov. Haruhiko Kuroda opened his new five-year term with a warning about the impact of a U.S.-China trade fight.

Mr. Kuroda said a protectionist approach could backfire on a country by limiting imports it needs.

—Megumi Fujikawa

Fossil Finger Bone Points to History of Human Migration

BY ROBERT LEE HOTZ

A fossil finger found among stone tools in the Arabian sands offers new clues to how humankind emerged from Africa, an international team of archaeologists said Monday.

The single finger bone—the first ancient human fossil discovered in Saudi Arabia—is the oldest reliable evidence of early humans outside Africa and the Levant, an area along the Mediterranean that includes Israel. It belongs to an era more than 85,000 years ago when the Nefud Desert, where archaeologists made the find, was a lake surrounded by grasslands, said the scientists who published their find in the journal *Nature Ecology & Evolution*.

The new find offers evidence that anatomically modern humankind not only left Africa earlier than previously believed, but also wandered far afield across the Arabian Peninsula, the scientists said. In fact, our most direct early ancestors may have moved out of Africa not once, but many times as regional climate conditions wavered between ex-



Views of a Homo sapiens fossil finger bone from the Al Wusta archaeological site in Saudi Arabia.

tremes of aridity and humidity.

"It has major implications with respect to how our species came out of Africa and the routes they took," said ar-

chaeologist Michael Petraglia at the Max Planck Institute for the Science of Human History in Jena, Germany, who was the senior author of the study. "It shows us that modern humans

were moving across the interior, not just along the coastlines."

Until recently, many scholars of human evolution, largely guided by genetic evi-

dence, believed that anatomically modern Homo sapiens migrated into Europe and Asia around 60,000 years ago. In this scenario, these hunters and foragers traveled northward along a narrow strip of the Mediterranean coastline, where they could shelter in the thick woodlands that once covered the region.

A flurry of fossil discoveries in northern Israel, Laos, Sumatra, Australia and China now suggest that relatively modern humans may have reached those regions thousands of years earlier. The new discovery in Arabia, an area long overlooked by archaeologists, is certain to add more fuel to arguments over when and where humankind began its global journey.

To confirm the bone belonged to Homo sapiens, scientists compared its distinctive long and slender shape to finger bones from other humans, extinct early human species such as the Neanderthals, and to nonhuman primates. They calculated its age by directly testing the bone using a technique called uranium series dating.

BUSINESS & FINANCE

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Facebook's Ills Pose Regulatory Puzzle

In prepared remarks, Zuckerberg says not enough was done to protect user data

BY JOHN D. MCKINNON
AND KEACH HAGEY

Mark Zuckerberg said in prepared congressional testimony Monday that misuses of personal data on Facebook have made it clear the social network didn't do enough to prevent its tools "from being

used for harm."

The chief executive also promised action to prevent future abuses, even at the expense of profits.

His remarks made in response to recent revelations about the company's handling of subscribers' information set the scene for his appearance this week on Capitol Hill, which is likely to prompt a raft of questions over how the government should regulate social-media platforms if their own measures fall short.

So, what might such regulation look like?

The question has grown urgent after Facebook acknowledged that political consulting firm Cambridge Analytica improperly accessed the private data of some 87 million users. In response, Congress, the Federal Trade Commission and even state attorneys general are deliberating regulatory options, as Washington senses growing public discontent with the status quo.

Coming up with smart, effective rules to govern the huge businesses of Facebook

and its rivals, from Google to Twitter, would be challenging, and sound legislation could take months, if not years, to execute.

The goal would be to protect user privacy, increase transparency and give individuals greater control over their digital identities, while not stifling innovation in an industry that is the epitome of American ingenuity and entrepreneurship. What follows are options—and challenges—for those positioned to create the rules of the road.

Pass privacy laws: Congressional action to introduce new laws to protect the data of individuals would be the single most powerful step Washington could take. Other countries have taken such an approach, which involved delineating how companies can collect, share and utilize user data. But passing such legislation could be a heavy lift. Rep. Marsha Blackburn (R., Tenn.), an influential subcommittee chairman, introduced such a bill last year, but tech lobbyists beat back her effort.

Repeal immunities: Facebook, Google and other tech giants generally can't be held legally responsible for the bad behavior of those who use their platforms, thanks to laws enacted when the internet was first blossoming in the 1990s. But lawmakers recently voted

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Russian Markets Recoil on Sanctions

BY JAMES MARSON
AND SCOTT PATTERSON

MOSCOW—Russian markets convulsed in the wake of new U.S. sanctions, as the ruble slid and domestic and foreign investors dumped Russian stocks.

Shares in United Co. Rusal PLC, the giant Russian aluminum maker, lost half of their value on Monday, after the U.S. hit the company and its main owner, Oleg Deripaska, with sanctions on Friday.

The damage spread across a broad range of Russian assets, leaving the country's main Micex stock index down more than 8% and the ruble off 4% against the U.S. dollar.

"Now, no one in the top 100 list [of wealthiest Russians] can be sure they won't be subject to sanctions," said Timothy Ash, an analyst at BlueBay Asset Management in London.

Russian Prime Minister Dmitry Medvedev on Monday ordered ministers at a government meeting to work out measures to support companies that have been targeted by sanctions, without giving details.

The measures could hit Russian economic growth, already forecast to be weak this year, as banks will be even more cautious about lending to Russian companies, Mr. Ash said. However, analysts from Renaissance Capital said the impact on growth should be limited by the fact that many companies have reduced external debt in recent years.

Many investors were surprised by the severity of the sanctions, which targeted senior Russian government officials as well as some of President Vladimir Putin's closest business allies and their companies.

Hardest hit Monday was Rusal. Its shares finished down 50% in Hong Kong, its main listing, after it said in a filing Monday that U.S. sanctions "may result in technical

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Alibaba Trains Its Gaze on Facial Recognition



INVESTMENT WATCH: A funding round led by the e-commerce firm values surveillance startup SenseTime at over \$4.5 billion. B6

IPO Puts Saudi Exchange On Map

BY MAUREEN FARRELL
AND JULIE WERNAU

Saudi Arabia's meager stock exchange hosts around 191 companies whose value totals roughly \$500 billion, or a little more than half the value of Apple Inc. With one more very important listing, it could balloon in size—or be overwhelmed.

So far, Saudi Arabia's Tadawul is the only confirmed listing exchange for Saudi Arabian Oil Co., the giant company better known as Aramco, which the kingdom estimates could be worth \$2 trillion. While the world's leading stock exchanges and governments have been busy lobbying Saudi Crown Prince Mohammed bin Salman to be able to list Aramco, the Tadawul has been scrambling to ready itself.

Seeking to prove it can successfully list and trade the stock of a company whose initial public offering would be the biggest ever, the Tadawul and its regulators have worked on a rapid-fire series of changes designed to bring its technology in line with international standards and to court more overseas investors.

"It's not often that you get to be the exchange and the market that hosts the largest IPO in history," said Mohammed El Kuwaiz, chairman of the Capital Market Authority, the regulator for Saudi markets, in January. "We're looking forward to Aramco to put us on the map."

Last month, Saudi Arabia got a nod it is heading in the right direction, receiving approval to join the benchmark FTSE Emerging Markets index, a step expected to push billions in new international capital onto the Tadawul as money managers and passive investors who track those indexes invest accordingly.

Please see IPO page B2

PayPal Shifts to Traditional Banking

BY PETER RUDEGEAR

PayPal Holdings Inc. is nudging its customers closer to mainstream banking services.

The San Jose, Calif.-based payments company has been reaching out to groups of customers in recent months with an offer to add basic banking features to their PayPal digital wallet.

The features include Federal Deposit Insurance Corp. insurance for balances up to government-set limits, a debit card that can be used to withdraw cash at ATMs and the ability to add funds to accounts by taking a photo of a check or by having employers deposit paychecks directly into an account.

PayPal users already served by traditional banks may not be tempted to ditch their existing checking accounts. The company isn't paying interest

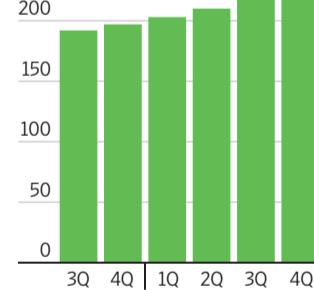
on balances and is charging a fee of 1% on any check a customer deposits via a photo, in addition to fees for taking money from ATMs other than the 25,000 inside PayPal's network, said Bill Ready, PayPal's chief operating officer.

But it could be a better option for certain consumers with smaller balances who are largely ignored by banks and have to rely on check-cashing centers and other alternative providers of financial services. PayPal isn't charging a monthly fee and isn't requiring customers to keep a minimum balance.

Mr. Ready said the company's goal was to give those excluded from the banking system access to the digital economy. "If you don't have a bank account, you can't take an Uber ride, can't stay in a room on Airbnb," Mr. Ready said.

Paying Up

Active customer accounts at PayPal, globally



Source: the company

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of its Cash App who want one, and Amazon.com Inc. has been in discussions to build a checking-account-like product.

There is a catch: PayPal and other tech firms don't have a U.S. banking license. The FDIC doesn't backstop funds stored at nonbanks, and Visa Inc. and Mastercard Inc. only permit cards that run on their network to be issued by banks.

In PayPal's case, the company turned to a hodgepodge of small banks. It cut deals with a Delaware bank to issue debit cards, a Georgia bank to deposit checks instantly after users take a photo of them, and banks in Utah to make loans to consumers and small businesses.

Mr. Ready said that working with several different banks allows PayPal to get products to consumers faster and that the company has no intention of becoming a bank.

STREETWISE | By James Mackintosh

Trade Threats Are Real But Risk Hard to Gauge



Sometimes it is worth asking stupid questions. Here is one: Why should we care about President Donald Trump's threatened 25% tariffs on \$150 billion in trade with China?

"Duh, tariffs are bad," would be the response from anyone convinced of the benefits of trade—and that is almost everyone who has studied economics—as well as anyone who has read anything about the Great Depression.

Yet the actual direct impacts of the tariffs are easily manageable, both for the U.S. and China, because \$150 billion just isn't that much. Even including earlier tariffs

on solar panels, washing machines, steel and aluminum, this year's tariffs will apply to less than 7% of U.S. imports. On top of that, the U.S. isn't nearly as reliant on trade as many smaller, more open economies.

Stock markets haven't taken the tit-for-tat tariff announcements well, but aren't down all that much. So what is the problem?

There are two big threats, and one unquantifiable risk. First, that the tariffs confirm Mr. Trump's longstanding protectionist instincts, and so are just the start of a descent into a global trade war big enough to trash the economy. Second, that the tariffs spook markets, which are still assuming that the

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INSIDE

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BEZOS GIVES TRUMP SILENT TREATMENT

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Deutsche Girds for Hardship

By JENNY STRASBURG

Christian Sewing, a career Deutsche Bank AG employee little known outside Germany, learned with near-certainty Friday night that he should prepare to take the global stage running the country's biggest lender.

Now that he has been appointed chief executive, his role is clear: to make Deutsche Bank safer and more profitable, in part by shrinking it.

That task has proved fraught with difficulty even for past incumbents who had decades of investment-banking experience. Investment banking and trading, Deutsche Bank's biggest sources of profit, are struggling lately.

Mr. Sewing has never worked directly as an investment banker or trader, though he has overseen risk controls and auditing for both businesses in senior roles spanning his 27-year Deutsche

Lagging Behind

Share-price and index performance



Source: FactSet

Bank career. Since 2015 he has been the senior executive overseeing retail, private and commercial banking out of the Frankfurt-based lender's hometown towers.

The 47-year-old German over the past year has been

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RUSSIA IPO

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defaults in relation to certain credit obligations."

The specter of disruptions hit global aluminum markets, which jumped 4.8% in London trading. London commodities broker SP Angel estimates Rusal's primary aluminum output last year accounted for about 6% of global production.

Rusal was one of 12 companies that the U.S. government sanctioned Friday. A Kremlin spokesman on Monday called the measures unlawful and said the government was preparing a response.

En+ Group PLC, a London-listed company that is majority owned by Mr. Deripaska and holds a 48% stake in Rusal, as well as power companies in Russia, said it was "highly likely" that the sanctions would hurt its business. En+ shares fell 42% Monday.

Western firms that have partnered with Russian firms now on the sanctions list were assessing new risks. Swiss engineer **Sulzer AG** said it had agreed to buy shares from its main owner, Renova Holdings, which appeared on the sanctions list, in order to comply with the sanctions. Sulzer shares fell 16% in Swiss trading.

Swiss-based mining and trading giant **Glencore** PLC holds a nearly 9% stake in Rusal and Glencore Chief Executive Ivan Glasenberg has been a Rusal board member since 2007. It is unclear if the sanctions directly affect that shareholding. Glencore declined to comment. The company's shares fell 3.4% in London trading.

The new U.S. restrictions make it all but impossible for Rusal and other sanctioned companies to do business in dollars, analysts said, raising questions about their banking and trading relations.

The U.S. government said that non-U.S. citizens may face sanctions for "facilitating significant transactions" for sanctioned individuals or entities. That could make activities as simple as exchanging currencies more expensive for Rusal, given the international scope of its operations and the fact that sales are priced in U.S. dollars, said Edward Sterck, an analyst at BMO Capital Markets.

—Ira Iosebashvili contributed to this article.

STREET

Continued from the prior page
trade threats are part of the president's "art of the deal" and will be negotiated down. Impossible to measure is the danger that the trade threats prove to be the straw that breaks the back of a global economy already showing plenty of signs of strain.

The direct effect of the tariffs, even assuming they come fully into force, isn't that significant. Brian Coulton, chief economist at Fitch Ratings, thinks they amount to a hit of 0.3% of China's economy, not much in the context of Beijing's target of 6.5% expansion this year.

The effect in the U.S. is smaller, although growth there is lower, too.

To put the trade frictions

in context, Goldman Sachs economists calculate that in total they will add 1.6 percentage points to U.S. effective tariffs, calculated as customs duties divided by total imports, pushing them up to 3.1%. They think that will knock less than 0.1 percentage point from growth even with full Chinese retaliation.

Still, even significant tariffs wouldn't have that much direct impact on the U.S. economy. Goldman calculates that a 10% across-the-board import tariff, six times the size of the total measures so far, would only knock 0.2% off U.S. gross domestic product, assuming the rest of the world retaliated. Inflation would rise by a bit more than 0.2 percentage point.

Mr. Coulton examined a true trade-war scenario last year, assuming 35% tariffs were imposed on Mexico,

on the New York Stock Exchange, according to people familiar with the potential listing. He and senior kingdom officials touted the possibilities of massive international investment.

"A lot of index providers also said they've not seen a country deregulate and create changes and modifications and improvements in their capital market as Saudi has in the past two years," Mr. El Kuwaiz said.

The Tadawul fortifying itself is now imperative, considering it may wind up being the only exchange to list Aramco. When the listing was first announced in 2016, Prince Mohammed told advisers he was most interested in floating it

The Tadawul was closed to foreign investors until 2015, but it has registered 130 international financial institutions since then. Still, international investors account for roughly 5% of the overall ownership of stocks listed on the exchange, even as regulators have made it easier for international investors to trade there.

The Tadawul's changes include settling trades within two days and having numerous agents, known as custodians, to execute trades. It has lowered the minimum assets under management required to invest there, allowed investors to bet against the market by shorting stocks and pushed back limits on foreign investments in Saudi stocks.

Still, even with upgrades, advisers worry the Tadawul could be overwhelmed by an

Aramco listing, and they question whether its technology and internal controls are sophisticated enough to handle the mammoth influx of trading the listing would bring.

Some people familiar with the process said the Tadawul is likely to have further technological upgrades in place by year-end, should Aramco seek to list by then.

The Saudi economy remains heavily dependent on oil, which accounts for 74% of its total exports and contributes 63% of budget revenues, according to UBS Wealth Management. But energy stocks are a fraction of Saudi Arabia's stock market, accounting for just 2.3% of value traded on the Tadawul. Materials and banks dominate the exchange at 30% and 27%, respectively, as of April 1.

China, South Korea and Taiwan, and they retaliated in full. The effect would be messy for Americans, with a 1.3-percentage-point-lower growth rate due almost entirely to falling stock prices.

Stocks are important because they play such a big role in U.S. portfolios.

Threaten their value, and consumer and business confidence crumbles, hitting the economy and pushing stocks down even more.

For three weeks, stock markets have been trying to price in the trade dangers, and the S&P 500 has lost about 4%, worsened by worries about technology companies. If shareholders start to believe a serious trade war is imminent, stocks could fall far further and hurt the economy, even if Mr. Trump ultimately doesn't follow through.

Finally, the trade threats come at a bad time for the economy. Confidence in global synchronized growth helped push shares up to highs at the end of January, but since then economic data in much of the world have been disappointing. U.S. shoppers have proved less resilient than hoped, and the Federal Reserve Bank of Atlanta's first-quarter growth estimate is below 2.5%, from a high above 5% before the stock market correction.

There is no way to know how threats of a trade war will interact with the complex global economy, but they can't help. Duh, indeed.

BUSINESS & FINANCE

Weakened Utility Finds Few Allies

BY ERIN AILWORTH AND RUSSELL GOLD

a 13-state competitive power market to take their electricity, regardless of whether it is the most financially sensible option.

Emergency orders have been used lightly in the past to keep one or a few plants running. The emergency order requested by **FirstEnergy Solutions Corp.**, if approved, would affect a whole class of power generators across a large, multistate region and set an important precedent.

The request poses a test for the Trump administration, which has pledged to resuscitate the nation's coal industry. Several power companies supplying the market oppose the proposal, with some arguing FirstEnergy's distress is of its own making.

While other power generators have diversified to include more gas and renewables, FirstEnergy Solutions remains heavily dependent on coal and nuclear power, which combined make up 88% of its

generation mix. "FirstEnergy doesn't want to evolve," said Abraham Silverman, vice president of regulatory affairs at **NRG Energy Inc.**, which operates several coal plants in the competitive power market and opposes the FirstEnergy request. Mr. Silverman added:

"They'd rather go to the regulators and ask for a bailout."

FirstEnergy Solutions declined to comment. Its lawyers pleaded with Mr. Perry for intervention March 29, saying, "We find ourselves at a crisis point." Parent FirstEnergy via email defended its Allegheny Energy purchase as a "logical step" at the time. It said environmental regulations, markets that undervalue its assets, and the rise of gas have all contributed to its problems.

Reliability and national security are the top concerns when evaluating whether the power grid faces an emergency.

Mr. Perry said Monday at the Bloomberg New Energy Finance Future of Energy Summit in New York. "The [emergency request] may not be the way that we decide that is the most appropriate, the most efficient way to address it," he said, adding that his department is considering FirstEnergy's request and other options.

If the request is granted, it would have significant consequences for the power market overseen by **PJM Interconnection LLC**, which serves 65 million customers from New Jersey to Illinois.

Andrew Ott, chief executive of **PJM**, said that while FirstEnergy raises a "legitimate question" about whether the closure of coal and nuclear plants threatens fuel security and energy reliability, the issue hasn't become a crisis.

A March PJM report found most of the nuclear-power plants in the region were economically viable at current prices, and that while a large number of coal-fired power plants were at risk of retirement, there was sufficient generating capacity to meet anticipated demand.

—Timothy Puko contributed to this article.



BRIAN SWINDELER/REUTERS

A coal-fired FirstEnergy power plant in Monaca, Pa., last year. The utility is seeking a U.S. bailout.

\$500B

Current market value of companies trading on Tadawul

in context, Goldman Sachs economists calculate that in total they will add 1.6 percentage points to U.S. effective tariffs, calculated as customs duties divided by total imports, pushing them up to 3.1%. They think that will knock less than 0.1 percentage point from growth even with full Chinese retaliation.

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China, South Korea and Taiwan, and they retaliated in full. The effect would be messy for Americans, with a 1.3-percentage-point-lower growth rate due almost entirely to falling stock prices.

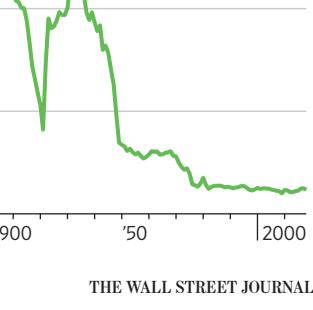
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*Ignores duty-free imports

Source: Prof. Douglas Irwin, Dartmouth College

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BUSINESS NEWS

China's Xi Vows More Access to Industries

BY LINGLING WEI

BOAO, China—Chinese President Xi Jinping promised foreign companies greater access to China's financial and manufacturing sectors, pledging Beijing's commitment to further economic liberalization amid rising trade tensions with the U.S.

In a speech that officials had billed as a major address, Mr. Xi said Tuesday that plans are under way to accelerate access to the insurance sector, expand the permitted business scope for foreign financial institutions and reduce tariffs on imported automobiles and ownership limits for foreign car companies.

Throughout his 40-minute address, Mr. Xi never mentioned the trade friction with the U.S. or President Donald Trump. His remarks seemed designed to offer some policy initiatives, if not concessions, while drawing a contrast with Mr. Trump's "America First" agenda and portraying China as a steady global partner committed to the international trade order.

"In a world aspiring for peace and development, the Cold War and zero-sum mentality look even more out of place," Mr. Xi told the Boao Forum, a government-backed gathering of business and political leaders on the tropical island of Hainan.

"Putting oneself on a pedestal or trying to immunize oneself from adverse developments will get nowhere," he said.

Washington and Beijing's trade spat has become a source of financial-market turbulence in recent weeks and raised concern about an outright trade war that could drag down the global economy.

U.S. Faces Grilling in AT&T Case

In sharp remarks to government lawyers, Richard Leon focuses on substance, procedure

BY BRENT KENDALL

WASHINGTON—As he presides over the trial of **AT&T** Inc.'s planned acquisition of **Time Warner** Inc., U.S. District Judge Richard Leon enters his courtroom each day sporting a bow tie and armed with a handful of pencils, which he often sharpens as the lawyers introduce themselves.

His comments from the bench can also be sharp.

Over three weeks of proceedings, Judge Leon, a 16-year veteran of the Washington, D.C., court, has run an exacting trial, and his management of the case has presented a challenge for the Justice Department as it seeks to block the \$85 billion deal on antitrust grounds. The judge, an appointee of President George W. Bush, has pressed government lawyers on issues of style, procedure and substance as they have presented 16 witnesses so far.

The department's principal arguments, which may wrap up this week, will be followed by AT&T and Time Warner presenting their defense, which will put their own lawyers in the hot seat.

Judge Leon has chastised the Justice Department for moving too fast. "Ma'am, I said hold on a minute," the judge told one department lawyer on Thursday as she was questioning an AT&T witness.

"Listen!" the judge told her, pointing to his ear for effect while he looked at a document. Two other department lawyers, including a junior member of the team, have received similar admonishments.

The judge also has criticized the government for moving too slow. "Ask him a question. Let's go," he said to another government attorney after telling him not to waste time repeating a witness's answers. On another sluggish morning, the department told the judge it had only a few more questions for a marketing professor who was a witness on the stand.

"Good," Judge Leon responded.

No single limitation imposed by the judge has appeared to be a major setback for the Justice Department, but collectively, the instances have crimped how the government has presented its case against the deal.

The judge has kept the courtroom open to the public for most of the proceedings. That is a boost for transparency, but it has been a visible frustration for Justice Department attorneys who have had



U.S. District Judge Richard Leon alone will decide the fate of AT&T-Time Warner deal. There is no jury.

to dance around questions involving sensitive business data and strategy documents that can't be discussed in open court.

"Explain as much as you can without revealing confidential information," the Justice Department's lead trial lawyer, Craig Conrath, told an industry consultant on the witness stand last week.

Judge Leon alone will decide the fate of the merger, which would combine AT&T's pay-TV distribution capabilities with Time Warner's stable of cable channels. There is no jury.

The judge has been strict about what internal company documents and emails he is willing to consider as evidence. He also has curbed the questions the government has been able to ask certain wit-

nesses, including those from AT&T, particularly as they related to internal company communications.

The judge signaled from the outset he would take such a rigorous approach, telling the department he wouldn't allow company documents like internal PowerPoint presentations without knowing who wrote them, when and why they were created, and whether company decision makers relied on the information.

"I'm going to need context," Judge Leon said in a pretrial hearing last month, adding that he wanted to be "cautious" about making assumptions.

Judge Leon has a reputation for putting lawyers through their paces. He also hasn't been afraid to hold the government's feet to the fire,

including in cases where litigants sought State Department records from Hillary Clinton's tenure, and challenged the National Security Agency's bulk collection of phone-call records, a program Judge Leon labeled "almost Orwellian" in 2013.

Discussions about evidence relevancy and confidentiality have become a central feature of the AT&T trial, with Judge Leon interrupting witness testimony to call lawyers to the bench for private conferences, often a half-dozen times or more a day. Sometimes these huddles last just a few minutes. Other times, their duration has stretched 15 minutes or longer.

Spectators and witnesses can watch but can't listen. The judge turns on a "usher" that plays static on the courtroom speakers to drown out the conversation at the bench.

There isn't much for the audience to do during the dead time other than attempt to lip-read, as courtroom visitors are held to their own firm code of conduct. They can't drink water or glance at newspapers or magazines. While policing the gallery, some court security officials have instructed visitors to keep both feet on the floor at all times, lest their shoes rub up against the row in front of them.

The zero-tolerance policy applies most forcefully to computers and cellphones. On most days, security officials have searched visitors' bags before entering the courtroom and asked people to show their electronic devices to prove they are turned off. Still, a couple of people have heard the mortifying ring of their phones during the proceedings, and they have been removed immediately from the courthouse.

"These are Judge Leon's orders and they will be followed," one court officer said in the hallway.

—Drew Fitzgerald contributed to this article.

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TECHNOLOGY

Zuckerberg Says Sorry for Harm Done

Facebook chief sets his testimony as lawmakers take up issue of data privacy

BY SIOBHAN HUGHES

WASHINGTON—Facebook Inc. Chief Executive Mark Zuckerberg will tell lawmakers this week that his company “didn’t take a broad enough view of our responsibility” and will lay out steps to make it right, following revelations about the abuse of users’ personal information and election interference by Russian operatives.

“As Facebook has grown, people everywhere have gotten a powerful new tool to stay connected to the people they love, make their voices heard, and build communities and businesses,” Mr. Zuckerberg says, in prepared testimony released by a House committee on Monday. “But it’s clear now that we didn’t do enough to prevent these tools from being used for harm as well.”

His testimony continues what amounts to an apology tour that he started after the disclosure that user data was improperly shared by an analytics firm tied to the 2016 campaign of President Donald Trump. Last week, Facebook disclosed that data from as many as 87 million of its users may have been improperly shared, up from the 50 million previously reported.

Mr. Zuckerberg will testify Tuesday at a hearing hosted by the Senate Commerce, Science and Transportation Committee and the Judiciary Committee, and Wednesday at the House Energy and Commerce Committee.



Mark Zuckerberg visited Capitol Hill on Monday ahead of his congressional appearance this week.

On a series of issues including “fake news,” interference in elections and hate speech, he says in the prepared testimony: “We didn’t take a broad enough view of our responsibility, and that was a big mistake.”

Mr. Zuckerberg adds: “It was my mistake, and I’m sorry. I started Facebook, I run it, and I’m responsible for what happens here.”

In visiting Capitol Hill, Mr. Zuckerberg is venturing into hostile territory that is a world apart from the tightly scripted venues to which he is accustomed. The 33-year-old billionaire will have his composure tested by sharp questioning from lawmakers, some of whom say that Mr. Zuckerberg’s mea culpas aren’t enough.

“It’s really a kind of high noon for Mark Zuckerberg,” said Sen. Richard Blumenthal

(D., Conn.), a member of the Senate panel that will query the CEO on Tuesday. “He has to have a better answer than just, ‘I made a mistake.’ He didn’t just spill milk on the breakfast table. There is a more fundamental issue related to Facebook’s business model,” Sen. Blumenthal said in an interview.

Facebook is under fire for a range of perceived offenses, including helping to spread disinformation and allowing Cambridge Analytica, a London-based firm with ties to the Trump campaign, to access information from tens of millions of user profiles. Among other things, legislators will likely probe whether Facebook violated a consent order with the Federal Trade Commission requiring the company to safeguard user data.

In February, Russian compa-

nies and individuals were charged in the U.S. with engaging in an effort to interfere in the 2016 presidential election, using Facebook and other social-media platforms.

Mr. Zuckerberg’s prepared testimony lays out steps the company has taken to prevent abuse of users’ data and to protect elections from interference. He says the company’s security and content-review staffing will reach 20,000 by year-end, and notes that the move will “significantly impact our profitability going forward.”

The steps Facebook is taking include limiting the amount of personal information that developers can access when a user approves a particular application. Under the new policy, developers will only be able to access a user’s name, profile photo and email address—and

Remarks From Company’s CEO—And a Skeptic

“As Facebook has grown, people everywhere have gotten a powerful new tool to stay connected to the people they love, make their voices heard, and build communities and businesses. But it’s clear now that we didn’t do enough to prevent these tools from being used for harm as well.”

“We didn’t take a broad enough view of our responsibility, and that was a big mistake.”

“It was my mistake, and I’m sorry. I started Facebook, I run it, and I’m responsible for what happens here.”

“I’ve directed our teams to invest so much in security—on top of the other investments

we’re making—that it will significantly impact our profitability going forward. But I want to be clear about what our priority is: protecting our community is more important than maximizing our profits.”

“If we detect suspicious activity, we’ll do a full forensic audit. And if we find that someone is improperly using data, we’ll ban them and tell everyone affected.”

“It’s really a kind of high noon for Mark Zuckerberg...He has to have a better answer than just, ‘I made a mistake.’ He didn’t just spill milk on the breakfast table. There is a more fundamental issue related to Facebook’s business model—they sell your information without your consent. That’s what has to change.”

—Sen. Richard Blumenthal, a member of the panel that will query Mr. Zuckerberg

tigating every app that had access to a large amount of information” before the company tightened its policies in 2014.

“If we detect suspicious activity, we’ll do a full forensic audit.”

“The question that they have so far been unable to answer is, ‘How many Cambridge Analyticas are there?’” Sen. Blumenthal said. “Either they truly don’t know or they’re unwilling to tell—I don’t know which is more damning.”

Cambridge denies using data that it wasn’t authorized to have as part of its work on the 2016 presidential election.

—Byron Tau contributed to this article.

TECH

Continued from page B1

to end the legal immunity for websites that facilitate sex trafficking online, a big signal that Congress could take further steps to hold platforms more accountable.

“I think it’s a wake-up call,” Commerce Committee Chairman John Thune (R., S.D.) said when asked what the sex-trafficking bill might mean for privacy regulation and other potential curbs on Silicon Valley. “In the future, tech companies have to understand that it’s not the Wild West, and they have to exercise responsibility,” he said.

Leverage the FTC: As the government’s chief privacy regulator, the FTC is already conducting a sweeping investigation of Facebook’s privacy practices; and advocates believe it has a powerful case, contending the company violated terms of a 2011 FTC agreement concerning its user-privacy practices. “The FTC had a legal judgment against Facebook to prevent precisely the practice that occurred,” said Marc Ro-



Russian cadets look at a mobile phone after a school march.

tenberg, president of the Electronic Privacy Information Center.

Should it conclude Facebook has violated its agreement with users, as many expect, FTC could hold the company to specific conditions that force better treatment of user data. But such a move might not address problems in the industry as a whole.

The FTC’s current enforcement approach “doesn’t seem very toothy,” said Tim Wu, a Co-

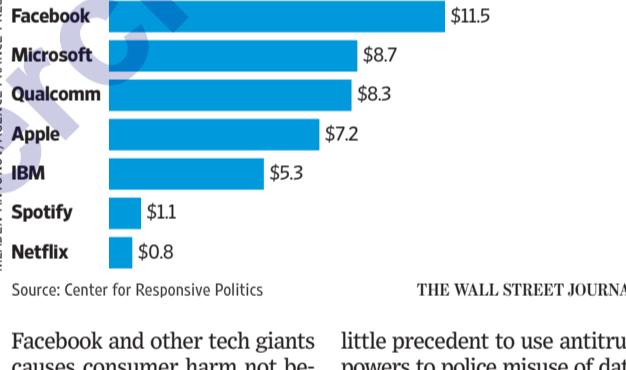
lumbia University law professor and a former senior adviser to the agency.

For example, while it could impose large fines on a company for violating a consent decree, like the one Facebook agreed to in 2011, the FTC often has limited ability to impose fines in the privacy realm.

Hone antitrust powers: The FTC and Justice Department could use their mandates to determine that the sheer size of

Raising Their Voice

2017 lobbying expenditures by selected tech companies, in millions



Source: Center for Responsive Politics

THE WALL STREET JOURNAL.

Facebook and other tech giants causes consumer harm not because of price gouging—a traditional measure of antitrust violations—but because of misuse of consumer data.

“I definitely think that data-protection issues...are a feature of a deeper problem, which is that Facebook has a semimonopolistic control over data,” said Lina Khan, director of legal policy at the Open Markets Institute, a think tank. But there is

little precedent to use antitrust powers to police misuse of data, and skeptics say such a move is a stretch legally.

Push for portability: Many advocate giving consumers more control over their personal information, including through legislation empowering them to move their data from one platform to another, a concept known as portability. That way, “platforms will compete for consumers and offer what the mar-

ket demands in terms of privacy protection,” said Rep. David Cicilline (D., R.I.), who is exploring legislation on the issue.

More transparency: Another approach would be to require companies to disclose how they collect, share and otherwise use consumer data. But that would involve delving into corporate secrets such as algorithms and is likely to encounter fierce resistance from big tech firms. Facebook recently said it would support legislation to require large digital platforms to keep a public library of the paid political ads that appear on their sites.

Defer to the states: States have been successful in bringing some actions, said Jessica Rich, a former director of the FTC’s consumer protection bureau. But a federal law is needed to help establish clear rules that businesses and consumers alike could understand. “Right now there’s no clarity,” Ms. Rich concludes.

Follow Europe: The European Union has a new and far-reaching privacy rule that goes into effect May 25. But the full extent of its impact remains to be seen.

Company to Back Studies on Elections

BY ALLISON PRANG

Facebook Inc. will launch a research initiative to understand how social media can be manipulated to affect democracy and elections, founder Mark Zuckerberg said in a post on the platform Monday.

The move adds to steps the company has announced ahead of Mr. Zuckerberg’s much-anticipated congressional testimony this week.

In response to criticism it

hasn’t done enough to protect users’ privacy and guard against abuses of the platform, Facebook has proposed revisions to its data policy and terms of service, banned more Russian trolls from the site and required that advertisers wanting to spotlight hot-button political issues get prior authorization.

The research initiative is part of the company’s attempt to address concerns about how political parties, interest

groups and even foreign countries can manipulate the platform to influence a nation’s elections.

Mr. Zuckerberg, who is also Facebook’s chief executive, said the company will work with foundations and academics to develop an election-research agenda. The group will solicit independent research proposals and choose which will get funding.

Mr. Zuckerberg said Facebook will “give those research-

Employees Appear to Be Unfazed by Crisis

Facebook Inc. may be losing friends over its privacy policies but its employees appear to be

By Georgia Wells, Deepa Seetharaman and Yoree Koh

rallying around the company.

The state of employee morale is being closely monitored at Facebook, according to some employees, which must compete for talent in Silicon Valley even as it embarks on a raft of changes in response to criticism from regulators and users.

“I worry it’ll make it much

more difficult to step up to the challenges we face,” Adam Mosseri, the head of Facebook’s news feed, was quoted as saying at the end of March. He didn’t respond to a request for comment.

But thus far, many employees appear to have adopted a siege mentality, with some saying they feel the outrage toward Facebook is misplaced, according to interviews with a number of current and former staffers. A common refrain: The issues are mostly being hyped by the media.

Many within Facebook said they continue to believe the company is being unfairly picked on. Several said they viewed the privacy failure as in-

competent, but not malicious. As Facebook CEO Mark Zuckerberg has done, they argue that the company’s ability to connect people is overall a good thing, and that Facebook will emerge from this episode stronger for having learned from its mistakes. The company declined to comment on morale.

It helps that morale at the company was generally good when the crisis hit. That sentiment at Facebook was fueled partly by efforts by management in recent years to improve work-life balance.

Indeed, Facebook’s rating on Glassdoor, where employees can review their workplaces, has re-

mained between 4.5 and 4.6 out of 5 during the past nine quarters and hasn’t dropped since the Cambridge Analytica breach was announced.

There are signs the crisis is having an effect on luring talent: Since the disclosures, more candidates for jobs in some units at Facebook have withdrawn from consideration than during any other period in memory, according to a person familiar with its recruiting. Mr. Zuckerberg said in a recent company meeting that the user-data flap didn’t seem to be deterring job applicants broadly across the company, said a person familiar with the matter.

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TECHNOLOGY

Sensing Urgency, Facebook Bolsters User Protections

BY GEORGIA WELLS

When Facebook Inc. Chief Executive Mark Zuckerberg appears before Congress this week, he will lay out a number of steps the company has already taken to protect user data.

It will be up to lawmakers and regulators to decide whether they can rely on the social network to police itself or if new regulation from Washington is needed.

At least one committee chairman, Sen. John Thune (R., S.D.), whose Commerce panel will be holding a joint hearing with the Senate Judiciary Committee on Tuesday, said in his statement announcing the hearing that he expects to hear the company's plans for rectifying the privacy problems.

"Facebook now plays a critical role in many social relationships, informing Americans about current events, and pitching everything from products to political candidates," Sen. Thune said. "Our joint hearing will be a public conversation with the CEO of this powerful and influential company about his vision for addressing problems that have generated significant concern about Facebook's role in our democracy, bad actors using the platform, and user privacy."

Here are some of the modifications Facebook has made in recent weeks:

Authorizing ads: Facebook said it would soon require advertisers wanting to run ads on divisive political issues to go through an authorization process. The move could help prevent the spread of misinformation, because it is one way the Russian-backed trolls attempted to sow divisions around the 2016 U.S. election.

Limiting contact data: Facebook shut off a service that allowed people to find other users by phone number or email address. The company said bad ac-

tors were exploiting the service to scrape public information, potentially affecting most Facebook users. Critics say this does little to preserve the privacy of users whose information was already collected.

New terms of service: Facebook released proposed revisions to its terms of service and data policy that provides users with greater detail about how it collects and deploys its vast troves of information about its users.

Critics say this move is important because it provides users, regulators and advocacy groups with information that they can use to hold Facebook accountable in the future.

Curbing ad targeting: Facebook shut down a system that let data brokers combine shopping and other information on consumers that Facebook used to incorporate into its ad-targeting system.

Facebook and other companies are under pressure from European Union authorities to make sure all targeting data are collected with user permission, and verifying that could have been difficult with the data from the brokers.

More security: Shortly after Facebook disclosed that Russian trolls attempted to sow misinformation and exacerbate divisions on its platform last fall, the company said it would hire more workers dedicated to security and content review and making sure ads on its platform complied with its policies.

Last Wednesday, Mr. Zuckerberg said Facebook now has about 15,000 people working on this, and plans to expand that number to 20,000 by the end of this year.

Facebook's playbook during crises has been to add more workers to hot-button issues; critics say this approach does little to address the underlying reasons for the crises.

Bezos Silent About Attacks

Slammed by President Trump, Amazon's CEO chooses to refrain from comment

BY LAURA STEVENS
AND PETER NICHOLAS

For years, **Amazon.com Inc.** Chief Executive Jeff Bezos has meticulously crafted his public image, largely shunning the spotlight while carefully making donations that only hint at his political agenda. But over the past week, the billionaire has been cast into the limelight, thanks to a string of attacks by President Donald Trump.

Mr. Bezos's response? The silent treatment.

In six tweets over a week, Mr. Trump lashed out at Amazon repeatedly over taxes, its use of the U.S. Postal Service and its effect on other retailers. He also called the Washington Post, which Mr. Bezos owns personally, a lobbying arm. He criticized Amazon at a press conference on Tuesday, too, and aboard Air Force One on Thursday.

The tweets and remarks stem largely from Mr. Trump's growing unhappiness with coverage of his administration by the Washington Post as well as with its owner, say the president's advisers and people close to the White House.

Mr. Bezos, the world's richest man, has ignored the president's attacks. He has stayed out of the public eye since Mr. Trump's tweets started last week, only tweeting once to send condolences regarding the recent shooting at YouTube's headquarters.

Mr. Bezos made comments critical of Mr. Trump before the election, but he has refrained from public criticism since Mr. Trump was elected. That strategy, people familiar with this thinking say, fits in with his deeply held conviction in playing the long game.

"I don't think there's any benefit to actually engaging with President Trump" as a



Unlike other CEOs, the world's richest man tweets rarely and speaks publicly only on occasion.

CEO, said Paul Argenti, professor of corporate communication at Dartmouth College's Tuck School of Business. "He clearly doesn't like them," he said of Mr. Trump's view of Amazon. "There's no sense in fighting back."

An Amazon spokesman declined to comment. The White House also declined to comment.

Some CEOs have spoken up after Mr. Trump has criticized them or their companies. Facebook Inc. Chief Executive Mark Zuckerberg in a September post rebutted Mr. Trump's tweet that "Facebook was always anti-Trump." AT&T Inc. CEO Randall Stephenson hinted at the president's criticism of the company's merger plans at a November conference, saying the company wouldn't back down in its bid for Time Warner Inc.

Other CEOs, such as Goldman Sachs Group Inc.'s Lloyd Blankfein, have publicly criticized the president in response to positions such as his ban on travel

ers from certain countries.

Mr. Bezos has long tread carefully when it comes to politics. The chief executive has made calculated public donations, like one for Dreamer scholarships in January. He tweets rarely and chooses to speak publicly only on occasion. His last major public interview was granted to his brother on stage at a conference in November.

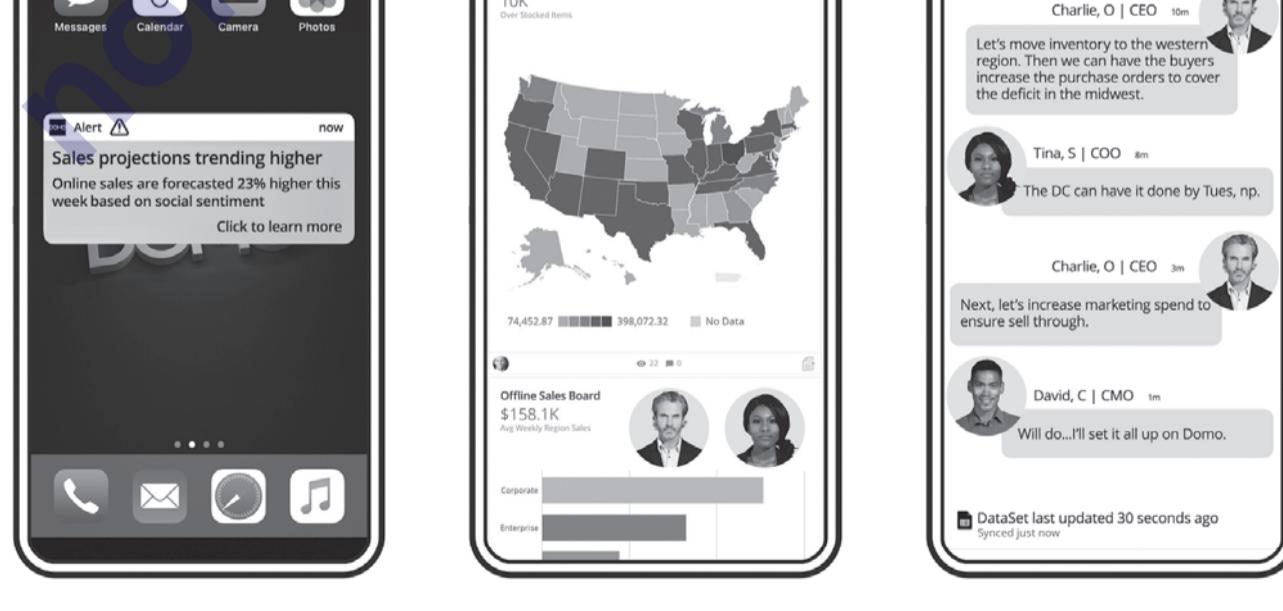
Still, as concerns about Amazon's growing power have ballooned in recent months, Mr. Bezos has been seen more publicly. He starred in the company's Super Bowl commercial this year and has been making the rounds at Hollywood award shows and parties. Last month, he tweeted a photo of himself with a robotic dog at his exclusive Mars conference in Palm Springs, Calif.

Mr. Bezos was critical of Mr. Trump in the months before the election. In 2015, Mr. Bezos responded to a critical tweet from Mr. Trump by suggesting he

could offer the then-candidate a ride on a spaceship, "#sendDonaldtoSpace," he added. At a conference in 2016, shortly before Mr. Trump was elected, Mr. Bezos said the candidate "erodes democracy around the edges." Amazon became one of the first companies to sign on to a legal challenge to Mr. Trump's travel ban last year, too, as Mr. Bezos sent an email to staff explaining his move.

Executives inside Amazon say they are aware of the perception of the company's growing dominance as it expands into new business areas and weaves its ways into consumers' lives—from its Whole Foods stores and Hollywood studios to its experimentation with health care and financial services. The company has worked to improve its public image and its lobbying efforts, according to a person familiar with the matter. And it has made big splashes by announcing it was creating tens of thousands of jobs, including at a new second headquarters.

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By David Pierce

Check Your
iPhone
Battery's
Health

If you upgraded your iPhone to iOS 11.3, which rolled out over the past week or so, look at the Battery section of Settings, under a new menu called Battery Health. That's where you will find crucial information about the health and longevity of your phone. It also gives you the ability to prevent your phone from being slowed down because of poor battery health.

The new feature, still in the potentially buggy beta stage, appears months after Apple came under fire for slowing down (aka throttling) older iPhones without disclosing the practice to users.

Battery Health begins with a measure of your phone battery's maximum capacity, its ability to hold a charge compared with its original state.

Over time, lithium-ion batteries store less power each time they charge, and can degrade based on how often you charge the phone, the temperature at which you store it and other factors. The lower that percentage, the shorter your battery life.

Shorter battery life corresponds with a higher susceptibility to unexpected crashes, says Apple. This was the root of its rationale for throttling.

In my testing, on a nearly new iPhone X, the battery's maximum capacity was still 100%, while another I checked was already at 98%. A year-old iPhone 7 showed 99%, and a three-year-old iPhone 6S was down to 93%. Two iPhone SEs displayed 87% and 86%.

The second section of Battery Health is Peak Performance Capability, which informs users whether their device is being throttled. The best news you'll get here is, "Your battery is currently supporting normal peak performance."

When you update to iOS 11.3, you're likely to see it. Apple says the throttling software, known as "performance management," will be initially disabled, but "it will be re-enabled if the device subsequently experiences an unexpected shutdown."

If that happens, you'll see a message saying, "Performance management has been applied to help prevent this from happening again." Apple says the throttling applies to iPhone 6, 6 Plus, 6S, 6S Plus, 7, 7 Plus and SE models.

Apple says the newer iPhone 8, 8 Plus and X are designed to manage power better to avoid crashes.

You can disable performance management and go back to using your phone as normal—though Apple says that increases the chances of another crash, at which point the throttling software will again automatically activate.

You can also leave the management to its business, and get used to your slightly slower iPhone. Or you can replace your battery. The Battery Health page begins recommending you do so once your maximum capacity slips below about 80%.

You can get a new battery for an iPhone 6 or later at any Apple store for \$29 through the end of 2018. Once you have replaced your battery, it will go back to working at full blast.

You won't need to look at Battery Health often. Still, you should check it at least once to make sure your battery is still pumping juice smoothly, or if you have the feeling that your phone has gotten slower lately.

If something is wrong, you will feel better knowing you aren't crazy—and that there's a fix for it.

Apple Goes All Green Everywhere

Facilities world-wide are now fully reliant on renewable energy; suppliers to face push

BY TRIPP MICKLE
AND TIMOTHY PUOKO

Apple Inc. said Monday that it has achieved a decade-old goal of having its facilities world-wide powered exclusively by renewable energy, an achievement that will shift the company's sustainability efforts to its supply chain, where about 10% of suppliers have made a similar commitment.

The tech giant said it has improved to be 100% reliant on clean energy from 96% last year in part by contracting renewable energy for the first time in India, Turkey, Brazil and Mexico. The figure covers all of the company's retail stores, offices, data centers and partner data centers, as well as its new headquarters in Cupertino, Calif., Apple Park, the spaceshiplike structure that features rooftop solar panels and is one of the largest on-site solar installations in the world.

Apple is just one of many global corporations trying to cut energy consumption and shift to renewable power including wind and solar, both to cut costs and slow climate change. More than 100 companies world-wide, including Apple, IKEA, Anheuser-Busch InBev SA and Starbucks Corp., pledged in 2014 to shift to 100% renewable energy. By the end of 2016, 25 had met the pledge, according to the collaborative, named RE100.

In recent years, large investors have been pushing for companies to disclose more



Apple's new headquarters in California features rooftop solar panels and is one of the largest on-site solar installations in the world.

about both their environmental impact and their efforts to mitigate the environmental risks. BlackRock Inc., which is one of Apple's largest investors, added climate change last year to the list of topics it discusses with the companies in which it invests, for example. It also joined with Vanguard Group in supporting a shareholder proposal that called on Exxon Mobil Corp. to share more information about how climate change could affect its operations.

Many of the RE100 companies are now trying to accelerate efforts to persuade their suppliers to join them. While

becoming 100% dependent on clean energy at the company's facilities is an achievement, environmental experts said the bigger challenge will be making the manufacturers of the more than 200 million iPhones and 43 million iPads it sells annually wholly dependent on renewable energy.

"We're not going to stop until our supply chain is 100% renewable," said Apple Vice President of Environment Lisa Jackson in an interview with The Wall Street Journal.

Apple, which set that goal two years ago, said nine more of its suppliers have committed to powering all production

with 100% clean energy, bringing the total to 23 out of more than 200 suppliers. Many of those suppliers are in Asian countries without the same pressure from consumers and investors that Apple gets in the U.S.

Those countries "do not have the same ingrained sense of corporate responsibility that Apple has," said Ethan Zindler, the head of U.S. research at Bloomberg New Energy Finance.

Ms. Jackson added that Apple also will be challenged to keep its own facilities at the 100% level in the years ahead, especially as it looks to add a

new campus in the U.S. and \$10 billion in data centers.

Apple has been a supporter of environmental issues for years. Chief Executive Tim Cook pressed for the U.S. to stay in the Paris climate treaty and sent a memo to employees saying that climate change is real. The company last week stated its opposition to repealing the Clean Power Plan in a letter filed with the Environmental Protection Agency, saying it would increase investment uncertainty.

"We think that it's a matter of good policy and good sense to move toward cleaner forms of energy," Ms. Jackson said.

Alibaba Invests in Facial-Recognition Startup

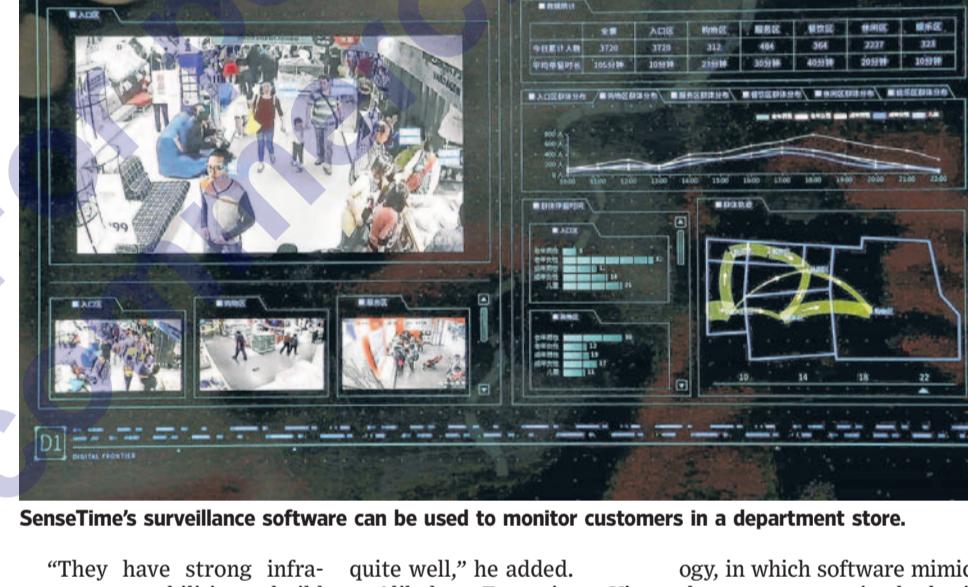
BY LIZA LIN

SHANGHAI—Chinese e-commerce company **Alibaba Group Holding Ltd.** is leading a \$600 million funding round in **SenseTime Group Ltd.**, which makes surveillance systems using facial recognition for law enforcement and commercial applications.

The funding values Beijing-based SenseTime at more than \$4.5 billion, according to a person familiar with the company. It also underscores Alibaba's move into businesses that use artificial intelligence, the technology that underpins facial recognition.

Alibaba affiliate **Ant Financial Services Group** has developed a mobile-payment system based on facial recognition, and Alibaba is also using AI to develop so-called smart cities where technology is used to dispatch police, speed traffic flow and regulate other public services.

Smart cities and cloud computing are likely areas of cooperation with Alibaba, SenseTime Chief Executive Xu Li said in an interview.



SenseTime's surveillance software can be used to monitor customers in a department store.

"They have strong infrastructure capabilities to build a cloud and deliver fundamental resources, while we are good at building computer vision and related infrastructure," Mr. Xu said.

"The capabilities between us complement each other

quite well," he added.

Alibaba Executive Vice Chairman Joe Tsai said in a written statement that his company was impressed with SenseTime's technology that allows computers to recognize images, as well as its development of deep-learning technol-

ogy, in which software mimics the way neurons in the brain process information.

Alibaba's share in the \$600 million Series C funding round wasn't disclosed. Other investors include Singapore state investment company **Temasek Holdings Pte. Ltd.** and Chinese

electronics retailer **Suning.com Co.**

Founded in 2014, SenseTime is among a handful of Chinese artificial-intelligence startups that got their start selling facial-recognition systems to local police agencies. With a vast network of surveillance cameras, China is using facial recognition to identify criminal suspects as well as to influence behavior, such as discouraging jaywalking.

The technology also has commercial applications, with some companies now using it instead of badges to grant employees access to their workplaces. Mr. Xu said SenseTime would use the new funding to focus on expanding the technology's commercial applications and artificial-intelligence capabilities.

SenseTime is also developing algorithms for autonomous driving, as a partner with **Honda Motor Co.**, and is working with Shanghai's government to use AI to ease traffic congestion.

—Dan Strumpf
in Hong Kong
contributed to this article.

Uber to Acquire Cycle-Rental Startup Jump Bikes

BY GREG BENINGER

Uber Technologies Inc. has agreed to buy an on-demand electric-bike outfit that could help the ride-hailing company expand its service to customers traveling short distances.

The deal for Jump Bikes, recognizable for its bulky red bicycles with large baskets, gives Uber access to customers in Washington and San Francisco, where the startup has a few hundred bikes available to rent in increments of 30 minutes for \$2. Uber, which isn't releasing terms, expects the deal to close within the next few weeks.

Uber has had a trial with Jump, whose parent is **Social Bicycles Inc.**, since February in San Francisco, allowing some customers to rent the bikes directly through its app instead of through the Jump app. Customers can reserve the bikes and unlock them using a code they type into a keypad on the bikes.

Uber is entering a highly competitive market that requires heavy investment. Several companies are duking it out for customers who want to bike around a city, offering discounted or even free rides to

gain market share. And municipalities have struck deals to allow docked bikes that preclude other companies from entering the market.

Unlike some other competitors, Jump requires customers to tether the bikes to a pole or other secure structure using its built-in locking mechanism, or face a fee.

Jump's electrified bikes make cycling easier with a small electric motor. But they are more costly to produce and heavier and more sluggish than a traditional bicycle.

Uber Chief Executive Dara Khosrowshahi in an interview said the deal risks cannibalizing some shorter trips that customers would otherwise take in pricier Uber cars, but said it is important for the company to capitalize on all the ways people navigate a city.

"This represents the natural evolution of Uber from the car-sharing app," he said. Uber had considered attempting to reproduce Jump's bikes on its own but ultimately decided an acquisition was best, he said.

It is Mr. Khosrowshahi's first acquisition since starting

as Uber CEO in September. Before Uber, he oversaw several major deals as Expedia Group Inc.'s CEO, including \$3.9 billion for HomeAway and \$1.3 billion for Orbitz. TechCrunch reported Uber was hoping to acquire Jump for around \$100 million.

Jump, based in New York, has raised about \$12 million including from Uber investor Menlo Ventures. Its bikes are made in China for about \$1,000 each.

Jump CEO Ryan Rzepecki, who will report to Mr. Khosrowshahi, said Jump's roughly

100 employees are expected to keep their jobs after the deal closes. "This will help us be more efficient as we scale," he said, speaking about the sale. It would have taken "multiple rounds of funding" to approach the amount Uber offered.

Emily Prapoulenis/The Wall Street Journal



The purchase of Jump Bikes will give Uber access to customers in Washington and San Francisco.

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Novartis Deal to Help Drug Pipeline

BY ALBERTO DELCLAUX

Novartis AG agreed to buy U.S.-based gene-therapy company **AveXis Inc.** for \$8.7 billion, marking the first big bet by the Swiss pharmaceutical giant's new chief as he looks to the deal table to refresh his drug-development pipeline.

Novartis said Monday it would pay \$218 for each share of Illinois-based AveXis, an 88% premium to its closing price on Friday.

Earlier this year, Novartis Chief Executive Vasant Narasimhan agreed to cash out of the company's consumer-health joint venture with **GlaxoSmithKline PLC**—a deal that gives him cash for what he describes as "bolt-on" deals to replenish Novartis's drug pipeline, his key focus since taking the reins this year.

That transaction gives Novartis the cash to be more flexible acquiring promising outside medicines. Dr. Narasimhan has pledged to refocus Novartis on drug development.

In a conference call Monday, Dr. Narasimhan said the AveXis deal would be partly funded by the GlaxoSmithKline joint-venture sale.

The deal is a bet that at least one promising drug that AveXis is developing for ther-

The purchase is a bet that at least one of AveXis's drugs will become a blockbuster.

pies aimed at spinal muscular atrophy will translate into a blockbuster. AveXis is a gene-therapy company conducting several clinical studies for the treatment of spinal muscular atrophy or SMA, an inherited neurodegenerative disease caused by a defect in a single gene, Novartis said. Some form of SMA affects an estimated one out of every 6,000 to 10,000 children born, it said.

It is also a further endorsement of gene therapy, a treatment type Novartis has already spearheaded for cancer.

"We would gain with the team at AveXis another gene-therapy platform, in addition to our CAR-T platform for cancer, to advance a growing pipeline of gene therapies across therapeutic areas," said Dr. Narasimhan.

Novartis last year launched a first-of-its kind cancer therapy, known as CAR-T treatment, which involves extracting a patient's disease-fighting blood cells, modifying them to attack cancer cells more vigorously and then reinjecting them in the patient.

AveXis's gene-therapy candidate AVXS-101 has the potential to be the first one-time gene-replacement therapy for SMA, according to Novartis officials.

Dr. Narasimhan said on the conference call that the drug promised multibillion-dollar sales potential. AveXis expects to file in the second half of this year for approval from U.S. regulators, with a launch expected in 2019.

"The price tag is higher than what Novartis previously has called bolt-on acquisitions, but if AVXS-101 trumps other SMA agents, we believe there is some sense to this," said UBS analyst Michael Leuchten. The first treatment for the disease, **Ionis Pharmaceuticals** Inc.'s Spinraza, won approval a year ago.

The payoff isn't a sure thing. Even drugs that are showing promise in late-stage trials can stumble, failing to live up to sales forecasts.

Novartis said it expects the deal to slightly hit core operating income in 2018 and 2019, due to R&D investments. It said the acquisition should strongly benefit core operating income and core earnings a share as of 2020, however, driven by an increase in sales. Novartis said it expects the deal to close by the middle of the year.

—Noemie Bisserbe contributed to this article.

Tech Puts Fast Fashion on Steroids

'Click, buy and make' model enables speedy delivery of custom-made clothes, shoes

BY NATASHA KHAN

HONG KONG—Style trends are moving faster than ever in an age when a shopper can spot an outfit on Instagram and buy it with just a few clicks. That immediacy is prompting some in the fashion industry to experiment with a business model some are calling "click, buy and make."

Former stockbroker Sarah Chessis, a Hong Kong entrepreneur, has co-developed software called Bespokify that customers anywhere in the world can use to order her bespoke professional women's clothing. Customers input their measurements, generating a digital pattern for clothes manufactured in China, and receive their orders within two weeks of purchase.

Mrs. Chessis' brand, Isabella Wren, features customizable dresses that can cost as much as \$500. Ms. Chessis said she is working on a more basic line with less expensive fabrics and fewer customized features that would cost about 40% less.

"Consumers are now shopping 24 hours a day and are being trained to expect new styles all the time," says Mariana Kou, consumer analyst for the bank CLSA.

Big retailers also are looking into the "click, buy and make" model. A year ago, **Amazon.com Inc.** won a patent with which it could take a customer's order, print a pattern on fabric and send it to be cut by a robot before being assembled by another robot. The company, which frequently



Sarah Chessis, right, who co-developed software for customizing clothing, at her fashion brand's production workshop in China.

files for patents, not all of them resulting in new business developments, hasn't announced plans to implement the technology. Amazon declined to comment.

Spencer Fung, who runs Hong Kong's **Li & Fung Ltd.**, one of the largest supply-chain managers in the global garment industry, said new technologies could ultimately mean that more companies would be able to place small orders and avoid being stuck with extra inventory.

"Just look at the average size of orders—it's been going down for years," Mr. Fung said. "It went from hundreds of thousands to tens of thousands. And it will keep going down until it approaches a unit of one."

For now, the problem is

cost: Automation in the apparel industry still struggles to handle fabrics and certain soft materials. "It's still hard to make a single piece at scale," Mr. Fung said. "Nobody has come up with the right business model yet."

Software and robotics have been in use in fashion for some years. Companies like Proper Cloth in the U.S. use technology to predict a customer's ideal shirt measurements without having to measure someone in person, according to Chief Executive Seph Skerritt. For men's shirts, he said, one of the challenges of fully automating robotic cutting is maintaining perfect alignment of the shapes to be cut with the stripes or other pattern im-

printed on the fabric.

Tailored women's clothes are notoriously ill-fitting, and Ms. Chessis said it took hundreds of iterations to hone an algorithm that produces clothes that she says are close to a perfect fit every time, provided measurement data are accurate.

Isabella Wren's software allows clients to generate customized patterns not only for dresses, but also for jackets, blouses and trousers.

Isabella Wren clothes currently are handmade, which adds to the cost. Ms. Chessis says she is developing laser-cutting technology to replace human tailors at her workshop.

The bespoke model is creating opportunities for new types of factories, such as that of Jodie Fox's customized shoe

business, Shoes of Prey.

In the past, Ms. Fox would fly to Hong Kong from Sydney to visit cobblers to make her shoe designs, a process that could take weeks. When she wanted to turn her passion into a business, she couldn't find factories that would make just one pair of shoes: On average they wanted 1,000 pairs per order, and two to five months to make and deliver them.

Aiming to re-engineer the manufacturing process for her business, Ms. Fox created her own factory in the Chinese city of Dongguan, and around 2012 she began investing in technology including software that can print shoe-assembly instructions for workers on the factory floor as soon as a customer clicks "buy."



Lucy Peng remains one of China's wealthiest businesswomen.

Chairman Exits at Alibaba Affiliate Ant

BY CHUIN-WEI YAP AND JULIE STEINBERG

Lucy Peng, one of China's richest businesswomen, has left the helm of one of the country's most valuable private companies.

Ms. Peng, 46 years old, stepped down as executive chairman of **Ant Financial Services Group**, the financial-technology affiliate of **Alibaba Group Holding Ltd.** that she led for eight years.

She is succeeded by Eric Jing, Ant's chief executive officer, who is taking on the additional chairman's role with immediate effect, Ant said Monday. Mr. Jing, 45, has been CEO since October 2016, when he took over the job from Ms. Peng.

Ant said Ms. Peng will focus on running **Lazada Group**, an operator of online retail marketplaces in Southeast Asia that Alibaba is using as a beachhead to expand in the region. Ant said Lazada's growth is a key part of Alibaba's global strategy.

Ms. Peng, who also is one of Alibaba's co-founders, was named CEO of Singapore-based Lazada in March after Alibaba invested \$2 billion in it, adding to an earlier multi-billion-dollar investment. She is also chairman of the company, in which Alibaba took a controlling stake in 2016.

Ms. Peng, who is famously media-shy, has been a confidante of billionaire founder Jack Ma. Mr. Ma, in an internal email Monday, said that when Ms. Peng took the post of executive chairman of Lazada, "Lucy told me the time had come for Eric to take on even

more responsibility and for her to step away and give Ant's leadership team the space to grow even faster."

Ant's management change comes as the company is raising as much as \$5 billion from private investors, according to people familiar with the matter. The effort is widely seen as a prelude to an initial public offering of Ant, though there is no certainty the company will proceed with a listing in the near term. A spokesman for Ant declined to comment.

Hangzhou-based Ant's last announced fundraising round was in April 2016, when the company secured \$4.5 billion from Chinese investors and earned a valuation of about \$60 billion. Since then, the company has increased revenue, expanded its Alipay mobile-payments network, entered new markets and widened its scope of financial services for individuals and small businesses. It also has an asset-management business that oversees the world's largest money-market fund by assets.

Ant's current fundraising effort includes domestic and foreign investors, who have subscribed to at least \$3 billion of its shares, a person familiar with the matter said. Some market participants expect the latest share sale to give Ant a valuation near \$100 billion.

Ms. Peng ran Alipay from 2010 to 2014, a period that spanned the business getting carved out from Alibaba and its rebranding as Ant. She went on to lead Ant as its CEO until 2016. Ms. Peng became a billionaire after Alibaba's 2014 initial public offering.

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(II) SETTLEMENT FAIRNESS HEARING; AND (III) MOTION FOR AN AWARD OF
ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSESTo: All persons who sold Allergan, Inc. ("Allergan") common stock during the period February 25, 2014 through April 21, 2014, inclusive (the "Class Period"), and were damaged thereby (the "Class").¹PLEASE READ THIS NOTICE CAREFULLY; YOUR RIGHTS WILL BE AFFECTED BY THE
SETTLEMENT OF A CLASS ACTION LAWSUIT PENDING IN THIS COURT.

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Central District of California, that Court-appointed Class Representatives, State Teachers Retirement System of Ohio, Iowa Public Employees Retirement System, and Patrick T. Johnson, on behalf of themselves and the Court-certified Class, in the above-captioned securities class action (the "Action") have reached a proposed settlement of the Action with defendants Valeant Pharmaceuticals International, Inc., Valeant Pharmaceuticals International, and J. Michael Pearson (collectively, the "Valeant Defendants") and Pershing Square Capital Management, L.P., PS Management GP, LLC, PS Fund I, LLC, Pershing Square, L.P., Pershing Square II, L.P., Pershing Square GP, LLC, Pershing Square Holdings, Ltd., Pershing Square International, Ltd., and William Ackman (collectively, the "Pershing Defendants," and together with the Valeant Defendants, the "Defendants") for \$250,000,000.00 that, if approved, will resolve all claims in the Action.

A hearing will be held on **May 30, 2018 at 7:30 a.m.** before The Honorable David O. Carter, in the United States District Court for the Central District of California, Ronald Reagan Federal Building, United States Courthouse, 411 West Fourth Street, Santa Ana, CA, 92701, 9th Floor, Courtroom 9D, to determine: (i) whether the proposed Settlement should be approved as fair, reasonable, and adequate; (ii) whether the Action should be dismissed with prejudice against Defendants, and the releases specified and described in the Stipulation and Agreement of Settlement dated January 26, 2018 should be granted; (iii) whether the proposed Plan of Allocation should be approved as fair and reasonable; and (iv) whether Lead Counsel's application for an award of attorneys' fees and reimbursement of expenses should be approved.

If you are a member of the Class, your rights will be affected by the pending Action and the Settlement, and you may be entitled to share in the Settlement Fund. If you have not yet received the full printed Notice of (I) Proposed Settlement and Plan of Allocation; (II) Settlement Fairness Hearing; and (III) Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses (the "Settlement Notice") and the Claim Form, you may obtain copies of these documents by contacting the Claims Administrator at Allergan Proxy Violation Securities Litigation, c/o GCG, P.O. Box 10436, Dublin, Ohio 43017-4036, (855) 474-3851. Copies of the Settlement Notice and Claim Form can also be downloaded from the website for the Action, www.AllerganProxyViolationSecuritiesLitigation.com, or from Lead Counsel's respective websites.

The Class includes only persons who sold Allergan common stock during the Class Period (February 25, 2014 through April 21, 2014, inclusive), and were damaged thereby. Persons who traded securities other than Allergan common stock ("Allergan Derivative Securities"), are not members of the Class as a consequence of those trades. A separate proposed settlement has been reached on behalf of traders in Allergan Derivative Securities. For information about that settlement please visit: www.AllerganDerivativesSettlement.com.

If you are a Class Member, in order to be eligible to receive a payment under the proposed Settlement, you must submit a Claim Form **postmarked no later than August 7, 2018**. If you are a Class Member and do not submit a proper Claim Form, you will not be eligible to share in the distribution of the net proceeds of the Settlement but you will nevertheless be bound by any judgments or orders entered by the Court in the Action.

Any objections to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's application for attorneys' fees and reimbursement of expenses, must be filed with the Court and delivered to Lead Counsel and representative counsel for Defendants such that they are *received no later than May 9, 2018*, in accordance with the instructions set forth in the Settlement Notice.

Please do not contact the Court, the Clerk's office, Allergan, Defendants, or their counsel regarding this notice. All questions about this notice, the proposed Settlement, or your eligibility to participate in the Settlement should be directed to Lead Counsel or the Claims Administrator.

Inquiries, other than requests for the Settlement Notice and Claim Form, may be made to Lead Counsel:

Bernstein Litowitz Berger & Grossman LLP

Mark Lebowitch, Esq.
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Requests for the Settlement Notice and Claim Form should be made to:

Allergan Proxy Violation Securities Litigation
c/o GCG
P.O. Box 10436
Dublin, Ohio 43017-4036
(855) 474-3851
www.AllerganProxyViolationSecuritiesLitigation.com

By Order of the Court

¹Certain persons and entities are excluded from the Class by definition and others are excluded pursuant to request. The full definition of the Class including a complete description of who is excluded from the Class is set forth in the full Settlement Notice.

THE WALL STREET JOURNAL. HEALTH FORUM

May 22, 2018 | Four Seasons Hotel | Washington, D.C.

How innovation is revolutionizing the business of health

This spring, the editors of The Wall Street Journal will convene experts from across the health and health-care industries to focus on the innovations transforming this critical sector.

SPEAKERS



Scott Gottlieb, M.D.
Commissioner,
U.S. Food and Drug Administration



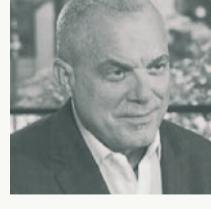
**Rear Adm. Anne Schuchat,
M.D.**
Acting Director,
Centers for Disease Control
and Prevention



Steven H. Collis
Chairman, President and CEO,
AmerisourceBergen Corporation



Gail K. Boudreaux
President and CEO,
Anthem, Inc.



Mark T. Bertolini
Chairman and CEO,
Aetna Inc.



Alex Gorsky
Chairman and CEO,
Johnson & Johnson



David A. Ricks
Chairman and CEO,
Eli Lilly and Company



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Dean, School of Medicine and Vice
Chancellor for Health Affairs,
Duke University



Michael A. Mussallem
Chairman and CEO,
Edwards Lifesciences



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President and CEO,
NewYork-Presbyterian



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Director, National Institute of
Allergy and Infectious Diseases,
The National Institutes of Health



Regina M. Benjamin, M.D.
Founder and CEO,
BayouClinic, Inc.
Surgeon General of the United
States (2009-2013)



Peter B. Bach, M.D.
Director, Center for Health Policy
and Outcomes and Faculty Member,
Department of Epidemiology and
Biostatistics,
Memorial Sloan Kettering Cancer Center



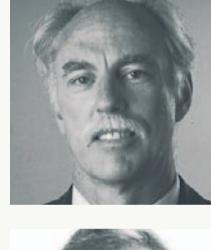
Alexis Borysiy
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Third Rock Ventures



George M. Church, Ph.D.
Professor of Genetics,
Harvard Medical School
Director,
PersonalGenomes.org



Stephanie Domas, P.E., C.E.H.
Vice President of Research,
MedSec



Thomas McLellan, Ph.D.
Co-Founder and Scientific Director
(1992-2015),
Treatment Research Institute
Deputy Director and Senior Scientist
(2009-2011), White House Office of
National Drug Control Policy



David N. Osser, M.D.
Associate Professor of Psychiatry,
Harvard Medical School
Attending Psychiatrist, Domiciliary
Treatment Program for Homeless Veterans,
Veterans Affairs Boston Healthcare System



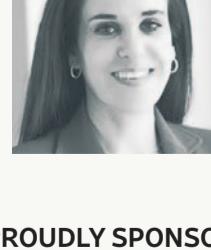
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Founder and Director,
Scripps Translational
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of Molecular Medicine and
Executive Vice President,
The Scripps Research Institute



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Medical Director, Substance
Use Disorders Initiative,
Massachusetts General Hospital
Assistant Professor of Medicine,
Harvard Medical School



Feng Zhang, Ph.D.
Core Institute Member,
Broad Institute of MIT
and Harvard



Daphne Zohar
Co-Founder and CEO,
PureTech Health plc.

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

23979.10 ▲ 46.34, or 0.19%
 High, low, open and close for each trading day of the past three months.

Current divisor 0.14523396877348



Bars measure the point change from session's open

Jan. Feb. Mar. Apr.

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2613.16 ▲ 8.69, or 0.33%
 High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

6950.34 ▲ 35.23, or 0.51%
 High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

	High		Low		Latest Close		Net chg	% chg	52-Week		YTD % chg	3-yr. ann.
	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	500 Index	MidCap 400	SmallCap 600	High	Low	% chg	
Dow Jones	24373.18	23954.83	23979.10	46.34	0.19	26616.71	20404.49	16.1	-3.0	10.1		
Transportation Avg	10260.16	10107.35	10119.36	-27.01	-0.27	11373.38	8783.74	10.2	-4.6	5.1		
Utility Average	697.21	689.29	692.29	0.70	0.10	774.47	647.90	-1.2	-4.3	5.7		
Total Stock Market	27490.45	27062.90	27084.39	73.10	0.27	29630.47	24125.20	10.9	-2.1	7.3		
Barron's 400	709.53	699.18	699.48	-1.43	-0.20	757.37	610.89	12.9	-1.6	6.6		

Nasdaq Stock Market

Nasdaq Composite	7074.95	6944.96	6950.34	35.23	0.51	7588.32	5805.15	18.2	0.7	11.8		
Nasdaq 100	6604.26	6466.04	6472.34	39.13	0.61	7131.12	5353.59	19.4	1.2	13.7		
S&P												
500 Index	2653.55	2610.79	2613.16	8.69	0.33	2872.87	2328.95	10.9	-2.3	7.7		
MidCap 400	1879.09	1853.61	1854.53	0.45	0.02	1995.23	1681.04	8.4	-2.4	6.6		
SmallCap 600	943.94	931.67	931.83	-2.46	-0.26	979.57	815.62	12.3	-0.5	9.0		

Other Indexes

Russell 2000	1533.94	1513.90	1514.46	1.17	0.08	1610.71	1345.24	10.8	-1.4	6.3		
NYSE Composite	12532.85	12374.92	12380.55	31.44	0.25	13637.02	11324.53	8.0	-3.3	3.8		
Value Line	548.38	541.61	541.80	-0.42	-0.08	589.69	503.24	4.8	-3.6	1.5		
NYSE Arca Biotech	4553.05	4278.48	4490.00	232.16	5.45	4939.86	3452.82	29.7	6.3	3.7		
NYSE Arca Pharma	534.54	523.74	528.41	6.56	1.26	593.12	498.46	4.5	-3.0	-3.2		
KWB Bank	108.21	105.53	105.84	0.76	0.72	116.52	88.02	17.2	-0.8	13.3		
PHLX® Gold/Silver	81.69	80.31	81.05	-0.49	-0.60	93.26	76.42	-6.5	-5.0	6.2		
PHLX® Oil Service	137.91	136.11	136.31	-0.12	-0.09	171.55	117.79	-20.5	-8.9	-13.1		
PHLX® Semiconductor	1310.33	1272.91	1273.80	8.54	0.68	1445.90	960.01	28.5	1.7	21.7		
Cboe Volatility	22.02	20.34	21.77	0.28	1.30	37.32	9.14	54.9	97.2	18.5		

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	11,456.6	260.80	-0.20	-0.08	264.40	260.49	
Intel	INTC	5,338.1	49.60	0.05	0.10	50.12	49.55	
General Electric	GE	4,573.9	12.81	-0.02	-0.16	12.95	12.80	
Van Eck Vectors Gold Miner	GDX	4,369.6	21.98	...	unch.	22.03	21.98	
LendingClub	LC	4,338.9	3.35	0.01	0.30	3.35	3.34	
Brookdale Senior Living	BKD	3,817.9	6.67	...	unch.	6.67	6.67	
Verizon Communications	VZ	3,155.1	46.92	...	unch.	48.89	46.85	
Platform Specialty	PAH	2,761.6	9.42	...	unch.	9.42	9.42	

Percentage gainers...

AVEO Pharmaceuticals	AVEO	55.7	2.68	0.18	7.20	2.68	2.50
Sangamo Therapeutics							

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hi	lo	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.	3,0610	3,0720	3,0605	3,0715	0.0175	1,510		
April	3,0610	3,0720	3,0605	3,0715	0.0175	1,510		
May	3,0425	3,0855	3,0355	3,0770	0.0185	123,251		
Gold (CMX) -100 troy oz.; \$ per troy oz.	133.00	1337.50	1327.00	1336.30	4.40	1,499		
April	133.00	1337.50	1327.00	1336.30	4.40	1,499		
June	1338.00	1341.50	1330.10	1340.10	4.00	369,416		
Aug	143.20	1347.10	1336.60	1346.20	3.90	53,107		
Oct	1348.00	1353.20	1342.90	1352.30	3.80	7,159		
Dec	1355.90	1360.00	1349.30	1358.90	3.90	50,301		
Dec'19	1398.50	3.70	3,447		
Palladium (NYM) -50 troy oz.; \$ per troy oz.	899.60	934.00	895.85	932.50	37.35	20,994		
Sept	899.90	930.00	899.90	928.85	36.55	2,333		
Platinum (NYM) -50 troy oz.; \$ per troy oz.	921.40	921.40	917.30	936.00	21.90	27		
July	921.00	940.50	920.00	939.40	21.90	72,995		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	16.345	16.490	16.345	16.499	0.167	337		
May	16.420	16.540	16.295	16.529	0.167	147,662		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	62.02	63.61	61.93	63.42	1.36	377,656		
June	62.08	63.62	62.01	63.43	1.33	387,086		
July	61.94	63.44	61.88	63.26	1.30	176,977		
Sept	61.26	62.66	61.26	62.50	1.24	197,438		
Dec	60.18	61.45	60.18	61.29	1.15	255,512		
Dec'19	56.26	56.99	56.25	56.84	0.70	143,791		
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	1,9570	2,0034	1,9537	1,9966	0.0388	124,948		
June	1,9535	1,9975	1,9517	1,9904	0.0360	96,288		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1,9504	1,9908	1,9500	1,9842	0.0295	122,306		
May	1,9504	1,9936	1,9544	1,9871	0.0286	97,883		
Natural Gas (NYM) -10,000 MMBtu's; \$ per MMBtu.	2,687	2,704	2,640	2,693	-0.008	31,694		
June	2,733	2,741	2,684	2,731	-0.016	132,532		
July	2,791	2,797	2,742	2,780	-0.024	165,312		
Sept	2,803	2,808	2,759	2,794	-0.022	116,637		
Oct	2,816	2,821	2,772	2,808	-0.021	129,455		
Jan'19	3,067	3,078	3,035	3,070	-0.018	75,753		

Agriculture Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hi	lo	Low	Settle	Chg	Open interest
Corn (CBT) -5,000 bu.; cents per bu.	389.75	392.50	388.75	390.75	2.25	497,638		
May	398.75	400.75	397.25	399.00	2.00	578,976		
Oats (CBT) -5,000 bu.; cents per bu.	236.75	238.25	235.75	237.25	4.00	4,096		
July	245.25	246.25	243.25	243.50	2.50	2,138		
Soybeans (CBT) -5,000 bu.; cents per bu.	1038.25	1056.75	1037.50	1047.00	13.25	290,145		
May	1048.50	1067.50	1048.50	1057.50	12.75	315,250		
Soybean Meal (CBT) -100 tons; \$ per ton.	386.80	393.30	385.00	389.60	3.30	157,611		
July	390.80	397.00	389.10	393.70	3.60	160,296		
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	31.53	31.75	31.29	31.52	-0.01	196,779		
July	31.83	32.02	31.83	31.79	-0.02	161,170		
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	1249.50	1293.00	1249.50	1282.00	32.50	4,983		
July	1259.50	1296.00	1259.50	1290.50	31.00	2,048		
Wheat (CBT) -5,000 bu.; cents per bu.	478.00	493.75	474.75	490.75	18.50	188,245		
July	494.25	508.50	491.25	506.00	17.50	153,350		
Wheat (KC) -5,000 bu.; cents per bu.	514.25	528.75	511.00	522.75	16.00	90,208		
July	533.00	547.75	529.75	541.75	16.25	96,271		
Wheat (MPLS) -5,000 bu.; cents per bu.	609.50	629.50	609.50	626.50	19.25	28,673		
July	620.00	639.00	620.00	636.50	19.50	18,545		
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.	136,000	138,025	134,100	134,450	-0.875	6,251		
May	136,200	138,575	135,025	135,525	-1.00	20,146		
Cattle-Live (CME) -40,000 lbs.; cents per lb.	112,975	113,975	111,975	112,025	-0.200	19,857		
April	103,025	104,600	102,100	102,500	-0.175	157,983		
Hogs-Lean (CME) -40,000 lbs.; cents per lb.	52,250	53,225	52,000	52,900	.775	14,987		
June	52,975	52,725	52,700	52,875	2.600	102,745		
Lumber (CME) -110,000 bd. ft. \$ per 1,000 bd. ft.	533.30	536.00	530.10	534.20	-2.00	5,113		
July	520.90	523.00	517.50	520.50	-2.70	1,306		

Cash Prices | WSJ.com/commodities

Monday, April 09, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Monday

Energy

	U.S.\$ equivalent	16,2750	Monday
	Coins,wholesale \$1,000 face-a	12191	
Other metals			
LBMA Platinum Price PM	*911.0		
Platinum,Engelhard Industrial	926.0		
Platinum,Engelhard fabricated	1026.0		
Palladium,Engelhard industrial	935.0		
Palladium,Engelhard fabricated	1035.0		
Aluminum,LME,\$ per metric ton	*1967.0		
Copper,Coxex spot	3,0715		
Iron Ore,62% Fe CFR China-s	64.1		
Shredded Scrap,US Midwest-s.m	366		
Steel,HRC USA,FOB Midwest Mill-s	880		
Fibers and Textiles			
Burlap,10-oz,40-inch NY yd-n,w	0.6100		
Cotton,11/16 std lwl-mdmPrhs-u	0.8191		
Cotlook' A' Index-t	*92.05		
Hides,hvy native steers piece fob-u	n.a.		
Wool,64s,staple,Terr del-u,w	n.a.		
Grains and Feeds			
Barley,top-quality Mnpls-u	n.a.		
Bran,wheat middlings,KC-u	89		
Corn,No.2 yellow,Cent Il-bp,u	3,5800		
Corn gluten feed,Midwest-u,w	108.2		
Corn gluten meal,Midwest-u,w	525.3		
Cottonseed meal,u,w	275		
Hominy feed,Cent Il-u,w	98		
Meat-bonemeal,50% pro Mnpls-u,w	295		
Oats,No.2 milling,Mnpls-u	2,74		

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables

The following explanations apply to NYSE, Arca, Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. on and the previous day.

Monday, April 9, 2018

	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
A	ABB	ABB	22.63	0.31	BerkHathwy	BK	195.33	-0.16
ADT	ADT	ADT	9.12	-0.27	BerkHathwy	BKA	2950651065.01	-
AES	AES	AES	11.39	-0.03	BerryGlobal	BERY	54.75	-0.04
Aflac	AFL	AFL	43.59	0.22	BethRadly	BRY	69.82	-0.67
AGNC Inv	AGNC	AGNC	18.87	-0.08	Bio-PharmA/Bio	BIO	244.80	-0.70
ANGI Homes	ANGI	ANGI	13.16	-0.16	Biogen	BIB	257.52	-0.13
Ansys	ANSS	ANSS	154.38	0.38	BioMarinPhm	BMRN	78.65	-0.04
ASML	ASML	ASML	198.53	3.90	BlackKnight	BKR	48.15	0.45
AT&T	T	T	35.17	0.04	BlackRock	BLK	521.14	1.22
AbbottLabs	ABBV	ABBV	58.22	0.65	Blackstone	BLC	30.71	-0.30
AbbVie	ABV	ABV	90.49	0.40	BluebeamSoftware	BLSF	39.96	-0.04
Abiomed	ABMD	ABMD	288.12	1.90	Boeing	BA	322.48	-3.64
Accenture	ACN	ACN	148.25	0.87	BonhagBHDs	BONH	2048.74	15.33
ActivationBl	ATVI	ATVI	65.77	1.21	BonhagBHDs	BONH	2018.01	-0.11
Adient	ADNT	ADNT	63.54	-0.38	BorgWarner	BWA	51.57	0.30
AdobeSystems	ADBE	ADBE	219.15	0.56	BoutrosPops	BXP	120.12	-0.04
AdvanceAuto	AOA	AOA	110.35	-1.56	BostonTech	BTC	10.41	-0.04
AdvMicroDevices	AMD	AMD	9.53	-0.08	BoutrosPops	BXP	134.58	-0.04
AdvSemEgg	ASX	ASX	7.18	0.05	BowenPuff	BWP	39.96	-0.04
Aegon	AEG	AEG	6.83	0.04	BrownBanc	BWN	103.34	-0.07
AerCap	AER	AER	51.16	-0.27	BrownFinn/B	BWF	40.00	-0.04
Aetna	AET	AET	171.52	1.14	BrownFinn/B	BWF	40.00	-0.04
AffiliatedMgrs	AMG	AMG	174.68	-1.76	BrownFinn/B	BWF	40.00	-0.04
AigentTechs	AES	AES	65.19	1.54	BrownFinn/B	BWF	40.00	-0.04
AgnicoreEagle	AEGL	AEGL	43.18	0.50	BrownFinn/B	BWF	40.00	-0.04
AirProducts	APD	APD	160.20	0.27	BrownFinn/B	BWF	40.00	-0.04
AlkamTech	AKAM	AKAM	70.46	1.12	BrownFinn/B	BWF	40.00	-0.04
AlaskaAir	ALK	ALK	59.81	-0.96	BrownFinn/B	BWF	40.00	-0.04
Albermarle	ALB	ALB	91.22	-0.55	BrownFinn/B	BWF	40.00	-0.04
Alcoa	AA	AA	50.62	2.57	Bunge	BG	74.91	-0.68
AlexanderHart	AHL	AHL	121.34	-0.73	BurnsBanc	BUR	136.47	-0.23
AlexionPharm	ALXN	ALXN	110.63	1.31	Caterpillar	CAT	143.09	-0.11
Alibaba	BABA	BABA	169.87	2.35	CF Industries	CF	37.16	0.33
AlignTech	ALGN	ALGN	249.08	3.03	CFLX	CFLX	105.33	-0.23
Alkerries	ALKS	ALKS	42.43	0.25	CF Industries	CF	37.16	0.33
Alleghany	AY	AY	592.39	3.77	CGI Group	CGR	156.05	-0.24
Alliion	ALL	ALL	84.54	-0.21	CheniereEnergy	CEN	48.64	0.01
Allianz	AGN	AGN	161.86	0.36	Chimelodging	CHL	43.04	-0.01
AllianceData	ADBE	ADBE	206.32	0.57	Chimelodging	CHL	43.04	-0.01
AlliantEnergy	LNT	LNT	41.05	0.03	Chimelodging	CHL	43.04	-0.01
Allstate	ALL	ALL	95.78	-0.12	Chimelodging	CHL	43.04	-0.01
AllyFinancial	ALYF	ALYF	26.78	0.16	Chimelodging	CHL	43.04	-0.01
AllynPharm	ALNY	ALNY	97.33	2.25	Chimelodging	CHL	43.04	-0.01
Alphabet	C	C	10015.45	8.41	Chimelodging	CHL	43.04	-0.01
Alphabt A	GOOGL	GOOGL	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt B	GOOGL	GOOGL	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt C	GOOGLC	GOOGLC	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt D	GOOGLD	GOOGLD	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt E	GOOGLE	GOOGLE	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt F	GOOGLF	GOOGLF	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt G	GOOGLG	GOOGLG	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt H	GOOGLH	GOOGLH	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt I	GOOGLI	GOOGLI	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt J	GOOGLJ	GOOGLJ	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt K	GOOGLK	GOOGLK	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt L	GOOGLL	GOOGLL	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt M	GOOGLM	GOOGLM	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt N	GOOGLN	GOOGLN	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt O	GOOGLO	GOOGLO	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt P	GOOGLP	GOOGLP	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt Q	GOOGLQ	GOOGLQ	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt R	GOOGLR	GOOGLR	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt S	GOOGLS	GOOGLS	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt T	GOOGLT	GOOGLT	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt U	GOOGLU	GOOGLU	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt V	GOOGLV	GOOGLV	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt W	GOOGLW	GOOGLW	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt X	GOOGLX	GOOGLX	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt Y	GOOGLY	GOOGLY	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt Z	GOOGLZ	GOOGLZ	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt AA	GOOGLA	GOOGLA	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt BB	GOOGLB	GOOGLB	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt CC	GOOGLC	GOOGLC	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt DD	GOOGLD	GOOGLD	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt EE	GOOGLE	GOOGLE	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt FF	GOOGLF	GOOGLF	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt GG	GOOGLG	GOOGLG	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt HH	GOOGLH	GOOGLH	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt II	GOOGLI	GOOGLI	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt JJ	GOOGLJ	GOOGLJ	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt KK	GOOGLK	GOOGLK	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt LL	GOOGLL	GOOGLL	10200.19	1.31	Chimelodging	CHL	43.04	-0.01
Alphabt MM	GOOGLM	GOOGLM	10200.19	1.3				

BANKING & FINANCE

Eurozone's Private-Sector Debt Swells

A lending spree lifts region's leverage so high that regulators are becoming worried

BY PATRICIA KOWSMANN AND TOM FAIRLESS

LISBON—Filipe Garcia e Costa had never borrowed from a bank when ultralow interest rates tempted him to take out a €185,000 (\$226,000) loan to buy an apartment here.

The caveat: The 32-year-old real-estate manager won't finish repaying the debt—worth seven times his annual salary—until he is 75.

Mr. Garcia e Costa isn't alone in ramping up debt. Across the eurozone, economic optimism, ultralow interest rates and fierce competition among banks have helped push private-sector lending to its highest level since the financial crisis. That would be good news if it wasn't for one big problem: the region's already high debt.

Over the past decade, the debt held at eurozone firms and households rose around 12 percentage points to 160% of gross domestic product, according to data from the Bank for International Settlements. In the same 10-year period, U.S. private-sector debt fell around 14 percentage points, to 152% of GDP.

The borrowing binge is seen as one adverse effect of almost a decade of easy money from the European Central Bank, which slashed interest rates below zero and bought bonds to reignite an economy reeling from a crisis that was triggered in the first place by overindebtedness.

As the ECB moves to unwind those policies, the debt they contributed to could hurt overleveraged companies and consumers, hurting the region's now booming economy. Rising interest rates make it harder for people and

companies to borrow and serve existing debts, crimping their ability to spend and invest, while pushing some into bankruptcy.

"There has been no meaningful decline in private debt in the eurozone since 2008, as a share of gross domestic product, which is remarkable," said Jörg Krämer, chief economist at Commerzbank in Frankfurt.

At 1.5%, the interest rate on Mr. Garcia e Costa's loan was less than half the average being offered for house purchases in Portugal a few years ago. But it is tied to market interest rates so could rise substantially. The ECB's key interest rate is currently minus 0.4%.

National regulators are increasingly concerned that low interest rates might be stoking unsustainable asset-price bubbles. By imposing limits on borrowing, they now hope to discourage households and firms from taking on debts that are only sustainable because interest rates are so low.

In the Netherlands and Portugal, authorities have told banks to limit mortgages to 90% of the value of a house. In Finland, authorities recently lowered that limit by 5 percentage points to 85% for home loans, excluding first-home purchases. The Dutch are also considering the end of tax relief for mortgage loans, while in Portugal banks must offer loan maturities of no more than 40 years.

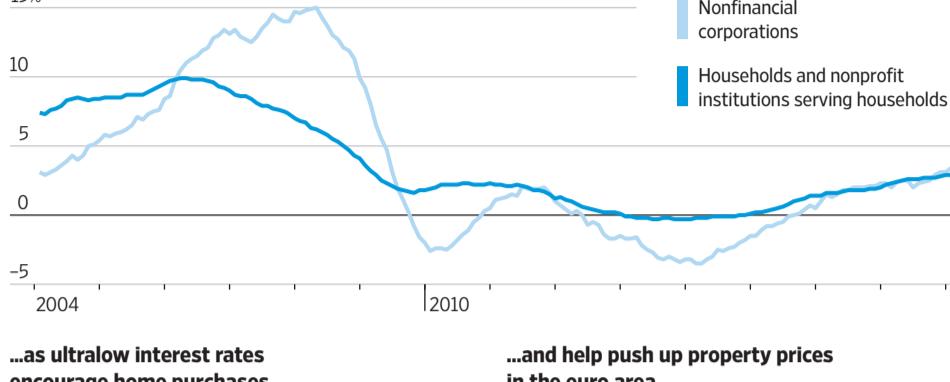
In the real-estate sector, "we do see signs of overvaluation in certain areas and large cities, where housing prices have increased at a faster pace than household incomes," Vítor Constâncio, the ECB's vice president, said last month.

House prices rose an annualized 10% and above in Ireland, the Netherlands and Portugal in the third quarter of last year, according to the European Union's statistics agency. Much of the money be-

Borrowing Binge

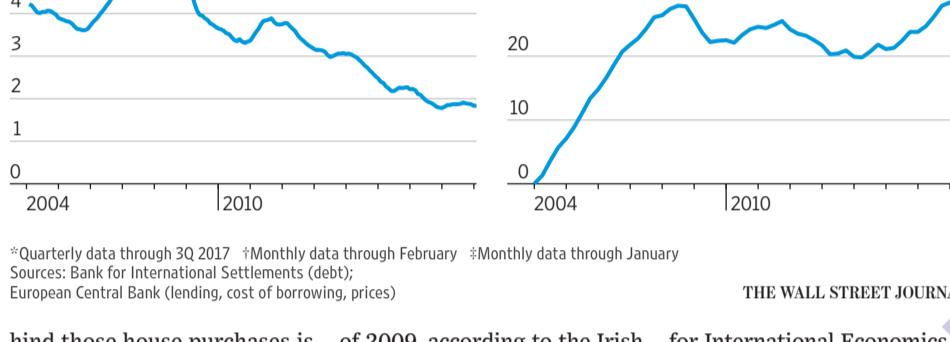
Eurozone private-sector debt levels have risen over the past decade and new lending is accelerating...

Annual change in lending to households and nonfinancial companies in the eurozone[†]



...as ultralow interest rates encourage home purchases...

Cost of borrowing for home purchase in the eurozone[‡]



^{*}Quarterly data through 3Q 2017 [†]Monthly data through February [‡]Monthly data through January

Sources: Bank for International Settlements (debt); European Central Bank (lending, cost of borrowing, prices)

...and help push up property prices in the euro area.

Change in eurozone residential-property prices since the end of 2003[§]



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hind those house purchases is borrowed. In the Netherlands, household debt stands at 270% of net disposable income—higher than in 2007.

U.S. households by contrast have reduced their debts to 112% of net disposable income from 144% in 2007, according to the Organization for Economic Cooperation and Development.

In Ireland, where a burst housing bubble cratered the economy in 2011, mortgage approvals rose 23% last year, while issuance when the mortgage is taken reached levels last seen in the third quarter

of 2009, according to the Irish Banking and Payments Federation. It expects residential property prices in some areas to return to their 2007 peak level within two years.

Since 2015, the Irish central bank has tightened lending rules, but David McNamara, an economist at Irish bank Davy Capital Markets, said credit figures suggest the latest moves have done little to damp the market.

"Real-estate prices are always more worrisome than any other form of asset prices," said Adam Posen, director of the Peterson Institute

for International Economics in Washington. That is because of the size of the sector and its importance for the broader financial system.

Companies also binged on debt. Loans to businesses across the eurozone climbed 3.4% on the year in January, their fastest rate since the financial crisis. Policy makers want companies to borrow so they can invest. But they worry that low borrowing costs might encourage investment in projects that are only profitable at low interest rates, and that such loans risk turning sour as interest rates rise.

In France, corporate debt has risen to around 134% of GDP from 104% a decade ago, according to data from the Bank for International Settlements.

Altice NV racked up more than €50 billion in debt to finance a raft of acquisitions that made it one of the world's largest media and telecom companies over the past four years.

"I bought everything on credit," Patrick Drahi, the company's founder and chief executive, said in a 2016 speech. "I didn't take much risk. It's the banks that lent everything."

Since then, Altice's stock has fallen more than two-thirds over the past nine months as the company struggled to retain customers and generate new sales in Europe, forcing it to put some businesses up for sale to pay off debt.

French authorities recently limited the exposure of banks to highly indebted large companies and suggested they might force lenders to increase their capital levels.

"We consider that there is a risk that big companies in particular are going too far," Bank of France Gov. François Villeroy de Galhau said.

Leverage is building even as many European banks continue to deal with debt accrued from the financial crisis. Over \$1 trillion of loans outstanding is considered non-performing and continues to weigh in on the books of European banks, which have assumed actual losses half of that amount.

ECB President Mario Draghi has defended the low-rates policy, saying it has boosted the local economy and created jobs. "The distortions may be there, but sometimes the trade-off is so powerful that you just ignore them and do the right thing," Mr. Draghi said in October.

—William Horobin in Paris contributed to this article.

Leucadia to Become Jefferies Financial

BY ALLISON PRANG

of National Beef to Marfrig Global Foods SA for \$900 million in cash, reducing its stake to 31%. The deal is expected to close in the second quarter and yield a pretax gain of at least \$800 million.

Leucadia executives said National Beef "was too large and concentrated of an investment" for the company.

Marfrig, which is based in Brazil, will hold a 51% stake in National Beef, most of which it is buying from Leucadia. Marfrig said it plans to keep key executives at the beef processor, including its top executive.

Leucadia also reached a

deal to sell all of its equity interest and relevant real estate in Garcadria to the Garff family, its partner in the car-dealership business, for \$425 million in cash and stock. The company expects to close on the deal in the third quarter and book a pretax gain of \$220 million.

"The National Beef and Garcadria deals complete Leucadia's transformation from a highly diversified, but relatively random, group of assets before the combination with Jefferies into a financial-services company with clear focus and drive," Leucadia execu-

tives said in prepared remarks.

Leucadia's board also increased its share buyback program to up to 25 million shares. The New York-based company had 12.5 million shares available for repurchase under the prior authorization.

Leucadia's shares rose 12% to \$24.29 on Monday.

The company, which is slated to release its first-quarter results on April 26, said on Monday it is expecting a profit of between \$120 million and \$131 million, or 32 cents and 35 cents a share, on net revenue of about \$820 million.

Those estimates include a

\$21 million decline in the value of its HRG investment, a holding company that is the majority owner of Spectrum Brands Holdings Inc.

Also, Leucadia's asset-management business is expected to report a net loss "as a result of the first quarter period of exceptional volatility."

In addition to Jefferies, Leucadia is invested in various other businesses, including FXCM, a trading business, Linkem, an Italy-based broadband service, and Vitesse Energy. It also has a joint venture with Berkshire Hathaway Inc. called Berkadia.

Regulator Lays Out New View On Banks

BY LALITA CLOZEL

WASHINGTON—Comptroller of the Currency Joseph Otting promised a new regulatory relationship with the nation's banks, saying he wants his agency to be more responsive to "our customers, which are the banks."

Mr. Otting, a Trump appointee and former banking executive who now heads the agency that supervises his former peers, on Monday laid out his plans to ease the application of banking regulations to cut compliance costs for banks in an effort to encourage them to lend more.

Speaking at a community-banking conference, he also said he wanted to run the Office of the Comptroller of the Currency in a "more cost-efficient and a more effective manner."

Mr. Otting is leading a joint agency effort to modify the application of the 1977 Community Reinvestment Act, which compels banks to make loans in poor communities located near their headquarters and branches.

He wants to expand the types of loans that banks can count as part of the program, placing more weight on small-business and student loans.

In another change, Mr. Otting wants to make it easier to track how well banks are doing even between CRA examinations, which typically occur every three years.

Additionally, Mr. Otting wants banks to be graded by lumping together all their community-reinvestment activities in a single figure and dividing it by an indicator of the bank's size, such as total assets or deposits, as a way to determine the scale of their efforts.

Banking regulators are expected to issue a request for public comment on modifying the 1977 law within the next month, he said. Changing the law was the subject of a Treasury report last week.

BANK

Continued from page B1

increasingly viewed as a potential internal candidate to eventually lead the bank. Some investors and analysts felt he could benefit from more preparation and broader experience, especially in investment banking.

The conglomerate intends to change its name to Jefferies Financial Group Inc., which provides investment banking and capital-markets services, as part of focusing on what executives described as the "engine of opportunity."

On Monday, Leucadia said it had reached a deal to sell 48%

Playing Catch-Up

Investment-banking revenue, year to date*

JPMorgan	\$1.6B
Goldman Sachs	1.5
Morgan Stanley	1.2
BofA Merrill Lynch	1.1
Citigroup	1.0
Credit Suisse	0.9
Barclays	0.9
Deutsche Bank	0.7

*As of Monday

Source: Dealogic

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Deutsche Bank's ex-CEO John Cryan, left, and his successor, Christian Sewing, seen in February.

promised, calling cost-cutting targets "nonnegotiable." That won't be popular with bankers and traders looking for big bonuses.

It may be popular among investors. Deutsche Bank's shares closed up 1.2% in Frankfurt. They are down about 27% this year.

Investors will want more information quickly from Mr. Sewing about what his promotion means for Deutsche Bank's strategy, especially for its investment bank. Some analysts have called for the lender to dramatically slash its U.S. trading operations, arguing the profits don't justify the financial and legal risks involved.

Initial reactions were skeptical.

"We struggle to see how replacing Mr. Cryan with Mr. Sewing will result in a change of fortune for the bank," Citigroup Inc. banking analysts

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MARKETS

Prices of Treasury Bonds Decline

BY DANIEL KRUGER

U.S. government-bond prices fell Monday as investor concerns about the risks of a trade war between the U.S. and China cooled.

The yield on the benchmark 10-year Treasury note rose for the fourth time in the past five trading sessions, settling at 2.786% from 2.779% on Friday. Yields rise as bond prices fall.

Stock prices rebounded from a sharp decline Friday, helping send bonds lower after Trump administration officials on Sunday softened some of the rhetoric after threatening to impose new tariffs on China, noting the penalties aren't imminent and there is time to work out a deal.

"We're reacting to general risk sentiment," said Gennadiy Goldberg, a strategist at TD Securities. "You've got stocks retracing a good chunk of what they lost, and that's just nudging rates a little higher."

Yields also rose ahead of the government's sale of \$64 billion of notes and bonds this week. Some investors have said the growing supply of debt could pressure bond prices. The Congressional Budget Office said Monday that the U.S. budget deficit will rise to \$804 billion in 2018 and exceed \$1 trillion a year starting in 2020.

Investors also are looking ahead to data being released on Wednesday, including the Labor Department's scheduled update on the consumer-price index. Investors will scrutinize that data to see whether wage gains are helping lead to faster inflation, which threatens the value of government bonds by eroding the purchasing power of their fixed payments.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference

that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$140,379,711,200	\$127,842,448,400
Accepted bids	\$48,000,176,200	\$42,000,025,400
"noncomp"	\$784,923,200	\$682,530,400
"foreign noncomp"	\$100,000,000	\$100,000,000
Auction price (rate)	99.5648%	99.049556%
Coupon equivalent	1.74%	1.92%
Bids at clearing yield accepted	5.27%	45.47%
Cusip number	912796PQ6	912796WZB

Both issues are dated April 12, 2018. The 13-week bills mature on July 12, 2018; the 26-week bills mature on Oct. 11, 2018.

Mideast Turmoil Lifts Oil

BY ALISON SIDER
AND CHRISTOPHER ALESSI

Oil prices rose along with broader markets Monday as fears surrounding a trade war between the U.S. and China receded and commodities oil investors turned their attention to rising tensions in the Middle East.

U.S. crude futures rose \$1.36, or 2.19%, to \$63.42 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, rose \$1.54, or 2.29%, to \$68.65 a barrel on ICE Futures Europe.

The move—oil's biggest daily gain in more than two weeks—is a pivot from last week, when the U.S. benchmark posted its biggest weekly loss in two months. Last week, oil prices followed equity markets lower as U.S. and Chinese officials lobbed threats of new tariffs, raising the prospect of a trade war between the world's two largest economies. Investors feared that would impede the global growth that was one of the main underpinnings of oil's climb in recent months.

Oil traders shifted focus to Syria following an airstrike early Monday, said Andy Lipow, president of Lipow Oil Associates. Missiles hit an air base in Syria, a strike that Russia blamed on Israel. Over the weekend, a suspected chemical-weapons attack in a rebel-held town killed dozens of civilians and spurred calls for international action.



Monsanto shares rose 6.2% after the Justice Department decided to let Bayer acquire the company. A Monsanto booth at a farm show last year included corn plants.

Stocks Hold On to Slight Gains

BY GUNJAN BANERJI
AND RIVA GOLD

Stocks inched higher as policy makers appeared to dial back the tough tone on trade that rocked markets at the end of last week.

Major indexes powered higher for the much of the session—with the Dow Jones Industrial Average gaining as much as 440 points—before paring most of their gains in the final hour of trading. As market volatility has roared back in the past two months, big moves—in both directions—have become common at the end of trading sessions.

Investors were alarmed just ahead of Monday's closing bell by headlines that federal investigators had searched the office and home of Michael Cohen, President Donald Trump's longtime lawyer, but the index held on to slight gains.

Another possible reason for the big swings: Stock-trading volumes were particularly low Monday, with just 6.2 billion shares changing hands across the New York Stock Exchange

and Nasdaq, compared with the year-to-date average daily volume of 7.4 billion shares. Monday marked the third-quietest day of trading this year and the lowest trading volume since Feb. 23, according to the WSJ Market Data Group.

Health-care and technology stocks powered Monday's rebound, sending the Dow up 46.34 points, or 0.2%, to 23979.10. The S&P 500 added 8.69 points, or 0.3%, to 2613.16, and the Nasdaq Composite rose 35.23 points, or 0.5%, to 6950.34.

All three indexes had fallen more than 2% Friday as investors worried that planned escalating tariffs between the U.S. and China could lead to policies that threaten global economic growth.

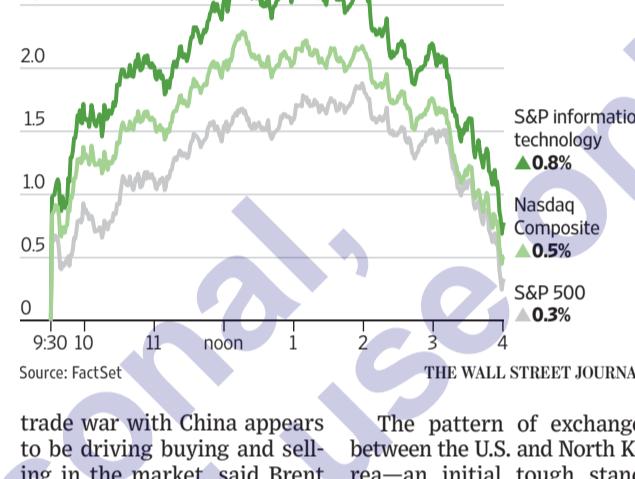
Merck was the best performer in the Dow, rising \$2.80, or 5.3%, to \$56.16 after disclosing a positive clinical trial for cancer drug Keytruda.

Monsanto jumped 7.29, or 6.2%, to 125.15 after The Wall Street Journal reported that the Justice Department has decided to allow Bayer's deal to acquire the company.

"The mood of the day" regarding the prospect for a

Tech Outperforms

Technology shares were among the best performers in the S&P 500 on Monday.



trade war with China appears to be driving buying and selling in the market, said Brent Schutte, chief investment strategist at Northwestern Mutual Wealth Management.

Analysts also attributed some of Monday's improved risk sentiment to news that North Korea confirmed its readiness to discuss denuclearization of the Korean Peninsula with the U.S.

opinion we're headed to an amicable agreement on trade between these two countries," he said. "For me, this is the opening salvo in a negotiation which should ultimately lead to a stronger trading relationship between the U.S. and China."

Some investors were also looking ahead to the start of the first-quarter earnings season in the U.S. this week to support the case for stocks.

As of Friday, 53 S&P 500 companies had issued positive earnings guidance for the quarter, which would mark the highest number since at least 2006, according to FactSet. Guidance has been particularly strong in the technology sector, even as tech shares have fallen sharply in the past month.

The technology group in the S&P 500 was one of the biggest winners on Monday, rising 0.8%, a positive sign to some that shares of companies that had led broader U.S. stock indexes higher for months could regain their footing and help markets rebound.

Early Tuesday, Japan's Nikkei was down less than 0.1%, Hong Kong's Hang Seng Index was up 0.3% and South Korea's Kospi was up 0.5%.

NYSE Welcomes Nasdaq-Listed Stocks

BY ALEXANDER OSIPOVICH

The New York Stock Exchange has ended a decades-old restriction that prevented stocks listed on rival exchanges from being bought and sold on its historic trading floor in lower Manhattan.

The change took effect on Monday as part of a long-awaited upgrade of the NYSE's systems. Now, Nasdaq-listed securities such as Apple Inc. or Kraft-Heinz Co., as well as any U.S. exchange-traded fund, can be traded on the NYSE's flagship exchange for the first time.

That expands the number of securities that can potentially be traded at the Big Board to all 8,600 stocks and ETFs listed in the U.S. Until now, trading at the venerable exchange was limited to the roughly 3,150 securities listed on the NYSE, effectively making it a gated community for the shares of firms that met the exchange's listing standards and were willing to pay the NYSE's listing fees.

But that restriction made less sense as markets went electronic and dozens of rival trading platforms emerged, as-sisted by regulations that en-



Until now, trading at the Big Board was limited to the 3,150 securities listed on the exchange.

couraged greater competition in the exchange business. That eroded the NYSE's status as the go-to marketplace for buying and selling large-cap stocks.

Until this week, out of the 12 U.S. stock exchanges in op-

eration, the NYSE's flagship exchange was the only one that limited trading to its own listed securities.

"That is a 180-degree turnaround for the NYSE," said James Angel, an associate professor of finance at George

town University.

Investors are unlikely to notice much difference as a result of Monday's change. But the move could potentially lead to an uptick in the NYSE's market share, analysts say.

The Big Board, owned by

Humbled Giant

The New York Stock Exchange's share of stock-trading volume has fallen over the past decade as new rivals have emerged.



Note: Chart shows combined share of all NYSE exchanges including Arca and NYSE American.

Source: Tabb Group

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Intercontinental Exchange Inc., and its two smaller sister exchanges handled 22.6% of U.S. equities trading volume in February, according to research firm Tabb Group.

That is bigger than the NYSE's two largest rivals—Nasdaq Inc. and Cboe Global Markets Inc.—but it is much reduced from the nearly 40% market share that the NYSE group of exchanges enjoyed a decade ago.

Iranians Line Up for Currency as Rial Plunges to Record

Iran's currency fell to another record against the U.S. dollar Monday as people lined up outside exchange houses in Tehran

By Asa Fitch in Dubai
and Aresu Eqbali
in Tehran

to buy the greenback, adding to the Islamic Republic's economic pressures.

Iran's inflation is in double digits, and unemployment remains high, factors that contributed to the widespread protests that rocked the government earlier this year. Concerns, meanwhile, have increased that the Trump administration will pull

out of the 2015 nuclear accord and slap on more sanctions that could weigh on financial transactions and slow the economy.

Many Iranians also have bet against the rial in the hope of making a quick buck, adding to the pressure on the local currency.

The rial on Monday was exchanged at more than 60,000 per dollar, compared with about 48,000 on April 1, forcing people in need of foreign currency to navigate a dwindling number of money houses still open for trading. "This is a mess," said 33-year-old Hamed, who was waiting at an exchange attempting to get money for a trip to Japan. He

declined to give his full name. "Iranians don't deserve to stand in such lines and experience such disgrace for \$500 or \$1,000. We can't go abroad with rials."

The authorities have responded to the slide with a raft of currency-stabilization measures, including issuing foreign-currency sovereign bonds and raising deposit rates at local banks to stir demand for the rial.

They also have shut down dozens of unlicensed currency traders. Such moves helped spark a recovery in the currency in late February, when it strengthened from more than 50,000 to the dollar to below 45,000. But

Iran's free-market rate much closer to its official rate, which is set by the government and is only available in commercial transactions that the government approves. The official rate was about 37,800 rials to the dollar on Monday, according to a central bank website.

Unifying the official and free-market rates has long been a goal of President Hassan Rouhani's administration.

"People should not be worried about providing their foreign-currency needs with this rate," Mr. Jahangiri said, adding that any other rate in the market would be outlawed as of Tuesday.

MARKETS

Trade Worries Intensify Dollar's Woes

Past year's drop could worsen due to tariffs, spooked investors, shift on rates by Fed

By CHELSEY DULANEY

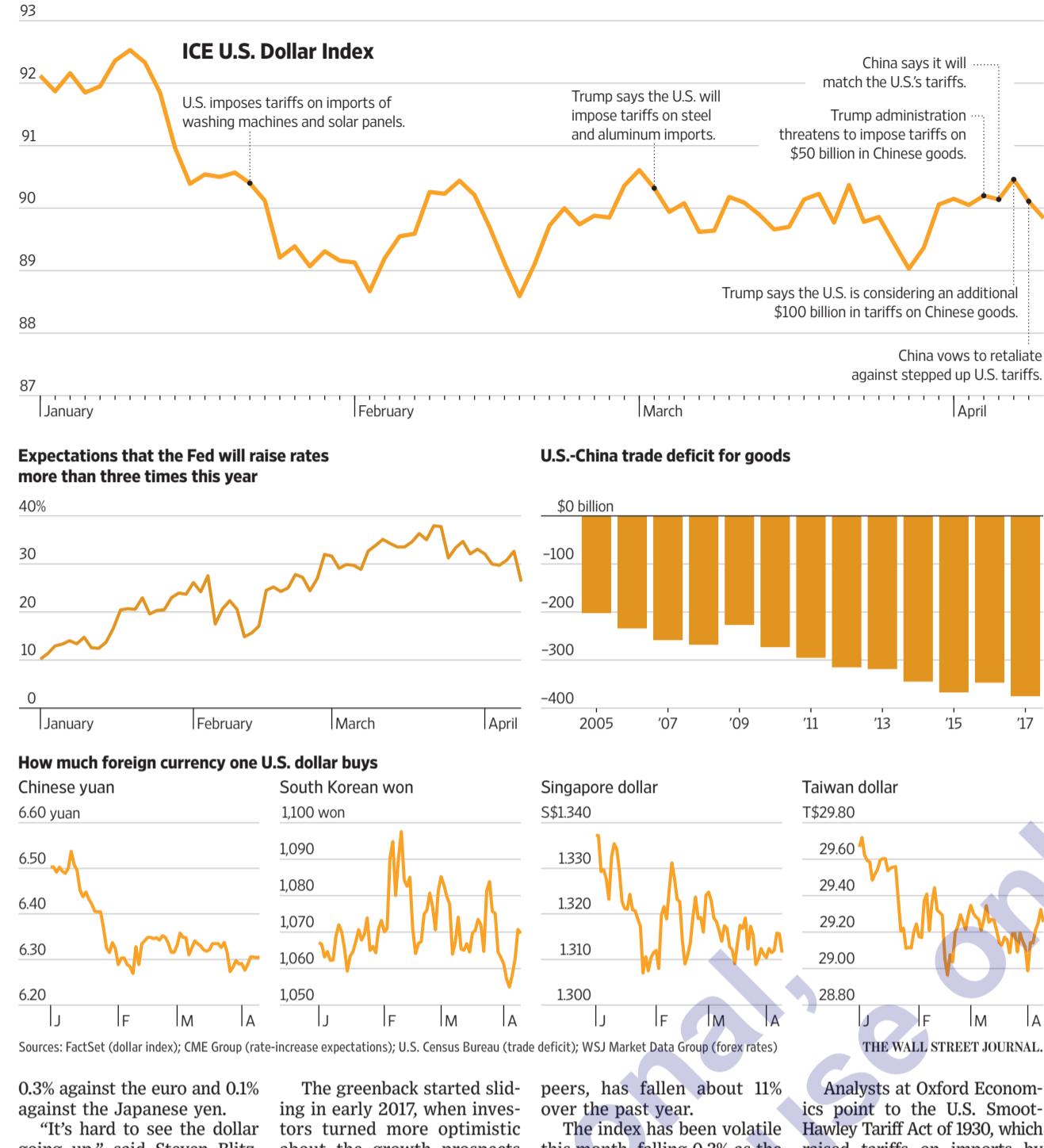
Escalating trade tensions between the U.S. and China are emerging as the latest threat to the U.S. dollar, which has been losing value for more than a year.

U.S. exports could come under pressure if China or other countries ramp up tariffs on U.S. products, which would effectively reduce demand for dollars and potentially widen the trade deficit that the Trump administration is attempting to close. Shares of big U.S. exporters, such as **Boeing** Co. and **Caterpillar** Inc., have tumbled in recent weeks as investors fear trade policies will hurt overseas sales.

Meanwhile, the rise in trade tensions could spook global investors. The U.S. depends on them to fund its budget deficit by buying U.S. Treasury bonds. The Congressional Budget Office estimated Monday that the federal budget deficit will total \$804 billion this year and exceed \$1 trillion a year starting in 2020.

"Our dependence on foreign investors to fund the massive deficit has always been the Achilles' heel of the U.S. dollar," said Omer Esiner, chief market analyst at Commonwealth Foreign Exchange. "An abandonment of U.S. assets...is a risk for the dollar."

While fears over new tariffs and a potential trade war could boost the U.S. dollar against some export-dependent emerging-market currencies such as the South Korean won and Mexican peso, analysts say the dollar is unlikely to gain much against major peers like the euro or Japanese yen. On Monday, the dollar fell



0.3% against the euro and 0.1% against the Japanese yen.

"It's hard to see the dollar going up," said Steven Blitz, chief U.S. economist at TS Lombard. "If all these tariffs cause the U.S. economy to slow...the dollar would weaken."

The greenback started sliding in early 2017, when investors turned more optimistic about the growth prospects for other major economies around the world. The ICE U.S. Dollar Index, which measures the currency against six major

peers, has fallen about 11% over the past year.

The index has been volatile this month, falling 0.3% as the U.S. and China have exchanged threats and announced plans for tariffs on billions of dollars in each other's goods.

Analysts at Oxford Economics point to the U.S. Smoot-Hawley Tariff Act of 1930, which raised tariffs on imports by about 20% and led to a decline in capital flows into the U.S.

"The U.S. economy is now much more reliant on foreign

capital inflows that it was then," said Oren Klachkin, the firm's lead economist. "If foreign demand were to weaken, there may be a significant depreciation of the dollar."

The dollar hasn't fared well in more recent trade spats, either. President George Bush's decision to slap tariffs on steel imports in the early 2000s helped send the ICE Dollar Index down nearly 20% between 2001 and 2003, according to data from TD Securities. As trade tensions rose between the U.S. and Japan in the 1990s, the dollar index fell more than 10%.

Investors have already been amassing bets against the dollar over the past year, confounding many Wall Street analysts who had expected the currency to benefit from stronger economic growth, Federal Reserve rate increases and changes to the U.S. tax code that should encourage companies to bring home earnings stashed overseas.

Hedge-fund and other money managers are now holding around \$25 billion in bets against the U.S. dollar, according to Scotiabank and Commodity Futures Trading Commission data.

The rising trade tensions and their potential U.S. economic impact could also keep the Fed from tightening policy at its current projected path. That also would likely weigh on the greenback as lower rates encourage investors to look elsewhere for yield.

On Monday, investors saw a 26% chance that the Fed would deliver two or more additional rate-increases this year—after the increase in March—down from 33% last week, according to CME Group data.

"It might be viewed as undermining the Fed's tightening resolve," said Alvise Marino, a currency strategist at Credit Suisse. "On the margin, it reinforces the dollar's negative trend."

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Deutsche CEO Has a Tough Task

Deutsche Bank has a new chief executive, but Christian Sewing will find it much easier to change the tone of leadership than the bank's destiny.

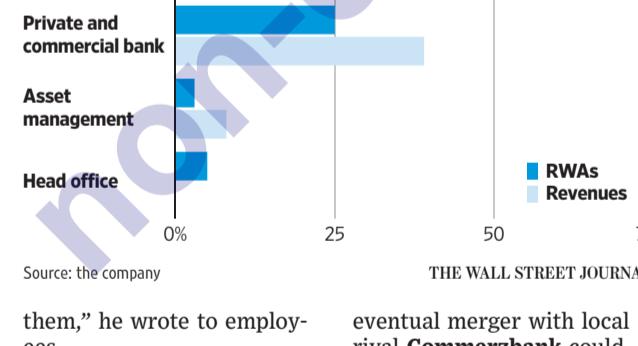
Mr. Sewing, a 25-year veteran who most recently headed Deutsche's retail bank, was named late Sunday to succeed John Cryan, whose three-year tenure has seen hefty restructuring but very little recovery.

Mr. Sewing promises to be more decisive and demanding. Unfortunately, the banking sector is probably changing more rapidly than a bureaucratic behemoth like Deutsche can match. As it pursues more costly and painful restructuring, fitter rivals will pull farther ahead.

Where Mr. Cryan bought a much-needed dose of realism to a bank that hadn't faced up to its many problems and weaknesses, Mr. Sewing is pledging discipline and consequences for failure. Missed targets? "The new leadership team will not accept this anymore. We'll have to take tough decisions and execute

Unbalanced Portfolio

Deutsche Bank's split of revenues and risk-weighted assets by division



retrievably behind.

Investment banking is increasingly a game of either very great scale or specialization. In the scale game, it seems now only the global top three can truly be global players in each field. As a global player, Deutsche continues to lose ground.

Shrinking back to being a regional specialist, focused on mainly Germany and Europe, looks like the right strategy.

But being right doesn't make it easy. In retreat, investment banks tend to shed revenues much faster than costs, which is terrible for profits and ultimately capital strength, too.

As Mr. Sewing tries to solve this puzzle, the biggest risk is that he could need yet another capital raise to pay for a quicker exit from the investment-banking businesses in which Deutsche can't win. That would be decisive and demanding, for sure, but investors would almost certainly be horrified whoever is at the helm.

—Paul J. Davies

OVERHEARD

Not everyone was celebrating the latest blockbuster biotech deal.

The week couldn't have started any better for **AveXis** shareholders, as **Novartis**' \$8.7 billion offer to buy the company sent shares 82% higher Monday.

Investors who bought shares in the 2016 initial public offering and held on to them have made more than 10 times their money in less than 26 months.

Short sellers, however, had a miserable Monday morning. Roughly 3.5 million shares were sold short at last count, according to Nasdaq data. Those bearish bets amount to roughly one-eighth of total available shares.

Those short sellers who believe that AveXis's experimental drugs won't eventually translate into windfall profits for the company could still be proved correct. But since Novartis disagrees with that assessment, any future vindication won't put Monday's lost money back in those investors' pockets.

Consumer Credit Could Dent Growth

Weak consumer lending risks becoming a headwind for an otherwise healthy economy.

Evidence is mounting that consumer lenders are slowing their credit-card, auto and other loans. Monthly data from the Federal Reserve shows that total consumer loans outstanding rose at a seasonally adjusted annualized pace of just 3.3% in February, down from 4.9% in January and 6.0% in December.

For all of 2017, consumer loan growth slowed, dropping to 5.4% from 6.8% the prior year, according to the Fed data.

Revolving consumer-credit lines, primarily credit cards, have slowed even more sharply. Total outstanding revolving credit was up a seasonally adjusted annualized 0.2% in February. That is the lowest monthly reading since revolving credit fell in November 2013.

There are two explanations: First, lenders have grown more cautious over the past year in response to rising delinquencies and defaults on their loans. Shares of consumer lenders have underperformed lately, reflecting concerns over slower loan growth and credit issues.

Second, consumers may now be paying down loans. This effectively means that consumers are saving more.

It also means that modestly rising wages and lower taxes won't spur consumer spending as strongly as investors appeared to believe last year. Consumers drive the U.S. economy and if they moderate their spending, overall economic growth could be lower than expected this year.

—Aaron Back

Corporate Bonds Go Into Reverse Following Steady Gains

Sinking Feeling

Total returns on ICE BofAML bond indexes



percentage points, from 0.98 at the start of 2018. Junk bonds, cushioned by higher yields, are faring a little better but are still down 0.6%. The contrast with last year's strong gains is stark.

Corporate bonds look vulnerable on several fronts. Underlying government-bond yields have moved higher as the Federal Reserve has lifted rates and fears about inflation have returned. But credit spreads had also reached very tight levels at the end of 2017—diminishing the cushion against Treasury yield moves. Indeed, the spread on U.S. corporate bonds as a share of their total yield recently reached the lowest level in a decade, BlackRock notes. The recent widening has pushed the share up only a little.

But it isn't necessarily higher rates that explain wider spreads. After all, if

Treasury yields are rising because of stronger growth and inflation, that should be good news for company balance sheets. The rub is that credit spreads also behave like measures of volatility in that they reflect a premium for uncertainty about the future. U.S. policies on trade, taxes and spending are raising the prospect of higher economic volatility in the future. If volatility is here to stay, so are wider spreads, making it harder for corporate bonds to recoup their losses.

Meanwhile, negative total returns mean investors are pulling back. An exchange-traded fund that tracks the

U.S. market, the iShares iBoxx \$ Investment Grade Corporate Bond ETF, has recorded net outflows of more than \$5 billion this year, according to FactSet. Riskier high-yield bond funds have logged outflows for 12 weeks, the longest streak since 2007, according to Bank of America Merrill Lynch.

Higher yields and, in particular, wider spreads on investment-grade corporate bonds will at some point act as a lure for cash. But the market moves so far aren't big enough to offer obvious value. Spreads are still tight by historical standards. The ride could stay bumpy for some time. —Richard Barley

U.S. investment-grade corporate bonds—issued by blue-chip names with relatively strong balance sheets—have returned minus 2.2% this year, compared with minus 1.4% for Treasuries, ICE BofAML indexes show. The poor performance is due to widening credit spreads, with the gap between corporate bond yields and underlying government yields expanding to 1.14 per-