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What's News

Business & Finance

Deutsche Bank named German national Christian Sewing to succeed John Cryan as CEO, signaling the bank is likely to become a smaller, less-ambitious lender. A1

◆ **Facebook CEO** Mark Zuckerberg will testify to lawmakers about perceived data abuses and laxity at the social-media firm. A1

◆ **Many stock investors** are reassessing a premise of the faltering rally: that world-wide growth is ready to break out. B1

◆ **Small to midsize auto dealers** are increasingly selling their businesses to auto-retail giants or investment firms. B1

◆ **Wells Fargo** expanded a review of auto products and services it finances ahead of expected regulatory interest in the area. B2

◆ **A new way to trade** bulk agricultural futures is raising concerns that crop and livestock markets are growing less transparent. B9

◆ **Americans are** spending more for gasoline than they have for years, at an average retail price of \$2.70 a gallon. B10

World-Wide

◆ **Trump warned** Assad that Syria could pay a "big price" for a suspected chemical-weapons attack on a rebel-held town that killed at least 42 people and sickened hundreds. A1, A6

◆ **Trump administration** officials softened some of their rhetoric after the U.S. threatened to hit China with new tariffs. A2

◆ **The U.S. is accelerating** negotiations to overhaul the North American Free Trade Agreement, seeking a deal within weeks. A8

◆ **North Korea** has told the U.S. that Kim Jong Un is ready to discuss denuclearization, clearing the way for a summit with the U.S. A8

◆ **Hungary's Viktor Orban** won a fourth term as prime minister, prevailing at the polls on an anti-immigration message. A10

◆ **The DOJ is examining** whether communications among competing colleges on early-decision applicants violate antitrust laws. A3

◆ **A trial of a former** church diplomat suspected of violating child-pornography laws would be a first for the Vatican. A10

Journal Report

Why emerging markets are still worth the trouble
Investing in Funds & ETFs, R1-10

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U.S. Weighs Syria Military Strike



Residents in Douma, Syria, on Sunday looked over the bodies of some of the victims of a suspected chemical-weapons attack.

Trump warns Assad and Putin of 'big price' for suspected attack with chemical weapons

By DION NISSENBAUM

WASHINGTON—President Donald Trump warned on Sunday that Syrian President Bashar al-Assad and his two biggest allies could pay a "big price" for a suspected chemical-weapons attack that killed dozens of civilians, raising the prospect that the U.S. could launch a punitive military strike against Mr. Assad.

In a series of tweets, Mr. Trump called Mr. Assad an "animal," criticized Iran for backing the Syrian leader, and took a rare personal shot at Russian President Vladimir Putin, who is vying with the U.S., for power and influence in the Middle East.

"Many dead, including women and children, in mindless CHEMICAL attack in Syria," Mr. Trump tweeted. "President Please see TRUMP page A6

◆ **Pyongyang tells U.S. it will discuss nuclear arms..... A8**

Deutsche Swaps CEOs in Shift of Strategy

By JENNY STRASBURG

Deutsche Bank AG replaced its British chief executive, John Cryan, with the senior German head of its retail bank, a switch that signals a less ambitious future after years of weak financial results and sputtering attempts to regain a spot among global in-

vestment-banking powerhouses.

Germany's biggest bank named as Mr. Cryan's successor an executive steeped in auditing, risk control and retail banking. Mr. Cryan will leave at the end of this month, Deutsche Bank said.

New CEO Christian Sewing has spent more than 25 of his 47 years at the Frankfurt-based

lender, starting as an apprentice banker and rising to the management board three years ago. He has held senior risk and audit roles in London, Tokyo and Toronto but retains a low profile outside of Germany.

The departure of Mr. Cryan, a former investment banker, and the elevation of Mr. Sewing

struck investors and executives at other banks as moving Deutsche Bank closer to a potential merger with another European bank, possibly in Germany.

Such a possibility has long been discussed. A smaller, more regionally focused Deutsche Bank could make a matchup more pragmatic, bankers and inves-

tors said. Deutsche Bank didn't comment.

The CEO change, which is effective immediately and came after a Sunday evening conference call of the bank's supervisory board, presages a lower-profile Deutsche Bank, say people close to the firm. The bank has been Please see BANK page A10

Reed Takes Green at the Masters



UPSTART: Patrick Reed, who won the Masters on Sunday at the Augusta National Golf Club for his first career major title, is presented with the green jacket by former champion Sergio Garcia. A16

Zuckerberg's D.C. Mission: Stay Cool in a Very Hot Seat

By BETSY MORRIS

A year ago, Mark Zuckerberg was preparing to deliver the commencement speech at Harvard University. As well as a personal milestone, it was the kind of carefully choreographed, profoundly upbeat event at which he excels.

This week, Mr. Zuckerberg must deliver an entirely different type of performance. In two days of testimony before Senate and House committees, the

sometimes-defiant Facebook Inc. chief executive must prove to skeptical lawmakers that the tech behemoth he created takes privacy issues seriously. It also is a broader test of how effectively he can guide a company facing myriad challenges from regulators and angry consumers around the globe.

The sessions are likely to be among the most contentious congressional grillings of a CEO in a decade.

The hearings "will be very,

very long. Some people will spend their time attacking him as viciously as they can," said Donald Graham, former CEO of Washington Post Co. and a former Facebook director. Still, Mr. Graham said, "Mark will do fine. He is patient."

In many ways, Mr. Zuckerberg, who wasn't made available for an interview, will be Please see CHIEF page A2

◆ Christopher Mims: Tech giants brace for regulation..... B1

Necco Wafers, Taste of Childhood And Chalk, Near the Final Crunch

Fans are hoarding the candy ahead of a May deadline; Sweethearts also at risk

By JOHN CLARKE

Necco wafers have been around since before the Civil War—and plenty of detractors would argue they taste like it, too.

The flavors have been described as "tropical drywall," "plaster surprise," and "attic citrus."

One Twitter commentator calls it a candy that "only a psychopath would like."

And yet, like anything appreciated only after it is gone, Neccos are suddenly having a moment.

Last month, the New England Confectionery Co.—makers of the iconic wafer since 1847 and the oldest continually operated candy manufacturer in the U.S.—served no-

tice to its hometown of Revere, Mass., that it would close operations in May if it didn't find a new owner.

Consumers and sellers are starting to stockpile and hoard whatever Necco candy they can get, including Mary Janes, Clark Bars, Squirrel Nut Zipperers, and Sweethearts, the heart-shaped pressed-sugar Valentine's Day candy bearing romantic messages including "Kiss Me" and

"Be Mine."

Jon Prince, president of wholesaler Candy Favorites in McKeesport, Pa., fielded hundreds of hectic calls over a recent weekend, with some buyers pleading to purchase his entire inventory of Necco wafer

'Tropical drywall'

Please see NECCO page A12

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BLOOMBERG NEWS

HUNGARY'S PRIME MINISTER IS RE-ELECTED

WORLD, A10

Brazil Moves Right, Pulling a Continent

'Pink tide' recedes in Latin America

By SAMANTHA PEARSON

NIOAQUE, Brazil—It looks like a scene from Marlboro Country. Cattle ranchers drive their Chevy pickup trucks to the local rodeo. Cowboys in washed-out jeans entertain the crowds.

In fact, it is Brazil's conservative heartland, a 14-hour drive from the nearest beach and a world away from the country's reputation for liberal hedonism.

Over much of the past 15 years, Brazilian conservatives have watched the rise of socialism in this continent-sized nation with unease. They've seen farmers go to jail here for defending their land against indigenous tribes; they've recoiled as same-sex couples starred in their favorite soap op-

eras; and they've grumbled at the local shooting club about high taxes, high crime and the corruption scandals in two successive leftist presidencies.

"It's time we brought back some morals to this country," said retired pharmacy owner Francisco Lima, 71, as his wife, Maria, got up from her wicker chair to fetch homemade lemonade here in the sleepy town of Nioaque. "Brazil is overrun by criminals and corrupt politicians."

Conservatism is making a comeback here. It is already playing out in the battle over women's health and across politics, religion and the arts.

The move to the right in Brazil—home to about half Please see BRAZIL page A12

U.S. NEWS

THE OUTLOOK | By Bob Davis

In Trade Fight, China Isn't Like Japan

The White House is looking at the U.S. trade fight against Japan in the 1980s and 1990s for lessons in its trade battle against China, but the two eras are as striking for their differences as they are for their similarities.

U.S. trade officials admire Ronald Reagan's use of tariffs to get Japan to open its semiconductor market and limit steel and other exports to the U.S. Robert Lighthizer, the current trade representative and then a midlevel official, helped carry out that strategy.

Japan back then, like China today, ran a large trade surplus with the U.S. Japan, like China, used industrial policy to turn favored companies into global powers and like China was looking to get U.S. technology any way it could.

The main tool the U.S. used to get Japan to change course, section 301 of the U.S. Trade Act of 1974, is the one the Trump administration is using to confront China. It gives the president broad powers to retaliate through tariffs and other means in trade disputes.

"The last time it was used [with Japan], it worked," says Clyde Prestowitz, a Republican trade warrior from that era.

Mr. Prestowitz doubts such tactics will work again. "China is a different animal," he says.

Along with targeting Japan, the U.S. used section 301 to pressure India. Washington threatened tariffs unless Delhi liberalized its protected insurance



Nancy and Ronald Reagan with Japan's former Prime Minister Yasuhiro Nakasone and his wife Tsutako in Tokyo in 1983, a few years before the U.S. imposed tariffs on Japanese imports.

market. India was so incensed, it refused to negotiate. The U.S. backed off.

Like India, China is a huge, nationalist country. Its leaders believe they are destined to reclaim China's place as a world leader and are building a world-class military in the process. Japan was a relatively small nation, whose global aspirations were snuffed out during World War II. It depended on Washington for its security.

While Tokyo frustrated the U.S. through delay, it ultimately had to accommodate Washington's demands. Among other things, says Mr. Prestowitz, "Japan needed us to protect them from China."

In practice, that meant Japan never retaliated against U.S. trade actions by putting tariffs on U.S. goods—indeed, it never even

threatened to retaliate.

Less than 24 hours after the Trump administration threatened tariffs on \$50 billion of Chinese imports to the U.S., China published its own \$50 billion hit list of U.S. goods. When President Trump added another \$100 billion of Chinese goods subject to levies, a spokesman for Beijing's Commerce Ministry pledged, "China is fully prepared to hit back forcefully."

Japan de-escalated the trade battles by allowing some of its most successful auto and electronics companies to build factories in the U.S. Japanese companies continue to invest in U.S. plants, and today directly employ hundreds of thousands of U.S. workers, and through that investment have cultivated useful political allies, particularly among Republicans.

That avenue isn't as open to Beijing. The U.S. is increasingly blocking Chinese purchases of semiconductor and other technology firms because of concerns about national security.

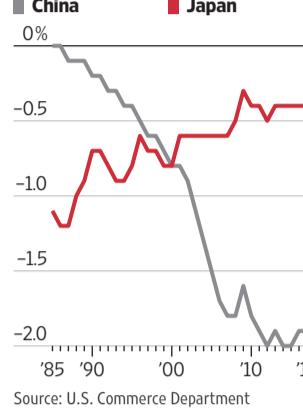
China is fighting back by targeting politically sensitive goods for sanctions, especially U.S. agriculture and aircraft.

When it comes to imposing tariffs, there is another lesson from the Japan fights: Domestic opposition blunts White House plans. In 1995, the Clinton administration was set to put 100% tariffs on imported Japanese luxury cars to pressure Japan to buy more U.S. auto parts.

But the uproar from U.S. auto dealers put pressure on the White House to cut a deal that mainly required

Mirror Image

U.S. trade deficits in goods with Japan and China as a percentage of gross domestic product



Source: U.S. Commerce Department

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Japan to expand production in the U.S., which it was planning to do anyway.

In the current fight with China, U.S. lobbyists are focusing on the potential harm to farmers—a politically sympathetic and powerful group that is an important part of President Donald Trump's political base. The president last week said the administration would come up with a plan "to protect our farmers," but provided no details.

Former U.S. Trade Representative Mickey Kantor, who helped negotiate U.S. deals with Japan in the 1990s for the Clinton administration, says his biggest takeaway from those days is the need to be steadfast in deciding goals and strategy.

Mr. Trump has threatened retaliation against China but his aides then tried to calm markets by claiming there is no trade war. "The uncertainty undermines your credibility domestically and with the Chinese," Mr. Kantor said.

ECONOMIC CALENDAR

This week, the **U.S. Federal Reserve** and **European Central Bank** release minutes of their latest meetings, and China reports import, export and inflation data.

WEDNESDAY: The **Bank of Japan** releases its **corporate-goods price index** for March (release time is Tuesday evening in the U.S.). The Japanese economy recently has seen a gradual uptick in inflation, and the central bank's chief, Haruhiko Kuroda, said for the first time the bank would consider exiting from its loose policy.

The Federal Reserve releases minutes from its March 20-21 meeting. On Friday, Fed Chairman Jerome Powell reaffirmed the central bank's slow and steady path of raising interest rates.

China's consumer inflation likely retreated in March from a more than four-year high in February as Lunar New Year holiday effects waned. Economists expect the **consumer-price index** to rise by about 2.6% in March from a year earlier, compared with February's 2.9%. The country's **producer-price index** probably rose about 3.2%, easing from February's 3.7%. (Release is Tuesday evening in the U.S.)

THURSDAY: The European Central Bank releases minutes of its March 7-8 meeting, when it signaled a shift toward tighter monetary policy by dropping a long-held pledge to accelerate its bond-buying program if the region's economy deteriorates. ECB President Mario Draghi also criticized tariffs proposed by U.S. President Donald Trump at a press conference after the March meeting.

FRIDAY: China's strong exports probably lost some steam last month, leading to a smaller **trade surplus**, economists say. **Exports** likely climbed by around 9% in March, after a spike of 44.5% in February. **Imports** likely rose by about 10%, versus February's 6.3% growth.

Trump Officials Talk Down Threat of Dueling Tariffs

BY PETER NICHOLAS

iffs and retaliatory action by China rattled stock markets.

In interviews on the Sunday talk shows, senior Trump administration officials played down talk of a looming trade war.

Appearing on CBS's "Face the Nation," Treasury Secretary Steven Mnuchin said, "I don't expect there will be a trade war" and that the U.S.'s intention is to "continue to have discussions with China."

He suggested, though, that if China doesn't agree to create conditions for "free and fair reciprocal trade," the U.S. is prepared to aggressively defend its interests.

Of the possibility of a trade war, Mr. Mnuchin said: "It could be," adding, "but I don't expect it at all."

On Friday, Mr. Mnuchin had



Treasury Secretary Steven Mnuchin now doesn't expect a trade war.

said there was the "potential of a trade war" with China.

Lawrence Kudlow, having completed his first week on the job as Mr. Trump's National Economic Council director, emphasized that "nothing

has happened so far."

"We're looking at future actions," he continued, in an appearance on "Fox News Sunday."

Mr. Kudlow said that the dispute could be resolved

through negotiations.

"Maybe China will want to come around and talk in earnest. So far, it hasn't," he said.

Mr. Trump's supporters say the tariff threats fulfill a campaign pledge.

Steve Bannon, his former White House strategist and campaign adviser, said in an interview: "The elites in America have bailed out the Chinese regime for 25 years. Trump is the first leader to confront this." Mr. Bannon was ousted last year, but other economic nationalists remain in high positions, including senior trade adviser Peter Navarro.

Mr. Navarro was asked Sunday if the administration was trying to have it "both ways," threatening tariffs while simultaneously assuring the public that the levies are

merely a "negotiating ploy."

"Which is it?" asked NBC "Meet the Press" host Chuck Todd.

"It's both," Mr. Navarro replied.

Mr. Trump has also installed advisers who are wary of tariffs and espouse more free-trade principles—notably Mr. Kudlow.

Meeting with reporters last week at the White House, Mr. Kudlow conceded, "I'm not a tariff guy."

At the same time, he said China's behavior warrants aggressive steps, citing the theft of U.S. intellectual property.

"Sometimes you have to use tariffs to bring countries to their senses," he said.

◆ U.S. seeks quicker resolution on Nafta. A8

CHIEF



Facebook CEO Mark Zuckerberg, right, with actor James Earl Jones at Harvard's commencement exercises in May 2017.

search firm Cambridge Analytica to access information from tens of millions of user profiles in an effort to sway the election in Donald Trump's favor. 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.

Mr. Zuckerberg, 33 years old, has long disproved his critics. When Facebook prepared to go public in 2012, some investors argued the Harvard dropout wasn't mature enough to run a publicly traded business. He has since built it into a more than \$450 billion-a-year company, become a billionaire many times over and drawn frequent praise from Wall Street.

He also has constantly strived for self-improvement. He learned Mandarin and last year took a listening tour of

the country to try to better understand how Americans live and think about the future.

Mr. Zuckerberg's stated goal this year: "Fix Facebook." His performance this week will go a long way toward deciding whether he can do that.

Mr. Zuckerberg isn't regularly questioned by people who don't have a sophisticated understanding of Facebook or technology in general. "Mark doesn't have to deal with those kinds of people very often," one former employee says, and "he can get really frustrated"—especially when they are critical of his company.

During a 2010 interview on the stage of a Wall Street Journal conference, when he was being questioned about Facebook's privacy settings, Mr. Zuckerberg began sweating so much the perspiration poured down his face and dripped off his chin. He had to reluctantly

remove his trademark hoodie.

Mr. Zuckerberg also took umbrage last week when his Silicon Valley rival, Apple Inc. CEO Tim Cook, was critical of Facebook's privacy practices. Mr. Zuckerberg said in a Vox interview that "it's important that we don't all get Stockholm syndrome and let the companies that work hard to charge you more convince you that they actually care more about you. Because that sounds ridiculous to me."

Mr. Zuckerberg often describes Facebook as an "optimistic" company, and that its main goal was not to make a profit but to connect more people. It was so focused on those positive goals in its first decade, he told Vox, that "frankly we didn't spend enough time investing in or thinking through some of the downside uses of the tools."

That explanation might get tough scrutiny from legislators, who will want to know whether that push for growth—which made Mr. Zuckerberg fans on Wall Street—caused the company to cut corners on privacy. "If they made a huge mistake, why didn't they fix it?" asked David Kirkpatrick, head of New York-based Techonomy Media and author of "The Facebook Effect." "They were optimizing for profits instead."

Facebook is furiously proposing changes in advance of the congressional hearings, in-

cluding revisions to its data policy and terms of service, banning more Russian trolls from the site and requiring that advertisers wanting to spotlight hot-button political issues to get authorized first.

"The time is long past for, 'I'm sorry, we made mistakes,'" said Jim Steyer, CEO of Common Sense Media, which advocates for safe media for children and has been briefing lawmakers about why it believes Facebook should be more closely regulated. "That ship should've sailed years ago."

While Mr. Zuckerberg has said he is open to some forms of regulation, tight restrictions have the potential to drag on revenue and raise costs. But improved controls could also help the company retain users and address concerns many people have about online privacy.

Mr. Zuckerberg "is taking these hearings very seriously," says Chris Cox, vice president

of product at Facebook. "The criticism and questions being asked are really important for Facebook and the internet more broadly and the chance to have this discussion out in public is a good thing."

—Deepa Seetharaman contributed to this article.

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U.S. NEWS

States Eager to Bank On Sports Betting

Whether the wagering goes national hinges on Supreme Court; some doubt benefits

BY CAMERON MCWHIRTER

The Supreme Court is expected to rule soon on whether to allow legalized sports betting across the country, and many states are lining up at the gate to cash in on the possible tax revenue and job creation.

Millions of people regularly wager on college and professional games, from office pools to internet gambling to placing bets with a bookie. About \$150 billion in sports bets are placed each year, according to estimates from American Gaming Association President Geoff Freeman.

Under a 1992 federal law, sports betting is only completely legal in Nevada and partially in several other states. The Supreme Court heard oral arguments in December in a case brought by New Jersey, which argued the federal law violates principles of states' rights. A ruling could come as early as this month.



PATRICK SEMANSKY/ASSOCIATED PRESS

Many states have horse racing, as at the Pimlico track in Maryland, but legal sports betting is rare.

Some states that already have casinos and other types of legal gambling are doubling down, hoping that expanding into sports betting will bring additional tax revenue and boost a struggling gaming industry.

Five states have passed legislation to pave the way for sports betting, and this year at least 17 are considering bills

related to such gambling, according to MultiState Associates Inc., a government relations firm that tracks bills in state legislatures. As of early April, state legislatures were considering at least 46 such bills.

Louisiana lawmakers, who face deep spending cuts when \$1 billion in temporary tax measures expire this year,

have two sports betting bills under consideration. Adding sports betting to the state's horse-racing tracks would bring in needed revenue and create jobs, said Democratic state Rep. Major Thibaut, who sponsored a sports-betting bill.

Mr. Thibaut said the state should tax something many people are doing already, es-

pecially since Louisiana allows other forms of gambling. "Do we want a piece of the pie? And do we want this to go on in a regulated way that we can have some control over?" he said.

But some in Louisiana and elsewhere think more gambling would be a mistake.

Gene Mills, president of the conservative Louisiana Family Forum, said the argument that sports betting should be allowed because the state already permits other gambling is like an obese diabetic deciding to eat more sugary food because they already do so anyway. He said state legislatures should oppose it. "It's not just morality, it's responsibility," he said.

Lucy Dadayan, a research scientist at the public policy think tank Rockefeller Institute of Government, said the gambling industry in the past has presented overly optimistic views of expanded gambling. Many states added more casino gambling after 2008 in effort to create jobs and more tax revenue, but her research found that benefits were short-lived. People initially came for the novelty, "but it's not sustainable and very

quickly they deteriorate," she said.

How much potential revenue states would draw from legalized sports betting is unclear.

In Nevada, sports betting only brings in about 2% of the state's overall gaming revenue, said David Schwartz, director of the University of Nevada Las Vegas's Center for Gaming Research. He cautioned that legalizing it nationally wouldn't bring in enough tax revenue to significantly affect states' budgets.

It also is not a stable revenue, as betting fluctuates widely depending how teams are doing in a particular season, Mr. Schwartz said. The gaming industry wants sports betting to expand because "it creates the impression of growth" for an industry that has struggled to return to its revenue levels before the recession, he said.

Mr. Freeman said states should tax sports betting at a low rate, because a higher tax would likely drive gamblers back to the illegal market. Tax rates will vary by state, but the gaming association considers 6.75% a workable rate, he said.

Researchers Race to Thwart Algae Outbreaks

BY KRIS MAHER

Ed Weinberg thinks he has developed the best way to stop the toxic blooms of blue-green algae that have been fouling bodies of water from the Florida Everglades to the Great Lakes and beyond.

The algae feed on phosphorus from farms and wastewater treatment plants that makes its way into rivers and lakes. Mr. Weinberg's solution deploys tiny beads of engineered resin that can absorb the mineral from water and extract it for reuse.

"It's simple yet elegant chemistry," said Mr. Weinberg, a chemical engineer who is among the finalists in a \$10 million competition that is one of a number of both public and private efforts to solve a growing problem in U.S. waterways.

Researchers are racing to find solutions to outbreaks of blue-green algae that are increasing in frequency and severity. Carpets of stinking algae have sickened people and animals and hurt the fishing and tourism industries.

In 2014, the drinking water for nearly half a million people in Toledo, Ohio, was contaminated by the toxin microcystin produced by the algae.

"When you're dealing with an issue as large and complex as we are right now, the more solutions the better," said Christopher Winslow, who coordinates federal- and state-funded research into algal blooms at Ohio State University. He isn't involved in the competition, which is privately run.

Stopping the blooms is taking on more urgency. In March, the Environmental Protection Agency announced a plan to meet a goal of cutting phosphorus entering Lake Erie by 40% through voluntary efforts by 2025. Also last month, Ohio declared the shallow western basin of Lake Erie "impaired," a step toward tighter regulations of phosphorus from



Algae feed on phosphorus in rivers and lakes; a satellite image from September of an algae bloom in western Lake Erie.

farms and wastewater plants.

Algal blooms in Lake Erie were a problem in the 1960s. The blooms faded after regulations were implemented that required wastewater treatment plants to cut phosphorus.

But in the mid-1990s the blooms returned, and they have been surging more recently. Today, scientists point to farm runoff as a major cause of blooms.

For Lake Erie, the Maumee and Sandusky rivers are the greatest contributors of phosphorus, with 87% of phosphorus coming from sources that include farms. Environmental groups want tighter limits on use of fertilizer, which typically contains phosphorus.

"It's time for the foot-dragging to come to an end," said Howard Learner, president of the Environmental Law & Pol-

icy Center, based in Chicago, which sued the state of Ohio in federal court last year, arguing it should declare Lake Erie impaired. A ruling in that case is pending. "We know what causes it. It's manure and excess fertilizer."

Joe Cornely, a spokesman for the Ohio Farm Bureau Federation, said farmers are taking steps to manage fertilizer more effectively. "We recognize that more needs to be done," he said. "Our approach is, as soon as we figure out something that we know is going to work, let's take that step."

Researchers are exploring a variety of solutions. Some are working on ways to remove phosphorus from manure directly. Others are testing materials that could be inserted in drainage tiles under the soil on farms to remove phospho-

rus before it reaches rivers.

Mr. Weinberg, a 66-year-old from Richboro, Pa., outside Philadelphia, wanted a site with plenty of manure to test his technology last fall. He found a horse farm in Maryland with a pond thick with algae. He filled burlap sacks with his beads and put them in open crates, creating a makeshift filter in a drainage creek that flowed into the Chesapeake Bay.

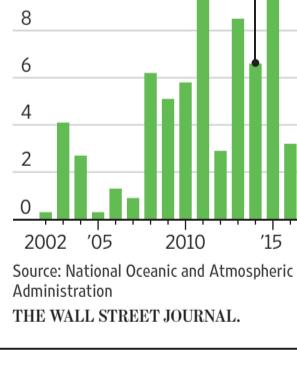
He said he was able to replicate his lab results for removing phosphorus.

The competition in which he is a finalist is offering a \$10 million prize for the best phosphorus-removal technology. It is sponsored by the nonprofit Everglades Foundation and the Scotts Miracle-Gro Foundation, a charitable organization affiliated with the fertilizer company.

A Growing Problem

Blooms of algae in western Lake Erie have gotten more severe in the past decade, as measured by an index of bloom biomass over 30-day periods.

Western Lake Erie Bloom severity index



SOURCE: NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

THE WALL STREET JOURNAL

Early Admission Is Under Scrutiny

BY MELISSA KORN

The U.S. Department of Justice is looking into whether communications among officials at competing colleges about early-decision applicants violate antitrust laws.

The Justice Department sent letters to a number of colleges and universities this week asking that they preserve emails and other messages detailing agreements with other schools regarding their communications with one another about admitted students and how they might use that information.

It wasn't clear how many schools received the letters. The news was reported Friday evening by Inside Higher Ed.

Many elite colleges admit upward of 40% of their first-year classes by early admission, including binding early-decision programs in which applicants commit to attending the school if accepted. Some institutions bar students from applying early to other private colleges, but allow them to submit early applications to public universities.

In a letter dated April 6, a copy of which was reviewed by The Wall Street Journal, the Justice Department asked schools to preserve documents that detail formal or informal agreements to share the identities of accepted students with people at other colleges.

The letter also requested the preservation of communications in which the identities of accepted students were shared with other schools, as well as communications that involved officials discussing accepted students with officials from other institutions. The department asked schools to preserve records of actions that they took based at least in part on information received through those communications with other colleges.

The government's letter suggests the Justice Department is examining whether schools accept or reject students based on the admission decisions of other colleges, according to people familiar with the matter. Government officials appear to be probing whether communications among officials at competing schools could affect students' admission opportunities, these people said.

Earlier this year, the National Association for College Admission Counseling said it learned in November that the Justice Department's antitrust division had begun an inquiry into the group's code of ethics, which covers things such as when schools can begin accepting applications and when they should stop courting candidates. The group said in a January statement that it was cooperating with the probe.

White House Aims to Roll Back Spending

BY KRISTINA PETERSON
AND PETER NICHOLAS

WASHINGTON—The White House and some congressional Republicans are aiming to roll back a portion of the federal spending they approved just weeks ago as part of a \$1.3 trillion spending bill.

President Donald Trump last month signed a bill passed by Congress that will fund the government until October. Mr. Trump threatened to veto the bill before signing it and made it clear at the time he was unhappy with the level of spending and the law's long list of provisions.

The law raises military spending by \$80 billion this year and domestic programs by \$63 billion. Earlier this year, lawmakers struck a two-year budget deal, which will lift spending caps created in 2011, widening the federal

budget deficit.

Lawrence Kudlow, the White House's new National Economic Council director, said Sunday that he was involved in planning what he called an "enhanced rescission package" to peel back some of the spending approved in the bill signed into law last month.

Mr. Kudlow said he was working on the plan with the White House budget director, Mick Mulvaney.

Taking aim at congressional Republicans, Mr. Kudlow said on Fox that "the Republican Party on the Hill has finally figured out it's really not a bad idea to trim some spending because, after all, spending can lead to deficits and spending interferes with the economy."

Under the Impoundment Control Act of 1974, Mr. Trump would be able to temporarily freeze funding, but can't rescind it on his own unless Con-

gress agrees.

Mr. Trump can send a proposal to lawmakers to rescind certain funds, which can freeze those funds for a maximum of 45 days, counted in a way that takes into account when Congress is in session, according to the Congressional Research Service.

Congress isn't required to take action in response, but any lawmaker can then introduce legislation eliminating some or all of the funding that the president has proposed to cancel. If lawmakers haven't

taken any action, the funding would remain intact.

Both chambers would be able to consider any legislation that contained the spending cuts under an expedited process, which limits how long they can be debated in committee and in floor debate.

A rescission bill would only need a simple majority to pass in the Senate, instead of the 60 votes most bills need to clear procedural hurdles. Republicans will hold 51 of the chamber's 100 seats as soon as Republican Cindy Hyde-Smith is sworn in to replace Sen. Thad Cochran (R., Miss.), who resigned as of April 1.

Ms. Hyde-Smith, who was appointed by the Mississippi governor, is expected to be sworn in Monday.

GOP Sen. John McCain has remained in Arizona all year as he battles brain cancer.

Mr. Mulvaney said Sunday:

"The president has made clear that he is not happy with the amount of nondefense spending in the omnibus bill and will work with like-minded partners on Capitol Hill to see how we can reduce wasteful Washington spending within the law."

One Trump administration official added that the plan "will be discussed over the coming weeks and finalized closer to May 1."

Democrats aren't expected to vote for the rescission bill in the Senate, an aide said. It isn't clear if there would be enough GOP support in the Senate to approve of cuts to the spending bill.

Republicans have been criticized at home for the size of the spending bill, which many say was necessary to boost military spending.

—Natalie Andrews

contributed to this article.

U.S. NEWS

Food-Stamp Rules Complicate Farm Bill

GOP seeks to impose work requirements in what is likely the year's last big policy clash

BY KRISTINA PETERSON

WASHINGTON—House Speaker Paul Ryan's long-sought goal of overhauling welfare programs will get a kick-start when Congress returns to Washington this week, as Republicans prepare a new five-year farm bill that would impose tougher work requirements to get food stamps.

With the government funded until October and control of the House up for grabs

in November's midterm elections, the Republicans' effort to overhaul the food-stamp program as part of the farm bill is raising what is likely to be one of the last policy fights in Congress this year.

The fight over the legislation—which has an estimated price tag of about \$900 billion and is set to expire at the end of September—has been brewing for weeks. But the outlines of the GOP proposal to rewrite the nutrition provisions that make up about 80% of the bill's funding have prompted a partisan standoff in the House Agriculture Committee.

"The Agriculture Committee has always been the most bipartisan committee in the

House—now we're just like all the rest of them," Rep. Marcia Fudge (D., Ohio) said.

Mr. Ryan (R., Wis.) has kept his focus on the farm bill as the next avenue for trying to shave the number of people receiving federal benefits and incentivize them to work. He has had larger targets, but there is little appetite on Capitol Hill ahead of November to tinker with benefits under Social Security and Medicare.

"When it comes to the farm bill and other welfare programs on our workforce development program, we can get some good welfare reforms there as well," Mr. Ryan said shortly before Congress departed for a two-week recess.

Under the GOP proposal, able-bodied adults between 18 years old and nearing retirement, without young children, would have to work to be eligible for food stamps, according to lawmakers and aides. If they aren't working, they would be required to take a minimum of 20 hours a week of new job-training classes, increasing to 25 hours in 2026.

Democrats have argued that people are unlikely to show up for the job-training classes for the relatively modest amount of food-stamp benefits they would receive and that the work-training programs would create new bureaucracy.

The program currently has work requirements for most

able-bodied people aged 18 to 49, although governors in states with high unemployment can waive those. The current rules contain exemptions, including for those under 18, people with young children, elderly adults and those who are pregnant or disabled. Many of those exemptions are expected to be retained.

Democrats on the Agriculture Committee said in a statement in late March that they were unanimously opposed.

The new rules are "Ryan's attempt to do welfare reform," said Rep. Collin Peterson of Minnesota, the panel's top Democrat and a centrist.

Rep. Mike Conaway (R., Texas), chairman of the Agri-

culture Committee, has said the proposals came out of policy research, noting the committee has held 21 hearings on the program since 2015.

Some Republicans have said the tougher work provisions could be risky politically and may not end up in a final bill. The Senate version is likely to be less contentious because legislation needs 60 votes to clear procedural hurdles.

The clash over food stamps has cast doubt over whether they will be able to pass a new farm bill this year.

"It is on life support," Mr. Peterson said in late March. "I think if you were a betting person, you would want to bet on an extension."



Mariah Phillips, a 41-year-old teacher and U.S. House candidate in Tennessee, acknowledges she is facing an 'uphill battle.'

Democrats Contest GOP Strongholds

BY NATALIE ANDREWS

ington.

In Utah, Republican Rep. Rob Bishop was so confident about winning re-election in November that he announced last year he would retire in 2020. That prompted Democrat Kurt Weiland, 72, of Bountiful, to get into the race.

"I heard that little voice inside my head that said, 'Hey, aside from several thousand dollars and several thousand hours, what can I lose?'" said Mr. Weiland, a consultant and retired Army officer.

Democrats engaged in the against-the-odds showdowns took inspiration from Sen. Doug Jones's upset in December in an Alabama special election and Rep. Conor Lamb's special-election victory last month in a House district in Pennsylvania that Donald Trump won by 20 percentage points.

Corry Bliss, executive director of the Congressional Leadership Fund, the super PAC aligned with House Speaker Paul Ryan (R., Wis.), said he would start paying attention to these candidates only if they can raise big

money. "It makes no difference how good your story is and how bad the environment is. Without money, none of these people are real," he said.

For the past two cycles, Rep. John Ratcliffe has run without a Democratic challenger in his rural Texas district. After the 2016 election, Catherine Krantz said she "made a commitment that if we couldn't get someone else on the ballot, then I would run."

Ms. Krantz is running. She keeps her campaign on a shoestring budget by driving around for several hours every day talking to voters. "We're pretty much a hopeless district," she said of her chances, adding that she knows her party is "focusing on the more likely swing states, the more likely swing districts. But at the same time, I think there's some incredible opportunity here."

In Tennessee, Democrat Mariah Phillips recently attended a craft fair in Chapel Hill. She chatted with volunteers at the party's booth selling T-shirts that said "Marshall County Democrats Do Exist" before introducing herself to voters.

She talked about gun policy. As a teacher, she is opposed to guns in schools; as a Tennessean, she has a concealed-carry permit. A topic she avoids is the president, who won the district by 30 percentage points. "I'm not running against Donald Trump," she said.

If she prevails in her primary with Steven Reynolds, she will face Rep. Scott DesJarlais, who beat Mr. Reynolds two years ago by winning 65% of the vote.

Ms. Phillips, a 41-year-old mother of five, acknowledges she is facing "an uphill battle."

A spokesman for Mr. DesJarlais said the congressman was focusing on his own primary campaign.

While the candidates are long shots, the efforts by Democrats in rural areas to rebuild the party could pay off later, said Larry J. Sabato, director of the University of Virginia Center for Politics. "Elections are connected, and I tend to think that effort exerted in a midterm election really pays off two years later," he said.

Bump Stock Ban Won't Be Simple

BY ZUSHA ELINSON

The proposed federal ban on bump stocks would require owners to hand over or destroy the devices that make semiautomatic rifles shoot like rapid-fire machine guns.

That could be a challenge. Americans own an estimated 280,000 to 520,000 bump stocks, according to the recently released proposal by the Bureau of Alcohol, Tobacco, Firearms and Explosives. The government doesn't know who owns them, and their owners aren't enthusiastic about turning them over, despite the threat of a federal felony.

Gun owners will "absolutely not" rush to do the government's bidding, said Michael Cargill, owner of Central Texas Gun Works in Austin, a gun vendor that sells bump stocks. "It's untraceable, and no one knows who has them."

Calls for a bump-stock ban came after Stephen Paddock used the device to unleash more than 1,100 rounds in 10 minutes, killing 58 and injuring 422 in Las Vegas on Oct. 1. After another shooting killed 17 at a Florida high school on Feb. 14, President Donald Trump directed the Justice Department to ban bump stocks.

The primary manufacturer, Slide Fire, sells bump stocks for between \$179.95 and \$329.95 for an AR-15, and demand has soared since the Las Vegas shooting and word of a potential ban, Mr. Cargill said.

Others disagree.

"This is overreaching by the government," Mr. Cargill said.

"They are saying what you purchased legally, we're going to take it away from you or make you destroy it." He declined to say whether he owned a bump stock: "I plead the fifth."

part, which it doesn't regulate.

The government is taking public comment on the proposal and the rules could go into effect as early as October, said Joseph Kavan, a lawyer who leads the firearms practice at law firm Kutak Rock. The chances of opponents successfully challenging the ban in court are low, he said.

The move is bolstered by a court ruling on an earlier ATF decision to reclassify a different type of device that increased the rate of gunfire, he said.

If the rules go into effect, bump-stock owners can melt, crush, shred or take a hammer to the largely plastic items—or bring them into a local ATF office for disposal, the government said.

People disagree on whether gun owners would readily turn in or destroy the devices.

Although the ATF doesn't have an easy way to track down bump-stock owners, David Chipman, a retired ATF agent and senior policy adviser at the Giffords Law Center to Prevent Gun Violence, a gun-control group, said the threat of prosecution will be enough to motivate bump-stock owners to comply.

"This is overreaching by the government," Mr. Cargill said.

"They are saying what you purchased legally, we're going to take it away from you or make you destroy it." He declined to say whether he owned a bump stock: "I plead the fifth."

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THE BEST RUN



WORLD NEWS

Syrian Forces Accused of Chemical Attack

Dozens suffocate in suspected poison gas strike, overwhelming hospitals in Douma

By RAJA ABDULRAHIM

A suspected chemical-weapons attack on a rebel-held Syrian town near Damascus has killed at least 42 people and sickened hundreds more, relief workers said. Aid groups accused government forces of carrying out the attack.

The White Helmets, a Syrian paramedic group that tallied the casualties, said a Syrian government helicopter dropped a barrel bomb containing the poisonous gas on the city of Douma on Saturday.

Entire families were found dead, huddled in apartment buildings and basements, apparently unable to escape the gas, the White Helmets said. Dozens of victims, including children, were brought to hospitals with symptoms of poisoning by a combination of chlorine and nerve agents, doctors said.

The death toll could rise as the search for more victims resumes in Douma, the biggest town in the Damascus suburb of Eastern Ghouta. The rescue effort was hampered by conventional airstrikes that continued until early Sunday.

The attack on Douma comes as Syrian forces and their allies, emboldened by recent battle-



An image taken from a video shows a volunteer giving oxygen to a child after a reported chemical weapons attack on Douma on Saturday.

field gains, are pressing to consolidate their control of the country after seven years of war.

Many of the victims in Douma smelled of chlorine and had bluish skin, according to the White Helmets and the Syrian American Medical Society. Photos and videos circulated by the groups showed the dead with foaming mouths, blue lips and open eyes. More than 500 people needed care, they said.

Before the suspected chemical attack, Douma's medical facilities were struck with conventional weapons, putting the city's largest hospital out of op-

eration, and making it more challenging to treat the hundreds of victims who flooded in unable to breathe, according to the Union of Medical Care and Relief Organizations.

Muhammad Samir, a paramedic working at one of Douma's field hospitals, said he had been treating patients injured by conventional bombs and rockets on Saturday when victims of what appeared to be a chemical attack began to arrive at his small facility.

Mr. Samir said the victims were suffocating and frothing at the mouth, symptoms of exposure to a high concentration of

chlorine gas. The patients were treated with oxygen and inhalers and their bodies washed down with hoses in a chaotic scene that overwhelmed hospitals and clinics around the area. Mr. Samir said his hospital had only four oxygen tanks and had to rotate treatment among dozens of patients.

Four paramedics sent to search for more victims were overwhelmed by the gas as they approached the site of the attack, and had to return to the hospital to be treated themselves, Mr. Samir said.

The Assad regime has been accused of using chemical weap-

ons repeatedly during the war, charges it has denied. Government officials didn't respond to requests for comment on Saturday's attack.

Syrian state media accused Jaish al Islam, the rebel faction in control of Douma, and Saudi Arabia, a staunch opponent of the Assad regime, of fabricating the latest reports of a chemical attack.

Saturday's attack came a year after the last reported sarin gas strike carried out on the Syrian town of Khan Sheikhou, killing nearly 100 people. United Nations investigators said the Assad regime had car-



THE WALL STREET JOURNAL.

ried out that attack.

Eastern Ghouta has been under assault since the middle of February as the regime, backed by Russia and Iran, has sought to recapture the area from rebels. More than 2,000 people are estimated to have been killed in the fighting.

Several towns in Ghouta have reached surrender deals in recent weeks and tens of thousands of civilians have been allowed to flee their homes.

Jaish al Islam had been negotiating a deal with the regime when talks broke down last week, and airstrikes resumed Friday on Douma, a city of more than 130,000 people. In the wake of the latest attack, an agreement was announced Sunday for the rebels to leave for northern Aleppo province, an area under opposition control.

—Nazih Osseiran contributed to this article.

TRUMP

Continued from Page One

Putin, Russia and Iran are responsible for backing Animal Assd. Big price...to pay."

World leaders reacted with disgust to graphic video showing lifeless women and children with foam bubbling from their mouths and noses, suggesting a deadly nerve agent may have been used.

American intelligence analysts and their allies around the world began poring over the videos and sifting through witness reports and other evidence to pinpoint who carried out the attack and what caused such a large number of deaths. The United Nations Security Council planned to hold an emergency meeting on Syria as England and France both denounced the attack as an unconscionable crime.

Late Sunday, Syria's pro-government television station reported that one of its bases in Homs had been hit by a missile strike. Syrian media said the military shot down eight missiles and that some soldiers had been killed by those that got through.

Pentagon officials said the

U.S. had launched no strikes against Syria. Speculation turned to Israel, which has carried out scores of airstrikes in Syria without confirming or denying involvement. It didn't appear that the reported strike was part of a U.S.-led response to the suspected chemical-weapons attack. The Israeli army declined to comment early Monday. Israeli officials had reacted negatively to the attack in Syria.

Mr. Trump discussed Syria on Sunday with French President Emmanuel Macron and the two leaders agreed to "coordinate a strong, joint response," the White House said.

The U.S. response is expected to be a central topic of discussion in Washington on Monday, when Mr. Trump plans to meet with his cabinet before gathering his senior military leaders for a briefing and dinner where Syria is likely to be a top issue.

Medical professionals and human-rights groups said it appeared the Assad regime had used a mix of chlorine and some kind of nerve agent.

"Based on the available information and the clinical symptoms and signs, we highly suspect it was a mixed attack of chlorine and a sarin-like chemical agent," a doctor

Poison Unleashed

A timeline of alleged chemical attacks

- | | | | |
|--|---|---|---|
| 1 | 2 | 3 | 4 |
| 2013 | 14 | 15 | 16 |
| March 19, 2013 | August 21, 2013 | April 4, 2017 | April 7, 2018 |
| Attacks on Khan al-Assel neighborhood of Aleppo and Damascus suburb of al-Attebeh leave around 25 dead | Chemical attack reported by Syrian opposition on Ghouta region outside Damascus is said to claim more than 1,000 casualties | Nearly 100 die in Khan Sheikhou in suspected sarin gas attack | At least 42 people are killed in barrel-bomb attack thought to have dropped chlorine and sarin gas on rebel-held town of Douma on outskirts of Damascus |

Source: Arms Control Association; White Helmets

THE WALL STREET JOURNAL.

with the Syrian American Medical Society said.

The U.S. won't decide how to respond until those questions are answered, which could take a few days, one person familiar with the matter said. If America and its allies conclude that Mr. Assad did use nerve gas in the attack, Mr. Trump would have to decide whether to respond with force, as he did a year ago, when he ordered a cruise-mis-

sile strike on a Syrian airfield used by pilots who dropped sarin gas on Syrian civilians, killing at least 85 people.

The Assad regime has been accused of using chemical weapons repeatedly during the war, charges it has denied.

The weekend attack is fueling a discussion in Washington over what role the U.S. should play in Syria, where more than 2,000 American troops are working to

eliminate the last pockets of Islamic State fighters.

The attack came days after Mr. Trump publicly announced his hopes of quickly pulling U.S. forces out of Syria, a move some worry will allow Russia and Iran to eclipse America as power brokers in the Mideast.

The president's national-security team has been nearly united in pushing Mr. Trump to keep forces in Syria to ensure Islamic State is eliminated as a serious threat. Key members of the team want to see the U.S. retain its presence in Syria to ensure Iran doesn't pose an increasing danger to neighboring Israel. But Mr. Trump pressed the military to get out of Syria in six months.

On Sunday, top Republicans said Mr. Trump's push for withdrawal appeared to have given Mr. Assad the impression that he could again use chemical weapons without fear of a U.S. response.

"It's a defining moment in his presidency," Sen. Lindsey Graham (R., S.C.) said on ABC in calling on Mr. Trump to destroy Mr. Assad's air force and resume covert U.S. efforts to push the Syrian leader from power.

"They see our determination to stay in Syria waning, and it's no accident that they

used chemical weapons," he said. "If it becomes a tweet without meaning, then he's hurt himself with North Korea. If he doesn't follow through and live up to that tweet, he's going to look weak in the eyes of Russia and Iran."

Mr. Trump faced a similar test last April, when the U.S. military launched nearly 60 cruise missiles at a Syrian airfield in an effort to deter Mr. Assad from using chemical weapons. The strike appeared to curb Mr. Assad's use of some chemical weapons.

For months, the Trump administration has warned Mr. Assad that the use of chemical weapons could trigger a military response. Even before Sunday's attack, the U.S. military crafted a series of options for the president, U.S. officials said.

Outside analysts said the military could use cruise missiles to strike the Syrian military unit directly responsible for Saturday's bombing in a limited bid to again deter Mr. Assad from using chemical weapons.

Mr. Trump could order a broader strike meant to cripple Mr. Assad's air force, though the Russian military carries out airstrikes for the Syrian regime and the U.S. is unlikely to target Russian planes.

Bolton Faces Middle East 'Baptism by Fire'

President Donald Trump's new national security adviser enters the White House this week facing an immediate test in developing a response to a suspected chemical-weapons attack in Syria that has killed dozens.

By Dion Nissenbaum in Washington
And Farnaz Fassihi at the United Nations

John Bolton, who has served as American ambassador to the United Nations, State Department official under two presidents, and a Fox News commentator, is known for advocating muscular military responses to advance U.S. interests and will play a key role in helping Mr. Trump decide whether to strike Syrian President Bashar al-Assad.

"It's going to be baptism by fire," said Jonathan Schanzer, senior vice president at the Foundation for Defense of Democracies, a Washington think tank with ties to the Trump administration. "It will be interesting to see whether it's the same John Bolton in the White House that we see on Fox News."

Over the years, Mr. Bolton, 69 years old, has taken different views on the U.S. approach to Syria. In 2013, when then-President Barack Obama threatened to launch a military strike against Mr. Assad's regime after he used sarin gas in one deadly attack, Mr. Bolton opposed the

move. "I think the notion that a limited strike, which is what the president seems to be pursuing, will not create a deterrent effect," he said on "Fox & Friends" at the time.

Last year, as Mr. Trump prepared to launch cruise missiles against Mr. Assad for another chemical-weapons attack, Mr. Bolton said any military strike had to be part of a larger strategy to counter Russia and Iran, Syria's main military backers.

How to respond to the Syria strike is just one of the pressing issues facing Mr. Bolton, who declined requests for comment through a spokesman. In the coming weeks, Mr. Bolton will work with the

president as he decides whether to torpedo Mr. Obama's nuclear-containment deal with Iran and how to approach high-stakes negotiations with North Korea. He also will have to weigh in on Mr. Trump's push to pull U.S. forces out of Syria as soon as the military fight against Islamic State is finished.

In Mr. Bolton, the president has found a like-minded pugilist who isn't afraid to use military might to advance U.S. interests around the world, analysts say. He has advocated toppling the government in Iran and scrapping the Iran deal. He has suggested that the U.S. strike both Iran and

North Korea to cripple their nuclear programs.

Stephen Hadley, who served as former President George W. Bush's national security adviser, said Mr. Bolton's heated rhetoric could help drive U.S. allies to the bargaining table and strengthen Washington's negotiating position. "The president has gotten where we are on North Korea by being very hawkish in his language and John's rhetoric reinforces that," he said. "It got him a lot of criticism, but it's what got China's attention—and North Korea."

Mr. Bolton's ascendancy in the White House, however, has created a sense of foreboding among some officials working in the National Security Council, according to current and former members of the staff, based on Mr. Bolton's reputation as an unforgiving boss.

Fulton Armstrong, a former Central Intelligence Agency analyst, said he clashed with Mr. Bolton more than a decade ago when Mr. Bolton was serving as the State Department's top arms-control expert, where Mr. Bolton argued that Cuba was working to develop biological weapons.

When Mr. Armstrong challenged Mr. Bolton's argument, Mr. Bolton accused him of being a Cuban spy, Mr. Armstrong said. "He is the worst equipped person because he is utterly intolerant of alternative views," he said. A former Bolton adviser disputed this account.



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John Bolton, left, is the incoming national security adviser.

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THE BEST RUN



WORLD NEWS

North Korea Said Ready for Talks

Pyongyang indicates Kim is set to discuss denuclearization, paving way for summit

North Korea has told the U.S. that Kim Jong Un is prepared to discuss the denuclearization of the Korean Peninsula, clearing the way for a summit meeting between the North Korean leader and President Donald Trump, U.S. officials said.

*By Michael R. Gordon
in Washington
and Jonathan Cheng
in Seoul*

U.S. officials didn't say when and how that assurance was delivered, but U.S. and North Korean officials have been in communication.

"The U.S. has confirmed that Kim Jong Un is willing to discuss the denuclearization of the Korean Peninsula," a Trump administration official said on Sunday.

Hopes for a breakthrough that might end more than six decades of animosity on the Korean Peninsula were raised last month when South Korean national security adviser, Chung Eui-yong, told the White House that North Korea was prepared to engage in talks on denuclearizing the Korean Peninsula and would refrain from nuclear and missile tests.

For weeks, however, U.S. officials heard nothing from the North Koreans, raising concerns that the South Korean government, which is eager to reduce tensions on the peninsula, might have exaggerated Pyongyang's willingness to put its nuclear arsenal on the negotiating table.

The North Korean assur-



Tourists view the Kaesong Industrial Complex in North Korea from an observatory in the fortified Demilitarized Zone.

ance doesn't mean that talks will necessarily succeed. Pyongyang has indicated that progress toward denuclearization should proceed in phases that are synchronized with diplomatic and economic concessions from the U.S. side.

It is possible that North Korea's timetable for reducing and ultimately eliminating its arsenal might be far longer than the Trump administration would be prepared to accept. The North, for example, may define denuclearization as a long-term goal that would only be achieved if the U.S. eliminated the potential military threat to its regime by withdrawing forces from South Korea.

North Korea also might ask for more concessions than Washington is willing to provide. Working out verification arrangements to confirm that North Korea isn't hiding weapons could be an additional stumbling block.

"Kim Jong Un being willing to discuss denuclearization is a good development given that in the past he has said that denuclearization was not possible," said Joseph DeTrani, who served as the U.S. special envoy to the so-called Six Party talks on North Korea's nuclear program from 2003 to 2006. The talks included the U.S., North Korea, China, South Korea, Japan and Russia.

"We now have to discuss whether his definition of denuclearization is similar to ours, which is complete, verifiable, irreversible dismantlement of all of their nuclear weapons and weapons programs," said Mr. DeTrani.

North Korea has previously committed itself to denuclearization. A September 2005 statement issued during the Six Party talks noted that Pyongyang was "committed to abandoning all nuclear weapons and existing nuclear programs." That statement also said that steps toward denuclearization would be taken "in a phased manner" and based on the reciprocal principle of "action for action."

Those negotiations eventually faltered, especially on the issue of verification.

With his latest assurance to the U.S., Mr. Kim has echoed the promise made by his father, Kim Jong Il, more than 12 years ago. Since then, North Korea has worked hard to expand its nuclear arsenal and develop a missile that can reach the continental U.S. Those actions, however, have also led to punishing sanctions by the United Nations Security Council, which U.S. officials believe are straining the North Korean economy.

—Jeremy Page in Beijing contributed to this article.

U.S. Seeks Quicker Resolution On Nafta

BY WILLIAM MAULDIN

The Trump administration, facing hard deadlines and growing pressure from Capitol Hill over the president's trade powers, is accelerating negotiations to overhaul the North American Free Trade Agreement and seeking to put together a deal as soon as the coming weeks.

The trade negotiators are "working very hard," Treasury Secretary Steven Mnuchin said on Friday. "This is a big focus of the president: He wants to renegotiate the deal, but he's also very determined that we get specific points," Mr. Mnuchin said in an interview with CNBC.

Since launching in August, the talks to update and revise the 24-year-old pact generated little progress on the major issues, with Canada and Mexico initially balking at working with the Trump administration on controversial proposals many businesses say would weaken the agreement.

In March, the three countries achieved a breakthrough on contentious rules for auto trade that are at the core of the agreement. President Donald Trump's top trade official has been meeting with Mexican and Canadian counterparts in recent days to assess the possibility of some sort of deal—perhaps an agreement in principle—as soon as possible.

"We'll have something, I think, fairly soon," Mr. Trump said on Thursday, adding that he wouldn't "rush" into a deal. "We get it done right or we'll terminate it."

Mr. Trump has repeatedly threatened to withdraw the U.S. from Nafta unless he gets more favorable terms for the U.S. He has kept up the heated rhetoric this past week, calling Nafta a "cash cow" for Mexico and citing the pact in pressuring the country's authorities to stop a caravan of Central American immigrants traveling toward the U.S. border.

The Trump administration has sought to use the negotiations to change the North American auto industry rules to bring back jobs from abroad, insert a "sunset" provision that triggers a periodic review of Nafta and roll back dispute-resolution systems that are popular with businesses and the governments of Canada and Mexico. Those proposals are generally popular with labor groups but heavily criticized by big businesses and some Republican lawmakers.

The biggest obstacle the administration faces may be a 2015 trade law that sets the rules for the negotiation and passage of deals such as Nafta.

"The administration knows that Congress could start doing things that would undermine the president's aggressive approach to trade," said Dan Ikenson, senior trade expert at the Cato Institute, a libertarian think tank.

Canada Town Mourns Victims of Bus Crash

BY KIM MACKRAEL

HUMBOLDT, Canada—When a snowstorm hit this small farming community in central Saskatchewan recently, residents hired the boys from the town's junior hockey team, the Humboldt Broncos, to dig them out. Team members played floor hockey once a week with special-needs adults, took younger children out trick-or-treating on Halloween and volunteered in the elementary schools.

The outside role of the 25-member team in this town of 5,800 has compounded the grief and shock of Friday's accident, in which a bus carrying the team collided with a truck, killing 15 and injuring 14 others, as the team was on its way to a playoff game.

"They're our boys," said Wendy Shanks, a Humboldt resident who describes herself as one of the team's dedicated fans. "They're everybody's boys. We feel like they're family."

Ms. Shanks was among dozens of people who filtered in



Humboldt residents attend a briefing on the crash that killed 15.

and out of the town's Uniplex recreation center on Sunday as officials prepared for an evening vigil for those affected by the crash.

A set of stairs leading to the Elgar Petersen arena, the Broncos' home ice, was lined with bouquets of flowers, cards and notes that were dropped off throughout the weekend.

On Sunday evenings, assistant coach Mark Cross, 27, and

several Broncos players helped run a recreational league, an activity appreciated by locals. Mr. Cross was killed in the bus accident on Friday, police said.

Even in a hockey-obsessed country that has even put images of children playing the game on its bank notes, the Broncos were an imposing presence in Humboldt, a town reliant on farming and potash mining. The team had been

among the top-performing in the province, said Humboldt's mayor, Rob Muench. Many of the team's players came from other Western Canadian communities to play for the Broncos, hosted during the season by local families.

Attendance here is a central activity; the town's hockey arena has a capacity for 1,772, nearly a third of its population. And residents said the team felt it was important to give back to the community that supported them.

"That's why the community is hurting so bad," said Justin Rempel, who works as a trainer for the team Melfort Mustangs, another Saskatchewan Junior Hockey League team based in a nearby town.

One of the Broncos players,

Jaxon Joseph, was with the Melfort team until he was traded a few months ago. Mr. Joseph, son of former National Hockey League defenseman Chris Joseph, was identified by his former team in British Columbia as one of the deceased.

"He was probably one of

the funniest guys I knew," said Mr. Rempel, who said the young hockey player attended his wedding. He said Mr. Joseph loved to try to get under other players' skin with teasing and jokes, "But the guy would give you the shirt off his back" if he thought he could help you, he said. "He was a very genuine, very kind guy, always wanting to do something for someone else."

The Royal Canadian Mounted Police released the names of the 15 people who died as a result of the crash. As of late Sunday, they said 13 people remained in the hospital.

Others identified as dead included the driver of the team's bus and the team's captain. The town's radio station said its hockey game commentator Tyler Bieber and a recent addition, volunteer statistician Brody Hinz, 18, also died.

Darcy Haugan, the head coach of the Humboldt Broncos, was also identified as one of the deceased on Facebook and Twitter posts by two of his sisters.

WORLD WATCH

CHINA

Beijing Imposes Curbs On Pyongyang Sales

China has tightened restrictions on exports to North Korea of items with potential dual use in weapons of mass destruction and conventional arms.

The ban on exports of potential dual-use items, including software, machinery and chemicals, is in line with United Nations Security Council resolution No. 2375, the Chinese Ministry of Commerce said in a post on its website late Sunday.

That resolution was passed in September.

The announcement suggests China is continuing to comply with U.N. sanctions on Pyongyang even after North Korean leader Kim Jong Un paid a surprise visit to Beijing for his first meeting with Chinese President Xi Jinping in March.

China has accounted for around 90% of North Korea's foreign trade in recent years, but has stepped up enforcement of U.N. sanctions in the past year in response to Pyongyang's repeated nuclear-bomb and missile tests.

—Jeremy Page

GERMANY

Van Driven Into Diners, Killing Two

At least two people were killed and 20 injured after a man drove a van into a group of people in the center of the western German city of Münster on Saturday, police said.

The suspected driver shot himself dead after ramming the vehicle into a huddle of people sitting in front of the Grosser Kiepenkerl, a landmark restaurant in the historic center of the city, a police spokesman said.

Herbert Reul, the interior minister of North-Rhine Westphalia, the state where Münster is located, said there was no indication that the attack had any kind of "Islamist background." Mr. Reul emphasized the suspect wasn't a migrant or a refugee.

A German government official said the suspect was a 48-year-old German man with a history of mental-health problems.

—Bojan Pancevski

CONGO

Gunmen Are Said to Kill Catholic Priest

A Catholic leader in Congo says gunmen have killed a par-

ish priest after a Mass in Congo's eastern region.

The Rev. Emmanuel Kapitula in Kitchanga said armed men entered a room in Masisi where the priest, Etienne Nsengiunwa, was eating with others on Sunday and shot him dead.

Rev. Kapitula called on the government to protect people and to investigate the priest's slaying.

The killing comes a week after another priest was kidnapped after celebrating Easter Sunday Mass. He was released Thursday.

Roman Catholic churches and activists have led nationwide demonstrations this year against Congolese President Joseph Kabila's extended rule.

—Associated Press

Easter event, the Interior Ministry said Sunday. President Vladimir Putin and Prime Minister Dmitry Medvedev attended Easter services at Christ the Savior Cathedral, Moscow's largest church.

In Kiev, Ukrainian President Petro Poroshenko attended Orthodox Easter services at the Volodymyrsky Monastery.

—Associated Press

GERMANY

Heavy Bomb From WWII Is Defused

More than 26,000 people were evacuated in the western German town of Paderborn so bomb specialists could remove a World War II-era bomb discovered during construction work.

Specialists defused the 1.8 ton heavy British bomb on Sunday, more than a week after it was found by construction workers in a garden, only 80 centimeters (31 inches) under the ground.

The German news agency dpa reported that more than 1,000 firefighters, police and emergency personnel were involved in the evacuation.

More than 70 years after the end of the war, bombs still turn up regularly during construction work in Germany.

—Associated Press



Orthodox priests led an Easter procession from the Cathedral of the Intercession in Vladivostok, Russia.

SMITHUK/NUR/ASSOCIATED PRESS

Orthodox Easter Millions Observe Religious Holiday

Orthodox Christian believers observed Easter, a week later than the religious holiday was celebrated this year by Western churches.

In Russia, about 4.3 million people took part in an Orthodox

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WORLD NEWS

Hungary Premier Wins Vote

BY DREW HINSHAW
AND ANITA KOMUVES

BUDAPEST—Prime Minister Viktor Orban, a leading figure for Europe's nationalist right, won a fourth term on Sunday, prevailing on an anti-immigration message to carry his country's biggest turnout election in years.

With 93% of votes counted, Mr. Orban's Fidesz party looked likely to win 133 seats in his 199-seat parliament, Hungary's election office said. At least 68% of the country's eligible voters showed up, many still lined up for hours after polls closed at 7 p.m.

The issues in the election were stark. On one side, Mr. Orban pounded away at a promise to keep out immigrants—especially Muslims—pointing to the 2015 barb-wire fence he erected across roughly 100 miles of Hungary's southern border.

Voters on the other side said they were tired of a leader who will have governed Hungary for half of its post-Communist history when he finishes his next four-year term—one who is accused by the European Union and the U.S. State Department of becoming increasingly authoritarian. Local opposition also hammered Mr. Orban with corruption allegations that ultimately failed to discourage his base from turning out.

In the end, those voters were split among some 20-odd feuding parties ranging from centrists to socialists to nationalists, while Mr. Orban mobilized a base of several million Hungarians who have been with him since his days as an anti-Communist dissident in the 1980s.

The entire leadership of the socially liberal Together party resigned on live television, as did the head of the socialist party. The nationalist Jobbik party's chairman, Gábor Vona, told reporters he refused to congratulate the winner—then he resigned, too.

The prime minister, meanwhile, took the stage to Rox-



Prime Minister Viktor Orban arrives at the Fidesz party headquarters following his election victory.

133

The number of seats Mr. Orban's Fidesz party looked likely to win

ette's 1988 hit "Listen to Your Heart," a campaign theme song during his first run for office, and declared his country "won a huge victory today."

"Turnout was so high that there can no doubt about the result," he said. "We made it possible for ourselves to defend Hungary."

mail-in balloting.

Mr. Orban is celebrated by a resurgent, nativist bloc in Europe that lauds his hard-line stance against immigration.

The U.S. State Department, the European Union and a long list of civil-society groups in Hungary have accused him of becoming increasingly authoritarian, limiting free media, launching tax audits of political rivals, and passing election law changes that favor his party. Mr. Orban considers his style of governance a new form of democracy, one he has called "illiberal democracy," in which the rights of a nation to defend its traditions from globalization are more important than preserving Western-style checks-and-balances.

Though nearly all of Mr. Orban's rivals back his hard-line border politics, he has successfully portrayed his political opposition as pro-immigration, and in hock to international powers who want to deluge Hungary with foreigners. His

party has also helped redraw voting districts and passed a series of constitutional changes that give it an advantage over the fractured opposition.

As results poured in, several opposition leaders declared the election tilted toward the incumbent: Speaking on live television, former Hungarian Prime Minister Ferenc Gyurcsány said the vote was neither free nor fair. An election team from Vienna's Organization for Security and Cooperation in Europe said it would discuss reported irregularities in the election during a press conference Monday.

Some candidates said they regretted entering the race, citing Mr. Orban's built-in advantages.

"This was a race where one contestant was running on a moving sidewalk," said co-chairman Ákos Hadhazy of the centrist Politics Can Be Different party. "While others were facing high hurdles, while they had rocks thrown at them."

Trial Would Be First for Vatican

BY FRANCIS X. ROCCA

ROME—The Vatican's arrest of one of its diplomats on suspicion of violating child-pornography laws has set the stage for the first trial for that crime in Vatican City—an event likely to be closely watched as a sign of Pope Francis' commitment to combating clerical sex abuse.

"Let us hope there is a trial soon and it is transparent," Marie Collins, a former member of the pope's advisory panel on child protection, tweeted Sunday. "The possession of child-abuse images is a serious crime."

The Vatican said in a statement Saturday that its police force, known as the gendarmerie, had arrested Italian Msgr. Carlo Alberto Capella that morning under a Vatican law setting penalties for anyone who "distributes, disseminates, transmits, imports, exports, offers or sells child pornography."

Msgr. Capella was being held in a cell in the gendarmerie's barracks, the statement said. He had been under house arrest in the Vatican, according to a person familiar with the matter. Attempts to reach him on Sunday were unsuccessful.

His arrest came more than six months after the Vatican recalled the then-unidentified diplomat from its embassy in Washington, after the U.S. State Department notified it about his "possible violation of laws relating to child-pornography images."

The Vatican said in September that its prosecutor was investigating and pursuing "international collaboration" to obtain evidence in the case.

The decision to recall Msgr. Capella, rather than waive his diplomatic immunity and allow him to be tried in the U.S., raised concerns among U.S. bishops that it could undermine a decade and a half of efforts to regain public trust on responses to clerical sex abuse.

The president of the U.S. Conference of Catholic Bishops urged the Holy See to be "forthcoming with more details" and called for an "immediate, thorough, and transparent investigation...in cooperation with law enforcement."

Later that month, police in Windsor, Ontario, said they had issued a nationwide warrant for Msgr. Capella for allegedly uploading child pornography to a social network in Canada in 2016.

The Vatican declined to comment on the timing of a possible indictment or trial for Msgr. Capella.

The 2013 law under which he was arrested provides for "one to five years imprisonment and a fine from €2,500 to €50,000 (\$3,000 to \$61,000)." However, the Vatican statement specifically cited a section of the law stipulating that the "penalty is increased if a con-

A Vatican diplomat was arrested on suspicion of violating child-pornography laws.

siderable quantity of pornographic material is involved."

The arrest of Msgr. Capella comes amid heavy criticism of Pope Francis' record on sex abuse, following the pope's comments in January dismissing as slander accusations that a Chilean bishop had failed to report assaults by another priest. The pope's words drew an extraordinary rebuke from his top adviser on sex abuse, Boston's Cardinal Sean O'Malley.

The pope then appointed the Vatican's former prosecutor for sex abuse to interview witnesses and examine possible new evidence in the case. No results of that investigation have been announced.

FROM PAGE ONE

BANK

Continued from Page One

one of the few remaining in Europe with ambitions to compete globally against the U.S.'s trading and investment-banking powerhouses.

It has vast global trading operations and a huge presence in complex derivatives and fixed-income securities. But regulators at the European Central Bank, as well as in the U.S., have become wary of its size and its weakened financial position. The ECB declined to comment.

Investors and current and former employees expect Deutsche

Bank to further curtail its

trading operations, once the

investment bank's cash cow.

People close to the lender describe

the moves as driven partially by

pressure from European and U.S.

banking regulators.

While investment banks

broadly have struggled since

the financial crisis from a mix of

tighter regulation and muted cli-

ent activity, the German bank

has slumped worse than its

counterparts. European banks,

including Deutsche Bank,

were slower than U.S. peers to

repair their balance sheets in the years

after the 2008 meltdown.

That hurt Deutsche Bank later when it

had to lower its risk profile and

raise capital. Deutsche Bank still

has a greater share of its revenue

tied to investment-bank and

trading businesses than its

peers.

Regulators have heard con-

cerns about Deutsche Bank from

other big banks that trade with

it, according to people familiar

with the matter. Among them,

the people say, is that although

Deutsche Bank's capital cushion

is stable, a big market shock,

unexpected legal fine or other

crisis could set back market confi-

dence to where it was in late

2016, when counterparts

pulled away, fearing a capital cri-

sis.

Other European banks, lag-

ging behind stronger U.S. rivals

in profitability and share per-

formance, also feel pressures.

Deutsche Bank has had an out-

size share of internal turmoil,

exacerbated by a prolonged re-

structuring and an executive

suite divided over matters in-

cluding bonuses.

Mr. Cryan, a Briton brought

into the CEO role in mid-2015,

has two years remaining on his

contract. He said two weeks ago

in a memo to employees he was

"absolutely committed" to serv-

ing the bank. That was in re-

sponse to media reports that

Deutsche Bank's chairman, Paul

Achleitner, was shopping outside

the bank for replacement CEO

candidates.

Both of Deutsche Bank's in-

vestment-banking co-heads have

been in discussions with the

bank about potentially leaving,

the Journal previously reported.

Mr. Schenck, until recently con-

sidered a potential candidate to

one day become CEO, is depart-

ing effective next month. He told

the supervisory board before

Easter he intended to leave,

Deutsche Bank said in its state-

ment.

The other, Garth Ritchie, will

now oversee the investment

bank as its sole chief, Deutsche

Bank said Sunday evening. He

and another executive, Karl von

Rohr, were named presidents,

replacing Messrs. Sewing and

Schenck in those positions.

Deutsche Bank has sent mixed

messages to investors and em-

ployees over the past few

months. Mr. Achleitner has faced

unrest among big investors he

courted who have become

alarmed at Deutsche Bank's

share-price declines, people

close to the bank and investors

say.

Mr. Achleitner said in a writ-

ten statement that Mr. Cryan

played "a critical role" at the

bank, but that "following a com-

prehensive analysis we came to

the conclusion that we need a

new execution dynamic in the

leadership of our bank."

He said the supervisory board views Mr. Sewing as "a strong and dis-

ciplined leader," adding, "We trust

in the great ability of this bank

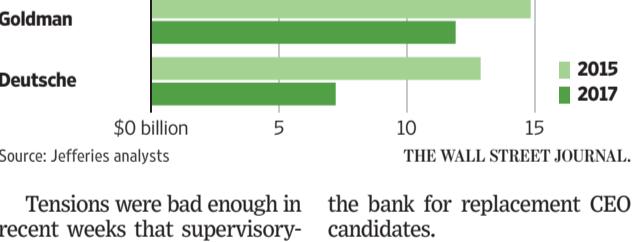
and its many talents."

—Patricia Kowsmann

contributed to this article.

Trading Woes

Big banks' trading revenue, last year vs. 2015



Source: Jefferies analysts

THE WALL STREET JOURNAL.

Jain, was a consummate banker who rose to power during Deutsche Bank's go-go precrisis years of high-leverage trading and

WORLD NEWS

Rohingya Seek Loved Ones as Hope Fades

Thousands who fled Myanmar for Bangladesh refugee camps look for relatives, but many remain missing months later

BY JON EMONT

COX'S BAZAR, Bangladesh—The last time Nabi Hossain saw his older sister, they were running through rice paddies to escape machine-gun fire from a Myanmar military ambush.

Somewhere in the chaos, he said, they got separated.

Now at a refugee camp in Bangladesh with tens of thousands of other Rohingya Muslims from Myanmar, Mr. Hossain spends many of his days shuffling down red-dirt roads, searching for his sister and hoping she, too, made it across the river that separates the two countries.

"Maybe she is in Bangladesh and I haven't found her yet," Mr. Hossain said, his rubber sandals caked in dirt. He doesn't have a photo or any possessions to identify her—just a description: older, but still vigorous and full of laughter.

Some seven months after the start of a campaign by the Myanmar military against Rohingya villages caused nearly 700,000 people to flee to Bangladesh, tens of thousands remain missing or unaccounted for.

A study by Asean Parliamentarians for Human Rights found that more than 43,000 Rohingya children in Bangladesh's sprawling camps are missing at least one parent. Others lost children, siblings and cousins.

The questions over their fates—and widespread complaints that Myanmar isn't helping account for them—are adding to tensions as the two countries negotiate a plan to resettle some of those who fled.

Zaw Htay, a spokesman for Myanmar's top civilian leader, Aung San Suu Kyi, said it won't be possible to account for the dead and missing until Rohingya refugees are repatriated, because only they



Nabi Hossain, a Rohingya refugee, displays clothes belonging to his missing sister at a displacement camp in Bangladesh.

Brutal Crackdown Leaves Ethnic Group Caught in Limbo

Myanmar regards the Rohingya as illegal immigrants from Bangladesh and denies them citizenship even though many have lived in the country for generations.

The United Nations says the Myanmar campaign bears the hallmarks of genocide. The Myanmar military says it is a justified response to Rohingya terrorism.

Human-rights organizations say that rather than help tally the dead, Myanmar is bulldozing sites of alleged massacres to hide its actions.

Myanmar has "done absolutely nothing to help unite separated families—it's a completely heartless approach from the government," said Mark Farmaner, director of activist group Burma Campaign U.K.

Myanmar's government said it hasn't bulldozed sites to conceal alleged crimes, but instead is building new villages for eventual returnees.

know for sure who among their communities is gone.

Melissa Dumignard, a delegate to the International Committee of the Red Cross, said her organization is working to connect separated family members, but progress has been slow because there is no official list with which to work.

Other refugees in Bangladesh have tried finding people by word-of-mouth among the camps. At first, they set up booths with speakers so mothers could call out descriptions of missing children, while makeshift mosques helped spread messages.

Kemal Hossain, a Rohingya refugee who set up one of the booths, estimates he helped reunite several hundred families. But he shut his booth in February as successful cases became rarer.

"I think they're not alive—it's already many months," he said of the people still missing.

Nabi Hossain, who isn't related to Kemal Hossain, said he isn't giving up yet.

A farmer with a scraggly beard, he attributes his persistence to the bond he and his sister developed after their mother died. His sister, Samaruk, who like many Ro-

hingya goes by one name, was older and helped raise him when their father went to work the fields during the day, he recalled.

"She gave me both a sister's love and a mother's love," he said.

When violence erupted in their village last September, security forces swept in and shot several villagers, Mr. Hossain said, including Ms. Samaruk's only child, a daughter. Surviving family members—including Mr. Hossain's wife, their children and Ms. Samaruk—fled along with hundreds of other villagers.

As villagers approached

the Naf River that forms the border with Bangladesh, they were ambushed by the Myanmar military, Mr. Hossain and his son said. With bullets flying, older people fell behind.

Mr. Hossain's son came back to find them a few hours later during a lull in the fighting. But Mr. Hossain had become separated from his sister, and Ms. Samaruk and her husband couldn't be located. With soldiers closing in, remaining family members decided to forge on, hoping they would reunite in Bangladesh.

"This is my guilt," Mr. Hossain said. "When people

see the military, they just run fast to save their lives."

Mr. Hossain said he understands it is unlikely he will find his sister in the camps. Still, he sold gold earrings his wife owned for \$120 to help fund the search.

On a recent trek through the Kutapalong refugee camp where he lives, he spotted some older men and asked whether they had met anyone resembling his sister or her husband. One man said he had seen Mr. Hossain asking the same questions months earlier.

"We've all lost someone," the man said.

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IN DEPTH

BRAZIL

Continued from Page One
of South America's population and wealth—accelerates a continental trend that's seen countries edging away from socialism since the end of the China-led commodity boom. As government coffers ran dry, the so-called "pink tide" of leftist governments began to ebb, beginning with the 2015 election in Argentina of Mauricio Macri, a center-right businessman.

The jailing on Saturday of Brazil's former President Luiz Inácio Lula da Silva, a leftist icon who was last year convicted of corruption, marked a new low for Latin American socialism and effectively removes him from the race in October's presidential elections.

'Messiah'

Meanwhile, Brazil is witnessing the political rise of a fiery army captain-turned-congressman named Jair Messias Bolsonaro, who speaks fondly of the country's 1964-1985 dictatorship in which he once served. The blue-eyed nationalist, whose middle name means "Messiah," is a devout Christian who was recently baptized in the Jordan River. At 63, he is running for president on a pro-gun, antiabortion and anti-gay-rights platform.

The national political climate is too volatile to anoint him as the front-runner, even though the most recent polls show him with around 20% of the vote, second only to Mr. da Silva. But in and around Nioaque, where Mr. Bolsonaro was briefly stationed with the military in the 1980s, he is seen as the only politician capable of taking on both the crooks on the street and in the halls of power.

Lawlessness

"Brazil needs an angry father figure to teach everyone a lesson," said Joyce Vilagre Vieira, a 26-year-old lawyer in Dois Irmãos do Buriti, a two-hour drive north of Nioaque.

Two major phenomena are driving the conservative shift. The first is the rise of evangelical Christianity. Now comprising a third of Brazilians, evangelicals are on track to outnumber Catholics by 2035, according to pollster Datafolha. The second is growing exasperation with lawlessness, from corruption to a homicide rate so high that over 61,000 people are slain here each year, a toll that would wipe out Cincinnati in five years.

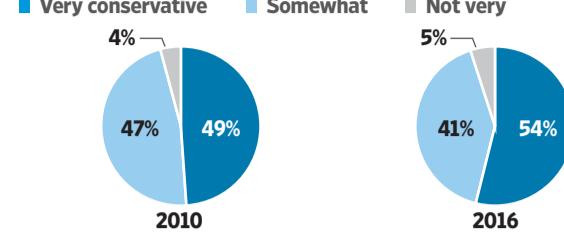
"When there is fear, the conservative aspects of Brazilian society are expressed with more force, and once again, that sensation of fear has returned," former President Fernando Henrique Cardoso, a political centrist, said in an interview.

Brazil's military dictatorship, led by conservative-minded generals, was largely born of a fear of communism. This time, many Brazilians fear crime and political instability as a result of corruption, he said, while others fear the encroachment of liberal cultural values.

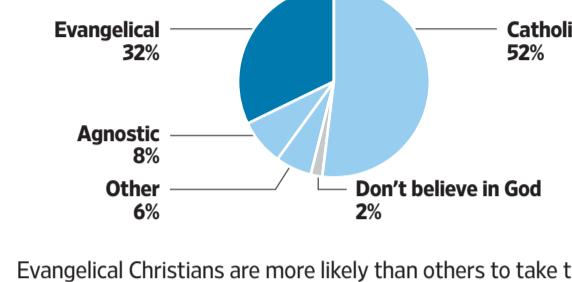
Since the end of military rule in 1985, "conservative" had been a dirty word here, said Bruno Garschagen, a political scientist and author. None of Brazil's 35 political parties has the word in its name. No president has ever dared to talk big about tack-

Right Shift

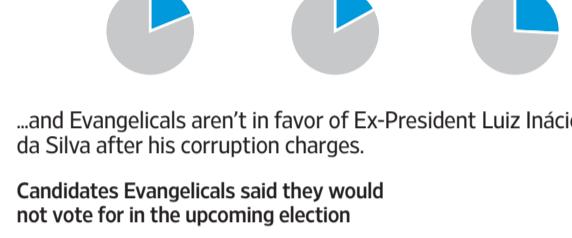
As more Brazilians identify as very conservative...



...and most people consider themselves religious.



Evangelical Christians are more likely than others to take their religious leaders' opinions of candidates into consideration when voting...



...and Evangelicals aren't in favor of Ex-President Luiz Inácio Lula da Silva after his corruption charges.

Candidates Evangelicals said they would not vote for in the upcoming election



Source: Ibope; Datafolha surveys

THE WALL STREET JOURNAL.



An aspiring cowboy watches a rodeo in Amambai, Brazil, part of the country's conservative heartland, above, while the faithful gather for services at an evangelical church on a recent evening.



PATRÍCIA MONTEIRO FOR THE WALL STREET JOURNAL (2)

federal judge in Brasília overturned a watershed 1999 ruling that banned psychologists from offering gay "conversion therapy," raising fears among activists that other courts will support the controversial practice.

Evangelical groups have been waging a culture war nationwide, forcing Santander Bank in September to shut down an exhibition on sexual diversity. An angry mob staged a violent protest during a recent visit by American philosopher and gender theorist Judith Butler, burning her in effigy and calling her a "witch." Brazil now boasts evangelical fashion stores, dating sites, cruises and sin-free videogames.

Brazil needs an angry father figure to teach everyone a lesson,' says a voter.

Like the divide in the U.S., the rise of conservative Brazil has liberal citizens on edge. They worry about the rightward swing in a country that is among the most unequal in the world, has deeply ingrained racism, and only recently began pushing for women's and minority rights.

"Everyone I know is in a panic," said Daniel Ribeiro, a Brazilian film director whose latest movie tells the story of a transsexual couple. "Even if Bolsonaro doesn't win, Brazil seems to be going back in that direction."

Brazil is more concerned than ever with law and order. More than half of all Brazilians want to introduce the death penalty and nearly 40% would back a military coup to tackle endemic crime and corruption, according to respective studies by pollster Datafolha and Vanderbilt University.

Overall, Brazilian pollster Ibope found 54% of Brazilians exhibited a high level of conservatism in 2016, compared with 49% in 2010. It calculates its "Conservatism Index" via a mishmash of questions asking respondents how they feel about introducing the death penalty, reducing the age of

criminal responsibility, life sentences without parole for heinous crimes, as well as legalizing abortion and same-sex marriage, which is currently legal.

Brazil's rightward turn is particularly striking because the country has long fooled the rest of the world into thinking it's some kind of permissive paradise, said Rubens Ricupero, former finance minister and ex-ambassador to the U.S.

"To be a great nation, Brazil needs an honest, Christian and patriotic president," Mr. Bolsonaro said in Congress last year while casting a vote to put President Temer on trial for corruption—a motion that failed. Even now in his seventh term as a federal lawmaker, Mr. Bolsonaro remains unblemished by the country's major scandals.

Across Brazil's dusty savanna, that kind of talk resonates with voters.

Churches are already reshaping society here, filling in for the cash-strapped public health system by funding rehabilitation centers for drug addicts hooked on Bolivian cocaine. At The Life Squad, a farm near the town of Batayporá, dozens of men work to get clean and learn the gospel.

Kalil Nimer, the center's



Conservative presidential candidate Jair Messias Bolsonaro.

evangelical pastor, described one client as a "former homosexual."

"Now he tells me, 'Pastor, I'm a man, I'm no longer one of them,' and he prays for a wife," said Mr. Nimer. "These things gratify us."

Out on the dusty roads of Mato Grosso do Sul state, violent winds whip up the red earth, so rich that it has helped make this and a neighboring state a breadbasket responsible for more than 10% of the world's soybeans. There is no cellphone signal. Shows hosted by televangelists dominate the airwaves, dedicating gospel ballads to lonely truckers.

Shooting range

At the next town's shooting range, locals are similarly nostalgic for the past. Democracy and "human-rights nonsense" have brought lawlessness, said Breno Muniz de Oliveira, a police officer and trapshooting enthusiast. Paraguayans frequently cross the border and steal farm equipment, he said, and a 2003 law restricting gun ownership made it nearly impossible for civilians to own firearms.

"Upstanding citizens can't defend themselves but criminals now have access to war-grade weapons," he said. "We need to change the paradigm."

Even people who voted in the past for Mr. da Silva's leftist Workers' Party said their top priority is getting tough on crime.

Antonio Serra, a taxi driver in Dois Irmãos do Buriti, still talks fondly of Mr. da Silva's government, which benefited from the China-led commodity boom. But he worries about crime. So with Mr. da Silva out the race, Mr. Serra will pick Mr. Bolsonaro. Polls suggest about one in 10 da Silva supporters would do the same, and as many as 40% in Rio.

"Do I want to own a gun?" he asks incredulously. "Hell, I want a machine gun under my bed!"

NECCO

Continued from Page One

"They're shocked and scared," he says. "They're not happy about it."

The original recipe hasn't changed, according to the company. It is a mix of sugar, corn syrup, gelatins, gums, colorings and flavorings that include chocolate, licorice, cinnamon, lemon, lime, orange, wintergreen and clove. Eight wafers to a roll. The company produces about four billion each year.

With a suspiciously long shelf life, the nearly indestructible Necco wafers were used by Union soldiers during the Civil War and American GIs in World War II.

In 1913, Arctic explorer Donald MacMillan took



Pete Behringer of Pete's Candy shows off his Necco stash.

the endurable wafers for nutrition and to hand out to Indian children, according to the company. They proved so suitable to the climate that Admi-

ral Richard Byrd took 2.5 tons of them on his two-year exploration of the South Pole in the 1930s.

People have a complicated relationship with the Necco wafer. It's a nostalgic candy people love to hate, which brings back happy childhood memories of a chalky crunch. Many Catholics remember using the candy as pretend Communion wafers. Handing out Necco wafers to kids on Halloween almost guaranteed a return visit involving eggs and toilet paper.

For years, automobile drivers would flip the quarter-sized wafers into the basket at toll booths to avoid the fare—and perhaps to avoid eating them.

Yet they are in high demand now. Mr. Prince, the candy wholesaler, initially limited customers to two boxes per order, but stocked up and in-

creased the limit to four.

Since the news spread, customers of Economy Candy in New York have been in disbelief. There has been an increase in sales both in the store and online, says owner Mitchell Cohen. Customers who normally buy one or two Necco rolls are now buying the whole box or a case "to stash away," he says.

CandyStore.com, the online bulk store based in Los Angeles, has noted an uptick in sales, and the store has been stocking up to meet demand, according to spokeswoman Clair Robins. Since the news broke, Necco products sales are up 50%.

Ms. Robins agreed people have a complicated relationship with Necco wafers, "but the sales numbers don't lie—people are rushing to stockpile them like they're the next cryptocurrency."

One CandyStore customer asked to barter for the company's entire stock of wafers, offering to trade a black 2003 Honda Accord with 150,000 miles. "Please say yes." The offer was rejected, and they ended up buying two boxes with a Visa card.

The Necco supply chain extends to crafts, where gingerbread-house builders may be forced to seek new roofing and siding materials for their candy-covered homes. Robin Albert, who runs the Portsmouth Historical Society's Annual Gingerbread House Contest in Portsmouth, N.H., said some craft makers will be disappointed. The wafers, she says, really added some "pizzazz."

Pete Behringer of Pete's Candy, who makes and sells candy in a converted 22,000-square-foot mansion in downtown Jacksonville, Fla., just

found out the news.

The Necco wafer has always been his top-selling retro candy and has a devoted cult following willing to travel miles to get them, he says. "We just got cleaned out. I need to go order more—if I still can."

A group of sixth-grade Oregon students wrote letters to Revere Mayor Brian Arrigo in support of Necco wafers and Sweethearts. "If NECCO goes out of business our class will be devastated," read one letter suggesting launching a social-media campaign with the hashtag #SaveNecco.

Mr. Arrigo says he is disheartened over the potential loss of the iconic candy, but wasn't surprised about the national surge in demand. "Who knows, Necco wafers might make a comeback the way Twinkies did a few years ago," he says.

GREATER NEW YORK

Graft Cases Set for a Redo

New legal standard for corruption conviction to be tested in retrials of Silver and Skelos

By CORINNE RAMEY

Retrials are coming up for two former leaders in the New York state Legislature who are accused of abusing government power for personal gain.

This time the cases of Sheldon Silver, former speaker of the Assembly, and Dean Skelos, former majority leader of the Senate, are being watched nationwide as test cases of federal prosecutors' ability to win public-corruption convictions under a new legal standard.

Last year, a federal appeals court overturned both lawmakers' convictions, citing a U.S. Supreme Court decision that narrowed the definition of some public-corruption crimes.

"People are looking to the Silver and Skelos retrials to understand whether and when prosecutors can secure convictions in cases beyond paradigmatic bribery," said Kelly Kramer, a defense attorney at firm Mayer Brown who isn't involved in either case.

The trial of Mr. Silver, a Manhattan Democrat, is scheduled for April 16 and that of Mr. Skelos, a Nassau County Republican, is set for June 18.

In November 2015, a Manhattan jury convicted Mr. Silver of honest-services fraud, extortion and money laundering. Less than two weeks later,

a separate jury convicted Mr. Skelos and his son of extortion, bribery and other crimes. Mr. Silver, now 74 years old, was sentenced to 12 years in prison and Mr. Skelos, now 70, to five.



Former New York state Assembly Speaker Sheldon Silver faces a new trial April 16.

Both men are accused of using their positions for personal benefit. Prosecutors allege Mr. Silver directed state grants to an oncologist, who then routed patients to a law

firm from which the lawmaker received referral fees. In a separate arrangement, prosecutors accused Mr. Silver of negotiating tax breaks for a real-estate company, which then steered business to a different law firm from which he received fees.

In the Skelos case, prosecutors said the lawmaker used his government power to pressure companies to provide payments and a no-show job for his son.

Lawyers for Messrs. Silver and Skelos declined to comment. In both trials, defense attorneys argued the lawmakers' behavior wasn't criminal.

The 2015 convictions of both legislators—once considered two of Albany's powerful Please see SILVER page A12B



A memorial to Saheed Vassell, who was shot and killed Wednesday in Brooklyn by New York Police Department officers.

After Shooting, Calm Returns to Crown Heights

By ZOLAN KANNO-YOUNGS

the object at the officers, as described by Chief of Department Terence Monahan.

In the video, Mr. Vassell is seen walking in Crown Heights pointing the object at a man in the middle of Eastern Parkway. The video shows him aiming the pipe at at least seven people, including a person with a child and someone who fled with their hands up.

The fatal confrontation between the officers and Mr. Vassell lasted less than 10 seconds, according to a senior police official.

Mayor Bill de Blasio said in an interview with WNYC radio that only a few minutes passed between the 911 calls and the arrival of police.

Six officers responded to the incident; four opened fire, law-enforcement officials said. Three who fired rounds—a black officer with five years on the job, a white officer with six years on duty and another white officer with four years on the force—were from the local 71st Precinct, the officials said.

'You'll never forget,' an area resident says. 'But you have to continue with life.'

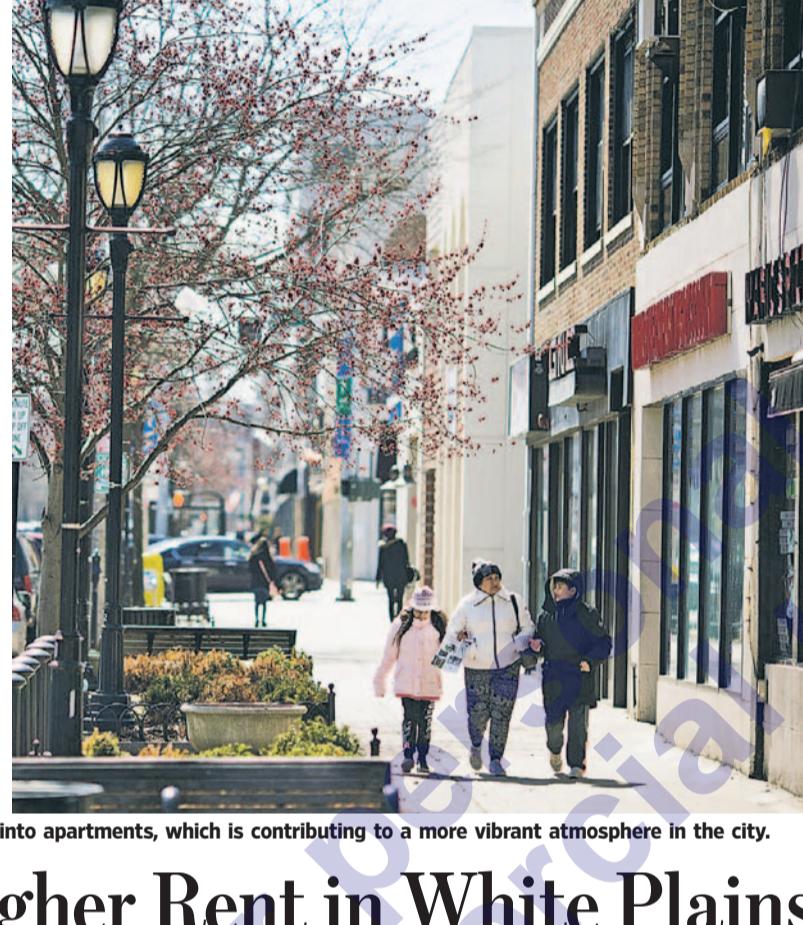
An Indian officer with six years on the job was from the Strategic Response Group, a squad that shows up at major events, large protests, as well as shootings and other crimes.

Before firing the shots, at least one of the officers shouted, "Drop it" several times, law-enforcement officials said.

Neighbors and friends of Mr. Vassell said he often picked items out of the trash as a hobby and would point them at people as a joke.

Member of the community questioned if he had to die. Some said he was well known to the police who patrolled the area and they should have been familiar with him. The officers who confronted Mr. Vassell on Wednesday didn't know him or of his mental-health history, a police official said.

The four officers who fired at Mr. Vassell weren't involved in previous on-duty shootings, the senior official said.



Office buildings in White Plains are being turned into apartments, which is contributing to a more vibrant atmosphere in the city.

Less Space, Higher Rent in White Plains

By KEIKO MORRIS

After years of high availability rates and stagnant rents, the White Plains office market is getting a lift from a boom in apartment construction taking place in this city north of New York City.

Developers have been converting office buildings into rental apartments, in some cases demolishing and rebuilding new towers, aiming to draw younger workers and empty nesters to amenity-laden complexes close to shops, restaurants and the train station.

By removing obsolete office buildings built in the 1970s through the '90s, developers in effect are reducing supply and helping to lift rents for other office properties, real-estate brokers and executives said.

The surge in apartment development in White Plains also is changing the composition of the commercial-property market, creating more of a 'round-the-clock atmosphere with an uptick in restaurants, bars, grocery stores and fitness clubs. The city has about 4,000 apartments in the development pipeline, most of them in the central business district, city officials said.

Removing the lower-priced

Developer Keeps Pedestrians in Mind

Westchester developer Martin Ginsburg is aiming to follow the city's direction to create more mixed-use, pedestrian-friendly neighborhoods in its downtown area.

A joint venture of his firm Ginsburg Development Cos. and Robert Martin Co. paid \$83 million for two buildings in a full-block complex known as the Westchester Financial Cen-

ter near the train station.

Ginsburg separately owns the complex's third building, now an apartment tower. The joint venture is planning to remake the complex with substantial green space, restaurants, an art gallery, a fitness center and more apartments, Mr. Ginsburg said. The building at 50 Main St. will remain an office building but modernized with an amenity floor.

"The whole idea is to make the city so that you can walk the city," Mr. Ginsburg said.

office space from the market inevitably leads to higher average asking office rents that will continue to rise, said William V. Cuddy Jr., a CBRE executive vice president who works in the Westchester County and Fairfield County markets. "And it is making it a much more attractive environment for companies to relocate because they like the live-work vibe that is the White Plains culture."

Over the past several years, older office buildings have been converted to rental apartments, medical offices, fitness centers and supermarkets throughout Westchester County, as employers move toward office locations in urban, transit-rich settings.

In White Plains, the county seat of Westchester, the shift toward residential development in its central business district has created a turning point for the office market, real-estate brokers and executives said. But the declining vacancy hasn't yet prompted new office developments.

"Landlords have started to invest in lobbies and amenities," said Michael DeMarco, chief executive of Mack-Cali Realty Corp., a real-estate investment trust that is emptying out a downtown White Plains office building to convert it into apartments. "But buildings that aren't worthy of investment dollars are still being torn down or converted to residential."

lived didn't have sprinklers, according to a fire department spokesman. Sprinklers weren't required when Trump Tower

For years the city's office availability rate has hovered around 23%, but last year it dropped almost 6 percentage points to 17.23%, far lower than Westchester County's rate of almost 23%, according to CBRE Inc. Average asking rents for office space also have risen in White Plains, jumping 8% between 2016 and 2017, CBRE data show.

New York Life Insurance Co. last year announced it would relocate its Westchester office from Sleepy Hollow, N.Y., to 150,000 square feet of office space at 44 South Broadway in White Plains, bringing about 500 employees to the city.

Sumitomo Mitsui Banking Corp. last year signed a long-term lease for 101,000 square feet at 1 N. Lexington Ave. Companies under Danone North America are vacating most of the company's suburban campus office for about 80,000 square feet in a more downtown-like environment at 100 Bloomingdale Rd.

"The larger blocks of space have been gobbled up," said Kevin McCarthy, a senior director at real-estate-services firm Cushman & Wakefield. "If you're looking around downtown White Plains for 75,000 square feet or above, there's probably one landlord to talk to."

sure stood up quite well."

Firefighters responded to the blaze at about 5:30 p.m. after it triggered an automatic alarm, Mr. Nigro said. Some 200 firefighters and medics arrived at tower in Midtown. The first responders joined members of the Secret Service to check Mr. Trump's home. No fire damage was found.

On Saturday night, the president thanked the firefighters on Twitter.

"Fire at Trump Tower is out," he said. "Very confined (well built building). Firemen (and women) did a great job. THANK YOU!"



The apartment on the 50th floor of Trump Tower was 'virtually entirely on fire,' said Fire Commissioner Daniel Nigro.

No Cause Yet Found in Fatal Trump Tower Fire

By ZOLAN KANNO-YOUNGS

New York City fire officials on Sunday were investigating the Trump Tower fire that killed one resident who lived alone on the 50th floor of the Manhattan building, but the cause hasn't been found.

President Donald Trump, who has an office and penthouse home in the Fifth Avenue building, wasn't in New York City on Saturday night when the fire occurred.

Todd Brassner, 67 years old, was initially taken to Mount Sinai St. Luke's hospital in critical condition and was pronounced dead later

on Sunday morning. The building didn't violate any building codes, the official said.

"It's a well-built building," Mr. Nigro said. "The building

was built. The building didn't violate any building codes, the official said.

"It's a well-built building," Mr. Nigro said. "The building

GREATER NEW YORK

TRIALS

Continued from page A12A
 "three men in a room," alongside the governor—were viewed as significant victories for then Manhattan U.S. Attorney Preet Bharara, who pledged to root out what he called Albany's culture of corruption.

Then, in June 2016, the Supreme Court vacated the corruption conviction of former Virginia Gov. Bob McDonnell. Prosecutors had argued Mr. McDonnell, a Republican, accepted gifts and loans from a businessman promoting a dietary supplement company.

The court ruled that Mr. McDonnell's efforts to help the businessman, which included setting up meetings and hosting events, weren't

been properly instructed on the definition of an official act.

Legal experts say the former lawmakers' second trials will likely be similar in substance to the first ones. Retrials typically favor the prosecution, which carries the burden of proof, said Daniel R. Alonso, a former federal prosecutor and current managing director at compliance risk-consulting firm Exiger. "They will have seen which witnesses play well with the jury and which don't," he said.

Both sides will likely integrate the Supreme Court's ruling into their arguments. Prosecutors will focus their "official acts" arguments on episodes that they say meet the new definition, said Joshua Colangelo-Bryan, a defense attorney at Dorsey & Whitney LLP who isn't involved in either case.

Defense attorneys will argue there wasn't an illegal quid pro quo. "That is ultimately the crux of a corruption case, whether an elected official did an official act for a benefit that he received," Mr. Colangelo-Bryan added.

Mr. Silver has different lawyers representing him in the retrial than he had in his initial trial, and they may try new strategies as well.

One thing that will surely differ is the jury instructions, which will reflect the McDonnell ruling. Both the prosecution and defense want the instructions to reflect the new interpretation of the law, because they want to assure a verdict in their favor wouldn't be overturned by an appeals court.

In a letter to the judge earlier this month, federal prosecutors asked the Silver jury be instructed that an "official act" must be more than expressing support or setting up a meeting.

The letter included specific text that prosecutors suggested the judge read to the jury. "That means that the question or matter must be specific, focused, and concrete—for example, the kind of thing that could be put on an agenda and then checked off as complete," the letter said.



ROBERTO CHAMORRO

A scene from the play 'Amparo,' staged by the rum brand Havana Club, which has embraced immersive theater in its marketing.

Rum Battle Takes Center Stage

BY IMANI MOISE

Bacardi Ltd.'s Havana Club rum is turning to immersive theater to win over hearts and taste buds.

In its battle for recognition as an authentic Cuban rum, the brand is staging a play, "Amparo," in a Midtown Manhattan bar, following a debut in Miami earlier this year.

The brand recruited a Cuban-American playwright and actors to convince audiences at Bill's Townhouse that its version of the spirit, made in Puerto Rico, should be considered the real Havana Club. Another, more widely distributed, Havana Club is made in Cuba and marketed by Pernod Ricard SA. The two companies have long feuded over the brand name and bragging rights.

During the course of the show, the audience is ushered in and out of rooms as actors tell the story of the Arechabala family, who founded Havana Club in 1934 but fled to

Spain and then the U.S. during the Cuban Revolution, and lost the company. The audience follows characters as they run from gunshots and confront Cuban militia members. Throughout the drama, actors pull guests into the stories, grabbing their hands and rhetorically asking: "What should I do? What would you do?"

"Amparo," which is the name of Ramon Arechabala's widow and translates to "protection," opened as a limited engagement for the press and social-media influencers. After the hourlong show, some audiences members still confused Bacardi's Havana Club with Pernod's. The company plans to sell tickets for public performances in New York City and Miami later this year.

Bacardi and Pernod Ricard have been sparring over naming rights in the U.S. since 1994 when Bacardi bought the original recipe from the Arechabala family. Pernod declined to comment on the play.

If the desperate cries of actors aren't enough to win over the audience, the free cocktails before, during and after the performance might help.

Broadway producer Ken Davenport, who isn't involved with "Amparo," said playwrights have used theater to

Bacardi's play about Havana Club rum aims to give firm an edge in feud with Pernod.

spread political and religious messages for centuries. For a corporation, "it's a very smart and very subtle way to market their message," he said.

Although uncommon, companies have a long history of using theater to promote brands. Tabasco toured the U.S. in the late 1800s with an opera about its hot sauce.

More recently, Stella Artois has tapped Punchdrunk, the British theater company who popularized immersive theater, to stage a play in London that features its beer.

Immersive theater can be a particularly effective branding tool. Emotional reactions are easier to elicit in interactive settings. One drawback of immersive theater for branding is that intimate experiences can be hard to scale, said Chloë Rae Edmonson, a Ph.D. candidate in CUNY's theater-studies program. "If you were in that experience with 5,000 others it wouldn't be as effective."

Bacardi says it has seen returns on the play through more social-media engagement and customer feedback. "Of all the branded experiences I've been to, this one wasn't too heavy handed," said Rachel Martino, a lifestyle blogger who attended the preview. "Granted there was a lot of rum."

—Cara Lombardo contributed to this article.

GREATER NEW YORK WATCH

NEW JERSEY

**Man Is Accused
Of Killing His Wife**

A New Jersey man has been charged in the stabbing death of his wife.

The Burlington County prosecutor said Sunday that 59-year-

old Kenneth Arsenault of Pemberton Township was charged with murder and weapons offenses.

A report of a woman screaming for help sent police to the Pemberton Township home at about 10 p.m. Saturday. Officers reported finding him "on top of his wife on the ground outside of their residence."

Lorraine Arsenault, 61 years old, was taken to Lourdes Emergency Department, where she was pronounced dead just before 11 p.m. Saturday.

Mr. Arsenault was taken to the county jail pending a court appearance; it was unclear whether he has an attorney, and a message left at his number Sunday wasn't immediately returned.

—Associated Press

CONNECTICUT

**Push for Awareness
Of Safe Haven Law**

State lawmakers say they are optimistic that this will be the year the General Assembly requires high-school students to learn about a 2000 law that allows newborns to be dropped off at a hospital, no questions asked.

Legislation dubbed 10 Minutes in 10th Grade requires instruction about the Safe Haven law to be included in the public high school health curriculum. The measure awaits action in the House of Representatives, where it passed last year but faltered in the Senate.

Democratic Rep. Jeff Currey said 33 babies have been saved "from abandonment and near-certain death" since 2003.

—Associated Press

NEW YORK STATE

**Officials: Fish Die-Off
Isn't Cause for Alarm**

Officials say the large numbers of dead fish seen in some upstate New York waterways is a common occurrence in late winter and early spring and doesn't indicate a problem.

The Department of Environmental Conservation says fish die-offs have been reported in areas such as Irondequoit Bay near Rochester and the Erie Canal in Wayne County. Biologists found nearly all the fish were gizzard shad, a type of herring.

—Associated Press



Ex-Senate Majority Leader Dean Skelos's retrial starts June 18.

enough to constitute so-called official acts, or the "quo" in a quid-pro-quo bribery scheme. The court said "official acts" must be specific exercises of government power and not actions that could be interpreted as ordinary interactions with constituents.

In July and September of last year, a federal appeals court overturned both New York lawmakers' convictions, citing the McDonnell ruling. The court indicated both lawmakers could be tried under the new standard, but said the juries in both cases hadn't

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MUSIC

The Win-Win Strategy Behind Beyoncé Playing Coachella

BY NEIL SHAH

WHAT IS COACHELLA getting out of joining forces with Beyoncé? New customers.

The annual music festival, which starts on Friday in Indio, Calif., is the highest-grossing one in the U.S. It typically sells out before ticket buyers even know who will be playing.

Beyoncé is headlining this year's festival along with the rapper Eminem and R&B singer the Weeknd, a lineup expected to broaden Coachella's fan base and defuse criticism that it doesn't feature enough of the female, pop and hip-hop acts that younger listeners favor.

Nearly two-thirds of Beyoncé's fans have never attended a music festival, according to Nielsen Music, yet they are more likely than the average listener to say it is important to see their favorite musicians live.

"Coachella could potentially have a significant number of first-timers on-hand," says Erin Crawford, senior vice president of Nielsen Music.

Goldenvoice, which organizes Coachella and is part of the concert-promotion giant AEG Presents, declined to comment. Through her spokeswoman, Beyoncé declined to comment.

Because the average Beyoncé fan is seven years older than the average Coachella attendee, Nielsen says, the 36-year-old megastar could bring bigger-spending 30- and 40-something fans who might have otherwise stayed at home.

Kashif Tisdale is among the recent converts. The 32-year-old student, who lives in Los Angeles, has seen Beyoncé eight times. For a 2013 show in Las Vegas, he woke up at 4 a.m. to ensure he was first in line. He wound up near the stage, and when the lights went down, he says, Beyoncé locked eyes and threw him a towel.

When rumors spread that Beyoncé would headline last year's Coachella, Mr. Tisdale bought passes for the first time ever, along with six friends, four of whom were also to be first-time attendees.

"We were like, this is the perfect time," he says. "She's there."

Then Beyoncé announced she was pregnant and bowed out. But Mr. Tisdale and his six friends spent about \$450 apiece for this year's passes. He hopes Goldenvoice will book another pop-R&B star, Rihanna, next year.

Since Coachella started in 1999, U.S. music festivals have proliferated, according to Pollstar, a trade publication tracking the concert industry. America's two biggest concert promoters, Live Nation and AEG Presents, have consolidated much of the industry.

That has fueled complaints about corporate influence, homogenized headliners and market saturation. The number of festivals has jumped over 50% globally in the past three years, Pollstar says, so competition for attention-grabbing performers is fierce.

"Everyone is going after the same pool of talent," says Gary Bon-

giovanni, Pollstar's editor in chief.

Beyoncé Knowles-Carter, previously the frontwoman for Destiny's Child, has sold tens of millions of albums and led sold-out stadium tours. But she has never played a U.S. festival as big as Coachella, something that helps the event stay in a league of its own while connecting with a new audience.

Beyoncé captures popular music's zeitgeist: She is a pop-R&B entertainer fluent in hip-hop and a social-media-savvy businesswoman. Her 2016 tour was that year's highest-grossing in North America, according to Pollstar. Combined with music sales, streaming and publishing, she was 2016's biggest money-maker, Billboard says.

Plenty of Beyoncé fans won't make the trip. For starters, they are more likely than typical Coachella attendees to live in the Northeast, Nielsen says. Yet they're also likelier than average music fans to follow festivals they don't attend on social media, which could boost Coachella's presence online.

According to data from market-research firm MusicWatch, Beyoncé's most devoted fans represent a broad swath of America, cutting across age, race, income, music preferences and even how they listen to music.

About 21% of her "engaged fans"—people who have seen her in concert or follow her on Instagram, among other criteria—are 18 to 24 years old, says Russ Crupnick, managing partner at MusicWatch. A similar percentage are 25 to 34. The biggest share, 24%, are 35 to 44. (Three percent are over 65.)

"She's managed to maintain her Destiny's Child fans, while carving out a newer and younger audience," Mr. Crupnick says.

Around 36% of Beyoncé's engaged fans are black, while African-Americans constitute only 10% of U.S. music festival attendees, MusicWatch says. It estimates the average household income for an engaged Beyoncé fan is \$77,482, higher than the U.S. average, meaning potentially bigger travel and entertainment budgets.

Coachella has become known for epic onstage reunions—Outkast and Guns N' Roses are among them—and the Beyoncé performance could generate a similar amount of buzz. In an age of audience fragmentation, she is a unifying force.

Beyoncé is "as legendary as a U2 or Rolling Stones," says Joe Rapolla, director of the music-industry program at Monmouth University.

Coachella is expected to be a handsome payday for her. One music-festival executive said she could earn over \$5 million, and potentially as much as \$10 million, for playing its two weekends.

The festival is also an opportunity for her to promote "On the Run II," a joint tour with her husband Jay-Z, slated to begin in June.

Mr. Tisdale is excited because this will be Beyoncé's first performance since the 2017 Grammy Awards, when she was pregnant.

"She's the greatest entertainer alive," he says. "I know Beyoncé is going to give me my money's worth."



GETTY IMAGES

FILM

HUMANIZING THE INHUMANE IN 'AN ORDINARY MAN'

BY DON STEINBERG

BEN KINGSLEY and Brad Silberling didn't agonize over the decision to humanize a character accused of horrible atrocities. It was their objective in "An Ordinary Man."

The film, which opens later this week, is loosely based on the life of Ratko Mladic, the Bosnian Serb general known as "The Butcher of Bosnia" who was sentenced last year to life in prison after being found guilty of genocide, crimes against humanity and war crimes during the Bosnian war.

"I find that mythologizing evil, giving anyone who perpetrates evil a sort of non-human dimension, is incredibly dangerous," says Mr. Silberling, who wrote and directed the film. "Because evil acts have a face, they're being perpetrated by human beings and often in our midst."

When we meet Mr. Kingsley's General,

he's a neighborhood hero in Belgrade, casu-

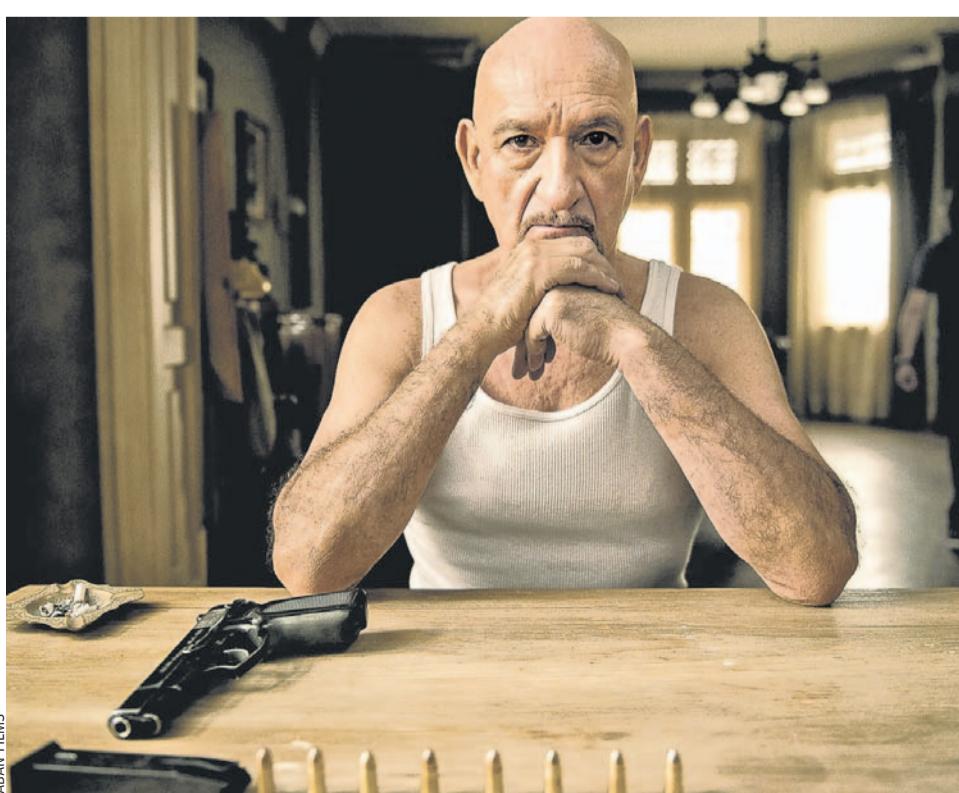
ally helping a shopkeeper foil a robbery. But like Mladic, he is a fugitive, hiding from his enemies and law enforcement authorities. Aside from a few loyalists who have helped prevent his capture, the General is suspicious of everyone he encounters.

So when a young housekeeper, played by rising Icelandic star Hera Hilmar, shows up to clean his apartment, he naturally expects the worst. The General holds her at gunpoint until he's convinced she is harmless. Though there is more to discover, he accepts her as a surrogate daughter figure and becomes more lax about his own security.

"The first question I had for Kingsley was: 'Are you going to be able to address this character from his point of view? Are you going to be able to not judge him?'" says Mr. Silberling, a 54-year-old Washington, D.C., native. "And he said 'Oh, dear boy, that's why we're sitting down.'"

The role is classic Ben Kingsley, which is

Please see KINGSLEY page A15



In 'An Ordinary Man,' Ben Kingsley puts a human face on a man wanted for war crimes.

LIFE & ARTS



WHAT'S YOUR WORKOUT?

The Core Of a Dancer's Routine

To get stronger, a professional ballerina builds a regimen around extreme balance exercises

BY PIA CATTON

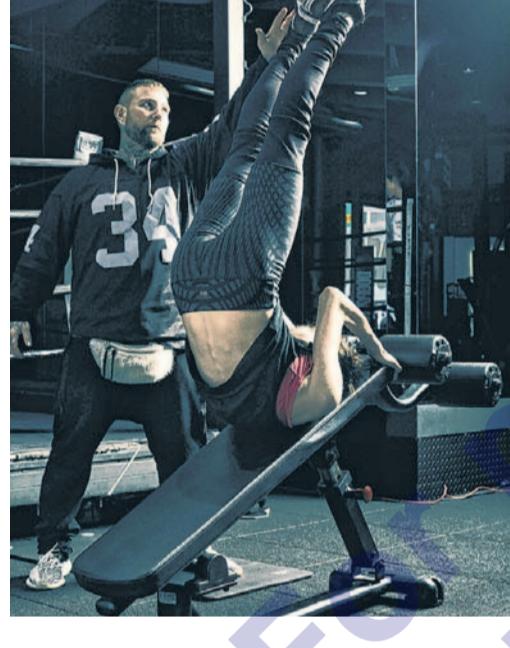
BALLET DANCER Kathryn Boren has long, thin legs that seem well-suited to ballet. But to rise to the top of American Ballet Theatre, she needs muscle. Lots of it.

Ms. Boren, 25, has been dancing professionally since 2009, first with ABT's junior company, then in Berlin and Boston. She returned to New York in 2015 for a coveted spot in ABT's corps de ballet, or ensemble. After her first season with the company, she decided to work on her strength and stamina like a pro athlete.

"Choreographers are asking for more athletic feats," which is making cross-training necessary for ballet dancers, she says. In turn, dancers are becoming increasingly intense and creative in their gym workouts (often shared on Instagram). "Everybody is blowing each other out of the water," she says.

Ms. Boren recognized that her tapered limbs needed work. "I have very flexible ankles. Ankle stability was an issue," she says, noting another enviable challenge: "I have very long legs, so it is hard to build muscle on them."

To reach those goals, she



chooses an intense routine centered around muscle-building legwork, core and upper-body strength. One go-to piece of equipment is the Bosu balance trainer, a platform with one side that's flat and one that's inflatable and round.

Ms. Boren is hitting a milestone this month as guest star of "Giellese" with Fort Worth's Ballet Frontier of Texas.

One day she may dance that role

Kathryn Boren catches a ball thrown by trainer Kirk Myers while balancing on a Bosu balance trainer, above, and elevates her legs, left.

at ABT. For now, she's in rehearsals ahead of ABT's annual spring season at the Metropolitan Opera House in Manhattan. Ms. Boren's current task is to improve so that when new roles open up, she is prepared to impress. Standing out in ensemble or supporting roles could mean a promotion to soloist, and from there to the highest rank of principal dancer.

The Workout
Ms. Boren's day typically begins with a ballet class at 10:15 a.m. with the company. During rehearsal weeks, ABT's dancers will run through coming ballets daily until 7 p.m. On a day off, Ms. Boren works out at the Dogpound gym in lower Manhattan for an hour of strength and fitness training. On breaks during her rehearsal days, she'll train on her own at an Equinox or at ABT.

When working on the balance trainer, she prefers the higher degree of difficulty, with the inflatable side down.

BOSU's website cautions cus-

tomers against doing this, but professional dancers have embraced it. Turning the soft part to the floor creates a wobbling surface that forces the body to engage the core for balance.

Ms. Boren started experimenting on the Bosu with a ballet movement called a "développé," the slow passage of one leg along the other, from the ankle, up the shin to the knee, followed by the leg extending away from the body, sometimes with the foot well above the head.

As a variation, she raises the heel of her standing foot. "Then I would do it with my eyes closed," she says. "It forces you to find your core and center of balance."

She started working out in 2015 with Dogpound owner and trainer Kirk Myers, who added hand-eye coordination activities, like catching a tennis ball while she stood on the Bosu with one leg extended. He says it helps her with choreography that pairs extreme physicality with mental tasks of acting and memory.

When another trainer suggested she try boxing while in the leg-extended position, she added gloves and pounded away at punching mitts. "It became a contest of who can come up with the most outrageous, most creative exercise," Ms. Boren says.

Workouts also consist of lunges

A Memo From the Better Balance Bureau



Better balance can improve almost any kinetic activity, from ballet to golf swings to walking. A number of simple core-strengthening exercises lead to improved balance, like planks or lifting the opposite arm and leg. But doing those basics on a reactive surface, instead of on firm footing, may enhance the process, even if you're not an elite athlete or professional dancer.

Kathryn Boren incorporates the Bosu platform and the Terra-Core into her workouts. Both have one firm side and one inflated side, introducing a higher degree of difficulty into even the most basic workouts.

The Bosu's soft side is dome-shaped, while the Terra-Core is oblong, allowing for more surface area and variation in exercises. Because the Terra-Core is long, both feet or hands can press flat into it.

These devices can add a degree of difficulty to an old-fashioned push-up or plank: Pressing your hands into a squishy surface forces the core to engage even more than on solid ground. The standard squat, for instance, is usually done on the even surface of a flat floor. With an uneven surface underfoot, the body searches for balance while bending and straightening the legs.

But no one should get carried away: Turning the equipment over, so the inflated side is down and the flat part is up, is for the highly advanced only.

on slide boards, jumping up on large boxes or balancing on another piece of equipment, the Terra-Core, which also has firm and inflatable sides, but in an oblong shape.

The Diet

Ms. Boren has a routine that she sticks to religiously during heavy rehearsal days. "For breakfast, I always have Greek yogurt with fruit and a bit of cereal on top," she says. "After class ends at 11:45, I always have a Quest bar."

After rehearsing from noon to 3 p.m., she has a turkey sandwich with an apple and banana and some kombucha. She keeps nuts in her locker for a snack during rehearsals. After rehearsals finish at 7 p.m., she heads home for dinner, typically vegetables and lean protein, with a glass or two of red wine.

The Gear

Ms. Boren's gear needs are minimal. Her greatest expense comes in the form of pointe shoes, which run about \$90 a pair. "I usually go through five or more pairs a week," she says.

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ART REVIEW

Watching a Painter Build His Career

BY MARY TOMPKINS LEWIS

London

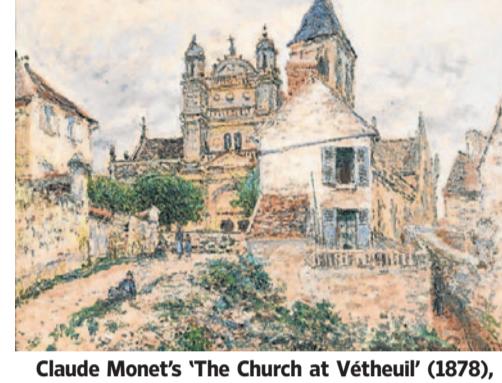
THE FRENCH Impressionist Claude Monet's paintings of landscape, lush gardens and the sea as captured in sunlight or through veils of atmospheric effects have largely defined our perception of his art and its appeal to modern viewers. Though scholars have studied his works through the lens of history or as harbingers of 20th-century abstraction, a fresh approach to Monet's exceedingly familiar painting has become a rare phenomenon. The National Gallery's "Monet & Architecture," organized by Prof. Richard Thomson of the University of Edinburgh, is one such event. The exhibition, in which 77 meticulously curated canvases (many rarely seen) trace a novel path through the painter's long career, substantially enriches the way one approaches and remembers the art of an artist we thought we knew.

Architecture mattered to Monet. It provided geometric structure and formal order for Monet's untamed natural vistas, and indispensable scaffolding on which to hang the evanescent effects he sought to capture on canvas. It could make recognizable a rural subject or urban street scene otherwise buried under the glimmer of his painterly touch, or establish a sense of time or a semblance of mood beyond the reach of his brush. Perhaps most evocative is the show's suggestion that architectural subjects could stimulate the artist's insatiable appetite for experimentation.

The exhibition opens with three galleries devoted to Monet's enduring engagement with the picturesque, an established tradition that valued irregularities in nature, and in architecture a resonance of time and rusticity. In his early image "The Lieutenant at Honfleur" (1864), painted in Normandy, heavy brushstrokes and scumbled paint surfaces highlight the haphazard profile of

the structure that incorporated remains of medieval fortifications. Likewise, in "The Hut at Sainte-Adresse" (1867), a rough, thatch-roofed shelter used by local fishermen and embedded in dense, shadowed vegetation serves as a foil to an expansive, sunlit view of the sea beyond.

Monet pursued his adoption of such modes in the Netherlands, where, after escaping to London with the onset of the Franco-Prussian War, he stayed for four months before returning to France. His productive period in exile, suggested on a



Claude Monet's 'The Church at Vétheuil' (1878), above, and 'Rouen Cathedral: The Portal (Morning Effect)' (1894), right

splendid gallery wall, drew on charming architectural motifs he encountered along Dutch rivers and canals, and also on the burgeoning market for the picturesque genre. "Houses on the Banks of the Zaan, Zaandam" (1871), for example, which plays up the curving gables of traditional Dutch design with a brightened palette, luminous filaments of painted white contours and watery reflections below, sold quickly upon his return home.

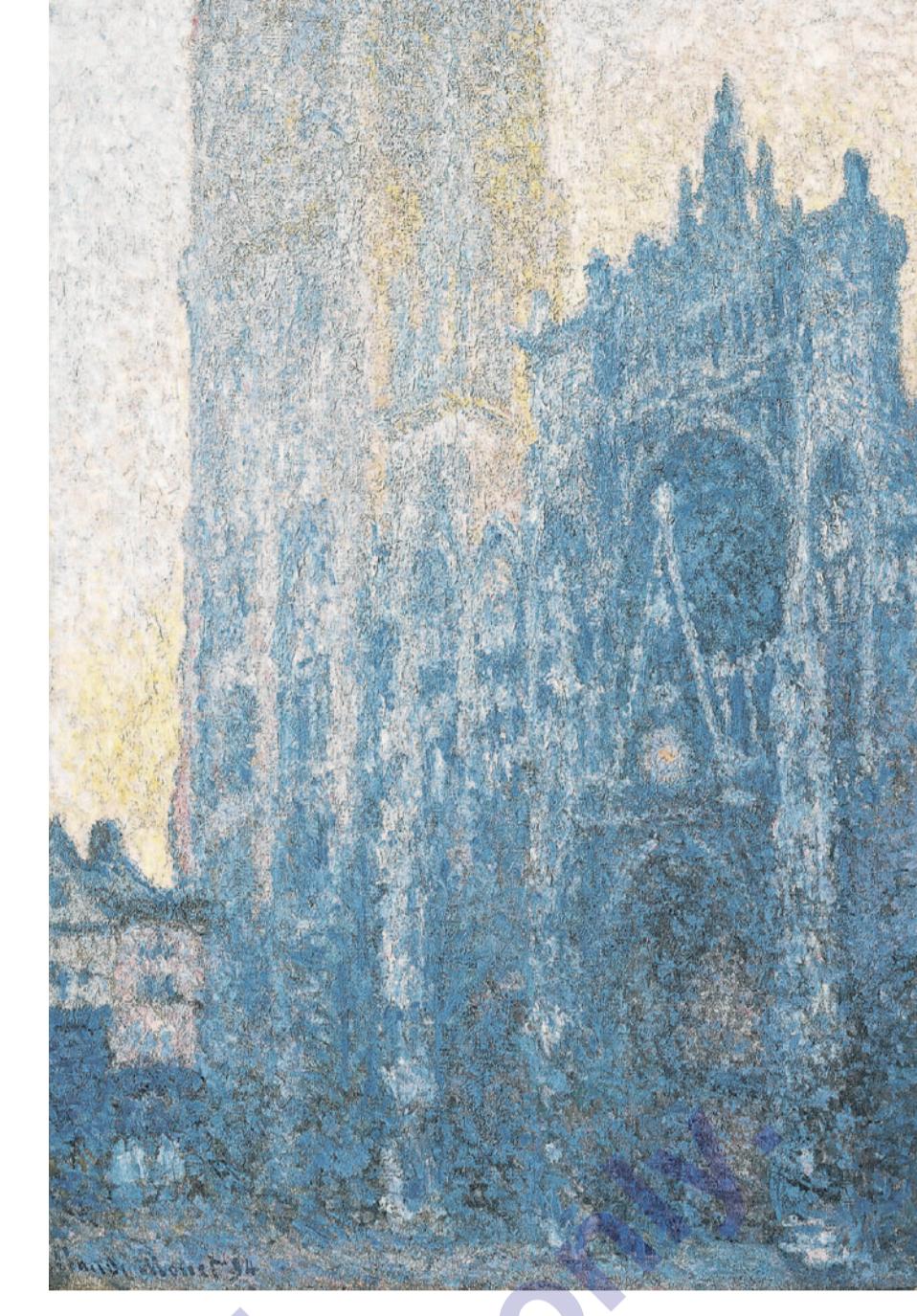
By 1878, the painter and his family had settled in Vétheuil, a village on the Seine northwest of Paris where Monet discovered, in its towering church, a picturesque medieval and Renaissance monument he would paint repeatedly. Two close-up, vertical canvases of 1878—rarely seen together—picture the imposing structure from behind, enmeshed in the narrow, rutted streets and ramshackle buildings in its shadow.

In more distant views, however, such as "Vétheuil in Winter" (1878-79)—a glistening study in cold whites and icy, crystalline blues—the soaring profile of the church

assumes, as it did in popular imagery and in everyday life, the august role of an identifying marker on the horizon. Similarly, on painting campaigns in Normandy a few years later, Monet produced a handful of variants of a picturesque little church perched precariously on the edge of a cliff in works that anticipate his later series. In his exquisite evening view of "The Church at Varengeville" (1882), Monet underscores the abrupt rise of the slanted, scrub-covered escarpment by capping it with the triangular geometry of the church steeple silhouetted against a roseate, crepuscular sky. In other paintings, the same motif viewed from sharply below draws together even more emphatically the vertiginous face of the cliff and the building above as parallel reflective surfaces on which to register the shifting sunlight.

Away from the picturesque, Monet's intermittent fascination with architecture briefly propelled his art into the present and Paris, showcased at the era's world's fairs as a modern civic model. In "The Quai du Louvre" (1867), for example, bustling crowds stroll along a sweeping new avenue against a backdrop of historic buildings and modern, commercial advertisements. But that celebratory moment was short-lived, as Monet's images of reconstruction after the Franco-Prussian war make clear. In "The Wooden Bridge, Argenteuil" (1872), temporary scaffolding supports the crippled structure and focuses Monet's view of the river, where commerce resumes, within an almost perfect octagonal frame. One of his most eloquent postwar paintings, it may reflect the pervasive national call for restoration and recovery.

Monet's final sustained engagement with architectural subjects, as seen in the last galleries, produced in the 1890s and the decade to follow his great series from Rouen, London and Venice. In front of Rouen Cathedral, the artist abandoned the pic-



FROM LEFT: NATIONAL GALLERIES OF SCOTLAND, EDINBURGH; FONDATION BEYLER, RIEHEN/BASEL; BEYLER COLLECTION

turesque mode to zero in on its clifflike west facade, as sculpted in buttery sunlight or dissolved in moody, late-day shadows. In London, in "The Houses of Parliament, Stormy Sky" (1904) and other works, Monet balanced the consistency of grandiose architecture along the Thames with the mercurial effects of the city's fog, smoke and weather. And in

Venice, Monet captured its glorious past in luminous views of buildings along the Grand Canal, and also its *fin de siècle* conception as melancholic in such dreamlike works as "The Palazzo Contarino" (1908), where his architectural subject appears deserted and tomblike under morose, purple shadows.

In its beautifully sketched chronology, the exhibition

takes us right to the gate of Monet's Giverny, where the edenic built environment that would consume his final years would be of his own making.

Monet & Architecture
The National Gallery, through July 29

Ms. Lewis teaches art history at Trinity College, Hartford, Conn.

KINGSLEY

Continued from page A13
to say a contradictory and complex title character. Ornery and vulnerable, this menace to society is unexpectedly endearing.

"I always have to surprise my director, as well as myself," says the 74-year-old English actor. "Because if I can't surprise my director, I cannot surprise the audience."

What's the surprise in "An Ordinary Man"?

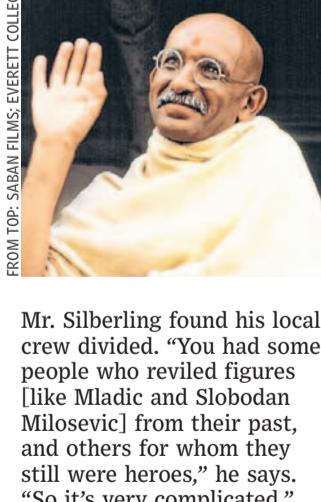
Maybe, Mr. Kingsley lets on, it's "presenting something that is—how can I put it?—alarmingly ordinary. I've read of people in the news where they found bodies in their garden, and their neighbors say 'Yeah he was a nice bloke. I used to have a drink with him down the pub.' I don't think it serves the audience's intelligence to demonize a demon."

With a main character so closely resembling a man who led his forces in a brutal inter-ethnic conflict that left tens of thousands dead, the film treads on sensitive ground. It has received a higher than normal proportion of 1 and 10 scores on IMDb by users—often a sign that the voting is influenced by factors beyond the quality of the movie. Angelina Jolie's 2011 film "In The Land of Blood and Honey," also about the Bosnian war, is an extreme example of this partisan rating effect, with 19.5% of users voting for a 10 rating, and 58.1% for a 1. The majority of votes came from non-U.S. users.

While filming in Serbia,



Mr. Kingsley, who won an Oscar for his portrayal of Gandhi, stars with Hera Hilmar in the film.



Mr. Silberling found his local crew divided. "You had some people who reviled figures [like Mladic and Slobodan Milosevic] from their past, and others for whom they still were heroes," he says. "So it's very complicated."

But the director "wasn't so interested in the politics as how do human beings justify acts—and in the end can they crack themselves open to any sort of remorse?" he says.

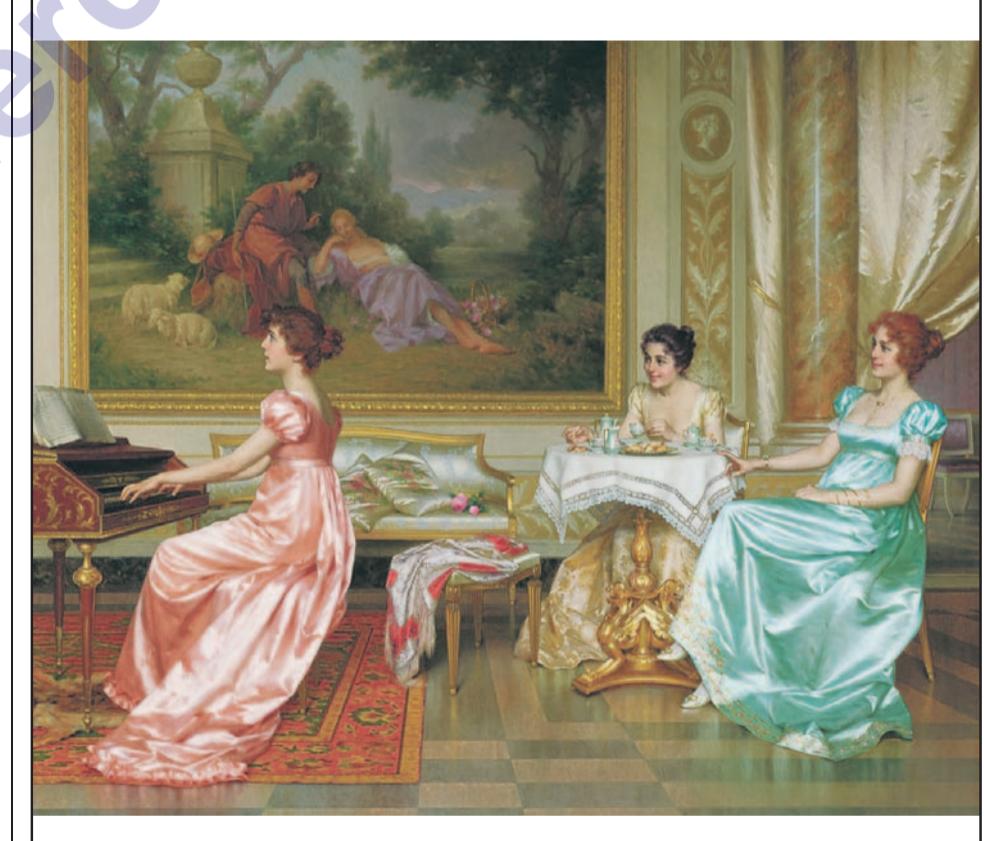
Mr. Silberling calls the General the sum of Mr. Kingsley's screen roles. "You've seen him as Gandhi and as a rabid dog unleashed in 'Sexy Beast.' You've seen him rage, and you've seen him go invisible in the corner of the room," he says.

Mr. Kingsley has embodied polar opposites throughout his career—sometimes

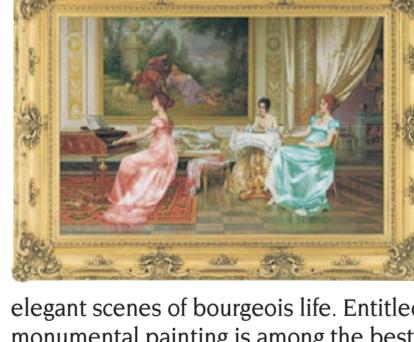
within one role. In the 1994 film "Death and The Maiden," he is a meek and chummy doctor who just might be the tormentor who tortured Sigourney Weaver as a political prisoner years before. In Martin Scorsese's "Hugo" (2011), he's mean and angry Georges Melies, who is also the father of fantastical and whimsical movies.

In 2014, he played both an Egyptian pharaoh and a Hebrew slave. In "Schindler's List" (1993), he was Itzhak Stern, a Jewish accountant aiding a Holocaust rescue, and in the coming film "Operation Finale," currently scheduled to be released this fall, he will portray Nazi officer Adolf Eichmann.

"There is a terrible cocktail of cruelty and sentimentality that haunts the European psyche, and rears its hideous head quite frequently," says Mr. Kingsley. "I am very sensitive to European history—as you know from the films I've made—so I could incorporate that balance of cruelty and sentimentality into the character."



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SPORTS

BASEBALL

Ohtani Is Nearly Perfect Against the A's

BY JARED DIAMOND

Shohei Ohtani arrived in the major leagues as a curiosity, a white-hot supernova of raw talent that nobody in the baseball world quite knew what to make of. He joined the Los Angeles Angels from Japan hoping to do something hardly attempted—let alone achieved—in a century: excel as a hitter and a pitcher at the same time.

A disastrous spring training in which he posted a .125 batting average and 27.00 ERA only intensified the skepticism surrounding Ohtani, even raising questions about whether he should begin his career in the minors. But now, just over a week into the regular season, Ohtani has emerged as the sport's most compelling storyline—and its biggest sensation.

In his second outing on the mound, Ohtani flirted with perfection, retiring the first 19 batters he faced in the Angels' 6-1 win over the Oakland Athletics on Sunday. Ohtani finished with 12 strikeouts over seven dominant innings, overpowering the opposition with a dazzling array of fastballs that touched 100 mph and practically un-touchable splitters. The 23-year-old right-hander allowed just the one hit and a walk, exiting to a standing ovation from the sell-out crowd of 44,742 at Angel Stadium after punching out Matt Olson to end his day.

For much of the afternoon, Ohtani looked almost invincible, requiring 91 pitches to record his 21 outs.

All of this comes after a remarkable week for Ohtani at the plate, in which he homered in three consecutive games as the Angels' designated hitter. The last player to homer three times between starts in a season was Babe Ruth in 1919.

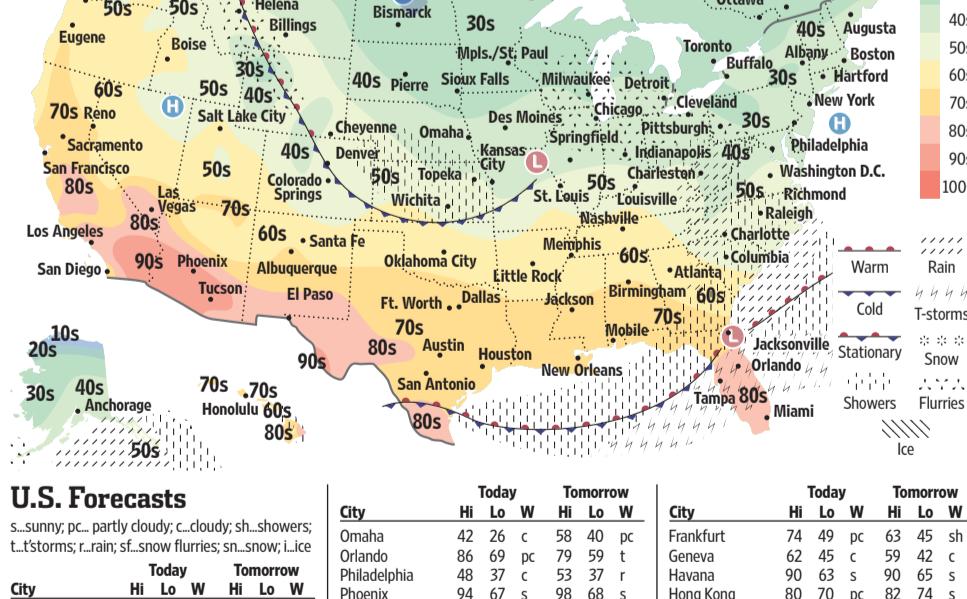
Ohtani will likely sit out Monday before returning to the lineup Tuesday in Texas. But if this continues, the comparisons to Ruth will only grow louder, mostly because there really is nobody else to compare him to at this point. Suddenly, Ohtani is nothing short of must-watch television whenever he steps onto the field—and the impossible seems like a reality.



Shohei Ohtani retired the first 19 batters he faced in the Angels' 6-1 win over Oakland.

Weather

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



U.S. Forecasts

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

Today Hi Lo W **Tomorrow** Hi Lo W

City

Anchorage 47 39 c 49 36 pc

Atlanta 61 48 r 67 44 pc

Austin 73 55 c 78 48 pc

Baltimore 45 37 c 56 34 pc

Boise 61 45 s 66 44 c

Boston 46 34 pc 46 33 c

Burlington 41 28 pc 46 27 sn

Charlotte 55 40 c 66 45 pc

Chicago 41 30 sn 46 36 pc

Cleveland 42 28 sn 45 31 sn

Dallas 70 48 c 73 53 s

Denver 56 33 pc 70 46 pc

Detroit 42 31 sf 47 31 pc

Honolulu 79 72 pc 81 72 pc

Houston 74 55 c 78 52 pc

Indianapolis 47 31 c 48 31 pc

Kansas City 48 23 pc 54 45 pc

Las Vegas 83 60 s 90 68 pc

Little Rock 66 41 s 65 40 s

Los Angeles 88 62 s 82 60 pc

Miami 89 71 pc 87 69 pc

Milwaukee 39 29 sn 45 36 pc

Minneapolis 39 23 c 43 29 pc

Nashville 63 39 pc 61 36 pc

New Orleans 74 59 c 75 54 pc

New York City 47 37 pc 48 38 r

Oklahoma City 64 36 s 67 49 s

Edinburgh 54 41 p 45 41 sh

Today Hi Lo W **Tomorrow** Hi Lo W

City

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Athens 72 53 p 72 52 t

Baghdad 89 65 s 88 62 t

Bangkok 94 77 s 96 79 s

Beijing 69 49 pc 75 48 s

Berlin 70 51 pc 72 53 pc

Brussels 68 52 p 61 46 c

Buenos Aires 79 69 c 84 65 pc

Dubai 92 76 pc 93 77 pc

Vancouver 53 43 sh 48 44 c

Warsaw 76 49 pc 56 44 r

Zurich 67 45 sh 51 51 sh

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Geneva 62 45 c 59 42 c

Havana 90 63 s 90 65 s

Hong Kong 80 70 pc 82 74 s

Istanbul 59 47 c 64 50 pc

Jakarta 89 74 t 92 77 pc

Jerusalem 64 47 s 60 47 t

Johannesburg 75 56 pc 74 53 t

London 55 48 sh 59 45 sh

Madrid 48 43 sh 47 39 r

Manila 91 80 c 92 80 pc

Melbourne 76 57 pc 85 60 pc

Mexico City 80 56 pc 77 55 pc

Milan 58 48 r 56 45 sh

Mumbai 92 79 pc 90 81 pc

Paris 60 48 sh 58 46 sh

Rio de Janeiro 86 72 s 86 72 s

Riyadh 92 69 s 91 71 t

Rome 62 50 r 65 50 pc

San Juan 85 75 pc 85 76 sh

Seoul 58 46 pc 69 48 c

Shanghai 77 59 s 83 63 s

Singapore 88 79 pc 90 78 c

Sydney 89 67 s 77 67 pc

Taipei City 85 63 s 87 68 pc

Tokyo 69 50 s 65 57 r

Toronto 38 25 c 42 26 sf

Vancouver 56 46 pc 56 44 r

Warsaw 76 49 pc 75 51 sh

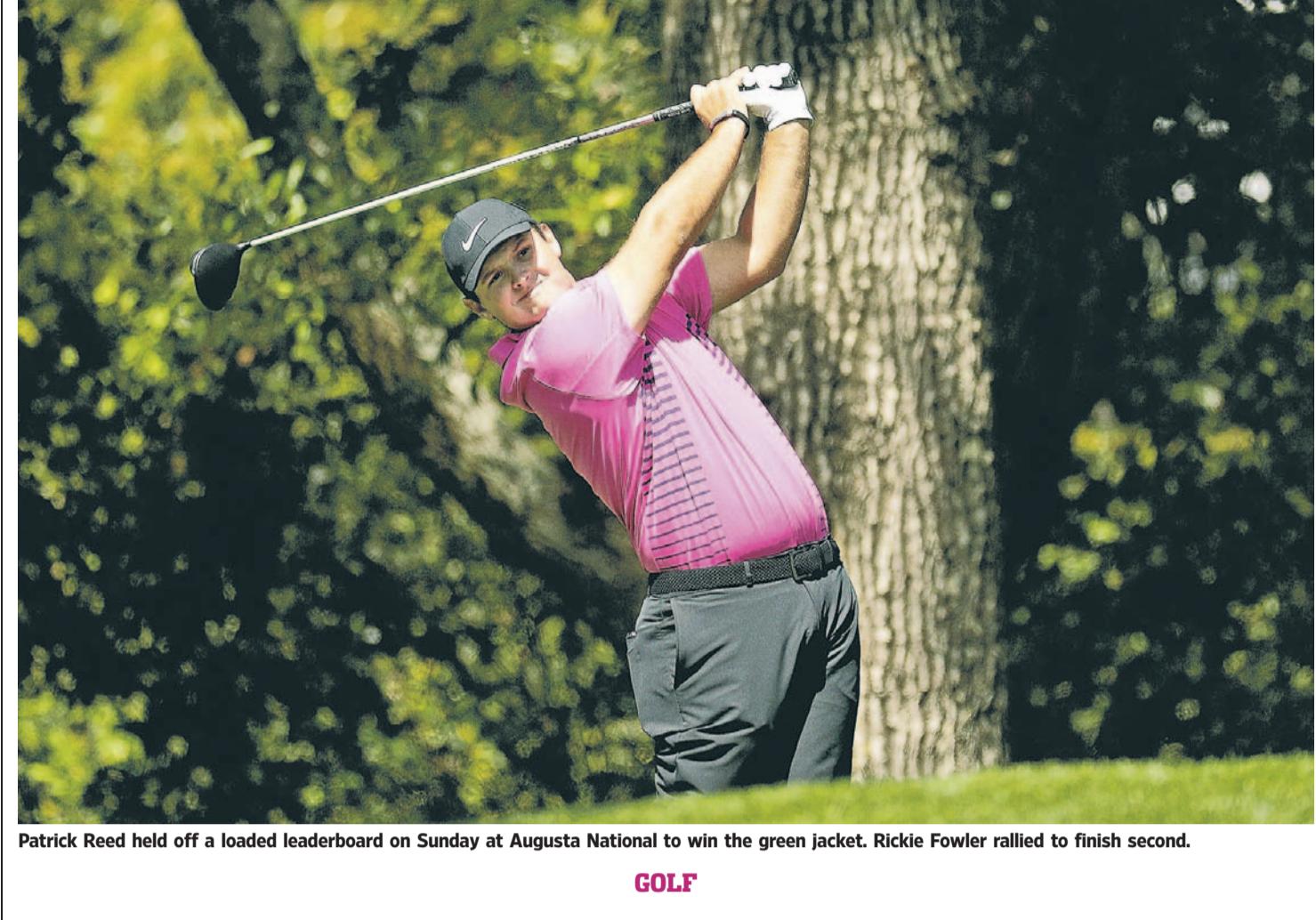
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SPORTS



PATRICK SMITH/GETTY IMAGES

BY JARED DIAMOND

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Patrick Reed held off a loaded leaderboard on Sunday at Augusta National to win the green jacket. Rickie Fowler rallied to finish second.

GOLF

Patrick Reed Wins the Masters

The 27-year-old from Texas finished at 15 under par to claim his first career major title

BY BRIAN COSTA

AUGUSTA, Ga.—The polite patrons of Augusta National Golf Club do not root against any golfer. Not openly, anyway. But by their reactions to him and everyone chasing him, they made their preference clear: Patrick Reed is not the player they wanted to win the Masters.

Rory McIlroy was the superstar chasing the career grand slam. Jordan Spieth was the golden child chasing a historic comeback. Rickie Fowler was the fan favorite striving for his first major title.

What Reed won over all of them on Sunday was not widespread affection. It was respect. The 27-year-old from Texas held off a loaded leaderboard below him to win the Masters, finishing at 15 under par to claim his first career major title. Fowler finished one shot back, coming oh-so-close at yet another major. Spieth shot a 64 to charge back after starting the day nine shots off the lead but finished third, at 13 under.

McIlroy, who was in the final pairing with Reed, finished with a disappointing 74 and remains without a major championship since 2014.

"We did everything we could," Fowler said. "Patrick went out there and outplayed all of us."

Reed has been something of a heel in the golf world since 2014, when he drew ridicule for declaring himself one of the five best players in the world. This was before he had even appeared in a major championship.

His brashness made him a favorite at the 2016 Ryder Cup, where he led the U.S. to

victory. But the courteous applause he received here paled in comparison to the roars directed at his chief rivals.

When Reed left the practice green for the first tee, he hugged his wife, Justine, and was mostly left alone. Then McIlroy followed to a huge ovation, high-fiving a stream of people along the way.

"His cheer was a little louder," Reed said. "But that's another thing that played into my hand. Not only did that fuel my fire a little bit. It takes the pressure off of me and takes it back to him."

Reed has long thrived with a me-against-the-world mentality, even when it is as much his own creation as a reflection of reality. During his post-tournament news conference, his green jacket still fresh on his shoulders, Reed dutifully noted that most television analysts picked others to win Sunday, even as he teed off with a three-shot lead. He even named the one analyst who picked him. But the role suits Reed.

"No one expects me to go out and win," he said. "I expect me to go out and win."

A native of San Antonio, Reed in 2015 became just the fourth player in the last two decades to win four times on the PGA Tour before his 25th birthday.

"It's been kind of a major championship hump that he's had to get over and play the way he knows how to play," Spieth said.

On the 16th hole, Spieth sank a 33-foot birdie putt to grab a share of the lead. A historic comeback was within reach: No golfer has ever rallied from more than eight shots down on the final day to win the Masters. When the leaderboard near the 18th hole was updated to show Spieth at 14 un-

der par, the crowd gathered around the green erupted in celebration. But Spieth's hopes dwindled with a bogey on the 18th hole, where his tee shot was

OPINION

If Trump Meets Castro

AMERICAS
By Mary Anastasia O'Grady

Donald Trump got to the Oval Office in part because of his willingness to buck conventional narratives. When he addresses the eighth Summit of the Americas in Lima, Peru, Saturday he has a unique opportunity to live up to that reputation by telling the truth about Cuba's totalitarian military dictatorship to a room full of people who would rather he not bring it up.

Many victims of the Castros' revolutionary misery will be looking to the U.S. president for moral clarity on the giant crime against humanity that is Cuba, but none more than the long-suffering Cubans themselves, who are trapped on the island slave plantation and ignored by their regional brethren.

The Americas summit is almost a caricature of the classic hot-air convention. Every few years, since 1994, it gathers most of the leaders of the 34 members of the Organization of American States. There's lots of eating and drinking to go along with the posing and pontificating for domestic consumption back home. But results are unimpressive. Despite an OAS democratic charter adopted in Lima in 2001, the Cuban disease has spread to Venezuela, Bolivia and Nicaragua.

This year the double talk will be especially hard to take. The systematic starvation of

the Venezuelan people, and the refugee crisis it has spawned, isn't only embarrassing for a bunch that pays lip service to human rights. It is also inconvenient since so many of the wretched exiles are now turning up on neighboring doorsteps.

To signal its dissatisfaction with the Caracas regime that has been violating civil liberties since the early 2000s, the "Lima Group"—Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Guyana, Honduras, Mexico, Panama, Paraguay, Peru and St. Lucia—disinvited Venezuela to this year's summit. This is progress and ought not go unappreciated.

Yet while Venezuela's bus-driver-cum-dictator, Nicolás Maduro, won't be sipping pisco sours and spooning ceviche in the Peruvian capital next weekend, the full OAS has decided that Raúl Castro, the mob boss who orchestrated the collapse of Venezuelan democracy, is most welcome.

This will go down in history as one of the most gutless decisions the region has taken in modern memory—and there's a lot of competition. The Castro record is clear: Millions of Cubans have been summarily shot, hanged, drowned, poisoned, starved, imprisoned, tortured, sent to concentration camps, enslaved and exiled. Cubans have been stripped of their property, their right to raise their children and their freedom of conscience and religion.

Mythmakers' claims about

superior health care and education have been shot full of holes. Hospitals are run-down, unsanitary, and lacking basic medical supplies, linens and food. Many countries in the region have made far greater strides in literacy in the past half-century than Cuba, and they did it without putting their people in chains.

At the Lima summit, the president can tell Raúl what the State Department won't.

There is no way to sugar-coat the horror. Notwithstanding President Obama's effort to give Raúl an image makeover during a U.S. presidential visit to the island in 2016, the brutality persists. By some measures it has grown worse as Fidel's 86-year-old little brother prepares to step aside from the presidency on April 19. He is widely expected to hand the official title to Miguel Diaz-Canel, though Raúl will still head the Communist Party.

The passing of the night-stick will be risky for the police state. As Cuban-born writer Carlos Alberto Montaner, president of the Miami-based Interamerican Institute for Democracy, observed last week in a website post, Cuban material privation—from food to drinking water to housing, clothing and transportation—is dire. But there is also "the constant fear, the absence of

rights and the unpleasant need to lie, a need all Cubans have in order to survive in a totalitarian society." The raw failure of the system, Mr. Montaner wrote, implies something has to change as the Castro boys fade to black.

The dictatorship's elite understand this, which is why they are doubling down on the repression. The Center for a Free Cuba reports that more than 5,100 dissidents were arrested in 2017. Eduardo Cardet Concepción, a medical doctor and leader of the Christian Liberation Movement, has been in prison since November 2016. He is accused of failing to respect "the comandante." Amnesty International has named him a prisoner of conscience. In December he was beaten and stabbed by other prisoners.

Members of the dissident group Ladies in White are thrashed in the streets, dragged on the pavement and often detained when they try to attend Sunday Mass. In March the group's leader, Berta Soler, was denied permission to leave the country. Havana has blocked human-rights advocates from traveling to Lima.

The State Department could have objected to Castro's attendance and made other members explain their support. Instead Foggy Bottom has signaled complicity through silence. Many are hoping that President Trump will speak out, with the added benefit that he can deliver the message to Raúl personally.

Write to O'Grady@wsj.com.

BOOKSHELF | By Adam J. White

Liberty, Incorporated

We the Corporations

By Adam Winkler

(Liveright, 471 pages, \$28.95)

Corporations are people, too. At least that was Gov. Mitt Romney's argument in 2011, at the Iowa State Fair. Responding to a heckler's call to raise taxes on corporations instead of people, he replied: "Corporations are people, my friend. . . . Everything corporations earn ultimately goes to people. Where do you think it goes?" Mr. Romney had stumbled into an enduring debate, which turns on basic definitional questions: Is a corporation an artificial "person" with rights and duties independent of its members? Or is it a collection of people associating with one another? And, in turn, what constitutional rights protect it? As UCLA law professor Adam Winkler details in "We the Corporations," the controversy is as old as the republic itself.

The Constitution makes no express reference to corporations, yet the Supreme Court quickly faced questions of "corporate personhood." In *Bank of the United States v.*

Deveaux (1809), the congressionally chartered Bank of the United States sought relief in federal court against Georgia's punitive anti-bank tax scheme. Georgia claimed the bank could not sue in federal court because a corporation is not a "citizen" within the meaning of the Constitution, which establishes federal jurisdiction over controversies "between citizens of different states." But the Court, led by national-power proponent John Marshall, rejected Georgia's argument. Explaining that the court was obliged to "look beyond the corporate name and notice the character of the individual," Marshall concluded the suit could be heard, because its "members" were themselves citizens.

To use a term of art that developed later, the Court had "pierced the corporate veil." Yet, while today we think of "piercing the corporate veil" as a tactic employed by people who sue corporations, the Marshall Court pierced the corporate veil to protect the corporation, saving it from the vicissitudes of local judges and juries—a maneuver that Marshall would repeat a decade later in *Dartmouth College v. Woodward* (1819), when the court held that New Hampshire's attempt to abrogate the college's corporate charter violated the Constitution's protection of contracts.

Dartmouth's lawyer in that case, Daniel Webster, figures prominently in the narrative of Mr. Winkler, who calls him a "corporationalist," alongside Chief Justice Marshall and Alexander Hamilton, among others. Hardly bad company, one would think. But the author's sympathies lie with the "populists" who championed state efforts to expropriate corporations' increasingly vast wealth. "We the Corporations" thus leads readers to surprising places, especially when Mr. Winkler turns to Marshall's successor as chief justice, Roger Taney, calling him a "populist and a corporate reformer."

True, Taney reversed Marshall's approach, treating corporations as artificial persons rather than as associations of natural persons and then holding that corporations lacked the constitutional protections that natural persons possess. But Mr. Winkler's narrative creates a jarring juxtaposition: Taney, infamously the author of the Supreme Court's pro-slavery *Dred Scott* decision, is cast as a hero.

A law professor writes that American courts had been debating the 'rights' of corporations long before the *Citizens United* decision.

Mr. Winkler concedes that "slavery tainted Taney's legacy" and calls *Dred Scott* "one of the worst decisions in Supreme Court history." He also sees a contradiction in Taney's treatment of corporations and blacks: Taney "thought blacks were not legal persons but corporations were." But he neglects to consider that his thinking in both cases have much in common: Taney consistently championed the efforts of states to forcibly extract value from politically disfavored targets—blacks and corporations alike.

After the Civil War, the rise of American corporations, both for-profit and nonprofit, proved crucial to the growth of the nation's economy and the development of its legal system. Newspapers resisting Louisiana Gov. Huey Long spurred judicial protection of free speech. Later the NAACP, a nonprofit corporation, vindicated not just the 14th Amendment's right against segregation but also the right to freedom of association, which prevented Alabama from compelling the corporation to disclose its confidential membership list.

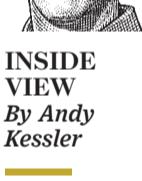
Even in the 1970s, Mr. Winkler explains, the American Civil Liberties Union "led the challenge to the Watergate era reforms" to campaign-finance laws, arguing that limits on campaign spending violated the First Amendment. But by the time the Supreme Court decided *Citizens United v. FEC* (2010), a challenge to the 2002 restrictions on corporate-funded criticism of elected officials, progressives had ceased supporting corporate constitutional rights. Indeed, "*Citizens United*" became a rallying cry against corporate rights. Ironically, the court's opinion, Mr. Winkler notes, "obscured the corporate entity and emphasized the rights of others, like shareholders and listeners."

Throughout his narrative, Mr. Winkler describes corporations as "constitutional first movers." It is a generous sentiment but not entirely accurate. Often the true first mover was a government asserting coercive power; the corporations who defensively asserted constitutional rights were "second movers," or perhaps "first responders."

It is possible that the court's decision in *Citizens United*, bolstered by Hobby Lobby's successful challenge, on religious-liberty grounds, to ObamaCare's contraception mandate, has cemented the status of corporations as "persons" enjoying broad constitutional liberty. If so, those now denouncing the court for such pro-corporate decisions might find themselves happily adapting to the new normal. Mr. Winkler's book teaches that the history of corporate rights is replete with ironies. The next great irony may be progressives welcoming the political support of corporations in support of liberal causes, from climate change to gun control. Louis Brandeis, the greatest Progressive Era reformer, warned against corporate executives spending "other people's money" for their own ends. It is still a problem, but the political tables seem to be turning.

Mr. White is a research fellow at the Hoover Institution and director of the Center for the Study of the Administrative State at George Mason's Antonin Scalia Law School.

A Better Way to Make Facebook Pay

INSIDE
VIEW
By Andy Kessler

Facebook has been on fire lately—but not in the way it usually is. Its stock is melting and congressional grandstanding (i.e., hearings) about privacy and security begins Tuesday. Facebook is a threat to democracy and society, critics now argue. I've lost track of how many professors are demanding the feds regulate or even break up the social-media giant. Don't they teach classes anymore?

Apple CEO Tim Cook joined the pile-on last month: "I think that this certain situation is so dire and has become so large that probably some well-crafted regulation is necessary." Be careful what you wish for. Sure, no one wants Russian bots controlling their minds, but targeting consumers' minds based on detailed demographic information isn't new. Bud Light has perfected it. Dilly dilly.

Techies have an expression for Facebook's model. It's "free as in beer"—in the sense of costing no money. You pay in other ways. I propose a simple fix. Let's flip the whole thing—make it about property rights, 21st-century style. America was built on property rights. Congress can deliberate for 90 seconds and then pass the Make the Internet

Great Again Act. The bill would contain five words: "Users own their private data." Finis.

Contrast this with the European Union, which adopted its General Data Protection Regulation in 2016. It is more than 250 pages of confusing rules, exceptions and fines. But it doesn't change the flawed model of today. It only adds regulations that make the situation even more confusing.

What would the world look like under the Make the Internet Great Again Act? If you upload to Facebook photos from your last beach vacation—though please don't—you still own them. But if I go to your page, zoom in to see whom you're drinking with, click on a nearby ad, message you about it, or even "Like" it, that information about me should remain private too. I should still own it. Same for whatever I search on Google or buy on Amazon. I control it.

Facebook would store this info in a virtual locker, and users would control access. The social network already has this data. It simply needs to corral it into two billion virtual lockers. It'd take an overnight hackathon to implement, really. Each user could then share or not.

But if you don't share, Facebook can't do its magic and provide a robust News Feed. It will be all cat videos, all the time. Similarly, Google can't provide pertinent search

results, which, like prizes on "The Newlywed Game," are selected especially for you.

You're going to want to share. Here's the good news: Facebook is going to pay you to share. Then they'll turn around and charge you a similar amount to cover the cost of servers, electricity, coders and Mark Zuckerberg's hoodies. This way they can still show Wall Street the profits it expects. Worth it? Your call.

A simple law—"Users own their private data"—would make social media great.

Now users' wants and desires are no longer free for the taking, even though nothing, except who owns the data, has changed. At last, consumers get an economic proposition to decide how to use services like Facebook. Put a price on it. Facebook can still anonymously aggregate collective likes and interests so advertisers can reach people with similar tastes. That's what TV networks do. But every time someone opens your locker to determine your individual wants, money changes hands and you get some of it.

This is where it gets fun. Facebook would provide a sliding scale for sharing. The more information you deem shareable, the more you earn. This should be simple: I own it, you can rent it.

With the accusation of white privilege. The aim seems to be to establish guilt, not build understanding.

As I see it, the main goal of discussing white privilege should be to promote a more complex and nuanced view of the world so that, for example, it would be difficult for one of my white peers to drive through the Washington neighborhood where I grew up and say: "What's wrong with those people?" People of all races should aim to understand the range of attitudes and perspectives on race that make the issue a difficult one.

Often that's not how activists approach it. "I'm not interested in talking to white people who aren't woke," one student told me. When I asked him to clarify, he said: "Ain't no white person earning my trust unless they admit to being racist and apologize on behalf of their ancestors."

The Cudgel of 'White Privilege'

By Zachary Wood

White people need to be checked, Zach. End of discussion."

I was talking with an Ivy League historian, a fellow African-American, about "white privilege." I asked if his goal was to antagonize or to promote dialogue.

"Do you know who I am?" he demanded. "I've been helping black people longer than you've been alive. I'm telling you what I know: Lecturing these white kids is only the beginning."

Is it really necessary to be so aggressive?

"Listen, I don't give a damn. I'm not interested in negotiating with racists."

I tried to close the conversation cordially, saying I'd have to reflect on the issue. But when I extended my hand, he looked at it, looked up at me, and then walked away.

Does white privilege exist?

Sure. If you're white and you excel at academic or other cognitively demanding endeavors, for example, the light of your success is never dimmed by speculation about whether you benefited from affirmative action.

I'm not interested in negotiating with racists,' an Ivy League historian told me.

White privilege has become the target of many initiatives in higher education. The goal, advocates say, is to fight racism and promote justice. Yet the practice often doesn't seem constructive. In my college career, I've spoken to many peers and professors who insist adamantly that any conversation about race in America should begin and end

with the accusation of white privilege. The aim seems to be to establish guilt, not build understanding.

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Mr. Wood, a senior at Williams College, is a former Robert L. Bartley Fellow at the Journal.

OPINION

REVIEW & OUTLOOK

Trump Defeats Assad . . . on Twitter

President Trump on Sunday joined those denouncing Saturday's chemical gas attack in Syria against an opposition stronghold that included civilians. The question is whether Mr. Trump is now going to settle for the outrage-by-Twitter that defined the Obama Administration's security strategy. Remember Michelle Obama's #BringBackOurGirls tweet about Boko Haram in Nigeria?

"Many dead, including women and children, in mindless CHEMICAL attack in Syria. Area of atrocity is in lockdown and encircled by Syrian Army, making it completely inaccessible to outside world. President Putin, Russia and Iran are responsible for backing Animal Assad. Big price . . . to pay," Mr. Trump said in back-to-back tweets on Sunday. "Open area immediately for medical help and verification."

His rhetorical bombs are correct, but the battle-damage assessment around Bashar Assad's presidential compound in Damascus is negligible. Why should Assad think he'll "pay" any price, much less a big one?

Mr. Trump did launch a cruise-missile attack on a Syrian air base last April after Assad's forces used sarin gas against the opposition in Idlib Province. That was a welcome change from the Barack Obama-Ben Rhodes passivity. But it was a limited and one-time response, as Assad and his patrons have apparently recognized. A serious response would have taken out Assad's entire air force.

In the last year Assad has turned to using chlorine gas, which appears to be the agent that was used Saturday. Relief forces said they found families suffocated in their homes with foam around their mouths in the town of Douma, and the Syrian American Medical Society told the Associated Press that survivors treated at clinics smelled strongly of chlorine. The attack is believed to have killed at least 40.

In January a chlorine gas attack in East Ghouta, another opposition area, killed more than 20, mostly children. The U.S. State Department denounced that attack and blamed Moscow for violating its 2013 agreement with Mr. Obama at the United Nations to eliminate chemical weapons from Syria.

But social media won't stop the use of chemical weapons in Syria.

"There is simply no denying that Russia, by shielding its Syrian ally, has breached its commitments to the United States as a framework guarantor," said then Secretary of State Rex Tillerson. But no enforcement followed, and Assad got the message that he would pay no price.

He may also have got Mr. Trump's recent message that the U.S. President wants nothing more than to withdraw all U.S. forces from Syria as soon as possible now that Islamic State is dispersed from its Raqqah stronghold. "I want to get out. I want to bring our troops back home," Mr. Trump said last week at a White House news conference with leaders of the Baltic nations. He added on a recent trip to Ohio: "We'll be coming out of Syria, like, very soon. Let the other people take care of it now."

Those "other people" include Assad, backed by Vladimir Putin and Qasem Soleimani, head of Iran's Islamic Revolutionary Guard Corps. When they hear Mr. Trump say he can't wait to get out of Syria, why shouldn't they conclude that they can get away with anything, including the use of chlorine gas?

The chemical weapons episode is typical of the contradiction between Mr. Trump's rhetorical foreign-policy goals and the means he's willing to employ to achieve them. He delivered a fine speech last year promising to deter Iran's ambitions to dominate the Middle East, but he's doing nothing to stop Iran from establishing a new military presence in Syria on Israel's border. He wants to be seen as stronger than Mr. Obama in punishing the use of chemical weapons, but he has tolerated Assad's use of chlorine gas without consequence for months.

Mr. Trump seems to understand the point, at least when it comes to Mr. Obama. "If President Obama had crossed his stated Red Line In The Sand, the Syrian disaster would have ended long ago! Animal Assad would have been history!" he tweeted on Sunday. But Mr. Trump is the President now.

The hard truth is that only hard power can prevent dictators like Assad from using WMD against their citizens. If Mr. Trump doesn't want to be dismissed as easily as Mr. Obama was, he'll have to do more than tweet.

The New Science of Smog

Liberals are claiming that the Trump Administration's plans to roll back the Obama fuel-mileage rules will increase pollution. Perhaps they should read up on the latest scientific evidence about the sources of air pollution.

A recent study in the journal *Science* traced and measured volatile organic compounds (VOCs) in Los Angeles. In the presence of sunlight, these compounds react with NOx to form ozone and smog. Car exhaust was once a greater relative contributor of VOCs and NOx, but engines are now much cleaner.

Researchers at the University of Colorado found that petroleum-based chemicals such as those found in deodorant, soap, hair spray, household cleaners, pesticides and other commercial products account for about half of VOCs emissions in industrial cities. Gasoline fuel and exhaust make up about 32%.

Environmentalists have long blamed L.A.'s car-driving culture for its smog. But even if most gas-burning vehicles were replaced by

electric cars, L.A. would still have a smog problem because of its pollutant-trapping topography and sunny weather.

Other things pollute the air more than gasoline exhaust does.

blame for the blue haze in the Appalachian Mountains. When Ronald Reagan quipped that trees cause more pollution than automobiles do, he had a point.

Another big source of pollution: Dirt. According to a recent study in the journal *Science Advances*, cropland and natural sources contribute up to 40% of California's NOx emissions—about 10 times as much as the California Air Resources Board has estimated. Motor vehicles make up about 30%.

The real target of the green regulators of course are automobile carbon emissions, but those don't contribute to dirty air. More rational mileage standards won't mean more smog.

The Justice Stonewall Continues

Hours after we published an editorial Friday about the Justice Department's refusal to turn over a document subpoenaed by the House Intelligence Committee, Chairman Devin Nunes (R., Calif.) received an official response from Assistant Attorney General Stephen Boyd.

It was cleverly spun. Mr. Boyd played up the access to the secondary information Mr. Nunes had demanded—access to the application and renewals for the Foreign Intelligence Surveillance Act warrants on one-time Trump associate Carter Page. Mr. Boyd describes his department's response as "extraordinary accommodation."

Upon inspection, however, the focus on the FISA warrants looks more like an effort to distract attention from Mr. Boyd's refusal even to mention Mr. Nunes's main request of FBI Director Christopher Wray and Deputy Attorney General Rod Rosenstein. That request was for the "electronic communication," or memo, that officially launched the counterintelligence investigation into alleged collusion between the Trump campaign and Russia.

On Friday Trey Gowdy, an Intel Committee member who has seen a redacted form of the memo, said Justice has redacted the "good stuff." He means information that would tell whether the counterintelligence investigation was credible, and how and whether the FBI vetted the information. "All of that," Mr. Gowdy said, "is in a paragraph I can't read."

Justice says the blacked-out paragraph can't be shared with Congress because it identifies a foreign country that shares intelligence with the U.S. This is a hard argument to credit, given that in December someone told the New York Times that Australian diplomat Alexander Downer was the source for the information

that minor Trump campaign official George Papadopoulos had bragged about Russian dirt on Hillary Clinton. In February former CIA Director John Brennan referred to the FBI's relationship with British intelligence when asked about the information on Mr. Papadopoulos.

Mr. Nunes needs this information because it is crucial to understanding whether Justice and the FBI had good reason to launch this investigation—and how they handled it. The Papadopoulos narrative matters to the FBI, because attributing the launch of the investigation to him minimizes the role of the now infamous Steele dossier.

Some suspect that the real reason Justice is keeping this paragraph secret is because it might reveal embarrassing facts about how the Papadopoulos information was used. This might include a role for political actors (rather than intelligence officials) in ginning up the Trump-Russia investigation.

Meanwhile, on Saturday President Trump asked in a tweet what "Justice and the FBI have to hide"? He added, "Why aren't they giving the strongly requested documents (unredacted) to the HOUSE JUDICIARY COMMITTEE?"—which has subpoenaed similar information about FBI actions during the 2016 election.

The President might ask the same about the stonewalling of the Intel Committee. Do Mr. Trump and Attorney General Jeff Sessions think that ignoring the committee's main request is in the spirit of the "extraordinary accommodation" that Mr. Boyd claims?

The Justice Department is part of the executive branch. If either Mr. Sessions or Mr. Trump believes Mr. Boyd is not being responsive to Congress, one of them should put someone there who will be.

LETTERS TO THE EDITOR***The Question That Dare Not Speak Its Name***

Regarding your editorial "Citizenship and the Census" (April 2) about the proposed citizenship question in the coming census: To me it's bright red illustration of how far gone we are as a country when states file suit to prohibit the federal government from asking a fundamental question: What proportion of its inhabitants are citizens?

The blue states hoping to banish this citizenship question want to have it both ways. They thumb their nose at the feds with sanctuary policies that keep immigration authorities from doing their jobs, then want to ensure they get a full share of Uncle Sam's goodies via an accurate census tally. The blue states don't want ICE to know the number of illegal immigrants they harbor, but they sure want them counted by the Census.

JOHN KNOERLICH
Chicago

This question was resolved more than 230 years ago at the Philadelphia convention (1787). When the 14th Amendment (1868) eliminated the provision in the Constitution [Article I, Section 2, Clause 3, now obsolete] that counted slaves as three-fifths of a person, it retained the fundamental provision that representatives should be apportioned according to "the whole number of persons in each state, excluding Indians not taxed." Section 1 of the amendment distinguishes the broader term "person" from the narrower term "citizen."

James Madison (writing as Publius) in Federalist No. 54 stated as a Constitutional principle (by way of paraphrase): "[T]he aggregate number of representatives allotted to the several States is to be determined by a federal rule founded on the aggregate number of inhabitants."

ROBERT DE PORRES-RAS
Oak Brook, Ill.

The editorial's argument that smaller conservative cities would be harder hit by a census that underrepresents noncitizens than a city like

Los Angeles or New York is hard to believe. New York City is 90 times as large as Yuma, Arizona, a conservative city cited in the article. Although Yuma has roughly 4% more undocumented immigrants, the number of undocumented immigrants in Yuma is less than 10,000. The number of undocumented immigrants in New York is roughly 500,000. The census is used to measure where certain funds will be allocated, based on population. Supporting 500,000 more people is very different from supporting 10,000 more people. Ensuring that we can get more data on who is living in our cities is essential.

JACOB ROCKWELL
Ann Arbor, Mich.

During the DACA, ObamaCare, immigration reform and other debates, we continually hear there are 11 million people illegally in the country or maybe up to 20 million—apparently we are only guessing. Wouldn't it be nice to know the problem we have so we can address it?

And who cares about undercounting those illegally here? Why should states that have policies inviting illegal immigrants to stay get more federal money and voting power for their illegal shenanigans? If a state wants to invite illegal immigrants to stay, let its taxpayers pick up their own tab. Those in sanctuary states are always stating they have the best and brightest immigrants who are not dependent on the government, are doing jobs citizens don't want to do and are helping their economies.

Great, then apparently these illegal citizens are keeping them awash in cash, no need to have their hands in the federal trough.

KEN NELSON
Chicago

Whatever the political advantages to either side from including the citizenship question, it seems reasonable for a country to try to determine how many citizens it has.

DAN CONWAY
Washington

Understand the Risks and Teach Gun Safety

Regarding Daniel Lee's "The Best Way to Learn Gun Safety Is With Real Guns" (op-ed, March 31): I grew up during World War II in a small town in a mostly rural county. Most men were hunters, and our fathers, uncles, cousins or other family taught us about guns at an early age. We learned proper gun safety, care of the weapons, and, most important, the power and destructive potential of guns. When I turned 12 years old I received my first .22 caliber pump-action rifle from my grandfather.

When I was in high school there were no "gun free" zones. We weren't exposed to violent desensitizing computer games or movies. We weren't told we could not have a toy gun, or even draw a picture of a gun, or point a finger and "bang." Instead, we were taught what harm guns could do and to respect laws and the rights of others.

Although guns were readily available, so was a thorough education of how and when to use them. In my entire years of growing up I never

heard of a single case of gun violence in our schools—or anywhere else by any of my young friends. It just wasn't done. Unfortunately, times have changed.

JOHN R. ASHBURN JR.
Williamsburg, Va.

Daniel Lee recalls a time when boys were treated like boys. The trend for many years now in public schools has been to tamp down a boy's natural tendency to be active. Boys can't squirm, tap a pencil or swivel. Those who don't conform are medicated; those who do are bored to distraction.

FRAN SALMAN
Morrisville, N.C.

As an NRA-trained rifle and shotgun instructor at a Boy Scout camp in Maine, I found that not one boy dared to joke or fool around lest they be banned from the range for the duration of their stay.

MIKE SCHWARTZ
Westbrook, Maine

Obama EPA Correct About Deadly PM 2.5 Pollutants

Regarding Steve Milloy's "The EPA Cleans Up Its Science" (op-ed, March 27) and the letters of March 31 in response: Lawyer Steve Milloy concludes with the line: "In the meantime, we have science in the sunshine," referring to a colleague's recent unpublished study from California that found that PM 2.5 micron air pollutants aren't associated with mortality.

This—along with complaints of inaccessibility of so-called "secret science" studies of PM 2.5 health effects—serves as the author's grounds for supporting EPA Administrator Scott Pruitt's opposition to enforcing PM 2.5 clean air regulations.

As a public-health scientist seeking a broader perspective, I consulted a January 2016 Journal of Thoracic Diseases review of over 50 peer-reviewed epidemiological and experimental studies, virtually all of which find significant evidence of increased mortality and of pathological lung damage associated with exposure to PM 2.5 particles.

As for shedding sunlight, there is little debate that the science is overwhelmingly there for the EPA to fully enforce clean-air regulations to reduce exposure to PM 2.5 pollutants.

EM. PROF. WILLIAM BARKER, M.D.
University of Rochester
Pittsford, N.Y.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Not a bad suggestion, Dan, but why aren't your shirtsleeves rolled up?"

OPINION

15 Years Later, Iraq Is a Modest Success

By Karl Zinsmeister

The debate over the Iraq War's impact—pitting critics like President Trump against defenders like new national security adviser John Bolton—has been dramatic since the conflict began 15 years ago. Then, supporters described the war in utopian terms, as when President George W. Bush assured Americans it would be “a watershed event in the global democratic revolution.” Critics in America and abroad were as vehement in their pessimism. “Every Iraqi is a potential Saddam,” opined one Middle Eastern academic when asked that same year by the Economist whether democracy had a chance in Iraq.

It's far from a utopia, but its democracy is evolving with coalitions across ethnic and religious lines.

Today's reality is somewhere in between. Yet it is startling to note—given the series of coups that made Iraq one of worst-governed places on earth for much of the 20th century—that the country seems to be building a resilient democracy. Iraq now has a reasonable chance of joining a rarefied club: countries escorted by U.S. troops into decent governance and national success.

A few hard measures of social progress demonstrate the significant improvement of Iraqi society. Start with national income, the

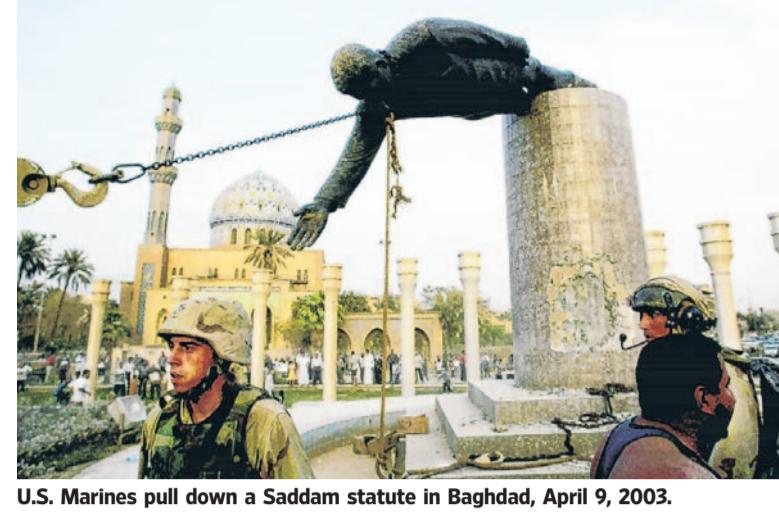
factor that generally determines whether other good things can happen in a nation. According to the World Bank and International Monetary Fund, Iraq's per capita gross domestic product was 51% higher in 2017 than in 2002, the year before U.S. troops arrived. By comparison, eurozone nations grew by 11% in the same income measure during that period.

Or take the annual mortality rate, perhaps the most overarching measure of a society's health. United Nations data show that Iraq's mortality rate fell 18% from 2002-17.

Is Iraq a thriving nation? By no means. The fraction of the population in the labor force is low, and unemployment is around 16%. About three million residents fled their homes when ISIS took over a third of the countryside, and though many are returning now that the terror group has been nearly destroyed, homes and neighborhoods need rebuilding. As throughout Iraq's history, graft continues to be a plague, with the nation's bureaucracy rated as “highly corrupt” by Transparency International.

Iraq's government must find a way to solve these problems. Which brings us to the biggest surprise, and a source of cautious hope for the nation's future. On May 12, Iraq will conduct its fifth consecutive free national election. Only a handful of countries within a 1,000-mile radius have any tradition of competitive balloting. Saddam Hussein had dictated to Iraqis for 24 years until he was removed. Hardly any Arab governments allow fair voting. The Iranians next door hold sham elections.

As summarized in November by



MIRORPIX/GETTY IMAGES

U.S. Marines pull down a Saddam statue in Baghdad, April 9, 2003.

The Wall Street Journal's Yaroslav Trofimov, Iraq has “a genuine political life and a relatively free press,” and “the country is bucking the slide toward autocratic rule that has become the norm across the region.” The durability of Iraqi self-rule is especially remarkable in the face of recent shocks like the ISIS invasion, Kurdish attempts at separation, and a 55% drop in the price of oil, which makes up about half of Iraq's economy.

The latest cheering news has been the backlash against Iranian meddling. When Ali Akbar Velayati, the top foreign-policy adviser to Iran's supreme leader, visited Iraq in February, he was criticized angrily by many Iraqis for interfering in their nation's affairs. The top Shiite cleric in Iraq, Ali al-Sistani, refused to meet with Mr. Velayati in protest of Iran's efforts to influence Iraqi electors.

Even former collaborators with Iran like Shiite radical Moqtada al-Sadr are now harshly critical of the way the Iranian Revolutionary Guards are trying to manipulate Iraq. The Iraqi cleric has modified his style of Islamism to court Sunnis and secular Iraqis into a nationalist alliance focused on addressing corruption and poverty. Shiite leader Ammar al-Hakim is likewise promoting a new nonsectarian effort to unite Iraqis across religious and ethnic lines.

On the opposite side, leaders of some pro-Iranian Shiite militias will soon test the popularity of continued sectarianism as candidates in the May election. But Iraq's dominant Shiites are no longer acting as a monolithic tribal bloc. They are maturing into voters who define themselves by policy divergences. That is a healthy development.

Similar reshuffling is taking place among Iraqi Kurds, many of whom were so annoyed by Kurdish President Masoud Barzani's self-aggrandizement and failure to relinquish power at the end of his term that they acquiesced in the Iraqi army's recent reassertion of control over Kirkuk and other Kurdish areas.

This breakdown of unbending tribal allegiances is allowing a much richer national politics, based on problem-solving and rule of law rather than blood and soil. Iraq's next ruling party and prime minister will emerge at the head of a broad, complex coalition. The new government will promise many things to many different kinds of Iraqis. The governing process will be messy, and wholly successful efforts will be rare.

But in this mercurial part of the world, that kind of checked-and-balanced rule that protects minorities and different viewpoints represents progress. While tribal preferences and favors will continue, there will be chances for prudent leaders like current Prime Minister Haider al-Abadi to extend Iraq's income rise and the decline in mortality. Reformers can press for improvements in education and health care, and rebuilding neighborhoods.

If today's trends continue for another 15 years, Iraq's representative government and economic growth will become impossible for neighbors like Iran and Syria—and perhaps also Turkey and Saudi Arabia—to overlook.

Mr. Zinsmeister was an embedded reporter in Iraq from 2003-06 and served as White House chief domestic policy adviser, 2006-09.

Is It Wrong to Cut a Homeless Man's Hair Without a License?

By Shoshana Weissmann
And C. Jarrett Dieterle

Last week the Arizona Republic ran a hit piece on a man who gives homeless people free haircuts. Juan Carlos Montes de Oca was once homeless himself, and he found many takers when he started offering the cuts a few years ago. Some of his “clients” hadn't had a real haircut in years.

Mr. Montes de Oca was studying cosmetology but hadn't yet received a state-issued license. So the Arizona State Board of Cosmetology opened an investigation. Its executive director pronounced Mr. Montes de Oca's charity work a “real risk”—never mind that parents routinely cut their children's hair. Then Gov. Doug Ducey stepped in, ordering the board to end its investigation and waive any penalties against Mr. Montes de Oca. The governor has since ordered a review of state-licensing board requirements to make sure they serve the public interest.

On Wednesday, more than a year after Mr. Ducey's intervention, the Republic, the state's largest newspaper, published the results of its investigation of Mr. Montes de Oca. The paper

reported that the board had received an anonymous complaint accusing Mr. Montes de Oca of offering to accept drugs in exchange for haircuts. “Word of the drug claim was sent to Ducey's office just before the board was scheduled to drop the issue,” the Republic reported. Mr. Montes de Oca said the allegation was false and “ridiculous.”

The article also mentioned Mr. Montes de Oca's rough upbringing and his 2010 arrest, conviction and imprisonment for domestic violence. Mr. Ducey called the article a “smear campaign” and tweeted: “I've said I believe in second chances. And guess what? I ACTUALLY do.”

Mr. Montes de Oca's story isn't unique. Licensing laws often act as a barrier to poor people attempting to make a living and better their lives. Isis Brantley of Texas had a similar run-in with the hair police when she was arrested by undercover officers in 1997 for lacking a cosmetology license. Ms. Brantley practiced African-style hair braiding, which requires no cutting or dyeing of hair.

Yet Texas insisted she obtain a cosmetology license, which would have required 750 hours of irrelevant barber training. Even after retaining

the Institute for Justice, a public-interest law firm, to challenge the requirement, it took Ms. Brantley nearly two decades before she was fully vindicated and Texas reformed its laws in 2015.

In the 1980s, the District of Columbia government shut down Ego Brown's shoe-shining business, citing a 1905 ordinance forbidding

Kudos to Arizona Gov. Doug Ducey for taking on the guild that wants to shut down a barber.

shoeshine stands in public spaces. Mr. Brown employed homeless people, providing them not only with a job but a shower and a tuxedo uniform. Then-Mayor Marion Barry ignored repeated requests to reform the district's shoeshine ordinance. That law was eventually struck down in court, but the situation has hardly changed, as street shoe-shiners must still obtain numerous permits, submit to a background check and pay more than \$1,500 in fees.

Sandy Meadows worked as a supermarket florist in Louisiana, the only state that licenses flower arranging. When the Louisiana Horticulture Commission got wind that she lacked a license, it threatened to close the store, which dismissed her because it had no other work for her to do. Although the store had been happy with her work, she was unable to pass the licensing exam, which included a written component and a test in which state-licensed florists judged their potential competitors' arrangements. The pass rate was well below 50%, and florists who had been practicing without problems in other states for years often failed. Meadows, who had no other vocational skill, died destitute. Louisiana is now considering a repeal of the license requirement.

Of late licensing laws have begun incorporating dubious education requirements. The District of Columbia is in the process of requiring daycare workers to possess an associate's degree, and Tennessee recently passed a law making a high-school diploma a prerequisite for a barber's license. Education requirements can be a Catch-22: In 19 states,

occupational licensing boards can suspend licenses for failing behind on student-loan payments—making it impossible to earn money and catch up on the payments.

Licensing requirements aren't the only local laws that harm the poor and struggling. In 2012 then-Mayor Michael Bloomberg banned food donations to New York City's homeless shelters on the ground that the food might be salty, fatty or otherwise unhealthy. In 2013, Louisiana health officials ordered the destruction of 1,600 pounds of deer meat donated by hunters to a local shelter, though it was processed at a state-certified slaughterhouse.

Policy makers looking to highlight the deleterious effects of regulations often focus on entrepreneurs. But the unintended consequences often fall most heavily on the disadvantaged. The government is supposed to provide needy citizens with a safety net, not ensnare them in a web of red tape.

Ms. Weissmann is the digital media specialist and a policy analyst at the R Street Institute. Mr. Dieterle is the Director of Commercial Freedom and a senior fellow at R Street.

You Won't Believe the Names the Left Is Calling ‘No Labels’

By Margaret Kimbrell White
And Sasha Borowsky

For an object lesson in how venomous American politics has become, look no further than the insults hurled in our direction late last month. We're two millennial women who work at No Labels, a political reform movement founded in 2010 featuring Democrats, Republicans and independents working together to solve America's toughest problems. In March, No Labels organized in support of Rep. Dan Lipinski, a moderate Democrat from Illinois whose primary challenger had been endorsed by a host of liberal interest groups.

After Mr. Lipinski narrowly won, the president of Naral Pro-Choice America, Ilyse Hogue, accused No Labels of following President Trump

into “bigotry.” When our group tweeted that Mr. Lipinski's victory showed “America's political center is finally striking back,” Howard Dean, a former chairman of the Democratic National Committee, replied: “This is foolish nonsense.” Former Obama speechwriter Jon Favreau complained that Mr. Lipinski had also voted against the Affordable Care Act and opposed same-sex marriage: “To call people who disagree with those positions the far left is a f—ing embarrassment.”

We don't agree with Mr. Lipinski on every issue either. (Hey, Ms. Hogue, turns out we're pro-choice, too.) But Mr. Lipinski still votes with his party 88% of the time. That hardly makes him a turncoat. More over, we think there's a bigger problem in Washington than whether Mr. Lipinski passes any given

group's political litmus test.

Legislators in both parties have to worry too much about primary challenges from ideologues on the far left or far right. That's why Democrats and Republicans are so unwilling to work across the aisle. And that in turn is why Congress is failing to address the biggest problems facing America.

Here's a specific example. When the individual insurance market almost imploded last year, the far left (which wants a single-payer system) and the far right (which would be happy enough to watch ObamaCare's exchanges collapse entirely) went straight to their respective ideological corners. They ignored the concerns of the ordinary Americans who stood to lose their medical coverage.

Dan Lipinski was one of the few in Congress determined to do something realistic to fix the problem. He worked out an agreement

with a handful of his counterparts in the bipartisan Problem Solvers Caucus to help these Americans keep their insurance coverage and provide relief for small businesses. To this day, this is the only bipartisan health-care plan this Congress

Our support for a Democratic lawmaker drew obscenities and accusations of bigotry.

has proposed. It is the framework for a deal struck in the Senate last October.

You may argue that a lawmaker's position on your favorite social issue is more important than his overall approach to governing. We don't agree—but we also won't call you names or dismiss you out of hand.

Is asking that our view also be respected too much to ask? When Mr. Lipinski won, did liberals really need to vent their anger on Twitter by calling No Labels foolish, embarrassing bigots?

Belittling our group won't convince anyone. Although the two of us don't share Dan Lipinski's views on abortion, his victory improves the chances that Congress may actually get something done for the American people. Many voters, like us, see the value in reaching across the aisle—and we aren't going to be silenced, as the Illinois primary last month illustrates. Call us names, roll your eyes, encourage others to write us off. But understand this: We mean to fight back. We're strong and we're resilient. Like your hero Elizabeth Warren, we will persist.

Ms. White and Ms. Borowsky are, respectively, senior adviser and chief of staff at No Labels.

Notable & Quotable: ‘Woke’ or Broke?

From “The Battle of Woke Island” by Matthew Continetti, Washington Free Beacon, April 6:

I cannot predict . . . the ultimate consequences of the transformation of media, tech, and entertainment conglomerates into satellite campuses of Middlebury and Berkeley. It may well be the case that multiculturalism and intersectionality are good for Internet traffic and digital subscriptions, that to get woke is glorious for the bottom line. But these short-term profits come at the long-term cost of definitive, comprehensive, quality journalism. . . .

The potential for broader social

harm is there as well. Take, for example, the growing desire of Google employees not to cooperate with the U.S. Department of Defense because “Google should not be in the business of war.” And imagine the policies of a woke Democratic government: the abolition of Immigration and Customs Enforcement, the end of tax exemptions for religious institutions, repeal of the Second Amendment, chaos in public bathrooms, and gender-neutral pre-K for theybies. Speaking as an angry white man, the mind reels.

So far, however, the fallout from the university has made radioactive not society at large but precisely

those institutions that most fully embrace intersectionality. The NFL, ESPN, Silicon Valley, and Hollywood, to name a few, have all lost money and credibility by embracing this radical worldview. To the degree that the Democratic Party has been identified with this agenda, it has suffered at the polls. In the end, it may be the left that feels the pain most dearly. Such a historical irony might surprise the junior staffers at the New York Times left shocked and aghast at the result of the 2016 election. If only they had spent less time in college reading about the gender binary—and more time studying the dialectic.

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THE WALL STREET JOURNAL.

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Cracks Appear in Global Growth Story

'Nothing to write home about' in this current recovery, one economist says

Stock-market investors, already grappling with the tech rout and the threat of a trade war, are starting to reassess a

By Ben Eisen, Michael Wursthorn and Daniel Kruger

fundamental premise of the powerful rally—that worldwide economic growth is on the verge of blasting out of a

long period of weakness.

The world's major economies started to pick up steam together last year, in a break from years of sluggish postcrisis growth in which the U.S. often seemed like the lone bright spot. Global output expanded by 3.7% in 2017, up half a point from 2016, according to International Monetary Fund estimates. The return of higher growth abroad gave investors hope that the long bull run could keep going, even as U.S. economic expansion entered its later stages.

But recently, the global economic comeback has been in a bit of a rut. In the U.S., gauges of manufacturing and services

activity have been pulling back. Retail sales have fallen for three straight months, construction spending decelerated at the start of the year, and auto sales have largely plateaued. On Friday, government data showed a sharp slowdown in U.S. jobs creation last month, reversing some of the labor market's recent momentum.

"There's really nothing to write home about in this recovery," said Lindsey Piegza, chief economist at Stifel Nicolaus & Co. "There were always these signs that we were struggling to tread water and maintain the more moderate current pace of growth."

Investor confidence has been flagging alongside the Trump administration's increasingly protectionist bent and China's vow to retaliate, raising concerns that a trade war will undermine growth.

The Dow Jones Industrial Average stumbled 2.3% on Friday after trade-war fears flared up again. The blue-chip index was down 0.7% for the week ending April 6 and down more than 10% from its Jan. 26 high.

Other financial markets also have started to reflect a more pessimistic view of the economy. The differential between short- and long-term U.S. Treasury yields, which tends

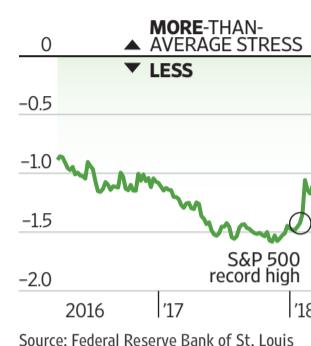
to grow and shrink alongside the economy's prospects, was recently at its smallest in more than a decade. Copper, a commodity that also tends to move alongside the growth outlook, has dropped 6.9% so far this year. Big industrial stocks like Caterpillar Inc. and Boeing Co. have fallen harder than the broader market recently, reflecting both trade fears and signs of slower growth.

In Germany, industrial output took an unexpected 1.6% tumble in February, a reading that Citigroup Inc. economists called a "shocker" on Friday. Business and economic senti-

Please see SLOW page B2

Stressed Out?

St. Louis Fed Financial Stress Index, measuring stress in the markets based on 18 indicators.



Source: Federal Reserve Bank of St. Louis
THE WALL STREET JOURNAL.

Local Car Dealers Rush to Consolidate

BY ADRIENNE ROBERTS

Americans who have been buying cars from the same mom-and-pop dealership for generations could be greeted by a different kind of for-sale sign the next time they visit.

Small to midsize dealer groups are selling their businesses to auto-retail giants or investment firms at a robust clip even as auto sales remain strong. The trend—including Warren Buffett's entry into the dealership business in 2014—has gathered momentum as electric, shared and autonomous vehicles reshape the car business.

Enessa Carbone recently sold the family's New York-based stores to **Lithia Motors** Inc., a publicly traded company with a \$2.5 billion market capitalization. Her stores

Please see AUTOS page B2

Block Trading Comes to Agricultural Futures Market



PLANTING A SEED: Corn is unloaded at an Archer Daniels Midland facility in Illinois. CME since January has allowed hedge funds, grain companies and others to privately trade 'blocks' of futures and options for corn, cattle and other agricultural commodities. B9

Consulting Now King At Big Four Auditors

BY MICHAEL RAPORT

Audit firms have a tough job. Some critics think they shouldn't have a second one.

For years, the Big Four accounting firms have pushed into consulting, seeking growth their core auditing businesses weren't providing. Since 2012, the firms' combined global revenue from consulting and other advisory work has risen 44%, compared with just 3% growth from auditing.

The result is that the bulk of the firms' revenue now comes from consulting and advisory, \$56 billion last year, compared with \$47 billion from auditing. Five years earlier, auditing pulled in roughly the same amount—\$46 billion—while consulting and advisory's haul was only \$39 billion.

But that \$17 billion growth in consulting and advisory revenue has come with concerns about the potential for conflicts of interest and loss of focus on auditing at the four firms, Deloitte Touche Tohmatsu, PricewaterhouseCoopers, Ernst & Young and KPMG.

Last month, comments from a U.K. regulator revived an old debate: Should the Big Four be broken up, with corporate auditing separated from consulting? That would leave audits handled by separate firms that do nothing but that type of work.

Some observers think "audit-only" firms are an idea whose time has finally come. They think it will make audits better and spur competition.

"I would love to see that," said Michael Shaub, a Texas

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INSIDE



SAUDIS RETURN TO ENERGY BASICS



'A QUIET PLACE' MAKES NOISE OVER WEEKEND

BOX OFFICE, B5

KEYWORDS | By Christopher Mims

Tech Giants Brace for Regulation

We are finally waking up to the fact that we aren't merely "the product" of companies such as Facebook and Alphabet's Google. As one Silicon Valley investor put it, we are their fuel.

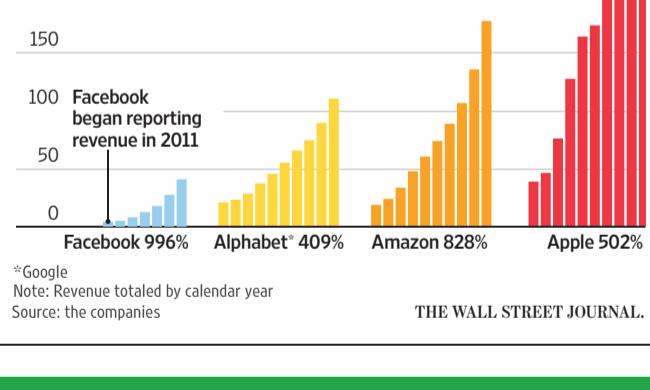
At least our personal data is: Every week, it seems, we are treated to fresh revelations of hacks, leaks and exploitation of our information, along with ever louder cries for regulation and consumer protection, in the U.S. and Europe.

What is less appreciated

Please see MIMS page B4

Signal Strength

Over the past decade, smartphones have been at the center of a tech revolution that propelled four companies to the top of the global economy.



THE WALL STREET JOURNAL.

Midcap companies know how to carpe diem.

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Source: Morningstar as of 12/31/17. Based on funds in the Morningstar Mid-Cap Blend Category (oldest share class). Rankings are based on returns after taxes that are net of all fees, maximum federal tax rate (39.6%) and applicable sales loads. Universe: 110 funds for 10 years, 134 funds for 5 years, and 148 funds for 3 years. MDY's 1-year peer group percentile is 37% (64 of 175 funds). Past performance is no guarantee of future results.

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SLOW

Continued from the prior page
ment surveys in the euro bloc's largest economy have pointed to worsening growth expectations. Meanwhile, years of monetary stimulus in Japan have led to only a modest pickup in growth.

Manufacturing activity was down in March from the previous month in 21 of 30 countries, led by declines in Asia and Europe, according to Bespoke Investment Group. Though there is little fear of an imminent global recession, the less-than-stellar numbers are forcing investors to consider that the global growth surge may be turning into a synchronized stall.

"There was nothing ever automatic about a pickup in synchronous growth," said Mohamed El-Erian, chief economic adviser at Allianz.

Questions on growth come with investors already on edge about monetary stimulus.

Citigroup's global surprise index tipped below zero on Friday for the first time since August, indicating that economic data in aggregate are missing economist forecasts rather than beating them. And some are reducing their forecasts: **JPMorgan Chase & Co.** economists on Thursday cut their global growth outlook for the first three months of the year by 0.1 percentage point to 3.3%.

For U.S. investors, much of the economic outlook hinges on trade. A trade war could have massive repercussions, such as posing new challenges for production of American goods or sparking decline in foreign demand. Even a prolonged threat could cause

some companies to hold off on investment until they have more clarity.

"We were just getting to the point where businesses had confidence to spend," said Mark Freeman, chief investment officer at Dallas-based money manager Westwood Holdings Group. Now he is worried that uncertainty around trade could delay those plans.

Still, many investors remain bullish on global growth, and U.S. corporate profits are still strong. In the first three months of the year, firms in the S&P 500 are forecast to have earnings growth of 17%, even after notching fourth-quarter profit growth at the fastest pace since the second half of 2011, according to FactSet.

"The economic backdrop is still very positive," said Craig Hodges, portfolio manager for Hodges Funds. "The volatility has created opportunities. There were a lot of stocks that needed to come back."

Even if economic growth moderates, that isn't necessarily a bad sign for stocks. Major U.S. indexes have managed to reach scores of record highs during the current bull market, based partly on the premise that the economy is neither too hot to risk overheating nor too cold to fall into a recession.

But questions about global growth come when investors are already on edge about central banks' withdrawal of monetary stimulus. Additionally, the U.S. government has been ramping up borrowing to fund a widening budget deficit and a \$1.5 trillion tax overhaul, recently drawing concern from credit raters. As the Treasury borrows more and the Fed trims, less money will be available for stocks and other risky assets, economists say.

"We have seen the peak in terms of financial conditions," said John Fath, a managing partner at **BTG Pactual**.

—Jon Sindreu contributed to this article.

Continued from the prior page
are among the approximately 1,000 dealerships expected to have changed hands between 2014 and 2018, according to California-based dealer sell-side firm Kerrigan Advisors.

"It is not your father's dealership," Ms. Carbone said after selling the business founded by her grandfather in the 1920s. "Given the changes in the industry, we were not sure that was a challenge we wanted to have one of our children take on."

Dealers say they need to, in some cases, triple revenue in the next half-decade to offset shrinking margins and increasing competition from companies that didn't exist a decade ago.

The internet has made car prices more transparent for customers and given them the ability to shop around. It has also enabled online purchases of used cars. Electric-car maker **Tesla Inc.** is using online ordering to circumvent dealerships entirely. And **Uber Technologies Inc.** envisions a world where more people will rely on ride-hailing apps instead of owning a car.

These developments have helped fuel consolidation of the 16,800 U.S. dealerships into the hands of fewer owners. The top 50 dealer groups are poised to book more than

\$175 billion in revenue this year, compared with \$144 billion when Mr. Buffett's Berkshire Hathaway Inc. entered the sector four years ago, according to industry publication **Automotive News**.

Erin Kerrigan, founder of the Kerrigan advisory group, said about 200 dealerships changed hands in 2017, near an all-time high, with a similar level of transactions to take place this year. Sellers are scrambling to cash in while commercial real-estate prices are high, or are joining with a deep-pocketed investor, she said.

Car makers, which can block a sale, historically resisted transactions with private-equity owners or family offices. But they have warmed to the idea as the business has become more capital-intensive, thanks to the need to invest in new technologies and offerings, such as subscription services. They view this as a way to diversify their businesses, according to Cliff Banks, founder of the Banks Report, which tracks the retail automotive sector.

New England's **Prime Motor Group** isn't a small business, but its former owner David Rosenberg realized it wasn't quite big enough to compete in this new era. He sold the company—which generated \$1.5 billion in sales of cars, financing and service annually at 25 dealerships—to Capstone Automotive Group in

September.

Capstone retained Mr. Rosenberg as chief executive. He is charged with expanding into new markets and raising annual revenue to \$4.5 billion within five years. "In order to survive and thrive you need scale and scope and access to capital," he said.

For years, analysts said that the dealer business was too fragmented and localized for owners to get serious benefits from consolidation. But now, big dealer groups such as **AutoNation Inc.** and **Group 1 Automotive Inc.** see potential for economies of scale. Mr. Rosenberg is using investments from his Prime

BUSINESS & FINANCE

Wells Delves Into Car Loans

Bank expands review of auto products and services it finances as regulators look closer

BY EMILY GLAZER AND GRETCHEN MORGENSEN

Wells Fargo & Co. has expanded a review of auto products and services it finances as part of an effort to get ahead of heightened regulatory interest in the area, said people familiar with the matter.

The embattled bank in recent months has been reviewing sales and potential refunds in the aftermarket products that customers purchase at an auto dealership when they purchase a car.

Though banks generally don't sell these products, which include extended warranties, roadside assistance, tire protection and other add-ons, their costs are folded into the buyers' auto loans, which are often owned by lenders such as Wells Fargo.

The bank already has said that it is arranging refunds for some customers who bought certain insurance products as part of their auto loans, including guaranteed asset protection, or GAP insurance.

Wells Fargo spokeswoman Catherine Pulley said the bank is reviewing a broader set of aftermarket products "to improve processes for our consumer and dealer customers."

Ms. Pulley added that the moves will help Wells Fargo

"remain competitive in the market."

Financial regulators more broadly have been growing increasingly concerned about auto-related products tied to loans, even if the products aren't sold by a bank. The Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau require that banks ensure all third-party vendors comply with rules involving predatory or abusive practices.

The CFPB doesn't regulate auto dealers but has a say over the sector because of its scrutiny of auto lenders. The Federal Trade Commission and state attorneys general are also examining these products and services.

Last year, the OCC flagged Wells Fargo for problems including its third-party oversight of refunds related to auto loans with GAP insurance. Around the same time, the bank was reviewing aftermarket products more broadly.

As recently as earlier this year, Wells Fargo has discussed these reviews with the OCC and CFPB as part of an effort to avoid a new enforcement action or warning, people familiar with the conversations said.

Wells Fargo and other auto lenders finance the total purchase price of a car, which can include aftermarket products as well as other items. Around 5% of Wells Fargo's outstanding \$55 billion auto-loan portfolio is related to aftermarket products, or about \$2 billion,

the people said. Interest earned on these loans at Wells Fargo totals \$100 million to \$150 million a year, they added.

Aftermarket products and services of new and used cars bought at auto dealerships amounts to 48.3% of gross profits, according to 2017 figures from the National Automobile Dealers Association. Though the trade group doesn't measure the breakdown of aftermarket products sold, it says extended warranties are typical.

'Each of these products is very expensive,' says a finance researcher.

cally most common.

While many consumers choose to buy aftermarket products, they have also generated complaints.

"Each of these products is very expensive—if you finance them through the dealership they're marked up 100% to 150%," said Delvin Davis, senior research associate at the Center for Responsible Lending, a nonprofit focusing on consumer finance. "A lot of times the products are put into the contract without consumers' full knowledge and consent."

Around 70% of Wells Fargo's auto loans include aftermarket products, people familiar with the products.

miliar with the matter said. Aftermarket products on many of these loans can exceed \$1,000, sometimes approaching 15% of the value of the car, some of these people said.

How banks monitor the activities of dealerships can vary. While some banks, such as JP Morgan Chase & Co., provide dealerships with information about certain aftermarket products they have vetted and are willing to finance, Wells Fargo keeps that information internal, according to a person familiar with the bank's strategy.

Wells Fargo has spent the past several months grappling with customer disclosures related to aftermarket products.

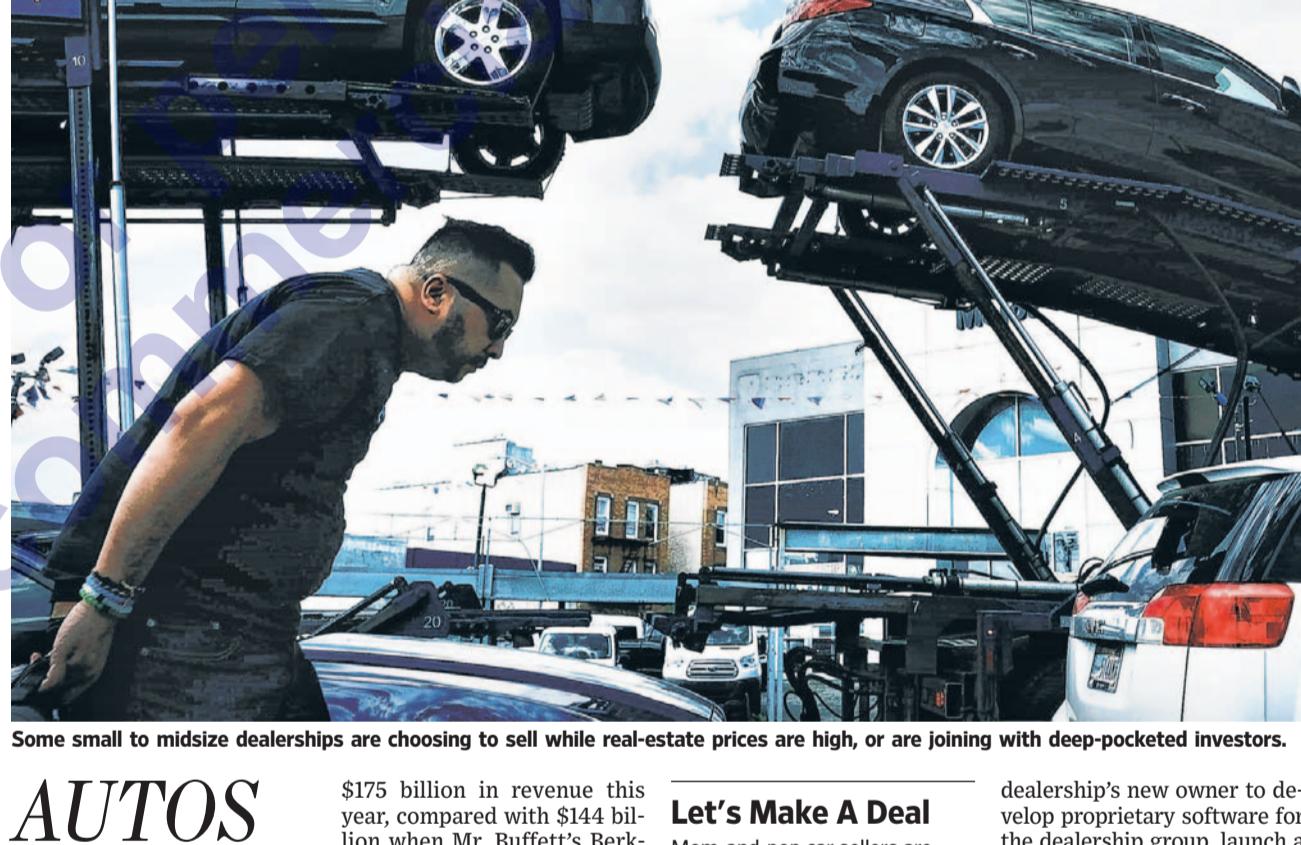
Many of the bank's recent efforts are the result of a working group that Wells Fargo formed in the second half of 2017, people familiar with the group said.

The group was put together in response to customer complaints and regulatory interest.

About two years earlier, the OCC hit Wells Fargo and other banks with consent orders related to add-on products and third-party vendor oversight.

The bank recently studied a group of customers to see whether they were aware of aftermarket products on their auto loans and to gauge their satisfaction with the products, people familiar with the matter said.

Wells Fargo might also review its dealer relationships to see which dealerships have the most complaints about the products.



Some small to midsize dealerships are choosing to sell while real-estate prices are high, or are joining with deep-pocketed investors.

AUTOS

Continued from the prior page
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BUSINESS NEWS

BSG Resources Hit On Iron-Ore Field

By SCOTT PATTERSON

LONDON—BSG Resources Ltd., the mining company formerly controlled by Israeli tycoon Beny Steinmetz, has suffered a legal setback in its efforts to win compensation for being stripped of the rights to one of the world's richest iron-ore deposits.

The dispute over Guinea's highly prized iron-ore field, named after the West African nation's remote Simandou mountain range, has been one of the most contentious in the mining industry over the past decade.

It has involved allegations of corruption and some of the industry's biggest names.

Guinea, in 2014, withdrew BSGR's mining rights at Simandou, alleging bribes were paid to win the concession. BSGR rejected the claim and challenged the Guinean government's decision at the World Bank's International Centre for Settlement of Investment Disputes,

or ICSID.

BSGR said it was the victim of a conspiracy to strip it of its concession and that numerous documents Guinea presented to support the government's corruption allegations were forgeries. Two BSGR executives testified in an ICSID hearing in Paris last year that their signatures on certain documents in the case were forged.

BSGR asked the ICSID, the globally recognized arbiter in such disputes involving governments, to throw out an independent report commissioned by the World Bank body that determined there was no sign the documents or signatures were forged. The ICSID on Wednesday rejected BSGR's motion to throw out the report, according to a procedural order reviewed by The Wall Street Journal.

The document didn't detail why the tribunal rejected BSGR's motion to disqualify the final report.

Kinder Morgan Threatens To Halt Pipeline Expansion

By VIPAL MONGA

TORONTO—Kinder Morgan Inc. threatened on Sunday to scrap its proposed expansion of the Trans Mountain pipeline if Canada's provincial and federal governments cannot resolve their differences over the project by May 31.

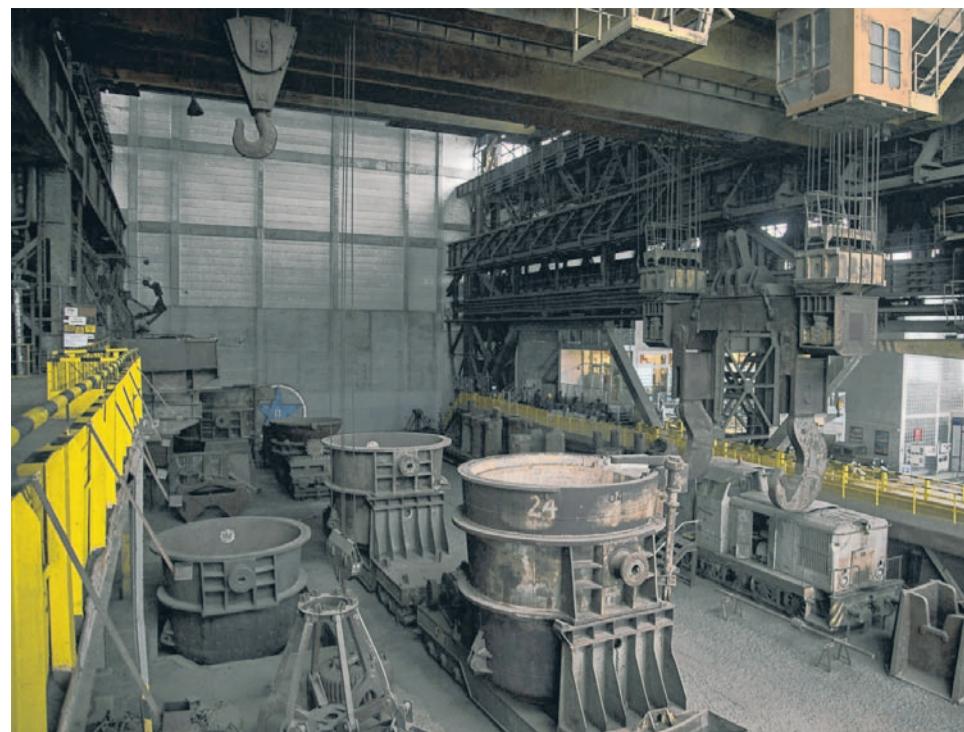
The ultimatum, in which the energy company also declared it was halting all "nonessential" spending on the project, raised the stakes in the dispute over the pipeline expansion, which has been opposed by British Columbia, angering neighboring Alberta.

Canadian Prime Minister Justin Trudeau approved the Trans Mountain expansion in

2016, which would nearly triple the amount of crude—to 890,000 barrels a day—flowing from the province of Alberta's oil sands to a Pacific coast port near Vancouver.

Opponents have ramped up protests, saying the project would bring more oil tankers into the port and put the province's fisheries and tourism industries at risk from a catastrophic oil spill.

The British Columbia premier's office didn't immediately return a call seeking comment. Alberta Premier Rachel Notley on Sunday said she expected Mr. Trudeau's office to step into the dispute more forcefully and was considering other options.



An earlier steel mill in Brandenburg an der Havel, Germany, closed in 1993 and is now a museum.

Wired

China leads the world in steel production.

Exports vs. imports of long products*, in metric tons, 2016



*Long products include wire, rods, rails and bars used mainly in construction and engineering.

Source: World Steel Association

THE WALL STREET JOURNAL.

Steel Town Is Put on Edge

German mill warns of sharp job losses if new U.S. tariffs knock prices lower in Europe

By ZEKE TURNER

BRANDENBURG AN DER HAVEL, Germany—The steel mill in this Gothic town one hour southwest of Berlin has long supplied Europe, its main market, with wire used in construction. But it could still become a casualty of new U.S. tariffs on steel imports.

That is because the tariffs, announced last month, are threatening to redirect to Europe inexpensive steel from countries that had previously exported the alloy to America. Not long after President Donald Trump announced the 25% tariff on steel imports, Brandenburg's steel mill said as many as 300 of its nearly 800 jobs producing steel wire rods and concrete reinforcement mats are at risk.

The mill, known as Bran-

denburger Elektrostahlwerke GmbH, belongs to the Italian family-controlled **Riva Group**, the sixth-biggest European steelmaker by volume, with 21 steelmaking sites across Spain, Belgium, Italy and Canada. The company's specialty products already face growing competition from upstart exporters such as Russia, Turkey and Belarus.

Europe is negotiating to avoid the Trump tariffs. But even if Germany, Europe's biggest steelmaker, secures a permanent exemption, industry groups and others expect foreign steel to flood the Continent, potentially putting downward pressure on prices. Germany sells about 80% of its steel in Europe.

The Riva mill in Brandenburg is so far the only steel-making location in Europe to announce the possibility of job cuts because of U.S. tariffs. Given Germany's high cost of labor, the town wouldn't be in a position to weather a price war, said Brandenburg Mayor Steffen Scheller.

A spokesman for Riva's factory in Brandenburg said the company expects politicians to "go to bat on behalf of fair European and global trade."

In Brandenburg, a town once so proud of its steel industry that it added smokestacks to its coat of arms, the specter of job cuts has rattled many. Mr. Scheller said that if the steel plant—one of the best-paying employers in town with a 35-hour workweek—were to cut jobs, it would hurt the town by dragging down income-tax revenue and straining its social-security system.

The town of 72,000 has already suffered through the decline of its steel industry. A few decades ago, Brandenburg was East Germany's leading steel producer, making products including rail tracks and steel plates used in shipbuilding at its mill's 12 open-hearth furnaces, a now-arcane form of steelmaking in which scrap metal is liquefied in a pit.

The open-furnace mill closed in 1993, soon after German reunification exposed

East Germany's entire industry as terminally uncompetitive, sending millions into unemployment. But a smaller and more modern mill, the Brandenburger Elektrostahlwerk, survived, and was purchased by Riva from Germany's post-reunification privatization authority in 1992.

Now, Brandenburg again stands to lose what is left of its steel industry—a prospect that is making some residents direct their ire at Mr. Trump's decision. Tariffs might "save some American jobs but then if [redirected steel] really spills over to Europe—not just Germany but to other countries making steel—they will go bust," said Rudolf Stelter, a longtime steelworker. "For me, that would be a tragedy."

The steel mill is the town's second-biggest manufacturing employer behind **ZF Friedrichshafen AG**, which produces auto transmissions. The mill makes 1.4 million metric tons of steel wire and associated products a year, according to the company.

Saudi Delegation Ends U.S. Visit, Returning Focus to Energy Deals

By ERIN AILWORTH

HOUSTON—After courting Hollywood and Silicon Valley, a Saudi delegation led by Crown Prince Mohammed bin Salman capped a nearly three-week American tour on Saturday by touting potential petrochemical investments totaling billions of dollars along the U.S. Gulf Coast.

The plans for investment by **Saudi Arabian Oil Co.**, known as Aramco, and **Saudi Basic Industries Corp.**, known as Sabic, weren't final, and not wholly unexpected. But they underscored that the kingdom wants to capitalize on the bounty of fossil fuels being unlocked by shale drilling to inexpensively make plastics and other by-products in the U.S.

A wave of companies including **DowDuPont Inc.**, **Exxon Mobil Corp.** and **Royal Dutch Shell PLC** are investing in plants along the U.S. Gulf Coast in what has become a petrochemical boom.

Aramco's **Motiva Enterprises LLC** announced memorandums of understanding with **Honeywell International Inc.** and **TechnipFMC PLC** on Saturday to explore potential petrochemical facilities that, if built, would represent multi-billion-dollar investments.

Sabic, meanwhile, said it

was close to making a final investment decision on whether to build a large petrochemical facility with Exxon near Corpus Christi, Texas.

"We appreciate the generations of American men and women who helped to build Aramco over many decades and made a lasting contribution," said Saudi Energy Minister Khalid Al-Falih, as the crown prince sat nearby.

The Saudi announcements on Saturday were a return to basics for the country's leaders after a whirlwind tour of America, during which they met with an array of corporate titans and political leaders as they sought to diversify the kingdom's business interests and present it as more than an oil power.

As part of his economic-modernization plan, Prince Mohammed is also trying to change the view of Saudi Arabia as a strict Islamic kingdom to one that is more tolerant, socially liberal and respectful of women.

The prince has met with top business executives including **Amazon.com Inc.**'s Jeff Bezos, **Microsoft Corp.**'s Satya Nadella and **Walt Disney Co.**'s Robert Iger, as he seeks to reshape a Saudi-U.S. business relationship long based on oil sales and military contracts.

"The revolution of shale gas has really changed our view," he said in an interview. "We recognize North America as really a hub for our growth strategy."

Aramco said Motiva would likely make a final decision on whether to proceed with its new U.S. petrochemical investments next year.



Saudi Crown Prince Mohammed bin Salman visited Lockheed Martin in San Francisco on Friday.

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Northrop Faulted in Crash of Spy Satellite

Evidence points to engineering, testing errors in failure of project in January

BY ANDY PASZTOR

Government and industry experts have tentatively concluded that engineering and testing errors by Northrop Grumman Corp. caused a U.S. spy satellite to plummet into the ocean shortly after a January launch, according to people familiar with the details.

Initial indications were that the satellite, believed to cost as much as \$3.5 billion to develop and known by the code name Zuma, didn't separate in

time from the spent second stage of a **Space Exploration Technologies** Corp. rocket. But now, these people said, two separate teams of federal and industry investigators have pinpointed reasons for the high-profile loss to problems with a Northrop-modified part—called a payload adapter—that failed to operate properly in space.

Specifics of the Zuma adapter still aren't known, and Northrop Grumman spokesmen didn't respond to requests for comment over the weekend. The Pentagon has repeatedly declined to comment on Zuma's fate, and on Friday the Pentagon's missile defense agency didn't respond to an email seeking comment.

The device, purchased from a subcontractor, was significantly modified and then successfully tested three times on the ground by Northrop Grumman, according to one person familiar with the process. But upon reaching orbit, this person said, the adapter didn't uncouple the satellite from the rocket in zero-gravity conditions.

Sensors on board failed to immediately report what happened, this person said, so officials tracking the launch weren't aware of the major malfunction until the satellite was dragged back into the atmosphere by the returning second stage. The satellite ultimately broke free but by then had dropped to an altitude that

was too low for a rescue.

Northrop Grumman built the satellite, which was so highly classified that its purpose still hasn't been disclosed. Likewise, no particular agency has been publicly identified as the customer. Industry officials and military-space analysts have said it likely was an advanced type of space radar or missile-warning satellite.

Investigators have focused on the satellite's unique design, which was particularly vulnerable to shock and vibration, according to people familiar with its characteristics. That prompted Northrop Grumman to specially modify the adapter to cushion separation of the satellite in orbit, according to one of these people.

Adapters typically use explosive bolts or other powerful systems to break satellites free of their attachments to rockets.

Shortly after the failed mission, leaders of several congressional committees and their top staffers were briefed about the bungled launch. They were told the satellite was a total loss and no salvage attempts were anticipated, according to industry officials informed about the sessions. The satellite is believed to have splashed down in the Indian Ocean.

SpaceX, as the rocket provider is commonly called, moved quickly to defend its Falcon 9 booster, saying it performed exactly as expected.

Other industry officials backed up the company. SpaceX's initial public statements reassuring customers about the rocket's performance were made without the explicit approval of U.S. intelligence officials, according to people familiar with the sequence of events.

But since then, defense officials have publicly and privately signaled the rocket wasn't at fault.

Pentagon brass are continuing to pursue plans aimed at making SpaceX eligible to compete for the largest, most expensive spy satellites in coming years.

It isn't clear when, or even if, a summary of the Zuma findings will be released.

An International Soccer Competition Starts—Between Robots



KICKOFF: The 13th International Iran Open RoboCup gets under way in Tehran. More than 2,000 students from 12 countries are taking part. The RoboCup organization says its event is an attempt to foster artificial intelligence and robotics.

MIMS

Continued from page B1
is the degree to which Apple and Amazon.com—which must maintain a direct relationship with their paying customers—could also be affected, for good and for ill.

The past decade saw an explosion in revenue and value for these four companies sufficient to put them atop the global economy. But the laissez-faire environment in which they have operated is for the first time plausibly coming to an end.

Facebook is the lightning rod: Across the political spectrum, Americans are suddenly more concerned about the power of Facebook. Possibilities that seemed remote just six months ago, such as action by state attorneys general, are now reality. Missouri's attorney general is demanding Facebook say which political campaigns paid for us-

ers' personal data and whether users were notified.

In Europe, strict privacy regulations known as the General Data Protection Regulation come into force on May 25.

GDPR is designed to include penalties that are “effective and dissuasive.” Depending on the offense—including mishandling of personal data—fines can be as high as 4% of a company’s global revenue. Based on 2017 revenue, for Facebook that could be \$1.6 billion.

And as GDPR rules could cover European Union citizens no matter where they live or travel, multinational companies might not be able to simply fence off their services geographically. Facebook Chief Executive Mark Zuckerberg recently said his company is working on extending GDPR protections to every user.

Mr. Zuckerberg also recently said regulation of companies like Facebook is

inevitable, and that he supports mandating that internet companies label political advertising, something the company has pledged to do.

This is on top of the EU’s parallel effort to force U.S. tech giants to change how their services work on anti-trust grounds, which is inspiring lawmakers in the U.S.

The recent bipartisan passage of the Stop Enabling Sex Traffickers Act, which potentially opens up all online services to liability for

Facebook wants to extend European privacy protections to every user.

facilitating human trafficking, was a blow to tech’s decades of legal immunity. Calls for more industrywide regulation are coming from many quarters, and rumblings of legislative action are now coming from Big Tech’s former allies.

“Almost uniquely in the U.S. economy, internet giants have had essentially no regulatory burdens,” said Roger McNamee, an early investor in Facebook and now frequent critic of it and others like it. “That’s not normal for businesses that have as much impact as these have.”

Google has an advertising model that is just as data-hungry as Facebook’s. It doesn’t just gather our search history and location; its YouTube platform tracks our taste in media. Since 2012, the company has pooled data on us across all its properties.

Arguably, Google has more experience than Facebook with regulators: In 2013, Google settled with the Federal Trade Commission over competition issues. Yet unlike Facebook, Google isn’t planning to roll out GDPR-type privacy protections everywhere it operates, so it could be less prepared should similar rules come to the U.S.

Amazon already runs a \$2.8-billion-a-year advertising business that targets ads using harvested data. But

Amazon doesn’t have to buy our purchase history from data brokers—information even Facebook says it will eliminate from its advertising system. Since Amazon’s retail-and-advertising ecosystem is mostly self-contained, it won’t have to change as many practices as its rivals will. Still, the full burden of GDPR won’t become clear until customers and their lawyers begin to test its protections.

“Amazon has a longstanding commitment to privacy and data security, and we are committed to complying with GDPR requirements when they come into effect,” an Amazon spokesman said.

GDPR is likely to strengthen Apple’s position in the short term. “Apple will find GDPR to be very much consistent with its value system,” Mr. McNamee said. Apple advocates an approach to data collection that is meant to prevent our data from being personally identifiable. It has rolled out changes to the iOS mobile operating system in anticipation of the regulations.

Apple CEO Tim Cook likes to say his company would never make the same kind of mistakes that Facebook has. But Mr. Cook’s confidence belies the fact that Facebook—now overwhelmingly accessed via mobile devices—would scarcely exist without the iPhone and its Android-powered imitators.

Apple also makes it possible for developers to obtain lucrative personal information. For example, permissions on the iPhone and Android phones mean we are a tap away from allowing the sale of our location data.

While Apple requires developers to justify requests for unusually rich information, the company doesn’t require every developer to protect privacy to its same rigorous standards.

Facebook might be making most of the headlines right now, but in the long run Apple, Google and Amazon also are likely to face emboldened regulators who make rules not just for what companies do with our data, but for the devices that gather the data.

Investors Stand By Tech Despite Rout

BY AKANE OTANI
AND LISA BEILFUSS

When the rout in technology heavyweights like Facebook Inc., Amazon.com Inc. and Alphabet Inc. spilled over into the broader market in late March, many feared that individual investors would flee for the exits, exacerbating the declines.

Instead, Alex Boucher, a 22-year-old college student in Westfield, Mass., added to his position in chip maker Nvidia Corp., seeing a chance to pick up the pricey stock at a discount.

San Jose, Calif.-based contractor Michael Chu, 34, shrugged off a \$2,700 loss in his tech-heavy index-fund holdings, betting the technology sell-off was “just one of those downturns that will pick back up.”

And in Dallas, portfolio manager Craig Hodges took only two phone calls from clients on a day when the Dow Jones Industrial Average fell nearly 500 points, a pittance compared with the 10 to 15 investors he would hear from daily at the peak of the 2008 financial crisis.

It isn’t that investors aren’t worried about the stock market: Roughly 37% of individual investors expect stocks to fall over the next six months, according to an American Association of Individual Investors survey, the highest share since September. And it isn’t that individuals don’t own technology shares, either: As investors have loaded up on index funds, many are more exposed to the tech sector than ever.

Instead, interviews with individuals and financial advisers around the U.S. show that many are largely riding out the market’s turmoil—citing the belief that technology stars will be able to weather the latest controversies hitting the industry, the sense that the market has fallen so far that they ought to wait out the recent wave of selling, and the difficulty of timing prior mar-

ket peaks and troughs.

Despite the recent declines, trading activity has been relatively orderly, with volumes at discount broker Charles Schwab Corp. 36% lower than what they were during the peak of the February selloff, and none of the brokerages appearing to suffer a repeat of February’s outages and slowdowns.

“I don’t think there’s a sense of panic,” said JJ Kinahan, chief market strategist at TD Ameritrade.

One possible reason is that as large, one-day stock swings have become more common, they have also become less unnerving to investors. The S&P 500 has closed up or down at least 1% on 26 occasions so far this year, blowing past last year’s tally of eight.

Many individuals are also skeptical that the controversy recently hitting a number of technology giants will ultimately lead to tighter regulations that could affect the firms’ profits.

“President Trump tweets directed at companies such as Boeing haven’t had any negative actions against them, so I think this is all talk,” Mr. Boucher, the college student, said of President Donald Trump’s recent tweets blasting Amazon.

Tech stocks in the S&P 500 have fallen 6.5% in the past month, after powering the broad index higher for more than a year. The NYSE FANG+ index, which tracks 10 global tech heavyweights, including Facebook, Amazon, Apple Inc., Netflix Inc. and Google parent Alphabet, has dropped more than 10% over the same period.

Some market observers note many investors have been conditioned to step in and buy assets whenever prices drop. That is because no decline, including the tech-bubble burst or the financial crisis, has lasted forever. They worry that mentality could point to an underlying complacency that will end with a big selloff.



Trading activity has picked up in semiconductor firm Micron.

Cause for Concern?

Many investors are sticking with technology shares despite recent warning signals.

Share of individual investors who think the stock market will fall over the next six months



Sources: American Association of Individual Investors; FactSet (FANG+)

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BUSINESS NEWS

'A Quiet Place' Roars at the Box Office

The horror movie opens to \$50 million, a much-needed hit for Viacom's Paramount

BY ERICH SCHWARTZEL

LOS ANGELES—"A Quiet Place" became that rare thing in Hollywood this weekend: a breakout hit based on an original idea. The horror movie about a family who must live in complete silence or risk alerting mysterious monsters opened to a thunderous \$50 million in the U.S. and Canada.

Steven Spielberg's "Ready Player One" followed in second place with \$25 million, falling only 40% in its second weekend for a two-week total of \$97 million. Worldwide, "Ready Player One" has collected an impressive \$391.3 million.

The R-rated teen comedy "Blockers" from Comcast Corp.'s Universal Pictures made its debut to a healthy \$21.4 million in third place domestically, and the Ted Kennedy drama "Chappaquiddick" fizzled with a \$6.2 million opening.

As Hollywood studios focus on big-budget franchise titles with characters that audiences already know from comic books or previous movies, a



JOHNNY COUTURE/ASSOCIATED PRESS

John Krasinski, left, with Noah Jupe in 'A Quiet Place'. The horror film had a strong opening weekend.

studio-backed original script like "A Quiet Place" rarely tops the box office. Last year, only two original movies opened to more than \$50 million: "Dunkirk" and "Coco."

"A Quiet Place," directed by

"The Office" actor John Krasinski and produced for an inexpensive \$17 million, is a sorely needed hit for **Viacom** Inc.'s **Paramount Pictures**. The studio has had a string of flops, including "Sherlock Gnomes,"

"Suburbicon" and "mother!", and has been in last place in market share among major studios every year since 2012.

Mr. Krasinski stars in "A Quiet Place" alongside his real-life wife Emily Blunt as

Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. <i>A Quiet Place</i>	Paramount	\$50	\$50	--
2. <i>Ready Player One</i>	Warner Bros.	\$25.1	\$96.9	-40
3. <i>Blockers</i>	Universal	\$21.4	\$21.4	--
4. <i>Black Panther</i>	Disney	\$8.4	\$665.4	-27
5. <i>I Can Only Imagine</i>	Roadside Attractions	\$8.4	\$69.1	-20

*Friday, Saturday and Sunday Source: comScore

parents who train their children to live in complete silence following an apocalyptic event that has unleashed noise-detecting creatures.

The success of "A Quiet Place" reinforces the box-office power of horror movies, which studios have turned to as profit-making releases that still get consumers off the couch, since scary movies are often best enjoyed with a crowd. The \$50 million opening for "A Quiet Place" gets it off on a stronger start than two of last year's biggest horror hits, "Get Out" and "Split."

But "A Quiet Place" also played to a broader audience than most horror titles, said Kyle Davies, Paramount's president of domestic distribution. Whereas going to a scary

movie is often a spontaneous decision for consumers, "A Quiet Place" saw robust advance ticket sales and strong performances at matinees that typically aren't as popular among horror fans, he said.

"The movie broke free of any genre box," said Mr. Davies. "The story about family is what's connecting. With adults, it's that primeval need to protect your family."

In other box-office news, "Black Panther" continued its march up the list of the top-grossing movies of all time. The **Walt Disney** Co. blockbuster has grossed \$665 million, passing "Titanic" to become the third-highest grossing movie in history, behind only "Star Wars: The Force Awakens" and "Avatar."

Veteran of Church Cases Represents Weinstein Victims

BY JONATHAN RANDLES
AND TOM CORRIGAN



PACHULSKI STANG ZIEHL & JONES

Attorney James Stang has fought the Catholic Church on behalf of sexual-abuse victims.

bankruptcy. Any additional women who come forward with misconduct allegations against the company will also have unsecured claims, which like all claims in chapter 11 will be meted out in an eventual debt-repayment plan that is subject to bankruptcy court approval.

Mr. Stang's firm, Pachulski Stang Ziehl & Jones, is representing a committee of Weinstein Co.'s unsecured creditors, which has broad power to scrutinize the studio and its finances.

Bankruptcy law gives the committee a seat at the bargaining table and a say in how sale proceeds are divided up, and mandates its legal costs are paid for by the studio.

The five-member committee was formed by the U.S. trustee, a U.S. Justice Department official who oversees bankruptcy courts. The group includes two women who have sued the studio.

Most of them have had to face victims represented by Mr. Stang, who has dug deep into church finances and challenged arguments that dioceses have scant cash available to compensate victims.

"These cases make a real difference to people in a way that I don't think any other chapter 11 case I've worked on does," Mr. Stang said in an interview with The Wall Street Journal.

Weinstein Co. creditors face a difficult situation.

Business partners, board members and dozens of em-

Lawyer Turns Focus On Bankruptcies To a New Role

James Stang's Los Angeles-based firm, Pachulski Stang Ziehl & Jones, specializes in bankruptcy, debt restructuring and related kinds of business litigation. But much of Mr. Stang's attention since 2004 has focused on representing victims of sexual abuse by the Catholic Church's clerics.

Mr. Stang said he was drawn to the job's unique challenges and complex legal issues, rarely seen in bankruptcy court. "These cases are probably the most difficult that any attorney could ever face," he said.

Sexual-abuse victims have won hundreds of millions of dollars in bankruptcy settlements with Catholic dioceses. Outcomes for victims in diocesan cases depend not only on the church's willingness to pro-

vide compensation but also on insurance coverage and state laws that often determine victims' ability to seek damages.

"[Jim Stang] has the background to bring together the interests unsecured creditors

would have in a case like this,"

said Pamela Foohey, a profes-

or at the Maurer School of

Law at Indiana University. "His

experience in the diocese

cases will be very useful," she said.

appropriate way."

A subsequent bid to revive the transaction with Mr. Schneiderman's assistance ended when the studio's would-be buyers said they found undisclosed liabilities, which the board disputed.

Now, Weinstein Co. is nearing a \$310 million sale to investment firm Lantern Capital and wants a judge to approve a deal in early May.

"It's not uncommon to start a case with a short runway, often dictated by the lenders and the buyer," Mr. Stang said.

Mr. Stang has navigated tough, fast-moving bankruptcy cases before.

But if a better offer doesn't materialize in the coming weeks, Lantern's current bid may not be enough to cover both the company's existing debt and compensate women who have pending claims against the studio, court papers show. Unsecured creditors are routinely left with nothing or pennies on the dollar.

"We're trying to make the best of a terrible situation," Paul Zumbro, a bankruptcy lawyer from Cravath Swaine and Moore LLP who is representing Weinstein Co., told a judge last month.

Mr. Zumbro said the terms of the sale process are appropriate under the circumstances.

When Weinstein Co. filed for bankruptcy, its board said it regretted "that it cannot undo the damage Harvey Weinstein caused" and it remained committed in bankruptcy to maximize the value of its assets for creditors and "continue its pursuit of justice for any victims."



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THE WALL STREET JOURNAL.

THE FUTURE OF EVERYTHING FESTIVAL

MAY 8, 9, 10 NEW YORK, NY

TOP FIVE REASONS YOU CAN'T MISS IT:

- 1 Networking with like-minded thinkers, doers and makers
- 2 Inspiring insights from 100 ambitious innovators
- 3 Visionary takes on issues critical to our future
- 4 Exclusive outings to leading-edge sites in New York City
- 5 Breakthroughs in robotics, AR and more at our Innovation Hub

FEATURED SPEAKERS:



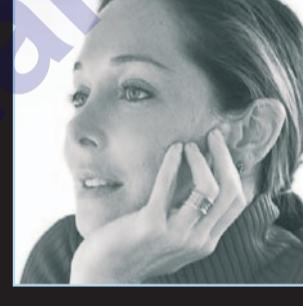
Stewart Butterfield
Co-Founder and CEO, Slack



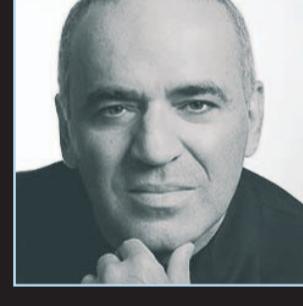
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Founder and Owner,
Gagosian Galleries



Toni L. Griffin
Founder of Urban
Planning, the American
City; Professor in Practice,
Harvard Graduate School
of Design



Tata Harper
Co-Founder and Co-CEO,
Tata Harper Skincare



Garry Kasparov
Author, "Deep Thinking:
Where Machine Intelligence
Ends and Human Creativity
Begins"; former World
Chess Champion



Adam Silver
Commissioner, National
Basketball Association



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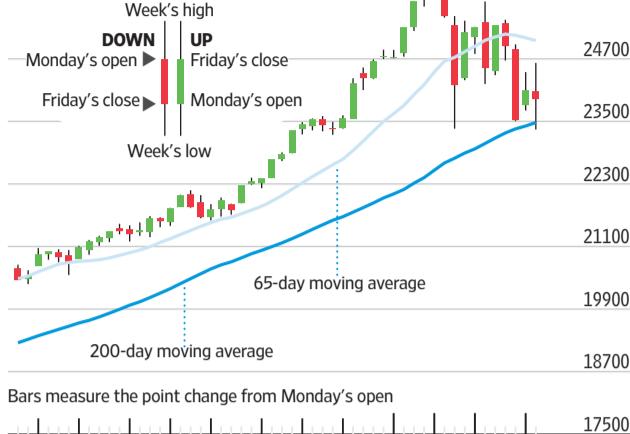


MARKETS DIGEST

Dow Jones Industrial Average

23932.76 ▼170.35, or 0.71% last week
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 25.28 21.07
P/E estimate * 16.34 17.70
Dividend yield 2.23 2.36
All-time high 26616.71, 01/26/18



Current divisor 0.14523396877348
Bars measure the point change from Monday's open

A M J J A S O N D J F M A 17500

NYSE weekly volume, in billions of shares Primary market ► Composite

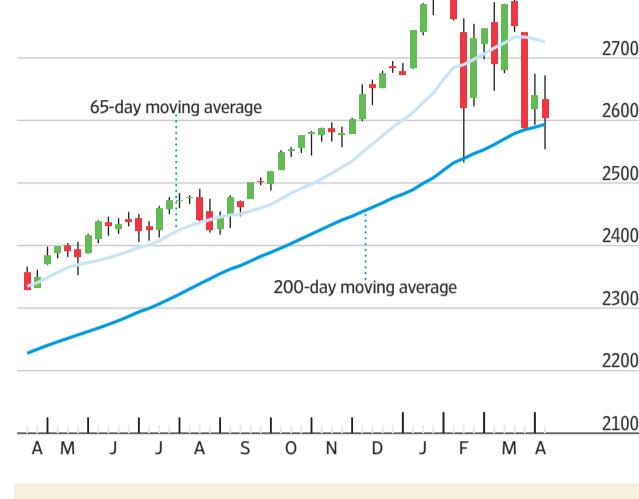


*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2604.47 ▼36.40, or 1.38% last week
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio * 25.04 24.63
P/E estimate * 16.88 18.32
Dividend yield 1.96 1.97
All-time high 2872.87, 01/26/18



A M J J A S O N D J F M A 2100

65-day moving average
200-day moving average

2200 2300 2400 2500 2600 2700 2800

2100

2000

1900

1800

1700

1600

1500

1400

1300

1200

1100

1000

900

800

700

600

500

400

300

200

100

0

A M J J A S O N D J F M A 17000

16000 15000 14000 13000 12000 11000 10000 9000 8000 7000 6000 5000 4000 3000 2000 1000 0

New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/primary exchange	Shares (mil.)	Pricing Range(\$)	Low/High	Bookrunner(s)
4/11	3/16	Alzheon Clinical-stage biotechnology company developing treatments for Alzheimer's disease.	ALZH	5.0	13.00/15.00	Citi, Piper Jaffray, Canaccord Genuity, JMP Sec	
4/11	3/16	Zuora Provides a cloud-based subscription billing and management platform.	ZUO	10.0	9.00/11.00	GS, MS, Allen & Co., Jefferies	

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Symbol	Offer price(\$)	Offer amt. (\$ mil.)	Through Friday (%)	Lockup provision
April 9	Oct. 11, 17	CarGurus	CARG	16.00	173.0	137.5	180 days
	Oct. 11, 17	OrthoPediatrics	KIDS	13.00	59.8	25.7	180 days
	Oct. 11, 17	Restoration Robotics	HAIR	7.00	28.8	-17.7	180 days
April 10	Oct. 12, 17	OptiNose	OPTN	16.00	138.0	20.6	180 days
April 15	Oct. 17, 17	Qudian	QD	24.00	1035.0	-54.4	180 days

Sources: Dealogic; WSJ Market Data Group

IPO Scorecard

Performance of IPOs, most-recent listed first

Company SYMBOL	IPO date/Offer price	Friday's close(\$)	% Chg From Offer	1st-day close	Company SYMBOL	IPO date/Offer price	Friday's close(\$)	% Chg From Offer	1st-day close
Spotify SPOT	April 3/\$132.00	147.92	12.1	-0.7	Homology Medicines FIXX	March 28/\$16.00	18.04	12.8	-3.3
Genprex GNPK	March 29/\$5.00	5.45	9.0	16.0	OneSmart Int'l Edu Grp ONE	March 28/\$11.00	10.66	-3.1	-1.3
iQYi IQYI	March 29/\$18.00	16.02	-11.0	3.0	GreenTree Hospitality Grp GHG	March 27/\$14.00	12.68	-9.4	-2.5
Unum Thera UMRX	March 29/\$12.00	10.79	-10.1	-2.9	Dropbox DBX	March 23/\$21.00	30.24	44.0	6.2
Bilibili BILI	March 28/\$11.50	10.94	-4.9	-2.7	Sunlands Online Edu Grp STG	March 23/\$11.50	8.00	-30.4	-27.9

*Direct listing. Sources: WSJ Market Data Group; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

None expected this week

Off the Shelf

None expected this week

Public and Private Borrowing

Treasurys

Monday, April 9

Tuesday, April 10

Auction of 13 week bill;

Auction of 4 week bill;

announced on April 5; settles on April 12

Auction of 26 week bill;

announced on April 5; settles on April 12

Wednesday, April 11

Auction of 10 year note;

announced on April 5; settles on April 16

Auction of 30 year bond;

announced on April 5; settles on April 16

Source: Thomson Reuters/Ipreo



30 2 3 4 5 6 March

7050 6950 6850 6750

6750 6650 6550 6450 6350 6250 6150 6050 5950 5850 5750 5650 5550 5450 5350 5250 5150 5050 4950 4850 4750 4650 4550 4450 4350 4250 4150 4050 3950 3850 3750 3650 3550 3450 3350 3250 3150 3050 2950 2850 2750 2650 2550 2450 2350 2250 2150 2050 1950 1850 1750 1650 1550 1450 1350 1250 1150 1050 950 850 750 650 550 450 350 250 150 50

30 2 3 4 5 6 March

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MONEY & INVESTING

Monex Enters the Cryptocurrency Arena

By SURYATAPA BHATTACHARYA

TOKYO—Internet brokerage **Monex Group Inc.** said Friday it would buy beleaguered bitcoin exchange **Coincheck Inc.** for about \$34 million, becoming the latest established Japanese internet firm to jump into cryptocurrencies.

Monex said it aimed to fully restore operations at the startup in two months. Co-

incheck suffered a hack in January and lost customer assets then valued at ¥58 billion (\$540 million).

"I have no doubt about the future of crypto assets as a means of investment as well as payment," Monex Chairman Oki Matsumoto said at a news conference.

Though the prices of bitcoin and some other cryptocurrencies have fallen sharply this

year, the high volume of trading in Japan has lured major internet companies to the business. About 60% of bitcoin trading is yen-denominated, according to data provider Coinhills, a firm that tracks digital currencies.

Messaging-app operator Line Corp. is waiting on regulatory approval to open a cryptocurrency exchange for its 168 million monthly active users.

Blog operator and internet advertiser CyberAgent Inc. plans to set up an exchange this spring. E-commerce firm Rakuten Inc., which accepts bitcoin for some purchases, said in February it planned to start its own cryptocurrency.

The land-grab mood made Coincheck an attractive target even after its hack, in which the exchange lost 523 million units of a virtual currency called NEM. In March, Coincheck spent ¥46.3 billion to compe-

rate 260,000 customers whose currency was stolen. "Everything has risk, but the risk is manageable," said Mr. Matsumoto, adding that Monex stands to gain a "much younger customer base." Mr. Matsumoto said he had been a customer of Coincheck for three years.

*—Mayumi Negishi,
Takashi Mochizuki
and Kosaku Narioka
contributed to this article.*

Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund share trade on a stock exchange. NA signifies that the information is not available or not applicable. NS signifies fund not in existence of period. 12 month yield is computed by dividing income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, April 6, 2018

52 wk Fund (SYM) NAV Close/Disc Ret

General Equity Funds

Fund (SYM)	NAV	Close/Disc	Ret
Adams Divers Equity Fd	ADX	17.07	14.61 -14.4 16.2
Boulder Growth & Income	BIF	12.55	10.73 -14.5 19.5
Central Securities	CET	30.25	26.49 -17.3 14.5
CohSteer Opprtnty Fd	FOF	13.26	12.35 -6.9 5.9
Cornerstone Strategic	CLM	12.64	15.48 +22.4 16.1
Cornerstone TR	CRF	12.95	15.52 +2.6 17.3
EtnVnc TaxAdv Div	EV7	22.69	21.97 -3.2 11.5
Gabelli Dividend & Income	GDV	23.56	21.89 -7.1 11.4
Gabelli Equity Trust	GAB	6.22	6.04 -2.9 12.7
Genl American Investors	GAM	39.38	33.34 -15.3 8.2
Guggenheim Enh Dgm	GPM	8.40	8.23 -2.0 13.1
Hink John TxAdv HTD	HTD	23.69	21.75 -8.2 -3.6
Liberty All-Star Equity	USA	6.63	6.09 -8.1 22.4
Royce Micro-Cap	RMT	10.33	9.54 -7.6 21.9
Royce Value Trust	RVT	16.93	15.44 -8.8 16.9
Source Capital Corp	SR	43.99	39.78 -7.6 9.1
Tri-Continental	TY	29.35	26.10 -11.1 17.7

Specialized Equity Funds

Fund (SYM)	NAV	Close/Disc	Ret
Adams Natural Rscs Fd	PEO	21.53	18.16 -15.7 -1.5
AlnZig GI Div Intrest	NFJ	14.20	12.53 -11.8 4.0
AlnZig GI Pfd Income	APP	7.05	6.21 -11.9 15.9
BikRk Enh Cap Inc	CII	16.81	15.56 -7.4 15.7
BikRk Engy Res Tr	BGR	14.87	13.54 -8.9 4.0
BlackRock Enh Eq Div	BDJ	9.67	8.70 -10.0 9.1
BlackRock Enh Eq Div	BOE	12.56	11.56 -8.0 9.6
BikRk Intl Grth&Inco	BGY	6.74	6.08 -9.8 11.6
BikRk Health Sci	BME	35.14	34.27 -2.5 7.2
BlackRcks Rsr Comm Tr	RCX	9.91	9.09 -8.7 11.4
BlackRock Science & Tech	BST	29.33	29.63 +1.0 48.1
BlackRock Utilities Int'l	BUI	20.35	19.75 -2.9 2.4
CBRE/Gin/Gil/Btstnln	IGR	8.38	7.30 -12.9 4.2
Sprott Physical Gold	CDF	NA	13.33 NA 4.2
ClearBridge Ame Enrgy	CBA	6.88	NA -23.5
ClearBridge Engy MLP	CDF	NA	12.76 NA -18.4
Clearbridge Engy MLP	EMO	NA	10.11 NA -18.0
FutrVnc RskMngd GI	ETJ	14.97	8.96 -6.4 7.3
EtnVnc TaxAdv Tr	ETW	15.28	15.68 +2.6 4.1
First Trm Engy Infr	FEI	15.80	14.94 -2.7 16.0
Eaton Vance Engy Infr	FEI	15.63	15.75 +0.8 24.0
EtnVnc Cmry Oppd Fd	FMO	81.10	81.02 +0.1 20.3
Fiduciary/Cmry Oppd	FID	15.80	14.94 -5.4 -16.2
First Trm Engy Infr	FEI	12.10	12.03 -0.6 -19.3

52 wk Fund (SYM) NAV Close/Disc Ret

General Bond Funds

General Fixed Income Funds

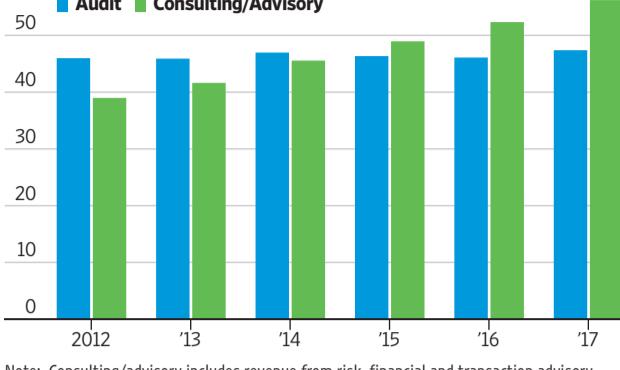
General Short-Term Funds

MARKETS

Consulting Corps

Big Four accounting firms' total global revenue from consulting and other advisory work has surpassed their revenue from auditing.

\$60 billion



Note: Consulting/advisory includes revenue from risk, financial and transaction advisory services.

Sources: Ernst & Young, Deloitte, PwC, KPMG

THE WALL STREET JOURNAL.

AUDIT

Continued from page B1

A&M University accounting professor.

The industry says it helps to have auditing and consulting under the same roof. That setup gives the auditors easier access to technology and expertise about their clients' businesses. It "provides the structure, breadth and depth of technical skills and industry expertise necessary to deliver high-quality audits," said Mark Weinberger, Ernst & Young's global chairman.

Creating audit-only firms, by contrast, "would undermine significant progress made to strengthen audit quality," Deloitte said in a statement.

Consulting has become crucial to the Big Four financially: As a group, they got 42% of their global fiscal 2017 revenue from consulting

The bulk of the firms' revenue now comes from consulting and advisory.

and advisory work, compared with 35% from auditing. The remainder came from tax and legal work.

While consulting can be lucrative—it tends to be more customized, creative and driven by corporate clients than auditing is—the presence of the business at audit firms has been a concern for years. Investors fear it could cause the firms to take their eyes off the ball when it comes to their core auditing responsibilities and that it would be harder for an audit firm to be impartial if it is also reaping large consulting fees from the same client.

Arthur Andersen, for example, earned more in fees from providing consulting and other nonaudit services to Enron Corp. in the year before its demise—\$27 million—than it did from auditing the company (\$25 million).

After the Enron scandal, the Sarbanes-Oxley Act in the

U.S. barred firms from providing many types of consulting services to their audit clients. But they can still do both for clients outside the U.S., as well as provide consulting to American companies they don't audit.

Audit-only firms were also suggested during Enron's failure. Before Arthur Andersen collapsed under the weight of the criminal case against it, former Federal Reserve Chairman Paul Volcker tried unsuccessfully to save the company with a plan to separate its auditing and consulting businesses.

The idea has gained some recent traction in the U.K. Stephen Haddrill, chief executive of the Financial Reporting Council, told the Financial Times last month that authorities should consider breaking up the Big Four firms in the U.K. to separate auditing from consulting and to foster competition.

Mr. Haddrill's concerns followed accounting scandals at companies like Carillion PLC and South Africa's Steinhoff International Holdings NV, which owns furniture retail chains in the U.K.

Virtually all of the largest U.K. companies are audited by the Big Four, as is the case in the U.S.

It isn't clear whether separating auditing from consulting would work in the U.S. While some investors are concerned, there hasn't been any significant regulatory push for such a move. In 2013, James Doty, then chairman of the U.S. Public Company Accounting Oversight Board, expressed interest in looking at the growth of the audit firms' consulting practices, but the PCAOB hasn't taken any public action since.

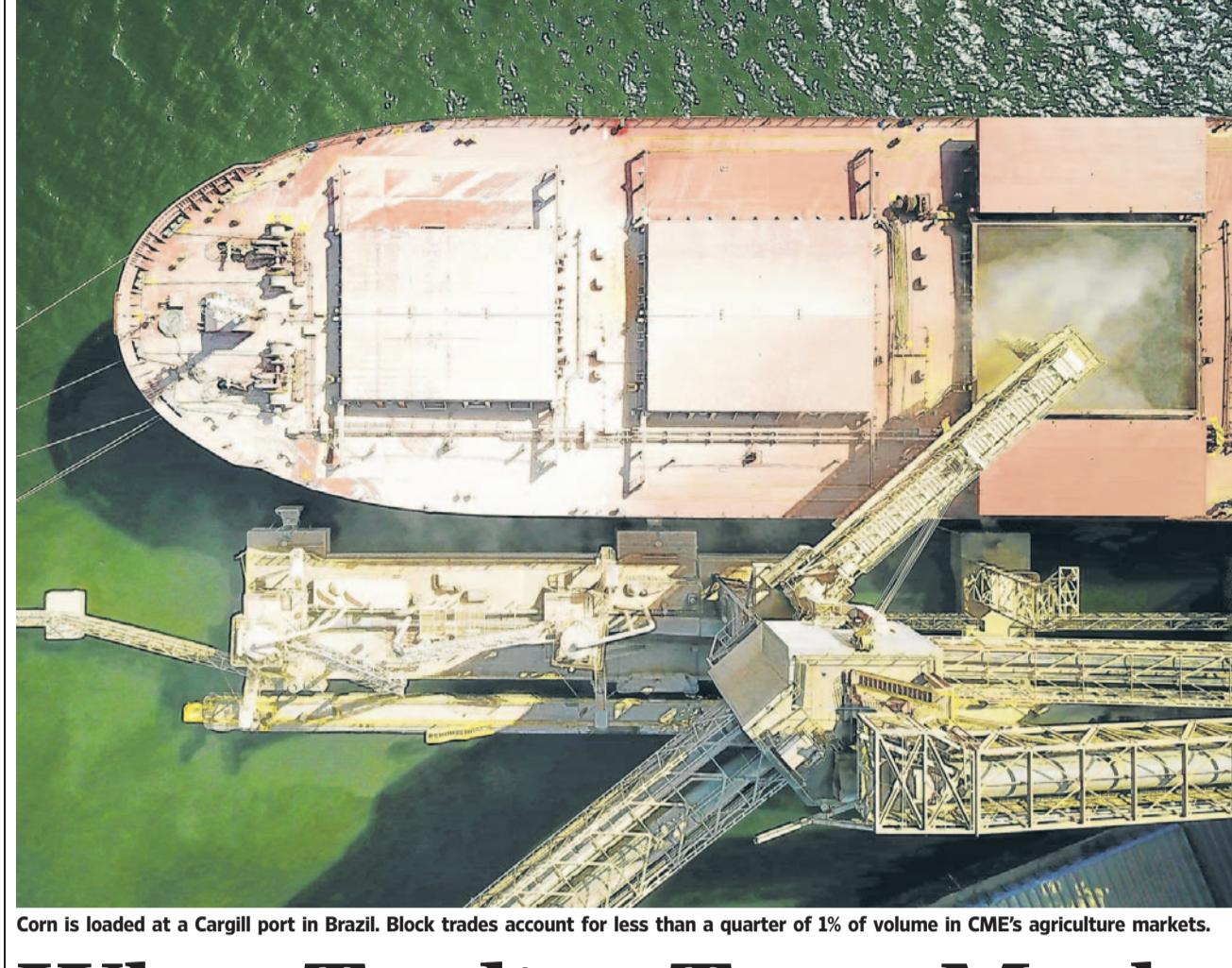
A separation might be difficult globally as well; Big Four member firms in each country are legally separate from others in the same network, and regulations can differ from one country to another.

In response to Mr. Haddrill's proposals, PwC's U.K. firm said it was "open to ideas," but noted that large multinational companies must have auditors big and skilled enough to meet their needs.

KPMG didn't provide any comment.



Stephen Haddrill suggests breaking up the Big Four in the U.K.



Corn is loaded at a Cargill port in Brazil. Block trades account for less than a quarter of 1% of volume in CME's agriculture markets.

DADO GALLIERI/BLOOMBERG NEWS

When Trading Turns Murky

CME says bulk futures make deals more efficient; others worry about transparency

BY BENJAMIN PARKIN
AND JACOB BUNGE

A new way to trade agricultural futures in bulk is raising concerns that markets for the crops and livestock that feed the world are becoming less transparent.

C M E COMMODITIES Group Inc. since January has allowed hedge funds, grain companies and others to privately trade "blocks" of futures and options for corn, cattle and other agricultural commodities.

CME, the world's largest exchange operator, says bulk deals make big transactions more efficient and facilitate trading in little-used markets.

Some grain companies and traders that rely on prices set at CME say that data will be less accurate if more trades move out of public view. They say allowing bulk traders to bypass the open market puts them at a disadvantage in determining a fair price for goods like wheat or soybeans.

"It's a shadow market," said David Durra, an independent trader based in San Diego. He was recently trying to trade corn contracts on CME's electronic platform when confirmation of a block transaction for several thousand contracts crossed his screen. None of his trades found takers on CME's open market at the same price, Mr. Durra said.

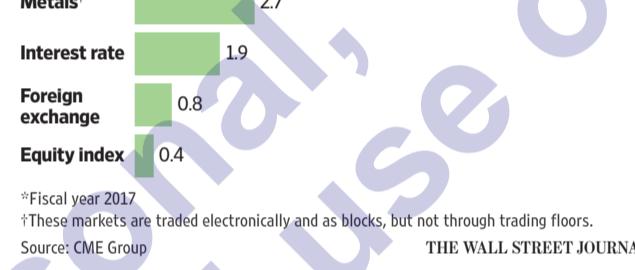
The National Grain and Feed Association, a trade group representing grain companies including Archer Daniels Midland Co., Bunge Ltd. and Cargill Inc., has raised concerns about the block trades with CME and discussed them with exchange executives at the group's annual convention in Arizona last month.

"We are wary of increasing futures volume moving into blocks," a spokesman for the association said. "At some point, if volumes grow too large we fear the result could be to limit market participation, especially for relatively

Between a Block and a Hard Place

Block trades, new in agriculture, are more common in the CME's other markets.

Block trades as a percent of total volume for futures and options*



*Fiscal year 2017

[†]These markets are traded electronically and as blocks, but not through trading floors.

Source: CME Group

smaller hedgers."

ADM and Cargill didn't respond to requests for comment, and representatives for Bunge declined to comment.

Tim Andriesen, CME's managing director of agricultural products, said block trades aren't a threat to agricultural-commodity pricing and can add liquidity.

Building out its primary open markets remains the exchange's priority, he said. He pointed out that more people are trading in its agricultural markets than ever. A record of a little over three million agricultural contracts traded on April 4.

Block trades are a sliver of that agricultural trade. They accounted for less than a quarter of 1% of trading volumes in CME's agricultural markets. In 2017, block trades represented 3% of the volume in other CME-operated markets, including trading in energy and interest rates.

They have helped generate more activity in niche markets such as CME's new Black Sea wheat contracts. Block trades allow grain merchants working in the powerhouse wheat-producing region to seek out potential takers. "We see this as something that helps customers in a very specific situation," Mr. Andriesen said.

But some traders say block trades are also happening in widely traded contracts where finding willing buyers or sellers is easy. They say that denies them a chance to trade on big transactions.

Contracts closest to their due date, when trading often

picks up, drew more than half of block trades in all agricul-

tural markets since the technique's January introduction through late March, according to CME. Those figures include trades spread across later-month contracts with less volume. Traders said that was particularly acute in corn, one of CME's most actively traded agriculture markets.

Traders also say bulk transactions can undermine understanding of the dynamics driving prices of well-trafficked markets because they are reported publicly after a delay of five or 15 minutes. "It's curious that price discovery can happen in a forum where two people

get to know about it and everyone else finds out about it 15 minutes later," said MJ Anderson, head of merchandising and risk management at Andersons Inc., an Ohio grain company.

The Commodity Futures Trading Commission is reviewing the block trades and discussing the matter with CME and traders, a CFTC official said.

Some farm groups say block trades could make it more difficult to use CME's markets to manage price risk. The U.S. Cattlemen's Association, which represents ranchers, said trading volumes in the livestock markets used by its members can already be thin. They say block trades could result in less participation.

"This undercuts cattle producers from their ability to participate in the needed liquidity," said Kenny Graner, the association's president.

Chicago-based brokerage firm **Futures International LLC** has used block trades to make deals on corn and wheat futures for clients, including hedge funds, banks and grain merchants. Gary Sandlund, the firm's president, said that it would take participants time to adapt. "I think the market is open and receptive to these," he said.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

— Fri — YTD chg (%)

Country/currency in US\$ per US\$ (%)

Americas

Argentina peso .0496 20.1758 8.5

Brazil real .2967 3.3703 1.8

Canada dollar .7823 1.2783 1.7

Chile peso .001653 604.80 -1.7

Ecuador US dollar 1 1 unch

Mexico peso .0547 18.2939 -7.0

Uruguay peso .035321 28.3200 -1.7

Venezuela b. fuerte .0000204960.0001 47904.7

Asia-Pacific

Australian dollar .7655 1.3063 2.0

China yuan .1586 6.3044 -3.1

Hong Kong dollar .1274 7.8486 0.5

India rupee .01540 64.920 1.6

Indonesia rupiah .0000725 13785 2.2

Japan yen .009353 106.92 -5.1

Kazakhstan tenge .003127 319.76 -3.9

Macau pataca .1234 8.1044 0.7

Malaysia ringgit .2584 3.8700 -4.7

New Zealand dollar .7207 1.3755 -2.4

Pakistan rupee .00866 115.500 4.4

Philippines peso .0192 52.044 4.2

Singapore dollar .7601 1.3156 -1.6

South Korea won .0009339 1070.73 0.3

Sri Lanka rupee .0064329 155.45 1.3

Taiwan dollar .03410 29.324 -1.2

Thailand baht .03198 31.270 -4.1

Vietnam dong .00004385 22803 0.4

Close Net Chg % Chg YTD % Chg

WSJ Dollar Index 83.99 -0.18 -0.21 -2.31

Sources: Tullett Prebon, WSJ Market Data Group



DAVID GOLDMAN/ASSOCIATED PRESS

THE TICKER | Market events coming this week

Monday

No major events are scheduled

Tuesday

Short-selling reports

Ratio, days of trading volume of current position, at March 15

NYSE 4.8

Nasdaq 3.7

Producer-price index

All items, Feb. up 0.2%

March, expected up 0.1%

Core, Feb. up 0.2%

March, expected up 0.2%

Wholesale inventories

Jan., previous up 0.8%

Feb., expected up 0.9%

Treasury budget

March, '17

\$176.0 billion deficit

March, '18, exp. n.a.

Earnings expected*

Estimate/Year Ago(\$)

Fastenal 0.61/0.46

EIA status report

Previous change in stocks in millions of barrels

Crude oil down 4.6

Gasoline down 1.1

MARKETS

U.S. Faces Highest Pump Prices in Years

Crude production cuts and seasonal trends mean it is pricier to keep vehicles fueled

By STEPHANIE YANG

Americans are spending more at the pump than they have in years. Prices could rise even higher just as drivers hit the road for family vacations.

"This summer, in terms of average gas prices, will likely be the highest since 2014," said Patrick DeHaan, petroleum analyst at GasBuddy, a fuel-tracking app. "There's been very little question about that."

Crude prices have jumped thanks to continuing production cuts by major exporters. As a result, gasoline is becoming more expensive.

According to the U.S. Energy Information Administration, average regular retail gas prices reached \$2.70 a gallon last week—the highest level since 2015.

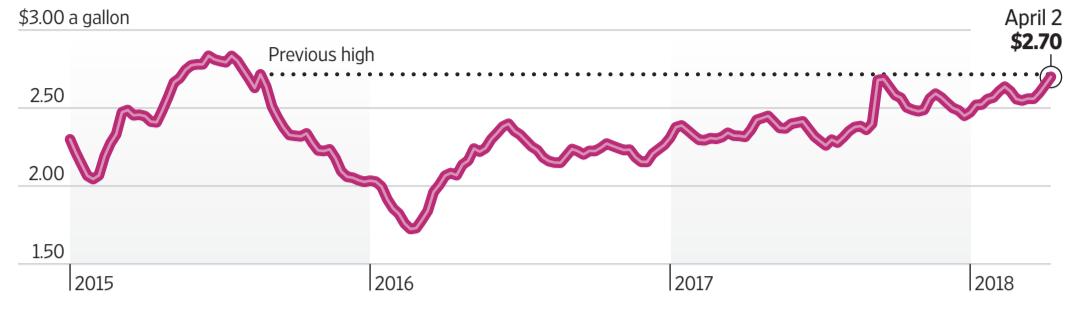
While higher fuel prices could herald an end to the glut that has plagued the energy market since 2014, they also threaten to damp demand and hit consumers in their pocketbooks.

Since the Organization of the Petroleum Exporting Countries and other major oil producers, including Russia, agreed to collectively limit output two years ago, U.S. oil futures have risen about 40%, closing at \$62.06 a barrel on Friday. Gasoline futures are up 8.6% this year.

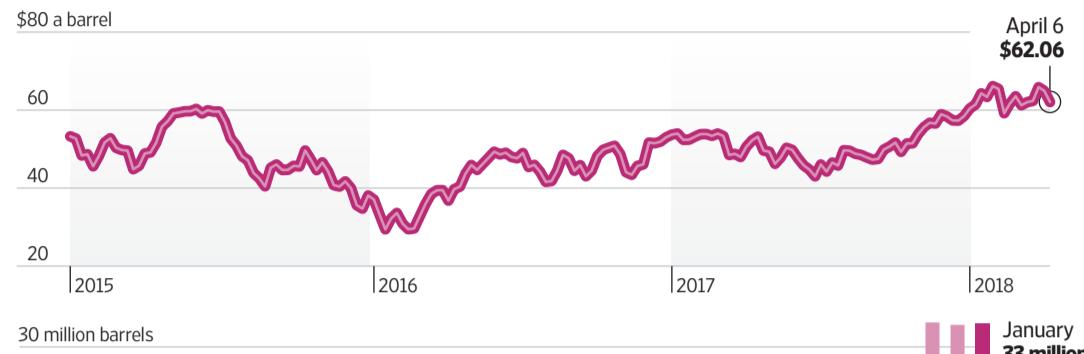
"What we're seeing now at the pump is reflective of OPEC's decision in 2016 to cut back on oil production," said Mr. DeHaan.

Part of gasoline's price increase has been seasonal, as refiners tend to process less crude oil into fuel during maintenance and are starting to transition to summer-grade

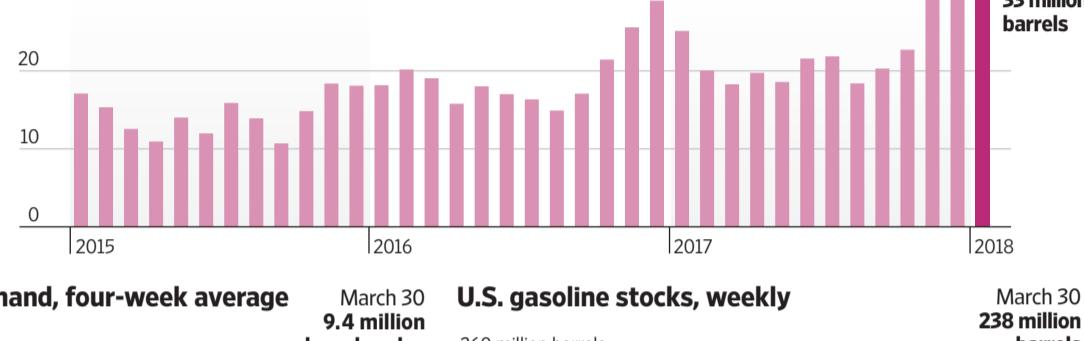
Average retail price for gasoline, weekly



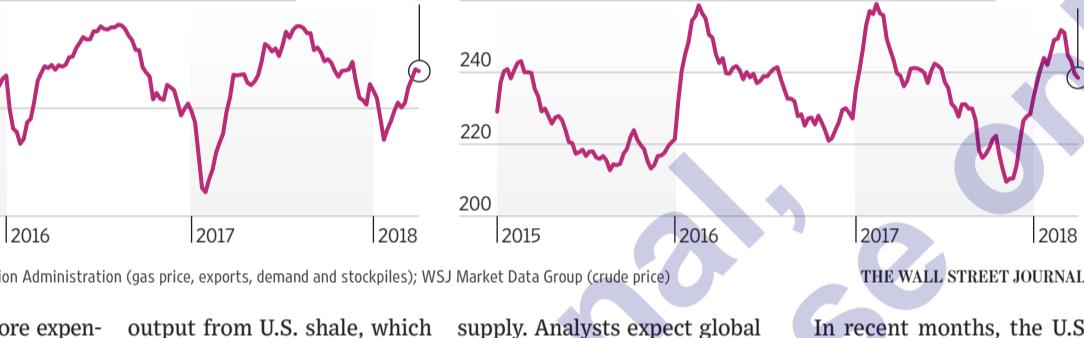
U.S. crude-oil futures price, front-month contract, weekly



U.S. gasoline exports, monthly



U.S. gasoline demand, four-week average



Sources: U.S. Energy Information Administration (gas price, exports, demand and stockpiles); WSJ Market Data Group (crude price)

gasoline, which is more expensive to make.

Prices will likely climb further as the weather warms and driving picks up, according to energy analysts.

OPEC's production cuts have helped offset growing

output from U.S. shale, which has repeatedly reached new record weekly highs this year. In January, U.S. crude stockpiles fell to the lowest level since 2015, and are below the five-year average, a closely watched measure of excess

supply. Analysts expect global crude inventories to fall to their five-year average this year as well.

Gasoline stockpiles have fallen for five consecutive weeks, according to EIA data ended March 30.

In recent months, the U.S. also has exported record amounts of gasoline, mostly to Latin America and South America.

In January, exports totaled more than 33 million barrels, near an all-time monthly high

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Nike Needs to Run After Women

Does a boys-club culture in which women struggled with pay inequity, inappropriate behavior and poor representation in the company's top ranks make Nike a more valuable company?

Will women, who have powered the company's growth in recent years, buy more Nike gear after hearing these revelations? Stock investors seem to think so.

Nike shares rose 10% from their low last week after The Wall Street Journal reported about Nike's culture. Shares kept rising after a memo surfaced from the company's top human-resources executive saying Nike "has failed to gain traction" in hiring and promoting women and minorities. The stock fell 3% in Friday's big selloff.

Nike has focused some of its most high-profile campaigns specifically on empowering women and girls—from its 1995 ad "If You Let Me Play" to last year's "Equality" campaign. Now it looks increasingly like Nike has broken its promise.

Nike's troubles started

Girl Power

Nike's revenue growth, year over year



last month, when two top executives resigned after an internal review sparked by the concerns of women. That and the subsequent revelations about the company's culture may make consumers, especially women, rethink their allegiance to Nike, said Trevor Wade, global marketing director at Landor, a brand-consulting firm.

This is important because Nike is the No. 1 sports

brand for women and girls globally. Last year, Nike's women's business brought in over \$6.6 billion in revenue, and it has been growing at a faster rate than the company overall—about 12% a year since 2013.

If sales to women flag, the company will struggle to meet the targets it has set, especially in its domestic business.

Meanwhile, rival Adidas is growing faster than Nike, es-

specially in North America, where Nike's business has declined recently. Adidas's constant-currency sales surged 27% in the region last year as the German sports-wear group stole market share from Nike.

Nike's leaders have acknowledged the company's shortcomings and appear to be taking steps to address them.

That response may keep consumers from drifting away. And it is worth remembering that much of Nike's genius lies in its marketing. If it can tell the right story about the brand's desire to do better by women, consumers may be willing to forgive.

Investors, though, are acting as if the company has been forgiven already. Even if one in 10 women customers reaches for another brand for just a few months, Nike's earnings and its stock will take a hit. Nike is all about going faster, but in this case investors should take it slow.

—Elizabeth Winkler

OVERHEARD

At least the transit passes come on time.

WageWorks, a third-party administrator of employee benefits, had a series of disappointing announcements Thursday evening. The company said it would need to restate quarterly financial reports from 2016 and 2017 due to problems with the company's revenue-recognition policies. The restatements could result in a significant cut to the company's 2016 profit, and WageWorks still hasn't filed its required annual report with the Securities and Exchange Commission.

The company also said that its finance chief and general counsel had both resigned and that its longtime chief executive **Joe Jackson** will become executive chairman. **Edgar Montes**, current chief operating officer, will take over as chief executive. Shareholders faced a long commute home Friday: The stock was down nearly 4% and has shed about 40% of its value since last April.

Incyte shares dove 23% Friday, erasing about \$4 billion in market cap. Shares of companies with similar programs under development also took a beating: **Nektar Therapeutics** fell 7% and **NewLink Genetics** lost 43%.

That likely wasn't an overreaction. For Incyte, analyst consensus had called for nearly \$2 billion in epacadostat sales by 2023, according to FactSet. That amounted to 40% of total projected sales for that year.

Incyte's disappointment is bad news throughout the biotech sector as well. Using experimental drugs in combination with drugs such as Keytruda, known as checkpoint inhibitors, has been a major focus of the industry's research and development spending for years.

That has fueled optimism that combination therapy is the next great medical breakthrough—and the next great growth story for Wall Street. There are more than 1,000 clinical trials either in progress or recruiting patients, using either Keytruda or similar drugs, according to a database maintained by the U.S. government.

Friday's news calls those expectations into question. If future trial results look similar to Incyte's, that enthusiasm could vanish altogether.

—Charley Grant

Biotech Gets A Hard Dose Of Reality

A major source of biotech-sector optimism just took a significant hit.

Incyte announced Friday that a late-stage trial of its cancer drug epacadostat, in combination with **Merck & Co.'s** Keytruda, failed. The combination didn't slow disease progression or improve survival rates for patients with melanoma, compared with patients who took Keytruda alone.

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—Charley Grant

Anthem May Win by Sitting Out Wave of Insurance Deals

Anthem's patience is going to pay off.

Talks between **Wal-Mart** and health insurer **Humana**, if successful, would be the latest in a string of splashy deals in the insurance sector.

Pharmacy chain **CVS Health** has announced it

plans to buy **Aetna**, while

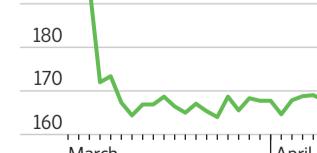
Cigna has plans to purchase the pharmacy-benefits manager **Express Scripts Holding**.

The largest publicly traded insurer, **UnitedHealth Group**, has been bulking up its pharmacy-benefit-management business for years and has recently bought surgical-care centers and physician-staffing groups.

One reason for insurers to

Merger Doubts

Cigna share price



pursue these deals is the difficulty in adding members. They got a rush of new business following the adoption of the Affordable Care Act in 2010, but that has faded.

Anthem has largely sat

out the deal making, aside from some smaller transactions. Given the industry's expected slowdown in membership growth, that could be interpreted as reason for concern. But Anthem's status as a laggard actually puts it in a position of strength.

For starters, the recent large insurance deals aren't guaranteed to close successfully; each will face a prolonged regulatory process that will limit capacity for other acquisitions.

Then there is the matter of successfully integrating these different business combinations. The deals aren't especially popular with investors either. CVS, Cigna

and Walmart haven't traded higher since word emerged on each possible deal.

By sitting tight, Anthem has avoided those problems for now, and new Chief Executive Gail Boudreaux has plenty of options to generate growth.

With net debt at roughly 35% of total capital, there is plenty of room on Anthem's balance sheet to bulk up if it chooses to do so. It could, for instance, swallow midsize insurers like **WellCare**, **Molina Healthcare** or **Centene**.

That would allow Anthem to expand its membership with a more predictable regulatory process.

Just as importantly, if its

competitors succeed in getting approval from regulators for vertical deals, then it has no shortage of potential targets. Smaller PBM businesses could help Anthem bulk up its new PBM division, which will launch after its contract with Express Scripts expires. It also could buy a pharmacy chain like **Walgreens Boots Alliance** or a hospital system, have greater clarity on the regulatory process and still not be left behind its competitors.

That flexibility is currently unmatched among Anthem's peer group. That should be music to shareholders' ears.—**Charley Grant**

INVESTING IN FUNDS & ETFs

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Conversation
DETAILS, R2

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All About Financial Fraud

Take our quiz about the latest risks and statistics

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'Bad' News Helps ESG

A professor finds that setbacks for ethical investing seem to just draw more money to it

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Officers and directors are more bearish on their own stocks than they have been in years

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A new online tool makes it easier to find scholarship money

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BEST BET/WORST BET

Entrepreneur Was Right About Facebook

Gary Vaynerchuk made millions, and stands by Zuckerberg

R10

Why Emerging Markets Are Still Worth the Trouble



Yes, the two-year rally gives some investors pause, but a 5% to 10% exposure makes sense for the long term

JAMES YANG

BY DAN WEIL

AFTER A TORRID two-year rally in emerging-markets stocks and bonds, the gut reaction of investors might be to pull back. After all, rising U.S. interest rates and a possible trade war, combined with the run-up of the past two years, would seem to work against the investments moving forward.

But many investment strategists say that long-term investors, including those tending to their 401(k)s, should fight their guts. They recommend against reducing your holdings in the stocks and bonds of such countries, which include such growing but still-riskier economies as China, South Korea, Taiwan, India and Brazil.

Their bottom line: It's still generally wise to have 5% to 10% of investment assets constantly allocated to such markets.

"There are a lot of moving parts" to interest rates and trade, says Alex Bryan, director of passive-strategy research at investment-information firm Morningstar. "It's hard to predict how they will unfold. You shouldn't time the market based on events." The best strategy, he says, is to maintain a diversified portfolio—and emerging-markets investments can play an im-

portant role in that respect.

The past two years have been excellent for emerging markets. The MSCI Emerging Markets Stock Index soared 44% during that period, while the Bloomberg Barclays Emerging Market Local Currency Government Bond Index climbed 15%. Some experts worry that the good times will end as the U.S. Federal Reserve continues to raise interest rates and trade conflicts brew. The argument is that higher rates in the U.S. and other developed nations make their investments, particularly bonds, more attractive than those in emerging markets.

In addition, rising U.S. rates can push the dollar higher, making shares of foreign stock and bond funds worth less in dollar terms.

What history says

Still, research shows that in the previous four cycles when the Fed increased rates, emerging-markets stocks outperformed the MSCI All Country World Index in three of them, says Michael Sheldon, chief investment officer at RDM Financial Group in Westport, Conn.

The idea that rising U.S. rates hurt emerging markets applied more in the late 1990s, "when

developing economies were in some sort of disarray," says Karim Ahamed, investment strategist at HPM Partners in Chicago. "But that has changed since the financial crisis. Over time, a lot of these economies have straightened out." Now, many emerging-markets economies have lower debt-to-GDP ratios than the U.S. and Japan, Mr. Ahamed says.

Developing nations benefit from younger populations than their developed brethren, a rapidly growing middle class and a shift away from manufacturing toward more consumer-based economies. Emerging markets now account for 40% of world GDP, and economists expect that percentage to rise rapidly.

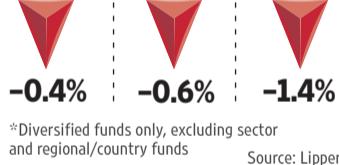
In any case, some say emerging markets will suffer less than developed markets as rates increase. "Developed stocks markets could actually be more vulnerable," says Jack Ablin, chief investment officer at Cresset Wealth Advisors in Chicago. That is because it is mainly central banks in developed economies that are increasing rates, which can damp a country's economic growth, thereby depressing corporate earnings.

In addition, despite the rising-rate environment, U.S. rates remain well below historical

Please turn to the next page

SCOREBOARD

First-quarter 2018 fund performance, total return by fund type. More on R2.



*Diversified funds only, excluding sector and regional/country funds

Source: Lipper

WINNERS' CIRCLE

WHAT VOLATILITY? GROWTH-FUND MANAGERS STRUT

BY SUZANNE MCGEE

THE FIRST THREE months of 2018 were a volatile period, culminating in the S&P 500's first quarterly loss since mid-2015.

But behind the scenes, some disciplined mutual-fund managers who focus on "growth" stocks—those powered by corporate-earnings potential—continue to rack up gains. In fact, they are dominating, led by the \$2.5 billion Virtus KAR Small-Cap Growth Fund (PXSGX), which has won The Wall Street Journal's latest Winners' Circle contest of the best-performing U.S.-stock fund managers. It returned 40.8% in the 12 months ended March 30 (drubbing the 19.9% gain for small-cap growth funds overall, as tracked by Lipper).

The Virtus KAR fund and other growth-stock funds have focused on the "micro" part of their job—looking for companies with solid fundamentals—while ignoring "macro" issues, such as rising interest rates, the chances of a trade war with China, or the question of whether valuations of market darlings such as Facebook and Netflix are sustainable.

"A lot of people have underperformed because they have made too big a deal about macro factors, from the Federal Reserve to Trump," says Doug Foreman, chief investment officer of Kayne Anderson Rudnick, which manages the Virtus KAR small-cap fund. "They have missed the improvements in corporate America: the stuff that companies have invented, the way companies have deployed capital and so on. All of which translates into great growth."

Mr. Foreman and his colleagues haven't made that error, which is why Todd Bailey, manager of the Virtus KAR fund, is our contest winner.

Contest rules

Although our contest is quarterly, its goal is to identify the actively managed, diversified U.S.-stock fund—with at least \$50 million in



The winner: Todd Bailey at Virtus

with a 37.6% return. While its top holding is a classic biopharmaceutical enterprise, Nektar Therapeutics, the fund's portfolio also includes Delta Air Lines and JetBlue Airways—not traditional fare for growth investors in recent decades.

Morgan Stanley Investment Management had two of the top six funds on the Winners' Circle list: Morgan Stanley Multi Cap Growth (CPOBX), with a gain of 37.2%, and Morgan Stanley Institutional Growth (MSEQX), up 35.9%. Dennis Lynch, head of growth investing at Morgan Stanley, is reluctant to be rigid in his definition of what qualifies for inclusion in such funds. But by the end of 2017, he says, the funds' exposure to tech was lower than a year earlier.

Hunt for 'disruptive change'

Rather than assume that growth is to be found primarily in technology or biotech, Mr. Lynch takes an iconoclastic approach to finding companies. His team includes two "disruptive change" researchers, whose mandate is to identify those businesses whose models will profit or suffer from tectonic shifts in the

way American corporations function.

Today the Morgan Stanley growth portfolios include such companies as Starbucks and Union Pacific. The latter offers many characteristics that would appeal to value investors—attractive dividend yields and a price/earnings ratio that is at or below the market average. But it has been a beneficiary of the new tax law; analysts predict Union Pacific will post a big gain in first-quarter profits (from \$1.32 a share last year to \$1.67) when it reports on April 26.

The company, which also has raised dividends twice since late last year, is one of the 10 largest holdings of the Institutional Growth fund.

Mr. Bailey also is drawn to some nontraditional sectors. While many see financial stocks as value holdings, he expects that Interactive Brokers, a low-cost, customer-friendly brokerage firm, will boost market share as its business environment continues to improve. The stock price has climbed to about \$69 from the fund's cost basis of \$37.

Mr. Bailey can allocate, at most, 20% of his fund's assets to non-U.S. companies, some of which contrib-

uted significantly to the fund's returns. China's Autohome—operator of the country's major automotive-focused website, ranging from dealer links to independent car reviews—led the way, after being a big loser in 2016. After trading as low as \$20 in 2016, the stock rebounded to close 2017 at around \$65, and now \$88.

The kind of stocks Mr. Bailey and his team seek out sound remarkably like value-priced growth stocks, or value stocks with growth potential. "Our preferred situation is to find a company with a good underlying business that is facing challenges in the near term, and whose stock price doesn't accurately reflect its long-term potential," he says.

Entering the 10th year of a bull market, with valuations climbing along with the nerves and unease, that may be an entirely new category: safe growth.

Ms. McGee is a writer in New England. She can be reached at reports@wsj.com.

◆ Winners and Losers: Best- and worst-performing stock funds..... R8

The Score at the Quarter

First-quarter 2018 losses for U.S.-stock funds overall broke a seven-quarter winning streak (measured by average total return of U.S. diversified funds). The bright spot: Growth-stock funds bucked the trend with gains of about 3% on average.



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RULES OF MODERN INVESTING™

#26

**THE LOWEST COSTS FOR INDEX INVESTING
SHOULDN'T BE LIMITED TO THOSE WITH
THE MOST MONEY.**

#27

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1. This claim is based on prospectus net expense ratio data comparisons between Schwab market-cap index mutual funds (no minimum investment required) and non-Schwab market-cap index mutual funds in their respective Lipper categories. Schwab operating expense ratios (OERs) and competitor net OERs represent the lowest OERs reported from prospectuses and Strategic Insight Simfund, as reflected on 07/31/2017. Funds in the same Lipper category may track different indexes, have differences in holdings, and show different performance. Competitors may offer more than one index mutual fund in a Lipper category, including funds that are not market-cap index mutual funds. Expense ratios and minimums are subject to change.

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JOURNAL REPORT | INVESTING IN FUNDS & ETFS

NEWS CHALLENGE: FUNDS AND INVESTING

Test Your Smarts on...Financial Fraud

BY CHERYL WINOKUR MUNK

THESE DAYS, financial fraud is everyone's problem.

Roughly 16.7 million U.S. consumers had their identities compromised in 2017, resulting in \$16.8 billion in losses, according to consulting firm Javelin Strategy & Research. The number affected was up 8% from 2016 and the highest since Javelin, a unit of Greenwich Associates LLC, started tracking identity fraud in 2003.

Some consumers may be more aware of the widespread potential for fraud after last year's **Equifax** breach, which exposed the personal information of nearly 148 million. Others, however, remain unaware of the potential dangers.

How much do you know about financial fraud? Take our quiz to find out.

1. True or false: Fraud victims tend to be older and less educated.

ANSWER: False. A 2016 study from the Better Business Bureau found that people between the ages of 25 and 34 are the most likely to lose money to fraud. And more than half of those who lose money due to financial fraud have a college degree, the study showed.

2. True or false: It is expensive to protect oneself against identity theft.

ANSWER: False. There are several low-cost, or free, ways people can guard against identity theft. For instance, federal law requires each of the three major credit-reporting firms—Equifax, **Experian** and **TransUnion**—to provide individuals with a free credit report once a year. People can request their report online at annualcreditreport.com, by calling 1-877-322-8228 or by mailing their request via the U.S. Postal Service. People can space out their requests to receive one report every four months, for example.

Another free protective measure: Carefully reviewing monthly credit-card, bank, retirement, brokerage and other account statements. Consumers also should review their explanation of benefits statements from health-insurance providers, according to the Federal Trade Commission.

3. People who suspect a security breach, should immediately:

- A. Place an initial fraud alert with one of the three credit-reporting companies.
- B. Close all their bank accounts.
- C. Cut up their credit cards.
- D. Do nothing.

ANSWER: A. A good first step is to contact one of the three credit-reporting firms to place a fraud alert on your credit report. Ask that company to report the request to the other credit firms. Once an alert is placed on a credit report, a business must verify the consumer's identity before issuing credit. The initial alert stays on the report for at least 90 days and can be extended, all at no cost to the consumer.

4. True or false: Hiring a third-party company will guarantee one's identity is never stolen.

ANSWER: False. Even a paid company can't prevent people from having their personal information stolen, according to the FTC. Deciding whether to hire a service to monitor credit is a personal choice that requires a careful cost-benefit analysis.

Generally, there are two types of paid services: Monitoring services watch for signs that an identity thief may be usurping personal information. Recovery ser-

vices, by contrast, are designed to help individuals regain control after identity theft has already occurred.

5. True or false: Wiring money or using reloadable payment cards are among the safest ways to avoid fraud when paying for items online or over the phone.

ANSWER: False. Wiring money or using reloadable payment cards are considered some of the riskiest ways to pay because it's nearly impossible to get your money back in the event of fraud, the FTC says. Credit cards have more fraud protection built in.

6. When it comes to credit-card fraud, your liability under federal law is typically capped at _____.

- A. \$250
- B. \$1,000
- C. \$25
- D. \$50

ANSWER: D. \$50. However, consumers who report the loss promptly, before the card is used, aren't responsible for any charges they didn't authorize, according to the FTC. The maximum loss for debit cards ranges from zero to a complete loss of funds in accounts linked to the debit card,

depending on how quickly the card is reported lost or stolen, according to the FTC.

7. One good way to make online accounts more secure is to _____.

- A. Reuse the same passwords for multiple accounts.
- B. Use multifactor authentication.
- C. Respond to emails that ask for personal information.
- D. Both B and C.

ANSWER: B. Multifactor authentication requires more than one set of credentials to verify a user's identity. That could mean a combination of a password, pin, special login code, biometric authentication or hardware token.

8. Financial abuse is estimated to cost seniors \$2.9 billion a year, according to a MetLife study cited by the National Center on Elder Abuse. More than half of financial abuse in the U.S. is committed by family members, caregivers and friends. Red flags of possible abuse include _____.

A. Unusual activity in an older person's bank accounts such as large, frequent or uncharacteristic withdrawals, or unusual credit-card activity.

B. Checks written as "loans" or "gifts" to unfamiliar people or charities.

C. Evidence of newly opened accounts that the senior doesn't seem to need or understand.

- D. All of the above.

ANSWER: D. Family members or friends who notice any of these activities should speak to their loved one right away, according to tips provided by the American Bankers Association. Suspected fraud should be reported to the bank and the local Adult Protective Services, the ABA says. As added protection, family members can request that their loved ones list them as a "trusted contact" on brokerage accounts, so they can be informed if financial exploitation is suspected, thanks to Financial Industry Regulatory Authority rules that took effect earlier this year.

Ms. Winokur Munk is a writer in West Orange, N.J. She can be reached at reports@wsj.com.

Q&A

Global Investor Is on Her Own

BY CHUCK JAFFE

STAR MUTUAL-FUND manager Laura Geritz last year left Wasatch Advisors and put everything she had into a new fund company in Salt Lake City.

She also left the world where managers get performance bonuses. At **Rondure Global Advisors**, she limited her own pay and cut out most of the bonus structure.

"If I do my job and pick the right stocks," she says, "I'll be very well-compensated, along with our clients, in the end; if not, then I don't deserve it.... I'm confident."

Ms. Geritz, who made a name running international, emerging-markets and frontier funds for Wasatch, started her firm with Wasatch friends who five years before opened Grandeur Peak Global Advisors. That firm does back-office, compliance and accounting support for Rondure.

She put up 51% of the equity seed money and lent her company several million dollars to run operations; her funds—**Rondure New World** (RNWOX) and **Rondure Overseas** (ROSOX)—were launched May 1, 2017. At the end of March, investor shares were up 15.93% since inception for the New World fund and 15.03% for the Overseas fund.

The funds have amassed more than \$140 million in combined assets, but because of the way Ms. Geritz structured them and her compensation, she won't make anything until the firm is managing roughly 2.5



Laura Geritz

times that amount.

She says she isn't worried, noting that controlling the company allows her to ignore short-term noise and pressure and focus on doing what pays off best in the long run.

Edited excerpts from a recent interview:

WSJ: Why start your own firm at a time when boutique shops and small funds are struggling to get a foothold in

the market?

MS. GERITZ: Our industry put itself in the position it is in by not putting clients first and not putting research first. I had an entrepreneurial vision of what could be done better. What I wanted to do was align my interests 100% with clients. [Any bonuses go back into the funds, helping to reduce costs for all shareholders.]

After that, the rest of the focus should be on doing the best possible research.

WSJ: You go just about anywhere in the world to invest. How do you decide where to go and what to see?

MS. GERITZ: Our process is driven by bottom-up analysis, but wherever we see great companies, we go. So, the Philippines, India, Sri Lanka, Bangladesh, South Africa, I want to hit Latin America this year, Japan, Korea, Taiwan, and I want to get back to Nigeria this year.

WSJ: You're on the road about six months a year, and you are notorious for traveling cheaply. Why?

MS. GERITZ: I'm on the road so much that I try to treat the road like it's home. I really don't like to go out and do fancy dinners or go out and celebrate.

What I do when I am on the road is read. Every country I go to, I take three books about the country and try to learn as much as I can about the places I am going to so that I can make better investments.

I'm not spending a lot of money going out. I also try to save on ticket prices and accommodations because that is my clients' money I'm spending, but I do fly so much that sometimes I get free upgrades. I'm not turning those down.

WSJ: What market do you most want to be investing in?

MS. GERITZ: We started with an overseas strategy—global developed markets—and then a strategy for global developing markets, because that is where I saw the best opportunities.

I'm a balance-sheet investor; the first thing I look for in a company is the margin of safety in terms of what the balance sheet looks like. Is it net debt or net cash? We have a strong preference for net cash because cash enables companies to do really smart things when conditions get tougher.

I still like Japan's balance sheets right now; generally speaking, the companies there have better balance sheets and have not gotten complacent about borrowing cheap money. Plus it is next to regions that are growing nicely, and it is set up well for growth.

WSJ: Why Rondure? What's in the name?

MS. GERITZ: My father was an English professor who taught Shakespeare, and the name to me comes from Shakespeare and Walt Whitman, from Whitman's "A Passage to India." Rondure means orbital, spherical; it's representative of the globe. Whitman was the ultimate free-verse poet, and we wanted to do something different, being global and kind of free-verse in how we invest, so it's a word that fits.

And then, when we liked it, we googled Rondure, and the first thing it brought up was our partners' firm, Grandeur Peak, so you really knew it fit then.

Mr. Jaffe is a writer in Boston. He can be reached at reports@wsj.com.

IN TRANSLATION
HALAL INVESTING

Many people understand what halal food is—meals allowed under Islamic dietary laws. Halal is Arabic for "permissible."

But what about halal investing?

Halal investing means "that it is done in accordance with Islamic rules," says Kareem Tabbaa, chief growth officer of New York-based investment adviser **Wahed Invest**, which offers customers portfolios of halal investments based on their risk tolerance.

For investments, halal means some severe restrictions. There can be no fixed-income investment that produces any interest. Also, no investments are allowed in businesses involved in alcohol, gambling, tobacco, firearms, pork products or adult entertainment, Mr. Tabbaa

says. He adds that despite this extra layer in the investment process, his firm's halal investing is still based on state-of-the-art portfolio theory.

Religion-linked investments aren't new, of course. There are several Christian-themed mutual funds, for example.

Mr. Tabbaa says his company's halal portfolios are aimed primarily at the roughly three million Muslims living in the U.S. One other firm in this market is Toronto-based automated-investment provider **Wealthsimple Financial** Inc. It introduced a Halal Investing portfolio last year, targeting U.S. and Canadian investors in a move to expand its product offerings in the competitive robo-adviser market.

—Simon Constable

Largest Stock and Balanced Funds

Total returns are for periods ended March 29. All data are final. Assets are through Feb. 28. Performance data include both share prices and reinvested dividends.

Fund Name	Symbol	Assets (\$ millions)	Performance (%)			
			March	1st-qtr	1-year	3-year*
Vanguard TSM Idx;Adm	VTSAX	681,860.2	-2.0	-0.6	13.9	10.2
Vanguard 500 Index;Adm	VFIAX	410,438.6	-2.6	-0.8	14.0	10.8
Vanguard Totl Stk;Inv	VGTGX	338,516.8	-0.6	-0.5	17.0	6.8
SPDR S&P 500 ETF	SPY	275,419.8	-2.6	-0.8	13.9	10.7
Vanguard Instl Indx;Inst	VINIX	227,837.3	-2.5	-0.8	14.0	10.8
American Funds Gro;A	AGTHX	185,242.9	-2.2	3.0	20.1	12.8
American Funds EuPc;R6	RERGX	167,607.2	-0.8	1.0	21.2	7.9
iShares:Core S&P 500	IVV	154,537.5	-2.6	-0.8	14.0	10.7
Fidelity 500 Idx;Pr	FUSVX	147,446.6	-2.5	-0.8	13.9	10.7
Fidelity Contrafund	FCNTX	129,622.0	-3.5	3.1	23.8	13.0
American Funds Bal;A	ABALX	126,093.4	-1.0	-1.2	9.4	7.7
American Funds Inc;A	AMECX	109,499.3	-0.9	-2.0	7.2	6.3
Vanguard FTSE Dev Mk ETF	VEA	108,450.3	-0.5	-1.1	16.0	6.6
American Funds CIB;A	CAIBX	107,304.1	-1.2	-2.9	6.0	4.6
Vanguard Wellington;Adm	VWNX	104,567.1	-1.1	-1.9	8.9	7.5
American Funds Wash;A	AWSHX	102,463.2	-2.2	-1.4	13.6	10.2
American Funds CWGI;A	CWGIX	100,172.9	-1.7	0.3	16.5	8.3
American Funds Flnv;A	ANCFX	97,783.6	-2.2	-0.5	15.1	12.0
Vanguard FTSE Em Mkt ETF	VVO	95,761.3	-1.2	2.1	21.0	7.5
American Funds ICA;A	AIVSX	95,302.3	-3.2	-1.3	11.8	9.9
Vanguard Md-Cp Idx;Adm	VIMAX	95,099.9	-0.1	0.01	12.3	7.9
Vanguard Sm-Cp Idx;Adm	VSMAX	83,425.6	1.1	-0		

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SUSTAINABLE FUNDS

Ethical Investing Seems To Thrive on 'Bad' News

Research suggests that investors dedicate more money to the cause when they are worrying

BY DEREK HORSTMEYER

WHAT DRIVES individuals to invest their money in accordance with their own ethical views of the world?

An analysis of fund inflows into U.S. stock ETFs and mutual funds that invest with a social, governance or environmental purpose (often called sustainable, ESG or impact funds) paints an interesting picture of investor psychology. Namely, while most traditional investors run for the hills when news comes out that conflicts with their expectations or ideas about the world, sustainable investors appear to dedicate more of their money to the cause when news or policy decisions that go against their values are announced.

In perhaps the clearest representation of this, during De-

years, \$20 billion has flowed into U.S. sustainable equity funds, a 25% increase from the category's total assets under management at the end of 2014. In the preceding three-year period, from 2012 to 2014, total inflows to sustainable funds were only \$4.8 billion.

Fund companies appear to have been taking note of these inflows, too: In the past three years, while many style-based funds, such as growth or income, have been closed, the number of sustainable funds has increased nearly 50% to 460 total U.S. equity funds with this focus.

Changing with the climate

Segmenting this fund-flow data by thematic focus shows similar patterns, as well. Environmental funds make up an important subset of the sus-

tainable-investment universe, accounting for just about half of all U.S. equity sustainable focused funds out there. Again, it appears that "bad news" may be the impetus for investors moving their wealth to these funds. In the month following the Paris Climate Agreement (which was signed in December 2015), \$50.1 million flowed out of environmental-focused funds (amounting to a 1.05% drop in assets under management from the previous month).

Conversely, when President Trump withdrew the U.S. from the climate agreement in June 2017, \$98.5 million flowed into them (a 1.32% increase in assets under management).

This points toward an im-

portant distinction about sustainable investing, also known as "values-based investing."

Given the trends, the values referenced here are most likely liberal ones. There are a few traditionally conservative funds ("biblically responsible"

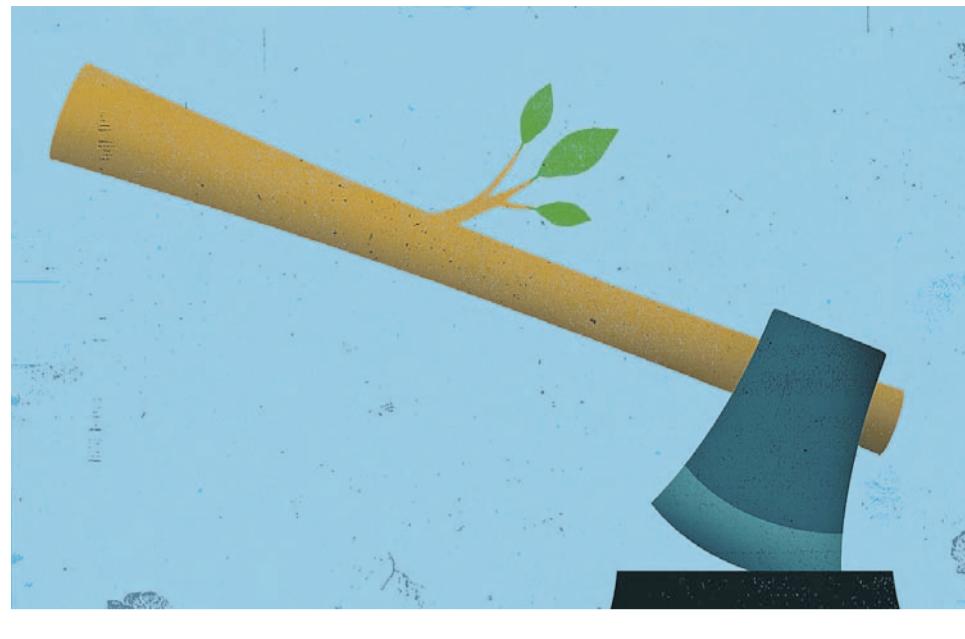
funds, for example), but they are in the minority.

Many factors are driving the increasing popularity of sustainable investing, including demographic demand (high among millennials and

women), generational wealth transfer, a strong market and new sustainable financial products.

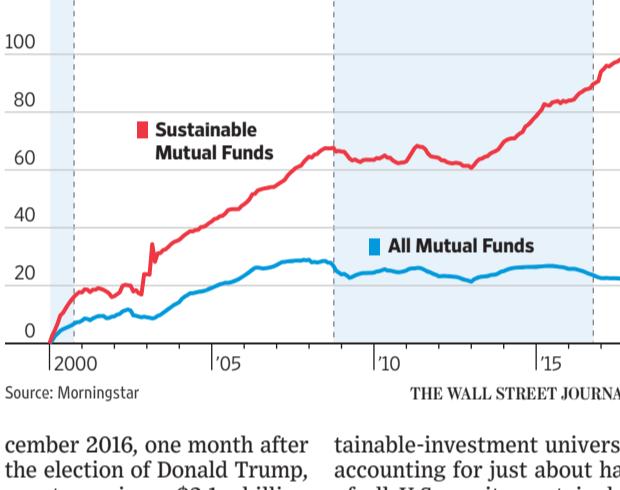
But macro political and cultural trends are clearly the largest drivers—specifically,

RICHARD MIA



Sustainable's Surges

Cumulative percentage inflows into mutual funds (2000-2018)



cember 2016, one month after the election of Donald Trump, a staggering \$2.1 billion flowed into U.S. equity sustainable funds—representing a 3.5% increase in the category's total assets under management as of Nov. 1.

Its own 'Trump bump'

To put that in perspective: The "Trump bump" (which was the largest single monthly increase into the sustainable-investing class ever) was 170% larger than the next-largest one-month inflow. And the growth has continued. Since the election, \$8.1 billion has flowed into these funds, a 13.1% jump from the assets under management on the eve of the 2016 presidential election—by far the greatest percentage inflow into any class or style of fund (e.g., value, growth, small-cap funds) since the election.

The data was compiled in conjunction with Lisa Hodges, a financial planner at Centered Wealth and founder of Shift to Impact, an online platform that focuses on investing to achieve social and environmental impact.

If one looks at the recent increase in investment in the sustainable funds, the upward shift really began three years ago, as the Obama presidency began winding down and many investors in such funds grew more concerned about a possible shift in politics in the next presidential administration: Over the past three

tainable-investment universe, accounting for just about half of all U.S. equity sustainable focused funds out there. Again, it appears that "bad news" may be the impetus for investors moving their wealth to these funds. In the month following the Paris Climate Agreement (which was signed in December 2015), \$50.1 million flowed out of environmental-focused funds (amounting to a 1.05% drop in assets under management from the previous month).

Conversely, when President Trump withdrew the U.S. from the climate agreement in June 2017, \$98.5 million flowed into them (a 1.32% increase in assets under management).

On the social side of this issue, it appears that sustainable funds aren't impervious to the #MeToo movement either, as demonstrated by inflow data into funds investing on gender and diversity parameters.

Surrounding the accusations of sexual abuse that came to light around Hollywood's Harvey Weinstein, Kevin Spacey and other celebrities, iShares MSCI KLD 400 Social ETF (DSI)—the largest socially conscious ETF—saw inflows of \$48 million during November 2017. This was the fund's single largest monthly inflow, pushing it close to the \$1 billion mark in assets.

And, it isn't just individual investors who seem to be moving their money. In the four months following the news about Mr. Weinstein,

TIAA-CREF Social Choice Equity Fund institutional class (TISCX) jumped \$211 million (starting from \$1.9 billion)—a striking 11% inflow.

These fund-flow trends hold

Dr. Horstmeier is assistant professor of finance at George Mason University's Business School in Fairfax, Va. He can be reached at reports@wsj.com.

Largest Taxable-Bond Funds

Data provided by LIPPER

Total returns are for periods ended March 29 and are final; assets are through Feb. 28, and include all share classes.

Fund Name	Symbol	Assets (\$ millions)	Performance (%)				
			Mar.	1st-qtr	1-yr	3-yr*	5-yr*
Vanguard Tot Bd;Adm	VBTLX	195,390.1	0.6	-1.5	1.1	1.1	1.7
Vanguard Tot Bd;Inv	VTBIX	151,217.7	0.5	-1.6	1.0	1.0	1.6
Vanguard Tot Bd;Adm	VTABX	103,636.4	1.1	0.9	3.4	2.3	N.A.
PIMCO:Income;Inst	PIMIX	96,380.8	0.4	-0.3	5.3	5.8	5.7
Met West:Total Return;I	MWTIX	78,679.6	0.7	-1.3	1.2	1.1	2.0
PIMCO:Tot Rtn;Inst	PTTRX	68,098.0	0.3	-1.3	2.1	1.6	1.8
Vanguard Sh-Tm Inv;Adm	VFSUX	62,679.5	0.1	-0.5	0.8	1.5	1.6
Dodge & Cox Income	DODIX	55,213.6	0.2	-0.9	2.2	2.3	2.8
iShares:Core US Agg Bd	AGG	55,183.8	0.6	-1.5	1.2	1.1	1.8
DoubleLine:Tot Rtn;I	DBLTX	51,626.9	0.6	-0.5	2.2	2.0	2.6
Vanguard Sh-Tm Bd;ETF	BSV	50,292.0	0.2	-0.5	0.1	0.7	0.9
Lord Abbett Sh Dur;F	LDLFX	40,549.7	0.1	-0.2	1.4	1.9	1.9
Templeton GI Bond;Adv	TGBAX	38,090.1	0.7	1.4	-0.6	2.0	1.8
American Funds:Bond;A	ABNDX	37,848.3	0.5	-1.4	0.6	1.0	1.6
Fidelity US Bd;IP	FXNAX	36,291.5	0.6	-1.5	1.0	1.1	1.8

*Annualized N.A.=not applicable, fund is too new

Source: Lipper

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SPOTLIGHT | LONCAR CANCER FUND

CANCER-TIED ETF TOPS CHARTS

A fund focused on cancer-treating immunotherapy drugs is one of the year's best-performing non-leveraged equity ETFs, thanks to technological breakthroughs and increased merger-and-acquisition activity in the sector.

The \$64 million **Loncar Cancer Immunotherapy** (CNCR) invests in companies developing therapies that aim to harness the body's immune system to fight cancer. Holdings range from specialized firms such as **Atara Biotherapeutics** to drug giants such as **AstraZeneca**.

CNCR has returned 22% this year, a performance driven by the immunotherapy area's "coming of age," says Brad Loncar, chief executive of Loncar Investments and creator of the index the fund tracks. More types of immunotherapy drugs have been approved for varying types of cancers, he says, pointing to two CAR-T cell therapies. "Two years ago, that was all very experimental," he says. "Technologies like those are now real and making it to the market."

M&A activity in the sector also has helped fuel valuations and investor interest, he says, pointing to **Gilead Sciences'** \$11.9 billion purchase of Kite Pharma and **Cel-gene Corp.'**s deal to buy Juno Therapeutics for \$9 billion.

CNCR provides a convenient way to invest in an area with growth potential, says Neena Mishra, director of ETF research at Zacks Investment Research. But she says investors "should remember that the ETF is a high-risk, high-reward play."

—Gerrard Cowan

FUNDAMENTALS OF INVESTING

Insider Selling Flashes a Bearish Signal

A closer look at a model based on transactions by officers, directors

BY MARK HULBERT

CORPORATE OFFICERS and directors are more bearish about their own companies' stock than they have been in many years.

That is the conclusion reached by Nejat Seyhun, a finance professor at the University of Michigan who studies corporate insiders. He estimates that, based on the recent behavior of company officers and directors, the stock market in 12 months' time will have fallen 5% from the end of March.

Insiders presumably know more about their firms' prospects than do outsiders, which is why it makes sense to pay attention when they buy and sell their companies' stock. They are required to report those transactions to the Securities and Exchange Commission.

The legal definition of insiders also includes investors who own more than 10% of a company's shares outstanding. But Dr. Seyhun says his research has found that transactions by these very large shareholders aren't reliably predictive of movements in a company's stock.

This creates a challenge for those who focus on insider data, since the typical transaction undertaken by the largest shareholders is far larger than those of an officer or director. Data that reflect the transactions of all legally defined insiders, therefore, tend to be dominated by the transactions of these largest shareholders.

For this reason, Dr. Seyhun focuses only on transactions undertaken by officers and directors.

The indicator he has found to have the most predictive value is the percentage of companies at which officers and directors over the trail-



Can the fate of NYSE stocks (and others) be forecast by insiders' trades?

ing six-month period have bought more than they have sold. At the end of March, Dr. Seyhun calculates this percentage to be 12.7%.

Putting it in context

He is quick to point out that the current figure needs to be put in context.

That's because the percentage of companies where officers and directors have bought more than sold over the previous six months has almost always been below 50% in recent decades, in large part because an ever-increasing percentage of officer and director compensation has come in the form of equity grants. Insiders often sell these shares for reasons having nothing to do with their beliefs about their companies' prospects—such as getting cash for living expenses.

The 10-year average for this figure is 26%, according to Dr. Seyhun. So the current reading, while low, isn't necessarily a strong sell signal. The 12-month decline of 5% in the stock market expected by Dr. Seyhun is the forecast of an econometric model he has devised that translates each month's insider buying percentage into a 12-month forecast.

If the stock market were to decline 5% in one year from its level at the end of March, that would bring it close to 20% below its January

2018 all-time high, and therefore on the brink of satisfying the semiofficial criterion of a bear market.

To be sure, Dr. Seyhun's model isn't perfect. But, he says, its track record is "highly statistically significant." As the accompanying chart shows, it was particularly bullish near the market's bottom during the recent global financial crisis, and then began a steady decline as the subsequent bull market roared ahead. It finally turned significantly bearish at the beginning of last year and is now issuing one of its most bearish forecasts in many years.

Note that Dr. Seyhun's model forecasts the overall stock market, and that some individual stocks will do well even during a broad market decline. In this regard, he notes that insiders of small-cap companies are, on balance, far less bearish than those of midcap or large-cap companies. Investors following the insiders' lead who nevertheless want to maintain their equity exposure would therefore shift their portfolios away from midcap and large-cap stocks toward small-caps.

Prospect vs. Facebook

An example of a small-cap company with strong insider buying is **Prospect Capital**, a closed-end investment company that invests in closely held and microcap compa-

Inside Information

Projected 12-month return based on the transactions undertaken by company officers and directors



Source: Nejat Seyhun at the University of Michigan

THE WALL STREET JOURNAL

nies. According to the March 26 issue of the Vickers Weekly Insider Report, published by Argus Research, this company has one of its highest ratings for recent insider activity.

"CEO John Barry has been an avid purchaser in 2018 to date," Vickers says. "Thus far in March alone, he has added a total of 472,905 shares. While that is impressive, it is actually a slowing from the 864,425 shares he acquired in February."

Facebook Inc. is an example of a large-cap company with heavy insider selling. The selling recently has been led by Mark Zuckerberg, the company's chief executive. Vickers notes that Mr. Zuckerberg has sold more than six million shares over the past two years.

Vanessa Chan, Facebook's director of corporate and financial communications, says Mr. Zuckerberg's stock sales have been done according to a predetermined schedule.

Still, the picture painted of Facebook by the insider data would be far more bullish if the company's insiders were heavily buying its shares rather than selling.

Mr. Hulbert is the founder of the *Hulbert Financial Digest* and a senior columnist for *MarketWatch*. He can be reached at reports@wsj.com.

SECTOR STRATEGY

Tariff Plans Gave Metal ETFs a Brief Boost

BY GERRARD COWAN

FOR METALS exchange-traded funds, the Trump administration's announcement—and subsequent narrowing—of steel and aluminum tariffs has made for a bumpy ride.

President Donald Trump on March 1 announced plans to impose tariffs of 25% on steel imports and 10% on aluminum. News of the tariffs initially boosted the \$857 million **SPDR S&P Metals & Mining** (XME) ETF, says Matthew Bartolini, head of SPDR Americas

Research. XME tracks an index of U.S. companies in steel, aluminum and other sectors.

Then, over the course of March, the administration narrowed the scope of the tariffs, exempting (at least temporarily) a host of countries, including the top four exporters of steel to the U.S. last year: Canada, Brazil, South Korea and Mexico. That hurt XME, Mr. Bartolini says. While the fund is up 12% in the year through April 6, it is down more than 5.9% in 2018 and 9.6% over the past month.

Rational exuberance

The decline in performance may not be entirely due to the narrowing of the tariffs, as XME has exposure to a range of commodities, which have fallen since the end of February, Mr. Bartolini says. But "the teeth of the tariffs was taken out after the first reveal, and that has lessened some of the exuberance we saw on the day the tariffs were announced," he says.

Like XME, the \$154 million **VanEck Vectors Steel** ETF (SLX) received a boost when the tariffs were first an-

nounced, with investors perhaps anticipating gains for the U.S. companies in steel, aluminum and other sectors.

Despite the trade-war doom and gloom, demand for metals like aluminum in China and other emerging markets bodes well for the sector overall in coming years, says Jason Bloom, director of global market strategy at Invesco PowerShares. He made the comments on a mid-March media call organized by brokerage firm Charles Schwab about ETF investing in a protectionist world.

point is that they would prefer not to have any sort of trade conflicts," Mr. Bartolini says.

Demand is still there

Despite the trade-war doom and gloom, demand for metals like aluminum in China and other emerging markets bodes well for the sector overall in coming years, says Jason Bloom, director of global market strategy at Invesco PowerShares. He made the comments on a mid-March media call organized by brokerage firm Charles Schwab about ETF investing in a protectionist world.

PowerShares oversees **DBB**, a \$349 million ETF focused on aluminum, zinc and copper, which is down 5.8% so far this year through April 6 and 3.1% over the past month.

"Over the medium term, we're very positive on industrial metals," he says. "But in the first half of this year I wouldn't be surprised if things are choppy for a while."

Mr. Cowan is a writer in Northern Ireland. He can be reached at reports@wsj.com.



PAULO FRIDMAN/BLOOMBERG NEWS

Testing investors' mettle: Aluminum cable at a plant in Brazil.

Mutual-Fund Yardsticks: How Fund Categories Stack Up

Includes mutual funds and ETFs for periods ended March 29. All data are final.

Data provided by LIPPER

Investment objective Performance (%) March 1st-qtr 1-yr 5-yr*

Investment objective Performance (%) March 1st-qtr 1-yr 5-yr*

Diversified stock & stock/bond funds

World stock funds

Large-Cap Core -2.4 -1.0 13.0 11.8

Global -1.3 -0.4 15.1 9.2

Large-Cap Growth -2.4 3.0 22.1 14.4

International (ex-U.S.) -0.8 -0.6 16.7 6.5

Large-Cap Value -2.1 -2.5 9.1 10.4

European Region -1.0 -1.5 14.4 7.1

Midcap Core -0.1 -1.2 9.8 10.3

Emerging Markets -0.6 2.0 23.2 4.7

Midcap Growth 0.2 2.8 19.0 12.2

Latin American -1.0 5.6 19.7 -1.8

Midcap Value -0.1 -2.2 6.8 9.9

Pacific Region -0.7 1.0 25.7 9.0

Small-Cap Core 0.9 -1.1 9.3 10.3

Gold Oriented 1.9 -7.2 -8.4 -8.3

Small-Cap Growth 1.2 3.1 20.0 12.0

Global Equity Income -1.4 -2.5 8.4 6.8

Small-Cap Value 0.9 -2.7 6.0 8.9

International Equity Income -1.0 -1.3 12.8 4.2

Multicap Core -1.6 -0.8 12.5 11.2

Taxable-bond funds

Multicap Growth -1.6 2.9 20.9 13.4

Short-Term 0.1 -0.2 0.8 0.9

Multicap Value -1.7 -2.5 8.6 10.2

Long-Term 0.3 -2.0 2.3 2.6

Equity Income -1.6 -2.5 8.5 9.5

Intermediate Bond 0.5 -1.4 1.2 1.6

S&P 500 Funds -2.6 -0.9 13.5 12.7

Intermediate U.S. 0.7 -0.7 0.6 -0.1

Specialty Divers. Equity -1.7 -1.1 5.7 -3.4

Short-Term U.S. 0.5 -1.4 1.2 1.6

Balanced -0.8 -0.9 8.1 6.6

Long-Term U.S. 1.1 -1.6 0.4 1.0

Stock/Bond Blend -0.6 -0.8 8.1 5.9

General U.S. Taxable 0.4 -1.1 2.8 2.9

Avg. U.S. Stock Fund* -0.9 -0.4 12.3 10.4

High-Yield Taxable -0.5 -0.9 3.3 3.9

Sector stock funds

Mortgage 0.5 -1.0 0.7 1.4

Science & Technology -2.1 3.9 23.9 16.5

World Bond 0.3 0.8 5.4 1.4

Telecommunication -1.4 -2.8 2.9 7.7

Avg. Taxable-Bond Fund** 0.2 -0.6 2.1 1.8

Health/Biotechnology -1.9 1.4 15.0 15.1

Municipal-bond funds

Utility 3.6 -2.9 3.1 7.2

JOURNAL REPORT | INVESTING IN FUNDS & ETFs

INDEX INVESTING

A Newly Powerful Fund Manager (Whom You'll Rarely Hear About)

BY RYAN VLASTELICA

MICHELLE LOUIE late last year was appointed to co-manage a mammoth stock fund that is one of the most important in the U.S. financial system.

But you won't see her sounding off on where the market is headed. The portfolio manager, despite overseeing hundreds of billions of dollars in assets, won't say whether she believes the stock market to be overvalued or inexpensive. During the recent testimony of Federal Reserve Chairman Jerome Powell, she paid only cursory attention.

When markets plummeted in March on issues ranging from trade-policy uncertainty to Facebook Inc.'s user-data scandal, it was just another day at the office.

It's not that Ms. Louie doesn't have opinions on these issues. It's that they don't matter to someone running an index fund—even one with \$367.5 billion in assets.

"My personal views don't come into things; they can't," she says. "It may be interesting to note if the market moves in a way that's unexpected, but it doesn't change anything about what I do."

Historic index fund

Since November Ms. Louie has been co-manager of Vanguard 500 Index Fund (VFIAX), a product that attempts to track the S&P 500, and that represents ground zero for the passive-investing revolution.

Vanguard's was the first index fund launched in the U.S., in 1976, and its eventual success—both in terms of its assets and its function as a proof of concept for passive strategies—sparked a long-term exodus from actively managed funds, run by stock pickers. It upended the market by never seeking to beat it.

The size of the fund, and its history of trouncing the competition by simply tracking the market, would seem to make Ms. Louie one of the star managers of the stock market, along with Donald Butler, the other co-manager. Moreover, when Warren Buffett declared victory in a decade-long bet that a basket of hedge funds would deliver worse results than "the performance of an unmanaged S&P 500 index fund charging only token fees," it was Vanguard's product he had based his bet on.

No-star system

Vanguard isn't a firm that elevates its employees to star-manager status. Much of the work of index-fund management is automated. Still, index fund managers play incredibly important roles. Vanguard portfolio managers often act as traders to maximize efficiencies, giving them some control over their funds' operations, if not the underlying investments. Also, unlike active managers, who rely on their stock-picking skills to beat their benchmark indexes, managers of passive index funds often must adjust their holdings for a near-daily barrage of dividends, corporate actions, and cash flowing in or out of the fund, while always, first and foremost, hewing to the benchmark index as closely as possible.

"Index-fund managers are the underappreciated rock stars of finance. There's a perception that all they do is watch a spreadsheet and push one button, but nothing could be further from the truth," says Dave Nadig, an expert on indexing who helped design some of the first exchange-traded funds and is currently chief executive of ETF.com.

"There are hundreds of reasons why an index might not match its net asset value at any given moment, but an in-

dex manager is judged on how well they do at all times," he says. "If managing an active fund is like being the captain of an ocean liner, managing a passive one is like being in charge of a moonshot each and every day. Get the trajectory wrong and you get fired."

In interviews with a number of indexing and market-structure experts, none could think of a single time when a passive fund notably failed to track its benchmark. (The closest was in 2015, when during a session with extreme volatility, a number of passive ETFs were knocked off their net asset values. However, this issue was seen as related to stock exchanges, and not the

structure of passive products.)

Because passive managers are always fully invested and agnostic about market direction, the process doesn't change even as market conditions do. When Mr. Powell spoke, for example, Ms. Louie followed the testimony because of the impact it might have on liquidity and execution, not because of what he might reveal about central-bank policy.

"The job is like flying an airplane, where most of the time things are on autopilot, although if something comes up, the manager is there to provide any type of oversight that needs to take place, and to ensure that orders get exe-



Michelle Louie co-runs the index fund that Warren Buffett cited.

THE VANGUARD GROUP

cuted in an efficient manner," says Alex Bryan, director of passive strategies research at Morningstar Inc. "As passive grows its market share, this kind of work is going to become ever more important."

That importance isn't lost on Ms. Louie, who also co-manages nine other funds. "I was pleasantly surprised, when I started here, by how humble everyone is given the

amount of money we manage. But we really don't think about it as being stars so much as working together as stewards for our client's money."

Besides, she says, "I never thought I could beat the market."

Mr. Vlastelica is a markets reporter at MarketWatch in New York. Email him at rvlastelica@marketwatch.com.

Developing countries will consume 65% of global energy by 2040.

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Surprising Cry From an Index Firm: 'Go Active'

BY BAILEY MCCANN

AS THE BULL MARKET gets older, some investment firms—including indexing powerhouse State Street Corp.—are expressing renewed appreciation for actively managed funds.

Why? After years of gains in both stocks and bonds, investment managers are preparing for bumpier markets, where portfolio returns could become harder to achieve with long-only directional bets.

"Our headline for 2018 is 'go active,' which may surprise some people because State Street is most well-known as an index shop," says Lori Heinel, deputy global chief investment officer at State Street Global Advisors. For Ms. Heinel, the persistence of the stock rally indicates that it may be time to take profits and consider moving some money into funds whose managers can deploy strategies designed to manage volatility and offer downside protection.

Ms. Heinel says changes to U.S. tax law add to her "go active" thesis, in part because there could be some unintended consequences for stocks. "There will be more opportunity for managers to look at the implications of the tax law and how companies are likely to react. That sets up a stronger stock-picking environment," she says.

What is the right amount of exposure to active funds? That depends on an investor's portfolio, risk tolerance and goals, she and others say.

Know what you own

Critics have long pointed out that actively managed funds often come with high fees and long periods of underperformance. In recent years, investors have turned toward index funds and ETFs, especially in the U.S., where 36% of fund assets are now passively managed, up from 17% a decade ago, according to Morningstar Inc.

But being all in on either passive or active is too binary, says Andy Schuler, senior vice president and investment director at PNC Wealth Management, especially when the market may be about to shift.

"People often relegate active management to the discussion of managers, but it's also how you make decisions at the portfolio level about allocations and exposures in response to changes in the market, so that you stay on track to meet your goals," he says.

Dave Goodsell, executive director of Natixis Investment Managers' Center for Investor Insight, says there is a perception that passive funds are inherently less risky, but that isn't always the case.

He notes that individual investors often "struggle with periods of volatility. They may be surprised to see how their passive portfolios react without an understanding of their exposures," he says.

Watch for new risk

Jae Yoon, CIO at New York Life Investment Management, agrees that it may be time to take profits, even if it looks like the stock rally will continue. "If anything, passive strategies themselves are the crowded trade," he says. "If everyone is in passive, then regardless of the valuations of companies, you're in a momentum trade," he says. "That trade will eventually be un-

What's more, Mr. Yoon says late-cycle correlations between stocks and bonds can cause traditional portfolio diversification to fail. Active funds typically have more flexibility to respond to that.

New geopolitical risks, including recent U.S. tariff policy, also could add speed bumps to markets. That, too, could create opportunities for active management, says Ric Mayfield, a managing director at SunTrust Advisory Services.

Ms. McCann is a writer in New York. She can be reached at reports@wsj.com.



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Data provided by LIPPER

Category Kings in 16 Realms

Top-performing funds in each category, ranked by one-year total returns (changes in net asset values with reinvested distributions) as of March 29; assets are as of Feb. 28. All performance numbers are final.

Best and Worst

Total return for the best- and worst-performing stock, bond and mixed mutual-fund categories; for period ended March 29; ranked by 1st-quarter returns.

Source: Lipper

Best Performers

Fund	First-quarter	12-month	Fund	First-quarter	12-month
Latin American	5.6%	19.7%	Gold Oriented	-7.2%	-8.4%
Science & Technology	3.9	23.9	Real Estate	-6.7	-2.1
Emerging-Market Local-Currency Debt	3.8	11.2	Natural Resources	-6.4	-4.8
Small-Cap Growth	3.1	20.0	Sector	-3.7	1.5
Large-Cap Growth	3.0	22.1	Utility	-2.9	3.1
Multicap Growth	2.9	20.9	Telecommunication	-2.8	2.9
Midcap Growth	2.8	19.0	Small-Cap Value	-2.7	6.0

Worst Performers

Fund	First-quarter	12-month
Latin American	5.6%	19.7%
Science & Technology	3.9	23.9
Emerging-Market Local-Currency Debt	3.8	11.2
Small-Cap Growth	3.1	20.0
Large-Cap Growth	3.0	22.1
Multicap Growth	2.9	20.9
Midcap Growth	2.8	19.0

International

Symbol	Assets (\$millions)	1st-qtr (%)	March	1-yr	5-yr	10-yr
Brown Cap Int'l SmCo:Inst	BCSFX	27.1	10.9	3.2	39.8	N.A.
Morg Stan Int'l Opp:;I	MIOIX	813.2	4.7	0.8	37.9	18.5
Bail Giff EAFE:;5	BGEVX	2,958.0	5.8	-0.7	36.6	N.A.
Pru Jenn Int'l Opps:Z	PWJZX	437.8	2.8	-0.4	36.0	9.3
Manning&Napier:Rail ID:J	RAIIX	375.8	2.9	0.9	34.6	13.2
Category Average:		1,149.1	-0.6	-0.8	16.7	6.5
Number of Funds:		1,651	1,661	1,563	1,071	730

Global Stock

Symbol	Assets (\$millions)	1st-qtr (%)	March	1-yr	5-yr*	10-yr*
Bail Giff LTGGE:;4	BGLFX	204.2	6.7	-3.4	41.6	N.A.
Oppenheimer Gbl Opp:A	OPGIX	8,475.2	9.4	1.8	40.8	21.7
Baron Global Advtg:Rtl	BGAFX	63.0	6.8	-1.0	36.5	15.7
Morg Stan I:Gl Opp:;I	MGGIX	2,178.4	5.6	-0.6	36.1	23.8
Kinetics:SC Oppty:NL	KSCOX	232.9	5.9	0.2	35.4	12.9
Category Average:		550.7	-0.4	-1.3	15.1	9.2
Number of Funds:		1,096	1,103	1,027	673	370

International Equity Income

Symbol	Assets (\$millions)	1st-qtr (%)	March	1-yr	5-yr*	10-yr*
AMG Mg VP Asia Div:;I	AAVPX	10.9	1.8	0.2	24.7	N.A.
SPDR S&P Em Mkts Div	EDIV	488.9	6.4	-1.4	24.0	-0.6
BlackRock:EM Div:;A	BACHX	17.5	2.8	0.1	23.5	5.8
WisdomTree:EM SmCp Div	DGS	1,745.5	2.7	-1.3	23.2	4.0
WisdomTree:Jpn SC Div	DFJ	983.3	-0.3	-2.9	22.7	12.4
Category Average:		271.9	-1.3	-1.0	12.8	4.2
Number of Funds:		127	127	126	75	37

Emerging Markets

Symbol	Assets (\$millions)	1st-qtr (%)	March	1-yr	5-yr	10-yr
iPath ETN LGn MSCI EM	EMLB	2.9	1.6	-3.8	50.2	7.9
Gbl X MSCI Nigeria ETF	NGE	88.6	8.6	-4.9	48.0	N.A.
PNC:Emerg Mkts Eqty:;I	PIEFX	14.2	4.7	1.6	43.3	N.A.
VnEck Vctrs:Vietnam	VNM	429.4	10.8	2.9	39.5	1.9
Principal:Origin EM:R-6	POEFX	747.8	4.2	-0.5	36.7	N.A.
Category Average:		683.8	2.0	-0.6	23.2	4.7
Number of Funds:		870	881	823	478	200

Large-Cap Core

Symbol	Assets (\$millions)	1st-qtr (%)	March	1-yr	5-yr*	10-yr*
Amer Cent:Fdg DG:Inv	ACFOX	39.3	6.5	-0.9	30.4	15.3
BlackRock:IS USA MF:K	BKMTX	14.7	2.7	-3.6	28.9	N.A.
PowerShares S&P500 Momnt	SPMO	22.0	3.3	-3.7	25.0	N.A.
BNY Mellon:Foc Eq:Op:;M	MFMOMX	538.1	1.4	-1.6	23.5	15.8
Pru Jenn Dvfdg Gro:Rtl	TBDAX	252.5	5.3	-2.6	21.7	14.0
Category Average:		1,085.1	-1.0	-2.4	13.0	8.4
Number of Funds:		860	869	802	628	471

Large-Cap Growth

Symbol	Assets (\$millions)	1st-qtr (%)	March	1-yr	5-yr*	10-yr*
Berkshire:Focus	BFOCX	N.A.	12.3	-3.0	42.1	19.9
Transam:Cap Growth:;I	TFOIX	927.3	9.8	-1.3	36.0	20.8
Morg Stan I:Growth:A	MSEGX	4,740.9	9.7	-1.3	35.5	20.6
Pru Jenn Focused Gr:;A	SPFAX	456.2	8.0	-2.9	33.1	17.2
Baron Fifth Ave Gro:Rtl	BFTHX	224.9	7.3	-2.0	31.1	17.0
Category Average:		1,489.7	3.0	-2.4	22.1	14.4
Number of Funds:		727	730	695	560	407

Small-Cap Core

Symbol	Assets (\$millions)	1st-qtr (%)	March	1-yr	5-yr*	10-yr*
AMG Mg Emerg Opps:N	MMCFX	171.3	1.9	1.8	23.1	13.5
Empiric 2500:A	EMCAK	25.9	4.3	2.7	22.8	11.1
Perkins Discovery	PDFDX	6.5	5.7	5.2	22.0	6.6
Auer Growth	AUERX	29.8	-1.7	3.2	20.8	5.7
Bernzott US Sm Cap Val	BSCVX	78.1	1.1	-0.6	20.4	11.3
Category Average:		512.4	-1.1	0.9	9.3	10.3
Number of Funds:		1,035	1,038	991	697	512

Small-Cap Growth

Symbol	Assets (\$millions)	1st-qtr (%)	March	1-yr	5-yr*	10-yr

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SAVING FOR COLLEGE | CHANA R. SCHOENBERGER

College-Aid Offers Aren't Set in Stone

Also: Answering a reader's question about whether you can use 529 plans to pay off student loans

As colleges announce admissions decisions for the fall, we asked experts to help answer readers' questions on paying for college and the best use of tax-advantaged "529" savings accounts.

* * *

How can I appeal financial-aid decisions made by the college? How should the appeal be phrased in writing?

Sometimes the financial-aid package a college offers isn't enough to make the school affordable. Your family's financial situation also may have changed since your student filed for aid earlier in the school year.

The process for filing an appeal varies by college, as each financial-aid office has its own procedures, says Elizabeth Fontaine, deputy executive director of the Massachusetts Educational Financing Authority, which runs the state's 529 plan. You may have to submit an online or paper form, or send a letter or email to the college's financial-aid office outlining what about your finances has changed. Check the financial-aid office's website or call the office for instructions.

"If a financial or household situation has changed since you applied for aid—for example, a parent job loss or large medical expense—explain the circumstances," Ms. Fontaine says. Be sure to attach documentation, such as proof that a parent was laid off or a medical bill.

Rather than an open-ended request, ask for a specific amount of additional aid, based on what your family can afford, she says.

And while you are appealing, you might want to continue making plans to attend another college where you have been offered sufficient money to pay for school. There's no guarantee that your appeal will be successful, and you don't want to lose a year of college.

"Keep in mind that while many schools have a budget to offer additional financial-aid funds through the appeal process, they may not be able to award you any additional funds, or the amount they are able to award may be smaller than your request," she says.

If you received a better aid offer from one school, it won't hurt to let another school know what you were given—whether it be a higher merit award or more need-based aid, Ms. Fontaine says. But again, schools have different levels of funding and enrollment goals, she says, so this strategy might not help you receive additional money.

* * *

Can a 529 be used to pay off student loans?

No, not without paying taxes on your withdrawals from the 529 account.

"Under current law, the earnings on the distribution would be taxable under federal (and possibly state law) and be subject to a 10% additional tax on the earnings because paying off student loans isn't a 'qualified higher education expense,'" says Mark Chapleau, a Boston-based lawyer and 529 expert.

This is a frequent reader question, reflecting a need that many readers see.

Have a college-finance question in general? We'll be answering some of them in future Investing in Funds & ETFs reports. Write to reports@wsj.com.

Monitoring Money-Market Funds

Performance figures for these consumer-oriented funds are estimated annualized yields, which include earnings from the funds' investments and the effects of compounding. Funds open only to institutions, special-purpose and tax-exempt funds are excluded from these tables.

Largest Funds

Compound
Assets (\$millions) 1st-qtr 12-mos yield (%)

Fund Name	Assets (\$millions)	Performance (%) 1st-qtr	12-mos	yield (%)
Fidelity Govt Cash Reserves	133,063.3	1.07	0.76	1.28
Vanguard Federal MMF	92,180.9	1.33	1.02	1.49
Fidelity Government MMF	87,587.7	1.03	0.71	1.23
Vanguard Prime MMF/Investor	85,179.0	1.51	1.20	1.68
Schwab Govt Money Fund/Sweep	23,874.3	0.77	0.45	1.00
Schwab Cash Reserves	18,652.4	0.99	0.74	1.25
Vanguard Treasury MMF	16,590.9	1.35	1.01	1.50
Edward Jones MMF/Inv Class	16,546.5	0.74	0.43	0.96
Northern US Govt MMF	15,960.2	1.08	0.78	1.29
Fidelity Inv Money Market/Instit	15,640.9	1.61	1.33	1.80

Highest Seven-Day Yield

Compound
Assets (\$millions) 1st-qtr 12-mos yield (%)

Fund Name	Assets (\$millions)	Performance (%) 1st-qtr	12-mos	yield (%)
Fidelity Inv Money Market/Instit	15,640.9	1.61	1.33	1.80
JPMorgan Liquid Assets MMF/Capital	157.6	1.52	1.25	1.75
Invesco Premier Portfolio/Inst	793.0	1.53	1.24	1.71
Schwab Value Adv MF/Ultra	15,210.6	1.48	1.18	1.70
Vanguard Prime MMF/Investor	85,179.0	1.51	1.20	1.68
BlackRock MMP/Instit Cl	311.1	1.46	1.23	1.67
First Amer Retail Prime Oblig/CIZ	271.4	1.49	1.20	1.67
Vanguard Prime MMF/Investor	85,179.0	1.51	1.20	1.68
Dreyfus Prime MMF/Cl A	130.6	1.43	1.18	1.67
Federated Prime Cash Oblig/Wealth	4,095.8	1.49	1.24	1.67
First Amer Retail Prime Oblig/CIZ	271.4	1.49	1.20	1.67
BMO Prime MMF/Premier	222.6	1.42	1.11	1.65

Average Yields (all retail taxable funds)

0.87% 0.58%

* Ranked by assets.

"It would be helpful to millions of families if Congress would expand the definition of qualified expenses to include student-loan payoffs from a 529," Mr. Chapleau says.

* * *

I currently have a sizable private loan and would like to obtain a federal loan for my remaining school years. How do I go about getting the federal loan?

"The federal government offers a Federal Direct Student Loan to help undergraduate students pay for college costs," Ms. Fontaine says. First, you must submit the Free Application for Federal Student Aid, or Fafsa, at fafsa.gov. After you file the Fafsa, your college's financial-aid office can award you one of these loans. Note that there generally are maximum amounts for students receiving this type of loan, she says: \$5,500 for freshmen, \$6,500 for sophomores, and \$7,500 for both juniors and seniors.

There are two types of Federal Direct Student Loans: subsidized and unsubsidized. Students who demonstrate financial need, based on the information on their financial-aid applications, may be eligible for a subsidized loan, which won't start accruing interest until the student graduates or drops below half-time enrollment, Ms. Fontaine says. Unsubsidized loans, on the other hand, start accruing interest as soon as they're disbursed to the student's account. Students don't need to pay back either type of loan—including the interest accrued—until after graduation or dropping below half-time enrollment, she says.

* * *

Does it make sense to contribute private K-12 tuition that one is about to pay anyway into a 529, and then immediately take out the contribution to pay the tuition? Will I be able to deduct it from my state's income tax?

The new federal tax rules say that you can take up to \$10,000 a year tax-free from a 529 to pay for K-12 schooling. But those are federal, not state, rules.

"You should make sure that your state has a clear policy on how withdrawals for private K-12 will be treated from a tax perspective," says Peg Creonte, a senior vice president at Ascensus, which offers 529 accounts.

Some states are still deciding how they will treat 529 funds that are used for K-12 schooling when it comes to state taxes. Others have said they would recapture tax benefits if you use the money this way, meaning you'll have to pay back any state tax benefits, she says.

"It may make sense if the 529 account owner lives in one of 35 states that have a state-income deduction for contributions to a 529 account," Mr. Chapleau says. The state that matters is the one where you pay taxes, not the one where your child attends school.

"Many states are in the process of considering this very issue, so a call to the applicable 529 plan's customer-service number would be a smart move," Mr. Chapleau says.

GRAD STUDENTS, TOO, CAN SEARCH FOR SCHOLARSHIPS



JASON SCHNEIDER

BY CHERYL WINOKUR MUNK

A new online tool makes it easier for students to hunt for graduate-school scholarships—and there are a lot out there to find.

Sallie Mae's free Graduate School Scholarship Search tool can be used to peruse some 850,000 need-based and merit-based scholarships totaling about \$1 billion, according to the company, which specializes in providing private student loans. Students can find the tool by going to salliemae.com/students-loans and clicking on the blue tab at top called "Graduate school information," then "Find graduate school scholarships."

Sallie Mae created the tool after determining that many graduate students weren't aware of the scholarship opportunities available, says Rick Castellano, a spokesman for Sallie Mae. They could do internet searches, but there wasn't a comprehensive tool specifically for this purpose, he says.

Pursuing an advanced degree is becoming more common, yet only about 15% of graduate students' costs are covered by free financial aid such as grants, fellowships, scholarships or tuition waivers, according to Sallie Mae's 2017 "How America Pays for Graduate School." By contrast, at the undergraduate level, scholarships and grants cover about 35% of costs, according to Sallie Mae.

To use the Sallie Mae tool, students register online and fill out a profile with personal information. This includes the type of degree they are pursuing—certificate, master's, doctorate-professional or doctorate-research—as well as their field of study, military or religious affiliations, skills, activities and interests. The tool responds with

matches that identify relevant scholarships and their award amounts, application requirements and deadlines.

"The more specific you can be with your interests, the better the tool will match you to relevant scholarships," Mr. Castellano says. Students can also set up alerts to notify them when new scholarships that match their criteria become available. Sallie Mae frequently adds scholarships to its database, Mr. Castellano says.

Many scholarships are available for particular disciplines, including business, law, medicine, engineering, education, and health care and nursing. Others are available for particular segments of the population, including women and minorities. Still others are available to anyone who qualifies, either by need or merit. Scholarship amounts range from a few thousand to tens of thousands of dollars.

Beyond the Sallie Mae tool, students can ask their school about scholarship, grant or fellowship opportunities that may be available for graduate studies. Students can also check in directly with associations within their field of study, such as the American Bar Association or the American Medical Association, about possible graduate scholarship opportunities.

In addition to these tools, students can search free on websites such as the College Board's bigfuture.org, fastweb.com and edvisors.com for select opportunities available to graduate students.

Experts emphasize that students using any of these tools need to pay attention to eligibility requirements and application deadlines so that they don't miss out on opportunities.

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JOURNAL REPORT | INVESTING IN FUNDS & ETFS

BEST BET/WORST BET



Gary Vaynerchuk has held on to Facebook shares over the years as others sold.

BEST BET
FACEBOOKINVESTMENT
\$200,000

GAINS

Roughly \$12 million by valuation

When Mr. Vaynerchuk decided he wanted to start investing in companies, his first three bets were Twitter, Tumblr and **Facebook**. Mr. Vaynerchuk was impressed with Facebook because he felt that Chief Executive Mark Zuckerberg just "had it," and he believed in the business model—"the ads on it worked." So, in 2009, when the social network was still private, Mr. Vaynerchuk invested \$200,000.

By the time the company went public three years later, his investment had grown many times, he says. But holding on to the stock when things got rough was what resulted in an even bigger payoff, he says. After a famously disastrous initial public offering, Facebook's stock price dropped from \$38 in May 2012 to around \$18 to \$20 later that year. Mr. Vaynerchuk says he never sold a share. In fact, he kept buying.

"There are a lot of guys and girls who were in the top 100, 200 employees in that company who sold, sold, sold," he says. "I just held, held, held, reinvested, reinvested, reinvested."

Today, his initial \$200,000 investment is worth around \$12 million, he says.

As for the recent controversy surrounding Facebook user data, he calls it a "non-event," saying many big organizations have survived breaches. "It is a bump in the road," he says, adding that his opinion of Mr. Zuckerberg hasn't changed.

THE TAKEAWAY: Mr. Vaynerchuk says he learned that "nothing trumps the combination of blindly believing in the product and service and the founder that's driving it. Nothing."

He likes to talk about companies as horses and founders as jockeys. In this metaphor, he says the Holy Grail of an investment is to be as sold on the horse as the jockey. But he defaults to putting more weight on the founder side of the scale, in part because there are so many "fake entrepreneurs" who would be better suited to being a No. 2 or 3 at a company but love the idea of being on top, he says.

"When the market punches them in the face," he says, "they fold like a cheap chair."

WORST BET
BLACKJETINVESTMENT
\$100,000

LOSSES

\$100,000

Mr. Vaynerchuk was offered a chance to get in early on Uber. He passed it up and quickly regretted it (he bought in later). But he saw a silver lining in the initial loss.

Many of the people who had invested in Uber were getting into a new company called BlackJet, which aimed to be the Uber for on-demand private jets. He understood the inefficiencies of private air travel and was impressed with the pedigree of the investors involved. In 2012, he made a \$100,000 investment.

It's some of the quickest money he has ever lost, Mr. Vaynerchuk says. In his mind, BlackJet was effectively dead about 100 days later, he says. The company had to suspend service in 2013, and it ceased operations in 2016. The investment was a total loss, he says.

Mr. Vaynerchuk lays the failure squarely at the feet of founder and chief executive officer Dean Rotchin. "Anytime a company goes out of business, it's because the founder and CEO was not good enough," Mr. Vaynerchuk says.

In response to that criticism, Mr. Rotchin says he doesn't want to "shirk" his responsibility as CEO, but adds that the company "was ahead of its time in a field that's very difficult." He also says that "with the limited financing we had, we actually accomplished more than any prior company in this field."

THE TAKEAWAY: Mr. Vaynerchuk says that at the time, he was investing with a herd. He and his friends had all done well investing together in the early days. The BlackJet experience was part of a number of bets he made that convinced him to stop investing in a company because of who else was investing in it.

Today, he focuses on the product and the founders, boiling down his thinking to two fundamental questions.

"Do I believe what your product is doing is being reciprocated on the other side by the consumer today or within the next 12 months?" he says. "And No. 2: Do I believe you're the kind of person who sold Blow Pops and CDs in school and are able to take the scrutiny of people judging you and using that as fuel?"

An Entrepreneur Was Right

On Facebook, Not BlackJet

Gary Vaynerchuk still backs Zuckerberg but regrets his faith in the 'Uber of private jets'

WHETHER HE'S ON Twitter, Instagram or Facebook, or hosting his podcast or show on YouTube, entrepreneur Gary Vaynerchuk is constantly fielding questions about making it and making money.

BY CHRIS
KORNELIS

The question he gets most often? People are always asking for his permission to do something that they think their family, friends or loved ones might judge them for, he says. Mr. Vaynerchuk says he is happy to oblige, telling them to follow their dreams and blame it on him if they want.

"They just need to get it out of their systems and hear the response they already know from somebody they believe in," he says.

Mr. Vaynerchuk says he found himself in a similar situation several years ago when he realized he needed to scale back his role in his family's liquor business, which he had grown from a few million to \$60 million, and start exploring other opportunities. He didn't want to hurt his family, but he said to himself: "If I don't do anything, I'm going to resent them, and that isn't fair because I'm in control of my life. How do I navigate this?"

In the years since, he has co-founded a social-media agency (VaynerMedia) and a sports agency (VaynerSports), and written numerous checks as an investor. He has become an enthusiastic advice giver to viewers of "The #AskGaryVee Show" and listeners of "The Gary Vee Audio Experience" podcast. He also has written several books, most recently "Crushing It: How Great Entrepreneurs Build Their Business and Influence—And How You Can, Too."

Here, he recounts the best and worst investments he ever made:

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