THE WALL STREET JOURNAL.

DOW JONES | News Corp ****** WEDNESDAY, JULY 19, 2017 ~ VOL. CCLXX NO. 15 WSJ.com ★★★★ $4.00

DJIA 21574.73 ▼ 54.99 0.3% NASDAQ 6344.31 ▲ 0.5% STOXX 600 382.58 ▼ 1.1% 10-YR. TREAS. ▲ 13/32, yield 2.263% OIL $46.40 ▲ $0.38 GOLD $1,241.10 ▲ $8.30 EURO $1.1555 YEN 112.06

What's News

Business & Finance

Discovery is in talks to combine with Scripps Networks, a deal that would unite two firms trying to chart a course in a cable-TV industry that faces pressures. **A1**

◆ **Foreigners are buying** U.S. homes at a record rate, helping push up prices in coastal cities already squeezed by supply shortages. **A1**

◆ **Goldman reported** a 40% decline in its fixed-income trading business, deepening questions about the bank's strategy. **B1**

◆ **IBM posted** falling quarterly profit and sales, adding to doubts about CEO Rometty's lengthy effort to reinvent the company. **B1**

◆ **Bank of America said** profit climbed 10% as the bank continued to benefit from Fed rate increases. **B14**

◆ **UnitedHealth reported** profit growth and lifted forecasts, fueled by its Optum health-services arm. **B2**

◆ **J&J raised** its sales and revenue outlook for the year even as second-period pharmaceutical revenue fell. **B2**

◆ **Daimler said** it would tweak the engine software on diesel vehicles amid emissions-cheating probes. **B3**

◆ **The Dow fell** 54.99 points to 21574.73, as the dollar and government-bond yields came under fresh pressure. **B15**

◆ **United said** net rose 39%, the latest airline to find success offering a wider range of fare categories and fees. **B3**

◆ **Chipotle temporarily** closed a restaurant in Virginia after learning of a "small number" of illnesses. **B3**

World-Wide

◆ **Senate GOP leaders** said they would push ahead with a vote on ACA repeal early next week, even as Republican defections made it clear the effort would fail. **A1, A4**

◆ **Republicans are hoping** tax policy can deliver them a landmark victory after their apparent failure to rewrite health-care law. **A6**

◆ **Trump and Putin held** a second, previously undisclosed talk at the G-20 summit earlier this month, a White House official said. **A18**

◆ **Mueller has contacted** Ike Kaveladze, another attendee at a meeting arranged by Donald Trump Jr. between campaign aides and a Russian lawyer. **A6**

◆ **The Trump administration** leveled more sanctions against Iran, targeting its elite military unit and ballistic-missile program. **A8**

◆ **China's internet censors** have deleted images in chats as they are transmitted, part of a broader push to step up surveillance. **A9**

◆ **Russian-backed** separatists declared a new state in Ukraine, ratcheting up a confrontation with Kiev. **A18**

◆ **People in counties** that propelled Trump's election victory see the president as a needed agent of change, a new poll found. **A6**

◆ **California's Legislature** voted to extend the state's cap-and-trade program, in a major win for Gov. Brown. **A3**

◆ **The U.S. administration** said it was prepared to impose tough sanctions on Venezuela if Maduro moves ahead on rewriting the constitution. **A18**

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GOP Stares Down Loss on Health

MARK WILSON/GETTY IMAGES

Senate Majority Leader Mitch McConnell (R., Ky.) spoke Tuesday in Washington after the collapse of the GOP effort to pass a health-care bill.

Senate leaders will bring repeal vote to floor, though defections suggest effort will fail

By Kristina Peterson

WASHINGTON—Senate Republican leaders said Tuesday they would push ahead with a vote to repeal the Affordable Care Act early next week even as GOP defections made it clear the effort would fail.

The move from Majority Leader Mitch McConnell (R., Ky.) means Senate GOP leaders plan to hold a vote they expect to lose, an unusual move that may be designed to let the Senate quickly move on from the health debate after a turbulent monthslong effort to roll back the ACA. With a separate bloc of Republicans saying Monday night they wouldn't support a broader health bill, that made two major GOP health efforts thwarted by internal party opposition in less than 24 hours.

Mr. McConnell said the decision to hold the vote next week was made at the request of President Donald Trump and Vice President Mike Pence. Mr. Trump said Tuesday he wanted Republicans to focus on winning more Senate seats in 2018, while a political-action committee said it would seek primary challenges against GOP senators who block that vote.

"As of today we just simply do not have 50 senators who can agree on what ought to replace the existing law," Mr. McConnell said Tuesday. Three senators also said they would oppose the straight repeal measure, one more than what Mr. McConnell could afford to lose.

The impasse reflects the changing calculus for the GOP: Though the party made politi-

Please see HEALTH page A4

Insurers Brace for New Uncertainty

By Anna Wilde Mathews And Melanie Evans

For the health-care system, it's back to square one.

Insurers, hospitals and state officials are facing the prospect that the Affordable Care Act will remain the law of the land for now at least, but they also are left with huge questions about how key aspects of the law will be handled under the Trump administration as deadlines loom for insurers' decisions about next year.

The collapse of Republicans' overhaul effort spares health companies and states major cutbacks in Medicaid that many had opposed. That means a major source of the coverage gains under the ACA is likely to remain intact for the foreseeable future, a boon for hospitals, doctors and officials in states that chose to expand the program.

The bill would have "ended Medicaid as we know it," said John Jurenko, vice president of government relations at NYC Health & Hospitals, which runs New York City's 11 public hospitals. That relief was temporary, he said, as he considered the continuing uncertainty. "I was very happy for a few minutes," he said. "We need to be vigilant."

In Wake of Collapse

For insurers, the results are mixed. They fought to kill a provision in the latest Senate bill that they said would have blown up the ACA's marketplaces, but they supported Republicans' efforts to kill the law's tax on health-insurance plans.

Insurers said they still face major uncertainty about how the ACA will be administered going forward. "We have to make business decisions here, and it's like, 'is it going to be A or B?'" said John Baackes, chief executive of L.A. Care Health Plan, which offers exchange coverage as well as Medicaid. "You can't operate that way."

The impact will likely play out differently in different places, depending on state policies and market realities.

Companies are now calling for fast efforts to provide more certainty and stability in the marketplaces, which are strained in several states as insurers are pulling back and

Please see INSURE page A4

Discovery, Scripps In Talks On Tie-Up

By Dana Mattioli And Amol Sharma

Discovery Communications Inc. is in talks to combine with Scripps Networks Interactive Inc., people familiar with the situation said, a deal that would unite two media companies trying to chart a course in a cable-TV industry being upended by digital consumption.

Terms of the deal talks couldn't be learned. Discovery Communications is worth about $15 billion, including its preferred stocks, according to S&P Global Market Intelligence. Scripps has an $8.8 billion market valuation.

There is no guarantee that the two sides will reach a deal. It is also possible that another bidder for Scripps could emerge.

Both companies specialize in nonfiction cable programming. Discovery owns brands such as its namesake Discovery Channel, Animal Planet and TLC, while Scripps has a portfolio including HGTV, Cooking Channel and Food Network.

The companies have discussed tying up before. In 2014, they abandoned talks about a merger and one issue at the time was that the family that controls Scripps wasn't ready to sell.

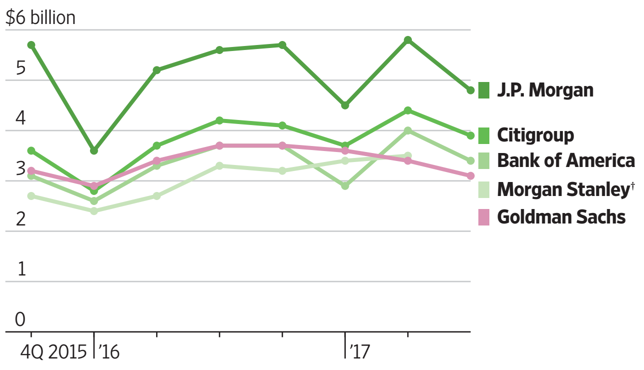
Discovery, based in Silver

Please see DEAL page A9

Goldman's Trading Slide Surprises

Goldman Sachs, once the fiercest trading shop on Wall Street, reported a sharp decline in its fixed-income trading unit, landing it at the back of the pack among big U.S. banks to report quarterly results. **B1**

Quarterly trading revenue, Goldman Sachs vs peers*



*All trading revenues, including fixed income and equities †Results expected Wednesday
Source: the companies
THE WALL STREET JOURNAL.

Foreigners Pump Up Home Prices in U.S.

By Laura Kusisto

Foreigners are buying U.S. homes at a record rate, helping push up prices in coveted coastal cities already squeezed by supply shortages.

In all, foreign buyers and recent immigrants purchased $153 billion of residential property in the U.S. in the year ended in March, nearly a 50% jump from a year earlier, according to a National Association of Realtors report released Tuesday.

That surpassed the previous record for foreign investment set in 2015, when foreigners purchased nearly $104 billion of U.S. residential property.

The dramatic increase was unexpected given the strong U.S. dollar, turmoil in the political arena and restrictions on Chinese buyers looking to take money out of the country, all of which were predicted to damp demand.

"It was surprising that it increased and the fact that it increased quite substantially is even more surprising," said Lawrence Yun, chief economist at the Realtors association. "This is not insignificant activity. They are pushing up the

Please see HOMES page A2

AMERICA'S FARMERS TURN TO BANK OF JOHN DEERE

As low crop prices curb traditional loans, machinery giant bets on financing

By Jesse Newman and Bob Tita

For nearly two centuries, Deere & Co. has built equipment to help farmers plant and harvest their crops. Now, the company's financial muscle is doing more of the work.

Throughout the Farm Belt, low prices for corn, soybeans and wheat are putting a strain on U.S. grain farmers, making it harder to get bank lending to plant a crop, or commit to purchasing multimillion-dollar fleets of new equipment.

Deere, the world's largest manufacturer of tractors and harvesting combines, is stepping in to fill the gap. It already lends billions to finance farmers' purchases of equipment. Now, it is providing more short-term credit for crop supplies such as seeds, chemicals and fertilizer, making it the No. 5 agricultural lender behind banks Wells Fargo, Rabobank, Bank of the West and Bank of America, according to the American Bankers Association.

Deere has also expanded its leasing program to get the company's green and yellow tractors into the hands of farmers, even when they are unable or unwilling to pay hundreds of thousands of dollars to buy one.

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INSIDE

NEW PUSH OPENS THE TAP FOR SHOPPERS

BUSINESS & FINANCE, B1

HIGH END GLITTERS AT AUCTION

LIFE & ARTS, A11

The Open Takes Place in Britain—but Don't Call It the British Open

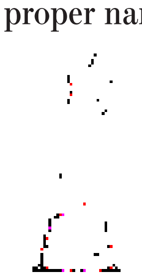
* * *

As Americans ignore golf tournament's proper name, organizers vow to re-educate them

By Brian Costa

The organizers of the British Open didn't approve this sentence.

It is true that their tournament, set to begin on Thursday, is open to any golfer who qualifies. And it is indeed held in Britain. Royal Birkdale, in the seaside town of Southport, England, is this year's host. But they are adamantly opposed to the use of the term British Open, and have launched a serious campaign to eradicate it from the American sports lexicon.



Claret Jug

Their tournament is the Open Championship, they say, or simply the Open. The R&A, the governing body that oversees the event, views the two names as interchangeable. The only wrong name for it is the one most Americans use.

"It's an education process we've embarked on," said Malcolm Booth, the R&A's director of sales and marketing.

To win the broadcast rights beginning in 2016, NBC

Please see GOLF page A10

U.S. NEWS

Arbitration Emerges as Nafta Flashpoint

By William Mauldin

WASHINGTON—A day after the Trump administration unveiled its objectives for renegotiating the North American Free Trade Agreement, U.S. businesses and a major labor coalition sparred over the merits of an international arbitration system embedded in the agreement with Canada and Mexico.

The arbitration provision, contained in Nafta's Chapter 11 and known as investor-state dispute settlement, allows an investor from one country—often a large corporation—to challenge regulations or actions of a government in another country through an international arbitration tribunal, potentially bypassing national courts. Its fate was left unclear in the document released by the Trump administration on Monday.

In its negotiating blueprint, the administration said it wanted not only to secure rights for U.S. investors in Canada and Mexico, but also to prevent investors from those countries from gaining rights in the U.S. that domestic firms don't have. The document didn't specify what should happen to the current system, and a spokeswoman for U.S. trade representative Robert Lighthizer had no immediate comment.

At a House of Representatives subcommittee hearing Tuesday, businesses and the AFL-CIO, America's largest labor federation, pointed to the ambiguity in the administration's blueprint. Corporate executives pressed to retain the current settlement process as a way to defend their investments abroad, while the AFL-CIO urged removing the provision, which they say favors companies over workers and undermines national court systems.

American businesses point to research saying they sometimes face discriminatory treatment abroad, compared with local businesses, and therefore require an international arbitration system.

"It's not academic, it's for real," Dennis Arriola, executive vice president for strategic development at **Sempra Energy**, told the House hearing Tuesday. "We had an experience in Argentina where overnight the government changed the rules and regulations." Sempra challenged Argentina under a similar provision in a bilateral pact with that country.

LUKE SHARRETT/BLOOMBERG NEWS

Some heads of U.S. businesses, including the CEO of Kansas City Southern, voiced support for a Nafta arbitration process.

The chief executives of railroad **Kansas City Southern** and engine maker **Cummins** Inc. also backed the arbitration process in the hearing as a way to protect their investments in Mexico.

Labor leaders and some Democratic lawmakers see the arbitration as a green light that encourages American companies to invest in production—and create jobs—abroad because they are exposed to fewer legal risks.

"I see no evidence that we can't trust Canadian courts," Celeste Drake, an AFL-CIO trade expert, told a House trade panel on Tuesday. The Sierra Club also said it opposed the arbitration provision.

The U.S. has never lost an arbitration with a foreign investor under the Chapter 11 provision. Canada's **TransCanada** Corp. used the provision to sue the U.S. after the Obama administration didn't grant a permit for the Keystone XL pipeline. TransCanada suspended that case after President Donald Trump lifted U.S. objections to the project. Companies can sue governments for monetary damages but can't overturn laws or regulations through the process.

Lawmakers and congressional aides say the Trump administration is still deliberating its stance on key Nafta issues, including the arbitration system, as it heads into negotiations with Canada and Mexico that are expected to begin next month. Provided the three sides can reach an agreement, it needs to be ratified by a majority in the House and Senate, as well as by the parliaments of Mexico and Canada.

"I think they're still in the process of trying to figure out what's the best way to proceed in protecting American companies overseas," said Rep. Dave Reichert (R., Wash.), who chairs the House trade panel.

U.S. WATCH

OHIO

Former Police Officer Won't Face Retrial

Prosecutors said that they won't retry a former University of Cincinnati police officer after a jury last month for the second time failed to come to a unanimous verdict in a case involving a 2015 fatal shooting.

"After discussing this matter with multiple jurors, both black and white, they have said to us that we will never get a conviction in this case," Hamilton County prosecutor Joe Deters said in a news conference on Tuesday.

Ray Tensing, who is white, was charged with murder and voluntary manslaughter over the shooting of Sam DuBose, a 43-year-old black man, whom he shot after pulling him over for having a missing front license plate. Mr. Tensing was fired from his job shortly after he was indicted over the shooting in 2015.

—Shibani Mahtani and Quint Forgey

ECONOMY

Are Gym Incentives Exercise in Futility?

Paying Americans to go to the gym may not be enough to help them build a habit of regular exercise.

A new study, circulated Monday by the National Bureau of Economic Research as a working paper, described a recent experiment in which new gym members were given up to $60 based on attendance over a six-week period. They worked out a bit more than people who weren't paid to exercise, but in the longer run both groups ended up going to the gym about once a week.

"We don't find evidence that it persists after the incentive program ends," said Case Western Reserve University economist Mariana Carrera, one of the paper's four co-authors.

Finding ways to encourage healthy behavior, such as exercise and eating a nutritious diet, is a big challenge facing the U.S. health system. More than a third of U.S. adults are obese, driving health problems and deaths from heart disease and other causes. But as the new study suggests, it isn't a simple matter to nudge Americans to adopt healthier habits like regular workouts.

—Ben Leubsdorf

ILLINOIS

Former House Speaker Released

Disgraced former U.S. House Speaker Dennis Hastert is far from putting his child-sex-abuse scandal behind him after being released from federal prison in Minnesota where he served a little over a year for a related banking conviction. He now must undergo intensive court-ordered sex-offender treatment designed to ensure he never again poses a risk to children.

The Federal Bureau of Prisons confirmed Tuesday that Mr. Hastert was released the day before and transferred to a Chicago re-entry facility.

The Illinois Republican was sentenced to 15 months in prison in April 2016.

—Associated Press

Pennsylvania Trooper Killed in Crash Is Mourned

DARRELL SAPP/PITTSBURGH POST-GAZETTE/ASSOCIATED PRESS

PAYING RESPECTS: Hundreds of officers, some from as far away as Colorado, Utah and Texas, attended the funeral of Trooper Michael Stewart III in Latrobe, Pa., on Tuesday. The 26-year-old officer died in a collision with a garbage truck. The cause is under investigation.

HOMES

Continued from Page One

prices."

Supply in the U.S. is already severely constrained. The number of homes on the market has fallen year-over-year for 24 consecutive months, according to the Realtors association, making the most-recent spring selling season one of the most competitive on record.

Builders, squeezed by labor shortages, zoning restrictions and a lack of available lots in prime locations, haven't been able to construct enough homes to keep up with demand. U.S. starts for new homes and apartment units are still at just 60% of their 50-year averages, according to Ralph McLaughlin, chief economist at Trulia.

Those factors have fueled price increases in coastal markets that could be hard to sustain, especially if foreigners ultimately pull back, economists said.

Average home prices in San Francisco have more than doubled since 2009, according to the S&P CoreLogic Case-Shiller Indices, which track home prices across the U.S., though recently the market has slowed as prices have risen beyond what most buyers can afford.

Economists said other cities that are still experiencing significant home-price appreciation—including New York, Seattle and Miami—could have similar slowdowns.

Across the U.S., home prices rose 5.5% in the 12 months ended in April, according to Case-Shiller. Home prices hit a record in September and price growth has accelerated in almost every month since.

The recent surge in foreign buying was driven largely by Canadians flocking south to escape their own overheated real-estate markets. U.S. home prices are starting to look like a bargain compared with Vancouver and Toronto, where prices rose nearly 30% in the year ended in March. The gains slowed to a 6% year-over-year increase in June.

"There's the flashing red exit sign going 'It's time to get out now,'" said Brent Leathwood, a broker in Florida who said he is seeing an uptick in Canadian buying.

The real-estate boom up north also helps give Canadians the cash to invest in vacation properties to the south. Mr. Leathwood said he recently worked with a couple who flew down from Vancouver.

"They're shocked at what $300,000 or $400,000 will buy them," he said. In Florida they can get a detached single-family house in that price range, while in Canada even an 800-square-foot condo is roughly twice that much, he said.

Foreign buyers tend to purchase more expensive homes than their local counterparts. The median price for a home purchased by a foreigner was more than $300,000, compared with roughly $235,000 for all existing homes sold in the U.S., according to the National Association of Realtors.

After dipping in 2016 to nearly $9 billion in sales, transactions involving Canadians this year more than doubled to $19 billion, a new high.

"Given the price appreciation that has occurred in those two cities, they have money to spend," Mr. Yun said.

Foreign buyers continue to make up a small share of the U.S. market overall, but in some places they are a significant enough force to help explain why prices are rising so rapidly.

Purchases by foreigners accounted for 10% of U.S. existing-home sales by dollar volume in the year ended in March, up from 8% in 2016.

Foreign buyers are disproportionately concentrated in a handful of states, with Florida, Texas and California together making up 46% of foreign buying activity, the report said.

Still, Mr. Yun said, the major factor driving rapid price gains is a lack of new-home construction that is leading to a dearth of supply.

"The way to assure more affordable homes is to build more and not to limit the demand. The better approach would be to increase construction," he said.

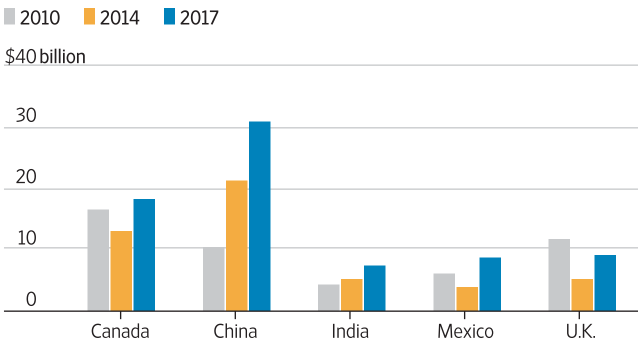
Chinese buyers remained the largest purchasers of U.S. homes by dollar volume, with $31.7 billion worth of purchases in the year, followed by Canadians, Britons, Mexicans and Indians. The bulk of buyers from China, India and Mexico had recently moved to the U.S., while Canadians and Britons were mostly buying second homes.

Kerry Lynn, a broker in New York City, said she is seeing more Canadians buying investment properties because they see Manhattan prices as a relative bargain.

"They're completely priced out of Vancouver," she said. "They're saying Toronto is getting way more expensive, too."

Big Spenders

Top five countries for sales of U.S. real estate to foreign buyers



Note: Estimates from 2010 and 2014 include some commercial transactions. The 2017 estimates include only residential transactions.
Source: National Association of Realtors

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CORRECTIONS & AMPLIFICATIONS

Macy's Inc. laid out plans for a revamped marketing strategy on June 6. A Business & Finance article Tuesday about retailers' debt loads incorrectly said it did so two weeks ago.

Signet Jewelers Ltd. faces a class-action arbitration case alleging gender discrimination in pay and promotion. In some editions Tuesday, a Business News article about the retirement of Signet's CEO incorrectly described the litigation as a class-action lawsuit, and it incorrectly said the case alleged sexual harassment.

Readers can alert The Wall Street Journal to any errors in news articles by emailing **wsjcontact@wsj.com** or by calling 888-410-2667.

Unpaid Lunch Money Vexes Schools

New mandate tells districts to spell out policy; from 'shaming' to eating the cost

BY TAWNELL D. HOBBS

School districts across the country will be alerting parents this fall about how they plan to tackle a long-thorny problem: collecting what can add up to hundreds of thousands of dollars in students' unpaid lunch money.

The U.S. Agriculture Department, which sets school-meal guidelines and provides cash subsidies and foods to public schools nationwide, set July as a deadline for states or districts to have a "written and clearly communicated meal charge policy" to notify parents annually on how delinquent meal accounts could affect their children.

Some schools withhold report cards or ban students from graduation exercises; others withhold meals entirely or give children of delinquent parents a cheese sandwich in place of a hot lunch. Other districts are planning similar actions.

Many other districts simply let students slide, using general funds at the end of the year to pay off any meal debt.

In the school year that just ended, the Los Angeles Unified School District's meal debt was $629,000, Prince William County Public Schools in Virginia's reached $300,000, while Nevada's Washoe County School District's was nearly $67,000. San Diego Unified School District had a $143,000 balance.

"We're in a financial crunch. If you owe money, you should pay it," said the Rev. Steve López, board president of Yonkers Public Schools, a New York school system with an $800,000 meal debt. "But we don't want any kids to go hungry—or pointed out or ostracized by their classmates."

USDA officials say the requirement, which takes effect this coming school year, ensures consistency and transparency. School districts must tell their states what they plan to do, unless there is a statewide policy. The mandate affects only students who pay full or reduced prices for lunch, not the millions of children who qualify for free lunch.

A USDA-led study found that 58% of school food authorities, which are mostly school districts, incurred unpaid meal costs during the 2010-2011 school year.

But some schools deny food to children or toss their chosen hot meal and provide a bag lunch instead if they see their account is delinquent. Opponents of that practice, which some call "lunch shaming," say that can embarrass students, and several states have passed or are considering laws that ban it.

In the Southern Boone School District in Missouri, where school leaders are wrestling with a $30,000 meal balance, parents who have fallen behind and haven't made arrangements to pay would be barred from attending their child's graduation and other events under a policy being considered in August.

"Many of the people on the list have the means to pay," said Southern Boone superintendent Chris Felmlee, who noted that his small district has a low percentage of poor students.

At least two states, New Mexico and Texas, recently approved laws aimed at avoiding lunch shaming, either forbidding practices that single students out or mandating that districts provide a grace period for nonpayment.

A federal bill introduced in May, called the Anti-Lunch Shaming Act of 2017, would forbid actions such as students performing chores to pay off debt.


MORGAN LEE/ASSOCIATED PRESS

Students bought school lunches this past May at Gonzales Community School in Santa Fe, N.M.

Policies Vary: PB&J Or Kitchen Duty?

Many meal policies in local school districts outline how schools will communicate with parents to collect money before lunches are cut off, and they provide the length of grace periods, usually longer at the elementary level.

These policies—some in place before the U.S. Agriculture Department set a July deadline for a payment policy on school meals—also describe the "alternate" meal given to kids who can't pay, usually a cheese or peanut-butter sandwich with a vegetable, fruit and milk.

Some policies also mention turning over unpaid accounts to collection agencies, taking parents to court, and involving child protective services when parents are unresponsive.

In Colorado Springs School District 11, the policy states: "Any student may work in the kitchen and receive a meal at no cost."

The meal policy for Union Area School District in Pennsylvania notes that students with negative account balances "will not be able to walk and/or attend the graduation ceremony."

But San Diego Unified and some other districts have decided to eat the costs instead of punishing students or parents. "We don't shame kids, never have, and we don't rip trays out of kids' hands," said Gary Petill, San Diego Unified's director of food and nutrition services. "No school should deny kids a meal."

—Tawnell D. Hobbs

GOP Votes Help Pass California Climate Measure

BY ALEJANDRO LAZO

SAN FRANCISCO—California Gov. Jerry Brown scored a major win for his climate-change agenda when the Legislature approved an extension of the state's cap-and-trade program.

Mr. Brown had struggled to get Democrats on board, with some more business-friendly members concerned about the program's effect on jobs and some environmentalists objecting that it gives too much to industry. Under the program, California businesses pay for the carbon dioxide they emit while reducing the emissions over time. The state's goal is to cut emissions to 40% below 1990 levels by 2030.

In the end, some Republican members—enticed by measures such as a tax break for manufacturers and a fee waiver for rural residents—joined Democrats Monday to extend the program from 2020 through 2030. One Republican backed the measure in the Senate's 28-12 vote, and seven Republicans supported it in the Assembly's 55-22 vote. The GOP votes in the Assembly were critical to reach the two-thirds majority required for new tax measures.

"Tonight, California stood tall, and once again boldly confronted the existential threat of our time," Mr. Brown said shortly after the vote. "Republicans and Democrats set aside their differences, came together and took courageous action. That's what good government looks like."

Some Republicans sharply criticized the program, though, saying it will drive up gas prices and utility bills for California consumers.

"Mark my words, today is the start of the next great California recession," said Sen. Ted Gaines, a Republican representing 11 rural counties in the state's northeast. "I can't support this bill. I am going to protect California's poor and the working class, not double their fuel costs."

Monday's two-thirds margin should insulate the program from further legal challenges like the one brought earlier by the California Chamber of Commerce. It sued, arguing cap and trade is an illegal tax on businesses, but the program was upheld by a state appeals court in April, and the California Supreme Court last month declined to hear an appeal.

After the loss, the Chamber backed cap and trade as a better option than more-onerous regulations. Last week, it endorsed the governor's plan.

The legislative victory is a boost for Mr. Brown, who has played the role of global-warming crusader abroad but has struggled to enact pieces of his climate agenda back home. In pushing the program last Thursday, the Democratic governor warned of an apocalyptic future if climate change continues.

California began using a cap-and-trade program to curb greenhouse-gas emissions in 2013. The state imposes a limit on the CO2 that industry is allowed to release and then auctions or gives away permits for those emissions. Businesses are free to sell permits they don't need, allowing market forces to distribute and price these allowances.

Money from the quarterly auctions, so far totaling $4.9 billion, will also go toward a state fund used for projects that include one of Mr. Brown's priorities: a high-speed rail train from Los Angeles to San Francisco.

State Sen. Tom Berryhill, of Twain Harte, Calif., the lone Republican in the state Senate to support the cap-and-trade measure, said the protections for small-business owners and rural Californians—and his belief that the program is preferable to more-direct regulation—won his vote. "Cap and trade fills a void created by onerous policies, a void that would otherwise be filled by regulations written by out-of-touch, unaccountable bureaucrats," Mr. Berryhill said.


RICH PEDRONCELLI/ASSOCIATED PRESS

California wants to cut carbon dioxide emission to 40% below 1990 levels by 2030. Above, smog shrouds the Los Angeles skyline.

Missouri Urged to Curb Doctor Shoppers

BY JEANNE WHALEN

Advocates applauded Missouri's move to monitor prescriptions for controlled substances such as opioid painkillers, but urged lawmakers to establish a statewide prescription database to keep consumers from doctor shopping.

Gov. Eric Greitens on Monday signed an executive order creating a prescription-monitoring system after a failed effort in the Legislature left Missouri the only state lacking such a tool.

Supporters of prescription monitoring said the system won't be as robust as one legislators aimed to create. They said a prescription database that doctors and pharmacies can check is needed to stop consumers from obtaining controlled substances from multiple sources.

Neighboring states have complained that Missouri's lack of such a database has made it a magnet for people looking to abuse opioids through multiple prescriptions, because they know doctors and pharmacies there can't check their history.

Mr. Greitens, a Republican, said the state would establish the system in phases. First, the state's health department will analyze prescription and pharmacy dispensing data provided by pharmacy-benefit managers to look for inappropriate patterns. The department will alert law enforcement and licensing boards about suspicious activity.

In the second phase, pharmacies will be required to submit controlled-substance prescription information to the health department, which will alert law enforcement and professional licensing boards about suspicious activity.

The program won't allow doctors or pharmacies to check a central database to see whether a particular patient is obtaining prescriptions from multiple doctors, a tool available in other states that public-health experts say is essential to prevent doctor shopping.

"I am happy to see the governor engaged, but his options are limited without support by the state Legislature," said Sam Page, a physician and chairman of St. Louis County's council, who has pushed for a statewide database. He said the order "doesn't help doctors take care of patients or refer addicted patients to the proper treatment."

A multiyear effort by many lawmakers to adopt a prescription-monitoring system has repeatedly run into opposition from a small group of legislators, who say a database containing prescription details would violate patient privacy.

The legislative session this year ended without the measure coming to a final vote.

"This program is a step—and it's a big step," Mr. Greitens said in a statement. "We won't wait for this problem to get worse."

'We won't wait for this [opioids] problem to get worse,' Gov. Eric Greitens said.

GOP Takes Stock After Health Setback

Trump calls for pickup of Senate seats in '18, but some Republicans see a damaged brand

By Janet Hook And Louise Radnofsky

WASHINGTON—President Donald Trump, reacting to the unraveling of the Senate health-care push on Tuesday, urged his fellow Republicans to focus on another task: electing more GOP senators next year so they would have a bigger majority that could withstand small defections.

"The way I look at it is, in '18 we're going to have to get some more people elected," Mr. Trump said. "We have to go out and we have to get more people elected that are Republican."

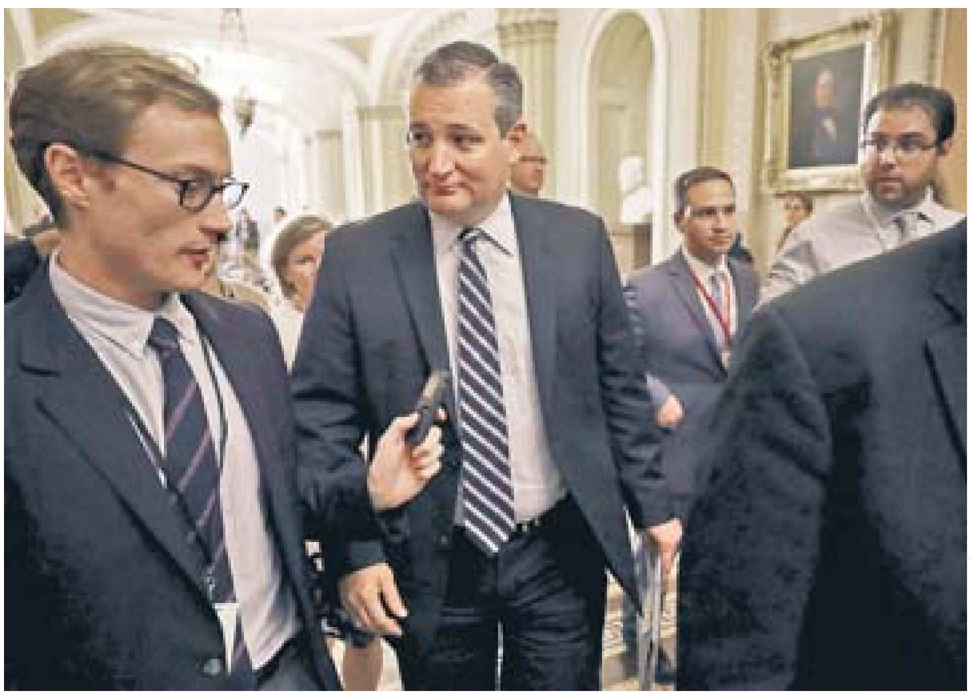
But some Republicans have warned that Mr. Trump's goal of winning more Senate seats would be harder if the GOP-controlled Congress failed to deliver on a repeal promise that legislators have been making for four consecutive election cycles and Mr. Trump featured in his 2016 campaign.

The demise of the health-care push also could stoke tensions within the party that have largely been muted since the November election in which Republicans ended up controlling both the White House and Congress for the first time since 2007, Republican politicians said.

"This is the issue," said Mark Meckler, a conservative activist who was co-founder of Tea Party Patriots, a group that led the earliest opposition to the 2010 health-care law championed by former President Barack Obama.

"Right now, what I'm seeing in my channels is unbridled fury against Congress," Mr. Meckler said.

With all Senate Democrats opposed to the GOP health-care legislation, Senate Majority Leader Mitch McConnell (R., Ky.) tried two different strategies on Monday and Tuesday to pass a bill that would roll back or repeal the Affordable Care Act, but he fell short of support on both. Mr. McConnell still plans to hold a vote on a 2015 version of a bill repealing the ACA, even though he lacks the numbers to pass it.



CHIP SOMODEVILLA/GETTY IMAGES

Conservative Sen. Ted Cruz, center, sees a danger of 'long-lasting damage' to GOP credibility.

The Senate Conservatives Fund, a political action committee, announced Tuesday it would recruit and fund primary challenges against GOP senators who move to block that vote.

"We will seek to identify, recruit and fund conservative challengers against Republican senators who vote against repeal," said Ken Cuccinelli, president of the Senate Conservatives Fund.

Some of Mr. Trump's allies had previously sought to inflict damage on GOP senators who didn't support the proposed health-care legislation in the Senate. Last month, one group launched an ad attacking Sen. Dean Heller (R., Nev.) after he voiced opposition to the bill. The ads were pulled after Mr. McConnell complained to White House Chief of Staff Reince Priebus that it was an "incredibly stupid" thing to do, according to a GOP operative with knowledge of the discussion.

The midterm map of Senate elections is heavily tilted in the GOP's direction, with more vulnerable Democrats than Republicans up for re-election.

Still, said Rick Tyler, a GOP strategist who was an adviser to Texas Sen. Ted Cruz's 2016 presidential campaign, the party's brand is taking a beating. "You have to demonstrate as a majority party that you can govern and get things done," he said.

"Not being able to deliver on that promise [to repeal the ACA] would do serious and long-lasting damage to the credibility of Republicans," Mr. Cruz said last week.

One thing that could blunt the political fallout over the health-care bill is that the proposed changes to the ACA weren't popular among many of Mr. Trump's own voters, according to a new Wall Street Journal/NBC News poll.

The poll, which focused on counties that voted for Mr. Trump, found that only 12% said that the GOP bill passed by the House to repeal and replace the Obama-era health law was a good idea, while 41% said it was a bad idea.

On Capitol Hill, Demonstrators Voice Opposition

MANUEL BALCE CENETA/ASSOCIATED PRESS

WARNING ISSUED: A police officer used a bullhorn as a group of black ministers staged a protest at the U.S. Capitol in Washington on Tuesday. The group urged Congress to reject the budget proposal of the Trump administration and the Senate health-care bill.

HEALTH

Continued from Page One

cal hay by campaigning against and voting repeatedly to repeal the law while Barack Obama was president, now that Mr. Trump is in office and promising to sign the bill, the situation is politically fraught. Republicans had struggled for weeks to craft a bill that would preserve the ACA's most popular elements while also curbing Medicaid spending and lowering insurance premiums.

With Senate Republicans having trouble agreeing on a new health-care system, Mr. McConnell had turned late Monday night to a fallback option: repeating a vote on a bill passed by the Senate in 2015, later vetoed by Mr. Obama, to repeal much of the law without setting up new ways to bolster insurance coverage. About 20 million Americans have gained coverage under the ACA.

Of the 52 current GOP senators, 49 had voted for the 2015 repeal bill. But many senators made it clear that a repeal of the law known as Obamacare threatened to alarm their constituents and destabilize the insurance market.

"To just say, 'Repeal and trust us—we're going to fix it in a couple years,' that's not going to provide comfort to the anxiety that a lot of Alaskan families are feeling right now," GOP Sen. Lisa Murkowski of Alaska told reporters.

By midday Tuesday, GOP Sens. Susan Collins of Maine, Shelley Moore Capito of West Virginia and Ms. Murkowski all said they would oppose a procedural motion necessary to begin consideration of a repeal bill, depriving it of the support needed to advance. Mr. McConnell couldn't lose more than two GOP votes at any point in the process.

Mr. Trump, who Monday night had thrown his weight behind Mr. McConnell's bid to hold a repeal-only vote, modified his approach Tuesday, saying the ACA, if untouched, would collapse.

Democrats said the ACA insurance exchanges, while fragile in some states, weren't headed for collapse. They also said the president was trying to undermine the health-care system rather than seeking bipartisan cooperation.

"He wants to throw up his hands rather than roll up his sleeves to work with us to solve the problem," Senate Minority Leader Chuck Schumer (D., N.Y.) told reporters.

The ACA widened health coverage by expanding Medicaid and setting up subsidies for people to buy health coverage on the exchanges, paid for by taxes on medical companies and higher earners. While the law has been viewed unfavorably by most Republican voters and donors, certain provisions, including a regulation that prevents insurers from charging more or refusing to cover patients with costly medical conditions, have proved popular. Many GOP governors also have welcomed the law's expanded Medicaid funding for their states.

Some conservatives who had criticized the Senate-crafted bill for not doing enough to undo the ACA applauded Mr. McConnell's call for a vote on a straight repeal.

"Those Republicans who promised to repeal Obamacare ought to vote the same way they voted in 2015," Sen. Rand Paul (R., Ky.) said.

Other Republicans said that path would generate anxiety for both the markets and their constituents. "I did not come to Washington to hurt people," Ms. Capito said in a statement.

Ms. Capito and Ms. Murkowski both voted for the 2015 repeal bill; Ms. Collins voted against it.

GOP leaders have warned their rank-and-file that taking no action on health care could open the party to criticism for failing to fulfill a longstanding promise.

"You'll see real anger," said David McIntosh, president of the Club for Growth, a conservative advocacy group that focuses on fiscal and tax issues. "I think the Republican Party has huge problems if they don't repeal Obamacare."

Mr. McConnell abandoned the Senate GOP health bill Monday night when defections by GOP Sens. Mike Lee of Utah and Jerry Moran of Kansas left him short of the votes needed for passage.

—Siobhan Hughes, Louise Radnofsky, Stephanie Armour and Byron Tau contributed to this article.

Why ACA Passed But Not GOP Bill

In 2010, Democrats passed a sweeping health-care bill that polls showed to be unpopular with no support from the other party. In 2017, Republicans sought to do the same. Here is a look at some of the differences that led to one passing and the other stumbling.

CONGRESS
In the wake of the 2008 elections, Democrats for a time controlled 60 of the Senate's 100 seats. Republicans now have control of the Senate, but with 52 seats, allowing no more than two defections. Democrats passed part of the Affordable Care Act through the usual legislative process requiring 60 votes, and part of it through the so-called reconciliation process that requires a 51-vote majority.

INDUSTRY
In 2009 and 2010, Democrats brought the health industry and medical associations aboard, promising them financial help and big new markets. As a result, many such groups lined up behind the plan, also called Obamacare. In contrast, the same groups largely aligned against the GOP bill.

GOVERNORS
Republicans have had to contend with governors in their own party critical of their initiative, notably because of its proposed cuts to the Medicaid program. Democrats faced no similar dynamic.

PRESIDENT
Then-President Barack Obama bridged the split between his party's purists and centrists—exhorting Democrats, traveling the country and holding public debates with Republicans. President Donald Trump has strongly advocated for his party's bill in speeches, on Twitter and in meetings with lawmakers. But some Republicans privately have said he hasn't always coordinated strategy with congressional leaders.

TIME
Democrats entered the 2008 election expecting to win and planning to push health care. In contrast, many Republicans didn't expect to capture the presidency in 2016, and the GOP didn't have a proposal ready.

—Naftali Bendavid

INSURE

Continued from Page One

seeking large rate increases for next year. In an estimated 38 counties across Nevada, Indiana and Ohio, no insurer has yet agreed to offer coverage through an exchange next year.

Most immediately, companies offering health plans in the ACA's exchanges are concerned key federal payments that help reduce health-care costs for low-income enrollees may now be halted, as President Donald Trump has threatened in the past. The Senate bill would have locked them in for 2018 and 2019. The president raised their alarm with a tweet on Tuesday suggesting, "let ObamaCare fail and then come together and do a great healthcare plan. Stay tuned!"

"If he wants to destroy Obamacare, all he has to do is stop" the payments, said Jerry Dworak, chief executive of Montana Health Co-op, a nonprofit offering marketplace plans in Montana and Idaho. "That would probably end it right there. I don't know if he's bluffing."

Montana Health Co-op proposed only about a 4% rate increase on marketplace plans in its home state for next year, Mr. Dworak said, but that would have to increase by around 20 percentage points if the cost-sharing payments ceased.

The Blue Cross Blue Shield Association said that, "with open enrollment for 2018 only three months away, our members and all Americans need the certainty and security of knowing coverage will be available and affordable for them," and the cost-sharing payments must have "certain funding." The group also said it supported federal and state moves to "stabilize insurance markets in the short term."

Insurers said they also need firmer direction about the future enforcement of the ACA's individual mandate for people to have insurance. Many insurers fear consumers will assume because of Republican efforts that the requirement is no longer being enforced, even though no law repealing it has passed, leading younger, healthier people to avoid marketplace plans.

"I'd like to see clarity" around the mandate, said Diane P. Holder, chief executive of UPMC Health Plan in Pittsburgh.

Senate Majority Leader Mitch McConnell (R., Ky.) had previously raised the prospect of working with Democrats on efforts to stabilize the marketplaces, and pressure for that outcome from the health-care industry and states is likely to rapidly grow.

A group of governors, including Ohio's John Kasich, Nevada's Brian Sandoval and Pennsylvania's Tom Wolf, said in a statement Tuesday that "the best next step is for both parties to come together and do what we can all agree on: fix our unstable insurance markets."

Hospital executives said they, too, are worried about seeing more patients losing coverage if the insurance marketplaces aren't stabilized. Seeing more uninsured would strain hospital finances, said Robin Wittenstein, CEO of hospital operator Denver Health, who was in Washington on Tuesday to lobby Congress as the Senate's legislative agenda rapidly shifted. "It would have a devastating effect," she said.

In addition to funding for the cost-sharing payments, insurers would like to see funding for reinsurance to help manage the risk of covering costlier, sicker enrollees, and other steps.

Pamela Morris, chief executive of CareSource, a nonprofit that offers exchange plans in four states, said her company is considering offering plans in some counties in Indiana and Ohio that lack a marketplace insurer for 2018. Locking in the cost-sharing payments and a reinsurance program would "make it a win-win for us" to offer plans in those counties, she said. "That would seal the deal."

Meanwhile, states are increasingly taking their own initiatives to bolster exchanges—reflecting the reality that the ACA has played out very differently in different places. In the states facing possible bare counties with no exchange insurers, officials are wooing companies to stick around. Other states' marketplaces are in steadier condition.

Ohio's John Kasich and other governors say the next step should be steadying markets.

Governors called 'for both parties to come together and do what we can all agree on.'

"Every state out there is realizing that the worst scenario is a collapse of your individual markets," said Mike Kreidler, Washington state's insurance commissioner, who, like officials in many states, is working on a proposal to get a federal waiver to tweak aspects of the ACA. "You can't just sit back and wait for bad things to happen."

Alaska, which had been facing large rate increases and retains only one insurer in its exchange, recently won federal approval for an effort built around a reinsurance setup. Iowa is seeking a nod from federal officials for a more ambitious program that would rewrite large portions of the ACA in the state. Several other states are considering or moving forward on similar efforts.

—Stephanie Armour contributed to this article.

Republicans Seek Victory On Tax Plan

By Richard Rubin

WASHINGTON—Republicans, after a six-month effort to rewrite health-care law that appears to be ending in defeat, are hoping tax policy can deliver them a landmark victory.

They have a huge incentive to succeed after the health-care fumble, lawmakers say, but they acknowledge a tax overhaul won't be quick or easy.

The party's goal of a once-in-a-generation tax-code revamp is at best months from completion. The GOP has yet to write a budget that will be used as a framework for advancing a tax overhaul. Party leaders also haven't agreed on key policy objectives.

"It ratchets up pressure on us to get something done. It also makes it difficult to move forward with anything controversial because of a fear of it falling apart," said Rep. Tom MacArthur (R., N.J.) "We have to get things done that matter to the American people, and tax reform is one of them."

The tax plan will absorb policy fights left unresolved from health care. Republicans had counted on the health bill to repeal investment and payroll taxes and taxes on health industries created in the 2010 Affordable Care Act. Repealing those items in the tax bill would make it harder to cut other taxes and hit fiscal targets, while leaving them in place would upset business groups and others.

Politically, Republicans need momentum coming out of health care. But the same narrow vote margins and procedural technicalities that bedeviled them on health care could reappear.

Aspects of tax policy could unite Republicans. Party members generally agree that lower marginal rates on corporate taxes can increase investment and spur economic growth. President Donald Trump has shown more enthusiasm for a tax rewrite than health care. Moreover, the party isn't faced with the prospect of taking away popular health benefits, as they were in the Obamacare rewrite, which stymied them in attempting the health overhaul.

"After health care, taxes are going to be so easy," Mr. Trump said this month on the Christian Broadcasting Network. "If we get what we want, it will be the biggest tax cut and the greatest tax reform in the history of our country."

If the House and Senate agree on a budget, they can advance a subsequent tax bill that avoids a Senate filibuster and passes with only Republican votes.

The House budget calls for tying the tax bill to at least $203 billion in deficit-reduction measures. That bill, like health-care legislation, would face procedural constraints and couldn't increase budget deficits after 10 years, a factor that potentially ties Republican hands.

So far, the House doesn't appear to have enough votes to pass a budget measure. House members are scheduled to leave Washington next week and not return until September.

JIM LO SCALZO/EUROPEAN PRESSPHOTO AGENCY

House Budget Committee Chairwoman Diane Black speaking about the GOP budget plan on Tuesday.

Budget Blueprint Faces Obstacles

House Republicans unveiled an ambitious plan on Tuesday to rewrite the tax code, revamp medical-malpractice laws, change federal employees' retirement benefits and partially repeal the Dodd-Frank financial regulations—all in one bill that wouldn't require any votes from Democrats.

The strategy, embedded in the House GOP fiscal-2018 budget, faces obstacles.

For instance, Republicans will have a narrow margin in the Senate and will have to comply with budgetary rules that restrict which policies can be included.

Republicans this year control the House, Senate and White House, and they are trying to take advantage by pairing a landmark tax bill with at least $203 billion in deficit-reduction measures.

"With a Republican Congress and a Republican administration, now is the time to put forward a governing document with real solutions....," said Rep. Diane Black (R., Tenn.), chairwoman of the House Budget Committee.

Most bills can be filibustered in the Senate and require a 60-vote threshold. Republicans are seeking to use an exception to that rule—the so-called reconciliation procedures allowed under budgetary lawmaking.

Under reconciliation, fiscally oriented bills can become law with a simple-majority vote in both chambers and a signature from the president. They can't increase long-run budget deficits and must hit fiscal targets set out by the budget.

To get to that point, Congress must adopt a budget first, which means the House and Senate must agree twice, once on the budget and then again on the ultimate bill.

The House Budget Committee's release on Tuesday, followed by a committee vote slated for Wednesday, marks the first step in that process.

—Richard Rubin and Kate Davidson

Rep. Dave Brat (R., Va.), said conservatives want larger spending cuts and are wary of backing the budget without more clarity on taxes.

"We did that last time on health care—we opened the gate for a free-market health-care piece. We didn't get that," he said.

Other internal divides loom.

The party is split between members who prioritize rate cuts and those more concerned about the distribution of the tax burden. There is also a split between lawmakers who want tax cuts and those worried about budget deficits.

"The GOP is likely to pivot away from a fully revenue-neutral bill towards a bill that is deficit-financed over the first 10 years," said Jon Lieber of the Eurasia Group consulting firm. "It is getting to be crunch time."

Sen. Ben Cardin (D., Md.) said he thought the parties could find agreement on tax policy if they worked together.

—Byron Tau and Kate Davidson contributed to this article.

Special Counsel Examines Campaign Meeting

Special Counsel Robert Mueller has contacted the eighth attendee at a meeting arranged by Donald Trump Jr. between top campaign aides and a Russian lawyer, marking

By Rebecca Ballhaus, Byron Tau and Aruna Viswanatha

the first public sign that Mr. Mueller's investigation will examine the June 2016 gathering at Trump Tower in New York.

Mr. Mueller, a former director of the Federal Bureau of Investigation, has also cleared the way for President Donald Trump's eldest son and a senior campaign official to testify before Congress about the meeting, a senior Democratic senator said Tuesday.

The special counsel has contacted Ike Kaveladze, vice president at Crocus Group, a company run by Azerbaijani-Russian billionaire Aras Agalarov, who helped arrange the 2016 meeting, an attorney for Mr. Kaveladze confirmed. Mr. Mueller is investigating alleged Russian meddling in last year's presidential election and whether Mr. Trump's associates colluded with Moscow.

Mr. Kaveladze was asked by Mr. Agalarov to attend the meeting as an interpreter for the Russian lawyer, according to Scott Balber, the attorney who represents both Messrs. Kaveladze and Agalarov.

But the Russian lawyer, Natalia Veselnitskaya, brought her own interpreter, and Mr. Kaveladze "doesn't recall saying a single word at the meeting," Mr. Balber said.

Mr. Kaveladze is "fully cooperating" with the special counsel's probe but has yet to be interviewed, Mr. Balber said. Mr. Agalarov and his son, pop singer Emin, haven't been approached by Mr. Mueller, he said.

Mr. Trump and his campaign aides have denied any collusion with Russia. The GOP president has also expressed skepticism about U.S. intelligence agencies' conclusion that Moscow sought to intervene during the campaign. Russian officials have denied doing so.

Donald Trump Jr. released emails last week showing he helped arrange the Trump Tower meeting to discuss allegedly damaging information about former Democratic presidential nominee Hillary Clinton.


ALEX WONG/GETTY IMAGES

Special Counsel Robert Mueller, left, is looking into a 2016 meeting at Trump Tower in Manhattan.

The meeting was also attended by Jared Kushner, Mr. Trump's son-in-law, who was a senior campaign aide at the time and is now a top White House official, and Paul Manafort, then the campaign chairman.

On Tuesday, Sen. Dianne Feinstein (D., Calif.) said she had been informed Mr. Mueller wouldn't object to Donald Trump Jr. and Mr. Manafort testifying before the Senate Judiciary Committee.

A spokesman for Mr. Mueller declined to comment. A spokesman for Republicans on the panel didn't respond to a request for comment, but Sen. Chuck Grassley (R., Iowa), the committee's chairman, previously said he would like to call attendees in front of the panel to shed new light on the June 2016 meeting. It is unclear whether the Senate also wants to hear from Mr. Kushner.

In an email to the younger Mr. Trump dated June 3, 2016, a British publicist said that a top Russian prosecutor had "offered to provide the Trump campaign with some official documents and information that would incriminate Hillary and her dealings with Russia and would be very useful to your father."

—Brett Forrest contributed to this article.

WASHINGTON WIRE

FINANCIAL REGULATION

White House Eyes Peirce for SEC

The Trump administration plans to nominate Hester Peirce to fill a vacancy as a Republican member of the Securities and Exchange Commission, the White House said.

The pick would elevate a long-time policy hand who has frequently criticized the postcrisis regime set by Democrats for regulating Wall Street. Ms. Peirce, a researcher at George Mason University's Mercatus Center, was previously chosen during the Obama administration two years ago to fill a Republican seat at the SEC. Her nomination ran aground at the time after Democratic senators raised objections to her as well as their own party's choice to fill a commissioner slot reserved for Democrats.

Her move to the SEC would make it easier for Chairman Jay Clayton to carry out an agenda focused on reducing regulatory burdens for public companies.

The White House didn't announce a pick Tuesday to fill a vacant Democratic commissioner's seat. Ms. Peirce declined to comment. An SEC spokesman declined to comment.

—Dave Michaels

FOREIGN RELATIONS

No Resolution With Russia on Compounds

U.S. and Russian diplomats didn't reach an agreement Tuesday over the return of Russian embassy compounds that were seized by the Obama administration in December as punishment for Moscow's alleged interference in the 2016 presidential campaign.

U.S. Undersecretary of State Thomas Shannon and Russian Deputy Foreign Minister Sergei Ryabkov met in Washington to discuss the matter and other bilateral issues.

Last year, Russia held off from responding in kind after then-President Barack Obama's administration seized the New York and Maryland compounds and expelled 35 Russian diplomats accused of operating as spies. The Kremlin bridled its response amid hope that then-incoming President Donald Trump might reverse the moves, which came in the final weeks of the Obama administration.

—Paul Sonne

GOVERNMENT TRANSACTION

U.S. Has $2.39 Million Trump Tower Lease

The U.S. government is paying more than $130,000 a month to lease space in Trump Tower for the military office that supports the White House.

The government signed a $2.39 million lease for a 3,475-square-foot space in the building from April 11, 2017, to Sept. 30, 2018, nearly 18 months in total, according to lease documents The Wall Street Journal obtained in a freedom of information request.

The General Services Administration redacted large portions of the lease, including the name of the person who owns the Trump Tower space the government is renting. But an agency spokeswoman said the space is owned privately by someone unaffiliated with Trump Organization, meaning the rent money isn't going to Mr. Trump.

—Paul Sonne

Poll: Trump's Supporters Have His Back

By Michael C. Bender

People in counties that propelled President Donald Trump's election victory see him as the change agent needed to shake up political and economic systems that they said are stacked against them, a new Wall Street Journal/NBC News poll found.

The president's job performance and his handling of the economy are viewed more favorably in these so-called Trump counties than in the rest of the nation, helping to overcome doubts some people have about the president's personal qualities and some of his policy decisions.

The GOP president draws wide support in these counties for bargaining with employers to keep jobs in the U.S., with 75% of residents supporting those efforts and 14% opposing.

More than two-thirds of respondents in those counties back his signaling that he is willing to take action if North Korea goes further in developing long-range missiles and nuclear weapons, and a similar share backs his military response in April to Syria's use of chemical weapons. A majority supports his push for a ban on entry into the U.S. residents of some countries.

In these counties, 50% said they approve of Mr. Trump's job performance, compared with 46% who disapprove, the survey found. That is a stronger showing than the 40% in a nationwide Journal/NBC survey from last month who approved of Mr. Trump's performance in office.

The survey underscored many of the themes that led to Mr. Trump's surprising victory in November, most notably the resonance of his call to protect U.S. jobs and the unfavorable view that many voters took of Democratic presidential nominee Hillary Clinton.

The survey, conducted July 8-12, included 600 adults in some of the president's strongest bastions: Counties that flipped from favoring former President Barack Obama, a Democrat, in 2012 to backing Mr. Trump in November, and counties in which Mr. Trump's support in the November election surged at least 20 percentage points higher than GOP presidential nominee Mitt Romney drew in 2012.

Approval of some of the president's actions related to the economy and foreign policy in these counties have helped him overcome doubts about other actions. According to the poll, 42% in these counties disapproved of his firing of James Comey as director of the Federal Bureau of Investigation, with 33% approving. Nearly half disapproved of Mr. Trump's decision to pull the U.S. out of the Paris climate change accords, with about one-third approving of that action.

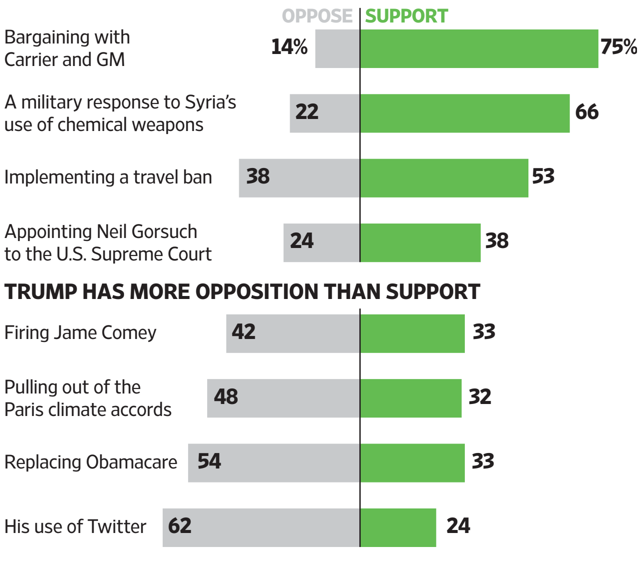
More than half disapprove of Mr. Trump's push to replace the Affordable Care Act, and more than six in 10 disapprove of his use of Twitter.

"Without a doubt, Donald Trump's personal style was part of his appeal in the 2016 campaign," said Democratic pollster Fred Yang, who conducted the survey with Republican Bill McInturff. "But more and more it appears to be a distraction that is starting to hit a sour note with this base."

Many poll respondents said Mr. Trump's strongest attribute was that he isn't a typical politician and is shaking things up in Washington. He is perceived as bringing the right kind of change by more than a two-to-one margin.

How Trump Counties View the President

In counties that fueled President Donald Trump's election victory, residents strongly support some of his economic and foreign policy actions. His decisions on climate change and firing the FBI director draw less support.



Source: WSJ/NBC News telephone poll of 600 adults in Trump-supporting counties in 16 states conducted July 8-12; margin of error: +/-4 percentage points

THE WALL STREET JOURNAL.

Standing Up for American Jobs

Our Pledge

Pratt Industries Executive Chairman Anthony Pratt recently pledged $2 billion to create 5,000 high-paying manufacturing jobs.

President Trump applauds Anthony Pratt's pledge announcement.

The Latest Installment on That Pledge - Rockwall, Texas

PRATT 100% RECYCLED

This new $100 million box making factory brings our total American workforce to 7,300 employees.

WORLD NEWS

U.S. Puts New Sanctions on Iran

Penalties are imposed on people and groups backing elite military corps, missile program

BY FELICIA SCHWARTZ

EBRAHIM NOROOZI/ASSOCIATED PRESS

Islamic Revolutionary Guard Corps troops in formation. New U.S. sanctions are partly aimed at cutting off procurement for the force.

WASHINGTON—The Trump administration on Tuesday leveled more sanctions against Iran, targeting its elite military unit and ballistic missile program in a move that raised new questions about the fate of the 2015 international nuclear deal.

The sanctions came after the administration told Congress late Monday that Iran was continuing to comply with the 2015 international nuclear agreement, a notification that kept the accord in place for now. But that determination came after an intense debate within the administration, according to officials familiar with the discussions.

"This administration will continue to aggressively target Iran's malign activity," Treasury Secretary Steven Mnuchin said.

The Trump administration is reviewing the nuclear agreement and its policy toward Iran. The U.S. will next have to certify Iran's compliance with the deal in October.

Iran's Foreign Ministry condemned the new sanctions and threatened retaliatory sanctions, according to the official Islamic Republic News Agency.

The Joint Comprehensive Plan of Action, as the 2015 nuclear agreement is known, was championed by the Obama administration as a way to obtain Iran's agreement to significantly cut back its nuclear program in exchange for relief from international sanctions.

The decision to certify Iran's compliance late Monday was proceeded by several hours of debate during which President Trump considered refusing certification. Officials including White House strategist Steve Bannon urged Mr. Trump to declare that Iran hadn't complied, people familiar with the deliberations said. On the other side was Secretary of State Rex Tillerson and officials who urged Mr. Trump to keep the agreement intact while the policy review is under way.

The Treasury sanctions notice designated 16 entities and individuals that it said supported the IRGC. The State Department also designated two Iranian organizations involved with Tehran's ballistic missile program.

Afghanistan Bars Plane Carrying Its Vice President

BY HABIB KHAN TOTAKHIL

KABUL—A plane carrying a top Afghan official under investigation for kidnapping and raping a political rival was prevented from landing in northern Afghanistan, authorities said.

The official, First Vice President Gen. Abdul Rashid Dostum, was returning to Afghanistan from Turkey late Monday when Afghan authorities asked the U.S.-led international military coalition to deny his chartered Turkish plane permission to land in the city of Mazar-e-Sharif, a senior Afghan official said.

The aircraft was diverted to neighboring Turkmenistan, despite a request by Atta Mohammad Noor, the powerful governor and a Dostum supporter, that the general's plane be allowed to land in Mazar-e-Sharif.

The former governor of Jowzjan province, Ahmad Ishchi, says Gen. Dostum abducted and sexually assaulted him in November. Since then, the general has battled for his political survival. Many officials in Kabul viewed his departure for Turkey in May as the latest of the general's moves to escape political trouble at home.

Gen. Dostum's aides dismissed any suggestion his aircraft was forcibly rerouted. They also denied his stay in Turkey represented a retreat from the Afghan political stage, saying he was in Turkey for medical treatment and would soon return to Afghanistan to participate in the new antigovernment movement dubbed the "coalition to rescue Afghanistan," which he formed this month in Turkey.

The Afghan government and its Western supporters have demanded that Gen. Dostum be properly investigated and prosecuted if necessary. He has, however, refused to cooperate with judicial authorities, and no formal charges have been filed against him. "This is a political case," said Bashir Ahmad Tayanch, a spokesman for Gen. Dostum. "We don't think it's necessary to cooperate with the attorney general or the court."

—Jessica Donati contributed to this article.

Saudis Arrest Woman in Skirt Video

BY MARGHERITA STANCATI

Saudi Arabia's police detained a woman for appearing in public wearing a short skirt and a cropped top, a violation of the country's strict dress code, state media said Tuesday.

A video of the woman walking around the historic town of Ushayqir, which first surfaced on Snapchat, went viral on Saudi social media over the weekend, sparking a fierce debate.

The woman, who hasn't been officially identified, was detained by police in Riyadh for wearing "immodest clothing" and the case was referred to the public prosecutor, state television said.

Saudi Arabia, the birthplace of Islam and a key U.S. ally in the battle against religious extremism, enforces one of the world's strictest interpretations of the religion. Women must wear loose, head-to-toe gowns known as abayas in public, though exceptions are made for foreign officials and their spouses.

"The law must apply to her," said a tweet from the account of Aisha Al Otaibi, ahead of the woman's detention. "Europe forces women to remove their veils. In our country law is based on Islamic Shariah, and it must be respected."

The reaction to the video reflects internal tensions over the future of the kingdom.

"A woman wanders in the heritage town of Ushayqir. The world has not come to an end—it's a pleasant sight. There is no insult in it. She's a human, she is a person," said a tweet from the account of Waleed Al Nasser.

—Dahlia Kholaif contributed to this article.

U.S., China Walk Narrow Path on Trade

By Jacob M. Schlesinger

WASHINGTON—As the Trump administration prepares for its first formal economic talks with China here Wednesday, Chinese officials highlighted their ability to quell trade tensions with the new American president, while some U.S. business groups expressed concern their government might not push Beijing hard enough.

After Donald Trump's November election, "many kept their fingers crossed, worrying that China-U.S. trade relations would enter a stormy...winter and even run the risk of a trade war," Chinese Vice Premier Wang Yang told a luncheon of business executives here Tuesday.

But Mr. Trump has since dropped his threats to impose drastic penalties against Chinese imports—an across-the-board tariff, or a formal charge of currency manipulation—and has so far focused on small market-opening agreements instead.

Both sides will likely discuss on Wednesday a new list of specific sectors where they can announce new China market access for U.S. firms. The first round in the new "U.S.-China Comprehensive Dialogue" will be led by Mr. Wang and two top Trump economic aides: Commerce Secretary Wilbur Ross and Treasury Secretary Steven Mnuchin.

"Our economic teams have built mutual trust...featuring mutual respect and win-win cooperation," Mr. Wang said.

U.S. business groups, which had originally braced for the hostilities Mr. Wang referred to, are now growing worried the Trump administration may not press China hard enough for broad reforms they consider necessary to pry China's economy open.

"Much more needs to be done," Thomas Donohue, president of the U.S. Chamber of Commerce, said at the outset of the lunch hosted by his group.

In advance of this week's talks, the group submitted a report to Trump officials praising them for "a good start," but adding that "additional near-term outcomes need to be more far-reaching in scope and benefit."

Many executives say they are prodding the administration to craft a broader, strategic approach to addressing Chinese structural barriers, rather than the "transactional" case-by-case tack taken so far, which, they say, may benefit specific companies without addressing deeper concerns that U.S. companies have with opaque Chinese regulations and industrial policies.

Business groups have also expressed disappointment in the limited gains from a handful of market-opening measures in agriculture and finance announced in May as an early down payment in the new "economic dialogue."

Mr. Trump's tone on China changed as he hosted Chinese President Xi Jinping at his Mar-a-Lago resort in Florida in April. At the time, Mr. Trump noted the friendship he struck up with his counterpart, and suggested he would cut China some slack on trade issues in exchange for Mr. Xi's cooperation reining in North Korea's nuclear program.

Mr. Trump has since expressed disappointment in Beijing's handling of Pyongyang, and has threatened to impose tariffs on steel imports to fight China's overcapacity.

Beijing's Censors Target Chat Images

By Eva Dou

BEIJING—China's already formidable internet censors have demonstrated a new strength—the ability to delete images in one-on-one chats as they are being transmitted, making them disappear before receivers see them.

The ability is part of a broader technology push by Beijing's censors to step up surveillance and get ahead of activists and others communicating online in China.

Displays of this new image-filtering capability kicked into high gear last week as Chinese dissident Liu Xiaobo lay dying from liver cancer and politically minded Chinese tried to pay tribute to him, according to activists and a new research report.

Wu Yangwei, a friend of the long-jailed Nobel Peace Prize laureate, said he used popular messaging app WeChat to send friends a photo of a haggard Mr. Liu embracing his wife. Mr. Wu believed the transmissions were successful, but he said his friends never saw them.

"Sometimes you can get around censors by rotating the photo," said Mr. Wu, a writer better known by his pen name, Ye Du. "But that doesn't always work."

There were disruptions on Tuesday to another popular messaging app, **Facebook** Inc.'s WhatsApp, with many China-based users saying they were unable to send photos and videos without the use of software that circumvents Chinese internet controls. Text messages appeared to be largely unaffected.

WhatsApp, which employs encryption that allows users to have secure conversations, is one of the few foreign messaging apps that has gone unblocked in China. Supporters of Mr. Liu had been using it to exchange information and images of the Nobel laureate in recent days.

WhatsApp made no technical changes that would limit its service in China, a person familiar with the matter said.

Researchers said they documented 19 images blocked in one-to-one chats, including this cartoon commemorating late activist Liu Xiaobo.

Chinese internet censorship first concentrated on the development of word-screening software to root out politically objectionable content. As a result, internet users over the past couple of years turned to sending photos to evade cyber police. In response, censors upped their game by demonstrating the ability to purge images from group chats and public posts.

> *The rapid blocking suggests an algorithm is at work, a Citizen Lab researcher said.*

In a new report, researchers from the University of Toronto's Citizen Lab said they observed that WeChat expanded its image censorship to one-to-one chats for the first time, in the wake of Mr. Liu's death on Thursday.

Citizen Lab, a human-rights research group known for its studies of internet censorship and surveillance, said it is investigating how WeChat is able to filter the images. Since the images are blocked mid-transit, the speed is too fast for human intervention. The rapid blocking suggests an algorithm is at work, Citizen Lab researcher Lotus Ruan said.

Though activists said they noticed image censoring over the past year, Ms. Ruan said Citizen Lab didn't detect this kind of targeted, person-to-person image blocking when it was investigating Chinese censorship in the spring.

Tencent Holdings Ltd., the Chinese internet company that operates WeChat, didn't respond to requests for comment. Online-content companies are required to strictly censor their platforms, a front-line defense that is augmented by police forces dedicated to internet monitoring.

The use of enhanced image filtering comes as Chinese authorities move to step up surveillance by using new data-driven technologies. Security cameras with facial-recognition software are being deployed in Chinese cities to catch jaywalkers and track criminal suspects. Local governments are rolling out "social credit" systems that catalog the digital lives of its citizens, including their internet history and bill payments.

A high-stakes leadership shuffle in the fall that is likely to see Chinese President Xi Jinping further consolidate his power could also help explain the evolution in censorship. Internet controls tend to tighten significantly in the run-up to major political events in China.

These capabilities are closing a censorship gap that Chinese activists and ordinary internet users have counted on—that the sheer mass of messages was too much for censors to handle.

"If you hire a million network police, it still wouldn't be enough to filter 1.4 billion people's messages," said Bao Pu, a Hong Kong-based publisher of political books that are banned on the mainland. "But if you have a machine doing it, it can instantly block everything. It doesn't matter if it's a billion messages or 10 billion."

Citizen Lab researchers said an increase in image censoring was noticeable as part of a broader clampdown on messages about Mr. Liu. The researchers said they documented 19 images blocked in one-to-one chats, including a cartoon of an empty chair, in addition to images blocked in group chats. Mr. Liu was famously represented by an empty chair at the 2010 ceremony where he was awarded his Nobel Peace Prize while in prison in China.

In tests conducted by The Wall Street Journal, some images of Mr. Liu were blocked in private WeChat messages, including a widely circulated one of him and his wife and another one overlaid with information about a vigil in Hong Kong. Some other photos transmitted successfully.

Activists said that they have noticed more frequent image blocks on WeChat over the past year and that there are signs the censorship is automated: One image will be blocked while a similar one in a different color scheme will go through.

—Alyssa Abkowitz and Josh Chin contributed to this article.

DISCOVERY CHANNEL/ASSOCIATED PRESS

Discovery, whose programs have included 'Shark Week,' is said to be in talks to combine with Scripps.

DEAL

Continued from Page One

Spring, Md., posted revenue of \$6.5 billion for last year, while Scripps brought in \$3.4 billion in revenue. The two companies, like other midsize cable TV companies that don't own broadcast or sports networks, are trying to figure out where they fit in a shifting media landscape.

Traditional cable is under pressure from streaming services like Netflix, which are luring away subscribers. Cable channels are vying to be part of "skinny" online TV bundles from Sling TV, Hulu, YouTube and others.

The biggest cable-network owners have an advantage in those negotiations.

Together, Discovery and Scripps could be in position to offer their own subscription web-TV bundle of nonfiction programming. Both companies also are banking on their expertise in food, travel and cooking programs to translate well to young consumers on Facebook and Snapchat.

There is also a simple logic to getting bigger at a time distributors in pay television have done their own deals and may have more leverage in channel-carriage negotiations. Cable networks get a slice of consumers' monthly bills based on rates hashed out with the providers. In recent years, AT&T Inc. has purchased DirecTV and Charter Communications Inc. has merged with Time Warner Cable.

It is far from certain that a Discovery-Scripps merger would resolve some of the structural problems they and other media companies face in the TV world, including the gradual movement of eyeballs—and advertisers—to digital platforms that are perceived to allow more sophisticated audience targeting.

Discovery has struggled with soft advertising growth in the U.S., amid ratings pressures on its channels, though it turned in a solid performance at the advance TV ad sales season this spring. Cord-cutting has partially offset gains the company has made in revenue from cable TV subscriptions. Last year, overall revenue grew by 2%.

Under Chief Executive David Zaslav, Discovery has pursued international expansion as aggressively as any U.S. media company. International revenue now makes up about 46% of total revenue. Scripps has less overseas exposure and could benefit from the tie-up in that respect.

Discovery bought the European sport broadcaster Eurosport in 2015 and has bought rights to the Olympics and some soccer games. Those investments and fluctuations in foreign currency have weighed on financial results, at times.

Cable mogul John Malone had a 28.2% voting stake in Discovery as of the most recent proxy filing.

Scripps has an unusual governance structure that can be a significant factor in completing a deal. When the last of founder Edward W. Scripps's grandchildren died in 2012, a family trust was ended and shares were distributed to a host of family beneficiaries.

Those people collectively control 91.8% of voting shares. When significant company matters arise, they hold a special meeting beforehand to determine, by majority vote, how the family will vote.

Scripps has been resilient compared to some other media companies in a tough ratings environment. U.S. ad revenue increased 10% last year. Networks like HGTV and DIY, with mostly live viewership, haven't suffered as much from time-shifting. Scripps is also known for having a female-skewing audience on its networks, something that analysts say appeals to certain segments of marketers.

In 2016, Scripps's total revenue grew by 12.7% to \$3.4 billion, while profit increased 11% to \$674 million.

A Discovery-Scripps merger would be the biggest media deal since AT&T Inc.'s proposed \$85.4 billion acquisition of Time Warner Inc. last October, a deal that is undergoing regulatory review.

FARMS

Continued from Page One

Its financing has helped farmers stay in business while generating income for Deere during the worst market for machinery sales in more than 15 years.

Farmers' incomes will decline for a fourth year this year, to half what they were in 2013, the U.S. Department of Agriculture projects. And inflation-adjusted debt is at a level not seen since the 1980s farm bust.

In shoring up the ailing sector, Deere's loans may be helping draw out the pain for farmers, allowing them to continue to rack up debt despite a glut of grain world-wide that is keeping a lid on crop prices. The increase in equipment leasing, meanwhile, is weakening Deere's own market for sales.

If crop prices remain subdued, "you're just prolonging the agony and potentially building up [farm] losses instead of cutting the pain, cauterizing the wound and stanching the flow of financial blood now," said Scott Irwin, an agricultural economist at the University of Illinois.

But if poor weather ultimately spurs grain prices higher, Mr. Irwin said, the risks of farm lending likely would be forgotten, and Deere could win new or more-loyal customers.

Deere said it is responding to greater demand for leased equipment from farmers and for short-term credit from other farm-industry manufacturers such as seed companies that are offering aggressive financing through Deere as a sales incentive.

"Our core mission is to support sales of equipment," said Jayma Sandquist, vice president of marketing for the U.S. and Canada for John Deere Financial, the company's financing unit. "It's a cyclical industry. We've built a business that we can manage effectively across all cycles, and our performance would indicate we can do that."

The financing arm has shielded the Moline, Ill., company from the worst of the farm slump, keeping factories and dealers intact and investors satisfied with profits. Despite a 37% drop in sales of its farm equipment since a record high in 2013, Deere's stock price is up 72% from its recent low in early 2016 and up 22% since the start of 2017.

Deere Financial's portfolio of loans and leases, which includes short-term lending, leasing and multiyear loans for equipment purchases, totaled $34.7 billion at the end of the company's 2016 fiscal year, in October.

Since 2013, the total value of equipment leases held by Deere is up 87%. Loans for farm-equipment purchases, meanwhile, have fallen 10% since peaking in 2014, reflecting sliding machinery sales.

Short-term credit accounts for farmers—used for items such as crop supplies and equipment parts—are up 38% since the end of 2015. As of early 2017, the bank operation of Deere Financial had handed out about $2.2 billion. It is close on the heels of the No. 4 agricultural lender, Bank of America, which has about $2.6 billion out.

"Deere Financial is a massive force," said Robert Wertheimer, a Barclays analyst. Deere, which accounts for about two-thirds of all the big tractors sold in the U.S., "is able to influence this market. They have more market power than most companies."


SARAH HOFFMAN FOR THE WALL STREET JOURNAL

Mark Gath, a farmer in Luverne, Minn., leases combines and tractors from John Deere. 'I don't believe I'll ever buy again,' he said.

Rob Zeldenrust, senior agronomy manager at North Central Co-op in Mentone, Ind., said a farmer who grows corn, soybeans and wheat on 1,000 acres likely would need $250,000 to cover the cost of seed, fertilizer, chemicals, spraying and fuel for a single growing season.

Suppliers like Deere can be a lifeline for farmers such as 59-year-old Harry DuRant in South Carolina. Mr. DuRant leases a tractor from Deere, and has charged seed and chemical purchases to lines of credit held by Deere and other suppliers. Together with loans from his local bank, the financing has helped him plant corn, soybeans, peanuts, cotton and other crops despite losing money for three years out of the past four. It has helped him weather floods, a hurricane and total crop failure.

'Vicious cycle'

But low commodity prices are making it difficult for Mr. DuRant to pay off past debts without taking on new ones. "It's a vicious cycle," Mr. DuRant said, noting that seed companies continually introduce more-expensive, higher-yielding varieties of corn and soybean seeds that appeal to farmers like himself, despite a global oversupply of crops and low grain prices. "I buy into it because I'm a grower, so of course I want to make 150-bushel corn instead of 120-bushel corn. All we're doing is making the situation worse."

Supplier credit has long played a role in the financial plumbing of the U.S. heartland. But it has grown more crucial in recent years as commercial banks have become choosier, increasing interest rates and collateral requirements and denying financing to some farmers altogether.

The volume of new loans for farm operations originated by banks in the first half of 2017 fell 7% from a year earlier, according to the Federal Reserve Bank of Kansas City, following a decline in the first half of 2016. Loan volumes in the second quarter ticked up slightly, the bank said.

"It used to be you showed up [at a bank] and said you were a farmer and they said please let us lend you something," said Illinois farmer Aaron Wernz, noting that several years ago a $100,000 loan for operating expenses could be secured with a phone call. "Now they want to make sure their t's are crossed and i's are dotted."

Nate Franzén, president of the agribusiness division of First Dakota National Bank in Yankton, S.D., said the number of high-risk loans at his bank has quadrupled to 12% in the past two years. The bank is working to restructure debt for some borrowers, and urging others to sell land or equipment or vacation homes. He has had to tell a few farmers it couldn't finance them at all.

"As producers get overextended, banks like mine say 'I can't go any further,'" said Mr. Franzén. "'We're not going to stick with you until it's all gone.'"

Agribusinesses such as Monsanto Co., DuPont Co., Dow Chemical Co. and agricultural co-ops nationwide offer financing on crop supplies through in-house programs or in partnership with lenders like Deere and Rabobank.

BASF SE, one of the world's largest suppliers of pesticides to farms, offers financing exclusively through Deere, and says its program has expanded in the past five years.

CHS Inc., a large farmer-owned cooperative in the U.S. that lends widely to farmers, is holding about $250 million in debts owed by a single farm operation, according to court documents.

Deere's main rival, CNH Industrial NV—the maker of Case IH and New Holland equipment brands—has also turbocharged its leasing program.

But Deere has expanded the reach of its financing business well beyond machinery, and far more than any other manufacturer in the farm sector. The financing business accounted for a third of its net income in fiscal 2016, up from 16% in 2013.

Deere's lending arm regularly yields profit margins much greater than Deere's margins for equipment sales—in 2016, the net margin for financial services was 16%, compared with 4.5% for equipment.

Financing profits have also suffered less during the downturn; net income from financing activities fell 17% from 2013, while net income from the equipment business plunged 57% in that period.

But Deere's loan or lease balances more than a month past due have doubled since 2012 to $434 million at the close of fiscal 2016, according to an annual regulatory filing for a Deere financial subsidiary for its U.S. business.

The amount of debt Deere said it won't be able to collect has doubled since 2014 to $103 million, with more than half of that amount from its crop-supplies credit program.

Losses at Deere's financial arm still remain minuscule relative to the size of its finance business. The company said mounting farm debt isn't a significant risk given still-high equity levels—the difference between total assets and total debt on farms. "We have many good customers that can continue to repay and stay consistent across underwriting," said Deere's Ms. Sandquist.

In the longer term, Deere's aggressive leasing activity threatens its core business of selling large, high-horsepower tractors that can cost more than $200,000 apiece, and harvesting combines priced at more than $500,000.

Lease vs. buy

Deere accelerated its equipment leasing in 2014 when sales plummeted following almost a decade of rapid-fire purchases by farmers flush with cash. The leasing business has kept Deere from having to idle factories and has provided dealers with income from replacement parts and services for leased equipment.

In turn, it has provided farmers with machines for one to three years for a fraction of their purchase price, alleviating the need for loans. A new tractor costing $250,000 can be leased for about $30,000 a year. That compares with the cost to buy with a loan, which would require a 20% down payment of $50,000 and more than $40,000 a year in payments for five years for the remaining $200,000 with 5% interest.

At the end of a lease, many farmers have returned their machinery to dealers, adding to an already oversupplied market for used equipment. That pushes down the price farmers who own can get for their used machines, discouraging trade-ins for new models. The lower prices also erode profits for Deere when the machinery is eventually sold.

"I don't believe I'll ever buy again," said Mark Gath, a farmer in Luverne, Minn., who recently decided to lease four combines and five tractors from the company instead of borrowing money to buy. "I don't have a bank looking at me saying: 'You've got $5 million of equipment debt. What are you going to do?'"

At the end of fiscal 2016, Deere carried leases on farm and lawn equipment valued at $4.8 billion, up 22% from the previous year.

Deere quit offering one-year leases last year. The longer-term contracts benefit Deere by having farmers pay more of the machinery's cost through their payments.

Deere executives said they are seeing better prices and shrinking inventories for used equipment, as well as improving order volume for new models.

Ms. Sandquist said farmers' interest in leasing is waning as their appetite for buying grows again. "We are certainly seeing leasing coming down, and we're seeing stabilization in used values," she said.

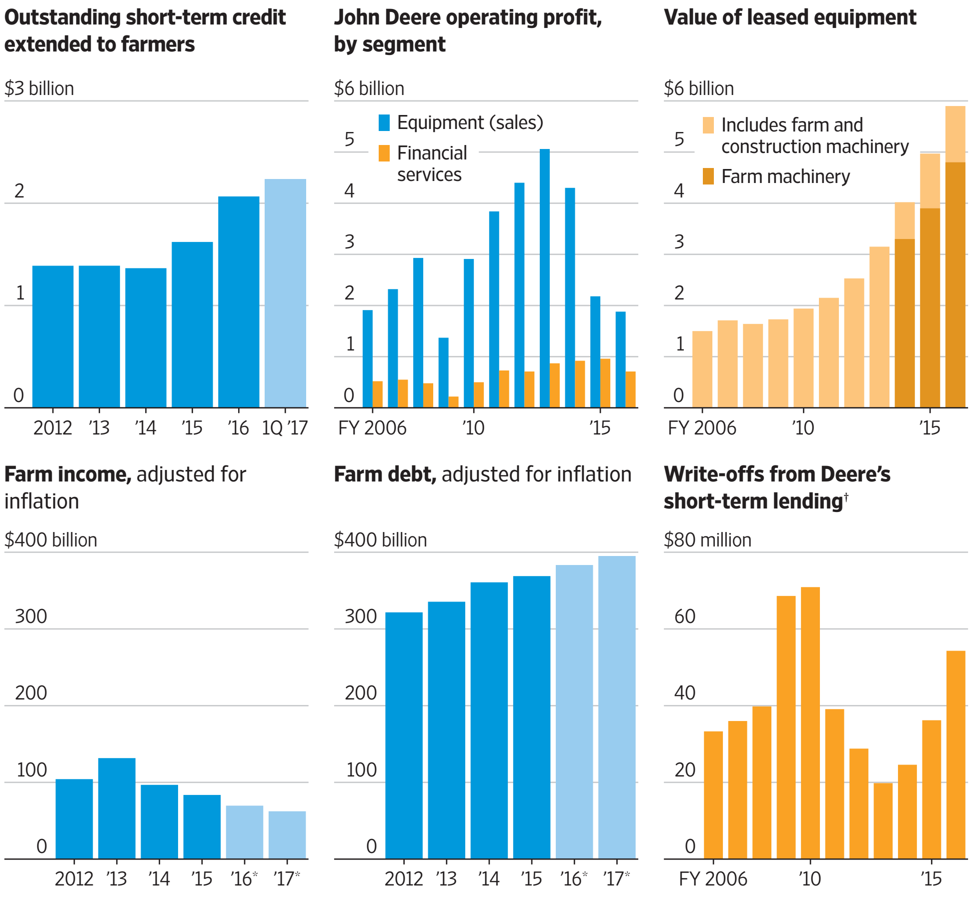
The company increased its equipment sales-growth forecast for the year to 9% from 4% in May, and it cranked up its net profit outlook to 33% growth, to $2 billion.

Turning farmers like Michael Oliver into buyers again will be critical for Deere's future.

Mr. Oliver, who farms 32,000 acres near Cadiz, Ky., said he used to trade in and purchase about $12 million worth of machinery—seven combines and a dozen tractors—every year before sliding crop prices caused him to start leasing three years ago. But he recently concluded that even that was too costly. He is now extending warranties on old equipment he already owns, saying: "We're going to use our own equipment, and it looks like we're going to be keeping it for a while."

Farm Financing

Deere's lending and leasing businesses have grown, but equipment sales have fallen. Farm income has dropped and debt is rising, and Deere is writing off more loans.



Note: John Deere fiscal years end Oct. 31. *projections †includes loans for farm, construction and landscaping-related purchases
Sources: American Bankers Association (short-term credit); Deere & Co. (operating profit, leased equipment); Department of Agriculture (farm income, debt); John Deere Capital (write-offs)
THE WALL STREET JOURNAL.

GOLF

Continued from Page One

Sports had to agree as part of the contract that it would refer to the tournament strictly as the Open or the Open Championship. NBC, in turn, has instructed announcers not to use the phrase "British Open" on the air.

But Johnny Miller, the longtime NBC analyst and 1976 Open champion, has had to correct himself repeatedly. "I have trouble with it," he said.

Getting other networks to follow suit has been even more difficult. Moments before play-by-play voice Dan Hicks made a recent promotional appearance on CNBC, an NBC Sports publicist reminded the anchors of the tournament's proper name.

When the cameras went on, Mr. Hicks said, "First thing out of their mouth: 'The British Open is coming our way!'" The publicist sighed, "Oh, the R&A is not going to be happy about this."

Likewise, the R&A last year appealed to American print media in the hope that a change in the published name for the tournament will prompt stateside fans to use the proper title. But most U.S. news organizations continue to call it the British Open, as has been their custom for more than a century.

Players who qualify for the tournament receive a placard in the mail that emphasizes its singular place in golf. "Welcome to The Open," it reads in large, bold lettering. The bottom of the card reads: "The One. The Open."

But players compete in many opens, from the U.S. Open to the Houston Open to the Shriners Hospitals for Children Open. For clarity, some still use the B word for this one.

"We all fall into that trap," said Ernie Els, a two-time Open champion. Speaking to a small group of reporters after the final round of last month's U.S. Open, Mr. Els confessed, "I do call it the British Open, but..."

A British journalist standing nearby interjected: "Booo!"

The R&A notes that while the tournament is held annually in Britain, it is a global event. Qualifying tournaments this year were held in nine countries across five continents. But much of the pride Britons take in the proper name comes from the fact that their Open was the first.

"Business partners in Japan are saying, 'Please call it the British Open.'"

Before 1860, golf at the highest level was a competition between private clubs rather than individuals, said Tony Parker, historian at the World Golf Hall of Fame. The start of the Open Championship in 1860—at Prestwick Golf Club in Scotland—wasn't just a new tournament. It was the birth of modern golf competition.

"There are some jingoistic Americans that say, 'Well, we would have done it, but we had a Civil War,'" Mr. Parker said. "Well, yeah, but we did have a Civil War, and that kept golf off the playing field for a while."

The first U.S. Open was played in 1895. Officially, the Open Championship retained its name. By 1903, Mr. Parker said, American newspapers were calling it the British Open. That has been the popular name for it in the U.S. ever since.

The British media require no education, having long used the proper name in print and on the airwaves. But the influence of American media has created some confusion about the name in other countries where the R&A does business.

Alastair Johnston, the long-time IMG executive who has represented the R&A in media rights, licensing and sponsorships since the 1990s, said the B word has complicated some licensing negotiations in Asia.

"Business partners in Japan are saying, 'Please call it the British Open because it will mean more to people here,'" Mr. Johnston said. "We're not able to give them the name that they want."

For the R&A, it is a circular problem: Because most people in the U.S. know it as the British Open, even those who know better still call it the British Open, which only adds to the popular notion that it is the British Open.

American golfer Stewart Cink, the 2009 Open champion, said that whenever he is in Britain, he refers to it strictly as the Open. But if he is talking to someone in the U.S., he calls it the British Open.

"The whole idea when you're talking is for communication," Mr. Cink said. "People in America don't know what the Open is."

Mr. Booth said the R&A has seen progress, both among players and fans, in part because of the influence of its social-media channels. The previous broadcast partner, ESPN, was also contractually obliged to use the proper name, Mr. Johnston said. A native Scotsman, Mr. Johnston added that he doesn't have to correct Americans in conversation quite as often as he used to.

But there remains some confusion both in the U.S. and abroad. Contrary to what the R&A said, Englishman Nick Faldo, a three-time Open champion, said it is no longer correct to call it the Open Championship.

"Now it's 'The Open,'" Mr. Faldo said. "In another five years, it will just be called 'The.'"

GREATER NEW YORK

STEPHANIE KEITH/GETTY IMAGES

Riders from the Long Island Rail Road headed to the New York City subway at the Barclays Center station in Brooklyn earlier this month.

Invest More in Transit: Poll

Voters in both parties want funding boost for the MTA, take aim at Cuomo and de Blasio

BY MIKE VILENSKY

New York state voters want bigger public investments in the Metropolitan Transportation Authority, a new poll shows, an issue set to play a role in coming elections.

These voters believe both Gov. Andrew Cuomo and Mayor Bill de Blasio should pony up more for the transit agency, according to the Siena College poll released Tuesday, and said neither leader is handling the transit system well.

The calls for more cash come from across the board. Seventy-two percent of polled voters want the state to invest more money in the MTA—83% of Democrats and 55% of Republicans.

Seventy-six percent of those surveyed want the city to put more money into the MTA, including 81% of Democrats and 63% of Republicans.

"People understand you can't substantively fix the problems on public transit without an infusion of money," said John Raskin, the director of public-transit advocacy group the Riders Alliance, which has pushed this issue.

The poll comes as Mr. Cuomo, a Democrat, is up for re-election next year, and Mr. de Blasio, a Democrat, is on the ballot in November.

More people hold the governor accountable for managing the MTA, the poll showed.

Mr. Cuomo has the highest number of appointees to the MTA board, selects its leader, and holds sway over its budget. The state is responsible for much of the MTA's funding.

A plurality of those polled, 33%, said Mr. Cuomo is doing a fair job running the MTA, consistent with another poll this month. At 32%, a plurality said Mr. de Blasio is doing a poor job with the MTA. Some 32%, a plurality, rated the MTA's handling of mass transit "fair."

The poll of 793 New York state voters took place between July 9 and July 13. It has a margin of error of plus or minus 4 percentage points.

Joseph Lhota, the new chairman of the MTA, said in an interview Tuesday that the MTA's low marks are "absolutely not acceptable to me. I've been charged with making the system better, and I will." Mr. Lhota said he agreed that greater investment would help.

Republicans are seizing on the low marks ahead of the elections.

"Nobody's more of a fiscal conservative...than I am, but this a dire situation that needs to be addressed," said Assemblywoman Nicole Malliotakis, a Republican running against Mr. de Blasio. She said the city should contribute more to the MTA.

A spokesman for the de Blasio campaign, Dan Levitan, said Ms. Malliotakis has had the opportunity to fight for transit funding as a legislator. "Her brand of...slashing government at all costs is failing New Yorkers," he said.

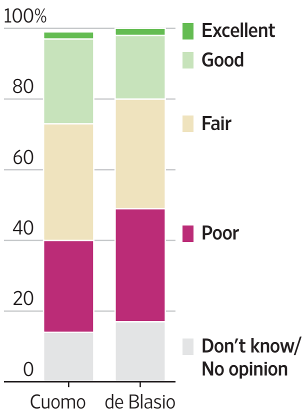
Ed Cox, chairman of the state GOP, said Mr. Cuomo's handling of infrastructure will likely be front-and-center for a Republican running against him next year.

A spokesman for Mr. Cuomo, Richard Azzopardi, said: "This governor provided the MTA with $6.6 billion this year, and pledged an additional $1 billion next year, while the last Republican administration couldn't be bothered to spend one red cent in capital funding for five straight years—helping to create the mess that we're fixing."

Nicole Gelinas, a fellow at the conservative-leaning Manhattan Institute, said more money isn't the answer. She said the MTA needs to control its pension and health-care costs and better manage its projects.

Commuter Ire

Straphangers said neither Gov. Cuomo nor Mayor de Blasio is handling the transit system well. Job ratings on MTA:



Source: Siena College telephone poll of 793 registered voters conducted July 9-13; margin of error: +/-4.0 percentage points

THE WALL STREET JOURNAL.

MTA Mulls Subway Ban on Some Foods

BY PAUL BERGER

To the list of woes afflicting the city's subway system—track fires, train derailments, switch and signal problems, sick passengers and overcrowding—add rice spilling from a Styrofoam container.

Joe Lhota, the chairman of the Metropolitan Transportation Authority, said officials are considering banning certain foods from the subway to improve the system.

"There's a debate going on," Mr. Lhota said Tuesday morning during a news conference at New York Penn Station.

Acknowledging that it could be difficult to police what people eat, Mr. Lhota said one solution could be "an education program [listing] what types of foods really shouldn't be brought on."

He recounted being on a No. 2 train recently and watching someone eat what looked like Chinese food from a Styrofoam container. "Inevitably the rice fell, it was all over the place," Mr. Lhota said. "I want to avoid things like that."

> *'Inevitably the rice fell, it was all over the place. I want to avoid things like that.'*

In 2012, during a brief stint as MTA chairman, Mr. Lhota said that he opposed banning food on the subway because it "severely hurts and impacts minority communities."

He said the issue of permissible food was first raised during a meeting of authority officials Monday as part of a 30-day review he is conducting of MTA operations.

New York Gov. Andrew Cuomo ordered the review soon after appointing Mr. Lhota as chairman of the MTA for a second time in June.

Subway riders have endured a series of grueling commutes in recent months caused by a variety of problems ailing a system that relies on signals and trains that are decades past their prime.

At the end of June, a train derailed as it approached the 125th Street station in Harlem. The MTA believes that the derailment was caused by a piece of replacement rail left in the track bed by subway workers. Dozens of passengers with minor injuries were taken to hospital. On Monday, a track fire at 145th Street halted services on A, B, C and D trains in northern Manhattan during the morning rush hour. Seven people were treated for smoke inhalation.

Mr. Lhota said there were almost 700 track fires last year, all caused by people dropping trash, such as newspapers and coffee cups, which builds up on the tracks.

He appealed to commuters to help fight the litter problem. "We all have to band together," Mr. Lhota said. "Anything anybody can do to make sure trash doesn't get down on the tracks would be very, very helpful."

He added that the MTA is expanding a program to roll out portable and train-based vacuum cleaners.

Westchester County Wins HUD Approval in Dispute Over Housing

BY JOSEPH DE AVILA

For Westchester County, it took 11 tries, but the county administration finally got a nod from federal officials in a long-running dispute over housing policy.

The U.S. Department of Housing and Urban Development finally accepted an analysis from the county that found there weren't any exclusionary zoning laws in Westchester, county officials said Tuesday. HUD previously rejected 10 earlier versions with similar conclusions.

"HUD appreciates the county's commitment to reaching an amicable resolution of this matter and acknowledges the county's efforts," said Jay Golden, the department's regional director of the Office of Fair Housing and Equal Opportunity, in a letter to county officials dated July 14.

Westchester County Executive Robert Astorino, a Republican, said Tuesday HUD's decision was vindication for the county. "If I thought there was discrimination in our zoning, I would have agreed with HUD," Mr. Astorino said. "That just wasn't the case."

The back-and-forth over zoning dates back to a 2009 agreement between Westchester and the federal government to settle a housing-discrimination lawsuit. As part of that agreement, the county needed to analyze local zoning laws to determine if there were any obstacles to fair housing, and if so, how to fix it. The county maintained for years if found no evidence of exclusionary zoning.

To complete the terms of the settlement, the county still must finish an outreach program marketing Westchester's affordable-housing units.

As part of that agreement, the county agreed to build 750 units of affordable housing in 31 mostly white communities like Bedford, Ardsley and Scarsdale. Westchester officials said the county has since built nearly 800 units and has another 100 in the pipeline.

JESSE NEIDER FOR THE WALL STREET JOURNAL

The front of the former Reader's Digest campus in Chappaqua, N.Y., which is being redeveloped into a multifamily residential project.

New Faults Cited In Sandy Efforts

BY MARA GAY

The former Obama administration official who helped oversee the funding behind New York City's superstorm Sandy recovery program says the U.S. in many ways remains unprepared for major disasters and the recovery that follows.

Holly Leicht, who served as regional administrator for the U.S. Department of Housing and Urban Development under President Barack Obama, is speaking out for the first time about what went wrong in the wake of Sandy, and how federal, state and local governments can improve their approach to handling natural disasters in a report reviewed by The Wall Street Journal.

"We need to go beyond the very incremental improvements that have been made disaster to disaster," Ms. Leicht said in a phone interview. "These are policy decisions that need to be made when you're not in the throes of disaster."

The report, commissioned by the nonprofit Community Preservation Corporation and the office of the Staten Island borough president, is expected to be presented at a disaster- recovery symposium in Manhattan on Wednesday.

It lays out 41 recommendations for federal, state and local governments dealing with natural disasters. It also tells the story of the complex patchwork of disaster-recovery initiatives set up by New Jersey, New York state and New York City, where the October 2012 superstorm killed more than 80 people and caused billions of dollars in damages.

Ms. Leicht oversaw more than $15 billion in federal disaster-recovery funds. She said government agencies like HUD, the Federal Emergency Management Agency and the Small Business Administration should consolidate efforts to make it easier for victims to get help by accepting aid requests through a single application.

In New York City, where Ms. Leicht helped oversee more than $4.2 billion in federal dollars for Sandy recovery, much of the funding went to Build it Back, the city's program to rebuild and elevate damaged homes. The initiative began under former Mayor Michael Bloomberg and has continued under Mayor Bill de Blasio. It is behind schedule and at least $500 million over budget, but has served less than half of the homeowners it targeted.

Ms. Leicht said the city had dedicated impressive resources to storm-protection projects. But she said it should change its approach to rebuilding housing in future disasters.

She said New York City should consider adopting an income cap for recovery programs, and that the decision to help all homeowners regardless of income had left less money to serve those most in need.

Ms. Leicht said city officials didn't follow the advice of HUD officials who had repeatedly encouraged them to centralize the management of its recovery programs, which are run by at least five different agencies and two deputy mayors.

A spokeswoman for Mayor de Blasio said the city's approach, "promoted high-level accountability while also capturing critical agency know-how."

"We brought the full weight of city resources to bear on a $20 billion recovery effort, one that spans business and housing recovery, infrastructure improvements and coastal defenses," said Melissa Grace, the spokeswoman.

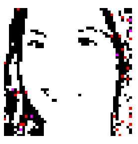
Ms. Leicht said there were lessons at every level of government. "We were all learning as we went," she said. "Still, I'd wager none of us would do things exactly the same if we had it to do over again."

MARK ABRAMSON FOR THE WALL STREET JOURNAL

Holly Leicht was a key federal official in Sandy recovery efforts.

METRO MONEY | By Anne Kadet

City's Last Unspoiled Areas Attract Attention



With the relentless upscaling of one New York neighborhood after another, it's always fun to check in on the more obvious prospects to see if they have acquired a locavore cafe and a Starbucks.

A personal favorite: Beach 116th Street—a two-block retail strip running north from the Atlantic in Rockaway Park, Queens.

When I told one local shopkeeper I was planning to write about the street, she said "You mean, how crazy it is?"

Well, yes!

Here we have a primo span of real estate linking the last stop on the A train to beautiful Rockaway Beach. It is sandwiched between prosperous Belle Harbor and a fashionable artists' enclave to the east. But it still feels like the main street of a struggling small town.

There are faded awnings and long stretches of shuttered storefronts. There are remarkably few chain stores. The unisex salon still offers perms. Shops hawk $4 sunglasses.

Thanks to the area's many shelters, the PPB (Panhandlers Per Block) index may be the highest I've ever encountered. They come at you in various stages of undress, demanding cash.

And the strip isn't always welcoming to day-trippers. A plaque behind the bar at Rogers Pub commands, "No Sniveling." The surf shop warns, "Please No: Wet sandy oily bodies."

But this throwback aura may soon be washed away. There's no Starbucks, but a recent visit turned up a spate of new restaurants and shops, and there is a big condo development in the works.

Why now?

"There's so few left," says Yarden Flatow, chair of the Rockaway Business Alliance, of New York's undiscovered neighborhoods. "It's like, 'I found the last one!' "

The first of the strip's new shopkeepers say they located here out of necessity. Tom Murphy, owner of Curran's Superior Meats, rented a store on Beach 116th Street after superstorm Sandy wiped out his shop in Belle Harbor. He worried customers wouldn't follow him 13 blocks east.

"116 is always getting knocked," he says.

They proved him wrong. Opening day was a blur of hugs and flowers, he says. Sales are up 30% from his previous location.

Others followed. There is a new bike shop, wellness center and several new restaurants.

The city's ferry service, launched in May, is bringing tourists from around the world. And some say the police are doing a better job of curbing the aggressive panhandling.

One of the newest arrivals is the Lola Star gift shop. If you need a Rockaway-themed T-shirt or mug, this is your place. Founder Lola Star even offers Rockaway "Good Vibes" hand soap.

"I have this specialty for finding up-and-coming neighborhoods that are on the cusp of change," says Ms. Star, who owns four stores around the city. "This street is going to become what it should be, Rockaway's main street."

Developer Mark Caller, founder and chief executive officer of the Marcal Group, got interested in Beach 116th while cruising the area on his bicycle. His first impression: "This is the perfect block.'"

He bought a vacant complex steps from the boardwalk and tore it down. He expects to complete construction in 2018 on a 90-unit condo with street-level retail.

His site faces closed storefronts, a boarded-up theater and a rooming house. But he wouldn't mind buying the entire block. In New York, it isn't just about the dollars, it is about getting there first.

"I've never been this excited," says Mr. Caller, who previously built in neighborhoods such as Williamsburg and Clinton Hill in Brooklyn. "This is the first time I feel what we're going to do is a complete game-changer."

He even discarded a plan to name his building "Seaside Landing." It is now dubbed "One Sixteen," as if the strip were already a hot destination.

Locals are smiling. "I don't know if that's accurate yet," says Mr. Flatow. " 'Yet' is the key word. It will be!"

MARK KAUZLARICH FOR THE WALL STREET JOURNAL (2)

The two-block retail strip on Beach 116th Street in Rockaway Park, Queens, is viewed as a neighborhood that is primed to enjoy an upswing. The area links the last stop on the A subway train with Rockaway Beach, below, a popular spot for day-trippers.

Cybersecurity Camps Help Teen Girls Break Barrier

ALEXANDER COHN/THE WALL STREET JOURNAL

Harshita Ramakrishnan, left, and Krupa Patel work on a problem.

By Leslie Brody

Talk to the teenage girls studying cybersecurity at **New York University** this summer, and you'll get an earful about their determination to protect their country, safeguard privacy, and conquer their fair share of a male-dominated field.

The young women are attending one of a rising number of camps devoted to the niche field of cybersecurity. They came of age watching news about email hacking during the last presidential election and malware hurting companies. Some have seen friends struggle with identity theft. Now they want to flex their brainpower to prevent such abuses in a world that is increasingly online.

Beatrice Karp, a 16-year-old from Larchmont, N.Y., aims to join the military and is fascinated by the "war on keeping things secure," she said. "The combination of computer science and serving my country would be the best thing ever."

She joined 44 other young women in a free three-week camp this month at the **NYU Tandon School of Engineering**.

Women make up 11% of the information security workforce globally, according to a report this year from Frost & Sullivan, a consulting group. The study projected a shortage of 1.8 million cybersecurity professionals world-wide by 2022.

Summer camps devoted to this specialty have popped up in recent years as public and private sector experts called for a stronger pipeline of talent. The National Security Agency and National Science Foundation, for example, are jointly sponsoring 131 "GenCyber" camps for students and teachers in kindergarten through 12th grade across the country this summer, up from seven camps in 2014.

The camp for high-school students at NYU started five years ago with government funding, and now relies in part on philanthropy to cover its roughly $60,000 costs.

Students are learning how to write and decipher encrypted messages and how to find hidden files on computers. They are also learning how information is transmitted over networks and how to defend against hackers.

Several teen girls said they were often one of the few females in a computer science class or club full of boys.

"I've looked to break some gender barriers," said Hui Min Wu, a 15-year-old from Brooklyn who is the second female vice president of her robotics team at Stuyvesant High School.

GREATER NEW YORK WATCH

CRIMINAL JUSTICE

Call for Panel to Probe Wrongful Convictions

Brooklyn Borough President Eric Adams is pressing the state to set up a special commission to investigate wrongful convictions.

Mr. Adams, a Democrat, said Tuesday that "releasing innocent people is not the end." He wants a panel to "examine exactly what went wrong here and who's culpable."

Gov. Andrew Cuomo's office has no immediate comment on the proposal.

Mr. Adams said any commission should look at scrapped convictions statewide, but the issue is especially pressing in Brooklyn.

About two dozen convictions on murder and other charges in Brooklyn have been thrown out since 2014. Many were tossed with the assent of the district attorney's office, which is conducting one of the most extensive conviction-review efforts nationwide.

—Associated Press

FISHING REGULATIONS

Reversal of Flounder Decision Is Defended

The U.S. Department of Commerce said its top official was right to reverse a decision about flounder fishing regulations made by an interstate commission.

The regulatory Atlantic States Marine Fisheries Commission said last month it had found New Jersey out of compliance with management of its fishery. But Secretary of Commerce Wilbur Ross disagreed and didn't sign off on a ruling that could've forced a local moratorium on flounder fishing.

The move drew criticism from the commission and conservationists who say the decision overrides sustainable fishing rules on the East Coast.

A spokesman for the Commerce Department said Tuesday that Mr. Ross believes alternative measures implemented by New Jersey are adequate to protect the fish's population.

—Associated Press

METS GAME

Christie Catches Ball And Heat in Stands

Fans at the Mets-Cardinals game cheered when a man made a nifty one-handed catch of a foul ball at Citi Field.

Then they realized it was New Jersey Gov. Chris Christie—and booed him.

The ovation turned sour after Mr. Christie stood up and slapped hands with someone, even though he gave the ball to a young fan nearby.

Mr. Christie was sitting in the third row, near the Mets dugout. In the third inning, St. Louis rookie Paul DeJong lifted a high foul that bounced in the stands, and Mr. Christie reached out with his left hand and snagged it.

—Associated Press

LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

When the Office Laggard Is Your Pal

It's one of the most awkward situations at work—do you confront your colleague, run to your boss or keep quiet?

FROM TOP: DOMINIC BUGATTO; JOSH ANDRUS FOR THE WALL STREET JOURNAL

A Delicate Conflict

What to do when a poor performer on your team is also your friend:

Assess whether your friend will be **open to helpful criticism**.

Wait for an opening, such as a comment from your friend expressing worries about work.

Open with a question about how your friend sees his own performance.

Describe specific behaviors that need to change, rather than assigning labels like 'slacker.'

Mention your friend's **personal goals as a reason to change,** such as her desire to be seen as a team player.

Affirm your support for your friend and ask how you can help.

IT'S GREAT TO HAVE a friend on your team at work—unless your friend isn't pulling his weight.

It may not feel like your place to tell a friend to work harder, but ratting him out to the boss isn't very appealing, either. Walking the line between being a good friend and a good employee requires figuring out whether your friend is likely to listen to any critique you give, and if so, delivering the message in a kind but firm way.

Tattling on a teammate can backfire. John Malloy once complained to his boss that his friend, a fellow assistant coach on an elite college swim team, was running disorganized practices. "Something has to be done about this. He's just not getting the job done," Mr. Malloy says he told the head coach.

Word leaked out that he'd gone behind his co-worker's back, hurting the team, says Mr. Malloy, president of the Santee, S.C., office of **Sanford Rose Associates**, an executive-search company. "I deeply regretted saying anything."

Many bosses don't want to hear such complaints. "I ask them, 'Why are you telling me? Why aren't you telling the person who's causing the issue?'" says Ed Mitzen, founder of Fingerpaint Marketing, a Saratoga Springs, N.Y., marketing agency.

But few employees feel safe giving or receiving criticism from teammates, says Robert S. Rubin, a management professor at DePaul University. Employers encourage teams to collaborate but expect employees to compete for raises and promotions, fostering mixed motives that undermine co-workers' willingness to help each other.

Keith Valory hated seeing colleagues on a previous job hurt by teammates' harsh critiques. The climate was so competitive that a friend who was actually performing well quit the company, says Mr. Valory, chief executive officer of Plex, a Los Gatos, Calif., maker of a streaming media app. He tries to create a kinder culture at Plex by having employees do anonymous peer reviews semiannually that are edited and delivered by managers. More than 95% of Plex employees give the process high ratings, he says.

Friends may be more able than others to deliver criticism kindly. Chris Bryant took aside a friend on a team he led at a previous employer to tell him he wasn't pulling his weight. "It was difficult, because we had a good time going to each other's barbecues" outside work, says Mr. Bryant, principal at Empire Studios, a New York video production company. Facing the performance problems early, before their boss got wind of them, motivated his friend to move to a job that was a better fit before he damaged his track record.

Workplace friendships are linked to improved job performance, but coping with role conflicts, misunderstandings and disagreements with friends on the job can be emotionally draining, says a 2016 study in the journal Personnel Psychology. If conflicts over serious ethical or legal issues arise and can't be resolved by talking it over, it's best to end the friendship, says Eileen Habelow, managing partner of Learning-Link, a Cambridge, Mass., corporate-training firm.

Bosses should get involved if an employee's behavior crosses legal or ethical boundaries, or if a friend's performance continues to cause problems after repeated attempts by teammates to help.

It's wise to figure out before raising performance problems whether your friend is likely to listen, says Tasha Eurich, a Denver organizational psychologist and author of "Insight," a book on self-awareness. If your friend thinks she's already nearly perfect and belittles others who give her feedback, she's not likely to pay much attention, Dr. Eurich says. If she knows she's performing poorly but doesn't care, you'll have to persuade her that she's actually causing problems for herself or others.

It's more likely that your friend is open to change but doesn't realize it's needed, Dr. Eurich says. One way to start the conversation is to wait for an opening. If your friend expresses disappointment about a performance review, ask if it would be OK to share your thoughts, then describe problem behaviors you've seen.

Another option is to open with a question, Dr. Rubin says, such as, "I noticed that you missed a major deadline, which isn't like you. Is everything OK?"

Avoid throwing around labels. Declaring that your friend has a poor work ethic or is too aggressive will only put him on the defensive, says Dana Brownlee, an Atlanta corporate trainer. Cite specific behaviors, such as leaving early during rush periods or raising his voice repeatedly.

Tap your understanding of your friend's goals and values to lend context. Say, "I know you want to be seen as a team player, and I've noticed you've stopped helping out less-experienced colleagues."

Finally, affirm your support for your friend and ask how you can help.

Human-resources executive Eileen Timmins of Chicago was in a bind when a teammate years ago procrastinated on his part of a deadline project. To avoid complaining to their boss, she researched his role and completed part of his work herself, so she could meet her deadline. Her friend was grateful, she says, and they later agreed on some tactics to help him finish tasks on time, such as having her set deadline reminders on his calendar. Her friend's performance soon improved.

MAILBOX

Pradeep Aradhya during a recent networking session in Boston.

Q: I enjoyed your profile of the master networker, Boston business owner Pradeep Aradhya. He mentioned starting conversations by asking a friendly question. Could you give some examples?

— N.B.

A: Try to approach new people with a smile, enthusiasm and warmth, and draw ideas from the context. Ask, "What did you think of the point made by that last speaker?" Mr. Aradhya says. Show curiosity about the person by asking, "What other kinds of events do you go to?" or, "What brings you here tonight?" If the person wants to meet another attendee you know, offer to introduce them.

Some people offer cues to their interests via fashion items, or hats or bags with sports or organizational logos. Take note, compliment them if you can do so honestly and ask them about it. Comments about the food can be engaging too.

Openers to avoid: Predictable observations about the weather, and, "So, do you come here often?"

If all else fails, a friendly "Hi, nice to meet you," can work just fine.

AUCTIONS | By Kelly Crow

NEWCOMERS DIVE INTO THE ART MARKET'S HIGH END

COLLECTORS SPOOKED by last year's economic and political tumult are filtering back to the big auction houses, where they are vying with an influx of newcomers for blue-chip art.

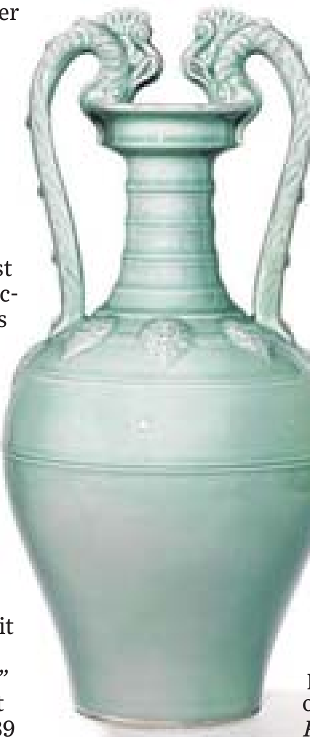
The resulting global market looks increasingly healthy, although categories such as rare books and Russian art are in less demand than hot commodities like contemporary and Asian works.

On Tuesday, London-based auction house Christie's International offered further proof of the market's strength when it said it sold £2.4 billion (roughly $3 billion) of art during the first half of 2017, up 14% in pounds from a year ago but flat when converted to U.S. dollars. Christie's auctioned $2.8 billion in art, also up 14% from the first half of last year. Christie's additionally sold $155.4 million worth of art in privately brokered deals.

Rival Sotheby's, based in New York, said it auctioned $2.5 billion in art during the first half, up 8% from the year before. Both auction houses said the six-month totals represented sales through June 30. Sotheby's is scheduled to release its consolidated sales, which include private art sales, next month.

Both houses had an easier time wrangling masterpieces to sell this season, with Christie's selling 38 works for more than £10 million apiece, or $13 million, during the first half of the year, compared with 14 during the same period the year before. Christie's also said it saw a 29% boost in the number of new collectors who paid seven figures or more for a single work of art, suggesting new buyers are muscling swiftly toward the upper reaches of the market.

Christie's priciest work during the first half was Constantin Brancusi's $57.4 million bronze head, "Sleeping Muse," which sold in May to art adviser Tobias Meyer. Also in May, it also sold Cy Twombly's abstract, "Leda and the Swan," for $52.9 million. In June, it sold Vincent van Gogh's 1889 "The Reaper (After Millet)" for $30.9 million.



Sotheby's sold Jean-Michel Basquiat's untitled turquoise painting of a skull to Japanese collector Yusaku Maezawa for $110.5 million in May, the most expensive painting auctioned during the first half of the year. The work also set a new auction record for a U.S. artist. Sotheby's other hits included a $24 million Roy Lichtenstein 1995 portrait of a "Nude Sunbathing" and a 59.60-carat oval pink diamond. The gem sold to Hong Kong jeweler Chow Tai Fook for $71.2 million, a record for a diamond at auction.

Collectors are showing renewed confidence by taking home a higher-than-usual percentage of the goods on offer at both houses. Typically,

Please see AUCTIONS page A13

CHRISTIE'S IMAGES LTD. 2017 (2)

Christie's sold an 1889 van Gogh work, above;, and a Yongzheng amphora, left.

MY RIDE | By A.J. Baime

Thunderbirds Don't Get More Fabulous Than This

Merle Mullin, an artist/designer from Los Angeles, on her 1957 Ford Thunderbird, as told to A.J. Baime.

On the occasion of my first anniversary with my husband Peter, in 2001, we had dinner at the **Hotel Bel-Air**. After, I asked the valet for my BMW station wagon. He returned with this beautiful white Thunderbird. I said, "This is not my car." My husband said, "I guess you'd better get in and drive it home."

I figured out quickly: This was not a joke. I had owned a 1957 T-Bird years earlier, and I had often said to my husband, "I wish I had never sold that car. How did I not know it would become such a classic?"

He had made a lot of phone calls to find out what color my old T-Bird was, and what model year, and he had purchased this car for me. I was stunned to the bottom of my feet.

The T-Bird is an icon. Ford first introduced the car for model year 1955, and along with the Corvette, it is considered to be one of the first American sports cars. Ford was known at the time for more staid, functional cars, so this was an anomaly, and very few from this era were built.

My husband and I redid the suspension, so the car drives very smoothly. I love the simplicity. When you look at the dashboard and then you look at the dashboard of, say, a Tesla, the difference is remarkable.

Later this summer, I will be driving this car—which turns 60 this year—in a rally called It's All About the Girls! Women from seven countries, with their cars, will meet in Les Baux-de-Provence, France. We will spend five days on driving excursions, for fun and to raise money for charities.

I became a car girl by osmosis, as I am surrounded by car talk. [Ms. Mullin's husband Peter is the founder of the **Mullin Automotive Museum** in Oxnard, Calif., and chairman of the board of the Petersen Automotive Museum in Los Angeles.] I have been fortunate enough to drive wonderful cars, but the T-Bird is extra special. All my passion for motoring, for my husband and for my memories of youth are embodied in this one car.

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

EMILY BERL FOR THE WALL STREET JOURNAL

Merle Mullin with her 1957 Ford Thunderbird in Oxnard, Calif., top. The car's back end, above, with its pronounced tailfins.

ART REVIEW

Bernard Berenson's Brief Detour

The Harvard Art Museums explore the classical Persian works collected over a few years by the expert in Italian Renaissance art

BY LEE LAWRENCE

Cambridge, Mass.

IN THE EARLY 1900S, Paris was suddenly abuzz over Persian paintings, jewel-like and exotic, ensconced like treasures inside manuscripts and albums. And thanks in part to the upheavals of the 1908-09 civil war in Iran, more and more were arriving in Europe, where dealers routinely sold them folio by painted folio. Even Bernard Berenson, the expert in Italian painting, was drawn to them, acquiring a small collection of Persian paintings and manuscripts mostly between 1910 and 1914. They have been lent by the Harvard University Center for Italian Renaissance Studies at the Villa I Tatti, Berenson's former home in Florence.

One work in particular, a 1427 anthology of treatises made for Prince Baysunghur, was in dire need of conservation. Its misfortune is our good luck. Ayşin Yoltar-Yıldırım assistant curator for Islamic and later Indian art at the Harvard Art Museums, seized the opportunity to explore Berenson's little known interest in Persian painting and place him within the framework of a coterie of collectors.

An obsession with Persian treasures took hold of Paris in the early 1900s

She timed "A New Light on Bernard Berenson: Persian Paintings From Villa I Tatti" to take place after conservator Katherine Beaty of the Weissman Preservation Center of Harvard Library removed the Baysunghur manuscript's binding and before she reassembled it. A selection of 19 of its pages shows us what attracted Berenson: Decorative headings are feasts of color and sinuous line, while the paintings teem with patterns. One window scene has as many as a dozen designs decorating concentric frames, curtains, and the dress of the young man peering out; in a scene of men playing chess and backgammon, vibrant oranges, blues and golds come together in sizzling geometric configurations.

In many ways, Berenson followed the pack. We see him seeking out works from the 14th through early 16th centuries because he subscribed to a popular theory (since discredited) that Persian painting followed the same chronology as the Italian Renaissance. He joined the chase for paintings by Bihzad (c. 1450-1535), one of the rare masters scholars had identified and considered pivotal in Persia's art history. And when the dealer Georges Demotte dismantled the lavishly illustrated "Great Ilkhanid Shahnama" (1330s), Berenson was as keen as other collectors to own a folio.

Seeing what he bought alongside works chosen by peers is revealing. In the case of the Bihzad, Berenson seemed interested only in adding the name to his list. The work he bought lacks the sensitivity of the portrait of Sultan Husayn Mirza that Swedish dealer Frederik Robert Martin (1868-1933) plucked out of an album in Istanbul. Berenson's stiff portrayal of sages turns out to be from a later period and, viewed in isolation, would leave us wondering how Martin could get away with dubbing Bihzad the "Raphael of the East." Equally telling is Berenson's choice from the prized "Shahnama": a static court scene filled with sumptuous textiles and furniture, not one of the manuscript's many fabulous dramatic scenes, such as the one purchased by Edward W. Forbes, director of the Fogg Museum. Filling the page, an army made of iron and filled with naphtha thunders forth, spewing flames.

Even though Berenson never appreciated Persian painting for much more than its decorative beauty, he had a significant impact. "A Standing Uzbek Youth" painted around 1600, for example, was among the miniatures he saw at a show in Munich in 1910 to which he took Belle Da Costa Greene, who went on to build a significant collection of Islamic manuscripts for J.P. Morgan. By including works acquired by Greene and other peers—among them Isabella Stewart Gardner, scholar Victor Goloubew and Forbes—the show tells a broader, layered story. It reminds us that collectors, like artists, rarely if ever operate in a vacuum.

PRESIDENT AND FELLOWS OF HARVARD COLLEGE

A scene of men playing chess and backgammon (1427), left; photo of Bernard Berenson by Sarah Choate Sears (c. 1903), above

A New Light on Bernard Berenson: Persian Paintings From Villa I Tatti
Harvard Art Museums, through Aug. 13

Ms. Lawrence writes about Asian and Islamic art for the Journal.

AUCTIONS

Continued from page A11

an auction is considered successful if at least 80% of the offerings find buyers. This spring, Christie's said it found buyers for 81% of its goods across the board, compared with a 79% sell-through rate for the first half of 2016. Sotheby's said it found takers for a robust 90% of its offerings in its $151.5 million jewelry sale in Geneva in May.

Both houses continue to persuade collectors to bid online, with Christie's conducting 35 online-only sales during the first half of the year. The web auctions were led by a $3 million sale of American art in May that drew 14,000 viewers. Chief Executive Guillaume Cerutti said 44% of those viewers were new to his company, making these online-only sales "a primary channel for recruiting new clients."

Among the categories, Christie's $770 million in contemporary art exceeded Sotheby's $767 million in new art sales for the first half. However, Christie's lost some ground by canceling its traditional June sale of contemporary art in London. Mr. Cerutti said the decision "will pay off" if the staff can renew its efforts to sell more art in Hong Kong, its third art hub after New York and London.

Christie's excelled in other areas. It said it sold $889 million worth of impressionist and modern art, American art, modern British art and Latin American art during the first six months of 2017. The sum represents a 43% jump from last year but is down from $1.3 billion two years ago. Sotheby's didn't give a combined total for these categories but said it had sold $701 million worth of impressionist and modern art alone in the first half of 2017, up 25% from a year ago.

Christie's struggled in the categories of old master paintings, Russian art and 19th-century art, with combined sales of $81.2 million, down 37% from a year earlier. Yet its sales of Asian art were up 77% to $548.2 million during the first half, helped by a $263 million sale of Chinese art from Japan's Fujita Museum in March that included Chen Rong's $49 million scroll painting, "Six Dragons." The house also sold a celadon-green Yongzheng amphora for $18 million in Hong Kong in May.

Collectors from the U.S. and Asia outspent all rivals this spring, each winning 35% of Christie's offerings. Christie's sold $1.5 billion worth of art in the U.S., up 39% from a year ago.

The art market tends to quiet down in late July and August but will get tested anew at sales this fall in London, Hong Kong and New York.

Clockwise from above, among the high-profile sales at Sotheby's were Lichtenstein's 1995 'Nude Sunbathing,' a 59.6-carat pink diamond and Jean-Michel Basquiat's painting of a skull.

CLOCKWISE FROM LEFT: 2017 THE ESTATE OF JEAN-MICHEL BASQUIAT/ADAGP, PARIS/ARS; ESTATE OF ROY LICHTENSTEIN; SOTHEBY'S

SPORTS

OPEN CHAMPIONSHIP

IN GOLF, RINGS DON'T ALWAYS FIT

BY MATTHEW FUTTERMAN

WEDDING BELLS have been ringing in the top echelons of professional golf, which has prompted an interesting question ahead of this week's Open Championship—to wear or not to wear the ring when playing an extremely difficult game that requires exceptional touch.

Rory McIlroy got married earlier this year and apparently plays wearing his ring. Sergio Garcia, who won the Masters for his first major in April, is getting married after the tournament.

No word yet on whether Garcia plans to show up at the PGA Championship next month wearing the ring on the course. At times in his career, Garcia has been plagued with "the waggles," a condition in which golfers are constantly regripping the club, trying to find ultimate comfort before they can begin a shot.

Henrik Stenson (pictured), who is defending his Open Championship title this week, said he keeps his wedding ring in his bag during the rounds. It's a thick, klunky thing that he estimated "weighs about 3 kilos, this one, and it's just not comfortable." (Stenson's wife could not be reached for comment.)

To each his own, Stenson said. If McIlroy is comfortable playing with a ring on his finger, more power to him.

"He's probably got a smaller ring," Stenson said of McIlroy. "Not in the same kind of bracket as I am."

Stenson caused a bit of a stir last year when he went jet skiing with the Claret Jug, the famed trophy given to the winner of this event. Tuesday, Stenson said if he can manage to win the trophy again he's going to take it skydiving.

HANNAH MCKAY/REUTERS

U.S. swimmer Lilly King in action during the 2017 national championships.

TOM PENNINGTON/GETTY IMAGES

SWIMMING

A Revolution Finally Being Televised

Advanced video analysis is now ingrained in the training for top U.S. swimmers

BY LAINE HIGGINS

FOR DECADES, the biggest enemy to progress in swimming was water.

While other sports embraced video decades ago as a means for refining technique, that wasn't an option in the pool due to technological limitations. Coaches and elite swimmers made adjustments based on guesswork and feel. Those days are officially over.

At last week's U.S. national championships in Indianapolis, swimmers watched underwater recordings of their races on one of eight television monitors within minutes of finishing their heats. Those recordings are also allowing the sport to catch up to the analytics craze: At the end of each race, coaches and swimmers now study metrics such as average stroke rate and 15-meter splits.

They also study algorithm-generated illustrations—developed through a partnership between BMW and USA Swimming—that are overlaid onto video footage to show where the swimmers' bodies veered away from the ideal angles for cutting through the water.

"Swimming is math. Performance is math," said Jonty Skinner, former director of performance science and technology for the U.S. national team and now an associate head coach at Alabama. "If you understand the math of performance, you can go about the process of breaking down the math and looking at the parts. You can't do that without videotape."

These advancements will be on further display next week, when the U.S. team tries to springboard off its dominating 33-medal performance at the Rio Olympics with a similarly strong showing at the world championships in Budapest.

Incorporating such extensive data into racing strategies was unimaginable to coaches and swimmers in recent Olympic cycles. The swimmers who competed in the 2004 Athens Games recall coaches deploying a Rube Goldberg-like underwater camera housed in PVC piping that was attached to a TiVo-equipped television monitor and rolled down the side of the pool deck on a cart. But thanks to innovations in technology that have made portable underwater cameras like GoPros widely accessible, capturing underwater footage is easier than ever.

Today underwater video analysis is ingrained in the training regimens of all of America's top swimmers, overseen by Russell Mark, USA Swimming's high-performance consultant.

"I try to teach people to be more technical, thoughtful and mindful in their swimming," said Mark, who was trained as a rocket scientist. "It's not just about working hard."

Indiana coach Ray Looze films his athletes, including gold-medal winning breaststrokers Lilly King and Cody Miller, every day and says it is essential to their practice sessions. Both swimmers will be competing in Budapest. Most of his swimmers complete workouts designed specifically to make use of underwater video analysis.

"You've got to design a practice that goes into [the cameras] where you have a little bit of time where you can make some comments," Looze said. "The corrections come exponentially faster."

Veteran swimmers find the data from Mark's team helps maximize their potential in the dusk of their careers.

"When you're younger you can get huge improvements from just growing," said Nathan Adrian, three-time Olympian and eight-time medalist. "Here I am in my late 20s trying to squeeze every little inch out [possible] and trying to become more efficient."

David Plummer says the feedback from the High Performance staff on his start and stroke rate was the difference between missing an Olympic berth in the 100-meter backstroke in 2012 by 0.12 seconds at age 27 and winning a bronze in the event in Rio at 31.

Most members of the U.S. National Team can offer similar stories of underwater video-induced "a-ha moments," as national coach David Marsh calls them.

Marsh, who won 10 national titles at Auburn and takes over at University of California at San Diego this fall, said this was the case last spring when Ryan Lochte developed his freestyle flipturn. Conventional wisdom instructed swimmers to immediately turn onto their stomachs after pushing off the wall, but Lochte discovered he could go up to 0.3 seconds faster by staying on his back while dolphin kicking underwater.

"Initially it was [with] a stopwatch," said Marsh of how the duo discovered the technical change. "But what we discovered with the video is you're better pushing off slightly at a downward angle and then you really catch a lot of the benefits of the hydrodynamic effect of the water as you kick up to the surface."

The U.S. effort to harness video started in earnest in 2002, when Skinner assembled a team of biomechanics specialists, including Mark, to devise the most effective way to gather underwater footage.

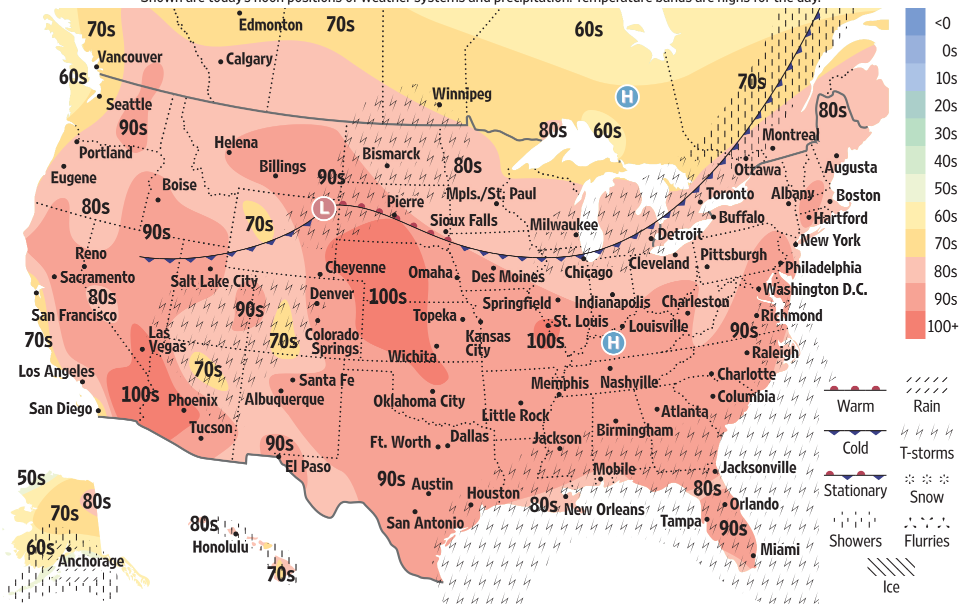
Yet Mark says the team is only just learning how to fully harness the technology's potential.

"It's made my head spin with the amount of data I have to look at," he said. "In a good way."

Weather

AccuWeather.com

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



U.S. Forecasts

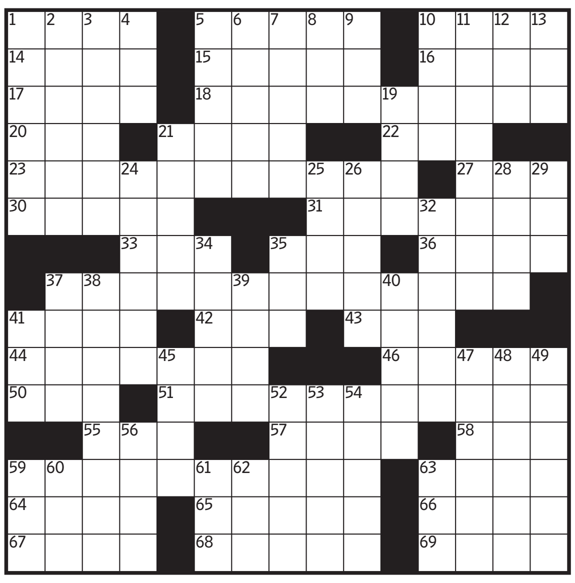
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Anchorage	62	56	r	66	54	c
Atlanta	91	74	s	93	74	s
Austin	98	74	pc	99	75	s
Baltimore	93	73	pc	96	76	pc
Boise	94	63	s	92	60	s
Boston	88	71	pc	86	69	pc
Burlington	87	68	pc	83	67	t
Charlotte	93	71	pc	95	73	s
Chicago	85	68	t	89	73	t
Cleveland	88	70	pc	87	72	t
Dallas	97	80	s	98	80	s
Denver	96	65	s	93	64	s
Detroit	88	68	pc	86	72	t
Honolulu	88	77	pc	88	75	sh
Houston	93	76	pc	94	76	s
Indianapolis	89	72	s	92	74	t
Kansas City	95	77	s	97	78	s
Las Vegas	100	84	t	102	85	t
Little Rock	95	74	s	96	75	s
Los Angeles	84	65	pc	84	66	pc
Miami	92	80	pc	91	80	pc
Milwaukee	80	66	t	83	71	t
Minneapolis	84	69	pc	86	72	c
Nashville	96	73	s	96	75	s
New Orleans	89	76	pc	91	76	pc
New York City	89	75	pc	91	77	pc
Oklahoma City	98	74	s	99	75	s
Omaha	97	79	c	101	80	pc
Orlando	90	74	t	90	74	t
Philadelphia	92	76	pc	94	78	pc
Phoenix	102	85	pc	103	84	s
Pittsburgh	89	67	pc	87	71	pc
Portland, Maine	83	65	pc	85	63	pc
Portland, Ore.	82	60	s	77	56	c
Sacramento	94	58	s	94	59	s
St. Louis	101	79	s	102	81	s
Salt Lake City	98	78	pc	95	74	t
San Francisco	72	56	pc	71	55	pc
Santa Fe	91	61	pc	91	60	s
Seattle	77	58	s	73	55	c
Sioux Falls	88	71	pc	88	71	t
Wash., D.C.	95	78	pc	96	79	pc

International

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	86	64	t	72	56	t
Athens	87	73	s	89	74	s
Baghdad	120	85	s	114	83	s
Bangkok	90	77	t	90	77	t
Beijing	89	77	t	92	74	t
Berlin	81	64	pc	79	64	t
Brussels	86	64	t	74	52	t
Buenos Aires	57	42	pc	59	42	pc
Dubai	114	92	pc	111	93	s
Dublin	69	48	t	63	50	pc
Edinburgh	68	51	t	65	51	pc
Frankfurt	92	67	pc	78	59	t
Geneva	88	64	pc	82	62	t
Havana	91	75	pc	90	73	pc
Hong Kong	87	81	c	88	81	r
Istanbul	81	69	pc	82	72	pc
Jakarta	90	77	t	90	76	t
Jerusalem	88	70	s	86	70	s
Johannesburg	66	33	s	67	32	s
London	79	60	t	73	58	pc
Madrid	93	67	pc	92	65	pc
Manila	88	78	t	88	78	t
Melbourne	54	46	sh	52	38	pc
Mexico City	72	55	t	74	52	pc
Milan	91	66	pc	88	69	s
Moscow	68	53	pc	70	54	sh
Mumbai	84	75	r	86	75	r
Paris	86	62	t	77	57	t
Rio de Janeiro	69	64	sh	75	64	s
Riyadh	112	84	pc	111	81	pc
Rome	85	64	pc	86	67	s
San Juan	90	80	s	88	79	pc
Seoul	90	78	pc	90	79	c
Shanghai	98	84	pc	103	84	t
Singapore	88	78	pc	86	78	c
Sydney	65	48	pc	63	46	s
Taipei	98	80	pc	97	80	pc
Tokyo	87	78	t	89	79	pc
Toronto	85	62	t	82	65	t
Vancouver	72	58	c	70	55	c
Warsaw	79	60	pc	83	63	pc
Zurich	90	64	pc	78	61	t

The WSJ Daily Crossword | Edited by Mike Shenk



LOVE STORY | By Gary Cee

Across

1 Lovers' adventure
5 Candidate's concern
10 Infatuated
14 Passionate god
15 "Love Story" author Segal
16 Hieroglyphic creature
17 Obsidian source
18 Addictive match-three game
20 Ephemeral sculpting medium
21 Film character whose last word was "Rosebud"
22 Tried-and-true
23 Happy time for a home buyer
27 FDR-DDE go-between
30 Acapulco address
31 Go past the scheduled end time
33 Blow away
35 Christmas evergreen
36 Theater honor
37 Personal matter
41 Sign up
42 Straightaway
43 Vicious with a guitar
44 Spaghetti sauce seasoning
46 Shows its age, in a way
50 Victorious shout
51 Diet-busting dessert
55 Dobbs of Fox Business Network
57 Outstanding amount
58 Verb for you
59 The CPU has direct access to it
63 Uproar
64 Spots in a yearbook photo?
65 Loons and cuckoos
66 California city nicknamed "Zinfandel Capital of the World"
67 Hard throws, in baseball
68 Bestow happiness on
69 Warning sign

Down

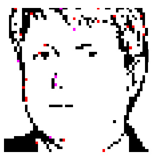
1 Flea market finds
2 Source of wisdom
3 Turn the page, so to speak
4 Free radio ad, for short
5 Sticky bun nut
6 Sumatran swinger, for short
7 Like some pads
8 TV panel type
9 Reserved
10 Brownie, e.g.
11 Capital on the Persian Gulf
12 "M*A*S*H" extras
13 Bat material
19 Name in the "Fargo" credits
21 Renowned Russian ballet company
24 Planter's activity
25 La Scala highlight
26 Gang domains
28 Show signs of waking
29 Ball bearer
32 Prepare for a road trip
34 "Shall we?"
35 Hardly any
37 Minute opening
38 White wine of Germany
39 Warner Bros. creation
40 Walk destination
41 Rapture
45 "I coulda been somebody, instead of ___" ("On the Waterfront")
47 Zigzagging course
48 Hothead's harangue
49 Try to mediate
52 Be smitten with
53 Bullies' targets, often
54 Deep chasm
56 Popular bills at discount stores
59 Tourist's aid
60 Opening day pitcher, probably
61 Fade away
62 "Cool" amount of cash
63 Character in Progressive ads

Previous Puzzle's Solution

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

OPINION

The Result of GOP Failure



BUSINESS WORLD
By Holman W. Jenkins, Jr.

It's no excuse for Republican ineptitude, but there is little market in America, and none in the GOP apparently, for coherent health-care policy, to the modest degree that such a description can even apply in Washington.

Republicans, and arguably American voters, don't want an individual mandate. They do want coverage of pre-existing conditions.

There is a term for a system in which you are covered if you are sick, but you don't need to buy coverage and the government promises to make it affordable. It's health care on demand, with taxpayers footing the bill. It's single-payer—at least for the sizable portion of the population who can't be induced through a giant tax incentive to accept insurance from their employer, or who aren't already under some version of proto-single-payer such as Medicare, Medicaid, etc.

ObamaCare was a dog's breakfast, but at least it was coherent on this fundamental point.

Here's how health care would sooner or later (most likely sooner) come to work in a system in which pre-existing conditions are covered but there is no individual mandate, as the GOP bill proposed.

You develop a symptom. You show up at the doctor and, in addition to the other forms, you fill out a form applying for insurance, which you cancel as soon as your treatment is complete.

If this is insurance, the cost is identical to the cost of treatment, which for some reason your insurance company fingers briefly (and takes a cut) before passing along to your doctor.

This is not insurance. Nor is it a viable business model for insurance companies, except as a receptor into which to pour taxpayer money to cover the cost of everyone's health care. Now it can be told: The GOP plan that almost certainly now is dead would have been more of an express route to single-payer than ObamaCare ever was.

Republicans, though inconvenienced by John McCain's keyhole craniotomy, could have passed something. It would have made no sense, except for the highly useful GOP curbs on Medicaid—which were worth the price of admission.

Every administration passes a health-care bill, knowing it won't be the last word, certain in the knowledge they haven't fixed anything fundamental in American health care. Reagan gave us Cobra to allow certain employees to keep their insurance after leaving their jobs. Clinton failed to give us HillaryCare but gave us the Children's Health Insurance Program. George W. Bush gave us the Medicare drug entitlement. Obama gave us you-know-what. Only George H.W. Bush failed to enact the obligatory expansion of health-care entitlements for somebody somewhere. He was a one-term president.

Were a rational, coherent health-insurance law the apple of any eye, were legislators interested in serving up to the American people a system that would actually be viable and stable, what would it look like?

Pre-existing conditions without an individual mandate was a time bomb.

It would repeal and replace everything that isn't ObamaCare. The bill would have 19 words: "All government programs and health care-related tax benefits are null and void, except for the Affordable Care Act."

Then would come the much more tractable and cognizable job of fixing ObamaCare. The rational brain could actually get itself around it.

Which old people cast adrift from Medicare should receive ObamaCare subsidies, and how much? And how should incentives be structured so young and middle-aged people, via ObamaCare, start financing their own old-age health consumption?

How should pre-existing conditions be financed? By rolling the cost into everybody's premiums, or by a separate taxpayer subsidy so individual premiums could be more actuarially based and attractive to most users?

Pre-existing conditions inevitably become a mere transitional problem when the individual mandate is fully institutionalized.

We could go on. Correcting the distortions and cross-subsidies that make ObamaCare such a morass, a death spiral in waiting, is not actually a hard job. A properly fixed ObamaCare would be the only health-care program Americans need.

This won't happen, of course. Neither will single-payer. America's jumble of health-care programs will just be increasingly poorly financed, with longer waits and fewer available providers. The rich, and those with good jobs in corporate America, will benefit from concierge health care in which all the frills and finery are available at a price. It will be expensive. But it will be a hell of lot better than Medicaid.

In the meantime, the Trump administration is becoming incalculable. Will it survive? In 16 months, after disastrous GOP midterms, will Mr. Trump announce he's now a *Democratic* president? In return for what does Chuck Schumer throw him a lifeline? The people who put him in office would applaud and say that's our Trump, even if the media would be completely nonplused.

Turns Out Governing Is Hard

POLITICS & IDEAS
By William A. Galston

At a meeting with GOP senators on Monday night, President Trump reportedly said that Republicans would look like "dopes" if they couldn't pass a health-care bill. "If the Republicans have the House, the Senate and the presidency and they can't pass this health-care bill, they are going to look weak," Politico reports Mr. Trump said. "How can we not do this after promising it for years?"

I don't often agree with Mr. Trump, but I do this time. He has posed a fair question that requires an answer.

Here's my crack at an explanation: Campaigning is one thing, governing another. Opposing is not the same as legislating. Republicans had seven years to coalesce around a replacement for ObamaCare, and they wasted them. The bill they passed in 2015 was for show; they knew that President Obama would veto it and that they would not have to take responsibility for its consequences. Republicans are a majority party, but they have yet to prove that they are a governing party.

After Senate Majority Leader Mitch McConnell's effort to broker a compromise collapsed Monday evening, the president tweeted that "Republicans should just REPEAL failing Obamacare now & work on a new Healthcare Plan that will start from a clean slate." In a burst of enthusiastic fantasy, he added that "Dems will join in!"

No, they won't, and some Republicans won't either. Just hours after Mr. McConnell declared his intention to bring the bill the House passed earlier this year to the floor and then move the 2015 bill as the first amendment, Republican Sens. Susan Collins of Maine, Shelley Moore Capito of West Virginia and Lisa Murkowski of Alaska announced their opposition, refusing to repeal ObamaCare without simultaneously replacing it.

"I did not come to Washington to hurt people," Ms. Capito said. "I cannot vote to repeal ObamaCare without a replacement plan that addresses my concerns and the needs of West Virginians."

Although these three senators were out in front, I doubt they were speaking only for themselves. In 2015 the Congressional Budget Office estimated that the ObamaCare repeal plan passed by the Senate would result in lost insurance coverage for 22 million Americans if enacted. Republicans are already concerned about the coverage losses their current proposals would produce. Why would they back repeal legislation that would do no better while throwing the entire health-care sector into turmoil until they were able to agree on a replacement?

There is a way forward, and Mr. McConnell has pointed to it. Republicans and Democrats could sit down together to negotiate much-needed fixes to ObamaCare's troubled health-insurance exchanges. With even a modicum of goodwill on both sides, this would not be "Mission: Impossible."

Republicans can win big majorities, but running the country is another story.

Along with bipartisanship, Mr. McConnell should do what he promised—return the Senate to regular order. Explaining his decision to deliver the coup de grâce to the McConnell bill, Kansas Sen. Jerry Moran criticized the "closed-door process" that had produced the bill and called on his party's leaders to "start fresh with an open legislative process." I suspect the American people would welcome this shift.

This episode reveals some larger truths. One is that the Republican coalition disagrees on fundamentals. Small-government conservatives want to reduce spending and cut regulations as a matter of principle, and they are willing to accept the human and political consequences. Others—for whom Sen. Capito spoke—focus on the needs of their constituents. Although they prefer market solutions, they are willing to accept public-sector action when markets fail—even if this means a permanent expansion of government.

Last month the Urban Institute estimated that more than 200,000 of Ms. Capito's constituents would lose access to health care if the Senate bill became law. The bill's draconian cuts to Medicaid would have driven these losses, and the working-class West Virginians who voted for Donald Trump in droves would have been hit the hardest. Low-income Americans just don't earn enough to purchase health insurance in the private market. This reality—not abstractions about the role of government—drove her choice.

In addition, the United States has an aging population. In coming decades, tens of millions more elderly Americans will need help with the normal activities of daily life, and many will end up in nursing homes. Most Americans of average income will be unable to save enough to afford more than a few months in such institutions, let alone the years that many end up staying. This is why Medicaid finances a large share of nursing-home costs—and why these outlays are bound to rise for the foreseeable future.

Yes, reforms are possible. But more than anything else, it is hard-to-change economic realities and immutable demographic trends that drive federal government expenditures. Sooner or later, Republicans will have to make their peace with these stubborn facts.

Nasty Email? Hit 'Reply' With Sangfroid

By Allan Ripp

Marc Kasowitz, how could you? Donald Trump's personal lawyer lashed out at a stranger who emailed urging him to "resign now" for advising the president over the Russia unpleasantness. "No good can come from this and your name may turn out to be a disparaging historical footnote to the presidency of DJT," wrote the retired public-relations professional.

In a string of replies, Mr. Kasowitz attacked his critic, warning, "Watch your back," adding: "You will see me. I promise. Bro." When the exchange blew up in the press, Mr. Kasowitz expressed regret for having "responded in an inappropriate manner."

Having received my share of invective, I can sympathize. I've represented polarizing clients in my PR practice, drawing hits from aggrieved individuals. Tempting as it is to strike back, the risks of rebuttal are great.

Drug company Turing Pharmaceuticals was a client in 2015 when CEO Martin Shkreli jacked up the price of its anti-infection medication Daraprim, provoking widespread outrage.

The lesson Trump lawyer Marc Kasowitz learned the hard way.

Turing's communications director abruptly resigned, making me the point of public contact—and scorn.

"I'm not saying I'd be the one to pull the trigger on your execution, but I would gladly pay to watch," one person said on my answering machine. Many urged me to drop the account. One caller claimed that devils like me made her pray Bernie Sanders would become president.

The wise action was not to engage; mostly I did not. But after watching Mr. Kasowitz get skewered for taking a gadfly's bait, I realize there are ways to extract payback from those who try and get your goat:

• *Can't reach me.* Mr. Kasowitz could have created a selective "away" message on his email, leaving nags like Mr. "Resign Now" to stew over an unread "J'accuse."

• *More work for you.* He could devise fake email encryption checks, triggering an "error" response that keeps finger-waggers guessing as to whether their diatribes made it through.

• *Less is more aggravating.* Had Mr. Kasowitz merely replied, "Great, thanks," to the first note, chances are his nemesis would have been the one to pile on. Because he went off on a tirade, he lost any chance at the upper hand. Touché, PR guy.

• *Embrace the hate.* Unpopularity has become a badge of honor in government. Mr. Kasowitz could have shared a screen shot of his detractor's resignation plea with media contacts, thereby owning the controversy and generating goodwill for being vilified.

• *What the . . .?* During the Daraprim onslaught, I answered a few emails with random replies—"Sigh," "You are my friend," kitten emojis—and relegated the emailers to spam. It was nice to know they were either scratching their heads or doubling back with more screeds.

It's hard not to respond in kind, but the fallout isn't worth it. The other day someone bombed me on Facebook about an article I'd written, telling me to perform an unnatural act. How dare she? I thought, and responded as only a tough guy should. I corrected her spelling mistakes and wished her a nice day.

Mr. Ripp runs a press relations firm in New York.

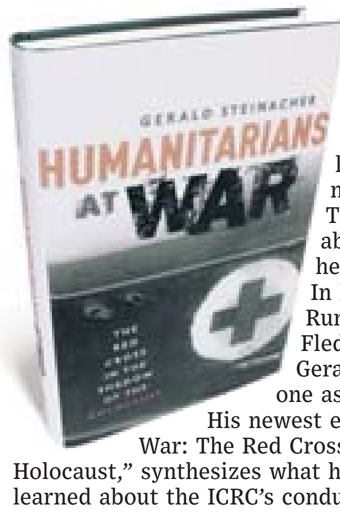
BOOKSHELF | By Samuel Moyn

The Red Cross And the Holocaust

Humanitarians at War

By Gerald Steinacher
(Oxford, 330 pages, $32.95)

By the eve of World War II, the International Committee of the Red Cross had reshaped the landscape of humanitarianism. Founded in 1863 by Henry Dunant, a Swiss businessman appalled by the carnage he saw on an Italian battlefield, the organization had made itself the central player in the modern law of war. Having organized the conference that drew up the original Geneva Conventions, the ICRC was formally empowered to tend to wounded, sick and imprisoned soldiers and to ensure that they were humanely treated rather than left for dead. The ICRC had given rise to Red Cross organizations around the world, including in the United States, and had begun attending to disasters, natural and manmade.



But what began as an organization meant to curb the barbarity of warfare has found it difficult to live down its most grievous mistake: cozying up to the Third Reich, remaining silent about the Holocaust and later helping Nazis escape justice. In his last book, "Nazis on the Run: How Hitler's Henchmen Fled Justice" (2011), historian Gerald Steinacher chronicled one aspect of this shameful era. His newest effort, "Humanitarians at War: The Red Cross in the Shadow of the Holocaust," synthesizes what he and other historians have learned about the ICRC's conduct during this troublesome period before adding new material on what the organization did next. This more comprehensive account of the ICRC's actions equips the reader to decide whether the organization truly recovered from its wartime and postwar errors.

Much of "Humanitarians at War" re-treads the ICRC's missteps in those dark years, rightly laying most of the blame on Switzerland's Carl Jacob Burckhardt. With the ICRC's moralistic Christian president, Max Huber, elderly and often ill during the 1930s, it was Burckhardt, his second in command, who made major decisions regarding relations with Adolf Hitler's government. A diplomat and known careerist, Burckhardt harbored a traditional anti-Semitism and such hatred of communism that he regarded German Nazism as a bulwark of civilization and a necessary evil. As early as April 1933, the ICRC was receiving desperate letters from inmates of German concentration camps, including one from Dachau pleading: "'I beg you again in the name of the prisoners—Help! Help!'" Yet as Mr. Steinacher writes, during this period Burckhardt was given an inspection tour "and officially lauded the commandant of Dachau for his discipline and decency."

As early as 1933, the group received letters from Dachau, including one pleading: 'I beg you again in the name of the prisoners—Help! Help!'

It wasn't just willfully repeating the Germans' propaganda that stained the ICRC. Nor was it only the fact that, knowing the Nazis had confirmed their policy of mass extermination of the Jews at the 1942 Wannsee Conference, the ICRC did nothing to intervene. What was more difficult to defend was Burckhardt's sympathies with and efforts on behalf of Nazi actors after Germany's defeat. He opposed the Nuremberg trials, labeling them "Jewish revenge." Red Cross officials attempted to whitewash the record of Nuremberg defendant and high-ranking Nazi diplomat Ernst von Weizsäcker. After the Holocaust, the ICRC—by then helmed by Burckhardt—even abetted the flight of Nazis such as Adolf Eichmann and Josef Mengele by providing them with travel papers.

Complicating matters was the close tie between the ICRC and the Swiss government. Switzerland's conduct during the war drew unfavorable comparisons with that of the Swedes, whose wartime record, while hardly "clean," nonetheless led their country to be labeled the "good" neutral in contrast with "bad" Switzerland. This fueled a postwar Swedish attempt to take over Switzerland's longtime custodianship of the laws of war, upon which Mr. Steinacher dwells at length. Strikingly, Switzerland's unfortunate wartime conduct was not the primary rationale for a Swedish takeover: It was essentially a turf war. Sweden lost because the champion of its effort, Count Folke Bernadotte, was assassinated in 1948 while serving as a United Nations mediator in Jerusalem.

The denouement of "Humanitarians at War" focuses on the ICRC's work to create the new Geneva Conventions of 1949, which endure as the main treaties governing the conduct of war. Given their sterling reputation to this day, especially since they provided formal protections for civilians, Mr. Steinacher is willing to conclude that the results of the lawmaking have been "overwhelmingly positive." For this reason, the ICRC seems largely redeemed by the end of the book, and the tale has a happy ending.

Mr. Steinacher, a professor at the University of Nebraska-Lincoln, is an excellent historian with a good nose for archives, but his view that the crisis of this one organization amounted to a "crisis of humanitarianism" is overblown. What difference would it have made if the Swedes had wrangled their way into custodianship of the law of war? One suspects little. Mr. Steinacher's book also suffers from problematic omissions. He doesn't explore the ICRC's yeoman work keeping many POWs in touch with their families, an achievement for which it won a second Nobel Peace Prize in 1944. Nor does he provide much context for the different agendas that European states brought to the revision of the Geneva Conventions—including those powers facing brewing trouble in their colonies, where they knew brutal wars would soon have to be waged.

Mr. Steinacher excels at toppling individuals from undeserved moral pedestals. Ironically, he does not do the same for the law of war itself. The truth is that the laws of war, as much as they strive to preserve humane values, still license fierce hostilities, even today. Perhaps it is less interesting that the ICRC almost lost control of the law of war than that humanitarianism has left the world so violent.

Mr. Moyn, who teaches law and history at Yale, is the author of "Human Rights and the Uses of History" and "Christian Human Rights," among other books.

OPINION

REVIEW & OUTLOOK

The ObamaCare Republicans

Senate Republicans killed their own health-care bill on Monday evening, and some are quietly expressing relief: The nightmare of a hard decision is finally over, and now on to supposedly more crowd-pleasing items like tax reform. But this self-inflicted fiasco is one of the great political failures in recent U.S. history, and the damage will echo for years.

Voters may repeal and replace the Senators who broke their promise.

The proximate cause of death was Mike Lee of Utah and Jerry Moran of Kansas linking arms and becoming the third and fourth public opponents. The previous two public holdouts were Susan Collins of Maine and Rand Paul of Kentucky, and Majority Leader Mitch McConnell could lose only two GOP Senators. But this defeat had many authors, some of whom are pictured nearby and all of whom hope to evade accountability for preserving the ObamaCare status quo.

But this wasn't the inevitable result of some tide of progressive history. These were choices made by individuals to put their narrow political and ideological preferences ahead of practical legislative progress. The GOP's liabilities now include a broken promise to voters; wasting seven months of a new Administration in order to not solve manifest health-care problems; less of a claim to be a governing party; and the harm that these abdications will wreak on the rest of the Republican agenda and maybe their hold on Congress.

* * *

The ObamaCare Republicans come from both the conservative and moderate wings, but all of these Senators campaigned for nearly a decade on repealing and replacing ObamaCare. Now they finally have a President willing to sign literally any bill that lands on his desk, but in the clutch they choked. Some wouldn't even allow a debate on the floor and the chance to offer amendments.

The ObamaCare Republicans ran on fiscal discipline but they rejected the best chance for entitlement reform in a generation. They campaigned against deficits—and some like Mr. Moran and Nevada's Dean Heller have endorsed a balanced-budget amendment—yet they dismissed a $1.022 trillion spending cut. They denounced ObamaCare's $701 billion in tax increases but then panicked over repealing "tax cuts for the rich."

Conservatives like Ted Cruz and most GOP Senators played constructive roles, but a question for the ages is which cargo cult Messrs. Lee and Paul have joined. They pose as free-market purists but reject progress toward a freer market. Their claim that the bill didn't go enough to reduce insurance premiums is risible given that Mr. Cruz's deregulation amendment was adopted and the alternative is ObamaCare's even higher rates and fewer choices.

Mr. Lee opposed the first draft of the bill in part because it "included hundreds of billions of dollars in tax cuts for the affluent." He opposed the new version for "not repealing all of the ObamaCare taxes."

Messrs. Lee and Paul will try to absolve themselves by voting to move to a debate about straight repeal with no replacement, but no one should believe the ruse. They want to vote against anything that can pass lest they have to take responsibility. By the way, Mr. Lee's stunt of holding hands with Mr. Moran so neither was the deciding killer vote is a political-evasion classic on par with Arlen Specter voting "not proved" on Bill Clinton's impeachment.

The same applies to the centrists who behind the scenes formed a death panel for the bill. No concession was ever satisfactory, and their demands watered down reform. Yet they wouldn't defend their own compromises, or even try to rebut the media-Democratic caricature of the bill as a human-rights violation.

West Virginia's Shelley Moore Capito came out against the bill with a statement that began: "As I have said before, I did not come to Washington to hurt people." Does she honestly think so little of her colleagues, and the party she chose to affiliate with, to insult them so casually? This moral grandstanding would be more persuasive if Ms. Capito hadn't pledged to "turn the tide from a Washington that tells us who our doctors are and delivers a lower quality of care" at the 2016 GOP convention.

The moderates will now say that failure can be redeemed with bipartisanship, and watching them beg to be rescued by Democratic Leader Chuck Schumer will be instructive, not least for exposing the futility of a good-faith health deal. Mr. Schumer will offer to enshrine ObamaCare and bail out the insurance companies in return for Democratic votes. If such a bill did pass the Senate, it would put the House in a bind and make Speaker Nancy Pelosi more likely.

Top row from left: Sens. Dean Heller (Nev.), Susan Collins (Maine), Shelley Moore Capito (W.Va.). Middle row: Sens. Rob Portman (Ohio), Jerry Moran (Kansas), Gov. John Kasich (Ohio). Bottom row: Sens. Rand Paul (Ky.), Mike Lee (Utah), Bill Cassidy (La.).

ASSOCIATED PRESS (1), GETTY IMAGES (2), REUTERS (2), EPA (2), ZUMA PRESS (2)

Mr. McConnell says he will hold the repeal-only vote, and Americans should understand that any Senator who votes against moving to the floor is voting to preserve ObamaCare. If the moderates really want a bipartisan solution, they will vote for repeal with a delayed replacement fuse and then try to persuade Democrats. But they don't want that amount of political responsibility.

* * *

If the ObamaCare Republicans now get primary opponents, they have earned them. In two weeks nobody will recall this or that grievance about the Senate bill, but GOP voters will wonder about the bill of goods they were sold.

The damage to the GOP's political image will radiate in ways that are hard to predict. If Republicans can't be trusted to fulfill a core commitment to voters—whether repeal and replace, or simply to reduce the burden of government—then what is the point of electing Republicans? "Sorry, it was too hard" isn't a winning 2018 message, and botching health reform will add to the betrayal narrative that has so inflamed conservative politics. In this case the critics will have a point.

Perhaps this Congress can recover with a rewrite of the tax code. But failure tends to compound, and this show of dysfunction will make Senators even edgier about taking difficult votes.

The coming days will see more than a few liberal tributes to the invincibility of the entitlement state, and how Republicans miscalculated by declining to accommodate ObamaCare. Entitlements by their nature are hard to reform once they've gained a constituency, but what these odes will omit is how close Republicans came. They had the power to reverse the march toward single-payer health care, and most wanted to use it but were blocked by a few feckless deserters.

The ObamaCare Republicans are betting voters won't remember, but implosions this consequential take a long time to forget.

California's Climate Cap and Spend

Republicans in Sacramento handed Jerry Brown the biggest legislative victory of his governorship on Monday by reauthorizing carbon cap and trade. This act of political self-sabotage and voter betrayal ranks close to the Senate GOP's ObamaCare failure.

Republicans let Jerry Brown raise energy prices again.

Seven Republicans in the state Assembly joined 48 Democrats to extend the state's cap-and-trade program from 2020 through 2030. Mr. Brown demanded that a legislative supermajority—which is needed to raise taxes and fees—renew the program to fund his not-exactly-a-bullet train, among other progressive priorities.

But Democrats representing low- and middle-income areas balked after voting to raise gas taxes in the spring. Cap and trade is projected to increase gas prices by 24 to 73 cents a gallon by 2031. Manufacturers, refiners and other employers in lower-income areas will also have to spend millions to upgrade their equipment or buy carbon permits.

Mr. Brown wooed Republicans by offering to extend a partial sales tax exemption for manufacturing equipment and waive a rural fee for fire prevention. He drew support from the state Chamber of Commerce, Business Roundtable and Farm Bureau. Former Republican Governors Pete Wilson and Arnold Schwarzenegger lent their support, for whatever it's worth nowadays. California's cap and trade will have a de minimis effect on climate change since the state accounts for less than 1% of global emissions.

The seven Assembly Republicans who gave Mr. Brown a bipartisan supermajority let six Democrats—four of whom could face difficult re-election bids in 2018—off the hook. Republicans will now have a harder time using cap and trade as an issue next fall.

They've also handed Democrats billions more to spend on patronage. State auctions for permits are expected to raise $2 billion this year and up to $4 billion in 2020. One-quarter of the revenues will go toward Mr. Brown's L.A. to San Francisco choo-choo, which is running on empty. Democrats intend to spend the rest on electric-car rebates, housing subsidies and green pork.

The Governor is taking a victory lap, and he should thank Republicans who are so beaten down in the minority that they now confuse surrender with victory.

LETTERS TO THE EDITOR

Thoreau Best Fits With Libertarian Ideas

Crispin Sartwell's "Left or Right? Thoreau Wouldn't Have Understood the Question" (op-ed, July 12) observes that the traditional, left/right paradigm has no place for political philosopher Henry David Thoreau. The author of "Walden" and "Civil Disobedience" is merely the best-known luminary of what political scientists term the "American Anarchist" movement that emerged in this country in the early 19th century (distinguishing it from its mid-19th century counterpart in Russia.)

Although "anarchy" has now come to be used as a synonym for "chaos," it originally referred simply to theories of social order in the absence of institutional government. Given that anarchism was the logical extension of the Enlightenment concepts "that all men are created equal" and "that they are endowed by their Creator with certain unalienable Rights" that informed and inspired the American Revolution, it is unsurprising that abolitionism and feminism arose as corollary movements. These were in fact also initially championed by other notable, albeit less renowned, anarchist polemicists.

The confusion of the left/right spectrum that incomprehensibly consigns 20th-century dictators Adolf Hitler and Joseph Stalin to its opposite ends derives from the fact that it is based merely on an assessment of positions on various policy issues instead of, as libertarian theorist David Nolan suggests, calibrating both issues and political systems according to the spheres of decision-making properly belonging to the individual versus the collective will (the latter, of course, being enforced on all of society at gunpoint by its leaders).

Tim O'Brien
Imlay City, Mich.

Stuck Wages? Pay the Most Productive More

American corporations have painted themselves into a corner by holding off on pay raises ("Jobs Grow, but Wages Stay Stuck," page one, July 8). Meanwhile, a low unemployment rate throws the doors open for high-skilled employees to jump ship. Executives either give no pay raises, blaming poor productivity, or they give the same small pay raise to everyone, regardless of performance. High performers—those you count on every day—are insulted either way.

There is another way. The well-prepared performance review outlines expectations and standards of performance that segments the workforce for wage increases. This tiered system rewards the best, encourages the middle and justifies moving the deadwood out.

Train supervisors and managers to prepare legally defensible performance reviews, observing only what the employee says or does. Record observations over the entire review period. Set performance standards about what differentiates the high, medium and low performer. Dip managers into role-plays and scenarios where they must overcome biases and decide objectively on the facts.

Used strategically, the regularly scheduled performance review can be the critical one-on-one conversation that sheds light on the issues in the work unit, provides the platform to discuss problems, coaches for solutions, uncovers barriers to productivity and gains the commitment of the work unit toward retention and engagement. It's also the evidence and data needed to make your case if legally challenged.

Linda Bolton
Vero Beach, Fla.

Intelligent Readiness for Cyber 9/11 to Come

Regarding H. Rodgin Cohen and John Evangelakos's "America Isn't Ready for a 'Cyber 9/11'" (op-ed, July 12): All we need is one more cabinet-level agency to deal with cybersecurity, as the authors propose. If 17 separate intelligence agencies aren't enough, maybe 18 is the magic number.

Instead, carve out a portion of the existing NSA and re-form it in precisely the manner and definition suggested by the authors. Concentrate the dispersed cyber talent from other agencies under this new unified structure. Cybersecurity is a huge task within the NSA today. Taking it away from it is the last thing we want to do. Creating another duplicate agency is superfluous, adding to the maze of collaboration and coordination which is already too clumsy and ineffective.

Everett Stephenson
Savannah, Ga.

Multilayered approaches are required to address complex, decentralized cyberattacks. Creating a centralized bureaucracy hardly seems like an appropriate solution.

José Delgadillo
La Mirada, Calif.

Instead of starting a new federal agency, we should continue to financially encourage innovation from the private sector and agencies such as the Defense Advanced Research Projects Agency. The careful sharing of information via cyber diplomacy and cooperation with our allies needs to continue to expand. We need to work closely with our multiple intelligence agencies to stop attacks before they occur.

Peter Katona
Los Angeles

An Unattractive Similarity In Covering Visits to Poland

Regarding Peggy Noonan's "A Pope and a President in Poland" (Declarations, July 8): Have you noticed that many in the U.S. media are treating President Trump's speech in Poland the way the communist government's media treated Pope John Paul II's famous words in 1979 Poland? Very little of President Trump's speech is shown. When it is, it is often described as racist or ( )-phobic (fill in the blank with your favorite oppressed group). The Polish communists contented themselves with barely showing the pope's speech. Many in our media go beyond that in their continuing attempt to delegitimize our constitutionally elected president.

Helene Krauss and Martin Krauss
Rye Brook, N.Y.

Congress Should Throttle Unjustified CFPB Rules

Your editorial "Richard Cordray's Financial Damage" (July 13) on the Consumer Finance Protection Bureau and the financial damage its new arbitration rule will do highlights just one of many instances where the bureau has ignored its own facts and public comments to enforce its political agenda. The CFPB's proposed small-dollar credit rule also completely ignores its own data on the small businesses that will be closed and the tens of thousands of people the rule will put out of work. The bureau also has received more than 1.3 million negative comments from small-dollar lending customers, which it is apparently ignoring. If the CFPB goes forward with this rule, it will leave the field to unregulated and unscrupulous lenders and will cut off an important source of credit for more than 20 million Americans.

Congress has the power to overturn these nonfact-based, ideologically driven CFPB rules and needs to do so.

Dennis Shaul
CEO, Community Financial Services Association of America
Alexandria, Va.

Kids Exposed to Finance Camp Learn Useful Lessons

Congratulations to the designers and teachers of the Junior Money Matters camp in Denver ("Most Camps Have S'mores; This One Has Finance," page one, July 10). Bill Daniels was indeed a champion of free enterprise and a great philanthropist. One hopes that somewhere in the camp's curriculum the would-be doctors, accountants, financiers and race-car drivers are introduced to the notion that money—even in modest sums—offers us not only the freedom to save and spend, but also the freedom to give.

Joanne Florino
Ithaca, N.Y.

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Pepper ... And Salt

THE WALL STREET JOURNAL

"This was a class in hieroglyphics as a second language."

Medicaid's Potemkin Health Coverage

By Allysia Finley

If ObamaCare's expansion of Medicaid were measured merely by growth in enrollment and spending, California's Medi-Cal program would rank as a huge success. Since 2012, Medi-Cal has added six million beneficiaries, primarily able-bodied adults of working age. Covering them last year brought California nearly $20 billion in additional federal funds. If Medi-Cal were a state, its population of 14 million would make it the fifth-largest in the U.S. The program's $103 billion budget is about three times the size of Illinois's general fund.

California is a case study: One patient suing the state says she went to Mexico to get her gall bladder out.

But despite the surge in enrollment and spending—or perhaps because of it—Medi-Cal has failed to fulfill its stated goal of improving health-care access for the indigent and disabled. A recent report from the Santa Clara County Civil Grand Jury highlighted the conundrum many of the state's Medicaid enrollees face: "You've Got Medi-Cal, but Can You Get Medical Care?"

By extending Medi-Cal to younger, healthier people—many of whom could be better served by the kind of bare-bones private insurance that ObamaCare outlawed—California has made it harder for those who most need low-cost care to get it.

Medicaid operates as an open-ended entitlement, meaning the federal government covers a predetermined share of state spending, regardless of the total cost. Traditionally, the feds have matched California's outlays dollar for dollar. States where the per capita income is lower receive a more generous match. Nevada, for example, receives about two federal dollars for each one it spends.

ObamaCare encouraged states to expand Medicaid so that it covers people with incomes up to 138% of the federal poverty line—in other words, up to $16,400 for an individual. After the Supreme Court struck down ObamaCare's mandated expansion, the federal government induced states to sign up by initially assuming 100% of the cost for these people. That will slip to 90% in 2020, though it's still a bargain for most states.

Imagine if Amazon gave you money back whenever you bought things on its site—and you got more money back the more you spent: You'd buy things you don't need, and things that might be purchased for less elsewhere. That's what has happened, in effect, with Medi-Cal, which covers everything from acupuncture to chiropractic care to vision.

But good luck getting a doctor's appointment. Last week a group of Medi-Cal beneficiaries sued the state for creating "a separate and unequal system of healthcare, one for the insurance program with the largest proportion of Latinos (Medi-Cal), and one for the other principal insurance plans, whose recipients are disproportionately white." One plaintiff had her gallbladder removed in Mexico after she spent more than a year trying to find a surgeon who would treat her. The doctor in Mexico had warned she was at risk of death if she put off the surgery, so her family paid for it out of pocket.

GETTY IMAGES

The 2011 Healthy Living Festival in Oakland, Calif.

The problem is that Medi-Cal reimburses providers at between a third to half of the rate that private insurers pay. Doctors complain they lose money on each Medi-Cal patient they see. That's why only 55% of primary-care physicians accept new Medi-Cal patients, according to a recent study from the California Health Care Foundation. When physicians were asked why they cap the number of Medi-Cal patients they see, 78% cited the program's low payments.

This poses a particularly acute problem in places with large Medicaid populations like Fresno County, where half of residents are in Medi-Cal. Farther north, the UC Davis Medical Center terminated its managed-care contract with Medi-Cal two years ago because of low payments. The Santa Clara grand-jury report says that "half of the primary-care physicians in the Bay Area do not treat new Medi-Cal patients; most cite low reimbursements, time-consuming paperwork, and payment delays." In effect, Medi-Cal rations care by underpaying providers.

The shortage of doctors accepting Medi-Cal, together with the surge in enrollment, brings patients to the emergency room instead. ER visits by Medi-Cal patients rose 75% over the past five years, according to California's Office of Statewide Health Planning and Development. The Santa Clara report says that in the first three quarters of 2016, Medi-Cal enrollees in the county were more than twice as likely as the privately insured to visit the ER for outpatient care.

"The biggest financial and administrative problem we have is Medi-Cal patients who could have been seen by a primary care physician flooding ERs," says Donald Cornforth, chief medical officer at Adventist Health Bakersfield.

Before ObamaCare, Dr. Cornforth says, many indigent residents would seek treatment at low-cost rural community health centers or clinics along the Mexican border. Now Medi-Cal patients with minor maladies are inundating ERs, where they get free care and take up beds needed for patients who require urgent treatment. He says a sister hospital had so many Medi-Cal patients streaming in during flu season that it had to erect a tent outside the hospital.

This is a tremendous waste of resources, since a visit to the ER costs five times as much as an appointment with a primary-care physician. But California has little reason to care, since Washington pays most of the bill. At the same time, hospitals are losing money on many of these new Medi-Cal patients because the government's low payments often don't cover the cost of care.

It's worth recalling that liberals claimed ObamaCare would reduce ER visits—and thus health-care spending—since newly insured patients would go to a primary-care physician instead. That hasn't happened. In California and elsewhere, Medicaid provides Potemkin coverage at a high cost to taxpayers. Democrats denounce as cruel any GOP plan to put the program on a fixed budget. The status quo, however, is not only heartless but stupid.

Ms. Finley is an editorial writer for the Journal.

The President's Base vs. the Republican Party

UPWARD MOBILITY
By Jason L. Riley

The GOP's inability to scrap ObamaCare this week means, among other things, that President Trump will end his first six months in office without a major legislative accomplishment. And one question this is how much his supporters care.

Recent Wall Street Journal/NBC News polling gives the president a 40% job-approval rating among all voters, while 55% disapprove. In counties Mr. Trump won last year, however, voters still back him by 50% to 46%. Similar results come from a Washington Post/ABC News survey released Sunday, which found that the president's approval rating had slid to 36% from 42% in April, while his disapproval rating had climbed five points to 58%. Yet among Republican voters over the same period, Mr. Trump's favorability has barely budged and remains above 80%.

Moreover, these polling results reflect voter sentiment since news broke that Donald Trump Jr. met during the campaign with a Russian lawyer who claimed to have dirt on Hillary Clinton—the latest development in the Kremlin "collusion" narrative that has saturated cable news for months. According to the Post/ABC poll, 41% of all voters believe that the Trump campaign helped Russia try to influence the election, but that belief is shared by fewer than 1 in 10 Republican voters. The average Trump supporter's concern about Russia roughly matches his concern about the president's unreleased tax returns or witching-hour tweets.

Six months into the Trump presidency, the media by and large remain unable or unwilling to understand what drives his blue-collar supporters. Journalists continue to prioritize their own political concerns and play down those of the nearly 63 million people who pulled the lever for him in November. In her new book, "White Working Class: Overcoming Class Cluelessness in America," Joan C. Williams writes that "during an era when wealthy white Americans have learned to sympathetically imagine the lives of the poor, people of color, and LGBTQ people, the white working class has been insulted or ignored during precisely the period when their economic fortunes tanked."

Trump voters care more about having a leader who understands them than about quick policy wins.

In an essay on the rising rate of premature deaths from suicide, opioids and alcohol poisoning primarily among less-educated whites, Carol Graham of the Brookings Institution observes that "poor blacks and Hispanics are much more optimistic about their futures than are poor whites and, in turn, mortality rates have not increased the same way among minorities." She adds, "A critical factor is the plight of the white blue-collar worker, for whom hopes for making it to a stable, middle-class life have largely disappeared. Due in large part to technology-driven growth, blue-collar jobs in the traditional primary and secondary industries—such as coal mines and car factories—are gradually disappearing."

Mr. Trump's ability to appeal to these voters is the reason he won and the reason his base isn't abandoning him, with or without a significant legislative victory at the six-month mark. Emily Ekins, a Cato Institute scholar who is part of a politically diverse team of academics and pollsters in the process of analyzing the 2016 election, told me on Monday that Trump supporters are less concerned about his policy agenda and more interested in having someone who understands them occupy the Oval Office. The president's relentless rhetoric about the "costs" of illegal immigration and free trade, his attacks on outsourcing, and this week's White House "Made in America" stunt are all of a piece.

"I think there's a lot of evidence to support the idea that Trump's main appeal was validating the fears and concerns of a certain segment of Americans who felt they were being ignored by elites in the media, elites in politics, elite Republicans," said Ms. Ekins. "My reading of the data is that he's not on a timer or a clock. And it's not clear to me that his supporters are waiting for him to achieve X, Y and Z policy goals. That's an example of the press imposing their expectations on voters."

This is of little comfort to Republicans in Congress. Unlike the president, GOP lawmakers must face voters next year and desperately want some legislative victories to campaign on. For them, a president this far underwater in national polls is cause for concern, given that the party in control of the White House usually drops seats in midterm elections. What the president's fans and foes alike want to see is economic growth and job creation, and a Bloomberg poll released Monday showed that a plurality of voters approve of Mr. Trump's performance in both categories. For now, Mr. Trump can count on his base. The bigger question might be how long he can count on his caucus.

A Bomb Without Bombast, in Contrast With Kim Jong Un

By Bob Greene

'There was no celebration. You were trained not to do something like that."

The voice belonged to Theodore "Dutch" Van Kirk, navigator of the Enola Gay, the U.S. B-29 that in 1945 dropped the world's first atomic bomb on Hiroshima, Japan. I've been thinking a lot about the crew of that plane as ominous talk of atomic warfare is suddenly in the air. The provocative actions and boastful threats out of North Korea—last week its official government news agency referred to a "plan for reducing the U.S. into ashes"—have rekindled the specter of the once all but inconceivable: atomic strikes.

North Korea's chest-thumping notwithstanding, I can tell you one thing for a fact: The men who actually dropped that first atomic bomb didn't preen and they didn't brag. There was an air of solemnity to them about the task they had been asked to carry out.

In the spring of 1999 I went on a vacation trip to Branson, Mo., with Van Kirk and two of his oldest friends and Enola Gay crewmates: Paul Tibbets, the pilot, and Tom Ferebee, the bombardier. It was the last reunion they would have; all three men have since died. I was with Van Kirk in his room when I asked whether he and the crew had celebrated their role in the end of the war.

"I don't think that people back then were as demonstrative as they are today," he said. "And we certainly were trained not to be that way on our missions. Think about the era we grew up in. Babe Ruth would hit a home run and he would run around the bases, and that would be it. You didn't show much. You took pride in being disciplined."

There may, understandably, have been drunken joy in Times Square and around the U.S. after the atomic bombing of Hiroshima and then of Nagasaki brought World War II to an end. The dropping of the bombs was later selected by the Associated Press as the No. 1 news story of the 20th century. But no one, before or since, had seen what the men in those B-29s witnessed, and they were in no mood to laugh or dance.

"I would hate to think about someone in my family being down there," the bombardier, Ferebee, told me. "Parts of buildings were coming up the stem of the bomb—you could tell that something strange was going on, because you could see parts of the city, pieces of the buildings, like they were being sucked up toward us."

He had done his somber job flawlessly, but he didn't feel particularly heroic. As a boy in North Carolina, he said, "I wanted to play baseball. That was my dream. I went down to Florida with the St. Louis Cardinals for spring training in 1939. . . . I wasn't good enough, yet. And then the war came. . . . I would rather have helped the Cardinals win a World Series. That's all I ever wanted."

In Branson we would go to dinner in chain restaurants and the other customers would have no idea who the three elderly men were—or what their country once asked of them. Tibbets, who invited me to come on the trip, had been consistent since the end of the war in publicly saying he slept well because he knew how many lives, American and Japanese, his mission had saved by at last bringing the conflict to a close and preventing a land invasion of Japan.

The men who ended World War II didn't preen. They did the job perfectly and barely talked about it.

But in quiet moments, he said he fully understood the anguish of people who disagreed with him. "I had a different relationship to that day than they do," he told me. "But that doesn't make them wrong. I don't know who's wrong or what's wrong. I don't know that I'm right. . . . Just because I never was emotional and I never burst into tears doesn't mean I don't feel certain things inside me."

As I hear bombastic voices making dark and terrible threats, I think of those men. The three of them seemed, with some sadness, to understand: In the long march through history, going to war is easy. Peace is hard.

"I don't think we were violent people," Dutch Van Kirk told me in a soft voice. "I was 24 when I flew the mission, and to the best of my memory, I had never had a fistfight in my life."

He said he hoped that what he and the crew did assured a future with no taste for nuclear weapons: "Then I think people will look back at the atomic bomb and think of it as something that helped the world evolve toward a lasting peace."

And if, after he was gone, ours was not a planet that cherished peace?

"If it isn't," he said, "people will be tossing atomic bombs around like they're going out of style."

Mr. Greene's books include "Duty: A Father, His Son, and the Man Who Won the War," about his father and Paul Tibbets.

Notable & Quotable: An Unhealthy Wage

From "Minimum wage and restaurant hygiene violation: Evidence from food establishments in Seattle," a working paper by Subir K. Chakrabarti, Srikant Devaraj and Pankaj C. Patel, SSRN.com, June 27:

We assess the effects of rise in minimum wages on hygiene violation scores in food service establishments. Using a difference-in-difference analysis on hygiene rating of food establishments in Seattle [where minimum wage increased annually between 2010 and 2013] as the treated group and from New York City [minimum wage was constant] as the control group, we find an increase in real minimum wage by $0.10 increased total hygiene violation scores by 11.45 percent. Consistent with our theoretical model, an increase in minimum wage in Seattle has no influence in more severe (red) violations, and a significant increase in less severe (blue) violations. Our findings are consistent while using an alternate control group—Bellevue City, King County, located near Seattle. . . .

Faced with an increase in real minimum wage, restaurants could lay off staff and/or cut their hours; resulting in higher task demands on the continuing staff. These increased task demands could lower hygiene levels in the food establishments and could have a significant impact on public health.

THE WALL STREET JOURNAL.
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Trump, Putin Held Second Talk at G-20

Previously undisclosed private conversation took place at state dinner for world leaders

By Rebecca Ballhaus

WASHINGTON—U. S. President Donald Trump and Russian President Vladimir Putin held a second, previously undisclosed talk on the sidelines of the Group of 20 summit in Hamburg earlier this month, a White House official said Tuesday.

The conversation took place on the same day that the two leaders met earlier for more than two hours in what Secretary of State Rex Tillerson called an "extraordinarily important meeting."

The White House disclosed the conversation after it was reported by Ian Bremmer, president of the Eurasia Group, a political risk advisory group. He wrote about the meeting in a company newsletter and spoke about it in a television interview Tuesday.

The two leaders met during a state dinner for the world leaders and their spouses. The White House official said Mr. Trump talked with many leaders during the dinner and said the president "spoke briefly" with Mr. Putin, who was seated next to first lady Melania Trump, toward the end of the evening.

Mr. Bremmer said the two spoke for about an hour, joined by Mr. Putin's translator.

The White House official said Messrs. Trump and Putin used the Russian translator because the American translator accompanying Mr. Trump spoke only English and Japanese. Mr. Trump had been seated next to Japanese Prime Minister Shinzo Abe.

"The insinuation that the White House has tried to 'hide' a second meeting is false, malicious and absurd," the White House official said. "It is not merely perfectly normal, it is part of a president's duties, to interact with world leaders."

In the meeting earlier in the day, Mr. Trump pressed Mr. Putin on what the intelligence community says was an extensive campaign by the Russian government to meddle in last year's election. Mr. Trump told him that Americans are upset about Russia's actions and want them to stop, Mr. Tillerson told reporters in a briefing. Mr. Putin denied that Russia played a role, and the two leaders agreed not to "relitigate" the past, Mr. Tillerson said.

Russian Foreign Minister Sergei Lavrov, who was also in the meeting, told reporters afterward that Mr. Trump accepted Mr. Putin's contention that Russia didn't interfere in the campaign.

In an interview with The Wall Street Journal, Mr. Bremmer said he learned about the second Trump-Putin talk from participants at the dinner, which was attended only by world leaders and their spouses.

Mr. Bremmer said the participants described the talk as "very animated" and "very friendly."

Mr. Trump said it was already known that he would be attending a dinner with the Russian president and 18 other world leaders. "Fake News story of secret dinner with Putin is 'sick,'" he tweeted Tuesday evening. "All G 20 leaders, and spouses, were invited by the Chancellor of Germany. Press knew!"

The dinner was closed to the news media, and White House officials hadn't provided details of the president's interactions during the event before Tuesday.

The news that Mr. Trump had a talk with Mr. Putin that the White House didn't initially disclose comes as special counsel Robert Mueller investigates Russia's efforts to interfere in the 2016 U.S. presidential election, and whether Trump associates colluded with Moscow in that effort.

Mr. Trump has expressed skepticism about U.S. intelligence agencies' consensus that Russia sought to meddle in the election. He has repeatedly denied any collusion by his campaign.

Since his meeting with Mr. Putin, the president's eldest son, Donald Trump Jr., has released an email chain showing that he helped arrange a meeting last June to discuss allegedly damaging information about former Democratic presidential nominee Hillary Clinton. In that email chain, the younger Mr. Trump was told that the information was gathered as part of a Russian government effort to help his father.

EVAN VUCCI/ASSOCIATED PRESS

Russian President Vladimir Putin and U.S. President Donald Trump at the G-20 Summit in Hamburg.

Separatists Proclaim A 'Little Russia' State in Ukraine

MOSCOW—Russian-backed separatists declared a new state in Ukraine, ratcheting up a confrontation with the Kiev government, though Moscow distanced itself from the move as the Trump administration steps up efforts to resolve the three-year crisis.

A statement Tuesday by the separatist Donetsk News Agency declared the formation of a new state called Malorossiya, or Little Russia—a name once used to refer to Ukrainian lands within the czarist empire. The new state, the declaration said, would include all the regions of Ukraine except Crimea, the Black Sea peninsula annexed by Russia in 2014.

Russia's state-controlled media gave heavy play to the declaration, but Boris Gryzlov, the Russian government envoy to the peace talks, said the declaration had no legal force. "This initiative does not fit into the Minsk process," he said. "I take it only as an invitation to discussion."

The announcement drew swift condemnation from Ukrainian officials. Oleksandr Turchynov, secretary of the National Security and Defense Council of Ukraine, blamed Russian President Vladimir Putin for inciting the rebels.

Washington dismissed the declaration.

Ukraine, which won independence from the Soviet Union in 1991, has been locked in conflict since separatists took over the Donetsk and Luhansk regions.

The Ukraine crisis has been a flashpoint in U.S.-Russia relations. The U.S. and the European Union imposed sanctions on Moscow for its annexation of Crimea and backing of separatists.

—Nathan Hodge

In the Face of Sanctions, Sudan Gets Down to Business

By Matina Stevis

KHARTOUM, Sudan—In the capital of a country widely deemed a pariah state, the hustle is always on.

"We bring in all the stock in suitcases from Dubai and Doha," said Ali Kamal Ali, whose tiny electronics shop is heaving with smartphones and cases featuring the Eiffel Tower and the Grand Mosque of Mecca. "Why do you think those flights are always packed?"

But nearly two decades of U.S.-led international economic sanctions, which the U.S. delayed lifting last week, have locked this nation of 40 million people out of the Western financial system and spooked many investors.

The financial isolation—along with the strategically important country's designation as a terror sponsor and the International Criminal Court's pursuit of longtime President Omar al-Bashir for war crimes—has fostered a special kind of business acumen in executive suites and sand-caked streets: forcing businesses in this former colonial outpost to snare alternative sources of finance, sidestep trade barriers and find creative ways to import consumer goods.

The International Monetary Fund says investments from Persian Gulf states have been critical in keeping this struggling economy afloat, especially after 2011, when the oil-rich south seceded to become South Sudan, taking most of the country's revenue with it.

Pockets of Khartoum are starting to look like Gulf capitals. Skyscrapers bankrolled by Saudi, Kuwaiti and Qatari investments tower over the Blue and White Nile rivers that converge here. One recently developed business and residential district is called Riyadh.

Osama Abdellatif, the country's most prominent tycoon, built a desert conglomerate that employs 8,500 people, working mostly with Middle Eastern banks and selling to the Gulf's wealthy consumers.

"The impact of these sanctions on our business has been extreme, the biggest problem being banking," said Mr. Abdellatif, at his DAL Group compound, where German and Swiss machines churn out Coca-Cola, flour and milk. "Banks are extremely scared of doing business here," he added.

A $8.9 billion fine against French lender BNP Paribas in 2015 after it admitted violating sanctions sent a chilling message to major financial institutions. Correspondent banks, financial institutions that were intermediaries between Sudan and the rest of the world, pulled out soon after, rendering trade finance virtually impossible, the IMF said.

While the government and big business has turned to the Gulf for finance, the U.S. blockade has become a fact of life for Sudanese consumers.

There are no international automated-teller machines and debit-card payments are impossible, but that hasn't deterred would-be entrepreneurs.

At the swanky Impact Hub, a co-working space featuring a coffee bar and hipster furniture, tech-savvy Sudanese youth are trying their hand at startups, many focused on smart solutions to mitigate the impact of sanctions.

Ahmed Abdalla, a cybersecurity expert by day at African mobile giant MTN, is working on a mobile-payments platform, SIM Pay, which uses prepaid mobile-phone airtime to allow people to transact across the country. "People were counting down with the hope sanctions would be lifted," he said.

Diplomats here expect Washington to drop sanctions in the fall, as planned during the final days of the Obama administration. "When the sanctions were implemented, the hope was that there would be a popular uprising against Bashir," one Western diplomat said. "Twenty years on, I think we can safely say that didn't work."

Some congressmen and rights activists have campaigned against ending sanctions, suggesting a shift to "smart sanctions" on individuals and businesses connected to Mr. Bashir, in office for 27 years, and with alleged links to terrorism.

Even if the U.S. lifts sanctions, Sudan's crippled economy will take many years to recover.

For now, businesses in sweltering Sudan must wait to come in from the cold.

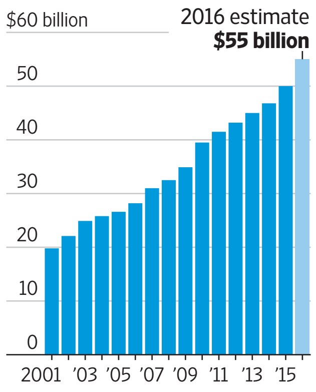
"Sudanese love to buy new technology, they want to be part of all fashions," said Ahmed Murad, whose market stall sells knockoff Chanel T-shirts emblazoned with the misspelled "CHANNEL." "When the sanctions go, I'll get the real stuff and open a boutique," he said.

ELSADIG MOHAMED FOR THE WALL STREET JOURNAL

Customers browse a street vendor's goods in downtown Khartoum. Sudan entrepreneurs are showing resolve in the face of sanctions.

Heavy Burden

Sudan's debt is unsustainable and can't be forgiven while the country is under sanctions



Source: International Monetary Fund

THE WALL STREET JOURNAL.

VENEZUELA

White House Warns Of Possible Sanctions

The Trump administration said it was prepared to impose "strong and swift" economic sanctions on Venezuela, including banning its crude-oil exports to the U.S., if its president moves ahead with a plan to rewrite the country's constitution.

A senior U.S. administration official said Tuesday that the White House was considering moving beyond its current strategy of targeting sanctions against particular individuals and companies to take punitive action to hit the country where it would hurt the most: the international crude sales that provide the vast majority of the funding for the government and the economy.

President Nicolás Maduro plans to hold a national election on July 30 to pick a new constituent assembly with the power to rewrite the constitution, bypassing the existing congress under the opposition's control.

"We can promise that whatever actions we choose to take after July 30 will be strong, swift and deliberate," the official said on a conference call with journalists. "All options are on the table, all options are being discussed and debated."

That includes a potential prohibition on crude and other petroleum product trade with the country, the official said, even if such an action could deal a crushing blow to the Venezuelan economy and trouble U.S. markets.

—Ian Talley and Kejal Vyas

PHILIPPINES

Extension Sought for Martial Law in South

President Rodrigo Duterte asked Congress to extend martial law in the southern island of Mindanao to the end of the year, arguing that the continued suspension of some civil liberties is necessary to contain a threat from Islamic State-linked militants.

The request would see the duration of martial law more than tripled, a sign of the difficulties the Philippines faces in ridding Mindanao of several violent extremist groups.

The military is struggling to end a bloody battle in the southern city of Marawi, where Islamic militants who occupied the city eight weeks ago are still in a standoff with government forces. The uprising has been described by government officials as an attempt by armed groups to declare an Islamic caliphate in a small Muslim-majority part of Mindanao.

Mr. Duterte is seeking an extension to martial law because he has come to the conclusion that the fighting in Marawi won't be subdued by the time its term expires this weekend, according to a letter to Congress read to reporters on Tuesday by presidential spokesman Ernesto Abella. Mr. Abella didn't provide an explanation for why such a long extension is required.

Nearly 550 people have died since a failed attempt to arrest a militant leader triggered the battle.

—Jake Maxwell Watts

JUAN MABROMATA/AGENCE FRANCE-PRESSE/GETTY IMAGES

SOLEMN MARCH: People remember victims of the bombing of a Jewish community center in Buenos Aires 23 years on.

TECHNOLOGY: ALPHABET MARKETS GOOGLE GLASS TO INDUSTRY B4

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Bond Trading Thrashes Goldman

Fixed-income business drops 40%, leaving storied bank at back of Wall Street's pack

By Liz Hoffman

Goldman Sachs Group Inc.'s once-vaunted bond-trading unit posted a poor performance for the second straight quarter, fueling a selloff in the firm's shares and deepening questions about the bank's strategy.

Goldman, once the fiercest trading shop on Wall Street, reported a 40% decline in its fixed-income trading business that lands it at the back of the pack among big U.S. banks to report quarterly results.

The results will likely amplify criticism that Goldman hasn't responded quickly enough to dramatic changes in trading trends and market conditions. A rejiggering of the division's leadership last fall failed to jolt the desk from its malaise, which culminated in having its revenue surpassed in the first quarter by **Morgan Stanley**, Goldman's rival that has been historically weaker in debt trading. Morgan Stanley reports earnings Wednesday.

The poor showing drowned out a surprise earnings beat, which Goldman owed to gains in its portfolio of private-equity stakes. Shares fell 2.6% to $223.31, as investors looked through to shakiness at Goldman's core, tumbling as Chief Financial Officer R. Martin Chavez addressed concerns on a conference call.

2.6%
How much Goldman Sachs shares fell on Tuesday

"We didn't navigate the market as well as we want to," he said, echoing nearly verbatim comments he made three months ago. "Everyone in our business is intently focused on this topic and at a granular, molecular level are working on it, as are all of us in the leadership team."

The firm, run by Chief Executive Lloyd Blankfein, reported earnings of $3.95 a share on revenue of $7.89 billion, both better than analysts had forecast.

Still, Goldman's traders have struggled to find their footing as markets churn quietly higher and trillions of dollars shift from human portfolio managers to algorithms and index funds that don't try to beat the market but simply match it. Meanwhile, many among Goldman's stable of hedge-fund clients are grappling with poor performance and outflows.

That has led to less demand for Goldman's specialty: exotic trading products that allow investors to make one-of-a-kind bets on asset prices. Overall, the firm's trading revenue fell 17% from a year ago, capping a six-month run that is the worst start of a year in Mr.

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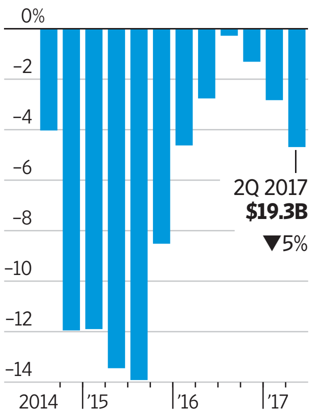
Big Blues

Change from a year earlier in IBM's total revenue



Sources: S&P Capital IQ; the company
THE WALL STREET JOURNAL.

ZAK NEUMANN/LITTLE VILLAGE MAGAZINE/IOWA CITY DOWNTOWN DISTRICT

Landlords say looser rules on liquor consumption increase retail traffic. Iowa City, Iowa, passed an open-container measure in May and in June held a block party.

In Bid for Patrons, a Push to Open the Taps

By Esther Fung

Property developers trying to create buzz for open-air shopping districts are lobbying regulators to relax rules to allow patrons to walk around streets and parks with alcoholic beverages.

As landlords hustle to get customers into their properties, they are looking to tap into demand for food-and-drink experiences. The hope: that lively atmospheres will encourage patrons to linger and shop.

Three years ago, Atlanta-based developer **Vantage Realty Partners** LLC proposed an open-container ordinance in Duluth, Ga., where it developed a retail and entertainment complex called Parsons Alley in a historic district downtown. The ordinance passed this year.

"Every restaurant and retailer loved it. It increases their sales. Their customers don't have to stay confined in their premises and can walk to the town green or fountain with a drink," said Chris Carter, co-founder of Vantage Realty.

Of the 45,000 square feet of space at Parsons Alley, roughly 70% is leased or sold and the firm is picking tenants for the remaining space.

The retail sector is slumping as internet shopping eats into revenue. Retail landlords are trying a variety of tactics to boost foot traffic at their properties, from adding restaurants and entertainment venues to creating open-air districts downtown.

City councils and zoning boards from Georgia to Alabama to Texas to Iowa in recent months have proved amenable to changing land-use and public-drinking ordinances to boost activity in once-bustling shopping districts.

"I don't know why alcohol is so important, but if you have a brew in hand and walk around, you'd enjoy it more, especially when there's good weather and live music," said Marc Moen, partner and owner of property developer **Moen Group**, a builder and operator of condominiums, retail, office and hotel buildings in the downtown area of Iowa City, which passed an open-container measure in May.

Last October, the board of commissioners of Forsyth County, Ga., permitted businesses in certain development districts to serve alcoholic beverages in to-go cups, with certain limits.

County officials understood the challenges in the retail environment, said Patrick Leonard, principal at **RocaPoint Partners**, which is building a $370 million, 135-acre mixed-use project in Forsyth County called Halcyon that would include plenty of lawn space.

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IBM Sputters As Sales Fall Again

By Ted Greenwald

International Business Machines Corp. reported falling quarterly profit and sales, adding to doubts about Chief Executive Ginni Rometty's lengthy effort to reinvent the 106-year-old technology company.

The 4.7% drop in second-quarter revenue, to $19.3 billion, marked the 21st consecutive quarter of declining sales at IBM. Profit margins also narrowed across all business units, including the divisions for its main cloud computing and Watson-artificial intelligence operations—two areas Ms. Rometty is counting on to propel the company's turnaround. Profit fell 6.9% from a year earlier.

Ms. Rometty highlighted new features and clients for IBM's cloud services, the business of hosting and managing customers' computing operations in its data centers.

"We strengthened our position as the enterprise cloud leader," she said Tuesday. The company said cloud revenue rose 15% from a year earlier to $3.9 billion. But IBM includes in that tally sales from various divisions, and revenue slipped 5% in the technology services and cloud platforms segment.

Earnings results exceeded analysts' expectations.

Still, revenue came in below forecasts, and shares in Big Blue slid more than 3% in after-hours trading Tuesday, extending a roughly 8% drop this year through Tuesday's close. In contrast, the S&P 500 has gained nearly 9% in the same period.

IBM's legacy businesses selling hardware, software, and services for traditional corporate computing facilities have been slowing as companies embrace cloud computing.

Ms. Rometty, who became CEO in January 2012, has placed big bets on markets IBM calls "strategic initiatives"—including cloud computing as well as artificial intelligence and cybersecurity—where it believes it can achieve faster growth and higher margins.

The company has struggled to keep those new businesses growing at a pace that outweighs the decline in its old ones.

Martin Schroeter, chief financial officer, said IBM "finished the first half spot-on where we said we would. We positioned ourselves to have the second half that we're confident we'll deliver."

INSIDE

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HEARD ON THE STREET | By Stephen Wilmot

Private Labels Battle Big Food

American consumer brands are under attack. Now, they are facing a new challenge as supermarket shoppers increasingly go generic.

Americans want goods that are wholesome, meaning both healthy and, less tangibly, authentic. Food brands, in particular, were slow to react. Many have ceded ground to fresh producers or startups with heartwarming, web-marketed back stories. A well-known example is Yoplait, **General Mills'** yogurt label, whose decline mirrored the rise of Chobani, a New York-based brand launched by a Turkish immigrant 10 years ago.

Big food is responding with additive-free recipes, homespun yarns and Facebook ad campaigns. But they face an uphill struggle as a third, even more formidable, source of competition gathers steam: **Wal-Mart Stores**, **Aldi** and **Amazon.com** house brands.

Supermarkets' "private label" goods have historically been less important in the U.S. than in other mature markets. They accounted for 17% of U.S. food sales last year, according to Euromonitor, less than half their market share in the U.K. and Germany.

One factor has been the low U.S. market share of discounters, which dominate Germany's grocery landscape

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BUSINESS & FINANCE

Health Insurer Raises View

By Justina Vasquez
And Anna Wilde Mathews

UnitedHealth Group Inc. reported profit growth in the second quarter and raised its projections for the year, fueled by its Optum health-services arm, which highlighted the company's expanding role as a health-care provider and data-analysis shop.

The biggest U.S. insurer has almost completely exited the Affordable Care Act marketplaces this year, which created a drag on revenue but also reduced pressure on UnitedHealth's earnings, as the company's net margin rose to 4.6% from 3.8% in last year's second quarter.

That decision lowers the company's immediate exposure to the continuing uncertainty in Washington over health-care legislation. Republicans' efforts to pass a bill appeared stalled Tuesday.

If they don't move forward, UnitedHealth and the rest of the industry next year could face the resumption of an ACA tax that is currently under a moratorium and would likely be repealed if Republican health-overhaul legislation were to pass.

During a call with analysts, UnitedHealth Chief Executive Stephen Hemsley generally steered clear of discussing the legislative state of play, referring briefly to uncertainty around national and state policy as a headwind for 2018 and declining to speculate about next steps. He also reiterated the company's opposition to the health-insurance tax, which he said was a specific issue for next year and which he said would, if not canceled, "further destabilize the market, which is already fragile."

Stephen Hemsley

While UnitedHealth didn't provide specifics about its 2018 outlook, Mr. Hemsley offered broadly optimistic comments about the company's growth prospects.

UnitedHealth on Tuesday raised its adjusted earnings-per-share guidance for the year to between $9.75 and $9.90, from between $9.65 and $9.85 previously.

Second-quarter revenue rose 7.7% to $50.05 billion, slowed by withdrawals from ACA individual markets, combined with the 2017 ACA health-insurance-tax deferral. Revenue from the Medicare business rose 17% to $16.7 billion. Optum's growth was tied to its OptumRx pharmacy-benefit management unit and its OptumCare ambulatory-care business, among other factors.

Analysts surveyed by Thomson Reuters had expected $50.06 billion in revenue for the latest quarter.

UnitedHealth once again highlighted its rapidly growing footprint as a health-care provider, which was underscored by the recent acquisition of Surgical Care Affiliates Inc. The company said that Surgical Care Affiliates has added a half-dozen new outpatient facilities so far this year, while its MedExpress urgent-care unit added 20 new clinics and it took over two new physician practices. UnitedHealth said it feels it is in the "early stages" of major expansion in its health-care provider business.

Optum overall saw earnings from operations grow 21% to $1.5 billion.

On the insurance side, UnitedHealthcare's medical-loss ratio—the percentage of premiums paid in claims—increased less than some analysts had projected, as the health-insurance tax deferral was offset by an improved business mix, product performance and favorable reserve development. It rose by 0.2 percentage point to 82.2%.

The Minnetonka, Minn.-based company recorded a profit of $2.28 billion, or $2.46 a share, up from $1.75 billion, or $1.81 a share, a year earlier. Excluding certain items, UnitedHealth earned $2.32 a share, compared with $1.96 for the prior year. Analysts were expecting a profit of $2.23 a share.

J&J Expects Drug Sales to Pick Up

By Jonathan D. Rockoff
And Anne Steele

Johnson & Johnson raised its sales and profit outlook for the year even as the health-care company's second-quarter pharmaceutical revenue declined amid steeper competition for some of its drugs.

Chief Executive Alex Gorsky said the company expects sales and earnings to accelerate in the second half of the year, as J&J incorporates two acquisitions and launches new products.

The New Brunswick, N.J., company now expects adjusted earnings for the year of $7.12 to $7.22 a share, up from $7 to $7.15. And it anticipates sales of $75.8 billion to $76.1 billion, up from $75.4 billion to $76.1 billion.

J&J is the world's largest health-products company and its sales are considered a bellwether for the industry.

The company has been reshaping its pharmaceutical, medical-device and consumer-health businesses to adapt to patent expirations, pricing pressures and changing consumer preferences.

J&J's results have also been pressured by a stronger U.S. dollar and weakness in some emerging markets.

Rheumatoid-arthritis drug Remicade, long the company's top-selling product, has begun facing competition from lower-cost "biosimilar" rivals.

Remicade sales dropped 14% in the second quarter to $1.53 billion world-wide. Finance chief Dominic Caruso said sales have held up well against a biosimilar from **Pfizer** Inc., and that most of the drop was due to a tough comparison with the previous year's quarter, when J&J recorded a positive gain for rebates on Remicade and other drugs.

J&J attributed a $342 million drop in its pharmaceutical sales in the quarter to the same positive gain last year.

Sales of diabetes drug Invokana, another key J&J product, plunged 23% to $295 million in the quarter. And sales of prostate-cancer treatment Zytiga dropped 7.2% to $558 million as a federal probe of charities that help patients pay for drugs chilled financial support to help patients cover their out-of-pocket costs.

Last month, J&J closed its largest deal ever, a $30 billion acquisition of Swiss drug company Actelion.

J&J closed in February on its $4.3 billion purchase of Abbott Laboratories' eye-surgery equipment business.

Analysts estimate newly approved psoriasis drug Tremfya could reach $6.4 billion in yearly sales world-wide, according to Evaluate, a market-intelligence firm. A new rheumatoid-arthritis drug, sirukumab, is estimated to notch $5.5 billion in world-wide sales if approved.

Overall revenue in J&J's pharmaceutical business, the company's largest, edged 0.2% lower to $8.64 billion, hurt by foreign-currency challenges. J&J's medical-devices business recorded a 4.9% increase in sales to $6.73 billion. Consumer-health sales grew 1.7% to $3.48 billion.

In all for the quarter, J&J earned $3.83 billion, or $1.40 a share, down from $4 billion, or $1.43 a share, in the same period a year before. Revenue rose 1.9% to $18.84 billion.

BONDS

Continued from the prior page
Blankfein's 11-year tenure.

"The demand side of the equation has dried up for" Goldman, said James Mitchell of Buckingham Research Group. "The market has moved to plain-vanilla."

Goldman cited weakness in nearly every major fixed-income product it sells, from interest-rate derivatives to credit instruments.

Goldman's trading business relies more on swashbuckling stock pickers than peers, a strategy that paid off in years past but now puts the bank on the wrong side of shifts in the money-management industry. As more assets move from actively managed funds to passive ones, trillion-dollar pools trade less frequently and generally need fewer services.

Goldman has pushed over the past year or so to win more business from corporate treasurers and passive managers, and worked to better track where top clients are spending their trading commissions and fees.

So far, it hasn't worked. Goldman's six-month trading revenue fell 10% from last year. Commodities trading, a business Mr. Blankfein once ran, had its worst quarter in Goldman's 17 years as a public company as the firm struggled to adequately hedge its inventory.

Goldman has also seen a stream of departures among rank-and-file fixed-income salespeople and traders in recent months. Continued woes in the division are likely to ramp up pressure for another shake-up.

"Goldman was the unbeatable firm, the smartest guys on the block," Octavio Marenzi, CEO of capital markets consultancy Opimas, said of the business's results. "They've lost that luster."

The story was better in stock trading, which posted its best quarter in two years. Goldman lost the equities crown in 2014 to Morgan Stanley, a jolt that spurred it to revamp its trading technology through investments that are beginning to pay off.

Rescuing the quarter was its portfolio of private company stakes, which rose 88%. Goldman has held on more tightly to merchant banking than rivals, and rising markets push up the prices for the shares it holds in everything from a publicly traded credit bureau to private technology startups.

Investors tend to discount the lumpy revenue in the unit. Charles Peabody of research firm Compass Point called Goldman's results a "low quality beat...aided by gains that the marketplaces won't pay up for."

Investment banking reported a 3% decline in revenue from a year earlier, with merger fees down 6% and stock and debt underwriting basically flat.

Goldman has leaned hard on investment banking in recent years, though there are signs that it also may be slowing. A record deal boom in 2015 and 2016 is cooling, and some companies have been postponing deals as they wait to see if the Trump administration can achieve promised tax and regulatory changes.

Goldman's investment-management division reported a 13% rise in revenue and net inflows of $25 billion, though nearly all of that came from the acquisition of a business that courts big pension funds.

CHRIS RATCLIFFE/BLOOMBERG NEWS

Lloyd Blankfein once ran Goldman Sachs's commodity trading.

PATRICK T. FALLON/BLOOMBERG NEWS

Whole Foods Market's private-label 365 Everyday Value products anchor the upscale grocer's new compact-store format.

HEARD

Continued from the prior page
and recently upended the U.K.'s.

Discounters often achieve low prices by stocking only one brand of a given product, sourced directly from manufacturers, and getting savings from scale.

But now the big European discounters are expanding in the U.S. **Lidl** launched on June 15 with six stores in North Carolina, just a few days after its key rival, Aldi, unveiled a five-year, $5 billion U.S. expansion plan.

These expansion efforts themselves don't need to succeed to force change. The threat alone will hasten the shift of the U.S. grocery sector to private-label products.

"Embrace your own private brands before your shoppers embrace someone else's," was the primary piece of advice from consultants at Bain in a recent note on the discounter challenge for U.S. grocery executives.

Wal-Mart doesn't disclose the share of total sales coming from its own brands, but executives say it is rising. The company knows the trend well: Its subsidiary **ASDA** has been one of the chief victims of the U.K. industry rout.

The more upscale team of Amazon and **Whole Foods Market** will speed the push into private-label goods. The tech giant has plowed resources into its Amazon-Basics range; the Whole Foods equivalent, 365 Everyday Value, anchors the grocer's new, compact store format, 365.

Ever attuned to millennial trends, Silicon Valley has thrown up an online retailer called **Brandless** that sells $3 health-conscious private-label goods.

The impact on traditional manufacturer brands is twofold: Volumes are likely to slip as retailers make shelf space for their own offerings. And retailers, in an ever fiercer competitive environment, can use the growth of their products as leverage to whittle down suppliers' fatter margins.

Some companies look less exposed than others. Those with big overseas operations, such as **Nestlé**, **Unilever** and **Mondelez International**, or must-have brands, like **Kraft Heinz**, stand a better chance of seeing off the new competition than those with U.S.-centric portfolios or lots of third- or fourth-placed brands.

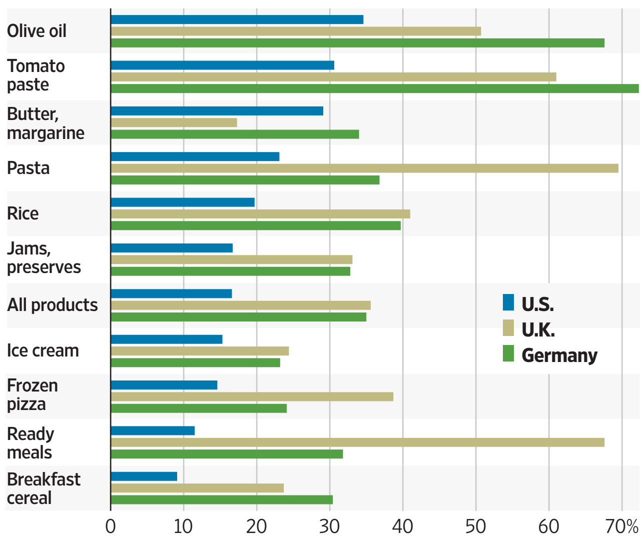
Bernstein analysts think **Campbell Soup**, **Conagra Brands**, **General Mills**, **Kellogg** and **J.M. Smucker** are all at risk.

European groups are rushing for the exit: Nestlé's U.S. candy bars and Unilever's margarines are all up for sale. Tuesday night, **Reckitt Benckiser Group** PLC said it agreed to sell its food business, including the French's and RedHot brands, to **McCormick** & Co. for $4.2 billion.

Still, consumer tastes caught U.S. food companies off guard. The rise of private-label goods will make it hard for them to fight back.

Bad for Brands

Private labels' share of total sales, selected foods



Sources: Euromonitor; Berenberg

THE WALL STREET JOURNAL.

Beijing Speeds Up in Global Car Business

Chinese companies invest in auto makers, parts suppliers in bid to dominate industry

BY TREFOR MOSS

TY WRIGHT/BLOOMBERG NEWS

Auto-glass maker's Fuyao's Moraine, Ohio, plant. U.S. assets are high on Chinese firms' shopping list.

More workers in the global auto industry are relying on Chinese companies to sign their paychecks these days.

China-based businesses have been sinking money into various automotive operations—from glass and tire makers to technology developers and car makers—for several years, reflecting Beijing's goal of eventually dominating the world's car business.

That effort accelerated during the first half of 2017, with eight overseas deals totaling more than $5.5 billion in Chinese investments, compared with nine investments for all of last year.

The list includes the takeover of troubled Japanese air-bag maker **Takata** Corp., the purchase of a U.S. flying-car developer and the acquisition of a sizable stake in Silicon Valley's **Tesla** Inc. by games and social-media company **Tencent Holdings** Ltd.

China's overseas auto-industry investments—over $34 billion since 2008—have come despite a government clampdown on foreign acquisitions.

That reflects two factors, according to Michael Dunne, president of Dunne Automotive, an advisory firm. One is that Chinese automotive companies, unlike their peers in other sectors such as entertainment, have picked their targets carefully and secured good value for the money, he said.

The other is that the automotive sector clearly has government support at the highest levels to take a commanding position in the global market, he said.

"There is no question their ambition is to be No. 1," said Mr. Dunne. He likened the approach to the ancient Chinese game of Go, "where you gradually encircle your opponent by taking strategic assets."

In many cases, Chinese companies are doing this by acquiring parts suppliers and small car makers, or setting up joint ventures on foreign soil. U.S. assets have been high on China's shopping list.

Zhejiang Geely Holding Group Co. is investing $500 million to build a **Volvo** plant that will employ 2,000 people in Ridgeville S.C., for example, while auto-glass producer **Fuyao Glass Industry Group** Co. has spent $1 billion on U.S. manufacturing facilities, including reopening a former General Motors Co. plant in Moraine, Ohio, that will employ 2,500.

Among the eight deals chalked up in the first half of 2017 was **Ningbo Joyson Electronic** Corp.'s deal last month for bankrupt air-bag maker Takata. If completed, the $1.59 billion purchase would be Ningbo Joyson's fourth in two years—a streak that included last year's $920 million acquisition of Michigan-based Key Safety Systems Inc., a maker of air bags and other auto-safety equipment.

Beijing has given vehicle-industry companies free rein to expand even as it tamps down acquisitions in other sectors, said Chen Yang, Ningbo Joyson's communications director, underscoring the car sector's strategic value to Chinese policy makers. "We have had a lot of support from the relevant government departments," said Mr. Chen. "You can't do overseas acquisitions without government support."

Geely is the most active Chinese car manufacturer in terms of foreign takeovers. It bought Malaysian auto maker Proton along with its Lotus Cars unit for $235 million in March, before acquiring U.S. flying-car startup Terrafugia in June for an undisclosed fee.

Geely's 2010 acquisition and subsequent turnaround of Volvo Cars, previously an unprofitable unit of Ford Motor Co., is often cited as the most successful example of a Chinese auto acquisition to date: As well as reviving the Swedish brand, Geely used Volvo's technology to upgrade its own product lines.

Other Chinese buyers have preferred to take strategic stakes in foreign vehicle makers rather than make outright purchases, as when Tencent spent $1.8 billion on a 5% stake in Tesla in March.

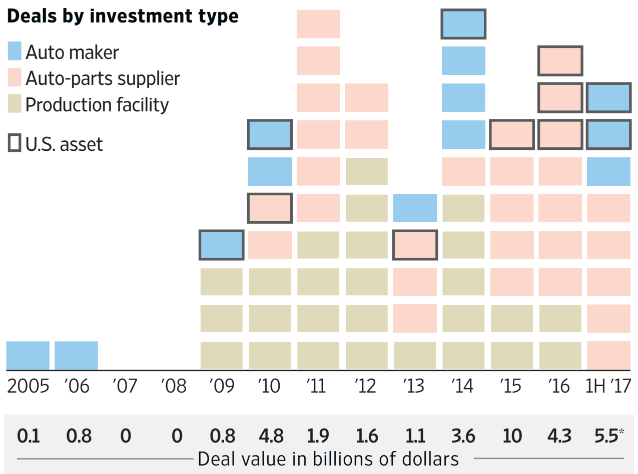
China National Chemical Corp.'s $7.86 billion purchase of Italian tire maker Pirelli in 2015 remains the biggest Chinese auto-sector foray to date. The nation's largest supplier to auto makers, **Wanxiang Group**, is also a significant competitor, claiming a 12% share of the international car-parts market outside China.

Mr. Chen of Ningbo Joyson said Chinese auto suppliers are still closing the gap on world leaders such as Germany's Robert Bosch GmbH and Japan's Denso Corp., some of which have been offloading surplus units to Chinese buyers as they themselves move into more high-tech fields thought to represent the future of the car business, such as connectivity.

—Lilian Lin contributed to this article.

Investment Vehicles

Chinese auto companies have been aggressively buying U.S. and other foreign assets, securing a raft of deals in the first half of 2017.



Note: Deals valued at $100 million or more *Excludes three deals whose values weren't disclosed
Sources: American Enterprise Institute/Heritage Foundation; Dealogic

THE WALL STREET JOURNAL.

Daimler Readies Emissions Fix

BY WILLIAM BOSTON

BERLIN—**Daimler** AG on Tuesday said it would tweak the engine software on more than three million diesel vehicles to improve emissions amid probes in the U.S. and Europe into allegations that the maker of Mercedes-Benz cars cheated on emissions.

Daimler didn't call its "service action" a recall, but the move is reminiscent of **Volkswagen** AG's recall of nearly 11 million vehicles world-wide in the wake of its emissions-cheating scandal. The Volkswagen scandal raised awareness of toxic pollution from diesel vehicles, leading more European cities to weigh banning diesel vehicles.

The move also comes as regulators and criminal investigators on both sides of the Atlantic are scrutinizing Mercedes-Benz on suspicion that some of its diesel vehicles used illegal defeat devices, an allegation raised by environmental groups that Daimler has repeatedly denied.

In Germany, public concern about diesel bans has led to a sharp drop in diesel sales and forced Chancellor Angela Merkel's government to create a round table to encourage the auto industry to adopt voluntary measures to curb diesel pollution and prevent cities from banning diesel vehicles.

"The public debate about diesel engines is creating uncertainty—especially for our customers," Daimler Chief Executive Dieter Zetsche said in a statement. "We have therefore decided on additional measures to reassure drivers of diesel cars and to strengthen confidence in diesel technology."

Daimler first began updating software on some diesel vehicles in March but is now dramatically expanding the program. Daimler said the update would cost about €220 million ($254 million) but would be free of charge to car owners. The repairs would begin in the coming weeks and are expected to continue for months.

Volkswagen eventually pleaded guilty to conspiracy to defraud the U.S. government and U.S. consumers, agreeing to pay penalties, fines and compensation to consumers of more than $22 billion.

Daimler is under investigation in Germany and the U.S. but hasn't been charged with any wrongdoing. The company denies using defeat devices.

The investigations are ongoing, but there is no evidence so far that Daimler engaged in the kind of intentional criminal activity and long years of coverup that characterized the Volkswagen scandal.

A German government report published in 2016 concluded that many European car makers, including Daimler, used a loophole in regulations to reduce emissions controls to protect the engine. Regulations allow this during cold temperatures, but the window is so wide that it allows car makers to reduce emissions control even in mild temperatures. Daimler's software fix aims to narrow the window and reduce toxic tailpipe emissions during normal driving.

STEPHEN BRASHEAR/ASSOCIATED PRESS

The company is still recovering from a past food-safety crisis.

Chipotle Shuts Shop After Illness Report

BY JULIE JARGON

Chipotle Mexican Grill Inc. is facing another blemish to its food-safety record more than a year after navigating a crisis that eroded the company's revenues and profits.

The burrito chain said it temporarily closed a restaurant in Sterling, Va., on Monday after learning about a "small number" of reported illnesses that the company believes are likely to be from norovirus, a common virus that can be spread through food that has been handled by people who are sick.

Chipotle shares fell 4.3% to $374.98 on Tuesday, with trading volume more than eight times its average level.

The closed restaurant was expected to reopen Tuesday after a "thorough sanitization," a Chipotle spokesman said.

"We are working with health authorities to understand what the cause may be and to resolve the situation as quickly as possible," said Jim Marsden, Chipotle's executive director of food safety, in a statement. "Norovirus does not come from our food supply, and it is safe to eat at Chipotle."

Consumers anonymously posted reports of vomiting or having diarrhea after eating at the Chipotle to a website called iwaspoisoned.com.

Dr. David Goodfriend, director of the Loudoun County Health Department, which handles reports of illnesses in Sterling, said he wasn't sure if any of his staffers had received reports from doctors. He also wasn't aware of any hospitalizations.

"We've just started looking into it," he said. "If there are individuals who can be tested, that may give us an answer."

The closed location in Sterling hasn't been cited for any health department violations during its last three routine inspections, according to the county's website. In May 2015 and October 2013, however, it was cited for employees' lack of awareness of reporting procedures regarding their health if they suspect they had been exposed to norovirus or other illnesses.

This isn't Chipotle's first brush with a suspected norovirus outbreak. In August 2015, a norovirus outbreak at a Chipotle in California sickened more than 200 people.

Chipotle experienced a series of outbreaks, ranging from salmonella to E.coli throughout that year, culminating with another norovirus outbreak in Boston in December 2015. The biggest problem stemmed from two multistate E.coli outbreaks that, in total, sickened 60 people across the country.

The chain suspects a common virus was the problem at a restaurant in Virginia.

The chain has revamped a number of food-safety protocols, including rules for employees reporting sicknesses and cooking procedures to protect against further such outbreaks. But sales haven't fully recovered and the chain has increased its marketing spending in an effort to attract customers. The company last month said it expected its marketing and promotion costs to be higher in the second quarter than the first.

UAW Gears Up for August Vote at Nissan's Mississippi Plant

The United Auto Workers union is stepping up efforts to represent workers at a Japanese auto factory in Mississippi, its most visible organizing drive since President Donald Trump won the election and breathed new life in the Buy American movement.

The UAW will stage a vote at **Nissan Motor** Co.'s plant in Canton, Miss., the first week of August. (At right, UAW head Dennis Williams at a rally in March.) The union has tried to organize workers at foreign-owned assembly plants for decades, but largely struck out. The UAW won a deal with Nissan this week that allows about 4,000 full-time plant workers to participate in the vote. It needs a majority of those casting ballots to win representation.

"It is ultimately up to the employees to decide," Rodney Francis, the plant's human-resources director, said. "Given the UAW's history of strikes, layoffs and plant closures, it is clear that their presence could be harmful."

—Christina Rogers

ROGELIO V. SOLIS/ASSOCIATED PRESS

United Benefits as Airfare Choices Grow

BY SUSAN CAREY

United Continental Holdings Inc. said profit and revenue rose in the second quarter, the latest airline to find success offering a wider range of fare categories and fees.

The nation's No. 3 airline by traffic on Tuesday said that despite higher fuel and labor costs, its net income rose 39% from a year earlier. Excluding items, United earned $846 million on a strong 6.4% gain in revenue.

United is the second major airline this month to report positive revenue for each passenger flown a mile, a key industry performance metric. Most of United's rivals have said they also expect positive unit revenue in the second quarter, a first for the industry overall since the final quarter of 2014.

Airlines are benefiting from strong demand and increasing sales of ancillary items such as priority boarding, better seats and upgrades. Products and pricing segmentation designed to appeal to both frugal and spendthrift fliers has also helped unit-revenue trends.

United's unit revenue was up 2.1% in the June quarter year over year, compared with a 6.6% decline in last year's second quarter. Delta Air Lines Inc., the second-largest carrier, last week reported a 2.5% unit-revenue gain, reversing a 4.9% decline a year ago.

Chicago-based United said it expects third-quarter unit revenue to be roughly flat, fanning concerns about the carrier's rapid growth. "Capacity growth is always an issue for investors," Helane Becker, a Cowen & Co. analyst, said before the results were released.

Some analysts fear an imbalance between supply and demand could dent United's pricing power.

United said its Pacific region has battled oversupply in China and Hong Kong recently, while other regions led by Latin America have performed well.

Glasses From Google Resurface at Businesses

AGCO/GOOGLE

Google parent **Alphabet** Inc. is relaunching Glass, its head-worn computer, targeting corporate customers after its initial version flopped because of privacy concerns.

Dubbed Glass Enterprise Edition, the product has been in testing at about 50 companies, including **Boeing** Co., **General Electric** Co. and **Volkswagen** AG, Alphabet said Tuesday.

The new device, which is designed to snap on eyeglass frames and display information, videos and images in the line of a person's sight, allows workers to see instructional content. They can also use the device to broadcast what they are viewing back to others for real-time instruction.

The product's previous version cost $1,500. The price of the new product will vary based on the needed software customization, customer support and training, the company said.

Google has struggled with privacy concerns in recent years as both regulators and consumers look more closely at its usage of data tied to search results and email. Its initial release of Glass four years ago played into those concerns as users could record video in public places without others noticing.

Google sold the device to the public in mid-2014, but sales were small amid complaints about privacy protection, technical shortcomings and a lack of obvious uses. Executives have since admitted that the device was released before it was ready for consumers. Google halted sales of the device in 2015.

For the new Enterprise Edition, Google said it upgraded the design, the processing power and battery life. The camera takes clearer pictures, and a green light turns on when the camera is recording.

—Laura Stevens

Greenberg Invests in 'Insure Tech'

By Leslie Scism

Starr Cos., an insurance and investment firm run by Maurice R. "Hank" Greenberg, has acquired a minority stake in **CoverWallet**, a New York startup that aims to speed up the insurance-buying process with data analytics.

Starr's investment is the latest deal in a hot corner of "insure tech": the market for insuring small businesses, worth $100 billion in annual premiums. Financial terms weren't disclosed.

CoverWallet, launched last year, focuses largely on the market of online issuance of policies and related services to small businesses.

Historically, many large insurers avoided small businesses because of the costs of dealing with them individually. Quantitative analysis is changing that, and suddenly a lot of big-name insurers want to sell to local retailers, contractors and other small businesses.

These firms believe that algorithms work well for the standardized policies used by many small businesses.

"Change is inevitable," Mr. Greenberg, 92 years old, said in an interview. "There is no stopping that."

Last year, $1.7 billion was invested in 179 insure tech deals of various sorts, according to CB Insights, a firm with a venture-capital database.

Entrepreneurs with engineering and other computer-related backgrounds say the insurance industry is ripe for innovation because of its reliance on traditional ways of doing business even as consumers increasingly favor online financial transactions.

Because of advances in computer analytics, scientists can feed millions of data points into computers to find patterns. In general, algorithms can draw on publicly available data such as construction features of a business's premises, proximity to fire hydrants and code violations.

James Ermilio, CoverWallet's president of insurance, said the firm's goal is using "data analytics, data science and predictive modeling to make it easy for small businesses to understand, buy and manage their insurance."

Large sets of data, cloud computing and sophisticated algorithms operate behind the scenes, while the firm's services are available to customers around the clock online and through smartphones, CoverWallet said.

CoverWallet previously raised about $10 million from investors including Union Square Ventures, Index Ventures and **Two Sigma Investments**' Two Sigma Ventures division.

Rocket Fuel Deal Follows Hard Fall

By Lara O'Reilly

Sizmek, an advertising-technology company owned by private-equity firm **Vector Capital**, agreed to acquire public ad-tech company **Rocket Fuel** Inc. for $125.5 million, or $2.60 a share, the companies said Tuesday.

Including assumption of debt, the deal values Rocket Fuel at about $145 million.

Rocket Fuel shares closed at $2.69 Monday. The deal includes a 30-day "go-shop" period, in which Rocket Fuel will solicit and potentially enter into alternative proposals from third parties.

"The board unanimously approved this transaction and we encourage our stockholders to follow that recommendation and tender their shares," Rocket Fuel CEO Randy Wootton said in an email.

The deal price shows how Rocket Fuel, one of ad tech's high-profile players, has fallen from its lofty position a few years ago. The company's stock traded as high as $66 in its first month as a public company in 2013 and its market valuation peaked at around $2 billion.

Sizmek provides advertising buyers with tools to purchase digital ad space, optimize what their ads look like and manage data for ad-targeting purposes.

Rocket Fuel also has data-management capabilities and offers a demand-side "predictive marketing" platform that it says uses artificial intelligence to help marketers place their ads efficiently.

Rocket Fuel CEO Randy Wootton encourages stockholders to accept Sizmek's offer.

The two companies plan to combine their technology and scale in the hope of providing ad buyers with an alternative to Alphabet Inc.'s Google and Facebook Inc., as well as other ad-tech vendors. Together, they will serve more than 20,000 advertisers and 3,600 ad agencies, the companies said.

The deal is the latest in a wave of consolidation for the sector, which has seen private-equity firms and companies in the media, cloud-computing and telecommunications industries swoop in as buyers.

The majority of pure-play ad-tech firms have had a rough ride on the public markets, struggling to convince investors of their long-term potential, largely thanks to the dominance of Google and Facebook in the digital-advertising market. Combined, the two firms collect 77 cents of each new dollar spent on digital advertising in the U.S., according to research firm eMarketer.

Excluding the sector's star performers, Criteo and The Trade Desk, ad-tech stocks were down an average of 7% in the three-month period ended June 6, according to data from investment bank Luma Partners.

But Rocket Fuel's share price began a precipitous decline in 2014. In May of that year, the Financial Times published a report alleging ads Rocket Fuel bought on behalf of its client Mercedes-Benz had been viewed by more bots than humans.

Rocket Fuel denied the allegation, saying only 6% of the ads served were questionable.

The following year, the company announced layoffs and sweeping changes in its top management.

Rocket Fuel's net loss, adjusted for depreciation and amortization, is expected to be between $4 million and $3 million in the second quarter of this year and full-year results "will be below current analysts' estimates," according to Mr. Wootton, who became CEO in November 2015.

JOHN LAMPARSKI/GETTY IMAGES

Sizmek provides advertising buyers with tools to purchase digital ad space, optimize what their ads look like and manage their data. The firm's pizza truck for Advertising Week last year in New York.

JOSEP LAGO/AGENCE FRANCE-PRESSE/GETTY IMAGES

A vehicle that includes Ericsson technology on display at the Mobile World Congress in Barcelona in February.

Ericsson Presses Cuts After Posting a Loss

By Dominic Chopping

STOCKHOLM—**Ericsson** AB pledged to step up its cost-cutting plans after swinging to a loss in the second quarter on lower sales, and it warned earnings could weaken further if the market for its communications equipment remains soft.

The supplier of wireless-communications gear reported a net loss of 1.01 billion Swedish kronor ($121.7 million), compared with a profit of 1.59 billion kronor in last year's second quarter. The loss far exceeded analysts' expectations for a loss of 511 million kronor, according to a FactSet poll. Revenue fell 7.7% to 49.9 billion kronor.

"In light of the current market outlook, we will accelerate our actions to ensure that we can meet our target of doubling the 2016 operating margin beyond 2018," Chief Executive Borje Ekholm said Tuesday.

The company aims to cut at least 10 billion kronor in annual costs by mid-2018, but said R&D won't be affected.

Ericsson said it continues to assess risk exposure in ongoing contracts in light of the market environment and the company's more-focused strategy.

It warned that further market and customer-project adjustments could subtract as much as 5 billion kronor in revenue for the coming 12 months. Meanwhile, due to technology and portfolio shifts the company will reduce the capitalization of its product platform, software release development expenses and hardware costs. Together, the effect could be a 2.9 billion kronor hit to second-half operating income.

Second-quarter sales were hurt by a weak mobile-broadband market. Networks sales fell 8% amid lower demand in Europe, Latin America and the Middle East and Africa.

Lower software sales within the company's networks division reflected in part an unusually strong performance in the second quarter last year.

BUSINESS WATCH

SIX FLAGS ENTERTAINMENT

CEO Steps Down After 17 Months

Six Flags Entertainment Corp. said Tuesday that Chief Executive John Duffey is leaving the company after 17 months leading the theme-park operator.

Six Flags Executive Chairman Jim Reid-Anderson, who led the company from August 2010 until February 2016, will become CEO effective immediately, the company said.

Company spokeswoman Sandra Daniels said Mr. Duffey, 56 years old, left for personal reasons, but she declined to elaborate. Both men have held upper-management positions with the company since 2010.

"I am very proud and excited to rejoin the operating team and look forward to executing our business strategy," said Mr. Reid-Anderson, 58.

Ms. Daniels called Mr. Duffey "a key force behind our turnaround story." Under his leadership, Six Flags opened a 60-acre water park in Oaxtepec, Mexico, its second in the country, and announced plans to develop a second licensed park in China.

Timothy Conder, a senior analyst at Wells Fargo, said the company is on track to achieve its 2014 goal of $600 million in modified Ebitda by the end of 2017.

—Cara Lombardo

HARLEY-DAVIDSON

Motorcycle Maker Hits Rough Patch

Harley-Davidson Inc. shares fell on plans to make and ship fewer motorcycles this year amid a sharp drop in retail sales.

The Milwaukee-based manufacturer said Tuesday that world-wide retail sales fell 7% in the second quarter. Sales fell 9% in the U.S. Harley's shares were down $3.05, or 5.9%, to $48.95 in 4 p.m. New York Stock Exchange composite trading Tuesday.

Harley said Tuesday it expects shipments to be down 6% to 8% annually in 2017 compared with prior guidance of flat to modestly lower shipments. Chief Executive Matt Levatich said Harley will scale back production and implement "hourly workforce reduction" at some U.S. factories.

Retail sales in the U.S. fell 9% to 49,668 bikes sold in the second quarter. International sales declined 2% to 31,720 bikes. In all for the quarter, Harley posted a profit of $258.9 million, or $1.48 a share, down from $280.4 million, or $1.55 a share, in the year-earlier quarter. Revenue fell 5.6% to $1.57 billion.

Analysts polled by Thomson Reuters expected earnings of $1.38 a share on revenue of $1.59 billion.

—Andrew Tangel

LOCKHEED MARTIN

Order Book Tops $100 Billion

Lockheed Martin Corp. said that its order book had grown to more than $100 billion as it sold more F-35 combat jets and boosted sales of its helicopters and missile-defense systems to foreign governments.

Lockheed boosted its per-share earnings forecast by 15 cents to between $12.30 and $12.60 and raised expectations for sales to a range of $49.8 billion and $51 billion, though it left its free cash flow guidance unchanged.

—Doug Cameron

Turkey Discover the potential

Tapping potential to the fullest

Turkey has the ambitious vision to rank among the 10 largest economies in the world by 2023, the year when it will celebrate the centenary of its foundation as a republic.

Turkey is ranked 17th of the largest economies in the world. However, it has set the goal of becoming one of the 10 largest economies in the world by 2023, and doing so will require the country to get 1.5% share from global trade and make significant upgrades to its energy, information technology, finance and physical infrastructures.

Turkey's government has emphasized that it is prepared to undertake notable economic reforms to meet these growth targets – notwithstanding short and medium-term economic volatilities. The government has set the course in various sectors to sustainably strengthen the economy based on the experience that Turkey's growth has proven remarkably resilient, even in the face of a challenging global economic environment in the recent past.

Action is being taken to raise productivity and advance the shift to a balanced, sustainable and strong growth path that seeks to boost living standards for the entire population.

Looking back, Turkey has been successful in significantly changing the proportion of urban to rural population over the past decade in its industrialization drive. Today, 75 percent of the population lives in urban centres and supports a strong industrial, manufacturing-based economy that has clearly broadened beyond the traditional industrial hubs of Istanbul, Ankara and Izmir to encompass a number of other Anatolian cities, several of which have developed into economic powerhouses and strong export contributors. But this has also helped in reducing the import of numerous goods that now are produced by domestic firms in Turkey without a significant impact on prices.

This development conveys confidence to both foreign and local investors who perceive Turkey as a country with sound public finances, a strong financial sector and brisk domestic demand, as well as liberalized and well-regulated markets. It also enables Turkey to reach constant high production levels and creates an appropriate environment for a high and stable long-term growth.

The government's main strategy for this growth trajectory is the development of the private sector towards an open and competitive driver for the economy. Increasing productivity and accelerating the industrialization process are important milestones of this approach.

Another step is the strengthening of the industrial sector and its productivity growth. This will include the reallocation of resources to productive areas and implement monetary, fiscal and incentive policies for them. It will be accompanied by macroeconomic stability measures, namely fiscal, monetary and balance of payments policies, improvement of human capital development, an increase in the effectiveness of the labour market, technology development and the increase of innovative capacity, as well as the strengthening of physical infrastructure and institutional quality.

THE GOVERNMENT HAS SET THE COURSE IN VARIOUS SECTORS TO SUSTAINABLY STRENGTHEN THE ECONOMY

To boost growth further, Turkey also puts a focus on fiscal discipline. Plans are to avoid a rise in public expenditure and gain fiscal space by increasing government revenues through the expansion of the tax base, the strengthening of price stability and by resolving the current account deficit problem.

In addition, the government plans to continue funding the budget via new privatization schemes and by refraining from overall tax reductions. It will maintain incentives for domestic industries – including small and medium-sized enterprises and start-ups – and foreign investors via preferential treatment in tenders and tax reliefs, especially in the healthcare, chemicals and IT sectors and other high-skilled, value-adding segments of the economy.

To further improve fiscal health, sights have also been set on the private savings rate, which should be increased from 15 percent to the OECD level of around 20 percent or higher.

Overall, by ensuring a level playing field for businesses of all sizes, improving the quality of human capital and integrating the country into the global value chain, Turkey is tapping its potential to the fullest and remains on track to reach its ambitious goal for 2023. *

ANYTHING YOU NEED, BUY IT FROM TURKEY!

Turkey has 26 exporting sectors and the 67 thousand members of the sectors export thousands of different product types to 250 countries worldwide. The tag "Turkey. Discover the Potential" means reliable quality, design, culture and beauty at affordable prices.

For centuries, Turkey has been a trade hub, a natural route between East and West, and at the crossroads of goods, people, cultures, languages and faiths travelling between civilisations. However, Turkey is more than that. Today, the country is a global production center and a member of the EU Customs Union with strong cultural ties and trade links with numerous countries around the world, Europe in particular. Moreover, the advanced and diversified manufacturing infrastructure of Turkey offers thousands of products. The country is in a position to efficiently generate value through R&D, design and sustainability which are the drivers of the future. Turkey's exports increased from $36 billion in 2002 to $142.5 billion in 2016 despite the aftermath of the 2009 financial crisis. Here are some of the prominent examples of the 26 leading export sectors in Turkey.

HAZELNUTS

Fresh Turkish hazelnuts

I am sure you have heard this expression: "The most popular hazelnut cream brands in the world prefer Turkish hazelnuts." That is because Turkey produces 75% of the hazelnuts in the world. The majority of the Turkish producers on the Black Sea coastline live off hazelnut farming. Turkey ranks first in hazelnut exports, amounting to $2 billion in 2016.

FRESH FRUITS AND VEGETABLES

Natural and fresh

Did you know that five portions of fresh fruits and vegetables a day are recommended for a healthy diet? Turkey is the largest producer of fresh fruits and vegetables in the Eurasian region. Turkey's climate and geography are blessed with the right conditions for the natural production of fruits and vegetables all year round. In 2016, Turkey exported $2 billion worth of fresh fruits and vegetables.

TEXTILE

Fabric or home textile

Creating fabrics from natural fibres was one of the first inventions of humanity. Fabrics made of a variety of materials are still widely used, even in spaceships. Turkey's production and trade in textile fabrics, fibres and home textile is constantly rising. The sector exported $8 billion worth of products over the past year. Moreover, Turkey is getting more and more specialised in producing high-quality and high-technology textiles. Turkey's global brands in home textile sector are products of choice even for the British Royal Household.

MACHINERY

Choose Turkey for competitive production

With its technology, quality, design and marketing capabilities, the Turkish machinery industry is one of the architects of Turkey's privileged position in production. The sector distinguishes itself through its strong trade links, appealing investment climate, R&D and design abilities. The sector has more than doubled its production over the past decade. The share of Turkish machinery producers in the total exports of the country in 2016 was nearly 10% (i.e. $142.5 billion).

NATURAL STONE

The stones of Anatolia

Turkey is a leading country in natural stone reserves in terms of both volume and product variety. Turkey is located in the Alpine zone which accommodates the richest marble formations in the world. The country has exploitable reserves of 4 billion cubic meters of marble, 2.8 billion cubic meters of travertine and 1 billion cubic meters of granite. The broad experience of the sector and logistical advantages make Turkey a very popular supplier.

ELECTRONICS

Every household needs them

Turkey is a major producer of electronic products including white goods, home appliances and small kitchen appliances. Besides global brands such as Bosch and Siemens, which manufacture in Turkey, local brands like Beko and Vestel also offer popular designs and technologies. The vision of electronics producers in Turkey focuses on energy efficiency and sustainability.

FISHERIES AND LIVESTOCK

Tastiest of fish

Turkey is surrounded by seas on three sides and adorned with many lakes and rivers. These rich resources are home to fisheries and considerable aquaculture. The sector has a significant export potential. For example, Turkey is one of the largest global producers of tuna, seabass and seabream. In addition, the country has intensified its efforts to increase poultry and egg production. Milk and dairy production as well as beef farming are among the favourable investment areas. Several foreign investors are aware of the potential. Last year, the sector exported $1.8 billion worth of products.

SHIPS AND YACHTS

A manufacturing legacy of 700 years

Shipbuilding in Turkey dates back 700 years. In fact, archaeological traces take us back to even earlier times. Today, Turkey is a leading country in the shipbuilding sector in both quantity and tonnage. The product range is broad, including chemical tankers, bulk carriers and mega yachts. The sector has world-class facilities, technology and manpower. The exports amounted to $1 billion last year and the sector intends to reach much higher figures in the long term. *

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THE PROPERTY REPORT

U.S. Aims for Rocky Mountain High Bid

Federal agency sets online auction for desirable Colorado parcel near rail station

By Peter Grant

GENERAL SERVICES ADMINISTRATION

The location of the 59-acre undeveloped section of the Denver Federal Center in Lakewood, Colo., is ripe for retail, residential and office development.

The federal government is weeks away from selecting a buyer for a much-coveted development site in the Denver region in what will likely be one of the government's highest-yielding online property auctions this year.

The General Services Administration in May launched the auction for a 59-acre unused parcel that is part of the Denver Federal Center in Lakewood, Colo., one of the federal government's largest employment centers outside of Washington, D.C.

The parcel is particularly attractive because it is next to one of the rail stations on Denver's expanding commuter rail system, making it ripe for retail, residential and office development.

The parcel also is expected to fetch a high price because the Denver market is hot these days with tourism, employment and the overall population all increasing. Employment in the Denver metropolitan area rose 3.2% in 2016, with more than 50,000 jobs being added, the seventh highest among all major U.S. metro areas, according to **CBRE Group** Inc.

Government officials declined to estimate what the winning price will be. Based on comparable sales in the area, the parcel could go for more than $30 million, real-estate market watchers say.

The General Services Administration, which owns and leases office space, land, labs and other facilities for the federal government, began switching to online auctions for disposing of surplus property in the early days of the internet. Over the years the process has been refined.

In the past 10 years, the agency has conducted 1,097 online sales yielding $452.2 million. These auctions are considered to be a more fair, efficient and lucrative process than the old, sealed-bidding process. Auctions ensure wide participation and are structured to achieve top price by doing such things as allowing bidders to see rival bids in real time as they are submitted, GSA officials say.

The GSA's portfolio consists of 370 million square feet in 8,600 assets. Other properties that were sold in recent online auctions include an 80-year-old Washington, D.C., office building that had been used by the Agriculture Department and Sugar Grove Station, a former naval base in West Virginia that is being converted into a health-care facility.

"GSA's goal in disposing of surplus property is to bring value to taxpayers and return property to the communities we serve so it can be used in a beneficial manner," a GSA spokesman said in an email.

Still, the sales process of the Denver Federal Center site has run into controversy and criticism. For years, the city of Lakewood worked with the General Services Administration to take over the site. Lakewood officials believed that they were better positioned to develop a master plan that would ensure certain uses—like affordable housing—than the GSA, which typically sells to the highest bidder.

About 18 months ago, Lakewood and the GSA were on the verge of a complicated deal in which the GSA would have given the city the site in exchange for the city developing a lab for the federal government. But the two sides weren't able to get the deal over the goal line, and the GSA ultimately opted to put the parcel on the block.

Lakewood will still try to shape what happens on the site, but it isn't going to be as easy as it would have been if the city owned it, according to Jay Hutchison, Lakewood's director of public works.

"It was difficult after a long, very focused challenging negotiation to have it crumble right at the end," he said.

Critics say the sale of the Lakewood site to the highest bidder represents a squandered opportunity for the region. "It's a tremendous opportunity to create a mixed-use, mixed-income community," said developer Jonathan Rose, who is known in the region for such projects as the redevelopment of the century-old Denver Dry Goods Building into office, retail and both market-rate and affordable housing.

Mr. Rose said he probably won't bid on the Lakewood site because he would likely be outbid by a developer who wouldn't include as much affordable housing. "Somebody will pay more," he said.

The Federal Center site has roots going back to the World War II era when the federal War Department acquired 2,100 acres to make and test .30 caliber rifle cartridges and other munitions. Over time the GSA, which came into existence in 1949, used it to house 28 different agencies.

About a decade ago, the GSA determined the Lakewood parcel wasn't needed and began studying plans to sell. Those plans accelerated in 2013, when the Regional Transportation District opened the Federal Center rail station.

More than 75 interested parties showed up for a tour last month and several participated through a streaming video. The first round of bidding officially ends one week from Tuesday. The GSA retains the right to extend the bidding period to give people the right to resubmit bids after they see the top price in the first round, the GSA spokesman said.

REIT Makes Pure Play on Capital

By Peter Grant

BENJAMIN C. TANKERSLEY/THE WASHINGTON POST/GETTY IMAGES

JBG Smith Properties owns the Atlantic Plumbing mixed-use redevelopment in Washington.

Steven Roth, chief executive of **Vornado Realty Trust**, made a bold prediction this year about the firm's plans to spin off its Washington, D.C., portfolio and merge it with a local company.

"JBG Smith has the potential to be the fastest-growing real-estate company in the nation," Mr. Roth said of the merged company in February on a conference call with analysts.

On Tuesday, Wall Street gave a stamp of approval to this prediction for **JBG Smith Properties**, the largest real-estate investment trust with a Washington, D.C., focus. It was the first day of regular trading following the closing of the merger of Vornado's Washington portfolio and JBG Cos. The new company has more than $8 billion in assets.

JBG Smith shares closed at $37.24 on the New York Stock Exchange, above the upper end of the $33 to $36.50 range that analysts predicted. The value was still well below the $41.75 a share the company's assets are worth, according to analysts.

JBG Smith is launching when major office markets throughout the country are grappling with anemic growth in occupancies and rents, which is unusual for this late in the economic cycle. They are being hurt by tepid job growth, increased efficiency by tenants and in some cases new supply. As a result, most office REITs are trading below the net value of their assets.

JBG Smith executives said they are going to need to prove themselves to public market investors.

"Nobody is just going to give us the benefit of the doubt," said CEO W. Matthew Kelly in an interview Tuesday.

The office market in the Washington, D.C., region has been hurt by years of government downsizing. Budget cuts by the Trump administration are expected to damp demand further from most nondefense-related government agencies.

About 75% of JBG Smith's portfolio is office property. Most of the rest consists of rental apartments.

"Not only is competition among new product growing but existing product is also facing challenges from a demand perspective," said real-estate services firm JLL in a report on Washington's second-quarter office market.

Mr. Kelly agreed the Washington office market has been hurt by government cutbacks in recent years. But lately trends have become more positive thanks partly to population growth and the high education level of the region's workforce, he said.

"There's still some digging out that needs to happen" from the "terrible run" the Washington office market has had, Mr. Kelly said. "But we view the market bottom as behind us," he said.

The merged company achieves longtime goals for Vornado, which is contributing about $5 billion of property, and JBG Cos., a 57-year-old real-estate firm based in the Washington region. For more than three years, Mr. Roth has been trying to simplify Vornado as a New York-focused office and retail company by selling many of its other assets. A Vornado spokesman declined to comment.

JBG Cos., meanwhile, has been looking for a way to tap the public stock markets and give some of its investors an opportunity to cash out. An effort by JBG to merge with New York REIT Inc. in a proposed $8.4 billion deal collapsed last year following strong objections by New York REIT shareholders.

75

The rough percentage of JBG Smith's portfolio in office property

JBG Cos. won't be contributing all its property to the merged company. About $3 billion of properties—including buildings in Pennsylvania and Baltimore—will be managed but not owned by JBG Smith because they don't fit into the new company's strategy. The management team plans to sell the other property over four to six years. But that has raised some concerns about a possible conflict of interest.

"Only the original JBG partners stand to profit from the sale of these assets," Green Street Advisors said in a report. "This...could distract the team from running the REIT's owned portfolio."

Mr. Kelly said JBG is "staffed appropriately to tackle everything that's on our plate."

The merged company owns close to 19.5 million square feet of office space, 1.4 million square feet of retail and more than 11,000 rental apartments. Its well-known properties include the Warner Building, on Pennsylvania Avenue near the White House, and the Atlantic Plumbing redevelopment of a former industrial property into residential and retail space.

But land and developments in the pipeline make up more than 15% of JBG Smith's assets, one of the largest amounts in the REIT sector. That is one of the reasons that Mr. Roth and others at Vornado believe the company has growth potential.

Some analysts are skeptical of the risk associated with development. "The public market is leery of the high octane growth story," said Jed Reagan, a Green Street analyst.

PLOTS & PLOYS

INDUSTRIAL PROPERTY

Developer Plans Technology Park

Chicago O'Hare International Airport is getting some new neighbors.

Brennan Investment Group, a private industrial-property developer and investment firm, is planning to develop six parcels of land totaling 85 acres near the airport into a business park, anticipating demand from manufacturing firms and data centers who want to be near the travel hub.

The site, roughly 3 miles from the airport, used to be a farm.

The Elk Grove Technology Park is projected to cost between $140 million and $150 million and will cater to manufacturers and businesses looking for more modern facilities and automation in their space, said Michael Brennan, chairman and managing principal at Brennan Investment Group.

The new technology park would be part of Elk Grove Village, which has an industrial park housing more than 3,600 companies. The firm expects to break ground in the spring of 2018.

The park also will have bike paths and other amenities that could help tenants attract employees, Mr. Brennan said.

"Given its location, we feel strongly that we picked the right site at the right time," he said.

—Esther Fung

COMMERCIAL REAL ESTATE

REITs Rein In Building

The unwillingness of real-estate investment trusts to develop large projects has helped keep supply of commercial real estate in check, extending the sector's recovery, says Fitch Ratings in a research note.

During the recession, excessive development activity weakened REITs' credit profiles, but they have been generally conservative since, with growth in total development activity leveling off in 2014.

"Throughout this postcrisis cycle, REITs have demonstrated discipline, as the sector has navigated an environment of historically low-cost debt capital, record high commercial real estate values and good liquidity positions," Fitch said in the note.

Within REIT segments, office and retail real-estate REITs have seen much slower growth in construction compared with peers that focus on building residences and warehouses.

Development volumes from office REITs have been muted due to slow employment growth as well as the trend of shrinking desk space to drive density and social exchanges between employees.

The U.S. still faces an oversupply of retail real estate, so the focus tends to be in redeveloping existing assets rather than ground-up construction.

—Esther Fung

INVESTMENT FUND

Virtus on the Hunt

Terrell Gates, the founder and chief executive of investment firm **Virtus Real Estate** LLC, comes from a long line of real-estate investors. That background has proved helpful in Virtus's success in just closing its latest fund but not in the way you think.

Mr. Gates's family, which began investing in commercial real estate in Texas in the 1950s, "lost everything" during the financial crisis that walloped the savings-and-loan industry in the 1980s and early 1990s, said Mr. Gates.

"That was one of the best lessons I could ever have learned," he said.

Austin, Texas-based Virtus has incorporated that lesson in the $408.5 million fund that it has just closed, he said. The fund is focusing on downturn-resistant assets like student housing, medical office buildings and senior living.

"It's a more defensive income stream," Mr. Gates said.

The fund that just closed is the seventh for Virtus. The firm has acquired 200 properties with a combined value of more than $3.2 billion.

The new fund already has made 12 investments in six states totaling $116.5 million in equity.

—Peter Grant

THE PROPERTY REPORT

ZAK NEUMANN/LITTLE VILLAGE MAGAZINE/IOWA CITY DOWNTOWN DISTRICT

A patron played giant Jenga at the Iowa City block party in June.

OPEN

Continued from page B1

"It seems to be a trend for retail property to help get people outside," said Mr. Leonard, adding that the looser open-container regulations "absolutely helped us lease retail space."

Iowa City's ordinance permits patrons to carry open containers on sidewalks and streets between licensed premises. That allowed the Iowa City Downtown District business association to apply for a temporary license for a downtown block party, which took place in June.

"It's an area that attracts all ages, little kids, grandparents, working adults and college students. Residents love being around activity and young people," said Mr. Moen, who supported the open-container ordinance.

In the downtown block party, cups were sold to partygoers who had to patronize bars and restaurants in the district to be served. The organizers also arranged for Uber pickup and drop-off points and parking garages nearby that offered free overnight parking.

"We wanted to make sure the event is safe and people are getting home," said Nancy Bird, executive director of Iowa City Downtown District, adding that there were no incidents. The party targeted 15,000 revelers, and 30,000 showed up.

Ohio in 2015 passed a bill allowing open-container zones, which opened the door for municipalities to do so. In the New York state Senate, lawmakers in February proposed a bill to allow patrons of a licensed business located within a leisure or recreation district to leave with alcohol in an open container if they stay within certain boundaries. The bill passed the Senate by a vote of 61-1, and the state Assembly has yet to weigh in on the measure.

Pushing for change on public drinking often takes time. College towns, in particular, are resistant to measures that could lead to disorderly behavior.

Mr. Carter of Vantage Realty in Atlanta said that having people visit Avalon, another retail and mixed-use development 10 miles away where an open-container ordinance had already passed, helped his campaign in Duluth.

"They see how robust Avalon is. They had to touch it and experience it. And they realized it wasn't so scary," said Mr. Carter.

Sunac's Debt Load Draws Attention After Wanda Deal

BEIJING—Property tycoon Sun Hongbin built a reputation for bailing out indebted companies, but the debt of his own empire is drawing attention.

After **Sunac China Holdings** Ltd., the luxury builder founded by Mr. Sun, bid $9.28 billion to acquire hotels and theme parks from **Dalian Wanda Group** last week as the latter's debt drew scrutiny, investors worry that Sunac, itself heavily leveraged, will land in the crosshairs of China's campaign to crack down on risks tied to escalating debt.

On Tuesday, such worries spilled into the open with a 7% drop in Sunac's share price in Hong Kong trading.

In an unusual arrangement, Wanda will extend a loan to Sunac for about half the purchase price of the Wanda assets, with a bank acting as middleman.

Sunac acknowledged that banks have been checking whether loans made to Sunac carry potential risks, but it said it is telling all that Wanda's assets are "quality" and there is no need for worry about Sunac's cash flow.

Worries spilled into the open Tuesday with a 7% drop in Sunac's shares.

"It's normal that the banks are examining us because this is such a big deal," said Ma Zhixia, Sunac's vice president.

The Wanda deal marks the second time this year that Mr. Sun has swooped in on a company facing trouble. In January, Mr. Sun pumped $2.22 billion into online-video platform LeEco, saving the company from a cash crunch after it expanded too quickly into everything from smartphones to smartcars.

Mr. Sun goes after such big deals because he likes to take the credit for helping others, according to people who are familiar with his thinking.

People close to him describe him as talkative and funny, yet potentially volatile. With Mr. Sun, huge decisions can be made on short notice, the people said.

It took just four days for Messrs. Sun and Wang to agree on their deal, according to Ms. Ma.

Mr. Sun's grand plans haven't always come to fruition: Sunac in 2015 made a high-profile $1.2 billion bid for Shenzhen-based developer Kaisa Group, which had become a takeover target after the Shenzhen government blocked sales of its properties without giving a reason, prompting it to default on its debts.

Sunac's bid represented a big discount on Kaisa's value based on financial reports. In the end, the deal didn't go through.

The effects of the experience with Kaisa haven't lingered. In the past two months, Sunac announced that it bought three small Chinese companies, each with net losses for the past two years, filings show.

China's property boom has long boosted Sunac's finances, though its debt buildup and aggressive acquisitions have steadily weakened its credit profile, analysts say. Sunac said last year's profit declined because of an increase in interest expenses as it took on more debt.

Based on net debt compared with equity, Sunac is one of China's most indebted property developers.

The debt buildup over the past two years was largely to fund a land-buying spree. The company's total liabilities were 257.8 billion yuan ($38 billion) as of last December, more than doubling from 96.1 billion yuan a year earlier, according to company filings.

It is unclear what effect the bank scrutiny will have on Sunac's borrowing or its ability to roll over financing deals.

Sunac hasn't purchased any new land since October, Ms. Ma said. The company has 90 billion yuan of cash on its books and expects to generate 300 billion yuan in contracted sales from apartment and commercial-property sales for the full year, she added.

"I understand that some people have concerns about Sunac's cash flow over the deals but the pressure on our capital isn't really too big," Ms. Ma said.

Fitch Ratings last week cut Sunac's corporate credit rating to BB-minus from BB, saying that the Wanda deal would cause a rise in Sunac's debt.

—Dominique Fong and Yang Jie

LUKE SHARRETT/BLOOMBERG

China's Dalian Wanda bought the U.S. theater chain in 2012.

AMC Denies It Got Funds From Wanda

Movie exhibitor says bank loans and cash financed acquisitions of cinema chains

BEIJING—**AMC Entertainment Holdings** Inc. said it never got financial help from Chinese parent company **Dalian Wanda Group** for the acquisitions of four cinema chains in the U.S. and Europe.

The movie exhibitor said Tuesday that its acquisitions of Starplex Cinemas, **Odeon & UCI Cinemas Holdings** Ltd., **Carmike Cinemas** Inc. and **Nordic Cinema Group Holding** AB over the past two years came from a combination of U.S. bank loans and cash.

Wanda and mainland China-based banks have never been a source of funding for AMC, the Kansas City, Mo., theater chain said, adding that Wanda never gave financial guarantees or provided credit enhancements.

AMC's statement comes after Chinese regulators met with executives at China's big state-owned lenders last month and advised them that six of Wanda's recent foreign transactions were at odds with government capital restrictions enacted last year, according to a document from one of the participating banks that was reviewed by The Wall Street Journal.

Among the six were AMC's deals for Odeon, Carmike and Nordic, which had already been completed, according to the document and a person familiar with the matter.

AMC paid a combined $2.5 billion, including debt, for the three companies.

AMC's shares fell 11% on Monday after the document was widely reported.

Its shares rose 2% Tuesday after it denied receiving financial assistance from Wanda or Chinese banks for any of the deals.

Wanda bought AMC for $2.6 billion in 2012. Since then, the U.S. theater chain has been expanding mainly through acquisitions and is now the world's largest theater chain.

—Wayne Ma

Vertex Lung Drugs Show Promise

BY JONATHAN D. ROCKOFF

Vertex Pharmaceuticals Inc. said three of its newest cystic-fibrosis drugs in development showed promise in early clinical trials treating the progressive lung disorder, raising hopes for tens of thousands of patients who lack good treatment.

Based on the results, Vertex said Tuesday that it is accelerating development of the new agents. "When you see data like this, it allows you to go faster," Vertex Chief Executive Jeffrey Leiden said.

Patients won't see a new treatment soon, however. Vertex said it would wait until the first half of next year, when it has more clinical-trial data to review, to pick the one or two drugs it will put into the pivotal phase 3 studies required for approval. Dr. Leiden said the company would move "as quickly as we can" to bring a new treatment to market but wouldn't give a timeline.

Shares of Vertex jumped 25% to $165.01 in after-hours trading.

Cystic fibrosis is an inherited disease, resulting from a defective gene known as CFTR, that causes the body to produce a thick, sticky mucus that builds up in the lungs and other organs. Patients develop trouble breathing and, without treatment, their lungs will eventually fail.

Vertex already sells two drugs, called Kalydeco and Orkambi, but they work in only about half of the 75,000 cystic-fibrosis patients worldwide. Another 10% of patients could be treated by a two-drug combination from Vertex that is up for approval in the U.S., the company said.

By adding a third agent to that two-drug combination, the Boston-based company said it hopes to be able to treat as many as 90% of patients.

Vertex has been studying various compounds to see which would work best.

Vertex said a combination with the company's VX-152 experimental compound improved lung function by 9.7 percentage points in a phase 2 trial, while a combination with another compound, dubbed VX-440, improved lung function by 12 percentage points.

In a phase 1 trial, a combination with a third compound called VX-659 improved lung function by 9.6 percentage points.

MANAGEMENT

Balancing Religion and the Office

Bigger array of faiths emerges at work as staffs become more multicultural, creating challenges for managers and employees

BY FRANCESCA FONTANA

French oil company **Total** SA recently sent its 96,000 employees an unusual corporate missive: a guide to religion at work.

Intended as a practical tool for managers and employees, its 80-plus pages cover everything from the basic tenets of major religions to whether bosses must provide halal food during company meals.

Few if any U.S. companies have gone as far as Total, but religious issues are cropping up more often in the workplace, resulting in lawsuits and complicated questions of faith on the job. At a time when many managers encourage employees to celebrate their individual identities, religious identity has proved tougher to navigate, managers and experts say.

When it comes to faith, most companies "stay as far away as they can," for fear of making a wrong—or unlawful—move, said Deb Dagit, former chief diversity officer at drugmaker **Merck** & Co. Ms. Dagit now runs her own consulting group.

Religious discrimination complaints filed with the U.S. Equal Employment Opportunity Commission increased 50% from 2006 to 2016. While religious discrimination comprises a relatively small portion of EEOC complaints, the rise reflects a more multicultural workforce with a wider array of religious faiths, said Mark Fowler, deputy chief executive of Tanenbaum, a nonprofit that works to eliminate religious prejudice.

At 92 pages, the English-language version of Total's guide states that employees' religious practices, such as prayer, should generally be respected and accommodated. Employees aren't required to read the document, which is available to those who are "curious," said a company spokeswoman.

Total created the guide to aid managers and employees who "may have questions or doubts on this topic, working with people who might not eat, dress or pray the same," said the spokeswoman.

JUSTIN L. STEWART FOR THE WALL STREET JOURNAL (2)

Accenture's Nazneen Nathani visits a designated prayer room at the firm's Los Angeles office.

U.S. companies often fail to address employee faith until problems arise, said Philadelphia-based employment attorney Jonathan Segal of Duane Morris LLP. Companies cannot ban religious expression outright, and U.S. Title VII requires employers to accommodate religious expression so long as it doesn't cause undue hardship on the company or workforce. "Employees don't shed their religious rights when they walk in the door," Mr. Segal said. "It's a balance." For instance, he said, a receptionist's request to keep a Bible at the front desk may be treated differently than an employee's request to keep one in an office, away from public view.

Failing to strike that balance can put companies into hot water. After turning down a Muslim job applicant because her head scarf violated dress codes for retail employees, Abercrombie & Fitch Co. lost a discrimination case that went to the U.S. Supreme Court in 2015.

Abercrombie said that it had "granted numerous religious accommodations when requested, including hijabs" and "remains focused on ensuring the company has an open-minded and tolerant workplace environment."

In December 2015, Cargill Inc. fired over 100 Muslim workers from a meatpacking plant in Fort Morgan, Colo., in the midst of a dispute over whether they could take prayer breaks. The workers filed complaints with the EEOC and were deemed eligible for unemployment benefits by Colorado's labor department in 2016.

At the time, the Council of American-Islamic Relations said the company told workers prayer breaks were no longer allowed, while a Cargill spokesman said that no changes had been made to the company's religious-accommodation policies.

Tensions are being felt across the spectrum of faiths. A 2013 Tanenbaum survey of 2,024 workers showed that white evangelicals were equally as likely as non-Christians to say they felt their faiths weren't respected at work, and 28% of workers said discrimination against Christians is as serious as discrimination against religious minorities.

Religion is often missing from conversations about corporate diversity policies, said Ms. Dagit.

Tanenbaum's survey found that workers at companies with religious nondiscrimination policies were less likely to say they were seeking a new job. And, those with access to flexible hours for religious observance were more than twice as likely to say they look forward to coming to work.

Each afternoon at work, Nazneen Nathani, an associate manager at consulting firm Accenture PLC, stops in a designated prayer room in her Los Angeles office. A Shiite Muslim, she prays as many as five times daily, but just once at the office.

"It's not an easy time to be a Muslim in America," said Ms. Nathani, a 14-year company veteran who works in risk management and quality. The accommodations "show me that I'm valued, and not just for my contributions as an employee ."

—Neanda Salvaterra contributed to this article.

Pay for College Interns Is So 2010

BY KELSEY GEE

It pays to take an internship—but not a lot.

Average pay for college interns climbed to $18.06 an hour this year, but when adjusted for inflation that is less than their predecessors earned in 2010, according to a survey of paid positions released this month from the National Association of Colleges and Employers.

With competition for entry-level labor increasing, economists offer multiple explanations for the sluggish rebound.

One theory is tied to the growing share of internships that are paid, in a market in which more than half of all positions were unpaid just a few years ago, according to a separate survey by the Collegiate Employment Research Institute at Michigan State University.

After a string of lawsuits by unpaid interns, more employers are paying interns for reasons of "liability protection and competing for good talent," said Andrew Crain, a talent acquisition specialist at the University of Georgia in Athens.

Less than 30% of the university's students with internships took unpaid positions in the fall of 2016, compared with more than 50% in 2010.

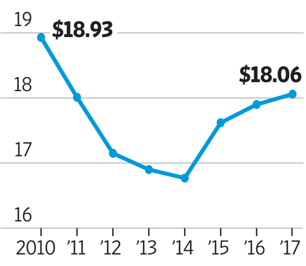
Employers holding intern wages stagnant in the face of inflation may also drag average pay lower, said Phil Gardner, director of the Collegiate Employment Research Institute.

Interns in some fields aren't doing badly, though. From 2011 to 2016, pay for software engineering interns in the San Francisco area climbed 15% to $6,250 a month, or roughly $39 an hour, according to an analysis by career website Glassdoor. That is more than double the 6% climb in average paid-intern wages nationally over that period, not adjusted for inflation, according to the National Association of Colleges and Employers.

Pay Slip

When adjusted for inflation, hourly pay for college interns is lower than it was seven years ago.*

$20 an hour



*Data include undergraduates and 2017 graduates.

Source: National Association of Colleges and Employers

THE WALL STREET JOURNAL.

MARKETS DIGEST

EQUITIES

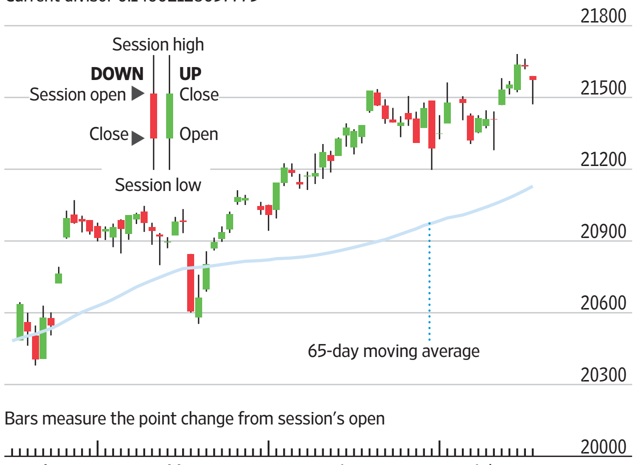
Dow Jones Industrial Average

21574.73 ▼54.99, or 0.25%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	20.85	19.61
P/E estimate*	18.41	17.74
Dividend yield	2.31	2.49
All-time high	21637.74, 07/14/17	

Current divisor 0.14602128057775



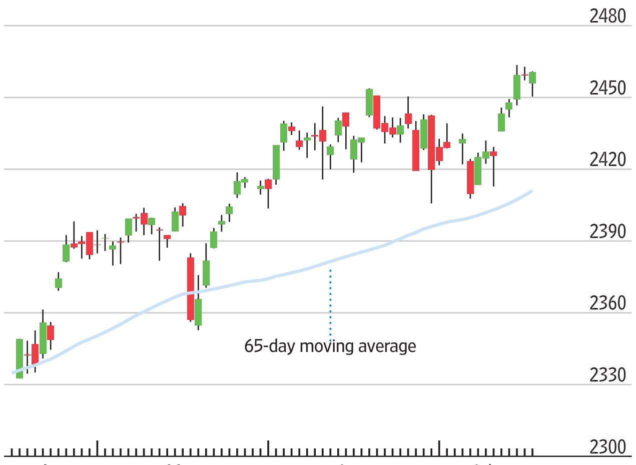
Bars measure the point change from session's open

S&P 500 Index

2460.61 ▲1.47, or 0.06%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.29	24.85
P/E estimate*	18.80	18.37
Dividend yield	1.99	2.13
All-time high:	2460.61, 07/18/17	

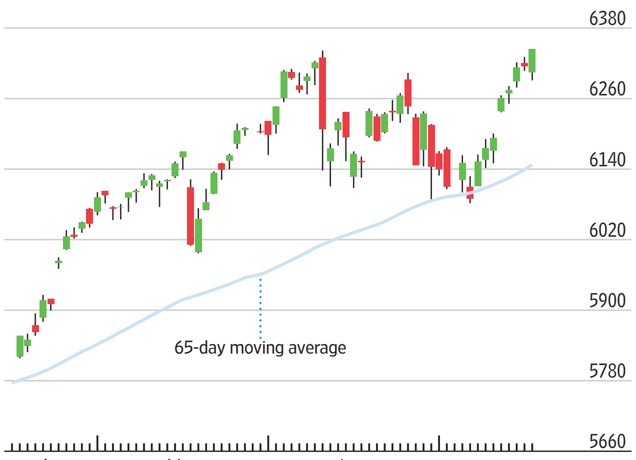


Nasdaq Composite Index

6344.31 ▲29.87, or 0.47%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	*26.14	23.52
P/E estimate*	20.91	19.39
Dividend yield	1.12	1.26
All-time high:	6344.31, 07/18/17	



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	Latest High	Latest Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	% chg YTD	% chg 3-yr. ann.
Dow Jones										
Industrial Average	21589.94	21471.14	21574.73	-54.99	-0.25	21637.74	17888.28	16.2	9.2	8.1
Transportation Avg	9694.49	9627.91	9633.05	-65.15	-0.67	9742.76	7648.44	21.0	6.5	4.7
Utility Average	712.93	710.26	711.78	1.67	0.24	737.51	625.44	0.1	7.9	8.4
Total Stock Market	25490.12	25383.44	25485.98	4.38	0.02	25485.98	21514.15	14.2	9.5	7.3
Barron's 400	655.13	652.29	654.69	-1.27	-0.19	655.96	521.59	20.8	8.8	7.1
Nasdaq Stock Market										
Nasdaq Composite	6344.55	6291.07	6344.31	29.87	0.47	6344.31	5036.37	26.0	17.9	12.7
Nasdaq 100	5880.55	5818.20	5880.10	40.36	0.69	5885.30	4603.28	27.7	20.9	14.3
Standard & Poor's										
500 Index	2460.92	2450.34	2460.61	1.47	0.06	2460.61	2085.18	13.7	9.9	7.5
MidCap 400	1765.83	1756.94	1763.04	-5.11	-0.29	1769.34	1476.68	14.3	6.2	7.7
SmallCap 600	863.08	858.40	861.97	-3.15	-0.36	866.07	703.64	17.0	2.9	9.1
Other Indexes										
Russell 2000	1431.11	1422.49	1427.61	-3.99	-0.28	1431.60	1156.89	18.9	5.2	7.4
NYSE Composite	11879.97	11843.82	11877.42	-13.09	-0.11	11897.31	10289.35	10.4	7.4	2.6
Value Line	528.43	525.30	526.98	-1.45	-0.27	529.13	455.65	10.6	4.1	2.0
NYSE Arca Biotech	3911.73	3872.19	3908.04	9.78	0.25	4016.86	2834.14	24.9	27.1	12.8
NYSE Arca Pharma	536.19	531.69	535.88	2.01	0.38	554.66	463.78	-1.0	11.3	0.9
KBW Bank	96.02	95.09	95.62	-0.57	-0.59	99.33	66.90	41.8	4.2	10.6
PHLX§ Gold/Silver	82.76	82.19	82.40	0.34	0.42	112.86	73.03	-22.8	4.5	-6.9
PHLX§ Oil Service	135.84	133.20	134.21	-0.48	-0.36	192.66	126.75	-20.1	-27.0	-23.9
PHLX§ Semiconductor	1103.47	1089.86	1103.35	3.80	0.35	1138.25	731.78	50.8	21.7	19.7
CBOE Volatility	10.35	9.66	9.89	0.07	0.71	22.51	9.51	-17.4	-29.6	-6.4

§Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE MKT and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of $2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	After Hours Last	Net chg	% chg	High	Low
Chico's FAS	CHS	12,924.2	8.70	-0.001	-0.01	8.70	8.50
JBG SMITH Properties	JBGS	10,394.4	37.24	...	unch.	37.25	37.03
SPDR S&P 500	SPY	5,324.1	245.74	0.08	0.03	245.93	244.96
iShares MSCI Emg Markets	EEM	4,057.5	43.37	0.02	0.05	43.38	43.15
Halliburton	HAL	3,693.6	44.00	...	unch.	44.07	43.75
iSh Curr Hd MSCI Eurozone	HEZU	2,713.8	29.22	-0.03	-0.10	29.22	29.22
PwrShrs QQQ Tr Series 1	QQQ	2,052.5	143.37	0.23	0.16	143.53	142.61
Bank of America	BAC	1,957.9	23.91	0.01	0.04	23.92	23.69

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Vertex Pharm	VRTX	1,401.4	165.01	32.85	24.86	173.00	130.81
Exponent	EXPO	9.2	64.05	5.30	9.02	66.80	58.75
Scripps Networks Inter A	SNI	43.9	72.25	5.23	7.80	72.25	66.87
Discovery Comms A	DISCA	49.0	28.00	1.95	7.49	28.00	26.05
Barracuda Networks	CUDA	15.5	24.50	0.95	4.03	24.50	23.35

...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Hortonworks	HDP	90.8	13.14	-1.14	-7.98	14.28	12.91
Inovio Pharmaceuticals	INO	85.6	7.21	-0.62	-7.92	7.84	7.20
Adtran	ADTN	19.5	19.00	-1.50	-7.32	20.75	19.00
MakeMyTrip	MMYT	24.7	30.00	-1.45	-4.61	31.45	29.95
Direxion S&P Biotech Bear	LABD	127.4	6.30	-0.28	-4.26	6.58	6.26

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE MKT
Total volume*	695,680,281	10,160,991
Adv. volume*	274,304,104	2,740,674
Decl. volume*	402,764,532	6,254,831
Issues traded	3,085	334
Advances	1,422	138
Declines	1,519	171
Unchanged	144	25
New highs	119	4
New lows	22	9
Closing tick	253	11
Closing Arms†	1.39	1.46
Block trades*	6,102	108

	Nasdaq	NYSE Arca
Total volume*	1,739,014,039	205,379,354
Adv. volume*	928,817,957	110,943,873
Decl. volume*	778,919,973	92,338,673
Issues traded	3,042	1,351
Advances	1,281	742
Declines	1,587	579
Unchanged	174	30
New highs	110	100
New lows	34	11
Closing tick	...	102
Closing Arms†	0.68	0.98
Block trades*	8,984	1,410

* Primary market NYSE, NYSE MKT NYSE Arca only.
†(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Latest Net chg	Latest % chg	YTD % chg
World	The Global Dow	2826.81	–4.84	–0.17	11.7
	The Global Dow Euro	2298.25	–26.11	–1.12	1.7
	DJ Global Index	366.77	0.26	0.07	12.5
World	DJ Global ex U.S.	246.94	0.27	0.11	15.4
Americas	DJ Americas	592.35	0.23	0.04	9.6
Brazil	Sao Paulo Bovespa	65337.67	125.36	0.19	8.5
Canada	S&P/TSX Comp	15149.57	–15.79	–0.10	–0.9
Mexico	IPC All-Share	51099.71	–232.58	–0.45	12.0
Chile	Santiago IPSA	3829.00	–5.44	–0.14	18.8
Europe	Stoxx Europe 600	382.58	–4.28	–1.11	5.9
Euro zone	Euro Stoxx	378.24	–3.80	–0.99	8.0
Belgium	Bel-20	3872.44	–36.79	–0.94	7.4
France	CAC 40	5173.27	–56.90	–1.09	6.4
Germany	DAX	12430.39	–156.77	–1.25	8.3
Israel	Tel Aviv	1452.97	–3.89	–0.27	–1.2
Italy	FTSE MIB	21358.20	–126.64	–0.59	11.0
Netherlands	AEX	518.17	–3.33	–0.64	7.2
Spain	IBEX 35	10524.50	–126.70	–1.19	12.5
Sweden	SX All Share	577.64	–9.47	–1.61	8.1
Switzerland	Swiss Market	8977.98	–60.67	–0.67	9.2
U.K.	FTSE 100	7390.22	–13.91	–0.19	3.5
Asia-Pacific	DJ Asia-Pacific TSM	1659.06	6.62	0.40	16.6
Australia	S&P/ASX 200	5687.40	–68.10	–1.18	0.4
China	Shanghai Composite	3187.57	11.10	0.35	2.7
Hong Kong	Hang Seng	26524.94	54.36	0.21	20.6
India	S&P BSE Sensex	31710.99	–363.79	–1.13	19.1
Japan	Nikkei Stock Avg	19999.91	–118.95	–0.59	4.6
Singapore	Straits Times	3306.08	7.84	0.24	14.8
South Korea	Kospi	2426.04	0.94	0.04	19.7
Taiwan	Weighted	10481.26	23.72	0.23	13.3

Sources: SIX Financial Information; WSJ Market Data Group

Percentage Gainers...

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
CymaBay Therapeutics	CBAY	6.94	0.96	16.05	7.77	1.15	323.2
Akoustis Technologies	AKTS	7.84	0.94	13.62	14.00	3.49	117.8
Netflix	NFLX	183.60	21.90	13.54	185.00	84.50	113.9
T2 Biosystems	TTOO	2.99	0.33	12.41	8.12	2.50	-40.0
Rite Aid	RAD	2.58	0.27	11.69	8.77	2.21	-63.5
Tantech Holdings	TANH	2.88	0.29	11.22	4.32	1.00	-25.3
Dynatronics Corp.	DYNT	2.55	0.25	10.87	3.75	2.29	-8.9
Mastech Digital	MHH	9.24	0.89	10.66	9.24	5.81	46.0
Tarena International ADR	TEDU	21.32	2.02	10.47	21.40	10.41	103.6
SemiLEDS	LEDS	2.34	0.22	10.38	8.44	2.00	-67.8
uniQure	QURE	7.15	0.67	10.34	9.72	4.72	0.4
RH	RH	75.02	6.72	9.84	75.40	24.41	158.6
Eros International	EROS	13.05	1.15	9.66	19.87	8.65	-27.5
CCA Industries	CAW	3.45	0.30	9.52	3.80	2.25	3.0
Quidel	QDEL	37.36	3.24	9.50	38.92	18.25	89.3

Percentage Losers

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Tile Shop Holdings	TTS	15.00	-5.25	-25.93	22.40	14.63	-15.9
Crossroads Systems	CRDS	2.22	-0.71	-24.29	7.42	1.45	-62.7
ShiftPixy	PIXY	7.74	-2.05	-20.94	11.64	6.30	...
Danaos	DAC	2.45	-0.55	-18.33	4.90	1.25	-45.4
Ericsson ADR	ERIC	6.07	-1.22	-16.69	7.55	4.83	-14.3
Maui Land	MLP	16.50	-3.30	-16.67	27.80	6.23	152.7
Soligenix	SNGX	2.49	-0.33	-11.76	8.50	1.90	-61.6
Tilly's	TLYS	10.17	-1.22	-10.71	15.29	5.53	73.0
SenesTech	SNES	4.46	-0.49	-9.90	10.69	4.31	...
Co-Diagnostics	CODX	4.94	-0.53	-9.69	6.24	4.83	...
VivoPower International	VVPR	3.60	-0.38	-9.55	7.08	2.80	...
CRH Medical	CRHM	3.40	-0.35	-9.33	9.25	3.23	-14.8
Ekso Bionics Holdings	EKSO	2.09	-0.21	-9.13	6.55	0.99	-65.8
Yuma Energy	YUMA	2.11	-0.21	-9.05	5.70	0.05	-59.4
Valeritas Holdings	VLRX	5.85	-0.58	-9.02	52.00	4.51	-87.8

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Delcath Systems	DCTH	125,994	50.3	0.16	15.64	6.49	0.02
Bank of America	BAC	105,989	30.7	23.90	-0.50	25.80	14.03
Advanced Micro Devices	AMD	77,702	-2.1	13.48	-2.32	15.55	5.10
Rite Aid	RAD	72,570	123.2	2.58	11.69	8.77	2.21
Annaly Capital Mgmnt	NLY	68,527	817.3	11.77	-4.00	12.73	9.83
iPath S&P 500 VIX ST Fut	VXX	62,299	-0.8	11.54	-1.37	46.60	11.54
Finl Select Sector SPDR	XLF	62,224	-13.9	24.80	-0.16	25.30	18.94
iShares MSCI Emg Markets	EEM	45,137	-14.7	43.35	0.30	43.45	33.94
Netflix	NFLX	39,951	496.1	183.60	13.54	185.00	84.50
SPDR S&P 500	SPY	37,373	-45.8	245.66	0.05	245.97	208.38

* Volumes of 100,000 shares or more are rounded to the nearest thousand

Volume Movers

Ranked by change from 65-day average*

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
JBG SMITH Properties	JBGS	13,827	19142	37.24	0.03	37.75	30.01
Quidel	QDEL	4,019	1818	37.36	9.50	38.92	18.25
Tile Shop Holdings	TTS	5,487	1645	15.00	-25.93	22.40	14.63
Speedway Motorsports	TRK	585	1594	17.79	1.83	22.29	16.62
SPDR Bloomberg ST Corp Bd	SCPB	3,477	1073	30.68	0.10	30.84	30.43
Woori Bank ADR	WF	66	942	50.15	0.74	50.20	26.66
CymaBay Therapeutics	CBAY	5,152	899	6.94	16.05	7.77	1.15
Sit Rising Rate ETF	RISE	56	853	22.94	-0.04	24.09	22.40
Annaly Capital Mgmnt	NLY	68,527	817	11.77	-4.00	12.73	9.83
Harley-Davidson	HOG	20,993	784	48.95	-5.87	63.40	46.00

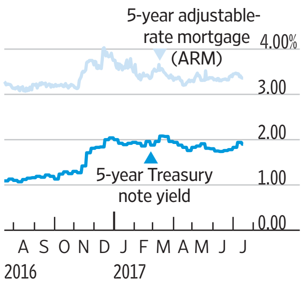
* Common stocks priced at $5 a share or more with an average volume over 65 trading days of at least 5,000 shares †Has traded fewer than 65 days

CREDIT MARKETS & CURRENCIES

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

Five-year ARM, Rate

Bankrate.com avg†:	3.36%
Financial Resources Federal Credit Union	2.88%
Bridgewater, NJ	800-933-3280
Foxboro Federal Savings	2.88%
Foxboro, MA	877-369-3331
Kearny Bank	2.88%
Fairfield, NJ	800-273-3406
Mansfield Co-operative Bank	2.88%
Mansfield, MA	508-339-2901
Schools First FCU	2.88%
Santa Ana, CA	800-462-8328

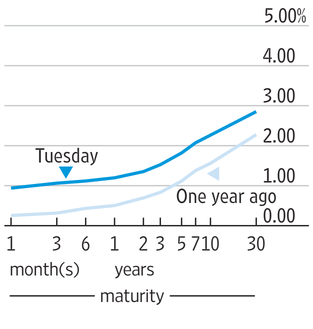
Interest rate	Yield/Rate (%) Last	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	1.00-1.25	1.00-1.25	0.25	1.25	1.00
Prime rate*	4.25	4.25	3.50	4.25	1.00
Libor, 3-month	1.31	1.30	0.70	1.31	1.08
Money market, annual yield	0.33	0.33	0.23	0.36	-0.08
Five-year CD, annual yield	1.44	1.43	1.17	1.44	0.05
30-year mortgage, fixed†	4.02	4.04	3.44	4.33	-0.33
15-year mortgage, fixed†	3.21	3.26	2.70	3.50	-0.26
Jumbo mortgages, $424,100-plus†	4.35	4.43	4.02	4.88	-0.33
Five-year adj mortgage (ARM)†	3.36	3.46	3.07	4.03	-0.32
New-car loan, 48-month	3.09	3.12	2.87	3.36	-0.10
HELOC, $30,000	5.15	5.16	4.57	5.16	0.56

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks. † Excludes closing costs.

Sources: SIX Financial Information; WSJ Market Data Group; Bankrate.com

Treasury yield curve

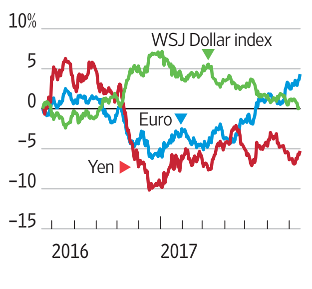
Yield to maturity of current bills, notes and bonds



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Corporate Borrowing Rates and Yields

Bond total return index	Close	Yield (%) Last	Week ago	52-Week High	Low	Total Return (%) 52-wk	3-yr
Treasury, Ryan ALM	1458.743	1.980	2.057	2.237	1.233	–2.752	2.633
10-yr Treasury, Ryan ALM	1736.765	2.263	2.362	2.609	1.458	0.373	2.676
DJ Corporate	376.790	2.952	3.043	3.390	2.488	1.243	4.012
Aggregate, Barclays Capital	1929.320	2.520	2.590	2.790	1.860	0.010	2.612
High Yield 100, Merrill Lynch	2827.779	5.107	5.389	6.448	5.050	9.381	3.591
Fixed-Rate MBS, Barclays	1973.940	2.850	2.900	3.120	1.990	0.315	2.365
Muni Master, Merrill	517.877	1.903	2.007	2.516	1.328	0.239	2.948
EMBI Global, J.P. Morgan	788.782	5.533	5.664	6.290	5.134	4.270	4.689

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Tues in US$	Tues per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso	.0585	17.0883	7.7
Brazil real	.3168	3.1566	–3.0
Canada dollar	.7919	1.2628	–6.1
Chile peso	.001527	655.00	–2.2
Colombia peso	.0003318	3013.59	0.4
Ecuador US dollar	1	1	unch
Mexico peso	.0572	17.4752	–15.7
Peru new sol	.3083	3.243	–3.3
Uruguay peso	.03494	28.6200	–2.5
Venezuela b. fuerte	.100150	9.9851	–0.1
Asia-Pacific			
Australian dollar	.7916	1.2633	–9.0
China yuan	.1482	6.7464	–2.9
Hong Kong dollar	.1281	7.8055	0.6
India rupee	.01555	64.320	–5.4
Indonesia rupiah	.0000751	13309	–1.6
Japan yen	.008924	112.06	–4.2
Kazakhstan tenge	.003069	325.84	–2.4
Macau pataca	.1246	8.0284	1.4
Malaysia ringgit	.2333	4.2865	–4.4
New Zealand dollar	.7350	1.3605	–5.8
Pakistan rupee	.00950	105.250	0.8
Philippines peso	.0197	50.716	2.2
Singapore dollar	.7318	1.3665	–5.6
South Korea won	.0008887	1125.29	–6.8
Sri Lanka rupee	.0065134	153.53	3.4
Taiwan dollar	.03293	30.365	–6.4
Thailand baht	.02979	33.570	–6.3
Vietnam dong	.00004400	22725	–0.2
Europe			
Czech Rep. koruna	.04423	22.610	–12.0
Denmark krone	.1554	6.4368	–8.9
Euro area euro	1.1555	.8655	–9.0
Hungary forint	.003775	264.90	–10.0
Iceland krona	.009456	105.75	–6.4
Norway krone	.1236	8.0892	–6.4
Poland zloty	.2750	3.6363	–13.2
Russia ruble	.01692	59.115	–3.5
Sweden krona	.1205	8.3021	–8.8
Switzerland franc	1.0472	.9549	–6.3
Turkey lira	.2838	3.5230	–0.01
Ukraine hryvnia	.0386	25.9200	–4.3
UK pound	1.3041	.7668	–5.3
Middle East/Africa			
Bahrain dinar	2.6517	.3771	–0.02
Egypt pound	.0557	17.9525	–1.0
Israel shekel	.2802	3.5686	–7.3
Kuwait dinar	3.2985	.3032	–0.8
Oman sul rial	2.5927	.3857	0.2
Qatar rial	.2716	3.682	1.1
Saudi Arabia riyal	.2666	3.7504	–0.01
South Africa rand	.0775	12.8980	–5.8

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.94	–0.44	–0.50	–6.45

Sources: Tullett Prebon, WSJ Market Data Group

COMMODITIES

	Close	Tuesday Net chg	% Chg	52-Week High	Low	% Chg	YTD % chg
DJ Commodity	561.62	2.98	0.53	589.81	506.18	6.34	-0.99
TR/CC CRB Index	176.88	1.00	0.57	195.14	166.50	-4.96	-8.12
Crude oil, $ per barrel	46.40	0.38	0.83	54.45	39.51	3.92	-13.63
Natural gas, $/MMBtu	3.088	0.068	2.25	3.93	2.55	13.20	-17.08
Gold, $ per troy oz.	1241.10	8.30	0.67	1364.40	1127.80	-6.79	7.92

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Open	High	Contract hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; $ per lb.							
July	2.7105	2.7240		2.7105	**2.7235**	0.0065	1,944
Sept	2.7280	2.7335		2.7120	**2.7305**	0.0065	136,484
Gold (CMX)-100 troy oz.; $ per troy oz.							
July	1236.20	1241.20		1236.20	**1241.10**	8.30	40
Aug	1233.30	1244.10		1232.20	**1241.90**	8.20	223,657
Oct	1237.20	1247.30		1235.70	**1245.30**	8.10	23,224
Dec	1240.50	1250.90		1239.10	**1248.80**	8.10	192,015
Feb'18	1244.80	1254.20		1243.30	**1252.50**	8.10	14,803
June	1255.00	1261.10		1254.60	**1259.50**	8.10	7,930
Palladium (NYM) - 50 troy oz.; $ per troy oz.							
July	837.90	837.90		837.90	**869.40**	−1.15	7
Aug	873.45	873.45		873.45	**869.70**	−1.15	4
Sept	864.05	868.30		860.30	**864.40**	−1.15	29,964
Dec	863.70	863.70		857.15	**860.15**	−1.85	3,257
Platinum (NYM)-50 troy oz.; $ per troy oz.							
July	926.40	929.00		926.40	**927.70**	0.10	32
Oct	929.60	934.40		924.80	**930.30**	...	65,816
Silver (CMX)-5,000 troy oz.; $ per troy oz.							
July	16.025	16.255		16.025	**16.222**	0.172	138
Sept	16.080	16.310		16.060	**16.268**	0.169	153,375
Crude Oil, Light Sweet (NYM)-1,000 bbls.; $ per bbl.							
Aug	45.99	46.92		45.81	**46.40**	0.38	106,506
Sept	46.17	47.14		46.02	**46.59**	0.36	598,573
Oct	46.29	47.30		46.21	**46.76**	0.35	161,864
Dec	46.86	47.78		46.72	**47.25**	0.34	322,845
June'18	47.94	48.61		47.75	**48.14**	0.23	123,901
Dec	48.60	49.21		48.39	**48.71**	0.12	168,730
NY Harbor ULSD (NYM)-42,000 gal.; $ per gal.							
Aug	1.4986	1.5259		1.4923	**1.5104**	.0109	69,520
Sept	1.5008	1.5296		1.4968	**1.5149**	.0109	110,241
Gasoline-NY RBOB (NYM)-42,000 gal.; $ per gal.							
Aug	1.5588	1.5926		1.5499	**1.5789**	.0222	60,831
Sept	1.5265	1.5558		1.5190	**1.5408**	.0149	116,938
Natural Gas (NYM)-10,000 MMBtu.; $ per MMBtu.							
Aug	3.022	3.094		3.020	**3.088**	.068	117,818
Sept	3.008	3.079		3.007	**3.073**	.066	291,595
Oct	3.040	3.107		3.039	**3.104**	.064	192,259
Jan'18	3.351	3.404		3.351	**3.403**	.049	116,762
March	3.292	3.323		3.292	**3.323**	.045	84,819
April	2.882	2.914		2.882	**2.912**	.023	99,277

Agriculture Futures

	Open	High	Contract hi lo	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.							
Sept	380.75	388.75		375.25	**377.00**	2.00	563,376
Dec	394.00	402.00		389.00	**390.75**	2.75	544,815
Oats (CBT)-5,000 bu.; cents per bu.							
Sept	287.00	301.50		287.00	**291.75**	6.25	1,505
Dec	290.50	302.75		290.50	**292.00**	3.50	4,692
Soybeans (CBT)-5,000 bu.; cents per bu.							
Aug	997.25	1004.25		985.75	**989.50**	4.50	91,625
Nov	1010.00	1016.75		998.50	**1001.75**	4.25	338,545
Soybean Meal (CBT)-100 tons; $ per ton.							
Aug	326.70	328.00		321.90	**323.50**	1.70	38,170
Dec	333.90	335.80		329.30	**330.90**	1.40	158,654
Soybean Oil (CBT)-60,000 lbs.; cents per lb.							
Aug	33.11	33.60		33.05	**33.17**	.16	61,663
Dec	33.63	34.02		33.46	**33.59**	.15	165,250
Rough Rice (CBT)-2,000 cwt.; $ per cwt.							
Sept	1184.00	1190.00		1180.50	**1186.50**	2.50	8,355
Nov	1204.00	1208.00		1202.00	**1206.00**	2.00	925
Wheat (CBT)-5,000 bu.; cents per bu.							
Sept	509.00	517.75		503.00	**503.75**	−2.25	203,551
Dec	533.00	541.50		526.00	**526.75**	−3.50	134,065
Wheat (KC)-5,000 bu.; cents per bu.							
Sept	508.75	517.50		502.00	**502.75**	−3.75	129,175
Dec	534.75	543.75		528.50	**529.25**	−3.50	76,035
Wheat (MPLS)-5,000 bu.; cents per bu.							
Sept	773.50	789.75		772.75	**780.50**	13.25	32,643
Dec	774.25	793.00		774.25	**783.25**	13.25	30,276
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.							
Aug	153.850	153.900		150.525	**151.600**	−2.825	24,741
Sept	154.225	154.225		150.550	**151.650**	−2.725	16,415
Cattle-Live (CME)-40,000 lbs.; cents per lb.							
Aug	117.200	117.200		114.775	**115.075**	−1.875	77,260
Oct	118.625	118.625		116.450	**116.875**	−1.750	182,535
Hogs-Lean (CME)-40,000 lbs.; cents per lb.							
Aug	80.950	81.250		79.900	**80.500**	−.275	51,116
Oct	68.175	68.500		67.300	**67.875**	−.175	109,023
Lumber (CME)-110,000 bd. ft., $ per 1,000 bd. ft.							
Sept	389.60	392.00		382.70	**385.50**	−1.80	3,109
Nov	377.80	378.80		370.30	**372.20**	−5.10	683
Milk (CME)-200,000 lbs., cents per lb.							
July	15.61	15.62		15.58	**15.60**	−.02	5,141
Aug	16.65	16.71		16.56	**16.65**	−.02	4,824
Cocoa (ICE-US)-10 metric tons; $ per ton.							
Sept	1,907	1,944		1,889	**1,911**	1	129,251
Dec	1,946	1,978		1,926	**1,947**	1	69,432
Coffee (ICE-US)-37,500 lbs.; cents per lb.							
July	125.00	125.25		125.00	**131.90**	.35	3
Sept	133.00	135.30		132.80	**134.90**	1.35	109,788
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.							
Oct	14.13	14.28		13.91	**14.10**	.01	427,917
March'18	14.92	15.00		14.66	**14.84**	...	182,321
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.							
Sept	26.90	26.99	▼	26.90	**26.99**	−.01	1,973
Nov	27.00	27.14	▼	27.00	**27.04**	−.01	2,016
Cotton (ICE-US)-50,000 lbs.; cents per lb.							
Oct	68.50	69.10		67.85	**68.86**	.29	161
Dec	67.84	68.42		66.78	**68.22**	.46	162,949
Orange Juice (ICE-US)-15,000 lbs.; cents per lb.							
Sept	127.00	130.30		126.50	**126.70**	...	7,956
Nov	131.00	131.00		127.60	**127.80**	.10	1,953

Interest Rate Futures

	Open	High	Contract hi lo	Low	Settle	Chg	Open interest
Treasury Bonds (CBT)-$100,000; pts 32nds of 100%							
Sept	152-210	153-310		152-200	**153-270**	31.0	722,495
Dec	151-120	152-220		151-120	**152-190**	31.0	388
Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
Sept	125-220	126-055		125-215	**126-035**	11.5	3,178,685
Dec	125-135	125-260		125-110	**125-245**	12.5	16,981
5 Yr. Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
Sept	117-312	118-065		117-310	**118-047**	4.2	3,001,172
Dec	117-247	117-247		117-247	**117-260**	4.7	5,248
2 Yr. Treasury Notes (CBT)-$200,000; pts 32nds of 100%							
Sept	108-037	108-050		108-035	**108-045**	.5	1,339,035
Dec	108-002	108-002		108-002	**108-002**	.7	499
30 Day Federal Funds (CBT)-$5,000,000; 100 - daily avg.							
July	98.850	98.850		98.848	**98.850**	...	269,045
Oct	98.820	98.830		98.820	**98.825**	.005	272,673
10 Yr. Del. Int. Rate Swaps (CBT)-$100,000; pts 32nds of 100%							
Sept	101.906	102.281		101.906	**102.234**	.422	30,555
1 Month Libor (CME)-$3,000,000; pts of 100%							
Aug	...	...		...	**98.7725**	...	3,000
Eurodollar (CME)-$1,000,000; pts of 100%							
Aug	98.6850	98.6875		98.6825	**98.6850**	−.0025	79,874
Sept	98.6750	98.6800		98.6700	**98.6750**	...	1,496,560
Dec	98.5600	98.5750		98.5550	**98.5650**	.0050	1,895,872
Dec'18	98.2350	98.2700		98.2350	**98.2600**	.0200	1,341,120

Currency Futures

	Open	High	Contract hi lo	Low	Settle	Chg	Open interest
Japanese Yen (CME)-¥12,500,000; $ per 100¥							
Aug	.8891	.8964		.8888	**.8942**	.0051	623
Sept	.8903	.8979		.8901	**.8956**	.0052	251,338
Canadian Dollar (CME)-CAD 100,000; $ per CAD							
July	.7914	.7918	▲	.7877	**.7923**	.0041	266
Sept	.7884	.7956	▲	.7881	**.7932**	.0044	162,678
British Pound (CME)-£62,500; $ per £							
Aug	1.3091	1.3136	▲	1.3019	**1.3060**	−.0009	465
Sept	1.3084	1.3153	▲	1.3031	**1.3075**	−.0008	199,945
Swiss Franc (CME)-CHF 125,000; $ per CHF							
Sept	1.0428	1.0542	▲	1.0420	**1.0517**	.0081	38,534
Dec	1.0520	1.0602	▲	1.0483	**1.0580**	.0082	271
Australian Dollar (CME)-AUD 100,000; $ per AUD							
Aug	.7796	.7940	▲	.7785	**.7919**	.0121	541
Sept	.7791	.7937	▲	.7781	**.7916**	.0122	116,871
Dec	.7777	.7925	▲	.7773	**.7907**	.0122	1,564
Mexican Peso (CME)-MXN 500,000; $ per MXN							
Aug	.05484	.05489		.05448	**.05694**	.00031	64
Euro (CME)-€125,000; $ per €							
Aug	1.1494	1.1600	▲	1.1489	**1.1578**	.0081	2,115
Sept	1.1516	1.1622	▲	1.1509	**1.1599**	.0081	422,674

Index Futures

	Open	High	Contract hi lo	Low	Settle	Chg	Open interest
Mini DJ Industrial Average (CBT)-$5 x index							
Sept	21589	21609		21416	**21520**	−61	131,047
Dec	21523	21561		21377	**21477**	−62	218
S&P 500 Index (CME)-$250 x index							
Sept	2458.50	2460.20		2448.00	**2457.80**	−0.80	47,357
Mini S&P 500 (CME)-$50 x index							
Sept	2459.25	2460.50		2448.00	**2457.75**	−0.75	2,866,491
Dec	2456.75	2458.75	▲	2445.75	**2455.50**	−1.00	27,750
Mini S&P Midcap 400 (CME)-$100 x index							
Sept	1768.30	1769.20		1755.30	**1761.90**	−5.80	91,745
Mini Nasdaq 100 (CME)-$20 x index							
Sept	5858.3	5893.5		5820.3	**5882.8**	27.8	278,955
Dec	5862.3	5899.0		5827.8	**5889.3**	28.0	996
Mini Russell 2000 (ICE-US)-$100 x index							
Sept	1431.60	1431.70		1420.10	**1426.60**	−4.40	565,009
Dec	1423.00	1427.20		1420.00	**1425.60**	−4.40	113
Mini Russell 1000 (ICE-US)-$100 x index							
Sept	1359.30	1362.50		1356.80	**1362.20**	1.10	8,168
U.S. Dollar Index (ICE-US)-$1,000 x index							
Sept	94.95	94.97	▼	94.28	**94.40**	−.50	53,687
Dec	94.52	94.52	▼	94.07	**94.19**	−.51	1,602

Source: SIX Financial Information

Cash Prices | WSJ.com/commodities

Tuesday, July 18, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Tuesday
Energy	
Propane,tet,Mont Belvieu-g	0.6493
Butane,normal,Mont Belvieu-g	0.7826
NaturalGas,HenryHub-i	3.090
NaturalGas,TranscoZone3-i	3.050
NaturalGas,TranscoZone6NY-i	3.150
NaturalGas,PanhandleEast-i	2.700
NaturalGas,Opal-i	2.760
NaturalGas,MarcellusNE PA-i	2.290
NaturalGas,HaynesvilleN.LA-i	2.980
Coal,C.Aplc.,12500Btu,1.2SO2-r,w	52.750
Coal,PwdrRvrBsn,8800Btu,0.8SO2-r,w	11.650
Metals	
Gold, per troy oz	
Engelhard industrial	1243.76
Engelhard fabricated	1337.04
Handy & Harman base	1240.75
Handy & Harman fabricated	1377.23
LBMA Gold Price AM	*1229.85
LBMA Gold Price PM	*1234.10
Krugerrand,wholesale-e	1292.62
Maple Leaf-e	1305.05
American Eagle-e	1305.05
Mexican peso-e	1506.56
Austria crown-e	1221.29
Austria phil-e	1305.05
Silver, troy oz.	
Engelhard industrial	16.2500
Engelhard fabricated	19.5000
Handy & Harman base	16.2650
Handy & Harman fabricated	20.3310
LBMA spot price	£12.4146
(U.S.$ equivalent)	16.1700
Coins,wholesale $1,000 face-a	12268
Other metals	
LBMA Platinum Price PM	*927.0
Platinum,Engelhard industrial	930.0
Platinum,Engelhard fabricated	1030.0
Palladium,Engelhard industrial	871.0
Palladium,Engelhard fabricated	971.0
Aluminum, LME, $ per metric ton	*1901.0
Copper,Comex spot	2.7235
Iron Ore, 62% Fe CFR China-s	68.1
Shredded Scrap, US Midwest-s,w	296
Steel, HRC USA, FOB Midwest Mill-s	611
Fibers and Textiles	
Burlap,10-oz,40-inch NY yd-n,w	0.5800
Cotton,1 1/16 std lw-mdMphs-u	0.6736
Cotlook 'A' Index-t	*82.45
Hides,hvy native steers piece fob-u	66.000
Wool,64s,staple,Terr del-u,w	4.20
Grains and Feeds	
Barley,top-quality Mnpls-u	4.70
Bran,wheat middlings, KC-u	69
Corn,No. 2 yellow,Cent IL-bp,u	3.4550
Corn gluten feed,Midwest-u,w	75.5
Corn gluten meal,Midwest-u,w	475.0
Cottonseed meal-u,w	200
Hominy feed,Cent IL-u,w	92
Meat-bonemeal,50% pro Mnpls-u,w	305
Oats,No.2 milling,Mnpls-u	3.2625
Rice, 5% Broken White, Thailand-l,w	390.00
Rice, Long Grain Milled, No. 2 AR-u,w	21.88
Sorghum,(Milo) No.2 Gulf-u	7.7100
SoybeanMeal,Cent IL,rail,ton48%-u	325.00
Soybeans,No.1 yllw IL-bp,u	9.5600
Wheat,Spring14%-pro Mnpls-u	8.7800
Wheat,No.2 soft red,St.Louis-bp,u	5.0550
Wheat - Hard - KC (USDA) $ per bu-u	4.6375
Wheat,No.1soft white,Portld,OR-u	5.2938
Food	
Beef,carcass equiv. index	
choice 1-3,600-900 lbs.-u	187.43
select 1-3,600-900 lbs.-u	174.43
Broilers,dressed 'A'-u	n.a.
Broilers, National comp wghtd-u,w	1.0625
Butter,AA Chicago	2.6450
Cheddar cheese,bbl,Chicago	148.50
Cheddar cheese,blk,Chicago	171.00
Milk,Nonfat dry,Chicago lb.	85.25
Cocoa,Ivory Coast-w	2219
Coffee,Brazilian,Comp	1.2958
Coffee,Colombian, NY	1.5301
Eggs,large white,Chicago-u	0.7650
Flour,hard winter KC	16.05
Hams,17-20 lbs,Mid-US fob-u	0.85
Hogs,Iowa-So. Minnesota-u	89.62
Pork bellies,12-14 lb MidUS-u	n.a.
Pork loins,13-19 lb MidUS-u	1.2556
Steers,Tex.-Okla. Choice-u	n.a.
Steers,feeder,Okla. City-u,w	167.38
Fats and Oils	
Corn oil,crude wet/dry mill-u,w	37.0000
Grease,choice white,Chicago-h	0.3125
Lard,Chicago-u	n.a.
Soybean oil,crude;Centl IL-u	0.3242
Tallow,bleach;Chicago-h	0.3550
Tallow,edible,Chicago-u	0.3700

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra,Tordella & Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; L=livericeindex.com; M=midday; N=nominal; n.a.=not quoted or not available; R=SNL Energy; S=The Steel Index; T=Cotlook Limited; U=USDA; W=weekly, Z=not quoted. *Data as of 7/17

Source: WSJ Market Data Group

Bonds | WSJ.com/bonds

Tracking Bond Benchmarks

Return on investment and spreads over Treasurys and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	Yield (%) Latest	Low	High
Broad Market Bloomberg Barclays					
1929.32	2.7	U.S. Aggregate	2.520	1.860	2.790
U.S. Corporate Indexes Bloomberg Barclays					
2749.59	4.5	U.S. Corporate	3.120	2.760	3.520
2604.58	3.3	Intermediate	2.630	2.190	3.010
3770.55	7.3	Long term	4.190	3.970	4.710
562.43	3.4	Double-A-rated	2.580	2.020	2.870
708.13	5.0	Triple-B-rated	3.420	3.180	3.870
High Yield Bonds Merrill Lynch					
410.34	5.6	High Yield Constrained	5.541	5.456	6.927
409.90	6.6	Triple-C-rated	10.381	9.584	15.470
2827.78	5.4	High Yield 100	5.107	5.050	6.448
371.46	5.5	Global High Yield Constrained	5.223	5.129	6.484
299.63	4.4	Europe High Yield Constrained	2.626	2.537	3.914
U.S Agency Bloomberg Barclays					
1636.10	1.9	U.S Agency	1.810	1.200	1.960
1465.10	1.3	10-20 years	1.620	1.030	1.750
3325.51	6.4	20-plus years	2.930	2.430	3.460
2431.76	3.8	Yankee	2.740	2.340	3.090
Mortgage-Backed Bloomberg Barclays					
1973.94	1.7	Mortgage-Backed	2.850	1.990	3.120
1944.15	1.3	Ginnie Mae (GNMA)	2.830	1.870	3.090
1156.77	1.8	Fannie mae (FNMA)	2.860	2.020	3.120
1781.47	1.9	Freddie Mac (FHLMC)	2.870	2.030	3.130
517.88	3.8	Muni Master	1.903	1.328	2.516
362.91	4.5	7-12 year	1.896	1.374	2.618
402.96	4.4	12-22 year	2.455	1.688	3.047
388.65	4.7	22-plus year	2.935	2.139	3.622
Global Government J.P. Morgan†					
540.24	0.6	Global Government	1.440	0.820	1.560
756.38	0.4	Canada	1.930	1.240	2.020
365.58	-0.9	EMU§	1.223	0.512	1.363
701.47	-0.7	France	0.950	0.270	1.210
503.76	-2.1	Germany	0.570	-0.100	0.620
287.04	-0.4	Japan	0.420	-0.020	0.460
554.91	-2.0	Netherlands	0.700	0.020	0.760
918.39	0.5	U.K.	1.560	0.960	1.790
788.78	6.7	Emerging Markets **	5.533	5.134	6.290

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds † In local currency § Euro-zone bonds

** EMBI Global Index

Sources: Merrill Lynch; Bloomberg Barclays; J.P.Morgan

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose(▲) or fell (▼) in the latest session

Coupon (%)	Country/ Maturity, in years	Yield (%) Latest	Previous	Month ago	Year ago	Spread Under/Over U.S. Treasurys, in basis points Latest	Prev	Year ago
1.250	U.S. 2	1.360 ▲	1.360	1.315	0.694			
2.375	10	2.265 ▼	2.316	2.153	1.585			
2.750	Australia 2	1.906 ▲	1.855	1.681	1.624	54.6	49.5	93.0
2.750	10	2.754 ▲	2.739	2.417	1.999	48.9	42.3	41.3
0.000	France 2	-0.398 ▼	-0.396	-0.482	-0.527	-175.8	-175.6	-122.1
1.000	10	0.829 ▼	0.846	0.639	0.215	-143.6	-147.0	-137.1
0.000	Germany 2	-0.640 ▼	-0.613	-0.665	-0.641	-200.0	-197.3	-133.4
0.500	10	0.557 ▼	0.584	0.276	-0.014	-170.7	-173.2	-159.9
0.050	Italy 2	0.054 ▼	0.074	-0.298	-0.055	-130.6	-128.6	-74.9
2.200	10	2.193 ▼	2.236	1.976	1.253	-7.1	-8.1	-33.2
0.100	Japan 2	-0.106 ▲	-0.107	-0.115	-0.332	-146.6	-146.6	-102.5
0.100	10	0.069 ▼	0.080	0.055	-0.230	-219.5	-223.6	-181.6
2.750	Spain 2	-0.293 ▼	-0.275	-0.296	-0.153	-165.3	-163.5	-84.6
1.500	10	1.546 ▼	1.596	1.456	1.243	-71.9	-72.0	-34.2
1.750	U.K. 2	0.264 ▼	0.310	0.159	0.175	-109.6	-105.0	-51.8
4.250	10	1.208 ▼	1.275	1.018	0.827	-105.0	-104.1	-75.9

Source: Tullett Prebon

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

July 18, 2017

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation

	June index level	Chg From (%) May '17	June '16
U.S. consumer price index			
All items	244.955	0.09	1.6
Core	252.014	0.07	1.7

International rates

	Latest	Week ago	52-Week High	Low
Prime rates				
U.S.	4.25	4.25	4.25	3.50
Canada	2.70	2.70	2.70	2.70
Japan	1.475	1.475	1.475	1.475
Policy Rates				
Euro zone	0.00	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50	0.50
Britain	0.25	0.25	0.50	0.25
Australia	1.50	1.50	1.75	1.50
Overnight repurchase				
U.S.	1.06	1.03	1.38	0.15

U.S. government rates

	Latest	Week ago	52-Week High	Low
Discount				
	1.75	1.75	1.75	1.00
Federal funds				
Effective rate	1.1800	1.1800	1.2000	0.3300
High	1.3125	1.3125	1.3125	0.5625
Low	0.9700	0.9700	1.1600	0.2000
Bid	1.1500	1.1500	1.1600	0.2800
Offer	1.1700	1.1800	1.1900	0.3000
Treasury bill auction				
4 weeks	0.955	0.950	0.955	0.160
13 weeks	1.050	1.040	1.050	0.250
26 weeks	1.105	1.125	1.130	0.395

Secondary market

	Latest	Week ago	52-Week High	Low
Fannie Mae				
30-year mortgage yields				
30 days	3.508	3.619	3.865	2.808
60 days	3.538	3.645	3.899	2.837

Other short-term rates

	Latest	Week ago	52-Week high	low
Call money				
	3.00	3.00	3.00	2.25
Commercial paper (AA financial)				
90 days	1.17	1.18	1.26	0.59
Libor				
One month	1.22778	1.22389	1.22833	0.48530
Three month	1.30694	1.30350	1.30694	0.69710
Six month	1.45600	1.46267	1.46544	1.00730
One year	1.73344	1.75233	1.82761	1.32890
Euro Libor				
One month	-0.399	-0.404	-0.369	-0.405
Three month	-0.376	-0.372	-0.302	-0.376
Six month	-0.303	-0.306	-0.191	-0.308
One year	-0.183	-0.184	-0.060	-0.190
Euro interbank offered rate (Euribor)				
One month	-0.374	-0.374	-0.366	-0.375
Three month	-0.331	-0.331	-0.295	-0.332
Six month	-0.274	-0.273	-0.183	-0.274
One year	-0.151	-0.155	-0.045	-0.163

	Latest	Value Traded	52-Week High	Low
DTCC GCF Repo Index				
Treasury	1.071	65.048	1.366	0.244
MBS	1.106	94.100	1.506	0.257

	Settle	Change	Open Interest	Implied Rate
DTCC GCF Repo Index Futures				
Treasury Jly	98.880	unch.	6254	1.120
Treasury Aug	98.880	unch.	2686	1.120
Treasury Sep	98.855	unch.	1668	1.145

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective June 15, 2017. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective June 15, 2017. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Liffe US.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; General Electric Capital Corp.; Tullett Prebon Information, Ltd.

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Tuesday, July 18, 2017

ETF	Symbol	Closing Price	Chg (%)	YTD (%)
AlerianMLPETF	AMLP	12.08	0.08	-4.1
CnsmrDiscSelSector	XLY	90.82	0.45	11.6
CnsStapleSelSector	XLP	54.78	...	5.9
DBGoldDoubleLgETN	DGP	22.91	1.33	13.9
DBGoldDoubleShrt	DZZ	5.90	-1.34	-13.9
DeutscheXMSCIEAFE	DBEF	30.23	-0.33	7.7
EnSelectSectorSPDR	XLE	65.01	-0.47	-13.7
FinSelSectorSPDR	XLF	24.80	-0.16	6.7
GuggS&P500EW	RSP	93.67	-0.21	8.1
HealthCareSelSect	XLV	79.90	0.08	15.9
IndSelSectorSPDR	XLI	69.23	-0.23	11.3
iShIntermCredBd	CIU	110.10	0.17	1.8
iSh1-3YCreditBond	CSJ	105.40	0.05	0.4
iSh3-7YTreasuryBd	IEI	123.90	0.19	1.1
iShCoreMSCIEAFEETF	IEFA	61.89	0.13	15.4
iShCoreMSCIEmgMk	IEMG	52.23	0.35	23.0
iShCoreMSCITotInt	IXUS	58.78	0.12	16.4
iShCoreS&P500ETF	IVV	247.36	0.08	9.9
iShCoreS&PMdCp	IJH	175.68	-0.30	6.3
iShCoreS&PSmCpETF	IJR	70.69	-0.31	2.8
iShS&PTotlUSStkMkt	ITOT	56.26	0.04	9.7
iShCoreUSAggBd	AGG	109.67	0.23	1.5
iShSelectDividend	DVY	91.96	-0.20	3.8
iShEdgeMSCIMinEAFE	EFAV	69.85	0.26	14.1
iShEdgeMSCIMinUSA	USMV	49.24	-0.08	8.9
iShGoldTr	IAU	11.95	0.76	7.9
iShiBoxx$InvGrCpBd	LQD	121.20	0.43	3.4
iShiBoxx$HYCpBd	HYG	88.60	0.05	2.4
iShJPMUSDEmgBd	EMB	114.85	0.29	4.2
iShMBSETF	MBB	106.99	0.24	0.6
iShMSCIACWIETF	ACWI	66.76	0.18	12.8
iShMSCI EAFE	EFA	66.25	0.09	14.8
iShMSCIEAFESC	SCZ	58.88	0.43	18.1
iShMSCIEmgMarkets	EEM	43.35	0.30	23.8
iShMSCIEurozoneETF	EZU	41.30	-0.15	19.4
iShMSCIJapanETF	EWJ	53.84	0.52	10.2
iShNasdaqBiotech	IBB	315.14	0.02	18.8
iShNatlMuniBdETF	MUB	110.57	0.18	2.2
iShRussell1000Gwth	IWF	121.70	0.32	16.0
iShRussell1000ETF	IWB	136.70	0.08	9.8
iShRussell1000Val	IWD	116.25	-0.17	3.8
iShRussell2000Gwth	IWO	170.91	-0.14	11.0
iShRussell2000ETF	IWM	141.69	-0.26	5.1
iShRussell2000Val	IWN	118.87	-0.35	-0.1
iShRussell3000ETF	IWV	145.52	0.01	9.4
iShRussellMid-Cap	IWR	193.58	-0.19	8.2
iShRussellMCValue	IWS	84.37	-0.30	4.9
iShS&PMC400Growth	IJK	198.90	-0.22	9.2
iShS&P500Growth	IVW	140.37	0.31	15.3
iShS&P500ValueETF	IVE	105.42	-0.23	4.0
iShUSPfdStk	PFF	39.13	0.20	5.2
iShTIPSBondETF	TIP	113.60	0.28	0.4
iSh1-3YTreasuryBd	SHY	84.54	0.02	0.1
iSh7-10YTreasuryBd	IEF	106.92	0.37	2.0
iSh20+YTreasuryBd	TLT	124.75	0.87	4.7
iShRussellMCGrowth	IWP	109.42	-0.05	12.4
PIMCOEnhShMaturity	MINT	101.71	0.02	0.4
PwrShQQQ 1	QQQ	143.14	0.67	20.8
PwrShS&P500LoVol	SPLV	44.93	0.07	8.1
PwrShSrLoanPtf	BKLN	23.17	0.04	-0.8
SPDRBloomBarcHYBd	JNK	37.26	0.13	2.2
SPDR Gold	GLD	118.11	0.70	7.8
SchwabIntEquity	SCHF	32.35	0.09	16.9
SchwabUS BrdMkt	SCHB	59.40	0.02	9.6
SchwabUS LC	SCHX	58.69	0.07	10.2
SPDR DJIA Tr	DIA	215.70	-0.24	9.2
SPDR S&PMdCpTr	MDY	320.85	-0.33	6.3
SPDR S&P 500	SPY	245.66	0.05	9.9
SPDR S&P Div	SDY	89.28	-0.15	4.3
TechSelectSector	XLK	57.13	0.46	18.1
UtilitiesSelSector	XLU	52.31	0.29	7.7
VanEckGoldMiner	GDX	22.14	0.73	5.8
VangdInfoTech	VGT	147.57	0.48	21.5
VangdSC Val	VBR	124.00	-0.33	2.5
VangdDivApp	VIG	93.36	-0.06	9.6
VangdFTSEDevMk	VEA	42.09	0.21	15.2
VangdFTSE EM	VWO	42.37	0.17	18.4
VangdFTSE Europe	VGK	56.25	-0.04	17.3
VangdFTSEAWxUS	VEU	51.23	0.20	16.0
VangdGrowth	VUG	130.07	0.32	16.7
VangdHlthCr	VHT	148.61	0.01	17.2
VangdHiDiv	VYM	78.81	-0.04	4.0
VangdIntermBd	BIV	84.84	0.22	2.1
VangdIntrCorpBd	VCIT	88.00	0.32	2.7
VangdLC	VV	112.83	0.07	10.2
VangdMC	VO	144.69	-0.21	9.9
VangdMC Val	VOE	104.31	-0.32	7.3
VangdREIT	VNQ	83.57	-0.21	1.3
VangdS&P500	VOO	225.67	0.08	9.9
VangdST Bond	BSV	79.90	0.03	0.6
VangdSTCpBd	VCSH	80.14	0.07	1.0
VangdSC	VB	136.96	-0.24	6.2
VangdTotalBd	BND	81.95	0.23	1.4
VangdTotIntlBd	BNDX	54.31	0.18	0.0
VangdTotIntlStk	VXUS	53.17	0.26	15.9
VangdTotalStk	VTI	126.31	0.06	9.5
VangdTotlWrld	VT	68.79	0.09	12.8
VangdValue	VTV	97.37	-0.15	4.7
WisdTrEuropeHdg	HEDJ	62.95	-0.79	9.7
WisdTrJapanHdg	DXJ	52.31	-0.13	5.6

Corporate Debt

in that same company's share price.

Investment-grade spreads that tightened the most...

Issuer	Symbol	Coupon (%)	Maturity	Spread*, in basis points Current	One-day change	Last week	Stock Performance Close ($)	% chg
American Express	AXP	2.375	May 26, '20	8	-28	39	85.52	0.35
Primerica	PRI	4.750	July 15, '22	90	-21	n.a.	77.90	0.06
Government Properties Income Trust	GOVPIT	4.000	July 15, '22	216	-11	n.a.	...	...
Royal Bank of Scotland	RBS	7.500	Aug. 10, '49	302	-11	345	6.62	-0.45
Shell International Finance	RDSALN	2.125	May 11, '20	21	-11	35	...	...
Bank of America	BAC	2.151	Nov. 9, '20	n.a.	-10	64	23.90	-0.50
Bank of Montreal*	BMO	1.900	Aug. 27, '21	31	-10	46	76.49	0.30
Nextera Energy Capital Holdings	NEE	2.700	Sept. 15, '19	61	-9	n.a.	...	...

...And spreads that widened the most

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
PepsiCo	PEP	2.150	Oct. 14, '20	35	10	32	115.01	0.07
Emera	EMACN	6.750	June 15, '76	201	9	195	...	...
Bank of America	BAC	2.503	Oct. 21, '22	88	8	85	23.90	-0.50
JPMorgan Chase	JPM	5.300	May 1, '49	44	7	33	91.07	-0.35
Micron Technology	MU	7.500	Sept. 15, '23	82	7	90	31.90	0.57
Schlumberger Investment S.A.	SLB	3.300	Sept. 14, '21	60	7	51	...	...
Walgreens Boots Alliance	WBA	2.700	Nov. 18, '19	55	7	60	78.67	-0.64
Royal Bank of Scotland	RBS	6.000	Dec. 19, '23	221	6	222	6.62	-0.45

High-yield issues with the biggest price increases...

Issuer	Symbol	Coupon (%)	Maturity	Bond Price as % of face value Current	One-day change	Last week	Stock Performance Close ($)	% chg
Rite Aid	RAD	6.125	April 1, '23	104.125	5.75	97.625	2.58	11.69
FirstEnergy Solutions	FE	6.050	Aug. 15, '21	43.813	1.81	40.795	30.45	0.69
MEG Energy	MEGCN	6.375	Jan. 30, '23	79.750	1.75	74.402	...	...
Altice Finco S.A.	ALTICE	7.625	Feb. 15, '25	108.000	1.49	n.a.	...	...
Icahn Enterprises	IEP	5.875	Feb. 1, '22	104.000	1.25	101.625	52.15	-0.17
Mallinckrodt International Finance S.A.	MNK	4.750	April 15, '23	88.250	1.25	86.375	44.59	-2.11
Cenovus Energy	CVECN	5.250	June 15, '37	93.888	1.16	92.215	...	...
EP Energy	EPENEG	9.375	May 1, '20	84.000	1.00	77.750	...	...

...And with the biggest price decreases

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
Denbury Resources	DNR	4.625	July 15, '23	50.250	-1.25	n.a.	1.45	-5.84
Cenovus Energy	CVECN	5.700	Oct. 15, '19	105.679	-0.92	105.534	...	...
Hertz	HTZ	5.875	Oct. 15, '20	98.188	-0.81	96.750	16.11	2.29
AMC Entertainment Holdings	AMC	5.875	Nov. 15, '26	103.500	-0.75	104.250	20.10	2.03
Sprint	S	7.125	June 15, '24	111.500	-0.75	110.125	8.45	0.72
TRU Taj	TOY	12.000	Aug. 15, '21	97.000	-0.75	94.875	...	...
Iron Mountain	IRM	6.000	Aug. 15, '23	105.750	-0.71	105.791	34.68	-0.17
CONSOL Energy	CNX	5.875	April 15, '22	100.375	-0.63	99.250	15.60	-0.32

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread.

Note: Data are for the most active issue of bonds with maturities of two years or more

Sources: MarketAxess Corporate BondTicker; WSJ Market Data Group

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS.

The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was $2 or higher.

Footnotes:
▲-New 52-week high.
▼-New 52-week low.
dd-Indicates loss in the most recent four quarters.
FD-First day of trading.
h-Does not meet continued listing standards
lf-Late filing
q-Temporary exemption from Nasdaq requirements.
t-NYSE bankruptcy
v-Trading halted on primary market.
vj-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, July 18, 2017

Dividend Changes

Dividend announcements from July 18.

Company	Symbol	Yld %	Amount New/Old	Frq	Payable / Record
Increased					
FR STRATSs 2006-2 GS Grp	GJS	2.5	.0408 / .03971	M	Aug15 / Aug14
General Finance 9% Pfd. C	GFNCP	9.7	2.30 / 2.225	Q	Jul31 / Jul30
Goldman Sachs Pfd. A	GSpA	3.9	.2396 / .23177	Q	Aug10 / Jul26
Goldman Sachs Pfd. C	GSpC	4.3	.2556 / .24722	Q	Aug10 / Jul26
Goldman Sachs Pfd. D	GSpD	4.3	.2556 / .24722	Q	Aug10 / Jul26
Herman Miller	MLHR	2.1	.18 / .17	Q	Oct15 / Sep02
Mercantile Bank	MBWM	2.4	.19 / .18	Q	Sep20 / Sep08
Transmontaigne Partners	TLP	6.6	.74 / .725	Q	Aug08 / Jul31
Unum Group	UNM	1.9	.23 / .20	Q	Aug18 / Jul31
Initial					
Patriot National Bancorp	PNBK		.01		Aug01 / Jul24
VicSh US Multi Min Vol	VSMV		.01029		Jul21 / Jul20
Funds and investment companies					
Franklin Ltd Duration IT	FTF	10.8	.1073	M	Aug15 / Jul31
Franklin Universal Trust	FT	5.3	.032	M	Aug15 / Jul31
iPath Asian & Gulf Curr	PGD	0.6	.0246	M	Jul21 / Jul20
iPath GEMS Asia 8 ETN	AYT	1.7	.0571	M	Jul21 / Jul20
iPath GEMS Index ETN	JEM	3.9	.0977	M	Jul21 / Jul20
Liberty All-Star Equity	USA	9.0	.13	Q	Sep11 / Jul28
Liberty All-Star Growth	ASG	8.7	.11	Q	Sep11 / Jul28
Master Income ETF	HIPS	7.0	.1075	M	Jul21 / Jul20
NeubergerBerman	NBH	5.2	.0675	M	Aug15 / Jul31
NeubergerBermanCA	NBW	4.3	.0512	M	Aug15 / Jul31
NeubergerBerrmanNY	NBO	4.1	.0437	M	Aug15 / Jul31
VicSh Developed Enh Vol	CIZ	0.0	.00035	M	Jul21 / Jul20
VicSh Div Accelerator	VSDA	0.5	.01029	M	Jul21 / Jul20
VicSh EM Vol Wtd	CEZ	2.9	.06851	M	Jul21 / Jul20
VicSh Intl Volatility Wtd	CIL	0.0	.00156	M	Jul21 / Jul20
VicSh US 500 Enh Vol Wtd	CFO	0.3	.0122	M	Jul21 / Jul20
VicSh US 500 Vol Wtd	CFA	0.3	.01208	M	Jul21 / Jul20
VicSh US Disc Enh Vol Wtd	CSF	0.2	.00754	M	Jul21 / Jul20
VicSh US EQ Incm Enh Vol	CDC	0.9	.03411	M	Jul21 / Jul20
VicSh US LC High Div Vol	CDL	1.0	.03502	M	Jul21 / Jul20
VicSh US SC Hi Div Vol	CSB	0.7	.02497	M	Jul21 / Jul20
VicSh US SC Vol Wtd	CSA	0.2	.008	M	Jul21 / Jul20
Voya Gl Equity Div	IGD	9.7	.061	M	Aug15 / Aug03
Voya Intl High Div	IID	8.0	.052	M	Aug15 / Aug03
WBI Tactical Hi Incm	WBIH	3.2	.06462	M	Jul21 / Jul20
WBI Tactical Incm Shares	WBII	2.4	.05192	M	Jul21 / Jul20
WBI Tactical SMY Shares	WBIC	0.0	.00022	M	Jul21 / Jul20
Foreign					
Avianca Holdings ADR	AVH	1.4	.10172	A	Aug10 / Jul27
Canadian Pacific Railway	CP	1.1	.44112	Q	Oct30 / Sep29
Crescent Point Energy	CPG	3.9	.02353	M	Aug15 / Jul31
Granite REIT	GRP/U	5.0	.17018	M	Aug15 / Jul31
Knot Offshore Partners	KNOP	8.9	.52	Q	Aug15 / Aug02
Vermilion Energy	VET	6.5	.16861	M	Aug15 / Jul28

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2:1: stock split and ratio; SO: spin-off.

BANKRATE.COM® MMA, Savings and CDs

Average Yields of Major Banks

Tuesday, July 18, 2017

Type	MMA	1-MO	2-MO	3-MO	6-MO	1-YR	2-YR	2.5YR	5YR
National average									
Savings	0.10	0.07	0.07	0.12	0.18	0.31	0.46	0.46	0.84
Jumbos	0.19	0.07	0.07	0.13	0.20	0.34	0.50	0.48	0.88
Weekly change									
Savings	0.01	0.00	0.00	0.00	0.00	0.01	0.01	0.00	-0.01
Jumbos	-0.01	0.00	0.00	0.00	-0.01	0.00	-0.01	-0.01	-0.02

Consumer Savings Rates

Explanation of ratings: Safe Sound SM, (855) 733-0700, evaluates the financial condition of federally insured institutions and assigns a rank of **1,2,3,4 or 5** based on data from the fourth quarter of 2015 from federal regulators. **5:** most desirable performance; **NR:** institution is too new to rate, not an indication of financial strength or weakness. Information is believed to be reliable, but not guaranteed.

High yield savings

Bank/rank, Phone number	Minimum	Yield (%)
Money market and savings account		
DollarSavingsDirect /4, (866) 395-8693	$1	1.40
BankPurely /4, (844) 878-7359	$1	1.30
CIT Bank /4, (855) 462-2652	$100	1.30
One-month CD		
M.Y. Safra Bank, FSB /4, (212) 652-7200	$5,000	0.30
VirtualBank /4, (877) 998-2265	$10,000	0.15
AloStar Bank of Commerce /4, (877) 738-6391	$1,000	0.10
Two-month CD		
VirtualBank /4, (877) 998-2265	$10,000	0.15
Three-month CD		
First Internet Bank of Indiana /4, (888) 873-3424	$1,000	1.21
TAB Bank /4, (800) 837-4136	$1,000	0.95
Luana Savings Bank /4, (800) 666-2012	$1,000	0.95
Six-month CD		
First Internet Bank of Indiana /4, (888) 873-3424	$1,000	1.37
Nationwide Bank /4, (855) 255-1176	$500	1.20
M.Y. Safra Bank, FSB /4, (212) 652-7200	$5,000	1.12
One-year CD		
First Internet Bank of Indiana /4, (888) 873-3424	$1,000	1.52
EverBank /3, (855) 228-6755	$5,000	1.52
My e-BAnC by BAC Florida Bank /4, (855) 512-0989	$1,500	1.47
Two-year CD		
First Internet Bank of Indiana /4, (888) 873-3424	$1,000	1.81
EverBank /3, (855) 228-6755	$5,000	1.81
M.Y. Safra Bank, FSB /4, (212) 652-7200	$5,000	1.71
Five-year CD		
Synchrony Bank /5, (800) 903-8154	$25,000	2.35
First Internet Bank of Indiana /4, (888) 873-3424	$1,000	2.30
Barclays /4, (888) 720-8756	$0	2.30

High yield jumbos - Minimum is $100,000

Bank/rank, Phone number	Yield (%)
Money market and savings account	
BBVA Compass /3, (800) COMPASS	1.25
My Banking Direct, a service of NY Community Bank /3, (866) 285-1856	1.15
Discover Bank /5, (877) 505-4051	1.01
One-month CD	
M.Y. Safra Bank, FSB /4, (212) 652-7200	0.30
USAA /5, (800) 583-8295	0.22
VirtualBank /4, (877) 998-2265	0.15
Two-month CD	
VirtualBank /4, (877) 998-2265	0.15
Citizens Trust Bank /4, (404) 659-5959	0.01
Three-month CD	
TriState Capital Bank /4, (866) 680-8722	1.30
First Internet Bank of Indiana /4, (888) 873-3424	1.21
Luana Savings Bank /4, (800) 666-2012	1.10
Six-month CD	
TriState Capital Bank /4, (866) 680-8722	1.45
First Internet Bank of Indiana /4, (888) 873-3424	1.37
Nationwide Bank /4, (855) 255-1176	1.25
One-year CD	
TriState Capital Bank /4, (866) 680-8722	1.60
My e-BAnC by BAC Florida Bank /4, (855) 512-0989	1.53
First Internet Bank of Indiana /4, (888) 873-3424	1.52
Two-year CD	
First Internet Bank of Indiana /4, (888) 873-3424	1.81
EverBank /3, (855) 228-6755	1.81
TriState Capital Bank /4, (866) 680-8722	1.80
Five-year CD	
Synchrony Bank /5, (800) 903-8154	2.35
First Internet Bank of Indiana /4, (888) 873-3424	2.30
EverBank /3, (855) 228-6755	2.30

Notes: Accounts are federally insured up to $250,000 per person effective Oct. 3, 2008. Yields are based on method of compounding and rate stated for the lowest required opening deposit to earn interest. CD figures are for fixed rates only. MMA: Allows six (6) third-party transfers per month, three (3) of which may be checks. Rates are subject to change.

Source: Bankrate.com, a publication of Bankrate, Inc., North Palm Beach, FL 33408
Internet: www.bankrate.com

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least $500 million each. **NAV** is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. **NET CHG** is change in NAV from previous trading day. **YTD%RET** is year-to-date return. **3-YR%RET** is trailing three-year return annualized.

e-Ex-distribution. **f**-Previous day's quotation. **g**-Footnotes x and s apply. **j**-Footnotes e and s apply. **k**-Recalculated by Lipper, using updated data. **p**-Distribution costs apply, 12b-1. **r**-Redemption charge may apply. **s**-Stock split or dividend. **t**-Footnotes p and r apply. **v**-Footnotes x and e apply. **x**-Ex-dividend. **z**-Footnote x, e and s apply. **NA**-Not available due to incomplete price, performance or cost data. **NE**-Not released by Lipper; data under review. **NN**-Fund not tracked. **NS**-Fund didn't exist at start of period.

Tuesday, July 18, 2017

Higher Rates Benefit BofA

Fed's increases help quarterly earnings jump 10%, but trading revenue declines

By Rachel Louise Ensign

Bank of America Corp. said its second-quarter profit climbed 10% as the bank continued to pocket gains from Federal Reserve rate increases.

Quarterly profit at the Charlotte, N.C., bank was $5.27 billion, compared with $4.78 billion a year earlier. Per-share earnings of 46 cents beat the 43 cents a share that analysts expected.

Second-quarter revenue was $22.83 billion, up from $21.29 billion a year earlier. On an adjusted basis, revenue was $23.07 billion, compared with analysts' expectations of $21.78 billion.

Bank of America's large base of U.S. deposits and rate-sensitive mortgage securities makes it particularly poised to benefit from an uptick in interest rates, which recently started rising after years of record lows.

But declining long-term bond yields and other factors meant the second quarter was a mixed bag for net interest income, a measure of lending profit.

On one hand, net interest income rose 8.6% from the year-earlier period to $10.99 billion. The lender was able to keep most of the benefit from rising short-term rates because it hasn't faced competitive pressure to increase deposit rates for customers.

MARK LENNIHAN/ASSOCIATED PRESS

CEO Brian Moynihan has made cost-cutting a key to his strategy.

The Fed has raised short-term interest rates, which influence the rate the bank earns on loans and securities, twice so far in 2017. The rate the bank paid on U.S. interest-bearing deposits has barely budged: It stood at 0.11% in the second quarter, compared with 0.09% in the prior quarter.

The rates the bank is paying depositors are "amazingly low," said Glenn Schorr, a bank analyst at Evercore ISI. Analysts have attributed depositors' reluctance to chase higher yields at other banks to a variety of factors, including the convenience of BofA's large branch network and digital capabilities.

When compared with the first quarter of 2017, the bank's net interest income was less impressive. The metric, which Bank of America initially said would rise about $150 million, fell $72 million. In May, the lender said the sale of a business and a reversal in long-term bond yields would eliminate most of that projected gain.

On Tuesday, bank executives said they expected net-interest income to rise in the third quarter from the second quarter. They declined to specify by how much. "I think we want to get out of the game of putting size parameters on it," said Paul Donofrio, the bank's chief financial officer.

The bank's shares fell 0.5% Tuesday, less than the fall in the KBW Nasdaq Bank Index and the 2.6% decline in shares of **Goldman Sachs Group** Inc., which also reported earnings.

Still, Bank of America shares are up more than 40% since the November election. The initial share-price gains after Donald Trump's surprise victory in the presidential election have been sustained as the lighter regulatory touch investors hoped for has started to materialize. In late June, Bank of America got Fed approval for a large increase in its dividend and stock buybacks.

The lender, the second-largest U.S. bank by assets, faced challenges in the second quarter. Trading revenue at Bank of America, excluding an accounting adjustment, fell 9% to $3.37 billion from $3.7 billion in the second quarter of last year.

Expenses rose 1.7% to $13.73 billion from $13.49 billion a year earlier. Chief Executive Brian Moynihan has made cost-cutting a tenet of his strategy.

Bull Market Lacks Herd Mentality

By Ben Eisen

One thing the stock market has going for it: It isn't trendy.

Investors have found it difficult to pick sectors and strategies that have consistently outperformed throughout this bull market because the trends keep shifting. What was up one day or week is down the next, and vice versa, according to an analysis by Jim Paulsen, chief investment strategist at the Leuthold Group.

When it is tough to find a strategy that outperforms for long periods, investors act less like a herd and are forced further afield in search of market-beating returns. Such an environment also means investors are less likely to become overly optimistic and complacent and pile into one side of a trade that is doing well until it crashes.

Mr. Paulsen views the level to which investors are piling into particular trades as the market's trendiness. By his analysis, this bull market has, for the most part, had a trendiness level that ranks in the bottom 25% of historical readings.

Only for brief periods in 2009 and 2014 did his measure of trend following jump above the bottom-of-the-barrel grouping.

"Almost the entire bull market has been with an internal market trendiness that is very low," Mr. Paulsen said.

To measure the extent to which the market is characterized by trend following, Mr. Paulsen looked at 40 indexes that track various industry segments. He tracked how many days in a row each one underperformed the broader market on a one-year trailing basis before flipping to outperform, or vice versa. The performance didn't matter: only how long it stayed above or below the benchmark before it switched. Once it did so, the trend was deemed to have ended. He averaged them out to come up with a reading on trendiness.

What he found is that the measure peaked at times when the market was at elevated levels, such as during the height of the dot-com bubble in 2000. At that time, everyone was following hot tech startups—a herd behavior that ended with a crash. It bottomed out after the 2008 financial crisis had roiled markets and there were few consistent trends to ride out.

Years later, this bull market is getting old but the measure is still low, Mr. Paulsen said.

Doldrums in Dollar Mean Easier Money

By Ben Eisen

CURRENCIES

A deep decline in the dollar this year is easing the flow of money through the financial system, potentially setting up a face-off between investors who are betting on loose financial conditions and Federal Reserve officials who want them tighter.

The Goldman Sachs Financial Conditions Index, a widely watched gauge, was at its lowest since late 2014 this week. The lower the index, the looser the flow of money, based on factors like bond yields and the value of the dollar against its peers.

Much of that is the result of a falling greenback. The WSJ Dollar Index, a measure of the U.S. currency against 16 others, is down 6.5% since the end of last year. The index was down 0.5% Tuesday at its lowest level since October, before the presidential election spurred a big surge in the dollar.

Investors had bet on a stronger dollar in the immediate aftermath of the election, reasoning that faster economic growth and higher inflation under the Trump administration would lead the Fed to lift rates faster. That has reversed in recent months as economies around the world have proved surprisingly strong relative to the U.S. The dollar continued its decline Tuesday after Republican senators withdrew a health-care bill.

The lower trade-weighted dollar has been the most important factor loosening financial conditions over the past week, according to Goldman Sachs. Rising equity prices and a falling 10-year Treasury yield have also been important contributors.

Financial conditions are loosening in part because investors are starting to question whether the Fed can lift rates as rapidly as it hopes, with President Donald Trump's policy agenda in Washington stalled and inflation dropping below the central bank's 2% target. In the fed funds futures market, traders have been betting this month that the chances of another rate increase this year are below 50%, according to CME Group. The measure was recently at 52%, down from about 60% at the end of March.

Typically Fed rate increases tighten financial conditions, restricting credit to keep the economy from overheating. And that did happen after the Fed's first rate increase in 2015.

6.5%

Decline in the WSJ Dollar Index since the end of last year

But financial conditions are now looser than before the central bank started its tightening cycle, an environment that can encourage leverage in the financial system.

"The general rise in valuation pressures may be partly explained by a generally brighter economic outlook, but there are signs that risk appetite increased as well," said Fed Vice Chairman Stanley Fischer in prepared remarks late last month. He added: "The evidently high risk appetite has not led to increased leverage across the financial system, but close monitoring is warranted."

Loose financial conditions don't appear to be an imminent concern. But the more financial conditions loosen in the face of a Fed tightening cycle, the more the Fed's view is likely to be at odds with investors.

CRAIG WARGA/BLOOMBERG NEWS

The newest round of revamps includes efforts to reduce wait times and to educate customers about new digital capabilities.

Wells Fargo Adds to Branch Changes

By Emily Glazer

Wells Fargo & Co. plans a round of new branch changes to improve customer and employee relationships still damaged from the bank's sales-practices scandal last year.

In its next rollout of retail shifts, Wells Fargo aims to solve more problems for branch customers during their visits, rather than refer issues to call centers, said Laurey Cosentino, head of Wells Fargo's retail bank customer and branch experience.

The San Francisco bank unveiled other consumer-unit changes affecting personnel, employee compensation and sales practices after it agreed last September to pay a $185 million settlement over opening as many as 2.1 million accounts using fictitious or unauthorized customer information.

The newest round of changes, which includes efforts to reduce wait times and educate customers about new digital capabilities, will go into effect in mid-2018, with the first phase starting this quarter, said Mary Mack, who took over the retail unit last July.

After eliminating product sales goals in October and rolling out a new compensation plan in January, Ms. Mack said there would be further shifts that affect how employees interact with customers.

Many of the latest changes are based off feedback from employees, including sessions led by Ms. Mack with more than 4,000 employees across 29 cities.

For instance, the bank will roll out a new protocol to handle fee disputes with customers who visit a branch, aiming to get closure on the issue at that session rather than referring it to another office. "Our customers expect to have a good experience when they come into our branches," Ms. Mack said in an interview. "They expect us to take care of their problems and address their questions."

New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE MKT and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. **% CHG**-Daily percentage change from the previous trading session.

Tuesday, July 18, 2017

Stock	Sym	52-Wk Hi/Lo	% Chg
NYSE highs - 119			
AberdeenGrChinaFd	GCH	11.86	0.2
AffiliatedMgrs	AMG	177.54	0.4
Alibaba	BABA	154.60	1.7
AllianzGIConv&Incm	NCV	7.14	0.3
AllianzGIDivIncm	ACV	21.67	1.3
AlpineGlblDyn	AGD	10.69	0.5
AlpnGlblPrProp	AWP	6.53	0.3
AlpineTotDynDiv	AOD	8.88	0.6
Alteryx	AYX	22.78	2.3
AlumofChina	ACH	15.07	2.5
AmericaMovil	AMX	17.28	1.1
AmericaMovil A	AMOV	17.19	1.1
AmerTowerREIT	AMT	138.00	0.6
Aon	AON	137.60	0.4
Aptargroup	ATR	90.41	-0.1
AsiaPacificFund	APB	13.43	1.0
Autoliv	ALV	117.54	0.5
BancodeChile	BCH	87.12	1.2
BA DepShPfL	BMLpL	24.58	...
BankNY Mellon	BK	53.54	0.3
Bard CR	BCR	320.48	0.1
BaxterIntl	BAX	62.49	-0.1
BectonDickinson	BDX	201.44	0.5
Bio-RadLab A	BIO	233.76	0.7
BlkRkCapEnIncoFd	CII	15.23	0.4
BrookfieldBusPtr	BBU	28.25	-0.7
BylineBancorp	BY	21.30	1.3
CPFLEnergia	CPL	16.94	1.0
Celanese A	CE	99.97	...
Chegg	CHGG	14.14	1.8
ChinaFund	CHN	19.18	0.3
Cigna	CI	174.46	-1.2
Coca-Cola Femsa	KOF	91.06	0.9
SABESP	SBS	11.33	2.6
Cooper	COO	253.32	0.5
DTE EnergyDebF	DTY	27.56	0.8
Dana	DAN	24.07	0.6
DelEnhGlDivInc	DEX	11.62	0.7
Dividend&IncomeFd	DNI	12.63	0.2
DominionDiamond	DDC	14.11	0.2
ESCO Tech	ESE	61.75	0.2
EtnVncEqtyInco	EOI	14.00	1.1
EtnVncEqtyInco II	EOS	15.06	0.9
EtnVncTxAdvOpp	ETO	25.94	1.1
EtnVncTxMnGlDvEq	EXG	9.39	0.8
EverestRe	RE	268.41	0.9
ExtendedStayAmer	STAY	20.01	1.5
Ferrari	RACE	95.17	1.5
FidelityNtlInfo	FIS	89.85	0.2
ForestCIty A	FCE/A	24.79	-0.2
GMACCapTrSer2	ALLYpA	26.40	0.1
GabelliDividend	GDV	22.18	...
GabelliGlbSmall&MC	GGZ	12.68	...
GenAmInv	GAM	35.14	0.3
GldmnSachs pfA	GSpA	24.39	0.1
GpoAeroportuar	PAC	118.75	0.5
GpoAeroportSur	ASR	226.65	-0.1
GpFinSantandMex	BSMX	10.37	1.8
ICICI Bank	IBN	9.41	-0.1
IndustrsBachoco	IBA	59.93	1.4
IntegerHoldings	ITGR	44.60	1.7
JinkoSolar	JKS	25.60	7.7
Kemet	KEM	16.75	2.1
LazardWorldDiv	LOR	11.20	...
LockheedMartin	LMT	292.97	-0.6
MGIC Investment	MTG	11.81	0.7
Manpower	MAN	118.61	0.6
Mastercard	MA	128.16	0.2
MexEqIncoFd	MXE	12.22	0.4
MexicoFund	MXF	18.18	0.3
MillerHowardHiIncm	HIE	13.87	1.4
Moody's	MCO	125.99	0.4
Moog B	MOG/B	73.45	0.8
MS EmMktFd	MSF	16.88	0.4
NRG Energy	NRG	23.47	2.2
NewGermanyFund	GF	17.30	0.3
NewRelic	NEWR	48.62	0.1
NorthropGrumman	NOC	266.74	-0.2
NuvCoreEqAlpha	JCE	15.34	0.1
PGT Innovations	PGTI	13.10	-1.1
PIMCODynamicCred	PCI	22.65	0.7
PJT Partners	PJT	44.05	1.3
PrefApartment	APTS	16.55	0.4
PrincipalFin	PFG	66.57	0.1
Prologis	PLD	60.47	2.7
ProtoLabs	PRLB	71.35	0.1
RH	RH	75.40	9.8
Raytheon	RTN	168.92	0.6
RogersComm B	RCI	49.94	1.0
RoyceGlbValueTr	RGT	9.74	0.2
SafeBulkersPfdD	SBpD	20.49	0.1
SantndrFinPfd4	SANpA	26.59	1.1
ScorpioTankNt19	SBBC	26.51	-0.9
SelectMedical	SEM	16.35	0.9
Sony	SNE	40.40	0.6
Sotheby's	BID	56.60	3.0
Square	SQ	26.79	1.5
TAL Education	TAL	148.07	4.1
TPGPaceEnergyWt	TPGE/WS	1.75	25.0
TaiwanFund	TWN	20.23	0.1
TemplMktFd	EMF	15.81	0.6
TotalSystem	TSS	61.58	1.7
TransCanada	TRP	50.49	1.0
TransUnion	TRU	45.20	1.5
TsakosEnergyPfdB	TNPpB	25.92	0.2
TurkishFd	TKF	10.00	0.1
UniversalHealth	UHT	84.33	0.5
Visa	V	97.75	0.8
VersumMaterials	VSM	34.08	...
Viad	VVI	48.95	1.5
Vishay	VSH	17.90	1.7
Visteon	VC	107.74	1.3
VoyaEM HiIncm	IHD	9.19	0.3
VoyaIntlHiDiv	IID	7.80	0.6
WarriorMetCoal	HCC	19.80	0.6
WasteMgt	WM	74.97	0.4
WeightWatchers	WTW	37.85	3.1
WooriBank	WF	50.20	0.7
XL Group	XL	45.89	1.0
NYSE lows - 22			
AT&T	T	35.87	-1.1
BBVABancoFr	BFR	15.85	-6.5
Barnes&NobleEduc	BNED	7.55	0.8
BlueApron	APRN	6.23	-3.5
BrinkerIntl	EAT	36.03	-1.6
CenturyLink	CTL	22.26	-2.4
ChinaDistanceEd	DL	7.51	-4.1
EXCO Res	XCO	1.54	-13.4
Ferrellgas	FGP	4.29	-1.1
GenuineParts	GPC	82.67	-1.3
HarleyDavidson	HOG	46.00	-5.9
IONGeophysical	IO	3.35	-2.9
Imax	IMAX	20.05	1.0
KKR RealEstFin	KREF	20.43	-0.5
Knoll	KNL	19.24	-0.4
PengrowthEnergy	PGH	0.72	0.7
Regal	RGC	18.85	0.5
Smart&FinalStores	SFS	7.50	-3.2
Snap	SNAP	14.63	-2.6
Triple-S Mgmt	GTS	15.65	-1.9
VornadoRealty	VNO	77.26	-1.1
Williams-Sonoma	WSM	43.96	-1.1
NYSE Arca highs - 100			
AdvShCornerSC	SCAP	32.10	0.4
ArrowQVMEquityFact	QVM	25.41	1.4
BuzzUSSentLdrs	BUZ	29.25	0.6
CambriaGlbValue	GVAL	24.64	0.6
ClearSharesOCIO	OCIO	25.28	0.1
ColumbiaBeyBRICs	BBRC	17.81	0.6
CS FI LC Grwth	FLGE	186.21	0.5
CurrShAUD	FXA	79.35	1.5
CurrShCAD	FXC	78.29	0.5
CurrShEuro	FXE	112.01	0.7
DirexMexicoBl3	MEXX	33.13	2.1
DirexKRBull3	KORU	52.38	2.5
Direx iBillionaire	IBLN	29.85	0.1
EmgMktInternetEcom	EMQQ	33.90	1.2
AlphaCloneIntl	ALFI	23.81	0.7
FT DJ Internet	FDN	100.41	1.5
FT Chindia	FNI	37.25	1.3
FlexShIntlQualDiv	IQDF	25.87	0.3
GlbX ChinaIndls	CHII	14.99	0.8
GlbX FTSEAndean40	AND	9.17	1.0
GlbXJPMEfficiente	EFFE	25.93	0.6
GlbXLithium&Batt	LIT	30.66	0.2
GlbX MSCINorway	NORW	12.39	0.6
GlbXMSCIPortugal	PGAL	11.77	1.0
GlbXNextEmerging	EMFM	22.58	0.8
GSHedgeIndVIP	GVIP	49.36	0.4
GuggBRIC	EEB	33.89	0.9
GuggBull2024HY	BSJO	25.74	0.2
GuggChinaTech	CQQQ	50.32	2.6
GuggS&P500PureGr	RPG	96.88	0.3
GuggS&P500Top50	XLG	174.08	0.3
GuggS&PGlblWtr	CGW	33.35	...
InnovatorIBD50Fd	FFTY	28.94	0.8
iShCoreS&PUSGrowth	IUSG	49.42	0.3
iShJPM EM LC Bd	LEMB	47.77	0.6
iShMSCIAustriaCap	EWO	22.16	0.7
iShMSCIEmgMktSC	EEMS	47.95	0.5
iShMSCIItalyCapped	EWI	29.04	0.3
iShMSCIKLD400Soc	DSI	90.98	0.1
iShMSCIMexicoCap	EWW	57.44	0.1
iShMSCIPolandCap	EPOL	25.55	0.6
iShMSCISingapore	EWS	24.40	...
iShMSCISouthKorea	EWY	70.54	0.6
iShMornLCGrowth	JKE	143.74	0.6
iShMornMCGrowth	JKH	186.14	-0.2
iShRussell1000Gwth	IWF	121.70	0.3
iShRussellTop200Gr	IWY	66.08	0.4
iShS&P500Growth	IVW	140.38	0.3
iShGlobalTechETF	IXN	136.95	0.6
iShIntlPfdStock	IPFF	18.37	0.1
iShNorthAmerTech	IGM	151.80	0.7
KnowldgLdrDevWrld	KLDW	31.03	0.3
KraneZacksNewChina	KFYP	40.80	2.2
MktVctDbLngEur	URR	18.43	1.3
MSMrkVecRnmnbi	CNY	42.86	1.4
OppGlbESGRevenue	ESGF	29.06	1.3
PwrShCleantch	PZD	39.81	...
PwrShDynMedia	PBS	28.36	0.1
PwrShDynLC Grwth	PWB	37.06	0.3
PwrShAPac xJapan	PAF	56.89	0.4
PwrShFTSERAFIDevMk	PDN	31.81	0.6
PwrShS&PEM Mom	EEMO	18.99	1.0
PwrShRussMC EW	EQWM	44.51	-0.1
PwrShRussTop200G	PXLG	41.13	0.7
PwrShWldrClean	PBW	4.47	1.4
PrincipalEDGEActv	YLD	42.01	...
ProShS&P500xFin	SPXN	50.07	0.2
ProShShtVIXST	SVXY	88.42	1.4
ProShrUltMexico	UMX	29.45	0.4
SPDRBloomBarEMLoBd	EBND	29.56	0.8
SPDRFactSetInnTech	XITK	72.65	0.5
SPDRMFSSysValueEqu	SYV	60.20	0.9
SPDRMSTech	MTK	76.23	1.0
SPDRMomentumTilt	MMTM	104.06	0.2
SPDRS&P500Growth	SPYG	121.31	0.3
SPDRS&PInternetETF	XWEB	69.61	0.7
SchwabFundIntlSmCo	FNDC	33.35	0.4
SchwabIntlSC	SCHC	34.25	0.5
SchwabUS LC Grw	SCHG	64.62	0.2
SerenityShImpact	ICAN	26.24	0.7
SPDR S&P IntTech	IPK	44.02	0.3
SPDR SP EmEuro	GUR	30.64	0.2
SPDR IntlSC	GWX	33.86	0.4
UBS FIEnhLCGrw	FBGX	185.39	0.4
VanEckAfrica	AFK	22.79	0.6
VanEckGlbAltEn	GEX	60.99	0.4
VanEckIntlHYBd	IHY	25.28	0.6
VanEckMornIntlMoat	MOTI	34.32	0.4
VanEckOilRefin	CRAK	24.18	0.1
VanEckPoland	PLND	19.46	1.2
VangdAWxUSSC	VSS	110.48	0.5
VangdGrowth	VUG	130.10	0.3
VangdMegaGrwth	MGK	102.60	0.4
VangdS&P500 Grw	VOOG	125.91	0.3
VelocityShVIXShrt	XIVH	59.33	1.3
WisdTrChineseYuan	CYB	24.99	0.1
WisdTrEmgCurr	CEW	18.92	0.4
WisdTrEMxSOE	XSOE	28.30	0.6
WorkplaceEquality	EQLT	34.80	0.1
YieldShHiIncome	YYY	19.82	0.3
NYSE Arca lows - 11			
iPathS&P500VIXST	VXX	11.54	-1.4
ProShRAFI L/S	RALS	37.51	-0.3
ProShShortEuro	EUFX	41.17	-0.9
ProShShortHY	SJB	23.35	...
ProShUltVIXST	UVXY	31.61	-2.5
ProShUltShtAUD	CROC	44.82	-3.3
ProShUltShEuro	EUO	22.48	-1.4
ProShUltShtQQQ	QID	16.08	-1.3
ProShrUSTech	REW	21.02	-0.8
ProShsVIXSTFut	VIXY	38.42	-1.2
VelocityShVIXTail	BSWN	20.51	...
NYSE MKT highs - 4			
CCA Industries	CAW	3.80	9.5
CloughGlbEqFd	GLQ	13.25	0.3
CloughGlblOpp	GLO	11.08	0.3
MastechDigital	MHH	9.24	10.7
NYSE MKT lows - 9			
AirIndustries	AIRI	1.31	-7.8
Banro	BAA	0.57	-8.6
CRH Medical	CRHM	3.23	-9.3
iBio	IBIO	0.30	-6.3
ImmunoCellular	IMUC	0.45	-60.7
Libbey	LBY	7.48	-2.5
PlymouthIndREIT	PLYM	17.00	-1.0
Reed's	REED	1.50	...
SachemCapital	SACH	4.18	-2.8
Nasdaq highs - 110			
ASML	ASML	143.38	2.2
AdobeSystems	ADBE	147.96	1.0
AgroFresh	AGFS	8.58	-2.7
Altaba	AABA	58.75	1.7
Amazon.com	AMZN	1026.03	1.4
AmicusTherap	FOLD	13.88	7.0
AmplifyOnlineRet	IBUY	36.56	1.2
AppliedOptoelec	AAOI	91.46	7.1
ArrowInvDWATact	DWAT	11.10	0.2
BGC Partners	BGCP	13.23	1.1
BeiGene	BGNE	77.51	1.3
BiondvaxPharmWt	BVXVW	2.85	26.2
BiondvaxPharm	BVXV	9.39	4.6
BisonCapAcqn	BCACU	10.29	0.6
BldrsEmg50	ADRE	40.58	0.9
CaesarsEnt	CZR	13.20	5.2
CalamosDynConv	CCD	20.62	0.3
CalamosStratTot	CSQ	11.94	-0.3
CanterburyPark	CPHC	11.90	-1.7
Check-Cap Wt	CHEKW	1.61	5.0
ChinaLodging	HTHT	93.06	4.9
Conn's	CONN	21.40	3.4
CryoPort	CYRX	6.16	-4.1
DBVTechnologies	DBVT	41.85	2.2
DataIO	DAIO	9.42	7.2
DavisWorldwide	DWLD	23.20	0.6
E*TRADE	ETFC	40.16	1.4
EverspinTech	MRAM	25.39	-6.1
ExpeditorsIntl	EXPD	59.08	2.2
Facebook	FB	163.73	2.0
FibroGen	FGEN	35.65	-1.0
FinTechAcqnWt	FNTEW	1.95	44.4
FT BICK	BICK	27.47	1.2
FT CA MuniHi	FCAL	50.13	...
FT CloudComp	SKYY	41.06	0.8
FT DevMkts	FDT	56.99	0.3
FT EM Alphadex	FEM	24.94	...
FT EuropeAlpha	FEP	35.95	0.2
FTEurozoneAlpha	FEUZ	40.42	0.3
FT MegaCap	FMK	30.52	0.1
FT NasdClEdSmGr	GRID	45.33	0.3
FTRisingDivAch	RDVY	27.58	-0.3
FT RiverFrDynDev	RFDI	61.52	-0.1
FT RiverFrDynEM	RFEM	65.34	0.8
FT RiverFrDynEur	RFEU	62.93	...
Fonar	FONR	31.90	-3.5
Freshpet	FRPT	17.75	...
GeneralComm A	GNCMA	38.88	-0.5
Gentherm	THRM	40.10	...
GlbXFinTech	FINX	19.44	0.5
GlbXMillThematic	MILN	17.97	1.0
GlbXNASDAQChinaTch	QQQC	26.30	1.5
GlbX Yieldco	YLCO	12.40	0.6
Hasbro	HAS	113.68	0.5
IAC/InterActive	IAC	109.16	1.9
IXYS	IXYS	17.40	1.2
IntegraLifeSci	IART	55.34	...
InterNAP	INAP	4.26	2.5
IntlMultiAssetDiv	YDIV	18.49	0.7
iShGlbTimber	WOOD	62.86	-0.1
iShMSCIEMESGOpt	ESGE	67.23	0.4
iShMSCIUSAESGOpt	ESGU	53.82	1.3
Iteris	ITI	6.88	4.1
Itron	ITRI	72.00	1.3
KBLMergerIV Wt	KBLMW	0.25	33.3
KimballElec	KE	19.70	5.4
KraneCSIChInt	KWEB	51.39	1.6
LGI Homes	LGIH	43.90	-1.7
LPL Financial	LPLA	43.84	1.1
LakelandInd	LAKE	17.18	0.9
LeggMasonDev	DDBI	28.34	0.7
Littelfuse	LFUS	185.72	6.8
MedidataSolutions	MDSO	85.92	-1.0
ModernMediaWt	MMDMW	0.55	10.0
MYndAnalyticsWt	MYNDW	0.78	8.3
NatlInstruments	NATI	42.20	-0.3
Netflix	NFLX	185.00	13.5
Orbcomm	ORBC	11.62	-0.3
OfficeDepot	ODP	5.94	1.0
Ollie'sBargain	OLLI	44.68	0.2
OmegaFlex	OFLX	70.80	-0.9
OraSureTechs	OSUR	19.33	-3.1
OxfordLanePfd2024	OXLCM	25.38	0.4
PayPal	PYPL	58.96	2.4
PennantParkCap	PFLT	14.45	1.2
PointerTel	PNTR	14.65	4.7
PortolaPharm	PTLA	65.34	2.7
PwrShDWA DevMkt	PIZ	26.23	0.2
PwrShNasdInternet	PNQI	110.34	2.2
Priceline	PCLN	1989.04	1.6
PumaBiotech	PBYI	97.15	8.5
Quidel	QDEL	38.92	9.5
RealPage	RP	38.85	3.7
Ryanair	RYAAY	115.97	0.5
SimplyGoodFoods	SMPL	12.50	-1.3
SolarEdgeTech	SEDG	22.90	1.1
SVB Cap II Pfd	SIVBO	29.69	1.0
TarenaIntl	TEDU	21.40	10.5
TowerSemi	TSEM	27.33	2.6
2U	TWOU	49.16	2.6
VangdRuss1000Grw	VONG	124.80	0.3
VSInverseVIXSTerm	XIV	91.67	1.1
VeriSign	VRSN	98.51	0.4
VircoMfg	VIRC	5.45	2.8
WVS Financial	WVFC	16.85	2.8
WestMarine	WMAR	12.90	-0.1
WillametteVallPfA	WVVIP	9.00	39.4
WisdTrChinaxSOE	CXSE	70.29	1.0
WisdTrEMConGrwth	EMCG	24.42	0.4
YY	YY	67.49	1.9
Nasdaq lows - 34			
AirT	AIRT	14.40	-2.8
AppliedGenetic	AGTC	4.65	-4.1
ArgosTherap	ARGS	0.29	-2.8
BrighthouseFin	BHFWV	69.92	...
ChinaFinance	JRJC	1.38	-3.5
ChinaLending	CLDC	3.37	-8.4
Co-Diagnostics	CODX	4.83	-9.7
Compugen	CGEN	3.40	-8.1
CyclacelPharm	CYCC	2.94	-4.5
DiffusionPharm	DFFN	1.80	-6.9
DigilitiMoney	DGLT	2.44	-2.6
Dryships	DRYS	0.81	4.4
ExelaTech	XELA	7.02	-4.4
HeatBiologics	HTBX	0.46	-7.0
InternetGold	IGLD	7.32	-4.9
JounceTherap	JNCE	12.88	-1.9
KBLMergerIV	KBLM	9.65	-0.1
MabVaxTherap	MBVX	0.87	-7.3
MicrobotMed	MBOT	1.10	2.7
NatlCineMedia	NCMI	6.97	-1.4
NetElement	NETE	0.42	-6.1
OrganovoHoldings	ONVO	2.47	-2.7
OrionEnergySys	OESX	1.07	-3.5
ProShUltraProShQQQ	SQQQ	28.53	-2.0
RitterPharm	RTTR	0.50	-19.0
RokaBioscience	ROKA	2.15	-5.0
SenesTech	SNES	4.31	-9.9
Shineco	TYHT	1.95	-7.9
SimplyGoodFoods	SMPL	11.58	-1.3
TileShop	TTS	14.63	-25.9
VS2xVIXShortTerm	TVIX	17.30	-2.4
VSVIXShortTerm	VIIX	19.52	-1.2
WAVE LifeSci	WVE	15.15	-7.6
WPP	WPPGY	99.94	-0.7

Dow Led Lower by Bank Stocks

GOP's failure to pass a health-care bill dashes some investors' hopes for economic stimulus

By Akane Otani And Riva Gold

EQUITIES

The Dow Jones Industrial Average retreated as the dollar and government-bond yields came under fresh pressure.

The day's moves came after Senate Republicans' latest plan to vote on a measure dismantling the Affordable Care Act was derailed. The struggle to pass a health-care bill amplified doubts about the Trump administration's ability to implement policies such as tax cuts and fiscal stimulus, some investors and analysts said.

Hopes for such policies had initially pushed stocks, the dollar and government-bond yields higher after Election Day.

If Republicans can't pass a replacement health-care bill, "there is little else [they] could do" with passing other legislation, said Toshihiko Sakai, senior manager of forex and financial-products trading at Mitsubishi UFJ Trust & Banking.

The Dow industrials fell 54.99 points, or 0.3%, to 21574.73, weighed down by declines in shares of banks.

The S&P 500 edged up 1.47 point, or less than 0.1%, to a fresh closing high of 2460.61 and the Nasdaq Composite added 29.87 points, or 0.5%, to 6344.31. It was the Nasdaq's first record since June 8.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, fell 0.5% to a fresh postelection low, while the yield on the 10-year U.S. Treasury note fell to 2.263% from 2.309% on Monday. Yields fall as bond prices rise.

Although stocks around the world mostly fell Tuesday, some investors said they believe the effect of fiscal-policy changes on the broader stock market will ultimately be muted.

Some investors' hopes for tax cuts and fiscal stimulus have already dimmed, said Ernesto Ramos, head of equities at BMO Global Asset Management. "What's driving the markets here is really the earnings story," he said.

A flurry of corporate-earnings results swung individual stocks on Tuesday.

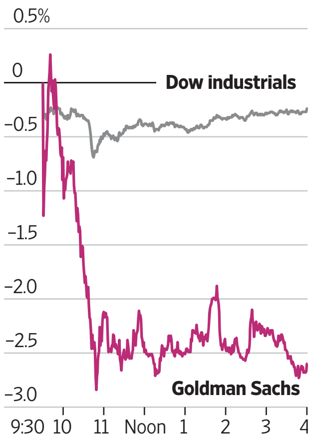
Dow component **Goldman Sachs** shed $5.95, or 2.6%, to $223.31 after the firm reported a 40% decrease in its fixed-income trading business. Declines in the stock, the worst performer in the Dow industrials for the day, wiped off about 41 points from the index.

NETFLIX

Netflix shares rose 14% after subscribers beat analysts' forecasts. A scene from its 'Stranger Things.'

Pullback

A decline in shares of Goldman Sachs weighed on the Dow Jones Industrial Average.



Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

Shares of **Bank of America** fell 12 cents, or 0.5%, to 23.90 after the company reported profit that beat analysts' expectations but said trading revenue fell 9% from the year-earlier period.

Shares of **Netflix** jumped 21.90, or 14%, to 183.60 after the company reported adding more subscribers than analysts had expected in the second quarter.

Elsewhere, the Stoxx Europe 600 dropped 1.1%, snapping a four-day winning streak. Early Wednesday, Australia's S&P ASX 200, which fell 1.2% Tuesday, was up 0.7%. Japan's Nikkei 225 Stock Average was flat, while Hong Kong's Hang Seng Index was up 0.4%.

Safety Bid Boosts Treasurys, U.K. Gilts

By Min Zeng

CREDIT MARKETS

Prices of government bonds on both sides of the Atlantic strengthened Tuesday, sending the yield on the benchmark U.S. 10-year Treasury note to the lowest level this month.

Demand for haven bonds got a boost after Senate Republicans failed to garner enough support to repeal and replace the Affordable Care Act. The latest setback on the health-care bill raised fresh concerns about President Donald Trump's ability to push through his fiscal agenda when data are showing tepid consumer spending and softening inflation.

U.S. Treasury-bond yields rose sharply late last year, driven by expectations that large fiscal stimulus would lead to stronger growth and higher inflation, factors that would cause the value of haven bonds to fall. But the so-called reflation trade, or the Trump trade,

2.263%

Yield on the benchmark 10-year Treasury note

via higher bond-yield wagers has pulled back this year.

"Treasury-bond yields will fall as Trump's domestic agenda looks to be in jeopardy," said Tom di Galoma, managing director at Seaport Global Holdings. "With no new domestic agenda adding to economic growth, it will be very difficult to create new inflation."

The yield on the benchmark 10-year Treasury note settled at 2.263% on Tuesday, compared with 2.309% Monday. It marked the yield's lowest close since June 28. Yields fall as bond prices rise. The 10-year yield jumped to 2.393% on July 7 from this year's low of 2.135% on June 26.

Bond yields have fallen over the past week, supporting some money managers' belief that a rise in bond yields wouldn't last for long without clear signs of accelerated economic growth or inflation.

An unexpected slowdown in the U.K.'s inflation contributed to Tuesday's slides in bond yields. A report showed annual consumer-price gains in the U.K. slowed to 2.6% in June from 2.9% in May. The release reduced some anxieties that the Bank of England might soon follow the Federal Reserve to tighten monetary policy, sending U.K. government-bond yields lower. Lower U.K. yields rippled into the U.S. market, highlighting the tight linkage of global bond markets.

The yield on the 10-year U.K. gilt fell to 1.222% Tuesday from 1.271% Monday, according to Tradeweb.

Some analysts say the global government-bond market remains vulnerable to potential shifts in central banks' monetary-policy outlook. Worries that the European Central Bank would taper its bond buying have been a key factor boosting bond yields recently.

The ECB's policy meeting is scheduled for Thursday, followed by the Fed's two-day meeting next week.

Readings of consumer prices have been softening over the past few months, which means the Fed would go slow in normalizing interest-rate policy, some investors said.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	$137,689,962,400
Accepted bids	$45,000,090,400
" noncompetitively	$478,011,400
" foreign noncompetitively	$0
Auction price (rate)	99.925722 (0.955%)
Coupon equivalent	0.969%
Bids at clearing yield accepted	35.91%
Cusip number	912796KF5

The bills, dated July 20, 2017, mature on Aug. 17, 2017.

52-WEEK BILLS

Applications	$63,471,508,700
Accepted bids	$20,000,064,700
" noncompetitively	$254,991,700
" foreign noncompetitively	$0
Auction price (rate)	98.796778 (1.190%)
Coupon equivalent	1.218%
Bids at clearing yield accepted	51.62%
Cusip number	912796MK2

The bills, dated July 20, 2017, mature on July 19, 2018.

Investors Maintain Their Hold on Bonds

By Chris Dieterich

CORPORATE BONDS

Corporate bonds may be pricey, but investors are hanging on tight.

Results from July's credit investor survey conducted by Bank of America Merrill Lynch highlight the tension between elevated valuations and sturdy economic growth.

Extreme bond bears are nonexistent: Zero survey respondents claimed to be "significantly underweight," the most pessimistic description available, either high-grade or high-yield bonds.

And yet 60% of survey respondents see investment-grade bond spreads as overvalued, the most since 2014 and up from 44% in May's survey. Another 61% of high-yield investors see junk-bond spreads as overvalued. That reading is down from 78% in May, when falling crude prices briefly renewed concerns about oil company debt.

The extra yield demanded by investors to own investment-grade bonds instead of risk-free government debt ended Monday at 1.10 percentage points, the lowest since July 2014, according to Bank of America Merrill Lynch. For speculative-grade bonds, the spread over Treasurys was 3.69 percentage points, likewise near the lowest since 2014.

July's credit survey indicates that investors largely expect spreads to remain in this tight range for the months ahead but are wary about the next year.

Half of high-grade investors said they are overweight, down from 67% in May. Some 8% of junk-bond investors claimed overweight positions, up from May, when 19% of investors were underweight junk.

While defaults are low and a slow-but-steady U.S. economy should limit any upswing in the foreseeable future, these narrow spreads are making investors wary that credit spreads can narrow much more from current levels.

Hints of pessimism appear over the longer term. Some 78% of survey respondents said they expect wider high-grade spreads a year from now, the highest proportion on record. Some 74% of junk-bond investors see wider spreads a year from now.

Investors say that with spreads tight, investors shouldn't expect much return to come from price gains.

"We see returns coming mostly from income," said strategists last week at BlackRock Inc., "not from further spread tightening."

Narrow spreads leave investors more vulnerable to surprising economic reversals.

"Credit markets currently do not compensate investors well for the risk, we believe, in contrast to equities," BlackRock wrote.

Bank of America's survey tallied responses from 99 investors, including institutional money managers at insurance companies, hedge and pension funds.

Oil Prices Climb As Dollar Drops

By Timothy Puko

COMMODITIES

Oil prices rose Tuesday, reviving a recent string of gains on several factors, including a falling dollar and more momentum behind the idea that the worst of a longstanding glut may be past.

Light, sweet crude for August delivery settled up 38 cents, or 0.8%, at $46.40 a barrel on the New York Mercantile Exchange. Brent crude, the global benchmark, gained 42 cents, or 0.9%, to $48.84 a barrel on ICE Futures Europe. Both finished up for the sixth time in seven sessions.

It was the 15th gain in 18 sessions for U.S. oil, a period

Tuesday's gains canceled out about half the losses from Monday's retreat.

that includes its longest winning streak in seven years. Tuesday's gains canceled out about half the losses from Monday's retreat and intraday prices peaked within 40 cents of their highest point of the past six weeks.

While oil prices are still nowhere near the $60 a barrel that many predicted for this time of year, analysts are saying that the reversal in recent weeks could be a turning point bouncing off a new floor for prices. The International Energy Agency said last week it raised its expectations for global demand growth and there are signs exports and oversupply from some of the world's biggest producers are easing.

"The market is undergoing a positive psychological shift, with sentiment turning bullish as diminishing supplies and peak U.S. production take hold," Peter Cardillo, chief market economist at First Standard Financial in New York, said in a note.

Brokers cited the dollar as another factor Tuesday after it fell sharply. That often raises the price of oil and other commodities traded in dollars by making them less expensive for traders who use other currencies. The Wall Street Journal Dollar Index, which tracks the dollar against a basket of other currencies, fell 0.5% on new doubts about President Donald Trump's ability to pass a constructive agenda.

Traders had also been bidding up oil futures in anticipation of stockpile estimates coming from the federal government on Thursday. Crude stockpiles likely fell by 3.1 million barrels, on average, in the week ended July 14, according to analysts and traders surveyed by The Wall Street Journal. Gasoline stockpiles likely fell by 600,000 barrels and distillates grew by 700,000 barrels, according to the survey estimates.

GUILLERMO GRANJA/REUTERS

Ecuador and other major oil producers are struggling to cope with rising production from elsewhere.

The American Petroleum Institute, an industry group, said late Tuesday that its own data for the week showed an increase of 1.6 million barrels in crude supplies, a drop of 5.4 million barrels in gasoline stocks and a fall of 2.9 million barrels in distillate inventories, according to a market participant. Oil futures pared gains by about 20 cents in electronic trading after the group's data release.

The U.S. government releases its official data on Wednesday mornings. A drop in crude stocks would be the 12th decline in the past 14 weeks.

Revived gasoline demand has been another factor driving oil, and its price early Tuesday rose to its highest level since June 1. Gasoline futures gained 2.22 cents, or 1.4%, to $1.5789 a gallon. Demand has picked up since around Memorial Day, significantly reducing a surplus in storage and likely boosted by a strengthening U.S. economy, said Jim Ritterbusch, president of energy-advisory firm Ritterbusch & Associates in notes.

On Tuesday, brokers also pointed to trading interest in a new report on export cuts from Saudi Arabia. Consultant Petroleum Policy Intelligence told clients that the kingdom is considering reducing its exports by as much as 1 million barrels a day.

It would be the latest move as Saudi Arabia struggles to cope with rising production from the U.S., Nigeria and Libya. That has undermined an effort from the Organization of the Petroleum Exporting Countries and other exporters to reduce world supply and led to Saudi Arabia cutting back output even further than its allies in the deal. Saudi Arabia already was slashing its U.S. oil exports to a nearly three-decade low for this time of the year.

—Sarah McFarlane, Jenny W. Hsu and Dan Molinski contributed to this article.

MARKETS

Peso Moves Higher as Trump Trades Fade

A nearly 19% gain vs. dollar this year comes as Nafta fears ease, U.S. inflation stays flat

By Ira Iosebashvili And Saumya Vaishampayan

The Mexican peso rose to its highest level against the dollar in more than a year, highlighting the reversal in several postelection trades as President Donald Trump's policy agenda stalls.

The peso has rebounded from a steep postelection fall and is up almost 19% this year at $0.057224, its highest level since May 2016. That means one dollar buys roughly 17.48 pesos.

The currency's latest surge came after a U.S. roadmap for renegotiating the North American Free Trade Agreement fell short of Mr. Trump's protectionist campaign rhetoric, easing fears that a new deal would hurt Mexico's export-dependent economy.

The peso's rally has been one of several sharp turnarounds that have played out in financial markets over the past few months, as political wrangling has made it increasingly unlikely that the administration will push through market-boosting policies such as tax cuts, regulatory rollbacks and infrastructure spending.

The dollar hit a new 9½-month low Tuesday and has fallen 6.5% this year, as investors bet the Federal Reserve will raise interest rates at a gradual pace amid uneven U.S. economic data and falling expectations of fiscal stimulus.

Investors have moderated bets on industrial stocks, which would benefit from infrastructure spending, while pouring money into large-capitalization technology stocks that have produced better-than-average returns since the financial crisis. Signs of improving global growth are boosting emerging markets, which many believed would suffer if the White House implemented harsher trade terms.

Tuesday's moves came after some Republican senators declined to back efforts to overhaul health care, the latest blow to the party's top legislative priority. The failure to repeal the Affordable Care Act is "just the last straw," said Andy Ji, Asian currency and rates strategist at Commonwealth Bank of Australia in Singapore. "The health-care bill is just a small part of the big puzzle."

Bets on a surge in growth and inflation under the new administration have also unwound as disappointing inflation data in the U.S. and the prospect of tighter monetary policy in other developed economies have fed declines in the U.S. currency.

U.S. inflation was flat in June compared with the previous month, and consistently low inflation readings could give Fed officials a reason to hesitate before raising interest rates again. Higher rates make the dollar more attractive to yield-seeking foreign investors.

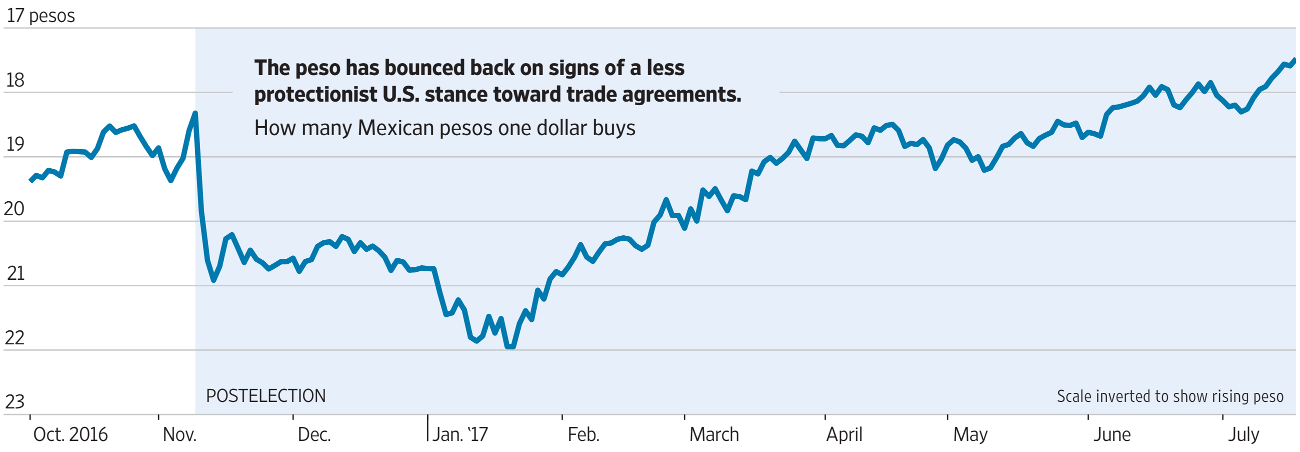
"The U.S. is having difficulty passing its agenda," said Alvise Marino, a currency strategist at Credit Suisse. "Add that to a pretty dovish Fed, and you get a poor picture for the dollar overall."

A narrowing gap between rates in the U.S. and abroad may also be detrimental to the dollar. The Bank of Canada raised rates for the first time in seven years last week, while top officials at the European Central Bank and Bank of England have hinted they could also begin to tighten monetary policy in the near term. The ECB is set to deliver its next policy decision Thursday.

At the same time, abating political risk and an expected decline in Mexican inflation will likely benefit the peso, said Juan Carlos Rodado, director of Latin American research at Natixis.

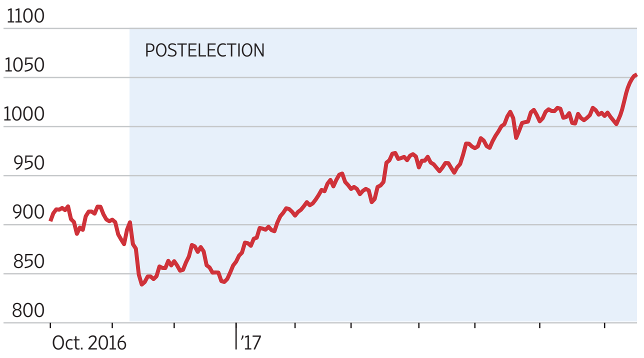
Turning Around

Many trades have reversed course as investors have grown skeptical that the Trump administration can implement its fiscal agenda.



Emerging-market stocks have been buoyed by data showing improved global growth.

MSCI Emerging Markets Index



The dollar has declined, as investors bet the Federal Reserve will take a gradual approach to raising interest rates.

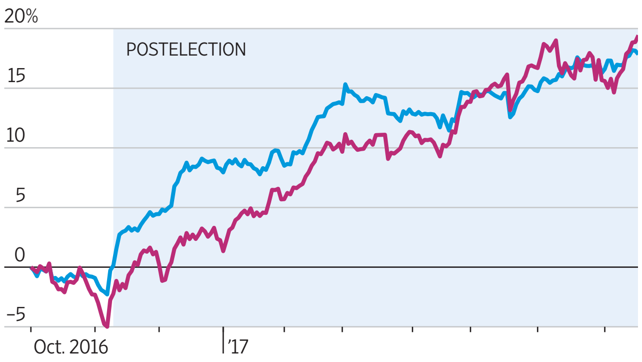
WSJ Dollar Index

Bond yields have pared postelection gains as expectations for a surge of growth and inflation have waned.

Yield on 10-year Treasury note

Technology shares, a large part of the Nasdaq Composite, are outperforming industrials, as hopes for fiscal stimulus have faded.

Dow Jones Industrial Average ■ Nasdaq Composite



Sources: Tullett Prebon (peso); FactSet (MSCI); Ryan ALM (yield); WSJ Market Data Group (indexes)

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Goldman Needs to Revive Trading

Goldman Sachs is starting to lose its Wall Street halo, and it isn't clear what the bank intends to do about it.

For a second consecutive quarter, the bank dramatically underperformed its peers in fixed income, currency and commodities trading. Revenue in this segment fell by 40% from a year earlier in the three months through June.

The main reason appears to be Goldman's large footprint in commodities. Volatility was particularly low for commodity prices in the second quarter, so analysts already expected Goldman to post a weak trading result.

Still, the contrast with other banks is striking. In the same quarter, **Citigroup**, **Bank of America** and **J.P. Morgan Chase** saw declines of 6% to 19% in comparable businesses.

Also for a second quarter in a row, Goldman acknowledged that poor execution in commodities trading played a role. "We didn't navigate the market as well as we aspire to, or as well as we have in the past," Chief Financial Officer Martin Chavez said on a conference call. He added that it was Goldman's worst quarter in commodities since the company went public in 1999.

Universal banks such as Citigroup and J.P. Morgan Chase do more trading for corporate clients, providing a steady flow of business. Goldman specializes more in serving hedge funds and other active investors, meaning volumes can fall off more quickly when speculative appetite recedes.

However, when pressed by analysts on how Goldman might improve execution or customer mix, Mr. Chavez didn't offer anything concrete—just vague assurances that Goldman is looking to fill in client gaps, serve existing clients better and learn from what has worked in other units such as equities.

Goldman still managed to beat analyst estimates for the quarter, thanks to a strong performance in its opaque investing and lending unit. This was largely due to big increases in the value of venture startups and other companies in which Goldman holds equity stakes. But the lack of transparency in this unit means investors can't count on this strong performance being repeated in future quarters.

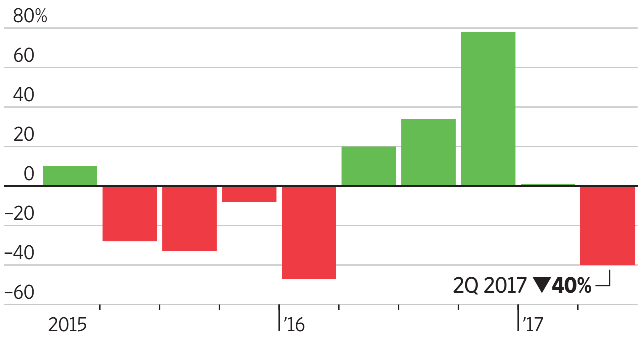
Equities-trading revenue was strong in the second quarter, rising 17% from a year earlier. But other traditional areas of strength for Goldman such as equity underwriting and advising on mergers and acquisitions were weak.

Goldman's shares have been basically flat over the past three months, compared with a rise of around 6% in the KBW Nasdaq Bank Index. To catch up, Goldman needs to give investors a clearer picture how it can turn around what has typically been its most important business unit.

—Aaron Back

Not Smooth

Goldman Sachs fixed-income, currency and commodities trading revenue, change from year earlier



Source: the company

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OVERHEARD

Netflix investors continue to love subscriber growth—perhaps to their long-term detriment—so it is worth examining the company's ability to predict its audience.

Second-quarter net subscriber additions, which were reported Monday, exceeded the streaming company's prior projection by 63%—a record for the last four years in which Netflix has been projecting this number.

There have been only three misses, and they usually spark selloffs in Netflix's richly valued stock, so management has reason to tread carefully.

The company projected 4.4 million total net subscriber additions for the third quarter, which would mark the first sequential decline from the second quarter in at least five years.

Netflix has at least 19 original shows set to debut in the third quarter, but none are established properties. The company may have to work extra hard to keep its viewers tuned in.

What Comes After Health Bill's Failure

Investors were right to ignore the Republican effort to repeal the Affordable Care Act.

Now that the bill has failed, what comes next could be more unpredictable and disruptive to the industry.

Republican support for the Better Care Reconciliation Act unraveled Monday evening. This is good news for health-care companies of all sorts: Health stocks have delivered splendid returns since the ACA became law in 2010.

The bill to replace it, in contrast, called for significant rollbacks in access to Medicaid and introduced new incentives for insurers to more aggressively control health costs. That would likely have harmed industry profits.

Uncertainty now reigns, as opposed to a definite return to the status quo. For instance, Senate Majority Leader Mitch McConnell (R., Ky.) vowed to take up a bill to repeal the ACA without a replacement.

But that idea was quickly scuttled after three Republican Senators said Tuesday they would oppose such a measure.

Yet congressional approval may not even be necessary to frustrate investors. Much of what the Senate bill aimed to achieve also can be accomplished administratively, according to analysts at Hedgeye Risk Management.

None of this means a bad outcome for investors is assured. But with the S&P Health Care Select Sector Index up more than 15% so far this year, it might not be the worst idea for investors to hedge some bets today.

—Charley Grant

Microsoft Needs to Make Its Heads Count in the Cloud

For **Microsoft**, the trick these days is growing the cloud without getting itself too puffed up.

The first objective has been progressing well. When Microsoft reports fiscal fourth quarter results on Thursday afternoon, its cloud businesses should remain a big growth driver—especially in a period of weaker sales of personal computers. The company's Intelligent Cloud segment is expected to boost revenue by 9% year over year, according to FactSet. The Productivity and Business Processes segment, which contains important cloud services like Office 365, Dynamics and the newly acquired LinkedIn, is expected to increase revenue by 20%.

The second point has been more of a challenge. The acquisition of LinkedIn last year added more than 10,000 full-time employees to Microsoft's payroll. That brought the company's total head count to more than 121,000—not quite the record, as the ill-advised pickup of Nokia in 2014 pushed the size of the workforce to more than 128,000. Microsoft has been working since then to bring that number down without substantial job cuts because expanding its cloud business requires talent, and not the cheap kind.

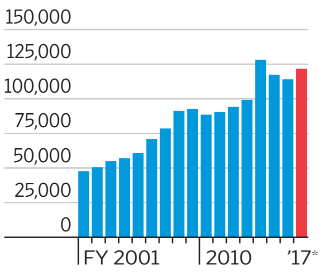
So investors shouldn't expect Microsoft to get much smaller, despite new layoffs numbering "in the thousands" reported earlier this month. An internal email from the company billed the move as an effort to "align the right resources for the right customer at the right time." And it should be noted that Microsoft's efficiency hasn't been a big problem to date. Even with the head-count boost this year, Microsoft's annual revenue per employee still ranks well above that of many of its big tech peers.

Still, Microsoft has to mind its spending. Shifting to the cloud has trimmed the high gross margins of its legacy software business. That isn't a burden shared by its main cloud rivals **Amazon.com** and Google parent **Alphabet** Inc. Wall Street is expecting Microsoft's adjusted operating margin to make gradual improvements over the next two fiscal years. Expensive clouds need to show a silver lining.

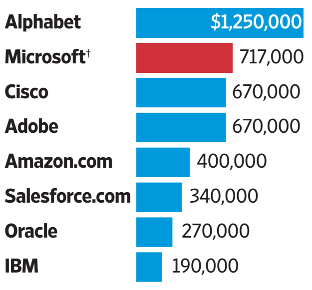
—Dan Gallagher

Staffed Up

Microsoft's full-time employee head count



Annual revenue per employee



*March 31, 2017 disclosure †Trailing 12 months ended March
Note: Fiscal years end in June
Sources: the company (staff); FactSet (revenue)

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