

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

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WSJ.com

★★★★ \$4.00

DJIA 24786.63 ▲ 213.59 0.9%

NASDAQ 7281.10 ▲ 1.7%

STOXX 600 380.77 ▲ 0.8%

10-YR. TREAS. ▲ 6/32, yield 2.814%

OIL \$66.52 ▲ \$0.30

GOLD \$1,347.20 ▼ \$0.30

EURO \$1.2370

YEN 107.00

What's News

Business & Finance

Goldman posted a 26% jump in first-quarter profit, looking more like the balanced business CEO Blankfein has been working to build in the wake of the financial crisis. **A1**

◆ **The combined earnings** of the nation's big banks increased by more than \$2.5 billion last quarter because of lower corporate tax rates. **B1**

◆ **China moved** to ease trade tensions with a plan to scrap joint-venture rules for foreign auto makers. **A7**

◆ **The FCC adopted** a measure aimed at barring wireless carriers from using federal subsidies to buy Chinese-made telecom equipment. **B1**

◆ **Starbucks will close** over 8,000 stores on the afternoon of May 29 to conduct antibias education for employees. **BI**

◆ **IBM's revenue rose** for a second straight quarter after nearly six years of declines, but profit fell 4%. **B1**

◆ **The Dow climbed** 213.59 points to 24786.63 on strong earnings, returning to positive territory for 2018. **B13**

◆ **J&J reported** higher-than-expected sales and boosted its outlook despite pricing pressures. **B3**

◆ **Wynn Resorts'** largest shareholder, Elaine Wynn, demanded the firm move swiftly to restructure its board. **B5**

◆ **Investor Steven A. Cohen** is backing a startup aimed at countering the impact of high-frequency traders. **B12**

◆ **Three more Nike executives left**, including the head of diversity and a manager in its basketball business. **B2**

World-Wide

◆ **Trump sent CIA Director Pompeo** on a secret trip to meet with North Korean leader Kim in Pyongyang over Easter to discuss terms for a planned summit. **A1**

◆ **Israel attacked** an Iranian air-defense system in Syria last week after conferring with the U.S., the latest sign Washington is working with Israel to blunt Tehran's influence. **A6**

◆ **Saudi Arabia said** it is considering contributing troops to a coalition to help stabilize Syria once Islamic State is defeated. **A6**

◆ **White House officials** said U.N. envoy Haley spoke prematurely in saying the U.S. would imminently impose new Russia sanctions. **A5**

◆ **A Southwest passenger** died after a jet's engine broke apart in flight, spraying metal pieces through the plane's fuselage. **A1**

◆ **The IRS issued** a one-day, penalty-free extension for taxpayers after a computer breakdown prevented electronic filing. **A2**

◆ **The Supreme Court** curbed mandatory deportation for immigrants who commit crimes, ruling the current law is too vague. **A3**

◆ **Trump's nominees** to lead the State Department and CIA are facing resistance in the Senate. **A4**

◆ **The new CDC director** quit several posts and sold stock to comply with government ethics rules. **A4**

◆ **Died: Barbara Bush**, 92, political matriarch, first lady as wife of the 41st president and mother of the 43rd. **A3**

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The engine of a Southwest Airlines plane after it broke apart during the flight Tuesday, forcing an emergency landing in Philadelphia.

Plane Engine Ruptures in Midair

Passenger dies as metal flies into Southwest jet, prompting harrowing emergency landing

A passenger on a Southwest Airlines Co. flight died Tuesday after an engine broke apart at more than 30,000 feet, spraying metal pieces through the fuselage and forcing the crippled jet to make an emergency landing in Philadelphia. It was the first fatality from a U.S. airline accident since 2009.

Details of what happened to

Flight 1380 and why metal pieces from its left engine were hurled into cabin—apparently rupturing a window behind the wing and fatally injuring a passenger seated nearby—weren't expected until investigators examine the plane and interview the crew.

The passenger killed was Jennifer Riordan, who worked as a community-relations leader for Wells Fargo & Co. in New Mexico and was a married mother of two children, her sister-in-law, Marianne Riordan, said in an interview.

Witness reports, videos and preliminary information gath-

ered by federal officials suggest the Boeing Co. 737-700 suffered the most serious and rare type of engine problem, called an uncontained failure, in which rapidly spinning parts break off and end up penetrating the engine's outer casing and front cover.

The accident happened at cruising altitude, according to people familiar with the sequence of events, after the jet left New York's LaGuardia

Airport for Dallas Love Field. The plane, piloted by Tammie Jo Shults, made an emergency landing at around 11:27 a.m. at Philadelphia International Airport. There were 144 passengers and five crew members on board.

Passengers described a chilling scene of chaos. Marty Martinez had just pulled out a book to read when he heard a loud boom. Within seconds, oxygen masks dropped down. Shrapnel from the burst engine slammed against a window a few rows in front of him and broke it open, he said.

Please see PLANE page A2

Barbara Bush Dies at 92



DYNASTY'S GUARDIAN: Barbara Bush, wife of President George H.W. Bush and mother of President George W. Bush, died Tuesday. She was admired for her humor and fierce family loyalty. **A3, A14**

Brooks Kraft/CORBIS/GETTY IMAGES

Amid the Bombs and Gas, Syria Faces Epic Health Crisis

The regime stands accused of destroying the country's medical system, making disease at least as big a killer as combat itself

BY RAJA ABDURAHIM

RAQQA, Syria—This country's seven-year war is fueling a parallel disaster: a crippling public-health catastrophe.

Some 400,000 Syrians have died from bullets, bombs or torture, including alleged recent gas attacks. More may have died as a result of the breakdown of its health system, and chronic conditions such as diabetes and heart disease have become far more deadly, according to reports from the World Bank and World Health Organization.

The regime of Bashar al-Assad has targeted hospitals, clinics and medical personnel in a strategy to destroy the country's medical infrastructure. Between the fighting and the destruction done to the health-care system, to-

day most people can't expect to live to 65. Many perish because they can't get medicine, or reach a hospital.

Muhammad Ismail woke his wife and three sons before a late-January sunrise and together they traveled for two hours, over rubble-filled roads and past bombed-out hospitals, to join a swarm of the sick seeking treatment at one of Raqqa's only functioning clinics.

At the facility's metal gate a sign advertised, "The women doctor is available on Thursday." A guard directed patients to crowded examination rooms, where privacy was forfeited to meet the crushing demand.

Please see SYRIA page A8

◆ Israel conferred with U.S. on Syria strike.....A6

A Divided Nation Asks: Hawaiian Pizza, Yes or No?

* * *

Celebrities, world leaders stake out

positions; 'That's gross. Sorry'

By KELSEY GEE

Olympic snowboarding champ Chloe Kim knew she was taking a controversial position during a recent appearance on a late-night television talk show.

"I don't want to offend you with this one, but I love Hawaiian pizza," the 17-year-old gold medalist told fellow guest Gordon Ramsay, a celebrity chef who has called the pineapple-and-ham style "an Italian tragedy."

Mr. Ramsay stood up, buttoned his blazer, and walked off the stage in a mock show of contempt.

Few dishes have drawn such universal ire—or impassioned defense—as Hawaiian pizza. The polarizing pizza that sliced apart family and friends for

Delicious/Revoltig

years is now a global symbol of questionable taste.

Political leaders, celebrities and would-be lovers are judged on the answer to one question: Does pineapple belong on pizza?

"I love how the juice from the pineapple blends with the sauce," said Ali Johnson, a University of Arizona sophomore who is part of a family of Hawaiian pizza lovers from Gilbert, Ariz. Advocates say they enjoy the sweet-and-salty combination and are puzzled by the intense disgust registered by detractors.

On Hater, a dating app that matches its 100,000 users by their mutual dislikes, Hawaiian pizza was the most widely de-

Please see PIZZA page A4

Goldman Earnings Get Boost On Trading

By LIZ HOFFMAN

Goldman Sachs Group Inc. reported sharply higher profit, looking more like the balanced business Chief Executive Lloyd Blankfein has been working to build in the wake of the financial crisis.

The Wall Street firm's profit rose 26% from a year ago, one of the strongest showings among the five big U.S. banks to have reported quarterly earnings so far. Morgan Stanley reports Wednesday.

Shares fell, however, after Goldman said it wouldn't buy back stock in the second quarter.

Goldman's traders broke

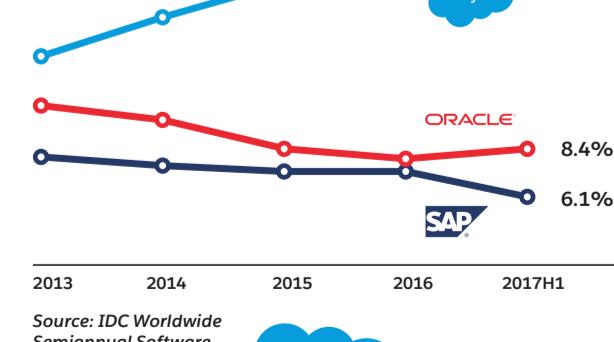
Please see BANK page A4

◆ Banks post gains from tax-law changes.....B1

◆ Heard on the Street: Goldman benefits by diversifying.....B14

Salesforce. #1 CRM.

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



Source: IDC Worldwide Semiannual Software Tracker, October 2017.

salesforce

salesforce.com/number1CRM

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U.S. NEWS

IRS Extends Tax Deadline After Snag

Acting commissioner apologizes after computer glitch delays electronic filings

By RICHARD RUBIN

WASHINGTON—The IRS issued a one-day, penalty-free extension for tax filers on Tuesday after suffering a computer breakdown that prevented taxpayers from filing returns electronically on the day 2017 payments were supposed to be due.

The Internal Revenue Service blamed the problem on a hardware error, and the glitch exposed the information-technology challenges agency officials have been warning about for years. The systems were back up and running late Tuesday.

The IRS said taxpayers don't need to do anything to receive the extra day. They now have until midnight Wednesday night to file and pay their 2017 income taxes. They can also seek a routine six-month extension that is normally avail-

able. But for those people, payments are still due in April.

"This is the busiest tax day of the year, and the IRS apologizes for the inconvenience this system issue caused for taxpayers," said Acting IRS Commissioner David Kautter.

During the outage, the IRS said taxpayers should continue filing returns as usual. The agency was having difficulty receiving returns from tax preparers, including large companies such as TurboTax maker **Intuit** Inc. and **H&R Block** Inc., Mr. Kautter told House subcommittee on Tuesday.

Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee, said the IRS's problems show the need for the series of bipartisan bills that House members aim to pass this week, including one aimed at creating a strategic plan for the agency's technology needs.

"Tax Day is always a frustrating day for hardworking Americans, and the IRS issues today certainly heighten that frustration for taxpayers," Mr. Brady said. "It's another reminder of



The IRS blamed the problem on a hardware error. The systems were back up and running late Tuesday.

the critical need to modernize the IRS and refocus them to become a 'Taxpayer First' agency."

Earlier in the day, the committee's top Democrat, Rep. Richard Neal of Massachusetts, called on the agency to

ensure that taxpayers wouldn't be penalized for the outage.

"Tax Day is already a stressful time for millions of Americans, even when everything goes right," Mr. Neal said. "Given this news, I hope that

the IRS will make accommodations so that every taxpayer attempting to file today has a fair shot to do so without penalty."

TurboTax on Tuesday was still receiving returns and holding them until the IRS was

ready to accept them again, said Ashley McMahon, a company spokeswoman. H&R Block issued a similar statement.

Most Americans have already filed their 2017 income taxes, but millions do so as the deadline nears for filing or seeking an extension. Last year, the IRS received about five million returns on the final day of the filing season.

The deadline this year was April 17, not April 15, because of the weekend and the Emancipation Day holiday in the District of Columbia.

The agency sent an email at 8:46 a.m. EDT Tuesday notifying accountants and other tax professionals that parts of the Modernized eFile system, which receives tax returns electronically, were "unavailable." By Tuesday evening they announced the systems had been restored.

Former IRS Commissioner John Koskinen said the agency's hardware is two or three generations out of date, stressed by budget cuts and especially vulnerable in the final week of the filing season.

U.S. WATCH

ECONOMY

Business Equipment, Cars Help Lift Output

U.S. industrial output rose in March and a measure of industry slack diminished, signs of underlying strength in the economy as factories increased production of business equipment and autos.

Industrial production—including output at factories, mines and utilities—rose a seasonally adjusted 0.5% in March from February, the Federal Reserve said Tuesday. Capacity utilization, a measure of slack in the industrial economy, increased 0.3 percentage point to 78%, the highest level in three years. Higher utilization rates mean diminished slack, which could lead to inflation pressure.

Production of durable consumer goods increased 0.9% from the prior month, driven by a 2.7% increase in automotive production. In a sign that companies are continuing to invest in new equipment in the wake of last year's tax law, production of business equipment rose 0.5% from February.

—Harriet Torry

MEDIA

Fox News Channel Stands by Hannity

Fox News Channel said it is standing by Sean Hannity, its most popular on-air commentator, after the revelation that he has ties to President Donald Trump's personal attorney, Michael Cohen, that he hadn't disclosed on his program.

Mr. Hannity has been attacking government agents for raids last week on the office, home and hotel room of Mr. Cohen, who is under criminal investigation. Offering such commentary without disclosing the relationship with Mr. Cohen has spurred a debate in media circles since the connection was revealed in federal court on Monday.

Mr. Hannity on Monday said he wasn't a client of Mr. Cohen's but that the two had "brief discussions" about legal matters.

Fox News parent **21st Century Fox** declined to comment. 21st Century Fox and News Corp., publisher of The Wall Street Journal, share common ownership.

—Joe Flint

'El Chapo' Gets a Pretrial Hearing in New York



AT THE MICROPHONES: Emma Coronel Aispuro, the wife of accused Mexican drug kingpin Joaquín 'El Chapo' Guzman, outside federal court Tuesday. Mr. Guzman has pleaded not guilty to charges including drug trafficking, money laundering and murder conspiracy.

PLANE

Continued from Page One

"Panic just ensues," said Mr. Martinez, the 29-year-old owner of a digital marketing agency in Dallas who was in New York for business. "Now the entire plane is shaking. Air was being sucked out of the cabin. People started screaming."

He said a woman seated where the window burst suffered injuries and passed out. Other passengers were holding on to her body to keep her from getting sucked out the opening.

The plane tilted to the right, so that Mr. Martinez could see the ground below outside his window. It shook violently as it descended, worse than any turbulence he had ever experienced before, he said.

Diana Self, an insurance agent with Texas Farm Bureau who had been in New York on a business trip, said her husband tried to calm down people sitting around them who were panicking.

"The screaming was horrific," Ms. Self said. She de-

scribed seeing a passenger pulled to the window as other passengers tried to grab and hold on to her; the force ripped the woman's top off, Ms. Self said. "It was something you wish you could unsee or experience."

The National Transportation Safety Board hasn't said how the passenger was killed. One theory, according to a person familiar with the matter, is that she was struck by pieces of the crippled engine that came in through the plane window.

Mr. Martinez, the digital agency owner, said that amid the mayhem he bought Wi-Fi service so he could reach out to loved ones. He struggled to keep his focus, entering his credit-card information digit by digit.

When he finally logged on, he began broadcasting his video image on Facebook Live, an oxygen mask covering his face. "It appears we are going down! Emergency landing!!" he wrote.

One person familiar with the sequence of events said a fan blade in the engine separated and bored a hole in the

nearby fuselage. Other high-energy parts penetrated different parts of the plane's skin and damaged the front edge of the left wing, as some pieces were carried over the wing, this person said.

Parts of the fuselage near the damaged window had a pink tinge, suggesting a spray of blood from the passenger sitting in that seat, the person said.

The NTSB dispatched a team of about a dozen investigators led by board Chairman Robert Sumwalt to the scene.

Mr. Sumwalt said the cockpit voice and flight data recorders were expected to be downloaded, and preliminary information could be gleaned as quickly as Tuesday evening.

The accident is the first fatal one involving a U.S. airline since 50 people died in February 2009 when a commuter plane operated by Colgan Air, a partner of what was then Continental Airlines, crashed near Buffalo, N.Y.

It is the first fatality involving a Southwest plane since 2005, when one of the airline's 737s hurtled off a runway on landing at Chicago's Midway

airport and collided with vehicles on a road, killing a 6-year-old. Southwest operates more than 700 Boeing 737 jets.

Southwest, the largest carrier of domestic U.S. airline passengers, said in a statement that it was "deeply saddened" about the accident.

Tuesday's fatality and images of the crippled plane, with part of the front engine cover ripped off and the turbine's interior structure in plain sight, came during the safest period in commercial aviation history.

Engine makers, airlines and regulators have stepped up inspection requirements and taken other steps to reduce the frequency of midair engine failures.

Two Delta Air Lines Inc. passengers were killed in 1996 when an engine violently ruptured on a flight during takeoff from Pensacola, Fla., sending parts into the cabin. Seven others were injured.

During Tuesday's flight, passenger Matt Tranchin called his wife, Molly, who is pregnant with their first child.

"He said he was so sorry and that the plane was going down and he didn't know exactly what was wrong, and that he loved me," she said. "I could hear people in the background screaming. It was just horrible."

As the plane neared the ground, a flight attendant said over the intercom, "Brace yourself! Brace yourself!"

The plane landed hard and at high speed. When it finally stopped, "the entire plane was just silent," Mr. Martinez, the digital agency owner, said. Then people erupted with cheers and sobs.

"I just felt so fortunate to

be alive," Mr. Martinez said. Philadelphia Fire Commissioner Adam Thiel said airport firefighting units were dispatched when the plane landed and applied foam and extinguishing agent to the aircraft.

"It is our understanding that the passengers on board

the aircraft, in addition to the flight crew and the cabin crew, did some pretty amazing things under very difficult circumstances," he said.

—Robert Wall,

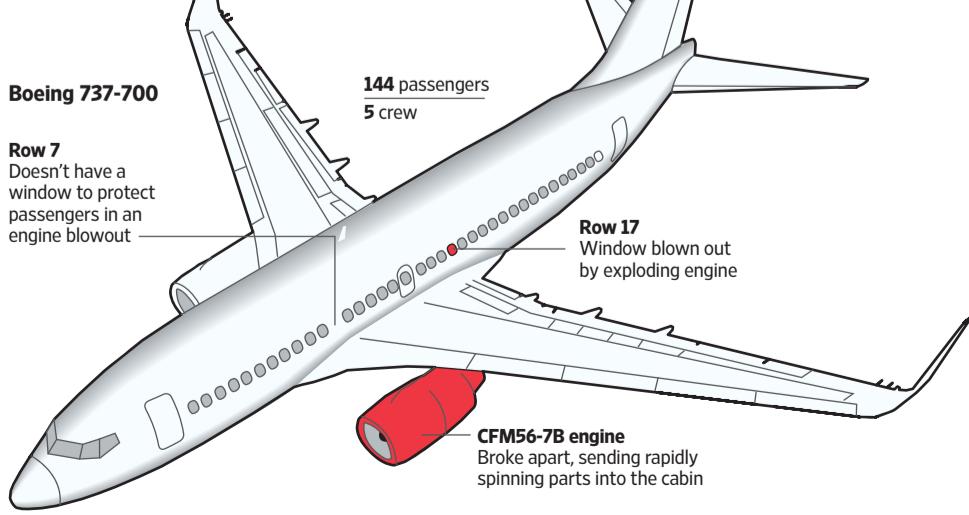
Arian Campo-Flores
and Austen Hufford
contributed to this article.



Southwest pilot Tammie Jo Shults, right, after landing the plane.

Deadly Flight

A Southwest Airlines plane's engine broke apart while traveling from New York's LaGuardia Airport to Dallas. The jet landed in Philadelphia.



Source: Boeing

CORRECTIONS & AMPLIFICATIONS

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U.S. NEWS

Colleges Vie for Students With Prizes for All

By MELISSA KORN

George Washington University says it awards its Presidential Academic Scholarship to "the most competitive applicants in the pool"—yet nearly half of all undergraduates receive the \$5,000 to \$30,000 prize.

At some other colleges, a solid majority of students get similarly hefty scholarships. At still others, virtually everyone gets them.

Hundreds of colleges and universities are using academic scholarships and other merit-based financial aid to gain an edge in a battle for students. The scholarships make students feel wanted and let families think they're getting a good deal, like a shopper who buys an expensive sweater on sale.

The awards also help campuses lure top students from even more prestigious institutions, a few dozen of which don't offer merit aid at all. As published tuition rates climb and debt burdens grow daunting, more students and families have begun to question the value of traditional, four-year degrees—or at least, how much they're willing to pay for such programs. Lowering the price has been one way to ease those concerns.

David Strauss, a principal at higher-ed consulting firm Art & Science Group LLC, says schools are using a strategy well known to retailers: Shoppers generally prefer to buy a \$60 shirt at 50% off than a shirt originally priced at \$30.

Offering merit aid "certainly does help us enroll academically gifted students," said Laurie Koehler, vice provost for enrollment management and retention at George Washington, in Washington, D.C., where tuition is \$55,140 for next year.

George Washington spent \$138 million in institutional funds last year on scholarships and grants for those who qualify as needy under federal calculations, an increase of 4.4% from the 2014-15 school year. Non-need-based aid surged 52%, to \$48.6 million, over the same period.

At Tulane University in New Orleans, nearly 39% of undergraduate students received scholarships without showing financial need.

"Tulane is constantly reviewing enrollment strategy in the context of the competition of higher education choices among high school students," said Satyajit Dattagupta, vice president of enrollment management and dean of undergraduate students.

ASH ADAMS FOR THE WALL STREET JOURNAL
Sam Hall had many offers.

At Cornell College in Mount Vernon, Iowa, 99% of students receive merit scholarships. Marie Schofer, admissions director, said the primary purpose of its merit awards is to attract talented students, though a portion goes to students with financial need.

Tuition-discount rates for first-time, full-time freshmen at private colleges hit a record 49.1% last year, compared with 38.6% a decade earlier. About one of every five dollars of financial aid the private schools distribute goes to students who don't demonstrate financial need, says the National Association of College and University Business Officers.

How Schools Set Scholarships

To boost enrollment, some colleges calculate how many students will come if they must pay full tuition and how many will enroll if they're offered a discount. Here are three scenarios at schools where tuition is listed as \$50,000 a year.

| | SCHOOL A No merit aid | SCHOOL B Everyone receives a scholarship | SCHOOL C Merit aid for most |
|----------------------------|---------------------------|---|--------------------------------|
| Paying students | 750 students | 0 | 100 |
| FULL PRICE | | | |
| Paying students | 0 | 900 | 1,000 |
| DISCOUNTED RATE | X \$50,000 or 0% discount | X \$45,000 or 10% discount | X \$40,000 or 20% discount |
| | \$37.5m | \$40.5m | \$45m |
| TOTAL REVENUE, IN MILLIONS | | | |

Note: Schools often have multiple discount rates for different students; these calculations are simplified for clarity.

Source: WSJ analysis of financial aid strategies

Raising the award to \$28,000 yields a 47% likelihood.

The approach can be controversial, especially at schools that don't meet the full demonstrated financial need for poorer students.

"What we've seen is almost a closing of the doors for low-income students" while schools try to entice wealthier families, said Stephen Burd, a senior policy analyst at the New America Foundation.

Sam Hall, a senior at Chugiak High School near Anchorage, Alaska, was accepted to 10 liberal arts colleges. An Eagle Scout and a strong student, he expected a few merit scholarships. But not like this.

Denison dangled an award lowering its total bill, which is more than \$64,000, by 37%. Cornell College knocked enough off to make it the least expensive option. Lawrence, Lewis and Clark, Willamette, Whitman, Dickinson and the College of Wooster each offered thousands more.

Mr. Hall, 17 years old, will attend Beloit College in Wisconsin next fall. That school's Presidential Scholarship cut the published price for tuition, fees, room and board—roughly \$59,000—by more than half.

"It makes me feel good, it makes me feel wanted," Mr. Hall said.

Washington, D.C.

Using econometric modeling based on past results of scholarship offers, EAB calculates that a \$23,000 discount on a \$50,000 sticker price has a 24% chance of luring a young woman with middle-of-the-road grades to a nearby private college in the Midwest.

Bush Matriarch Guarded Dynasty

By GERALD F. SEIB

Barbara Pierce Bush went from a privileged childhood to become the wife of one president and mother of another, serving throughout as a pugnacious guardian of what had become America's most prominent political family.

Mrs. Bush died Tuesday at the family's home in Houston at age 92, a

OBITUARY family spokesman said, with her husband, former President George H.W. Bush, at her side. Her death came two days after the spokesman said she was in failing health and had decided not to seek additional medical treatment.

With her white hair and string of pearls, Mrs. Bush was an instantly recognizable national figure, particularly after the election in 1988 of her husband as the nation's 41st president. Unlike some political spouses, she never claimed to have strong political views or an agenda of her own, though she started a well-regarded program to promote literacy. Instead, the nation came to

know her as the widely admired and humorous matron of a large and expanding extended family, which gathered regularly at its compound in Kennebunkport, Maine, for seemingly endless rounds of boating, fishing and golf.

She also proved more combative and less forgiving than her husband in challenging political foes or perceived press slights, and appeared more embittered by his loss in a re-election bid in 1992. When meeting her successor as first lady, Hillary Clinton, she pointed to the reporters watching them and declared: "Avoid this crowd like the plague. And if they quote you, make damn sure they hear you."

After the Bushes left the White House, one of their children, George W. Bush, became governor of Texas and another, Jeb, became governor of Florida. She strongly supported both, as she did the candidacy of George W. Bush when he was elected president in 2000.

Barbara Bush was born Barbara Pierce in 1925 and grew up in the suburban town of Rye, N.Y. She was attending a boarding school in South Carolina when, during a visit back home



Barbara Bush, second from right, on election day 2000 in Austin, Texas. Below, with her husband and son George W. in a 1955 photo.

over Christmas break, she met her future husband, then a senior at Phillips Academy in Andover, Mass., at a dance. She was 16 years old. They became engaged a year and a half later.

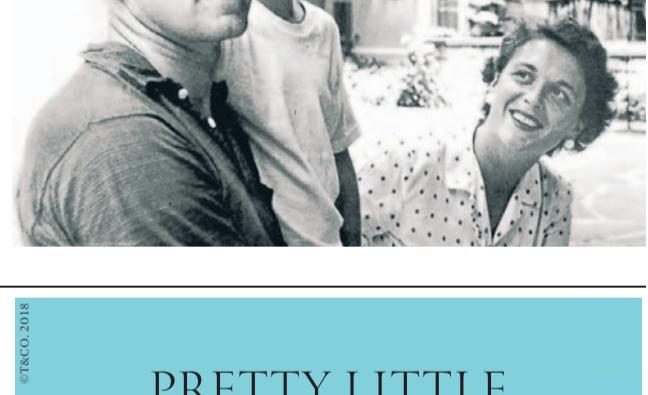
World War II intervened to delay the wedding, however. Her fiancé went off to the Pacific as a U.S. Navy torpedo-bomber pilot. When he returned on leave, Barbara Pierce dropped out of Smith College, and they were married in 1945.

After her husband graduated from Yale, the two moved to Texas, where he launched

into the oil business and she managed a growing family.

Her husband veered into politics and was elected to the U.S. House of Representatives in 1966, beginning a steady climb up the political ladder. Throughout, Mrs. Bush was the crucial, supportive spouse. By her count, she managed some 30 moves by the Bush family.

After the biggest of those moves, into the White House, she said the nation came to see her as "everybody's grandma," and she enjoyed a burst of popularity.



BROOKS KRAFT/SYGMA/GETTY IMAGES (TOP); GEORGE BUSH PRESIDENTIAL LIBRARY/ASSOCIATED PRESS (BOTTOM)

Court Curbs Immigrant Deportations

By JESS BRAVIN AND BRENT KENDALL

WASHINGTON—The Supreme Court reduced the number of people facing mandatory deportation for committing crimes, ruling on Tuesday that the federal law requiring expulsion was written too vaguely to stand constitutional scrutiny.

Justice Neil Gorsuch joined liberal justices to provide the tie-breaking vote. "Vague laws invite arbitrary power," he wrote in a concurring opinion. Leaving people "in the dark" about the law's demands allows "prosecutors and courts to make it up."

When first argued in January 2017, the case apparently split the court, then at eight justices following the death of Justice Antonin Scalia. It was re-argued in October following Justice Gorsuch's arrival.

"The Justice Department believes that certain crimes committed by an illegal alien, visa holder, or an alien otherwise granted lawful status in the U.S., should trigger their removal," said department spokesman Devin O'Malley. "We call on Congress to close criminal alien loopholes" that allow some immigrants to avoid deportation, he said.

Tuesday's case involved James Dimaya, a Filipino who moved to the U.S. at age 13 in 1992 and holds permanent res-



Conservative Justice Neil Gorsuch joined the Supreme Court's liberals to provide the tie-breaking vote in Tuesday's 5-4 ruling.

Justices Drop Case On Email Searches

WASHINGTON—The Supreme Court on Tuesday dropped a case that examined whether emails and other data stored overseas are subject to U.S. search warrants, after Congress passed a law in March that allows such actions.

The case had pitted federal and state authorities against an array of leading tech com-

panies. It centered on a dispute between the Justice Department and Microsoft Corp., which resisted complying with a warrant that sought emails from an account allegedly tied to illegal drug activity.

Microsoft had stored the emails in Ireland and said U.S. warrants didn't reach beyond domestic borders. The Justice Department said the warrant was enforceable because the government sought disclosure in the U.S., where Microsoft is based.

—Brent Kendall

panies. It centered on a dispute between the Justice Department and Microsoft Corp., which resisted complying with a warrant that sought emails from an account allegedly tied to illegal drug activity.

Microsoft had stored the emails in Ireland and said U.S. warrants didn't reach beyond domestic borders. The Justice Department said the warrant was enforceable because the government sought disclosure in the U.S., where Microsoft is based.

up front," said Mr. Dimaya's attorney, Joshua Rosenkranz.

The statute lists crimes that qualify, such as murder and rape. But it also has a catchall provision for unlisted crimes, including offenses that involve "the use, attempted use, or threatened use of physical force" against a person or property, and any other felony "that, by its nature, involves a substantial risk that physical force" may be so used.

The court has been skeptical of such broad definitions. In a 2015 case, the court voted 8-to-1 to reject a similar catch-all provision the government invoked to increase the sentence of a white supremacist suspected of planning attacks.

Writing for the court Tuesday, Justice Elena Kagan said the ruling for Mr. Dimaya relied on the same principles Justice Scalia cited in 2015.

Justices Ruth Bader Ginsburg, Stephen Breyer and Sonia Sotomayor joined all of Justice Kagan's opinion, and Justice Gorsuch most of it.

Chief Justice John Roberts, along with Justices Anthony Kennedy, Clarence Thomas and Samuel Alito, saw it differently. Writing the principal dissent, Chief Justice Roberts said the deportation provision was clearer than the section the court threw out in 2015.

◆ Supreme Court considers internet sales-tax case B4

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U.S. NEWS

Trump's Nominees Face Headwinds

By BYRON TAU

WASHINGTON—President Donald Trump's nominees to lead the State Department and Central Intelligence Agency are encountering resistance in the Senate, where the president's critics are prepared to make their confirmation battles a referendum on his foreign-policy positions.

Mike Pompeo, the current CIA director and Mr. Trump's pick to be the next secretary of state, is in danger of receiving an unfavorable committee recommendation because of concerns that his past hawkish statements complicate his ability to conduct diplomacy. While the full Senate could still vote to confirm him, that would mark the first time in more than 70 years the chamber would have bypassed a committee to do so.

Gina Haspel, the president's nominee to lead the CIA and now the agency's deputy director, is expected to face questions about her involvement in an interrogation program following the Sept. 11, 2001, terror-

ist attacks that detractors say amounted to torture.

Sen. Rand Paul (R., Ky.) said he would oppose her nomination because of her role in the interrogation program, while Sen. John McCain (R., Ariz.)—who was tortured while a prisoner of war in Vietnam—has asked for additional details about Ms. Haspel's involvement.

Several other Republicans have told The Wall Street Journal they have concerns about Ms. Haspel and haven't decided whether to support her nomination. One Democrat was unsatisfied with her answers in a private briefing about her role in the destruction of videos of the interrogations, according to a person familiar with the matter.

The Senate Foreign Relations Committee is expected to vote on Mr. Pompeo's nomination as soon as next week. The Senate Intelligence Committee is expected to hold a confirmation hearing for Ms. Haspel in the coming weeks.

Traditionally, nominees to top national security and foreign-policy positions have been

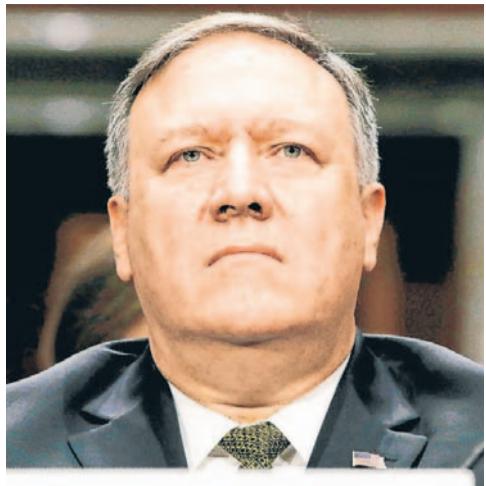
readily confirmed with bipartisan support. But many Democrats consider Mr. Trump's picks as furthering foreign-policy goals that they oppose, such as, in the case of Mr. Pompeo, pulling out of the Iran nuclear agreement negotiated by former President Barack Obama, a Democrat. Mr. Trump, a Republican, has said torture is an effective interrogation technique and has expressed his desire to return to using military detention for terrorist suspects.

"I do understand how on the Democratic side, many view this as a proxy on President Trump's overall foreign policy," said Sen. Bob Corker, the Tennessee Republican who leads the Senate Foreign Relations Committee. "I would hope at the end of the day, some of the members would want to have a highly qualified person."

Mr. Pompeo—a former House member from Kansas—was confirmed by the Senate last year to be CIA director with 14 Democratic votes. But more lawmakers now are calling Mr. Pompeo too hawkish on issues. At least



Gina Haspel, the president's choice to lead the CIA; Mike Pompeo, nominated to be secretary of state.



FROM LEFT: CIA/ASSOCIATED PRESS; JACQUELYN MARTIN/ASSOCIATED PRESS

four Democrats who backed Mr. Pompeo for the CIA now say they would vote against him for the State Department job.

One of those Democrats, Sen. Tim Kaine of Virginia, said he "cannot overlook grave doubts about [Mr. Pompeo's] anti-diplomacy disposition."

During his confirmation hearing last week, Mr. Pompeo bristled at suggestions that he was too hawkish, saying that as a former Army officer he was sensitive to the costs of war.

Republicans have a one-vote advantage in the Foreign Relations Committee. Mr. Paul has

said he would vote against Mr. Pompeo, objecting to his aggressive stance on Iran; that means Mr. Pompeo's nomination wouldn't receive a favorable recommendation if all of the panel's Democrats oppose him.

The state of Ms. Haspel's nomination is even more unclear. Lawmakers in both parties have been pressing the CIA to release more details about her long career spent almost entirely in clandestine operations, including her work in counterterrorism shortly after the 2001 terrorist attacks. Some have suggested she was the chief of a

supposed "black site" in Thailand where one detainee, Abu Zubaydah, was waterboarded, a process that simulates drowning that opponents call torture.

Records and interviews with those who served with her indicate she wasn't there during Mr. Zubaydah's detention, the Journal has reported. But she did play a role in what critics have said was destruction of evidence of that interrogation.

Ryan Trapani, a CIA spokesman, called Ms. Haspel "a tested and respected leader" whose confirmation process would make clear her qualifications.

CDC's New Director Quit Posts, Sold Stocks

By BETSY MCKAY

The new director of the Centers for Disease Control and Prevention resigned positions at four entities, sold stock and forfeited options in two companies and is signing his share of future patent licensing fees and royalty payments over to his university to comply with government ethics rules, according to his financial disclosures.

Robert Redfield was named to his post in March, succeeding Brenda Fitzgerald, who resigned after a six-month tenure as a result of investments that prevented her from taking part in some key public-health meetings.

In a Public Financial Disclosure Report, memorandum and letter reviewed by The Wall Street Journal, Dr. Redfield, a veteran HIV/AIDS researcher, said he had resigned as a professor of medicine and from other posts at the University of Maryland. His compensation from the beginning of 2017 through March 2018 was \$757,100 plus a \$70,000 bonus. The CDC director's compensation is \$375,000.

Dr. Redfield also resigned as consultant and chairman of a clinical advisory committee for American Gene Technologies International Inc., a gene-therapy biotech company; as a director of Children's AIDS Fund

BANK

Continued from Page One
out of their funk, riding renewed volatility in the markets to a three-year revenue high. A lower firmwide tax rate helped results, too.

Gains came from nearly every one of the firm's businesses, including lending and asset management, two steadier, higher-return businesses that are far from Goldman's roots as a Wall Street powerhouse. Debt underwriting, an area Mr. Blankfein has specifically targeted for growth, had its second-best quarter on record.

Overall, the firm's return on equity, a closely watched measure of profitability, stood at 15.4% in the quarter, its highest since late 2012.

"All this positivity is driving me crazy," Mr. Blankfein joked in a Tuesday morning call with managing directors, according to attendees. "We've seen false dawns before."

Shares rose initially but closed down 1.7% after Chief Financial Officer Martin Chavez said on the firm's earnings call

that Goldman wouldn't buy back any stock in the second quarter. Instead, it would plow its capital back into its business. The firm in September outlined a plan to add \$5 billion in annual revenue by 2020. Supporting new initiatives, many of which won't be profitable for years, requires funding.

Goldman has spent more than \$500 million on its new retail bank, hiring coders and making Silicon Valley acquisitions. It is exploring building a suite of commercial-banking and cash-management products, The Wall Street Journal reported this month.

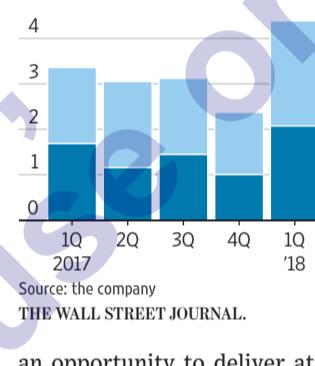
It is also offering more capital to its trading clients. One common measure of risk-taking, known as value-at-risk, rose sharply in the quarter.

The lack of buybacks went over poorly among investors who would rather have their returns in the form of cash than wait to see if Goldman's executives can succeed on new initiatives, many of them in unfamiliar terrain.

"We've been transparent about our growth plans," Mr. Chavez said. "There is a clear demand from clients for our balance sheet, which provides

Bouncing Back

Goldman Sachs's trading revenue



Source: the company

THE WALL STREET JOURNAL.

money, reported a 5% increase in revenue. A rise in underwriting compensated for a decline in merger fees.

The firm also slipped from its No. 1 perch in announced M&A, potentially worrisome given the importance of the business to Goldman's revenue and reputation. Executives said its pipeline of unannounced deals had increased from year-end.

Goldman is hiring rainmakers and chasing after deals it once deemed small-time in an effort to expand its already dominant M&A franchise. Mr. Chavez said Tuesday that Goldman has added 500 new investment-banking clients, halfway to its goal of 1,000.

A surprise bump came from the firm's portfolio of principal investments, which includes stakes in richly valued startups including ride-sharing app Uber Technologies Inc. and music-streaming service Spotify Technology SA.

Revenue rose 34% as Goldman sold or marked up the carrying value of investments, including credit-bureau TransUnion, artificial-intelligence firm Kensho Technologies Inc. and Spotify.

PIZZA

Continued from Page One
tested food of 2017, beating out spray cheese and overstuffed burritos.

Earlier this year in an episode of "The Good Place," a comedy on NBC, pizza loaded with pineapple chunks was served to partygoers as an hors d'oeuvre in hell.

Politics and tradition are baked into strong feelings about Hawaiian pizza. Plus, it is easy to malign a concoction with no clear ties to a particular culture.

Arun Gupta, a chef-turned-food writer, has theorized that the scorn for Hawaiian pizza boils down to elitism.

In a talk titled "Can Hawaiian Pizza Explain Donald Trump?" that he delivered at a forum for left-leaning academics and activists in New York, Mr. Gupta argued that delegitimizing a person's pizza preferences for breaking with tradition is a form of snobbery. Mr. Gupta is pro-Hawaiian pizza.

Hip-hop artist Drake claimed to enjoy pineapple on pizza on Amazon.com Inc.'s videogame-streaming site Twitch. Musician Nick Jonas crooned about Hawaiian pizza in a video, imploring fans to remain open-minded.

When Iceland's president, Gudni Johannesson, playfully proposed a ban on pineapple pizza last year, world leaders responded.

New Zealand's then-prime minister embraced the fruit in a Facebook post of his family's pizza dinner, and Canadian Prime Minister Justin Trudeau tweeted his allegiance to #TeamPineapple.

Salt Lake City resident Julia Silge couldn't reach U.S. Sen. Orrin Hatch (R., Utah) by phone last year to register her disapproval of Betsy DeVos for education secretary, so she delivered her message by pizza.



Pineapple and ham pizza, the most controversial combo, has divided friends and families for decades.

Ms. Silge sent Mr. Hatch's Salt Lake City office a Hawaiian pizza with a note attached requesting her senator vote against President Donald Trump's nominee. Ms. Silge said his office refused delivery, and a security officer called Ms. Silge to ask why she sent the "suspicious" pizza.

"In these times when we are so divided, I am willing to go on the record as pro-Hawaiian pizza," Ms. Silge said, adding she intended it to be enjoyed by the senator's staff.

A spokesman for Mr. Hatch's office confirmed the attempted pizza delivery, but said "strict security protocols" prohibited them from accepting it.

"The Hatch office has no particular affinity for pineapple," said Matt Whitlock, Mr. Hatch's spokesman. The staff normally orders a "more conventional topping like pepperoni or cheese."

At chapter meetings of the Democratic Socialists of America, members have discussed whether pineapple topping falls

outside the group's "big tent" philosophy, said Christian Bowe, who helps manage the organization's social-media accounts.

In Washington, D.C., at We The Pizza near Capitol Hill, pies topped with honey ham and pineapple are a best-seller.

Most parties compromise: For eight of every 10 orders the pizza is sliced in half with the fruit on one side and a non-pineapple topping on the other, said restaurant spokeswoman Micheline Mendelsohn.

Some Hawaiian pizza-lovers have tried to experiment, and gone too far. Ms. Johnson, the University of Arizona sophomore, ordered a barbecue chicken pizza from a campus-run eatery in Tucson while studying for midterms, and paid extra to add pineapple.

She said the pizza arrived with a message scrawled in marker inside the lid, along with a \$5 bill: "Couldn't bring myself to put pineapple on it. That's gross. Sorry."

Hawaiian pizza has split eaters since the early 1960s, when

Greek restaurateur Sam Panopoulos began serving it at his family diner in southern Ontario, Canada, according to his son Bill. The elder Mr. Panopoulos, who died last year at 83, claimed he invented Hawaiian pizza while experimenting with canned pineapple, which was on hand for his restaurant's Chinese-style dishes.

"Some really didn't like it at first, but there were other people who loved it," said the younger Mr. Panopoulos, who is a fan of his dad's invention and served it at his wedding.

Pounders Restaurant in Oahu, a farm-to-table eatery at the Polynesian Cultural Center, has an extensive menu of "Hawaiian Style Artisan Pizza."

That includes "Hawaiian Pizza With a Twist"—Marinara, mozzarella, green peppers, black olives, ham and pineapple.

Felix Tai, the chef, says locals go for a pizza with Mascarpone and Parmesan, prosciutto and a fruit that is not pineapple. "Hawaiians," he said, "prefer mango."

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U.S. NEWS

U.S. Holds Back on New Russia Sanctions

White House officials on Tuesday said U.S. Ambassador to the United Nations Nikki Haley spoke prematurely in saying the Trump administration would imminently impose new sanctions against Russia over its support for the Assad regime in Syria.

By Peter Nicholas in West Palm Beach, Fla., and Ian Talley in Washington

Speaking on CBS on Sunday, Ms. Haley said Treasury Secretary Steven Mnuchin would announce sanctions the following day targeting companies that might have played a role in the Syrian regime's use of chemical weapons.

Senior White House officials said her comments surprised them, adding the administration is evaluating additional sanctions but isn't yet ready to

roll them out. They said her remarks also rubbed against a longstanding tenet of Treasury's sanctions practices: Avoid telegraphing pending actions to prevent targets from being able to pull their assets out of U.S. reach.

Ms. Haley "got ahead of the curve," the president's top economic adviser, Lawrence Kudlow, said in a press briefing on Tuesday.

While praising her performance as U.N. ambassador, Mr. Kudlow said "there might have been some momentary confusion about that. But if you talk to Steve Mnuchin, he'll tell you the same thing. We have had sanctions. Additional sanctions are under consideration, but not implemented."

"With all due respect, I don't get confused," Ms. Haley said in a statement.

A spokeswoman for Mr. Kudlow said later Tuesday that he



time, a person familiar with the matter said. Treasury officials, though, said that for technical reasons they couldn't impose the sanctions until Monday.

Before the attack, Russia had been warning of reprisals. Instead, Moscow's response was more muted and limited to public statements. For that reason, national security officials concluded over the weekend that the sanctions weren't necessary,

the person familiar with the issue said, and President Donald Trump agreed. Ms. Haley was unaware of the change of plans before her Sunday morning appearance, the person said.

On Saturday, the White House had sent a somewhat less concrete signal of its own that new sanctions against Russia were in the offing.

"We also intend to impose specific additional sanctions against Russia to respond to Moscow's ongoing support for

had called Ms. Haley to apologize. He said there was a "process mix-up" and told her she wasn't mistaken.

She accepted his apology and the two ended the call "on good terms," the spokeswoman said.

The U.S., along with the U.K.

and France, last week launched an attack in Syria targeting the regime's chemical-weapons capabilities. The White House had initially planned to both launch the attack on Syria on Friday and announce the new sanctions on Russia at the same

For Drug Plan, Italy Offers Road Map

BY NOEMIE BISSEBRE

ROME—The Trump administration is championing drug plans that tie costs to performance as a way to lower health-care spending in the U.S. In Italy—where this strategy has been used for years—such plans haven't brought down costs.

A number of global drug companies, in response to criticism of high prices in the U.S., have recently committed to tying the cost of some of their most-expensive treatments to how well they work.

These outcomes-based contracts—which reimburse insurance companies for treatments that turn out to be ineffective—have been trumpeted by the industry as a way to lower health-care costs, while also avoiding broad price cuts.

President Donald Trump's administration has drafted an executive order that would direct federal programs to seek

out such contracts. Several insurers and a panel that advises the White House on cancer policy have backed the idea as a way of lowering costs.

While new in the U.S., Italy has been using such deals with companies such as Novartis AG, GlaxoSmithKline PLC and AstraZeneca PLC for over a decade. Officials have said their experience points to few gains—offering a cautionary tale for the much bigger U.S. market.

The fundamental issue: Regulators and drug companies tend to disagree on how to measure a drug's efficacy. That remains a major stumbling block to contracts being signed, health officials said. Another more pedestrian problem: The success of these programs depends on how well patients' treatments are tracked.

In Italy, it falls on doctors to claim back the money from pharmaceutical companies

when the drug doesn't work for their patients, but they don't receive a financial incentive to do so.

"The money isn't going back to them or their department," said Filippo Drago, a professor at the University of Catania Medical School in Sicily, Italy, and a former member of the Italian Medicines Agency's pricing and reimbursement committee. "The performance of these agreements is very low," he said.

For the contracts to yield better savings in the U.S., health insurers or pharmacy-benefit managers also need to ensure that doctors collect patient data to assess a drug's efficacy.

Italy started experimenting with outcomes-based contracts in 2008 mainly in response to conditional approvals for new drugs in Europe. Since 2006, drugs on the continent can receive regulators' green light after relatively short clinical

trials if the drug is expected to meet medical needs.

"The drug's efficacy isn't always clear when we decide what its price should be," said Simona Montilla, pharmacist manager at the Italian Medicines Agency, the national authority responsible for drug regulation in Italy.

Today, Italy has about 50 outcomes-based contracts with global drug companies, according to its public filings. Publicly available data show only a small amount of money is reimbursed to the country.

Reimbursements from drug companies represented on average less than 1% of the Italian regulator's total spending on drugs between 2013 and 2016, according to public filings.

In Italy, health officials are now seeking new types of deals with drug makers to cope with rising drug prices, such as spreading payments for expensive but short treatments over years.

Small Savings

Reimbursements on outcomes-based deals for cancer drugs in Italy represent a fraction of total costs.

| Drug name Company name | Total spent 2006-12 | Percent reimbursed 2007-12 |
|------------------------------------|------------------------|----------------------------------|
| Javlor Pierre Fabre | €5.53 million | 17.0% |
| Mozobil Sanofi | 3.82 | 11.1 |
| Afinitor Novartis | 31.36 | 10.2 |
| Votrient Novartis | 7.60 | 10.2 |
| Vectibix Amgen | 35.59 | 5.0 |
| Iressa AstraZeneca | 40.18 | 4.8 |
| Tykerb/Tyverb Novartis | 58.10 | 3.9 |
| Yondelis PharmaMar | 36.62 | 3.5 |
| Eributix Merck (Germany) | 323.32 | 1.2 |
| Tasigna Novartis | 73.12 | 0.2 |
| Herceptin Roche Holding | 1,309.90 | 0.03 |

Notes: Some reimbursements may be low if outcomes deal applied only to a few clinical indications. €1 = \$1.2381

Source: Elsevier

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WORLD NEWS

Israel Signaled Strike on Iran Site in Syria

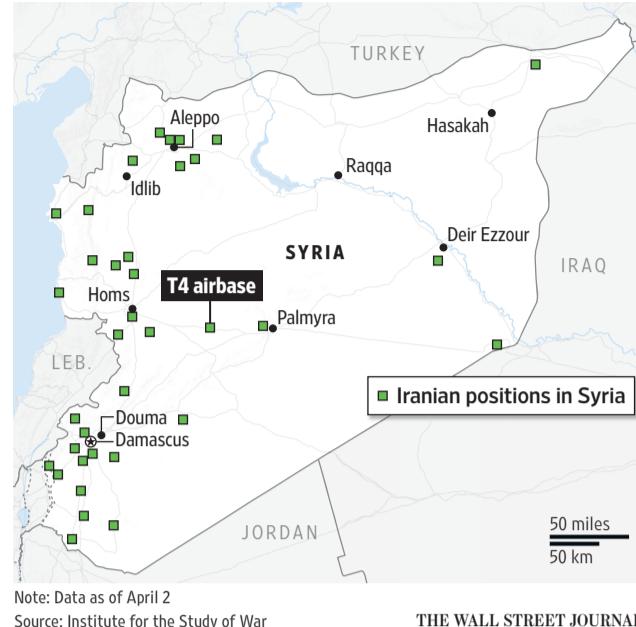
U.S. was alerted to last week's Israeli attack on an Iranian antiaircraft battery

By DION NISSENBAUM AND RORY JONES

WASHINGTON—With tacit American support, the Israeli military targeted an advanced Iranian air-defense system at a Syrian base last week, said intelligence officials and others briefed on the matter, the latest sign the Trump administration is working with Israel to blunt Tehran's expanding influence in the Middle East.

After conferring with President Donald Trump, Israeli Prime Minister Benjamin Netanyahu ordered a strike on the newly arrived antiaircraft battery to prevent Iranian forces from using it against Israeli warplanes carrying out increasing numbers of operations in Syria, some of these people said.

Israeli officials told the Trump administration about the planned strike in advance so that the U.S. was aware of their plans to directly target an Iranian base, according to



Note: Data as of April 2

Source: Institute for the Study of War

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two people briefed on the plans.

Israeli leaders have kept silent about the strike, but Russia, Iran and Syria all accused Israel of carrying it out. Information provided by intelligence officials and others briefed on the strike offered new details on the specific target, Israel's goals, and the discussions with Washington.

Last week's attack marked a significant escalation in Israel's efforts to prevent Iran from cementing its military presence in Syria, where Tehran and its Hezbollah ally provide vital support for President Bashar al-Assad.

Iran has threatened to hit back at Israel, which is bracing for a wider clash with Tehran. A protracted confrontation be-

Netanyahu Gave U.S. Five-Day Warning

Israeli Prime Minister Benjamin Netanyahu told President Donald Trump in a telephone conversation about the planned strike on the Iranian base, one person briefed on the call said.

The Israeli airstrike came five days later, on April 9. Israeli warplanes destroyed the antiaircraft system at the Syrian base and a hangar used to shelter drones, triggering denunciations from Syria, Russia and Iran.

Israeli and American officials declined to provide any details of the conversation.

tween the two Middle East rivals could create a dangerous new dynamic in Syria, where Mr. Trump is looking to extricate American forces from a convoluted conflict that shows no signs of coming to an end soon.

Some U.S. officials worry that a broader Israel-Iran fight in Syria could trigger new spasms of conflict that en-

velop Lebanon and Israel.

The region is roiled by a toxic stew of conflicting alliances surrounding the war in Syria. Iran, Hezbollah and Russia are helping Mr. Assad push rebels to the brink of defeat. More than 2,000 U.S. troops whose mission is to defeat Islamic State militants work alongside Kurdish and Arab forces in Syria. And Turkey has seized another section of Syria as Ankara moves to contain Kurdish ambitions.

U.S. support for the Israeli strike comes as Mr. Trump, wary of an open-ended fight in the Middle East, is leaning on allies—especially Israel and Saudi Arabia—to play a bigger role.

Syria's government is on alert for more American or Israeli strikes, and on Tuesday launched missiles and sounded air-raid sirens for what turned out to be a false alarm.

Since taking office last year, Mr. Trump has allied himself with Mr. Netanyahu, giving Israel strategic backing for its efforts to target Iran's expeditionary military operations in Syria, according to the people familiar with the discussions.

The Syrian base targeted by the Israeli airstrike has be-

come an elevated concern for Israel. Known as T-4, Syria's largest air force base hosts government forces, Russian fighters and a growing Iranian drone fleet used for reconnaissance and potential attacks, defense analysts said.

In February, Israel accused Iran's Quds Force of using the base to launch a drone into Israel. An Israeli helicopter shot down the drone, which Israel said last week was fitted with explosives.

Israeli F-16s followed up by carrying out airstrikes that destroyed the suspected command post at the T-4 base operating the drone.

After the strikes, an Israeli jet was shot down by Soviet-era, surface-to-air missile, marking the first time one of Israel's jets had been brought down in combat since 1982.

In response to the February strike, Iran moved to beef up its air defenses at the base. Earlier this month, Israel tracked an Iranian plane that flew a Tor missile system from Tehran to the Syrian base.

Israel moved quickly to destroy the new air defense system before Iranian forces could set it up, intelligence officials said.

Saudi Arabia Weighs Offering Troops to Help Stabilize Syria After ISIS

By MARGHERITA STANCATI

RIYADH—Saudi Arabia is considering contributing troops to an international coalition that would help stabilize Syria once Islamic State is defeated, the kingdom's foreign minister said.

"We are in discussions with the U.S. and have been since the beginning of the Syrian crisis about sending forces into Syria," the minister, Adel al-Jubeir, said Tuesday. "Discussions on what type of force needs to remain...and where those forces should come from are ongoing."

The Wall Street Journal reported Monday that the Trump administration wants America's Arab allies to replace U.S. troops in northeast Syria and to contribute financially to stabilizing that part of the country.

Earlier this month, President Donald Trump said he wanted to accelerate the withdrawal of the roughly 2,000 U.S. troops in Syria. But the administration wants to avoid ceding ground to Islamic State or to Iran-backed forces fighting in support of Syrian President Bashar al-Assad.

Washington also wants the Persian Gulf's wealthy monarchies—Saudi Arabia, the United Arab Emirates and Qatar—to contribute billions of dollars to help rebuild northern Syria.

Mr. Jubeir didn't say whether the kingdom has made new financial commitments for Syria, but argued it has a record of doing its part.

"In terms of financial contributions, Saudi Arabia has always maintained its share of the burden," he said.

Saudi Arabia supported the decision by the U.S., the U.K. and France to strike Syrian government sites associated with chemical-weapons produc-

tion. But it isn't clear to what extent Saudi Arabia and other U.S. allies in the region could

play a bigger role in Syria.

"The idea is not new," said Mr. Jubeir, speaking during a joint press conference with António Guterres, the secretary-general of the United Nations.

Saudi Arabia also proposed deploying troops from a loose coalition of Muslim countries that it had assembled with the goal of fighting terrorism, Mr. Jubeir said.

Previously, Saudi Arabia indicated it would deploy troops to Syria only as part of a U.S.-led effort. It is unclear if now it would intervene without a U.S. presence there.

—Donna Abdulaziz contributed to this article.

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WORLD WATCH

CRIME-DATA SHARING

EU Calls for Access To Foreign Servers

The European Commission proposed that national law enforcement be allowed to access data stored on tech companies' servers in other European Union countries and the U.S. to speed cross-border criminal inquiries.

The proposal follows a measure recently enacted by the U.S. to clarify that law-enforcement warrants can apply to data that tech companies store abroad.

Natalia Drozdiak

ARMENIA

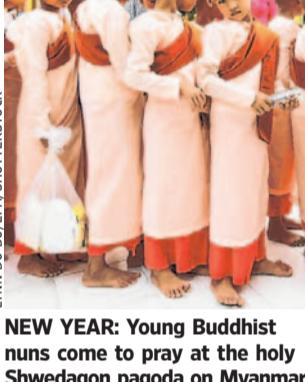
New Premier Takes Helm Amid Protests

Armenia's former president shifted into the prime minister's seat as some 40,000 protesters rallied in the capital to oppose the move, which they saw as a power grab.

Supporters of opposition parties have blocked government buildings and streets since Friday, but the demonstrations didn't deter lawmakers from voting 77-17 to confirm ex-President Serzh Sargsyan as the new prime minister.

Mr. Sargsyan served as Armenia's president from 2008 until stepping down because of term limits. Under a new political system, he now takes a dominant role as prime minister, and the new president plays a mostly ceremonial role.

Associated Press



LYNN BO BO/EPA/SHUTTERSTOCK
NEW YEAR: Young Buddhist nuns come to pray at the holy Shwedagon pagoda on Myanmar New Year Day in Yangon.

WORLD NEWS

China Gives Detroit Bit of a Break

By TREFOR MOSS
AND MIKE COLIAS

China's move to ease trade tensions with the U.S. by scrapping joint-venture rules for auto makers could open a path to higher profits for American car companies, but some said untangling a web of partnerships forged with Chinese companies over decades may prove too difficult.

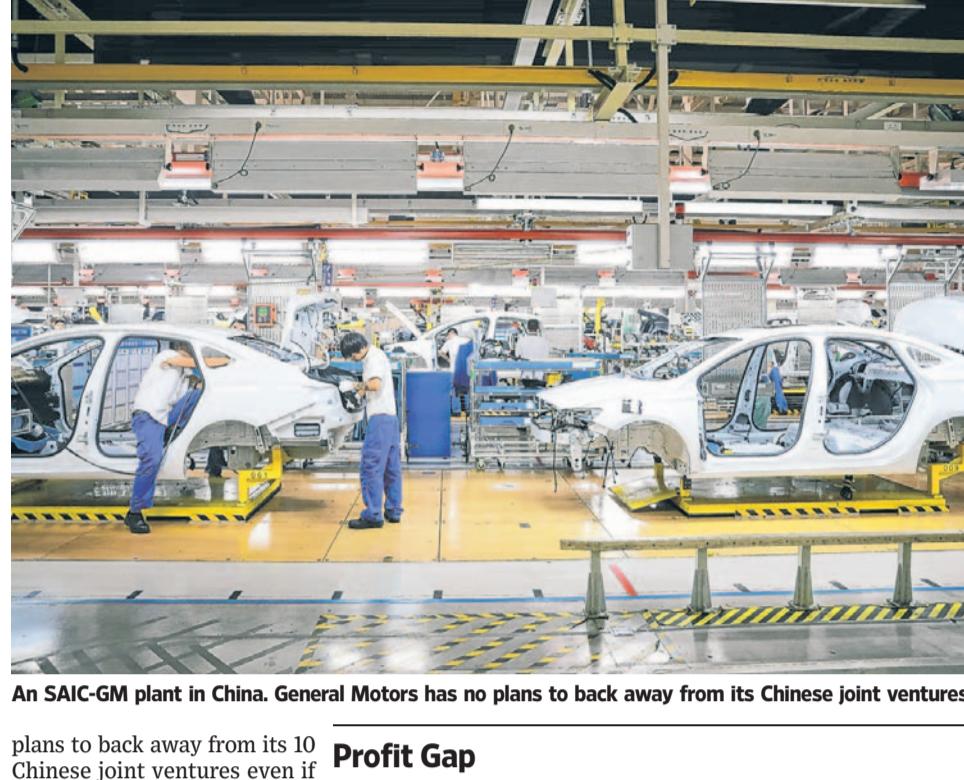
Beijing responded to U.S. calls for a level playing field in the world's biggest auto market with a plan to phase out rules requiring foreign auto makers to share factory ownership and profits with Chinese companies by 2022. Regulations concerning electric-vehicle joint ventures will end this year, potentially aiding market newcomers like Tesla Inc.

Killing these rules, enacted in the early 1990s to enable fledgling Chinese car makers to learn from foreign market leaders, could bolster President Donald Trump's assertions that his policy of pressuring China to modify its trade behavior is yielding swift results.

Last week, Chinese President Xi Jinping, in an apparent attempt to defuse trade tensions, said tariffs on imported vehicles would be significantly reduced from the current 25%, another important concession to foreign vehicle makers looking to further tap China's growth.

Even so, people in the industry said the reshaping of China's auto industry wouldn't necessarily hand an advantage to foreign players that have come to rely on their Chinese partners, many of which are influential state-owned enterprises. Although overseas car companies entered the joint ventures reluctantly, some say they have come to accept them as a fact of life in a country where foreign businesses can struggle without local allies.

General Motors Co., among the biggest players in China with 14% market share, has no



An SAIC-GM plant in China. General Motors has no plans to back away from its Chinese joint ventures.

Still, extricating themselves from their Chinese partnerships would be costly for foreign makers. Reaching an agreement on the venture's valuation would likely be one obstacle.

A person familiar with GM's strategy said the prospect of reaping 100% of the profits may be enticing, "but you'd also get 100% of the cost and complexity." This person said partnerships help when working with regulators, developing a manufacturing footprint and managing supply chains and retail networks.

Ford Motor Co. is a relative latecomer to China and recently emphasized its plan to forge additional joint ventures to jump-start its presence in China's electric-vehicle race.

Chinese state-run auto makers have long argued against changes to the joint-venture system to safeguard the healthy profits they generate.

The threat of a trade war with the U.S. appears finally to have eclipsed those arguments in the minds of Chinese policy makers. The trade threat "forced the top to make a tough call after so many years of bureaucratic bickering and pushback by vested interests," said a China-based executive at a foreign vehicle maker.

Asked about Beijing's move, Mr. Trump's top economic adviser, Lawrence Kudlow, told reporters, "Whenever they're moving in our direction in a conciliatory way, whenever they're lowering barriers, that's a good thing."

Michael Laske, China president of Austrian powertrain supplier AVL GmbH, called the action a "positive step forward for global trade," but added that the big winner would likely be China. Lifting limits on electric-car makers by the end of this year would encourage foreign investments from Tesla and others, helping China become the world's factory for electric vehicles, he said.

◆ FCC gets tough on Chinese companies..... B1

Profit Gap

General Motors makes considerably more money in its shrinking North American unit than it does in its booming China business. Of the money earned in China, it only brings home about half.

GM profits

■ North America ■ China

\$12 billion

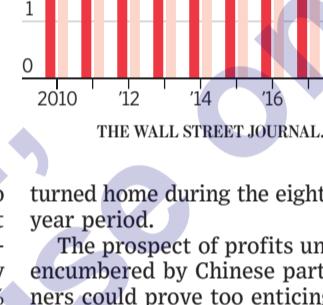


Source: the company

GM volume

■ North America ■ China

4 million vehicles



THE WALL STREET JOURNAL.

China forces foreign auto makers to set up 50-50 joint ventures with Chinese partners if they want to locally produce cars to avoid the 25% tariffs. Executives have characterized the ventures as financially draining. GM, for instance, has earned nearly \$30 billion in China since its bankruptcy filing in 2009, but only about half of that income re-

turned home during the eight-year period.

The prospect of profits unencumbered by Chinese partners could prove too enticing in the longer term, said Yale Zhang, managing director of Shanghai-based consultancy Automotive Foresight. He predicted most of China's car-making joint ventures would be gone by 2030.

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IN DEPTH

SYRIA

Continued from Page One

The clinic is one of only two medical facilities operating in this provincial capital city, which has a population of about 70,000. Across the street, victims of mine explosions are rushed into a residential building-turned-emergency room. About a quarter of the victims die on their way, according to Doctors Without Borders, which runs both the emergency room and the clinic.

"No hospital, no doctors, no pharmacies," said Mr. Ismail, 45.

Western officials, human-rights groups and a United Nations investigative body accuse the Assad regime and its allies of carrying out most of the attacks on the health system, in an attempt to destroy the infrastructure that supports opposition rebels. The Syrian regime denies purposely attacking health-care facilities.

Hundreds of medical facilities have been bombed out of operation, and thousands of medics either killed or forced to flee. About three-quarters of health-care workers have fled the country and more than half of public hospitals and health centers have closed or are only partially functioning, according to the United Nations.

'No hospital, no doctors, no pharmacies,' said Mr. Ismail.

The collapse of the medical sector has deepened the health crisis, accelerating the spread of some infectious diseases, resurfacing others that had been all but stamped out.

In 2008—three years before the conflict began—life expectancy in Syria was 72, according to the World Health Organization. In 2015, that had dropped to 64.5. The independent nonprofit Syrian Centre for Policy Research reports an even steeper decline—from 75.9 years in 2010 to an estimated 55.7 in 2015—as a result of both the deaths from violence and indirect causes such as the spread of disease and the collapse of the health system.

A young woman in Idlib died from cancer after she could no longer continue chemotherapy treatment because the road was blocked by a front line; three patients who died from kidney failure in the span of 10 days because the dialysis machine was out of order in a besieged Damascus suburb; and newborn babies who died from exposure one winter in an Aleppo hospital with blown-out windows, according to family members and doctors.

"The regime has systematically and deliberately attacked health as an enemy in this war," said Susannah Sirkin, director of international policy for Physicians for Human Rights. "We have never seen anything like this."

Physicians for Human Rights has corroborated 492 attacks on health-care facilities and 847 deaths of medical personnel, including doctors, nurses, dentists and even medical students since the beginning of the war. More than 90% were



carried out by the Assad regime or Russia, the group says.

In May 2016 the U.N. Security Council adopted a resolution condemning attacks on medical facilities and personnel in conflicts worldwide, and demanding an end to impunity for those responsible. The U.N. singled out Syria as one of the worst offenders.

Five months after the resolution, as the attacks continued, then British ambassador to the U.N. Peter Wilson said they amounted to a "calculated dismantling of Syria's health-care system."

In February the Syrian regime launched an assault on Eastern Ghouta, a suburb of the capital Damascus. During the five-week offensive attacks on medical facilities there have become a near-daily occurrence.

During one week alone, at least 24 medical facilities were struck by rockets and mortar shells, forcing six out of operation, according to the Syrian American Medical Society.

The city of Raqa fell out of regime control in early 2013, when it was taken over by anti-government rebels. The following year it was fully captured by Islamic State militants, who made it the de facto capital of their self-proclaimed Islamic caliphate, which also straddled Iraq.

Over the four-year period that Raqa was under control of these two groups, the city's three public hospitals were hit numerous times by airstrikes and mortar attacks, first by the Syrian regime and Russia and then last year by the U.S.-led coalition, according to several independent Syrian monitoring groups. Like the Assad regime, Russia has denied attacking hospitals, at one point calling such accusations "figments of the imagination."

In the final days of the battle last year to capture Raqa from Islamic State, the U.S.-led coalition struck the city's national hospital, where militants were holed up.

Army Col. Ryan Dillon, spokesman for the U.S.-led coalition, said he didn't know how many strikes the coalition carried out on the hospital but that by that point it was being used as a command and control base for Islamic State and not as a hospital.

Now, as residents trickle back to the city and its surrounding countryside after Islamic State's defeat, the ill and injured face a gaping hole

where Syria's health-care system had been.

The January trip made by the Ismail family was the third they'd made within a week to seek treatment for his three sons, who have leishmaniasis, a parasitic skin disease little-known in Syria before the war. The condition, which causes skin lesions, is spread by sand flies that swarm the dead bodies trapped in Syria's rubble-filled buildings, and the tent camps hosting people displaced by the war.

After hours of waiting in crowded hallways, Mr. Ismail led his youngest son, Abdullah, to the clinic's examination room, where Mr. Ismail's wife and other son held him down while a nurse injected each skin lesion on the boy's face and body. Abdullah sobbed and thrashed. His mother looked away.

After his other two sons

were treated, the family was told to return after a few days for another round of treatment. As the family left through the swarm of people waiting outside the door, a man took his turn on the examination table to have a leg wound treated, while at the same time a wife and her husband received leishmaniasis injections at the nearby counter.

When Doctors Without Borders first arrived in Raqa in November, just weeks after the city was fully captured from Islamic State militants, the group didn't know whether any building was safe to enter, so it set up tents on the side of the road.

Eventually the group took over the clinic that Mr. Ismail's family visited. They spent days de-mining it and had to rebuild one of the rooms, which had been destroyed in an explosion.

Initially, the group set up an

emergency room to treat trauma injuries, but it was quickly overwhelmed by children with chest infections, women with pregnancy complications, and elderly people with heart disease and diabetes.

Across Raqa's pockmarked walls, posters for vaccination campaigns compete with posters warning about Islamic State mines hidden in homes.

As millions of Syrians have been displaced and the country's infrastructure destroyed, childhood vaccinations have been disrupted. "We've been seeing measles cases, mumps cases and we've been seeing polio cases," said Jonathan Skillen, a medical team leader with Doctors Without Borders.

About 35 miles north of Raqa, many of the city's former residents are still stuck in the Ain Issa camp, a sea of white tents spread across a large dirt expanse, which

In the Line of Fire

How 847 Syrian medical personnel were killed between March 2011 and December 2017



Source: Physicians for Human Rights

THE WALL STREET JOURNAL.

One of the lucky few: A Syrian woman holds her child as he receives a vaccination from a clinic in Raqa. The country's health system is near collapse.

houses some 17,500 people. Residents get drinking water from large tanks. Bathrooms and showers are located in trailers.

Camp life comes with its own medical problems. Crowding and poor sanitation cause respiratory infections and waterborne illnesses to spread easily. In the winter, families must choose between risking a fire from their gas-fired space heaters or being cold in their tents. Children sometimes burn themselves on the heaters, too.

In recent months, a newborn baby died and another child passed away from meningitis, according to the camp manager. Diabetics taking insulin must find a way to keep the medicine cold, in a place with little to no electricity. Some have resorted to burying the insulin bottles underground or stashing them in the shade to keep them cool, said Ahmad Dbais, a doctor with the Union of Medical Care and Relief Organizations, a France-based charity that supports medical care in several opposition-held parts of Syria.

One of the few remaining physicians in the area is Dr. Fayiz Karabait, a family doctor in the nearby town of Ain Issa. He recently began treating patients in a small trailer clinic supported by the Kurdish Red Crescent. His tiny exam room has only a stethoscope and blood pressure gauge.

On a recent afternoon, Dr. Karabait ran out of prescription pads as a line of waiting patients snaked around the back of the trailer. His nurse assistant, Jawahir al-Khabri, found an empty antibiotic box and ripped it into pieces they could use for jotting down prescriptions.

One of the last patients of the day was Shahrazad Al-Malham, who walked into the cramped exam room with her sick 4-year-old son, Ismail, his hair a mess of dusty unruly brown curls. After a brief exam of the boy, who had an upset stomach, Dr. Karabait began writing a prescription on the back of one of his final pieces of the box.

"We don't have the money to buy it," Ms. Malham protested.

"May God provide," Dr. Karabait said, handing her the chit of paper.

As Ms. Malham walked out of the trailer, the doctor called out after her: "Forgive us."

—Nazih Osseiran contributed to this article.

TRUMP

Continued from Page One

Pompeo spoke at length about the likelihood of a meeting between the president and Mr. Kim during his confirmation hearing last week before the Senate Foreign Relations Committee. He didn't mention his trip.

"I'm optimistic that the United States government can set the conditions for that appropriately so that the president and the North Korean leader can have that conversation [that] will set us down the course of achieving a diplomatic outcome that America so desperately—America and the world so desperately need," Mr. Pompeo said.

Mr. Pompeo, a former House member from Kansas, is in danger of receiving an unfavorable committee recommendation because of concerns that his past hawkish statements complicate his ability to conduct diplomacy.

The administration alluded to the Pompeo meeting earlier this month when officials said

they had confirmed Mr. Kim was prepared to discuss denuclearization.

Mr. Pompeo's talks with Mr. Kim marked the U.S.'s most high-level discussions with North Korea in nearly two decades. In 2000, then-Secretary of State Madeleine Albright traveled to North Korea to meet with its leader, Kim Jong Il.

U.S. officials have said that the administration had been

discussing the coming summit with North Korea via intelligence channels. After Mr. Pompeo's visit, North Korea told the U.S. that Mr. Kim is prepared to discuss the denuclearization of the Korean Peninsula, clearing the way for the meeting.

Speaking at his Mar-a-Lago resort Tuesday at the start of a two-day meeting with Japanese Prime Minister Shinzo Abe, Mr. Trump said negotiators were

weighing five possible locations for the summit and that the U.S. wasn't among them.

"I really believe there is a lot of goodwill," Mr. Trump said. "We'll see what happens, as I always say. Because ultimately it's the end result that counts."

White House press secretary Sarah Sanders said Tuesday the president hadn't spoken directly to Mr. Kim.

Since announcing last month that Mr. Trump would meet with Mr. Kim, the White House has revealed little about negotiations to set a time, place and agenda for the summit.

Sitting beside Mr. Abe, the president said the U.S. and Japan were "very unified on the subject of North Korea."

Mr. Abe said Japan had "observed major change in terms of North Korea's behavior" since the Winter Olympics in South Korea, and credited Mr. Trump for the shift. "Your stance made it possible to achieve this major change," he said, commending the president's "maximum pressure" campaign.

Mr. Trump has forged close ties with Mr. Abe, having hosted him at Mar-a-Lago last

year. During that meeting, North Korea launched a missile into the Sea of Japan, prompting Mr. Trump to say the U.S. stood behind Japan 100%. Over the past 15 months, Mr. Trump has met with the prime minister more than any other world leader, the White House said.

The two main issues the leaders are expected to address in their private meetings and dinners are trade tensions and the summit with North Korea.

Ahead of the trip, Mr. Abe said he wanted to tell Mr. Trump that a deal with North Korea should address the threat of long-range missiles hitting the U.S. and shorter-range missiles striking Japan. Tokyo doesn't want Mr. Trump to make a deal with North Korea that protects U.S. interests while leaving Japan vulnerable to a missile attack.

The two leaders also hoped to resolve lingering trade disagreements. Japan would like the U.S. to rejoin the Trans-Pacific Partnership trade accord. Mr. Trump prefers bilateral trade deals that potentially offer the U.S. more leverage, though he has directed his economic team to look into the

possibility of re-entering the Pacific Rim agreement.

Late Tuesday evening, Mr. Trump said in a tweet that he wasn't inclined to rejoin the TPP. "While Japan and South Korea would like us to go back into TPP, I don't like the deal for the United States," Mr. Trump wrote.

Last year, Mr. Trump pulled the U.S. out of the TPP, fulfilling a promise to scuttle a pact he once said was "pushed by special interests who want to rape our country."

Before rejoining the TPP, Mr. Trump would want assurances that the U.S. would fare better than under the deal agreed to by former President Barack Obama, White House officials said.

That could prove difficult. While Japan and some of the 10 other nations in the trade deal want the U.S.'s participation, each country has a veto over new members, making it tough for Mr. Trump to wrest concessions.



Mr. Trump says his meeting with Kim Jong Un could occur in June.

AHN YOUNG-JOON/ASSOCIATED PRESS

GREATER NEW YORK

Doctor's Monument Removed From Central Park



DOWN FROM HIS PEDESTAL: A statue of James Marion Sims, a pioneering 19th-century gynecologist who conducted experiments on enslaved black women, was taken from the park Tuesday. It will be moved to Green-Wood Cemetery in Brooklyn, where he is buried.

Hoax Claim Spurs Sandy Hook Suit

BY LESLIE BRODY

Parents of two 6-year-old boys killed at Sandy Hook Elementary School in 2012 have sued the radio host Alex Jones for defamation, saying he repeatedly called the shooting fake and said they were liars.

Mr. Jones, a gun-rights advocate who propagates conspiracies, operates the website Infowars. Two lawsuits said he repeatedly accused parents who lost children in the Newtown, Conn., massacre of being part of a hoax. Twenty children and six adults were killed in the shooting.

Parents of two boys shot that day sued Mr. Jones in Travis County District Court in Texas on Monday, saying they were anguished by his bogus allegations that they were frauds and part of a conspiracy. The suits said at many points since the tragedy, Mr. Jones said the school shooting didn't happen or was staged by the government using actors.

Mr. Jones said on Infowars Tuesday evening his lawyers



Alex Jones, a gun-rights advocate who propagates conspiracies, operates the website Infowars. He was sued for defamation.

were confident the lawsuits were frivolous and would be dismissed. He said although at first he questioned the public relations "talking points" about the massacre, soon afterward he said he believed it happened.

William Ogden, a lawyer for the parents, said they endured the grief of losing their children, and Mr. Jones' false claims made them feel more pain.

"These cases are about getting him to stop and making sure it never happens to them again," Mr. Ogden said. He added that he hoped the lawsuits would also combat sensationalism in journalism in an era when many outlets rush to promote stories with shock value without regard to the facts. Infowars "keeps saying this one because it's so vile, it generates

tons of views, which is how they make money," he said.

One suit involves plaintiff Leonard Pozner and his former wife, Veronique De La Rosa. Mr. Jones' video called "Sandy Hook Vampires Exposed" said Ms. De La Rosa participated in a faked interview with journalist Anderson Cooper, the suit said.

The second suit, on behalf of plaintiff Neil Heslin, involves an Infowars segment claiming Mr. Heslin was lying when he said he held his son's body and saw a bullet hole in his head. "This heartless and vile act of defamation reigned the Sandy Hook 'false flag' conspiracy and tore open the emotional wounds that plaintiff has tried so desperately to heal," the suit said.

Mr. Heslin also sued an Infowars reporter, Owen Shroyer, for defamation for asserting it wasn't possible that the plaintiff held his son in his arms, because a local medical examiner told media that the slain students were initially identified using photographs rather than in person. Mr. Shroyer couldn't be reached for comment.

City Mice Carry Rare Diseases

BY MELANIE GRAYCE WEST

New York City house mice, the kind probably nibbling away in the pantry, are leaving behind more than an unwelcome mess.

Big Apple mice carry an assortment of bacteria and viruses that can cause maladies ranging from mild to life-threatening in humans, according to research published Tuesday.

Researchers from the Center for Infection and Immunity at Columbia University's Mailman School of Public Health in New York gathered 416 mice from seven different sites across the five boroughs and tested their fecal pellets. The droppings showed the mice carry numerous dangerous diseases including shigella, salmonella, clostridium difficile and leptospira, which cause fever and gastrointestinal distress in humans.

Some of the bacteria were resistant to three common antibiotics, the research showed.

Moreover, the mice carried 36 types of viruses, most of which had never before been seen in mice. Mice found in the Manhattan neighborhood of Chelsea, which were fatter than other mice, harbored the greatest number of viruses.

The results were published in the journal *mBio*.

The precise health-threat level posed by New York City mice feces was, until now, not fully researched. The findings, in part, confirm common sense: Mouse droppings really are



Mice found in Chelsea, which were fatter than other mice, harbored the most viruses.

stomach-churning. For the immunosuppressed, ill or very old, mice with pathogenic microbes can be especially dangerous.

The city received roughly 18,000 complaints about mice in private residential properties last year via calls to 311, according to a spokeswoman for the Department of Housing Preservation and Development.

Complaints trigger contact with the property owner and potentially a visit by an inspector, the spokeswoman said.

A spokeswoman for the city's health department said officials have no epidemiological evidence that mice serve as a reservoir for pathogens that pose a significant danger to residents.

The precise health-threat level posed by New York City mice feces was, until now, not fully researched. The findings, in part, confirm common sense: Mouse droppings really are

'Watch Out, Rats!' Mayor Steps Up War

Opments will get dry-ice rat abatement treatments, exterminators, new wastebaskets, trash compactors, and concrete floors to cover dirt-floor basements.

Seated behind a sign that said, "Watch Out Rats!" Mr. de Blasio said that for many New Yorkers, coming across a rat in the morning is "like your 'Good Morning New York.' "

"Dry ice is the rat's worst enemy," the mayor added.

New York's Commercial-Property Market Storms Back

BY KEIKO MORRIS

Sales of the city's office towers, apartment buildings, development sites and other properties rose to \$12.42 billion in the first quarter, a 70% increase from the same period last year, according to real-estate services firm Cushman & Wakefield.

Manhattan transactions more than doubled to \$8.9 billion.

Google's \$2.4 billion purchase of the Chelsea Market building, one of the highest-priced office sales in the city's history, helped those numbers. But other large deals also closed, such as the \$700 million acquisition of the 3.25-acre St. John's Terminal site by Oxford Properties Group and Canada Pension Plan Investment Board.

And there are a number of deals on the horizon, including Pfizer Inc.'s agreement to sell its headquarters on East 42nd

Street to investor David Werner for about \$360 million, according to a person familiar with the deal.

Douglas Harmon, chairman of Cushman's capital markets group, said the first-quarter activity "should portend well for the rest of the year."

Sales began rising steadily in 2010 and shot up in 2014 and 2015, the most recent peak, when deals reached \$80.4 billion, according to Cushman. By the end of 2017, the dollar amount of transactions had dropped by 55%.

Real-estate brokers and executives have cited a number of reasons for the nosedive after 2015, including the uncertainty of the presidential election, wariness of being in the late stages of a long economic expansion and a pricing gap between sellers and bidders. Inexpensive and abundant financing also made it possible for owners to continue holding their properties.

"I think a lot of people went to the sidelines last year saying, 'I spent a lot of money in 2014, 2015 and 2016,'" said Darcy Stacom, chairman of the New York City capital markets group for CBRE Group Inc.

The absence of megadeals drove much of the slowdown in 2017, Mr. Harmon said. The first quarter of 2018 demonstrated the return of the larger deals, even setting aside the Chelsea Market sale. A preliminary tally from Real Capital Analytics showed about 12 deals of \$250 million or more in Manhattan for the first quarter of 2018, compared with four such deals in the same period of 2017.

Sales of multifamily apartment buildings also increased in the first quarter, more than doubling to \$2.9 billion, according to a preliminary analysis by Ariel Property Advisors. Expectations of buyers and sellers have adjusted, depending on the property, Shi-

mon Shkury, Ariel's president, said.

"Properties that are in prime locations or have a clear value-add proposition are trading with no discount, at pricing they used to trade before 2017," said Mr. Shkury. Meanwhile, more "vanilla" apartment buildings likely will sell for 5% less than 2016 prices, he said.

and Google's recent acquisition plays into that premise, said Craig Leibowitz, director of JLL's New York research.

Ruben Cos. sold its office tower at 1700 Broadway to the Rockpoint Group for about \$465 million, according to people familiar with the deal. The company had developed the building in the 1960s and purchased the land beneath the tower a few years ago, said Richard Ruben, chief executive of Ruben Cos.

"I would say there is a huge abundance of capital chasing these products, especially on the debt side, and not a whole lot of product on the market," Mr. Ruben said. "So whenever something comes to market it is strongly bid."

While most brokers anticipate sales will increase from 2017 levels, some say it is unclear how robust that will be. Rising interest rates could pose a headwind, some brokers said.



Google's purchase of the Chelsea Market building was a boost.

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TRANSPORTATION

Flight Attendants
Vote to Join Union

Flight attendants for New York-based carrier JetBlue Airways Corp. have voted to join the Transport Workers Union of America, according to results released Tuesday by the National Mediation Board.

The vote, 2,661 to 1,387, affects roughly 5,000 JetBlue flight attendants. The airline's pilots voted to join the Air Line Pilots Association in April 2014.

In a statement, TWU's International President John Samuels said the union will begin negotiating an initial contract immediately.

In a news release, JetBlue said it respected the outcome of the election, but "we are disappointed in this result because we believe the direct relationship is superior to third-party representation."

—Melanie Gracie West

POLITICS

Mayor, Governor
Release Tax Returns

Gov. Andrew Cuomo's 2017 income fell after payments from his memoir ended, netting him less for the year than his long-time rival Mayor Bill de Blasio, according to federal tax returns the two made public.

The Democratic governor took home \$212,776 in 2017 through his \$179,000 state salary and a blind-investment trust. Last year, he took home \$417,748 thanks largely to contractual payments from Harper-Collins for his memoir.

The Democratic mayor and his wife, Chirlane McCray, reported adjusted gross income of \$223,449. Mr. de Blasio earned a salary of \$220,188 in 2017, up from \$217,217 in 2016. The couple reported \$104,000 in rental income from two homes in Brooklyn, but claimed a combined loss of more than \$12,000 on the properties due to repair expenses and depreciation.

—Mike Vilensky
and Kate King

METRO MONEY | By Anne Kadet

Coffee Roasting Is All in the Family



What do the Yale Club, Pret a Manger and your corner bodega have in common? They all buy their coffee from the same local roaster.

White Coffee, a family-owned business in the Astoria section of Queens, has endured since 1939 through its willingness to produce any kind of coffee for any kind of customer.

Yes, it roasts snob-friendly, single-origin, organic beans for upscale cafes and restaurants. But it also has produced a peanut butter-banana coffee for the Elvis estate and a bourbon coffee for Jim Beam. It even makes a "Donut Shop Blend" for delis that want their coffee to taste just like the brew served at Dunkin' Donuts.

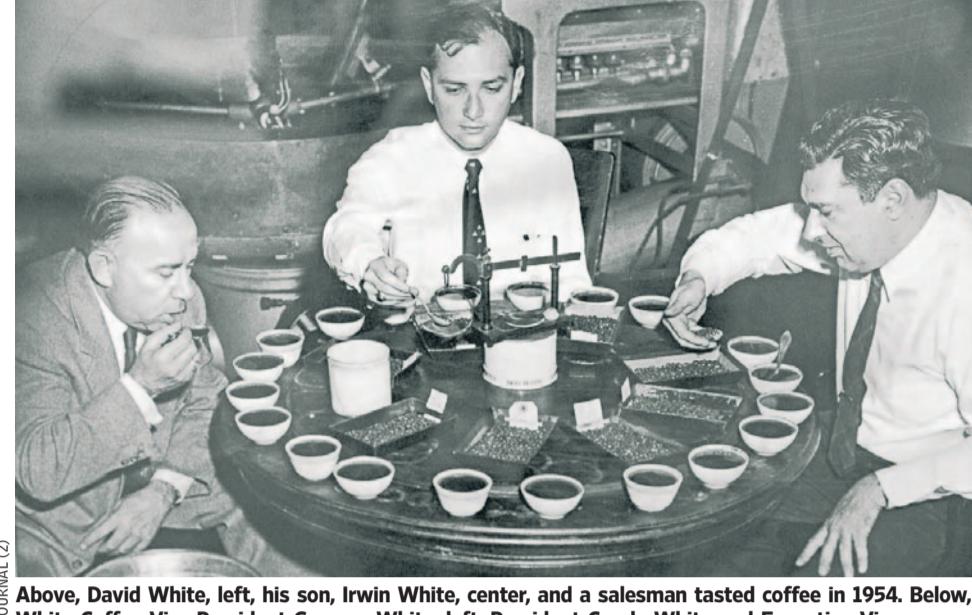
"Whatever my customer likes, I love!" Vice President Gregory White says.

The company offers more than 13,000 different coffee products to wholesale and retail customers. "It drives us crazy," says Gregory's brother, Executive Vice President Jonathan White, who helps run the company with his mom, President Carole White.

If you live in New York City, you probably drink more White Coffee than you realize—it's myriad varieties are offered in thousands of locations around town. It's served at many area restaurants and hotels including Hilton and Marriott. It's sold both by the pound and the cup at shops like Grace's Marketplace. Check any deli and you'll likely find the company's commercial-grade brands.

White Coffee is also sold under private label and brand licenses including Entenmann's and Kahlua at supermarkets and club stores across the U.S.

I toured the Astoria plant



Above, David White, left, his son, Irwin White, center, and a salesman tasted coffee in 1954. Below, White Coffee Vice President Gregory White, left, President Carole White and Executive Vice President Jonathan White run the company. Coffee beans are cooled after being roasted.



last week. At 50,000 square feet, it's smaller than you'd expect for a business roasting 9 million pounds of beans annually. But it packs a lot in.

"It's a roasting plant, a warehouse, a manufacturing place, a place I love to walk around in," Jonathan White says.

The warehouse is piled high with 70-kilo burlap bags of green coffee, fresh off container ships. White Coffee stocks more than 50 kinds of bean sourced from more than 20 countries, including Ethiopia, Colombia and Papua New Guinea.

Basic raw beans cost about \$1.20 a pound, while premium varieties cost \$3 a pound or more. White Coffee typically charges customers \$5 to \$10 a pound for roasted beans—a price that includes delivery, brewing gear and equipment service.

Consumers, meanwhile, will pay \$7 to \$15 a pound for these beans at the store, and anywhere from \$1 to \$4 for a single cup at a deli or restaurant.

On the factory floor, about 40 of the company's 105 workers operate mechanical contraptions that wash, roast, flavor and grind the beans before packing them into K-cups, foil pouches for commercial use and bags for retail display. "I love it in here," Mr. White shouts over the din. "The smells are great. The level of activity. It's organized chaos!"

Hot off the conveyor belt: A new maple-vanilla coffee developed for a gas-station chain. Maple is huge this year, Mr. White says.

They're always inventing new flavors—like jalapeño.

"That did not go well," Mr. White recalls. Neither did a lemon-flavored brew. "It tasted like Pledge," he says.

The process for developing a new coffee can be less sophisticated than one might expect, Mr. White says. A buyer for a convenience-store chain, for example, might commission a blend that tastes like her favorite supermarket brand.

And that's on a good day. Sometimes, the buyer doesn't even drink coffee. She'll bring a sample back to her office for co-workers to try. "And then you'll have that big chain serving that coffee for the next 10 years," Mr. White says.

After the tour, I attended a tasting so I could sample a few basic and higher-end options. The Parker House brand—typically served in places like hospitals where cost is the main consideration—was on the wattery side, even when prepared to ideal specifications.

"It tastes like diner coffee," I say.

"That's the idea," Mr. White explains. "It's supposed to be very mild."

The Pinnacle brand, which includes flavored coffees such as hazelnut often served in delis and convenience stores, costs about a dollar more a pound. It was a real improvement.

"It's smoother, more body, more flavor notes," Mr. White says.

I didn't care for the expensive Ethiopian Yirgacheffe, a fashionably light roast with citrus notes. But I loved the midprice 100% European-Prepared Organic Colombian. It was full-bodied and straightforward.

"It's like comfort food," agrees Mr. White.

If maple and light roasts are hot right now, what can we expect 10 years down the line?

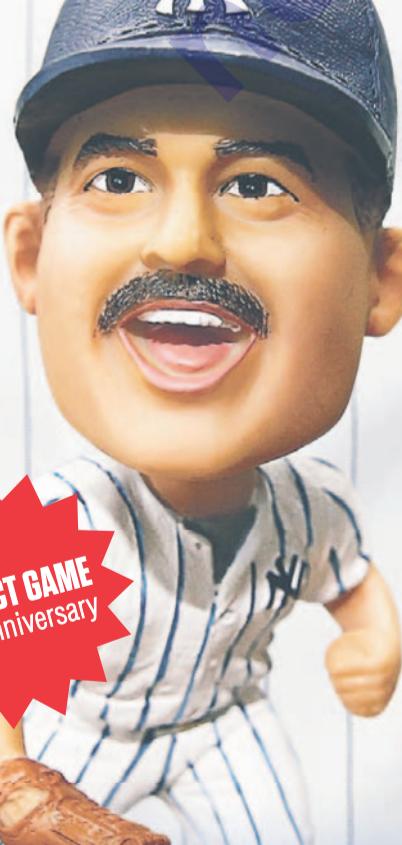
Mr. White doesn't hesitate with his bold prediction: "People will still be drinking lots of coffee."

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THE MIAMI ISSUE

VICTORIA'S SECRET
MODEL LAIS RIBEIRO
MAKES A SPLASH

LIFE & ARTS



ILLUSTRATIONS BY TAYLOR GALLERY

A NEW WAVE of instant messaging at the office is changing communication, and some older workers are scrambling to keep up.

Instant messaging at work has expanded rapidly in the past three years. Companies are racing to adopt secure workplace apps to replace the consumer apps young employees have been bringing to the office on their smartphones for years, such as WhatsApp and Facebook Messenger.

The trend is driving a shift in workplace habits, as employees respond to a stream of instant messages while toggling among email, voice mail and other tools. While some older workers who have grown up with email see IM as annoying or distracting, they're finding "you adapt or you die," says Allison Tabor, a San Ramon, Calif., executive coach.

Andy Pittman, 54, resisted using instant messaging for as long as possible last year after becoming a senior executive at ShelfGenie, an Atlanta-based home-improvement franchising company. While most of his colleagues, who are in their 30s and 40s, communicate via Slack, Mr. Pittman, who became chief executive officer in January, preferred email.

Slack, one of the most widely used messaging apps, allows group chats, direct messaging to individuals, and voice and video calls across multiple devices. Mr. Pittman learned to use Slack after colleagues pressed him to do so. But he drew the line when they insisted he create a cartoon bitmoji to represent himself on the app. A colleague offered a gift card to any co-worker who could design one Mr. Pittman liked, but he wound up rejecting all 10 of their images, including one that portrayed him as a Teletubby. "I didn't think any of them looked like me," Mr. Pittman says. He posted a photograph of himself instead.

WORK & FAMILY | By Sue Shellenbarger

The Instant Message Generation Gap

While email is still the leading form of business communication, IM accounts are expected to grow 8% annually for the next four years, to 8.6 billion world-wide, says the Radicati Group, a Palo Alto, Calif., research firm. Employers say they reduce the need for meetings and make it easier to sustain conversations among team members, share updates and get quick tips and answers. Email can seem clumsy, slow and officious by comparison.

While young workers tend to enjoy the social ties instant messaging can promote, some older workers see all the banter as TMI. Tim Tolan sets aside one channel on Slack for personal photos, videos and stories posted by his employees, who are mostly in their 20s and 30s. Mr. Tolan is CEO of the Tolan Group, a St. Augustine, Fla., affiliate of the Sanford Rose executive-search network.

Mr. Tolan, 59, admits he's taken aback sometimes by what employees share, including photos of their lunches. "I come from a different era, and I tend to be a little more of a private person," he says. "I don't really need to see a plate of spaghetti." But he recently bent to the trend by posting photos of his Costa Rica vacation with his wife. "I don't want them to think I'm an old fogey," he says.

Younger workers also tend to be more comfortable with taking instant messaging home with them.



The Chat App Trap

Can you guess which of these message services are fictional?

- | | |
|-------------|-------------|
| 1. Glip | 7. Flock |
| 2. Negosh | 8. Yammer |
| 3. Lync | 9. Yuul |
| 4. Spark | 10. HipChat |
| 5. Telegram | 11. Stride |
| 6. Ryver | 12. Colloq |

See answers at end of article.

Nearly one in five employees who drive send or read work-related text messages while driving, according to a 2017 survey of 1,146 employees. Employed drivers under 45 are more than twice as likely to text behind the wheel as those 45 and over, says the survey, conducted by Harris Poll for Travelers Cos.

Some employees feel tethered to their screens by the apps' status indicators showing whether they're available or away. "For some, it makes them nervous that the boss can see their status as unavailable, and maybe judge them, when they're actually making time for reading," says Nancy Ancowitz, author of "Self-Promotion for Introverts" and a New York career coach.

The tempo of IMing changes the way many people organize their days. "It used to be that one of the big time-management tips people would recommend is to not read your email and just work uninterrupted for a few hours," says Christina Seelye, CEO of Maximum Games, a Walnut Creek, Calif., videogame company. Now, taking a break from instant messaging for even a few hours can mean you're missing something.

Many younger employees enjoy the slang and abundant emojis that mark IMs, saying they're relieved not to have to worry about sentence structure or punctuation. But Kimberly St. Clair, who is 49 and the controller for Maximum Games, worries that when people get lazy about grammar, she does too. She tries to communicate professionally. "I shame my own self when I get sloppy," she says.

Many employers use a hodge-podge of messaging and collabora-

tion apps, making it hard to find information and people. And some allow teams and departments to choose different apps based on their preferences, says Art Schoeller, a principal analyst at Forrester Research. "The sprawl problem is still one that challenges everybody," he says.

Although Maximum Games uses five different messaging and project-management apps, toggling among them doesn't bother 28-year-old Geoff Mendicino, a quality-assurance specialist for the company. "It's a way for me to organize my thoughts," he says. "I can switch between apps in the blink of an eye." That means using Slack for messaging U.S. colleagues and Skype to chat with co-workers based in Europe.

A new generation of workplace apps, including Microsoft Teams, Stride by Atlassian and Google Hangouts, aim to simplify communication by bundling instant messaging with team-collaboration, web-conferencing and social-networking tools.

And more employers are teaching workers to avoid IM pitfalls. Udemy, a San Francisco-based marketplace for online classes, trains its new employees to curb distractions by customizing IM notifications to suit what they're working on, says Shelley Osborne, head of learning and development.

Tony Hopp advises employees at his company to avoid falling into the trap of expecting all messaging to happen at warp speed. "Don't assume that if you don't get a message back in two minutes, your co-worker is ignoring you," says Mr. Hopp, chief technology officer at AdvantaClean, a Huntersville, N.C., franchiser of environmental cleanup services. And when you send an instant message, include a note on when you need a response.

ANSWERS: 2, 5 and 12

TELEVISION

THE COMEDIAN WHO BOUGHT THE WEATHER CHANNEL



Byron Allen, chairman and chief executive of Entertainment Studios, at his Los Angeles office this month.



BY DON STEINBERG

WHEN BYRON ALLEN bought the Weather Channel for \$300 million, in March, it might have seemed to some like the setup to a late-night punchline.

Byron Allen? The man who co-hosted "Real People" in 1979 and now appears on syndicated comedy shows?

Mr. Allen is serious, though. He paid cash. Without much notice, the former comedy prodigy has built a privately held media company, Entertainment Studios, that owns eight cable channels, produces more than 30 TV programs as the U.S.'s largest independent producer of first-run syndicated programming, operates a film-distribution company that spent \$16 million to promote this month's release of "Chappaquiddick," and is planning to expand.

"They're a hungry company," says Mark Ciardi, a producer of "Chappaquiddick."

Mr. Allen, 56 years old, owns

100% of the Los Angeles-based company. "It ended up being that way when you don't have people who are interested in investing," he says.

"There were a lot of lean years. My home went in and out of foreclosure probably 14 times. My credit was so bad, there were people who wouldn't take my cash," he adds, still eager to finish with a joke.

Born in Detroit, Mr. Allen as a 7-year-old moved with his mother to Los Angeles, where she landed work as a tour guide and publicist at NBC. "I would go to the studios and watch Johnny Carson do 'The Tonight Show,' watch Redd Foxx do 'Sanford and Son,'" he says.

As a teenager, on the advice of comedian Gabe Kaplan ("Welcome Back, Kotter"), Mr. Allen tried performing at the Comedy Store, where he was recruited to write for the stand-up act of sitcom star Jimmie "J.J." Walker. He got \$25 for his first joke and quit his paper route.

In 1979, still in high school, Mr. Allen performed on "The Tonight

Please see ALLEN page A11

LIFE & ARTS

MY RIDE | By A.J. Baime

A Spin in the Most Important Car Ever Built

Tim Kelly, 58, a Schaumburg, Ill.-based retired private-equity investment manager, and Carrie Kelly, 59, a nursing professor, on their Ford Model T's, as told to A.J. Baime.

Tim: I never dreamed of one day having a car collection. Then I saw a Model T buried in a friend's barn. I thought, I would love to take something like that



and rebuild it back to its old grandeur. Over 10 years later, my wife and I have a collection of 13 vehicles, including a 1905 Holsman and a British tank, and we built a log cabin in Lake Geneva, Wis., where we keep them.

Carrie: It had been buried in a barn for 10 years, and it was a piece of junk. But Tim was excited so he paid about \$5,000 for it. It took a year to restore the car. Tim lost three fingers in the process, unfortunately.

Tim: It was one bad error with a table saw, but I look at the bright side: Now I do not have to pretend to enjoy playing golf. For me, I think any car collection should start with a Model T because it is the most important car ever built. It was so affordable and reliable that some 15 million were sold between 1908 and 1927. It put the world on wheels.

Carrie: With any other hobby a husband might have, he might be off on his own. But this hobby, we do it together. I pick out the car, he drives, and off we go.

Contact A.J. Baime at Facebook.com/ajbaime.

Carrie: We get asked frequently, which is your favorite car? That's like being asked which of your children you love the most! But I do have a favorite: our 1917 Ford Model T Runabout. We found it on eBay for \$10,500 nine years ago. There's nothing more relaxing than cruising back roads with the top down on a sunny day, with no radio or anything else to distract you.

Tim: My favorite is the first vintage car we bought: a 1919 Ford Model T. This was the car that inspired me to collect cars in the first place. Unlike the Runabout that was originally sold as a daily

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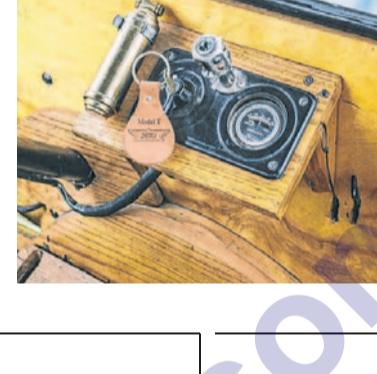
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Far left, Carrie and Tim Kelly in their 1917 Ford Model T Runabout, also seen above. Left, the car's hood ornament. Below, the 1919 Model T, which the Kellys say was originally a taxi, and a closeup of its key ignition and fire extinguisher.



JESSE CHEHAK FOR THE WALL STREET JOURNAL

MUSIC

HIP-HOP'S FIRST PULITZER

BY NEIL SHAH

KENDRICK LAMAR'S Pulitzer Prize win is the latest sign of the growing recognition of hip-hop—this time from one of America's highest-profile cultural institutions.

The rapper, who won for his album "DAMN.," is the first winner who isn't a classical or jazz artist since the first Pulitzer for music was issued in 1943. Aside from previous award winners Wynton Marsalis, Henry Threadgill and Ornette Coleman, it has largely been a prize for classical composers.

Hip-hop fans cheered Mr. Lamar's win and what it says about the artistic importance of the rap genre.

"In winning such a distinguished honor, we're seeing the rise of major institutions giving long-deserved validation to hip-hop as an art form," the hip-hop website DJBooth tweeted Monday.

From Compton, Calif., Mr. Lamar, 30, has been called the greatest rapper of his generation and an heir to icons like Dr. Dre and Tupac Shakur, thanks to his writing and performing skills.

"DAMN.," considered his most introspective work, was released last year and was 2017's most popular R&B or hip-hop album, tallying 2.7 million in "album-equivalent" sales, including album and single sales as well as on-demand audio streams, according to Nielsen Music.

After Mr. Lamar's win, Terrence "Punch" Henderson, the president of Top Dawg Entertainment, one of Mr. Lamar's labels, along with Interscope Records, celebrated on Twitter. "Pulitzer Prize winner Kidot from Compton," he said, using Mr. Lamar's nickname, and warning others not to "speak with anything less than respect in your mouth for Kendrick Lamar."

Mr. Lamar's win comes at a time when black culture is flourishing. Beyoncé made waves at this year's Coachella, while another rapper, Drake, has dominated the music charts. Yet another hip-hop artist, Jay-Z,



Kendrick Lamar won this year's Pulitzer Prize for music for his album 'DAMN.'

last year became the first rapper inducted into the Songwriters Hall of Fame.

Outside of music, "Black Panther" became a blockbuster with a nearly all-black cast and crew, while Donald Glover's TV series "Atlanta" is in the middle of a buzzy second season. Jesmyn Ward's "Sing, Unburied, Sing" won the National Book Award for fiction in 2017, the same year that another African-American writer, Tracy K. Smith, was named U.S. poet laureate.

Since its inception in the 1970s, hip-hop has struggled to gain respect as a business and art form. In the 1980s, when stars like Run-D.M.C. and Eric B. & Rakim were popular, hip-hop's scale was underreported.

Years later, when Billboard computerized its album-sales data—a watershed moment that improved data quality and pushed an N.W.A. album to No. 1 in the country—America realized how big the hip-hop market had become.

Something similar is happening today: The Billboard charts now include streaming media, particularly popular among hip-hop fans, highlighting the demand for the music.

Last year, hip-hop officially surpassed rock to become America's most popular genre, according to Nielsen. With the genre aging and diversifying, there's even a growing generation gap between more lyrical and technically-savvy rappers of previous decades and a new generation of so-called SoundCloud rappers more focused on melody, angst and colorful personalities.

Acknowledgment of hip-hop's cultural importance, however, has been slow in coming. Mr. Lamar was nominated for the most prestigious Grammy, Album of the Year, but lost this year to pop-R&B star Bruno Mars. Mr. Lamar, like fellow rapper Kanye West, has lost three consecutive times in the category.

When news of Mr. Lamar's Pulitzer win spread Monday, music critics flagged the disconnect with the Grammys. "The Pulitzer Prize committee gets it," wrote Chicago Tribune music critic Greg Kot. "The Grammy awards don't."

LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

She Honestly Loves Her

FEW FANS OF Juliana Hatfield might have guessed that Olivia Newton-John is one of her favorite singers: Ms. Newton-John's name appears once, in passing, in Ms. Hatfield's "When I Grow Up: A Memoir," and her 2012 self-titled covers album included songs by Ryan Adams, Liz Phair, Nada Surf, Teenage Fanclub and classic rockers—though no Ms. Newton-John.

But Ms. Hatfield's new "Juliana Hatfield Sings Olivia Newton-John" (American Laundromat), out now, is such a loving tribute that it makes her admiration clear.

Ms. Hatfield takes 13 songs from the singer's impressive catalog and remakes them in her own signature style in which pop, punk and indie rock unite.

A joy in itself, "Juliana Hatfield Sings Olivia Newton-John" demands a fresh visit to the body of work of both artists—one of whom found a cult following amid a rocky, three-decade-long career, the other achieving global acclaim with unpretentious charisma, a pleasing if modest voice, and earnest presentations of often-excellent material. Ms. Hatfield released her first recording in 1987 as a 20-year-old member of the Boston-based Blake Babies; across the span of some two-dozen albums, she has repeatedly shown a gift for edgy and crafty songwriting; a voice that can be sweet, world-wearied and ideal for channeled aggression; and the ability to play what the songs require, especially on electric guitar. Her Newton-John tribute ripples with a charming vibrancy that was missing, deliberately so, from her prior release, the pointedly political "Pussycat," issued last year.

Ms. Hatfield was 7 years old when Ms. Newton-John had her 1974 international breakthrough with "I Honestly Love You," which appears twice on the new collection. When we spoke by phone last week, Ms. Hatfield said she became an ardent fan in '76; by then, Ms. Newton-John had several top hits in the U.S., including "Please Mr. Please" and "Don't Stop Believin'." Ms. Newton-John was still in her country-pop phase when she cut those tracks, and Ms. Hatfield's versions hew closely to the original arrangements, providing an agreeable mid-album stretch that's never cloying.

Following the release of the film "Grease" in 1978, Ms. Newton-John's career skyrocketed with the movie's soundtrack album and her own "Totally Hot."

Here, Ms. Hatfield goes her own way with the film's "Hopelessly Devoted to You"—sung with inno-



cence by Ms. Newton-John—by retaining the '50s-style foundation but firing up punk guitars set deep in the mix. Whereas Ms. Newton-John delivered the "Totally Hot" title track as light funk, Ms. Hatfield rips into it with her snarling guitars pushed by drummer Pete Caldes's big beats.

At its best moments, the album finds Ms. Hatfield paying respect, but not fealty, to Ms. Newton-John's familiar versions. Its best cuts—including "Dancin' Round and 'Round" and "A Little More Love,"

both from "Totally Hot"—call to mind not the originator, but the bright side of Ms. Hatfield, thus liberating the recording from the glum responsibilities of a nostalgia exercise. Throughout, Ms. Hatfield's voice is youthful, her delivery exuberant, and if she doesn't



always reach the highest notes, her enthusiasm more than compensates. Clearly, she takes inspiration from Ms. Newton-John's willingness to risk the loyalty of her audience by shifting styles as the years passed. And she admires the dignity with which Ms. New-

ton-John conducted her career.

"It bothers me when people write her off as a cupcake," Ms. Hatfield said from her home in Cambridge, Mass. "She had depth and breadth." While Ms. Newton-John's performances don't demand much from a listener, there's a subtext that speaks to their substance as superior pop.

Many of Ms. Newton-John's most familiar songs were written and produced by John Farrar, who for the most part remained out of sight during her high times. Mr. Farrar was once a member of the Shadows, which had served as Cliff Richard's backing band and featured guitarist Hank Marvin, an influence on fellow British guitarists of the 1960s and beyond. Working with Ms. Newton-John from 1971 through 1989, Mr. Farrar had a seemingly unerring knack for writing or selecting songs that were the stuff of hits; he also played many instruments on her albums of the period. Ms. Hatfield's inter-

pretations show the cleverness and the structural integrity of the compositions—a reminder, once again, that great pop songs sound like they're easy to write, but upon closer inspection reveal their sophistication. Perhaps the album will revive interest not only in Ms. Newton-John's body of work, but in the memorable tunes Mr. Farrar composed.

Ms. Hatfield said she always believed she could record a distinctive tribute to Ms. Newton-John; that in moments of self-doubt, she reminded herself to keep it sincere. She succeeded. "Juliana Hatfield Sings Olivia Newton-John" is a heartfelt tribute that is a reflection of the delight she still takes all these decades later in hearing the voice and songs of her hero Ms. Newton-John.

Jim Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.

ALLEN

Continued from page A9
Show." By 1980, he was joking with Mr. Carson as a panel guest, quipping "I'm just doing this until I can make it as a waiter."

Mr. Allen became co-host of NBC's proto-reality show "Real People." Traveling for that series, and opening as a comic for acts like Dolly Parton, gave him a feel for America's tastes, he says, something he kept in mind while building his company.

"My taste is very commercial, very broad. It has to be," he says.

Mr. Allen began his business by videotaping publicity-tour interviews with movie stars. He packaged them as a syndicated TV show and offered it to local channels free, sharing advertising revenue.

Mr. Walker can't say he predicted Mr. Allen's success as a businessman, but he admires it and believes it was the right move.

"I think Byron knew that maybe being a producer was the better shot for him. There were a lot of good opening-act guys," Mr. Walker says. Now, he says, "he's beholden to no one."

Now he produces more than 30 relatively low-budget programs, like his talk show "Comics Unleashed" and a new game show, "Funny You Should Ask," in which con-



At the March 'Chappaquiddick' premiere, from left: Jason Clarke, Kate Mara, Byron Allen and Ed Helms.

testants answer trivia questions. The company sells its shows to broadcasters and uses them to fill its own cable channels, which include Comedy.tv, Cars.tv and MyDestination.tv.

Mr. Allen has been aggressive about getting those channels into more homes. He has sued cable operators, accusing them of racial discrimination because of inadequate carriage of black-owned channels. In 2015, AT&T settled a suit by putting seven of his channels on its DirecTV satellite offering and U-Verse streaming-TV service. A suit against Charter Communications is active, while one

against Comcast was dismissed and is under appeal.

AT&T referred to its 2015 statement: "The matter has been resolved." Comcast said "We'll continue to vigorously defend ourselves against inaccurate and unsupported allegations."

Charter didn't respond to a request for comment.

Mr. Allen moved into film distribution in 2015, acquiring Freestyle Releasing, known for faith-based movies like "God's Not Dead." He bought shark-attack horror film "47 Meters Down," from the Weinstein Co.'s Dimension Films. "Bob Weinstein literally had DVDs on a truck to be in stores," Mr. Allen

says. It was a surprise hit and earned \$44 million, one of 2017's top independent films.

Entertainment Studios raised eyebrows last fall when it won bidding wars to distribute the Christian Bale western "Hostiles" and the Keanu Reeves sci-fi film "Replicas." "Chappaquiddick," which it secured for \$4 million, grossed \$6.2 million in its opening weekend.

The Weather Channel is now Mr. Allen's most widely carried channel, reaching more than 80 million U.S. homes, though he only bought the TV operation—IBM bought Weather Company's website and digital operations in 2016 and licenses data to the TV channel.

Mr. Allen may exploit the channel's live broadcasting capability. "Now we can turn on a news network. We can turn on a sports network," he says.

During hurricanes and other big events it can be America's most-viewed channel, but it also features programming that isn't live.

Weather Channel CEO Dave Shull says executives are exploring a "forensic weather" program that could run on Weather Channel as well as Entertainment Studios' Justice Central.

According to media analyst Josh Bernoff, "there's a high likelihood that the Weather Channel, or whatever it's called five years from now, will not look at all the way it looks now."

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SPORTS

PREMIER LEAGUE

Soccer's Decade of Guardiola

Man City's triumph is an era-defining title for manager Pep Guardiola and his philosophy

BY JOSHUA ROBINSON

AS MANCHESTER City's players celebrated in front of their fans at Wembley Stadium on Saturday, mere hours from clinching a Premier League title, Pep Guardiola, the club's frenzied manager, pulled one of his men aside.

He put his arm around fullback Kyle Walker's shoulders, walked him to the middle of the field and whispered in his ear. Guardiola pointed out different sectors of the pitch, waving up and down at the territory Walker occupied. Celebration or not, Guardiola still had tactical instructions to impart. And he had to do it immediately.

Under Guardiola the past two years, Manchester City's aim was never just to win, but to win Guardiola's way—in the country where his particular style was supposed to break down. But that never happened: City clinched the title on Sunday when second-place Manchester United lost.

To see City's achievement as the story of one club, or one season, is to miss the larger picture. City's triumph was an era-defining title to cap a decade of Guardiola-ball.

"The amount of goals, the amount of chances, the amount of points," Guardiola said on Saturday. "To do that in that league, in the Premier League, with the contenders we have. It's because the players are so, so good."

And because those players have a manager attempting things that have rarely been tried successfully at the peak of the game. Guardiola's dominance wherever he's traveled is unmatched in world soccer. Since he was first handed the keys to Barcelona's senior squad in 2008, he has won seven of a possible 10 league titles in three different countries. Granted, he has worked for some of the richest clubs on the planet at Barça, Bayern Munich and City, but others have leaned on similar cash piles without approaching his trophy haul.

City is on pace to be the first team in English soccer to post 100 points on the league table. It is also just 11 goals from cracking the all-time high of 103 goals set by Chelsea in 2009-10. And, if second place Manchester United slips up in its final five games, City could also surpass the record winning margin of 18 points.

All of which is a product of Guardiola's unwavering stubbornness.

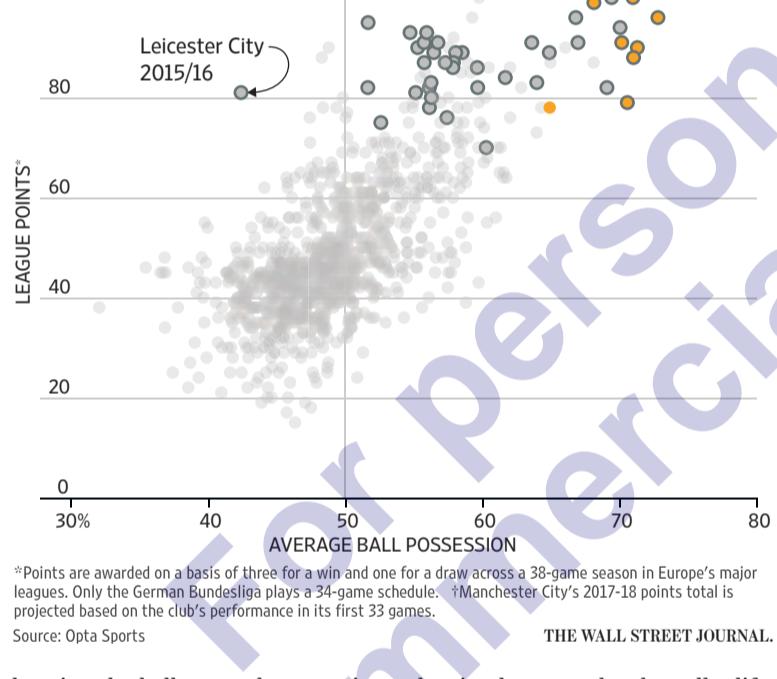
He had possession soccer drilled into him at Barcelona, believing that the ideal way to win was by



MANCHESTER CITY FC/GETTY IMAGES

Champions of Keep-Away

How Pep Guardiola's possession-focused teams have dominated European soccer for a decade



*Points are awarded on a basis of three for a win and one for a draw across a 38-game season in Europe's major leagues. Only the German Bundesliga plays a 34-game schedule. †Manchester City's 2017-18 points total is projected based on the club's performance in its first 33 games.

Source: Opta Sports

Since 2008, Pep Guardiola has won seven of a possible 10 league titles in three different countries.

rope's top five leagues to turn absurdly high possession numbers into absurdly high points totals were managed by Guardiola himself.

When Guardiola last year finished his first season in England without a trophy in the Premier League or Champions League, the British tabloids casually threw around the term "fraud." One dry spell was proof enough that Guardiola-ball might work over 38 games in Spain or Germany, but not in England—the play was too physical and the weather too harsh for pretty possession soccer.

But Guardiola didn't compromise.

He fostered greater unity inside the squad. He banned phones at practice and insisted the team eat more meals together and took his squad to the movies. Last November, City went to see La La Land.

By December, when City went 11 points clear atop of the standings with a victory in the Manchester derby, it was obvious that Guardiola's orchestra was playing his sound.

"This kind of play, we can do it in England. That's why I'm so happy," Guardiola said after that game.

Others in England have attempted that kind of play before, but not with anything like the menace and speed of City. And it isn't just the quickness of City's running that wreaks havoc. It's the team's quick-

ness of thought on the ball, too.

Man City took more touches and made more passes than any team in England this season, but its ratio of touches to passes was only 1.25. Compare that to Chelsea's equivalent ratio of 1.35, Tottenham's 1.36 or United's 1.38 and you realize that City's players circulate the ball nearly 10% faster.

"You try and do something to stop them but they can play around anything," Everton manager Sam Allardyce said after City ran circles around his team. "That's the beauty of this team. Brilliant. I'm gutted, but they were brilliant."

City packed so many threats this year that attempts to concoct a defense went about as well as game planning for a swarm of bees. When opponents thought they knew who "the guy" of the moment was, a different guy became "the guy."

Winger Raheem Sterling scored in five of City's first eight games. When he cooled off briefly, midfielder Kevin de Bruyne scored decisive goals in five of the next eight games. Leroy Sane, Gabriel Jesus, and David Silva all found patches of stunning form at the right times.

They combined it with the incredible consistency of Sergio Aguero, one of the deadliest strikers to play in England, who notched 21 league goals.

"He is a genius," Guardiola said.

Those close to the manager know that, to him, this title-winning squad is equally notable for the genius who is not there. Guardiola has now managed more league champions without Lionel Messi than he did with him at Barcelona. Other generational talents bolstered those teams from 2008 to 2012, but management becomes easier with the greatest of all time in your lineup.

At City, Guardiola has leaned less on a single transformative star. Guardiola built this team in his image—at a cost of more than \$400 million—and personally signed eight of the 15 players he has used most. As for the key figures who were already in place, such as Sterling, de Bruyne and Silva, Guardiola found new ways to deploy them.

One thing Guardiola has not done without Messi is lift the Champions League trophy.

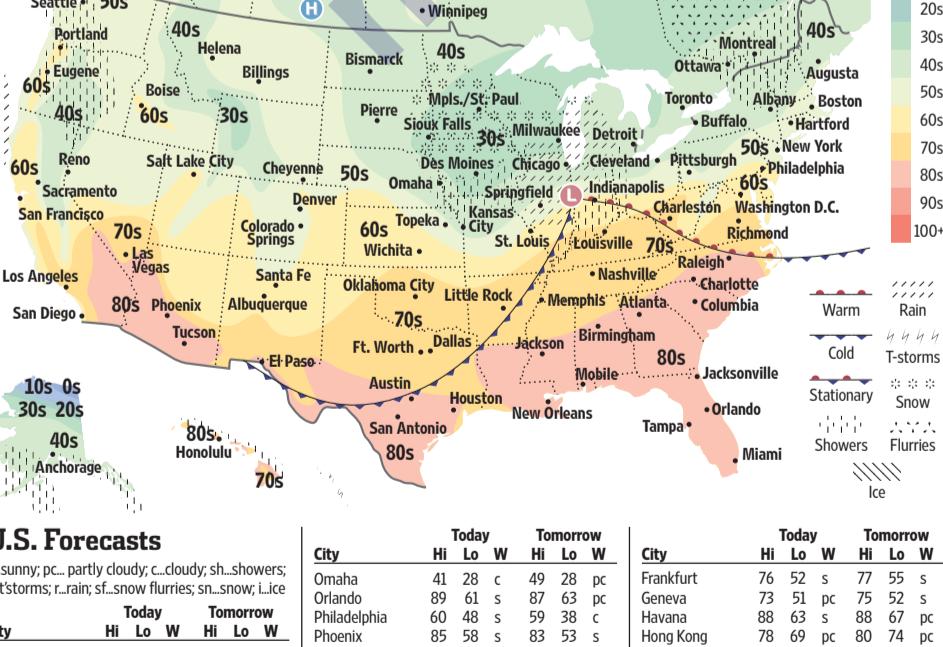
Out of nowhere, Manchester City lost both legs of its quarterfinal this month against a rampant Liverpool side.

Guardiola pointedly reminded people that those matches could not diminish what City had done the rest of the year. Liverpool manager Jurgen Klopp went further with the same thought.

"I really think they are the best team in the world at the moment," Klopp said the night he eliminated City from the Champions League.

"But I knew we could beat them. That doesn't make us better than them."

Weather



U.S. Forecasts

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

40s 50s 60s 70s 80s 90s 100+

10s 20s 30s 40s 50s 60s 70s 80s 90s 100+

40s

OPINION

The Comey Coverup

BUSINESS WORLD
By Holman W. Jenkins, Jr.

In his memoir, James Comey cites a "development still unknown to the American public to this day." This mysterious development, he says, was central to his decision to intervene publicly in the Hillary Clinton email case.

Now this is strange because the big mystery was apparently disclosed in a flurry of reporting by the New York Times, Washington Post and CNN a year ago. His insistence in his book that the secret is likely to remain classified for decades also seems a bit hilarious when so much of the story was spontaneously declassified by anonymous leakers last spring, likely including Mr. Comey or people working for him.

Let's recall what spawned that year-ago leakfest. It's a question Mr. Comey leaves untouched in his book. Many in the FBI thought the intelligence was fake, possibly a Russian plant. The final reporting word was CNN's, which cited sources saying Mr. Comey knew the evidence was probably fake but still considered it a threat to discredit the Justice Department's handling of the Clinton email case.

OPINION

REVIEW & OUTLOOK

A Higher Sanctimony

Donald Trump was warned. Seven days before his inauguration, these columns advised the President-elect to replace James Comey as director of the Federal Bureau of Investigation. We had no knowledge of secret probes, but we did have long experience watching Mr. Comey. And we knew Mr. Trump, whose narcissism would cause him to believe he could charm or dominate the director.

Mr. Trump didn't take that advice, firing Mr. Comey four months later when as President he was sure to pay a higher political price. He had ample cause to fire him, as a memo from Deputy Attorney General Rod Rosenstein laid out.

But Mr. Trump told an interviewer that he had fired Mr. Comey because the FBI chief wouldn't say publicly that the FBI wasn't investigating Mr. Trump. The President also threatened Mr. Comey with a false claim about Oval Office "tapes." Mr. Comey responded by leaking documents that caused Mr. Rosenstein to name a special counsel, which has put Mr. Trump's Presidency in mortal peril.

* * *

Now comes Mr. Comey's memoir, "A Higher Loyalty," which is an attempt at revenge and vindication. With the help of special counsel Robert Mueller, Mr. Comey may succeed at the former. He fails utterly at the latter. The main lesson from Mr. Comey's book is that Mr. Trump's abuse of political norms has driven his enemies to violate norms themselves.

The most notable fact in the book is how little we learn that is new about Mr. Trump. The tales of Mr. Comey's meetings with the President were leaked long ago, and on the specific facts they are plausible. Mr. Trump is preoccupied with his critics and the validation of his presidential victory. He is clueless that his bullying and flattery would repel Mr. Comey, who thinks of himself as Eliot Ness as written by David Mamet in "The Untouchables."

The book mainly adds Mr. Comey's moral and aesthetic contempt for Mr. Trump. This may be catnip for the press, but it isn't new and doesn't amount to an impeachable offense. Mr. Comey's comparison of Mr. Trump to a "mafia" boss is hilariously overstated. Don't they call it "organized" crime? And what about that code of silence known as *omerta*? The Trump White House can't keep anything secret.

The former director recoils that Mr. Trump once asked for his "loyalty" but within the law that is perfectly legitimate. As the Supreme Court said about executive officials in *Myers v. U.S.* (1926), "The moment that" a President "loses confidence in the intelligence, ability, judgment or loyalty of any of them, he must have the power to remove him without delay."

Mr. Comey reveals in his excessive self-re-

gard that he is more like Mr. Trump than he cares to admit. Mr. Trump's narcissism is crude and focused on his personal "winning." Mr. Comey's is about vindicating his own higher morality and righteous belief.

That comes through most clearly in his defense of his handling of Hillary Clinton's emails. Mr. Comey says he was put in an impossible situation: "I knew this was going to suck for me." Yet he says he had to preempt his superiors at Justice in July 2016 to absolve Mrs. Clinton because only he could assure Americans that the probe was fair. He endorses following the chain of command, but then says he had to ignore it for the greater good.

He accuses Mr. Rosenstein of acting "dishonorably" by writing the memo describing how Mr. Comey mishandled the Clinton probe. Yet he barely engages Mr. Rosenstein's arguments, which quoted from former Justice officials of both parties. Mr. Rosenstein wrote that Mr. Comey was "wrong to usurp" the authority of Attorney General Loretta Lynch and wrong to "hold press conferences to release derogatory information" about Mrs. Clinton.

That mistake made Mr. Comey feel obliged to intervene again in late October—this time to announce the reopening of the probe in a way that helped Mr. Trump. Had Mr. Comey followed Justice protocol in July, he would not have had to make himself the issue in October, damaging the reputation of the FBI and Justice in the bargain.

This has been the habit across Mr. Comey's career, though you'll find no mention in his memoir of Steven Hatfill, the government scientist he wrongly pursued for years as the anthrax terrorist; or Frank Quattrone, the Wall Street financier he prosecuted twice for obstruction of justice only to be rebuked by an appeals court; or Judith Miller's recantation of her testimony against Scooter Libby.

Mr. Comey has also had little to say so far about the controversy over the Steele dossier and his handling of the Russian investigation of Mr. Trump. Did he know that the dossier was commissioned by Democrats for the Clinton campaign? He also has nothing to say about the dismissal of his former FBI deputy, Andrew McCabe, for "lack of candor."

* * *

Mr. Comey is getting his moment of revenge as much of the press revels in the attacks on Mr. Trump. Yet his career, reinforced by his memoir, is a case study in the perils of the righteous prosecutor. It also shows why Mr. Comey's view of the FBI as "independent" of supervisory authority is wrong and dangerous. A presidential bully who abuses power needs to be checked, but so does an FBI director who turns righteousness into zealotry.

Barbara Bush

When Barbara Pierce married a dashing World War II pilot who had painted her name on his plane, she likely had no idea the kind of history they would make together. Mrs. George H.W. Bush would stay devoted by his side until Tuesday, when she died of complications from lung and heart disease at age 92.

Seventy-three years of marriage is itself an achievement few could match. Mrs. Bush said she would tell her children she married the first man she ever kissed, and never looked back. It wasn't without her share of heartache. One of her six children, Robin, died of leukemia before her fourth birthday. Mrs. Bush was combing Robin's hair and holding her hand when she said she "saw her spirit go."

Over her long and extraordinary life, Mrs. Bush took her own place in American history. She was the wife of the 41st President, and the mother of the 43rd President and two Governors. More than one commentator in 2000 thought that George W. Bush won in part because voters believed they detected some of

Barbara Bush's integrity and steel. They were not easy times: Both her husband and son would be war Presidents, with the strain, sorrow and unfairness that go with it.

In 1990, when she was invited to give the commencement address at Wellesley College, a group of students whined that someone best known as a wife and mother was not their idea of a modern woman. Characteristically, the then-first lady refused to let the slight bother her and delivered an address that was at once gracious and clever.

"Somewhere out in this audience," she said, "may even be someone who will one day follow in my footsteps, and preside over the White House as the President's spouse. And I wish him well."

These days political scientists speak of an America impossibly divided between red and blue. Barbara Bush was raised in a generation that could never think of America in those terms. She won and retained the affection of the American people for her unselfish dedication to family and country.

Gorsuch's Good Opinion

President Trump said he wanted Supreme Court Justices in the mold of Antonin Scalia, and on Tuesday he got his wish. Though Justice Neil Gorsuch joined the four liberals on an immigration case, his logic would have made the late Justice proud.

In *Sessions v. Dimaya*, the government sought to deport a legal resident twice convicted of first-degree burglary. The Immigration and Nationality Act lets the government deport any immigrant convicted of a "crime of violence." The question is whether first-degree burglary is a violent crime.

Section 16b of the criminal code includes a residual clause that defines a violent crime as "any other offense that is a felony and that, by its nature, involves a substantial risk that physical force against the person or property of another may be used in the course of committing the offense."

Writing for the majority, Justice Elena Kagan invoked the Court's *Johnson* precedent and held that the residual clause was void for vagueness. In *Johnson* (2015), Justice Scalia's majority opinion rejected a similar residual clause in the Armed Career Criminal Act and ruled that its vague language produced "more unpredictability and arbitrariness" than the Constitution allows.

Chief Justice John Roberts's minority opinion

tries to distinguish the residual clauses in the two cases to save Section 16b, which he notes "is incorporated into many procedural and substantive provisions of criminal law." But he appears as concerned with the policy results of the Court's decision as the legal merits.

The big news is Justice Gorsuch's elegant concurring opinion that joins the majority result but for different reasons. "Vague laws invite arbitrary power," he writes, "leaving the people in the dark about what the law demands and allowing prosecutors and courts to make it up." (See Comey, James nearby.)

Justice Gorsuch writes that Congress is free to define 16b with more specific crimes. But until it does the vague statute violates the due process right of individuals by giving license to police and prosecutors to interpret laws as they wish. This defense of individuals against arbitrary state power was a Scalia staple. Justice Gorsuch adds that vague laws also threaten the Constitution's ordered liberty because they "risk allowing judges to assume legislative power."

Mr. Trump's Supreme Court nominee is sending a useful message that Congress should write clearer laws that aren't subject to arbitrary interpretation. Congress can rewrite immigration law, and the President should be pleased with his nominee for doing what he promised.

Trump's nominee protects liberty like Scalia would have.

REVIEW & OUTLOOK

A Higher Sanctimony

Comey's memoir shows he is more like Trump than he cares to admit.

LETTERS TO THE EDITOR

Facebook, Personal Data and Common Sense

In regard to Abigail Shrier's "The Company That Loves Misery" (op-ed, April 12): I am in complete agreement until her final paragraph when she writes: "And now, Congress is calling on Mr. [Mark] Zuckerberg to fix the problem as if the problem weren't Facebook itself."

We are the victims of our own desire to be noticed, understood, consoled and cared about without the difficulties and time commitment of relationships grounded in reality.

Why should Facebook be called the problem? We are the problem. Why must Congress be called on to regulate something it has so little understanding of? We need to understand why so many feel the need to share not only their strongest opinions but also their deepest hurts and greatest joys with virtual friends.

We can control our data only when we learn to understand this deepest human longing for family and community and realize that it is meant to be fulfilled with real people that we can touch and see, individuals in our real lives not a "group" that we create online.

MONICA SMART

Dallas

Congress is clueless. No one who has ever watched *Forensic Files* believes anyone has any privacy. If you use the telephone, a cellphone, drive a car, ride a bus, use Uber, look up something on Google, buy a plane ticket or make any credit or debit purchase at all, you can be found. All are public highways of one sort or another.

To act as if this is a shocking revelation is, to put it mildly, the height of pompous rhetoric. This is information people gladly gave away for nothing to be fulfilled with real people that we can touch and see, individuals in our real lives not a "group" that we create online.

LEE MUNDY

Ellensburg, Wash.

We should update our utility laws to include not just water, electricity and roads, but also digital assets. Increasingly, tech companies like to talk about their platforms in terms of a

STUART EICHERT

Mountain View, Calif.

If H.L. Mencken were with us today, he might remind us that politicians will make sure that the coming government regulations for Facebook will primarily serve to build a wall of anticompetitive protection for the Facebook organization and its business model. As Mencken said, "Democracy is the theory that the common people know what they want, and deserve to get it good and hard."

Will people leave Facebook? Will they advise their children to do so? Watch the stock.

LEE BEECHER

Maple Grove, Minn.

The Cohen Raid and Attorney-Client Privilege

Regarding your editorial "The Michael Cohen Raid" (April 11): One cannot imagine a better example of a violation of an attorney-client relationship with the perpetrators best described as members of the "deep state."

This was nothing less than a precedent-setting event that must be addressed and condemned to restore our faith in the FBI and the legal community.

DAN CALABRIA

South Pasadena, Fla.

When did the Fourth Amendment become a faucet for the Justice Department or the FBI to turn on or off?

MATTHEW FARLEY

Glen Ridge, N.J.

The fact that Mr. Mueller was able to present sufficient evidence to obtain a warrant against the president's personal attorney, an enormously high legal bar, is strongly suggestive that Mr. Cohen himself has been involved

While the president's enemies are perversely celebrating the unprecedented raid on his attorney's office, this act should immediately be declared Mr. Trump's get-out-of-jail-free card. Any information, leads or evidence against the president in any way linked to this raid would be categorically rejected in legal proceedings.

Evidence tainted by violation of attorney-client privilege cannot be used. Unless, of course, the left can nullify the exclusionary rule.

TOM GUMPRECHT

Redmond, Wash.

After reading Lanny Davis's "Clinton Supporters Have Some Questions for Comey" (op-ed, April 10), I'm left with a question for Mr. Davis: If Hillary Clinton's conduct surrounding her home-brewed email system was so benign and innocent, why didn't her campaign just disclose everything in March 2015 when it first became a headline?

If Mrs. Clinton was that sure she'd be as fully and quickly exonerated as Mr. Davis implies, she could have offered full disclosure up front and ended it that spring, removing it as an issue 18 months before the election. But she stalled, withheld, obfuscated, denied and refused to cooperate—acting anything but innocent—for that entire 18-month period. Doing so virtually guaranteed that it would remain an unpredictable hindrance all the way to Election Day.

Jim Comey's fault? Hardly.

PETE WERNER

Los Alamos, N.M.

I think the Cohen raid is an effort by Robert Mueller and Andrew Weissmann to push President Trump to fire Mr. Mueller. Then the president will be charged with obstruction of justice for impeding the "investigation."

TOM MAYER

Bismarck, N.D.

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

Trump, Cohen and Attorney-Client Privilege

By Michael B. Mukasey

Who'd have dreamed that with all the horrors committed by Bashar Assad, Vladimir Putin and Kim Jong Un, the small change of American political discourse would be whether the attorney-client privilege is being used to conceal the source of hush payments to "actresses"? But here we are.

In the 16th century, when our English forbears began resolving disputes through trial by jury rather than ordeal or battle, disputants had to rely on lawyers to present evidence and arguments. Thus the need for a rule that would encourage clients to disclose information to their lawyers.

The protection has limits, but is it worth testing them over a possible campaign-finance offense?

That rule was the attorney-client privilege. It compromised the public's otherwise unrelenting claim to every man's evidence so as to encourage full and frank communication between lawyers and clients. The trade-off was that legal disputes were a search for the truth, and we would wind up with more truth if we didn't search the parties' lawyers to get it. Otherwise no client would disclose any unhelpful truth to a lawyer, and the process would collapse.

The privilege has a limit, the crime-fraud exception. The privilege is not recognized if the client is using the lawyer to commit a crime. For the most part this exception is

read narrowly, to cover only the motive of the client. If the lawyer is acting on his own—for the client's benefit but without the client's authorization—evidence of the lawyer's conduct would not be privileged, although evidence of the client's statements would remain so.

That's tidy in the abstract, and if a lawyer is served with a subpoena for information. But things get messy when, as occurred here, the party seeking the information is the government, and the means of getting it is a search warrant.

As to any particular client, the lawyer's records will include myriad information, some of it client disclosures, some concerning conduct undertaken with the approval of the client—all of that privileged. There may also be records of the lawyer's conduct and statements in pursuance of a criminal scheme, on his own or with the client—none of it privileged.

The government agents executing the warrant must isolate records that are relevant and unprivileged. They have no obvious way to do that other than to look at all records they seize, which means necessarily that they will look at records that should not be subject to a government search.

Agents typically do that by sending in a "filter team," whose members have no contact with those involved in the investigation. That ensures that information that should not be examined—whether privileged or not—does not seep into, or "taint," the investigation.

That's the theory. Its success depends on the skill and honor of the filter team, and even in the best case it doesn't prevent some government personnel from examining private records that are none of the government's business.

The process risks damaging the



AFP/GETTY IMAGES

Trump lawyer Michael Cohen outside a New York federal courthouse Monday.

significant public interest that led to the creation of the privilege in the first place. Is it worth the reward? One would think that would depend at least in part on the seriousness of the crimes under investigation.

In this case, the government has redacted any reference to particular crimes, although we learned earlier that perhaps Donald Trump's lawyer, Michael Cohen, spent \$130,000 on the eve of the 2016 election to buy the silence of Stephanie Clifford, a.k.a. Stormy Daniels, about a sexual encounter she claimed she had with Mr. Trump several years ago. The payment itself would violate no law, but if its sole motive was to improve Mr. Trump's chances in the election, it could constitute an in-kind campaign contribution that was not disclosed, in violation of campaign laws. The amount, more than \$25,000, would put the viola-

tion in the felony category.

Have such violations been vigorously prosecuted in the past? In 2012 President Obama received campaign donations exceeding \$2 million from sources that were not disclosed; he received another \$1.3 million that exceeded contribution limits. The matter was settled after the election by the Obama Justice Department for a fine of \$375,000 and no felony prosecution.

Another possible crime said to justify the search warrant is bank fraud. Here, one theory is that Mr. Cohen might have defrauded his bank by falsifying the purpose of the home-equity loan that was reportedly the source of the \$130,000. But if Mr. Cohen's equity is sufficient to provide collateral for the loan, why would its purpose matter to the bank? And if it doesn't matter, there's no fraud.

We can't be certain that this is all that is under investigation. But if it is, the potential gains from an intrusive and unusual search warrant look meager compared with the interest put at risk. How confident are we in the self-control of those who set these events in train—who after all were supposed to be at work protecting the integrity of our elections?

Oddly, an episode involving a poison no doubt familiar to all three madmen mentioned in the first paragraph gives pause.

After anthrax spores killed five people, infected 17 others, and showed up in envelopes mailed to U.S. senators and media organizations in 2001, the current special counsel, then director of the Federal Bureau of Investigation, spent years chasing and destroying the reputation of a microbiologist named Steven Hatfill, zealous in the belief that Mr. Hatfill was the guilty party. Another zealot, James Comey, then deputy attorney general, said he was "absolutely certain" no mistake had been made.

After Mr. Hatfill was exonerated—he received more than \$5.5 million in damages from the government—Mr. Mueller then decided that another microbiologist, Bruce Ivins, was the culprit. When Ivins committed suicide, Mr. Mueller pronounced the case closed. A subsequent investigation by the National Academy of Sciences suggests Ivins too was innocent.

Mr. Mueller is not a bad man, nor is Mr. Comey. It's just that both show particular confidence when making mistakes, which makes one grateful for safeguards like the attorney-client privilege.

Mr. Mukasey served as U.S. attorney general (2007-09) and a U.S. district judge (1988-2006).

The Wages of Tax Reform Are Going to America's Workers

By Kevin Hassett

The Tax Cuts and Jobs Act reduces the federal corporate tax rate from 35% to 21% and allows full expensing for business investment in equipment. Opponents, echoing leftists from Marx to Piketty, describe those provisions as giveaways to the wealthy at the expense of the working class. They're wrong.

In a dynamic, competitive economy, the relationship between companies and their employees is symbiotic, not antagonistic. Research by economists Alan Krueger and Lawrence Summers, both of whom served in the Obama administration, shows that more-profitable employers pay higher wages. Any company that attempts to pay a worker less than he is worth will quickly lose that worker to a competitor. Thus, firms that want to thrive must invest in their plants and workers.

When profits go up, capital investment goes up, and wages follow. That's the reason we estimated, based on what has happened around the world, that households will get an average \$4,000 wage increase

from corporate tax reform, once its changes are fully implemented and swoosh through the nation's economic engine.

Naysayers have been invested in the law's failure from day one. But the data are already proving them wrong. An increase in the return to investment should drive investment and profits up, increase productivity and wages, and ultimately boost economic growth. Here's what we've seen so far this year:

• **More investment.** The president's promise to lower corporate taxes and reduce red tape has led to a surge in American business investment. Real private nonresidential fixed investment increased 6.3% during the fourth quarter of 2017, according to data from the Bureau of Economic Analysis. Equipment investment rose 8.9%, thanks largely to the tax law's allowance for full expensing of equipment investment retroactively to September 2017. In March 2018, the Morgan Stanley Composite Capital Expenditure Plans Index reached its highest level since it began tracking in 2006.

• **Greater productivity.** Capital investment raises capital per worker

and thus labor productivity. Here again, the early signs are positive. For perspective, real private nonresidential fixed investment was anemic at the end of the Obama administration: On a year-over-year basis, it fell 0.6%

In a dynamic, competitive economy, what's good for companies is good for their employees.

in 2016. As a result, during the post-recession expansion under President Obama (2010-16), the moving four-year average contribution that capital made to labor productivity growth in the private sector turned negative for the first time in history. But boosted by a strong finish to the year, capital added 0.3 percentage point to productivity growth in 2017—and will add more in 2018 if the Morgan Stanley index is correct.

• **Pay raises.** The average increase in wages from the year-earlier period for January through March 2018 is the highest for any three-month

period since mid-2009. A flurry of corporate announcements provide further evidence of tax reform's positive impact on wages.

As of April 8, nearly 500 American employers have announced bonuses or pay increases, affecting more than 5.5 million American workers, as a result of the TCJA. Walmart, the largest private employer in the country, has announced a \$2-an-hour increase in the starting wage of new workers and \$1-an-hour rise in its base wage for employees of more than six months. For someone working 40 hours a week, that is up to \$3,040 per year in additional pay.

Other employers have done the same, including BB&T Bank, where full-time workers earning the bank's minimum wage will see a \$6,000 increase in their annual income. Companies that have announced new bonus plans have lifted compensation by an average of \$1,150. Ten firms have also announced minimum-wage hikes that imply annual income gains of at least \$4,000 for full-time workers.

• **Faster growth.** Forecasters around the world are now predicting

this growth can be sustained. The Organization for Economic Cooperation and Development has boosted its forecasts for real U.S. economic growth in 2018 and 2019 to nearly 3% to reflect the impact of the TCJA.

The Congressional Budget Office also increased its growth projection for this year and next by an average of one percentage point relative to its last forecast before the tax bill was passed.

With the political battle over passage behind us, economists are again focusing on the data. All indications are that the tax bill delivered a much-needed boost to capital-starved American workers, and wages are doing what economics says they should when companies invest aggressively in more and better machines and share profits with workers. Perhaps it is a time to put aside the archaic notion that the conflict between capital and labor is the central story of our society. In a modern competitive economy, workers do well when their employers do.

Mr. Hassett is chairman of the White House Council of Economic Advisers.

Regulators Take On Silicon Valley, as They Did Earlier Innovators

By John Steele Gordon

The political debate surrounding Facebook today reflects an old pattern in American economic history. Whenever a major new force—whether a product, technology, or organizational form—enters the economic arena, two things happen. First, enormous fortunes are created by entrepreneurs who successfully exploit the new, largely unregulated economic niches that have opened up. Second, the effects of the new force run up against the public interest and the rights of others.

Sometimes these side effects are an inevitable part of the creative destruction that drives fu-

ture prosperity. But sometimes the new force can be used to secure unfair advantages or threaten the integrity of the market as a whole. In those cases a new corpus of laws, regulations and commercial norms must be developed, either by government or the entrepreneurs themselves.

Consider the so-called robber barons—the industrial titans of the post-Civil War era. In 1860 there was not a single industrial corporation listed on the New York Stock Exchange. By 1900 there were dozens, some employing tens of thousands of workers, earning huge profits for stockholders and wielding immense political and economic power.

In earlier times, corporations were usually owned and managed by the same people. They thus had a powerful self-interest in keeping honest books so they could know where they stood. But by the late 19th century, the vast capital requirements of the new enterprises caused them to turn to outside investors. When management and ownership diverged, so did their economic interests. Management had an interest in inflating their books to reflect well on their stewardship; stockholders wanted honest books that could be compared with those of other companies.

Beginning in the 1880s, Wall Street's banks and the New York Stock Exchange addressed this problem by requiring corporations to use what are now called Generally Accepted Accounting Principles and to issue quarterly and annual reports certified as accurate and complete by independent accountants. In other words, Wall Street robber barons like J.P. Morgan forced the industrial robber barons to mend their bookkeeping ways.

Other regulatory shortcomings posed a challenge for the new industrial economy. For example, most state incorporation laws, written in the early 1800s, forbade corporations to own stock in other companies or to own property out of state. By late in the century, however, railroads and the telegraph had created a unified national market, rendering these laws unduly restrictive even as special interests fought to keep them on the books.

To get around the outdated laws, Standard Oil developed a new form of corporate organization: the trust, in which three men held title to subsidiary companies and out-of-state property as trustees. Its trustees set up a corporation in

At one time, corporations organized themselves as trusts. All that remains of that is the word 'antitrust.'

New Jersey in 1885. In 1889 New Jersey, seeking additional tax revenue, rewrote its incorporation laws to bring them in line with the new economic reality. This quickly forced other states to reform their own laws. The trust form of for-profit corporate organization soon vanished, leaving behind only the word "antitrust," used to mean efforts to break up large companies.

Antitrust became a major political issue starting in the 1880s. As corporations increased in size to service a national market and achieve economies of scale, they often combined with other companies in the same business (or with suppliers), depressing competition and raising the specter of monopoly.

In 1890 Congress passed the Sherman Antitrust Act, barring corporate consolidation in restraint of trade. The law was little enforced at first, but the federal government moved aggressively to break up monopolies under the administrations of Theodore Roosevelt and William Howard Taft. In 1911 the Supreme Court upheld federal government action against Standard Oil; the company that had controlled 90% of the oil market was broken up into 34 successor companies. Ironically, the value of John D. Rockefeller's stock in these new companies doubled within two years, thanks to the salutary effects of competition and the rapidly growing market for gasoline.

Other efforts to regulate turn-of-the-century industrial giants proved less successful. The railroads had made a practice of charging much higher rates on the branch lines where each railroad had a monopoly while charging less on the trunk lines where they faced competition, as well as giving under-the-table rebates to favored customers. The federal government responded with the Interstate Commerce Commission and then the 1906 Hepburn Act, which gave the ICC the power to set rates. This ended the nefarious practice of secret rebates, but also produced a government-led cartel, quashing competition and greatly slowing innovation in the railroad industry.

The Wild West days of Silicon Valley are coming to an end, just as they did for industrial capitalism. Let's hope the involved parties—the entrepreneurs, the market, and the government—can develop the needed regulations to adapt this maturing industry to the demands of modern American life.

Mr. Gordon is author of "An Empire of Wealth: The Epic History of American Economic Power" (Harcourt, 2004).

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WORLD NEWS

Cubans Shrug as Era of the Castros Ends

Few of the island's people expect much change as dynastic rule winds down

BY JOSÉ DE CÓRDOBA

HAVANA—Raúl Castro is set to step down as Cuba's president this week, marking the first time in 59 years that a Castro brother won't be officially in charge of Cuba.

But few people in this rundown capital city are expecting much change. Cuba's communist leaders are dedicated to maintaining their one-party system and reasserting state control of the economy after a brief surge in private enterprise fueled by the restart of diplomatic relations with the U.S. in 2015.

Mr. Castro's likely successor, Miguel Díaz-Canel, a 57-year-old party apparatchik, has excoriated small-business owners as enemies of the state and said the U.S. opening to Cuba under President Barack Obama was meant to "destroy the Cuban revolution."

While Mr. Díaz-Canel is expected to handily win a vote in the country's rubber-stamp National Assembly, the Castro family won't be leaving the political stage. Mr. Castro is likely to stay on as head of the Communist Party. One of his sons is an influential official and a former son-in-law is a powerful general.

"It's new that we are going to have a new president, but we feel everything will be the same," said Margarita Álvarez, who makes ends meet by renting rooms to tourists.

For much of 2016, Cuba seemed to be at the center of the world as celebrities including the Rolling Stones and fashion designer Karl Lagerfeld flocked to the island nation, along with Wall Street



Havana's Vedado neighborhood. Below, Raúl Castro conferred with Miguel Díaz-Canel, right, in a parliamentary committee in July.



Probable Successor Lacks Political Base

Raúl Castro's probable successor, Miguel Díaz-Canel, is a survivor of a generation that suffered repeated purges because its leaders showed untoward ambition or reformist tendencies.

He has no political base or revolutionary credentials, ana-

lysts said, putting him in a weak position to make changes.

Last year, a video was leaked of Mr. Díaz-Canel excoriating liberals at a meeting of party cadres, in what some observers said was a move to strengthen his position with the party hard-liners.

In the video, Mr. Díaz-Canel blasts self-employed entrepreneurs, the Catholic Church and others as Cuba's enemies.

CEOs and tens of thousands of U.S. visitors.

The reset with the U.S. boosted a buoyant private sector of small businesses—centered on guesthouses, restaurants, taxi companies, hairdressing salons, barbershops, and other enterprises—that now employ more than half a million workers.

"It looked for a while as if Cuba was going to turn into a

modern country," said Idania del Rio, who runs a designer shop.

But the Obama detente spurred a backlash from alarmed regime stalwarts scared that more economic freedom would lead to political liberalization. Last year, the government stopped issuing new licenses for restaurants and other businesses as officials railed against the new

entrepreneurial class.

Mr. Castro himself, despite being the architect of the modest economic reforms that enabled private jobs, lashed out at the new entrepreneurs.

"There are reports of cases where the same person has two, three, four and as many as five restaurants," he said in a speech to the National Assembly last year. "Someone who has traveled abroad as

many as 30 times. Where did he get the money?"

At the same time, the election of U.S. President Donald Trump has further dimmed hopes for change. Mr. Trump has stopped any further engagement with the island and discouraged tourism, one of Cuba's most important money-makers.

Relations soured further in September after what U.S. of-

ficials called "targeted attacks" mysteriously affected the health of almost two dozen American diplomats. The U.S. reacted by dramatically downsizing the U.S. Embassy in Havana, making it almost impossible for Cubans to obtain U.S. visas.

"Everything has stopped," said Hugo Cancio, a Cuban-American who runs business in both Miami and Havana. "It's been a huge psychological impact."

Many young Cubans are as desperate to get out as ever, but changes in U.S. immigration policy have it much harder for Cubans to enter their favorite destination. "Young people don't see a future," said Adonis Penton, who drives a private taxi for a Havana hotel.

Meanwhile, investor interest in Cuba has largely faded, analysts said. "There was a tsunami of interest on Cuba, but that lasted only two years," said Emilio Morales, a former Cuban official who runs a Cuba business newsletter out of Miami.

One indicator of that dropoff, he said: Four months after the reopening of U.S.-Cuba ties, there were more than 400 proposed investment projects for Cuba's nascent Mariel Special Economic Development Zone, meant to make the Cuban port the heart of a future Caribbean trade hub. Now, the number is back to 35 firms like it was before the Obama opening, and only 10 of them are operating, he said.

Nuriis Higueras runs one of Havana's top restaurants, where first lady Michelle Obama held a lunch during the 2016 presidential visit. "You see how things are? Difficult," she said, pointing to the mostly empty 50 seats in her establishment one recent lunchtime.

Prominent Senator Faces Trial In Brazil

BY SAMANTHA PEARSON AND PAULO TREVISANI

SÃO PAULO—Brazil's Supreme Court ruled that Aécio Neves, a former presidential candidate and center-right leader, be tried for corruption as the country's vast Car Wash investigation reaches its final and most critical stage.

The decision on Tuesday—a blow to Brazil's business-friendly PSDB party—counters criticism from the left that the probe has unfairly targeted ex-President Luiz Inácio Lula da Silva, a working-class icon who was jailed this month.

Mr. Neves, the PSDB's former leader and a member of one of Brazil's most powerful political families, narrowly lost the 2014 presidential election against Mr. da Silva's Workers' Party. Mr. Neves faces charges of corruption and obstruction of justice.

After four years, Brazil's sprawling Car Wash corruption investigation largely rests in the hands of the Supreme Court, which serves as the final court of appeals, but also has sole jurisdiction over prosecuting sitting politicians, such as Mr. Neves, who is currently a senator.

Prosecutors accused him last year of asking for \$590,000 from Joesley Batista, then-chairman of Brazil's meatpacker JBS, in exchange for helping appoint allies of the group to government jobs. Mr. Neves, 58, has denied wrongdoing.

The Car Wash probe has inspired a generation of new graft-fighting prosecutors and judges in Brazil, lawyers said. It has also unearthed so much evidence of corruption that "there is no real turning back," said Christopher Garman, an analyst with Eurasia Group.

"The political class is scared, they've lost ground, and they will do everything they can to stop the bleeding," said Bruno Brandao, the Brazil representative of Transparency International, an international anticorruption advocacy group.

China Moves to Forestall Growth Slowdown

BY LINGLING WEI

BEIJING—China's central bank gave a green light to banks to dig into reserves to lend more, signaling government concern that rising trade tensions with the U.S. could slow the momentum of economic growth.

For the first time in two years, the People's Bank of China announced a reduction in the portion of deposits commercial banks are required to hold in reserve. The 1 percentage point cut is larger than most previous such moves and, when it takes effect on April 25, will free up about \$200 billion in funds.

Economists and government advisers called the move a pre-emptive action aimed at bolstering growth and alleviating concern about the potential effects of the mounting trade fight with Washington.

Earlier Tuesday, the government reported China's economy expanded 6.8% in the first quarter. While that pace

beat expectations for a slowdown—thanks to surprisingly strong exports, resilient retail sales and factory output—there are signs growth is ebbing. Chinese factories in particular are producing fewer goods for foreign markets, of-ficial data show.

The government "must put in place plans to counter the potential impact from China-U.S. trade frictions," said Zhu Baoliang, chief economist at the government think tank State Information Center. Mr. Zhu and several other influential government advisers have been calling for a reserve reduction for banks to boost lending.

China has braced for battle with the U.S. on trade for months, promising to match the Trump administration measure for measure. In the latest volleys, Beijing moved Tuesday to impose penalties on imports of U.S. sorghum while, in a concession, it said it would lift limits on foreign ownership for auto makers.

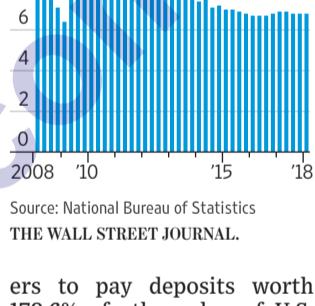
The Ministry of Commerce said it would require import-

Steady Going

China's economy steamed along in the first quarter, though signs point to slower growth ahead.

China's quarterly GDP

Change from a year earlier



Source: National Bureau of Statistics

THE WALL STREET JOURNAL

to determine an antidumping tariff rate will be made at an unspecified later date. It added that U.S. sorghum imports to China increased 14 times between 2013 and 2017, while the price decreased 31% during the period.

Beijing has already tweaked policies to spur domestic business activity in anticipation of a slowdown in overseas shipments. Late last month, the State Council, China's cabinet, announced a plan to cut 240 billion yuan (\$38 billion) in taxes for a swath of companies, from makers of construction materials to telecom operators and producers of agricultural products.

In its Tuesday statement, the People's Bank said reducing the reserve requirement will help lower funding costs for banks and make it easier for small and private businesses to get loans. Banks must use 900 billion yuan of the funds released to pay off short-term debts owed to the central bank, the People's Bank said, while the remaining

400 billion yuan can go toward new lending.

For the government, taking measures designed to support growth, such as the reserve-requirement cut, risk undermining some longer-term initiatives endorsed by President Xi Jinping. They include cleaning up debt and closing smogstack factories—measures critical to the country's long-term economic health.

Those programs are already putting pressure on short-term growth. For example, investment in buildings, infrastructure and industrial plants has weakened in recent months due to Beijing's effort to rein in riskier borrowing.

Suspending the debt cleanup to pump up growth, analysts warn, could compound China's debt woes, which is seen inside and outside the country as one of the biggest risks for the economy.

The trade battle is landing as signs that overseas shipments are slipping as are other key economic drivers—home sales and industrial output.

Macron Appeals for EU Unity in Face of Nationalism

BY WILLIAM HOROBIN

PARIS—French President Emmanuel Macron set out on a campaign to drum up grassroots support for the European Union, urging unity as he faces resistance throughout the 28-nation bloc to his plan to deepen ties.

The 40-year-old leader is hoping to reconnect voters with a European project many view as technocratic and elitist. Parties skeptical of the bloc have surged in recent years among voters worried about their economic security and fearful of immigration and rapid cultural changes.

Mr. Macron called for the bloc to work together to craft "a new European sovereignty" amid rising nationalist sentiment.

"We are in a context where a kind of European civil war is emerging, in which our differences and national egos sometimes seem more important than what unites us," Mr. Macron said in his first speech to the European Parliament as French president.



Mr. Macron told the European Parliament on Tuesday that Europe was facing a kind of civil war.

As part of a series of continental "consultations" he has called to discuss the future of Europe, Mr. Macron traveled later to Épinal, a small town in northeastern France, where he took questions from a gathering of some 300 residents. National gov-

ernments will collect summaries of public events for European leaders to debate at the end of the year.

Whether Mr. Macron succeeds in his efforts will be a major test of his presidency.

He defeated euroskeptic Na-

tional Front leader Marine Le Pen in France's presidential election last year by saying the answer to voter concerns over immigration, unemployment and security was more EU, not less.

He has since set out de-

mands for a more-integrated eurozone that would require

countries to share more resources, and a strengthening of EU policies on defense, corporate tax, border protection and asylum.

But those ambitions have run into roadblocks. Foremost, the uncertainty sparked by German elections in September set off months of negotiations in Berlin, leaving Mr. Macron without his principal European negotiating partner.

The coalition German Chancellor Angela Merkel finally formed has stuck to Germany's reluctance to share financial burdens, defying Mr. Macron's core ambition for a common eurozone budget to boost investment and fight recessions.

Voters around Europe have also indicated little support for his broader European ambitions. The anti-immigration Alternative for Germany won its first seats in September and Italy is still trying to form a government after anti-European parties made substantial gains last month.

—Laurence Norman
in Brussels
contributed to this article.

Prosecutors accused him last year of asking for \$590,000 from Joesley Batista, then-chairman of Brazil's meatpacker JBS, in exchange for helping appoint allies of the group to government jobs. Mr. Neves, 58, has denied wrongdoing.

The Car Wash probe has inspired a generation of new graft-fighting prosecutors and judges in Brazil, lawyers said. It has also unearthed so much evidence of corruption that "there is no real turning back," said Christopher Garman, an analyst with Eurasia Group.

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BUSINESS & FINANCE

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FCC Gets Tough on Chinese Firms

Suppliers of wireless equipment face even stiffer U.S. market after regulators' vote

U.S. regulators adopted a measure on Tuesday aimed at barring wireless carriers from using federal subsidies to buy telecommunications gear made by Chinese manufacturers.

The 5-0 vote by the Federal Communications Commission marks the latest step the U.S. has taken in the high-tech sector affecting trade relations with China.

On Monday, the Commerce

Department banned U.S. companies from selling components to Chinese telecommunications-equipment maker ZTE Corp., a step connected to trade sanctions involving Iran

*By John D. McKinnon
in Washington
and Dan Strumpf
in Shenzhen, China*

and North Korea. Washington has also steered business away from ZTE rival Huawei Technologies Co., citing national security concerns.

The FCC measure would prohibit U.S. carriers from using federal universal-service

subsidies to buy equipment from companies seen as posing a national security threat. Universal-service subsidies total almost \$9 billion a year. They support service for high-cost rural areas, for schools and libraries and for low-income consumers and residents of tribal lands.

The FCC will receive public comment and gather more information before approving a final rule in the coming months. Several commissioners suggested they would want to weigh national security benefits against the plan's potential effects on consumers.

The FCC is also seeking

public input on the feasibility of testing the equipment to mitigate security risks.

The plan could hit smaller rural phone companies and internet providers that sometimes depend on Chinese-made equipment, unlike large wireless providers that have long avoided Huawei and other Chinese suppliers. Huawei has been effectively barred from big U.S. businesses since a 2012 congressional report alleged the Chinese government could force the company to assist in espionage or cyberattacks.

FCC Chairman Ajit Pai pushed for the measure, align-

ing himself with Trump administration officials and lawmakers of both parties who are ramping up scrutiny of national security threats allegedly posed by Chinese and other foreign technology firms.

Mr. Pai, a Republican, wrote a piece for Fox News this week along with Sen. Tom Cotton (R., Ark.) urging support for the measure, as part of "more concerted federal action" to secure U.S. networks. The op-ed warned that "a hostile foreign power could use these back doors to spy on Americans or attack our critical infrastructure by injecting vi-

Please see CHINA page B4

Starbucks To Shut Stores for Antibias Training

BY JULIE JARGON
AND LAUREN WEBER

Starbucks Corp. will close thousands of stores on a May afternoon to conduct antibias employee education, in the coffee giant's latest response to a recent incident that embroiled it in a social-media maelstrom.

The chain said Tuesday that its more than 8,000 U.S. company-owned stores will be shut on the afternoon of May 29 for the training, after concerns arose that some of the company's front-line employees improperly treated black people. A customer's video posted online this past weekend showed several police officers coming to arrest two black men at a Starbucks in Philadelphia, handcuffing them while customers told police the men weren't doing anything wrong and asked why they were being arrested. The men were later released without being charged.

Starbucks Chief Executive Kevin Johnson apologized for the incident on Twitter and on television-news programs, but some customers said the company hadn't gone far enough. People created hash tags on Twitter urging customers to boycott Starbucks. Some urged white people to do experiments in which they use the restroom at a Starbucks without buying anything at the store to see whether the police would be called.

Meanwhile, a second video spread in recent days alleging that a Starbucks employee refused to give bathroom access to a black patron after providing it to a white patron a short time earlier. Starbucks didn't respond to a request for comment about the second video.

"It was clearly a circumstance in which there was a miscalculation of the scope of the problem at the very beginning," said Jeremy Robinson-Leon, chief operating officer at Group Gordon, a corporate-and crisis-communications firm in New York. "Starbucks had to do something more significant" beyond an apology, he said.

"I've spent the last few days in Philadelphia with my leadership team listening to the community, learning what we did wrong and the steps we need to take to fix it," said Mr. Johnson in a statement

Please see BIAS page B2

Banks' New Tax-Law Boost: \$2.5 Billion

A new federal tax law has dramatically reduced the tax rates for the biggest U.S. banks. The change significantly boosted first-quarter earnings after charges took a bite out of results for many of the banks in the final period of 2017.

First-quarter effective tax rates for largest U.S. banks

| | | |
|-----------------|------|-------|
| Bank of America | 2018 | 17.6% |
| | 2017 | 27.1% |
| JPMorgan | 18.3 | 22.7 |
| Goldman Sachs | 23.1 | 29.9 |
| Citigroup | 23.7 | 31.1 |
| Wells Fargo | 18.8 | 27.5 |

Bank-stock performance



Note: Goldman figures adjusted for significant tax benefits related to employee stock awards
Sources: the companies (tax rates); WSJ Market Data Group (stock performance)
THE WALL STREET JOURNAL

By MICHAEL RAPOPORT

Big banks just received the first installment of benefits American corporations will reap from the new federal tax law. The haul: more than \$2.5 billion.

The latest gain came Tuesday when **Goldman Sachs Group** Inc. reported first-quarter profit that rose 26% from a year earlier. This was aided by a lower corporate-tax rate that boosted earnings by about \$232 million.

Overall, the combined earnings of Goldman and the four major national banks—**JPMorgan Chase & Co.**, **Wells Fargo & Co.**, **Citigroup** Inc. and **Bank of America** Corp.—increased by more than \$2.5 billion in the quarter because of the lower corporate rates under the tax-overhaul law enacted in December, according to an analysis of the banks' results by The Wall Street Journal.

That amount is only a modest-size chunk of the banks' total first-quarter earnings—less than 10% of their combined net income applicable to common shareholders. But it comprises a major chunk of their year-over-year earnings growth.

Without the tax savings resulting from the new lower corporate tax rate, Wells Fargo's earnings would have declined from a year ago instead of increasing, and much of the year-over-year growth at Citigroup and Bank of America would be gone. Losing the tax bump would have cut the earnings growth of JP-

Morgan to 28% from 35%; for Goldman, growth would have shrunk by at least one-quarter.

The \$2.5 billion gain isn't the entire story. For one thing, other provisions of the tax law prompted some of the same banks and many other companies to take big charges against their earnings in the fourth quarter. From that perspective, the first-quarter boosts merely help even things out.

Still, the new data suggests investors may have to look be-

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INSIDE



OUTBURST AT KOREAN AIR SPURS INQUIRY

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BLUE CHIPS ARE BACK IN THE BLACK

TUESDAY'S MARKETS, B13

IBM Logs More Revenue, Less Profit

By TED GREENWALD

International Business Machines Corp. posted its second consecutive quarter of higher revenue after nearly six years of declines, a sign that Chief Executive Ginni Rometty's slow-moving turnaround may be taking hold.

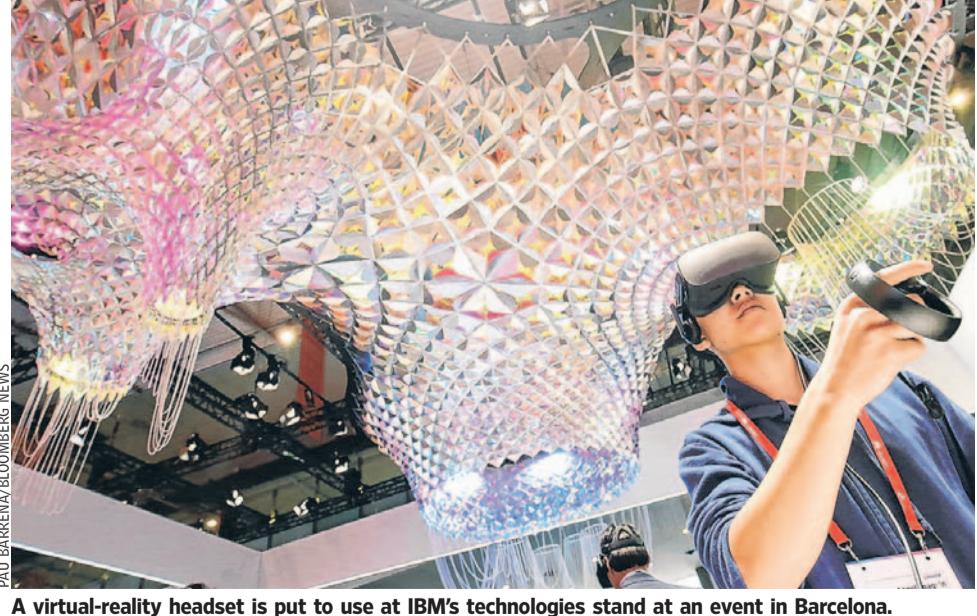
Revenue in the quarter rose in all of the company's major business units. Still, the results underscored the fragility of IBM's shift from older businesses supplying on-site technology to faster-growing businesses based on cloud computing.

The quarter's performance was plumped by sales of new hardware that analysts expect to eventually peter out. Profit margins, meanwhile, continued to narrow from a year earlier.

Revenue rose 5% to \$19.07 billion from a year earlier, its strongest gain for the top line since the third quarter 2011. As in the previous quarter, though, adjusting for currency-exchange rates tells a different story.

Stripping out the impact of foreign exchange, IBM said revenue was flat.

Several quarters ago, the company found itself on the



A virtual-reality headset is put to use at IBM's technologies stand at an event in Barcelona.

other side of the issue, where unfavorable rates made IBM's revenue declines steeper than they appeared when adjusted for currencies.

Profit fell 4% to \$1.68 billion. Shares of the tech giant sank 5.7% in after-hours trading, af-

ter closing up 1.9% at \$160.91. The stock has lost 6% in the past 12 months, even as the S&P 500 index has risen 15%.

The stock market reacted to overoptimism arising from IBM's revenue turnaround in the fourth quarter, said Daniel

Ives, an analyst with GBH Insights. "Ultimately you'd call it a good quarter, but the bulls were looking for more," he said.

Ms. Rometty has been working to turn around IBM almost since the moment she took over

Please see IBM page B2

What's that? Why are you laughing? Wait, please don't leave!

OK, fine, I get it. The last time you cared about a flip phone was the early aughts, when Donald Trump was a brand-new reality-TV star and the sleek Motorola Razr was the coolest gadget on the market. Now it is in a museum, a relic from before we knew the cellphone's true potential.

Recently, feature phones—the name given to the flip phones, candy bars and other devices that came before smartphones, capable of little beyond calling and rudimentary texting—have been more for Luddites. Except now might be the ripest moment in a decade for some serious low-end disruption. And the newest feature phones even do a few things that might make iPhone owners jealous.

Carriers across the world are upgrading aging networks to 4G. For the billion-plus people worldwide who currently own a feature phone, that could mean buying a new one. Another billion or so now coming online can't afford Android phablets or iPhones—or the associated data plans. Even in rich countries, people are beginning to feel a creeping unease about their smartphones, and may be looking for a way to get away.

Last year, a Finnish company called HMD Global began releasing Nokia-branded phones, and quickly found a winning strategy: Take a classic model, upgrade its tech and abilities, and rerelease it with a heavy dose of nostalgia. HMD's \$60 Nokia 3310 looks like the original, wildly popular candy-bar phone, and lasts up to a month on a charge, but now offers quick access to Facebook and Twitter. Plus Nokia's classic Snake game, of course.

For its newest retro-fest, HMD tapped the Nokia 8110, the "banana phone" that was immortalized the moment Keanu Reeves's Neo slid it out of an envelope in "The Matrix." The 8110, which launches in Europe in May for less than \$100, keeps the slider look and dayslong battery life, but offers modern functionality, such as Google Maps and an app store.

You know what shouldn't make a comeback? Texting on a number keypad, which makes typing "what's for dinner?" a four-minute process. Touch screens and BlackBerry keyboards killed

Please see PIERCE page B4

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United Cuts Back Capacity Growth

BY DOUG CAMERON

United Continental Holdings Inc. said it is cutting back on some extra flying this year after rattling airline investors in January with plans for additional capacity that raised fears of an industry fare war.

The nation's No. 3 airline by traffic on Tuesday revised its planned capacity increase for the year to a range of 4.5% to 5.5%. In January, it had said it would expand capacity by 4% to 6% in each of the next three years. United also boosted its full-year profit guidance after reporting consensus-beating quarterly profit.

United is still growing at a faster clip than its largest rivals, and analysts said the revision is likely to ease investor concerns about industry profitability at a time when rising fuel and labor costs are already weighing on earnings.

Chicago-based United has expanded flying from its three big midcontinent hubs in Chicago, Houston and Denver in an effort to win back market share lost to low-cost rivals such as Spirit Airlines Inc. and Frontier Airlines.

The airline said the trimmed capacity growth was focused on routes to Hawaii from the West Coast and some using smaller 50-seat regional jets.

United said it also expects to beat analysts' existing forecasts for second-quarter earnings, with its closely watched passenger revenue per available seat mile expected to rise by 1% to 3% from a year earlier.

Most airline shares have fallen this year despite strong passenger and cargo traffic growth. However, last week's earnings report and guidance from Delta Air Lines Inc. boosted sentiment.

United reported adjusted per-share earnings of 50 cents for the first quarter, traditionally the weakest for U.S. airlines. That compares with the 23-cent consensus among analysts, though this included a 13-cent boost from a one-time gain on its loyalty program.

TAX

Continued from the prior page low the surface of companies' announced results to get a true sense of how their operations are performing.

"Before investors get excited about the growth of earnings of these companies, they need to look at the sources of that growth," said Ravi Gomatam, an analyst at Zion Research Group, an accounting and tax research firm.

"A good portion of that growth is likely to be from taxes."

The big banks acknowledge the reduction in the corporate tax rate, to 21% from the previous 35%, played a role in their first-quarter earnings growth. But they also maintain their operations are solid and growing.

Bank of America's earnings growth was "driven not only by tax reform but also operat-

ing leverage and continued strong asset quality," Chief Financial Officer Paul Donofrio said Monday on the bank's first-quarter earnings call.

Michael Corbat, Citigroup's chief executive, said Friday that "a lower tax rate" was a contributing factor to the bank's results along with "strong business performance."

Marianne Lake, JPMorgan's CFO, acknowledged the "tailwind" of the tax overhaul, but said the bank's results also benefited from "broad-based strength."

The Journal's analysis calculated what each bank's results for the latest first quarter would have been if the effective tax rate from last year's first quarter was still in effect.

Each bank's tax rate has declined dramatically since then. Wells Fargo, for instance, had an 18.8% effective tax rate in the latest first quarter, down from 27.5% in the year-ago quarter.

Applying a 27.5% effective tax rate to the latest quarter's pretax income would have shaved about \$636 million off earnings, cutting Wells Fargo's diluted earnings per share to 99 cents from the actual \$1.12. (Wells's first-quarter 2017 earnings were \$1.03 per di-

ary.)

The tax overhaul added about \$798 million to Bank of America's growth in net income. At JPMorgan, it added about \$470 million to its earnings.

Zion Research's Mr. Gomatam notes not all companies will see the kind of tax-rate reductions the big banks did, and some tax savings could go to a company's customers or employees rather than profits.

Investors "need to see that all of the tax savings are falling to the bottom line."

Investors may have looked through the numbers and realized that much of the banks' earnings growth came from a tax cut, not from operations. Since announcing earnings, Wells Fargo shares have fallen 4%, JPMorgan's have slipped 2.8% and Citigroup's have lost 3.3%.

A New Streak?

IBM reported its second consecutive quarter of revenue gains after several years of declines.

Quarterly revenue, change from previous year



Sources: S&P Capital IQ; the company

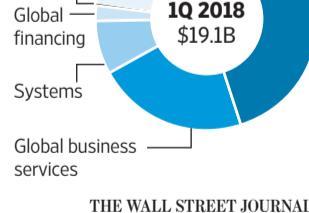
IBM

Continued from the prior page from Sam Palmisano in 2012, as the emerging industry of cloud computing ate away at IBM's business of managing information technology in customers' facilities.

She has refashioned IBM as a cloud provider, seeking to differentiate the company's offerings from lower-cost competitors through buzz technologies such as its artificial-intelligence tools and blockchain, a decentralized way to execute and track transactions.

IBM expects these offerings, which it calls strategic imperatives, to grow more rapidly than its legacy businesses are shrinking, propelling IBM to faster revenue growth as they come to

First quarter revenue by segment



THE WALL STREET JOURNAL.

constitute a bigger portion of overall sales.

The company said strategic-imperatives revenue reached \$37.7 billion, making up 47% of its revenue over the past 12 months, and remains on track to reach \$40 billion by the end of the year.

"The overarching message," IBM finance chief James Kavanaugh said, "is that we grew revenue, stabilized our gross margin across all our lines of business and grew operating profit, cash, and earnings per share."

However, margins remain an issue. The Systems division, which is responsible for mainframe computers, and the Cognitive Solutions division that includes high-profile offerings such as Watson, both took a hit.

—Maria Armental contributed to this article.

BUSINESS & FINANCE



JACQUELINE LARMA/ASSOCIATED PRESS

Starbucks CEO Kevin Johnson prepared to meet with Philadelphia's mayor and other officials Monday.

BIAS

Continued from the prior page Tuesday. "While this is not limited to Starbucks, we're committed to being a part of the solution."

When stores are closed, employees will go through training designed to address potential unconscious racial bias among employees and help ensure that all customers feel welcome, Starbucks said.

Starbucks isn't the only national chain to respond to a controversy involving customers and race in recent months and years.

In February, **Applebee's Restaurants** LLC issued a public apology and said three employees at one of its locations in Independence, Mo., had been fired after two African-American women were falsely accused of leaving without paying their bill. The two women posted a soon-viral Facebook video of a police officer confronting them while they dined at the restaurant, telling them that staff believed they had "dined and dashed"

on a previous visit.

Applebee's also temporarily closed the restaurant "for the team there to regroup, reflect, learn and grow from this," it said in a statement it posted to Twitter.

Days later, Applebee's said the mall-based restaurant would be shut permanently but declined to say whether the closure was a result of the incident. An Applebee's spokeswoman wasn't immediately available for comment on Tuesday.

Major New York retailers, including Macy's and Barneys, agreed in 2013 to a customer bill of rights to help prevent racial profiling and unreasonable searches, after several incidents where black shoppers were detained by police and store security after purchasing luxury items.

Some experts applauded Starbucks's response but questioned whether the announced training will go far enough.

In situations like this, "you've got to stand up publicly and you don't duck," said Margaret Regan, president and CEO of the Future Work Institute, a diversity and work-trends consulting

firm based in New York.

But Ms. Regan said antibias training generally requires more than an afternoon. Ms. Regan's firm did consulting work with Starbucks about 10 years ago that wasn't related to diversity.

Starbucks said Tuesday that more steps will follow.

The single-day training event is unlikely to significantly affect the company's coffee and food sales. Starbucks has over 28,000 locations world-wide, and the U.S. stores will be closed after the critical morning sales period.

There are 5,843 licensed Starbucks and 8,320 company-owned Starbucks in the U.S.

Starbucks handles hiring and training for its company-owned stores, while licensed stores are operated by retailers or food-service companies—such as Target Corp. or Aramark—that handle hiring and training.

Starbucks said that, following the training, it will share the related materials with its licensees. The company said it was developing the employee curriculum with civil-rights leaders and activists.

—Austen Hufford contributed to this article.

More Nike Executives Leave Firm Abruptly

BY SARA GERMANO

Three additional Nike Inc. executives have left the company, including the head of diversity and a senior manager in the basketball business, according to people familiar with the matter.

It wasn't immediately clear what led to their exits from the sportswear giant, but their departures were abrupt, the people said.

The company has overhauled its senior ranks in recent weeks after internal complaints of inappropriate workplace behavior triggered a review of hiring and promotion practices.

Vikrant Singh, a senior brand director for the Nike basketball brand in North America, and Daniel Tawiah, vice president of global brand digital-marketing innovation, were forced to leave the company, some of the people said.

The third executive, Antoine Andrews, vice president of diversity and inclusion, also left, the people said. Bloomberg News earlier reported that Mr. Andrews had left Nike.

The three men didn't respond to requests for comment. A Nike spokesman confirmed the three executives were no longer employees.

Mr. Tawiah and Mr. Singh each had more than a decade of experience at Nike, according to their respective LinkedIn profiles. Mr. Andrews joined Nike from Symantec in 2015, according to his LinkedIn profile.

The departures come about a month after Chief Executive Mark Parker told employees in a memo that the company had received complaints of inappropriate workplace behavior, and two weeks after Nike's top human-resources executive said the company had "failed" to hire and promote enough women and minorities.

Interviews with current and former Nike employees say the company has for years fostered a so-called boys-club culture, and complainants to human resources found the department to be flawed.

Last month, Nike said Trevor Edwards, its second-highest executive, had resigned his position as Nike Brand president with immediate effect and was retiring in August. Jayme Martin, a top lieutenant to Mr. Edwards, was forced out of the company, people familiar with the matter said. Messrs. Edwards and Martin haven't responded to requests for comment.

luted share.)

Citigroup, which had a 23.7% effective tax rate this quarter, would have seen about \$452 million cut off its first-quarter earnings if its year-ago 31.1% effective tax rate had been in effect. That would have eliminated most of

the tax savings from the tax cut.

Investors may have looked through the numbers and realized that much of the banks' earnings growth came from a tax cut, not from operations.

Since announcing earnings, Wells Fargo shares

have fallen 4%, JPMorgan's have slipped 2.8% and Citigroup's have lost 3.3%.

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BUSINESS NEWS

CEOs Prepare to Defend Merger in Court

Their testimony will mark key phase in AT&T-Time Warner antitrust case

BY DREW FITZGERALD

WASHINGTON—The chiefs of AT&T Inc. and Time Warner Inc. will take the witness stand this week to defend their proposed \$85 billion combination, a key phase in a high-stakes court battle with U.S. antitrust enforcers.

Time Warner CEO Jeff Bewkes could testify Wednesday to explain why the owner of Cartoon Network and HBO wants to sell itself to the country's biggest pay-TV distributor. AT&T CEO Randall

Stephenson will likely have his chance on Thursday, when he takes the stand to dispute the Justice Department's allegations that the deal would raise the cost of cable- and satellite-TV service.

The prospect of executives stepping off corporate jets and into the witness box could provide a bit of what counts for drama in the federal trial, which began last month but traces back to an antitrust review that started shortly after the companies announced their plans to merge in October 2016.

Testimony so far in Judge Richard Leon's packed courtroom has included explanations from industry executives called by the government and from economic experts from

each side. The closest scrutiny is on reactions and questions from Judge Leon, who will decide the deal's fate.

The deal has broad ramifications for the media and technology industries as well as for the government's power to deter large-scale corporate consolidation. It could also define both executives' legacies. Neither CEO has testified in an antitrust trial of this kind, though they are both veterans of corporations known for big acquisitions and for shedding operations.

Mr. Bewkes, 65 years old, who has run Time Warner since 2008, put his company on



Randall Stephenson

the block in 2016, before TV advertising rates began to slide and cable customers started abandoning traditional TV bundles. Losing the case would force the media executive to play his hand all over again, only with the chips down a bit more.

The case is also personal for Mr. Stephenson, who has led AT&T for more than a decade. The 58-year-old executive clinched a \$49 billion deal for DirecTV in 2015 but dropped a takeover for what is now T-Mobile US Inc. amid government opposition. Now, he has hitched the company's future to a deal that would move it further

from its telephone roots.

Companies usually call their top executive to the stand when they are defending a "personal project of the CEO," said Stephen Calkins, a professor specializing in antitrust and consumer law at Wayne State University. "When it is a really major transaction...it would be surprising to not see the CEO testify."

Mr. Stephenson, who is also AT&T's chairman, can take time on the stand to show that the buck stops with him. The government has used junior executives' emails and presentations to argue that the combined company will wield Time Warner's channels against rivals, hurting overall competition. The defense has said that those employees

don't speak for AT&T.

The two companies argue their deal won't hurt competition because they aren't direct rivals. Time Warner provides video entertainment and AT&T, along with its DirecTV unit, distributes it. They estimate that joining forces would save the combined company more than \$2.5 billion a year by 2020.

Some topics will likely be out of bounds. Mr. Stephenson has questioned whether President Donald Trump's dislike for Time Warner channel CNN influenced his Justice Department's decision to fight the deal. AT&T's attorneys broached the issue before the trial but Judge Leon ruled they weren't allowed to make it part of their defense.

J&J Shakes Off Pricing Pressure, Plans Cost Cuts

By JONATHAN D. ROCKOFF
AND IMANI MOISE

Johnson & Johnson reported higher-than-expected sales in its latest quarter and boosted its sales outlook for the year despite pricing pressures for its prescription drugs and medical devices.

J&J on Tuesday said it planned to cut costs in its supply chain by between \$600 million and \$800 million a year by 2022. To carry out the changes, J&J expects to take \$1.9 billion to \$2.3 billion in charges over the next several years.

The New Brunswick, N.J., company said it planned to invest more than \$30 billion in capital projects and research-and-development activities in the U.S. through 2021, 15% more than the company invested over the previous four years. The company said the U.S. tax overhaul played a role in the increase.

Chief Financial Officer Dominic Caruso played down the prospects of J&J making a major pharmaceutical acquisition, indicating the company



J&J posted higher-than-expected sales. Its results are viewed as a harbinger for the health-care sector.

would probably rely instead on its strong pipeline of new drugs and its collaborations with other companies.

J&J is one of the biggest health-products companies in the world by sales, and Wall Street considers its results a harbinger for the rest of the health-care industry.

The company upped its financial forecast for the year largely because of the performance of its pharmaceutical business, Mr. Caruso said. Sales of key drugs like cancer therapies Darzalex and Imbruvica rose by double digits in the quarter.

J&J now expects 2018 sales

of \$81 billion to \$81.8 billion and earnings in the range of \$8 to \$8.20 a share. "We're off to a strong start this year," Mr. Caruso said in a conference call with analysts and investors.

Pricing and competitive pressures remain a threat. In March, J&J reported the average price paid for its medi-

fall 16.9% as a result of competition from lower-priced copies, known as biosimilars, and J&J's own discounting.

Another of the company's top-selling drugs, prostate-cancer treatment Zytiga, will probably face generic competition late this year or early next year, according to J.P. Morgan.

President Donald Trump is expected to speak next week about high drug prices, but analysts anticipate proposals that won't hurt pharmaceutical companies, such as efforts to reduce the out-of-pocket costs borne by patients.

Pricing pressures also affected sales of the company's spine, trauma and knee parts, which fell in the quarter.

Overall for the quarter the company reported a profit of \$4.37 billion, or \$1.60 a share, down from \$4.42 billion, or \$1.61 a share, a year earlier. Excluding special items, profit rose 13% to \$2.06 a share.

Revenue grew 13% to \$20.01 billion. Analysts had forecast earnings of \$2.02 a share on \$19.46 billion in revenue.

UnitedHealth's Outlook Improves

By ALLISON PRANG

UnitedHealth Group Inc. posted a 31% increase in profit for its latest quarter and raised its earnings outlook for the year.

UnitedHealth, the parent of the biggest U.S. health insurer, on Tuesday reported a first-quarter profit of \$2.84 billion, or \$2.87 a share, up from \$2.17 billion, or \$2.23 a share, a year earlier. The company earned \$3.04 a share on an adjusted basis, compared with \$2.37 a share.

Revenue rose 13% to \$55.19 billion, helped by double-digit percentage increases in the company's health-insurance and Optum health-services segments.

This year UnitedHealth expects a per-share profit of between \$11.70 and \$11.95, or between \$12.40 and \$12.65 on an adjusted basis.

Shares in UnitedHealth rose 3.6% to \$238.55 on Tuesday. The stock is up 44% over the past 12 months.

UnitedHealth had expected

the new tax law to help earnings by about 16% for the year and increase its cash flow by about \$1.7 billion. The company said its income-tax rate in its most recent quarter was 21.5%.

Revenue from premiums rose 13%—in line with the company's overall increase in revenue—to \$44.08 billion. Total

operating costs at the company increased 13% to \$51.14 billion.

While investors had feared that flu trends early in the quarter could hurt earnings, the impact didn't drag down results. UnitedHealth finance chief John Rex said the company's growing diversity can help balance out the impact from costs of the U.S. winter flu season for its domestic

health-insurance business. Earnings from Optum operations rose 29%, outpacing growth from the health-insurance business.

UnitedHealth reached a deal in December to acquire DaVita Inc.'s physician group for \$4.9 billion in cash. Those plans hit a bump last month when the Federal Trade Commission asked for more information about the deal.

Optum has been building up its roster of physician practices, clinics and surgery centers with years of mostly under-the-radar acquisitions.

Chief Executive David Wichmann said UnitedHealth has continued to acquire health-care providers at a "consistent pace," and said the company is investing in technology through its Optum Ventures arm. Noting the company's acquisition of South American health-care firm Banmédica SA, he said UnitedHealth is making "measured investments" in overseas assets.

—Anna Wilde Mathews contributed to this article.

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The size of the company's first-quarter profit increase.

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—Anna Wilde Mathews contributed to this article.

BUSINESS WATCH

WALT DISNEY

FiveThirtyEight Moves to ABC News

Statistics guru Nate Silver is leaving ESPN, but he's staying under the **Walt Disney** Co. umbrella.

FiveThirtyEight, the politics and news site Mr. Silver founded, is moving to Disney-owned ABC News after five years at the sports broadcaster, ESPN and ABC News said Tuesday.

Taking on FiveThirtyEight is part of plans at ABC News to fortify its political reporting in advance of the 2018 midterm elections, said James Goldston, ABC News president.

ABC News and ESPN declined to disclose the terms of the deal.

ESPN acquired FiveThirtyEight in 2013, but Mr. Silver retained ownership of the statistical models used in its journalism. Some of FiveThirtyEight's sports content will continue to appear on ESPN, Mr. Silver said in statement.

—Benjamin Mullin



Fourteen states get more than 10% of their power from wind.

CSX

Drop in Expenses Aids Profit Rise

CSX Corp. posted higher first-quarter earnings as a big decline in expenses boosted the bottom line during a period of basically flat revenue.

Total expenses fell 13%, with sharp drops in the railroad's two largest cost drivers: labor, due to head-count reductions, and materials, which are tied to cost cuts and real estate sales.

—Paul Ziobro

ENERGY

Wind-Farm Power Gathers Momentum

Electricity generated by wind farms is on the rise, with 14 states getting more than 10% of their power from wind in 2017, according to a report from the American Wind Energy Association.

Wind generated more than 30% of the electricity in four states: Iowa, Kansas, Oklahoma, and South Dakota. Texas was No. 1 in installed wind-power capacity.

—Erin Ailworth

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High Court Hears Internet Sales-Tax Case

Some justices seem reluctant to overturn ruling despite appeals of states, traditional stores

BY JESS BRAVIN

WASHINGTON—Several Supreme Court justices appeared reluctant to overturn a pre-internet precedent exempting many online merchants from collecting sales taxes, despite broad agreement that the e-commerce revolution made the rule “obsolete.”

In a 1992 mail-order catalog case, the court held that, absent congressional approval, states could impose tax-collection duties only on retailers with a

“physical presence” within their borders. Congress, with its constitutional power to regulate interstate commerce, was the place to balance state revenue needs with burdens on business, the court said at the time.

Some justices expressed the same view Tuesday, despite appeals from states and traditional shopkeepers that decades of congressional inaction should spur the court to reconsider, updating the standard to “economic presence” that a website can create.

Justice Sonia Sotomayor led the objections when South Dakota Attorney General Marty Jackley, a Republican, rose to argue. She said simply throwing out the 1992 opinion, *Quill Corp. v. North Dakota*, would

create “a whole new set of difficulties” for businesses, consumers, courts and legislators: Could sales taxes be collected retroactively? How would states determine how much presence a retailer must maintain to trigger tax-collection obligations?

Mr. Jackley said the states—45 impose sales taxes, and nearly all support South Dakota’s case—wouldn’t make draconian demands of remote sellers, and in any event other precedents and constitutional principles would protect them from unfair enforcement. South Dakota’s law, for instance, applies only to remote sellers that do more than \$100,000 in business or 200 transactions with state residents.

Justice Samuel Alito wasn’t

convinced. While South Dakota’s law was “devised to present the most reasonable incarnation of this scheme,” overruling *Quill* could invite

A 1992 decision exempted many online merchants from collecting local taxes.

more aggressive moves, he said. “Do you have any doubt that states that are tottering on the edge of insolvency and municipalities which may be in even worse position have a strong incentive to grab every-

thing they possibly can?”

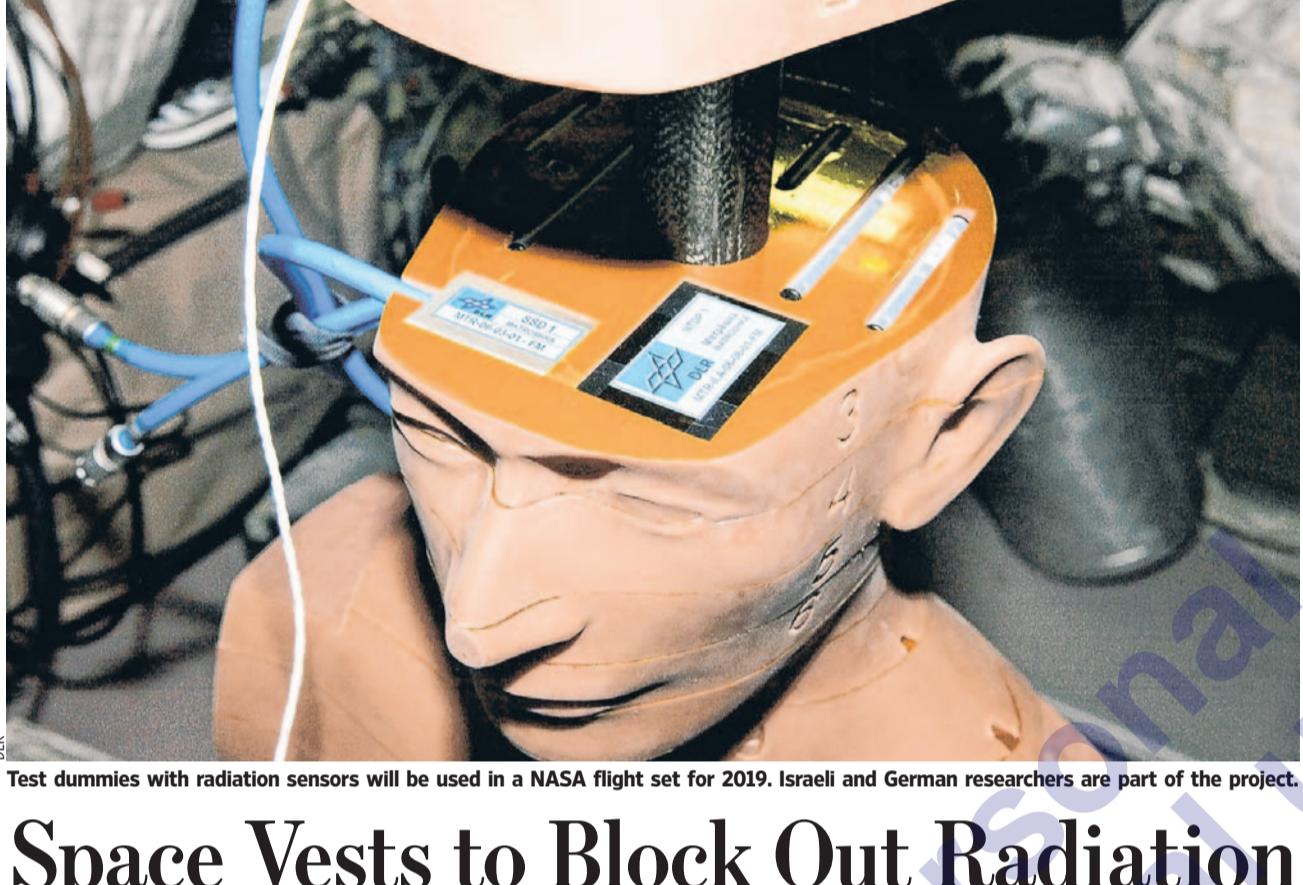
Tuesday’s case was inspired by Justice Anthony Kennedy, who in 1992 voted for the result in *Quill*, but more recently has expressed doubts. In a 2015 concurring opinion in a separate case, he said it was time to reconsider *Quill* and invited a lawsuit that would give the court such an opportunity. He reiterated that point Tuesday. In *Quill*, Justice Kennedy said, the court “made a statement of constitutional law that has now, especially in light of the cyber age, proven incorrect.”

George Isaacson, a Lewiston, Maine, lawyer representing home-furnishings seller Wayfair Inc. of Boston and other online merchants, said the e-commerce economy had grown up under

the *Quill* precedent and relied on its rules in making business decisions. Sweeping away the rule would be “chaotic,” he said.

Justice Elena Kagan questioned that claim. Many small retailers rely on giants like Amazon.com Inc. and eBay Inc. to process their sales, she said, suggesting it was no great stretch to imagine them handling tax collections, too.

Mr. Jackley said bricks-and-mortar storefronts were suffering from price competition from online sellers that don’t add taxes to customers’ cost. But Mr. Isaacson said the high costs of complying with hundreds of different taxing systems in states and counties would keep low-volume sellers from the online marketplace.



Test dummies with radiation sensors will be used in a NASA flight set for 2019. Israeli and German researchers are part of the project.

Space Vests to Block Out Radiation

BY ANDY PASZTOR

COLORADO SPRINGS, Colo.—U.S. and Israeli space officials have teamed up with a Tel Aviv-based technology startup to combat one of the gravest threats confronting future astronauts: excessive radiation exposure.

To alleviate such hazards for human exploration of deep space, the National Aeronautics and Space Administration and the Israel Space Agency signed an agreement Tuesday during a conference here to test flexible, polyethylene vests intended to shield crews from cancer-causing radiation.

StemRad Ltd., a closely held Israeli company that already supplies a different type of personal radiation-protective gear to a limited numbers of soldiers, nuclear plant workers and emergency responders, developed the space version of its product in conjunction with **Lockheed Martin** Corp. The vests are designed to be light and supple

enough for astronauts to wear while doing normal tasks on lengthy missions deep in the solar system and eventually to Mars, according to Oren Milstein, the company’s founder and chief executive.

In addition to the anticipated scientific payoff, Lockheed officials envision business and geopolitical benefits from engaging more closely with Israel and its fast-growing commercial space sector.

NASA reiterated that “radiation is one of the biggest hazards crew will face on deep space missions.”

The vests will be fitted on a mannequin during the first flight of NASA’s Orion capsule, an unmanned mission currently scheduled for 2019. Radiation sensors inside the mannequin and on a second one without the vest are supposed to demonstrate the effectiveness of the material in protecting human organs from potentially lethal doses of high-energy radiation.

Germany’s DLR research

center also is participating.

In an interview, Mr. Milstein said the arrangement with NASA sets up the most detailed and extensive experiment yet to measure radiation hazards for crews traveling beyond low-earth orbit. The vest also will be tested next year by astronauts on the international space station.

Former astronaut and retired Air Force Gen. Thomas Stafford, who heads an advisory panel for NASA, said typical radiation levels in low-earth orbit are roughly 100 times greater than background levels experienced by people living in tropical regions.

Astronaut exposure during solar storms, however, can be substantially higher. In space, there are no clouds or rain to shield humans from such gamma rays. NASA worries about extended exposure, which can cause cancer and destroy bone marrow.

Until now, the agency’s primary strategy has been to provide a protected space deep

inside Orion where astronauts would be able to retreat if solar storms erupt. But such areas—dubbed storm shelters—may be too small to accommodate crews over extended periods.

For major solar eruptions, which can stretch from a day to a week, U.S. and Israeli researchers seek a mobile protection system as a supplement.

“Shielding the whole body is just impossible,” according to Mr. Milstein, while water or other radiation barriers are too heavy. He said cramped shelters are “not a viable solution for long-duration travel.”

So Mr. Milstein’s company has developed a vest, weighing about 50 pounds and contoured to the bodies of individual astronauts, specifically intended to protect their vital organs. The test mannequins will have female anatomies, because women are more susceptible than men to radiation hazards.

CHINA

Continued from page B1
ruses or launching denial-of-service attacks.”

Commissioner Mignon Clyburn, a Democrat, said: “We must minimize national security threats, while avoid putting undue burdens on small and rural communications service providers, and those living in high-cost areas where connectivity is either lacking or needs improvement.”

Although Huawei has repeatedly denied that its products pose a security threat, it has met continued resistance in the U.S. The company is also the world’s third-biggest smartphone vendor, but it has failed to secure distribution deals with U.S. carriers.

In a sign of Huawei’s dimming U.S. expectations, the company last week laid off five employees based in the country, including its top spokesman in Washington, William Plummer, according to a person familiar with the matter.

Mr. Plummer was one of Huawei’s most public defenders in the U.S. and spoke out aggressively against the company’s treatment there. Mr. Plummer declined to comment. His departure was reported earlier by the New York Times.

National-security fears were behind the U.S. decision in March to block the takeover of chip maker Qualcomm Inc. by then Singapore-based Broadcom Ltd. on grounds that the deal could endanger American technological prowess, particularly in next-generation network technologies—a focus of Huawei investment.

Qualcomm has already been caught in the crossfire between Beijing and Washington, suffering a delay in its bid to acquire Dutch automotive-chip maker NXP Semiconductors NV in order to diversify its product line. San Diego-based Qualcomm has had to refile its application to China’s antitrust regulator for a review of the \$44 billion purchase, people familiar with the matter said, a move that effectively extends the review period.

“It is beyond myself to clearly explain what is going on between the two countries,” Eric Xu, one of Huawei’s three rotating CEOs, said at an annual meeting in Huawei’s home city of Shenzhen on Tuesday.

Meanwhile, the U.S. is also looking for ways to retaliate against Beijing’s restrictions on U.S. providers of cloud computing and other high-tech services.

China requires U.S. cloud-computing firms, such as Amazon.com Inc. and Microsoft Corp., to form joint operations with Chinese companies and license technology to their local partners. Meanwhile, China’s Alibaba Group Holding Ltd. independently operates three data centers in the U.S., two in Silicon Valley and another in Virginia.

The U.S. action against ZTE stemmed from claims that the Chinese company had violated the terms of a settlement last year of allegations of sanctions busting involving North Korea and Iran.

A Chinese Foreign Ministry spokeswoman described Washington’s action against ZTE as “typical of unilateralism and economic hegemony,” adding that China and the U.S. depend on each other for mutual interest.

“If the U.S. continues to work against this trend, we will be prepared, we will be ready and we will launch our countermeasures,” she said.

PIERCE

Continued from page B1
flip phones by making typing so much easier.

The new Nokia 8110 has an answer to that: Assistant, Google’s voice-activated virtual helper. These virtual assistants are getting better at accomplishing the kind of simple, straightforward tasks we all do all day on our phones: texting a friend, calling a cab, doing research, controlling music, even paying for things. Once these assistants get good enough, you might not miss the touch screen.

The 8110’s Assistant integration comes from KaiOS, an operating system built for these low-end phones. When you first turn it on, a KaiOS device looks like other feature phones: it is designed for number keys, not fingers, with big icons and simple menus. You still text by click-click-clicking—and, for flip phones, you can still hang up by aggressively closing the clamshell.

KaiOS has partnered with Google, Facebook, Twitter and others to add modern

services to feature phones. Just not too many. “We want to have a very curated [app] store,” says **KaiOS Technologies** Inc. Chief Executive Sébastien Codeville, who says 10 to 15 apps on a phone is ideal.

Question is, which 10 or 15 apps? Giving everyone the same selection would be like serving only anchovy and pineapple pizza—a few people would be thrilled, everyone else furious. Every country, city and person has different needs. The only way to satisfy everybody is to offer everything, at which point you are just building Android all over again.

KaiOS is focused on new markets, with devices like the Reliance JioPhone, a hugely popular candy-bar phone that sells in India for around \$20. But Mr. Codeville does see an opportunity in more established markets. You are going to want something other than your iPhone, he says, not a full-on replacement, just something a little less intense. People still want to feel connected, but don’t always want the well-documented cognitive overload that comes from having a smartphone nearby.

Kaiwei Tang, chief execu-

tive at Light, sees things the same way. “We’re not trying to make a smartphone,” he says of his company’s latest device, a \$400 monolithic slab that Mr. Tang hopes offers all the essentials—calls, texts, alarms, navigation—and nothing else. “We’re not trying to make an entertainment device, or an attention-sucking machine,” he says. “It’s like a screwdriver,” he adds. “You use it, you move on, you live your life.” Personally, I would love a

second phone that would keep me loosely tethered to the real world without constantly reminding me of its existence. It would be like having a weekend home in the country: a way to escape the daily noise but still feel at home. I used the first Light Phone—which did exactly nothing but make phone calls—when I was walking the dog or out for date night and really didn’t want to be distracted. Light’s crowdfunding cam-

paign for the new device has raised more than \$1.4 million (and the startup already has more than \$4 million from Foxconn Technology Group and other investors). The Light Phone 2 is slated to ship next year.

Perhaps the best feature phone is already inside your smartphone. The activist group Stanford Students Against Addictive Devices has publicly asked **Apple** Inc. to build an “essential mode” into the iPhone.



HMD Global's Nokia 8110 keeps the slider look, but offers modern functionality such as an app store.

“It’ll reboot the device into a much more bare-bones mode,” says Cameron Ramos, a group member. “Maybe just maps, photos, calls, texts—just drown out the other applications.” Users should be able to choose which apps are “essential,” Mr. Ramos says.

It sounds a lot like the improved Do Not Disturb mode that I have learned for Apple to create. (The company said it is working on improvements to Do Not Disturb but declined to provide specific plans.) And even a simplified iPhone still has an excellent camera, which is more than I can say for any feature phone I have tried.

Still, it is time to take feature phones seriously again. A billion-plus users are on the cusp of the biggest upgrade since the phone shrunk from Gordon Gekko’s giant brick to the tiny thing in Neo’s envelope. And the next billion users might not first experience the internet through touch screens, app stores and incessant push notifications. Instead, they might have simple, competent phones that don’t cost much, don’t break, last for weeks on a charge—and even listen when they talk. Lucky them.

BUSINESS & TECHNOLOGY

Elaine Wynn Presses to Remake Board

Shareholder makes demands after claims of sexual misconduct against ex-husband

BY KATE O'KEEFFE AND CHRIS KIRKHAM

Wynn Resorts Ltd.'s largest shareholder, Elaine Wynn, demanded the company move swiftly to restructure its board and improve its corporate governance as regulators continue

to investigate the company's handling of sexual-misconduct allegations against her ex-husband, former Chief Executive Steve Wynn.

Ms. Wynn said in a letter to the board Tuesday that she was focused both on maximizing the company's value and on "fully restoring its reputation and in transforming it into a corporate-governance leader," according to an SEC filing.

Seeking to create a board comprising mostly new directors, Ms. Wynn asked that

shareholders be allowed to nominate new board candidates ahead of a coming company meeting, even though the deadline has expired, the filing said.

Ms. Wynn, who previously served on the board and has a 9% stake in the company, said she didn't plan to nominate herself or anyone who couldn't be considered independent of herself, Wynn Resorts or Mr. Wynn.

"Because all of the candidates I nominate would, by definition, be new to the board, they would not be in a position

to have their independence questioned due to excessively long tenure—unlike some of the incumbent directors who have served for over 15 years," said Ms. Wynn in the letter.

Ms. Wynn added that she believes the reconstituted board should be in place before the company makes any material decisions about transactions, such as a possible sale of its Boston-area casino project. Ms. Wynn requested the board reply by April 24.

A Wynn Resorts spokesman

declined to comment on Tuesday's filing. Representatives for the board didn't respond to requests for comment.

Mr. Wynn resigned as chairman and CEO in February and sold off his entire 12% stake for \$2.1 billion last month. Monday he settled outstanding claims in long-running litigation involving the company and Ms. Wynn, to whom he agreed to pay \$25 million, according to Tuesday's filing.

The moves came after a January article in The Wall

Street Journal detailed allegations that Mr. Wynn had engaged in sexual misconduct against employees for decades.

Mr. Wynn has said it is "preposterous" that he would assault a woman; he hasn't responded to other allegations of sexual misconduct. An attorney for Mr. Wynn earlier sent a statement on his behalf saying he "declined to participate in The Wall Street Journal's reporting because it is clear that the Journal has no intention of treating him fairly."



Cho Hyun-min, a daughter of the carrier's chairman, on Sunday.

Korean Air Confronts Another Case of Rage

BY EUN-YOUNG JEONG

SEOUL—South Korean police are investigating an alleged violent incident involving a **Korean Air Lines** Co. executive—and daughter of the company's chairman—reviving memories of the "nut rage" incident that put the carrier at the center of international criticism a few years ago.

Police launched the investigation Tuesday into Cho Hyun-min—a vice president at Korean Air, South Korea's largest airline—after she was accused of throwing water in the face of an advertising-agency employee at a meeting last month.

A spokesman at Korean Air acknowledged that Ms. Cho, 34 years old, threw a cup filled

with water but denied that the cup or its contents was aimed at a person. Her lawyer, Im Sang-hyeok, said Ms. Cho would cooperate with police.

Ms. Cho is the younger sister of Cho Hyun-ah, who faced public embarrassment in 2014 in the "nut rage" case. She ordered a Korean Air flight to return to the gate at New York's John F. Kennedy International Airport after she was served macadamia nuts in an unopened bag, instead of on a plate. The elder Ms. Cho was convicted in a South Korean court and sentenced to one year in jail for violating aviation laws. Ten months later, an appeals court acquitted her of one of the charges and released her on a suspended sentence.

Walmart Website Goes Upmarket

BY SARAH NASSAUER

Walmart Inc. wants its website to look less like a Walmart store.

The retailer plans to redesign the site next month by decluttering the product listings, de-emphasizing the Walmart name and using a lot less bright blue. Executives say the goal is to make a site that appeals to higher-end brands and encourages shoppers to browse for products.

Walmart has spent heavily to ramp up its e-commerce business, which accounts for 3.6% of its U.S. sales. Its website has about 100 million unique monthly visitors, compared with 180 million at rival **Amazon.com** Inc., according to comScore Inc.

Instead of stretching the Walmart name, logo and bright blue color across the top of the website, the new home page will highlight only a small yellow "spark," which is the internal name for Walmart's star logo.

Instead of seeing a hodge-podge of products, shoppers will more often see which products are selling best in their city or past purchases that can be reordered quickly, shown with high-quality photos of people using products.

The redesign "is meant to be cleaner and more modern

A page on Walmart's redesigned website. E-commerce accounts for 3.6% of the retailer's U.S. sales.

and more appealing such that we are able to open up more relationships with brands," and customers become more loyal, said Marc Lore, chief executive of Walmart U.S. e-commerce. "It allows us to broaden the assortment we are able to offer."

The new Walmart site will include a Lord & Taylor department-store landing page, where some of that chain's goods will be sold as part of a partnership between the retailers announced last year.

Walmart has worked over the past year to broaden its

appeal and reputation beyond its budget-store roots.

In February, the retail behemoth took "Stores" out of its legal corporate name to be "consistent with the idea that you can shop us however you like," Walmart Chief Executive Doug McMillon said at the time.

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THE PROPERTY REPORT

Koreans Crave U.S. Debt

Commercial property is seen as a safe wager; 'this is cautious money'

BY ESTHER FUNG
AND KWANWOO JUN

U.S. commercial real-estate owners are raking in cash from South Korean debt investors hunting for higher returns and better asset diversification.

Investors based in South Korea accounted for 21% of foreign investment in U.S. real-estate debt as of mid-April, the largest proportion among foreign investors, according to data firm Prequin. Canada and Australia were second and third, at 12% and 11%, respectively. Global fundraising for U.S.-focused real-estate debt reached \$17.8 billion in 2017, up from \$10.8 billion in 2016, Prequin said.

In New York City, KTB Asset Management Co. recently agreed to provide a five-year, fixed-rate loan to RFR Holding LLC for the refinancing of 285 Madison Ave., while IGIS Asset Management lent \$220 million to the owner of 787 7th Ave., the California Public Employees' Retirement System, according to a report by JLL Global Capital Markets.

Many institutional investors in the U.S. already have been pouring money into real-estate debt, despite widespread expectations the real-estate cycle is near a peak and property prices might decline. Debt is seen as a safer bet and provides some cushion for lenders depending on the loan-to-value ratio. Generally, if a property has an 80% loan-to-value ratio, it implies that property prices have to fall more than 20% before the lenders take a loss.

In particular, brokers said investors from South Korea, including insurers and asset managers, have been stepping



KTB Asset Management provided a loan to refinance the building at 285 Madison Ave. in New York.

up their search for commercial mortgage-backed securities and debt funds in the U.S. to join with. South Korean investors are more interested in real-estate debt than equity, said Stella Hsu, a director dealing with alternative investment overseas for Seoul-based KTB Asset Management.

Part of the attraction is the expectation of higher yields in the U.S. compared with back home. The 10-year government bond yield in South Korea is 2.6%, while the 10-year U.S. Treasury, up sharply in the past few months, now yields about 2.8%.

"With U.S. interest rates still rising and property prices having gone pretty high, real-estate purchases for now may risk incurring a loss. We're interested in stable [interest payments]," Ms. Hsu said. She declined to elaborate on deals KTB is working on. IGIS Asset Management didn't respond to requests to comment.

Investing in real-estate development could deliver higher returns, but South Koreans tend to view the risk as

being too high, analysts said.

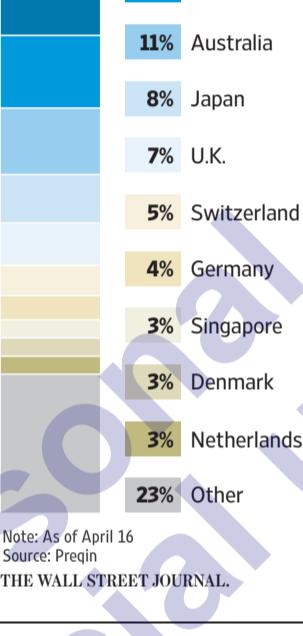
"Despite all the troubles in the U.S., it's still seen as a safe harbor for their money," said Jim Costello, senior vice president at data firm Real Capital Analytics Inc. "They are not speculators. They're not coming here thinking they'll beat the market. This is cautious money."

Apart from directly extending loans to owners of big buildings, other investors are looking to invest in debt funds that invest in a pool of mortgages backing smaller properties.

M360 Advisors, a commercial real-estate debt fund based in Ladera Ranch, Calif., said it has raised \$150 million from an institutional investor in South Korea over the past year. Evan Gentry, chief executive of M360 Advisors, said the South Korean institutional investor flew in with its own team of auditors before making its first investment in the fund. "They think favorably about the U.S., and they're entrepreneurial and willing to act quickly," Mr. Gentry said.

Outsize Appetite

South Korean investors hold the largest proportion of foreign investment in U.S. real-estate debt.



Note: As of April 16

Source: Prequin

THE WALL STREET JOURNAL.

Greystone to Finance Low-Income Housing

BY PETER GRANT

New York housing-finance firm Greystone & Co. has teamed up with federal and state agencies in a \$168.6 million effort to preserve and recapitalize 1,310 low-income rental apartments in Georgia.

The units, developed and managed by Atlanta-based Hallmark Cos., were built in the 1970s and 1980s through a U.S. Agriculture Department program targeting rural households. Tenants, who are required to meet income-eligibility requirements, pay about \$400 to \$500 a month in rent.

The portfolio includes 26 properties in 17 counties. Like tens of thousands of other properties developed under federal housing programs, the Georgia homes badly need repair.

The deal, known as a recapitalization, provided funds for upgrades worth an average of \$37,000 per unit, including such improvements as new appliances, counters, cabinets and electrical systems. The recapitalization also involved a sale of the properties and a refinancing of the debt on the portfolio. Through those actions, enough surplus capital is being raised to pay for the improvements.

"Unless you do something creative, they really have no chance of being preserved," said Tanya Eastwood, president of Greystones affordable-housing redevelopment unit.

The sellers of the properties were the limited partners who decades ago provided equity financing to Hallmark for their development, mostly in exchange for tax credits. The new owner is a venture of Hallmark and new equity investors who also are getting returns primarily in the form of low-income-housing tax credits.

The units are being preserved at a time when short-

ages of affordable and low-income housing are reaching crisis proportions in some parts of the country. According to a recent report by the National Low Income Housing Coalition, the U.S. has a shortage of more than 7.2 million units for "extremely low income" renter households.

Hundreds of thousands of units are at risk of becoming unusable, housing advocates say. "There's obviously a great need for more affordable housing, but we also can't afford to lose any of the existing," Ms. Eastwood said. The program in Georgia "allows us to prevent the crisis from getting worse."

Much of the financing for the Georgia effort is coming from a combination of government-housing and low-income assistance programs including the sale of \$54.3 million in "private activity" bonds. The tax exemption on those bonds wound up on the chopping block during the debate over tax overhaul last year but housing advocates and others were able to save them.

Meanwhile, about \$28 million of debt financing is being provided through programs run by the Rural Housing Service, an arm of the Agriculture Department that dates back to the Farmers Home Administration, which has its roots in the Great Depression.

The Georgia units now being recapitalized were developed under the Section 515 rural-housing program, which was launched in 1962 originally to create low-rent housing for people over 62 years old.

Today, Section 515 properties are available for low-income families and individuals as well as people with disabilities, according to an Agriculture Department spokeswoman. Since the program launched, 18,426 properties with 563,936 units have been created.

REIT Chief Sued by Ex-COO

BY ESTHER FUNG

A Brooklyn judge will decide whether to allow a sexual-harassment and pay-discrimination lawsuit filed by former Cedar Realty Trust Inc. Chief Operating Officer Nancy Mozzachio against CEO Bruce Schanzer to proceed.

According to the complaint, filed in New York State Supreme Court in Brooklyn in November, Mr. Schanzer repeatedly leered at Ms. Mozzachio and other female employees, made inappropriate comments to her, gave unwanted, groping hugs to her, and then fired her after she told Mr. Schanzer and Cedar's general counsel of her plans to consult Cedar's outside counsel about the procedure for reporting sexual harassment.

Mr. Schanzer denied the allegations during an earnings call in February and filed a motion to dismiss the lawsuit, arguing the claims should be aired in arbitration because of stipulations in Ms. Mozzachio's employment contract. A hearing is set for May 16.

Cedar said its board of directors takes allegations of misconduct seriously.

"After the allegations contained in the complaint were first raised following Ms. Mozzachio's termination, the independent members of the Board retained a national labor and employment law firm to conduct an extensive independent investigation of the allegations. Based on the thorough investigation by independent counsel, the Board determined that these claims are entirely without merit," Cedar's board said in an emailed statement to The Wall Street Journal.

"Ms. Mozzachio's lawsuit against Mr. Schanzer was filed nearly two years after the Cedar Board voted unanimously to terminate Ms. Mozzachio for cause, and Ms. Mozzachio only raised the issues outlined in her legal filing after her termination," the statement said, adding that the lawsuit is "a calculated maneuver to do an end-run around pre-existing arbitration and to harass and harm Mr. Schanzer."

Ms. Mozzachio, 53 years old, alleged in the lawsuit that Mr.



Allegations by Ms. Mozzachio include sexual harassment.

Schanzer engaged in behavior that was demeaning to her and female colleagues. In court filings, Ms. Mozzachio alleged that Mr. Schanzer regularly leered at her breasts and made inappropriate comments such as, "I see you have double Ds today," when a Dunkin' Donuts coffee cup was on her desk.

Beyond its statement to the Journal, Cedar didn't comment on specific allegations made in the complaint.

Mr. Schanzer, 49, who has been Cedar's chief executive since 2011, didn't respond to requests for comment.

Ms. Mozzachio alleged in the lawsuit she was terminated in February 2016 in retaliation for complaining to Mr. Schanzer about pay discrimination and after informing both Mr. Schanzer and Cedar's general counsel that she was going to consult outside counsel about the procedures for reporting sexual harassment.

She started working at Cedar in 2003 as director of leasing and was promoted in 2004 to vice president of leasing, and then to chief operating officer in 2014. She said that she was scheduled to meet with Cedar's outside counsel but that the outside counsel abruptly canceled the meeting and she was terminated about a week later, according to the lawsuit.

Ms. Mozzachio also alleged in the suit that she was paid a lower salary and a smaller bo-

nus than the company's chief financial officer, despite the general establishment in the REIT industry that the operating chief is generally paid more than the finance chief.

"I will not be intimidated or deterred from my beliefs that a safe workplace for female employees is the minimum a publicly traded company and board can provide to workers," said Ms. Mozzachio said in a statement to the Journal.

The lawsuit alleges that during a 2015 probe by an external investigator, four women at Cedar reported being sexually harassed by Mr. Schanzer, but the investigator ignored the complaints. Claims against Mr. Schanzer were settled via payments made through payroll so that Cedar didn't have to inform investors, the suit alleges.

Cedar, a Port Washington, N.Y.-based real-estate investment trust, owns 61 properties and the market value of its assets is around \$670 million, according to analysts' estimates.

During an earnings call in early February, Mr. Schanzer said the company expects increased expenses stemming from the litigation this year.

Before Cedar, Mr. Schanzer was formerly a managing director of real-estate investment banking at Goldman Sachs and a vice president at Merrill Lynch in the real-estate investment-banking division, according to Cedar's website.

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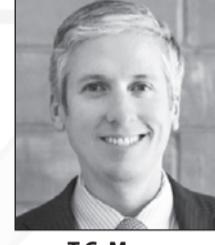
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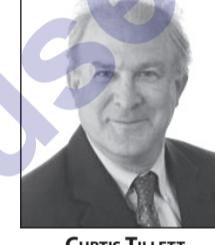
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BANKING & FINANCE

Fed Signals Rethink of Bank Regulation

By RYAN TRACY

WASHINGTON—The Federal Reserve's new regulatory czar committed to revisiting a series of banking regulations in his first appearance before Congress, though he faced pressure from Republicans to further pull back oversight of banks' boards of directors.

Fed Vice Chairman for Supervision Randal Quarles promised to consider changes to big-bank capital rules, annual "stress tests," the Volcker rule ban on speculative trading and rules on lending to the

poor in a three-hour hearing before the House Financial Services Committee.

Mr. Quarles is the first person to hold the vice chairman post leading the Fed's regulatory agenda since Congress created it in 2010, and Tuesday was the first time he fulfilled the obligation to testify twice a year about the Fed's regulatory activities.

Regulation of the financial system "should support and promote the system's efficiency just as it supports its safety," Mr. Quarles said at the outset of the hearing. He said

he broadly felt the government's response to the 2008 financial crisis has been effective, but expressed openness to rolling back rules in areas where the Fed decides they are imposing too much of a burden.

He agreed with Rep. Trey Hollingsworth (R., Ind.), who suggested the Fed should revisit how it calculates a key big-bank capital requirement known as the "GSIB surcharge" for global systemically important banks, given other regulatory actions in recent years that have made banks

more resilient.

It's "unarguable," Mr. Quarles said, that the Volcker rule is affecting liquidity in financial markets. "There's a lot we can do to manage the certainty of application [of the rule], to reduce the burden of application," he added, saying regulators' continuing discussions about the rule should yield a clearer definition of banned "proprietary trading."

Asked whether stress tests of the largest U.S. banks should be modified so that banks would no longer fail the exams solely for subjective

reasons, he said "I think that's something we should consider."

Republicans were broadly supportive of Mr. Quarles. One notable exception came when several senior GOP lawmakers pressed him on the Fed's posture toward bank boards.

Fed officials say their August 2017 proposal affecting bank boards was designed to reduce the number of regulatory requirements that directors are responsible for—a goal GOP lawmakers might be inclined to support. But at the hearing Rep. Jeb Hensarling

(R., Texas) and others pressed Mr. Quarles to take another look, citing stories they had heard about Fed officials sitting in on board meetings or pressuring firms to fire directors.

Mr. Quarles said he would get back to lawmakers about the extent of the Fed's legal authority, though he did say regulators ought to be able to press for removal of board members under rare circumstances.

The lawmakers didn't name any banks where Fed pressure may have occurred.

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 stocks 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 17, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 23.29 0.28

ADT ADT 9.25 0.26

AECOM ACM 36.62 0.28

AES AES 11.17 0.14

Aflac AFL 45.18 0.41

AGNC Inv AGNC 18.78 0.19

ANGI Homesvc ANGI 13.78 0.34

Ansys ANSS 1645.48 0.59

ASML ASMEL 212.70 6.00

AT&T T 35.36 0.26

AbbottLabs AbbottLabs 48.59 0.53

AbbVie AbbottV 49.39 0.19

Albomed ALBM 304.43 8.11

Accenture ACN 154.24 2.82

ActivisionBlitz AVIT 68.28 1.21

Adient ADNT 65.05 0.69

Advantech Systems ADBE 231.16 4.64

AdvancedMicro Devices ADM 108.20 1.26

AdmiraVR Devices ADM 10.52 0.43

AdmSemiEngn ASX 7.52 0.11

Aegon AEG 7.21 ...

AerCap AER 52.38 0.18

Aetna AET 17.29 1.40

AffiliatedMtrs AMG 172.93 1.57

AigleTechs AEG 68.44 0.27

AgnicoreEagle AEG 45.10 0.10

AirProducts APPD 168.14 2.71

AkamaiTech AKAM 72.49 0.19

AlaskaAir ALK 64.99 0.22

Albemarle ALB 96.63 -0.24

Alico ALC 58.07 2.05

AlexandriaResc ARE 124.25 1.35

AstraZeneca AZN 35.86

AexionPharm AXN 113.25 3.80

Alibaba BAB 178.40 7.00

AlignTech ALIGN 27.65 7.15

Alkermes ALK 46.36 1.93

AllyFinancial ALFI 27.55 2.51

AlmyPharm ALY 98.35 2.51

Alphabet GOOGL 104.46 3.18

Alphabat A 606G 103.33 32.26

AltaSea ALTA 71.09 1.17

AlticeUSA ATUS 19.94 0.12

AllianceData ADDS 211.58 1.07

AllianzEnergy LNU 41.85 0.26

Allstate ALL 97.75 0.25

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| Type | MMA | 1-MO | 2-MO | 3-MO | 6-MO | 1-YR | 2-YR | 25YR | 5YR |
|------------------|------|------|------|------|------|------|------|------|------|
| National average | | | | | | | | | |
| Savings | 0.16 | 0.07 | 0.07 | 0.17 | 0.25 | 0.45 | 0.61 | 0.58 | 1.10 |
| Jumbos | 0.31 | 0.07 | 0.08 | 0.19 | 0.27 | 0.47 | 0.66 | 0.64 | 1.16 |
| Weekly change | | | | | | | | | |
| Savings | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.03 | 0.02 | 0.01 | 0.02 |
| Jumbos | 0.01 | 0.00 | 0.00 | 0.01 | 0.01 | 0.02 | 0.02 | 0.00 | 0.00 |

Consumer Savings Rates

Explanation of ratings: Safe Sound SM, (855) 733-0700, evaluates the financial condition of federally insured institutions and assigns a rank of **1, 2, 3, 4 or 5** based on data from the fourth quarter of 2015 from federal regulators. **5:** most desirable performance; **NR:** institution is too new to rate, not an indication of financial strength or weakness. Information is believed to be reliable, but not guaranteed.

High yield savings

| Bank/rank | Yield | Bank/rank | Yield |
|--|-----------------------|--------------|-------------|
| Phone number | Minimum (%) | Phone number | Minimum (%) |
| Money market and savings account | | | |
| DollarSavingsDirect/4 | \$1 1.80 | | |
| (866) 395-8693 | | | |
| VirtualBank/4 | \$100 1.77 | | |
| (877) 998-2265 | | | |
| CIT Bank/5 | \$100 1.75 | | |
| (855) 462-2652 | | | |
| One-month CD | | | |
| EH National Bank/5 | \$0 0.83 | | |
| (888) 392-5265 | | | |
| M.Y. Safra Bank, FSB/NR | \$5,000 0.30 | | |
| (212) 652-7200 | | | |
| VirtualBank/4 | \$10,000 0.15 | | |
| (877) 998-2265 | | | |
| Two-month CD | | | |
| VirtualBank/4 | \$10,000 0.15 | | |
| (877) 998-2265 | | | |
| Applied Bank/5 | \$1,000 0.05 | | |
| (800) 616-4605 | | | |
| Three-month CD | | | |
| First Internet Bank of Indiana/4 | \$1,000 1.56 | | |
| (888) 873-3424 | | | |
| M.Y. Safra Bank, FSB/NR | \$5,000 1.55 | | |
| (212) 652-7200 | | | |
| Alyx Bank/5 | \$25,000 1.50 | | |
| (877) 247-2559 | | | |
| High yield jumbos - Minimum is \$100,000 | | | |
| Money market and savings account | | | |
| VirtualBank/4 | 1.77 | | |
| (877) 998-2265 | | | |
| BBVA Compass/3 | 1.40 | | |
| (800) COMPASS | | | |
| Discover Bank/5 | 1.40 | | |
| (877) 505-4051 | | | |
| One-month CD | | | |
| EH National Bank/5 | 0.84 | | |
| (888) 392-5265 | | | |
| M.Y. Safra Bank, FSB/NR | 0.30 | | |
| (212) 652-7200 | | | |
| USAA/NR | 0.22 | | |
| (800) 583-8295 | | | |
| Two-month CD | | | |
| VirtualBank/4 | 0.15 | | |
| (877) 998-2265 | | | |
| Applied Bank/5 | 0.05 | | |
| (800) 616-4605 | | | |
| Citizens Trust Bank/4 | 0.01 | | |
| (404) 659-5959 | | | |
| Three-month CD | | | |
| Luana Savings Bank/5 | 1.61 | | |
| (800) 666-2012 | | | |
| First Internet Bank of Indiana/4 | 1.56 | | |
| (888) 873-3424 | | | |
| M.Y. Safra Bank, FSB/NR | 1.55 | | |
| (212) 652-7200 | | | |
| ITOT | 0.20 | | |
| ISHCoreMSIAGgBd | AGG 0.03 -2.3 | | |
| ISHSelectDividend | DVY 97.28 0.66 -1.3 | | |
| ISHEdgeMSIclmFE | EFIV 74.60 0.47 2.2 | | |
| ISHedgeMSCLMinUSA | USMV 53.02 0.86 0.5 | | |
| ISHedgeMSIClUSA Mom | MTUN 108.22 1.66 4.9 | | |
| ISHFloatingRateBd | FLOT 50.97 0.04 0.3 | | |
| ISHGoldTrd | IAU 12.94 0.08 3.4 | | |
| IshBoxxInvGrpBd | ITOT 62.00 1.09 1.4 | | |
| IshBoxxSYCpBd | IMEG 57.82 0.14 1.6 | | |
| IshCoreMSIclmFE | IXUS 64.00 0.42 1.5 | | |
| ISHCoreMSIClTottin | IVV 227.07 1.07 1.2 | | |
| ISHCoreS&P500 | IJH 191.43 0.76 0.9 | | |
| ISHCoreS&P Mkt | ISLR 79.87 0.95 4.0 | | |
| ISHCoreS&PTotUStMkt | ITOT 62.00 1.09 1.4 | | |
| ISHCoreMSIclmMk | IEFA 67.28 0.60 1.8 | | |
| ISHCoreMSIclmMk | IEFM 57.82 0.14 1.6 | | |
| ISHCoreMSIcltottin | IKUS 73.10 0.73 1.4 | | |
| ISHCoreMSIcltottin | EWZ 42.61 1.74 5.3 | | |
| ISHMSIClBrazil | EFA 71.22 0.45 1.3 | | |
| ISHMSIClAEFE | SCZ 66.47 0.42 3.1 | | |
| ISHMSIClAEFE SC | EEM 47.73 0.21 1.3 | | |
| ISHMSIClEngMarkts | EZU 44.97 0.87 3.7 | | |
| ISHMSIClEurope | EWJ 60.63 0.38 1.2 | | |
| ISHMSIClJapan | EBB 107.28 1.94 0.6 | | |
| ISHNasdaqBiotech | MUB 108.54 0.13 -2.0 | | |
| ISHNatlMuniBd | IWB 140.13 1.59 4.0 | | |
| ISHRussell1000 | IWB 150.46 1.06 1.2 | | |
| ISHRussell1000Val | IWD 122.21 0.49 -1.7 | | |
| ISHRussell2000Gwth | IWO 197.56 1.48 5.8 | | |
| ISHRussell2000 | IWN 157.06 1.09 3.0 | | |
| ISHRussell2000Val | IWN 126.67 0.64 -0.1 | | |
| ISHRussell2000Gwth | IWV 160.29 1.06 1.3 | | |
| ISHRussell3000 | IWR 209.98 0.93 0.9 | | |
| ISHRussellMid-Cap | IVW 87.90 0.66 -1.4 | | |
| ISHRussellMidCap | IKR 222.76 1.09 3.2 | | |
| ISH&PMGrowth | IVWV 159.67 1.60 4.5 | | |
| ISH&P500Growth | IVE 111.57 0.42 -2.3 | | |
| ISH&P500Value | PFF 37.30 0.16 -2.0 | | |
| ISHShortTreaBd | SHV 110.30 ... 0.1 | | |
| ISHTPSBondTrd | TIP 113.10 0.15 -0.8 | | |
| ISH-3YTreasuryBd | SHY 88.36 ... -0.6 | | |
| ISH-10YTreasuryBd | IEF 102.59 0.06 -2.8 | | |
| ISHRussellMcGrowth | IPW 125.13 1.23 3.7 | | |
| PRIMECAP Odyssey Fds | MINT 101.52 ... 0.0 | | |
| PRIMECAP Odyssey Fds | VOE 111.43 0.48 -0.1 | | |
| PRIMECAP Odyssey Fds | VNO 76.00 1.17 -8.4 | | |
| PRIMECAP Odyssey Fds | VOO 248.22 1.08 1.2 | | |
| PRIMECAP Odyssey Fds | BSV 78.26 -0.03 -1.1 | | |
| PRIMECAP Odyssey Fds | VCSH 78.32 ... -1.2 | | |
| PRIMECAP Odyssey Fds | VB 150.68 0.92 1.9 | | |
| PRIMECAP Odyssey Fds | BND 79.67 0.04 -2.3 | | |
| PRIMECAP Odyssey Fds | BNDX 54.71 0.13 0.6 | | |
| PRIMECAP Odyssey Fds | VTRX 57.41 0.44 1.1 | | |
| PRIMECAP Odyssey Fds | VTI 139.17 1.05 1.4 | | |
| PRIMECAP Odyssey Fds | VT 75.11 0.81 1.1 | | |
| PRIMECAP Odyssey Fds | VTIV 105.54 0.63 -0.7 | | |
| PRIMECAP Odyssey Fds | VTV 105.54 0.63 -0.7 | | |
| PRIMECAP Odyssey Fds | VTC 84.51 0.06 -3.3 | | |
| PRIMECAP Odyssey Fds | VV 124.23 1.08 1.3 | | |
| PRIMECAP Odyssey Fds | VO 157.04 0.95 1.5 | | |
| PRIMECAP Odyssey Fds | VOE 111.43 0.48 -0.1 | | |
| PRIMECAP Odyssey Fds | VNO 76.00 1.17 -8.4 | | |
| PRIMECAP Odyssey Fds | VOO 248.22 1.08 1.2 | | |
| PRIMECAP Odyssey Fds | BSV 78.26 -0.03 -1.1 | | |
| PRIMECAP Odyssey Fds | VCSH 78.32 ... -1.2 | | |
| PRIMECAP Odyssey Fds | VB 150.68 0.92 1.9 | | |
| PRIMECAP Odyssey Fds | BND 79.67 0.04 -2.3 | | |
| PRIMECAP Odyssey Fds | BNDX 54.71 0.13 0.6 | | |
| PRIMECAP Odyssey Fds | VTRX 57.41 0.44 1.1 | | |
| PRIMECAP Odyssey Fds | VTI 139.17 1.05 1.4 | | |
| PRIMECAP Odyssey Fds | VT 75.11 0.81 1.1 | | |
| PRIMECAP Odyssey Fds | VTIV 105.54 0.63 -0.7 | | |
| PRIMECAP Odyssey Fds | VTC 84.51 0.06 -3.3 | | |
| PRIMECAP Odyssey Fds | VV 124.23 1.08 1.3 | | |
| PRIMECAP Odyssey Fds | VO 157.04 0.95 1.5 | | |
| PRIMECAP Odyssey Fds | VOE 111.43 0.48 -0.1 | | |
| PRIMECAP Odyssey Fds | VNO 76.00 1.17 -8.4 | | |
| PRIMECAP Odyssey Fds | VOO 248.22 1.08 1.2 | | |
| PRIMECAP Odyssey Fds | BSV 78.26 -0.03 -1.1 | | |
| PRIMECAP Odyssey Fds | VCSH 78.32 ... -1.2 | | |
| PRIMECAP Odyssey Fds | VB 150.68 0.92 1.9 | | |
| PRIMECAP Odyssey Fds | BND 79.67 0.04 -2.3 | | |
| PRIMECAP Odyssey Fds | BNDX 54.71 0.13 0.6 | | |
| PRIMECAP Odyssey Fds | VTRX 57.41 0.44 1.1 | | |
| PRIMECAP Odyssey Fds | VTI 139.17 1.05 1.4 | | |
| PRIMECAP Odyssey Fds | VT 75.11 0.81 1.1 | | |
| PRIMECAP Odyssey Fds | VTIV 105.54 0.63 -0.7 | | |
| PRIMECAP Odyssey Fds | VTC 84.51 0.06 -3.3 | | |
| PRIMECAP Odyssey Fds | VV 124.23 1.08 1.3 | | |
| PRIMECAP Odyssey Fds | VO 157.04 0.95 1.5 | | |
| PRIMECAP Odyssey Fds | VOE 111.43 0.48 -0.1 | | |
| PRIMECAP Odyssey Fds | VNO 76.00 1.17 -8.4 | | |
| PRIMECAP Odyssey Fds | | | |

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24786.63 ▲ 213.59, or 0.87%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.68 20.42
 P/E estimate * 16.52 17.59
 Dividend yield 2.15 2.35
 All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

Jan. Feb. Mar. Apr.

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2706.39 ▲ 28.55, or 1.07%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.92 24.45
 P/E estimate * 16.98 18.25
 Dividend yield 1.95 1.98
 All-time high 2872.87, 01/26/18



Jan. Feb. Mar. Apr.

Nasdaq Composite Index

7281.10 ▲ 124.81, or 1.74%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.75 25.85
 P/E estimate * 20.07 20.25
 Dividend yield 1.04 1.11
 All-time high: 7588.32, 03/12/18



Jan. Feb. Mar. Apr.

Major U.S. Stock-Market Indexes

| | High | Low | Latest Close | Net chg | % chg | 52-Week High | 52-Week Low | % chg | YTD | 3-yr. ann. |
|--|------|-----|--------------|---------|-------|--------------|-------------|-------|-----|------------|
|--|------|-----|--------------|---------|-------|--------------|-------------|-------|-----|------------|

| | | | | | | | | | | |
|-----------|----------|----------|-----------------|--------|--|----------|----------|-------------|-----|-------------|
| Dow Jones | 24858.97 | 24681.79 | 24786.63 | 213.59 | ■ 0.87 | 26616.71 | 20404.49 | 20.8 | 0.3 | 11.6 |
|-----------|----------|----------|-----------------|--------|--|----------|----------|-------------|-----|-------------|

| | | | | | | | | | | |
|--------------------|----------|----------|-----------------|--------|---|----------|---------|-------------|------|------------|
| Transportation Avg | 10687.01 | 10548.71 | 10592.56 | -17.62 | ■ -0.17 | 11373.38 | 8783.74 | 18.6 | -0.2 | 7.0 |
|--------------------|----------|----------|-----------------|--------|---|----------|---------|-------------|------|------------|

| | | | | | | | | | | |
|-----------------|--------|--------|---------------|------|--|--------|--------|-------------|------|------------|
| Utility Average | 702.43 | 691.47 | 700.24 | 7.88 | ■ 1.14 | 774.47 | 647.90 | -1.1 | -3.2 | 6.3 |
|-----------------|--------|--------|---------------|------|--|--------|--------|-------------|------|------------|

| | | | | | | | | | | |
|--------------------|----------|----------|-----------------|--------|--|----------|----------|-------------|-----|------------|
| Total Stock Market | 28137.20 | 27913.34 | 28067.96 | 297.24 | ■ 1.07 | 29630.47 | 24260.56 | 15.6 | 1.4 | 8.8 |
|--------------------|----------|----------|-----------------|--------|--|----------|----------|-------------|-----|------------|

| | | | | | | | | | | |
|--------------|--------|--------|---------------|------|--|--------|--------|-------------|-----|------------|
| Barron's 400 | 730.38 | 725.71 | 728.58 | 6.61 | ■ 0.92 | 757.37 | 617.38 | 18.0 | 2.5 | 8.2 |
|--------------|--------|--------|---------------|------|--|--------|--------|-------------|-----|------------|

| | | | | | | | | | | |
|---------------------|---------|---------|----------------|--------|--|---------|---------|-------------|-----|-------------|
| Nasdaq Stock Market | 7298.59 | 7206.55 | 7281.10 | 124.81 | ■ 1.74 | 7588.32 | 5849.47 | 24.5 | 5.5 | 13.9 |
|---------------------|---------|---------|----------------|--------|--|---------|---------|-------------|-----|-------------|

| | | | | | | | | | | |
|------------|---------|---------|----------------|--------|--|---------|---------|-------------|-----|-------------|
| Nasdaq 100 | 6834.31 | 6729.79 | 6816.37 | 141.19 | ■ 2.12 | 7131.12 | 5391.66 | 26.4 | 6.6 | 16.1 |
|------------|---------|---------|----------------|--------|--|---------|---------|-------------|-----|-------------|

| | | | | | | | | | | |
|-----|---------|---------|----------------|-------|--|---------|---------|-------------|-----|------------|
| S&P | 2713.34 | 2692.05 | 2706.39 | 28.55 | ■ 1.07 | 2872.87 | 2338.17 | 15.5 | 1.2 | 9.2 |
|-----|---------|---------|----------------|-------|--|---------|---------|-------------|-----|------------|

| | | | | | | | | | | |
|------------|---------|---------|----------------|-------|--|---------|---------|-------------|-----|------------|
| MidCap 400 | 1922.12 | 1908.88 | 1917.36 | 14.51 | ■ 0.76 | 1995.23 | 1691.67 | 12.7 | 0.9 | 8.1 |
|------------|---------|---------|----------------|-------|--|---------|---------|-------------|-----|------------|

| | | | | | | | | | | |
|--------------|--------|--------|---------------|------|--|--------|--------|-------------|-----|-------------|
| SmallCap 600 | 974.48 | 966.80 | 972.19 | 9.20 | ■ 0.96 | 979.57 | 817.25 | 17.7 | 3.8 | 10.8 |
|--------------|--------|--------|---------------|------|--|--------|--------|-------------|-----|-------------|

| | | | | | | | | | | |
|---------------|--|--|--|--|--|--|--|--|--|--|
| Other Indexes | | | | | | | | | | |
|---------------|--|--|--|--|--|--|--|--|--|--|

| | | | | | | | | | | |
|--------------|---------|---------|----------------|-------|--|---------|---------|-------------|-----|------------|
| Russell 2000 | 1582.99 | 1564.87 | 1579.80 | 16.77 | ■ 1.07 | 1610.71 | 1355.89 | 16.0 | 2.9 | 8.1 |
|--------------|---------|---------|----------------|-------|--|---------|---------|-------------|-----|------------|

| | | | | | | | | | | |
|----------------|----------|----------|-----------------|-------|--|----------|----------|-------------|------|------------|
| NYSE Composite | 12733.68 | 12665.49 | 12705.76 | 77.55 | ■ 0.61 | 13637.02 | 11342.42 | 11.7 | -0.8 | 4.7 |
|----------------|----------|----------|-----------------|-------|--|----------|----------|-------------|------|------------|

| | | | | | | | | | | |
|------------|--------|--------|---------------|------|--|--------|--------|------------|------|------------|
| Value Line | 563.17 | 557.28 | 561.95 | 4.67 | ■ 0.84 | 589.69 | 503.24 | 9.5 | -0.1 | 3.0 |
|------------|--------|--------|---------------|------|--|--------|--------|------------|------|------------|

| | | | | | | | | | | |
|-------------------|---------|---------|----------------|-------|--|---------|---------|-------------|------|------------|
| NYSE Arca Biotech | 4684.37 | 4608.59 | 4666.23 | 71.95 | ■ 1.57 | 4939.86 | 3480.26 | 34.0 | 10.5 | 4.8 |
|-------------------|---------|---------|----------------|-------|--|---------|---------|-------------|------|------------|

| | | | | | | | | | | |
|------------------|--------|--------|---------------|------|--|--------|--------|------------|------|-------------|
| NYSE Arca Pharma | 536.39 | 532.02 | 534.27 | 0.37 | ■ 0.07 | 593.12 | 498.46 | 7.0 | -2.0 | -2.8 |
|------------------|--------|--------|---------------|------|--|--------|--------|------------|------|-------------|

| | | | | | | | | | | |
|----------|--------|--------|---------------|-------|---|--------|-------|-------------|------|-------------|
| KWB Bank | 107.29 | 104.97 | 105.49 | -0.98 | ■ -0.92 | 116.52 | 88.72 | 18.8 | -1.1 | 13.2 |
|----------|--------|--------|---------------|-------|---|--------|-------|-------------|------|-------------|

| | | | | | | | | | | |
|-------------------|-------|-------|--------------|------|--|-------|-------|-------------|------|------------|
| PHLX® Gold/Silver | 84.51 | 83.48 | 84.21 | 0.22 | ■ 0.27 | 93.26 | 76.42 | -5.6 | -1.3 | 5.9 |
|-------------------|-------|-------|--------------|------|--|-------|-------|-------------|------|------------|

| | | | | | | | | | | |
|-------------------|--------|--------|---------------|------|--|--------|--------|-------------|-----|--------------|
| PHLX® Oil Service | 151.16 | 149.39 | 150.52 | 0.12 | ■ 0.08 | 165.78 | 117.79 | -7.8 | 0.6 | -10.8 |
|-------------------|--------|--------|---------------|------|--|--------|--------|-------------|-----|--------------|

| | | | | | | | | | | |
|---------------------|---------|---------|----------------|-------|--|---------|--------|-------------|-----|-------------|
| PHLX® Semiconductor | 1360.62 | 1340.66 | 1357.72 | 25.20 | ■ 1.89 | 1445.90 | 976.67 | 39.0 | 8.4 | 24.9 |
|---------------------|---------|---------|----------------|-------|--|---------|--------|-------------|-----|-------------|

| | | | | | | | | | | |
|-----------------|-------|-------|--------------|-------|---|-------|------|------------|------|------------|
| Cboe Volatility | 16.27 | 14.57 | 15.25 | -1.31 | ■ -7.91 | 37.32 | 9.14 | 5.8 | 38.1 | 3.2 |
|-----------------|-------|-------|--------------|-------|---|-------|------|------------|------|------------|

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

| Company | Symbol | Volume (000) | Last | Net chg | % chg | After Hours | High | Low |
|---------------------------|--------|--------------|--------|---------|---|-------------|--------|-----|
| Bank of America | BAC | 15,933.3 | 30.02 | -0.02 | ■ -0.07 | 30.13 | 29.97 | |
| Altaba | AABA | 10,503.2 | 71.09 | ... | ■ unch. | 71.18 | 70.70 | |
| SPDR S&P 500 | SPY | 8,075.6 | 270.17 | -0.02 | ■ -0.01 | 270.58 | 267.31 | |
| General Electric | GE | 6,486.0 | 13.80 | 0.01 | ■ 0.07 | 13.87 | 13.75 | |
| Platform Specialty | PAH | 4,714.0 | 10.05 | ... | ■ unch. | 10.05 | 10.05 | |
| DowDuPont | DWDP | 4,028.2 | 67.55 | ... | ■ unch. | 67.56 | 67.25 | |
| Alibaba Group Holding ADR | BABA | 3,646.4 | 178.76 | 0.06 | ■ 0.03 | 178.96 | 178.35 | |
| KeyCorp | KEY | 2,846.4 | 18.93 | -0.03 | ■ -0.16 | 19.05 | 18.93 | |

Percentage gainers...

| Teligen | TLTG | 55.1 | 3.50 | 0.48 | ■ 15.89 | 3.65 | 3.02 |
|-----------------------|------|---------|--------|-------|---|--------|--------|
| Rigel Pharmaceuticals | RIGL | 2,656.5 | 4.45 | 0.34 | ■ 8.27 | 4.63 | 3.80 |
| CSX | CSX | 560.7 | 59.05 | 2.48 | ■ 4.38 | 59.28 | 56.57 |
| Intuitive Surgical | ISRG | 190.6 | 453.50 | 18.05 | ■ 4.15 | 465.00 | 431.72 |
| CBL Assoc Properties | CBL | 97.3 | 4.50 | 0.17 | ■ 3.93 | 4.51 | 4.29 |

...And losers

| Lam Research | LRCX | 824.9 | 197.90 | -14.43 | ■ -6.80 | 214.57 | 195.50 |
| --- | --- | --- | --- | --- | --- | --- | --- |

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COMMODITIES

WSJ.com/commodities

Futures Contracts**Metal & Petroleum Futures**

| Contract | | | | | | | | | | Open | High | Low | Settle | Chg | Open interest |
|--|-----------------|---------|---------|---------|---------|--|--|--|--|------|------|-----|--------|-----|---------------|
| Copper-High (CMX)-25,000 lbs; | \$ per lb. | | | | | | | | | | | | | | |
| April 3.0685 | 3.0745 | 3.0685 | 3.0750 | -0.0165 | 614 | | | | | | | | | | |
| July 3.1060 | 3.1235 | 3.0770 | 3.1030 | -0.0140 | 78,323 | | | | | | | | | | |
| Gold (CMX)-100 troy oz; | \$ per troy oz. | | | | | | | | | | | | | | |
| April 1348.00 | 1348.10 | 1339.00 | 1347.20 | -0.30 | 1,288 | | | | | | | | | | |
| June 1349.10 | 1352.20 | 1340.20 | 1349.50 | -1.20 | 382,743 | | | | | | | | | | |
| Aug 1354.90 | 1357.50 | 1346.80 | 1355.70 | -1.20 | 48,865 | | | | | | | | | | |
| Oct 1360.50 | 1362.70 | 1354.00 | 1361.90 | -1.20 | 8,380 | | | | | | | | | | |
| Dec 1369.60 | 1370.30 | 1359.00 | 1368.40 | -1.30 | 53,762 | | | | | | | | | | |
| June'19 1383.90 | 1387.10 | 1381.50 | 1387.80 | -1.30 | 2,659 | | | | | | | | | | |
| Palladium (NYM)-50 troy oz; | \$ per troy oz. | | | | | | | | | | | | | | |
| June 994.45 | 1007.30 | 975.20 | 1005.00 | 1.25 | 19,177 | | | | | | | | | | |
| Sept 990.05 | 1001.10 | 970.95 | 999.05 | 1.85 | 3,394 | | | | | | | | | | |
| Dec 984.30 | 987.00 | 984.30 | 993.10 | 1.85 | 239 | | | | | | | | | | |
| Platinum (NYM)-50 troy oz; | \$ per troy oz. | | | | | | | | | | | | | | |
| April ... | ... | ... | 933.90 | 8.20 | 13 | | | | | | | | | | |
| July 932.60 | 940.50 | 925.00 | 940.00 | 8.20 | 71,702 | | | | | | | | | | |
| Silver (CMX)-5,000 troy oz; | \$ per troy oz. | | | | | | | | | | | | | | |
| May 16.670 | 16.805 | 16.575 | 16.787 | 0.110 | 98,037 | | | | | | | | | | |
| July 16.735 | 16.870 | 16.640 | 16.845 | 0.107 | 78,855 | | | | | | | | | | |
| Crude Oil, Light Sweet (NYM)-1,000 bbls; | \$ per bbl. | | | | | | | | | | | | | | |
| May 66.44 | 66.75 | 65.56 | 66.52 | 0.30 | 156,496 | | | | | | | | | | |
| June 66.41 | 66.72 | 65.59 | 66.51 | 0.31 | 530,955 | | | | | | | | | | |
| July 66.14 | 66.44 | 65.38 | 66.24 | 0.30 | 224,108 | | | | | | | | | | |
| Aug 65.63 | 65.93 | 64.96 | 65.75 | 0.29 | 149,177 | | | | | | | | | | |
| Sept 65.05 | 65.36 | 64.43 | 65.20 | 0.29 | 224,595 | | | | | | | | | | |
| Dec 63.50 | 63.76 | 62.95 | 63.67 | 0.31 | 270,062 | | | | | | | | | | |
| NY Harbor ULSD (NYM)-42,000 gal; | \$ per gal. | | | | | | | | | | | | | | |
| May 2.0759 | 2.0801 | 2.0490 | 2.0571 | -0.0132 | 72,702 | | | | | | | | | | |
| June 2.0671 | 2.0716 | 2.0414 | 2.0527 | -0.0085 | 125,837 | | | | | | | | | | |
| Gasoline-NY RBOB (NYM)-42,000 gal; | \$ per gal. | | | | | | | | | | | | | | |
| May 2.0455 | 2.0503 | 2.0253 | 2.0412 | 0.0013 | 81,753 | | | | | | | | | | |
| June 2.0504 | 2.0544 | 2.0305 | 2.0468 | 0.0024 | 131,866 | | | | | | | | | | |
| Natural Gas (NYM)-10,000 MMBtu; | \$ per MMBtu. | | | | | | | | | | | | | | |
| May 2.748 | 2.761 | 2.711 | 2.738 | -0.014 | 162,893 | | | | | | | | | | |
| June 2.778 | 2.792 | 2.743 | 2.770 | -0.014 | 248,901 | | | | | | | | | | |
| July 2.822 | 2.834 | 2.790 | 2.815 | -0.012 | 183,172 | | | | | | | | | | |
| Sept 2.822 | 2.839 | 2.799 | 2.822 | -0.014 | 146,170 | | | | | | | | | | |
| Oct 2.839 | 2.852 | 2.812 | 2.835 | -0.015 | 121,958 | | | | | | | | | | |
| April'19 2.669 | 2.685 | 2.659 | 2.675 | -0.007 | 83,490 | | | | | | | | | | |

Agriculture Futures

| Contract | | | | | | | | | | Open | High | Low | Settle | Chg | Open interest |
|-------------------------------|---------------|---------|---------|-------|---------|--|--|--|--|------|------|-----|--------|-----|---------------|
| Corn (CBT)-5,000 bu; | cents per bu. | | | | | | | | | | | | | | |
| May 383.00 | 384.50 | 379.75 | 380.25 | -2.25 | 370,703 | | | | | | | | | | |
| July 391.25 | 392.75 | 388.50 | 389.25 | -1.75 | 67,925 | | | | | | | | | | |
| Oats (CBT)-5,000 bu; | cents per bu. | | | | | | | | | | | | | | |
| May 230.25 | 232.25 | 227.75 | 228.75 | -1.75 | 3,025 | | | | | | | | | | |
| July 237.50 | 238.25 | 235.00 | 235.75 | -1.00 | 2,697 | | | | | | | | | | |
| Soybeans (CBT)-5,000 bu; | cents per bu. | | | | | | | | | | | | | | |
| May 1043.25 | 1049.25 | 1040.00 | 1046.00 | 4.00 | 219,416 | | | | | | | | | | |
| July 1054.50 | 1060.25 | 1051.25 | 1057.25 | 4.00 | 410,239 | | | | | | | | | | |
| Soybean Meal (CBT)-100 tons; | \$ per ton. | | | | | | | | | | | | | | |
| May 378.40 | 381.70 | 377.40 | 381.10 | 3.30 | 89,691 | | | | | | | | | | |
| July 382.20 | 385.90 | 381.50 | 385.40 | 3.40 | 228,135 | | | | | | | | | | |
| Soybean Oil (CBT)-60,000 lbs; | cents per lb. | | | | | | | | | | | | | | |
| May 31.27 | 31.41 | 31.16 | 31.19 | .01 | 115,803 | | | | | | | | | | |
| July 31.52 | 31.68 | 31.41 | 31.45 | ... | 206,015 | | | | | | | | | | |
| Rough Rice (CBT)-2,000 cwt; | \$ per cwt. | | | | | | | | | | | | | | |
| May 1301.50 | 1316.00 | 1285.00 | 1315.50 | 10.00 | 3,641 | | | | | | | | | | |
| July 1298.00 | 1312.50 | 1280.50 | 1312.00 | 10.50 | 3,416 | | | | | | | | | | |
| Wheat (CBT)-5,000 bu; | cents per bu. | | | | | | | | | | | | | | |
| May 463.75 | 470.75 | 461.50 | 466.25 | 4.00 | 96,485 | | | | | | | | | | |
| July 480.25 | 486.75 | 477.00 | 481.50 | 2.50 | 200,113 | | | | | | | | | | |

Cash Prices | WSJ.com/commodities

Tuesday, April 17, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Tuesday

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BANKING & FINANCE

Cohen Targets Fast Traders

By ALEXANDER OSIPOVICH

Billionaire Steven A. Cohen is backing a startup that aims to prevent high-frequency traders from eating away at the profits of stock pickers like himself.

The venture-capital arm of Mr. Cohen's firm, **Point72 Asset Management LP**, was the first investor in **Imperative Execution Inc.**, representatives of the two firms said. They didn't specify the investment size. The startup is set to launch a new "dark pool" trading platform designed to counter the impact of certain high-speed trading strategies.

High-frequency trading, or HFT, firms use computers to buy and sell stocks in the blink of an eye. They seek to profit from fleeting price moves or inefficiencies in the machinery of financial markets, rather than analysis of companies' financials or economic trends.

Many big investors say HFT erodes their profits because prices often drop when a large player is selling, or rise when the large player is buying—a phenomenon called "slippage" that is often blamed on speedy traders.

Slippage is "a multibillion-dollar-a-year problem" for the hedge-fund industry, said Matthew Granade, managing partner of Point72 Ventures.

Advocates of HFT say criticism of electronic trading is overblown. They say it has actually reduced costs for investors by reducing the so-called bid-ask spread, or the difference between the buying and selling price of stocks.

Imperative founder and Chief Executive Roman Ginis previously worked as a quantitative trader for Mr. Cohen's firm, applying statistical models to trade stocks. He said he waged a daily battle to prevent slippage from hurting his profits.

Imperative's trading venue, called IntelligentCross, will be a dark pool—a type of trading



The startup Steven Cohen invested in will launch a 'dark pool.'

HFT on behalf of traditional investors. Founded in 2012, IEX has struggled to be more than a niche player, handling 2.3% of U.S. stock volume in March, data show.

"IEX has not fulfilled its vision of solving the slippage problem for stocks," said Ian Sigalow, a partner at Greycroft LLC, a venture-capital firm that also has invested in Imperative.

An IEX spokesman responded: "Public data and industry reports continue to verify IEX's success in combatting predatory HFT, and we welcome others to join us in the fight to protect investors." He pointed to an October report from Jefferies that showed IEX beats other exchanges on measures of slippage.

Imperative is entering a crowded market with about a dozen exchanges and more than 30 other dark pools. To win business, it must convince brokers to route their customers' orders to IntelligentCross. Imperative says it has already convinced some big investment banks to connect. It didn't name them, but said it would list them on its website once it gets their permission.

The new venue will use a variety of tricks to foil fast traders. A key feature is that it executes trades only at discrete points in time, rather than continuously, the way exchanges work. The length of the intervals varies randomly, which Imperative says will keep the speedy traders from figuring out a pattern and gaming the platform's design.

The venture arm of Point72 has invested in other financial-technology companies such as Quantopian, a do-it-yourself online platform for quants, and SAY, which aims to help smaller shareholders use their proxy voting rights. IntelligentCross could undermine **IEX Group Inc.**, an exchange that has also battled

platform subject to lighter regulation than exchanges.

Dark pools, unlike exchanges, generally don't broadcast the prices at which traders are willing to buy or sell stocks. That makes them attractive for big investors

His firm invested in a startup that will try to counter impact of high-speed trading.

looking to execute large trades without signaling their intentions to the market. For startups like Imperative, it is also much easier to launch a new dark pool than a new exchange, due to the simpler approval process.

The Imperative platform won approval from the Securities and Exchange Commission this year. The Stamford, Conn.-based firm, which has 10 employees, aims to launch

the platform in May.

The launch comes as Mr. Cohen has been working to clean up his image. His prior company, **SAC Capital Advisors LP**, pleaded guilty to insider trading in 2013. Mr. Cohen was never criminally charged. He later reached a deal with regulators that barred him from managing outside money for two years.

After that ban expired this year, Point72 opened to outside investors. But Mr. Cohen's return was roiled by a February lawsuit by a female employee accusing Point72 of discrimination. The firm has said it "emphatically denies" the allegations. The lawsuit is pending.

The venture arm of Point72 has invested in other financial-technology companies such as Quantopian, a do-it-yourself online platform for quants, and SAY, which aims to help smaller shareholders use their proxy voting rights.

IntelligentCross could undermine **IEX Group Inc.**, an exchange that has also battled

China Moves to Flood Banks With Funding

By LINGLING WEI

BEIJING—China's central bank said it would free up more than \$200 billion for banks to lend and repay short-term loans, signaling fresh worries about slowing economic growth amid rising trade tensions with the U.S.

The People's Bank of China said Tuesday that the amount of reserves commercial banks are required to hold would be reduced by 1 percentage point. The cut, which takes effect on April 25, will unleash about 1.3 trillion yuan in funds.

Banks must use 900 billion yuan to pay off short-term debts owed to the central bank, the People's Bank of China said, while the remaining 400 billion yuan can be used toward new lending by banks.

The announcement came just hours after China reported a 6.8% growth rate for the first quarter. While the pace beat expectations for a slowdown—thanks to surprisingly strong exports, resilient retail sales and factory output—there are signs that growth momentum is ebbing. Chinese factories, in particular, are producing fewer goods for foreign markets, official data show.

The People's Bank of China said the reduction in the reserve requirement would help

lower funding costs for banks and make it easier for small and private businesses to get loans. The central bank said it would continue its neutral monetary stance, while ensuring adequate funding in the financial system.

The reserve-requirement ratio varies depending on the size of the bank. At 17% of all deposits for big banks, the ratio is among the highest in the world. Such a ratio is 15% for smaller banks.

The central bank used to raise or reduce the reserve requirement frequently to cool or augment growth. In the past two years, though, it has refrained from using that traditional monetary-policy tool out of concern that more lending could weaken the yuan, causing capital flight, and undermine a government effort to reduce corporate debt and other financial risks.

Instead, the central bank has used short-term fund injections into the financial system to ensure adequate liquidity.

Now, the Chinese currency has largely stabilized, and outflows have eased. Those factors, many economists and analysts have said, give the central bank a window of opportunity to act.

◆ Heard on the Street: Beijing's debt-fueled worries..... B14



The People's Bank of China is paring loan-reserve requirements.

Brainard Wants an Update of Bank Law

By DAVID HARRISON

Federal Reserve governor Lael Brainard said the central bank would work with other federal agencies to modernize the Community Reinvestment Act, a four-decade-old law designed to help low- and moderate-income neighborhoods get credit.

"The time is ripe to modernize the CRA regulations to make them more effective," she said in remarks prepared for a speech in Baltimore.

The Treasury Department this month released recommendations for updating the law to bring it in line with modern banking practices.

Ms. Brainard said the Fed was committed to making sure the original goal of the 1977 law isn't lost.

"It should be possible to achieve better outcomes—both providing banks with the greater clarity and predictability they seek while also facilitating better provision of credit, investments, and banking services in low- and moderate-income areas," she said.

Over the years, regulators and Congress have turned the CRA into a public test evaluating how many loans, branches and investments a bank has to serve lower-income people. The test uses complex formulas to grade banks, looking at mortgage data, branches in lower-income areas and loans to build apartments. Poor grades mean restrictions on banks' activities.

Any overhaul should take into account that customers increasingly rely on mobile banking rather than local branches, Ms. Brainard said. But the law's emphasis on making sure banks have a physical presence in communities should be retained, she added.

Banks should also be encouraged to look for new ways to extend credit, rather than sticking to the kinds of investments they are most comfortable with, Ms. Brainard said.

Crypto Exchanges Pushed for Greater Clarity

By PAUL VIGNA

New York Attorney General Eric Schneiderman is ramping up pressure on cryptocurrency exchanges to increase transparency in an industry that prizes anonymity and light regulation.

The attorney general's office on Tuesday sent a letter—part of an initiative by Mr. Schneiderman to bring clarity to these highly speculative and volatile markets—requesting information from 13 exchanges specializing in bitcoin and other cryptocurrencies, saying investors often don't have the basic facts needed to protect themselves.

Mr. Schneiderman's office said the program, called Virtual Markets Integrity Initiative, is part of its responsibility to protect consumers and ensure the integrity of financial markets, and its goal is to ensure that investors can have a better understanding of the risks and protections afforded them on these sites.

The letter and questionnaire were sent to companies including New York-based **Gemini Trust Co.** and **itBit Trust Co.**, as well as **Coinbase**.



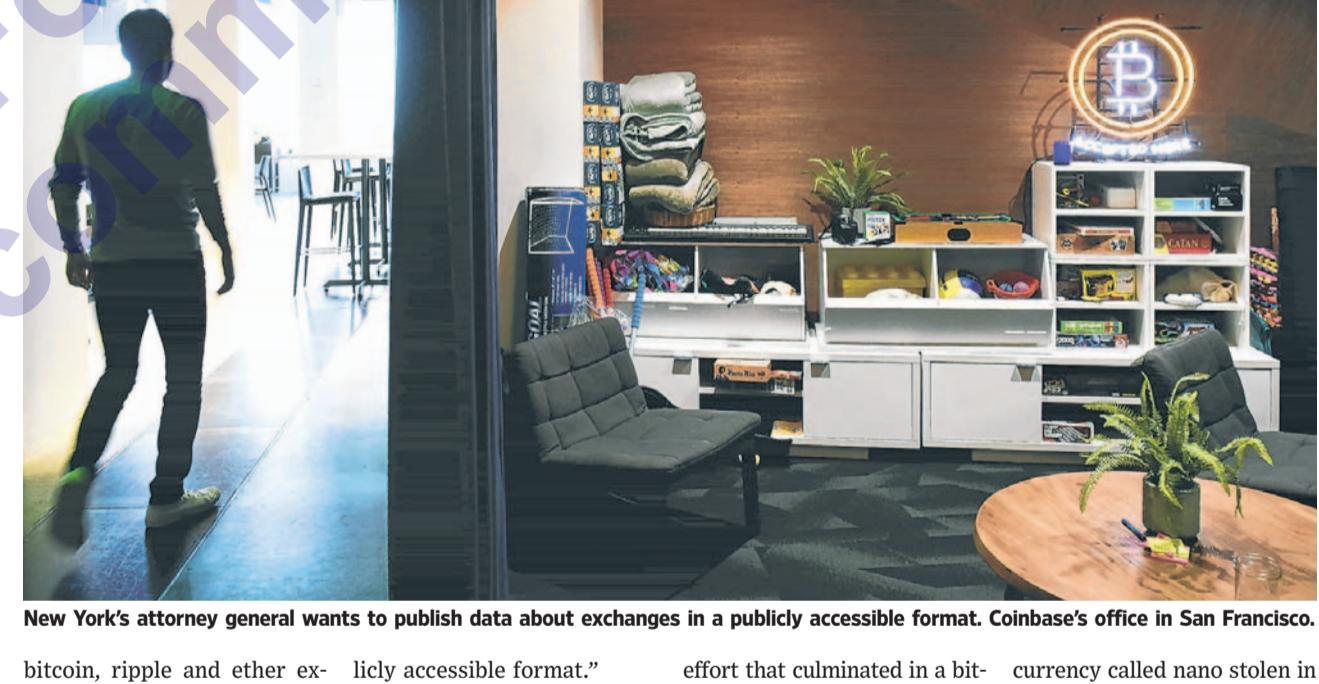
Eric Schneiderman says investors often don't have the facts to protect themselves.

Inc.'s GDAX and BitFlyer USA Inc.

Transparency is "something we deeply believe in," said Charles Cascarilla, the CEO of itBit, which operates as a registered trust company. "It's the best way to make sure markets operate as they should."

"We look forward to cooperating with and submitting our responses to the questionnaire," Gemini said. The company, which also operates under a trust charter, said it already provides information about fees, trading requirements, and trading programs on its website. Coinbase and BitFlyer weren't immediately available for comment.

Cryptocurrencies such as



New York's attorney general wants to publish data about exchanges in a publicly accessible format. Coinbase's office in San Francisco.

bitcoin, ripple and ether exploded in popularity in 2017, driving an investment boom that pushed bitcoin up 1,375%. As investors poured into the sector, however, the exchanges themselves sometimes proved to be unreliable.

Service disruptions were common, and hacks and thefts also cost investors about \$1.4 billion since 2014, according to a Wall Street Journal review of hacks.

The market has "captured the imagination of millions of people world-wide," according to a draft of Mr. Schneiderman's letter, but is also a "highly speculative sector, featuring significant volatility, instability, and risk."

The letter requests information on basic trading rules, fee structures, policies and safeguards to prevent conflicts of interest and fraud, protection of customer assets, and the use of automated programs, or "bots" on the exchanges. The letter acknowledges that some of the questions may have answers the exchanges already provide on their websites.

It asked for the exchanges to respond to its questionnaire in full by May 1. The attorney general's office plans to publish the information "in a publicly accessible format."

Effort that culminated in a bit-coin-license program implemented by the state.

The attorney general isn't the first New York regulator to address the issue of transparency in cryptocurrencies. The state's Department of Financial Services began looking into regulation of cryptocurrencies in 2014, an

effort that culminated in a bit-coin-license program implemented by the state.

Despite that effort and others like it, many exchanges are still a high risk for investors. In February, an Italian exchange called BitGrail had about \$170 million of a crypto-

currency called nano stolen in a hack. In January, hackers stole \$530 million in assets from Japanese exchange Coincheck, though the company later compensated customers and this month was bought by internet brokerage Monex Group Inc.

Initial coin offerings, a fundraising method using virtual currencies that has been banned in China and subject to a crackdown in South Korea.

Japan's relative openness to cryptocurrency is helping make the yen dominant in bitcoin trading. In the 24 hours from Monday afternoon to Tuesday afternoon Japan time, it accounted for almost 70% of total bitcoin volume while the dollar comprised less than 20%, according to data provider Coinhills.

Virtual-currency platforms are going mainstream in Japan, with the country's big internet brokerages, including Monex Group Inc. and SBI Holdings Inc., looking for ways to set up their own exchanges. On Monday, Monex said it completed its acquisition of Coincheck for about \$34 million.

—Mayumi Negishi and Takashi Mochizuki

Kraken Releases Japanese Service

TOKYO—San Francisco-based cryptocurrency exchange **Kraken** is ending its trading services for Japanese residents after regulators stepped up oversight in the country, one of the world's biggest bitcoin-trading hubs.

Kraken told customers Tuesday in an email that it plans to focus on other countries but might resume services in Japan later. Ryushi Watanabe, head of Kraken's Japan operations, declined to comment on reasons for the pull-out.

Ranked 10th globally in 24-hour trading volume by cryptocurrency circulation tracker **CoinMarketCap**, Kraken has had a tiny footprint in Japan. It was tapped in 2014 by the Financial Services Agency to study a possible legal framework for

trustee for collapsed Tokyo-based bitcoin exchange **Mt. Gox** to help with its liquidation.

Rules taking effect last year established bitcoin as a legitimate payment method in Japan and required cryptocurrency exchanges to get a license. Kraken was among the exchanges permitted to continue operating without a license while it sought to meet the new rules.

Tokyo is tightening its grip in the wake of a January heist of more than \$500 million of customer assets at Japanese exchange Coincheck Inc. Regulators have stepped up inspections, suspending operations at some exchanges.

Japanese regulators say they remain committed to fostering markets for virtual currencies, albeit under tighter control. The Financial Services Agency says it is studying a possible legal framework for

MARKETS

Treasurys' Yield Curve Flattens

BY SAM GOLDFARB

The gap between short- and long-term U.S. Treasury yields kept shrinking Tuesday, reflecting confidence that the Federal Reserve will keep raising interest rates even as investors grow skeptical about the outlook for economic growth and inflation.

The yield on the 10-year Treasury note settled at 2.814%, compared with 2.834% Monday. Meanwhile, the yield on the two-year note rose to 2.386% from 2.377%.

Yields rise when bond prices fall.

The difference between the two-year and 10-year yields, known on Wall Street as the 2-10 spread, is closely watched by investors and analysts in large part because recessions often have followed times when the two-year yield exceeded the 10-year yield.

Short-term Treasurys tend to trade based on near- and medium-term expectations for interest rates set by the Fed. Longer-term bonds, like the 10-year note, are more sensitive to the outlook for inflation, which erodes the purchasing power of their fixed returns over time.

After widening early this year, the 2-10 spread has been shrinking for more than two months, in what investors call a flattening yield curve. The spread closed at 0.428 percentage point Tuesday, down from 0.457 percentage point Monday and 0.779 percentage point in early February.

"Yields have been bouncing in this range, but the one thing that has really changed is that the curve keeps flattening," said Aaron Kohli, interest-rate strategist at BMO Capital Markets. The market, he said, expects more interest-rate increases from the Fed "on the front end, but takes that out of growth projections in the future."

The Fed has raised its benchmark federal-funds rate once this year and has signaled at least two more quarter-percentage-point rate-increases by the end of December. At the same time, inflation has remained subdued, defying projections that it was poised early this year for a big uptick.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

| FOUR-WEEK BILLS | |
|---------------------------------|-----------------------|
| Applications | \$138,431,624,000 |
| Accepted bids | \$45,000,214,200 |
| *noncompetitively | \$736,716,700 |
| *foreign noncompetitively | \$100,000,000 |
| Auction price (rate) | 99.873222 (1.630%) |
| Coupon equivalent | 1.655% |
| Bids at clearing yield accepted | 25.14% |
| Cusip number | 912796P68 |

The bills, dated April 19, 2018, mature on May 17, 2018.

Dow Climbs Back to Gain for Year

Stock indexes get lift from companies' solid earnings reports; some investors on sidelines

BY RIVA GOLD
AND ALLISON PRANG

U.S. stocks rose, driven by strong corporate results, extending Monday's rally and sending the Dow industrials back into positive territory for 2018.

Major indexes have gained in eight of the past 11 trading sessions, but volumes have been light, suggesting some investors are remaining on the sidelines as geopolitical tensions simmer.

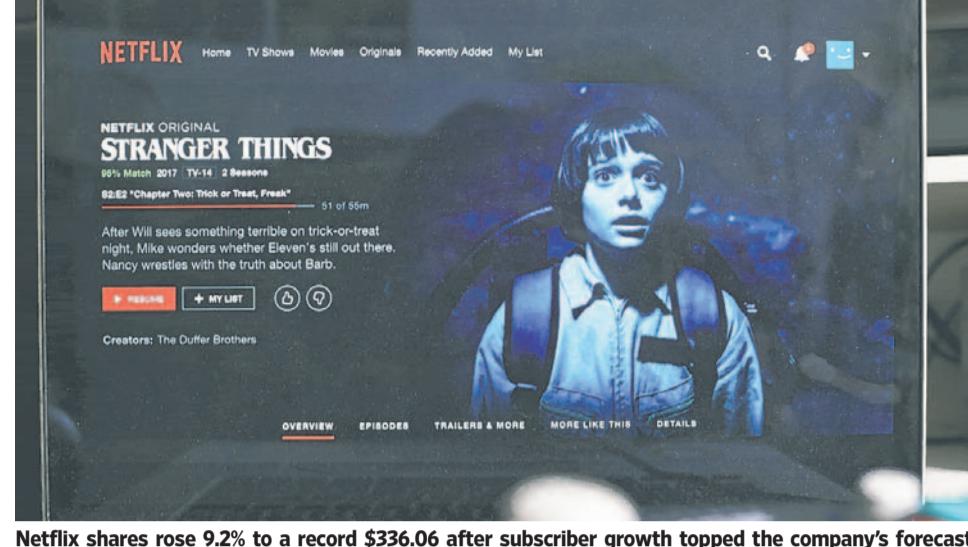
The Dow Jones Industrial Average climbed 213.59 points, or 0.9%, to 24786.63, its highest close since March 16.

The S&P 500 added 28.55 points, or 1.1%, to 2706.39, as 10 of the index's 11 sectors traded higher. The tech-heavy Nasdaq Composite rose 124.81 points, or 1.7%, to 7281.10. Those two indexes ended at their highest levels since March 21.

The blue-chip index is up 0.3% for the year, while the S&P 500 is up 1.2% and the Nasdaq Composite is up 5.5%.

Helping boost sentiment, Netflix shares jumped \$28.28, or 9.2%, to \$336.06—a record—after the video-streaming service reported subscriber growth that beat its own forecast. The stock is by far the best performer in the S&P 500 this year, up 75%.

"The FANGS [Facebook, Amazon.com, Netflix and



Netflix shares rose 9.2% to a record \$336.06 after subscriber growth topped the company's forecast.

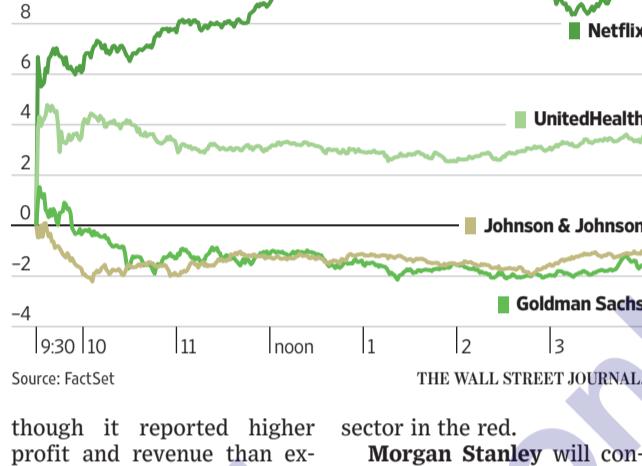
Google parent Alphabet] are very important; they seem to be a barometer for all stocks," said Christopher Peel, chief investment officer at Tavistock Investments. In light of recent pressure on technology companies, "the tech sector is vulnerable to a selloff if any of the big five or six companies have a miss" on earnings, he said. Shares of the FANG companies all jumped on Tuesday.

Results from Netflix are also the first real gauge of whether world-wide consumer demand picked up in the first quarter, said JJ Kinahan, chief market strategist at TD Ameritrade. "You really want to hear that tech stocks are doing well and seeing demand and growth world-wide," he said.

Among other companies posting results, Goldman Sachs Group shares fell 4.25, or 1.7%, to 253.63, after the bank said it wouldn't buy back shares in the second quarter,

Earnings in Focus

Netflix, UnitedHealth, Johnson & Johnson and Goldman Sachs posted stronger-than-expected quarterly results, but not all of their stocks got a bump on Tuesday.



though it reported higher profit and revenue than expected. Goldman helped drive down financial stocks in the S&P 500, which were the only

sector in the red.

Morgan Stanley will conclude earnings season for big U.S. banks when it reports Wednesday morning.

Meanwhile, UnitedHealth Group, the biggest U.S. health insurer, rose 8.23, or 3.6%, to 238.55, after reporting a 31% increase in earnings and lifting its profit outlook. Johnson & Johnson shares fell 1.22, or 0.9%, to 130.54 after the company increased sales guidance but not its profit estimates.

Dan Morgan, senior portfolio manager at Synovus Trust, said it is time for the market to focus on the fundamentals rather than negative possibilities such as effects from tariffs or legislation against Facebook. "You're just starting to see the beginning" of a solid first quarter, he said.

Still, many analysts expect earnings season to offer only a limited boost to stocks in light of high expectations and uncertainty about trade and tensions around Russia and Syria.

"The early take is things are good...but there's a lot of nervousness going forward because the geopolitical scene is a constantly changing one," Mr. Kinahan said.

Elsewhere, the Stoxx Europe 600 added 0.8%.

Chinese technology shares fell sharply after the U.S. Commerce Department banned American companies from selling products to ZTE, a telecom-equipment company in China, saying the company violated the terms of a deal last year settling allegations of sanctions-busting involving North Korea and Iran.

Tuesday's strength in U.S. and European stocks extended to Asia early Wednesday. South Korea's Kospi led with a 1.3%. Japan's Nikkei rose an early 1.1% as the yen eased to session lows.

India Says Cash Crunch at Bank ATMs in Some Areas of the Country Is Temporary



DHRUJ SINGH/BLOOMBERG NEWS

MUMBAI—Indian authorities tried to calm growing public concern about a cash shortage in parts of the country, saying it would be fixed soon.

The central bank and lenders on Tuesday said ATMs in pockets of the country are emptying faster than usual as people withdraw extra cash at the start of the financial year—which began this month—and for regional festivals.

"It's not something that is pan-India," a Reserve Bank of India spokesman said, but limited to a number of machines in certain states, among them Andhra Pradesh and Telangana. It doesn't indicate issues with any bank's reserves, he added.

"If you go to the branch and withdraw money, the cash is there," he said.

The crunch brought back memories of late 2016, when Prime Minister Narendra Modi took a swipe at corruption by declaring invalid the largest-denomination bank notes—86% of the country's cash—creating long lines at bank ATMs, as seen in the photo.

The RBI is urging more frequent cash deliveries to replenish machines in the affected areas, the spokesman said.

—Corinne Abrams and Debi Prasad Nayak

Pound Hits Its Highest Since Brexit Vote as Anxiety Fades

BY OLGA COTAGA

The pound hit its highest level against the dollar Tuesday since Britain voted to leave the European Union, buoyed by a weak U.S. currency and belief a Brexit may be less punishing than investors had feared.

The pound hit \$1.4377 in early London trading, its strongest since June 24, 2016, one day after the Brexit referendum.

Sterling also is benefiting from a weak dollar, which is falling given fears that a global trade war could hurt the U.S. economy, among other factors.

The WSJ Dollar Index, which measures the dollar against a basket of other currencies, fell Monday after President Donald Trump accused China and Russia on Twitter of manipulating their currencies.

Mr. Trump's "Twitter feed appears to reinforce the view that he is a soft-dollar president not a strong-dollar presi-

dent," said Kit Juckes, macro strategist at Société Générale.

The pound's performance has been less impressive against the euro. It is still 11.6% lower than where it traded just ahead of the EU-membership referendum.

On Tuesday, sterling was trading slightly down against the euro at \$1.1569.

The Bank of England's Sterling Effective Exchange Rate Index, which measures the pound against a basket of international currencies, is still around 7.6% lower than it was on the day of the EU referendum.

However, the index has recovered more than half of its steepest post-Brexit losses. In October 2016, it was down as much as 16% from its June 23 level.

"There is growing optimism on how soft Brexit might be," said Mr. Juckes. "The economy is not living up to the worst fears of," those who were against Brexit, he added.

That brighter economic picture may push the Bank of England to raise interest rates again, which could help boost the currency.

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Resurgent

Performance of the pound against the U.S. dollar and euro since the EU-membership referendum



Source: WSJ Market Data Group

However, the pound also has fallen every May since 2009, according to Mr. Juckes.

"There is a sense to people that seasonals are helpful," Mr. Juckes said. "Let's see what happens" in May, he added.

—Mike Bird contributed to this article.

Strong Fed Reading Gives Dollar a Lift

as the ZEW Index, which measures expectations for the German economy, dropped sharply in March, reaching its lowest level since 2012.

The dollar also was supported by rising stock prices and higher bond yields, which help make the currency more attractive by offering higher returns.

The dollar's advance happened against a backdrop of low volatility, which is surprising given the continued turmoil surrounding global trade, said Brad Bechtel, head of currency strategy at Jefferies Group LLC.

President Donald Trump's more aggressive approach to negotiating with trading partners to help lower U.S. trade deficits has roiled markets, increasing concerns that rising tariffs could slow global economic activity.

Volatility has declined as many investors have been "sidelined" by the uncertainty, leading them to take a "wait-and-see approach" to assess how the discussions progress, Mr. Bechtel said.

Earlier, the euro weakened

MARKETS

Sanctions, Syria Fuel Commodities' Rise

Aluminum soars to 6½-year high, while nickel and palladium also log hefty gains

By AMRITH RAMKUMAR

Rising global tensions, including U.S. sanctions against Russia and the continuing conflict in Syria, have sparked a rally in commodities, sending materials from aluminum to oil to fresh multiyear highs.

The S&P GSCI Index of 24 commodities has climbed 5.1% this year, compared with a 1.2% gain for the S&P 500, the equities benchmark. The raw-materials gauge has advanced in six of the past seven sessions.

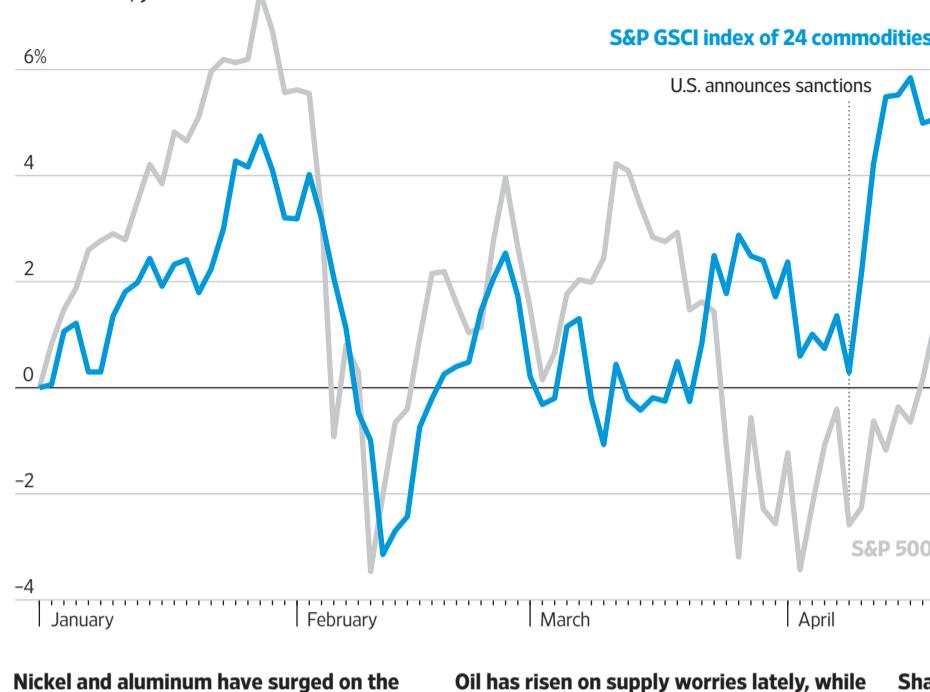
Russia is a key producer of a wide range of commodities from oil to palladium. And with supplies already tight, analysts say, the April 6 announcement of sanctions against more than three dozen Russian individuals and entities has jolted raw-materials markets.

Since then, aluminum for delivery in three months on the London Metal Exchange has soared 19% to its highest in 6½ years. The premium U.S. buyers pay to have LME aluminum delivered to the Midwest has rocketed to its highest since February 2015, while other metals, including nickel and palladium, have surged.

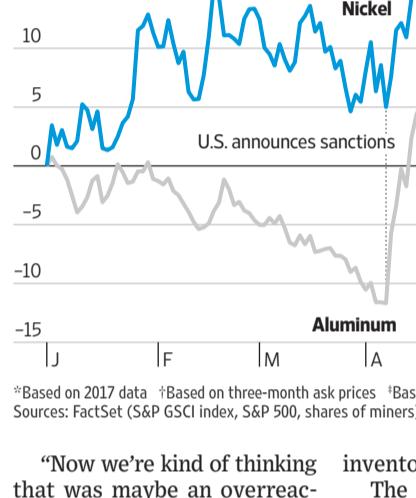
Meanwhile, U.S.-led military strikes in Syria have stoked fears of a wider conflict in the Mideast. The worries, along with uncertainty surrounding the Iran nuclear deal, have propelled gains in oil, a large component of commodities indexes. U.S. crude on Friday hit its highest level since December 2014 and has rallied 10.1% this year.

The run-up in commodities is a shift from March, when global tensions between the U.S. and China over trade hurt prices of many resources amid fears that rising manufacturing costs would slow global growth.

Commodities have increased their lead over stocks in 2018 following recent international conflicts.



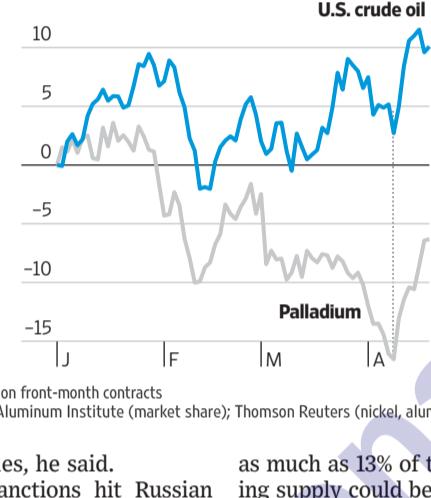
Nickel and aluminum have surged on the London Metal Exchange in recent sessions.



*Based on 2017 data †Based on three-month ask prices ‡Based on front-month contracts

Sources: FactSet (S&P GSCI index, S&P 500, shares of miners); Aluminum Institute (market share); Thomson Reuters (nickel, aluminum, crude oil, palladium)

Oil has risen on supply worries lately, while palladium has trimmed its 2018 losses.



*Based on 2017 data †Based on three-month ask prices ‡Based on front-month contracts

Sources: FactSet (S&P GSCI index, S&P 500, shares of miners); Aluminum Institute (market share); Thomson Reuters (nickel, aluminum, crude oil, palladium)

Russia is the second-largest aluminum producer

Aluminum-production market share*

| | |
|--------|-------|
| China | 56.8% |
| Russia | 5.7 |
| Canada | 5.0 |
| India | 5.0 |
| U.A.E. | 4.1 |
| Others | 23.3 |

Shares of miners tied to U.S. sanctions against Russia have plummeted.



*Based on 2017 data †Based on three-month ask prices ‡Based on front-month contracts

Sources: FactSet (S&P GSCI index, S&P 500, shares of miners); Aluminum Institute (market share); Thomson Reuters (nickel, aluminum, crude oil, palladium)

this year, it has extended its year-to-date gains to 13% on the LME.

"Supply had been tight already, and then you've got these geopolitical issues that are overlaying that," said Nitesh Shah, commodities strategist at asset-management firm ETF Securities. "I'm quite optimistic for the metals."

Traders rushed to close out any deals involving Russian metals before an LME ban on Rusal took effect Tuesday. CME Group's Comex also announced a ban on Rusal products, leading to huge swings in global aluminum stockpiles as traders speculate on how Russian supply will be replaced.

The supply disruptions could prove critical for commodities because they come when lukewarm global economic data and trade disputes have clouded the demand picture for many materials. The International Monetary Fund's latest forecast Tuesday showed the global economy is on course to grow 3.9% this year—the fastest pace since 2011—despite trade tensions.

Some think the recent price gains could be short-lived if a slowdown in China materializes. One worrying sign that the demand picture could be weakening: Copper prices have largely missed out on the materials rally, dropping 6.2% this year. China accounts for nearly half of the world's copper demand and is the biggest consumer of commodities in general.

But others project that commodities can continue outperforming stocks and other assets this late in the economic cycle. More than \$1 billion flowed into commodities exchange-traded and index funds in the first quarter, according to Citigroup estimates, up from nearly \$8 billion in the year-earlier period.

"The strategic case for owning commodities has rarely been stronger," Goldman Sachs analysts said in a recent note.

HEARD ON THE STREET

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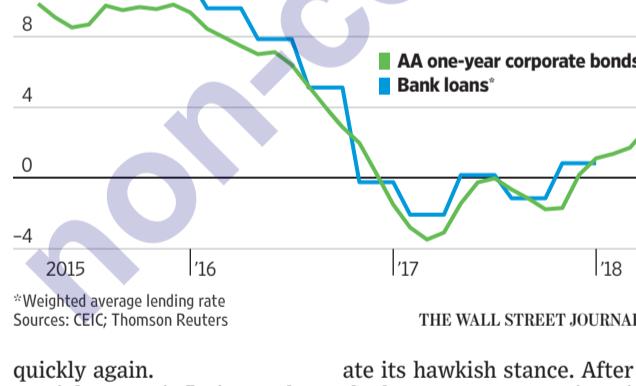
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China Data Masks Debt Worry

Bouncing Back

Producer price inflation-adjusted interest rates



*Weighted average lending rate

Sources: CEIC; Thomson Reuters

likely hit 2%. Those rates are still far below the levels of 7% to 10% seen when debt defaults peaked in early 2016. But if producer-price inflation keeps slowing—it hit a 17-month low in March—real rates could be in that neighborhood by early 2019.

The key question appears to be how deep and effective China's much-celebrated "supply-side reforms" have really been. If enough excess capacity has been eliminated and housing inventory sold down, then producer-price inflation will remain healthy and Beijing won't need another massive stimulus to stave off defaults.

Otherwise—and particularly if a true trade war seriously disrupts exports—the chances of another big debt surge next year will rise significantly. That would probably mean a commodities-buying opportunity, but would be negative for China's long-run prospects.

Either way, it is likely to be a trickier next 12 months than indicated by Tuesday's smooth growth figure.

—Nathaniel Taplin

ate its hawkish stance. After the last two U.S. rate rises, it has "pretend[ed] to follow the Fed," raising interbank rates by small amounts while actual market interest rates in China remain much higher, said Julian Evans-Pritchard of Capital Economics.

A quick look at China's lending market shows why: Real yields on AA-rated corporate bonds rose to nearly 3% in the first quarter, according to Thomson Reuters, while real bank-loan rates

OVERHEARD

Something is brewing in the hedge-fund world.

Trader **Greg Coffey** was hot stuff back in 2008, having amassed mouth-watering compound annual returns of over 70% in his previous three years at GLG. But he left when the firm didn't fork over enough dough.

Hoping his roll would continue, industry legend **Louis Bacon** buttered Mr. Coffey up, calling him "one of the most impressive traders in the world," and succeeded in luring him to his firm, **Moore Capital**.

But Mr. Coffey's career there was toast after his returns lagged behind the S&P 500 for three years in a row. With egg on his face, he retired at the age of 41.

Now that investor appetite has returned for macro funds of the type that Mr. Coffey once ran so successfully, Mr. Bacon is reportedly backing Mr. Coffey in a new venture. Will it be another case of chasing returns just as a category is about to cool off?

World-Wide Growth Gets Green Light

The world economy has found the accelerator pedal. But for policy makers and markets, an important question is what is happening to potential growth, a sort of speed limit for the economy.

Global growth is set to reach 3.9% in 2018 on the International Monetary Fund's latest numbers out Tuesday, boosted by stronger expansion in advanced economies and the fastest since 2011. The good news is that the IMF thinks only 40% of the better-than-expected growth in advanced economies in 2016 and 2017 is due to a cyclical rise in demand, with the rest attributable to higher potential growth.

That implies the expansion is more sustainable: It isn't all because of a surge in demand, but also reflects expanded supply. It helps explain why inflation hasn't risen much.

In all, the IMF estimates potential growth has picked up by 0.4 percentage point between 2011 and 2017 for 10 large advanced economies to about 1.6%. That remains well below precrisis levels of 2% to 2.5% because the contribution of labor and capital stocks to potential growth remains weak.

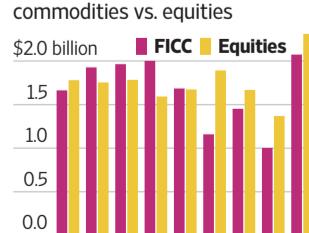
This debate might seem arcane in a world worried about a trade war between the U.S. and China and geopolitical clashes with Russia. But the underlying strength and persistence of growth and the stability of inflation are vital factors supporting the relative health of markets lately.

The message that potential growth has recovered a bit is encouraging, but investment is the thing to watch. Without it, the world economy may be stuck in the slow lane. —Richard Barley

Goldman Sachs Is Reaping the Benefits of Diversification

Trading Places

Goldman Sachs trading revenue for fixed income, currency and commodities vs. equities



The bank put a tough 2017 firmly behind it Tuesday, reporting first-quarter earnings that beat estimates by a wide margin. Revenue rose 25% from a year earlier while earnings per share climbed 35%.

Last year Goldman logged sharp declines in fixed-income and commodity trading, traditionally its strongest business, due to trading mishaps and a client

year earlier to \$2.07 billion. Chief Financial Officer Martin Chavez said the business has added to its client base.

At the same time, both equities and FICC-trading revenue were at their highest quarterly levels in three years. Goldman successfully reduced its dependence on fixed-income trading while repairing the business.

The development of Goldman's lending business, to both consumers and corporate clients, adds further diversification. The firm took in \$918 million of net interest income during the quarter, up from \$516 million a year earlier. This should

help make results more stable and predictable, a big benefit to shareholders.

If there is a question still hanging over the stock, it is the uncertain outlook for capital returns. Goldman has already slowed its pace of buybacks for the first half of this year after a tax charge hit its capital cushions. Now some analysts are warning that the Federal Reserve's proposed tweaks to the annual stress-test process could hit Goldman and Morgan Stanley harder than their universal bank competitors, forcing them to hold more capital.

But with the firm's return

on equity at 15.4% in the first quarter, the highest in over five years, reducing capital levels isn't the top priority. Indeed, Goldman's strong track record of investing in technology and new businesses ought to make shareholders less thirsty for immediate cash payouts.

The bank's shares fell Tuesday and have been stuck in a range since December, a sign investors are still not convinced of the improvements. If the economy stays good and Goldman keeps broadening its business, the shares could break out of that rut.

—Aaron Back