

# THE WALL STREET JOURNAL.

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GOLD \$1,342.10 ▲ \$19.30

EURO \$1.2303 YEN 105.91

## What's News

### Business & Finance

**Tech shares extended** their decline, with the Nasdaq shedding 2.7%. The losses spread to other sectors, sending the S&P 500 2.2% lower and the Dow industrials down 1.9%. **A1, B11**

◆ **The administration** wants to limit the CFPB's independence in policing the consumer-finance industry, the latest salvo by the White House to roll back oversight. **A1**

◆ **GM will stop** reporting monthly car sales, saying a 30-day period doesn't give an adequate snapshot of its business or the industry. **B1**

◆ **Fintech firm GreenSky** confidentially filed for an IPO that could come as soon as this summer. **B1**

◆ **Longfin is being probed** by the SEC after the fintech firm failed to disclose important information. **B1**

◆ **Mozido's founder** was accused of defrauding the fintech firm's investors. **B10**

◆ **Sinclair is under fire** for requiring news anchors at dozens of its local stations to read a segment warning about "fake stories." **B3**

◆ **Zuckerberg shot back** at Cook's critiques of Facebook, calling the Apple CEO's comments "glib." **B4**

◆ **Elliott wants changes** at software provider CommVault and plans to nominate four new directors. **B4**

◆ **Treasury officials** are meeting with financial firms about whether to release trading data to the public. **B11**

◆ **Tri-Source is facing** questions from three senators about the rising cost of its cancer drug lomustine. **B3**

### World-Wide

◆ **The EPA moved** to ease vehicle-emissions rules, siding with car makers and setting up a fight with environmentalists and California. **A3**

◆ **Trade tensions** between the U.S. and China escalated, as Chinese tariffs on American pork, fruit and other goods took effect. **A2**

◆ **The Justice Department** set quotas for immigration judges in an effort to speed deportation cases. **A3**

◆ **Mueller is looking into** a claim by longtime Trump adviser Stone that he had met with WikiLeaks' Assange. **A4**

◆ **Trump recently raised** the idea of inviting Russian leader Putin to the White House, the Kremlin said. **A6**

◆ **Egyptian President Sisi** was re-elected with 97% of the vote, officials said, and allies are now looking for ways to extend his rule. **A6**

◆ **Civilians and fighters** began leaving the last Syrian rebel stronghold near Damascus, marking a major victory for the Assad regime. **A6**

◆ **California was sued** by the U.S. over a state law that limits federal ability to sell and manage lands. **A3**

◆ **The Supreme Court** turned away U.S. victims of terrorist attacks in Israel seeking to sue the PLO. **A2**

◆ **Boko Haram launched** assaults on a Nigerian military base and villages close to a regional capital. **A7**

◆ **Died: Winnie Mandela**, 81, antiapartheid activist and late president's ex-wife. **A7**

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# U.S. NEWS

## U.S. Farmers Brace for Tariffs

The escalating trade tensions between Beijing and Washington have pulled America's farmers and agricultural exporters into the melee.

*By Joshua Zumbrun  
in Washington, and  
Jacob Bunge and Jesse  
Newman in Chicago*

To the dismay of pork producers and fruit growers across the U.S., China announced tariffs of as much as 25% on American pork and eight other kinds of goods, and 15% tariffs on fruit and 120 types of commodities, which China has said would apply to about \$3 billion in products. China's tariffs were retaliation for the 25% steel and 10% aluminum tariffs imposed by the Trump administration last month.

The skirmish is poised to escalate further this week, as President Donald Trump has ordered a series of actions, including a new round of tariffs on as much as \$60 billion in Chinese imports, to penalize Beijing over allegations that China is violating U.S. intellectual property rights.

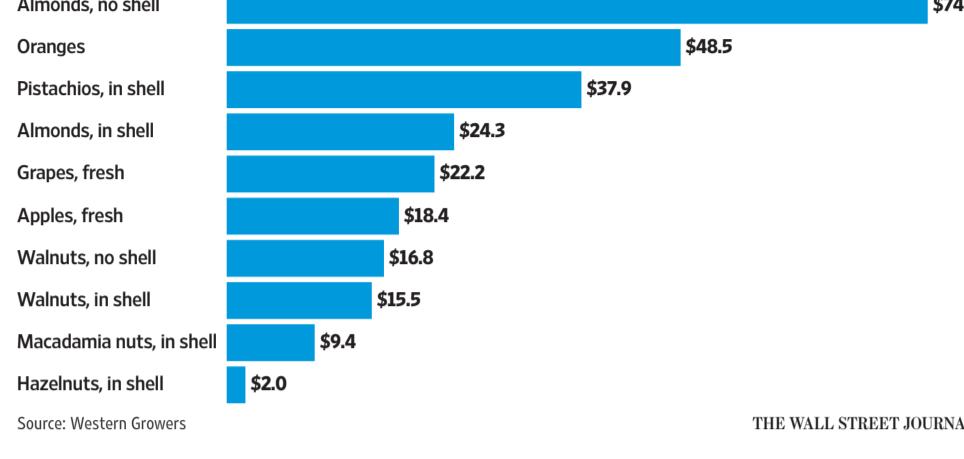
But it is far from clear whether the trade actions will get out of hand. The U.S. and China have also started preliminary talks at reaching a resolution. On the new round of tariffs, the U.S. will first take comment from industry for 30 days and then have 180 days to decide whether to actually levy tariffs.

That gives plenty of time for talks—although the negotiations will they will be conducted under the threat of U.S. retaliation. U.S. officials expect the Chinese to match their threats tit-for-tat, further ramping up the pressure.

The escalation with China is creating a growing list of winners and losers across the U.S. economy. One of Amer-

### Targeted by Tariffs

Some of the U.S. exports that China will impose duties on. Value of 2017 exports to China, in millions:



Source: Western Growers

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### Washington Takes Long View on Trade

Washington's trade leaders have said they are playing a longer-term game to stop Beijing's unfair trade practices and aren't focused on short-term effects.

During a Senate Finance Committee hearing on March

22, U.S. Trade Representative Robert Lighthizer said: "It's not possible to take the position that because of soybean farmers we're not going to stick up for our rights in a whole variety of ways and have hundreds of billions of dollars with the other exporters and domestic producers be punished because of unfair trade."

Soybeans weren't targeted for tariffs by China, the world's

biggest buyer of the oilseeds, but the U.S. agriculture sector worries soybeans could draw future retaliation if the trade dispute escalates.

Lawmakers, especially from the Midwest, are worried about the effect on their agriculture producers, but many share the administration's concerns about Beijing's trade practices.

—*Joshua Zumbrun, Jacob Bunge and Jesse Newman*

ica's most successful export industries—agriculture—is taking the hit from the first rounds of the spat, as are industries that consume steel and aluminum, which will now face higher prices.

Near Welcome, Minn., hog farmer Wanda Patsche said she is monitoring the news daily for updates on trade policy, and the potential effect on prices as she prepares to sell half of her farm's pigs by early summer. "I'm very, very nervous," Ms. Patsche said.

China's penalties on U.S. meat, fruit and commodities raise uncertainty for U.S. pork

sales abroad—particularly in the \$1.17 billion world-wide market for byproducts like pigs' feet and tails, where China is the biggest buyer, according to data from the U.S. Meat Export Federation.

"These retaliatory tariffs will disproportionately affect hardworking American pork packers and producers," said Barry Carpenter, chief executive of the North American Meat Institute, a Washington-based trade group representing meat companies including **Tyson Foods** Inc. and **Smithfield Foods** Inc.

The actions so far are rela-

tively small. The U.S. exported \$140.5 billion of agricultural goods last fiscal year, according to data from the U.S. Department of Agriculture. China was the largest single destination that year, receiving about \$22 billion in exports.

The size of Beijing's retaliation—tariffs on about \$3 billion of goods—indicates the direct impact of steel tariff is also not enormous. Only about 2% of U.S. steel imports come directly from China. China's finance ministry suggested Beijing's response is meant to be proportional to U.S. actions.

## High Court Turns Away Terrorist Victims' Suit

By JESS BRAVIN

WASHINGTON—The Supreme Court turned away American victims of terrorist attacks in Israel seeking to sue the Palestine Liberation Organization, its unsigned order, the latest legal setback for private efforts to hold sponsors and financiers of international terrorism legally accountable.

Several federal laws afford

victims the right to sue over international terrorism despite legal doctrines that traditionally have insulated foreign entities from liability. In individual cases,

however, the U.S. government often has sided with alleged per-

petrators against victims, rais-

ing procedural obstacles and cit-

ing policy considerations that

make recovery difficult.

"Our government has a cer-

certain split personality," said

Kent Yalowitz, an attorney repre-

senting victims in the

PLO case. While federal laws

encourage such suits, "the

government often takes the

side of the perpetrators in in-

terpreting the statutes," he

said. "It's quite discouraging."

In 2015, after years of pro-

cedural disputes, the suit filed

by 11 American families whose

relatives were killed in six ter-

rorist attacks in 2002 to 2004

went to trial. A federal jury in

New York awarded the plain-

iffs \$218.5 million in damages,

which under the Anti-Terror-

ism Act automatically was tre-

bled to \$655.5 million.

In 2016, however, the Second

U.S. Circuit Court of Appeals, in

New York, threw out the ver-

dict, finding that U.S. courts

lacked jurisdiction to hear the

case. The Justice Department

had argued the Supreme Court

shouldn't hear the victims' ap-

peal of that ruling, and on

Monday the justices agreed.

Justice Department spokes-

woman Kerri Kupec said the

government "sympathizes deeply" with the victims. "The court of appeals decided, however, that the suit was not consistent with due process under the Constitution, and its decision did not meet the usual standards for Supreme Court review," she said.

While Congress has over-  
whelmingly voted to let victims sue, diplomats and policy makers are loath to let private parties use the courts for personal aims that could interfere with U.S. objectives or expose American interests to reciprocal legal actions in other countries.

In two terrorism lawsuits the Supreme Court did hear in recent months, the Justice Department took positions against the victims. The department's view of legal issues that carry international implications carries great weight with the justices, who are reluctant to second-guess the executive branch on foreign-policy and national-security issues.

In a case heard in December, a government lawyer argued alongside an attorney representing the Iranian regime that victims who won a judgment over

Tehran-backed terrorism could not seize antiquities belonging to Iran that were on loan to the University of Chicago.

Still pending before the court is a case argued in October, in which Israeli victims of suicide bombings sought to collect a judgment from Arab Bank PLC, a Jordanian entity that they alleged helped finance the attacks with money transfers through its New York office.

In that case, the government argued that the Second Circuit went too far in holding that corporations never could be sued under the relevant statute. But it gave little hope to the plaintiffs, saying it was doubtful that Arab Bank's U.S. operations were sufficiently tied to the attacks.

industry's biggest dividend payers, it cut the payout by about two-thirds in early 2016 as oil prices fell to less than \$30 a barrel. It argues this is all part of its cash-management strategy. As oil prices rise, it returns the bounty to investors, but when prices fall below the sustaining price, it can sell assets, cut dividends or increase debt.

Crude prices are up by about 27% in the past six months, but unlike in the past, oil equities haven't followed, suggesting that some investors lack confidence in the price rally.

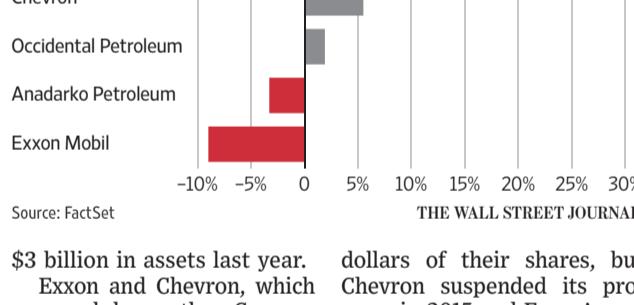
In this climate, shareholders are likely to prefer producers like ConocoPhillips that demonstrate frugality, said Doug Terreson, an energy analyst at Evercore ISI who has championed greater discipline in oil.

"One of the key concerns in the industry is that companies are growing more disciplined today, but if the oil price rises, they will increase spending," he said.

### For Big Oil, Smaller Is Better

ConocoPhillips has outperformed peers by avoiding spending increases and returning cash to shareholders

#### Share-price performance in the past year



Source: FactSet

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\$3 billion in assets last year.

Exxon and Chevron, which are much larger than Conoco-  
Phillips and have far higher profits, also have longstanding dividends that neither company cut after oil plunged in 2014. They also had a long history of buying back billions of

dollars of their shares, but

Chevron suspended its pro-

gram in 2015 and Exxon's was

scaled back significantly. Chev-

ron is expected to resume its

buyback program soon.

The recent run of Conoco-  
Phillips hasn't been without challenges. Once among the in-

## OIL

*Continued from Page One*  
prices, while being insulated somewhat from falling prices by operating refineries and petrochemical plants.

An increasing number want conservative, stable returns—not unlike the reason that investors look to the utility industry.

"The oil-and-gas industry is on its way to transitioning to a more mature market in the U.S.," said Tim Beranek, who helps manage more than \$18 billion in assets for Cambiar Investors. "Over the last decade, with the evolution of shale, it was an emerging industry and attracted a lot of growth investors. Now, the shareholder base just wants return on capital."

As surging U.S. crude production continues to threaten price rallies with new supply, investors have become far more

skeptical about growth. Instead, the push for cash is catching on. Beginning in 2012, ConocoPhillips, once among the world's biggest oil companies, started to make this transition. It spun off its refining business, closed its deep-water exploration unit and chose to distribute more of its free cash flow to shareholders rather than reinvest it.

Few oil chieftains at the time were moving in that direction. It was "a pretty lonely place," said Ryan Lance, ConocoPhillips' chief executive.

The strategy was shaped by a view that rising U.S. oil output would create a new era of uncertainty. American oil production recently topped 10 million barrels a day, breaking the U.S. record set in 1970.

"The [price] cycles are getting shorter, from peak to peak and trough to trough," Mr. Lance said. Instead of

"chasing the cycles up and down," he said, ConocoPhillips has focused on its "sustaining

capital"—the oil price it needs to keep production flat and pay for dividends and new investments.

The company's "sustaining" price is now \$40 a barrel, Mr. Lance said, which means that with U.S. crude selling for more than \$60, much of the excess can go to shareholders.

While other companies have boosted share buybacks and dividends, few have as low a sustaining price. Many are turning to asset sales to balance new spending and cash-return plans with the funds they receive from operations.

For example, Hess Corp. increased its buyback program by \$1 billion in March, avoiding a proxy fight with an activist shareholder. The company is ex-

pected to generate \$1.6 billion from operations this year, ac-

cording to analyst estimates on FactSet. With \$2.1 billion in

spending planned for 2018, that equates to a cash deficit of \$1.5 billion. Hess sold over

46% and Alphabet ending the year up 33%. The sector's rally sparked fears among some analysts that tech could be headed toward a repeat of March 2000, when highflying dot-com stocks crashed, leading to a broader market sell-off.

The FAANG shares are now mixed for 2018—only Amazon and Netflix remain in the black, while all three major stock indexes are lower. The Nasdaq Composite gave up its gains for the year on Monday and is down 9.5% from its high three weeks ago.

When asked to identify the trades they felt had been overplayed in the market, 38% of fund managers named FAANG stocks as well as their Chinese counterparts—Baidu Inc., Alibaba Group Holding Ltd. and Tencent Holdings Ltd.—according to a Bank of America Merrill Lynch survey conducted last month.

Yet investors are more pessimistic than they were during the height of the dot-com era in 2000, something analysts say distinguishes the run-up in technology shares then with the tech sector's more recent dominance.

Just 31% of individuals expect stocks to rise over the next six months, according to a survey released last week by the American Association of Individual Investors—compared with 58% just before the Nasdaq peaked in March 2000.

Monday's selling came on the heels of broader shakiness in the stock market.

vote to leave the European Union. That signals there could be more market turbulence ahead, especially after the index resisted closing below that level multiple times during the recent volatility, traders said.

Short sellers, who bet on a stock's decline, also have large bets against the tech sector,

which has sparked fears among some analysts that tech could be headed toward a repeat of



## U.S. NEWS

# Peril and Promise in Trump-Kim Summit



## CAPITAL JOURNAL

By Gerald F. Seib

Michael Green, a former White House and Pentagon official, has long experience dealing with North Korea

both as a government official and private citizen. Based on that, he views the summit meeting planned for next month between President Donald Trump and North Korean leader Kim Jong Un with some trepidation.

The Trump team, he says, has done a good job of putting economic pressure on North Korea over its nuclear and missile programs, which may have led to a shift in

North Korea's tone and a new desire to engage in diplomacy.

But he fears the North Koreans also may be laying traps for Mr. Trump. "Kim Jong Un said he is ready to discuss the denuclearization of the Korean Peninsula," Mr. Green said in an interview. "Sure, sounds good." But, he adds, "This is an old, old trick."

**W**hat the North Koreans mean by denuclearization, he says, isn't that they start by eliminating their nuclear arms, but rather that the U.S. starts by removing its umbrella of nuclear-weapons protection for South Korea. Similarly, he says, Mr. Kim could propose freezing his nuclear and missile tests in exchange for an American agreement to freeze its military exercises with South Korea, or suggest a peace treaty with the U.S. Both steps, he says, may be designed to ease pressure on Pyongyang while leaving American allies in South Korea and Japan exposed.

"There may not be any

there there at all," Mr. Green says.

Such risks aren't a reason to avoid meeting with Mr. Kim; diplomacy, after all, is preferable to the potentially horrific consequences of war on the Korean Peninsula. Rather, they argue for careful preparations and clear thinking about American goals—and provide a cautionary note about Mr. Trump's tendency toward impulsive decision-making. Mr. Trump has also proposed a summit meeting soon with Russian President Vladimir Putin. A look back at notable past presidential summits may offer lessons on how to approach—and not approach—such sessions:

◆ **Eisenhower-Castro, 1959:** This is a case in which an American president, also faced with an impetuous young leader, chose not to meet him at all. Shortly after Fidel Castro led the Cuban revolution, he visited Washington. President Dwight Eisenhower snubbed him, and shuffled Mr. Castro off to meet with then-Vice

President Richard Nixon.

Could the troubled American-Cuban history have been different if a presidential summit had happened at that formative stage? There is no way to know now. In a memo after his meeting, Mr. Nixon said he found the Cuban "sincere" but also "either incredibly naive about Communism or under Communist discipline."

◆ **Kennedy-Khrushchev in Vienna, 1961:** This ill-fated meeting between President John F. Kennedy and Soviet leader Nikita Khrushchev stands as an example of the perils of hasty and ill-prepared summits.

Mr. Kennedy had just taken office and reached out to Mr. Khrushchev in hopes of talking about, among other things, a Nuclear Test Ban Treaty. They met in Vienna, and their session turned into an argument about the future of Germany and an opportunity for the grizzled Soviet to bully the young American president. Mr. Kennedy later acknowledged it was something of a disaster, and

thought it might have led the Soviets to decide they could challenge him by putting nuclear missiles in Cuba.

◆ **Nixon's visit to China, 1972:** This summit meeting is an example of why Mr. Trump, whose public threat to rain "fire and fury" make him seem an unlikely negotiating partner for North Korea, actually may be in a good position to deal with Mr. Kim. But Mr. Nixon's China trip also is an example of the virtues of long, careful preparation.

As one of the foremost anti-Communist crusaders of his generation, Mr. Nixon seemed an unusual candidate to open ties with the world's most populous Communist country. But that background also gave him the credibility to take some chances; no one would think he was naive about dealing with the Chinese. Yet there was nothing impulsive about Mr. Nixon's move. His administration worked for more than two years at quiet negotiations with the Chinese before Mr. Nixon's groundbreaking presi-

dential trip to China, his meetings with Chinese leaders Mao Zedong and Zhou Enlai and the signing of a communique that has provided the framework for U.S.-Chinese relations ever since.

**R**eagan-Gorbachev in Reykjavik, 1986. Another example of the perils of ill-timed and underprepared summits. President Ronald Reagan accepted an invitation to meet the relatively new Soviet leader, Mikhail Gorbachev, in a session meant mostly to lay the groundwork for later, more detailed arms-control talks.

Instead, the conversations drifted into a discussion in which Mr. Reagan proposed eliminating all nuclear weapons—a proposal that horrified his national security advisers. They scurried to walk back the idea, though then-Secretary of State George Shultz has long argued that subsequent arms-control agreements showed "a significant value in thinking big" in Reykjavik.

# Assange Meeting Claim Gets Scrutiny

BY SHELBY HOLLIDAY AND ROB BARRY

The special counsel investigating alleged links between Trump campaign associates and Russians is looking into longtime adviser Roger Stone's 2016 claim that he had met with WikiLeaks founder Julian Assange, according to a person familiar with the matter.

WikiLeaks, an antisecrecy website, later released a trove of material on Democratic candidate Hillary Clinton that U.S. officials say was hacked by Kremlin operatives.

In an email dated Aug. 4, 2016, Mr. Stone wrote: "I dined with Julian Assange last night," according to a copy of the message reviewed by The Wall Street Journal. Mr. Stone is a longtime informal adviser to President Donald Trump who at that point had no official campaign role.

The note, to former Trump adviser Sam Nunberg, adds to a growing number of times Mr. Stone claimed during the campaign to be in contact with WikiLeaks. The next day, Mr. Stone publicly praised Mr. Assange via Twitter.

In an interview, Mr. Stone said the email to Mr. Nunberg was a joke and that he never communicated with Mr. Assange in 2016.

"I never dined with Assange," he said. The email "doesn't have any significance because I probably didn't go...there was no such meeting. It's not what you say, it's what you do. This was said in jest."

Mr. Stone said he was flying out of Los Angeles the night before the email, putting him thousands of miles away from Ecuador's Embassy in London, where Mr. Assange has been holed up since 2012 under asylum.

Mr. Stone provided screenshots showing a booking for a person named "Roger" on a Delta flight departing Los Angeles for Miami on Aug. 3, 2016. The airline confirmed a flight matching Mr. Stone's screenshot but declined to say whether Mr. Stone was on board.

WikiLeaks didn't respond to a request to comment. The group has tweeted that Mr. Assange and Mr. Stone "never communicated."

Special counsel Robert Mueller's team has asked about Mr. Stone's email during testimony before a grand jury, according to the person familiar with the matter.

During the 2016 campaign, Mr. Stone indicated that he was in direct contact with Mr. Assange. He has also said he communicated with him, but through an intermediary. In a text message with the Journal Friday, he said he never communicated with Mr. Assange.

Mr. Trump has said there was no coordination between his campaign and the Russians. The Kremlin has denied allegations of election interference.

# Districts Trump Flipped to Test GOP's Hold

BY DANTE CHINNI

MUSCATINE, Iowa—John Tompkins had voted for Barack Obama, but in 2016 he eagerly backed Donald Trump.

"Trump is on the right track," said the 83-year-old Air Force veteran. "He wants to get rid of the illegals."

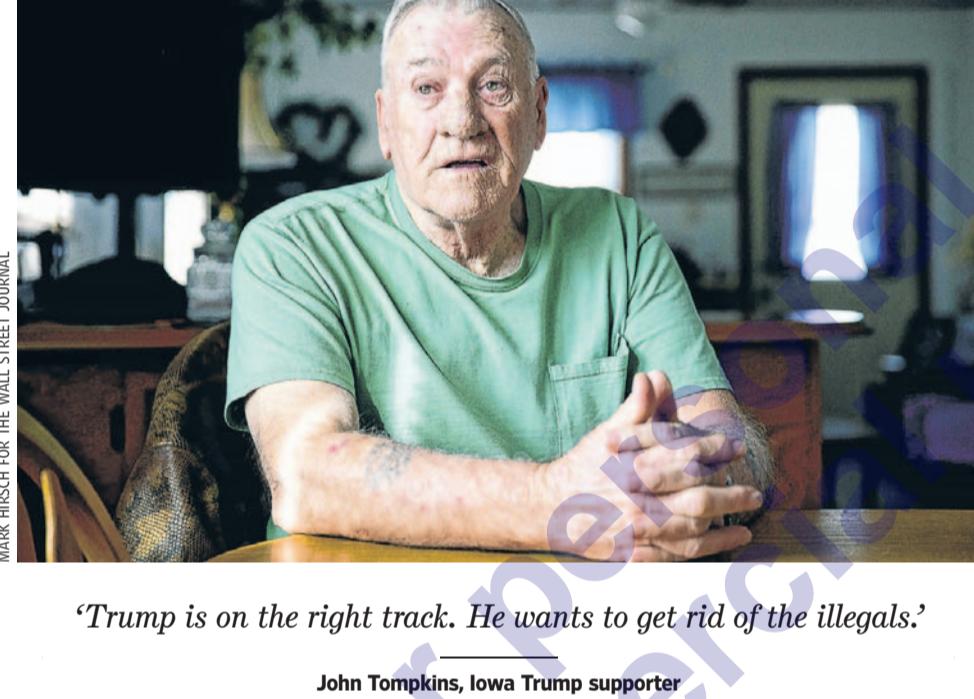
Mr. Tompkins's friends, gathered for morning coffee at the Hy-Vee Grille, said they had made the same switch, motivated by Mr. Trump's promises to boost military funding and stop illegal immigration.

Party-switchers like these helped propel the Republican president to the White House, in the process flipping 20 congressional districts into Mr. Trump's column that had voted twice for Mr. Obama, a Democrat.

This year, a central question is whether these Obama-Trump voters will back Republican candidates with the same enthusiasm they felt for Mr. Trump, or whether the president's unconventional appeal assembled a voter coalition that is unique to him.

Some analysts see the GOP challenges this year as similar to those Democrats faced in midterm elections when Mr. Obama was in the White House. "The Obama coalition came out for Obama, but not when he wasn't on the ballot. I think it's the same for Trump," said Chris Krueger, a strategist at Cowen & Co., a financial services and research firm. "They embraced the cult of personality around the candidate, not the party."

The question is particularly pressing in places such as southeast Iowa's Second Congressional District, one of the 20 congressional districts that had backed Mr. Obama twice before supporting Mr. Trump. Seventeen of those party-switching districts are battlegrounds for the House this year, analysts say, giving



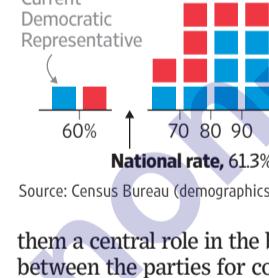
John Tompkins, Iowa Trump supporter

## The Obama-Trump Districts

There are 20 House districts that voted twice for Barack Obama before flipping to back Donald Trump in 2016. These districts tend to be...

...less diverse...

Percentage of white, non-Hispanic population



Source: Census Bureau (demographics); Associated Press (election results); U.S. House (members)

...older...

Median age of population



...and less educated.

Share of population with at least a bachelor's degree



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time supporting Mr. Trump.

The political converts who backed Mr. Trump still support him enthusiastically, interviews in two of Iowa's battleground districts show. "I like him being a rebel and I like the way he

does things, truthfully," said Jim Evans, a local real-estate investor. "It fires you up."

But with Democrats showing high motivation in elections since Mr. Trump took office, House races in districts like this

posal next week in testimony before the Senate Banking Committee.

A spokeswoman for the committee declined to comment on Monday's report.

The proposal faces long odds of clearing Congress, where lawmakers have been unable to agree on whether to alter the CFPB's structure or regulatory powers.

Though the House passed a broad deregulatory blueprint last summer that would eliminate the CFPB's supervisory and rule-writing functions—reducing it to an enforcement agency—Senate lawmakers haven't taken up the plan.

Instead, the Senate passed a more modest rollback of Obama-era financial rules that doesn't make changes to the CFPB. Sponsors of that bill, which the Senate approved in a 67-31 vote in March, say it wouldn't have garnered the backing from Democrats necessary to advance through the Senate had it targeted the CFPB.

The request is the latest in a string of moves by Mr. Mulvaney—who once called the CFPB a "joke...in a sick, sad kind of way"—to weaken the agency he is overseeing in a temporary capacity.

Championed by Sen. Elizabeth Warren (D., Mass.), the bureau has been a lightning rod for critics of the postcrisis legislation since its infancy, with GOP lawmakers viewing it as a redundant and overly powerful agency.

Mr. Mulvaney is expected to speak more about his pro-

Mr. Mulvaney, a former Republican lawmaker from South Carolina, is a longtime critic of the CFPB. He took over the bureau on an acting basis in November after President Barack Obama's appointee, Richard Cordray, stepped down. The White House hasn't announced a permanent director for the bureau.

Among Mr. Mulvaney's first steps after taking over was to temporarily freeze the issu-

nies than the CFPB had during the Obama administration.

The interim chief also quickly worked to roll back initiatives developed by his predecessor, including actions targeting the payday-lending industry, and installed new personnel at the bureau, including Brian Johnson, a former aide to House Financial Services Committee Chairman Jeb Hensler (R., Texas), who led the legislative effort to diminish the CFPB's powers.

Over the last few months, the agency has sent out weekly requests for feedback on how to transform its operations, including its rule-making, enforcement and supervision.

In January, Mr. Mulvaney, who also serves as White House budget chief, asked for zero funds for the agency's activities in the second quarter of fiscal 2018, saying it could draw on reserves.

Sen. Warren, who helped design the CFPB, last week in a Wall Street Journal opinion column accused Mr. Mulvaney of ignoring the bureau's mission.

"Congress designed the CFPB to be a nimble watchdog for America's consumers, accountable to Congress in the execution of its duties," Ms.

Warren said.

"Mr. Mulvaney has undermined the bureau's work on behalf of consumers and has repeatedly failed to comply with legal mandates." She also argued the CFPB was already subject to sufficient oversight by Congress and the White House. A spokeswoman for Ms. Warren didn't respond to a request for comment Monday.

The CFPB's structure—it is led by a single director, rather than a commission like other financial regulators such as the Securities and Exchange Commission—has drawn the ire of conservatives and parts of the financial industry since its creation, leading to lawsuits challenging how it was set up.

In a January ruling, the U.S. Court of Appeals for the District of Columbia Circuit affirmed the constitutionality of the CFPB's configuration, with its director who can be removed by the president only for "inefficiency, neglect of duty, or malfeasance in office."

In another lawsuit, a CFPB official appointed by Mr. Cordray on his last day in office said she should be the default interim head of the bureau until a permanent director is put in place.

# CFPB

Continued from Page One

to be insulated from politics.

Monday's report shows Republicans' determination to ease what they see as regulatory excess, which they say constrains U.S. economic growth. The Treasury Department last year released a report calling for financial deregulation across a number of industries, part of which are now under consideration in Congress and at federal agencies.

It isn't clear that defanging the CFPB would bolster the economy, yet efforts to scale back its operations stem from a belief that easing the 2010 Dodd-Frank financial overhaul that created the bureau will pave the way for increases in investment, spending and hiring.

Championed by Sen. Elizabeth Warren (D., Mass.), the bureau has been a lightning rod for critics of the postcrisis legislation since its infancy, with GOP lawmakers viewing it as a redundant and overly powerful agency.

Mr. Mulvaney is expected to speak more about his pro-

ance of new regulations, review all of its enforcement activities and put a pause on new hires.

The bureau's mission, as stated on its website, was modified to include the goal of "regularly identifying and addressing outdated, unnecessary, or unduly burdensome regulations," a shift that suggested a less combative approach with financial compa-

nies than the CFPB had during the Obama administration.

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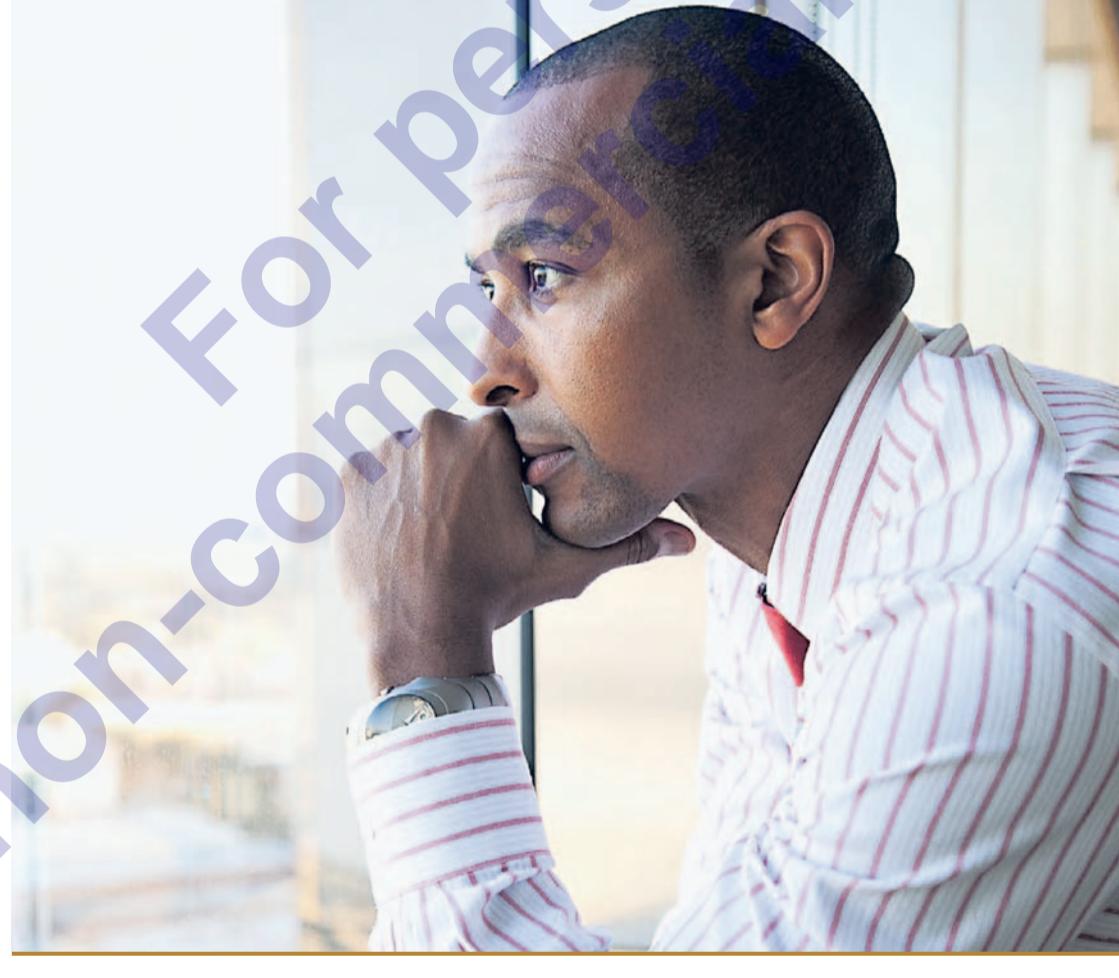
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## WORLD NEWS

# Sisi's Allies Seek to Extend His Rule

Egyptian president is re-elected with 97% of the vote, officials say, emboldening backers

BY JARED MALSIN  
AND AMIRA EL FEKKI

CAIRO—Egyptian President Abdel Fattah Al Sisi won a crushing electoral victory, according to official results released Monday. Now, his allies are looking for ways to extend his rule beyond the current two-term limit.

Some of Mr. Sisi's supporters say keeping him in office would guarantee stability at a pivotal moment for the Arab world's most populous nation: The government is grappling with an Islamic State insurgency in the Sinai Peninsula, and it is trying to breathe life into the economy, where an estimated one-third of young people are unemployed.

Mr. Sisi won the election with 97% of the vote, the National Election Authority announced Monday, capping a campaign in which every serious opponent was either jailed or removed from contention and the only other name on the ballot was one of the president's backers.

Allies of Mr. Sisi say they plan to press for a change in the constitution that would allow the former general to stay in power beyond the current eight-year limit.

"The constitution is not a sacred text," said lawmaker Ismail Nasreddin, a Sisi backer who



Supporters of President Abdel Fattah Al Sisi celebrate in Cairo after authorities announced his re-election with 97% of the vote on Monday.

plans to propose a constitutional amendment in the new legislative session, which opened Monday, to extend the presidential term from four to six years. "Developing countries need more time to implement their plans," he said.

Opposition leaders say they will fight such a move.

"We, as some of the opposition, political figures, intellectu-

als, we're thinking in the coming months, what can we do to make this a public issue?" said Mohamed Anwar Sadat, a former member of parliament who shares a name with his late uncle, Egypt's former president.

Mr. Sisi has said he doesn't want to remain in power beyond two terms. He had also said he wouldn't seek the presidency after he led a coup

in 2013 against his freely elected predecessor, Mohammed Morsi. A spokesman for the president didn't respond to a request to comment.

A proposal to change the constitution would have to go through parliament and then be approved in a referendum. Only a dozen of the nearly 600 legislators are members of the opposition, so any measure

backed by the government is likely to pass.

However, a parliamentary debate on the issue would give an otherwise fractured opposition a rare opportunity to openly challenge Mr. Sisi.

Even three pro-Sisi lawmakers said they would oppose attempts to keep the president in power longer than two four-year terms. "I do think Sisi has

achieved much, but I am against granting him a third," said lawmaker Elhamy Agina. "I think eight years is enough."

Others want to extend the presidency longer than eight years, possibly by removing the current limit of two presidential terms altogether.

Supporters of an extension draw encouragement from a global trend of authoritarian leaders removing obstacles to their continued rule. Pro-Sisi commentators increasingly point to China, where the government recently removed term limits to allow President Xi Jinping to remain in power for life.

"Let me tell you something, there's no bigger country than China, and they just changed the constitution to give the president an open term, up to life," television host Imad Edin Adib said last week.

For some in Egypt, the prospect of an indefinite presidency draws unfavorable comparisons with past leaders like Hosni Mubarak, who ruled for 30 years at the helm of a vast police state. Mr. Mubarak engaged in a delicate balancing act with opposition forces, allowing token protests and a limited opposition in parliament, until he was brought down in the 2011 Arab Spring revolution.

"It doesn't sit well with a lot of people. Even some of the most quisling types are going to be uncomfortable with the fact that here we are with another president for life," said Michael Hanna, an Egypt expert at the Century Foundation, a think tank in New York.

# Syria Town's Evacuation Marks a Regime Win

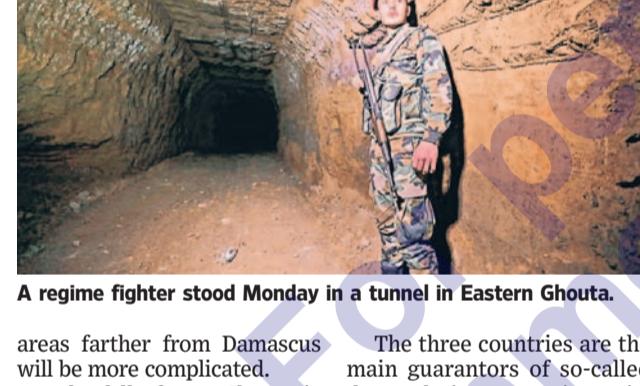
BY SUNE ENGEL RASMUSSEN

Civilians and fighters began leaving the last rebel stronghold near Damascus on Monday, marking a major victory for the Assad regime in its relentless assault to secure the Syrian capital after a years-long war.

The first buses with fighters and their families departed Douma, the biggest town in the Eastern Ghouta suburb, for northern Syria after the rebels there struck a deal with the government, according to local activists.

They join tens of thousands of Syrians who have left Ghouta's battered towns in the past week under evacuation deals between rebel groups, the regime and its Russian supporters. It wasn't immediately clear how many of Douma's estimated 100,000 residents have agreed to leave.

The capture of Ghouta after a six-week ground and air operation is the most significant win for the government since it seized Aleppo in 2016. It now controls nearly all of the area around the Syrian capital. President Bashar al-Assad and his allies are expected to turn to other remaining opposition-held areas in the country at a time when attempts at peace talks have stalled. However, capturing



A regime fighter stood Monday in a tunnel in Eastern Ghouta.

areas farther from Damascus will be more complicated.

"The fall of East Ghouta is another step towards Assad's consolidation of control in Syria's center," said Sam Heller, a Beirut-based senior analyst with the International Crisis Group. "But the areas still beyond his grasp on the country's edges are caught up in complicated regional and international politics," he said. "It's not clear how exactly Assad can retake them."

The fall of Ghouta comes days before a trilateral summit in Ankara where Mr. Assad's main backers, Iran and Russia, are set to meet Turkey in talks that will seek to decide a future path for the seven-year Syrian war.

The three countries are the main guarantors of so-called de-escalation zones in Syria, including areas that have been bombarded, such as Ghouta.

The Syrian regime, according to state media, has said the assault on Ghouta is part of an operation to root out terrorists who reject national reconciliation.

Mr. Assad has given his own indications of what comes next. Even as the assault on Eastern Ghouta was under way, government forces carried out airstrikes on two other rebel-held strongholds—signaling where the regime would focus as it seeks to reassert control over much of the country.

In Idlib in the northwest and Daraa in the south, both prov-

inces ostensibly protected under cease-fire deals among foreign powers, the regime in recent weeks targeted civilian infrastructure, including hospitals.

But Idlib, in particular, presents an explosive challenge for several parties involved in the war. The province houses an intractable patchwork of rebel fighters vying for turf, most of which is under the control of an extremist, former al Qaeda faction, Hayat Tahrir al-Sham.

The chaotic situation in Idlib has been further exacerbated by the recent arrivals of fighters evacuated from Ghouta. A large-scale regime assault on the province is also complicated by the presence of Turkish forces who support

moderate rebel factions.

Meanwhile, there are several smaller rebel-held enclaves surrounded by government forces in the country, which the regime could target before potentially moving on Idlib.

The regime began its assault on Eastern Ghouta in February, following a year-long siege that deprived some 400,000 residents of food and medical supplies. According to the Syrian Observatory for Human Rights, a monitoring group, 1,644 civilians have been killed by the regime offensive since Feb. 18.

Though the regime announced a complete capture of Ghouta over the weekend, Douma had held out as other towns and cities were emptied of its residents.

The rebel group in Douma, called Jaish al-Islam, couldn't be reached to comment. Jaish al-Islam fighters leaving Douma were headed for Jarablos in rebel-held northeast Syria, state media and independent activists said.

The details of the deal with Jaish al-Islam were unclear, but the Observatory said the rebels had committed to releasing prisoners and hostages after the evacuation was complete.

—Nazih Osseiran and Nour Al Akraa contributed to this article.

# Trump Floats Idea of Putin Visit

BY THOMAS GROVE

MOSCOW—President Donald Trump recently raised the idea of inviting his Russian counterpart, Vladimir Putin, to the White House, the Kremlin said Monday, putting the relationship between the two leaders front and center amid worsening ties between their governments.

The suggestion, which came in a March 20 telephone call, followed Mr. Putin's victory in a presidential election and the poisoning by nerve agent of a former Russian spy in the U.K., an attack that prompted broad condemnation, including from the U.S., after the British government blamed the attack on Russia. Russia has denied it was involved.

The White House confirmed a potential meeting was discussed, with the White House mentioned as a possible venue for it.

"When our presidents spoke on the telephone, Trump suggested that the first meeting take place in Washington, in the White House," Kremlin foreign-policy adviser Yuri Ushakov told Russian news agencies Monday. "It's a sufficiently interesting and positive idea," he said. The two leaders hadn't agreed on a date for any potential meeting, he said.

Mr. Ushakov's comments represent the latest effort by the Kremlin to present itself as ready for engagement with Mr. Trump, who has defended the idea of improving ties with Moscow. The Kremlin blames Washington's political establishment rather than Mr. Trump for thwarting dialogue between the two countries.

At the time of the call, Mr. Trump said he congratulated Mr. Putin on his election win and described the conversation as a "very good call" in which the two discussed meeting to address issues such as the conflicts in Ukraine and Syria and the threat posed by North Korea. Mr. Trump was criticized by some in Washington for the call.

Since the call, ties between Moscow and Washington have worsened over the poisoning of Sergei Skripal and his daughter, Yulia, in the English city of Salisbury. The U.S. and at least a dozen allied and Western countries have expelled Russian diplomats in response to the attack, and Russia has responded in kind.

# Migration Issue Faces Test in Hungary

BY DREW HINSHAW  
AND CSABA SEGESVÁRI

HODMEZOVARSHELY, Hungary—Hungary goes to the polls this weekend for national elections that appear likely to return Prime Minister Viktor Orban, one of Europe's leading anti-migration voices, to office for a fourth term.

Mr. Orban has campaigned with pledges to maintain a vigorous defense of Hungary's, and Europe's, borders and culture against an influx of people from the Middle East and Africa, and the vote will be a test of the continued political potency of that message as migrant flows start to ebb.

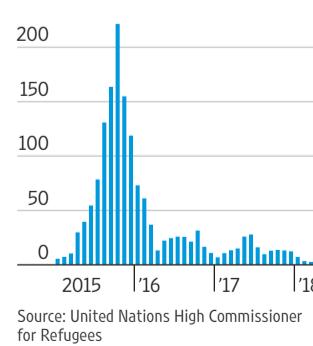
Recent polls tend to show Mr. Orban's Fidesz party winning the support of roughly half of the electorate, with the rest divided among a handful of opposition parties. That would mean less of a grip on parliament than the commanding two-thirds majority he enjoyed for four of the past eight years.

The prime minister's stance on immigration has made him something of a hero to an international network of nationalists. Steve Bannon, former

## Border Boredom

The flow of migrants into Europe is subsiding, reducing the issue's political relevancy in transit countries like Hungary.

### People arriving by sea each month



chief strategist to President Donald Trump, recently called Mr. Orban "the most significant guy on the scene right now."

But his focus on immigration seems to be bringing diminishing returns at home, where border politics are no longer a major subject of domestic disagreement. Nearly

all of Mr. Orban's chief rivals endorse his positions on immigration, and the number of illegal crossings of Hungary's fenced-off border now hovers around the single digits.

A recent local election in the town of Hodmezovasraly rang what Mr. Orban himself called "an alarm bell." His party blanketed the rural town, which his party won four years ago by 44 percentage points, with billboards, proclaiming of his opponents: "They will remove the fence."

The message fell flat with pensioner Zoltanne Egressy, among the 58% of voters who backed the opposition in the town in February, delivering a shock 16-percentage-point defeat.

"I am tired of this topic,"

Mr. Egressy said. "There is nobody at the border!"

For years, Mr. Orban has pitched himself as the guardian of Europe, keeping out a flood of Muslims. Three years ago, as thousands of migrants and refugees from Africa and the Middle East passed through Hungary farther into Europe, he fenced the country's southern border and installed infrared cameras.

He is locked in a high-profile dispute with the European Union over his refusal to take in refugees.

His campaign benefits from wider forces. The economy has boomed since Mr. Orban came to power in 2010, averaging 3% growth since 2013, thanks in part to bounteous EU aid. Big public-works programs have helped bring unemployment down to 3.8%.

Mr. Orban's own government drew the current voting lines and his opposition is divided among 23 parties, some facing past corruption scandals.

Still, allegations of corruption have begun to overshadow immigration as the campaign issue facing the prime minister. The EU's anti-fraud office has recommended that Hungary's top authorities take legal action over "serious irregularities" in projects carried out by a company once controlled by Mr. Orban's son-in-law.

Mr. Orban's office says the government looked into the contracts and found no wrongdoing. Mr. Orban's son-in-law couldn't be reached to comment.

PHILIPPINES

## Marcos Son Could Get Post in Recount

Philippine officials began recounting ballots cast in a 2016 vice-presidential election, a move that the son of former dictator Ferdinand Marcos hopes could return his family to power.

The recount gives Ferdinand Marcos Jr. another shot at presidential succession, 32 years after his father, Ferdinand Marcos, was ousted in the 1986 People's Power Revolution. The younger Mr. Marcos, known as "Bongbong," seeks to unseat Vice President Leni Robredo, who was elected separately from President Rodrigo Duterte.

—Jake Maxwell Watts

COSTA RICA

## Ruling Party Wins

Voters gave an upset landslide victory to the ruling party, rejecting a conservative evangelical candidate who campaigned against same-sex marriage. Carlos Alvarado Quesada, who served as labor minister in the current center-left administration, beat Fabricio Alvarado Muñoz, a former preacher.

—José de Córdoba

## WORLD NEWS



Security forces participated in a civil-defense drill in Seoul in 2017. A think-tank study has identified inadequacies in preparedness.

## Seoul's Civil Defense Strains

BY ANDREW JEONG

SEOUL—In 2010, North Korea unleashed a surprise artillery attack on a South Korean island. Within an hour, four people were dead. Hundreds of panicked residents jammed shelters lacking adequate food, water and heat.

Those shortcomings spurred a government-led campaign to boost preparedness. But the size of South Korea's urban population and its proximity to the front lines of any conflict make civil defense inherently difficult.

Seoul and its metropolitan area are home to about half of the country's 50 million people—and easily in range of North Korean artillery and missiles. North Korea has warned that if fighting erupts, it will turn the city into a "sea of fire."

A study by the Asan Institute for Policy Studies in Seoul, published Monday,

found that the country lacks adequate emergency shelters as well as equipment, such as gas masks.

"There is a massive, gaping hole in the country's civil preparedness," said James Kim, a research fellow at Asan and one of the report's authors. "It's going to take years to fully fix the situation."

Among other things, Mr. Kim and his co-authors wrote, many shelters in Seoul lack doors that are able to protect evacuees from the blast and radioactive fallout of a nuclear explosion.

The warning came before scheduled separate meetings between North Korean leader Kim Jong Un and South Korean President Moon Jae-in and Mr. Kim and U.S. President Donald Trump. Mr. Moon's meeting is set for April 27, while Mr. Trump has said he would meet Mr. Kim by May.

Doubts persist about the

North's willingness to give up its nuclear arsenal. South and North Korea failed to agree on whether it would be discussed at the summit this month.

On Sunday, South Korea and the U.S. began annual military exercises that will test Pyongyang's commitment to

### *Urban population density, proximity to front lines make civil defense problematic.*

the talks. North Korea has said in the past it sees the exercises as a prelude to invasion.

Jeong Han-yul, an Interior Ministry official who oversees emergency civil-evacuation plans, said South Korea isn't "completely prepared for" a North Korean nuclear or bio-

chemical attack.

Defense and Interior Ministry officials said they couldn't discuss specifics of the contingency plans.

The U.S. Congressional Research Service estimates that 30,000 to 300,000 South Koreans would perish in the first days of a conventional war with the North. Casualties from a nuclear exchange would be much higher. Even a handful of warheads could spread radiation across the peninsula, the estimates say.

Civil-defense drills, in which residents practice evacuating to bomb shelters several times a year, began in the 1970s. But Mr. Jeong said many people have become too used to the exercises—and no longer participate.

Lee Sang-un, an office worker in Seoul, said she didn't know where to go should bombs start to fall. She doubted that preparation would make any difference.

## Antiapartheid Stalwart Dies

BY ALEXANDRA WEXLER

JOHANNESBURG—Winnie Madikizela-Mandela, who like her former spouse, Nelson Mandela, endured prison and personal sacrifices for black freedom, but became a divisive figure in a democratic South Africa, died Monday. She was 81 years old.

The second wife of Mr. Mandela, Winnie Madikizela, South Africa's first black president, was

the public face of the fight against white-minority rule during her husband's 27-year political imprisonment. As the attention of much of the anti-apartheid movement focused on Mr. Mandela's plight in prison, Ms. Madikizela-Mandela was herself subjected to police harassment, abuse and long periods in jail.

The Mandela family confirmed that Ms. Madikizela-Mandela died in the early hours of Monday in a Johannesburg hospital. Despite health issues in recent years, she remained active in South African politics and the African National Congress until her final days.

"She never doubted that the struggle for freedom and democracy would triumph and succeed," South African President Cyril Ramaphosa said in

a televised address, visibly shaken. "She remained throughout her life a tireless advocate for the dispossessed and the marginalized. She was the voice for the voiceless."

Ms. Madikizela-Mandela won global recognition for her struggle on behalf of the anti-apartheid movement, as well as unwanted scrutiny over how she resisted white minority rule.

During the Truth and Reconciliation Commission hearings, which hastened the end of racial conflict by granting amnesty in return for testimony about crimes committed under apartheid, Ms. Madikizela-Mandela was found to have assaulted multiple victims and been involved in multiple deaths.

She was born Sept. 26, 1936, in Bizana, a town in Pondoland—now part of South Africa's Eastern Cape province—and had the rare privilege of attending school. She earned a degree in social work and worked in a Johannesburg hospital.

She and Mr. Mandela married in 1958. He divorced her in 1996, though she continued to be a presence in his life up to his death in 2013. Mr. Mandela had chastised himself for being absent for much of their marriage, leaving Ms. Madikizela-Mandela to raise their daughters.



Winnie Madikizela-Mandela as a pallbearer in South Africa, 1986.

## Insurgents Launch Attack In Nigeria

BY JOE PARKINSON AND GBENGA AKINGBULE

MAIDUGURI, Nigeria—Boko Haram insurgents launched coordinated assaults on a Nigerian military base and villages close to this regional capital on Monday, a brazen operation that left at least 20 people dead just weeks after the government confirmed it was in talks with a breakaway faction of the extremist group.

The dawn raids—which saw insurgents deploy suicide bombers, mortars and truck-mounted machine guns—sparked a protracted battle with Nigerian soldiers at a military base on the edge of Maiduguri, an army spokesman said. Local officials said the jihadists were attempting to infiltrate the city.

The attack left at least 20 people dead and 63 injured, according to Kashim Shettima, the governor of Borno State.

The operation came after Nigeria's government revealed it was in peace talks with a Boko Haram breakaway faction allied with the Islamic State terror group and led by a mysterious young commander called Abu Musab al-Barnawi.

No group claimed responsibility for Monday's attack, but analysts said it was likely to be a rival Boko Haram faction operating around Maiduguri. That faction, led by Abubakr Shekau, has dramatically expanded suicide bombings against soft targets in the past year. More than 90% of the bombers are young girls, according to the United Nations.

The strikes spotlight the challenges of negotiating with one wing of a decadelong insurgency that has left more than 20,000 people dead.

"The attack buttresses questions regarding the scope, credibility and prospects of the negotiations," said Nnamadi Obasi, with the International Crisis Group, a conflict resolution think tank.



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Central Americans in Ixtepec, Mexico, under way to the U.S. border.

## 'Caravan' in Mexico Raises Trump's Ire

BY JOSÉ DE CÓRDOBA AND ROBBIE WHELAN

MEXICO CITY—An organized protest march of about 1,000 Central American migrants slowly traveling through Mexico toward the U.S. border has become a hot-button political issue in Washington, straining bilateral relations with Mexico.

The march is an annual event that organizers say aims to raise awareness about the tens of thousands of Central Americans who, facing gang violence and political unrest in one of the world's most violent areas, flee every year to Mexico or the U.S. Many are turned back, extorted or kidnapped along the way.

As in past years, the marchers intend to lodge asylum claims with the U.S., organizers said. This time around, however, the caravan caught the attention of President Donald Trump, who took to Twitter to blast it shortly after a news story aired on Fox News.

"Mexico is doing very little, if not NOTHING, at stopping people from flowing into Mexico through their Southern Border, and then into the U.S. They laugh at our dumb immigration laws. They must stop the big drug and people flows, or I will stop their cash cow, NAFTA. NEED WALL!"

On Monday, Mr. Trump cited the "caravan" on Twitter again, saying the U.S. immi-

gration system was out of control and urging Congress to pass tougher immigration and border laws.

Mr. Trump blamed Democrats for failing to pass legislation protecting young undocumented immigrants who came to the U.S. as children, while also declaring his own opposition to such a deal.

Mexican Foreign Minister Luis Videgaray responded to Mr. Trump's comment Sunday with a tweet denying that his government was doing nothing to control migration.

"Every day Mexico and the U.S. work together on migration throughout the region," he said.

On Monday Kirstjen Nielsen, the secretary of homeland security, tweeted: "Working with Mexican officials to address the yearly illegal alien caravan. Exploring all options."

Most of the marchers are Hondurans fleeing crime and persecution at home, said Joaquin Romero, a Salvadoran activist traveling with them. He said Pueblo sin Fronteras (People Without Frontiers), the advocacy group that organizes the march, has mounted dozens of treks through Mexico in the last 15 years.

Most migrants in past groups have succeeded in entering the U.S. and petitioning the government for asylum, Mr. Romero said, adding that many of those applications were still being processed.

"The attack buttresses questions regarding the scope, credibility and prospects of the negotiations," said Nnamadi Obasi, with the International Crisis Group, a conflict resolution think tank.

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## IN DEPTH

## INVEST

*Continued from Page One*  
ties filings and data provider Dealogic. Deals known as private placements, the largest chunk of the private markets, raised at least \$1.6 trillion for businesses last year, according to the Journal's analysis of more than 40,000 filings.

The private markets are fueled both by companies eager to raise money without the regulatory burdens of going public and by investors looking for new ways to score large payouts outside of the stock and bond markets.

The boom in such private dealings unquestionably helps some businesses grow. Private capital can encourage innovation by enabling companies to take risks without reporting the immediate impact on profits. That is one reason private markets have been important to Silicon Valley.

"It's fueling entrepreneurship," because "companies have lots of options to access capital," said Jacqueline Kelley, head of the Americas IPO Markets practice at accounting firm Ernst & Young LLC.

## Fewer stocks

As private capital increases, public markets are shrinking: The number of public companies has fallen by more than half since 1996. This concerns some regulators and challenges some of the fundamentals of corporate governance. "There are fewer investment opportunities for Main Street investors," Securities and Exchange Commission Chairman Jay Clayton told a congressional panel last year.

Companies issuing stock and debt publicly must register with the SEC and provide intimate financial details. Regulators require little—in some cases no—disclosure in private fundraising.

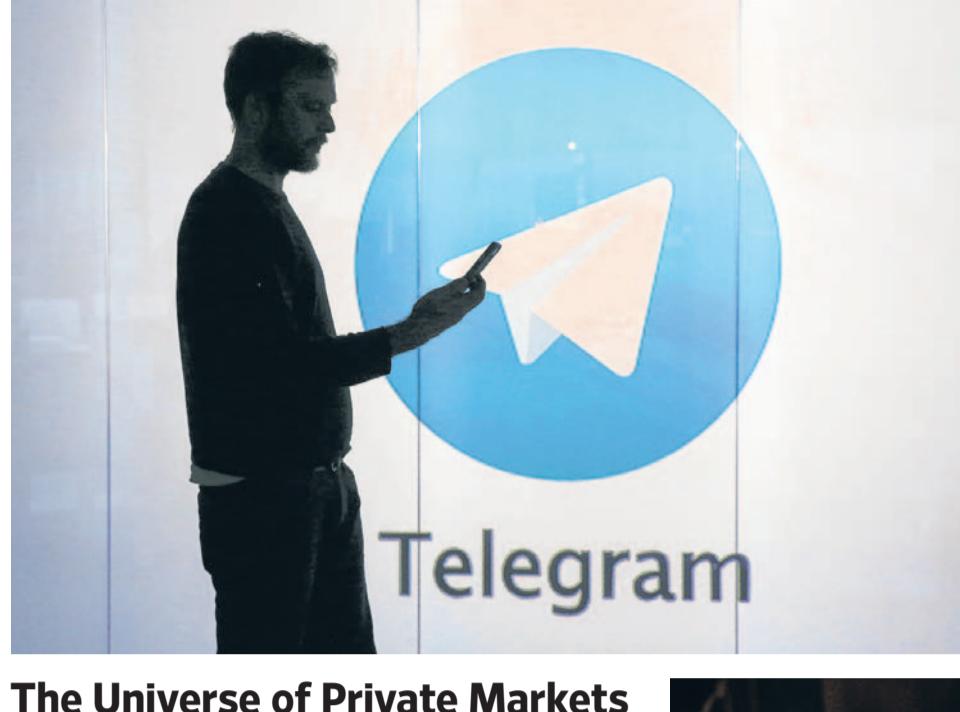
Investment in private fundraisings is often restricted to institutions such as pension, sovereign-wealth and hedge funds, Wall Street firms and insurance companies. In some cases, relatively affluent individuals can get in. This means smaller investors are unable to get a piece of the stupendous early growth of some startups.

The typical number of investors in private placements last year was eight, according to the Journal's analysis.

The world of private capital markets includes companies of all sizes, from small oil-well operators to agribusiness giant Cargill Inc. that raise equity and float debt with a few investors. Besides those private placements, companies sell debt privately to big investors such as banks in what are called 144A deals.

Last year saw many multi-billion-dollar initial offerings in the private space that far outstripped initial public stock offerings. At least 20 private placements, mostly by funds, raised more \$4 billion each, the Journal's analysis found.

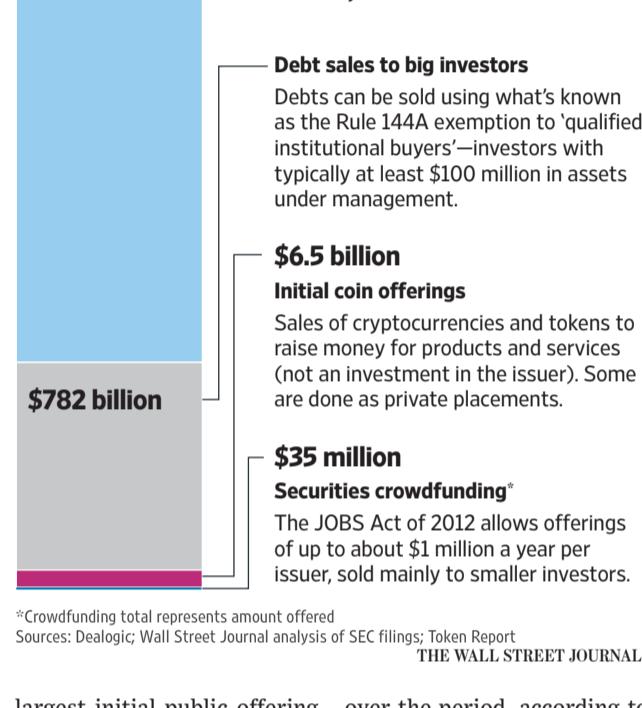
That included \$93 billion raised by the Japanese conglomerate SoftBank Group Corp. for a technology investment fund. By contrast, the



## The Universe of Private Markets

Private equity and debt markets total more than \$2.4 trillion, exceeding public stock and bond markets.

## Amount raised in 2017



## Push to Private

Private capital markets more than doubled in the past decade, surpassing growth seen in public stock and bond offerings.

## Capital raised by U.S. companies



don't know the size of the market or what's going on in it," she said.

Even when companies disclose private placements, the very limited information leaves most in the dark.

Telegram is a good example. It has said nothing about the fundraising for its planned new digital network and banking system. It isn't even clear who owns the company. The website says Telegram is "supported" by Russian brothers Pavel Durov and Nikolai Durov, who were named as Telegram executives in the SEC filing for the \$850 million funding.

## 'Decline to disclose'

In its filing, the company, which has a widely used messaging app, reported revenue as "decline to disclose." It provided only one contact, a law firm on the offshore financial center of Tortola in the British Virgin Islands.

Telegram's app offers encrypted chats out of reach of law enforcement and it has been banned in some places amid controversy over use by terrorists or others trying to evade government surveillance.

The Telegram sale illustrates a risk in private markets. The prices of company shares listed on stock exchanges are displayed. Owners can generally count on finding a buyer at some price if they want out, whereas investors who become part owners of a business via a private deal have no such guarantee.

Shares issued in private placements also are generally "restricted," meaning they usually can't be resold for at least six months to a year.

Telegram has said it would refund investors' money if its new digital network doesn't launch by October 2019, according to documents reviewed by the Journal.

The same documents warn there "can be no assurance" of enough money left over to pay any such refunds.

Telegram has delivered early paper profits to investors. Though its planned digital coins have yet to be issued, the price to get in on them has shot up from 38 cents for each digital coin based on the first round of private funding completed in February to an expected average \$1.33 in the second round that began in late February, according to documents reviewed by the Journal.

Charles Noyes, an analyst at Pantera Capital, a crypto hedge fund, called the technical plans published for the new network "completely unproven." In a post on Medium, he said he "would not put a single cent I care more than nil about losing into this."

Steve Strongin, head of global investment research at Goldman Sachs, wrote in a February note that while few of the many cryptocurrencies issued so far are likely to last in the long term, "just because we are in a speculative bubble does not mean current prices can't increase for a handful of survivors."

Telegram didn't respond to requests for comment.

—Miriam Gottfried and Maureen Farrell contributed to this article.

tweaking the recovery website address to leapfrog the birthday question. His post explaining the process is one of the most popular on his gaming site.

All the lying does seem to foil advertisers. It is "a much bigger problem than people are aware of," says Nick Baker, director of research and consulting of U.K. market research company Verve, which conducted a 2015 survey showing a large amount of fake information. Incorrect birth years, he says, are particularly nefarious because advertisers are often trying to match up habits or buying patterns with a specific age group.

But some companies that provide data to marketers say they are depending less and less on biographical information. Preethy Vaidyanathan, the chief product officer of New York-based marketing technology company Tapad, says they track much more valuable information from phone and web browser use.

Still, Ms. Vaidyanathan sees the value in hiding identity online. She says she uses a second email address with a fake name that she gives out to companies she doesn't want to bombard her inbox.



Telegram, co-founded by Pavel Durov, right at bottom, is among firms accessing the private capital markets, a trend about which SEC Chairman Jay Clay has expressed reservations.

FROM TOP: CHRIS RATCLIFF/BLOOMBERG NEWS; ANDREW HARRER/BLOOMBERG NEWS; ATAN SUFLANA/ASSOCIATED PRESS

largest initial public offering of stock last year, by tech company Snap Inc., raised \$3.9 billion, according to Dealogic.

All the money looking for the next shiny investment helps explain the rise of the Silicon Valley phenomenon of unicorns—private companies that are valued at \$1 billion or more by venture-capital firms. The number of U.S. unicorns tripled over four years, to 105 in February from 31 in 2014, according to a Journal tracker.

Securities laws keep ordinary investors out of these high-growth markets, forcing the "little guy" to stick with a stock market that Elizabeth de Fontenay, a law professor at Duke University, describes as becoming a "holding pen for massive, sleepy corporations."

**The early growth**

Contrast this with two decades ago, when public markets ruled. Amazon.com Inc. went public as a three-year-old startup valued at \$660 million. Stock investors who bought shares in the public offering in 1997 and held on have made returns of 96,389%, dwarfing the 364% total return of the S&P 500

over the period, according to FactSet.

In more recent times, Facebook waited till it was eight years old before going public, and its 2012 IPO share price valued it at \$104 billion. Ordinary investors, without the ability to invest in Facebook while it was still private, were left out of its early growth.

Uber remains private nine years after its launch. By the most recent available valuation, in June 2016, Uber had grown to be worth \$68 billion, also without Main Street.

Uber's most prominent investors, according to Dow Jones VentureSource, are a typical private-markets mix: venture-capital firms, Wall Street backers such as BlackRock Inc. and Goldman Sachs Group Inc., and governments such as Saudi Arabia and Qatar via sovereign-wealth funds.

SEC rules dictate that some private offerings be sold only to banks and institutional investors. Others can be sold to those firms plus "accredited" individuals, meaning those with more than either a \$200,000 net income or a net worth of \$1 million, excluding homes. This test leaves out about nine-tenths of U.S. households, according to a

2015 SEC report. Regulators say the rules are there to protect people, including from swindlers.

At an SEC conference last year, Michael Piwowar, a commissioner, questioned "the notion that nonaccredited investors are truly protected by regulations that prevent them from investing in high-risk, high-return securities available only to the Davos jet set."

## Private credit

One of the private markets' fastest-growing sectors is private credit. Information on how much is being lent, to whom and by whom is sparse. One indicator of this market's growth is the increase in assets of funds set up for such confidential lending. These more than quadrupled over a decade to \$722.8 billion by the end of 2017, according to data from private-market advisory and investment firm Hamilton Lane Inc.

The fast-growing market has made it easier for smaller and medium-size companies to get loans. But the risk of bad loans has moved beyond tightly watched banks into a largely unpoliced market, raising questions about whether defaults in a downturn could

affect the wider economy.

The Journal looked at the single biggest private market, a type of private placement known as Regulation D, which can be gauged because those doing these deals file forms with the SEC. Regulation D offerings totaled at least \$1.6 trillion last year, the Journal found, more than triple the amount in 2009.

Other private placements require no disclosure at all, said Anna Pinedo, a partner at law firm Mayer Brown. "It's impossible to know who's raising money this way or from whom."

**When fast-expanding firms remain private, small investors can't get in on the growth.**

Private placements aren't seen as inherently dangerous to the wider economy. Still, said Ms. de Fontenay, the Duke law professor, the fact that some areas of the private markets are "effectively black holes" makes it impossible to assess overall risks accurately. "It's a concern if regulators

She had to admit that she had never actually been there.

Mike Denison, a British security analyst, once received a wedding invitation addressed to "Mike Denisaurus"—a Facebook pseudonym he chose years ago when he was a university teaching assistant trying to avoid friend requests from students.

Pernille Tranberg, a journalist and digital privacy consultant in Denmark, says a friend of hers once mistakenly called her by her Facebook pseudonym, Pia, in person. They laughed it off, but Ms. Tranberg says it was clear the friend had completely forgotten the moniker wasn't her real name.

Many also intentionally provide false information to other companies that keep personal data, from the cable company to their grocery delivery service to ticket vendors.

Computer engineer Ryan Barrett fills in online forms with 0000s whenever a number is required and uses dashes for words. He says it is mostly out of principle: he wants to be in control of his information. Also, it's fun to try to fool the marketers. He has used a dozen different spellings for John Doe rather than entering his name.

He even misspells his name when reserving airplane tickets and says it has never created a problem going through security.

As technology has advanced he has had to up his game. "Before, more often you'd be able to type in nonsense," he says. Now online systems have more sophisticated checks.

He says he has friends who work at companies that look at multiple services to link up and cross-reference data on individuals—data gleaned from mobile phones, social media, grocery store loyalty cards and more. When those friends searched for him in their systems, they found little to no information. "There's a small feeling of satisfaction," he says.

A recent survey of U.S., French, German, Italian and British consumers found that 41% had intentionally falsified personal information when signing up for products and services online. Most common was providing a fake phone number, according to the survey conducted over December and January by RSA Security LLC, a maker of digital security products. Respondents also said they have provided a false birth date,

tweaking the recovery website address to leapfrog the birthday question. His post explaining the process is one of the most popular on his gaming site.

Dating sites including Tinder and Hinge import data from Facebook to fill in profiles, and false information could lead to mismatches. Mark "Jaymo" James, a television security consultant, says he gives a fake birth date to Facebook, which then means dating apps show him as 10 years younger. That may put him on dates with younger women—but he says he doesn't mind.

Websites often use personal details to verify identity when a user forgets a password. If you can't remember the false phone number you gave or the mother's maiden name you made up, you could be out of luck.

Dan Hastings, a software engineer in Ireland, says he almost lost a decade of gaming history and thousands of euros of purchases when he was locked out of the Sony PlayStation Network after forgetting his fake birth date. Mr. Hastings called customer service, to no avail.

"Ten years of my business to them and they weren't even willing to listen to my complaints," he says. Then Mr. Hastings discovered a loophole—



Pernille Tranberg uses a different name on Facebook.

DANIEL AASDAL CLARK

## FAKE

*Continued from Page One*  
sees a lot of ads for slippers.

"They won't find out anything very useful about me," says Ms. Wellens, the co-founder and chief executive of California-based computer networking company IWL. After news of the Facebook incident, "that was my first thought. If my data has been breached, I've now polluted another database."

Facebook says "authenticity" is key to the social network and rigorously policed, and that false information violates the terms of service agreement. "Each day, we block millions of fake accounts at registration," says a Facebook Inc. spokeswoman—who declined to be named. "Our systems examine thousands of account attributes and focus on detecting behaviors that are very difficult for bad actors to fake, including their connections to others on our platform."

The online fibs can create awkward moments. Ms. Wellens remembers the time a distant relative reached out to share reminiscences about her supposed hometown of Naples, Fla.

# GREATER NEW YORK

## Cuomo Rival Hits the Trail

Molinaro urges civility and compromise as he seeks GOP nomination in the governor's race

BY MIKE VILENSKY

In his first campaign speech Monday, Republican gubernatorial candidate Marcus Molinaro sought to position himself as a nonpartisan problem-solver who would bring civility to Albany after years of rough-and-tumble politics.

"One-upmanship, scapegoating, yelling louder and tweeting meaner has replaced cooperation, quiet conversation and compromise," Mr. Molinaro said in the village of Tivoli. "I ask you today to believe again we can solve our problems

with ideas not ideology."

In a year when Democrats are energized to wrest back the U.S. House and put checks on Republican President Donald Trump, they have shrugged off Mr. Molinaro's threat. Democrats have a roughly 2-to-1 registration advantage in New York and Republicans haven't won a governor's race since George Pataki's last campaign.

In a March Siena College poll, 57% of voters backed Gov. Andrew Cuomo and 29% supported Mr. Molinaro.

Mr. Molinaro first faces a Republican primary against Syracuse Sen. John DeFrancisco and former Pataki aide Joseph Holland. Mr. Cuomo is running against Cynthia Nixon in a Democratic primary.

After three months of discussions with party leaders,

Mr. Molinaro has enough endorsements from party chairpersons to give him front-runner status for the nomination at the party's May convention.

Democrats from Mr. Molinaro's area Monday were skeptical of his inclusive campaign image. "He says what he needs to do in order to be popular, but don't be fooled," said Elisa Sumner, chairwoman of the Dutchess County Democrats.

She pointed to his past votes opposing same-sex marriage, against prohibiting gender-identity discrimination, and against allowing unmarried partners to adopt. "In what way does that represent someone who's even a moderate Republican?" she asked.

Mr. Molinaro, a 42-year-old father of three, was born in Yonkers and grew up in

Dutchess County with a single mom on food stamps, in circumstances that gave him a sense of the "importance that government plays," he said in an interview.

He began his political career at 18 when he was elected mayor of Tivoli. His status as America's teenage mayor brought national attention—and ambition. "In my heart of hearts I want to be president," he told CBS News in a 1995 segment about him. "I think I could be."

Mr. Molinaro was elected to the state Assembly in 2007 and became Dutchess County executive in 2012. He was re-elected in 2015 with more than 60% of the vote, even as the area gained a Democratic registration advantage.

He said he has focused on



Marcus Molinaro is considered the front-runner in the GOP primary.

driving down costs without cutting services, pointing to shrinking the county workforce and lowering property taxes.

Chris Gibson, a former upstate congressman advising Mr. Molinaro's campaign, described him as "the polar opposite of Andrew Cuomo."

Mr. Cuomo's supporters said the governor will run on his re-

cord, including raising the minimum wage, reigning in state spending, and banning fracking.

Mr. Molinaro said he wrote in Mr. Gibson's name for president in 2016, citing "differences" with Mr. Trump, but on Monday Mr. Cuomo began trying to tie him to the president.

"Good luck," the governor said. "No one is going to vote for a Trump clone."

## Spring Snowstorm Postpones Yankees' Home Opener



CHILLY WELCOME: Rayford Allen, a Tampa Bay Rays employee, checked out Yankee Stadium on Monday. A blast of unseasonable weather dumped several inches of snow on the area and forced the Yankees' home opener against the Rays to be delayed until Tuesday.

## State Will Offer Retirement-Savings Plans

BY ANNE TERGESEN

Tucked into the \$168 billion state budget passed over the weekend is a measure to create a state-sponsored retirement-savings plan for up to 3.5 million New Yorkers.

The move makes New York the 10th state, including California and Illinois, to approve a retirement-savings plan. The city of Seattle recently became the first local government to take such a step.

States are responding to data that indicate 55 million full- and part-time private-sector workers lack access to retirement-plan coverage at work, according to AARP, an advocacy group for older Americans that backs the programs. The nonprofit Employee Benefit Research Institute pegs the nation's retirement-savings shortfall at \$4.13 trillion.

AARP estimates New York would save about \$1.5 billion on various public-assistance programs between 2018 and 2032 if lower-income retirees save enough to increase their retirement income by \$1,000 a year.

Under the New York plan, participation for both employ-



Gov. Andrew Cuomo spoke about the new state budget Monday.

ers and employees would be voluntary. Employees who choose to enroll can contribute up to \$5,500 a year to a Roth individual retirement account. The annual limit for those 50 or older is \$6,500.

State plans follow different models. Several states, including Maryland, Connecticut, Oregon and Illinois, require many small businesses to offer retirement-savings plans.

In contrast, lawmakers in New Jersey and Washington state have authorized state-run marketplaces to help small

companies shop for a retirement-savings plan if they choose to offer one.

While most states are still designing their plans, Oregon and Washington have launched theirs in the past few months. New Mexico, Virginia, and Wyoming have approved task forces.

The legislation passed in New York calls for a seven-member board to develop a plan during the next two to three years. Among other things, the board would determine the program's invest-

ment options and costs.

AARP says 52% of New York state's private sector employees—or 3.5 million people—work for employers that don't currently offer retirement-savings plans.

Some say New York may have opted for a voluntary program because of a move by Congress last year to repeal regulations designed to make it easier for states and local governments to require automatic enrollment in IRAs.

While states that require employers to participate—including Oregon and Illinois—are pressing ahead, some states have settled on approaches considered less vulnerable to legal challenges.

Some in the financial-services industry have been critical of the state-sponsored retirement plans, saying they would discourage small businesses from offering their own plans.

Angela Antonelli, executive director of Georgetown University's Center for Retirement Initiatives, said it is possible New York could choose to make participation for employers "mandatory down the road."

## Lawmaker Won't Seek Re-Election

BY KATE KING

Connecticut Rep. Elizabeth Esty won't run for a fourth term in November, saying she mishandled a 2016 probe into allegations that her former chief of staff harassed a colleague.

Ms. Esty, 58 years old, on Monday apologized for what she said were mistakes in her response to misconduct by her ex-chief of staff, Tony Baker. She said she would use her remaining time in office to advocate for stronger protections for employees. "Too many women have been harmed by harassment in the workplace," she said in a statement. "I could have, and should have, done better."

Connecticut is currently represented by an all-Democratic congressional delegation and her exit leaves the state's party scrambling for a replacement candidate. In light of Ms. Esty's announcement, the nonpartisan Cook Political Report changed its prediction for her district to "likely Democratic" from "solid Democratic."

Matt Gorman, communications director for the National Republican Congressional Committee, said in a statement that Ms. Esty had damaged the Democratic brand and the GOP is "ready to win this competitive seat this fall."

Ms. Esty said she was alerted in May 2016 of possible misconduct by Mr. Baker, and that a subsequent inquiry found "a pattern of behavior that victimized many of the women on my staff." The abuse included calling Anna Kain, a member of Ms.

Esty's staff, dozens of times in one night and leaving her a voice mail in which he threatened to kill her if she didn't answer him.

Ms. Esty has been criticized for her handling of the situation, which was first reported by the Connecticut Post. In a statement, the congresswoman said she addressed the "immediate crisis" by demanding Mr. Baker enter counseling and launching an internal review. Mr. Baker remained on staff, however, for about three more months and received a \$5,000 severance payment.

The Congresswoman provided a reference for Mr. Baker when he applied to work at Sandy Hook Promise, a gun-violence-prevention nonprofit founded by several family members of victims from the 2012 elementary-school shooting.

Mr. Baker was no longer employed by the nonprofit as of last week, said Andrew Ricci, a spokesman for Mr. Baker.

Mr. Baker, who has since received treatment for alcoholism and anger management, apologized to Ms. Kain and the congresswoman, Mr. Ricci said. "I can only hope that my actions moving forward... can prove that I am a better man than I was during the time that I worked on Capitol Hill," Mr. Baker said in a statement provided by Mr. Ricci.

In an email on Monday, Ms. Kain said her experience was illustrative of "a flawed system designed to protect powerful people and that isolates and ignores those who need protection most."

## Chancellor's First Day of School



STEPPING UP: Richard Carranza arrived at work on Monday to start his job as the new chief of New York City schools.

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## GREATER NEW YORK

**Zabar Plans Lower East Side Spot**

BY CHARLES PASSY

As a restaurateur and gourmet-market operator, Eli Zabar has built his reputation by focusing largely on Manhattan's Upper East Side, where he runs more than 10 establishments.

Now, after three decades in the neighborhood, he is turning his attention elsewhere—specifically, the Lower East Side.

In partnership with his son Oliver, Eli Zabar is planning to open an all-day dining and drinking spot at 252 Broome St., a space formerly home to the Lucky Bee, a Thai restaurant.

The Zabars haven't finalized the concept for the space or signed a lease, but they are slated to appear this month before a Community Board 3 subcommittee to present their plans for approval.

From there, additional approvals would be required, including from the New York State Liquor Authority. If all goes well, the Zabars hope to open the space, which still doesn't have a name, in the fall.

The move downtown is a "very big deal" for the family, said Eli Zabar, adding that he has faith in the project because of his son's involvement. "I know he knows what he's doing," he said.

Oliver Zabar has been instrumental in helping his father launch and run Eli's Night Shift, a daytime cafe that transforms into a bar at night, which opened on the Upper



Eli Zabar with sons Sasha, left, and Oliver in 2015. The Zabars are eyeing a Broome Street space.

East Side two years ago. With its focus on craft beers, it has drawn a customer base that is younger than is typically found at many of Eli Zabar's other

Zabar say. Nonetheless, father and son expect it to be a place that caters to the Lower East Side, which has become a hub for adventuresome bar and restaurant operators.

"We're doing something appropriate for the neighborhood," says Oliver Zabar.

establishments.

The new Lower East Side spot won't be another Eli's Night Shift, Eli and Oliver

self downtown may be pricing, said Arlene Spiegel, a New York-based restaurant consultant. On the Upper East Side, she said, Eli Zabar caters to a market that can afford to dine out or shop without questioning the cost so much. That isn't the case on the Lower East Side, she said.

"If he thinks he's going to sell a \$14 tuna-fish sandwich, that's not going to happen," Ms. Spiegel said.

Eli Zabar has branched out beyond the Upper East Side before. In 2012, he opened spaces within Grand Central Market, a gourmet-food complex at the Midtown rail terminal.

**'Frozen'** grossed \$2.2 million in its first full week on Broadway.

**'Frozen' Mints Broadway Gold**

BY CHARLES PASSY

"Frozen" is burning up the box office.

The Disney-produced Broadway musical, based on the movie of the same name, grossed \$2.2 million for the week ended this past Sunday, according to the Broadway League, the trade group that tracks the industry.

The period marked the show's first full week since opening on March 22.

The \$2.2 million was a new weekly record for the St. James Theatre, according to Disney officials. The previous record at the venue was held by "Dr. Seuss' How the Grinch Stole Christmas!," which grossed \$1.6 million for the week ended Dec. 23, 2007.

The success of "Frozen" comes despite the fact the show opened to mixed reviews. In his critique for The Wall Street Journal, Terry Teachout said he found the musical "well made but insipid and largely humorless."

Johnny Oleksinski, reviewer for the New York Post, was similarly blunt: "The once lovely story has become visu-

ally drab, mechanical and often boring. Cold, if you like."

Broadway insiders and observers say, however, that "Frozen" essentially is review-proof. That is in large part because of the popularity of the movie itself, which has taken in \$1.2 billion at the box office and ranks as the 10th-highest-grossing film of all time, according to Box Office Mojo, a film website.

"Frozen" was proving itself a success on Broadway even before it opened, grossing \$4.8 million in four weeks of preview performances.

With its \$2.2 million opening week, the show now rises to the top box-office tier on Broadway. Last week, only three shows grossed more—"Hamilton" (\$2.9 million), "Wicked" (\$2.7 million) and the Disney-produced "The Lion King" (\$3.1 million).

Also having another strong week is "Harry Potter and the Cursed Child," the two-part play, currently in previews, that brings the world of Harry Potter to Broadway. The production, which opens on April 22, grossed \$1.6 million and played to capacity crowds.

**Man Gets 10 Years for Text Fraud Scheme**

BY CORINNE RAMEY

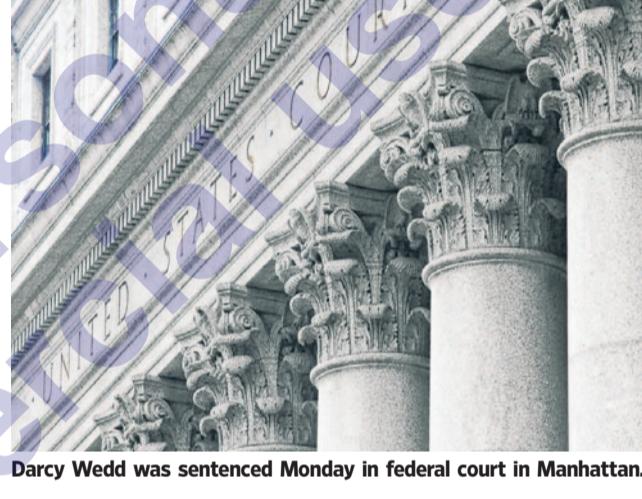
A Manhattan judge sentenced the head of a mobile-phone aggregation company to 10 years in prison on Monday for a multimillion-dollar fraud scheme in which consumers were charged for unsolicited text messages containing horoscopes, trivia and celebrity gossip.

In December, a jury convicted Darcy Wedd, chief executive of Mobile Messenger, of wire fraud, conspiracy to commit money laundering and other crimes.

Federal prosecutors said that from 2011 to 2013, Mr. Wedd worked with staffers at his company and other firms to sign up millions of customers to premium text-messaging services without asking their permission, a practice known as auto-subscribing.

Although phone users typically deleted the messages, they were charged \$9.99 a month, according to an indictment.

The charges continued to be added to their cellphone



Darcy Wedd was sentenced Monday in federal court in Manhattan.

bill until consumers unsubscribed.

"The defendant was at the epicenter of a massive fraud that stole money from millions of Americans," federal prosecutors wrote in a letter in which they asked the judge to hand down a stiff sentence. "He was remorseless for this conduct during the time period of the conspiracy, and his lack of remorse extends to today."

Maurice Sercarz, a lawyer representing Mr. Wedd, said it is a "sad day when a client receives a 10-year sentence."

At trial, lawyers for Mr. Wedd argued that while he was in charge of the company, rogue employees were responsible for the fraud.

Mobile Messenger couldn't be reached for comment.

Prosecutors said the scheme netted more than \$100 million in proceeds,

which the defendants spent on luxury cars, vacations, multimillion-dollar homes and gambling. Additional defendants involved in the scheme have pleaded guilty, prosecutors said.

In a letter to the judge last month, prosecutors explained how the scheme worked.

"The scheme essentially involved two main players in the cellphone industry: aggregators and content providers," prosecutors said.

Executives of Mobile Messenger, an aggregator, provided phone numbers of customers who were to be auto subscribed. The company also provided a way for customers to be billed for the messages, prosecutors said. The content-provider firms sent consumers the unauthorized text messages.

Mr. Wedd, 40 years old, is originally from Australia, according to court documents. He began working for Mobile Messenger in Sydney, Australia, his lawyers wrote. When the firm expanded to the U.S. in 2004, Mr. Wedd moved to New York City.

## GREATER NEW YORK WATCH

ALBANY

**Lawmaker Resigns Amid Prosecution**

A Brooklyn assemblywoman indicted on fraud charges in January has resigned from the state Legislature, her attorney said.

The assemblywoman, Democrat Pamela Harris, was accused earlier this year of stealing city and federal dollars meant for superstorm Sandy victims and programs to aid vulnerable youth. She has pleaded not guilty.

Her resignation was reported earlier by The New York Times.

Federal prosecutors said Ms. Harris, 57 years old, submitted fake documents to New York City's Sandy-recovery initiative, falsely claiming her home was damaged in the October 2012 storm. They said she submitted similar claims to the Federal Emergency Management Program, receiving \$25,000 in funds designated for storm survivors. In separate allegations, prosecutors said Ms. Harris stole more than \$30,000 in City Council funds slated to go to a nonprofit she ran before becoming an assemblywoman in 2015.

"We look forward to her day in court and an opportunity there to present the full facts," her attorney said earlier this year.

In a letter to Assembly Speaker Carl Heastie on Monday, Ms. Harris resigned effective immediately, saying "recent events" have interfered with her ability to do the job.

LONG ISLAND

**Longtime Federal Judge Dies at 93**

U.S. District Judge Leonard Wexler, who oversaw high-profile cases involving New York public officials during three decades on the bench, has died. He was 93 years old.

Judge Wexler, who was based in Central Islip, died on Saturday, according to his son.

Judge Wexler oversaw a wide array of cases, including those of former Suffolk County Police Chief James Burke, sentenced to prison for orchestrating a department coverup after beating a handcuffed man; former Suffolk County District Attorney Thomas Spota, fighting criminal charges linked to Mr. Burke; and former Oyster Bay town commissioner Frederick Ippolito, sentenced to prison for tax evasion.

—Associated Press

NEW YORK CITY

**Woman Found Dead On Subway in Bronx**

Police are investigating the death of an unidentified 53-year-old woman found unconscious on a subway car in the Bronx.

Police say the woman was pronounced dead at the scene aboard a northbound No. 1 train at the Van Cortlandt Park subway station at about 8:45 a.m. Monday. She had no obvious signs of trauma.

—Associated Press

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# LIFE & ARTS

BY ANNE MARIE CHAKER

**AT NORTHERN** High School in Dillsburg, Pa., Principal Steve Lehman's locked safe, which once contained the occasional pack of confiscated cigarettes, is now filled with around 40 devices that look like flash drives.

The device is called a Juul and it is a type of e-cigarette that delivers a powerful dose of nicotine, derived from tobacco, in a patented salt solution that smokers say closely mimics the feeling of inhaling cigarettes. It has become a coveted teen status symbol and a growing problem in high schools and middle schools, spreading with a speed that has taken teachers, parents and school administrators by surprise.

Mr. Lehman says he now asks teachers and administrators to closely monitor bathrooms—a popular meeting spot for Juul use—in the four minutes between classes. "We go for a walk. We stop in the bathroom. It's not uncommon to see a circle of kids passing it around," he says. "That's where we confiscate."

After two decades of declining teen cigarette use, "Juuling" is exploding. The Juul liquid's 5% nicotine concentration is significantly higher than that of most other commercially available e-cigarettes. Juul Labs Inc., maker of the device, says one liquid pod delivers nicotine comparable to that delivered by a pack of cigarettes, or 200 puffs—important for adult smokers trying to switch to an e-cigarette. It is also part of what attracts teens to the product, which some experts say is potentially as addictive as cigarettes and has schools and parents scrambling to get a grip on the problem.

Medical and advocacy groups including the American Academy of Pediatrics and the Campaign for Tobacco-Free Kids last week, sued the Food and Drug Administration, challenging its decision last summer to extend certain deadlines for e-cigarette makers seeking FDA approval for their products. "The need for FDA to regulate individual e-cigarette products has never been more urgent," says Matthew Myers, president of the Campaign for Tobacco-Free Kids. "Juul swept through high schools across America without most parents even knowing it existed."

An FDA spokesman declined to comment on the lawsuit filed in federal district court in Maryland.

One big concern, addiction researchers say, is that Juul lacks many characteristics that deter people from smoking in the first place, such as a harsh smell and burnt-tobacco taste. Juul flavors include "Creme Brulee," "Fruit Medley" and "Mango," in addition to "Classic Tobacco."

"This could be a highly addictive product for youth," says Adam Leventhal, director of the Health, Emotion and Addiction Laboratory at the University of Southern California.

A Juul device fits easily in a pocket and looks nondescript when plugged into a laptop's USB drive to recharge or sitting on a desk. Teachers say students gather in bathrooms, library carrels and locker rooms to pass Juuls. The minimal vapor and barely there smell makes it harder to detect than some other e-cigarettes.

Juul Labs says minors shouldn't use any tobacco products, including its own. Criticism that it was designed to appeal to kids is "absolutely false," says Ashley Gould,



## HEALTH

## Schools and Parents Fight a 'Juul' Epidemic

As the e-cigarette sweeps high schools and middle schools, officials struggle to stem teens' use of the device, which delivers a powerful dose of nicotine



Top, Steve Lehman, principal of Northern High School in Dillsburg, Pa., monitors for Juul use; above, confiscated devices are kept in a safe, logged in manila envelopes.

Jeff Lautenberger for THE WALL STREET JOURNAL (2)

Juul Labs chief administrative officer. "It's non-cylindrical because when smokers move away from cigarettes they don't want to be reminded of cigarettes." Something that could be plugged directly into a USB port was also convenient, she says.

As underage use became a growing problem, she says, Juul in August raised the minimum age requirement for buying products on its website to 21 from 18. Ms. Gould says the company is trying to find more ways of working with local law enforcement to prevent sales to under-age customers. It is also looking at technologies that could disable the device on school grounds, she says.

While schools have long included discussion of tobacco use in their rule books, many have never addressed vaping, where nicotine is delivered through a process involving heat without burning.

"The kids are saying, 'I'm not smoking, it's not against the rules,'" says Ember Conley, superintendent of the Park City School District in Park City, Utah. She has met with

school principals to clarify that possession of Juul and other vaping devices is forbidden on school grounds, as with any tobacco product. She is in the process of amending the district's policy.

New York City's private Grace Church School has ordered specialized sensors for its high school bathrooms, specifically for detecting vaping such as Juul use. If the sensors detect vapor, administrators get an email or a text message with a time stamp. A hallway camera can provide further information on who entered or exited around that time, says spokesman Topher Nichols. "We don't want any of our students suspended for what we think is a stupid way to injure your career," he says.

It has also entered middle school. Sabot at Stony Point, a pre-K to 8 private school in Richmond, Va., has incorporated teaching on the dangers of Juul into its health classes for sixth, seventh and eighth graders. "They're telling me their friends are doing it, and asking them to do it, in eighth grade," says teacher Kara Page.

## Hot New Thing

Cigarette use among teens has dropped over the past decade, while vaping has emerged strongly in recent years, surveys show.

## 2007: Percentage of teens who say they ever tried cigarettes

8th graders	22.1%
10th graders	34.6%
12th graders	46.2%

## 2017: Percentage of teens who say they ever tried cigarettes

9.4%
15.9%
26.6%

## 2017: Percentage of teens who say they ever tried vaping

18.5%
30.9%
35.8%

Source: University of Michigan

THE WALL STREET JOURNAL

Federal regulation prohibits anyone under 18 from purchasing e-cigarettes. Some states have even higher minimum ages of up to 21. A secondary market for Juul has emerged among younger teens.

"I've had customers who just turned 18 and bought a bunch of Juuls," presumably to distribute or sell to younger friends, says Alexander Terc, a sales associate at the Noon, a smoke shop in Silver Spring, Md. "We can't stop them from buying a bunch."

In the last few years, vaping with e-cigarettes has taken off. In 2017, 18.5% of 8th graders said they had ever vaped, up from 17.5% the previous year. That compared with 9.4% who had ever smoked

cigarettes, down from 9.8% the previous year, according to researchers at the University of Michigan-Ann Arbor.

Juul Labs began as Ploom Inc., co-founded by James Monsees and Adam Bowen, graduate students at Stanford University who were smokers and wanted to create an alternative to cigarettes. In 2015, the company became Pax Labs Inc., which focused on vaporizing technology that could work with different materials, including cannabis. Juul Labs Inc. was spun off as a closely held company in July 2017.

Industry analysts say Juul's rapid rise in the estimated \$2 billion e-cigarette category is remarkable. In recent months, Juul has captured close to half of the business, according to a Wells Fargo analysis of Nielsen data. That is a big lead, says Wells Fargo tobacco analyst Bonnie Herzog, placing it ahead of established companies such as Altria Group Inc. and British American Tobacco PLC, which make their own branded forms. Juul's success "has had a lot to do with sleek and simple design and their superior technology" that more closely mimics cigarette smoking, she says.

Altria spokesman Steve Callahan says the company takes a broad "portfolio approach to meet the different interests of adult smokers and vapers." British American Tobacco didn't immediately respond to a request for comment.

The Juul starter kit—with device, charger and four flavor pods—retails for \$50. Pods are also sold separately, at \$4.25 on average—less than the average retail price for a pack of cigarettes. The pods come in packs of four for around \$16, and many retailers sell out quickly. The device's ease of use changes the cigarette-break ritual for many people: The Juul can be picked up and put down without switching on or off—or having to go outside to smoke. Some ex-smokers say that means they reach for it more frequently.

Research shows that sweet flavors in e-cigarettes are particularly attractive to young people, says Meghan Morean, a substance-abuse researcher at Oberlin College who has studied the relationship between flavors and teenage use of e-cigarettes. She says many of Juul's fruitier flavors could be appealing to underage users. Other brands of e-cigarette liquids also come in fruit flavors such as cherry, blueberry and melon.

Juul Labs says the flavors can be important for adults who are trying to quit smoking. "Their palates change when they come off of cigarettes," says Ms. Gould. "They don't want to be reminded of smoking."

Some former cigarette smokers say the device has helped them kick what can become an expensive smoking habit. Paul Massejean, a 25-year-old wellness and sobriety coach in New York, says his Juul helped him quit cigarettes. He now spends \$40 a week on pods, compared with \$140 a week when he was smoking. He also says he feels better. "Now cigarettes gross me out," he says.

Meghan Moriarty, a 49-year-old business manager for a physical therapy company in Washington D.C., has struggled with smoking since her teens. After her 19-year-old son Tucker started smoking cigarettes regularly, she decided to buy him a Juul last June. She also bought one for herself. "I hate the fact that he's addicted to nicotine," she says, "but I'd rather he has the Juul and not cigarettes."



BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

## FOODS THAT HELP BATTLE DEPRESSION

**YOU'RE FEELING** depressed. What have you been eating?

Psychiatrists and therapists don't often ask this question. But a growing body of research over the past decade shows that a healthy diet—high in fruits, vegetables, whole grains, fish and unprocessed lean red meat—can prevent depression. And an unhealthy diet—high in processed and refined foods—increases the risk for the disease in everyone, including children and teens.

Now recent studies show that a healthy diet may not only prevent depression, but could effectively treat it once it's started.

Researchers, led by epidemiologist Felice Jacka of Australia's Deakin University, looked at whether improving the diets of people with major depression would help improve their mood.

They chose 67 people with depression for the study, some of whom were already being treated with antidepressants, some with psychotherapy, and some with both. Half of these people were given nutritional counseling from a dietitian, who helped them eat healthier. Half were given one-on-one social support—they were paired with someone to chat or play cards with—which is known to help people with depression.

After 12 weeks, the people who improved their diets showed significantly happier moods than those who received social support. And the people who improved their diets the most improved the most. The study was published in January 2017 in *BMJ Medicine*. A second, larger study drew similar conclusions and showed that the

Please see MOOD page A10

## LIFE &amp; ARTS



BRIAN STAUFFER

## BOOKS

## Two New Novels Look at Mythology With Fresh Eyes

BY ELIZABETH WINKLER

**YEARS AFTER CIRCE** watches Odysseus push off from her enchanted shores, she hears a song about their storied meeting.

"I was not surprised by the portrait of myself," she says. "The proud witch undone before the hero's sword, kneeling and begging for mercy. Humbling women seems to be a chief pastime of poets. As if there can be no story unless we crawl and weep."

That wry observation isn't part of Homer's "Odyssey," nor does it appear in other ancient poems where the sorceress—perhaps best known for turning unsuspecting sailors into swine—occasionally pops up. This Circe is for once the protagonist, in "Circe," a novel by Madeline Miller slated for release this month.

Women figure prominently in classical mythology, but neither Helen nor Penelope occupies the central hero role of Odysseus or Achilles. In the Greek tragedies, they are doomed characters, sacrificed by their fathers or murdered by their sons. In "Circe," like the recently published "Daphne," Will Boast's novel inspired by the story of Apollo and Daphne, the female perspective sharpens into focus in a way that doesn't happen in the original stories. They are among a handful of modern novels and poems that use antiquity's female characters in new ways.

Such retellings are an "act of defiance," says Bernard Schweizer, a professor at Long Island University and editor of a volume on the female epic, "a kind of counter-hemispheric experiment."

Ms. Miller, a scholar of classical literature, has retold the myths be-

fore. In her 2012 book "The Song of Achilles," she recast "The Iliad" as a same-sex love story between Achilles and Patroclus. In "Circe," the goddess is excavated from "The Odyssey" and given an epic of her own.

Yet patriarchy is just part of how "Circe" explores egotism and the abuse of power, says Emily Wilson, a classics professor at the University of Pennsylvania whose translation of "The Odyssey" was published in November.

Circe is depicted bristling under the control of her father Helios, who "believed the world's natural order was to please him," writes Ms. Miller. Neither as mighty as her father nor as beautiful as her mother, she occupies the bottom of the divine hierarchy, and she is eventually exiled to an island where her own powers develop in solitude. When a crew lands on her shores, she welcomes them with a feast. It is only after the ship captain rapes her that she starts turning visitors into pigs.

Mr. Boast's "Daphne," published in February, is a looser adaptation of myth. In Ovid's "Metamorphoses," Daphne is a water nymph pursued by the lustful god Apollo. Caught, she begs her father, a river god, for help, and he offers it by turning her into a laurel tree.

Apollo gropes and kisses her nonetheless. "Since you can't be my bride, at least you will cer-

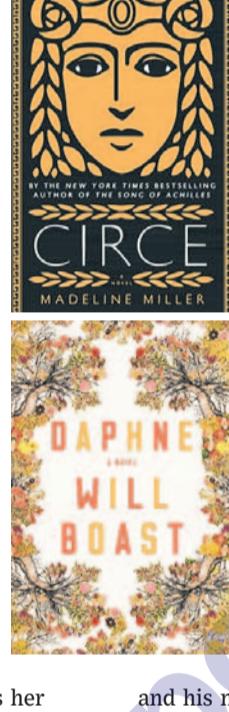
tainly be my tree," Ovid writes.

Seeing the 17th-century Bernini sculpture depicting the scene, Mr. Boast was struck by Daphne's expression—"terror, astonishment and, uncomfortably, sexual ecstasy," he says. His book takes that "stunningly compressed emotional arc," as he puts it, as a blueprint for a modern-day Daphne. She suffers from cataplexy, a medical condition in which she is paralyzed whenever she experiences strong emotion.

The books aren't the first ones to center female mythological characters. In 1805, Mary Tighe's poem "Psyche" adapted the tale of the god Cupid and his mortal love.

More recently, H.D., the pen name used by Hilda Doolittle, gave "The Iliad" a feminist revision with "Helen in Egypt." In "The World's Wife," Carol Ann Duffy refocused on mythology's unsung women, including Circe, while in "The Penelopiad," Margaret Atwood imagined the voice of Penelope, Odysseus's wife.

Myths have been endlessly retold, in different ways, for different cultural moments. "Circe" succeeds "because Miller really has something to say about how these questions of abuse of power, family relationships, the relationship with the self and autonomy get worked out," says Ms. Wilson. "There's something real at stake."



## MOOD

*Continued from page A9*  
boost in mood lasted six months. It was led by researchers at the University of South Australia and published in December 2017 in Nutritional Neuroscience.

And later this month in Los Angeles at the American Academy of Neurology's annual meeting, researchers from Rush University Medical Center in Chicago will present results from their research that shows that elderly adults who eat vegetables, fruits and whole grains are less likely to develop depression over time.

The findings are spurring the rise of a new field: nutritional psychiatry. Dr. Jacka helped to found the International Society for Nutritional Psychiatry Research in 2013. It held its first conference last summer. She's also launched Deakin University's Food & Mood Centre, which is dedicated to researching and developing nutrition-based strategies for brain disorders.

The annual American Psychiatric Association conference has started including presentations on nutrition and psychiatry, including one last year by chef David Bouley on foods that support the peripheral nervous system. And some medical schools, including Columbia University's Vagelos College of Physicians and Surgeons, are starting to teach psychiatry residents about the importance of diet on mental health.

Depression has many causes—it may be genetic, triggered by a specific event or situation, such as loneliness, or brought on by lifestyle choices. But it's really about an unhealthy brain, and too often people forget this. "When we think of cardiac health, we think of strengthening an organ, the heart," says Drew Ramsey, a psychiatrist in New York, assistant clinical professor of psychiatry at Columbia and author of "Eat Complete." "We need to start thinking of strengthening another organ, the brain, when we think of mental health."

A bad diet makes depression worse, failing to provide the brain with the variety of nutrients it needs, Dr. Ramsey says. And processed or deep-fried foods often contain trans fats that promote inflammation, believed to be a cause of depression.

So what should we eat? The research points to a Mediterra-

nean-style diet made up primarily of fruits and vegetables, extra-virgin olive oil, yogurt and cheese, legumes, nuts, seafood, whole grains and small portions of red meat. The complexity of this diet will provide the nutrition our brain needs, regulate our inflammatory response and support the good bacteria in our gut, says Lisa Mosconi, a neuroscientist, nutritionist and associate director of the Alzheimer's Prevention Clinic at Weill Cornell Medical College in New York.

Can a good diet replace medicine or therapy? Not for everyone. But people at risk for depression should pay attention to the food they eat. "It really doesn't matter if you need Prozac or not. We know that your brain needs nutrients," Dr. Ramsey says. A healthy diet may work even when other treatments fail. And at the very least, it can serve as a supplemental treatment—one with no bad side effects, unlike antidepressants—that also has a giant upside.

Loretta Go, a 60-year-old mortgage consultant in Ballwin, Mo., suffered from depression for decades. She tried multiple antidepressants and cognitive behavioral therapy, but found little relief from symptoms including insomnia, crying jags and feelings of hopelessness. About five years ago, after her doctor wanted to prescribe yet another antidepressant, she refused the medicine and decided to look for alternative treatments.

Ms. Go began researching depression and learned about the importance of diet. When she read that cashews were effective in reducing depression symptoms, she ordered 100 pounds, stored them in the freezer and started putting them in all her meals.

She also ditched processed and fried foods, sugar and diet sodas. In their place, she started to eat primarily vegetables and fruits, eggs, turkey and a lot of tofu.

Within a few months, Ms. Go says she noticed a difference in her mood. She stopped crying all the time. Her insomnia went away and she had more energy. She also began enjoying activities again that she had given up when she was depressed, such as browsing in bookstores and volunteering at the animal shelter.

Ms. Go's depression has never come back. "This works so well," she says. "How come nobody else talks about this?"



Research suggests that a Mediterranean diet full of fruits, vegetables, seafood, olive oil and lean meats can prevent and even treat depression.

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## LIFE &amp; ARTS



John Prine returns with his first solo studio album in 13 years.

cludes with the rousing "When I Get to Heaven," in which Mr. Prine lays out what he intends to do once he arrives: "smoke a cigarette that's nine miles long," "kiss that pretty girl on the Tilt-A-Whirl," seek out his family and drink a big vodka-and-ginger ale. "This old man is going to town," he sings triumphantly.

While Mr. Prine continues to play live when his health allows—"I've never had a break longer than a month-and-a-half," he told me—he found it difficult to write songs for a new album. He tried to collaborate with fellow songwriters, but didn't end up with much. (One song written with the Black Keys' Dan Auerbach appears as the title track on that musician's "Waiting on a Song," released last year.) Frustrated by his lack of progress, his wife, Fiona, who serves as his manager, and his stepson, Jody Whelan, who runs his record label, dispatched him to the Omni Nashville Hotel, which is adjacent to the Country Music Hall of Fame, with 10 boxes of unfinished lyrics. "I had a Sharpie and legal pads, too," he said, adding that he prefers to type his drafts on a Smith Corona that Tom Hanks gave him. He completed songs he'd begun over the years with Mr. Auerbach, Roger Cook, Pat McLaughlin and Phil Spector, with whom Mr. Prine wrote "If You Don't Want My Love" for his "Bruised Orange" album, issued 40 years ago. The jaunty, heartbreaking folk ballad "No Ordinary Blue" was co-authored by Keith Sykes. Irked at astronomers who had demoted Pluto from its status as a planet, Mr. Prine wrote "Lonesome Friends of Science" by himself. In typical Prine fashion, it's about much more than that: "The world will end most any day / Well, if it does then that's OK / 'Cause I don't live here anyway / I live down deep inside my head."

The performances are captured beautifully by producer Dave Cobb, who appears to have placed Mr. Prine and his guitar in front of a microphone and then let him be to make magic. Guests include Brandi Carlile, Jason Isbell and Amanda Shires; Mike Webb's contributions on keyboards always seem just right. Thus, musically as well as lyrically, "The Tree of Forgiveness" is a pleasure, one that, though a long time in coming, will delight for a period that's longer still. Continuing to disarm listeners with the perfect turn of phrase, Mr. Prine has created a universe of people who have some sort of grievance, appreciate what's been lost, and concede that, to quote the title of one of his earlier songs, "it's a big old goofy world." It's a soul-deep treat to be in his company once again.

*Mr. Fusilli is the Journal's rock and pop music critic. Email him at [jfusilli@wsj.com](mailto:jfusilli@wsj.com) and follow him on Twitter @wsjrock.*

MUSIC REVIEW | By Jim Fusilli

# John Prine on Life's Agonies and Absurdities

Nashville, Tenn.

**THE CLACK** of his cane preceding him, John Prine enters the dining room of his home here with a warm smile that erases worries about his health. Knee-replacement surgery is the latest setback; in 1998, he was treated for skin cancer in his neck and, 15 years later, lung cancer. But with a twinkle in his eye, the 71-year-old says that he is back.

His new album, "The Tree of Forgiveness" (Oh Boy), out April 13, supports his claim. It is prime Prine: Accompanied by simple, in-

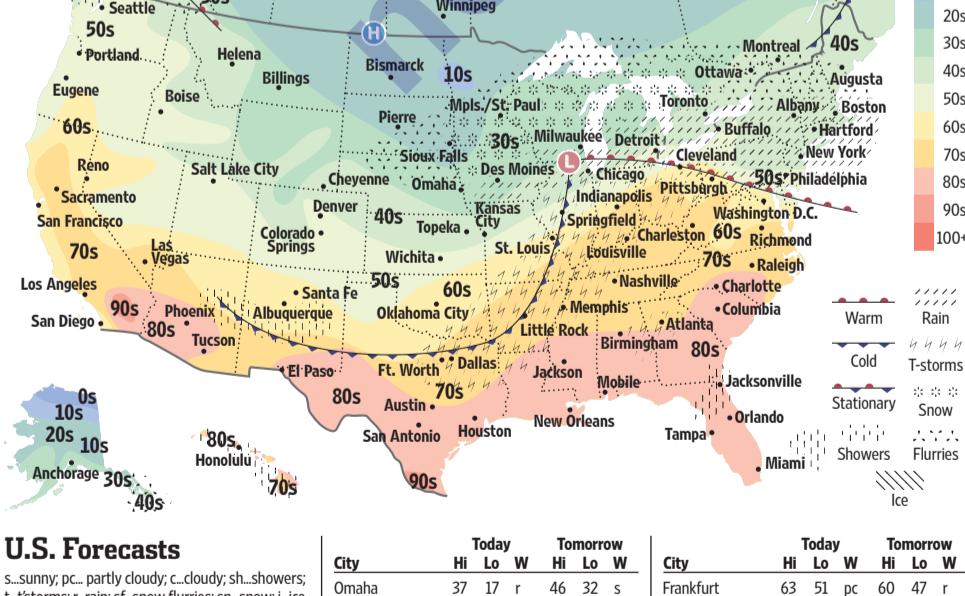
stantly memorable melodies, its lyrics tell of the agonies and absurdities of life that often stand side by side. Much as he has since his first album was released in 1971, Mr. Prine composes as one who has lived long and knows to look inward as well as beyond himself to comprehend the drama of everyday existence; because he writes so effectively about loneliness and isolation, his appreciation for love and loyalty lands with piercing impact. "Everything is waiting for me to mine it," he told me on a rainy mid-March afternoon.

On "The Tree of Forgiveness," Mr. Prine writes of an America he sees in his rearview mirror, reviving seemingly extinct words and phrases to depict it. "Well, you're probably standing there / With your slick-backed Brylcreem hair / Your Luckies and your daddy's fine-toothed comb," he sings in "Egg & Daughter Nite, Lincoln Nebraska, 1967 (Crazy Bone)." In "Knockin' on Your Screen Door," a man who was once in "high cotton" finds himself abandoned "with nothin' but an eight track" of a George Jones record. "If I

came home, would you let me in / Fry me some pork chops and forgive my sin?" Mr. Prine asks in "Boundless Love."

His first solo studio album in 13 years, "The Tree of Forgiveness" echoes with allusions to death—which might be expected given his health woes—yet it is never maudlin. In the tender "Summer's End," he sings, "You never know how far from home you're feeling / Until you've watched the shadows cross the ceiling." "Caravan of Fools" opens with what may be images of a funeral procession. The disc con-

## Weather



## U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; sn...snow; i...ice;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice;

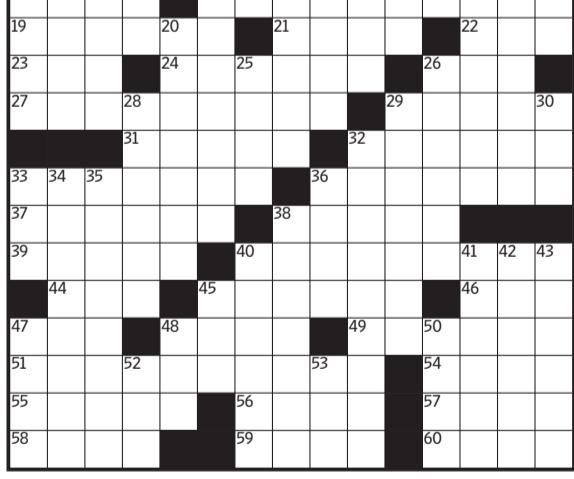
Today Hi Lo W Yesterday Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Anchorage	33	25	s	36	30	c
Atlanta	79	57	pc	62	40	pc
Austin	83	49	r	57	52	r
Baltimore	57	52	r	66	34	s
Boise	56	41	pc	59	46	pc
Boston	44	40	r	62	33	r
Burlington	48	40	c	56	23	r
Charlotte	81	62	pc	69	37	sh
Chicago	44	28	r	38	22	pc
Cleveland	66	41	r	43	28	c
Dallas	76	42	t	67	49	s
Denver	51	27	pc	64	38	pc
Detroit	51	34	r	41	26	sf
Honolulu	81	72	pc	82	74	sh
Houston	83	54	c	74	51	s
Indianapolis	67	34	t	43	28	pc
Kansas City	46	18	pc	46	36	s
Las Vegas	77	58	s	85	64	pc
Little Rock	76	37	t	62	38	s
Los Angeles	71	55	pc	72	56	pc
Miami	84	73	pc	84	70	pc
Milwaukee	38	26	r	35	19	c
Minneapolis	33	9	sn	30	17	s
Nashville	79	41	pc	56	35	pc
New Orleans	83	61	c	71	55	pc
New York City	47	46	r	66	34	r
Oklahoma City	61	29	pc	60	43	s
Edinburgh	41	37	r	42	30	r

## International

City	Hi	Lo	W	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Amsterdam	61	46	t	57	44	r	53	40	pc
Athens	70	53	pc	71	52	s	66	53	pc
Baghdad	90	66	pc	80	55	pc	72	58	c
Bangkok	90	79	t	92	79	t	89	78	c
Beijing	54	35	c	52	36	c	74	68	pc
Berlin	62	48	t	66	47	pc	70	50	pc
Brussels	61	48	t	58	44	r	57	45	r
Buenos Aires	79	55	s	81	59	pc	80	57	pc
Dubai	89	75	pc	91	76	s	80	70	pc
Dublin	54	38	t	44	31	sh	57	43	pc
Zurich	41	37	r	42	30	r	63	40	pc

## The WSJ Daily Crossword | Edited by Mike Shenk



## TOUCHY TOPIC | By Freddie Cheng

- | Across                                  | Down   |
|---|--|
| 1 Puts in stitches                      | 24 Like Colorforms pieces                    |
| 5 Water-collecting pit                  | 26 For ___ a jolly good fellow"              |
| 9 Train stops: Abbr.                    | 27 *Mockumentary rock band                   |
| 13 "Fathers and Sons" novelist Turgenev | 29 Café con ___                              |
| 14 Site of a famous Indian sight        | 31 "You're ___ one, Mr. Grinch"              |
| 15 Parts of hearts                      | 32 One in the red                            |
| 16 Bigger butte                         | 33 They get into hot water                   |
| 17 *Counterpart of a guy-cry film       | 36 Data throughput measure                   |
| 19 Roughly equal                        | 37 "That's it for me"                        |
| 21 Revue segment                        | 38 Song section                              |
| 22 Airfare add-on                       | 39 Stylish                                   |
| 23 Small protuberance                   | 40 *Scrape against, as a parked car          |
|   | 44 Jeff Sessions and his predecessors: Abbr. |
|   | 45 Warm sweater material                     |
|   | 46 Babe, for one                             |
|   | 47 Uncouth fellow                            |
|   | 48 Uncouth fellow                            |
|   | 49 Tie up                                    |
|   | 51 *Make like a miser                        |
|   | 54 Potential weapon for Professor Plum       |
|   | 55 River to the Rio Grande                   |
|   | 56 The Golden State, familiarly              |
|   | 57 Med. school course                        |

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

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| 58 Stone and Stallone       | 28 Jim who played Gomer Pyle  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 59 Radiate                  | 29 "Well, now..."   |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 60 Stockyard sights         | 30 Literary "before"  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| <b>Down</b>                 | 32 "Bull's-eye!"  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 1 Fashion designer Raf      | 33 Frank McCourt's follow-up to "Angela's Ashes"  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 2 Make more balanced        | 34 John Steed's partner on "The Avengers"   |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 3 Japanese horseradish      | 35 Campaign creator   |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 4 Lose it                   | 36 George Eliot's "Adam ___"  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 5 Theft from a temple, say  | 38 "Platoon" setting  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 6 Blech!"                   | 40 Water channel with a gate  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 7 Test taken lying down     | 41 Device used with the actions at the ends of the starred answers  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 8 "Gather your belongings!" | 42 Tin that inspired the Frisbee  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 9 Cardinals, on scoreboards | 43 Long-plumed waders   |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 10 Long-odds bet            | 45 Dandy dude   |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 11 Compliment on the court  | 47 41-Down downloads  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 12 Drink with omakase       | 48 Fleur-de-___   |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 15 Toward the rudder        | 50 Mouth, in slang  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 18 Set of tools             | 52 Refusals   |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 20 Unwilling to budge       | 53 XXXVIIth prime number  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 25 JFK guesses              | Previous Puzzle's Solution  |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| 26 Torah language           | <table border="1"> <tr><td>B</td><td>E</td><td>A</td><td>M</td><td>S</td><td>T</td><td>G</td><td>I</td><td>F</td><td>S</td><td>P</td><td>A</td><td>M</td></tr> <tr><td>A</td><td>M</td><td>M</td><td>A</td><td>R</td><td>R</td><td>I</td><td>T</td><td>A</td><td>L</td><td>I</td><td>Z</td><td>A</td></tr> <tr><td>S</td><td>E</td><td>N</td><td>T</td><td>M</td><td>E</td><td>N</td><td>T</td><td>S</td><td>E</td><td>N</td><td>T</td><td>A</td></tr> <tr><td>I</td><td>R</td><td>E</td><td>T</td><td>A</td><td>B</td><td>C</td><td>A</td><td>M</td><td>A</td><td>R</td><td>O</td><td>A</td></tr> <tr><td>N</td><td>A</td><td>S</td><td>A</td><td>C</td><td>E</td><td>N</td><td>T</td><td>E</td><td>M</td><td>E</td><td>T</td><td>O</td></tr> <tr><td>S</td><td>L</td><td>I</td><td>N</td><td>G</td><td>K</td><td>E</td><td>U</td><td>A</td><td>N</td><td>E</td><td>S</td><td>S</td></tr> <tr><td>L</td><td>A</td><td>N</td><td>T</td><td>E</td><td>N</td><td>T</td><td>E</td><td>N</td><td>T</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>G</td><td>R</td><td>A</td><td>N</td><td>T</td><td>E</td><td>N</td><td>E</td><td>N</td><td>E</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>A</td><td>M</td><td>A</td><td>S</td><td>A</td><td>E</td><td>R</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>M</td><td>U</td><td>L</td><td>T</td><td>M</td><td>E</td><td>R</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>T</td><td>E</td><td>P</td><td>A</td><td>S</td><td>E</td><td>R</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>E</td><td>P</td><td>A</td><td>S</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>P</td><td>A</td><td>S</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>A</td><td>S</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>S</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>S</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>E</td><td>N</td></tr> <tr><td>S</td><td>E</td><td>E</td><td>E&lt;/</td></tr></table> | B | E   | A | M | S | T | G | I | F | S | P | A | M | A | M | M | A | R | R | I | T | A | L | I | Z | A | S | E | N | T | M | E | N | T | S | E | N | T | A | I | R | E | T | A | B | C | A | M | A | R | O | A | N | A | S | A | C | E | N | T | E | M | E | T | O | S | L | I | N | G | K | E | U | A | N | E | S | S | L | A | N | T | E | N | T | E | N | T | E | E | N | G | R | A | N | T | E | N | E | N | E | E | E | N | A | M | A | S | A | E | R | E | E | E | E | E | N | M | U | L | T | M | E | R | E | E | E | E | E | N | T | E | P | A | S | E | R | E | E | E | E | E | N | E | P | A | S | E | E | E | E | E | E | E | E | N | P | A | S | E | E | E | E | E | E | E | E | E | N | A | S | E | E | E | E | E | E | E | E | E | E | N | S | E | E | E | E | E | E | E | E | E | E | E | N | S | E | E | E | E | E | E | E | E | E | E | E | N | S | E | E | E</ |
| B                           | E   | A | M   | S | T | G | I | F | S | P | A | M |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| A                           | M   | M | A   | R | R | I | T | A | L | I | Z | A |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| S                           | E   | N | T   | M | E | N | T | S | E | N | T | A |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| I                           | R   | E | T   | A | B | C | A | M | A | R | O | A |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| N                           | A   | S | A   | C | E | N | T | E | M | E | T | O |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| S                           | L   | I | N   | G | K | E | U | A | N | E | S | S |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| L                           | A   | N | T   | E | N | T | E | N | T | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| G                           | R   | A | N   | T | E | N | E | N | E | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| A                           | M   | A | S   | A | E | R | E | E | E | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| M                           | U   | L | T   | M | E | R | E | E | E | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| T                           | E   | P | A   | S | E | R | E | E | E | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| E                           | P   | A | S   | E | E | E | E | E | E | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| P                           | A   | S | E   | E | E | E | E | E | E | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| A                           | S   | E | E   | E | E | E | E | E | E | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| S                           | E   | E | E   | E | E | E | E | E | E | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| S                           | E   | E | E   | E | E | E | E | E | E | E | E | N |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |
| S                           | E   | E | E</ |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |

## SPORTS

## NCAA TOURNAMENT

## DiVincenzo Leads Villanova to Title

BY JARED DIAMOND

SAN ANTONIO—The men's college basketball landscape rarely allows for dynasties. The lure of the NBA prevents powerhouse rosters from staying together for long. The gap in talent between smaller teams from minor conferences and the traditional blue bloods continues to shrink. The unforgiving nature of the NCAA tournament, where chaos reigns and bracket-busting upsets routinely ravage top contenders, all but ensures that no school experiences the euphoria of cutting down the nets too often.

But now here stands Villanova, a program bulldozing through all the obstacles meticulously designed to obstruct true dominance. The Wildcats claimed their second national championship in three years Monday night, a 79-62 dismantling of Michigan that capped off one of the most impressive stretches in modern history.

They accomplished this feat by overwhelming every opponent unfortunate enough to stand in their way in the pressure-packed environment of March Madness. Villanova won their six tournament games by an average of nearly 18 points, steamrolling the field practically unchallenged.

Against Michigan, one Wildcat in particular dazzled the Alamodome crowd with a brilliant display befitting the country's best offense: Donte DiVincenzo, a redshirt sophomore from Delaware. He scored 31 points off the bench, all but carrying Villanova while starters Jalen Brunson, Omari Spellman and Phil Booth battled foul trouble.

It added up to Villanova's 136th victory since the beginning of the 2014-15 season, the most ever for a Division I team in a four-year span, surpassing Duke's 133 from 1998-2001. Those Blue Devils won only one title, or exactly half as many as these Wildcats. And when the final buzzer sounded, showering the court with a cloud of confetti, Villanova could finally start to figure out what it all means.

"I really can't get my mind around it. I never dreamt of this," Wildcats coach Jay Wright said after the game.

The Wildcats' offense alone puts them in rarefied air, emerging as an unstoppable force capable of sparking a revolution at the collegiate level the way the Golden State Warriors and Houston Rockets inspired a paradigm shift in the professional ranks.



Villanova Wildcats guard Donte DiVincenzo scored a game-high 31 points in Monday's national championship victory over Michigan.

They finished the season with 464 3-pointers made, surpassing the 442 that Virginia Military Institute hit in 2007. Those Keydets connected on less than 32% of their attempts. Villanova made 40%, hoisting up 225 fewer threes.

On Monday, however, Villanova needed to find another way to beat a Michigan squad that boasted one of the best defenses in the nation, particularly against the three, the Wildcats' biggest strength. Villanova faltered from the outside in first half, a far cry from its performance in the semifinal against Kansas on Saturday, when it sank 18 total 3-pointers, a Final Four record.

Nonetheless, the Wildcats persisted against Michigan's swarming pressure, opening up a commanding lead in the second half. It demonstrated why Michigan coach John Beilein compared Villanova's offense to the Warriors, saying it "can do everything." Kansas coach Bill Self called the Wildcats "as good a team as we've played."

They showed it Monday. With key offensive weapons forced to sit for long stretches, DiVincenzo took over. He shot 10-of-15 from the field, including 5-of-7 from 3-point range.

"Not just one person is going there trying to get numbers or anything like that," for-

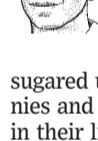
ward Mikal Bridges said. "We just love playing with each other, playing off each other."

Villanova's coronation came at the expense of Michigan, who exceeded modest expectations to advance to college basketball's grandest stage, falling one game short of its first championship since 1989. The Wolverines opened the year unranked. Pre-season polls picked them to finish in the middle of the pack in the Big Ten. They didn't crack the top 25 until January.

But Michigan never saw an offense quite like Villanova's, because no offense quite like Villanova's exists. That offense made the Wildcats champions—again.

BASEBALL | By Jason Gay

## THERE'S NO SUCH THING AS FREE BASEBALL. OR IS THERE?



The dinosaurs won, because the dinosaurs always win. But more on the dinosaurs in a minute.

I was in Baltimore this weekend, for Easter with my lunatic in-laws. The kids were thrilled and sugared up, filling baskets with chocolate bunnies and plastic eggs—and, for the first time in their lives, Peeps. Have you ever seen a person eat his or her first Peep? It's like watching somebody discover they can eat a doorknob.

*I can eat this? This is actually food?*

(I ate a Peep, too. A pink one. I don't mind 'em. And they're gluten free!)

But amid all egg the hunting, I was thinking about baseball. Yes: baseball. The Orioles had an afternoon game at Camden Yards. It wasn't exactly warm outside, but it was warm enough. It would be great. April baseball! I'd bring the whole family, bundle us up, make a memory we'd treasure forever.

And here was the best part: the kids would be free.

You may have heard something about this. The Baltimore Orioles are offering a promotion this season in which, for the price of an adult ticket in the upper deck, you'll be able to bring two kids ages 9 and under for...nothing.

That's right: Nothing! As in zero dollars! How about that? Zippo in life is free anymore. People pay \$4 for bottled water. Airlines practically charge you to use the rest room now. *I'm sorry sir, but you purchased a non-rest room seat. If you want to use our rest room, you need to upgrade to Lavatory Plus.*

I'm excited about what the Orioles are

doing. In my time as the Journal's sports moron, I'd say the No. 1 complaint readers have about modern sports is the price of attendance, especially for families. It's ridiculous how expensive it is to take a family to a lot of professional sporting events. By the time you get through with tickets, parking, terrible hot dogs and maybe two beers, you're halfway toward a plane ticket to Italy.

It isn't good. It isn't good for fans—and I believe it isn't good for pro sports, which are taking the short-term dollars from corporate entertainment and suites, and forsaking the long-term benefit of growing a new audience.

Baseball remains a bargain compared to a lot of other sports. But it's also an aging sport, with plenty of competition. Could it really afford to price out children?

Something has to give. In a smart experiment, Orioles have decided to give the upper deck.

"I still think there's a perception that baseball, as affordable as it is, is not accessible to everybody," Orioles team executive vice president John Angelos told me the other day. "We have to have families, we have to have families with kids—for right now, and the next generation."

Angelos said that the team's own research indicated that rising ticket prices were a top concern—especially when it came to buying tickets for kids.

"We want to make it worth it to you right now," he said.

The Orioles plan to run their promotion all season long. They're not just doing it for



A promotion in Baltimore aims to develop a next generation of fans.

select games on the schedule—you want to bring your kids free to coveted rivalry games with the Yankees and Red Sox, you can. Also, if either team falls behind by more than 12 runs, your kids can pitch. OK I made up that last part.

Angelos confirmed that the policy will be enforced on the honor system. "No one is going to be checking if your 9-year-old is really a 9-year-old," he said.

Aw man, they should enforce it. Here's my suggestion: if the kid can't name more than two members of Paw Patrol, he or she is definitely over 9 years old.

My kids, they can tick off the members of Paw Patrol like they're carved onto Mount Rushmore. They'd be undisputed freebies at Camden Yards. The problem was, there was competition in Baltimore on Sunday: a trav-

eling dinosaurs show. Not live dinosaurs, alas, but some sort of exhibition, where they entertain kids as they shake parents upside down for money.

But baseball was baseball! It was a day game—no bedtimes would be missed. The Minnesota Twins were in town! Camden Yards is a gem! I'd buy everyone hats!

I had no chance. My kids basically consider themselves paleontologists. Dinosaurs it was.

So we went to the dinosaurs. Oof. It cost \$25 a head, no freebies for my 3- and 5-year-olds. We got to see Ripoffosaurus and Pricegougeosaurus—and my kids shook me down at the gift shop for another 20 bucks for toys they've already lost.

Now I know why the dinosaurs went extinct. Next time, I'm taking my kids to baseball—free.

## THE COUNT

## KENTUCKY HOLDS SPOT AT THE TOP

The big money of college basketball has never been in the news as much as it has during this past season. With the season wrapped up with the national championship between Michigan and Villanova, it's time to settle a different but relevant question: What's the most valuable program in the country?

For the second straight season, it's Kentucky, according to an annual study by Ryan Brewer, an associate professor of finance at Indiana University-Purdue University Columbus. Kentucky is worth \$246.6 million, but that's 28% lower than a year ago—with valuations across the sport down 7.4%.

Brewer assesses what every college team

## Bank Shots

The most valuable college-basketball programs (valuations in millions):

SCHOOL	VALUATION
1. Kentucky	246.6
2. Indiana	243.0
3. Louisville	233.6
4. Kansas	191.2
5. Duke	169.8
6. Wisconsin	160.7
7. Syracuse	149.6
8. Ohio State	143.3
9. Arizona	133.9
10. Maryland	131.9

Source: Ryan Brewer, IUPUC; WSJ

would be worth on the open market if it could be bought and sold like a professional franchise. The study analyzes each program's revenues and



expenses with cash-flow adjustments, risk assessments and growth projections.

While Brewer found that cash flows were up 7.1% over last year, the overall values tumbled because of the headwinds facing the sport that haven't shown up in balance sheets yet but have the potential to challenge the future of the sport. Those questions include broad ones about amateurism and more specific issues, such as the

ones raised by the federal probe resulting in 10 arrests and which alleged a system of corruption, bribery and kickbacks.

"In particular for college basketball, the FBI investigation attacks the very heart of the industry," Brewer said. "The reason for the drop in the valuation is that new risk."

These issues hurt the value of schools tied to the investigation, Brewer noted, and more generally big-time programs that could be affected by any fallout. He added that TV and media ratings for conference tournaments and NCAA tournament games so far showed a mixed bag of results.

Overall, while an SEC team in Kentucky has the top spot in these rankings, the Big Ten and ACC dominate the top of the rankings: The Big Ten has seven of the top 14 valuations, while the ACC has four of the top 11.

For the Big Ten, that doesn't include Michigan, playing for this season's championship. The Wolverines are the eighth most valuable team in their own conference, according to Brewer, at \$95.4 million. That's still more than their opponent Monday night, Villanova, at \$43.1 million.

—Andrew Beaton

## OPINION

## Thank You, Jeff Sessions



MAIN  
STREET  
By William  
McGurn

What does Jeff Sessions have to do to get a nice tweet from his boss? On Thursday the attorney general released a letter informing Congress that he'd asked Utah-based U.S. Attorney John Huber to investigate lawmakers' complaints about the Justice Department and the FBI. Turns out Mr. Huber has been working on this investigation, in concert with the Justice Department's inspector general, since November. The news of Mr. Huber's appointment came two days after a statement from FBI Director Christopher Wray confirming a similar push by Mr. Sessions to get agents responding to congressional subpoenas off their tuchuses.

Notwithstanding the thin news coverage, these are big steps. Yet few on the GOP side seemed pleased. Though Sen. Ron Johnson (R., Wis.) specifically said Sunday on NBC's "Meet the Press" that he was delighted Mr. Sessions had not opted for a second special counsel to look into allegations of FBI misconduct in its probe into Hillary Clinton's emails and its application for a warrant to spy on a Trump campaign associate, other Republicans groused.

Then there's the president. While Donald Trump remains silent (for now at least) about the appointment of Mr. Huber,

## OPINION

## REVIEW &amp; OUTLOOK

## Two Can Play at Trade War

**D**onald Trump hasn't been talking about the rising stock market lately, and no wonder. Stocks have given up their earlier gains since the President unveiled his protectionist trade agenda, and the Dow Jones Industrial Average fell another 1.9% on Monday. Tech stocks took a particular beating as Nasdaq fell 2.74%, but the main policy concern is the new uncertainty from rising trade tension.

China slapped punitive tariffs on 128 categories of American goods on Monday in retaliation for the Trump Administration's national-security levies on steel (25%) and aluminum (10%) imports last month. The Chinese response so far is measured, affecting \$3 billion in annual trade or about 2% of U.S. goods exports to China, but it sends a pointed message that a larger trade war would hurt American businesses, farmers in particular.

American pork producers are the biggest targets in this retaliation, since they sold more than \$1 billion in meat to China last year and will now face a 25% tariff. Demand for pork from countries such as Japan, South Korea and Mexico is growing, while exports to China fell by 11% in the past five years. That reflects a glut and falling prices in China. Hog farmers in states such as Iowa and Illinois should still reap an expected 5% growth in overall exports this year, but any growth in China will be filled by farmers in other countries.

Greater damage may come from China's 15% tariff on American fruits, nuts and sparkling wine. Apple growers in Washington state only gained full access to the Chinese market in 2015 and have seen rapid growth in exports from zero three years ago. Sales of American wine to China, almost all from California, grew 10% last year to \$197 million, still a small percentage of total production. Such industries now face headwinds to building market share.

California nut farmers are especially vulnerable since China is their largest export market. According to the Golden State's agriculture department, they sold \$530 million in pistachios

and \$518 million in almonds to China in 2016. For pistachio farmers, China accounts for 55% of total exports. Almond exports are down from five years ago because drought limited production, but sales to China rebounded 6% last year.

A Chinese medicinal root is one of the more obscure items on the 15% tariff list, and the impact will fall almost entirely on one county in central Wisconsin around the city of Wausau. Ginseng from Marathon County is highly prized in Asia, and about \$30 million of it is exported annually to China.

Chinese ginseng farmers have been trying to supplant Wisconsin's lucrative market niche for years, and now they have a chance. Republican Congressman Sean Duffy can thank the Trump Administration for this boost to his opponent's November campaign.

China's retaliation is best understood as an economic and political demonstration, hitting a small number of products to signal where future blows could fall if the Trump Administration imposes punitive tariffs on \$60 billion in Chinese goods to punish the theft of intellectual property. It's notable that both Republican-leaning and Democratic states were hit. Tariffs on America's biggest exports to China, such as soybeans and Boeing aircraft, were held in reserve. But don't be surprised if they're on the list if the President imposes Section 301 tariffs as he has vowed to do.

The Trump Administration says it is using tariffs against China as bargaining chips to get a better deal for American exporters. And at least U.S. and Chinese officials are now talking about a new trade understanding. But in the meantime there will be significant collateral damage to innocent business bystanders, American consumers, and the overall U.S. economy.

Mr. Trump risks undermining the policy gains from tax reform and deregulation that have teed up the economy for faster growth. That's the anxiety investors are showing as they sell stocks. Is anyone in the White House paying attention?

## China's response to Trump's tariffs hit innocent bystanders.

## A Second Kick of the Ninth Circuit

**O**ne paradox of the Supreme Court is that some of the nation's finest legal minds are often asked to resolve the most straightforward questions about what a statute says. A case in point is a Monday decision that is a victory for the rule of law over legal obfuscation and a deliberate political attempt to expand the Fair Labor Standards Act.

The High Court ruled 5-4 in *Encino Motorcars, LLC v. Navarro* that a service adviser at a car dealer—a person who chats with customers about repairs and costs, among other tasks—is a "salesman" who is "primarily engaged" in "servicing automobiles." This is important because such employees are exempt from overtime pay requirements in the Fair Labor Standards Act.

Writing for the majority, Justice Clarence Thomas notes that the Labor Department in 2011 departed from decades of legal interpretation to exempt service advisers. A group of workers sued for back pay under the new Obama rule. The case reached the Supreme Court for the first time in 2016, and the Justices said that the rule was procedurally defective and thus unworthy of the judicial deference that the Ninth Circuit Court of Appeals had allowed. The High Court didn't rule on the merits and remanded the case back to the district court.

## The Supreme Court

## orders the plain

## reading of labor law.

Monday's ruling is thus the Supreme Court's second rebuke of the Ninth Circuit in this case. And it's fair to ask: Was the Ninth Circuit the model for the old line that there is no education in the second kick of a mule?

The law exempts any salesman, partsman or mechanic primarily engaged in selling or servicing automobiles, trucks

or farm implements. The four dissenting liberal Justices say service advisers are a separate group, in part because they aren't actually

wielding a wrench.

Justice Thomas: "True, service advisors do not spend most of their time physically repairing automobiles. But the statutory language is not so constrained." Partsman, for example, "do not spend most of their time under the hood." A "salesman" who is "primarily engaged" in "servicing automobiles" is "an apt description of a service advisor," Justice Thomas notes, and it'd be hard to come up with a better one for a job listing.

One point to keep in mind is how close the decision was, and no doubt a Justice appointed by President Hillary Clinton would have flipped the case. Such low profile cases don't attract much press attention, but these are where the law is often upheld and defended—or expanded for political purposes.

## Trump, Amazon and the Post Office

**P**resident Trump on Monday continued his Twitter tantrum against Amazon, which seems to irritate him even more than CNN. He should train his fire on Congress for the post office's problems.

Over the weekend the President tweeted that "the U.S. Post Office will lose \$1.50 on average for each package it delivers for Amazon. That amounts to Billions of Dollars." He popped off again Monday morning: "Only fools, or worse, are saying that our money losing Post Office makes money with Amazon. THEY LOSE A FORTUNE, and this will be changed."

The source for Mr. Trump's tweets appears to be an op-ed by Josh Sandbulte that ran in our pages last summer, which argues that Amazon free rides on the post office with its last-mile delivery deal. Amazon drops off presorted packages at United States Postal Service (USPS) depots, and postal workers deliver them to homes on their normal routes.

Congress has mandated that USPS deliver mail to every address in America six days a week, which is a fixed business cost that Amazon and some other large e-retailers piggy-back on. The incremental labor and transportation costs to deliver Amazon's packages are typically small and hard to measure.

Mr. Sandbulte contends the agency should allocate more of its fixed costs to packages, and a Citigroup analysis last year estimated parcels would on average cost \$1.46 more if shippers were required to absorb a greater share. The post office isn't a profit-maximizing business, so perhaps the agency is leaving money on the table. But the "last-mile" deal is nonetheless a

boon for taxpayers since the additional revenues help defray the post office's fixed costs.

Over the past decade, the post office has lost more than \$60 billion even while failing to make required retirement health payments. Operating costs not including retirement obligations have outpaced revenue growth over the past four years, notwithstanding a 60% increase in shipping and package revenue.

When businesses lose money, they shave costs or go bankrupt. Private package-delivery competitor UPS has announced plans to freeze its pension plan for non-unionized workers, and FedEx employs independent contractors. But collective-bargaining agreements constrain the post office's ability to improve efficiency. According to USPS's annual report, the number of deliveries measured across all work hours hasn't increased since 2014.

Congress has also refused to reduce USPS's fixed costs by changing the six-day delivery mandate despite pleadings from prior postmasters general. A modified schedule could impel Amazon and other online retailers to pay more for deliveries. Alas, lawmakers can't even pass de minimis reforms. Last year a bipartisan bill was introduced in the House that would enroll postal retirees in Medicare and convert door delivery to clustered drop-offs. It's gone nowhere.

One reason is that the status quo benefits rural residents as well as businesses that use mail advertisements. Maybe President Trump could use his bully pulpit to press Congress for postal reforms. Taxpayers would surely be better off if the post office were as efficient and innovative as Amazon.

The President is firing  
at the wrong target if  
he wants to save money.

## LETTERS TO THE EDITOR

## Would Milton Be as Hardline on Trade Now?

Economist Milton Friedman's views on world trade were correct when he made them (*Notable & Quotable*, March 27). But he didn't envision China subsidizing inefficient state industries to create trade monopolies. This has produced a world trade imbalance through the misallocation of capital and savings. To rebalance world trade and increase world economic growth China has to stop subsidizing inefficient state trading industries, increase the size of its domestic economy, reduce restrictions on capital out of its country and allow other companies into its country. Only then will Milton Friedman's view be realized.

ED KAHL  
Woodside, Calif.

I hate to disagree with Milton Friedman on anything but I don't think he carried his trade-imbalance argument far enough. He reasoned that people receiving U.S. dollars could either keep them or eventually spend them in the U.S., and both would benefit the U.S. A third option is to buy U.S. capital stock—companies and land. If this persisted long enough, Americans would wind up owning very little of the coun-

try's production and the profits going abroad. Certainly, that's undesirable.

BILL BISHOP  
Katy, Texas

Friedman stated "dollars that we spend for the [foreign] steel find their way back to the U.S. as demand for U.S. goods and services." No arguing this. According to the National Association of Realtors, foreign buyers purchased 284,455 U.S. properties in the 12 months ending March 31, 2017, roughly half of our annual build of new homes.

Both Thomas Jefferson and Abraham Lincoln knew a propertied populace was required to give political support to the Constitution.

STEPHEN R. MEYER  
Vero Beach, Fla.

Were Friedman alive today, he might be convinced to back away from his trade example as he backed away from his open borders and free flow of labor idea. He subsequently said that a modern social-safety-net nation is incompatible with open borders.

LARRY G. DEVRIES  
Vancouver, Wash.

## Why Is Such Sensible Advice Labeled Racist?

Regarding Wendy Wang's "The Sequence" Is the Secret to Success" (op-ed, March 28): When my wife was a young woman, her Lithuanian immigrant grandmother, who started life very poor, asked the same three questions in the same order every time they met. When are you going to finish school? When are you going to get a job? When are you going to get married? Maybe this is why the grandchildren rose to the middle class.

JAMES G. RUSSELL  
Midlothian, Va.

Ms. Wang is essentially describing "bourgeois" values—finish high school, get a job, then marry before having children—as the secret to success and avoiding poverty. Unfortunately, in today's politically correct environment, promoting these values brings opprobrium, charges of racism and the loss of one's job in academia. Just ask University of Pennsylvania

ARI WEITZNER  
New York

Ms. Wang says that liberals often dismiss "the sequence" as "a right-wing notion." I think she's right, but I don't understand why liberals would dismiss such a clear and obvious means of helping those in poverty.

HAL DANTONE  
Kingsville, Texas

The adults raising at-risk kids should frame Wendy Wang's piece and insist it be read every day before school and right before bedtime. As Frederick Douglass put it: "It is easier to build strong children than to repair broken men."

WAYNE LANDESMAN  
Orchard Park, N.Y.

## Saudis Pushed Wahhabism Well Before 1979

Adel Al-Toraifi refers to 1979 as the year that Saudi society shifted toward Islam's most conservative tenets ("The Saudis Take On Radical Islam," op-ed, March 20). I lived in Riyadh starting shortly after the infamous Arab oil embargo to late 1976.

What didn't seem to change was Saudi Islamic conservatism in the morals, lifestyle and the social realm. The great influx of foreign workers and advisers, like myself, certainly ushered in a new wave of Western influence putting pressure on the Saudi way of life, but it didn't seem to have any influence on Saudi Islamic strictures.

Pre-1979, women certainly weren't allowed to drive; western women dressing in anything considered provocative (like slacks) were harassed in the souk and often smacked in the bush by the cane-wielding Mutaween (religious police); there were no cinemas or public entertainment per-

## EU Is Right to Seek More Taxes From U.S. Platforms

The European Commission is heading down the right path in the case of "Europe's Tax War on U.S. Tech" (Review & Outlook, March 22). The U.S. should follow its lead and adopt a uniform, destination-of-sales system when taxing corporate profit. The current approach—taxing profit based on "origin"—is nearly meaningless since origin can be shifted virtually anywhere through arbitrary transfer pricing. The result is companies like Google generating millions of dollars in sales and profit in Europe but paying little tax there.

The origin-based tax system leads to uneconomic, wasteful distortions. Tax-avoidance strategies requiring corporate headquarters in Ireland are open only to large multinationals. A fairer, more transparent tax system will allow small startups to compete on a more equal footing with giants like Google. A destination-based tax system would create a more equitable distribution of the tax burden for small and large companies alike, encouraging U.S. businesses to keep their factories and their profits inside the U.S.

MICHAEL STUMO, CEO  
Coalition for a Prosperous America  
Washington

performances; religions other than Islam weren't allowed places of worship and alcohol was certainly prohibited as were pork products. Strict Shariah law ruled.

Living in a country going at warp speed from relatively poor to unimaginably rich, and socially from the eighth to maybe the 19th century, was an adventure. I just don't think much changed regarding Islamic mores and civil liberties either before 1979 or since, until now.

MICHAEL F. THIEL  
Portsmouth, N.H.

## It's a Mistake to Eulogize Brexit Before It Happens

Fraser Nelson notes that, despite the dire predictions of some prognosticators, the U.K. economy has performed well since the Brexit vote of June 2016 ("The U.K. Is Doing Just Fine, Thanks," Review, March 24). This is true, but it would be foolish to draw firm conclusions about what will happen when Brexit actually occurs. Britain's withdrawal from the European Union won't begin until at least March 2019, will likely take years to unfold and longer for the political and economic consequences to become clear. Mr. Nelson is right when he says that the Brexit vote wasn't in any case primarily about economics. This was true for both Leavers and Remainers. For the latter, separating from a union with which Britain has mostly common interests was a high-risk leap into the unknown, and a distraction at a time of growing threats to shared liberal democratic values. At least for this expatriate Brit, those concerns haven't lessened since June 2016.

JONATHAN RAMSDEN  
Columbus, Ohio

Pepper ...  
And Salt

THE WALL STREET JOURNAL



"It's my emotional support parrot."

## OPINION

# Degree Inflation and Discrimination

By Frederick M. Hess  
And Grant Addison

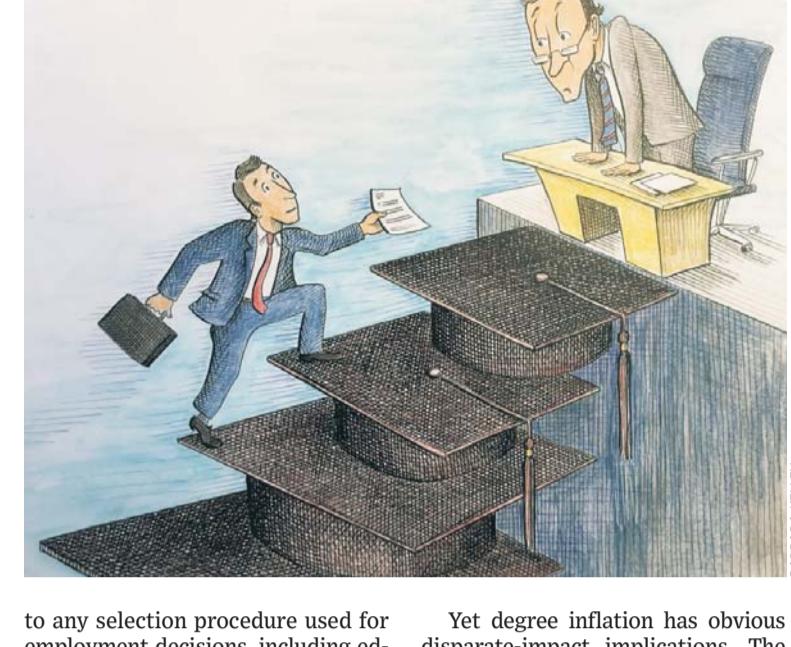
**I**t's become a common observation among older white-collar workers: "I wouldn't have been hired today." This often doesn't have anything to do with their ability to perform their jobs. Rather, it's a function of "degree inflation"—employers demanding a baccalaureate degree for middle-skill jobs that previously did not require one.

Some 61% of employers have rejected applicants with the requisite skills and experience simply because they didn't have a college degree, according to a 2017 Harvard Business School study. If current trends continue, the authors found, "as many as 6.2 million workers could be affected by degree inflation—meaning their lack of a bachelor's degree could preclude them from qualifying for the same job with another employer."

## Could civil-rights laws and 'disparate impact' protect job applicants who haven't finished college?

The pernicious effects of degree inflation are obvious, as tuition and student debt rise and qualified workers arbitrarily lose employment opportunities. But the practice also flouts federal law.

Title VII of the Civil Rights Act of 1964 prohibits employers from discriminating on the basis of race, color, religion, sex or national origin. In *Griggs v. Duke Power* (1971) the Supreme Court unanimously interpreted this to mean that when minority groups are disproportionately affected—or suffer a "disparate impact"—from the selection process, employers must show that any requirements are directly job-related and an accurate predictor of job performance. This standard, which Congress made explicit in 1991, applies



BARBARA KELLEY

to any selection procedure used for employment decisions, including educational requirements. Employers that require IQ tests, for example, must use approved tests and justify IQ thresholds.

State and local laws impose additional limits. New York City prohibits employers from discriminating against the unemployed or asking about prior earning history. Twenty-nine states bar public employers from inquiring about criminal history, while nine states prevent private employers from doing the same. Last year the Equal Employment Opportunity Commission sued CSX Transportation, a railroad company, because men passed the company's applicant physical-fitness tests at a disproportionately higher rate than women.

But college degrees are treated differently from other employment tests. Employers presume that a college degree confirms the baseline verbal and written skills required for many jobs, and colleges are known to game admissions criteria to favor minority groups. As a result, college degrees have a patina of intellectual capacity and nondiscrimination—likely why their use by employers has never been legally challenged.

Yet degree inflation has obvious disparate-impact implications. The Harvard report found that groups with college graduation rates below the national average are disproportionately harmed by the practice.

When determining disparate impact, enforcement agencies often rely on the "four-fifths" rule of thumb: If the selection rate for any race, sex or ethnic group is less than four-fifths that of the group with the highest selection rate, disparate impact is likely. Some 61% of Asians in the labor force, age 25 and up, have a bachelor's degree or higher, according to the Bureau of Labor Statistics. Just under 40% of whites have degrees, compared with 29% of blacks and 20% of Hispanics. Under the four-fifths rule, college-degree requirements disproportionately affect white workers when compared with Asians, and black and Hispanic workers when compared with whites and Asians.

Employers also fail the *Griggs* test by demanding college degrees without evidence they are necessary for the job. In a 2014 survey, Burning Glass Technologies found that employers are increasingly requiring bachelor's degrees for positions

whose current workers do not have one. For example, 65% of job postings for executive assistant and secretary positions call for a degree even though only 19% of people currently employed in such roles hold a degree.

Degree inflation is caused in part by employer convenience. College degrees can be an expedient shortcut to weed out applicants. At the same time, given the legal scrutiny around virtually all other employment tests, requiring a college degree is the only remaining proxy for aptitude that doesn't carry a risk of litigation. But as the Harvard study showed, college graduates filling middle-skill positions cost more to employ, have higher turnover rates, tend to be less engaged, and are no more productive than high-school graduates doing the same job.

In theory, reducing degree inflation and the bureaucratic restrictions that enable it should be an easy win for profit-minded employers and policy makers interested in social mobility. In reality, reforming civil-rights law will require significant political will, especially because many businesses seem largely content with the safe inefficiencies of the status quo.

Yet the time seems ripe for outside pressure through litigation and advocacy. On the left, a thriving cottage industry for social-justice lawsuits uses identity-group quotas to sue employers for disparate impact. What if Peter Thiel—who sponsors a scholarship that gives recipients \$100,000 to skip or leave college and start a business—took up this mantle against degree inflation? What if the Institute for Justice added federal employment-testing regulations to its occupational-licensing cases?

Diplomas are "useful servants," Chief Justice Warren Berger wrote in *Griggs*, but "they are not to become masters of reality." It's time someone brought this common-sense proposition back to court.

*Mr. Hess is director of education policy at the American Enterprise Institute. Mr. Addison is AET's program manager for education policy.*

# Limit Iran's Influence In Iraq

By Zalmay Khalilzad

**I**raq holds elections in May, and Iran is working hard to influence the outcome. Tehran seeks to consolidate its proxy militias that give it muscle within Iraq and, as with Lebanese Hezbollah, can be used across the region. Iran also wants to sustain sectarian, ethnic and political divisions to prevent Iraq's re-emergence as a stable, independent power. Iran sees the U.S. as its key obstacle and is eager for the withdrawal of U.S. forces from the country.

Iran is in a strong position. Tehran-backed Shiite militias, created as an emergency measure to confront ISIS, have established themselves in Baghdad's belt areas and in Sunni and some Kurdish regions. In the face of Washington's passivity, Iran orchestrated a violent, punitive response by the Iraqi government and

## As Iraqis go to the polls next month, the U.S. needs to counter Tehran's effort at consolidating its power.

the pro-Iranian militias against the Kurds, using the 2017 independence referendum as a pretext. Then, when Kurdish appeals to the U.S. went unanswered, Iran began to present itself to the Kurds as their friend. Tehran offered to facilitate the Kurds' negotiations with Baghdad to get some punitive measures lifted. The result: new Iranian importance and reduced American influence in the Kurdish region of Iraq, a former heartland of support for America.

It is not evident that Tehran has decided on its preferred candidate for Iraqi prime minister. Major constituencies, including the dominant Shiite Islamists, are divided. Iran's apparent strategy is to support several groups in the hope that it will be kingmaker in the bargaining over the next Iraqi government.

Tehran at times appears to back Prime Minister Haider al-Abadi, and at times seems to be trying to undermine him. Iran's Quds Force commander, Qasim Sulaimani, encouraged Mr. Abadi and the pro-Iranian militias to form an election coalition. They did, costing the prime minister a good deal of support from independent Iraqis and others and undermining his aspiration to build a broad coalition transcending ethnic and sectarian identities. Soon after the damage had been done, the coalition abruptly ended. Nevertheless, Mr. Abadi's group should do well because of his success against ISIS.

Now, instead of disarming, several of Iran's militias want to convert battlefield success and de facto control of many areas into political gain and put their own men in the prime ministership and other key posts. One candidate is Hadi al-Amiri, an Iraqi who fought for Iran in the Iran-Iraq war, and who along with his Badr militia group has been in the pay of Iran for decades. Iran is also supporting the group led by former Prime Minister Nouri al-Maliki, who shares the goal of disrupting U.S.-Iraqi security cooperation. Tehran is the most opposed to the group led by Ayad Allawi, a secular former prime minister with strong ties to the Arab world.

To contain the regional danger posed by aggressive Iranian expansionism, as well as to protect its national interests, the U.S. should adopt a four-pronged approach to Iraq.

First, the U.S. should do what it can to encourage a level playing field in the Iraqi political process, support those who share its goals, and not continue to let Iran dominate the Iraqi parties. America's record in this regard is not good. After Saddam Hussein's overthrow, the U.S. spent billions a month on the military effort but neglected to help parties that wanted to be independent of Iran's influence.

Second, the U.S. must learn the lesson of President Obama's disastrous withdrawal and keep sufficient forces in Iraq to maintain substantial security cooperation. Such a presence provides America with leverage and credibility with Iraqis and regional players.

Third, whatever the results in May, the U.S. must remain engaged to foster a quick formation of a government, prevent Iran from distorting the outcome to its benefit, and support the political pacts on which the new government will be formed.

Fourth, enlist the support of regional allies and partners.

The U.S. must not repeat the mistake of disengagement that squandered the opportunity to consolidate Iraq's democracy after the 2010 election and precipitated the disastrous setbacks of 2014.

*Mr. Khalilzad was U.S. ambassador to Iraq, 2005-07.*

# The Theory Behind That Charlottesville Slogan

By Abraham Miller

**W**hen white nationalists and supremacists gathered in Charlottesville, Va., last summer, they marched with tiki torches and chanted: "The Jews will not replace us." Obviously they don't care for Jews. But what do they mean, "replace us"?

Understanding the chant requires an examination of the work of Kevin B. MacDonald, a 74-year-old psychologist and retired professor at California State University, Long Beach. Mr. MacDonald's theories about Jews have become the philosophical and theoretical inspiration for white supremacist and nationalistic movements.

Mr. MacDonald characterizes Jewish behavior in terms of the theory of group evolutionary psychology, based on competition among groups for resources and survival. Most scholars of evolutionary psychology reject Mr. MacDonald's methods and conclusions. White nationalists and supremacists embrace him, and he returns their affection. He edits a website called Occidental Observer that focuses on "White Identity, Interests and Culture."

Mr. MacDonald claims that Jewish traits, such as high verbal intelligence and ethnocentrism, have evolved to the point that Jews, as a group, outcompete non-Jews at the expense of Christian majorities.

He further argues that Jews are genetically programmed to undermine Christian civilization. Intellectual movements such as multiculturalism and liberalism serve, in his view, to heighten Jewish advantage because a Christian majority mired in a multicultural society is less likely to foster anti-Semitism.

Which brings us to his explanation

of the Immigration and Naturalization Act of 1965. Mr. MacDonald claims that Jewish communal organizations led the effort to enact the law, which eliminated preferential quotas for Western European immigration and increased the total number of immigrants. That led to an increase in non-European immigration. In Mr. MacDonald's view, the act started the "replacement" of white Christians by a more ethnically diverse population.

It is true that Jewish communal organizations are major supporters of multiculturalism. Then again, so are most mainstream churches, on both sides of the papal divide. Christian communal groups loudly extol their commitment to inclusion and diversity.

But Jewish leadership was neither a necessary nor a sufficient condition for the passage of the 1965 immigration law. Rather, a liberalizing wave had already swept the West in the decades after World War II, bringing an end to colonialism and informing U.S. competition with the Soviet Union. In this context, America's 1924 immigration

law, which favored Western European immigration, had become an international embarrassment.

As early as 1952, President Harry Truman appointed a Commission on Immigration and Naturalization, whose report served as the foundation for the 1965 act. The report affirmed the country's need for workers, but and it was highly critical of

## 'The Jews will not replace us,' they chanted. What do they mean, 'replace us'?

the foreign-policy problems caused by the then-current immigration policy. The report specifically cited Radio Moscow's use of America's exclusionary immigration policy to spread anti-Americanism in Asia, especially Korea.

The 1965 law's chief sponsors were Sen. Philip Hart of Michigan and Rep. Emanuel Celler. Hart was Catholic; Celler had three Jewish grandparents and one Catholic one. Would Mr. MacDonald say Celler's

Jewish and Catholic genes were in conflict over immigration policy?

One of the most significant provisions of the act allowed chain migration, in which immigrants sponsor family members to come to America. Rep. Michael A. Feighan of Ohio, a conservative Democrat and Catholic, was responsible for this measure. He saw chain migration as promoting family values.

The bill passed overwhelmingly, with support from 85% of Republicans and 74% of Democrats. Sen. Edward Kennedy, a Catholic, was a major proponent and legislative orchestrator of the bill. President Lyndon Johnson, who belonged to the Disciples of Christ, signed the bill at the Statue of Liberty. Jewish support was not the key to its passage. The bill was widely popular—and more so with Republicans, even though most Jews, then as now, were Democrats.

*Mr. Miller is an emeritus professor of political science at the University of Cincinnati and a distinguished fellow with the Haym Salomon Center.*

# Planned Princesshood

By Faith Moore

**W**e need a Disney princess who's had an abortion," tweeted a Pennsylvania branch of Planned Parenthood last week. Though the tweet was deleted, Planned Parenthood Keystone chief Melissa Reed stands by it. "Planned Parenthood believes that pop culture... has a critical role to play in educating the public and sparking meaningful conversations around sexual and reproductive

health issues and policies, including abortion," she said in a statement to Fox News.

Feminist critics have been waging war on Disney princesses since the 1990s, and they're gaining ground. Peggy Orenstein's 2011 best seller, "Cinderella Ate My Daughter," called the fairy-tale heroine a symbol of "the patriarchal oppression of all women."

Disney has been listening. In 2016 the company launched the Dream Big, Princess campaign, which recasts Ariel as a speed-swimming champion, Rapunzel as a gymnast and Cinderella as a dance prodigy. In an obvious nod to the feminist notion that traditional princesses are "damsels in distress," Disney has edited out the princesses' signature inner virtues of integrity, courage, optimism and heart, and replaced them with feminist-approved—but ultimately shallow—physical achievement.

Ariel's main achievement is no longer her willingness to sacrifice for her dreams, but rather her skill as a swimmer. Instead of courageously standing up to the people holding her back, Rapunzel is now celebrated for her ability to use her hair as a lasso. Instead of moral strength in the face of adversity, Cinderella's claim to fame is now her impeccable ballroom dancing. If these qualities represent anything other than physical strength and dexterity, the ad campaign offers no way to know.

All this completely misunderstands

what fairy-tale princesses mean to little girls. Heroines who value physicality over morality might advance feminist ideology, but they're not princesses. In any fairy tale, the princess signifies the feminine ideal. Her true heart, inner courage and pure motives are tested but never compromised. If a Disney princess were depicted having an abortion, it wouldn't come across as merely a personal choice. Rather, it would imply that having an abortion is an expression of feminine goodness.

Girls intuitively understand the ethical symbolism of princesses. In an article for Psychology Today, Susan Scheftel, a professor of medical psychology at Columbia, argues that a little girl who loves princesses is casting herself as "the beautiful heroine of her own story." These girls aren't succumbing to an outdated representation of women that needs to be rewritten. They're tapping into feminine wisdom that has helped girls grow into women for thousands of years.

Feminist groups want to reimagine Disney princesses in their own image, using the princesses little girls love as tools for propaganda. Planned Parenthood selling abortion as a feminine ideal is the ultimate villainous ruse. Like Snow White's wicked stepmother, they want to offer girls a poisonous idea in a bright, appealing package.

Ms. Moore is a writer at PJ Media.

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Telephone 1-800-DOWJONES

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, April 3, 2018 | B1

**S&P** 2581.88 ▼ 2.23%    **S&P FIN** ▼ 2.13%    **S&PIT** ▼ 2.48%    **DJ TRANS** ▼ 1.98%    **WSJ \$IDX** ▲ 0.01%    **LIBOR 3M** 2.312    **NIKKEI (Midday)** 21200.77 ▼ 0.88%    See more at [WSJMarkets.com](http://WSJMarkets.com)

## GM Scraps a Standard in Sales Reporting

Decision to drop monthly auto sales disclosure could obscure broad trends

By MIKE COLIAS  
AND ADRIENNE ROBERTS

**General Motors** Co. is abandoning its decades-old practice of reporting monthly auto sales, saying a 30-day period doesn't provide an adequate snapshot of the company's complex business or the broader industry.

The move by the nation's top auto seller will likely disrupt the industry's collective attempt to give analysts, economists and investors a broad view of one of America's bedrock businesses and a consistent bellwether for consumer behavior.

With the exception of Tesla Inc. and a few other exotic or niche auto makers, every car company discloses detailed monthly sales figures.

"Thirty days is not enough time to separate real sales trends from short-term fluctuations in a very dynamic,

highly competitive market," GM sales-operations chief Kurt McNeil said in a statement. GM said it would continue to disclose that data at the end of each quarter, much like Tesla does.

The quarterly reports "will make it easier to see how the business is performing," Mr. McNeil said. Several independent outlets and government agencies are likely to continue estimating monthly sales for the industry, or reporting data later in the month.

The move, however, could prompt other large auto mak-

ers to eventually follow suit, but the entire industry—including GM—is expected to report March sales Tuesday. Many years ago, auto makers reported sales on a 10-day basis but also backed away from that practice.

Large companies in other big sectors have stopped disclosing monthly sales, including several retailers. Target Corp. discontinued the practice in 2012. Walmart Inc. stopped reporting them a decade ago.

The auto sector is a rarity among big industries in its

level of sales disclosure. Around the first of each month, every major auto maker reports its U.S. sales tallies from the prior month, including a breakdown by brand and nameplate.

Some, including GM, provide other clues about the recent health of their businesses, such as a spike in spending on consumer incentives or deliveries to fleet companies, both of which can dent profits.

GM under Chief Executive Mary Barra has played down the sales scoreboard while

posting record profits.

Ms. Barra and her lieutenants frequently say they won't chase market share by producing too many vehicles only to increase profit-sapping discounts, a frequent practice in the years before GM's 2009 bankruptcy.

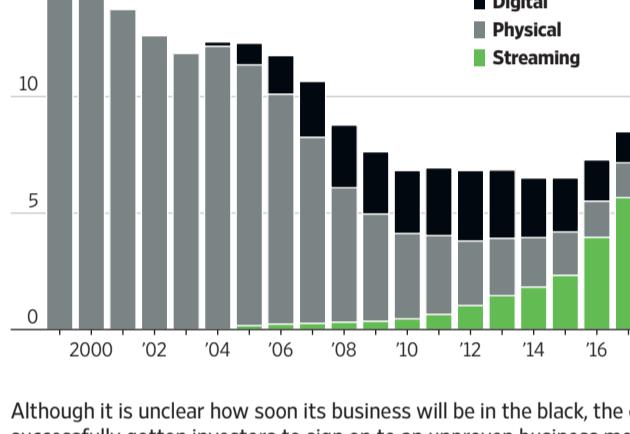
Industry watchers rely on monthly sales figures to analyze the sector and individual companies, said IHS Markit analyst Stephanie Brinley. Still, she agrees with GM's premise that the numbers often lack context.

Please see GM page B2

### Spotify by the Numbers

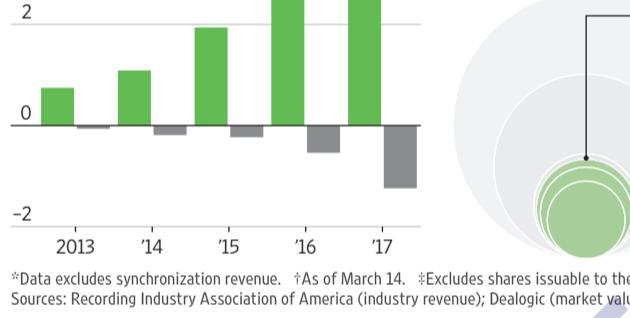
Initially shunned by the music industry, Spotify now plays a key part in it, and sits atop all other streaming services.

**U.S. music industry revenue\***



Although it is unclear how soon its business will be in the black, the company has successfully gotten investors to sign on to an unproven business model.

**€4 billion**



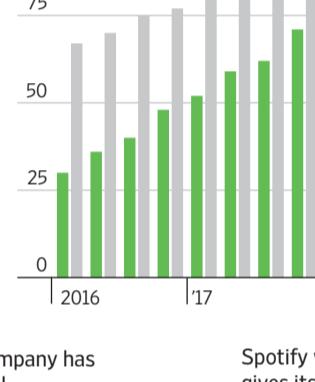
\*Data excludes synchronization revenue. †As of March 14. ‡Excludes shares issuable to the executives in the short term, which would increase Spotify's total share count. Note: €1=\$1.23

Sources: Recording Industry Association of America (industry revenue); Dealogic (market value at IPO); the company

While Spotify is adding users rapidly, family plans have also driven down average revenue per user.

**Subscribers world-wide**

100 million



**Average revenue/premium user**

€8



Spotify will have a dual-class structure that gives its founders 80% of the voting control.

**Share ownership†**

8.8% 12.2% 79.0%

**Voting power**

37.0% 43.5% 19.5%

**Spotify'**  
\$23.6

Alibaba (2014) \$169.4  
Facebook ('12) \$81.2  
JD.com ('14) \$26.2  
Snap ('17) \$20.0  
Twitter ('13) \$14.4

THE WALL STREET JOURNAL.

## Fintech Startup Moves Toward Listing

By PETER RUDGEAIR  
AND MAUREEN FARRELL

Financial-technology firm **GreenSky** LLC has confidentially filed paperwork with the Securities and Exchange Commission for a sizable initial public offering that could come as soon as this summer, according to people familiar with the matter.

While Wall Street investors have been wary of LendingClub and On Deck Capital, GreenSky's business model has clear distinctions. Unlike those companies, GreenSky doesn't make loans directly. It arranges financing of up to \$55,000 for customers of home-improvement retailers such as **Home Depot** Inc. and over 16,000 other merchants and service providers. A network of banks,

The Atlanta company, which operates a lending platform that enables retailers, healthcare providers and home contractors to offer loans to their customers, could seek to raise \$1 billion at a valuation of roughly \$5 billion, some of the people said.

An IPO of GreenSky, backed by a number of Wall Street heavyweights, would end the drought in IPOs of financial-technology companies.

There is no guarantee GreenSky will proceed with an IPO. It may do another private share sale instead of a listing, some people said.

Despite the large amount of financing that private investors have poured into lending startups, IPOs have been rare in recent years due in part to concerns around rising defaults among their borrowers and increased competition.

And those that have tapped the public markets have struggled. Shares of online lenders **LendingClub** Corp. and **On Deck Capital** Inc. have declined 86% and 79%, respectively, from their IPO prices when they debuted in December 2014.

If GreenSky manages to raise \$1 billion in a debut, it would be in rare company. Since 2015, just six U.S.-listed tech companies have raised that much or more, according to data provider Dealogic.

Last year, GreenSky was in talks to go public through an acquisition by **CF Corp.**, a "black-check" company, but the talks ultimately fizzled, according to a person familiar with the matter.

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If GreenSky manages to raise \$1 billion in a debut, it would be in rare company.

including **Fifth Third Bancorp**, **SunTrust Banks** Inc. and **Regions Financial** Corp., fund the loans and hold them on their balance sheets.

As a private company, GreenSky doesn't release financial metrics, but Moody's Investors Service said in a recent report that the company's projected annual revenue was over \$400 million and expected to increase by more than 20% in the next year. GreenSky is on track to generate more than \$200 million in earnings before interest, taxes, depreciation and amortization in 2018, people familiar with the matter said.

A successful IPO of GreenSky could encourage a host of fintech companies that have been weighing public offerings to move forward.

## Music-Industry Foe Is Now 'Savior'

By MAUREEN FARRELL  
AND ANNE STEELE



**Daniel Ek** says his company's mission is to help a million recording artists 'live off their art.'

Days before Spotify Technology SA would make its debut as a publicly traded U.S. company, Chief Executive Daniel Ek retweeted Taylor Swift.

In 2014, the singer had pulled all her music from Spotify in a dispute over streaming revenue. On Thursday, she tweeted: "New video for #Delicate at midnight EST tonight. Only on @spotify."

Mr. Ek added a few fire emojis.

Ms. Swift's decision to release a video solely on Mr. Ek's Spotify is perhaps the ideal en-

dorsement for investors in the music-streaming service and a sign of the CEO and founder's rare ability to turn even his most ardent critics into allies.

"Daniel's true genius as an entrepreneur is his unique ability to have moved from the disrupter of an industry to the savior of it," said Gregg Lemkau, co-head of the investment-banking division at **Goldman Sachs Group** Inc., one of the banks that advised Spotify on its nontraditional initial public

offering, along with **Morgan Stanley** and **Allen & Co.**

At an investor meeting in New York during the run-up to Tuesday's IPO, Mr. Ek described the company's mission as the "hard work of helping one million artists live off their art."

With Spotify going public, that work will be done under Wall Street's magnifying glass. The 35-year-old Swedish CEO faces the daunting task of making his company profitable

Please see SPOTIFY page B4

## SEC Investigates Once-Thriving Firm

BY JEAN EAGLESHAM  
AND AARON BACK

**Longfin** Corp. took advantage of postfinancial-crisis rules designed to create jobs and help young companies go public. But the financial-technology company, which was valued at \$5.4 billion as recently as 10 days ago, is now under investigation by the Securities and Exchange Commission after it failed to dis-

close important information and left a trail of misstatements behind.

Since Longfin's December initial public offering, which raised \$5.7 million, the company's price first rose 13-fold, then fell by 80%, all in less than four months. In the run-up to the IPO, the company, which says it operates computer platforms for trading on the Singapore and other stock

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ISTOCK/VEITA

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**SINCLAIR DRAWS MEDIA FIRE OVER PROMOS**

**TELEVISION, B3**

THE INTELLIGENT INVESTOR | By Jason Zweig

## The Keynesian Art of Investing in Art

A hundred years ago this week, the most influential economist of the 20th century began assembling what became one of the best collections of modern art then in private hands.

Every investor hoping to diversify a conventional portfolio with nontraditional assets can learn from the collecting career of John Maynard Keynes (1883-1946).

Wealthy investors often say they keep about a 10th of their net worth in art, antiques, fine wines and other collectibles. Research has suggested that returns on such assets may beat cash, bonds and even gold over the long term, although the costs of trading and holding them can significantly reduce net results.

The returns on emotional assets aren't directly comparable with those on financial assets: Dealers, auction houses and private transactions can price the same work of art at drastically divergent prices.

Commissions and markups can exceed 20%, often by a lot.

So three leading finance professors, David Chambers

and Elroy Dimson of Judge Business School at Cambridge University and Christophe Spaenjers of HEC Paris, have done a service by analyzing the financial returns of Keynes's art collection over the past century.

and Elroy Dimson of Judge Business School at Cambridge University and Christophe Spaenjers of HEC Paris, have done a service by analyzing the financial returns of Keynes's art collection over the past century.

In his three decades of collecting, Keynes paid a total of £12,847 for his holdings, roughly £600,000 (\$840,000) today when adjusted for inflation. Based on appraisals in 2013 by five independent experts, Keynes's

collection is valued at more than £70.9 million.

That's an average return of 10.9% annually, barely one-tenth of a percentage point below the return on British stocks over the same period.

Beneath that spectacular return lie important lessons.

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able seven-year expansion that culminated in a record 17.6 million vehicles sold in 2016, before slipping nearly 2% last year.

March auto sales are expected to notch a year-over-year gain, representing the first such increase of the year. The results will be boosted by an additional selling weekend compared with last year, and mark the start of the spring selling season, traditionally the first month that delivers high volumes.

Auto makers began to pull back on discounts last month, and if that continues through the spring and summer selling season, sales could decline further this year, Edmunds.com analyst Jessica Caldwell said.

The pressure to hit monthly sales targets—either internal goals or forecasts by analysts—sometimes leads companies to adopt unhealthy practices, analysts say. For example, car companies in the past have acknowledged that their dealers sometimes buy vehicles for their own use to meet monthly sales targets.

In 2016, Fiat Chrysler Automobiles NV revised the way it reports sales amid allegations by dealers that the Italian-American auto maker was inflating the figures. FCA denied those claims.

GM's decision comes as U.S. auto sales cool after a remark-

able seven-year expansion that culminated in a record 17.6 million vehicles sold in 2016, before slipping nearly 2% last year.

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Such automation could make driving safer. But some autonomous-vehicle experts and safety advocates worry that as long as the effort is a combination of human and machine, the robot assistance could also give drivers a false sense of confidence to turn their attention elsewhere.

Others, such as GM, say driver monitoring ensures a

target of making 5,000 Model 3 sedans a week by the end of June, a goal it already postponed twice.

The Model 3 sedan, which began assembly in July, was supposed to help the company reach 500,000 units overall this year, about five times what it sold last year. Tesla's target for the end of March was 2,500 Model 3s, a number the company likely missed, Philippe Houchois, an analyst for Jefferies, wrote in a research note Monday.

Options traders are gearing up for more turbulence from Tesla. A measure of expected volatility in the stock is at the highest it has been over the past year, indicating that there could be more gyrations ahead. An options measure called skew—a yardstick of how much it costs to protect against further stock declines—is near a yearlong high for Tesla, Trade Alert data show.

—Tim Higgins

dited statements for a Singaporean subsidiary, which generates most of its revenue.

An SEC spokeswoman declined to comment.

Mr. Meenavalli, who says he controls 90% of Longfin shares, rejects any suggestion of financial misconduct, saying short sellers, who have borrowed and sold short almost 15% of the shares available to trade, according to FactSet, are motivated by greed. "They enter into their own fire," he said.

Mr. Meenavalli is 48 years old, according to records he confirmed in an interview, although in a May 2017 SEC filing he is listed as 45. In SEC filings, Longfin reported it had 20 employees in March 2017. The number dropped to two the following month, rose to 15 in July, fell to three in November and was reported as 18 on Monday. A filing in July 2017 listed Sarah Altahawi, 23, as a New York-based executive. Ms. Altahawi said Monday she is not an officer of the company.

At its peak value, Longfin was included for eight trading days in the Russell 2000 small-company stock index. Russell said it made the decision based on Longfin's IPO disclosures, which said more shares would trade. Its reversal, announced March 26, sent the shares down 41% the next day.

## Self-Drive Focus Shifts to Humans

Two recent fatal crashes of cars with varying levels of autonomous-driving technology are focusing attention on vehicles that vest control in both humans and machines.

U.S. investigators are still

By Tim Higgins, Mike Spector And Mike Colias

completing their probes of an **Uber Technologies** Inc. self-driving vehicle with a safety operator behind the wheel that hit and killed a pedestrian March 18 in Tempe, Ariz., and of a **Tesla** Inc. Model X sport-utility with its semiautonomous system engaged that collided with a highway barrier on March 23 near Mountain View, Calif., fatally injuring its driver.

But both incidents have a troubling link, autonomous-vehicle specialists say: a human was at the wheel and could have taken control.

"This is what I've called the mushy middle of automation," said Bryant Walker Smith, a University of South Carolina assistant professor of law and specialist on autonomous cars, referring to vehicles with some automation but still a driver at the wheel. "There will certainly be more incidents," he said. "It's dangerous when people feel safer than they actually are."

Auto makers, tech companies and regulators contend robot vehicles promise to ultimately cut traffic fatalities, which surpassed 37,000 in the U.S. in 2016, according to the latest government data. Human error causes 94% of crashes, according

driver remains engaged, while Tesla has developed a series of alerts aimed at keeping hands on the wheel and emphasizes in its manuals that drivers need to remain alert and responsible for driving.

Concerns about a human driver being lulled into complacency is what led Google to scrap plans for a semiautonomous system and to focus efforts on building a vehicle system capable of driving without a person at the wheel, an effort now under way at the **Waymo** unit of **Alphabet** Inc., also the parent of Google. Waymo has pointed to a 2015 regulatory study that found some drivers took 17 seconds to retake control of a vehicle, a duration that would have allowed the car to travel more than a quarter mile at highway speeds.

Auto makers, tech companies and regulators contend robot vehicles promise to ultimately cut traffic fatalities, which surpassed 37,000 in the U.S. in 2016, according to the latest government data. Human error causes 94% of crashes, according

to regulators.

The companies are pressing to develop new services like driverless taxis and automated long-haul trucking that could collectively create a business opportunity valued in the trillions of dollars, analysts say.

GM believes services built around driverless cars one day

In two recent incidents, a human was at the wheel and could have taken control.

could reap more money than its business today, finance chief Chuck Stevens told analysts in November. He said a robot taxi service could generate 20% to 30% profit margins by 2025, several times more than the 8.8% pretax margin it earned globally last year.

Few auto makers predict they will sell fully driverless cars soon. Yet, they fear falling be-

hind their rivals if they wait until systems are so advanced they don't require human drivers, said Mark Wakefield, the leader of AlixPartners LLP's automotive practice.

So in the meantime, they are outfitting vehicles with semiautonomous features such as automatic braking, adaptive cruise control and lane-keeping systems. In some cases they are on the cusp of rolling out more advanced hands-free driving systems, such as passing slower cars on the highway, while handing control back to the driver when the computer can't handle a more complicated situation.

Audi aims to release a new system in its sedans that would allow drivers to let go of the wheel and the pedal in traffic jams and turn their attention to, say, their email. Audi is "carefully evaluating" consumer acceptance of semiautonomous driving features and is waiting for better legal and regulatory clarity before introducing the system, a spokesman said.

### Tesla Stock Falls 5% After CEO's Jokes

Tesla Inc. shares sank more than 5% Monday, suggesting investors were in no laughing mood over Chief Executive Elon Musk's bankruptcy jokes as the electric-vehicle maker grapples with the aftermath of a fatal crash and prepares this week to release production results.

The drop to \$252.48 a share extended a selloff that has lopped off 36% from the stock since its September peak.

Mr. Musk delivered his April Fools' tweet ("Tesla Goes Bankrupt"), in which he joked Tesla failed to raise enough cash in a last-ditch Easter Egg sale, at a time his company's cash position is under real scrutiny. Last week, Moody's Investors Service downgraded Tesla's credit rating and cautioned about the company's



Elon Musk

outlook, citing concerns about cash levels.

Cash worries are nothing new for Tesla, but the stakes have grown as it has taken on more than \$10 billion in debt. Mr. Musk avoided bankruptcy in 2008, which he often talks about publicly.

Tesla's report on first-quarter production results this week will provide insight into whether the car maker is on track to reach its



Two fatal crashes are drawing attention to vehicles that vest control in both humans and machines. A self-driving Chevy Bolt EV car last year.

Chief Executive Mary Barra

Continued from the prior page

For example, bad weather or poor availability of a certain model because of factory down time can distort a year-over-year comparison. "It doesn't always paint a clear picture of whether a company or given model is doing well or poorly because there is so much variability," Ms. Brinley said.

GM's decision comes as U.S. auto sales cool after a remark-

able seven-year expansion that culminated in a record 17.6 million vehicles sold in 2016, before slipping nearly 2% last year.

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—Tim Higgins

Continued from the prior page

exchanges, failed to disclose important information or misstated facts as basic as the age of its controlling shareholder, according to a review of securities filings.

On Monday, the company disclosed the SEC probe while also reporting material weaknesses in financial controls. The company, which said it is cooperating with the probe, said it may not be able to continue as a going concern.

The shares closed Monday down 17% at \$14.31, above its

IPO price of \$5.

Longfin went public using a provision of the Jumpstart Our Business Startups Act of 2012, known as Reg A+. The rules allow companies with less than \$1 billion in annual sales to bypass some accounting and disclosure requirements imposed on bigger companies, but they do require accurate reporting.

The other nine Reg A+ IPOs

that have listed on U.S. exchanges or been issued over the counter have lost more than half their value on average, Dealogic data show.

Concerns about Longfin

shine a light on the apparent ease with which IPOs are being

approved under the Reg A+ regime, lawyers said. "Everyone

understood we were rationalizing the disclosures [required] but nothing as flimsy as what appears to have happened here," said James Cox, a law professor at Duke University. "We're going to look back on Reg A+ and think this was an experiment that didn't get managed very well."

The SEC gave Longfin the green light based on one month's audited financial statements, which showed that 96% of the company's expenses were paid to a company controlled by Longfin's owner, Venkat Meenavalli, an Indian entrepreneur. The company also provided two years of au-

dited statements for a Singaporean subsidiary, which generates most of its revenue.

An SEC spokeswoman declined to comment.

Mr. Meenavalli, who says he controls 90% of Longfin shares, rejects any suggestion of financial misconduct, saying short sellers, who have borrowed and sold short almost 15% of the shares available to trade, according to FactSet, are motivated by greed. "They enter into their own fire," he said.

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At its peak value, Longfin was included for

## BUSINESS NEWS

# Sinclair Promos Draw Media Fire

By JOE FLINT

**Sinclair Broadcast Group** Inc., the nation's largest owner of broadcast TV stations, is under fire for requiring news anchors at dozens of its local stations to read a segment saying they were concerned about "the troubling trend of irresponsible, one-sided news stories plaguing our country."

In the promo, the exact language for which was provided by the parent company, anchors accused national media outlets of publishing "fake stories without checking the facts first." The script goes on to say these journalists are using their platforms to "push their own personal bias and agenda" and are "extremely dangerous to our democracy."

**Baltimore-based Sinclair is known for having conservative leanings.**

There was an immediate backlash to the Sinclair promotions from media watchdog groups, prominent media personalities and news staffers at Sinclair stations, some of whom called the messages propaganda and drew connections between the segments and many of the media criticisms expressed by President Donald Trump.

Sinclair said in a statement Monday that its promotions serve no political agenda and "represent nothing more than an effort to differentiate our award-winning news programming from other, less reliable sources of information."

The criticisms largely centered on Sinclair's efforts to force its stations to air attacks against other news outlets. Former Federal Communications Commissioner Michael Copps, a Democrat who is now a special

adviser for Common Cause, in a statement called it "another example of the company masking its editorialized content with trusted local broadcasters."

In a tweet, Peter Chernin, a former senior executive at Fox News owner News Corp, called the promotions propaganda and suggested that advertisers be urged to boycott Sinclair stations. Mr. Chernin, who now heads his own media firm, left News Corp in 2009 before the company split into 21st Century Fox, which now houses Fox News and entertainment assets, and News Corp, the owner of The Wall Street Journal.

The segments and the ensuing backlash are creating turmoil at many Sinclair stations. One news executive at a Sinclair station said that Monday had been a "toxic day" and that the news unit was horrified about the promotion and having to read it.

There are concerns that all the attention around the promotions could hurt ratings and advertising at the Sinclair stations, this executive said, adding their own station had an emergency sales meeting to discuss potential fallout.

Scott Livingston, Sinclair's senior vice president of news, said in the statement, "It is ironic that we would be attacked for messages promoting our journalistic initiative for fair and objective reporting, and for specifically asking the public to hold our newsrooms accountable. Our local stations keep our audiences' trust by staying focused on fact-based reporting and clearly identifying commentary."

Mr. Livingston didn't respond to a request for further comment.

Mr. Trump defended Sinclair's promotions in a tweet Monday, saying the broadcaster is "far superior to CNN and even more Fake NBC, which is a total joke."

# For Amazon, a Grand Tour

Online retailer visits candidate cities in its second-home search; pitches are restrained

Don't get too fancy. Head to edgier, trendier neighborhoods. And stay on time.

These are a few of the tricks cities are deploying in their effort to woo Ama-

zon.com Inc.'s new headquarters, a move the online retailer says could bring nearly 50,000 jobs and more than \$5 billion in investment over nearly two decades. Amazon executives have quietly visited more than half of the cities on its list of 20 finalists, which are vying to host what it calls HQ2, according to people familiar with the matter. The visits, which started in recent weeks, have included Dallas, Chicago, Indianapolis and the metropolitan Washington, D.C., area.

Amazon has asked for sessions on education and talent, plus visits to the sites it is considering, all within a strict time frame of two days. The rest is up to local officials. As a result, officials of candidate cities are scrutinizing the company's business practices to concoct the perfect 48-hour-or-less-visit that could win over Amazon.

Details of the visits are scarce. Amazon, which has said it plans to announce the winning suitor later this year, has advised HQ2 candidates to keep this phase private.

Still, people familiar with the visits describe whirlwind trips with Amazon's economic-development team. Led by Holly Sullivan, it examines data such as the SAT scores of local high-school students and asks probing questions regarding how much talent Amazon can attract.

Municipal officials said that while Amazon has some of the



Amazon has some trappings of a hot tech company, such as free bananas at its Seattle campus.

quirky features of a hotshot technology company—it lets employees bring thousands of dogs to its Seattle campus and gives out free bananas at two campus stands—it doesn't offer many of the other trappings associated with working at a tech giant, such as free meals. Amazon is "a frugal-ass company," said a city official working to win the project.

So, many cities are nixing the fancy hotels, private planes and small gifts that are typical core aspects of a traditional site visit, said people familiar with the matter. "We were concerned that if we went over the top, it would push them away," said a person involved in one visit.

Instead, they are bringing in university officials, younger people and professionals who can speak to talent and growth in the area. Officials are adding visits to trendier neighborhoods to highlight the draw for younger employees. And cities have even ferried Amazon executives around by bicycle and boat.

"Amazon is working with each HQ2 candidate city to dive deeper on their proposals and share additional information about the company's plans," an Amazon spokesman said in a written statement. The spokesman confirmed site visits were taking place.

A few of Amazon's desires are crystallizing, some of the people said. The company appears to be leaning toward a more urban site. It also wants to come to a city prepared to handle the company's growth and the influx of highly paid employees.

"They believe there is no American city that can provide for all their needs," said the person involved in a site visit.

Another person said the company expects to have to compromise no matter which location it selects.

Some cities are offering financial incentives. New Jersey and the city of Newark have offered a package valued at \$7 billion, while Maryland—where Amazon is considering a location in Montgomery

County—has put \$5 billion on the table.

In the past, cities have become creative to attract or retain a coveted company. To try to keep JetBlue Airways Corp. based in New York, the city's economic-development corporation did its research. Officials found out the company hosted softball tournaments, so they specifically pitched the airline on a location near a field.

City and state officials also worked out a joint deal offering JetBlue co-branding rights to the slogan "JetBlue, New York's Hometown Airline"—something that helped seal the deal.

Washington, D.C., might have a leg up, having already hosted Amazon Chief Executive Jeff Bezos for visits when he considered acquiring the Washington Post, which he now owns. Mr. Bezos also purchased the former Textile Museum in Washington for \$23 million in 2016 and is turning it into a private residence.

—Keiko Morris contributed to this article.

# Senators Seek Information From Cancer Drug's Maker

By PETER LOFTUS

Three U.S. senators are seeking more information from a Florida company that has steadily increased the price of a 40-year-old cancer drug, lomustine, in recent years.

Sens. Susan Collins (R., Maine), Claire McCaskill (D., Mo.) and Catherine Cortez Masto (D., Nev.) sent a letter dated March 22 to **Tri-Source Pharma** LLC Chief Executive Robert DiCresci, saying, "We would like to better understand the factors contributing to the rising cost of lomustine."

Mr. DiCresci also is CEO of NextSource Biotechnology, the Tri-Source unit that markets the drug under the brand name Gleostine.

The letter asks for company documents and information since 2011 about sales, profits

and expenses for the drug and any documents that the company may have provided in response to requests from other government entities.

A spokesman for NextSource said it would honor the Senate committee's request for more information.

NextSource boosted the price again by 20% in February to about \$922 per capsule, according to price-data tracker Elsevier. NextSource previously said it based the price of lomustine on product-development costs, regulatory-agency fees and the benefit the treatment delivers to patients.

After the February price increase, NextSource said it was expanding a patient-assistance program to provide the drug free or at a reduced cost to patients with financial hardship, regardless of insurance status.

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## TECHNOLOGY

# Startups Give Livestock Fencing a Jolt

Electric collars track, guide movement of cattle, other animals; welfare fears raised

By MIKE CHERNEY

The fences that crisscross the vast ranches of the U.S. and Australian Outback seem like an unlikely candidate for tech disruption.

But several startups are betting that high-tech collars for cattle, goats and other livestock could render the fences obsolete, enabling farmers to round up animals more easily than they do now with workers, dogs and even helicopters.

Virtual-fencing startups on at least three continents are looking to sell the collars, which track an animal's location and use audio signals and mild electric shocks to direct movement. The companies say their products could make shifting a herd as easy as drawing a line on a smartphone app.

Dutch bank Rabobank, New Zealand fencing company **Gallagher Group** Ltd. and U.S. venture-capital firms **Promus Ventures** and **Eniac Ventures** have invested in some startups that see an opportunity in the billion-plus global cattle population. In the U.S., farmers were expected to spend over \$300 million on agricultural fencing last year, according to research firm IBISWorld.

"The potential of it would be absolutely huge," said Boyd Macdonald, general manager at Lone Star Farms, which hasn't been involved in testing the collars and has some 6,000 cattle on several properties in New Zealand. "It would give us so much more control of our pastures, of our animals."

The collars, however, pose a technical challenge and could face scrutiny from regulators. Solar-powered batteries used in the collars need to be long-lasting, a crucial necessity on big farms—many of which



**Agersens's collar emits a sound to keep an animal away from a virtual fence. A shock follows if the animal still approaches the fence.**

sprawl over 90 square miles in parts of Northern Australia—where ranchers might not see their animals for months. Farmers need confidence the units won't malfunction, while ranches might require an internet or mobile-phone connection—a difficulty in some remote areas.

Some animal-welfare groups have expressed concerns over similar systems that include shock collars with invisible boundaries. People for the Ethical Treatment of Animals has said it opposes these systems for dogs, arguing the devices can cause "severe anxiety and lead to psychological problems in some animals."

The companies working on the livestock collars contend their products are safe.

Australia-based **Agersens** said farmers who purchase its cattle collars—priced at as

much as US\$155 each—can recoup their investment within two years. Agersens has met its first-year goal of selling 5,000 collars and plans to start installing them in April. Ian Reilly, the company's chief executive, hopes eventually to sell 50,000 annually.

Cattle learn to be guided by the collar after 24 to 48 hours of training, Agersens said. Using the Global Positioning System to record an animal's location, the collar relays that information wirelessly to a base station connected to the internet.

If an animal walks near a virtual fence, the collar emits a sound to keep it away. If it still approaches the fence, an electric shock is delivered.

After two or three times, according to Agersens, the animal learns to associate the sound with the shock and will change course.

By using the collars, a farmer could in theory more efficiently control where cattle graze, allowing grasses to recover and boosting productivity. Bulls and heifers could be

Reilly said there are regulatory barriers in some Australian states to the collars—such as limiting their use to trial projects—though Agersens is discussing them with authorities. The company isn't aware of any barriers in the U.S. and Canada, he said.

*A farmer could in theory use the collars to better control where cattle graze.*

moved together for breeding, while animals could be kept out of environmentally sensitive areas.

Other startups working on similar products include **Vence Corp.** in California, **Halter Ltd.** in New Zealand and **Nofence AS** in Norway. One challenge is ensuring the products will be legal. Mr.

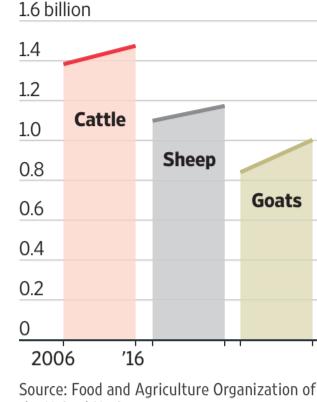
In Norway, where Nofence this year sold the latest version of its goat collar, concerns about animal welfare prompted the Norwegian Food Safety Authority to commission a review of electric devices for livestock. The study, published in December, said collars could be more stressful for livestock—in the learning phase—than electric fences and therefore avoid it.

Nofence said it has "proper scientific documentation that the product has no animal welfare issues," including research from a Norwegian uni-

## Round 'Em Up

Livestock numbers have increased over a decade, offering an opportunity for ag-tech startups.

### Global livestock



Source: Food and Agriculture Organization of the United Nations

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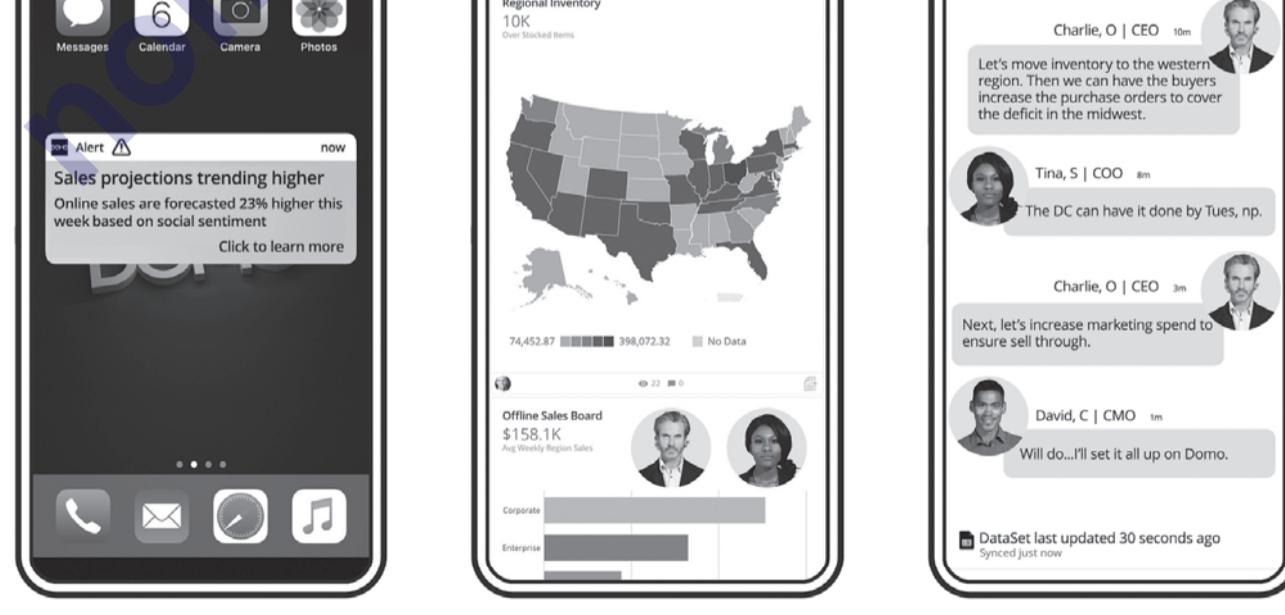
versity professor. The food-safety regulator now considers Nofence to be legal in Norway, according to a representative, who didn't say what had changed since the December study. At Agersens, Mr. Reilly said two of the 30 employees are animal-welfare scientists.

Still, some farmers are likely to take a pass. At Redleaf Farm, more than an hour's drive from Sydney, Katrina Sparke said she is worried about the poor internet connection. An outage, she said, would make her unable to fully control her cattle.

"Constantly rearranging their boundaries that they can't physically see would be quite stressful on the animal," said Ms. Sparke, who looks after 30 cattle as well as other animals. "Happy animals and more-relaxed animals definitely grow better."

Matthew Pryor, an Australia-based ag-tech entrepreneur who said he isn't involved in any virtual-fencing business, said the startups need to convince farmers that monitoring individual animals is better than other approaches, including using robots to muster cattle.

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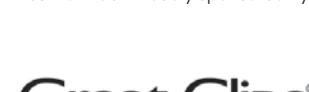
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## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**23644.19** ▼458.92, or 1.90%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.97 21.07  
P/E estimate \* 16.24 17.72  
Dividend yield 2.25 2.36  
All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

Dec. Jan. Feb. Mar. 21500

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2581.88** ▼58.99, or 2.23%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.51 24.75  
P/E estimate \* 16.85 18.28  
Dividend yield 1.95 1.97  
All-time high 2872.87, 01/26/18



Dec. Jan. Feb. Mar. 2450

## Nasdaq Composite Index

**6870.12** ▼193.33, or 2.74%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.21 25.97  
P/E estimate \* 19.97 20.38  
Dividend yield 1.04 1.11  
All-time high 7588.32, 03/12/18



Dec. Jan. Feb. Mar. 6300

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	YTD	% chg	3-yr. ann.
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Dow Jones	24123.80	23344.52	<b>23644.19</b>	-458.92	-1.90	26616.71	20404.49	14.5	-4.3	10.0	
Industrial Average	10428.00	10084.58	<b>10190.57</b>	-205.99	-1.98	11373.38	8783.74	12.2	-4.0	5.8	
Transportation Avg	696.62	682.10	<b>686.98</b>	-5.65	-0.82	774.47	647.90	-1.5	-5.0	5.2	
Utility Average	27352.29	26497.33	<b>26766.27</b>	-616.75	-2.25	29630.47	24125.20	9.5	-3.3	7.2	
Total Stock Market	711.13	689.38	<b>695.02</b>	-16.57	-2.33	757.37	610.89	11.8	-2.2	6.8	
Barron's 400											

Nasdaq Stock Market	7044.71	6805.96	<b>6870.12</b>	-193.33	-2.74	7588.32	5805.15	16.5	-0.5	12.0	
Nasdaq 100	6560.96	6322.60	<b>6390.84</b>	-190.29	-2.89	7131.12	5353.59	17.6	-0.1	14.0	

S&P	2638.30	2553.80	<b>2581.88</b>	-58.99	-2.23	2872.87	2328.95	9.5	-3.4	7.7	
500 Index	1877.61	1821.29	<b>1835.31</b>	-43.46	-2.31	1995.23	1681.04	7.4	-3.4	6.4	
MidCap 400	937.76	911.10	<b>917.24</b>	-21.22	-2.26	979.57	815.62	10.7	-2.0	8.3	

Other Indexes	1529.14	1482.90	<b>1492.53</b>	-36.90	-2.41	1610.71	1345.24	9.0	-2.8	5.9	
NYSE Composite	12441.85	12107.72	<b>12216.71</b>	-235.35	-1.89	13637.02	11324.53	6.6	-4.6	3.7	
Value Line	546.67	530.56	<b>534.54</b>	-12.13	-2.22	589.69	503.24	3.6	-4.9	1.4	
NYSE Arca Biotech	4449.42	4246.67	<b>4284.55</b>	-219.68	-4.88	4939.86	3449.61	21.8	1.5	2.9	
NYSE Arca Pharma	528.34	513.91	<b>517.47</b>	-11.49	-2.17	593.12	498.46	1.7	-5.0	-3.1	
KWB Bank	106.78	102.77	<b>104.35</b>	-2.15	-2.01	116.52	88.02	13.6	-2.2	12.9	
PHLX® Gold/Silver	82.69	81.58	<b>82.01</b>	0.89	1.10	93.26	76.42	-3.9	-3.8	6.5	
PHLX® Oil Service	135.31	129.67	<b>132.13</b>	-3.56	-2.63	171.55	117.79	-21.3	-11.7	-12.1	
PHLX® Semiconductor	1326.09	1265.25	<b>1277.01</b>	-51.89	-3.90	1445.90	960.01	27.0	1.9	22.8	
Cboe Volatility	25.72	20.44	<b>23.62</b>	3.65	18.28	37.32	9.14	90.8	113.9	17.2	

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	27,536.5	257.81	0.34	0.13	263.42	255.60	
Energy Transfer Equity	ETE	19,337.5	14.25	0.08	0.56	14.25	14.09	
Enterprise Pdts Partners	EPD	16,888.6	24.49	...	unch.	24.49	24.34	
Energy Transfer Partners	ETP	11,648.1	16.05	-0.10	-0.62	16.15	16.05	
KKR	KKR	9,724.2	19.89	...	unch.	19.95	19.89	
Blackstone Group	BX	8,796.5	31.37	-0.10	-0.32	32.01	31.36	
MPLX	MPLX	5,959.1	32.66	...	unch.	32.66	32.65	
Plains All Amer Pipeline	PAA	5,198.2	21.44	...	unch.	21.64	21.44	

## Percentage gainers...

US Foods Holding	USFD	140.3	32.74	0.72	2.24	32.74	32.02
Range Resources	RRC	113.7	13.95	0.21	1.53	13.95	13.73
Ally Financial	ALLY	150.1	26.77	0.35	1.33	26.77	26.40
Kinder Morgan	KMI	323.5	15.09	0.19	1.28	15.09	14.85
Sprint Corp.	S	248.0	4.91	0.06	1.24	4.91	4.85

## ...And losers

Switch Cl
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# COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

## Futures Contracts

### Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs; \$ per lb.	Contract	Open					
Open	High	hi lo	Low	Settle	Chg	interest	
April 3,0450	3,0610		3,0325	3,0405	0,0215	2,415	
May 3,0480	3,0725		3,0370	3,0500	0,0245	147,163	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.							
April 1327.00	1344.20		1324.70	1342.10	19.30	2,629	
June 1330.70	1349.20		1329.00	1346.90	19.60	374,794	
Aug 1336.30	1355.10		1335.10	1352.90	19.60	53,604	
Oct 1346.20	1360.00		1345.00	1359.00	19.70	7,363	
Dec 1348.70	1367.50		1348.70	1365.40	19.60	47,584	
Feb'19 1359.40	1373.20		1359.40	1371.80	19.70	2,561	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.							
June 944.85	952.70		924.30	927.50	-16.30	22,253	
Sept 944.10	947.00		921.35	923.05	-15.60	1,400	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.							
April 934.30	936.20		930.00	930.70	3.40	214	
July 936.10	944.50		935.00	936.50	3.90	73,102	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.							
April 16,470	16,580		16,470	16,627	0.404	350	
May 16,300	16,680		16,300	16,672	0.404	153,449	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls; \$ per bbl.							
May 65.04	65.42		62.80	63.01	-1.93	490,954	
June 64.96	65.35		62.80	62.99	-1.88	358,615	
July 64.66	65.03		62.53	62.72	-1.82	163,644	
Sept 63.53	63.95		61.55	61.75	-1.73	179,544	
Dec 61.94	62.36		60.12	60.33	-1.58	260,059	
Dec'19 57.42	57.69		55.88	56.14	-1.23	137,544	
<b>NY Harbor USLD (NYM)</b> -42,000 gal.; \$ per gal.							
May 2,0283	2,0415		1,9779	1,9802	-0.408	134,825	
June 2,0256	2,0386		1,9758	1,9777	-0.413	78,706	
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.							
May 2,0259	2,0331		1,9629	1,9661	-0.545	162,803	
June 2,0305	2,0378		1,9685	1,9714	-0.536	75,658	

### Natural Gas (NYM)

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
May	2,737	2,759	2,650	2,683	-0.050	395,202		
June	2,780	2,802	2,698	2,732	-0.046	99,107		
July	2,834	2,853	2,751	2,787	-0.039	159,037		
Sept	2,837	2,855	2,758	2,794	-0.039	103,712		
Oct	2,850	2,869	2,772	2,808	-0.038	132,416		
Jan'19	3,096	3,113	3,035	3,067	-0.028	72,178		

### Agriculture Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.								
May	389.25	392.50	387.00	387.25	-0.50	598,409		
July	397.25	401.00	395.50	395.75	-0.50	507,035		
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.								
May	226.50	233.00	226.50	231.75	10.00	4,492		
July	235.75	241.75	235.75	241.00	7.25	1,514		
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.								
May	1045.25	1060.50	1035.25	1050.50	-9.25	344,891		
July	1056.00	1071.25	1046.25	1046.25	-9.25	257,000		
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.								
May	384.00	389.70	377.00	377.30	-6.70	185,298		
July	386.30	392.10	380.10	380.40	-5.90	126,886		
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.								
May	32.03	32.24	31.90	32.04	.17	224,146		
July	32.22	32.50	32.17	32.30	.17	129,061		
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.								
May	1237.50	1246.00	1227.50	1231.00	-4.50	5,422		
July	1253.00	1255.00	1245.50	1248.00	-4.50	1,561		
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.								
May	454.25	457.25	445.75	446.25	-4.75	224,406		
July	473.00	474.00	463.00	463.50	-5.00	139,410		
<b>Wheat (KC)</b> -5,000 bu.; cents per bu.								
May	473.50	476.25	466.75	467.50	.25	105,820		
July	497.75	497.75	486.00	486.75	.50	87,026		
<b>Wheat (MPLS)</b> -5,000 bu.; cents per bu.								
May	580.25	583.50	572.50	573.50	-5.00	30,947		
July	589.00	592.50	581.50	582.50	-4.00	14,266		

## Cash Prices | WSJ.com/commodities

Monday, April 02, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

### Monday

#### Energy

	(U.S.\$ equivalent)	Closed	Monday
Propane,tet,Mont Belvieu-g	0.7731		
Butane,normal/Mont Belvieu-g	0.8651		
NaturalGas,HenryHub-g	2.720		
NaturalGas,TranscoZone3-i	2.630		
NaturalGas,TranscoZone6Ny-i	2.750		
NaturalGas,PanhandleEast-i	2.290		
NaturalGas,Opa <i>n</i> 1.950			
NaturalGas,MarcellusNE PA-i	2.330		
NaturalGas,HaynesvilleLA-i	2.570		
Coal,Capc,12500Btu12S02-rw	63,000		
Coal,PwdrRvrBsn,8800Btu,0.8S02-rw	12,400		

#### Metals

	Closed	Monday
Coins,wholesale \$1,000 face-a	12276	
LBMA Platinum Price PM	*Closed	
Platinum,Engelhard Industrial	940.0	
Platinum,Engelhard fabricated	1040.0	



## BANKING &amp; FINANCE

# Startup's Founder Is Accused of Fraud

**SEC says Michael Liberty stole millions from fintech Mozido to fund lavish lifestyle**

BY PETER RUDEGEAIR  
AND ROB COPELAND

Like so many startups, the financial-technology firm **Mozido Inc.** hyped its prospects in grand terms.

Mozido founder Michael Liberty in 2010 claimed that new products would generate billions of dollars of revenue and two years later said the company was worth over \$100 billion, according to regulators. That year, regulators say, his partner also told investors "there is no risk," and that committing more money was the "biggest no brainer in the history of the universe."

The Securities and Exchange Commission now alleges that Mr. Liberty was engaged in a brazen fraud. He looted Mozido of tens of millions of dollars to pay for chartered flights, a dairy cow farm and a movie produced by his then-girlfriend, according to charges filed in U.S. District Court in Maine.

The SEC outlined a years-long pattern of deceit by Mr. Liberty, a former real-estate magnate who formed Austin, Texas-based Mozido in 2008 to develop technology for consumers to make payments without bank accounts.

Mr. Liberty and his associates "tricked investors into believing that they were funding fast-growing startup compa-



Michael Liberty, center, used looted funds to pay for flights and a dairy-cow farm, the regulator said.

ing to the SEC, was later shifted among shell companies as the company unraveled. A spokesman for Mr. Robertson declined comment, and a Mastercard representative had no immediate comment.

In one instance, when Mr. Liberty claimed the company was worth over \$100 billion, Mozido's internal valuation pegged the true figure at \$8 million, with less than \$68,000 in cash on hand, the SEC said. In another, an associate assured investors that Mozido was approaching "world-wide profitability" despite the fact that Mozido was about to default on \$45 million in loans and that its creditors were talking about forcing the company into bankruptcy.

Even the staff's identity was part of the ruse, the SEC alleged. One of Mr. Liberty's associates communicated with backers from an email address identifying him as a "partner/advisor" to Mozido even though he had no affiliation with the company and was merely a friend of Mr. Liberty's cousin, the SEC said.

Mr. Liberty has been in regulatory crosshairs before. In 2006, the SEC accused him and others of engaging in a "fraudulent scheme to misappropriate more than \$9 million" from a Philadelphia-based venture-capital fund and its investors.

Mr. Liberty didn't admit wrongdoing but in 2010 agreed to give back some of his profits. The SEC now alleges that Mr. Liberty used Mozido funds to pay part of that penalty.

One of the investors con-

vinced by Mr. Liberty's Mozido pitch was Wellington Management and its one-time hedge-fund star, Nick Adams. The manager was the subject of a Wall Street Journal article last year after he apologized to his investors and agreed to refund some of his fees connected to long-shot technology bets.

In November 2013, Mr. Adams directed Wellington to invest millions in Mozido. He told Wellington clients shortly after that he was optimistic on Mozido's international expansions, and expected the company to raise more money that would cause Wellington's stake to rise in value, investors say.

Wellington increased its own estimation of Mozido's worth nearly threefold in the 18 months following Mr. Adams's initial investment, according to investor materials reviewed by The Wall Street Journal. A Wellington spokeswoman declined to comment.

The SEC didn't name any Mozido investors in its complaint Monday but said investors and Mozido insiders earlier threatened to sue Mr. Liberty for "egregious acts of corporate malfeasance," among other allegations. Some \$15 million of "institutional investor" money Mozido raised in late 2013 went toward settling that matter, according to the SEC.

Mr. Liberty and his associates "lied to those investors about the financial prospects of the startups, the use of their investment dollars, Liberty's involvement with the startups, and the nature of the investments offered," the SEC said.

nies. They were not," the SEC said.

Attorneys for Mr. Liberty said in an email that he will "deny most of the substantive allegations" made by the SEC.

"The SEC has unfairly targeted him with regard to this investigation for over six years," said the attorneys, Jay Dubow and Richard Zack. "It has contacted investors, customers, financial institutions and others, resulting in the loss by Mr. Liberty and Mozido, a corporation of which he is a substantial shareholder, of a number of business opportunities."

Attorneys for four other co-defendants either declined to comment or didn't respond to

requests for comment. A spokesperson for Mozido, which wasn't named as a defendant in the SEC's complaint, couldn't be reached for comment.

The allegations represent one of the largest alleged frauds in a startup boom now approaching its second decade. A horde of new companies are looking to capitalize on the fast-growing financial-technology, or fintech, sector. Investors have committed billions of dollars to private fintech companies like Mozido, hopeful that the companies would upend traditional banking, finance and payments businesses or expand them.

Mozido's focus was provid-

ing mobile wallets and other payments products to roughly two billion people globally who lack bank accounts. The company was an active acquirer of other fintech companies, including one that made technology for small businesses to cash checks in their physical stores and another that made it easier for foreign merchants operating in China to accept payments online.

Mr. Liberty, 57 years old, persuaded sophisticated investors including asset-management giant **Wellington Management Co.**, hedge-fund titan Julian Robertson and **Mastercard Inc.** to pour hundreds of millions of dollars in total into Mozido. That money, accord-

ing to the SEC, was later shifted among shell companies as the company unraveled. A spokesman for Mr. Robertson declined comment, and a Mastercard representative had no immediate comment.

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Companies such as **Kraft Heinz Co.** and **Xerox Corp.** are seeing reductions in their operating cash flow and free cash flow because of a new accounting rule now taking effect, according to a report last week from Zion Research Group. The rule indicates some cash that companies get from selling trade receivables should be moved out of operating cash flow and into a different section of the cash-flow statement that isn't used to measure corporate performance.

Total cash flow from all sources remains the same. But many investors use operating cash flow and free cash flow to gauge a company's health and its ability to do such things as pay dividends.

Anything that changes those

measures could change investors' perceptions of a company and, in turn, its value. The rule could force investors to take extra steps to ensure they are getting a fair picture of performance and might prompt companies to change some of their practices as well.

"It's something to look at under the spotlight," said Janet Pegg, a Zion research analyst. Other companies will be affected also, she said, and investors should ensure they are

looking at a company's cash-flow numbers in the proper light, adjusting them if necessary and making sure they are comparable with competitors.

The new rule from the Financial Accounting Standards Board, which sets accounting rules for U.S. companies, covers several different changes to how cash flow is reported, but the Zion report focuses on only one: What happens when companies securitize their trade receivables, or money

that is owed to a company for products it has sold but that it hasn't yet collected.

Creating and selling those securities lets a company monetize those receivables more quickly and relieves it of the risk that its creditors won't pay.

In exchange, the company receives cash plus a "beneficial interest" giving it a share of the collections on the receivables.

In the past, companies have classified both the cash and the collections on the beneficial interest as cash flow from operations. That is as opposed to other types of cash flow, financing or investing cash flow.

That is important; operating cash flow and free cash flow, or operating cash minus capital expenditures, are the cash-flow measures typically used to assess a business's health.

But the FASB's new rule indicates beneficial interests are effectively investments—so cash from collections on the

receivables under those circumstances will now go into investing cash flow instead.

At some companies, that means large amounts shifting out of operating cash flow and into investing cash flow.

At Kraft Heinz, the new rule knocked \$2.29 billion off its 2017 operating cash flow, the Zion report notes, reducing it to \$527 million. Xerox's 2017 operating cash flow was reduced by \$234 million, erasing all of its cash flow from operations.

Kraft Heinz declined to comment. Xerox said it has disclosed the impact of the change and has factored it into its 2018 cash-flow guidance.

Some companies also have indicated they will end or modify their securitizations of receivables, Ms. Pegg said.

Others could start reporting "adjusted" measures of operating cash flow that add back in the amounts being switched to investing cash flow.

Overstock.com Inc. pulled its secondary stock offering, citing market conditions, after shares had fallen 9.4% Monday, the latest slump for a stock down more than 60% this year alone.

"Given the market volatility and price, we are terminating the offering," Overstock President Saum Noursalehi said.

Mr. Noursalehi said the company was pleased with the level of interest, but added that it was envisioned as an "opportunistic financing."

Overstock's shares finished Monday down \$3.40, at \$32.85, and traded at a session low of \$32.15 an hour after the market opened. Overstock said it was pulling the offer in the last hour of trading Monday.

Since trading at a record \$86.90 on Jan. 8, shares have plummeted 62%, including several sharp selloffs recently.

The declines are part of a broader dose of skepticism investors are applying to technology-company shares in general and those tied to cryptocurrencies in particular. After a sharp rally in 2017, the virtual currency bitcoin skidded 49% in the first quarter.

For Overstock, which has been emphasizing its ties to cryptocurrency assets and the blockchain technology associated with them, shares dropped 10% on March 1, after the company acknowledged that it had received a subpoena from the Securities and Exchange Commission related to its tZero token offering.

A company creates a virtual coin or token and offers it for public sale to raise funds.

The shares dropped as much as 15% on March 15, when the company reported a surprisingly weak fourth-quarter earnings report and full-year loss.

They also dropped 10% last week, when the company first announced the secondary offering.

The offering was sold as one of the strategic options the company had been exploring.

With retail revenue down and cryptocurrency-related investments leading to losses, the company hired **Guggenheim Securities** to explore its options, one of them being a sale of the e-commerce business.

Rather than that, though, the company announced the now-pulled stock offering.

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Rather than that, though

## MARKETS

# Stocks Begin Quarter With a Drop

Selling spreads further than just tech shares; Nasdaq is negative for the year again

BY AKANE OTANI  
AND KOSAKU NARIOKA

U.S. stocks tumbled on the first day of the second quarter, as sliding technology shares and rising global trade tensions dragged major indexes lower.

Stocks began the day on a downbeat note, with technology shares in Asia coming under pressure after a fresh string of negative news hit many of the industry's leading companies.

The losses then carried through to the U.S., where all 70 stocks in the S&P 500 technology sector ended lower for the day.

**MONDAY'S MARKETS** Amazon.com shed \$75.35, or 5.2%, to \$1371.99, Tesla slipped 13.65, or 5.1%, to 252.48, and Facebook fell 4.40, or 2.8%, to 155.39, deepening its decline after its biggest percentage loss for a quarter since 2016.

The selling spread beyond companies whose businesses have come under scrutiny in recent weeks, with online retailer eBay losing 88 cents, or 2.2%, to 39.36, and Mastercard falling 3.56, or 2%, to 171.60.

Monday's moves added to what has been a rough patch for the stock market, which has struggled for traction this year as investors have grappled with rising interest rates, weakness in technology shares and rising global tensions.

The Dow Jones Industrial Average ended down 458.92 points, or 1.9%, to 23644.19, after falling as much as 758 points earlier in the session and after logging its biggest quarterly loss in more than two years.

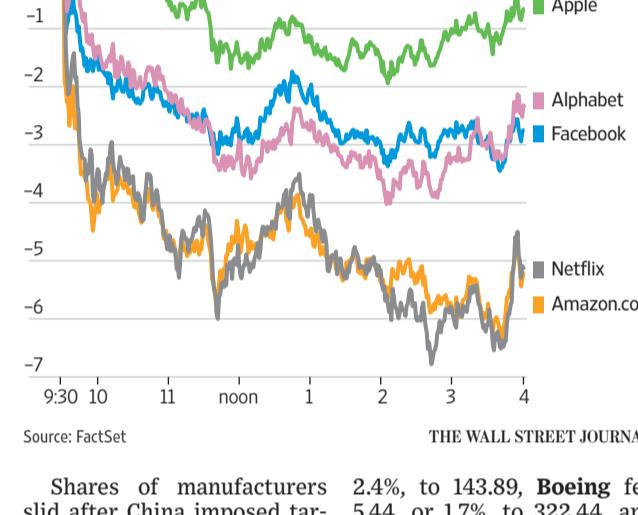
The S&P 500 lost 58.99 points, or 2.2%, to 2581.88, and the Nasdaq Composite declined 193.33 points, or 2.7%, to 6870.12, re-entering negative territory for the year.



Shares of manufacturers fell after China imposed tariffs on some U.S. agricultural goods. Farm-machinery maker Deere dropped 2.3%.

## Selloff

Share-price performance on Monday



Shares of manufacturers slid after China imposed tariffs on a range of U.S. agricultural goods, following through on a promise to retaliate against the Trump administration's penalties on imports of Chinese steel and aluminum. Caterpillar lost 3.49, or

2.4%, to 143.89, Boeing fell 5.44, or 1.7%, to 322.44, and farm-machinery maker Deere shed 3.50, or 2.3%, to 151.82.

Many investors fear a significant tightening of trade policies could crimp global growth, raising costs for companies and chipping away at

their earnings. "Global free trade has helped fuel a lot of the gains we've seen in this recovery. I worry about the increasingly negative sentiment toward global growth and trade, not just in the U.S. but across borders," said Burns McKinney, portfolio manager at Allianz Global Investors.

Still, for now, estimates suggest that the strengthening global economy and gains from a \$1.5 trillion tax-cut package will help corporate earnings keep growing—something that investors say should help fuel further stock gains.

S&P 500 earnings are expected to grow 17% in the first quarter from the year-earlier period, according to FactSet, building on gains that helped propel the index in the fourth quarter to its fastest pace of earnings growth since 2011.

Elsewhere, European markets remained closed for the Easter holiday, while lingering concerns about the technology sector broadly weighed on indexes across Asia. Early Tuesday, Japan's Nikkei Stock Average was down 1.1%, while

South Korea's Kospi and Hong Kong's Hang Seng Index were each down about 0.5%.

"It's more a political concern regarding Trump now. And investors are unclear about how the situation will pan out," said Takashi Hiroki, chief strategist at online brokerage Monex Securities, flagging investors' concerns over the U.S. tech sector and regulation.

Analysts and fund managers say political concerns are difficult to factor in, and they don't rule out a renewed flare-up of tensions or movements in coming weeks.

## AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

### 13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$138,196,904,900	\$130,166,845,900
Accepted bids	\$48,000,442,900	\$42,000,398,400
*noncomp	\$665,422,500	\$660,395,600
*foreign noncomp	\$0	\$1,000,000,000
Auction price (rate)	99.560167	99.036917
(L1740%)	(L1905%)	
Coupon equivalent	1.772%	1.950%
Bids at clearing yield accepted	51.9%	56.65%
Cusip number	912796PN3	912796Q88

Both issues are dated April 5, 2018. The 13-week bills mature on July 5, 2018; the 26-week bills mature on Oct. 4, 2018.

# Investors Seeking Havens Lift Dollar

BY IRA IOSEBASHVILI

The dollar crept higher against a broad range of currencies Monday, as a sharp drop in equities sent investors into haven assets.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, was up less than

0.1% at 83.76 in late afternoon New York trading.

Sliding technology shares and rising global trade tensions put pressure on major indexes, with the S&P 500 down 2.2%. The steep decline benefited assets that tend to draw buying when markets turn rocky, such as the dollar, Japanese yen and gold.

The dollar was down 0.3% against the yen at ¥105.91. The euro fell 0.2% to \$1.2303.

Haven buying in recent weeks has helped stem a dollar decline that left the U.S. currency with a 2.6% loss in the first quarter. The WSJ Dollar Index is down 7.3% over the past 12 months.

Investors on Monday also pulled back bets on emerging-market currencies, which some view as comparatively risky. The dollar was up 0.3% against the Mexican peso at 18.23, while also gaining against the Russian ruble, South African rand and other currencies.

Generally, there is "marked erosion of the bullish emerging-market sentiment that prevailed at the end of last year [and] early this year," analysts at Société Générale said in a note to clients.

Investors' key concerns are trade conflicts between the U.S. and other countries and higher interest rates in the U.S., the report said.

Approximately 20% of the bank's clients are bearish on emerging markets, compared with nearly unanimous bullishness late last year, Société Générale said.

# Treasury, Banks Talk Trade-Data Disclosure

BY AMRITH RAMKUMAR

A metal used in the rechargeable batteries that power iPhones and electric cars is one of this year's best-performing assets, surging more than 20% and outpacing other commodities.

Cobalt prices have extended a record run with demand forecasts holding steady and the supply outlook looking uncertain because of the Democratic Republic of Congo's dominance as a source of the metal.

While the prospect of higher supply has slowed the momentum of metals like lithium and copper, which are also used in batteries, many investors expect cobalt consumption to continue to exceed production. Lithium prices are roughly flat this year, while copper has fallen 7.3%.

Cobalt prices have continued to climb even as some of the shares of tech companies, which need the metal for batteries and computer chips, have stumbled. The S&P 500 information-technology sector has shed 9.8% from a high in March.

Congo's new mining code has added another layer of risk for companies that extract cobalt there, analysts said. New laws scrap protections for the companies and add new, higher taxes and royalties for cobalt.

Some firms are wary of using cobalt from Congo because of concerns that some miners are children. That has prompted companies to explore other sources or seek ethically sourced cobalt.

But the prospect of higher supply is still likely years away, industry executives say, as fully substituting other metals for cobalt is a lengthy process. London Metal Exchange prices for physically deliverable metal last week hit \$94,750 a ton.

"At the moment, there is no real way to get away from co-



A warehouse holding cobalt in the Netherlands. Cobalt has climbed more than 20% this year amid an uncertain supply outlook.

balt," said Simona Gambarini, commodities economist at research firm Capital Economics. "Investors have jumped in and tried to take advantage."

The metal nearing \$100,000 also may be a sign more investors in Europe and North America are paying attention to cobalt. China is already the most prominent player in the battery market.

Analysts expect cobalt trading to pick up after the LME's cash-settled cobalt sulfate contract goes live. The exchange has said it could start as soon as the start of next year.

Cobalt prices may be getting a boost from projections that the global economy will expand this year at its fastest pace since 2011.

With cobalt, some say the market won't have the metal it needs until new projects outside Congo start producing it.

"Until these [junior miners]

fill that gap or the bigger players move into my space, it's going to take some time to

play catch-up," said Trent Mell, chief executive of First Cobalt Corp., an exploration firm based in Toronto.

About 60% of mined cobalt comes from Congo, and BMO Capital Markets analysts expect it to account for roughly 85% of industry supply growth in the next five years.

Some investors are cautious about cobalt given the lack of easily accessible investment options and the rapid price run-up. Cobalt prices have nearly tripled since the start of 2017.

Others note that even a small slowdown in the adoption rate of electric vehicles or a change in China's subsidy policies for the vehicles could cause prices to reverse.

But many analysts think the shortage of physical cobalt will continue to dictate moves in the market.

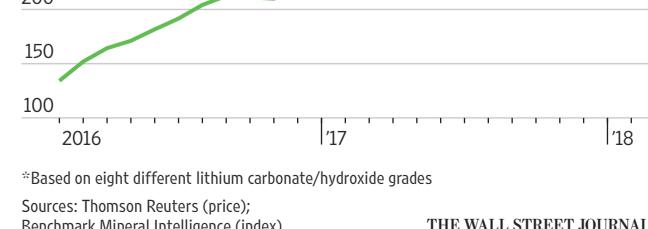
"More than anything it's being driven by a fundamental lack of metal," said George Heppel, an analyst at commodity research firm CRU.

## Juiced Up

A new Congo mining code has propelled cobalt toward \$100,000.



Lithium prices fell in February with some investors worried about the impact of higher supply.



\*Based on eight different lithium carbonate/hydroxide grades

## MARKETS

## Foreign Demand Curbs Treasury Yields

BY DANIEL KRUGER

A surge in demand for U.S. government debt from foreign investors is providing a bulwark against a further rise in Treasury yields.

Foreign investors in February bought their largest share of Treasury notes and bonds in U.S. government debt auctions since May 2016, according to Treasury Department data. Those purchases continued even while Treasury yields, which rise as bond prices fall, were climbing to multiyear highs. Yields have climbed as the U.S. ramped up bond sales to fund tax cuts and increased government spending, boosting the supply of debt, even as some investors bet such policies would lift growth and inflation, hurting the value of bonds.

The yield on the benchmark 10-year U.S. Treasury note closed at 2.732% Monday, compared with 2.741% Thursday. The market was closed on Good Friday.

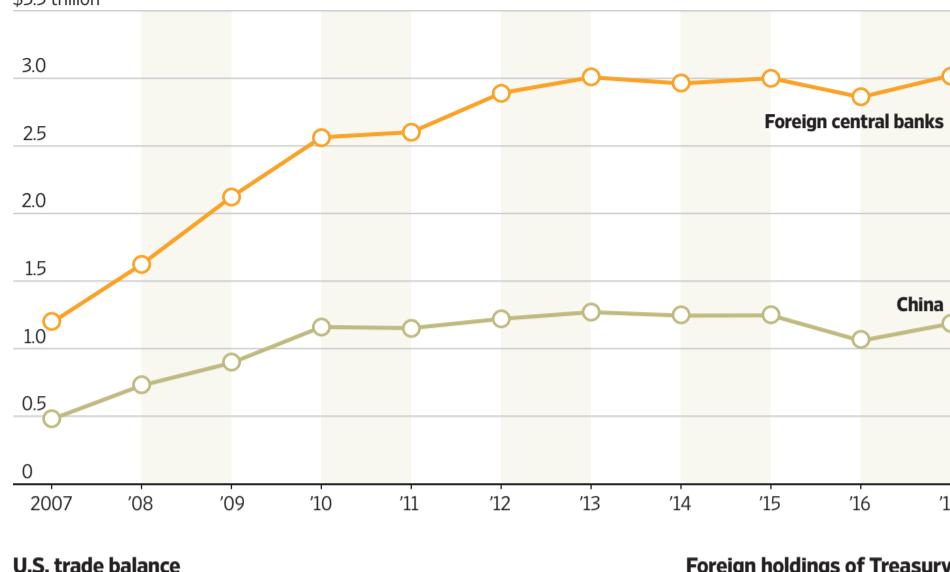
Support from overseas investors is one element that could help prevent yields from climbing much further. Their demand is important because the rise in bond yields has been among the factors spurring volatility in the stock market. Rising bond yields can hurt stocks by increasing the borrowing costs for consumers and companies, crimping earnings growth. They also can make stocks look less attractive to investors.

While foreign investors have played a key part in funding the U.S. government in recent decades, their holdings of Treasury debt fell in 2015 and 2016 as the Federal Reserve began to tighten monetary policy while other central banks bought bonds.

A number of factors could be driving the increase in foreign demand at bond auctions this year, analysts said. One is

Purchases of Treasurys by overseas investors have picked up by several measures, as a wider trade gap leads to more investment in U.S. bonds.

## Holdings of U.S. Treasurys\*



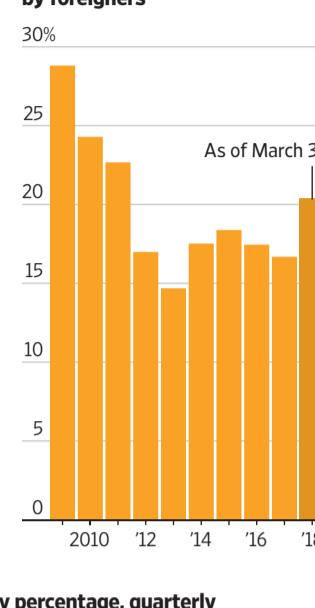
## U.S. trade balance



\*Data are for year-end. Foreign central banks include China. China includes private and official investors.

Sources: Federal Reserve (foreign central banks); Treasury Department (China, bond percentage, foreign Treasury holdings); Commerce Department (trade balance) THE WALL STREET JOURNAL.

## Percentage of Treasury bonds purchased at auction by foreigners



## Foreign holdings of Treasurys by percentage, quarterly



the weak dollar, which has led to a comparative strengthening of many emerging-market currencies. The central banks of those countries have bought Treasurys to help slow appreciation in their currencies, which could hurt their exports.

Central banks have indeed been a resurgent source of demand for U.S. government debt. The amount of Treasurys held for foreign central banks by the Federal Reserve has climbed to a record \$3.1 trillion in March, and is up 7% from a year ago, according to central-bank data. The surge has coincided with a 7.3% decline in the WSJ Dollar Index in the past 12 months.

Foreign purchases of U.S. financial assets are also, in part, a byproduct of trade deficits stemming from strong consumer activity, analysts said.

in Treasurys rather than the higher-yielding corporate bonds preferred by private investors, said Krishna Memani, chief investment officer at OppenheimerFunds Inc.

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Foreign exporters often use the dollars they accumulate through trade to buy Treasurys.

Some overseas investors have shied away from buying Treasurys because the cost to hedge the currency risk against the euro and the yen has risen with the weakness in the dollar. But some others are willing to hold dollar assets without hedging, according to analysts.

"When the dollar floats down, some central banks try to keep their currency from floating up," said Brad Setser, an economist at the Council for Foreign Relations. "Hence, there has tended to be more foreign demand for Treasurys when the dollar is weak, paradoxically."

Among the factors that could disrupt the increase in demand for Treasury debt: rising tensions over trade, particularly with China, the largest U.S. trading partner.

"If their trade balance goes down, they're going to have less dollar reserves to invest in Treasurys," said Brian Brennan, a portfolio manager at T. Rowe Price Inc. "We definitely need foreign buyers."

The U.S. government plans to borrow more money this year than ever before, raising concerns among some investors about where demand for the debt will come from.

The Treasury is increasing the amount of notes and bonds it is selling by \$42 billion in the three-month period ending April 30, and some analysts say similar increases will be needed in coming quarters to fund the U.S. budget deficit that has risen in the wake of the \$1.5 trillion federal tax package.

The last time the U.S. ramped up its borrowing, overseas investors stepped up. In a four-year period starting in June 2008, they more than doubled their holdings, snapping up \$2.5 trillion of Treasury securities.

Foreign investors don't even need to add significantly to their holdings of Treasury debt to bolster the bond market. With more than \$6 trillion of U.S. government debt held overseas, reinvesting proceeds from maturing securities into new Treasurys helps keep yields down.

## HEARD ON THE STREET

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## Stocks Don't Sink Yields On U.S. Debt

Natural gas that is super-cooled and shipped around the world may be the only big growth market for the fossil-fuels industry.

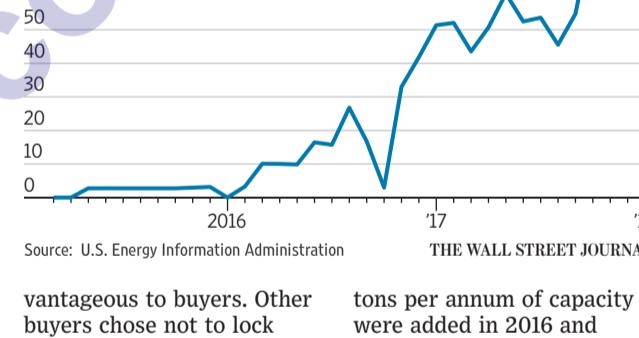
Last week, Lorenzo Simoni, chief executive of oil-field-services giant **Baker Hughes, a GE Company**, painted a bullish long-term picture. While overall fossil-fuel demand has slowed, liquefied natural gas is seen growing by 4% to 5% a year through 2040. He said the industry was surprised by how quickly demand grew last year, especially in China, and that the company sees the market getting tight by 2022.

But it already was tight six or seven years ago with Asian spot prices as high as three times today's level.

Then LNG megaprojects from offshore Australia to Qatar and Russia caused projected supply to outstrip booming demand. Partly built projects were shelved and some existing operators were forced to alter contracts on terms ad-

## Liquid Asset

U.S. exports of liquefied natural gas, monthly



vantageous to buyers. Other buyers chose not to lock themselves into 15-to-20-year contracts linked to oil prices. Now contracts are about one-third as long with more wiggle room.

That is a problem for anyone seeking to finance a new project costing billions of dollars. Analysts at HSBC point out that only 12 million

tons per annum of capacity were added in 2016 and 2017—about half the pace of 2009 through 2014 and not enough to meet projected demand. Growth in consumption just last year was 27 million tons.

One solution might be convincing banks to take on more risk, financing projects in which only half of sales

were contracted, not 70% or more. Another might be for wild-eyed equity investors to assume more risk. That is happening in the U.S., where plenty of cash seems to be pouring into facilities to export shale gas following the stunning success of pioneer **Cheniere Energy**. Yet another way to get projects running, according to the HSBC analysts, might be for oil-field-services companies like Baker Hughes to chip in some money as investors.

Given the fairly long time it takes to approve and build a project, though, the market might provide the solution by getting tight again due to lack of new capacity. Sky-high spot gas prices would then attract a wave of investment, eventually leading to the next crash in prices.

The LNG market, long a staid cousin to oil, is starting to resemble it more and more every year—for better and for worse.

—Spencer Jakab

## OVERHEARD

Lately, even the good news at **Tesla** arrives with serious strings attached.

Analysts at brokerage firm Jefferies upgraded Tesla to "hold" Monday morning, a welcome development after a brutal week for the highlyflying maker of electric vehicles.

"We consider a small possibility of Tesla releasing supportive data this week," the analysts wrote, in reference to Tesla's forthcoming report on vehicle production and delivery. The analysts also suggest a "high probability that management and the Board will take more drastic action on guidance and funding to restore credibility."

The stock fell again Monday and has shed nearly 30% of its value in less than a month, but the analysts noted they are "not quite ready to buy" at current prices.

Tesla's shares still trade at about 100 times the consensus 2019 earnings estimate, according to FactSet.

## Refiner's Bankruptcy Highlights Flawed Ethanol System

## Corn Frittered

U.S. ethanol capacity

20 billion gallons



Source: Renewable Fuels Association

industry and the American farmers that support it." The irony of that statement is impossible to miss.

The drama points to flaws in the system where the onus of ensuring that an ever-rising share of auto fuel is powered by crops falls on those who blend, market and refine petroleum.

President Donald Trump, who is warmly disposed toward both corn farmers and oil refiners, had made noises as recently as early March about fixing a system that forces some refiners such as Philadelphia Energy that can't meet ethanol standards to pay others who can through renewable identification numbers, or RINs.

The gyrating price of RINs recently have reflected shifting political bets on some reform of the system. Another is the share price of **CVR Energy** whose main share-

holder, Carl Icahn, was a special adviser to Mr. Trump. CVR, facing a similar handicap to PES, is critical of the current situation, and its share price more than tripled between Election Day and this January but has since retreated by 22%.

CVR and PES support a solution that puts the onus on the producers of ethanol to ensure compliance instead by having them certify that enough gallons are produced and to have exports of ethanol count toward the quota. A study by consulting firm Energy Ventures Analysis estimates that complying with the RFS costs \$10 billion in 2017 and that it would likely rise with higher RIN prices.

Now that many vehicles and most gas stations can't accept any more ethanol, RIN prices have periodically surged, creating a subsidy for some to sell 15% or even

85% ethanol fuel.

A compromise pushed by merchant refiners like CVR that seems to be a nonstarter with ethanol supporters would cap the price of RINs in exchange for the EPA allowing higher ethanol blends.

Tweaking the system, even if it boosts ethanol this time, might set an unhelpful precedent.

A simpler solution would be to freeze the quantity of ethanol called for under law at about 10% of the gasoline market even if supply shrinks with fuel efficiency and electric car adoption.

While that would be sound policy, farmers and ethanol producers won't like it. That, in turn, could be political suicide for Mr. Trump or any politician interested in getting votes in Iowa, the first stop to the White House.

—Spencer Jakab

Treasury yields are high relative to their overseas counterparts, and this makes them attractive to overseas investors. But other factors are putting upward pressure on Treasury yields, and over time these seem likely to outpace overseas demand. The supply of Treasurys is set to increase as the U.S. government funds its deficit and the Fed winds down its balance sheet. The job market is tight, inflation appears to be picking up, and the Fed is likely to keep raising rates.

Treasury yields will likely end the year higher than they are now. —*Justin Lahart*