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THE WALL STREET JOURNAL.

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North Korea Missile Tensions Rise

For first time, regime says a weapon could hit continental U.S.; meeting is set at U.N.

By Jonathan Cheng in Seoul and Alastair Gale in Tokyo

North Korea's successful launch Tuesday of its first ballistic missile capable of reaching the continental U.S. escalated a diplomatic face-off and threatened to shift the decades-old strategic balance in the Pacific.

The U.S. and South Korean militaries conducted a joint exercise on Wednesday morning local time, firing tactical surface-to-surface missiles into the waters off South Korea to counter what it called "North Korea's destabilizing and unlawful actions."

"The U.S. commitment to the defense of the ROK in the face of threats is ironclad," the Eighth U.S. Army, which commands U.S. Army forces in South Korea, said in a statement. ROK is the abbreviation for South Korea's formal name, the Republic of Korea.

Late Tuesday, the Trump administration denounced North Korea and demanded global action after concluding Pyongyang had launched an intercontinental ballistic missile.

Secretary of State Rex Tillerson said the U.S. "strongly condemns" North Korea for the launch. "Testing an ICBM represents a new escalation of the threat to the United States, our allies and partners, the region, and the world," he said.

The development presents President Donald Trump with his biggest foreign-policy challenge and raises the potential costs of military action against Pyongyang. It comes as Mr. Trump has expressed frustration with China's inability to curb North Korea's' advancing weapons program.

U.S. Ambassador to the United Nations Nikki Haley on Tuesday requested an urgent U.N. Security Council meeting on North Korea, a spokesman said. A U.N. spokesman said the session would be held at 3 p.m. Wednesday. The U.S. requested that the meeting be open.

The missile test is likely to push North Korea up the agenda Friday and Saturday at a meeting of leaders of the Group of 20 advanced nations in Germany, where Mr. Trump is set to hold a separate meeting with the leaders of Japan and South Korea.

The Trump administration has sought to increase pressure on China, North Korea's top trading partner and ally, to

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◆ Missile test puts China in tough spot..... A8
◆ Putin meeting tops Trump's trip agenda..... A6

Nation's 241st Birthday Celebration Lights Up the Capitol

PAUL J. RICHARDS/AGENCE FRANCE-PRESSE/GETTY IMAGES

BOLD SHOW: Fireworks gleam over the National Mall in Washington, D.C., during Independence Day festivities on Tuesday.

Bank Bid Shows Shift in Oversight

By Max Colchester And Emily Glazer

J.P. Morgan Chase & Co. made a preliminary approach to acquire U.K. payments business Worldpay Group Inc., potentially marking one of the biggest deals for a U.S. bank since the financial crisis and reflecting banks' growing confidence in a shifting regulatory environment.

The board of Worldpay on Tuesday said it had received separate preliminary approaches from J.P. Morgan and from Vantiv Inc., a U.S.-based credit-card processor. The board said there is no certainty an offer will be made; the two parties have until Aug. 1—a deadline set by U.K. takeover regulators—to announce whether they intend to make an offer.

The expression of interest by the biggest U.S. bank by assets comes just days after J.P. Morgan and peers were given a regulatory green light to return billions of dollars of capital to shareholders via increased dividends and share buybacks. That news bolstered U.S. bank stocks, which had risen sharply in the wake of Donald Trump's electoral victory last November.

Like other big banks, J.P. Morgan has forgone sizable deals since the 2008 financial crisis when it agreed to buy Bear Stearns and Washington Mutual in distressed sales. Bank executives and analysts said the postcrisis political and regulatory climate, which was hostile to banks believed to be "too big to fail," made dealmaking by the biggest firms virtually impossible.

But the Trump administration said it would loosen the shackles on banks and is in the process of putting its nominees, some former bankers, into key oversight posts at the

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◆ Heard on the Street: Bank gets its deal-making game on..... B14

What's News

Business & Finance

J.P. Morgan made a preliminary approach to acquire Worldpay, potentially marking one of the biggest deals for a U.S. bank since the financial crisis. **A1**

◆ **Fed officials** have indicated there is a strong chance they will announce in September a decision to start shrinking the central bank's balance sheet. **A2**

◆ **The U.S. auto industry** is bracing for a rough ride as potential car buyers retreat and Detroit tries to avoid dumping unwanted inventory onto rental-car lots. **B1**

◆ **Volvo plans** to phase out conventional engines in its cars, with all new models from 2019 electrics or hybrids. **B2**

◆ **Bets on stocks** in Italy, France and Spain have given some global hedge funds returns of more than 20% so far this year. **B1**

◆ **A flood of incorrect data** that briefly hit traders' screens showed apparent huge moves in the share prices of some big Nasdaq-listed firms. **B8**

◆ **Activist fund Jana** has taken a roughly 5% stake in EQT and is seeking to scuttle the company's proposed acquisition of Rice Energy. **B3**

◆ **Clariant's bid** to merge with U.S.-based Huntsman has come under attack from a group of the Swiss firm's largest shareholders. **B3**

◆ **Italy's government** took control of Monte dei Paschi, injecting $6.1 billion into the troubled lender. **B12**

◆ **Monogram Residential** agreed to be acquired by a Greystar-led group in a deal valued at around $2 billion. **B1**

World-Wide

◆ **North Korea's** successful launch of its first ballistic missile capable of reaching the continental U.S. escalated a diplomatic face-off and threatened to shift the decades-old strategic balance in the Pacific. **A1, A8**

◆ **Average premiums** for a midlevel insurance plan would jump by 20% in January under the Senate GOP health overhaul, just months before midterm elections. **A4**

◆ **U.S.-backed Syrian forces** breached the wall surrounding Raqqa's heavily fortified Old City, marking a significant advance in the battle to drive out Islamic State. **A6**

◆ **Trump sets out** on a foreign trip Wednesday that will include his first face-to-face encounter with Putin since the election. **A6**

◆ **The EU and Japan** are racing to clinch a broad trade agreement ahead of the Group of 20 summit. **A8**

◆ **U.S. senators** visiting Kabul, including the GOP's McCain, criticized Secretary of State Tillerson's handling of policy in Afghanistan. **A6**

◆ **The Illinois House** is expected to vote as early as Wednesday on whether to override the governor's veto of a budget package. **A3**

◆ **A federal appeals court** blocked the EPA from loosening Obama-era controls on emissions of methane and other greenhouse gases. **A4**

◆ **Thousands of** State Department and USAID employees indicated in a survey they are worried about the future of their agencies. **A4**

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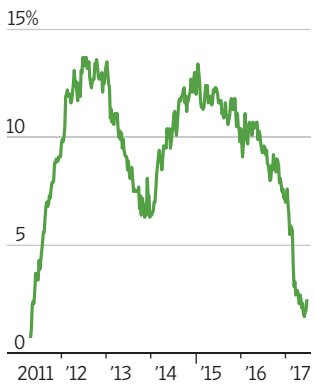
Lenders Feel Pinch

Banks still face lending and rate hurdles despite an upbeat finish to the second quarter. Below, the percentage change from a year earlier for commercial and industrial loans by banks. B12



Source: Federal Reserve
THE WALL STREET JOURNAL.

POLICE PENSIONS PUT CITIES IN BIND

Moves to trim retirement plans face resistance from public and officers

By Heather Gillers and Zusha Elinson

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

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

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

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

Broader municipal pension plans have a median 78 cents of every dollar needed to cover future liabilities, according to data

Please see POLICE page A10

Beach Patrol Draws a Line In the Sand: No More Tents

* * *

Rehoboth Beach, Del., lifeguards enforce curb on 'nontraditional shading devices'

By Scott Calvert

REHOBOTH BEACH, Del.—Capt. Kent Buckson's radio crackled with word of a situation on the beach. A lifeguard had spotted a large canopy amid the sea of umbrellas. That meant one thing. Time for a takedown.

"We've got to get to that one," said Mr. Buckson, the soft-spoken beach patrol boss. He and his deputy, Aaron Tartal, jumped into an all-terrain vehicle and headed over. Mr. Tartal, shirtless and in red swim trunks, strode over to the canopy owner.

"Good morning, sir. I've got bad news," Mr. Tartal told the man. Then he laid out the new law on the two-mile beach. No tents or canopies allowed, except baby tents up to 3 feet high, wide or deep.

"Freakin' ridiculous," groused the man, who declined to give his name, as he dismantled the black 8-by-10-foot canopy he had just erected.

"New city ordinance, it's a little bit of a learning curve," Mr. Tartal gamely replied, pointing out the nearby shacks that rent umbrellas for $12 a day.

Rehoboth Beach is part of a wave of seaside communities that have embraced umbrella-only policies. Myrtle Beach,

Please see SHADE page A10

A noncompliant tent

INSIDE

PROBIOTICS GET A SEAT AT THE TABLE

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BLUE-STATE BUDGET BREAKDOWNS

OPINION, A16

Disney's TV Losses Extend to Children

By Joe Flint And Ben Fritz

Walt Disney Co.'s biggest business, cable TV, is stalling. And the problems go well beyond ESPN.

The sports network's struggle to adapt to a rapidly changing media landscape has garnered much of the attention from investors and analysts. Meanwhile, Nielsen data show ratings have fallen significantly at Disney's biggest brands reaching children, teens and young adults, led by Disney Channel and Freeform.

Each of those two channels has lost about four million subscribers over the past three years, bringing them to about 90 million apiece, according to SNL Kagan, an industry consulting firm.

The troubles are twofold: a lack of hits and the broader move by audiences away from traditional television to digital alternatives. The shift to streaming services such as Netflix Inc. and web-based platforms like Google's YouTube is particularly pronounced among younger viewers targeted by these Disney networks.

Other cable-programming giants are facing similar challenges. But the rising cost of sports content combined with younger viewers watching less traditional TV is particularly worrisome for Disney's cable holdings. According to Nielsen, among people ages 2 through 34, prime-time viewing has dropped by 34% in the past five years.

Disney Channel executives said they are trying to improve programming and determine how aggressively to make the leap to mobile and online formats.

"We see the migration," said Disney Channel President Gary Marsh. "One of the challenges is trying to serve the viewership where they're going as op-

Please see CABLE page A2

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U.S. NEWS

Fed Likely to Act Soon on Portfolio Cuts

By Nick Timiraos

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CABLE

Continued from Page One

posed to trying to drive them where we want them to go."

Disney Channel programming is focused on children, while Freeform, which changed its name from ABC Family in January 2016, is aimed at teenagers and young adults.

Cable TV has long been Disney's biggest business, accounting for 30% of its revenue and 43% of profits last fiscal year, according to the company. About 26% of cable revenue and profits come from entertainment networks like Disney Channel and Freeform, Morgan Stanley estimates, while the rest is generated by ESPN. Disney doesn't disclose the breakdown.

Even though Disney Channel is considered a relatively costly channel for cable companies, it doesn't command the large subscription fees that ESPN does.

Also at stake for Disney is the exposure its TV channels offer for toys, clothes and other products that the company relies on for hundreds of millions of dollars annually in revenue.

As consumers "cut the cord," Disney's once fast-growing cable business has slowed down. According to the company, cable revenue was flat and operating income was down 6% in the first half of the current fiscal year. That has alarmed Wall Street.

Disney Chief Executive Robert Iger has said that strengthening online accessibility for television programs is a priority and that the company is preparing to offer its channels, in part or whole, directly to consumers online rather than just through costly cable television packages.

Profits for Disney Channel and Freeform are driven in part by long-term contracts with cable companies, but the erosion in ratings is likely to ultimately hit the bottom line unless the networks can generate substantial new digital revenue.

Both channels are considering when, not whether, to launch direct-to-consumer apps, similar to Time Warner Inc.'s HBO Now.

"There's no doubt in my mind that the company will pursue that," said Mr. Marsh, adding that such an option could be unveiled in the near future.

For the first six months of this year, the commercial-free Disney Channel's ratings among its core 2-11 year old and 6-14 year old demographics fell 23% in prime time and 13% and 18%, respectively, during the full day, compared with the same period a year earlier, according to Nielsen. Ratings are also down at the smaller Disney Jr. and Disney XD networks, which fall under Mr. Marsh's Disney Channel umbrella.

Making the transition to online and mobile platforms is a delicate dance. Distributors like Comcast Corp. and AT&T Inc.'s DirecTV pay high subscription fees that currently account for a large chunk of the Disney networks' profits. Distributors have said they are wary of too much content being available outside of the pay-TV ecosystem.

Online video currently carries fewer ads and generates significantly less revenue than network programming, particularly if it is available to people who don't subscribe to cable.

Freeform President Tom Ascheim said digital viewing for the channel has doubled in the past two years as his network has put its shows online, including full seasons of popular programs like "Famous in Love."

Such a strategy could mean a short-term hit to ratings and revenue. Still, Mr. Ascheim said, "When we look out a bunch of years from now, digital gets bigger than linear. That feels real clear."

On the Disney Channel, some new shows, such as "I Didn't Do It" and "Best Friends Whenever," didn't click with children, which contributed to the ratings decline.

"We haven't had the breakout hits in the last year or so," Mr. Marsh said.

Disney Channel is betting on "Raven's Home," a spinoff of its hit "That's So Raven." It also has a sequel to its smash original movie "Descendants."

Canceled shows on Freeform include the dramas "Guilt" and "Dead of Summer," which both were darker than the network's "Pretty Little Liars" and "Famous in Love."

Freeform's prime-time viewership among people ages 12-17 was down 25% from January through June, according to Nielsen. For the 18-34 year old demographic, the drop was 20% over the same period.

Both Freeform and Disney Channel are confident that their new slate of shows will lift ratings. Freeform is now targeting young men along with women. Next season, it plans to debut "Cloak and Dagger," its first show from sister unit Marvel. The deal took some persuading, given Marvel's concerns that Freeform wasn't accustomed to the high budgets Marvel's shows require.

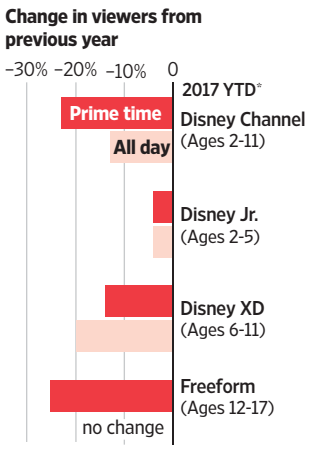
"The first couple phone calls were, `Hello...click,' " said Karey Burke, Freeform's executive vice president of programming and development, who convinced Marvel that her network would spend the big bucks necessary.

DISNEY CHANNEL

Disney hopes to win back young viewers with shows such as 'Descendants 2,' above, the sequel to one of its popular original movies.

Losing Interest

Disney's cable-entertainment channels are all suffering from declines in viewership.



*Dec. 26, 2016—June 25, 2017
Source: Nielsen
THE WALL STREET JOURNAL.

BANKS

Continued from Page One

Federal Reserve and other regulatory agencies.

"We've seen with the recent stress-test results that the regulators have clearly indicated a more comfortable position with banks' returning and using excess capital right now," said Douglas Landy, a partner at law firm Milbank, Tweed, Hadley & McCloy LLP who focuses on financial-services regulation. "And if you can just return it to your shareholders then why can't you use it for strategic acquisitions? In some ways that's a better way to use it: shore up your business model in a traditional space."

Mr. Landy said there also may be more regulatory leeway on this type of acquisition since it isn't a bank buying a bank or a consolidation of lending or other core banking functions. Instead, this is more targeted in a part of the industry that is undergoing a lot of change, especially through technology.

J.P. Morgan's move shows the growing interest among big banks in harnessing technology—whether by building it or buying it—before it disrupts their businesses. In this, J.P. Morgan has been particularly active, creating Chase Pay, a person-to-person payments transfer system meant to rival that of PayPal Holdings Inc., and launching a high-end rewards credit card that competes with the premier offering of American Express Co.

Worldpay processes millions of payments daily in stores, online and on cellphones, predominantly in the U.K. and the U.S. Its shares soared 28% Tuesday. As of Monday evening—before the approaches were disclosed—Worldpay had a market value of $8.2 billion.

Formerly known as Fifth Third Processing Solutions, Symmes Township, Ohio-based Vantiv changed its name ahead of its 2012 initial public offering. Its technology helps merchants, banks and credit unions accept credit- and debit-card payments, as well as gift cards and online payments.

The fall in the value of the pound versus the dollar following Britain's vote to leave the European Union last year made U.K.-based Worldpay a more attractive takeover target for U.S. buyers, bankers say. The company has been holding informal talks with potential suitors for months, according to people familiar with the matter.

Payments businesses have recently been popular acquisition targets. Banks and payment companies are racing to retool their offerings as customers increasingly turn to mobile devices to pay for goods.

Meanwhile, with processing fees being squeezed by regulators and the rising competition from technology startups, incumbents are trying to gain heft to generate economies of scale, analysts have said. Worldpay rival Nets AS of Denmark said last weekend that it had been approached by suitors. In April, Mastercard Inc. got regulatory approval to acquire payment-technology firm VocaLink Holdings Ltd. for about $920 million.

J.P. Morgan already runs Chase Paymentech Europe Ltd., a payments business based in Ireland which processes some 40 million credit and debit transactions a day.

Payments businesses have recently been popular acquisition targets.

Like other banks, J.P. Morgan has been reshaping its business, predicting customers will move away from credit cards and simply pay with their phones. In 2015, J.P. Morgan announced an overhaul of its Chase Pay product to better compete with the likes of PayPal. The bank has joined with a number of U.S. merchants to push its payment app. While the bank has made a series of smaller financial technology acquisitions in recent years, it has so far held off from big-ticket deals.

Worldpay was owned by Royal Bank of Scotland Group PLC until 2010, when the bank was forced to sell the business following its taxpayer bailout. Worldpay was then bought by private-equity groups Advent International and Bain Capital, which listed it on the London Stock Exchange in 2015.

U.S. WATCH

FLORIDA

Judge Deals Setback To Self-Defense Law

A judge ruled that lawmakers' enhancements to Florida's "stand your ground" self-defense law violate the state's constitution.

In the legislative session this year, the Republican-led House and Senate updated the 2005 stand-your-ground law. That measure increased protections for people who use deadly force in response to perceived threats, even when they have the opportunity to flee.

The changes, signed into law by Republican Gov. Rick Scott in June, bolstered those protections.

In his ruling Monday, Circuit Judge Milton Hirsch in Miami found that the Legislature overstepped its authority. He said that because the changes were procedural rather than substantive, they could be made only by the Florida Supreme Court, which in 2015 spelled out how pretrial stand-your-ground hearings should occur.

The ruling "totally derails these changes to 'stand your ground,' " said Tamara Lave, a professor at the University of Miami School of Law. If the decision is appealed, the matter could end up before the Florida Supreme Court, she said. A spokeswoman for Mr. Scott said his office was reviewing the ruling.

—Arian Campo-Flores

MILITARY

Pharmacy Is Accused Of Inflating Prices

A pharmacy in Tampa, Fla., defrauded a military health-care program by charging prices for prescription pain creams that were as much as 100 times higher than what the pharmacy charged those paying cash, the Justice Department alleged in a civil complaint filed in federal court.

The allegations are the latest effort by federal prosecutors to recoup billions of dollars paid by Tricare, the health-insurance program for service members, for pain creams and gels as a result of alleged fraud by compounding pharmacies. RS Compounding LLC charged as much as $4,400 for a popular pain cream when it was purchased by a Tricare beneficiary, but charged $45 for the same product when it was bought by someone without insurance, according to the complaint.

The pharmacy's owner, Renier Gobea, is also named as a defendant in the complaint. "Mr. Gobea denies the allegations," said his attorney, Kevin J. Darken.

The Justice Department has reached civil settlements with about two dozen compound pharmacies over the past two years, recovering some $100 million in damages, said Jason Mehta, an assistant U.S. attorney in Florida.

—Joseph Walker

CORRECTIONS & AMPLIFICATIONS

Philippine troops have been fighting Islamic State-aligned militants in a predominantly Muslim area of Mindanao, an island with a majority Roman Catholic population. World News articles about the conflict on June 12, 22, 23, 30 and July 3 incorrectly described the island as predominantly Muslim.

In some editions Monday, Secretary of State Rex Tillerson was incorrectly called Secretary of Defense in a Page One article about Iraqi Prime Minister Haider al-Abadi.

Medicaid is the health-care program for low-income people and those with disabilities. A Page One article Monday about the Republican governors' reactions to senators' health-law efforts incorrectly implied men weren't included.

The New York Police Department deployed units armed with long rifles to the British Consulate General in New York last month after attacks on a London bridge. A U.S. News article Monday about NYPD detectives stationed abroad incorrectly said the units were deployed to the British Embassy.

In some editions Monday, a Heard on the Street article about Apple's iPhone that was originally published on Saturday was incorrectly republished.

Schnuck Markets Inc. was incorrectly called Schnucks Markets Inc. in a Business News article Friday about grocery-delivery services.

Voters in Washington, Arizona, Colorado, and Maine approved measures to raise their states' minimum wage to $12 an hour. A U.S. News article Thursday about cities in Silicon Valley pursuing minimum-wage increases incorrectly said that state legislatures approved the measures.

The Tel Aviv Index on June 26 closed at 1444.63 with a net gain of 2.51 points and percentage gain of 0.17%. The International Stock Indexes table in the Business & Finance section on June 27 incorrectly said the net and percentage changes were 6.41 and 0.45%, respectively.

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

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Illinois Budget Impasse Nears End

By Quint Forgey

Illinois's Republican governor vetoed a budget plan that gained final approval from the Democratic General Assembly earlier Tuesday. But less than an hour later, the state Senate overrode his vetoes of the three bills in the package.

The budget now heads back to the House for an override vote as early as Wednesday. If it successfully overrides Gov. Bruce Rauner's vetoes, the legislature will have enacted the state's first budget in more than two years.

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

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

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

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

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

It appears the House has the votes necessary to override the governor's vetoes.

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

Part of the package would allow Illinois to borrow billions of dollars through the sale of state bonds. Those funds would go toward paying down the state's $14.6 billion in unpaid bills.

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

In Maine, Lawmakers Reach Deal

By Jennifer Levitz

Maine lawmakers passed a compromise state budget early Tuesday, ending a standoff that caused the state's first government shutdown in 26 years.

After negotiating all of Monday, the third day of the partial government shutdown, lawmakers cheered close to 1 a.m. as they approved a two-year $7.1 billion budget with bipartisan votes. Republican Gov. Paul LePage promptly signed it and said the government would resume normal operations.

The budget battle in a legislature closely split between Democrats and Republicans centered on taxes and education. The compromise budget removed a 1.5% increase in the state's lodging tax that had been the final sticking point for Mr. LePage and House Republicans.

Democratic leaders said they secured an increased investment in Head Start early-childhood programs as well as a moratorium on cuts to reimbursement rates for behavioral health services.

City Sees Dollar Signs in Eclipse

Kentucky community hopes to be the epicenter of a rare solar event in August

By Cameron McWhirter

HOPKINSVILLE, Ky.—This western Kentucky community is betting big on being "Eclipseville" this summer.

That is the moniker and website address the city of 32,000 adopted after scientists determined it will be the point of greatest eclipse—with the darkness lasting 2 minutes and 40 seconds—during the first total solar eclipse in the continental U.S. since 1979.

Hopkinsville and the surrounding countryside hope to cast the region in a positive light when it is flooded by an estimated 50,000 to 100,000 visitors on Monday, Aug. 21.

Residents and officials of the city and Christian County—a swath of verdant farmland on the Tennessee border—are setting up campsites, ordering thousands of bottles of water, calling for extra food, and selling products such as eclipse-themed jewelry.

But "there is no handbook in preparing for an eclipse," said Brooke Jung, the city and county eclipse coordinator, who some refer to as "the princess of darkness."

While businesses hope to capitalize on the rare event, the eclipse also is bringing anxiety to this normally serene community. Farmers worry about people damaging their fields. Amish and Mennonites are nervous about the safety of their horse-drawn buggies with all the expected traffic.

Local and state officials, as well as representatives from the U.S. Army's nearby Fort Campbell, have been meeting regularly to plan for crowd control, safety and supplies. They have studied other major events to get ready. One cautionary tale: Woodstock, the 1969 rock festival in a rural New York town that was woefully unprepared for the enormous throng.

Hopkinsville, Ky., is preparing for thousands of visitors when it will experience one of the longest periods of darkness during the Aug. 21 solar eclipse. Brooke Jung, below, is coordinator of the community's events. A Hopkinsville boutique offers eclipse-themed jewelry.

WILLIAM DESHAZER FOR THE WALL STREET JOURNAL

On their to-do list: making sure septic tanks are emptied in advance and ordering temporary cellphone towers.

The city and county have requested extra state police and the National Guard to handle traffic, and asked Fort Campbell to send volunteer troops. They have requested that hospitals be fully staffed. Officials are also warning banks to stock more cash and gas stations to have more gas.

Despite the preparations, some residents are worried. "I'm highly concerned," said Renee Jessup, who lives on a road directly in the path of the eclipse. "We're just country people."

Ms. Jung, the coordinator, said she initially estimated 50,000 visitors, but experts told her she should double the figure. She said the number could be even higher if people from around the country flock to see what for many will be a once-in-a-lifetime event.

With the Hopkinsville, Ky., area embracing the mantle of "Eclipseville," its businesses are preparing for outsize crowds.

Peg Hays, co-owner with her husband of Casey Jones Distillery, which makes "Total Eclipse Moonshine" (with the slogan "Lights out!"), has ordered portable toilets, hand-washing stations, an ice truck, a hot-air balloon and off-duty police for security for the long weekend on her 73-acre property outside of town.

She estimated she has spent about $60,000 so far in hopes of a financial boon. "I want it to be eclipse-stock out here," said Ms. Hays, 62.

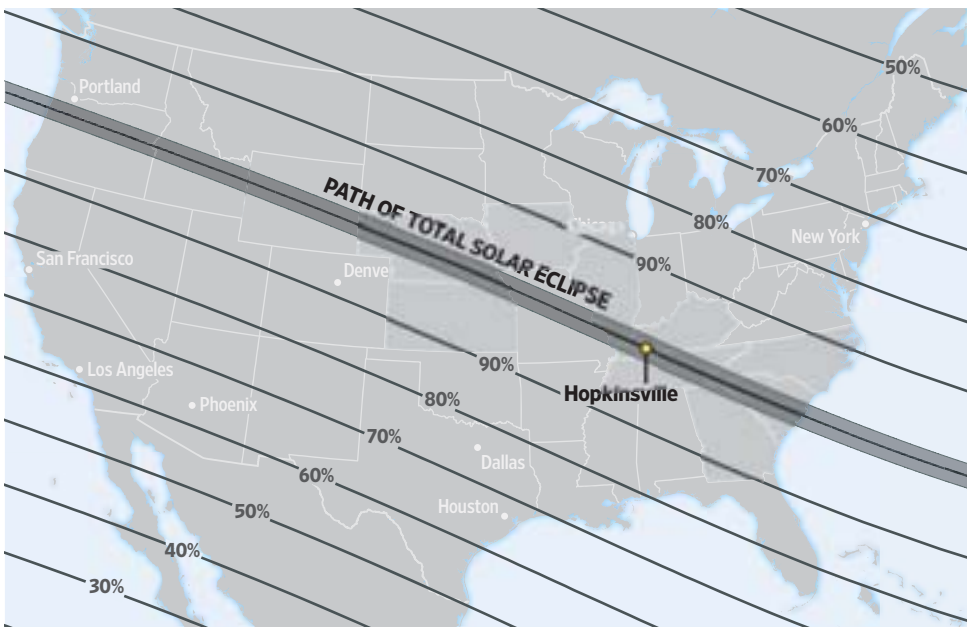
But some other business people are less enthused.

Johnny Hale, general manager of a Builders FirstSource Inc. store that sells supplies to commercial builders, said the city created campsites in a field next to his store, then suggested he close down that day. That could cost him between $30,000 and $100,000 in lost sales, he said.

City officials suggested he close the store but sell snacks and drinks instead. "Do you have any idea how many chips I would have to sell to make up for that loss?" he asked.

Heart of Darkness

Hopkinsville, Ky., will have one of the nation's longest periods of darkness during the Aug. 21 eclipse. If skies are clear, the entire U.S. will be able to see at least partial obscuration. Percentage of the sun's area that will be covered by the moon during the event:



Source: NASA

THE WALL STREET JOURNAL.

Crowds Expected Across Eclipse Path

Solar eclipses occur when the orbit of the moon aligns exactly in front of the sun to block its light, shrouding sections of the earth in complete darkness for several minutes.

In past ages, many people feared eclipses were signs of supernatural displeasure or approaching disaster. In modern times, eclipse tourism "has skyrocketed," said Alex Filippenko, an astrophysicist at the University of California, Berkeley.

The Aug. 21 eclipse will take about 90 minutes to pass from Oregon to South Carolina. Communities across its path are preparing for crowds, from Madras, Ore., to Charleston, S.C.

By studying celestial orbits, scientists can predict with precision where and when eclipses will take place. This year, the Hopkinsville, Ky., area will be the place where, scientists calculate, the axis of the moon's shadow will pass closest to the center of the Earth.

While scientists pinpoint the point of greatest eclipse, they also calculate the point of the eclipse's longest duration, which can be slightly different, in part because of the irregular shape of the Earth and the latitude at which the shadow falls. For this eclipse, scientists estimate the longest duration—0.13 seconds longer than in Hopkinsville—will hit about 90 miles to the northwest, near Makanda, Ill.

Makanda, with about 550 people, no police and no stop lights, isn't planning a major event, but it will have some portable toilets and bottled water, said Mayor Tina Shingleton. "We're just not big enough," she said.

—Cameron McWhirter

Latest Woes for 'El Chapo': Finding a Lawyer

Prosecutors oppose his use of federal defenders, saying he can afford to hire an attorney

By Nicole Hong

Joaquín "El Chapo" Guzmán is accused of amassing billions of dollars as the leader of the world's biggest drug-trafficking organization.

Now he is struggling to pay for a private lawyer.

It isn't that he can't afford one. But Mr. Guzmán, from his detention facility in lower Manhattan, has to first figure out how to get a hold of money to pay his legal fees.

The U.S. government wants to seize $14 billion of Mr. Guzmán's alleged drug profits if he is convicted, which could make his payments to lawyers vulnerable to forfeiture. Before agreeing to represent Mr. Guzmán, any defense lawyer would likely demand an upfront fee and seek assurance from prosecutors that the government won't block the payment or indict the lawyer later for money laundering.

Mr. Guzmán has pleaded not guilty to 17 criminal charges, including drug trafficking, money laundering and murder conspiracy. His trial is scheduled to begin in federal court in Brooklyn on April 16.

Since his extradition to New York in January, Mr. Guzmán has interviewed at least 16 defense lawyers, according to court filings.

Jeffrey Lichtman, a seasoned criminal-defense attorney in New York, is the front-runner to become Mr. Guzmán's lawyer, according to people familiar with the matter.

U.S. LAW ENFORCEMENT/ASSOCIATED PRESS

Joaquín 'El Chapo' Guzmán may have trouble paying for a lawyer.

Mr. Lichtman, who famously secured an acquittal for John A. Gotti, son of the mob boss, has been engaged in discussions with the government about his possible representation of Mr. Guzmán, the people said.

A spokesman for the U.S. attorney's office in Brooklyn, which is leading the prosecution against Mr. Guzmán, declined to comment. Mr. Lichtman said, "I'm not in a position to comment at this time."

Meanwhile, Mr. Guzmán has been represented by court-appointed federal defenders, who are funded by taxpayer dollars and intended for low-income defendants. The government has opposed his use of federal defenders, calling him a billionaire who can afford his own lawyer.

However, Mr. Guzmán's federal defenders said he "has no ability to access funds himself" and needs to determine if a relative or friend can help pay the legal fees, according to a court filing from March. The process has been prolonged because the government monitors his communications and has severely restricted his ability to contact his family, according to court documents.

Lawyers must have a good-faith basis for believing the money they are receiving from clients isn't the product of criminal proceeds, according to Stephen Gillers, a legal-ethics expert at New York University School of Law. If the money is later found to be "dirty," the government can force the lawyer to forfeit the fee.

The Sixth Amendment guarantees the right to a lawyer in federal prosecutions, but the Supreme Court has ruled that defendants aren't entitled to use money subject to forfeiture to pay for counsel.

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Russian Interference Goes Beyond U.S. Vote

CAPITAL JOURNAL
By Gerald F. Seib

When President Donald Trump meets Russian leader Vladimir Putin late this week, many will be watching to see whether they discuss alleged Russian interference in the 2016 election.

That much is obvious.

Less obvious, but more important, is how any Russian meddling in the American presidential-election season—whatever form it may have taken—fits into a much larger tale. This is the tale of a systematic Russian effort to disrupt democratic and capitalist systems internationally, using an updated version of tactics Mr. Putin learned in the bad old days of the Soviet KGB.

In fact, one of the dangers in the current hyperpartisan American debate over Russia's role in the 2016 presidential election is that it is blurring this larger picture. If the 2016 election was the tip of an iceberg, the rest of the iceberg warrants serious attention.

A useful reminder of the breadth of the problem comes in the form of "The Kremlin Playbook," a publication released in October by the Center for Strategic and International Studies, a centrist American think tank, and the Center for the Study of Democracy, a European public-policy institute. In retrospect, it was a remarkably prescient look at the controversies that have mushroomed since the American election.

The Playbook is a study of Russian efforts to use overt and covert tactics over a period of a decade to expand its economic and political influence in five Central and East European nations. A group of regional leaders from such nations warned President Barack Obama in a 2009 letter that Russia was conducting "overt and covert means of economic warfare, ranging from energy blockades and politically motivated investments to bribery and media manipulation in order to advance its interests...."

The Russian strategy, the study finds, isn't ad hoc. Rather, it is the implementation of a doctrine developed by Russian Gen. Valery Gerasimov called "new generation warfare." One European analyst called that "primarily a strategy of influence, not of brute force" aimed at "breaking the internal coherence of the enemy system."

CAROLYN KASTER/ASSOCIATED PRESS

President Donald Trump is scheduled to meet Russian leader Vladimir Putin later this week.

The strategy, as it has unfolded in Central and Eastern Europe, proceeds along two parallel tracks, the study found. The first track is economic. Russia seeks to find business partners and investments that allow it to establish an economic foothold, which in turn produces economically influential patrons and partners who have a vested interest in policies friendly to the Kremlin. That is a particularly fruitful endeavor in Europe, where many nations depend on Russian energy supplies.

The second track, perhaps more relevant to the U.S., is designed to disrupt prevailing democratic political patterns. The goal, the Playbook says, is "to corrode democracy from within by deepening political divides and cultivating relationships with aspiring autocrats, political parties (notably nationalists, populists and Euroskeptic groups), and Russian sympathizers." On this track, the effort is designed in part to advance parties and figures sympathetic to Russia. But the broader goal is simply to disrupt the process, create confusion and discord, and discredit democratic systems both in targeted countries and in the eyes of Russian citizens, who are told the chaos to their West shows they shouldn't long for a Western-styled democratic system at home.

A key tool in this effort, the report says, is a "war on information" campaign that uses disinformation and propaganda to disable opponents and foment nationalist and anti-Western sentiment.

Remember that this was written before Mr. Trump won the American presidency and the investigations into Russian influence went into high gear. The findings are about a broader pattern of Russian behavior, not about what it might have done in the U.S. political system.

Heather A. Conley, a senior vice president of CSIS and one of the authors of The Playbook, says the months since its publication have brought "an acceleration" of Russian influence-seeking, ranging from a plot against the prime minister of Montenegro to interference in the French election to cyberattacks in Ukraine.

The goal, she says, "is disruption, to create governmental policies that accommodate Russian interests," first in ending Western economic sanctions and then in building a broader sphere of influence. She adds: "We continue to be unprepared."

◆ Putin meeting tops President Trump's trip agenda..... A6

REED SAXON/ASSOCIATED PRESS

Protesters rallied against the Republican health-care bill at Harbor-UCLA Medical Center in Torrance, Calif., on Monday.

Higher Health Costs Challenge GOP

By Stephanie Armour And Kristina Peterson

Republican senators are confronting a political challenge that is increasingly hard to ignore as they engage with voters during the July Fourth recess: Under their health-care overhaul, average premiums for a midlevel insurance plan would jump by 20% in January.

That means many people who don't get insurance through work would see their premiums increase just a few months before the midterm elections, according to the nonpartisan Congressional Budget Office. Premiums would fall in later years, in part because less-comprehensive plans would be offered by that time.

This highlights what some Republicans have privately said is a Catch-22 as GOP Senate leaders work to assemble a bill they can bring to the floor when Congress returns to Washington: Both passing a bill and not passing one carry political peril.

The Republicans' plight resembles that of the Democrats seven years ago in many ways. Democrats were similarly caught between passing an unpopular bill not long before a new president's first midterm elections, or failing to honor a longtime promise after seizing control of Congress and the White House.

"Democrats were a lot smarter because they didn't have anything take effect until after the election," said Rep. Mark Amodei (R., Nev.), referring to the provisions of the 2010 Affordable Care Act.

"Tasked with honoring a promise seven years in the making, Republican leaders have instead put their caucus in a very big bind going into the midterm elections," said David Bozell, president of ForAmerica, a grass-roots-oriented conservative group that opposes the Senate bill.

The fate of Republican health-care efforts now may hinge on whether GOP leaders can persuade enough Republican senators that forging ahead is their best political bet. Like Democratic leaders in 2010, Republican leaders today are telling their members it is better to pass an imperfect, unpopular bill than to renege on such a big pledge.

The near-term premium increase only raises the stakes of that bet. In Blanco, Texas, for example, a 40-year-old would see premiums go up by $494 in January under the Senate bill, according to an analysis of CBO data by the Century Foundation. In Nome, Alaska, premiums would rise by $2,376.

Bigger impacts would hit in later years, when average premiums fall for plans that offer fewer benefits than required under the ACA, but cuts to Medicaid spending would accelerate, raising costs for many Americans, according to the CBO.

Under the ACA, rate filings with the federal government indicate premiums on the individual market would see double-digit increases in 2018.

The political Catch-22 has made it harder for Republicans to unify around a single bill. GOP senators have split, with centrists saying the legislation guts too much of the current health law and conservatives pushing to abandon the bill altogether because they say it doesn't do enough to repeal the ACA.

Senate Majority Leader Mitch McConnell (R., Ky.) is trying to salvage the plan, which in its broad outlines would dismantle much of the 2010 law and set up a new system that would provide smaller tax credits, deep cuts to Medicaid and funding to stabilize markets. He scrapped plans to hold a vote last week because of dissension within his own party.

Employees Vent at State Department

By Felicia Schwartz

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

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

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

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

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

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

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

Aides said the critical nature of the results reflects Mr. Tillerson's willingness to incorporate frank feedback into plans for the State Department.

"The first step in this is to give a platform to people to identify what needs to be fixed, the second stage is to give people a platform to fix it and the third stage is to implement an improved design," said R.C. Hammond, a senior adviser to Mr. Tillerson.

Many indicated longtime frustration with the way the agencies function.

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

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

AARON P. BERNSTEIN/REUTERS

Earlier this year, EPA administrator Scott Pruitt, shown here in June, granted an industry request to suspend emissions controls.

EPA Push on Emissions Standards Blocked

By Jess Bravin

WASHINGTON—Trump administration efforts to rapidly dismantle former President Barack Obama's climate-change policies suffered a setback this week when a federal appeals court blocked the Environmental Protection Agency from loosening controls on emissions of methane and other greenhouse gases.

Earlier this year, EPA Administrator Scott Pruitt granted an industry request to suspend a June 2016 rule requiring oil and natural-gas producers to fix leaks and take other steps to limit emissions from new or recently modified facilities. Mr. Pruitt suspended enforcement of the rule for two years.

On Monday, the U.S. Court of Appeals for the District of Columbia Circuit found that while the EPA could re-examine the 2016 regulations, known as new-source performance standards, Mr. Pruitt lacked authority to set the rule aside pending completion of the review.

The ruling marked a role reversal for Mr. Pruitt, who as Oklahoma attorney general made his name filing suit against Obama administration environmental policies he argued were unlawful.

Under the Administrative Procedure Act of 1946, federal agencies must follow a complicated series of steps, including providing public notice of proposed rules and inviting comments on them, before issuing regulations. Likewise, agencies must follow certain procedures before revoking regulations.

A three-judge D.C. Circuit panel found that the EPA had flouted those requirements in suspending the new-source rule.

"We are reviewing the opinion and examining our options," an EPA spokeswoman said. Those options could include asking the full D.C. Circuit to review the panel's 2-1 decision, or appeal to the Supreme Court.

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WORLD NEWS

Islamic State's 'Capital' Is Breached

U.S.-backed forces advance into heavily fortified city in Syria, dealing blow to ISIS

By Noam Raydan And Maria Abi-Habib

U.S.-backed Syrian forces breached the wall surrounding Raqqa's heavily fortified Old City, marking a significant advance in the battle to drive Islamic State out of a city it used to run its empire and plan attacks abroad, the American military said Tuesday.

The Syrian Democratic Forces made the breakthrough on Monday after the U.S.-led coalition battling Islamic State conducted airstrikes on the wall, according to the U.S. Central Command.

The Kurdish-led SDF fighters came under heavy fire as they entered, Central Command said.

The advance is the SDF's deepest yet into Raqqa. If the city falls, it would be one of the biggest achievements in about four years of war against Islamic State led by the Pentagon and its coalition of Western and Arab allies.

GORAN TOMASEVIC/REUTERS

Islamic State has suffered defeats in Syria and Iraq. Above, Kurdish fighters in Raqqa, Syria.

Although coalition forces have now entered Raqqa's Old City, Islamic State is still putting up very tough resistance, a coalition spokesman said, portending a drawn-out battle for the city.

The spokesman declined to say when Raqqa city might be completely recaptured.

But as coalition forces advance toward the city's more urbanized core, the fighting will likely become more protracted as it has when Islamic State has been uprooted in U.S.-backed military campaigns from Libya to Iraq.

"There is still tough fighting to be done," the coalition spokesman said. "ISIS fighters are putting up stiff resistance," he added, saying the militants have booby trapped the city and surrounding areas with explosives, making it slow going.

Islamic State has suffered a series of defeats in both Syria and Iraq that have eaten away at its territorial foothold in its core caliphate, or religious empire.

The group is all but banished from Mosul, Iraq—the largest city it had captured in the Middle East—after more than eight months of battles.

Some of the last remaining residents streamed out of Mosul's old city on Tuesday as Iraqi troops, backed by U.S. Special Forces, continued to inch forward.

The SDF, a mixed Kurdish and Arab force, launched the long-awaited offensive to retake Raqqa in early June, more than three years after Islamic State took the city that became known as its de facto capital of its self-declared caliphate in Syria. The U.S. has said that the militants used the area as a staging ground for terrorist attacks on Europe and that the loss of it would be a major blow to Islamic State.

Across Syria and Iraq, hundreds of U.S. Special Forces are supporting local partners, advising them in battle and calling in airstrikes.

Islamic State's key leadership has already moved on farther east to Deir Ezzour province, specifically to Mayadeen, a small city there. Oil-rich Deir Ezzour is still mostly in Islamic State hands and the group is expected to put up a tough fight there after the Raqqa and Mosul offensives are over.

Damascus and its allies, namely Iran, Russia and the Lebanese militant group Hezbollah, are likely to take Islamic State's holdouts in Deir Ezzour, making the battle for Raqqa likely to be the last significant urban territory U.S.-allied forces will wrest away from Islamic State.

The extremist militants also still hold several strategically important towns in Iraq and a stretch of the Iraq-Syria border.

In Raqqa, Islamic State has used the Old City wall as a fighting position and planted mines and other explosives at several breaks in it, the U.S. military said. The military added that it was gauging airstrikes to try to preserve as much as possible of the historic 2,500-yard wall.

Putin Meeting Tops Trump's Trip Agenda

By Peter Nicholas And Nathan Hodge

Donald Trump sets out on the second foreign trip of his presidency on Wednesday, a rapid-fire series of meetings with world leaders that all could be upstaged by his first face-to-face encounter since the election with Russian counterpart Vladimir Putin.

The two will meet Friday afternoon in Hamburg, Germany, in what the White House on Tuesday began describing as a "bilateral" session, rather than the more casual encounters that sometimes play out at world summits.

Mr. Trump first will stop in Poland and then head to Hamburg for a two-day summit of leaders from the Group of 20 nations that figures to be tense. European leaders have signaled they are prepared to confront Mr. Trump over an "America first" doctrine they see as harmful to both free trade and the environment.

"This will be a very tough summit for him," said Angela Stent, a government professor at Georgetown University.

Previewing the clashing agendas, German Chancellor Angela Merkel seemed to take a swipe at Mr. Trump last week over his withdrawal from the Paris climate accord, telling parliament, "we cannot and will not wait until every last person in the world has been successfully convinced of the scientific findings about climate change."

The French are worried Mr. Trump might take new steps that inhibit trade and say Europe is preparing to consider retaliatory measures should he impose tariffs on U.S. steel imports, an issue the administration is studying.

After arriving in Germany, Mr. Trump will meet with no fewer than nine foreign counterparts, White House officials said.

An issue that has taken on increasing urgency is North Korea's nuclear ambitions. On the eve of Independence Day in the U.S., North Korea test-fired what it claimed to be an intercontinental ballistic missile, stepping up its effort to develop a nuclear-weapon system that could target the U.S.

SERGEI ILNITSKY/PRESS POOL

Vladimir Putin, left, welcomed China's Xi Jinping to Moscow on Tuesday. Mr. Trump will meet with both at the G-20 summit in Hamburg.

Mr. Trump will hold meetings with a pair of allies threatened by Pyongyang's nuclear program: Prime Minister Shinzo Abe of Japan and South Korean President Moon Jae-in. He also will meet with Chinese President Xi Jinping, whom Mr. Trump is beseeching to take more forceful gestures to rein in North Korea's weapons program.

Speaking to reporters in advance of the trip, H.R. McMaster, Mr. Trump's national security adviser, said China has "tremendous coercive power in connection with the economic relationship and the trade relationships with North Korea. So, China acknowledged that there is a lot that they can do in connection with convincing the North Korean regime that it's in their interest to denuclearize."

None of Mr. Trump's meetings is likely to command as much attention as his sit-down with Mr. Putin.

As a candidate, Mr. Trump heaped praise on Mr. Putin and vowed that the two would forge a better rapport than was the case under former President Barack Obama.

Since his election, though, the president and top officials have acknowledged that relations between the two countries remained sour.

Part of the reason for Mr. Trump's visit to Warsaw, meantime, is to show solidarity with Eastern Europe allies living in Russia's shadow, a senior administration official said.

A backdrop to the Trump-Putin meeting is an intensifying U.S. investigation into Russia's role in the 2016 presidential race. It is unclear whether Mr. Trump will confront Mr. Putin about Russian meddling in the election.

Seldom one to stick to the script, Mr. Trump will come into the meeting with Mr. Putin with "no specific agenda," Mr. McMaster told reporters. "It's really going to be whatever the president wants to talk about."

White House officials said they expect the two will discuss the war in Syria and the conflict in Ukraine.

—Anton Troianovski contributed to this article.

◆ Oil giants warn on Russia sanctions measure B8

Germany Warns Of Hacking Leaks As Vote Approaches

BERLIN—Russia is likely to leak hacked government information in an attempt to influence Germany's parliamentary election, top security officials said, pointing to multiple attempts to steal confidential documents in recent months.

Suspected Russian hackers accessed confidential information from lawmakers in a sophisticated attack in 2015.

Stolen communication from that attack could be used to try to change the course of the Sept. 24 election, when Chancellor Angela Merkel is seeking a fourth term, the heads of Germany's interior ministry and domestic intelligence service said.

Western officials have pointed the finger at Russia since its intervention in Ukraine for hybrid warfare—from military provocations to propaganda campaigns and cyberattacks.

Russia has been accused of conducting such attacks ahead of the 2016 U.S. presidential election and the presidential elections in France. Moscow has denied the allegations.

—Andrea Thomas

Senators Criticize Tillerson On Policy

By Jessica Donati

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

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

A State Department spokeswoman had no immediate comment.

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

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

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

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

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

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

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

Before leaving office this year, former President Barack Obama declared an end to major military operations in Afghanistan and dramatically scaled back the U.S. military presence in the country.

French Prime Minister Vows Cuts to Ease Debt Burden

By William Horobin

PARIS—French Prime Minister Edouard Philippe warned that the country is reeling under an "unbearable" debt burden and pledged austerity measures in a speech outlining policies for President Emmanuel Macron's five-year term in office.

Mr. Philippe on Tuesday was addressing the French National Assembly for the first time since his appointment in May. His comments came after Mr. Macron delivered a rare address to both houses of parliament at Versailles on Monday, pressing his case for an electoral overhaul he says will open up parliament to a wider spectrum of political views.

The proposed changes would galvanize his political authority after his surge to power in May's election on a promise to revamp the political system.

Mr. Macron's presidency lost some of its élan last week when state auditor Cour des Comptes said there were gaping holes in the country's finances, making it tougher for the French leader to deliver on his election promises. According to the auditor, France won't meet the European Union's target of a deficit under 3% of economic output this year, as the previous government had promised to do.

Repairing France's public finances is a key plank of Mr. Macron's economic strategy both at home and on the Continent.

CHRISTOPHE ARCHAMBAULT/AGENCE F-P/GETTY

Prime Minister Edouard Philippe addressing the National Assembly.

He is pushing Germany to accept a greater sharing of the burden by eurozone states, pledging in return France will revamp its labor laws to make the jobs market more flexible and will respect EU budget rules after years of missing targets.

Mr. Philippe said his government would cut spending to meet the 3% target this year, and make further cuts to reduce spending by 3 percentage points of economic output over the course of Mr. Macron's term. The public-sector payroll will be contained and no part of the budget will be spared from the search for savings, he said.

Mr. Philippe, who comes from the center-right Les Républicains party, said the government would still deliver on Mr. Macron's election pledges on investment and tax cuts, including a €50 billion ($57 billion) investment program focused on health and renewable energy, and reductions in corporate and payroll taxes.

But he said changes to wealth taxes and a tax-credit system for employers wouldn't come into effect until 2019.

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EU, Japan Race to Clinch Trade Accord

Ahead of G-20, leaders seek deal that would signal effort against U.S. protectionism

By Emre Peker

BRUSSELS—The European Union and Japan's leaders will gather in Brussels on Thursday, seeking to announce a broad trade deal that would send a strong signal for global cooperation against U.S. protectionism a day before the Group of 20 summit.

Officials from both sides will reconvene talks in the EU capital ahead of Japanese Prime Minister Shinzo Abe's arrival, racing to clinch a deal after failing to resolve differences in Tokyo during two days of negotiations.

The EU-Japan push comes as G-20 leaders prepare to rebuke President Donald Trump's protectionist policies during their annual summit. With the White House scrapping some trade deals, seeking to renegotiate others and launching probes against imports to the U.S. on national security grounds, world leaders gathering Friday and Saturday in Germany are increasingly worried Mr. Trump's actions could spark trade wars.

"It is important for us to wave the flag of free trade in response to global moves toward protectionism by quickly concluding the free-trade agreement with Europe," Mr. Abe said at a cabinet meeting on Tuesday. The Japanese premier also dispatched Foreign Minister Fumio Kishida, who is overseeing the negotiations, to the EU capital.

JOHN THYS/AGENCE FRANCE-PRESSE/GETTY IMAGES

European Commission President Jean-Claude Juncker embraced Japan Prime Minister Shinzo Abe at a March summit in Brussels.

Japan's interest in securing deeper economic links with Europe surged after Mr. Trump's election, according to an EU official. That led to a March summit in Brussels, where Mr. Abe, European Council President Donald Tusk and European Commission President Jean-Claude Juncker pledged to speed up negotiations that have been going on since 2013. On Thursday, EU and Japan's top officials will seek to deliver on that promise.

"This new deal would send a powerful signal to the rest of the world that two large economies are resisting protectionism," the commission said after the last round of talks in Tokyo.

With €125 billion ($142 billion) of exports and imports in 2016, an EU-Japan trade deal would be one of the most significant the bloc has reached. It would also present a political victory for Brussels, which seeks to build on a sweeping agreement with Canada to position the EU as the global champion of free trade.

The EU-Japan deal could similarly scrap an annual €1 billion worth of customs duties and propel European exports of processed food, chemicals and medical devices, according to officials.

Yet both Brussels and Tokyo also face stiff domestic opposition to the deal, particularly over Japanese auto exports and European agricultural sales. EU-Japan negotiations haven't yet yielded a compromise on either point.

—Alastair Gale in Tokyo and Valentina Pop in Brussels contributed to this article.

As It Loses Luster, Hong Kong Is Easier to Boss Around

CHINA'S WORLD
By Andrew Browne

SHENZHEN, China—This former fishing settlement used to be an escape route to Hong Kong, a city of dreams.

To sneak into Hong Kong overland meant overcoming a 25-mile stretch of barbed-wire fencing, then a muddy river, another floodlit fence and, beyond that, a restricted buffer zone. Swimming across the sea was another option, but deadlier. Escapees risked sharks or drowning.

Nowadays, few would think of trying. Hong Kong is losing its luster; Shenzhen has grown into an aspirational city, the tech hardware capital of the world and a magnet for talent—both Chinese and foreign.

The swinging fortunes of these two southern neighbors place the onetime British colony in a somewhat precarious position.

It challenges some of the assumptions that underpinned Hong Kong's return to China two decades ago, with political privileges that no other part of the country enjoys. It could even call into question its very existence as a separate entity.

Next to Shenzhen, Hong Kong is starting to look ordinary, and this reality clouds its future. Chinese President Xi Jinping's lecture to Hong Kong last week, in a handover anniversary speech, about behaviors that "cross the red line" was at once a threat aimed at political dissenters and a sign that Beijing is more ready to boss around a place that's slipping down the Chinese urban rankings.

Hong Kong's GDP has shriveled from the equivalent of 18% of China's in 1997 to just 3% today. Hong Kong's port, once the world's busiest, has slipped to fifth position, behind both Shenzhen and Shanghai.

The more Hong Kong resembles just another Chinese city, the faster Beijing recalculates the risks and rewards of a deal it struck with London in a different era.

EUROPEAN PRESSPHOTO AGENCY

The view from a lookout in Shenzhen, which has grown into the tech hardware capital of the world.

Deng Xiaoping's pragmatic "One Country, Two Systems" formula for the territory was predicated on the notion that a uniquely successful society—the richest, most globalized, most financially sophisticated city in China—required its own special arrangements to prosper. Hong Kong kept its independent judiciary and individual freedoms.

Of course, implicit in the deal was that the world didn't trust Chinese Communist officials with the controls over such a vibrant endeavor.

But when it comes to Shenzhen, these fusty bureaucrats have done surprisingly well, if only by staying out of the way. Although credit for transforming Shenzhen into a booming manufacturing export hub goes largely to Hong Kong investors, who brought in skills and international connections, the city's latest incarnation as a technology powerhouse is a domestic story. Meanwhile, a complacent Hong Kong relies on banking, real estate and other services. Innovation has largely failed to take off.

Don't write off Hong Kong's prospects yet. Since the handover, Hong Kong has grown faster than almost any other comparable international economy, powered by Chinese tourist dollars and real-estate investment—as well as its role as a financial conduit in China's rise.

And Hong Kong's position as a glittering financial center is safe, so long as rule of law survives. That British legacy may ultimately hinge on Beijing's interpretation of the concept.

Hong Kong is in relative decline. Shenzhen's stock market turnover is higher, its startup culture livelier. Soon, it will overtake its neighbor in economic size.

Increasingly, Beijing views Hong Kong as a component—and not the most important one—of a megacity of more than 60 million people.

New Hong Kong leader Carrie Lam is under strong pressure to bring the city into political alignment by introducing national security laws and "patriotic education" in schools. That would only sharpen the antagonism between Beijing loyalists and pro-democracy activists.

An ungovernable Hong Kong might tempt Beijing to intervene directly. Already, its agents have snatched away booksellers from Hong Kong's streets.

For now, the barbed-wire border, complete with immigration controls, remains the most visible symbol of Hong Kong's political separation. But it's a thin line. In almost every other sense, the colonial-era barrier once known as the Bamboo Curtain is history.

THREAT

Continued from Page One

take greater action to cut off Pyongyang's economic lifeline. Mr. Trump is set to meet Chinese President Xi Jinping at the G-20 summit in Hamburg.

The missile, which North Korean state media identified as the Hwasong-14, or the Mars-14, was launched at 9 a.m. local time Tuesday from an airfield in the country's northwest. Leader Kim Jong Un oversaw the test, North Korean state media said.

"As a full-fledged nuclear power that has been possessed of the most powerful intercontinental ballistic rocket capable of hitting any part of the world, along with nuclear weapons, the DPRK will fundamentally put an end to the U.S. nuclear war threat and blackmail," state media said, using an acronym for the country's formal name, the Democratic People's Republic of Korea.

The U.S. has tried to use a combination of punitive economic sanctions, diplomatic isolation and military pressure to check Pyongyang's nuclear-weapons ambitions.

Washington has begun using so-called secondary sanctions, which target companies that do business with North Korea, to economically isolate the country, sanctioning one Chinese bank last week. Another last-resort U.S. move would be to eliminate travel by Americans to North Korea.

China has been the main U.S. diplomatic hope for the U.S. But after the death last month of American student Otto Warmbier following 17 months of captivity in North Korea, Mr. Trump said in a June 20 Twitter message that China's efforts had "not worked out."

Mr. Trump's Twitter posts have underscored the fluctuations in U.S. policy, as he wrote in a post after the launch that China should "put a heavy move on North Korea and end this nonsense once and for all."

North Korea announced the launch on state television in the early hours of Independence Day in the U.S. The regime has test-fired missiles on or around July 4 before, including in 2006 and 2009.

Mr. Kim, in a statement carried Wednesday on North Korean state media, called Tuesday's ICBM test a "package of gifts" on U.S. Independence Day. He said it showed that the North's "showdown with the U.S. imperialists has reached its final phase."

He appeared to rule out any discussions on giving up its weapons programs, saying the North wouldn't "put its nukes and ballistic rockets on the table of negotiations in any case."

Some analysts cautioned that North Korea faces many technical hurdles before it has a fully operational nuclear-armed ICBM. Among the challenges is ensuring the missile can carry and detonate a warhead at a predetermined target.

North Korea has said it can mount a nuclear bomb on a long-range missile, but opinion on that is divided.

Markus Schiller, a rocket analyst with German space and defense consultancy ST Analytics, said North Korea faces several years of engineering work. "Their work is just starting."

North Korea said the ICBM test showed that it had mastered the ability of its warheads to survive the strain of atmospheric re-entry—a frequently cited hurdle for its missile-development program.

While North Korea has been able to threaten Japan and South Korea for years with shorter-range missiles, Tokyo and Seoul could rely on Washington's nuclear deterrent. But with San Francisco potentially at risk, those allies could start to doubt the U.S.'s commitment, said Adam Mount, senior fellow with the left-leaning Center for American Progress think tank in Washington.

"We could see this day coming, but it was politically easier to continue to insist that the problem could be solved and that the problem would be solved than to prepare for this eventuality," he said.

Since Mr. Kim took power at the end of 2011, Pyongyang has accelerated its missile-development program, adding new capabilities that have given it the ability to fire missiles farther and with less preparation time.

The U.S. has weighed military options against North Korea since at least the early 1990s, though it appears to have decided in each case that it was too risky.

"I just don't see how it makes sense," says Daniel Pinkston, a North Korea specialist and professor at Troy University in South Korea. "You would initiate some military operation that is almost certainly going to fail, and it would unleash so many of the things that you'd want to avoid."

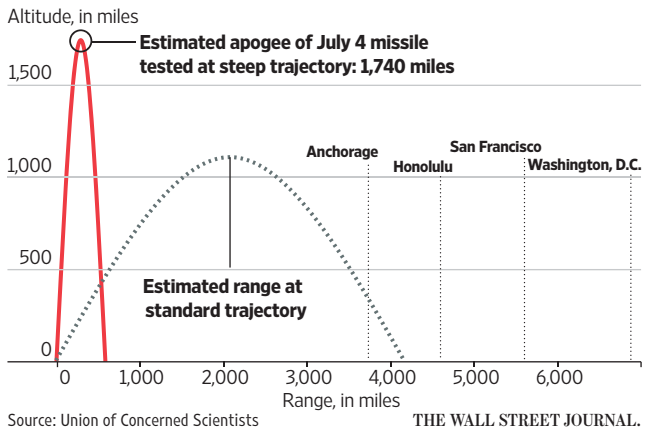
—Kersten Zhang in Beijing and Nathan Hodge in Moscow contributed to this article.

KRT/ASSOCIATED PRESS

Video from a North Korean state news bulletin Tuesday was said to show leader Kim Jong Un applauding after the launch.

Launch Pattern

North Korea said its Tuesday launch, which used an unusually steep trajectory, could reach the continental U.S.



Source: Union of Concerned Scientists THE WALL STREET JOURNAL.

Pyongyang Could Take Several Routes To Nuclear ICBM

SEOUL—Experts believe that North Korea has several paths to a viable nuclear-tipped ICBM, each of which uses a separate design.

North Korea has twice successfully launched a satellite from a three-stage ballistic rocket that has sufficient power to reach the U.S. West Coast and could form the basis of an intercontinental ballistic missile.

It also has test-launched its so-called Musudan missile, but it appears to have struggled with the technology, failing several times before claiming one success in June 2016.

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

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

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

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

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

David Wright, a physicist at the Union of Concerned Scientists, said that if fired at a more standard trajectory, it could have flown for more than 4,160 miles, and Mr. Rubin said it could have flown nearly 6,200 miles. That is more than enough to qualify as an ICBM.

The distinction between an intermediate-range and intercontinental ballistic missile is important: The U.S. has forbidden ICBM tests by North Korea.

—Jonathan Cheng

Missile Test Puts China in Tough Spot

By Jeremy Page

BEIJING—North Korea's announcement of an intercontinental-ballistic-missile test intensifies pressure on Beijing to penalize Pyongyang or risk further tensions with Washington as the U.S. and Chinese presidents prepare to meet.

The test marked a setback for Beijing, analysts said, undermining its repeated calls for the U.S. to negotiate with North Korea and increasing the risk that the Trump administration could turn to military action to quash Pyongyang's nuclear and missile programs.

The test also provides political leverage for President Donald Trump at meetings with Chinese President Xi Jinping and other world leaders at a summit of the Group of 20 this week. Mr. Trump is expected to try to rally other international leaders behind stricter United Nations sanctions on North Korea and urge stronger measures by China to restrain leader Kim Jong Un.

"This test is a heavy blow for China," said Zhu Feng, an international security expert at China's Nanjing University. "Beijing wants to see the U.S. talking with North Korea and not just emphasizing sanctions and isolation. But North Korea keeps escalating the tension."

China has backed existing U.N. sanctions and banned imports of North Korean coal, while opposing more potent measures that might destabilize Pyongyang.

Fueling Beijing's caution are disagreements within the civilian and military leadership over how to respond, with some arguing that a united, democratic Korea poses a greater threat to Beijing than a nuclear-armed Pyongyang, other Chinese experts said.

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WORLD WATCH

EUROPEAN UNION

Italy Promised Aid For Migrant Crisis

The EU's executive branch promised Italy an extra €35 million ($40 million) in a bid to quell tensions in the bloc over how to respond to an increasing number of migrants crossing the Mediterranean from Libya.

The Italian government, which estimates having to spend €4 billion on the migration crisis this year, in recent weeks stepped up calls on fellow EU governments to share the migrant burden. Italy rescued and brought to its shores more than 85,000 migrants so far this year, compared with 71,000 over the same period in 2016.

"We will show full solidarity with Italy in this struggle," European Commission Vice President Frans Timmermans said Tuesday at a news conference in Strasbourg, France. —*Valentina Pop*

OECD

Inflation Decelerates In Richer Economies

Inflation in the Group of 20 largest economies, which account for most of the world's economic activity, fell for the fourth straight month in May, the Organization for Economic Cooperation and Development said Tuesday.

Excluding prices of energy and food, the core rate of inflation in the larger number of developed countries that make up the OECD also fell in May—to 1.8% from 1.9%. —*Paul Hannon*

UNITED KINGDOM

Trump Offers to Help Sick British Child

President Donald Trump offered assistance for a gravely ill British boy at the center of a legal fight but didn't say what form that would take, tweeting Monday "if we can help...we would be delighted to do so."

The parents of 11-month-old Charlie Gard have battled his doctors in British and European courts for continuing life support for the brain-damaged baby. Doctors said the child's condition couldn't be effectively treated and that keeping him on a ventilator could be causing him pain.

Mr. Trump's tweet didn't specify what kind of assistance he was willing to offer, personally or on behalf of the U.S. —*Louise Radnofsky*

ABIR SULTAN/PRESS POOL/REUTERS

VICTIMS REMEMBERED: Indian Prime Minister Narendra Modi, center, visits the Yad Vashem Holocaust memorial in Jerusalem.

WORLD NEWS

FRANCO PAGETTI/VII FOR THE WALL STREET JOURNAL (2)

Debris lies around the clock tower in Amatrice, Italy, where almost 300 people died in a 6.2-magnitude earthquake in August last year.

Long Road for Quake Town

For the survivors of a devastated community, recovery is slow and uncertain

By Pietro Lombardi

AMATRICE, Italy—The center of this tiny town is off limits. Workers cleared paths through mounds of rubble and debris after last year's earthquake, but damaged buildings are still at risk of collapse in the part of Amatrice known as the Red Zone.

The local school has operated since September out of a temporary structure. Some residents displaced by the quake got prefabricated replacement homes, but many others are living elsewhere while they wait for new housing.

Italy has a long record of recovering slowly from earthquakes, and people in Amatrice and nearby towns in central Italy that were devastated by the August 2016 disaster fear that dismal history is being repeated.

"Uncertainty hangs over our future," said Francesco D'Alessandro, whose mother, grandmother and uncle were among the 299 people killed by the 6.2-magnitude quake, 237 of them in Amatrice. His brother was trapped in the rubble for seven hours, but survived.

Eight years after a quake hit nearby L'Aquila, part of that city is also still off limits. Allegations of corruption and other problems have so slowed reconstruction that officials estimate it won't be complete before 2022.

Politicians, mindful of past delays, have pledged to rebuild Amatrice. Banking, postal and other services are available in the town. Authorities set up a health center, because the hospital was damaged and the nearest one is an hour's drive.

But tremors—some large—have shaken the area since August, making it more difficult to remove rubble. Piles of crumbled masonry and twisted metal stand taller than a grown man around

Francesco D'Alessandro

Amatrice's clock tower, one of the few structures still standing in the Red Zone.

The government has earmarked more than €6 billion ($6.9 billion) to rebuild businesses, homes and infrastructure—including 38 schools whose construction is expected to start shortly—in the regions struck by the quakes, according to the government's body overseeing reconstruction. "Reconstruction is already under way," the earthquake reconstruction commissioner's press office said.

Yet "people here live in a sort of limbo, a state of suspension and uncertainty," said Sonia Santarelli, a lawyer who helps manage her family's farm outside Amatrice. She saw the home where she was born crumble to the ground in the quake.

Daniele Mosca lost his ice-cream shop in the Red Zone, forcing him and his partner to put off their plans to get married. They moved with their 1-year-old son to Perugia, about 100 miles away.

New marketplaces are under construction in Amatrice, and Mr. Mosca has been assigned a spot in one of them when it opens.

Mr. Mosca said he hesitates to return, doubtful that his family would have much of a future there. "We don't know what we are going to do," he said. "Our time horizon doesn't go beyond several days. We are afraid to make plans for the future."

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POLICE

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from Merritt. The 100 largest U.S. corporate pension plans have 85% of assets needed on hand, according to Milliman Inc. data as of March 31.

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

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

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

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

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

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

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

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

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

TOM FOX/THE DALLAS MORNING NEWS/ASSOCIATED PRESS

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

COOPER NEILL FOR THE WALL STREET JOURNAL

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

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

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

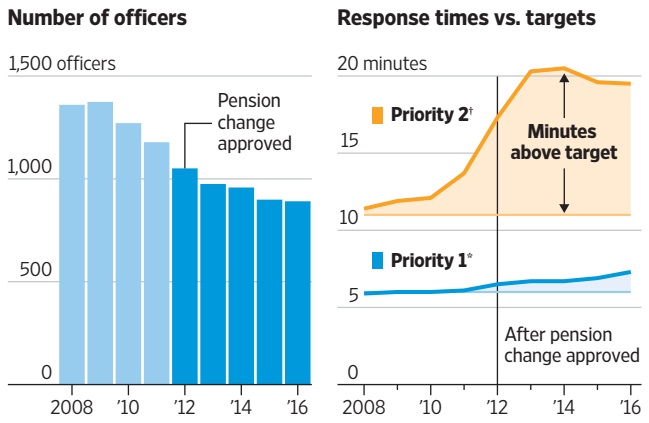
One of the first cities that tried to bring police pension costs down was San Jose, where former Mayor Chuck Reed asked voters to approve pension cuts as part of a 2012 ballot measure.

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

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

Policing San Jose

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



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

Source: City of San Jose Auditor

THE WALL STREET JOURNAL.

Vacant slots

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

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

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

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

A 10% raise

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

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

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

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

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

Up to a million

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

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

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

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

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

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

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

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

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

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

SHADE

Continued from Page One

S.C., enacted such a law four years ago. This summer, Sunset Beach, N.C., and Seaside Heights, N.J., both rolled out regulations restricting sun shields in some places.

Myrtle Beach's advice to Rehoboth Beach: Hang in there.

"The first year was fairly rocky," spokesman Mark Kruea said. "People are accustomed to having that tent."

While the South Carolina resort sometimes cites people for wearing overly skimpy swimsuits, he couldn't recall anyone being ticketed for violating the canopy law.

Since May 27, the Rehoboth beach patrol says, lifeguards have blown the whistle on canopies and tents about 840 times—"takedowns," Mr. Buckson calls them. Lifeguards can call police if a violator doesn't comply, though police have issued just three $25 tickets, according to Rehoboth Beach Police Chief Keith Banks.

For the 65 lifeguards, many of them college age, it has been a different kind of educational experience. Their diplomacy skills are tested as front-line enforcers of a law that can pull unsuspecting beachgoers into an undertow of anger and disbelief.

"We keep it short and simple," said 21-year-old lifeguard Ryan Crowley. "Captain B. doesn't want us getting into altercations." Some people already were giving them lip for enforcing bans on smoking, drinking and kite flying, he said.

Fans view the law as a fair way to improve the beach experience. Critics throw shade, calling it a pointless hassle and questioning why a cluster of umbrellas is OK if open-sided canopies aren't. Some wonder if the aim is to boost umbrella rentals. (It isn't, officials say.)

"It's definitely a hot potato," said Mr. Buckson, 50 years old, who has led the beach patrol for 18 years and also is a special-education teacher. His voice rose at one point during an interview, prompting him to say, "It's stressful, as you can maybe tell from my voice."

Rehoboth Beach officials say public safety and aesthetics drove the change. Large, "nontraditional shading devices" had mushroomed in recent years, making it harder for lifeguards to see the beach and water while impeding access to the ocean, they say. Some people used the fabric walls to hide smoking or alcohol consumption.

Officials say single-pole umbrellas pose less of a navigational challenge for lifeguards and first-responders than canopies or tents with multiple poles and sometimes tethers.

Another concern: High wind could turn poorly anchored tents and canopies into airborne projectiles, though Mr. Banks acknowledged umbrellas present a similar risk.

Dozens of visitors and residents had complained about tents and canopies to the local Chamber of Commerce, said its chief executive, Carol Everhart, who notified the town. She said public support for the law seems strong.

"Love, love, love it," said regular visitor Lynn Degenhart as she sat on the beach with her husband, Karl. The beach is now much less cluttered, she said. She used a baby tent to shade their cooler.

At a gathering one morning, Mr. Buckson doled out reminders to his lifeguards. Drink lots of water. Don't let anyone dig deep holes. Enforce the canopy law.

"Just remember, if you see the pop-up tents or canopies, approach the people politely" and "ask them please take them down within the next 15 minutes," he said. "They're not going to be too happy about it."

The first takedown fell to 19-year-old Christian Cosden. The offenders were Justin and Sara Slomkowski of Philadelphia, whose umbrella had a swatch of fabric extending down to the sand to shade their 16-month-old, Nora.

Mr. Cosden, shirtless and barefoot, explained that umbrellas with sides aren't allowed. "So if you can take the sides off, that'd be awesome," he said.

"Sure," said Mr. Slomkowski.

"Cool. Thank you, guys."

Asked about it, Mr. Slomkowski said it was "kind of silly" they had to yank the side off. His wife bought the umbrella after reading about the law online and thought it complied. They weren't going to make waves. "We're just here on vacation for a couple days," he said.

Mr. Cosden said most interactions are similarly smooth, but some scofflaws tell him to go pound sand. "They just won't take it down, they just won't even talk to you or look at you, or they'll walk away," he said. Those he lets the police handle.

That morning, the beach patrol's Mr. Tartal broke it to John Haas of Silver Spring, Md., that his blue tent—at that moment shading his wife, their toddler twins and his niece—exceeded the 3-foot limit. Mr. Haas took the news well and even laughed about being busted. An assistant principal at a high school, he knows about rule-following.

Moments later, the 25-year-old Mr. Tartal, who is a lifeguard in addition to Capt. Buckson's beach patrol deputy, told Marjorie Danko, a receptionist from Hershey, Pa., that the $40 three-sided tent she bought for her grandchildren didn't pass muster, either.

"I don't understand this," she said. "I think umbrellas are much more dangerous. What kind of ordinance is that? I mean, really dumb."

Mr. Tartal apologized but didn't debate her. "We don't write the ordinances," he said, "we just enforce them."

Clutching some cash, Ms. Danko marched off to go rent an umbrella.

SCOTT CALVERT/THE WALL STREET JOURNAL

Rehoboth Beach, Del., prohibits tents like this one, creating an enforcement role for lifeguards.

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GREATER NEW YORK

Colors on Display for Independence Day

ALBA VIGARAY/EUROPEAN PRESSPHOTO AGENCY

STARS AND STRIPES: A giant flag was brought out for the July Fourth celebrations at Sagamore Hill National Historic Site in Oyster Bay.

Airport Plan Stirs Worries

Westchester's Astorino pushes privatization, but residents fear more noise, less protection

By Joseph De Avila

ISTOCK; ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL

County Executive Rob Astorino sees upside to privatizing Westchester County Airport, but others are wary.

Westchester County Executive Rob Astorino has a controversial plan to make the county millions of dollars: privatize the airport.

Mr. Astorino's efforts have run into opposition from some residents who say the plan gives a new operator an incentive to maximize profits, which could lead to more planes flying in and out of the airport, as well as a cutback on environmental protections for the surrounding area.

The county is accepting bids from private operators for the chance to sign a 40-year lease to run Westchester County Airport, which sits on the border of Greenwich, Conn.

Bids are due July 14 and the winning bidder must be approved by 12 out of 17 members of the Westchester County Board of Legislators later this year. County officials expect about five or six bids for the contract.

Mr. Astorino, a Republican, says the upside for taxpayers is clear. The county will remain the owner of the airport, but under the privatization plan, the airport will make money for the county and will be better run with upgraded passenger lounges, ticketing areas and concessions, he said.

"The work gets done quicker and more efficiently by the private company and we actually get to keep some of the profits at the airport and apply them to holding the line on taxes," Mr. Astorino said.

Westchester County has owned the airport since the World War II era. During that entire time, the county has used a private operator to manage the airport. The revenue currently made by the airport can only be spent on airport operations, per Federal Aviation Administration regulations.

But Westchester County joined a pilot program in 2016 run by the FAA that allows officials for the first time to spend money generated by the airport for county expenses on things like police officers and road work.

Tim Halpern from Waccabuc, N.Y., about 25 miles north of the airport, said he is sympathetic to the county's pitch that a new private operator will be able to run the airport better. But he isn't convinced that's what's best for the community, he said.

"I don't what my house to get any louder," Mr. Halperin said. "I don't want my quality of life further eroded."

County officials say a future operator will continue to take environmental protections seriously, including being a responsible neighbor to the Kensico Reservoir, which provides drinking water to New York City. And concerns that plane traffic into and out of the airport could dramatically increase are overblown, county officials said, because a new operator would have to operate in the current footprint of the airport and wouldn't be able to add terminals or gates.

Michael Kaplowitz, chairman of the board of legislators, said the privatization proposal currently doesn't have the 12 votes on the board needed to pass because many legislators, like himself, remain undecided.

"I want to see what the bid is that is ultimately accepted, and I need to get down to the details on a granular level of that bid," said Mr. Kaplowitz, a Democrat.

Going Private Is Still a Struggle

The FAA's Airport Privatization Pilot Program is 20 years old. Yet only one airport that was privatized under the program remains in private hands.

A federal audit of the program in 2014 cited varied reasons for the struggles, including higher financing costs and the absence of property-tax exemptions for the private sector.

But Thomas Bosco, executive chairman of one of the companies bidding on Westchester County Airport, believes financing won't be a problem. He predicts competition for the airport, as well as others, will be strong.

"I think you're going to see a resurgence in interest in this program," Mr. Bosco said. "It's ripe for investment."

The program to spur privatization of U.S. airports by easing legal and financial barriers was created during former President Bill Clinton's administration.

So far, 12 airports have entered the program.

In addition to the potential for Westchester's airport to privatize, two others are going through the process—St. Louis Lambert International Airport in Missouri, and Hendry County Airglades Airport in Clewiston, Fla.

Since 1996, only two airports have completed the program. One of them, Stewart International Airport, in Newburgh, N.Y., was bought by the Port Authority of New York and New Jersey. That leaves Luis Muñoz Marín International Airport in San Juan, Puerto Rico, which remains private.

Oaktree Capital Management LP of California, which in May sold its 50% stake in a venture that operates the San Juan airport, is in a partnership bidding for the airport in Westchester.

"We're confident that we can compete with anyone," said Mr. Bosco, who is helping to lead the bid company, HPN Aviation Group.

—Joseph De Avila

Deal on Budget Puts New Jersey Back in Business

By Kate King And Keiko Morris

New Jersey state parks and other services reopened on the Fourth of July after the governor and Legislature reached a last-minute budget deal.

State-run beaches were jammed, officials said, but some activities were moved and a 5k race planned for Liberty Island was called off.

"It was a little reminiscent of the parks reopening after superstorm Sandy, where people rediscovered our state parks. They're just happy to be back," said Bob Considine, New Jersey Department of Environmental Protection spokesman.

Jersey City relocated its July Fourth festival and fireworks from Liberty State Park to Exchange Place because of the shutdown. Even though the parks reopened, the city kept the festivities at Exchange Place because it was too late to switch again.

Special Olympics New Jersey called off the Statue of Liberty 5k because of uncertainty over the shutdown, according to the organization's website. Participants were to check in and take the ferry from Liberty State Park in Jersey City to Liberty Island.

Meanwhile, in Trenton, Democrats emerged from the weekend's bitter budget battle with Gov. Chris Christie with a rare win: more than $300 million in additional spending from a Republican governor known to use his veto pen.

Mr. Christie had threatened to use his line-item veto power to cut the extra funding from the final budget unless lawmakers approved legislation that gave the state more oversight over New Jersey's largest insurer. Unwilling to part with the additional funding, Democratic legislators refused to send the governor the budget, which prompted a three-day government shutdown.

The impasse ended late Monday night when Democrats and Mr. Christie agreed to a watered-down version of the legislation originally sought by the governor, who then signed the $34.7 billion budget with the additional spending intact.

"I'm sorry for the inconvenience that everyone went through, but at the end of the day we had one hell of a budget that we can be proud of," said Senate President Steve Sweeney, a Democrat.

The final budget agreement includes $100 million in new spending for underfunded schools, $25 million to expand state-funded preschool, $13 million in family-planning and other women's services programs, as well as money for other social-service programs.

In previous budgets, Mr. Christie slashed proposed spending from Democrats that would have increased the state's pension payments, expanded the earned-income tax credit and funded family-planning programs.

"At the end of the day this budget has a lot of really great things in it, a lot of Democratic priorities," Assembly Speaker Vincent Prieto said Monday.

State parks and other services reopened on Fourth of July after a shutdown on Friday.

Lawmakers missed Friday's deadline to approve a balanced budget, prompting the shutdown that closed state parks and beaches and furloughed more than 30,000 state workers on Monday.

The Republican governor, who faced an onslaught of criticism after he was photographed on a state beach that was closed to the public during the shutdown, received less than he initially sought with regard to the insurer, Horizon Blue Cross Blue Shield of New Jersey. But he hailed Monday's agreement as "overdue, significant reform" of the not-for-profit, which covers 3.8 million people.

Horizon had opposed Mr. Christie's original proposals, which executives said would make the insurer less competitive and possibly force them to raise premiums.

The bill agreed to on Monday caps the insurer's reserves at 725% of risk-based capital with the understanding that excess funds would be used to benefit policyholders.

Horizon Chief Executive Robert Marino, who met privately with lawmakers in Trenton on Monday, said in a statement that he supported the final deal.

MEL EVANS/ASSOCIATED PRESS

Beachgoers at Island Beach State Park after it reopened Tuesday.

Ferries Fill the Gap, but Long Waits Test Passengers' Patience

By Mara Gay

Transit-hungry New Yorkers have found a new summer pastime: Waiting—and waiting, and waiting—for the ferry.

"We've been here for about 35 minutes," Andrew Bernis, 25 years old, said as he stood in line with hundreds of people waiting to board a ferry to the beach Monday at Pier 11 near Wall Street in Manhattan. "It's New York. Everything good here gets discovered."

New York City Mayor Bill de Blasio has heralded the ferry service launched by the city in the spring as a breakaway success, with more than half a million people riding so far. But the combination of high usage and smaller boats has overwhelmed the system at times.

On the most popular routes such as the Rockaway line connecting lower Manhattan with some of the city's beaches, hundreds are left to wait between 30 minutes and an hour for a boat with room to board on the weekends.

Anthony Hogrebe, a spokesman for the city's Economic Development Corp., which oversees the ferry program, said NYC Ferry was "doing everything we can to serve as many riders as possible." The city and ferry operator had more than doubled the number of boats to the Rockaways in Queens on weekends, and had ordered more boats, he said.

"The lines were not as long today as they were in the last couple of days," Mr. Hogrebe said Tuesday. "By running three departures an hour, they believe no one should have had to wait more than an hour to get to Rockaway."

On other ferry routes Monday, things seemed to be going more smoothly. A group of bicycle-toting ferry riders heading to Governors Island hopped on without a wait, and travelers on a Manhattan-bound ferry coming from Brooklyn Bridge Park found plenty of room to spread out.

MARY ALTAFFER/ASSOCIATED PRESS

Riders taking the NYC Ferry's South Brooklyn route come aboard.

At Pier 11, where hundreds of beachgoers stood in the hot sun waiting for the next boat, some contemplated whether they should have a called car service, but most said they were taking the long wait times in stride.

While others stood around him, Lucas Piazza, 26, sat in a foldable beach chair waiting for the next boat to arrive. "I'm in it to win it," he said.

Many said they were trying to avoid the subway, where delays have steeply risen during the past year, leading Gov. Andrew Cuomo, who oversees the system, to declare a state of emergency last week and pledge $1 billion in new funding for the system.

Mitchell Moss, director of the Rudin Center for Transportation at New York University, said the ferry initiative launched at the perfect moment. "It's come online just at the time that the subways have had a crisis. It's an amazing convergence," he said.

But for Mary Kalemkerian and her sister Sarah Kalemkerian, who waited for 45 minutes to board a boat to the beach from Pier 11 on Monday before abandoning ship, the ferry was no substitute for a working subway.

"Either you wait for the New York City ferry or you wait for the MTA," Mary Kalemkerian said. "At this point, we might take the A train."

—Keiko Morris contributed to this article.

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METRO MONEY | By Anne Kadet

Riding the Wave of Nostalgia

The bulb-festooned sign adorning the Eldorado Bumper Cars & Arcade concession in Coney Island has faded to a murky pinkish-grey. But owner Gordon Lee can't quite muster the will to repaint.

He's a fan of Brooklyn's old Coney Island. And the film crews love it too—they pay thousands to rent the attraction for shoots.

Still, he suspects he would attract more customers if he modernized the joint to match his spiffy go-kart and miniature golf concessions.

"They want to see real big sizzle," he says of customers.

It's a quandary faced by the few original mom-and-pop concessions operating in a Coney Island now dominated by the likes of **IHOP**, **Applebee's** and the squeaky-clean Luna Park.

Is it better to evolve, or capitalize on nostalgia?

One of the many hand-painted signs adorning Pete's Clam Stop on Surf Avenue says: "Eat clams, make babies."

Peter Agrapides Jr., who runs the stand with his 81-year-old father, Pete, says the artist is in a wheelchair, but they found a new painter to freshen the originals.

I asked how they discovered her.

"She just dropped out of the sky," he says.

The place has an interesting history.

The father says he was running a bingo hall across the street back in the '70s when a local came by asking for a loan.

"Monday came, I went to him, I said, 'What's going on? Give me my money.' He said, 'I don't have it.' "

The elder Mr. Agrapides took over the stand and got some tough competition in the process. Nathan's Famous, the hot-dog giant, operates next door.

KHOLOOD EID FOR THE WALL STREET JOURNAL (3)

Coney Island vendors try to offer the right mix of old and new to compete with modern attractions.

"David! Goliath!" says the elder Mr. Agrapides. "He hit him with a slingshot. What I did with Nathan's, I looked at his food. I have items he doesn't have. I have shish kebabs."

But the two businesses also help each other out. The Agrapides let Nathan's use their potato cutter. Nathan's long lines often benefit Pete's.

"When Nathan's is very busy, I make more money," says the elder Mr. Agrapides. "I get the overflow."

Corn-dog mecca Paul's Daughter used to be the craziest looking joint on the boardwalk, with a riot of screaming signs and a display of fried food that was even more dizzying.

It was with great reluctance that the family acquiesced to the landlord and modernized, says manager Mike Georgoulakos.

"They wanted to make it look nice and clean, and if you're not willing to remodel, you don't get the lease," he says. "We try as much as we can to keep the history alive."

Some of the old signs hang on the stand's back wall, including one for corn-on-the-cob, which is confusing because corn is no longer served.

Now it's craft beer and $17 lobster rolls. But "Italian sausage is still king!" says Mr. Georgoulakos.

Among the outfits evicted from the boardwalk were Beer Island and Shoot the Freak, a wonderfully horrid "game" that had players shooting paintballs at a live human target scrambling around a dusty pit.

Carlo Muraco, who owned both ventures, now manages Margarita Island, a tiki bar tucked into one of the area's more obscure alleys. The place is just five years old, but with its delightfully garish décor and Zoltar Fortune Teller Machine, it looks like it has been there forever. It's known for its strong drinks.

"Coney Island is gritty," says Mr. Muraco. "People come down here to let loose. It's more of an adult park than a kiddie park in some of these areas."

He'd love to revive Shoot the Freak, but it's hard to find space, not to mention freaks.

Business is steady, he adds, but nothing like it was on the boardwalk. "Tell 'em to come to Coney Island," says Mr. Muraco, "because we're trying to hold on."

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Trial Set to Open For Councilman

By Keiko Morris

Prosecutors are expected to present opening arguments to jurors in the case against New York City Councilman Ruben Wills on Wednesday, three years after the Queens politician was indicted on charges of stealing tens of thousands of dollars in campaign and taxpayer money.

Mr. Wills, a Democrat representing a district in southern Queens, is facing allegations that he and a relative who worked for him took about $30,000 in matching campaign funds and state grant money intended for a charity he controlled and used it for personal expenses, including a $750 Louis Vuitton handbag bought at Macy's, according to state Attorney General Eric Schneiderman's office.

"Elected office doesn't give anyone license to break the law, or avoid the consequences," said Amy Spitalnick, a spokeswoman for Mr. Schneiderman.

"With trust in government falling, it's all the more vital to send a clear message: Public corruption will not be tolerated in New York," she said.

Bad record-keeping doesn't amount to criminal behavior, said Mr. Wills's lawyer Kevin O'Donnell. None of the money the state accuses Mr. Wills of stealing was spent on personal items, Mr. O'Donnell said.

"The fact that an accountant or auditor can't link up receipts to specific designated money spent by Ruben doesn't make it criminal," Mr. O'Donnell added.

If convicted, Mr. Wills would face up to seven years in prison.

Prosecutors allege Mr. Wills defrauded the New York City Campaign Finance Board and the New York State Office of Children and Family services.

Mr. Wills funneled $11,500 from funds that included campaign matching money to pay a shell company called Micro Targeting for the translation and distribution of campaign literature in 2009, prosecutors contend. The company never provided those services, they said.

Mr. Wills had a relative, Jelani Mills, redirect the money to NY 4 Life, a nonprofit organization Mr. Wills controlled, prosecutors said. Instead of making legitimate campaign expenditures, Mr. Wills withdrew money and spent it on himself, they said.

Prosecutors allege Ruben Wills misused matching campaign funds, grant money.

Prosecutors also say Mr. Wills misused about $19,000 in grant money from the state Office of Children and Family services intended for several NY 4 Life public-service projects.

Mr. Wills used the money for political and personal expenses and issued checks to individuals who did little or no work related to the program, prosecutors said.

Mr. Wills's attorney maintains that the money was spent on the designated programs in an appropriate manner.

Last year, Mr. Mills pleaded guilty to falsifying business records in the second degree and was sentenced to a year probation and 10 days of community service.

Neither Mr. Mills nor his attorney could be reached for comment relating to these charges.

Joey Chestnut Wins 10th Nathan's Hot Dog Title

PETER FOLEY/EUROPEAN PRESSPHOTO AGENCY

Joey "Jaws" Chestnut powered his way to a 10th title on Tuesday at the annual Nathan's Famous July Fourth hot-dog eating contest in Brooklyn, continuing his record-setting reign as the champion.

Mr. Chestnut downed 72 dogs and buns in 10 minutes to beat his own record and hoist the Mustard Belt for a 10th time.

The 33-year-old San Jose, Calif., man bested up-and-comer Carmen Cincotti, of Mays Landing, N.J., who ate 62 franks and buns on his 24th birthday.

Miki Sudo, 31 years old, notched a fourth straight win in the women's competition. The Las Vegas woman ate 41 hot dogs and buns to beat Michelle Lesco, 33, of Tucson, Ariz., who downed 32 franks and buns.

Mr. Chestnut has dominated the chow-down throwdown for years, eating 70 franks and buns last year and taking back the title from Matt "The Megatoad" Stonie. The 25-year-old Mr. Stonie came in third on Tuesday, with 48 franks and buns.

"I love to win, so I had to figure out my body and push it to the limit," Mr. Chestnut said.

The women's side has featured a rivalry between Ms. Sudo and record-holder Sonya "The Black Widow" Thomas, of Alexandria, Va. Ms. Thomas, 50, came in third on Tuesday with 30 dogs and buns, well shy of her record 45.

—Associated Press

GREATER NEW YORK WATCH

TRANSPORTATION

Federal Government Quits Gateway Group

The U.S. Department of Transportation has pulled out of the group leading the $23.9 billion Gateway Program that includes digging a new rail tunnel under the Hudson River.

In a letter sent to the Gateway Program Development Corporation board obtained by The Wall Street Journal, the Transportation Department's acting general counsel said the federal government will "permanently withdraw" from the board.

"It is not DOT's standard practice to serve in such a capacity on other local transportation projects," acting general counsel Judith Kaleta wrote.

The Gateway Program is the largest infrastructure project in the Northeast. It aims to double rail capacity between Newark, N.J., and New York City by laying two new sets of tracks, building several new bridges and expanding New York Penn Station.

A spokesman for the Transportation Department said Sunday that the withdrawal is "consistent with the department's provision of effective and objective oversight in instances where we provide financial assistance."

Gateway's development corporation was created in 2015 with four trustees representing what were seen as the major partners in the program: one representative each from New York and New Jersey, one representative from Amtrak and one representative from the federal Transportation Department.

—Paul Berger and Ted Mann

BROOKLYN

Man Faces Charges In Girlfriend's Death

Police say a 53-year-old man stabbed his girlfriend to death in the home they shared in Brooklyn.

The **New York Police Department** said Tuesday that Anthony Bradford was arrested on murder and weapons-possession charges in Laverne Spencer's death.

It wasn't clear whether Mr. Bradford had a lawyer who could comment on the charges.

Police say Ms. Spencer was found, wounded in the torso and legs, just after midnight Monday at her apartment in the Bedford-Stuyvesant neighborhood. The 55-year-old woman was pronounced dead at a hospital.

—Associated Press

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LIFE & ARTS

F. MARTIN RAMIN/THE WALL STREET JOURNAL

NUTRITION

Probiotics With Your Pizza?

Food companies add the digestive and immune-system helpers to granola, baking mixes, juice, pizza dough and water

BY ANNE MARIE CHAKER

THIS SUMMER, expect more bugs in your food.

Probiotics once appeared mostly in yogurt, plugged by Jamie Lee Curtis in television commercials (and mocked on Saturday Night Live). Now, new cereals, snacks and beverages from Kraut Krisps to Gut Punches and Wellness Waters are featuring the microorganisms touted to help digestive and immune systems function.

Mariani's Probiotic Prunes say they "deliver active cultures 10 times more effectively than yogurt." Brad's **Raw Foods** LLC's kale chips has added "shielded probiotics to promote digestive and immune health." The number of food products in the U.S. making a probiotic-related claim has nearly tripled to more than 500 in the last five years, according to food market research firm Innova Market Insights.

The additions come as consumers are looking for medicinal, in addition to nutritional, benefits from their food. "People now want food to be functionally formulated, not just delicious," says Elizabeth Moskow, culinary director for food consultancy Sterling-Rice Group in Boulder, Colo. Many stores stock the probiotic-infused foods, but some retailers filter the offerings, skeptical of some of the claims that otherwise less-healthy foods may make.

New strains of probiotics don't require refrigeration. These newer spore-forming strains produce coated cell structures that help extend probiotics' shelf life. Still, most probiotics can't survive heat, processing or air exposure and often degrade with time.

The new food introductions reflect a growing consumer interest in gut health and the belief that the microbial composition of the intestines can foster good health outcomes. The impact of probiotics on digestive health is well documented, says Robert Hutkins, a professor of food science at the University of Nebraska-Lincoln. A 2014 study published in the journal Vaccine looked at 500 hospital patients who were suffering from antibiotic-associated diarrhea. Those patients who received the highest doses of probiotics showed the most symptom relief compared with those patients who got more moderate doses or none at all. The benefits of probiotics on other body functions, from sleep to stress, however, are less clear.

Ganeden Inc. began selling a branded spore-forming strain of probiotic bacteria called GanedenBC30 to food and beverage manufacturers in 2008, when it had eight natural-foods customers.

Karma Probiotics Wellness Waters have a special cap so people push the powdered probiotic into the bottle when they are ready to drink.

Today nearly 800 food products are pitching BC30 as a probiotic ingredient, chief executive Mike Bush says.

He argues that the health message pays off. It can cost a company 3 to 4 cents a serving, which might then mean the consumer pays an additional 6 to 8 cents a serving. Compared with the cost of taking additional supplements, "it's a pretty minimal investment," he says. A 45-day supply of Bayer TruBiotics supplements costs about $30.

Some food scientists argue that, unlike strains of Lactobacilli and Bifidobacteria, which are more documented in scientific research and typically appear in yogurt, there are far fewer studies on spore-forming varieties now appearing in so many foods. "The industry is introducing them into foods far faster than the clinical research can keep up," says Robert Hutkins, a professor of food science at the University of Nebraska, Lincoln.

Mr. Bush says the company's probiotic is recognized as safe by the Food and Drug Administration and has appeared in 26 pieces of published research since 2009.

Earlier this year, the International Probiotics Association worked with the Council for Responsible Nutrition, a trade association for the supplements industry, to establish voluntary guidelines on labeling, stability testing and storage recommendations. In February, representatives from the association met with Food and Drug Administration officials to present its guidelines. "We want them to know the industry is doing a good job of setting good standards and self-policing," says Ganeden's Mr. Bush, who is president of the probiotics association's board of directors. FDA spokeswoman Lyndsay Meyer says that the agency "encourages dietary supplements manufacturers who have questions about their products to meet with the agency."

Still, some retailers, such as **Whole Foods,** are cracking down on suppliers it says try to pitch more foods as good for you because they contain probiotics. "We would see a cheese pizza with added Bacillis coagulants marketed as a health-enhancing food to consumers when it was relatively high in fat and sodium," says Joe Dickson, Whole Foods Market Inc.'s quality standards coordinator. He says the retailer works with suppliers to make sure the nutrition label is kept in check even with the addition of a probiotic.

The probiotics have also inspired new packaging. Karma Probiotics Wellness Waters have a special cap that allows consumers to push the powdered probiotic into the beverage when they are ready to drink from the 18-ounce plastic bottle. Dan Johnson, a 30-year-old pastor in Durham, N.C., says he likes the Wellness Waters. "I try to drink one of those a day," he says. "It has certainly helped my issue."

SHOPPING

ARTISANAL TARGET? RETAILER RECASTS LINES

TARGET (3)

Target will shed some of its brands and introduce labels such as A New Day, a women's line that includes a trench coat and a handbag, inset.

BY ELIZABETH HOLMES

TO UNDERSTAND WHAT today's clothing shoppers want, take a look at the beer aisle.

Niche craft brands are stealing share from traditional beverage behemoths, as customers hunt for something that feels special. The same is true in beauty and grooming, where startups are getting all the buzz.

Target Corp. is taking note and cleaning house, shedding some of its stalwart brands and launching more than a dozen new ones over the next 18 months in apparel and home furnishings. To make room, the men's and women's Merona line and men's Mossimo offering will be phased out, having grown too big and homogenized to garner shoppers' affection, executives say.

Faced with slumping sales and stiff competition from rivals, including Amazon, Target hopes the new launches will give shoppers a reason to come into its stores.

Each new brand has a defined personality and purpose, Target says, and isn't a nondescript label. "People are looking for something that is more curated and meaningful to their specific lifestyle," says Mark Tritton, Target's chief merchandising officer. The goal is for A New Day, a more fashionable line of women's classics, and Goodfellow & Co, a modern menswear collection, to make an emotional connection with shoppers—something Merona never was able to do.

The new names, which will begin to appear this fall, are meant to complement the remaining brands, allowing each to have a clearer point of view, Target says. The athleisure-inspired JoyLab, for shoppers going from "crunches to brunches," will be marketed as a fashion brand, while the existing C9

Please see TARGET page A13

MY RIDE | By A.J. Baime

An Oldsmobile Obsessive Explains Himself

Jim Schultz, 66, a retired industrial salesman from Chino Valley, Ariz., on his 35 Oldsmobiles, as told to A.J. Baime.

The car you see pictured here—a 1957 Oldsmobile 88 Holiday Sedan—turns 60 this year, and no one outside my family has ever touched it with a wrench. My father did all the maintenance for the first owner. Fifty years ago, he bought the car for about $400. He loved this car so much, an image of it is carved into his headstone.

I was born into a family of Oldsmobile fans. My father worked as a mechanic at Olds dealerships and at his own garage, and he bought and sold Oldsmobiles to help support our family while I was growing up. I started working at his garage at age 12.

I began collecting Oldsmobiles years ago. My late wife was a good sport. I have a 6,000-square-foot metal building on my property I call my toy box, and I have filled it with Oldsmobiles. Today I have about 35. My wife used to say, "You'd better not bring any more home. If you do, it had better be big enough for you to go live in."

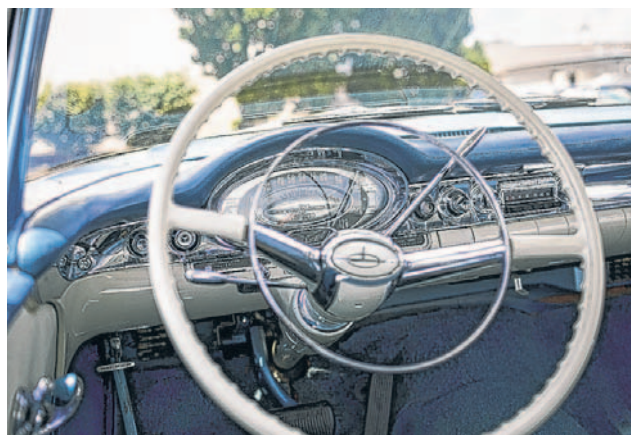
My oldest Oldsmobile is a 1940 Series 90, with the industry's first-ever automatic transmission. My newest is a 1989 Custom Cruiser station wagon I call the Lab Cab, because I've driven the vehicle all over the country with my black labs in the back. I have six Toronados and some Rocket 88s. But the car I always come back to is the 1957 88 Holiday.

I am president of the National Antique Oldsmobile Club, and earlier this month, I brought the 88 Holiday to our annual convention, in Reading, Pa. (That's where these pictures were taken.) The car has its original, unrestored paint and engine. I recently put new tires on it, so it has new sneakers. After all these years, it drives like a dream.

General Motors phased out the Oldsmobile. The last vehicle rolled out of the factory on April 29, 2004. Someone has to collect and maintain these cars. If everyone knew how wonderfully they were engineered, they would be too expensive for us fans to buy. Olds fans think of these vehicles as the best-kept secret in the car-collecting hobby, and that's the way we like it.

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

Jim Schultz with his family's Oldsmobile 88 Holiday Sedan at the National Antique Oldsmobile Club's annual convention in Reading, Pa.



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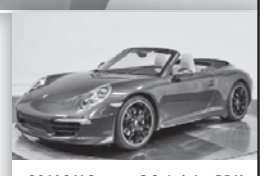

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BURNING QUESTION | By Heidi Mitchell

Is It Better to Shower at Night in the Summer?

THE AVERAGE AMERICAN takes a shower each day, using about 16 to 40 gallons of water while washing his body and clearing his mind. Some swear that cleaning before bed, especially in hotter months, relaxes the muscles and improves sleep, while others insist an eye-opening morning shower is ideal. So which is it? One expert, Temitayo Ogunleye, an assistant professor of dermatology at the University of Pennsylvania's Perelman School of Medicine, has answers.

Eradicate the Odor

Most people shower to remove or prevent body odor. That odor is produced in part by sebum, an oil the skin manufactures to keep it moisturized. When you shower, you remove the sebum from the skin—along with all the dirt it can collect. Hot showers further strip the skin of sebum, dirt and potentially offensive odor. "That's why people are inclined to shower more frequently in summer," when sunblock and sweat may add to that tacky, dirty feeling, Dr. Ogunleye says. However, she adds, "lotion may marginally attract more dirt, but not enough to make a huge difference as far as odor."

While the cultural norm in the U.S. is to shower at least once a day, typically in the morning, showering habits are actually more tied to culture than many would suspect. "There is some evidence to suggest that different ethnicities produce different levels of sebum," the dermatologist says. "Some people shower every night because that was what their family did," she says.

The Summer Stick

For many Americans, there is a mental component to a morning shower: "That jolt of water wakes you up. It also makes many people feel fresh for the coming day," says Dr. Ogunleye, herself a morning washer. But because mornings can be so rushed, many forgo the sunrise rinse and instead wash at night. "If you like your sheets clean or work in a dirty or germ-filled job, that makes sense," she says.

People with eczema or other skin conditions should take fewer showers, and use lukewarm, not hot, water to keep some of the sebum intact, she says. As long as your bedroom is cool and you're not sweating all night long, showering in the evening can give a nice coda to a long, hot day, with the added bonus of removing all that icky stick.

She only recommends people shower twice a day if they participate in activities like swimming in bacteria-laden lakes, salty oceans or drying pools, or working out. If you wear open-toed shoes and stomp through city grime, evening showers are useful—though for morning shower-takers, just washing the feet will suffice. "Do most people need to take a second shower?" Dr. Ogunleye asks. "Probably no. Need is a strong term."

Prepare to Beat the Heat

Some studies have suggested that taking hot baths or showers in advance of a hot day might prep the body for the coming heat wave, but Dr. Ogunleye hasn't seen strong enough evidence to advise this. "When air hits your skin when you step out of the shower, it's like sweating, which decreases your body's temperature," she says. "As that water evaporates, you will feel cooler, but that feeling lasts minutes, not hours," she says.

When to shower is ultimately a question of preference. In the summer, you might sleep more soundly with clean skin. "Kids usually shower at night, when they are sweaty and filthy after a long day, and that makes total sense," Dr. Ogunleye says.

TARGET

Continued from page A11

Champion line is positioned to emphasize performance. Project 62, a home brand with a modern aesthetic in the works, will be displayed alongside the more traditional Threshold brand.

In addition to the launches, Target is making changes that it says reflect how customers want to shop today. Rampant discounts and promotions, which Target says have diminished customers' trust in retailers, will be kept to a minimum with the new brands. Thanks to better lighting and more mannequins, displays will resemble a boutique in a mall more than a big-box chain. New racks and shelves will allow for cross-merchandising, like displaying shoes alongside dresses.

Total Target sales fell 5.8% last year, to $69.5 billion. Sales at Target stores open at least a year fell 1.3% in the first quarter. The chain reported a "small decline" in apparel same-store sales in the first quarter.

The Minneapolis retailer is investing heavily in its new brand strategy, hoping to boost profits with fresh interest in these high-margin categories.

Half its apparel and accessories will be overhauled in the next two years, and more than a third of its home offerings. "Brands become a great differentiator," says CEO Brian Cornell. Target wants to draw customers from struggling rivals, including department stores and specialty chains that are closing locations.

The brands coming this fall will take a page from the playbook of Cat & Jack, a collection of children's apparel and accessories that Target introduced last summer to replace the clothing lines of Cherokee and Circo. The older labels were seeing same-store sales gains in the single digits, according to Mr. Tritton. "They weren't underperforming, we just felt they had overstayed their welcome," he says. Shoppers wanted clothes that were more stylish and durable.

Cat & Jack sales have surpassed Cherokee and Circo apparel sales combined, with same-store sales rising double digits and total sales set to top $1 billion in the first year. Even as it swells in size, Cat & Jack's style focus remains the same, Target says, with bright colors, whimsical graphics and clever slogans. When customers wanted edgier, more fashion-forward styles for slightly older children, Target launched a brand called Art Class. It, too, is selling well, offering "validation of why we need multiple brands with unique aesthetics," says Michelle Wlazlo, senior vice president of apparel and accessories.

With many customers browsing online before coming into the store, Target has done more with its in-store displays to help shoppers make the connection. Both Cat & Jack and Art Class have their own landing pages on Target's website, with graphics and color schemes specific to the brands replicated in store displays. For Cat & Jack, a three-dimensional hot-air balloon calls shoppers' attention to the store shelves.

To create niche adult brands for an audience as large as Target's—30 million people walk through its doors every week—the company relied on insights consumers gave its market-research and design teams.

Real shoppers will appear in some of the new brands' marketing materials alongside models. "Consumers are looking for brands they can relate to," says Rick Gomez, Target's chief marketing officer, and "seeing people like themselves" helps draw that connection.

A table from Target's Project 62 line, above, and clothing, top, from its JoyLab brand.

TARGET (2)

EXHIBITION REVIEW

THE ARCHITECTURAL PRINCE OF PORTLAND

BY JULIE V. IOVINE

Portland, Ore.

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

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

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

FROM LEFT: JEREMY BITTERMANN; JOHN YEON ARCHIVE

The Watzek House, left, designed in 1937 by John Yeon, above

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

Yeon's formal education consisted of a short apprenticeship with a Beaux-Arts trained architect in Portland, less than a semester at Stanford University, and extension courses in architecture at Columbia University during a brief stint in New York. Young, handsome and gay, he was quickly taken up by New York's culturati, including Lincoln Kirstein, Alfred H. Barr Jr. and Philip Johnson.

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

How to interpret a talent that pursued with equal ardor planning lodges for Mount Hood, acquiring an 18th-century chinoiserie door from a Grand Canal palazzo, pioneering an innovative plywood building system, and transforming a stretch of the Columbia River Gorge from a dirt-bike course into a Chinese-inflected picturesque landscape that he called The Shire, after J.R.R. Tolkien's "The Hobbit"?

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

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

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

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

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

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

Ms. Iovine reviews architecture for the Journal.

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SPORTS

CYCLING

Tour Boots Sagan After Elbow

BY JASON GAY

The world's most popular cyclist has been kicked out of the world's most popular bike race.

Peter Sagan, the reigning back-to-back world road race champion, was disqualified from the Tour de France Tuesday after a race jury decided an elbow Sagan threw in the final meters of the Stage 4 sprint finish was purposeful and dangerous—resulted in a dramatic crash which took out British sprinter Mark Cavendish.

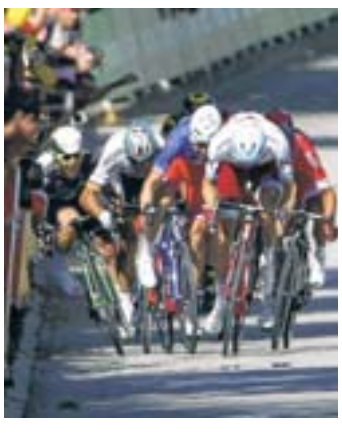
The stunning DQ leaves the 2017 Tour without one of the sport's most eccentric and admired riders. The 27-year-old Sagan, a skilled all-around cyclist, has won eight Tour stages in his career and taken the green "points jersey" as the race's top sprinter every year since 2012.

Bike racing's high-speed sprint finishes are almost always chaotic, full of contact as riders attempt to get position. Video of the Tuesday's finish appeared to show Sagan elbowing Cavendish toward the barriers as Cavendish attempted to move up alongside Sagan's right side. Cavendish struck a road barrier and tumbled violently to the pavement, striking a shoulder upon impact. His condition is unknown; he was reportedly sent for X-rays after the race.

Officials from Cavendish's team, Dimension Data were outraged by the maneuver. A Twitter account said to be from Dimension Data team director Rolf Aldag called Sagan's elbow "not a race accident."

The decision to remove Sagan from the Tour sent immediate shockwaves through the 104th edition, which began July 1, and it overshadowed the sprint victory by France's Arnaud Démare.

"Disqualification is too much," former Tour rider Jens Voigt, now an analyst for NBC Sports, wrote on Twitter.



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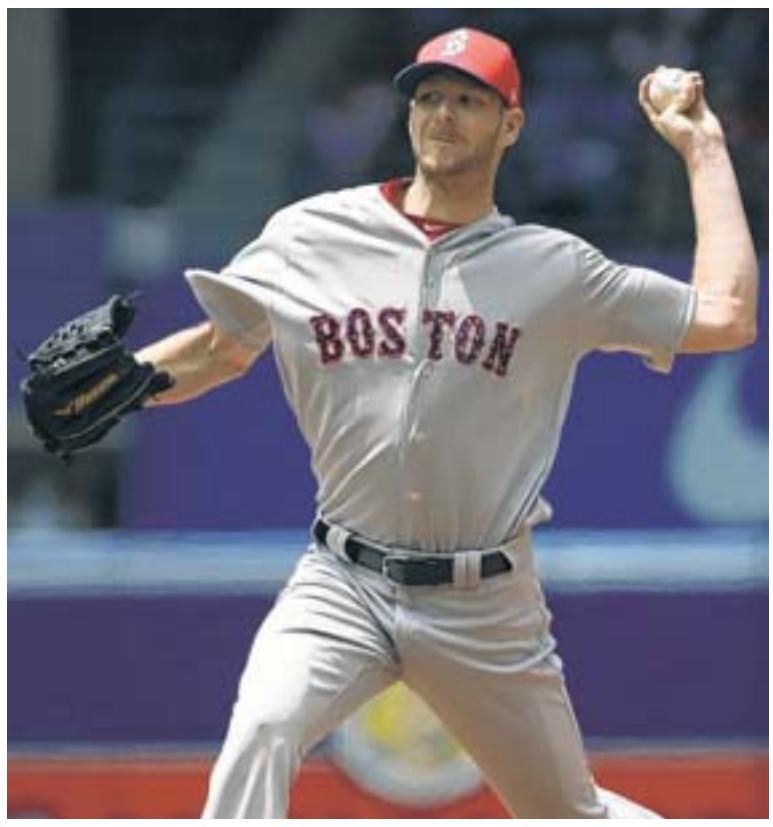


Stephen Strasburg, left, has little variance between his fastest and slowest pitch, while Chris Sale is among the best in the majors at varying speeds.

MLB

Fastballs Create a Big Strain

It turns out that throwing as hard as you can may not be a safe or effective way to pitch

BY MICHAEL SALFINO AND ANDREW BEATON

MAJOR LEAGUE BASEBALL pitchers have been an evolutionary marvel in recent seasons. They're throwing the ball harder than ever. Pitches at 100 miles per hour, once an extraordinary feat that left smoke trails across the sport, are now routine.

But there's a problem as the sport's velocity obsession grows. Pitchers are getting hurt more than ever, with research indicating that this trend is a primary culprit. It turns out that throwing as hard as you can may not be the most effective way to pitch.

That's why there's a new thought surfacing in baseball: that the next step in the evolution on the mound won't be pitches whizzing by batters even faster. It will be throwing slower—more frequently taking the edge off a pitcher's top fastball to fool hitters and stay healthier.

Pitchers, according to some, are simply overtaxing themselves, averaging a record-high 92.3 mph. Meanwhile, starters are managing a record-low 17 outs per game this year, with many outings ending early to protect them from injury.

"I call it caveman baseball," says former pitcher Ron Darling, now an analyst with SNY and TBS. "See ball. Throw ball hard."

But the disabled list shows this isn't working. There have been 243 injury trips by pitchers this year, according to Stats LLC, an increase of nearly 20% from the next highest year since 2000. And it's not just because of the new 10-day DL, either—they've spent about 25% more days on the shelf through June than the average since 2000.

Former MLB pitching coach Rick Peterson looks at the pitchers pushing these bounds, sees the injuries, and wonders why. "I would say to pitchers who constantly over throw: Are you trying to win stuffed animals at a circus?'"

There's no magic number that puts a pitcher at risk. "If a guy tops off at 96 and pitches the whole game [there], he's adding a lot more stress on his elbow than if he varies his velocity," says Dr. Glenn Fleisig, research director of the American Sports Medicine Institute. Fleisig compares the body's ligaments—like the one in the elbow that tears and requires pitchers to miss a season recovering from Tommy John surgery—to a rubber band. Pull it back as hard as you can and it will start to tear. Pull it less, he says, and "you'd never tear the rubber band."

ASMI researchers recently placed biomechanical markers on 64 professional pitchers that tracked the torque in their elbows as they threw a ball. Throws at a given pitcher's max velocity produced high levels of stress in the elbow, the type that puts a player at high risk. But when they threw their fastballs just a shade below their peak velocity, the data revealed a dramatic reduction—just a couple miles per hour slower could be the equivalent of the gentler pulling of the rubber band.

It's a tough sell to convince pitchers to ease up, even just a bit, for the vague promise of health benefits. But research has shown a weak correlation, if there is one at all, between velocity and run prevention, Fleisig says. And varying fastball velocity may actually make hurlers tougher to hit.

Some of the game's best and healthiest pitchers have shown a keen grasp of just this. And that's no surprise to Darling, who said he was able to thwart the game's best hitters in his prime by saving his best fastball for when it was most needed. "I'd throw 92 but had 95 when I needed it." He said hitters would kick themselves for missing a fastball, "but they didn't miss it. They were expecting 92."

So it's no coincidence that the two pitchers who vary their fastball velocities the most are also two of the best pitchers in baseball. Cardinals ace Carlos Martinez and Boston's Chris Sale throw over 50% of their pitches at least 2 mph faster or slower than their average velocity. Those are the highest rates in the game, and about twice as often as the average starter.

Don Cooper, Sale's former pitching coach with the White Sox, said their epiphany came in 2015 when Sale set the team's single-season strikeout record but rarely pitched deep into games. Then they discovered he could be just as good, by taking a touch off his heater.

"It was a risky thing, to do it with Sale," Cooper said. "Because if it didn't succeed, they'd say, 'Why are you messing with the best guy in baseball?'"

Mets fireballers Steven Matz and Noah Syndergaard, the game's hardest throwing starter last year, struggle with injuries. Syndergaard is currently on the 60-day DL with a torn lat and has said he's not interested in slowing things down. Both he and Matz have relatively little fastball variance (15.7% and 18.1%, respectively).

This group that tends to not vary fastball speed significantly includes Michael Fulmer (Tigers, 18.9%), Stephen Strasburg (Nationals, 18.2%) and James Taillon (Pirates, 15.8%).

All three also score poorly in another metric: maximum velocity (an average of their 10 fastest pitches) minus average velocity. The MLB-wide variance is just 3.2 mph, but Sale and Martinez clock in at 4.8 and 4.2, respectively. Sale averages just 93.2 mph but clearly can throw 98 mph when the need arises. Martinez, if he chose to, could regularly crack triple digits.

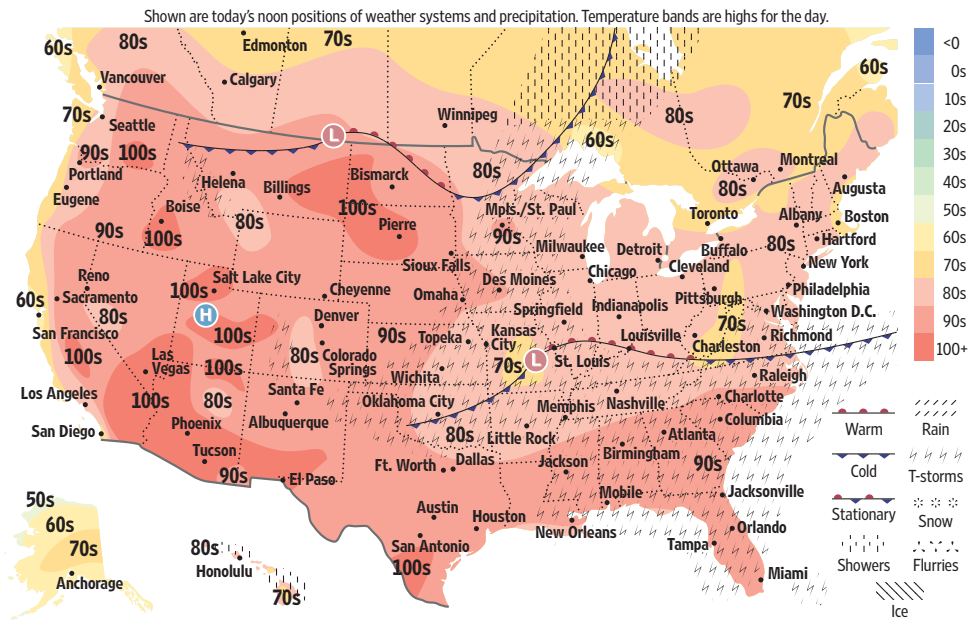
The question is whether exceptions like Sale and Martinez can become the rule. Cardinals pitcher Adam Wainwright, struggling this year at the age of 35, and coming off a nine-run shellacking in June in which he recorded only five outs, said he realized he was working too hard. He followed that up with just one earned run over seven innings, saying afterwards his goal was to "throw two, maybe three balls hard all day."

—Jared Diamond contributed to this article.

Weather

AccuWeather.com

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



U.S. Forecasts

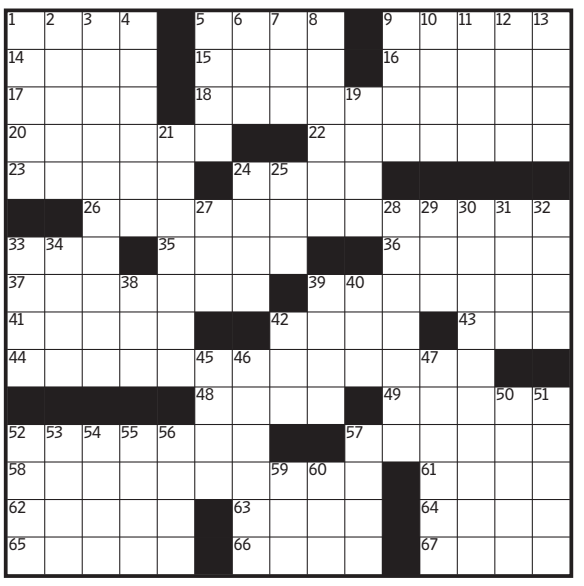
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Anchorage	68	55	pc	69	55	pc
Atlanta	92	74	pc	90	73	pc
Austin	99	75	pc	98	76	pc
Baltimore	84	69	c	82	68	t
Boise	100	69	s	101	70	pc
Boston	78	63	s	79	64	pc
Burlington	82	64	s	80	67	pc
Charlotte	92	72	c	92	72	pc
Chicago	86	66	c	91	71	pc
Cleveland	84	67	pc	83	68	t
Dallas	92	76	pc	93	78	t
Denver	96	64	s	97	60	pc
Detroit	85	64	pc	89	69	pc
Honolulu	87	75	s	87	74	pc
Houston	94	75	pc	94	75	t
Indianapolis	84	67	pc	83	69	pc
Kansas City	86	67	pc	91	71	s
Las Vegas	111	87	pc	111	91	s
Little Rock	85	70	t	88	70	pc
Los Angeles	86	67	s	88	70	s
Miami	92	81	sh	91	80	pc
Milwaukee	80	67	c	87	69	pc
Minneapolis	91	73	pc	93	65	t
Nashville	85	71	t	84	70	t
New Orleans	90	76	pc	89	76	pc
New York City	82	66	s	76	68	pc
Oklahoma City	87	67	pc	92	69	s
Omaha	92	70	pc	96	67	s
Orlando	91	72	t	91	73	t
Philadelphia	86	69	pc	80	69	pc
Phoenix	113	89	s	113	92	pc
Pittsburgh	83	67	t	80	67	t
Portland, Maine	79	57	s	75	59	pc
Portland, Ore.	90	61	s	88	59	s
Sacramento	91	57	s	97	58	s
St. Louis	82	70	r	90	76	pc
Salt Lake City	105	74	s	103	74	pc
San Francisco	68	55	pc	69	54	pc
Santa Fe	90	60	pc	93	62	pc
Seattle	84	58	s	83	56	s
Sioux Falls	92	70	pc	96	61	s
Wash., D.C.	84	73	c	84	73	t

International

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Amsterdam	74	57	pc	79	63	pc
Athens	87	71	s	89	74	s
Baghdad	119	88	s	118	90	s
Bangkok	89	79	t	90	78	sh
Beijing	90	73	sh	78	73	t
Berlin	65	52	pc	70	56	pc
Brussels	79	58	pc	83	64	t
Buenos Aires	62	47	sh	62	53	sh
Dubai	107	89	s	109	90	s
Dublin	65	57	c	69	55	pc
Edinburgh	61	52	c	68	56	pc
Frankfurt	84	61	pc	87	66	pc
Geneva	87	62	s	89	66	pc
Havana	89	72	pc	88	74	pc
Hong Kong	88	81	sh	87	80	t
Istanbul	83	70	s	84	71	s
Jakarta	90	77	c	88	75	pc
Jerusalem	88	70	s	86	68	s
Johannesburg	66	38	s	68	37	s
London	81	62	pc	83	64	t
Madrid	96	70	pc	83	64	t
Manila	90	78	t	93	78	t
Melbourne	57	42	c	58	45	pc
Mexico City	73	54	pc	71	55	pc
Milan	90	66	pc	93	66	pc
Moscow	67	52	r	62	48	r
Mumbai	90	79	sh	90	79	sh
Paris	88	65	pc	90	69	t
Rio de Janeiro	74	62	pc	74	65	pc
Riyadh	114	82	s	113	85	s
Rome	89	65	s	89	67	s
San Juan	89	79	sh	89	78	pc
Seoul	90	73	pc	91	75	t
Shanghai	89	80	t	92	81	sh
Singapore	84	79	c	85	78	pc
Sydney	69	48	pc	63	45	pc
Taipei	94	79	t	95	79	c
Tokyo	86	73	t	83	73	pc
Toronto	79	60	s	84	66	pc
Vancouver	75	56	s	76	57	s
Warsaw	66	47	t	71	49	pc
Zurich	87	58	pc	89	63	pc

The WSJ Daily Crossword | Edited by Mike Shenk



CAPITAL LETTERS | By Joe DiPietro

Across

1 Delighted
5 Handful, maybe
9 City southeast of Lake Titicaca
14 Flying start?
15 A pop
16 Mentioned earlier on the page
17 Savannah's "Today" co-host
18 ★Pedal-to-the-metal sort
20 Jack Worthing's pseudonym in a Wilde play
22 2014 TV retiree
23 Nose-thumbing gesture
24 Westernmost American territory
26 ★Montana's 16, e.g.
33 Edge on a highway, e.g.
35 Like a neat lawn
36 Nick of "Lorenzo's Oil"
37 1976 horror film with three sequels and a 2006 remake
39 Partnership, slangily
41 Amazed
42 Niger neighbor
43 Rainy
44 ★Generous bar order
48 Bygone days
49 Comprehend
52 Invites for dinner, perhaps
57 Intentionally ignorant of
58 ★Intimidating look
61 Rock's Cobain
62 Bit of info
63 CFO, e.g.
64 Genesis brother
65 Like a 58-Across
66 Trade show presentation
67 It may be fake

Down

1 Series components
2 Wise up
3 Turn-of-the-century style
4 Spoil, maybe
5 #1
6 Genre for G-Unit
7 Unreturnable shot
8 "Town Called Malice" punk rockers
9 See 12-Down
10 Genesis brother
11 Apple or pear
12 With 9-Down, certain doorbell ringer
13 Founder of Stoicism
19 "Sheesh!"
21 Read quickly
24 Cap's partner
25 Vase with a base
27 Adversary
28 Drive nuts
29 Jersey call
30 Loses it
31 Suffix with cigar
32 Take five
33 To-do
34 "Don't think so
38 Dominate, informally
39 Online shoppin icon
40 International Boxing Hall of Fame inductee
42 Rx writers
45 Great work
46 Like a proverbi calf
47 Legendary sea monster
50 Shake insert
51 Capital VIP, an clue to what's hidden in three letters in each starred answe
52 Throws in
53 American assignment
54 Green Hornet's sidekick
55 Dumbfound
56 "Golly!"
57 Early 20th-century style
59 Firefighter's to
60 Dream state acronym

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

Previous Puzzle's Solution

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OPINION

Comcast vs. the 5G Frenzy

BUSINESS WORLD
By Holman W. Jenkins, Jr.

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

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

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

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

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

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

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

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

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

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

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

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

Ignore the sausage-making as the industry adapts to a new broadband revolution.

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

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

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

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

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

Our Walled-Off Immigration Debate

POLITICS & IDEAS
By William A. Galston

Democratic analysts have begun a long-overdue review of their party's weakness among white working-class voters. Because postelection research has shown that immigration is important to these Americans, the review has brought to the surface a long-suppressed debate among Democrats about this contentious issue.

More than politics is at stake. The basic architecture of today's immigration policy was enacted more than half a century ago. Immigrants' share of the U.S. population has since tripled while economic opportunities for low-skilled workers have diminished. It is not unreasonable to ask whether a 1965 law is suitable for today's economy and society.

Among the Democrats weighing in is Stanley Greenberg, a veteran pollster who came to prominence in the mid-1980s for his study of "Reagan Democrats" in Macomb County, Mich. A month into the Trump presidency, Mr. Greenberg returned to Macomb County and interviewed white working-class Trump supporters who had previously voted for Barack Obama. "It was clear," he reports, "how central concerns about immigration, borders, foreignness, and Islam were to their receptivity to his call to take back America. Many thought [Hillary] Clinton, on the other hand, wanted 'open borders.' " As they saw it, "Democrats have moved from seeking to manage and champion the nation's growing diversity to seeming to champion immigrant rights over American citizens'."

During a public event convened by the liberal magazine American Prospect, Mr. Greenberg was blunt about the political implications of his findings. "You can only succeed if people believe you want to manage immigration," he declared. Every center-left party in the West is struggling with this issue, he warned. "Sometimes it's fatal."

A week later, Peter Beinart of the Atlantic entered the fray. As recently as a decade ago, he pointed out, progressives were willing to entertain tough questions about immigration. In 2006 Paul Krugman wrote that "immigration reduces the wages of domestic workers who compete with immigrants" and that "the fiscal burden of low-wage immigrants is also pretty clear." His conclusion: "We'll need to reduce the inflow of low-skill immigrants." As recently as 2014, Mr. Krugman said that "if you don't feel conflicted about these issues, there's something wrong with you."

Also in 2006 a young senator declared: "When I see Mexican flags waved at pro-immigration demonstrations, I sometimes feel a flush of patriotic resentment. When I'm forced to use a translator to communicate with the guy fixing my car, I feel a certain frustration." That was Barack Obama.

By 2015 these economic and cultural doubts were out of bounds for Democrats with political aspirations. Early in his campaign Sen. Bernie Sanders was pilloried for suggesting that low-skilled immigrants would depress wages for American workers. He quickly retreated, even though the facts were mainly on his side. If he had been feeling brave, he might have cited a National Academies of Sciences report that found today's immigrant-headed families with children are disproportionately likely to rely on food stamps and Medicaid—and slower than their predecessors to learn English.

The Democratic Party should find a middle ground between open borders and nativism.

The constriction of Democratic debate is part of a larger problem facing today's upscale liberals, who are fixated on cultural issues. In October 2016, progressive stalwart Robert Kuttner wrote in the American Prospect that it is hard to tell white working-class voters to check their privilege when they are so much worse off than their parents. "The charge of political correctness, used so deftly by Trump, resonates with white workaday voters in part because liberals seem to give priority to every other downtrodden group, from illegal aliens (sic) to transgender people to brown pelicans." The "sic" was Mr. Kuttner's.

In a recent issue of Foreign Affairs, two staunch liberal internationalists point to the politics of immigration as the principal obstacle to a sustainable balance between openness and national solidarity. "It is not bigotry," write Jeff Colgan and Robert Keohane, "to calibrate immigration levels to the ability of immigrants to assimilate and to society's ability to adjust."

A new immigration policy need not mean surrendering to nativism. A recent study by the Public Religion Research Institute found majorities of Republicans as well as Democrats who favor a path to citizenship for illegal immigrants, provided that they meet certain conditions. By contrast, support for identifying and deporting them is low in every sector of the population.

Humane treatment for those already here is compatible with a fundamental shift from an immigration policy focused on family reunification to one that prizes education and skills and emphasizes the rapid attainment of English fluency. If both parties are willing to set aside obsolete preconceptions, this new bargain is within reach.

Get Able-Bodied Americans off the Couch

By Peter Cove

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

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

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

Nearly 95 million people have removed themselves entirely from the job market.

According to the Kaiser Family Foundation, 41% of nondisabled adults on Medicaid do not have jobs. Thirteen million Americans 18 to 54 currently receive SSDI or SSI benefits. Conservatively, work requirements could add 25% of that population (3.3 million workers) back to the labor force. Work requirements for people on SNAP would increase the worker rolls by 1.9 million if only 10% who are not engaged in work rejoined.

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

A better long-term solution to the work shortage would be to eliminate all forms of public support except for those who are unable to work, and eliminate all poverty programs, since they have not reduced poverty since they were established in 1965. The money currently being spent on these programs should be redirected to job creation—preferably for private-sector jobs, but public-sector jobs will do in a pinch. A trillion-dollar federal infrastructure program, such as the one President Trump has said he will propose, could absorb a large number of the unemployed and underemployed.

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

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

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

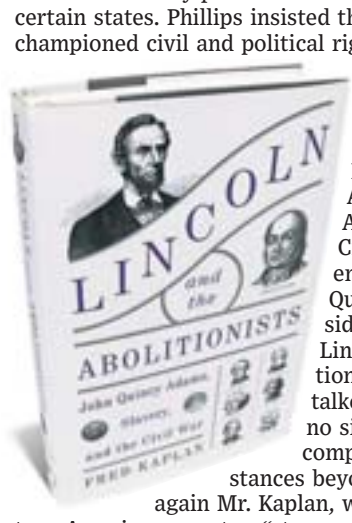
BOOKSHELF | By Michael Burlingame

Lincoln's Road To Emancipation

Lincoln and the Abolitionists

By Fred Kaplan
(Harper, 395 pages, $28.99)

Of the many abolitionists who criticized Abraham Lincoln during the Civil War, few were more vociferous than the celebrated Boston orator Wendell Phillips, who called Lincoln "the Slave-Hound of Illinois." Lincoln, Phillips charged, had "no desire, no purpose, no thought, to lift the freed negro to a higher status, social or political, than that of a mere labourer, superintended by others." The president deserved some credit for issuing the Emancipation Proclamation, Phillips conceded, but that document merely provided "technical liberty" for slaves in certain states. Phillips insisted that Lincoln should have championed civil and political rights for blacks. "Equality is our claim," he declared.



You will find a similar sentiment expressed, at book length, in Fred Kaplan's "Lincoln and the Abolitionists: John Quincy Adams, Slavery, and the Civil War." A professor emeritus of English at Queens College, Mr. Kaplan sides with Phillips, deeming Lincoln a squishy "anti-abolition moderate Whig" who talked a good game but took no significant action unless compelled to do so by circumstances beyond his control. Time and again Mr. Kaplan, who thinks that 21st-century Americans are too "starry-eyed about Lincoln," deplores the president's failure to publicly support black citizenship rights until the last week of his life.

In making his case, the author demonstrates an infirm grasp of history, garbling the Dred Scott decision (it did not state that "slave owners were entitled to take their property anyplace in the country they pleased"), garbling the Emancipation Proclamation (in the preliminary version, Lincoln did not threaten to "encourage" slave rebellion), garbling habeas corpus (in the early months of the war, Lincoln suspended the writ far beyond "the sensitive Baltimore-Washington area"). Elementary mistakes abound: Tennessee actually did secede; Bull Run and Manassas were the same battle; the Compromise of 1850 did not abrogate the Missouri Compromise of 1820; Lincoln did not choose his own running mate in 1864 (or in 1860, for that matter).

Reviewing Lincoln's prewar record on slavery, Mr. Kaplan often compares him unfavorably with John Quincy Adams, the subject of the author's previous book. Adams, born and raised in Massachusetts, championed the antislavery crusade most fervently during his long post-presidential career as a congressman. Adams did not face the same political realities that Lincoln faced as he spearheaded that cause in Illinois and that he faced as a president striving to save the union.

'If slavery is not wrong, nothing is wrong,' Lincoln wrote in 1864. Yet for most of his life he did not publicly support black citizenship.

In fact, far from being a reluctant emancipator, Lincoln hated and loathed and despised slavery from the time he was young. In 1864, he wrote: "I am naturally anti-slavery. If slavery is not wrong, nothing is wrong. I can not remember when I did not so think, and feel." Six years earlier, he had said: "I have always hated slavery, I think, as much as any abolitionist." He concluded that speech with a heartfelt appeal: "Let us discard all this quibbling about this man and the other man: this race and that race and the other race being inferior, and therefore they must be placed in an inferior position. . . . Let us discard all these things, and unite as one people throughout this land, until we shall once more stand up declaring that all men are created equal." Abundant evidence supports these statements, none of which Mr. Kaplan cites.

The author provides valuable information about John Quincy Adams as an antislavery paladin, but his treatment of Lincoln constitutes a superficial, misleading and often inaccurate caricature. Readers interested in the topic of Lincoln and the abolitionists should consult the work of James Oakes, especially "The Radical and the Republican: Frederick Douglass, Abraham Lincoln, and the Triumph of Antislavery Politics" (2007). And they should look to the opinions of the abolitionists themselves.

Early in the war, several of his antislavery confrères shared Phillips's view, but as time went by they changed their minds. William Lloyd Garrison, the chief spokesman for abolition, had been a fierce detractor of Lincoln. But he mellowed, insisting toward the war's end that the president should be judged on the basis of "his possibilities, rather than by our wishes, or by the highest abstract moral standard." Garrison expressed his "firm conviction" that "no man has occupied the chair of the Chief Magistracy in America, who has more assiduously or more honestly endeavored to discharge all its duties with a single eye to the welfare of the country, than Mr. Lincoln."

To an Englishman who denounced Lincoln as a hopeless bigot who had supposedly "sworn to support slavery for the rebels," Garrison in 1864 acknowledged that the president might have gone further. But it was possible that Lincoln "could not have gone one hair's breadth beyond the point he has reached by a slow and painful process, without inciting civil war at the North, and overturning the government." Such speculation, Garrison noted, was "idle." Instead, he cited what could definitely be known: Lincoln's "Emancipation proclamation . . . liberated more than three-fourths of the entire slave population."

As the election of 1864 drew near, most abolitionists sided with Garrison rather than Phillips, who supported John C. Frémont for president. The following year, after Lincoln's assassination, Frederick Douglass hailed Lincoln as "emphatically the black man's President: the first to show any respect for their rights as men. . . . He was the first American President who . . . rose above the prejudice of his times, and country." If during the early stages of the war the president had favored colonizing African-Americans abroad, Douglass asserted, "Lincoln soon outgrew his colonization ideas and schemes and came to look upon the Black man as an American citizen." You will not find either of these statements by Garrison and Douglass in Fred Kaplan's book.

Mr. Burlingame is a professor of history at the University of Illinois, Springfield.

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OPINION

REVIEW & OUTLOOK

Blue State Budget Breakdowns

Public union politics hits the wall in New Jersey, Illinois and Connecticut.

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

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

After credit-rating agencies threatened to downgrade the state debt to junk, Mr. Rauner proposed raising the state's income tax to 4.95% from 3.75% and the corporate income rate to 9.5% from 7.75% for four years. In return he asked for a property tax freeze and modest reforms to workers compensation. Yet Mr. Rauner already signed off on a huge property tax hike in Chicago—homeowner bills have increased by a quarter in two years—to pay for teacher pensions.

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

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

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

Democrats held veto-proof super majorities in the legislature during Mr. Rauner's first two years. But House Speaker Michael Madigan wants to force the Governor to repudiate his campaign promise not to raise taxes and make Republicans share political responsibility for the state's economic failures. Amid deteriorating public services, Mr. Madigan persuaded 15 House Republicans to back Mr. Rauner's tax hike a la carte, which spared 11 Democrats in conservative districts from having to take a tough vote. The state Senate followed Monday.

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

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

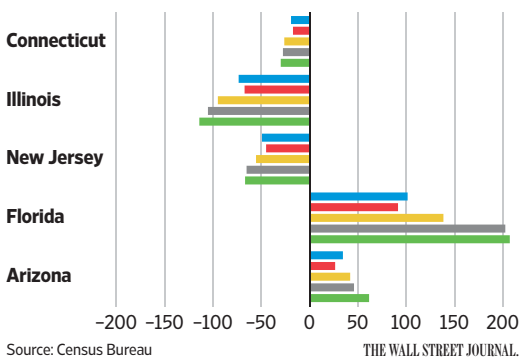
Meanwhile, pension contributions have doubled since 2010 and along with retiree health care—most pay no deductible and a maximum $15 co-pay—make up 20% of the budget. Democratic Gov. Dannel Malloy has ordered cuts to local aid while legislators debate how to close a $5.1 billion budget gap.

Mr. Malloy wants to shift some of the teacher pension costs to cities, but Democratic legislators howl that this will further drive up the state's astronomical property taxes. The tax bill on a $300,000 home in Hartford is $22,287. Many Democrats would prefer to raise sales taxes, which shows that liberals will eventually come after everyone else after they tap out the wealthy.

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

Flight From Tax and Spend

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



Source: Census Bureau THE WALL STREET JOURNAL.

Democratic Assembly Speaker Vincent Prieto resisted this tax on Horizon policy holders if only because they include state workers but then compromised with Mr. Christie to return "surplus" funds to enrollees. But the shakedown is a warning to Garden State taxpayers. Pension payments have doubled over the past two years and will triple over the next five. To pay the state's bills, Democratic gubernatorial candidate Phil Murphy has promised to soak the rich—then rinse and repeat. The state's top income-tax rate is already 8.97% and the Tax Foundation says its property taxes are the highest in the land.

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

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

The North Korean Missile Crisis

The nuclear threat to U.S. cities requires an urgent response.

North Korea continued to defy the protests of world leaders on Tuesday by launching what looks to be its first intercontinental ballistic missile. The symbolism of launching on America's Independence Day was surely no accident, but the technical feat is more consequential. The speed of North Korea's progress toward threatening the U.S. with a fleet of nuclear-tipped ICBMs requires an urgent response.

Tuesday's missile, dubbed the Hwasong-14, has an estimated range of 6,700 kilometers, which puts Alaska within range. America's lower 48 states may still be out of reach, but the test shows the North has overcome most of the obstacles to a long-range missile. The apparent success will provide more data on the remaining problems, such as a warhead capable of withstanding extremes of temperature and vibration.

One crucial question is whether the new missile is based on the Hwasong-12, an intermediate-range missile successfully tested on May 14. As we wrote at the time, that rocket was apparently a single-stage design and thus a good candidate to become the first stage of an ICBM. The regime has heretofore used engines cobbled together from Russian and Chinese missiles for its ICBM program.

The Hwasong-12 was designed from scratch, and its new engine is more sophisticated than anything the regime had produced. If the North has now attached a second stage, the U.S. will have to advance the estimates of when Los Angeles and Chicago could come under direct threat.

The Trump Administration now has some hard decisions to make as it contemplates its Korea options. More sanctions put the Kim regime under pressure and thus are worth doing, but they can't be relied on to disarm the North in time. Like its allies South Korea and Japan, the U.S. will soon be vulnerable to attack by a regime that has an estimated 20 nuclear warheads as well as chemical and biological weapons. A preemptive U.S. military attack can't be ruled out but risks a nuclear counterstrike on South Korea if even one North Korean missile survives.

China, the dovish new South Korean government and the U.S. left are pressing for more disarmament talks in return for a "freeze" on Pyongyang's nuclear programs. But three U.S. administrations have tried diplomacy and failed. The freeze would be phony and the North would break out again when it feels its demands for more money and recognition aren't being met.

The best option is a comprehensive strategy to change the Kim regime, as former Undersecretary of State Robert Joseph has argued. Washington must strengthen deterrence and build out missile defenses, revive the Bush Administration's antiproliferation dragnet, convince countries in the region to cut their ties with North Korea, consider shooting down future Korean test missiles, and spread news about the regime's crimes to people in the North.

The U.S. will also have to recognize that Beijing is part of the problem. North Korea's trade with China grew by 37.4% in the first quarter, contributing to an economic miniboom. Chinese companies are cashing in on the North's mineral resources and cheap labor while supplying the dual-use materials and technology for its nuclear and missile programs.

The U.S. has held out hope that China's leaders would see that a nuclear-armed North Korea isn't in its interests. But Beijing's behavior suggests that it hopes the North Korean threat will drive the U.S. out of Northeast Asia. Only a much tougher strategy aimed at toppling the Kim regime, with or without China's help, has a chance of eliminating a threat that puts millions of American lives at risk.

LETTERS TO THE EDITOR

Paid Family Leave Is a Good National Policy

In a rejoinder to your May 26 editorial "The Ivanka Entitlement" on President Trump's family-leave proposal, Stephen Schwarzman lays out the robust business case for paid-leave policy (Letters, June 19). The Journal then uses Mr. Schwarzman's response as a platform to make a policy distinction, to recognize the inherent value of paid leave while opposing the government's role in administering it: "[O]ur point wasn't to oppose family leave. The editorial opposed a government plan ("The Blackstone Entitlement," Review & Outlook, June 24).

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

The policy outlined in the administration's recent budget proposal emphasizes the need for mothers and fathers to have access to paid leave to encourage both parents to share parenting responsibilities and to strive toward minimizing hiring biases. While this policy will benefit all working parents, it will have an especially positive effect for women, who are far more likely than men to leave the workforce to provide unpaid care for a child. A 2012 study found that women who took paid family leave were more likely to be working a year after their child's birth than those who didn't take leave, and that women who took leave and returned to work were 39% less likely to report receiving public assistance than those who didn't. Additionally, making it easier for new parents to return to work after the arrival of a new baby is a critical part of solving the persistent gender and minority pay gap that exists in part because of prolonged periods away from the workforce and challenges with re-entry.

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

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

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

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

IVANKA TRUMP
Washington

Federal Flood Insurance and the Very Rich

Your editorial "A Taxpayer Dike for Flood Insurance" (June 24) serves to reinforce the misconception that the Federal Emergency Management Agency's flood insurance program protects mostly very wealthy homeowners who live by the shore in multi-million-dollar homes. The FEMA policies have a limit of $250,000 in value for the building and $100,000 for contents. An owner who wants more insurance for an expensive home must get it from a private insurance company.

The vast majority of homes in St. Petersburg, Fla., in flood zones are owned not by millionaires but by retirees with limited income or middle-class working people with homes below the maximum of $250,000 for which FEMA would be responsible. The FEMA program likely needs some modifications, but not the drastic measures the government has undertaken. It would also be reassuring if the correct at-risk figures are used. Otherwise these premium hikes can be seen as a political effort to "get the rich," not a policy supported by the facts on the ground.

ROBERT SPIEGEL
St. Petersburg, Fla.

During Katrina and Sandy, the dominant flood damage was in poor and working-class neighborhoods. When the Biggert-Waters 2012 flood-insurance bill was passed with an "end the wealthy subsidy" mentality, the results weren't what was expected. Many of the modest homes were hit with very high flood-insurance premiums—as much as $40,000 a year. That led to the repeal in 2014 with Ms. Waters leading the charge. The flood-insurance program does need rational pricing and transparency. However, pricing should be based on future expected losses. Far from a subsidy to the wealthy, any increase in flood-insurance premiums will hit the poor and working-class families the hardest.

JERRY HARTZOG
Seabrook Island, S.C.

Trump Beats Obama on Cuban Human Rights

Mary Anastasia O'Grady honors the many victims of the Castro regime's crimes against humanity in "Cubans Need a Truth Commission" (Americas, June 19). An international commission comprised of highly regarded human-rights and political leaders has already embarked on a truth-gathering mission by founding the International Commission for the Prosecution of Crimes Against Humanity of the Castro Regime.

The Obama administration took a "turn a blind eye" approach to Cuba. Nearly six decades ago, the Castro regime showed the first signs of its depravity as innocent people faced the infamous revolutionary firing squads. As head of the military, dictator Raúl Castro has, among other crimes, ordered the macabre sinking of rafts full of refugees. He also ordered the downing in international airspace of Brothers to the Rescue planes which were on a humanitarian mission attempting to save rafters.

The Castro regime has exported violence and repression to countries such as Venezuela, where Cuban intelligence and security experts work hand in hand with Nicolás Maduro's thugs to repress popular demonstrations. The new Cuba policy announced by President Donald Trump acknowledges this past and recognizes the continuing plight of political prisoners and other victims of repression today. Insisting on justice for those who have suffered under Cuba's Communist system is necessary and constitutes moral support for those who have the courage to stand up against it.

ORLANDO GUTIERREZ-BORONAT
Miami

Mag Hurt by California Law

Regarding Anthony Maglica's "Made in California—but Not the USA?" (op-ed, June 8): Here's a solution—Mr. Maglica and Mag Instrument Inc. should move out of California.

PETER REBAR
Cleveland

CORRECTION

Correction: Eliane Radigue is one of the artists who created "Labyrinthe Sonore," a work in the Rubin Museum of Art's exhibition "The World Is Sound." A June 26 review of the show, "Come to See the Sound," misspelled her name.

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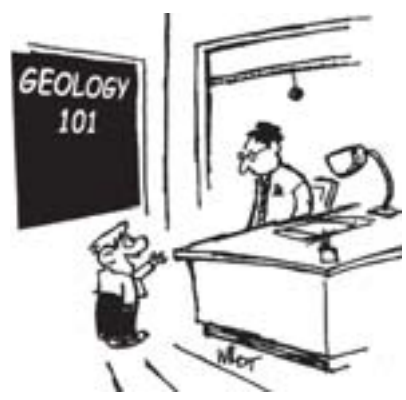
Pepper ... And Salt

THE WALL STREET JOURNAL



"Well, would you believe a sinkhole ate my homework?"

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OPINION

Will Trump End Campus Kangaroo Courts?

By KC Johnson

Is the Education Department preparing to dial back the Obama administration's assault on campus due process? In late June, Candice Jackson, who in April became acting head of the department's Office for Civil Rights, made her first public remarks about the regulatory regime she inherited. Ms. Jackson said she is examining her predecessors' work but offered no specifics about when, or if, Obama-era mandates will be changed.

Beginning in 2011, the Obama administration used Title IX—the federal law banning sex discrimination at schools that receive federal funds—to pressure colleges and universities into adopting new procedures for handling sexual-misconduct complaints. At most schools, accused students already faced secret tribunals that lacked basic due-process protections. But the Education Department mandated even more unfairness. It ordered schools to lower the standard of proof to "preponderance of the evidence" instead of the "clear and convincing evidence" standard that some schools had used. It required schools to permit accusers to appeal not-guilty findings and discouraged allowing students under investigation to cross-examine their accusers.

As a result, scores of students have sued their colleges, alleging they were wrongfully accused. They have won more than 50 decisions in state and federal court since 2012, while nearly 40 complaints have been dismissed or decided in the colleges' favor.

Ms. Jackson has already reversed another Obama-era policy that sought to tip the scales in favor of accusers. Earlier this year, BuzzFeed revealed that her predecessor, Catherine Lhamon, had ordered that whenever someone filed a Title IX complaint against a school with the Education Department, the civil-rights office would investigate every sexual-assault allegation there over several years. The shift sometimes led to reopening cases in which accused students already had been cleared. Ms. Jackson argued last week that this policy—which Ms. Lhamon never announced publicly—treated "every complaint as a fishing expedition through which our field investigators have been told to keep searching until you find a violation rather than go where the evidence takes them."

These first signs of renewed fairness have elicited strong protests. Last week 34 Democratic senators, led by Washington's Patty Murray, sent a letter to Education Secretary Betsy DeVos accusing her of endorsing "diminished" enforcement of federal civil-rights laws. The senators did not even make a pretense of caring about due process for the accused. Congressional Republicans have mostly remained silent.

Democratic senators, a New Jersey task force and even the ABA mobilize against due process.

Late last month a task force appointed by Gov. Chris Christie released a report on how New Jersey institutions should respond to sexual assault on campus. The panel, dominated by academic administrators and victim advocates, based most of its work on the assumption that university investigations are meant to validate accusations rather than test them.

The report urged Garden State schools to ensure that "equal representation is provided to survivors and the accused" and to develop "an investigation and adjudication model that honors the survivor [and] the respondent." To describe an accuser as a "survivor" before the complaint is adjudicated is to prejudge the case. Patricia Teffenhart, one of the task force's leaders, implicitly concedes the point: She told me the panel did intentionally "interchange (at times) the words 'survivor' and 'complainant,' " so as to "avoid seeming to be one-sided."

Ms. Teffenhart added that the task force paid "specific attention" to the accused's ability to mount a defense, and the report does recommend that schools appoint an "adviser" for students charged with sexual assault. But it neuters that safeguard by urging colleges to ensure the adviser is "without a voice" in disciplinary hearings. That leaves students who have no legal training to fend for themselves, often against college lawyers or administrators who know and control the proceeding.

A mid-June report on campus sexual assault from, of all organizations, the American Bar Association also played down the importance of lawyers to a fair disciplinary process. The ABA task force recommended that if a college does permit accused students to have a lawyer—and many don't—cross-examination by the defense should be forbidden. In the ABA's view, lawyers should submit questions to the disciplinary panelists, who can then decide whether, and in what form, to ask them.

The Supreme Court has called cross-examination "the greatest legal engine ever invented for the discovery of truth." The ABA urges its abolition on campus to prevent "the potential trauma from having a victim be directly questioned by her assailant"—again, presuming the accused student guilty.

The ABA at least expressed concern about the preponderance-of-evidence mandate. But numerous proposals from blue-state legislators have sought to codify this and other prejudicial procedures into state law. California already has done so. Meanwhile, six California schools have been on the losing end of lawsuits filed by accused students. And in the highest-profile university victory, an appellate judge compared the University of California, San Diego's procedure to a kangaroo court during oral arguments, only to uphold it when he and two colleagues decided the case.

Ms. Jackson has one of the most thankless jobs in Washington—seeking to vindicate procedural norms and basic fairness on an issue that triggers intense emotional responses. She deserves all the support she can get.

Mr. Johnson is a Brooklyn College historian and co-author, with Stuart Taylor, of "The Campus Rape Frenzy: The Attack on Due Process at America's Universities" (Encounter, 2017).

Confront Iran the Reagan Way

By Mark Dubowitz

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

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

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

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

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

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

A new national security directive must systemically dismantle Iranian power country by country in the Middle East. The Europeans, traumatized by foreign fighters returning from Syria and massive refugee flows, may support a tougher Iran policy if it means Washington finally gets serious about Syria. The early signs of the return of American power are promising: 59 Tomahawk missiles launched in response to the Assad regime's most recent chemical attack, military strikes at Iran-backed militias in southern Syria, the downing of a Syrian fighter plane and Iranian-made drones, and 281 Syria-related sanctions in five months.

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

All of Washington's actions to push back against Tehran hinge on severely weakening the Iranian regime's finances. Robust measures should target the regime's praetorians, the Iran's Revolutionary Guard Corps, a dominant force in Iran's economy. New sanctions legislation designating the IRGC for terrorism—which the Senate recently passed with 98 votes—and the more than 40 Iran-related sanctions imposed this year are a good start. But much more is still needed: The IRGC's transfer to Hezbollah of industrial-size missile production capability based on Lebanon soil could trigger the next Israel-Hezbollah war. Massive economic sanctions on Iran to stop these transfers may be the only way to head off this war.

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

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

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

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

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

Notable & Quotable: Joe in '20

Brent Budowsky writing at TheHill.com, June 29:

Watching the latest vulgar and sexist outburst of Donald Trump, who temporarily occupies the Oval Office and has now turned his foul mouth against Mika Brzezinski, let me suggest an idea that is offered very seriously. . . .

Joe Scarborough, who is a serious and principled conservative even if he makes too many snide comments about liberals from the upper East Side and Georgetown, should enter the GOP primaries and run against Trump in the 2020 presidential campaigns.

While the thought of former president Trump someday glued to the television watching CNN and MSNBC and then writing angry vulgar tweets about future president Joe Scarborough and his first lady Mika has its own appeal, the idea of a principled conservative replacing by succeeding an unprincipled vulgarian should have even greater appeal to Republicans who will vote in 2020 primaries.

Scarborough is a serious man. He served in the House of Representatives as a Republican and conservative and has a body of knowledge and experience that far surpasses any understanding of policy and issues that Trump will ever possess.

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TECHNOLOGY: CHINA'S ONLINE GAME GIANT ACTS TO CURB ADDICTION B4

BUSINESS & FINANCE

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Hedge Funds Cash In on Europe Stocks

By Laurence Fletcher
And Gregory Zuckerman

After the presidential election last year, many hedge-fund managers called the U.S. a great moneymaking opportunity. It turns out Europe is the place to be.

Bets on stocks in Italy, France and Spain—long laggards compared with the U.S.—have given some global hedge funds returns of more than 20% so far this year. The average hedge fund has managed only 3% through May, according to the most recent data from Hedge Fund Research.

"We've been quite aggressively long Europe in the last year," said Pieter Taselaar, founder of Greenwich, Conn.-based Lucerne, which manages $750 million in assets. Its main fund was up 20.5% this year through June 15, according to a person familiar with the matter.

A sustained rebound in Europe, should it come to pass, would reshape global markets. Most European bourses remain mired below their 2007 peaks. The euro and the British pound have been slumping for a decade.

Growth for Eurozone gross domestic product hit its second-highest level since 2011 in the first quarter at 0.6%, beating U.S. GDP growth of 0.4%. The European PMI, a survey of manufacturing activity, reached a 74-month high in June. Growth is solid not only in Germany but also in the onetime trouble spots of Spain and Portugal.

Markets have reacted to the economic growth, relative political calm and a sense that the worst of Europe's sovereign-debt crisis is behind it. In local-currency terms the S&P is outpacing the Stoxx Europe 600, but after accounting for the euro's rise a dollar investor would have done much better in the European index, scoring 13.8% versus 8.5%.

Earlier this year Lucerne started to add significantly to exposure in France, Spain and Italy, said Mr. Taselaar, while reducing exposure to Scandinavia, considered a haven in difficult times. The fund bought stocks such as Italian bank UniCredit SpA, up 26% this year, and French house builder Kaufman & Broad SA, up 11%, the person said.

Mr. Taselaar expects European economic growth to be between 2% and 3% in the next two to three years, as demand rebounds and companies begin to invest more. Investments that perform well in better times and in countries that had been struggling are places "where we see 50% returns right now," he said.

Yet foreign investors who have pounced on previous glimmers of hope in Greece and elsewhere have been repeatedly singed. Some them are cautious this time, fearing the rebound is just temporary.

They point to familiar concerns such as inflexible labor-market rules across Europe, an aging population, constraints on government spending and the still-unknown impact of Brexit on

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Auto Makers Try to Navigate Sales Slowdown

By Mike Colias
and Adrienne Roberts

The U.S. auto industry is bracing for a rough ride this summer as potential car buyers retreat and Detroit tries to avoid dumping unwanted inventory onto rental-car lots.

Overall buying demand softened over the first half of 2017, falling about 2% for the six months and 3% in June, according to Autodata Corp., marking an expected plateau for auto sales, an important driver for the broader U.S. economy.

The results signal that the auto industry this year is unlikely to top last year's record 17.55 million vehicle sales. Now analysts will be watching to see whether car companies can resist profit-eroding tactics like heavy discounts and excessive rental sales as they try to sustain growth in a declining market.

For June, **General Motors** Co., **Ford Motor** Co. and **Fiat Chrysler Automobiles** NV reported steep monthly sales declines compared with the same period in 2016. While retail demand is losing steam, each of Detroit's players also reported significant reductions in deliveries to daily-rental companies, long the Motor City's biggest, though not highest-paying, customers.

Shares of Detroit's auto makers moved higher Monday, as investors appeared satisfied with results that met expectations without excessive incentives and rental deliveries. GM shares rose nearly 2%, while Ford gained more than 3% and FCA rose 4%. The stock market was closed Tuesday for the Fourth of July.

Sales to **Enterprise Holdings** Inc.'s Enterprise Rent-A-Car or **Hertz Global Holdings** Inc. traditionally were a way for auto makers to keep factories rolling even as dealership traffic slowed. But an excess of that business has dented profits, auto makers say, and soiled brand reputation.

The move away from rental sales reinforces a newfound discipline for domestic players that have been riding a seven-year growth streak since GM and Chrysler sought bankruptcy protection in 2009. The Detroit Three reported tens of billions in profits during that

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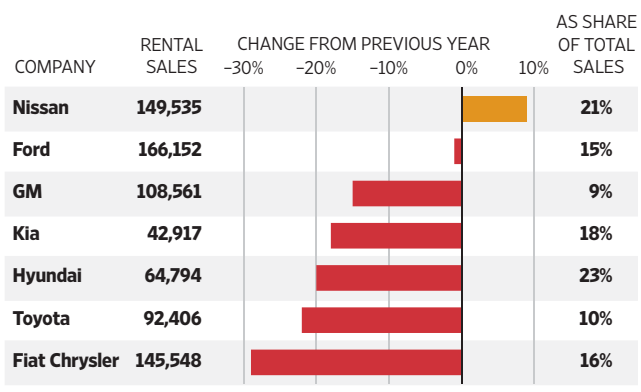
Retreating Rentals

Most auto makers are dialing back rental sales this year (through May):



Source: Bobit Business Media

THE WALL STREET JOURNAL.

ADAM DEAN FOR THE WALL STREET JOURNAL

Higher-tech facilities like the Zhengzhou iPhone factories have brought welcome jobs but also increased scrutiny of suppliers.

How the iPhone Built a City in China

At sprawling Foxconn complex, 250,000 workers assemble Apple device

By Eva Dou

ZHENGZHOU, China—Farmer Zhang Hailin remembers the day in 2010 when he watched as helicopters flew in over fields of corn and wheat here, hovering in spots to drop balloon-shaped markers.

"Three days later, a hundred bulldozers were here," Mr. Zhang said.

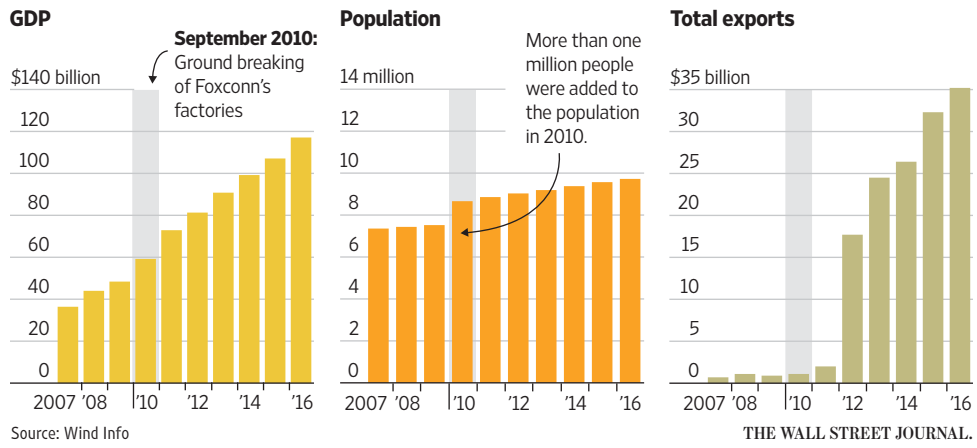
The iPhone was coming, and it wouldn't be long before a new industrial town on the edge of Zhengzhou would be known as iPhone City.

Within months, boxy beige factory buildings appeared, power lines were connected and buses packed with workers began rolling up to Foxconn Technology Group, which assembles most of **Apple** Inc.'s smartphones.

A year later, Foxconn's billionaire Chairman Terry Gou said the iPhone factory complex had 100,000 workers.

China's iPhone City

The arrival of Foxconn's iPhone factories in Zhengzhou sparked explosive growth in the Chinese city's economy, population and exports.



Source: Wind Info

THE WALL STREET JOURNAL.

Today, Foxconn says it employs about 250,000, roughly the population of Madison, Wis.

Analysts estimate that Foxconn, formally known as **Hon Hai Precision Industry** Co., makes 150 million iPhones each year, along with 20 million iPads and other electronics. Foxconn said it employs 1 million people across China and elsewhere, including southern Shenzhen, where it began manufacturing the first iPhone amid great secrecy.

With Apple embracing outsourced manufacturing in Chinese cities, the iPhone's

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HEARD ON THE STREET | By Stephen Wilmot

Better Ways to Measure Boss's Pay

When it comes to executive pay, what you see isn't what you get. This should worry investors, who need to understand the financial motivations of those who run their companies.

John C. Martin took home close to a billion dollars for a decade of work at the helm of Gilead Sciences. If you look at the summary compensation tables of the biotech company's proxy filings, though, you would think his pay for the 10 years through 2016 was equivalent to only $153 million.

Summary compensation tables get a lot of press—and will get even more next year, when U.S. companies may be obliged to disclose the ratio of their chief executive's pay to that of a median employee. But in reality they don't say much.

The key problem is how to measure the stock options and awards that make up a ballooning share of executive pay. The Securities and Exchange Commission requires company accountants to estimate their "fair value." For options this involves mathematical models that ignore the human factor: Bosses can decide when to exercise them. For awards, fair value is defined as the share price on the day they are granted, which in a rising market underestimates their value when executives cash them in.

Another problem is that stock awards increasingly depend on bosses hitting performance targets, such as a certain level of revenue in the case of Gilead.

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REIT Is Sold for $2 Billion

By Dana Mattioli

Monogram Residential Trust Inc. said Tuesday that it agreed to be acquired by Greystar Growth and Income Fund LP, an investment group led by **Greystar Real Estate Partners** LLC, in a deal valued at around $2 billion.

Under the deal, which The Wall Street Journal had reported Monday was near, Monogram stockholders will receive $12 a share, a premium of about 22% to Monogram's closing price on Monday, the company said.

The deal has a total transaction value of $3 billion including debt consideration, according to Monogram, a Plano, Texas-based real-estate investment trust.

"We are pleased to have reached this agreement, which maximizes value at a substantial premium to our existing share price," said Alan Patton, Monogram's chairman. "We are confident that today's announcement represents the best path forward for all of Monogram's stockholders."

Greystar Growth and Income Fund is led by Greystar Real Estate Partners and its initial founding capital partners, affiliates of **APG Asset Management** NV, **GIC Private** Ltd. and **Ivanhoé Cambridge**, Monogram said in a news release.

The Wall Street Journal reported in September that Monogram was exploring a sale and sounding out buyers.

22%

Premium for stakeholders over Monogram's close on Monday.

Monogram's portfolio includes investments in 49 high-end apartment communities in 10 states, including California and Florida. The portfolio has nearly 14,000 apartment units, according to the company's website. Many of Monogram's properties are located in coastal areas such as San Francisco and Miami.

In March last year, activist hedge fund **Snow Park Capital Partners** called for Monogram to explore strategic alternatives including a sale of the company, amid unrest on its board and a wave of real-estate transactions. It is unclear whether Snow Park still owns Monogram stock.

Greystar, based in Charleston, S.C., is the largest apartment operator in the U.S., according to the company's website. It manages more than 400,000 units in more than 160 global markets. It also has an institutional investment management platform. The company is privately held and was founded in 1993 by Chairman and Chief Executive Bob Faith.

"We are excited to add Monogram's high quality assets in some of the best markets in the country as the seed portfolio for Greystar Growth and Income Fund, LP, our flagship core-plus perpetual life vehicle," Mr. Faith said.

—Stephen Nakrosis contributed to this article.

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HEARD

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Accountants assume a "target" number of shares, but what executives end up with could be completely different. Most bosses end up making far more than their accountants estimate. Mr. Martin at Gilead is an exception only in scale.

It is doubtful investors need to fork out so much for managerial talent.

In 2015—the last year for which full data is available—the average pay of the 500 highest-paid U.S. executives was $17.1 million according to fair-value estimates, but $32.6 million according to realized pay.

Fair-value pay has been lower than realized pay in every year since at least 2006, according to an analysis of Standard & Poor's data by William Lazonick, professor of economics at University of Massachusetts Lowell, and Matt Hopkins, senior research associate at the Academic-Industry Research Network.

The sheer size of realized-pay numbers is one concern. For most of corporate history such riches were associated with risk-taking entrepreneurs, not managers.

It is doubtful investors need to fork out so much for managerial talent, and the practice encourages antibusiness sentiment, populist politics and eventually regulations like the U.S. pay ratio, part of the Dodd-Frank reforms.

There is also a more subtle problem with the divergence between realized and estimated pay: Investors underestimate the extent to which stock awards and options have come to dominate executive packages.

A full 82% of realized pay in 2015 was in stock, compared with 62% for estimated pay. The incentive for bosses to concentrate on boosting specific numbers or the share price to trigger awards, rather than growing the business more generally, is more powerful than usually thought.

Focusing on realized rather than estimated compensation won't solve the problem of executive pay. But it would at least make it clearer.

This is the first in a series of Heard on the Street columns. Tomorrow: How to solve the problem of misaligned executive pay.

No Easy Answers For Investors

Only the most diligent investors can hope to understand how the bosses of their companies are financially motivated.

Increasingly, executives only get share awards if they hit certain targets agreed with the board. The all-important performance hurdles are usually detailed in the small print of the proxy statement, but their rigor is "not readily evident even to a professional reader," said activist investor **ValueAct Capital** in a recent paper.

An alternative to summary compensation tables proposed by ValueAct involves estimating three levels of pay depending on performance triggers—minimum, target and maximum pay—and an extra level assuming a 50% increase in the share price. A comparison of retailers shows, among other things, that pay for the boss of Gap, Art Peck, is at the top of its peer group at the maximum level, even though it looks low at the target level. So Mr. Peck has a stronger financial incentive to outperform than his peers.

But this approach has limitations, too.

It shows that Mr. Peck's pay is unusually sensitive to performance, but not how difficult his targets are to reach. In reality, investors that want to understand whether an executive like Mr. Peck is being paid for routine performance or challenged to go far beyond expectations have no choice but to plunge into the detail of proxy statements, talk to board members—and use their judgment.

—Stephen Wilmot

BUSINESS & FINANCE

DANIEL ACKER/BLOOMBERG NEWS

Key fobs awaiting car buyers at a dealership. Sales to retail customers at dealers have been flat.

AUTOS

Continued from the prior page

span, bolstered by tailwinds from falling gas prices and surging demand for profit-rich trucks and SUVs.

The fleet-sales pullback is having a disproportionate impact on wider volumes. Sales to retail customers at dealerships were down less than 1% over the first six months of the year, but sales to nonretail customers such as government fleets, commercial buyers and rental-car companies dropped 7.8%, according to J.D. Power.

A rental-car reduction "is not something normally seen" at the start of a cyclical sales downturn, R.W. Baird analyst David Leiker said in a research note. The reversal of that trend could ease concerns that profit margins will erode as auto makers chase less lucrative business or resort to price wars.

Even as auto makers ramp up incentive spending to improve dealer traffic, transaction prices are rising as cars are loaded with more safety gear and connectivity features. Consumers also shifted away from sedans and toward pricier sport-utility vehicles.

Edmunds.com reported that the average monthly payment on a car or truck has soared above $500, forcing buyers to stretch more than ever to obtain a new set of wheels. The firm estimates the average auto-loan length reached a record 69.3 months in June, with the average amount of financing reaching $30,945, up $631 from May.

GM's sales fell 5% to 243,155 vehicles in June, while Ford's sales totaled 227,979 vehicles, down 5.1%. Fiat Chrysler's sales slumped 7% to 187,348 vehicles.

Japan's top sellers fared better during the period.

Honda Motor Co. reported a 1% increase compared with the previous June, with 139,793 vehicles sold, aided by gains at its Acura luxury division, while **Nissan Motor** Co. sold 143,328 vehicles, or 2% more than the prior year, as it ramps up its reliance on trucks. **Toyota Motor** Corp. notched a 2.1% gain, with 202,376 vehicles sold.

Enterprise, one of the leading car-rental firms, reduced its vehicle purchases in the first half of the year compared with 2016, said Kurt Kohler, a senior executive in charge of the rental company's fleet acquisition. He said signs of declining used-vehicle prices heading into the year prompted Enterprise to narrow its shopping list.

"The market started to move on us, so we pulled back a bit," he said.

Alan Batey, president of GM's North America region, said an unexpectedly severe downturn in consumer demand for sedans has made it more difficult to ease rental sales, because the rental business would typically help make up the shortfall. "It has tested our commitment" to the strategy, he said.

Tesla Part Shortfall Hurts Sales

By Tim Higgins

Tesla Inc. on Monday said production shortfalls hindered sales during the second quarter, hours after Chief Executive Elon Musk signaled an even tighter timetable for the auto maker's ambitious plans to produce its new Model 3 sedans.

The Silicon Valley auto maker said it sold about 22,000 Model S and Model X sport-utility vehicles during the period ended in June, up about 53% from a year earlier.

With 47,100 vehicles delivered in the first half, Tesla just met its goal of delivering 47,000 to 50,000 vehicles.

Tesla said sales could have been stronger if not for a "severe production shortfall" of battery packs, which until early June caused production to average about 40% below demand.

"Once this was resolved, June orders and deliveries were strong, ranking as one of the best in Tesla history," the company said.

The company said it expects to deliver more Model S and Model X vehicles in the second half than in the first six months, "provided global economic conditions do not worsen considerably."

Tesla's jump in second-quarter sales bucks the trend among auto makers such as **General Motors** Co., **Ford** Motor Co. and **Fiat Chrysler Automobiles** NV, which Monday reported steep sales declines in June compared with a year ago.

Tesla is far smaller than those auto makers by sales, but it aims to become more of a mainstream player with the rollout of its newest car, the Model 3, which at $35,000 is far less expensive than its two existing models and is central to the company's plans to sharply increase total sales.

The Model 3 is part of Mr. Musk's strategy to boost production next year to 500,000 from about 84,000 last year, turning the auto maker into a more mainstream player from a niche luxury brand. GM, for example, sold 10 million vehicles last year.

Enthusiasm for Tesla and its new model has helped push the company's shares to new highs, giving the Silicon Valley auto maker a market capitalization above those of GM and Ford.

HEDGE

Continued from the prior page

European growth.

"It appears the mood in Europe is improving, the economic data is showing strength, corporate earnings are exceeding expectations," said Robert Duggan, partner at New York-based SkyBridge Capital, which invests $11.4 billion in funds. Mr. Duggan said that he has been adding to holdings in funds that bet on European stock events and that some of these have gained 10% to 20% this year.

Some investors who are optimistic on European shares and the euro say billionaire fund manager Daniel Loeb's move on Nestlé SA is a fresh sign the Continent has become a prime destination for global investors.

Mr. Loeb's Third Point hedge fund acquired a $3.5 billion stake in the Swiss food-and-cosmetics giant and demanded changes from it.

"We are seeing more opportunities in Europe because of strong and improving economic data, a trend that will likely continue now that the French elections have passed without incident," Mr. Loeb wrote to investors in late April.

Mr. Loeb added "we have been more focused on improving global growth than on the 'Trump trade,' " referring to the idea that certain investments would benefit from Donald Trump's election. His main hedge fund was up 9.9% through the end of May, a person who had seen the numbers said.

Also profiting recently is Chris Hohn's European activist fund TCI, which has more than $20 billion in assets. Its main fund, which has a large allocation to Europe, was up around 23% this year through May with big bets on rising stock prices, said people who had seen the numbers.

Another hedge fund that has benefited from European investments is Lansdowne Partners, which has around $19 billion under management. Lansdowne has gained 15.6% in its European Equity fund this year, a person who had seen the numbers said.

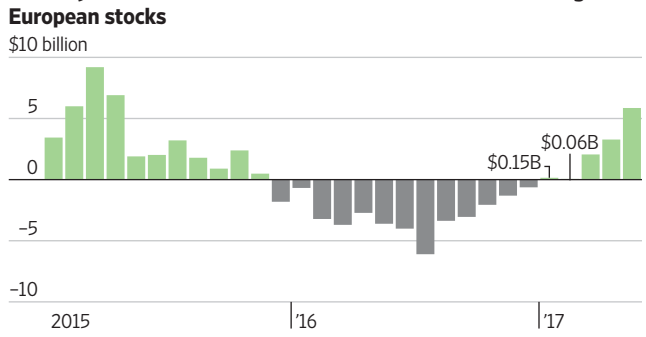
The gains are striking in a hedge-fund industry that is once again struggling to eke out returns. On average, hedge funds were up just 2.7% this year to June 29, according to Chicago-based data group HFR.

—Jon Sindreu contributed to this article.

Betting on Europe

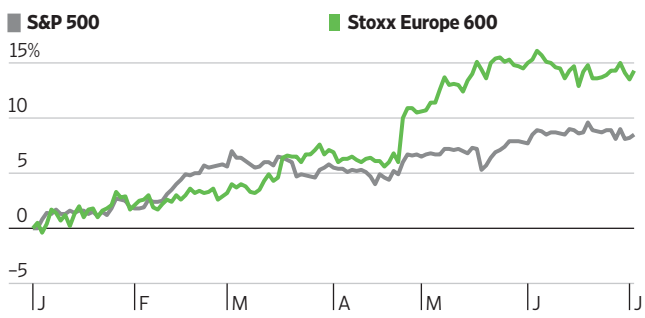
Cash is flowing back into U.S. funds that invest in European stocks...

Monthly flows into and out of U.S.-domiciled funds investing in European stocks



...as Europe's benchmark Index outperforms its U.S. counterpart.

Percentage change so far this year, in U.S.-dollar terms



Sources: EPFR Global (flows); THE WALL STREET JOURNAL.

Volvo Sets Plan to Go All Electric Or Hybrid

By William Boston

For Volvo the internal combustion engine has run its course.

The Chinese-owned automotive group on Wednesday unveiled plans to begin phasing out the conventional car engine, the first major auto maker to abandon the technology that has powered the industry for more than a century.

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

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

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

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

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

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

Volvo's decision to accelerate the move to go electric could help it in light of a potential stock listing. Volvo, a Swedish luxury car maker that was founded in 1927, was bought by Ford Motor Co. in 1999. Ford sold the company to **Geely Holding Group**, a Chinese investment company, in 2010.

Struggling when Geely acquired it, Volvo has achieved a significant turnaround and is building its first manufacturing plant in the U.S. Geely's wager is paying off. Volvo reported a 67% increase in net profit to 7.5 billion Swedish kronor ($880 million) in 2016 on revenue of 180.7 billion kronor, up 10% from the previous year.

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

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Activist Fund Looks to Halt Energy Deal

By David Benoit

Jana Partners LLC has taken a roughly 5% stake in **EQT** Corp. and is seeking to scuttle the energy company's proposed $6.7 billion acquisition of **Rice Energy** Inc.

Instead of buying Rice, Jana wants EQT to fully separate its pipeline operations, according to a securities filing and people familiar with the matter. The goal would be to make EQT a pure exploration-and-production company. While that could happen after a Rice deal, tax rules mean it could take years.

Jana takes roughly 5% stake in EQT and seeks to scuttle Rice Energy purchase.

Jana questions the benefits of the deal and believes the price is too high, the people said.

In a statement, EQT said the deal would further its efforts to improve operations and tap the value of its natural-gas resources. Responding to the split suggestion, the company said it has acknowledged the market is missing value between its pipeline operations and exploration business and that "management has committed to evaluating options and devising a plan to address this discount by the end of 2018."

Rice declined to comment.

The activist hedge fund had been buying the stock before EQT announced the deal two weeks ago and was blindsided by the announcement, the people said. It is working with executives who built and sold various iterations of shale pioneer Atlas Energy.

EQT is based in Pittsburgh and operates largely in the Marcellus Shale formation, which spreads from New York to Virginia. Rice is also an Appalachian-focused energy company.

The combination would create the largest natural-gas producer in the country by volume, the companies say. Their large adjacent acreage and pipelines are part of the appeal of the deal.

EQT's stock dropped 13% in the three days after the deal was announced June 19, though it mostly recovered last week.

If Jana succeeds in getting other EQT holders to vote down the deal, it could trigger a $67 million payment to Rice.

Instead of doing the deal, Jana wants EQT to fully list its pipelines, which already trade publicly. They are run by EQT Midstream Partners LP, which is more than 26%-owned by a third entity, EQT GP Holdings LP, that is 90%-owned by EQT.

As allies, Jana had signed up three well-known executives who ran the corporate family tree of Atlas Energy. Most of Atlas was sold to Chevron Corp. for more than $3 billion in 2011, before the executives took a remaining operation, built it into a new version of Atlas and sold it again in 2015.

Jonathan Cohen, executive chairman of the current version of Atlas, and Daniel Herz, president, are potential board nominees. Jana is also working with Edward Cohen, Jonathan's father, who led the original Atlas. All three have bought EQT shares.

ATTA KENARE/AGENCE FRANCE-PRESSE/GETTY IMAGES

Total's Patrick Pouyanné, left, with Ezzatollah Akbari of Petropars, Iran's state-owned energy company, on Monday in Tehran.

Total Gets Jump With Iran Pact

By Benoit Faucon And Sarah Kent

The $1 billion pledged Monday by French oil giant **Total** SA in an Iranian gas field is a breakthrough for the resource-rich country, but it is unlikely to unleash the flood of foreign energy-industry investment that Tehran is seeking.

Total executives signed a contract Monday to press ahead with developing the country's massive South Pars gas field, in which the company holds a 50% operating stake. The contract is the first Iranian exploration and production project awarded to a major European company in 10 years, after a deal with global powers last year ended Western sanctions on Tehran over its nuclear program.

To make it happen, the Paris-based company spent years maintaining relationships in Iran even after Western sanctions were tightened in 2012, and then took months to negotiate the details after announcing a preliminary agreement last year.

"We were here 20 years ago. We've come back today," Total Chief Executive Patrick Pouyanné said at a Tehran news conference. "And again it's a long history for the company."

Total was in a stronger position to make a deal than competitors like **Royal Dutch Shell** PLC, which has long eyed going back into Iran. **BP** PLC, which helped build the Iranian oil industry, remains on the sidelines.

Those companies do more business in the U.S., where President Donald Trump has said he would re-examine the deal that lifted Western sanctions on Iran last year, said Homayoun Falakshahi, a research analyst at energy consultancy Wood Mackenzie.

According to people familiar with the matter, Total's decision to enlist **China Petroleum National** Corp. as a 30% partner enables the easy transfer of money in and out of Iran. CNPC owns its own financial institution, Kunlun, one of the few sizable banks that work with Tehran.

Mr. Falakshahi said he didn't expect the deal to open a floodgate of contracts with other foreign oil giants.

"It's an exceptional situation, by a long stretch," he said of Total's contract.

Iran's oil output has jumped 1.2 million barrels a day to 3.9 million barrels a day since sanctions were lifted. But it still needs $100 billion of investment in its oil and gas fields to reach a goal of 5.7 million barrels a day the end of 2020.

Shell signed a preliminary agreement to explore opportunities in Iranian oil fields late last year. The Anglo-Dutch company held meetings in Tehran and Dubai in the two past months with the **National Iranian Oil** Co. and Chinese state-run Sinopec to work together on an oil field called Yadavaran, according to a person familiar with the discussions. But people who work with the company said it is concerned about its exposure to the U.S. and is more selective in the choice of its banks than Total.

A Shell spokeswoman said the company remained "interested in exploring the role it can play in developing Iran's energy potential. We have been engaging with Iranian officials but it is still too early to discuss potential Shell investment in any project."

U.S. sanctions remain on Iran over terrorism, weapons and human rights, prohibiting deals with American companies like Exxon Mobil Corp. and Chevron Corp., but European companies can still try to make a deal work. Total said it was in compliance with all sanctions.

A diplomatic crisis in the Persian Gulf is adding another level of uncertainty for big oil companies looking to invest in Iran. Saudi Arabia and its Arab allies have mounted a campaign to isolate their neighbor Qatar, partly because of its rapprochement with regional rival Iran.

SpaceX Pauses After Two Setbacks

By Andy Pasztor

For the second time in two days, entrepreneur Elon Musk's SpaceX was forced to scrub blastoff of a large commercial communications satellite, when an automated system aborted the launch within seconds of liftoff.

Monday's mission for **Intelsat** SA was slated to follow a pair of trouble-free launches that occurred over roughly 48 hours less than two weeks ago. Company supporters said the successes pointed to increasing operational proficiency and an accelerating launch tempo that SpaceX's commercial and U.S. government customers had long wanted to see.

A previous launch attempt was aborted on Sunday, also 10 seconds before liftoff, when the same automated safety alert system detected some problems with the Falcon 9's navigation or flight-control systems.

On Monday, the closely held Southern California company ended its webcast without providing any details on the reason for the aborted launch. Neither the satellite nor the rocket appeared to be damaged, but industry reaction to the twin aborts will depend partly on the explanation SpaceX officials provide.

The launch won't take place before Wednesday, Mr. Musk said via Twitter, while the company conducts a "full review" of rocket and launchpad systems. "Only one chance to get it right," the SpaceX founder said.

Monday's events surprised some industry officials partly because prior to the latest scrub SpaceX indicated it had fixed the computer issue behind Sunday's problems. Moreover, SpaceX's recent launches, stretching back to January, generally have played out without any countdown delays or technical glitches requiring resolution.

The nearly 15,000-pound satellite, believed to be the heaviest payload SpaceX has ever tried to launch, requires the full thrust and all of the fuel loaded on board SpaceX's Falcon 9 rocket to reach its desired orbit. So in this case, there were no plans to bring back the main part of the rocket—a procedure that requires fuel.

Reusing rockets and even unmanned cargo capsules has now become part of SpaceX's everyday operations, with commercial customers lining up to put satellites on top of what the company calls "flight tested" main stages. Pentagon officials also are talking more favorably about the prospect of contracting to put national-security payloads on top of reused rockets. The aim of reusing boosters is to lower costs and speed up launches.

BRUCE WEAVER/AGENCE FRANCE-PRESSE/GETTY IMAGES

The first stage of a spent Falcon 9 rocket aboard its landing platform ship in Florida in April.

Investors Try to Stop Clariant's Merger Deal

By Brian Blackstone

ZURICH—**Clariant** AG's bid to create a $14 billion chemicals giant through a merger with U.S.-based **Huntsman** Corp. has come under attack from a group of the Swiss company's largest shareholders who are pushing to derail the transaction.

Investment funds **40 North Latitude Master Fund** Ltd., controlled by U.S. investors David Winter and David Millstone, and **Corvex Master Fund** Ltd, controlled by investor Keith Meister, disclosed their stake with Swiss regulators. Separately, the funds said they own a combined 7.2% of Clariant through White Tale Holdings.

"We believe shareholders ought to reject this value destructive merger," the funds said in a statement released by 40 North, adding the proposed deal "significantly undervalues Clariant's shares" and "far more value could be created for shareholders through any number of alternative transactions."

Clariant shares rose nearly 3.1% Tuesday on the news.

"We have noticed the increased investment of Corvex, 40 North in Clariant and their demands," a Clariant spokesman said. "We are taking all of our shareholders' interests seriously and maintain our long-practiced open and engaging attitude with them. In that spirit we are in contact with Corvex, 40 North."

40 North is an arm of Standard Industries, a U.S.-based conglomerate with interests in building materials, money management and real estate. It isn't widely known in Europe as an activist investor. Its effort has the support of Corvex Management and Mr. Meister, a well-known U.S. activist investor and former lieutenant of Carl Icahn.

Corvex flexed its muscles recently, disclosing in May a 5.5% stake in CenturyLink Inc. The U.S. telecommunications company is in a deal to acquire Level 3 Communications Inc., and Mr. Meister is pushing for Level 3's chief executive to eventually become the CEO of the combined company instead of CenturyLink's leader.

Standard Industries is no stranger to Europe. In December it agreed to acquire German roof maker Braas Monier Building Group SA for about €1.1 billion ($1.2 billion) after raising its offer to end an hostile takeover effort.

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Tencent Curbs Playing Time for Game

As state media rails against addiction, young 'Honor of Kings' fans face restrictions

By Alyssa Abkowitz

BEIJING—The world's biggest online game company, **Tencent Holdings** Ltd., is running into problems at home in China as debate rages over how long children play its popular games, the latest imbroglio facing the nation's internet giants amid greater official scrutiny.

Tencent on Tuesday unveiled steps to limit the time children play its top-grossing mobile game, "Honor of Kings," saying on social media that it was taking the lead to roll out policies to prevent game addiction. The issue of youngsters playing games has drawn the attention of media and officials after being linked to a spate of suicides and crimes.

Under Tencent's new system, children age 12 and under are limited to one hour a day of play before 9 p.m. and children aged 12 to 18 to two hours a day.

REUTERS

A new system will limit the time children in China can play what is Tencent's top-grossing mobile game.

Yet state media continued to criticize the company's hit game, which had 50 million daily active users at the end of last year, according to game consultancy Niko Partners, and the effect it was having on society. The company's stock fell 4.1% on Tuesday, dragging down Hong Kong's stock index on which it is the largest constituent.

Analysts warned the limitations on play time will have a negative impact on Tencent, one of Asia's biggest public companies, which pulls in about 30% of its revenue from mobile games.

A big chunk of this revenue comes from players under the age of 18, said China Merchants Securities analyst Richard Ko. Players can play up to certain levels for free, but then must pay to continue to more advanced levels. Mr. Ko estimates the limitations will lower "Honor of Kings" revenue by 5% for the year, affecting Tencent's overall mobile gaming top line by 1.6%.

Tencent didn't respond to requests for comment.

The incident is the latest to affect China's biggest tech companies, as Beijing increasingly steps up monitoring and policing of the platforms to ensure they don't violate official social policies.

For Tencent, which also operates China's largest social-media platform WeChat and owns other game makers including Supercell Oy of Finland and Riot Games Inc. in its portfolio, the stakes are high because the company is used on a regular basis by the majority of Chinese internet users.

"It's important for Tencent to show their social responsibility," said Kitty Fok, managing director at research firm IDC. "They're big enough."

The new system builds on a platform Tencent unveiled this spring that connects children's gaming accounts with their parents' accounts, so they can monitor children's play. The parental oversight platform has nearly 700,000 accounts linked, and a recent upgrade now allows parents to stop all accounts from being played on specific devices.

Despite Tencent's initiatives, China's state-run newspapers, which often serve as the Communist Party's mouthpiece, came down hard on the company. "When making money and hurting people coexist, we need to be more alarmed," said People's Daily.

An opinion piece by Xinhua News Agency said the game "weakens the kids' self control and worsens their tempers," adding that some children had even stolen their parents' bank cards to keep playing the game.

Inside the company, some younger employees felt it was unfair to be blamed for making the game so successful, according to a Tencent employee familiar with the situation.

"It's not only about the game," the employee said. "It's an issue about undertaking social responsibility and the borders between private enterprises and the government."

—Fanfan Wang contributed to this article.

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ADAM DEAN FOR THE WALL STREET JOURNAL

Like company towns that thrived in the U.S. a century ago, iPhone City is largely dependent on a single product for its wealth.

IPHONE

Continued from page B1

success in the decade since it launched has fueled China's rise at the center of the global electronics supply chain.

The explosion of higher-tech manufacturing was encouraged by Beijing as leaders sought to move factories up the value chain from making plastic toys and clothes. That shift transformed the lives of millions of Chinese, bringing welcome jobs but also leading to complaints from some workers of repetitive labor, restrictive work rules and crowded living conditions.

The iPhone's global success has increased scrutiny of Apple and its suppliers.

The Cupertino, Calif., company said it holds Foxconn and others "to the strictest standards in the industry." It said it has educated 12 million workers on their rights, ensured workweeks don't exceed 48 hours, and offered career- and personal-development courses. "We hold our suppliers to the standard we hold ourselves: They must treat everyone with dignity and respect," a spokesman said. Apple said wages and working conditions at its suppliers have improved in the past five years.

The move to Zhengzhou followed a spate of suicides in 2010 at Foxconn's other primary iPhone production facility in Shenzhen, along the coast where wages were higher. Foxconn said in response to questions from The Wall Street Journal that many factors were behind choosing Zhengzhou, including the proximity to workers' hometowns, and suitable infrastructure and transportation.

Like American company towns a century ago—Pullman, Ill., Hershey, Pa., and Henry Ford's Detroit—iPhone City revolves mainly around a single product, and it largely depends on that product for its wealth.

In iPhone City, malls, restaurants and karaoke parlors, some started by former Foxconn workers, sprouted to cater to the workforce. Government statistics indicate that exports of electronics have skyrocketed from Henan, a poor province of 94 million people with Zhengzhou at its heart.

Officials had welcomed the iPhone: China's top leaders greenlighted a national-level special trade zone, and the province threw its resources into constructing and populating what would become iPhone City.

During last fall's rush to make the iPhone 7, when Foxconn was short-handed, state-owned coal companies lent workers to Foxconn. In past years, the province issued quotas to local authorities stating how many workers they needed to produce for Foxconn.

Readying for a production surge to make the next iPhone model, due this fall, recruiters recently visited villages to find workers.

"While the government has provided assistance in helping us with our recruitment requirements, the costs associated with hiring and training new workers are all covered by Foxconn," the company said.

On a recent June day, a speaker blared outside the factory gate: "We're recruiting the cream of society. Your personality must be optimistic, your work diligent."

Foxconn workers earn some 1,900 yuan ($278) in quiet months to more than 4,000 yuan with overtime when production ramps up. Their income isn't high, but many are better off than they were as rural villagers. For the workers, the iPhone is an expensive choice, and many say they buy cheaper, Chinese-branded smartphones instead.

—Kersten Zhang and Yang Jie in Beijing and Tripp Mickle in San Francisco contributed to this article.

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COMMERCIAL

IN THE MATTER OF
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AND IN THE MATTER OF
THE COMPANIES ACT 2014
AND IN THE MATTER OF
SECTIONS 449 TO 454 OF THE COMPANIES ACT 2014
AND IN THE MATTER OF
SECTIONS 84 TO 86 OF THE COMPANIES ACT 2014

NOTICE is hereby given that in pursuance of an Order of the Irish High Court dated 10 May 2017 a meeting of the holders of Innocoll Shares (as defined in the proposed scheme of arrangement between Innocoll Holdings public limited company (the "**Company**") and the Scheme Shareholders (as defined therein) (the "**Scheme**")) for the purpose of their considering, and voting on, a resolution proposing that the Scheme in its original form or with or subject to any modification(s), addition(s) or condition(s) approved or imposed by the Irish High Court be agreed to (the "**Scheme Meeting**") was held on 28 June 2017 and the holders of Innocoll Shares passed the necessary resolution at the Scheme Meeting approving the Scheme without modification.

NOTICE is hereby further given that at an extraordinary general meeting of the Company held on 28 June 2017 the shareholders of the Company in furtherance of the Scheme passed, *inter alia*, a special resolution to reduce the issued share capital of the Company by the cancellation and extinguishing of all Cancellation Shares (as defined in the Scheme) pursuant to Section 84 of the Companies Act 2014 (but without thereby reducing authorised share capital of the Company) (the "**Share Cancellation**").

NOTICE is hereby further given that consequent upon an application made to it by the Company on 30 June 2017 the Irish High Court has directed that an application by the Company for orders, *inter alia*, pursuant to:

1) Section 453(2) of the Companies Act 2014 sanctioning the Scheme; and
2) Sections 84 and 85 of the Companies Act 2014 confirming the Share Cancellation;

shall be heard by Irish High Court at 11:00am on 21 July 2017 at the Four Courts, Inns Quay, Dublin 7.

WILLIAM FRY
Solicitors for the Company
2 Grand Canal Square
Dublin 2
5 July 2017

Note: Any person who intends to appear at the hearing of the said application should notify the Company's Solicitors, William Fry, 2 Grand Canal Square, Dublin 2, Ireland (quoting reference 023786.0009.RJR) in writing not later than 5:00pm (Irish Time) on Monday 17 July 2017 of that person's or persons' intention to appear at the hearing of the said application and should indicate to the said Solicitors whether such person or persons intend to support or oppose the said application and should serve any affidavit evidence on which that person or persons intends to rely on the Company's Solicitors by that date and time.

DEA

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Property 1: Black 2004 BMW 530i, VIN: WBANA73564B804782;
Property 2: Silver 2009 Dodge Caravan, VIN: 2D8HN44E39R590636.
Place Seized: Carteret, New Jersey
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MANAGEMENT

Burger Chain To Serve Up Changes

Tara Comonte's first task as CFO was making burgers. A tech makeover is next.

By Rheaa Rao

Tara Comonte struggled to make a perfect burger on her first day at the Shake Shack restaurant on the Upper East Side of Manhattan.

"Working in the shack was a physically hard day. These pieces of meat get smashed down on a scorching hot grill...and you put eight of them at a time, 'smash, smash,' like you're pulverizing this thing," she said. "I just didn't have enough hands and I kept forgetting to put the [fries] timer on."

CFO JOURNAL

Ms. Comonte is likely to need more than two hands to juggle things as **Shake Shack** Inc.'s newest finance chief. The company, once a darling of the fast-casual dining sector, experienced a 2.5% fall in same-store sales in the first quarter and it revised its 2017 comparable sales outlook downward. Although the stock is trading above its January 2015 initial public offering price of $21, shares have fallen more than 60% to $34.88 as of Friday, from its peak of $92.86 in May of that year.

"Managing any expectations comes from making sure shareholders and the market understand the [company's] story," said Ms. Comonte. "Sometimes businesses are looked at within an analytic box. Shake Shack can't really compare its metrics to that of other restaurants."

Same-store sales, a metric that investors look for within a company's financials, are applicable to stores that have been around for longer periods. A significant number of Shake Shack outlets aren't included in those metrics, she said.

Ms. Comonte isn't the only executive to venture into the Shake Shack kitchen. Every new employee, regardless of their job title, has to spend some time of their training period in a store at different stations learning how to make fries, burgers and milkshakes, she said.

New York-based Shake Shack—like many of its competitors—is battling weak foot traffic and rising labor costs. Still, there are global expansion plans. There are 84 stores in the U.S. and stores in 12 countries overall, including Japan, United Arab Emirates and Russia.

"It's a high expectation stock," said Nicole Miller Regan, senior research analyst at Piper Jaffray. Part of Ms. Comonte's task will be to make sure investor expectations are realistic, Ms. Regan said. "She will have to protect the company's unique ability to think small while growing large."

Ms. Comonte said her focus at Shake Shack is to leverage the use of technology to connect with customers as the company continues to grow. Shake Shack launched its mobile app earlier this year allowing customers to skip the physical line.

The app is only one piece of the broader technology push. Ms. Comonte is looking to bolster the company's internal processes through technology that supports inventory, invoicing and other financial systems.

RICHARD B. LEVINE/LEVINE ROBERTS/NEWSCOM/ZUMA PRESS; BELOW: ANDREW TOTH/GETTY IMAGES FOR AWXII

The chain's CFO, Tara Comonte, says she wants to leverage technology. A mobile app allows customers to skip physical lines.

Ms. Comonte joined the company recently, succeeding Jeff Uttz, who retired earlier this year. She was previously CFO at Getty Images Inc., a digital media company.

Before Getty, she was finance chief for McCann Worldgroup, a subsidiary of Interpublic Group of Cos., a publicly traded advertising company.

It was Ms. Comonte's marketing experience and brand awareness that made her a good fit for the company, said Randall Garutti, Shake Shack's chief executive.

"Shake Shack is such a strong brand," he said. "We needed a CFO who understands how the brand informs the financials."

Ms. Comonte was cognizant of Shake Shack's brand value even before she was brought on board. "As a New Yorker, I knew Shake Shack. It was a brand I love, a brand my kids love," she said.

Now, she's tasked with preserving that brand identity from a glass office at Union Square, Manhattan, not too far away from the first store that opened in Madison Square Park in 2004. Working for "the shack," as employees call it, is about identifying and keeping the cultural feel of a startup.

"I can't help this company if I come in and try to put in practices or systems or processes that happen to work for me elsewhere," Ms. Comonte said.

On a late June morning, a group of employees at the company's headquarters, wrapped up a monthly morning meeting with Mr. Garutti and Ms. Comonte joining Shake Shack's loud clap anthem.

"It would have been perfectly acceptable for them to hire a typical public company restaurant executive," Ms. Regan said. "But in this case, the cultural fit and financial experience is important, and not coming out of the restaurant business."

Ms. Comonte plans to continue to spend more time in the stores, even after she finishes her three-day kitchen training period, to get insight into what processes she can centralize, or bring back to headquarters, to be more efficient, she said.

After her burger-making on the first day, the second had her assembling orders at a different store. "All I wanted to do was eat the fries," she said.

WORKAROUNDS

Court Reporters Need a New Name

One of the nation's highest-paying jobs that doesn't require a college degree is facing a shortage of workers. Part of the problem: An ill-fitting moniker.

Court reporters do more than just transcribe legal proceedings for courts or legislatures, said Nativa Wood, president of the National Court Reporters Association. They also caption TV shows and public and school events for the hearing-impaired, and provide real-time transcripts for everything from business meetings to legal depositions.

The field, which many like to date back to ancient scribes, requires training in typing as many as 225 words a minute on a stenotype machine. Students can learn to use the machine in programs offered by trade schools and community colleges.

Court reporters can make upward of $95,000 a year. Bureau of Labor Statistics data show the median annual pay for court reporters in 2016 was $51,320. Median pay for high-school graduates without further education, meanwhile, has hovered around $30,000, according to the National Center for Education.

Still, Ms. Wood said the National Court Reporters Association has struggled to attract young workers, hurt by the preconception that court reporting is an antiquated job.

Ducker Worldwide, a Troy, Mich.-based consulting and research firm, estimates the aging pool of court reporters, plus declining enrollment rates in training programs, will create a shortfall of 5,500 positions by 2018.

Ms. Wood said freelance stenographers are in such demand that some have been forced to put clients on waiting lists.

One solution to attracting more people to the field, Ms. Wood said, is to retire the name "court reporter" and adopt a new one. "Ideally, I believe it should reflect our use of technology and accurately represent the many career paths that can be undertaken once you learn the stenographic machine," she said. She hasn't come up with any alternatives yet.

—Francesca Fontana

BUSINESS NEWS

Gag Order Sought in Shkreli Trial

By Rebecca Davis O'Brien

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

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

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

PETER FOLEY/BLOOMBERG NEWS

Martin Shkreli, right, and his lawyer Ben Brafman in June

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

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

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

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

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

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

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

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

The trial was set to resume Wednesday morning.

Fox Sports Dismisses Executive Amid Probe

By Joe Flint

Fox Sports has fired Jamie Horowitz, one of its most senior executives, amid a probe into sexual harassment allegations, according to a person familiar with the matter.

Fox Sports President Eric Shanks announced the removal of Mr. Horowitz as president of Fox Sports National Networks in a memo to staff on Monday.

"Everyone at FOX Sports, no matter what role we play, or what business, function or show we contribute to—should act with respect and adhere to professional conduct at all times. These values are nonnegotiable," Mr. Shanks wrote.

Fox Sports recently retained a law firm in relation to concerns of sexual harassment at the division of **21st Century Fox**, the person familiar with the matter said. No claim has been made against the company, but Mr. Horowitz was removed as a result of the law firm's probe, the person said.

Mr. Shanks's email to staff didn't specify why he was exiting. Representatives for Fox Sports declined to elaborate on the staff email, and Mr. Shanks didn't return a call seeking comment.

Mr. Horowitz retained well-known entertainment-industry lawyer Patricia Glaser.

"At no point in his tenure was there any mention by his superiors or human resources of any misconduct or an inability to adhere to professional conduct," Ms. Glaser said. "Jamie was hired by Fox to do a job that until today he has performed in an exemplary fashion. Any slanderous accusations to the contrary will be vigorously defended."

Daniel Petrocelli, a lawyer with of O'Melveny & Myers representing Fox Sports, responded to Ms. Glaser, saying: "Mr. Horowitz's termination was fully warranted and his lawyer's accusations are ill-informed and misguided."

The harassment probe at Fox Sports comes in the wake of an effort by parent company 21st Century Fox to crack down on inappropriate office behavior. 21st Century Fox and Wall Street Journal-owner **News Corp** share common ownership.

BUSINESS WATCH

GENERAL ELECTRIC

Conglomerate Closes Baker Hughes Deal

General Electric Co. closed its deal to combine its long-suffering energy business with **Baker Hughes** Inc. on Monday, creating one of the largest companies in the oil-field-services industry.

The new publicly traded company, which will retain the Baker Hughes name, will pursue further cost cuts as it awaits an elusive recovery in oil prices. Majority-owned by Boston-based GE, it will trade on the New York Stock Exchange under the symbol BHGE, with dual headquarters in Houston and London.

—Thomas Gryta

DANONE

Lactalis Acquires U.S. Unit Stonyfield

French dairy company **Danone** SA said Monday that it entered a binding agreement to sell its U.S. dairy business, Stonyfield, to **Lactalis** for $875 million to address U.S. competition concerns.

The sale of Stonyfield is part of an agreement reached with the U.S. Department of Justice in connection with Danone's recent acquisition of **WhiteWave**. Danone and WhiteWave together have big chunks of the yogurt market with brands including Dannon, Oikos, Actimel, Silk, Wallaby and Horizon Organic, which led to concerns from the Justice Department about concentration in the dairy sector.

Danone said that the sale price represented a multiple of about 20 times the 2016 earnings before interest, taxes, depreciation and amortization for Stonyfield.

Lactalis, based in the town of Laval, about 175 miles southwest of Paris, is a family-owned company whose cheese, milk and other dairy products are sold under well-known brands such as President and Bridel. It said it has 75,000 employees spread across 85 countries.

Closing of the sale is subject to final approval by the Justice Department.

—Nick Kostov

CMA CGM

A 90% Stake Sold in Los Angeles Terminal

French containership operator **CMA CGM** SA said it reached a deal Monday to sell a 90% stake in its Los Angeles container terminal to two Swedish infrastructure firms for $817 million.

The deal ends CMA CGM's quest to sell the port assets of Singapore's **Neptune Orient Lines** after it bought the business for $2.4 billion in 2015.

CMA CGM will retain a 10% stake in the Global Gateway South Terminal after the sale to **EQT Infrastructure** and its partner, **P5 Infrastructure**.

—Costas Paris

SCOTT VARLEY/AGENCE FRANCE-PRESSE/GETTY IMAGES

CMA CGM reached a deal with two Swedish infrastructure firms.

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INTERNATIONAL PROPERTY REPORT

HONG KONG

Hong Kong Housing Squeeze

By Esther Fung

Rising interest rates may help to cap prices in the world's least-affordable housing market, something the government's administrative measures have had little success in doing.

Housing prices in Hong Kong have risen to record levels in recent months, defying efforts by the government to stem the tide of rising costs.

But rising interest rates, sparked by recent moves by the U.S. Federal Reserve, may succeed where taxes and other government measures have failed. And some experts are warning that if this happens, it might not be pretty.

"Normalization of U.S. interest rates will eventually raise the mortgage burden of Hong Kong borrowers, posing risks" to the city's export-driven economy and housing market, said Kevin Lam, HSBC Holdings PLC's Greater China economist, in a research note.

ALEX HOFFORD/EUROPEAN PRESSPHOTO AGENCY

Properties for sale and rent at a real-estate office in the city, where prices have risen to record levels.

Home resale prices rose on average 21% in May from a year earlier, exceeding the previous peak recorded a month earlier, according to the latest data available from Hong Kong's Rating and Valuation Department.

The housing market has been mostly rising since the second half of 2016 after a small dip, as regulatory cooling measures seemed to have only a short-lived impact.

"Home prices have nearly tripled over the last decade and relative to incomes are close to the highest on record," said Chang Liu, China economist at Capital Economics.

One of the newest residential projects put on sale is Park Yoho Genova, where the asking price of a 721-square-foot apartment is 10.4 million Hong Kong dollars (US$1.3 million), or HK$14,429 (US$1,850) a square foot. The average sales price of a residential property transacted in Manhattan in the first quarter was $1,778 a square foot, according to a report from Douglas Elliman.

While these prices are comparable, housing is considered much less affordable in Hong Kong because incomes are so much lower. Indeed, for seven years Hong Kong has been ranked the least-affordable city of the 406 surveyed by Demographia, a think tank based in Belleville, Ill.

Hong Kong's housing crisis is one of the biggest causes of resentment in the region 20 years after it was handed back to China. Housing prices remain high because of the city's large population, land shortages and speculation and ample money supply.

Hong Kong attracts demand from wealthy customers globally, and its housing prices have been driven up by an influx of newcomers from mainland China.

To head off damaging property bubbles, the government has implemented property-cooling measures intermittently since 2009, including stamp duties—essentially sales taxes—and curbs on bank lending. The latest attempt was in May, when the Hong Kong Monetary Authority ordered banks to tighten credit assessments and cut the size of property loans.

But many experts predict these new measures will be as unsuccessful as similar efforts in the past. Buyers in Hong Kong already labor under some of the most prohibitive rules governing home purchases, including a central-bank regulation that requires buyers to fork out a minimum down payment of at least 40%. Banks also have to set aside more money as reserves against bad loans.

Stamp duties have been raised to at least 15% to 30% for individuals and companies purchasing a residence, with some exceptions for permanent Hong Kong residents buying their first home.

But over the years such measures have worked only in the short term. They haven't been as effective as those in Singapore or Canada because of a mismatch between demand and supply and the exploitation of loopholes.

For example, cash-flush developers are helping customers skirt the central bank's minimum down payment by offering buyers credit so that they can meet the threshold for purchases in new developments.

But there is an element of foot-dragging on the part of the government.

"The authorities are not that determined to crack down on the housing market because it is not in their interest to do so," said Ngai-Ming Yip, an urban-studies expert at City University of Hong Kong. He pointed out that land premiums and stamp duties from property transactions make up a significant portion of government revenue.

Business Center Loses Key Renter

By Art Patnaude

When U.K. law firm **Freshfields Bruckhaus Deringer** LLP signed a lease earlier this year for office space outside Hong Kong's main business district, it turned heads.

Cost-conscious U.S. and European financial firms for years have been leaving the financial district known as Central, the world's most expensive office market, for other neighborhoods. But Freshfields will be the first major international law firm to say goodbye.

A big part of the decision came down to cost: Renting quality office space less than 5 miles away is less than half the price. "When Freshfields moved out, that was a game changer," said Denis Ma, head of Hong Kong research at property broker JLL.

In cities around the world, firms are often willing to pay a premium for office addresses that give them a level of prestige and easy access to clients. But in Hong Kong, the increasing divergence between soaring rents in Central and suburban business districts is forcing even the most traditional firms to reconsider their choice of real estate.

Even with the departures, office-space demand in Central remains strong thanks to mainland Chinese firms willing to pay the premium, brokers say.

Leasing office space in Central cost around 128 Hong Kong dollars (about $16) a square foot a month in June, up more than 6% from the same period last year, according to real-estate broker CBRE. It is still below the pre-financial-crisis record of 137 Hong Kong dollars a square foot a month.

Freshfields in December will move into a glass skyscraper in Hong Kong East, another urban district of high-rise buildings across the harbor. Rents there are 49 Hong Kong dollars a square foot a month, on par with last year, CBRE data show.

New York-based asset manager **Alliance Bernstein** is planning to move into the same tower, One Island East.

In April, Chinese companies accounted for over half of the new leases in Central, according to JLL. "They've been essentially propping up the market," Mr. Ma said.

Offices in Hong Kong's central district were the most expensive in the world last year, according to broker CBRE. Annual prime rents were nearly double those in London's West End and Midtown Manhattan, which were fifth and sixth on CBRE's global list.

Even with departures, office-space demand in the Central district remains strong.

Rents in Central are still rising. While overall Hong Kong rents will remain flat in 2017, they are expected to increase as much as 10% in Central because of "pent up demand from mainland firms opening up offices in Hong Kong and very low vacancy rates," said Tom Gaffney, managing director of Hong Kong, Macau and Taiwan at CBRE.

The vacancy rate in the central district was 1.8% in June, in line with a year earlier, and compared with an average 4.7% throughout the Hong Kong districts, Mr. Gaffney said.

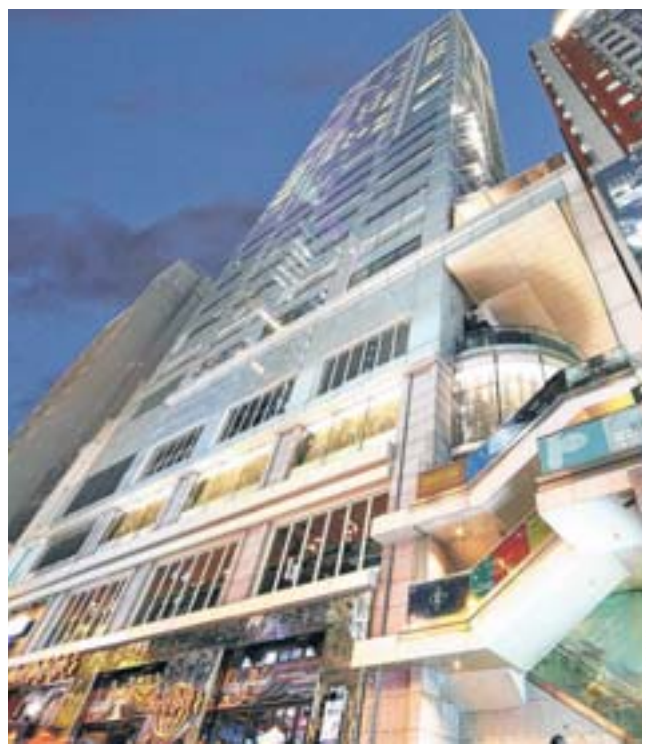
Shift Favors Offices to Hotels

By Dominique Fong

HONG KONG—On the 20th anniversary of this city's return to Chinese control, an iconic hotel at the heart of nightlife partying closed.

Hotel LKF is perched on a hill above the late-night bars and dancing clubs on an L-shaped street known as Lan Kwai Fong in Hong Kong's Central district. The hotel operations in the 14-story building closed July 1, and much of it will be gutted over the next year to be turned into offices.

"The hotel closing down, it's sad," said Tony Yeung, managing director of Peterson Group, a family-owned firm that owns the Hotel LKF building. "I guess in a certain way, it was my baby. This was the first project I undertook."



PETERSON GROUP

The city's Hotel LKF is converting to office space.

The hotel's planned conversion to office space is another sign of how sensitive Hong Kong is to events on the mainland 20 years after the former British colony was handed over to the Chinese government.

Just four years ago, a city task force said Hong Kong needed to nearly double its number of hotel rooms because of the rise in tourism, particularly from the mainland. But lately tourism has slumped partly because of antipathy expressed by residents toward visitors from the mainland.

Chinese President Xi Jinping's antigraft campaign has also deterred them from visiting Hong Kong to buy luxury bags and watches. An appreciating U.S. dollar, which the Hong Kong dollar is pegged to, against the Chinese yuan over the past four years has also made their spending more expensive.

Meanwhile, Chinese companies have been piling into Hong Kong, and mainland developers are outbidding local real-estate tycoons for premium development sites. Chinese banks and other financial institutions have leased out high-end office space in the Central district.

The upshot: Office space is looking a lot better to developers these days than hotel rooms. Hotels also have fallen from favor because it can take one decade or more before a developer might see profits. Offices generally go into the black in five years, and operating costs are lower.

"It was a commercial-driven decision," Mr. Yeung said.

At 12 years old, Hotel LKF needed touch-ups. The air-conditioning units were getting old, and the elevators needed to be upgraded. Occupancy was close to 90%, but the average room rate had declined in the past four years, mirroring the Hong Kong hotel industry. Instead of spending money on renovations, Mr. Yeung decided it would be smarter to convert the building into offices for smaller companies such as creative agencies, small hedge funds and tech startups.

Restaurants on the lower floors, including celebrity chef Gordon Ramsay's restaurant Bread Street Kitchen, will stay open during construction.

Other hotel owners are testing the office market.

In the busy shopping district of Causeway Bay, the Excelsior may be going up for sale, said its owner, Mandarin Oriental International. But "it would be premature to speculate on the outcome of the review at this time," Mandarin said in a written statement.

The hotel, which was Hong Kong's largest at the time of its opening in 1973, sits at the cusp of the island waterfront where the roar of the nearby highway can be heard.

Possible buyers could include cash-rich Chinese investors, and the new development could be a mix of offices and shops, said Thomas Lam, head of valuations and consultancy at Knight Frank. Mr. Lam estimates that more small hotels will be sold and converted into offices in the next two to three years.

In another part of the district, the owner of the hotel Crowne Plaza Hong Kong Causeway Bay has applied to Hong Kong's Town Planning Board to demolish the 29-story building and build a 22-story building of mostly office space, with shops and restaurants on the lower five floors, according to application documents.

Keith Chau, a spokesman for the Crowne Plaza's owner, SEA Group, didn't respond to requests for comment.

As for Mr. Yeung, who is overseeing Hotel LKF's conversion, he understands that as Hong Kong culture and identity transforms, so must his business. "It's all part of evolving," Mr. Yeung said. "Everything needs to be changed."

Scion Pushes Ambitious Waterfront Plan

Adrian Cheng plans to transform the strip into city's 'creative heart and haven'

By Dominique Fong

HONG KONG—A scion of one of the richest family empires in this megalopolis is making a bold bet to turn a dowdy strip of waterfront into a glamorous front-row seat to one of the world's most stunning skylines.

Adrian Cheng, grandson of the late Cheng Yu-tung, the legendary real estate and jewelry magnate, has re-envisioned the tip of Tsim Sha Tsui, which has fallen short in terms of commercial development even though it is popular with many tourists, families and teenage lovers gazing at the neon field of lights across Victoria Harbour.

The promenade has been too hot, too crowded and too sparse in food and drink choices.

But now, after five years of planning, the Cheng family's **New World Development** Co. is moving ahead with a $2.6 billion complex of a luxury hotel, offices, an arts and culture district as well as a spruced-up public promenade and public park.

At the helm of the project, now taking shape on the site the family has owned for years, is 36-year-old Mr. Cheng, who represents the new generation of wealthy scions taking over the fortunes forged in the old era of Hong Kong tycoons, some now well into their 80s.

The project, named Victoria Dockside, "will be a creative heart and haven of Hong Kong," Mr. Cheng said in an emailed statement.

Victoria Dockside underscores that 20 years after Hong Kong returned to China, the mechanics of private development continue to be dominated by the city's large real-estate families.

While Beijing increasingly exerts its influence on other parts of the former British colony, families like the Chengs, the Lees and the Kwoks control the top sites and have the financial and political relationships to stay in the driver's seat.

At the same time, families like the Chengs continue to take on big risks.

New World is planning to charge some of the highest office rents in the city for space in a location that isn't known as a prime office district.

The family also is working with a new design that makes more use of the open air in the retail and public spaces than other megaprojects in the city. "I think it's a big gamble," said Forth Bagley, a principal at Kohn Pedersen Fox Associates in New York and a key architect on the project, about the size of New World's investment.

Mr. Bagley compared it to Hudson Yards, a gigantic development located on New York's waterfront that his firm is also helping to design.

That project created a new place above a rail yard that has been attracting big-name tenants like BlackRock Inc., KKR & Co. and Time Warner Inc.

Mr. Bagley predicts that New World will enjoy similar success in Hong Kong. The developer "did so much, that it's not going to fail."

In Hong Kong, the site of Victoria Dockside has had a few lives: first as a bustling logistics and trade wharf in the early 20th century; later a New World Centre commercial complex, which the developer closed in 2009.

The Avenue of Stars there—Hong Kong's version of the Hollywood Walk of Fame—became famous.

It featured the plaques and some handprints of many Chinese and Hong Kong celebrities, including Jackie Chan and Maggie Cheung, and a life-size statue of a posing Bruce Lee.

—Peter Grant contributed to this article.

DOMINIQUE FONG/THE WALL STREET JOURNAL

The Cheng family's New World Development Co. is re-envisioning Hong Kong's Tsim Sha Tsui waterfront property.

Plots & Ploys

OFFICE LEASING

U.S. Growth Slows

The pace of office-space leasing slowed in the second quarter, mostly because of sluggish activity in the country's top five markets, according to new figures from data firm Reis Inc.

Leasing activity was lackluster in many smaller markets. A total of 3.33 million square feet was absorbed in the second quarter in the 79 metropolitan areas Reis studied. That was down from 5.2 million square feet in the first quarter.

—Peter Grant

COMMERCIAL REAL ESTATE

More Securitized Loans Go Sour

The delinquency rate for securitized commercial real-estate loans jumped 28 basis points to 5.75% in June from May, the biggest month-over-month increase since March 2012 and up sharply from the 4.6% recorded in June last year, according to real estate provider Trepp Inc.

Mortgages for multifamily residential buildings rose by 110 basis points, to 3.92% in June from May, the biggest gain among property types. The rise was due to defaults on two large loans in Virginia.

—Esther Fung

MORTGAGES

Rates Hit Lowest In Year to Date

Mortgage rates declined last week to their lowest level in 2017, a move that could help fuel buyer demand when the supply of homes already is under strain.

The rate for a 30-year mortgage fell to 3.88% in the week ended Thursday, down from a week earlier when it averaged 3.9%.

That was well above a year ago, when it averaged 3.48%. Economists had widely predicted mortgage rates to rise to around 4.5% by the end of this year.

—Laura Kusisto

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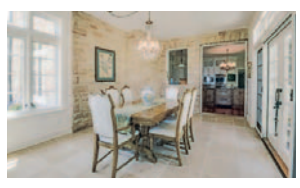

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Oil Giants Push Back on Russia Measure

Executives warn tougher sanctions could shelve energy projects around world

By Bradley Olson And Peter Nicholas

Exxon Mobil Corp. and other energy companies joined President Donald Trump in expressing concerns over a bill to toughen sanctions on Russia, arguing that it could shut down oil and gas projects around the world that involve Russian partners.

The pushback from energy companies such as Exxon and **Chevron** Corp.—and other industries—threatens to complicate House passage of the legislation, aimed partly at punishing Russia for what U.S. officials describe as interference in last year's U.S. election. The bill breezed through the Senate last month on a bipartisan, 98-2 vote.

Exxon's advocacy also presents a potential political problem for the Trump administration, which has been trying to avoid conflict-of-interest questions involving Secretary of State Rex Tillerson, the oil giant's former chief executive.

Mr. Tillerson, who has promised to recuse himself from matters involving Exxon, hasn't explicitly spoken out against the sanctions bill but last month urged Congress not to take any actions that tie the administration's hands.

Mr. Trump is set to meet Russian President Vladimir Putin face to face this week for the first time since the election at the Group of 20 summit in Hamburg, Germany. The White House hasn't ruled out a presidential veto of the sanctions measure, which includes a provision that would make it more difficult for the president to relax existing sanctions against the Kremlin, saying that it could erode Mr. Trump's ability to conduct diplomacy.

A U.S. special prosecutor and Congress are investigating Russia's use of cyberattacks in the election and whether there were improper ties between aides to Mr. Trump and Russia's government. The president has denied any wrongdoing.

As the nation's top diplomat, Mr. Tillerson has said Russia must be held accountable. A senior State Department official said Monday that "Secretary Tillerson retired his position as Secretary of State" and added, "As a general matter, Russian sanctions cover broad areas, including the invasion of Ukraine, and are coordinated with our allies."

ANDREY RUDAKOV/BLOOMBERG NEWS

U.S. energy companies want to preserve business relationships with Russian partners like Rosneft.

Lobbyists for Exxon and other oil industry players have expressed dismay to lawmakers about several provisions in the legislation, including measures to prohibit partnerships with Russian individuals or companies under sanctions around the world, and to add congressional review of certain sanctions exemptions. Companies also have expressed concern that the bill could force them to disclose information they consider proprietary.

Exxon spokesman Alan Jeffers said the company doesn't have a position on sanctions but has provided legislators with information about how the bill could "disadvantage U.S. companies compared to our non-U.S. counterparts." A Chevron spokesman declined to comment.

The lobbying by Exxon and other big oil companies is part of a push to preserve potential business relationships with Russia, even as U.S. ties with the Kremlin sink to new lows.

The bill could scuttle any U.S. business partnership around the world that involves Russia. That has prompted concerns from energy firms and banking and industrial companies, according to people familiar with the matter. **General Electric** Co. is watching the legislation over concerns it could disadvantage U.S. companies relative to global peers, one person said.

"It has the potential to penalize U.S. interests and advantage Russia," said Jack Gerard, chief executive of the American Petroleum Institute.

The bill faces an uncertain fate in the House, after objections raised by some House Republicans, including Rep. Pete Sessions of Texas. A standoff was avoidable, some analysts say.

Leon Panetta, who served as White House chief of staff under former President Bill Clinton and as a cabinet member in the Obama administration, said Congress and the Trump administration should try to forge a consensus on what sanctions should be applied.

Glitch Made It Seem Apple Lost $104 Billion in Value

By Steven Russolillo

A flood of incorrect stock-market data temporarily hit traders' screens around the globe early Tuesday morning in Asia, showing apparent huge moves in the **Nasdaq**-listed share prices of some of the world's biggest companies, including tech giants **Apple** Inc., **Microsoft** Corp. and **Amazon.com** Inc.

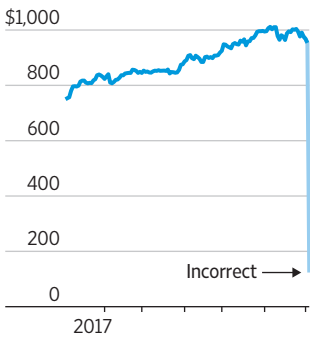
The faulty data on stock prices appeared on several platforms including **Yahoo Finance**, Google Finance and on Bloomberg terminals between 6 a.m. and 7 a.m. Hong Kong time, after U.S. markets Monday had closed early ahead of the Independence Day holiday.

As a result of the glitch, several stocks briefly showed their price to be $123.47—equivalent to a 14% drop in Apple's shares, an 87% plunge for Amazon and a 79% surge for Microsoft.

Joe Christinat, a Nasdaq spokesman, said no actual trades were affected by the glitch. Both normal trading and after-hours trading, when investors can continue to trade via the exchange for a further four hours, had ended for the day on Nasdaq by the time the wrong data appeared.

Sudden Twist

Amazon.com's stock price, as reported on some data platforms



Source: FactSet (through July 3 close)
THE WALL STREET JOURNAL.

If the stock price moves had actually occurred, it would have knocked $104 billion off the market value of Apple, the world's most valuable stock.

The appearance of the incorrect data sparked disagreement over who was to blame. A spokesman for Nasdaq said the problem was caused by test data being improperly disseminated by third-party vendors including Bloomberg.

A person familiar with one of the vendors said Nasdaq had changed its testing protocols but hadn't informed vendors ahead of time. Nasdaq said it had sent out a standard alert to the market on June 26 with the schedule for its data feeds for the early close on July 3.

A story that appeared early on Bloomberg's website Tuesday initially said a Nasdaq error had caused the faulty data. The story was later corrected to remove the reference to the Nasdaq error.

"This is a vendor issue, not a Nasdaq issue," said Nasdaq's Mr. Christinat, saying that others such as FactSet and even Nasdaq.com showed correct pricing data. That difference suggested that the faulty-data issue was more the responsibility of some data providers.

In an emailed statement, a Google representative said, "We can confirm that our third-party finance data partner was providing some inaccurate information, which they received from Nasdaq."

Mr. Christinat said the U.S. markets' early Monday close at 1 p.m. ET might have played a role in the confusion that prompted the improper use and dissemination of test data, which he said is sent out after every trading day.

New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE MKT and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. **% CHG**-Daily percentage change from the previous trading session.

Monday, July 3, 2017

NYSE highs - 103

Stock	Sym	52-Wk Hi	52-Wk Lo	% Chg
AGCO	AGCO	68.12		0.8
AlbanyIntl	AIN	54.55		2.0
Alere	ALR	50.49		0.6
Ameresco	AMRC	7.85		-1.9
AmericanExpress	AXP	85.74		1.0
AnthemUn	ANTX	54.24		0.1
Assurant	AIZ	106.47		1.4
Ball	BLL	42.76		0.6
BankNY Mellon	BK	52.07		1.6
Bankrate	RATE	14.25		8.6
Bard CR	BCR	317.88		0.1
BlkRkCapEnIncoFd	CII	15.14		1.0
BlckRkEnDivTr	BDJ	8.90		1.1
BlkRkHlthSci	BME	36.95		0.7
BlackRock	BLK	430.91		1.5
BlkRkMultiIT	BIT	18.21		0.3
BlockHR	HRB	31.64		0.5
BoulderGrowth	BIF	9.81		1.0
Brink's	BCO	67.95		0.7
CIT Group	CIT	50.40		3.0
CNA Fin	CNA	49.95		1.7
CAE	CAE	17.38		-0.3
CanPacRlwy	CP	163.00		0.9
Cemex	CX	9.71		2.5
ChinaCordBlood	CO	10.06		5.3
Citigroup	C	68.91		2.1
Coca-Cola Femsa	KOF	85.80		-1.1
Cohen&SteersLitDur	LDP	26.95		0.5
ChnStrOppFd	FOF	13.18		1.5
ChnStrsGlbInc	INB	9.66		1.5
CostamarePfdC	CMREpC	24.91		0.2
CrownHoldings	CCK	59.96		...
Dana	DAN	22.98		1.4
DeltaAir	DAL	54.71		0.6
EtnVncTxAdvGbl	ETG	17.23		0.9
EmployersHldgs	EIG	43.75		2.8
EverestRe	RE	268.38		3.7
FederalSignal	FSS	17.71		1.3
FedEx	FDX	219.28		...
Flaherty&CrumDyn	DFP	26.50		0.5
GMACCapTrSer2	ALLYpA	26.24		...
GpoSupervielle	SUPV	18.44		1.1
HFF	HF	35.21		1.1
HSBC	HSBC	47.27		1.8
HartfordFinSvcsWt	HIG/WS	47.46		0.8
Heico A	HEI/A	65.60		2.8
Heico	HEI	75.54		2.6
Humana	HUM	243.74		-0.7
ING Groep	ING	17.66		1.0
Invesco	IVZ	35.97		0.9
ICE	ICE	66.90		1.2
IntlSeaways	INSW	21.98		1.0
J Alexander's	JAX	12.30		-2.9
JohnBeanTech	JBT	99.20		-2.1
HancockFinlOpp	BTO	37.86		3.9
HancockHdgEquity	HEQ	17.40		2.4
JPMChinaRegion	JFC	20.11		-0.1
KB Fin	KB	50.94		0.2
KT	KT	17.31		3.8
KSCitySouthern	KSU	105.33		0.3
KeyCorpPfdE	KEYpI	29.34		-0.2
LibertyAllStar	USA	5.74		1.4
MGIC Investment	MTG	11.54		2.2
MagnaIntl	MGA	47.44		...
Manpower	MAN	113.51		1.0
Markel	MKL	1005.62		1.7
NatlBankHoldings	NBHC	34.26		2.6
NextEraEnergyUn	NEEpR	55.49		0.2
NortelInversora	NTL	33.67		7.3
NuvDow30Dyn	DIAX	16.73		1.3
NuvPfdSecsIncmFd	JPS	10.34		1.1
NuvTaxAdvTR	JTA	13.34		1.0
OilDriAmerica	ODC	42.82		1.4
PCM Fund	PCM	11.28		0.3
PIMCO DynIncmFd	PDI	30.30		0.2
PIMCOIncOpFd	PKO	27.09		0.1
PerkinElmer	PKI	69.19		-0.6
QuestDiag	DGX	112.97		-0.4
Realogy	RLGY	33.04		1.7
RoyceGlbValueTr	RGT	9.65		0.3
SK Telecom	SKM	26.56		3.0
SelectMedical	SEM	15.70		2.3
ServiceCorp	SCI	33.68		-0.7
StateStreet	STT	91.61		1.5
SynovusFin	SNV	45.38		1.7
TelecomArgentina	TEO	29.89		16.3
TelekmIndonesia	TLK	35.24		3.2
Terex	TEX	37.99		-0.9
Tesoro	TSO	95.45		1.5
TimeWarner	TWX	101.49		1.0
Transalta	TAC	6.45		0.8
TrancntlRlty	TCI	29.36		7.8
Tri-Continental	TY	24.48		0.5
UnitedTech	UTX	123.15		...
UniversalHealth	UHT	82.47		3.3
VirtusGlbDiv&Incm	ZTR	12.79		0.4
VivintSolar	VSLR	6.05		3.4
WABCO	WBC	130.11		1.4
Wabtec	WAB	93.50		1.1
WstAstVarRte	GFY	17.44		-0.1
WolverineWwide	WWW	28.23		-0.6
XL Group	XL	44.83		1.6
Xylem	XYL	55.88		...

NYSE lows - 7

Stock	Sym	52-Wk Hi	52-Wk Lo	% Chg
BlueApron	APRN	8.88		3.5
ChinaDistanceEd	DL	8.81		-0.6
EXCO Res	XCO	2.45		...
HarmonyGold	HMY	1.56		-2.4
ObsidianEnergy	OBE	1.20		-4.7
TPGPace	TPGH/U	10.17		-0.5
Vipshop	VIPS	9.96		-3.0

NYSE Arca highs - 49

Stock	Sym	52-Wk Hi	52-Wk Lo	% Chg
BrandValueETF	BVAL	15.34		0.9
DeepValueETF	DVP	28.81		0.8
DeutscheXAllChina	CN	32.00		-0.1
DeutscheXMSCIEMHdg	DBEM	22.03		0.6
DeutscheXMSCSKorea	DBKO	29.78		0.4
DirexFinlBull3	FAS	51.67		3.1
DirexIndlsBl3	DUSL	27.51		1.2
ETF Exposure	TETF	16.71		1.0
ETRACS2xLevxEn	LMLP	14.90		0.4
FidelityValFactor	FVAL	29.41		0.6
FT FinlsAlpDx	FXO	29.03		1.0
FT IndlsAlpDx	FXR	35.75		0.7
GlbX MSCIGreece	GREK	10.24		1.1
GuggChinaAllCap	YAO	30.26		2.1
GuggChinaSC	HAO	26.12		1.5
GuggS&P500EWFin	RYF	40.25		1.3
GuggGlbTimber	CUT	28.70		0.3
IQMergerArbitrage	MNA	30.81		0.1
iPathGEMSIndexETN	JEM	30.00		3.6
iShAggrAllocation	AOA	53.71		0.1
iShConsAllocat	AOK	34.42		-0.1
iShGrwthAllocation	AOR	44.78		...
iShModAllocation	AOM	37.57		-0.4
iShCurrHdgMSCIEM	HEEM	24.40		0.5
iShTransportAvg	IYT	174.30		0.8
iShUSHealthcarePrv	IHF	150.42		0.1
iShU.S.Insurance	IAK	63.70		1.7
iShIntRtHdgCorpBd	LQDH	95.86		0.4
iShMSCIIsraelCap	EIS	54.65		...
iShMicro-CapETF	IWC	90.20		0.9
iShGlobIFinancials	IXG	64.10		1.1
iShIntlPfdStock	IPFF	17.99		-0.6
HancockIndustrials	JHMI	31.86		0.4
KraneBoseraChinaA	KBA	30.75		-0.4
KraneZacksNewChina	KFYP	40.28		0.1
PwrShDynLCValue	PWV	36.62		0.7
PwrShS&P500EntrVal	SPVU	32.33		0.9
PwrShS&PIntlDev	IDMO	25.14		0.5
PwrShTreaColl	CLTL	105.70		0.2
PwrShVarRtPfd	VRP	26.23		0.2
ProShUltDow30	UDOW	124.09		0.7
SPDRBloomBarEMLcBd	EBND	29.36		-0.7
SPDRMSCIEAFEStrat	QEFA	63.26		0.1
SPDRS&PCapitalMkts	KCE	49.85		0.9
SPDRS&PInsurance	KIE	89.84		1.1
SPDR DJIA Tr	DIA	215.38		0.6
U.S.GlobalJetsETF	JETS	31.87		0.4
VanEckOilRefin	CRAK	23.75		0.5
WilshireMicroCap	WMCR	31.72		0.6

NYSE Arca lows - 13

Stock	Sym	52-Wk Hi	52-Wk Lo	% Chg
AdvShGartmGoldEuro	GEUR	11.44		-1.2
PathS&P500VIXMT	VXZ	22.24		0.5
DirexAuspiceBroad	COM	23.91		-0.8
FlexiBx3YDurTIPS	TDTT	24.48		...
iPathS&P500DynVIX	XVZ	23.88		-0.3
ProShShtDow30	DOG	17.27		-0.5
ProShUltShtDow30	SDOW	30.35		-1.7
ProShUltraProShFnl	FINZ	12.04		-4.8
ProShUltShDow30	DXD	11.65		-1.1
ProShrUlShtSmC600	SDD	18.98		-1.3
ProShsVIXMTFut	VIXM	26.93		0.4
USGlbGOGold	GOAU	11.65		-1.9
WisdTreeMngdFutStr	WDTI	38.81		-0.3

NYSE MKT highs - 3

Stock	Sym	52-Wk Hi	52-Wk Lo	% Chg
CisionWt	CISN/WS	2.34		4.6
EllsworthGrw&Incm	ECF	9.29		0.9
ParPacific	PARR	18.49		1.9

NYSE MKT lows - 2

Stock	Sym	52-Wk Hi	52-Wk Lo	% Chg
Banro	BAA	0.62		-13.1
SparkNetworks	LOV	0.76		-8.3

Nasdaq highs - 68

Stock	Sym	52-Wk Hi	52-Wk Lo	% Chg
ADOMANI	ADOM	17.50		2.8
ASBBancorp	ASBB	44.70		1.3
AeroVironment	AVAV	39.93		2.3
Amarin	AMRN	4.31		4.5
BGC Partners	BGCP	12.80		0.9
BassettFurniture	BSET	39.88		3.8
BeiGene	BGNE	54.47		20.8
BeyondSpring	BYSI	48.49		12.8
BrocadeComm	BRCD	12.72		0.4
CBOE Holdings	CBOE	92.29		0.6
CapitalaFinNts22	CPTAL	25.76		0.6
Copart	CPRT	32.17		0.1
CymaBayTherap	CBAY	5.96		2.3
Daseke	DSKE	11.43		2.5
Deswell	DSWL	2.39		9.1
DovaPharm	DOVA	23.50		4.7
EagleBancorp	EGBN	65.00		2.1
EastWestBancorp	EWBC	60.39		2.3
EnantaPharma	ENTA	38.40		5.4
FirstCitizBcshA	FCNCA	395.15		2.9
FT ChinaAlphaDEX	FCA	24.05		0.9
FoxFactory	FOXF	36.95		2.1
GlobalWaterRscs	GWRS	9.99		0.7
GlbX Yieldco	YLCO	12.37		...
GreenBrickPtrs	GRBK	12.10		3.9
GuarantyBncp	GBNK	27.93		2.2
HamiltonLane	HLNE	22.69		3.0
Immunomedics	IMMU	9.05		2.2
IntersectENT	XENT	28.40		0.5
JohnsonOutdoors	JOUT	49.85		-0.7
KeryxBiopharm	KERX	7.87		5.3
LGI Homes	LGIH	40.62		-0.5
LakelandInd	LAKE	15.25		0.7
Lantheus	LNTH	18.45		-0.6
LindbladExped	LIND	10.73		0.4
ModernMediaRt	MMDMR	0.43		13.2
NV5Global	NVEE	44.10		3.2
NationalCommerce	NCOM	41.25		3.8
NatlInstruments	NATI	40.80		-0.1
Neogen	NEOG	69.97		0.8
NortheastBancorp	NBN	21.20		3.9
NorthernTrust	NTRS	99.30		1.2
Novocure	NVCR	17.93		2.3
OldDomFreight	ODFL	97.30		1.6
OldPointFinl	OPOF	34.82		4.0
OxfordImmunotec	OXFD	17.10		0.5
PTC Therap	PTCT	19.35		2.8
PacificMercBncp	PMBC	8.95		...
PlayaHotels	PLYA	12.27		0.3
PwrShBuybackAch	PKW	54.13		0.5
PwrShKBWProp&Cas	KBWP	59.20		1.4
PureFdSolactiveFn	FINQ	29.73		-0.4
RenewableEnergy	REGI	13.39		1.2
RushEnt B	RUSHB	37.99		3.5
ShiftPixy	PIXY	9.70		16.9
StateNational	SNC	19.01		1.5
StellarAcqnIII	STLRU	10.50		1.2
SterlingCnstr	STRL	13.91		5.4
StudentTransprt	STB	6.15		0.7
trivago	TRVG	23.98		-12.1
TrueCar	TRUE	20.22		...
TuttleTacticMgmtUS	TUTT	22.72		0.3
UFP Tech	UFPT	28.50		0.2
Ultralife	ULBI	7.45		3.5
VSE	VSEC	46.71		2.7
VSInvVIXMedTerm	ZIV	71.47		-0.5
WestMarine	WMAR	12.86		...
YatraOnline	YTRA	12.28		1.6

Nasdaq lows - 23

Stock	Sym	52-Wk Hi	52-Wk Lo	% Chg
Astrotech	ASTC	0.88		3.0
BancFst pf	BANFP	26.45		-4.1
Celsion	CLSN	2.01		-1.5
CSX SilverETN	SLVO	7.99		-3.3
DianaContainer	DCIX	0.27		-25.4
Dryships	DRYS	1.02		-18.9
EVINE Live	EVLV	0.96		-1.4
Evogene	EVGN	4.65		-3.2
Fred's	FRED	7.57		-15.9
GeospaceTech	GEOS	13.57		-1.6
InternetGold	IGLD	9.00		-1.8
JounceTherap	JNCE	13.69		1.8
NIC	EGOV	18.55		-1.6
OceanRigUDW	ORIG	0.15		-4.8
Okta	OKTA	22.33		-1.3
Rambus	RMBS	11.33		-0.9
Shineco	TYHT	2.70		-9.3
SonicFoundry	SOFO	3.57		-6.4
TOP Ships	TOPS	0.32		-11.9
Velocity3xLgSilver	USLV	10.68		-9.0
VS2xVIXMedTerm	TVIZ	14.99		1.0
VSVIXMedTerm	VIIZ	7.72		0.2
Windstream	WIN	3.82		1.3

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Monday, July 3, 2017

ETF	Symbol	Closing Price	Chg (%)	YTD (%)
AlerianMLPETF	AMLP	12.05	0.75	–4.4
CnsmrDiscSelSector	XLY	89.54	–0.10	10.0
CnsStapleSelSector	XLP	54.89	–0.09	6.1
DBGoldDoubleLgETN	DGP	22.18	–3.50	10.2
DBGoldDoubleShrt	DZZ	6.10	3.16	–11.0
DeutscheXMSCIEAFE	DBEF	30.16	0.47	7.5
EnSelectSectorSPDR	XLE	66.17	1.93	–12.1
FinSelSectorSPDR	XLF	25.03	1.46	7.7
GuggS&P500EW	RSP	93.07	0.42	7.4
HealthCareSelSect	XLV	79.38	0.18	15.1
IndSelSectorSPDR	XLI	68.53	0.62	10.1
iShIntermCredBd	CIU	109.37	–0.16	1.1
iSh1-3YCreditBond	CSJ	105.13	–0.03	0.2
iSh3-7YTreasuryBd	IEI	123.18	–0.19	0.5
iShCoreHiDividend	HDV	83.58	0.54	1.6
iShCoreMSCIEAFEETF	IEFA	60.83	–0.10	13.4
iShCoreMSCIEmgMk	IEMG	50.26	0.44	18.4
iShCoreS&P500ETF	IVV	243.87	0.19	8.4
iShCoreS&PMdCp	IJH	175.12	0.67	5.9
iShCoreS&PSmCpETF	IJR	70.77	0.94	2.9
iShS&PTotlUSStkMkt	ITOT	55.57	0.27	8.3
iShCoreUSAggBd	AGG	109.09	–0.18	1.0
iShSelectDividend	DVY	92.60	0.42	4.6
iShEdgeMSCIMinEAFE	EFAV	68.88	–0.52	12.5
iShEdgeMSCIMinUSA	USMV	48.93	...	8.2
iShGoldTr	IAU	11.73	–1.76	5.9
iShiBoxx$InvGrCpBd	LQD	119.93	–0.22	2.3
iShiBoxx$HYCpBd	HYG	87.97	–0.05	1.6
iShJPMUSDEmgBd	EMB	113.55	–0.32	3.0
iShMBSETF	MBB	106.30	–0.24	–0.0
iShMSCIACWIETF	ACWI	65.57	0.12	10.8
iShMSCI EAFE	EFA	65.12	–0.12	12.8
iShMSCIEAFESC	SCZ	57.41	–0.74	15.2
iShMSCIEmgMarkets	EEM	41.63	0.58	18.9
iShMSCIEurozoneETF	EZU	40.37	0.11	16.7
iShMSCIJapanETF	EWJ	53.39	–0.48	9.3
iShNasdaqBiotech	IBB	310.95	0.28	17.2
iShNatlMuniBdETF	MUB	109.86	–0.04	1.6
iShRussell1000Gwth	IWF	118.62	–0.34	13.1
iShRussell1000ETF	IWB	135.57	0.22	8.9
iShRussell1000Val	IWD	117.30	0.75	4.7
iShRussell2000Gwth	IWO	169.42	0.39	10.1
iShRussell2000ETF	IWM	142.10	0.84	5.4
iShRussell2000Val	IWN	120.50	1.37	1.3
iShRussell3000ETF	IWV	144.44	0.29	8.6
iShRussellMid-Cap	IWR	192.94	0.43	7.9
iShRussellMCValue	IWS	84.75	0.78	5.4
iShS&PMC400Growth	IJK	197.62	0.51	8.5
iShS&P500Growth	IVW	136.56	–0.21	12.1
iShS&P500ValueETF	IVE	105.80	0.80	4.4
iShUSPfdStk	PFF	39.11	–0.15	5.1
iShTIPSBondETF	TIP	112.93	–0.18	–0.2
iSh1-3YTreasuryBd	SHY	84.36	–0.07	–0.1
iSh7-10YTreasuryBd	IEF	106.06	–0.37	1.2
iSh20+YTreasuryBd	TLT	124.46	–0.32	4.5
iShRussellMCGrowth	IWP	108.08	0.01	11.0
PIMCOEnhShMaturity	MINT	101.64	0.05	0.3
PwrShQQQ1	QQQ	136.19	–1.05	14.9
PwrShS&P500LoVol	SPLV	44.74	0.02	7.6
PwrShSrLoanPtf	BKLN	23.12	–0.09	–1.0
SPDRBloomBarcHYBd	JNK	37.01	–0.06	1.5
SPDR Gold	GLD	116.09	–1.64	5.9
SchwabIntEquity	SCHF	31.73	–0.16	14.6
SchwabUS BrdMkt	SCHB	58.68	0.38	8.3
SchwabUS LC	SCHX	57.87	0.17	8.7
SPDR DJIA Tr	DIA	214.49	0.59	8.6
SPDR S&PMdCpTr	MDY	320.04	0.76	6.1
SPDR S&P 500	SPY	242.21	0.17	8.4
SPDR S&P Div	SDY	89.54	0.73	4.7
TechSelectSector	XLK	54.34	–0.69	12.4
UtilitiesSelSector	XLU	51.72	–0.46	6.5
VanEckGoldMiner	GDX	21.48	–2.72	2.7
VangdInfoTech	VGT	139.70	–0.81	15.0
VangdSC Val	VBR	124.13	0.99	2.6
VangdDivApp	VIG	92.88	0.23	9.0
VangdFTSEDevMk	VEA	41.24	–0.19	12.9
VangdFTSE EM	VWO	41.02	0.47	14.6
VangdFTSE Europe	VGK	55.13	–0.02	15.0
VangdFTSEAWxUS	VEU	50.08	0.10	13.4
VangdGrowth	VUG	126.67	–0.29	13.6
VangdHlthCr	VHT	147.73	0.24	16.5
VangdHiDiv	VYM	78.50	0.44	3.6
VangdIntermBd	BIV	84.05	–0.36	1.2
VangdIntrCorpBd	VCIT	87.14	–0.18	1.7
VangdLC	VV	111.31	0.26	8.7
VangdMC	VO	143.10	0.41	8.7
VangdMC Val	VOE	103.48	0.59	6.5
VangdREIT	VNQ	84.29	1.27	2.1
VangdS&P500	VOO	222.55	0.22	8.4
VangdST Bond	BSV	79.68	–0.08	0.3
VangdSTCpBd	VCSH	79.87	–0.03	0.6
VangdSC	VB	136.49	0.70	5.8
VangdTotalBd	BND	81.50	–0.20	0.9
VangdTotIntlBd	BNDX	54.21	–0.19	–0.1
VangdTotIntlStk	VXUS	52.01	0.08	13.4
VangdTotalStk	VTI	124.75	0.24	8.2
VangdTotlWrld	VT	67.64	0.16	10.9
VangdValue	VTV	97.19	0.65	4.5
WisdTrEuropeHdg	HEDJ	62.78	0.72	9.4
WisdTrJapanHdg	DXJ	52.25	0.48	5.5

Key Interest Rates

Data are annualized on a 360-day basis. Treasury yields are per annum, on actively traded noninflation and inflation-indexed issues that are adjusted to constant maturities. Data are from weekly Federal Reserve release H.15.

	Week Ended Jun 30	Jun 23	52-Week High	Low
Federal funds (effective)				
	1.16	1.16	1.16	0.35
Commercial paper				
Nonfinancial				
1-month	**1.06**	1.10	1.10	0.33
2-month	**1.13**	1.11	1.13	0.39
3-month	**1.16**	1.15	1.16	0.46
Financial				
1-month	**1.14**	1.17	1.17	0.37
2-month	**1.18**	1.20	1.20	0.46
3-month	**1.24**	1.24	1.24	0.57
Discount window primary credit				
	1.75	1.75	1.75	1.00
Conventional mortgages				
	n.a.	n.a.	3.50	3.41
Treasury yields at constant maturities				
1-month	**0.86**	0.83	0.86	0.13
3-month	**1.02**	0.99	1.02	0.24
6-month	**1.13**	1.12	1.13	0.36
1-year	**1.22**	1.22	1.22	0.45
2-year	**1.37**	1.35	1.37	0.58
3-year	**1.52**	1.50	1.64	0.69
5-year	**1.83**	1.78	2.08	0.95
7-year	**2.06**	1.99	2.37	1.20
10-year	**2.23**	2.16	2.55	1.38
20-year	**2.55**	2.49	2.91	1.71
Treasury yields (secondary market)				
1-month	**0.84**	0.81	0.85	0.12
3-month	**1.00**	0.97	1.00	0.24
6-month	**1.11**	1.10	1.11	0.35
TIPS				
5-year	**0.20**	0.22	0.25	-0.45
7-year	**0.38**	0.38	0.47	-0.27
10-year	**0.51**	0.49	0.63	-0.04
20-year	**0.77**	0.75	0.97	0.36
Long-term avg	**0.80**	0.78	0.97	0.38
Interest rate swaps				
1-year	**n.a.**	n.a.	1.00	0.67
2-year	**n.a.**	n.a.	1.09	0.74
3-year	**n.a.**	n.a.	1.17	0.81
4-year	**n.a.**	n.a.	1.25	0.89
5-year	**n.a.**	n.a.	1.33	0.96
7-year	**n.a.**	n.a.	1.48	1.10
10-year	**n.a.**	n.a.	1.65	1.29
30-year	**n.a.**	n.a.	2.00	1.69
Corporate bonds, Moody's seasoned				
Aaa	**n.a.**	n.a.	3.49	3.21
Baa	**n.a.**	n.a.	4.41	4.19
State and local bonds				
	n.a.	n.a.	3.18	2.80
Eurodollars				
1 month	**n.a.**	n.a.	0.50	0.48
3 month	**n.a.**	n.a.	0.93	0.68
6 month	**n.a.**	n.a.	1.30	0.95

Notes on data:

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MARKETS DIGEST

Data as of July 3, 2017, unless otherwise noted

EQUITIES

Dow Jones Industrial Average

21479.27 ▲129.64, or 0.61%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	20.89	19.07
P/E estimate *	18.18	17.08
Dividend yield	2.30	2.57
All-time high	21528.99, 06/19/17	

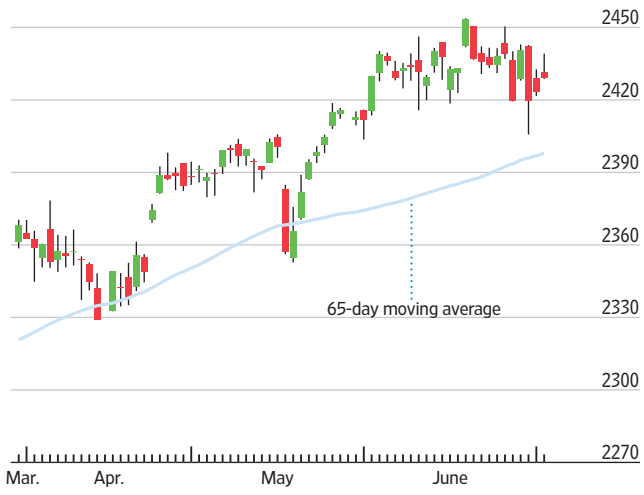
Current divisor 0.14602128057775

S&P 500 Index

2429.01 ▲5.60, or 0.23%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.87	24.22
P/E estimate *	18.72	17.81
Dividend yield	1.96	2.18
All-time high:	2453.46, 06/19/17	



Nasdaq Composite Index

6110.06 ▼30.36, or 0.49%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	25.69	22.35
P/E estimate *	21.01	19.01
Dividend yield	1.13	1.28
All-time high:	6321.76, 06/08/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	52-Week % chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	21562.75	21391.71	**21479.27**	129.64	0.61	21528.99	17888.28	19.7	8.7	8.0
Transportation Avg	9681.88	9598.88	**9639.63**	75.90	0.79	9639.63	7557.62	27.5	6.6	5.1
Utility Average	709.89	703.04	**703.36**	-3.55	-0.50	737.51	625.44	-1.8	6.6	8.3
Total Stock Market	25291.42	25195.04	**25197.55**	72.59	0.29	25399.65	21498.96	16.3	8.3	6.6
Barron's 400	650.44	647.94	**648.62**	2.38	0.37	650.48	514.60	24.3	7.8	5.9
Nasdaq Stock Market										
Nasdaq Composite	6177.36	6106.12	**6110.06**	-30.36	-0.49	6321.76	4822.90	25.7	13.5	10.8
Nasdaq 100	5684.98	5592.53	**5596.96**	-49.96	-0.88	5885.30	4410.75	26.1	15.1	12.6
Standard & Poor's										
500 Index	2439.17	2428.69	**2429.01**	5.60	0.23	2453.46	2085.18	15.5	8.5	7.0
MidCap 400	1763.51	1752.02	**1758.04**	11.39	0.65	1769.34	1476.68	17.2	5.9	6.8
SmallCap 600	865.12	859.01	**863.34**	7.49	0.88	866.07	700.06	21.6	3.0	7.6
Other Indexes										
Russell 2000	1429.37	1416.47	**1426.68**	11.32	0.80	1426.68	1139.45	23.3	5.1	5.7
NYSE Composite	11869.82	11801.44	**11835.72**	74.02	0.63	11835.72	10289.35	12.6	7.0	2.1
Value Line	526.67	522.71	**525.58**	2.87	0.55	529.13	453.96	13.9	3.8	0.9
NYSE Arca Biotech	3906.65	3855.92	**3877.21**	17.61	0.46	4016.86	2834.14	25.1	26.1	10.7
NYSE Arca Pharma	538.94	535.97	**537.18**	0.88	0.17	554.66	463.78	1.1	11.6	0.4
KBW Bank	97.74	96.17	**97.08**	1.49	1.56	99.33	62.34	51.2	5.8	10.3
PHLX§ Gold/Silver	79.56	78.77	**79.01**	-1.77	-2.19	112.86	73.03	-22.9	0.2	-8.0
PHLX§ Oil Service	136.01	131.53	**135.07**	4.26	3.26	192.66	127.17	-21.5	-26.5	-24.3
PHLX§ Semiconductor	1044.59	1020.42	**1020.51**	-14.40	-1.39	1138.25	672.51	49.0	12.6	16.2
CBOE Volatility	11.45	10.28	**11.22**	0.04	0.36	22.51	9.75	-24.0	-20.1	2.8

§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 1 p.m. to 4:30 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
Oneok Inc	OKE	12,168.9	52.03	...	unch.	52.16	51.75
iShares MSCI Emg Markets	EEM	8,750.7	41.63	...	unch.	41.50	41.35
SPDR S&P 500	SPY	5,119.6	241.86	-0.35	-0.14	241.88	241.80
Ford Motor	F	4,843.0	11.54	-0.02	-0.17	11.22	11.19
Finl Select Sector SPDR	XLF	3,266.6	24.95	-0.08	-0.32	24.95	24.95
Dow Chemical	DOW	2,594.7	63.40	-0.54	-0.84	63.16	62.75
PwrShrs QQQ Tr Series 1	QQQ	2,280.7	136.07	-0.12	-0.09	136.07	136.00
VanEck Vectors Gold Miner	GDX	2,194.0	21.46	-0.02	-0.09	21.49	21.46

Percentage gainers...

NextEra Energy	NEE	400.9	239.39	99.77	71.46	239.39	137.89
Royal Caribbean Cruises	RCL	57.1	140.00	31.16	28.63	140.00	109.23
Whiskey Spirits ETF	WSKY	10.5	32.75	4.35	15.32	32.75	24.36
Voya Infr Indls Matls	IDE	5.8	17.19	1.73	11.19	17.19	15.54
Monogram Residential Tr	MORE	15.1	10.85	1.05	10.71	11.10	10.09

...And losers

Cabelas	CAB	6.5	54.10	-5.35	-9.00	59.42	54.10
Ashland Global Holdings	ASH	121.3	60.96	-5.32	-8.03	66.00	60.96
Kindred Healthcare	KND	5.4	11.15	-0.55	-4.70	11.65	11.15
Twilio Cl A	TWLO	206.8	27.70	-1.27	-4.38	29.24	27.70
Park Hotels Resorts	PK	95.4	26.57	-0.98	-3.56	27.02	26.57

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE MKT
Total volume*	491,819,085	6,165,050
Adv. volume*	351,665,336	2,766,262
Decl. volume*	136,018,514	2,955,224
Issues traded	3,050	318
Advances	2,117	169
Declines	839	126
Unchanged	94	23
New highs	103	3
New lows	7	2
Closing tick	441	17
Closing Arms†	1.03	1.52
Block trades*	4,783	101

	Nasdaq	NYSE Arca
Total volume*	1,136,665,009	224,758,141
Adv. volume*	503,985,477	130,257,080
Decl. volume*	607,740,137	93,577,794
Issues traded	2,964	1,301
Advances	1,691	777
Declines	1,121	499
Unchanged	152	25
New highs	68	49
New lows	23	13
Closing tick	511	36
Closing Arms†	1.82	1.03
Block trades*	4,556	1,591

* Primary market NYSE, NYSE MKT NYSE Arca only.
†(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes on Tuesday

Region/Country	Index	Close	Latest Net chg	Latest % chg	YTD % chg
World	**The Global Dow**	**2781.43**	-2.75	-0.10	9.9
	The Global Dow Euro	**2307.18**	1.07	0.05	2.1
	DJ Global Index	**359.86**	-0.60	-0.17	10.4
World	**DJ Global ex U.S.**	**240.54**	-0.81	-0.34	12.4
Americas	**DJ Americas**	**584.19**	0.10	0.02	8.1
Brazil	**Sao Paulo Bovespa**	**63231.59**	-47.99	-0.08	5.0
Canada	**S&P/TSX Comp**	**15130.61**	-51.58	-0.34	-1.0
Mexico	**IPC All-Share**	**50041.58**	-67.58	-0.13	9.6
Chile	**Santiago IPSA**	**3674.61**	39.98	1.10	14.0
Europe	**Stoxx Europe 600**	**382.30**	-1.11	-0.29	5.8
Euro zone	**Euro Stoxx**	**376.78**	-1.02	-0.27	7.6
Belgium	**Bel-20**	**3834.97**	-4.94	-0.13	6.3
France	**CAC 40**	**5174.90**	-20.82	-0.40	6.4
Germany	**DAX**	**12437.13**	-38.18	-0.31	8.3
Israel	**Tel Aviv**	**1435.68**	-0.61	-0.04	-2.4
Italy	**FTSE MIB**	**21031.05**	17.91	0.09	9.3
Netherlands	**AEX**	**511.73**	-1.39	-0.27	5.9
Spain	**IBEX 35**	**10566.70**	-37.50	-0.35	13.0
Sweden	**SX All Share**	**580.85**	-2.52	-0.43	8.7
Switzerland	**Swiss Market**	**8971.40**	-38.41	-0.43	9.1
U.K.	**FTSE 100**	**7357.23**	-19.86	-0.27	3.0
Asia-Pacific	**DJ Asia-Pacific TSM**	**1612.73**	-6.92	-0.43	13.4
Australia	**S&P/ASX 200**	**5783.80**	99.30	1.75	2.1
China	**Shanghai Composite**	**3182.80**	-13.11	-0.41	2.6
Hong Kong	**Hang Seng**	**25389.01**	-395.16	-1.53	15.4
India	**S&P BSE Sensex**	**31209.79**	-11.83	-0.04	17.2
Japan	**Nikkei Stock Avg**	**20032.35**	-23.45	-0.12	4.8
Singapore	**Straits Times**	**3211.17**	-12.29	-0.38	11.5
South Korea	**Kospi**	**2380.52**	-13.96	-0.58	17.5
Taiwan	**Weighted**	**10347.78**	-65.01	-0.62	11.8

Sources: SIX Financial Information; WSJ Market Data Group

Percentage Gainers...

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Precipio	PRPO	12.10	3.10	34.45	21.00	4.00	...
Prana Biotechnology ADR	PRAN	2.89	0.60	26.20	6.69	1.52	-41.2
BeiGene ADR	BGNE	54.36	9.36	20.80	54.47	24.53	83.4
Intellipharmaceutics Int	IPCI	2.48	0.39	18.66	3.35	1.53	58.0
Spherix	SPEX	3.06	0.46	17.69	4.75	0.83	29.7
DarioHealth	DRIO	2.56	0.38	17.43	4.83	1.90	...
Teekay Corp	TK	7.80	1.13	16.94	11.77	5.14	8.2
ShiftPixy	PIXY	9.00	1.30	16.88	9.70	6.00	...
Telecom Argentina ADR	TEO	29.46	4.12	16.26	29.89	17.04	57.5
Aileron Therapeutics	ALRN	12.60	1.45	13.00	14.00	10.37	...
BeyondSpring	BYSI	48.35	5.48	12.77	48.49	16.55	...
Tel Instrument Elec	TIK	3.59	0.39	12.28	6.25	3.20	-17.6
Willbros Group	WG	2.76	0.29	11.74	3.84	1.42	6.6
CVR Partners	UAN	3.89	0.40	11.46	8.41	3.38	-53.2
Intelligent Systems	INS	3.90	0.40	11.43	4.85	3.17	7.1

Percentage Losers

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Yield10 Bioscience	YTEN	4.29	-0.86	-16.70	9.30	2.82	...
ObsEva	OBSV	7.17	-1.38	-16.14	14.70	5.00	...
Fred's	FRED	7.76	-1.47	-15.93	21.77	7.57	-51.7
trivago ADR	TRVG	20.79	-2.87	-12.13	23.98	10.88	...
Pulse Biosciences	PLSE	30.53	-4.00	-11.58	39.50	4.18	590.7
Fang Holdings ADR	SFUN	3.33	-0.38	-10.24	5.64	2.46	-35.0
Direxion Jr Gold Bull 3X	JNUG	16.83	-1.79	-9.61	133.15	13.72	-82.3
Atlanticus Holdings	ATLC	2.41	-0.25	-9.40	3.54	2.15	-14.8
Shineco	TYHT	2.73	-0.28	-9.30	34.88	2.70	...
Clear Channel Outdoor	CCO	4.40	-0.45	-9.28	7.31	3.35	-31.6
VelocityShs 3x Lg Silver	USLV	10.77	-1.07	-9.04	29.09	10.68	-57.4
Rite Aid	RAD	2.69	-0.26	-8.81	8.77	2.61	-63.2
Alio Gold	ALO	4.15	-0.38	-8.39	6.28	2.70	-13.2
China Adv Constr Matrl	CADC	2.30	-0.20	-8.00	5.68	1.50	-8.4
Workhorse Group	WKHS	3.41	-0.28	-7.59	10.30	1.85	-48.8

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Finl Select Sector SPDR	XLF	58,186	-23.1	25.03	1.46	25.30	17.99
Bank of America	BAC	56,772	-31.5	24.68	1.73	25.80	12.45
Rite Aid	RAD	44,848	54.5	2.69	-8.81	8.77	2.61
Ford Motor	F	41,880	4.0	11.56	3.31	14.04	10.67
VanEck Vectors Gold Miner	GDX	41,639	-24.0	21.48	-2.72	31.79	18.58
Advanced Micro Devices	AMD	39,479	-48.6	12.15	-2.64	15.55	4.82
iShares MSCI Emg Markets	EEM	37,398	-29.0	41.63	0.58	42.04	33.33
Micron Technology	MU	36,419	31.6	29.14	-2.41	32.96	11.50
iPath S&P 500 VIX ST Fut	VXX	35,316	-44.0	12.90	1.10	56.58	12.19
SPDR S&P 500	SPY	34,028	-53.4	242.21	0.17	245.01	207.06

* Volumes of 100,000 shares or more are rounded to the nearest thousand

Volume Movers

Ranked by change from 65-day average*

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
MRV Communications	MRVC	435	6493	9.90	0.51	13.09	7.05
Fidelity MSCI Real Est	FREL	3,272	3450	24.51	1.20	25.98	21.85
PwrShs Dyn Hlthcr Sector	PTH	150	1981	61.97	-0.02	63.38	42.72
NCI	NCIT	836	1821	20.05	-4.98	21.40	10.98
Gl X Scientific Beta US	SCIU	163	1664	28.85	0.56	29.05	24.92
SPDR S&P Emerg Mkts	GMM	565	1347	66.90	0.44	67.47	54.06
iShares Global Utilities	JXI	236	1214	48.82	-0.43	51.84	42.85
Dyn Cnsmr Discret	PEZ	268	1035	44.19	-1.34	46.40	39.37
CurrencyShares AUD Tr	FXA	239	991	76.56	-0.38	77.72	71.67
SPDR S&P Intl Telecomm	IST	239	901	24.87	-0.36	26.08	21.86

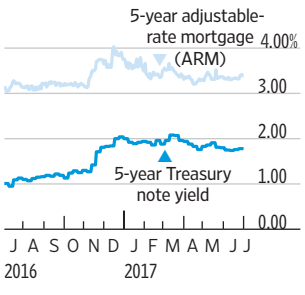
* Common stocks priced at $5 a share or more with an average volume over 65 trading days of at least 5,000 shares †Has traded fewer than 65 days

CREDIT MARKETS & CURRENCIES

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

Five-year ARM, Rate

Bankrate.com avg†:	**3.39%**
NBT Bank, NA	**2.50%**
Canajoharie, NY	800-449-6842
Third Federal Savings and Loan	**2.74%**
Cleveland, OH	844-245-1150
Affinity FCU	**2.88%**
Bedminster, NJ	800-860-3700
Financial Resources Federal Credit Union	**2.88%**
Bridgewater, NJ	800-933-3280
Foxboro Federal Savings	**2.88%**
Foxboro, MA	877-369-3331

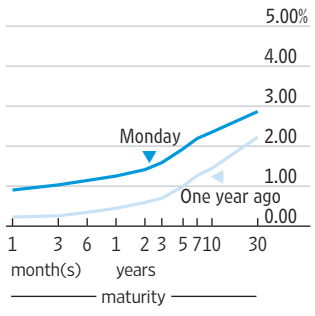
Interest rate	Yield/Rate (%) Last	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	**1.00-1.25**	1.00-1.25	0.25	1.25	**1.00**
Prime rate*	**4.25**	4.25	3.50	4.25	**1.00**
Libor, 3-month	**1.30**	1.29	0.66	1.30	**1.07**
Money market, annual yield	**0.33**	0.33	0.23	0.36	**-0.07**
Five-year CD, annual yield	**1.39**	1.38	1.17	1.39	**0.03**
30-year mortgage, fixed†	**4.02**	3.91	3.43	4.33	**-0.22**
15-year mortgage, fixed†	**3.21**	3.14	2.70	3.50	**-0.13**
Jumbo mortgages, $424,100-plus†	**4.49**	4.41	4.02	4.88	**-0.06**
Five-year adj mortgage (ARM)†	**3.39**	3.32	3.04	4.03	**-0.54**
New-car loan, 48-month	**3.17**	3.07	2.87	3.36	**0.03**
HELOC, $30,000	**5.12**	5.08	4.57	5.12	**0.51**

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks. † Excludes closing costs.

Sources: SIX Financial Information; WSJ Market Data Group; Bankrate.com

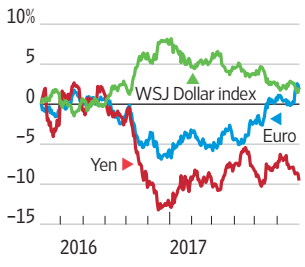
Treasury yield curve

Yield to maturity of current bills, notes and bonds



Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Corporate Borrowing Rates and Yields

Bond total return index	Close	Yield (%) Last	Week ago	52-Week High	Low	Total Return (%) 52-wk	3-yr
Treasury, Ryan ALM	1450.828	**2.057**	1.898	2.237	1.141	**-3.841**	2.810
10-yr Treasury, Ryan ALM	1721.726	**2.352**	2.135	2.609	1.366	**-1.414**	2.868
DJ Corporate	373.398	**3.075**	2.926	3.390	2.460	**0.797**	4.045
Aggregate, Barclays Capital	1917.400	**2.590**	2.460	2.790	1.820	**-0.717**	2.629
High Yield 100, Merrill Lynch	2813.450	**5.232**	5.222	6.448	5.050	**11.110**	3.143
Fixed-Rate MBS, Barclays	1962.670	**2.870**	2.750	3.120	1.930	**-0.310**	2.310
Muni Master, Merrill	514.711	**2.009**	1.873	2.516	1.307	**-0.679**	2.880
EMBI Global, J.P. Morgan	783.896	**5.596**	5.456	6.290	5.134	**4.774**	4.659

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

U.S.-dollar foreign-exchange rates in late Tuesday New York trading

Country/currency	Tues in US$	per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso	.0592	16.8890	6.4
Brazil real	.3022	3.3095	1.7
Canada dollar	.7729	1.2938	-3.7
Chile peso	.001507	663.70	-0.9
Colombia peso	.0003282	3046.63	1.5
Ecuador US dollar	1	1	unch
Mexico peso	.0550	18.1979	-12.2
Peru new sol	.3070	3.258	-2.8
Uruguay peso	.03494	28.6200	-2.5
Venezuela b. fuerte	.100050	9.9951	unch
Asia-Pacific			
Australian dollar	.7604	1.3151	-5.3
China yuan	.1470	6.8008	-2.1
Hong Kong dollar	.1281	7.8073	0.7
India rupee	.01543	64.790	-4.7
Indonesia rupiah	.0000748	13367	-1.2
Japan yen	.008828	113.28	-3.2
Kazakhstan tenge	.003099	322.69	-3.3
Macau pataca	.1243	8.0457	1.6
Malaysia ringgit	.2327	4.2975	-4.2
New Zealand dollar	.7289	1.3719	-5.0
Pakistan rupee	.00954	104.825	0.4
Philippines peso	.0198	50.558	1.9
Singapore dollar	.7231	1.3829	-4.4
South Korea won	.0008690	1150.73	-4.7
Sri Lanka rupee	.0065087	153.64	3.5
Taiwan dollar	.03276	30.523	-6.0
Thailand baht	.02941	34.000	-5.1
Vietnam dong	.00004398	22736	-0.2
Europe			
Czech Rep. koruna	.04340	23.039	-10.3
Denmark krone	.1526	6.5545	-7.3
Euro area euro	1.1347	.8813	-7.3
Hungary forint	.003683	271.49	-7.7
Iceland krona	.009705	103.04	-8.8
Norway krone	.1197	8.3552	-3.3
Poland zloty	.2679	3.7330	-10.8
Russia ruble	.01684	59.394	-3.1
Sweden krona	.1173	8.5263	-6.4
Switzerland franc	1.0357	.9655	-5.2
Turkey lira	.2809	3.5594	1.0
Ukraine hryvnia	.0384	26.0400	-3.9
UK pound	1.2920	.7740	-4.5
Middle East/Africa			
Bahrain dinar	2.6517	.3771	-0.01
Egypt pound	.0560	17.8510	-1.6
Israel shekel	.2845	3.5155	-8.6
Kuwait dinar	3.2955	.3034	-0.7
Oman sul rial	2.5957	.3853	0.1
Qatar rial	.2746	3.642	0.04
Saudi Arabia riyal	.2667	3.7502	-0.01
South Africa rand	.0758	13.1942	-3.6

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	88.34	0.07	0.08	-4.95

Sources: Tullett Prebon, WSJ Market Data Group

COMMODITIES

	Close	Monday Net chg	% Chg	52-Week High	Low	% Chg	YTD % chg
DJ Commodity	**559.82**	4.93	**0.89**	589.81	506.18	**1.34**	-1.31
TR/CC CRB Index	**176.16**	1.38	**0.79**	195.14	166.50	**-9.32**	-8.50
Crude oil, $ per barrel	**47.07**	1.03	**2.24**	54.45	39.51	**-3.92**	-12.38
Natural gas, $/MMBtu	**2.951**	-0.084	**-2.77**	3.93	2.55	**-1.21**	-20.76
Gold, $ per troy oz.	**1217.90**	-22.80	**-1.84**	1364.90	1127.80	**-8.89**	5.90

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; $ per lb.							
July	2.6860	2.7000		2.6750	**2.6810**	–0.0180	5,384
Sept	2.7110	2.7165		2.6850	**2.6930**	–0.0180	141,553
Gold (CMX)-100 troy oz.; $ per troy oz.							
July	1236.00	1236.00		1218.30	**1217.90**	–22.80	104
Aug	1241.70	1242.60		1218.00	**1219.20**	–23.10	293,137
Oct	1245.70	1246.20		1222.20	**1222.90**	–23.10	15,903
Dec	1249.30	1249.60		1225.50	**1226.40**	–23.20	115,013
Feb'18	1251.60	1251.60		1229.70	**1229.90**	–23.10	12,103
June	1254.70	1254.90		1236.50	**1236.70**	–23.10	7,503
Palladium (NYM) - 50 troy oz.; $ per troy oz.							
Aug	837.90	837.90	▼	837.90	**843.85**	5.75	3
Sept	839.35	844.35		833.65	**842.40**	5.75	31,654
Dec	837.05	837.20		828.70	**836.50**	5.85	2,725
Platinum (NYM)-50 troy oz.; $ per troy oz.							
July	929.30	929.30		903.40	**903.80**	–19.90	646
Oct	928.80	933.70		905.50	**906.10**	–20.30	66,875
Silver (CMX)-5,000 troy oz.; $ per troy oz.							
July	16.580	16.580	▼	16.030	**16.037**	–0.531	1,524
Sept	16.635	16.645	▼	16.075	**16.092**	–0.535	153,117
Crude Oil, Light Sweet (NYM)-1,000 bbls.; $ per bbl.							
Aug	46.28	47.10		45.92	**47.07**	1.03	517,659
Sept	46.51	47.32		46.14	**47.29**	1.00	333,446
Oct	46.71	47.53		46.36	**47.49**	0.98	121,146
Dec	47.30	48.03		46.89	**48.01**	0.96	317,603
June'18	48.14	49.05		48.00	**49.03**	0.92	114,672
Dec	49.05	49.75		48.76	**49.75**	0.94	157,870
NY Harbor ULSD (NYM)-42,000 gal.; $ per gal.							
Aug	1.4901	1.5147		1.4781	**1.5128**	.0297	130,162
Sept	1.4960	1.5216		1.4858	**1.5199**	.0292	67,877
Gasoline-NY RBOB (NYM)-42,000 gal.; $ per gal.							
Aug	1.5135	1.5396		1.5012	**1.5348**	.0211	145,660
Sept	1.5035	1.5274		1.4914	**1.5255**	.0231	79,103
Natural Gas (NYM)-10,000 MMBtu.; $ per MMBtu.							
Aug	2.949	3.050		2.935	**2.951**	–.084	275,176
Sept	2.953	3.048		2.935	**2.953**	–.078	177,321
Oct	2.977	3.073		2.963	**2.984**	–.074	179,197
Jan'18	3.292	3.372		3.275	**3.301**	–.055	111,644
March	3.200	3.286		3.188	**3.222**	–.046	78,590
April	2.820	2.871		2.820	**2.824**	–.034	92,455

Agriculture Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.							
July	373.25	385.25		373.00	**378.00**	7.50	8,346
Sept	384.00	396.00		383.25	**388.50**	7.50	597,618
Oats (CBT)-5,000 bu.; cents per bu.							
July	290.00	290.00		288.75	**284.50**	–5.50	130
Dec	284.25	304.25	▲	284.25	**294.50**	11.75	4,463
Soybeans (CBT)-5,000 bu.; cents per bu.							
July	949.50	976.00		949.50	**964.75**	22.50	4,198
Nov	963.50	991.50		963.00	**980.75**	26.00	375,451
Soybean Meal (CBT)-100 tons; $ per ton.							
July	307.60	315.90		307.60	**311.90**	7.50	3,998
Dec	315.00	323.80		314.10	**320.40**	9.20	176,985
Soybean Oil (CBT)-60,000 lbs.; cents per lb.							
July	33.42	33.55		33.09	**33.13**	.20	4,477
Dec	33.39	34.10		33.38	**33.58**	.24	163,030
Rough Rice (CBT)-2,000 cwt.; $ per cwt.							
July	1161.00	1161.00		1156.00	**1151.50**	1.00	586
Sept	1179.00	1190.50		1168.00	**1181.50**	...	8,428
Wheat (CBT)-5,000 bu.; cents per bu.							
July	518.25	539.00	▲	518.25	**536.75**	25.75	1,394
Sept	538.25	556.00	▲	533.50	**555.00**	29.00	210,089
Wheat (KC)-5,000 bu.; cents per bu.							
July	516.50	542.75	▲	516.50	**541.25**	30.00	1,415
Sept	535.00	559.50	▲	535.00	**559.50**	30.00	133,225
Wheat (MPLS)-5,000 bu.; cents per bu.							
July	813.00	816.25	▲	800.00	**812.00**	44.25	755
Sept	792.00	823.00	▲	791.25	**816.00**	44.25	34,807
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.							
Aug	147.950	148.225		145.000	**146.100**	–1.825	29,735
Sept	147.750	148.225		145.075	**146.425**	–1.600	11,621
Cattle-Live (CME)-40,000 lbs.; cents per lb.							
Aug	116.300	117.225		115.325	**115.750**	–.550	158,179
Oct	115.125	115.850		114.200	**114.750**	–.450	114,389
Hogs-Lean (CME)-40,000 lbs.; cents per lb.							
July	91.050	91.075	▲	90.050	**90.700**	.075	17,865
Aug	83.750	84.875	▲	83.500	**84.400**	.650	91,349
Lumber (CME)-110,000 bd. ft., $ per 1,000 bd. ft.							
July	365.60	367.00		364.50	**367.00**	1.10	878
Sept	357.20	358.70		352.60	**357.70**	1.60	2,258
Milk (CME)-200,000 lbs., cents per lb.							
June	16.35	16.36		16.35	**16.44**	...	5,231
July	15.76	15.80	▼	15.54	**15.67**	–.05	5,022
Cocoa (ICE-US)-10 metric tons; $ per ton.							
July	1,943	1,943		1,929	**1,921**	18	26
Sept	1,968	1,995		1,951	**1,958**	18	136,134
Coffee (ICE-US)-37,500 lbs.; cents per lb.							
July	124.05	125.00		124.00	**125.85**	1.80	75
Sept	126.50	129.50		126.35	**127.70**	2.00	123,863
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.							
Oct	13.67	13.98		13.28	**13.92**	.11	447,854
March'18	14.37	14.65		13.99	**14.61**	.14	171,301
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.							
Sept	27.44	27.45		27.44	**27.47**	.02	2,042
Nov	27.60	27.60		27.45	**27.47**	.02	1,835
Cotton (ICE-US)-50,000 lbs.; cents per lb.							
July	74.20	74.45		74.00	**73.69**	–1.62	404
Dec	68.59	68.66		67.20	**67.45**	–1.14	161,481
Orange Juice (ICE-US)-15,000 lbs.; cents per lb.							
July	135.10	136.70		130.75	**131.65**	1.80	36
Sept	133.85	136.50		130.70	**133.65**	1.10	7,422

Interest Rate Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Treasury Bonds (CBT)-$100,000; pts 32nds of 100%							
Sept	153-250	153-300		152-270	**153-020**	–20.0	745,851
Dec	152-010	152-160		151-220	**151-270**	–21.0	158
Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
Sept	125-165	125-195		125-010	**125-035**	–13.5	3,060,898
Dec	125-010	125-065		124-220	**124-240**	–14.0	4,447
5 Yr. Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
Sept	117-265	117-285		117-172	**117-192**	–7.5	3,058,080
Dec	117-060	117-060		117-060	**117-072**	–9.5	157
2 Yr. Treasury Notes (CBT)-$200,000; pts 32nds of 100%							
Sept	108-015	108-022		107-307	**107-312**	–2.5	1,364,300
30 Day Federal Funds (CBT)-$5,000,000; 100 - daily avg.							
July	98.850	98.850		98.848	**98.850**	...	284,237
Oct	98.800	98.800		98.785	**98.790**	–0.005	271,779
10 Yr. Del. Int. Rate Swaps (CBT)-$100,000; pts 32nds of 100%							
Sept	101.203	101.594	▼	101.078	**101.156**	–.375	29,435
1 Month Libor (CME)-$3,000,000; pts of 100%							
July	...	...		99.7725	**98.7725**	–.0025	6,541
Eurodollar (CME)-$1,000,000; pts of 100%							
July	98.6950	98.6950		98.6950	**98.6950**	...	209,916
Sept	98.6400	98.6500		98.6350	**98.6350**	–.0100	1,495,959
Dec	98.5250	98.5300		98.5050	**98.5050**	–.0200	1,812,655
Dec'18	98.1900	98.1950		98.1500	**98.1500**	–.0500	1,385,056

Currency Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Japanese Yen (CME)-¥12,500,000; $ per 100¥							
July	.8913	.8920		.8818	**.8822**	–.0064	1,043
Sept	.8939	.8942		.8841	**.8845**	–.0065	193,126
Canadian Dollar (CME)-CAD 100,000; $ per CAD							
July	.7702	.7715		.7690	**.7695**	–.0021	356
Sept	.7720	.7723		.7695	**.7702**	–.0022	136,239
British Pound (CME)-£62,500; $ per £							
July	1.3011	1.3028		1.2939	**1.2961**	–.0059	1,296
Sept	1.3046	1.3054		1.2962	**1.2985**	–.0060	197,397
Swiss Franc (CME)-CHF 125,000; $ per CHF							
Sept	1.0482	1.0483		1.0419	**1.0419**	–.0059	38,553
Dec	1.0535	1.0543		1.0483	**1.0482**	–.0059	241
Australian Dollar (CME)-AUD 100,000; $ per AUD							
July	.7688	.7693		.7644	**.7653**	–.0028	483
Aug	.7679	.7691		.7642	**.7651**	–.0028	343
Sept	.7675	.7688		.7637	**.7647**	–.0028	96,612
Oct	.7482	.7482	▲▼	.7482	**.7644**	–.0028	1
Dec	.7662	.7678		.7629	**.7638**	–.0028	1,482
March'18	.7650	.7676		.7650	**.7631**	–.0027	8
June	.7310	.7373		.7310	**.7623**	–.0026	20
Mexican Peso (CME)-MXN 500,000; $ per MXN							
July	.05596	.05598	▲	.05508	**.05478**	–.00024	95
Dec	.05354	.05384		.05344	**.05350**	–.00024	66
Euro (CME)-€125,000; $ per €							
July	1.1434	1.1434		1.1364	**1.1365**	–.0065	2,160
Sept	1.1467	1.1472		1.1400	**1.1402**	–.0066	413,755

Index Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Mini DJ Industrial Average (CBT)-$5 x index							
Sept	21306	21508	▲	21306	**21436**	136	129,624
Dec	21276	21450	▲	21276	**21393**	132	210
S&P 500 Index (CME)-$250 x index							
Sept	2427.30	2436.50		2422.70	**2425.00**	4.10	42,673
Mini S&P 500 (CME)-$50 x index							
Sept	2422.00	2436.50		2421.50	**2425.00**	4.00	2,839,439
Dec	2421.50	2434.50		2420.50	**2423.00**	4.00	22,309
Mini S&P Midcap 400 (CME)-$100 x index							
Sept	1747.00	1764.00		1745.80	**1758.00**	11.90	93,909
Mini Nasdaq 100 (CME)-$20 x index							
Sept	5658.0	5690.8		5581.3	**5589.3**	–63.5	284,566
Dec	5669.0	5696.0		5587.3	**5595.8**	–63.8	942
Mini Russell 2000 (ICE-US)-$100 x index							
Sept	1411.10	1429.90		1411.00	**1424.60**	10.30	577,746
Dec	1420.60	1420.60		1418.80	**1423.70**	10.40	152
Mini Russell 1000 (ICE-US)-$100 x index							
Sept	1348.60	1351.00		1340.60	**1345.50**	3.00	8,141
U.S. Dollar Index (ICE-US)-$1,000 x index							
Sept	95.41	96.00		95.39	**95.97**	.55	48,954
Dec	95.21	95.78		95.21	**95.76**	.54	1,374

Source: SIX Financial Information

Cash Prices | WSJ.com/commodities

Tuesday, July 4, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Tuesday
Metals	
Gold, per troy oz	
LBMA Gold Price AM	*1235.20
LBMA Gold Price PM	*1229.25
Silver, troy oz.	
LBMA spot price	£12.4807
Other metals	
LBMA Platinum Price PM	*911.0
Aluminum, LME, $ per metric ton	*1917.5
Fibers and Textiles	
Cotlook 'A' Index-t	*84.55

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra,Tordella & Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; L=livericeindex.com; M=midday; N=nominal; n.a.=not quoted or not available; R=SNL Energy; S=The Steel Index; T=Cotlook Limited; U=USDA; W=weekly, Z=not quoted. *Data as of 7/3

Source: WSJ Market Data Group

July 3, 2017

	Monday
Energy	
Propane,tet,Mont Belvieu-g	0.6217
Butane,normal,Mont Belvieu-g	0.7585
NaturalGas,HenryHub-i	n.a.
NaturalGas,TranscoZone3-i	n.a.
NaturalGas,TranscoZone6NY-i	n.a.
NaturalGas,PanhandleEast-i	n.a.
NaturalGas,Opal-i	n.a.
NaturalGas,MarcellusNE PA-i	n.a.
NaturalGas,HaynesvilleN.LA-i	n.a.
Coal,C.Aplc.,12500Btu,1.2SO2-r,w	52.550
Coal,PwdrRvrBsn,8800Btu,0.8SO2-r,w	11.550
Metals	
Gold, per troy oz	
Engelhard industrial	1229.44
Engelhard fabricated	1321.65
Handy & Harman base	1229.25
Handy & Harman fabricated	1364.46
LBMA Gold Price AM	*1243.25
LBMA Gold Price PM	*1242.25
Krugerrand,wholesale-e	1268.33
Maple Leaf-e	1280.53
American Eagle-e	1280.53
Mexican peso-e	1478.41
Austria crown-e	1198.40
Austria phil-e	1280.53
Silver, troy oz.	
Engelhard industrial	16.2800
Engelhard fabricated	19.5360
Handy & Harman base	16.1100
Handy & Harman fabricated	20.1380
LBMA spot price	£12.7190
(U.S.$ equivalent)	16.4800
Coins,wholesale $1,000 face-a	12268
Other metals	
LBMA Platinum Price PM	*n.a.
Platinum,Engelhard industrial	914.0
Platinum,Engelhard fabricated	1014.0
Palladium,Engelhard industrial	842.0
Palladium,Engelhard fabricated	942.0
Aluminum, LME, $ per metric ton	*1908.5
Copper,Comex spot	2.6810
Iron Ore, 62% Fe CFR China-s	62.8
Shredded Scrap, US Midwest-s,w	296
Steel, HRC USA, FOB Midwest Mill-s	611
Fibers and Textiles	
Burlap,10-oz,40-inch NY yd-n,w	0.5900
Cotton,11/16 std lw-mdMphs-u	0.6734
Cotlook 'A' Index-t	*83.30
Hides,hvy native steers piece fob-u	66.000
Wool,64s,staple,Terr del-u,w	n.a.
Grains and Feeds	
Barley,top-quality Mnpls-u	4.70
Bran,wheat middlings, KC-u	65
Corn,No. 2 yellow,Cent IL-bp,u	3.5650
Corn gluten feed,Midwest-u,w	73.1
Corn gluten meal,Midwest-u,w	470.0
Cottonseed meal-u,w	180
Hominy feed,Cent IL-u,w	88
Meat-bonemeal,50% pro Mnpls-u,w	275
Oats,No.2 milling,Mnpls-u	n.a.
Rice, 5% Broken White, Thailand-l,w	429.00
Rice, Long Grain Milled, No. 2 AR-u,w	21.50
Sorghum,(Milo) No.2 Gulf-u	7.6650
SoybeanMeal,Cent IL,rail,ton48%-u	313.80
Soybeans,No.1 yllw IL-bp,u	9.4300
Wheat,Spring14%-pro Mnpls-u	9.2600
Wheat,No.2 soft red,St.Louis-bp,u	5.5900
Wheat - Hard - KC (USDA) $ per bu-u	5.2150
Wheat,No.1soft white,Portld,OR-u	5.6838
Food	
Beef,carcass equiv. index	
choice 1-3,600-900 lbs.-u	195.18
select 1-3,600-900 lbs.-u	176.97
Broilers,dressed 'A'-u	n.a.
Broilers, National comp wghtd-u,w	1.0797
Butter,AA Chicago	2.6450
Cheddar cheese,bbl,Chicago	135.25
Cheddar cheese,blk,Chicago	152.50
Milk,Nonfat dry,Chicago lb.	84.00
Cocoa,Ivory Coast-w	2205
Coffee,Brazilian,Comp	1.2303
Coffee,Colombian, NY	1.4638
Eggs,large white,Chicago-u	0.6650
Flour,hard winter KC	18.35
Hams,17-20 lbs,Mid-US fob-u	n.a.
Hogs,Iowa-So. Minnesota-u	85.08
Pork bellies,12-14 lb MidUS-u	1.9767
Pork loins,13-19 lb MidUS-u	1.2218
Steers,Tex.-Okla. Choice-u	n.a.
Steers,feeder,Okla. City-u,w	167.88
Fats and Oils	
Corn oil,crude wet/dry mill-u,w	37.0000
Grease,choice white,Chicago-h	n.a.
Lard,Chicago-u	n.a.
Soybean oil,crude;Centl IL-u	0.3288
Tallow,bleach;Chicago-h	n.a.
Tallow,edible,Chicago-u	0.3625

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra,Tordella & Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; L=livericeindex.com; M=midday; N=nominal; n.a.=not quoted or not available; R=SNL Energy; S=The Steel Index; T=Cotlook Limited; U=USDA; W=weekly, Z=not quoted. *Data as of 7/2

Source: WSJ Market Data Group

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

July 4, 2017

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

	Latest	Week ago	52-WEEK High	52-WEEK Low
International rates				
Prime rates				
U.S.	4.25	4.25	4.25	3.50
Canada	2.70	2.70	2.70	2.70
Japan	1.475	1.475	1.475	1.475
Policy Rates				
Euro zone	0.00	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50	0.50
Britain	0.25	0.25	0.50	0.25
Australia	1.50	1.50	1.75	1.50
Overnight repurchase				
U.S.	1.23	1.10	1.38	0.15
Other short-term rates				
Libor				
One month	1.22333	1.22378	1.22722	0.47030
Three month	1.30211	1.29506	1.30211	0.65710
Six month	1.45767	1.44683	1.45767	0.92415
One year	1.75122	1.73289	1.82761	1.23050
Euro Libor				
One month	-0.399	-0.401	-0.357	-0.405
Three month	-0.374	-0.373	-0.298	-0.374
Six month	-0.305	-0.300	-0.189	-0.305
One year	-0.188	-0.184	-0.060	-0.190
Euro interbank offered rate (Euribor)				
One month	-0.373	-0.373	-0.363	-0.375
Three month	-0.329	-0.331	-0.291	-0.332
Six month	-0.272	-0.273	-0.183	-0.273
One year	-0.159	-0.161	-0.045	-0.163

July 3, 2017

	May index level	Chg From (%) April '17	May '16
Inflation			
U.S. consumer price index			
All items	244.733	0.09	1.9
Core	251.835	0.08	1.7

	Latest	Week ago	52-WEEK High	52-WEEK Low
International rates				
Prime rates				
U.S.	4.25	4.25	4.25	3.50
Canada	2.70	2.70	2.70	2.70
Japan	1.475	1.475	1.475	1.475
Policy Rates				
Euro zone	0.00	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50	0.50
Britain	0.25	0.25	0.50	0.25
Australia	1.50	1.50	1.75	1.50
Overnight repurchase				
U.S.	1.23	1.15	1.38	0.15
U.S. government rates				
Discount				
	1.75	1.75	1.75	1.00
Federal funds				
Effective rate	1.1800	1.1800	1.2000	0.3300
High	1.3125	1.3125	1.3125	0.5000
Low	1.0000	1.1000	1.1600	0.2000
Bid	1.1600	1.1600	1.1600	0.2800
Offer	1.1900	1.1800	1.1900	0.3000
Treasury bill auction				
4 weeks	0.950	0.850	0.950	0.160
13 weeks	1.045	1.000	1.045	0.250
26 weeks	1.130	1.110	1.130	0.340
Secondary market				
Fannie Mae				
30-year mortgage yields				
30 days	3.578	3.398	3.865	2.806
60 days	3.611	3.424	3.899	2.832
Other short-term rates				
Call money				
	3.00	3.00	3.00	2.25
Commercial paper (AA financial)				
90 days	n.a.	1.25	1.26	0.54
Libor				
One month	1.22689	1.22211	1.22722	0.46955
Three month	1.30072	1.29483	1.30072	0.65635
Six month	1.45600	1.44639	1.45600	0.92415
One year	1.74844	1.73456	1.82761	1.23050
Euro Libor				
One month	-0.401	-0.403	-0.357	-0.405
Three month	-0.372	-0.373	-0.298	-0.373
Six month	-0.305	-0.300	-0.189	-0.305
One year	-0.190	-0.186	-0.060	-0.190
Euro interbank offered rate (Euribor)				
One month	-0.373	-0.374	-0.363	-0.375
Three month	-0.331	-0.331	-0.291	-0.332
Six month	-0.271	-0.273	-0.183	-0.273
One year	-0.157	-0.161	-0.045	-0.163

	Latest	Value Traded	52-Week High	52-Week Low
DTCC GCF Repo Index				
Treasury	1.222	36.100	1.366	0.244
MBS	1.236	51.580	1.506	0.257

	Settle	Change	Open Interest	Implied Rate
DTCC GCF Repo Index Futures				
Treasury Jly	98.820	0.005	6569	1.180
Treasury Aug	98.830	0.005	1393	1.170
Treasury Sep	98.805	0.005	752	1.195

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective June 15, 2017. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective June 15, 2017. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Liffe US.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; General Electric Capital Corp.; Tullett Prebon Information, Ltd.

Bonds | WSJ.com/bonds

Tracking Bond Benchmarks

Return on investment and spreads over Treasurys and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	Yield (%) Latest	Low	High
Broad Market Bloomberg Barclays					
1917.40	2.1	U.S. Aggregate	2.590	1.820	2.790
U.S. Corporate Indexes Bloomberg Barclays					
2724.68	3.6	U.S. Corporate	3.240	2.750	3.520
2584.49	2.5	Intermediate	2.770	2.190	3.010
3725.45	6.1	Long term	4.270	3.960	4.710
557.46	2.6	Double-A-rated	2.690	1.980	2.870
700.90	4.0	Triple-B-rated	3.540	3.180	3.870
High Yield Bonds Merrill Lynch					
407.91	5.0	High Yield Constrained	5.673	5.456	7.253
406.09	5.6	Triple-C-rated	10.557	9.584	15.470
2813.45	4.8	High Yield 100	5.232	5.050	6.448
369.46	4.9	Global High Yield Constrained	5.338	5.129	6.846
298.89	4.1	Europe High Yield Constrained	2.690	2.537	4.272
U.S Agency Bloomberg Barclays					
1629.43	1.5	U.S Agency	1.880	1.150	1.960
1460.30	1.0	10-20 years	1.690	0.960	1.750
3296.32	5.5	20-plus years	3.010	2.390	3.460
2417.44	3.2	Yankee	2.820	2.320	3.090
Mortgage-Backed Bloomberg Barclays					
1962.67	1.1	Mortgage-Backed	2.870	1.930	3.120
1931.21	0.7	Ginnie Mae (GNMA)	2.840	1.850	3.090
1150.39	1.3	Fannie mae (FNMA)	2.880	1.950	3.120
1771.94	1.4	Freddie Mac (FHLMC)	2.890	1.980	3.130
514.71	3.2	Muni Master	2.009	1.307	2.516
360.09	3.7	7-12 year	2.022	1.326	2.618
400.21	3.7	12-22 year	2.549	1.610	3.047
386.35	4.1	22-plus year	3.016	2.027	3.622
Global Government J.P. Morgan†					
n.a.	n.a.	Global Government	n.a.	n.a.	n.a.
n.a.	n.a.	Canada	n.a.	n.a.	n.a.
n.a.	n.a.	EMU§	n.a.	n.a.	n.a.
n.a.	n.a.	France	n.a.	n.a.	n.a.
n.a.	n.a.	Germany	n.a.	n.a.	n.a.
n.a.	n.a.	Japan	n.a.	n.a.	n.a.
n.a.	n.a.	Netherlands	n.a.	n.a.	n.a.
n.a.	n.a.	U.K.	n.a.	n.a.	n.a.
783.90	6.1	Emerging Markets**	5.596	5.134	6.290

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds † In local currency § Euro-zone bonds ** EMBI Global Index

Sources: Merrill Lynch; Bloomberg Barclays; J.P.Morgan

Global Government Bonds: Mapping Yields

Tuesday, July 4, 2017

Yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose(▲) or fell (▼) in the latest session

Coupon (%)	Country/ Maturity, in years	Latest	Yield (%) 0 20 40 60 80 100 120	Previous	Month ago	Year ago	Spread Under/Over U.S. Treasurys, in basis points Latest	Prev	Year ago
1.250	**U.S.** 2	1.414		1.414	1.294	0.597			
2.375	10	2.348		2.348	2.160	1.443			
5.250	**Australia** 2	1.686 ▼		1.731	1.587	1.629	27.2	31.6	103.2
4.750	10	2.575 ▼		2.618	2.423	2.018	22.7	27.0	57.4
0.000	**France** 2	-0.402 ▼		-0.398	-0.533	-0.564	-181.6	-181.2	-116.1
1.000	10	0.824 ▼		0.832	0.708	0.164	-152.5	-151.6	-127.9
0.000	**Germany** 2	-0.620 ▼		-0.595	-0.750	-0.668	-203.5	-201.0	-126.6
0.250	10	0.477 ▲		0.477	0.276	-0.137	-187.1	-187.2	-158.1
0.300	**Italy** 2	-0.322 ▼		-0.318	-0.197	-0.119	-173.6	-173.2	-71.6
2.200	10	2.110 ▼		2.138	2.261	1.162	-23.8	-21.0	-28.2
0.100	**Japan** 2	-0.125 ▼		-0.120	-0.154	-0.321	-153

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS.
The list comprises the 1,000 largest companies based on market capitalization.
Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.
Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was $2 or higher.

Footnotes:
i-New 52-week high.
†-New 52-week low.
dd-Indicates loss in the most recent four quarters.
FD-First day of trading.
h-Does not meet continued listing standards
lf-Late filing
q-Temporary exemption from Nasdaq requirements.
t-NYSE bankruptcy
v-Trading halted on primary market.
vj-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, July 3, 2017

NYSE

Stock	Sym	Close	Net Chg
ABB	ABB	24.88	-0.02
AES	AES	11.01	-0.10
Aflac	AFL	78.42	0.74
AT&T	T	38.11	0.38
AXIS Capital	AXS	65.79	1.13
AbbottLabs	ABT	48.71	0.10
AbbVie	ABBV	72.42	-0.09
Accenture	ACN	123.93	0.25
AcuityBrands	AYI	203.07	-0.21
Adient	ADNT	65.97	0.59
AdvanceAuto	AAP	118.41	1.82
AdvSemiEngg	ASX	6.28	-0.03
Aegon	AEG	5.20	0.09
AerCap	AER	46.96	0.53
Aetna	AET	152.40	0.57
AffiliatedMgrs	AMG	168.32	2.46
AgilentTechs	A	59.13	-0.18
AgnicoEagle	AEM	44.05	-1.07
Agrium	AGU	93.97	3.48
AirProducts	APD	144.29	1.23
AlaskaAir	ALK	90.22	0.46
Albemarle	ALB	106.03	0.49
Alcoa	AA	34.02	1.37
AlexandriaRealEst	ARE	120.95	0.48
Alibaba	BABA	140.99	0.09
Alleghany	Y	601.48	6.68
Allegion	ALLE	81.37	0.25
Allergan	AGN	243.98	0.89
AllianceData	ADS	258.23	1.54
AllianceBernstein	AB	23.80	0.15
AlliantEnergy	LNT	39.89	-0.28
AllisonTransm	ALSN	37.82	0.31
Allstate	ALL	88.63	0.19
AllyFinancial	ALLY	21.33	0.43
AlticeUSA	ATUS	31.90	-0.40
Altria	MO	74.53	0.06
AlumofChina	ACH	13.27	0.39
Ambev	ABEV	5.47	-0.02
Ameren	AEE	54.13	-0.54
AmericaMovil	AMX	15.92	...
AmCampus	ACC	47.83	0.53
AEP	AEP	69.00	-0.47
i AmericanExpress	AXP	85.10	0.86
AmericanFin	AFG	101.45	2.08
AmerHomes4Rent	AMH	22.61	0.04
AIG	AIG	63.29	0.77
AmerTowerREIT	AMT	131.41	-0.91
AmerWaterWorks	AWK	78.07	0.12
Amerigas	APU	46.06	0.89
Ameriprise	AMP	130.14	2.85
AmerisourceBrgn	ABC	94.70	0.17
Ametek	AME	61.21	0.64
Amphenol	APH	73.10	-0.72
AnadarkoPetrol	APC	46.10	0.76
AB InBev	BUD	110.42	0.06
AnnalyCap	NLY	12.23	0.18
AnteroMidstream	AM	33.73	0.55
AnteroResources	AR	21.77	0.16
Anthem	ANTM	189.60	1.47
Aon	AON	133.16	0.21
Apache	APA	49.33	1.40
ApartmtInv	AIV	43.18	0.21
ApolloGlobalMgmt	APO	26.42	-0.03
Aptargroup	ATR	87.08	0.22
AquaAmerica	WTR	33.04	-0.26
Aramark	ARMK	41.07	0.09
ArcelorMittal	MT	23.29	0.56
ArcherDaniels	ADM	41.46	0.08
Arconic	ARNC	22.84	0.19
AristaNetworks	ANET	146.89	-2.90
ArrowElec	ARW	79.01	0.59
i Assurant	AIZ	105.15	1.46
AstraZeneca	AZN	33.88	-0.21
Athene	ATH	50.02	0.41
AtmosEnergy	ATO	82.95	...
Autoliv	ALV	111.46	1.66
AutoZone	AZO	571.71	1.25
Avalonbay	AVB	194.28	2.11
Avangrid	AGR	43.81	-0.34
AveryDennison	AVY	88.87	0.50
AxaltaCoating	AXTA	32.13	0.09
BB&T	BBT	46.12	0.71
BCE	BCE	45.11	0.07
BHPBilliton	BHP	36.18	0.59
BHPBilliton	BBL	31.34	0.58
BP	BP	35.02	0.37
BRF	BRFS	11.83	0.04
BT Group	BT	19.14	-0.27
BakerHughes	**BHI**	**57.68**	**3.17**
i Ball	BLL	42.47	0.26
BancoBilbaoViz	BBVA	8.52	0.16
BancodeChile	BCH	77.89	-0.04
BancoMacro	BMA	93.17	0.98
BcoSantChile	BSAC	25.66	0.25
BancoSantander	SAN	6.79	0.10
BanColombia	CIB	44.97	0.42
BankofAmerica	BAC	24.68	0.42
BankofMontreal	BMO	73.83	0.39
i BankNY Mellon	BK	51.83	0.81
BkNovaScotia	BNS	60.82	0.69
Barclays	BCS	10.70	0.11
i Bard CR	BCR	316.39	0.28
BarrickGold	ABX	15.61	-0.30
BaxterIntl	BAX	60.24	-0.30
BectonDickinson	BDX	194.63	-0.48
Berkley	WRB	70.04	0.87
BerkHathway A	BRK/A	257980	3280.00
BerkHathway B	BRK/B	171.80	2.43
BerryGlobal	BERY	56.75	-0.26
BestBuy	BBY	59.22	1.89
Bio-RadLab A	BIO	227.18	0.87
BlackKnightFin	BKFS	41.20	0.25
i BlackRock	BLK	428.82	6.41
BlackstoneGroup	BX	33.12	-0.23
i BlockHR	HRB	31.06	0.15
BoardwalkPipe	BWP	18.23	0.22
Boeing	BA	198.59	0.84
BorgWarner	BWA	43.18	0.82
BostonProperties	BXP	124.95	1.93
BostonScientific	BSX	27.63	-0.09
Braskem	BAK	20.96	0.24
Bristol-Myers	BMY	56.27	0.55
BrixmorProp	**BRX**	**18.63**	**1.01**
BroadridgeFinl	BR	75.21	-0.35
BrookfieldMgt	BAM	39.20	-0.01
BrookfieldInfr	BIP	41.17	0.26
Brown&Brown	BRO	43.52	0.45
Brown-Forman A	BF/A	49.35	0.05
Brown-Forman B	BF/B	48.23	-0.37
Brunswick	BC	63.37	0.64
BuckeyePtrs	BPL	65.40	1.47
Bunge	BG	75.87	1.27
BurlingtonStores	BURL	93.12	1.13
CBD Pao	CBD	19.16	-0.39
CBRE Group	CBG	36.94	0.54
CBS B	CBS	64.16	0.38
CF Industries	CF	29.22	1.26
CGI Group	GIB	51.07	...
i CIT Group	CIT	50.16	1.46
CMS Energy	CMS	46.00	-0.25
i CNA Fin	CNA	49.60	0.85
CNOOC	CEO	109.65	0.24
CPFLEnergia	CPL	15.98	0.03
CRH	CRH	35.80	0.33
CVS Health	CVS	80.62	0.16
CabotOil	COG	25.13	0.05
i CAE	CAE	17.18	-0.06
CamdenProperty	CPT	86.23	0.72
CampbellSoup	CPB	52.19	0.04
CIBC	CM	81.75	0.59
CanNtlRlwy	CNI	82.04	0.99
CanNaturalRes	CNQ	29.38	0.54
i CanPacRlwy	CP	162.29	1.48
Canon	CAJ	33.72	-0.30
CapitalOne	COF	83.56	0.94
CardinalHealth	CAH	78.29	0.37
Carlisle	CSL	96.98	1.58
CarMax	KMX	63.74	0.68
Carnival	CCL	65.25	-0.32
Carnival	CUK	65.61	-0.51
Caterpillar	CAT	106.97	-0.49
Celanese A	CE	96.20	1.26
i Cemex	CX	9.66	0.24
CenovusEnergy	CVE	7.54	0.17
Centene	CNC	80.14	0.26
CenterPointEner	CNP	27.58	0.20
CenturyLink	CTL	23.97	0.09
Chemours	CC	38.10	0.18
Chevron	CVX	106.30	1.97
ChinaEastrnAir	CEA	30.74	0.14
ChinaLifeIns	LFC	15.53	0.19
ChinaMobile	CHL	52.93	-0.16
ChinaPetrol	SNP	78.68	0.08
ChinaSoAirlines	ZNH	41.07	-0.33
ChinaTelecom	CHA	47.74	-0.19
ChinaUnicom	CHU	14.86	-0.10
Chipotle	CMG	417.33	1.23
Chubb	CB	146.35	0.97
ChunghwaTelecom	CHT	35.37	0.15
Church&Dwight	CHD	52.02	0.14
Cigna	CI	167.50	0.11
CimarexEnergy	XEC	96.84	2.83
i Citigroup	C	68.26	1.38
CitizensFin	CFG	36.54	0.86
Clorox	CLX	133.78	0.54
Coach	COH	47.33	-0.01
Coca-Cola	KO	44.76	-0.09
Coca-Cola Euro	CCE	40.50	-0.17
i Coca-Cola Femsa	KOF	83.75	-0.92
Colgate-Palmolive	CL	73.94	-0.19
ColonyNorthStar	CLNS	14.20	0.11
Comerica	CMA	74.39	1.15
SABESP	SBS	9.57	0.05
ConagraBrands	CAG	35.50	-0.26
ConchoRscs	CXO	124.24	2.71
ConocoPhillips	COP	45.66	1.70
ConEd	ED	80.57	-0.25
ConstBrands A	STZ	191.73	-2.00
ConstBrands B	STZ/B	192.20	-2.40
ContinentalRscs	CLR	32.79	0.46
Cooper	COO	236.38	-3.04
Corning	GLW	30.13	0.08
Coty	COTY	19.14	0.38
Credicorp	BAP	182.78	3.39
CreditSuisse	CS	14.80	0.20
CrestwoodEquity	CEQP	23.65	0.15
CrownCastle	CCI	99.31	-0.87
i CrownHoldings	CCK	59.67	0.01
Cullen/Frost	CFR	95.84	1.93
Cummins	CMI	163.36	1.14
DTE Energy	DTE	105.54	-0.25
DXC Tech	DXC	75.95	-0.77
Danaher	DHR	84.26	-0.13
Darden	DRI	91.34	0.90
DaVita	DVA	64.38	-0.38
Deere	DE	124.95	1.36
DellTechnologies	DVMT	60.36	-0.75
DelphiAutomotive	DLPH	87.80	0.15
i DeltaAir	DAL	54.06	0.32
DeutscheBank	DB	18.15	0.36
DevonEnergy	DVN	32.78	0.81
Diageo	DEO	119.14	-0.69
DigitalRealty	DLR	113.31	0.36
DiscoverFinSvcs	DFS	62.27	0.08
Disney	DIS	107.46	1.21
DollarGeneral	DG	71.93	-0.16
DominionEner	D	76.10	-0.53
Domino's	DPZ	209.92	-1.61
Donaldson	DCI	45.56	0.02
DouglasEmmett	DEI	38.63	0.42
Dover	DOV	82.00	1.78
DowChemical	DOW	63.94	0.87
DrPepperSnap	DPS	91.50	0.39
DrReddy'sLab	RDY	41.48	-0.66
DuPont	DD	82.13	1.42
DukeEnergy	DUK	83.31	-0.28
DukeRealty	DRE	28.09	0.14
ENI	E	30.29	0.23
EOG Rscs	EOG	92.37	1.85
EQT	EQT	59.75	1.16
EQT Midstream	EQM	76.60	1.97
EastmanChem	EMN	84.50	0.51
Eaton	ETN	78.35	0.52
EatonVance	EV	47.79	0.47
Ecolab	ECL	132.94	0.19
Ecopetrol	EC	9.33	0.24
EdisonInt	EIX	77.18	-1.01
EdwardsLife	EW	118.01	-0.23
IllinoisToolWks	ITW	144.11	0.86
Infosys	INFY	15.14	0.12
Ingersoll-Rand	IR	91.44	0.05
Ingredion	INGR	118.67	-0.54
i ICE	ICE	66.68	0.76
InterContinentl	IHG	55.07	-0.46
IBM	IBM	155.58	1.75
IntlFlavors	IFF	134.90	-0.10
IntlPaper	IP	56.98	0.37
Interpublic	IPG	25.09	0.49
InvitationHomes	INVH	21.68	0.05
IronMountain	IRM	34.88	0.52
IsraelChemicals	ICL	4.61	-0.12
ItauUnibanco	ITUB	11.17	0.12
JPMorganChase	JPM	92.75	1.85
JacobsEngineering	JEC	55.15	0.76
JamesHardie	JHX	15.39	-0.38
JanusHenderson	JHG	32.50	-0.61
J&J	JNJ	132.90	0.61
JohnsonControls	JCI	43.25	-0.11
JonesLangLaSalle	JLL	125.02	0.02
JuniperNetworks	JNPR	27.74	-0.14
KAR Auction	KAR	41.80	-0.17
i KB Fin	KB	50.61	0.12
KKR	KKR	18.54	-0.06
i KT	KT	17.28	0.64
i KSCitySouthern	KSU	104.92	0.27
Kellogg	K	68.76	-0.70
KeyCorp	KEY	19.02	0.28
KeysightTechs	KEYS	38.71	-0.22
KilroyRealty	KRC	75.69	0.54
KimberlyClark	KMB	128.43	-0.68
KimcoRealty	**KIM**	**19.00**	**0.92**
KinderMorgan	KMI	19.52	0.36
KinrossGold	KGC	3.97	-0.10
Kohl's	KSS	39.59	0.92
KoninklijkePhil	PHG	35.71	-0.11
KoreaElcPwr	KEP	17.84	-0.13
Kroger	KR	23.55	0.23
Kyocera	KYO	57.66	-0.61
LATAMAirlines	LTM	11.04	-0.03
L Brands	LB	55.57	1.68
LG Display	LPL	16.05	-0.02
LINE	LN	34.46	-0.32
L3 Tech	LLL	170.58	3.50
LabCpAm	LH	151.60	-2.54
LambWeston	LW	43.86	-0.18
LasVegasSands	LVS	62.63	-1.26
Lazard	LAZ	47.32	0.99
Lear	LEA	143.39	1.31
Leggett&Platt	LEG	52.44	-0.09
Leidos	LDOS	52.01	0.32
Lennar A	LEN	52.56	-0.76
Lennar B	LEN/B	44.54	-0.43
LennoxIntl	LII	183.87	0.23
LeucadiaNatl	LUK	26.81	0.65
Level3Comm	LVLT	59.54	0.24
LibertyProperty	LPT	41.25	0.54
EliLilly	LLY	82.70	0.40
LincolnNational	LNC	69.11	1.53
LionsGate A	LGF/A	28.13	-0.09
LionsGate B	LGF/B	26.25	-0.03
LiveNationEnt	LYV	34.52	-0.33
LloydsBanking	LYG	3.52	-0.01
LockheedMartin	LMT	278.92	1.31
Loews	L	47.40	0.59
Lowe's	LOW	78.26	0.73
LyondellBasell	LYB	85.36	0.97
M&T Bank	MTB	164.31	2.36
MGM Resorts	MGM	30.56	-0.73
MPLX	MPLX	34.24	0.84
MSCI	MSCI	102.79	-0.20
Macerich	MAC	59.43	1.37
MacquarieInfr	MIC	78.97	0.57
Macy's	M	23.84	0.60
MagellanMid	MMP	71.96	0.69
i MagnaIntl	MGA	46.31	-0.02
i Manpower	MAN	112.74	1.09
ManulifeFin	MFC	18.86	0.10
MarathonOil	MRO	12.14	0.29
MarathonPetrol	MPC	53.10	0.77
i Markel	MKL	992.84	16.98
Marsh&McLennan	MMC	78.01	0.05
MartinMarietta	MLM	223.36	0.78
Masco	MAS	37.96	-0.25
Mastercard	MA	120.78	-0.67
McCormick	MKC	97.30	-0.21
McCormickVtg	MKC/V	97.70	0.07
McDonalds	MCD	152.50	-0.66
McKesson	MCK	164.55	0.01
Mednax	MD	60.58	0.21
Medtronic	MDT	88.81	0.06
Merck	MRK	64.27	0.18
MetLife	MET	56.16	1.22
MettlerToledo	MTD	588.40	-0.14
MichaelKors	KORS	36.25	...
MidAmApt	MAA	105.90	0.52
MitsubishiUFJ	MTU	6.80	0.05
MizuhoFin	MFG	3.69	0.02
MobileTeleSys	MBT	8.44	0.06
Mobileye	MBLY	62.89	0.09
MohawkIndustries	MHK	241.07	-0.62
MolsonCoors B	TAP	86.41	0.07
Monsanto	MON	118.40	0.04
Moody's	MCO	122.02	0.34
MorganStanley	MS	45.61	1.05
Mosaic	MOS	23.77	0.94
MotorolaSolutions	MSI	86.68	-0.06
NRG Energy	NRG	17.17	-0.05
NTTDoCoMo	DCM	23.42	-0.23
NVR	NVR	2410.61	...
NationalGrid	NGG	62.40	-0.42
NatlOilwell	NOV	33.90	0.96
NatlRetailProp	NNN	39.80	0.70
NewOrientalEduc	EDU	71.33	0.84
NY CmntyBcp	NYCB	13.41	0.28
NewellBrands	NWL	53.45	-0.17
NewfieldExpln	NFX	29.39	0.93
NewMarket	NEU	458.62	-1.86
NewmontMining	NEM	31.89	-0.50
NextEraEnergy	NEE	139.62	-0.51
NielsenHoldings	NLSN	38.45	-0.21
Nike	NKE	58.65	-0.35
NiSource	NI	25.32	-0.04
NobleEnergy	NBL	28.93	0.63
Nokia	NOK	6.15	-0.01
NomuraHoldings	NMR	6.05	0.01
Nordstrom	JWN	48.41	0.58
NorfolkSouthern	NSC	123.28	1.58
NorthropGrumman	NOC	257.70	0.99
Novartis	NVS	83.59	0.12
NovoNordisk	NVO	42.57	-0.32
Nucor	NUE	58.87	1.00
NuSTAREnergy	NS	47.66	1.03
OGE Energy	OGE	34.83	0.04
ONEOK	OKE	52.03	-0.13
OccidentalPetrol	OXY	61.26	1.39
Och-Ziff	**OZM**	**2.82**	**0.26**
OmegaHealthcare	OHI	33.70	0.68
Omnicom	OMC	83.14	0.24
Oracle	ORCL	49.36	-0.78
Orange	ORAN	16.02	0.04
OrbitalATK	OA	99.79	1.43
Orix	IX	78.36	0.43
OwensCorning	OC	66.82	-0.10
PG&E	PCG	65.62	-0.75
PLDT	PHI	34.64	-0.67
PNC Fin	PNC	126.00	1.13
POSCO	PKX	64.95	2.36
PPG Ind	PPG	110.61	0.65
PPL	PPL	38.28	-0.38
PVH	PVH	114.84	0.34
PackagingCpAm	PKG	112.11	0.72
PaloAltoNtwks	PANW	132.93	-0.88
ParkHotels	PK	27.55	0.59
ParkerHannifin	PH	161.22	1.40
ParsleyEnergy	PE	28.66	0.91
Pearson	PSO	8.86	-0.11
PembinaPipeline	PBA	33.46	0.34
Pentair	PNR	67.03	0.49
PepsiCo	PEP	115.44	-0.05
i PerkinElmer	PKI	67.73	-0.41
Perrigo	PRGO	75.75	0.23
PetroChina	PTR	61.32	0.04
PetroleoBrasil	PBR	8.04	0.05
PetroleoBrasilA	PBR/A	7.48	0.02
Pfizer	PFE	33.82	0.23
PhilipMorris	PM	116.90	-0.55
Phillips66	PSX	83.34	0.65
PinnacleFoods	PF	60.18	0.78
PinnacleWest	PNW	84.82	-0.34
PioneerNatRscs	PXD	162.77	3.19
PlainsAllAmPipe	PAA	26.68	0.41
PlainsGP	PAGP	26.61	0.45
PolarisIndustries	PII	93.76	1.53
Potash	POT	16.94	0.64
Praxair	PX	134.18	1.63
PrincipalFin	PFG	64.76	0.69
Procter&Gamble	PG	87.74	0.59
Progressive	PGR	44.31	0.22
Prologis	PLD	59.19	0.55
PrudentialFin	PRU	110.18	2.04
Prudential	PUK	46.29	0.28
PublicServiceEnt	PEG	42.70	-0.31
PublicStorage	PSA	212.73	4.20
PulteGroup	PHM	24.49	-0.04
i QuestDiag	DGX	110.66	-0.50
QuintilesIMS	Q	88.23	-1.27
RELX	RENX	20.46	-0.22
RELX	RELX	21.62	-0.28
RPM	RPM	55.01	0.46
RalphLauren	RL	74.85	1.05
RangeResources	RRC	23.49	0.32
RaymondJames	RJF	81.60	1.38
Raytheon	RTN	162.57	1.09
RealtyIncome	O	56.05	0.87
RedHat	RHT	94.79	-0.96
RegencyCtrs	REG	63.81	1.17
RegionsFin	RF	14.88	0.24
ReinsuranceGrp	RGA	131.16	2.77
RenaissanceRe	RNR	141.27	2.22
RepublicServices	RSG	63.79	0.06
ResMed	RMD	77.79	-0.08
RestaurantBrands	QSR	62.65	0.11
ReynoldsAmer	RAI	64.80	-0.24
RiceEnergy	RICE	25.66	-0.97
RioTinto	RIO	43.60	1.29
RobertHalf	RHI	48.71	0.78
Rockwell	ROK	162.84	0.88
RockwellCollins	COL	105.61	0.53
RogersComm B	RCI	47.33	0.12
Rollins	ROL	40.28	-0.43
RoperTech	ROP	232.34	0.81
RoyalBkCanada	RY	73.39	0.87
RoyalBkScotland	RBS	6.64	0.11
RoyalCaribbean	RCL	108.84	-0.39
RoyalDutchA	RDS/A	53.67	0.48
RoyalDutchB	RDS/B	55.00	0.57
SAP	SAP	103.08	-1.59
S&P Global	SPGI	145.72	-0.27
SINOPECShanghai	SHI	53.38	-0.13
i SK Telecom	SKM	26.45	0.78
SLGreenRealty	SLG	107.52	1.72
Salesforce.com	CRM	86.10	-0.50
Sanofi	SNY	47.80	-0.11
Sasol	SSL	28.22	0.27
Scana	SCG	67.15	0.14
Schlumberger	SLB	66.97	1.13
SchwabC	SCHW	43.48	0.52
SealedAir	SEE	45.01	0.25
SempraEnergy	SRE	112.18	-0.57
SensataTech	ST	43.52	0.80
i ServiceCorp	SCI	33.20	-0.25
ServiceNow	NOW	103.58	-2.42
ShawComm B	SJR	21.61	-0.18
SherwinWilliams	SHW	353.23	2.27
ShinhanFin	SHG	43.60	0.11
Shopify	SHOP	86.00	-0.90
SimonProperty	SPG	165.18	3.42
SmithAO	AOS	56.55	0.22
Smith&Nephew	SNN	34.64	-0.21
Smucker	SJM	118.15	-0.18
Snap	SNAP	17.59	-0.18
SnapOn	SNA	158.83	0.83
SOQUIMICH	SQM	33.58	0.56
Sony	SNE	38.19	...
Southern	SO	47.65	-0.23
SoCopper	SCCO	35.09	0.46
SouthwestAirlines	LUV	62.07	-0.07
SpectraEnerPtrs	SEP	43.69	0.79
SpectrumBrands	SPB	125.34	0.30
SpiritAeroSys	SPR	58.39	0.45
Sprint	S	8.15	-0.06
Square	SQ	22.83	-0.63
StanleyBlackDck	SWK	141.78	1.05
StarwoodProp	STWD	22.55	0.16
i StateStreet	STT	91.08	1.35
Statoil	STO	16.73	0.20
Steris	STE	81.50	...
STMicroelec	STM	14.31	-0.07
Stryker	SYK	138.22	-0.56
SumitomoMits	SMFG	7.90	0.04
SunCommunities	SUI	87.86	0.17
SunLifeFinancial	SLF	35.68	-0.07
SuncorEnergy	SU	29.94	0.74
SunTrustBanks	STI	57.62	0.90
SynchronyFin	SYF	30.06	0.24
Syngenta	SYT	92.64	-0.01
Sysco	SYY	50.54	0.21
TAL Education	TAL	121.32	-0.99
TE Connectivity	TEL	78.15	-0.53
Telus	TU	34.42	-0.10
Ternium	TX	28.02	-0.07
TIM Part	TSU	15.01	0.21
TJX	TJX	71.57	-0.60
TaiwanSemi	TSM	34.88	-0.08
TargaResources	TRGP	45.02	-0.18
Target	TGT	52.65	0.36
TataMotors	TTM	33.25	0.24
TechnipFMC	FTI	28.20	1.00
TeckRscsB	TECK	17.58	0.25
TelecomItalia	TI	9.40	0.05
TelecomItalia A	TI/A	7.44	0.03
Teleflex	TFX	206.93	-0.83
TelefonicaBras	VIV	13.57	0.10
Telefonica	TEF	10.48	0.09
i TelekmIndonesia	TLK	34.76	1.09
Tenaris	TS	31.89	0.75
Teradyne	TER	29.69	-0.34
i Tesoro	TSO	95.03	1.43
TesoroLogistics	TLLP	52.78	1.09
TevaPharm	TEVA	33.31	0.09
Textron	TXT	47.73	0.63
ThermoFisherSci	TMO	174.41	-0.06
ThomsonReuters	TRI	46.28	-0.01
ThorIndustries	THO	106.67	2.15
3M	MMM	209.83	1.64
Tiffany	TIF	93.68	-0.19
i TimeWarner	TWX	101.38	0.97
Toll Bros	TOL	39.33	-0.18
Torchmark	TMK	77.25	0.75
Toro	TTC	69.69	0.40
TorontoDomBk	TD	50.99	0.61
Total	TOT	50.10	0.51
TotalSystem	TSS	57.99	-0.26
ToyotaMotor	TM	106.03	1.01
TransCanada	TRP	48.25	0.58
TransDigm	TDG	265.09	-3.78
TransUnion	TRU	43.26	-0.05
Travelers	TRV	127.34	0.81
TurkcellIletism	TKC	8.21	0.01
TurquoiseHill	TRQ	2.71	0.06
Twitter	TWTR	17.65	-0.22
TylerTech	TYL	169.83	-5.84
TysonFoods	TSN	62.58	-0.05
UBS Group	UBS	17.32	0.34
UDR	UDR	39.30	0.33
UGI	UGI	48.51	0.10
US Foods	USFD	26.91	-0.31
UltraparPart	UGP	23.54	0.01
UnderArmour A	UAA	22.28	0.52
UnderArmour C	UA	20.52	0.36
Unilever	UN	54.98	-0.29
Unilever	UL	53.83	-0.29
UnionPacific	UNP	110.04	1.13
UnitedContinental	UAL	75.08	-0.17
UnitedMicro	UMC	2.41	-0.03
UPS B	UPS	110.61	0.02
UnitedRentals	URI	113.21	0.50
US Bancorp	USB	52.58	0.66
US Steel	X	22.40	0.26
i UnitedTech	UTX	122.08	-0.03
UnitedHealth	UNH	186.65	1.23
UniversalHealthB	UHS	121.54	-0.54
UnumGroup	UNM	47.23	0.60
VEREIT	VER	8.36	0.22
VF	VFC	57.69	0.09
Visa	V	93.35	-0.43
VailResorts	MTN	200.23	-2.60
Vale	VALE	8.92	0.17
ValeantPharm	VRX	16.97	-0.33
ValeroEnergy	VLO	68.02	0.56
Vantiv	VNTV	62.51	-0.83
VarianMed	VAR	102.90	-0.29
Vedanta	VEDL	15.75	0.23
VeevaSystems	VEEV	60.45	-0.86
Ventas	VTR	69.98	0.50
Verizon	VZ	45.00	0.34
† Vipshop	VIPS	10.23	-0.32
VistraEnergy	VST	17.01	0.22
VMware	VMW	85.89	-1.54
VornadoRealty	VNO	95.83	1.93
VoyaFinancial	VOYA	37.69	0.80
VulcanMaterials	VMC	127.14	0.46
i WABCO	WBC	129.31	1.80
WEC Energy	WEC	61.11	-0.27
W.P.Carey	WPC	67.35	1.34
i Wabtec	WAB	92.51	1.01
Wal-Mart	WMT	75.36	-0.32
WasteConnections	WCN	64.65	0.23
WasteMgt	WM	73.40	0.05
Waters	WAT	182.52	-1.32
Watsco	WSO	155.21	1.01
Wayfair	W	74.46	-2.42
WellCareHealth	WCG	179.81	0.25
Wells

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Banks Face Hurdles After Stress Tests

The Fed's approvals fuel a rally, but tough conditions on lending, rates are still an issue

By Telis Demos

Bank stocks soared after lenders handily passed the Federal Reserve's stress tests, but the upbeat finish to the second quarter belies a tough spell amid challenging lending and interest-rate conditions.

Those trends threaten to drag on banks' performance in coming months, a potential counterweight to the higher dividends and share buybacks many banks announced last week. In the second quarter, growth in business lending fell to its slowest pace since spring 2011. Long-term interest rates remain close to historically low levels, despite an uptick in the last week of June. And market volatility remains subdued, resulting in muted trading activity.

"As we head into the second half of the year, the question is how long can banks fight the fundamentals," said James Chappell, an analyst at banking group Berenberg. "Earnings expectations may be too high."

Worries about banks' underlying performance have weighed on their stocks this year, even though first-quarter results were strong. Financial stocks in the S&P 500 have led all sectors since November's U.S. election, but the bulk of the gains came in late 2016. In the first half of 2017, financial stocks trailed the broader market.

In the second quarter, the KBW Nasdaq Bank index, which tracks 24 of the U.S.'s biggest banks, lagged behind the S&P 500 until the stress-test results were announced June 28. The end-of-quarter surge happened as banks announced shareholder payouts—through dividends and share buybacks—that are just shy of their highest level relative to earnings in nearly two decades, according to analysts at Barclays.

Regional banks didn't get the same bump. The KBW Regional Banking index was nearly unchanged in the second quarter, trailing the broader market. In the first half, it was down more than 4%.

Besides the immediate prospect of more cash in hand for shareholders, the stress tests also bolstered investor hopes that the Trump administration would usher in a period of less-stringent bank regulation. That approach could help bolster returns on equity, which have remained tepid.

Donald Trump's election spurred hopes for even broader changes from Washington, namely a tax-code overhaul and policies, such as major infrastructure spending, that would promote stronger economic growth. But these have yet to bear fruit.

That has led to a decline in confidence that growth will accelerate. As a result, long-term interest rates slid in the second quarter.

0.9

Percentage spread between 10- and 2-year Treasurys at June 30

At the same time, short-term rates have marched higher thanks to continued increases in the Fed's rates.

The result: The difference in yields between 10-year and two-year Treasurys, which is a proxy for the profits banks can make from borrowing and lending money, fell below 1 percentage point in mid-May. It has stayed there since and closed the quarter at 0.90 percentage point. In the wake of the election, the spread topped out at 1.35 percentage points in late December.

Bank of America Corp. Chief Executive Brian Moynihan told investors in May that the bank's potential net-interest income growth in the second quarter could be lower by tens of millions of dollars compared with the first quarter. "We always follow the [yield] curve, and it's been lower," Mr. Moynihan said at an investor conference.

The other point of concern, slowing lending activity, is a bit of a mystery. Bank executives have been at a loss to explain the decline, especially given the surge of optimism among business owners following the election.

Loans and leases in bank credit, which are counted on a weekly basis, were up 3.8% in late June compared with the same period in 2016, according to Fed data released on Friday. That was the slowest rate of growth in more than three years. The week before the presidential election, banks registered a 7.3% rate.

Meanwhile, trading activity has been held back as hopes for an uptick in inflation, which would lead long-term interest rates higher, have faded. Also, volatility levels during the quarter plumbed historic lows, which also suppressed trading.

Executives at J.P. Morgan Chase & Co. and Citigroup Inc. warned during the second quarter that trading revenues may be down by double-digit percentage points from those of the year-earlier period.

STEFANO RELLANDINI/REUTERS

The headquarters of Monte dei Paschi bank in Siena, Italy. The bank, the fourth-largest in Italy, faces an €8.1 billion capital shortfall.

Italy Spends Billions to Save Lender

By Deborah Ball

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

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

The bank, which is the world's oldest, will give details of its new industrial plan Wednesday morning in a presentation to analysts.

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

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

A Monte dei Paschi spokesman declined to comment Tuesday.

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

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

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

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

With the Monte dei Paschi bailout and liquidation of the two lenders, the government has done much to address the weakest parts of Italy's banking sector, say officials. For instance, with the capital injection, Monte dei Paschi will have one of the biggest capital cushions in European banking.

Under pressure from the European Central Bank, which is pushing European banks to address the problem of bad loans, Italian banks have stepped up efforts to sell and liquidate sour debt, with tens of billions of such loans earmarked for disposal.

Nonetheless, the Italian banking system is among the weakest in Europe, with about €200 billion in bad loans. The banks have suffered from a combination of poor management, low interest rates, poor profitability and economic growth that has been the weakest in the region for years.

Italy's banking woes remain a serious impediment to a stronger recovery in the country, which isn't enjoying the rebound other European countries have seen. Italy's economy is expected to grow about 1% this year, slightly more than half the rate for the eurozone as a whole.

—Eric Sylvers contributed to this article

Nationalization of Monte dei Paschi Raises Questions

By Giovanni Legorano

Italy's nationalization of **Banca Monte dei Paschi di Siena** SpA, announced Tuesday, and its decision to sink billions into two failing banks are raising questions about whether the government's approach to bank oversight has helped or hurt taxpayers.

Italian taxpayers face a bill of up to €22 billion ($27 billion) to clean up the three sickly Italian banks. Some argue that Rome has moved too slowly.

"It's incredible we are still talking about state intervention," said Lorenzo Codogno, former director general at Italy's Treasury and chief economist at LC Macro Advisors Ltd.

Officials defend their actions; they say their intervention limited losses for the lenders' clients and contained the damage the ailing banks' failure could have caused to the financial system and the broader economy.

The challenges in some ways are representative of difficulties in bank rescues across Europe, especially when compared with the track record in the U.S.

In the financial crisis, the U.S. government intervened quickly and aggressively to shore up teetering banks and exited with a profit. By contrast, governments in the U.K., Ireland, Spain and Portugal are still owners of important banks that they have rescued over the last nine years, as political pressure, lackluster growth and a failure to restore precrisis levels of profitability stall the process of selling.

Executives at Monte dei Paschi expect Rome to control the Tuscan bank for many years, said a person familiar with their thinking. A bank representative declined to comment.

In Rome, government and Bank of Italy officials say, choices were driven by a determination to avoid applying Europe's tough new banking rules, particularly the bail-in clause that demands that shareholders, creditors and even some depositors suffer losses before governments can inject money in struggling banks.

"The situation at Monte dei Paschi has been neglected for years, but if you don't act quickly problems mount," said Silvia Merler, an affiliate fellow at Bruegel, a think tank.

Last month, two banks that a government-orchestrated fund attempted to rescue last year—**Banca Popolare di Vicenza** SpA and **Veneto Banca** SpA—finally went bust, requiring a government rescue.

Italian officials, who say the government could recoup over time all of the taxpayer money from the liquidation of the two, midsize lenders and even pocket a profit, defend the transaction.

The operation regarding the two lenders "was a necessary and unavoidable operation," said Fabio Panetta, deputy governor of the Bank of Italy. In general, Italian officials argue their efforts to limit bail-ins ultimately avoided destabilizing situations that would have carried far higher costs to the sector and, possibly, to taxpayers.

GIAN MATTIA D'ALBERTO/LAPRESSE/ZUMA PRESS

Bank of Italy Deputy Governor Fabio Panetta defended action.

How MPS's Fall and Rescue Unfolded

2007: Monte dei Paschi buys Banca Antonveneta for €9.3 billion.
2011: European stress test finds the bank has a capital hole of €3.3 billion.
2011-2013: The lender borrows €4.1 billion from the government to stay afloat.
2012: MPS's chairman and top management are replaced.
June 2014: MPS raises €5 billion in fresh capital and pays back €3 billion of the government loan.
November 2014: New stress tests find the bank the worst capitalized lender in Europe.
The ECB takes over as its supervisor. The bank is officially declared up for sale.
2015: MPS raises €3 billion in fresh capital and pays back the rest of the government loan.
2016: Announces plan to raise €5 billion and sell €28 billion in bad loans.
December 2016: Fails to raise capital from private investors. Italian government announces bank's rescue. Capital shortfall rises to €8.8 billion from €5 billion.
June 2017: Bank of Italy says MPS precautionary recapitalization is "done deal," with only the EU Commission approval still missing for the bank's nationalization.

FINANCE WATCH

BARCLAYS PLC

Former Executives Face Fraud Charges

LONDON—Former **Barclays** PLC Chief Executive John Varley and three other former executives appeared in a West London court Monday to face fraud charges over deals struck to secure emergency Mideast funding during the financial crisis.

Lawyers representing Mr. Varley and Roger Jenkins, a former senior Barclays investment banker, said their clients intended to plead not guilty to the charges. A lawyer representing Barclays, which was also charged, said the bank hadn't yet come to a decision on its own position.

Britain's Serious Fraud Office has spent five years investigating how Barclays wooed Qatari investors to prop up the bank. In total, Barclays raised £11.8 billion ($15.4 billion) from investors through two emergency cash calls in June and October 2008. Its examination has focused on £322 million in "advisory services" that were paid to Qatari investors as part of the cash injection, an agreement that wasn't initially disclosed to shareholders.

The SFO also scrutinized a $3 billion loan facility to the state of Qatar made by Barclays just weeks after the October equity raise.

—Max Colchester

BANKRATE

Website Operator In $1.24 Billion Deal

Red Ventures LLC agreed to buy personal-finance website operator **Bankrate** Inc. in a $1.24 billion all-cash deal as it seeks to expand its presence in the financial-services industry.

Red Ventures, a Fort Mill, S.C., data company that connects financial-services, home-services and health-care businesses to consumers, plans to pay Bankrate shareholders $14 a share, an 8.9% premium to Friday's closing price.

Bankrate's flagship sites include CreditCards.com, Bankrate.com and Caring.com. The company also owns and operates other specialist sites, apps and social platforms including NextAdvisor.com and Interest.com. It also provides content, tools and services to more than 100 online partners.

— Ali Stratton

ILLINOIS DEBT

S&P, Fitch Laud Legislative Efforts

Two Wall Street ratings firms, **S&P Global** Inc. and **Fitch Ratings**, lauded efforts to end Illinois's fiscal stalemate but warned of consequences if officials can't agree on a new package of taxes and spending.

S&P said there is "increased likelihood" that Illinois will soon have a budget in place following a House vote Sunday approving higher personal and corporate income taxes. If those attempts falter, S&P said, "the weakened condition of Illinois' finances and liquidity provide it with minimal margin at its current rating level."

S&P currently rates Illinois debt at one level above junk. It warned last month that Illinois would drop to junk credit status if it wasn't able to solve its partisan gridlock. Such a downgrade would worsen Illinois's financial straits by likely increasing interest rates on all future borrowings.

Fitch Ratings, which currently has Illinois rated two notches above junk, also issued a statement Monday citing "concrete progress." It didn't express concern about a pledge from Gov. Bruce Rauner to veto the House legislation, saying "there appear to be sufficient votes to override the veto."

—Heather Gillers

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Weak Tech Sector Hits Overseas Stocks

By Riva Gold
And Ese Erheriene

Global stocks retreated Tuesday amid fresh doubts that technology companies could continue to lead markets higher.

The Stoxx Europe 600 edged down 0.3% following steeper losses across Asia, while U.S. markets were closed for Independence Day.

EQUITIES

Technology shares trailed the wider market in Europe and led declines in Japan, Hong Kong and Australia as a setback in U.S. technology companies the previous day reverberated overseas. Taiwan's technology subindex dropped 1.1%, while internet giant **Tencent Holdings** slumped around 4% as Hong Kong's Hang Seng Index fell 1.5% to its lowest close since May. Early Wednesday, the index was down a further 0.4%.

Investors globally have been rotating out of the first half's leading sector in recent sessions and into areas such as banks, which are considered comparatively cheaper and tend to benefit more from a rising interest-rate environment.

"The last leg of the tech rally was a very genuine and well earned price appreciation supported by fundamentals that justify it—the problem is, that seems now largely to be complete," said Guy Monson, chief investment officer at asset manager Sarasin & Partners. He views better opportunities among shares of financials, which also act as a hedge against a rise in government bond yields. Higher rates tend to improve banks' net interest rate margins.

Europe's banking sector is up 3.5% from a week ago, compared with a 3.2% loss for tech companies over that time. Still, even as investors seek to shift holdings from growth into value stocks, the market may find itself challenged in the second half of the year after a solid run, some investors worry.

Australia was a noted bright spot as equities there rebounded 1.7% on strong gains in financial, materials and energy stocks.

Australia's central bank left interest rates unchanged but the Australian dollar weakened as the central bank surprised some market participants by sticking to a neutral tone on policy despite recent signs of improvement in the economy.

1.5%

Hong Kong's Hang Seng Index fell by this much on Tuesday.

Early Wednesday, Australia's S&P ASX 200 was down 0.5%.

Haven assets also found some support Tuesday after North Korea launched another missile into the waters between South Korea and Japan, although financial markets showed a muted reaction to the 13th such launch this year.

Early Wednesday, Japan's Nikkei was down 0.3%, while South Korea's Kospi was flat.

Gold rose 0.3% to around $1,222.60 an ounce during European trading from its lowest level in nearly two months while yields on 10-year German bunds edged down to 0.474% from 0.488% Monday. Yields move inversely to prices.

U.S. bond markets were closed for the holiday after 10-year Treasury yields rose for five straight sessions to 2.352%.

"We're not pulling people out of intermediate bonds because we don't think risks are unduly large," said Katrina Lamb, head of investment strategy at **MV Financial**. "In terms of a paradigm shift from the banks, we don't see that yet," she said.

—Paul Hannon and Tapan Panchal contributed to this article.

Some Indexes Buck Upbeat Trend

Most of the biggest stock markets fared well in the first half; these four didn't

By Steven Russolillo

Stock markets around the world collectively had their best first half in years, but not everyone was a winner.

Just four prominent stock-market indexes fell through the first six months of the year. Benchmarks tracking Russia, China, Israel and Canada were the rare losers in an environment where nearly everything else rallied.

Analysts cite a confluence of reasons for why those four indexes declined, including exposure to falling oil prices and "mean reversion"—the idea that a pullback in those markets was inevitable following sharp rallies in 2016.

Here is a look at the countries that are lagging behind and what could be in store for the rest of the year.

OLIVER BUNIC/BLOOMBERG NEWS

Russia's stock market was hurt in the first half of the year by a 14% decline in oil prices.

Russia

Russia's RTS Index sank 13% in the first half, the worst performer of the 30 indexes tracked by The Wall Street Journal. While the drop looks severe, it follows a 52% surge in 2016 and heightened volatility for much of the past decade. The index lost four-fifths of its value peak to trough during the financial crisis. It then nearly recovered through 2011 before falling a further 70% over the ensuing five years.

Oil prices are down 14% this year and in June entered a bear market. Oil's decline and the possibility of tighter sanctions on Russia have hit the country's stock market.

"You've seen a 180-degree turn on sentiment around Russia," said Geoffrey Wong, head of global emerging-markets and Asia-Pacific equities at UBS Asset Management. "Any stabilization in oil prices should be good for equities going forward."

Politics have played a part in diminishing Russian stocks' appeal, too, thanks to the continuing probes into Russia's alleged influence over the U.S. presidential election last year.

China

While most barometers of Chinese equities have done well this year, Shenzhen-listed stocks have lagged behind. The Shenzhen Composite Index dropped 3.6% in the first half while its Shanghai counterpart rose 2.9%. And the MSCI China Index, which includes mostly Chinese companies listed in Hong Kong and the U.S., surged 24%.

Shenzhen's weakness is a surprise. The market is home to many companies that should benefit as China's economy shifts to being driven more by consumer demand. Around one-fifth of the market is made up of tech stocks, a sector that has enjoyed a stellar start to the year in other countries.

Shenzhen-listed companies tend to be smaller and more volatile than those listed in Shanghai. Slowing economic growth and a crackdown on speculative investing driven by leverage could hurt Shenzhen-listed equities in the second half of the year, analysts warn.

Israel

Here the market's weighting toward tech stocks ought to have given it an advantage, but Tel Aviv's flagship TA-35 Index slipped 3.1% in the first half.

Three of the index's top five constituents are in the pharmaceuticals sector, which has struggled during the first half of the year. **Teva Pharmaceutical Industries** Ltd., the world's biggest seller of low-price generic drugs and Tel Aviv's biggest listing by market cap, slumped 16%, hurt by an increasingly difficult pricing environment.

Canada

The Toronto exchange's benchmark S&P TSX waffled between small gains and losses in the first half before finishing down 0.7%, with companies like **Suncor Energy** Inc. hurt by falling oil prices.

Canada's housing market has also shown signs of strain. In April, Canadian authorities accused lender **Home Capital Group** Inc. of misleading investors about mortgage-application fraud. The company soon afterward tapped an emergency line of credit. Moody's Investors Service also downgraded the Canadian banking sector in May, citing high private-sector debt levels.

The S&P TSX gained 18% last year, so the index's slow start this year might also be a partial swing back from last year's rally.

STREETWISE | By James Mackintosh

Spike in VIX Fear Gauge Should Set Off Alarms

Some dates deserve a place in market history. Black Monday 1987 and Black Thursday 1929 occurred before the VIX fear gauge was created, but the volatility index's three biggest intraday rises also resonate: August 2015's China fears. May 2010's flash crash. February 2007's subprime concerns mixed with another China panic.

Last Thursday shouldn't merit being on the list. Central bankers kind of maybe indicated that just possibly they might do what they previously said they would do, and tighten monetary policy if the economy improves. Yet the VIX, a measure of the volatility expected over the next 30 days, had its fourth-biggest-ever rise of 55% from open to peak, before recording its eighth-biggest fall from peak to close. By its low on Friday it was back in the lowest 1% of VIX readings ever. The VIX was created in 1993.

The outsize reaction to so little news tells us three things, all worrying.

First, investors are very concerned about any signs that central banks might pull back from super-easy monetary policies. Second, when volatility starts to go up it can go up a lot faster than anyone thought. And third, complacency still rules, with "buy the dip" firmly embedded in investor psychology after an eight-year bull market.

The second of these is the biggest danger to the growing group of investors who have been betting on low volatility. They are convinced it is safe because in the past the markets have given plenty of warning before a spike. When low-volatility regimes have ended in the past, they have typically trended higher before turning really nasty, giving investors time to get out. If volatility is no longer predictable, the "short-vol" strategies used by hedge funds, pension funds and institutional investors—and available through exchange-traded products, too—are riskier than their advocates suggest.

Just how risky was evident last week. The VelocityShares Daily Inverse VIX exchange-traded note, known by its ticker XIV, tumbled 15% intraday on Thursday. Investors must decide if this is advance warning of danger ahead or merely a move to be expected after gains of 263% in the previous 12 months.

In some ways, this is the same assessment investors always have to make. Is the market signaling complacency, or is volatility low—and stock and bond prices high—for a good reason: Because profits are strong, inflation low and the economic outlook sunny? Christian Mueller-Glissmann, a strategist at **Goldman Sachs**, says in past periods of low-inflationary growth such as the 1960s and 1990s, volatility stayed low.

But in another way the decision is specific to volatility. It is one thing to put money on volatility staying low as a high-risk, high-reward bet that nothing upsets the calm in the next 30 days. It is quite another to do it on the basis that when markets start to become more volatile there will be a shift to a higher volatility regime before a major VIX spike.

The losses to the strategy when the VIX does jump can be torture.

The August 2015 panic meant those who had continued selling volatility—despite a warning from a smaller VIX rise earlier that summer—lost more than half their money. The XIV exchange-traded note took until January 2017 to recover all its losses.

There are two causal stories to tell behind these concerns. One is that *explicit* bets against volatility are crowded, so when volatility starts rising, the rush for the exit drives it up further. Anecdotally this feels right, and open interest in VIX futures is close to record levels. Against that, Goldman analysts point out that across all VIX-related exchange-traded products, overall bets are still on higher volatility—so still more could go in before short vol positions are as extended as in 2015.

The second story is that *implicit* bets against volatility such as equities or emerging-market debt are crowded. Investors who have been persuaded by calm markets to move out of their comfort zone to buy riskier assets are very sensitive to any sign that the market or economic cycles might be ending.

Accept either of these stories, and you will want to avoid bets against volatility and have a more balanced portfolio. Unless, that is, you buy into a radical explanation for low volatility: Perhaps the market is finally approaching efficiency.

The efficient-market hypothesis has been roundly ridiculed since the Lehman crash, and for good reason.

But one of the academic arguments against is that if markets were truly efficient, they would be much less volatile than they actually are, as Robert Shiller, now at Yale, set out in a 1981 paper. Investors should trade less and shares move around much less. Active management would probably be less popular, too, as a more efficient market is harder to beat.

Well, volatility has collapsed, money has flooded into passive funds and trading is increasingly done by dispassionate algorithms.

Prof. Shiller even accepts that the market is in some ways more efficient than it used to be.

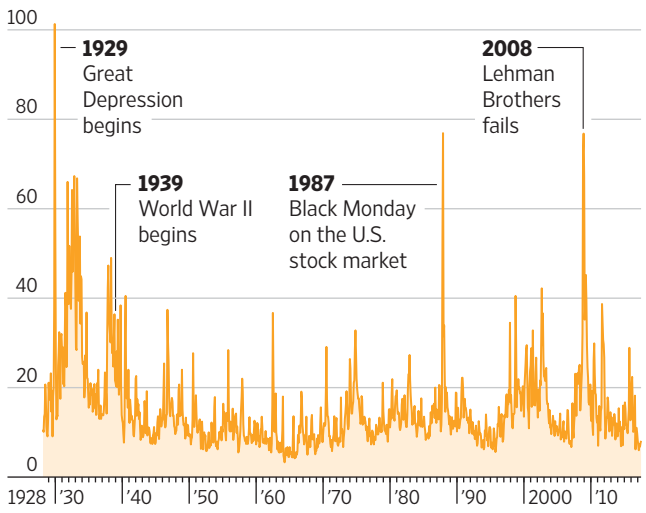
But has the market actually become efficient? No.

"It has to do with mass psychology," Prof. Shiller told me. "Maybe in the next 200 years it will happen."

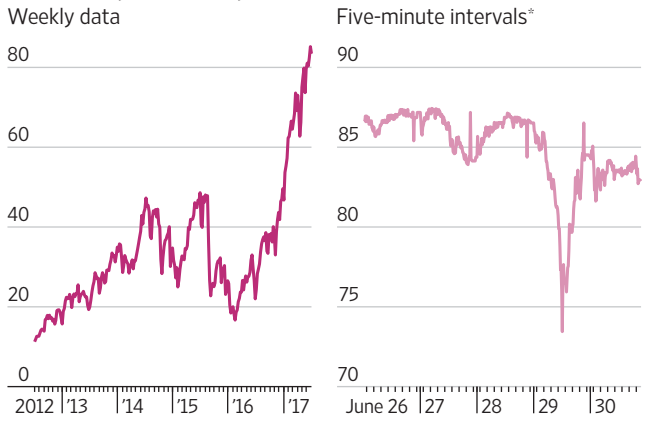
The Calm Before...

U.S. stock volatility is close to the lowest in history. Ways to bet on volatility staying low, such as the XIV exchange-traded note, were hit when volatility briefly spiked last week.

S&P 500 one-month realized volatility
Monthly data



XIV: VelocityShares Daily Inverse VIX Short-term ETN



*Through June 30
Sources: Bloomberg, Goldman Sachs Global Investment Research (S&P); Thomson Reuters Datastream (XIV); Thomson Reuters (XIV intraday) THE WALL STREET JOURNAL.

China's Hong Kong Bond Link Is Off to Quiet Start

By Shen Hong

SHANGHAI—China's bond market showed little reaction as Beijing and Hong Kong opened a trading link giving global investors additional access to the world's third-largest debt market.

CREDIT MARKETS

Despite fanfare at the opening ceremony in Hong Kong for the Bond Connect link, Chinese bond prices were mostly steady throughout the trading day. The yield on China's benchmark 10-year government bond slipped 0.04 percentage point to 3.53%, while on the one-year it was down 0.005 percentage point at 3.46%. Yields fall as bond prices rise.

"I am sure there's champagne and balloons at the ceremony in Hong Kong, but here in Shanghai it's just another trading day. I don't feel a thing," said a Shanghai-based senior bond trader at an Asian bank.

The link allows investors based in Hong Kong to trade directly in China's $9 trillion market.

Its launch follows last year's landmark opening of the bond market to global investors with trading accounts inside China and is modeled in part on the stock-market links between Hong Kong and Chinese exchanges in Shanghai and Shenzhen.

Unlike the stock-market links, the bond-trading connection is one-way: Foreigners can buy bonds in the mainland market, but mainland Chinese investors can't do likewise in Hong Kong. China has been fighting to stem capital outflows and reduce downward pressure on its currency.

Few expect a huge rush of foreign money into Chinese bonds as a result of the new trading link, given that investors can already buy bonds in China.

Chinese bonds aren't yet included in major bond indexes, so the many investment funds that track those indexes don't have to enter the market. Analysts say concerns about frequent bouts of volatility and the reliability of local credit ratings could keep investors away.

"The bond connect will at best serve to improve investor sentiment now, but given the less-than-convenient arrangements regarding clearing and so on, its positive impact will only become material in the medium to long run," said Tang Yue, an analyst at Industrial Securities.

Market participants say that in addition to the paperwork, there are also concerns about currency conversion and hedging to offset exchange-rate risks.

—Gregor Stuart Hunter in Hong Kong contributed to this article.

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MARKETS

U.S. Oil-Price Rally Is Longest in Years

Data indicate that American output may be slowing as rigs drilling for crude drop

By Alison Sider And Georgi Kantchev

U.S. oil prices are in the midst of their longest rally since 2010, bolstered by reports that U.S. production may be slowing.

In thin trading around the Fourth of July holiday in the U.S., global oil benchmark Brent crude fell 7 cents, or 0.14%, to $49.61 a barrel on London's ICE Futures exchange, breaking an eight-session streak that was its longest rally since 2012. West Texas Intermediate, the U.S. benchmark, edged higher in abbreviated electronic trading, but there was no settlement price due to the holiday.

Oil prices had gained about 11% in the previous eight sessions. That rally has been U.S. crude's longest run of gains since a 10-session streak that ended Jan. 6, 2010.

Now investors are looking to this week's U.S. government report on oil output and stockpiles, which will be out Thursday instead of the usual Wednesday because of the holiday.

Crude slid into bear market territory in June, falling more than 20% from this year's February highs amid worries that a rebound in U.S. output was offsetting supply cuts by OPEC and other exporters and would continue to weigh on the market.

Three years after oil prices began their steep decline, many American shale drillers have adapted by focusing on their best acreage and making technological improvements that allow them to continue pumping even as the price stays relatively low.

But U.S. producers may not have ramped up earlier this year as quickly as many in the industry thought, and they may now be slowing down. U.S. data late last week showed that production in April fell, contrary to the increase that preliminary weekly production figures had shown, and the number of rigs drilling for crude fell for the first time since January.

Even though the decline was a small one—the rig count ticked down by just two last week—some see the drop as a sign that shale producers wouldn't be able to keep up the relentless pace of drilling at prices below $45 a barrel. On Monday, U.S. crude rose to $47.07.

"If prices stay low, we're going to see [capital expenditures] cuts. We're going to start dropping rigs," said Rob Thummel, managing director for Tortoise Capital Advisors.

The evidence that shale producers are slowing remains modest and preliminary. Much of the production decline in April came from the Gulf of Mexico, where maintenance work weighed on output.

Also, investors have seen oil prices rise before on the belief that U.S. production was falling. Those higher prices then motivated the shale industry to step up production again, keeping crude within a range.

After prices fell to their lowest levels in more than a decade early last year, U.S. drillers idled rigs and output hit a low of under 8.5 million barrels a day by the summer. That, coupled with the OPEC cuts later in the year, pushed the price back up.

But as prices rose, American producers ramped up again, increasing their production to above 9 million barrels a day by February this year, and putting pressure on the market once more.

Further complicating the efforts to drain the glut, oil may be flowing faster in other parts of the world.

Analysts at consultancy JBC Energy estimate that OPEC's crude production rose by 210,000 barrels a day in June.

More than half of the increase was due to the startup of several fields in Libya, which is an OPEC member but exempt from their output deal.

Tepid demand growth is also undermining analysts' belief that the price rises will sustain through this year.

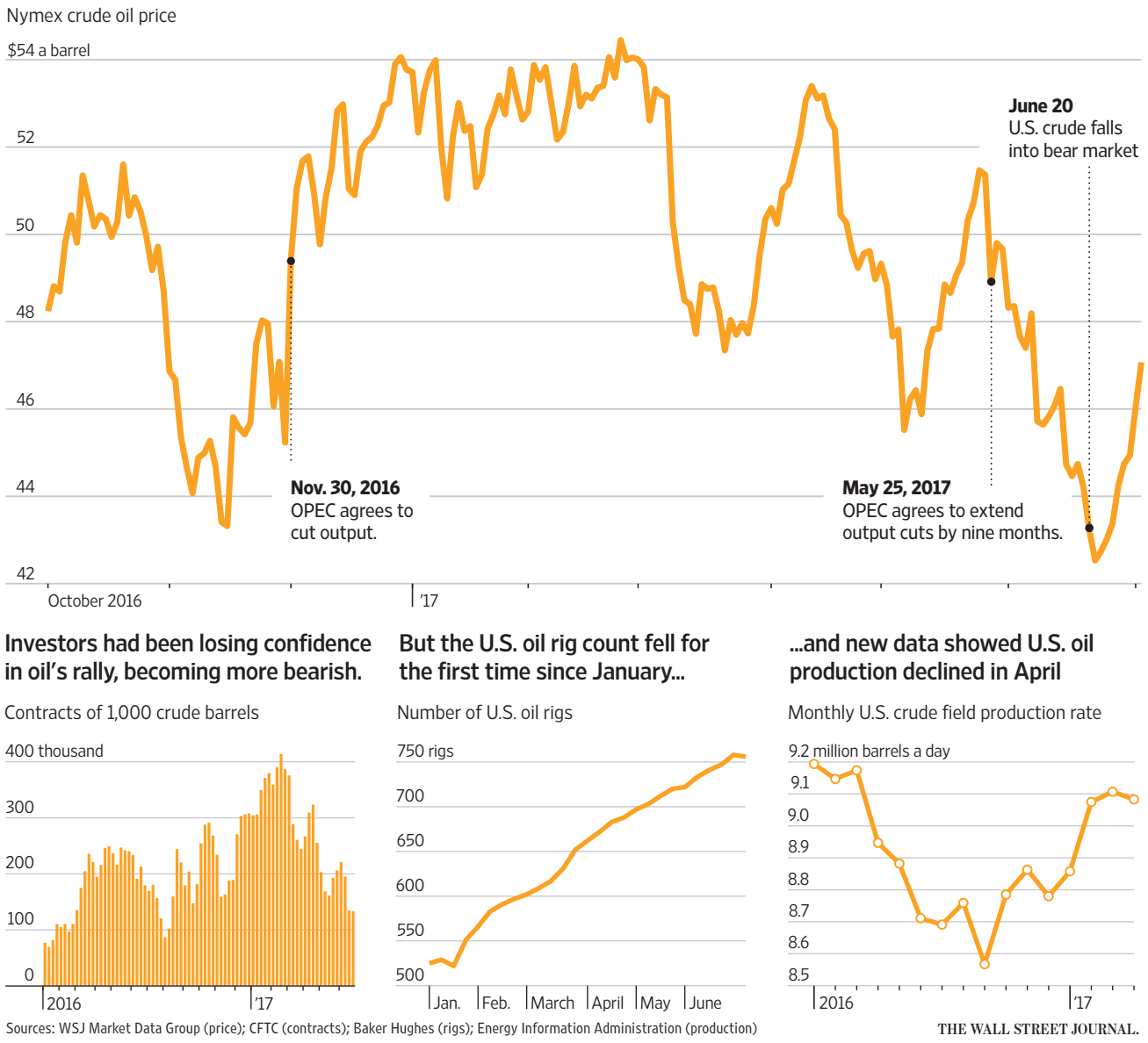
And some say the recent rally has been more technically driven than a sign of a major shift.

Trading was light ahead of the holiday Tuesday in the U.S. Some analysts said the rally was likely driven more by investors closing out bets on falling prices than by new bets on rising prices.

Going forward, "the market will be looking at the relationship between prices and rig counts and ultimately production," said Tom Pugh, a commodities analyst at Capital Economics. "Everybody is watching what happens in the U.S."

Rebound

Oil prices have been rebounding after sliding into a bear market in June amid signs that U.S. oil production may be slowing. Brent crude, the global benchmark, fell slightly Tuesday.



Sources: WSJ Market Data Group (price); CFTC (contracts); Baker Hughes (rigs); Energy Information Administration (production)

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MetLife Spinoff Looking Bright

Over the next few weeks, investors in **MetLife** will be handed separate shares in the company's original retail business. When the shares start trading soon after, get ready for a wild, and potentially very profitable, ride.

The company, known as **Brighthouse Financial**, will be highly leveraged to interest rates, offering investors a timely chance to take sides in one of the great financial debates of our time. The key question is whether interest rates will return to what were previously regarded as more normal levels or if they have settled at a permanently lower plateau.

If you believe that last week's kick up in yields was a first step in the higher rates scenario, Brighthouse is for you: The company's main businesses of individual life insurance, variable and standard annuities are all highly sensitive to interest rates. This has made them a drag on MetLife's performance for the past several years.

The regulatory filing for the Brighthouse spinoff lays out the company's expected performance under five scenarios for rates and equity markets. Its base-case scenario somewhat bullishly assumes that rates on 10-year U.S. Treasurys will gradually rise over the next decade to 4.25%, from around 2.30% today. It also assumes that variable annuity policyholders will see annual returns of 6.5% on their stock and bond investments.

Under this scenario, Brighthouse thinks it should be able to achieve a 9% return on equity. That is still a bit subpar by the standards of most financial companies, which investors generally expect to post a 10% or higher ROE. Lower interest rates or weaker equity markets would mean a worse return.

This underwhelming outlook is why Brighthouse is likely to sport a relatively cheap valuation when it starts trading. Evercore ISI analyst Thomas Gallagher figures Brighthouse is probably worth 0.5 to 0.7 times adjusted book value, similar to where annuity provider Voya Financial is trading.

Voya has acted as a leveraged play on interest rates since it was spun out of **ING** in 2013. When rates spiked after last year's presidential elections, for instance, Voya rallied nearly 30% in a month.

After shedding Brighthouse, MetLife will specialize in selling group policies to businesses, becoming less visible to consumers. It will also be a more predictable earner through the economic cycle, less prone to whiplash from changes in rates. That will appeal to many investors.

But assuming Brighthouse begins life at a modest valuation, investors probably shouldn't rush to sell it. Owning shares of Brighthouse could itself act as a kind of cheap insurance policy, against the risk of suddenly higher interest rates.

—Aaron Back

Bumpy Ride

Share performance of Voya Financial, a potential proxy for Brighthouse Financial

Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

OVERHEARD

Nearly every brand has tried to figure out social media. Many have failed, according to their customers.

In a quest to appear hip and relevant, brands post funny videos, comments, critiques and pipe up in conversations. The customer reviews are pretty poor, according to an April survey by social media analytics and monitoring service **Sprout Social** and cited by eMarketer.

Among the things those surveyed didn't like: Brands using slang, disliked by 69% of respondents; brands making fun of competitors, 67%; brands talking politics, 71%. Not surprisingly, the biggest loser for companies was making fun of their customers, of which 88% disapproved.

What few things do brands do right? The survey showed 83% of respondents thought it was cool when brands used video clips and when they used social media to respond to customer questions. The best advice for brands on social media may be: Don't do much.

Dismal Math Of Investing In Bonds

Tiny hints from central banks about policy normalization shook markets up last week. They were also a reminder of the highly abnormal situation bond markets find themselves in, with little or no cushion for investors against rising yields.

Returns on bonds come from two sources: the interest income that accrues to holders and changes in bond prices. Years of zero-interest-rate policy have drastically reduced the former, making the latter far more important. That shift has changed the way normally reliable bonds behave.

Take Germany, which was at the center of last week's repricing: The country's benchmark 10-year bond pays a coupon of 0.25%, and at the start of last week was priced nearly close to par, with a yield of 0.25%. By the end of the week, it yielded 0.47%, but the bond's price had dropped by around 2%, data from Tradeweb show.

It gets worse: Yields on all German government bonds that mature out to the start of 2024 are still negative. So far this year, the German bond market as a whole has returned minus 1.9%, according to Bank of America Merrill Lynch index data.

The U.S. is faring a bit better, and higher bond yields give a little more room for maneuver. But last week's swing still reduced year-to-date returns to 1.9% from 2.7% a week earlier on BAML's index.

Even if yields don't surge from here—with forces like demographics, regulation and still-soft inflation weighing on the fixed-income market—the outlook for returns is hardly inspiring. Bond investors face thin times.

—Richard Barley

J.P. Morgan Prepares to Get Its Deal-Making Game On

J.P. Morgan Chase & Co. might be about to get back on the acquisition trail after what feels like forever. It is the relatively obscure business of payments technology and infrastructure that may have James Dimon's animal spirits flowing.

The banking giant has made an early approach for U.K.-based **Worldpay**, the target company said Tuesday. And one of the U.S.'s leading payments companies, **Vantiv**, made a separate early approach, Worldpay added.

The payments sector has been a hive of activity in recent years and is seen as ripe for consolidation. Companies like Worldpay are investing heavily in new technology to help retailers take money from customers online and in the real world via cards, mobile phones or other devices.

But while e-commerce and the use of debit and credit cards in stores continues to grow, Worldpay's revenue growth disappointed in some areas last year, particularly in the U.S., where technical problems slowed the deployment of new physical terminals for retailers.

One problem is that for all the excitement around new systems for retailers, the industry faces a major threat, especially in Europe. The payments market is about to be opened up to new competitors, known as Payment Initiation Service Providers, which will be able to entirely bypass the current pipework which links together banks, card networks and payment acquirers.

This is the route through which all payments currently run, including those made via mobile phones or other apparently new forms of payment.

The new payments competitors will be able to enact a direct—typically free—transfer from one bank account to another.

The existing pipework currently collects revenues as a tiny percentage of the value of each card payment, which is split between a bank, the card network and the acquirer. A competitor that bypasses this setup could charge much less.

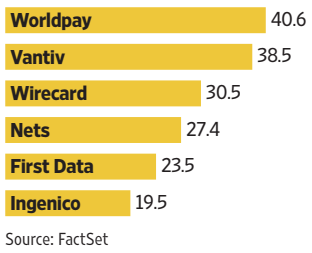
J.P. Morgan is part of that pipework and acquiring another section of the pipe could defend it against competition. When all these payment players face challenged revenues, it is no wonder that they are eyeing each other up.

Mr. Dimon hasn't done a major deal since the financial crisis, when the bank acquired Washington Mutual and Bear Stearns, both aided by government bailouts. With little deal making since then, it has announced stock buybacks worth close to $60 billion. Now it may finally be finding a better use for its cash.

—Paul J. Davies

Payments Promise

Payment companies' price/earnings ratio forecasts for 2017



Source: FactSet