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As of 12 p.m. ET **DJIA** 21460.48 ▼ 0.09% **NIKKEI** 20081.63 ▲ 0.25% **STOXX 600** 382.99 ▲ 0.18% **BRENT** 47.93 ▼ 3.39% **GOLD** 1217.40 ▼ 0.04% **EURO** 1.1333 ▼ 0.12% **DLR** ¥113.26 ▼ 0.02%

What's News

Business & Finance

The bosses of America's biggest and best-known companies are learning a common lesson this year: The pay is great, but job security has rarely been shakier. **A1**

◆ **Troubles at a U.S.** travel firm is a sign that China's HNA is struggling to manage its multibillion-dollar acquisition spree. **A1**

◆ **Volvo said** all new models from 2019 would be either fully electric or a hybrid, phasing out conventional engines in its cars. **B1**

◆ **The Italian** government took control of Banca Monte dei Paschi, injecting $6.1 billion into the troubled lender. **B5**

◆ **Vantiv made an offer** valuing Worldpay at $10 billon, warding off a potential rival bid from J.P. Morgan. **B1**

◆ **Vocus Group agreed** to open its books to KKR, which has pitched a takeover offer valued at about $1.66 billion. **B4**

◆ **True Religion filed** for bankruptcy protection after its owner struck a deal with lenders that will erase $350 million in debt. **B2**

◆ **Federal prosecutors** asked a judge to prevent Martin Shkreli from making public commentary about his securities-fraud trial. **B3**

◆ **Saudi Aramco plans** to cut the price of its lighter crude grades to Asia amid rising competition from rival OPEC producers. **B5**

World-Wide

◆ **The U.S. warned** North Korea that it is ready to fight if provoked, as Pyongyang claimed another weapons-development breakthrough following its launch of an intercontinental ballistic missile. **A1**

◆ **Experts believe** that North Korea has several paths to a viable nuclear-tipped ICBM. **A2**

◆ **Germany's Merkel** and China's Xi pledged to boost economic cooperation between their countries. **A3**

◆ **Thousands of** Iraqi civilians have emerged starving from Mosul's Old City, as the battle to remove Islamic State from Iraq's second-largest city nears its end. **A5**

◆ **State Department** and U.S. Agency for International Development employees are worried about the future of their agencies, expressing concern about a lack of support from the Trump administration. **A6**

◆ **Qatar's foreign** minister accused Saudi Arabia and its allies of orchestrating an "unprecedented smear campaign" to justify efforts to undermine his country's sovereignty. **A5**

◆ **Poland is** working to put on a hero's welcome for Trump as he prepares to give a major speech in a Warsaw square. **A3**

◆ **A New York** police officer was shot and killed in the Bronx while sitting in her vehicle. **A7**

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U.S. Warns of Risk of a Korea War

A top military official cautions Pyongyang against making 'a grave mistake'

BY JONATHAN CHENG

SEOUL—The U.S. warned North Korea that it is ready to fight if provoked, as Pyongyang claimed another weapons-development breakthrough following its launch of an intercontinental ballistic missile a day earlier.

The regime, having demonstrated its capacity to reach the U.S. with a missile, on Wednesday touted another achievement of the test launch: It claimed that its missile warhead—the forward section, which carries the explosive—can withstand the extreme heat and pressure of re-entering the earth's atmosphere.

If true—the claim couldn't be independently verified—that would clear another hurdle in developing a nuclear-tipped missile that can reach American cities.

As tensions between Washington and Pyongyang rose, Gen. Vincent Brooks, the top American military commander in South Korea, said in a statement Wednesday that the U.S. and South Korea are prepared to go to war with the North if given the order.

"Self restraint, which is a choice, is all that separates armistice and war," Gen. Brooks said. "We are able to change our choice when so ordered....It would be a grave mistake for anyone to believe anything to the contrary."

Earlier in the day, allied armies conducted a rare live-fire drill, launching tactical surface-to-surface missiles off the east coast of Korea—an action they said was aimed directly at "countering North Korea's destabilizing and un-

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Off to Europe

Trump is set to give a major speech in Poland, whose nationalist government is putting on a hero's welcome **A3**

China, Germany Warm to Each Other Ahead of G-20 Summit

AXEL SCHMIDT/PRESS POOL/ASSOCIATED PRESS

PANDA DIPLOMACY: Chinese President Xi Jinping and German Chancellor Angela Merkel attend a welcoming ceremony for Chinese panda bears in Berlin. The leaders pledged to boost economic cooperation ahead of what is expected to be a tense G-20 summit in Hamburg. **A3**

Investors, New Tech Creating A Wave of CEO Exits

BY VANESSA FUHRMANS AND JOANN S. LUBLIN

The bosses of America's biggest and best-known companies are learning a common lesson this year: The pay is great, but job security has rarely been shakier.

In June alone, the chief executives of General Electric Co., Uber Technologies Inc., Whirlpool Corp., Buffalo Wild Wings Inc., Perrigo Co. and Pandora Media Inc. resigned or announced their departures. Among those, only Whirlpool's Jeff Fettig didn't have to confront investor pressure in the months before announcing he will step down.

Their exits follow an especially busy season of upheaval in corner offices. In the first five months of 2017, 13 companies with market values of more than $40 billion installed new CEOs—including American International Group Inc., Ford Motor Co., and Caterpillar Inc.—according to an analysis for The Wall Street Journal by executive-recruitment firm Crist/Kolder Associates. That is more than double the CEO changes at mega-corporations in the same period last year.

This chief executive churn reflects a broader reality for the country's business elite: An array of challenges—from increasing impatience on Wall Street and in boardrooms to a corporate landscape rapidly transformed by new technologies and rival upstarts—have made the top job tougher and more precarious than just a few years ago, top executives say. Even the biggest companies are vulnerable to shareholder disapproval and competitive forces that their size and stature once helped them fend off.

The typical CEO of a major company a decade ago resembled a ship captain "who could

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◆ Heard: Solving misaligned executive pay B1

HNA Discovers Struggles Of American Deal Making

BY CAROLYN CUI AND ESTHER FUNG

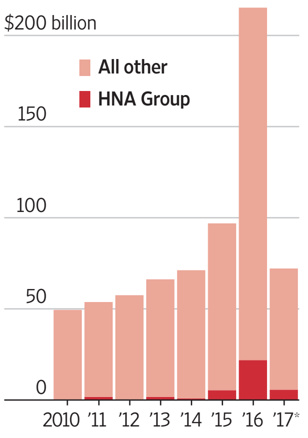
Chinese conglomerate HNA Group Co. purchased a fledgling San Francisco-based online travel firm in late 2015, part of a multibillion-dollar buying spree that earned it a reputation as one of China's most aggressive overseas acquirers.

Just over a year later, that travel firm, Travana Inc., has filed for bankruptcy amid a raft of litigation—a sign of HNA's broader struggles managing its acquisition spree.

Travana, in which HNA invested $27.5 million, faced "insurmountable obstacles" and "the decision to cease operations was in the best interests of all stakeholders," according to an HNA statement. Travana's technology didn't provide the expected competitive edge, its former chief executive overspent and the company faced lawsuits from a rival alleging it had stolen intellectual property, Travana's board said in court filings.

Buying Spree

Value of purchases abroad by Chinese firms



*Data for 2017 are as of June 26.
Source: Dealogic
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Travana has denied stealing the rival's intellectual property. The former CEO, Jason Chen, denied that he overspent.

A group of Travana creditors led by its former chief executive claim the firm's failure is the fault of HNA, and are petitioning a San Francisco court to order an investigation of the circumstances leading to its bankruptcy.

The creditors allege HNA and one of its appointees to Travana's board had engaged in "self-dealing, corruption, wrongdoing and bad faith" that caused the business to fail, and that HNA shut down Travana to hide that wrongdoing, according to the June 15 petition. Travana at one point had around 140 employees globally including half of that in the U.S.

"HNA stands to gain nothing from the liquidation process, which is being conducted in an orderly fashion for the

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POLICE PENSIONS PUT CITIES IN A BIND

Municipalities that try to cut retirement plans face resistance from public and officers

BY HEATHER GILLERS AND ZUSHA ELINSON

When the city of San Jose, Calif., had trouble affording services such as road repair and libraries because of the cost of police pensions, it obtained voter approval to pare them. What happened next proved sobering for other cities in the same pickle. Hundreds of police officers quit. Response times for serious calls rose.

Faced with labor-union litigation, San Jose this year restored previous retirement ages and cost-of-living increases for existing police officers, and last month it gave them a raise.

Police pensions are among the worst-funded in the nation. Retirement systems for police and firefighters have just a median 71 cents for every dollar needed to cover future liabilities, according to a Wall Street Journal analysis of data provided by Merritt Research Services for cities of 30,000 or more.

The combined shortfall in the plans, which are the responsibility of local governments, is more than $80 billion, nearly equal to New York City's annual budget.

Broader municipal pen-

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Here's A Real Nut Job

* * *

Macadamia nuts are in demand, but tough to farm

BY MIKE CHERNEY

DONNELLYVILLE, Australia—After months of waiting, the nuts still hadn't dropped. So around September, Noah Seccombe, a 39-year-old macadamia farmer in eastern Australia, decided it was time to bring out the sticks.

For about a week, a team of workers up to four people strong used homemade nut-knocking sticks to hit the macadamias out of 1,500 trees. Typically many of the nuts fall naturally, but last year Mr. Seccombe said 30% of the crop of some trees was stuck on the branch.

"You're looking up into the

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CAPITAL ACCOUNT | By Greg Ip

Economic Conditions Signal Recession Risk

If you drew up a list of preconditions for recession, it would include the following: a labor market at full strength, frothy asset prices, tightening central banks, and a pervasive sense of calm.

In other words, it would look a lot like the present.

Those of us who have lived through economic mayhem before feel our muscle memory twitch at times like this. Consider the worrisome absence of worry. “Implied volatility” measures the cost of hedging against big market moves via options. When fear is pervasive, options are expensive so implied volatility is high. At present, implied volatility in bonds, stocks, currencies and gold sits near its lowest since mid-2007, the eve of the financial crisis, according to a composite measure maintained by Variant Perception, a London-based investment advisory.

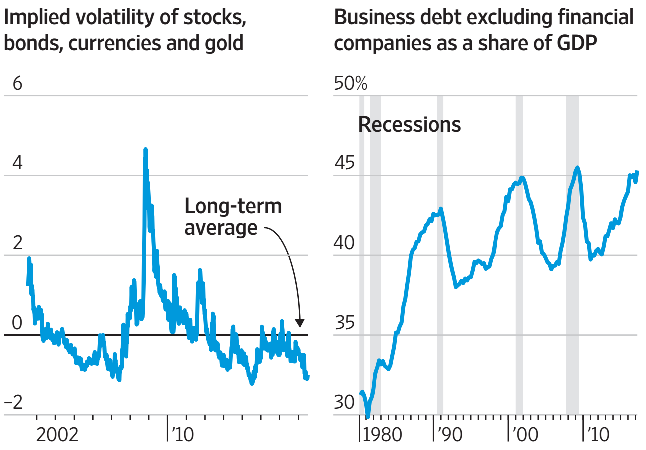
The economic expansion is now entering its ninth year and in two years will be the longest on record. The unemployment rate sits at 4.3%, the lowest in 16 years, suggesting the economy has reached, or nearly reached, full capacity.

Expansions don't die of old age, economists like to say. On the other hand, should we really assume this one will be a record breaker? From a level this low, unemployment has more room to go up than down. Another ominous sign: Central banks are tightening monetary policy, which has preceded every recession. The Fed has raised rates three times since December and last week central banks in Britain, the eurozone and Canada hinted that years of easy money were coming to an end.

Still, the presence of recession preconditions isn't enough to say one is imminent. To understand implied volatility, think of hurricane insurance. Right after a storm, homeowners are more anxious to have coverage, even as insurers withdraw, which of course means premiums spike. As years go by without another hurricane, homeowners let their coverage lapse, insurers return and premiums drop. Similarly, implied volatility is low today because years without a financial calamity have sapped demand for hedging while enticing sellers with the prospect of steady income in exchange for potentially huge losses. But just as hurricane premiums don't predict the next hurricane, low implied volatility tells us nothing about whether or when a downdraft will actually come.

Calm Prevails, but Should It?

Implied volatility, which measures the cost of insurance against big market moves, is at rock-bottom even as business borrowing climbs.



Source: Variant Perception (volatility); Federal Reserve, Bureau of Economic Analysis (business debt)

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Similarly, when unemployment got nearly this low in 1989 and again in 2006, a recession was about a year away; but in 1998, it was three years away, and in 1965, four years. A narrowing spread between short-term interest rates and long-term rates comparable to the present has happened 12 times since 1962, and only five times did recession follow within two years.

But if today's conditions don't dictate a recession or a market meltdown, they expose vulnerabilities that make either more likely in the face of some catalyzing event.

When growth is steady and interest rates are low for years, investors and businesses behave as if those conditions will last forever. That's why even with muted economic growth, stocks are trading at a historically high 22 times the past year's earnings. It's also why home prices have returned to their precrisis peaks in major American cities. Real estate has scaled even greater heights in Australia, Canada and parts of China, which exhibit some of the same lax lending and wishful thinking that underlay the U.S. housing bubble a decade ago.

Companies meanwhile have responded to slow, stable growth and low rates by borrowing heavily, often to buy back stock or pay dividends. Corporate debt as a share of economic output is at levels last seen just before the past two recessions.

When everyone acts as if steady growth and low volatility will last forever, it guarantees they won't. Once asset prices fall, the flow of credit that sustained them dries up, aggravating the correction. Corporate leverage is at levels that in the past led to weakening corporate bond prices and greater equity volatility, says Jonathan Tepper, founder of Variant. “A high proportion of companies won't be able to pay back debt.” A selloff in corporate bonds and stocks could become self-reinforcing as those who insured against such a move sell into it to limit their own losses.

Of course, some things are different this time. The postcrisis regulatory crackdown means if asset prices fall, they probably won't take banks down with them. Last week Janet Yellen, the Fed chairwoman, said she thought there wouldn't be another financial crisis “in our lifetimes.” Fair enough: crises as catastrophic as the last happen twice a century. But small crises are inevitable as risk migrates to financial players who haven't drawn the attention of regulators. “Elevated asset valuation pressures today may be indicative of rising vulnerabilities tomorrow,” Fed vice chairman Stanley Fischer warned last week.

Inflation is uncomfortably low rather than too high as in previous cycles, which makes it less likely central banks will have to raise interest rates sharply or rapidly. But in a world with permanently lower inflation and growth, businesses will struggle to earn their way out of debt, and interest rates will bite at lower levels than before. This confronts the Fed with a dilemma. If bond yields remain around 2% to 2.5%, the Fed may be playing with fire by pushing rates to 3%, as planned. If it backs off those plans, it could egg on excesses that make any reversal more violent.

Ms. Yellen and Mr. Fischer, both veterans of past mayhem, need to be on guard for a repeat. So should everyone else.

Pyongyang Could Take Several Roads to Nuclear ICBM

By Jonathan Cheng

SEOUL—Experts believe that North Korea has several paths to a viable nuclear-tipped ICBM, each of which uses a separate design. North Korea has twice successfully launched a satellite from a three-stage ballistic rocket that has sufficient power to reach the U.S. west coast and could form the basis of an intercontinental ballistic missile.

It also has test-launched its so-called Musudan missile, which is estimated to have a range of 3,000 to 4,000 kilometers, but North Korea appears to have struggled with the technology, failing several times before claiming one success in June 2016.

It is also working on other technologies such as solid-fuel missiles that can be launched from the back of a truck with virtually no advance warning.

All told, the North Koreans now have roughly a dozen different types of missiles that have been displayed—an impressive feat for an isolated country with a population roughly a third the size of Iran, said Uzi Rubin, an Israeli missile-defense engineer and former head of the country's Missile Defense Organization.

“I thought the Iranians had the most advanced missile program in what used to be called the Third World,” he said, calling the North's progress “amazing”—and in particular its successful launch on Tuesday of its Hwasong-14, which Mr. Rubin classified as an intercontinental ballistic missile.

“These are not stage props—these are missiles that are working,” he said.

While the missile launched on Tuesday flew just 580 miles, it was fired at a steep trajectory and reached an altitude of roughly 1,740 miles.

The U.S. Pacific Command in Hawaii identified the Tuesday launch as an intermediate-range ballistic missile, generally meaning a range of 3,000 to 5,500 kilometers. But David Wright, a physicist at the Union of Concerned Scientists, said that if fired at a more-standard trajectory, it could have flown for more than 4,160 miles, and Mr. Rubin said it could have flown nearly 6,200 miles.

That is more than enough to qualify as an ICBM.

The distinction between an intermediate-range and intercontinental ballistic missile is important: The U.S. has forbidden ICBM tests by North Korea, though it is unclear how it will respond to Pyongyang's claim that it has carried one out.

Pyongyang's claim that it has a viable ICBM could pressure the U.S. to bolster missile defenses. In May, the U.S. said it shot down a mock ICBM that was meant to simulate one of the potential threats that the U.S. faces.

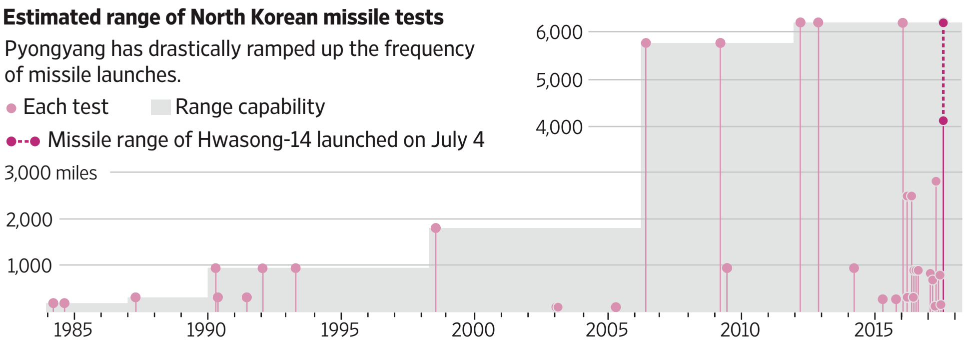
The successful test, which officials called the first live-fire test on a dummy ICBM, was the 17th test of the U.S.'s ground-based missile defense system. Nine of them have succeeded, according to the Missile Defense Agency.

The Missile Push

North Korea said it launched a missile on Tuesday capable of reaching the U.S., capping years of technical effort by the regime to develop ballistic missiles of greater and greater range.

Estimated range of North Korean missile tests

Pyongyang has drastically ramped up the frequency of missile launches.



Note: The estimated distances the missiles traveled are shown.
Sources: South Korean defense ministry (estimated missile ranges); Center for Arms Control and Non-Proliferation (missile tests); David Wright, the Union of Concerned Scientists (estimated missile range of 4,100 miles); Uzi Rubin (estimated missile range of 6,200 miles)

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KOREA

Continued from Page One

lawful actions on July 4.”

The drill and tough language appeared meant to reassure Seoul after North Korea's successful intercontinental ballistic missile test, a significant advance.

Secretary of State Rex Tillerson described the development as an escalation of the threat to the U.S. It came despite years of sanctions and warnings aimed at preventing Kim Jong Un's regime from reaching the milestone.

The U.S. had sought Beijing's help in pressuring North Korea, but recently President Donald Trump said that route had been fruitless.

“Trade between China and North Korea grew almost 40% in the first quarter. So much for China working with us - but we had to give it a try!” the president said in a tweet on Wednesday.

Washington has considered military action against North Korea, but pulling the trigger presents serious risks.

Seoul, a city of 10 million, sits just 35 miles from the North Korean border, where Pyongyang has assembled artillery that could inflict devastating damage on the densely populated South Korean capital.

“A single volley could deliver more than 350 metric tons of explosives across the South Korean capital, roughly the same amount of ordnance dropped by 11 B-52 bombers,” said a report published last year by Stratfor, a geopolitical consultancy based in Austin, Texas.

If attacked by the U.S., North Korea would also likely fire on Japan, an American ally, which is within range of many of Pyongyang's missiles. During one launch in March the North fired four missiles at once toward Japan, which some analysts interpreted as a warning that it could overwhelm any Japanese missile defense.

Meredith Sumpter, director of Asia for Eurasia Group, wrote in a note to clients Tuesday that the odds of a U.S. military strike on North Korea remain low—about a 10% probability—adding it would probably be well-signaled by the U.S. and “clear to outside observers in advance of any military move.”

A report published Wednesday in North Korea's official state media said the warhead its missile carried Tuesday maintained a steady temperature and held its structure even “during the harshest atmospheric re-entry environment.”

The drill and tough language appeared meant to reassure South Korea.

For a missile to cross the Pacific Ocean, it must exit and then re-enter the atmosphere. Re-entry puts incredible stress on the warhead.

The United Nations Security Council was scheduled to hold a meeting on North Korea later Wednesday, following a request from Nikki Haley, the U.S. ambassador to the U.N.

South Korean President Moon Jae-in, who has called for more dialogue and closer economic ties with North Korea, said Wednesday that the time had passed for simply issuing statements in response to the North's “serious provocation.”

“We must show North Korea the strength of our resolve with our missile-launch exercise,” the South Korean president said, according to his spokesman.

The U.S. has been making shows of force in recent months in response to perceived increases in tension on the Korean Peninsula.

In April, it said it was sending the USS Carl Vinson carrier strike group to the western Pacific to underscore Washington's commitment to the region. In that case, the announcement instead raised questions about U.S. credibility after it came to light that the aircraft carrier was thousands of miles away.

And twice in May, the U.S. sent B-1B bombers on flyovers near the Korean Peninsula. Each came shortly after a North Korean missile test.

CORRECTIONS & AMPLIFICATIONS

Philippine troops have been fighting Islamic State-aligned militants in a predominantly Muslim area of Mindanao, an island with a majority Roman Catholic population. World News articles about the conflict on June 12, 22, 30 and July 3 incorrectly described the island as predominantly Muslim.

Banca Monte dei Paschi di Siena SpA is Italy's fourth-largest lender by assets. A Finance & Markets article Wednesday about the bank incorrectly said it was the country's biggest lender.

Readers can alert The Wall Street Journal to any errors in news articles by emailing **wsjcontact@wsj.com**.

SOUTH KOREAN DEFENCE MINISTRY/AGENCE FRANCE-PRESSE/GETTY IMAGES

South Korean and U.S. missile systems conducted a joint drill Wednesday to counter North Korea's ICBM test on Tuesday.

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Poland Prepares 'Huge' Trump Welcome

Nationalist government hopes U.S. president will see it as ideological kindred spirit

By Anton Troianovski

CZAREK SOKOLOWSKI/ASSOCIATED PRESS

Posters advertise President Donald Trump's speech in Poland, where the conservative government is locked in a feud with the EU's executive body and Western European capitals.

WARSAW—Like many of his fellow Polish pro-government lawmakers, Dominik Tarczynski is sending a busload of constituents to Warsaw on Thursday to cheer for President Donald Trump. The buses are being provided by a foundation close to the governing party.

"It's going to be huge—absolutely huge," Mr. Tarczynski said of the coming welcome for Mr. Trump. "They just love him, the people in Poland—they just really love him."

Poland is working to put on a hero's welcome for Mr. Trump as he prepares to give a major speech in a Warsaw square. Behind that effort is a recognition across the continent that Mr. Trump has the potential to change the balance of power in Europe.

President Barack Obama formed a close bond with German Chancellor Angela Merkel and backed her liberal worldview, her acceptance of immigrants, and her support for a deeply integrated European Union. Now it is nationalist governments such as Poland's that hope Mr. Trump will see them as ideological kindred spirits and back their push to loosen the European Union and rebalance it away from Berlin.

"There's this new success—Trump's visit," Jaroslaw Kaczynski, chairman of Poland's ruling Law and Justice party, said at a party congress over the weekend. Tweaking European officials who are nervous that Mr. Trump's visit could deepen the divide on the continent, Mr. Kaczynski went on: "They're envious of it!"

Poland, where the conservative Law and Justice government took over in 2015, is locked in an escalating feud with the EU's executive body in Brussels and with Western European capitals. The European Commission has said the government's changes to the Polish judicial system, including appointing its own judges to the Constitutional Court, undermine the rule of law.

French President Emmanuel Macron suggested Poland was rejecting European democratic principles and treating the bloc like "a supermarket," implying it is taking advantage of the EU without following all of its norms.

German politicians often slam Poland for failing to take in refugees and for reducing press freedoms.

In Mr. Trump, some Polish politicians and commentators see a leader who has campaigned against accepting refugees and criticized the EU and Germany's influence in the bloc.

Some critics of Poland's government are wary of Mr. Trump's trip. Bartosz Wieliński, foreign editor of the liberal Gazeta Wyborcza newspaper, said that the government appeared to be turning Mr. Trump's speech into a "partisan spectacle" and that his public reception would amount to a "Potemkin village."

"This visit, I think, is a kind of opportunity for the ruling government party to show that Poland is not completely isolated internationally," said Rafal Pankowski, a Warsaw political scientist.

In Western Europe, some officials worry that Mr. Trump will fan the flames of anti-immigrant, anti-European Union sentiment just like he endorsed Brexit ahead of the British referendum on leaving the EU last summer.

"It's clear that what the Poles want is to turn their back on France and Germany," a senior EU official said. "Trump is surely not helping."

Polish officials say Mr. Trump's visit isn't about deepening the east-west gulf in the EU, but about backing up Poland on issues including countering Russia and on energy security.

To be sure, many Poles are wary of Mr. Trump, in part because of his calls for closer cooperation with Russia—a country that some of them see as an existential threat.

According to a Pew Research Center survey conducted in the spring, 23% of Poles are confident that Mr. Trump will do the right thing in world affairs, compared with 11% across the border in Germany.

The preparations for Mr. Trump's visit are the latest example of countries jockeying for advantage as the U.S. president puts past American foreign-policy tenets into question. In addition to speaking to Poles at a public square, Mr. Trump will address 12 central European, Baltic, and Western Balkan leaders who are gathering in Warsaw.

Several organizations close to the Law and Justice party are also drumming up supporters to cheer for Mr. Trump. One of them, the nationalist Gazeta Polska Clubs, is touting Mr. Trump's address in Warsaw on Thursday as comparable to John F. Kennedy's "Ich bin ein Berliner" speech of 1963.

—Valentina Pop in Brussels and Martin Sobczyk in Warsaw contributed to this article.

Trump-Tower Push Foiled in Germany

By Nina Adam

FRANKFURT, Germany—When President Donald Trump travels to Germany this week to attend the Group of 20 summit, there won't be a Trump property where he can hang his hat.

That's not for lack of trying. The real-estate magnate once planned to bring his business empire to the country of his forefathers—which has boomed in recent years.

A push by Mr. Trump to enter the market stalled about 15 years ago, derailed by red tape, site constraints and business disputes, according to a former business partner and public records.

After Mr. Trump narrowly avoided bankruptcy in the 1990s, his investment style shifted. He typically puts little of his own money into deals, and Mr. Trump's German project—to bring Trump towers to Europe's largest economy —was conceived as a branding partnership in which he provided his name, while local partners secured the financing, according to his German ex-partner.

Around 2000, Mr. Trump teamed up with Ulrich Marseille, a onetime Hamburg politician and founder of a nursing-home business.

The two met a few times in New York before setting up TD Trump Deutschland AG in 2000 with the goal of building and promoting Trump towers in Germany, Mr. Marseille said.

According to their understanding, Mr. Marseille and others would set up meetings with urban planners, land holders and potential investors, and the U.S. businessman would "cut the red ribbon," Mr. Marseille recalled.

The Trump Organization didn't answer any questions related to TD Trump Deutschland, but a spokeswoman confirmed that Mr. Trump's organization had explored opportunities in "various markets" but has no properties in Germany.

In Germany, Mr. Trump wanted to build "as high as possible," said Petra Roth, then mayor of Frankfurt. Shortly after they met in New York in 2000, Mr. Trump flew to Frankfurt to request permission to build on a riverside plot, she said, but he showed little patience with the German planning process.

"He was totally perplexed that I, the mayor, couldn't grant him planning permission," Ms. Roth said.

In a joint interview with Bild and the Times of London this year, Mr. Trump complained about what he described as the European Union's drawn-out process of approving deals.

President Trump's attempts to build towers in Germany met resistance.

Land-development plans didn't allow for a skyscraper on Mr. Trump's favored spot in Frankfurt, Ms. Roth said, so the focus of TD Trump Deutschland instead turned to affluent Stuttgart, one of Germany's main industrial hubs.

Stuttgart's mayor at the time, Wolfgang Schuster, and other city officials were initially smitten by the idea of a Trump tower, with apartments, offices, a hotel and restaurant, according to local residents and the minutes of a meeting of the local council, which decides such projects.

In 2001, Schweger & Partner architects won a design competition with a sketch of a 200-meter high tower with a "transparent crown," the architect's web site said.

However, some residents were concerned the building would dwarf everything else in the city. The council in early 2003 voted to end discussion, pulling the plug on the project, the minutes showed.

Berlin Bolsters Ties With Beijing

By Andrea Thomas

KRIXZTIAN BOCSI/BLOOMBERG NEWS

China's President Xi Jinping and German Chancellor Angela Merkel at a news conference Wednesday.

BERLIN—German Chancellor Angela Merkel and China's President Xi Jinping pledged to boost economic cooperation between their countries as they met ahead of what is expected to be an unusually tense international summit.

"We are very happy to see that thanks to efforts from both sides, Chinese-German relations have entered a new phase," Mr. Xi said Wednesday, according to a German translation of his remarks.

President Donald Trump's "America First" policies, his threats to crack down on abuse of free trade, and his withdrawal from the Paris climate accord have brought Germany and China—two of the world's largest exporters and both defenders of the climate agreement—closer together.

"Economic relations between China and Germany are of course very important," Ms. Merkel told a joint press conference with Mr. Xi. "We don't only exchange goods, but we're also cooperating more and more in technological areas."

In value of exports and imports combined, China beat the U.S. and France to become Germany's leading trading partner for the first time last year.

The two-day G-20 summit starts Friday in Hamburg. European delegates have said they would confront Mr. Trump on his trade stance and on his decision to withdraw from the Paris accord.

Ms. Merkel said she expected difficult negotiations.

"It's not easy to bring together all 20 countries with all their developments and positions," she said. "I don't know yet what the final result will look like."

Apart from conflicting views on free trade, climate protection is seen as the main stumbling block at the G-20 meeting. China has said it would stick to its commitments under the Paris deal, which saw more than 190 countries pledge to cut greenhouse-gas emissions.

In separate comments published Wednesday, Ms. Merkel also took direct aim at Mr. Trump's trade policy.

The U.S. view of globalization, she told the Die Zeit weekly, was "not about a win-win situation but about winners and losers...Not just the few should benefit from economic progress. Everybody should participate."

Several commercial deals were signed on Wednesday, timed to the meeting between Ms. Merkel and Mr. Xi. These included an agreement between car maker Daimler AG and BAIC Motor Corp. to develop electric cars; strategic partnerships between industrial conglomerate Siemens AG and Chinese companies; and a Chinese order for 140 aircraft from Airbus SE.

Ms. Merkel also pledged that Germany would participate in China's planned revival of ancient Silk Road trading routes from China to Europe if the tendering process was transparent. She didn't elaborate on what form this participation would take.

WORLD WATCH

AUSTRALIA

Central Bank to Hold Rates Steady for Now

Australia's central bank is comfortable holding interest rates steady for now and doesn't share the same need to tighten policy as the Federal Reserve or the European Central Bank, Reserve Bank of Australia board member Ian Harper said.

While encouraging data on the economy is trickling through, there is no need signal coming interest-rate increases, Mr. Harper said. He said a lower Australian dollar would benefit the economy, noting its strengthening in recent weeks, an appreciation that has been fueled by speculation the RBA might adopt a more hawkish tone.

—James Glynn

PHILIPPINES

Sailors Abducted by Militants Found Dead

The decapitated bodies of two Vietnamese sailors abducted last year by suspected Abu Sayyaf militants were found on the southern Philippine island of Basilan, the military said.

The bodies of the crew members were found Wednesday by villagers in the town of Sumisip, the military said.

The two were among six crewmen of the Vietnamese cargo vessel MV Royal 16 taken captive by gunmen in November in the waters off Basilan, part of a wave of sea assaults.

One of the six crewmen was rescued in June. Three others are still being held captive.

—Associated Press

UNITED KINGDOM

Pound's Slide Could Hurt Military Budget

The slide in the value of the pound against the dollar in the aftermath of Britain's vote to leave the European Union could pose difficulties for the defense budget, Defense Secretary Michael Fallon said. His comments come ahead of talks with U.S. Defense Secretary Jim Mattis on military collaboration between the U.S. and the U.K.

—Jenny Gross

FROM PAGE ONE

HNA

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benefit of Travana's creditors," HNA said in a statement.

Charles B. Mobus, a different HNA appointee to Travana's board who is a managing partner at New York banking firm Benedetto, Gartland & Co., said the allegations in the petition are without merit. Mr. Mobus sits on the board of several other companies acquired by HNA and said he has worked with HNA for more than 20 years. Benedetto, Gartland & Co. specializes in raising capital for private-equity firms and providing other investment banking services.

Closely held HNA Group had humble beginnings as an airline in China's southern Hainan province, and once attracted billionaire George Soros as an investor. In recent years it has been on an acquisition tear.

Largely via overseas acquisitions, its assets have more than quadrupled since 2010 to around $146 billion, according to HNA's website. It has announced around $33 billion worth of foreign acquisitions since 2015, according to Dealogic, including a $6.5 billion purchase of 25% of Hilton Worldwide Holdings Inc. and a $6 billion deal for electronics distributor Ingram Micro Inc.

But Chinese regulators have recently started to probe the high debt levels of HNA—which had around $104 billion in debt at the end of 2016—as well as other aggressive overseas investors. Some industry watchers warn that HNA may be taking on more than it can effectively manage.

"It's stretching their management bandwidth," said Edward Tse, chief executive of Gao Feng Advisory Co., a Shanghai-based consulting firm. "They are dabbling in financials and logistics. It's getting farther from what they are familiar with."

In previous statements, HNA said it "has built up a strong global business with world class tourism, logistics and financial services assets. The Company is in a sound financial and operational situation." HNA declined to comment beyond the statement.

Another one of HNA's earlier investments in the U.S. also appears to be struggling. At Nicklaus Club, a Monterey, Calif.-based golf club that HNA took over in 2015, the Chinese company insisted on approving all expenses, according to a person who worked there. HNA took seven months to approve a $150,000 bill to fix a broken well on the course, causing the grounds to dry and many members to leave, according to a member and a former manager.


CHRISTOPHER GOODNEY/BLOOMBERG NEWS; REUTERS

HNA CEO Adam Tan, above. The company, which began as an airline in China's Hainan province, has been on an acquisition tear.

Some Nicklaus employees' insurance plans were canceled after HNA stopped contributing to premiums, helping spur several labor complaints against HNA, according to the former manager of the club. HNA was also delinquent on a $15,000 payment to the homeowners' association that the golf club shared with a residential compound, according to minutes of the HOA's April meeting.

"This is a company with a lot of money, but it seems they just don't like to write checks," said the former manager at the club.

HNA declined to comment on the Nicklaus disputes.

The Nicklaus and Travana acquisitions are small investments compared with HNA's total portfolio. Brussels-based Rezidor Hotel Group AB, in which HNA has a 51.2% stake as of May 2017, reported its strongest quarterly earnings since 2007 for the first quarter of this year.

The Chinese firm has also made, thus far, shrewd bets in real estate in Midtown Manhattan. HNA said in March it is looking to sell its 90% stake in a top tier office building at 1180 Sixth Avenue in New York City. It purchased the property for around $265 million in 2011.

In Europe, HNA is facing problems with the management of a Spanish hotel group in which it is the biggest shareholder. Last year, a minority investment group removed Mr. Mobus and other HNA appointees from NH Hotel Group's board and replaced the chief executive officer after claiming that HNA had conflicts of interest when HNA decided to purchase a rival chain.

In open letters to NH Hotel's shareholders, Mr. Mobus said that there are corporate governance lapses in the current management of the hotel group and added that the managers had interests that weren't aligned with other shareholders. The letters also repeated HNA's demands for a formal search for a new chief executive officer. NH Hotel didn't respond to requests to comment.

"All acquisitions have problems. What matters is how you solve them," said Mr. Mobus in an interview.

He pointed to a situation in Zurich, where a Swiss air cargo handler bought by HNA and on whose board Mr. Mobus sits, found itself in a technical breach of debt covenants this year, after a mistaken transaction by an HNA subsidiary. HNA put $800 million into Swissport International Ltd. after the breach was discovered, helping to support the company's finances.

HNA's involvement with Travana started in early 2015, when HNA's chief executive, Adam Tan, was introduced through a Goldman Sachs Group Inc. investment banker to an entrepreneur, Mr. Chen, according to a person familiar with the situation. Mr. Chen, who graduated from Harvard Law School and is a grandson of Chen Cheng, a late top politician in Taiwan, was seeking funds to help rescue the assets from a bankrupt online travel firm that he had invested in, according to the creditors' court petition to launch an investigation into Travana's bankruptcy. He proposed to start a new company, which became Travana, using the assets from his previous bankrupt firm, according to the filings and the creditors' court petition.

Messrs. Tan and Chen met at HNA's headquarters in Beijing in May, and later that month, Mr. Chen went to Hangzhou and met with HNA's chairman Wang Jian and Mr. Tan at Shangri-La Hotel near the scenic West Lake in the city, according to the person familiar with the matter.

HNA agreed to invest as much as $200 million in the venture, acquiring a 90% ownership interest, according to the June 15 creditors' petition. Mr. Chen was appointed CEO and represented minority shareholders on the board, while HNA tapped four other directors, according to the petition.

One of HNA's appointees was Shi Lei, a then 29-year-old executive in one of its investment units, according to the petition and Mr. Shi's LinkedIn profile. Mr. Shi was also present in the two meetings in Beijing and Hangzhou, and had met Mr. Chen before these two meetings, according to the person familiar with the matter.

Mr. Shi, who also became Travana's president, "attempted to extract an unearned and illegitimate percentage of Travana shares from Chen and the non-HNA investors as a 'token of appreciation' " and "was thoroughly unqualified and unsuited for any executive management role at a U.S. based venture," according to the petition. The petition added that at Travana, Mr. Shi was referred to as "Adam's Nephew." Mr. Mobus said that Messrs. Shi and Tan aren't related.

HNA declined to comment and didn't make Mr. Shi available to comment. Attempts to reach Mr. Shi were unsuccessful.

Mr. Mobus said Mr. Shi was instrumental in persuading HNA Group to invest in Travana, and was seeking his fair share of any upside in the company. Mr. Shi is a bright young man who "earned his position" in Travana, Mr. Mobus said.

Mr. Tan agreed to grant Mr. Shi around half the amount of stock he wanted, the petition said. Mr. Shi then sabotaged Mr. Chen's attempts to build the business and curtailed spending on marketing, according to the petition. Mr. Chen complained to the board in a letter.

But soon after, Mr. Tan fired Mr. Chen, cut off funding and said Travana needed to be completely restructured, according to the petition.

The Travana board disputes accusations of sabotage and pointed out that the decision to shut down the firm was largely because it had lost confidence in Mr. Chen.

"(Mr.) Chen led a team that squandered HNA's initial investment of approximately $27.5 million, reducing Travana's cash balances down to a critical level without significantly developing Travana's business or meeting required business milestones," the board said. The board also alleged that Mr. Chen had engaged in misconduct after Travana was sued by a rival online travel firm last year for allegedly using misappropriated technology.

Mr. Chen denied these allegations.

"We made tremendous efforts to build a good company the right way," said Mr. Chen in a statement.

"In an instant, everything we worked so hard to build was wiped away. Although a Chinese company is the controlling stockholder, I firmly believe that this is no excuse to disregard legal and ethical standards in the U.S. What happened to Travana should be a cautionary tale. My question is—who will be the next victim?"

CEO

Continued from Page One
rally a group of people with a lot of process and procedures," said Deborah Rubin, a senior partner at RHR International, a leadership-development firm. "Today's CEO has to be much more like a race car driver," she added. "You have to do the sharp maneuvers."

Flush with more cash than ever, activist investors are pursuing bigger corporate prey. This year, they have helped push out the leaders of AIG, railroad operator CSX Corp. and aluminum-parts manufacturer Arconic Inc. Indeed, one-third of the 42 S&P 500 and Fortune 500 companies that replaced a CEO through May this year grappled with the demands of activist shareholders during the prior chief's tenure, Crist/Kolder's analysis found.


KRISZTIAN BOCSI/BLOOMBERG NEWS

Uber's Travis Kalanick is among the CEOs who resigned this year.

Through June 23, activists had launched nine campaigns targeting top management at U.S. companies this year—and the fastest pace since 2014, according to FactSet, a research firm.

Even GE CEO Jeff Immelt's disclosure that he would depart this summer came amid tensions with activist investor Nelson Peltz over the conglomerate's stock price.

Though the move was part of a long-in-the-works transition, Mr. Peltz's Trian Fund Management LP had recently stepped up pressure on GE to cut costs more aggressively and boost profits, setting off speculation about when the longtime CEO might leave.

Mr. Immelt said he decided in 2013 that he would step aside sometime this year after 16 years at the helm, and GE board officials have said Trian played no role in the leadership change. "My predecessor did it for 20 years—it's not a 20-year job today," the 61-year-old Mr. Immelt said last week at the Aspen Ideas Festival in Colorado.

Growing shareholder clamor for quick results comes as new technologies are upending industries. If you run a retailer, for instance, "you are watching your whole market go away in just a matter of years," said Peter D. Crist, chairman of Crist/Kolder.

Activist investors helped pushed out the chiefs of AIG, CSX and Arconic recently.

J. Crew Group Inc. and Macy's Inc., two such retailers that have struggled to adapt to consumer shifts created by online shopping and upstarts with more nimble supply chains, have recently appointed new CEOs. Both of their predecessors, Mickey Drexler of J. Crew and Terry Lundgren of Macy's, are remaining chairmen of their companies.

Likewise, Ford's ouster of Mark Fields after less than three years in its highest job was the starkest sign yet of how tech players such as electric-car maker Tesla Inc. and Alphabet Inc.'s autonomous-car unit, Waymo, threaten the traditional auto sector. Mr. Fields had been groomed for years to take Ford's helm, but his fellow board members swiftly replaced him after he failed to persuade Wall Street he was reinventing the car maker quickly enough. Ford said Mr. Fields, who retires in August, wasn't available to comment.

"That's just not enough time to do that kind of job" required at Ford, said Bill George, former chief executive of Medtronic PLC who is now a professor at Harvard Business School. Some CEOs Mr. George speaks with, he said, are asking themselves "How much time do I have?"

Corporate boards increasingly reply: Not much.

"In boardrooms, sentimentality is officially dead," said Constantine Alexandrakis, head of the U.S. for recruiting firm Russell Reynolds Associates Inc.

Such pressures aren't just forcing boards to jettison CEOs. Donald Hambrick, a professor of management at Penn State University's Smeal College of Business, said he suspected some corporate chiefs are voluntarily hastening their retirements.

Roland Smith, hired to run struggling Office Depot Inc. in November 2013, retired this year after saying he had always planned to do so after three years. His tenure at the office-supplies retailer marked the fifth CEO stint for the 62-year-old turnaround specialist—and one of his toughest.

Mr. Smith's latest challenge? A 13,000-mile motorcycle trip with his son from Key West, Fla., to Alaska and then Jackson Hole, Wyo. "I am in total control of everything I do on the (motorcycle) ride," Mr. Smith said from the road last week. "As the CEO, you only are in control of a small proportion that happens."

Out the Door

Many of the biggest and best-known companies are parting ways with their CEOs. A selection of exits announced in the past year and the issues the firms were contending with in the months before.

10 NOTABLE DEPARTING CEOS	REASON FOR DEPARTING: Activist investors	Planned retirement/ succession	Industry upheaval
Klaus Kleinfeld, Arconic	●	○	○
Sally Smith, Buffalo Wild Wings	●	○	●
Doug Oberhelman, Caterpillar	○	●	●
Muhtar Kent, Coca-Cola	○	●	●
Mark Fields, Ford	○	○	●
Jeff Immelt, General Electric	●	●	○
J.P. Bilbrey, Hershey	○	●	●
Mickey Drexler, J.Crew Group	○	●	●
Terry Lundgren, Macy's	○	●	●
Mario Longhi, U.S. Steel	○	○	●

Sources: WSJ analysis of company announcements THE WALL STREET JOURNAL.

China Invites Doctors to Treat Dissident

Beijing makes offer to foreign physicians amid criticism of treatment of cancer-stricken Liu

By Josh Chin

Hong Kong activists on Wednesday held postcards to be sent in support of Liu Xiaobo.
ALEX HOFFORD/EUROPEAN PRESSPHOTO AGENCY

BEIJING—China responded to international calls to let cancer-stricken Nobel Peace Prize laureate Liu Xiaobo seek treatment abroad by inviting foreign doctors to come help treat him in China.

China has attempted to head off any criticism around the treatment of Mr. Liu, a central pro-democracy figure who was serving an 11-year prison sentence for subversion. According to his lawyers and the Shenyang Bureau of Justice, he was released from jail to a hospital on June 7 after being diagnosed with late-stage liver cancer.

China's government has released several high-profile dissidents from prison to seek medical attention abroad in the past, but has resisted increasing pressure from the U.S., the European Union and the United Nations to let the 61-year-old Mr. Liu leave.

Doctors recently told Mr. Liu's family members that the cancer was getting worse and that his condition was too delicate for him to be transported out of the country, said one of the Liu family's lawyers, Shang Baojun, who welcomed the invitation to outside doctors. "At the very least, the foreign experts can determine whether his body is strong enough for him to travel abroad," he said.

There were no details about which foreign experts had been contacted, whether any had agreed to help, or what access they would get to Mr. Liu or his medical records.

The First Hospital of China Medical University in the northeastern city of Shenyang, where Mr. Liu is receiving treatment, said Wednesday that it had invited "the most authoritative" experts in liver cancer from the U.S. and Germany to travel to China to assist local doctors. It said the decision was made "in accordance with the request of family members and the recommendation of experts from the medical treatment team."

The Shenyang Bureau of Justice confirmed the invitations on its website.

The invitations come ahead of a meeting of Group of 20 leaders in Hamburg on Friday, where Chinese President Xi Jinping is likely to face a host of foreign-policy questions, including on the situation of Mr. Liu. Mr. Xi met with German Chancellor Angela Merkel in Berlin on Tuesday, and met with her again on Wednesday to discuss the G-20 agenda.

China has pushed back at questions around Mr. Liu, labeling him a criminal and asking other countries not to interfere in China's domestic affairs.

Mr. Liu was awarded the Nobel Peace Prize in 2010, two years after he led the drafting of an explosive pro-democracy manifesto and a year after he was imprisoned. Security agents have largely confined his wife, Liu Xia, who hasn't been accused of any crime, to the couple's Beijing home ever since. Ms. Liu has expressed an interest in moving to Germany with her husband, according to friends of the couple.

The invitations to foreign oncologists show that China is sensitive to the attention Mr. Liu has drawn, said Maya Wang, a China researcher with Human Rights Watch.

She noted that in the past, a dissident like Mr. Liu might have been allowed to leave, but that circumstances have changed. "With the internet, it's now easier than ever to criticize the government, raise international concerns, and organize opposition from outside China's borders," she said.

Nicholas Bequelin, Amnesty International's regional director for East Asia, said the Chinese government had gone to extraordinary lengths to impose a "near-complete information blackout" around Mr. Liu to minimize blowback from keeping a Nobel laureate in prison.

"As long as having Liu Xiaobo die in China is likely to result in less embarrassment than him dying abroad, the authorities will continue with the same technique," he said.

Information on Mr. Liu's condition is difficult to come by. Neither he nor Ms. Liu is reachable. Exiled dissident writer Yu Jie, a close friend of the Liu family, said he had spoken with one of the Chinese doctors treating Mr. Liu, who said the laureate's condition was worsening.

"The cancer is spreading, and Xiaobo is in great pain," Mr. Yu said, citing the doctor.

He said the doctor told him Mr. Liu was being treated on the third floor of a free-standing hospital building, with all surrounding rooms cleared of patients and plainclothes members of China's paramilitary armed police posted outside. Members of the medical team were required to hand over their smartphones before entering the hospital to prevent any images of Mr. Liu leaking out, he said.

The First Hospital of China Medical University and Shenyang Bureau of Justice didn't respond to requests to comment.

Mosul Residents Fight to Survive As Battle Ebbs

By Asa Fitch
And Ali A. Nabhan


A woman fleeing clashes between the U.S.-led coalition and Islamic State walked through Mosul's Old City with a child on Wednesday.
AHMAD AL-RUBAYE/AGENCE FRANCE-PRESSE/GETTY IMAGES

MOSUL, Iraq—Thousands of Iraqi civilians have emerged thirsty and starving from Mosul's Old City in recent days, many after hiding out in basements, as the eight-month battle to remove Islamic State from Iraq's second-largest city nears its end.

Backed by a U.S.-led coalition carrying out airstrikes, government forces have cornered what Iraqi military officials say are about 200 Islamic State fighters remaining in the city, now hemmed into a tiny patch of territory on the western bank of the Tigris River.

The doomed Islamic State militants are mostly foreigners refusing to surrender, Sabah al-Numan, a spokesman for Iraqi counterterrorism forces, told state television. They have turned to last-gasp measures—including the use of women as suicide bombers—as Iraqi forces close in.

"This is evidence that the terrorists are desperate now," he said. "The ideology of such foreign [fighters] is well known to us. They fight until the end, until they get killed."

Islamic State has held Mosul since June 2014, when its forces swept across large swaths of Iraq and Syria.

Since then, government forces and their allies militias, backed by the U.S.-led coalition fighting Islamic State, have whittled down the territory controlled by the jihadist group to less than 40% of what it presided over at its peak, according to an estimate by IHS Markit.

The Iraqi army seized eastern Mosul in January, and is now battling to complete its takeover of the west of the city, whose total prewar population numbered about 1.8 million people. An assault on the Syrian city of Raqqa, Islamic State's de facto capital, is also under way.

Islamic State militants have trapped thousands of civilians to the labyrinthine neighborhoods of Mosul's Old City, using them as human shields in an attempt to discourage artillery shelling and bombing.

As Iraqi forces closed in on Islamic State holdouts this week, civilians poured out of hiding and fled west out of Mosul, joining what the International Organization for Migration estimates are 818,000 Iraqis—or nearly half of the city's prewar population—already uprooted by the fighting.

Many of those escaping carried suitcases full of clothes and what little food they had left. Some were wounded, while others walked barefoot in midday heat that reached almost 120 degrees Fahrenheit, their faces dirty and lined with exhaustion.

Reaching government checkpoints on the outskirts of the Old City after trekking down dusty streets lined with destroyed buildings, they asked for food and water.

"We haven't had food or water for four days," said Zahdiya Ali, who traveled with two of her girls, Zainab, 6, and Zahra, 5. "There were three to five [Islamic State] members in the area [in which we live]. They threatened that if we left they would shoot us in the legs, and told us that all the roads were planted with [improvised explosive devices] so we stayed in a small basement."

Other families were separated amid the confusion and chaos of flight.

Umeir Yousif, 17, and his brother Urwa, 16, arrived at one checkpoint barefoot and shirtless, calling for their mother. They said their home had been surrounded by Islamic State fighters for four days before they escaped the Old City through small alleyways.

"We were starving," Umeir said. "We hope to go to the east side of the city. We have relatives there."

The fighting has become more difficult as the battle for Mosul nears an end, partly because of the concentration of civilians in the area, said Lt. Gen. Abdul Ghani al-Asadi, the general commander of Iraq's counterterrorism forces who on Monday put the number of Islamic State fighters left in Mosul at some 200.

Qatar, Arab Neighbors Escalate Crisis

Qatar and four Arab nations seeking to isolate it exchanged bitter recriminations, with Doha accusing the Saudi Arabia-led bloc of waging a smear campaign against it and Cairo saying its energy-rich neighbor wasn't serious about resolving the worst diplomatic crisis in the Persian Gulf in decades.

By Sarah Kent in London and Dahlia Kholaif in Cairo

Qatar Foreign Minister Mohammed bin Abdulrahman Al-Thani
CHRIS J. RATCLIFFE/AGENCE FRANCE-PRESSE/GETTY IMAGES

Meeting in Cairo on Wednesday, the foreign ministers of Saudi Arabia, Egypt, Bahrain and the United Arab Emirates discussed Qatar's latest response to their 13-point list of demands that include curbing diplomatic ties with Iran, severing links with the Muslim Brotherhood and closing the Al Jazeera television network.

Egyptian Foreign Minister Sameh Shukri said after the gathering that Qatar's reply had been "negative," adding that it "reflects negligence and lack of seriousness in dealing with the with origins of the problem as well as unawareness of the gravity of the situation."

Qatar is facing a potential volley of new punitive measures by Saudi Arabia, Egypt, Bahrain and the United Arab Emirates after signaling its rejection of a 13-point list of demands that included curbing diplomatic ties with Iran, severing links with the Muslim Brotherhood and closing the Al Jazeera television network.

Accusing Qatar of supporting extremist groups and meddling in their domestic affairs, the four Arab states severed diplomatic relations on June 5 and imposed a transport ban on the nation of 2.2 million people. Qatari officials have consistently denied the allegations.

On Wednesday, Qatar's foreign minister, Sheikh Mohammed bin Abdulrahman Al-Thani, lashed back, saying in London that the allegations by Saudi Arabia and its allies were "clearly designed to generate anti-Qatar sentiment in the West" and that their demands didn't represent "reasonable and actionable grievances."

"Qatar continues to call for dialogue despite the siege that is a clear aggression and an insult to all international treaties bodies and organizations," Mr. Al-Thani told a gathering at the London-based think tank Chatham House. Hitting at Qatar's critics, he said the country is more progressive and open than others in the region and those principles have made it a target.

"Unlike many states in the Middle East, Qatar was not built on oppression, fear and censorship," Mr. Al-Thani said.

When they issued their demands to Qatar on June 22, the four Arab states boycotting Qatar gave it 10 days to comply. That deadline was extended on Sunday and expired early Wednesday morning. Doha has responded to the demands through Kuwait, but the details of its reply haven't been made public.

The steps under consideration by the quartet at their gathering in Cairo on Wednesday weren't known. U.A.E. Minister of State for Foreign Affairs Anwar Gargash has said that Qatar could be expelled from the Gulf Cooperation Council, a six-member political and economic bloc that includes Saudi Arabia, the U.A.E., Bahrain, Qatar, Kuwait and Oman. Mr. Al-Thani said Qatar's rivals in the group couldn't suspend it because such a decision would have to be taken by consensus.

Doha is seeking help from the U.S. to resolve the dispute, while Abu Dhabi and Riyadh want the U.S. to back their efforts to isolate their neighbor. The response has been mixed, stoking fears of a prolonged diplomatic crisis.

Tillerson Is Criticized About Afghan Policy

By Jessica Donati

KABUL—U.S. senators visiting Kabul including Republican John McCain criticized Secretary of State Rex Tillerson's handling of policy in Afghanistan, saying his lack of a strategy could undermine an anticipated U.S. troop surge and that the foreign service there was woefully understaffed.

President Donald Trump in June gave the Pentagon unilateral authority to send thousands more American troops to Afghanistan at its discretion, clearing the way for the U.S. military to intensify its fight against the Taliban and Islamic State extremists in the country.

A State Department spokeswoman had no immediate comment.

Sen. McCain said the U.S. public wouldn't tolerate continued American casualties in the country without a clear direction for policy in the region.

"When they're dying and wounded, that's when the American people want to know what the strategy is and when they're coming home," he said.

Three U.S. soldiers were killed in Afghanistan in June. Some 2,400 U.S. troops have been killed in Afghanistan since a U.S.-led coalition ousted the Taliban from power in 2001. There now are fewer than 9,000 U.S. troops in the country, mentoring local forces and conducting counterterrorism missions.

The Pentagon is weighing plans to send between 3,000 and 5,000 troops to bolster Afghanistan's more than 16-year war, as government control continues to slip in areas including the capital. A decision on the total number of soldiers who will deploy is expected this month.

The U.S. government says the surge in troops would help break a stalemate with the Taliban and induce them to engage in a dialogue for peace.

But the Trump administration has yet to outline its political goals for the country, where the Taliban insurgency has made rapid gains since most foreign forces were withdrawn in 2014, creating instability that has led groups including Islamic State to flourish.

"You're not going to win this war just through more bombing. You're going to win the war through a whole government approach," said Sen. Lindsey Graham, part of the bipartisan delegation that has been visiting the region.

Fed Likely to Act Soon on Portfolio Cuts

Fed signals strong chance of September announcement on balance-sheet plan

By Nick Timiraos


YIN BOGU/XINHUA/ZUMA PRESS

Launching the plan in September would afford Chairwoman Janet Yellen an opportunity to initiate it ahead of any potential leadership transition.

Federal Reserve officials have indicated there is a strong chance they will announce in September a decision to start shrinking the central bank's portfolio of bonds and other assets, while putting off until December any further interest-rate increase.

The moves would give officials time to assess how markets react to the balance-sheet reductions and to confirm their view that a recent slowdown in inflation will fade.

Launching the balance-sheet plan in September also would afford Fed Chairwoman Janet Yellen an opportunity to initiate it well ahead of any potential leadership transition. Her term as chairwoman expires in February, and President Donald Trump hasn't indicated whether he would nominate her to a second term or replace her.

While a final decision on the next Fed moves hasn't been made, officials will have several opportunities in the coming weeks to clarify their thinking. The central bank was scheduled to release minutes of the June meeting on Wednesday, and Ms. Yellen is slated to testify before Congress next week. Officials are also expected to gather in Jackson Hole, Wyo., at the end of August for an annual monetary-policy conference that will provide ample opportunities for them to offer further guidance.

Earlier this year, some officials indicated they were considering raising interest rates in March, June and September and then starting the portfolio-reduction plan in December. They did raise rates in March and June, but are considering the new strategy for several reasons.

First, they agreed at their June policy meeting on how they would reduce the $4.5 trillion portfolio and made that plan public. Some officials now think they might as well get started soon, given the U.S. economic expansion appears steady and global growth is improving.

Second, if Ms. Yellen isn't nominated to a second term as chairwoman, they would prefer not to wait until December and launch the plan shortly before her successor takes charge.

Third, inflation remains a puzzle for the Fed. The unemployment rate fell to 4.3% in May, a 16-year low, yet price pressures have diminished in recent months, moving year-over-year inflation gauges further below the central bank's 2% target.

Some Fed officials in recent weeks have said they want to see more proof that such price softness is transitory before resuming rate increases, but haven't signaled similar qualms about initiating the balance-sheet runoff.

"Take the balance sheet, get that started, and position ourselves for a December rate increase," said Chicago Fed President Charles Evans in an interview last month. Mr. Evans is a voting member of the rate-setting Federal Open Market Committee this year.

Likewise, St. Louis Fed President James Bullard, who doesn't favor any more rate increases, said last month it was past time for the Fed to start winding down its balance sheet. "We could start the ball rolling. It's going to roll very slowly anyway," said Mr. Bullard, who isn't a voting member, in an interview last month.

Fed officials still have time to adjust their plans if the economy faces any surprises. They meet four more times this year, including next on July 25-26, and Ms. Yellen holds news conferences following the meetings in September and December, making them the most likely dates to announce the plan.

The Fed raised its benchmark federal-funds rate to a range between 1% and 1.25% in June, the third quarter-percentage-point increase in the last three quarters.

Despite the Fed's interest rate increases, financial conditions have mostly eased, with stock markets running to new highs and the dollar falling. Yields on the 10-year Treasury are at 2.35%, up from recent lows but below the 2.64% annual high set in March.

The Fed's portfolio has been shrinking as a share of gross domestic product since 2014, when it stopped adding to its holdings but continued to reinvest the proceeds of maturing assets to maintain the portfolio's size at $4.5 trillion.

The Fed said last month that when it starts allowing the holdings to decline, it will do so gradually by allowing a small amount of bonds to mature every month without any reinvestment. It would start by allowing up to $6 billion in Treasury securities and $4 billion in mortgage bonds to roll off without reinvestment, and let those amounts rise each quarter, essentially setting a speed limit for the wind-down.

Minutes Could Show Inflation Sway on Rates

By David Harrison

The Federal Reserve raised interest rates last month by a quarter-percentage point and laid out plans to shrink its portfolio of bonds and other assets. But after its June 13-14 policy meeting, the Fed's statement, new economic projections and Chairwoman Janet Yellen's news conference left many questions about officials' thinking and future course of action. Here's what to watch for in the minutes of the meeting scheduled to be released late Wednesday.

An Old Question: Inflation Both the statement and Ms. Yellen's news conference suggested little worry about inflation's dip back below the Fed's 2% target in recent months. In the weeks since the meeting, however, several officials have expressed reservations about raising rates further absent new signs of firming inflation. The minutes could provide more detail on the internal debate. Look for signs of a split among officials over how to react to disappointing inflation numbers.

A New Concern: Financial Conditions Minutes of the March meeting hinted at questions about loose financial conditions, with some officials noting that equity prices had risen "quite high relative to standard valuation measures." Those questions have resurfaced in recent weeks in Fed officials' public remarks. Although the Fed's June statement and Ms. Yellen's news conference didn't suggest any concern about loose conditions it is possible officials addressed the matter at greater length behind closed doors. If that is the case, expect to get further hints of their discussion in the minutes.

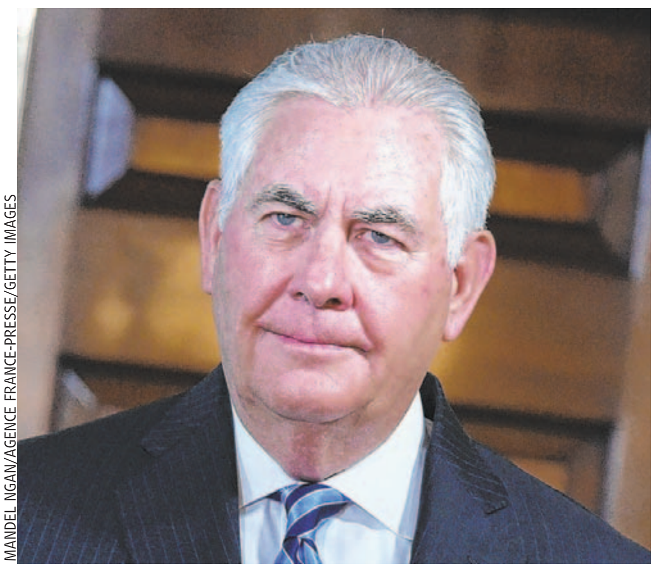
Balance Sheet Timing The Fed laid out at the meeting its plans for how it will shrink the portfolio, but stopped short of saying when that process would start. All Ms. Yellen would say during her news conference was that the roll-off could begin "relatively soon." Does that mean we can expect it to begin following the July meeting? The September meeting? Later? The minutes could provide a clue.

A New Inflation Target? Ms. Yellen caught a lot of observers by surprise in her news conference when she opened the door to re-examining the Fed's 2% inflation target, in place formally since 2012. Economists have been debating inflation targeting for some time, but her statement that the Fed "will be reconsidering" the 2% goal "at some future time" instantly made that debate more relevant. Did officials discuss changing the target during their meeting? The minutes should answer that question.

How Tight Is The Labor Market, Really? As the unemployment rate has fallen—to 4.3% in May—so has the Fed's estimate of the long-term stable unemployment rate. In June, officials lowered their estimate of so-called full employment to 4.6%, down from 4.7%. But, as Ms. Yellen said at the time, the correct estimate of full employment is "hard to pin down." Any internal debate on the level of full employment would be hugely relevant for interest rates. If full employment is lower than officials thought, that means the labor market has more room to strengthen, which would be a case for postponing further rate increases.

Tillerson, Trump Get Poor Marks In Survey

By Felicia Schwartz


MANDEL NGAN/AGENCE FRANCE-PRESSE/GETTY IMAGES

Secretary of State Rex Tillerson commissioned the report.

WASHINGTON—Thousands of State Department and U.S. Agency for International Development employees indicated in a survey they are worried about the future of their agencies, with some expressing particular concern about a lack of support from the Trump administration and Secretary of State Rex Tillerson.

The findings are in a report for Mr. Tillerson compiled by a consulting firm as he embarks on an effort to reorganize the State Department amid steep budget cuts. The Wall Street Journal reviewed a copy of the report, which was scheduled to be released to employees Wednesday.

"I want to reiterate that we began this process with no preconceived notions about the outcome," Mr. Tillerson was to say in a video message accompanying the release of the report, according to a transcript. "Our goal is, and always has been, to address challenges to the way our department operates. Your honesty and candid input is deeply valued as we devote our energy to building a better State Department."

Many of the more than 35,000 State Department and USAID employees responding to the survey indicated longtime frustration with the way the agencies function, including poor technology and redundant processes that make frequent workarounds necessary. They also cited pet projects created by ambassadors and Congress, according to the report reviewed by the Journal.

USAID employees in the report said they are particularly concerned about the consequences of a move to fully absorb USAID into the State Department, which officials are considering.

The 110-page report, which the State Department paid the consulting firm Insigniam about $1.1 million to compile, includes feedback from 35,386 employees of the two interrelated agencies, or about 43% of those who received the survey, and also includes 300 employee interviews conducted in person or by phone.

The report comes as the Trump administration has yet to fill scores of senior State Department positions, which current and former officials say has hampered decision making. The department, which coordinates U.S. diplomatic policy around the world, is contending with threats from North Korea and Russia as it seeks to end long-running wars in the Middle East.

Aides said the critical nature of the results reflects Mr. Tillerson's willingness to incorporate frank feedback into plans for the State Department. "The first step in this is to give a platform to people to identify what needs to be fixed, the second stage is to give people a platform to fix it and the third stage is to implement an improved design," said R.C. Hammond, a senior adviser to Mr. Tillerson.

Other than Deputy Secretary of State John Sullivan, there are no Senate-confirmed senior political leaders working at the State Department's headquarters in Washington.

Mr. Tillerson was also expected to announce Wednesday that Mr. Sullivan will lead a working group to further examine five areas that were highlighted in the report: overseas operations, foreign-assistance programs, technology, staffing and administration.

What to Expect as Health Debate Moves Forward

By Joshua Jamerson

Senate Majority Leader Mitch McConnell has delayed until after the July 4 recess a vote on the Republican bill to repeal the Affordable Care Act. That means that when Congress returns next week, a vote could happen soon after if negotiations on changes to the bill are successful. The timing will depend on when lawmakers get an updated nonpartisan analysis of the latest version of the bill.

Here's what to expect as the debate moves forward:

Q: How did the Congressional Budget Office's analysis of the bill change the legislative dynamics?

The nonpartisan Congressional Budget Office released a report in late June that estimated 22 million more people would be uninsured over a decade under the Senate GOP health bill than under current law. The analysis also showed the bill would lower the federal deficit by $321 billion over 10 years.

A similar CBO estimate for the increase in uninsured under the House bill weighed heavily on members of that chamber and played a large part in its failure there. The House eventually passed a revised bill—before a CBO score was released. Sen. Susan Collins of Maine, a moderate Republican, voiced her opposition to her chamber's bill after the CBO score came out.

Less than 24 hours after the CBO report was released, Mr. McConnell (R., Ky.) delayed a vote on health care until after Congress's recess.

Q: Which GOP Senators aren't ready to vote 'yes'?

To get a bill passed, Mr. McConnell can afford to lose two of the chamber's 52 Republican votes. As of now, in addition to Ms. Collins, at least eight other Republicans said they are opposed:

Sen. Rand Paul, Kentucky
Sen. Ted Cruz, Texas
Sen. Mike Lee, Utah
Sen. Ron Johnson, Wisconsin
Sen. Dean Heller, Nevada
Sen. Shelley Moore Capito, West Virginia
Sen. Rob Portman, Ohio
Sen. Jerry Moran, Kansas

Conservatives said the Senate GOP plan doesn't go far enough to lower health-care costs for consumers, and that the Republicans should offer a more robust Obamacare repeal bill. Some, such as Mr. Cruz, are pushing an amendment that would let insurers that sell ACA-compliant plans also sell cheaper policies that cover fewer benefits.

Some of the centrist Republicans in opposition said the bill doesn't do enough to protect the Obamacare Medicaid expansion, while others are concerned about restrictions on funding for women's health organization Planned Parenthood, among other reasons.

Q: So is the bill dead?

No. Some of the more conservative members—Messrs. Johnson, Lee and Cruz—are seen as potentially more likely than the centrist members to come around with some negotiation with the White House and GOP leadership.

Q: What is the schedule?

Negotiations over the bill have been continuing during the recess. Mr. McConnell is expected to wait for the CBO to do another analysis of a revamped bill before he calls for a vote. That can take two weeks.

—Kristina Peterson and Stephanie Armour contributed to this article.

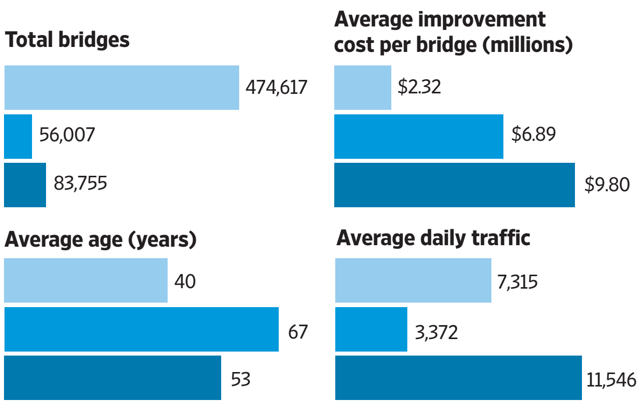

REUTERS

Senate Majority Leader Mitch McConnell delayed a vote last week.

Aging Infrastructure: More Jams at Critical Bottleneck

Tread Lightly

Last year, drivers took nearly 1.2 billion trips across bridges considered structurally deficient or functionally obsolete. Still, governments across the country cut the share of deficient structures to 9.1% of all bridges from 15% in 2001.



Note: Structurally deficient bridges are those that have been restricted to light vehicles, closed to traffic or require rehabilitation. A functionally obsolete bridge no longer serves its use because the lanes may be too narrow or there aren't emergency shoulders, among other conditions.
Source: Federal Highway Administration
THE WALL STREET JOURNAL.

By Cameron McWhirter And Shane Shifflett

The worst is yet to come for one of America's nastiest highway logjams.

The Brent Spence Bridge that connects Cincinnati to northern Kentucky is often notoriously jammed with miles-long backups. Now, for two months this summer the eight-lane bridge that carries Interstates 71 and 75 across the Ohio River will be down to half that many lanes as it undergoes repairs.

"Your knuckles turn white going over that thing," said David Noell, a commercial contractor and president of the Queensgate Business Alliance, a group of area businesses. "Everything bottlenecks over that bridge."

The 53-year-old Brent Spence Bridge is just one of about 84,000 U.S. bridges that the Federal Highway Administration considers functionally obsolete. That means they no longer serve their intended use because the lanes are too narrow or there aren't emergency shoulders, among other factors. An additional 56,000 bridges are deemed structurally deficient by the agency.

The American Society of Civil Engineers estimates it would cost $123 billion to repair all of the nation's bridges. One reason for the cost is the age of the structures: About 40% of the U.S.'s approximately 614,000 bridges are older than their average design life of about 50 years.

Aging bridges are "going to be a growing problem because the mathematics are against the available money to stay current with repairs on good bridges, let alone failing bridges," said Barry LePatner, a construction-industry lawyer who wrote "Too Big to Fall: America's Failing Infrastructure and the Way Forward."

Most of the funds for highways and bridges come from the federal gasoline tax, which hasn't been increased since 1993. That prompted about 25 states in recent years to boost their own pump taxes or recalculate formulas to generate funds for upgrades.

President Donald Trump has promised $1 trillion of investments in infrastructure, much of which would be funded by private sources. He pointed to the Brent Spence Bridge to illustrate America's infrastructure challenges.

Area business leaders say talks with the Trump administration are giving them hope.

This summer's repairs on the Brent Spence cost $38 million for repaving, updating lighting and other improvements. But it won't solve the problem that has had Kentucky and Ohio lawmakers at loggerheads for years: how to pay for a major overhaul of the double-decker span that carries as many as 180,000 vehicles a day, including an estimated $1 billion worth of freight daily, according to the Ohio-Kentucky-Indiana Regional Council of Governments.

A plan to build a companion bridge to handle much of the traffic is estimated to cost $2.6 billion—funds the two states lack.

Impasses over fixing infrastructure often revolve around philosophical differences over whether drivers, taxpayers or investors should foot the bill. That's true with the Spence: Ohio thinks tolls are unavoidable, while Kentucky has been hellbent on not letting that happen.

And so, the bridge—vital to a region of 2.1 million people that is home to the headquarters of Procter & Gamble Co. and Macy's Inc., and soon to be a world-wide cargo hub for Amazon.com Inc.—remains jammed.

Kentucky opened the cantilevered truss bridge in November 1963 to improve traffic and move trucks along the two interstates. The bridge was built to handle about 80,000 vehicles a day, but now handles at least twice as many.

The American Transportation Research Institute, a research organization funded by the trucking industry, has ranked the bridge the fifth worst choke point for freight traffic in the nation.

The bridge is in no danger of collapse, Kentucky transportation officials say, though debris have tumbled from it in recent years. In 2014, falling concrete crushed a parked car in Ohio. Nobody was injured.

Area business leaders say conversations with the Trump administration and Kentucky state officials are giving them hope that a deal could be in the offing for a solution, perhaps as soon as this fall.

TOM UHLMAN/ALAMY

The bridge that takes Interstates 71 and 75 across the Ohio River at Cincinnati carries more than twice the traffic it was designed for, and needs major repairs.

Illinois Seeks to End Two-Year Impasse Over Budget

By Quint Forgey

The Democrat-controlled Illinois House planned to vote Thursday on a measure to override a veto by the state's Republican governor of a budget package aiming to end a two-year impasse that has threatened to downgrade the state's credit to junk status.

Gov. Bruce Rauner vetoed the plan Tuesday, and the state Senate voted immediately to override the veto.

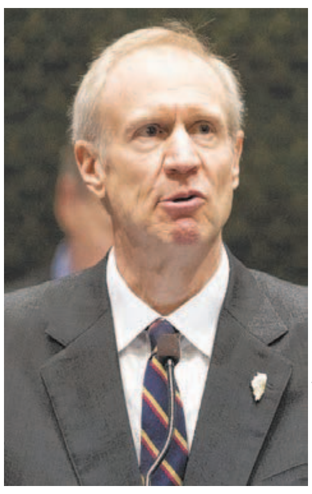
No other U.S. state has gone without a budget for more than a year since the Great Depression.

The House seemed to have enough votes to secure the override, but legislative leaders appeared to be calculating exactly how many they can spare among politically vulnerable members.

"The package of legislation fails to address Illinois's fiscal and economic crisis—and in fact, makes it worse in the long run," Mr. Rauner said in his veto message to the legislature. "Budgets in Illinois won't be balanced or stay balanced unless our economy grows faster than our government spending. We have been ignoring that truth for 35 years."

The state's impasse is the result of a political standoff between Mr. Rauner, elected in November 2014, and longtime House Speaker Michael Madigan, a Chicago Democrat.

Mr. Rauner takes issue with the revenue side of the legislature's proposal, which levies a roughly $5 billion permanent income-tax increase to fund the more than $36 billion spending bill. The state brings in roughly $32 billion a year.



TED SCHURTER/ASSOCIATED PRESS

Illinois Gov. Bruce Rauner

The governor has said he would prefer that the income-tax increase be temporary and is seeking other concessions from Democratic lawmakers, including a property-tax freeze and a revamp of the state's worker-compensation system.

The tax increase, the most contentious part of the budget, earned 72 votes when it passed the House on Sunday, surpassing the three-fifths-majority threshold of 71 votes required to override a gubernatorial veto. Fifteen House Republicans voted for the tax increase.

Democratic Rep. Greg Harris, Mr. Madigan's top lieutenant in budget negotiations, wrote the revenue and spending measures that cleared the House over the weekend.

Part of the package would allow Illinois to borrow billions of dollars through the sale of bonds.

Those funds would go toward paying down $14.6 billion in unpaid bills.

The revenue bill increases the state's personal income-tax rate to 4.95% from 3.75% and the corporate income-tax rate to 7% from 5.25%. The spending bill includes a 5% cut to government agencies and reduces state higher-education funding by 10%.

"We are faced today with the fierce urgency of now. We don't have any more time, and too late is not good enough," said Democratic Sen. Toi Hutchinson, who presented the revenue measure to the Senate. "It is time to be the independent legislature that our framers demanded."

But Republican Senate Minority Leader Bill Brady said he couldn't vote for the tax increase without legislation to enact the governor's demands.

"It's regrettable that I stand today not capable of supporting this package, not necessarily because what's in the package is bad, but because it's incomplete," Mr. Brady said. "We need a comprehensive solution for this state."

Ms. Hutchinson affirmed Democrats would remain at the negotiating table to keep working on property-tax relief and workers' compensation overhauls, "but those things aren't at stake today. Our colleges and universities are at stake today. Our child-care centers. Our mental-health institutions," she said.

Talks on nonbudget issues, including the governor's priorities, have deteriorated since the House revenue and spending votes Sunday.

Mr. Brady and Republican House Minority Leader Jim Durkin failed to appear at legislative leaders' meetings Monday and Tuesday with Mr. Madigan and Democratic Senate President John Cullerton.

New York City Police Officer Is Fatally Shot in Vehicle

By Zolan Kanno-Youngs And Mike Vilensky

A New York Police Department officer was shot and killed in the Bronx while in her vehicle shortly after midnight Wednesday, NYPD officials said, in what commissioner James O'Neill called "an unprovoked attack."

The officer, Miosotis Familia, 48 years old, was a 12-year veteran of the department and a mother of twins and a 20-year-old son, law-enforcement officials said. She was assigned to the 46th precinct in the Bronx.

The officer was sitting in a police vehicle on Morris Avenue and East 183rd Street at about 12:30 a.m. in Fordham Heights when she was shot in the head. Law-enforcement officials identified the suspect as Alexander Bonds.

Mr. Bonds was seen on video walking toward the vehicle and tightening his hood before firing one shot at the officer from a silver revolver, a senior law-enforcement official said.

Officer Familia died at St. Barnabas Hospital early Wednesday, officials said.

An officer and a sergeant shot and killed the suspect one block away after Mr. Bonds drew the revolver, the officials said.

A bystander also was hit during the encounter with the suspect and is in stable condition.

Officer Familia was in an NYPD mobile-command post when she was struck, police said. The NYPD deploys the large vehicles to locations that experience recurring crime throughout the city. They usually are staffed 24 hours a day.

Commissioner O'Neill and New York City Mayor Bill de Blasio appeared at a news conference at about 3:30 a.m. on Wednesday at St. Barnabas Hospital after meeting with Officer Familia's family.

"It's such a painful reality at just the end of a very, very good thing," Mr. de Blasio said hours after the city's July Fourth celebration. "A female police officer attacked out of nowhere."

"This horrific and senseless assassination is a devastating reminder of the risks these brave men and women face each day," New York Gov. Andrew Cuomo said in a written statement.

This incident was similar to the shooting of two police officers in December 2014, when Rafael Ramos and Wenjian Liu, were killed while in their patrol car in Brooklyn.

The last member of the NYPD shot and killed in the line of duty was in November 2016, when Sgt. Paul Tuozzolo, 41, was shot in the head during a gunbattle with a heavily armed suspect in the Bronx.

SETH WENIG/ASSOCIATED PRESS

The scene of Officer Miosotis Familia's shooting in the Bronx.

Mr. Bonds previously had been arrested in January 2001 for assaulting a police officer in Queens with brass knuckles, a senior law-enforcement official said.

According to the senior official, Mr. Bonds's other arrests include: Narcotics-related crimes in 2001 and 2002; subway fare evasion in 2005; and robbery in 2005.

Mr. Bonds violated his parole in 2006 and was in prison until 2013 when he was released, the senior official said.

Mr. Bonds was set to be on parole until 2018, officials noted.

"This kind of violence against police officers cannot stand," said Patrick Lynch, president of the Patrolmen's Benevolent Association. "We need the public's help."

POLICE

Continued from Page One
sion plans have a median 78 cents of every dollar needed to cover future liabilities, according to data from Merritt. The 100 largest U.S. corporate pension plans have 85% of assets needed on hand, according to Milliman Inc. data as of March 31.

And yet any attempt to bring police pensions into line with today's municipal budgets and stock-market performance runs into the reality that many officers won't stand for it—and they often have the public behind them.

"They have extra clout because people love police," said Dallas Mayor Mike Rawlings. "I love police. You love police. An electrician—you don't have that emotional tie."

His city, like San Jose, found itself facing widespread police-officer resignations when it moved to cut their pensions. In Dallas, the situation became so difficult the state legislature stepped in this spring to work out a solution.

Police pensions were the first nonmilitary retirement systems to be created in the U.S., in second half of the 19th century. In later years, when municipal budgets were tight, augmenting pension promises in lieu of raises became a way governments could make peace with politically powerful police unions without incurring immediate new spending.

In the 1980s and 1990s, robust investment returns made governments' pension promises look affordable. By 2001, major police and firefighter plans followed by the Public Plans Database, which tracks 150 major state and local pension plans, had a median 101% of what they needed to pay for future obligations.

The 2008 financial crisis wiped out pension-plan earnings at the same time that it put stress on municipal budgets, leading some cities to contribute less to the plans each year than what actuaries calculated was needed.

Also, many cities continued to assume robust 1990s-era investment returns when they calculated annual pension contributions. Their pension debt grew as those returns failed to materialize and cities didn't adjust their contributions to the plans.

Memphis, Tenn., gambled it could cut police pensions without any impact on public safety. The city council voted in 2014 to end pensions for municipal workers, including the police, with 7.5 years of service or less, and replace the pensions with a hybrid plan combining pension and 401(k)-style benefits.

In the following two years, about 100 officers affected by the changes left the force, out of a total of about 2,000. Homicides rose to a record 228 last year from 167 in 2014. Billboards erected by the police union around town read, "Welcome to Memphis: 228 homicides in 2016, down over 500 police officers." Memphis currently has 1,928 officers, down from 2,416 in 2012.

The city's mayor, Jim Strickland, has since pledged to increase police staffing. A spokeswoman for the city said enrollment in the police academy is increasing despite the reduced benefits package.

Even so, city officials in Memphis recently announced a $6.1 million grant for retention bonuses. Meanwhile, the police union is trying to get certain benefits restored in court.

One of the first cities that tried to bring police pension costs down was San Jose, where former Mayor Chuck Reed asked voters to approve pension cuts as part of a 2012 ballot measure.

Among the hundreds of police officers who quit after voters said yes to the change was Tim Watermulder, who left to join the Oakland police department in 2013. It had been announced that the police-academy class in which he graduated would be the first to operate under a new system providing lower cost-of-living increases and a retirement age of 60 instead of 50.

"You start to see what police work is really like every day," said Mr. Watermulder, 35 years old, who fought in Iraq with the U.S. military before becoming a police officer. "I really started thinking about 'Can I do this job till I'm 60?' "

Dallas is among cities that have wrestled with ill-funded police pension plans; above, officers during a protest demonstration last fall.

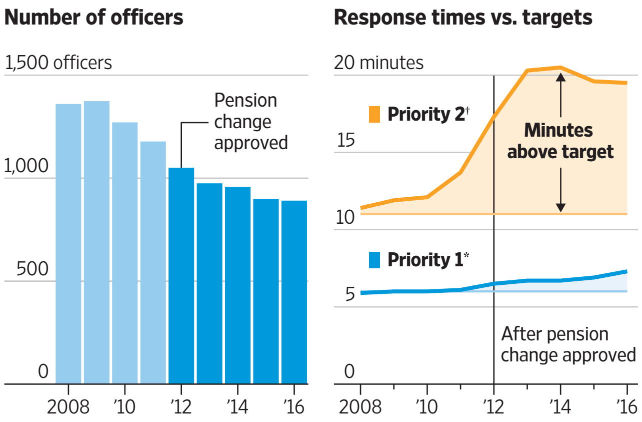
TOM FOX/THE DALLAS MORNING NEWS/ASSOCIATED PRESS

Officer Brad Uptmore left the Dallas police force and joined that of much smaller Southlake, Texas.

COOPER NEILL FOR THE WALL STREET JOURNAL

Policing San Jose

After California's third-largest city curbed pension benefits for its police, numerous officers quit and police response times rose.



*Present or imminent danger to life or major damage to/loss of property †Injury or property damage or potential for either to occur or the suspect is still present in the area; includes all missing person reports for children under the age of 12 or other at risk missing persons.

Source: City of San Jose Auditor

THE WALL STREET JOURNAL.

Vacant slots

About 180 of 1,109 sworn officer positions in San Jose are currently vacant. San Jose has the lowest number of officers per capita among the nation's 35 largest cities, according to a Journal analysis of Federal Bureau of Investigation data from 2015, the most recent available.

Response times for the most serious calls rose to an average of 7.3 minutes last year from 6.1 minutes in fiscal 2011, according to the police department.

San Jose is still safe compared with many other cities, but its violent-crime rate jumped last year to the highest since 2008. "A lot of it had to do with us not having enough officers," said San Jose Police Chief Eddie Garcia. His advice to other cities seeking to shore up their finances by cutting police benefits: "Don't make a crisis into a bigger crisis."

Crime has risen in many cities in recent years, not just in those that have lost officers. Per capita homicide rates are up in 27 of the country's 35 largest cities since 2014, according to homicide data. The causes of such increases are hard to pinpoint, but there is little doubt "losing hundreds of officers would make a big difference in the ability to control crime," said Richard Rosenfeld, a criminologist at the University of Missouri-St. Louis.

A 10% raise

San Jose, to retain and recruit officers, has gone beyond rolling back changes it had tried to make in retirement ages and cost-of-living increases for existing police officers. Police got a 10% raise last month, to be followed by 3% raises in 2018 and 2019.

Since those measures were put in place, police-academy enrollment has risen sharply. "It looks like we're now on the right track," a city spokesman said.

Dallas has had an unusual struggle with the police-pension issue. The funding level of its plan for police and firefighters earlier this year fell to just 36%, among the lowest in the nation.

A trouble spot has been a plan created 25 years ago in an effort to keep experienced officers from leaving for police jobs elsewhere after they qualified for police pensions around age 50.

Officials figured they couldn't afford sufficient wage increases to keep those officers, so instead they would sweeten pension benefits, said Steve Bartlett, who was mayor when the special fund was created.

Up to a million

That deal allowed officers who worked into their 50s to earn a pension and a salary at the same time. Terms provided for a guaranteed 8% to 10% return on the assets contributed to the plan, forcing the pension fund to make up the difference when market returns came in below that threshold. Officers who stuck around long enough could potentially accumulate $1 million in the special fund.

"They said, 'Hey, the retirement is top notch. You may not be paid well initially, but in the end you'll be a millionaire,' " said Brad Uptmore, a Dallas police officer for 10 years.

The promised return became harder to deliver after the financial crisis, as real-estate investments the fund made from Hawaii to Paris went sour and triggered more than $500 million in losses.

Spooked by the losses and talk of benefit cuts, hundreds of police and firefighters quit, withdrawing $500 million from the roughly $3 billion fund and pushing it closer to insolvency.

The city sought help from the Texas legislature. In late May the state government approved a package that requires the city to contribute an additional $25 million to $40 million a year to the pension plan while also cutting benefits.

Cities that cut police pensions sometimes see a host of officers quit the force.

Under the legislation, a police officer who is now 40 and retires in 2035 can get a pension that year of $95,339, compared with $109,583 under the old pension structure, according to a hypothetical calculated by the pension fund.

The changes may not be enough. The plan will still have less than half what it needs to cover its liabilities, according to an estimate provided by the fund to legislators. A review by S&P Global Ratings concluded that "more reforms will be needed." Mayor Rawlings agreed the city has "much work ahead."

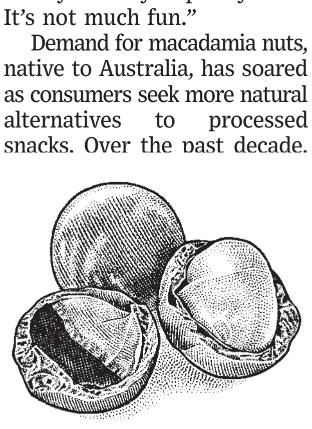
Many longtime Dallas police officers won't be around to see how the changes pan out, including Mr. Uptmore. He left to join the much smaller police department of Southlake, Texas, in the spring of last year—one of 336 Dallas officers who left in 2016.

"Once you realize there's no gold at the end of the rainbow, I think you stop pursuing that," Mr. Uptmore said.

NUTS

Continued from Page One
trees all day with a stick above your head and every now and then a nut falls down and hits you on the forehead," he says. "They're pretty hard. It's not much fun."

Demand for macadamia nuts, native to Australia, has soared as consumers seek more natural alternatives to processed snacks. Over the past decade,



global production of macadamias, which are also used in trendy skin creams, is up some 80%, says the International Nut and Dried Fruit Council. In Australia, the world's biggest macadamia producer, prices have roughly doubled in recent years.

Macadamia farmers must collect their crop from trees that can tower more than 30 feet, and the boom has them devising increasingly nutty ways to extract every last kernel. In eastern Australia, growers have tried blowing the nuts down, or blasting them from trees with water—with little success. Some have fixed rods or chains to tractors and forklifts to knock the branches, drawing local comparisons with medieval torture instruments.

Other tree-nut industries cracked this problem years ago. Almond farmers, for example, use machines that grab the trunks with a claw-like appendage, shake the tree and knock out the nuts. Macadamia farmers are skeptical. They are worried their tree, a subtropical rain-forest species, can't withstand the abuse like an almond tree, which comes from a drier clime. They must find other ways.

In Australia, macadamia nuts typically start dropping in February and keep falling for about six months. A plant hormone can be used to speed up the fall, but many farmers don't like it. It is then a race to pick the nuts from the ground, generally with machine harvesters, before rainstorms wash them away or pests eat them.

"I come from a country where we do everything by hand, and I thought, why do we have to wait? Why don't we just go and get the nuts?" said Enrique Paredes, a Peruvian who has been farming macadamias in Australia for 15 years. But then there are tall trees. "What do you do then? You cannot get them down," Mr. Paredes said.

Adding to the challenge, some tree varieties are particularly prone to "sticktights" or "mummies," which are nuts that simply don't want to fall.

For Mr. Seccombe, that is when the sticks come out. His preferred wood is from the kurrajong tree, which grows on his farm in the state of New South Wales. He bolts a bit of triangle-shaped metal to the top. Last year, workers knocked nuts worth about 20,000 Australian dollars, or US$15,300, from his trees.

Even with a long stick, that tactic is feasible only for smaller trees. Australia's labor costs make it too expensive to manually knock macadamias down on a large scale. And there are hazards more dangerous than falling nuts.

About seven years ago, one of Mr. Seccombe's workers—a relative, in fact—was on nut-knocking duty when he disturbed a bunch of wasps. He was stung maybe six or seven times, said Mr. Seccombe, including on his face.

"He must have stuck his head pretty much straight into a wasp's nest, and went yahooing and tearing clothes off as he ran down the hill and ended up pretty much stripped down to his shorts," Mr. Seccombe said. "I rang him to come back the next day, and he said no. He probably never looked at a macadamia tree the same way again."

When Andrew Wallis, a farmer in Queensland, was faced with lots of sticktights last year, he put a metal beam across the bed of a forklift and attached chains to the beam. Lifting the beam above the trees, he drove though the orchard, allowing the dangling chains to rattle through trees and smack around the macadamias.

"It worked, to a certain extent," said Mr. Wallis's wife, Joanne. "You can't get them all out. It just doesn't happen."

Between the sticktights, the rain and the pests, about 15% of the macadamia crop is lost every year, compared with more like 2% in the tree-shaking almond industry.

Chris Cook, who manages a farm not far from Mr. Seccombe's, decided to mechanize nut-knocking after being asked by his boss to solve the problem of macadamia farming's inefficiency.

Mr. Cook tried hooking up a circular blower, like those used in cotton harvesters, to the back of a tractor. It would "only blow off three or four at a time," he said. He tried a pressure washer, which "got down nuts, but got down leaves and branches."

He settled on a contraption that resembles a spiral hairbrush and involves some 360 fiberglass rods vibrating around a center shaft. He mounts it on a pruner. On a recent day, he donned a pair of industrial earmuffs, got in the driver's seat, and slowly drove the machine through a row of trees. The rods jiggled through the canopy, and nuts came falling down.

The Australian Macadamia Society, an industry group, began testing a modern shaking machine in Mr. Cook's macadamia orchard in June. Early results appear promising. But years of study will be needed to gauge the machine's impact on the trees.

Mr. Seccombe is all for testing shakers, though he is skeptical they will be fully effective. Of more immediate concern is how many macadamias will be stuck in his trees this year, which could require knocking them down by hand.

"The nut's worth a lot of money," he said.

Noah Seccombe, a macadamia farmer in Australia, uses sticks to knock the nuts out of trees.

MIKE CHERNEY/THE WALL STREET JOURNAL

LIFE & ARTS

FASHION |

How to Do Without a Tie

As men seek out a less-formal look, shirtmakers devise collars that are up to the job

BY RAY A. SMITH

FROM LEFT: ETON (2); THOMAS PINK; BROOKS BROTHERS; TURNBULL & ASSER

Shirt-makers have devised strategies—and collars—to keep the tie-less look crisp and put together. Among the offerings are Eton's collar with hidden buttons, above and below left, and the English spread collar from Brooks Brothers, below center. Other options are from Turnbull & Asser, below right, and the 'independent' collar by Thomas Pink, at bottom.

MEN LOOK COOLER without a tie—both in temperature and style. But, getting it right takes more than just unbuttoning.

There is a lot to consider. The collar shouldn't droop. Placement of the top and second button shouldn't be so spaced apart that it exposes man cleavage when the first button is undone. The lapel on the suit jacket or sport coat shouldn't swallow the ends of the collar.

"Difficult," is how Andrew Downing, of Columbus, Ohio, recently described figuring out how to wear a suit without a tie. The 23-year-old was set on wearing the look to a high-school sports award show. "I wanted to try something a little more casual and be confident with it," said Mr. Downing, creative director of Varsity Magazine, which chronicles high-school athletics.

After conducting some tryouts with a bunch of shirts in front of the mirror, he "was running into trouble," he said. " Some of them, the collar is a little too flimsy. The collar can't be too flimsy. But It can't be too stiff either because you're going for a casual look." Ultimately unsatisfied with his collars, he gave up and went with a V-neck T-shirt instead.

Some shirt makers are helping men nail down the open-collar look.

Eton, a nearly 90-year old Swedish company whose shirts are sold at **Bloomingdale's**, Nordstrom and **Saks Fifth Avenue**, plans to debut next month a shirt line where collars come with buttons hidden underneath to help keep the collar from drooping, flapping or otherwise losing its place, especially when worn without a tie. "Instead of a button-down, you have a button-under," said creative director Sebastian Dollinger.

Thomas Pink, the upscale British shirtmaker, carries a line of shirts with a "specially engineered independent collar, designed to be worn independent of a tie," the company says. The collar was designed to support itself and be more stiff than traditional collars, so that it rests perfectly under a jacket, according to the company.

Specialty retailer Sid Mashburn calls out which collar works best for the no-tie look in the options menu for its new made-to-measurement shirt program. "Hands-down our most versatile collar... a spread [collar] can go as dressy as black-tie and as casual as no-tie," a description reads online.

The store, with locations in Dallas, Houston, Los Angeles, Washington, D.C. in addition to its original Atlanta flagship, also developed a taller collar for its ready-to-wear dress shirt line so the shirt "stands above the collar line of the suit jacket or the sport coat," said Sid Mashburn, the retailer's founder and designer. "It's even better without a tie. It gives it a little more prominence," Mr. Mashburn said. An extra piece of interlining where the collar band meets the collar also gives it shape and "a little lift," he said.

Without the proper collar, the no-tie, unbuttoned shirt look can come off as slovenly rather than stylish.

Julie Rath, a men's image and style consultant directs men she helps to shirts with a medium-to-full spread collars, "which will sit nicely" under a lapel, she said.

A spread collar refers to its width, specifically to how far the ends are spread from each other. The collar extends out rather than down. The wider the spread is, the more formal the shirt is considered, making a tie less optional since there is so much open space about the neck. A moderate spread collar is viewed as borderline formal and casual, making it work better with an open collar than most others.

A straight or point collar is narrower with longer ends and is considered more formal, almost always worn with a tie. "Open collar can look really awkward with a straight or point collar," Ms. Rath said. Even if men can get part of the long point collar to sit flat under the lapel, "inevitably as you move throughout the day, one side, and sometimes both, end up winging up and out while the other side stays down," Ms. Rath said.

The decline in tie wearing over the years has prompted shirt makers to put more thought into men's bare necks. "When looking at introducing new collar shapes into the ready to wear collection we now always consider what it looks like without a tie as importantly as it does with one," said Dean Gomilsek-Cole, head designer at high-end British clothier Turnbull & Asser, which now offers many collars that can be worn with or without a tie. Its most popular is the Classic T&A collar, which is shaped to sit over a wearer's collarbone without needing a tie to maintain its shape.

Men also have to think about how high the second and third button are so that when the top button is undone, the collar looks relaxed and fits neatly under a jacket, without spreading so open as to expose too much chest.

"Depending on the client's height and torso length, one button undone can hit too high on the chest and read as stuffy, whereas two buttons undone can hit too low and read as trying too hard to look swanky," said Ms. Rath, who founded NextLevelStyle.com, an online style course for men.

Eton relaunched a higher collar on its shirts last year. The extra 1 centimeter in height makes the collar stand up more while the strategic higher placement of the second button from the top keeps an open collar from veering too low. For an extra guarantee that the collar won't droop or flap, hang on to those plastic or metal collar stays that come with new shirts. Take them out when getting shirts laundered and pop them back in when you're ready to wear.

EXHIBITION REVIEW

THE ARCHITECTURAL PRINCE OF PORTLAND

BY JULIE V. IOVINE

JEREMY BITTERMANNL

The Watzek House, designed in 1937 by John Yeon

Portland, Ore.

UNLESS YOU HAIL from Oregon, chances are you have never heard of John Yeon (1910-1994). And that's for the best possible reason. He focused on improving the local.

As a self-taught architect, conservationist and art collector, Yeon had wide-ranging aesthetic interests—from dynastic Chinese porcelain, to Robert Moses' parkways. The son of a lumber baron and real-estate developer, he also had the means to indulge them. He chose to give shape to buildings and landscapes personally and physically close to him.

Heralded in his own day as the dean of Northwest regional modernism, Yeon is not so e asily pinned down—as an expansive exhibition at the Portland Art Museum, "Quest for Beauty: The Architecture, Landscapes, and Collections of John Yeon," adroitly shows. It is an intriguing and timely introduction to an idiosyncratic connoisseur and activist who brought a multidisciplinary approach to design before it became fashionable and understood the need to protect natural assets before it became urgent.

Yeon's ideas about the relationship between the natural and the human-made came early—when he accompanied his father, who oversaw the construction of the Columbia River Highway. It turned driving into a romantic adventure rather than merely efficient transport. For the rest of his life, Yeon also saw building as an opportunity to beautify the experience of the land, once describing his approach to architecture as "a landscape painter imagining what would look good in his landscape painting."

Yeon's formal education consisted of a short apprenticeship with an architect in Portland, less than a semester at Stanford University, and extension courses in architecture at Columbia University during a brief stint in New York.

Architecture was never his main objective. One of his earliest jobs was on Oregon's first parks advisory commission. Early on, as a designer, he contributed to a show at the Portland Art Museum, where he paired images of paintings by Albrecht Dürer, Pieter Brueghel the Elder, Claude Lorrain and classic Asian artists with photos of landscapes in Oregon. Exhibition design remained a passion, and his galleries for Japanese screen paintings at the Nelson-Atkins Museum of Art in Kansas City, Mo., still stand.

How to interpret a talent that pursued with equal ardor planning lodges for Mount Hood, acquiring an 18th-century chinoiserie door from a Grand Canal palazzo, and pioneering an innovative plywood building system?

"Quest for Beauty" takes a comprehensive approach with presentations of his architecture, art acquisitions and land conservation. A collaboration of the museum and the University of Oregon's John Yeon Center for Architecture and the Landscape, it was curated by Randy Gragg, the center's executive director.

From the 1930s on, the Museum of Modern Art took a more selective approach to Yeon, focusing on a single house—Yeon's first, designed in 1937—and championing it in multiple exhibitions to promote American regional modernism. The crusade was taken up by House Beautiful and other design magazines eager to promote a homegrown modern style over the dominant internationalism of Europeans like Mies van der Rohe and Walter Gropius.

Featured in the Portland museum show, the Watzek House (the client was Aubrey Watzek, a close friend, fellow parks commissioner and lumber baron) fits the bill only to a point. Its rooms are enfolded around a lushly planted courtyard dripping in wisteria and decorated with a small stone pool. Rooms pinwheel off this central opening, each one timbered, clad, coffered or paneled in some local wood and detailed with the meticulous craft of a Japanese tea house, a far cry from modernism's utilitarian open plan.

Yeon completed only 18 buildings, mostly homes, the last one in 1955. His less ambitious houses are the most successful, distinguished more by their unpretentious but beautiful woodwork than by their ranch-house-flavored elevations. His greater legacy was in preserving scenic landscapes along the Columbia River Gorge. Among his accomplishments in local conservation, Yeon campaigned for decades to protect Olympic National Park, and saved wave-slammed Chapman Point from development by buying it, and from erosion by planting it with grasses and trees. It's called the John Yeon State Natural Area.

Yeon's architecture may not be the keystone of an American regional modernism, as it was once pitched, but his keen understanding that beauty in any guise can be transformative is always relevant.

Quest for Beauty: The Architecture, Landscapes, and Collections of John Yeon
Portland Art Museum, through Sept. 3

Ms. Iovine reviews architecture for the Journal.

REVIEW & OUTLOOK

Merkel's Stingy Tax Reform

Angela Merkel on Monday set out her case for re-election to German voters in a manifesto that promises more of the same, for better and worse.

> She offers a tax cut less than one-third the size of Germany's surplus.

In the better column, the program from Mrs. Merkel's center-right Christian Democratic Union (CDU) and its Bavarian sister party, the CSU, fleshes out some tax reforms. Berlin is running record fiscal surpluses—€54 billion ($61.33 billion) last year—and CDU/CSU leaders have dragged Mrs. Merkel into supporting €15 billion in annual tax cuts.

This will focus on the personal-income tax. The party would increase to €60,000 from €54,000 the level at which the second-highest 42% tax rate kicks in, and it will readjust the complex tax calculations for income up to that level to reduce the marginal rate for each additional euro of income.


Angela Merkel

This is long overdue, but it's remarkably stingy and far from a knock-out punch against the tax plan released last month by Mrs. Merkel's opponents in the center-left Social Democratic Party (SPD). The SPD plan also promises only €15 billion in tax relief, but it would increase the threshold for the second-highest rate to €76,000 and then make up the difference by increasing the highest and second-highest tax rates, to a maximum of 48%. The current top individual rate is 45%.

Mrs. Merkel's plan is better in not punishing higher earners to "pay for" middle-class relief. But she missed an opportunity to break free of the €15 billion tyranny afflicting Germany's political class. Berlin can afford to cut taxes more than that, including cuts in individual tax rates. Berlin can afford to cut the 33% corporate tax rate, too.

The main weakness is that Mrs. Merkel's platform fails to do much more to help the economy beyond the labor-market reforms enacted 15 years ago by her SPD predecessor, Gerhard Schröder. Those crucial reforms reduced unemployment benefits and made it easier to hire and fire some workers. They produced a more resilient economy that has weathered the eurozone crisis and now benefits from reviving global growth and demand for German exports.

Mrs. Merkel has lived off that inheritance while hurting the economy with green-energy costs and the introduction of a costly minimum wage. Underemployment is a growing problem as tax and regulatory policies make it difficult for those in entry-level jobs to advance up the income ladder. Private investment remains weak, especially as Germany's labor laws and tax policies fall behind reforming European competitors such as the Netherlands, Spain and even potentially France.

Mrs. Merkel's manifesto nods to these problems, but aside from the modest tax cut the plan consists of populist crowd-pleasers such as R&D spending and increased child allowances. Mrs. Merkel's steady-as-she-goes message may work against the SPD in an election when times are modestly good. It leaves for another day the debate over how Germany will respond in the next downturn.

Democratic Budget Breakdowns

Budget showdowns cast a pall over the weekend in Connecticut, Illinois and New Jersey, and it couldn't happen to a nicer group of politicians. While all dysfunctional governments are dysfunctional in their own way, the three liberal-leaning states are hitting the same progressive dead end.

> Public-union politics hits the wall in several American states.

In Illinois, Democrats spent the weekend coaxing Republican legislators to join their suicide pact to raise taxes to plug a $6 billion deficit and pay down a $15 billion backlog of bills. And don't forget the $130 billion unfunded pension liability—none of which will be solved by the $5 billion tax hike. GOP Governor Bruce Rauner vetoed the bill on Tuesday but may be overridden.

After credit-rating agencies threatened to downgrade the state debt to junk, Mr. Rauner proposed raising the state's income tax to 4.95% from 3.75% and the corporate-income rate to 9.5% from 7.75% for four years.

In return he asked for a property-tax freeze and modest reforms to workers compensation. Yet Mr. Rauner already signed off on a huge property-tax hike in Chicago—homeowner bills have increased by a quarter in two years—to pay for teachers' pensions.

The state legislature is controlled by public unions that refuse to compromise. But the budget crisis became more urgent after a federal judge on Friday ordered the state to make long-overdue Medicaid payments, which had been subordinated to pensions and worker pay. While states can't go bankrupt, Illinois is showing they can default—and that they will prioritize public workers over other creditors.

Pensions will consume about a quarter of Illinois's general fund this year. Nearly 40% of state education dollars go toward teachers' pensions, and the state paid nearly as much into the State Universities Retirement System last year as it spent on higher education.

Anemic revenue and economic growth can't keep up with entitlement spending. The state's gross domestic product has ticked up by a mere 0.8% annually over the past four years, compared to 2% nationwide and 1.4% in the Great Lakes region. Since 2010 more than 520,000 Illinois residents on net have fled to other states. (See the nearby chart for some state comparisons.)

Democrats held veto-proof supermajorities in the legislature during Mr. Rauner's first two years. But House Speaker Michael Madigan wants to force the Governor to repudiate his campaign promise not to raise taxes and make Republicans share political responsibility for the state's economic failures.

Amid deteriorating public services, Mr. Madigan persuaded 15 House Republicans to back Mr. Rauner's tax hike à la carte, which spared 11 Democrats in conservative districts from having to take a tough vote. The state Senate followed Monday.

If Republicans override Mr. Rauner's veto without insisting on substantive reforms, they'll repeat the mistake of Connecticut's former Republican Governor Jodi Rell who in 2009 raised the state's top rate to 6.5% from 5% while doing little to rationalize spending or fix the state's bankrupt political culture. See how well that turned out.

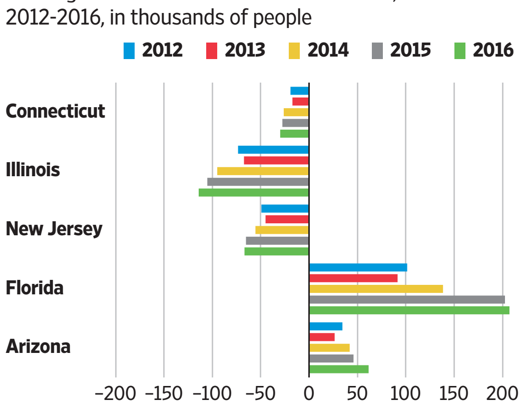
Democrats have since raised Connecticut's top rate to 6.99%. Revenue and economic growth have slumped as high-earning residents have decamped for lower-tax climes. Hedge-fund managers are struggling to sell their palaces in Greenwich. The legislature's Office of Fiscal Analysis downgraded income-tax revenues this year by $1.1 billion, and sales and corporate taxes are projected to fall by $450 million.

Meanwhile, pension contributions have doubled since 2010 and along with retiree health care—most pay no deductible and a maximum $15 copay—make up 20% of the budget. Democratic Governor Dannel Malloy has ordered cuts to local aid while legislators debate how to close a $5.1 billion budget gap.

Mr. Malloy wants to shift some of the teachers-pension costs to cities, but Democratic legislators howl that this will further drive up the state's astronomical property taxes. The tax bill on a $300,000 home in Hartford is $22,287.

Flight From Tax and Spend

Net migration into and out of certain states, 2012-2016, in thousands of people



Source: Census Bureau

THE WALL STREET JOURNAL.

Many Democrats would prefer to raise sales taxes, which shows that liberals will eventually come after everyone else after they tap out the wealthy.

For another example, see New Jersey, where lame-duck Republican Governor Chris Christie has raided the not-for-profit health insurer Horizon Blue Cross Blue Shield to finance rising state health-care costs. State residents were taken hostage this weekend when Mr. Christie ordered a shutdown of state beaches and parks until Democrats passed a budget that requires Horizon to spend some $300 million in "excess" reserves on expanded opioid treatment, among other public health services.

Democratic Assembly Speaker Vincent Prieto resisted this tax on Horizon policy holders if only because they include state workers, but then compromised with Mr. Christie to return "surplus" funds to enrollees.

The shakedown is a warning to New Jersey taxpayers. Pension payments have doubled over the past two years and will triple over the next five. To pay the state's bills, Democratic gubernatorial candidate Phil Murphy has promised to soak the rich—then rinse and repeat. The state's top income-tax rate is already 8.97% and the Tax Foundation says its property taxes are the highest in the land.

Amid these meltdowns, Maine's Republican Governor Paul LePage suspended nonemergency government functions to impel his legislature to drop a lodging-tax hike and roll back a voter initiative backed by the teachers' union that increased the state's income tax this year by three percentage points to 10.15%, the highest in the Northeast. Temporarily closing the Department of Motor Vehicles was a small price to pay for preventing the kind of fiscal collapses that are occurring in Connecticut, Illinois and New Jersey.

To adapt Margaret Thatcher, the problem with progressive governance is you eventually run out of other people's money.

The Next Battle in the Broadband Revolution

BUSINESS WORLD
By Holman W. Jenkins, Jr.

Nobody doubts that a dramatic competitive restructuring of America's cable and mobile broadband industries is getting ready to unfold. Just consult your favorite Wall Street telecom analyst.

The reasons are twofold. As superfast 5G wireless comes off the drawing board, wireless will be able to compete with cable in delivering lightning-speed broadband and high-def television to the home.

At the same time, cable operators own the extensive wired networks to provide the "backhaul" connections that proliferating, "densified" cell 5G networks will require.

The players also know something else: The cable guys will be the buyers in this coming consolidation wave; the wireless industry, its finances weakened by the "unlimited data" wars, will be the sellers.

Which brings us to Comcast's latest machinations. In May, it announced a partnership with America's No. 2 cable giant, Charter Communications, to cooperate on their wireless offerings. They also placed a one-year moratorium on either making a solo bid for a wireless carrier such as T-Mobile or Sprint.

In other words: Let's not compete to drive up the acquisition price of a wireless carrier when the economics of the wireless marketplace are driving the value of such businesses down.

Then came a Journal report last week that cable giants were specifically talking about a joint deal to buy wireless capacity from Sprint to resell it to their own customers.

In other words: Let's work together to drive down the cost of buying and reselling wireless capacity from the struggling wireless industry.

These proceedings might seem to test the principle that, for antitrust purposes, cable giants are free to cooperate because local franchise regulation means they really aren't competitors. Nor would it be the first time Comcast used its dealmaking clout to slow a lurch toward industry consolidation. That's what Comcast chief Brian Roberts cleverly did by tying up the regulatory establishment in vetting his ultimately failed 2014 bid for Time Warner Cable.

Should these machinations worry consumers? Not a bit. Think about the 25-year history of the consumer internet. First it was a business of the Baby Bells, delivering dial-up. Then it became a business of the cable operators, who turned one-way TV distribution systems into two-way broadband networks. With the arrival of the iPhone, it became a business of the wireless carriers.

Through all these corporate upheavals, the speeds delivered to consumers steadily increased. Last year speeds were up 74% as cable carriers anticipate a new competitive onslaught. Indeed, some might even accuse Comcast's Mr. Roberts of being a tempering force in an industry otherwise prone to bouts of irrational exuberance and capital wastage.

Besides, there's always AT&T. It's the one wireless giant arguably with all the assets, once it completes its pending acquisition of HBO and other Time Warner entertainment properties, to compete in the new world order without knuckling under to a cable partner like Charter or Comcast. So pull up a chair. The broadband revolution is about to get interesting again.

Naturally all this competitive ferment is also ignored by those desperately trying to preserve one of the most shortsighted, retrograde twitches of the Obama administration, its effort, in the name of "net neutrality," to impose 1934-sytle utility regulation on the consumer broadband business.

> A dramatic competitive restructuring of America's telecommunications industry is getting ready to unfold.

As sure as the sun rises, that creature of credentialism, Susan Crawford, first of the Obama White House, now of the Harvard faculty, supplies a New York Times op-ed that pretends consumers inhabit a world in which broadband only comes from a local cable monopolist. Mobile doesn't exist. Consumers don't tap the internet at work, at the local coffee shop, at countless public Wi-Fi hot spots. They are but helpless patsies of any local cable operator's desire to slow, filter or bias their web access.

But then the "net neutrality" debate has always been remarkable for proceeding without reference to the real world. Only one question has really interested the professional net-neut activists: Do our efforts advance the rent-seeking, parasite economy that sustains all who inhabit the greater D.C. area?

Ajit Pai, America's new Federal Communications Commission chief, has a lot on his hands to help bring the revolution forward. Like what? Like retiring the nation's traditional copper phone system without leaving its most laggard customers in the lurch. Like easing local overhead and regulatory obstacles to laying new fiber. Like opening up public and private premises for the installation of the small cells that will drive the coming era of ubiquitous high-speed wireless data access.

Mr. Pai will have some interesting telecommunications mergers to vet too, and all the while will be fighting off net-neut activists shrieking their well-tried nonsense about a pending "media monopoly" and the "death of the internet." But have faith: Technology, especially the technology of superfast wireless, will triumph in the end.

LETTERS TO THE EDITOR

Paid Family Leave Is a Good National Policy

In a rejoinder to your May 29 editorial "The Ivanka Entitlement" on President Trump's family-leave proposal, Stephen Schwarzman lays out the robust business case for paid-leave policy (Letters, June 21). The Journal then uses Mr. Schwarzman's response as a platform to make a policy distinction, to recognize the inherent value of paid leave while opposing the government's role in administering it: "[O]ur point wasn't to oppose family leave. The editorial opposed a government plan ("The Blackstone Entitlement," Review & Outlook, June 26).

By now, many are familiar with the benefits of paid family leave: Healthier children and parents in more tightly bonded families, greater financial stability and stronger attachment to the labor force are among the most important. Unfortunately, those who need these benefits the most aren't getting them; the poorest, most vulnerable workers in our society get left behind. Currently, only 6% of American workers in the bottom income quartile have access to paid family leave. Studies show that these individuals—particularly women without a college degree—are far more likely to lose or quit their jobs in the event of childbirth, resulting in a far greater cost to society over the long term.

The policy outlined in the administration's recent budget proposal emphasizes the need for mothers and fathers to have access to paid leave to encourage both parents to share parenting responsibilities and to strive toward minimizing hiring biases. While this policy will benefit all working parents, it will have an especially positive effect on women, who are far more likely than men to leave the workforce to provide unpaid care for a child.

A 2012 study found that women who took paid family leave were more likely to be working a year after their child's birth than those who didn't take leave, and that women who took leave and returned to work were 39% less likely to report receiving public assistance than those who didn't. Additionally, making it easier for new parents to return to work after the arrival of a new baby is a critical part of solving the persistent gender and minority pay gap that exists in part because of prolonged periods away from the workforce and challenges with re-entry.

As the Journal also so aptly points out, "a growing economy is the best antidote to inequality." I agree. Women's increased participation in the workforce in recent decades has been an important driver of middle-class incomes. In fact, research by the Council of Economic Advisers suggests that the vast majority of middle-income growth since 1970 is the result of increased female labor-force participation and education.

Meanwhile, we agree wholeheartedly that government benefits should not be a substitute for private-sector investment. We see a national paid-leave benefit as the necessary floor from which private sector companies and state governments can build.

A recent poll by the National Partnership for Women and Families found that 82% of voters think it is important for Congress to consider a paid-leave program. To this end, we are working with lawmakers on both sides of the aisle to design a paid-leave policy that provides a targeted benefit to help the people who need it the most and are least likely to receive it from their employer, without discouraging larger companies from developing more generous policies.

The reality is that in 63% of American homes with children, all parents work. Providing a national guaranteed paid-leave program—with a reasonable time limit and benefit cap—isn't an entitlement, it's an investment in America's working families.

IVANKA TRUMP
Washington

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

Confront Iran the Reagan Way

By Mark Dubowitz

One message of President Trump's is popular at home with his political base and embraced abroad by key Middle Eastern allies: The Islamic Republic of Iran is imperialist, repressive and—unless we adopt a new strategy—on its way toward possessing nuclear weapons. To keep the threat at bay, Mr. Trump should take a page from the playbook Ronald Reagan used against the Soviet Union.

In the early 1980s, President Reagan shifted away from his predecessors' strategy of containment and toward a new plan of rolling back Soviet expansionism. The cornerstone of his strategy was the recognition that the Soviet Union was an aggressive and revolutionary yet internally fragile regime that had to be defeated.

In 1983 he abandoned 'containment' and adopted a plan to roll back Soviet expansionism. It worked.

Reagan's policy was outlined in 1983 in National Security Decision Directive 75, a comprehensive strategy that called for the use of all instruments of American overt and covert power. The plan included a massive defense buildup, economic warfare, support for anti-Soviet proxy forces and dissidents, and an all-out offensive against the regime's ideological legitimacy.

Mr. Trump should call for a new version of NSDD-75 and go on offense against the Iranian regime. The administration would be wise to address every aspect of the Iranian menace, not merely the nuclear program. President Obama's myopic focus on disarmament paralyzed American policy.

Under Mr. Obama's deeply flawed nuclear accord, Tehran doesn't need to cheat to reach threshold nuclear-weapons capabilities. Merely by waiting for key constraints to sunset, the regime can emerge over the next decade with an industrial-size enrichment program, a near-zero breakout time, an easier clandestine path to a nuclear warhead, long-range ballistic missiles, access to advanced conventional weaponry, greater regional dominance, and a more powerful economy, increasingly immunized against Western sanctions. You could call this scenario the lethal Iranian end-state.

A new national-security directive must systemically dismantle Iranian power country by country in the Middle East. The Europeans, traumatized by foreign fighters returning from Syria and massive refugee flows, may support a tougher Iran policy if it means Washington finally gets serious about Syria.

The early signs of the return of American power are promising: 59 Tomahawk missiles launched in response to the Assad regime's most recent chemical attack, military strikes at Iran-backed militias in southern Syria, the downing of a Syrian fighter plane and Iranian-made drones, and 281 Syria-related sanctions in five months.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A long-range S-200 missile launching in Bushehr, Iran, on Dec. 29, 2016.

Washington should demolish the Iranian regime's terrorist networks and influence operations, including their presence in Europe and the U.S. That means working closely with allied Sunni governments against Iranian subversion of their societies. The American offensive has already begun: CIA Director Mike Pompeo is putting the agency on an aggressive footing against these global networks with the development of a more muscular covert-action program.

All of Washington's actions to push back against Tehran hinge on severely weakening the Iranian regime's finances. Robust measures should target the regime's praetorians, the Iran's Revolutionary Guard Corps, a dominant force in Iran's economy. New sanctions legislation designating the IRGC for terrorism—which the Senate recently passed with 98 votes—and the more than 40 Iran-related sanctions imposed this year are a good start.

But much more is still needed: The IRGC's transfer to Hezbollah of industrial-size missile production capability based on Lebanon soil could trigger the next Israel-Hezbollah war. Massive economic sanctions on Iran to stop these transfers may be the only way to head off this war.

Last but not least, the American pressure campaign should seek to undermine Iran's rulers by strengthening the pro-democracy forces that erupted in Iran in 2009, nearly toppling the regime. Target the regime's soft underbelly: its massive corruption and human-rights abuses. Conventional wisdom assumes that Iran has a stable government with a public united behind President Hassan Rouhani's vision of incremental reform. In reality, the gap between the ruled and their Islamist rulers is expanding.

The odds that a moderate government will emerge in Tehran before the nuclear deal's restrictions expire are poor. Washington needs to block the Islamic Republic's pathways to gaining nuclear-tipped missiles. While aggressively enforcing the nuclear agreement, the administration should present revised terms for a follow-on deal. These must address the current accord's fundamental flaws, including the sunset provisions that give Tehran a clear pathway to nuclear weapons and the missiles to deliver them, and the inadequate access to Iranian military sites that blocks effective verification.

The administration should present Iran the choice between a new agreement and an unrelenting American pressure campaign while signaling that it is unilaterally prepared to cancel the existing deal if Tehran doesn't play ball.

Only six years after Ronald Reagan adopted his pressure strategy, the Soviet bloc collapsed. Washington must intensify the pressure on the mullahs as Reagan did on the communists. Otherwise, a lethal nuclear Iran is less than a decade away.

Mr. Dubowitz is chief executive of the Foundation for Defense of Democracies.

Rising Tensions on the Himalayan Frontier

By Harsh V. Pant

Even as Prime Minister Narendra Modi was hugging Donald Trump in Washington last week, a tense standoff between India and China was under way in the Himalayas. Units of the two countries' armies have been maneuvering at the trijunction between India, China and Bhutan since June 16—the longest border confrontation between the two nations since the Sino-Indian war of 1962.

It all started when a People's Liberation Army unit tried to build a road toward a Royal Bhutanese army camp on the Doklam Plateau. The Bhutanese protested and were supported two days later by an Indian army request that China cease its efforts. This led to a physical altercation between the two sides, with the Chinese soldiers probably destroying a few temporary Indian-army bunkers.

Unlike in the past, China has taken an unusually aggressive tone in its protests, portraying itself as a victim of Indian aggression. It upped the ante by asking India to recall the 1962 war and learn a lesson, to which New Delhi responded that "India of 2017 is different from India of 1962."

Expressing deep concern over China's construction of a road in the disputed area, New Delhi conveyed to Beijing that such an action would represent a significant change of status quo with "serious" security implications for India. For its part, Bhutan issued a démarche asking Beijing to return to the *status quo ante*.

As claims and counterclaims fly between Beijing and New Delhi, the issue is primarily about China's bullying of Bhutan, a small South Asian nation, by trying to change the facts on the ground. Thimphu showed courage by standing up to the behemoth with Indian help.

Bhutan shares a unique relationship with India, which is largely responsible for its military security. As per the 2007 India-Bhutan Friendship Treaty, the two nations cooperate "closely with each other on issues relating to their national interests. Neither Government shall allow the use of its territory for activities harmful to the national security and interest of the other."

China and India are mired in their longest border confrontation since their war of 1962.

It's important for India to stand up for one of its closest allies. For China it's about challenging India's primacy in South Asia and sending a message to the smaller countries of the region that it retains the capability to shape South Asia's strategic environment decisively. Chinese construction of roads at Doklam has the larger military purpose of getting nearer to the Siliguri corridor so as to be able to cut off India's entire northeastern region should the need arise.

Rather than underlining its rising power, China's bullying behavior underscores how rattled it is by Mr. Modi's proactive assertion of Indian interests. India was one of the few major powers not to attend May's Belt and Road Initiative Summit, repeatedly underscoring the hegemonistic design behind the plan's seemingly benign rhetoric. Growing bonhomie between Mr. Modi and Mr. Trump is also an unnerving factor for an insecure China.

Many in India continue to argue that New Delhi shouldn't provoke China by tilting too close to the U.S. But China's aggressive behavior is a function of its own rise and desire to shape its strategic environment. Appeasing China won't work.

After all, tiny Bhutan has done nothing to challenge China's growing pre-eminence. Its only fault is that it has close ties with India. The Modi government's policy of standing up to China and of working with like-minded countries in the region is the only way New Delhi can preserve its interests at a time when China's rise is upending a number of assumptions of global politics.

Washington must respond to the rapidly changing power dynamic in the Asia-Pacific. By signaling that it is ready for a transactional relationship with Beijing in its initial months, the Trump administration may have inadvertently given China a green light to bully its neighbors. As Washington reviews its stance on China, it needs to be aware that Asia is being shaped by China's rise much faster than many anticipated even a few years back. A tense standoff between India and China could soon become the new normal if present trends continue.

Mr. Pant is a distinguished fellow at Observer Research Foundation, New Delhi and professor of international relations at King's College London.

Positive Change Is Happening in Ukraine

By Volodymyr Groysman

Achieving positive change in a country is no easy feat. It requires ambition, dedication and persistence. I see this every day as Ukraine introduces wide-ranging reforms to make our country a better place to live, visit and invest. But now that we are at the stage where persistence is essential to realizing our goals, I want to share our progress while showing our commitment to carrying out these changes.

When I became prime minister in April 2016, the government's main challenge was to stabilize our country. We had to establish new rules and greater transparency to fight corruption and create a business-friendly climate. We've been working hard, and over the past three years we've canceled more than 3,000 regulatory acts—more than during the entire previous 20 years.

Now that we have the momentum, the numbers are stacking up, too. After a 17% drop in 2014-15, Ukraine's gross domestic product grew by 2.3% in 2016, accelerating to 4.7% in the final quarter. A report published by the European Commission last year concluded that we're making headway at an "unprecedented" level, and the International Monetary Fund has committed $17 billion in financial support for my government's reform efforts.

It's never been easy, but we've insisted on being open and transparent throughout. Under previous rules, subsidized energy prices cost the government around 10% of GDP each year and offered politically connected oligarchs the chance to siphon off billions into their own pockets. That's why my government deregulated gas prices and substituted energy-tariff subsidies with direct subsidies to households.

We implemented these changes a year earlier than our IMF program stipulated. Indeed, we are trying to outpace the international standards for transparency. Last summer, for example, we made it obligatory for state bodies and civil servants to purchase goods and services through an award-winning e-procurement system called Prozorro, developed by Transparency International. This new system automatically publishes details of public spending on an open e-register so that businesses, citizens and investors can be confident that the government is working to support their needs and enable further development.

We are proud of our achievements so far, and have identified five priorities in our 2020 Reform Plan: economic growth to create new jobs, higher wages and increased personal wealth; effective governance, aimed at high-quality public services and better control over state funds; combating corruption in order to secure equal rights for all; increasing our security and defense services to protect our citizens; and increasing the availability and quality of health care across the country.

Driving these reforms will push us into an exciting new period in our nation's history, allowing us to open up for global business. We are a member of the World Trade Organization, have a free-trade and visa-free travel arrangement with the European Union, and have recently concluded a free-trade agreement with Canada.

We've also created the Ukraine Investment Promotion Office to attract even more foreign investment, as well as continually improving our infrastructure and legislation to match the high standards of our highly skilled workforce. A recent European Business Association Investment Attractiveness Index characterized Ukraine's investment environment as the best it's been in six years. Foreign direct investment last year totalled $4.41 billion, 17.1% more than in 2015.

We're ahead of schedule on deregulating energy and fighting corruption, and are growing as a result.

Ukraine has a bright future, and I'm sure this future will be based on further cooperation with our international partners. I will do everything in my power to make this happen, and the Ukraine Reform Conference meeting in London Thursday will be the first of many opportunities to broaden the coalition around reforms in Ukraine.

We have a vision for making sure progress turns into further reform. Our persistence will be the key to making sure Ukraine continues to give our people a brighter future, our allies a stronger partner and our investors more valuable opportunities.

Mr. Groysman is the prime minister of Ukraine.

How to Get Americans off the Couch

By Peter Cove

America doesn't have a worker shortage; it has a work shortage. The unemployment rate is at a 15-year low, but only 55% of American adults 18 to 64 have full-time jobs. Nearly 95 million people have removed themselves entirely from the job market.

According to demographer Nicholas Eberstadt, the labor-force participation rate for men ages 25 to 54 is lower now than it was at the end of the Great Depression. The welfare state is largely to blame. More than 20% of American men of prime working age are on Medicaid. According to the Census Bureau, nearly 60% of nonworking men receive federal disability benefits.

The good news is that the 1996 welfare reform taught us how to reduce government dependency and get idle Americans back to work. Attaching work requirements to social benefits like Medicaid, food stamps, Social Security Disability Insurance and Supplemental Security Income would make what these pages have called "America's growing labor shortage" a nonissue.

According to the Kaiser Family Foundation, 41% of nondisabled adults on Medicaid don't have jobs. Thirteen million Americans ages 18 to 54 currently receive SSDI or SSI benefits.

Conservatively, work requirements could add 25% of that population (3.3 million workers) back to the labor force. Work requirements for people on food stamps would increase the worker rolls by 1.9 million if only 10% who aren't engaged in work rejoined.

There's no question that insisting on work in exchange for social benefits would succeed in reducing dependency. We have the data: Within 10 years of the 1996 reform, the number of Americans in the Temporary Assistance for Needy Families program fell 60%. But no reform is permanent. Under President Obama, federal poverty programs ballooned.

A better long-term solution to the work shortage would be to eliminate all forms of public support except for those who are unable to work, and eliminate all poverty programs, since they haven't reduced poverty since they were established in 1965.

The money being spent on these programs should be redirected to job creation—preferably for private-sector jobs, but public-sector jobs will do in a pinch. A trillion-dollar federal infrastructure program, such as the one President Trump has said he will propose, could absorb a large number of the unemployed and underemployed.

There are other avenues to pursue. For young men who aren't working, a mandatory two-year public-service requirement with an off-ramp for those who snag a job could motivate them to get off—and stay off—the couch.

Too many Americans who could be available to help fuel robust economic growth are instead sitting on the sidelines. It's time to get them in the game. It's time to solve the work shortage.

Mr. Cove is author of "Poor No More" and founder of America Works.

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TELEVISION

The Super Bowl of Nature Shows

Capitalizing on the live-programming trend, National Geographic plans a two-hour special featuring wildlife in action

BY JOHN JURGENSEN

FROM LEFT: MICHAEL NOLAN/ROBERTHARDING; NATIONAL GEOGRAPHIC/BRYAN JOUBER

'Earth Live' will attempt live footage of animals such as the humpback whale, above. Filming under a night sky, right.

BATS, BULL SHARKS, lions and langurs are getting roped into the quest to create live television events.

While other TV networks have used live musicals and sports events to try to harness mass audiences, the National Geographic channel is luring viewers with a two-hour special starring animals around the world filmed in real time. "Earth Live," airing Sunday night, will cut among camera feeds from wildlife cinematographers in 16 countries across 12 time zones.

Unlike typical wildlife programs where crews spend months in the field capturing animal highlights, "Earth Live" will rely on raw footage of creatures in the moment. Producers zeroed in on shooting locations and a date with a full moon to maximize their chances for drama. If weather, technology and the wildlife itself cooperate, viewers will see lion prides in Kenya hunting by moonlight during a wildebeest migration, and macaque monkeys in Thailand smashing mussels on the beach for their breakfast.

The animals "are our superstars, but like any talent you hope they perform on the day you need them to," says Tim Pastore, National Geographic's president of original programming and production.

To combat overcrowded TV schedules, audience indifference and the ratings-deflating force of DVRs, TV networks continue to invest in live programming. NBC, which kicked things off in 2013 with "Sound of Music Live," scheduled "Jesus Christ Superstar" for next Easter (though it postponed a production of "Bye Bye Birdie"). Fox will stage live versions of "Rent" and "A Christmas Story" next season. ABC is planning an adaptation of Disney's "The Little Mermaid."

National Geographic channel has dabbled in its own version of such stunts, airing live footage of a brain surgery and astronauts on the International Space Station. "Earth Live," however, is a bigger bet in terms of budget and logistical challenges. It brings a commensurate risk of giving viewers a lackluster day in the (wild) life of the planet, or the cringe-worthy experience of watching a high-wire act gone wrong.

After years of reality shows about survivalists and other rugged characters, the channel has been launching more ambitious shows to steer its programming back into sync with National Geographic's 129-year-old brand. They include the channel's first fully scripted series, "Genius" (about the life of Albert Einstein), and "Mars," a documentary-drama hybrid.

The channel is part of a joint venture between the National Geographic Society and 21st Century Fox. 21st Century Fox and News Corp , parent company of The Wall Street Journal, share common ownership.

As the director of many live awards shows, including Oscars, Emmys and Tonys broadcasts, "Earth Live" director Glenn Weiss is more accustomed to corralling footage of celebrities than animals. He'll orchestrate feeds coming in from the field to a studio in midtown Manhattan. There, naturalist Chris Pakham will provide on-camera commentary, along with hosts Phil Keoghan and Jane Lynch, who says her role as host is to "stand there in amazement and say 'Wow!'"

National Geographic has deployed wildlife cinematographers who specialize in the species and locations they'll be shooting. They include Sophie Darlington, tracking lions in the Maasai Mara game reserve in Kenya; Bob Poole, looking out for hyenas that come into Ethiopian villages for food by night; and Andy Casagrande, sending underwater images of bull sharks on the prowl in Fiji. Producers in New York will keep an eye on social media so if any specific animals emerge as stars, they can respond with more footage.

New technology, including a camera with capability of capturing images in color of animals under moonlight, made it more feasible to tape animal nightlife. "Earth Live" locations include a cave near San Antonio, Texas, where millions of Mexican free-tailed bats should emerge at dusk, and in Finland, near the Arctic Circle, where there's some sunlight in the sky at 3 a.m. when wolverines are expected to be on the move.

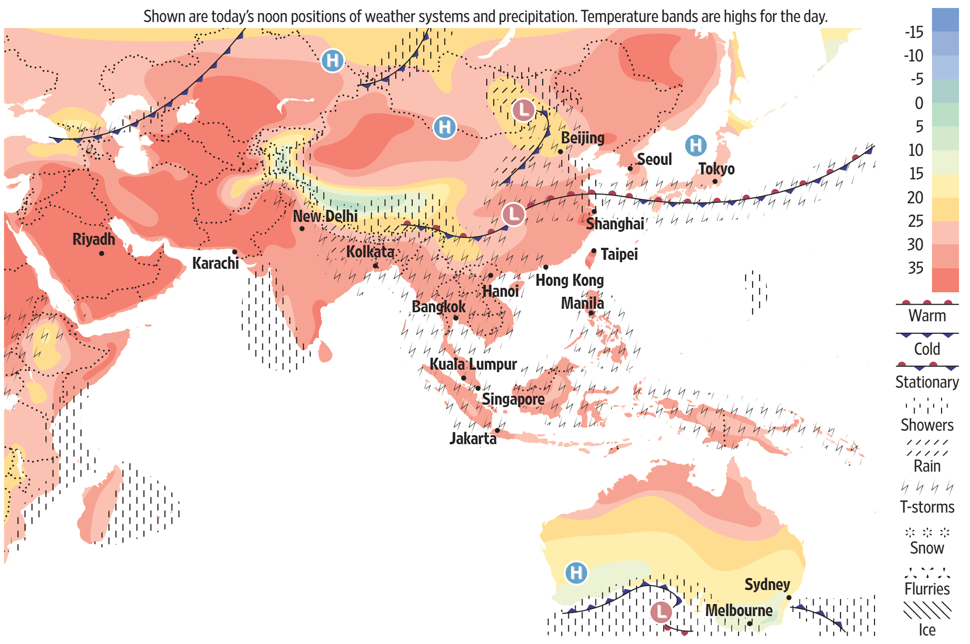
Plans for the special started two years ago when executive producer Al Berman pitched the concept to National Geographic. That began the process of narrowing down more than 100 potential shooting locations, and dates with a full moon that would bring heightened tides and animal activity. "We looked right across the calendar, in both Northern and Southern hemispheres. If you want to choose one night to look at animals, this is the night," says executive producer Andrew Jackson.

In the run-up to July 9, researchers and camera crews have been keeping tabs on members of the wildlife cast to make sure they're behaving as expected and in their places for several weekend rehearsals before the big show.

Weather

AccuWeather.com

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

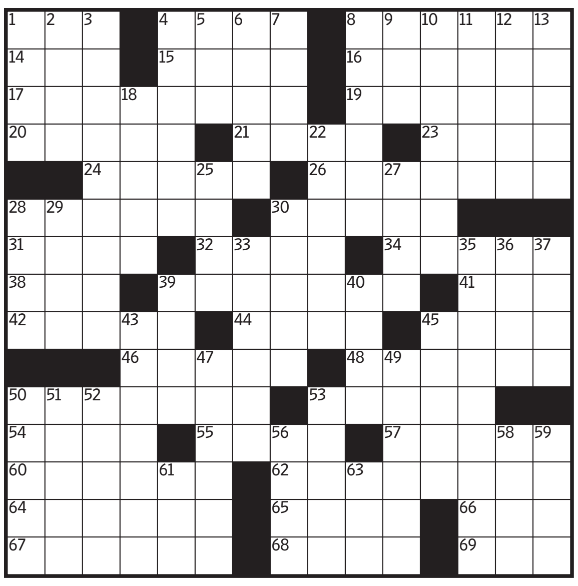


Global Forecasts

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

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	26	17	t	25	15	t
Anchorage	20	13	pc	18	11	pc
Athens	32	23	s	33	23	s
Atlanta	33	23	pc	31	23	pc
Baghdad	49	32	s	49	32	s
Baltimore	26	20	r	30	21	pc
Bangkok	32	24	t	32	26	t
Beijing	24	20	t	31	22	pc
Berlin	22	14	pc	24	14	t
Bogota	19	10	c	19	10	c
Boise	38	21	pc	39	20	s
Boston	26	18	pc	25	20	r
Brussels	27	17	t	27	16	s
Buenos Aires	13	9	sh	15	11	r
Cairo	35	24	s	36	25	s
Calgary	28	13	pc	31	16	s
Caracas	31	26	pc	31	26	pc
Charlotte	34	23	pc	34	22	pc
Chicago	32	20	pc	28	15	pc
Dallas	33	25	t	35	25	pc
Denver	37	16	pc	33	15	pc
Detroit	31	21	pc	30	15	t
Dubai	41	32	s	44	32	s
Dublin	20	13	c	19	13	c
Edinburgh	20	14	c	19	11	c
Frankfurt	31	19	t	31	18	t
Geneva	32	19	pc	32	19	pc
Hanoi	33	27	t	33	27	t
Havana	32	23	pc	32	23	pc
Hong Kong	31	26	t	30	27	t
Honolulu	30	24	sh	31	23	s
Houston	34	24	t	34	24	t
Istanbul	28	20	s	28	21	s
Jakarta	31	24	t	32	24	t
Johannesburg	20	3	s	17	4	s
Kansas City	32	21	s	31	17	pc
Las Vegas	44	32	s	45	33	s
Lima	22	16	pc	21	16	pc
London	28	18	t	28	17	pc
Los Angeles	31	20	s	34	21	s
Madrid	27	18	t	27	16	t
Manila	34	26	t	33	25	t
Melbourne	14	7	s	13	7	pc
Mexico City	22	12	pc	21	13	t
Miami	33	27	sh	32	27	pc
Milan	33	20	pc	34	20	pc
Minneapolis	33	19	t	28	16	s
Monterrey	36	21	pc	35	20	pc
Montreal	29	19	pc	27	18	t
Moscow	18	9	r	15	9	r
Mumbai	31	27	sh	31	26	sh
Nashville	29	22	t	31	22	pc
New Delhi	34	27	pc	33	27	pc
New Orleans	31	25	pc	32	25	t
New York City	25	19	pc	26	23	pc
Omaha	35	19	s	30	18	pc
Orlando	33	22	t	33	23	t
Ottawa	29	17	pc	25	14	t
Paris	33	19	t	31	18	s
Philadelphia	26	21	t	29	22	c
Phoenix	45	33	pc	47	35	s
Pittsburgh	26	19	t	28	18	t
Port-au-Prince	36	22	pc	37	23	pc
Portland, Ore.	31	16	s	28	14	s
Rio de Janeiro	24	17	pc	24	18	s
Riyadh	46	29	s	45	30	c
Rome	32	20	s	32	19	s
Salt Lake City	39	24	pc	39	23	s
San Diego	25	20	pc	27	21	pc
San Francisco	21	12	pc	22	12	pc
San Juan	31	26	pc	31	26	t
Santiago	14	3	pc	16	5	s
Santo Domingo	33	24	pc	33	23	t
Sao Paulo	20	11	s	21	11	pc
Seattle	29	14	s	26	14	s
Seoul	31	24	t	27	24	r
Shanghai	34	27	sh	34	27	t
Singapore	30	26	t	30	26	t
Stockholm	20	10	pc	22	11	pc
Sydney	18	7	s	18	9	s
Taipei	36	26	t	35	27	t
Tehran	38	25	s	38	25	s
Tel Aviv	30	25	pc	31	23	s
Tokyo	28	24	pc	28	24	pc
Toronto	29	18	pc	26	15	t
Vancouver	24	14	s	24	13	s
Washington, D.C.	28	23	t	31	24	pc
Zurich	32	17	pc	31	17	pc

The WSJ Daily Crossword | Edited by Mike Shenk



ARRIVING | By David Alfred Bywaters

Across

1 Falstaff's young friend
4 Domestic disturbance
8 Book containing 150 poems
14 It takes hops
15 Norman native, informally
16 Equally profound
17 *Chair or stool, say?
19 Denounce abusively
20 Tea variety
21 Detail
23 Bus. sch. course
24 Chanel's home
26 *Bellicose speech?
28 *Undercarriage rust?
30 Mesoamerican group
31 Some flow into el mar
32 Object of Lady Macbeth's hygienic efforts
34 Place to get clean
38 Fuss
39 *Cause of some drunken brawls?
41 Without exception
42 Don's dominion
44 No pro
45 Water bearer
46 Wows 'em at Caroline's
48 *Coat closet array?
50 *Bill from a kennel?
53 It can give you an edge
54 Floor space, e.g.
55 Viscous stuff
57 Expedition VIP
60 Reach, as an age
62 Boundaries, and a hint to the puzzle's starred answers
64 Ruffian
65 Hibernia
66 Balinese or Burmese
67 Aussie gal
68 Without a partner
69 Diva's hallmark

Down

1 Irish euro coin image
2 Off the wind
3 Like a good travel mug
4 Ring star
5 1979 Robert Duvall miniseries
6 Punch ingredients?
7 Tiropita ingredient
8 "The flavor says butter" brand
9 Sacramento-to-L.A. heading
10 Unfavorable
11 Big name in lenses
12 Pinkish Crayola color
13 Paid out
18 Dins from dens
22 Try to hit
25 "___ deal!"
27 Remarkable
28 Bone up
29 Opera set in Egypt
30 Eves' opposite
33 Seek help from, in a way
35 Rug, so to speak
36 Brand for boxers
37 Recklessly paid out
39 Seat at a hootenanny
40 Shower package
43 Begin, e.g.
45 Like a new dad
47 Silky goat
49 Persuasion
50 Pacifies
51 Heep of fiction
52 Song-and-dance show
53 Circumvent
56 They're often dedicated
58 Pass slowly
59 "___ perpetua" (Idaho motto)
61 Business card abbr.
63 Through

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

Previous Puzzle's Solution

TECHNOLOGY: BAIDU CEO TAKES SELF-DRIVING CAR TO BEIJING CONFERENCE B4

BUSINESS & FINANCE

Yen vs. Dollar 113.2550 ▼ 0.02% | Hang Seng 25521.97 ▲ 0.52% | Gold 1217.40 ▼ 0.04% | WTI crude 45.24 ▼ 3.89% | 10-Year JGB yield 0.085% | 10-Year Treasury yield 2.338%

Volvo Proclaims Shift to Electric

Geely-owned auto maker forswears internal combustion as of 2019 models

By William Boston

For Volvo the internal combustion engine has run its course.

In the face of competition from upstarts like **Tesla** Inc., which begins production this week of its new mass-market Model 3 electric battery-powered family car, the Chinese-owned automotive group on Wednesday said all new Volvo models from 2019 would be either fully electric or a hybrid.

Volvo is the first major auto maker to abandon the technology that has powered the industry for more than a century. Hakan Samuelsson, president and chief executive of Volvo

JOHANNES EISELE/AGENCE FRANCE-PRESSE/GETTY IMAGES

The Swedish company is committing itself to fully electric or hybrid vehicles. A Volvo sedan at Shanghai's auto show in April.

Cars, said in a statement that the move "marks the end of the solely combustion engine-powered car," reiterating his target of selling one million electric cars and hybrids by 2025. "When we said it, we meant it. This is how we are going to do it."

Volvo also said it would launch five new electric and hybrid vehicles between 2019 and 2021. Two of the new models would be built by Polestar, the performance-car unit that Volvo is spinning off as a "separately branded electrified global high performance car company." Volvo Cars would build the other three models. No further details were available.

All major auto makers are preparing for a shift to electric vehicles, but the challenge for the industry is to get the timing right because of the industry's typically long product cycles that involve years of research and development before a vehicle rolls off the assembly line.

Auto executives talk about an impending "tipping point" when the costs of some electric car models are expected to fall below the cost of the conventional version of the same vehicle type. When that happens, industry executives and analysts say momentum could shift quickly in favor of electric cars.

Industry analysts estimate that rising costs of developing combustion engines that meet ever-stricter emissions regulations could make some electric models more affordable as soon as 2025. With a starting price of around $35,000, the Tesla Model 3 that launches this week is only slightly more expensive than BMW AG's 3-Series sedan with a gasoline or diesel engine.

Volvo's decision to accelerate the move to go electric could help it in light of a potential stock listing. Volvo, a Swedish luxury car maker that was founded in 1927, was bought by Ford Motor Co. in 1999. Ford sold the company to **Geely Holding Group**, a Chinese investment company, in

Please see VOLVO page B4

◆ Heard: Volvo, China charge up electric-car drive........................ B8

Vantiv Plans to Acquire Worldpay

By Ben Dummett and Max Colchester

Vantiv Inc., a major U.S. credit-card processor, has made an offer valuing U.K. payments group **Worldpay Group** PLC at $10 billon, warding off a potential rival bid from global banking giant **J.P. Morgan Chase** & Co.

Worldpay and Vantiv said in a joint statement Wednesday that they had agreed to a deal in principle.

J.P. Morgan, which had been looking at Worldpay, said it was "at a very early stage in considering" a bid following an invitation from the U.K. firm but decided against the move without providing a reason.

The proposed Vantiv-Worldpay combination, if successful, would create a trans-Atlantic payments processing giant with a combined market value of more than $20 billion. Vantiv has until Aug. 1 to make a firm offer.

Payments businesses are under pressure to join forces in part to cut costs as greater regulatory scrutiny and rising competition from technology startups squeeze the fees of incumbents. Worldpay rival Nets AS said last week it had been approached by suitors. In April, **Mastercard** Inc. received regulatory approval to acquire payment-technology firm **VocaLink Holdings** Ltd. for about $920 million.

Ohio-based Vantiv helps merchants, banks and credit unions accept credit- and debit-card payments, as well as gift cards and online payments mainly in the U.S. By acquiring Worldpay, Vantiv would bolster its U.S. position and gain access to the U.K., markets where Worldpay processes millions of payments daily in stores, online and on mobile phones.

Vantiv and Worldpay said they have identified "substantial" opportunities for cost reductions, without disclosing how much or where they are. They added that their talks remain ongoing, and cautioned that there was no certainty any deal will be reached.

Vantiv is offering a share and cash deal that would value Worldpay at about 19% above its closing share price before Worldpay said Tuesday that it had received preliminary approaches from Vantiv and J.P. Morgan. In London trading Wednesday, Worldpay was down 8.8% at £3.72 ($4.81) after the stock had previously shot above the ultimate offer price.

The combined group would be led by Vantiv's chief executive, Charles Drucker, as executive chairman and co-chief executive. Worldpay CEO Philip Jansen would be co-chief, the companies said. Vantiv Chief Financial Officer Stephanie Ferris would retain the same role.

—Emily Glazer contributed to this article.

HEARD ON THE STREET

By Stephen Wilmot

Making Executives Hold More Shares

Excessive, opaque pay packages for company bigwigs are a perennial problem for shareholders. A few U.K. companies are embracing a new approach: Scrap targets and make bosses long-term shareholders. U.S. boards should take note.

In the name of payment for results, American companies increasingly favor rewarding executives with stock awards linked to complex performance hurdles. Called long-term incentive plans or LTIPs, these are taking the place of stock options, a hugely popular form of pay in the 1990s now tainted by suspicions of share-price manipulation and short-termist management.

Experience in the U.K., where performance-linked LTIPs have been around for longer, suggests they are little better than options. Executives might hit profit or cash-flow targets by trimming research budgets or capital spending rather than growing the business. Even when targets are missed, bosses sometimes end up with their awards, over which boards typically have discretion.

Governance folk initially took to stock-based pay because it appeared to align management with shareholders interests. But LTIPs don't turn executives into big shareholders: Most exchange stock for cash as soon as they can. Meanwhile, LTIPs inflate pay, because in salary

Please see HEARD page B2

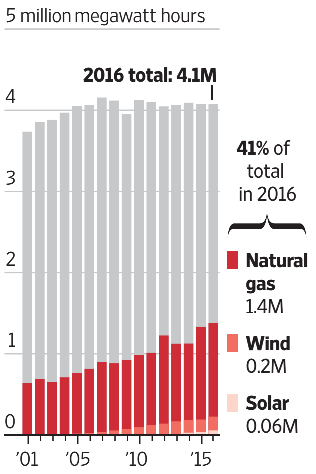
JIM URQUHART/REUTERS

Coal is giving way to natural gas and renewables for electricity generation. A coal-fired plant in Wyoming operated by PacifiCorp.

U.S. Power Feels Winds of Change

Shifting Grid

Electricity from natural gas, wind and solar are becoming a larger share of the power-generation mix in the U.S.



Source: Energy Department

THE WALL STREET JOURNAL.

By Russell Gold

Not long ago, coal provided 98% of the electricity for the pulp-and-paper mills and iron-ore producers around the western edge of Lake Superior, as well as the port city of Duluth, Minn. That was 2005. Today, coal use is plunging, and by 2025 is expected to power just one-third of this region.

This is all part of a plan released last month by the local utility, **Minnesota Power**, to generate 44% of its electric power from renewable sources like wind farms. It also plans to build a new high-efficiency natural-gas power plant and has already shut down six of its eight coal-fired units.

This is an extreme example of the transition happening across the U.S. power grid. Natural gas, wind and solar power are expanding rapidly, while electricity generation from coal and nuclear reactors is shrinking.

The transition in the grid comes as the Trump administration has signaled it would like to help coal make a comeback, and last week President Donald Trump said he wanted to "revive and expand our nuclear-energy sector" and announced a policy review. Because U.S. power demand isn't growing, promoting coal and nuclear would come at the expense of gas and renewables—and vice versa. This has set up a power-grid showdown: Will new federal policies bring back coal and nukes, or will gas and renewables continue to grab market share?

It isn't just small utilities like Minnesota Power that are changing their generating mix. Duke Energy Corp., a large utility based in Charlotte, N.C., with power plants in five states, generated 7% of its power from gas and renewables in 2005. Last year, Duke got 32% from those new sources, and it expects the portion to hit 44% by 2026.

Last week, Oregon utility PacifiCorp, which is owned by Warren Buffett's Berkshire Hathaway Energy, filed plans to spend $13.6 billion on wind and solar generation. These renewable projects are "the most cost-effective option to meet customers' energy needs over the next 20 years," the company said.

Overall, gas, wind and solar now meet 40% of U.S. power needs, up from 22% a decade ago, according to the U.S. Energy Information Administration.

As gas and renewables have grown, coal, the mainstay of

Please see POWER page B2

Global Drugmakers Sharpen Focus on Top Killers in China

By Preetika Rana

SHANGHAI—Big Pharma is investing billions of dollars to tackle deadly diseases prevalent in China, developing new drugs to combat a lineup of top killers that differs from that in the West.

Swiss drugmaker **Novartis** AG is testing a molecule to combat a rare head and neck cancer widespread in southern China. American rival **Johnson & Johnson** is creating innovative drugs to tackle lung cancer and hepatitis B, endemic in China. And France's **Sanofi** SA is researching a new way to treat liver cancer—one of the most common forms of cancer here—despite early setbacks.

The move is a switch from a decades-old strategy of selling existing drugs to China's billion-plus people, and is aimed at strengthening a foothold in the world's second-largest drug market, which has long thwarted Western companies.

Lung, liver and stomach cancers are among China's top killers, according to the World Health Organization, accounting for more than a million deaths every year. Those diseases kill hundreds of thousands of people in countries like Japan and South Korea too, offering an opportunity for drugmakers to sell China-tailored treatments in neighboring markets. Alzheimer's and other forms of dementia are among the top causes of deaths in the U.S. in comparison.

But large unmet needs aren't alone in driving companies to discover new therapies here. Regulatory hurdles have made it tough for foreign firms to quickly launch their newest treatments in China, largely because they are discovered overseas.

Recent corruption scandals also have made it harder for companies to market older drugs that are approved for sale here. A Chinese court fined GlaxoSmithKline PLC nearly $500 million in 2014 after it found the U.K.-based company's local unit guilty of bribing doctors. Novartis last year agreed to pay $25 million to settle a U.S. Securities and Exchange Commission investi-

Please see CURE page B2

QILAI SHEN/BLOOMBERG NEWS

Western pharmaceutical firms are investing more in China-based research. A Novartis lab in Shanghai.

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

INDEX TO PEOPLE

BUSINESS & FINANCE

Chapter 11 for Jeans Maker

By Patrick Fitzgerald

MESFIN FEKADU/ASSOCIATED PRESS

True Religion Apparel's owner has agreed with creditors on the terms of a debt-for-equity swap.

Jeans maker **True Religion Apparel** Inc. filed for bankruptcy protection on Wednesday, the latest in a string of Southern California garment sellers to succumb to changing consumer shopping habits.

Los Angeles-based True Religion filed for chapter 11 protection after its private-equity owner, TowerBrook Capital Partners, struck a deal with lenders on the terms of a debt-for-equity swap that will erase $350 million in debt from the company's books.

Chief Executive John Ermatinger said the restructuring deal will allow True Religion to keep its doors open while spreading its digital footprint as the brand looks to survive in a challenging retail environment.

In addition to cutting three-quarters of its debt of $535 million, the company said it would use bankruptcy laws to close or consolidate underperforming stores and, where possible, renegotiate leases.

Under the terms of a restructuring agreement filed with the court, lenders including funds managed by **Goldman Sachs Group**, Waddell & Reed Financial Inc., **Farmstead Capital Management** LLC and others will swap $386 million in top-ranking loans for about 90% of new equity in a reorganized True Religion. Junior creditors and existing shareholders are eligible for small distributions of equity in the reorganized company, provided they vote for the plan.

Founded in 2002, True Religion sells designer jeans and other apparel at 140 True Religion and Last Stitch retail stores. For its most recent fiscal year, the company generated $369.5 million in revenue.

But True Religion's sales have been declining for several years, according to court papers, as customers moved online and away from physical stores. Premium denim sellers such as True Religion have been losing ground to fast-fashion and low-price apparel retailers as the company's new product designs failed to resonate with consumers.

The company took steps to stanch the red ink, closing 30 stores and cutting its workforce in recent years while redirecting resources to its online channel. But it hasn't been enough, as the business posted a $78.5 million loss last year.

Southern California garment sellers and manufacturers, which employ more people making and designing jeans and jackets than other pockets of the country, have been hit hard as retailers shutter stores at a record pace.

In the past two years, American Apparel Inc., surfwear pioneer Quiksilver Inc. and teen-friendly retailers Wet Seal LLC, Nasty Gal Inc. and Pacific Sunwear of California Inc. have filed for bankruptcy. In recent months, Los Angeles-based teen retailer Papaya Clothing and menswear business Bachrach have sought chapter 11 protection.

True Religion has lined up a $60 million bankruptcy loan to fund its business while under chapter 11 protection, which will allow the company to continue to pay its vendors and a workforce of approximately 1,900 employees.

The company's legal advisers include Wachtell, Lipton, Rosen & Katz and Pachulski Stang Ziehl & Jones. The company's financial adviser is MAEVA Group LLC. Judge Christopher Sontchi has been assigned the case, number 17-11460.

POWER

Continued from the prior page

American electricity generation for decades, the past few years have been a bloodbath. Three of every 10 coal generators has closed permanently in the past five years.

Nukes, another mainstay for decades, are imperiled, too. By 2023, there may be 54 nuclear-power plants, down from 65 a decade earlier. Only new state subsidies can keep more from closing, plant operators argue.

Coal and nuclear plants have provided so-called base-load power for decades, running around the clock, to ensure a reliable stream of electricity. But as those sources of power lose ground to gas and renewables, some worry the grid could become unstable.

Nuclear plants are struggling to compete with low wholesale power prices.

Natural gas has been the main agent of change, mostly because the advent of hydraulic fracturing unlocked vast new natural gas reserves in the U.S., creating very low prices for the fuel.

"That is what is making coal go away," said Pat Vincent-Collawn, chairman and chief executive of PNM Resources Inc., a New Mexico utility. It expects coal to drop from 51% of its generation last year to 41% next year.

In addition to inexpensive and abundant gas, new power plants are much more efficient than they were even five years ago.

"Not only have we gotten better at getting the natural gas molecule out of the ground, but we have gotten much better at getting as much electricity out of that molecule as possible," said Josh Rhodes, a research fellow at the University of Texas Energy Institute.

Until a few years ago, gas plants typically operated about 30% of the time, turning on and off as the grid needed power. Today, they run more than half the time. Many are on virtually nonstop, taking over the role once played by coal and nuclear.

Ben Fowke, chairman and chief executive of Xcel Energy Inc., a large utility that covers parts of Colorado, Minnesota and six other states, says wind and solar aren't responsible for the demise of coal and nuclear plants.

"I hope it doesn't come out that renewables are to blame," Mr. Fowke said. "Wind is saving our customers money." For now, renewable energy enjoys a federal tax subsidy.

Few utilities chiefs agree the administration should step in to prop up coal. There is more agreement that nuclear power plants should be saved from premature retirement.

Nukes, which have no carbon emissions, are struggling to compete with low wholesale power prices brought on by inexpensive natural gas and renewable generation. Low power prices are great until baseload assets are on the line, said Joe Dominguez, executive vice president of governmental and regulatory affairs for Exelon Corp.

"Policy makers need to step in and address that," Mr. Dominguez said.

For Minnesota Power, a mixture of a lot of wind, some solar, hydro power from Canadian dams and a state-of-the-art gas plant will make it easier to provide reliable electricity, even with the loss of so much coal.

"The combination of flexible natural gas and renewables really work well together," said Julie Pierce, Minnesota Power's vice president of strategy and planning.

—Dan Molinski contributed to this article.

WILL VRAGOVIC/ZUMA PRESS

A Duke Energy solar project. The utility expects natural gas and renewables to account for 44% of its power by 2026.

CURE

Continued from the prior page

gation into bribery allegations in China.

Western firms found China's lucrative market slipping away, and in recent years many began shifting from bringing in existing drugs to discovering new cures here.

J&J in 2012 opened a discovery lab in Shanghai, and is now working on new medicines for lung cancer, blood cancers and hepatitis B. Hepatitis C is more common in the U.S. The lab is planning to test its first breakthrough on patients over the next year, and expects the compound to emerge from its lung cancer or hepatitis B programs.

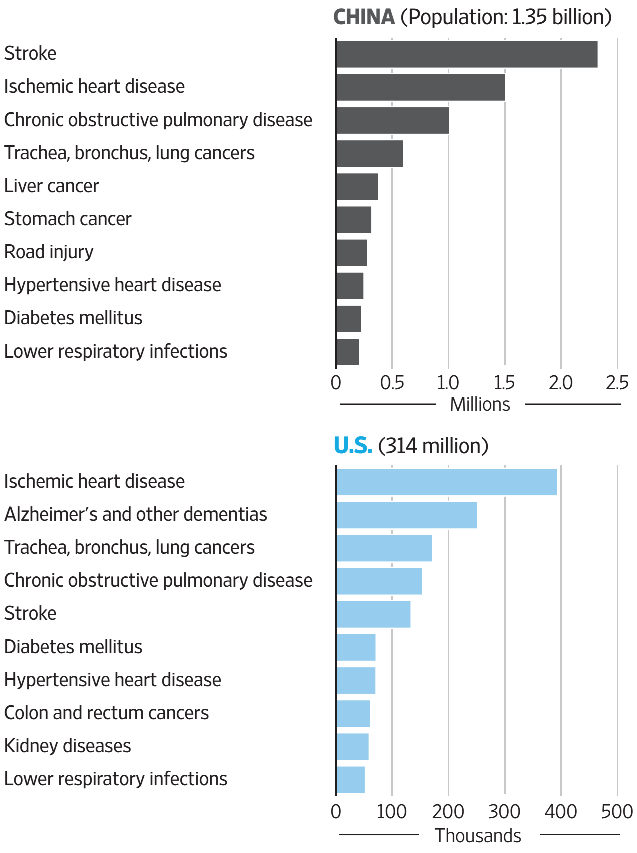
Novartis injected $1 billion between 2009 and 2014 to convert an existing Shanghai facility into a new discovery center. In October, it began testing its first China discovery—a molecule to treat nasopharyngeal cancer—on Chinese, Korean and Taiwanese patients.

En Li, Novartis's research head in China, said the company will soon test another compound, to treat liver fibrosis. His team of 600 scientists is running at least a dozen other projects aimed at finding new treatments for diseases such as lung and stomach cancer.

Until a few years ago, China lacked the manpower needed for drug discovery, a process that involves searching for compounds with medicinal potential. But a government program encouraged thousands of Western-trained Chinese scientists to return over the past decade, prompting Big Pharma to deepen research.

Biggest Killers

Leading causes of death in 2012*



*2012 is the most recent data available
Sources: World Health Organization; World Bank (population in 2012)
THE WALL STREET JOURNAL.

Western firms have long contracted Chinese factories to manufacture their drugs inexpensively. Likewise, the cost of drug discovery is cheaper in China, meaning companies will increasingly use labs here to advance their global pipeline, according to Vikram Kapur, who leads Bain & Co.'s health-care practice in Asia.

J&J and Novartis say their discoveries, while targeted at China's needs, will also be tested on patients in the West so they could be sold there if needed. Lung cancer, for example, is widespread in the U.S. and the U.K.

Not every project will produce a new discovery. Sanofi was preparing to test a new molecule to treat liver cancer some three years ago, but the program was shelved before it could be tried on patients, said Alex Zhang, who oversees the company's research activities in China.

The process of testing discoveries on people—or drug development—is also risky, with projects more likely to fail than succeed. Roughly one out of every 10 discoveries tested in the U.S. between 2006 and 2015 eventually made it to market, according to trade body Biotechnology Innovation Organization.

Instead of developing new molecules in its own lab, Sanofi is striking partnerships with academia in China. Mr. Zhang said the company is running roughly 10 projects with Chinese universities, focused on finding treatments for liver cancer, hepatitis B and diabetes. The collaborations are still in early stages, and he doesn't expect to see results before two years. The U.K.'s AstraZeneca PLC has also joined with universities in China, and is creating new drugs for stomach cancer and chronic kidney disease, among others.

Drugs that meet large clinical demand stand a better chance at being reimbursed by the government, making otherwise costly medicines more affordable for patients. They are also harder for doctors to ignore.

Local upstarts aren't far behind. Hutchison China MediTech Ltd., which counts Hong Kong billionaire Li Ka-shing among its backers, has sought approval for its first drug in China—a compound to fight colorectal cancer. Additional tests are planned for the same drug to work on patients with lung and stomach cancer.

"What's important—whether it's Big Pharma or companies like ours—is that drugs are now specifically being designed for Chinese patients," said Chi-Med Chief Executive Christian Hogg. "Patients are absolutely going to be the winners in this."

HEARD

Continued from the prior page

negotiations executives discount the value of uncertain future awards they barely understand.

Royal Bank of Scotland is one reformist. In May it introduced a new compensation plan that required its bosses to hold a lot more shares and keep stock awards for a minimum of four years.

The move at the bank, still controlled by the U.K. government after a financial-crisis bailout, opened up a trans-Atlantic battleground over the philosophy of executive pay. U.S. governance adviser Institutional Shareholder Services recommended shareholders vote against the new plan on the basis that it created "greater certainty of outcome." Stock awards were easier to get, even if the maximum payout was reduced.

Norges Bank Investment Management countered with a statement of support for the policy. The manager of the world's largest sovereign-wealth fund said in April that requiring bosses to be long-term shareholders was an "underutilized strategy."

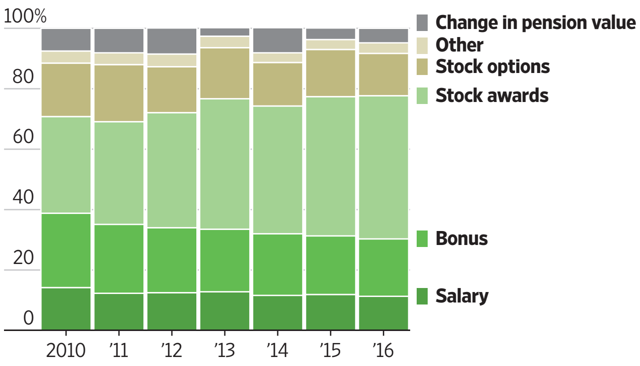
The RBS proposal eventually passed with 96% of votes casts.

Payment in shares held in trust for many years makes the performance of long-term stockholdings, rather than stock awards or options, the key form of variable compensation for bosses. Share prices can't, over a period of years, be gamed in the way the metrics that trigger LTIP payouts can.

They can go down as well as up, introducing a symmetric variability that gives executives with big shareholdings a powerful incentive to succeed. And they encompass the other performance metrics that currently trigger LTIP payouts: cost-cutting, top-line growth and other targets will all eventually be reflected in the share price.

Breakdown

Composition of executive pay for S&P 500 companies



Source: Conference Board
THE WALL STREET JOURNAL.

Not all reforms have been successful: Last year Weir Group, a Scotland-based pump maker that suffered in the mining downturn, tried to introduce smaller but more-certain pay packages. Shareholders voted down the change, which some felt were opportunistic: Executives' stock awards hadn't paid out in prior years. Companies need to be sensitive about introducing reforms after a pay slump.

In general, however, the fad for stock awards with complex performance triggers has gone far too far. Executive pay should be structured to turn bosses into long-term investors.

ANGELA DECENZO FOR THE WALL STREET JOURNAL

Venture capitalist Fern Mandelbaum says people are starting to realize that 'inclusion has to be built into the fabric of the company.'

Tech Gets Taught Diversity

Lessons on avoiding workplace bias are gaining acceptance in Silicon Valley

By Kelsey Gee

BUSINESS EDUCATION

As a slew of Silicon Valley companies confront accusations of unfair treatment of women and minorities, Stanford University's Graduate School of Business is trying to help would-be entrepreneurs create more conscientious companies.

The 10-week course is the first of its kind at the nation's most-selective M.B.A. program and prime breeding ground for tech startups. Students enrolled in "Building Diverse and Inclusive Organizations," slated to launch this spring, will examine research on how to prevent bias from creeping into job descriptions and managers' feedback—and how to promote stronger feelings of belonging, which can enhance employee performance and retention of women and underrepresented minorities.

Students will also review case studies of companies' efforts to improve diversity with expanded parental leave and job promotion policies and critique recruitment and retention reports from firms like **Facebook** Inc., **Apple** Inc. and **Procter & Gamble** Co.

"We're at a tipping point, as people begin to realize that inclusion has to be built into the fabric of the company," says Fern Mandelbaum, a Silicon Valley venture capitalist leading the course.

Though other courses at Stanford touch on how diversity impacts a company's business performance, this is the first specifically evaluating the policies of startups and early-stage companies.

Gender and racial inclusivity has become one of Silicon Valley's most intractable challenges. This year alone, Facebook and **Alphabet** Inc.'s Google have been locked in public battles over allegations of discriminatory pay practices, which the companies dispute. The sector's treatment of women has attracted more scrutiny in recent weeks, as big investors in **Uber Technologies** Inc. demanded the resignation of Chief Executive Travis Kalanick following allegations he presided over a workplace permissive of sexism. Days later, a partner of venture firm Binary Capital resigned after he was accused of sexually harassing multiple women entrepreneurs.

Although companies have committed to stronger recruitment and retention efforts, the annual data that firms like Twitter Inc. and Apple share about the gender and racial makeup of their workforces suggest slow progress.

Sluggish improvement and the string of recent scandals have prompted executives and aspiring founders to seek out new strategies to diversify workforces. Stanford business school's associate dean for academic affairs, Sarah Soule, says students have also been asking for more guidance on the issue in recent years.

"There's been a lot of focus on the numbers by companies that say they care about diversity, without those numbers changing," Ms. Mandelbaum says.

She has been on the front lines of Silicon Valley's efforts to change. In the past few years, she has spent less time in the office of Vista Venture Partners, the Palo Alto, Calif., firm she co-founded, as her role has grown as a corporate diversity coach. She also teaches other classes at Stanford, including "Entrepreneurship from Diverse Perspectives" and conducts workshops on creating supportive work environments.

During a two-week pilot of the new course in May, speakers like Pat Wadors, LinkedIn Corp.'s chief human resources officer, and Rachel Williams, Yelp Inc.'s head of corporate recruiting, led case study discussions. Co-teacher Joelle Emerson, founder of diversity consultancy Paradigm, invited Candice Morgan, the head of diversity at Pinterest Inc. and a current client, to speak about how the company trains managers to minimize implicit biases about job candidates and employees.

The course comes as Stanford—which enrolled 41% women and 29% minorities in the M.B.A. class last year—and other top business schools take steps to diversify the makeup of their own programs, administrators say.

Colton Heward-Mills, an African-American student who enrolled in the pilot course, says that while he has long felt passionate about diversity, he was particularly moved when a white classmate in the early stages of launching a company devised a strategy for supporting diverse employees for a project the two worked on.

"This class made me hopeful that more people who haven't typically needed to pay attention to these issues are beginning to now," he says.

Most companies are just starting to introduce strategies for reducing workplace bias, despite a wealth of academic research demonstrating bottom-line benefits, says Ms. Emerson. Such approaches make sense in the formative stages of a company's lifespan "rather than reacting after something goes wrong," she adds.

The idea seems to be gaining steam.

Venture firm Freestyle Capital invited Ms. Mandelbaum to lead a panel on inclusion for the leaders of its portfolio companies last month. Since the discussion, Freestyle has started developing a metric for early-stage startups to evaluate investment opportunities. "We don't want our CEOs to end up like Travis [Kalanick], and it's become clear that the earlier we can get them to understand the importance of diversity and inclusion the better," Freestyle co-founder Josh Felser says.

U.S. Laptop Ban Lifted for 2 More Foreign Airlines

By Robert Wall

LONDON—Emirates Airline and Turkish Airlines said their passengers were cleared to again use laptops and other electronics on U.S.-bound flights, further scaling back a ban Washington put in place on some flights over concerns about terrorism.

Emirates Airline, the world's largest international carrier by traffic, said on Wednesday that the restrictions on the use of laptops, tablets and other devices that had been in place since March were lifted "effective immediately."

The U.S. government Sunday began rolling back the ban when it cleared passengers at Etihad Airways to use electronic gadgets again on U.S.-bound flights after it audited security procedures at the carrier's Abu Dhabi hub.

The U.S. Department of Homeland Security in March had imposed restrictions on 10 airports across the Middle East and Africa and had threatened to roll them out more widely unless airports improved security checks.

Washington imposed the ban amid concerns terrorists were trying to smuggle explosives inside a laptop or tablet to get past security and set off an explosion once a plane was aloft. The department required passengers to either check in their devices or leave them at home.

Last week, Homeland Security Secretary John Kelly said the ban could be widened to airports that fail to adopt more stringent security, including enhanced passenger screening.

Airports already subject to the restrictions could see those lifted in return for closer checks.

The 280 foreign airports that send direct flights to the U.S. must have explosives-detecting scanners within 21 days, one step the Department of Homeland Security has mandated to avoid a broader ban on laptops aboard flights.

Opponents of widening the restrictions, including the International Air Transport Association that represents more than 200 airlines and the European Union, were concerned it could dent demand for travel and that storing a large number of electronic devices in the cargo area of planes posed safety concerns. Lithium batteries used in many of the devices pose a fire risk.

Emirates Airline said it had "been working hard in coordination with various aviation stakeholders and the local authorities to implement heightened security measures and protocols that meet the requirements of the U.S. Department of Homeland Security's new security guidelines for all U.S.-bound flights."

Emirates Airline, like rivals Etihad and Qatar Airways, focus much of their activity on ferrying passengers via their Persian Gulf state gateways between cities in Europe and the U.S. and Asia, the Middle East and Africa.

The electronics ban hit their business as lucrative business travelers considered defecting from the airline, flying via other hubs to avoid having to check in their gadgets.

Turkish Airlines on Wednesday also allowed passengers again to use electronics on its U.S.-bound flights.

MURAD SEZER/REUTERS

Passengers of Turkish Airlines and Emirates Airline can again use laptops and other electronic gadgets on U.S.-bound flights

Gag Order Is Sought in Trial

By Rebecca Davis O'Brien

Federal prosecutors in Brooklyn have asked a judge to prevent Martin Shkreli from making public commentary about his ongoing securities-fraud trial, saying the high-profile defendant had "embarked on a campaign of disruption" and was "making a spectacle of himself and the trial."

In a motion for a gag order filed Monday night, prosecutors from the Brooklyn U.S. attorney's office cited the activity of a Twitter account that appears to be run by Mr. Shkreli, as well as an unchaperoned visit Mr. Shkreli made Friday to an overflow viewing room in the courthouse, where he spoke with reporters about witnesses and evidence presented at the trial so far.

Citing concerns that Mr. Shkreli's statements could "render a fair trial impossible," prosecutors also proposed semi-sequestration of the jury. That could mean the 12 jurors and six alternates would be picked up and dropped off by U.S. marshals every day and confined to the courthouse even during breaks, a spokesman for the U.S. attorney's office said.

Mr. Shkreli's lawyer, Ben Brafman, responded in a court filing that his client wasn't deliberately trying to disrupt the trial but was in a "clearly frail emotional state," defending himself from what "he perceives to be highly prejudicial, one-sided coverage" of the trial.

PETER FOLEY/BLOOMBERG NEWS

Martin Shkreli is on trial for securities fraud in the U.S.

Mr. Brafman's response didn't address prosecutors' claim that Mr. Shkreli, who has been banned from Twitter, was using a new account, with the handle @BLMBro, to address his supporters and taunt reporters and witnesses.

Reached Tuesday, Mr. Brafman declined to comment on the allegation concerning Mr. Shkreli's Twitter use.

Mr. Shkreli, 34 years old, is on trial facing charges of conspiracy and securities and wire fraud stemming from his management of two hedge funds and a publicly traded pharmaceutical company. He has pleaded not guilty and denied wrongdoing.

While the counts aren't related to Mr. Shkreli's most notorious actions—jacking up the price of a drug used to treat AIDS patients and spending $2 million on a Wu-Tang Clan album—his public persona has informed nearly every aspect of the trial, from jury selection to the first witnesses.

Prosecutors said in Monday's filing that Mr. Shkreli's "active and deeply divisive media presence" was partly why it took nearly three days to select a jury for the trial. At least two dozen prospective jurors, from a pool of more than 300, said they couldn't be impartial about Mr. Shkreli.

Last Tuesday, after one day of jury selection, Mr. Brafman asked for a mistrial, citing a New York Post cover that featured a photo of Mr. Shkreli and an unflattering headline.

The mistrial motion was denied.

Also that day, Mr. Shkreli claimed on his Facebook page that, for $12 apiece, he had bought the domain names for a CNBC reporter and for the reporter who had written the Post article and was selling them to raise money for his debut rap album. The Twitter account @BLMBro tweeted a similar message.

The @BLMBro account has also retweeted statements that prosecutors said aimed to undermine the credibility of witnesses and reporters covering the trial.

The trial resumed on Wednesday.

BUSINESS WATCH

ERICSSON

Chairman Won't Stand for Re-Election

Leif Johansson, chairman of Sweden's **Ericsson** AB, said Wednesday that he will be stepping down from his position after six years in the role.

Mr. Johansson said he wanted to give the company plenty of time to find his replacement, hence his announcement that he won't make himself available for re-election at next year's annual shareholders meeting.

The supplier of wireless telecommunications equipment named Börje Ekholm as chief executive officer earlier this year and launched a turnaround plan, based in part on cutting costs amid a fiercely competitive telecom equipment market.

"It is natural to let the owners jointly propose a chairman and well ahead of this I want to announce that I will not be available for a next term," Mr. Johansson said.

Mr. Johansson has previously served as chief executive of **Electrolux** AB and **Volvo** AB before becoming chairman of Ericsson in 2011.

Ericsson's nomination committee has initiated the search for a replacement.

—Dominic Chopping

FLIGHT CENTRE TRAVEL

Travel Company Expects Lower Profit

Australia's **Flight Centre Travel Group** Ltd. said Wednesday that it expects underlying pretax profit for its fiscal year ended in June to be lower than the previous year but within its guidance range.

The travel company said it expects underlying profit before tax to be between 325 million and 330 million Australian dollars, or between US$247 million and US$251 million.

For its previous fiscal year, the company had underlying profit before tax of A$352 million.

The underlying pretax profit figure meets the company's revised guidance of A$300 million to A$330 million.

The travel company is expected to report detailed full-year figures on Aug. 24.

—Mike Cherney

ZHAO YINGQUAN/XINHUA/ZUMA PRESS

Ericsson Chairman Leif Johansson, in March. He announced plans to step down from that job.

Baidu Goes Driverless in Beijing

CEO Robin Li rides to AI conference in self-piloted car, breaking the rules of the road

By Alyssa Abkowitz

BAIDU/REUTERS

Baidu-technology-laden vehicles are tested in China. On Wednesday, the company opened its Apollo software platform to developers.

BEIJING—Self-driving cars may be the future of personal transportation, but they are still forbidden on the crowded streets of China's capital city—as **Baidu** Inc. Chief Executive Robin Li was reminded Wednesday.

The tech executive took a ride in one of his company's self-driving prototypes to Baidu's artificial-intelligence developer conference at the National Convention Center. Chinese news organizations and social-media commentators quickly pointed out that driverless cars aren't allowed to operate on public streets.

Beijing traffic authorities couldn't be reached to comment, although Chinese media reports said they were looking into the matter. Baidu didn't respond to a request to comment.

Who said the road to self-driving cars wouldn't have a few potholes along the way?

Baidu, which operates China's most popular internet search engine, is hoping to leverage its technology in mapping and artificial intelligence into an autonomous vehicle capable of navigating city roads and highways by 2020.

But Alphabet's Waymo, Ford Motor Co. and General Motors are all ahead of Baidu, according to a recent report by Navigant Research.

Instead of trying to go it alone, Baidu this spring announced Apollo, an open-source platform for self-driving software—akin to Google's open-source Android system for smartphones. At the developer conference Wednesday, Baidu opened the platform so developers can begin downloading source code.

"Apollo can be the Android in the car industry," Baidu President Qi Lu said. "In the long term, our innovation, capability and speed will be better than a closed system."

Mr. Qi also said the self-driving-vehicle platform now has partnerships with more than 50 entities, including chip maker Nvidia Corp., Dutch navigation maker TomTom, Intel, Microsoft Corp. and Ford.

Many details on those partnerships haven't been released, however, and it wasn't clear how Baidu would work with Ford, a potential competitor.

Even so, Baidu's move to open-sourcing its software and forging partnerships might help it catch up to its competitors, analysts say.

"It definitely gives Baidu more of a chance to succeed," said Kitty Fok, managing director of research firm IDC. "Technology wise, Google and other global companies have spent a lot on investments."

To demonstrate the potential of collaboration, two of Baidu's Apollo version 1.0 self-driving cars were on hand for test drives at the developers conference.

Baidu's Apollo software, which provided a simple interface to drive a programmed route, was used in a Lincoln sedan. Baidu worked with **AutonomouStuff**, a Peoria, Ill.-based company that provides autonomous-enabling technology, to create the prototype.

"They're making a system that's very easy to add features to that you can adapt to different vehicles," said Josh Whitley, the lead software engineer at AutonomousStuff who worked on Baidu's autonomous vehicle.

"No one else is doing a completely open-sourced version of an autonomous software system."

—Junya Qian and Liza Lin contributed to this article.

VOLVO

Continued from page B1

2010.

Struggling when Geely acquired it, Volvo has achieved a significant turnaround and is building its first manufacturing plant in the U.S.

Geely's wager is paying off. Volvo reported a 67% increase in net profit to 7.5 billion Swedish kronor ($880 million) in 2016 on revenue of 180.7 billion kronor, up 10% from the previous year. The Swedish company's global sales grew 6% to 534,332 vehicles last year. That put it on track to achieving its sales target of 800,000 vehicles by 2020.

The U.S. was Volvo's fastest-growing market last year, posting an 18% increase in sales to 82,726 vehicles, driven by the popular XC90 luxury sport-utility vehicle.

Volvo declined to comment on speculation about an initial public offering, saying a listing was an option.

European auto makers that have relied on diesel engines because of their fuel economy and low carbon dioxide emissions have seen their stock prices discounted as investors worry about the growing number of municipal authorities that threaten to ban diesel vehicles from driving in their cities.

By contrast, Tesla, which only makes electric cars, sold around 84,000 cars last year, but its market value has surpassed those of Ford, General Motors Corp and BMW, which sell millions of cars each year.

Telecom To Open Its Books To KKR

By Robb M. Stewart

MELBOURNE, Australia—**Vocus Group** Ltd. agreed to open its books to private-equity suitor **KKR** & Co. which has pitched a takeover offer valued at about 2.18 billion Australian dollars (about US$1.66 billion).

In a statement Wednesday, the Australian telecommunications company said its board and financial advisers had reviewed KKR's proposal and determined it was in the best interests of shareholders to allow it the opportunity to conduct due diligence.

However, it wasn't granted on an exclusive basis, leaving the door open to other offers, and Vocus said there was no certainty KKR would make an acceptable offer.

A month ago, Vocus received a preliminary and non-binding offer from KKR of A$3.50 a share in cash, which represented a 22% premium over the last closing price of the stock.

Vocus owns telecommunications networks in capital and regional cities in Australia and New Zealand, with a portfolio of brands focused on corporate, small business, government and residential customers. Over the past couple of years, the company has shifted from a concentration on fiber networks on Australia's east coast to a broader range of telecom operations across the two countries, other products including television and insurance services, and retailing electricity and natural gas.

However, concerns over its ability to integrate a string of acquisitions and greater competition in the industry have weighed on Vocus's shares and dragged them down from levels above A$9 in mid-2016.

Tech Shares Support U.S. Stock Indexes

Chip makers rise after Nvidia partner news; energy stocks fall as oil prices decline

By Riva Gold and Amrith Ramkumar

The S&P 500 swung between slight gains and losses Wednesday afternoon, with technology shares rising as energy stocks fell alongside oil prices.

WEDNESDAY'S MARKETS

The Dow Jones Industrial Average declined 13 points, or less than 0.1%, to 21466 by midday. The S&P 500 rose 0.1% and the Nasdaq Composite added 0.5% as U.S. markets reopened after Independence Day.

The technology sector has come under pressure in recent weeks as investors worried that its outperformance has left it susceptible to a selloff. The S&P 500's tech sector has been the index's best performer this year and was up 1% Wednesday, on track to end a three-session losing streak.

Semiconductor stocks led the sector higher after chip maker **Nvidia** announced an artificial-intelligence technology partnership with Chinese internet giant **Baidu**. Nvidia added 2.6%, while **Advanced Micro Devices** rose 5.4% and **Micron Technology** gained 3.7%.

Investors will be closely watching quarterly earnings reports to see whether tech firms can keep increasing sales despite sluggish economic growth, said Laurie Kamhi, Managing Director and Partner of LCK Wealth Management at HighTower.

"There's going to be a huge disparity in the winners and losers," Ms. Kamhi said, with investors favoring companies with good cash flow.

Declines in energy shares weighed on major U.S. indexes Wednesday, with U.S. crude-oil prices on track to end an eight-session winning streak—the longest rally since 2010. The S&P 500 energy sector shed 1% as crude futures fell 3.6% to $45.36 a barrel. Oil entered into a bear market June 20 amid oversupply concerns before prices rallied at the end of the month.

Lower oil prices helped support haven assets, with the yield on the 10-year Treasury note falling to 2.337%, according to Tradeweb, down from 2.352% Monday. Yields fall as prices rise.

CHRIS RATCLIFFE/BLOOMBERG NEWS

Advanced Micro Devices shares rose 5.4% by midday. A visitor on the AMD stand at a U.K. virtual-reality event tries a headset in April.

Investors have focused on global central-bank signals in recent trading sessions, as some officials signal they might be ready to ease off on massive stimulus programs. Minutes from the Federal Reserve's June meeting, which were due later Wednesday, could help cement expectations for U.S. interest-rate increases.

"I think the Fed will set the pace," said Alan Wilson, investment manager at State Street Global Advisors. "It's going to be important to see how they talk around the recent downside surprise in inflation," he said, noting he expects officials to view it as transitory.

Elsewhere, the Stoxx Europe 600 rose 0.2%. Business surveys in the eurozone released Wednesday showed the bloc's economic recovery likely accelerated in the second quarter of 2017, adding to expectations for the European Central Bank to wind down its massive bond-purchase program.

Benoît Coeuré, an ECB executive board member, said Wednesday the central bank hadn't yet discussed making changes to its policy. But many investors continue to bet on tighter policy ahead.

"We've seen decent improvement across the bloc," Mr. Wilson said. "The ECB are tiptoeing toward the edge of their position," he added, saying he expects sovereign-bond yields to continue to edge higher across Europe and the U.S. as central bankers align their policies with a brightening global economy.

Earlier, Asian markets mostly climbed following a bruising Tuesday session. Japan's Nikkei Stock Average ended up 0.2%, while South Korea's Kospi rose 0.3% and Hong Kong's Hang Seng Index rose 0.5%.

Italy Is Spending Billions To Save Monte dei Paschi

By Deborah Ball

MILAN—The Italian government took control of **Banca Monte dei Paschi di Siena** on Tuesday, injecting €5.4 billion ($6.1 billion) into the troubled lender as part of a broad plan to bring one of Europe's weakest banks back to health.

The state recapitalization is the centerpiece of a deep overhaul of Monte dei Paschi, Italy's fourth-largest lender, that will also include the transfer of the bank's €28.6 billion in bad loans to a special vehicle, a cap on remuneration of its top executives and deep cuts in personnel.

The bank, which is the world's oldest, gave details of its plan Wednesday in a presentation to analysts, which include the closure of 600 branches and 5,500 job cuts, bringing its total job count to about 20,000 by 2021.

The bank, which was laid low by years of mismanagement, poor lending practices and political interference, had defied efforts to restore its health. Its troubles peaked last year when concerns over its stability and the flight of billions in deposits undermined confidence in Italy's banking sector as a whole.

In December the Italian government announced plans to rescue Monte dei Paschi after the Siena-based bank failed in its attempt to raise fresh capital from private investors. A Monte dei Paschi spokesman declined to comment Tuesday.

Monte dei Paschi faces a capital shortfall of €8.1 billion. In addition to the public money, shareholders and junior bondholders will contribute €2.7 billion from the conversion of junior bonds into equity. The government will end up owning a 70% stake in the bank. Earlier in the day, the European Union approved the state rescue.

The Italian government used a loophole in Europe's new banking rules to secure approval to use taxpayer money to prop up the bank, drawing the ire of some European officials who worry that the regime is already being watered down.

In December, Rome earmarked €20 billion to help ailing banks, primarily Monte dei Paschi.

Another portion of those funds will go toward the liquidation of Italian lenders **Banca Popolare di Vicenza** SpA and **Veneto Banca** SpA. That operation will cost the government €5.2 billion immediately, plus as much as €12 billion in state guarantees tied to the sale of the banks for €1 to **Intesa Sanpaolo** SpA.

STEFANO RELLANDINI/REUTERS

State recapitalization is the centerpiece of a deep overhaul of Banca Monte dei Paschi di Siena.

With the Monte dei Paschi bailout and liquidation of the two lenders, the government has done much to address the weakest parts of Italy's banking sector, say officials. For instance, with the capital injection, Monte dei Paschi will have one of the biggest capital cushions in European banking.

Under pressure from the European Central Bank, which is pushing European banks to address the problem of bad loans, Italian banks have stepped up efforts to sell and liquidate sour debt, with tens of billions of such loans earmarked for disposal.

Nonetheless, the Italian banking system is among the weakest in Europe, with about €200 billion in bad loans. The banks have suffered from a combination of poor management, low interest rates, poor profitability and economic growth that has been the weakest in the region for years.

Italy's banking woes remain a serious impediment to a stronger recovery in the country, which isn't enjoying the rebound other European countries have seen. Italy's economy is expected to grow about 1% this year, slightly more than half the rate for the eurozone as a whole.

—Eric Sylvers contributed to this article.

Treasury Market Rebounds

By Min Zeng

The U.S. government-bond market regained some poise after its recent selloff.

Bond prices strengthened Wednesday as a disappointing U.S. factories report and a renewed selloff in the crude-oil market bolstered demand for haven assets.

The minutes for the Federal Reserve's policy meeting in June were due Wednesday afternoon, keeping the bond market's price gains in check.

In midday trading, the yield on the benchmark 10-year Treasury note was 2.330%, according to Tradeweb. The yield was 2.352% Monday, the highest close since May 11. The bond market was closed Tuesday for the Independence Day holiday. Yields fall as bond prices rise.

The Fed's minutes were due at 2 p.m. Wednesday. Investors were expected to zero in on policy makers' discussions about the central bank's strategy about paring back its large balance sheet and the timing for the next interest-rate increase.

The 10-year yield has jumped from this year's low of 2.135% set on June 26. Hawkish comments last week from top policy makers at central banks in the eurozone, Canada and the U.K. raised investors' concerns over a pivot toward tightening monetary policy, pushing up global government-bond yields.

Analysts say a sustained rise in bond yields needs data showing stronger growth and higher inflation. Friday's nonfarm jobs report is this week's key data point.

Wednesday's economic data contrast with a report on Monday that showed the manufacturing industry expanded last month at the fastest pace in nearly three years.

Orders for manufactured goods decreased 0.8% to a seasonally adjusted $464.86 billion in May, the Commerce Department said Wednesday. Economists surveyed by The Wall Street Journal expected orders to fall 0.6%.

Prices of U.S. crude-oil futures fell by more than 3%. Lower energy prices tend to deflate inflation expectations. Inflation chips away investors' purchasing power from bond investments and is seen by investors as a big threat to long-term Treasury debt.

Saudis Cut Price of Crude to Asia

By Benoit Faucon

Saudi Arabia's state-run oil company said Wednesday it would cut the price of its lighter crude grades to Asia in August, amid rising competition from rival producers in the **Organization of the Petroleum Exporting Countries.**

The news comes as markets have questioned the efficiency of a decision by OPEC and its allies to cut production by 1.8 million barrels to boost prices, which have fallen below $50 a barrel despite the effort.

Saudi Aramco, which pumps and markets oil for the world's largest crude exporter, said it would reduce the charges to its super light crude by 90 cents a barrel and by 20 cents for its light crude. By contrast, it kept its prices for light crude unchanged in the U.S. and increased them by 45 cents in the Mediterranean and by 55 cents in North West Europe.

Prices normally rise in the third quarter to reflect higher seasonal demand as refineries restart operations after first-half maintenance; the Middle East burns oil for air conditioning and American drivers hit the road. In addition, a decision by OPEC and key allies such as Russia to tighten the spigots last year should enable Saudi Arabia to charge more for each barrel it sells.

But the Kingdom is facing mounting competition from other producers in OPEC, notably Libya, Nigeria and Iran, which are exempted from the group's output reductions.

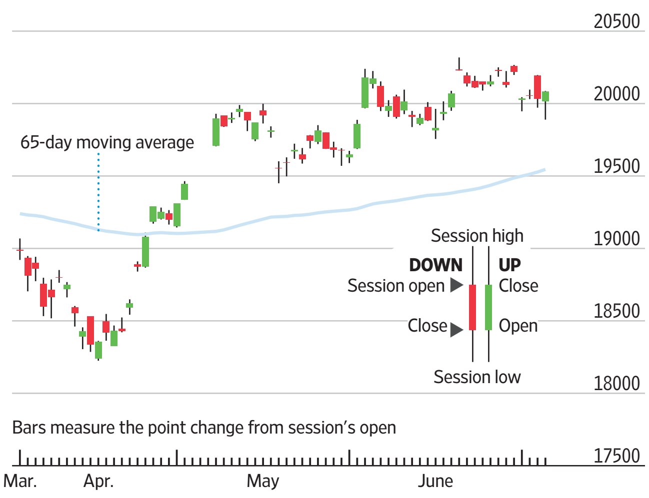
MARKETS DIGEST

Nikkei 225 Index

20081.63 ▲49.28, or 0.25%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲5.06%	
52-wk high/low	20230.41	15106.98
All-time high	38915.87	12/29/89



STOXX 600 Index

382.99 ▲0.69, or 0.18%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲5.97%	
52-wk high/low	396.45	318.76
All-time high	414.06	4/15/15

S&P 500 Index

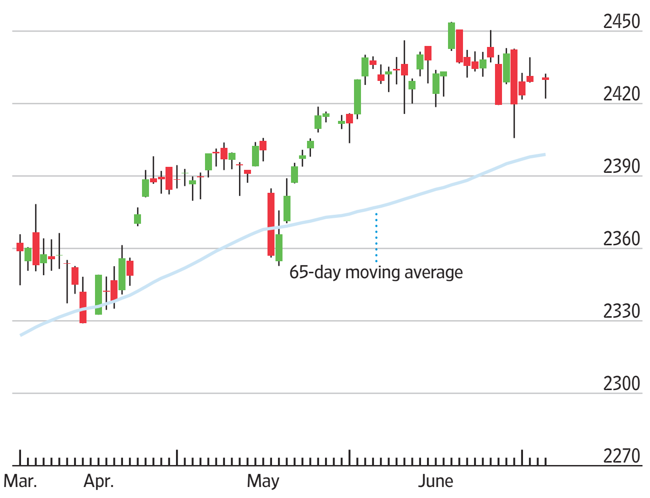
Data as of 12 p.m. New York time

2429.82 ▲0.81, or 0.03%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.87	23.74
P/E estimate *	18.72	17.82
Dividend yield	1.96	2.18
All-time high: 2453.46, 06/19/17		

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2782.14	0.71	0.03	2285.55	2792.77	10.0
	MSCI EAFE	1884.18	1.55	0.08	1471.88	1956.39	9.8
	MSCI EM USD	1008.81	2.09	0.21	691.21	1044.05	27.0
Americas	**DJ Americas**	583.71	−0.48	−0.08	502.42	588.61	8.0
Brazil	**Sao Paulo Bovespa**	63121.64	−109.95	−0.17	50824.99	69487.58	4.8
Canada	**S&P/TSX Comp**	15141.65	11.04	0.07	14080.24	15943.09	−1.0
Mexico	**IPC All-Share**	50202.09	160.51	0.32	43998.98	50312.02	10.0
Chile	**Santiago IPSA**	3667.02	−7.59	−0.21	3111.53	3786.05	13.8
U.S.	**DJIA**	21460.48	−18.79	−0.09	17713.45	21562.75	8.6
	Nasdaq Composite	6137.23	27.17	0.44	4786.01	6341.70	14.0
	S&P 500	2429.82	0.81	0.03	2074.02	2453.82	8.5
	CBOE Volatility	11.48	0.26	2.32	9.37	23.01	−18.2
EMEA	**Stoxx Europe 600**	382.99	0.69	0.18	318.76	396.45	6.0
	Stoxx Europe 50	3143.04	−1.42	−0.05	2720.66	3279.71	4.4
France	**CAC 40**	5180.10	5.20	0.10	4062.07	5442.10	6.5
Germany	**DAX**	12453.68	16.55	0.13	9304.01	12951.54	8.5
Israel	**Tel Aviv**	1433.19	−2.49	−0.17	1372.23	1490.23	−2.6
Italy	**FTSE MIB**	20939.39	−91.66	−0.44	15293.10	21828.77	8.9
Netherlands	**AEX**	511.35	−0.38	−0.07	419.45	537.84	5.8
Russia	**RTS Index**	1007.88	−9.71	−0.95	898.05	1196.99	−12.5
Spain	**IBEX 35**	10523.60	−43.10	−0.41	7857.80	11184.40	12.5
Switzerland	**Swiss Market**	8954.10	−17.30	−0.19	7585.56	9148.61	8.9
South Africa	**Johannesburg All Share**	52483.90	434.65	0.84	48935.90	54716.53	3.6
Turkey	**BIST 100**	100744.45	−463.34	−0.46	70426.16	101415.68	28.9
U.K.	**FTSE 100**	7367.60	10.37	0.14	6432.47	7598.99	3.1
Asia-Pacific	**DJ Asia-Pacific TSM**	1619.00	5.17	0.32	1351.93	1643.59	13.8
Australia	**S&P/ASX 200**	5763.30	−20.50	−0.35	5156.60	5956.50	1.7
China	**Shanghai Composite**	3207.13	24.33	0.76	2953.39	3288.97	3.3
Hong Kong	**Hang Seng**	25521.97	132.96	0.52	20495.29	26063.06	16.0
India	**S&P BSE Sensex**	31245.56	35.77	0.11	25765.14	31311.57	17.3
Indonesia	**Jakarta Composite**	5825.05	−40.31	−0.69	4971.58	5910.24	10.0
Japan	**Nikkei Stock Avg**	20081.63	49.28	0.25	15106.98	20230.41	5.1
Malaysia	**Kuala Lumpur Composite**	1768.16	6.08	0.35	1616.64	1792.35	7.7
New Zealand	**S&P/NZX 50**	7595.67	−24.97	−0.33	6664.21	7685.45	10.4
Pakistan	**KSE 100**	45413.42	19.36	0.04	37966.76	52876.46	−5.0
Philippines	**PSEi**	7848.84	14.88	0.19	6563.67	8102.30	14.7
Singapore	**Straits Times**	3248.71	37.54	1.17	2787.27	3271.11	12.8
South Korea	**Kospi**	2388.35	7.83	0.33	1953.12	2395.66	17.9
Taiwan	**Weighted**	10404.79	57.01	0.55	8575.75	10513.96	12.4
Thailand	**SET**	1575.02	0.91	0.06	1406.18	1591.00	2.1

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points Latest	Previous	Month Ago	Year ago	Yield Previous	Month ago	Year ago
5.250	**Australia** 2	1.696	29.4	27.2	28.1	105.0	1.686	1.587	1.604
4.750	10	2.582	25.0	22.7	22.2	57.5	2.575	2.406	1.951
3.000	**Belgium** 2	-0.486	-188.8	-190.4	-188.2	-113.7	-0.490	-0.576	-0.583
0.800	10	0.811	-152.1	-153.1	-152.7	-134.3	0.817	0.657	0.034
0.000	**France** 2	-0.405	-180.7	-181.6	-182.3	-114.5	-0.402	-0.517	-0.592
1.000	10	0.817	-151.6	-152.5	-146.0	-124.2	0.824	0.724	0.135
0.000	**Germany** 2	-0.618	-202.1	-203.5	-203.8	-122.9	-0.620	-0.732	-0.675
0.250	10	0.472	-186.0	-187.1	-189.4	-155.8	0.477	0.290	-0.181
0.300	**Italy** 2	-0.299	-170.1	-173.6	-150.5	-65.3	-0.322	-0.199	-0.099
2.200	10	2.138	-19.4	-23.8	9.6	-20.9	2.110	2.279	1.168
0.100	**Japan** 2	-0.117	-151.9	-153.9	-145.0	-87.1	-0.125	-0.144	-0.317
0.100	10	0.085	-224.7	-226.6	-213.3	-162.4	0.082	0.050	-0.248
4.000	**Netherlands** 2	-0.579	-198.1	-200.5	-198.3	-118.5	-0.591	-0.677	-0.632
0.750	10	0.662	-167.0	-168.4	-167.9	-146.9	0.664	0.505	-0.092
4.750	**Portugal** 2	0.029	-137.3	-137.6	-108.3	-23.5	0.038	0.223	0.319
4.125	10	2.949	61.7	60.2	85.6	163.3	2.950	3.040	3.010
2.750	**Spain** 2	-0.227	-163.0	-166.2	-157.9	-72.6	-0.248	-0.273	-0.172
1.500	10	1.542	-79.0	-82.6	-60.8	-21.0	1.522	1.575	1.167
4.250	**Sweden** 2	-0.693	-209.5	-210.0	-201.2	-120.7	-0.686	-0.706	-0.653
1.000	10	0.621	-171.1	-173.8	-175.4	-126.9	0.611	0.429	0.108
1.750	**U.K.** 2	0.314	-108.9	-108.1	-119.8	-42.9	0.333	0.108	0.125
4.250	10	1.265	-106.7	-109.9	-114.0	-60.5	1.249	1.044	0.772
1.250	**U.S.** 2	1.402	...	...	...	...	1.414	1.306	0.554
2.375	10	2.332	...	...	...	...	2.348	2.183	1.377

Commodities

Prices of futures contracts with the most open interest — 12 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 7/4/2017

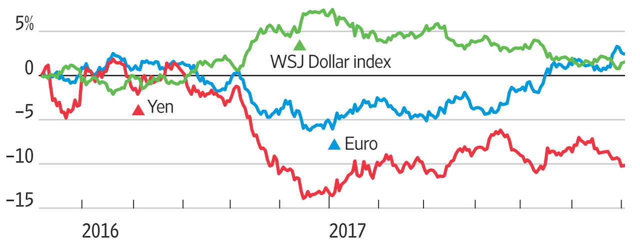
Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	388.50	unch.	unch.	399.25	364.50
Soybeans (cents/bu.)	CBOT	984.00	3.25	0.33%	1,034.50	907.00
Wheat (cents/bu.)	CBOT	545.00	-10.00	-1.80%	574.50	430.75
Live cattle (cents/lb.)	CME	114.850	-0.900	-0.78	127.650	99.400
Cocoa ($/ton)	ICE-US	1,945	-13	-0.66	2,281	1,767
Coffee (cents/lb.)	ICE-US	129.65	1.95	1.53	163.75	115.50
Sugar (cents/lb.)	ICE-US	13.71	-0.21	-1.51	20.50	12.74
Cotton (cents/lb.)	ICE-US	66.69	-0.76	-1.13	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2155.00	6.00	0.28	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.6555	-0.0375	-1.39	2.8495	2.4850
Gold ($/troy oz.)	COMEX	1223.10	3.90	0.32	1,300.30	1,155.00
Silver ($/troy oz.)	COMEX	15.980	-0.112	-0.70	18.780	15.850
Aluminum ($/mt)*	LME	1,913.50	-8.50	-0.44	1,972.00	1,688.50
Tin ($/mt)*	LME	19,955.00	-70.00	-0.35	21,225.00	18,760.00
Copper ($/mt)*	LME	5,875.00	-42.00	-0.71	6,156.00	5,491.00
Lead ($/mt)*	LME	2,293.00	-16.00	-0.69	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,770.00	-15.00	-0.54	2,958.50	2,450.50
Nickel ($/mt)*	LME	9,170.00	-240.00	-2.55	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	197.50	1.50	0.77	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2535.00	27.00	1.08	2966.00	2390.00
Crude oil ($/bbl.)	NYMEX	45.31	-1.76	-3.74	58.30	42.06
NY Harbor ULSD ($/gal.)	NYMEX	1.4845	-0.0283	-1.87	1.7930	1.3609
RBOB gasoline ($/gal.)	NYMEX	1.5057	-0.0291	-1.90	1.8561	1.3902
Natural gas ($/mmBtu)	NYMEX	2.856	-0.095	-3.22	3.5750	2.8470
Brent crude ($/bbl.)	ICE-EU	48.02	-1.59	-3.20	60.18	44.60
Gas oil ($/ton)	ICE-EU	440.50	-10.75	-2.38	530.25	403.50

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on July 5

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0591	16.9149	6.6
Brazil real	0.3015	3.3166	1.9
Canada dollar	0.7694	1.2998	−3.3
Chile peso	0.001501	666.10	−0.6
Colombia peso	0.0003259	3068.40	2.2
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0545	18.3421	−11.5
Peru sol	0.3065	3.2625	−2.7
Uruguay peso-e	0.0348	28.740	−2.1
Venezuela bolivar	0.098934	10.11	1.1
Asia-Pacific			
Australia dollar	0.7585	1.3184	−5.0
China yuan	0.1471	6.7988	−2.1
Hong Kong dollar	0.1281	7.8078	0.7
India rupee	0.0154	64.8001	−4.6
Indonesia rupiah	0.0000749	13353	−1.3
Japan yen	0.008830	113.26	−3.2
Kazakhstan tenge	0.003081	324.59	−2.7
Macau pataca	0.1244	8.0381	1.5
Malaysia ringgit-c	0.2324	4.3022	−4.1
New Zealand dollar	0.7270	1.3755	−4.7
Pakistan rupee	0.0095	104.750	0.4
Philippines peso	0.0197	50.634	2.1
Singapore dollar	0.7234	1.3824	−4.5
South Korea won	0.0008666	1153.89	−4.5
Sri Lanka rupee	0.0065041	153.75	3.6
Taiwan dollar	0.03280	30.485	−6.1
Thailand baht	0.02938	34.040	−4.9
Europe			
Bulgaria lev	0.5795	1.7257	−7.1
Croatia kuna	0.1529	6.541	−8.8
Euro zone euro	1.1333	0.8824	−7.2
Czech Rep. koruna-b	0.0434	23.027	−10.4
Denmark krone	0.1524	6.5630	−7.2
Hungary forint	0.003670	272.50	−7.4
Iceland krona	0.009595	104.22	−7.7
Norway krone	0.1189	8.4126	−2.7
Poland zloty	0.2672	3.7428	−10.6
Russia ruble-d	0.01664	60.092	−1.9
Sweden krona	0.1175	8.5090	−6.6
Switzerland franc	1.0357	0.9655	−5.2
Turkey lira	0.2767	3.6138	2.6
Ukraine hryvnia	0.0383	26.1150	−3.6
U.K. pound	1.2924	0.7738	−4.5
Middle East/Africa			
Bahrain dinar	2.6508	0.3772	0.02
Egypt pound-a	0.0559	17.8817	−1.4
Israel shekel	0.2848	3.5113	−8.8
Kuwait dinar	3.2972	0.3033	−0.8
Oman sul rial	2.5964	0.3851	0.05
Qatar rial	0.2747	3.641	0.01
Saudi Arabia riyal	0.2666	3.7504	−0.01
South Africa rand	0.0745	13.4145	−2.0

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	88.45	0.12	0.13	−4.82

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Jul 5

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3184	1.7038	1.3652	0.0116	0.1689	1.4940	1.0144	...
Canada	1.2998	1.6795	1.3457	0.0115	0.1665	1.4728	...	0.9859
Euro	0.8824	1.1404	0.9139	0.0078	0.1130	...	0.6790	0.6693
Hong Kong	7.8078	10.0892	8.0876	0.0689	...	8.8481	6.0071	5.9222
Japan	113.2550	146.3600	117.2900	...	14.5050	128.3500	87.1400	85.9200
Switzerland	0.9655	1.2477	...	0.0085	0.1236	1.0943	0.7431	0.7325
U.K.	0.7738	...	0.8015	0.0068	0.0991	0.8769	0.5954	0.5870
U.S.	...	1.2924	1.0357	0.0088	0.1281	1.1333	0.7694	0.7585

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.22333%**	0.47255%
Three month	**1.30300**	0.66110
Six month	**1.45711**	0.92415
One year	**1.75122**	1.23050
Euro Libor		
One month	**-0.39929%**	-0.36029%
Three month	**-0.37500**	-0.30229
Six month	**-0.30771**	-0.19171
One year	**-0.18614**	-0.06929
Euribor		
One month	**-0.37300%**	-0.36500%
Three month	**-0.33100**	-0.29300
Six month	**-0.27400**	-0.18900
One year	**-0.16000**	-0.06200
Yen Libor		
One month	**-0.01729%**	-0.06000%
Three month	**-0.00014**	-0.02743
Six month	**0.01786**	-0.02279
One year	**0.11929**	0.06686
	Offer	**Bid**
Eurodollars		
One month	**1.3200%**	1.2200%
Three month	**1.3700**	1.2700
Six month	**1.5100**	1.4100
One year	**1.7200**	1.6200
	Latest	**52 wks ago**
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.18%**	0.58%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

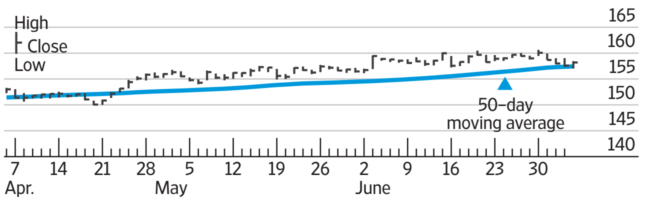
Top Stock Listings

12 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans					
HK$	AIAGroup	1299	55.50	1.28	26.86
¥	AstellasPharma	4503	1377.00	-0.25	-15.18
AU$	AustNZBk	ANZ	29.15	-0.48	-4.17
AU$	BHP	BHP	24.15	1.64	-3.63
HK$	BankofChina	3988	3.88	0.78	12.79
HK$	CKHutchison	0001	96.65	0.16	9.95
HK$	CNOOC	0883	8.73	1.04	-10.00
AU$	CSL	CSL	135.00	-1.08	34.45
¥	Canon	7751	3811.00	0.05	15.66
¥	CentralJapanRwy	9022	18095	-1.44	-5.90
HK$	ChinaConstructnBk	0939	6.02	0.50	0.84
HK$	ChinaLifeInsurance	2628	24.00	1.91	18.81
HK$	ChinaMobile	0941	81.10	-1.28	-1.34
HK$	ChinaPetro&Chem	0386	6.12	...	11.27
AU$	CmwlthBkAust	CBA	83.64	-0.43	1.49
¥	EastJapanRailway	9020	10785	-0.96	6.78
¥	Fanuc	6954	21925	0.07	10.65
¥	Hitachi	6501	700.90	1.26	10.90
TW$	Hon Hai Precisn	2317	116.00	2.65	37.77
¥	HondaMotor	7267	3150.00	0.70	-7.76
KRW	HyundaiMtr	005380	156000	-1.58	6.85
HK$	Ind&Comml	1398	4.96	...	6.67
¥	JapanTobacco	2914	3870.00	-0.74	0.68
¥	KDDI	9433	3008.00	0.89	1.64
¥	Mitsubishi	8058	2416.00	1.68	-2.97
¥	MitsubishiElectric	6503	1646.50	1.48	1.04
¥	MitsubishiUFJFin	8306	766.20	0.91	6.39
¥	Mitsui	8031	1624.50	1.31	1.09
¥	Mizuho Fin	8411	208.50	1.26	-0.62
¥	NTTDoCoMo	9437	2665.00	0.43	0.08
AU$	NatAustBnk	NAB	30.17	-0.56	-1.63
¥	NipponTeleg	9432	5319.00	0.11	8.29
¥	NissanMotor	7201	1148.00	1.73	-2.34
¥	Panasonic	6752	1514.50	0.90	27.32
HK$	PingAnInsofChina	2318	53.80	3.66	38.66
$	RelianceIndsGDR	RIGD	43.85	-0.68	38.99
KRW	SamsungElectronics	005930	2379000	1.23	32.02
¥	Seven&I Hldgs	3382	4608.00	-0.30	3.48
¥	SoftBankGroup	9984	8957.00	-0.33	15.35
¥	Sony	6758	4270.00	0.78	30.38
¥	Sumitomo Mitsui	8316	4449.00	1.21	-0.25
HK$	SunHngKaiPrp	0016	115.40	0.26	17.76
TW$	TaiwanSemiMfg	2330	208.50	0.72	14.88
¥	TakedaPharm	4502	5647.00	-0.62	16.79
HK$	TencentHoldings	0700	271.00	0.67	42.86
¥	TokioMarineHldg	8766	4711.00	0.21	-1.77
¥	ToyotaMtr	7203	6154.00	1.55	-10.53
AU$	Wesfarmers	WES	40.55	-0.59	-3.77
AU$	WestpacBanking	WBC	31.12	-0.86	-4.54
AU$	Woolworths	WOW	25.62	-0.27	6.31
Stoxx 50					
CHF	ABB	ABBN	23.89	0.72	11.22
€	ASMLHolding	ASML	115.30	0.87	8.11
€	AXA	CS	24.63	0.43	2.69
€	AirLiquide	AI	108.65	-0.46	2.84
€	Allianz	ALV	176.70	0.03	12.55
€	AB InBev	ABI	97.10	-0.28	-3.43
£	AstraZeneca	AZN	5182.00	1.39	16.78
€	BASF	BAS	82.13	-0.28	-7.00
€	BNP Paribas	BNP	64.47	-0.32	6.47
£	BT Group	BT.A	288.75	-1.01	-21.30
€	BancoBilVizAr	BBVA	7.46	0.05	17.53
€	BancoSantander	SAN	5.92	-0.57	19.40
£	Barclays	BARC	204.20	-1.33	-8.61
€	Bayer	BAYN	112.40	-0.53	13.39
£	BP	BP.	444.15	-1.30	-12.84
£	BritishAmTob	BATS	5257.00	1.55	13.75
€	Daimler	DAI	63.74	-0.56	-9.87
€	DeutscheTelekom	DTE	15.55	-0.77	-3.94
£	Diageo	DGE	2271.50	0.35	7.65
€	ENI	ENI	13.17	-1.42	-14.87
£	GlaxoSmithKline	GSK	1625.50	-0.18	4.07
£	Glencore	GLEN	307.40	1.25	10.83
£	HSBC Hldgs	HSBA	727.00	0.73	10.67
€	INGGroep	INGA	15.43	0.10	15.37
£	ImperialBrands	IMB	3436.50	-0.32	-2.99
€	IntesaSanpaolo	ISP	2.84	-0.21	17.23
€	LVMHMoetHennessy	MC	221.80	0.80	22.27
£	LloydsBankingGroup	LLOY	65.69	-0.95	5.09
€	LOreal	OR	181.50	0.08	4.67
£	NationalGrid	NG.	940.00	-0.21	-9.45
CHF	Nestle	NESN	82.40	-0.78	12.80
CHF	Novartis	NOVN	80.15	-0.25	8.16
DKK	NovoNordiskB	NOVO-B	277.00	-0.14	8.76
£	Prudential	PRU	1779.00	-0.20	9.31
£	ReckittBenckiser	RB.	7700.00	...	11.82
£	RioTinto	RIO	3370.50	-0.24	6.71
CHF	RocheHldgctf	ROG	244.50	-0.37	5.12
£	RoyDtchShell A	RDSA	2050.50	-1.09	-8.56
€	SAP	SAP	91.00	0.30	9.89
€	Sanofi	SAN	84.22	0.43	9.52
€	SchneiderElectric	SU	67.92	0.61	2.74
€	Siemens	SIE	122.00	0.12	4.45
€	Telefonica	TEF	9.03	-1.36	2.34
€	Total	FP	43.33	-1.49	-9.29
CHF	UBSGroup	UBSG	16.71	...	4.76
€	Unilever	UNA	48.32	0.10	23.53
£	Unilever	ULVR	4161.00	0.24	26.38
€	Vinci	DG	75.34	0.74	16.45
£	VodafoneGroup	VOD	217.90	0.28	9.03
CHF	ZurichInsurance	ZURN	285.80	0.42	1.93
DJIA					
$	AmericanExpress	AXP	85.02	0.28	14.77
$	Apple	AAPL	143.68	0.13	24.05
$	Boeing	BA	201.05	1.24	29.14
$	Caterpillar	CAT	107.73	0.71	16.16
$	Chevron	CVX	104.91	-1.31	-10.87
$	CiscoSystems	CSCO	31.09	0.18	2.90
$	Coca-Cola	KO	44.86	0.22	8.19
$	Disney	DIS	105.99	-1.37	1.70
$	DuPont	DD	81.04	-1.33	10.41
$	ExxonMobil	XOM	80.93	-1.43	-10.34
$	GeneralElec	GE	27.32	-0.49	-13.56
$	GoldmanSachs	GS	227.56	0.12	-4.97
$	HomeDepot	HD	151.74	-1.47	13.17
$	Intel	INTC	33.85	1.17	-6.67
$	IBM	IBM	154.57	-0.65	-6.88
$	JPMorganChase	JPM	93.61	0.93	8.49
$	J&J	JNJ	133.22	0.24	15.63
$	McDonalds	MCD	153.23	0.48	25.89
$	Merck	MRK	64.13	-0.22	8.93
$	Microsoft	MSFT	69.14	1.42	11.26
$	Nike	NKE	57.88	-1.30	13.88
$	Pfizer	PFE	33.66	-0.46	3.65
$	Procter&Gamble	PG	87.77	0.03	4.39
$	3M	MMM	209.77	-0.03	17.47
$	Travelers	TRV	126.38	-0.75	3.23
$	UnitedTech	UTX	122.54	0.38	11.79
$	UnitedHealth	UNH	187.40	0.40	17.10
$	Visa	V	94.06	0.76	20.56
$	Verizon	VZ	44.57	-0.96	-16.51
$	Wal-Mart	WMT	75.58	0.29	9.34

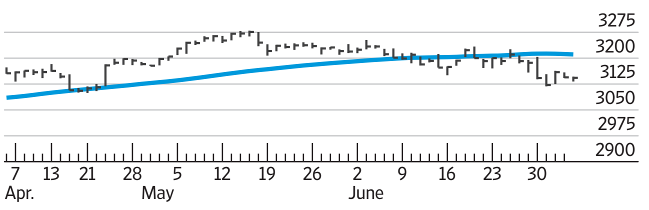
Asia Titans 50

Last: **158.19** ▲ 0.59, or 0.38% — YTD ▲ 12.2%



Stoxx 50

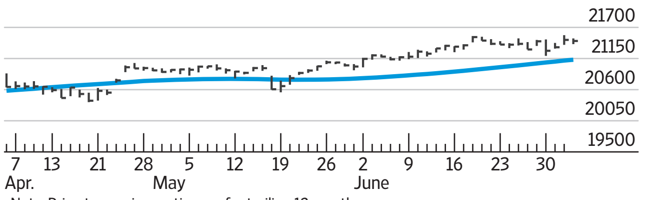
Last: **3143.04** ▼ 1.42, or 0.05% — YTD ▲ 4.4%



Dow Jones Industrial Average

P/E: 21

Last: **21460.48** ▼ 18.79, or 0.09% — YTD ▲ 8.6%



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

U.S. Travel Stocks Are Having Nice Ride

By Amrith Ramkumar

Hotels, cruise lines and casinos are some of the best-performing stocks in the U.S. so far this year, reflecting solid demand for travel and leisure despite industry concerns that President Donald Trump's policies could hurt foreign tourism.

Wynn Resorts Ltd. was one of the top five best-performing stocks in the S&P 500 in the first six months of the year, rising 55%. **Royal Caribbean Cruises** Ltd. and **Wyndham Worldwide** Corp., a hospitality-service company, were among the index's 35 best performers.

Some travel organizations, including the World Travel & Tourism Council and travel consultant ForwardKeys, have said that they expected some of Mr. Trump's policies to damp appetite for tourism to the U.S. The administration started to implement its temporary travel ban that affects visitors from six Muslim-majority nations last week and has pushed to restrict some visas and issued new security measures for airlines flying to the U.S.

"We are watching it like a hawk," said **Marriott International** Inc. Chief Executive Arne Sorensen, when asked at an analyst meeting in March about travel challenges relating to the travel ban, currency difficulties and nationalist sentiment in the U.S. and abroad. "To state the obvious, the language around these issues and the sentiment around these issues is not a positive thing."

Mr. Sorensen is one of several executives who have publicly voiced concerns that Mr. Trump's policies could negatively affect the travel industry.

So far, some analysts say that anxiety hasn't hurt their shares. Travel and leisure shares are benefiting from improved consumer confidence and tourism-related spending, making them attractive investment alternatives compared with other stocks in the so-called consumer-discretionary sector, they say. The S&P 500 grouping also includes traditional retailers, many of which have been hammered by lower foot traffic and internet competition from e-commerce giants like Amazon.com Inc.

"Consumer-discretionary money needs to be invested somewhere, and the gaming and lodging spaces have benefited from some of the other Amazon-driven disruption in some of the other subsectors," Deutsche Bank analyst Carlo Santarelli said.

The U.S. Travel Association said in early June that international travel to the U.S. grew in April compared with the same month a year earlier.

As of May, spending on hotels, leisure and travel has increased every month except for two since the start of 2015 compared with a year earlier, according to First Data Corp. Data tracking sales at four million merchant locations across the U.S. show monthly travel expenditures increased almost 6% on average year over year, hotel expenditures rose 4.4% and leisure spending increased 2.8% over that period.

Aside from leisure-linked shares in the consumer-discretionary sector, "you're looking at retail or restaurants, where every day, same-store sales are down," and store closures and fears of competitive encroachment weigh on investors, said Rachael Rothman, a Susquehanna Financial Group analyst who covers hotels, casinos and cruise companies.

Meanwhile, casinos are benefiting from strength in Macau, Las Vegas and regional gaming, Telsey Advisory Group senior equity analyst David Katz said.

Macau monthly gaming revenue has increased every month from a year earlier since August 2016, according to the Macau Gaming Inspection and Coordination Bureau. That follows 26 months of declines as Chinese President Xi Jinping's administration cracked down on corruption.

Steve Wynn, chairman and CEO of Wynn Resorts, said on Wynn's most recent earnings call in late April that the crackdown hurt the company briefly, but that expected patterns of spending were resuming.

"People are settling back into routines that they're comfortable with, and that includes going to Macau and buying a new car or shopping at Louis Vuitton," Mr. Wynn said.

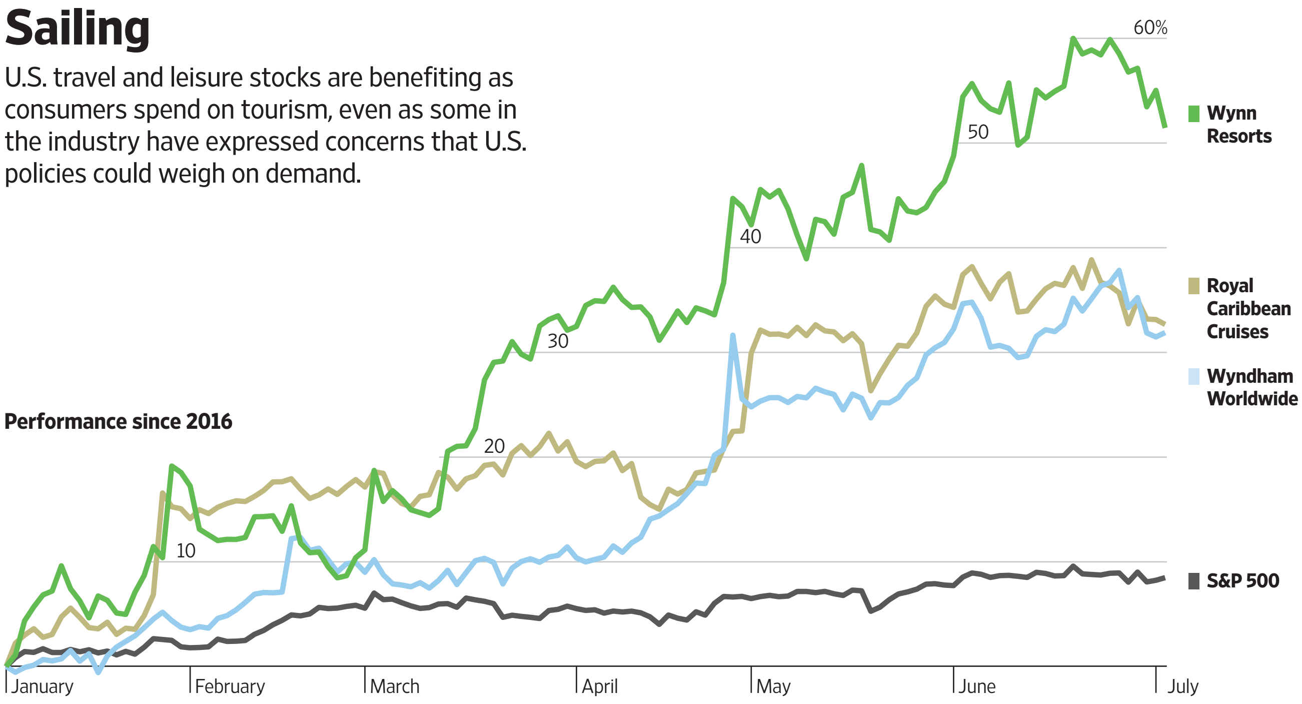
Wall Street analysts expect Wynn's average earnings per share to grow by more than 40% from 2017 to 2018, according to FactSet.

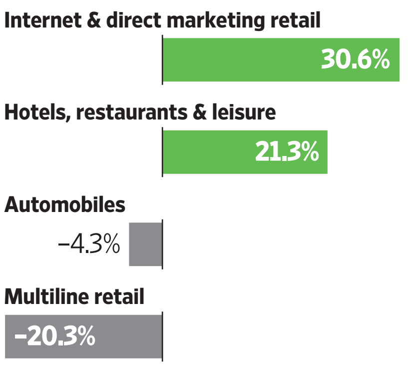
Some analysts said valuations make certain travel and leisure stocks attractive compared with other parts of the market. Amazon.com was trading at about 179 times its past 12 months of earnings Monday, according to FactSet, compared with about 50 for Wynn and just shy of 17 for Wyndham and Royal Caribbean. The broader S&P 500 was trading at around 21.8 times its past 12 months of earnings on Friday.

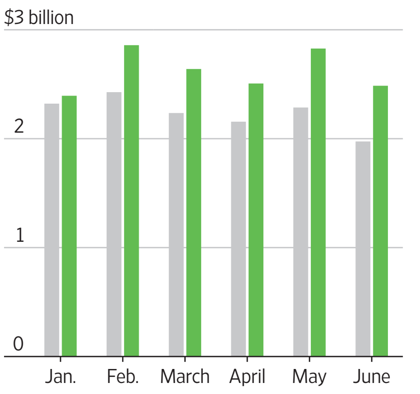
However, some said the stocks could be susceptible to a pullback, especially given how far up they have run. The University of Michigan's index of consumer sentiment has fallen slightly since hitting a 10-year high in January. And even though Macau gaming revenue increased more than 25% in June compared with the same month a year earlier, that increase fell short of analyst expectations. Wynn's stock fell $3.11, or 2.3%, to $131.01 on Monday, though it was up 0.7% to $131.87 by midday Wednesday.

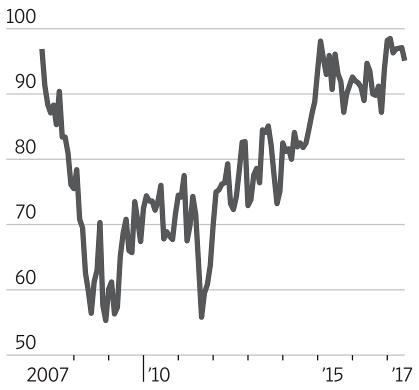
Sailing

U.S. travel and leisure stocks are benefiting as consumers spend on tourism, even as some in the industry have expressed concerns that U.S. policies could weigh on demand.









Sources: WSJ Market Data Group (stocks); FactSet (industry group performance); Macau Gaming Inspection and Coordination Bureau (gaming revenue); University of Michigan (sentiment)

THE WALL STREET JOURNAL.

MARKETS

Many Startups Are IPO Holdouts

U.S. initial offerings have rebounded, but a backlog of big firms remains on sidelines

BY CORRIE DRIEBUSCH

Initial public offerings in the U.S. have rebounded this year, but that strength hinges on reducing the backlog of private companies valued at $1 billion or more, bankers and fund managers say.

Companies making their stock-market debuts in the first half of 2017 have raised roughly $28 billion, above the first-half average going back the past two decades, according to data provider Dealogic. Given a strong stock market, historically low volatility and scores of private companies that could be ready for initial offerings, the IPO market should be even busier, some fund managers and bankers say.

"The new-issue market is healthy, so I would have expected we'd have more IPOs given the market environment matched against this backlog of private companies," said Anthony Kontoleon, the global head of equity syndicate at Credit Suisse Group AG.

More than 160 private companies are valued at $1 billion or more, including ride-hailing company **Uber Technologies** Inc. and **Airbnb** Inc., according to data from Dow Jones VentureSource. In June 2014, there were about 60.

Some of these companies are likely to go public in the second half of this year, but few big-name startups are expected, some bankers and stock-exchange officials say.

"There are a lot of private companies I would assess as ready to go public. Whether they choose to go public or not, I'm not sure," said Gavin Baker, manager of the Fidelity OTC Portfolio. His firm invests in still-private companies as well as publicly traded firms, and while he said it doesn't matter to him when companies choose to make their stock-market debuts, he believes companies benefit from being publicly traded.

"It forces a level of discipline and transparency," he said.

IPOs have generally encountered solid interest from investors this year. Companies that listed on U.S. exchanges in 2017 have risen an average of 10% from their IPO prices, according to Dealogic data through Friday. The S&P 500 rose more than 8% in the first six months of the year.

Part of what has fueled demand for new offerings, some fund managers say, is that these outsize gains offer actively managed funds a way to beat their benchmarks at a time when passive investment strategies are growing more popular and stock indexes such as the S&P 500 have performed well.

Newly listed technology companies have had a particularly strong showing, echoing broader gains in technology stocks around the world.

Tech IPOs in 2017 are up an average 19% from their offer prices, according to Dealogic. Among the best performers are enterprise software companies, including MuleSoft Inc. and Okta Inc., which have gained more than 45% and more than 30%, respectively, since their IPOs.

In a sign of the breadth of the rebound, one of the best performing IPOs in the first half of the year was construction company Jeld-Wen Holding Inc., which rose 40% from its IPO price through Friday's close.

Still, some of the most highly anticipated IPOs of 2017 have struggled recently. Snap Inc. shares soared in their first day of trading in early March, rising 44% after pricing at $17 a share, a dollar above expectations, but in recent weeks the Snapchat parent has fallen. At midday Wednesday, the shares were down 1.7% at $17.29.

Blue Apron Holdings Inc. suffered a particularly disappointing stock-market debut in the last week of June. The meal-kit maker offered shares at the bottom of its lowered target range, and the stock closed below its IPO price on its second day of trading.

Some fund managers and bankers said Blue Apron's difficult path to public markets was likely to come up in conversations as other private companies decide whether to list shares. However, many are treating the company as an outlier. In the first half of the year, 22% of companies priced their U.S.-listed IPO below their initial pricing range, on track for the smallest percentage of companies to do so since 2007, according to Dealogic.

Fear of potentially market-moving events, such as the U.K. referendum on leaving the European Union and the U.S. presidential election, deterred many companies from going public in 2016, but expectations of volatility have been muted so far this year, which bodes well for offerings in the second half of 2017.

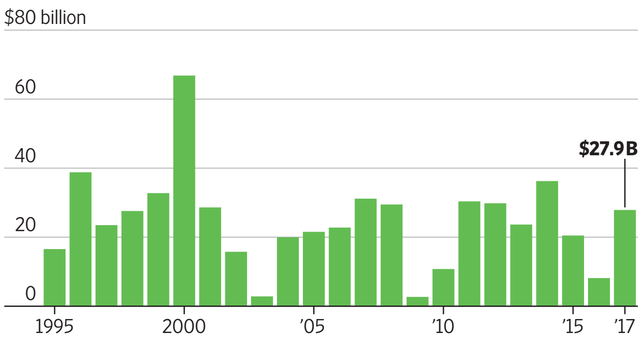
"From a macro point of view, there are more reasons to go public in the current environment than there are to wait," said Paul Donahue, head of Equity Capital Markets Americas at Morgan Stanley.

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

Blue Apron had a particularly disappointing stock-market debut in the last week of June.

Next to Normal

Money raised by U.S. IPOs rose sharply in the first half of the year, returning to more average levels after a dismal 2016.



Source: Dealogic

THE WALL STREET JOURNAL.

Oil Slides, As Worry Over Glut Returns

BY ALISON SIDER

Oil's rally was on track to come to an abrupt halt Wednesday as worries about the persistent global oil glut came back into focus.

U.S. crude futures were down $1.69, or 3.6%, at $45.38 a barrel in midday trading on the New York Mercantile Exchange. Brent, the global benchmark, fell $1.54, or 3.1%, to $48.07 on ICE Futures Europe.

The selloff is the volatile market's latest about-face. It erodes the nearly 11% gain in U.S. oil in the previous eight sessions—the U.S. oil benchmark's longest winning streak since 2010.

"The market is coming back and facing the reality that [**Organization of the Petroleum Exporting Countries**] and non-OPEC producers are, on the whole, putting more oil on the market," said Andy Lipow, president of Lipow Oil Associates in Houston. "The road to OPEC's success in achieving higher prices is still under construction."

A Bloomberg report that Russia wouldn't support a further extension or deepening of ongoing production cuts with OPEC spooked many investors Wednesday.

Russia agreed late last year to join with OPEC and other major producers to cut output, and its cooperation was seen as a milestone and a key component of the deal's potential to help reduce a supply glut.

But many investors have become convinced that the cuts aren't working quickly enough. Global stockpiles are still high, and the threat of new U.S. oil flooding into already brimming storage tanks pushed the market into a steep decline in June.

HEARD ON THE STREET

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Trump Won't Make Russia Great Again

Ever since the fall of the Soviet Union, the hope for investors on Russia has always been around change. Donald Trump's election raised expectations that a reset in relations could boost Russian assets. But as Mr. Trump prepares for his first face-to-face meeting with Russian President Vladimir Putin this week, change seems in short supply.

Instead of an easing in relations, the talk is of increased sanctions on Russia against a backdrop of continued allegations about interference by Moscow in politics in the U.S.

Meanwhile, the picture from Russia itself is little changed. Overreliance on commodities and poor demographics continue to dog the outlook.

But Russia does offer a curious kind of sclerotic stability that is great for fixed-income investors.

Underpinned by relatively orthodox monetary and fiscal policy and easing inflation, ruble-denominated government bonds have returned 9.4% this year, a Bloomberg Barclays index shows. Government debt is extremely low at 16% of gross domestic product, according to **Moody's**; sanctions have helped to support dollar-denominated Russian bonds by making them a scarcer asset.

Equities suffer under this stasis. Take the list of the biggest companies by market capitalization. Six of the 10 biggest in Russia 10 years ago still make the list today, versus just two in the U.S., Renaissance Capital notes.

That big picture seems unlikely to be changed by any meeting between Messrs. Trump and Putin.

—Richard Barley

Gloom on Dollar Looks Overdone

The U.S. dollar's performance has been anticlimactic this year, dropping 4% against a basket of major currencies. But investor pessimism may have gone too far.

Of course, there is still good reason to root for other currencies. The Trump administration's lack of policy mojo aside, global economic data have proven unexpectedly robust, posting the longest run of positive surprises in six years. But as investors cheer a reflating global economy, they may be dumping too many dollars. For the year, U.S. dollar positioning, according to data from the Commodity Futures Trading Commission, has flipped from net long to net short.

Excessive pessimism about the dollar creates its own worry for emerging markets due to the danger of sudden swings back. During the past few years of low U.S. interest rates, governments and companies in developing countries have gotten used to borrowing heavily in dollars. Any resurgence for the dollar would raise the cost of that borrowing in local-currency terms.

Such a move seems more likely when you consider that foreign-exchange movements are generally driven by divergent expectations for growth and interest rates. Currencies of countries whose growth forecasts had been upgraded the most this year, such as Mexico and Poland, outperformed over the latest quarter, according to J.P. Morgan strategists.

The positive vibe around emerging-market currencies should ease as the premise for it weakens. The proportion of developing countries receiving growth upgrades has fallen to just over 40% from 60% in the past month, based on J.P. Morgan's rolling measure. Asia—a driver of emerging-market growth earlier this year—is losing steam, with industrial production growth dropping to its lowest point in more than a year everywhere but China.

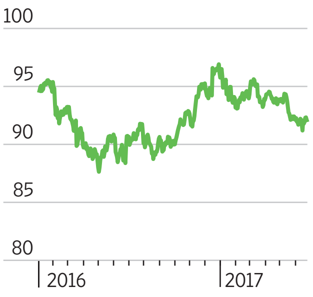
The U.S. economy isn't on a tear, but growth elsewhere hasn't found as firm a footing as investors seem to believe. There is still a 50% chance the Fed will raise rates once more by December, another factor that should be dollar positive. A stark repricing of currencies last week after central bankers talked about tightening policy led to the largest-ever one-day outflow from the biggest emerging market hard-currency ETF last Thursday, with $343 million being withdrawn, according to J.P. Morgan. That, though, compares with inflows of $14 billion so far this year, meaning there is scope for plenty more outflows.

No matter how fleet-footed, investors should remember reversals in sentiment can happen fast.

—Anjani Trivedi

Ditch the Dollar

Trade-weighted index of the U.S. dollar against major currencies



Sources: Federal Reserve of St. Louis; Reuters (photo)

THE WALL STREET JOURNAL.

A $10 Billion Jolt Is Given To Payments Business

A proposed $10 billion, cross-border consolidation play illustrates how payment services have come from a dusty banking backroom to the front lines of financial activity.

Worldpay, once the in-house processor for Royal Bank of Scotland in the U.K., has agreed in principle to a cash and shares takeover proposal from **Vantiv**, a former joint venture between Fifth Third Bank and a private-equity group.

Vantiv is already the leading processor of card transactions in the U.S., ahead of First Data, according to the Nilson Report, an industry research firm. Worldpay is the leading U.K. processor. But it isn't the U.K. business that Vantiv is really after: it is the U.K. company's global e-commerce offering, which focuses on serving online businesses.

The agreement is preliminary: There were no details on potential cost savings and the companies warned a formal offer may not ultimately be made. But the outline terms add up to an average premium to Worldpay shares of about 20% in the three months before the offer was made, according to FactSet. By late U.S. morning Wednesday, Worldpay was trading just 0.5% below the value of Vantiv's potential offer.

Payments consolidation will continue because retailers and consumers want to be able to accept and spend money anywhere. Another payments company could yet be tempted to jump in with a competing bid. Worldpay investors can wait to see what the details of a Vantiv takeover really promise.

—Paul J. Davies

Volvo and China Charge Up Electric-Car Drive

Beijing is getting serious about electric vehicles, and auto makers in the world's largest car market—electric or otherwise—are taking note. On Wednesday, **Volvo**, owned by China's **Geely**, said it would phase out the internal combustion engine and make only fully electric or hybrid cars by 2019.

The Swedish company's historic move follows Beijing's update to its electric-vehicle policy last month, designed to encourage more production of cars that use bigger batteries and therefore can travel farther. That should benefit companies that make higher-quality electric cars and cull those that have fallen behind.

Annual electric-vehicle sales in China have already reached 500,000, more than in the U.S. and other developed countries.

Beijing wants to keep pressing on the accelerator while avoiding the overcapacity that has bedeviled its other industries from solar panels to wind turbines in the past. Car makers that build higher-quality electric vehicles will face less stringent penalties if they fail to meet volume targets for green cars. They will also earn more of the credits Beijing doles out for electric-vehicle output.

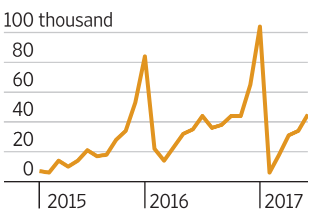
The hope is that this policy tweak will keep production humming while weeding out inferior quality. It may already be working. Mercedes-Benz maker **Daimler** said recently it would upgrade the facilities used by its joint venture in China to make more electric vehicles. Detroit-based **Ford Motor** said in April it would start building electric cars in China.

The new measures aren't so good for the likes of **Great Wall Motors**, China's largest maker of sport-utility vehicles. Having ridden the boom in SUV sales, it faces trouble now as its brands' fuel consumption remains well above government-mandated targets. Few expect Great Wall to bring a competitive electric vehicle to the market soon. Meanwhile, Geely could get a leg up over its peers. For all the green-car subsidies the auto industry has thrived off so far, China's latest rules could help with a much-needed purge.

—Anjani Trivedi

Amped Up

China's monthly electric vehicle sales



Source: CEIC

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