

# THE WALL STREET JOURNAL.

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WEDNESDAY, APRIL 25, 2018 ~ VOL. CCLXXI NO. 96

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★★★★ \$4.00

DJIA 24024.13 ▼ 424.56 1.7% NASDAQ 7007.35 ▼ 1.7% STOXX 600 383.11 ▼ 0.02% 10-YR. TREAS. ▼ 3/32, yield 2.983% OIL \$67.70 ▼ \$0.94 GOLD \$1,331.40 ▲ \$8.90 EURO \$1.2233 YEN 108.81

## What's News

### Business & Finance

The yield on the 10-year Treasury note hit 3% for the first time since 2014 in a vote of confidence for the economy, but warnings from some big companies that profits were peaking helped send the Dow lower. The blue-chip index sank 424.56 points to 24024.13. **A1, A8, B15**

◆ Caterpillar said a strong first quarter could be a "high-water mark," pushing down shares 6.2%. 3M cut its forecast; shares fell 6.8%. **B1**

◆ Pimco plans to increase its workforce by 10%, recruiting tech-savvy workers, as the bond giant bets on computer-driven investing. **A1**

◆ China's Didi is holding talks about an IPO as early as this year, a move that would vault it into the public markets ahead of rival Uber. **A1**

◆ A CBS-Viacom deal is seen as unlikely to take place without a senior role for Viacom CEO Bakish, a prospect that CBS opposes. **B1**

◆ ZTE's U.S. suppliers are bracing for a sizable revenue loss after Washington banned component sales to the Chinese telecom firm. **B1**

◆ Shire said it was willing to recommend that shareholders accept Takeda's last-ditch \$64 billion takeover bid. **B3**

◆ The FDA said it is moving against the sale of e-cigarettes to minors by targeting Juul Labs. **B3**

◆ Wells Fargo re-elected all of its board with more than 89% of preliminary votes. **B14**

◆ New flavors of Diet Coke in redesigned cans have added some pop to Coca-Cola's recent sales of the drink. **B2**

### World-Wide

◆ Trump leveled dire warnings at Iran and signaled an interest in an unspecified new deal to rein in Tehran, echoing a suggestion from French President Macron after the two leaders met. **A1**

◆ The president said he is sending a delegation of his top economic advisers to Beijing next week to try to settle trade disputes. **A6**

◆ VA nominee Jackson will continue to seek confirmation despite allegations about his performance and behavior as the White House doctor. **A4**

◆ A federal judge ruled against the administration's decision to cancel DACA and ordered the government to accept new applications. **A3**

◆ The CFPB is likely to end public access to a database used to file complaints against financial firms. **A5**

◆ The Supreme Court limited foreign victims of terror and other international crimes in their use of U.S. courts to sue corporations. **A2**

◆ The justices upheld a government process, created by Congress in 2011, for contesting the validity of patents. **A2**

◆ The driver of a van that plowed into pedestrians on a Toronto street, killing 10, was charged with murder. **A7**

◆ Republican Lesko won a special election for a U.S. House seat in Arizona that the party spent more than \$1 million to retain. **A3**

◆ The EPA plans to restrict research used in developing rules, a move it said would boost transparency but that scientists decried. **A4**

**CONTENTS** Opinion..... A13-15 Banking & Finance... B14 Property Report... B6 Business B35,8 Sports..... A12 Crossword..... A12 Technology..... B4 Head on Street. B16 U.S. News..... A2-5 Life & Arts..... A9-11 Weather..... A12 Markets..... B15-16 World News. A6-7,16

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Please see TALL page A8



Pomp and circumstance gave way to *liberté, égalité* and *fraternité* at the White House on Tuesday as French President Emmanuel Macron and President Donald Trump held a press conference. A state dinner was held Tuesday night, in honor of Mr. Macron and his wife, Brigitte.

## Trump Warns Iran on Deal

President again slams nuclear pact, but will weigh Macron's idea for a beefed-up accord

By MICHAEL C. BENDER AND STACY MEICHTRY

WASHINGTON—President Donald Trump leveled dire warnings at Iran and signaled an interest in an unspecified new deal to rein in Tehran, echoing a suggestion from French President Emmanuel Macron after the two leaders met Tuesday at the White House.

Comments following talks between the two left open the possibility that Mr. Trump would withdraw from the landmark 2015 Iran nuclear agreement by a self-imposed May 12 deadline, as he has continuously threatened to do. Mr. Trump telegraphed that possibility again Tuesday, disparaging the deal as "insane" and "ridiculous," despite Mr. Macron's attempts to reassure his American counterpart about its value as a safeguard.

Mr. Macron said a broader pact would include limits on Iranian actions in Syria and on its ballistic-missile program.

But Iran is certain to reject such a proposal, Russia and China are likely to oppose it, and it was unclear whether other European allies would be in favor because they don't want to renegotiate the accord.

Messrs. Trump and Macron, increasingly affable despite differences over the Iran deal, held meetings in the West Wing to discuss unrest in the Middle East, nuclear proliferation and global trade issues, in what is Mr. Trump's first state visit by a foreign leader.

Mr. Trump said he would like a new Iran deal with "solid foundations" and indi-

cated a willingness to keep U.S. forces in Syria, another goal of Mr. Macron's visit. France, along with the U.K., joined the U.S. in airstrikes this month on what they said were sites associated with the Syrian regime's chemical-weapons capabilities. Ahead of the strikes, Mr. Trump said he wanted a quick withdrawal of U.S. troops from the country.

"We'll be coming home, but

Please see IRAN page A6

◆ Veterans Affairs nominee won't bow out..... A4

◆ Divided U.S. trade team will visit China..... A6

## Inside Airline's Disaster Response



TRAGEDY IN THE AIR: When an engine failed on Southwest Flight 1380 last week, the airline's executives raced to launch their emergency-response plan. The crisis put the airline to the test. **A9**

Americans Grow Out of Basketball

South Korea's pro league caps height of foreign players

By TIMOTHY W. MARTIN AND BEN COHEN

SEOUL—David Simon can no longer play basketball in South Korea. He's too tall.

Last month, the struggling Korean Basketball League launched a long-shot bid to liven up games with home-grown talent and reverse flagging ticket sales by banning foreign players who surpass 200 centimeters, a hair under 6-foot-7.

As a result, Mr. Simon, a 6-foot-7 native of Illinois, found himself standing barefoot at KBL's downtown headquarters to see how he measured up. He was double-teamed by two

## Chinese Rival to Uber May Go Public First

By JULIE STEINBERG

China's Didi Chuxing Technology Co. is holding discussions about a multibillion-dollar initial public offering as early as this year, a move that would vault the ride-hailing company into the public markets ahead of American rival Uber Technologies Inc., according to people familiar with the matter.

Didi—which operates China's largest ride-sharing platform and is expanding in Latin America and other parts of Asia—is hoping to fetch a valuation of at least \$70 billion to \$80 billion if it goes public, one of the people added. That would make it one of the largest technology IPOs ever.

The Beijing-based company in recent weeks has been in talks with bankers about the feasibility of tapping the public markets for cash in the second half of 2018. The discussions are in early stages, the people familiar with the mat-

## In Shift, Pimco to Lean Less On Humans, More on Robots

By JUSTIN BAER

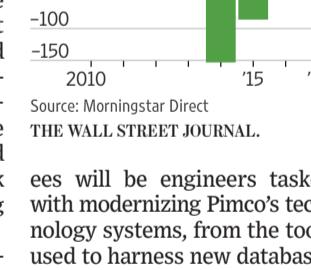
Bond titan Pimco—which once relied heavily on one man to make many of its key investment decisions—is betting a big part of its future on millions of lines of software code.

Pacific Investment Co. will open an office in Austin, Texas, this year to help recruit more tech-savvy workers who might otherwise spurn the bond manager for traditional software companies, people familiar with the matter said. The Newport Beach, Calif.-based firm plans to increase its work force by 10% this year, adding about 250 staff.

Many of those new employ-

### Flowing Back

Pimco's actively managed bond funds had their first year of net inflows since 2012.



Source: Morningstar Direct  
THE WALL STREET JOURNAL

ees will be engineers tasked with modernizing Pimco's technology systems, from the tools used to harness new databases

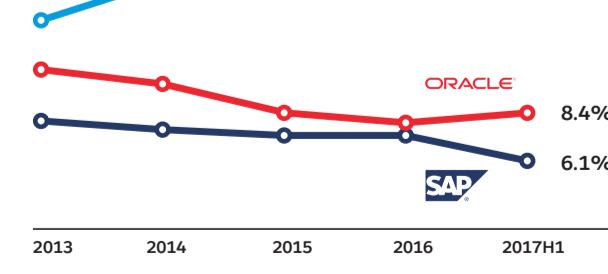
of information to the platforms that trade bonds electronically. The changes aim to sharpen investment ideas and lower costs.

The new investments mark the next phase of a strategy set in motion three years ago, when co-founder Bill Gross's bitter departure wrenches the firm from its overdependence on a single bond manager. Investment chief Daniel Ivascyn and former hedge-fund firm executive Emmanuel Roman have since stemmed the flow of client money from Pimco's core bond funds and are looking to stay ahead of the relentless growth of exchange-traded funds and other low-cost pas-

Please see PIMCO page A4

## Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017H1 Market Share Revenue Worldwide.



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## U.S. NEWS

## Court Shields Corporations in Abuse Suits

By JESS BRAVIN

**WASHINGTON**—The Supreme Court limited foreign victims of terrorism, torture and other international crimes in their use of U.S. courts to sue corporations they say helped perpetrate abuses, ruling that a centuries-old statute at the heart of major human-rights cases could be employed only against individuals.

The court split 5-4 along ideological lines on Tuesday to pare back the Alien Tort Statute, which authorizes citizens of foreign states to seek redress in federal court for violations of the “law of nations.” The majority, led by Justice Anthony Kennedy, said exposing “foreign multinational corporations” to liability in American courts for such abuses exacerbated diplomatic tensions, contrary to the legislation’s goal.

The dissent, written by Justice Sonia Sotomayor, said the decision would serve to absolve “corporations from responsibility under the ATS for conscience-shocking behavior.”

She noted that the Supreme Court had given corporations political-spending rights under

the Citizens United decision and religious-exercise rights through the Hobby Lobby case. It was unfair, she wrote, to let businesses “take advantage of the significant benefits of the corporate form and enjoy fundamental rights without having to shoulder attendant fundamental responsibilities.”

The decision came in several lawsuits filed against **Arab Bank PLC** by some 6,000 Israeli victims of terrorist attacks between 1995 and 2005 in Israel and the Palestinian territories. The plaintiffs alleged that the bank, based in Amman, Jordan, helped finance attacks by Hamas and other terrorist groups, for instance by maintaining accounts to pay families of suicide bombers.

Under earlier precedents, alien-tort plaintiffs must show defendants have an American connection; the Israeli victims argued that Arab Bank qualified because its New York branch used a U.S.-based automated clearinghouse to process currency transactions, including those for terrorists.

Arab Bank denies the allegations. But in a parallel lawsuit filed by U.S. citizens under

## New Way to Contest Patents Is Affirmed

The U.S. Supreme Court on Tuesday upheld a new government process for challenging the validity of patents, cementing a method that technology companies and other businesses have used to knock out patent protections for more than a thousand claimed inventions.

The court, in a 7-2 ruling written by Justice Clarence Thomas, affirmed the constitutionality of the new process, created by Congress in 2011. It allows private parties to challenge patents before the U.S. Patent and Trademark Office, a cheaper and faster avenue than going to court.

Lawmakers created the new

challenge system, called *inter partes* review, or IPR, in part as a response to concerns that the Patent Office had granted too many weak patents, leading to abusive patent-infringement litigation, including by so-called patent trolls.

Patent owners have criticized the process, saying it is unfair that an inventor can invest a sizable amount of time and money to obtain a patent, only to see it canceled by a government agency instead of through a rigorous trial in federal court.

Justice Thomas, writing for the court, said the Patent Office makes the decision to grant a patent in the first place. *Inter partes* review is simply a reconsideration of that grant, and Congress has permissibly reserved the PTO’s authority to conduct

that reconsideration,” he wrote.

Tech companies, including **Apple Inc.**, **Alphabet Inc.’s Google**, **Intel Corp.** and **Samsung Electronics Co.**, support the new process, as do retailers. As the technology industry has grown, tech leaders have complained of a simultaneous growth in companies they say exist mostly to file frivolous patent litigation.

The ruling was a blow for leading pharmaceutical and biotechnology companies, which rely on strong patent protections for their sizable research-and-development investments.

Nicole Longo, a spokeswoman for PhRMA, the pharmaceutical-industry trade association, said the Patent Office process remains unfair and called on Congress to revisit the issue.

—Brent Kendall

the fight to hold foreign corporations conducting business in the United States accountable for violations of international law that cause harm to innocent civilians world-wide,” said an attorney for the plaintiffs, Michael Elsner of Motley Rice LLC.

In his opinion, Justice Kennedy wrote that the Alien Tort Statute, enacted by the first Congress following ratification of the Constitution in 1789, “was intended to promote harmony in international relations” by assuring foreign nations that the fledgling U.S. would provide a remedy for international-law violations such as piracy or assaulting ambassadors.

But the statute found little use and was nearly forgotten by 1980, when a human-rights case gave it new life. After World War II, the Holocaust and other atrocities prompted expansion of international-law protections for individuals. The Second U.S. Circuit Court of Appeals in New York found that 20th-century torturers were modern analogues of pirates and slavers—the “enemy of all mankind” entitled to no shelter from liability.

## Emotions Run High in Chattanooga, Tenn., at Sentencing of Former School Bus Driver



TRAGEDY: Diamond Brown, right, lost her son in a 2016 crash that killed six children. The driver, Johnnthy Walker, was sentenced on Tuesday to four years in prison.

## IPO

Continued from Page One

sidering developing a smartcar customized for ride-sharing and is seeking auto makers that could manufacture the vehicle. The car is anticipated to be an electric vehicle and would be connected to the internet, allowing Didi to monitor data from the car for safety by applying artificial intelligence technology.

Initiatives like Didi’s plans are prompting auto makers to reconsider their relationship with ride-sharing companies. Car makers have long seen ride-hailing firms as competitors but are increasingly hav-

ing to find ways to work with them as their presence grows. Didi’s plans show how tech companies are trying to provide the software that runs cars’ core functions, which could relegate auto makers to mere hardware manufacturers.

Didi was founded in 2012 and has become one of the world’s largest tech unicorns, private companies with valuations of more than \$1 billion. It was valued at \$56 billion in a private fundraising round in late 2017 that raised \$4 billion

from investors that included Japan’s SoftBank Group Corp. and an Abu Dhabi state fund, The Wall Street Journal previously reported.

San Francisco-based Uber, by comparison, had a valua-



The Didi ride-sharing app on a phone screen in Shanghai. Didi was valued at \$56 billion in a private fundraising round in late 2017.

tion of \$68 billion in June 2016, before a SoftBank-led consortium late last year bought more shares in the company at a \$48 billion valuation. SoftBank in that deal also invested some money in Uber at the higher valuation.

Didi’s website says it has more than 450 million users, facilitates an average of 30 million rides a day, and has investment and technology partnerships with seven ride-share companies around the world, including Lyft Inc., Grab Inc., Uber and others.

Didi has accelerated talks on a potential IPO in part because one of its new rivals, China’s Meituan-Dianping, is moving forward with plans for a public listing later this year, according to people familiar with the matter.

Meituan-Dianping, an online services platform that counts Tencent Holdings Ltd. as a backer, rolled out ride-sharing services in Shanghai in March in a direct challenge to Didi.

Meituan-Dianping’s IPO

could value the company at around \$60 billion, according to a person familiar with the matter, and is expected to list on exchanges in Hong Kong and mainland China.

To contend with rising competition and defend its market position, Didi is considering other capital-raising options, including the sale of convertible bonds, according to people familiar with its strategy. Such bonds could be structured to pay investors interest initially and could later convert into shares in the company at the time of, or after, its public listing.

It isn’t known if Didi will proceed with a bond sale and the company hasn’t made a final decision on its capital-raising plans, the people cautioned.

As of December, Didi had raised more than \$20 billion in equity and debt funding, according to Dow Jones VentureSource, reflecting how building market share in the global ride-sharing business has been a costly endeavor.

Earlier this year, Didi took on Uber in Latin America when it bought a majority stake in Brazilian ride-hailing service 99 for \$600 million, the Journal has reported. Didi said Monday that it would begin offering ride-hailing services in Mexico, part of its plan to expand overseas and challenge Uber in that market.

More deal activity is likely, say people familiar with Didi’s strategy, especially as consolidation continues in the sector.

Uber last month agreed to give up its business in Southeast Asia in exchange for a 27.5% stake in Singapore-based Grab, the regional dominant player in which Didi holds a stake. Didi and SoftBank invested \$2 billion into Grab last summer as part of a larger financing round.

Didi’s moves come as Chinese tech giants flock to list at exchanges around the world.

Tencent Music Group Entertainment, the music-streaming business of internet giant Tencent Holdings, is planning an IPO in the U.S. as soon as the second half of this year that could value it in excess of \$25 billion, the Journal reported Sunday.

Smartphone maker Xiaomi Corp. is targeting an IPO in mainland China and Hong Kong as soon as this summer that could value it at about \$100 billion, people familiar with the offering have said.

And e-commerce titan Alibaba Group Holding Ltd., which is already listed on the New York Stock Exchange, is also working on a plan to list on the mainland.

—Liza Lin and Yoko Kubota contributed to this article.

## New-Home Sales Jumped in March

U.S. new-home sales surged in March, capping off a strong first quarter in a segment of the housing market characterized by solid buyer demand.

Purchases of newly built single-family homes—a relatively narrow slice of all U.S. home sales—increased 4.0% from the prior month to a seasonally adjusted annual rate of 694,000 in March, the Commerce Department said Tuesday.

March’s rise comes on the back of a 3.6% increase in February and upward revisions for both January and February sales rates.

—Sarah Chaney

## ECONOMY

## Consumers Growing More Confident

Americans’ spirits rose this month after dipping earlier this spring, suggesting they remain confident in the economy despite rising inflation and stock-market gyrations.

The Conference Board said Tuesday that its index of consumer confidence rose 1.7 points from a month earlier to 128.7 in April. Confidence had dipped in March after hitting the highest level since 2000 in February.

Americans boosted their impressions of current economic conditions as well as their expectations for future conditions this month, the latest survey shows. In perhaps the most significant development, the share of Americans expecting their incomes to decline over the next six months—6%—fell to the lowest level since December 2000.

—Josh Mitchell

## CORRECTIONS &amp; AMPLIFICATIONS

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## U.S. NEWS

# Deficit-Ridden Illinois to Test Its Appeal

The politically divided state pitches to yield-hungry investors with \$500 million offering

BY GUNJAN BANERJI

Illinois will add to its more than \$30 billion debt load with a bond sale on Wednesday, testing yield-hungry investors' desire to lend to the state as it grapples with continuing political and financial issues.

Illinois is the worst-rated state in the municipal market. The Prairie State's credit quality has crumbled in recent years as expenses have far outpaced revenues.

Since the 2008 financial crisis, fiscal woes have also afflicted some other states and cities, which, like Illinois, face potentially debilitating pension liabilities. Investors have given most others a pass, though, because states are still generally thought of as safe credits.

That's because of their ability to raise revenues through taxes and slash expenses, as well as their inability to file for bankruptcy. No state has defaulted on its general obligation bonds since Arkansas in 1933.

But "Illinois has increasingly

## Mountain of Debt

Illinois' expenses far surpass its revenue, creating a gaping deficit.



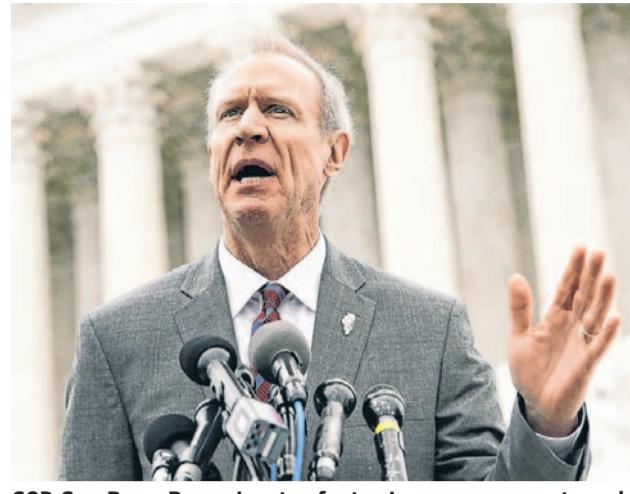
\*General fund deficits

Source: Illinois financial statements

The level of general obligations bonds outstanding has also increased.



THE WALL STREET JOURNAL



ALEX WONG/GETTY IMAGES

**GOP Gov. Bruce Rauner's veto of a tax increase was overturned by Illinois lawmakers to end a standoff over the budget last year.**

The state's debt is already some of the most volatile of its kind in the municipal market, Mr. Venditti said. There is likely more turbulence ahead given the political clashes that have dominated the statehouse in the past, he said.

Some investors said demand for higher-yielding investments could woo investors on Wednesday. Additionally, lawmakers' willingness to pass a budget last year was a positive sign to some.

Another factor that may work in the state's favor this week: Yields on Treasurys—which often compete with municipal debt—have climbed since last year but still remain historically low. Bond issuance from states and cities has also been light this year, according to traders.

"It's not going to go smoothly, but I think it's going to happen," said Chris Brigati, New York-based head of municipal trading at Advisors Asset Management, which oversees \$11.5 billion in municipal bonds.

Fitch Ratings said in a recent report that if political gridlock returns, Illinois could be downgraded once again.

"The question becomes, do they run into the same problem they ran into last year?" said Nicholas Venditti, a Santa Fe, N.M., portfolio manager at Thorngrove Investment Management, which oversees \$11.5 billion in municipal bonds.

"Now probably isn't the time to be buying Illinois' bonds" unless investors expect political woes to dissipate later this year, he said.

Injecting other uncertainty into the state's finances, Mr. Rauner is up for re-election in November in the Democratic-leaning state.

# Shipwreck in Lake Erie Could Date From 1829

BY TAWNELL D. HOBBS

Divers hope to confirm this summer they have found the Lake Serpent, which went down in 1829.

Researchers have found what could be the oldest shipwreck ever discovered in Lake Erie, partially buried in silt in a body of water believed to be home to at least 200 other wrecked ships yet to be found.

Shipwreck hunter Tom Kowalczyk thinks that he has located the schooner Lake Serpent, a wooden two-masted ship carrying limestone and lost in 1829 with six people believed on board. The size of the wreckage and location, in Ohio waters about 10 miles off shore, are similar to that of the lost ship, said Mr. Kowalczyk of the Cleveland Underwater Explorers Inc.

"If it's the Lake Serpent, best of my knowledge there's not been an older one identified," he said. "Other old ones were broken up, destroyed, moved or not found."

For researchers, studying the ship might determine why it sank and give more insight into shipbuilding methods

## Also in Great Lakes

**Le Griffon**—a 17th century barque built by the explorer René-Robert Cavelier, Sieur de La Salle. It was lost in September 1679 probably in Lake Michigan and has never been found.

**HMS Ontario**—a British warship that sank in Lake Ontario in 1780 and is the oldest discovered shipwreck in the Great Lakes.

**The Washington**—a 53-foot sloop that sank in 1803 and was discovered by a team of retirees in 2016.

**The Edmund Fitzgerald**—an American Great Lakes freighter that sank in a Lake Superior storm in 1975, with the loss of the crew of 29, was later found in over 500 feet of water.

used in the early 19th century.

"These are underwater archaeology sites that are time capsules," said Christopher Gillcrust, executive director of the National Museum of the Great Lakes, which partners

with the Cleveland Underwater Explorers to locate and identify shipwrecks on Lake Erie.

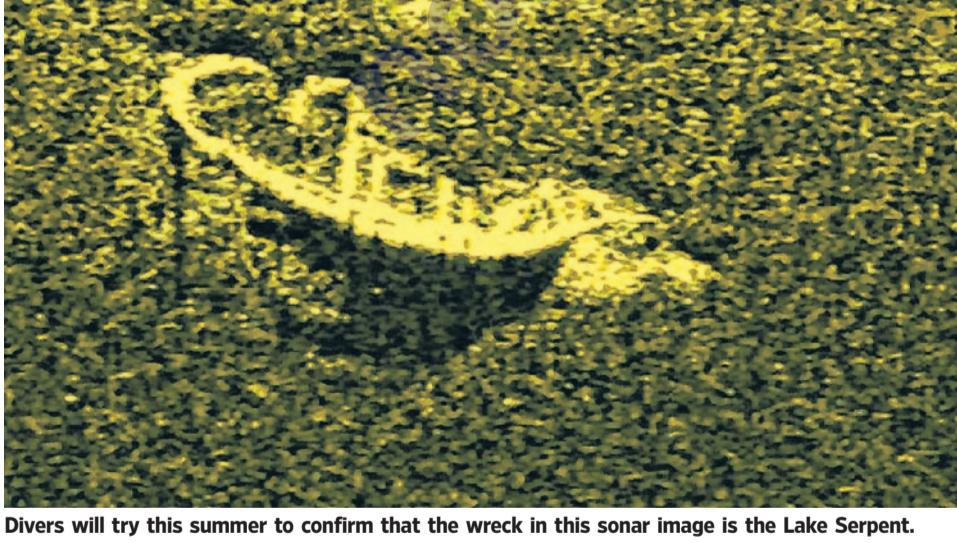
An excavation of the site is planned in mid-July over about 10 days. The museum says the project will cost about \$13,000, with volunteers doing most of the work. About \$6,000 has been raised to cover costs.

Once at the ship, the excavation team will look for proof that the ship is the Lake Serpent, such as identifying the sea-serpent figurehead below the bowsprit of the vessel and limestone in the cargo hold.

Mr. Kowalczyk said that he and his team did an initial dive to confirm it was actually a ship. He said that silt at the site floats like snow when disturbed and visibility is about an arm's-length on a good day.

For now, there are no plans to bring anything up from the ship. The main goal is to verify that it is the ship. The group says that preserving the site is of the utmost importance.

"We try to leave them as they were found," Mr. Gillcrust said. "Our historic preservation approach is that what is down on the bottom of the lake should stay there."



Divers will try this summer to confirm that the wreck in this sonar image is the Lake Serpent.

# Republicans Hold House Seat in Arizona

BY REID J. EPSTEIN

Republican Debbie Lesko won Tuesday's special election for a House seat in Arizona, defeating Democrat Hiral Tipirneni in a heavily Republican district that the party spent more than \$1 million to retain.

Ms. Lesko, a state senator, was declared the winner by the Associated Press late Tuesday night. Ms. Tipirneni was the first Democrat to contest the district, which covers suburbs north and west of Phoenix, since 2012. President Donald Trump won the district by 21 percentage points in 2016, and Mitt Romney carried it by 25 points in 2012.

Republicans, concerned that Democrats have outperformed the 2016 results in dozens of special elections this year, invested more than \$1 million to back Ms. Lesko. The Republican National Committee and National Republican Campaign Committee each spent \$500,000 on get-out-the-vote efforts, and House Speaker Paul Ryan's super PAC spent \$200,000 on digital advertising.

Mr. Trump recorded a robocall warning Republicans in the district that "illegal immigrants will pour right over your border" if Democrats win control of the House.

Democrats considered Ms. Tipirneni's ability to make the race competitive a moral vic-

tory. Though she had little support from outside groups, Ms. Tipirneni raised \$740,000. Ms. Lesko, for whom Mr. Ryan and Majority Leader Kevin McCarthy hosted fundraisers, raised \$564,000.

**Debbie Lesko** won a special election on Tuesday for a House seat in a Republican-leaning district.

Unlike the Pennsylvania special election last month in which Democrat Conor Lamb flipped a district Mr. Trump

## Judge Turns Back President On DACA

BY BRENT KENDALL

WASHINGTON—A third federal judge has ruled against the Trump administration's decision to cancel an Obama-era program protecting young undocumented immigrants who came to the U.S. as children.

The decision, issued Tuesday evening by U.S. District Judge John Bates, a George W. Bush appointee in Washington, D.C., is in one respect the broadest so far against the administration's move to end the program, called Deferred Action for Childhood Arrivals, or DACA.

That is because Judge Bates's ruling requires the government to accept new applications as well as applications for the renewal of benefits under DACA. The previous rulings required only that the administration resume accepting renewal requests.

The judge, however, postponed the effect of his ruling for 90 days to give the administration "an opportunity to better explain" its decision to cancel the program, which President Barack Obama initiated in 2012.

Justice Department spokesman Devin O'Malley responded to Tuesday's ruling by defending the decision to end the program, saying it was unlawfully created in the first place.

The Trump administration announced last September that DACA would end in March, a cancellation put in place by the Department of Homeland Security based on the opinion of Attorney General Jeff Sessions, who said the Obama program was unconstitutional. The court rulings have prevented that from happening.

—Laura Meckler

contributed to this article.

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## U.S. NEWS

# Veterans Affairs Nominee Won't Bow Out

Jackson tells Trump allegations aren't true, and president lets him pursue confirmation

**WASHINGTON**—The White House doctor nominated to run the Veterans Affairs department will continue to seek confirmation despite concerns about his performance and behavior in his current job that were publicly aired Tuesday.

By Peter Nicholas,  
Louise Radnofsky  
and Siobhan Hughes

In a private meeting on Tuesday, President Donald Trump asked Dr. Ronny Jackson about the allegations, a White House official said, and Dr. Jackson told him they weren't true. When Mr. Trump asked how he wanted to handle the matter, Dr. Jackson said he wanted to fight the accusations and not drop out, the official said, and Mr. Trump agreed to the approach.

Sen. Jon Tester of Montana, the top Democrat on the Veterans' Affairs Committee, laid out the allegations in a CNN interview Tuesday night, saying the committee was investigating allegations from active duty and retired military officers who had worked in the White House medical office and who had



Ronny Jackson, a physician who cared for U.S. presidents, is an unconventional choice to lead the Department of Veterans Affairs.

MICHAEL REYNOLDS/FEARSHUTTERSTOCK

come to the committee with numerous complaints, including that Dr. Jackson belittled lower-ranking employees, drank to excess on overseas trips and handed out prescriptions "like candy," walking down the aisle during flights doling out drugs to help people fall asleep and wake up.

He said that Dr. Jackson al-

legedly was drunk while accompanying President Barack Obama on overseas trips, so that he "couldn't respond because he had been drinking so much," leaving someone else to fill in. Mr. Tester also said that Dr. Jackson's treatment of workers created an unbearable work environment.

"We were told time and time

again the people above him he treated like gold, the people below him he belittled, screamed at," Mr. Tester said.

The White House didn't make Dr. Jackson available for an interview.

Mr. Tester's comments added to the uncertainty over Dr. Jackson's fate. But the White House indicated Tuesday

it is fighting back against suggestions that Dr. Jackson should withdraw amid the allegations, releasing written evaluations concluding that the nominee had a spotless record with no hint of impropriety.

"Dr. Jackson's record as a White House physician is impeccable," a senior White House official said. "He has improved

unit morale, received glowing reviews and promotions under Republican and Democratic presidents, and has been given a clean vet from the FBI."

Earlier in the day, Mr. Trump said he would sympathize if Dr. Jackson withdrew, telling a news conference: "If I were him...I wouldn't do it."

Recounting a conversation with Dr. Jackson, who serves as White House physician, Mr. Trump said he had asked: "What do you need this for?"

Appearing on Capitol Hill for meetings, Dr. Jackson was asked about allegations of drinking on the job, creating a hostile work environment and overprescribing medicine. Could he say they were categorically untrue? he was asked.

Dr. Jackson said: "I'm looking forward to the hearing so I can sit down and explain everything."

Asked if there was an inspector general report reviewing such allegations, he said: "No, there was not."

In response to Mr. Tester's findings, the White House released work evaluations and testimonials portraying the nominee as an exemplary public official.

Outside experts auditing White House operations concluded that Dr. Jackson's prescriptions were "completely appropriate," the White House said.

## EPA Limits Data Used in New Rules

BY HEIDI VOGT

**WASHINGTON**—The Environmental Protection Agency plans to restrict research used in developing regulations, the agency said Tuesday, a change that could affect rules governing everything from household products to power-plant emissions.

The proposal follows years of complaints by conservatives that regulations such as emissions restrictions under the Obama administration sometimes went beyond what science could prove.

The new proposal would exclude the many research studies that don't make their raw data public and limit the use of findings that can't be reproduced by others. The EPA said this would boost transparency.

The proposal is subject to a public-comment period of at least 30 days and is likely to see legal challenges, which could delay or prevent its implementation.

"When you have studies that you actually publish from third parties, but you don't publish the methodology, and you don't publish the data, you only publish the conclusions, that presents problems to those that want to offer



EPA Administrator Scott Pruitt says the change will improve transparency. A group of scientists sees a public-health risk.

participating in federal advisory committees.

Mr. Pruitt's supporters made clear that lessening regulation is also an impetus for this rule.

"Administrator Pruitt's decision to bring science into the sunlight spells the end of junk science, which has fueled overregulation by the EPA for years," said Steve Milloy, a Trump EPA transition team member who was instrumental in designing the rule.

Many businesses have backed the new rule.

The Chamber of Commerce said it would ensure that the agency is using scientifically sound and unbiased research.

The American Association for the Advancement of Science—the world's largest general scientific society and the publisher of the journal *Science*—said the rule would also exclude many studies that rely on outside funders, because they sometimes limit access to the underlying data.

"This proposal appears to be an attempt to remove valid and relevant scientific evidence from the rule-making process," said Rush Holt, a former Democratic congressman who is now chief executive of the organization.

Medicare said it plans to require hospitals to post their standard prices online and to make electronic medical records more readily available to patients.

Seema Verma, the head of the Centers for Medicare and Medicaid Services, which is part of the U.S. Department of Health and Human Services, said Tuesday the initiative reflects the effort by President Donald Trump's administration to encourage patients to become decision makers in their care.

Hospitals are required to disclose prices publicly, but the latest change would put that information online in machine-readable format that can be easily processed by computers.

Likewise, many health-care providers already make computerized records available to patients, but starting in 2021 Medicare would base part of a hospital's payments on how well they do.

Ms. Verma also said Medicare is starting a comprehensive review of how it will pay for costly new forms of immunotherapy.

—Associated Press

## WASHINGTON WIRE

### HEALTH

#### Medicare to Require Online Price Posting

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—Associated Press

### CONGRESS

#### Senate Confirms New Director of NSA

The Senate confirmed President Donald Trump's pick to lead the National Security Agency and the U.S. Cyber Command on Tuesday.

On a voice vote, the Senate approved Paul Nakasone for one of the nation's top intelligence posts. The Senate also approved his military promotion to general.

Gen. Nakasone, a longtime member of the cryptologic community, has a strong background in cyber issues. He is succeeding the current director, Mike Rogers, who is retiring.

During his confirmation hearing, Gen. Nakasone said China, Russia and other nations that launch cyberattacks against the U.S. aren't worried about retribution and see no reason to change their behavior.

"They don't fear us," he said at the hearing, adding that the U.S. must impose costs on those adversaries to make them stop.

Gen. Nakasone previously commanded the U.S. Army Cyber Command and held military intelligence positions in Afghanistan, Iraq and the Republic of Korea.

—Associated Press

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## PIMCO

Continued from Page One  
sive investments.

Net inflows into passively managed bond funds have outpaced their active counterparts for the past five years, according to Morningstar Direct. Active bond mutual funds still hold an edge in total assets, but ETFs and other funds that track bond indexes are gaining ground.

Pimco's mutual funds had \$33 billion in net inflows in 2017, reversing a four-year stretch of client withdrawals, Morningstar said. While Pimco, a unit of Germany's Allianz SE, remains one of the world's biggest investors, with about \$1.7 trillion in assets, the firm still manages less than the roughly \$2 trillion it oversaw at the height of the Gross era.

Mr. Roman, Pimco's chief executive, is placing his bets on computer-driven and private-debt investing—investing in loans and other debt securities that aren't traded publicly. He believes those areas offer promise without veering outside the firm's traditional focus on the debt markets.

"Our strategy remains the same: to be the premier fixed-income manager in the world," Mr. Roman said in an interview. "But to do this we need to invest."

Mr. Roman's plan isn't without risk. While most of Pimco's core bond funds are performing well, a slump could lead to questions about whether it should



Bond manager Pimco is opening a high-tech office in Austin, Texas.

MATTHEW BUSCH/BLOOMBERG NEWS

stick to its knitting, clients and consultants have said.

The company plans to launch a slate of investment funds driven by trading algorithms—mathematical formulas used to buy or sell securities rapidly based on preset commands—he said, but many other initiatives are designed to give Pimco's traditional portfolio managers an edge in finding profitable trading ideas or lowering costs.

Mr. Roman said Pimco plans to expand its current portfolio-management analytics team. Led by Ravi Mattu, who joined the firm in 2011, the group currently employs about 65.

"We're turning up the volume, so to speak," the CEO said.

Pimco plans to build out its capabilities in trading bonds and other securities electronically, in a bid to reduce execution costs.

The firm is also on the lookout for new databases its managers can tap to help form investment ideas and plans to add new analytical tools. Mr. Roman

said he expects to form at least one partnership with an outside technology company.

One area of focus: predicting inflation. The firm aims to add consumer data that will help managers make faster and more-accurate forecasts on the consumer-price index, a benchmark that informs investment decisions on most debt securities, Mr. Roman said.

Finally, Pimco is also exploring partnerships with research universities to study how asset managers can apply machine-learning techniques that have worked in other industries, including retailers, Mr. Roman said.

Mr. Roman unveiled plans to add another U.S. office in a Feb. 26 memorandum to staff. In that memo, previously reported by Bloomberg News, Mr. Roman listed three cities as contenders: Austin, Dallas and Denver.

Pimco negotiated with officials from the three cities before choosing Austin earlier this month.

The Texas city is close to a number of institutional investors, including some Pimco clients, boasts a technology corridor and is home to the University of Texas. "That is a key factor as we look to build up the office to about 200 employees by the end of 2019," Mr. Roman wrote in a memo sent Monday to employees.

Patrick Feigley, head of U.S. sales at Pimco's wealth-management business, will run the new office, according to the memo.

Mr. Roman is also leading Pimco's push into private credit, real estate and other alternative investments, a direction many clients predicted he would take given his experience with hedge-fund firms.

Mr. Roman worked for Goldman Sachs Group Inc. for 18 years before joining GLG Partners. He spearheaded GLG's sale to Man Group PLC, which he ran before joining Pimco.

Hundreds of billions of dollars in client money fled Pimco in the months following Mr. Gross's exit, threatening to oust the company from its spot as one of the world's largest bond managers and denting morale. The firm's assets under management dropped to about \$1.5 trillion.

Improved investment returns, led by Mr. Ivascyn's Pimco Income Fund, helped stem outflows and calm nerves among the firm's portfolio managers.

"Things are much better," said Mr. Roman, noting that employee pay was up in 2017.

## U.S. NEWS

# Nafta Proposal Jolts Energy Sector

The Trump administration is at odds with American companies over a proposed rule change to the North American Free Trade Agreement that is endangering a bright spot—energy—in contentious treaty talks.

**By Josh Zumbrun**  
in Washington  
and Santiago Pérez  
and Anthony Harrup  
in Mexico City

All three Nafta countries—the U.S., Canada and Mexico—agree that a new treaty should aid the burgeoning energy trade. Under negotiation are initiatives to ease the construction of pipelines across borders, to aid U.S. exports of natural gas and to assist American companies opening gas stations or explore for oil in Mexico, officials say.

The proposals would also prevent Mexico from backsliding on liberalizing of its energy sector at a moment when American industry is seizing a growing role in Mexican energy.

U.S. businesses, however, including some energy companies, are balking at Washington's pursuit of an unrelated rule change that would weaken or end Nafta's protection of U.S. investments in Mexico or Canada from government intervention.

At issue is the Investor-State Dispute Settlement, which allows a U.S. business to take legal action if a foreign government harms the company's investment in that country. For example, if the Mexican government nationalized, say, a U.S.-owned oil rig in Mexico, the measure would give the American company the right to appeal to adjudicating panels set up under Nafta.

The protections are valued by a variety of U.S. industries, from manufacturing to financial services. But they are especially vital to the U.S. energy sector. Energy sector investments typically require substantial investment "before the



Exxon Mobil recently opened a gas station in Querétaro, Mexico, a nation where U.S. firms are growing. JONATHAN LEVINSOHN/BLOOMBERG NEWS

first barrel comes out," said Mexican Finance Minister José Antonio González Anaya, a former chief of Mexico's state oil giant Petróleos Mexicanos, in an interview.

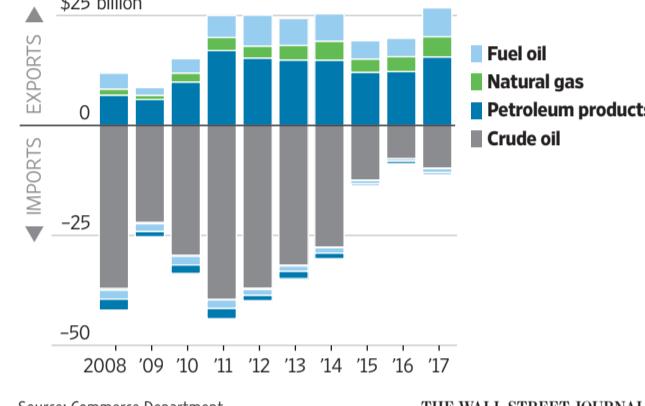
U.S. Trade Representative Robert Lighthizer is proposing the three member countries eliminate the Nafta protections, saying they create an incentive for U.S. companies to invest internationally and move jobs overseas. "Why is it a good policy of the United States government to encourage investment in Mexico?" asked Mr. Lighthizer at a congressional forum late last year.

U.S. business interests, from American Petroleum Institute to the U.S. Chamber of Commerce, are lobbying to pressure the Trump administration to retain the protections, saying they help "ensure that American investors, businesses and their workers will be treated fairly overseas," according to the petroleum institute. Canada and Mexico have also objected to the Trump administration proposal.

U.S. businesses say they might withhold support of a re-negotiated treaty because of the importance they place on the dispute settlement. Such a

## Shifting Terrain

The U.S. has become a net exporter of energy to Mexico in recent years, as its oil imports fall and exports of petroleum products, fuel oil and natural gas rise.



Source: Commerce Department

THE WALL STREET JOURNAL.

scenario could complicate winning congressional support to complete a new deal, given business groups have many sympathetic voices in the U.S. Congress.

"Energy and digital trade were two areas where it made sense to upgrade Nafta and to pursue a Nafta 2.0," said Congressman William Hurd, a Texas Republican whose district stretches along most of the state's border with Mexico.

However, "the international dispute chapter is preventing some of the other chapters, like energy, from being closed out."

Mr. Lighthizer met with his Mexican and Canadian counterparts last week in Washington in an effort to reach a deal possibly as early as next week.

Mexican President Enrique Peña Nieto is trying to solidify his energy market-opening initiatives ahead of presidential elections on July 1. Many

## Pact Is Vital to U.S.'s Rising Mexico Role

The North American energy trade is attractive to Washington because in recent years the U.S. has begun exporting more energy to Mexico than it imports, reducing the U.S. trade deficit with the country—a major goal of the Trump administration.

When the North American Free Trade Agreement was first negotiated in the 1990s, few provisions pertained to the energy industry. Mexico's constitution then blocked foreign energy ownership. But in 2013 Mexico amended its constitution to open its energy industry, as U.S. oil and gas production began to soar.

Foreign investment has since poured into Mexico's energy sector. The government has held nine auctions for oil blocks. Foreign companies began to buy gasoline stations. Pipelines are being built across the U.S.-Mexico border.

"When the USTR thinks about this, it's thinking about the auto industry, and 'why should the auto industry get special protection to invest in Mexico when they should invest in the U.S.?' " said Antonio Ortiz-Mena, a senior vice president at Albright Stonebridge Group, a business advisory group, and a former Mexican economic official. "But in the case of energy, you invest where the oil is."

believe the front-runner, leftist presidential candidate Andrés Manuel López Obrador, might try to roll it back. Mr. López Obrador has said he would hold off on new auctions while he reviews energy contracts to ensure they are benefiting Mexico.

"The ongoing energy opening could be at risk if a new administration decided to shift course," Morgan Stanley said in a recent note to investors.

# CFPB May Restrict Complaint Database

BY YUKA HAYASHI

WASHINGTON—The Trump administration is likely to end public access to a web portal used by hundreds of thousands of consumers each year to file complaints against financial companies.

Consumer Financial Protection Bureau acting Director Mick Mulvaney on Tuesday addressed his intention to eliminate public access, saying the database contains information that hasn't been fully vetted by the government.

"I don't see anything in here that says I have to run a Yelp for financial services sponsored by the federal government," Mr. Mulvaney said at a banking-industry conference as he held up a copy of the 2010 Dodd-Frank financial law, which created the CFPB.

Audience members at the American Bankers Association conference applauded.

The CFPB database has drawn 1.5 million consumer complaints on financial companies and products since its launch in 2011. Advocates say having the information available to the public pressures companies to respond to consumers. Businesses say it spreads unverified negative information.

Aaron Klein, a policy director at the Brookings Institution, said the database is an important tool. "Why would he want to reduce information so people could make less-informed choices?"

The CFPB verifies consumers did business with the companies in the database but doesn't confirm details in the complaints. Mr. Mulvaney said the bureau would continue to maintain a toll-free number and a website to gather consumer complaints and forward them to companies but the database would be hidden from public view.

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## WORLD NEWS

## Divided U.S. Trade Team Will Visit China

President Trump sees 'very good chance' of a deal but acknowledges obstacles remain

By BOB DAVIS

**WASHINGTON**—President Donald Trump said he is sending a delegation of his top economic advisers to Beijing next week to try to settle trade disputes that have upset U.S.-China relations and rattled markets world-wide.

"I think we've got a very good chance of making a deal," said Mr. Trump, who called China's leader Xi Jinping "a friend of mine," but noted that significant obstacles to a deal remained. "They trade with us," he said. "We can't trade with them."

The members of the U.S. team will include Treasury Secretary Steven Mnuchin, U.S. Trade Representative Robert Lighthizer, National Economic



A factory in eastern China. The U.S. has placed tariffs on Chinese steel and aluminum exports to the U.S.

Council director Larry Kudlow and White House trade adviser Peter Navarro. Mr. Trump didn't say specifically when next week the trip would occur, but a person familiar with the discussions said the team is

likely to be in Beijing around May 3 and May 4.

The composition of the team reflects divisions within the administration, individuals involved in the discussions say. According to these individuals,

Mr. Mnuchin initially proposed he make the trip on his own, presenting himself as the counterpart to Chinese envoy Liu He, who visited Washington in March to try to restart talks.

Mr. Mnuchin is allied with

the National Economic Council's Mr. Kudlow. They believe Mr. Xi made significant concessions in a recent speech, when he talked about liberalizing China's investment rules and reducing curbs on foreign auto firms.

But Messrs. Lighthizer and Navarro consider such an interpretation naive, and Mr. Lighthizer was quickly added to the trip. He also met with Mr. Liu when he was in Washington. Along with Mr. Mnuchin, he sent a letter to Mr. Liu outlining what the U.S. wanted from Beijing. According to individuals who have seen the letter, the U.S. was asking for a number of things, including liberalizing China's auto sector and financial sector and sharply reducing the merchandise trade deficit with China, which last year was \$375 billion. Mr. Navarro, a Lighthizer ally on China, was added to the trip to give a bigger voice to China skeptics.

China will try to exploit the differences between Mr. Trump's advisers, says Scott

Kennedy, a China scholar at the Center for Strategic and International Studies, who has discussed the trip with officials in Beijing. "One of my concerns is that in Beijing the primary negotiation will be between members of American team rather than between Americans and Chinese," he said.

The trip to China represents the clearest sign of a thaw in U.S.-China relations, which have been marked by threats of tariffs and retaliation. The U.S. has already levied tariffs on China over its steel and aluminum exports to the U.S., which led to Chinese retaliation against \$3 billion in U.S. goods, particularly agricultural exports. The U.S. threatened to impose 25% tariffs on \$50 billion of Chinese imports, in a separate dispute over alleged infringements on U.S. intellectual property.

—Peter Nicholas contributed to this article.

◆ U.S. firms that supply China's ZTE brace for revenue hit... B1

## IRAN

Continued from Page One

"we want to leave a strong and lasting footprint," Mr. Trump said Tuesday, adding that Syria was "a very big part" of his talks with Mr. Macron.

At a joint press conference in the East Room of the White House, Mr. Trump also insisted he would take a hard line with North Korean leader Kim Jong Un at a summit in late May or June. Earlier in the day, Mr. Trump praised Mr. Kim, saying a leader the White House has accused of human-rights abuses "really has been very open and, I think, very honorable."

Mr. Trump has said he insists North Korea denuclearize. Experts have said it would be difficult to achieve and verify such an outcome, which Mr. Trump appeared to acknowledge. "It'd be very easy for me to make a simple deal and claim victory," Mr. Trump said. "I don't want to do that. I want them to get rid of their nukes."

Messrs. Trump and Macron, as in past visits, appeared to enjoy one another's company.

On Tuesday, the two men locked hands as they strolled the White House grounds during an arrival ceremony, exchanged a forceful handshake, and shared a brief kiss on the cheek at the start of their press conference. In the Oval Office, Mr. Trump brushed debris from Mr. Macron's suit, while Mr. Macron placed his hand on Mr. Trump's knee and described their "exceptional personal relationship."

In a meeting in the White House Cabinet Room, Mr. Trump complained about trade barriers with the European



President Donald Trump and French President Emmanuel Macron, with their wives, before Tuesday's state dinner at the White House.

## State Dinner Had A French Touch

At the first state dinner at the Trump White House, the menu featured greens from the garden planted by former first lady Michelle Obama, a china service that included pieces from former President George W. Bush's collection, and 1,200 branches from American-grown cherry blossom trees that lined the hallway outside the State Dining Room.

There were plenty of French influences as a tribute to French President Emmanuel Macron and his wife, Brigitte. The main course included rack of spring lamb with a burnt cipollini soubise.

President Donald Trump, wearing a tuxedo, and first lady Melania Trump, wearing a black Chantilly lace Chanel Haute Couture gown, greeted the Macrons with a flourish of trumpets and beating drums.

Mr. Trump toasted a U.S.-French partnership that was "forged in battle."

Mr. Macron noted "how deep, how strong, and how intense the relationship is between our countries."

—Michael C. Bender

Union, saying it was too difficult for U.S. farmers to export some products, adding he "would rather deal just with France."

The deepest divide remains the future of the Iran nuclear pact. Mr. Trump maintains the accord gives Iran too much in economic benefits for too few curbs on its nuclear program, while Mr. Macron insists Iran is

complying with the agreement and adhering to restrictions.

Mr. Macron went into the talks with the aim of changing the subject from Mr. Trump's desire to pull out of the nuclear accord to the broader goal of containing Iranian political and military influence.

"No matter the decision now that President Trump will take,

I would like us to work...on a new deal," Mr. Macron said.

Mr. Macron proposed forging a new pact with Mr. Trump that he said should preserve key provisions of the 2015 nuclear accord as the "first pillar" of a broader framework for international talks on Iran. Those negotiations, Mr. Macron said, also would focus on

how to curb Iran's ballistic-missile program, contain its influence and prevent it from developing nuclear weapons after some provisions in the deal expire in 2025.

Iran, which until now has said it would stay in the nuclear agreement as long as European leaders remained committed, appeared to be

hardening its stand Tuesday.

The secretary of Iran's Supreme National Security Council, Ali Shamkhani, said Iran's Atomic Energy Organization was weighing options for responding to a U.S. decision to withdraw from the agreement, including pulling out of the international nuclear Non-Proliferation Treaty.

## South Korean Left by Wayside Now Guides Talks With North

By ANDREW JEONG AND JONATHAN CHENG

**SEOUL**—In 1989, South Korean authorities charged a young political activist named Im Jong-seok with colluding with the enemy after he helped a fellow student make a secret, illegal trip to North Korea to meet the country's then-dictator Kim Il Sung—a propaganda coup at the time for Pyongyang.

Nearly three decades later, Mr. Im, now chief of staff to South Korea's president, is playing a leading role in Seoul's diplomatic outreach to Pyongyang, helping set the stage for meetings between the two Koreas' leaders on Friday and between Kim Jong Un and President Donald Trump by June.

Mr. Im is one of a generation of left-leaning politicians in South Korea who now occupy senior posts in the administration of progressive President Moon Jae-in, who was elected last year after pledging more engagement with North Korea.

Mr. Im, born in 1966, came of age alongside fellow student activists who fought for democracy against the U.S.-backed military government in South Korea in the 1980s, an experience that fed skepticism about Washington's intentions and led some to see the communist North as less of a threat.

The ascendancy of this generation of former activists in



Im Jong-seok, an activist in 1990 and with President Moon Jae-in last May, is among a generation that now holds power in South Korea.



FROM LEFT: YONHAP/AP/GETTY IMAGES

the Seoul government has led to friction with the U.S. at times. But their willingness to deal with Pyongyang in ways that South Korean conservatives wouldn't have also helped fuel the current thaw.

Mr. Im is the most prominent among a number of former student activists now serving in senior positions at Seoul's presidential Blue House. Shin Dong-ho, a student activist and poet, is Mr. Moon's speechwriter. Cho Kuk, another prominent activist, oversees South Korea's law-enforcement agencies as a presidential secretary. Mr. Moon himself was a lawyer who represented many opponents of the military regimes.

South Korean conservatives have been deeply wary of outreach to Pyongyang, and regard

Messrs. Moon and Im as naive and even dangerous, willing to strike a deal with Mr. Kim that allows the regime in North Korea to remain in place without giving up its nuclear weapons. Mr. Im, who served as vice mayor of Seoul from 2014 to 2015, has emerged as a central figure with influence over pol-

icy and personnel choices, people familiar with the matter said. Mr. Moon has put him in charge of preparations for Friday's summit. A South Korean presidential spokeswoman declined to make Mr. Im available for an interview. Over the years, Mr. Im has

called for more distance with Washington, portraying the U.S. in his 2008 memoir as an obstacle to inter-Korean rapprochement. But as the presidential chief of staff, Mr. Im has publicly moderated his views, telling a press briefing last week that the U.S.'s "patience and support" is essen-

tial for South Korea to achieve its political goals.

His outspokenness in urging closer ties with Pyongyang has made him a star in left-leaning political circles, where he has been mentioned as a presidential contender. Opponents of Mr. Im have questioned his allegiances and characterized him as a disciple of Juche, North Korea's state ideology.

Those close to Mr. Im say he has moved away from his earlier radicalism, describing him as a patriot and a nationalist determined to end tension with North Korea. "He's not an ideologue. He's quite practical, and he loves debating," said Woo Sang-ho, a student activist in the late 1980s and now a lawmaker from the same party as Mr. Im. "The Im Jong-seok of 30 years ago is quite different from the Im Jong-seok of today."

Mr. Im has backed Mr. Moon's policy of trying to work closely with the Trump administration's maximum-pressure campaign, pushing ahead with the deployment of a U.S.-built missile-defense system in South Korea and voicing public support for sanctions against Pyongyang.

"He has never been a North Korea sympathizer," said Ha Tae-keung, a center-right lawmaker who spent time with Mr. Im as a student protester in his younger years. "I'm tired of telling the media about this."

## Admiral Considered For Seoul Embassy

The Trump administration is considering sending Adm. Harry Harris to Seoul as its new ambassador, according to two people familiar with the matter, turning to a military man to fill a diplomatic vacancy at a piv-

otal moment on the Korean Peninsula. Adm. Harris, currently the head of U.S. Pacific Command, had been tapped as the next ambassador to Australia and would need to go through a fresh vetting process and confirmation hearing. The plans were first reported by the Washington Post.

Sending Adm. Harris to

South Korea would reassure an ally at a time when close coordination is needed between Washington and Seoul. The post has been vacant since Mr. Trump was sworn in as president in January 2017. Marc Knapper, a State Department veteran, has served as the acting ambassador for the past 15 months.

—Jonathan Cheng

## WORLD NEWS

# Driver Charged With Murder in Ten Van Deaths

TORONTO—Minutes before Alek Minassian allegedly killed 10 people by plowing a van into them, a post appeared on his Facebook page expressing hostility toward women.

*By Jacqueline McNish,  
Vipal Monga  
and Kim Mackrael*

Mr. Minassian, described by acquaintances as a socially awkward 25-year-old student, was charged Tuesday with murder and attempted murder and ordered held without bail by a Toronto judge. Police said Tuesday 14 people were injured, after initially saying 15.

Toronto Police Detective Sergeant Graham Gibson said the victims he hit were "predominantly female," but declined to speculate on whether that was deliberate.

A Facebook message posted to Mr. Minassian's now-deleted account Monday declared that the "Incel Rebellion has already begun," according to Facebook and an archived copy of the page reviewed by The Wall Street Journal. The final post appeared around the time of the van attack, based on a time

stamp on the archived copy. The term "incele" is an abbreviation of "involuntary celibate." It's "an ideological sensibility built around anti-feminism, xenophobia and masculine rage," said Amarnath Amarasingam of the Institute for Strategic Dialogue, a research organization in London.

Mr. Minassian's post also praised Elliot Rodger, a Californian who shot and hit people with his car, killing six and injuring 14 near Santa Barbara, Calif., in 2014. Mr. Rodger was a self-professed woman-hater, who left a trail of written and videotaped grievances against women before his rampage.

In Canada, mass-casualty events are relatively rare, but when they happen, they loom large in the national psyche, such as when gunman Marc Lépine killed 14 women at the Université de Montréal's École Polytechnique in 1989.

On Tuesday morning Mr. Minassian was charged with 10 counts of first-degree murder and 13 charges of attempted murder.

Mr. Minassian, of Ontario, was arrested Monday after po-



A woman grieves by a memorial Tuesday for victims of the attack in Toronto the day before. Fourteen people were injured.

lice said he drove a rented van along a sidewalk filled with people in Canada's largest city.

Police escorted the handcuffed Mr. Minassian into the courtroom. Wearing a white jumpsuit, the suspect responded with a loud "yes" when Justice Stephen Weisberg asked him if he understood the charges. Mr. Minassian's lawyer, Georgia Kouli, told the court she needed more time to speak with her client before he responded to the charges.

Mr. Minassian is scheduled to reappear in court May 10.

The casualties occurred on one of the city's first warm

spring days, along Toronto's main artery, Yonge Street. The van mounted the sidewalk around 1:30 p.m. Monday, hit-

A Facebook post on the suspect's account declared the 'Incel Rebellion' had begun.

ting pedestrians as it headed south for about a mile. Police said 26 minutes lapsed between the first 911 call and the driver's arrest.

Canadian police have said the attack looked "intentional," but officials have said there is no known link with a greater threat to Canada's national security.

People who know the suspect, who was recently enrolled at Seneca College in Toronto, said he generally kept to himself.

He studied software development, said Joseph Pham, who was in one of Mr. Minassian's programming classes earlier this year. An Alek Minassian is listed as the developer for an app called Toronto Green Parking Advisor, which allowed users to search for

parking in the city.

The first victim of the attack to be identified was named Tuesday by local media as Anne Marie D'Amico, an employee of investment-management firm Invesco Canada, which has offices in the area where the attack took place.

Prime Minister Justin Trudeau said officials don't believe the attack is linked to a broader threat. "We have no reason to suspect that there is any national-security element to this attack," he said in Ottawa.

—Paul Vieira and Sara Schaefer Muñoz contributed to this article.

## WORLD WATCH

## SINGAPORE

## Premier Promotes Possible Successors

Prime Minister Lee Hsien Loong promoted several junior ministers, including one who is seen as a possible successor.

The 66-year-old Mr. Lee, who has indicated he plans to step down in the coming years, has served as premier since 2004, and his People's Action Party has governed since indepen-

dence in 1965.

Among the promotions was Chan Chun Sing, 48, who was named trade minister. He is one of a small number of people who some analysts have identified as possible contenders to succeed Mr. Lee.

Another possible contender is Finance Minister Heng Swee Keat, 57, though his future was thrown into question after he suffered a minor stroke in 2016. He made a full recovery.

—Jake Maxwell Watts

## SYRIA

## U.N., EU Host Talks On War-Related Aid

Aid agencies are seeking billions of dollars to help Syrian civilians cope with the devastation caused by a conflict that could worsen as foreign powers compete over diverging strategic interests in the war-ravaged country.

The United Nations and the European Union are hosting a two-day conference in Brussels

to raise funds for humanitarian assistance and bolster support for a lasting cease-fire. More than 85 countries and organizations are participating, including the U.S. and Russia.

The conference comes amid concerns about waning international assistance for Syrians, with the flow of aid declining slightly since 2016. Donors so far have funded only about 22% of the U.N.'s 2018 humanitarian appeal of \$3.5 billion for Syria.

—Sune Engel Rasmussen

## MEXICO

## Officials: Drug Gang Killed 3 Film Students

Three Mexican film students kidnapped in March were killed by a drug gang that then dissolved their bodies in acid, officials said.

Prosecutors in the western state of Jalisco, home of the powerful New Generation Jalisco Cartel, said gang members mistook the three students for members of a rival cartel.

The students, Javier Aceves, 25, Marco García, 20, and Daniel Diaz, 20, were kidnapped by gunmen.

They had been working on a video in a Guadalajara suburb at a house provided by an aunt of one of the students. But it was owned by a member of the rival cartel, the state attorney general's office said.

Two alleged gunmen have been arrested in connection with the kidnapping and murders, but prosecutors said at least eight people are believed to have been involved.

—José de Córdoba

# China Censors Spark Uproar In Quashing Student Activist

By Josh Chin

BELJING—A student at an elite Chinese university accused the school of trying to muzzle her #MeToo activism in a surprising open letter that set off a scramble by the country's censors.

In the letter, which began circulating online Monday, Yue Xin said she joined other Peking University students in submitting an open-records request about a rape allegation from 20 years ago involving a then-professor. The school rejected the request on Friday, the letter said, and two days later a university official burst into her room late at night with her mother.

They forced her to delete materials related to the case from her phone and laptop, the letter said, and the following morning Ms. Yue was told to sign a statement swearing off further involvement before being taken home by her mother. "I'm afraid and furious. Applying for open information constitutes what kind of crime?" Ms. Yue said in the letter.

In a statement posted online, the university disputed Ms. Yue's account. It said that her adviser contacted her mother after failing to reach the student on the phone and that she left campus to avoid disturbing other students. It didn't address other allegations by Ms. Yue, such as the forced statement. The university didn't respond to a request to comment. Ms. Yue and her family couldn't be reached to comment.

Ms. Yue's letter ricocheted around Chinese social media and went viral among the university's large and influential alumni, with users battling censors to keep it online. Searches for Ms. Yue's name were blocked on the Twitter-like Weibo microblogging platform. Several local media reports about her campaign were taken down on Tuesday.

The rape allegations from 20 years ago that drew Ms. Yue's attention resurfaced this



University alumni sided with Yue Xin and her #MeToo letter.

month and set off calls for action against teachers at several other universities. The activism is a mark of the pent-up frustration over sexual harassment in China, and the pushback from authorities—such as the tussle over Ms. Yue's letter—shows their determination to keep social movements under control.

To keep Ms. Yue's letter from being scrubbed, some users of the popular WeChat

*The activism is a mark of pent-up frustration over sexual harassment.*

messaging app posted images of the letter printed askew or upside down in an apparent effort to confuse the platform's censorship algorithms. A copy of the letter was also uploaded to the blockchain network of cryptocurrency platform Ethereum, making it theoretically impossible to censor.

Critics of the Communist Party have found themselves kicked off platforms such as YouTube and Twitter that are outside Chinese government control, typically after armies of users loyal to the party reported them for violations of

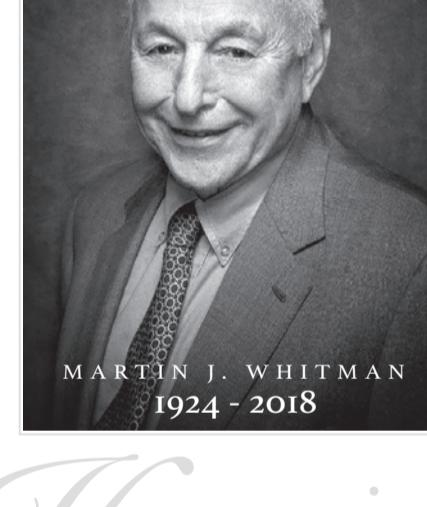
community guidelines. Posting Ms. Yue's letter on the Ethereum network negates that tactic, because data added to a blockchain, the decentralized ledgers used to track cryptocurrency transactions, can't be altered or erased.

Weibo Corp. and Tencent Holdings Ltd., which owns the WeChat social-messaging service, didn't respond to requests to comment.

In recent years, sensitive political discussions have rarely outrun China's online censorship machine, which relies on human censors, software filtering and, lately, artificial-intelligence applications. One previous instance, in 2016, concerned the death in police custody of a graduate from another of Beijing's elite universities and led to the firing of four policemen.

Feng Yuan, a leading feminist scholar, said Peking University's intimidation of Ms. Yue, although it could hurt the #MeToo movement, is likely to do more damage to authorities by making them seem deaf to calls for fairness and transparency.

"Even people who don't care very much about sexual harassment or gender discrimination are still concerned with social justice," she said. "This sort of repression just makes more people pay attention."



MARTIN J. WHITMAN

1924 - 2018

*Honoring*

THE ENERGY  
THAT STEERED  
US TO SUCCESS.

On behalf of Nabors Industries' 15,000 employees and Board of Directors, we are deeply saddened by the loss of our beloved former board member and longtime friend, Martin J. "Marty" Whitman. If there is one person who could be called the *Father of Nabors*, it would be Marty. The ultimate long-term value investor, Marty spotted the opportunity of unlocking value hidden deep within the then-troubled company known as Anglo Energy.

After a depressed oil and gas market forced Anglo into bankruptcy, Marty enlisted his longtime friend, Eugene M. "Gene" Isenberg, and they seized the opportunity to take the company in a new direction of growth and prosperity. In late 1986, following Anglo's emergence from bankruptcy, they acquired a majority stake in the company from the creditors. They took control of the company and subsequently convinced the rest of the creditors to exchange their remaining debt for equity in the renamed company, Nabors Industries Inc. Nabors was the name of Anglo's drilling subsidiaries that had enjoyed an excellent reputation in Canada since its founding in 1952, and in Alaska, having placed the first rig on the Arctic North Slope in 1962.

For 25 years, Marty provided his inimitable counsel, particularly on financings and strategic acquisitions, through service on the Nabors Board while also maintaining continuous ownership as a major shareholder. Known for his modesty and humility, Marty strengthened Nabors and shared his success by supporting worthy causes ranging from peace in the Middle East to the promotion of human rights throughout the world.

At heart, Marty was a teacher. He was a distinguished Management Fellow at the Yale School of Management, where he taught for over 30 years. He authored several books and articles on investing and security analysis and taught at Syracuse University's Whitman School of Management, which was named in his honor in 2002. Nabors is fortunate to have been the beneficiary of his wisdom. On behalf of our employees around the world, we extend our thoughts and condolences to the entire Whitman family.

We will continue to honor Marty's legacy every day.

*Anthony G. Petrelle*

Anthony G. Petrelle  
Chairman, President and CEO  
Nabors Industries Ltd.

 NABORS

## IN DEPTH

# Treasurys' Climb Signals Confidence

The 10-year yield, a benchmark, could affect borrowing costs for consumers, firms

BY DANIEL KRUGER

Long-term U.S. government bond yields topped 3% for the first time in more than four years, a sign that investors' confidence in the stability of economic growth is outpacing fears about the longevity of the postcrisis expansion.

It is a climb with significant implications for financial markets. The 10-year yield is a barometer that influences borrowing costs for consumers, corporations and state and local governments. Its half-percentage point climb to similar heights earlier this year contributed to the tumble in the Dow Jones Industrial Average in February, as higher yields dented investors' confidence

that stock valuations could rise unceasingly.

After being buoyed recently by strong corporate earnings, the Dow fell Tuesday for the fifth straight session, slipping 424.56 points, or 1.7%.

Still, the climb in yields suggests investors are moving past their longstanding worry that economies world-wide would prove unable to break out of a rut of weak wage growth and inflation, keeping interest rates depressed for years to come.

The rise in the yield is happening as the Federal Reserve has reached what some investors have said is about the halfway point in its cycle of rate increases. Policy makers at their March meeting signaled an intent to raise rates two more times this year and three times in 2019.

The yield on the benchmark 10-year U.S. Treasury note only spent a brief time above 3% on Tuesday. It rose to

3.001% near the start of U.S. trading, according to Tradeweb. It then fell along with stocks as investors sought safer assets, but still settled at 2.983%, up from 2.973% Monday and 2.41% at the end of 2017. Yields rise when bond prices fall.

*Investors had felt they were 'fated to be in this low interest-rate environment forever.'*

Investors had felt they were "fated to be in this low interest-rate environment forever and ever," said Wan Chong-Kung, who manages bond portfolios with Nuveen Asset Management. "That's part of what lends the 3% level the mystique it has."

The 10-year yield has

topped 3% several times since the financial crisis, only to soon retreat below the level. That pattern has left investors debating whether this latest surge marks a new phase in the recovery or the latest in a series of false starts. Yields stayed near historic lows in the postcrisis years as the Fed undertook quantitative easing on a massive scale and policy makers saw greater risk in a sluggish recovery and the threat of deflation than in the potential for monetary stimulus to spur rapid inflation.

A surge above 3% could spook some investors—particularly those who for years have said low yields justified high stock valuations—while raising corporate borrowing costs and even mortgage rates.

But with consumers less exposed to debt than during the last expansion, the threshold's crossing by itself is unlikely to prove economically significant.

cant, said Michael Cloherty, head of interest-rate strategy at RBC Capital Markets.

Signs of inflationary pressures helped spur some of the recent selling in 10-year Treasurys, several analysts said. U.S. oil prices are approaching \$70 a barrel for the first time since 2014, and trade tensions with China also threaten to increase prices. Inflation poses a threat to the value of government bonds because it chips away at the purchasing power of their fixed payments and can push the Fed to raise interest rates.

The flattening in the yield curve—the distance between short- and longer-term yields—is one signal investors have greater confidence in the Fed's pace of rate increases than the longer-term outlook for the economy. Two-year yields tend to rise along with investors' expectations for tighter Fed policy, while longer-term yields are more responsive to the out-

look for growth and inflation.

The prospect of Fed rate increases has been driving two-year yields higher, even as the 10-year yield has traded within a narrow range since it last approached 3% in February. That has narrowed the spread between the two yields to about 0.5 percentage point as of Monday, down from 2.65 percentage points at the end of 2013.

Fed-funds futures, used by investors to place bets on central-bank policy, late Tuesday suggested a 47% probability the Fed would raise rates three more times this year, up from 33% a month ago, according to CME Group data.

The Fed is likely to raise interest rates four times in 2018, in part because strong economic fundamentals, but also to give the bank leeway to cut interest rates when the economy enters a slowdown, said Doug Peebles, chief investment officer at Alliance Bernstein Fixed Income.

Tuesday—tend to rise along with investors' expectations for tighter Fed policy, while longer-term yields are more responsive to the outlook for growth and inflation.

Because short-term rates have exceeded longer-term rates before each recession since at least 1975—a phenomenon known as an inverted yield curve—investors become wary as the curve flattens.

The pace of flattening suggests the yield curve could invert in early 2019, with a recession following a little more than a year after, said Adrian Helfert, deputy head of global aggregate investing at Amundi Pioneer.

Yet the flattening has occurred while economic growth continues to be steady, and few analysts see signs of any imminent slowdown.

While investors debate the meaning of the flattening curve, one factor that could propel yields higher is increased government borrowing. This year's rise in yields came after the passage of \$1.5 trillion in tax cuts and the bigger bond sales the government needs to finance them.

Yet other factors could cap the climb in bond yields. Because the 10-year yield is a benchmark rate used to help set interest rates for different kinds of loans, including mortgages, auto loans and corporate debt, higher yields increase the cost of debt, which can act as a brake on the economy. Yields remain low by historical standards and the implied inflation forecast from inflation-indexed Treasurys recently hit a 2018 high of 2.19% for the next 10 years.

While the financial crisis happened almost 10 years ago, the long path to 3% shows that the pain is only "slowly wearing off," said Jeremy Siegel, professor of finance at the University of Pennsylvania's Wharton School.

three basketball league.

Before foreign players came to South Korea, domestic basketball lacked a certain flair, says Lee Chang-hoon, a pharmaceutical sales employee at the recent Finals game. "The crowds want dunks because they look awesome!" says Mr. Lee, 46, making a dunk motion with his right arm.

Mr. Simon was one of those

**The South Korean league's new ban cuts back on imports of basketball giants.**

players who became a local favorite. Earlier in his career, his stature was seen as a liability by NBA scouts who worried he wasn't tall enough for the pros, says Doug Noll, who coached him at Indiana University-Purdue University Fort Wayne.

Then Mr. Simon landed in South Korea. When he first entered the league, being 6-foot-7 was his big advantage, even if he had shrunk from his college days, when he was listed at 6-foot-10.

"I was trying to be tall," he says, "because you'd think you'd want to be taller to play basketball."

—Yun-hwan Chae contributed to this article.

## STOCKS

*Continued from Page One*  
all assets seemed to be constantly charging higher. The Dow Jones Industrial Average tumbled 424.56 to 24024.13, leaving it 9.7% below its Jan. 26 record close.

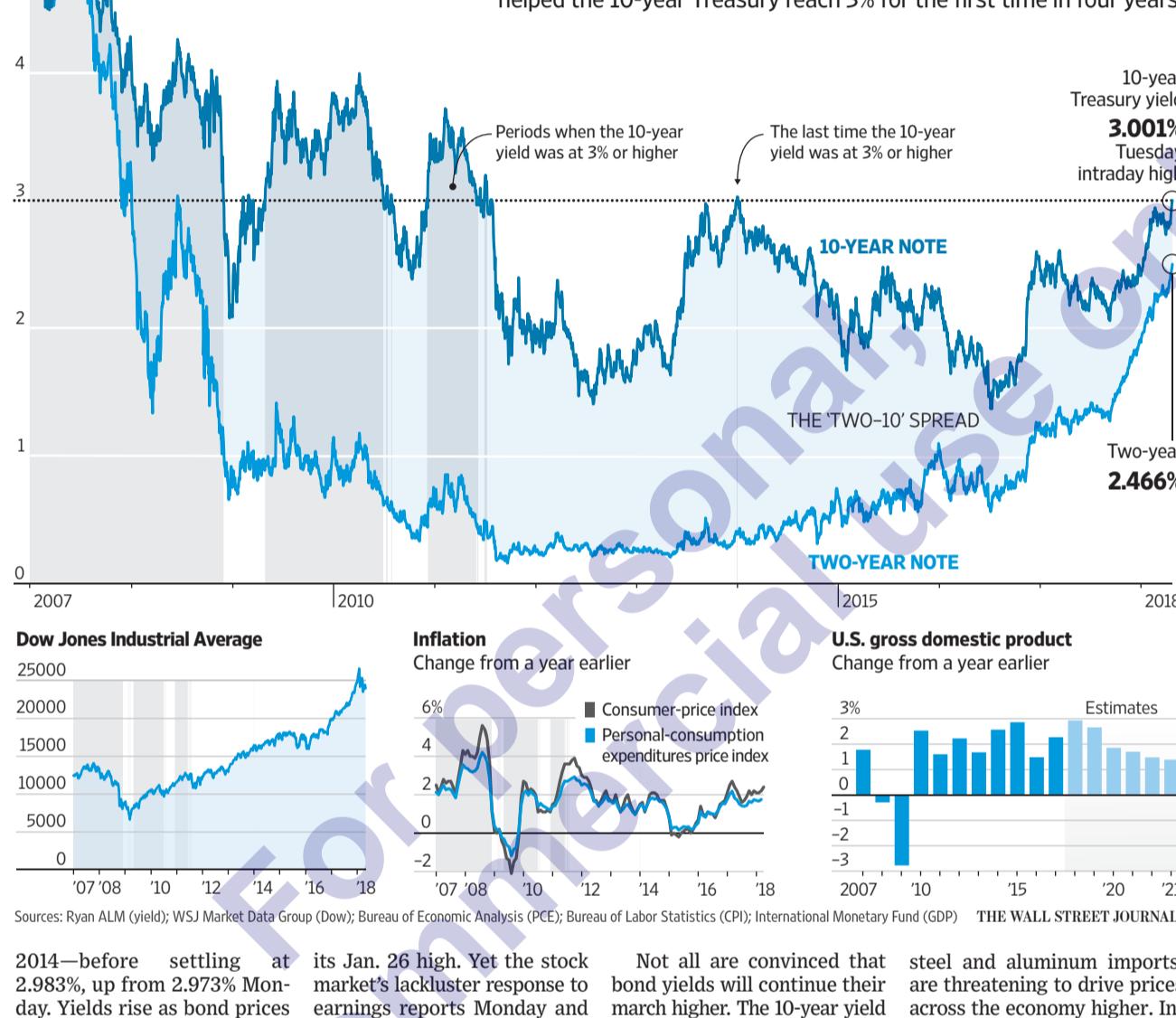
Shares of heavy-machinery manufacturer Caterpillar Inc.—considered a bellwether for industrial America—tumbled 6.2% after company officials cautioned first-quarter results could mark a "high-water mark for the year," while multinational conglomerate 3M Co. shed 6.8% after the company trimmed the top end of its fiscal-year earnings guidance.

"If you've got production costs going up and interest costs going up, you're saying, wait a minute—is this as good as it's going to get?" said Michael Farr, president of Farr, Miller & Washington, a money-management firm.

Bond yields had slumped near historic lows in the post-crisis years as economic growth contracted and the Federal Reserve undertook bond buying on a massive scale. A rise to 3% signifies in part that the economy is returning to near normal conditions in which a rapid deceleration is deemed less likely than it was in the years immediately after the crisis.

Yet many analysts believe the U.S. is in the late stages of the economic cycle, and say a rapid run-up in bond yields could pose a threat to the stock rally, with rising inflation rates discouraging consumer spending and increasing labor costs.

The yield on the benchmark 10-year U.S. Treasury note, a barometer that influences borrowing costs for consumers, corporations and state and local governments, rose as high as 3.001% Tuesday—it's highest intraday level since Jan. 9,



2014—before settling at 2.983%, up from 2.973% Monday. Yields rise as bond prices fall.

The 10-year yield's half-percentage point climb to similar heights earlier this year contributed to the tumble that sent stocks into correction territory in February.

Stocks had appeared to stabilize in the months following the selloff, with the S&P 500 reclaiming positive territory for the year after a 10% fall from

its Jan. 26 high. Yet the stock market's lackluster response to earnings reports Monday and Tuesday, combined with the fresh rise in bond yields, has renewed investor fears of a resurgence in selling.

"The repricing of interest rates is potentially a bigger headwind for financial markets than the real economy," said Ashok Bhatia, a senior portfolio manager in Neuberger Berman's Fixed Income Multi-Sector Group.

Not all are convinced that bond yields will continue their march higher. The 10-year yield has topped 3% several times since the financial crisis, only to soon retreat below the level.

Still, many believe long-nascent inflation could finally be picking up, something that they expect will ultimately nudge bond yields higher.

U.S. crude is approaching \$70 a barrel for the first time since 2014, while tighter trade policies, including tariffs on

steel and aluminum imports, are threatening to drive prices across the economy higher. Inflation poses a threat to the value of government bonds because it chips away at the purchasing power of their fixed payments and can push the Fed to raise interest rates.

Others see a warning sign in the narrowing distance between short- and longer-term bond yields, known as a flattening yield curve. Two-year yields—which fell to 2.466% on

static when he was measured at 0.3 inch under the height limit, roughly the thickness of an iPhone. He dropped to his knees in celebration.

Justin Edwards, a guard on the Goyang Orions squad, was previously listed above the 6-foot-1 limit, and he worried about losing his spot on the roster. After a measurement last month, Mr. Edwards came in a whisker below the threshold.

"I wasn't ever rooting to be shorter until now," says Mr. Edwards, a 25-year-old Canadian, of Whitby, Ontario. He immediately sent a text to family and close friends: "Oh my god I have great news."

"From an American perspective, this must be incredibly ridiculous—it's embarrassing," says Kim Sae-joung, a sports science professor at Kyungwon University in Gumi, South Korea, and a former KBL player. "We're going backwards."

While leagues in other countries have longstanding height restrictions, the KBL's policy shift was a surprise. The 82-year-old league commissioner Kim Young-ki gave two explanations: He thought the pace of play was too slow, and he wanted South Korean players to have a bigger influence.

"Basketball centered around players like Shaquille O'Neal is over," says Mr. Lee, referring to the retired 7-

foot-1 NBA superstar. (Mr. O'Neal declined to comment through a spokesman.) Skeptics point out that while the NBA is enjoying a renaissance of sorts in this era of small ball, that is the result of lumbering players becoming more skilled—not a height limit.

Despite the widespread criticism, Mr. Lee says new rules are backed by a "silent majority" in South Korea. Three years ago, the KBL knocked foreign players down a peg, imposing a height limit of 193 centimeters, about 6-foot-4, on one of the two for-

ign player spots. It also limited the time two foreign teammates could be on the court at the same time.

Angry fans have filed around a dozen citizen petitions with the presidential Blue House, demanding the government reverse what they call the "evil" height rule.

"Don't you think Kim Jong Un would be a better commissioner than Kim Young-ki?" read an online comment on the message board of a KBL fan site, comparing the commissioner with the basketball-crazed leader of North Korea.

If the NBA applied a similar rule, roughly half the league's players would be looking for other work. Only a fifth of the Golden State Warriors roster, the reigning NBA champions, would be short enough to play.

"The KBL is a bureaucratic nightmare," says Steve Jantsik, 31, an American attending a KBL game. "The big foreign guys dominate, but the Korean game is already fast-paced. The new rule isn't going to work."

The KBL's height limits are shortsighted, critics say. Attendance for South Korea's 10-team KBL has slumped, and its TV ratings are a fraction of professional volleyball.

Even fans say the country's pro basketball league is no better than watching a high school game.

During a recent KBL Finals game between the Seoul SK Knights and the Wonju DB Promy squad, fans shuffled quietly into the arena. The loudest pregame cheers were from vendors hawking dried filefish and \$9 boxes of fried chicken.

The height crackdown makes the South Korean basketball league look like a "frog in the well," says Kim Sang-hoon, 35, using a local expression that means an inability to see the big picture.

"Using the KBL's logic, there should be weight limits, too," says Mr. Kim, who plays in a South Korean three-on-



David Simon, a 6-foot-7 American, played in South Korea's basketball league until he was booted for being too tall.

KOREAN BASKETBALL LEAGUE

## TALL

*Continued from Page One*  
KBL staffers, who kept a close eye on him: No bending the knees. No drooping shoulders.

After three measurements that day, Mr. Simon was found a fraction of an inch too tall. He boarded a flight back to the U.S. the next morning.

"I've never heard of being too tall to play basketball," says Mr. Simon, 35 years old, who became a KBL legend after he was too short to play center in the National Basketball Association.

The ban cuts back on imports of basketball giants.

Charles Rhodes, a 32-year-old Texan who plays center for the Jeonju KCC Egis, was ec-

# GREATER NEW YORK

## Democrat Wins Westchester Senate Race

Mayer's victory gives her party a one-person majority, but the GOP will remain in control

By MIKE VILENSKY

Assemblywoman Shelley Mayer won a Westchester Senate seat Tuesday, giving Democrats a one-person majority in New York's Senate—but Republicans will still control of the chamber.

Although Ms. Mayer gives the Democrats a razor-thin numerical majority, Democratic Sen. Simcha Felder of Brooklyn caucuses with Republicans. On Tuesday, he said he would stick with the GOP but might reconsider before a new session starts in January 2019.

"This issue is best resolved outside of the legislative session," he said.

In her victory statement Tuesday night, Ms. Mayer

stressed that the Democrats will have a numerical majority, despite Mr. Felder's decision. "This race was about finally bringing a Democratic majority to the state Senate so that New York can once again be a progressive leader," she said.

The Senate is key for both parties in Albany. Democrats hold the governor's office and a vast majority in the Assembly, so if they win the Senate in November it would give them a coveted trifecta of power. For Republicans, the chamber is the party's last bastion of power in New York.

A group of eight other Democrats known as the Independent Democratic Conference had been allied with Republicans, but the group decided to return to the Democrats' side earlier this month amid political pressure.

Ms. Mayer, a 65-year-old attorney, has represented Yonkers in the Assembly since winning a 2012 special elec-



Democrat Shelley Mayer on Monday in Mamaroneck. She defeated Republican Julie Killian on Tuesday in a special election.

tion. She defeated Republican Julie Killian, 57, who served on the Rye City Council for almost six years and is chairwoman of Rye Action for Children and Teens, a drug- and alcohol-prevention organization.

"Despite going up against political history and voter enrollment, our candidate ran a

strong race," said Senate GOP spokesman Scott Reif. "There are a number of Democrat-held seats that present better opportunities for us in November."

The seat was vacated in late 2017 by Democrat George Latimer, a state senator who defeated incumbent Republi-

can Rob Astorino to become Westchester County executive. Democrats have framed Mr. Latimer's win—and now Ms. Mayer's—as part of a streak they are hoping will give them control of the U.S. Congress in this year's midterm elections.

"These electoral wins are part of the blue wave sweeping our state and nation which will help even more Senate Democratic candidates win in the upcoming general election," said Senate Democratic conference leader Andrea Stewart-Cousins on Tuesday.

Democrats already had an advantage for the Senate seat. They outnumber Republicans by about 30,000 registered voters in the Westchester district, which includes Yonkers, Rye, Mamaroneck, Port Chester and Bedford.

Republicans and political fundraising groups that support real-estate development and charter schools poured

money into the race to block Democrats from gaining full control in Albany. State Democrats and labor groups did the same to support Ms. Mayer.

Suki van Dijk, a Rye resident who voted and volunteered for Ms. Mayer, said she supported Ms. Mayer's positions on gun control and abortion, as well as the candidate's endorsement of a measure to extend the statute of limitations for victims of child sex abuse that Republicans oppose.

Her polling place was crowded, she added: "It looked more like during presidential years."

The district is one of two New York Senate seats that were up for grabs Tuesday in special elections. Democratic Assemblyman Luis Sepulveda won the other race for a vacant seat in Bronx County, where Democrats hold a vast registration advantage.

—Kate King contributed to this article.

### A Whale of a Task at the American Museum of Natural History



SPRING CLEANING: Exhibition Maintenance Manager Trenton Duerksen vacuumed the 94-foot-long blue whale model on Tuesday. Installed at the Upper West Side museum in 1969, the whale is made of fiberglass and polyurethane and weighs 21,000 pounds.

## Sex-Case Actress Released on Bail

By CORINNE RAMEY

Actress Allison Mack was released from jail Tuesday and will be confined to her parents' home while awaiting trial on sex-trafficking charges linked to her alleged involvement in a cultlike group in upstate New York.

Ms. Mack, best known for her role in the television series "Smallville," had been in federal jail in Brooklyn since her arrest last week. U.S. Magistrate Judge Viktor Pohorelsky said prosecutors and defense attorneys had agreed on release conditions, which included a \$5 million bond and detention at her parents' home in Los Alamitos, Calif.

"Basically, you should avoid contact with anyone you know to be affiliated with Nxivm," the judge told Ms. Mack, who appeared in court in baggy khaki jail scrubs and with her hands clasped behind her back.

Her mother, Melinda Mack, also was in court and agreed to use her home as collateral for the bond.

The bail hearing, in U.S. District Court in Brooklyn, is the latest chapter in the saga of Nxivm, pronounced "NEX-i-um," a purported self-help group led by mathematician Keith Raniere. Nxivm, based in Albany, offered seminars and courses it claimed would "[help] people realize the potential that exists within them."

In recent years, some former members have described the group as a cult, claiming followers were forced into rituals including branding and sexual acts.

Last week, a grand jury indicted Ms. Mack, 35 years old, and Mr. Raniere, 57, on charges of sex trafficking, sex-trafficking conspiracy and forced-labor conspiracy due to their leadership positions within the group.

Ms. Mack has pleaded not guilty. Her lawyer didn't immediately return a request for comment Tuesday. Court filings show the actress, who lives in Brooklyn, has engaged in plea negotiations with prosecutors.

Mr. Raniere, who has denied wrongdoing, wrote in a letter to Nxivm members: "Over the past months, there have been extensive independent investigations

performed, by highly qualified individuals, and they have firmly concluded that there is no merit to the allegations that we are abusing, coercing or harming individuals."

In court documents, prosecutors described a scheme in which the women were recruited into the group and then blackmailed into sexual relationships with Mr. Raniere.

In 2015, Mr. Raniere created a secret society within Nxivm, called DOS, prosecutors said. They said the society functioned like a pyramid scheme, with "slaves" becoming "masters" by recruiting their own "slaves." Mr. Raniere, the only man in the scheme, held the position at the top of the pyramid.

"DOS stands for 'Dominus Obsequious Sororium,' which at



least one DOS slave was told by her master translates to 'Master Over the Slave Women,'" says a complaint.

"Slaves" were required to provide collateral, like naked photos, which "masters" would threaten to release if the "slaves" didn't obey. Many "slaves" were branded with Mr. Raniere's initials in their pubic regions, using a cauterizing pen, the complaint says.

Ms. Mack was directly below Mr. Raniere and recruited her own "slaves," prosecutors said. They said she recruited women by telling newcomers they were joining a female-empowerment group. "DOS masters, including [Ms. Mack], groomed DOS slaves for sex with Raniere by requiring DOS slaves to adhere to extremely restrictive diets and not remove their pubic hair (in accordance with Raniere's sexual preferences)," prosecutors wrote in a letter to the judge.

In his letter, Mr. Raniere says "the sorority"—presumably DOS—isn't part of Nxivm and that he isn't associated with it.

## Deal Shows Grand Central-Area Strength

By PETER GRANT

SL Green Realty Corp., New York's largest office-building owner, has signed its third-largest lease at its development rising next to Grand Central Terminal, in a sign of strength for a traditional part of Midtown that has been viewed as vulnerable to the city's trendy new office districts.

The Chicago-based law firm McDermott Will & Emery has agreed to move its New York office to the 106,000 square feet it leased in One Vanderbilt, which is expected to rise to 1,401 feet tall and be completed in 2020, according to SL Green. Law firm Greenberg Traurig this year also signed a deal for more than 130,000 square feet in the building, which is now 31% leased.

SL Green has said its goal is to be 37% leased by the end of 2018. "The year is off to a good start," said Steven Durels, the real-estate investment trust's leasing director.

Encompassing an entire



block, One Vanderbilt is one of the most closely watched office projects in the city because of its size, location and high rents. SL Green was asking more than \$160 a square foot per year for the floors that McDermott Will is taking, according to market observers. Average Midtown rents in March were about \$80 a square foot, according to real estate services firm JLL.

SL Green's management believe they can fill the building because of its prime location and modern layouts. Features include an auditorium, conference spaces, a 30,000-square-foot tenant-only amenity floor with an outdoor terrace and a restaurant.

One Vanderbilt's largest lease, 200,000 square feet, was signed in 2014 with TD Bank,

the U.S. unit of Toronto Dominion Bank.

"Everyone is striving to get the best employees and to differentiate themselves as employers," Mr. Durels said. "The work environment is often a big part of that recruitment discussion."

Traditional office neighborhoods in Midtown have been threatened in recent years as new neighborhoods gained popularity with the city's younger workers and the companies that wanted to attract them. Hudson Yards, which was a windswept rail yard on Manhattan's far West Side a decade ago, has lured numerous big-name tenants in recent years including BlackRock Inc., Time Warner Inc. and KKR & Co.

Lately, though, the area around Grand Central has won a string of battles in the tug of war. Most impressive, JPMorgan Chase & Co. earlier this year announced plans to build a 2.5 million-square-foot headquarters at 270 Park Ave.

Traditional office neighborhoods in Midtown have been threatened in recent years as new neighborhoods gained popularity with the city's younger workers and the companies that wanted to attract them. Hudson Yards, which was a windswept rail yard on Manhattan's far West Side a decade ago, has lured numerous big-name tenants in recent years including BlackRock Inc., Time Warner Inc. and KKR & Co.

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Ms. Mack has pleaded not guilty. Her lawyer didn't immediately return a request for comment Tuesday. Court filings show the actress, who lives in Brooklyn, has engaged in plea negotiations with prosecutors.

Mr. Raniere, who has denied wrongdoing, wrote in a letter to Nxivm members: "Over the past months, there have been extensive independent investigations

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## GREATER NEW YORK

# Police Use Records Illegally, Suit Says

BY ZOLAN KANNO-YOUNGS

The New York Police Department uses information collected from sealed arrest records, in violation of state law, for investigations and shares those records with prosecutors, according to a complaint filed in Manhattan Supreme Court on Tuesday.

The complaint, filed by lawyers from the **Bronx Defenders** and law firm **Cleary Gottlieb Steen & Hamilton LLP**, alleges the NYPD is illegally accessing and using information collected from arrests that didn't result in convictions. It calls into question the usage and scope of the department's arrest databases, which have long been criticized by advocates and legal officials for their secrecy.

An NYPD spokeswoman referred a request for comment to the city Law Department. A Law Department spokesman said city officials would "review the lawsuit and respond in litigation."

The two state laws referenced in the complaint require law-enforcement agencies to destroy or return to individuals any photographs or fingerprints taken during an arrest that didn't lead to conviction, according to the complaint. The arrest records, which become sealed, can only be accessed if the NYPD obtains a court order, according to the complaint, although there are exceptions.

Police can access sealed records for people applying to be officers or if someone is convicted of domestic violence.

"The NYPD's arrest dragnet has built a massive database that marks people for life even after they face the bar of justice and are not convicted of a crime," said Jenn Rolnick Borcetta, deputy director of the Bronx Defenders' Impact Litigation Practice.

METRO MONEY | By Anne Kadet

# City Adventures at Your Fingertips



Does anyone remember the Hagstrom New York City 5-Borough Atlas? As an urban explorer in the 1990s, I counted it among my most treasured possessions: The entire city, spiral-bound, mapped and laminated. Then came Google Maps, the great leap forward. And now?

I recently explored several neighborhoods with Live.XYZ, a free map app launching this week that aims to change the way pedestrians experience the urban environment. While existing map apps focus on directions, Live focuses on locations and events, says co-founder and Chairman Robert Levitan. It maps what's happening now.

In what sounds like an expensive endeavor, Live dispatched a team that has so far spent four years walking nearly every block of New York City, mapping more than 120,000 locations including coffee carts, water fountains, murals and farmers markets, according to Mr. Levitan. The owners declined to discuss company funding.

In Vancouver, an app called Go Downtown offers similar features, but Live appears to be unique in New York City.

Live, which hopes to make money from advertising, content licensing and sales of aggregated user data, also uses machine learning to extract and map information from social-media feeds about events ranging from lunch specials and performances to classes and church services. You can zero in on a neighborhood to see what's happening nearby, or use the search functions to find what you want.

"We are indexing the real world by time and space," says Mr. Levitan, who is prone to grand pronouncements.



ROB SHEPPISON

"We are unlocking the now."

My first Live-assisted adventure was a trip to Manhattan's Lower East Side to get a culture fix. According to Live, the neighborhood hosts more than 190 galleries. Alas, the galleries were closed on a Monday afternoon. Could Live suggest an alternative? It displayed a cluster of yellow dots on nearby Orchard Street, signifying fashion retailers.

The strip, it turns out, is a dizzy mix of old school wholesalers and trendy boutiques. I sampled "Strange Paradise" unisex perfume. I admired the \$5 belt rack at Ben Freedman and a top hat festooned with bullets.

Live also offers location lists submitted by fellow users. On one recommendation, I tried the nearby Punjabi Deli

& Grocery—a friendly hole-in-the-wall offering golden turmeric lattes. My \$4.50 lunch combo was delicious.

Live says users often make discoveries in their own backyard. Indeed, I learned the bland-looking gift shop near my Brooklyn Heights home actually is an artists' collective featuring handcrafted skin-care products and terrariums, while the bar down the block doubles as a jazz club.

I stopped short when I saw a glowing dot over the nearby Brooklyn Historical Society. There was a \$5 lecture on the Abraham & Strauss department store starting in 10 minutes. I booked out the door. The fun talk featured an eccentric historian sporting a big department store logo tattooed

on the back of his calf.

While the day left me feeling enthusiastic about Live, Olivier Toubia, faculty director of the Eugene Lang Entrepreneurship Center at Columbia Business School, says unless you're a committed urban explorer, Live is likely just an incremental improvement over existing map apps and few will make the switch. "It probably won't be the next big thing," he says.

It's also a bit rough around the edges. On several occasions, Live flubbed a venue's hours and I found myself locked out of my destination. A search for a "low-carb" lunch spot returned irrelevant results like the Longevity Adult Day Care Center.

Live co-founder and CEO Jason Greenwald says the app's accuracy will improve

through user-submitted corrections and machine learning.

The next day, I played train-stop roulette, dropping a pin on the subway map and using Live to explore whatever neighborhood fate dictated, which turned out to be the west end of Soho. Who knew this corner of the city still had so many galleries? Or the New York City Fire Museum, featuring 19th-century hose trucks and Chief, a taxidermy-stuffed Brooklyn firehouse dog from the 1930s?

Mr. Greenwald says Live is no niche app for urban adventurers. Rather, it will convert the masses to adventuring. "The new hobby, he says, "is just cruising. Just walking around."

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# LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

## The Minutes After Disaster Struck

How Southwest Airlines management put its emergency-response plan into action after the disaster on Flight 1380

All Southwest Airlines senior executives were at a Dallas hotel for a day-long meeting on leadership development last week when suddenly phones blared in unison around the room: Flight 1380 was in serious trouble.

The team had a quick conference call with the airline's operation center, then raced to headquarters nearby. From there they put an emergency-response plan into action.

The plan had gotten a lot of use in the past year: three hurricanes, plus mass shootings in Las Vegas and Sutherland Springs, Texas, near San Antonio. All required extensive coordination and interaction with customers. But nothing prepared executives for the kick in the gut they got when passenger Jennifer Riordan died.

"We've never had a passenger fatality. It affects everyone," Chief Executive Gary Kelly said in his first extensive interview since the accident.

How companies respond to crises, especially those broadcast live and spread world-wide on social media, has become a major test.

Airlines have a lot of practice: The grim reality is that accidents sometimes kill customers. Cell-phone video has made aviation accidents and incidents more terrifying and troubling for the flying public. In the case of Southwest 1380, when an engine ruptured on a New York-to-Dallas trip and shrapnel broke a window, blowing the 43-year-old Ms. Riordan partly out of the airplane, we see the fear the passengers were experiencing like never before.

The photos, video and tweets also kept the airline better-informed about what was happening, and heightened the need for the airline to quickly respond.

Crisis communications experts have applauded that public response as timely and effective. Mr. Kelly quickly delivered a 40-second video apology. The airline issued multiple updates with brief facts after the April 17 event. The pilots who got the plane quickly to safe altitude, then onto the ground, were hailed as heroes.

"It is hard to argue with a leader who immediately shows contrition through honest and heartfelt condolences," says David Castelveter, a former airline communications executive who worked five different fatal airline accidents.

The National Transportation Safety Board investigation that will pick apart Southwest's maintenance program could ultimately find fault with the airline or criticize it for not accelerating engine inspections



FROM TOP: NTSB/ASSOCIATED PRESS; GETTY IMAGES

National Transportation Safety Board investigators examine damage to the Southwest Airlines plane, above. Southwest CEO Gary Kelly, left.

**Southwest CEO Gary Kelly, left.**

ggers onboard decided to stay in Philadelphia hotels overnight the first day. Southwest had letters slipped under their doors to remind them that people were on site that night and the next day to offer assistance, if they wanted. Some flew home the next day on other airlines; others took trains or drove. Close to 90 passengers opted for a Southwest flight to Dallas Tuesday evening just for survivors.

On the second day, passengers received personal phone calls and emails offering resources, including counseling services. Karie Lardon, Southwest's senior manager of emergency response, directed hundreds of employees responding to the accident.

The airline sent each passenger a \$5,000 check plus a \$1,000 travel voucher for future Southwest flights. The amounts were decided after looking at previous payouts for far less-serious episodes. Ms. Lardon says the payments were intended to "ease the burden of an extraordinarily difficult situation" and weren't part of an effort to dissuade passengers from suing the airline. The payments came with no strings attached.

"There's no formula except compassion," Ms. Lardon says. "This is something that we know we will always do and so we want to be quick."

An initial \$5,000 seems to be becoming the standard for terrifying airline accidents. After US Airways Flight 1549 landed in the Hudson River in New York, the airline delivered \$5,000 checks to all passengers within a week.

Former US Airways officials say they settled on \$5,000 while trying to refund every passenger's fare for that flight and others they'd cancel as a result of the river landing. It was complicated, according to two executives involved. But \$5,000 seemed to cover the highest cost, and US Airways thought everyone should get the same amount. The airline also offered cash cards for immediate needs, as well as later payments, and cleaned and restored personal belongings.

In many cases, airlines—historically tightfisted with customers and with few government requirements on compensation in the U.S.—have upped their compensation for inconveniences and misdeeds. Delta Air Lines offered thousands of dollars in retail gift cards instead of hard-to-use vouchers to get passengers to give up seats after an operational melt-down left thousands of stranded customers.

"Nothing kills a negative story faster than doing the right thing and making people feel treated with respect," says John McDonald, a former airline communications executive and founder of crisis management firm Caeli Communications.

The last time Southwest broke out its accident response plan was in 2005, when a jet ran off the end of a snowy runway in Chicago and killed a 6-year-old boy in a car. Since then, the company has regularly updated the plan, based on other airline responses to emergencies and corporate lessons learned. Executives regularly hold exercises and the emergency-response team runs full-scale drills at airports.

Like most airlines, Southwest has a social-media listening team that fed real-time information to executives as the accident developed. One passenger used the plane's Wi-Fi to broadcast the emergency live on Facebook. Others posted video and photos from inside the cabin once safely on the ground.

Laurie Barnett, Southwest's managing director of communications and outreach and one of the authors of the response plan, says that information aided the response.

"A situation like that is sort of the classic fog," Mr. Kelly says. "It does take a while to make sure we have the facts."

### THE ROYAL WEDDING

## A MULTIMEDIA 'MODERN FAIRY TALE'

BY ELLEN GAMERMAN

**IN THE LIFETIME** television movie "Harry & Meghan: A Royal Romance," viewers will be able to witness the first time Harry met Meghan.

"So, uh, what is it you do?" Meghan asks, meeting Harry's gaze in the flickering light.

"I'm, uh, kind of the prince of England," he replies.

Americans eager to binge on the royal wedding—even the, uh, kind of made-up stuff—will have abundant opportunities over the coming weeks. Now that the third royal baby has arrived for William and Kate, the calendar is clear for all things Meghan and Harry.

The two-hour fictional version of the royal relationship, "Harry & Meghan: A Royal Romance," is set to air May 13, just before Prince Harry and Meghan Markle's real-life wedding at Windsor Castle on May 19.

Elsewhere on TV, network and cable-news programs are airing specials with royal experts, friends and former courtiers. Podcasts like "On Heir" and "Pod Save the Queen" are milking every available detail, from the demands of Ms. Markle's bridal boot camp to

the floral touches on her lemon elderflower wedding cake.

The website and social-media feed "What Meghan Wore"—a sister site to "What Kate Wore," about the Duchess of Cambridge—is dissecting every inch of the bride's style. New books are hitting shelves, including Andrew Morton's "Meghan: A Hollywood Princess." Its pages include a now-famous snapshot of Ms. Markle as a teenage tourist posing in flip-flops outside Buckingham Palace.

### On TV

Prepare to hear the phrase "modern fairy tale" on a loop.

Nick Bullen, president of Spun Gold TV, is creating "Meghan Markle: An American Princess," a two-hour Fox program airing May 11 that highlights the royal couple. Its visual inspiration includes filmmaker Baz Luhrmann's "The Great Gatsby," his earlier movie "Romeo + Juliet" and a Lancôme perfume ad featuring diamonds falling from the sky.

Fox is owned by News Corp, which publishes The Wall Street Journal.

On May 16, NBC airs "Inside the Royal Wedding: Harry and Meghan," a special

Please see WEDDING page A11



Meghan Markle and Prince Harry's wedding is set for May 19 at Windsor Castle.

## LIFE &amp; ARTS

MY RIDE | By A.J. Baime

## The Corvair's Biggest Fan



IAN SPANIER FOR THE WALL STREET JOURNAL

*Christian Mejia, 35, a property manager from Thousand Oaks, Calif., on his 1965 Chevrolet Corvair Monza, as told to A.J. Baime.*

My grandfather, Dean Haskell, had a Corvair. When I was in preschool, he would take me to school in it. I thought it was the coolest car. When he passed away, he left it to my mom and when I got to high school, she gave it to me. It was my first car. That's when it all started. I have been obsessed with Corvairs ever since.

Chevrolet launched the Corvair in 1959 and it was unlike any car an American manufacturer had ever made. The engine was in the trunk, behind the driver. At the time, Volkswagen Beetles were very popular and the VW had its engine in the

rear. Chevy wanted to tap into that market—affordable, rear-engine cars. Soon there were Corvair coupes, sedans, station wagons, vans, even a pickup.

In the early 1960s these were popular cars. In 1964, however, the Ford Mustang came out, at about the same price, and that basically killed the Corvair. Also, at about that same time, Ralph Nader published a book called "Unsafe at Any Speed," about how unsafe American cars were. The book made a special case of the Corvair. Ever since, the Corvair has had an infamous reputation.

[Nader wrote that the car's rear engine and suspension combination made it easy for drivers to lose control. Chevrolet changed the car's suspension setup due to Nader's book.]

I think that reputation is false because, to me, these cars handle so well. I am not alone. Today, there is a passionate community of Corvair people. These cars are unique and affordable, and people still use them to com-



pete in vintage racing.

I have owned 26 Corvairs and currently own 12, including two rare Corvair race cars, and I have my own private shop where I restore them. I have bought Corvairs in Arizona, New Mexico, Indiana and California. Once I was pulling a Corvair on a flatbed and I met a guy at a gas station. The next thing I knew, I was at his house in Barstow, Calif., and I bought five Corvairs for \$3,000.

The car pictured here is

my first Corvair, the one that my grandfather used to take me to preschool. I did some work on it: souped up the engine, did some body work, removed the door handles for a cleaner look, and swapped out the automatic transmission for a four-speed manual. I know my grandfather would be proud, knowing his Corvair is still on the road.

Contact A.J. Baime at [Facebook.com/abjaime](http://Facebook.com/abjaime).

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Christian Mejia of Thousand Oaks, Calif., top, on the road in his 1965 Chevrolet Corvair Monza coupe. The vehicle's interior, above. Mr. Mejia put modern spoked wheels, above left, on the old car.



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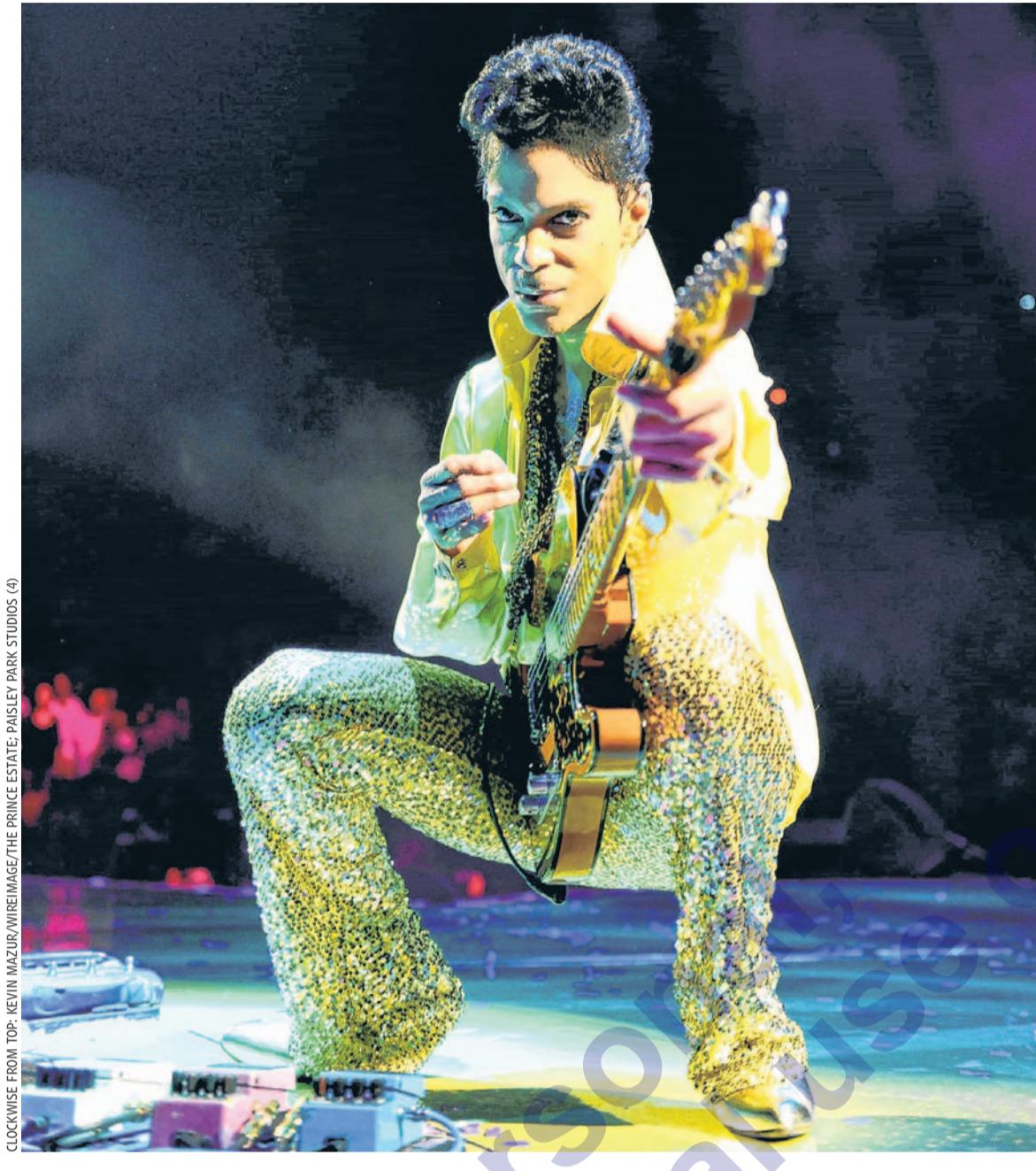
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## LIFE &amp; ARTS

CULTURAL COMMENTARY | By Jim Fusilli

# The Man Behind The Purple Veil



CLOCKWISE FROM TOP: KEVIN MAZUR/WIREIMAGE/THE PRINCE ESTATE; PAISLEY PARK STUDIOS (4)

May 2015 show in Montreal that featured a fierce, Hendrix-worthy guitar performance by Prince as he fronted his final band, 3rdeyegirl. The second film was recorded be-

fore an intimate audience in the same Paisley Park room where we watched it, a set in which Prince previewed his "Piano & a Microphone Tour," performing solo at

the piano, accompanied only by synthetic strings. In this second film, Prince presented his introspective side. Some members of the Purple Fam who had been dancing

gleefully during the funked-up 3rdeyegirl set wiped away tears as he issued a somber introduction to "Sometimes It Snows in April" with its lyric "Sometimes I wish life was never ending." I sat quietly, noticing that, three months before he died, he seemed haggard, tired around his almond eyes, and there was the hint of a bald spot amid his fluffy hair. On Friday night at the Target Center in Minneapolis, Prince, performing on film, was accompanied by several of his former colleagues on the stage below. His on-screen effervescence and a powerhouse five-piece horn section elevated what could have been a macabre exercise.

As Celebration 2018 continued, accumulating facts brought me no closer to him. During panels, anodyne tales revealed little. But on Sunday, we were granted a tour of the museum that Prince had planned well before his death. For a

Going to a festival at Prince's estate to try to discover who the superstar really was

few fleeting moments, I felt his presence. Not by his stage apparel on mannequins but by looking at his gear. Under the glitz and contrivances, he was a working musician dedicated to craft: He used effects pedals available at any guitar shop and remained loyal to his early '80s Oberheim analog synthesizer and Linn drum machine, much as he remained loyal to Minneapolis and its suburbs. (Variety reports that an album of the star's previously unreleased material will be released this fall.) Moving on, we were treated to a glimpse of his office that was kept as if he would return to resume business. His pool table is coated with purple felt. A cue stick awaited his return too.

But those orchestrated moments in which a facsimile of a personal connection to Prince was suggested had little lasting merit for me. While Celebration 2018 was plenty pleasurable, I walked away feeling that Prince the man was as distant as he had been before the festival and that his music was as close as I would get to him, as he preferred. And that will do. It will have to.

**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.



Above from left: a motorcycle featured in the film 'Purple Rain'; some of Prince's former colleagues performing on Friday; Prince4Ever Tribute Fence at the Target Center; Prince in 2011, top center

## WEDDING

*Continued from page A9*  
from British company ITN Productions. According to Ian Rumsey, director of TV production at ITN, the documentary team sought out close friends who will be guests at the wedding, wary of showcasing anyone outside the royal circle.

"With Harry, we don't want to talk to the ubiquitous voices who claim to have lots of knowledge and intimate details but actually don't," Mr. Rumsey said, adding that he set a similar bar for sources on Ms. Markle.

PBS is working with BBC Studios for its "Royal Wedding Watch," a five-part series leading up to the ceremony that features daily reports from Windsor Castle. BBC America, ABC, CBS and others also will offer coverage.

## On the Page

Mr. Morton's biography released last week, "Meghan: A Hollywood Princess," includes some juicy tidbits, including a gossipy take on Ms. Markle's 2013 divorce from film producer Trevor Engelson.

This week, Leslie Carroll's "American Princess: The Love Story of Meghan Markle and Prince Harry," goes on sale. The 232-page book, framed as a history of rule-breaking royal marriages, was written in just a month, a deadline so tight that Ms. Carroll lost 5 pounds in the process.

In "Harry: Life, Loss, and Love," published in March, author Katie Nicholl writes that Ms. Markle's



Souvenirs, above, featuring Prince Harry and Ms. Markle. Right, Parisa Fitz-Henley and Murray Fraser in Lifetime's 'Harry &amp; Meghan: A Royal Romance.'

healthy lifestyle, with her green juices and yoga workouts, helped inspire Harry to smoke less, drink less and start taking dietary supplements.

## In British Outlets

Americans tracking down British publications for an inside take shouldn't get their hopes up for too many scoops. "Everything has been kept sewn up," said Emily Nash, royal correspondent for "Hello!" magazine in the U.K.

Reporters inside the royal press pack say Kensington Palace is their first source of information. The palace has released information on the invitations, photographer, flowers and cake. Ms. Markle's

royal title, dress designer and choice of tiara (will it come from Princess Diana's collection?) lead the list of open questions.

## Elsewhere Online

Royal correspondents Omid Scobie and Emily Andrews co-host "On Heir," a podcast filled with Meghan and Harry facts and analysis. In one of the most popular episodes, "Inside Meghan Markle's 'Princess Training,'" they parsed the extensive security drills that Ms. Markle might have undertaken to prepare for her new role.

The Los Angeles creators of Go Fug Yourself, a blog that dives deep into the royal froth, will



travel to Windsor to cover the wedding and the days leading up to it. Jessica Morgan, the blog's 42-year-old co-founder, said her posts about the royals are less snarky than the ones about Hollywood celebrities because most royals never chose the spotlight.

"Many people in my vague age range feel like they spent their whole life keeping an eye on this

family," said Ms. Morgan, who grew up watching Princess Diana.

For royal-wedding watchers glued to their screens, the keepsakes and tchotchkes are a click away as well. On Amazon, choices include a \$54 life-size Harry and Meghan cardboard cutout and a \$17 teddy bear emblazoned with the couple's wedding date on its red sweater. Sorry, jumper.

## SPORTS

## THE COUNT

## THE DRAFT'S HIDDEN GEMS

NFL general managers have had a mixed record in recent years when it comes to selecting quarterbacks and wide receivers in the first round of the draft. But there's one position that they've done really well at evaluating: offensive tackle.

Tackles are the engine of successful offenses, playing a critical role in protecting the quarterback and opening up running lanes. In the past five drafts, NFL teams have taken 20 offensive tackles in the first round, averaging 13.1 starts per year.

That's an excellent return on draft capital compared with other top-drafted positions, quarterbacks and wide receiver, which average just 8.6 and 8.3 starts per year, respectively.

The bad news for teams hoping to find a standout tackle prospect in this year's draft: The pickings are slim, as no offensive tackle is expected to be selected in the top 10.

"The offensive tackle group is not all that great," says Daniel Jeremiah, an analyst for NFL Network.

Just two offensive tackles—Mike McGlinchey of Notre Dame and Connor Williams of Texas—are in the first-round mix, according to Ourlads Scouting Services. That's exactly the number selected in Round 1 last year and half as many as the average number the prior 10 years.

There's a general belief that college teams have gotten so pass happy while using spread formations that tackle prospects have little or no experience in NFL basics like a three-point stance. Williams, for example, has barely played with his hand on the ground with the Longhorns primarily operating out of the shotgun.

—Michael Salfino

## Report Card

Since 2013, results by position in the draft:

POSITION	TOTAL PICKS	STARTS PER YEAR
T	20	13.1
RB	5	12.6
C	3	11.5
G	7	11.1
CB	14	10.3
DB/S	22	9.4
LB	13	9.3
OLB	8	9.0
TE	5	9.0
QB	12	8.6
DT/NT	13	8.3
WR	21	8.3
DE	17	7.7

Source: Pro-Football-Reference; WSJ

Mike McGlinchey



JOHN MERSITZ/CORBIS/ZUMA PRESS

Alabama's Calvin Ridley is one of the top receivers in this year's draft class.



MICHAEL CONROY/ASSOCIATED PRESS

## NFL DRAFT

## The NFL's Wide Receiver Drought

BY ANDREW BEATON

**THE 2014 NFL DRAFT** was a historic bonanza for wide receivers. Odell Beckham Jr. and Mike Evans became instant stars. Sammy Watkins could tear apart defenses, too. Brandin Cooks turned into Drew Brees's newest and most dangerous weapon.

Since then? It hasn't been so pretty for prized receivers—with a parade of disappointments who have made it clear just how much NFL teams have come to struggle to evaluate the position.

Very little is actually known ahead of this year's NFL Draft. It's still a mystery who the Cleveland Browns will take at No. 1, if the New York Giants will really pass on a quarterback at No. 2, or which quarterbacks will reach the New York Jets at No. 3. But perhaps the only consensus in mock drafts is that you shouldn't expect a wide receiver to go anywhere atop the draft.

To some, this is just the product of a lack of elite receivers in this year's draft. "It's been talked about that it is not as strong of a class, comparatively speaking," Atlanta Falcons general manager Thomas Dimitroff said at the combine.

But it's also the product of several years of teams spending highly valuable picks on receivers and getting little return. They look at the tape, study the numbers and in many cases still feel like they have no idea if a receiver can transition effectively to the NFL.

For a variety of reasons, teams have found it difficult to help young receivers quickly make the leap from college to more complex pro offenses.

It's the crux of the most difficult job for evaluators. Teams have to separate a player's production from the system he played in and distill all of that down to a

judgment about how good the player is. And few players are more influenced by a system than wide receivers.

"It's hard," said Seattle Seahawks general manager John Schneider. "They don't know how to run routes."

The result: No matter how badly you think your team needs a wide receiver, it likely won't be spending one of the top picks on one this season. This isn't altogether unprecedented but it's definitely unusual. The last five drafts have produced eight wide receivers taken in the top-10 and 21 taken in the first round. They're a hot commodity.

That's for a good reason: Top-of-the-line wide receivers are extremely important. The league is fully entrenched in a pass-happy boom. Spreading the field with more receivers is as popular as ever. Teams don't need just one good pass catcher. They need multiple.

One way of understanding the value teams place on receivers is how much they pay them. The franchise-tag value, an average of the top-five salaries at each position, for receivers this season was \$16 million—higher than any position except quarterback and defensive end.

So it would stand to reason that teams would be clamoring to spend their top picks on these crucial playmakers. This year, they're shying away after a three-year drought that followed a frenzy unlike the NFL had ever seen.

No draft hit on these players like 2014. The Giants' Beckham, the Buccaneers' Evans and the Panthers' Kelvin Benjamin became the first trio of rookie receivers to haul in 1,000 yards each in receptions. Fellow first-rounders Cooks and Watkins became potent weapons, too. It made it seem like wide receivers weren't particularly difficult to scout.

The last three years have been a crude correction. Only one of the 13 first-round wide

outs since 2015—Amari Cooper—has been a clear success. A couple others, DeVante Parker and Nelson Agholor have shown hope. The others range from clear disappointments to works in progress to injury plagued.

The toughest of these lessons came a year ago. The Titans, Chargers and Bengals all spent top-10 picks on a receiver. Those players—Corey Davis, Mike Williams and John Ross, respectively—combined for a grand total of 470 receiving yards as rookies, before injuries and struggles.

The top receivers in this year's class include Alabama's Calvin Ridley, Maryland's D.J. Moore and Texas A&M's Christian Kirk. None are projected to go in the top 10, and nobody will know until Thursday night how many go in the first round at all.

Other teams, armed with years of watching wide receiver busts across the league, have taken a different approach. They've found that the best way to assure themselves of an NFL caliber receiver is just to go get one who has already proven himself in the pros.

For a long time, it's been the philosophy of the team that has been the best in football. The Patriots' three leading wide receivers from a year ago all began their careers elsewhere. Bill Belichick lets other teams play the lottery in the draft. He goes after the receivers he deems to be acceptable later.

The Patriots' most productive receiving seasons under Belichick have come from Wes Welker and Randy Moss—both of whom he traded for. Before last season, he traded a first-round pick to the Saints for Cooks, who already had back-to-back 1,000-yard years under his belt.

Then, after losing in the Super Bowl, New England traded Cooks to the Rams for a first rounder. Belichick now has two first round picks this Thursday. But he has never spent one on a wide receiver as coach of the Patriots.

## The WSJ Daily Crossword | Edited by Mike Shenk



## SURE THINK | By Daniel Hamm

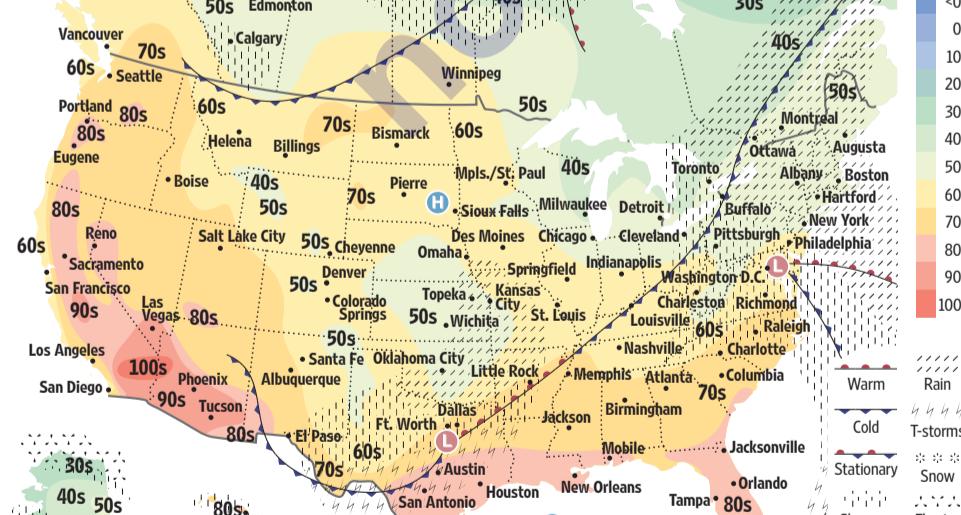
- Across**
- 1 Comic Martha and country singer Collin
  - 24 Section of a flirting etiquette book?
  - 6 Gasp, say
  - 11 Stylin'
  - 14 Justice seated beside Samuel
  - 15 Anna & \_\_\_\_\_ Frozen Playground" (Lego set)
  - 16 See 12-Down
  - 17 Lockup that never changes?
  - 19 Downhearted
  - 20 Galley tool
  - 21 Target of many March for Our Lives signs
  - 22 Prepares for the fair
  - 23 Pronto
  - 28 Creed
  - 29 Group of judges at a male beauty pageant?
  - 30 Leaves for a drink
  - 31 Pack of sheets
  - 32 Cravings
  - 33 Coal carrier, perhaps
  - 34 Stewart's "The Daily Show" successor
  - 35 Base fellow?
  - 37 Bean in space
  - 41 Funny feeling
  - 50 Leaves for a drink
  - 51 Bring in
  - 52 Sci-fi zap that leaves victims reeking?
  - 53 University of central New York
  - 54 Sleek, in brand names
  - 55 Resistior units
  - 56 Financial institution catering to geniuses?
  - 57 Leaves for a drink
  - 58 Toss in
  - 59 Pollio
  - 60 Starpeace artist
  - 61 Site for a chilly reception?
  - 62 The other guys
  - 63 Skilled at sports
  - 64 Workout unit
  - 65 Casual eatery
  - 66 Intense quality
  - 67 Change course sharply
  - 68 Winter Olympian Chris Mazdzer, e.g.
  - 69 Chaotic skirmish
  - 70 Throw into the dugout, say
  - 71 Forgo frugality
  - 72 Vault settings
  - 73 Pine
  - 74 Enemy of Saruman the White
  - 75 Bean in space
  - 76 Funny feeling
  - 77 Relaxing bath
  - 78 Change course sharply
  - 79 Angled pipe
  - 80 "Like that'll ever happen!"
  - 81 Biblical Promised Land
  - 82 You should know better"
  - 83 Scrapbooker's tool
  - 84 With 16-Across, Mesabi Range resource
  - 85 Flock holders
  - 86 Disputed peninsula
  - 87 Blues legend Mahal
  - 88 It's like a diamond in the sky
  - 89 Sounds from roller coaster riders
  - 90 False friend
  - 91 Start a second crop
  - 92 Range whose name means "gold mountain" in Mongolian
  - 93 Coal carrier, perhaps
  - 94 Stewart's "The Daily Show" successor
  - 95 Base fellow?
  - 96 Bean in space
  - 97 Funny feeling
  - 98 Relaxing bath
  - 99 Change course sharply
  - 100 Chaotic skirmishes
  - 101 Pay a stud fee?
  - 102 Conundrum
  - 103 Show place
  - 104 Stirs up
  - 105 Quatre saisons
  - 106 Oppressive burdens
  - 107 Casual eatery
  - 108 It might be fishy
  - 109 Intense quality
  - 110 Forest home
  - 111 Workout unit

## Previous Puzzle's Solution

TOGO IDIBET SPIC  
ISON NEEDY ORCA  
OBOE CLAYPIGEON  
OSAKA USED GENU  
DUEL LIST LOGIC  
IRE SHUTTLECOCK  
ANGUS CHEESE  
LEGS SKIED AGTS  
QATTERS SNARE  
WOUNDED DUCKMAN  
ABNER PAYMENT  
DEW AARP LEAFS  
DYING QUAIR NOME  
LENA UNCLE TWIG  
EDDY ASKED ALTO

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

## Weather



## U.S. Forecasts

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

City	Today	Tomorrow	Today	Tomorrow		
City	Hi	Lo	Hi	Lo		
Anchorage	45	38	pc	45	37	pc
Atlanta	71	54	pc	68	51	s
Austin	84	52	pc	79	53	s
Baltimore	66	47	sh	68	50	pc
Boise	76	47	s	81	51	s
Boston	55	50	r	62	47	pc
Burlington	55	47	r	55	42	s
Charlotte	75	53	pc	70	53	r
Chicago	55	36	pc	64	41	pc
Cleveland	51	36	c	55	40	pc
Dallas	71	48	r	74	52	s
Denver	62	35	s	55	30	c
Detroit	54	37	pc	62	41	s
Honolulu	82	73	sh	83	71	pc
Houston	84	57	pc	77	55	s
Indianapolis	62	38	pc	63	44	s
Kansas City	59	40	sh	66	44	pc
Las Vegas	92	71	s	95	72	s
Little Rock	70	51	r	69	51	sh
Los Angeles	73	54	pc	71	53	s
Miami	84	65	pc	85	67	s
Milwaukee	49	35	s	59	38	pc
Minneapolis	61	43	s	61	36	c
Nashville	68	52	sh	64	45	c
New Orleans	80	62	s	77	57	c
New York City	58	50	r	66	52	pc
Oklahoma City	57	41	r	66	44	pc

## International

City	Today	Tomorrow	City	Today	Tomorrow	
City	Hi	Lo	City	Hi	Lo	
Amsterdam	56	46	sh	55	45	sh
Athens	83	61	pc	82	62	pc
Baghdad	8					

## OPINION

## Macron's Democratic Vision

POLITICS & IDEAS  
By William A. Galston

As French President Emmanuel Macron moves south through his visit to the U.S., observers are still buzzing about the speech he delivered to the European Parliament in Strasbourg last week—a performance that led my longtime friend Will Marshall, president of the Progressive Policy Institute, to call Mr. Macron the leader of the free world.

The speech was a full-throated defense of liberal democracy, which for some sparked memories of George W. Bush's second inaugural address. But there is a key difference. President Bush spoke as an unabashed universalist. He argued that dignity is the God-given claim of every individual, as is self-government for every people. "Eventually, the call of freedom comes to every mind and every soul," Mr. Bush declared.

By contrast, Mr. Macron defended not universal values but rather the European project, grounded in Europe's "identity," which includes belief in "the democracy Tocqueville spoke about," liberal democracy, which "respects the individual, minorities, [and] fundamental rights." Europe's identity extends even further: "It is a culture found nowhere else in the world, which combines this passion for freedom, the taste for equality, and an attachment

to diverse ideas, languages and landscapes."

The implication of President Macron's argument is that while European liberal democracy is an international project, it is not a universal project, because other cultures do not embrace the principles of the project—certainly not in full and not with the same intensity. (Not even the U.S., the French president delicately suggested, perhaps because Americans' passion for freedom is not matched by a taste for equality—at least not as Europeans understand equality.)

So oddly, while the French president disagrees with the populist nationalists' interpretation of European culture, he agrees with them that the foundation of the European project is to be found in culture rather than in universal reason, as the philosophers of the French Revolution believed.

Be this as it may, Mr. Macron understands full well that the European project is threatened by the renewal of narrow nationalism and by a surge of illiberal, authoritarian populism. And he offered a remarkable diagnosis of these forces: "It is not the people who have abandoned the European idea, it is *la trahison des clercs* that threatens it."

Some readers will recognize this allusion to a famous book published by the French essayist Julien Benda in 1927, as the forces opposed to liberal democracy in Europe began to gather strength. The treasonous "clercs" were intellectuals who had abandoned

their disinterested search for general truth in favor of glorifying national particularism. This betrayal had broad political consequences, Benda argued, because intellectuals are the "educators of the human mind." By legitimating ethno-national passions, intellectuals created and unleashed them.

### The French president argues for an open society grounded in European 'identity.'

Although Benda's critique of intellectuals' irresponsibility is powerful, his trickle-down account of ethno-nationalism is naive and oddly optimistic. If popular passions aren't rooted in enduring features of particular cultures or of human nature—if they are merely the product of bad ideas—then they can be purged by better ideas. Benda couldn't countenance the possibility that leaders may manipulate antiliberal sentiments without creating them, and neither, it seems, can Emmanuel Macron. If an increasing number of ordinary European citizens are themselves questioning the European project, then the task of rescuing this project becomes more difficult.

Al Smith, the Democratic Party's 1928 presidential candidate, once declared that the ills of democracy can be cured only by more democracy. In the same vein, President Macron believes that the only cure for

Europe's ills is more Europe. Although we must "listen to the anger of the European people," Mr. Macron acknowledges, they don't really want a return to destructive nationalism, whatever they may say. Instead, they need a "new project." This is why Mr. Macron propounds an expansive conception of "European sovereignty," which deals with refugees, the common defense, economic and trade issues, climate and energy, health and food, digital regulation, and social programs, among other matters. "In no way should we scale back the ambition of current policies," he insists, but we must "promote new ambitions." *L'audace, l'audace, toujours l'audace.*

We will find out whether the people of Europe will democratically endorse the French president's audacity. Whatever his political fortunes, one must be moved by Mr. Macron's passionate sense of responsibility. "I belong to a generation which has never experienced war [and] is allowing itself the luxury of forgetting what its forbears lived through," he said. But "I don't want to belong to a generation of sleepwalkers [that] refuses to face up to the problems of its own present."

Mr. Macron is instead part of a generation that has decided to defend Europe's democracy and sovereignty, which will enable future generations to "choose their own futures." Americans who cherish their own democracy must wish him well.

Holman Jenkins is away.

## So Long, California. Sayonara, New York

By Arthur B. Laffer  
And Stephen Moore

**A**s the Trump tax cut was being debated in December, California's Gov. Jerry Brown called the bill "evil in the extreme" and fumed that it would "divide the hell out of us." He's right—but in the end, this change could be good for all the states.

In the years to come, millions of people, thousands of businesses, and tens of billions of dollars of net income will flee high-tax blue states for low-tax red states. This migration has been happening for years. But the Trump tax bill's cap on the deduction for state and local taxes, or SALT, will accelerate the pace. The losers will be most of the Northeast, along with California. The winners are likely to be states like Arizona, Nevada, Tennessee, Texas and Utah.

For years blue states have exported a third or more of their tax burden to residents of other states. In places like California, where the top income-tax rate exceeds 13%, that tax could be deducted on a federal return. Now that deduction for state and local taxes will be capped at \$10,000 per family.

Consider what this means if you're a high-income earner in Silicon Valley or Hollywood. The top tax rate that you actually pay just jumped from about 8.5% to 13%. Similar figures hold if you live in Manhattan, once

New York City's income tax is factored in. If you earn \$10 million or more, your taxes might increase a whopping 50%.

About 90% of taxpayers are unaffected by the change. But high earners in places with hefty income taxes—not just California and New York, but also Minnesota and New Jersey—will bear more of the true cost of their state government.

### Blue states will lose millions of people in the years to come—and they aren't ready.

Also in big trouble are Connecticut and Illinois, where the overall state and local tax burden (especially property taxes) is so onerous that high-income residents will feel the burn now that they can't deduct these costs on their federal returns. On the other side are nine states—including Florida, Nevada, Texas and Washington—that impose no tax at all on earned income.

Last week the two of us, along with co-author Jonathan Williams, released the 11th annual edition of "Rich States, Poor States," a report published by the American Legislative Exchange Council. The report ranks each state's economic outlook using a range of variables. One is domestic migration: Are the U-Haul trucks and

vans moving people in, or moving them out? Over the past decade, about 3.5 million Americans on net have relocated from the highest-tax states to the lowest-tax ones.

Since 2007 Texas and Florida (with no income tax) have gained 1.4 million and 850,000 residents, respectively, from other states. California and New York have jointly lost more than 2.2 million residents. Our analysis of IRS data on tax returns shows that in the past three years alone, Texas and Florida have gained a net \$50 billion in income and purchasing power from other states, while California and New York have surrendered a net \$23 billion.

Now that the SALT subsidy is gone, how bad will it get for high-tax blue states? Very bad. We estimate, based on the historical relationship between tax rates and migration patterns, that the pace of out-migration from California and New York will soon double—with about 800,000 net out-migrants each of the next three years. Our calculations suggest that Connecticut, New Jersey and Minnesota combined will hemorrhage another roughly 500,000 people in the same period.

Red states ought to brace themselves: The Yankees are coming, and they are bringing their money with them. Meanwhile, the exodus could puncture large and unexpected holes in blue-state budgets.

Lawmakers in Hartford and Trenton have gotten a small taste of this in recent years as billionaire financiers have flown the coop and relocated to Florida. As the migration speeds up, it will raise real-estate values in low-tax states and hurt them in high-tax states.

As far as we can see, the only way for blue states to prevent this coming fiscal bloodbath is to start taking tax competitiveness seriously—and to cut their tax rates in response. Progressives should do the math: A 13% tax rate generates zero revenue from someone who leaves the state for friendlier climates.

Blue states ought to be able to lower their taxes and spending dramatically without jeopardizing vital services. Despite its shrinking tax base, New York spends nearly twice as much on state and local government per person (\$16,000) as does economically booming Tennessee (\$9,000).

Alas, delusional liberal interest groups want blue states to respond to the Trump tax cuts by soaking their rich residents even more. If that happens, our best advice to blue-state residents is simple: Git while the gittin's good.

*Mr. Laffer is chairman of Laffer Associates. Mr. Moore is a senior fellow at the Heritage Foundation. They are co-authors of the ALEC annual report "Rich States, Poor States."*

## How Long Till the Final World Malaria Day?

By Vas Narasimhan

**E**very year on World Malaria Day, April 25, the international community reaffirms its commitment to eliminate this treatable and preventable disease. Targeted investments by the U.S. and others drove deaths down 60% between 2000 and 2015—saving at least six million lives. In 57 countries, malaria cases dropped by 75% or more.

But progress appears to have stalled. More than 60 countries have reported that malaria-carrying mosquitoes are becoming resistant to insecticides. In Southeast Asia, the malaria parasite itself is developing resistance to the drug artemisinin, today's standard treatment. Africa could be next.

Unchecked, drug resistance could cause more than 100,000 new deaths each year. This tragedy can be averted—and malaria defeated—with decisive action. Based on my own experience working on malaria control and developing

antimalarial treatments, I see three areas of focus:

First, invest in research and development, particularly through nonprofit public-private partnerships like the Medicines for Malaria Venture or the Innovative Vector Control Consortium. To bolster these efforts, Novartis will put

### Wiping the disease out by 2040 could save 11 million lives.

more than \$100 million over five years toward advancing R&D on our next-generation antimalarial treatments.

Second, expand access to affordable broadband internet in countries where malaria is endemic. Technology can aid the fight against disease. Novartis runs a program called SMS for Life, which helps village clinics use mobile phones to report when their supplies of antimalarial medicines are running low and need to be

replenished. Policy makers are using geospatial mapping to track the disease's spread, and then machine learning and artificial intelligence to analyze the data and deploy resources efficiently.

Third, optimize the use of tools available today. Children under 5 represent 70% of malaria deaths. Yet only 1 in 5 African children with the disease receive the proper diagnosis and treatment. Since 2009, Novartis has provided more than 350 million pediatric antimalarials without profit to countries in need. We plan to expand this commitment, focusing on Nigeria, the Democratic Republic of Congo, and at least two more sub-Saharan countries with high rates of malaria-related child deaths.

But the challenge is too big for any one organization. The time I spent working in Gambia and Tanzania 20 years ago convinced me that eliminating malaria depends on robust and responsive health systems. That means well-trained

medical workers with the equipment and facilities to prevent, diagnose and treat malaria, as well as robust supply chains to halt the entry of counterfeit medicines.

Africa has long depended on donations to support these health initiatives. In a survey out this month and commissioned by Novartis, malaria experts in 14 sub-Saharan countries said that domestic funding to fight the disease needs to increase substantially. Such investments would pay dividends: Eliminating malaria by 2040 "could save an estimated 11 million lives and unlock an estimated \$2 trillion in economic benefits," according to research by Aspiration to Action, a nonprofit supported by the Bill and Melinda Gates Foundation.

Malaria is tough but beatable. Decisive action now can help wipe out this disease—and achieve one of history's greatest health victories.

*Dr. Narasimhan is the CEO of Novartis.*

BOOKSHELF | By George Melloan

## A System in Need Of an Overhaul

## Edge of Chaos

By Dambisa Moyo  
(Basic, 296 pages, \$30)

Dambisa Moyo, a Zambian-born economist, made a name for herself in 2009 with "Dead Aid," arguing persuasively that foreign aid has preserved poverty in Africa instead of relieving it. Now she is embarked on an even larger project, proposing reforms in democracy itself in the developed world.

Ms. Moyo is a dedicated democratic capitalist. After earning a master's degree at Harvard in public administration and a Ph.D. in economics at St. Antony's College, Oxford, she did a turn at Goldman Sachs before becoming a full-time author. She serves on several corporate boards.

She writes that economic "growth matters—powerfully—to ordinary people" and that democratic capitalism has "proven itself, historically, to be a peerless tool for growth... Nevertheless, the system urgently needs an overhaul if we are to jump-start the global economy." She is concerned about the world's rising debt level and about threats to international trade: "Established measurements suggest that globalization is now slowing, or worse, receding." The diminution of global trade, the collapse of cross-border capital flows and the mounting constraints on the movement of labor—separately or together, she believes, these developments will result in deteriorating living standards and geopolitical unrest. There is even the danger, she adds, of "a global economic death spiral."

If you overlook the hyperbole, Ms. Moyo's diagnosis is worth pondering. The anti-immigration backlash in Europe and the United States, not to mention Donald Trump's trade sparring and protectionist leanings, are unsettling. But what she offers up as a solution—she calls it her Blueprint for a New Democracy—sounds a little dodgy as well. To her credit, she offers the arguments both for and against her 10 reform proposals. Most of the proposals focus on shoring up America's democratic functions, but they could easily apply, in broad principle, elsewhere.

Ms. Moyo thinks generally that policy makers should take a longer view. To that end she argues for longer terms for elected officials, with term limits. She cites the Mexican six-year, one-term presidency as an example, though it is probably not the best example: More than a few of Mexico's presidents have worn out their welcomes long before their six years were up.

The U.S. president, Ms. Moyo suggests, should have more unilateral power to bind the country to long-term treaties. But we've had a recent experience with Barack Obama achieving that result de facto by signing "agreements" to bypass the constitutional requirement for Senate ratification. One such agreement, the Iran pact, can hardly be said to have long-term reliability, since the current president or any future one can scuttle it at will. Even a more formal version of unilateral presidential treaty power would be vulnerable to the undoing of a future officeholder.

## Democratic capitalism is a peerless engine of economic growth, but it threatens to break down if current trends continue.

Stronger treaties, however arrived at, would further democracy, Ms. Moyo claims. But she correctly observes that European governments have not obeyed the budgetary obligations they signed onto with the 1992 Maastricht Treaty. It's not clear how the new "regime for enforcement" she calls for would work any better than the one the Germans tried to write into Maastricht. In any case, the will of the people may not match the desires of diplomats. Britain's voters have rejected existing dictation from Brussels.

Ms. Moyo wants stronger campaign-finance laws, although she admits that it is hard to make a case that the ones we have now deliver better policies. A more useful discussion might have asked whether we might fare better with fewer such laws, or none at all. Her argument for the nonpartisan redrawing of congressional districts is fine in theory but fails to acknowledge that it is probably technically impossible to draw districts that would achieve a true balance between the two major parties. She thinks that the pay of political leaders should be comparable with that of corporate chieftains, in order to attract better talent. That proposal, too, is fine in theory, but since the pay levels of corporate chieftains are already under political attack, it doesn't seem likely that voters would favor raising the paychecks of public servants to such levels.

Ms. Moyo proposes requiring citizens to pass a civics quiz before getting access to the voting booth. Another proposal: super-votes for people with advanced or professional degrees. A better-informed electorate is a laudable objective, but one recalls Thomas Sowell's shrewd observation, in "Intellectuals and Society," that members of the so-called intelligentsia seem more susceptible to wild ideas than people who are less brainy. Ms. Moyo's suggestion that "countries might establish a national journalistic champion mandated to provide impartial information and coverage that voters can use as the basis for informed choices" seems utopian, given the current trend away from impartiality in the press. She cites the BBC as an example. That will raise eyebrows with those Brits who argue that the BBC has its own brand of tendentiousness.

"Edge of Chaos" ends up being rather conventional for a book with such a lurid title. It is studded with factoids and research findings that readers will no doubt find interesting, but Ms. Moyo could have been more discriminating, and skeptical, in some of her choices. The best part is her warning that the free-market capitalism that has lifted millions of people out of poverty in the past half-century may be facing severe tests. That's a message that Americans should always heed. We may not be on the edge of chaos, but democratic capitalism always needs defenders. Ms. Moyo reminds us that what has been achieved can also be undone by anti-capitalist politics, errors of public policy and accidents of history.

*Mr. Melloan is a former deputy editor of the Journal editorial page and the author of "Free People, Free Markets: How the Wall Street Journal Opinion Pages Shaped America."*

## OPINION

## REVIEW &amp; OUTLOOK

## Ronny Jackson in the Mosh Pit

**O**perations when death is all but assured are called suicide missions, and it's beginning to look as if Rear Admiral Ronny Jackson was sent on a political version. The nominee to run Veterans Affairs has been under siege from the agency's bureaucracy, anonymous press leaks, and on Tuesday even friendly fire from the President who nominated him.

The Senate Committee on Veterans' Affairs on Tuesday postponed Dr. Jackson's Wednesday confirmation hearing amid allegations of misconduct during his nearly five-year tenure as physician to the President. The charges have been mostly vague and anonymous, such as running a hostile work environment, which could mean anything or nothing.

Late Tuesday afternoon news leaked about a 2012 Inspector General report that found "unprofessional behaviors" from Dr. Jackson and another physician in a power struggle. But if this is accurate, why did President Obama promote him? Senator Jon Tester (D., Mont.) in a press interview said some of Dr. Jackson's colleagues alleged he had been "repeatedly drunk" while on duty, among other claims.

The public has little way to evaluate the merits, and Dr. Jackson deserves at minimum to know who is shooting at him. Committee Chairman Johnny Isakson and Ranking Member Mr. Tester wrote to the White House requesting more information, including communications with Defense Department IGs. There may be more to learn from the documents the White House produces.

The reality is that Dr. Jackson wasn't vetted or adequately prepared for the VA post, and by all accounts wasn't seeking it when President

## Trump has ill-served his nominee to run Veterans Affairs.

Trump chose him. Dr. Jackson also doesn't appear to have a background in Washington's treacherous politics of veterans.

For weeks veterans groups have panned Dr. Jackson as too inexperienced, and that's in part because they're invested in maintaining power centers and federal dollars at the VA. Add the inherently

emotional nature of any policy change that affects service members. These forces are hard enough to fight for a reformer with experience and pristine credentials.

The person responsible for this mess is President Trump, who did his nominee no favors Tuesday by saying he "told Admiral Jackson just a little while ago, what do you need this for? This is a vicious group of people that malign" and that it will be up to Dr. Jackson whether to proceed. Thanks for the help, chief.

We wrote when President Trump picked Dr. Jackson that he had put Dr. Jackson in a rough spot, and now here we are. If the doctor is run out of town with his reputation trashed, Mr. Trump will find it even harder to find people to take these jobs.

Never Trumpers still complain, against all evidence, that Donald Trump will usher in a fascist regime. The truth is that Mr. Trump's already weak executive authority is being ground down on a daily basis by the iron triangle of the permanent bureaucracy, the interest groups that support it, and the media.

We have no idea what else will emerge in the coming days about Dr. Jackson, but if he withdraws, then perhaps the Trump White House will try to choose someone better armed and prepared to battle the forces that want to preserve a status quo that ill-serves veterans.

## 'Ortega Has to Go'

**T**he U.S. Embassy in Managua removed all nonessential personnel and family members from Nicaragua on Monday after five days of violent clashes between antigovernment protesters and dictator Daniel Ortega's enforcers. The trouble may not be over.

Mr. Ortega is the Sandinista revolutionary who first came to power in 1979 with Soviet and Cuban backing. During more than a decade of rule, he and his comrades grabbed millions of dollars in private property and homes. This cleanup—known as "the piñata"—by self-described champions of the poor is a great lesson in socialism. Mr. Ortega agreed to an election in 1990, believing he could win. But international observers defended the vote, and the Sandinistas were ousted.

Unfortunately they kept control of the military, and in 1999 center-right President Arnoldo Aleman cut a deal with Mr. Ortega, who led the Sandinista Party. Mr. Aleman agreed to lower to 35% the threshold for victory in a first-round presidential election. In exchange, Mr. Ortega agreed to ensure that Mr. Aleman wouldn't go to jail on corruption charges.

In 2006 Ortega squeaked into the presidency with 38% of the vote and immediately began to consolidate power with the help of Venezuela's Hugo Chávez, who sent oil shipments on long-term credit. While Nicaragua's debt was swelling, Mr. Ortega was selling the oil at market prices and racking up profits. He also took con-

trol of the country's Supreme Court and electoral council. Much of the business community turned a blind eye to his power grab because they were invited to share the wealth.

Now the Venezuelan gusher has dried up and so has Mr. Ortega's support. The protests began small after the government announced that it would cut old-age pensions and require larger contributions from workers. But after enforcers tried to quell the protests, thousands took to the streets.

News reports show that thugs on motorcycles beat pension protesters with pipes and electrical cords. A journalist in Bluefields was assassinated by a bullet to the head while on the air. Eyewitnesses report police looting shops. The government has pulled the plug on more than one television station.

The newspaper La Prensa, one of the bravest voices in Nicaragua, weighed in Monday with an editorial "Ortega Has to Go." A number of former revolutionaries, including Mr. Ortega's brother Humberto and former junta vice president Sergio Ramírez Mercado, have broken with Daniel and appealed to others in the country to stop the violence.

But even if Mr. Ortega's business partners in the military brass agree, a succession path is not clear. Mr. Ortega's vice president is his wife, and the head of congress is a loyal henchman. The Trump Administration ought to raise its voice on behalf of Nicaraguans who want a second revolt against a dictator.

## The Supremes Go 1 for 2

**T**he Constitution's separation of powers is intended to safeguard individual liberty and prevent coequal branches of government from usurping one another. Policing this separation is a core duty of the Supreme Court, and on Tuesday the Justices batted .500.

The Court ruled in *Jesner v. Arab Bank* that foreign corporations cannot be sued under the 1789 Alien Tort Statute, which was originally intended to punish piracy and injuries to ambassadors under the common "law of nations." But plaintiff attorneys have been using the law to haul foreign defendants into U.S. courts for human-rights violations that occur overseas.

In *Jesner*, foreign plaintiffs charged that the Jordanian Arab Bank should be liable for injuries perpetrated by terrorists in Israel since it had cleared automatic wire transfers via the U.S.-based CHIPS system for groups later placed on Treasury's list of terrorist organizations. Writing for a 5-4 conservative majority, Justice Anthony Kennedy affirmed the Court's *Kiobel* (2013) decision that liability under the 1789 law does not extend to suits against foreign corporations when "all the relevant conduct took place outside the United States."

In sterling concurrences, Justices Samuel Alito and Neil Gorsuch explained that allowing foreign corporations to be sued under the 1789 law would violate the separation of powers. "Creating new causes of action and navigating foreign policy disputes belongs to the political branches," Justice Gorsuch noted. That was the good decision.

Article III of the Constitution grants independent judges the limited power to adjudicate disputes of common law between private parties. Yet the Court on Tuesday erred by relinquishing some of its authority to the executive branch in *Oil States Energy v. Greene's Energy*

decision, which upheld inter partes review for patents.

Inter partes review allows anyone to challenge a patent at any time before a special tribunal composed of administrative law judges selected by the Patent Office director who are vested by Congress with authority to nullify patents and even override contrary jury verdicts. The process was intended to discourage frivolous patent litigation but is susceptible to political bias. Apple joined a brief last fall supporting inter partes review, but then it complained in January that a plaintiff in a case that it had filed with the tribunal was lobbying administrative judges behind the scenes.

A 7-2 majority led by Justice Clarence Thomas circumvented the knotty separation-of-powers questions by holding that patents are public rather than private rights. This ruling overturns 200 years of judicial precedent and means that the federal government can revoke patents as it can a public monopoly.

But the purpose of patents, which is to encourage innovation and reward investment, will be undermined if they can be nullified without due process and hearing before an Article III judge. As Justice Gorsuch noted in his dissent joined by Chief Justice John Roberts, "Ceding to the political branches ground they wish to take in the name of efficient government may seem like an act of judicial restraint," but the decision "signals a retreat from Article III's guarantees" and leaves people vulnerable to governmental intrusion.

The cases underscore how individual liberty suffers when the branches of government are alternatively too aggressive or deferential. As Justice Gorsuch noted in *Jesner*, "there are degrees of institutional incompetence and constitutional evil." Preserving the proper separation of powers guards against both.

## LETTERS TO THE EDITOR

## Comey and the President: A Reality TV Show

When Andrew McCabe ("McCabe and a Lower Loyalty," Review & Outlook, April 14) said "divisive politics and partisan attacks" played a role in his firing, it is apparent he was correct. Unfortunately, those attacks and politics emanated from the FBI itself—him in particular. Thomas Jefferson's warning that we should love our country but mistrust our government was well-founded. My fear is that our mistrust, stoked by the abuse of power by the very people who are supposed to protect our freedom, will lead to despair and surrender to the perceived inevitable collapse of representative government.

JIM BARBER  
Mesa, Ariz.



What's their take on Russian hacking?

Your editorial "Mr. Comey's Bad Week" (April 21) charges James Comey with having "leaked" despite having told President Trump that he didn't leak. As commonly understood the term leaker applies to one who, without authorization, discloses privileged information gained in his or her official capacity in either the private or public sector.

Contrary to the implications of the editorial, unless Mr. Comey was under a legal or ethical duty to not disclose communications between himself and the president, he was (so long as it did not include classified matters) under no duty to withhold disclosure to the public of any such communications. Moreover, the disclosures in Mr. Comey's memorandums and subsequent interviews are little different from the autobiographies by various presidents and public officials such as Donald Rumsfeld, Henry Kissinger and Condoleezza Rice, etc., who on leaving office published autobiographies that in some cases caused embarrassment to their

living contemporaries. In the past two years Mr. Comey may have been guilty of errors of judgment. However, there is zero evidence that he has in any way been less than truthful in his written or verbal accounts of his interactions with the president.

RALPH REISNER  
Del Mar, Calif.

An organization's culture always flows from the top down—never from the bottom up. An underlying whose personal ethics conflict with management's doesn't last long. He or she either gets frustrated and quits, gets pushed out or changes. All college textbooks on management agree on this point. If a CEO is above approach, the entire organization will be too. If the CEO is crooked, so is everyone else. I don't believe for a second the rank and file agents at the bureau are clean.

Of course, as long as the worst punishment an agent can receive is early retirement with full pension, it will remain unprovable.

MICHAEL R. CHEUVRENT  
San Antonio

Now that I know Mr. Comey's wife was a Hillary Clinton supporter, I understand what happened. He's a white man just doing what his white wife told him to do.

PAULA KIDD  
Wichita, Kan.

FX Networks should extend the TV series "The Americans" for one more season, jump forward in time and show the Russian side of the collusion caper. It would be more believable than Jim Comey's version.

SUSAN PETRARCA  
Lemont, Ill.

FX Networks should extend the TV series "The Americans" for one more season, jump forward in time and show the Russian side of the collusion caper. It would be more believable than Jim Comey's version.

In his review of "Civilizations," Eric Gibson criticizes the omission of the Vence Rosary Chapel from my treatment of Matisse in the program about color ("Anodyne 'Civilizations,'" Life & Arts, April 17). I, too, regretted the absence of this sequence because I did, indeed, film in the chapel. In the BBC version it is the beautifully photographed concluding sequence underpinning the main theme of that program, namely the relationship of color to spirituality. It was, however, dropped from the PBS version which, with the exception of the last episode, as the executive editor says, were "conceived to be different." The episodes were substantially re-edited, the script much rewritten, talking heads added

SIMON SCHAMA  
New York

## 'Civilizations' Series Is Hardly 'Value Free'

In his review of "Civilizations," Eric Gibson criticizes the omission of the Vence Rosary Chapel from my treatment of Matisse in the program about color ("Anodyne 'Civilizations,'" Life & Arts, April 17). I, too, regretted the absence of this sequence because I did, indeed, film in the chapel. In the BBC version it is the beautifully photographed concluding sequence underpinning the main theme of that program, namely the relationship of color to spirituality. It was, however, dropped from the PBS version which, with the exception of the last episode, as the executive editor says, were "conceived to be different." The episodes were substantially re-edited, the script much rewritten, talking heads added

## Lawyer for 'Deep Throat' Defends the Late Mark Felt

Regarding William McGurn's "McCabe, the New 'Deep Throat'" (Main Street, April 17): As pertains to Andrew McCabe and my client, Mark Felt, more contrast than comparison is in order. Mr. McCabe strangled an appropriate FBI investigation for political purposes, then leaked for personal aggrandizement. Felt leaked to prevent the politically motivated shutdown of an appropriate investigation, keeping his identity secret for 30 years, while forsaking the millions he could have garnered.

Around June 21, 1972, FBI Acting Director L. Patrick Gray ordered his FBI agents to complete the Watergate investigation in 72 hours. A Felt call to Time magazine's Sandy Smith yielded, by design, his inquiry to Gray, who therupon lifted his three-day limit, while angrily castigating his agents for leaking. The notion that Felt was leaking to discredit Gray is absurd, and contradicted by strong incontrovertible evidence.

If Mark Felt had been a senior FBI official in recent years, we would likely be witnessing a prosecution of individuals associated with the Clinton Foundation. Watergate, alas, had the perverse effect of creating weaving political spiders like James Comey and Andrew McCabe.

JOHN D. O'CONNOR  
San Francisco

## Cuomo No Hero in Buying Nonprofit Fidelis Insurance

In trying to defend New York's shakedown of a nonprofit as a boon for taxpayers, New York state Budget Director Robert Mujica misses the point completely (Letters, April 20). Whenever a politician who has the power to block a deal brings businesses together to "strike an amenable solution," the result is usually crony capitalism. When that politician also has the authority to spend the proceeds to support his own re-election, the result is corruption.

New York's payments to Fidelis while it was a nonprofit is irrelevant—no one forced the state do business with the plan—and the notion that Gov. Andrew Cuomo is the best positioned to "protect New York's taxpayers" is rich with irony. The governor would best protect taxpayers by getting out of the way instead of illustrating another reason not to do business in New York.

JARED GRAHAM  
Savannah, Ga.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"Forget enlightenment, concentrate on the quest for alpha."

## CORRECTION

The April 20 East Is East column mistakenly described a quote from Virat Kohli as referring to the murder of Asifa Bano. The quote referred to an earlier incident.

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## OPINION

# Protect Mueller, but Not Like This

By Orrin Hatch

The Senate Judiciary Committee takes up a bill this week to constrain the president from firing special counsel Robert Mueller. From the beginning, I've said—including to the president—that Mr. Mueller's investigation must be allowed to run its course. But I will vote against the bill, because it is unconstitutional.

I believe it is in President Trump's best interest to allow the investigation to run its course, because I believe it will vindicate him. It is in the country's best interest, because it will provide definitive answers to questions that have embroiled our politics now for over a year. Firing Mr. Mueller would be a grave error. It would trigger a crisis, possibly even impeachment. It would threaten many of the administration's accomplishments and make continued progress virtually impossible.

**I'm voting against the Senate bill to constrain the president, because it is clearly unconstitutional.**

I endorse the message the special-counsel bill is meant to send. But I take seriously the responsibility to ensure that the laws Congress passes comport with the Constitution. The concept of an independent prosecutor, insulated from political pressure, has an appeal. In a nation like ours, governed by the rule of law, what grounds could there possibly be for a president to retain the power to fire a prosecutor investigating potential presidential misconduct?

But whatever the superficial attractiveness of an independent prosecutor, it is foreign to our system of government. The Constitution divides authority among three branches. The executive, legislative and judicial departments are meant to guard jealously their own prerogatives. Through this separation of powers, the American system assures that no branch may subvert the others. It ensures the long-term security of citizens' rights and liberties by preventing any branch or individual from becoming too powerful.

Many, myself included, have supported independent prosecutors in the past. Experience has shown that was a mistake. Freed from political accountability and meaningful oversight, independent prosecutors become a law unto themselves. They rove about seeking charges to bring to justify their existence. Justice Antonin Scalia, in his famous dissent in *Morrison v. Olson* (1988), made plain why prosecution must be an executive function. Decisions to prosecute or not involve a variety of considerations—legal, practical and political. Resources are finite. Someone must be held accountable when an investigation goes awry, and that person is the president.

The special counsel must be permitted to complete his investigation. President Trump should not, and I believe will not, end the investigation. That is why I plan to join several colleagues in supporting a resolution to convey to the White House the sense of the Senate that Robert Mueller should be left to complete his work.

What I will not do—and what I urge my colleagues to reject—is subvert our constitutional design in favor of momentary urgencies. You cannot protect the rule of law by violating the supreme law of the land.

*Mr. Hatch, a Utah Republican, is a member of the Senate Judiciary Committee.*

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# Russia Risks a Wider Mideast War

By Dennis Ross

The prospects of a wider war pitting Israel against Iran, Hezbollah and the Shiite militias in Syria and Lebanon are increasing—thanks to Russia. It is the Russians who "outed" Israel's April 9 attack against the Iranian T-4 base in central Syria.

Israel's practice has been to strike targets in Syria that are involved with, among other things, the Iranian transfer of qualitatively new weapons to Hezbollah—but never to acknowledge it. So long as the Israelis said nothing publicly, neither the Iranians nor Hezbollah had to retaliate to avoid losing face. But with the Iranians losing at least seven Qods Force officers in the Israeli attack, and the Russians declaring Israeli responsibility, the Iranians have been exposed. Their media is now giving significant coverage not just to the attack but the declarations of senior officials like Ali Akbar Velayati that Iran will retaliate.

Why would the Russians out the Israelis? Two reasons: First, the Russians are co-located at the base, so even though the Israeli attack was very precise, it was close to Russian forces. Vladimir Putin decided to signal to the Israelis that this was unacceptable. Second, the Israeli attack took place after Bashar Assad's use of chemical weapons in Douma, and Mr. Putin wanted it known this was not an American strike. He is allergic to anything that suggests American power might be shaping events in Syria. Russia is the arbiter.

If anything, the very limited nature of the subsequent American, British and French attacks on three chemical-weapons-related sites in Syria proved Mr. Putin's point. The strikes did nothing to weaken Mr. Assad's



Vladimir Putin and Hassan Rouhani, the Russian and Iranian presidents, April 4.

the Islamic Republic will gain an asymmetric advantage over the Jewish state. Through Hezbollah, which today has more than 120,000 rockets, Iran can threaten Israel from Lebanon and Syria, while Israel is limited in its ability to threaten Iran directly in response—or so the Iranians seem to think.

But it is not in the Israeli DNA to accept a situation in which Iran believes it can inflict a war on Israel with impunity. If Israel were absorbing 1,000 to 2,000 rockets a day in a war orchestrated by the Iranians, it would hit targets in Iran chosen to inflict great pain. Iranian oil facilities could well be an Israeli target. How would Iran respond? Hezbollah rockets would already be maximizing Iranian damage to Israel. If Iran's oil facilities were targeted, would Tehran allow the Saudi facilities to be left intact?

The point is that it is easy to see how an Israeli-Iranian war could begin but not how it would end. The Trump administration may want out of Syria, but when the U.S. is on the sidelines, the danger of a regionwide war intensifies.

American deterrence is needed now. Mr. Putin needs to understand that the U.S. will not sit by and wait for Iran's expansion in Syria to trigger a wider war with Israel. He can act to contain the expansion of the Iranian and Shiite militia presence, or America, using its air power, will do so.

Mr. Trump clearly sees no interest in Syria. But he also has no interest in a wider regional war that could suck America in and harm the global economy. This is not the time to lead from behind.

*Mr. Ross has held senior national security positions in several presidential administrations and is counselor at the Washington Institute.*

intelligence or command-control assets, to alter the balance of power in Syria, or to affect the Russian or Iranian positions in the country. And the limited nature of the strikes, carefully avoiding any targets close

**By outing Israel's attack on Iran's base in Syria, Moscow may provoke an escalation by Tehran.**

to the Russian or Iranian forces, came after Russia threatened to counter any such attacks—effectively showing Russian deterrence worked on the Trump administration.

The president's stated determination to get out of Syria and "let others take care of it" no doubt also emboldens both Russia and Iran—and tells the Israelis they are on their own. Maybe the Iranians will

calibrate their response to the Israelis; after all, they are still consolidating their presence in Syria, and they must deal with a continuing insurgency. But that assumes the Iranian response—whether directly against Israel or against a soft Jewish target outside Israel—will be so limited that Israel will also limit its response. That assumes a lot, including that the Iranians and Israelis read each other's signals well. The potential for miscalculation is high.

Even if the current possible clash can be managed, Iran and Israel are on a collision course. Iran is determined to build an extensive military infrastructure for itself and its proxies in Syria and open a new front against Israel. Israel is just as determined to prevent Iran from creating in Syria the equivalent of the Hezbollah threat from Lebanon.

One other factor adds to the risk of escalation. The Iranian determination to build a Syrian front against Israel reflects the belief that

## Trump's 'Forgotten Men and Women' Include Prisoners

By Jared Kushner

The facts about America's prison system are startling. The U.S. has 4% of the world's population, but roughly 25% of the world's prisoners. Federal and state prisons hold some 1.5 million inmates, and 6.2 million people are in local jails, on parole or on probation. Of the 650,000 people who leave prison every year, two-thirds will commit a new crime within three years.

By reforming federal prisons, Congress has the opportunity to help give former inmates a second chance to become successful, contributing members of society. This is an issue that could unite Americans across the ideological spectrum.

Sensible and just prison-reform legislation would direct government resources toward reducing crime, enhancing public safety and increasing opportunity.

Prisoners face significant barriers

to re-entering society in a meaningful way, and they have too few tools to help them succeed upon release. After years or even decades in prison, inmates often are disconnected from their families, have no place to live, lack relevant job skills, and need counseling for addiction or mental-health problems. Many don't have even a photo identification, much less the skills necessary to succeed in a job interview. To help solve this problem, lawmakers can promote comprehensive and proven rehabilitation strategies. They include expanding access to prison work programs so that inmates can develop job skills.

This week the House will mark up the Collins-Jeffries Prison Reform and Redemption Act. This sensible bill would direct the Justice Department to ensure that the risk-assessment program in federal prisons is evidence-based and tailored to the specific needs of each

prisoner to lower his or her recidivism risk. Implementing these reforms would create a north star for state prison administrators.

Over the past year, the Trump administration has worked closely with congressional leaders and prison-reform activists around the country

**The administration urges Congress to make it easier for released inmates to re-enter society.**

to develop these ideas, including through listening sessions with state and local lawmakers. In states that have adopted such reforms, including expanded prison programs, collaborations with nonprofit and faith-based groups, and improved incentives for inmates to participate, recidivism rates have fallen.

## A Terrible Day for 'Toronto the Good'

By Michael Taube

To call Monday an unusual day here would be an understatement. Ten people were killed and 15 injured when the driver of a rented van began mowing down pedestrians. The horrifying attack shocked all Canadians, but especially those in the city sometimes called Toronto the Good. As Mayor John Tory emphasized in a news conference: "We are admired around the world for being inclusive and for being accepting and understanding and considerate." But the reality is that even in the most tolerant of cities, intolerance exists and cannot be ignored.

I was born and raised in Toronto. My family and I live fairly close to the area, near Yonge Street and Finch Avenue, where the attack occurred. It features many restaurants,

stores and entertainment venues. After a long winter, the first nice day of spring had brought people out in droves. The sight of sidewalks littered with red body bags will not be easily forgotten.

**Even, perhaps especially, an open and tolerant city can't take safety and security for granted.**

The 2014 shooting at Ottawa's Parliament Hill was the first true homegrown terrorist attack on Canadian soil. The motives of the alleged van driver, a 25-year-old software developer named Alek Minassian, are not yet known. But Monday's attack resembled the vehicular terrorism in Europe: Nantes, France (2014),

Nice, France (2016), and Berlin (2016). All three of those drivers were supporters of Islamic State, fueling speculation that Islamic terrorism had come to Toronto.

Mr. Minassian was apparently not known to police. He had praised Elliot Rodger, the 2014 mass shooter in Isla Vista, Calif., on Facebook. He claimed to be part of the so-called involuntary celibate movement, or Incel. Constable Ken Lam of the Toronto Police Service heroically captured Mr. Minassian without firing a bullet. During their brief standoff, Mr. Minassian supposedly begged the officer to "kill me."

Toronto has its share of petty and violent crime, but the robbery and homicide rates are exceedingly low compared with most major cities. The Economist's 2017 study of 60 cities ranked Toronto as North America's safest city and the fourth-safest in the world.

Even so, Toronto has been a target of terror before. In 1991, five Muslim men with ties to the Pakistani movement Jamaat ul-Fiqra were arrested for plotting to bomb the India Centre cinema and Vishnu Hindu temple. In 2006, a group of adults and teenagers known as the Toronto 18 were arrested for a plan to bomb the Canadian Parliament and behead then-Prime Minister Stephen Harper.

Today Torontonians are shaken, but we remain proud, confident and resilient. Monday's attack is a clear reminder that even—or perhaps especially—an open and tolerant city can't take safety and security for granted. Vigilance is always required. But there's no question Toronto the Good will remain a great place to live.

*Mr. Taube, a Troy Media columnist, was a speechwriter for former Prime Minister Stephen Harper.*

## Notable & Quotable: Teachers on Strike

From Jason L. Riley's Upward Mobility column, WSJ.com, April 24:

it didn't exactly suffer under George W. Bush.

The problem is less how much money is being spent than the way those dollars are being allocated. It isn't hard to understand why politicians love to highlight education outlays. It helps them win votes and ward off union agitators. But the connection between school spending and educational outcomes is tenuous. The Cato Institute reports that between 2000 and 2015, which is the most recent year for which federal data is available, total spending per pupil at the state level rose, on average, by an inflation-adjusted 18%. During this period, it fell in Arizona while rising in Kentucky, Oklahoma and West Virginia. Yet on 2015

federal standardized exams, Arizona made more progress than any other state.

New York, by contrast, boasts the highest spending per pupil and teacher pay in the country, but you wouldn't know it from the test results. The most recent federal assessment, released earlier this month, ranked New York 27th in fourth-grade reading and 36th in fourth-grade math. Among eighth-graders, the state ranks 32nd in reading and 25th in math. Union leaders insist that these comparisons are meaningless. But if you're a low-income family stuck in a crummy school, or a taxpayer wondering how your dollars are being spent, such comparisons may be the only ones that matter.

## WORLD NEWS

# Greece's Business Prospects Brighten

After a lost decade, GDP, hiring intentions rise; 'nobody speaks about Grexit anymore'

BY NEKTARIA STAMOULI  
AND MARCUS WALKER

ATHENS—As economic growth returns to Greece after a decade of crisis, so are some businesses that once wrote the country off.

Late this month, food retailer Spar opened two new supermarkets on the islands of Crete and Skiathos, the start of a planned 350-store expansion in Greece.

Only two years ago, the Netherlands-based group abandoned Greece after its local partner in a joint venture went under. It was part of a wave of retail-sector failures in a country where household incomes had fallen by one-third since the beginning of the crisis in 2009.

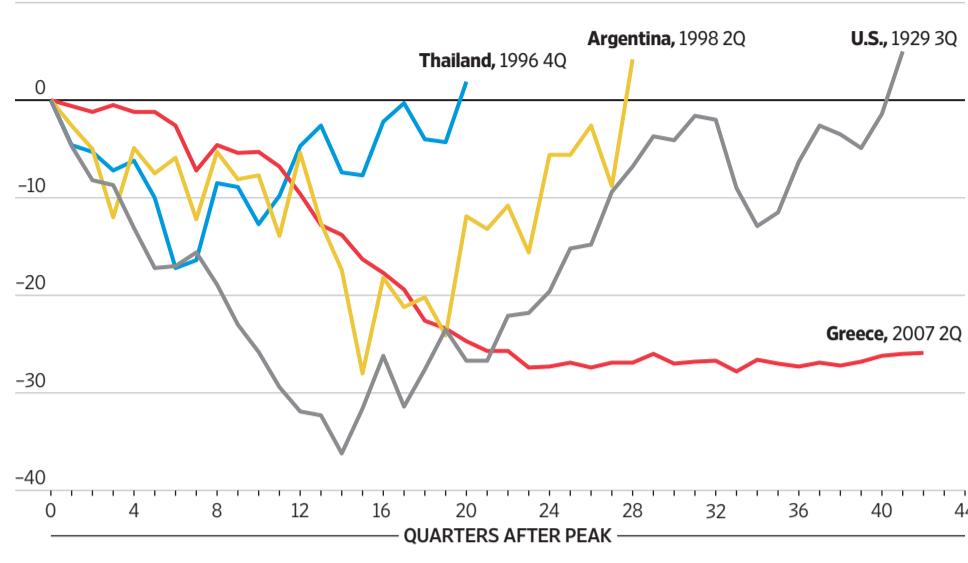
Greece's prospects look a lot brighter today. Gross domestic product grew by 1.4% last year, the first substantial annual rise since 2007, led by a sharp rise in investment. Business surveys show activity, new orders and hiring intentions at levels not seen for years. Economists expect

## Ten Years and Counting

Greece's economy has stopped contracting but recovery has far to go.

**Change from GDP peak during some of the deepest recessions\***

10%



\*Constant prices, base year appropriate for the time period charted.

Sources: Bank of Thailand; Eurostat (Greece); INDEC, Argentina's national statistics agency; National Bureau of Economic Research (U.S.)

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rescue loans contributed to economic free fall. GDP fell by nearly 28%. Unemployment, although now declining, is still over 20%.

Greece's politics remain bitterly polarized. The government has imposed crushingly high taxes on households and businesses to meet budget targets set by international creditors.

Hopes of recovery have fizzled out before. Economic activity briefly flickered to life in 2014, but soon fell victim to political instability, as the populist left-wing Syriza party tried and failed to overturn Europe's austerity-heavy bailout program.

But now the Syriza-led government is implementing the creditors' program. Austerity is largely complete, and its drag on growth is waning. Relations between Athens and its lenders, led by Germany, are calmer than for years.

"Nobody speaks about Grexit anymore," said Tasos Anastasatos, chief economist at EFG Eurobank, one of Greece's main banks, citing economic data pointing to continued growth.

The battered country still has a long way to go to heal fully from a traumatic decade. A collapse of Greece's government finances in 2009 led to a succession of bailouts by the eurozone and the International Monetary Fund. Drastic fiscal retrenchment in return for

Greece's biggest carrier, felt confident enough in March to place a €4 billion (\$4.9 billion) order of up to 42 new planes from Airbus SE, the largest investment by a Greek company since the start of the crisis.

Small businesses provide the bulk of employment in Greece's economy and are crucial to a sustained upturn. In downtown Athens, the proportion of shops that are closed has dropped to 25% from as high as one-third during the crisis, as consumer confidence starts to return.

"This is the first time that you can sense calm and stability," said Alex Leoussis, who runs an online store for household goods. He nearly moved out of Greece in 2015, when the country teetered on the brink of bankruptcy. He stayed, and his annual sales are now 150% higher. If sales growth continues this year, he said he would consider doubling his staff.

The latest survey of the Greek labor market by Manpower Group reported the strongest hiring intentions for over nine years. More than one in four Greek employers say they plan to hire more workers in the second quarter of this year, while just 5% say they expect to cut staff, the survey found.



ECB chief Mario Draghi has warned against protectionism.

## Economic Jitters Unsettle Any European Move on Rates

BY TOM FAIRLESS

FRANKFURT—Trade disputes and a stronger currency are threatening a hard-fought economic recovery in the 19-nation eurozone, potentially delaying a move by the European Central Bank to follow the Federal Reserve in increasing short-term interest rates.

Trade conflicts are a particular concern for the ECB because the region escaped the lingering effects of its debt crisis in part due to the strength of its export sector.

But the bloc's economy appears to have slowed early this year, coinciding with mounting tensions over possible U.S. tariffs and a fresh increase in the euro's value against the dollar. A gauge of German business sentiment for April suggested on Tuesday that the slowdown may not be due to one-off factors. ECB officials, including

President Mario Draghi, have indicated that the bank will move only cautiously to withdraw its large monetary stimulus in light of trade disputes and a volatile currency. The

ECB isn't expected to take any policy action when its top officials gather in Frankfurt on Wednesday and Thursday, but the bank might indicate how worried it is about the latest economic data.

"We are all aware that an escalation of protectionist threats from the United States would damp growth everywhere," said the head of France's central bank and ECB rate-setting committee member François Villeroy de Galhau in London on Tuesday. "The recent uncertainty is probably already having some

negative effects on investment."

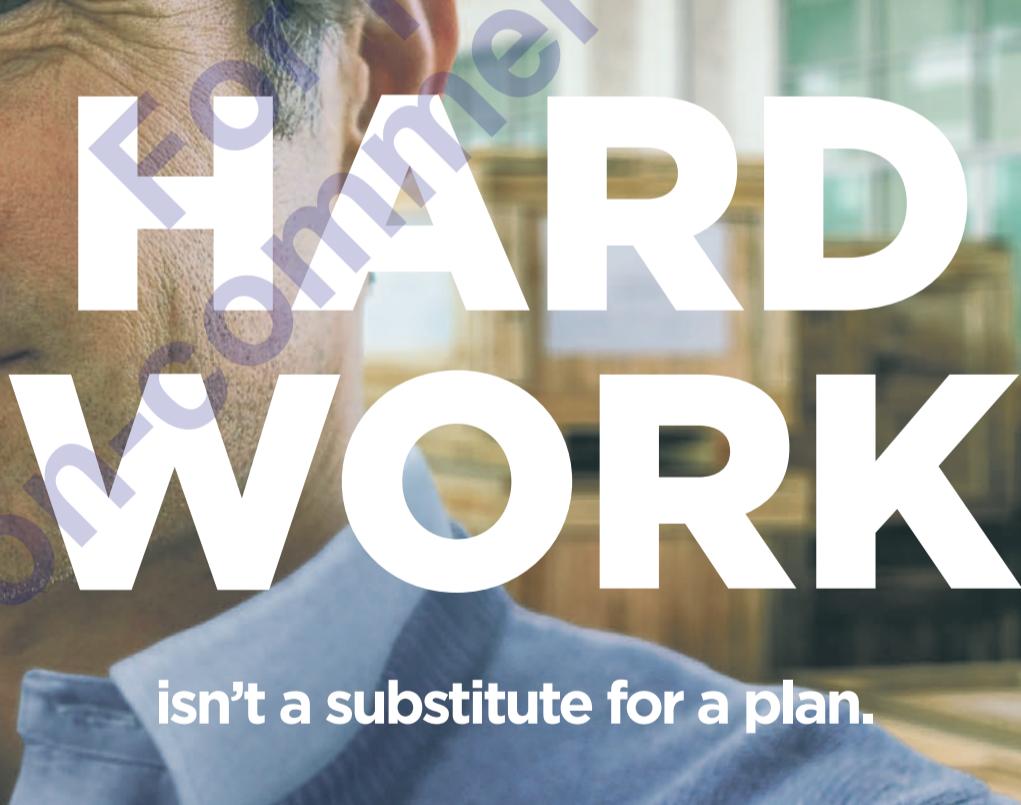
Analysts have in recent weeks dialed back their forecasts for when the ECB might increase short-term interest rates, which are currently minus 0.4%. Economists had until recently anticipated a first ECB interest-rate rise as soon as this year, but many now expect the bank to wait until the second half of next year—possibly only after Mr. Draghi steps down as ECB chief in October 2019.

At the heart of the concerns is trade, which accounts for a

much larger share of the eurozone economy than those of the U.S., China or Japan. The eurozone exports goods and services worth 44% of its economic output each year, compared with less than 12% for the U.S., 16% for Japan and around 20% for China, according to 2016 figures from the World Bank.

Mr. Draghi warned in Washington last week that rising protectionism might already be hurting business or consumer sentiment.

—Paul Hannon in London contributed to this article.



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# BUSINESS & FINANCE

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Viacom-CBS talks bog down over who would serve as No. 2 to Leslie Moonves

BY KEACH HAGEY  
AND JOE FLINT

When CBS Corp. Chief Executive Leslie Moonves, Viacom Inc. Chief Executive Bob Bakish and their top lieutenants met in January over deli sandwiches at CBS's Los Angeles offices to dis-

cuss merging their companies, things started out cordially.

The two sides agreed on the strategic merits of a tie-up, according to people familiar with the matter. But as the meal wore on, it became clear that the fate of the deal would turn on one question: What about Bob? That is, would Mr. Moonves accept Mr. Bakish as his No. 2 and likely successor in a combined company?

Three months on, that remains the key impasse. People close to both Viacom and

Shari Redstone, the president of National Amusements, the holding company that overwhelmingly controls both companies, say there is little chance of a deal without a senior role for Mr. Bakish.

People familiar with CBS's thinking are adamant he will have none. Mr. Moonves is insisting that his longtime right-hand-man, CBS Chief Operating Officer Joe Ianniello, be his No. 2. CBS also worries that Mr. Bakish could be a proxy for Ms. Redstone to influence the me-

dia assets her family controls, the people say.

Ms. Redstone handpicked Mr. Bakish, 54 years old, to run Viacom after leading a power struggle that ousted his predecessor, and they remain close, people familiar with their relationship say.

Mr. Moonves, 68, who was installed by Ms. Redstone's father, Sumner Redstone, is regarded as one of the savviest operators in the media industry. But Ms. Redstone wants a clear successor for him and

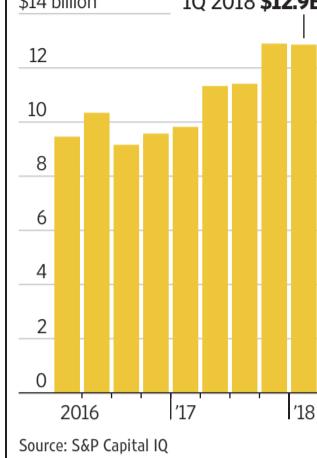
doesn't believe that Mr. Ianniello, who has never led a public company, fits the bill, according to people familiar with her thinking. Mr. Bakish has run Viacom for a little over a year.

Ms. Redstone has begun to apply pressure on Mr. Moonves. She has been interviewing potential new CBS board members, which would make it easier for her to overhaul that board and oust Mr. Moonves, according to people familiar with the matter. Na-

Please see VIACOM page B2

## Heavy Lifting

Caterpillar quarterly revenue

Source: S&P Capital IQ  
THE WALL STREET JOURNAL.

## Caterpillar Comment Spooks Investors

BY ANDREW TANGEL

Business is booming at Caterpillar Inc. It's the future that's in question.

The company, which makes bulldozers, mining trucks and other equipment, said sales rose 31% in the first quarter thanks to strong global construction and mining activity. But on a call with analysts, top executives said the quarter could prove to be a "high-water mark" for the year.

That's all the market needed to hear. Caterpillar's shares dropped 6.2% on Tuesday, pressuring the Dow Jones Industrial Average.

"It got everybody spooked," said Stifel analyst Stanley Elliott.

The news wasn't much better for another major industrial manufacturer, 3M Co. Its shares fell 6.8% after the maker of myriad products including tapes and adhesives narrowed its revenue and profit forecast for this year.

Executives of both companies pointed to rising costs as a threat to profits.

"We are seeing some increases in raw material prices, in fact, more than what we originally estimated," said 3M Chief Financial Officer Nicholas Gangestad. He said the St. Paul-based conglomerate faced higher transportation and material costs as oil prices rose.

Executives at both 3M and Caterpillar, of Deerfield, Ill., said they would raise prices to offset the hit to profits.

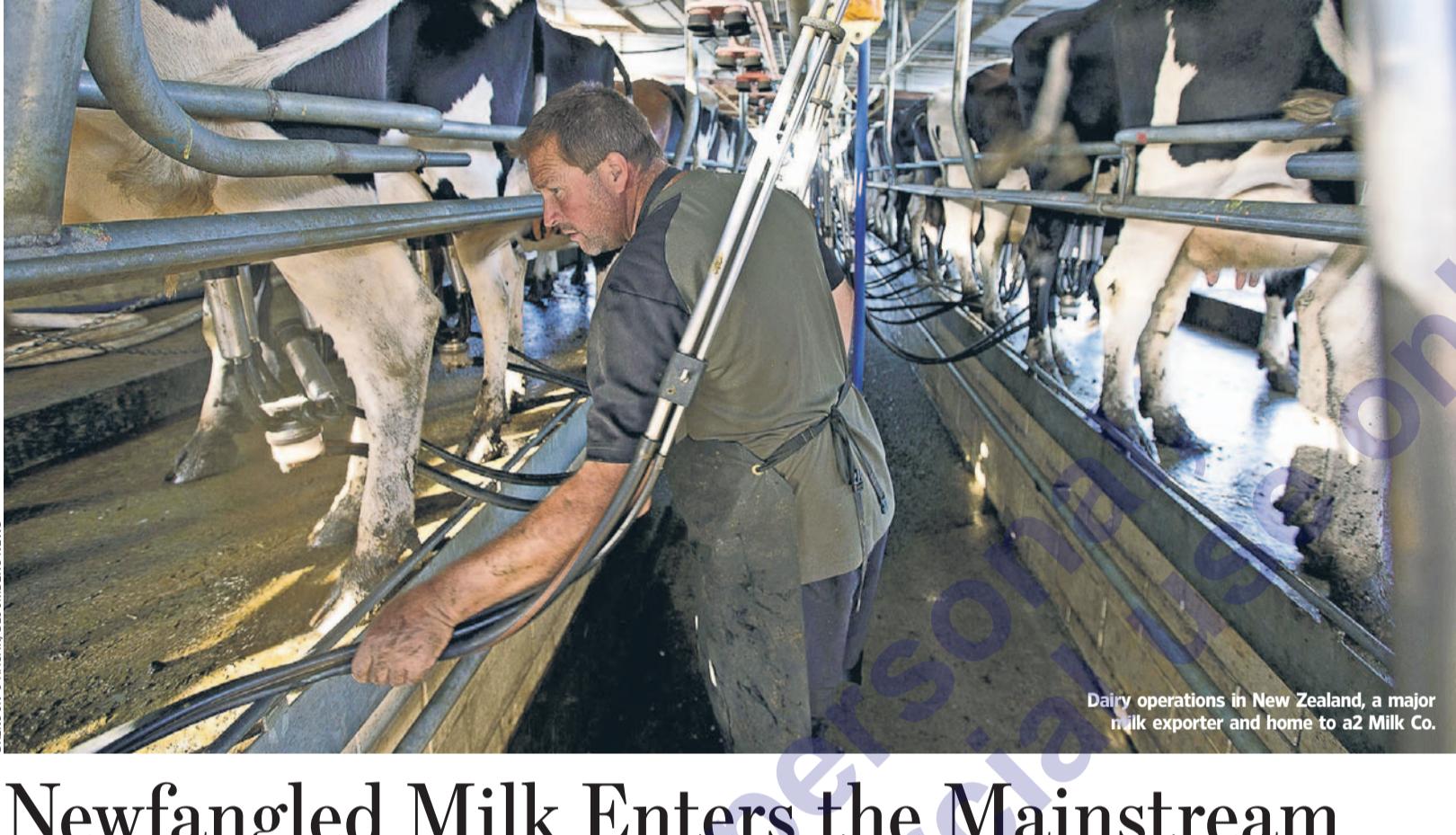
They also said their steel costs have risen since the Trump administration moved in recent months to place duties on imports from many foreign countries.

Caterpillar warned that trade tensions that reach far beyond the steel industry could darken the outlook for the rest of the year. Officials in both China and the U.S. are threatening each other with additional trade barriers. "We remain optimistic that government leaders can work towards a positive outcome," Amy Campbell, Caterpillar's director of investor relations, said in an interview.

Still, Caterpillar boosted its outlook for the year by \$2 above the upper end of its previous forecast, saying it could earn as much as \$10.75 a share in 2018. "It certainly wasn't our intent to express a concern," Chief Executive Jim Umpleby told analysts after one noted the sharp share drop.

Sales growth in North America was Caterpillar's biggest driver in the quarter. Dealers boosted inventories as demand for construction equipment increased, primarily due to public works and energy infrastructure such as pipelines.

Increased building construction and spending on infrastructure in China drove sales in its Asia-Pacific region. Ms. Campbell told analysts that demand in China for 10-ton excavators would rise 30% this year, versus earlier predictions of 8%. "We do at this point continue to expect China to be very strong for the rest of the year," she said.



Dairy operations in New Zealand, a major milk exporter and home to a2 Milk Co.

## Newfangled Milk Enters the Mainstream

BY MIKE CHERNEY

milk scandal in 2008.

Both are keying off the success of a2 Milk Co., a New Zealand-based company that has found fans in its home country, as well as Australia and China, and that recently entered the U.S. market. Its revenue is expected to grow about 70% in the year ending in June, up from about \$390 million the previous fiscal year, according to S&P Global Market Intelligence. The company already has more than 10% of the milk market in Australia. A similar share in the U.S. would be about \$1.5 billion in annual sales, according to Euromonitor International.

A2 milk differs from regular milk because the latter contains both A1 and A2 proteins. Supporters of A2 milk contend it is the A1 protein that causes indigestion for many people, a problem that even lactose-free

milk won't solve. Skeptics say there hasn't been enough independent research to show there is any real benefit to A2 milk, which is naturally produced by cows with a particular set of genes. A DNA test can determine which cows in a herd produce A2-only milk.

Although the science behind A2 milk remains disputed, the entry of big companies into the market shows how changing consumer preferences create opportunities that are hard to ignore—especially as dairy profits have been eroded in recent years by everything from almond milk to dairy-free ice cream. In the U.S., traditional milk sales have fallen about 7% annually on average over the past four years, according to data from Nielsen.

Betting on A2 milk to make up for the decline isn't without risks.

"When your value proposition is based on science, there's always that risk" that future research disproves the claims, said Michael Harvey, senior dairy analyst at Rabobank. Nonetheless, he said, "what you're seeing is consumers more and more recognizing the A2 story."

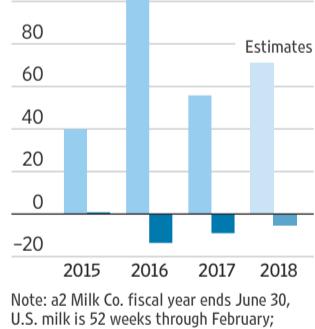
A study published in October of 600 adults in China found that the participants, who claimed to be lactose intolerant, had fewer stomach issues after drinking A2 milk compared with regular milk. Other recent research, backed in part by the New Zealand government, concluded that a small group of lactose-intolerant women didn't feel nauseated after drinking A2 milk. Both studies received some funding from a2 Milk.

"There is no current scientific evidence."

Please see MILK page B2

### Milky Ways

a2 Milk Co.'s global revenue has increased year over year, while sales of traditional milk in the U.S. have fallen.



Note: a2 Milk Co. fiscal year ends June 30, U.S. milk is 52 weeks through February; 2018 figure for a2 Milk Co. is an estimate.

Sources: S&P Global Market Intelligence (a2 Milk Co.); Nielsen (U.S. milk)

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## Vendors To ZTE Face Hit on Revenue

BY JAY GREENE

American companies that supply chips, antennas and other gear to ZTE Corp. are bracing for a sizable revenue loss after the U.S. last week said they no longer would be able to sell components to the Chinese telecommunications giant.

Several ZTE vendors watched their stock prices stumble in recent days, collateral damage after the Commerce Department imposed a seven-year sales ban, accusing the Chinese company of failing to punish employees who violated U.S. sanctions against North Korea and Iran.

Tech giants such as San Diego chip maker Qualcomm Inc. and niche companies such as Acacia Communications Inc., a Maynard, Mass.-based maker of fiber-optic networking components, are among U.S. companies affected, as national-security

### INSIDE

AMAZON WILL DELIVER RIGHT TO YOUR CAR

MARKETING, B4

WELL FARGO RE-ELECTS ENTIRE BOARD

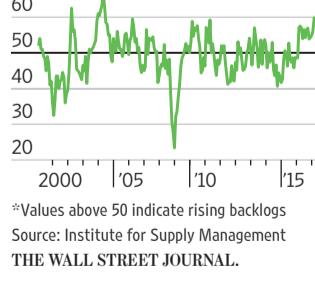
BANKING, B14

### HEARD ON THE STREET | By Richard Barley

## Supply Starts to Crimp Growth

### Backing Up

U.S. manufacturing backlog of orders index\*



\*Values above 50 indicate rising backlog.

Source: Institute for Supply Management

work in recent months, although to a lesser extent.

On both sides of the Atlantic, unemployment already has fallen a long way, so greater investment in labor-saving plants and gizmos will be key to keep the supply problems from feeding into prices. Such spending might boost productivity, allowing for higher wage increases and perhaps boosting potential growth, keeping central banks from tightening policy further and faster than markets currently expect.

The increasing focus on supply rather than demand goes hand in hand with the switch in markets to wondering about inflation rather than fearing deflation. The rise of 10-year Treasury yields above 3% Tuesday is a clear sign of the change in mood.

Global tensions could yet weigh on companies' appetite to invest: Confidence in the future is an important factor. But increasingly, the type of spending going on in the economy will count for just as much as the amount being spent.

Please see ZTE page B2

Global tensions could yet weigh on companies' appetite to invest: Confidence in the future is an important factor. But increasingly, the type of spending going on in the economy will count for just as much as the amount being spent.

Increased building construction and spending on infrastructure in China drove sales in its Asia-Pacific region. Ms. Campbell told analysts that demand in China for 10-ton excavators would rise 30% this year, versus earlier predictions of 8%. "We do at this point continue to expect China to be very strong for the rest of the year," she said.

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

**A - B**

a2 Milk	B1
AbbVie	B3
Acacia Communications	B1
Airbnb	B1
Alaska Air Group	B8
Alexander & Baldwin	B6
Alibaba Group	B4
Allergan	B3
Alphabet	A2,B15
Altaba	B4
Altria Group	B3
Amazon	B2,B4,B15
American Airlines Group	B8
Andreessen Horowitz	B1
Apple	A2,B4
Arab Bank	A2
Berkshire Hathaway	B8
Biogen	B16
Blackstone Group	B6
BNSF	B1
Bolloré	B8,B16
British American Tobacco	B3
Brookfield	B6
BuildingConnected	B6

**E - F**

Elliott Management	B16
Eonsmoke	B3
Facebook	B15
Fifth Wall Ventures	B6
Financière de l'Odéon	B16
Fonterra Co-Operative	B1
Freeport-McMoRan	B15

**G - I**

General Motors	B4
GLG Partners	A4
GSI Technology	B2
Hagley-Davidson	B2
Havas	B8,B16
Hawaiian Holdings	B8
Hengtong Optic-Electric	B16
Host Hotels	B6
Howard Stark	B3
Imperial Brands	B3
Intel	A2

**J - L**

JetBlue Airways	B8
JUUL Labs	B3
KandyPens	B3
Kering	B8
LaSalle Hotel	B6
Lennar	B6
Lockheed Martin	B8
Lumentum Holdings	B2
Lyft	A2

**M - N**

Macy's	B6
Mediaset	B16
Meredith	B3
Microsoft	B2
National Amusements	B1

**O - Q**

Netfli	B15
Oclaro	B2
Office Group	B6
Pebblebrook Hotel	B6
Petco Holdings	B6
Prologis	B6

**R - S**

Verizon	B4
Viacom	B1
Vivendi	B16
Volvo Cars	B1,B4
Weinstein	B5
Wells Fargo	B14
Westfield	B6
WeWork	B6

**T - U**

Xilinx	B2
Yahoo	B4
Yahoo Japan	B4
ZTE	B1

## INDEX TO PEOPLE

**B - C**

Baker, John D.	B14
Bakish, Bob	B1
Benjamin, Chris	B6
Berlusconi, Silvio	B16
Bernstein, Rich	B16
Bollaré, Vincent	B16
Bollaré, Yannick	B16
Brafman, Benjamin	B5
Brooks, Wendell	B6
Campbell, Amy	B1
Chaoing, Zhu	B16
Chiang, John	B14
Clark, Aaron	B15
Clayton, Jay	B14
Clinton, Hillary	B5
Comey, James	B5
Cryan, John	B14

**F - G**

D - E	
DeBartolo	B6
Delta Air Lines	B8
Deutsche Bank	B14
Didi Chuxing Technology	B6
Dolan, Edward	B14
Duke, Elizabeth "Betsy"	B14
Elliott, Stanley	B1
Ellis, Matt	B4

**P - Q**

Iannelli, Joe	B1
Kobel, Ed	B6
Kopelson, Arnold	B2
Kubota, Tomochiro	B3
Kuhne, Frank	B14
Lu, Anh	B16
Lyons, Roger	B6

**R - S**

Mattu, Ravi	A4
Maurer, Caroline Yu	B16
McCormick, Mark	B15
Moonves, Leslie	B1
Myers, Matthew	B3
Weinstein, Bob	B5
Weinstein, Harvey	B5

**T - W**

Tolmach, Michael	B3
Umply, Jim	B1
Upson, Stewart	B6
Weber, Christophe	B3
Weinstein, Bob	B5
Weinstein, Harvey	B5

**M - O**

Yilin	B16
Yahoo	B4
Yahoo Japan	B4
ZTE	B1

**R - S**

Yilin	B16
Yahoo	B4
Yahoo Japan	B4
ZTE	B1

**T - W**

Yilin	B16
Yahoo	B4
Yahoo Japan	B4
ZTE	B1

**X - Z**

Xilinx	B2
Yahoo	B4
Yahoo Japan	B4
ZTE	B1

**X - Z**

Xilinx	B2





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## BUSINESS NEWS

# Sinclair to Sell TV Stations to Clear Way For Tribune

By AUSTEN HUFFORD

**Sinclair Broadcast Group** Inc. has reached deals to sell nearly two dozen television stations as it works to get regulators to sign off on its purchase of **Tribune Media Co.**

Sinclair said Tuesday that the move to sell the 23 stations in 18 markets, some of which are owned by Sinclair and some by Tribune, was needed to obtain government approval for the \$3.9 billion purchase of fellow television-station owner Tribune.

Sinclair said the stations are being sold to various parties, including **Standard Media Group LLC**, **Meredith Corp.**, **Howard Stirk** and **Cunningham Broadcasting Corp.**, as well as another party yet to be disclosed.

Standard Media said it was purchasing nine stations for \$441.7 million. Meredith said it would buy a station for \$65 million.

After the purchase of Tribune stations and deals announced Tuesday, Sinclair said it would have 215 stations in 102 markets in its fold.

The Wall Street Journal reported this month that Sinclair was facing push-back from the FCC, which had questions about Sinclair's plans to sell Tribune-owned television stations in New York and Chicago to organizations with long ties to Sinclair.

Tribune Media Chief Executive Officer Peter Kern told employees in a memo that the plans are designed to "pave the way for regulatory approval."

—Joe Flint contributed to this article.

# Juul E-Cigarettes Face FDA Probe

Maker of popular device faces scrutiny focusing on sales to minors

By SAIBA CHAUDHURI AND ANNE MARIE CHAKER

The Food and Drug Administration on Tuesday said it is moving against the sale of e-cigarettes to minors by targeting **Juul Labs Inc.**, the maker of one of the most popular such products in the U.S.

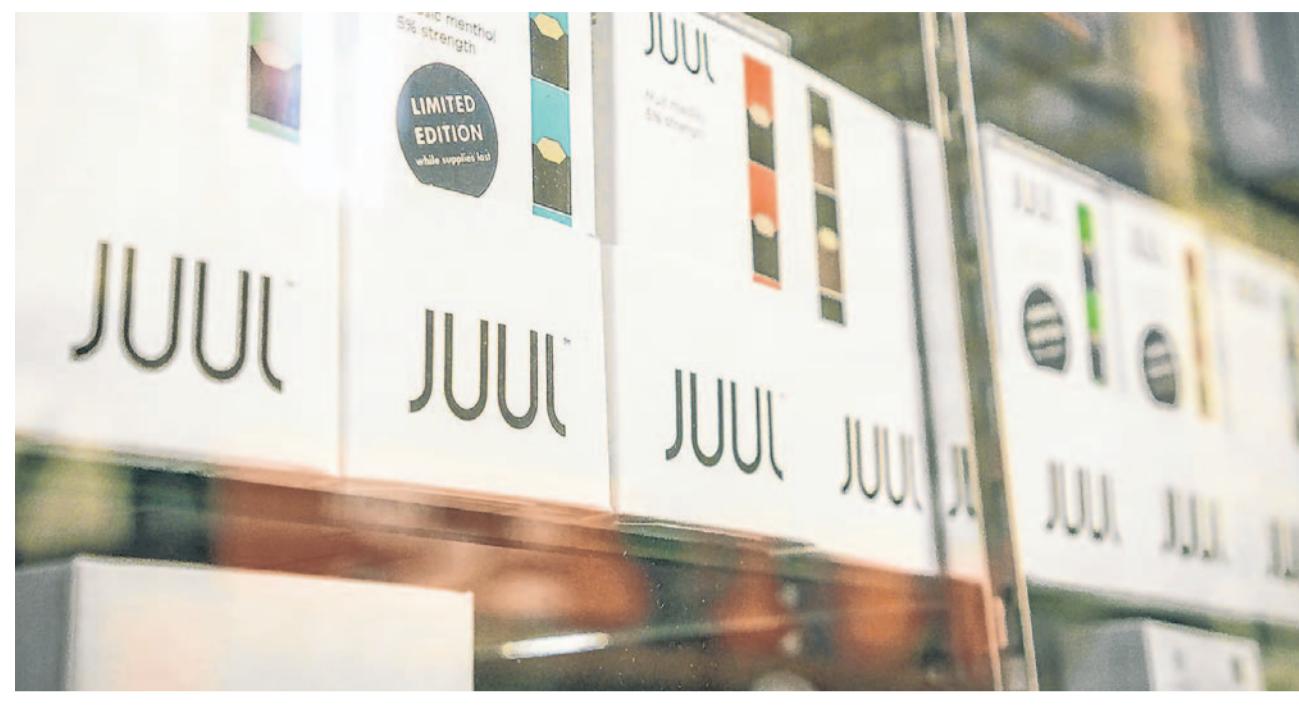
The FDA said it has requested information from the San Francisco startup that could help explain why its products appeal to youngsters. It is seeking documents on its marketing, as well as on its research on health effects, and whether design features and ingredients appeal to specific age groups.

The Juul device, which resembles a USB flash drive, delivers a powerful dose of nicotine, derived from tobacco, in a patented salt solution that smokers say closely mimics the feeling of inhaling cigarettes. The Juul liquid's 5% nicotine concentration is significantly higher than that of most other commercially available e-cigarettes. Juul flavors include "Creme Brulee" and "Fruit Medley," which critics have said make it more attractive to minors.

Juul has become a teen status symbol and a growing problem in U.S. schools. In recent months, Juul Labs has captured close to half the estimated \$2 billion e-cigarette category, according to a Wells Fargo analysis of Nielsen sales data.

FDA Commissioner Scott Gottlieb said e-cigarettes "have become wildly popular with kids." Their resemblance to flash drives, high levels of nicotine and nearly invisible emissions could be making the products more attractive to children and teenagers, he added.

In addition to Juul, the agency mentioned e-cigarette brands myblu and KandyPens,



## Tobacco Companies Get in the Game

Already on the market are products that piggyback on Juul's popularity. **Eonsmoke LLC**, sells nicotine pods with a 6% nicotine solution. Chief Executive Michael Tolmach said he expects sales of his Juul-compatible e-cigarettes to reach \$30 million this year.

**Soter Technologies LLC** in Hauppauge, N.Y., says it gets about 100 orders a month from schools for its Fly Sense vaping

saying they have similar characteristics that could facilitate youth use. An FDA spokesman declined to say whether the companies behind them had been contacted.

Juul Labs agrees with the FDA that illegal sales of our product to minors is unacceptable," said a company spokeswoman. "We already have in place programs to identify and act upon these violations at retail and online marketplaces, and we will have more aggressive

detector, which can be installed in bathrooms. Some parents even look to install them at home. "We get 10 calls a week from parents saying, 'can you help me?'" said Chief Executive Derek Peterson.

The FDA has accepted that e-cigarettes and other cigarette alternatives have a role to play in helping smokers quit, but the agency on Tuesday said it would take new measures to prevent children from accessing e-cigarettes. It didn't provide details.

While cigarette use has declined among teens for years, vaping is rising rapidly despite

federal regulations prohibiting anyone under 18 from purchasing e-cigarettes. Some states have higher minimum ages of up to 21.

Traditional cigarette companies also are pursuing e-cigarettes and other gadgets that promise to deliver nicotine without the more harmful effects that come with tobacco combustion.

**Imperial Brands**, which sells Kool and other cigarettes, has blu e-cigarettes. **British American Tobacco PLC** sells an e-cigarette brand called Vuse in the U.S. while **Altria Group Inc.** sells Green Smoke and MarkTen.

ucts on its site.

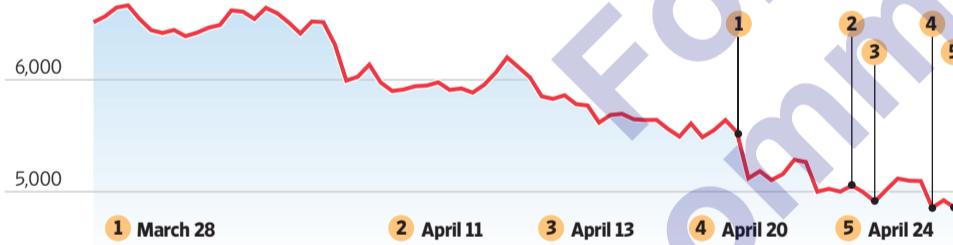
Medical and advocacy groups, including the American Academy of Pediatrics and the Campaign for Tobacco-Free Kids, last month sued the FDA, challenging its decision last summer to extend certain deadlines for e-cigarette makers even as it moved to cut back on nicotine levels in traditional cigarettes.

The FDA currently allows e-cigarettes that were on the market as of Aug. 8, 2016, to stay on the market until at least 2022 without undergoing review. But companies can't introduce new e-cigarette products or change existing products without first going through a review by the agency.

The Campaign for Tobacco-Free Kids said Tuesday the FDA's measures hadn't gone far enough. "The FDA must do more by taking off the market Juul flavors like mango and cool cucumber that clearly appeal to kids, preventing the introduction of look-alike products and subjecting e-cigarettes to FDA review of their public health impact, as required by law," said its president, Matthew Myers.

## Acquiring Shire

Takeda's stock has continued to slide as it repeatedly makes offers to purchase Shire.



THE WALL STREET JOURNAL.

# Drugmaker Shire to Support Latest Offer From Takeda

By PREETIKA RANA

**Shire PLC** said Wednesday it was willing to recommend shareholders accept **Takeda Pharmaceutical Co.**'s last-ditch \$64 billion takeover bid and extended the deadline for a possible deal to May 8.

If successful, the deal would culminate a months-long battle by Takeda to buy the European maker of rare treatments and mark the biggest-ever acquisition by a Japanese company of a Western rival.

Takeda on Tuesday proposed a sweetened deal to acquire Shire at £49 (\$68.53) a share, in its fifth attempt to buy the Dublin-based drugmaker, marginally higher than the £47 it proposed on Friday. Both companies said a revised proposal was on the table on Tuesday but didn't disclose its financial value until Wednesday.

Takeda earlier had until Wednesday to formalize an offer, withdraw it or walk away. Shire's board agreed to extend the deadline to May so both parties could conclude discussions.

Shire's shares closed up 5.9% apiece after Tuesday's announcement of a fifth offer and its stock has risen more than 30% since Takeda's interest surfaced in late March. Meanwhile, Takeda's shares fell 6.5% Wednesday morning and have

dropped 18% since it expressed interest, over fears Japan's largest drugmaker was piling on too much debt to fund the deal.

At roughly \$50 billion, Shire's market value exceeds that of Takeda by more than \$10 billion.

Nevertheless, the combined entity creates the world's eighth-largest drugmaker, with sales of around \$30 billion a year, and bolsters Chief Executive Christophe Weber's mis-

tion to expand Takeda's global reach.

Like its Western counterparts, 237-year-old Takeda is faced with a shrinking pool of patent-protected products. Actos, Takeda's blockbuster diabetes drug, lost patent protection in 2012. Acid reflux medication Dexilant is expected to lose protection in 2020.

The Shire acquisition adds drugs such as Cinryze, to treat hereditary angioedema, and Elaprase, to treat Hunter syndrome, to Takeda's portfolio, and helps it tap into the

# \$64B

Value of Takeda's latest offer to acquire Shire PLC

to

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## Noisy attacks aren't hard to find...

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## TECHNOLOGY

WSJ.com/Tech



The No. 1 U.S. cellphone carrier added 359,000 connections for gadgets like smartwatches during the first quarter.

# Verizon Results Hold Line

Finance chief says company for now is likely to stay out of media-deal frenzy

BY DREW FITZGERALD AND AUSTEN HUFFORD

Smartwatches and connected cars helped **Verizon Communications** Inc. defend its wireless-customer base as the carrier lays the groundwork for next-generation service at the end of the year.

The company added 359,000 connections for devices like **Apple** Inc. and **Samsung Electronics** Co. smartwatches in the first quarter. Such gadgets are typically added to existing accounts and bring in less monthly revenue than smartphones, but can help reduce customer defections.

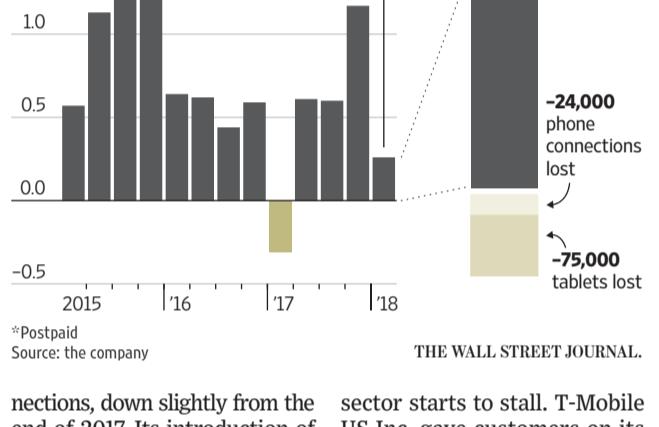
The No. 1 U.S. cellphone carrier by subscribers still lost 24,000 postpaid phone connections in the quarter, adding pressure to its overall customer count. Wireless companies tend to prefer "postpaid" customers who pay their bill at the end of the month and rarely switch providers.

The company ended March with 116.2 million wireless con-

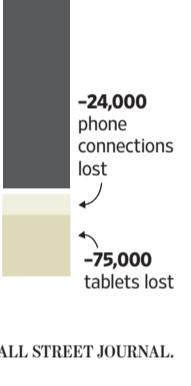
## Watch This

Verizon kept adding valuable wireless connections with help from add-on devices like the Apple Watch.

### Net change in wireless subscribers\*



### First quarter 2018



nctions, down slightly from the end of 2017. Its introduction of unlimited data plans last year has slowed defections.

"When you have the base of customers that we do, there's as big an opportunity in just maintaining the base of customers that we have," finance chief Matt Ellis said in an interview.

Verizon has stuck to its guns while rivals seek new ways to boost revenue as overall growth in the wireless

sector starts to stall. T-Mobile US Inc. gave customers on its premium plans free subscriptions to Netflix Inc., while AT&T Inc. is in court defending a \$85 billion takeover of Time Warner Inc., the owner of HBO, various pay-TV channels and a film studio.

On Tuesday, Mr. Ellis acknowledged his company had looked at potential acquisitions but said the company wasn't likely to make any big media

deals soon. Verizon last year explored a potential deal for assets being sold by 21st Century Fox, but Fox instead struck a deal with Walt Disney Co.

First-quarter revenue from the wireless business, Verizon's largest, increased 4.9% to \$21.9 billion. Revenue from a wireless agreement with Comcast Corp., which offers smartphone plans that ride atop Verizon's infrastructure, added to the top line, as did \$234 million of revenue from Verizon Connect, a new division that services connected automotive fleets and other devices.

Verizon continued to report declines in its television business, losing 22,000 Fios video customers in the quarter. Revenue at the wireline segment, which includes Fios service, fell 1.6% to \$7.56 billion.

Verizon's first-quarter profit was \$4.55 billion, up from \$3.45 billion in the same quarter a year ago. The new U.S. tax law boosted the bottom-line result.

Total revenue increased 6.6% to \$31.77 billion, including a boost from the acquisition of Yahoo Inc. The internet business, which together with AOL is now called Oath, contributed about \$1.9 billion in quarterly revenue.

# Amazon to Stash Its Deliveries in Customers' Cars

BY LAURA STEVENS AND MIKE COLIAS

**Amazon.com** Inc. is now delivering packages right to the car.

The company said Tuesday it has joined with **General Motors** Co. and **Volvo Cars** to start offering in-car deliveries, giving its couriers access to potentially millions of vehicles in 37 U.S. markets. The deal expands Amazon's effort to get consumers comfortable with the idea of strangers entering their homes and cars as the company handles more packages.

The new delivery option is part of the Amazon Key program, launched last year, in which the company's delivery drivers drop off packages inside homes. That system, which includes a so-called smart lock for the door and a security camera, currently costs about \$220.

The car service is free for Amazon Prime members who own certain newer GM and Volvo models. Customers download the Amazon Key app and link an Amazon account with a connected car service, such as OnStar. A delivery driver unlocks the car—either the trunk or doors—through the wireless connection.

Customers are instructed to park in a "publicly accessible area," such as a driveway, street or a surface-level lot within the delivery range. The day of the delivery, customers receive a four-hour delivery time window, as well as notifications when the car is unlocked and locked.

Amazon said it ensures an authorized driver is at the right location with the correct package before the vehicle is unlocked remotely. The delivery driver is required to lock the door before moving on, and as a fail-safe measure the doors will lock automatically after a certain period, Amazon said.

The entire Amazon Key program relies on customers allowing strangers to access

their most personal spaces. But unlike with the home, where security cameras can record a delivery person's entry and exit, there are no easy ways to view a delivery person's interaction with vehicles and whatever items people store inside them. The program is also another way Amazon is trying to integrate itself into customers' lives—particularly the more than 100 million people paying for its Prime service.

Amazon has tens of millions of devices inside people's homes, from voice-enabled Echo speakers to Dash tap-to-buy buttons, that make it easier for shoppers to choose Amazon over competitors.

The Key In-Car service reflects Amazon's larger logistics ambitions, as the company

*A delivery driver unlocks the car through a wireless connection.*

handles more of its own shipments and expands to shuttle others' packages. Amazon has also installed lockers in and outside stores and pickup hubs in apartment buildings.

Amazon began offering the Key service Tuesday to roughly seven million GM owners of model-year 2015 or newer Chevrolet, Buick, GMC or Cadillac vehicles, which are equipped with a 4G LTE internet connection. Volvo owners of model-year 2015 or newer cars will also be eligible, according to Amazon.

GM and Volvo gain the ability to offer a no-cost perk to current owners, while providing a potentially differentiating feature for new-car shoppers. Owners must be Amazon Prime members and have an active OnStar or Volvo On Call account.

Financial terms of the deals weren't disclosed.

# Successor To Yahoo Is Fined in Data Hack

BY DAVE MICHAELS



JASON ALDEN/BLOOMBERG NEWS

Irish finance minister, Paschal Donohoe, objects to the EU order.

# Apple Takes Step In Irish Tax Matter

BY SAM SCHECHNER

**Apple** Inc. completed an agreement with Ireland enabling the company to transfer roughly €13 billion (\$16 billion) into a Dublin escrow account, in a step toward complying with a European Commission tax order.

The executive body of the European Union ruled in 2016 that Apple had underreported profit in Ireland over more than a decade because of two tax deals with the Irish government.

Apple and Ireland have struggled to find a way to park such a large sum. In December, they agreed on the terms of an escrow account, but hadn't yet completed those terms or determined when Apple should start depositing the cash.

In its 2016 decision, the European Commission said tax arrangements that Ireland offered Apple in 1991 and 2007 allowed the company to pay

annual tax rates of between 0.005% and 1% on its European profits for over a decade to 2014 by designating only a tiny portion of the profit as taxable in Ireland.

Ireland said Tuesday that Apple will pay the cash for the back taxes, plus interest, into the account in installments next month through September.

Neither Ireland nor Apple has said how much Apple must pay Ireland in total.

Dublin has opposed the EU decision. Apple is a big employer in the country, and Ireland has said its tax deals with it didn't constitute special treatment.

"The government fundamentally disagrees with the ruling of the commission," said Paschal Donohoe, Ireland's finance minister. "However, as committed members of the European Union, Ireland is intent on complying with our binding legal obligations in this regard."

An Apple spokesman said, "We continue to cooperate with Ireland on the recovery process," adding that it is confident that EU courts "will overturn the commission's decision."

—Natalia Drozdzak contributed to this article.

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## BUSINESS NEWS

# Weinstein Studio Executives Cashed In

Bankruptcy-case filing details the amounts co-chiefs received as scandal took shape

BY PEG BRICKLEY  
AND JONATHAN RANDLES

Harvey Weinstein borrowed \$1 million from his company last year in the months before public revelations of his alleged sexual misconduct plunged the movie studio that bore his name into bankruptcy.

In all, Mr. Weinstein took home nearly \$3 million during his last half year at the award-winning studio, new court papers say. Additionally, **Weinstein Co.** paid nearly \$2 million to service a debt Mr. Weinstein personally guaranteed, which was owed to a company controlled by billionaire Len Blavatnik.

Records filed on Tuesday in the bankruptcy case of Weinstein Co. detail what Mr. Weinstein, his brother and studio co-chief Bob Weinstein and other leaders received from the company before and after misconduct allegations against Harvey Weinstein were published in October.

Millions of dollars in pay, expense reimbursements, advances and loans went to the Weinstein brothers and to David Glasser, a top executive the studio fired in February, after New York Attorney General Eric Schneiderman, in a lawsuit, lambasted the company for failing to investigate and address the misconduct claims against Harvey Weinstein. Mr. Glasser's lawyers have disputed his firing and said he "acted appropriately and responsibly whenever allegations of misconduct were brought to his attention."

Harvey Weinstein's lawyer said Tuesday that all of his client's expenses were approved by the studio. "Any disputed expenses were repaid in full as a result of a 2015 financial reconciliation with accountants" for the company, said Benjamin Brafman, Harvey Weinstein's lawyer.

Bob Weinstein took nearly \$6 million in compensation and other payments, while Mr. Glasser, the company's former chief operating officer, took more than \$4 million in the year before the March 19 bankruptcy filing, according to papers filed Tuesday in the U.S. Bankruptcy Court in Wilmington, Del. Some of the



Harvey Weinstein, left, with his brother and studio co-chief Bob Weinstein in Beverly Hills in 2015.

company to harm women, as well as allegations of nonconsensual sex.

Harvey Weinstein took out a series of loans in his final months on the job at the company he founded, borrowing \$150,000 on Aug. 14, \$350,000 on Aug. 31, and \$500,000 Sept. 6, court papers say.

A month after the last loan, on Oct. 5, the New York Times ran the first of a series of stories on Harvey Weinstein's alleged decades of misconduct. The New Yorker followed with coverage, and the news organizations won a Pulitzer Prize for public service. The studio's board fired Harvey Weinstein a short time later.

Creditors' lawyers are set to comb through the bankruptcy records, looking for money that can be pulled into the pool of funds accumulating in chapter 11. While Weinstein Co. bankruptcy lawyers have reported robust interest for the company's assets, there is no guarantee the auction will bring more than the company owes secured creditors. Unsecured creditors, including alleged victims of Harvey Weinstein and Weinstein Co., will get what isn't claimed by the banks, which could include the right to sue company leaders.

money that went to Bob Weinstein is listed as payments on a loan he made to the studio. Additionally, some \$600,000 of the money Bob Weinstein received came in the form of expense reimbursements in the six months prior to the bankruptcy.

Court papers say Mr. Glasser drew advances on his bonuses, including \$600,000

in the final months of 2017. Reached Tuesday, Mr. Glasser said the payments were money the studio owed him.

Representatives of Weinstein Co. and the company controlled by Mr. Blavatnik declined to comment. A representative for Bob Weinstein wasn't immediately available for comment.

The financial disclosures

come as Weinstein Co. puts itself up for auction to raise money for creditors, including dozens of women who say sexual assaults and harassment at the hands of Harvey Weinstein damaged them personally and professionally.

The former studio chief denies allegations he used his position at the top of the award-winning entertainment

# Comey's Memoir Sold 600,000 Copies in Its First Week

BY JEFFREY A. TRACHTENBERG

Former FBI Director James Comey's "A Higher Loyalty: Truth, Lies, and Leadership" sold more than 600,000 copies in all formats in its first week, the publisher said Tuesday, making the memoir a hit by any standard.

Macmillan's Flatiron Books described Mr. Comey's book as "the best-selling English language book in the world last week." The publisher added that it has gone back to press several times, and there are now more than one million copies in print.

The book, which went on sale April 17, ranked No. 1 on both Amazon.com and Barnes&Noble.com on Tuesday. The sales volume is particularly strong for nonfiction.

In his book, Mr. Comey gives an overview of his career, and of his relationship with President Donald Trump, during the time that he served as the head of the Federal Bureau of Investigation. He describes Mr. Trump as a "deeply flawed person and leader." Mr. Comey also discusses his decision to make additional disclosures about the Hillary Clinton email in-

vestigation as the 2016 presidential election came to a close.

Mr. Comey is on a 10-city book tour, the publisher said, and has made appearances on television programs such as ABC's "20/20" and CBS's "Late Show with Stephen Colbert."

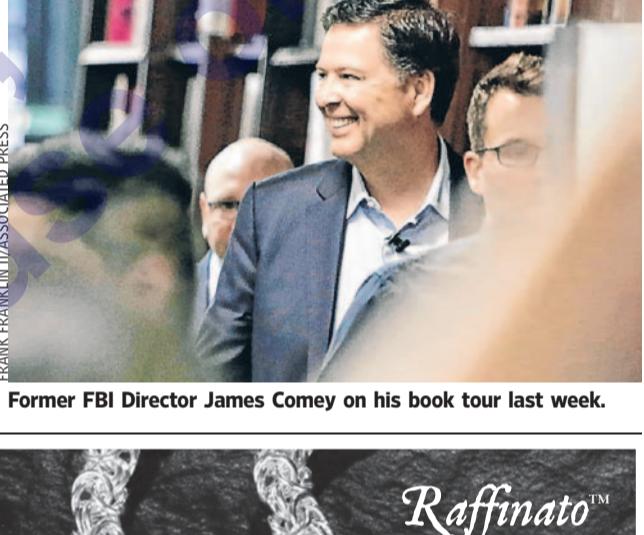
Mr. Trump attacked Mr. Comey via Twitter before the book's publication, describing him as a "weak and untruthful slime ball." Mr. Trump fired Mr. Comey from his position in May 2017.

The controversy appears to have helped book sales. "It piques people's interest," said

Anne Holman, manager of the King's English Bookshop in Salt Lake City. "They want to see what it's all about. And in this case, the gloves have come off."

Ms. Holman said her store quickly sold out of its early copies of "A Higher Loyalty" and has since reordered it seven times. Also selling well is Michael Wolff's "Fire and Fury," which was published in early January by Macmillan's imprint Henry Holt & Co.

"People are looking for answers, or ways to understand what's happening in our country," Ms. Holman said.



Former FBI Director James Comey on his book tour last week.

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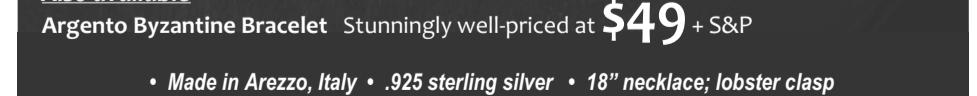
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# THE PROPERTY REPORT

## Brookfield's New Venture: Startups

Landlord is the latest to invest millions in new technologies geared to real estate

By PETER GRANT

**Brookfield Asset Management Inc.** is the latest global landlord to form a venture-capital unit to plow money into potentially disruptive technologies in the real-estate business.

Toronto-based Brookfield, which has \$285 billion in assets under management, plans to invest \$200 million to \$300 million over the next three years in startups in its four business lines: real estate, infrastructure, power and private equity, according to Stewart Upson, a Brookfield managing partner. Brookfield also plans to raise third-party capital to invest together with the firm's money, he said.

"We're going to get access to deals that others wouldn't get access to, and we're going to be able to add value to things that others wouldn't be able to add value to," Mr. Upson said.

The new unit, Brookfield Ventures, has just made its first deal, a \$15 million investment in **BuildingConnected**, a networking and preconstruction management site for owners, general contractors and subcontractors. The deal increases to \$53 million the total funding the five-year-old firm has raised, according to Dustin DeVon, BuildingConnected's chief executive.

Mr. Devan said the firm wasn't in a fundraising mode when it started talking to Brookfield. But "it made sense to bring in more industry expertise," he said.

For a long time, the real-estate industry was slow to adopt new technology. But businesses like **WeWork Cos.** and **Airbnb Inc.** demonstrated the vulnerability of traditional property types such as office space and hotels to technology



Brookfield Place in Manhattan. The property firm plans to invest \$200 million to \$300 million in startups over the next three years.

disruption.

Meanwhile, startups are making changes in the way buildings are sold, built, leased, designed, marketed and managed. Many of the new entrants have valuations in the hundreds of millions of dollars.

Brookfield isn't the only big player using its holdings of office towers, malls and other commercial real estate to get a front seat in the new technology world. Several big firms have set up separate investment units, including home builder **Lennar Corp.** and mall companies **Simon Property Group Inc.** and **Westfield Corp.**

Private-equity firm **Blackstone Group LP**, the world's largest private real-estate owner by assets, has invested in such startups as VTS, a commercial-property leasing

and-management service, and Entic, which helps owners cut energy and water costs.

Last year, Blackstone acquired a majority interest in the **Office Group**, a competitor to WeWork in the co-working and flexible office-space business.

Other big real-estate companies are investing in venture-capital firms that focus on the industry. **Fifth Wall Ventures'** investors include the owners and managers of 13,000 properties such as **Prologis Inc.**, **Rudin Management Co.** and **Host Hotels & Resorts Inc.**

These backers enable Fifth Wall to offer "game changing" expertise and business to startups, along with capital, said Fifth Wall co-founder Brad Greive in an email. "It's the time, resources and in-

sights that come from cross-pollinating with the largest real estate organizations on earth. That's what's valuable."

For years, Brookfield executives felt insulated as they watched technology disrupt other businesses, like music and publishing.

"It didn't have a real impact on us," said Mr. Upson. More recently, though, "the new wave of technology disruption is getting much closer to our businesses," he said.

Before it created Brookfield Ventures, the company made a few technology investments such as buying a stake in Convene, a provider of meeting space and flexible work space. But initially Brookfield mostly approached new technology defensively, Mr. Upson said.

The thinking behind creating Brookfield Ventures was

different. "Instead of being concerned, we said, 'Why don't we leverage what we have and use our unique position to gain a competitive advantage?'" Mr. Upson said.

To run the unit, Brookfield hired Josh Raffaelli, who has been working in the venture business for about 14 years for such firms as Silver Lake and DFJ. Brookfield opted against recruiting from within because senior management believed people with careers in real-estate investment approach the world differently from those in venture capital.

"We were self-aware enough to realize our real asset approach to investment was very much focused on downside protection and cash flow," he said. "That wouldn't necessarily make us successful in the venture industry."

### PLOTS & PLOYS

#### WEWORK

##### Co-Working Firm Plans Bond Sale

Co-working firm **WeWork Cos. Inc.** is planning to tap the bond market, according to reports by ratings companies.

On Tuesday, S&P Global Ratings assigned a corporate credit rating of B to WeWork, while Fitch Ratings gave the New York company a long-term issuer default rating of BB-minus. For both firms, ratings below BBB-minus are considered non-investment grade, or "junk." Both issued a stable outlook to the shared office-space company.

S&P said WeWork is planning to raise at least \$500 million in unsecured debt.

WeWork takes on long-term leases for office space, renovates it with flexible and modern designs and then subleases it to others. The company was valued at \$20 billion last year.

—Esther Fung

#### PEBBLEBROOK HOTEL TRUST

##### REIT Boosts Bid For LaSalle Hotel

Lodging REIT **Pebblebrook Hotel Trust** said it has revised its bid for **LaSalle Hotel Properties** for the second and final time, boosting the price and the potential cash payout percentage amid talk of competition from other potential bidders.

Pebblebrook, which owns 6,972 guest rooms across 28 hotels, revised its stock-for-stock bid for LaSalle, implying a merger price of \$32.49 based on an exchange ratio of 0.9085 Pebblebrook share for each LaSalle share. LaSalle's shareholders also can opt to receive cash for up to 20% of their shares, up from 15%, Pebblebrook said. This is higher than the initial all-stock bid at a value of \$30 a share made on March 28, which LaSalle rejected, saying it undervalued the company.

LaSalle said its board would review the revised proposal.

—Esther Fung

## Retail Clouds Reach Hawaii

By ESTHER FUNG

Hawaii is a market where national retailers typically rack up higher-than-average store sales and enjoy low vacancy rates. But headwinds from the continental U.S. are starting to reach America's 50th state.

Store closings from **Sports Authority Inc.** and **Sears Holdings Corp.**'s Kmart chain have pushed vacancy rates higher, prompting some Hawaii landlords to become more aggressive in cutting rents and offering other concessions to attract tenants, according to brokers and market analysts.

Vacancy rates rose to 6.1% in the fourth quarter of 2017, the highest rate since the third quarter of 2014, before falling slightly to 5.7% in the first quarter of this year, according to property consultancy CBRE, which tracks 22.9 million square feet of retail space in Hawaii.

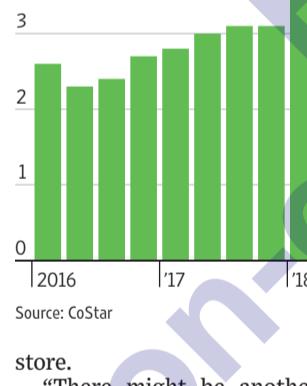
Other brokerages are showing a similar trend. Vacancy rates tracked by CoStar rose to 3.5% in the first quarter from 3.1% in the fourth quarter and up from 2.8% a year earlier.

Quoted rents reached \$33.83 a square foot per year in the first quarter, up from \$33.08 in the previous quarter, but down 3.8% from \$35.16 in the first quarter of 2017, according to CoStar.

"Hawaii is still a retail paradise; it's just been raining a lot recently."

### Rising Tide

Vacancy rate for retail real estate in Hawaii



Source: CoStar

Quoted rental rates per square foot



THE WALL STREET JOURNAL.

way ahead of the curve," said Ed Kobel, president and chief operating officer at Tampa, Fla.-based **DeBartolo Development**, the mall's owner.

While the mall had some challenges in the women's ready-to-wear category, sales receipts from the gym and from California Pizza are the top tier in their respective chains, said Mr. Kobel.

While other retail real-estate investment trusts are looking to shrink their asset bases, Hawaii-based REIT **Alexander & Baldwin Inc.** is looking to expand its portfolio of grocery-anchored centers as approvals for new retail development remain scarce.

"The zoning and entitlement process is so difficult," said Chris Benjamin, Alexander & Baldwin's chief executive.

The REIT, which has around 17% of the strip retail market share in Hawaii as well as some industrial property, last month broke ground on a 94,000-square-foot center in Maui.

The Ho'okele Shopping Center would be anchored by a Safeway Inc. store. **Alexander & Baldwin** also recently purchased three grocery-anchored shopping centers for \$254 million.

Apart from controls on development, landlords in Hawaii do get a little respite from online competition. Online retailers usually pass on the higher costs of delivery to consumers in Hawaii.

"Even if it's slightly cheaper online, it might end up costing so much more to deliver," said Kristi Dagdagian, a resident in Honolulu.

There are no dead malls in Hawaii, largely because it isn't as overbuilt as the mainland U.S. On average, there is 24 square feet of retail space per capita in the U.S., compared with 16 square feet in Canada and 11 square feet in Australia. In Hawaii, it is about 16 square feet.

Ka Makana Ali'i, a 750,000-square-foot open-air mall in West Oahu that opened in late 2016, is the only new mall built on the island in the past 30 years. The mall, which includes tenants such as **Macy's Inc.**, **24 Hour Fitness** and restaurants such as **California Pizza Kitchen** and **Cheesecake Factory Inc.**, is 87% occupied.

"A lot of the major mall

companies are retrofitting their centers with grocery stores and restaurants. We're

## Tech Cities Buck Declines

By KEIKO MORRIS

Concessions from office landlords are on the rise nationwide, but in technology-centric markets, deal sweeteners such as free rent periods and remodeling allowances are waning.

In 2017, Seattle, the Bay Area in California, Boston, Atlanta, Austin and other tech hubs were among the handful of office markets in which landlord concessions declined and effective rents increased compared with the previous year, according to Savills Studley's 2018 Effective Rent Index.

By contrast, the opposite occurred in major cities such as Washington, D.C., Houston, Chicago and New York City, where markets are more dependent on traditional office tenant sectors that include more cost-conscious financial-services companies, law firms and professional-services businesses, said Keith DeCoster, Savills Studley's director of U.S. real-estate analytics.

Landlord concession packages in Washington, D.C., jumped 21.7% to \$201.88 a square foot, the report said. Ample supply in these major cities pressured landlords to make concessions, Mr. DeCoster said.

In these tech-centric markets, "the landlords have the luxury of being able to select between multiple companies bidding on the same space, particularly bigger blocks of new space," Mr. DeCoster said.

While concession packages increased in 13 of the 23 markets examined in the report, Atlanta's concession package of remodeling allowance and free rent periods dropped 4.1% in 2017 to \$79.50 a square foot. For tenants in Atlanta, the effective rent after deducting concessions rose 12.7% to \$27.49 a square foot.

The analysis showed a similar story for Boston's Back Bay and Financial District, where

concessions fell 3.8% to \$88 a square foot, and the effective rent rose 6.7% to \$57.41 a square foot. Tenant perks in downtown Seattle dropped 3.1% to \$63 a square foot, and effective rents for tenants rose 9.7% to \$37.36 a square foot.

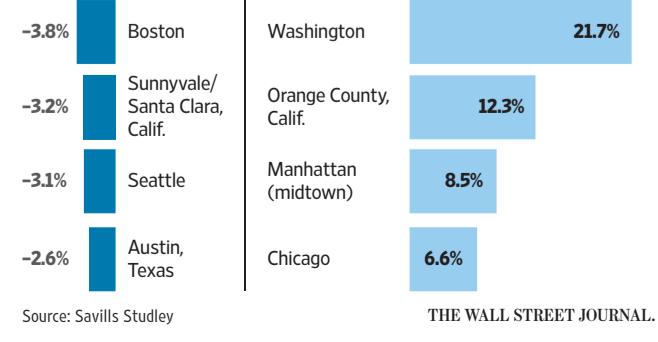
While the technology sector is driving office demand in these tech-dominated cities, the expanding supply of new buildings remains a major factor driving landlords in big cities to boost concessions to attract tenants, said Revathi Greenwood, Americas head of research for real-estate services firm Cushman & Wakefield. About 60% of new supply is concentrated in 15 markets, includ-



Tenant perks in downtown Seattle fell 3.1% to \$63 a square foot.

### A Tale of Two Types of Cities

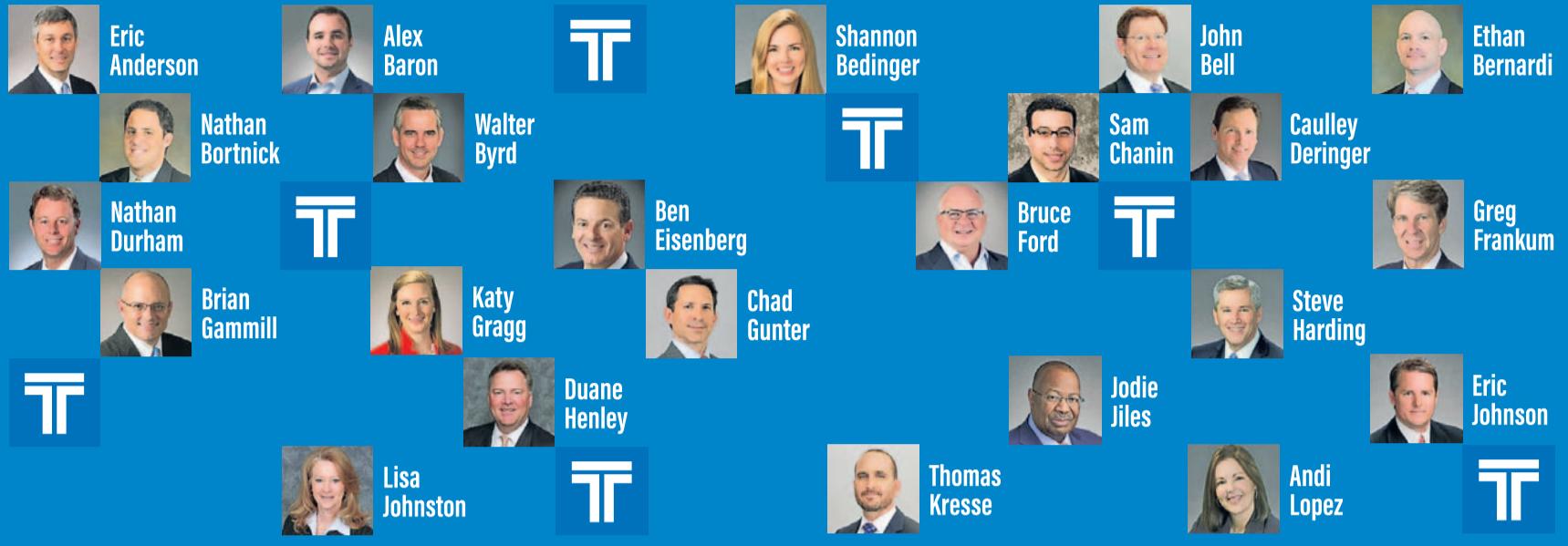
Landlords had an easier time leasing space in 2017 in tech-oriented markets, where concessions were down from 2016.



Source: Savills Studley

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## BUSINESS NEWS

# Carriers Seek Steady Course

Skeptical investors to study quarterly reports for signs of stable profits

By DOUG CAMERON

U.S. airlines have a poor record of managing the ups-and-downs of economic cycles, and the latest test of whether they have improved on that score is coming this week with their quarterly results.

Five more carriers report over the next two days, with investors focused on the outlook for a domestic market that has seen sporadic fare wars over the past year in regions such as California and south Florida as airlines competed for budget-conscious passengers.

**Southwest Airlines** Co.'s earnings on Thursday will put the spotlight on last week's fatal accident when an engine blew out on a flight from New York to Dallas. **American Airlines Group** Inc., the world's largest carrier by traffic, and **Spirit Airlines** Inc., the fastest-growing in the U.S. in terms of capacity, report the same day.

All are likely to make the case that airlines remain on a path to more stable profits.

Investors are skeptical. The NYSE Arca Airline Index is down 9% since **United Continental Holdings** Inc. in January said it planned to expand flying by 4% to 6% in each of the next three years, a faster clip than usual for such a big airline. It has since reduced the top of the range to 5.5%.

The sector suffered another sell-off Tuesday, despite upbeat guidance from **Alaska Air Group** Inc., **JetBlue Airways** Corp. and **Hawaiian Holdings** Inc. Alaska shares fell more than 5% on the day before its integration of Virgin America will retire the latter's name and brand. Alaska said the merging



Airline stocks have struggled amid concerns about added capacity and rising costs.

has been going well.

Much of the recent pressure on airline shares is tied to fares. They have risen more slowly in recent months while the price of jet fuel has surged, up an average of about 30% over the past year. Labor costs are also on the rise.

Spirit actually raised fares last week, drawing matching increases from some rivals. And **Delta Air Lines** Inc. and United provided upbeat outlooks in their quarterly reports, though much of their confidence was based on international markets, notably trans-Atlantic travel that is growing at a double-digit pace.

"Investors are more curious about the U.S. domestic market," said analyst Helane Becker at Cowen & Co.

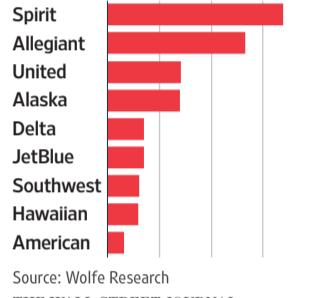
American Chief Executive Doug Parker said consolidation of U.S. airlines has helped inoculate the industry against the swings of fortune that predated the big mergers he helped get rolling a decade ago.

"We're getting converts gradually over time," Mr. Parker said of investors in an

## Uneven Expansion

Ultralow-cost carriers are leading domestic capacity growth pegged at about 4% for the current quarter.

### Growth plans, April-June 2018



Source: Wolfe Research

THE WALL STREET JOURNAL.

interview. American aims to maintain annual profits at between \$3 billion and \$7 billion over the next several years, whatever happens in the broader economy. That, he said, has helped attract interest from long-term investors such as Warren Buffett's **Berkshire Hathaway** Inc., which had long avoided airline shares after suffering losses.

Berkshire is American's third-largest shareholder, with a 9.7% stake it started building in late 2016. "They wouldn't have invested in the old world," Mr. Parker said.

U.S. airlines also have sought more reliable profits by exploiting a broader array of ticket prices and charging fees for services like checked baggage and early boarding.

Some industry veterans remain skeptical the strategy will protect the big network carriers like American in the long term. Bill Franke, of Indigo Partners LLC, a specialist airline private-equity fund that has backed some of the best-known discount carriers, points to the industry's yawning cost gap.

Speaking at an industry conference recently, Mr. Franke said the biggest carriers are trying to compete with costs more than twice the average of 5.5 cents a mile boasted by Spirit and Frontier Airlines. He said the share of ultradiscount carriers in the U.S. could grow to 20% in the next several years from about 7% today.

LOCKHEED MARTIN

## Executives Vow to Resolve F-35 Dispute

**Lockheed Martin** Corp. executives pledged to resolve a dispute with Pentagon officials that has halted deliveries of F-35 combat jets.

The Defense Department has toughened criticism of the jet's running costs. The discovery of a corrosion problem affecting jets that have already been delivered has further complicated negotiations over the multibillion-dollar sale of the next batch of F-35s.

Between five and 10 planes remain undelivered because the U.S. Air Force won't accept them until the repair issue is resolved. The U.S. and a number of allies plan to buy as many as 3,000 of the F-35s.

**Lockheed** Chief Executive Marillyn Hewson said the company still expects to deliver 90 of the planes this year. "It's not affecting production," Ms. Hewson said. "We'll get resolution on that."

Lockheed reported forecast-beating earnings on Tuesday. Profit was \$1.16 billion in the quarter, up from \$789 million a year earlier, with per-share earnings climbing to \$4.02 from \$2.69, well above the \$3.39 consensus estimate among analysts.

—Doug Cameron

GUCCI

## U.S. Shoppers Boost Italian Fashion House

American shoppers helped Gucci start off the year with a bang.

Revenue at the Italian fashion house rose 38% in the first quarter to €1.87 billion (\$2.3 billion), **Kering** SA, Gucci's corporate parent, said Tuesday. Excluding the effect of a stronger euro, revenue rose 49%.

Sales in North America, mainly the U.S. led the way, rising 64%, Kering said. The results mark another quarter of robust growth for Gucci, which has become the world's second-largest luxury brand by sales, behind only Louis Vuitton.

—Matthew Dalton

BOLLORÉ

## Tycoon Is Detained In French Inquiry

French police detained tycoon Vincent Bolloré for questioning Tuesday as part of an investigation into how his logistics empire won port concessions in two African countries nearly a decade ago.

French prosecutors are investigating allegations that Mr. Bolloré's family holding company, **Bolloré** SA, had "bribed foreign public officials," according to a person close to the businessman. A judicial official confirmed



Vincent Bolloré

Mr. Bolloré was being detained as part of an investigation.

The investigation stems from a complaint that alleges that advertising group **Havas**, which was a subsidiary of Bolloré at the time, worked on political campaigns in Guinea and Togo at below-market prices, the person close to Mr. Bolloré said. In return, Bolloré is alleged to have won contracts to run container terminals in Conakry, Guinea, and Lomé, Togo, the person added.

Mr. Bolloré's family company denied wrongdoing. "The contracts pertaining to these billings were carried out in total transparency," Bolloré said, adding that the company "is happy to cooperate with the investigation to set the record straight."

News that Mr. Bolloré was being detained was first reported by Le Monde newspaper.

—Nick Kostov

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The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Tuesday, April 24, 2018

Stock		Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	
<b>Highs</b>				<b>Bio-Techne</b>	TECH	154.56 -1.0	<b>CoStar</b>	CSGP	392.07 4.4	<b>Hess</b>	HES	59.56 -1.5	<b>MatacorResources</b>	MTDR	34.23 -1.2	
AES	12.11 1.2	BisonCapAcqpn	BCAC	10.05 ...	CoupaSoftware	COUP	50.90 -0.5	HollyFrontier	HFC	62.22 2.2	Innospace	IPI	49.05 -0.5	MelcoResorts	MLCO	32.53 -0.0
AMN Healthcare	68.05 -0.2	CACI Int'l	CACI	43.20 2.6	DelekU.S.	DK	49.17 0.5	ICF Int'l	ICFI	69.05 -0.2	DraperOakwood	DOTAU	10.85 -1.1	MitelNetworks	MITL	11.31 9.4
Aegon	7.48 -0.3	CRA Int'l	CRAI	58.49 0.4	ElevateBioptron	EC	22.66 0.4	ElevenPoint	EFN	23.42 2.4	Eventbrite	EBIB	2.34 6.2	Moelis	MOEL	57.30 1.9
Amedisys	68.50 -1.3	CaledoniaMining	CMCL	9.94 0.4	EnergyBancorp	CBAD	29.40 1.2	Enphase	ERF	12.41 1.0	FirstBankMI	IBCP	25.75 2.6	S&T Bancorp	STB	44.13 1.8
AmerCarMar	53.35 1.3	FidelityCorp	FKFT	50.15 1.3	FleetCorps	FLCT	7.10 2.6	FirstBankMI	IFRX	40.17 ...	FirstBankMI	IFRN	10.45 -0.9	FinTechAcnVt	MFTEC	0.73 0.7
Andeavor	121.90 -0.5	FallonPetrol	CPE	14.44 -0.1	FirstBanCorp	FBN	50.90 0.5	GlobeInn	I	10.22 7.7	FirstFinBnch	IFIN	31.85 -0.5	Intelsat	INTU	182.93 -1.0
Attunty	8.40 5.6	ConnWater	CWTS	20.80 0.7	FirstFinBnch	IFIN	50.75 1.3	KoninklijkePhil	LHG	76.91 -0.7	FirstFinBnch	IFIN	19.20 -0.2	Invacare	IVC	23.12 0.8
BJsRestaurants	54.00 -1.1	CareRx	CDNA	9.50 -1.1	FirstFinBnch	IFIN	50.75 1.3	LambWeston	LWH	66.13 -0.3	Investor	ISTR	27.10 1.7	NorthernTechnlnt	NTIC	29.00 2.8
BP	44.81 0.8	ChinaPetrol	SNP	98.00 0.6	GranTierBancorp	GNC	17.25 -2.7	JPMorganChase	JPM	97.98 0.3	People'sBnch	PBDO	37.70 2.6	NorthWestern	NTX	50.15 1.3
BSB Bancorp	32.90 1.1	ColumbiaFin	CLBK	15.83 0.8	GranTierBancorp	GNC	3.22 2.5	RingCentral	RNG	96.98 0.3	Platinum	PLAT	55.56 0.2	Ouluem	LULU	67.00 -1.3
BWX Tech	21.28 -2.1	CommerceBchs	CBSH	65.13 -0.2	HamiltonLane	HNLN	41.49 0.3	Phillips66	PSX	113.27 -2.0	Power	POWR	50.15 1.3	PlumasBancorp	PLBC	27.10 3.6
BanFirst	61.65 1.5	ConnectWat	CWTS	68.24 3.2	Harris	HRS	170.54 -2.5	MSA Safety	MSA	91.61 0.5	PioneerNatRscs	PDX	100.50 -0.1	Prudential	PRUD	50.15 1.3
BankofButterfield	47.68 4.8	ContingentRscs	CLR	66.01 -0.9	HawthornBnch	HWBK	22.77 1.4	Macawata	MBCB	10.75 0.5	Platonics	PLT	65.99 0.5	Putnam	PUTN	50.15 1.3
BaytexEnergy	4.17 -0.2	Copart	CPRT	52.73 -1.5	HeidrickStrug	HSII	39.32 17.1	Macys	M	31.05 0.1	PlayAGS	AGS	23.81 1.1	Quintiles	QTY	81.63 -0.1
Berkley	75.02 -0.5	CoreLabs	CLB	123.99 -3.7	Hess Pfd	HESPA	67.00 -1.3	PlumasBancorp	PLBC	27.10 3.6	Rate	RATE	50.15 1.3	Rate	RATE	50.15 1.3

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Tuesday, April 24, 2018

Fund	NAV	Net YTD Chg %	% Ret	Fund	NAV	Net YTD Chg %	% Ret	Fund	NAV	Net YTD Chg %	% Ret	Fund	NAV	Net YTD Chg %	% Ret
American Century Inv	44.62 -0.90	2.8	...	Edgewood Growth Instituti	FrankTemp/Temp A	101.69 -2.29	5.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
Ultra	56.05 0.00	2.8	...	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
American Funds Cl A	59.87 -0.31	-1.1	3.0	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
AmcApA p	39.87 -0.31	-1.1	3.0	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
BalaP a	26.70 -0.20	-1.3	1.0	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
BondA p	12.49 -0.25	-1.1	0.5	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
BondA p	12.49 -0.25	-1.1	0.5	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
CapIBra P	60.52 -0.29	2.9	...	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
CapIBra P	51.37 -0.41	0.9	0.9	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
EupacA p	56.59 -0.31	0.7	0.7	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
FdlnIV p	51.56 -0.88	-1.2	1.4	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
GwthA p	51.20 -0.80	-3.4	3.4	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
Hf TrA p	10.20 -0.00	0.1	0.1	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
ICAA p	39.77 -0.49	-0.9	3.2	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
IncoA p	39.77 -0.49	-0.9	3.2	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
Int'l Stk	46.06 -0.26	-0.9	0.9	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
Stock	199.96 -2.03	-0.3	0.3	FrankTemp/Temp A	FrankTemp/Temp A	32.70 -0.20	-1.6	FrankTemp/Temp Adv	FrankTemp/Temp Adv	32.70 -0.20	-1.6	Fidelity Corp	FrankTemp/Temp A	101.69 -2.29	5.6
DoubleLine Funds	RisDvA p	59.49 -0.72	-2.5	IncomeFd	IncomeFd	NA	NA	IncomeFd	IncomeFd	NA	NA	PIMCO Funds Instl	PIMCO Funds Instl	NA	NA
CoreFdIncmcl	NA	NA	NA	IncomeFd	IncomeFd	NA	NA	IncomeFd	IncomeFd	NA	NA	PIMCO Funds Instl	PIMCO Funds Instl	NA	NA
TotalRtdl	10.41 -0.01	-1.2	0.0	IncomeFd	IncomeFd	NA	NA	IncomeFd	IncomeFd	NA	NA	PIMCO Funds Instl	PIMCO Funds Instl	NA	NA

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Michael Ptasznik  
**Nasdaq**

Terrance Dolan  
**U.S. Bank**

Lukas Wickart  
**AutoGravity Corporation**

Richard Veldran  
**Dun & Bradstreet Inc.**

Margaret Smyth  
**National Grid**

Matthew Ellis  
**Verizon Communications Inc.**

Randy Furr  
**Bloom Energy**

Robert Schlotman  
**Enterprise Florida Inc.**

Paul Lalljie  
**Neustar Inc.**

Michael Smith  
**Voya Financial**

Jim Scammon  
**Bose Corporation**

Kevin Ingram  
**Factory Mutual Insurance Company**

Christopher Govan  
**Onex**

Brett Biggs  
**Wal-Mart Stores Inc.**

Marshall Smith  
**California Resources Corporation**

Himanshu Patel  
**First Data Corporation**

Amy Shelly  
**Options Clearing Corporation**

John Shrewsbury  
**Wells Fargo & Company**

William Rogers  
**CenterPoint Energy**

William Zerella  
**Fitbit Inc.**

Ed Stelmakh  
**Otsuka America Pharmaceutical**

Bob Gunderman  
**Windstream Holdings Inc.**

Andrew Clarke  
**C.H. Robinson**

Edward Fitzpatrick  
**Genpact Limited**

John Rainey  
**PayPal**

Jatin Dalal  
**Wipro Limited**

Eric Palmer  
**Cigna**

Sandy Rowland  
**Harman International**

Hugh Johnston  
**PepsiCo**

Robynne Sisco  
**Workday Inc.**

Kelly Kramer  
**Cisco Systems Inc.**

Anil Chanana  
**HCL Technologies Limited**

Alexandra Pruner  
**Perella Weinberg Partners L.P.**

Ira Birns  
**World Fuel Services Corporation**

Melinda James Lopez  
**City of Hoover**

Ken Goldman  
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Stanley Sutula III  
**Pitney Bowes**

Stephanie Ferris  
**WorldPay**

Thomas Seifert  
**Cloudflare**

Stefan Freiberg  
**ICSC**

Steve Walker  
**Protective Life**

David Gibbs  
**Yum! Brands Inc.**

John Pietrowicz  
**CME Group Inc.**

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## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24024.13** ▼424.56, or 1.74%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.36 21.04  
P/E estimate \* 16.45 17.60  
Dividend yield 2.22 2.32  
All-time high 26616.71, 01/26/18

Current divisor 0.14523396877348



Bars measure the point change from session's open

Jan. Feb. Mar. Apr.  
22000

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2634.56** ▼35.73, or 1.34%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.98 24.39  
P/E estimate \* 17.02 18.24  
Dividend yield 1.95 1.98  
All-time high 2872.87, 01/26/18



Jan. Feb. Mar. Apr.  
2450

## Nasdaq Composite Index

**7007.35** ▼121.25, or 1.70%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.75 26.01  
P/E estimate \* 20.03 20.37  
Dividend yield 1.04 1.11  
All-time high 7588.32, 03/12/18



Jan. Feb. Mar. Apr.  
6300

## 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.
--	------	-----	--------------	---------	-------	--------------	-------------	-------	-----	-------	------------

Dow Jones	24579.94	23828.73	<b>24024.13</b>	-424.56	-1.74	26616.71	20606.93	14.4	-2.8	9.9	
Industrial Average	10684.03	10309.34	<b>10400.10</b>	-221.05	-2.08	11373.38	8783.74	12.4	-2.0	5.4	
Transportation Avg	700.50	689.97	<b>695.41</b>	4.07	0.59	774.47	647.90	-1.8	-3.9	5.2	
Utility Average	27857.01	27191.38	<b>27368.07</b>	-345.03	-1.24	29630.47	24391.29	10.3	-1.1	7.3	
Total Stock Market	727.48	709.89	<b>715.44</b>	-7.19	-0.99	757.37	624.99	11.7	0.6	7.1	
Barron's 400	272.48	270.89	<b>271.44</b>	-7.19	-0.99	275.37	242.99	11.7	0.6	7.1	

## Nasdaq Stock Market

Nasdaq Composite	7171.67	6961.52	<b>7007.35</b>	-121.25	-1.70	7588.32	6011.24	16.3	1.5	11.2	
Nasdaq 100	6688.89	6464.74	<b>6509.05</b>	-139.75	-2.10	7131.12	5541.09	17.3	1.8	12.8	

## S&amp;P

S&P	2683.55	2617.32	<b>2634.56</b>	-35.73	-1.34	2872.87	2357.03	10.3	-1.5	7.6	
500 Index	1915.59	1873.08	<b>1886.82</b>	-14.14	-0.74	1995.23	1691.67	8.0	-0.7	7.1	
MidCap 400	969.42	950.31	<b>957.37</b>	-4.40	-0.46	979.57	817.25	11.7	2.3	9.7	

## Other Indexes

Russell 2000	1574.48	1542.30	<b>1553.28</b>	-8.84	-0.57	1610.71	1355.89	10.1	1.2	7.0	
NYSE Composite	12675.93	12442.93	<b>12514.00</b>	-96.78	-0.77	13637.02	11423.53	7.8	-2.3	3.8	
Value Line	559.67	548.41	<b>551.81</b>	-4.18	-0.75	589.69	503.24	4.7	-1.9	2.0	
NYSE Arca Biotech	4578.26	4453.94	<b>4478.62</b>	-90.47	-1.98	4939.86	3507.64	24.3	6.1	3.0	
NYSE Arca Pharma	529.47	521.56	<b>524.75</b>	-1.86	-0.35	593.12	507.33	3.4	-3.7	-3.8	
KWB Bank	109.90	107.08	<b>107.92</b>	0.06	0.06	116.52	88.87	16.6	1.1	14.0	
PHLX® Gold/Silver	84.09	82.77	<b>83.28</b>	0.02	0.03	93.26	76.42	1.1	-2.3	6.0	
PHLX® Oil Service	157.19	152.84	<b>153.78</b>	-0.89	-0.57	165.78	117.79	-3.1	2.8	-10.1	
PHLX® Semiconductor	1276.31	1232.90	<b>1243.67</b>	-10.31	-0.82	1445.90	1004.62	22.2	-0.7	21.5	
Cboe Volatility	19.66	15.37	<b>18.02</b>	1.68	0.28	37.32	9.14	67.5	63.2	13.6	

\$ 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	7,010.4	263.32	0.34	0.13	267.76	262.59	
QEP Resources	QEP	4,196.3	12.21	...	...	12.22	12.21	
Newell Brands	NWL	3,318.9	26.77	...	...	26.82	26.60	
Comcast Cl A	CMCSA	2,934.1	33.35	...	...	33.99	33.30	
iShares MSCI Emg Markets	EEM	2,205.8	46.72	0.06	0.13	46.80	46.61	
Bank of America	BAC	2,037.7	30.20	0.01	0.03	30.47	30.16	
Enterprise Pdts Partners	EPD	2,015.5	26.50	...	...	26.80	26.50	
PwrShrs QQQ Tr Series 1	QQQ	2,006.1	158.93	0.47	0.30	162.66	158.44	

## Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Cree	CREE	147.0	42.18	2.82	7.16	43.25	39.36
Texas Instruments	TXN	674.3	103.00	4.58	6.65	104.00	98.00
Shire ADR	SHPG	207.1	171.30	7.37	4.50	174.00	163.93
Supervalu	SVU	1,031.9	15.12	0.51	3.49	15.16	13.59
Graphic Packaging	GPK	75.9	15.50	0.50	3.33	15.50	15.00

## ...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low

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# BIGGEST 1,000 STOCKS

WSJ.com/stocks

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, April 24, 2018

	Stock	Net	Stock	Net
	Stock	Sym Close Chg	Stock	Sym Close Chg
A	<b>A</b>	<b>B</b>	<b>C</b>	
ABB	ABB	-23.76 -0.40		
ADT	ADT	8.99 0.04		
<b>AES</b>	<b>AES</b>	12.00 0.14		
Aflac	AFL	45.17 -0.13		
AGNC Inv	AGNC	18.86 0.07		
ANGI Homesvc	ANGI	13.65 -0.18		
Ansys	ANSS	160.95 -1.63		
ASML	ASML	194.05 2.73		
AT&T	T	35.00 0.11		
AbbottLabs	ABT	58.31 -0.53		
AbbVie	ABBV	91.36 -1.81		
Abiomed	ABMD	290.93 -11.72		
Accenture	ACN	151.07 -1.97		
ActivationBliz	ATVI	65.34 -0.89		
Adient	ADNT	63.12 0.32		
AdobeSystems	ADBE	217.89 -7.41		
AdvanceAuto	AAP	106.93 1.41		
AdmMicroDevices	AMD	10.09 0.05		
Aegon	AEG	7.39 -0.02		
AerCap	AER	52.39 -0.31		
AET	AET	177.20 0.10		
AffiliatedMtrs	AMG	168.93 -1.86		
AgilentTechs	A	66.64 -1.43		
AgnicoEagle	AGM	45.37 ...		
Alaris	ALR	21.10 -0.11		
Allegion	ALG	82.15 -2.37		
Allergan	AGN	15.96 -2.99		
AllianceData	ADS	205.37 -2.42		
AlliantEnergy	LNT	42.10 0.41		
Allstate	ALL	97.39 -1.22		
AllyFinancial	ALLY	28.13 0.53		
AlnylamPharm	ALNY	94.73 -1.13		
Alphabet	C	GOOG1019.98 -47.47		
Alphabet A	GOOGL	1022.64 -51.17		
Altair	AABA	69.26 -0.63		
AlticeUSA	ATUS	19.33 -0.54		
Alkermes	ALKS	44.37 -0.81		
Allegany	Y	58.05 -3.15		
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## BANKING &amp; FINANCE

# Wells Re-Elects Board Amid Criticism

The meeting is calm, but CEO Sloan and ties to the firearms industry draw rebukes

BY EMILY GLAZER

**Wells Fargo** & Co. re-elected all of its 12 directors with more than 89% of preliminary votes, a shift from the bank's turbulent shareholder meeting last year.

Wells Fargo, which hosted the meeting in Des Moines, Iowa, near its mortgage-business headquarters, still heard complaints about Chief Executive Timothy Sloan, executive compensation and its relationship with the firearms industry during the 2½-hourlong meeting.

Wells Fargo Chairman Elizabeth "Betsy" Duke defended Mr. Sloan, saying she disagrees with calls by California Treasurer John Chiang and others to remove him.

"Tim's time with the company is an advantage and his commitment to change is unwavering," she said. "I think he is the right CEO for Wells Fargo."

Ms. Duke did acknowledge that "the company can perform better."

This year's meeting is a sea change from last year, when all 15 Wells Fargo directors were re-elected but nine received votes of less than 75%. Since then, Wells Fargo has replaced its chairman, appointed three new directors and said four long-standing directors wouldn't be standing for reelection, shrinking its board to 12.



Guards hold back about 100 protesters at a hotel lobby outside Wells Fargo's annual shareholder meeting in Des Moines, Iowa.

Though Wells Fargo's sales-practices scandal erupted more than 18 months ago, it has continued to face regulatory scrutiny for other problems. The bank late last week agreed to a \$1 billion settlement with the Office of the Comptroller of the Cur-

rency and Consumer Financial Protection Bureau related to its risk management in consumer-lending businesses.

That settlement forced the bank to adjust recently reported first-quarter earnings by \$800 million. Wells Fargo in February was hit with an

enforcement action from the Federal Reserve for failing to have proper risk controls. That order barred the bank from growing past the \$1.95 trillion in assets it had at the end of 2017.

As it looked to turn the page on its problems, Wells

Fargo appointed six new directors since 2017, including three this year. The bank said each director received more than 89.9% of the preliminary vote but declined to specify results further.

Proxy-advisory firm Glass Lewis had recommended vot-

ing against long-serving director John D. Baker because he served on the corporate-responsibility committee, which didn't catch the retail-banking sales-practices problems.

Ms. Duke said that as part of the bank's "self examination," it changed the charter of that board committee to focus on environmental, social responsibility and corporate philanthropy, moving customer complaints and related matters to the board's risk committee "where they belong."

"I would not like to see John Baker, who is deeply committed to the environmental, social responsibility and philanthropy goals of this company to be considered less of a director because of character issues we had with that committee," she said.

A bank spokesman declined to comment on Mr. Baker's behalf.

Shareholders also approved the appointment of **KPMG** as the bank's auditor with 91.1% of the preliminary vote. In an unusual step, proxy-advisory firm Glass Lewis recommended voting against KPMG because of the "severity of the fraudulent account activity and KPMG's prior knowledge of the incident," according to the firm's report. KPMG has been Wells Fargo's auditor since 1931.

KPMG hasn't commented on the Glass Lewis recommendation, and a spokesman for KPMG didn't immediately respond.

More than 100 protesters from different groups representing bank workers, affected customers and fossil-fuel activists, among others, rallied outside the shareholder meeting.

# Coin Offerings Aim to Navigate Around SEC

BY DAVE MICHAELS

**WASHINGTON**—Startups are raising money from venture capitalists and other wealthy investors by rewarding them with new cryptocurrencies, in a bid to avoid much of the cost and regulation of traditional stock sales.

One problem: Regulators haven't recognized the arrangement as a valid way to raise money in compliance with investor-protection laws.

The strategy is known as a presale of tokens, or Simple Agreement for Future Tokens. Companies say the SAFT is a credible attempt to fit the new world of cryptocurrencies into laws that date to the Great Depression.

**Protocol Labs** Inc. pioneered the structure last year when it raised nearly \$200 million from investors, including venture capitalists **Sequoia Capital** and **Andreessen Horowitz**. Since then, more than 60 companies have reported raising \$564 million using the concept, according to regulatory filings.

Deals structured as SAFTs try to get around the most costly regulatory requirements of raising capital.

First, the token is offered only to wealthy investors, which means the company doesn't have to provide purchasers or regulators with a raft of elaborate financial dis-

closures. Later, when the company has a viable product that the token can be used to buy, the coin is distributed to the investors, who can profit by selling it. Because the token now has a consumer use, it is no longer an investment and can be freely traded, its backers say.

Unlike stock, a SAFT doesn't offer investors a stake in the startup, meaning they get no claim on the firm's profits or voting rights to influence the company, according to a legal framework for SAFTs that Protocol made public last year. The only thing a SAFT investor receives is the right to the token, which could have no value if the company's blockchain-based network fails to gain traction or if regulators intervene in a way that limits the market for the coins. Blockchain is the technology that underpins bitcoin and other cryptocurrencies.

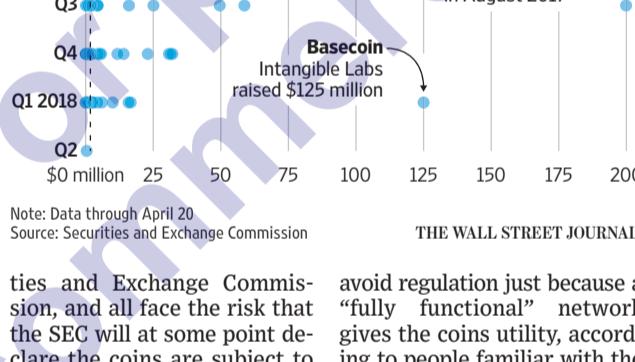
While investors buy the token rights hoping to sell the coin in the future at a higher price, Protocol and other startups say their tokens aren't an investment because they have "utility." That means they can be exchanged to use the startup's service, like old-fashioned tokens that allowed commuters to ride subway trains and buses.

Some companies that have conducted token presales face investigations from the Securi-

## Token Deals

Cryptocurrency and blockchain startups are trying to get around regulation using a method known as a Simple Agreement for Future Tokens.

### Money raised by SAFTs



ties and Exchange Commission, and all face the risk that the SEC will at some point declare the coins are subject to investor-protection rules. That would severely restrict venture capitalists' ability to sell them to a broader group of investors unless the startups comply with rules they were trying to avoid in the first place.

Andreessen Horowitz, one of the purchasers of Protocol's Filecoin token, met with SEC officials in March to request that certain kinds of tokens be completely exempt from regulatory oversight.

SEC officials are skeptical of the SAFT's claim that token presales allow companies to

avoid regulation just because a "fully functional" network gives the coins utility, according to people familiar with the matter.

"Since the SEC seems to think that most tokens are a security, that is going to lead them to a dramatically different conclusion than what the SAFT seems to want to have," said Lee Schneider, a partner at **McDermott, Will & Emery** LLP who advises companies involved with blockchain tokens but doesn't recommend SAFTs.

The SEC already has aggressively questioned many initial coin offerings. SEC Chairman Jay Clayton has said that many ICOs evade invest-

tor-protection laws, and many are frauds.

One downside of private investments: Investors can't trade them freely, and retail buyers typically aren't allowed to touch them. But the SAFT proposed a way to overcome that by handing out tokens only after the startup's service is functional, when the coin becomes a consumer product, not an investment, backers say. At that point, investors can flip it to retail buyers, with no restrictions on trading, according to the framework created by Protocol and its lawyers at Cooley LLP.

Some companies that used SAFTs have added restrictions that don't allow the original investors to sell their tokens all at once, a person familiar with the matter said.

The Wall Street Journal's tally of SAFT usage is based on company filings that reported using the structure. Telegram, a popular messaging app, disclosed in March that it raised \$850 million under what appeared to be a similar approach, but didn't cite the SAFT specifically.

Many SEC officials, including seasoned regulators in the Division of Corporation Finance and general counsel's office, regarded the SAFT framework as lacking credibility, the people said.

Protocol didn't respond to requests seeking comment.

# Travelers Profit Up With Core Income

BY NICOLE FRIEDMAN

**Travelers** Cos. earnings rose in the first quarter as the company battled slightly higher catastrophe costs from a year ago but reported that its core income rose.

New York-based Travelers, part of the Dow Jones Industrial Average, is among the largest sellers of insurance to U.S. businesses and sells car and home insurance to individuals and families.

Travelers is one of the first big property-casualty insurers to report quarterly earnings, and its results are watched closely as a bellwether for others.

# \$354M

Pretax catastrophe losses, net of reinsurance, up from last year

On Tuesday, the insurance firm said its pretax catastrophe losses, net of reinsurance, totaled \$354 million during the quarter due to winter storms, mudslides and hail, compared with \$347 million a year earlier. Last year's catastrophe losses were unusually high due to severe winter weather.

Travelers posted core operating earnings of \$678 million, or \$2.46 a share, up from \$617 million, or \$2.17 a share, in the year-earlier period.

Core operating earnings are a widely watched industry benchmark because they exclude realized capital gains and losses in companies' big investment portfolios as well as items that aren't considered recurring in nature.

Net premiums written, an important measure of revenue growth, rose 5.1% to \$6.82 billion.

Analysts surveyed by Thomson Reuters had expected earnings of \$2.68 a share on \$6.75 billion in revenue.

Shares fell \$4.35, or 3.2%, to \$132.88 in Tuesday trading.

# Deutsche Bank Adds New COO to Leadership Team

BY JENNY STRASBURG

**Deutsche Bank** AG named longtime operations executive Frank Kuhnke as chief operating officer under new Chief Executive Christian Sewing, succeeding Kim Hammonds, whose departure comes amid a high-level reshuffling at the German lender.

Mr. Kuhnke has been at Deutsche Bank since 1986, most recently as chief control and administrative officer for the private and commercial bank, the retail-banking division that Mr. Sewing oversaw before he was named CEO earlier in April.

Mr. Kuhnke will be responsible for companywide technology, including information security and technology-related services for corporate clients. His job description is similar to that of Ms. Hammonds, but Mr. Kuhnke is a senior group director, reporting to the management board. Ms. Hammonds was herself on the management board, comprised of the



Deutsche Bank offices in Frankfurt. Management is looking at potentially deep cuts to trading.

bank's most senior executives.

Her departure, which was announced last week, will leave 10 management board members.

Deutsche Bank's outdated

computer systems have hampered its ability to cut costs and revive sagging revenues, including in its struggling investment-banking division. Fixing and updating both in-

ternal and client-facing systems is one of the bank's biggest challenges, investors and analysts say.

In a statement announcing the promotion, Mr. Sewing

said Mr. Kuhnke will continue to simplify the bank's technology and operations and cut costs. The two have worked closely together for many years, the chief executive added. Mr. Kuhnke declined to comment.

Ms. Hammonds's departure, which will become effective in May at Deutsche Bank's annual shareholder meeting, is part of a management overhaul around the ouster of former CEO John Cryan. Last week, the bank said her departure is "by mutual agreement" and she declined to comment.

Facing pressure from investors to clarify Deutsche Bank's strategy, Mr. Sewing and other executives are looking at potentially deep cuts to trading and other businesses. The investment bank's market-share losses have hit the lender's broader performance, and executives have said they are examining areas where Deutsche Bank doesn't make enough money to justify salaries and operational costs.

## MARKETS

# Dollar's Advance Takes a Pause

BY IRA JOSEBASHVILI  
AND DANIEL KRUGER

The dollar edged lower, as investors locked in gains on a recent rally in the U.S. currency.

The WSJ Dollar Index, which measures the currency against a basket of 16 others, fell 0.1% to 84.87.

Rising U.S. yields and the prospect of a more aggressive

Federal Reserve currencies serve have boosted the dollar in recent days, interrupting the currency's monthlong decline. Expectations of higher interest rates make the dollar more attractive to investors seeking yield.

Long-term Treasury yields topped 3% for the first time since 2014 on Tuesday, a sign of confidence in U.S. economic growth.

Despite Tuesday's drop in the dollar, "the stars are aligning for a bear-market correction over the coming weeks," Mark McCormick, an analyst at TD Securities said in a note to clients.

The dollar's recent gains have been aided by investors' perceptions that worldwide economic growth is starting to soften and that central banks from Canada to China are seeking opportunities to increase monetary support for their economies, he said.

Investors will be watching the European Central Bank's monetary-policy meeting later this week to gauge whether officials are growing more confident regarding the pace of European growth.

More dollar gains could force investors who had bet on continued dollar declines to reverse their wagers and buy back the U.S. currency. That could push the U.S. dollar even higher, analysts said.

Net bets against the dollar in futures markets stood at their highest level since 2011 earlier this month, data from the Commodity Futures Trading Commission showed.

"Dollar bears are still likely to get shaken this week," analysts at Société Générale said in a report. The firm expects the euro to hit \$1.30 against the dollar this year, and recommends clients use the single currency's recent weakness as a buying opportunity.

The euro gained 0.2% to \$1.2233. The dollar rose 0.1% against the yen to ¥108.81. The pound added 0.3% to \$1.3978.



The Paris Google Arts & Culture Lab. Parent Alphabet's shares fell 4.8% after the firm posted a surge in profit but a rise in expenses, which weighed on tech stocks.

# Caterpillar, Bonds Sink Blue Chips

**Dow falls 424.56 points after economic bellwether warns on its profit margins**

BY ALLISON PRANG  
AND RIVA GOLD

The Dow Jones Industrial Average tumbled more than 600 points at one point Tuesday as it extended its losing streak to five sessions after investors were spooked by a warning from

**TUESDAY'S MARKETS** industrial giant Caterpillar and by rising government bond yields.

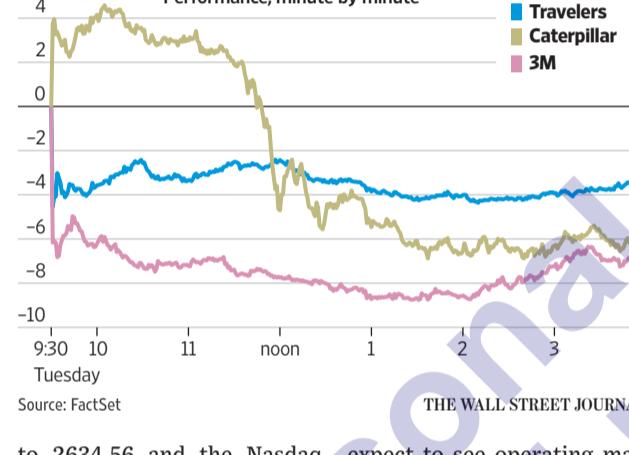
Major benchmarks opened higher but turned sharply lower in afternoon trading after executives at Caterpillar, considered a bellwether for the economy, warned its margins may have peaked in the first quarter due to rising manufacturing costs.

Eight of the 11 sectors in the S&P 500 slumped, while the utilities, telecommunications and real-estate groups climbed, as those areas are generally considered safety plays because of their hefty dividends.

The blue-chip index fell 424.56 points, or 1.7%, to 24,024.13, suffering its longest losing streak since March 2017, when the market fell for eight straight sessions. The S&P 500 dropped 35.73 points, or 1.3%,

## Drags on the Dow

Losses in shares of Travelers, Caterpillar and 3M combined to take 197 points off the Dow industrials.



to 2634.56 and the Nasdaq Composite fell 121.25 points, or 1.7%, to 7,007.35.

Despite a relatively strong start to the earnings season, even companies that have topped expectations haven't been rewarded at the same pace as in recent quarters, according to data from FactSet. Some analysts have warned solid results may already be priced into the market.

Shares of Caterpillar, which beat earnings and sales estimates, tumbled \$9.55, or 6.2%, to \$144.44 after company executives characterized the first quarter as a "high watermark for the year" on their earnings call and said the heavy-machinery maker didn't

**Travelers** slumped 4.35, or 3.2%, to 132.88 after the insurer reported higher catastrophe losses.

Together, the losses at Caterpillar, 3M and Travelers took 197 points off the Dow industrials.

In the tech sector, **Alphabet's** shares fell 51.17, or 4.8%, to 1,022.64 after the Google parent posted a surge in profit but a rise in expenses. Those declines weighed on other technology-related stocks, including those in the popular FANG trade. **Facebook**, **Amazon** and **Netflix** all fell at least 3.7%.

Larry Hatheway, chief economist and head of investment solutions at GAM, said earnings have been good, but the market wasn't responding much to them.

Climbing bond yields "could be holding the market back from where it would otherwise be," he said.

In the Treasury market, the benchmark U.S. government bond yield, a barometer that influences borrowing costs for consumers, corporations and state and local governments, topped 3% for the first time in more than four years.

The yield on the 10-year Treasury note settled at 2.983%, up slightly from 2.973% Monday afternoon.

Yields rise as bond prices fall.

A surge above 3% could spook some investors, particularly those who for years have said low yields justified high

stock valuations, while raising corporate borrowing costs and even mortgage rates.

Analysts have attributed the recent rise in yields partly to a climb in oil prices, which has helped push up inflation expectations. U.S. crude oil fell 1.4% to \$67.70 a barrel Tuesday as investors weighed concerns that the U.S. could withdraw from the Iranian nuclear deal, a move they say could tighten global supplies.

## AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing date. Rates are determined by the difference between that price and the face value.

### FOUR-WEEK BILLS

Applications	\$142,217,087,100
Accepted bids	\$45,000,401,100
"noncompetitively"	\$76,555,900
"foreign noncompetitively"	\$100,000,000
Auction price (rate)	99.86933
	(1.160%)
Coupon equivalent	1.70%
Bids at clearing yield accepted	31.54%
Cusip number	912796MB2

The bills, dated April 26, 2018, mature on May 24, 2018.

### 52-WEEK BILLS

Applications	\$88,259,071,900
Accepted bids	\$26,000,439,900
"noncompetitively"	\$557,129,900
"foreign noncompetitively"	\$100,000,000
Auction price (rate)	97.77556
	(2.200%)
Coupon equivalent	2.68%
Bids at clearing yield accepted	90.02%
Cusip number	912796Q6

The bills, dated April 26, 2018, mature on April 25, 2019.

### TWO-YEAR NOTES

Applications	\$87,739,296,900
Accepted bids	\$36,084,396,900
"noncompetitively"	\$357,419,500
"foreign noncompetitively"	\$100,000,000
Auction price (rate)	99.761494
	(2.498%)
Interest rate	2.375%
Bids at clearing yield accepted	71.80%
Cusip number	91282846

The notes, dated April 30, 2018, mature on April 30, 2020.

# Freeport Stock Dives on Indonesia Worries

BY AMRITH RAMKUMAR

## Tuesday Turmoil

Freeport shares fell sharply after the mining company reported first-quarter earnings.



Source: FactSet

THE WALL STREET JOURNAL



## Worries

disappointing" and said they dictate Freeport meet standards in six months that realistically can't be achieved. He said the company received the claims last week but doesn't expect them to disrupt operations. He said they could add a distraction to the continuing negotiations over Grasberg.

"I'm concerned that behind it was political motivations," Mr. Adkerson said. "It has no impact on our view of the value of our asset."

The company also cut its 2019 copper-production projection.

Freeport plans to finish mining the available above-ground Grasberg resources this year before extracting metal underground in the future, a main reason analysts are waiting to see what form a possible deal with the government takes.

Investors pushed up the price of Freeport's shares after the company last August said it would give up its majority stake in Grasberg, reducing it to 49% from about 90%.

On an earnings call with an-

alysts, Chief Executive Richard Adkerson said continuing negotiations over a sale of Freeport's majority stake to the government were taking longer than expected. Freeport previously said it wanted to complete a deal in the first half of the year.

The results are "certainly pouring cold water on some of the expectations that we are in the final innings of a very long, drawn-out negotiating process," said Lucas Pipes, an analyst at B. Riley. "Investors will have to deal with this. There's uncertainty and anxiety."

Adding to investor worries, Freeport said it is addressing new claims from Indonesia's Ministry of Environment and Forestry about how it handles the byproducts left over from extracting resources at Grasberg. Mr. Adkerson called the claims "really shocking and

# Oil Swings But Ends Day Lower

BY ALISON SIDER  
AND SARAH MCFARLANE

Oil prices declined after hitting more-than-three-year highs after President Donald Trump signaled interest in a suggestion by his French counterpart for an unspecified new deal on Iran's nuclear program.

U.S. crude for June delivery fell 94 cents, or 1.4%, to \$67.70 a barrel on the New York Mercantile Exchange.

Brent, the global benchmark, dropped 85 cents, or 1.1%, to \$73.86 a barrel on ICE Futures Europe, snapping a five-session winning streak.

The prospect that the U.S. will pull out of the deal helped push Brent to \$75.47 a barrel in earlier trading, the highest since 2014. The U.S. is due to make a decision about the agreement on May 12.

Market participants parsed mixed statements about the prospects for the Iran deal throughout the day Tuesday as Mr. Trump met with French President Emmanuel Macron, who has pushed for the U.S. to remain in the nuclear pact.

Mr. Trump offered tough rhetoric about the deal, describing it as "insane."

But later in the day Mr. Macron suggested he wanted to work with Mr. Trump on an arrangement that would address concerns not contained in the original accord, triggering a sell-off in crude.

# Tech Startups Provide the Juice to Boost Alphabet Profit

BY MICHAEL RAPORT

rule that takes effect this year. The rule also could boost the earnings of some other big tech companies that have invested in startups.

Until now, companies have carried those investments on their books at their original cost, modified for any impairments.

But under the new rule, companies can carry them on the balance sheet at a market-to-market value that takes into account any "observable price changes" in those securities or similar investments.

Ruth Porat, Alphabet's chief financial officer, referenced the accounting standard on the company's conference call Monday, saying it applied to "everything where there is an observable raise" in price.

Uber and other closely held tech "unicorns"—companies valued at more than \$1 billion—have soared in value in recent years, so the new rule means any public company holding stakes in them will

## MARKETS

## Chinese Stocks Hurt by Trade, Debt Issues

BY SHEN HONG  
AND STEVEN RUSSOLILLO

**SHANGHAI**—Chinese stocks have emerged as the worst performer among major global equity markets this year, with Beijing's battle against the country's high debt levels and the threat of a U.S.-China trade war renewing doubts about the outlook for the world's second-largest economy.

The weakness of Chinese shares is particularly glaring ahead of their planned inclusion in an influential global stock index in June. That move could attract hundreds of billions of dollars from index-tracking funds into the vast but often ill-functioning market.

The benchmark Shanghai Composite Index has shed 5.4% since the start of this year, compared with a 1.5% fall by the S&P 500 index and a 2.4% gain for Hong Kong's Hang Seng. Japan's Nikkei Stock Average is down 2.1% for 2018.

And while the Shanghai market enjoyed its best day in two months on Tuesday, with a 2% rebound, the market is still down 12% from its most recent peak on Jan. 24. Since then, its underperformance relative to global peers has deepened. Early Wednesday, the Hang Seng Index was down 1.1% and the Shanghai Composite was down 0.5%.

"Although China's nominal economic growth has looked OK so far, it's the uncertainties about the future that have clearly weakened investors' risk appetite," said Zhu Chaoping, a Shanghai-based economist at J.P. Morgan Asset Management.

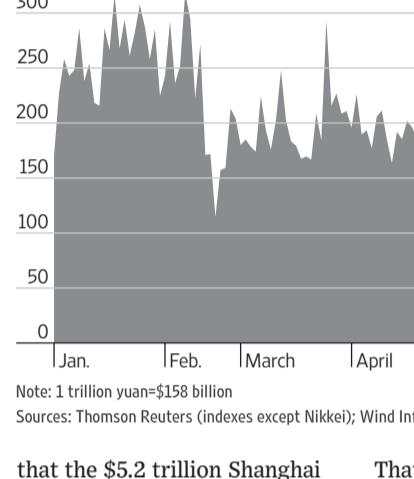
While China's economy beat expectations by expanding 6.8% in the first quarter, there are signs growth is ebbing. Chinese factories were producing fewer goods for foreign markets even before the recent trade disputes with Washington began.

Chinese stocks were already trailing their global peers last year. The difference then was

Shanghai stocks have lagged behind their global peers, and the gap is widening.

Index performance since beginning of 2017

The daily trading volume in Shanghai stocks is trending downward this year.



Note: 1 trillion yuan=\$158 billion

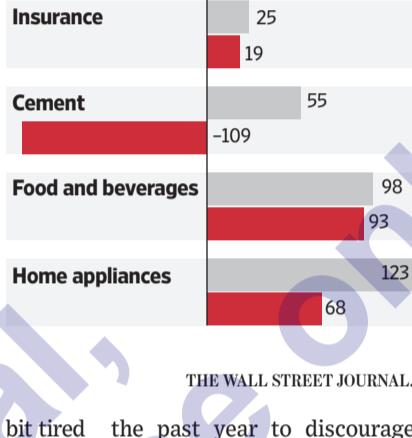
Sources: Thomson Reuters (indexes except Nikkei); Wind Info (Nikkei, trading volume, holdings, valuations)

Foreign investors' Chinese stock holdings have dropped in the past two months.



Valuations for stocks in key sectors of China's economy have slipped.

Trailing price/earnings ratio



THE WALL STREET JOURNAL.

that the \$5.2 trillion Shanghai market was recording gains: It rose 6.6% in 2017. Investors piled into big state-run firms that dominate the index, from steel and coal producers to rice wine makers, hoping they would benefit from Beijing's efforts to cut industrial excesses and boost consumption.

That enthusiasm started to wane in late January. In one example, **China Shenhua Energy Co.**, the country's biggest coal miner by output, has dropped 8.8% this year after soaring 67% last year.

"The same story of supply-side reform and consumption has been told for too long, and

investors are getting a bit tired of it. That's why a lot of them decided to cash in on these blue chips earlier this year," said J.P. Morgan's Mr. Zhu.

Beijing's campaign to cut the financial risks associated with years of debt piling up has also depressed the market. Regulators have issued rules in

the past year to discourage banks and financial institutions from using risk-laden investment products to make leveraged bets in stocks and bonds.

"The deleveraging campaign has hit investors' confidence a lot because there's simply much less fresh money entering the market," said Shen

Note: 1 trillion yuan=\$158 billion

Sources: Thomson Reuters (indexes except Nikkei); Wind Info (Nikkei, trading volume, holdings, valuations)

the economy risks faltering, and the central bank will need to cut rates in an attempt to head off a recession.

Rich Bernstein of Richard Bernstein Advisors says the way to think of the yield curve isn't as a dimmer switch, but as an on-off switch—off is when the yield curve inverts. There is no reason to worry until switch gets thrown, and there is no big rush to get out when that happens. Stocks have tended to perform well when the yield curve is relatively flat.

Since 1976 when the dif-

ference between the 10-year

and 2-year yields has been

between 0 and 0.5 percent-

age point, the S&P 500 has

gained 13%, on average, over

the following year.

When the curve has in-

verted, the S&P has gained

just 5%, on average, and ex-

perienced some of its most

harrowing declines. That

counts as a cautionary mes-

sage, but the Treasury mar-

ket isn't declaring last call

yet.

—Justin Lahart

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