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The center of gravity in central banking is shifting away from the U.S. and toward Europe, where officials are considering winding down years of extraordinary stimulus. **A1**

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◆ A proposal for a new open-outcry floor by one of the smallest U.S. options exchanges has sparked criticism from rivals. **B1**

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◆ Abe's public support is at a record low after allegations surfaced that he helped friends get favorable government treatment. **A3**

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U.S. Set to Act Alone on Pyongyang

Officials consider unilateral moves to tighten sanctions to halt nuclear program

By IAN TALLEY

WASHINGTON—The Trump administration is moving toward unilaterally tightening sanctions on North Korea, targeting Chinese companies and

banks Washington says are funneling cash into Pyongyang's weapons program.

Cabinet-level officials in recent days have signaled the White House is ready to use its own powers to cut off the flow of cash to Kim Jong Un's regime, though officials say they would prefer collective action through the United Nations and support from Beijing. North Korea's July 4 ballistic missile test will hasten unilateral efforts by Wash-

ington, analysts say.

North Korea has resisted such pressure for years and many experts question whether this time would be any different. Pyongyang has become proficient at evading sanctions, including by disguising its international trade and financial entities through firms in neighboring China.

The U.S. has almost no direct trade or other ties to North Korea after imposing wide-ranging

bilateral sanctions in response to previous missile and nuclear tests by Pyongyang.

North Korea's chief trade partner, Beijing, has also resisted tightening the screws against its neighbor because the status quo gives it geopolitical leverage, analysts say.

The George W. Bush administration brought North Korea back to the negotiating table in 2007 after escalating sanctions but many analysts say it re-

lented too quickly, allowing Pyongyang to continue its nuclear-weapons program.

U.S. officials say the stakes are greater now given Pyongyang's ability to reach Alaska with a missile and current efforts will be more stringent than in the past.

Tucked away in several doc-
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◆ Gerald F. Seib: A defense chief's plan for Kim..... A2

Mongolia Elects a Populist President



REUTERS/BAZARSUKH/REUTERS
CEREMONY: Khaltmaa Battulga, center, a populist tycoon, was inaugurated as Mongolia's new president, pledging to provide greater benefits to the people from their mineral wealth. His opponent, Miyegombo Enkhbold, right, will continue to serve as parliament speaker.

AUSTRALIA'S LNG EXPORTS CREATE ENERGY CRISIS AT HOME

The world's No. 2 seller abroad kept too little liquefied natural gas to keep lights on in Adelaide

By RACHEL PANNETT

On a sweltering night this February, the world's No. 2 exporter of liquefied natural gas didn't have enough energy left to keep its own citizens cool.

A nationwide heat wave in Australia drove temperatures above 105 degrees Fahrenheit around the city of Adelaide on the southern coast. As air-conditioning demand soared, regulators called on Pelican Point, a local gas-

fueled power station running at half capacity, to crank up.

It couldn't. The plant's operator said it wasn't able to get enough natural gas quickly to run its turbines fully. At 6:03 p.m., regulators cut power to 90,000 Adelaide homes to prevent a wider blackout.

Resource-rich Australia has an energy crisis, one that offers lessons for America as it prepares to vastly increase natural-gas shipments abroad.

Australia now exports so much liquefied natural gas, or LNG, it may overtake No. 1 exporter Qatar within several years. It exported 62% of its gas production last year, according to the BP Statistical Review of World Energy.

Yet its policy makers didn't ensure enough gas would remain at home. As exports increased from new LNG facilities in eastern Australia, some state governments let aging coal plants close

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Investors Eye ECB Following Fed Moves

By DAVID HARRISON
AND TOM FAIRLESS

The center of gravity in central banking is shifting away from the U.S. and toward Europe, where officials are considering winding down years of extraordinary economic stimulus.

Skittish investors pounced on a tiny hint buried in minutes of the most recent European Central Bank meeting Thursday, triggering a sell-off that pushed German 10-year government bond yields to their highest level in 18 months.

That followed an earlier sell-off on June 27 when ECB President Mario Draghi signaled the bank

would slowly stop expanding its bond portfolio as the euro-zone economy accelerates.

Repercussions were felt across the Atlantic, helping boost U.S. 10-year Treasury yields by almost 0.25 percentage point over the past two weeks.

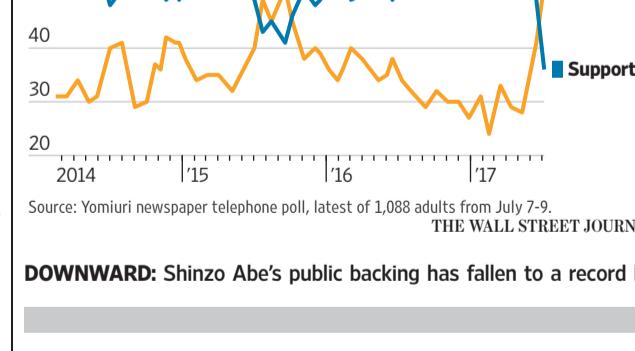
The Federal Reserve is further along in the process of ending easy money than the ECB. It is raising short-term interest rates and preparing to shrink its bond portfolio, while ECB rates are negative and its portfolio is still expanding.

Investors have already adjusted to the Fed's actions.

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Faith in Abe Dwindles in Japan

Support for Prime Minister Shinzo Abe's cabinet



Source: Yomiuri newspaper telephone poll, latest of 1,088 adults from July 7-9.

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DOWNTURN: Shinzo Abe's public backing has fallen to a record low amid political scandals. **A3**

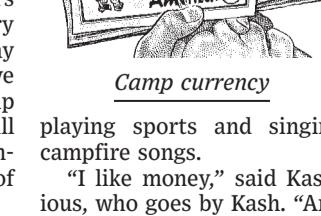


Most Camps Have S'mores; This One Has Finance

By AKANE OTANI

DENVER—In an increasingly competitive business world, prospective bankers and executives need every edge they can get. That's why people like Kashious Vela have opted for a specialized camp this summer, where he will learn about economics, financial markets and theories of international trade.

He is also 8 years old and starting third grade later in the year. He's unapologetic about why he's devoting his summer to high finance when many children his age will be



playing sports and singing campfire songs.

"I like money," said Kashious, who goes by Kash. "And you could get really rich."

Kash is one of 85 children between the ages of 7 and 11 who traveled from around the country to Denver in June for the Junior Money Matters

camp. These campers come for a week inside classrooms, spending seven hours a day studying things like the U.S. current-account deficit and supply and demand dynamics.

Teaching economics and finance to this age group demands patience, creativity and the occasional bribe. Camp counselors punctuated lessons with clapping exercises meant to recapture errant campers' attention, lunchtime sessions of the tag game "Sharks and Minnows" and plenty of Cheez-Its and Capri Sun juice packs. In arts and crafts, they

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WORLD NEWS

A Defense Chief's Plan for Dealing With Kim



CAPITAL JOURNAL

By Gerald F. Seib

Everybody who's ever wrestled with the North Korean nuclear problem agrees on one thing: There are no good options for solving it.

That bleak reality grows ever more apparent as North

Korea fires off increasingly sophisticated missiles that could one day carry a nuclear weapon.

So the pressing question is: Among all the imperfect options for dealing with North Korea, what strategy holds the best hope?

Few are more qualified than Robert Gates, the most seasoned U.S. national security official of the past half-century. He spent almost 27 years as an intelligence official, including a stint as director of the Central Intelligence Agency, worked in the White House for four presidents of both parties, and was defense secretary for both President George W. Bush and President Barack Obama.

As it happens, Mr. Gates has a plan, which he explained in an interview. It's worth listening to at a time when ten-

sions are rising rapidly.

The Gates proposal proceeds from several basic principles. First: There simply is no good pure military option for attacking North Korea. The sheer destruction and danger of an all-out war on the Korean Peninsula take that idea off the table.

Second: "China is still the key no matter how you slice it," Mr. Gates says. As has been noted by every recent American administration, China is the one country with sufficient leverage over North Korea to make a difference.

But Mr. Gates also says he agrees with President Donald Trump and his aides that it's time to "disrupt the status quo" by trying a different ap-

proach with the Chinese.

Which leads to the third principle: "It seems to me the need is for a comprehensive strategy you would lay out to the Chinese at a very high level, which would basically have both a diplomatic and a military component." In other words, make a deal with China before you deal with North Korea and its leader, Kim Jong Un, directly.

Under the Gates approach, the U.S. would make China the following offer: Washington is prepared to recognize the North Korean regime and forswear a policy of regime change, as it did when resolving the Cuban missile crisis with the Soviet Union;

is prepared to sign a peace treaty with North Korea; and would be prepared to consider some changes in the structure of military forces in South Korea.

In return, the U.S. would demand hard limits on the North Korean nuclear and missile program, essentially freezing it in place, enforced by the international community and by China itself.

"I think you cannot get the North to give up their nuclear weapons," Mr. Gates says. "Kim sees them as vital to survival. But you may be able to get them to keep the delivery systems to very short range."

In addition, the U.S. would

tell China that in any diplomatic solution the North Koreans would have to agree to invasive inspections that could ensure a limited nuclear stockpile of no more than a dozen or two dozen nuclear weapons, as well as inspections to ensure they aren't developing more weapons or further capabilities for delivery.

Crucially, the Chinese would be told that any diplomatic solution is one they would be expected to help enforce.

On the flip side of that offer, Mr. Gates says, the U.S. would present a tougher alternative for China: "If that is not an outcome you can accept, we are going to take

steps in Asia you hate."

Absent such an agreement, the U.S. would "heavily populate Asia with missile defenses." That would include missile-defense buildups in South Korea, Japan and aboard additional American ships stationed in the Pacific. In addition, the U.S. would declare that it would shoot down "anything we think looks like a launch of an intercontinental ballistic missile" from North Korea.

In short, lacking a diplomatic solution, "whatever means we need to take to contain this regime, we will take."

For China, he says, the meaning of such a plan would be clear: "All those measures you will see as hostile to China. Your military response will cost you billions."

In reality, the U.S. would be threatening to take only military steps that would be inevitable in the absence of a negotiated solution in any case: "If option No. 1 doesn't work, option No. 2 is what you'd need to do anyway."

Secretary of State Rex Tillerson and Defense Secretary Jim Mattis would present this proposal to the Chinese. If Beijing signed on, only then would direct talks with North Korea begin.

Mr. Trump already has accepted the idea of a diplomatic approach when he said he would be "honored" to meet Mr. Kim "under the right circumstances." Mr. Gates offers a smarter way than that to get onto the diplomatic track.



Kim Jong Un celebrates the test fire of an intercontinental ballistic missile last week in a photo released by North Korean state media.

KOREA CENTRAL NEWS AGENCY/KOREA NEWS SERVICE/AGENCE FRANCE PRESSE/GTY IMAGES

KOREA

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uments linked to recent Treasury and Justice Department actions are clues to Chinese entities the administration may target in its next actions.

The Justice Department, in a federal-court decision granting the administration warrant authorities unsealed on Thursday, pointed to "offshore U.S. dollar accounts" associated with a network of five companies linked to Chinese national Chi Yupeng. That included one of the largest importers of North Korean goods into China, Dandong Zhicheng Metallic Material Co.

The Justice Department, citing people including two North Korean defectors, said the so-called Chi Yupeng network hid transactions whose payments financed the North Korean leader's military and weapons programs.

That network isn't under U.S. sanctions. But analysts say that, like another Chinese company targeted late last year, Dandong Hongxiang Industrial Development Co. Ltd., the Chi

Yupeng network represents a financial node U.S. officials could zero in on as it tries to choke off North Korea's financing.

Dandong Hongxiang's blacklisting by Treasury followed a Justice investigation that tracked alleged money laundering of North Korea financing through nearly two dozen Chinese banks. Some of those banks also could be targeted, analysts said.

China's Foreign Ministry didn't respond to a request to comment and Mr. Chi and Dandong Zhicheng couldn't be reached to comment.

Late last month the U.S. Treasury said it would move to cut off China's Bank of Dandong from U.S. financial markets as part of a broader effort to block cash flows to North Korea's government.

The Treasury also added to its North Korea sanctions list two Chinese citizens accused of working in front companies designed to evade existing North Korea sanctions. A firm that primarily transports steel and coal between China and North Korea also was added, allegedly for violating a luxury-goods ban.

The steps were only the first

of many punitive efforts planned by the administration as the White House cuts off "all illegal funds going to North Korea," Treasury Secretary Steven Mnuchin said. "We will continue to look at these actions and continue to roll out sanctions."

Treasury's Financial Crimes Enforcement Network, in targeting Bank of Dandong, said North Korea was using bank accounts under false names and conducting financial transactions through a multitude of banks in China, Hong Kong and Southeast Asian countries.

our capabilities to defend ourselves and our allies," Nikki Haley, U.S. ambassador to the U.N., told the Security Council on Wednesday. Ms. Haley said past sanctions regimes proved insufficient.

Citing China's dominant role as North Korea's prime international trade and finance partner, she said Washington is ready to target any country doing business with North Korea as the U.S. chokes off financing for the country's weapons program.

U.S. Secretary of State Rex Tillerson said Friday that fresh

he said the U.S. preferred Beijing would use its own powers to curb North Korea financing.

But while Mr. Tillerson said the U.S. would apply "calculated increases in pressure," there was a limit to the administration's "strategic patience." Other officials have made clear the U.S. is ready to use additional unilateral actions if necessary.

The Trump administration asked China to take action against a list of nearly 10 Chinese companies and individuals to curb their trading with North Korea following President Donald Trump's Mar-a-Lago summit with Chinese leader Xi Jinping in April, according to senior U.S. officials.

But U.S. officials were disappointed in Beijing's response several weeks later, after which Mr. Trump expressed disappointment on Twitter with the effort to get China to put pressure on North Korea. The topic will be a focus of high-level U.S.-China talks next week in Washington, Mr. Mnuchin said.

Many former U.S. diplomats, including Juan Zarate, the top sanctions diplomat in the Bush administration, say Washington must ratchet up the pressure on

Chinese firms and banks facilitating Pyongyang's overseas financing to rein in the regime's weapons program.

The U.S. has so far been wary of prodding Beijing too hard, hoping Beijing would act on its own to shut down those cash flows.

North Korea's latest missile test changes the administration's calculus, said Nicholas Eberstadt, a North Korea security expert at the American Enterprise Institute. He expects the White House to accelerate its sanctions against Chinese firms.

Analysts and senior officials from two previous administrations say the existing sanctions regime against North Korea have so far been elementary compared with the thicket of actions applied against Iran at the height of the Obama administration's punitive actions against Tehran.

That effort pushed the country into recession and forced the country back to the negotiations table, although many foreign-policy experts question the effectiveness of the subsequent deal the U.S. reached with Iran.

—Jeremy Page in Beijing contributed to this article.

The White House is targeting Chinese firms to cut off 'illegal funds' going to Pyongyang.

Administration officials have warned that North Korea's latest missile test warranted an escalation in international pressure, seeking first collective action through the United Nations Security Council and urging Beijing to use its own powers to stem cash flows to Pyongyang.

"The United States is prepared to use the full range of

sanctions issued last week against Chinese entities should be read as a measure of the administration's resolve to bring more pressure to bear on the country by directly going after entities doing business with North Korea, regardless of where they are located. Speaking on the sidelines of a world leadership summit in Germany,

the acquisition. He didn't reply to requests for comment.

—Grace Zhu and

Lilian Lin in Beijing contributed to this article.

WANDA

Continued from Page One

sought to relist the property unit but has yet to receive approval.

Wanda declined to comment Monday. In an interview with Chinese financial magazine Caixin, Mr. Wang said Wanda would use the sale to "substantially reduce" the debt of Wanda Commercial Properties, adding that it would repay an "overwhelming majority" of its bank loans this year.

Wanda's property unit accounted for about 55% of its almost \$20 billion revenue in the first half of 2017. However, the unit was saddled with about \$33 billion debt as of 2016, up 20% from the previous year, according to regulatory filings.

Wanda has borrowed heavily to build apartments, malls and hotels. Earlier this year, Moody's Investors Service downgraded the company's commercial-property units to just above junk status, noting rising leverage as Wanda attempts to build and sell more malls.

The ratings firm said in January that it expects the property unit to raise about \$5

billion in additional debt for planned projects within two years. The property unit's debt levels put a commonly used measure of leverage—net debt to equity—at 56%, which is above its peers.

Wanda started off as a property developer in the late 1980s but moved aggressively in recent years into entertainment, adding more debt to its books.

The company acquired AMC Entertainment Holdings Inc. for \$2.6 billion in 2012. Last year, Wanda spent \$3.5 billion for Hollywood production and finance company Legendary Entertainment.

More recently, Wanda's \$1 billion deal to buy Golden Globes producer Dick Clark Productions fell apart amid height-

ened Chinese government scrutiny over capital outflows.

In theme parks, the "wolf pack" has yet to show much bite. The Wanda Movie Park in Wuhan closed for retooling less than two years after opening, and the park in Nanchang reported attendance of about 1.3 million in its first seven months, far off the 11 million pace set by Shanghai Disneyland in its first year.

Wanda is a private company and not much is known about its overall debt. However, regulatory filings for its property unit reveal that the parent's consolidated liabilities, which include debt, totaled more than \$100 billion at the end of last year.

Wanda's debt also includes \$4.75 billion in syndicated

loans, which are made by groups of banks to corporate borrowers, and about \$18 billion in bonds through subsidiaries that include Legendary, AMC and its property unit, according to data provider Dealogic.

Under the deal announced Monday, Wanda said it would sell a 91% stake in 13 of its current and planned tourist attractions and 72 of its 102 hotels in China to Sunac.

Along with parks in Nanchang, Hefei and Harbin, there are at least nine other planned parks and tourist attractions.

Wanda has been selling assets, such as its malls, in recent years, adopting an "asset-light" model that would allow it to earn income from managing the assets instead of owning them.

Although Sunac is buying the hotels and theme parks, Wanda said it would still manage them under its brand.

Some analysts say hotels and theme parks don't have much synergy with Sunac's primary business of luxury apartments.

"It doesn't make sense to me," said Chuanyi Zhou, a credit analyst at Lucrator Analytics. "It's quite a risky move."

Under the terms of the deal, Sunac will likely pay Wanda a fee to manage its hotels and theme parks—which could put a dent in Sunac's future cash flow and tighten its operations, Ms. Zhou said.

Sunac Chairman Sun Hongbin told Caixin that the developer would only use existing capital, not debt, to finance

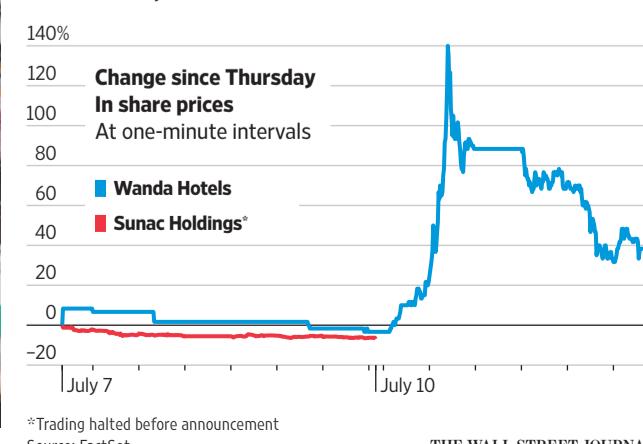
the acquisition. He didn't reply to requests for comment.

—Grace Zhu and

Lilian Lin in Beijing contributed to this article.



The opening of the Wanda Cultural Tourism City in Harbin in June.



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WORLD NEWS

Trust in Japan's Abe Falls Amid Scandals

Polls show falling support after favoritism accusations and unpopular strategies

By ALASTAIR GALE

TOKYO—Japan's leader has fallen into his biggest political trouble since taking power almost five years ago, with public support at a record low after allegations surfaced that he helped friends get favorable government treatment.

Prime Minister Shinzo Abe is likely to retain his position, many analysts say, but he could have trouble pushing through economic policies to open Japan to more foreign competition and keep the yen weak. And he could face a strong challenge in a party-leadership election next year, these people say.

A few months ago, Mr. Abe, one of the longest-serving global leaders, appeared to be

in a strong position to lead Japan for several more years. But the accusations by rival politicians—in particular, one involving alleged favoritism toward a school of veterinary medicine that a longtime friend of Mr. Abe wishes to open—have undermined public trust.

Mr. Abe has denied all allegations of favoritism and said he would leave politics if proven to have helped friends.

The toll of the accusations was apparent in public-opinion polls that media organizations released on Monday. The Yomiuri newspaper, Japan's largest-circulation daily, said 36% of respondents to a poll conducted over the weekend supported Mr. Abe's cabinet, down 13 percentage points from the previous poll in mid-June and the worst reading since Mr. Abe became prime minister for the second time at the end of 2012.

Fifty-two percent of respondents didn't support the cabinet, and 68% agreed that Mr.



Shinzo Abe could face a strong challenge in a party election next year.

Abe's cabinet had become arrogant because of its long period in power.

An Asahi newspaper poll found that 74% of respondents didn't approve of how Mr. Abe has handled the veterinary-school issue—a key factor, the newspaper said, in dragging down his overall poll ratings.

Chief Cabinet Secretary

Yoshihide Suga said: "We take the recent fall in public support seriously."

The poll results followed a heavy defeat for his Liberal Democratic Party in July 2 elections for the Tokyo metropolitan assembly.

Mr. Abe's public-approval ratings fell sharply in 2015 after the introduction of legisla-

tion expanding the role of the nation's military but soon recovered. The latest decline could be longer lasting, said Gerald Curtis, an expert in Japanese politics.

"This time it's about excessive concentration of power and the democratic process. It's much more serious," Mr. Curtis said.

Last month, the government took the unusual step of skipping a vote in a parliamentary committee before passing antiterrorism legislation that has divided public opinion. Opposition parties slammed the move as a violation of the democratic process.

The government said the law was an urgent priority to allow Japan to ratify a United Nations convention against organized crime and to prepare for the 2020 Tokyo Olympics.

In other controversies, Mr. Abe's defense minister, Tomomi Inada, said the nation's Self-Defense Forces and the Defense Ministry wanted vot-

ers to support Mr. Abe's party in the recent Tokyo election, a breach of the military tradition of political neutrality. She later retracted the remark.

Mr. Abe, who is visiting Europe, told reporters on Sunday that he would "rejuvenate" his cabinet, a move that is widely expected to include replacing the defense minister. He has also defended his economic accomplishments after the country recorded its longest growth period in 11 years and reached a free-trade deal with the European Union.

On Monday, a former vice minister of education told parliament that top officials intervened to approve the permit for the school of veterinary medicine.

"The process was unclear and unfair," said the former vice minister, Kihei Maekawa.

The prime minister has said that he had nothing to do with the decision to issue a permit to the veterinary college and that the process was fair.

In Shift, Pakistan, Afghanistan to Jointly Fight Terror

Kabul and Islamabad have agreed to work on a mechanism to jointly combat insurgents along their shared border, cooperating more closely than they have in years as the U.S. prepares to ramp up its troop numbers in Afghanistan, according to Pakistani and Afghan officials.

By Saeed Shah
in Islamabad
and Dion Nissenbaum
in Washington

The move, seen as necessary to halting the flow of fighters fueling a Taliban insurgency, would be an important step in the struggle to stabilize Afghanistan.

Washington has long tried to get Pakistan and Afghanistan to work together to squeeze Taliban militants. A visiting U.S. Senate delegation led by John McCain (R., Ariz.) helped push the two nations into discussions last week.

The Pakistani offer to resurrect joint counterterrorism operations comes ahead of a review by the Trump administration of American policy toward Afghanistan, expected to be completed this month, that could be tough on Islamabad. The U.S.-Pakistan relationship has come to be defined by the security situation in Afghanistan, and many in Washington blame Islamabad for havens along its border that have allowed the Taliban insurgency in Afghanistan to survive and strengthen. Islamabad and Kabul have accused each other of allowing hostile factions to



A Pakistani officer at the Chaman post on the Afghan border. Pakistan is fencing parts of the border and has deployed 200,000 soldiers.

operate in their territories.

Pakistan says it has cleared extremist sanctuaries on its soil and its security worries in Afghanistan have never been addressed by Kabul and Washington. Islamabad sees a failing U.S. and Afghan strategy at fault for what American commanders describe as a "stalemate" on the battlefield.

Washington and Kabul, meanwhile, accuse Islamabad of using the Taliban and the allied

Haqqani network as its proxies in Afghanistan, to counter the influence of its foe India there. Pakistan denies the charge.

The coordinated effort comes as President Donald Trump and his aides are considering new ways to push Islamabad into doing more to help the U.S., including punitive measures to limit aid to Pakistan and to strip the country of its status as a major non-NATO ally.

"U.S. achievements in Af-

ghanistan have a lot to do with support from and through Pakistan. Any unilateral U.S. action will be anti to our existing cooperation and disadvantageous for peace and stability in the region," said Maj. Gen. Asif Ghafoor, the spokesman of Pakistan's military. "Pakistan is part of the solution, not part of the problem."

The proposed cooperation, conveyed to Kabul in recent days via the visiting senators,

would see Pakistan and Afghanistan forces coordinate operations in their territories to tackle militants who move back and forth across the border, known as the Durand Line, Gen. Ghafoor said. Border coordination centers would be established, with officers from the other country stationed there. Pakistan is already fencing parts of the border, on which it has deployed 200,000 soldiers.

"This is a shift in Pakistan's

policy," a senior Afghan security official said. "We welcome it and look forward to some practical results."

The plan envisages the U.S. monitoring and verifying the coordinated border operations. A senior official at the U.S.-led Resolute Support military coalition said it was too early to comment on the idea but added: "We have the capacity to do this, if it comes to fruition."

But Pakistan's border-security proposals were met skeptically by some current and former U.S. officials, who view them as a sign that Islamabad isn't taking the depth of American concerns seriously.

"This does not look like a road into new territory," a former Trump administration official said. "There isn't anything new in the ideas of coordinated action and third-party verification. The former is Pakistani code for pointing to Afghan military failings, and the latter is Afghan code for 'We want the Americans to blame the Pakistanis.'

Afghan officials said they would like China, seen as a country Islamabad listens to, to play a role in verifying the operations and prodding Pakistan to crack down on the Taliban. Chinese foreign minister Wang Yi last month shuttled between Islamabad and Kabul to encourage the two sides to collaborate on counterterrorism and to search for a peace settlement with the Taliban, according to a joint statement.

—Habib Khan Totakil and Jessica Donati in Kabul contributed to this article.

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WORLD NEWS

Iraqi Troops Fully Recapture Mosul, as Islamic State Is Driven From Remaining Territory

Iraqi Prime Minister Haider al-Abadi said his troops, backed by a U.S.-led military coalition, had recaptured the northern city of Mosul, driving Islamic State from its last major urban stronghold in the country and marking a symbolic turning point in the broader battle to dislodge the extremists from Iraq and Syria.

Mr. Abadi announced the victory on Monday in Mosul, his office said, after Iraqi forces cleared the militants from the final Islamic State-occupied pocket of west Mosul's old city, on the bank of the Tigris River.

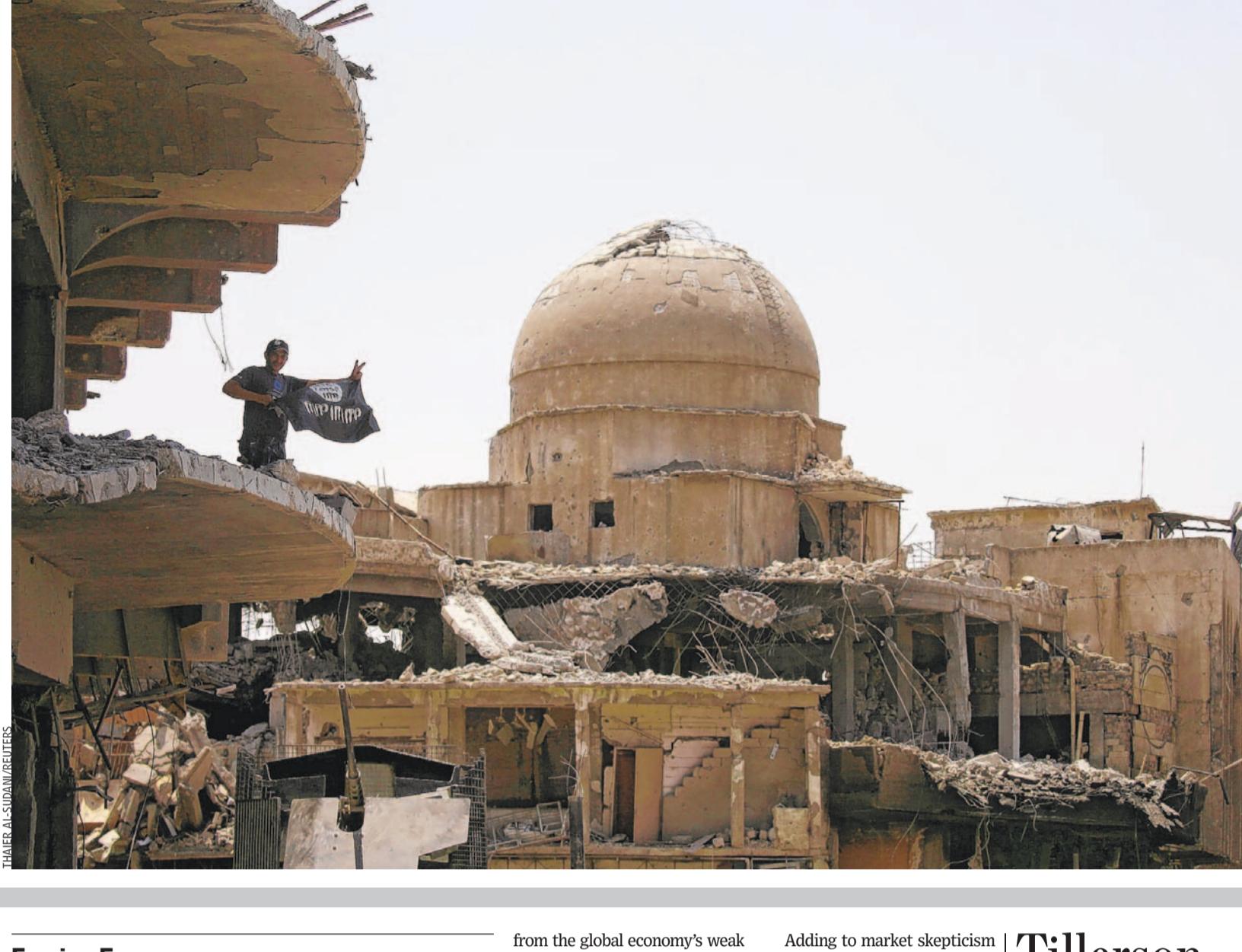
"I announce the end and collapse of Daesh, here in Mosul, the same city where it started," Mr. Abadi said, using an Arabic acronym for the group.

At right, a member of the Iraqi security forces holds an Islamic State flag atop a destroyed building in the Old City of Mosul on Monday.

The announcement formally ended a battle that spanned nearly nine months, displacing hundreds of thousands of people and killing several thousand Islamic State militants and Iraqi troops and civilians, according to government authorities and the United Nations.

Backed by airstrikes from a U.S.-led coalition, the Iraqi army and counterterrorism troops battled through fierce Islamic State resistance on Monday, officially putting an end to nearly three years of the Sunni Muslim terror group's rule over Iraq's second-largest city.

—Asa Fitch



TAHAR AL-SUDANI/REUTERS

FED

Continued from Page One

They yawned when the U.S. central bank raised rates June 14 and didn't flinch three weeks later when officials signaled they might reduce the Fed's bond portfolio within a couple of months.

"The Fed to some extent has handed the baton to other global central banks," said Peter Cecchini, chief market strategist at Cantor Fitzgerald.

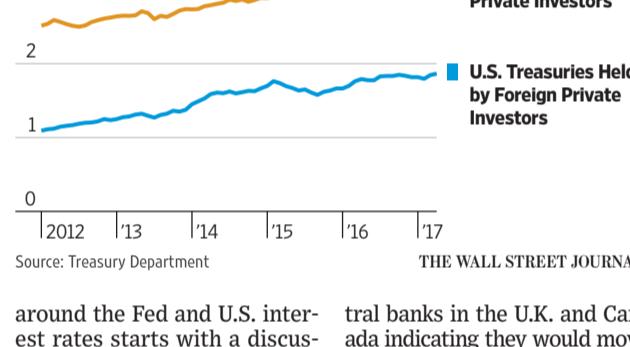
Fed Chairwoman Janet Yellen sought to make U.S. policy predictable and free of surprises. A healthy U.S. economy allowed the Fed to follow through on the plan it first laid out in December. It has raised rates twice in 2017 while penciling in a third move later this year and set the stage for shrinking its \$4.5 trillion portfolio.

The ECB is at a delicate inflection point. Though policy makers have sought to move slowly and predictably, investors are on tenterhooks, ready to adjust rapidly to a world of rising interest rates.

"This is very unusual, particularly for U.S. investors," said Torsten Slok, chief international economist at Deutsche Bank Securities. "When I travel around the U.S., the conversation particularly

Foreign Exposure

European investment in U.S. bonds could slow as ECB policy changes.



Source: Treasury Department

THE WALL STREET JOURNAL.

around the Fed and U.S. interest rates starts with a discussion of what the ECB is doing."

The ECB is the most important buyer in European markets, sucking up around €2 billion (\$2.28 billion) a day of government and corporate debt. Officials have been cautious about changing course, wary of upsetting the region's financial markets and economic recovery.

Mr. Draghi's speech signaled a turning point may be coming as an improving economy reduces the need for central bank help. A successful transition could take pressure off Mr. Draghi and focus attention back on the Fed.

The ECB chief's remarks coincided with statements by cen-

tral banks in the U.K. and Canada indicating they would move toward higher interest rates.

Policy makers are preparing to drop measures aimed at avoiding extreme threats, such as deflation, and return toward a more normal policy setting.

"Markets are beginning to sense a regime change," said Lena Komileva, an economist with G+ Economics in London.

Japan is a holdout. Officials there have given no sign they intend to pull back their stimulus measures soon.

ECB money has pinned down interest rates across the eurozone for years and pumped up asset prices, from government bonds and stocks to real estate and high-yield debt. It has helped transform the eurozone

from the global economy's weak link. Growth outpaced the U.S. in the first quarter.

As rates rise, financial-market volatility is likely to increase and risky assets could suffer.

Still, last week's market swings have perplexed ECB officials, who say they have tried to telegraph the policy shift for months.

"I would argue that we have already adjusted our monetary policy," ECB executive-board member Benoît Coeuré said in an interview with two European newspapers published Friday, pointing to the bank's decision in December to slow its bond purchases to €60 billion a month from €80 billion.

European central bankers want to avoid repeating the U.S. experience. In 2013, then-Fed Chairman Ben Bernanke touched off a global bond sell-off—nicknamed the "taper tantrum"—when he suggested the Fed could ease its pace of bond buying.

Back then investors were skeptical the Fed would stop and Mr. Bernanke's signals whipsawed their thinking. The same thing might be happening now in Europe.

"Markets have become used to doubting what central banks say unless they really see proof in the action itself," said Martin Lück, chief German investment strategist at BlackRock Inc.

Adding to market skepticism about an end to easy money is the fact that inflation remains low globally.

A monetary rebalancing could draw capital out of the U.S., reversing inflows from foreign investors seeking higher returns. Private foreign investors boosted their holdings of U.S. corporate debt by almost 20% between January 2015,

when the ECB announced its asset-purchase program, and March of this year, according to the Treasury Department.

European investors, in particular, could start moving money back home, helping to counter some of the effects of the ECB's withdrawal.

For the Fed, the resurgence of Europe is good news since U.S. and European central bankers will no longer be pushing in opposite directions with the Fed tightening policy and the ECB loosening.

But the transition to this new regime could be bumpy. U.S. government bonds and German government bonds are closely linked. What affects one often affects the other, meaning turbulence in Europe could spill into the U.S.

"Yellen and Draghi need to talk," said Mr. Slok. "Coordination and communication as much as possible would be best in terms of making sure that financial markets go through this in a smooth and steady way."

Tillerson Arrives For Gulf Diplomacy

By FELICIA SCHWARTZ

WASHINGTON—Secretary of State Rex Tillerson arrived in the Persian Gulf region for a round of shuttle diplomacy aimed at resolving a conflict among U.S. allies that Washington fears will drag on for months.

The former Exxon Mobil Corp. chief executive, who has close ties to many Arab officials in the region and has attempted to mediate the dispute, will throw himself more deeply into efforts to resolve differences between Qatar on one side and Saudi Arabia, the United Arab Emirates, Bahrain and Egypt on the other.

The four countries accuse Qatar of funding terrorist groups and meddling in their domestic affairs, and severed diplomatic relations and imposed a transport ban on June 5. Qatar denies the allegations and accused the bloc of Arab nations of waging a smear campaign.

Top officials from the feuding nations have been passing through Washington in recent weeks, making their case to Mr. Tillerson and others.

The U.S. diplomat first will travel to Kuwait and later will head to Saudi Arabia and Qatar to try to bring the sides closer to a solution.

It is unclear if he will meet with Emirati and Bahraini officials this week.

"The purpose of the trip is to explore the art of the possible of where a resolution can be found," said R.C. Hammond, a communications adviser traveling with Mr. Tillerson. "Right now...we're months away from what we think would be an actual resolution and that's very discouraging."

Mr. Tillerson's trip to the Gulf follows stops in Ukraine and Turkey, where he headed after the summit leaders from the Group of 20 leading nations in Germany.

Last week, the foreign ministers of Saudi Arabia, Egypt, Bahrain and the United Arab Emirates met in Cairo to formally discuss Qatar's response to a list of demands that includes curbing diplomatic ties with Iran, severing links with the Muslim Brotherhood and closing the Al Jazeera television network.

"They did not accept [the responses], so after one round of exchange and dialogue, we are at an impasse," Mr. Hammond said.

Kuwait has been trying to mediate the conflict, and invited Mr. Tillerson to the region to lend a hand.

WORLD WATCH

CHINA

Consumer Inflation Stayed Steady in June

Consumer inflation in June remained the same as in May as slower growth in nonfood prices was offset by smaller drop in food prices, official data showed.

The consumer-price index increased 1.5% in June from a year earlier, compared with a 1.5% gain in May, the National Bureau of Statistics said.

Food prices declined 1.2%, after a 1.6% drop in May. Nonfood prices rose 2.2%, after rising 2.3% in May.

The key inflation reading matched a forecast for a 1.5% CPI gain from a Wall Street

Journal poll of economists.

On a month-to-month basis, CPI fell 0.2% in June. In May, it edged down 0.1% from the previous month.

Beijing hopes to keep inflation under about 3% this year.

June producer prices rose from a year earlier for the 10th straight month. The producer-price index climbed 5.5% in June compared with a 5.5% on-year increase in May.

The reading for factory-gate prices matched a forecast for a 5.5% increase from the poll of economists.

The PPI decreased 0.2% in June from a month earlier. In May, it dropped 0.3% from the preceding month.

—Grace Zhu

OECD

Accelerated Growth Seen as Less Likely

A substantial acceleration in global economic growth has become less likely this year as the outlooks for the U.S., U.K. and Russia have weakened, according to leading indicators released by the Organization for Economic Cooperation and Development.

The Paris-based research body's gauges of future activity, based on data for May, pointed to faster growth in France and China. But that positive news was offset by "tentative" signs of a slowdown in the world's largest economy, as well as the U.K., Italy and Russia.

Economic growth is still likely to pick up this year, but not to the same degree as previously anticipated. In a statement issued on Saturday at the conclusion of their two-day meeting in Hamburg, Germany, leaders from the Group of 20 largest economies said that while prospects are encouraging, "the pace of growth is still weaker than desirable."

In early 2017, the leading indicators pointed to a pickup in U.S. growth. But those hopes have faded, as have expectations of a big rebound in growth from a weak first quarter.

Meanwhile, the U.K. appears to be suffering from a slowdown in consumer spending in response to a jump in inflation.

—Paul Hannon

AUSTRALIA

Cardinal Returns For Sex-Abuse Trial

The most senior Vatican cleric to ever be charged in the Roman Catholic Church sex-abuse scandal returned to Australia on Monday to stand trial in his home state on charges alleging he sexually assaulted multiple people years ago.

Cardinal George Pell, Pope Francis' top financial adviser, is due to appear in a court in Melbourne on July 26 on what Victoria Police described as multiple counts of "historical sexual assault offenses." The 76-year-old cleric has vowed to fight the allegations.

—Associated Press



PATROLLING FOR POACHERS: Indian forest officials watched from a speedboat Monday as one-horned rhinoceroses took shelter from flooding at Kaziranga national park.



U.S. NEWS

Trump's Son Met With Russian Attorney

Trump Jr. says he talked to lawyer who claimed to have helpful campaign information

By REBECCA BALLHAUS

WASHINGTON—President Donald Trump's eldest son arranged a June 2016 meeting between top campaign aides and a Russian lawyer who has been linked to the Kremlin after being told she "might have information helpful to the campaign."

In a statement Sunday, Donald Trump Jr. said he didn't know the lawyer's name before the meeting, and said they were set up by an "acquaintance" from the 2013 Miss Universe pageant. The meeting in New York City was also attended by Jared Kushner, the president's son-in-law and senior adviser, and Paul Manafort, President Trump's campaign chairman at the time. The younger Mr. Trump said he told Messrs. Kushner and Manafort "nothing of the substance" of the meeting beforehand.

Mr. Manafort resigned about two months later amid reports of his connection to pro-Russian political forces in Ukraine. Investigators are currently examining whether Mr. Manafort's work for foreign interests violated the Foreign Agents Registration Act and related laws. Mr. Manafort's spokesman has said he is taking the "appropriate steps" to respond to guidance from federal authorities about his FARA disclosures.

In the meeting, the lawyer, Natalia Veselnitskaya, "stated that she had information that individuals connected to Russia were funding the Democratic National Committee and supporting [Hillary] Clinton," Mr. Trump Jr. said in his statement, referring to his father's Democratic opponent. "Her statements were vague, ambiguous



KATHY WILLENS/ASSOCIATED PRESS

Donald Trump Jr., the president's eldest son, held a meeting last year in hopes of getting information about Democrat Hillary Clinton.

and made no sense. No details or supporting information was provided or even offered. It quickly became clear that she had no meaningful information."

When Ms. Veselnitskaya then raised the issue of the Magnitsky Act, which placed sanctions on Russian human-rights abusers, Mr. Trump Jr. said he cut off the meeting.

On Monday morning, Mr. Trump Jr. wrote on Twitter, "Obviously I'm the first person on a campaign to ever take a meeting to hear info about an opponent... went nowhere but had to listen."

Ms. Veselnitskaya couldn't be reached for comment.

Revelations of the 2016 meeting arrived over the week-

end as the U.S. president was returning to Washington after a G-20 summit meeting in Germany, where he met one-on-one with President Vladimir Putin of Russia. In Sunday morning tweets, the GOP president wrote that he "strongly pressed" the Russian leader twice about meddling in the U.S. election and that Mr. Putin "vehemently denied it." But he also suggested the U.S. could "work with" Russia on cybersecurity issues.

Lawmakers on both sides of the aisle were critical of Mr. Trump's handling of the meeting, saying he could have more strongly protested Russia's alleged election meddling. They also questioned Mr. Trump's suggestion that the U.S. could

work with Russia on cybersecurity issues, saying it would only empower a regime accused of hacking systems in the U.S.

U.S. intelligence agencies have concluded that Russian hackers, who analysts say work for that country's military and intelligence apparatus, stole emails from the DNC, as well as another Democratic organization and the chairman of Mrs. Clinton's presidential campaign, as part of their effort to harm her candidacy and boost Mr. Trump.

Investigators in Congress as well as the Federal Bureau of Investigation are examining whether Russian money could have made its way into the U.S. election process, according to multiple officials with knowl-

edge of the investigation.

A person close to Mr. Trump's campaign recalled getting an email around the time of the meeting with the Russian attorney asking about the campaign's stance on the Magnitsky Act.

In a statement on Saturday about the meeting, Mr. Trump Jr. had made no mention of the promise of helpful information Ms. Veselnitskaya could provide, or of her statements about Russian campaign funds. Instead, he said the meeting "primarily discussed a program about the adoption of Russian children that was active and popular with American families years ago and was since ended by the Russian government."

The Trump aides met with

Ms. Veselnitskaya on June 9, about a month after Mr. Trump effectively clinched the Republican nomination. The New York Times published a report about the meeting on Saturday.

The president didn't become aware of the meeting with Ms. Veselnitskaya until recent weeks, according to a person familiar with the conversation.

The U.S. intelligence community has concluded that Mr. Putin ordered a campaign to influence the outcome of the U.S. presidential election in Mr. Trump's favor, and a special counsel appointed by the Justice Department earlier this year is investigating whether Mr. Trump's campaign aides colluded with Russia. Mr. Trump has denied that there was any collusion and has said he doubts the intelligence community's assessment, saying earlier this month, "No one really knows for sure."

Brian Fallon, who served as press secretary for Mrs. Clinton's campaign, said the younger Mr. Trump's decision to take a meeting with a Russian individual who promised helpful campaign information raised further questions about potential collusion.

Mr. Kushner disclosed the meeting with Ms. Veselnitskaya earlier this year in a required form to obtain a security clearance, according to a statement by his attorney, Jamie Gorelick. Mr. Kushner initially filed a disclosure that didn't list any contacts with foreign-government officials, but the next day submitted a supplemental disclosure saying that he had engaged in "numerous contacts with foreign officials."

Ms. Veselnitskaya counts among her clients state-owned companies and family members of top government officials. Her husband previously served as deputy transportation minister of the Moscow region.

—Shane Harris contributed to this article.

New Battlefield Over Gun Rights: the Courthouse

By JACOB GERSHMAN

The national debate over where Americans can carry guns has landed, quite literally, at the courthouse door.

This year, lawmakers in Arkansas and Oklahoma passed bills expanding the right to bear arms to court buildings, for state employees or elected officials.

Another bill, pending in Ohio, would allow any gun owners with concealed-carry permits to come armed into courthouses and other gun-free zones without facing criminal charges. Under the measure, which was approved by Ohio's House of Representatives last week, gun owners caught carrying weapons inside court buildings would be subject only to removal from the premises.

While many county courthouses have metal detectors at entrances, security can be less tight in courthouses in rural areas.

Since 2013, more than a dozen mostly Republican-led states have considered measures easing courthouse restrictions, although generally guns are still banned inside individual courtrooms. Proponents of these eased laws say they are about securing the

rights of law-abiding gun owners to protect themselves in public places.

But the more expansive bills have met resistance from people concerned that allowing firearms in courthouses would invite trouble. Security fears were underscored by eruptions of violence inside and outside courthouses in recent years, including shooting

In some states, like Iowa, courts have pushed to tighten security.

incidents in Delaware, Texas and South Carolina, in which gunmen opened fire at estranged relatives and, in an attack near Dallas, in which a prosecutor was targeted.

"Courthouses can be very emotionally charged places," said Bill Raftery, a senior analyst with the National Center for State Courts. "It's a public building, but it's a place that has prisoners being transported and highly charged emotional cases and situations."

In May, Florida lawmakers tabled a "courthouse carry" bill that would have permitted gun owners to carry their weapons into judicial premises and then store them with security officials. Arkansas legislators debated but set aside a bill that would have allowed concealed handgun licensees to possess guns not only in courthouses, but also courtrooms.

The bills that passed are narrower in scope. Arkansas lawmakers in March voted to allow state employees who work at county courthouses and have concealed-carry permits to carry firearms into the buildings. This spring, Oklahoma's Republican-led Legislature passed a law permitting elected county officials who are licensed gun owners to carry concealed weapons into courthouses as long as they are "acting in the performance of their [public] duties."

In some states, like Iowa, courts have pushed to tighten security. Last month, the state's Supreme Court issued a statewide ban on bringing weapons into courthouses.

Some gun activists say the state Supreme Court's move infringes on the rights of law-abiding firearm owners.



A county courthouse in Oklahoma, where lawmakers eased gun restrictions for elected officials.

Issue Spurs Clashes Within Government

The U.S. Supreme Court has recognized an individual's right to bear arms under the Second Amendment but hasn't ruled on what degree it might extend to carrying concealed weapons into public places.

That has left the issue over

the scope of gun bans to states across the country, where they have been hotly contested. Even among Republicans in red states with looser gun laws, the idea of lifting courthouse gun restrictions is controversial.

The broader issue has led to clashes between branches of government and between courts and gun-rights activists.

Last year, Texas Attorney General Ken Paxton, a Republican, sued a county northwest of Houston for posting signs barring gun owners from entering its main courthouse carrying a firearm. He argued that gun bans should exclude areas of courthouses used by nonjudicial offices. The challenge stalled after a judge ruled for the county.

—Jacob Gershman

FDA Chief Tightens Standards on Dispensing Opioids

By THOMAS M. BURTON

Food and Drug Administration Commissioner Scott Gottlieb is calling for his agency to institute rigorous new safety standards for how immediate-release opioids are prescribed, in an effort to curb the nation's opioid crisis.

Dr. Gottlieb, in a talk kicking off an FDA workshop of public-health officials on painkiller safety and abuse, said the agency now would begin requiring drugmakers to make available expanded training for doctors, nurses and other health-care professionals who administer the immediate-release products. This risk-modulating step expands existing

safety measures already required on extended-release pain drugs.

"It's time to take direct action to address the close to 200 million opioid analgesic prescriptions each year that are for the immediate release products," the commissioner said. "The new training will be aimed at making sure providers who write prescriptions for the IR opioids are doing so for properly indicated patients, and under appropriate clinical circumstances."

The commissioner said the FDA now would require that training of health-care personnel will broaden information about nondrug and nonopiod approaches to controlling pain.



MICHAEL REYNOLDS/EUROPEAN PRESSPHOTO AGENCY

He said the agency also will institute a study of doctors' understanding of abuse-deterrent features of various pain drugs.

"The potential for abuse doesn't necessarily correlate with the potential for addiction," he said. "Patients can

still become addicted to opioid products with abuse deterrent features. We need to make sure these different risks are fully understood" by health-care personnel and patients.

Dr. Gottlieb added that doctors and dentists are still writing too many 30-day prescriptions for opioid painkillers. Too often, patients who have undergone dental procedures or minor surgical procedures receive 30-day prescriptions when a prescription of shorter duration—or no opioids at all—would be more appropriate, he said, adding that the FDA will examine whether there are steps it can take to change this practice.

Dr. Gottlieb said the agency

would also consider legal action on any drugs that it concludes pose a larger risk than benefit. The FDA did that last month when it concluded that the painkiller Opana ER was linked to injection drug abuse. Its maker, Endo Pharmaceuticals Inc., pulled the drug from the market last week.

The FDA is taking the action at a time of growing public awareness of, and political pressure over, the potential dangers from the panoply of prescription painkillers and their abuse. Concern over such drugs also extends to illegal narcotics like heroin and black-market fentanyl.

—Jeanne Whalen contributed to this article.

IN DEPTH

GAS

Continued from Page One
and accelerated a push toward renewable energy for environmental concerns. That left the regions more reliant on gas for power, especially when intermittent sources such as wind and solar weren't sufficient.

Shortages drove domestic gas prices earlier this year in some markets in eastern Australia to as high as \$17 per million British thermal units for smaller gas users such as manufacturers. On the spot market, gas prices have gone from below \$1 in 2014 to roughly \$7 today—well above the roughly \$3 that prevails in the U.S.—causing havoc around the country.

In March, Australia's largest aluminum smelter cut production and laid off workers because it said it couldn't secure enough cheap energy. During one blackout last year, some families lost embryos in an in-vitro-fertilization clinic with no backup generation, according to a government-commissioned report. In February, some tuna fishermen watched catches rot because freezers shut off.

The blackouts have been severe enough to catch the attention of Tesla Inc. Chief Executive Elon Musk, who said last week he agreed to build a giant battery system in the state of South Australia, where Adelaide is the capital city, to store power from a wind farm. Such a system could provide electricity during shortages.

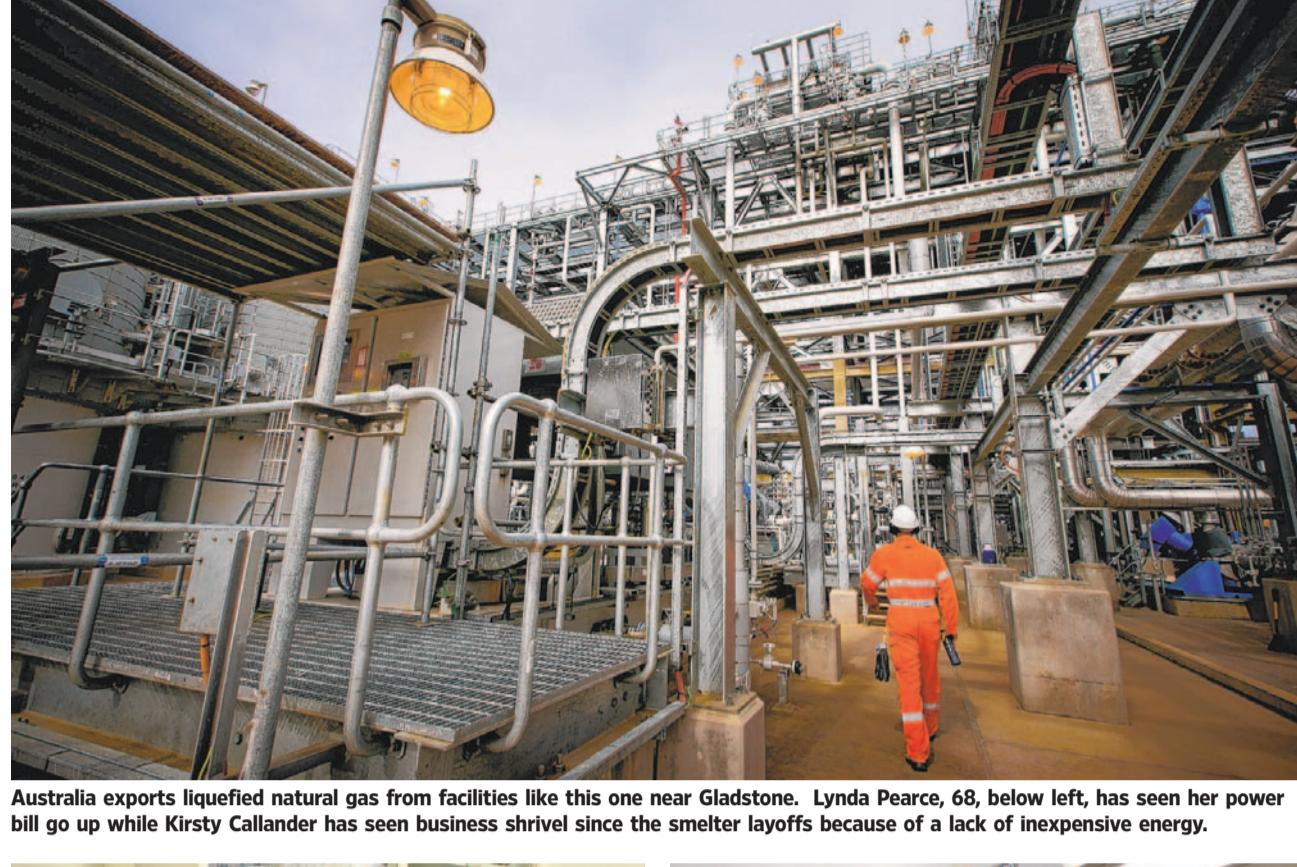
Prime Minister Malcolm Turnbull, in an emailed response to Wall Street Journal questions, blamed previous Labor governments. Mr. Turnbull, of the center-right Liberal Party, said "gas export licenses were issued without regard to the consequences for the domestic market," and, "as a result, at a time of record gas production we have had the prospect of a shortage of domestic gas on the east coast."

The Labor Party says that when the LNG-export plants were approved, the industry said sales abroad wouldn't impact domestic gas supply because it was developing new sources of gas. "It is clear that those assurances haven't come to pass," said Mark Butler, the Labor lawmaker who is currently its spokesman on energy. "If we had our time again, we would have put in place a national-interest test," he said. Such a test insures domestic needs are protected.

Australia's plight is less likely in America, which is experiencing a gas glut and is boosting exports. The first LNG-export terminal in the lower 48 states opened in Louisiana last year, allowing exports by ship in addition to existing pipelines to Mexico and Canada. Energy Secretary Rick Perry said at his Senate confirmation hearing he wanted to boost natural-gas exports.

The U.S. is on track to become the world's No. 3 LNG exporter behind Qatar and Australia by 2020, according to the U.S. Energy Department.

Unlike Australia—which has plentiful gas supplies in its west but no pipelines to get them to its gas-starved east—the U.S. has a large pipeline grid, making it easier to move



PATRICK HAMILTON/BLOOMBERG NEWS

Australia exports liquefied natural gas from facilities like this one near Gladstone. Lynda Pearce, 68, below left, has seen her power bill go up while Kirsty Callander has seen business shrivel since the smelter layoffs because of a lack of inexpensive energy.



RACHEL PANNETT/THE WALL STREET JOURNAL (2)

supplies during shortages. It also has largely avoided the kind of long-term export contracts that trapped Australian companies into giving foreign buyers priority.

Still, Australia's gas pains offer a case study in what can go wrong in committing to expanding exports at the same time as other steady power sources are shutting down, said Michael Webber, deputy director of the Energy Institute at the University of Texas at Austin. "We have more options" in America than Australia, he said, but "there's always a risk that markets will behave in a different way than we anticipated."

Until the 2000s, Australia was a minnow in international energy markets. It had major gas deposits off its northwest coast, but coal remained its dominant fuel source.

New gas source

Geologists had suspected there was methane gas buried in Australia's vast coal seams. When energy prices climbed with Chinese demand, companies including BG Group PLC, now owned by Royal Dutch Shell PLC, rushed to extract this "coal-seam gas"—a process that involves pushing gas out of seams, sometimes through hydraulic fracturing, or "fracking"—in Australia's east.

ConocoPhillips bought a 50% stake in an Australian coal-seam-gas venture for \$8 billion in 2008. In 2010, Shell and PetroChina Co. in a \$3 billion deal acquired coal-seam-

gas producer Arrow Energy, which had a market value of \$10 million a few years earlier.

Producers say they concluded the only way to justify the cost of extracting coal-seam gas was to sell it abroad, where demand was higher and customers would agree to long-term contracts. They also needed money to build terminals on the east coast to convert gas into liquid for shipping.

In 2009, BG Group and Adelaide-based Santos Ltd. signed 20-year export deals, the first of a string of long-term export contracts that coal-seam-gas concerns in Australia would sign.

In a 2009 report, the north-eastern Queensland state's government warned of "a real problem that the availability of gas in the ground may not translate into gas supplied to the domestic market." It suggested requiring energy companies keep up to 20% of production for domestic users.

Australia's energy companies argued such "gas reservation" policies would deter investment needed to boost supply.

Queensland didn't institute a gas-reservation plan. Its government now says it couldn't have predicted all the forces creating current shortages.

Western Australia state did implement a similar plan years before for its offshore gas, avoiding local gas shortages. The plan also applied to exports from LNG terminals added on the west coast after 2009. In Australia's east, three terminals were built off Glad-

stone in Queensland.

As gas production increased, Australia cut back on coal, whose use had put it among the world's biggest greenhouse-gas emitters per capita. Coal-fueled plants were shut down without comprehensive plans for replacing them with other power sources.

South Australia and Queensland, in 2014 and 2015, set targets to get 50% of their electricity from renewable sources such as wind and solar. Gas, the argument went, would help fill the gap when renewable power wasn't sufficient.

'I think Australia should keep what's ours,' says a local business owner.

Some prospective new gas sources in the east were being shut down, with New South Wales placing a moratorium on fracking in 2011 and later freezing new exploration licenses for coal-seam gas. Victoria in March this year banned fracking and new coal-seam-gas development.

Santos and its partners weren't able to pump as much gas as expected and began signing third-party supply contracts to meet export obligations, adding to factors driving up domestic prices.

As prices rose, some manufacturers using gas, such as

fertilizer makers, publicly threatened to move operations abroad. Power plants relying on gas—currently about 25% of Australia's power grid—raised rates.

"Santos has been singled out as almost the sole cause" of Australia's gas problems, Santos Chairman Peter Coates told shareholders in May.

Coal-seam gas could underpin Australia's long-term needs with more investment and never would have been developed without foreign buyers, he said. "The gas would still be sitting in the ground."

Gladstone, the city with the three new LNG-export facilities, has been among areas most affected. It is home to manufacturers that use gas,

including Australia's largest aluminum smelter, a Rio Tinto PLC plant that once distributed beer-can holders reading: "Proudly Australian, operating beyond 2030."

In March, Rio Tinto cut 14% of the smelter's production and laid off 100 workers, saying it couldn't secure enough inexpensive energy. Rio Tinto CEO Jean-Sébastien Jacques in May said:

Kirsty Callander said her Fit Life smoothie-and-snack bar in Gladstone has seen business shrivel since the smelter layoffs.

"I think Australia should keep what's ours," she said, "and get the jobs and money coming here."

In February, regulators ordered another aluminum smelter, in New South Wales, to cut production to prevent power outages in the state,

which includes Sydney.

Repeated outages

Outages have become a familiar gas-crisis byproduct, including one last September in which 1.7 million households and businesses in South Australia state lost power after tornadoes damaged lines supplying power from Victoria. South Australia was relying on other states for electricity because volatile gas prices and other issues had forced its generators to cut capacity. Power wasn't fully restored for 12 days.

In the week that Adelaide's February blackout cut power to 90,000 homes, five ships left Gladstone carrying out 314,000 tons of LNG altogether, according to the port operator. That's enough to generate electricity for roughly 750,000 Australian homes for a year, according to calculations for the Journal by the Australian Bureau of Statistics.

The Adelaide blackout traced to 2015, when the Pelican Point gas-fired power plant's owner, Engie SA of France, mothballed one of its two turbines, saying it was too expensive to run at prevailing gas prices.

When Australia's electricity overseer, the Australian Energy Market Operator, ordered Pelican Point to fire up its second turbine that hot February day, Engie initially said it wasn't available. When the regulator insisted, Engie said it couldn't move quickly without gas-supply contracts.

Engie declined to comment about the blackout. In a media statement afterward, it said: "There is no commercial rationale to operate the second Pelican Point unit in the current market environment in [South Australia] for a small number of days across the year."

Engie in March agreed to restart the second turbine after Origin Energy Ltd., which operates one of the Queensland LNG plants, committed to provide gas to Pelican Point and buy some of its electricity.

Prime Minister Turnbull that month urged producers to reserve more gas for the domestic market. He declared in April he would invoke little-used trade powers to block some exports until local needs were met; the measures went into effect July 1.

South Australia and Queensland are promising to open more land to gas development. Shell has reduced exports from one Australian LNG facility to supply more gas locally and recently signed supply contracts with utilities, including a short-term deal with Engie.

Companies' flexibility to make such concessions is constrained by overseas contracts, industry analysts say.

Without more gas production or faster development of other power sources, many say, Australia faces more shortfalls.

Meanwhile, budgets of Australians such as retiree Lynda Pearce, 68 years old, are feeling the shortage's impact.

"I'm really worried about what's going to happen. It's sort of like waiting for a bomb to explode," said Ms. Pearce, who in a Gladstone suburb has seen her power bill go up around 6% in three months.

Nearby, Gladstone's LNG plants continue exporting. "It seems stupid," she said, "to send the gas offshore when people want it here."

CAMP

Continued from Page One

made piggy banks.

During lectures, some children squirmed in their seats or attempted to wander around, promptly attended to by counselors who promised to hand out colorful stickers if they were quiet. Others didn't need much coaxing to participate.

"How do countries make money?" a camp counselor asked during one day's international trade lesson.

"By suing people!" one boy shouted.

The nonprofit Young Americans Center for Financial Education has offered a program for fourth-, fifth- and sixth-graders since 1990. But the center concluded the real growth area is in children who have just started losing their baby teeth. Enrollment in Junior Money Matters—for those who have completed second or third grade—rose to a record 247 campers this summer, ac-

cording to the center. It is one of several camps, including Camp Millionaire, Youth About Business and the Future Investor Clubs of America, that cater to the money-minded and their offspring.

Spencer Smith, a 9-year-old from nearby Castle Pines, is a first-timer at the Denver camp. But he is already looking ahead, explaining he wants to "work with money" when he grows up.

"When you train puppies, it's better to train them when they're younger," he noted. "It's the same with people."

Madison Grider, a 10-year-old camper from Centennial, Colo., aspires to attend Harvard University and medical school. That's not going to come cheap. She said she has already started saving money for her tuition, and has learned how to write checks, exchange currencies and withdraw money from a savings account at camp.

This capitalist training ground can be challenging. Two hours into the third day of camp, one child retreated to

a corner of an empty room, crying while waiting for a counselor to call his mother. Counselors don't necessarily have financial backgrounds; most have experience in youth programs or nonprofit work.

Jennifer Starr said her 8-year-old daughter, Brooke, wanted to go to camp after her older sister enjoyed attending a field trip with a similar itinerary.

Brooke said it was as much her mother's idea as her own. "My mom sent me here to

learn more about money and see what it's like to be a grown-up," said Brooke, decked out in a soccer jersey and soccer-ball earrings.

On the children's agenda: practice how to exchange "AmeriDollars" for "PacAsia" notes (stopping by a corner of the room designated "Singapore" to conduct the exchange) and form countries to barter for natural resources printed on laminated cards.

During an hourlong trade lesson, a group in the back

corner took the opportunity to practice their best fake-flatulence noises. Over in the Netherlands, tensions were rising. One boy made off with all of the country's metal, fruits and vegetables, sugar, electronics and textiles, leaving his fellow citizens with nothing to trade.

"They won't be quiet," said Spencer, as the rest of the temporary countrymen—who had dubbed themselves "The Weirdos"—dashed across the room to exchange their minerals for another country's sugar.

The Denver program's curriculum sprang from the vision of the late Bill Daniels, a cable-TV pioneer who felt government interference could strangle business, according to the website for his philanthropic foundation. The camp aims to instill a love of free enterprise early in childhood, for \$235 a week.

Richard Martinez Jr., president and CEO of the center, said early on, his neighbors asked him why he was sending his children to "bank camp" when he put them in the pro-

gram. But times have changed for current campers, he said.

"Especially today with everything going on around the world right now—talk of trade deals, immigration—it's really playing out firsthand," he said. "I see they've learned about supply and demand today and ask them to tell me about that, and boy, they just go crazy."

At the end of the week, campers ran a simulated town for a day, some filling out applications for positions at a post office, auto shop, bank and newspaper. They went to work at mock offices and shops, built using funds from corporate sponsors, emblazoned with logos including those of McDonald's Corp., United Parcel Service Inc., Janus Henderson Investors, Cambiar Investors and Comcast Corp.

Some children are already dreaming of other careers.

Even Kash, who professed his affection for money, doesn't see himself working on Wall Street or occupying a corner office. "When I grow up, I want to race cars!" he said.



MATT NAGER FOR THE WALL STREET JOURNAL

Youngsters practice using pretend currency at the camp.

Counselors Go Where Students Are

Colleges place mental-health services in handy locations, even above a Starbucks

By MELISSA KORN

For college students in need of mental-health services, help may be just down the hall from their dorm rooms.

Amid reports of long wait times for students in crisis to see counselors and concerns that school officials sometimes learn of problems too late to help, some institutions are taking a new tack to identify and treat troubled students: bringing the counselors to them.

Montana State University last summer converted two dorm rooms in a quiet hallway into counseling offices, allowing staffers to see 200 individuals there over the course of the year and ease pressure on the wait list at the main counseling center. The University of Iowa is adding a second "embedded counselor" in a residence hall this summer. And Virginia Tech now has satellite counseling clinics in locations including at a graduate student center and above a Starbucks in Blacksburg, Va.

In 2016, 14% of the 463 respondents to a survey of university counseling-center directors said they have "embedded" or "counselor in residence" positions, including in residence halls or academic departments—

double the share from 2015. The shift comes as more students with mental-health issues make it to college, often with the help of therapy and medication. As the student population changes, schools are expected to care not just for the intellectual pursuits of those on campus but also their physical and emotional well-being.

More than 38% of college students said last fall that in the prior year they had felt so depressed it was difficult to function, and 10% had seriously considered suicide, according to a survey of more than 33,500 students by the American College Health Association, a group for school health centers. Those figures were 28.4% and 6%, respectively, in 2010.

Depression and anxiety are cited in more than half of visits to the University of Iowa's counseling center.

The school launched its embedded-counselor program in a residence hall last year to help students who can't or don't want to trek to the main counseling center across campus, as well as to relieve overwhelmed residence advisers, who are themselves undergraduate students.

Rachel Zuckerman, who graduated from Iowa in May, said that as a resident adviser, or RA, she received some training in how to refer students to counseling services, but often struggled to support peers while juggling her own academic and extra-



Dr. Patrick Galligan, an 'embedded counselor' at the University of Iowa, outside a residence hall in Iowa City last month.

curricular demands.

"I was going to class with the weight of feeling like I couldn't do enough for my residents' mental health," said Ms. Zuckerman, 22, who as student body president pushed to bring counselors closer to dorm rooms.

Iowa embedded its first counselor in the college of dentistry in 2014, on a part-time basis. By the start of the coming school year, it will have a full-time staffer in the dental school, the equivalent of one full-time and one part-time staffer in athletics facilities and two counselors in residence halls that mainly serve first-year students. It also has a support group for RAs.

In-house counseling centers often hold office hours that are more in line with students' schedules than the main health facilities on campus. At

A Push to Ease Stigma of Therapy

Though stress-relief dogs and mindfulness sessions make regular appearances on the college calendar these days, professionals still contend with students' lingering discomfort about seeing a counselor.

Mental-health experts say that students from certain cultural backgrounds, particularly in parts of Asia and the Middle East, are less inclined to seek

out their services, as are first-year students still worried about fitting in with their new peers.

"We were driven by the wish to reach out to populations where stigma might have made it difficult for people to be comfortable entering the center," said Christopher Flynn, director of the Thomas E. Cook Counseling Center at Virginia Tech.

The school, where in 2007 a gunman killed 33 people, including himself, has nearly tripled the number of counselors it has on staff in the past decade.

Many schools are taking

Ohio University, for example, students can drop in for sessions with three counselors in residence—counseling or psychology doctoral students who also live in faculty apartments in the dormitories—between 5

p.m. and 10 p.m. every day but Saturday.

"There's more of a demand for service, and more of a demand for immediate service," said Josette Cline, director of counseling and psychological

steps to make counseling visits more discreet. Virginia Tech's satellite counseling centers, in locations including athletic facilities and residence halls, as well as near a popular Starbucks, have separate entrances so a student won't run into a teammate or neighbor.

The office in the Virginia Tech undergraduate dorm is right near the dean of students, while at Montana State University, it is near the residential-life staffers, and so students could be visiting for a variety of reasons.

—Melissa Korn

services at the University of Arkansas.

That school witnessed a 40% jump last year in appointments deemed by students to be "emergencies," on top of a 9% increase the prior year.

Gene-Editing Tool's Patent Holders Weigh Global Pool

Holders of key patents to the Crispr gene-editing technology are willing to join a world-wide joint patent pool—a development that medical and legal experts think could hasten the development of new human therapies.

By Amy Dockser Marcus, Joe Palazzo and Jonathan D. Rockoff

The Broad Institute of MIT and Harvard, along with three other institutions that own Crispr-Cas9 patents—Harvard University, Massachusetts Institute of Technology and Rockefeller University—have submitted 22 patents for evaluation to the proposed pool, including patents involved in a dispute over intellectual-property rights to the groundbreaking technology.

The move comes amid growing concerns that the logjam over rights to Crispr technology may hinder breakthroughs in disease treatment.

Crispr is the defense system of bacteria and was adapted by scientists, using the protein known as Cas9, to edit genes in plants, animals and people.

Two main camps lay claim to key developments in the technology: One is the Broad Institute group, which was issued a patent in the U.S. for the Crispr-Cas9 technology for Cas9 gene editing.

The other is a group led by the University of California, Berkeley, which is challenging the Broad patent in court and has been issued its own patents for Crispr-Cas9 in other areas of the world, including Europe.

Forming a patent pool would allow researchers or



Some companies and researchers are calling on the U.S. to play a greater role in ensuring access to Crispr gene-editing technology.

companies around the world to obtain a one-stop license more efficiently. In patent pools, patent holders typically merge their assets together and voluntarily negotiate terms of the

of the agreement.

Kathleen Denis, associate vice president for the Office of Technology Transfer at Rockefeller University, said the university believes the patent pool "holds promise for simplifying the process for scientists to obtain the appropriate licenses" for Crispr.

Rockefeller's decision to join the Broad in exploring a patent pool follows a separate clash between the two institutions over credit for Crispr. Ms. Denis said that Rockefeller and Broad have agreed to settled their differences via an "informal dispute resolution process."

The proposal for a pool comes from a group called MPEG LA LLC, based in Denver and Chevy Chase, Md. It operates licensing programs for a number of different technologies, primarily video.

In the uncertainty over resolution of the patent dispute, some companies have chosen sides, signing licensing deals with one or the other camp; others have hedged their bets and sought licenses from more than one party. "Potential licensees all want clarity on this," said Kristin Neuman, executive director, biotechnology licensing, at MPEG LA. "It is confounding their ability to plan for their businesses."

Some companies and researchers are calling on the government to play a greater role in ensuring access to Crispr technology, whose discovery was funded by federal grants. Therapeutics based on the technology could come in on a gene defect, cut it out and, if necessary, replace it with other DNA, potentially revolutionizing the treatment of disease.

—Associated Press

45 square miles of dry brush and is threatening more than 130 rural homes. It's 15% contained. About 50 miles to the south, a 17-square-mile blaze shut down State Route 154 and sent weekend campers scrambling for safety.

—Associated Press

MARYLAND
Baby Giraffe Gets Plasma Transfusion

Maryland Zoo officials say a struggling baby giraffe has had a second plasma transfusion and is continuing to receive round-the-clock intensive care.

News outlets report Julius underwent the procedure Sunday with a donation from the Cheyenne Mountain Zoo in Colorado. The 3-week-old calf received an earlier plasma transfusion three days after he was born from a giraffe at an Ohio zoo.

Officials say Julius has been prevented from getting essential antibodies from his mother as he has had trouble nursing since he was born June 15.

The zoo's website says veterinary teams worked with Julius on bottle feeding Sunday.

Julius was 6 feet tall (1.83 meters) and 143 pounds (65 kilograms) at birth, but initial tests showed the newborn had insufficient antibodies to protect him from disease.

—AP

U.S. WATCH

CONFERENCE BOARD

Employment Trends Index Fell in June

A basket of U.S. employment indicators decreased in June, a potential sign of weakening job growth.

The Conference Board said its employment trends index fell to 133.1 in June from its revised May reading of 133.3. The June figure represents a 4.6% increase from last year.

The Conference Board's employment trends index combines eight market indicators, including industrial production figures from the Federal Reserve, job openings from the Bureau of Labor Statistics and jobless claims from the U.S. Department of Labor. The index filters out volatility in data to more clearly reveal underlying trends in employment conditions.

The report follows the Labor Department's release of its June jobs report Friday, which showed the U.S. unemployment rate rose to 4.4%, up 0.1 percentage point from the prior month, its lowest level in 16 years. The rate suggests the labor market is near full employment.

"Despite the June decline in the Employment Trends Index, job growth will remain strong in the coming months. The decline is small and comes after a series of large increases since early 2017," said Gad Levanon, chief economist, North America,

at the Conference Board.

Mr. Levanon added he expects employment to grow fast enough to continue tightening the labor market and cause stronger wage growth later this year. Three of the basket's eight indicators fell in June, with the largest decline coming from the "percentage of firms with posi-

tions not able to fill right row," which fell to 30 from 34 in May.

—Justina Vasquez

CALIFORNIA

Diminishing Winds Help Firefighters

Slightly cooler temperatures

and diminishing winds are helping California firefighters as they battle several wildfires that have forced thousands to flee their homes.

California's fire protection agency says crews are making progress on a blaze that swept through grassy foothills in the Sierra Nevada, about 60 miles north of Sacramento. About

4,000 people remain evacuated, but authorities are hopeful some will be able to return Monday.

The fire has blackened 9 square miles of grass. It's 35% contained.

In Southern California, at least 3,500 people evacuated as two fires raged at separate ends of Santa Barbara County. The largest has charred more than



BEBO MATHEWS/ASSOCIATED PRESS

BOUND FOR PENN STATION: The first morning of the 'summer of hell' for commuters turned out less hellish than the governors of New York and New Jersey had feared. A Metropolitan Transportation Authority worker, above, helps passengers to subway options at Atlantic Terminal in Brooklyn, N.Y. Amtrak is reducing capacity into Penn Station by 20% until Sept. 1 while repairs are made to tracks and switches.

SPORTS



Venus Williams is into the quarters.

TENNIS

Ageless Venus Marches On

Five-time Wimbledon champion Venus Williams won, and top-ranked Angelique Kerber lost.

Williams, who last won the title at the All England Club in 2008, advanced to the Wimbledon quarterfinals by beating 19-year-old Ana Konjuh 6-3, 6-2 on Monday.

Later, top-seeded defending champion Andy Murray reached the men's quarterfinals by beating Frenchman Benoit Paire, 7-6(1), 6-4, 6-4.

Williams, 37, is playing at the grass-court major for the 20th time in her career, with her Wimbledon debut coming a few months before Konjuh was born. "Winning never gets old at any stage in your career, ever, ever," Williams said.

Kerber, who reached the Wimbledon final last year but lost to Serena Williams, was beaten by Garbine Muguruza on No. 2 Court, 4-6, 6-4, 6-4.

With the loss by Kerber, either Simona Halep or Karolina Pliskova will take over as the top-ranked player after the tournament. Halep also advanced Monday, while Pliskova lost in the second round.

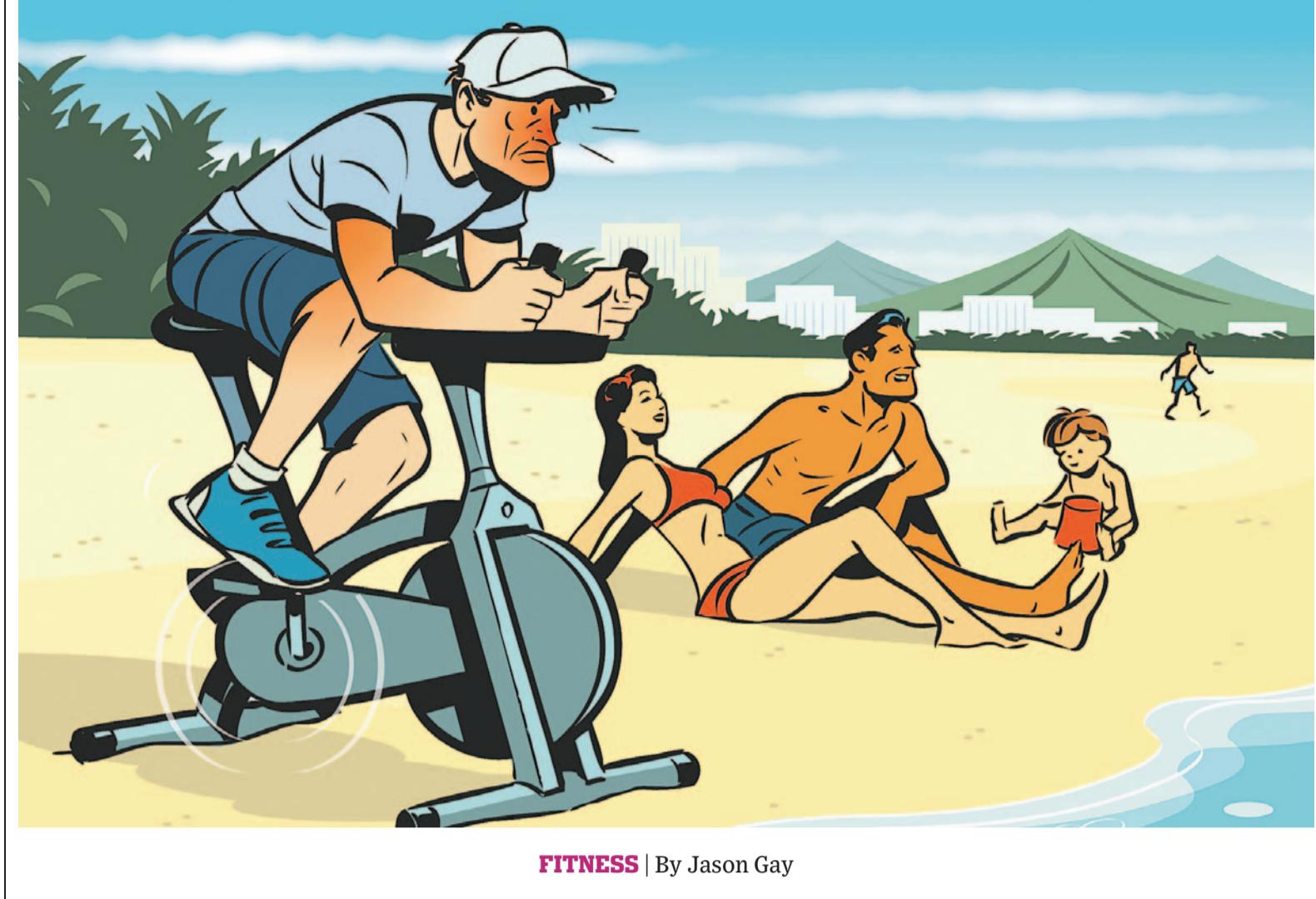
Williams will next face French Open champion Jelena Ostapenko in the quarterfinals. The 20-year-old Latvian, who won her first tour-level title at Roland Garros last month, beat fourth-seeded Elina Svitolina 6-3, 7-6 (6) on Court 12.

"I think I'll see what happens when I get out there," Williams said of Ostapenko. "I mean, I'm sure she hits well off all sides. I have to see what the nuances are once the game starts, because you can't necessarily plan for those."

Ostapenko led Svitolina 5-3 in the second set, but was broken and forced into a tiebreaker. She finally won by converting her eighth match point.

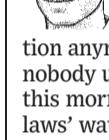
Ostapenko had never before been past the third round at a major tournament before this year's French Open. She was the first woman to win her debut tour-level title at a Grand Slam tournament since 1979.

—Associated Press



FITNESS | By Jason Gay

How to Exercise on Vacation



For the past week or so I've been on a family "vacation"—I put vacation in quotes, because who really goes on vacation anymore? It's 2017, lazybones—nobody unplugs. I spent a half-hour this morning running around my in-laws' waterside idyll trying to locate Wi-Fi so I could file this column.

When I finally got a strong enough signal to hit send, I celebrated as if I'd landed a lunar module.

My children are both under the age of 5, so there's not going to be a lot of hammock and cocktail time for their old man, anyway. These kids wake up at dawn with the roosters, and never stop running. The other day, my wife and I surrendered dreams of the Great Outdoors and took them to Chuck E. Cheese, the cacophonous kiddie entertainment palace where the goal is to spend less than \$90 on video games and lukewarm pizza. They were ecstatic with joy. For kids, Chuck E. Cheese is basically Hawaii.

As you can tell, I'm a little grumpy. I need exercise. But it's proving harder than it looks.

Vacation exercise is an almost paradoxical concept. There was a time when exercise was one of those things, like the office, you took a vacation from—you slept in, stayed up late, ate the food you wanted, drank sugary drinks with umbrellas, even though you knew

they'd give you a headache in the a.m. The most exercise you might get was carrying four chairs and a Styrofoam cooler across the beach. Or bodysurfing. Your workout might be playing badminton for the one time every year you play badminton. Or mini golf. Regular golf! The perfect vacation exercise was 18 holes of meandering regular golf.

Somewhere along the way, however, vacation exercise intensified. Sweat became as important as sunblock. In resort towns, there are now spinning classes and boot camps with all the cultishness of city and suburban fitness. Wearable, phone apps and remote coaching have made it easy to not miss a heartbeat or interval in marathon or triathlon prep. Amateur athletes no longer take holidays. Wake up at 5:45 and look out the window at the shoreline, and you'll see someone standing contemplatively by the water—and then dropping to the sand to do a set of Burpees.

Fitness fiends now even eat to win on vacation. The other day we went to a clam shack—a citadel of deep fried deliciousness—and it had a "healthy options" section on the menu. Let me repeat: healthy options at the CLAM SHACK.

I could mock this, I really could. Fitness is another thing we've dragged on vacation with us, along with our emails and conference calls. This is likely the exact oppo-

site of healthy. We probably should let our down time be genuine down time, and stop importing all of our anxieties along with us.

But I don't care. I want in. I want to be one of those smug vacation exercisers. I want to stay disciplined and fit and relentless. I don't care if it's inconsistent with the idea of relaxing on vacation—I am one of those hopeless weirdos who finds exercise relaxing. I want to feel purposeful. I want to keep my chiseled beach abdominals. (I do not have chiseled beach abdominals. My abdominals have the consistency of a rubber Richard Nixon Halloween mask.)

This is how I think vacation exercise can be done:

1. Keep a plan. Vacation exercise isn't a time for improvisation.

There's no "maybe I'll jog home from the beach." Trust me: you aren't going to jog home from the beach. You're going to stop and have an ice cream sandwich. Develop a schedule and stick to it. Maybe you're the early riser cyclist, joining the local spandex pack. Maybe you like to run when the kids are taking a nap. Sunset yoga? Perfect. Swimming? Even better—Swimming is the ultimate vacation twofer. Whatever you do, consistency is everything. "Playing it by ear" leads to...beer. (Not that there is anything wrong with vacation beer.)

2. Do the thing you love. Your

summer vacation isn't the time you're suddenly, after 40 years, going to take up powerlifting. Keep it simple. If you're a jogger, jog. If you're a walker, walk. You might find that the activity you love is gloriously easier to do on vacation. For me, it's tennis. I live in New York City, where it's easier to build a farmhouse with your bare hands than find an open court for tennis. As soon as we get out of town, I weep with happiness when I see all the available public courts.

3. Sweat is sweat. You don't need any fancy sport or wicking clothes to get a vacation workout. My father-in-law, for example: he's old school. He's not the country club type. He's not going paddleboarding. He is, however, utterly content to spend a 90 degree vacation day with a pair of hedge clippers, or taking a shovel to dig out an old, decaying tree stump. There's no way you're telling me that digging out an old, decaying tree stump is less exercise than golf. Have you ever dug out an old, decaying tree stump? It might be more exercise than a decathlon. There's a reason my father-in-law can still beat me up.

4. Eat that clam roll, for crying out loud. Come on. It's summer. I know it costs \$22, and you're going to have to work out for an extra half-hour tomorrow, but live a little. You literally have the rest of the year to pretend you like kale.

Gymnast's Parents Sue USOC in Abuse Claim

The parents of a former elite gymnast have sued the U.S. Olympic Committee and USA Gymnastics in connection with allegations of years-long sexual abuse by a former team doctor, according to a complaint filed in Los Angeles Superior Court last month.

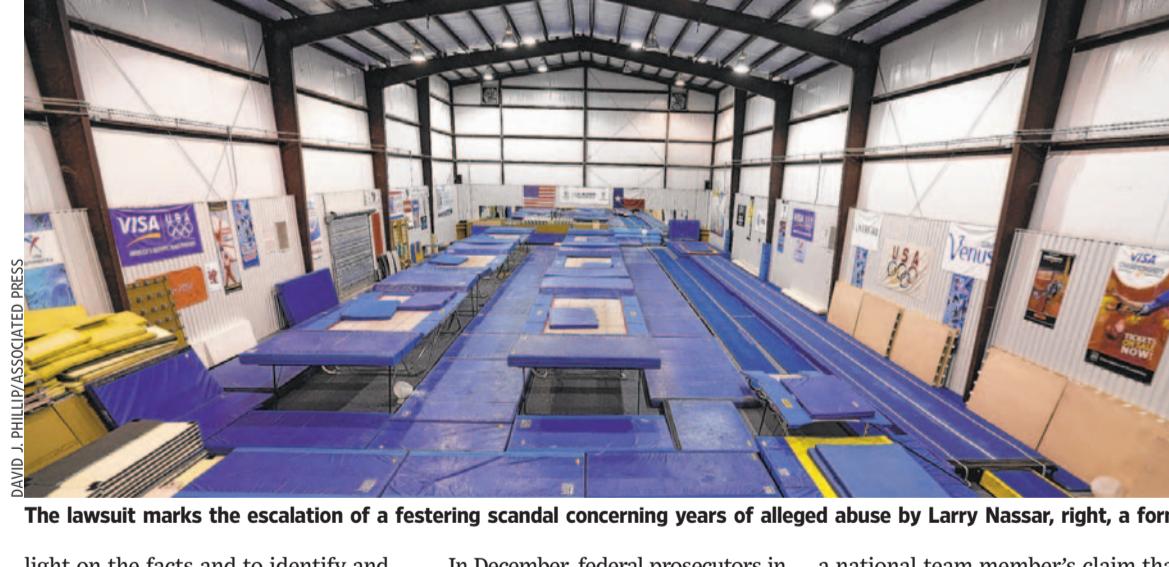
By Rebecca Davis O'Brien,
Louise Radnofsky and
Matthew Futterman

The lawsuit, which was filed June 30 but hasn't been previously reported, marks an escalation of a scandal that has shaken the sport and its governing body. It is the first among the scores of civil claims related to the scandal to allege wrongdoing by the USOC.

Civil-rights attorney Gloria Allred, known for taking on high-profile sexual-abuse cases, filed the lawsuit along with John Manly, a plaintiffs' lawyer who is leading much of the litigation related to the scandal.

The lawsuit was filed under pseudonyms for the gymnast's parents and seeks damages for negligence, intentional infliction of emotional distress and other civil claims. The parents argue that USA Gymnastics and the USOC bear responsibility because the gymnast was under their care at the time of the alleged assaults by physician Larry Nassar, and the parents believe those groups conspired to keep the alleged abuse secret to protect their reputations.

Patrick Sandusky, a spokesman for the USOC, declined to comment on the specific allegations because he said the organization hadn't been served with the lawsuit. "The allegations surrounding Nassar are astounding and heartbreaking," he said in a statement. "We were not made aware of them until Nassar had already been reported to law enforcement. We will support any and all efforts to shine a



The lawsuit marks the escalation of a festering scandal concerning years of alleged abuse by Larry Nassar, right, a former U.S. gymnastics team doctor.

light on the facts and to identify and address any systemic failures that contributed to the abuse that was suffered by these young women."

A spokeswoman for USA Gymnastics said, "This is the first USA Gymnastics has heard of this lawsuit and declines to comment further." Allred declined to comment.

While the suit doesn't reveal the gymnast's identity, the complaint says she competed nationally and internationally between 2009 and 2013, and that she was regularly "subjected to sexual harassment, abuse and molestation" by Nassar.

Nassar, an osteopathic physician, served as a volunteer trainer and doctor for the U.S. national team for almost 30 years. The state of Michigan charged him in November with first-degree criminal sexual conduct stemming from allegations involving a family friend who was under 13 years old. The state attorney general has added more than 20 counts related to other victims, including gymnasts.

In December, federal prosecutors in Michigan charged Nassar with possession of child pornography. He is expected to plead guilty this week to the federal child-pornography counts, a person familiar with the matter said. The expected guilty plea was reported this weekend by the Detroit News.

The child-pornography charges are unrelated to Nassar's work with gymnasts, but he faces numerous civil lawsuits alleging that he sexually abused gymnasts and other athletes. Nassar has pleaded not guilty to the other pending charges against him and denied wrongdoing. Nassar's lawyer declined to comment on his client's reported plea, and didn't respond to a request for comment Sunday about the gymnast's lawsuit.

According to the June 30 lawsuit, the gymnast's parents, who live in California, first learned their daughter may have been sexually abused by Nassar in mid-July 2015. USA Gymnastics at that time was conducting a five-week internal investigation into

a national team member's claim that Nassar was molesting her, The Wall Street Journal reported in February.

During that investigation, USA Gymnastics spoke with several national team members, then referred the matter to the Federal Bureau of Investigation at the end of July 2015, the Journal reported.

"I think these parents feel an incredible sense of betrayal," Manly said of the lawsuit, adding that Nassar was often unsupervised when seeing gymnasts at USOC-sponsored events and at the Karolyi Ranch training center in Texas. "Your daughter competes for her country on the national team and this horrific activity happens."

The parents faced a potential statute-of-limitations deadline, whereas their daughter has a longer time frame to file a claim, said Manly, who also represents the gymnast.

USA Gymnastics is already facing three other lawsuits in California brought by former elite gymnasts.

All three gymnasts filed as Jane

Does, but have since gone public on television and in congressional testimony, identifying themselves as Jamie Dantzscher, Jeanette Antolin and Mattie Larson.

Court documents from those lawsuits show that plaintiffs' lawyers have sought information from other gymnasts, including members of the last three Olympic teams.

In depositions, top USA Gymnastics officials have declined to answer when asked whether the organization has made any confidential settlements with gymnasts, according to the court documents.

USA Gymnastics is challenging the previously filed California litigation on jurisdictional grounds, pointing out that Nassar was a Michigan resident, and that the organization is Indiana-based and incorporated in Texas, filings show. Manly says USA Gymnastics was a national organization that conducted substantial business in California, including hosting national and international meets there.



JEFF KOWALSKY/AGENCE FRANCE PRESSE/GTY IMAGES

LIFE & ARTS

FITNESS

The Free 5K From the U.K.

As Parkrun builds a following in the U.S., its proponents ask: Why pay to run a timed 5K?



BY RACHEL BACHMAN

A popular British-born running program aims to answer a strange question: Will Americans take something free that they're already paying for?

It's called Parkrun, and it's very simple. Participants register online once and print out a personal bar code. They bring the code to a participating park, where 5K runs are held every Saturday, usually at 9 a.m. The registrants run—or walk—the course, scan their bar code with a volunteer at the finish, then head to a nearby coffee shop to hang out with other Parkrunners.

There are no road closures or finish-line ceremonies, it runs every week of the year and it costs nothing.

Parkrun is part of a larger trend of organized free exercise, from online-streaming classes to public workouts such as the November Project, that's challenging the established fitness industry.

Over the past decade, Parkrun has spread to more than 450 parks in the U.K., and to 13 other countries. With about 200,000 weekly participants worldwide, Parkrun is four times the size of the New York City Marathon.

But it's not a race. There are no placement awards, and the only free T-shirts are for milestones like running 50 Parkruns or volunteering 25 times. That model has puzzled some in the U.S., where half-marathons give all finishers a medal and many 5K races cost \$30 or more.

"Everyone assumes there's a catch," says Daniel Whitehouse, a Parkrun volunteer run director and participant in Clermont, Fla., west of Orlando, one of a dozen Parkrun locations in the U.S. "And the catch is, you have to show up with your bar code. We want you to

show up again, is the other catch."

Mr. Whitehouse, a 37-year-old attorney and father of two, credits an improved diet and two years of Parkruns with helping him lose and keep off 90 pounds. He tracks his improving run times on the Parkrun website, and other Parkrun regulars cheer him on, he says.

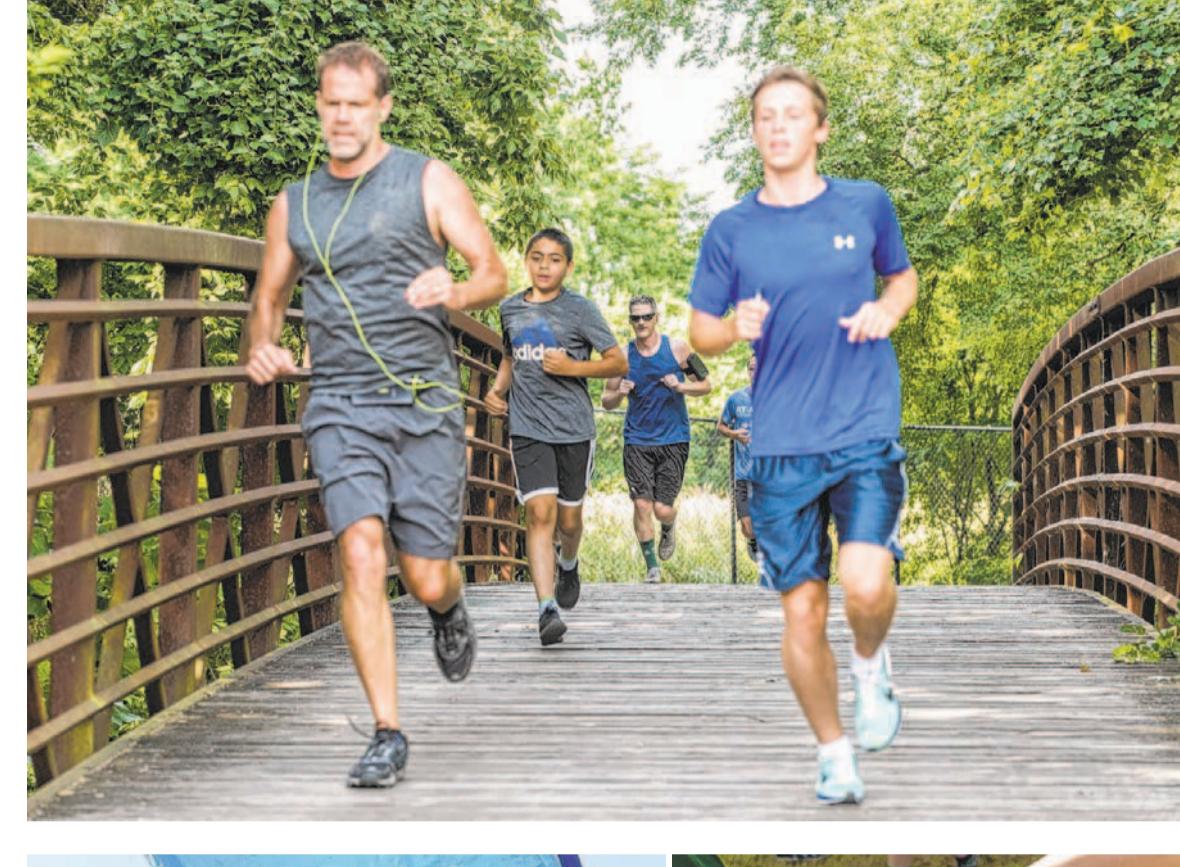
"If you don't show up one week, people are asking where the heck you were," says Mr. Whitehouse, who's training for a half-Ironman triathlon. About 85 people a week run or walk the Clermont Parkrun.

Parkrun is funded through sponsorships and grants, and staffed locally by volunteers. Its first U.S. location launched in 2012, in suburban Detroit. Parkrun re-launched last year in the U.S., naming a full-time country manager and establishing a U.S. nonprofit organization to make it easier to add locations.

U.S. Parkruns have sprung up in places as varied as the comfortable Twin Cities suburb of Eagan, Minn., and Baltimore's Leakin Park, featured in the true-crime story on season one of the podcast "Serial."

A recent Parkrun in College Park, Md., drew Christian boot-camp members of varying fitness levels, a former university runner from the U.K. and a mother and her grinning 4-year-old son, among more than 100 participants. Runners funneled into a finishers' chute of a few orange cones laid out by husband-and-wife organizers Colin Phillips and Andrea Zukowski, then sipped water.

Parkruns in the U.S. face more weather extremes than the temperate U.K. The Livonia, Mich., Parkrun often alters the course to adjust to snow and ice in the winter, organizer Spencer Greve says. The Florida Parkrun starts at 7:30 a.m. to avoid summer heat, though a few of the British tourists who



A recent Parkrun in College Park, Md., top left, top and above. Daniel Whitehouse, left with daughter Cadence, is a regular Parkrun runner and volunteer in Clermont, Fla.

here in New York," Mr. Ciaccia says.

About a year ago the Chicago Area Runners Association started 'Go Runs: park-based, free 5K and one-mile timed runs that were inspired by Parkrun,' CARA executive director Greg Hipp says. "There's certainly a lot of room for this type of program, whether it's through Parkrun or through another running organization, to bring grass-roots running back in the U.S.," Mr. Hipp says.

Some runners say the rise in race fees has contributed to a dip in running participation. (The 5K and half-marathon distances are exceptions, seeing modest growth.) On average in 2016, a 5K entry cost \$26 and marathon more than \$85, according to online-registration company RunSignUp.

Parkrun fans say its allure transcends running. British-born Rosemary Paul, who lives in Dover, Del., misses her former Parkrun northeast of London so much that she's made several two-hour trips to Washington, D.C.-area Parkruns. The 58-year-old longtime runner loved the post-run gatherings at a nearby tea room, where people celebrated milestones with cake.

"It's the community spirit," she says.

frequent the run struggle with it anyway.

"We've had some passing out," event director Kimberly Grogan says, though no incidents serious enough to need medical attention. "Our regulars are pretty used to it."

Avid runner Paul Sinton-Hewitt launched Parkrun in 2004 in a London park to stem a personal downward spiral after he was fired from his marketing job and injured in a fall while running. Other people liked the social, weekly runs so much that he agreed to expand the program, and Parkrun spread.

"I had no idea that it would become the organization that it is," he says.

A representative from New York Road Runners, which operates the New York City Marathon and doz-

ens of other races, met with Parkrun organizers in April 2015 in London to discuss the program, Mr. Sinton-Hewitt recalls. About two months later, New York Road Runners launched Open Run, a program of free, timed, weekly runs about 5K long, based in parks.

Mr. Sinton-Hewitt says large U.S. running organizations, which generate revenue from memberships and race fees, see Parkrun as a threat.

Peter Ciaccia, co-president of New York Road Runners, says Open Run was already in the works by April 2015, and that it's an extension of initiatives such as NYRR's free running programs for children.

"I don't see Parkrun being a threat to anything that we're doing

FILM REVIEW | By Joe Morgenstern

A MOVIE TO HAUNT YOUR MEMORY



In 'A Ghost Story' Casey Affleck plays the husband of Rooney Mara, above.



but also his, after the woman he loves slips away from him and he finds himself not only out of body but adrift in time. I'm afraid of making the film sound pretentious by overdescribing it when the startling thing is how simple it is, and how powerfully it evokes the flow of time. A familiar apparition in a sheet, the ghost is witness to a succession of extraordinary apparitions who, alive and thoroughly human, are working, talking, cooking, homesteading, striving to be remembered and, inevitably, dying. There are mysteries here, not the least of them being how such a modest little movie can evoke such profound feelings.

WHAT KIND of filmmaker calls a ghost story "A Ghost Story" in our too-hip age? And seems to be asking us to take it seriously when the ghost is nothing more than a Hallowsenish presence under a white sheet? A serenely poetic filmmaker, as it turns out. David Lowery has made a haunting film about, among other more elusive things, a ghost that haunts a bungalow. At first I thought it was odd, then silly, though maybe meant to be droll. I ended up thinking that "A Ghost Story" is deeply affecting, and I won't forget it for a long time to come.

Mr. Lowery's previous feature, a remake of Disney's "Pete's Dragon," was notable for its humanity. The film before that, "Ain't Them Bodies Saints," was a doomed romance with a negligible plot—a tone poem more than a structured drama, with Casey Affleck and Rooney Mara as husband and wife. Mr. Affleck and Ms. Mara are a married couple again in "A Ghost Story," which has less of a plot. He dies, and goes back to their suburban house to find her, reconnect with her and console her.

They don't have names and don't need them, for the essence of the film isn't literal. Rather, it has to do with longing—hers,

OPINION

REVIEW & OUTLOOK

Putin Is Not America's Friend

We'll find out in the coming weeks how Vladimir Putin sized up Donald Trump in their first mano a mano meeting on Friday, but one bad sign is the Trump team's post-meeting resort to Obama-like rhetoric of cooperation and shared U.S.-Russia purposes.

U.S. Secretary of State Rex Tillerson frequently lapses into this form of John Kerry-speak as he did trying to sell the new U.S.-Russia-brokered cease-fire in a corner of Syria. "I think this is our first indication of the U.S. and Russia being able to work together in Syria," Mr. Tillerson told reporters.

He added: "I would tell you that, by and large, our objectives are exactly the same. How we get there, we each have a view. But there's a lot more commonality to that than there are differences. So we want to build on the commonality, and we spent a lot of time talking about next steps. And then where there's differences, we have more work to get together and understand. Maybe they've got the right approach and we've got the wrong approach."

The same objectives? The Russians want to help their client Bashar Assad win back all of Syria while retaining their military bases. If they are now talking about a larger cease-fire, it's only because they think that can serve Mr. Assad's purposes. The Trump Administration doesn't seem to know what it wants in Syria after Islamic State is ousted from Raqqa, and we hope Mr. Tillerson isn't saying the U.S. shares the same post-Islamic State goals as Russia.

As for the right or wrong "approach" to Syria, the Pentagon believes Russia knew in advance about Mr. Assad's use of chemical weapons this year. The U.S. fired cruise missiles in response and has since shot down an Assad airplane bombing U.S. allies on the ground, which drew a threat of Russian reprisal if the U.S. did it again. Somehow "approach" doesn't capture this moral and military difference.

Rex Tillerson sounds like John Kerry on Russia and Syria.

Then there's Mr. Trump's Sunday tweet that "Putin & I discussed forming an impenetrable Cyber Security unit so that election hacking, & many other negative things, will be guarded." No doubt Mr. Putin, the KGB man, would love to get an insight into America's cyber secrets, though don't count on any of those secrets being "guarded,"

much less "impenetrable."

Republican Senator Marco Rubio had it right on Sunday when he tweeted that "partnering with Putin on a 'Cyber Security Unit' is akin to partnering with Assad on a 'Chemical Weapons Unit.'" He added, in advice Mr. Trump could help himself by taking, that "while reality & pragmatism requires that we engage Vladimir Putin, he will never be a trusted ally or a reliable constructive partner."

Mr. Trump's actions toward Russia so far, such as bombing an Assad airfield and unleashing U.S. oil and gas production, have been far tougher than anything Barack Obama dared. But the U.S. President clearly wants a better relationship with Mr. Putin, and the comments by Messrs. Tillerson and Trump after their Friday meeting aren't exactly hard-headed. Next time they should invite national security adviser H.R. McMaster or United Nations Ambassador Nikki Haley into the meeting. Those two seem less impressed by the Kremlin conniver.

Congress can play a fortifying role here by moving ahead with the bill toughening sanctions against Russia for its election meddling. The Senate passed the bill 98-2, and Republicans can move it quickly in the House with some fixes for oil investments. The White House objects that the bill takes away discretion from Mr. Trump to reduce sanctions unilaterally. But that discretion shouldn't be granted until Messrs. Trump and Tillerson show that they understand that Mr. Putin is not America's friend.

Democrats for a One-Party State

Democrats in Sacramento, Calif., can no longer gerrymander districts thanks to a voter-approved initiative, but they're finding other ways to entrench one-party control. To wit, rewriting laws to protect one of their own from a recall campaign.

Veto-proof supermajorities in both legislative chambers allow Democrats to raise taxes without GOP support. In April the legislature raised the gas tax by 12 cents a gallon and imposed a new vehicle-registration fee. This spurred a petition to recall Democratic state Senator Josh Newman, whose district straddles Orange, San Bernardino and Los Angeles counties.

Republicans have targeted Mr. Newman because he voted for the tax hike and is one of two Democratic Senators in a competitive district. While the district has traditionally leaned Republican, changing demographics now give Democrats a slight edge and Mr. Newman won by 2,500 votes in November.

Democrats could do a lot of mischief in three years before Mr. Newman faces re-election. Governor Jerry Brown hopes to use his supermajority to extend the state's cap-and-trade program to fund his bullet train. The 2018 gubernatorial frontrunner, Gavin Newsom, is running on single-payer health care, which would require Democrats to raise taxes.

Worried they could lose their supermajority, Democrats are rigging the recall rules. Turnout in special elections typically drops more for Democrats than Republicans. So

California's Dems try to rig a recall election to retain a supermajority.

Democrats last month passed legislation adding procedural hurdles that would delay the recall election from this fall to next June's midterm primary, when liberal turnout is expected to be higher.

Democrats are also imploring the state's Fair Political Practices Commission to end a campaign-finance law that voters approved in 2000. The commission has since applied the limit on individual contributions (\$4,400 this year) to legislators who give to fellow politicians being recalled—including in 2008 when Democrats unsuccessfully tried to oust then-GOP State Senator Jeff Denham to obtain a supermajority.

Yet Democrats now say legislators should be allowed to donate unlimited sums to their colleagues. The rule change would allow legislators in safe liberal districts—nearly all of them—to direct hundreds of thousands of dollars to Mr. Newman's campaign.

This is rich, coming from a legislature that put a referendum on the ballot last year seeking to overturn the Supreme Court's *Citizens United* decision, which allows unlimited independent expenditures. Democratic politicians want campaign-finance limitations to apply to everyone but themselves.

If Democrats want to repeal campaign contributions limits, they should do so for everyone. Their gambit shows that Californians should worry less about Washington than the threat to democratic accountability from one-party government in Sacramento.

New Evidence on School Vouchers

Among America's teachers unions and their allies, an article of faith is that vouchers to allow attendance at private schools do nothing for students. All the more reason to look at two new studies tracking student performance in two states with voucher programs—Indiana and Louisiana.

Start with Louisiana. Today 7,100 students—nearly 90% of them African-American—attend private or religious schools of their parents' choice thanks to a statewide program that includes vouchers for private schools. In February 2016, Jonathan Mills of Tulane and Patrick Wolf of the University of Arkansas released a study that found declines in English and math after two years at a private school using a voucher.

But that wasn't the end of the story. Messrs. Mills and Wolf expanded their study to include performance after three years, and when they did the results flipped. Their new study shows that, by the end of the third year, the differences between voucher students and those in public schools had been erased.

Meanwhile, researchers Mark Berends and R. Joseph Waddington focused on Indiana's statewide voucher program that now serves more than 34,000 students. The study found that students using vouchers had declines in math and English for the first two years after leaving public school. But the longer these voucher kids stuck around in their new schools, the better they did—surpassing their public-school peers in English after four years.

These studies are important in rebutting what has been an especially aggressive cam-

Some optimistic findings about the effects on student performance.

paign this year against vouchers by unions and liberal journalists. With President Trump and Education Secretary Betsy DeVos supporting school choice, including vouchers, the campaign is on to discredit them with or without persuasive evidence.

Student improvement after the first two years at a new school is also consistent sense. Parents and teachers know that changing schools can be a big adjustment for children, and private schools typically have different cultural mores and teaching habits. Most parents don't look for private schools if their children are prospering in their current school.

It's also a mistake to judge a voucher program entirely on standardized tests. There are many other indicators—from personal safety, to discipline, graduation rates and specialty curricula. The idea behind state performance tests is to give parents and taxpayers a way to judge how well schools are teaching and hold them accountable.

But education choice—whether in charters or vouchers—comes with the built-in accountability that they must compete to attract students, and parents can withdraw their children if they are unhappy. Even if test scores aren't notably different, why should the default be keeping kids trapped in public schools rather than letting parents make the choice?

These new studies should give a boost to those who believe accountability comes from parents who know better than a distant education bureaucracy what schools best work for their children.

Why Bitcoin Is Booming

By John O. McGinnis
And Kyle W. Roche

Who says only the government can make money? This year the value of the private currency bitcoin has climbed to unprecedented levels, while at the same time becoming far less volatile than in previous periods of rapidly increasing demand. Bitcoin has reached these new benchmarks despite news that might have depressed its value, such as the U.S. Securities and Exchange Commission's rejection of a fund permitting small traders to invest in bitcoin on the stock market.

The SEC action prompted obituaries, but bitcoin is thriving. A prime reason is the distrust many citizens have in their government's currency. They want to use bitcoin as a hedge or an alternative mechanism of payment and transfer when government currency doesn't efficiently perform such basic functions. It's no surprise that millennials, many of whom understand the digital currency much better than their baby-boom forbears, are investing in bitcoin at far greater rates.

All modern fiat currencies depend on trust in a government for their value and stability. Some governments have institutions, like the U.S. Federal Reserve, that inspire substantial trust, but others have monetarily oppressive regimes many citizens want to bypass. Argentina continually debased its currency until last year. China puts burdensome restrictions on transferring its currency out of the country. Both countries have seen substantial trading in their respective bitcoin exchanges.

Unlike national currencies, bitcoin doesn't depend on a regime that can be corrupted by politics. With bitcoin, trust is required not in government but in the decentralized order of those who verify bitcoin transactions—the so-called miners. They maintain what is popularly known as the "blockchain"—a public ledger on the internet of all bitcoin transactions, which accounts for the ownership of every bitcoin in existence.

The innovation of bitcoin is creating a decentralized process to update the blockchain as new transactions in bitcoin occur. Anyone with internet access can attempt to update the blockchain by employing substantial computer power to solve a mathematical problem. The miner who succeeds in solving the problem gets the rights to add a block of recent transactions to the blockchain.

In return for this work, the successful miner is paid in newly minted bitcoin, the number of which is fixed by a pre-existing algorithm. This process is repeated every 10 minutes or so, assuring an accurate record of all bitcoin transactions.

Bitcoin miners serve another important role. As with any currency, sometimes the rules governing bitcoin's operation need to be tweaked. With fiat, governments pass laws or issue administrative decrees. With bitcoin,

new code is adopted when the community of miners reaches a consensus on the change.

Bitcoin miners sometimes disagree about how best to meet the demands of the market, as shown by a current dispute about the optimal size of each block. But the genius of bitcoin is that because miners are paid in bitcoin, their incentives are strongly aligned with bitcoin's value.

Government officials, by contrast, might not face such strong incentives to maintain the value of their national currency. In developing nations, sometimes those interests include taking valuable property in exchange for an abuse of their power.

It's become a trusted alternative when fiat money's value is corrupted by politics.

In developed nations, job retention, promotion and ideological perspectives can all distort official behavior. Money has been described as a social contract, but politicians charged with enforcing that contract often have incentives to advance their own interests or those of particular political factions at the expense of their legal duties.

Bitcoin's creation of order without centralized law isn't unknown to society. Social norms often regulate behavior without the benefit of formal law. Rules of etiquette tell people how to behave at the table without causing offense.

But while order without law is possible without software, software can improve its enforcement. One might ignore a social convention, but it is impossible to ignore the operation of an algorithm that tells the world whether you own a bitcoin.

To continue to flourish, bitcoin doesn't have to become a more stable store of value than the U.S. dollar. It can climb the rungs of respectability by prevailing over less trustworthy currencies. It is already gaining strength and stability by competing successfully against monetarily oppressive regimes and helping poor immigrants in the developed world remit money to their relatives back home.

As bitcoin gains stability, it can become even more competitive because even the best fiat money is subject to political risks.

National and international crises will continue to fuel bitcoin's rise. The instability caused by problems with the euro, Brexit and the many Western democracies' growing ratio of debt to gross domestic product threatens the value of even established currencies.

Bitcoin is likely to succeed so long as the value of other moneys rests on politics.

Mr. McGinnis is a law professor at Northwestern University. Mr. Roche is a lawyer at Boies Schiller & Flexner LLP.

This Letter Arrives With 'Post Age' Due

By Stephen Miller

In 2011 Jeff Madrick published "Age of Greed: The Triumph of Finance and the Decline of America, 1970 to the Present." This year, Pankaj Mishra published "Age of Anger: A History of the Present." I think the present age should instead be called the "Age of Post," because in recent years more and more writers have used words with "post" as a prefix to argue that there has been a dramatic change in the world's economic, religious and intellectual landscape.

Many "post-words" have been around for centuries, but in the past year post-words have become increasingly popular. Lawrence Summers writes in the *Washington Post*: "We may have our first post-rational president." A writer in the *New Yorker* worries that "tomorrow we'll be genetically engineering our way into a post-human future." A reviewer in the *New York Review of Books* asks: "In a world that is post-credal, post-religion, and post-socialism, in what should humanism be grounded?"

How can the writer speak of "post-socialism" while the popular senator Bernie Sanders continues to promote democratic socialism? And how can he speak of "post-religion" when church-state relations are continually debated in the U.S.? Moreover, in a recent issue of the *New York Review of Books* a China expert discusses "China's astounding religious revival," noting that Protestantism "is growing exponentially in China."

"Post-Christian" has recently become a popular word, thanks in part to Rod Dreher's best-seller "The Benedict Option: A Strategy for Christians in a Post-Christian Nation." However, although roughly 25% of Americans now say they have no religious affiliation, Christian worship remains a

strong current in American life.

Last year, "post-truth" was selected by Oxford Dictionaries as the word of the year because its usage soared, spiking after Brexit and again after the U.S. presidential election. The Oxford English Dictionary defines "post-truth" as "relating to or denoting circumstances in which objective facts are less influential in shaping public opinion than appeals to emotion and personal belief."

Would-be deep thinkers use a prefix for dramatic effect.

Is truth more forgotten now than it was in, say, the time of Samuel Johnson? In 1751 he wrote that "there are indeed, in the present corruption of mankind, many incitements to forsake truth." Many voices in the press are determined to persuade us that our era is unique. A reviewer in the *Times Literary Supplement* laments "a postmodern world where truth is considered passé," but who considers truth passé?

Writers who use the term "post-truth" go about their daily lives assuming that their spouses, doctors and accountants are telling the truth. And it's still the case that there are places in the world where journalists risk their lives to tell the truth. We don't live in anything approaching a post-truth world.

Post-words continue to proliferate because they signal to readers: "I'm a deep thinker." But that is rarely the case.

Mr. Miller's latest book is "Walking New York: Reflections of American Writers from Walt Whitman to Teju Cole."

OPINION

The Terror Problem From Pakistan

By Rahmatullah Nabil
And Melissa Skorka

With the Trump administration considering how to break the stalemate between Taliban-allied groups and the government of Afghanistan, terrorists detonated a car bomb in Kabul on May 31, killing more than 150. Afghan intelligence blamed the violence on Haqqani, a terror network with close ties to the Taliban, al Qaeda and Pakistan's spy agency, Inter-Services Intelligence (ISI). The attack demonstrates Washington's need to focus on the threat from Haqqani, which has also consolidated militant factions across strategic regions of the war zone.

Haqqani's ties to Pakistan make political solutions essential. Islamabad has shown no sign it is genuinely willing to end its support of terror proxies and reconcile with the Kabul regime. Yet the success of the

Islamabad has shown no sign it is genuinely willing to end support for proxies like the Haqqani network.

administration's recent decision to deepen U.S. involvement in the Afghan war will depend on whether Haqqani can be defeated, co-opted, or separated from the ISI, which for decades has relied on militant proxies to further Pakistani interests in Afghanistan.

Since 9/11, Haqqani has evolved from a relatively small, tribal-based jihadist network into one of the most influential terrorist organizations in South Asia. It is largely responsible for the violence in Kabul and the most notorious attacks against the coalition. It masterminded the 19-hour siege on the U.S. Embassy and NATO headquarters in 2011, and allegedly facilitated



The aftermath of the May 31 Kabul car bombing, which killed more than 150.

tated an assault on a U.S. Consulate near the Iran border in 2013 and a 2009 suicide bombing of a U.S. base in Khost province, which killed seven CIA operatives.

The group also holds five American hostages in Pakistan. Since the 2013 death of Taliban leader Mullah Omar, Haqqani has become the only group with the cohesion, influence and geographic reach to provide Pakistan with "strategic depth"—a territorial buffer on its western border.

Pakistan denies sponsoring terror proxies and continues to conduct counterterrorism work with the U.S. against certain anti-Pakistan groups. But Western and Afghan officials say Islamabad also sponsors terrorism in order to undermine Afghanistan and India. In 2011 Adm. Mike Mullen, then chairman of the Joint Chiefs of Staff, called Haqqani a "veritable arm" of the ISI.

Haqqani is a central element of the strategic challenge that faces the U.S. and its allies. The network's expanding operations in northern and southeastern Afghanistan, and especially in Kabul, over the past decade have enabled its Taliban affiliates to "control or contest" territory ac-

counting for about one-third of the Afghan population, or nearly 10 million. That's a higher proportion of the population than Islamic State controlled in Syria and Iraq at the height of its power in 2014, according to CNN's Peter Bergen. The militants' wide reach makes it hard for NATO forces to build enduring partnerships with Afghan civilians.

As the debate intensifies over how the U.S. should respond in Afghanistan, Washington must also change its approach to Pakistan. As a first step, the president should appoint an envoy who would lead diplomatic and intelligence efforts to buttress the Kabul regime against terrorism. The envoy would also sharpen the focus on Pakistan in bilateral diplomacy with countries that have good relations with Islamabad, such as China, Saudi Arabia and other Persian Gulf states.

The envoy would also oversee relations among Afghanistan, India, Iran, Pakistan and Russia, focusing on the formulation of political solutions. A U.S. alignment with India would more effectively check Pakistan, while improved U.S. relations with China, cemented over shared concerns about escalating violence

and economic security, could pressure Islamabad and its proxies into a political settlement.

The U.S. should also press Pakistan to stop providing sanctuary to terrorists. That would require Washington to consider publicly exposing the extent to which officials at the highest levels of the Pakistan military and ISI support terror.

Such moves against an ostensibly ally would be unusual and would require advanced measures to protect intelligence sources and methods. But the U.S. has tolerated Pakistan's duplicity for 16 years, and it hasn't worked.

Equally important, the Afghan National Security Forces are un-equipped for infiltration by Haqqani factions. The U.S. and NATO allies should increase political intelligence and military resources to ease into a strengthened combat-support role, training and mentoring the Afghan forces. A more adaptive political-military NATO campaign would help reduce the threat from Haqqani, eventually enabling Afghan troops to move from defense to offense against increasingly capable adversaries.

Without a broader shift in the U.S. approach to build a more peaceful regional order, the Kabul terror attack may be a harbinger of a more dangerous war to come—one in which Haqqani would play a more important role in the Afghan conflict and global jihad than any other militant network in the region. Pakistan must account for its support of terrorists and face incentives to act more like an ally that would benefit from increased stability in South Asia and beyond.

Mr. Nabil served as the head of Afghanistan's national directorate of security from 2010 to 2012 and from 2013 to 2015. Ms. Skorka served as a strategic adviser to the commander of International Security Assistance Force in Afghanistan from 2011 to 2014 and is a research associate at Oxford's Changing Character of War Centre.

How Antitrust Undermines Press Freedom

By David Chavern

Whenever President Trump attacks CNN or berates the Washington Post, journalists and free-speech advocates rise up to defend the media and the First Amendment. Meanwhile, a greater threat to America's news industry looms mostly unnoticed: Google and Facebook's duopolistic dominance of online advertising, which could do far more damage to the free press than anything the president posts on Twitter.

The rapid growth of digital connectivity has pushed demand for information to unprecedented heights. Never in history have so many people consumed so much news. This is a boon for democracy. Although reporting is often an irritant to those in power, high-quality news and analysis is essential to any political system that depends on giving citizens the facts so they can draw their own conclusions.

Facebook and Google dominate online ads, and news companies can't join forces to compete.

The problem is that today's internet distribution systems distort the flow of economic value derived from good reporting. Google and Facebook dominate web traffic and online ad income. Together, they account for more than 70% of the \$73 billion spent each year on digital advertising, and they eat up most of the growth. Nearly 80% of all online referral traffic comes from Google and Facebook. This is an immensely profitable business. The net income of Google's parent company, Alphabet, was \$19 billion last year. Facebook's was \$10 billion.

But the two digital giants don't employ reporters: They don't dig through public records to uncover corruption, send correspondents into war zones or attend last night's game to get the highlights. They expect an economically squeezed news industry to do that costly work for them.

The only way publishers can address this inexorable threat is by banding together. If they open a unified front to negotiate with Google and Facebook—pushing for stronger intellectual-property protections, better support for subscription models and a fair share of revenue and data—they could build a more sustainable future for the news business.

But antitrust laws make such coordination perilous. These laws, intended to prevent monopolies, are having the unintended effect of preserving and protecting Google and Facebook's dominant position.

The digital giants benefit from legal precedent against collective action that has a chilling effect on publishers. Yet each newspaper or magazine on its own has only limited negotiating power.

Antitrust enforcers have declined to address Google and Facebook's growing dominance, enabling the digital giants to roll up the information economy. The Federal Trade Commission and the Justice Department let Google take over the online ad industry by buying Doubleclick, AdMob and AdMeld, as well as mapping competitor Waze. Regulators allowed Facebook to acquire two direct competitors, Instagram and WhatsApp.

The News Media Alliance, which represents digital and print publishers, is proposing a solution: a new law granting a limited safe harbor under antitrust for publishers to negotiate collectively with dominant online platforms. This would grant media organizations the flexibility to expand innovative digital models of news distribution, while also giving them more ways to sustain high-quality journalism.

A safe harbor would be less necessary if U.S. antitrust enforcers opted to apply the existing laws. European regulators already have begun to act, slapping Google with a \$2.7 billion fine for violations of fair competition.

So far, however, their counterparts in Washington have largely watched from the sidelines.

The unique role news media continue to play in U.S. politics and history makes it crucial to ensure a fairer fight for revenue between news publishers and these massive information gateways. Today, antitrust laws are insulating Google and Facebook from market forces. News publishers are committed to unleashing those forces to defend their investments in great journalism.

Mr. Chavern is president and chief executive of the News Media Alliance, a trade association representing approximately 2,000 newspapers in the U.S. and Canada.

New Bailouts Prove 'Too Big to Fail' Is Alive and Well

By Neel Kashkari

Three strikeouts in four at-bats would be barely acceptable in baseball. For a policy designed to prevent taxpayer bailouts, it's an undeniable defeat. In the past few weeks, four European bank failures have demonstrated that a signature feature of the postcrisis regulatory regime simply cannot protect the public. There's no need for more evidence: "bail-in debt" doesn't prevent bailouts. It's time to admit this and move to a simpler solution that will work: more common equity.

Bail-in debt was envisioned as an elegant solution to the "too big to fail" problem. When a bank ran into trouble, regulators could trigger a conversion of debt to equity. Bondholders would take the losses. The firm would be recapitalized. Taxpayers would be spared.

The idea, adopted both in the U.S. and Europe following the 2008 financial crisis, has its share of supporters, including JPMorgan Chase CEO James Dimon. "Essentially, too big to fail has been solved," Mr. Dimon insisted in a shareholder letter earlier this year. "Taxpayers will not pay if a bank fails." Wall Street also prefers this debt funding rather than equity because it is better for bank-share prices. In theory, taxpayers and stockholders both win.

The problem is that in real life it rarely works this way. On June 1, the Italian government and European Union agreed to bail out Banca Monte dei Paschi di Siena with a €6.6 billion infusion, while protecting some bondholders who should have taken losses. Then on June 24, Italy decided to use public funds to protect bondholders of two more banks, Banca Popolare di Vicenza and Veneto Banca, with up to €17 billion of capital and guarantees. The one recent case in which taxpayers were spared

was in Spain, when Banco Popular failed on June 6.

The largest of these four banks was less than one-tenth the size of \$2.5 trillion JPMorgan. Think about that: If bail-in debt couldn't protect taxpayers from a midsized bank failure when the global economy is stable, what are the odds it will work if a Wall Street giant runs into trouble when the economy looks shaky? Or how about when several giants are in trouble at the same time, as in 2008? Don't hold your breath.

Why are governments so reluctant to force losses on bondholders? Sometimes they fear financial contagion. The argument holds water in the case of too-big-to-fail banks: If creditors at one large institution face losses, creditors at others may fear the same and try to pull their funding.

Once the dominoes start falling, they are very hard to stop. This is why the U.S. Federal Reserve and the Treasury Department, with the support of Congress through the Troubled Asset Relief Program, intervened so dramatically to arrest the 2008 crisis.

Regulators keep insisting bondholders will take losses, but then they're reluctant to impose them.

claimed that this was a unique circumstance, but there always seem to be unique circumstances when bailouts are concerned. What will happen if an important pension fund faces losses?

This is one more reminder that only equity can be counted on to protect taxpayers—and it needs to be raised in advance of economic distress. Although capital standards for America's largest banks are higher now than before the last crisis, they

aren't nearly high enough. The odds of a bailout in the next century are still about 70%.

Large banks need to be able to withstand losses of around 20%, according to a 2015 analysis by the Federal Reserve. But they have only about half that amount in equity because regulators have generously assumed bondholders would take losses. Italy demonstrates that this is wishful thinking. Too big to fail is alive and well, and taxpayers are on the hook.

There is bipartisan support for fixing the problem, but it will require forcing large banks to raise much more equity. They won't do it on their own, because their stock prices benefit when the public takes the risk. Indeed, banks are now moving in the wrong direction by increasing their dividends and stock buybacks. But what's more important: protecting taxpayers or bank investors?

Mr. Kashkari is president of the Federal Reserve Bank of Minneapolis and a member of the Federal Open Market Committee.

Mineral Rights Can Make You Rich

By Merrill Matthews

One often-overlooked benefit of the U.S. energy boom: The federal government receives billions of dollars in royalties annually. Thanks to property rights, so do millions of Americans. Over the past decade, for example, Cabot Oil & Gas Corp. has dished out \$1 billion in royalties and \$500 million in signing bonuses to Pennsylvania landowners in Susquehanna and Wyoming counties.

In fiscal 2016, Washington collected \$3.9 billion in royalties from oil and gas production on federal

land and offshore—and that's down from \$6.6 billion in 2015, according to a new report from the Government Accountability Office. Lower energy prices contributed to the decline, but so did the Obama administration's roadblocks on drilling-permit applications.

The Congressional Research Service reports that federal lands produced 1.57 million barrels of crude oil a day in 2008. By 2015 that had risen 25% to 1.955 million. But over the same period production on non-federal land more than doubled to 7.46 million barrels a day from 3.467 million.

The contrast was starker for natural gas. Federal lands produced 6,471 billion cubic feet in 2008, but that number shrank to 4,594 billion by 2015. Over the same period production on non-federal lands grew to 24,143 billion cubic feet from 14,523 billion.

The difference is even more pronounced when you realize that the royalty rate is typically much higher on state and private land. Oil and gas producers are required to pay 12.5% to drill on federal land. Royalties on state land are usually in the range of 16% to 18%. In Texas, the largest producer, the typical rate is 25%. Royalties on private land often reflect the state rate.

Why would producers flock to state or private land rather than cheaper federal land? Because time is money. The Bureau of Land Management took an average of 307 days in 2011 to process applications for drilling permits. States can give approval within a few months.

Mr. Matthews is a resident scholar with the Institute for Policy Innovation in Dallas.

The National Association of Royalty Owners, a trade group, estimates that eight million to 12 million people receive royalties from oil and gas production nationwide. A 2013 study by Timothy Fitzgerald

One study estimated that in 2012 private owners earned some \$22 billion in royalties.

and Randal Rucker, economists at Montana State University, estimated that in 2012 private owners earned some \$22 billion in royalties. Production on private lands has since increased significantly.

Mr. Fitzgerald and others estimated later that six major shale plays generated \$39 billion in private royalties in 2014. Some will receive a small fortune, while others—me included, thanks to my grandfather, who left me some mineral rights—may earn enough for a dinner date every few months.

But there's hope for more. "So much of our land was closed to development," President Trump observed in a recent energy speech. "We're opening it up." If he makes good on that promise, it will give the economy a major boost, along with millions of royalty owners.

Mr. Matthews is a resident scholar with the Institute for Policy Innovation in Dallas.

THE WALL STREET JOURNAL.

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LIFE & ARTS

ARCHITECTURE REVIEW

At the Serpentine Gallery, Architecture Branches Out



BY TOM L. FREUDENHEIM

London

THE SERPENTINE GALLERY, in Kensington Gardens, annually provides what must be an architect's dream opportunity: the design of a temporary structure with few of the constraints that inevitably guide most building projects. This summer's Pavilion was designed by Francis Kéré, originally from Burkina Faso but trained and now working in Berlin. He was selected by the Serpentine's artistic director, Hans Ulrich Obrist, and its CEO, Yana Peel, along with an advisory group that included architects Richard Rogers and David Adjaye. Mr. Kéré joins a distinguished lineup that began with Zaha Hadid in 2000, when the Pavilion concept was launched by the Serpentine's then-director, Julia Peyton-Jones. The requirements are relatively

simple: a Pavilion of about 1,000 square feet to be used as a public and learning space by day and a platform for live programs by night. Private and corporate support pays the costs, along with proceeds from the anticipated sale of the building (usually to a private collector) at summer's end. Past Pavilions have often made bold architectural statements, taking advantage of the chance to play at the ultimate architectural vanity project. Happily, Mr. Kéré's building is both more self-confident and more accommodating than that of various predecessors.

A delicate-looking space-frame made of steel supports the 32-foot cantilever of the elegant circular wooden roof that almost appears

Architect
Francis Kéré
and, above, his
Serpentine
Pavilion 2017,
whose form
was inspired
by a tree in his
native village.



to float. Taken together, the space-frame looks like the trunk and the roof the canopy of a large tree. And Mr. Kéré has said that the inspiration was a tree in his native village that serves as a community gathering place. From a distance, the canopy articulates the building's shape, while close up its nat-

ural wood slats, spaced apart in a triangular pattern, almost appear to dematerialize as they invite the daylight in.

An undulating blue wall composed of rows of triangular wooden modules creates and partially encloses an interior space. We recognize the simplicity of Mr. Kéré's use of wood because it appears to be stained, rather than painted, its rich indigo color. Each triangle is formed by

eight slats of diminishing size and positioned to leave small rectangular spaces for penetration of light (or to accommodate the safe exploration of a small child's hand). There's a handmade quality to these forms that disguises the reality that they were, in fact, prefabricated off-site.

It's difficult to miss the lyrical

play among the rounded roof and wall forms with the insistent repetitive triangles of the supporting steel struts, those of the natural wood roof and the deep-blue undulating walls.

Those curved walls feel more like screens, providing both a sense of enclosure and welcome for visitors. It is this sense of transparency that is one of the Pavilion's primary themes. Mr. Kéré has said that he often uses his "own experience of growing up in a place that is very hot and dry as an impetus for design. For this reason, my projects have a strong focus on climate and energy....It is important to introduce structures that embrace natural ventilation and daylight not only for under-developed areas but also for places like London."

It's impressive that a building so small can feel so capacious and so at one with its surroundings—yet another way in which this year's Pavilion feels distinct from many of its predecessors, which were so obviously asking to be seen as visible marks on the bucolic landscape of Kensington Gardens and the Serpentine waterway that gives the gallery its name.

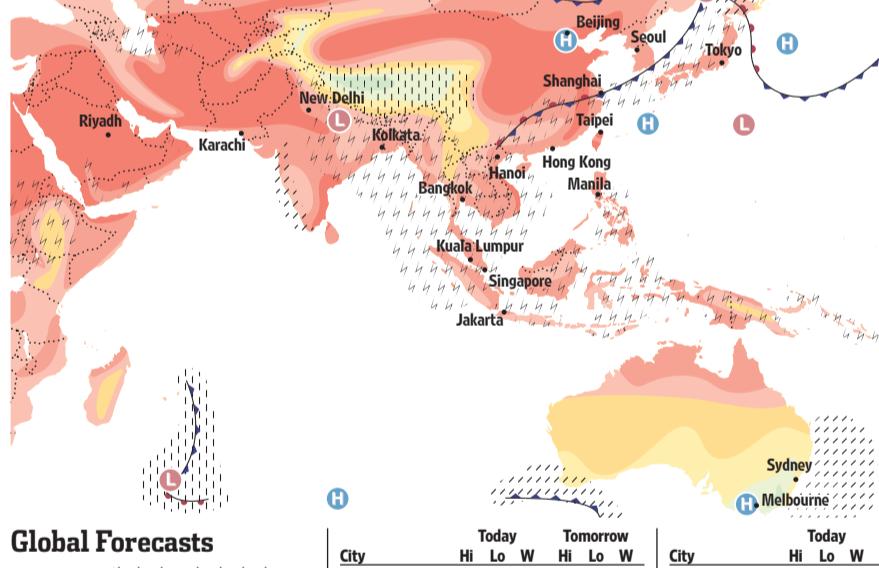
Unassumingly, the center of the canopy roof funnels rainwater, via a large translucent plastic tube, into an almost separate central courtyard additionally articulated by a covering of small, water-absorbing pebbles. The architect says that he has designed this so that "the symbolic rain collection puts an emphasis on water as a vital element for sustaining life." This little central space includes small concrete seating pads, while other seating is provided along the curving blue wall enclosures.

According to Mr. Kéré, in the Burkina Faso village where he grew up "building is a communal activity. Whenever someone needs a new house or has to have their home repaired, members of the community would come to help." Park visitors here appear to sense that concept of community as they bask in the casual comfort of a building that is the latest version of one of London's must-see destinations in summer.

Mr. Freudenheim, a former art-museum director, served as the assistant secretary for museums at the Smithsonian.

Weather

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



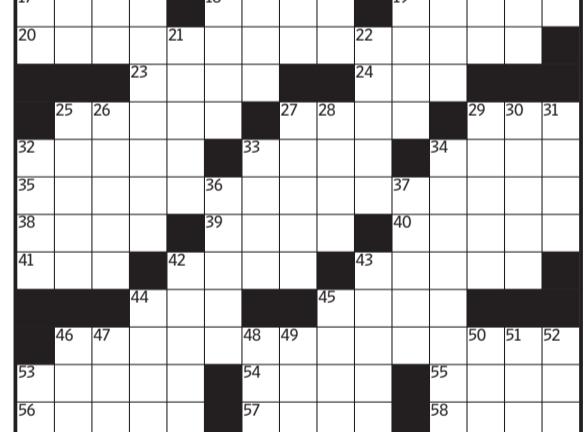
Global Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	20	14	pc	18	11	r
Anchorage	19	13	c	22	14	pc
Athens	35	25	s	36	25	s
Atlanta	32	23	pc	33	24	t
Bahrain	47	30	s	46	30	s
Baltimore	35	23	pc	34	24	t
Bangkok	33	24	t	33	25	t
Beijing	36	24	pc	36	26	s
Berlin	23	15	t	19	11	r
Bogota	17	10	r	17	9	r
Boise	32	17	s	36	19	s
Boston	29	21	c	27	18	pc
Brussels	20	15	t	19	8	r
Buenos Aires	14	11	pc	18	15	sh
Cairo	38	24	s	38	25	s
Calgary	21	11	c	27	13	s
Caracas	32	26	pc	32	26	pc
Charlotte	33	22	s	34	23	pc
Chicago	28	21	c	33	21	t
Dallas	36	26	s	35	26	s
Denver	34	17	pc	31	17	t
Detroit	29	21	pc	29	22	t
Dubai	42	34	s	44	34	s
Dublin	15	9	r	19	11	s
Edinburgh	16	7	c	18	10	pc
Frankfurt	24	15	pc	21	10	t

The WSJ Daily Crossword | Edited by Mike Shenk

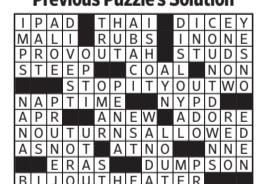


HAVE A WEE LOOK | By Paul Coulter

Across		
1	Bit of kindling	25 Thick-soled shoes
5	Word on a door	43 Paid to play
9	Flat-bottomed boats	44 In favor of
14	Popular first-person shooter game	27 Portfolio item
15	Dead against	45 Field of study
16	Features of some courses	29 Trucker's compartment
17	Celestial bear	46 Diner employee
18	Iditarod vehicle	53 Fab Four drummer
19	Saucer traveler	54 It may generate some interest
20	Petty thief, say	55 Thor's mischievous adoptive brother
23	Fuel from boggs	56 Expenditures
24	Craving	57 "Born This Way" singer, familiarly
		58 Old Testament prophet
		59 Mocking smile
		60 Son of 42-Across
		61 Salty septet

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

Down	
1	Consequently
2	Friendly
3	"Casablanca" heroine
4	It's unfair to move them, in a sports metaphor
5	Rotini and rigatoni
6	Dark
7	Thorn setting
8	Tanning target
9	Like custody after some divorces
10	Emoticon eyes, often
11	Hodgepodge
12	Half a fortnight
13	Fig. in identity thefts
21	Court-based
22	Suspicious sort
25	Change
26	Fretted instruments
27	Edward's love in "Twilight"
28	Verbalized
29	Hard to call
30	Verbalized
31	Sit in the sun
32	Gin flavorer
33	Skier's transport
34	Features of some courses
36	Reviewer Roger
37	Ralph in Cooperstown
42	King's domain
43	Sites of fights
44	Smithy
45	Pearl of wisdom
46	Flabbergast
47	Can't stand
48	Gymnast Korbut
49	Crowd response
50	Seep
51	Gumbo veggie
52	Sorento, Sedona and Soul
53	"Send help!"



City	Hi	Lo	W	Hi	Lo	W
Geneva	25	15	t	25	14	t
Hanoi	31	26	t	31	26	t
Havana	31	22	pc	32	22	pc
Hong Kong	32	27	sh	32	27	t
Honolulu	31	24	pc	31	24	pc
Houston	33	24	t	34	25	t
Istanbul	30	21	s	30	21	s
Jakarta	32	25	t	32	24	t
Johannesburg	21	5	s	22	6	s
Kansas City	35	24	s	35	24	t
Las Vegas	41	30	pc	42	30	s
Lima	21	15	s	21	15	pc
London	20	15	r	22	13	pc
Manila	30	19	p	29	19	pc
Manhattan	33	26	t	32	25	t
Melbourne	14	4	s	14	8	pc
Mexico City	20	12	t	21	13	t
Miami	33	27	pc	33	27	sh
Milan	30	20	pc	32	19	pc
Minneapolis	30	22	pc	30	18	pc
Monterrey	33	21	p	34	22	pc
Montreal	27	15	sh	24	14	pc
Moscow	23	14	p	23	16	r
Mumbai	32	28	r	31	27	r
Nashville	36	22	s	34	24	pc
New Delhi	35	26	p	32	26	t
New Orleans	32	25	t	32	25	t
New York City	30	23	pc	31	23	pc

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, July 11, 2017 | B1

Yen vs. Dollar 114.1180 ▲ 0.19% **Hang Seng** 25500.06 ▲ 0.63%

Gold 1212.00 ▲ 0.28%

WTI crude 44.53 ▲ 0.68%

10-Year JGB yield 0.095%

10-Year Treasury yield 2.370%

Abercrombie Shelves Talks

Apparel retailer fails to find buyer, plans to pursue turnaround on its own; shares sink

By DANA MATTIOLI

Abercrombie & Fitch Co.'s efforts to sell itself have stalled, leaving the apparel retailer to continue trying to right its business on its own.

In May, the company said it was in "preliminary discussions with several parties." As of Friday, Abercrombie had a market value of \$820 million.

Its shares were down 20% at \$9.70 in midday trading on Monday after the company said deal talks were off, confirming an earlier report by The Wall Street Journal.

The sales process attracted a number of interested parties, including rivals **Express Inc.** and **American Eagle Outfitters Inc.**, which teamed up with private-equity firm **Cerberus Capital Management**, people familiar with the matter said.

Sycamore Partners was also involved in the process, but the buyout firm just last month struck a \$6.9 billion deal to buy office-supply retailer Staples Inc.

Last month, Abercrombie accepted final bids, but couldn't come to acceptable terms with suitors and it now seems unlikely it will find a buyer, according to the people. On Monday, Abercrombie said the best way for the company to create value for shareholders is "the rigorous execution

of our business plan."

Abercrombie, based in New Albany, Ohio, has been closing stores, lowering prices and revamping its marketing to win back shoppers, but revenue has declined for four straight years.

Apparel retailers, especially those catering to teens, have been hit hard by declining mall traffic, changing tastes and new competition. Several Abercrombie rivals, including **Aéropostale Inc.**, **Wet Seal LLC** and **American Apparel LLC**, have filed for chapter 11 bankruptcy protection over the past year or so.

Former Chief Executive Mike Jeffries transformed Abercrombie from an old-fashioned outdoor retailer to a hot brand, where shoppers readily paid a premium for logo T-

shirts and low-cut jeans. The company was known for clothing emblazoned with its logo, but that style has fallen out of fashion and the company has had to recalibrate.

In addition to its namesake brand, Abercrombie also owns Hollister, which caters to a younger shopper.

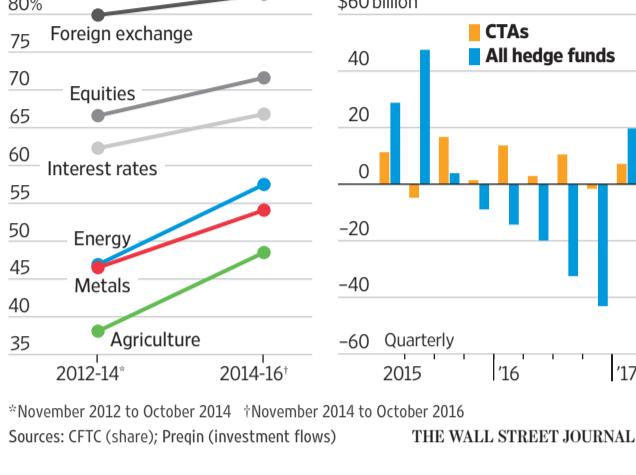
It has been a difficult environment for retailers looking to sell themselves. Luxury department-store chain Neiman Marcus Group Ltd. had announced it was exploring its options earlier this year, but in June the company ended the process.

Macy's Inc. had been engaged in preliminary deal talks earlier this year with Canada's Hudson's Bay Co. but talks have since ended, people familiar with the matter have said.

Computerized Commodities

Automated trading is becoming more popular in markets like energy, metals and agriculture. That's helping fuel investments into commodity trading advisors (CTAs), hedge funds that often use computer programs to bet on market trends.

Share of futures trading that is automated



*November 2012 to October 2014 †November 2014 to October 2016

Sources: CFTC (share); Preqin (investment flows)

THE WALL STREET JOURNAL.

Investment flows



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Oil Trade Leaves Basics Behind

By STEPHANIE YANG
AND TIMOTHY PUZO

When energy analysts and investors couldn't figure out oil markets this year, they blamed one group: algorithmic traders.

On various days over the first six months of 2017, even amid signs of tightening supply, oil prices fell sharply, eventually sinking into bear market territory.

Such moves confounded longtime watchers of oil, who said that based on the fundamental information, prices should have been rising.

Oil investors, who make bets relying on data like production and demand, say that such forces are no longer always driving crude prices.

They say program trading is distorting the market, often causing shallow price drops to accelerate.

Take May 25. Even after the Organization of the Petroleum Exporting Countries agreed to continue cutting back supply, oil fell almost 5%.

While some observers attributed the move to investor expectations for even deeper cuts from OPEC, others said the drop steepened as algorithms hopped on the trend. To oil investors geared to fundamentals, it was an example of how algorithmic trading and technical signs have been influencing commodities like never before.

Saudi Arabia energy minister Khalid al-Falih was among those who pointed to technical trading for causing the May 25 selloff to intensify. "For many people, it was time to sell," he said in an interview after the May 25 OPEC meeting. "Once you broke some of the technical barriers, that also had an impact, he said.

Although automated trading has swept stock and bond markets for years, it has only recently accounted for the majority of trades in energy.

Automated trading in en-

ergy-related contracts accounted for 58% of volume in the period from 2014 to 2016, compared with 47% from 2012 to 2014, a March study by the Commodity Futures Trading Commission shows.

Weekly data releases on U.S. crude storage are still a significant factor in market movement, but price swings have been magnified by programmed trading, analysts say.

On March 8 and 9, analysts say algorithms kicked in after data showed record-high inventory levels. Oil slid that day below \$50 a barrel for the first time this year.

"An increasing number of market participants are being swayed more by the headlines than by counting physical barrels," said Michael Tran, director of energy strategy at RBC Capital Markets. "A lot of this has been driven by al-

gos and quants."

Strategies vary greatly among funds, making the impact of algorithms and automation difficult to quantify.

The complexity of algorithms also make them an easy target for blame, said Michael Pomada, chief executive of Crable Capital Management, a hedge fund with \$2.2 billion in assets and \$700 million in trend-following strategies.

"It's like the boogeyman," said Mr. Pomada. "People tend to blame things that they don't know much about."

Algorithms often have intricate and opaque methodology. They tend to follow set rules on when to buy and sell, using signals such as moving averages and volatility to identify trends.

But traders may combine mathematical models and human discretion to place bets on price moves ranging from within one day to several months.

Although both human traders and algorithms use automation to execute orders, the rising level of automated

Please see OIL page B2



Box Options Exchange's plan to launch an open-outcry floor has become a lightning-rod issue. Here, a CBOE options pit last year.

Outcry Over a Trading-Floor Plan

By GUNJAN BANERJI

Many Wall Street traders have lamented the steady demise of floor trading. But now that one exchange is trying to launch the first U.S. open-outcry trading pit in decades, it isn't exactly being welcomed.

Box Options Exchange LLC hopes to open a new floor for about 40 human traders at the Chicago Board of Trade Building. The exchange, whose electronic platform has one of the smallest market shares in U.S. options, is trying to build up its business by vying for orders executed via open outcry.

While trading floors have dwindled in almost all markets because of a shift to electronic trading, old-fashioned shouting and hand signals in open pits have endured in the options market, where investors sometimes prefer human traders to execute complex orders rather

than computer programs.

It would be a needed respite for floor traders, many of whom have sought new jobs since screen-based trading took off in the 1990s. **Intercontinental Exchange Inc.**, which owns the New York Stock Exchange, ended floor trading for options on futures in 2012, and **CME Group** closed most of its futures trading pits in 2015. The largest options exchange, **Chicago Board Options Exchange**, has seen its floors thin to about 440 people earlier this year from 10 times that in the late 1980s.

Box's initial plan, though, sparked critical letters this year from Chicago Board Options Exchange owner, **CBOE Holdings Inc.**, and the NYSE, as well as trading firms that said another trading venue will make it tougher to do business as activity potentially becomes less transparent and

more fragmented.

Nasdaq Inc., which also operates options exchanges, has filed three comment letters about its concerns. A main one is that a Box trading floor, if approved, could sit empty for a few months, potentially leading to worse prices for customers if not enough market makers are competing. Since trading firms take time to get new people trained and registered, Nasdaq argues that Box shouldn't be allowed to open until the traders, known as "market makers," are ready to participate.

"Having an empty room would be completely contrary to the spirit of the trading floor," said Kevin Kennedy, head of U.S. options at Nasdaq, in an interview.

The Securities and Exchange Commission plans to make a decision on the new floor by Aug. 2, documents show.

But Box's efforts have ran-

Open outcry accounts for about 13% of U.S. options trading, according to Burton-Taylor International Consulting, which advises exchanges. Most trades are done electronically. Over 350 million options contracts exchanged hands in June in the U.S., with about 2% flowing through Box, data from Options Clearing Corporation show. Box is partly owned by **TMX Group**, which operates the Toronto Stock Exchange.

Backers of the company's proposal say it will boost competition among exchanges. Some also say it is Box's right to try to build market share in the fiercely competitive options landscape, where a select group of exchanges like the NYSE, Nasdaq and Chicago Board Options Exchange run the existing floors.

But Box's efforts have ran-

Please see TRADE page B5

HEARD ON THE STREET | By Dan Gallagher

The Chip Rally Looks Different This Time

Times are very good in the chip business. In this boom-and-bust industry,

that leads to the obvious question: Are they too good?

Global semiconductor revenue has doubled since the first dot-com era of the late 1990s. That is when personal computers were flooding into every home, and every business was buying servers and wiring up for the internet. Those aren't big growth drivers now, but new industries have emerged to fill the gap: Cars and household appliances are packing in more chips than ever. Artificial intelligence is being built into

big corporate networks. These sorts of capabilities require new processors and memory, in turn driving up sales of chips.

That has put the chip industry in the strongest upswing in years. Global chip sales jumped nearly 23% in May from a year earlier, to \$31.9 billion, according to the Semiconductor Industry Association. That is the sixth consecutive month of double-digit gains—the strongest sustained run in seven years. The association also projects full-year sales growth of 11.5%, which would also mark the highest growth rate since 2010. Profits are surging as well; **Sam-**

Please see HEARD page B2

Desperate to get shoppers in the door, department stores are discounting the one item they had long been able to sell at full price: cosmetics.

Last month, Lord & Taylor offered 15% off almost all cosmetics and fragrances. Bloomingdale's gave members of its loyalty program a \$25 reward card for every \$100 beauty purchase. The moves followed a decision by **Macy's Inc.** to offer 15% off cosmetics, which it touted in nationally televised advertisements this spring.

"We've seen our competitors start to discount items like cosmetics, and I'm sure they're saying we're doing it," said Jerry Storch, the chief executive of Saks Fifth Avenue and Lord & Taylor parent **Hudson's Bay Co.**, on a con-

ference call last month. "Once you get into that kind of a situation, everyone is fighting for every inch."

A decade ago, shoppers would have been hard-pressed to find any Estée Lauder lipsticks, Bobbi Brown mascara or Shiseido blush on sale.

These "prestige" brands are sold mainly at department and specialty stores and tend to be pricier than the so-called mass cosmetics sold at drugstores.

Department stores have long given prestige cosmetics prime space on the ground floors of their stores, and the brands confined their distribution to these emporiums.

But the retail landscape has shifted. Shoppers are increasingly skipping the mall to buy online. Specialty chains such as Sephora and Ulta Beauty Inc. are siphoning away customers. Brands such as Estée Lauder, Clarins and Dior now

sell to such chains as well as through their own websites.

Sales of prestige makeup in the U.S. are growing, totaling \$8 billion in the 12 months to May, an 11% increase over the

same period a year earlier, according to market-research firm NPD Group Inc.

But department stores' share of the market fell to 19%.

Please see MAKEUP page B2

Stores Apply Cosmetics Discounts

By SUZANNE KAPNER
AND SHARON TERLEP



RICHARD B. LEVINE/LEVINE ROBERTS/NEWSCOM/ZUMA PRESS

A makeup counter at a Macy's department store in New York. Some industry executives say discounting is a short-term fix.

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OIL

Continued from the prior page
trades is one benchmark that reflects the growing influence and speed of computers in oil trading.

Computerized trading is also taking over other commodities. According to the CFTC report, the share of automated trading in agriculture rose to 49% between 2014 and 2016 from 38% between 2012 and 2014, and to 54% from 47% in metals over the same periods.

But crude has been particularly vulnerable to big swings this year as traders try to gauge the impact of OPEC cuts amid a global oil glut. Meanwhile, momentum traders who use algorithms have grasped for market trends, said Peter Hahn, of **Bridgeton Research** Group, a quantitative research firm.

Oil is "in a transitioning period," Mr. Hahn said. In that kind of market, he said, "momentum-based algorithms are more likely to be whipped into and out of long and short positions."

Money is also pouring into some algorithmic strategies. In 2016, investors pumped \$25.5 billion of new money into commodity trading advisors, or CTAs—many of which use algorithms to follow trends in the futures market—according to data provider

Preqin. CTAs attracted another \$7.2 billion of new investor cash in the first quarter of this year, bringing total assets to \$256 billion.

Funds that use trend-following strategies say it is unlikely their models have been disrupting the market. Traditional funds that don't specialize in systematic trading or commodities can also be trend followers.

"There can be a lot of momentum players out there of all different types," said Christopher Reeve, director of product management at Aspect Capital, a CTA that uses trend-following strategies and manages more than \$6 billion. "We would see very quickly if we were having too high of a market impact."

Goldman Sachs said CTAs can create trading opportunities. "Fundamental traders shouldn't be afraid of the CTAs, but rather view them as creating opportunities when they push markets away from fundamentals," the firm wrote in a commodities research report from June 29.

Even traders that take positions based on fundamental signs are building models to predict how trend followers can move oil, said Anthony Caruso, head of quantitative and macro strategies at Mesirow Advanced Strategies, a fund of hedge funds.

"They know that trend followers are kind of the elephant in the room," he said.



Work at an oil field in northwest China. Some say supply-and-demand fundamentals are diminishing as an oil-price determinant.

the previous 12 months. The coming second-quarter earnings season will include forecasts for the latter half of the year, and any disappointment will likely send share prices down further. Still, Credit Suisse opined Friday that at its current level the semiconductor index has priced in "cyclical peak" concerns.

Those cyclical concerns might be overblown. The industry is enjoying several strong demand drivers that aren't short-term in nature. Autos in particular are in the midst of a strong push toward automation. Artificial intelligence also is still in its early days. And even mature markets like smartphones are creating fresh demand for specialized

BUSINESS & FINANCE

Samsonite in Growth Push

Luggage maker sets sights on doubling market share over the coming decade

By SAABIRA CHAUDHURI

Samsonite International SA, the world's largest luggage maker by volume, is looking to double its market share in the next decade by widening its product range, pushing into smart luggage and focusing on bags designed for women.

In an interview in London, Chief Executive Ramesh Tainwala said the company foresees an opportunity to take market share from private-label or unbranded players, which currently make up about 50% of the luggage market by volume. He estimates the market for luggage and everyday bags globally is growing at a steady rate of 4% to 5% each year helped by population growth, longer living and travel having become more central as a leisure activity.

Samsonite's retail unit filed for bankruptcy-court protection in 2009 after travel slumped following the global financial crisis and travelers opted for less costly products. In 2015, the company launched the lower-priced suitcase brand Kamiliant in emerging markets, in a bid to woo price-sensitive customers.

The company, which went public in 2011, has simultaneously pushed into more upscale turf, last year buying

"It's not controllable be-



A Samsonite luggage shop in Hong Kong last year. The company is widening its product range.

Tumi Holdings Inc. of New Jersey for \$1.8 billion. Tumi's products are priced at \$500 and above, which is higher than Samsonite's own-brand prices of \$100 to \$300.

Despite the extensions, Mr. Tainwala said Samsonite has decided to stay focused on its core business. The company in 2014 bought Speck, a U.S. designer of mobile-phone cases, for \$85 million, marking its first foray beyond luggage and bags.

Mr. Tainwala said Monday that his enthusiasm for the business—which relies on the success of mobile phones—has cooled.

cause you're dependent on the success of everyone else," he said. "We're now asking, do we need to stretch ourselves?"

The company is putting more resources toward developing its online business, in April saying it had agreed to buy online bag seller eBags Inc. for \$105 million. Online purchases currently make up about 9% of its sales.

While about 35% of the company's revenue currently comes from everyday bags, or ones that are used for work or school rather than travel, Mr. Tainwala is aiming for this to

reach 50%, leaving Samsonite less open to the vagaries of

macroeconomic disruption.

On Friday, Samsonite launched a wireless bag-tracking device under the Tumi brand for \$200 after receiving approval from the U.S.'s Federal Aviation Administration. The luggage industry has been slow to launch products incorporating new technology, which Mr. Tainwala blamed on safety concerns. "If you can talk to your luggage so can somebody else," he said, citing worries of terrorists using tracking devices to blow up suitcases. To address this, the Tumi tracker turns off as the plane accelerates and only turns back on upon landing.

Mobike Sizes Up Washington, D.C.

By NEWLEY PURNELL
AND LIZA LIN

Chinese bike-sharing giant **Beijing Mobike Technology** Co. has its sights set on Washington, D.C.

The startup, known as Mobike, on Monday began advertising for jobs in the greater Washington area, showing how its intention to conquer the U.S. may be taking shape.

The fast-growing company, which is backed by Chinese internet giant **Tencent Holdings** Ltd. and private-equity firms **TPG** and **Warburg Pincus**, has said it is eager to expand to the U.S. but hasn't said where.

The firm and its main rival have risen to prominence in their homeland but aren't without their challenges. They are likely to face tight government restrictions, and their business

models remain unproven.

A Mobike spokeswoman didn't immediately respond to requests for comment.

One of the jobs posted on the professional networking site LinkedIn is for an operation manager, based in the Washington, D.C., area, who would need to get to know "the local environment" and "be the main point of contact for the regional government officials and Transport Authorities," according to the listing. The other position is for a social media professional to work with the company's prospective community of users.

Mobike and its Chinese rival, Beijing-based **Ofo** Inc., have scaled up swiftly at home in recent months, with both boasting fleets of more than five million bikes, up from a combined total of more than 100,000 in October. They both operate in more

than 100 cities globally, though most are in China.

Both offer "dockless" bike-sharing, allowing users to find and rent the two-wheelers via smartphones, picking them up or returning them in places like sidewalks and bike racks rather than typical docking stations.

That means convenience for riders but can also lead to bikes strewn about in public places. Earlier in the year, there were reports in China of bikes being vandalized, stolen, and even thrown into trees and rivers by riders.

Mobike raised \$600 million in new funding in June to expand its operations globally.

Its recent round of funding values it at about \$3 billion, according to people familiar with the situation.

Mobike is aiming to expand overseas as it taps demand for

urban transportation alternatives. The company has expanded into Singapore, Japan and the U.K. this year and aims to double the number of cities it operates in to 200 by the end of the year.

It started its dockless bike-sharing services in Chinese cities in April last year. Ofo, which counts Alibaba Group Holding and Honey Capital among its backers, wants to reach 200 cities in 20 countries by year-end.

Regulation has proved to be stumbling blocks for such dockless bike-sharing companies in the U.S. Chinese startup **Bluegogo International** Inc. had to alter its initial plans and use private parking spaces instead of public bike racks for its shared bikes in San Francisco after talks with city officials.

MAKEUP

Continued from the prior page
in North America last year from 23% a decade ago, according to Euromonitor International data analyzed by Bernstein Research. Over the same period, specialty beauty retailers increased their share to 20% from 14%.

Katie Fitzgerald usually buys her cosmetics at Sephora, but was recently at a Macy's near her home in Haymarket, Va., when she happened upon a departmentwide sale.

"I thought, 'Oh, look, cheap makeup,'" the 17-year-old said. She bought a Smashbox contour palette. "I figured I might as well since I was there anyway."

Some department-store industry executives say discounting is a short-term fix. While promotions initially encourage shoppers to buy, they

deals, retailers are forced to offer ever-deeper price cuts.

"Department stores shoot themselves in the foot when they do this," said Michael Gould, a former CEO of Bloomingdale's, who ran the upscale department-store chain for 23 years until his retirement in 2014. "It's like they're putting themselves on drugs."

Estée Lauder Cos., L'Oréal SA and other large cosmetics makers declined to comment on the recent pricing moves. A Macy's spokeswoman said the retailer is using discounts but also looking at other ways to bolster beauty sales, including a loyalty program it will introduce this fall and by reconfiguring its departments to make them easier to shop.

Sephora—a unit of **LVMH Moët Hennessy Louis Vuitton** SE—and Ulta have done a better job of appealing to younger shoppers with open-sell formats that allow customers to try products without the help

of sales associates and to mix and match different brands, analysts say.

The shift has upended the pricing dynamics because stores such as Sephora and Ulta tend to display prestige brands alongside more mass labels. "The pricing halo around prestige gets eroded because it gets muddled with the rest of the category," said UBS analyst Stephen Powers.

Sephora and Ulta offer discounts, too, but they are less frequent and tend to be restricted to their loyalty programs, according to spokeswoman for both chains. Sephora, for instance, holds two sales a year for its "Beauty Insiders" members.

Apparel manufacturers bear the brunt of any discounts by agreeing to guarantee department-store margins. Beauty brands have no such agreements, meaning that any price reductions come out of the retailers' pockets.

Chipper

Global semiconductor revenue

\$400 billion

300

200

100

0

1997 2000 '05 '10 '15 '17

*Forecast

Source: World Semiconductor Trade Statistics

300

200

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1997 2000 '05 '10 '15 '17

*Forecast

Source: World Semiconductor Trade Statistics

industry. Still coming: What the new iPhone means for chip makers and how China is trying to upend the industry.

This is the first of three columns on what is next for the booming semiconductor

HEARD

Continued from the prior page
sung and **Micron Technology** both recently reported record quarterly earnings, thanks mostly to strong prices on memory chips.

But chips have been a cyclical business in the past, which feeds some understandable skepticism about how much longer the good times can last. Industry revenue has fallen in six of the past 20 years, according to SIA's data. So investors are nervous. Despite some gains in recent sessions, the PHLX Semiconductor Index is about 7% off its peak in the past month. That was after surging by 60% in value over

the previous 12 months. The coming second-quarter earnings season will include forecasts for the latter half of the year, and any disappointment will likely send share prices down further. Still, Credit Suisse opined Friday that at its current level the semiconductor index has priced in "cyclical peak" concerns.

Those cyclical concerns might be overblown. The industry is enjoying several strong demand drivers that aren't short-term in nature

BUSINESS NEWS

U.A.E. Oil Firm Eyes Partnerships, Listing Businesses

By SUMMER SAID

Abu Dhabi's state oil company said on Monday it was looking to publicly list parts of its businesses on the United Arab Emirates' equity markets and would seek international partners as part of its drive to expand operations.

The Abu Dhabi National Oil Co., which is known as Ad-

noc and produces most of the 2.9 million barrels a day of output in the U.A.E., will expand its partnerships into refining and petrochemicals as well as other areas such as pipelines and storage. Chief Executive Sultan al-Jaber said in an emailed statement.

It already has ventures with international companies such as BP and Total SA at its

main oil and gas field. BP and Total had each paid \$2.2 billion for a 10% stake in an onshore oil concession with Adnoc.

"It will enable us to accelerate our growth, increase revenue and improve integration across the Adnoc value chain," Mr. Jaber said.

Adnoc plans to list minority stakes in some of its oil-field

services businesses through initial public offerings on local equity markets, but the U.A.E. government won't sell stakes in the company itself, as neighboring Saudi Arabia is planning to do with its state oil firm.

The statement didn't specify which units would be listed or give a time frame for the plan but a spokesman said one

of Adnoc's services-related companies may be listed by the end of this year.

Adnoc's announcement comes as other major oil producers in the region, such as Saudi Arabia, have also unveiled plans to list their energy assets to raise cash for expansion amid low oil prices.

The U.A.E. is the fourth-largest producer in the Organ-

ization of the Petroleum Exporting Countries.

The country plans to boost its crude oil production capacity to 3.5 million barrels a day by 2018 and expand its petrochemical business. The U.A.E. is also investing \$35 billion to diversify its energy mix and reduce its dependence on natural gas imports for power generation.

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resources & energy

GLOBAL TENDER NOTICE

WorleyParsons on behalf of Mumbai Aviation Fuel Farm Facility Pvt Ltd (MAFFFL) invites sealed Tender under Two Bid system (Technical Part and Financial Part) from Indian/Foreign Bidders for Hot Tapping Works against Tender No MAFFFL-100/G. Tender documents can be obtained by making an Application on letter head with Tender Fees of INR 10,000 or US\$ 160, in the form of DD or by foreign exchange remittance in favor of Mumbai Aviation Fuel Farm Facility Pvt Ltd, payable at Mumbai, India, on all working days (Monday to Friday) between 12.07.2017 to 04.08.2017 from 10.30 am to 4.00 pm to the Project Manager, M/s WorleyParsons India Pvt. Ltd, 6th Floor, A-Wing, "I Think" Lodha Techno Campus, Pokharan Road No.2, Off Eastern Express Highway, Thane (W)-400607, Maharashtra, India, Tel No. +91 22 66515701, Email: Kameshwar.Kavuri@WorleyParsons.com/ Pandurang.Jadhav@WorleyParsons.com. The due date for submission of Bids is on 22.08.2017 upto 3.00 pm.

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BUSINESS OPPORTUNITY

GOVERNMENT OF MAHARASHTRA PUBLIC WORKS DIVISION, NANDURBAR

NOTICE FOR HYBRID ANNUITY (ONLINE) TENDER E-Tender Notice No. 9 For 2017-18

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, Public Works Division, Nandurbar (**The "Authority"**) is engaged in the development of highways and as part of this endeavor, the Authority has decided to undertake development and operation / maintenance of the two projects (**the "projects"**) on [Design, Build, Operate and Transfer (**the "DBOT"**)] Hybrid Annuity basis, and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded. Brief particulars of the project are as follows:

Sr. No.	State	Dist.	Pack-age No.	Name of Project	Project Length in (km)	Project Cost	Earnest Money / Bid Security	Duration Of the Project	Cost of Tender Fee Document
1)	Maharashtra	Nandurbar	NSK-44	A) Improvement to Sujalpur Samsherpur Karankheda Dhekawad Road. SH-11 Km. 0/00 to 44/700. Tal. & Dist. Nandurbar (Length 34.85Km)	34.85 km	₹ 81.13 crore	₹ 0.81 crore	18 months	₹ 50,000/- Online Payment through NEFT/ RTGS
				B) Improvement to Amladmod Borad Shahada Aslod Shahana to District Border Road SH-1 Km 14/500 to 67/700 Tal. Shahada Dist. Nandurbar (Taloda to Shahana) (Length 51.40 Km)	51.40 km	₹ 135.09 crore	₹ 1.35 crore		
				Total	86.25 km	₹ 216.22 crore	₹ 2.16 crore		

E-Tender Time Table

Sr. No.	Event Description	Date
1)	Invitation of REP (NIT) (Download period of online tender)	30.06.2017 at 10.00 am to 29.08.2017 at 23.00 pm
2.A)	Last date for receiving queries for Pre-Bid No.1	21.7.2017 upto 10.30 am
2.B)	Pre-Bid Meeting No.1	Online or in the office of the Chief Engineer, Public Works Region, Nashik on or before Dt. 21.7.2017 up to 11.00 am.
2.C)	Authority response to queries for Pre-Bid Meeting No.1	25.7.2017
3.A)	Last date for receiving queries for Pre-Bid No.2	11.8.2017 upto 10.00 am
3.B)	Pre-Bid Meeting No.2	Online or in the office of the Chief Engineer, Public Works Region, Nashik on or before Dt. 11.8.2017 upto 11.00 am.
3.C)	Authority response to queries for Pre-Bid Meeting No.2	16.08.2017
4)	Bid due Date (submit Hash to create online tender by bidder) (Technical and financial Bid Last date and time)	Dt. 31.08.2017 till 23.00pm
5)	Physical submission of Bid Security / POA etc. (as per clause 2.11.2 of RFP)	Till 11.00 am on 5.9.2017 in the office of Superintending Engineer, Public Works Circle, Dhule.
6)	Opening of Technical Bids.	at 11.30 am on 5.9.2017 office of Superintending Engineer, Public Works Circle, Dhule.

Note:-

1. Tenders of both the projects must be considered as individual project and must be treated separately. RFP, MCA, Schedules and other details of both the above projects are provided separately.
2. The payment towards the cost of Tender forms will be done online only through RTGS / NEFT. It should be noted that one should complete these activities at least one day in advance.
3. All eligible / interested Bidders who want to participate in tendering process should compulsorily get enrolled on E tendering Portal "<http://mahatenders.in>"
4. Contact below for difficulties in online submission of tenders (NIC-Toll Free Ph. No. 1800 30702232 / 7878107985-86)
5. Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. as specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before 5.9.2017 upto 11.00 am.
6. Other terms and conditions are detailed in online E-tender form. Right to reject any or all online bid of work, without assigning any reasons there of, is reserved with department.
7. Short Tender Notice is displayed on P.W.D. Website www.mahapwd.com.

ization of the Petroleum Ex-

porting Countries.

The country plans to boost its crude oil production capacity to 3.5 million barrels a day by 2018 and expand its petrochemical business. The U.A.E. is also investing \$35 billion to diversify its energy mix and reduce its dependence on natural gas imports for power generation.

BUSINESS OPPORTUNITY

GOVERNMENT OF MAHARASHTRA PUBLIC WORKS DIVISION, AHMEDNAGAR

NOTICE FOR HYBRID ANNUITY (ONLINE) TENDER E-Tender Notice No. 9 For 2017-18

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, Public Works Division, Ahmednagar (**the "Authority"**) is engaged in the development of highways and as part of this endeavor, the Authority has decided to undertake development and operation / maintenance of the one Project (**the "Project"**) on [Design, Build, Operate and Transfer (**the "DBOT"**)] Hybrid Annuity basis, and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded. Brief particulars of the Project are as follows:

Sr. No.	State	Dist.	Pack-age No.	Name of Project	Project Length in (km)	Project Cost	Earnest Money / Bid Security	Duration Of the Project	Cost of Tender Fee Document
1)	Maharashtra	Ahmednagar	NSK-50	Improvement to Amrapur- Pathardi- Kada- Mirajaon- Karjat- Bhigwan Road SH- 54Km. 0/000 to 124/300 District - Ahmednagar	124.30 km	₹ 207.63 crore	₹ 2.08 crore	18 months	₹ 50,000/- Online Payment through NEFT/ RTGS

E-Tender Time Table

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4. Contact below for difficulties in online submission of tenders (NIC-Toll Free Ph. No. 1800 30702232 / 7878107985-86)
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TECHNOLOGY

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The price cut comes as games and apps for the device are increasing. There are more than 700 today, up from roughly 400 in March.

Facebook Puts VR on Sale

Price of Oculus Rift will be reduced for second time this year amid stiff competition

By SARAH E. NEEDLEMAN

Facebook Inc. for the second time in 2017 is slashing the price of its Oculus Rift to jump-start sales after a rocky first year for the virtual-reality device.

For the next six weeks, Facebook's Oculus VR unit will charge \$399 for the Rift, Touch motion controllers and some games. Previously, Oculus sold that bundle for \$598, itself a \$200 discount from their combined launch prices.

The new, temporarily lowered bundle price doesn't account for the cost of buying a computer powerful enough to support the Rift. It does,

though, put the price of owning the high-end headset on par with its toughest competitor, Sony Corp.'s PlayStation VR. That headset requires gamers to also buy a PlayStation 4 console, which runs anywhere from \$249 to \$399.

The average number of Rift headsets sold each week went up after the first price cut, said Jason Rubin, head of content at Oculus. He said the company is lowering the price again to capitalize on a significant increase in recent months of the number of games and apps for the device. There are more than 700 today, up from roughly 400 in March.

"Now is the time to be pushing consumers into the product because they'll find exciting things to do," he said.

The latest price cut comes as Oculus, which Facebook bought for more than \$2 billion in 2014, faces mounting

competition from HTC Corp. and Sony. Sales of headsets powered by smartphones have far outsold heavier-duty devices such as the Rift. And Oculus also has grappled with internal problems, resulting in the departure of co-founder Palmer Luckey in late March.

Analysts say the Oculus continues to trail its rivals' sales by a wide margin.

Oculus hasn't disclosed sales for the Rift, but analysts say it continues to trail its rivals by a wide margin. Research firm IDC estimates the device has sold about 520,000 units world-wide to date, compared with 770,000 of HTC's

Vive headsets and 1.6 million PlayStation VR headsets.

Facebook said it has provided more than \$250 million in funding to developers to drive more content for the Rift. The social-media company said it plans to dole out \$250 million more over an undisclosed period.

Virtual reality still doesn't have a breakout hit game or app, though, something analysts say is critical for broadening its appeal.

Meanwhile, executives at large technology companies have shifted their focus in recent months to VR's cousin, augmented reality.

At Facebook's annual developer conference in April, Chief Executive Mark Zuckerberg said the company would make its augmented-reality tools available to third parties. It is also developing its own augmented-reality glasses.

Microsoft Adds Software Bundle

By JAY GREENE

Microsoft Corp. on Monday unveiled a new bundled software offering that will leverage its dominant operating system and productivity applications to provide a boost to products that aren't as widely used.

The move reflects an effort that Satya Nadella has pushed after he became chief executive a little more than three years ago to get Microsoft's disparate divisions to work more closely together. That approach, dubbed One Microsoft, was aimed at ending the interneccine battles that sometimes slowed the software company as it competed in a variety of businesses.

At its Inspire partner conference in Washington, Microsoft introduced a product for small and midsize businesses that combines Windows and Office with its security and mobile-device management software. The company also rebranded the bundle, which it began selling to its largest corporate customers two years ago, under the new Microsoft 365 banner.

"Culturally, we are changing the way we work," said Kirk Koenigsbauer, corporate vice president in Microsoft's Office division.

The new approach is also reflected in Microsoft's sales-force reorganization last week, which led to thousands of layoffs.

Microsoft is trying to reorient its sales staff to focus on specific markets, such as small business, rather than discrete products.

The new bundle for small

and midsize businesses, called Microsoft 365 Business, includes licenses for Windows 10 upgrades, a business version of Office 365, and security and management technology. Microsoft will roll out a preview version next month and expects it to be generally available in October for \$20 per user, per month.

The bundle will offer businesses discounts that could top 50%, compared with the cost of buying the products separately, Mr. Koenigsbauer said.

Microsoft has been selling a version of the bundle to large businesses, called Secure Productive Enterprise, that will now be called Microsoft 365 Enterprise.

Mr. Koenigsbauer said that product has recorded "triple-digit growth," though he declined to provide revenue data.

The combined software and new branding should simplify Microsoft's marketing efforts, providing clarity the company's business products often lacked, said Alan Lepofsky, principal analyst with Constellation Research Inc.

Moreover, tying products in markets where Microsoft isn't dominant, such as security software, to products in markets where it is, such as operating systems, will challenge niche rivals, Mr. Lepofsky said.

"Microsoft would love to have that business over a third party," he said.

The product bundle already has displaced a security-software maker at Fruit of the Loom Inc., said Chris Krebs, information chief at the apparel company.



The new bundle will be aimed at small and midsize businesses.

BUSINESS NEWS

Fox News Holds On to No. 1 as MSNBC Surges

By JOE FLINT

When Tucker Carlson was getting ready to take over as Bill O'Reilly's replacement at Fox News this spring, he said network boss and 21st Century Fox Executive Chairman Rupert Murdoch told him, "relax and enjoy yourself."

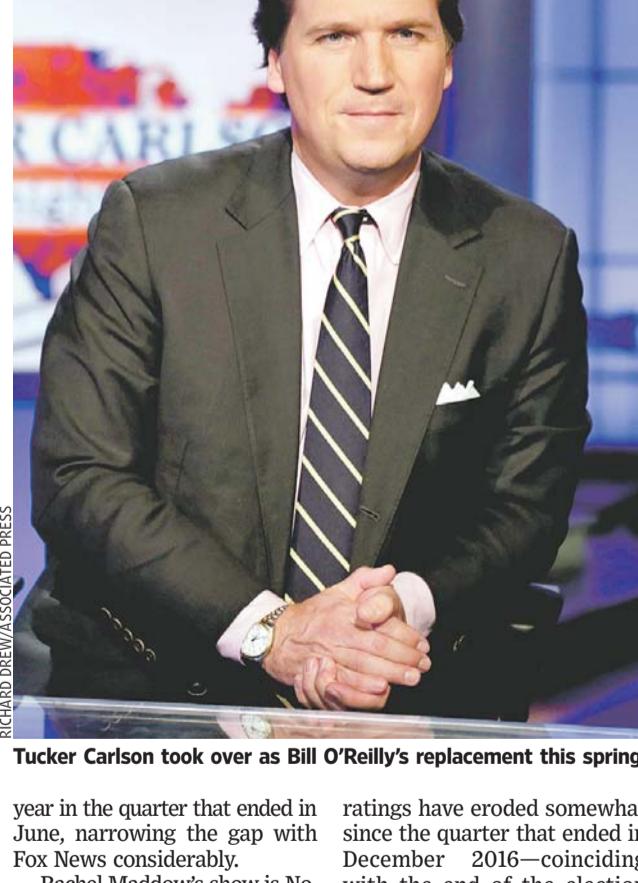
Relaxation and enjoyment may have been in short supply inside the halls of Fox News over the past year. Turbulence from sexual-harassment scandals led to the exits of the network's two top executives, Roger Ailes and Bill Shine, and its biggest star, Mr. O'Reilly.

It raised the prospect among media observers that Fox News's 15-year run of dominance in cable news could be in jeopardy. Not so fast. Fox may be looking over its shoulder more at rivals CNN and MSNBC, but it has kept its hold on No. 1.

The network finished the quarter that ended in June first in total prime-time viewers and first among those 25 to 54 years old, growing 21% in that key demographic compared with the year-earlier period, according to Nielsen. Mr. Carlson has proved a solid replacement for Mr. O'Reilly, at lower cost, and the round-table show "The Five" is up slightly in the ratings over Megyn Kelly's "The Kelly File." Ms. Kelly left for NBC early this year.

Fox News co-President Jack Abernethy said 2017 has been "a great year by virtually all measures."

Still, the landscape has shifted. Ratings for all three cable networks are up substantially from before the presidential election cycle, but MSNBC is enjoying the most sustained growth, with liberal audiences hungry for a critical point of view on the Trump administration. Its viewership among those 25 to 54 grew by 72% year over



Tucker Carlson took over as Bill O'Reilly's replacement this spring.

year in the quarter that ended in June, narrowing the gap with Fox News considerably.

Rachel Maddow's show is No. 1 in the key demographic and is primarily responsible for MSNBC's surge in prime time. But others are also recording substantial gains that are contributing to the network's overall improved performance. "Last Word" with Lawrence O'Donnell at 10 p.m. posted a 97% increase in viewers 25 to 54 in the second quarter compared with a year earlier, the fastest pace in that time slot. He still trails Sean Hannity's "Hannity" on Fox News, which increased its 25-to-54 audience 31%.

Though Fox is still No. 1, its

ratings have eroded somewhat since the quarter that ended in December 2016—coinciding with the end of the election and the departures of top network personalities.

In addition to those personnel changes, Fox News parent 21st Century Fox has been dealing with a probe by federal authorities examining whether the company violated securities laws in its handling and disclosure of sexual harassment settlements, according to people familiar with the matter.

21st Century Fox, which shares common ownership with The Wall Street Journal parent News Corp., has said it is cooperating with the probe. Separately, there are sexual harassment and racial discrimination lawsuits pending that name as defendants top executives who remain at the Fox News Channel. A Fox News spokeswoman said the network is mounting a vigorous defense in those cases.

New incidents continue to surface. Last week, Fox Business Network said it suspended on-air host Charles Payne. The law firm retained to investigate sexual harassment at the company is now looking into Mr. Payne's relationship with an on-air guest at the channel.

Mr. Payne denies any wrongdoing and says he will defend himself vigorously, his lawyer said.

"It's been a roller coaster of emotions for everybody," said Fox News anchor Martha MacCallum. "At the same time we were covering the most tumultuous election we had ever seen we were also going through a lot of tumult here."

Bret Baier, chief political anchor, said he would put his "blinders on" and try to shut out all the bad news around the channel. "I'm not going to tell you it didn't affect us," he said.

When Mr. Ailes was forced out last July, Mr. Murdoch named himself executive chairman of the channel. (Mr. Ailes, who denied allegations that he harassed women, died in May.) The media world has been buzzing about whether Mr. Murdoch will appoint another top executive at the network.

Mr. Shine was co-president alongside Mr. Abernethy, who continues to hold that title. Mr. Shine resigned amid allegations that he allowed a culture of sexual harassment at the company. He has denied any wrongdoing.

In a statement, Mr. Murdoch said, "We have a great and settled leadership team which I enjoy working with every day."

The multiple controversies

have created complications for ad-sales executives. After the revelations that Mr. O'Reilly had settled multiple sexual-harassment complaints, they had to work quickly to shift several ads from his program to other Fox programs. Mr. O'Reilly has denied any wrongdoing. Fox News remains a big draw for advertisers, ad buyers say, because of its high, stable ratings.

Mr. Carlson's average audience in the 8 p.m. hour since succeeding Mr. O'Reilly is 5% smaller than what "The O'Reilly Factor" was averaging, according to Nielsen. But Mr. Carlson is besting Mr. O'Reilly's performance among the desirable demographic of adults 25 to 54, enabling him to earn \$14,100 per 30-second ad slot, a 21% jump over his predecessor's rates a year earlier, according to ad-tracking firm Standard Media Index.

Furthermore, Mr. O'Reilly had a deal that paid him \$25 million a year while Mr. Carlson makes significantly less, a person familiar with the matter said. Likewise, in the 9 p.m. hour, "The Five" is less expensive than "The Kelly File," the person said.

"They've shed a lot of their wage bill," said Andrew Tynan, a TV-news consultant.

Fox has said it is moving aggressively to change its workplace culture following the scandals. It points to hires of more women and minorities, including in key senior positions. The network is also much quicker to respond to complaints, as evidenced in May when it fired on-air personality Bob Beckel within days after learning he made a racist remark to a black technician trying to fix his computer.

"We're sending signals that we are going to operate differently," Mr. Abernethy said.

—Dominic Chopping

BUSINESS WATCH

NORSK HYDRO

Firm Takes Control Of Sapa Venture

Norwegian aluminum producer Norsk Hydro ASA said Monday that it will take full ownership of aluminum-products joint venture Sapa after reaching a deal to buy the 50% of the company it doesn't already own from partner Orkla ASA.

The deal values Sapa at 27 billion Norwegian kroner (\$3.2 billion) and is in line with Hydro's strategy of becoming an integrated aluminum company involved in everything from mining to end-user products.

Sapa was formed in 2013 as a joint venture between Orkla and Hydro, as the companies pooled some of their assets to create a platform for growth in emerging markets.

The deal's completion, subject to approval from competition authorities, is expected this year.

—Dominic Chopping

BOX OFFICE

'Spider-Man' Makes Strong Opening

"Spider-Man: Homecoming" opened to a strong \$117 million in the U.S. and Canada this past weekend, according to studio estimates—the best opening for a film featuring the web-slinging teenager in a decade.

Overseas, the movie took in \$140 million from 56 markets, more than any prior "Spider-Man" film in the same set of countries.

The superhero film performed particularly well in South Korea, Mexico and the U.K. "Homecoming" has yet to open in France, Germany or Japan and to be approved for release in China, which typically imposes a black-out on Hollywood imports for several weeks during the summer to promote local films.

—Ben Fritz

FINANCE & MARKETS

U.S. Stocks Climb, Led by Tech Sector

By RIVA GOLD AND
ALEXANDER OSIPOVICH

U.S. stocks edged up Monday as government-bond markets showed signs of stabilizing after a recent selloff. The Dow Jones Industrial Average was up **MONDAY'S** 14 points, or **MARKETS** less than 0.1%, at 21428 in mid-day trading. The S&P 500 rose 0.1% and the Nasdaq Composite added 0.25%.

Stock markets were broadly higher in Asia after a strong U.S. jobs report Friday boosted the dollar and U.S. stocks, particularly shares of financial companies.

Japan's Nikkei Stock Average rose 0.8% to 20080.98 after closing at its lowest level in three weeks on Friday. Hong

Kong's Hang Seng added 0.6% as index heavyweight HSBC Holdings advanced 2%. Australia's S&P/ASX 200 rose 0.4%, spurred by gains in bank stocks.

In the U.S., technology shares, which have bounded around over the past month, were up 0.6% in the S&P 500. Microsoft shares added 0.7%, while **International Business Machines** gained 0.3%.

In bond markets, 10-year Treasury yields fell to 2.369%. That was down from 2.393% on Friday, the highest level in nearly two months. Yields fall as bond prices rise.

In Europe, the yield on the 10-year government bond in Germany, which was the center of the recent selloff, fell by 0.02 percentage point to 0.547%.

Traders said the recent

price declines made the bond market appealing to some investors. Signs of tighter monetary policy ahead had put downward pressure on government-bond prices around the world over the past two weeks.

Central banks are likely to remain in focus this week, with the Bank of Canada widely expected to raise rates for the first time in seven years and Federal Reserve Chairwoman Janet Yellen set to offer semi-annual testimony before congressional committees on Wednesday and Thursday.

The U.S. second-quarter earnings season will also begin in earnest with investors expecting a roughly 6% gain in earnings per share across the S&P 500, according to CFRA Research.

Investors are largely holding their fire until companies



HSBC shares gained 2% in Hong Kong, helping the Hang Seng rise 0.6%. Here, a Hong Kong branch.

VINCENT YU/ASSOCIATED PRESS

start releasing results, leading to quiet trading as markets opened this week, said Karyn Cavanaugh, senior market strategist at Voya Investment Management. "It's jockeying

for position ahead of earnings season," she said.

The start of trading was delayed in both India and Indonesia on Monday morning for what is being said were sepa-

rate technical issues. Investors seemed unmoved as India's Sensex stock index climbed 1.1% to a record high of 31715.64. Indonesia's JSX edged down 0.7%.

TRADE

Continued from page B1

kled some U.S. options traders, who are already dealing with a labyrinthine market structure. A new open outcry pit would push market makers to staff the new floor and incur higher costs, said Peter Maragos, chief executive of Dash Financial Technologies, a broker dealer and technology provider.

"Where's the benefit for the client?" said Mr. Maragos, whose firm has brokers on the CBOE floor. "We're just adding more complexity, more fragmentation."

The SEC doesn't restrict the number of exchanges, said Box Chief Executive Ed Boyle. It only creates the legal and regulatory requirements that exchanges must follow. He also pointed to the existing 15 venues for U.S. options.

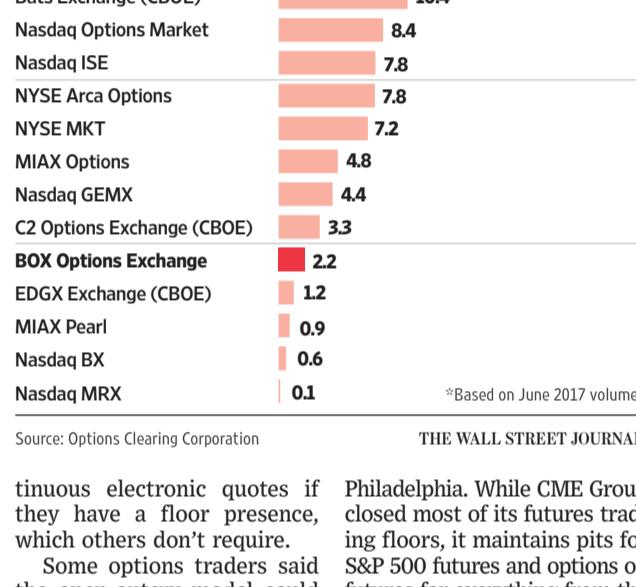
"For someone to make the statement 'Why do we need another one?' is naive," said Mr. Boyle, who has worked in options since 1981. "It really comes off as they don't want additional market competition."

Steve Crutchfield, the head of market structure for CTC Trading, opposed the new floor in a letter to the SEC. He said that a sparsely populated floor can make it easier for trading firms that handle client orders to seek venues where they get paid commissions, rather than where they can get the best prices for clients. His firm staffs all four existing open-outcry floors.

One of the changes Mr. Boyle made in response to criticism was to scrap a requirement for traders to post con-

Cryin' Out Loud

Box Options Exchange has a tiny slice of options market share, but hopes to snap up more with a new open outcry floor where brokers will vocally match orders.



Source: Options Clearing Corporation

THE WALL STREET JOURNAL.

tuous electronic quotes if they have a floor presence, which others don't require.

Some options traders said the open-outcry model could help investors who want to prevent prices from moving when their large options orders are getting executed.

"There is still a role for human traders," said Andy Nybo, a director at Burton-Taylor. An NYSE spokeswoman said 25% to 40% of the exchange's options volume flows through two floors in San Francisco and New York.

The number of CBOE floor traders has fallen, but over half of its most lucrative products—including options on the S&P 500 index and CBOE Volatility Index—are carried out on its Chicago floor. Nasdaq still operates an open-outcry pit in

Philadelphia. While CME Group closed most of its futures trading floors, it maintains pits for S&P 500 futures and options on futures for everything from the S&P index to hogs and corn.

Box isn't the first exchange to consider a new floor in recent years. Before being acquired by Nasdaq, the International Securities Exchange had considered an open outcry floor but eventually decided against it, said a person familiar with the matter.

But its plan has stoked worries that, if approved by the SEC, the new floor could lead to other exchanges trying to launch their own. "Approving the proposal would open the floodgates for every options [exchange] to open empty 'trading floors' in disused office space," Mr. Crutchfield wrote.

Global government bonds strengthened Monday, showing some signs of stabilization following a two-week selloff. Traders say the recent price declines make the bond market appealing to a number of investors. Some analysts say the bond market may still be vulnerable to renewed selling pressure given the anxiety over a pivot toward reduced monetary policy stimulus from major central banks.

"Treasuries are oversold in the short term, but the tone in the market has changed since we have heard from global central bankers during the past couple of weeks that very easy policy will have to come to an end eventually," said Larry Milstein, head of government and agency trading at R.W. Pressprich & Co. "The concerted effort to warn investors is an indication that rates will likely drift higher in the second half of the year."

In midday New York trading, the yield on the benchmark 10-year Treasury note was 2.369%, according to Tradeweb. The yield settled at 2.393% Friday, the highest level since May 11. Yields fall as bond prices rise.

The yield on the 10-year government bond in Germany fell by 0.02 percentage point to 0.547%. The yield on the 10-year U.K. government bond fell by 0.02 percentage point to 1.286%.

The 10-year Treasury note's

yield had jumped by 0.247 percentage point in the previous two weeks following months of slides. One key factor driving investors to sell Treasury debt has been worries that major central banks may dial back monetary-stimulus support given signs of broad improvement in the global economy.

Investors are particularly nervous over the European Central Bank, whose bond-buying program has played a big role in sending global government-bond yields to historic

levels. Analysts have warned that the value of government bonds may fall when central banks pivot away from their highly accommodative monetary policies that have been the highlight following the 2008 financial crisis.

Some investors say they don't expect a big rise in yields unless inflation pressures flare up.

Reports of consumer-price moves in the U.S. have pointed to slowing inflation over the past few months. Friday's non-farm-employment release showed tepid wage growth even as the economy added more than 200,000 new jobs last month, which continues to confound investors, analysts and Fed officials.

This balance-sheet-reduction factor is likely to push up long-term Treasury yields, and the 10-year yield may rise to 2.75% or higher at the end of this year, say some analysts and money managers. But others are skeptical that this would happen without signs of stronger growth and higher inflation.

New debt sales will be another focus this week for bond investors. A \$24 billion sale of three-year Treasury notes is scheduled on Tuesday, followed by a \$20 billion sale of 10-year notes on Wednesday and a \$12 billion sale of 30-year bonds on Thursday.

Some traders say the auctions may attract investors who see bonds as a bargain after their recent selloff. Any sign of lukewarm appetite for the auctions could raise anxiety toward the bond market and cause bond yields to rise, they say.

Ford Regains a Source of Loans

By KATY BURNE

A handful of investors recently began extending short-term loans to an affiliate of **Ford Motor** Co. after more than a decadelong hiatus, opening a key borrowing spigot for the blue-chip auto maker, which was locked out of money markets in the last recession.

In recent months, a money-market fund of **Federated Investors** has been buying a kind of short-term IOU called "commercial paper" from **Ford Motor Credit** Co. LLC. The Federated Capital Reserves Fund now holds about \$148 million of debt, according to fund tracker Crane Data.

Ford Motor Credit has made a comeback since being struck off Federated's eligible investments list in 2003, when the vehicle-financing company showed signs of struggling and was later downgraded to below-investment grade. It has since been upgraded to investment grade.

The Federated holding, while small, is notable because it signals a potential thaw in relations between money funds and auto companies that could later benefit others, including General Motors Co. and Fiat Chrysler Automobiles NV. GM and Chrysler Group LLC filed for bankruptcy in 2009.

"Autos are generally tied to the consumer, and the consumer, we think, is very

healthy right now," said Debbie Cunningham, chief investment officer for money markets at Federated in Pittsburgh.

She said auto loans are generally the highest priority payment for consumers, behind mortgages, and thus offer a solid investment for funds willing to consider issuers in the lower tier of the highest short-term rating categories.

Robert Cheddar, portfolio manager at **PFM Asset Management** LLC, which manages about \$63 billion on behalf of state and local governments, said Ford's fundamental condition has improved. For clients that will allow it, he started buying the company's commercial paper last year.

Ford Motor Credit had \$4.98 billion of commercial paper as of March 31 and is "a much stronger credit" today,

said Stephen Brown, senior director at **Fitch Ratings**. Last May, Fitch upgraded the issuer's commercial paper program to F2, equivalent to the second lowest rung of investment grade, from F3.

Ford Motor Credit declined to comment.

The interest from Federated reflects the yield offered on the debt—about 1.3%, above what is available on short-term Treasurys and bank commercial paper—as well as Ford's progress in returning to better health.

Commercial paper, which is typically issued anywhere from overnight to 270 days, is generally considered one of the cheapest forms of borrowing because most issuers have high credit ratings and investors loan their cash over short periods.

Debbie Cunningham, chief investment officer for money markets at Federated in Pittsburgh.

Commercial paper, which is typically issued anywhere from overnight to 270 days, is generally considered one of the cheapest forms of borrowing because most issuers have high credit ratings and investors loan their cash over short periods.



Some investors have been buying Ford 'commercial paper.'

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FUND NAME GF AT LB DATE CR NAV YTD %RETURN-
FUND NAME GF AT LB DATE CR NAV YTD %RETURN-

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866
Fax No: 65-6835-8866, Website: www.cam.com.sg, Email: cam@cam.com.sg

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China A-Share Fund C USD A AUD H OT HKG 07/07 AUD 13.45 14.1 17.2 3.1

China A-Share Fund C USD A CAD H OT HKG 07/07 AUD 12.40 14.0 17.6 3.7

China A-Share Fund C USD A EUR H OT HKG 07/07 EUR 13.01 13.2 14.8 1.6

China A-Share Fund C USD A GBP H OT HKG 07/07 GBP 12.99 12.8 17.4 3.0

China A-Share Fund C USD A HKD H OT HKG 07/07 HKD 13.22 13.3 15.6 10.7

China A-Share Fund C USD A NZD H OT HKG 07/07 NZD 13.25 14.2 17.6 3.5

China A-Share Fund C USD A SGD H OT HKG 07/07 SGD 11.47 15.2 18.5 2.4

China A-Share Fund C USD A USD H OT HKG 07/07 USD 14.52 15.8 19.6 5.5

China A-Share Fund C USD A USD GBP H OT HKG 07/07 GBP 13.27 19.2 18.2 1.5

China A-Share Fund C USD A USD HKD H OT HKG 07/07 HKD 13.20 13.6 16.2 2.2

China Greenchip-A Units AS EQ CYM 07/07 HKD 12.11 22.1 28.6 3.9

China Greenchip-A Units AS EQ CYM 07/07 AUD 10.53 22.6 29.5 4.5

China Greenchip-A Units AS EQ CYM 07/07 CAD 10.23 22.4 28.5 3.6

China Greenchip-A Units AS EQ CYM 07/07 EUR 10.86 22.4 30.0 5.3

China Greenchip-A Units AS EQ CYM 07/07 GBP 10.24 21.6 28.2 3.8

China Greenchip-A2 QDIs Units AS EQ CYM 07/07 HKD 11.19 21.8 28.3 3.8

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GC HI Yield Inc-C1s A MDLs CAD H OT CYM 07/07 CAD 9.21 5.2 13.0 10.2

GC HI Yield Inc-C1s A MDLs EUR H OT CYM 07/07 EUR 10.50 4.2 15.4 12.5

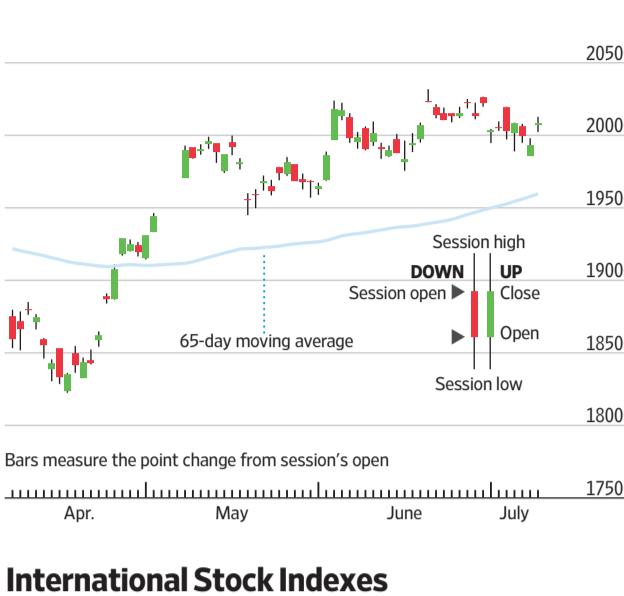
GC HI Yield Inc-C1s A

MARKETS DIGEST

Nikkei 225 Index

20080.98 ▲ 151.89, or 0.76%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Apr. May June July

17500

STOXX 600 Index

381.64 ▲ 1.46, or 0.38%

High, low, open and close for each trading day of the past three months.



Data as of 12 p.m. New York time

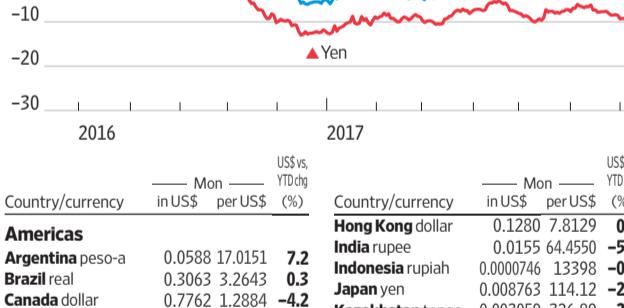
International Stock Indexes

Region/Country	Index	Close	Latest NetChg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2783.57	12.11	▲ 0.44	2347.99	2792.77	2783.57	2792.77	10.1
	MSCI EAFE	1882.39	8.29	▲ 0.44	1471.88	1956.39	1882.39	1956.39	9.7
	MSCI EM USD	1008.47	5.99	▲ 0.60	691.21	1044.05	1008.47	1044.05	27.0
Americas	DJ Americas	584.07	1.41	▲ 0.24	503.44	586.11	584.07	586.11	8.1
Brazil	Sao Paulo Bovespa	62825.92	503.51	▲ 0.81	53143.48	69487.58	62825.92	69487.58	4.3
Canada	S&P/TSX Comp	15066.68	39.52	▲ 0.26	14277.22	15943.09	15066.68	15943.09	-1.4
Mexico	IPC All-Share	50495.96	436.94	▲ 0.87	43998.98	50531.63	50495.96	50531.63	10.6
Chile	Santiago IPSA	3722.87	34.23	▲ 0.93	3120.87	3786.05	3722.87	3786.05	15.5
U.S.	DJIA	21440.76	26.42	▲ 0.12	17883.56	21562.75	21440.76	21562.75	8.5
	Nasdaq Composite	6176.76	23.68	▲ 0.38	4976.54	6341.70	6176.76	6341.70	14.7
	S&P 500	2430.48	5.30	▲ 0.22	2083.79	2453.82	2430.48	2453.82	8.6
	CBOE Volatility	10.97	-0.22	-1.97	9.37	10.97	10.97	10.97	-21.9
EMEA	Stoxx Europe 600	381.64	1.46	▲ 0.38	328.80	396.45	381.64	396.45	5.6
	Stoxx Europe 50	3128.92	12.61	▲ 0.40	2720.66	3279.71	3128.92	3279.71	3.9
France	CAC 40	5165.64	20.48	▲ 0.40	4207.37	5442.10	5165.64	5442.10	6.2
Germany	DAX	12445.92	57.24	▲ 0.46	9690.18	12951.54	12445.92	12951.54	8.4
Israel	Tel Aviv	1435.35	0.57	▲ 0.04	1372.23	1490.23	1435.35	1490.23	-2.4
Italy	FTSE MIB	21190.67	175.57	▲ 0.84	15906.76	21828.77	21190.67	21828.77	10.2
Netherlands	AEX	512.05	2.13	▲ 0.42	435.08	537.84	512.05	537.84	6.0
Russia	RTS Index	1006.14	10.90	▲ 1.10	898.05	1196.99	1006.14	1196.99	-12.7
Spain	IBEX 35	10509.50	20.70	▲ 0.20	8168.70	11184.40	10509.50	11184.40	12.4
Switzerland	Swiss Market	8943.84	60.57	▲ 0.68	7585.56	9148.61	8943.84	9148.61	8.8
South Africa	Johannesburg All Share	52187.92	287.66	▲ 0.55	48935.90	54716.53	52187.92	54716.53	3.0
Turkey	BIST 100	101097.16	1012.79	▲ 1.01	70426.16	101415.68	101097.16	101415.68	29.4
U.K.	FTSE 100	7370.03	19.11	▲ 0.26	6590.64	7598.99	7370.03	7598.99	3.2
Asia-Pacific	DJ Asia-Pacific TSM	1611.86	5.83	▲ 0.36	1381.99	1643.59	1611.86	1643.59	13.3
Australia	S&P/ASX 200	5724.40	20.80	▲ 0.36	5156.60	5956.50	5724.40	5956.50	1.0
China	Shanghai Composite	3212.63	-5.32	-0.17	2953.39	3288.97	3212.63	3288.97	3.5
Hong Kong	Hang Seng	25500.06	159.21	▲ 0.63	20880.50	26063.06	25500.06	26063.06	15.9
India	S&P BSE Sensex	31715.64	355.01	▲ 1.13	25765.14	31715.64	31715.64	31715.64	19.1
Indonesia	Jakarta Composite	5771.51	-43.29	-0.74	5027.70	5910.24	5771.51	5910.24	9.0
Japan	Nikkei Stock Avg	20080.98	151.89	▲ 0.76	15708.82	20230.41	20080.98	20230.41	5.1
Malaysia	Kuala Lumpur Composite	1757.13	-2.80	-0.16	1616.64	1792.35	1757.13	1792.35	7.0
New Zealand	S&P/NZX 50	7583.95	-38.18	-0.50	6664.21	7685.45	7583.95	7685.45	10.2
Pakistan	KSE 100	46273.81	1051.66	▲ 2.33	38367.96	52876.46	46273.81	52876.46	-3.2
Philippines	PSEI	7837.47	-51.86	-0.66	6563.67	8102.30	7837.47	8102.30	14.6
Singapore	Straits Times	3246.35	17.34	▲ 0.54	2787.27	3271.11	3246.35	3271.11	12.7
South Korea	Kospi	2382.10	2.23	▲ 0.09	1958.38	2395.66	2382.10	2395.66	17.5
Taiwan	Weighted	10289.91	-7.34	-0.07	8786.47	10513.96	10289.91	10513.96	11.2
Thailand	SET	1569.44	9.99	-0.01	Closed	1406.18	1569.44	1569.44	1.7

Source: SIX Financial Information; WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Source: Tullett Prebon, WSJ Market Data Group

London close on July 10

US\$ vs. Country/currency Mon YTD chg

Country/currency In US\$ per US\$ (%)

FINANCE & MARKETS



Stock prices are displayed in the NSE atrium in Mumbai, India. A glitch delayed trading on the exchange for three hours on Monday.

Trades Halted on 2 Bourses

By CORINNE ABRAMS

Technical problems disrupted early trade on India's largest stock exchange and Indonesia's equities market Monday, highlighting the vulnerability of the global trading system to technology failures.

Last week, incorrect stock-market data were widely disseminated on some platforms across Asia, showing what appeared to be huge moves in the Nasdaq-listed share prices of some of the world's biggest companies, including Apple Inc., Microsoft Corp. and Amazon.com Inc.

"It's symptomatic of the complexities of the marketplace that we're dealing with now," said Neil McLean, head of trading for Asia ex-Japan at Instinet in Hong Kong.

Trading on India's National Stock Exchange was delayed for three hours because of a technical problem at the opening, the exchange said Monday.

In Jakarta, officials said the glitch in India was unrelated to

one that had disrupted trading on the Indonesia Stock Exchange.

On India's NSE, after two false starts, trading resumed at 12:30 p.m. local time, though traders said offer-price data for the cash market weren't displaying correctly.

The exchange said later Monday that the issue with the display of prices had been resolved and that the cash and futures-and-options segments affected by the disruption were functioning normally.

"NSE deeply apologizes for the glitch. The matter is being examined by the internal technical team and external vendors to analyze and identify the cause which led to the issue and to suggest solutions to prevent recurrence," the exchange said. It said no cyberattack "was observed leading to the technical glitch," adding that it didn't switch trading to a disaster-recovery site because a preliminary assessment identified the fault as a software problem that could be quickly resolved.

Technical issues on global exchanges aren't unheard of in Asia: Singapore's stock exchange, for example, has suffered a series of outages in recent years.

"The exchanges generally handle the complexities of the marketplace very well. Things go wrong sometimes," Mr. McLean said. "It's down to the crisis management of the exchanges."

Neeraj Dewan, director of Indian brokerage Quantum Securities, said the NSE's outage did disrupt business volume. "The fact that it took a lot of time to resolve raises a lot of questions that need to be answered by the exchange," he said.

Others were less concerned. "It is the first time this incident has happened" at the NSE, said Rahul Shah of Motilal Oswal Securities in Mumbai, adding that he was confident the exchange would prevent it from recurring. "I'm not worried."

The Securities and Exchange Board of India said it was in touch with the NSE and

was "closely monitoring the situation."

In Indonesia, a problem was discovered in the market information-distribution system at 8:52 a.m. local time and trading was stopped at 9:34, said Yulianto Aji Sadono, a spokesman for the Indonesia Stock Exchange. Trading resumed around 10 a.m.

"The problem occurred in our supporting system, not our main system," he said.

He offered no further details about the nature of the problem, which was being investigated in preparation for a report that must be filed to the country's Financial Services Authority.

Indonesia's benchmark IDX Index declined 0.7% on Monday, falling for the fourth session in five since rising to a record level on July 3.

The NSE's Nifty 50 rose 1% and India's benchmark S&P BSE Sensex index—unaffected by the technical error at the NSE—climbed 1.1% to reach a record.

—Anita Rachman contributed to this article.

risen 3.2% in the past week, those gains bring inventory off lows not seen in more than eight years.

In China, the government's efforts to combat pollution have led to more-stringent rules aimed at smaller mining companies and smelters in particular, a significant move for the zinc market considering China is responsible for roughly 40% of the world's supply, according to Vivienne Lloyd, a metals analyst at brokerage-house Macquarie.

Zinc and lead are often mined together, and the mining process can result in lead and other heavy metals contaminating the water supply and environment.

While aluminum and lead prices have also risen, zinc has outperformed other base metals so far this year, with the LME's benchmark zinc futures contract up 8% so far in 2017.

Investors are accumulating long positions in the metal. As of close-of-business on July 5, bets that the metal's price would continue to rise had reached their highest level since November.

"Just because positioning is long, that doesn't mean it can't go longer," said Alastair Munro, a broker at Marex Spectron.



A worker secures zinc ingots.

Zinc Has Surged On Tight Supply

By DAVID HODARI AND JUSTIN YANG

Zinc prices moved sharply higher over the past month, spurred by limited supply amid tougher Chinese environmental regulations, and analysts say the metal could rise further despite signs of a rebound in mine output.

The industrial metal ticked down 0.52% to \$2,772 a metric ton in Monday morning trade in London, but was up more than 9% from a month earlier.

The shift in the zinc market follows a sharp contraction in output after an earlier glut sent prices tumbling, leading to shutdowns in production at many mines across the globe.

At the same time, demand for zinc—a lightweight, rust-proof metal favored in the car and construction industries among others—has remained steady, eating away at the excess inventory.

Now, mines can't ramp up production quickly enough to meet the demand, which remains particularly strong in China, setting the stage for the sustained rally in prices.

Even though some idle mines have restarted since zinc began its resurgence in early June, "it looks as though prices will head even higher as this deficit will continue to bite," said Robin Bhar, head of metals research at Société Générale.

Production boosts in Cuba, Bolivia, Ireland and other places aren't enough to sway market forecasts for constrained supply, said Xiao Fu, commodity strategist at BOCI Global Commodities.

Evidence that the zinc market remains tight is visible in the recent drop in inventories. The London Metal Exchange's on-warrant inventory figure—at 70,350 metric tons—is at its lowest level since the fourth quarter of 2007. Similarly, while Shanghai stockpiles have

Drought in Great Plains Pushes Up Wheat Prices

By BENJAMIN PARKIN

Drought in the Great Plains is decimating an important portion of the U.S. wheat crop, pushing prices to multyear highs and drawing hedge funds and other speculative investors to what is typically a lonely corner of the markets.

Spring wheat futures at the Minneapolis Grain Exchange have leapt 40% in a little over a month, far outpacing more widely traded corn and soybean contracts. The exchange said total volume and participation in June and July has broken a series of records.

"People are forced to pay attention," said Michael McDougall, commodities director at Société Générale in New York, who said his clients had started placing bets in the spring wheat futures market.

The number of hedge funds and other money managers betting on spring wheat contracts has almost doubled since May, data from the U.S. Commodity Futures Trading

Commission showed.

Farmers sowed the fewest acres of wheat in a century this year. A global grain glut exacerbated by booming production in countries like Russia has depressed prices and, along with a strong dollar, made U.S. wheat farmers less competitive, prompting some to leave fields fallow or switch to soybeans and corn.

Now weeks of hot, dry weather in the Dakotas and Minnesota have been particularly hard on spring wheat, prized for its high protein content that makes it well-suited for specialty breads and pastries. That could mean higher food prices for consumers if millers end up paying more for high-quality wheat, said Brian Hoops of brokerage Midwest Market Solutions.

The share of spring wheat in good or excellent condition fell to 37% earlier this month, the U.S. Department of Agriculture said, compared with 72% the same time last year. That is the lowest good-or-ex-

cellent rating in almost 30 years.

After rising to a four-year high Wednesday, spring wheat futures fell last week before rebounding 4% Monday morning to \$7.97½ a bushel.

"I don't think anyone expected...so much high-protein wheat would be destroyed at a level that would move these markets," said Virginia McGathay, a grain-options trader at the Chicago Board of Trade.

U.S. wheat plantings have been shrinking for decades. For much of that time higher yields made up for the shrinking land mass devoted to the grain, keeping U.S. wheat production relatively flat. But less acreage could make U.S. wheat prices more vulnerable to price shocks in the future when droughts strike arid regions like the Plains, Rabobank said.

"Flour mills and bakers will do what is necessary to secure their supplies," said Ken Morrison, a St. Louis trader and commodity-newsletter author.



Hard red winter wheat was unloaded at a grain elevator during harvest in Zurich, Kan., last month.

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MARKETS

Regional Tensions Roll Off Seoul

South Korean assets are on a tear, despite the nuclear threat posed by the North

By STEVEN RUSOLILLO
AND SAUMYA VAISHAMPAYAN

For world leaders, the accelerating nuclear threat from North Korea is near the top of the worry list. For investors, not so much.

Investors have plowed money into North Korea's southern neighbor, resulting in unexpectedly stellar performances for South Korea's stock, bond and currency markets. Even the market for South Korea's credit-default swaps, which act like insurance against bond defaults, remains calm compared with recent years.

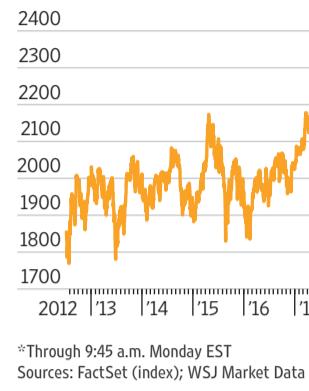
"What surprises us is how the CDS market isn't really moving much despite geopolitical uncertainties. People are complacent," said Jean-Charles Sambor, deputy head of emerging-market debt at BNP Paribas Asset Management, with about \$661 billion in assets under management. He said BNP is cautious on Korean dollar debt because it is expensive and that the CDS market is underestimating risk.

South Korea's Kospi stock index has surged to records this year, up 18%. Cash continues to pour into Korean stocks and bonds, which analysts attribute to an improving economy and strong earnings. And while investors say geopolitics shouldn't be ignored, they are more focused on the positives, including double-digit-percentage export growth.

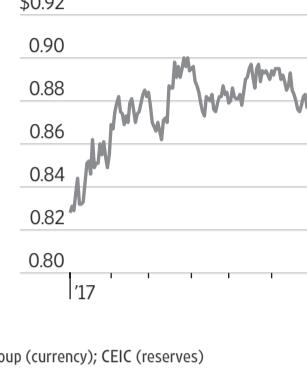
North Korea test-launched its first intercontinental ballistic missile last week, and President Donald Trump said he is considering "some pretty severe things" in response. But in a world where market volatility has nearly vanished, it

No Worries Here

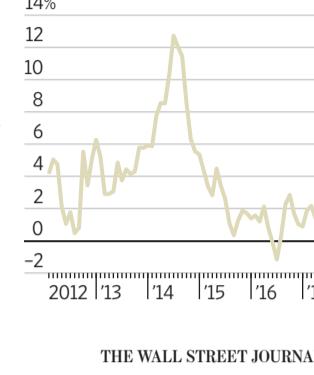
South Korea's Kospi stock index has surged to record highs this year. Meanwhile, the won has strengthened against the dollar, and Korea's central bank has amassed foreign-exchange reserves at a slower pace than in recent years, suggesting it has stepped back from intervention.



How many U.S. dollars 1,000 Korean won buy*



Korea's central bank foreign-exchange reserves



*Through 9:45 a.m. Monday EST

Sources: FactSet (index); WSJ Market Data Group (currency); CEIC (reserves)

caused hardly a ripple in financial markets.

"Between low oil prices, strong demand for semiconductors and a very low inflationary environment, you have this benign and perfect scenario for South Korea despite all the rhetoric and uncertainty coming from the North," said Sean Darby, chief global equity strategist at Jefferies. "Investors are looking at these fundamentals and saying they're outweighing the political risk."

Foreign investors have piled into South Korean stocks and bonds all year. Foreign bond holdings rose in June for a sixth straight month, according to South Korea's Financial Supervisory Service, the country's financial watchdog. Foreign stock holdings rose for a seventh straight month.

Even last week, foreign investors were net buyers of South Korean shares, the only such example among Asian markets considered emerging, according to Goldman Sachs Group Inc.

South Korea's Kospi has been one of the world's best-performing stock indexes this year. Its biggest component, Samsung Electronics Co., has



South Korea's Kospi stock index has climbed 18% this year.

surged 35%, as demand for its components outshines political and product challenges.

Samsung is set to overtake Apple Inc. as the world's most-profitable technology company.

South Korea's won has risen 4.9% against the U.S. dollar this year, easing some after being up as much as 8.6%. That is one of the strongest performances against the dollar in Asia. In comparison, the New Taiwan dollar has ad-

vanced 6.1%, the Japanese yen 2.3% and the Chinese yuan 2.2%.

One reason is that South Korea's central bank has largely stayed on the sidelines rather than stepping in to slow the currency's rise, as it often has in the past, analysts said. One sign: Foreign-exchange reserves in June were up just 2.8% from a year earlier, well below the recent peak pace of 13% three years ago. Intervening to rein in the

won would typically boost the reserves, as it would involve using won to buy foreign currencies.

Markets globally remain calm, and investors are signaling they don't expect that to change significantly in the near future.

One-month implied volatility for the U.S. dollar against the Korean won, which measures how much investors expect the currency pair will move over the next 30 days, fell to a two-year low late last month, according to Thomson Reuters. It has since ticked higher, but still suggests that traders see low volatility continuing.

In recent years, North Korea's provocations and threats have had diminishing impacts on financial markets, particularly on stocks and currencies, according to a 2016 study by Ju Hyun Pyun of Korea University and In Huh of the Catholic University of Korea. The study, which focused on 2004 through 2015, found that market moves in the first few years of the period were larger and more significant than in later years, suggesting investors had become accustomed to political risks.

Market volatility has picked up a bit in the past few weeks; the MSCI AC Asia Pacific index dropped 1.2% last week, its biggest decline since March. But that appears to be more an effect of hawkish rhetoric from central bankers, particularly the European Central Bank than of anything out of North Korea.

Mark Matthews, head of research for Asia at Swiss private bank Julius Baer, said only about one in five clients asks about how the situation in North Korea could affect his or her portfolio.

"We've become immune to it," he said. "Investors just assume that every new development is one of the hundreds of bluffs that North Korea has done in the past."

Oil Stays Flat Amid Mixed Data

By TIMOTHY PUOKO

Crude-oil prices flip-flopped between losses and gains Monday with concerns about persistent U.S. oversupply canceling out talk of production curbs in Libya and Nigeria and signs stockpiles may be falling in the U.S.

Light, sweet crude for August delivery rose 30 cents, or 0.7%, to \$44.53 a barrel on the New York Mercantile Exchange by midday. Brent, the global benchmark, gained 31 cents, or 0.7%, to \$47.02 a barrel on ICE Futures Europe. Both had been at losses in earlier trading.

Oil prices went into a hard retreat last week in part tied to data showing another production spurt in the U.S. It has restarted the downward momentum that has derailed a widely expected rally since early March, brokers said.

Prices did briefly bounce to gains after data provider Genscape said stockpiles at Cushing, Okla., shrank by 2.1 million barrels from June 30 to July 7, according to a person who had reviewed the report. Cushing is the delivery point for the benchmark U.S. West Texas Intermediate oil contract and is often regarded as a key point for judging supply and demand trends.

Part of the selloff has come from U.S. Energy Information Administration data last week that showed U.S. production increased to nearly 9.34 million barrels a day, up from 9.25 million barrels a day the week prior. Friday's updated rig count from Baker Hughes Inc. also pointed to production increases.

The Organization of the Petroleum Exporting Countries is considering putting a cap on how much oil members Nigeria and Libya can pump, cartel delegates said. The two countries have been exempt from OPEC's production-cut deal.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

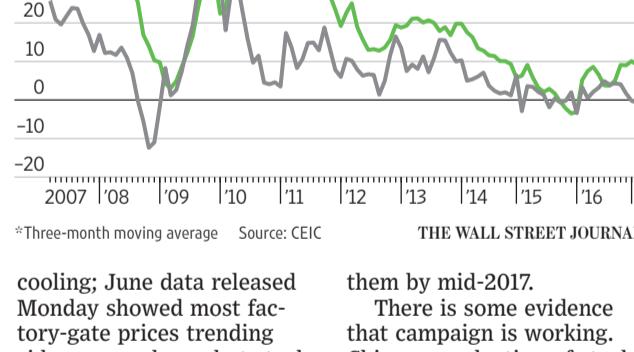
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China Upends Steel Sector Again

Changing Tune

Chinese figures, change from a year earlier



*Three-month moving average

Source: CEIC

cooling; June data released Monday showed most factory-gate prices trending sideways or down, but steel prices rallied. Also, prices for steel rebar—often produced from scrap by small electric induction furnaces—have done especially well this year. Those same furnaces this year have been a main target of Chinese regulators, who vowed to eliminate

them by mid-2017.

There is some evidence that campaign is working. Chinese production of steel products is down from a year ago despite healthy demand from developers in inland cities, where falling housing inventories are supporting construction.

Less supply and decent demand mean gross margins for China's iron-and-steel

sector as a whole hit their highest level since 2008 in the first quarter and have now been above 8% for nine straight months, the best performance since the global financial crisis. Partly as a result, listed Chinese steel shares such as **Hesteel** and **Baoshan** are on a tear: They are up 34% and 14%, respectively, so far this year.

China has a long and checkered history of "closing" excess steel and coal capacity only to allow it to roar back when inflation ticks higher. If broader price pressures in the economy re-emerge, that pattern might repeat itself. And to be sure, overcapacity remains severe despite limited progress:

Margins, at 8%, are nothing to write home about.

Still, any sign of progress is welcome. Investors watching the world's leaders duke it out on steel can take some comfort in some signs of progress, however preliminary, in China.

—Nathaniel Taplin

OVERHEARD

Pokémon hunters may not be destroying front lawns anymore. But there is still enough around to tear up the game charts.

The "Pokémon Go" mobile game first went live last July 6 and immediately became the top-grossing game on both the iOS and Android app stores.

It marked its first birthday this week by swinging back to near the top.

On Friday afternoon, "Pokémon Go" was the second-highest grossing game for Apple Inc.'s iPhone. Doug Creutz of Cowen credits a major update released June 21 for the game's resurgence. He notes "Pokémon Go" averaged a 10th-place ranking just last month.

That makes "Pokémon Go" a rare breed of game app with staying power. SuperData estimates "Pokémon Go" has grossed more than \$1.3 billion to date.

Longevity will be key to the next billion.

Beijing Debt Repair Has Big Problem

China wants its biggest, most acquisitive, highly leveraged companies to tone it down—apparently by selling assets to other big, acquisitive highly leveraged companies.

Dalian Wanda Group, controlled by billionaire Wang Jianlin, is selling a controlling stake in most of its tourist attractions, together with most of its hotels in China, to property developer **Sunac China** for \$9.3 billion.

The sale came after The Wall Street Journal reported last month that China's banking regulator was looking into the debt of some top overseas deal makers, including Wanda. The company owns major U.S. assets, including **AMC Entertainment** and Legendary Entertainment. It says the move will help it reduce debt.

But the deal won't reduce the overall risks in China's financial system. Sunac has been loading up on debt over the past year as it bought land aggressively. Its net debt, including perpetual securities, had more than tripled in 2016 to \$7.8 billion, more than twice its shareholders' equity.

Sunac has just enough cash, including restricted cash, to finance the Wanda purchase, but that would more than double its net debt. This seems to defeat the purpose to contain runaway debt within China's financial system. But unlike Wanda, Sunac has raised all debt to buy domestic land and properties, important drivers for China's economy, instead of splurging on overseas assets.

Capital outflows, instead of leverage, are Beijing's real worry.

—Jacky Wong

Does Cosco Deal Mean a Wave of Shipping Consolidation?

As a wave of consolidation hits the shipping industry, investors may be wise to ride it.

China's largest shipping company, **Cosco Shipping Holdings**, along with one of the world's biggest port operators, offered \$6.3 billion for Hong Kong-listed **Orient Overseas** (International) to become the world's third-largest container-shipping company. The offer price came in at a juicy 31% premium to Friday's closing price and at a 40% premium to Orient's book value.

The premium isn't just the classic case of a Chinese buyer overpaying. There are synergies: Orient does in fact bring with it a range of high-yielding, profitable routes to

the U.S. and a sticky base of customers. That will complement Cosco's base of Chinese exporters and raise its market share of the global shipping industry to 12%. Orient's financing costs are lower, too, so that should bring down Cosco's. The Chinese shipper also brought in **Shanghai International Port Group**.

Precedent transactions in the industry make the price look high. At 1.4 times last year's book value, it is the highest multiple in recent deals. But this deal comes at a pivotal time in the industry as the likes of **AP Moller Maersk** and **Hapag-Lloyd** are in the process of merging with other giants. Investors should put this in context:

Past averages and prices are coming off of a dismal time for the shipping industry. Now, trade is broadly better, with demand on routes from Asia to the U.S. and Europe rising between 4% and 6% this year. Traffic volumes are

expected to climb 5% and 15% over the next two years, too. So while it is far from good times in the industry, there is less oversupply.

It won't all be smooth sailing, though. The behemoth Chinese deal still has

to wade through regulatory approvals. Given it is a Beijing-backed deal, hurdles at home will be limited, but agencies such as the Committee on Foreign Investment in the United States, recently turned off by Chinese deals, could take issue. Orient owns a container terminal in Long Beach, Calif., one of the busiest container ports in the U.S. It also owns a container terminal in Taiwan. A failed deal could cost \$253 million.

Nevertheless, investors rejoiced over the deal. Rival shippers' shares such as Maersk and Hapag-Lloyd got a bump. Cosco's Hong Kong-listed unit ended up 5.4%. A hefty price isn't always a bad deal.

—Anjani Trivedi

Cosco's deal for Orient will bring it greater global market share.

ALEJANDRO BOLIVAR/EUROPEAN PRESSPHOTO AGENCY