

Nest Cam IQ

The clever thing
for your everything.

nest

Best-in-class indoor security camera.

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

DJIA 21408.52 ▼ 5.82 0.03%

NASDAQ 6176.39 ▲ 0.4%

STOXX 600 381.64 ▲ 0.4%

10-YR. TREAS. ▲ 6/32, yield 2.371%

OIL \$44.40 ▲ \$0.17

GOLD \$1,212.10 ▲ \$3.50

EURO \$1.1400 YEN 114.04

TUESDAY, JULY 11, 2017 ~ VOL. CCLXX NO. 8

WSJ.com

★★★★ \$4.00

What's News

Business & Finance

Trump plans to nominate Randal Quarles, a fund manager and former Republican Treasury official, to be the Fed's point person for regulating big banks. A1

◆ The CFPB barred financial firms from requiring customers to use arbitration, setting off a showdown with the administration and congressional Republicans. A2

◆ China's Dalian Wanda is selling off most of its theme parks and hotels to pare a debt load that has drawn attention from regulators. A1

◆ Elliott Management is pursuing Oncor with a deal it says is better than a buyout by Berkshire Hathaway. B3

◆ Many oil investors say algorithmic trading is distorting the market, driving price moves inconsistent with fundamental trends. B1

◆ Abercrombie's efforts to sell itself have stalled, leaving the apparel retailer to continue trying to right its business on its own. B3

◆ A handful of investors have begun extending short-term loans to a Ford affiliate after a long hiatus. B1

◆ Rallying tech shares lifted the Nasdaq to its second straight session of gains. B11

◆ Newspaper publishers are calling on Congress to allow them to negotiate collectively with Google and Facebook. B5

World-Wide

◆ The administration is moving toward unilaterally tightening sanctions on North Korea, targeting Chinese firms the U.S. says are funneling cash into Pyongyang's weapons program. A1

◆ Trump's eldest son retained a private attorney and said he would work with congressional investigators who have sought his testimony as part of Russia probes. A4

◆ Republicans said they hoped to produce a revised version of the Senate health bill later this week. A3

◆ Iran is shaping up to be one of the biggest winners in the struggle for influence in Iraq, whose U.S.-backed premier declared victory over Islamic State in Mosul. A5

◆ Tillerson arrived in the Persian Gulf region for a round of shuttle diplomacy aimed at resolving a conflict among U.S. allies. A5

◆ Afghanistan and Pakistan agreed to work on a mechanism to jointly combat insurgents along their border. A6

◆ Polling in Japan showed a sharp drop in public support for Abe's cabinet. A6

◆ A Marine Corps plane crashed in Mississippi, killing at least 12 people. A3

◆ A U.S. soldier in Hawaii was charged with providing material support to ISIS. A2

CONTENTS Opinion..... A13-15

Capital Journal.... A4 Sports..... A12

Business News.... B3 Streetwise..... B1

Crossword..... A11 Technology..... B4

Head on Street... B1 U.S. News..... A2-4

Life & Arts..... A9-11 Weather..... A11

Markets..... B11-12 World News..... A5-7

Copyright 2017 Dow Jones & Company. All Rights Reserved

28237>

0 78908 63141 1

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights Reserved

Copyright 2017 Dow Jones & Company. All Rights

U.S. NEWS

Arbitration Rule Sets Up GOP Showdown

WASHINGTON—An Obama-appointed regulator barred financial-services companies from requiring customers to use arbitration to resolve disputes, setting off a showdown with the Trump administration and congressional Republicans.

Consumer Financial Protection Bureau Director Richard Cordray on Monday completed a rule proposed in May 2016 over the opposition of Trump administration officials and Republican lawmakers. The move prompted a rebuke from acting Comptroller of the Currency Keith Noreika, the only Trump administration official

By Rachel Witkowski,
Andrew Ackerman
and Brent Kendall

so far in place at a federal banking regulator, and a threat by a top House Republican to hold Mr. Cordray in contempt of Congress.

Some Republicans are considering the use of a legislative tool known as the Congressional Review Act to quickly undo the arbitration rule. Republicans have used the tool to revoke more than a dozen Obama-era regulations.

The CFPB's rule prevents companies from including in

consumer contracts any arbitration clause that blocks class-action lawsuits, though it doesn't ban arbitration entirely. Such clauses are commonly used for a range of financial products, including credit cards, certain auto loans, payday loans and private student loans. Financial companies will have about eight months to comply with the rule.

Consumer groups have backed the regulation. They say arbitration diminishes legal protections for everyday people and prevents them from joining together to bring class-action lawsuits.

Critics in the financial industry and Congress say arbitration provides a faster and more cost-effective way to resolve disputes with consumers.

"This bureaucratic rule will harm American consumers but thrill class-action trial attorneys," House Financial Services Committee Chairman Jeb Hensarling (R., Texas) said in a statement.

"The CFPB's brazen finalization of the arbitration rule is a prime example of an agency gone rogue," U.S. Chamber of Commerce leaders wrote in a joint statement on Monday.

The final version of the CFPB rule hasn't been substantially changed from the draft issued last year.

Mr. Cordray on Monday said the bureau was proceeding despite Republican efforts to block it.

"My obligation...is to act for the protection of consumers and in the public interest. In deciding to issue this rule that is what I believe I have done," Mr. Cordray said during a conference call with reporters.

Mr. Noreika, appointed by President Donald Trump in May as interim comptroller, condemned the move in a letter Monday asking the CFPB

director to provide to the Office of the Comptroller of the Currency the data the CFPB used to support the rule.

A top congressional Republican warned Mr. Cordray against completing the measure last week in anticipation of Monday's move, suggesting the House could hold the bureau chief in contempt. Mr. Hensarling, the powerful head of the House Financial Services Committee, instructed Mr. Cordray not to complete the rule until the CFPB first complied with a series of records requests from Congress related to its work on the rule, including an April subpoena.

FED

Continued from Page One
the Fed's policy of keeping interest rates near zero for years following the financial crisis, and advocated for a monetary policy rule, or formula, to guide rate decisions.

The Fed board has three vacancies, and the White House hopes to offer two more nominees as soon as possible, the official said. The administration has also begun the search for the next Fed chairman, though Mr. Trump hasn't ruled out nominating Chairwoman Janet Yellen to a second term, to begin when her current term expires in February.

Mr. Quarles has donated to Republican candidates for years and served in the Treasury Department in both Bush administrations, working on both international affairs and as undersecretary for domestic finance, a senior job that involves coordination with the many U.S. agencies that oversee the financial sector.

He left the government in 2006 and was a managing director at the Carlyle Group private-equity firm, investing in troubled banks. He is now managing director at Cynosure Group, a Utah investment firm.

Mr. Quarles, in a March 2016 Wall Street Journal op-ed



President Donald Trump is expected to nominate Randal Quarles, above, as the Fed's top official in charge of regulating big banks.

that he co-wrote, said he didn't support "arbitrarily taking an ax to big banks and irreparably damaging the economy." He endorsed a review of postcrisis regulations but warned that "the consequence of a dramatic increase in bank capital is an increase in the cost of bank credit."

Analysts and government officials have said nominating Mr. Quarles, an establishment Republican, would be a sign that the White House favors more incremental rather than radical changes to the Fed, an institution that has long engendered mistrust among the economic nationalists who backed Mr. Trump during his campaign last year.

Mr. Trump's team has advocated a rethink of Wall Street rules but has few officials in place at financial regulatory agencies. If confirmed, Mr. Quarles would immediately take over the job of overseeing the Fed's regulatory staff, which supervises some of the largest U.S. financial firms including J.P. Morgan Chase & Co., Bank of America Corp. and Citigroup Inc.

He could push for changes in the way the Fed oversees those firms, but he couldn't change the rules on his own. For that, he would need the support of other members of the Fed's board and other agencies.

The choice of Mr. Quarles "shows that we're looking for a change to the heavy-handed approach to regulation from

the prior administration," the White House official said Monday. Mr. Quarles, the official said, "has a track record of working well with others to implement public policy."

Obama administration officials have said stricter curbs on financial risk-taking were warranted in the wake of the financial crisis.

Mr. Quarles would find some familiar faces at the Fed. He has worked before with Fed governor Jerome Powell, who is now the point person on the Fed's regulatory efforts and also served in the George H.W. Bush administration and worked at Carlyle Group.

Mr. Quarles is married to Hope Eccles, who is a relative of Marriner Eccles, the New Deal

Randal Quarles

AGE

59

EDUCATION

Philosophy and economics degree from Columbia University; law degree from Yale University

GOVERNMENT EXPERIENCE

◆ 2001-2006: Undersecretary of domestic finance, assistant secretary of international affairs, U.S. Treasury; U.S. executive director, International Monetary Fund

OTHER EXPERIENCE

◆ Managing director, Cynosure Group (current)

◆ Partner, Carlyle Group

◆ Partner, Davis Polk & Wardwell LLP

TERM

If confirmed, could serve four-year term as vice chairman for supervision and 14-year term as Fed governor

Mr. Quarles said in the 2016 op-ed that low-interest-rate policies have "led to a rise in speculative positions" across the financial system and that a monetary-policy rule would reduce the incentive for big banks and smaller firms to take dangerous risks.

Mr. Quarles's path to the nomination illustrates a broader trend in which nominees across the executive branch have faced delays completing the traditional background clearance and screening process.

Top White House officials had identified the vice chair post as a priority weeks after Mr. Trump's election last year, and after an extended search process, officials identified Mr. Quarles as their top pick in April. At the time, Treasury Secretary Steven Mnuchin had indicated a nominee for the post was imminent.

The White House expected Mr. Quarles's nomination to receive broad Republican support. He needs a simple majority to be approved by the Senate, where Republicans control 52 out of 100 seats.

The White House has also been considering economist Marvin Goodfriend to fill a second vacancy on the Fed board, according to people familiar with the situation. It isn't clear when his nomination might be announced and submitted to the Senate.

WANDA

Continued from Page One
said Kaven Tsang, a senior analyst at Moody's in Hong Kong.

Wanda paid shareholders \$4.4 billion last year to delist the company from the Hong Kong stock exchange with the aim of relisting it in China at a higher valuation. Wanda has sought to relist the property unit but has yet to receive approval.

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

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

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

The ratings firm said in January that it expects the property unit to raise about \$5 billion of additional debt for planned projects within two years. The property unit's debt levels put a commonly used measure of leverage—net debt to equity—at 56%, which is above its peers.

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

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

More recently, Wanda's \$1



Wanda's park in Harbin is among the many tourist attractions opened by the Chinese developer.

billion deal to buy Golden Globes producer Dick Clark Productions fell apart amid heightened Chinese government scrutiny over capital outflows.

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

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

Wanda's debt also includes \$4.75 billion in syndicated loans, which are made by groups of banks to corporate borrowers, and about \$18 billion in bonds through subsidiaries that include Legendary, AMC and its property unit, according to data provider Dealogic.

Under the deal announced Monday, Wanda said it would sell a 91% stake in 13 of its

current and planned tourist attractions and 72 of its 102 hotels in China to Sunac. Along with parks in Nanchang, Hefei and Harbin, there are at least nine other planned parks and tourist attractions.

Wanda has been selling assets, such as its malls, in recent years, adopting an "asset-light" model that would allow it to earn income from managing the assets instead of owning them. Although Sunac is buying the hotels and theme parks, Wanda said it would still manage them under its brand.

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

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

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

Sunac Chairman Sun Hongbin told Caixin that the developer would use only existing capital, not debt, to finance the acquisition. He didn't reply to requests to comment.

—Grace Zhu

and Lilian Lin in Beijing contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Greece, Turkey and Britain have been Cyprus's guarantor powers since 1960. A World News article Saturday about the collapse of negotiations to reunify the divided island incorrectly said the three countries have been Cyprus's guarantor powers since 1974.

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

U.S. WATCH

HAWAII

Soldier Is Charged With Helping ISIS

A U.S. soldier stationed in Hawaii has been charged with providing material support to Islamic State, according to a criminal complaint filed Monday in U.S. District Court in Honolulu.

Sgt. First Class Ikaika Kang, 34 years old, allegedly tried to support the terror group by passing along classified military documents to undercover FBI agents who he believed would give them to ISIS. He is accused of making combat training videos to be used to train ISIS fighters. He also allegedly contributed to the purchase of a drone that he believed would be used by ISIS.

An attorney representing Sgt. Kang didn't respond to requests for comment.

Sgt. Kang served in Iraq from March 2010 to February 2011, and in Afghanistan from July 2013 to April 2014, according to the complaint. He was most recently stationed at Schofield Barracks in Hawaii.

—Zusha Elinson

ST. LOUIS

Troopers Deployed To Quell Violence

Missouri's governor is making a push to combat violent crime in St. Louis, calling the Gateway to the West "the most dangerous city in the United States of America."

Republican Gov. Eric Greitens, a former Navy SEAL, deployed a group of state troopers to the

city Sunday night. The initiative, announced Monday, is part of a 90-day pilot program to contribute more state law-enforcement resources to monitor St. Louis's major highways and free up the city's police units.

St. Louis had a murder rate of 59.3 per 100,000 residents last year, the highest among the 35 largest American cities, including Chicago and Baltimore, according to data from the FBI. Homicides have continued at that pace so far in 2017.

—Quint Forney

FLORIDA

Death Is 12th in U.S. Linked to Air Bags

A man attempting to repair an old Honda Accord died last year when a Takata Corp. air bag installed inside the car ruptured, bringing to a dozen the U.S. death toll stemming from the faulty safety devices.

The man was attempting "unknown repairs" with a hammer inside the 2001 Accord with the ignition switch in the "on" position, triggering activation of the air bag and the subsequent explosion, Honda Motor Co. said Monday. Honda notified the U.S. National Highway Traffic Safety Administration of the fatality, which occurred in Hialeah, Fla., the auto maker said.

The defective air bags have been linked to at least 17 deaths globally. In the U.S. alone, regulators have said 19 auto makers will eventually recall 42 million vehicles with as many as nearly 70 million of the faulty devices.

—Mike Spector

THE WALL STREET JOURNAL
(USPS 664-880) (Eastern Edition ISSN 0099-9660)
(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036

Published daily except Sundays and general legal holidays.
Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chichester, MA 01020.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser's order.

Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsjletters@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?
CONTACT CUSTOMER SUPPORT.

By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

U.S. NEWS

Senate Looks to Revise Health Bill

GOP hopes to produce measure this week, but changes appear unlikely to sway foes

BY KRISTINA PETERSON

Republicans returning to Washington said they hoped to produce a revised version of the Senate health bill this week, though none of the expected changes appeared likely to win sufficient support from the 10 GOP senators who have publicly opposed the measure.

Sen. John Cornyn of Texas, the second-ranking Senate Republican, said a bill could emerge within days. "Hopefully soon," Mr. Cornyn said Monday. "And then we'll vote on it next week."

Republican leaders were forced to postpone a vote on their bill before the July 4 recess because of a lack of support, and none of the changes they have signaled they are considering have prompted any of the defectors to reverse course.

GOP leaders, for example, are likely to insert \$45 billion in funding to fight the opioid epidemic, but Sen. Susan Collins (R., Maine) said, "That's helpful, but it's by no means sufficient." Like other Republican senators, Ms. Collins is concerned about proposed Medicaid cuts.

As Senate Republicans faced such dilemmas, President Donald Trump turned up the pressure to deliver his first major legislative victory before leaving town for their August recess. "I cannot imagine that Congress would dare to leave Washington without a beautiful new HealthCare bill fully approved and ready to go!" Mr. Trump tweeted Monday.

Once the revised bill is produced, the nonpartisan Congressional Budget Office will provide an estimate of its impact on the federal budget and on Americans' insurance coverage.

Senate Majority Leader Mitch McConnell (R., Ky.) can lose no more than two GOP votes to pass the bill with 50 votes, with Vice President Mike

Pence casting the tie-breaking vote. No Democrats are expected to back the bill, which would dismantle large parts of the Affordable Care Act.

The biggest recent sticking point has centered on a provision supported by GOP Sens. Ted Cruz of Texas and Mike Lee of Utah that would allow insurers that sell plans complying with ACA regulations to also sell health policies that don't.

Health analysts say that would likely lower premiums for younger, healthier people, who would buy more-limited policies, while causing premiums to rise for people with pre-existing conditions, who would buy the more comprehensive plans that comply with the ACA.

Conservative lawmakers and outside groups have united around the provision, saying the bill must do more to lower costs. Mr. Lee won't vote for the bill unless the provision, or a similar measure, is included, his spokesman said.

But other Republicans are balking at its potential effect on premiums for people with pre-existing conditions.

"His proposal would lead to unaffordable rates for people with pre-existing conditions," Ms. Collins said Monday.

Sen. Shelley Moore Capito (R., W.Va.), a centrist, said she has questions about the Cruz measure, which Sen. Chuck Grassley (R., Iowa) has also criticized. Other Republicans said they liked Mr. Cruz's idea. "If we're going to subsidize Americans who can't afford health insurance, do it directly. Don't do it through the premiums of others," said Sen. Jeff Flake (R., Ariz.).

Democrats said that Mr. Cruz's proposal would lure people to sign up for cheap health-care plans and that many would then end up paying much more in high deductibles.

"In effect, for many it's a policy that would have a premium, but no insurance," Senate Minority Leader Chuck Schumer (D., N.Y.) said on the Senate floor.

—Anna Wilde Mathews and Siobhan Hughes contributed to this article.



Capitol Police took a person into custody Monday as activists in Washington protested the GOP bill outside the offices of Sen. Jeff Flake (R., Ariz.) and Sen. Ted Cruz (R., Texas).

FDA Wants Tighter Opioid Standards

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

Dr. Gottlieb, in a talk kicking off an FDA workshop of public-health officials on painkiller safety, said the agency now would begin requiring drugmakers to make available expanded training for doctors, nurses and

other health-care professionals who administer the immediate-release products.

This risk-moderating step expands existing safety measures already required on extended-release pain drugs.

"It's time to take direct action to address the close to 200 million opioid analgesic prescriptions each year that are for the immediate-release products," the commissioner said.

"The new training will be aimed at making sure providers who write prescriptions for the IR opioids are doing so for properly indicated patients, and under appropriate clinical circumstances," Dr. Gottlieb said.

He said the FDA would require that health-care personnel training broaden information about nondrug, and nonopioid, approaches to controlling pain.

He said the agency would institute a study of doctors' understanding of abuse-deterring features of various pain drugs.

Dr. Gottlieb added that doctors and dentists are still writing too many 30-day prescriptions for opioid painkillers. Too often, patients receive 30-day prescriptions when a prescription of shorter duration—or no opioids at all—would be more appropriate, he said.

—Thomas M. Burton and Jeanne Whalen

Voters in Portland, Maine

States Push Back On Voter Records

BY REBECCA BALLHAUS

For some members of President Donald Trump's election integrity commission, mounting pushback from states to a federal request for voter files has hit particularly close to home.

In New Hampshire, two lawmakers last week filed a lawsuit against Secretary of State Bill Gardner, a Democrat who serves on the commission, for agreeing to provide the state's public voter file, saying he doesn't have the authority to give the data to an entity that isn't a campaign, political committee or political party.

In Maine, where commission member Matthew Dunlap serves as secretary of state, state law bars him from providing the commission with the requested data, and Mr. Dunlap, a Democrat, has said he won't do so.

Indiana Secretary of State Connie Lawson, a Republican member of the commission, has also said state law bars her from providing the information.

The reactions are the latest against the Presidential Advisory Commission on Election Integrity, which has come under increasing fire from states and privacy advocates since being formed in May by Mr. Trump, who spent months promoting unsubstantiated claims that voter fraud tainted the 2016 election.

Fire-Safety Issue At Marriott in Baltimore Arises

BY SCOTT CALVERT AND BOB TITA

The company that made the combustible panels used on the London housing tower where a fast-moving fire killed at least 80 people says the same type wraps one of Baltimore's most prominent hotels: the 32-story Marriott Waterfront overlooking the city's Inner Harbor.

But Baltimore officials say they aren't sure what is on the hotel because they never asked the architects for details about the hotel's exterior panels. Two of the architects involved in the project, and its general contractor, also aren't sure or no longer have the records.

City officials say the use of

London's Grenfell Tower, which went up in flames June 14.

In an interview, Arconic Inc., which made the Grenfell Tower panels, declined to comment on whether the same panel type was used on the entire Marriott in Baltimore. "We sell our products with the expectation that they are used in a [wall] system that complies with local building codes and regulations," a company spokesman said.

On its website, Arconic, formerly part of Alcoa Corp., says the 750-room Marriott Waterfront used 83,000 square feet of the type of panel used on Grenfell Tower, marketed as Reynobond PE.

Two of the architects involved in the Marriott's design said in interviews they don't recall what type of panels encase the hotel, located in the city's Harbor East district. One, Peter Fillat, said he discarded the project file about six years ago following normal protocol.

Marriott International Inc. said it is working with the hotel building's owner to identify the type of cladding. "The safety and security of our guests and associates is a top priority," spokesman Jeff Flaherty said in an email.

The general contractor that built the hotel said the firm doesn't keep specifications on finished projects as old as the Marriott.

Aluminum composite panels first appeared in buildings in Europe in the 1970s and became popular in the U.S. during the 1980s. The panels gave architects a lightweight alternative to masonry and other materials.

From the start, though, U.S. safety engineers recognized the rigid cores sandwiched between two sheets of aluminum that gave the panels strength that easily burn during a fire.

Baltimore officials say they aren't sure what type of panels were used.



At Least a Dozen Dead In Marine Plane Crash

A U.S. Marine plane crashed into a soybean field in rural Mississippi on Monday, killing at least 12 people aboard, officials said.

Leflore County Sheriff Ricky Banks said officials were still searching for bodies hours after the KC-130 crashed in Mississippi's Delta region.

"We're still searching the area," Mr. Banks said. "It's hard to find bodies in the dark."

The Marine Corps KC-130 "experienced a mishap," according to a Marine Corps spokesperson.

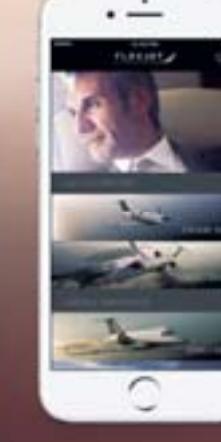
Mississippi Gov. Phil Bryant posted his condolences on Facebook. "Please join Deborah and me in praying for those hurting after this tragedy. Our men and women in uniform risk themselves every day to secure our freedom," he wrote Monday evening.

The KC-130, a turboprop plane, is considered a workhorse for the military. It is a refueler and is also commonly used as a troop and cargo transport plane.

—Gordon Lubold and Associated Press

THERE'S A NEW WAY TO CONNECT  **EVERY CORNER OF THE WORLD.**

Introducing the new Flexjet app for iPhone®. We've now brought the world-class Flexjet standard of service to your smartphone. The new Flexjet app for iPhone elevates your fractional aircraft ownership experience.




866.570.2906 | FLEXJET.COM/APP
YOU WON'T JUST BE FLOWN, YOU'LL BE MOVED.

© 2017 FLEXJET, LLC. FLEXJET, THE FLEXJET LOGO, AND THE ELLIPTICAL WINGLET GRAPHIC AND DESIGN ARE TRADEMARKS OR REGISTERED TRADEMARKS OF FLEXJET, LLC. REGISTERED IN THE U.S. AND OTHER COUNTRIES. APP STORE IS A SERVICE MARK OF APPLE INC., REGISTERED IN THE U.S. AND OTHER COUNTRIES.

FLEXJET

U.S. NEWS

The Gates Formula for Handling North Korea



CAPITAL JOURNAL

By Gerald F. Seib

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

That bleak reality grows ever more apparent as North Korea fires off increasingly sophisticated missiles that could one day carry a nuclear weapon.

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

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

dent Barack Obama.

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

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

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

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

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

Under the Gates approach, the U.S. would make China



Then-Defense Secretary Robert Gates looks toward North Korea at the demilitarized zone in 2010.

the following offer: Washington is prepared to recognize the North Korean regime and forswear a policy of regime change, as it did when resolving the Cuban missile crisis with the Soviet Union; is prepared to sign a peace treaty with North Korea; and would be prepared to consider changes in the structure of military forces in South Korea.

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

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

In addition, the U.S. would tell China that in any diplomatic solution the North Koreans would have to agree to invasive inspections that could ensure a limited nu-

clear stockpile of no more than a dozen or two dozen nuclear weapons, as well as inspections to ensure they aren't developing more weapons or further capabilities for delivery.

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

On the flip side of that offer, Mr. Gates says, the U.S. would present a tougher alternative for China: "If that

is not an outcome you can accept, we are going to take steps in Asia you hate."

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

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

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

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

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

WASHINGTON WIRE

DISCLOSURES

FBI Nominee Earned \$9.2 Million at Firm

President Donald Trump's pick to run the FBI, Christopher Wray, is worth more than \$23 million and will recuse himself from any investigation in which his law firm represents a party, according to ethics disclosures released on Monday.

Mr. Wray, a former senior Justice Department official, has spent the past decade as a private lawyer at the firm King & Spalding. He made \$9.2 million there since January 2016, according to his financial-disclosure form.

Mr. Wray lists a total of 20 clients who paid him more than \$5,000 each since January 2015, including Johnson & Johnson, Wells Fargo & Co., Chevron, FanDuel Inc. and Draft Kings Inc., Alcatel-Lucent SA, Credit Suisse Group AG and New Jersey Gov. Chris Christie.

An ethics letter signed by Justice Department official Lee Loftus said that if confirmed, Mr. Wray would be barred from participating in any matter involving "specific parties in which he knows that a former client of his is a party or represents a party" for one year from the date of his last work for them.

—Aruna Viswanatha

CONFIRMATIONS

Regulation 'Czar' Is Cleared by Senate

The Senate confirmed Neomi Rao, a conservative law professor and expert in regulation, to head a powerful federal office that reviews and assesses the costs and benefits of rules issued by agencies across the government.

Monday's vote was 54-41, with five Democrats and one independent joining Republicans to confirm the nomination.

Ms. Rao, an associate professor of law at George Mason University, joins an administration that has already made clear its intent to roll back regulations issued by the Obama administration and cut red tape across the government. The Office of Information and Regulatory Affairs, which she will head, will be central to that effort.

Within days of taking office, President Donald Trump signed an executive order aimed at trimming federal regulations and slowing the approval of new ones. In March, the president took steps to reverse Obama-era rules aimed at pushing U.S. utilities to shift from coal to cleaner-burning fuels. And his administration has outlined a series of moves to roll back provisions of the 2010 Dodd-Frank financial overhaul.

Ms. Rao declined to comment while the Senate was considering her confirmation.

—Byron Tau and Jess Bravin

Trump's Son Hires Lawyer, Defends Meeting

BY REBECCA BALLHAUS

President Donald Trump's eldest son retained a private attorney on Monday and said he would work with congressional investigators who have sought his testimony as part of ongoing probes into whether the president's campaign colluded with Moscow to influence the election.

Donald Trump Jr. has hired Alan Futteras, a longtime criminal-defense attorney in New York who typically handles white-collar cases, a day after he said he arranged a meeting between top campaign aides and a Russian lawyer linked to the Kremlin who promised "information helpful to the campaign."

Sen. Mark Warner of Virginia, the top Democrat on the Senate Intelligence Committee, and Sen. Susan Collins (R., Maine), a senior member on the panel, called for the younger Mr. Trump and others involved in the meeting to testify.

"Our intelligence committee needs to interview him and others who attended the meeting," Ms. Collins said. Mr. Warner said he "absolutely, absolutely" wants to speak to the president's son, as well as the Azerbaijani pop star who asked for the meeting.

"Happy to work with the committee to pass on what I know," wrote Donald Trump Jr. on Twitter on Monday.

"Obviously I'm the first person on a campaign to ever take a meeting to hear info about an opponent," he tweeted earlier. "Went nowhere but had to listen."

On Monday, the White House defended the meeting as standard practice. Mr. Trump and others who helped arrange the meeting—which was also attended by then-senior campaign aides Jared Kushner and Paul Manafort—described a complex series of events leading up to the June 9, 2016, conversation at Trump Tower in New York City.

In the spring of 2016, the Russian lawyer, Natalia Veselnitskaya, approached Emin Agalarov, a singer who together with his father—Azerbaijani-Russian billionaire Aras Agalarov—helped sponsor the 2013 Miss Universe pageant in Moscow, co-owned



Donald Trump Jr., left, tweeted on Monday that he is happy to work with lawmakers in Congress 'to pass on what I know.'

Did the Meeting Cross a Legal Line?

Election-law experts say it is far from clear whether Donald Trump Jr.'s 2016 meeting with a Kremlin-connected Russian lawyer crossed a legal line.

President Donald Trump's eldest son arranged a meeting in June of last year between top campaign aides and a Russian lawyer who has been linked to the Kremlin, after being told she "might have information helpful to the campaign," according to a statement Mr. Trump Jr. issued on Sunday.

Federal election law prohib-

its foreign nationals or foreign governments from contributing or donating money or "anything of value" to a political campaign.

It also makes it a felony for a campaign or members of a campaign to knowingly and willfully solicit, accept or receive a donation or "thing of value" from a foreign national. The solicitation doesn't need to be successful in order to be illegal.

Prosecutions related to foreign-national donations have generally dealt with charges of funneling cash.

In theory, opposition research on a political foe could be considered something of value, particularly if the supplier of the information spent money

to obtain it, according to legal experts.

But experts said it might be difficult to ascribe a value to a vague promise of damaging information about Hillary Clinton, which is how Mr. Trump Jr. described what he knew about the sit-down with the Russian lawyer, Natalia Veselnitskaya beforehand.

In a statement, Mr. Trump Jr. said that Ms. Veselnitskaya had done nothing helpful for the campaign and that he cut off the meeting after she dwelled on the Magnitsky Act, a federal law that placed sanctions on Russian human-rights abusers.

It is hard to draw any conclusions based on what is

known about the circumstances of the meeting, said Kenneth A. Gross, a partner at Skadden, Arps, Slate, Meagher & Flom LLP and a former Federal Election Commission lawyer.

"At best, the meeting might be grist for the mill for further inquiry, but that's about as far as we can go at this point," said Mr. Gross.

Mr. Trump Jr. said Sunday that he didn't know the lawyer's name before seeing her, making it unclear whether he knew she was a Russian national. If true, this could make it more difficult to prove criminal intent by Mr. Trump Jr.

—Jacob Gershman and Nicole Hong

JOHN CHRISTIAN Crafted in gold & platinum

Rush! Service Available



Your Anniversary Immortalized In Roman Numerals

JOHN-CHRISTIAN.COM 888.646.6466

by President Trump. The younger Mr. Agalarov, who goes by just Emin in his professional capacity, asked his publicist, Rob Goldstone, to set up a meeting for Ms. Veselnitskaya with Donald Trump Jr.

"The lawyer had apparently stated she had some information regarding illegal campaign contributions to the Democratic National Committee which she believed Mr. Trump Jr. might find important," Mr. Goldstone said in a statement Monday.

"I reached out to Donald Trump Jr. and he agreed to squeeze us into a very tight meeting schedule."

In the meeting, Ms. Veselnitskaya briefly discussed alleged Russian contributions in the 2016 campaign before turning to the Magnitsky Act, a law targeting Russian hu-

man-rights abusers that she has campaigned against on behalf of her clients.

At that point, Mr. Trump cut off the meeting, according to both his account and that of Mr. Goldstone. Both men said there was no follow-up on the subject.

Ms. Veselnitskaya said in a statement Monday that she met with Donald Trump Jr. in her capacity as a private attorney.

"The purpose of my brief meeting with Mr. Trump Jr. was to explain the facts of my client's position," she said. She said she has also met with members of Congress to discuss the Magnitsky Act on behalf of her clients.

"I have never acted on behalf of the Russian government and have never discussed any of these matters with any representative of the

Russian government," she said.

The White House cast the meeting as commonplace.

"I've been on several campaigns," and such a meeting would have been standard practice in any of them, spokeswoman Sarah Huckabee Sanders said. She said Donald Trump Jr. "did not collude with anyone to influence" the outcome of the election.

Both Ms. Veselnitskaya and the Agalarov family have longstanding ties to the Kremlin.

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

The elder Mr. Agalarov's real-estate company has won several state contracts in Russia.

Dmitry Peskov, a spokesman for Mr. Putin, said Monday the Kremlin doesn't know Ms. Veselnitskaya. The Kremlin "cannot keep track of every Russian lawyer and their meetings within the country or abroad," he said.

—Brett Forrest, Nicole Hong and Louise Radnofsky contributed to this article.

WORLD NEWS

Iran Poised to Gain as ISIS Falls in Mosul

Iraq declares victory over extremists in the city, as Tehran seeks to extend its influence

Iraq's U.S.-backed prime minister declared victory over Islamic State in Mosul on Monday, but Iran is shaping up to be one of the biggest winners in the struggle with Washington for influence in Baghdad and across the region.

By Maria Abi-Habib in Baghdad and Asa Fitch in Mosul, Iraq

Nouri al-Maliki, a former Iraqi prime minister supported by Iran, is campaigning to win back his old job in next year's Iraqi election against Haider al-Abadi, the incumbent favored by Washington.

Mr. Maliki has given much of the credit for the Mosul victory to an umbrella group of mostly Shiite militias, many supported by Iran, that he formed in 2014, just before his ouster as premier. The election could determine whether the country tilts toward Iran or the U.S.

Islamic State's losses in Mosul also are expected to make it easier for Shiite-majority Iran to ship weapons through northern Iraq and neighboring Syria to the Hezbollah militia Iran supports in Lebanon. Authorities in Tehran have been quick to hail the battle against the Sunni extremists in Mosul as a triumph for them and their regional allies.

"Today the resistance highway starts in Tehran and passes through Mosul and Beirut to the Mediterranean," Ali Akbar Velayati, a top adviser to Iran's Supreme Leader, said last week as he welcomed Islamic State's defeat in Mosul.

On Monday, Mr. Abadi declared victory over Islamic State in Mosul, formally ending a nearly nine-month battle to win back Iraq's second-largest city, which the extremists



A member of the Iraqi security forces held an Islamic State flag on top of a destroyed building in Mosul's Old City on Monday.

captured three years ago.

Mr. Abadi said Iraq still had to restore stability and eliminate sleeper cells, and the commander of the U.S.-led coalition fighting Islamic State, Lt. Gen. Stephen Townsend, pointed to tough battles ahead to eliminate Islamic State.

For Iran and Hezbollah, Islamic State's rise to power in 2014 became one of the biggest challenges to the alliance's regional influence, erecting a state along the Iraqi-Syrian border that broke the weapons pipeline from Tehran to Beirut and challenged Tehran's allies in Damascus. Iran has also shipped weapons to Hezbollah by using Iraqi airspace to fly equipment into Damascus, a less efficient route, according to Western and U.S. officials.

Now Islamic State's empire has been reduced to patchy zones of control, allowing Iran

to slowly regain its arc of influence stretching from Tehran through Baghdad to Damascus and Beirut.

Teheran has longstanding cultural and political ties with Iraq, the only Arab country with a Shiite majority.

Although U.S. forces and the Shiite militias maintain an uneasy truce in Iraq, the militias have sought to check U.S. forces across the border in Syria, advancing on an American special forces base in the south. Washington responded by launching airstrikes on the Iraqi militias.

On Monday, Gen. Qassem Soleimani, the head of Iran's powerful Islamic Revolutionary Guard Corps, welcomed the victory in Mosul and taunted the U.S. for its waxing and waning support for Baghdad over the years.

"The Islamic Republic [of

Iran] wasn't like other countries that closed weapon contracts with Iraq after receiving Iraq's money but refused to give support to Iraq when it's urgent," Gen. Soleimani said.

Mr. Maliki—a favorite of Iran—was blamed just a few years ago by the U.S. for stoking sectarian tensions that led to the rise of Islamic State in 2014. Washington supported Mr. Abadi to succeed him, and Mr. Maliki was pushed out of office that September.

Now Mr. Maliki is emerging as Mr. Abadi's biggest competitor in what is expected to be a tight race. Iran officially backs Mr. Abadi, but the relationship could fray once a figure who can unite Iraqi security forces against Islamic State is less crucial. Mr. Abadi has been more resistant to Iranian influence than other Shiite leaders, wary of being cast

as an Iranian puppet.

On Sunday, with Mosul's last battles still raging, Mr. Abadi flew to the city to declare victory. But Mr. Maliki had already issued a congratulatory statement last week.

Instead of congratulating Mr. Abadi's government, Mr. Maliki praised Iraqi security forces and the Hashid al-Shaabi, or Popular Mobilization Forces, the umbrella group of mostly Shiite militias that Mr. Maliki formed in 2014. Iran trained many of those militias a decade ago to fight U.S. troops after the 2003 invasion of Iraq.

In Iraq, Iran's biggest military and social tool is the Shiite militias.

But Mr. Abadi sidelined them in the battle for Mosul, which was instead spearheaded by the country's military and police with help from U.S. special forces.

Tillerson, in Gulf, Seeks Qatar Deal

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

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

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

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

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

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

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

—Felicia Schwartz

CHADBOURNE & PARKE AND NORTON ROSE FULBRIGHT

A powerful
combination
for the US

Norton Rose Fulbright and Chadbourne & Parke have combined, giving our clients access to over 1,000 lawyers in the US and more than 4,000 lawyers worldwide.

nortonrosefulbright.com

More than 50 locations, including London, Houston, New York, Toronto, Hong Kong, Sydney and Johannesburg.

NORTON ROSE
FULBRIGHT

WORLD NEWS

Pakistan, Afghanistan to Combat Terror

Joint operation against insurgents along border would mark closest cooperation in years

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

By Saeed Shah
in Islamabad
and Dion Nissenbaum
in Washington

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

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

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

Pakistan says it has cleared extremist sanctuaries on its soil and its security worries in



A Pakistani border-security guard watched the Afghan frontier at a post in Chaman, Pakistan, in May. A flow of Taliban fighters has fueled an insurgency in the region.

Afghanistan have never been addressed by Kabul and Washington. Islamabad sees a failing U.S. and Afghan strategy at fault for what American commanders describe as a stalemate on the battlefield.

Washington and Kabul, meanwhile, accuse Islamabad of using the Taliban and the allied Haqqani network as its proxies in Afghanistan, to counter the influence of its foe India there. Pakistan denies the charge.

The coordinated effort comes as President Donald Trump and his aides are considering new ways to push Islamabad into doing more to help the U.S., including punitive measures to limit aid to Pakistan and to strip the coun-

try of its status as a major non-NATO ally.

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

The proposed cooperation, conveyed to Kabul in recent days via the visiting senators, would see Pakistan and Afghanistan forces coordinate operations in their territories to tackle militants who move back and forth across the border,

known as the Durand Line, Gen. Ghafoor said. Border coordination centers would be established, with officers from the other country stationed there. Pakistan is already fencing parts of the border, on which it has deployed 200,000 soldiers.

"This is a shift in Pakistan's policy," a senior Afghan security official said. "We welcome it and look forward to some practical results."

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

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

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

The Trump administration's policy review for Afghanistan has been slowed by an internal

debate over how to deal with Pakistan, current and former U.S. officials said. There appears to be broad support in the administration for a tougher approach to Pakistan, though there has been no agreement on how far to press Islamabad. At least one faction is concerned that such steps could backfire.

"Too many sticks, too much pressure, could create a worse overall dynamic," a second former Trump administration official said.

The U.S. Embassy in Islamabad declined to comment. Mr. McCain's office didn't respond to requests to comment.

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

Defiant Sharif Vows to Fight Corruption Allegations

BY SAEED SHAH
AND QASIM NAUMAN

ISLAMABAD — Pakistan's prime minister rejected calls to resign and will continue to fight allegations of corruption, aides said, after a criminal investigation found that he and his children were living beyond their means.

Lawyers said the Supreme Court could disqualify Prime Minister Nawaz Sharif from office now, but is more likely to

send the case to a trial court on corruption charges. If convicted, that would be grounds for disqualification, or removal from office, according to lawyers. The Supreme Court will hold further hearings next week ahead of deciding what to do.

The investigation report's contents, presented to the Supreme Court on Monday, were rejected by Mr. Sharif's aides as "not based on any evidence." Amid media reports about the probe's conclusions, the aides

confirmed the authenticity of the four-page conclusion document from the investigation into the finances of the Pakistani leader and his children. The probe found Mr. Sharif and his children weren't "able to justify assets and the means of income."

"This is a witch hunt, this isn't justice," said Defense Minister Khawaja Muhammad Asif. "There should be no doubt: We are going to fight this legal battle and demolish

every allegation one by one."

The legal and political battle will prolong Pakistan's political crisis, distracting attention from other issues, including the country's fight against terrorism, analysts said. Opposition leader Imran Khan, who renewed his call for the prime minister's resignation, said the process will strengthen democracy in Pakistan by making rulers accountable.

"This family has been looting the country for 30 years.

I'm grateful that the truth has come out," said Mr. Khan, Mr. Sharif's main political rival and chairman of the opposition Pakistan Tehreek-e-Insaf political party. "Nawaz Sharif has no option but to resign."

The case stems from a massive leak of documents from a Panamanian law firm last year on the offshore assets of politicians, entrepreneurs and celebrities across the world. Documents from the leak showed the name of three of

Mr. Sharif's children as owners of apartments in one of London's swankiest areas. Mr. Sharif, a three-time prime minister, says he isn't an owner, and the property was acquired from the proceeds of his family's longstanding business activities by his two sons.

Mr. Sharif's five-year term as prime minister is due to end in June 2018. Experts said the allegations could damage Mr. Sharif's showing at the next election.

KOREA

Continued from Page One
sanctions in response to previous missile and nuclear tests.

China, North Korea's chief trade partner, has resisted tightening the screws on its neighbor, concerned that it could provoke Pyongyang to lash out against America's allies in the region or precipitate a collapse of the regime that sparks a flood of refugees, analysts say.

The status quo has also provided China a buffer against U.S. power in Asia.

As raising the pressure on North Korea requires targeting more Chinese firms, unilateral action risks fueling already strained tensions between Washington and Beijing.

It could complicate Washington's efforts to expand access for U.S. companies into the world's most populous country and win Beijing's support on other international issues, such as on cyber security and resolving conflicts in the Middle East.

U.S. officials say the stakes are greater after last week's missile launch revealed Pyongyang's ability to put Alaska within reach and that current efforts will be more stringent than in the past.

Even before the July 4 launch, the Trump administration began trying to tighten sanctions to cut off "all illegal funds going to North Korea," Treasury Secretary Steven Mnuchin said just days before the test. "We will continue to look at these actions and continue to roll out sanctions."

Late last month the U.S. Treasury said it would cut off China's Bank of Dandong from



A gathering in Pyongyang on July 6 celebrated the ballistic-missile test two days earlier.

U.S. financial markets, saying North Korea was using bank accounts under false names and conducting transactions through banks in China, Hong Kong and Southeast Asia.

Neither the Chinese Embassy in Washington nor the Bank of Dandong responded to requests for comment. The Treasury also added to its North Korea sanctions list two Chinese citizens accused of working for front companies designed to evade existing sanctions.

Trump administration officials have warned that North Korea's latest missile test warranted an escalation in international pressure, seeking first collective action through the U.N. Security Council and urging Beijing to use its own powers as a close Pyongyang ally to stem cash flows there.

The United States is prepared to use the full range of our capabilities to defend ourselves and our allies," Nikki Haley, U.S. ambassador to the U.N., told the Security Council last week. Ms. Haley said past sanctions have proved insufficient.

U.S. Secretary of State Rex Tillerson said Friday that sanctions issued last week against Chinese entities are a measure of the administration's resolve but that he preferred that Beijing act on its own to curb North Korea financing.

Mr. Tillerson said the U.S. would apply "calculated increases in pressure," but that there was a limit to the administration's "strategic patience."

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

But U.S. officials say they have been disappointed by Beijing's response. The topic will be a focus of high-level U.S.-China talks next week in Washington, Mr. Mnuchin said.

Failure to act more aggressively could not only embolden Pyongyang, but also the entities that help finance the regime,

said Bruce Klingner, a former Central Intelligence Agency deputy division chief covering North Korea now at the Heritage Foundation think tank.

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

Nicholas Eberstadt, a North Korean security expert at the American Enterprise Institute. He expects the White House to accelerate its sanctions against Chinese firms.

Analysts and senior officials from two previous administrations say existing sanctions against North Korea have been elementary compared with the thicket of actions applied against Iran by the Obama administration.

That pushed Iran into recession and persuaded it to negotiate, although many foreign-policy experts question the effectiveness of the subsequent deal the U.S. reached with Iran.

—Jeremy Page in Beijing contributed to this article.

Japan's Abe Faces New Hurdle as Support Falls

BY ALASTAIR GALE

Abe wishes to open—have undermined public trust.

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

The toll of the accusations was apparent in public-opinion polls that media organizations released Monday. The Yomiuri newspaper, Japan's largest-circulation daily, said 36% of respondents to a poll conducted over the weekend supported Mr. Abe's cabinet, down 13 percentage points from the previous poll in mid-June.

On Monday, a former vice minister of education who has emerged as one of Mr. Abe's sharpest critics told parliament that top officials intervened to approve the permit for the school of veterinary medicine.

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

Precipitous Fall

Support for Prime Minister Shinzo Abe's cabinet is at a new low.



Source: Yomiuri Shimbun

THE WALL STREET JOURNAL.

WORLD NEWS

Sick Child's Parents to Get New Hearing

BY JOANNA SUGDEN

LONDON—A British judge who previously ruled that an 11-month-old should have his life support withdrawn and barred his family from taking him to the U.S. said on Monday that he would examine suggestions of new evidence relating to a potential treatment for the boy.

Charlie Gard's case has generated international attention, including interventions by President Donald Trump, who offered unspecified help to the British boy's family on Twitter last week.

Last week, Great Ormond Street called for a new hearing after the hospitals and their researchers reported "fresh evidence about their proposed experimental treatment." Katie Gollop, an attorney for Great Ormond Street, said that doctors and nurses treating Charlie were under immense pressure, and that attorneys for the child's parents had threatened the hospital with legal action if it didn't apply to the court for a fresh hearing.

Ms. Gollop said the U.S. doctor offering to treat Charlie had talked in recent days with Great Ormond Street's experts on the condition at the White House's request.

She later told the court that "the hospital went to enormous efforts" to find another facility that was prepared to treat Charlie. In response, Charlie's father, Chris Gard, shouted "when are you going to start telling the truth?"

Connie Yates, Charlie's mother, appealed to the judge, saying that any parents would accept even a small chance at success if they thought it would help their child.

In April, the judge ruled that maintaining Charlie's life support and sending him for a therapy in the U.S. that hasn't been tested on mice or humans with the same rare genetic disorder wasn't in the child's best interests. His decision was upheld by the Supreme Court in June and the European Court of Human Rights declined to intervene on that ruling when Charlie's parents asked it to do so last month.

same as Charlie's. In addition, the pope has said the Vatican's children's hospital would treat him free.

At an emotionally charged hearing, Justice Nicholas Francis said he would rule "not on the basis of tweets but on the basis of clear evidence" that pointed to the possibility of an improvement in Charlie's condition. He said he would hear additional evidence on Thursday.

"I am having to balance the likely or possible damage to Charlie by his continuing to be treated as he has been and to uncover evidence as much as we can," the judge said. He said he would change his mind only if he was convinced that there was genuinely new evidence to support keeping Charlie alive.

The boy suffers from a rare genetic disease that affects his brain, breathing and muscles and is on an artificial ventilator at Great Ormond Street Hospital.

Doctors there say that his disorder can't be effectively treated and that keeping him on a ventilator could be causing him pain, but an expert at a U.S. hospital has offered a treatment he says has helped in cases similar to but not the

same as Charlie's. In addition, the pope has said the Vatican's children's hospital would treat him free.

At an emotionally charged hearing, Justice Nicholas Francis said he would rule "not on the basis of tweets but on the basis of clear evidence" that pointed to the possibility of an improvement in Charlie's condition. He said he would hear additional evidence on Thursday.

"I am having to balance the likely or possible damage to Charlie by his continuing to be treated as he has been and to uncover evidence as much as we can," the judge said. He said he would change his mind only if he was convinced that there was genuinely new evidence to support keeping Charlie alive.

The boy suffers from a rare genetic disease that affects his brain, breathing and muscles and is on an artificial ventilator at Great Ormond Street Hospital.

Doctors there say that his disorder can't be effectively treated and that keeping him on a ventilator could be causing him pain, but an expert at a U.S. hospital has offered a treatment he says has helped in cases similar to but not the

In Mongolia, Presidential Power Passes to a Former Wrestler



TRANSITION IN ULAANBAATAR: Mongolia's departing President Tsakhiagiin Elbegdorj, right, joins hands with his successor, Khaltmaa Battulga, at the latter's inauguration on Monday. Mr. Battulga, a businessman and former wrestler, was elected in a runoff Saturday.

GLOBAL ECONOMY

OECD Sees Signs of U.S., U.K. Slowdown

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

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

In the early months of this year, the leading indicators pointed to a pickup in U.S. growth. Economists, investors and businesses then expected to

see some increases in investment spending and cuts in taxes under the then newly installed administration of President Donald Trump.

But those hopes have faded, as have expectations of a big bounceback in growth from a weak first quarter.

Meanwhile, the U.K. appears to be suffering from a slowdown in consumer spending in response to a jump in inflation linked to the pound's depreciation in the wake of the June 2016 vote to leave the European Union.

—Paul Hannon

AUSTRALIA

Cardinal Returns For Sex-Abuse Trial

The most senior Vatican cleric to ever be charged in the Roman Catholic Church sex-abuse scandal returned to Australia on Monday to stand trial

in his home state on charges alleging he sexually assaulted multiple people years ago.

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

—Associated Press

SYRIA

Cease-Fire Appears To Hold, U.N. Says

The United Nations' special envoy for Syrian peace talks on Monday said a U.S., Russia and Jordan-brokered cease-fire in the country's southwest was generally holding despite some "teething problems."

Staffan de Mistura added that he hoped it would contribute positively to talks between

the government and opposition.

A new round of indirect talks that began Monday is the seventh so far between Syrian government representatives and opposition leaders to try to wind down the battered country's six-year war.

Mr. de Mistura, speaking at a news conference in Geneva, said he wasn't expecting any breakthroughs but rather "some incremental developments."

The start of the talks in Switzerland coincided with the first full day of the cease-fire for southern Syria that was brokered last week by the U.S., Russia and Jordan.

The agreed-on cease-fire covers three provinces in southern Syria. It is the first tangible outcome following months of strategy and diplomacy between the new administration of U.S. President Donald Trump and Russia under President Vladimir Putin.

—Associated Press

INTRO OFFER
\$59.99*
REG. \$209.95

6 (14 oz) Bone-In Filet Mignon (#9901) Now \$59.99

BUY 6 BONE-IN FILET MIGNONS FOR \$59.99 AND RECEIVE

8 FREE CHEDDAR BACON STEAKBURGERS AND FREE SHIPPING*

ORDER BY NOON (CT) 8/30

KANSASCITYSTEAKS.COM
SEARCH PRIORITY CODE: B717WJ
OR CALL 800 793 9144

Offer expires 8/30/2017. *Free Shipping applies to standard delivery only. Limit of 5 shipments per customer. Steaks and 8 (4 oz) Steakburgers ship in the same cooler to the same address. Additional shipping charges apply for Alaska and Hawaii. Not valid with other offers. While supplies last.



Your trust,
your future,
our commitment

MUFG, a major multinational financial group, offers comprehensive and tailored financial solutions to our clients around the globe. With more than 350 years of history, \$2.6¹ trillion in assets, and operations in nearly 50 countries, MUFG is steadfast in its commitment to serving business and society by building long-term client relationships. Focused on your future, we work every day to earn your trust.

Learn more at mufgamericas.com/future

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

A member of MUFG, a global financial group

 MUFG

¹ Exchange rate of 1 USD = ¥116.49 (JPY) as of December 31, 2016.

©2017 Mitsubishi UFJ Financial Group, Inc. All rights reserved. The MUFG logo and name is a service mark of Mitsubishi UFJ Financial Group, Inc., and is used by The Bank of Tokyo-Mitsubishi UFJ, Ltd., with permission.

IN DEPTH

GAS

Continued from Page One

Australia, some state governments let aging coal plants close and accelerated a push toward renewable energy for environmental concerns. That left the regions more reliant on gas for power, especially when intermittent sources such as wind and solar weren't sufficient.

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

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

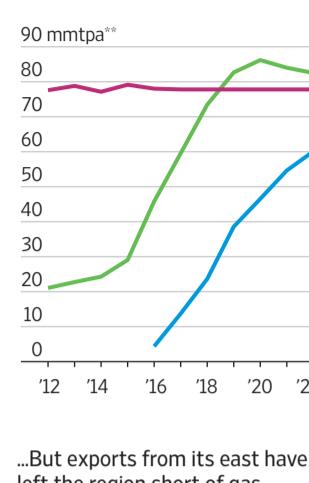
The blackouts have been severe enough to catch the attention of Tesla Inc. Chief Executive Elon Musk, who said last week he agreed to build a giant battery system in the state of South Australia, where Adelaide is the capital city, to store power from a wind farm. Such a system could provide electricity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

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

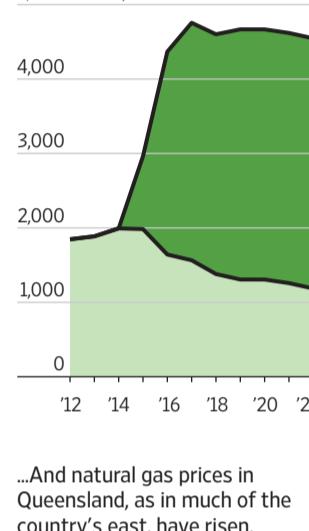
The Labor Party says that when the LNG-export plants were approved, the industry said sales abroad wouldn't affect domestic gas supply because it was developing new sources of gas. "It is clear that those assurances haven't come to pass," said Mark Butler, the Labor lawmaker who is currently its spokesman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

Energy Dilemma

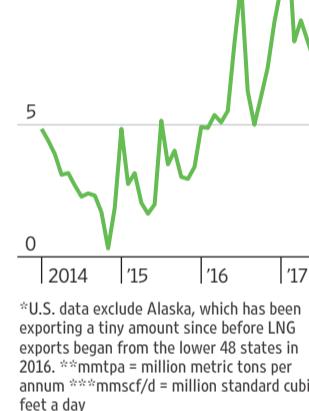
Australia is expected to overtake Qatar as the world's No. 1 exporter of liquefied natural gas...



...But exports from its east have left the region short of gas supplies...



...And natural gas prices in Queensland, as in much of the country's east, have risen.



*U.S. data exclude Alaska, which has been exporting a tiny amount since before LNG exports began from the lower 48 states in 2016. **mmtpa = million metric tons per annum. ***mmscf/d = million standard cubic feet a day.

Source: Wood Mackenzie (gas export and domestic supplies); Australian Energy Market Operator (average gas price)

THE WALL STREET JOURNAL.

Lessons for America

Australia's plight is less likely in America, which is experiencing a gas glut and is boosting exports. The first LNG-export terminal in the lower 48 states opened in Louisiana last year, allowing exports by ship in addition to existing pipelines to Mexico and Canada.

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

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

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

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

"There's no one country that has mastered this," Mr. Webber said. "We're all learning from each other."

Prokopis Pavlopoulos lighted up a cigar. The city's mayor, and much of the room, joined him.

About 37% of Greeks smoke, the highest level in Europe, compared with an EU average of 26%, according to a 2016 EU survey. In the poll, seven years after the ban, 87% of Greeks said they had been exposed to indoor smoking in bars.

Last year, Greece's Parliament added to the smoking regulations by passing a ban on electronic-cigarette smoking in public places. During the debate, some lawmakers noted the irony of passing a new law in a chamber that ignores the original one.

"Meeting room, parties' offices, secretariats, walkways, toilets—the cigarettes are everywhere," said center-right parliamentarian Niki Kerameos. "If we don't set an example of following the laws, how do we expect citizens to do so?"

Many Greeks see the state as corrupt and unreliable—mainly shown by a widespread refusal to pay taxes. They also don't like controls on day-to-day behavior: cars don't stop at pedestrian crossings, motorcycles don't bother with lanes, trash is tossed out of moving vehicles.

Officers have been waiting for months for the tickets used



Australia became the No. 2 liquefied-natural-gas exporter but didn't ensure it left enough at home. An LNG-export plant near Gladstone.

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

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

ConocoPhillips bought a 50% stake in an Australian coal-seam-gas venture for \$8 billion in 2008. In 2010, Shell and PetroChina Co. in a \$3 billion deal acquired coal-seam-gas producer Arrow Energy, which had a market value of \$10 million a few years earlier.

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

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

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

Australia's energy companies argued such "gas reservation" policies would deter investment needed to boost supply. Many politicians emphasized how LNG projects would create jobs.

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

Western Australia state did implement a similar plan years before for its offshore gas, avoiding local gas shortages.

The plan also applied to exports from LNG terminals added on the west coast after 2009. In Australia's east, three terminals were built off Gladstone in Queensland.

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

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

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

The price pinch

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

As prices rose, some manufacturers using gas, such as fertilizer makers, publicly threatened to move operations abroad. Power plants relying on gas—currently about 25% of Australia's power grid—raised rates.

"Santos has been singled out as almost the sole cause" of Australia's gas problems, Santos Chairman Peter Coates told shareholders in May. Coal-seam gas could underpin Australia's long-term needs with more investment and never would have been developed without foreign buyers, he said. "The gas would still be sitting in the ground."

Gladstone, the city with the three new LNG-export facilities, has been among areas most affected. It is home to manufacturers that use gas, including Australia's largest aluminum smelter, a Rio Tinto PLC plant

that once distributed beer-can holders reading: "Proudly Australian, operating beyond 2030."

In March, Rio Tinto cut 14% of the smelter's production and laid off 100 workers, saying it couldn't secure enough inexpensive energy. Rio Tinto CEO Jean-Sébastien Jacques in May said: "The price was so high that it didn't make any sense anymore for us to produce."

Kirsty Callander said her Fit Life smoothie-and-snack bar in Gladstone has seen business shrivel since the smelter layoffs. "I think Australia should keep what's ours," she said, "and get the jobs and money coming here."

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

Outages have become a familiar gas-crisis byproduct, including one in September 2016 in which 1.7 million households and businesses in South Australia state lost power after tornadoes damaged lines supplying power from Victoria. South Australia was relying on other states for electricity because

The energy crisis offers lessons to the U.S. as it increases natural-gas exports.

Volatile gas prices and other issues had forced its generators to cut capacity. Power wasn't fully restored for 12 days.

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

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

When Australia's electricity

oversee, the Australian Energy Market Operator, ordered Pelican Point to fire up its second turbine that hot February day, Engie initially said it wasn't available. When the regulator insisted, Engie said it couldn't move quickly without gas-supply contracts. Engie declined to comment about the blackout. In a statement afterward, it said: "There is no commercial rationale to operate the second Pelican Point unit in the current market environment in [South Australia] for a small number of days across the year."

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

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

The energy regulator in June said the market and government response should help secure the power grid, though it "remains susceptible" to extreme summer conditions.

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

Companies' flexibility to make such concessions is constrained by overseas contracts, industry analysts say. Without more gas production or faster development of other power sources, many say, Australia faces more shortfalls.

Meanwhile, budgets of Australians such as retiree Lynda Pearce, 68 years old, are feeling the shortage's impact. "I'm really worried about what's going to happen," said Ms. Pearce, who in a Gladstone suburb has seen her power bill go up around 6% in three months.

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

SMOKE

Continued from Page One

annis Bourousis of the Panathinaikos basketball team was seen toking on a cigar at a bouzouki bar after a big win in June.

Taxi drivers smoke while driving, holding their cigarettes out an open window.

On a recent visit by Amin Mohamed to the local municipality office to take care of paperwork for his dry-cleaning business, the smoke was so thick that he finally asked the employee there to put out his cigarette. The employee simply opened a window and kept on smoking, he said.

"Nothing will ever change," Mr. Mohamed said.

Deputy Health Minister Pavlos Polakis blithely flouted the ban, lighting up while giving a press conference last year. At the Finance Ministry, smokers recently puffed away in a hallway under a banner reading "Greece stubs out cigarettes."

And in October, at a lunch at the army officers club in Thessaloniki celebrating Greece's national holiday, President

Prokopis Pavlopoulos lighted up a cigar. The city's mayor, and much of the room, joined him.

About 37% of Greeks smoke, the highest level in Europe, compared with an EU average of 26%, according to a 2016 EU survey. In the poll, seven years after the ban, 87% of Greeks said they had been exposed to indoor smoking in bars.

Last year, Greece's Parliament added to the smoking regulations by passing a ban on electronic-cigarette smoking in public places. During the debate, some lawmakers noted the irony of passing a new law in a chamber that ignores the original one.

"Meeting room, parties' offices, secretariats, walkways, toilets—the cigarettes are everywhere," said center-right parliamentarian Niki Kerameos. "If we don't set an example of following the laws, how do we expect citizens to do so?"

Many Greeks see the state as corrupt and unreliable—mainly shown by a widespread refusal to pay taxes. They also don't like controls on day-to-day behavior: cars don't stop at pedestrian crossings, motorcycles don't bother with lanes, trash is tossed out of moving vehicles.

Officers have been waiting for months for the tickets used

to issue smoking fines to be delivered from the printers.

"This cannot be enforced—no laws are enforced in Greece," said Menios Stergiou, owner of an all-day cafe-bar near downtown Athens.

Health Minister Andreas Xanthos conceded that the smoking regulations hadn't been implemented. "What we need is to give the feeling that we are restarting," he said to Parliament on May 31, International No Tobacco Day.

The threat of fines on businesses of as much as €10,000, or about \$11,300, haven't been

a deterrent. (Individuals also face fines from €50 to €3,000, depending on the circumstances.) Actually collecting the payments is difficult.

At the beginning of the economic downturn, when the ban was first passed and inspections were more common, business owners got creative. Ashtrays disappeared from tables; instead, small cups or vases were placed next to no-smoking signs.

"The businessmen's imagination is never so vivid as when it comes to finding ways to break the law," said Andreas Varelas, Athens's vice mayor. "Rule-breaking is in Greeks' nature."

A new incentive to reduce smoking could be fresh taxes on cigarettes that started in January, making the habit even more costly. "Sin" taxes slapped on cigarettes as part of the conditions for Greece to receive bailout funds from its EU creditors have driven the cost of a pack to about €4.50, a euro more than before the crisis. This means that a regular smoker can spend more than €100 a month on the habit, a hefty cost given that Greek monthly salaries average about €700.

GREATER NEW YORK



Amtrak workers began weeks of repairs to tracks in New York's Penn Station on Monday. The project will disrupt travel until Sept. 1.

Commute Wasn't So Hellish

Penn Station repairs didn't cause major delays as summerlong project launched

By PAUL BERGER,
AND MARIANA ALFARO

Suburban commuters received a pleasant surprise on Monday.

After weeks of warnings about a "summer of hell," their journeys on the first day of a 20% service reduction at New York Penn Station seemed mostly smooth. "My whole commute added 10 minutes," said James Heacock of Maplewood, N.J., as he rode a PATH train to Hoboken at about 5 p.m.

The governors of New York and New Jersey had warned of nightmare commutes after Amtrak, which operates Penn Station, announced it would close several tracks from July 10 to Sept. 1 following two low-speed derailments. Last week, as engineers carried out early repair work, a third train derailed.

The Long Island Rail Road and NJ Transit, which carry more than 400,000 passengers in and out of Penn Station on a typical weekday, diverted tens of thousands of people to stations in Queens, Brooklyn and Hoboken, N.J. on Monday.

The two railroads posted hundreds of representatives at suburban stations and transit hubs offering commuters advice on how to transfer to the subway, ferries, buses and the PATH rail system.

Many commuters said they left home a little earlier and that they expected their commute to take longer than normal.

"I think expectations were pretty low," said Vicky Sherman as she sat on an NJ Transit train waiting to depart Hoboken for Maplewood just after 6 p.m. She said her morning commute had taken about the same time as it would have had she traveled through Penn Station. "I was pretty happy."

New York Gov. Andrew Cuomo said it was "so far, so good on this first day."

"I've spoken to people who



"Coming into Hoboken isn't too bad... PATH is super crowded."

Dana Graziano, at Hoboken Terminal, 6:15 p.m.

"So far, there's no chaos. I think it looks all right."

Mark Younker, LIRR passenger at Jamaica Station, 7:20 a.m.

"It's just so much nicer to do this."

Jennifer Jordan, a diverted NJ Transit passenger waiting for a ferry at Hoboken Terminal, about 7:50 a.m.

said they didn't realize anything was different," Mr. Cuomo told NY1.

Delays and cancellations have become common in recent months following the derailments, track and power problems at Penn Station and several weeks of speed restrictions imposed by Amtrak.

A big test was on PATH, which had to absorb thousands more passengers on the 33rd Street line to Hoboken during rush hour.

The agency added four extra trains per hour during peak periods, each able to carry 1,100 people. Although passageways and platforms were more crowded than usual, they cleared quickly.

The LIRR added extra cars

to its surviving services into Penn Station, as well as several extra trains outside of peak hours. The two railroads also added plenty of transit alternatives, not all of them popular.

The Metropolitan Transportation Authority, which operates the LIRR, ran 200 buses from eight park-and-rides scattered across Long Island.

At one drop-off point outside Grand Central Terminal around 9:30 a.m. one bus pulled in empty. At about 10 a.m. a second bus pulled in carrying one passenger.

A spokesman for the MTA

declined to say how many people had taken the bus service. At an evening news conference at Penn Station, Joe Lhota, the chairman of the MTA, said:

"The buses were not used as much as we thought."

Mr. Lhota said there was an 8% drop in number of passengers to Penn Station on Monday. About 7,000 commuters headed to Atlantic Terminal in Brooklyn, he said, while around 3,000 headed to Hunterspoint in Queens.

"We hoped for the best and got the best," he added.

At Hoboken, NJ Transit passengers could transfer for free to a temporary ferry service to Midtown Manhattan.

An NJ Transit spokesman said 8,700 Morris and Essex Lines customers traveled to Hoboken on Monday morning in addition to the 4,000 people on those lines who normally use the terminal.

in a statement.

Sgt. Walters, of Michigan, was on active duty and stationed at Fort Drum in Jefferson County, according to Julie

lawyer who could comment.

Mr. Davis, of Evans Mills, N.Y., is survived by his wife and three children.

"Trooper Davis is a hero," said Maj. Gen. Walter E. Piatt, senior commander of Fort Drum & the 10th Mountain Division. "It takes an uncommon valor to run toward acts of terrible violence, to sacrifice for the safety of strangers."

This is the second time in a week the state has been rattled by a death in the law-enforcement community.

On July 5, New York Police Department Officer Miosotis Familia was shot and killed while sitting in a mobile-command center vehicle in the Bronx.

Police fatally shot the suspect one block away after he drew a gun, officials said.

The Walterses' 3-year-old was present at the time of the incident, but wasn't injured, the spokesman said. The child is with child protective services.

"Trooper Davis served as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

While Mr. Davis was approaching the home, Staff Sgt. Justin Walters, 32, fired one shot at the trooper and killed him, police said. The soldier's wife, Nichole Walters, 27, was found dead at the scene.

Mr. Davis was wearing a bulletproof vest, a state police spokesman said, but the bullet hit him in the side of his body.

Halpin, director of public affairs at Fort Drum. He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

It wasn't clear if he had a

trooper serving as a member of the New York State Police for four years and his death is yet another sad reminder of the risks law-enforcement officials face each day in order to protect our communities," Gov. Andrew Cuomo said.

He was in the Army for 10 years.

Sgt. Walters served two 12-month deployments to Afghanistan, in 2009 and 2011.

GREATER NEW YORK



An oyster restoration project at Soundview Park in the Bronx, led by biologist Allison Fitzgerald. Below, an oyster growing on a stick.

An Oyster Reef Grows in the Bronx

BY MARIANA ALFARO |

Five times a month, biologist Allison Fitzgerald, an assistant professor at New Jersey City University, descends upon Soundview Park in the Bronx to tend a reef that is home to thousands of oysters.

Joined by New Yorkers dubbed "EcoVolunteers" and NJCU biology students, Dr. Fitzgerald spends three to four hours in the reef during each visit measuring oysters, cleaning the habitat and conducting experiments.

This particular bay, where the Bronx River and East River meet, naturally attracts oysters. Tending the 1-acre oyster reef there is part of an effort to rehabilitate the New York-New Jersey harbor estuary.

Since 2007, these oysters have been cared for by the NY/NJ Baykeeper, a group of "citizen guardians" who work to preserve what they call the "most urban estuary on Earth."

Monitoring costs are funded with donations to Baykeeper,

Dr. Fitzgerald said, adding that it costs about \$3,000 to \$4,000 annually to keep the project running. "We operate on a shoestring budget," she said.

The Soundview Park reef is underwater most of the time. But on a recent morning in June, a low tide lifted the reef above the river, exposing a wriggling world of crabs, snails, worms, clams and oysters. Dr. Fitzgerald and her team pointed out developments and pulled creatures from the water, both dead and alive.

Oysters are particularly beneficial creatures to have in New York waters. Each of the bivalve mollusks can filter between 20 and 50 gallons of water a day. Large reefs can help prevent flooding damage by offering natural shoreline protection, acting as a brake for waves during storm surges.

This is one reason Dorian

Fulvio, a volunteer and former disaster-recovery coordinator, joined Dr. Fitzgerald's team this year. After seeing the devastation left behind by super-storm Sandy in 2012, Ms. Fulvio became interested in helping care for New York waters.

"Getting involved is great," she said. "There's been an upsurge in people like me who probably weren't active really before this."

Dr. Fitzgerald and her team sample the oyster population to see what is working and what isn't. They count the number of live oysters versus the number of "boxes," or empty oyster shells; they try to remove natural predators such as the oyster drill snail and pick up trash that might get stuck on the growing reef.

Dr. Fitzgerald said a large part of the rehabilitation program involves setting solid bases such as rock and shell

on the bay so young oysters can find a spot where they can attach themselves. Their biggest challenge, she said, has been figuring out a way to make sure the oysters stick to these foundations and don't die due to disease or natural predators.

For Dr. Fitzgerald, coming out to the reef is a break from the hustle in New York City.

"It's so beautiful, and you get the birds and the crabs and the fish," she said. "I get a lot of people from New York City, from the Bronx, here and they're like 'I didn't know this stuff was here.'"

Restoring the harbor's habitat to what it was years ago is impossible, Dr. Fitzgerald said, because human interaction has "changed it beyond the point of repair."

That, however, doesn't mean her group can't help it rehabilitate for future generations. She remains hopeful that, one day, her grandchildren will be able to see a thriving oyster reef in New York Harbor.



ROSS + SIMONS

celebrating our 65th anniversary of fabulous jewelry

A bracelet that flashes
some serious sparkle

With 10 glittering carats of perfectly
matched CZs, our tennis bracelet
delivers all the white-hot radiance of its
traditional diamond counterpart—at a
mere fraction of the price.



\$95

Plus Free Shipping

10.00 Carat t.w. CZ Tennis Bracelet

Sterling silver setting. 40 round CZ stones (CZ weights
are diamond equivalents). 7" length. Box clasp.

Shown slightly larger for detail.

Ross-Simons Item #828944

To receive this special offer, use offer code: **TENNIS131**

1.800.556.7376 or visit www.ross-simons.com/TENNIS

Veteran Actor Gets New Lease on Life

BY CHARLES PASSY

When veteran New York actor James Kibard was approached last year about the lead role in the off-Broadway-bound drama "The Crusade of Connor Stephens," he saw it as a significant opportunity.

The show, by New York playwright Dewey Moss, examines faith, family and homophobia through the prism of a small-town Texas family. Mr. Kibard was pegged to play Big Jim, a charismatic and powerful Baptist preacher confronting his son's homosexuality.

There was just one problem: Mr. Kibard, best known for his work on such daytime soap operas as "All My Children" and "Another World," hadn't acted prominently in about a decade, having been sidelined by a series of back, knee and hip problems. In fact, when he learned about "Crusade," he was in a hospital bed, recovering from hip-replacement surgery.

"My first reaction was, 'I can't even walk,'" said the actor, who admits to being "comfortably past 50."

These days, a quite mobile Mr. Kibard is on stage six days a week at off-Broadway's Jerry Orbach Theater in Manhattan, where "Crusade" opened in late June.

Friends and family say the show has given him a new lease on his theatrical life.

"Crusade" garnered seven awards at New York's Midtown International Theatre Festival, including best actor for Mr. Kibard, when it premiered at the event last year for a brief run of three performances.

While early reviews have been mixed for the show's current incarnation, Mr. Moss, who also directs the production, still envisions a potential home for it on Broadway one day.

At the very least, Mr. Kibard's performance has gotten the attention of one theatrical heavyweight: the Tony



James Kibard was sidelined by health woes for a decade before starring in 'Crusade.'

and Emmy Award-winning actor Bryan Cranston.

Mr. Cranston also is a friend, having known Mr. Kibard since their days working together on a soap opera three decades ago. But Mr. Cranston was so taken with Mr. Kibard's work as the larger-than-life preacher that he signed on as an investor in the off-Broadway production, which has a budget of roughly \$700,000.

"He's dangerous when he acts, and there's an attraction to danger," said Mr. Cranston, summing up Mr. Kibard's appeal.

Mr. Kibard says he would welcome any notice the show would bring him, but for now he is more concerned with seeing that the play's themes resonate.

The drama focuses not just on Big Jim's relationship with his son, but also on his relationship with God and his congregation. Connor Stephens is a parishioner who takes Big Jim's words to heart, resulting in an act of horrific violence that is at the center of the show.

"It's like a prize fight for the soul of America, this play," Mr. Kibard said.

Final Farewell Set for Slain NYPD Officer



A funeral service will be held Tuesday for the New York City Police Department officer fatally shot in a mobile-command center.

The service for Officer Miosotis Familia will begin at 10 a.m. at the World Changers Church in the Bronx, police officials said.

Officer Familia, a 12-year veteran of the NYPD, was ambushed on July 5. The gunman was shot and killed by police a block away after he drew a gun.

Mourners attended a wake for Officer Familia on Monday.

Mayor Bill de Blasio also vis-

ited the officer's family on Monday after facing criticism from police union officials for going to Germany to give a speech outside the G-20 summit. He also visited the family at the hospital the night of the shooting.

—Zolan Kanno-Youngs

GREATER NEW YORK WATCH

NEW JERSEY

Voters Mad at Christie Over Beach Photo: Poll

Voters in a poll released Monday said they were disgusted, angry and outraged by photos of Gov. Chris Christie sunning himself on a beach that was off-limits to the public during a government shutdown this month.

The Republican governor's approval rating held steady at 15% in the Monmouth University poll. Eighty percent disapproved.

Asked for the first word that came to mind to describe how they felt about the photos, the largest share of residents said "disgusted" and "angry, outraged." Tied for the next biggest share was "jerk, profanity used," according to the survey.

Mr. Christie has said he wouldn't apologize for being on the beach and doesn't care about "political optics."

—Associated Press

NEW YORK STATE

Crashed Car Traps Man for 20 Hours

A man is recovering after spending at least 20 hours trapped in his vehicle after it crashed into a central New York pond.

Fire officials in the Onondaga County village of Baldwinsville said a 911 call reporting a car in a pond was received Sunday morning after someone came upon the crash scene on private property.

When emergency crews arrived they found a car on its side along the overgrown edge of a pond about 10 to 15 feet below the road. It took rescuers about 70 minutes to remove the man from the wrecked vehicle.

The man was taken to a hospital for treatment of pain and exposure.

—Associated Press

NEW JERSEY

Centuries-Old Wine Unearthed at Museum

A restoration project at a New Jersey museum unearthed cases of wine nearly as old as the country.

The Liberty Hall Museum in Union said it discovered almost three full cases of Madeira wine dating to 1796 while restoring its wine cellar. The museum also found 42 demijohns—large glass jugs sometimes used for holding spirits—dating to the 1820s.

Bill Schroh, Liberty Hall's director of operations, said Madeira was the best wine to ship during the 18th century because it almost never spoils—even centuries later if stored properly.

Liberty Hall President John Kean said he sampled the wine. He compared it to a sweet sherry.

—Associated Press

LIFE & ARTS

FITNESS

The Rise of The Free 5K

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



BY RACHEL BACHMAN

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

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

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

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

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

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

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

show up again, is the other catch."

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

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

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

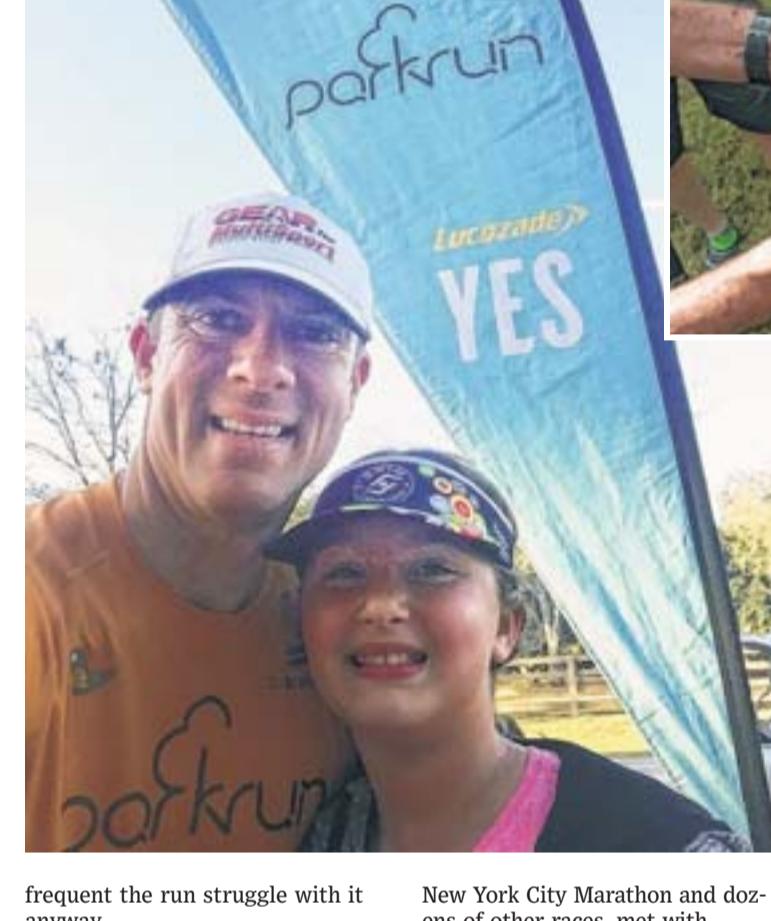
U.S. Parkruns have sprung up in places as varied as the comfortable Twin Cities suburb of Eagan, Minn., and Baltimore's Leakin Park, featured in the true-crime story on season one of the podcast "Serial."

A recent Parkrun in College Park, Md., drew Christian boot-camp members of varying fitness levels, a former university runner from the U.K. and a mother and her grinning 4-year-old son, among more than 100 participants.

Runners funneled into a finishers' chute of a few orange cones laid out by husband-and-wife organizers Colin Phillips and Andrea Zukowski, then sipped water.

Parkruns in the U.S. face more weather extremes than the temperate U.K. The Livonia, Mich., Parkrun often alters the course to adjust to snow and ice in the winter, organizer Spencer Greve says.

The Florida Parkrun starts at 7:30 a.m. to avoid summer heat, though a few of the British tourists who



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

here in New York," Mr. Ciaccia says.

About a year ago the Chicago Area Runners Association started 'Go Runs: park-based, free 5K and one-mile timed runs that were inspired by Parkrun, CARA executive director Greg Hipp says.

"There's certainly a lot of room for this type of program, whether it's through Parkrun or through another running organization, to bring grass-roots running back in the U.S.," Mr. Hipp says.

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

Parkrun fans say its allure transcends running. British-born Rosemary Paul, who lives in Dover, Del., misses her former Parkrun northeast of London so much that she's made several two-hour trips to Washington, D.C.-area Parkruns.

The 58-year-old longtime runner loved the post-run gatherings at a nearby tea room, where people

celebrated milestones with cake.

"It's the community spirit," she says. "People become close through going to Parkrun."

frequent the run struggle with it anyway.

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

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

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

A representative from New York Road Runners, which operates the

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

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

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

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

BOOKS

WHEN BOOKSTORES BECOME MATCHMAKERS

BY ERIN GEIGER SMITH

WOULD YOU BUY your next beach read if its cover were covered up?

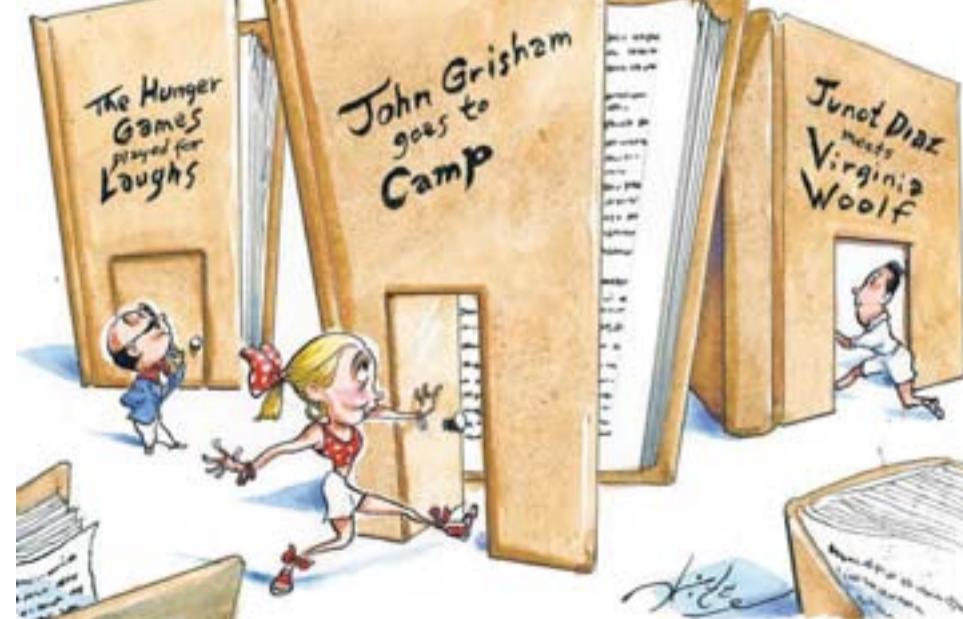
Booksellers across the country are enticing readers to take a chance on a surprise selected by store staff. To set up these "blind dates," the stores wrap the book to hide the cover and offer a few clues to give a sense of the hidden work's genre and tone.

"It's been the most successful table we've ever put together," says Cari Quartuccio of the blind-date offerings at a location of Book Culture, where she is the store manager. Book Culture has three stores in New York City. The program started in the fall and focuses on what Ms. Quartuccio calls "under-read classics"—works she and other Book Culture staffers believe don't get the attention they deserve.

Booksellers cite various inspirations for their blind-date programs, including similar ones at local libraries or other bookshops. An employee of Malaprop's Bookstore/Cafe in Asheville, N.C., recalls first seeing it at a shop in Germany.

For customers, trusting the staff at their local store is part of the fun. The clues allow readers to select a gift for themselves. (And then, of course, immortalize unwrapping the mystery volume on Instagram.)

At Book Culture, blind-date offerings are



MICHAEL WITTE

wrapped in brown paper and bear a note advising "Read me if you liked" and a list of three books staff members think customers are likely to have read. One of their most frequently selected blind-date books, Ms. Quar-

ucci says, lists the novels "The Help," "Where'd You Go, Bernadette?" and "The Secret History." Inside, readers find Marisha Pessl's "Special Topics in Calamity Physics," a 2006 novel about a highly intelligent teen who

finds herself simultaneously navigating new friends and investigating a suspicious death.

Figuring out which titles attract readers is a matter of trial and error. Ms. Quartuccio thinks a wrapped-up copy of Edward Abbey's 1968 work "Desert Solitaire" didn't do well because not enough customers loved its "Read me if you liked" list, which included "Into the Wild" and "A Walk in the Woods."

Malaprop's Bookstore/Cafe rotates more than 350 titles through its blind-date section, which includes about 30 adult and 12 young-adult choices. Staff members use adjectives rather than titles to orient readers. For example, blind offering number 171, described on its wrapper as "sizzling," "uncanny," "rhapsodic" and "tragic," is Jeffrey Eugenides' 1993 debut novel, "The Virgin Suicides."

Staff members, who can add books to the blind-date rotation, enjoy coming up with evocative modifiers. Any sale in the section, owner Emöke B'Racz says, "strictly goes by how successful the description is."

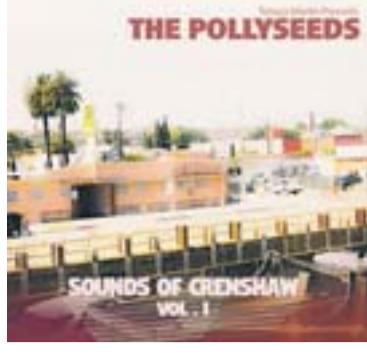
Hooking younger readers is bookseller Rachel Strolle's goal at the flagship location of family-owned Anderson's Bookshop in Naperville, Ill. She focuses her blind selections on young-adult and middle-grade books and sells most within a couple of weeks of displaying them. Her clues include colorful drawings and whimsical synopses. Readers unwrap "Of Fire and Stars" by Audrey

Please see BOOKS page A10

LIFE & ARTS



SAMANTHA J PHOTOGRAPHY



The Pollyseeds (left to right) Chachi, Rose Gold, Terrace Martin and Wyann Vaughn

vocoder. Perfectly applied modern sounds bring an old-school template up to the moment.

As for Mr. Glasper, he and Mr. Martin reworked Janet Jackson's 1987 song "Funny How Time Flies (When You're Having Fun)," stripping away the pop verses and using the repeating staccato chorus as the jump-off for a track featuring subtle shadings by Messrs. Glasper and Williams and an explosion by Snarky Puppy drummer Robert Searight. Mr. Glasper's Fender Rhodes electric piano is the foundation for the instrumental "Chef E Dubble" with tenor sax by Mr. Washington.

Though the album is heavy with midtempo funk that occasionally wanders too close to smooth-jazz turf, some of its best moments are provided by expressive ballads, including Ms. Vaughn's "Your Space" and the gritty "Feelings of the World" with its extended solo on electric guitar by Mr. Williams. "Wake Up" is a lovely duet featuring Mr. Martin on soprano sax and Kenneth Crouch on a grand piano.

When we spoke by phone last week, Mr. Martin, who was in London with Mr. Hancock, said he intended for the Pollyseeds to be a continuing project—"a marathon," he added. A tour of Japan is planned for September. As the title "Sounds of Crenshaw Vol 1" indicates, more recordings by the collective are forthcoming, thus ensuring further explorations of soul, R&B, funk and jazz by the gifted Mr. Martin and his friend-filled collective.

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

MUSIC REVIEW | By Jim Fusilli

NOT THE STANDARD SUPERGROUP

TO CALL THE POLLYSEEDS as supergroup misses its most appealing feature. True, it includes pianist Robert Glasper, multi-instrumentalist Terrace Martin and saxophonist Kamasi Washington, but over the years the term has come to imply a mercenary aspect, as if the ace musicians in such a group have allied to form a marketable commercial enterprise. For Mr. Martin, the project's ring-leader, the Pollyseeds is a celebration of community in which all the players get a chance to shine, as evidenced by "Sounds of Crenshaw Vol. 1" (Ropeadope), out on Friday.

The album is a modernized, easy-going, smile-inducing blend of late '70s and early '80s soul and R&B. Mr. Martin is best known for his work as a producer and performer

on Kendrick Lamar's "To Pimp a Butterfly," but he's released several albums that explore different African-American musical styles. His 2016 "Velvet Portraits" tapped into mellow soul and smooth jazz not only with Messrs. Glasper and Washington but vocalist Lalah Hathaway, bassist Stephen Bruner (better known as Thundercat) and drummer Ronald Bruner Jr., among others. "Velvet Portraits" was nominated for a Best R&B Album Grammy. ("Lalah Hathaway Live" won the award. It was produced by Messrs. Glasper and Martin.)

As his Pollyseeds colleagues, the 38-year-old Mr. Martin chose musicians he's been playing with for years—including Mr. Washington, whom he met as a teen in the Young World Stage All-Stars, a

group nurtured by drummer and hard-bop innovator Billy Higgins that came together in Los Angeles's 1990s pay-it-forward jazz scene. Among the featured musicians on "Sounds of Crenshaw Vol. 1" are drummer Trevor Lawrence Jr., bassist Brandon Eugene Owens and guitarist Marlon Williams, longtime Martin associates. His father, Curly Martin, plays drums on the swaying ballad "Believe," and vocalist Wyann Vaughn is the daughter of Wanda Hutchinson of the Emotions, who sang on "Velvet Portraits."

For the new album, Mr. Martin, who is now on tour in Herbie Hancock's band, had in mind the kind of supple cohesiveness provided by the rhythm sections on classic recordings featuring Motown's Funk Brothers, L.A.'s Wrecking Crew and

Philadelphia's TSOP. Thus, the tracks on "Sounds of Crenshaw Vol. 1" build from deep grooves dug by musicians who are at ease with one another and can be assertive without steely tension. On "Up and Away," Mr. Lawrence's fat-bottom percussion is sweetened by Mr. Martin on a variety of synthesizers, while on "Intentions"—sung by rapper Chachi with help from Ms. Vaughn and newcomer Rose Gold—Mr. Martin creates a rubbery synthetic rhythm section that's bolstered by funk chording by Mr. Williams and chiming electric piano by Craig Brockman.

If the Pollyseeds sound particularly tight on "Mama D/Leimert Park," it may be because Mr. Martin is playing all the instruments and vocalizing with the aid of a

INVEST IN SAFETY.

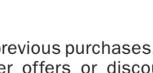


Stairlifts are the perfect solution for Arthritis/COPD sufferers, those with mobility issues, or anyone who struggles with stairs.

- ✓ America's NUMBER ONE selling stairlift
- ✓ The MOST TRUSTED name in the industry
- ✓ The ONLY stairlift to earn the Ease of Use Commendation from the Arthritis Foundation

SAVE \$250*
CALL TO RECEIVE YOUR FREE INFO KIT AND DVD!

1-866-237-9290



*Not valid on previous purchases. Not valid with any other offers or discounts. Not valid on refurbished models. Only valid towards purchase of a NEW Acorn Stairlift directly from the manufacturer. \$250 discount will be applied to new orders. Please mention this ad when calling. AZ ROC 278722, CA 942619, MN LC670698, OK 50110, OR CCB 198506, RI 88, WA ACORNS18940B, WV WV049654, MA HIC169936, NJ 13VH07752300, PA PA101967, CT ELV 0425003-R5.



At a Book Culture store in Manhattan, the 'Blind Date with a book' table lets customers try an unknown read, such as the one below.

BOOKS

Continued from page A9

Coulthurst after being drawn in by the summary that, "Once upon a time," a princess traveled to meet her would-be prince, "and ended up falling in love with his sister instead." Since starting the program at the Naperville location a year ago, Ms. Strollie has sold 700 covered books to young readers.

A description on a covered volume intrigued Rachel Vamenta on a recent visit to Chop Suey Books. The tag read: "We just came to America. Please show me your ways, don't worry about my parents."

"I come from an immigrant family," says the 30-year-old Ms. Vamenta, who is a longtime customer of the Richmond, Va., used bookstore. "When I saw that description, I thought, 'Oh, perfect!'"

She unwrapped "The Namesake," by Jhumpa Lahiri. "It was so funny, because I've been meaning to read 'The Namesake' forever," Ms. Vamenta says of her \$5 purchase.

New "blind date" books usually go for retail prices but Oblong Books & Music in Rhinebeck, N.Y., has devoted its surplus of advance reader copies—preliminary editions sent to stores before the actual book is released—to raising funds for the local library. For \$1, customers can select a volume from a bin of adult and children's wrapped



books with either a short summary or similar authors as clues.

In addition to helping the library, the blind book grab-bag has been a great advertisement for Oblong, says Nicole Brinkley, the store's director of special projects. She recalls one boy immediately loving his blind book about cats that are astronauts. He showed it to friends, Ms. Brinkley says, and two of them ordered the book.

The Book Cellar in Chicago limited its blind-date section to the month of February, embracing a Valentine's

theme and adorning wrapped books with bright pink hearts and descriptions akin to dating profiles. The hints were meant to be "something airy that would give customers enough information to know if it was something they were interested in, but hopefully without spoiling too much," says Liz Rice, of the Book Cellar. Clues with pop-culture references did well, she says, like the one reading, "Intelligent, surprising, and witty. For fans of 'Arrested Development.'" Inside the wrapper was Maria Semple's "Where'd You Go, Bernadette?"

An honest description of a blind-date book, such as David Foster Wallace's "Infinite Jest," doesn't always captivate many readers, Ms. Rice says. But the Book Cellar included his 1,000-plus-page work because the staff enjoyed writing the description: "For someone looking for a long-term commitment. At times I'm a bit complicated and bit hard to read. (Pun intended.) But totally worth it in the end." A couple of people bought "Infinite Jest," Ms. Rice says.

Book Culture's Ms. Quartuccio says customers seldom are lukewarm about the notion of blind-date books. Fans often make repeat purchases, with some even buying stacks as gifts. Other customers are perplexed by the idea. Finally, she says, there are those "who get really upset when we won't tell them the title of the book. Mystery isn't for them, but they still want to take part in it."

LIFE & ARTS

ARCHITECTURE REVIEW

At the Serpentine Gallery, Architecture Branches Out



BY TOM L. FREUDENHEIM

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

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

A delicate-looking space-frame made of steel supports the 32-foot cantilever of the elegant circular wooden roof that almost appears to float. Taken together, the space-frame looks like the trunk and the roof of the canopy of a large tree. And Mr. Kéré has said that the inspiration was a tree in his native village that serves as a community gathering place. From a distance, the canopy articulates the building's shape, while close up its natural wood slats, spaced apart in a triangular pattern, almost appear to dematerialize as they invite the daylight in.

An undulating blue wall composed of rows of triangular wooden modules creates and partially encloses an interior space. We recognize the simplicity of Mr. Kéré's use of wood because it appears to be stained, rather than painted, its rich indigo color. Each triangle is formed by eight slats of diminishing size and positioned to leave small rectangular spaces for penetration of light (or to accommodate the safe exploration of a small child's hand). There's a handmade quality to these forms that disguises the reality that they were, in fact, prefabricated off-site.

It's difficult to miss the lyrical play among the rounded roof and wall forms with the insistent repetitive triangles of the supporting steel struts, those of the natural wood roof and the deep-blue undulating walls.

Those curved walls feel more



Architect Francis Kéré. Above, an exterior view and, right, an interior view of his Serpentine Pavilion 2017, whose form was inspired by a tree.

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

It's impressive that a building so small can feel so capacious and so at one with its surroundings—yet another way in which this year's Pavilion feels distinct from



many of its predecessors, which were so obviously asking to be seen as visible marks on the bucolic landscape of Kensington Gardens and the Serpentine waterway that gives the gallery its name.

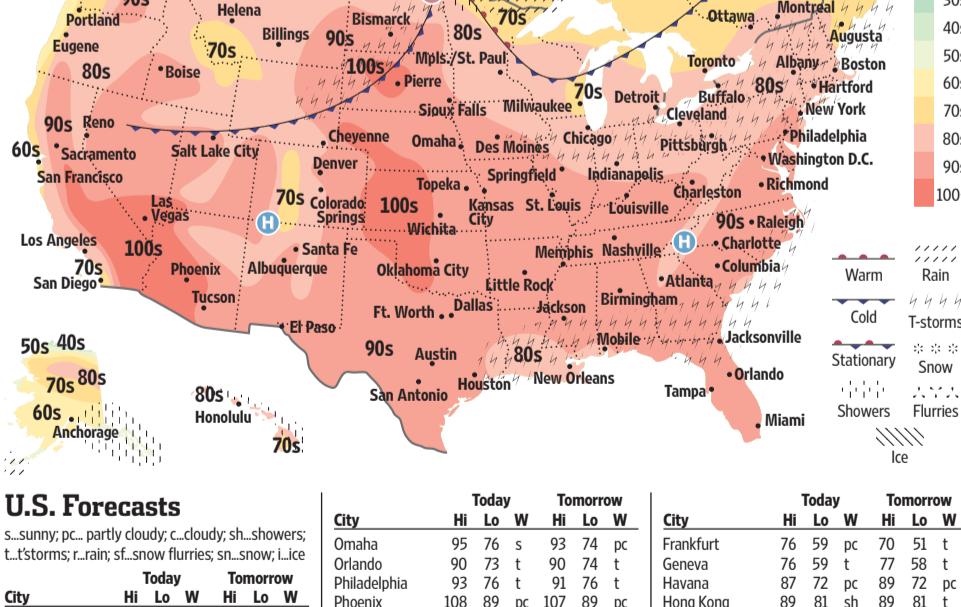
Unassumingly, the center of the canopy roof funnels rainwater, via a large translucent plastic tube, into an almost separate central courtyard additionally articulated by a covering of small, water-absorbing pebbles. The architect says that he has designed this so that "the symbolic rain collection puts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

seating is provided along the curving blue wall enclosures.

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

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

Weather



U.S. Forecasts

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

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

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 66 56 c 72 58 pc

Atlanta 89 73 pc 91 74 t

Austin 99 75 pc 99 76 pc

Baltimore 94 74 pc 94 75 t

Boise 90 62 s 97 67 s

Boston 85 70 c 80 64 pc

Burlington 81 63 t 77 60 s

Charlotte 92 72 s 94 74 t

Chicago 82 71 c 91 70 t

Cleveland 83 69 pc 88 72 t

Dallas 96 78 s 95 79 s

Denver 93 63 pc 87 62 t

Detroit 85 70 pc 85 71 t

Honolulu 88 76 pc 87 76 pc

Houston 91 76 t 93 76 pc

Indianapolis 85 70 t 91 75 pc

Kansas City 95 76 s 95 75 s

Las Vegas 107 86 pc 108 86 s

Little Rock 92 73 s 91 73 t

Los Angeles 85 66 pc 84 66 pc

Miami 91 80 pc 91 81 sh

Milwaukee 79 68 pc 84 67 t

Minneapolis 87 72 pc 86 64 pc

Nashville 96 72 s 93 76 pc

New Orleans 89 76 t 90 77 t

New York City 87 74 pc 87 74 pc

Oklahoma City 97 74 s 95 73 s

International

City Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 68 58 pc 64 51 r

Athens 97 77 s 96 78 s

Baghdad 116 85 s 114 86 s

Bangkok 92 76 t 91 78 t

Beijing 96 76 pc 97 80 s

Berlin 73 59 t 66 52 r

Brussels 69 58 t 67 46 r

Buenos Aires 58 52 t 64 46 sh

Dubai 108 93 s 111 93 s

Dublin 59 48 r 66 52 pc

Edinburgh 60 45 c 65 51 pc

The WSJ Daily Crossword | Edited by Mike Shenk

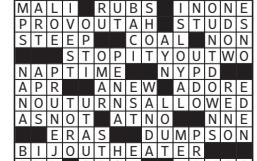


HAVE A WEE LOOK | By Paul Coulter

Across	Down
1 Bit of kindling	28 Verbalized
5 Word on a door	29 Hard to call
9 Flat-bottomed boats	30 Verbalized
14 Popular first-person shooter game	31 Sit in the sun
15 Dead against	32 Gin flavorer
16 Features of some courses	33 Skier's transport
17 Across: Celestial bear	34 Features of some courses
18 Across: Iditarod vehicle	35 Rotini and rigatoni
19 Across: Saucer traveler	36 Reviewer Roger
20 Across: Petty thief, say	37 Ralph in Cooperstown
23 Across: Fuel from boggs	38 King's domain
25 Across: Thick-soled shoes	39 Sites of fights
27 Across: Portfolio item	40 Smithy
29 Across: Trucker's compartment	41 Hedgepodge
32 Across: The March King	42 Sorento, Sedona and Soul
33 Across: Garr of "Mr. Mom"	43 "Send help!"
34 Across: Spicy Spanish stew	44 Flabbergast
35 Across: Stereotypical bachelor's record	45 Pearl of wisdom
38 Across: Addition column	46 Can't stand
39 Across: Strike's counterpart	47 Gymnast Korbut
40 Across: It's debatable	48 Crowd response
41 Across: Double curve	49 Seep
42 Across: Mother of 60-Across	50 Gumbo veggie
43 Down: Paid to play	51 Sorento, Sedona and Soul
44 Down: In favor of	52 Edward's love in "Twilight"
45 Down: Field of study	53 "Send help!"

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

Previous Puzzle's Solution



SPORTS

SOCER

WHY UNITED PARTED WAYS WITH ROONEY

BY JOSHUA ROBINSON

THE QUESTION of what to do with late-career Wayne Rooney has perplexed Manchester United and England managers for years. It took United's Jose Mourinho to find the solution: pawn him off to his boyhood club.

For Rooney, the wunderkind who grew up to be the top scorer in England national team history, the return to Everton is the perfect conclusion to a career that is grinding to a halt. He ignored the big-money lure of China and the U.S. to go back to his roots.

For Manchester United, it was about time. Rooney may have scored 253 goals for the club, but he was severely diminished. His last 20-goal season in all competitions was five years ago. The last time he had 10 Premier League assists was 2013-14. He was a forward, then a playmaker, then a central midfielder, then maybe he was a forward again?

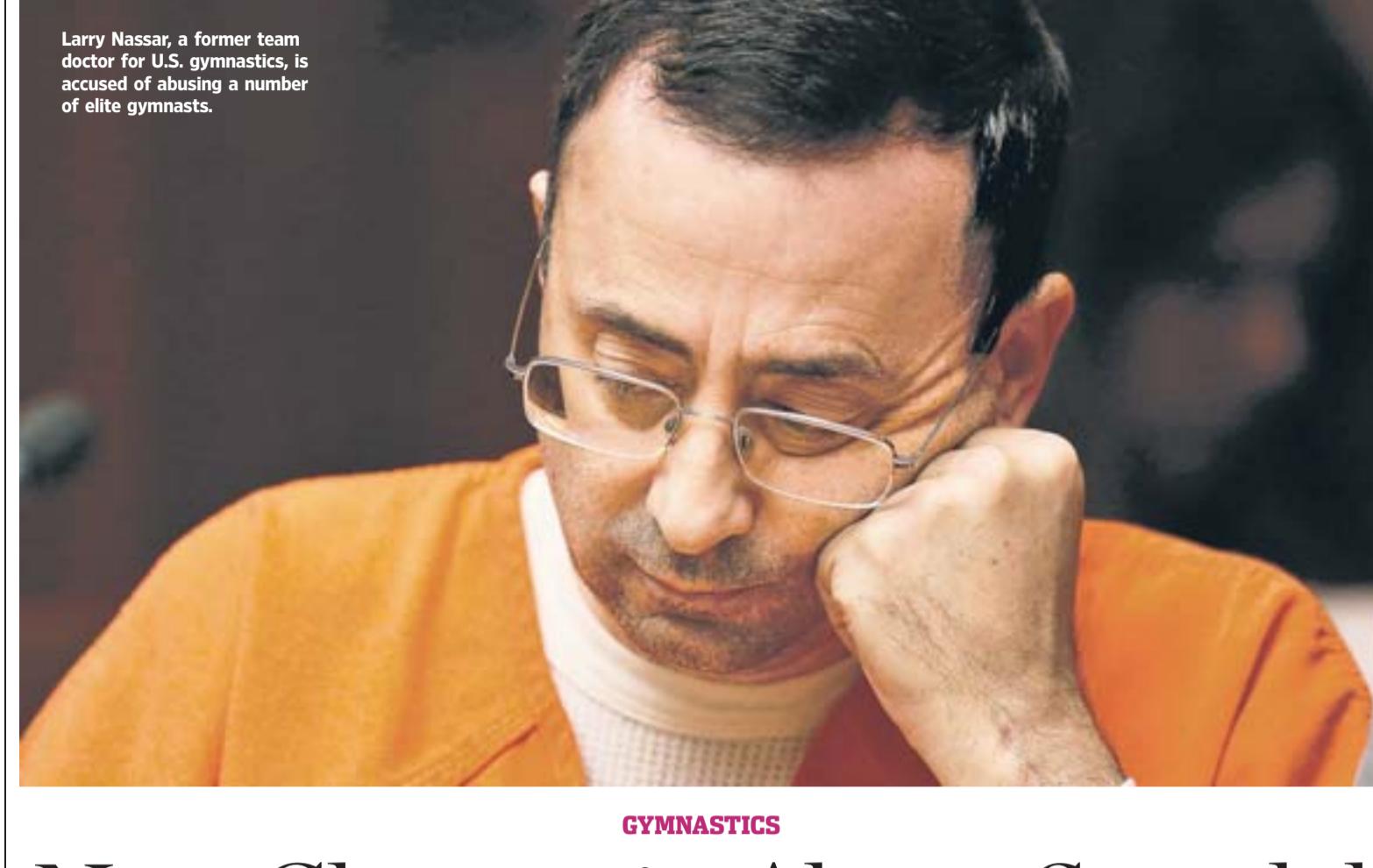
Even Mourinho, one of the greatest minds in soccer, failed to figure out how to use Rooney effectively at the end. "It is never easy to see a great player playing less football than he would like and I could not stand in his way when he asked to go back to Everton," Mourinho said.

Rooney is only 31, hardly ancient for a player born with his talent. Just consider that the man who spent last season as United's central striker, Zlatan Ibrahimovic, excelled in that role at 35. But with Rooney, as with a used car, it isn't the years, it's the miles.

Rooney has been a Premier League mainstay since he was a teenager. He scored his first Premier League goal five days shy of his 17th birthday in 2002. His tally for Everton and United is 636 games across all competitions.

The move looked even more astute from United's perspective a day later when the club officially announced that its newest striker would be the 24-year-old Belgian Romelu Lukaku, who went in the opposite direction, from Everton to Manchester. With his youth, power, and clear understanding of where he is supposed to be on the field—plus the legs to get there—he is everything that Rooney isn't.

Larry Nassar, a former team doctor for U.S. gymnastics, is accused of abusing a number of elite gymnasts.



JEFF KOWALSKY/AGENCE FRANCE PRESSE/GETTY IMAGES

GYMNASICS

New Chapter in Abuse Scandal

Parents of elite gymnast target U.S. Olympic Committee in lawsuit; Gloria Allred part of legal team

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

The lawsuit, which was filed June 30 but hasn't been previously

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

reported, marks an escalation of the festering scandal that has shaken the sport and its governing body. It is the first among the scores of civil claims related to the scandal to allege wrongdoing by the U.S. Olympic Committee, and represents the first involvement of civil-rights attorney Gloria Allred.

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

The lawsuit was filed under pseudonyms for the gymnast's parents and seeks damages for negligence, intentional infliction of emotional distress and other civil claims. The parents argue that both USA Gymnastics and the U.S. Olympic Committee bear responsibility because the gymnast was under the care of those organizations at the time of the alleged assaults by physician Larry Nassar, and the parents believe those groups conspired

to keep the alleged abuse secret in order to protect their reputations.

Patrick Sandusky, a spokesman for the U.S. Olympic Committee, declined to comment on the specific allegations because he said the organization had not been served with the lawsuit. "The allegations surrounding Nassar are astounding and heartbreaking," he said in a statement. "We were not made aware of them until Nassar had already been reported to law enforcement. We will support any and all efforts to shine a light on the facts and to identify and address any systemic failures that contributed to the abuse that was suffered by these young women."

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

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

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

tims, including gymnasts.

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

The child-pornography charges are unrelated to Nassar's work with gymnasts but he faces numerous civil lawsuits alleging that he sexually abused gymnasts and other athletes. Nassar has pleaded not guilty to the other pending charges against him and denied wrongdoing.

Nassar's lawyer declined to comment on his client's reported guilty plea, and didn't respond to a request for comment Sunday about the gymnast's lawsuit.

According to the June 30 lawsuit, the gymnast's parents, who live in California, first learned their daughter may have been sexually abused by Nassar in mid-July 2015. USA Gymnastics at that time was conducting a five-week internal investigation into a national team member's claim that Nassar was molesting her, The Wall Street Journal reported in February.

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

"I think these parents feel an incredible sense of betrayal," Manly said of the lawsuit, adding that Nas-

sar was often unsupervised when seeing gymnasts at U.S. Olympic Committee-sponsored events and at the Karoly Ranch training center in Texas. "Your daughter competes for her country on the national team and this horrific activity happens."

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

USA Gymnastics is already facing three other lawsuits in California brought by former elite gymnasts, including a member of the bronze-medal winning 2000 Olympic women's team, a former national team member, and a member of the 2010 world team.

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

Court documents from those lawsuits show that plaintiffs' lawyers have sought information from a number of other elite gymnasts, including members of the 2008, 2012 and 2016 Olympic teams.

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

USA Gymnastics is challenging the previously filed California litigation on jurisdictional grounds, court filings show.

TENNIS | By Matthew Futterman

ANOTHER MANIC DAY AT WIMBLEDON

London It is known in the tennis world as "Manic Monday," the start of the second week of Wimbledon, the most frenzied day in the sport.

Tournament organizers spend the first six days here sending 224 players home, take Sunday off, then on the second Monday of the fortnight try to send all 16 remaining men and all 16 remaining women out for midday-to-dusk tennis marathon.

For a tennis fan—and after Rafael Nadal's five-set loss to Gilles Muller Monday, how could you not be one—it is a golden day, a dizzying run of matches. Any one of these matches might be reason enough for a sick day. Indeed, anytime a 35-year-old Roger Federer struts onto Centre Court, hooky seems justified.

How dizzying? Schedulers relegated top-seeded Angelique Kerber to Court 2 to open play against Garbine Muguruza—which she lost in three sets.

Venus Williams turned back the clock again and set up a Tuesday duel with French Open champion Jelena Ostapenko.

Britain's Johanna Konta thrilled the home country with a nail-biting three-set victory while countryman Andy Murray prevailed despite more on-court self examination.

Federer was Federer in victory, but Nadal lost his epic duel while Novak Djokovic waited and waited and waited to play. Along the way, journeymen Sam Querrey and Kevin Anderson staged a five-set duel, and Milos Raonic and Tomas Berdych also won five-setters.

This day is the Viennese dessert table of sports, a disorienting beautiful struggle to be at the right match at the right time, the ultimate challenge in FOMO (fear-of-missing-out, for those who need to know). Here's how I played my hand.

Just after noon: Kerber descended into her death struggle, while 60 yards away Agnieszka Radwanska, with those slinky wrists and the trickiest spins and slices, tried to stay alive against Svetlana Kuznetsova, a two-time grand-slam winner. (She lost.)

The next hour produced another devil's choice: Venus Williams, who at 37 won again in the second week, or the rising American Coco Vandeweghe, who made former world No. 1 Caroline Wozniacki wonder why this 25-year-old isn't ranked in the top 10. Or Konta, who was trying to become the first Briton since Virginia Wade in 1977 to win the women's title.

Konta won me over, and then

the match. At five-foot-11, she is long and athletic, plays close to the ground, and has found a fearless

ability to swing away when she is behind. It took three sets, but when Caroline Garcia netted an easy ball at mid-court in the 10th game of the third set, Konta moved into the quarters. All 11,400 watching in the stands, and much of this country, took their first full breath in hours.

Mid-afternoon: Murray took Centre Court, but Querrey and Anderson were in a cracker on tiny Court 18. I gave Querrey-Anderson a try. No seats available. I missed Querrey's five-set thriller of a win. I also missed Marin Cilic's three-set thrashing of Roberto Bautista Agut on Court 12, which might as well be in Wales.

My consolation was a taste of Murray. The silence of Centre

Court has a different hum than any other silence, especially when Cockney-accented "Cam Aunnin An-dee!" screams keep breaking it.

As Murray won, Nadal dropped set two on Court 1. Luxembourg's Muller is magic on grass, but in set three, Rafa ripped some backhand winners. He hop-skipped and fist-pumped and had Muller on his heels.

Federer had taken Centre Court, but you just knew Rafa was starting something special. Muller seemed to know it, too.

At 6:17 p.m., Rafa drew even at two sets. I experienced the opposite of FOMO.

In the fifth set, Nadal faced two match points serving at 4-5.

Four big serves later, it was 5-5,

then 6-6.

No tiebreakers here. Nadal seemed forever behind and faced two more match points at 9-10. He saved them again, 10-10. Agita rippled across Mallorca. He stayed alive, but couldn't convert his few chances to break Muller's serve.

At 13-14, he rimmed a forehand and faced two more match points. Muller only needed one. After four hours, 48 minutes, the saga ended.

"I was there to fight to the last ball," a despondent Nadal said.

It was 8:35 p.m. Darkness descended. There are no lights here. The umpire announced that Djokovic and Adrian Mannarino wouldn't get their match in. Manic Monday was finally over.



DAVID RAMOS/GETTY IMAGES

OPINION

How to Squeeze China

MAIN STREET
By William McGurn

If the first Duke of Wellington were alive today, he might advise that the battle for North Korea will be won or lost on Harvard Yard.

Add Stanford, Yale, Dartmouth, Chicago and other top-tier private American universities so popular with China's "red nobility" i.e., the children and grandchildren of Communist Chinese elites. For if the Trump administration hopes to enlist an unwilling Beijing to check North Korea's nuclear ambitions, visas for the children of China's ruling class to attend these universities offer an excellent pressure point.

Beijing has been Pyongyang's closest ally ever since the Cold War split the peninsula after World War II. According to the Council on Foreign Relations, China provides North Korea with "most of its food and energy." Though China has warned Kim Jong Un about his nuclear testing (which Mr. Kim has ignored), plainly it fears a free and united Korean peninsula more than a nuclear-armed North.

Revoking visas for Chinese students, of course, would not alone resolve the North Korea problem even if it did force Beijing to act. But Beijing could make life for North Korea difficult if it chose to.

Thus far most talk about

U.S. options regarding North Korea has focused on economic sanctions or military action against the Pyongyang regime. The dilemma is that every meaningful option comes with big risks, including the devastation of Seoul, retaliation against U.S. troops and more suffering for innocent North Koreans. The advantage of starting with student visas is twofold: The unintended harm done would be more limited than any military strike, and visas are likely a more effective lever than sanctions.

Today 328,547 Chinese students attend American universities, according to the Institute for International Education. The Chinese represent the largest group of foreign students in America.

How many of these students are children of Chinese leaders is unclear. American universities are disinclined to provide this information. In addition, the children of Chinese government officials sometimes attend U.S. universities under assumed names.

The Chinese taste for prestigious American universities goes right to the top. Although President Xi Jinping rails against the corruption of Western values, his daughter went to Harvard, which Mr. Xi managed to swing on an official annual salary of roughly \$20,000. A few years back, the Washington Post noted that of the nine members of the standing committee of China's Politburo, at least five had children or grandchildren

studying in the U.S. There are many, many more.

Officially, of course, China is an egalitarian society. In reality, hereditary favors, which now include access to top U.S. universities, are a fixed perk of Communist Chinese culture.

Put it this way: If China's ruling elite were forced to choose between supporting North Korea and their children's access to American universities, is it all that hard to see where they would come down? This might be especially

Force ruling elites to choose between North Korea and American colleges for their kids.

true if we continued to allow ordinary Chinese citizens with no family connections to the party or government to come study here.

Would China retaliate? Probably. Would our universities scream? Without doubt. Would there be unfairness? Absolutely.

But if the U.S. does not act quickly, a despot who executes people with antiaircraft guns will soon have the capability to strike Seattle or Chicago with a nuclear-tipped intercontinental ballistic missile. A White House unwilling to consider Chinese student visas as leverage to prevent this would signal Pyongyang and Beijing alike that America is not serious.

U.S. visas are the one thing we know people want. Before Ray Mabus served as Barack Obama's secretary of the Navy, he was Bill Clinton's ambassador to Saudi Arabia. There he championed the cause of two American women who had been kidnapped as children and taken to Saudi Arabia by their father, after he'd been divorced in the U.S. by his American wife.

To make the pressure real, Ambassador Mabus cut off all American visas for the father and his Saudi relatives. That got their attention. Unfortunately the deal for the girls' freedom collapsed after Mr. Mabus left Riyadh and his successor lifted the hold on the visas.

China is even more vulnerable to such pressure. Perry Link, a China scholar at the University of California, notes that the family connections that lie just below the surface in Chinese Communist culture are more powerful than outsiders realize. He likens it to the Mafia.

Imposing sanctions on the offspring of China's rulers "might raise howls in the U.S. but would be perfectly normal and rational—unexceptional—inside the culture of the people we would be sanctioning," says Mr. Link. "They would 'get it,' and the pinch would be felt."

"Whether or not it would be enough to budge them from their 30-year-old position on North Korea is a different question. But I support making the try."

Write to mcgurn@wsj.com.

The G-20: Another Vacuous Meet-and-Greet

By Walter Russell Mead

The captains and the kings depart, the flames in Hamburg gutter out, and the clouds of oily smoke and tear gas slowly disperse. Another Group of 20 summit has come and gone, and yet again the world has failed to change.

This should not come as a surprise; global summits are almost always empty exercises in public relations. They survive only to make politicians look good. Incumbent presidents and prime ministers strut before the cameras, hoping to look like leaders and statesmen in contrast to their political rivals back home. Egos in wannabe powers are stroked, as the world's great powers pretend to take them seriously for a few days.

There are gassy dinners and gassier communiqués that mean nothing and achieve nothing, yet are haggled over line by line before falling into the oblivion that will entomb them forever.

Will any country change its trade policy as a result of anything in the G-20 communiqué? Will any country change its environmental policies as a result of anything said there? Will any serious historian 50 years from now—or even five—have even the slightest interest in anything the summit produced? Will any of the leaders who signed the communiqué spend five minutes thinking about how to implement it back home?

As the empty summit rituals unfolded, the great powers were busy making history.

Great powers, on the other hand, do make history, and even as the hollow rituals of G-20 summits unrolled, the great and the near-great powers were busy. The rising tension over North Korea's missile program drove a flurry of Asia-centric diplomacy as the U.S., China, Russia, South Korea, India and Japan explored their options in closed bilateral sessions. Judging from its rhetoric, the Trump administration appears to believe its diplomatic options on this issue are rapidly disappearing.

China so far refuses to impose the kind of isolation on North Korea that could threaten the regime's existence, and Russian missile specialists are reported to be helping North Korea's current efforts.

President Trump is looking at a set of bad options: capitulation or a bout of coercive diplomacy that involves the threat of war. Whether the Trump administration restrains North Korea or acquiesces in its nuclear and missile program for want of alternatives, Northeast Asia is moving toward its most important strategic realignment since the Communist conquest of China.

Forestalling a war between the U.S. and North Korea is not, unfortunately, the only major challenge the administration faces. Russia, China and Iran, the big three revisionist powers, spent the Obama administration chipping away at world order, and their efforts and those of their smaller sidekicks (like North Korea) have begun to pay off. From Ukraine to the Balkans, Europe has become less stable; the Middle East is a cauldron of conflict and hate. ISIS may be losing territory, but its violent ideology is gaining ground. We do not know where the challenges will come or what form they will take, but the Trump administration is likely to face much sterner international tests than anything President Obama saw.

This is not good news. Barriers to a Pearl Harbor or 9/11 type of attack—and perhaps even under those circumstances—the Trump administration would begin a conflict with a hostile, deeply skeptical press and with much of the

public leaning toward blaming the U.S. rather than its opponents for the crisis. Potential enemies are well aware that American public opinion is the Achilles' heel of an otherwise invincible American military machine.

Foreigners see a beleaguered American president, a press in full Watergate mode, and a public that is weary of engagement overseas. Across the globe, America's competitors are thinking about how they can use this moment to advance their own agendas. America's allies wonder whether they can continue to count on the U.S. for their security. America's adversaries and potential adversaries are mulling how U.S. weakness can best be exploited.

This combination of Ameri-

can disunity and growing world instability, not the language of the G-20 final communique, is driving world history today. This is what our politicians and our officials ought to be thinking about. This, not parsing the body language of world leaders at a vacuous meet-and-greet, is what the press should be covering. This is what could make the difference between peace and war. This is what anyone seriously interested in putting America first and making it great again needs to address.

Mr. Mead is a fellow at the Hudson Institute, a professor of foreign affairs at Bard College and editor at large of the American Interest.

The Sport That Time Forgot

By Fay Vincent

Baseball is the only major sport without a clock. When we first played baseball as kids, the game wasn't over until mom called from the back porch telling us supper was ready. We played with total disregard for how well—or badly—we played yesterday, and we never thought about tomorrow. Baseball and time creep along side by side, yet never intersect.

With its disregard for time, baseball suits the elderly. For us baseball is never about yesterday or tomorrow. What happened yesterday is done. We know we cannot take tomorrow for granted. Today's game is all that matters.

I once asked a Negro League veteran how the game had changed. His immediate reply was that in his day every player could bunt. Today the bunt has virtually disappeared. It will return.

Some tough-minded manager will decide to exploit the now-routine practice of shifting the third baseman to the right side of the infield to defend against a left-handed batter. Baseball always adjusts.

In baseball, there's no clock. It's played only in the present.

One adjustment that may be on its way is legalized betting. The U.S. Supreme Court recently accepted a challenge to the federal statute that limits sports betting to the state of Nevada. The National Basketball Association has openly supported betting, and Major League Baseball Commissioner Rob Manfred has said he is reviewing the matter. The National Football League seems to be the most reluctant of the three major

sports to welcome legalized betting.

Ultimately the enormous financial benefits from legal betting will sweep away traditional resistance. Sports betting is currently estimated to be a \$150 billion business. The future was made clear by the speed with which the fantasy betting business was made legal.

Meanwhile the games go on and I watch with an interest that time has diminished but never erased. The appeal of baseball is that it is so comfortable an experience. I warm to the players I have watched for years. I delight in the new kids who are only beginning to make their marks.

Baseball exists outside time. I have been out of baseball for 25 years. A handful of the people I knew are still in the game. Some of them are umpires. I knew the veteran umpire Al Barlick, who died in 1995. Barlick had come to the majors when the "father of

baseball umpires," Bill Klem, was still active, in the early 1940s. Klem began his career in 1906 and worked 18 World Series. Now, both he and Barlick are in the Hall of Fame. Old men like me appreciate such continuities.

Perhaps the essential baseball truth is that failures are more frequent than successes. A great hitter only gets one hit every three times he comes to the plate. Errors are recorded because they are common. Mistakes are part of the game. It takes some maturity to accept that reality.

Baseball can be taken too seriously by some, but we old men know better. The game is played only in the present.

Similarly, every aspect of my life is being played one day at a time. All I know for sure about tomorrow is that somewhere baseball will be played.

Mr. Vincent was commissioner of Major League Baseball, 1989-92.

BOOKSHELF | By Benjamin Balint

In the Jewish Beginning

The Origin of the Jews

By Steven Weitzman
(Princeton, 394 pages, \$35)

Can we grasp the essence of something by laying bare its origins? "An origin is not just a beginning," Steven Weitzman writes, "it is a 'beginning that explains.'" In "The Origin of the Jews," Mr. Weitzman, a professor at the University of Pennsylvania, aims to find one nation's elusive starting point. "The Jews have one of the longest and most intensively studied histories of any population on earth," he notes, "but the beginning of their history, how it is that the Jews came to be, remains surprisingly unsettled."

The reason for this is that, until recently, the biblical narrative held sway: Jews understood themselves to be the children of Abraham, Isaac and Jacob, members of a family that was forged into a people by enslavement in Egypt and revelation at Mount Sinai. Yet ever since the Bible's historical veracity came under scrutiny in the 18th and 19th centuries, scholars seeking to distinguish historical fact from religious myth have questioned how Jews today are related to the Hebrews of the Torah and the Judeans of the New Testament.

Because origins can be entangled with authenticity, the inquiry is not without its risks.

"Going back to antiquity," Mr. Weitzman writes, "anti-Jewish animosity has sometimes expressed itself in the form of counter-origin stories that seek to mock and discredit the Jews by negating their own understanding of their origin." Centuries of Christian polemics, Mr. Weitzman adds, "sought to discredit the Jews as authentic heirs to biblical Israel" by questioning the continuity between Jews and their ancient forebears and caricaturing them as a rootless people.

Today the search for origins, already fraught, has come to be entangled with the legitimacy of the state of Israel. Mr. Weitzman cites critics who challenge Zionist claims that modern-day Jews, sharing a genealogical and geographical origin with their ancient ancestors, are indigenous to the land of Israel.

The first to gauge the formative moment of this people's story, Mr. Weitzman says, were 20th-century archaeologists who claimed that around 1200 B.C. the Israelites emerged from the earlier Canaanite culture. The archaeologists variously proposed that the Israelites were invaders from Egypt who seized Canaan in an act of conquest; migrants from Mesopotamia who infiltrated the land peacefully; or Canaanite peasants who revolted against their exploiters and gave birth to a new set of rituals and principles. The pioneering biblical archaeologist W.F. Albright (1891-1971) found evidence of an abrupt leap: "The Canaanites, with their orgiastic nature-worship . . . were replaced by Israel, with its nomadic simplicity and purity of life, its lofty monotheism and its severe code of ethics."

For a long time, the biblical narrative held sway. Now scholars seek to distinguish historical fact from religious myth—if it is possible to do so.

Still other scholars locate the Jews' founding moment in the encounter with the ancient Greeks. Drawing on Shaye Cohen's study "The Beginnings of Jewishness" (1999), Mr. Weitzman takes up the theory that Judaism (itself a Greek coinage of the second century B.C.) was catalyzed by the Judeans' cross-fertilization with Hellenistic culture. Before Alexander the Great's conquest, Judean identity was a matter of ethnicity, determined by birth. Afterward, emulating the ways in which Greeks thought of their "Greekness," it became a community of belief. Paraphrasing Mr. Cohen, Mr. Weitzman writes that "the Judeans realized under the influence of the Greeks that identity was not fixed by birth, that one could *make oneself* into a Jew through conversion."

Mr. Weitzman devotes his final chapter to deciphering the Jews' genetic signature. While many remain wary of a "racialized understanding of Jewishness associated with Nazism," Mr. Weitzman writes, in recent years DNA research has largely confirmed much of what Jews have believed: "that they have an ancestry distinct from that of the non-Jews among whom they live, and that some of those ancestors came from the Near East." At the same time, Mr. Weitzman acknowledges the obvious limits of such an approach: "Geneticists will always need to rely on nongenetic evidence—written texts, oral traditions, interviews with subjects about who they are and where they come from—to turn data into a coherent account of the past."

Lately critics have challenged the very assumptions on which such a search rests. The belief in a founding moment hidden in prehistory, they contend, involves an act of imagination, if not fabrication. And if an origin is an artificial construct, a projection onto the past to suit the needs of the present, the pursuit of origins can only be an exercise in futility.

Mr. Weitzman cites several advocates of such a view. In a much-heralded book, "The Invention of the Jewish People" (2008), the Israeli revisionist historian Shlomo Sand maintains that Jewish nationhood was a fiction contrived in the 19th century by "agents of memory" who minimized the heterogeneity of Jewish ancestry. Mr. Weitzman warns that Mr. Sand "recycles ideas that have an anti-Jewish pedigree," like the theory—endorsed by Stalin and dusted off by Mr. Sand—that European Jews descend from the Khazars, a Turkic clan said to have converted to Judaism in the eighth century.

Rather than debate such tendentious theories, Mr. Weitzman offers an admirably balanced and dispassionate survey and points to the conflicting impulses in the human mind between "its need to relate itself to a point of origin and its need to efface that origin."

In the end, though, he arrives at an impasse. He concedes that scholarship "has failed to generate an alternative narrative that can do the kind of work the Book of Genesis does in helping people to comprehend themselves and their places in the world." Perhaps this is as it should be. The more we try to explain our origins, the enigma of the beginning recedes further beyond our reach.

Mr. Balint, a writer living in Jerusalem, is the author of "Kafka's Last Trial," to be published next year by Norton.

OPINION

REVIEW & OUTLOOK

Running the Schumer Blockade

The Trump Presidency is well into its seventh month but the Trump Administration still barely exists. Senate Democrats are abusing Senate rules to undermine the executive branch, and Republicans need to restore normal order.

President Trump got an inexcusably slow start making nominations, but in the past few weeks he's been catching up to his predecessors. According to the Partnership for Public Service, as of June 28 Mr. Trump had nominated 178 appointees but the Senate had confirmed only 46. Barack Obama had 183 nominees confirmed by that date in his first term, and George W. Bush 130.

The White House has understandably begun to make a public issue of the delays, and Minority Leader Chuck Schumer says it "has only itself to blame." But a press release Mr. Schumer sent out Monday made the White House case, showing that the Senate has received 242 nominations but confirmed only 50 through June 30. Democrats are now the problem.

Among the non-controversial nominees awaiting confirmation: Kevin Hassett to lead the White House Council of Economic Advisers; David Malpass, under secretary at Treasury for international affairs; two nominees needed to review pipelines and other projects at the Federal Energy Regulatory Commission; and Noel Francisco for Solicitor General. Mr. Malpass was nominated in March and voted out of committee in mid-June. Mr. Trump's State Department is barely functioning with only eight confirmed appointees.

Democratic obstruction against nominees is nearly total, most notably including a demand for cloture filings for every nominee—no matter how minor the position. This means a two-day waiting period and then another 30 hours of debate. The 30-hour rule means Mr. Trump might not be able to fill all of those 400 positions in four years. The cloture rule also allows the minority to halt other business during the 30-hour debate period, which helps slow the GOP policy and oversight agenda.

Democrats have also refused to return a single "blue slip" to the Judiciary Committee, which has the effect of blocking consideration of judicial nominees from their home states. Senators like Minnesota's Al Franken and Amy Klobuchar are holding hostage the eminently qualified Minnesota Supreme Court Justice David Stras for the Eighth Circuit Court of Appeals for no reason other than politics.

Venezuela's Symbol of Hope

The mayhem in Venezuela is rising and dictator Nicolás Maduro knows he's in trouble because on Saturday his security services moved opposition leader Leopoldo López to house arrest from Ramo Verde military prison.

Mr. López's release is a victory for a weary opposition that has been protesting in the streets since April, demanding new elections and freedom for political prisoners. The National Guard and police have responded with violent crackdowns, and last week Mr. Maduro's goons stormed the national assembly and beat two opposition congressmen bloody. The death toll now exceeds 90 and there are still more than 400 political prisoners.

Mr. Maduro called Mr. López's release a humanitarian gesture, and at least the 46-year-old opposition leader is reunited with his wife and two young children. But he was fitted with an electronic bracelet and continues to serve what remains of his nearly 14-year sentence on trumped up charges of inciting vio-

lence during protests in 2014.

Mr. Maduro fears that if Mr. López were free to campaign he would galvanize the opposition and force an election. Mr. Maduro would lose. (See Vanessa Neumann nearby.) Mr. Maduro has instead decided to throw out the constitution written under Hugo Chávez and have his followers draft a

new one that will make the dictatorship official by shutting down the opposition-controlled legislature. The election for the assembly that will rewrite the constitution is scheduled for July 30. The opposition is vowing to abstain from what is certain to be a rigged vote.

Venezuelans will have to liberate themselves, but international attention on Mr. López may have played a role in his release. The Obama Administration did nothing to highlight Venezuela's slide to authoritarian chaos, and the U.S. and Latin American countries can do more to call out Mr. Maduro's constitution gambit. Meanwhile, even under house arrest the courageous Mr. López remains a symbol of Venezuelan hope.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader Leopoldo López is freed to house arrest.

Opposition leader

OPINION

The Venezuelan Regime Is Coming Apart

By Vanessa Neumann

Venezuelans got a surprise Saturday morning when the country's Supreme Court released opposition leader Leopoldo López from prison to house arrest, citing "health problems." Why now? Americans may recall President Trump's February tweet demanding Mr. López be freed. Has the regime of President Nicolás Maduro at last yielded to international pressure?

Not likely. Mr. Maduro's objective—for he controls the Supreme Court, whose justices are party appointments—seems to have been to

Maduro frees a dissident from prison, casting a light on fissures within the country's Chavismo elite.

quiet street protests by making the opposition look co-opted, thereby discrediting it. But Mr. López announced he would keep fighting the regime and supported this past Sunday's 100 Day March—although he abided by the terms of his house arrest and stayed off the street.

The march commemorated the 100th day of the street demonstrations that began March 30, when the Supreme Court effectively stripped the National Assembly of its legislative power. The Assembly has been

controlled by the opposition since elections in late 2015, and the court's decision—although reversed the next day amid a public outcry—removed any doubt that Venezuela has become a dictatorship.

Since then, things have gotten even worse. Mr. Maduro announced May 1—May Day—that an appointed "constituent assembly" would meet July 30 to draft a new Cuban-style constitution. Adding insult to injury, the drafters are to meet at the Legislative Palace, seat of the democratically elected National Assembly.

A taste of the clash to come came on July 5, Venezuela's independence day. Armed plainclothes gangs called *colectivos* invaded the National Assembly and attacked lawmakers, leaving five badly injured, as the National Guard stood and watched. The *colectivos* were set up over a decade ago, allegedly on the model of Iran's *basij* militia.

But the ruling regime is far from united. On the evening of July 5, Mr. Maduro publicly stated that "something strange has happened at the National Assembly" and announced he would launch an investigation. His plan for a new constitution even has drawn opposition from some die-hard *Chavistas*, who view the current constitution, adopted in 1999, as the crowning achievement of the Bolivarian Revolution under Hugo Chávez, Mr. Maduro's predecessor.

On April 1—the day after the Supreme Court backed down from its decision on the National Assembly—Attorney General Luisa Ortega Díaz,



REUTERS

Supporters of Venezuelan dissident Leopoldo López outside his house, July 8.

a career *Chavista*, proclaimed that "the constitutional order has been broken." Last week the Supreme Court attempted to usurp her power by appointing a new deputy attorney general, an office that is legally Ms. Ortega's to fill. The illicitly appointed deputy was then smuggled into the Public Ministry in the trunk of a car. When she was discovered and thrown out, the episode became the stuff of comical internet memes.

The military is also jockeying for position. A year ago the commanding general or admiral of all four branches of the Venezuelan military sent a letter to Luis Almagro, secretary-general of the Organization of American States. The OAS had just issued a report condemning Caracas's

violations of human rights and the country's constitution. The generals promised to defend the nation against human-rights violations and subversion of the constitution—meaning they would abide by the will of the people, reflected in the National Assembly.

The letter was made public only last Friday. Its release signals that the military, which has long viewed Mr. Maduro as a Cuban puppet, will not stand for Mr. Maduro's attempt to rewrite the constitution. It also further reveals the fissures within the country's Chavismo elite.

Diosdado Cabello, a military man who helped restore Chávez to power after a 2002 coup attempt, has been arguing that he should be

Mr. Maduro's successor. On his nationally broadcast TV show, "Aqui No Se Habla Mal de Chávez" (also a Twitter hashtag), he shows footage of himself by Chávez's side stretching back to their 1992 coup attempt and claims Chávez was like a father to him. As president of the National Assembly before the opposition took it over, Mr. Cabello made a show of personally driving Mr. López to prison, purportedly to protect him from "ultralright" assassins seeking "to lead us to a civil war in Venezuela." The commutation of that sentence is a slap in Mr. Cabello's face, a further reason for even *Chavista* generals not to be loyal to Mr. Maduro.

Sources with relatives in the regime who are closely tied to Mr. Cabello tell me that he was not consulted before Mr. Maduro decided to free Mr. López. These sources speculate Mr. Maduro authorized the release on advice from former Spanish prime minister José Luis Rodríguez Zapatero, who visited Mr. López in prison last month. One theory is that Mr. Maduro hopes Spain will grant him asylum if he is forced from power.

What comes next? The opposition plans an unofficial, and therefore nonbinding, plebiscite Sunday on Mr. Maduro's constituent-assembly plan, and the message is likely to be clear. Domestic polling puts the president's approval rating in single digits. Although the regime does not renew opponents' passports, the plebiscite will accept expired passports as identification. The military is fracturing and overtly abandoning its commander in chief. The regime is fighting to stay in power but divided into warring factions.

This is not a coup d'état; it is instead a transition back to democratic order under the constitution the *Chavistas* themselves drafted. The release of Mr. López, while intended to prolong the life of the regime, will likely accelerate the ouster of Mr. Maduro and his cohorts who have ruled by decree. Only then can Venezuela begin the process of reconciliation and development.

Ms. Neumann, a Venezuela native, is president of the political risk consultancy Asymmetrica and a contracted consultant to the U.S. government on Venezuela.

It Costs Taxpayers a Bundle, but Is It Art?

By Roger Kimball

Conservative criticism of the National Endowments for the Arts and Humanities, like the poor according to Mark the Evangelist, is something we will have always with us. Ever since the endowments were created in 1965, they have been a focus of ire for defenders of fiscal prudence and high cultural standards.

In the 1980s, the chief complaint was against the efflorescence of obscenity and leftish political posturing: the pornographic photographs of Robert Mapplethorpe or the antics of "performance artist" Karen Finley, who pranced about naked skirling about patriarchy and capitalism.

A \$10,000 grant for theater 'celebrating the saguaro cactus'? The National Endowment said yes.

But "Ten Good Reasons to Eliminate Funding for the National Endowment for the Arts," a 1997 Heritage Foundation report, got to the nub of the issue. The NEA is "welfare for cultural elitists," Heritage observed, and the same can be said for the NEH. There is nothing wrong with cultural elitists per se, but why should the taxpayers pick up their tab?

A new report from the Illinois-based initiative Open the Books provides an eye-opening look into the size of that tab. The study includes virtually every grant the NEA and NEH have made since 2016, and additional details about the endowments' activities as far back as 2009. This includes grants to 71 entities with assets over \$1 billion, and one grant to a California enterprise that celebrates the work of a Japanese-American artist best known for declaring: "I consider Osama bin Laden as one of the people that I admire."

Since its founding in 2011, Open the Books has pursued the elusive goal of governmental transparency by collecting reams of data about local, state and federal expenditures. All that information is then made freely accessible online. Their motto: "Every Dime. Online. In Real Time."

The group's earlier initiatives include reports on federal payments to so-called sanctuary cities (\$26.74 billion in 2016) and the eight superrich Ivy League universities (nearly \$42 billion in federal payments, benefits, and tax advantages over the last several years). Harvard alone sits atop an endowment of \$36 billion, and altogether the Ivy League controls tax-exempt endowment funds of some \$120 billion, equivalent to \$2 million per undergraduate. Yet taxpayers are footing the bill for massive subsidies for these institutions, where the cost of attendance now approaches \$70,000 per annum.

The latest Open the Books report reveals that in 2016 federal arts agencies dispensed more than \$440 million into the collective maw of their clients. Nearly half, \$210 million, went to recipients in only 10 states—a predictable lineup of progressive coastal outfits, mostly clustered in California and New York.

The Metropolitan Museum of Art is a public charity commanding assets worth nearly \$4 billion. The museum's annual gala is a star-studded event, what one publicist called an "ATM for the Met." The Met raised some \$300 million last year, yet it has received more than \$1 million from the NEH since 2009. Why?

There is also the issue of what public funds are being spent to support. Doubtless many initiatives could be worthy, but a lot of the funded projects are inane, repellent or both.

In the inane category, consider a \$10,000 grant in 2016 to Borderlands Theater in Tucson, Ariz. The money went to a series of "site-responsive performances celebrating the saguaro cactus." Yep, you read that right. Attendees stand or sit with a saguaro cactus for an hour in the middle of the desert to discover what the cactus can teach them. Then they share their experiences on social media. #IFellAsleep?

Many projects are repellent, including several that cannot be described in a family newspaper. But how about this? The New York Shakespeare Festival has been much in the public eye this summer for its production of "Julius Caesar," in which the title character is made to look like the president. One Associated Press report describes the carnage: "He looks like Donald Trump . . . moves like Trump . . . is knifed to death on stage, blood staining his

white shirt." Over the past several years the festival has received some \$30 million in taxpayer grants, including more than \$600,000 from the NEA. Is political propaganda the right use of taxpayer dollars?

Mr. Trump's fiscal 2018 budget proposes zeroing out NEA and NEH, but Congress slightly increased spending on both in its recent fiscal 2017 omnibus bill. Why? I suspect it is largely because the spouse of every congressman sits on the board of various nonprofit arts organizations. Some local feminist pottery collective gets \$10,000 from the NEA: "You can't cut that, honey!"

Mr. Kimball is editor and publisher of the *New Criterion* and president and publisher of *Encounter Books*.

AVENGER
★
HURRICANE

The superlative-charged chronograph. 50 mm case in Breitlight®. Exclusive Manufacture Breitling Caliber B12 with 24-hour military-style display. Officially chronometer-certified.

GOVBERG
jewelers since 1916

65 St. James Place • Ardmore • 610.664.1715
1521 Walnut Street • Philadelphia • 215.546.6505

BREITLING
1884

INSTRUMENTS FOR PROFESSIONALS™

THE WALL STREET JOURNAL.
PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp

Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancy, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:

1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

DOW JONES
News Corp

Nest Cam IQ

The clever thing for your everything.

Best-in-class indoor security camera.
With person alerts, Supersight, and HD Talk and Listen.



nest

Get yours at nest.com or Best Buy.

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

* * * * *

THE WALL STREET JOURNAL.

Tuesday, July 11, 2017 | B1

S&P 2427.43 ▲ 0.09% S&P FIN ▼ 0.17% S&P IT ▲ 0.82% DJ TRANS ▼ 0.22% WSJ \$ IDX ▲ 0.02% LIBOR 3M 1.304 NIKKEI (Midday) 20135.63 ▲ 0.27% See more at WSJMarkets.com

Investors focused on supply and demand blame odd price moves on program trading

BY STEPHANIE YANG
AND TIMOTHY PUO

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

On various days over the first six months of 2017, even amid signs of tightening supply, oil prices fell sharply, eventually sinking into bear market territory. Such moves confounded longtime watchers of oil, who said that based on the fundamental information, prices should have been rising.

Oil investors, who make bets relying on data like pro-

duction and demand, say that such forces are no longer always driving crude prices. They say program trading is distorting the market, often causing shallow price drops to accelerate.

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

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

Saudi Arabia Energy Minister Khalid al-Falih was among those who pointed to technical

trading for causing the May 25 selloff to intensify. "For many people, it was time to sell," he said in an interview after the May 25 OPEC meeting. "Once you broke some of the technical barriers," that also had an impact, he said.

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

Automated trading in energy-related contracts made up 58% of volume from late 2014 to late 2016, compared with 47% in the preceding two-year period, a March study by the Commodity Futures Trading Commission shows.

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

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

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

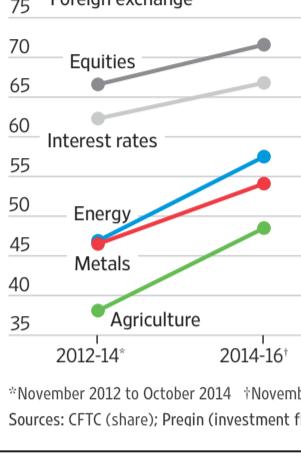
Strategies vary greatly among funds, making the impact of algorithms and automation difficult to quantify. The complexity of algorithms also make them an easy target for blame, said Michael Pomada, chief executive of Crabel Capital Management, a hedge fund with \$2.2 billion in assets and \$700 million in trend-following.

Please see OIL page B2

Computerized Commodities

Automated trading is rising in markets like energy, metals and agriculture. Riding the trend are commodity trading advisers (CTAs), hedge funds that often use computer programs to bet on the market.

Share of futures trading that is automated



Investment flows



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

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

THE WALL STREET JOURNAL.

Financing Avenue Reopens For Ford

BY KATY BURNE

A handful of investors recently began extending short-term loans to an affiliate of Ford Motor Co. after more than a decadelong hiatus, opening a key borrowing spigot for the blue-chip auto maker, which was locked out of money markets in the last recession.

In recent months, a money-market fund of **Federated Investors** has been buying a kind of short-term IOU called "commercial paper" from **Ford Motor Credit Co. LLC**. The Federated Capital Reserves Fund now holds about \$148 million of such debt, according to fund tracker Crane Data.

Ford Motor Credit has made a comeback since being struck off Federated's eligible investments list in 2003, when the vehicle-financing company showed signs of struggling. It was later cut to below-investment grade, but has since regained investment grade.

The Federated holding, while small, is notable because it signals a potential thaw in relations between money funds and auto companies that could later benefit others, including General Motors Co. and Fiat Chrysler Automobiles NV. GM and Chrysler Group LLC filed for bankruptcy in 2009, and were subsequently bailed out.

"Autos are generally tied to the consumer, and the consumer, we think, is very healthy right now," said Debbie Cunningham, chief investment officer for money markets at Federated in Pittsburgh.

She said auto loans are generally the highest priority payment for consumers, behind mortgages, and thus offer a solid investment for funds willing to consider issuers in the lower tier of the highest short-term rating categories.

Robert Cheddar, portfolio manager at **PFM Asset Management LLC**, which manages about \$63 billion on behalf of state and local governments, said Ford's fundamental condition has improved. For clients that will allow it, he started buying the company's commercial paper last year.

Ford Motor Credit had \$4.98 billion of commercial paper as of March 31 and is "a much stronger credit" today, said Stephen Brown, senior director at **Fitch Ratings**. Last May, Fitch upgraded the issuer's commercial paper program to F2, equivalent to the second lowest rung of investment grade, from F3.

Ford Motor Credit declined to comment.

The interest from Federated reflects the yield offered on the debt—about 1.3%, above what is available on short-term Treasurys and bank commercial paper—as well as Ford's improved health.



Wheat is harvested in Zurich, Kan., in June. Prices have jumped 40% in little over a month, drawing hedge funds and others to a small corner of the grains market.

Great Plains Drought Lifts Price of Wheat

BY BENJAMIN PARKIN

Drought in the Great Plains is decimating an important portion of the U.S. wheat crop, pushing prices to multiyear highs and drawing hedge funds and other speculative investors to what is typically a lonely corner of the markets.

Spring wheat futures at the Minneapolis Grain Exchange have leapt 40% in a little over a month, far outpacing more widely traded corn and soybean contracts. The exchange said total volume and participation in June and July has broken a series of records.

"People are forced to pay

attention," said Michael McDougall, commodities director at **Société Générale** in New York, who said his clients had started placing bets in the spring wheat futures market.

The number of hedge funds and other money managers betting on spring wheat contracts has almost doubled since May, data from the Commodity Futures Trading Commission showed.

Farmers sowed the fewest acres of wheat in a century this year. A global grain glut exacerbated by booming production in countries like Russia has depressed prices and,

along with a strong dollar,

made U.S. wheat farmers less competitive, prompting some to leave fields fallow or switch to soybeans and corn.

Now, weeks of hot, dry weather in the Dakotas and Minnesota have been particularly hard on spring wheat, prized for its high protein content that makes it well-suited for specialty breads and pastries. That could mean higher food prices for consumers if millers end up paying more for high-quality wheat, said Brian Hoops of brokerage Midwest Market Solutions.

The share of spring wheat in

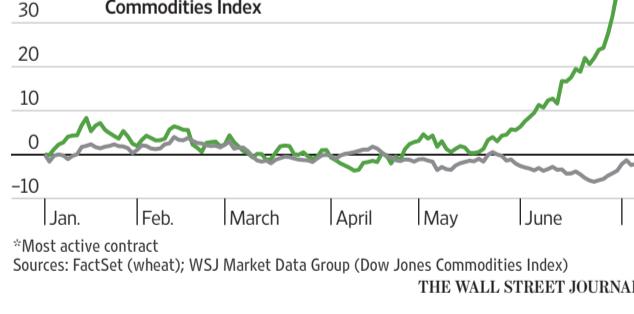
good or excellent condition fell

Please see WHEAT page B2

Hot Streak

A drought has damaged spring wheat, pushing up prices.

Percentage change since end of 2016



*Most active contract

Sources: FactSet (wheat); WSJ Market Data Group (Dow Jones Commodities Index)

THE WALL STREET JOURNAL.

STREETWISE | James Mackintosh

The Stock Market Faces A New Threat: Bonds

Rising bond yields threaten to undermine the case for holding expensive stocks, and shareholders should be worried.

It has been "TINA" for the past seven years. That means "there is no alternative" but to buy stocks with bond yields so low. But the danger is shareholders will return to cash and bonds as yields rise.

Stock markets have provided a flavor of the risks ahead as bond yields jumped over the past two weeks. In the eurozone, where the bond moves started, financials are the only sector that have managed to rise, as banks benefit from higher yields. In the U.S., yields haven't risen quite so rapidly, but financials, up 4.2%, are way ahead.

The only other sectors in the black—industrials and materials—moved just positive after Friday's solid jobs report.

If investors bought stocks because bond yields were so miserable, they are likely to sell stocks when bond yields perk up.

Just how big the danger is will depend on what happens to bond yields, of course. But it will also depend on why yields rise, and the latest reason is concerning.

Rising bond yields can be good for stocks if they are driven up by expectations of a stronger economy. Higher future profits can more offset the cost of discounting those profits back to today at a higher rate, making stocks more valuable (higher yields make profits far in the future less valuable than profits).

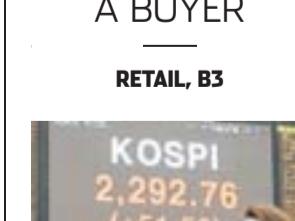
Please see STREET page B2

INSIDE



ABERCROMBIE FAILS TO FIND A BUYER

RETAIL, B3



SEOUL STOCKS SHRUG OFF TENSIONS

MARKETS, B11

Stores Mark Down Prices for Makeup

BY SUZANNE KAPNER AND SHARON TERLEP

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

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

Some executives warned that discounting is a short-term fix, and that cosmetic deals will lead to the same problems these chains have to face with respect to apparel, where greater discounts are needed to keep shoppers coming back.

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

A decade ago, shoppers would have been hard-pressed to find any Estée Lauder lipsticks, Bobbi Brown mascara or Shiseido blush on sale. These "prestige" brands are sold mainly at department and specialty stores and tend to be pricier than the so-called mass cosmetics sold at drugstores.

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

Please see STORES page B2

INDEX TO BUSINESSES

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

A	B3
Abercrombie & Fitch	B3,B11,B12
Abu Dhabi National Oil	B10
Advanced Micro Devices	B11
Alibaba Group	B11
Alphabet	B5
Amazon.com	B5,B10,B11,B12
American Airlines Group	B3
American Eagle Outfitters	B3,B12
Apple	B10,B12
Aéropostale	B3
B	B12
Banca Carige	B12
Beijing Mobike Technology	B4
Berkshire Hathaway	B3
Best Buy	B11
BlackLine	B5
Broadcom	B12
C	B12
Cerberus Capital Management	B3
Cheddar	B5
Cirrus Logic	B12
Cogeco Communications	B5
Costco Wholesale	B12
D - E	B12
Dalian Wanda Commercial Properties	A1
Delta Air Lines	B3
Elliott Management	B3
Energy Future Holdings	B3
J - K - L	B12
JetBlue Airways	B3
Just Energy Group	B5
Klöckner	B5
L'Oréal	B2
LVMH Moët Hennessy Louis Vuitton	B2
M - N	B1,B3
Macy's	B1,B3
Micron Technology	B12
Microsoft	B4,B10
Monte dei Paschi di Siena	B12
Neiman Marcus	B3
News Corp	B5
Nordbord	B5
Nvidia	B11
O	B4
Oculus VR	B4
Ofo	B3

INDEX TO PEOPLE

A	B10
Abel, Greg	B3
Almarzooq, Issam	B10
B	B10
Barkindo, Mohammed	B10
Bhar, Robin	B11
Brown, Campbell	B5
Buffett, Warren	B3
C	B5
Chavenn, David	B5
D	B5
Dewan, Neeraj	B10
F	B5
Felser, Jeff	B5
G	B5
Gates, Robert	A4
Giancarlo, J. Christopher	B12
H	B1
Gould, Michael	B1
L	B1
Hargreaves, Andy	B12
Hoops, Brian	B1
Lampert, Edward	B5
Lloyd, Vivienne	B11
M	B1
McDougall, Michael	B1
McFadden, Patrick	B4
McGathay, Virginia	B2
McLean, Neil	B10
Mehrotra, Sanjay	B12
Munro, Alastair	B11
N	B10
Nasser, Amin	B10
P	B12
Pace, Andrew	B12
R	B11
Peterson, Matthew	B11
S	B4
Rühl, Gisbert	B5
Roberts, Mike	B5
Rubin, Jason	B4
T	B1
Sadono, Yulianto Aji	B10
Sanallah, Mustafa	B10
Shapard, Bob	B3
Sharif, Nawaz	A6
Steinberg, Jon	B5
Sun Hongbin	A2
X	B1
Tainwala, Ramesh	B5
Thomson, Robert	B5
Tsang, Kaven	A2
Tucker, Therese	B5
Xiao Fu	B11

BUSINESS & FINANCE



Department stores' share of the cosmetics market in North America has been shrinking.

STORES

Continued from the prior page

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

"We've seen our competitors start to discount items like cosmetics, and I'm sure they're saying we're doing it," said Jerry Storch, the CEO of Saks Fifth Avenue and Lord & Taylor parent **Hudson's Bay Co.**, on a conference call last month. "Once you get into that kind of a situation, everyone is fighting for every inch."

Sales of prestige makeup in the U.S. are growing, totaling \$8 billion in the 12 months to May, an 11% increase over the same period a year earlier, according to market-research firm NPD Group Inc.

But department stores' share of the market fell to 19% in North America last year from 23% a decade ago, according to Euromonitor International data analyzed by Bernstein Research. Over the same period, specialty beauty retailers increased their share to 20% from 14%.

Katie Fitzgerald usually buys her cosmetics at Sephora, but was recently at a Macy's near her home in Haymarket, Va., when she happened upon a departmentwide sale. "I thought, 'Oh, look, cheap makeup,'" the 17-year-old said. She bought a Smashbox contour palette. "I figured I might as well since I was

there anyway."

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

Sephora—a unit of **LVMH Moët Hennessy Louis Vuitton SE**—and Ulta have done a better job of appealing to younger shoppers with open-sell formats that allow customers to try products without the help of sales associates and to mix and match different brands, analysts say.

The shift has upended the pricing dynamics because stores such as Sephora and Ulta tend to display prestige brands alongside more mass labels. "The pricing halo around prestige gets eroded because it gets muddled with the rest of the category," said UBS analyst Stephen Powers. Sephora and Ulta offer discounts, too, but they are less frequent and tend to be restricted to their loyalty programs, according to spokes-women for both chains.

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

Macy's—which also owns Bloomingdale's—blamed a decline in first-quarter gross margins partly on increased promotional activity in its beauty business. To combat the problem, Macy's is borrowing a page from Sephora. It now has open-sell areas in its cosmetics departments in roughly half of its 670 stores.



Working a well in China. Prices have swung as traders try to gauge the impact of OPEC cuts amid a glut.

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

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

Goldman Sachs Group Inc. said CTAs can create trading opportunities. "Fundamental traders shouldn't be afraid of the CTAs," the firm wrote in a commodities research report.

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

WHEAT

Continued from the prior page to 35% on Sunday, the U.S. Department of Agriculture said Monday, compared with 70% the same time last year. That is the lowest good-or-excellent rating in almost 30 years.

After rising to a four-year high last Wednesday, spring wheat prices fell last week before rebounding 4% Monday to settle at \$7.9750 a bushel.

"I don't think anyone expected...so much high-protein wheat would be destroyed at a level that would move these markets," said Virginia McGathay, a grain-options trader at the Chicago Board of Trade.

U.S. wheat plantings have been shrinking for decades. For much of that time higher yields made up for the shrinking land mass devoted to the grain, keeping U.S. wheat production relatively flat. But less acreage could make U.S. wheat prices more vulnerable to price shocks in the future when droughts strike arid regions like the Plains, **Rabobank** said.

STREET

Continued from the prior page made quickly—so it makes sense that speculative technology stocks have fallen sharply.)

Bond yields pushed up by anything other than a strong economy are bad news, and the latest rise looks as though it was mostly driven by concern about central-bank bond buying, not the economy.

Bond investors like to break down bond yields into two parts: the expectation of interest rates over the life of the bond and a bit extra, driven by supply and demand, to cover the risk of being locked in until maturity.

The extra bit is known as the term premium and accounted for almost the entirety of the Treasury yield rise in the past two weeks, according to calculations by the Federal Reserve Bank of New York. The same goes for the eurozone, according to Goldman Sachs' estimates.

Combine the term premium with a measure of how expensive bonds are compared with stocks, and we can get a feel for just how bad things could get for shareholders as bond yields rise.

Even after the recent rise, the term premium as calculated by the New York Fed is extremely low. If it merely returned to its 50-year average, while expectations for the

algorithm has grasped for market trends, said Peter Hahn, of **Bridgeton Research Group**, a quantitative research firm.

Money is also pouring into some algorithmic strategies. In 2016, investors pumped \$25.5 billion of new money into commodity trading advisers, or

CTAs—many of which use algorithms to follow trends in the futures market—according to data provider Prequin. CTAs attracted another \$7.2 billion of new investor cash in the first quarter of this year, bringing the funds' total assets to \$256 billion.

age, it would be enough to wipe out half the valuation gap between stocks and bonds on the popular measure of the forward equity risk premium, the main TINA justification. The equity risk premium values stocks, like bonds, by looking at the expected earnings yield, the inverse of the price/earnings ratio, to see how much higher it is than the bond yield.

With a forward earnings yield of 5.62% and a 10-year Treasury yielding 2.37%, the gap of 3.23 percentage points is the projected annual extra reward for holding the S&P 500.

This measure should be very concerning for those obsessed by TINA. Far from screaming buy, the equity risk premium at 3.23 points is about the lowest since Lehman Brothers failed and is back down to where it was in November 2007. Those who

think it is a useful guide need to admit that shares are more expensive relative to bonds than they have been in a decade. Combine a rising term premium with the already narrowing gap between shares and bonds, and the siren song of TINA loses its melody.

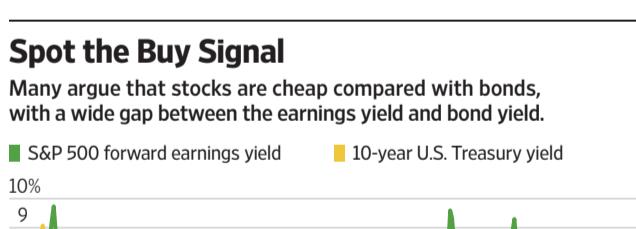
Investors who expect the economy to strengthen might reasonably hope that profits

rise enough to offset higher yields, even at today's elevated stock valuations. Those who have fallen for TINA's charms should consider the homely values of cash and bonds again.

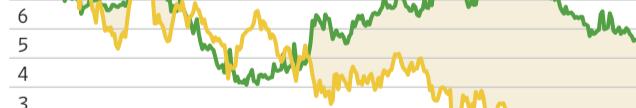
quickly, but it illustrates just how much the TINA argument for equities depends on the term premium, and so on central-bank bond buying.

If the term premium did

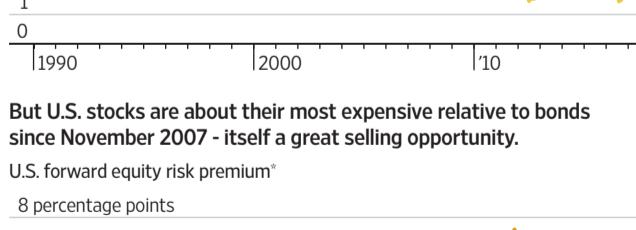
rise back to its long-run aver-



But U.S. stocks are about their most expensive relative to bonds since November 2007 - itself a great selling opportunity.



U.S. forward equity risk premium*



*S&P 500 forward earnings yield minus 10-year Treasury yield

Note: Monthly data

Source: Thomson Reuters Datastream

1990 2000 10

8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

10 8 6 4 2 0 -2 -4

BUSINESS NEWS

Elliott Is Set to Duel Berkshire in Battle For Utility Oncor

BY PEG BRICKLEY
AND NICOLE FRIEDMAN

Paul Singer's hedge fund is still pursuing **Oncor**, one of the largest power transmission utilities in the U.S., with a deal that it says is better than a buyout by Warren Buffett's **Berkshire Hathaway Inc.**

Berkshire's all-cash, \$9 billion proposal for 80% of Oncor is the latest in a series of deals for Oncor, a thriving Texas system untouched by the financial woes that put its majority owner, **Energy Future Holdings Corp.**, in bankruptcy. That deal has an enterprise value of about \$18 billion, according to a person familiar with the matter and a report by Cowen & Co.

Mr. Singer's **Elliott Management Corp.** is putting together a competitive deal, one that values Oncor at \$18.5 bil-

Fund purchased Energy Future's debt recently while other investors retreated.

lion on an enterprise basis, an improvement over Mr. Buffett's offer, the hedge fund says.

Elliott, a \$33 billion investment company, was putting its transaction together when it got wind that Berkshire was preparing to sign an offer at a value that "does not provide such value," according to a letter Elliott sent to Energy Future's board before Berkshire signed the deal.

Elliott unveiled weeks of back-and-forth negotiations with Energy Future as yet another battle brews over Oncor, a key piece of the Texas infrastructure that has been sought by a succession of suitors.

Oncor executives said in an interview that they have little knowledge of Elliott's plan.

Oncor led talks in Austin with state regulators and large customers for several weeks ahead of Berkshire's bid, said Allen Nye, senior vice president at Oncor.

The parties hammered out a list of conditions on which Berkshire and the regulators could agree.

Elliott attended one of those meetings but didn't provide enough details of its plan to reach an agreement with the regulators, Mr. Nye said. Mr. Nye would become Oncor's chief executive if the Berkshire transaction closes.

"Elliott has indicated they're pursuing a concept, but it's no more than a concept to us at this point," said Bob Shepard, Oncor's chief executive. "There's not a definite proposal that we can take to Austin and try to make a deal off, yet."

Mr. Buffett is known for making acquisitions quickly and avoiding auctions or deals that look too troublesome. If the deal went through, Oncor would be overseen by Greg Abel, chief executive of Berkshire Hathaway Energy Co. and a potential successor to Mr. Buffett. Mr. Singer's hedge fund, which is famous for its lucrative, 15-year fight to get Argentina to pay up on its defaulted bonds, is known for wading into trouble. Elliott purchased Energy Future's debt in recent months while other investors retreated.

"If Buffett breaks his habit of avoiding bidding wars, his cost is not that he pays just a little more for Oncor, his cost is that he encourages Singer-like countermoves in every bid he makes from now on," said Erik Gordon, an assistant professor at the University of Michigan's Ross School of Business.



The retailer has been closing stores, lowering prices and revamping its marketing, but revenue has declined for four straight years.

Abercrombie Shelves Talks

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

BY DANA MATTIOLI

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

In May, the company said it was in "preliminary discussions with several parties," though it warned the talks might not pan out. On Monday, Abercrombie said the deal talks were off, confirming an earlier report in the day by The Wall Street Journal.

Shares of the company—which as of Friday had a market value of \$820 million—fell 21% to \$9.59 on Monday.

The sales process had attracted a number of interested parties, including rivals **Express Inc.** and **American Ea-**

gle Outfitters Inc., which teamed up with private-equity firm **Cerberus Capital Management**, people familiar with the matter said. **Sycamore Partners** was also involved in the process, but the buyout firm just last month struck a \$6.9 billion deal to buy office-supply retailer **Staples Inc.**

In June, Abercrombie accepted final bids, but couldn't come to acceptable terms with suitors, according to the people. On Monday, Abercrombie said the best way for the company to create value for shareholders is "the rigorous execution of our business plan."

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

Former Chief Executive Mike Jeffries transformed Abercrombie from an old-fashioned outdoor retailer to a hot brand known for sex-tinged marketing and logo-emblazoned cloth-

ing, but that style has fallen out of fashion and the company has had to recalibrate. Sister brand Hollister, which caters to a younger shopper, has fared better than the company's namesake apparel line.

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

In a note to investors on Monday, Jefferies said that while there may have been natural partners for Abercrombie, "any interest that may have been present during negotiations eventually dissipated when realizing merger benefits like the elimination of overhead costs would likely be offset by time and resources needed to right the ship."

The brokerage added that

American Eagle, which it called the "strongest operator in the young adult space" and whose sales have eclipsed Abercrombie's in recent years, is better off without such a tie-up. "Very few retail portfolio strategies have generated positive shareholder returns and, in fact, most have caused shareholder returns to be destroyed," Jefferies wrote.

It has been a difficult environment for retailers looking to sell themselves. Luxury department-store chain **Neiman Marcus Group Ltd.** had announced it was exploring its options earlier this year, but in June the company ended the process. **Macy's Inc.** was in preliminary deal talks earlier this year with Canada's **Hudson's Bay Co.** but talks have since ended, people familiar with the matter have said.

—Khadeeja Safdar contributed to this article.

◆ Heard: Abercrombie loses its last best hope B12



U.S. carriers are reaping more revenue per customer, a metric previously constrained by a price war.

New Fares, Fees Lift Airlines

BY SUSAN CAREY

U.S. airlines are raking in more from each mile they fly a passenger for the first time in years, thanks to new fare classes and customized services that are squeezing more revenue from each customer.

In the second-quarter results they will begin to report this week, airlines have told investors to expect the first broad uptick in three years in the amount taken in for a passenger flown a mile, or a seat flown a mile. These closely watched "unit revenue" metrics had suffered amid a price war sparked by low fuel prices and the rapid expansion of discount carriers.

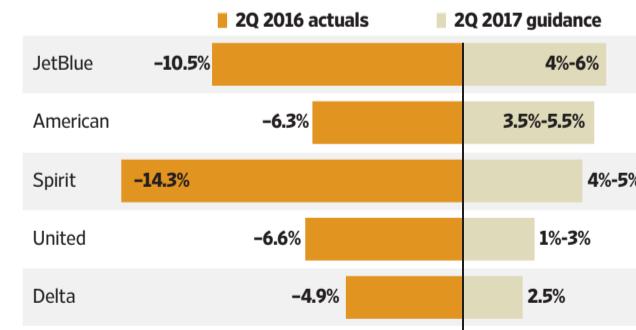
Now big airlines are expanding "basic economy" fares to compete with discounters, while also tapping new revenue streams from fees and premium ticket classes that offer more comfort and exclusivity.

"You're seeing increasing product and customer segmentation, which is generating higher average fares," said Bryan Terry, managing director of travel and transportation for PricewaterhouseCoopers LLP.

American Airlines Group Inc., **Delta Air Lines Inc.** and **United Continental Holdings Inc.** all are expected to show unit-revenue gains in the second quarter compared with big declines in that period a year earlier. Delta, which will

Taking Off

Most U.S. airlines expect a return to unit-revenue growth in the second quarter compared with a year ago.



Source: the airlines

THE WALL STREET JOURNAL.

report second-quarter results on Thursday, told investors last week to expect the first unit-revenue growth since the fourth quarter of 2014.

Discounters **JetBlue Airways Corp.** and **Spirit Airlines Inc.** are forecasting unit-revenue growth of at least 4% after double-digit declines a year ago. **Hawaiian Holdings Inc.** has forecast a unit-revenue increase of as much as 10.5%. **Southwest** on Monday reaffirmed guidance for growth of up to 2% in the second quarter, disappointing some investors hoping for a higher target.

Nevertheless, such broadly positive results would help put the airline industry on track for its eighth straight year of profits in 2017, a record streak

in a traditionally volatile industry buffeted by unpredictable changes in fuel prices, demand and global economic conditions. Many airline stocks are trading near their one-year highs.

Many industry watchers see last year as a low point for airlines, coming at the end of a heated fare war. At the time, carriers blamed everything from geopolitical turmoil, the strong dollar and overcapacity for their poor performance. Only Southwest and Hawaiian eked out small unit-revenue gains for the second quarter last year.

The second quarter of 2016 was darn near a trough," said Kristopher Kelley, an equity analyst at Janus Henderson Group PLC.

MiFID II

YOUR SUCCESS

OUR SUCCESS

We do more than just tell you about the ins and outs of MiFID II. Our experts will work hand in hand with yours to ensure you're safe and compliant on time.

We'll also implement ways to make it easier for you to meet further regulatory challenges that are bound to come.

Book a free consultation, or download our Guide To MiFID II Success at: nexregreporting.com.

NEX Regulatory Reporting

by Abide Financial

Operational Risk Awards 2017
Best Regulatory Reporting Platform or Service

© NEX Group plc 2017. NEX and other service marks and logos are service marks of NEX Group plc and/or one of its group of companies. All rights reserved. Group companies of NEX Group plc are registered as applicable.

TECHNOLOGY

WSJ.com/Tech

Microsoft Backs Rural Broadband System

Technology taps unused bandwidth to bring high-speed web to underserved

BY JAY GREENE

Microsoft Corp. plans to put its lobbying and financial muscle behind a long-shot technology that taps unused television bandwidth to bring broadband access to underserved areas of America.

In a speech Tuesday in Washington, Microsoft President and chief legal officer Brad Smith is expected to announce support for "TV white-space" technology, which the company says is a frugal way to address the digital divide between U.S. cities and rural areas.

He also plans to encourage the Trump administration and Congress to ensure white-space spectrum is available on an unlicensed basis in every market in the country and to consider the technology as they develop a new national infrastructure proposal.

The Federal Communications Commission estimates more than 23 million people in rural areas lack "fast" internet access, defined as having minimum download speed of 25 megabits a second. Cities commonly have service speeds that top 100 MB a second.

Microsoft, which has advocated white-space technology for years, said it would form partnerships with rural telecommunications companies to invest in at least 12 projects in 12 states over the next year,

hoping to bring broadband connectivity to two million people in rural America by July 4, 2022.

The company declined to say how much it will spend on the effort. Mr. Smith in an interview referred to the spending as a "civic investment," but acknowledged bringing high-speed connectivity to rural areas will likely bring new customers to the software giant as well. "It is going to be good for everybody in technology, including Microsoft," Mr. Smith said.

The technology Microsoft is championing harnesses unused bandwidth between TV channels to wirelessly deliver access. To use that spectrum, telecoms set up base-station radios, which can send and receive signals up to 10 miles in

rural areas. Those radios transmit to antennas attached to homes, which connect to Wi-Fi routers inside.

The promise is that TV white space could provide access to the distant reaches of the country at a fraction of the

\$15 billion to \$25 billion using fixed wireless technology and \$45 billion to \$65 billion running fiber-optic cable to homes.

The broadcast industry doesn't share Microsoft's support. In a letter to the FCC on Monday, National Association of Broadcasters Associate General Counsel Patrick McFadden said there are only 800 white-space devices registered in the U.S.—many just test devices.

"Microsoft has been making promises about white spaces technology for well over a decade," he wrote. "Yet there remain few tangible consumer benefits associated with white spaces deployments across the U.S."

The trade group is concerned that the spectrum Microsoft hopes telecom partners

will use for white-space services could interfere with broadcast TV channels. Moreover, broadcasters have complained they don't have enough spectrum of their own.

In response to the broadcast group's criticism, Microsoft noted "most new telecommunication technologies have taken over a decade" from the regulatory authorization to commercial adoption. "TV White Spaces have been no exception," a company spokesman said.

While the technology hasn't taken off in the U.S., Microsoft has financially backed white-space efforts to bring internet access to 185,000 people in 20 projects globally, including rollouts in developing countries such as Kenya, Colombia and the Philippines.

Bundled Software Boosts 'One' Plan

BY JAY GREENE

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

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

At its Inspire partner conference in Washington, Microsoft introduced a product for small and midsize businesses

that combines Windows and Office with its security and mobile-device management software.

The company also rebranded the bundle, which it began selling to its largest corporate customers two years ago, under the new Microsoft 365 banner.

The new approach is also reflected in Microsoft's sales-force reorganization last week, which led to thousands of layoffs. Microsoft is trying to reorient its sales staff to focus on specific markets, such as small business, rather than discrete products.

The new bundle for small and midsize businesses, called Microsoft 365 Business, includes licenses for Windows 10 upgrades, a business version of Office 365 and security and management technology.

Reality at Facebook: VR Is On Sale Again

BY SARAH E. NEEDLEMAN

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

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

The new, temporarily lowered bundle price doesn't account for the cost of buying a computer powerful enough to support the Rift. It does, though, put the price of owning the high-end headset on par with its toughest competitor, Sony Corp.'s PlayStation VR. That headset requires gamers to also buy a PlayStation 4 console, which runs anywhere from \$249 to \$399.

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

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

The latest price cut comes as Oculus, which Facebook bought for more than \$2 billion in 2014, faces mounting competition from HTC Corp. and Sony. Sales of headsets powered by smartphones have far outsold heavier-duty devices such as the Rift. And Oculus also has grappled with internal problems, resulting in the departure of co-founder Palmer Luckey in late March.

Oculus hasn't disclosed sales for the Rift, but analysts say it continues to trail its rivals by a wide margin. Research firm IDC estimates the device has sold about 520,000 units world-wide to date, compared with 770,000 of HTC's Vive headsets and 1.6 million

Seeing Opportunity

Facebook's Oculus Rift headset trails its biggest virtual-reality rivals in sales.

Unit sales and revenue since product launch (through 2Q 2017)



Sources: SuperData Research Inc.; the companies (photos)

THE WALL STREET JOURNAL.

Legal Notices

To advertise: 800-366-3975 or WSJ.com/classifieds

DEA

LEGAL NOTICE
The U.S. Dept. of Justice, Drug Enforcement Administration (DEA) New York gives notice that the property listed below has been abandoned to the custody of the United States and has remained unclaimed. The property shall be held for 30 days from the date of initial publication of notice. Upon expiration of this 30 day period title to the property will vest in the United States. Any person desiring to claim this property must file with the DEA within 30 days. Claims may be filed at the following address: 99 Tenth Ave., New York, NY 10011. **Last date to file: 08/30/2017.** To be considered claim must include documentation. Group D-35, C1-16-0091.

Property 1: Black 2004 BMW 530i, VIN: WBANAN44E39R590636; Property 2: Silver 2009 Dodge Caravan, VIN: 2D8HN44E39R590636; Place Seized: Carteret, New Jersey; Owner: Dawin Coronado Date of Custody: 1/31/2017.

LEGAL NOTICE
The U.S. Dept. of Justice, Drug Enforcement Administration (DEA) New York gives notice that the property listed below has been abandoned to the custody of the United States and has remained unclaimed. The property shall be held for 30 days from the date of initial publication of notice. Upon expiration of this 30 day period title to the property will vest in the United States. Any person desiring to claim this property must file with the DEA within 30 days. Claims may be filed at the following address: 99 Tenth Ave., New York, NY 10011. **Last date to file: 08/30/17.** To be considered claim must include documentation. Group D-35, C1-16-0091.

Property 1: Black 2008 Jeep Commander, VIN: 1J8HG48K8C158472; Place Seized: Carteret, New Jersey; Owner: Robert Taylor, Jr. Date of Custody: 1/31/17.

THE WALL STREET JOURNAL.

NOTABLE COMMERCIAL PROPERTIES

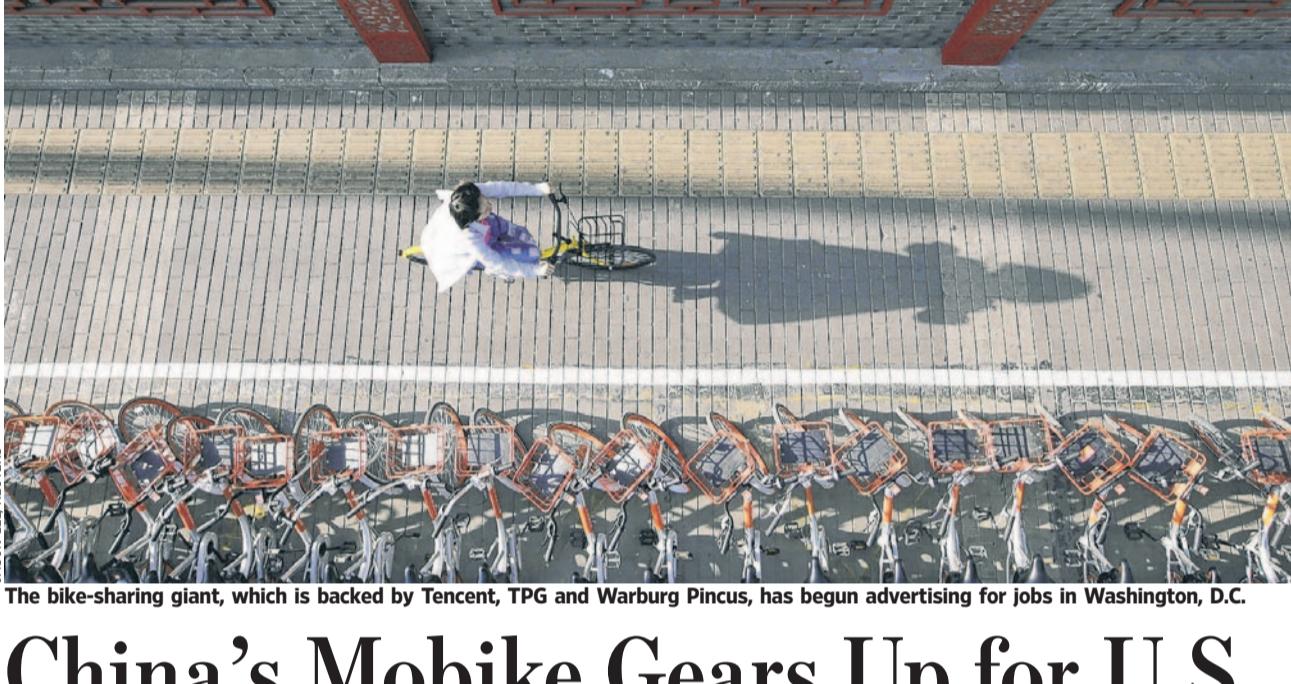
EVERYWEDNESDAY

LIST YOUR PROPERTY TODAY

(800) 366-3975
sales.realestate@wsj.com

For more information visit:

wsj.com/classifieds



China's Mobike Gears Up for U.S.

BY NEWLEY PURNELL AND LIZA LIN

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

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

The fast-growing company, which is backed by Chinese internet giant **Tencent Holdings Ltd.** and private-equity firms **TPG** and **Warburg Pincus**, has

said it is eager to expand to the U.S. but hasn't said where.

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

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

One of the jobs posted on the professional networking site LinkedIn is for an operation manager, based in the Washington, D.C., area, who would need to get to know "the local envi-

ronment" and "be the main point of contact for the regional government officials and Transport Authorities," according to the listing. The other position is for a social media professional to work with the company's prospective community of users.

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

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

That means convenience for riders but can also lead to bikes strewn about in public places. Earlier in the year, there were reports in China of bikes being vandalized, stolen, and even thrown into trees and rivers by riders. Mobike raised \$600 million in new funding in June to expand its operations globally.

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

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

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

Other similar startups include Neutron Holdings Inc.'s Limebike, a California-based startup that operates in California, North Carolina, Florida and Seattle.

ADVERTISEMENT

The Mart

To advertise: 800-366-3975 or WSJ.com/classifieds

BUSINESS OPPORTUNITIES

MANUFACTURER OF FOAM AND GEL PRODUCTS

Immediate Opportunity. Company primarily services medical industry. Produces OEM products for all major suppliers in its market segment. Also sells consumer products and casual furniture under trademarked brand names through Target, Wayfair, Overstock, and more. Strong customer base and incredible MoM growth.

Sale process underway. Please contact:

Equity Partners HG

Ph: 866-969-1115 x 6 • DBeall@EquityPartnersHG.com

GLOBAL TENDER NOTICE

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

BUSINESS OPPORTUNITY

EARN 11% + INVESTING IN 1st MORTGAGES

Short Term, High Yield, Low LTV. Secure & Great Monthly Income. Call 949-346-1217

TRAVEL

Save Up To 60% First & Business INTERNATIONAL

Major Airlines, Corporate Travel Never Fly Coach Again! www.cooktravel.net (800) 435-8776

THE WALL STREET JOURNAL.
THE MART
ADVERTISE TODAY (800) 366-3975 sales.mart@wsj.com

© 2017 Dow Jones & Company, Inc. All Rights Reserved.

© 2017 Dow Jones & Company, Inc.
All Rights Reserved.

BUSINESS NEWS

Cheddar Buys Viral Stock Game

The financial news streaming network grabs a site that lets users vote on trades

BY BEN EISEN

Cheddar Inc., the streaming financial-news network that was recently valued at \$85 million, is buying a viral stock-picking game started by a 26-year-old former **Amazon.com** Inc. software engineer in his Seattle apartment.

StockStream allows users to vote on which stocks to buy and sell, and the game automatically makes a trade every five minutes based on a tally of votes.

Mike Roberts, who created the game in his spare time and rolled it out on his personal computer, put \$50,000 of his own money into an online brokerage account at Robinhood, where the trading takes place. StockStream isn't associated with Amazon.

In the days after it launched this spring, the service amassed hundreds of thousands of viewers, and widespread media coverage, including a page-one article in The Wall Street Journal. As of



MIKE ROBERTS

Former Amazon.com engineer Mike Roberts, 26, developed StockStream in his Seattle apartment.

Monday morning, the account was up about \$300 since its launch.

As part of the deal, Mr. Roberts has joined Cheddar, where he plans to build out the game and eventually work on other projects at the company.

Cheddar will double the original account balance to \$100,000 and expand the service into commodities and

other asset classes as he builds out the product, the company said. StockStream's live feed will be integrated into Cheddar.

"We'll be able to use it almost like our own real-time polling mechanism," said Jon Steinberg, Cheddar's founder and chief executive officer.

He declined to say what Cheddar paid for the acquisition, but said, "It's as much

about Mike coming to work with us as it is about the piece of software."

Mr. Steinberg said he knew he wanted Mr. Roberts to come work for the company after reading the Journal's story last month. Mr. Roberts flew out to New York to meet the team, where they went out for a meal of crabs in the city's Lower East Side neighborhood.

"It's about the messiest meal you can have with a human being," Mr. Steinberg said. "If you eat messy crabs with someone you know that you can live with them."

Mr. Roberts said he had heard from a couple of investors after the initial buzz around StockStream, but nothing came of it until Mr. Steinberg called him at work one day, and effectively told him to quit his job and come work at Cheddar.

"As soon I heard that, I was like of course," Mr. Roberts said. "I was going to build this thing for free. If someone is willing to pay for me to do it, was a dream come true."

From there, it all came together quickly. Mr. Roberts left his job at Amazon at the end of last month and relocated to New York over the past weekend.

StockStream, meanwhile, was still on Mr. Roberts's personal computer server, and his move took place too quickly to ship it. So he wrapped it up in Styrofoam and towels and put it in a suitcase to take on the plane with him.

As of Monday morning, the server had made it to Cheddar headquarters and has been successfully set up.

'Digital Duopoly' Provokes Publishers

Newspaper publishers are calling on Congress to allow them to negotiate collectively with **Alphabet** Inc.'s Google and **Facebook** Inc., as what they call the "digital duopoly" increasingly dominates online advertising and news distribution.

By Lukas I. Alpert, Deepa Seetharaman and Brent Kendall

The News Media Alliance—a trade coalition representing some 2,000 organizations across the U.S. and Canada, including Wall Street Journal publisher Dow Jones—says antiquated antitrust laws have had "the unintended effect of preserving and protecting Google and Facebook's dominant position," by limiting publishers' ability to push for changes together.

Federal antitrust law bars rivals from coordinating on business decisions and market strategy. If granted a limited waiver by Congress, the group said it would seek stronger intellectual-property protections, better support for digital subscription models and a fairer share of revenue and customer data.

"Quality journalism is critical to sustaining democracy and is central to civic society," the alliance's president and chief executive, David Chavern, said in a statement. "To ensure that such journalism has a future, the news organizations that fund it must be able to collectively negotiate with the digital platforms that effectively control distribution and audience access in the digital age."

Publishers have long been frustrated by Facebook's outsize role in news dissemination and commanding presence in the digital ad market. Google and Facebook are expected to receive more than 60% of U.S. digital ad spending this year, according to eMarketer.

Facebook has held numerous meetings with publishers over recent months—including one in New York on Monday.

"It's imperative the news industry has sustainable business models, and we want to play a part in helping that happen. We've held robust and constructive conversations with dozens of news organizations and look forward to more," said Campbell Brown, Facebook's head of news partnerships, in response to the News Media Alliance's announcement.

Google has similarly sought to engage with publishers on how best to help them in the face of sometimes blistering criticism from some news outlets. Robert Thomson, chief executive of **News Corp**, the parent of Dow Jones and the Journal, has for years accused Google—and Facebook to a lesser degree—of being a platform for "piracy."

"We want to help news publishers succeed as they transition to digital," Google said. "In recent years we've built numerous specialized products and technologies, developed specifically to help distribute, fund, and support newspapers."

—Jack Marshall contributed to this article.

Companies Push Corporate Cards For Work Expenses

BY RHEAA RAO

Companies are giving more of their employees corporate credit cards as they seek easier expense tracking and savings from suppliers.

Software company **Black-Line** Inc. began offering employees corporate credit cards 12 years ago when Chief Executive Therese

Tucker realized some staff couldn't afford to wait until they were reimbursed for work expenses.

"Most people are bad at personal finance," she said.

The corporate credit-card program removed the stress on employees' personal budgets while allowing BlackLine to easily track work-travel expenses, she added.

The use of corporate cards and other payment technologies is on the rise. About one in five finance departments said they would invest more in company-backed credit cards this year, according to a report by Strategic Treasurer, a consultancy. The move is driven by security concerns, with 72% of respondents concerned with the potential of external hacks.

Virtual cards are the fastest-growing category in the payment industry, according to Jeff Felser, head of treasury management payables at **PNC Financial Services Group** Inc. Virtual cards are unique card numbers tied to an actual card-account number.

Transacting with a one-time number instead of an actual card number eliminates the risk of the card details being

leaked in case of a data breach, he said.

Slightly more than one-quarter of companies plan to spend more than \$250,000 on payments technology. The 2017 B2B Payments & Working Capital Management Survey tallied responses from 355 finance executives globally.

Ms. Tucker said expanding the corporate-card program to more employees netted BlackLine better terms with their card provider. The whole process is automated, eliminating delays and paperwork. The Los Angeles-based company has doled out cards to 300 of its 650 employees.

Handing out corporate cards to employees benefited **Just Energy Group** Inc. The Canadian natural-gas and electricity retailer didn't want to miss out on competitive pricing from a growing array of digital vendors—such as Amazon Prime and Uber Eats—that require credit-card payments, said finance chief Patrick McCullough.

The biggest challenge was making sure everyone is on the same page about what type of expenses staff can charge to the account. Just Energy outlined those ground rules and now oversees fewer transactions while suppliers are compensated more swiftly, Mr. McCullough said.

"It is difficult to function without cards," he said.

The shift to plastic could help companies net some savings. Suppliers often offer discounts to businesses that pay for goods swiftly, rather than 30 to 60 days after receiving a shipment.



WANG ZHAO/GETTY IMAGES

Germany's Klöckner Backs U.S. Steel Tariffs on China

BY NINA TRENTMANN

Germany's **Klöckner** & Co. SE, a metals trading and processing firm, supports the Trump administration's plans for additional tariffs on Chinese-made steel, said Chief Executive Gisbert Rühl.

"I think import tariffs are the way for the U.S. and the European Union to counter Chinese dumping-prices," he said.

The Trump administration in April opened a wide-ranging probe into whether to place additional tariffs on steel imports in the name of national security. It missed a self-imposed deadline for concluding the probe at the end of June but is expected to announce a decision soon.

China, the world's biggest steel producer, has pledged to

cut overcapacities. The country cut more than 65 million tons of steel production capacity in 2016.

Mr. Rühl sees these as encouraging steps but cautions: "Still, this is a process that will take years. There is no quick fix for this."

Klöckner generates roughly 40% of its annual revenue in the U.S. Global annual revenue in 2016 was €5.7 billion (\$6.5 billion). The company last year traded more than 2.3 million tons of steel in the U.S., Mr. Rühl said.

Most of the steel traded by Klöckner in the U.S. is sourced locally and therefore not affected by existing tariffs exceeding 200% for some types of steel, Mr. Rühl said in an interview. "As steel prices stabilize on a higher level, we will benefit."

U.S. steel prices have rallied in recent months. The September-delivery futures contract for the benchmark U.S. Midwest Domestic Hot-Rolled Coil Steel Index recently traded at \$620 per short ton on the Chicago Mercantile Exchange. This is nearly double the lows of \$364 per short ton, set in late 2015.

For some of Klöckner's U.S. customers—among them construction firms and machinery-and-tool makers—there also could be negative consequences, as Klöckner passes on higher purchase prices.

"Not all of our customers will be able to do the same and pass on higher prices, which is why there needs to be sound judgment around potential new tariffs," Mr. Rühl said.

BUSINESS WATCH

LUMBER

Wildfires Force Suspension of Work

Raging forest fires across British Columbia have led three major lumber producers to suspend production across the western Canadian province, while more than 14,000 people have been ordered to evacuate from their homes for safety.

Norbord Inc., **Tolko Industries** Ltd. and **West Fraser Timber** Co. Ltd. have all suspended mill operations in central British Columbia, where more than 200 wildfires are burning throughout the province, the largest of which is estimated to be more than 12,000 acres.

Since April, wildfires have burned down more than 100,000 acres across the province, said Kevin Skrepnek, chief fire information official for the BC Wildfire Service, on Monday. There have been no accidents or injuries due to the fire, officials added.

—David George-Cosh

COGECO COMMUNICATIONS

MetroCast Sold For \$1.4 Billion

A **Cogeco Communications** Inc. unit has reached a deal to buy the MetroCast cable system for \$1.4 billion.

Cogeco said Monday that its Atlantic Broadband subsidiary would purchase closely held **Huron Communications LP**'s

—Justina Vasquez

SAMSONITE INTERNATIONAL

Luggage Maker Seeks Wider Range

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

bags designed for women.

In an interview, Chief Executive Ramesh Tainwala said the company sees an opportunity to take market share from private-label or unbranded players.

—Saabira Chaudhuri

SEARS CANADA

Retailer's Holders Explore Deals

The two largest shareholders of **Sears Canada** Inc. said Monday that they have teamed to explore potential deals in connection with the retailer as it winds through bankruptcy proceedings.

ESL Partners LP, operated by hedge-fund manager Edward Lampert, and its affiliates have joined Bruce Berkowitz's **Fairholme Capital Management** LLC, another heavy gambler on Sears, in seeking joint legal counsel to represent them in the retailer's bankruptcy proceedings.

ESL Partners and Fairholme didn't immediately return calls seeking further comment.

—Ezequiel Minaya

synchrony
BANK

Want Great Rates + Safety?
It's a day at the beach.

Relax with a great CD rate and special term from Synchrony Bank.

1.55% APY*

\$2,000 minimum opening deposit

Visit us at synchronybank.com or call 1-800-753-6870 to get started.

*Annual Percentage Yield (APY) is accurate as of 7/1/17 and subject to change at any time without notice. A minimum of \$2,000 is required to open a CD and must be deposited in a single transaction. A penalty may be imposed for early withdrawals. Fees may reduce earnings. After maturity, if you choose to roll over your CD, you will earn the base rate of interest in effect at that time. Visit synchronybank.com for current rates, terms and account requirements. Offer applies to personal accounts only.

Member FDIC

THE WALL STREET JOURNAL. GLOBAL FOOD FORUM

OCTOBER 10, 2017 | PARK HYATT NEW YORK

Explore Opportunities in the Evolving Business of Food

This fall, the editors of The Wall Street Journal will focus on the intersection of food and technology—how tech and innovation are transforming the agricultural economy and food sector.

2017 SPEAKERS INCLUDE:



Carlos J. Barroso
SVP, Global R&D and Quality
Campbell Soup Company



Juan R. Luciano
Chairman, President and CEO
Archer Daniels Midland Company



Ethan Brown
Founder and CEO
Beyond Meat



Amy Novogratz
Co-Founder and Managing Partner
Aqua-Spark



Jennifer Carr-Smith
President and GM, Peapod
Ahold USA



Nancy E. Pfund
Founder and Managing Partner
DBL Partners



James C. Collins, Jr.
EVP
Dupont



Mark Post, M.D.
Professor, Maastricht University
Founder, Mosa Meat



Dave Gebhardt
Global Director of Strategic Partnerships
GEOSYS Intl, Inc.



Irene Rosenfeld
Chairman and CEO
Mondelēz International



Hugh Grant
Chairman and CEO
Monsanto Company



Joe Stone
Chief Risk Officer
Cargill, Incorporated



John Haugen
VP and General Manager, 301 Inc.
General Mills, Inc.



Tj Tate
Director, Sustainable Seafood Program
National Aquarium



Tom Hayes
President and CEO
Tyson Foods, Inc.



Uma Valeti, M.D.
CEO and Co-Founder
Memphis Meats



A.G. Kawamura
Owner, Orange County Produce
Secretary (2003-2010), California Department
of Food and Agriculture



Mark Young
CTO
The Climate Corporation



Mehmoond Khan
Vice Chairman and Chief Scientific Officer
Global R&D, PepsiCo, Inc.

REQUEST YOUR INVITATION: GLOBALFOOD.WSJ.COM



MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21408.52 ▼5.82, or 0.03%
High, low, open and close for each trading day of the past three months.

Last 20.82 Year ago 19.37
Trailing P/E ratio 20.82 19.37
P/E estimate * 18.24 17.30
Dividend yield 2.33 2.54
All-time high 21528.99, 06/19/17

Current divisor 0.14602128057775 21800

65-day moving average 20900

Session high DOWN 21500

Session open UP 20600

Close Close 20600

Open Open 20300

Session low Session low 20000

Bars measure the point change from session's open

Apr. May June July 20000

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2427.43 ▲2.25, or 0.09%
High, low, open and close for each trading day of the past three months.

Last 23.77 Year ago 24.07
Trailing P/E ratio 23.77 24.07
P/E estimate * 21.44 17.94
Dividend yield 2.01 2.17
All-time high 2453.46, 06/19/17

65-day moving average 2450

Session high 2420

Session open 2390

Close 2360

Open 2330

Session low 2300

65-day moving average 2270

Apr. May June July

Nasdaq Composite Index

6176.39 ▲23.31, or 0.38%
High, low, open and close for each trading day of the past three months.

Last 25.49 Year ago 22.93
Trailing P/E ratio 25.49 22.93
P/E estimate * 20.66 18.94
Dividend yield 1.14 1.29
All-time high: 6321.76, 06/08/17

65-day moving average 6300

Session high 6180

Session open 6060

Close 5940

Open 5820

Session low 5700

65-day moving average 5580

Apr. May June July

Major U.S. Stock-Market Indexes

High Low Latest Close Net chg % chg High 52-Week Low % chg YTD % chg 3-yr. ann.

Dow Jones

Industrial Average	21446.39	21371.11	21408.52	-5.82	-0.03	21528.99	17888.28	17.5	8.3	8.2
Transportation Avg	9716.81	9656.28	9673.80	-21.14	-0.22	9694.94	7648.44	25.4	7.0	5.6
Utility Average	705.71	701.36	701.43	-0.61	-0.09	737.51	625.44	-2.1	6.3	7.6
Total Stock Market	25189.38	25094.86	25138.47	6.00	0.02	25399.65	21514.15	14.0	8.0	7.0
Barron's 400	648.64	643.95	645.77	-2.39	-0.37	650.48	521.59	20.6	7.3	6.6

Nasdaq Stock Market

Nasdaq Composite	6191.27	6141.83	6176.39	23.31	0.38	6321.76	4988.64	23.8	14.7	12.0
Nasdaq 100	5708.62	5650.26	5694.15	37.68	0.67	5885.30	4554.71	25.0	17.1	13.6

Standard & Poor's

500 Index	2432.00	2422.27	2427.43	2.25	0.09	2453.46	2085.18	13.6	8.4	7.3
MidCap 400	1750.56	1742.41	1743.07	-4.49	-0.25	1769.34	1476.68	14.0	5.0	7.2
SmallCap 600	855.73	847.51	849.34	-5.39	-0.63	866.07	703.64	16.3	1.4	8.3

Other Indexes

Russell 2000	1418.05	1405.75	1408.47	-7.36	-0.52	1426.68	1156.89	18.4	3.8	6.6
NYSE Composite	11776.90	11733.74	11751.79	-1.19	-0.01	11835.72	10289.35	10.6	6.3	2.4
Value Line	521.52	518.41	519.57	-0.69	-0.13	529.13	455.65	10.4	2.6	1.4
NYSE Arca Biotech	3901.36	3828.16	3839.34	-65.04	-1.67	4016.86	2834.14	21.3	24.9	11.5
NYSE Arca Pharma	532.50	529.40	530.44	-1.89	-0.35	554.66	463.78	-1.5	10.2	0.5
KBW Bank	97.44	96.60	97.04	-0.09	-0.09	99.33	64.98	49.3	5.7	11.1
PHLX® Gold/Silver	80.00	76.77	79.93	2.43	3.13	112.86	73.03	-26.1	1.4	-7.7
PHLX® Oil Service	129.32	125.71	128.75	2.00	1.58	192.66	126.75	-22.1	-29.9	-24.8
PHLX® Semiconductor	1069.25	1052.38	1067.10	12.19	1.16	1138.25	708.90	50.5	17.7	18.4
CBOE Volatility	11.73	10.61	11.11	-0.08	-0.71	22.51	9.75	-17.9	-20.9	-4.1

§Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
General Electric	GE	7,533.9	26.01	-0.03	-0.12	26.05	25.99
AT&T	T	4,914.5	36.82	-0.01	-0.03	36.92	36.80
Intel	INTC	4,485.5	33.64	-0.01	-0.03	33.69	33.44
Legg Mason Low Vol Hi Div	LVHD	3,996.6	29.70	...	unch.	29.70	29.70
SPDR S&P 500	SPY	2,993.7	242.18	-0.19	-0.08	242.40	242.03
Spirit Realty Capital	SRC	2,420.1	7.32	...	unch.	7.37	7.32
Van Eck Vectors Gold Miner	GDX	2,400.3	21.56	0.05	0.23	21.56	21.32
Utilities Sel Sector SPDR	XLU	2,198.3	51.43	-0.02	-0.04	51.46	51.41

Percentage gainers...

Company	Symbol	Volume	Latest	Session % chg	High	Low
Arena Pharmaceuticals	ARNA	1,500.3	25.74	7.35	39.97	27.48
Rent-A-Center	RCII	68.3	13.00	1.90	17.12	14.30
Ocular Therapeutix	OCUL	196.1	7.31	0.82	12.63	7.43
HCP	HCP	8.3	32.92	2.03	6.57	32.92
Prothena Corp. PLC	PRTA	13.1	60.00	1.77	3.04	60.00
Hebron Technology	HEBT	3.05	0.35	12.96	7.02	2.50
AVEO Pharmaceuticals	AVEO	3.15	0.36	12.90	3.19	0.50
Technical Communications	TCCO	7.05	0.80	12.80	7.75	2.10
Tel Instrument Elec	TIK	4.00	0.45	12.68	6.25	3.20
Miragen Therapeutics	MGEN	14.67	1.64	12.59	18.00	1.80
Liberty Global LiLAC CIC	LILAK	24.20	2.44	11.21	36.90	19.33
Biomerica	BMRA	2.83	0.27	10.55	3.38	1.46
Mitek Systems	MITK	9.45	0.90	10.53	9.50	5.26
NN	NNBR	30.30	2.85	10.38	31.65	13.43
Abeona Therapeutics	ABEO	9.20	0.85	10.18	9.85	2.31

...And losers

Company	Symbol	Volume (000)	Latest	Session % chg	High	Low

<tbl_r cells="7" ix

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.								
July	2,6420	2,6485	2,6235	2,6395	0,0200	3,952		
Sept	2,6255	2,6605	2,6310	2,6475	0,0005	138,048		
Gold (CMX)-100 troy oz.; \$ per troy oz.								
July	1211,40	1212,00	1209,60	1212,10	3,50	84		
Aug	1212,10	1215,00	1204,00	1213,20	3,50	282,518		
Oct	1216,00	1217,90	1207,70	1216,20	3,50	18,690		
Dec	1220,10	1221,50	1211,10	1220,40	3,50	132,651		
Feb'18	1223,10	1225,20	1214,50	1223,90	3,50	127,141		
June	1230,30	1231,40	1221,80	1231,00	3,60	8,063		
Palladium (NYM)-50 troy oz.; \$ per troy oz.								
July	837,90	837,90	837,90	849,35	6,10	8		
Aug	837,90	837,90	837,90	842,80	6,10	4		
Sept	835,35	839,15	826,00	837,35	6,10	30,155		
Dec	832,00	834,95	823,65	833,75	5,70	3,016		
Platinum (NYM)-50 troy oz.; \$ per troy oz.								
July	899,40	899,40	898,30	899,30	-1,80	51		
Oct	908,30	910,20	894,10	901,90	-2,20	68,280		
Silver (CMX)-5,000 troy oz.; \$ per troy oz.								
July	15,540	15,615	15,150	15,577	0,206	270		
Sept	15,580	15,705	15,145	15,629	0,204	158,127		
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.								
Aug	44,35	44,84	43,65	44,40	0,17	423,083		
Sept	44,50	45,03	43,83	44,60	0,21	363,620		
Oct	44,73	45,21	44,01	44,79	0,23	130,975		
Dec	45,23	45,72	44,53	45,32	0,25	319,383		
June'18	46,59	46,90	45,82	46,62	0,33	117,460		
Dec	47,42	47,76	46,76	47,62	0,41	164,371		
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.								
Aug	1,4912	1,4666	1,4345	1,4536	0,054	106,751		
Sept	1,4958	1,4723	1,4401	1,4593	0,052	82,054		
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.								
Aug	1,5064	1,5143	1,4759	1,5007	0,023	115,895		
Sept	1,4988	1,4967	1,4608	1,4841	0,023	83,102		
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.								
Aug	2,988	2,946	2,870	2,929	0,065	272,407		
Sept	2,892	2,934	2,863	2,924	0,067	194,141		
Oct	2,917	2,963	2,894	2,955	0,069	183,815		
Jan'18	3,223	3,272	3,211	3,269	0,068	107,655		

Cash Prices | WSJ.com/commodities

Monday, July 10, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday	Monday	Monday
Energy			
Propane,tet,Mont Belvieu-g	0,6046		
Butane,normal,Mont Belvieu-g	0,7421		
Natural Gas,HenryHub-g	2,910		
Natural Gas,TranscoZone3-i	2,890		
Natural Gas,TranscoZone6NY-i	2,930		
Natural Gas,PanhandleEast-i	2,550		
Natural Gas,Opal-i	2,600		
Natural Gas,MarcellusNE PA-i	2,110		
Natural Gas,HaynesvilleLA-i	2,770		
Coal,Caplc,1,250,000Btu,1,2502-r,w	52,750		
Coal,PwdrRvrBsn,880,000Btu,0,8502-r,w	11,650		
Metals			
Gold,per troy oz			
Engelhard industrial	1213,01		
Engelhard fabricated	1303,99		
Handy & Harman base	1211,90		
Handy & Harman fabricated	1345,21		
LBMA Gold Price AM	*120,20		
LBMA Gold Price PM	*1215,65		
Kruegerand,wholesale-e	1262,66		
Maple Leaf-e	1274,81		
American Eagle-e	1274,81		
Mexican peso-e	1471,84		
Austria crown-e	1193,06		
Austria phil-e	1274,81		
Silver,per troy oz.			
Engelhard industrial	15,3400		
Engelhard fabricated	18,4080		
Handy & Harman base	15,5600		
Handy & Harman fabricated	19,4500		
LBMA spot price	£11,8186		
(U.S.\$ equivalent)	15,2200		
Metals			
Gold,per troy oz			
Engelhard industrial	1213,01		
Engelhard fabricated	1303,99		
Handy & Harman base	1211,90		
Handy & Harman fabricated	1345,21		
LBMA Gold Price AM	*120,20		
LBMA Gold Price PM	*1215,65		
Kruegerand,wholesale-e	1262,66		
Maple Leaf-e	1274,81		
American Eagle-e	1274,81		
Mexican peso-e	1471,84		
Austria crown-e	1193,06		
Austria phil-e	1274,81		
Fibers and Textiles			
Burlap,10-oz,40-in NY yd-n,w	0,6000		
Cotton,11/16 std lw-mdMphs-u	0,6622		
Cotlook'A' Index-t	*84,60		
Hides,ny native steer piece fob u	66,000		
Wool,64s,stable,Terr del-u,w	4,20		
Grains and Feeds			
Barley,top-quality Mnpls-u	4,70		
Bran,wheat middlings,KC-u	65		
Corn,No.2 yellow,Cent Il-bp,u	3,6900		
Corn,6% Broken White,Thailand-l,w	397,00		
Rice,5% Broken White,Thailand-l,w	397,00		
Corn gluten feed,Midwest-u,w	74,3		
Corn gluten meal,Midwest-u,w	468,8		
Cottonseed meal,u,w	n.a.		
Hominy feed,Cent IL-u,w	92		
Meat-bonemeal,50% pro Mnpls-u,w	290		
Oats,No.2 milling,Mnpls-u	2,7800		
Rice,5% Broken White,Thailand-l,w	397,00		
Shredded Scrap,US Midwest-s,w	296		
Steel,HRC,USA,FOB Midwest Mill-s	611		
Food			
Beef,carcass equiv.index			
choice 1-3,600-900 lbs.-u	191,27		
select 1-3,600-900 lbs.-u	175,83		
Broilers,dressed'A'-u	n.a.		
Broilers,National comp wghtd-u,w	1,0813		
Butter,AA Chicago	2,6150		
Cheddar cheese,bb,Chicago	138,50		
Cheddar cheese,bk,Chicago	155,50		
Milk,Nonfat dry,Chicago lb.	87,25		
Cocoa,Ivory Coast-w	2147		
Coffee,Brazilian,Comp	1,2564		
Coffee,Colombian,NY	1,4896		
Eggs,large white,Chicago-u	0,6850		
Flour,hard winter KC	18,20		
Hams,17-20 lbs,Mid-US,fob-u	n.a.		
Hogs,Iowa,Southern,Minnota-u	88,44		
Pork bellies,12-14 lb MidUS-u	n.a.		
Pork loins,13-19 lb MidUS-u	1,2715		
Steers,Tex-Oklahoma,Choice-u	n.a.		
Steers,feeder,Oklahoma,City-u,w	n.a.		
Fats and Oils			
Corn oil,crude wet/dry mill-u,w	38,000		
Grease,choice white,Chicago-h	0,3150		
Lard,Chicago-u	n.a.		
Pork bellies,12-14 lb MidUS-u	1,2715		
Steers,Tex-Oklahoma,Choice-u	n.a.		
Tallow,bleach,Chicago-h	0,3550		
Tallow,edible,Chicago-u	n.a.		
Interest rate swaps			
Barrel,10-oz,40-in NY yd-n,w	0,6000		
Cotton,11/1			

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, July 10, 2017

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
AmericaMovil	AMOV	16.35	.037	BHPBilliton	BHP	37.64	.042	CongraBrands	CAG	33.23	-.019	LennoxIntl	LII	184.70	-.152	RioTinto	RIO	44.22	.072
AmtCampus	ACC	46.03	.010	BHPBilliton	BBL	32.58	.030	ConchoRcs	COX	12.57	.082	LeucadiaNatl	LNT	26.61	-.015	Rockwell	ROK	164.69	.026
AEP	AEP	68.89	-.024	BuckeyePtrs	BPL	63.94	-.062	ConocoPhillips	COP	43.24	.024	Level3Comm	LVL	58.76	-.017	RockwellCollins	COL	107.62	.126
Affac	AFL	77.65	-.033	Bunge	BG	76.47	-.037	ConEd	ED	80.37	-.016	EversourceEner	ER	265.58	.237	LibertyProperty	LPT	40.51	-.002
AGCO	AGCO	69.38	.134	BurlingtonStores	BRS	88.00	-.242	ConstnBrands	CBT	19.83	.030	EverSourceEner	ES	59.91	-.016	MorganStanley	M	152.47	.001
AT&T	AT	38.83	-.015	CBRE Group	CBG	37.67	.016	Cooper	COO	24.94	.141	ExxonMobil	EX	35.76	.018	LincolnNational	LNC	70.63	.043
AXIS Capital	AXS	64.12	-.001	CBS A	CBSA	64.18	.055	Cooking	GLW	30.54	.026	ExtraOrdinary	EXR	74.76	-.177	LionsGate	LGF	27.63	.013
AbbottLab	ABB	48.23	-.021	CBS B	CBSB	63.70	.089	Coty	COTY	18.43	-.036	ExxonMobil	XOM	80.16	-.006	LionsGate	LGBF	25.00	-.005
AbbVie	ABBV	71.83	-.020	CF Industries	CF	29.72	.183	Creditcorp	BAP	182.34	.031	Fairfax	FDX	161.63	-.041	Loews	LOW	74.92	-.023
Accenture	ACN	124.06	-.015	CGL Group	CGL	51.19	.029	CreditSuisse	CS	15.19	-.003	FederalRdy	FRT	147.26	-.152	LyondellBennell	LYB	82.28	-.001
AcuityBrands	AVI	198.43	-.010	CIT Group	CIT	48.91	-.017	CrestwoodEquity	CCE	22.60	-.005	FinTech	FTX	218.87	.036	Macmillan	MAC	57.06	-.007
Adient	ADNT	68.19	.054	CMS Energy	CMS	45.59	-.016	CrownCastles	CCC	99.71	-.030	FlatChrysler	FCX	11.20	.111	M&T Bank	MTB	164.36	.020
AdvanceAuto	AAU	101.17	-.076	CNA Fin	CNA	49.41	.039	Cullinan	CCK	80.51	FinTech	FNF	14.57	-.020	MetLife	MET	157.00	-.020
AdmSemiEng	ASX	6.39	.037	CNOOC	CNO	99.21	.013	CulverFrost	CFR	94.74	-.071	FirstData	FDC	18.28	.004	MidCap	MCP	33.44	-.018
AmericaMovil	AMX	16.52	.033	CPLF Energia	CPL	16.26	.021	Cummins	CMI	16.05	.038	FirstEnergy	FE	29.31	.006	Moody's	MGM	31.18	.034
Applitek	APT	44.54	-.002	CreditSuisse	CSP	44.54	-.002	Darden	DHR	82.56	-.051	FivePoint	FNF	44.66	-.007	MRG Mgmt	MGM	31.18	.034
ApprentiGlobal	APP	44.52	-.003	CIBC	CBC	81.20	.044	DeutscheBank	DE	189.77	-.088	FlattenEq	FLE	17.30	.022	NationalGrid	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	Citibank	CBA	44.06	.016	DevonEnergy	DVN	29.73	.019	FivePoint	FNF	14.57	-.020	NeimanMarcus	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ColgatePalmolive	CCL	42.64	-.014	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	Comcast	CMP	42.64	-.014	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.043
ApprentiGlobal	APP	44.52	-.003	ConAgra	CAG	63.07	.020	DigitalRealty	DRL	61.00	-.009	FivePoint	FNF	14.57	-.020	Occidental	NGV	34.66	-.04

MARKETS

Swaps Rules to Get Revamp

CFTC seeks a better picture of market with standardized reporting requirements

BY GABRIEL T. RUBIN

WASHINGTON—The U.S.'s top derivatives regulator said it plans to rewrite rules governing the reporting of swaps transactions in an effort to make data more consistent across firms and give regulators a clearer view of market conditions.

The Commodity Futures Trading Commission has been working to reconcile post-trade reporting data from four privately owned data repositories as part of an effort to identify and address potential sources of systemic risk in the \$483 trillion global swaps market. The market was placed under the CFTC's jurisdiction as part of the 2010 Dodd-Frank Act.

While data repositories, which are approved by regulators, must submit post-trade data to the CFTC, there are no firm guidelines governing data

standardization. The CFTC's new effort attempts to change that. A recent CFTC inspector-general report criticized current data collection, saying current data was "essentially unusable."

"We look forward to working with all stakeholders—including market participants, [swap data repositories], and our fellow regulators—to ensure that we have the optimal data and swap reporting regime," CFTC acting Chairman J. Christopher Giancarlo said in a statement.

The announcement kicks off a 40-day comment period, which will be followed by specific rule proposals. The CFTC said it was aiming for full industry implementation by the end of 2019.

The inspector general's recent report chided the CFTC for its handling of swaps data collection, saying it was inexplicable that the agency would require firms to report certain types of data but not coordinate with the firms on standardized reporting methods.

The inspector general's warning cited an internal 2016 CFTC report on swaps data

showing that significant amounts of information were essentially unusable due to the poor quality of the data. The report noted "outdated market-to-market valuations; illogical or impossible values; incorrect product classifications; incorrect cleared status; and an unworkable mishmash of firm ID formats."

As a result, the inspector general said, "trillions of dollars of notional positions are 'unpriceable' and represent an 'unmeasurable amount of risk.'

\$483

The size of the global swaps market in trillions

Swaps are derivatives contracts in which two parties agree to exchange payments based on fluctuations in certain benchmarks. Companies use these contracts to hedge risks or make bets in such areas as fuel prices or interest

rates.

After the financial crisis, Congress and regulators changed reporting requirements with the goal of shining a light on a notoriously opaque market and, in the event of another crisis, to help unwind failing market participants that posed a risk to the entire system.

The review was announced jointly by Mr. Giancarlo and Democratic Commissioner Sharon Bowen, who has announced her intent to step down in the coming months, which would leave the commission with just Mr. Giancarlo as a sitting commissioner.

Mr. Giancarlo—as well as members of Congress—have urged the Trump administration to move forward with nominations for new commissioners and he has shown a traditional reluctance to pursue major rule making without at least three commissioners.

His own nomination to serve as permanent chairman is awaiting a vote in the Senate after he was approved by the Senate Agriculture Committee by a 16-5 vote in June.



Aramco produced over 10.5 million barrels a day on average in 2016.

Aramco Chief Says Shortage Looms As Investment Cut

BY BENOIT FAUCON

Saudi Arabia is OPEC's biggest oil producer. Aramco produced record output in 2016 of over 10.5 million barrels a day on average, according to its annual report.

Mr. Nasser said the dearth of investment now would lead to fewer barrels in the future, even with shale production. He said the world needs 20 million barrels a day of new production in the next five years to meet demand.

On Monday, oil for August delivery on the New York Mercantile Exchange rose 17 cents, or 0.4%, to \$44.40 a barrel.

Saudi Aramco is preparing to publicly list up to 5% of its shares in what could be the most valuable IPO ever.

Mr. Nasser's concerns about oil supplies falling short are shared by the International Energy Agency. But others such as Exxon Mobil Corp. have said technology, better methods and new recent oil discoveries will keep supplies plentiful for the foreseeable future.

Abu Dhabi State Firm Weighs Public Listings

BY SUMMER SAID

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

Abu Dhabi National Oil Co., which is known as Adnoc and produces most of the 2.9 million barrels a day of output in the U.A.E., will expand its partnerships into refining and petrochemicals as well as other areas such as pipelines and storage, Chief Executive Officer Sultan al-Jaber said in an emailed statement.

It already has ventures with international companies such as BP PLC and Total SA at its main oil and gas field.

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

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

pointed CEO last year.

Adnoc plans to list minority stakes in some of its services businesses, across the oil-and-gas industry, through initial public offerings on local equity markets, but the U.A.E. government won't sell stakes in the company itself, as neighboring Saudi Arabia is planning to do with its state oil firm.

The statement didn't specify which units would be listed or give a time frame for the plan, but a spokesman said one of Adnoc's services-related companies may be listed by the end of this year.

Since Mr. Jaber's appointment, Adnoc has merged its shipping and ports units and combined its offshore production companies. The company, with around 55,000 staff, reduced its workforce by at least 5,000 last year, people familiar with the matter have said.

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



An oil facility in Libya, which has been exempted from output curbs, along with Nigeria, but there are signs that could change.

Libya, Nigeria Face OPEC Scrutiny

BY BENOIT FAUCON

ISTANBUL—Libya and Nigeria have been invited to a meeting of big oil producers in St. Petersburg, Russia, this month to discuss their surging petroleum output, Kuwait's oil minister said.

Kuwait's request is the latest evidence that the Organization of the Petroleum Exporting Countries and other producers like Russia are concerned about rising output in Libya and Nigeria. The two OPEC members were exempted from an agreement to cut production last year because their oil industries had been crippled by internal strife, but they have since ramped up output.

Those increases have dragged on the efforts of OPEC and 10 other producers

to raise prices with a nearly 1.8-million-barrel-a-day production cut.

Oil supply levels remain high, reflecting a global glut that has kept prices below \$50 a barrel.

Libya's production has more than doubled to one million barrels a day—the first time it has breached that threshold in four years. Nigerian output has increased to more than 1.5 million barrels a day.

The Wall Street Journal reported last week that OPEC and Russia—the biggest non-OPEC producer that agreed to cut production—were considering the possibility of capping Libya and Nigeria.

Such a move could cause strife within OPEC, which requires unanimity to make output decisions.

Speaking to reporters on

the sidelines of an Istanbul oil conference, Kuwaiti Oil Minister Issam Almarzooq said Libya and Nigeria were likely to send officials to the July 24 meeting in St. Petersburg, where OPEC and its non-OPEC allies have planned to discuss compliance with their agreement.

According to people familiar with the matter, OPEC wants Libya and Nigeria to talk about what level of production they would sustainably maintain.

In Istanbul, Russia's energy minister, Alexander Novak, said he also discussed rising Libya and Nigerian oil production with OPEC Secretary-General Mohammed Barkindo. Mr. Novak also met Mustafa Sanallah, chairman of Libya's National Oil Co.

"Libya can play a construc-

tive role in stabilizing oil markets by informing OPEC and markets about its plans to restore production," Mr. Sanallah said in a statement.

But he added, "Libya's political, humanitarian and economic situation needs to be taken into account if we are going to talk about production caps."

Mr. Sanallah didn't say whether he will attend the meeting.

Nigerian oil officials didn't respond to requests to comment. Nigeria has said it would consider limiting its output once it determined whether its recent rally is sustainable.

Kuwait's Mr. Almarzooq said deeper production cuts were "not on the agenda" and there are signs the cartel's strategy is working.

Glitches Halt Trading on Exchanges in India, Indonesia

BY CORINNE ABRAMS

Technical problems disrupted early trade on India's largest stock exchange and Indonesia's equities market Monday, highlighting the vulnerability of the global trading system to technology failures.

Last week, incorrect stock-market data were widely disseminated on some platforms across Asia, showing what appeared to be huge moves in the Nasdaq-listed share prices of some of the world's biggest companies, including Apple Inc., Microsoft Corp. and Amazon.com Inc.

"It's symptomatic of the complexities of the marketplace that we're dealing with now," said Neil McLean, head of trading for Asia ex-Japan at Instinet in Hong Kong.

Trading on India's National Stock Exchange was delayed for three hours because of a technical problem at the

opening, the exchange said Monday.

In Jakarta, officials said the glitch in India was unrelated to one that had disrupted trading on the Indonesia Stock Exchange.

On India's NSE, after two false starts, trading resumed at 12:30 p.m. local time, though traders said offer-price data for the cash market weren't displaying correctly.

The exchange said later Monday that the issue with the display of prices had been resolved and that the cash and futures-and-options segments affected by the disruption were functioning normally.

"NSE deeply apologizes for the glitch. The matter is being examined by the internal technical team and external vendors to analyze and identify the cause which led to the issue and to suggest solutions to prevent recurrence," the exchange said.

It said no cyberattack "was

observed leading to the technical glitch," adding that it didn't switch trading to a disaster-recovery site because a preliminary assessment identified the fault as a software problem that could be resolved quickly.

Technical issues on global exchanges aren't unheard of in

Asia. Singapore's stock exchange, for example, has suffered a series of outages in recent years.

"The exchanges generally handle the complexities of the marketplace very well. Things go wrong sometimes," Mr. McLean said. "It's down to the crisis management of the ex-

changes."

Neeraj Dewan, director of Indian brokerage Quantum Securities, said the NSE's outage did disrupt business volume. "The fact that it took a lot of time to resolve raises a lot of questions that need to be answered by the exchange," he said.

Others were less concerned. "It is the first time this incident has happened" at the NSE, said Rahul Shah of Motilal Oswal Securities in Mumbai, adding that he was confident the exchange would prevent it from recurring. "I'm not worried."

The Securities and Exchange Board of India said it was in touch with the NSE and was "closely monitoring the situation."

In Indonesia, a problem was discovered in the market information-distribution system at 8:52 a.m. local time and trading was stopped at 9:34, said Yulianto Aji Sadono, a spokes-

man for the Indonesia Stock Exchange. Trading resumed around 10 a.m.

"The problem occurred in our supporting system, not our main system," he said.

He offered no further details about the nature of the problem, which was being investigated in preparation for a report that must be filed to the country's Financial Services Authority.

The exchange's president director, Tito Sulistio, said the glitch—it's first in five years—wasn't caused by a virus.

Indonesia's benchmark IDX Index declined 0.7% on Monday, falling for the fourth session in five since rising to a record level on July 3. The NSE's Nifty 50 rose 1% and India's benchmark S&P BSE Sensex index—unaffected by the technical error at the NSE—climbed 1.1% to reach a record.

—Anita Rachman contributed to this article.



Stock prices are displayed in the NSE atrium in Mumbai.

DHIRAJ SINGH/BLOOMBERG NEWS

MARKETS



South Korea's Kospi index has climbed 18% this year and the won is up 5.1% against the dollar.

No Worries Here

South Korea's Kospi stock index has surged to records this year. Meanwhile, the won has strengthened against the dollar, and Korea's central bank has amassed foreign-exchange reserves at a slower pace than in recent years, suggesting it has stepped back from intervention.



Sources: FactSet (index); WSJ Market Data Group (currency); CEIC (reserves)

THE WALL STREET JOURNAL.

Seoul Markets Keep Calm and Climb On

South Korean assets are on a tear, despite the nuclear threat posed by the North

By STEVEN RUSSOLILLO
AND SAUMYA VAISHAMPAYAN

For world leaders, the accelerating nuclear threat from North Korea is near the top of the worry list. For investors, not so much.

Investors have plowed money into North Korea's southern neighbor, resulting in unexpectedly stellar performances for South Korea's stock, bond and currency markets. Even the market for South Korea's credit-default swaps, which act like insurance against bond defaults, remains calm compared with recent years.

"What surprises us is how the CDS market isn't really moving much despite geopolit-

ical uncertainties. People are complacent," said Jean-Charles Sambor, deputy head of emerging-market debt at BNP Paribas Asset Management, with about \$661 billion in assets under management. He said BNP is cautious on Korean dollar debt because it is expensive and that the CDS market is underestimating risk.

South Korea's Kospi stock index has surged to records this year, up 18%. Cash continues to pour into Korean stocks and bonds, which analysts attribute to an improving economy and strong earnings. And while investors say geopolitics shouldn't be ignored, they are more focused on the positives, including double-digit-percentage export growth.

North Korea test-launched its first intercontinental ballistic missile last week, and President Donald Trump said he is considering "some pretty severe things" in response. But

in a world where market volatility has nearly vanished, it caused hardly a ripple in financial markets.

"Between low oil prices, strong demand for semiconductors and a very low inflationary environment, you have this benign and perfect scenario for South Korea despite all the rhetoric and uncertainty coming from the North," said Sean Darby, chief global equity strategist at Jefferies. "Investors are looking at these fundamentals and saying they're outweighing the political risk."

Foreign investors have piled into South Korean stocks and bonds all year. Foreign bondholdings rose in June for a sixth straight month, according to South Korea's Financial Supervisory Service, the country's financial watchdog. Foreign stockholdings rose for a seventh straight month.

Even last week, foreign investors were net buyers of

South Korean shares, the only such example among Asian markets considered emerging, according to Goldman Sachs Group Inc.

South Korea's Kospi has been one of the world's best-performing stock indexes this year. Its biggest component, Samsung Electronics Co., has surged 35%, as demand for its components outshines political and product challenges. Samsung is set to overtake Apple Inc. as the world's most-profitable technology company.

South Korea's won has risen 5.1% against the U.S. dollar this year, easing some after being up as much as 8.6%. That is one of the strongest performances against the dollar in Asia. In comparison, the New Taiwan dollar has advanced 6.3%, the Japanese yen 2.6% and the Chinese yuan 2.1%. One reason is that South Korea's central bank has largely stayed on the sidelines

rather than stepping in to slow the currency's rise, as it often has in the past, analysts said.

Markets globally remain calm, and investors are signaling they don't expect that to change significantly in the near future.

Analysts attribute the inflows to an improving economy and strong earnings.

traders see low volatility continuing.

In recent years, North Korea's provocations and threats have had diminishing impacts on financial markets, particularly on stocks and currencies, according to a 2016 study by Ju Hyun Pyun of Korea University and In Huh of the Catholic University of Korea. The study, which focused on 2004 through 2015, found that market moves in the first few years of the period were larger and more significant than in later years, suggesting investors had become accustomed to political risks.

Market volatility has picked up a bit in the past few weeks; the MSCI AC Asia Pacific index dropped 1.2% last week, its biggest decline since March. But that appears to be more an effect of hawkish rhetoric from central bankers, particularly the European Central Bank than of anything out of North Korea.

Snap Shares Decline Below Their IPO Price

By CORRIE DRIEBUSCH

level. On Monday, Facebook's stock closed at \$153.50.

Twitter's stock traded above its \$26 IPO price for nearly two years before closing below it for the first time in August 2015. Though shares bounced back slightly in the following months, they have traded below their offer price for roughly the past year and a half. Shares closed at \$18.08 Monday.

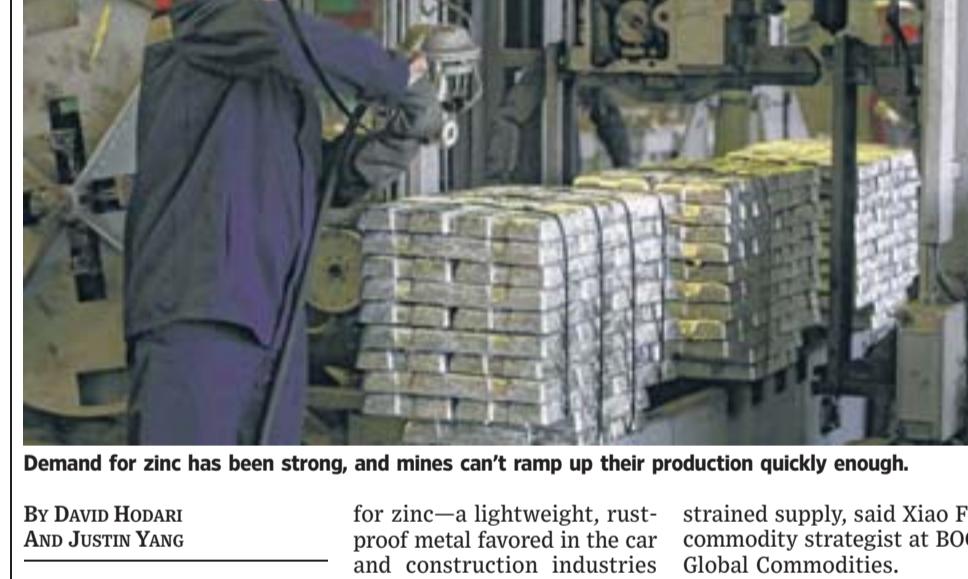
Snap's decline comes as both the stock market and this year's batch of IPOs are performing well. U.S.-listed companies that went public in 2017 are up roughly 11% from their offer prices, and tech IPOs are up about 19% as of July 7, according to Dealogic, while the S&P 500 is up about 8% this year through Friday. The S&P 500 and its tech sector both rose on Monday.

Snap's fall below \$17 a share also comes shortly after another high-profile IPO stumble.

In late June, Blue Apron Holdings Inc. struggled to find buyers in its IPO and ended up pricing shares at \$10 apiece, the bottom of its lowered target range. The meal-kit delivery service's stock closed its first day of trading at its IPO price, but has finished below \$10 a share in each subsequent trading day.

While IPOs in the U.S. have rebounded in 2017, the number of private companies valued at \$1 billion or more has risen in recent years and now stands at more than 160.

Zinc Surges as Supply Gets Tighter



Demand for zinc has been strong, and mines can't ramp up their production quickly enough.

By DAVID HODARI
AND JUSTIN YANG

Zinc prices moved sharply higher over the past month, spurred by limited supply amid tougher Chinese environmental regulations.

METALS Analysts say the metal could rise further despite signs of a rebound in mine output.

The industrial metal ticked down 0.1% to \$2,779 a metric ton Monday in London but is up about 11% in the past month.

The shift in the zinc market follows a sharp contraction in output after an earlier glut sent prices tumbling, leading to shutdowns in production at many mines across the globe.

At the same time, demand

for zinc—a lightweight, rust-proof metal favored in the car and construction industries among others—has remained steady, eating away at the excess inventory.

Now, mines can't ramp up production quickly enough to meet the demand, which remains particularly strong in China, setting the stage for the sustained rally in prices.

Even though some idle mines have restarted since zinc began its resurgence in early June, "it looks as though prices will head even higher as this deficit will continue to bite," said Robin Bhar, head of metals research at Société Générale.

Production boosts in Cuba, Bolivia, Ireland and other places aren't enough to sway market forecasts for con-

strained supply, said Xiao Fu, commodity strategist at BOCI Global Commodities.

Evidence that the zinc market remains tight is visible in the recent drop in inventories. The London Metal Exchange's on-warrant inventory figure—

at 70,350 metric tons—is at its lowest since the fourth quarter of 2007. Similarly,

while Shanghai stockpiles have risen 3.2% in the past week, those gains bring inventory off lows not seen in more than eight years.

In China, the government's efforts to combat pollution have led to more stringent rules aimed at smaller mining companies and smelters in particular, a significant move for the zinc market considering China is responsible for roughly 40% of the world's

On the Rebound

Zinc, three-month ask price on the London Metal Exchange

\$3,000 a metric ton



Source: Thomson Reuters

THE WALL STREET JOURNAL.

supply, according to Vivienne Lloyd, a metals analyst at brokerage Macquarie.

Zinc and lead are often mined together, and the mining process can result in lead and other heavy metals contaminating the water supply and environment.

While aluminum and lead prices also have risen, zinc has outperformed other base metals so far this year.

Investors are accumulating long positions in the metal. As of close of business on July 5, bets that the metal's price would continue to rise had reached their highest level since November.

"Just because positioning is long, that doesn't mean it can't go longer," said Alastair Munro, a broker at Marex Spectron.

Semiconductor Shares Help Lift Nasdaq

By ALEXANDER OSIPOVICH
AND RIVA GOLD

Rallying technology shares lifted the Nasdaq Composite to its second straight session of gains Monday.

Meanwhile, government bond markets showed signs of stabilizing after a two-week sell-off, and investors looked ahead to corporate earnings season.

The Dow Jones Industrial Average fell 5.82 points, or less than 0.1%, to 21,408.52. The S&P 500 rose 2.25 points, or less than 0.1%, to 2,427.43, while the Nasdaq added 23.31 points, or 0.4%, to 6,176.39.

Tech shares in the S&P 500

climbed 0.8%. Semiconductor companies led the gains, with Nvidia rising \$6.94, or 4.7%, to \$153.70 and Advanced Micro Devices up 45 cents, or 3.4%, to 13.81. Tech is down more than 3% from a peak on June 8 but it is still the best-performing sector in the S&P 500 so far this year with a gain of 18%.

Investors may be favoring growth-oriented tech stocks because they don't depend on fiscal stimulus from Washington, which now looks unlikely, said Matthew Peterson, chief wealth strategist at LPL Financial. "In the absence of exogenous stimulus...investors tend to prefer stocks that can produce their own luck," he said.

Retailers were among the worst performers Monday, accounting for nine of the 10 biggest percentage declines in the S&P 500.

Reports that Amazon.com was launching a new home-consultation service pressured shares of Best Buy, which offers similar services. The electronics retailer sank 3.64, or 6.3%, to 54.23, while Amazon rose 17.71, or 1.8%, to 996.47.

Abercrombie & Fitch tumbled 2.57, or 21%, to 9.59, after the clothing retailer said discussions to sell itself were off, confirming an earlier report in The Wall Street Journal.

In bond markets, the yield on the 10-year Treasury note fell to 2.371%. That was down

from 2.393% on Friday, which was the highest yield in nearly two months.

Early Tuesday, Japan's Nikkei Stock Average was up 0.2%, while Hong Kong's Hang Seng Index was up 0.6%.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

13-Week 26-Week

Applications \$111,793,369,900 \$109,461,475,800

Accepted bids \$39,000,110,900 \$33,000,075,800

"noncomp" \$535,856,900 \$457,356,800

foreign noncomp \$0 \$300,000,000

Auction price (rate) 99.737111 99.431250 (1.12%)

Coupon equivalent 1.040% 1.147%

Bids at clearing yield accepted 26.46% 6.93%

Cusip number 912796KR9 912796ML0

Both issues are dated July 13, 2017. The 13-week bills mature on Oct. 12, 2017; the 26-week bills mature on Jan. 11, 2018.

Diverging Debuts

Nap shares fell below their IPO price, but a new stock's early performance doesn't necessarily indicate how it will fare longer term.

Snap share price



Source: FactSet

THE WALL STREET JOURNAL.

MARKETS

Investors Keep Faith in Long-Term Bonds

Despite recent selloff, 10-year/30-year yield differential shows belief in tame inflation

By MIN ZENG

Investors aren't giving up on the best-performing Treasurys, one sign that some think the recent bond market selloff could prove short-lived.

Bond prices have fallen in recent weeks, pushing the yield on the benchmark 10-year U.S. Treasury note to its highest since early May. The yield settled at 2.371% Monday, down from 2.393% Friday. But it was up from this year's low of 2.135% on June 26, one day before the recent selloff started. Yields rise as bond prices fall.

At the same time, the difference between the yields on the 10-year and 30-year Treasurys recently hit its lowest since 2009. A shrinking gap means investors get a lower premium to own the 30-year bond, which signals their doubts that inflation will rise and threaten the value of long-term debt.

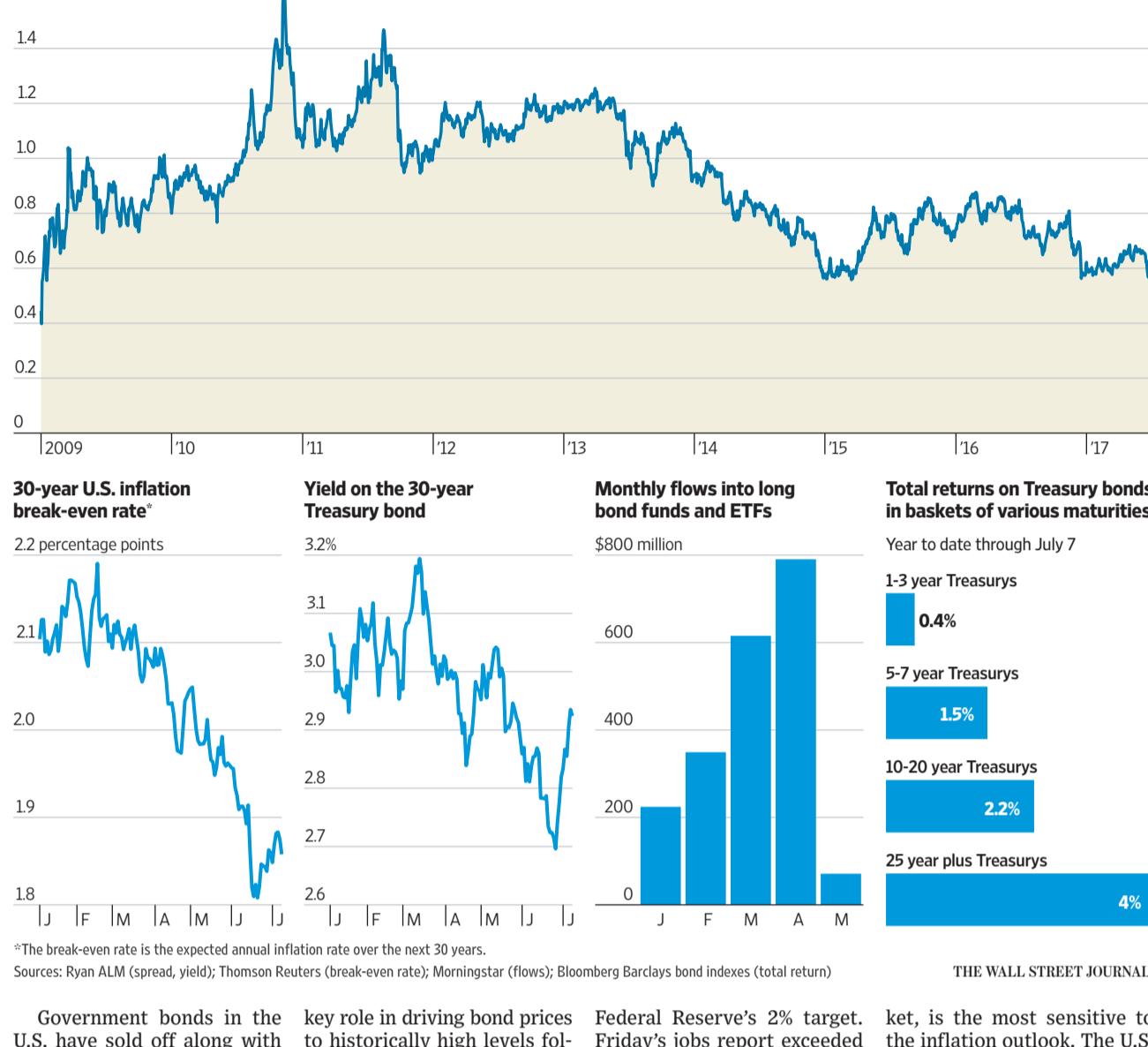
Investors have long confronted a trade-off when dabbling in long-term bonds. When interest rates fall, prices of these bonds rise more sharply than their shorter-term peers, rewarding bond buyers. Yet bondholders suffer losses if prices fall and yields rise rapidly.

"The bond market is pricing in low inflation," said Thomas Byrne, director of fixed income at **Wealth Strategies & Management LLC**. "Inflation, here and abroad, will ultimately determine long-term rates and central bank policies."

The recent selloff is stirring up a fresh debate over whether long-dated government debt is riskier than bonds with shorter maturities, a split that highlights the crosscurrents complicating investors' outlook for bonds.

Long View

The difference between the yield on the 10-year U.S. Treasury note and the 30-year bond recently touched its lowest since 2009, a sign investors' inflation expectations remain muted.



Government bonds in the U.S. have sold off along with their peers in many other developed countries since late June, following signals from major central banks that a broad improvement in the global economy may allow them to pull back ultraloose monetary stimulus. Easy-money policies have played a key role in driving bond prices to historically high levels following the financial crisis.

At the same time, inflation remains subdued, tempering a major threat to long-term government bonds. Over the past few months, some measures have shown inflation pressure easing in the U.S., with some indicators falling below the

Federal Reserve's 2% target. Friday's jobs report exceeded analysts' expectations, yet a gauge of wage growth remained tame.

Inflation chips away investors' purchasing power from their bonds' fixed payments. As a result, the 30-year Treasury bond, the longest maturity in the Treasury debt mar-

ket, is the most sensitive to the inflation outlook. The U.S. consumer-price index report for June is scheduled to be released this Friday.

In a major sign some investors expect inflation to stay contained, the yield premium investors demanded to hold the 30-year Treasury bond relative to the 10-year Treasury

note fell to 0.516 percentage point on July 3, the lowest level since January 2009, according to Tradeweb. It ticked up to 0.55 percentage point Monday.

On Monday, the 30-year Treasury yield was 2.924%, still below the 3.067% where it closed at the end of 2016.

The premium decline has surprised some traders and analysts because it happened as the recent selloff has driven up the 10-year yield's premium relative to that of the two-year note.

The 30-year break-even rate, the yield premium of the 30-year Treasury bond to the 30-year Treasury inflation-protected security, was 1.86 percentage points Monday, according to Tradeweb. That suggests investors expect inflation in the U.S. to run at an annualized 1.86% rate over the next three decades.

While the break-even rate has risen from this year's low of 1.804% set on June 20, it was below this year's high of 2.158% in February.

"Inflation has been too low and Congress has struggled to pass legislation to promote economic growth," said Andrew Pace, vice president at Performance Trust Capital Partners LLC. "Without these two issues getting resolved, it will be hard" for the rise in long-term Treasury bond yields to continue, he said.

Treasury bonds maturing in more than 25 years posted a 4% return this year through July 7, including price changes and interest payments, beating the 1.4% return on overall Treasury debt, according to data from Bloomberg Barclays bond indexes.

Over a greater time span, buying long-term bonds has been rewarding. The 30-year Treasury bond yield closed at a high of 15.252% in October 1981. It has since been declining, driven partly by moderation of inflation pressure. The yield closed at a record low of 2.109% in July 2016.

Abercrombie Loses Last Best Hope

After two months of trying to sell itself, **Abercrombie & Fitch** is going it alone. A deal may have been its last chance for recovery.

Shares of Abercrombie plunged 21% Monday after the company said it had terminated discussions regarding a potential sale and had decided that "aggressive pursuit" of its current strategy is the best path. Unfortunately for Abercrombie, the announcement likely means a continuation of its downward trajectory. There is also a read-across for other struggling apparel retailers: Don't expect to be bailed out by private equity or peers.

Private-equity firms have become more wary of taking on debt to buy struggling retailers. Abercrombie had net cash on its balance sheet as of the end of the first quarter, but is one of the most heavily indebted retailers if lease obligations are factored in. That may have limited a private-equity firm's ability to borrow for a deal.

For peers such as **Express** and **American Eagle Outfitters**, both of which were interested in Abercrombie, the benefits of taking over a company with a flagging namesake brand were already limited. They could have gotten Abercrombie's better-performing Hollister brand while taking out a competitor, but the retailers' capital would likely be better spent bolstering their own e-commerce operations.

Abercrombie's shares fell to their lowest level in 17 years Monday, a sign that investors don't expect another deal or a revival of the chain on its own. This could be the beginning of the end for Abercrombie.

—Miriam Gottfried

Email: heard@wsj.com

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Chip Makers Feasting on Phones

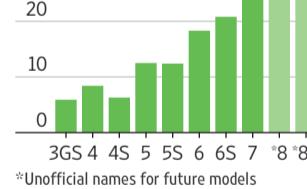
Today's smartphones are essentially a collection of processors and memory wedged tightly to a high-definition touch screen. Large smartphone manufacturers like **Apple** and **Samsung Electronics** design some chips themselves, but procure many others from a wide range of suppliers with different areas of expertise. Three of the largest chip makers by market cap—**Intel**, **Broadcom** and **Qualcomm**—have major business with smartphones.

But smartphones aren't the growth market they once were. Global smartphone unit sales rose barely 2% last year compared with 10% the year before, according to IDC. New designs this year from Apple and Samsung are expected to give a lift to upgrades. But unit sales are still expected to rise only 4% for the year, IDC predicts.

The best play for investors is to find companies not limited to selling one chip per phone. Memory companies like **Micron Technology** and **Western Digital** benefit

Tuned In

Estimated radio-frequency-chip content per iPhone generation



*Unofficial names for future models

Source: Charter Equity

Photo: Mark Kauzlarich/Bloomberg News

THE WALL STREET JOURNAL.



from higher amounts of DRAM and NAND flash being built into new phones. Micron CEO Sanjay Mehrotra noted in the last earnings call that DRAM in even low- and midtier phones would double by next year.

Another opportunity comes from the radio frequency, or RF, chips that amplify signals, filter interference and boost data speeds. Smartphone makers are packing more of these types

of chips per device to make their products work across multiple networks around the world. That is good news for Broadcom, **Skyworks** and **Qorvo**.

The trick here is timing: Most stocks in this group have already seen a strong run. Micron, Broadcom and Skyworks are all up more than 30% so far this year, thanks in part to their other strong businesses, including supplying Samsung's newly

launched Galaxy S8. And Apple is widely expected to delay the shipment of its redesigned, 10th-anniversary iPhone this fall due to possible component shortages. In a research note Monday, Andy Hargreaves of KeyBanc Capital Markets said expectations for an iPhone launch delay have already been incorporated into Wall Street's consensus estimates for several Apple suppliers—including Broadcom, Skyworks and **Cirrus Logic**.

That will likely curb projections in the coming earnings season. And it won't be clear until the iPhones actually ship which chips are actually inside. But Broadcom and Skyworks both trade at less than 15 times forward earnings—in line with the sector average. That could leave some room for an October surprise.

This is the second of three columns on what is next for the booming semiconductor industry. Still coming: How China is trying to upend the industry.

—Dan Gallagher

OVERHEARD

Amazon.com's relentless expansion has devastated companies everywhere, but at least vintners can breathe easy.

Several outlets reported last week about an Amazon news release about "the first wine ever developed from conception to release with Amazon Wine."

The retailer then corrected the release several hours later, pointing out that it will simply distribute the wine called NEXT.

Amazon already sells wine online, but doing so is complicated. And retail competitors already market their own bottles—some quite good. For example, **Costco Wholesale** has earned accolades for its store-brand Champagne and a British **Wal-Mart Stores** subsidiary saw a run on an award-winning Chilean red wine that was selling for under \$6. On the other end of the spectrum was "Two Buck Chuck" at **Trader Joe's**.

Amazon isn't in this game yet, but it will be late if it ever arrives.

Fixing Italy's Troubled Lenders Is Helping Europe Heal

Italian banks are out of the emergency room. There is a long convalescence ahead, but it is good news for the recovery of Europe as a whole.

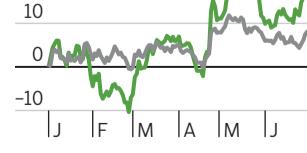
The healing under way in Italy and elsewhere is making room for new lending, which can help to fuel economic growth.

Monte dei Paschi di Siena, Italy's most troubled big bank, finally struck a deal with European regulators to complete its €5 billion (\$5.7 billion) bailout this month.

Meanwhile, a smaller troubled bank, **Banca Carige**, which had also been keeping fears of financial

Health Kick

Share price and index performance



Source: FactSet

crisis alive, announced a capital raising and bad-loan sale plan that sent its shares up 30%.

These solutions came swiftly after the state-backed sale to **Intesa Sanpaolo** of

two banks in the Veneto region, which had been casting a shadow over the financial system. Italian bank stocks have rallied sharply, outperforming European rivals significantly since mid-June.

Between them, these events promise to take almost €50 billion of bad loans out of Italy's banks, leaving about €275 billion in the system. However, UniCredit has pledged to sell €18 billion worth as part of its restructuring; and €57 billion are on the books of Intesa Sanpaolo, which as Italy's healthiest bank is well placed to deal with them.

Italy's problems are starting to look less dramatic.

Yes, the country could have dealt with its weak banks sooner and in a less complicated way had there been the political will. But it has now neutralized its worst problems at a direct cash cost to the taxpayer of less than 1% of GDP—significantly less than Spain or Ireland spent several years ago.

And loans are turning bad at a slower rate: New bad debts at the 15 biggest banks in 2016 were at their lowest since before 2009, according to rating agency DBRS.

Now banks have the capacity to start lending again: Italian banks finally returned to growth in the first quarter of 2017, along with the

banks of Germany and France, after years of near constant balance-sheet shrinkage.

Growth in those three countries turned the tide for the eurozone as a whole. Total eurozone bank loans were still shrinking at an annualized rate of 11.6% of GDP in the first quarter of 2016 and 3.8% in the last quarter of that year, but that became annualized growth of 1.4% in the first quarter of 2017, according to UBS.

Italy, long the source of worries about European instability, might finally be aiding the Continent's recovery.

—Paul J. Davies

For peers such as **Express** and **American Eagle Outfitters**, both of which were interested in Abercrombie, the benefits of taking over a company with a flagging namesake brand were already limited. They could have gotten Abercrombie's better-performing Hollister brand while taking out a competitor, but the retailers' capital would likely be better spent bolstering their own e-commerce operations.

Abercrombie's shares fell to their lowest level in 17 years Monday, a sign that investors don't expect another deal or a revival of the chain on its own. This could be the beginning of the end for Abercrombie.

—Miriam Gottfried