

THE WALL STREET JOURNAL.

DOW JONES | News Corp

TUESDAY, JULY 11, 2017 ~ VOL. XXXV NO. 112

WSJ.com EUROPE EDITION

DJIA 21408.52 ▼ 0.03%

NASDAQ 6176.39 ▲ 0.38%

NIKKEI 20080.98 ▲ 0.76%

STOXX 600 381.64 ▲ 0.38%

BRENT 46.88 ▲ 0.36%

GOLD 1212.10 ▲ 0.29%

EURO 1.1400 ▼ 0.03%

What's News

Business & Finance

China's Dalian Wanda is selling off theme parks and hotels in a deal that would pare down a debt load that has drawn regulators' attention. **A1**

◆ **Abercrombie & Fitch's** efforts to sell itself have stalled, leaving it to continue trying to right its business on its own. **B1**

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

◆ **Newspaper publishers** are calling on the U.S. Congress to allow them to negotiate collectively with Google and Facebook. **B1**

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

◆ **U.S. lawmakers** are urging regulators to reject the takeover of the Chicago Stock Exchange by a coalition that includes Chinese investors. **B5**

◆ **Drought is decimating** an important portion of the U.S. wheat crop, pushing prices to multiyear highs. **B5**

◆ **Facebook is again** slashing the price of its Oculus Rift to jump-start sales of the virtual-reality device. **B4**

◆ **Technical problems** disrupted early trading on Indian and Indonesian stock exchanges. **B7**

◆ **U.S. airlines** are raking in more from each mile they fly a passenger for the first time in years. **B2**

World-Wide

◆ **The Trump administration** is moving toward unilaterally tightening sanctions on North Korea, targeting Chinese firms and banks. **A1**

◆ **Iraqi Premier Abadi** said his troops had recaptured Mosul, driving Islamic State from its last major urban stronghold in the country. **A3**

◆ **The meeting arranged by** Trump's eldest son with a Russian lawyer who has been linked to the Kremlin was appropriate and didn't amount to collusion, a White House spokeswoman said. **A5**

◆ **Afghanistan and Pakistan** have agreed to work on a mechanism to jointly combat insurgents along their shared border. **A3**

◆ **The FDA chief** is calling for rigorous safety standards for how immediate-release opioids are prescribed. **A7**

◆ **Public support for** Japan's Abe is at a record low after allegations surfaced that he helped friends get favorable government treatment. **A4**

◆ **A judge who ruled** the U.K.'s Charlie Gard should have his life support withdrawn said he would examine information relating to a potential treatment. **A4**

◆ **Trump's FBI pick** is worth more than \$23 million and will recuse himself from any probe in which his law firm represents a party. **A7**

◆ **The U.S.'s Tillerson** arrived in the Persian Gulf region for shuttle diplomacy aimed at resolving a conflict among U.S. allies. **A4**

CONTENTS Markets Digest... B6
Business News... B3 Opinion... A10-11
Capital Journal... A2 Sports... A8
Crossword... A12 Technology... B4
Head on Street... B8 U.S. News... A57
Life & Arts... A9,12 Weather... A12
Markets... B8 World News... A2-4

€3.20; CHF5.50; £2.00;
U.S. Military (EUR) \$2.20

28
9 7792 19 986 122
Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

28

Copyright 2017 Dow Jones & Company. All Rights Reserved

WORLD NEWS

A Defense Chief's Plan for Dealing With Kim



CAPITAL JOURNAL

By Gerald F. Seib

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

That bleak reality grows ever more apparent as North

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

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

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

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

sions are rising rapidly.

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

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

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

approach with the Chinese.

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

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

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

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

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

In addition, the U.S. would

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

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

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

steps in Asia you hate."

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

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

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

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

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

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



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

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

KOREA

Continued from Page One
clear-weapons program.

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

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

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

The Justice Department, citing people including two North Korean defectors, said the so-called Chi Yupeng network hid

transactions whose payments financed the North Korean leader's military and weapons programs.

That network isn't under U.S. sanctions. But analysts say that, like another Chinese company targeted late last year, Dandong Hongxiang Industrial Development Co. Ltd., the Chi Yupeng network represents a financial node U.S. officials could zero in on as it tries to choke off North Korea's financing.

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

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

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

Korea's government.

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

The steps were only the first of many punitive efforts planned by the administration as the White House cuts off

counts under false names and conducting financial transactions through a multitude of banks in China, Hong Kong and Southeast Asian countries.

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

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

"all illegal funds going to North Korea," Treasury Secretary Steven Mnuchin said. "We will continue to look at these actions and continue to roll out sanctions."

Treasury's Financial Crimes Enforcement Network, in targeting Bank of Dandong, said North Korea was using bank ac-

counts under false names and conducting financial transactions through a multitude of banks in China, Hong Kong and Southeast Asian countries.

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

Citing China's dominant role as North Korea's prime international trade and finance

partner, she said Washington is ready to target any country doing business with North Korea as the U.S. chokes off financing for the country's weapons program.

U.S. Secretary of State Rex Tillerson said Friday that fresh sanctions issued last week against Chinese entities should be read as a measure of the administration's resolve to bring more pressure to bear on the country by directly going after entities doing business with North Korea, regardless of where they are located.

Speaking on the sidelines of a world leadership summit in Germany, he said the U.S. preferred Beijing would use its own powers to curb North Korea financing.

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

The Trump administration asked China to take action

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

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

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

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

—Jeremy Page in Beijing contributed to this article.

WANDA

Continued from Page One
aim of relisting it in China at a higher valuation. Wanda has sought to relist the property unit but has yet to receive approval.

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

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

ous year, according to regulatory filings.

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

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

Wanda started off as a property developer in the late 1980s but moved aggressively in recent years into entertainment,

adding more debt to its books.

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

More recently, Wanda's \$1 billion deal to buy Golden Globes producer Dick Clark Productions fell apart amid heightened Chinese government scrutiny over capital outflows.

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

Disneyland in its first year.

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

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

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

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

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

Some analysts say hotels and theme parks don't have much synergy with Sunac's primary business of luxury apartments. "It doesn't make sense to me," said Chuanyi Zhou, a credit analyst at Lueron Analytics. "It's quite a risky move."

Under terms of the deal,



WU HONG/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

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

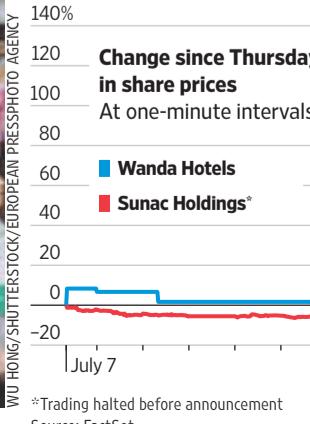
CORRECTIONS & AMPLIFICATIONS

Italy held a constitutional referendum in December 2016, and the Italian general election must be held by the end of May 2018. Monday's Europe File column about Italy's bond markets incorrectly said that the referendum was held in November and that the election must be held by the end of February.

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

Tourist Trade

Shares in Wanda's hotel unit jumped after the company disclosed its deal with Sunac, whose trade was halted before Monday's announcement.



THE WALL STREET JOURNAL.

THE WALL STREET JOURNAL

Europe Edition ISSN 0921-99
The News Building, 1 London Bridge Street,
London, SE1 9GF

Thorold Barker, Editor, Europe

Grainne McCarthy, Senior News Editor, Europe

Cicely K. Dyson, News Editor, Europe

Darren Everson, International Editions Editor

Joseph C. Sternberg, Editorial Page Editor

Jacky Lo, Circulation Sales

Andrew Robinson, Communications

Jonathan Wright, Commercial Partnerships

Katia Vanneck-Smith,
Global Managing Director & Publisher

Advertising through Dow Jones Advertising

Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701;

Frankfurt: 49 69 29725390; London: 44 207

842 9600; Paris: 33 1 40 17 17 17;
New York: 1-212-659-2176

Printers: France: POP La Courneuve; Germany: Dogan Media Group/Hörspiel A.G.; Branch: Qualiprinters s.r.l.; United Kingdom: Newsprinters (Brockhouse) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY

Registered as a newspaper at the Post Office.

Trademarks appearing herein are used under license from Dow Jones & Co.

©2017 Dow Jones & Company, All rights reserved.

Editeur responsable: Thorold Barker M1793-2003. Registered address: Avenue de Cortenbergh 60/4F, 1040 Brussels, Belgium

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?
By web: <http://services.wsj.com>
By email: subwsj@djwones.com
By phone: +44(0)20 3426 1313

WORLD NEWS

Iraq's Leader Says ISIS Beaten in Mosul

Extremists are driven from final pocket in Old City, a key step in antiterrorism efforts

By ASA FITCH
AND ALI A. NABHAN

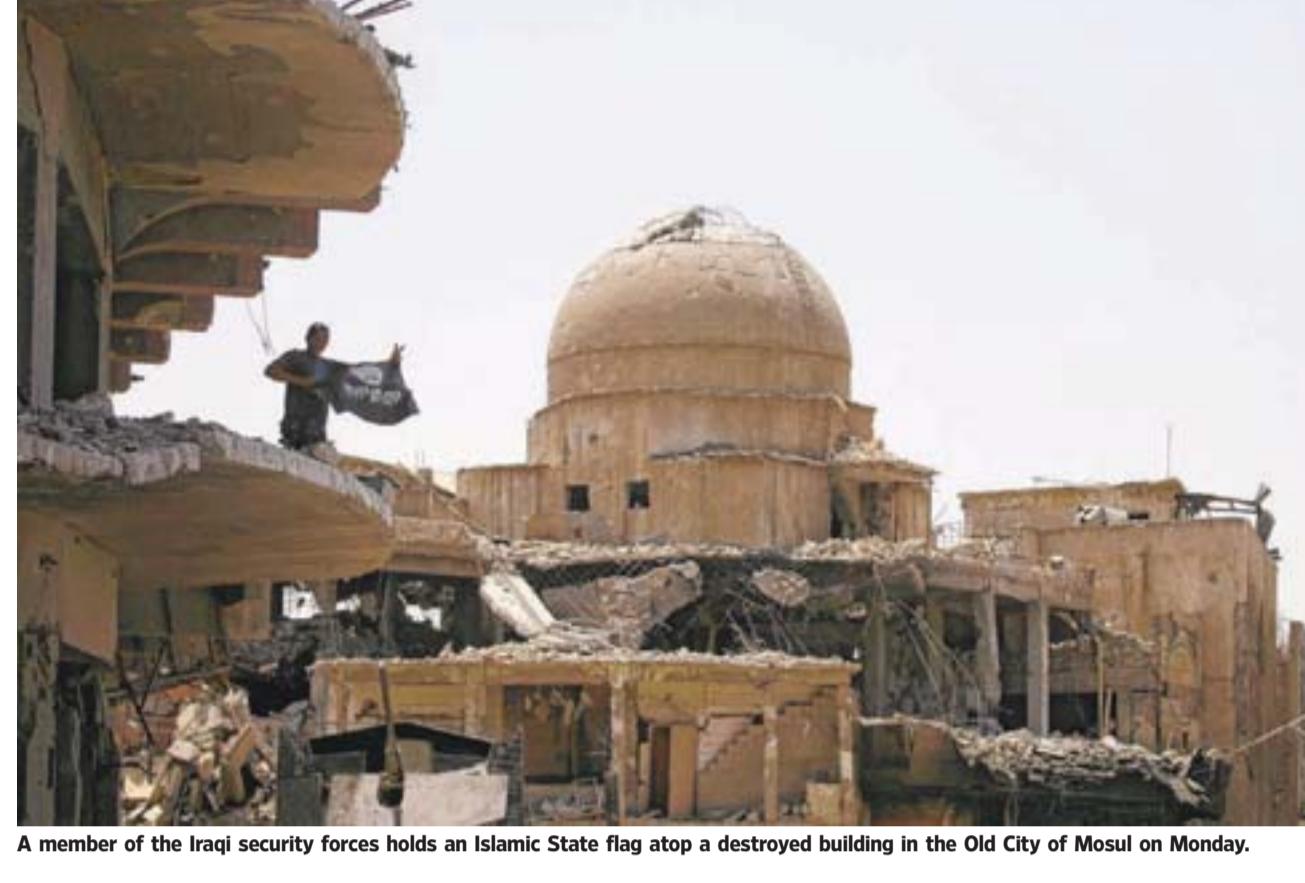
MOSUL, Iraq—Iraqi Prime Minister Haider al-Abadi said his troops, backed by a U.S.-led military coalition, had recaptured the northern city of Mosul, driving Islamic State from its last major urban stronghold in the country and marking a symbolic turning point in the broader battle to dislodge the extremists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

Mr. Abadi declared victory Monday outside a headquarters for Iraq's counterterrorism forces on the western outskirts of Mosul's Old City. Minutes before he arrived ahead of the announcement, plumes of smoke from apparent airstrikes were visible over the horizon from the direction of the final Islamic State-occupied pocket of the Old City on the western bank of the Tigris River.

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

He was dressed in black fatigues and ringed by Humvees filled with troops from the army, counterterrorism units and federal police that had participated in the battle.

The pronouncement formally



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

a mounting threat in its remaining strongholds. A U.S.-backed assault on Raqqqa, its de facto capital in Syria, is under way.

The U.S.-led coalition congratulated Mr. Abadi and his forces on the victory, while noting that the broader fight against Islamic State continued.

"Make no mistake; this victory alone does not eliminate [Islamic State] and there is still a tough fight ahead," said Lt. Gen. Stephen Townsend, the U.S. general who commands the coalition. "But the loss of one of its twin capitals and a jewel of their so-called caliphate is a decisive blow."

Mr. Abadi arrived in Mosul on Sunday, hailing Iraqis for their "victory" against the extremist group, despite continued fighting against pockets of Islamic State resistance in the historic Old City.

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

"We commend the Iraqi Security Forces for their bravery and sacrifice and reaffirm our commitment to supporting our Iraqi partners in their efforts to drive ISIS out of every inch of Iraqi territory," a State Department official said earlier Monday, using an acronym for Islamic State.

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

Cheers erupted from the assembled troops after the announcement. Federal police units danced and sang songs

in the street, holding their guns high in the air but not firing them. Authorities warned Iraqis to refrain from firing celebratory gunshots, which can be deadly when they fall back to the earth.

The army said it dropped some three million Iraqi flags decorated with maps of Mosul on the city.

While declaring victory, Mr.

Abadi said Iraq's efforts against Islamic State were far from over, underlining the gravity of the economic and security challenges the city and the country as a whole will face long after the fighting stops.

"We have another mission ahead of us, which is the mission of stability, building and cleansing Daesh sleeper cells," he said, adding that the same

level of effort was necessary to complete these tasks as to defeat Islamic State.

Mosul had been Islamic State's largest population center and its last major foothold in Iraq. But forces have yet to evict Islamic State from Hawija, a town south of Mosul, and Tal Afar, a city west of Mosul.

Still, the city's loss leaves Islamic State scattered and facing

In Shift, Pakistan, Afghanistan to Jointly Fight Terror

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

By Saeed Shah
in Islamabad
and Dion Nissenbaum
in Washington

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

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

The Pakistani offer to resurrect joint counterterrorism operations comes ahead of

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

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

Washington and Kabul, meanwhile, accuse Islamabad of using the Taliban and the allied Haqqani network as its proxies in Afghanistan, to



A Pakistani border-security guard watches the Afghan frontier.

counter the influence of its foe India there. Pakistan denies the charge.

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

"U.S. achievements in Afghanistan have a lot to do with support from and through Pakistan. Any unilateral U.S. action will be anti to our existing cooperation and disadvantageous for peace and stability in the region," said Maj. Gen. Asif Ghafoor, the spokesman for Pakistan's military.

"Pakistan is part of the solution, not part of the problem."

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

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

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

But Pakistan's border-security proposals were met skeptically by some current and

former U.S. officials, who view them as a sign that Islamabad isn't taking the depth of American concerns seriously.

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

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

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

A Breitling Avenger Hurricane advertisement. The top half features a close-up of the watch with a black dial, yellow accents, and a dark strap. The bottom half features a large, stylized graphic of the watch's face with the words "AVENGER" and "HURRICANE" overlaid. The Breitling logo and "INSTRUMENTS FOR PROFESSIONALS™" are also present.

The superlative-charged chronograph. 50 mm case in Breitlight®. Exclusive Manufacture
Breitling Caliber B12 with 24-hour military-style display. Officially chronometer-certified.

WORLD NEWS

Support for Japan's Abe Plummets

Polls show falling trust after favoritism accusations and unpopular strategies

BY ALASTAIR GALE

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

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

A few months ago, Mr. Abe, one of the longest-serving global leaders, appeared to be in a strong position to lead Japan for several more years. But the accusations by rival politicians—in particular, one involving alleged favoritism toward a school of veterinary medicine that a longtime friend of Mr. Abe wishes to open—have undermined public trust.

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

The toll of the accusations was apparent in public-opinion polls that media organizations released on Monday. The *Yomiuri* newspaper, Japan's larg-



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

est-circulation daily, said 36% of respondents to a poll conducted over the weekend supported Mr. Abe's cabinet, down 13 percentage points from the previous poll in mid-June and the worst reading since Mr. Abe became prime minister for the second time at the end of 2012.

Fifty-two percent of respondents didn't support the cabinet, and 68% agreed with the statement that Mr. Abe's cabinet had become arrogant because of its long period in power.

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

Asked about the polls, Chief

Cabinet Secretary Yoshihide Suga said at a news conference: "We take the recent fall in public support seriously."

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

Over the weekend, Mr. Abe indicated he would replace some unpopular cabinet ministers next month to bolster public support.

Mr. Abe's public-approval ratings fell sharply in 2015 after the introduction of legislation expanding the role of the nation's military but soon recovered. The latest decline could be longer lasting, said Gerald Curtis, an expert in Japanese politics and professor emeritus at Columbia University.

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

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

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

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

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

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

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

"The decision was predetermined. The process was unclear and unfair," said the former vice minister, Kihei Maekawa, in a nationally televised parliamentary committee session.

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

Mr. Abe's term as leader of the ruling party expires in September 2018. Traditionally, the ruling-party leader serves as prime minister.

"We're not on Abe death watch yet, but the odds of him winning another term without a major contest have fallen dramatically," said Tobias Harris, a Japanese-politics analyst at Teneo Intelligence, the political-risk arm of the strategic consultancy Teneo.

Ill Child's Parents Get Another Chance

BY JOANNA SUGDEN

LONDON—A judge who ruled an 11-month-old boy should have his life support withdrawn and barred his parents from taking him to the U.S. for experimental treatment said he would examine information relating to a potential treatment for the terminally ill child.

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

Justice Nicholas Francis said he would rule "not on the basis of tweets but on the basis of clear evidence" of something materially new that pointed to the possibility of an improvement in Charlie's condition.

"I am having to balance the likely or possible damage to Charlie by his continuing to be treated as he has been and to uncover evidence as much as we can," the judge said.

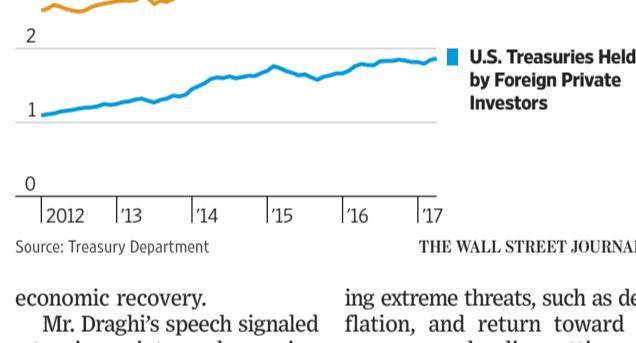
Great Ormond Street Hospital, where Charlie is on an artificial ventilator, last week called for a new hearing after it said two hospitals reported "fresh evidence about their proposed experimental treatment." The hospital said it hadn't changed its view but agreed that it was right to explore this evidence.

Charlie suffers from a genetic disease that affects his brain, breathing and muscles.

FED

Foreign Exposure

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



Continued from Page One

raised rates twice in 2017 while penciling in a third move later this year and set the stage for shrinking its \$4.5 trillion portfolio.

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

"This is very unusual, particularly for U.S. investors," said Torsten Slok, chief international economist at Deutsche Bank Securities. "When I travel around the U.S., the conversation particularly around the Fed and U.S. interest rates starts with a discussion of what the ECB is doing."

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

economic recovery.

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

The ECB chief's remarks coincided with statements by central banks in the U.K. and Canada indicating they would move toward higher interest rates.

Policy makers are preparing to drop measures aimed at avoiding

ing extreme threats, such as deflation, and return toward a more normal policy setting.

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

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

ECB money has pinned down interest rates across the eurozone for years and pumped up asset prices, from government bonds and stocks to real estate

and high-yield debt. It has helped transform the eurozone from the global economy's weak link. Growth outpaced the U.S. in the first quarter.

As rates rise, financial-market volatility is likely to increase and risky assets could suffer. "Central-bank liquidity values are getting flushed out of the system," said Ms. Komileva.

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

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

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

Back then investors were

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

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

March of this year, according to the Treasury Department.

European investors, in particular, could start moving money back home.

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

A monetary rebalancing could draw capital out of the U.S., reversing inflows from foreign investors seeking higher returns.

Private foreign investors boosted their holdings of U.S. corporate debt by almost 20% between January 2015, when the ECB announced its asset-purchase program, and

the ECB loosening.

But the transition to this new regime could be bumpy.

U.S. government bonds and German government bonds are closely linked. What affects one often affects the other, meaning turbulence in Europe could spill into the U.S.

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

WORLD WATCH

THE QATAR CRISIS

U.S.'s Tillerson Begins Shuttle Diplomacy

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

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

United Arab Emirates, Bahrain and Egypt on the other.

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

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

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

to a solution.

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

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

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

—Felicia Schwartz

GLOBAL ECONOMY

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

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

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

largest economy, as well as the U.K., Italy and Russia.

Economic growth is still likely to pick up this year, but not to the same degree as previously anticipated.

In a statement issued Saturday at the conclusion of their two-day meeting in Hamburg, Germany, leaders from the Group of 20 largest economies said that while prospects are "encouraging," the pace of growth is still weaker than desirable.

In the early months of this year, the leading indicators pointed to a pickup in U.S. growth. Economists, investors and businesses then expected to see some increases in investment spending and cuts in taxes

under the then newly installed administration of President Donald Trump.

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

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

The OECD's composite leading indicator for its 34 members was steady at 100 in May. A reading below 100 points to growth that is slower than normal.

—Paul Hannon

AUSTRALIA

Cardinal Returns For Sex-Abuse Trial

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

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

—Associated Press



ON PATROL: Indian forestry officials were on the lookout for poachers pursuing one-horned rhinoceroses fleeing the rain-flooded Kaziranga national park, home to the world's largest population of the animals. Above, two of the rhinos reached higher ground. Three weeks of monsoon rains have inundated the region.

U.S. NEWS

Trump's Son Met With Russian Attorney

White House again denies collusion between elder Trump's campaign and Moscow

By LOUISE RADNOFSKY
AND REBECCA BALLHAUS

WASHINGTON—The meeting arranged by Donald Trump Jr. with a Russian lawyer who has been linked to the Kremlin was appropriate and didn't amount to collusion between the campaign and Russia, a White House spokeswoman said Monday.

President Donald Trump's eldest son engaged in a "very short meeting from which there was absolutely no follow up" when he met with a Russian lawyer with Kremlin ties after being told she might have information helpful to his father's election campaign, said White House principal deputy press secretary Sarah Huckabee Sanders.

"There was simply no collusion" between Mr. Trump's 2016 campaign and Russia, Ms. Sanders said. Ms. Sanders also said she wasn't aware of any other meetings that Donald Trump Jr. might have had with Russians, and that he "did not collude with anyone to influence" the outcome of the election.

"I've been on several campaigns," and such a meeting would have been standard practice in any of them, Ms. Sanders said in Monday's off-camera White House briefing.

Donald Trump Jr. said Sunday that he arranged a June 2016 meeting between top campaign aides and the Russian lawyer after being told she "might have information helpful to the campaign."

In a statement Sunday, Donald Trump Jr. said he didn't know the lawyer's name before the meeting, and said they were set up by an "acquaintance" from the 2013 Miss Universe



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

KATHY WILLENS/ASSOCIATED PRESS

pageant. The meeting in New York City was also attended by Jared Kushner, the president's son-in-law and senior adviser, and Paul Manafort, President Trump's campaign chairman at the time.

The younger Mr. Trump said he told Messrs. Kushner and Manafort "nothing of the substance" of the meeting beforehand.

Mr. Manafort resigned about two months later amid reports of his connection to pro-Russian political forces in Ukraine.

Investigators are currently examining whether Mr. Manafort's work for foreign interests violated the Foreign Agents Registration Act and related laws. Mr. Manafort's spokesman has said he is taking

the "appropriate steps" to respond to guidance from federal authorities about his FARA disclosures.

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

"Her statements were vague, ambiguous and made no sense. No details or supporting information was provided or even offered. It quickly became clear that she had no meaningful information."

When Ms. Veselnitskaya then raised the issue of the Mag-

nitsky Act, which placed sanctions on Russian human-rights abusers, Mr. Trump Jr. said he cut off the meeting.

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

Ms. Veselnitskaya couldn't be reached for comment Sunday.

Revelations of the 2016 meeting arrived over the weekend as the U.S. president was returning to Washington after a G-20 summit meeting in Germany, where he met one-on-one with President Vladimir Putin of Russia. In Sunday morning tweets, the GOP president wrote that he "strongly pressed" the

Russian leader twice about meddling in the U.S. election and that Mr. Putin "vehemently denied it." But he also suggested the U.S. could "work with" Russia on cybersecurity issues.

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

They also questioned Mr. Trump's suggestion that the U.S. could work with Russia on cybersecurity issues, saying it would only empower a regime accused of hacking systems in the U.S.

U.S. intelligence agencies have concluded that Russian hackers, who analysts say work

for that country's military and intelligence apparatus, stole emails from the DNC, as well as another Democratic organization and the chairman of Mrs. Clinton's presidential campaign, as part of their effort to harm her candidacy and boost Mr. Trump. That finding was first publicly addressed in the fall of 2016.

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

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

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

The U.S. intelligence community has concluded that Mr. Putin ordered a campaign to influence the outcome of the U.S. presidential election in Mr. Trump's favor, and a special counsel appointed by the Justice Department earlier this year is investigating whether Mr. Trump's campaign aides colluded with Russia.

Mr. Trump has denied that there was any collusion and has said he doubts the intelligence community's assessment, saying earlier this month, "No one really knows for sure."

Mr. Kushner disclosed the meeting with Ms. Veselnitskaya earlier this year in a required form to obtain a security clearance, according to a statement by his attorney, Jamie Gorelick.

Bipartisan Conclusions to Probes May Prove Elusive

BY BYRON TAU

WASHINGTON—The two congressional committees investigating Russian interference in the 2016 election have committed to a goal that has eluded almost every major probe on Capitol Hill in recent years: bipartisanship.

The Senate and House intelligence committees are broadly examining Russian meddling in the election, including whether members of President Donald Trump's campaign colluded with Moscow.

The leaders of each committee have pledged to produce a sole final report—not separate ones from Republican and Democratic members—on whether Russia ran a campaign of leaks and disinformation designed to boost Mr. Trump at the expense of Democratic rival Hillary Clinton, as asserted by key members of the U.S. intelligence community.

Dueling reports from the investigations could heighten the partisan divide.

can't agree on the basic facts and final conclusions.

Recent history suggests that a bipartisan conclusion to a major congressional investigation remains elusive as Congress has grown increasingly partisan. But the threat of interference by a foreign power in U.S. elections demands a sober and unified response to

panel, Adam Schiff of California, said a month earlier that the two men were working well together and that Mr. Conaway "has made every effort to run the investigation in a nonpartisan fashion."

On the Senate side, Intelligence Committee Chairman Richard Burr (R., N.C.) and Vice Chairman Mark Warner (D., Va.) both have pledged to conduct a nonpartisan probe. Mr. Burr said in March that he had "high hopes that we can reach a conclusion that has bipartisan support."

Though sniping between partisans in Congress is as old as the republic itself, conflict over investigations intensified in the mid-1990s during the battles between President Bill Clinton's Democratic administration and a GOP Congress that culminated in his impeachment by the House on charges of obstruction of justice. The Senate refused to affirm those charges and remove him from office.

During President George W. Bush's term, a GOP-led inquest into the government response to Hurricane Katrina was boy-

cotted by Democrats. And most Republicans on the Democratic-led Senate Intelligence Committee refused to sign onto the committee's report on the CIA's interrogation programs after the Sept. 11, 2001, attacks in New York and Washington.

Later, the Republican-led congressional investigation into the 2012 Benghazi terrorist attacks was assaulted by Democrats as a political exercise aimed at damaging Mrs. Clinton, who was secretary of state at the time of the attacks. During President Barack Obama's administration, probes of a federal gunrunning program and the political targeting of conservative groups by the Internal Revenue Service also were dismissed as politically motivated.

More recently, however, the GOP-appointed commissioners on the Financial Crisis Inquiry Commission that studied the 2008 recession refused to sign a report written by a majority of Democratic commissioners.

Carl Levin, a former Democratic senator from Michigan, agreed that the political climate has become more acrimonious. But he pointed to several probes he conducted or participated as evidence that the two parties could cooperate.

"It's proven and doable," said Mr. Levin, who ran investigations into the collapse of energy giant Enron, among others. "But you've got to have leaders in the committees who trust each other, like each other, and get their staff on board."

States, Groups Push Back on Request for Voter Records

BY REBECCA BALLHAUS

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

In New Hampshire, two lawmakers last week filed a lawsuit against Secretary of State Bill Gardner, a Democrat who serves on the presidential commission, for agreeing to provide the state's public voter file. Joined by the American Civil Liberties Union of New Hampshire Foundation, they said Mr. Gardner doesn't have the authority to give that information to an entity that isn't a campaign, political committee or political party.

In Maine, where commission member Matthew Dunlap serves as secretary of state,

state law bars him from providing the commission with the requested information, and Mr. Dunlap, a Democrat, has said he won't do so.

"The reaction has been pretty visceral," Mr. Dunlap said. "People have been very up-in-arms about transmitting information, and, as it turned out, the law wouldn't allow us to do it."

Indiana Secretary of State Connie Lawson, a Republican and a member of Mr. Trump's commission, has similarly said state law bars her from providing the information.

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

claims that voter fraud tainted the 2016 election, to review the federal election process.

Vice Chairman Kris Kobach, who also serves as Kansas secretary of state, sent a letter to all 50 states late last month requesting personal details about every registered voter—

including birth dates, political party affiliations and the last four digits of social security numbers—and the elections they participated in since 2006, as permitted by state law.

Many states swiftly criticized the request, saying it

seeks information they consider sensitive and beyond their power to turn over and objecting to attempts to interfere in their operation of elections. Election experts have also raised concerns about cybersecurity threats the request poses—including the suggestion that states send voter files over email—and have questioned what the commission would be able to do with the information.

On Friday, a federal judge in Washington, D.C., heard arguments on whether to block the commission's request, in a lawsuit filed by the Electronic Privacy Information Center. The Washington-based privacy advocacy group has charged that compiling a national voter database, stored in the White House, would create "staggering" issues of privacy.

The commission has de-

fended its request, saying it is asking states to turn over only information they already make public as permitted by law.

Marc Lotter, press secretary to Vice President Mike Pence, who chairs the commission, said the commission would handle any personal information "in accordance with all federal regulations and security protocols." He added that the information in question is "public data that is already being provided and has been provided to state and national parties and campaign apparatuses for many, many years."

Most states will provide, at a cost, the names, addresses and political affiliations of their voters to political entities, but prohibit the release of data such as the last four digits of voters' social security numbers.



Groups opposed to a request for voter data have sued to block it.

BRUNNIA SOKUP/PORTLAND PRESS HERALD VIA GETTY IMAGES

including birth dates, political party affiliations and the last four digits of social security numbers—and the elections they participated in since 2006, as permitted by state law.

Many states swiftly criticized the request, saying it

seeks information they consider sensitive and beyond their power to turn over and objecting to attempts to interfere in their operation of elections. Election experts have also raised concerns about cybersecurity threats the request poses—including the suggestion that states send voter files over email—and have questioned what the commission would be able to do with the information.

On Friday, a federal judge in Washington, D.C., heard arguments on whether to block the commission's request, in a lawsuit filed by the Electronic Privacy Information Center. The Washington-based privacy advocacy group has charged that compiling a national voter database, stored in the White House, would create "staggering" issues of privacy.

The commission has de-

IN DEPTH

GAS

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

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

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

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

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

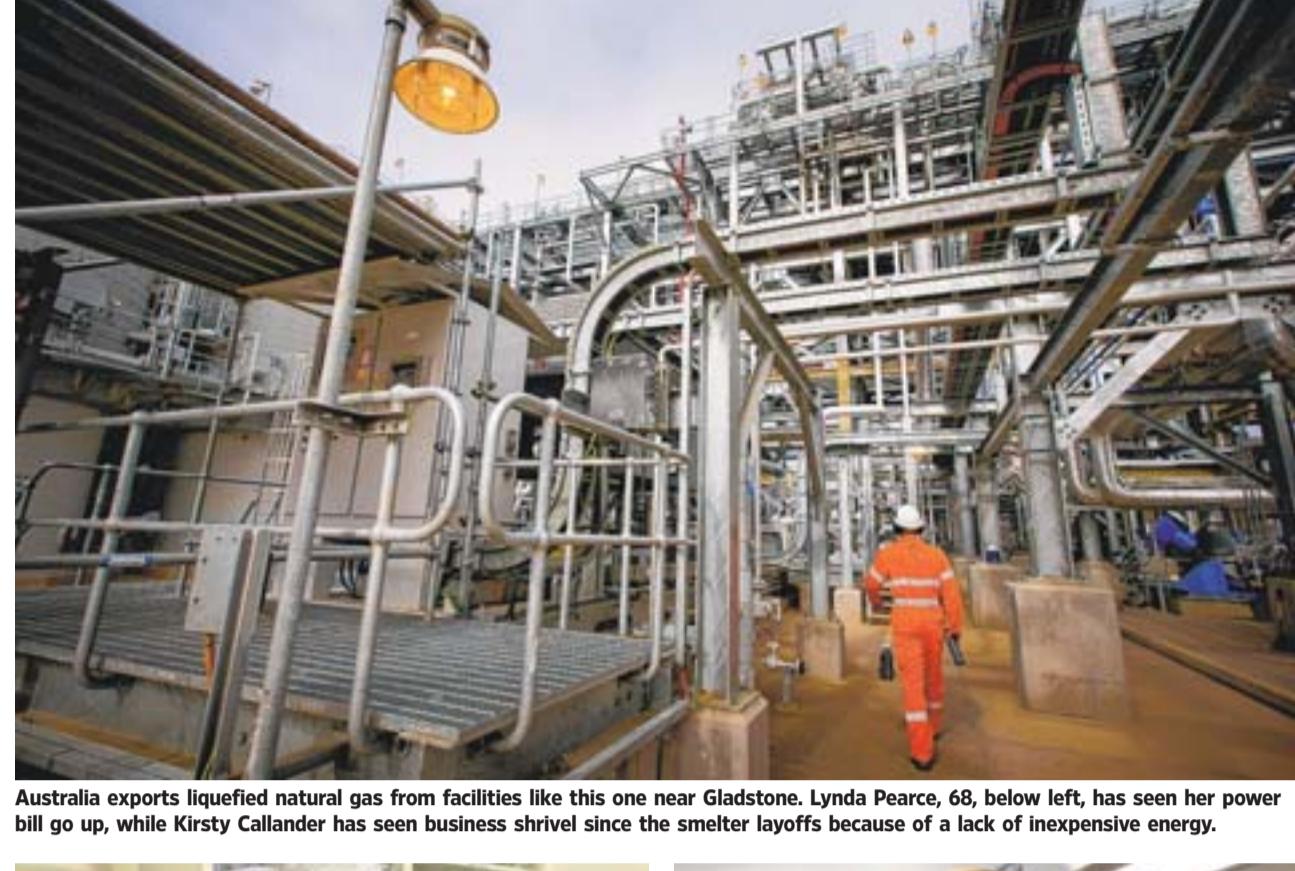
The Labor Party says that when the LNG-export plants were approved, the industry said sales abroad wouldn't affect domestic gas supply because it was developing new sources of gas. "It is clear that those assurances haven't come to pass," said Mark Butler, the Labor lawmaker who is currently its spokesman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

Lessons for America

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

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

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



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



tracts that trapped Australian companies into giving foreign buyers priority.

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

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

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

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

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

Producers say they con-

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

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

In a 2009 report, the north-eastern Queensland state's government warned of "a real problem that the availability of gas in the ground may not translate into gas supplied to the domestic market."

It suggested requiring energy companies keep up to 20% of production for domestic users.

Australia's energy companies argued such "gas reservation" policies would deter investment needed to boost supply. Many politicians emphasized how LNG projects would create jobs in the aftermath of the global financial crisis.

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

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

As gas production increased,

Australia cut back on coal,

whose use had put it among the world's biggest greenhouse-gas emitters per capita. Coal-fired plants were shut down without comprehensive plans for replacing them with other power sources.

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

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

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

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

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

"Santos has been singled out

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

Gladstone, the city with the three new LNG-export facilities, has been among areas most affected. It is home to manufacturers that use gas, including Australia's largest aluminum smelter, a Rio Tinto PLC plant that once distributed beer-can holders reading: "Proudly Australian, operating beyond 2030."

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

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

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

Repeated outages

Outages have become a familiar gas-crisis byproduct, including one in September 2016 in which 1.7 million households

and businesses in South Australia state lost power after tornadoes damaged lines supplying power from Victoria. South Australia was relying on other states for electricity because volatile gas prices and other issues had forced its generators to cut capacity. Power wasn't fully restored for 12 days.

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

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

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

"There is no commercial rationale to operate the second Pelican Point unit in the current market environment in [South Australia] for a small number of days across the year."

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

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

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

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

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

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

"It takes long lead times to bring on new gas developments," said Saul Kavonic, a Perth-based analyst at energy consultancy Wood Mackenzie. "You can't just press a magic button and fix it overnight."

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

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

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

SMOKE

Continued from Page One
thick that he finally asked the employee there to put out his cigarette. The employee simply opened a window and kept on smoking, he said.

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

The government hasn't exactly made the reduction of smoking a priority. Deputy Health Minister Pavlos Polakis blithely flouted the ban, lighting up while giving a press conference last year. At the Finance Ministry, smokers recently puffed away in a hallway under a large banner: "Greece stubs out cigarettes."

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

Last year, Parliament added to the smoking regulations by passing a ban on electronic-

cigarette smoking in public places. In the debate, some lawmakers noted the irony of passing a new law in a chamber that ignores the original one.

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

Many Greeks wonder, why bother? They see the state as corrupt and unreliable—mainly shown by a widespread refusal to pay taxes. They also don't like controls on day-to-day behavior: cars don't stop at pedestrian crossings, motorcycles don't bother with lanes, trash is tossed out of moving vehicles. Double parking is notorious—oddly, one of the rules Greeks do obey is the "basket in the street" signal that a neighbor is saving a parking space, and the basket gets untouched.

As the country grapples with a seven-year downturn, enforcement of all types of infrac-

tions is haphazard. Budget cuts have reduced by two-thirds the number of wardens who hand out traffic tickets and other fines, including for smoking, in the Attica region, which includes Athens. Municipal police, who can also issue fines, have been downsized. A telephone hotline that people can use to call the Health Ministry to complain about smoking vio-

lations is rarely answered.

It all may be moot: Officers have been waiting for months for the blocks of tickets used to issue smoking fines to be delivered from the printers.

"This cannot be enforced—no laws are enforced in Greece," said Menios Stergiou, owner of an all-day cafe-bar near downtown Athens. "One has to have respect for the

state, but this is the worst possible period for Greeks to do so."

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

The threat of fines on businesses of as much as €10,000, or about \$11,300, haven't been a deterrent. (Individuals also face fines from €50 to €3,000, depending on the circumstances.) Actually collecting the payments is difficult.

A new incentive to reduce smoking could be fresh taxes on cigarettes that started in January, making the habit even more costly. "Sin" taxes slapped on cigarettes as part of the conditions for Greece to receive bailout funds from its EU creditors have driven the cost of a pack of 20 cigarettes to about €4.50, a euro more than before the crisis. This means that a regular smoker can spend more than €100 a month on the habit, a hefty cost given that Greek monthly



Many Greeks ignore the smoking ban. Above, a bar in Lesbos.

salaries average about €700. In May, the new ticket books were delivered to inspectors, and police said they plan a new enforcement push after the summer, when revelers move back indoors.

Mr. Varelas, the vice mayor of Athens, said that if businesses receive enough fines, they will fall in line. According to the legislation, a bar or restaurant can lose its license the third time it receives a smoking fine. "I'm afraid we will see many companies changing names after the second fine in order to avoid being shut down," he said.

Mairi Margioli, a 50-year-old saleswoman at a clothing store, smokes nearly three packs a day and had a cigarette planted firmly between her fingers as she helped customers with dresses and accessories. She said she especially insists on being able to light up at a restaurant. "If I couldn't smoke with my drink, I would rather stay home," she said. If anyone complains, she said she simply goes to a different venue.

U.S. NEWS

Counselors Go Where Students Are

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

BY MELISSA KORN

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

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

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

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

share from 2015.

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

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

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

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

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



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

demands.

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

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

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

A Push to Ease Stigma of Therapy

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

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

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

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

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

Many schools are taking

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

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

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

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

—Melissa Korn

services at the University of Arkansas.

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

FDA Chief Wants Tighter Standards on Opioids

BY THOMAS M. BURTON

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

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

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

"It's time to take direct ac-

tion to address the close to 200 million opioid analgesic prescriptions each year that are for the immediate-release products," the commissioner said.

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

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

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

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

Dr. Gottlieb added that doctors and dentists are still writing too many 30-day prescriptions for opioid painkillers.

Too often, patients who have undergone dental procedures or minor surgical procedures receive 30-day prescriptions when a prescription of shorter duration—or no opioids at all—would be more appropriate, he said, adding that the FDA would examine whether there are steps it can take to change this practice.



FDA Commissioner Scott Gottlieb wants new training on opioids.

Dr. Gottlieb said the agency would also consider legal action on any drugs that it concludes pose a larger risk than benefit.

The FDA did that last month when it concluded that

the painkiller Opana ER was linked to injection drug abuse. Its maker, Endo Pharmaceuticals Inc., pulled the drug from the market last week at the FDA's request.

The FDA is taking the ac-

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

In 2013, the agency added stronger language to some painkiller drug labels, to underscore risks of addiction. It also removed language saying that extended-release forms of certain products could be used for "moderate" pain. The newer labels call for their use for "pain severe enough to require daily, around the clock, long-term opioid treatment and for which alternative treatment options are inadequate."

—Jeanne Whalen contributed to this article.

U.S. WATCH



BOUNDED FOR PENN STATION: A transit worker helps commuters in Brooklyn, N.Y., on the first day of the 'summer of hell.' Amtrak is reducing capacity into Penn Station by 20% while repairs are made.

from the prior month, its lowest level in 16 years. The rate suggests the labor market is near full employment.

—Justina Vasquez

CALIFORNIA

Court Lets Family Sue Over Nazi-Looted Art

A California family can sue to get back a Camille Pissarro painting that the Nazis looted from their Jewish ancestor even though she accepted a settlement from the German government for the masterpiece, a U.S. appeals court said Monday.

The ruling by the Ninth U.S. Circuit Court of Appeals revived a lawsuit by Lilly Cassirer's great-grandchildren, David and Ava Cassirer, over the 1897 oil-on-canvas Paris street scene.

Lilly Cassirer and her husband traded the painting for the exit visas that allowed them to flee Nazi Germany for England in 1939. The piece has been appraised at more than \$30 million and has resided at Spain's Thyssen-Bornemisza Museum since 1993.

The court said the museum failed to establish that it didn't know the painting was stolen and sent the lawsuit back to a lower court for further action.

Thaddeus Stauber, an attorney for the museum's manager, said he was confident its ownership of the painting would be confirmed by the lower court.

—Associated Press

in courthouses would invite trouble. Security fears were underscored by eruptions of violence inside and outside courthouses in recent years, including shooting incidents in Delaware, Texas and South Carolina, in which gunmen opened fire at estranged relatives and, in an attack near Dallas, in which a prosecutor was targeted.

—Jacob Gershman

CONFERENCE BOARD

Employment Trends Index Fell in June

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

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

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

The report follows the Labor Department's release of its June jobs report Friday, which showed the U.S. unemployment rate rose to 4.4%, up 0.1 percentage point

FBI Nominee Details Assets and Clients

BY ARUNA VISWANATHA

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

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

Mr. Wray lists 20 clients who paid him more than \$5,000 each since January 2015, including **Johnson & Johnson**, **Alcatel-Lucent SA**, **Credit Suisse Group AG** and **New Jersey Gov. Chris Christie**.

The nominee has been running a "special matters" group at King & Spalding, representing companies and individuals in government investigations.

His extensive client list could hinder his oversight of some FBI investigations. An ethics letter signed by Justice Department official Lee Loftus said that if confirmed, Mr. Wray would be barred from participating in any matter involving "specific parties in which he knows that a for-

mer client of his is a party or represents a party" for one year from the date of his last work for them. He also would be barred from participating "personally and substantially" in any matter that involves a party represented by King & Spalding, unless he is authorized to do so, the letter said.

Mr. Wray listed four "confidential clients" on his form, describing them only as "U.S. organizations." He said he couldn't name three because they are "subject to non-public investigations." In declining to disclose the fourth, Mr. Wray cited Washington, D.C., bar-association rules that protect client confidences.

The disclosures also list about 20 pages of assets, including hundreds of stockholdings through a family investment partnership. Financial-disclosure forms don't require the exact value of the assets, asking only for a range. Based on the information provided, Mr. Wray is worth between \$23 million and \$42 million, according to a Wall Street Journal calculation.

Mr. Wray is scheduled to face lawmakers on Wednesday in what is likely to be a contentious confirmation hearing, less because of his personal qualifications than because of controversies surrounding the FBI.

LEGISLATION

States Debate Guns In the Courthouse

The national debate over where Americans can carry guns has landed, quite literally, at the courthouse door. This year, lawmakers in Arkansas and Oklahoma passed bills expanding the right to bear arms to court buildings, for state employees or elected officials.

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

Since 2013, more than a dozen mostly Republican-led states have considered measures easing courthouse restrictions, although guns generally are still banned inside individual courtrooms. Proponents of these eased laws say they are about securing the rights of law-abiding gun owners to protect themselves in public places.

But the more expansive bills have met resistance from people concerned that allowing firearms

from the prior month, its lowest level in 16 years. The rate suggests the labor market is near full employment.

—Justina Vasquez

CALIFORNIA

Court Lets Family Sue Over Nazi-Looted Art

A California family can sue to get back a Camille Pissarro painting that the Nazis looted from their Jewish ancestor even though she accepted a settlement from the German government for the masterpiece, a U.S. appeals court said Monday.

The ruling by the Ninth U.S. Circuit Court of Appeals revived a lawsuit by Lilly Cassirer's great-grandchildren, David and Ava Cassirer, over the 1897 oil-on-canvas Paris street scene.

Lilly Cassirer and her husband traded the painting for the exit visas that allowed them to flee Nazi Germany for England in 1939. The piece has been appraised at more than \$30 million and has resided at Spain's Thyssen-Bornemisza Museum since 1993.

The court said the museum failed to establish that it didn't know the painting was stolen and sent the lawsuit back to a lower court for further action.

Thaddeus Stauber, an attorney for the museum's manager, said he was confident its ownership of the painting would be confirmed by the lower court.

—Associated Press

SPORTS



Rafael Nadal lost 15-13 in the fifth set.

TENNIS

Nadal Falls Short In Marathon

WIMBLEDON, England—After hours of hustle, fist pumps, seemingly impossible volleys and intense frustration, Rafael Nadal couldn't break his long-term habit at Wimbledon: losing before the quarterfinals.

Nadal, who won his 10th French Open title last month, fell behind two-sets-to-none to Gilles Muller but fought and brought the match to five sets. On and on they played, with 28 games in the fifth set until Muller, a 34-year-old from Luxembourg, broke Nadal's serve in the final game. After four hours and 48 minutes, Muller won, 6-3, 6-4, 3-6, 4-6, 15-13. Nadal hasn't advanced past the fourth round here since 2011, when he lost in a Wimbledon final.

Nadal hit 77 winners and just 17 unforced errors on Monday, but Muller's 95 winners and 30 aces proved to be more deadly. He was astonished by his victory.

"To be honest, I haven't really realized what happened," Muller said in his post match interview.

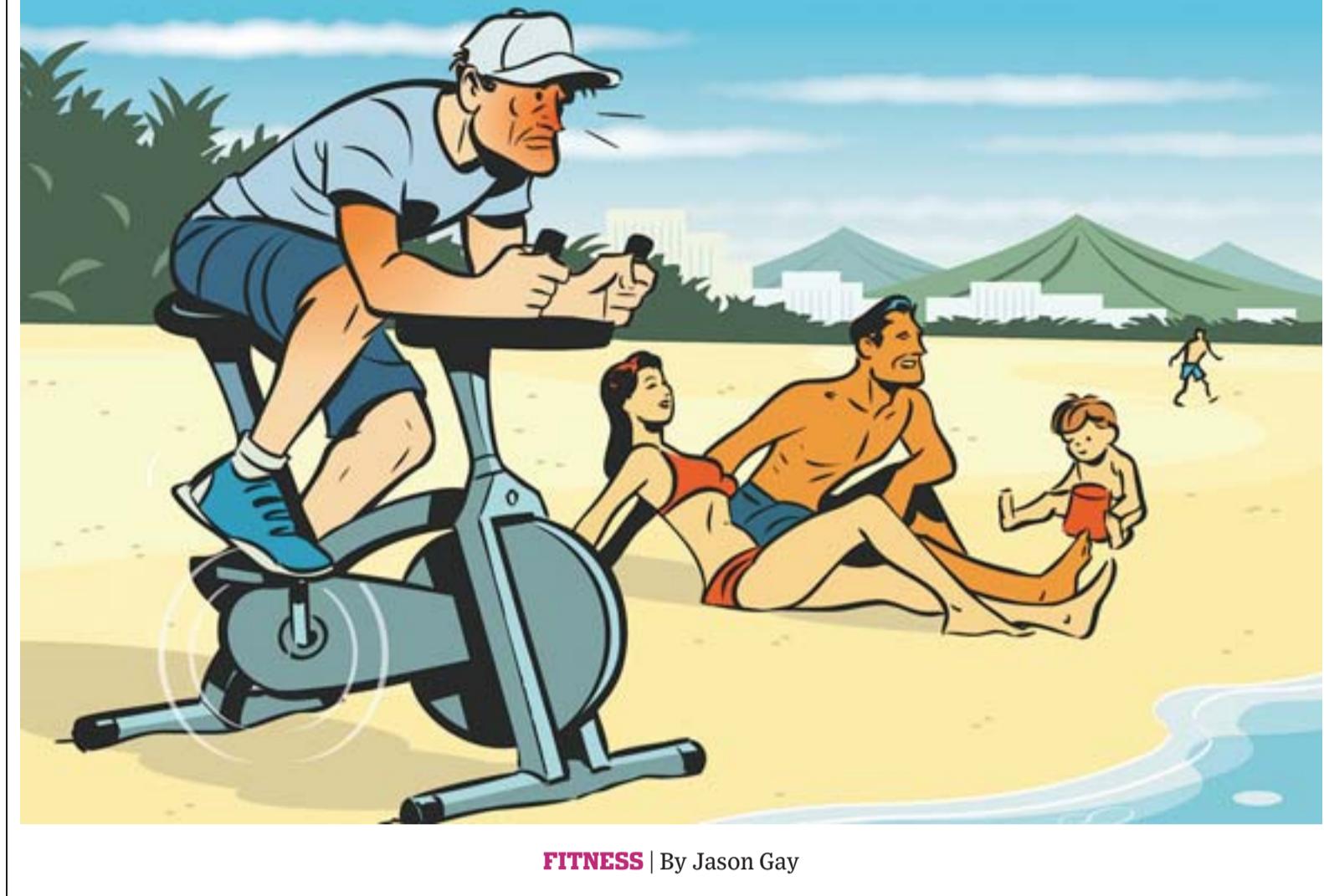
That's easy to understand. This match was intense, especially in the fifth set. The crowd was full and boisterous as Muller and Nadal both had chances to take leads but couldn't deliver. They hit aces, passing shots and plenty of lunging volleys, too. Nadal said he was disappointed in his play in the first two sets and knew a comeback would be difficult. But he said was proud he took the match to the fifth—and clearly disappointed in the loss.

"I lost in the fourth round," Nadal said. "That's not the result that I was expecting."

In other men's matches on Monday, Roger Federer beat Grigor Dimitrov 6-4, 6-2, 6-4. Andy Murray, ranked No. 1 but struggling, won 7-6(1), 6-4, 6-4 against the tricky Benoit Paire. He'll play American Sam Querrey, who advanced to the quarterfinals with a five-set win.

On the women's side, Venus Williams reached the quarterfinals, while top-seeded Angelique Kerber lost to Garbine Muguruza, 4-6, 6-4, 6-4.

—Tom Perrotta



MARK MATCHO

FITNESS | By Jason Gay

How to Exercise on Vacation

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

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

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

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

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

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

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

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

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

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

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

This is how I think vacation exercise can be done:

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

2. Do the thing you love. Your

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

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

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

Gymnast's Parents Sue USOC in Abuse Claim

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

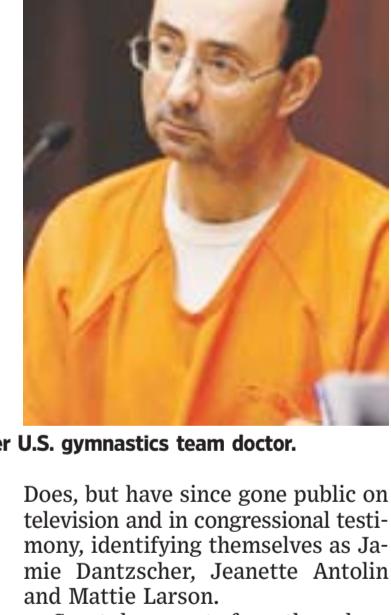
All three gymnasts filed as Jane

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

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

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

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



JEFF KOWALSKY/AGENCE FRANCE PRESSE/GTY IMAGES

LIFE & ARTS

FITNESS

The Free 5K From the U.K.

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



BY RACHEL BACHMAN

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

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

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

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

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

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

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

show up again, is the other catch."

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

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

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

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

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

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



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

here in New York," Mr. Ciaccia says.

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

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

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

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

frequent the run struggle with it anyway.

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

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

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

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

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

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

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

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

FILM REVIEW | By Joe Morgenstern

A MOVIE TO HAUNT YOUR MEMORY



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



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

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

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

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

OPINION

REVIEW & OUTLOOK

Putin Is Not America's Friend

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

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

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

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

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

Rex Tillerson sounds like John Kerry on Russia and Syria.

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

much less "impenetrable."

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

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

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

Democrats for a One-Party State

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

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

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

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

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

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

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

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

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

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

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

New Evidence on School Vouchers

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

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

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

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

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

Some optimistic findings about the effects on student performance.

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

Student improvement after the first two years at a new school is also consistent

sense. Parents and teachers know that changing schools can be a big adjustment for children, and private schools typically have different cultural mores and teaching habits. Most parents don't look for private schools if their children are prospering in their current school.

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

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

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

Why Bitcoin Is Booming

By John O. McGinnis
And Kyle W. Roche

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

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

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

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

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

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

Unlike national currencies, bitcoin

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OPINION

The Terror Problem From Pakistan

By Rahmatullah Nabil
And Melissa Skorka

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

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

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

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

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



AGENCE FRANCE PRESSE/GETTY IMAGE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Tuesday, July 11, 2017 | B1

Euro vs. Dollar 1.1400 ▼ 0.03% FTSE 100 7370.03 ▲ 0.26% Gold 1212.10 ▲ 0.29% WTI crude 44.40 ▲ 0.38% German Bund yield 0.541% 10-Year Treasury yield 2.371%

Abercrombie Shelves Talks

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

BY DANA MATTIOLI

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

In May, the company said it was in "preliminary discussions with several parties," though it warned the talks might not result in a transaction. On Monday, Abercrombie said the deal talks were off, confirming an earlier report in the day by The Wall Street Journal.

Shares of the company—

which as of Friday had a market value of \$820 million—were off 21% at \$9.58 in afternoon trading Monday.

The sales process had attracted a number of interested parties, including rivals **Express Inc.** and **American Eagle Outfitters Inc.**, which teamed up with private-equity firm **Cerberus Capital Management**, people familiar with the matter said. **Sycamore Partners** was also involved in the process, but the buyout firm just last month struck a \$6.9 billion deal to buy office-supply retailer Staples Inc.

In June, Abercrombie accepted final bids, but couldn't come to acceptable terms with suitors and it now seems unlikely it will find a buyer, according to the people. On Monday, Abercrombie said the best

way for the company to create value for shareholders is "the rigorous execution of our business plan."

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

Apparel retailers, especially those catering to teens, have been hit hard by declining mall traffic, changing tastes and new competition. Several Abercrombie's in recent years, is better off without such a tie-up. "Very few retail portfolio strategies have generated positive shareholder returns and, in fact, most have caused shareholder returns to be de-

natural partners for Abercrombie, "any interest that may have been present during negotiations eventually dissipated when realizing merger benefits like the elimination of overhead costs would likely be offset by time and resources needed to right the ship."

The brokerage added that American Eagle, which it called the "strongest operator in the young adult space" and whose sales have eclipsed Abercrombie's in recent years, is better off without such a tie-up. "Very few retail portfolio strategies have generated positive shareholder returns and, in fact, most have caused shareholder returns to be de-

Please see **SALE** page B2

◆ Heard on the Street: Retailer loses its last best hope..... B8



Working a well in China last week. Traders say algorithmic trading has distorted the crude-oil market and magnified swings.

Oil Trade Leaves Basics Behind

BY STEPHANIE YANG AND TIMOTHY PUO

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

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

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

Oil investors, who make bets relying on data like production and demand, say that such forces are no longer always driving crude prices. They say program trading is distorting the market, often causing shallow price drops to accelerate.

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

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

Saudi Arabia Energy Minister Khalid al-Falih was among those who pointed to technical trading for causing the May 25 selloff to intensify. "For many people, it was time to sell," he said in an interview after the May 25 OPEC meeting.

"Once you broke some of the technical barriers," that also had an impact, he said.

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

Automated trading in en-

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

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

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

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

Strategies vary greatly among funds, making the impact of algorithms and automation difficult to quantify. The complexity of algorithms also make them an easy target for blame, said Michael Pomada, chief executive of Crable Capital Management, a hedge fund with \$2.2 billion in assets and \$700 million in trend-following strategies.

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

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

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

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

Please see **OIL** page B2



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

Outcry Over a Trading-Floor Plan

BY GUNJAN BANERJI

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

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

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

than computer programs.

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

Box's initial plan, though,

sparked critical letters this

year from Chicago Board Options Exchange owner, **CBOE Holdings Inc.**, and the NYSE,

as well as trading firms that

said another trading venue

will make it tougher to do

business as activity potentially

becomes less transparent and

more fragmented.

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

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

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

Backers of the company's proposal say it will boost competition among exchanges.

Some also say it is Box's right

to try to build market share in

the fiercely competitive options landscape, where a select group of exchanges like the

NYSE, Nasdaq and Chicago

Board Options Exchange run

the existing floors.

But Box's efforts have rankled some U.S. options traders,

Open outcry accounts for

about 13% of U.S. options trading, according to Burton-Taylor International Consulting, which advises exchanges. Most trades are done electronically. Over 350 million options contracts exchanged hands in June in the U.S., with about 2% flowing through Box, data from Options

Clearing Corporation show. Box

is partly owned by **TMX Group**, which operates the

Toronto Stock Exchange.

Backers of the company's

proposal say it will boost com-

petition among exchanges.

Some also say it is Box's right

to try to build market share in

the fiercely competitive options

landscape, where a select group

of exchanges like the

NYSE, Nasdaq and Chicago

Board Options Exchange run

the existing floors.

But Box's efforts have rankled

some U.S. options traders,

Please see **TRADE** page B5

STREETWISE | By James Mackintosh

The Newest Threat to Stock Market: Bonds

Rising bond yields threaten to undermine the case for holding expensive stocks, and shareholders should be worried.

It has been "TINA" for the last seven years. That means "there is no alternative" but to buy stocks with bond yields so low. But the danger is that shareholders now will return to their jilted first loves of cash and bonds as yields rise.

Stock markets have provided a flavor of the risks ahead as bond yields jumped over the past two weeks. In the eurozone, where the bond moves started, finan-

cials are the only sector that have managed to rise, as banks benefit from higher yields. In the U.S., yields haven't risen quite so rapidly, but financials, up 4.2%, are way ahead. The only other sectors in the black—industrials and materials—moved just positive after Friday's solid jobs report.

Two weeks is a short period to assess anything, but the pattern fits the menace of a breakup with TINA. If investors bought stocks because bond yields were so miserable, they are likely to sell stocks when bond yields perk up.

Just how big the danger is will depend on what happens

Please see **STREET** page B2

cially are calling on Congress to allow them to negotiate collectively with **Alphabet Inc.**'s Google and **Facebook Inc.**, as what they call the "digital duopoly" increasingly dominates online advertising and news distribution.

The News Media Alliance—a trade coalition representing some 2,000 organizations across the U.S. and Canada, including Wall Street Journal publisher Dow Jones—says antiquated antitrust laws have had "the unintended effect of preserving and protecting Google and Facebook's dominant position," by limiting publishers' ability to push for changes together.

If granted a limited waiver by Congress, the group said it would seek stronger intellectual-property protections, bet-

ter support for digital subscription models and a fairer share of revenue and customer data.

"Quality journalism is critical

to sustaining democracy and is central to civic society," the alliance's president and chief executive, David Chavern, said in a

statement. "To ensure that such journalism has a future, the news organizations that fund it

Please see **MEDIA** page B2

'Digital Duopoly' Irks Newspapers

BY LUKAS I. ALPERT AND JACK MARSHALL

Newspaper publishers are calling on Congress to allow them to negotiate collectively with **Alphabet Inc.**'s Google and **Facebook Inc.**, as what they call the "digital duopoly" increasingly dominates online advertising and news distribution.

The News Media Alliance—a trade coalition representing some 2,000 organizations across the U.S. and Canada, including Wall Street Journal publisher Dow Jones—says antiquated antitrust laws have had "the unintended effect of preserving and protecting Google and Facebook's dominant position," by limiting publishers' ability to push for changes together.

If granted a limited waiver by Congress, the group said it would seek stronger intellectual-property protections, bet-

ter support for digital subscription models and a fairer share of revenue and customer data.

"Quality journalism is critical

to sustaining democracy and is central to civic society," the alliance's president and chief executive, David Chavern, said in a

statement. "To ensure that such journalism has a future, the news organizations that fund it

Please see **MEDIA** page B2

REX SHUTTERSTOCK/ZUMA PRESS

INDEX TO BUSINESSES

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

A	Cogeco Communications.....B4
B	Abercrombie & Fitch.....B1,B8
C	Alcatel-Lucent.....A7
D	AlphaNet.....B1
E	Amazon.com.....B2
F	American Airlines Group.....B2
G	American Eagle Outfitters.....B1,B8
H	Apple.....B2,B8
I	Aéropostale.....B1
J	Banca Carige.....B8
K	Beijing Mobile Technology.....B4
L	BlackLine.....B3
M	Box Options Exchange.....B1
N	CBOE Holdings.....B1
O	Cerberus Capital Management.....B1
P	Chicago Board Options Exchange.....B1
Q	Chongqing Casin Enterprise Group.....B5
R	CME Group.....B1
S	Samsonite International.....B4
T	Samsung Electronics.....B8
U	Santos.....A6
V	Southwest Airlines.....B2
W	Spirit Airlines.....B2
X	Sunac China Holdings A1
Y	Sycamore Partners.....B1
Z	Tencent Holdings.....B4
AA	Express.....B1,B8
BB	Facebook.....B1,B4
CC	Federated Investors...B5
DD	Ford Motor.....B5
EE	Harron Communications.....B4
FF	Hawaiian Holdings.....B2
GG	Intesa Sanpaolo.....B8
HH	JetBlue Airways.....B2
II	Johnson & Johnson.....A7
JJ	Micron Technology.....B8
KK	Microsoft.....B4
LL	Orkla.....B4
MM	Wet Seal.....B1

INDEX TO PEOPLE

B	Boyle, Ed.....B5
C	Chavern, David.....B1
D	Creutz, Doug.....B8
E	Crutchfield, Steve.....B5
F	Gates, Robert.....A2
G	Hongbin, Sun.....A2
H	Jeffries, Mike.....B2
I	Jianlin, Wang.....A1
J	Kennedy, Kevin.....B1
K	Koenigsbauer, Kirk.....Br
L	Lucker, Palmer.....B4
M	Maragos, Peter.....B5
N	McCullough, Patrick.....B3
O	Pomada, Michael.....B1
P	Rubin, Jason.....B4
Q	Tainwala, Ramesh.....B4
R	Tsang, Kaven.....A1
S	Tucker, Therese.....B3

OIL

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

Computerized trading is also taking over other commodities. According to the CFTC report, the share of automated trading in agriculture rose to 49% for a two-year period ending in late 2016, from 38% in the preceding two years, and to 54% from 47% in metals for the same periods.

But crude has been particularly vulnerable to big swings this year as traders try to gauge the impact of OPEC cuts amid a global oil glut. Meanwhile, momentum traders who use algorithms have grasped for market trends, said Peter Hahn, of **Bridgeton Research Group**, a quantitative research firm. Oil is "in a transitioning period," Mr. Hahn said. In that kind of market, he said, "momentum-based algorithms are more likely to be whipped into and out of long and short positions."

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

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

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



Abercrombie's style has fallen out of favor with consumers.

SALE

Continued from the prior page

stroyed," Jefferies wrote.

Former Chief Executive Mike Jeffries transformed Abercrombie from an old-fashioned outdoor retailer to a hot brand known for sex-tinged marketing and logo-emblazoned clothing, but that style has fallen out of fashion and the company has had to recalibrate.

In addition to its namesake brand, Abercrombie owns Hollister, which caters to a younger shopper. Hollister has fared better than its sister brand because it "offers lower-priced goods

and at the same time doesn't bear the burden of prior perception issues," Nomura Instinet analyst Simeon Siegel said.

It has been a difficult environment for retailers looking to sell themselves. Luxury department-store chain Neiman Marcus Group Ltd. had announced it was exploring its options earlier this year, but in June the company ended the process. Macy's Inc. was in preliminary deal talks earlier this year with Canada's Hudson's Bay Co., but talks have since ended, people familiar with the matter have said.

Khadeeja Safdar contributed to this article.

BUSINESS & FINANCE

New Fares, Fees Lift Airlines

U.S. carriers expect the first broad increase in three years in unit-revenue growth

BY SUSAN CAREY

U.S. airlines are raking in more from each mile they fly a passenger for the first time in years, thanks to new fare classes and customized services that are squeezing more revenue from each customer.

In the second-quarter results they will begin to report this week, airlines have told investors to expect the first broad uptick in three years in the amount taken in for a passenger flown a mile, or a seat flown a mile. These closely watched "unit revenue" metrics had suffered amid a price war sparked by low fuel prices and the rapid expansion of discount carriers.

Now big airlines are expanding "basic economy" fares to compete with discounters, while also tapping new revenue streams from fees and premium ticket classes that offer more comfort and exclusivity.

"You're seeing increasing product and customer segmentation, which is generating higher average fares," said Bryan Terry, managing director of travel and transportation for PricewaterhouseCoopers LLP.

American Airlines Group Inc., Delta Air Lines Inc. and United Continental Holdings

other \$7.2 billion of new investor cash in the first quarter of this year, bringing the funds' total assets to \$256 billion.

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

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

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

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

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



Passengers are being offered expanded economy fares, along with premium tickets with more exclusivity.

Inc. all are expected to show unit-revenue gains in the second quarter compared with big declines in that period a year earlier. Delta, which will report second-quarter results on Thursday, told investors last week to expect the first unit-revenue growth since the fourth quarter of 2014.

Discounters **JetBlue Airways Corp.** and **Spirit Airlines Inc.** are forecasting unit-revenue growth of at least 4% after double-digit declines a year ago. **Hawaiian Holdings Inc.** has forecast a unit-revenue increase of as much as 10.5%. **Southwest** on Monday reaffirmed guidance for growth of up to 2% in the second quarter, disappointing some investors hoping for a higher target.

Nevertheless, such broadly positive results would help put the airline industry on track for its eighth straight year of profits in 2017, a record streak in a traditionally volatile industry buffeted by unpredictable changes in fuel prices, demand and global economic conditions. Many airline stocks are trading near their one-year highs.

Many industry watchers see last year as a low point for airlines, coming at the end of a heated fare war. At the time, carriers blamed everything from geopolitical turmoil, the strong dollar and overcapacity for their poor performance. Only Southwest and Hawaiian eked out small unit-revenue gains for the second quarter last year.

"The second quarter of 2016 was darn near a trough," said Kristopher Kelley, an equity analyst at Janus Henderson Group PLC.

The tide began to turn early this year. Merrill Lynch expects steady unit-revenue gains through the year. Cowen & Co. thinks the second quarter will be a peak, due in part to more domestic airline capacity scheduled to come online later this year.

As discount carriers bring budget fares to more markets, American, Delta and United are using basic economy fares to attract more frugal travelers. These fares don't include many standard perks such as standing by for a different flight or receiving advanced seat assignments.

MEDIA

Continued from the prior page
must be able to collectively negotiate with the digital platforms that effectively control distribution and audience access in the digital age."

Mr. Chavern laid out the case for the News Media Alliance, which also includes many regional publishers, in an opinion piece for The Wall Street Journal. However, the type of waiver it is seeking is uncommon and the prospects for the alliance's push are unclear.

Publishers have long been frustrated by Facebook's outsize role in news dissemination and commanding presence in the digital advertising market.

Google and Facebook are expected to receive more than 60% of U.S. digital ad spending this year, according to eMarketer. And their combined market share is growing. Last

year, the two companies captured more than 77% of the nearly \$12 billion in additional spending on online ads in the U.S., eMarketer estimates.

In response to the publishers' efforts, Facebook and Google emphasized their continuing work to help news organizations broaden their reach and find sustainable business models in their transition to digital from print.

Facebook increasingly has sought to engage with publishers on ways they could work together, including an initiative that would allow news organizations to sell subscriptions to readers through the social-media giant's mobile applications.

"We're committed to helping quality journalism thrive on Facebook. We're making progress through our work with news publishers and have more work to do," said Campbell Brown, Facebook's head of news partnerships, in a state-

ment in response to the alliance's move.

Google also has attempted to work with publishers to highlight higher-quality work and play down the output of content farms, which churn out high volumes of low-quality aggregated news, and sites that publish fictional stories masked as news.

Facebook and Google emphasized their efforts to help news organizations.

"We want to help news publishers succeed as they transition to digital," Google said in a statement. "In recent years we've built numerous specialized products and technologies, developed specifically to help distribute, fund, and sup-

port newspapers. This is a priority and we remain deeply committed to helping publishers with both their challenges, and their opportunities."

Newspaper publishers, by seeking permission from Congress ahead of any collective push, are trying to avoid the situation book publishers faced when they attempted to collectively set digital book prices to fend off the growing power of **Amazon.com Inc.** In 2012, the U.S. Justice Department sued **Apple Inc.** and five of the country's biggest book publishers, including HarperCollins Publishers, which like The Wall Street Journal is owned by News Corp. In its suit, the Justice Department accused the publishers of colluding with Apple to raise e-book prices when Amazon was selling digital best-sellers for only \$9.99—a price often below cost.

Jeffrey A. Trachtenberg contributed to this article.

STREET

Continued from the prior page
to bond yields, of course. But it will also depend on why yields rise, and the latest reason is concerning.

Rising bond yields can be good for stocks if they are driven up by expectations of a stronger economy. Higher future profits can more than offset the cost of discounting those profits back to today at a higher rate, making stocks more valuable (higher yields make profits far in the future less valuable than profits made quickly—so it makes sense that speculative technology stocks have fallen sharply).

Bond yields pushed up by anything other than a strong economy are bad news, and the latest rise looks as though it was mostly driven by concern about central-bank bond-buying, not the economy.

Bond investors like to break down bond yields into two parts: the expectation of interest rates over the life of the bond and a bit extra, driven by supply and demand, to cover the risk of being locked in until maturity. The extra bit is known as the term premium, and accounted for almost the entirety of the Treasury yield rise in the past two weeks, according to calculations by the New York Federal Reserve. The same goes for the eurozone, according to Goldman Sachs estimates.

Combine the term premium with a measure of how expensive bonds are compared with stocks, and we can get a feel for just how bad things could get for shareholders as bond yields rise.

and at the same time doesn't bear the burden of prior perception issues," Nomura Instinet analyst Simeon Siegel said.

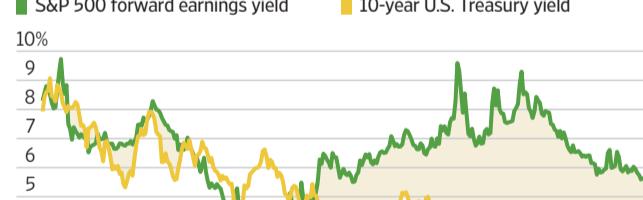
It has been a difficult environment for retailers looking to sell themselves. Luxury department-store chain Neiman Marcus Group Ltd. had announced it was exploring its options earlier this year, but in June the company ended the process. Macy's Inc. was in preliminary deal talks earlier this year with Canada's Hudson's Bay Co., but talks have since ended, people familiar with the matter have said.

Khadeeja Safdar contributed to this article.

Spot the Buy Signal

Many argue that stocks are cheap compared with bonds, with a wide gap between the earnings yield and bond yield.

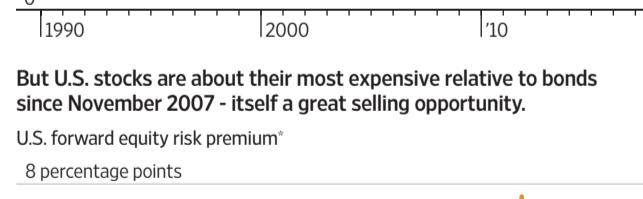
■ S&P 500 forward earnings yield ■ 10-year U.S. Treasury yield



But U.S. stocks are about their most expensive relative to bonds since November 2007 - itself a great selling opportunity.

U.S. forward equity risk premium*

8 percentage points



*S&P 500 forward earnings yield minus 10-year Treasury yield

Note: Monthly data

Source: Thomson Reuters Datastream

pected earnings yield, the inverse of the price/earnings ratio, to see how much higher it is than the bond yield.

With a forward earnings yield of 5.62% and a 10-year Treasury yielding 2.37%, the gap of 3.23 percentage points is the projected annual extra reward for holding the S&P 500.

Theoretically this widely used measure makes little sense, since earnings are variable and should rise with inflation, while bond coupons are fixed and static. There is no reason for the gap between them to be at any particular level, and the fact the two moved

BUSINESS NEWS

Companies Encourage Employees to Use Plastic

By RHEA RAO

Companies are giving more of their employees corporate credit cards as they seek easier expense tracking and savings from suppliers.

Software company Black-Line Inc. began offering employees corporate credit cards 12 years ago when Chief Executive Therese Tucker realized

some staff couldn't afford to wait until they were reimbursed for work expenses.

The corporate credit-card program removed the stress on employees' personal budgets while allowing BlackLine to easily track work travel expenses, she added.

The use of corporate cards

and other payment technologies is on the rise. About one in five finance departments said they would invest more in company-backed credit cards this year, according to a report by Strategic Treasurer, a consultancy. The move is driven by security concerns, with 72% of respondents concerned with the potential of external hacks.

Slightly more than one-

quarter of companies plan to spend more than \$250,000 on payments technology. The 2017 B2B Payments & Working Capital Management Survey tallied responses from 355 finance executives globally.

Ms. Tucker said expanding the corporate-card program to more employees netted Black-Line better terms with their card provider. The Los Ange-

les-based company has doled out cards to 300 of its 650 employees.

Handing out corporate cards to employees turned out to be lucrative for Just Energy Group Inc. The company didn't want to miss out on competitive pricing from digital vendors such as Amazon Prime or Uber Eats that require credit-card payments, said finance

chief Patrick McCullough.

The biggest challenge was making sure everyone is on the same page about what type of expenses staff can charge to the account. The Canadian natural-gas and electricity retailer outlined those ground rules and now oversees fewer transactions while suppliers are compensated more swiftly, he said.

ADVERTISEMENT

The Mart

BUSINESS OPPORTUNITY



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

CAREERS

M & A BUSINESS BROKERS Sell & Show Businesses

Six Figure Commissions
£50,000, £100,000, £500,000+
As Independent Contractor
Work From Home / Outside Sales
Leads Furnished - Since 1985
Send Letter & CV to:
brokers@gottesman-company.com
Visit our website: gottesman-company.com
United States • Canada • Europe

TRAVEL

Save Up To 60% First & Business

INTERNATIONAL
Major Airlines, Corporate Travel
Never Fly Coach Again!
www.cooktravel.net
(800) 435-8776



Businesses

For Sale.

Advertise in The Mart.

Call +44 (0) 203 426 1202

THE WALL STREET JOURNAL.
EUROPE

TECHNOLOGY

WSJ.com/Tech



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

Facebook Puts VR on Sale

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

By SARAH E. NEEDLEMAN

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

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

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

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

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

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

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

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

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

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

Vive headsets and 1.6 million PlayStation VR headsets.

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

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

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

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

Microsoft Adds Software Bundle

By JAY GREENE

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

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

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

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

The new approach is also reflected in Microsoft's sales-force reorganization last week, which led to thousands of layoffs. Microsoft is trying to reorient its sales staff to focus on specific markets, such as small business, rather than discrete products.

The new bundle for small

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

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

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

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

The combined software and new branding should simplify Microsoft's marketing efforts, providing clarity the company's business products often have lacked, said Alan Lepofsky, principal analyst with Constellation Research Inc.

Moreover, tying products in markets where Microsoft isn't dominant, such as security software, to products in markets where it is, such as operating systems, will challenge niche rivals, Mr. Lepofsky said.

"Microsoft would love to have that business over a third party," he said.

The product bundle already has displaced a security-software maker at Fruit of the Loom Inc., said Chris Krebs, information chief at the apparel company.



Satya Nadella at Microsoft's Inspire conference on Monday.

Cogeco Makes Cable Buy

By JUSTINA VASQUEZ

A Cogeco Communications Inc. unit has reached a deal to buy the MetroCast cable system for US\$1.4 billion, as the Canadian cable company expands its share of the U.S. market.

Cogeco said Monday that its Atlantic Broadband subsidiary would purchase closely held Harron Communications LP's MetroCast, adding 236,000 homes and businesses in New Hampshire, Maine, Pennsylvania, Maryland and Virginia to its customer portfolio. Harron sold MetroCast's Connecticut systems to Cogeco nearly two years ago.

The Canadian company said it would fund the deal with debt financing and by selling a 21% stake in Atlantic Broadband to Caisse de dépôt et placement du Québec for US\$315 million. The transaction is expected to close in January.

Cogeco entered the U.S. market with its 2012 purchase of Atlantic Broadband, a provider of cable, internet and phone services that is based in Quincy, Mass. Since then, its American cable-services division has grown from 16% of overall revenue in 2013 to 29% of revenue last year, and the division's operating margin has nearly tripled to 42.7%.

Atlantic Broadband officials said Monday that the company has aimed for a MetroCast acquisition since its purchase of the Connecticut division.

Shares in Cogeco Communications were up 2.9% at 82.09 Canadian dollars (\$US63.74) Monday afternoon on the Toronto Stock Exchange.

BUSINESS NEWS

Samsonite Pushes to Expand Its Market Share

By SAABIRA CHAUDHURI

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

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

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



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

cently put more muscle behind its lower-end American Tourister luggage, which starts at about \$100.

The company, which went public in 2011, has simultaneously pushed into more upscale turf, last year buying Tumi Holdings Inc. of New Jersey for \$1.8 billion. Tumi's products are priced at \$500

and above, which is higher than Samsonite's own-brand prices of \$100 to \$300.

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

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

"It's not controllable because you're dependent on the success of everyone else," he said. "We're now asking, do we need to stretch ourselves?"

The company is putting

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

While about 35% of the company's revenue currently comes from everyday bags, or ones that are used for work or school rather than travel, Mr. Tainwala is aiming for this to reach 50%, leaving Samsonite less open to the vagaries of macroeconomic disruption.

On Friday, Samsonite launched a wireless bag-tracking device under the Tumi brand for \$200 after receiving approval from the U.S. Federal Aviation Administration. The luggage industry has been slow to launch products incorporating new technology, which Mr. Tainwala blamed on safety concerns.

"If you can talk to your luggage so can somebody else," he said, citing worries of terrorists using tracking devices to blow up suitcases.

To address such fears, the Tumi tracker automatically turns off as the plane accelerates and only turns back on upon landing.

BUSINESS WATCH

NORSK HYDRO

Firm Takes Control Of Sapa Venture

Norwegian aluminum producer Norsk Hydro ASA said Monday that it will take full ownership of aluminum-products joint venture Sapa after reaching a deal to buy the 50% of the company it doesn't already own from partner Orkla ASA.

The deal values Sapa at 27 billion Norwegian kroner (\$3.2

billion) and is in line with Hydro's strategy of becoming an integrated aluminum company involved in everything from mining to end-user products.

Sapa was formed in 2013 as a joint venture between Orkla and Hydro, as the companies pooled some of their assets to create a platform for growth in emerging markets.

The deal's completion, subject to approval from competition authorities, is expected this year.

—Dominic Chopping

MOBIKE

Chinese Firm Looks To Hire in the U.S.

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

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

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

The company and its main rival, Beijing-based Ofo, have risen to prominence in their homeland.

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

One of the jobs posted on the professional networking site

LinkedIn is for an operations manager, based in the Washington, D.C., area, who would need to get to know "the local environment" and "be the main point of contact for the regional government officials and Transport Authorities," according to the listing.

The other position is for a social-media professional to work with the company's prospective community of users.

—Newley Purnell and Liza Lin

FINANCE & MARKETS

Great Plains Drought Lifts Wheat Prices

BY BENJAMIN PARKIN

Drought in the Great Plains is decimating an important portion of the U.S. wheat crop, pushing prices to multiyear highs and drawing hedge funds and other speculative investors to what is typically a lonely corner of the markets.

Spring wheat futures at the Minneapolis Grain Exchange have leapt 40% in a little over a month, far outpacing more widely traded corn and soybean contracts. The exchange said total volume and participation in June and July has broken a series of records.

"People are forced to pay attention," said Michael McDougall, commodities director at Société Générale in New York, who said his clients had started placing bets in the spring wheat futures market.

The number of hedge funds and other money managers betting on spring wheat contracts has almost doubled since May, data from the U.S. Commodity Futures Trading Commission showed.

Farmers sowed the fewest acres of wheat in a century this year. A global grain glut exacerbated by booming production in countries like Rus-



Hard red winter wheat was unloaded at a grain elevator during harvest in Zurich, Kan., last month.

sia has depressed prices and, along with a strong dollar, made U.S. wheat farmers less competitive, prompting some to leave fields fallow or switch to soybeans and corn.

Now weeks of hot, dry weather in the Dakotas and Minnesota have been particularly hard on spring wheat,

prized for its high protein content that makes it well-suited for specialty breads and pastries. That could mean higher food prices for consumers if millers end up paying more for high-quality wheat, said Brian Hoops of brokerage Midwest Market Solutions.

The share of spring wheat

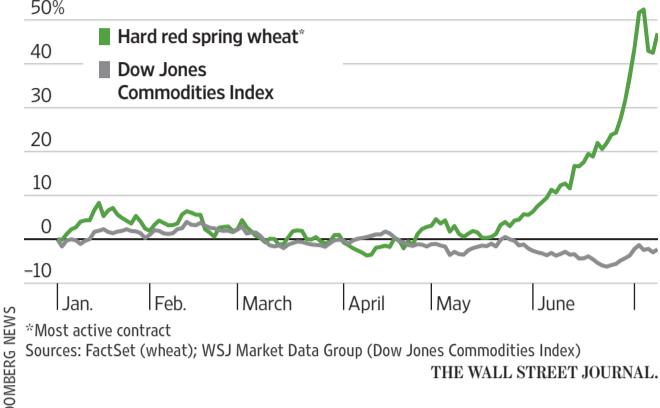
in good or excellent condition fell to 37% earlier this month, the U.S. Department of Agriculture said, compared with 72% the same time last year. That is the lowest good-or-excellent rating in almost 30 years.

After rising to a four-year high Wednesday, spring wheat

Hot Streak

A drought has damaged spring wheat, pushing up prices.

Percentage change since end of 2016



*Most active contract
Sources: FactSet (wheat); WSJ Market Data Group (Dow Jones Commodities Index)

THE WALL STREET JOURNAL.

futures fell last week before rebounding 4% Monday morning to \$7.97½ a bushel.

"I don't think anyone expected...so much high-protein wheat would be destroyed at a level that would move these markets," said Virginia McGathay, a grain-options trader at the Chicago Board of Trade.

U.S. wheat plantings have been shrinking for decades. For much of that time higher yields made up for the shrinking land mass devoted to the grain, keeping U.S. wheat production relatively flat. But less

acreage could make U.S. wheat prices more vulnerable to price shocks in the future when droughts strike arid regions like the Plains, Rabobank said.

"Flour mills and bakers will do what is necessary to secure their supplies," said Ken Morrison, a St. Louis trader and author of a commodity newsletter who bought spring-wheat contracts this month. He said it was one of only a handful of times he has bet on that market in more than a decade.

Lawmakers Aim to Stop Chicago Exchange Sale

BY DAVE MICHAELS

WASHINGTON—Nearly one dozen Republican and Democratic lawmakers are urging federal regulators to reject the takeover of the Chicago Stock Exchange by a coalition that includes several Chinese investors.

The 11 House members are expected to send a letter to the Securities and Exchange Commission on Monday. The SEC faces an Aug. 9 deadline to approve or reject the deal, which the tiny exchange hopes will help it become a listing destination for Chinese companies. Some of the lawmakers have previously expressed concern about the \$20 million sale, which is part of a plan to reinvent the 135-year-old exchange as a bridge between U.S. capital markets and Chinese entrepreneurs.

The lawmakers argue the SEC should be wary of the deal because the regulator may not be able to monitor the extent of Chinese ownership. U.S. exchanges typically limit any one entity or participant's control over their markets, in an effort

to safeguard the independence of their regulatory duties.

"With little or no insight and transparency into government-dominated Chinese markets, the SEC will be unable to monitor the ownership structure...leaving CHX open to undue, improper, and possibly state-driven influence," the lawmakers wrote in the letter, which was reviewed by The Wall Street Journal.

The letter was signed by a handful of Democratic and Republican House members—including **House Financial Services Committee** member Rep. Robert Pittenger (R., N.C.) and Rosa DeLauro (D., Conn.)—who are often skeptical of free trade and international investment. The SEC is an independent agency and can make decisions that conflict with the wishes of lawmakers, but Congress' views often get close attention at the agency.

An SEC spokesman declined to comment on the letter, as did a spokesman for the Chicago Stock Exchange.

If the SEC certifies the control change, the exchange's

owners would include **Chongqing Casin Enterprise Group Co.**, a private company with over 800 employees that has operations in China, Hong Kong and Australia, according to merger documents reviewed by The Wall Street Journal.

The Casin group hopes to take Chinese firms public on the Chicago exchange and wants to open a new exchange in southwest China, according to a March 2016 letter from the Chicago exchange's chief executive, John Kerin, to his company's shareholders.

"We both see significant opportunities in the promotion of trans-Pacific equity trading between the two largest world economies," Mr. Kerin wrote.

The group of prospective owners once included **Beijing Guoli Energy Investment Co.**, according to the merger documents. Beijing Guoli's owners have included Chinese state-owned investment firms, according to a bidding document filed with the Australian Securities Exchange related to a Beijing Guoli subsidiary's acquisition last year of mining firm Cuesta Coal Ltd.



Some investors have been buying Ford's commercial paper after more than a decade of avoiding it.

Ford Regains a Loan Source

BY KATY BURKE

A handful of investors recently began extending short-term loans to an affiliate of **Ford Motor Co.** after more than a decadelong hiatus, opening a key borrowing spigot for the blue-chip auto maker, which was locked out of money markets in the last recession.

In recent months, a money-market fund of **Federated Investors** has been buying a kind of short-term IOU called commercial paper from **Ford Motor Credit Co.** LLC. The Federated Capital Reserves Fund now holds about \$148 million of such debt, according to fund tracker Crane Data.

Ford Motor Credit has made a comeback since being struck off Federated's eligible investments list in 2003, when the vehicle-financing company showed signs of struggling and was later downgraded to below-investment grade. It has since been upgraded to investment grade.

The Federated holding, while small, is notable because it signals a potential thaw in relations between money funds and auto companies that could later benefit others, including General Motors Co. and Fiat Chrysler Automobiles NV. GM and Chrysler Group LLC filed for bankruptcy in 2009.

"Autos are generally tied to the consumer, and the consumer, we think, is very healthy right now," said Debbie Cunningham, chief investment officer for money markets at Federated in Pittsburgh.

She said auto loans are generally the highest priority payment for consumers, behind mortgages, and thus offer a solid investment for funds willing to consider issuers in the lower tier of the highest short-term rating categories.

Robert Cheddar, portfolio manager at **PFM Asset Management LLC**, which manages about \$63 billion on behalf of state and local governments, said Ford's fundamental condition has improved. For clients that will allow it, he started buying the company's commercial paper last year.

Ford Motor Credit had

It also points to an increasing appetite among large money managers using separately managed accounts to oversee client money. Crane Data calculates that separately managed accounts have grown by as much as \$40 billion to \$500 billion since new Securities and Exchange Commission rules for traditional money-market funds came in last October.

"It's mostly separate accounts and corporate investors that are buying [Ford's commercial] paper," said Mr. Cheddar at PFM.

Commercial paper, which is typically issued anywhere from overnight to 270 days, is generally considered one of the cheapest forms of borrowing because most issuers have high credit ratings and investors loan their cash over short periods.

Most money funds never buy commercial paper rated below the top rung of investment grade. But the new SEC rules removed rating requirements for money-market funds. Previously, funds were required to invest at least 97% of their assets in securities with only the highest short-term credit ratings.

In 2016, Ford tapped the longer-term debt markets for the first time in nearly four years, raising \$2.8 billion. While Ford Motor Credit was locked out of money markets in the financial crisis, it used other sources of funding such as selling bonds backed by future revenues from car loans, as well as credit facilities from banks.

TRADE

Continued from page B1
who are already dealing with a labyrinthine market structure. A new open outcry pit would push market makers to staff the new floor and incur higher costs, said Peter Maragos, chief executive of Dash Financial Technologies, a broker dealer and technology provider.

"Where's the benefit for the client?" said Mr. Maragos, whose firm has brokers on the CBOE floor. "We're just adding more complexity, more fragmentation."

The SEC doesn't restrict the number of exchanges, said Box Chief Executive Ed Boyle. It only creates the legal and regulatory requirements that exchanges must follow. He also pointed to the existing 15 venues for U.S. options.

"For someone to make the statement 'Why do we need another one?' is naive," said Mr. Boyle, who has worked in options since 1981. "It really comes off as they don't want additional market competition."

Steve Crutchfield, the head of market structure for CTC Trading, opposed the new floor in a letter to the SEC. He said that a sparsely populated floor can make it easier for trading firms that handle client orders to seek venues where they get paid commissions, rather than where they can get the best prices for clients. His firm staffs all four existing open-outcry floors.

One of the changes Mr. Boyle made in response to criticism was to scrap a requirement for traders to post continuous electronic quotes if

Cryin' Out Loud

Box Options Exchange has a tiny slice of options market share, but hopes to snap up more with a new open outcry floor where brokers will vocally match orders.

Exchange	Market share*
Chicago Board Options Exchange	25.6%
Nasdaq PHLX	15.3
Bats Exchange (CBSE)	10.4
Nasdaq Options Market	8.4
Nasdaq ISE	7.8
NYSE Arca Options	7.8
NYSE MKT	7.2
MIAX Options	4.8
Nasdaq GEMX	4.4
C2 Options Exchange (CBOE)	3.3
BOX Options Exchange	2.2
EDGX Exchange (CBOE)	1.2
MIAX Pearl	0.9
Nasdaq BX	0.6
Nasdaq MRX	0.1

*Based on June 2017 volumes

Source: Options Clearing Corporation

THE WALL STREET JOURNAL.

they have a floor presence, which others don't require.

Some options traders said the open-outcry model could help investors who want to prevent prices from moving when their large options orders are getting executed.

"There is still a role for human traders," said Andy Nybo, a director at Burton-Taylor. An NYSE spokeswoman said 25% to 40% of the exchange's options volume flows through two floors in San Francisco and New York.

The number of CBOE floor traders has fallen, but over half of its most lucrative products—including options on the S&P 500 index and CBOE Volatility Index—are carried out on its Chicago floor. Nasdaq still operates an open-outcry pit in Philadelphia. While CME Group

closed most of its futures trading floors, it maintains pits for S&P 500 futures and options on futures for everything from the S&P index to hogs and corn.

Box isn't the first exchange to consider a new floor in recent years. Before being acquired by Nasdaq, the International Securities Exchange had considered an open outcry floor but eventually decided against it, said a person familiar with the matter.

But its plan has stoked worries that, if approved by the SEC, the new floor could lead to other exchanges trying to launch their own. "Approving the proposal would open the floodgates for every options exchange to open empty trading floors" in disused office space," Mr. Crutchfield wrote.

One of the changes Mr. Boyle made in response to criticism was to scrap a requirement for traders to post continuous electronic quotes if

Advertisement

INTERNATIONAL INVESTMENT FUNDS

[Search by company, category or country at europe.wsj.com/funds]

MORNINGSTAR®

FUND NAME NAV -%RETURN-
GF AT LB DATE CR NAV YTD 12-MO 2-YR
Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866
Fax No: 65-6835-8865, Website: www.cam.com.sg. Email: cam@cam.com.sg
CAM-GTF Limited OT MUS 06/30 USD 304488.93 0.8 5.9 -1.5

For information about listing your funds,
please contact: Freda Fung tel: +852 2831
2504; email: freda.fung@wsj.com

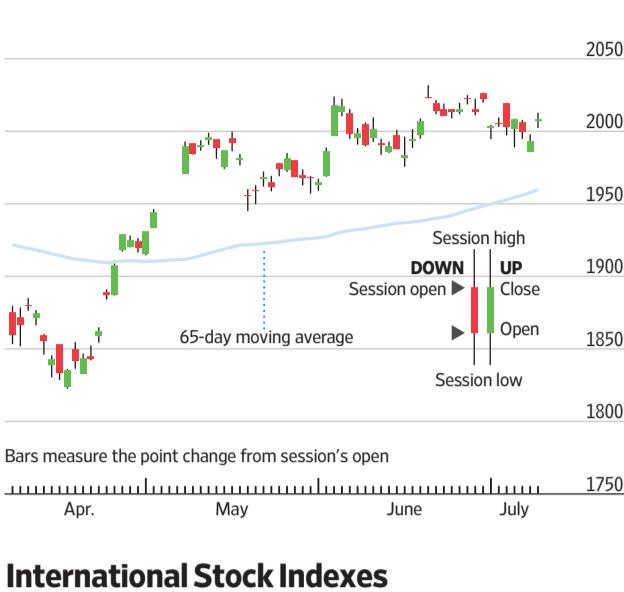
Data as shown is for information purposes only. No offer is being made with the U.S. Securities and Exchange Commission and aren't available for sale to United States citizens and/or residents except as noted. Prices are in local currencies. All performance figures are calculated using the most recent prices available.

MARKETS DIGEST

Nikkei 225 Index

20080.98 ▲ 151.89, or 0.76%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Apr. May June July

17500 18000 18500 19000 19500 20000 20500

STOXX 600 Index

381.64 ▲ 1.46, or 0.38%

High, low, open and close for each trading day of the past three months.



Data as of 4 p.m. New York time

Year-to-date 52-wk high/low All-time high

20230.41 15708.82 38915.87 12/29/89

▲ 5.06% 396.45 328.80

1044.05 414.06 4/15/15

27.1 2453.82 8.4

10.9 3786.05 15.5

15.5 23.01 21.9

8.3 21562.75 8.3

14.7 6341.70 14.7

8.4 2453.82 8.4

21.9 320.87 23.01

5.6 396.45 5.6

3.9 3279.71 3.9

20.4 3212.50 20.4

6.2 5442.10 6.2

8.4 12951.54 8.4

31.1 846.44 31.1

11.6 36168.63 11.6

-2.4 1490.23 -2.4

10.2 21828.77 10.2

6.0 537.84 6.0

17.5 62666.49 17.5

12.4 11184.40 12.4

8.8 598.42 8.8

8.8 9148.61 8.8

3.0 54716.53 3.0

29.4 101415.68 29.4

3.2 7598.99 3.2

1.619 1,737 1.590

2.411 2,682 1,894

-0.593 0,475 0,590

0.605 0,925 0,016

-0.519 0,368 0,607

0.646 0,943 0,109

-0.748 0,601 0,690

0.265 0,575 0,187

-0.266 0,104 0,082

1.114 2,328 2,087

-0.359 0,107 0,359

0.055 0,088 0,288

-0.710 0,580 0,607

-0.112 0,767 0,479

0.343 0,328 0,343

3.062 3,134 2,997

-0.136 0,185 0,136

1.136 2,328 1,437

-0.646 0,688 0,724

0.410 0,680 0,510

-0.126 0,330 0,092

0.736 1,309 1,007

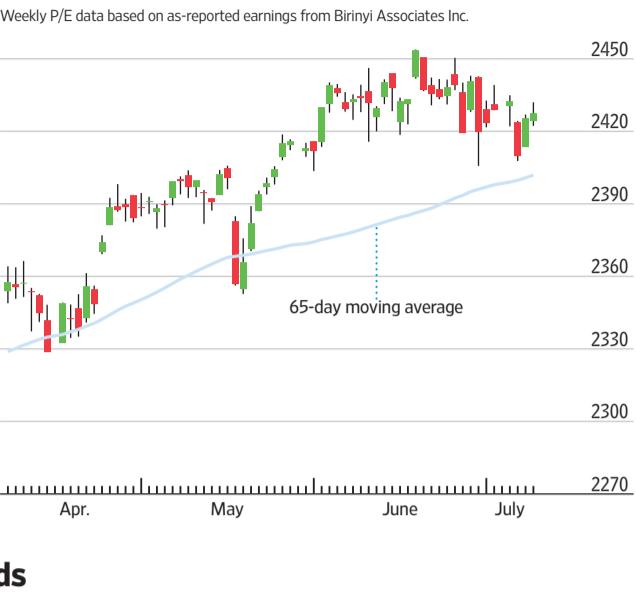
0.609 1,339 1,339

2.201 3,201 1,361

S&P 500 Index

2427.43 ▲ 2.25, or 0.09%

High, low, open and close for each trading day of the past three months.



Data as of 4 p.m. New York time

Last Year ago

Trailing P/E ratio 23.77 24.07

P/E estimate * 21.44 17.94

Dividend yield 2.01 2.17

All-time high: 2453.46, 06/19/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

2450

2420

2390

2360

2330

2300

2270

International Stock Indexes

Data as of 4 p.m. New York time

Region/Country Index Close NetChg % chg 52-Week Range High YTD % chg

World The Global Dow 2781.68 10.22 ▲ 0.37 2347.99 2792.77 10.0

MSCI EAFE 1882.64 8.54 ▲ 0.46 1471.88 1956.39 9.7

MSCI EM USD 1009.44 6.96 ▲ 0.69 691.21 1044.05 27.1

Americas DJ Americas 583.40 0.74 ▲ 0.13 503.44 588.61 8.0

Brazil Sao Paulo Bovespa 63057.50 735.10 ▲ 1.18 53143.48 69487.58 4.7

Canada S&P/TSX Comp 15107.61 80.45 ▲ 0.54 14277.22 15943.09 -1.2

Mexico IPC All-Share 50611.52 552.50 ▲ 1.10 43998.98 50661.75 10.9

Chile Santiago IPSA 3723.31 34.67 ▲ 0.94 3120.87 3786.05 15.5

U.S. DJIA 21408.52 -5.82 -0.03 17883.56 21562.75 8.3

Nasdaq Composite 6176.39 23.31 ▲ 0.38 4976.54 6341.70 14.7

S&P 500 2427.43 2.25 ▲ 0.09 2083.79 2453.82 8.4

CBOE Volatility 10.96 -0.23 -2.06 9.37 -0.01 23.01 21.9

EMEA Stoxx Europe 600 381.64 1.46 ▲ 0.38 328.80 396.45 5.6

Stoxx Europe 50 3128.92 12.61 ▲ 0.40 2702.66 3279.71 3.9

Austria ATX 3152.51 27.90 ▲ 0.89 2074.30 3212.50 20.4

Belgium Bel-20 3845.08 9.25 ▲ 0.24 3318.96 4055.96 6.6

France CAC 40 5165.64 20.48 ▲ 0.40 4207.37 5442.10 6.2

Germany DAX 12445.92 57.24 ▲ 0.46 9690.18 12951.54 8.4

Greece ATG 843.83 6.40 ▲ 0.76 535.30 846.44 31.1

Hungary BUX 35724.92 221.23 ▲ 0.62 26910.44 36168.63 11.6

Israel Tel Aviv 1435.35 0.57 ▲ 0.04 1372.23 1490.23 -2.4

Italy FTSE MIB 21190.67 175.57 ▲ 0.84 15906.76 21828.77 10.2

Netherlands AEX 512.05 2.13 ▲ 0.42 435.08 537.84 6.0

Poland WIG 60829.24 121.72 ▲ 0.20 44490.94 62666.49 17.5

Russia RTS Index 1006.14 10.90 ▲ 1.10 898.05 1196.99 -12.7

Spain IBEX 35 10509.50 20.70 ▲ 0.20 8168.70 11184.40 12.4

Sweden SX All Share 581.48 2.49 ▲ 0.43 475.70 598.42 8.8

Switzerland Swiss Market 8943.84 60.57 ▲ 0.68 7585.56 9148.61 8.8

South Africa Johannesburg All Share 52187.92 287.66 ▲ 0.55 48935.90 54716.53 3.0

Turkey BIST 100 101097.16 1012.79 ▲ 1.01 70426.16 101415.68 29.4

U.K. FTSE 100 7370.03 19.11 ▲ 0.26 6590.64 7598.99 3.2

Asia-Pacific DJ Asia-Pacific TSM 1612.92 6.89 ▲ 0.43 1381.99 1643.59 13.4

Australia S&P/ASX 200 5724.40 20.80 ▲ 0.36 5156.60 5956.50 1.0

China Shanghai Composite 3212.63 -5.32 -0.17 2953.39 3288.97 3.5

Hong Kong Hang Seng 25500.06 159.21 ▲ 0.63 20880.50 26063.06 15.9

FINANCE & MARKETS



Stock prices are displayed in the NSE atrium in Mumbai, India. A glitch delayed trading on the exchange for three hours on Monday.

Trades Halted on 2 Bourses

By CORINNE ABRAMS

Technical problems disrupted early trade on India's largest stock exchange and Indonesia's equities market Monday, highlighting the vulnerability of the global trading system to technology failures.

Last week, incorrect stock-market data were widely disseminated on some platforms across Asia, showing what appeared to be huge moves in the Nasdaq-listed share prices of some of the world's biggest companies, including Apple Inc., Microsoft Corp. and Amazon.com Inc.

"It's symptomatic of the complexities of the marketplace that we're dealing with now," said Neil McLean, head of trading for Asia ex-Japan at Instinet in Hong Kong.

Trading on India's National Stock Exchange was delayed for three hours because of a technical problem at the opening, the exchange said Monday.

In Jakarta, officials said the glitch in India was unrelated to

one that had disrupted trading on the Indonesia Stock Exchange.

On India's NSE, after two false starts, trading resumed at 12:30 p.m. local time, though traders said offer-price data for the cash market weren't displaying correctly.

The exchange said later Monday that the issue with the display of prices had been resolved and that the cash and futures-and-options segments affected by the disruption were functioning normally.

"NSE deeply apologizes for the glitch. The matter is being examined by the internal technical team and external vendors to analyze and identify the cause which led to the issue and to suggest solutions to prevent recurrence," the exchange said. It said no cyberattack "was observed leading to the technical glitch," adding that it didn't switch trading to a disaster-recovery site because a preliminary assessment identified the fault as a software problem that could be quickly resolved.

Technical issues on global exchanges aren't unheard of in Asia: Singapore's stock exchange, for example, has suffered a series of outages in recent years.

"The exchanges generally handle the complexities of the marketplace very well. Things go wrong sometimes," Mr. McLean said. "It's down to the crisis management of the exchanges."

Neeraj Dewan, director of Indian brokerage Quantum Securities, said the NSE's outage did disrupt business volume. "The fact that it took a lot of time to resolve raises a lot of questions that need to be answered by the exchange," he said.

Others were less concerned. "It is the first time this incident has happened" at the NSE, said Rahul Shah of Motilal Oswal Securities in Mumbai, adding that he was confident the exchange would prevent it from recurring. "I'm not worried."

The Securities and Exchange Board of India said it was in touch with the NSE and

was "closely monitoring the situation."

In Indonesia, a problem was discovered in the market information-distribution system at 8:52 a.m. local time and trading was stopped at 9:34, said Yulianto Aji Sadono, a spokesman for the Indonesia Stock Exchange. Trading resumed around 10 a.m.

"The problem occurred in our supporting system, not our main system," he said.

He offered no further details about the nature of the problem.

The exchange's president director, Tito Sulistio, said the glitch—its first in five years—wasn't caused by a virus.

Indonesia's benchmark IDX Index declined 0.7% on Monday, falling for the fourth session in five since rising to a record level on July 3. The NSE's Nifty 50 rose 1% and India's benchmark S&P BSE Sensex index—unaffected by the technical error at the NSE—climbed 1.1% to reach a record.

—Anita Rachman contributed to this article.

risen 3.2% in the past week, those gains bring inventory off-lots not seen in more than eight years.

In China, the government's efforts to combat pollution have led to more-stringent rules aimed at smaller mining companies and smelters in particular, a significant move for the zinc market considering China is responsible for roughly 40% of the world's supply, according to Vivienne Lloyd, a metals analyst at brokerage-house Macquarie.

Zinc and lead are often mined together, and the mining process can result in lead and other heavy metals contaminating the water supply and environment.

While aluminum and lead prices have also risen, zinc has outperformed other base metals so far this year, with the LME's benchmark zinc futures contract up 8% so far in 2017.

Investors are accumulating long positions in the metal. As of close-of-business on July 5, bets that the metal's price would continue to rise had reached their highest level since November.

"Just because positioning is long, that doesn't mean it can't go longer," said Alastair Munro, a broker at Marex Spectron.



A worker secures zinc ingots.

Zinc Prices Rise On Tight Supply

By DAVID HODARI
AND JUSTIN YANG

Zinc prices moved sharply higher over the past month, spurred by limited supply amid tougher Chinese environmental regulations, and analysts say the metal could rise further despite signs of a rebound in mine output.

The industrial metal ticked down 0.52% to \$2,772 a metric ton in Monday morning trade in London, but was up more than 9% from a month earlier.

The shift in the zinc market follows a sharp contraction in output after an earlier glut sent prices tumbling, leading to shutdowns in production at many mines across the globe.

At the same time, demand for zinc—a lightweight, rust-proof metal favored in the car and construction industries among others—has remained steady, eating away at the excess inventory.

Now, mines can't ramp up production quickly enough to meet the demand, which remains particularly strong in China, setting the stage for the sustained rally in prices.

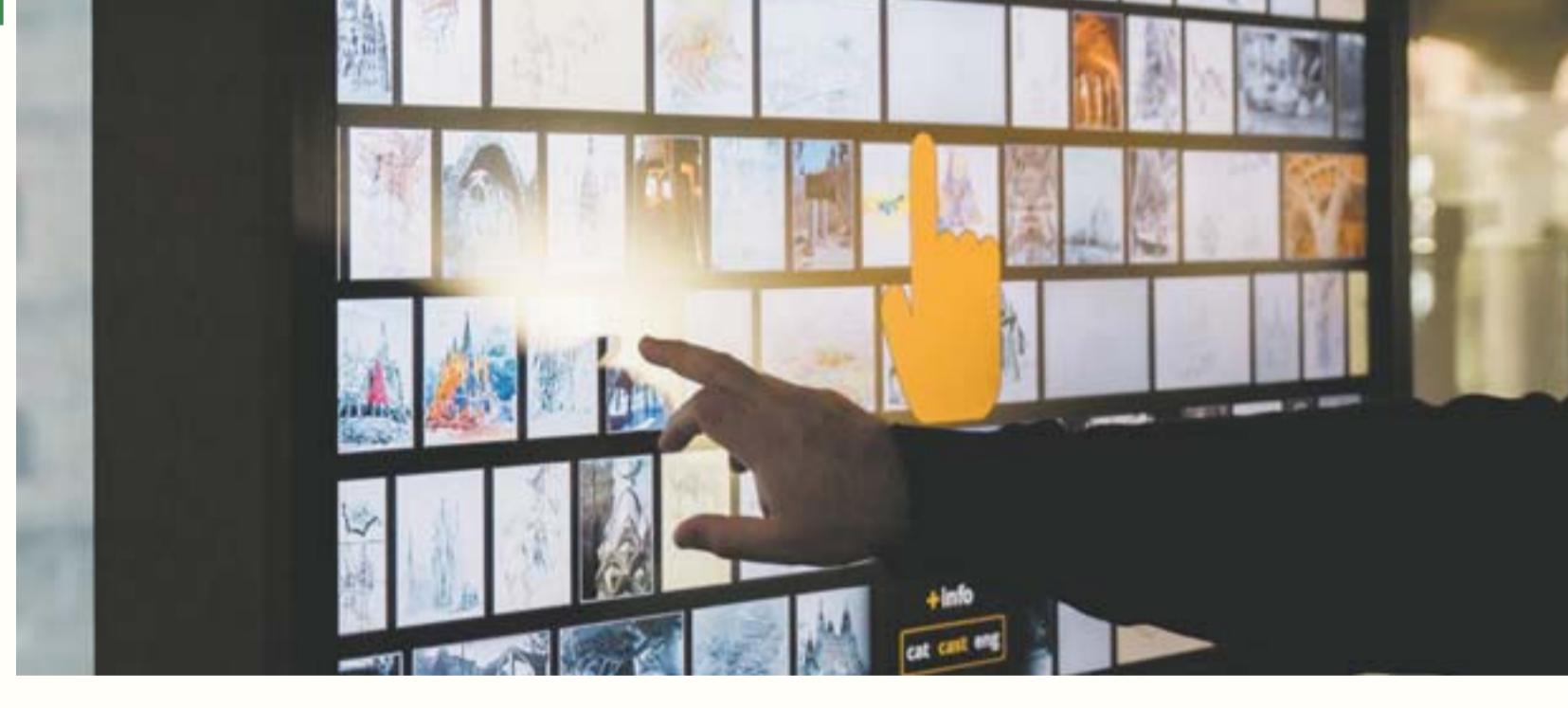
Even though some idle mines have restarted since zinc began its resurgence in early June, "it looks as though prices will head even higher as this deficit will continue to bite," said Robin Bhar, head of metals research at Société Générale.

Production boosts in Cuba, Bolivia, Ireland and other places aren't enough to sway market forecasts for constrained supply, said Xiao Fu, commodity strategist at BOCI Global Commodities.

Evidence that the zinc market remains tight is visible in the recent drop in inventories. The London Metal Exchange's on-warrant inventory figure—at 70,350 metric tons—is at its lowest level since the fourth quarter of 2007. Similarly, while Shanghai stockpiles have



WSJ TALK / EXPERIENCE / OFFER / GETAWAY



Walk with Gaudí in Virtual Reality

Enjoy a pair of complimentary, WSJ member-reserved tickets to "Walking with Gaudí." Housed in Barcelona's famous Gothic Quarter, the Gaudí Exhibition Center showcases the life and works of this genius architect with original documents, models, designs and much more.

EXCLUSIVE TO WSJ MEMBERS
REDEEM NOW AT
WSJPplus.com/Gaudi

WSJ+
INVITES • OFFERS • INSPIRATION



MARKETS

Regional Tensions Roll Off Seoul

South Korean assets are on a tear, despite the nuclear threat posed by the North

By STEVEN RUSOLILLO
AND SAUMYA VAISHAMPAYAN

For world leaders, the accelerating nuclear threat from North Korea is near the top of the worry list. For investors, not so much.

Investors have plowed money into North Korea's southern neighbor, resulting in unexpectedly stellar performances for South Korea's stock, bond and currency markets. Even the market for South Korea's credit-default swaps, which act like insurance against bond defaults, remains calm compared with recent years.

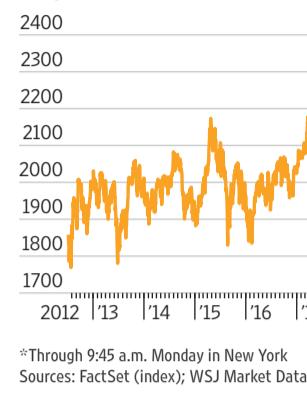
"What surprises us is how the CDS market isn't really moving much despite geopolitical uncertainties. People are complacent," said Jean-Charles Sambor, deputy head of emerging-market debt at BNP Paribas Asset Management, with about \$661 billion in assets under management. He said BNP is cautious on Korean dollar debt because it is expensive and that the CDS market is underestimating risk.

South Korea's Kospi stock index has surged to records this year, up 18%. Cash continues to pour into Korean stocks and bonds, which analysts attribute to an improving economy and strong earnings. And while investors say geopolitics shouldn't be ignored, they are more focused on the positives, including double-digit-percentage export growth.

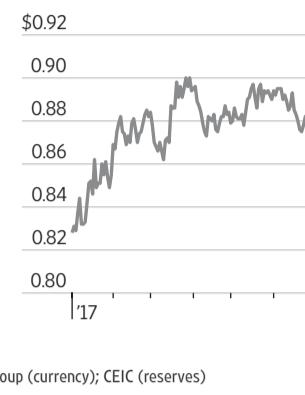
North Korea test-launched its first intercontinental ballistic missile last week, and President Donald Trump said he is considering "some pretty severe things" in response. But in a world where market volatility has nearly vanished, it

No Worries Here

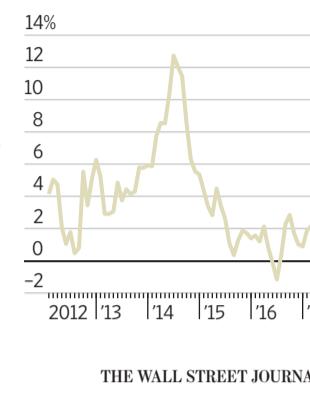
South Korea's Kospi stock index has surged to record highs this year. Meanwhile, the won has strengthened against the dollar, and Korea's central bank has amassed foreign-exchange reserves at a slower pace than in recent years, suggesting it has stepped back from intervention.



How many U.S. dollars 1,000 Korean won buy*



Korea's central bank foreign-exchange reserves



THE WALL STREET JOURNAL.

*Through 9:45 a.m. Monday in New York
Sources: FactSet (index); WSJ Market Data Group (currency); CEIC (reserves)

caused hardly a ripple in financial markets.

"Between low oil prices, strong demand for semiconductors and a very low inflationary environment, you have this benign and perfect scenario for South Korea despite all the rhetoric and uncertainty coming from the North," said Sean Darby, chief global equity strategist at Jefferies. "Investors are looking at these fundamentals and saying they're outweighing the political risk."

Foreign investors have piled into South Korean stocks and bonds all year. Foreign bond holdings rose in June for a sixth straight month, according to South Korea's Financial Supervisory Service, the country's financial watchdog. Foreign stock holdings rose for a seventh straight month.

Even last week, foreign investors were net buyers of South Korean shares, the only such example among Asian markets considered emerging, according to Goldman Sachs Group Inc.

South Korea's Kospi has been one of the world's best-performing stock indexes this year. Its biggest component, Samsung Electronics Co., has



YONHAP/EUROPEAN PRESSPHOTO AGENCY

The Kospi index has climbed 18% this year. Here, a trader in May.

surged 35%, as demand for its components outshines political and product challenges.

Samsung is set to overtake Apple Inc. as the world's most-profitable technology company.

South Korea's won has risen 4.9% against the U.S. dollar this year, easing some after being up as much as 8.6%. That is one of the strongest performances against the dollar in Asia. In comparison, the New Taiwan dollar has ad-

vanced 6.1%, the Japanese yen 2.3% and the Chinese yuan 2.2%.

One reason is that South Korea's central bank has largely stayed on the sidelines rather than stepping in to slow the currency's rise, as it often has in the past, analysts said. One sign: Foreign-exchange reserves in June were up just 2.8% from a year earlier, well below the recent peak pace of 13% three years ago. Intervening to rein in the

won would typically boost the reserves, as it would involve using won to buy foreign currencies.

Markets globally remain calm, and investors are signaling they don't expect that to change significantly in the near future.

One-month implied volatility for the U.S. dollar against the Korean won, which measures how much investors expect the currency pair will move over the next 30 days, fell to a two-year low late last month, according to Thomson Reuters. It has since ticked higher, but still suggests that traders see low volatility continuing.

In recent years, North Korea's provocations and threats have had diminishing impacts on financial markets, particularly on stocks and currencies, according to a 2016 study by Ju Hyun Pyun of Korea University and In Huh of the Catholic University of Korea. The study, which focused on 2004 through 2015, found that market moves in the first few years of the period were larger and more significant than in later years, suggesting investors had become accustomed to political risks.

Market volatility has picked up a bit in the past few weeks; the MSCI AC Asia Pacific index dropped 1.2% last week, its biggest decline since March. But that appears to be more an effect of hawkish rhetoric from central bankers, particularly the European Central Bank than of anything out of North Korea.

Mark Matthews, head of research for Asia at Swiss private bank Julius Baer, said only about one in five clients asks about how the situation in North Korea could affect his or her portfolio.

"We've become immune to it," he said. "Investors just assume that every new development is one of the hundreds of bluffs that North Korea has done in the past."

Tech Rise Pushes Up Nasdaq

BY RIVA GOLD
AND ALEXANDER OSIPOVICH

Rallying technology shares helped the Nasdaq Composite post its second consecutive session of gains.

Meanwhile, government-bond markets showed signs of stabilizing after

MONDAY'S MARKETS a two-week sell-off, as worries over tighter easy-money policies by global central banks subsided and traders snapped up U.S. Treasuries.

The Dow Jones Industrial Average slipped 5.82 points, or less than 0.1%, to 21408.52. The S&P 500 rose 0.1%, and the Nasdaq added 0.4%.

In Europe, the Stoxx Europe 600 rose 0.4% to 381.64.

Tech shares in the S&P 500 climbed 0.9% by late afternoon, although they are still down more than 3% from their peak on June 8. Apple rose 0.8% on Monday and Microsoft gained 1%.

Shares of materials companies in the S&P 500 also rallied, rising 0.8%. Dow Chemical was up 1.2% in late trading.

Retailers took a beating, with the SPDR S&P Retail exchange-traded fund dropping 2.1% amid trouble at several brick-and-mortar store operators. Best Buy sank 5.9% in late trading after reports that Amazon was launching a new home consultation service, challenging the electronics retailer's Geek Squad offering. Amazon, which has quietly launched the service in a limited number of markets, didn't respond to a request for comment.

In bond markets, the yield on the 10-year Treasury note fell to 2.371%, according to Tradeweb. That was down from 2.393% on Friday, which was the highest yield in nearly two months. Yields fall as prices rise.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

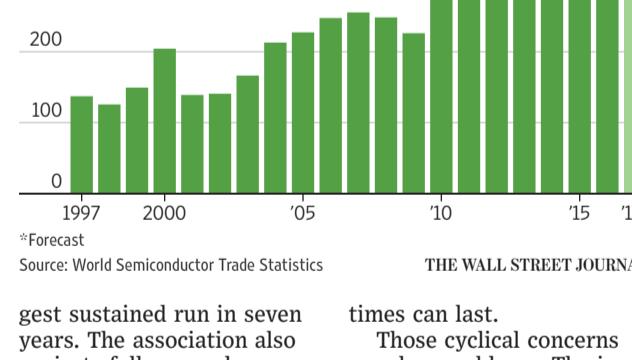
WSJ.com/Heard

Email: heard@wsj.com

Chip Rally Is Different This Time

Chipper

Global semiconductor revenue



THE WALL STREET JOURNAL.

gest sustained run in seven years. The association also projects full-year sales growth of 11.5%, which would also mark the highest growth rate since 2010. Profits are surging as well; **Samsung** and **Micron Technology** both recently reported record quarterly earnings.

But chips have been a cyclical business in the past, which feeds some understandable skepticism about how much longer the good

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

Autos in particular are in the midst of a strong push toward automation. Artificial intelligence also is still in its early days. And even mature markets like smartphones are creating fresh demand for specialized chips.

With demand strong, the

bigest risk could be supply. Much of the current upswing in revenue is driven by strong prices in the volatile markets for DRAM and NAND flash memory. That could change, and an added risk may come from a handful of fabrication facilities under construction in China.

The PHLX Index averages around 14.8 times forward earnings now, unchanged from a year ago and a 32% discount to the Nasdaq Composite. The group has averaged a 21% discount over the past five years.

With demand strong, the downside for the sector is limited. If investors believe the industry's wild swings are a thing of the past, they could give companies more credit for their healthy growth—and feel confident in stacking up a few more chips.

This is the first of three columns on what is next for the booming semiconductor industry. Still coming: What the new iPhone means for chip makers and how China is trying to upend the industry.

—Dan Gallagher

OVERHEARD

Pokémon hunters may not be destroying front lawns anymore.

But there is still enough around to tear up the game charts.

The "Pokémon Go" mobile game first went live last July 6 and immediately became the top-grossing game on both the iOS and Android app stores.

It marked its first birthday this week by swinging back to near the top.

On Friday afternoon, "Pokémon Go" was the second-highest-grossing game for Apple Inc.'s iPhone.

Doug Creutz of Cowen credits a major update released June 21 for the game's resurgence.

He notes "Pokémon Go" averaged a 10th-place ranking just last month.

That makes "Pokémon Go" a rare breed of game app with staying power.

SuperData estimates "Pokémon Go" has grossed more than \$1.3 billion to date.

Longevity will be key to the next billion.

Abercrombie Loses Last Best Hope

After two months of trying to sell itself, **Abercrombie & Fitch** is going it alone. A deal may have been its last chance for recovery.

Shares of Abercrombie plunged 20% by late afternoon Monday after the company said it had terminated discussions regarding a potential sale and had decided

that "aggressive pursuit" of its current strategy is the best path. Unfortunately for Abercrombie, the announcement likely means a continuation of its downward trajectory.

There is also a read-across for other struggling apparel retailers: Don't expect to be bailed out by private-equity or peers.

Private-equity firms have become more wary of taking on debt to buy struggling retailers. Abercrombie had net cash on its balance sheet as of the end of the first quarter, but is one of the most heavily indebted retailers if lease obligations are factored in. That may have limited a private-equity firm's ability to borrow for a deal.

For peers such as **Express** and **American Eagle Outfitters**, both of which were interested in Abercrombie, the benefits of taking over a company with a flagging namesake brand were already limited. They could have gotten Abercrombie's better-performing Hollister brand while taking out a competitor, but the retailers' capital would likely be better spent bolstering their own e-commerce operations.

Abercrombie's shares fell to their lowest level in 17 years Monday, a sign that investors don't expect another deal, or a revival of the chain on its own. This could be the beginning of the end for Abercrombie.

—Miriam Gottfried

Fixing Italy's Troubled Lenders Is Helping Europe Heal

Italian banks are out of the emergency room. There is a long convalescence ahead, but it is good news for the recovery of Europe as a whole.

The healing under way in Italy and elsewhere is making room for new lending, which can help to fuel economic growth.

Monte dei Paschi di Siena, Italy's most troubled big bank, finally struck a deal with European regulators to complete its €5 billion (\$5.7 billion) bailout this month. Meanwhile, a smaller troubled bank, **Banca Carige**, which had also been keeping fears of financial crisis alive, announced a cap-

ital raising and bad-loan sale plan that sent its shares up 30%.

These solutions came swiftly after the state-backed sale to **Intesa Sanpaolo** of two banks in the Veneto region, which had been casting a shadow over the financial system. Italian bank stocks have rallied sharply, outperforming European rivals significantly since mid-June.

Between them, these events promise to take almost €50 billion of bad loans out of Italy's banks, leaving about €275 billion in the system. However, UniCredit has pledged to sell €18 billion worth as part of its restructuring; and €57 billion are

on the books of Intesa Sanpaolo, which as Italy's healthiest bank is well placed to deal with them.

Italy's problems are starting to look less dramatic. Yes, the country could have dealt with its weak banks sooner and in a less complicated way had there been the political will. But it has now neutralized its worst problems at a direct cash cost to the taxpayer of less than 1% of GDP—significantly less than Spain or Ireland spent several years ago.

And loans are turning bad at a slower rate: New bad debts at the 15 biggest banks in 2016 were at their lowest since before 2009, according

to rating agency DBRS.

Now banks have the capacity to start lending again: Italian banks finally returned to growth in the first quarter of 2017, along with the

banks of Germany and France, after years of near constant balance-sheet shrinkage.

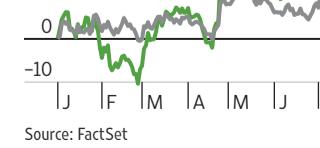
Growth in those three countries turned the tide for the eurozone as a whole. Total eurozone bank loans were still shrinking at an annualized rate of 11.6% of GDP in the first quarter of 2016 and 3.8% in the last quarter of that year, but that became annualized growth of 1.4% in the first quarter of 2017, according to UBS.

Italy, long the source of worries about European instability, might finally be aiding the Continent's recovery.

—Paul J. Davies

Health Kick

Share price and index performance



Source: FactSet

THE WALL STREET JOURNAL.