THE WALL STREET JOURNAL.

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What's News

Business & Finance

Japan's SoftBank has approached Uber about acquiring a multibillion-dollar stake in the ride-hailing company. **A1**

◆ **Michael Kors agreed** to acquire luxury shoe maker Jimmy Choo for $1.17 billion in the handbag company's first-ever acquisition. **A1**

◆ **A former VW executive** agreed to plead guilty to U.S. charges stemming from his alleged role in emissions cheating. **B1**

◆ **Viacom is in** talks to acquire Scripps, operator of HGTV and Food Network. **B1**

◆ **Scaramucci's new post** at the White House presents a sensitive situation for his planned deal with a Chinese conglomerate. **B1**

◆ **GM's quarterly profit** slid 42% on costs related to its pullback from Europe and other foreign markets. **B2**

◆ **AbbVie was ordered** to pay $150 million for "fraudulent misrepresentation" about the safety of its testosterone-replacement drug. **B3**

◆ **Caterpillar boosted** its outlook for the year, citing stronger Chinese demand for construction equipment. **B3**

◆ **McDonald's posted** better-than-expected results, saying low prices helped reverse a sales slump. **B3**

◆ **Daimler invested** in a Chinese self-driving startup as Western auto makers seek footholds in China. **B4**

◆ **Greece received** solid demand for its first bond issuance in three years. **B7**

World-Wide

◆ **Senate Republicans** backed a motion that allows lawmakers to begin debate on a health-overhaul bill, in a victory for McConnell and Trump. **A1**

◆ **Trump expressed** his disappointment in Attorney General Sessions but declined to say whether he planned to fire him. **A6**

◆ **A Senate panel** ordered Trump's former campaign chairman to appear at an inquiry into foreign interference in U.S. elections. **A7**

◆ **A Putin spokesman** said a meeting between Kushner and the head of a Russian bank was "not on behalf of the Kremlin." **A5**

◆ **Israel removed** metal detectors from one of Jerusalem's holiest sites, amid Muslim anger over access to the compound. **A3**

◆ **Saudi Arabia** and its allies added new organizations and individuals allegedly linked to Qatar to their terror lists. **A3**

◆ **The U.S. Navy said** it fired warning shots at an Iranian patrol boat in the Persian Gulf that came near coalition ships. **A3**

◆ **A U.S. judge** temporarily blocked the deportation of over 1,400 Iraqi immigrants with criminal records. **A7**

◆ **A federal appeals court** struck down the District of Columbia's restrictions on carrying concealed guns. **A7**

◆ **South Korea raised** its growth and inflation forecasts for this year. **A4**

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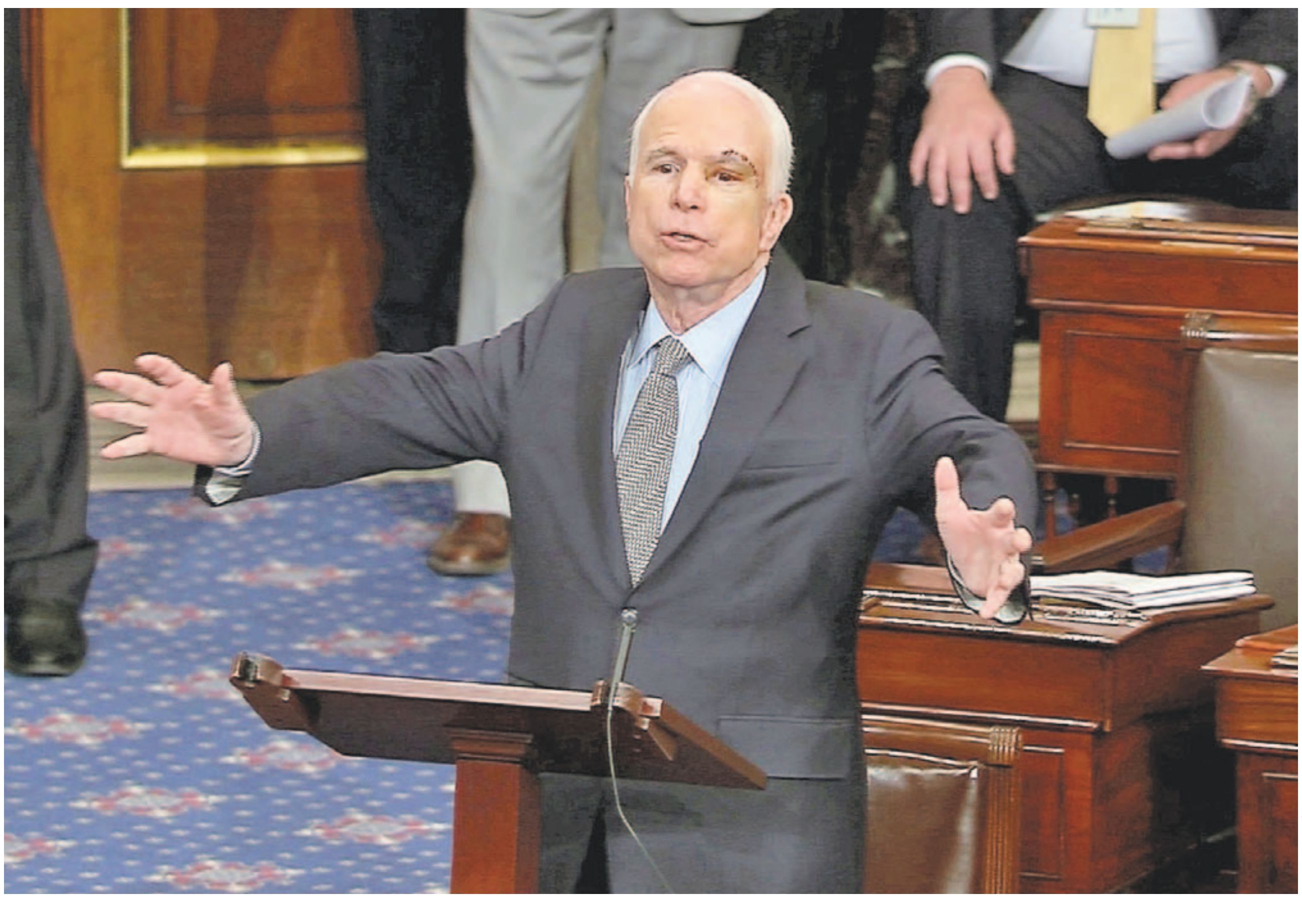
Senate to Debate Health Repeal

Republicans, Trump win narrow vote to proceed with their legislative overhaul

By Stephanie Armour And Louise Radnofsky



SENATE TV/REUTERS

Sen. John McCain, who has been diagnosed with a brain tumor, spoke on the Senate floor, as legislators voted, 51-to-50, in favor of opening debate on the Republicans' contentious health-care overhaul. A final vote could come as soon as this week.

Senate Republicans on Tuesday backed a motion that allows lawmakers to launch into debate over a health-overhaul bill, a significant victory for Senate Majority Leader Mitch McConnell and for President Donald Trump, who stepped in to pressure Republicans after it appeared they were failing in their bid to repeal the Affordable Care Act.

The 51-50 vote sets the stage for hours of politically tricky debate, and numerous complex amendments, on Republicans' seven-year quest to topple most of the current health law and possibly replace it with a GOP plan. After Republican Sens. Susan Collins of Maine and Lisa Murkowski of Alaska voted against the motion, Vice President Mike Pence broke the tie.

A final vote on the Senate health bill could come later this week.

President Trump said after the vote that his party had taken "a big step" that would "move forward to truly great health care."

But Senate Republicans still must find a way to attract at least 50 votes to an underlying health overhaul, something that has proven elusive so far.

Mr. McConnell recently crafted compromise legislation that would repeal most of the ACA while giving states the option of keeping some ACA insurance regulations. That bill would also bring steep cuts to federal funding for Medicaid, phase out the program's expansion under the ACA, and allow for cheaper health plans with fewer benefits.

But that bill could change significantly in coming days as senators offer numerous amendments on the floor. And in a new twist Tuesday, Republican leaders floated a scaled-down repeal of the ACA that lawmakers could vote as a default on if other measures fail to garner sufficient support.

This "skinny repeal" would rescind the ACA's requirement that many employers provide health insurance to workers and it would strike down a mandate that levies a penalty on most people who don't have health insurance. It would also repeal the current health law's tax on medical devices.

The approach, if passed, would allow Republicans to claim at least a small victory, though it isn't clear if it would attract the 50 votes in needs. If the Senate did approve "skinny repeal," senators would then have to find a

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◆ Yellen, Cohn are contenders to run Federal Reserve........ A6

SoftBank in Talks For Stake in Uber

By Greg Bensinger, Joann S. Lublin and Liza Lin

SoftBank Group Corp. is angling for a piece of Uber Technologies Inc., a move that would further the grand ambitions of the tech investor's founder and muddy the mix of investors in the global ride-hailing business.

The Japanese technology company has approached San Francisco-based Uber about a multibillion-dollar stake, people familiar with the matter said. Talks between the companies are described as preliminary and one-sided, and any deal would likely be on hold until Uber hires a new chief executive, which isn't expected for weeks, the people said.

SoftBank founder Masayoshi Son has sought to seize hold of cornerstone technologies he expects to dictate how humans interact with the world for decades to come. Mr. Son's company is an investor in the three largest Asian ride-hailing companies: Singapore's GrabTaxi Holdings Pte., India's Ola and China's Didi Chuxing Technology Co. On Monday, SoftBank said that it and Didi would lead a $2.5 billion fundraising round in Grab, giving the startup more ammunition in its battle against Uber across Southeast Asia.

An Uber spokesman declined to comment. SoftBank didn't respond to a request for comment.

While it is rare for SoftBank to hedge its investments, an offer could mean the company hopes Uber combines its operations with Grab and Ola, as it did last year with Didi. Such a merger would give SoftBank a formidable share of the Asian market.

Uber, which is struggling with management challenges at home and strong competition from rivals overseas, has shown a willingness to retreat from costly battles. Earlier this month, it said it plans to combine its operations with Russian rival Yandex.Taxi, owned by Yandex NV.

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Michael Kors Buys Luxury Shoe Brand

By Saabira Chaudhuri

LONDON—Michael Kors Holdings Ltd. has gone shoe shopping to regain its stride.

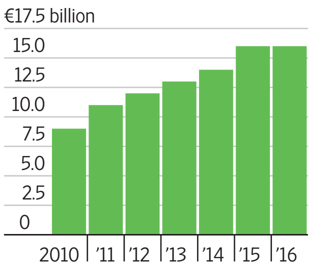
On Tuesday, the luxury handbag maker said it has agreed to acquire luxury shoe maker Jimmy Choo PLC for £896 million ($1.17 billion) in its first-ever acquisition, as it seeks new avenues for growth amid a slowdown in the handbag business.

Buying Jimmy Choo gives Michael Kors a bigger presence in the fast-growing luxury shoe market while also increasing its exposure to Asia and Europe. Chief Executive John Idol in an interview said the acquisition will be the first of many, with the company planning to use its arsenal of cash to make more deals of a similar size for ready-to-wear clothing, shoes and accessories.

"We're not going to do small acquisitions," he said. "We are creating a global fashion luxury group and we have a platform in place to be able to do that."

Kicking Off

Sales of luxury shoes have mostly grown strongly in recent years.



Source: Exane BNP Paribas analysis of Bain and Altagamma data

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Jimmy Choo didn't issue a statement, nor did its owner, European investment fund JAB Holding Co., but a spokeswoman for the brand confirmed the deal. JAB had put Jimmy Choo on the block in April as the fund focuses more on its restaurant and coffee holdings.

Tuesday's news comes as handbags, once the main driver of growth in the luxury-

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COURTROOM SURPRISE: FEWER TORT LAWSUITS

Restrictions on filing, rising costs and a PR push discourage plaintiffs

By Joe Palazzolo

Americans, reputed to be the most litigious people in the world, are filing far fewer lawsuits.

Fewer than two in 1,000 people—the alleged victims of inattentive motorists, medical malpractice, faulty products and other civil wrongs—filed tort lawsuits in 2015, an analysis of the latest available data collected by the National Center for State Courts shows. That is down sharply from 1993, when about 10 in 1,000 Americans filed such suits.

A host of factors are fueling the decline, including state restrictions on litigation, the increasing cost of bringing suits, improved auto safety and a long campaign by businesses to turn public opinion against plaintiffs and their lawyers.

The nationwide ebb in lawsuits, which confounds the public perception of courts choked with tort claims, has broad ramifications for businesses, doctors, patients, lawyers and the courts themselves.

Companies and insurers on the receiving end of such lawsuits welcome the decline of what they regard as a lawsuit culture in which lawyer-driven litigation increases costs to both business and consumers.

Trade groups that represent these firms have long pushed for laws to raise the bar for filing lawsuits and rein in damages, portraying a large chunk of tort litigation as a drag on the economy that burns scarce judicial resources.

Lisa Rickard, president of the U.S. Chamber Institute for Legal Reform, an arm of the U.S. Chamber of Commerce, says that while state measures have "weeded out some frivolous lawsuits," litigation abuse remains a problem. "The American public wholeheartedly agrees there are too many lawsuits in the country," she says.

At the same time, the falling number of tort filings, coupled with the broader decline in civil jury trials, has some judges concerned that Americans with garden-variety cases no longer see courts as an affordable way to seek redress for their injuries.

"People are just not filing cases like they

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Wendy's Serves Up Snark With Burgers and Fries

* * *

Fast-food chain takes to Twitter To taunt rivals and roast customers

By Julie Jargon

Wendy's Co. has become the mean girl of Twitter.

The world's third-largest burger chain, with its freckled, pigtailed mascot, is serving up some serious sass to competitors and followers alike.

Wendy

When archenemy McDonald's Corp. in March announced it would begin using fresh rather than frozen beef in its Quarter Pounders, Wendy's tweeted: "So you'll still use frozen beef in MOST of your burgers in ALL of your restaurants? Asking for a friend."

After Burger King tweeted about a five-for-$4 deal, a woman asked Wendy's what it was firing back. "Edible food," Wendy's answered.

And when Hardee's came out with a four-items-for-$4 deal, mimicking Wendy's long-running four-for-$4 menu, Wendy's tweeted, "We usually prefer the original to a knock off, but hey, you do you."

Hardee's responded that just because Wendy's was the first doesn't mean it was the best.

Wendy's pounced back. "Tell us the fourth person to walk on the moon without googling it," Wendy's tweeted.

The young customers Wendy's is seeking to woo with its social media banter find it hilarious. The restaurants Wendy's targets? Not so

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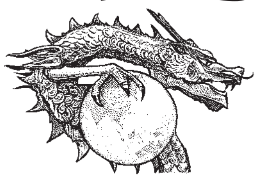
WORLD NEWS

Beijing Toys With a Lockdown of the Internet



CHINA'S WORLD
By Andrew Browne

SHANGHAI—China's first internet message, tapped out almost exactly 30 years ago to a group of German scientists, was a proud slogan: "Beyond the Great Wall, Joining the World."

That hasn't been exactly true. China deploys a fierce array of censorship tools and methods—throttling bandwidth, filtering words and images, using "deep packet inspection technology" and employing armies of human censors and trolls—to keep its Great Firewall in place. The one crack is a technology called VPN, or virtual private network, that circumvents the controls by connecting users to servers outside China.

Now that is in doubt.

Authorities have shut dozens of VPNs this year. This month, the Ministry of Industry and Information Technology denied a Bloomberg report that it had ordered telecom carriers to bar all personal VPNs, such as those used by many small and midsize businesses. The ministry promised "normal operations" for multinationals connecting to the global internet. Yet at least one carrier, **Guangzhou Huoyun Information Technology** Ltd., pulled foreign VPNs after receiving a letter ordering it to do so from the Ministry of Public Security, which runs the police forces.

"Please give this high priority," the letter says.

Could China, digitally speaking, go dark? For those looking for clues to China's political direction, the VPN is a good place to start.

President Xi Jinping has taken Chinese politics back to pre-internet days of Maoist orthodoxy, when the country sealed itself off from the global economy. His cardinal principle is "internet sovereignty." The question is whether his administration is ready to take that all the way to absolute digital control.

"There's no question there is a camp that wants to block China off from the world," says Duncan Clark, a former Morgan Stanley tech analyst and author of "Alibaba: The House That Jack Built," an insider account of China's e-commerce revolution. "And there's a camp that wants to sell the bricks to do it."

To be clear: Without VPNs, business in China takes a huge knock.

Companies around the world are increasingly moving operations to the cloud, but that is hard to implement if VPN problems interfere with access. Smaller businesses rely on regular internet access for email and crucial business information. Chinese academics and researchers would be lost without Google Scholar, blocked with the rest of Google.

The American pro-democracy group Freedom House named China the worst abuser of internet freedoms of the 65 countries it ranked.

The impact is practical as well as political. In a country that sets just about every record for internet usage—730 million connections, at last count, and 460 million online shoppers—line speeds rank 91st in the world, dramatically slowed down by blocks and filters. That ranking is according to the government-run China Daily. South Korea, which tops the list, is three times as fast.

Here's the real shock: At a moment when China is making big bets on the Internet of Things, cloud computing, robotics and driverless cars, there are serious questions about whether the country will continue to allow its most innovative minds to communicate easily online with German scientists, or American academics, or Japanese engineers.

DALE DE LA REY/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Xi Jinping's cardinal principle is 'internet sovereignty.'

Until now, access to VPNs has kept the Great Firewall from being too bothersome for China's elites. "It's kind of annoying," says David Li, a founder of the **Shenzhen Open Innovation Lab**, a startup incubator in a city that has become the technology-hardware capital of the world.

The VPN, in other words, is a political safety valve. Remove it, and annoyance might turn to frustration, and frustration to anger. Wait then for an explosion.

But in this hypersensitive political year—a party congress crucial to Mr. Xi's political ambitions is coming this fall—it is becoming apparent that the authorities are ready to take such risks.

In cracking down hard on foreign movies and live-streaming apps in recent months, internet censors aren't just denying the public its favorite Korean soaps and the antics of figures like "Gourmet Sister Feng," who gobbles down live goldfish and lightbulbs. They are challenging the tolerance of millions of individuals for a censorship regime that has until now seemed far removed from the concerns of everyday life.

Ban VPNs and almost everybody is a dissident. It would be "one control too far for the creative, academic, scientific and business communities," says James McGregor, chairman of the greater China region for the consulting firm APCO Worldwide.

That is why a blanket prohibition is unlikely. But restraint isn't a given. Having greeted the internet on Sept. 14, 1987, China has already made 2017 a year of farewells.

SHOES

Continued from Page One

goods industry, have been losing steam, particularly in the U.S.

Price competition, including heavy discounting, has pressured profits of handbag sellers, and in the highly competitive market more women are opting to trade down to smaller, less expensive purses.

Sales growth for luxury handbags slowed to about 2% globally last year from as high as 19% in 2012, according to Exane BNP Paribas. The market for luxury shoes, however, has remained relatively buoyant. The category enjoyed compound annual growth of 9% over the past decade, compared with growth of 5% for the larger luxury sector, according to Exane.

High-end brands like Michael Kors have stalled after pushing distribution too hard and selling through discount channels, said Luca Solca, Exane BNP Paribas's head of luxury research.

The luxury industry's biggest players—Louis Vuitton Moët Hennessy LVMH, Hermès and Kering, owner of Gucci—have reinvigorated their brands with a focus on sharper designs that generate buzz on the runway and from celebrities. European luxury houses also tightly control their brand images by selling through their own stores.

In the U.S., Michael Kors and rival Coach Inc. have historically been more reliant on department stores that often deeply discount their products, leaving shoppers reluctant to pay full price.

Michael Kors reported a $26.8 million loss for the quarter ended April 1 and has embarked on a turnaround program. In May the company said it would close 100 to 125 of its full-price retail stores and renovate existing shops.

The company has reined in the amount of products it sends to department stores, raised prices and set out to get more creative with its designs.

Pressure on Michael Kors to seek out new growth intensified after Coach in May agreed to buy Kate Spade & Co. for $2.4 billion, in a bid to tap its colorful styles to woo younger consumers. Coach in 2015 made its own luxury shoemaker acquisition, buying upscale brand Stuart Weitzman in a deal valued at up to $574 million.

Buying London-based Jimmy Choo reduces Michael Kors's reliance on the Americas to 66% of sales from 70% and its dependence on accessories—mainly handbags and small leather goods—likewise to 66% from 70%, according to the company.

"This gives us diversification both from a product standpoint and from a geographic standpoint," said Mr. Idol. "We love America but we think there is a great opportunity for luxury growth in Europe and Asia."

Jimmy Choo, whose image was burnished by fans like Princess Diana and appearances in hit TV show "Sex and the City," commands high prices for its shoes, selling pumps and boots for as much as $4,250 a pair. The brand has performed strongly in markets such as the U.K., China and Japan but in the U.S., like Michael Kors, it has grappled with discounting.

Upscale women's shoes remain Jimmy Choo's core business, but it has been branching out into men's shoes in search of growth. Last year it reported a 15% rise in sales to £364 million ($475 million) and a 43% rise in operating profit to £42.5 million ($55.5 million). The company has about 150 directly operated stores, leaving what analysts have described as a long runway for brick-and-mortar expansion.

Mr. Idol said he sees an opportunity to increase Jimmy Choo sales to $1 billion by opening new retail stores for the shoemaker and developing its online presence. Michael Kors also plans to expand Jimmy Choo's offerings beyond shoes.

The company won't sell Jimmy Choo products through its own network of 614 full-price stores, leaving the shoe brand to operate as an independent entity. Jimmy Choo will continue to be run by current Chief Executive Pierre Denis, a former LVMH executive who has led the shoe company since 2012.

—Suzanne Kapner in New York contributed to this article.

SPENCER PLATT/GETTY IMAGES

With its $1.17 billion deal for Jimmy Choo, Michael Kors is seeking out growth in the shoe market.

RIDES

Continued from Page One

Uber co-founder Travis Kalanick relinquished his role as chief executive last month after an investigation into sexual harassment and sexism at the company, although he remains a director.

A massive capital injection wouldn't be out of the ordinary for Uber, which has raised more money—about $15 billion in equity and debt funding—than any other private company backed by venture capital. Uber has had to tap increasingly larger sources of capital to support its breakneck global expansion and fight fierce price wars around the U.S. The company's losses last year totaled more than $3 billion, though it still had about $7 billion in cash on its balance sheet.

A year ago, Uber turned to the Middle East for its biggest single capital infusion, a $3.5 billion investment from Saudi Arabia's main investment fund, the Public Investment Fund. That deal handed an Uber board seat to Yasir Al Rumayyan, the managing director of PIF who also now sits on the board of SoftBank.

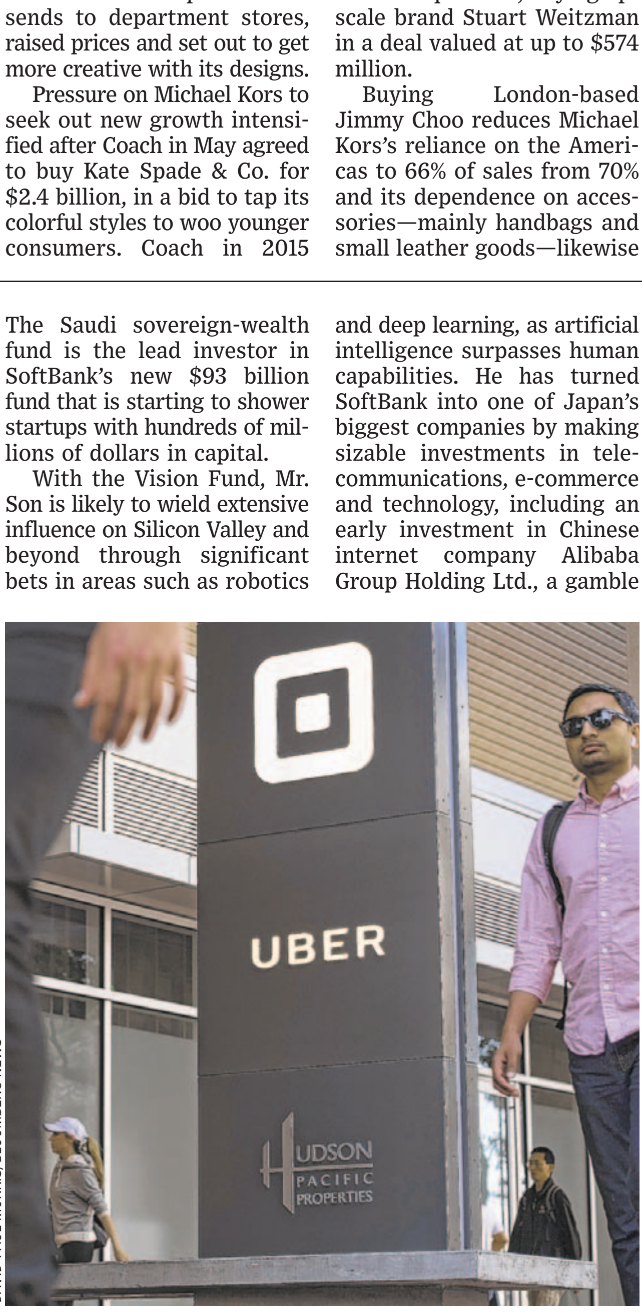
The Saudi sovereign-wealth fund is the lead investor in SoftBank's new $93 billion fund that is starting to shower startups with hundreds of millions of dollars in capital.

With the Vision Fund, Mr. Son is likely to wield extensive influence on Silicon Valley and beyond through significant bets in areas such as robotics and deep learning, as artificial intelligence surpasses human capabilities. He has turned SoftBank into one of Japan's biggest companies by making sizable investments in telecommunications, e-commerce and technology, including an early investment in Chinese internet company Alibaba Group Holding Ltd., a gamble on U.S. telecommunications company Sprint Corp. and a buyout of U.K. microchip designer ARM Holdings PLC.

SoftBank's big wagers have tended to greatly inflate startup valuations. The newest investment in Grab, which operates private-car, taxi, motorcycle and carpool bookings across seven countries in Asia, would value the startup at more than $6 billion, according to a person familiar with the situation. That is double the valuation from less than year ago and would make Grab the most valuable startup in Southeast Asia. SoftBank's $5 billion investment in Didi last year catapulted the Chinese startup's valuation to $50 billion from $33 billion.

SoftBank and Didi will pour as much as $2 billion into Grab, which operates private-car, taxi, motorcycle and carpool bookings across seven countries in Asia. The deal would value Grab at more than $6 billion, making it the region's most-valuable startup, according to a person familiar with the situation.

Southeast Asia's ride-hailing market could grow to $13.1 billion by 2025—from $2.5 billion in 2015—according to a report last year by Alphabet Inc.'s Google and Singapore state-investment firm Temasek Holdings.



DAVID PAUL MORRIS/BLOOMBERG NEWS

A big injection of capital wouldn't be unusual for Uber.

CORRECTIONS & AMPLIFICATIONS

The first name of Oded Eran, the former Israeli ambassador to Jordan, was misspelled as Oden in a World News article Tuesday about an attack at Israel's embassy compound in Amman, Jordan.

Polish President Andrzej Duda's first name was misspelled as Andzrej in a World News article in the Friday-Sunday edition about a bill that would allow the government to replace judges on the Supreme Court.

The Story Ranch in Emigrant, Mont., which is owned and operated by descendants of Nelson Story, is separate from the Mountain Sky Guest Ranch, also located in Emigrant. An Off Duty article in the Friday-Sunday edition about travel in Montana incorrectly said Nelson Story's ranch is now called the Mountain Sky Guest Ranch.

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

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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

Anna Foot, Advertising Sales
Jacky Lo, Circulation Sales
Andrew Robinson, Communications

Jonathan Wright,
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 01; New York: 1-212-659-2176

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WORLD NEWS

Israel Eases Security Stance at Holy Site

Removal of metal detectors doesn't end Muslims' ire on access to sacred compound

By Rory Jones

TEL AVIV—Israel on Tuesday removed metal detectors from one of Jerusalem's holiest sites, a concession that failed to immediately appease Muslims angry over what they see as an attempt to control the compound.

The dismantling of the security system at the entrance to the site known to Jews as the Temple Mount and to Muslims as the Noble Sanctuary comes amid widespread anger and protests among Palestinians and across the Arab world and a flurry of diplomacy by U.S. and Western officials.

A weekend of violence left three Israelis and at least three Palestinians dead.

Israel said it would replace the detectors—which authorities installed after Arab gunmen shot and killed two Israeli policemen this month—in the coming months with sophisticated technology that could identify weapons, but it didn't offer details on the type or how it would be implemented.

In the meantime, authorities said more police would be deployed around the entrance.

Muslims kept up a prayer protest called by Muslim leaders outside the compound even after police had dismantled all the equipment by the afternoon.

The plaza in Jerusalem's Old City is sacred to both Muslims and Jews. It is home to the Al Aqsa mosque and the site of an ancient Jewish temple whose Western Wall is still visible and holy for Jews.

Only Muslims are allowed to pray on the plaza, but Jewish groups have been lobbying for that right. While Jews can visit, they aren't permitted to pray there.

Waqf, the religious authority overseen by Jordan that administers the site, said it would review Israel's plan for security and make a decision later on whether to continue its call on Muslims to boycott the compound.

The White House envoy to the Israeli-Palestinian conflict, Jason Greenblatt, arrived in Israel on Monday to meet with Prime Minister Benjamin Netanyahu in a bid to calm tensions before flying to Amman, where he met with Jordanian officials.

It was unclear whether the U.S. is continuing to mediate between Jordan and Israel.

A spokesperson for the U.S. Embassy in Tel Aviv didn't reply to a request for comment.

Thousands of Jordanians took to the streets on Friday in Amman to protest the metal detectors in Jerusalem.

Two days later, an Israeli security guard at the country's embassy compound in Amman shot and killed two Jordanians after one of the men attacked the guard with a screwdriver.

Jordan held the Israeli guard until Monday, when he returned to Israel following discussions between Israeli and Jordanian officials, including Mr. Netanyahu and Jordan's King Abdullah II.

In a statement on Tuesday, the Israeli prime minister thanked both Mr. Greenblatt and senior White House adviser Jared Kushner for mediating efforts to bring home the Israeli guard and other Israeli embassy staff.

"We had a situation in Jordan which was potentially something that could have gone very bad," David Friedman, U.S. ambassador to Israel, said on Tuesday in a visit to the Israeli parliament. "With no fanfare but with a lot of hard work and behind the scenes discussions...we were able to defuse very quickly a situation."

Palestinian Authority President Mahmoud Abbas had condemned the installation of the metal detectors and said he would cut ties with Israel until they were removed, but his office hasn't detailed the specifics of the suspension.

A spokesman for the Authority said it would follow the lead of the Waqf in determining whether to encourage worshipers to come back and whether to restore contacts with Israel.

Israel had to respect "freedom of worship," Rami Hamdallah, prime minister of the Palestinian Authority said on Tuesday.

—Nuha Musleh in Jerusalem contributed to this article.

AHMAD GHARABLI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Israeli security forces took down security barriers on Monday at the Lions' Gate access to the Al Aqsa mosque in Jerusalem's Old City.

KIANA HAYERI FOR THE WALL STREET JOURNAL

Afghan President Ashraf Ghani during a recent interview in his office in Gul Khaana Palace in Kabul

Afghan Leader's Daily Battles

By Jessica Donati And Habib Khan Totakhil

KABUL—On a recent Sunday morning, Afghan President Ashraf Ghani spent hours inside the fortresslike presidential palace mulling plans to expand the capital's water supply and install fiber-optic cable in a remote region.

Outside, new two-story blast walls and checkpoints have further restricted access to Kabul's diplomatic enclave after a truck bomb near the German Embassy killed over 150 people in May, prompting an exodus of diplomats.

Mr. Ghani faces growing opposition in his fragile unity government and Taliban insurgents are inflicting mounting casualties on civilians and security forces. But he says he is determined to stay focused on building the machinery of a functioning state in a country plagued by chaos and corruption.

"My task is to create a system that my successor can run," Mr. Ghani said in an interview. "The new generation demands a different voice, accountability and responsibility."

Mr. Ghani invited reporters with The Wall Street Journal to observe his daily routine one day earlier this month. Over nearly 14 hours, Mr. Ghani immersed himself in the minutiae of governance and showed his impatience with the pace of progress nearly three years into his five-year term.

During a series of meetings, the 66-year-old former World Bank official and ex-finance minister berated a United Nations envoy over plans to fund parliamentary elections and threatened to fire half a dozen senior government officials.

Critics say Mr. Ghani is mired in details and missing the big picture, including deteriorating security and rising ethnic tension. The Taliban claimed responsibility for a Monday bomb attack on a minibus carrying government workers in Kabul, which killed at least 31 people.

Weeks after May's truck bombing, leading members of Afghanistan's three main ethnic minorities announced a new coalition against Mr. Ghani, who is a Pashtun, the country's largest ethnic group.

The Afghan state "is collapsing on itself," said Mohammad Mohaqiq, a senior government official who helped start the coalition.

The Trump administration is weighing sending more U.S. troops.

Mr. Ghani argues that providing effective public services, stamping out corruption and imposing discipline on the bureaucracy, far from being a distraction, are critical.

The president dismisses his opponents, saying they are motivated by a fear of losing out in a transparent system. "You think people that lose hundreds of millions in contracts are going to come praising us?" he asked.

Mr. Ghani, who gave up U.S. citizenship to run for president in 2009, said his efforts have persuaded foreign backers, predominantly the U.S., to stick with Afghanistan after 16 years of war.

The Trump administration is weighing sending more U.S. troops to Afghanistan, and Washington and its allies have pledged more than $15 billion in aid over the next four years.

A veteran Western diplomat in Kabul said Mr. Ghani's pro-American stance was welcome in Washington, but concerns remain. "The risk is that he will anger so many political factions that he may not limp his way to the 2019 presidential elections," the diplomat said.

On the day Journal reporters observed him, Mr. Ghani met with officials to review plans for next year's parliamentary elections. After participants spoke, Mr. Ghani turned to the deputy head of the U.N. Assistance Mission in Afghanistan, Pernille Dahler Kardel.

"With enormous respect, it seems that the discussion has not moved very far. You are still raising the issues that you were raising six months ago," he said, demanding to know the amount and type of funding available.

Ms. Kardel later said in a statement that "decisions have been taken that will allow funding to flow" without providing details.

In the evening, Mr. Ghani oversaw a meeting of the National Procurement Council which, at his insistence, reviews every government contract valued at more than $1 million.

Two officials who had failed to provide requested documents for a contract to provide vaccinations to Afghans attending the annual pilgrimage to Mecca hung their heads.

"Who was responsible for the vaccinations? Please?" Mr. Ghani shouted. "Right now go to the office, and within two hours bring the document! Otherwise, you are suspended tomorrow. Understood?"

Mr. Ghani's office said they returned the next day with the documents and the contract was approved.

Afterward, a modest dinner was offered, but Mr. Ghani didn't join. He smiled, thanked everyone for attending and left.

Saudis and Allies Widen Qatar-Linked Terror List

By Margherita Stancati

BEIRUT—Saudi Arabia, the United Arab Emirates, Egypt and Bahrain have added new organizations and individuals allegedly linked to Qatar to their terror lists, intensifying the protracted diplomatic standoff between U.S. allies.

They include three Qatari citizens who have been accused of raising funds in support of extremist groups fighting in Syria, including Syria Conquest Front, formerly known as the al Qaeda-linked Nusra Front, according to a joint statement released on Tuesday.

Overall, nine individuals and nine organizations have been added to the list, among them entities in Yemen that the Saudi camp alleges have aided al Qaeda using funding from Qatari charities.

Also on the list are several Libyan media outlets that have received Qatari funding and that the four countries say contributed to "spreading chaos" in Libya. Boshra News Agency, one of the designated entities, is known for coverage that is sympathetic to Libyan militants.

Qatari officials didn't respond to requests for comment.

Saudi Arabia, the U.A.E., Egypt and Bahrain in June abruptly severed diplomatic relations with Qatar, citing its ties to Islamist groups like the Muslim Brotherhood and Hamas and its alleged links to terrorist groups like al Qaeda.

Pointing to its counterterrorism legislation, Doha has denied supporting extremist groups while saying it has the right to pursue an independent foreign policy.

The crisis in the Gulf has complicated joint efforts to fight Islamic State. Qatar is home to the largest U.S. military base in the Middle East, key to the fight against the extremist group.

The U.S. and countries including Kuwait, France and Turkey have dispatched top officials to the Gulf in a bid to help defuse the crisis. This month, during a visit to Doha by U.S. Secretary of State Rex Tillerson, the U.S. and Qatar signed an agreement to crack down on terrorist financing. Qatar also amended its terrorism law.

Saudi Arabia and its allies said that agreement is insufficient to guarantee Qatar will change its behavior. "Qatari authorities have a long history in breaking all signed and binding agreements and legal obligations," they said in Tuesday's statement, noting Qatar "continued harboring terrorists, financing attacks and promoting hate speech and extremism."

The Saudi-led group said it will continue to campaign against Qatar until the country commits to meeting all their demands, including prosecuting individuals and groups on the terror list.

—Hassan Morajea in Tunis, Tunisia, contributed to this article.

US DEPARTMENT OF DEFENSE/EUROPEAN PRESSPHOTO AGENCY

American military officials said an Iranian patrol vessel came within 150 yards of U.S. Navy and coalition vessels, prompting the USS Thunderbolt, pictured here in March, to fire warning shots.

U.S., Iranian Vessels Square Off

By Dion Nissenbaum

WASHINGTON—The U.S. Navy said it fired warning shots at an Iranian patrol boat in the Persian Gulf in what American military officials called an "unsafe and unprofessional" incident in the region.

The Islamic Revolutionary Guard Corps boat came within 150 yards of American and coalition ships carrying out an exercise in the northern Persian Gulf, the Navy said.

The U.S. Navy tried unsuccessfully to reach the Iranian ship by radio, then fired flares and twice gave five short whistle blasts to signal a warning to the Iranian boat, according to the Navy.

When the Iranian patrol boat failed to shift course, the USS Thunderbolt, a 175-foot-long American coastal patrol ship, fired warning shots at the vessel.

The Iranian boat stopped dead in the water, an official said, but remained in the area for several hours.

"It was unsafe and unprofessional due to the aggressive movement" of the Iranian boat, said one U.S. defense official.

The IRGC said a U.S. warship moved toward a patrol boat in international waters and fired two shots in the air in an attempt "to provoke and intimidate," according to a statement that was published by the IRGC's official news agency.

"Ignoring their unprofessional and provocative behavior, the Guards vessel continued its mission, and after a short while the U.S. ship left the area," the statement said.

The incident comes amid rising tensions between the U.S. and Iran. President Donald Trump has taken a tough line with Iran, which has sought to contest American military moves in Syria and Iraq.

—Asa Fitch contributed to this article.

Japan's Abe Faces New Heat

Opposition challenges low-rated premier after he tries to defuse allegations of cronyism

By Alastair Gale

KAZUHIRO NOGI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Support for once-popular Prime Minister Shinzo Abe and his cabinet has plummeted in Japan.

TOKYO—Japanese Prime Minister Shinzo Abe's attempt to stem a career-threatening popularity slump stumbled after he reversed part of his response to allegations of cronyism and apologized for what he called a mistake.

Mr. Abe is fighting for his political future after support for his cabinet fell below 30% in some opinion polls. A former vice education minister alleged the prime minister's staff intervened last year to clear an application by a longtime friend of Mr. Abe to open a veterinary school.

Mr. Abe says his staff followed proper procedures, and he denies any involvement in the approval for the school. No new veterinary schools have opened in more than 50 years in Japan, reflecting opposition from the Veterinary Medical Association, which says the nation has a sufficient supply of veterinarians.

The furor over the allegations of cronyism has dominated Japanese news coverage for weeks. And support for Mr. Abe's cabinet is at its lowest level since he took office in December 2012, with many poll respondents saying they don't trust him, and the ruling party suffering a heavy defeat in a regional election in Tokyo this month. Mr. Abe has said he will shuffle his cabinet next week, which could give him a chance to replace controversial ministers.

Few previous prime ministers have been able to recover from approval ratings below 30%, spurring speculation over Mr. Abe's policy objectives, including revising the nation's pacifist constitution.

This year, Mr. Abe appeared to be on course to comfortably win a third term as party leader in an election next year. Now, analysts say he could face a strong challenge from within his party, though most ruling-party lawmakers have so far avoided criticizing Mr. Abe, in part because there aren't any obvious candidates to succeed him.

The government, under pressure to provide answers, agreed to reopen parliamentary committees to allow for debate for two days. On Tuesday, Mr. Abe repeated his defense in response to questions from lawmakers at the parliamentary committee hearing. He and other officials said new veterinary schools could help Japan deal with livestock-related risks such as bird flu.

But he ran into a trouble when the leader of the main opposition Democratic Party accused the prime minister of contradicting himself over when he first learned of the school application.

On Monday, Mr. Abe said he found out about it on Jan. 20, when it was approved. In June, he had told Parliament that he knew about the application earlier, when the city where the school is to be located had filed papers with the government.

Mr. Abe said his June explanation had been mistaken. "It was a sudden question and I had not sorted it out sufficiently," Mr. Abe said. "I must apologize for my confusion."

Opposition lawmakers jeered and questioned whether Mr. Abe could have been unaware of the application until Jan. 20.

Mr. Abe has known the head of the proposed veterinary school since they studied together in the U.S. in the 1970s, and the two men still play golf and socialize together.

Besides the veterinary-school issue, scandals or misstatements by cabinet ministers have hurt the Abe government. The controversy also threatens to weaken Mr. Abe's ability to seal a version of the Trans-Pacific Partnership free-trade agreement with 10 other nations. He has said he intends to champion free trade globally after the U.S. under President Donald Trump withdrew from the TPP.

Tomoaki Iwai, an expert on politics at the Nihon University College of Law in Tokyo, said it will likely be hard for Mr. Abe to fully recover. "First, he must first keep a humble, low profile and govern honestly and steadily. Second, he should focus on the economy," Mr. Iwai said.

It will be difficult for Mr. Abe to move forward on controversial projects like revising the constitution, Mr. Iwai said, but he added that he didn't expect Mr. Abe to resign.

—Koji Everard contributed to this article.

South Korea Raises Outlook for Growth, Inflation in 2017

By Kwanwoo Jun

SEOUL—South Korea's government has raised its growth and inflation forecasts for this year, citing an economy strengthening on improving exports and likely support from extra fiscal spending approved by Parliament over the weekend.

The Ministry of Strategy and Finance raised the 2017 gross domestic product growth estimate to 3% from December's projection of 2.6%, following 2.8% growth last year, it said on Tuesday in its biannual outlook. The economy next year is expected to grow 3% as well, the ministry said.

The upgraded growth outlook came after South Korea's Parliament on Saturday passed the government's nearly $10 billion supplementary budget to create more jobs and spur growth under new left-leaning President Moon Jae-in, after weeks of legislative debate.

The government says the new growth outlook takes into account the estimated effect of extra spending to add 0.2 percentage point to annual economic-growth projections this year and next, in addition to other factors.

Before Parliament approved the supplementary budget, the central bank forecast this month that South Korea's economy would grow 2.8% this year—faster than earlier expected—on continuously strong shipments of memory chips, cellphones and other goods overseas as the world's economy gains strength. Exports are likely to grow for a ninth consecutive month in July, data show.

Consumer prices are expected to rise 1.9% in 2017, faster than the December estimate of a 1.6% gain, following an estimated 1% increase last year, the ministry said. The headline consumer inflation is likely to moderate at 1.8% in 2018, it said.

The current-account surplus is likely to narrow to $72 billion in 2017 from last year's estimated $98.7 billion, the ministry said. About 340,000 new jobs are expected to be added in 2017, more than the 300,000 jobs created last year, it said.

Job creation takes center stage in the new economic policy of President Moon, who was elected in May on a pledge to create 810,000 public-sector jobs—including positions for firefighters and police officers—over his five-year term, amid worsening youth unemployment.

The upgrade followed Parliament's passage of the government's supplementary budget.

Mr. Moon emphasizes a greater role for the government in boosting soft domestic demand and job growth.

After decades of rapid growth, the country's economy is losing steam. The private sector is no longer creating as many jobs as it once did. The country also has one of the world's lowest birthrates and oldest populations, and income inequality is deepening.

South Korea's economy still needs accommodative policy to support growth, the ministry said in the latest outlook.

The central bank has held its policy rate steady at a record-low 1.25% since June 2016.

TOLGA AKMEN/AGENCE FRANCE-PRESSE/GETTY IMAGES

People gathered outside a London court this month in support of continued treatment for Charlie Gard, a terminally ill boy.

Ill Children Cases Vex Courts

Charlie Gard highlights balancing act U.K. judiciary faces in cases of incurable disease

By Joanna Sugden

LONDON—The high-profile battle in the British courts over the fate of Charlie Gard, a brain-damaged baby with an incurable genetic disorder, put a spotlight on the difficult role the U.K. judicial system often has to play when children's lives hang in the balance.

Judges in the U.K. are regularly asked to decide whether doctors should end lifesaving care for grievously ill children. Given the secrecy of the family-court system, these cases traditionally get little attention.

Over the past two years, Britain's High Court has weighed in on roughly 30 disputes over a child's medical care, according to a government agency that provides legal guardians for children in such cases. There have been 10 so far this year. In the majority of them, doctors have sought to remove life-sustaining treatment against parents' wishes.

Most escape public notice because of court privacy rules. In recent weeks, a judge heard the case of another child suffering from a mitochondrial disorder similar to Charlie's, according to a lawyer with knowledge of the case. The judge's ruling hasn't been published.

Charlie Gard's parents' legal fight to keep him on a ventilator and take him abroad for experimental therapy, against the opinion of his doctors, ended Monday when they dropped the case, saying his muscular damage was worse than feared and the treatment wouldn't help. The parents had raised over $1.7 million to fund the cost of travel and treatment in the U.S.

The monthslong battle prompted reactions from President Donald Trump, the pope and other groups, and touched off a debate about the role of courts in such matters.

Decisions about limiting treatment for patients, especially the very young, involve complex ethical, moral, medical and legal questions. And they are becoming more common, due to advances in medical care that manage to keep more grievously sick children alive, though often with little chance of full recovery.

Dominic Wilkinson, a professor of medical ethics at the University of Oxford, said that the approach to conflict between doctors and parents and patients differs from country to country.

"The U.K., though, is relatively unusual in the number of cases that it has dealt with in this way and in the preparedness of the courts to make decisions that are contrary to the wishes of the parents," he said.

U.K. judges often use balance sheets—though they didn't in Charlie's case—to weigh the benefits and burdens of continuing life support when calculating what is in a child's best interests. In the U.K., where the National Health Service is straining for resources, the use of funds, space and staff is also often an issue in deliberations.

In June last year, a judge used the balance-sheet process before ruling that a two-and-a-half-year-old, paralyzed and unresponsive after a traffic accident, should have his respirator removed, against the wishes of his mother, and receive only palliative care.

When the court was hearing the case, the child had suffered three bouts of respirator-related pneumonia as well as urinary-tract infections. Doctors testified it was only a matter of time before a lung infection killed him.

The child's mother argued that those grim facts needed to be balanced against the fact that the child wasn't in pain and that there was a chance for modest improvements.

"The test to be applied by the courts in such cases is simply this: What is in the best interests of the child at the particular time in question, having regard to his welfare in the widest sense, not just medical, but social and psychological?" wrote an appellate judge who reviewed the case.

Usually, end-of-life decisions for hundreds of very sick children each year are made in intensive-care units by parents, doctors and medical ethicists.

Medical advances have led to discussions about whether a treatment is reasonable and "that's where arguments can start," said Michael Vloeberghs, a pediatric neurosurgeon at Nottingham University Hospital, who has appeared as an expert witness in withdrawal-of-treatment cases.

Guidance from the Royal College of Paediatrics and Child Health, a national group of pediatricians, says a child's best interests should always trump the costs, which "are an irrelevant consideration if a particular treatment clearly cannot provide overall benefit and is not in the child's best interests."

But the professional body also acknowledges that the tough financial climate means "offering expensive treatment inevitably uses funds that may be better used elsewhere."

"The drive is ultimately where will the funding come from," Dr. Vloeberghs said.

Family Asks to Take Boy to Die at Home

LONDON—The mother of Charlie Gard returned to court on Tuesday to seek permission to bring the terminally ill 11-month-old home to die.

The hearing came the day after Charlie's parents, Chris Gard and Connie Yates, abandoned their five-month-long legal effort to take the boy abroad for experimental therapy because his muscles have been irreversibly damaged by his rare genetic disease.

Grant Armstrong, the lawyer for Charlie's parents, told the **U.K. High Court** that the parents were desperate for "a few days of tranquility with Charlie outside of a hospital setting" but that **Great Ormond Street Hospital**, where the boy has been treated, had been putting up obstacles.

Great Ormond Street argues that ventilator equipment he requires so that the family can spend his last few days with him can only be provided in a hospital. It said it has also suggested a hospice and a mediator to help the two sides come to an agreement.

Katie Gollop, the lawyer for the hospital, said Great Ormond Street has "moved heaven and earth" to try to address the parents' needs and the child's interests.

Judge Nicholas Francis said he preferred that the hospital and the parents reach a decision on their own, but that he would intervene if necessary. The judge said he would decide on the case Wednesday afternoon once he heard further evidence from an expert for the parents.

Charlie suffers from a mitochondrial disorder that renders him unable to move his arms or legs or breathe without assistance.

His case has attracted the attention of President Donald Trump and Pope Francis, and put a spotlight on the role of British courts in making decisions for the very young. Courts in the U.K. have the final say when parents and doctors disagree over the treatment a child should receive.

—Amanda Coletta

Kremlin Denies Role in Contact With Kushner

By Nathan Hodge

MOSCOW—Russian President Vladimir Putin's spokesman said a meeting between President Donald Trump's son-in-law and the head of a Russian bank on a U.S. sanctions list was "not on behalf of the Kremlin," as new U.S. legislation advances that would punish Russia for alleged interference in the 2016 election.

Jared Kushner, Mr. Trump's son-in-law and a senior White House adviser, met behind closed doors on Monday with Senate Intelligence Committee staff who are probing alleged Russian meddling in the 2016 presidential election. Mr. Kushner has faced questions over his Russian contacts, including a meeting last year with Sergei Gorkov, the head of Vnesheconombank, a state-owned development bank.

Dmitry Peskov, Mr. Putin's press secretary, on Tuesday said Mr. Gorkov's visit to the U.S. was "part of a roadshow" that had nothing to do with the Russian government, Russian news agencies reported.

"These contacts did not require any authorization from the Kremlin, and naturally they were not carried out on behalf of the Kremlin," Russian news agencies reported Mr. Peskov as saying.

Vnesheconombank was placed on a U.S. sanctions list in response to Russia's backing of separatist rebels in eastern Ukraine and its annexation of the Black Sea peninsula of Crimea in 2014. Mr. Kushner has admitted speaking with Mr. Gorkov—as well as the Russian ambassador to the U.S., Sergey Kislyak—last year, but denied any collusion with Russia.

Mr. Kushner said Mr. Kislyak encouraged him to meet with Mr. Gorkov because the banker was someone who could provide insight on "ways to work together."

Scandal has engulfed the Trump administration amid an investigation into whether Trump campaign officials colluded with Russia during the presidential election campaign. The U.S. intelligence community has concluded that Mr. Putin ordered a hacking campaign to tilt the outcome of the 2016 U.S. presidential election in Mr. Trump's favor. The U.S. president has called the investigation a "witch hunt" and denied any collaboration.

Russia denies interfering in the elections, but now faces fresh U.S. sanctions. Congressional negotiators reached a deal last week to advance a bill that would impose new restrictions on Russia, preventing Russian businesses in the energy and defense sectors from partnering with U.S. citizens and tightening credit restrictions on Russian entities.

The White House on Sunday indicated Mr. Trump was likely to support the bill.

The European Union has raised concerns over the U.S. legislation, saying it could have unintended consequences for European energy projects such as the development of new Russian export pipelines to Europe.

Russia denies interfering in the 2016 election, but faces fresh U.S. sanctions.

Margaritis Schinas, a spokesman for the European Commission, on Monday said the EU was "activating all diplomatic channels to address these concerns with our U.S. counterparts."

Russia is a crucial energy supplier to Europe. Russian Energy Minister Alexander Novak said on Monday that the U.S. sanctions under consideration were part of "intensifying efforts to use unilateral, unjustified sanctions and economic limitations by a number of countries to limit and reduce real free-market competition."

New U.S. sanctions, Mr. Novak said, "are aimed at independent third parties who otherwise would have been willing and who want to work with more reliable and economically more justified suppliers."

—Laurence Norman in Brussels contributed to this article.

IMF Says Eurozone Remains Vulnerable

By Paul Hannon

The immediate outlook for eurozone economic growth is favorable, but that shouldn't distract attention from deep-seated problems that continue to threaten the currency area's cohesion, the International Monetary Fund warned.

The eurozone economy has gained momentum this year, outpacing the U.S. in the first quarter and likely to come close to matching it in the second. There is also a sense of relief among mainstream politicians at having seen off challenges from parties hostile to the euro and the European Union in elections in the Netherlands and France.

But if the eurozone's leaders were preparing to engage in a period of self-congratulation, the Washington, D.C.-based Fund is out to spoil the party with a reminder of how much work remains to done before the threats to the currency area's survival are minimized.

In its annual review of the eurozone's economic policies, the Fund on Tuesday warned it faces "significant downside risks," with government debt levels still too high and the banking sector still fragile and weighed down by bad loans.

It also noted that the convergence in income levels that has long been at the heart of the EU project has stalled, and the gap between highly productive economies such as Germany and less productive economies such as Italy is widening.

The IMF warned that if the eurozone doesn't address its economic problems, anti-euro political parties that have been rebuffed in 2017 will have another opportunity to gain power.

"Inside the euro area, concerns about populist undercurrents and possible policy shifts toward euro skeptism remain extant," the IMF said. "Doubts about the merits of integration in some camps, as well as concerns about high youth unemployment and increasing inequality, could be exacerbated by low growth and profound societal changes."

The Fund's board of directors, who represent the countries that own it, encouraged eurozone politicians to seize an opportunity to push through overhauls that are needed to boost productivity at a national level, as well as changes that will make the currency area more cohesive.

"Directors concurred that the more favorable political and economic context provides an opportune moment to accelerate reforms at both the national and central levels and complete the euro area architecture," it said.

The IMF's analysis of the eurozone's problems echoes that of French President Emmanuel Macron, who argues the creation of the currency area has deepened disparities, loading indebted nations with yet more debt and making competitive countries even more competitive. He is pressing German Chancellor Angela Merkel to back a shared eurozone budget that could be used for a variety of reasons.

The pickup in eurozone economic growth has been greeted with louder calls from Germany for an end to the stimulus programs launched by the European Central Bank since mid-2014.

The IMF warned against responding to those louder voices, seeing inflation reaching the ECB's target of just under 2% as late as 2021.

WORLD WATCH

CANADA

Trudeau: Panel Is Key To Revised Trade Pact

Canadian Prime Minister Justin Trudeau said Tuesday it was "absolutely essential" that a revised North American Free Trade Agreement contain a dispute-resolution panel, setting the stage for a showdown between Ottawa and the Trump administration ahead of trilateral talks next month.

Trade analysts have identified the Nafta provision known as Chapter 19—which makes it easier for Canada and Mexico to contest trade sanctions from the U.S. Department of Commerce—as crucial to Canada. Without it, attempts to challenge Commerce Department sanctions would have to be argued before U.S. courts, which Canadians see as less friendly to their interests.

Mr. Trudeau said Tuesday that keeping the system intact was a top priority.

"A fair dispute-resolution system is absolutely essential for Canada," Mr. Trudeau said at a joint news conference with the new premier of British Columbia, John Horgan. "We expect that will continue to be the case in any renegotiated Nafta—that we will continue to have a fair dispute-resolution system."

—Paul Vieira

VALERY HACHE/AGENCE FRANCE-PRESSE/GETTY IMAGES

FOREST FIRE: Beachgoers watched a fire in La Croix-Valmer, near Saint-Tropez, on Tuesday, as firefighters battled blazes that have consumed swathes of land in southeastern France for a second day.

ALBANIA

Premier Urges Serbia To Recognize Kosovo

Albania's prime minister is urging Serbia to recognize Kosovo as a separate country, saying the acknowledgment would help stabilize the Balkan region.

Prime Minister Edi Rama wrote on his Facebook page that Serbia's recognition of Kosovo's independence was "the clear solution from the darkness of the tunnel to the light of coming out of it."

Rama was reacting to an op-ed article by Serbian President Aleksandar Vucic published on Monday. Mr. Vucic urged a lasting solution for Kosovo, a former province of Serbia that has been a source of tensions in the once war-torn Balkans. Mr. Rama also urged Kosovo and Serbia to continue European Union-mediated talks.

Kosovo declared independence from Serbia in 2008. Its nationhood is recognized by 114 countries, including the U.S. and most EU countries, but not Serbia.

—Associated Press

Trump Won't Say if He Will Fire Sessions

'I'm very disappointed' in the attorney general, the president says in an interview

By Michael C. Bender

WASHINGTON—President Donald Trump expressed his disappointment in Attorney General Jeff Sessions on Tuesday and questioned the importance of Mr. Sessions' early endorsement of Mr. Trump's candidacy, but the president declined to say whether he planned to fire him.

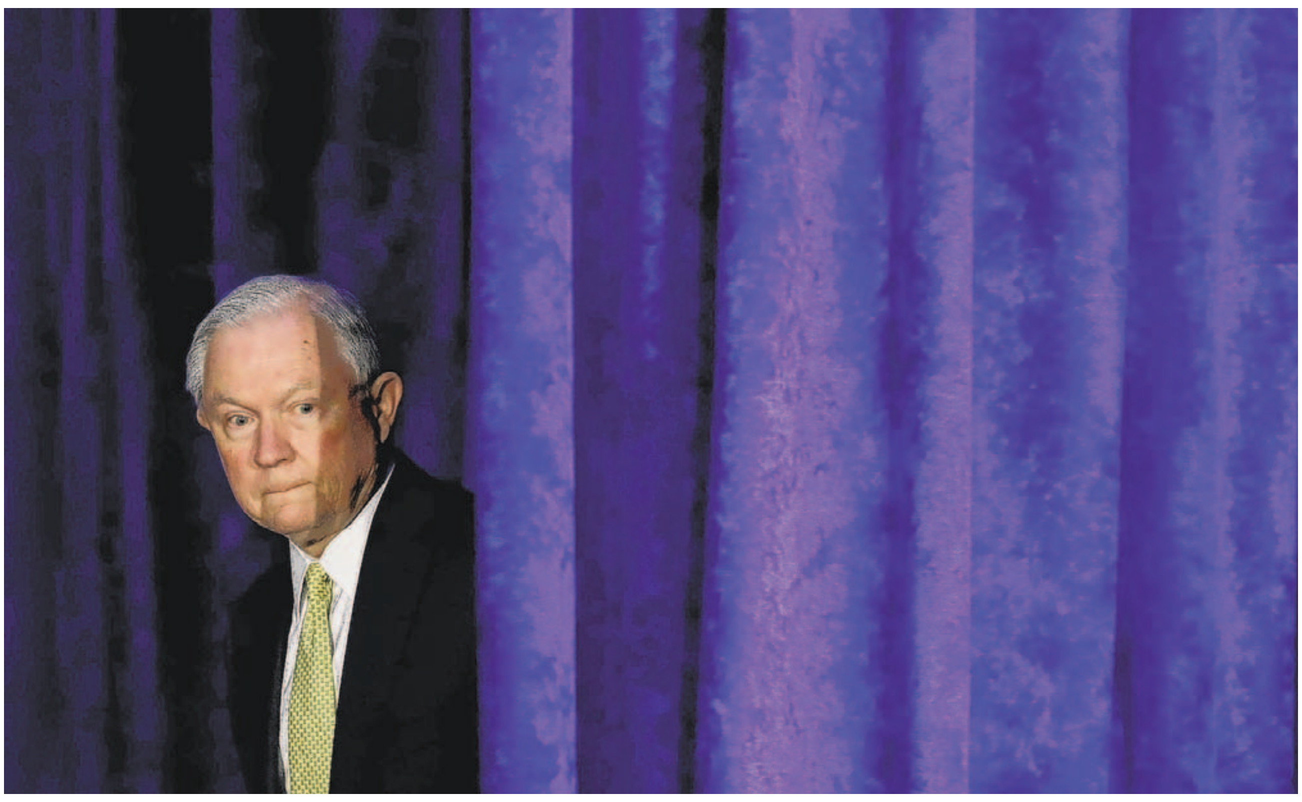
"It's not like a great loyal thing about the endorsement," Mr. Trump said in an interview with The Wall Street Journal. "I'm very disappointed in Jeff Sessions."

Asked whether he would remove Mr. Sessions from office, Mr. Trump said he was disappointed in the attorney general's decision to recuse himself from the probe into Russia's meddling in the 2016 presidential election.

The president has repeatedly criticized Mr. Sessions in recent interviews and on Twitter.

"I'm just looking at it," the president said, when asked how long he could continue to criticize Mr. Sessions without firing him. "I'll just see. It's a very important thing."

Mr. Trump said he had no immediate plans to make any other changes to his top staff.


CHIP SOMODEVILLA/GETTY IMAGES

Attorney General Jeff Sessions, shown last month, has been faulted by the president for recusing himself from the Russia inquiry.

In the interview, he was joined by his daughter and White House adviser Ivanka Trump, National Economic Council Director Gary Cohn, Chief of Staff Reince Priebus, Communications Director Anthony Scaramucci and Hope Hicks, the White House director of strategic communications.

Mr. Trump said he was "very happy" with the addition of Mr. Scaramucci, whose appointment was announced Friday. Mr. Scaramucci ordered one junior staffer in the communications office fired earlier on Tuesday as part of a campaign to stop leaks from the White House.

Mr. Trump dismissed Mr. Scaramucci's decision during the presidential campaign to endorse two other Republican candidates before backing Mr. Trump. He said Mr. Scaramucci offered his support before he was ready to enter the race. "His first choice was Trump," Mr. Trump said. "I think it's important to say that."

Mr. Sessions was the first U.S. senator to back Mr. Trump, a decision that was seen as a major blow to rival Sen. Ted Cruz (R., Texas). The endorsement came ahead of a handful of primary contests in Southern states with large numbers of evangelical voters—including Alabama, Mr. Sessions' home—that Mr. Cruz's campaign had banked on winning.

Mr. Sessions' endorsement came at a rally in Alabama, one of the biggest of the campaign.

"When they say he endorsed me, I went to Alabama," Mr. Trump said on Tuesday, recalling the endorsement. "I had 40,000 people. He was a senator from Alabama. I won the state by a lot, massive numbers. A lot of the states I won by massive numbers. But he was a senator, he looks at 40,000 people and he probably says, 'What do I have to lose?' And he endorsed me. So it's not like a great loyal thing about the endorsement. But I'm very disappointed in Jeff Sessions."

Mr. Trump blamed Mr. Sessions' recusal in the Russia probe as the reason the Justice Department named Robert Mueller as special counsel in charge of the investigation. Mr. Mueller's appointment came immediately after Mr. Trump fired former Federal Bureau of Investigation Director James Comey, who had been overseeing the inquiry.

According to a January report from the U.S. intelligence community, Russia's interference was directed from the highest levels of its government. Its tactics included hacking state election systems; infiltrating and leaking information from party committees and political strategists; and disseminating through social media and other outlets negative stories about Democratic nominee Hillary Clinton and positive ones about Mr. Trump, the report said. Russia has denied meddling.

The investigation is also looking at whether anyone on Mr. Trump's campaign colluded with the Russians, which Mr. Trump has denied, characterizing the investigation as a "witch hunt."

Cohn and Yellen Are Contenders to Lead Central Bank

By Kate Davidson

WASHINGTON—President Donald Trump is considering renominating Janet Yellen as Federal Reserve chairwoman but also views his economic adviser Gary Cohn as a top candidate, he told The Wall Street Journal in an interview on Tuesday.

Mr. Trump reiterated that he thinks Ms. Yellen is doing a good job and he has "a lot of respect for her," and said she is still in the running to serve a second four-year term as leader of the central bank. But he said he also is considering replacing Ms. Yellen with Mr. Cohn, who became Mr. Trump's National Economic Council director after a 26-year career at Goldman Sachs Group Inc.

"He doesn't know this, but yes he is," he said, when asked if Mr. Cohn, who was present during the interview, was a candidate for the job. "I actually think he likes what he's doing right now."

Mr. Cohn has been managing the search for the next Fed chief and has emerged as a key intermediary in the administration's relationship with the central bank.

"I've known Gary for a long time, but I've gained great respect for Gary working with him, so Gary certainly would be in the mix," Mr. Trump said.

Mr. Cohn and other White House officials have said he is focused on his current job. But former colleagues have said he has developed an appreciation for the power of the Fed during his long career on Wall Street, and for the central bank's relative independence during his current stint in Washington.

As for Ms. Yellen, Mr. Trump said, "She is in the running, absolutely."

"I like her; I like her demeanor. I think she's done a good job," he said. "I'd like to see rates stay low. She's historically been a low-interest-rate person."

Mr. Trump said there are "two or three" other contenders in the mix, but declined to name any other potential candidates and said he probably wouldn't announce a nominee


T.J. KIRKPATRICK FOR THE WALL STREET JOURNAL

President Donald Trump in a White House interview on Tuesday.

until the end of the year. "It's early to make the decision," he said, noting Ms. Yellen's term doesn't expire until February. He said he expected the confirmation process for the Fed job would move quickly.

Mr. Trump's fierce criticism of the Fed and Ms. Yellen in the final weeks of his campaign led many to conclude he was unlikely to reappoint her.

But the two have forged an amicable relationship since he took office, reflected in part by his willingness to consider her for the job.

Mr. Trump has offered contrasting views of Ms. Yellen during the campaign and his first months in office.

In May 2016, Mr. Trump said Ms. Yellen was doing a good job, but he likely would replace her when her term expires. Four months later, he accused the Fed chairwoman of being "highly political" and keeping interest rates low to help President Barack Obama.

In an April interview with the Journal, he left open the possibility of nominating Ms. Yellen for another four-year term as chairwoman. "I like her; I respect her," he said at the time.

Since taking office, the president and his advisers haven't publicly questioned the Fed's actions—including its decision to raise short-term interest rates in March and June, and pencil in another rate increase this year.

The Fed is expected to leave rates unchanged at its two-day meeting that ends on Wednesday.

Ms. Yellen hasn't said whether she would like to serve another term as chairwoman, or whether she intends to step down from the Fed board of governors when her term as chairwoman expires. "I absolutely intend to serve out my term," she told lawmakers on Capitol Hill earlier this month. "I'm very focused on trying to achieve our congressionally mandated objectives, and I really haven't had to give further thought at this point to this question."

Later, when asked what she would say if Mr. Trump asked her to serve another term, she said, "It is certainly something that I would discuss with the president, obviously."

If Mr. Trump doesn't renominate Ms. Yellen, it would be highly unusual. The tenure of Fed chairmen is staggered, by design, to end the year following a new president's inauguration. But most presidents have chosen to keep the central bank chief on for another term.

HEALTH

Continued from Page One

compromise with the House on its version of a health overhaul, which is far more sweeping.

Mr. McConnell has spent weeks or months working to find a balance between conservatives who want to undo the ACA and moderates who want to retain parts of it.

A small number of centrist Republicans, including Sen. Collins, have said they couldn't support an earlier version of the GOP health bill because it would cause too many people to be without insurance coverage.

Conservatives such as Sen. Rand Paul of Kentucky have said they would vote against such a bill because it retains too many of the ACA's regulations. Mr. McConnell can only afford to lose two votes from Republicans, with Mr. Pence breaking any 50-50 tie as he did Tuesday.

Some proposed revisions to the Senate GOP health bill have yet to be analyzed by the nonpartisan Congressional Budget Office, and some lawmakers say they need to see the CBO report, which would lay out the bill's estimated cost and coverage impact, before deciding how to vote.

Mr. McConnell has already signaled changes to the GOP health bill. In a concession to centrists, he agreed to include an additional $100 billion for states to help people who are forced to leave Medicaid and sign up for private insurance.

Democrats quickly sought to make vulnerable Republicans pay a political price for their votes. The Democratic Senatorial Campaign Committee launched a radio ad against Sen. Dean Heller (R., Nev.), for example, even before he announced he would vote to open the health-care debate.

Democrats have said the gains of the Affordable Care Act, including its extension of insurance coverage to about 20 million people, should be built on rather than reversed.

Republican senators now will likely have to vote on amendments from Democrats as well as fellow Republicans, some of which could put them in politically tricky situations. Democrats, too, could face politically challenging votes.

In a scenario with few recent precedents, Senate Republicans ahead of the procedural vote weren't aware of which measures they would vote on later this week, potentially even later Tuesday.

Rarely have lawmakers faced such a high-profile vote with so little definition about the legislative path ahead.

In a Rose Garden news conference, Mr. Trump said that he was "extremely happy" to have secured a tough vote on the motion to proceed with debate, and that the party had "a lot of options, a lot of great options" for crafting a bill that would be better than the health law Republicans dub Obamacare.

Mr. Trump spoke moments after the conclusion of a Senate floor speech by GOP Sen. John McCain of Arizona, who has been diagnosed with brain cancer. Mr. McCain cast the 49th vote in favor of a Senate motion to proceed, with Ron Johnson of Wisconsin voting after him.

"I want to congratulate American people because we're going to give you great health care," Mr. Trump said. "And we're going to get rid of Obamacare."


WIN MCNAMEE/GETTY IMAGES

Senate Republicans on Tuesday backed a motion that allows lawmakers to launch into debate over a health-overhaul bill, a significant victory for Senate Majority Leader Mitch McConnell, center.

President Self-Pardon Is a Murky Legal Issue

By Jess Bravin

WASHINGTON—In 1974, some of President Richard Nixon's lawyers advised him that he could pardon himself. In 1992, the Iran-Contra special prosecutor reached the opposite conclusion regarding President George H.W. Bush.

But the U.S. Constitution, unlike many state governments, centralizes prosecutorial authority under the president. That means he could forbid the Justice Department from investigating or pursuing criminal charges against anyone, including himself, so he may never reach the point of having to pardon himself.

The subject has come to the fore in recent days after reports emerged that President Donald Trump had asked his advisers about his ability to pardon various people, including himself.

Trump officials say the issue won't come up because there was no wrongdoing.

The president himself tweeted Saturday, "While all agree the U. S. President has the complete power to pardon, why think of that when only crime so far is LEAKS against us.FAKE NEWS."

The Justice Department has taken the position that a president can't be prosecuted. Past special prosecutors have disagreed.

"It is very likely that a president is subject to federal indictment. No one is above the law in this country," says Ronald Rotunda, a law professor at Chapman University in Orange, Calif., who worked for the Senate Watergate Committee and later Kenneth Starr, the independent counsel whose investigation of President Bill Clinton led to impeachment and acquittal.

But past special prosecutors such as Mr. Starr operated under broad statutory authority that since has expired. Under current law, special counsel Robert Mueller, who is investigating alleged Russian interference in the U.S. presidential election, only has the authority to recommend to higher-ups that indictments be sought, says Frank Bowman, a law professor at the University of Missouri who publishes the ImpeachableOffenses.net blog.

Even if Justice Department attorneys obtained an indictment before the president issued an order canceling the probe—or defied such an order—Mr. Trump could replace hostile officials with those willing to follow his orders.

A president attempting to derail an investigation could wreak havoc with traditional concepts of law and order, legal experts say.

U.S. NEWS

Ex-Trump Aide Subpoenaed

Senate panel orders Manafort to appear at inquiry into foreign interference in election

BY BYRON TAU

MATT ROURKE/ASSOCIATED PRESS

Paul Manafort, then-chairman of Donald Trump's campaign, speaking in Cleveland last year.

WASHINGTON—The Senate Judiciary Committee has issued a subpoena for President Donald Trump's former campaign chairman, ordering him to appear publicly before the panel Wednesday as part of an investigation into foreign interference in U.S. elections.

Paul Manafort met Tuesday with investigators on a separate panel, the Senate Intelligence Committee, his spokesman confirmed.

The interest in Mr. Manafort's testimony opens a new phase in the Capitol Hill probes into alleged Russian interference in the 2016 election. Several committees have begun questioning associates and family members of Mr. Trump. Mr. Trump's son-in-law, Jared Kushner, who is also a senior White House official, was on Capitol Hill twice this week to speak to House and Senate intelligence-panel investigators.

Judiciary Committee Chairman Chuck Grassley (R., Iowa) and top Democrat Dianne Feinstein (D., Calif.) said Tuesday that negotiations over Mr. Manafort's cooperation with the panel had reached an impasse and that he had been subpoenaed Monday evening.

"While we were willing to accommodate Mr. Manafort's request to cooperate with the committee's investigation without appearing at Wednesday's hearing, we were unable to reach an agreement," said Mr. Grassley and Ms. Feinstein in a joint statement.

The committee, which has convened a hearing on the broad topic of foreign lobbying and activity in U.S. politics, said it would be willing to excuse Mr. Manafort if he agreed to more generous terms. That left open the possibility that a deal still could be struck Tuesday to preclude his public testimony.

The Judiciary Committee's inquiry is looking at foreign interference in U.S. elections, in particular unregistered lobbying and influence peddling. The Intelligence Committee, led by Sen. Richard Burr (R., N.C.) and Sen. Mark Warner (D., Va.), has been conducting a probe of Russia activity during the 2016 campaign.

According to a January report from the U.S. intelligence community, the interference was directed by the highest levels of the Russian government. The tactics included hacking state election systems, stealing and leaking information from party committees and political strategists, and using social media and other outlets to disseminate negative stories about Democratic nominee Hillary Clinton and positive ones about Mr. Trump, the report said.

Mr. Manafort voluntarily appeared Tuesday before the Senate intelligence panel, the same day negotiations broke down over his appearance before the judiciary panel. Both panels are controlled by Republicans, who have a 52-48 majority in the Senate.

"Paul Manafort met this morning, by previous agreement, with the bipartisan staff of the Senate Intelligence Committee and answered their questions fully," said a spokesman for Mr. Manafort.

Mr. Manafort had agreed to meet Tuesday with the Senate intelligence panel and would have been willing to meet with the judiciary panel at the same time, said a person familiar with the matter.

"He welcomed the Judiciary Committee to join, but they didn't want to do it," this person said, adding Mr. Manafort's representatives were in talks with committee officials to find a solution.

The Judiciary panel said it was open to rescinding the subpoena if Mr. Manafort agreed to produce documents and to give a transcribed interview, "with the understanding that the interview would not constitute a waiver of his rights or prejudice the committee's right to compel his testimony in the future."

Mr. Manafort served as Trump campaign chairman for several months before resigning amid questions about his past consulting work for Ukrainian political figures.

Mr. Manafort, who hasn't been charged with any wrongdoing, is under scrutiny from investigators over his participation in a June 2016 meeting in Trump Tower with a Kremlin-linked Russian lawyer, a Russian-born lobbyist and an executive at a Kremlin-linked Russian real-estate firm. Also at the meeting were Mr. Kushner and Mr. Trump's eldest son, Donald Trump Jr.

Emails the president's son released earlier this month showed the Trump camp was promised damaging information about Mrs. Clinton, said to be offered by the Russian government in support of the elder Mr. Trump's candidacy.

Donald Trump Jr. has said the meeting didn't result in any significant exchange of information or action.

Judge Blocks Deportation of Iraqi Immigrants

BY KRIS MAHER

A federal judge in Detroit temporarily blocked the deportation of more than 1,400 Iraqi immigrants with criminal records who were detained by federal immigration agents last month.

U.S. District Judge Mark Goldsmith granted a preliminary injunction sought by attorneys for a group of Iraqis until they can make their case in immigration courts that their deportation would be illegal.

Lawyers for the immigrants, many of whom are Christians, have argued that their return to Iraq would subject them to persecution, torture and possible death. Attorneys for the federal government had argued that the district court had no jurisdiction in the case.

In a 35-page ruling issued late Monday, Judge Goldsmith said the court's involvement was warranted by the "extraordinary circumstances" of the case, including that more than 1,400 people suddenly learned they were to be deported. Many of those people had been sent to facilities across the country, complicating their legal defense, the judge added.

"Petitioners' claims are far from speculative," Judge Goldsmith wrote in his opinion. "Each Petitioner faces the risk of torture or death on the basis of residence in America and publicized criminal records; many will also face persecution as a result of a particular religious affiliation."

The ACLU of Michigan, which sought the temporary injunction, applauded the ruling. "We're heartened that the court has once again recognized our country's commitment to fundamental fairness," said Miriam Aukerman, a senior staff attorney with the group.

Khaalid Walls, a spokesman for U.S. Immigration and Customs Enforcement, said Tuesday the agency would have a comment on the judge's ruling later in the day. The agency had previously said that Iraq recently agreed to accept Iraqi nationals who had been subject to removal orders.

All of the individuals detained recently had past criminal convictions, including serious offenses such as homicide and aggravated assault and robbery, and a federal immigration judge had previously ordered them to be removed, the agency said.

'Each Petitioner faces the risk of torture or death…,' a judge wrote in the opinion.

The arrests in June of Iraqi nationals, including many in the Detroit area, were part of an ICE sweep focused on undocumented members of the community of Iraqi Christians, known as Chaldeans, with past criminal convictions. Attorneys and family members have said many individuals had since built families and become productive members of the community.

The roundup sparked outrage in the Iraqi Christian community beyond Detroit, the largest concentration of Chaldeans in the nation. It became the latest flashpoint in the Trump administration's stepped up efforts to deport people with criminal records.


REBECCA COOK/REUTERS

Family members protested the detention of Iraqis, many of them Christians, at a rally at a church in Southfield, Mich., in June.

Court Strikes Down Gun Restrictions

BY JOE PALAZZOLO


JIM URQUHART/REUTERS

An appeals court on Tuesday rejected Washington, D.C., gun curbs.

A federal appeals court struck down the District of Columbia's restrictions on carrying concealed guns, ruling that the right to bear arms outside the home is at the core of the Second Amendment's protections.

The 2-1 ruling on Tuesday by the U.S. Court of Appeals for the District of Columbia Circuit recognized that "the rights to keep and bear arms are on equal footing" and said the D.C. law violated the Second Amendment by prohibiting most residents from carrying weapons in public.

The 2014 law required anyone seeking a license to carry a concealed gun to show "good reason to fear injury." Living in a high-crime neighborhood wasn't reason enough, according to rules put out by the district's chief of police.

"Bans on the ability of most citizens to exercise an enumerated right would have to flunk any judicial test that was appropriately written and applied, so we strike the District's law here," wrote Judge Thomas Griffith, an appointee of President George W. Bush, for the majority.

The decision breaks with at least four other federal appeals courts that upheld similar restrictions in New York, New Jersey, Maryland and California, though those courts offered varying views of the Second Amendment's strength.

At least one other appeals court has recognized a constitutional right to carry a gun outside the home, striking down an Illinois ban in 2012.

Most state restrictions on bearing weapons outside the home are looser than Washington, D.C.'s and allow residents to carry concealed guns without having to justify it. About a dozen states require no permits.

The Supreme Court has yet to review a concealed-carry case since its landmark 2008 ruling in District of Columbia v. Heller, which recognized an individual's right to possess a gun for self-defense inside the home. The split that emerged with Tuesday's ruling could tempt the justices to take up the case if the D.C. government appeals.

The D.C. Circuit panel that delivered Tuesday's ruling also included Judge Karen Henderson, an appointee of President George H.W. Bush, and Senior Judge Stephen Williams, a Reagan appointee.

Judge Henderson, writing in dissent, said the majority played down the Supreme Court's characterizations of the Second Amendment right as strongest in the home, as stated in its Heller decision.

"A right that is less notable and less acute cannot reside at the Second Amendment's core," she wrote, referring to carrying outside the home.

Karl Racine, Washington, D.C.'s attorney general, said he was considering asking the D.C. Circuit to rehear the case with more judges.

U.S. WATCH

WHITE HOUSE

Scaramucci Vows To Stop Leaks

The new White House communications director, Anthony Scaramucci, said Tuesday that one of his top priorities is to stop staff from leaking to the news media, calling the leaks "atrocious" and "unpatriotic."

Speaking to reporters outside the White House, Mr. Scaramucci said: "If you want to work in the West Wing, you've got to stop leaking."

Asked how he would accomplish that, he responded: "You're either going to stop leaking or you're going to get fired. If I've got to get the thing down to me and [new White House press secretary] Sarah Huckabee [Sanders], then the leaking will stop." He said that President Donald Trump has given him the authority to dismiss staff. Mr. Scaramucci reports directly to the president, not to White House Chief of Staff Reince Priebus.

Michael Short, who served as one of two senior assistant press secretaries in the communications office, resigned on Tuesday afternoon, effective immediately, he said. "It was a privilege to serve the president," he said in a text message.

His resignation came hours after Mr. Scaramucci told Politico he planned to dismiss Mr. Short but had offered "amnesty" to other members of the communications office. Mr. Short called any allegations that he leaked information "completely false and unsubstantiated."

During the campaign, Mr. Short served on the communications and research teams at the Republican National Committee with Sean Spicer, who resigned on Friday as press secretary over objections to Mr. Scaramucci's appointment. He worked closely with Mr. Trump and top aides during the campaign. He gave no reason for his departure.

Expanding on his unhappiness over what he sees as widespread leaking, Mr. Scaramucci said: "There are leakers in the [communications] shop. There are leakers everywhere. And the leaking is atrocious. It is outrageous, it is unpatriotic. It damages the president personally, it damages the institution of the presidency and I don't like it."

Mr. Trump has said stopping leaks is a priority.

—Peter Nicholas and Rebecca Ballhaus

TAXES

IRS Reports Drop In Identity Theft

Fewer taxpayers are reporting identity theft to the Internal Revenue Service, a drop the agency attributes to its years-long effort to prevent what was once a booming crime.

The IRS received 107,000 reports from victims in the first five months of 2017, down from 204,000 in the same period in 2016 and 297,000 for the same period in 2015. "We are clearly making progress in this battle," IRS Commissioner John Koskinen said on a conference call with reporters.

Identity theft using tax-refund fraud boomed a few years ago as thieves took advantage of the government's increasing speed in delivering refunds. Criminals, using names and Social Security numbers typically obtained outside the tax system, would file fake tax returns and get refunds on debit cards before the real taxpayer ever knew what happened.

—Richard Rubin


CHARLIE NEIBERGALL/ASSOCIATED PRESS

'CORPSE FLOWER': Horticulturist Derek Carwood checks on the Titan Arum, also known as the Corpse Flower, at the Greater Des Moines Botanical Garden on Tuesday in Des Moines, Iowa. Officials say the flower, which won't bloom again for another 3-5 years, emits an odor similar to rotting flesh when it unfurls.

ECONOMY

Consumer Confidence Increased in July

A measure of U.S. consumer confidence rose sharply in July, as Americans expressed increased faith in current and future economic conditions.

The Conference Board on Tuesday said its index of U.S. consumer confidence rose to 121.1 in July from a revised 117.3 in June, marking the second-highest reading since 2000. The index in March had hit 124.9, its highest level since December 2000, but has slid downward in recent months.

July's increase "was driven by another rise in the current conditions subindex to a fresh 16-year high, reflecting falling gasoline prices, the strength of the job market and recent record highs in the stock market," said Michael Pearce of Capital Economics in a note to clients.

—Sarah Chaney

WENDYS

Continued from Page One

much. Hardee's blocked Wendy's on Twitter. Neither McDonald's nor Burger King have responded to Wendy's tweets. All three chains declined to comment for this article.

Wendy's tweets are part of a strategy to make the brand more appealing to young consumers, who have been migrating to places serving healthier fare than most fast-food chains. "Since we changed our tone of voice, we've seen a number of new consumers following us," said Wendy's Chief Marketing Officer Kurt Kane.

Wendy's said its Twitter following has risen nearly 80% in the last year to almost 2 million—still well short of McDonald's nearly 3.5 million followers—and that those followers are becoming new or more-frequent customers. The chain's brand-perception scores are up significantly among 18-to-21-year-olds in the past few months, according to brand-tracking firm YouGov BrandIndex. In the first quarter of the year, Wendy's notched its 17th consecutive quarter of same-store sales growth in North America.

Companies ranging from Whole Foods Market Inc. to Old Spice have roasted followers as part of a strategy of engaging directly with consumers. Social-media watchers can't point to any that challenge competitors and consumers as much as Wendy's.

The identities of Wendy's Twitter writers are a closely guarded secret. The company said they are a group of men and women in their 20s and 30s. Most have marketing or public-relations backgrounds. One is a stand-up comedian in his free time.

The writers are careful not to be too mean, but the company says when it comes to defending its turf, it is within Wendy's right to do so.

The day McDonald's announced its impending switch to fresh beef, dozens of people tweeted at Wendy's—which uses fresh beef—asking what it had to say. "We usually respond to a consumer who brings us into a conversation. We don't actively seek out these jabs," said the woman who oversees Wendy's social media team and who sometimes tweets herself.

Few are safe from Wendy's twitterstream. In one exchange, a consumer asked Wendy's how it could keep beef fresh in transit—and then applauded McDonald's breakfast. Wendy's said, "You don't have to bring them into this just because you forgot refrigerators existed for a second there."

A woman who tweeted that Wendy's food is trash was answered with: "No, your opinion is though."

Awaiting Wendy's next smackdown has become a spectator sport for some. Jason Yerex, a 17-year-old in Port St. Lucie, Fla., asked Wendy's to roast him. Seizing on a photo of him wearing a backward-facing baseball cap, Wendy's tweeted: "Turn your hat around, you aren't Bart Simpson, and it isn't 1997."

Mr. Yerex said McDonald's and Burger King didn't respond to his requests to make fun of him. When he asked Chipotle Mexican Grill Inc. to roast him, the burrito maker replied, "No, that's mean."

A Chipotle spokesman said: "We always try to engage with customers that reach out to us on social media, and generally like to take a high-road approach in those conversations."

No one has gotten more attention from an exchange with Wendy's than Carter Wilkerson, a 16-year-old from Reno, Nev. A fan of Wendy's Twitter roasts—and its chicken nuggets—he thought it would be fun to ask how many retweets he'd need to get to secure a year's supply of free chicken nuggets. Wendy's response: 18 million. He tweeted back, "Consider it done."

The challenge went viral within weeks of his April tweet. Mr. Wilkerson says he has been wrongly accused of being in partnership with Wendy's. The company says it had nothing to do with his nugget question. Although he is far from meeting Wendy's 18 million target, the chain still granted him a year's worth of free nuggets.

His question was retweeted 3.6 million times, breaking the previous record held by Ellen DeGeneres for her 2014 Oscars "selfie" featuring Bradley Cooper, Brad Pitt, Julia Roberts and others, which was retweeted more than 3.4 million times.

Mr. Wilkerson says his generation understands why Wendy's is doing what it's doing: "We find getting into fights on Twitter funny."

To match its newfound social-media sass, Wendy's has been upgrading its restaurants to look more modern and has rolled out items such as bacon queso sandwiches and fries.

Wendy's executives review some tweets aimed at competitors before they go out and discuss posts afterward to make sure they're consistent with the tone it wants to convey. "We haven't had too many missteps," Mr. Kane said, declining to point to any specific tweets. "But comedy is always a trick."

PATRICK T. FALLON/BLOOMBERG NEWS

Wendy's said its Twitter following has risen nearly 80% in the last year to almost 2 million.

TORTS

Continued from Page One

used to. They are not seeking trials like they used to," says Senior Judge Gregory Mize of the District of Columbia Superior Court, a local trial court. "It's so expensive and time-consuming."

The Conference of Chief Justices, an association of state judicial leaders, has been working on tweaks to the civil justice system that officials hope will make many cases move more quickly and cost less. Judge Mize is assisting the committee studying the issue.

Torts are civil wrongs that cause someone to suffer loss or harm. Most tort lawsuits seek damages for negligence rather than deliberate injury and fall into one of three categories: auto cases, medical malpractice or product liability.

Contract cases rise

Tort lawsuits now account for less than 5% of all civil filings in state courts. Contract cases, including those filed by corporate plaintiffs such as debt collectors and banks foreclosing on homeowners, have increased in number and now represent about half of all civil cases.

Most civil cases are filed in state courts—more than 15 million in 2015, compared with 281,608 cases brought in federal courts that year, according to federal statistics and data collected by the National Center for State Courts, a research center for state courts.

Federal courts have seen an increase in some types of mass tort cases in recent years, but the reality in state courts, where about 98% of all cases are filed, contrasts sharply with public perception of civil dockets awash in tort lawsuits. An election-night poll last November by Public Opinion Strategies showed that 87% of voters agreed that there are "too many lawsuits filed in America."

Tort filings spiked in the 1980s, prompting the formation of groups like the American Tort Reform Association in 1986 and triggering a wave of legislation meant to impose new requirements for filing lawsuits or to reduce monetary awards to plaintiffs.

Tort cases declined from 16% of civil filings in state courts in 1993 to about 4% in 2015, a difference of more than 1.7 million cases nationwide, according to an analysis of annual reports from the National Center for State Courts. Those estimates are based on case percentages recorded by more than 20 states that track tort filings.

Contract cases—a category that includes debt collection, foreclosure and landlord-tenant disputes—grew from 18% of the civil docket to 51%, according to the center's data.

Anthony Sebok, a torts professor at Benjamin N. Cardozo School of Law in New York, contends the public perception of tort filings has never matched reality. Even at peak growth in the mid-1980s, tort cases amounted to about 20% of civil filings in state courts, on average.

"We as a society seem to be OK with plaintiffs when they are debt collectors coming in and using the court system more than they used to, but we somehow instinctively think it's a bad thing when victims of accidents come in and do the same thing," he says.

Josh Johnson with his daughter, who was injured at a YMCA camp in Minnesota.

Ms. Rickard of the U.S. Chamber said an increase in single lawsuits bundled with multiple plaintiffs could be a factor in the decline in tort filings. Most courts don't distinguish between lawsuits filed by individuals or by groups, counting both as one filing in their statistics.

A study last year by the National Center for State Courts found that nearly two-thirds of tort cases involve automobiles. Motor-vehicle deaths and hospitalizations from crash injuries have declined since the 1990s, likely contributing to fewer lawsuits, legal experts say.

Researchers at Northwestern University and the University of Illinois recorded a 57% nationwide decline in malpractice claims paid by doctors or their insurers between 1992 and 2012, and a similar drop in the number of malpractice lawsuits. Claims of less than $50,000 fell the most, perhaps because increasing litigation costs made many lower-value cases too expensive to pursue, the researchers said.

In Texas, the number of tort cases fell 27% between 1995 and 2014, according to another study. The decline for non-auto-accident tort cases over that period was 60%, the study said.

Stephen Daniels, a research professor at the American Bar Foundation who co-wrote the Texas study, says advocates of lawsuit restrictions have succeeded in making many tort cases economically impossible for trial lawyers to bring.

Plaintiffs' lawyers typically front the cost of litigation and take their fees on the back end, usually one-third of whatever their clients recover.

In tort lawsuits, damages come in three varieties. Economic damages are meant to make the plaintiff whole. They cover lost wages, medical costs or other economic harms caused by others. Noneconomic damages ameliorate intangible harms such as pain and suffering, while punitive damages are meant to punish and deter.

Capping damages

More than 30 states have capped damages in medical malpractice or other cases since the 1970s, according to the Center for Justice & Democracy, a group that opposes such laws. In 2003, Texas capped damages in medical-malpractice cases at $250,000.

Meanwhile, costs have increased for medical records and the expert witnesses often needed to testify about medical treatment, lawyers and legal experts say. Many states require medical-malpractice plaintiffs to file an expert report with or soon after their lawsuit. Total costs often reach thousands of dollars, trial lawyers say.

Economic damages are tied to lost wages and income. Plaintiffs' lawyers told Mr. Daniels and co-researcher Joanne Martin they no longer could afford to represent retirees and stay-at-home parents as clients in medical-malpractice cases, or even unemployed people as clients in some auto-accident cases, "because they wouldn't get sufficient damages, and cases are expensive," Mr. Daniels says.

In Kansas, which moved to curb tort litigation, tort filings fell by 45% between 2000 and 2015, according to the National Center for State Courts.

Noneconomic damages have been capped by the state for decades, most recently at $300,000 under a 2014 law, and Kansas plaintiffs have to request permission from a judge to file for punitive damages. Other changes in litigation rules also have lowered damages in Kansas and elsewhere, lawyers and legal experts say.

Craig Kennedy, a Wichita lawyer who represents insurers, says his practice has shifted from litigation to mediation as more cases settle before a lawsuit. Legal costs have increased for insurers, too, he says, and both sides have a greater incentive to handle matters without litigation.

Mike Fleming, a plaintiffs' lawyer at Kapke & Willerth LLC in the Kansas City area, says that as legal expenses have increased, insurers have gained an advantage in cases involving minor injuries that would normally lead to about $10,000 to $15,000 in damages.

"They play hardball with a lot of these smaller, soft-tissue claims," Mr. Fleming says, because insurers know trial lawyers will often balk at spending $5,000 or more to recover a relatively small sum. "They are going to offer $7,500, take it or leave it."

It's unclear how often alleged torts are resolved outside courts, but data from the insurance industry show that the percentage of bodily-injury claims that lead to lawsuits has been declining since the 1990s.

Arbitration may be siphoning some tort cases from the courts. Judges have steered personal-injury claims out of court based on mandatory-arbitration clauses contained in contracts entered into by patients, employees, home buyers and others, according to Elizabeth Thornburg, a law professor at Southern Methodist University in Dallas.

Insurance company practices can also affect decisions about whether to sue.

Josh Johnson and Patricia Perryman wanted to sue the YMCA after their daughter nearly died, they say, from injuries sustained at a summer camp in Minnesota in 2014. A storm blew in the first night and toppled a tree onto the tent in which she was sleeping because the cabins were full, Ms. Perryman says. Their daughter suffered four broken ribs, a collapsed lung and nerve damage.

Mr. Johnson and Ms. Perryman wanted to recover their out-of-pocket expenses, including their insurance deductible, and future medical costs associated with their daughter's injuries. Mr. Johnson says their insurer, Blue Cross Blue Shield, told them that any money they recovered from a lawsuit would first go to reimbursing the insurer for about $138,000 in medical costs it paid for their daughter's treatment.

They would have to sue the YMCA, an organization that "does a lot of good," Mr. Johnson says, for hundreds of thousands of dollars to get enough to pay their attorney and make themselves whole. The Johnsons decided against it.

The YMCA declined to comment, and Blue Cross Blue Shield didn't respond to requests for comment.

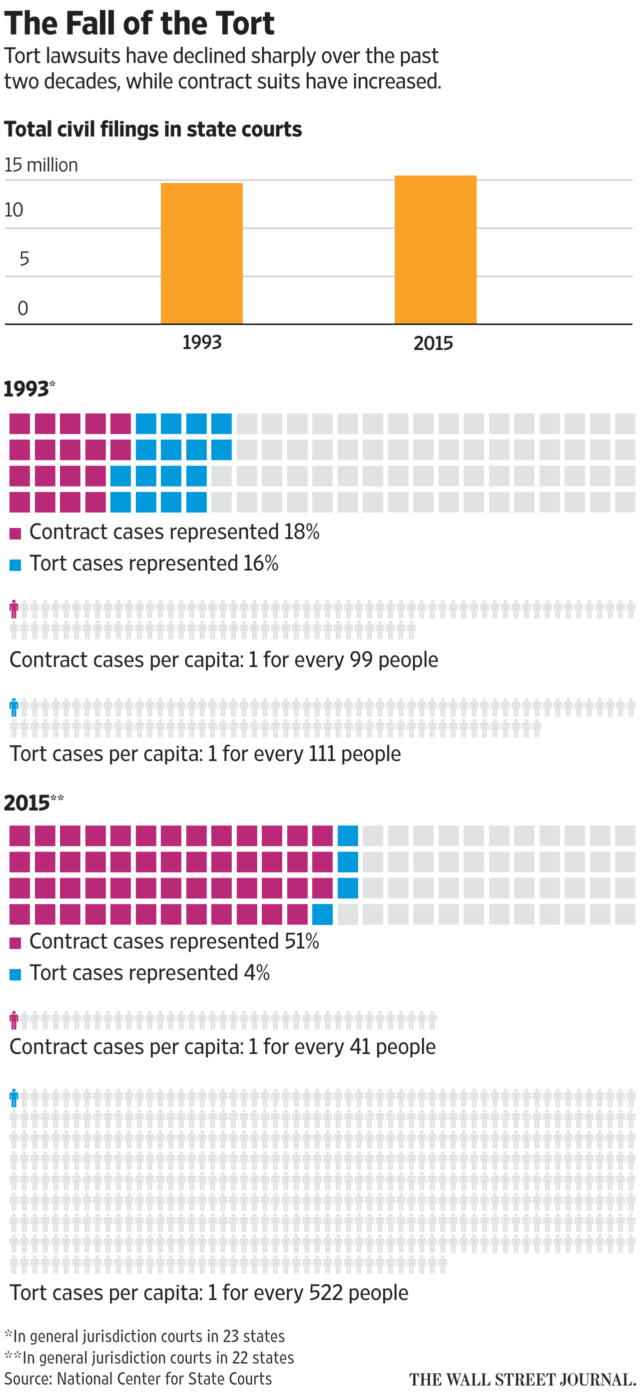
PR campaign

The slump in tort filings coincides with dwindling membership in some state trial-lawyer associations. It follows a decadeslong public-relations campaign highlighting wrongdoing by trial lawyers, including a 2008 guilty plea by Mississippi plaintiffs' lawyer Richard Scruggs on a charge of conspiring to bribe a judge.

In 1994, a jury awarded nearly $3 million to a 79-year-old woman who sued McDonald's after spilling coffee in her lap and burning herself badly. The verdict was reduced, and the parties eventually settled. The American Tort Reform Association portrayed the case as the embodiment of lawsuit abuse.

"Let's do word association," says Sean Harris, a Columbus-based plaintiffs' lawyer and president-elect of the Ohio Association for Justice, a trial lawyer group. "What word comes to mind when I say 'frivolous'?" "Lawsuit" is the word most people think, he says. "If we go to trial, we know that we are going to face a hostile jury."

A committee appointed by the Conference of Chief Justices recently concluded that state judicial systems are getting fewer cases because many disputes cost more to litigate than they are worth. A study conducted for the group found that 0.2% of civil cases resulted in judgments of more than $500,000, while most tort cases ended in judgments of $12,000 or less.



LIFE & ARTS

STREAMING SERIES

An Open-Ended ‘Last Tycoon’

F. Scott Fitzgerald’s unfinished novel about Hollywood gives Amazon a broad canvas for its series premiering July 28

BY JOHN JURGENSEN

FROM TOP: AMAZON PRIME VIDEO; UIG/GETTY IMAGES

Matt Bomer, above, stars as film producer Monroe Stahr in Amazon’s adaptation of ‘The Last Tycoon,’ by author F. Scott Fitzgerald, left.

IN SEPTEMBER 1939, F. Scott Fitzgerald sent a letter to a magazine editor, seeking $15,000 to publish his next novel. “I have figured it as a four months job—three months for writing—one month for revision,” Fitzgerald wrote.

The author was off in his estimate—fatally so. Halfway through the novel, about a charismatic movie producer with high principles, the 44-year-old Fitzgerald died of a heart attack on Dec. 21, 1940.

The incomplete book, published in 1941 as “The Last Tycoon,” is a tease for some scholars who say it had the potential to be Fitzgerald’s best. But for TV writers, it offers a unique advantage: the freedom to construct their own story on the foundation built by Fitzgerald.

“We had all the promise of the first half of that book, and yet limitless possibilities,” says Billy Ray, the creator of a series based on the book, premiering July 28 on Amazon.

Compare that with the baggage of Fitzgerald’s “The Great Gatsby.” Not only is that book complete, it is among the contenders for the Great American Novel. “I think that has handcuffed people in the past,” says Mr. Ray, whose writing credits include “The Hunger Games” and the Oscar-nominated screenplay for “Captain Phillips.”

At the end of his life, Fitzgerald was living in Los Angeles, trying to climb out of debt by selling short stories and writing and revising movie scripts. “The Last Tycoon” is set in mid-1930s Hollywood, at a fictional studio struggling to make hit movies. Fitzgerald based his main character, Monroe Stahr, on Irving Thalberg, a real-life MGM producer he admired. Stahr (played in the series by Matt Bomer) is a dashing executive with an artistic eye and failing health. He butts heads with his boss and father figure, Pat Brady (Kelsey Grammer), who is fixated on profit. Brady’s daughter (Lily Collins) is in love with Stahr, but he falls for Kathleen (Dominique McElligott), who bears similarities to his late, beloved wife.

Fitzgerald, in summarizing the plot for the magazine editor (who, like others, turned him down) wrote, “It is an escape into a lavish, romantic past that perhaps will not come again into our time.”

To help conjure a lavish and romantic atmosphere in the series, Amazon stacked the production with veterans of the heavily decorated period drama “Mad Men.” They include actress Rosemarie DeWitt, costume designer Janie Bryant and executive producer and director Scott Hornbacher.

The “Tycoon” writers kept the core setting, characters and relationship dynamics from the novel and filled out that world with new elements, such as a Hooverville shantytown across the street from the studio. Another added storyline reflects money’s perennial influence on the entertainment industry. Stahr rails against an emissary from the lucrative German market sent to Hollywood to revise or block any movie that “offends the racial sensibilities” of the Nazi regime. Drawing a comparison to the Chinese market’s clout today, Mr. Ray says, “I’ve been in meetings for movies I’ve worked on where the studio would say, ‘The bad guy can’t be Chinese, make him Russian.’”

The script for “The Last Tycoon” was first developed for HBO but the network passed on it because, producers say, HBO decided to invest in a different period drama about the entertainment business. That was “Vinyl,” which HBO canceled after one season. Overhauled for Amazon, “The Last Tycoon” received a green light from Roy Price, a Fitzgerald fan and head of Amazon Studios, which also produced the recent jazz-age series “Z: The Beginning of Everything,” starring Christina Ricci as Fitzgerald’s wife and muse, Zelda. The “Tycoon” team worked with author and Fitzgerald expert A. Scott Berg as a consultant to keep them from straying too far from the novelist’s blueprint.

If “The Last Tycoon” succeeds and runs for many seasons, it can avoid an ironic fate. “Right now the show is unfinished, too,” Mr. Keyser points out. “If we air a single season, it’ll be like the novel.”

MUSIC REVIEW | By Jim Fusilli

THE HIGHS AND LOWS OF INSTANT GRATIFICATION

‘EVERYTHING NOW’ (Columbia) by Arcade Fire, out on Friday, is a curious album with a dual personality. The music springs from the rock-disco hybrid and synth pop of the late 1970s and early ’80s; for the most part, it’s irresistible dance funk produced by the band, Daft Punk’s Thomas Bangalter and Pulp’s Steve Mackey. But the storytelling is as dark and dour as the music is bright and inviting. Were the narratives any less compelling, the conflict may have seemed an artifice, an intentionally provocative disconnect. But it works well and in fact reflects the overarching theme.

With “Everything Now,” the sextet—Will Butler, Win Butler, Régine Chassagne, Jeremy Gara, Tim Kingsbury and Richard Reed Parry—comments on life in a consumer society that, as the title states, can provide instant gratification that often makes the disposable appear indistinct from the valuable. In such a milieu, insincerity is coin.

GUY AROCH

Arcade Fire’s new album, ‘Everything Now,’ is out on Friday.

In the title track, which is performed three times in slightly different forms on the disc, Win Butler sings, “And every song that I’ve ever heard is playing at the same time / It’s absurd,” adding, “Turn the speakers up til they break / ’Cause every time you smile, it’s fake.” Having everything now may provide “Infinite Content,” as a composition of the same name states, but infinite contentment since “All your money is already spent on it.” In “Put Your Money on Me,“ he sings, “All my presents are broken before they’re open / And the promises the second they’re spoken.”

When values are devalued and life is a mere quest for acquisition and acclaim, despair sinks in. In “Creature Comfort,” a character decides she doesn’t want to live without achieving celebrity. “God, make me famous / If you can’t, just make it painless,” she states bluntly. The song continues: “She dreams about dying all the time / She told me she came so close, filled up the bathtub and put on our first record.” In 2004, Arcade Fire’s debut album “Funeral” addressed the subject of death, but also recovery. Perhaps a hint of hope in an earlier verse by the group saved her from suicide.

The scenario is repeated in “Good God Damn”: “Put your favorite record on, baby and fill the bathtub up....It’s always darkest before the dawn / But the sun never shows.” But the narrator looks to God, though not without questioning his merit. “Maybe there’s a good God, damn” is a repeated line. Then a realization: “Maybe there’s a good God / If he made you.” In “We Don’t Deserve Love,” the writers employ a scorched-earth metaphor: “You say I can’t see the forest for the trees / So burn it all down and bring the ashes to me.”

These grim, fatalistic tales are accompanied by music too alive to be mere cynical counterpoint, though one interpretation could be that those who are gleefully lost in ephemera are unaware of the tragedy that hovers nearby. As its live shows illustrate, Arcade Fire is an exceptional band, and on its previous album, “Reflektor” (2013), it proved it’s at ease with dance funk. Here, the group is joined by, among others, saxophonist Stuart Bogie, pianist Owen Pallett—who, along with Sarah Neufield, arranged the strings—and Daniel Lanois, who plays pedal-steel guitar on two tracks. All together, they make music that is proudly retro. One take of the title track recalls Abba, albeit with a pygmy flute and a chugging acoustic guitar peeking through, while the delightfully relentless “Put Your Money on Me” brings to mind Kraftwerk and Giorgio Moroder. “Infinite Content” is played twice, once as country folk with Mr. Gara brushing the snare drum, the other as booming four-beats-to-the-bar rock with a roller-rink-like organ in the mix. “Chemistry” straddles early rock ’n’ roll and reggae. But in the main, the band is content to ride a dance-funk wave atop fat, unremitting bass tones as in “Good God Damn.”

On “Everything Now,” opposing forces seem a natural fit. An optimist might say the message is to wake up to the need to reprioritize but still enjoy the groove. A pessimist might insist that, in the face of a culture that values wealth and accumulation over principle, one might as well resign and keep dancing. The conflict produces a positive result: Arcade Fire’s new music delights and its words give pause for reflection. A curious album, yes, and quite the commentary on the push and pull of contemporary life.

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

OPINION

REVIEW & OUTLOOK

A Chinese Echo of 1980s Japan

Beijing cracks down on a dollar-asset buying spree.

Chinese leaders recoil at any comparison between their economy and 1980s Japan before Tokyo's bubble burst. But one sign of similar irrational exuberance has them spooked: Since 2015 Chinese companies have gone on a buying spree for trophy assets much like the Japanese did three decades ago.

Beijing has blocked several big deals this year, leading to a dramatic decline in transactions. Regulators also warned banks last month to stop lending to five private conglomerates that have spent $57 billion on foreign hotels, entertainment companies and other assets over the past two years. The government actions caused investors to sell off the companies' stocks and bonds.

One concern is that Chinese companies are overpaying and lack the expertise to manage the assets, much like the Japanese in the 1980s. The Wanda Group paid a startling $3.5 billion last year for Legendary Entertainment, the Hollywood studio that produced "The Dark Knight" and "300." It has since made several flops, including the China-themed "Great Wall." That's reminiscent of Sony's disastrous 1989 purchase of Columbia Pictures for $3.4 billion, most of which was written off in the 1990s.

Anbang Group, an insurance-led conglomerate, has paid eye-watering prices for buildings in Manhattan. That recalls Mitsubishi Estate's $1.4 billion deal for 80% of Rockefeller Plaza. Five years later it turned over the stake to its creditors to avoid default, losing $600 million.

In both Japan and now in China, loose monetary policy and a weak dollar started the trend. In order to prevent their currencies from appreciating too much against the dollar, Beijing and Tokyo encouraged companies to acquire foreign assets.

The parallel isn't exact, since China's outbound investment boom started relatively late in the cycle. The frothiest deals came after 2015, when the value of the yuan peaked. Companies are also acting rationally to reduce their exposure to an overvalued yuan by stocking up on dollar assets. There's also a uniquely Chinese political aspect, as some of the most risk-prone companies boast political connections that allow them better access to credit.

That doesn't mean Beijing can be sanguine. Capital flight carries its own risks, and Beijing's crackdown on the five companies is part of a wider effort to prevent the yuan from depreciating too rapidly.

The Chinese government can avoid a Japan-style lost decade if it takes the right lesson from this episode. While Beijing may be able to rein in its companies' foreign deals, that doesn't mean the danger is over. Their acquisition mania is a symptom of an economy whose fundamentals are out of kilter.

The excessive risk-taking by companies has its roots in government policy. As regulators play Whac-a-Mole with systemic risks, China's government continues to prop up economic growth with fiscal and monetary stimulus. That has caused debt to grow at twice the rate of GDP. China's present may not repeat Japan's history, but it could rhyme.

Greece and the Market

Athens returns to the bond market, but it's still a political gamble.

After three years of political and economic upheaval in Greece, Tuesday's sale of €3 billion ($3.5 billion) of five-year government bonds is good news. Never mind that this puts Greece exactly where it was before those three years of political and economic upheaval.

Athens priced the bond issue at 4.625%, some 0.33 of a percentage point lower than the last time it sold bonds, in 2014. It will use the newly raised money to retire debt maturing in 2019, reducing the possibility of another bailout showdown when those payments would come due.

The issue's success is more a testament to investors' continuing thirst for yield than a market vote of confidence in Athens. As in 2014, Greece remains burdened by a European Union bailout that prioritizes fiscal balance over deregulation and economic growth. It's further saddled with a political class that's not committed to implementing the policy reforms that are part of the bailout.

This time might be different, if only because Greek politicians and voters have been so beaten down by the traumas of 2015 that it's hard to see where opposition to the current bailout might arise. The rise to power of Prime Minister Alexis Tsipras and the far-left Syriza party at least allowed voters to test the theory that a daring leader could challenge the EU's fiscal strictures. Now that they know it won't work, they can try something else.

The problem is that politicians aren't providing serious alternatives. Center-right opposition leader Kyriakos Mitsotakis talks a good game about tax cuts, pension reforms and economic liberalization as an alternative to the bailout deal, but he is struggling to bring his New Democracy Party along. Most other politicians seem content to hide behind the unpopular bailout rather than offering their own reform ideas.

Athens has made an important step in returning to the market. Now political developments will determine whether or when it can start doing so as a serious investment rather than a speculative opportunity.

Farewell, Charlie Gard

Charlie Gard has come to the end of the line. On Monday his parents announced they are giving up their appeal to have him undergo experimental treatment in the U.S. for his genetic disorder. Their decision came after the doctor who'd offered it said too much time had elapsed and too much damage had been done.

People can disagree with the best treatment for Charlie: The British doctors certainly disagreed with the American specialist the family invited. In a statement defending the British actions that delayed the treatment until it was too late, Justice Nicholas Francis admitted no "parent could have done more for their child" than Charlie's had done—but went on to say that in Britain "children have rights independent of their parents."

What does that mean for an 11-month-old baby? It meant a guardian was appointed to make the case against the parents, and that a court made the final call. The message from these medical and legal officials arrayed against the parents was this: How dare you look for a second opinion.

In her own statement Monday, Connie Yates, Charlie's mother, noted that all she and her husband wanted was to "take Charlie from one world renowned hospital to another world renowned hospital in the attempt to save his life and to be treated by the world leader in mitochondrial disease."

This they could not do, because of a system that elevated a judge's opinion about what was best for Charlie over loving parents. Few should be surprised, because the brutal reality is that when the state is responsible for nearly all health spending it inevitably takes responsibility for life and death decisions too.

The Kushner Statement

Jared Kushner on Monday introduced a useful precedent for the Trump Presidency: comprehensive disclosure. In an 11-page statement released before meeting this week with the Senate and House intelligence committees, the President's son-in-law and White House aide described his contacts with Russian figures during the campaign and after the election.

The statement to the committees ends with a definitive denial of collusion with the Russians: "I did not collude, nor know of anyone else in the campaign who colluded, with any foreign government."

The Beltway media are past the point of no return on their collusion odyssey, so there is little chance that Mr. Kushner has put this issue behind him. But as we suggested in these columns last week ("The Trumps and the Truth"), the White House's best defense against death by a thousand cuts of anonymous leaks is radical transparency on Russia. Mr. Kushner's statement has provided a template.

There isn't much in this statement about Russia beyond what we know, but Mr. Kushner expressly rebuts some of the more incendiary news reports of recent months.

The biggest was the recent disclosure of a meeting between Donald Trump Jr. and a Russian lawyer, which was also attended by several functionaries serving as "translators." About 10 minutes into the meeting, which he calls a waste of time, Mr. Kushner says he emailed his assistant: "Can u pls call me on my cell? Need excuse to get out of meeting." Aside from the amusement of this extraction effort, Mr. Kushner's email to his assistant is surely available to investigators for confirmation.

Mr. Kushner also rebuts suggestions that he served as a back-channel conduit between the Russians and Trump Administration, and he denies ever discussing sanctions against Russia with its then-ambassador to the U.S., Sergei Kislyak.

In Mr. Kushner's accounting, the Russian ambassador comes off as a suspiciously eager pest, constantly seeking meetings with the President-elect's son-in-law. Mr. Kushner says he finally agreed to a meeting that would have set off alarms of skepticism in a more politically experienced person. Mr. Kislyak puts him together with one Sergey Gorkov, "a banker and someone with a direct line to the Russian president."

With this and the other contacts described, Mr. Kushner offers details about what was, and what was not, discussed at these meetings. Up to now, Team Trump has taken the view that because every story is unfair or a witch hunt, they are under no obligation to provide their side of these allegations. Which has left the field open for months to media speculation.

Now we have the Kushner disclosure template. Lying to Congress is a crime, so this statement and its details involve some risk for Mr. Kushner if some other meetings or Russian connections turn up. But if this is all there is, the collusion narrative will have to find another protagonist. The President and other campaign officials could save themselves and the country much grief with similar disclosures.

Robert Mueller Is Trumping Congress

MAIN STREET
By William McGurn

Special prosecutors corrupt; independent counsels corrupt absolutely.

Did Congress learn anything from Lois Lerner? Judging from Capitol Hill's self-abasing deference to Special Prosecutor Robert Mueller, the answer is no.

You remember Ms. Lerner. She was the official at the center of an Internal Revenue Service effort that denied conservative political-advocacy groups tax-exempt status, or at least held up approval long enough that these groups couldn't be a factor in the 2012 election.

Back when Republicans were holding hearings on the matter, time and again they were lectured not to do anything that might affect the FBI's investigation—which eventually ended with no charges against anyone. Though Ms. Lerner was found in contempt by the House for her refusal to testify, it proved all for show.

The tip-off came when then-Speaker John Boehner, rather than use Congress's inherent contempt power to jail Ms. Lerner until she talked, opted for classic swamp symbolism—by passing the buck to an Obama Justice Department everyone knew would never prosecute her.

The result? Ms. Lerner avoided having to answer any hard questions. The IRS merrily continued to lose or destroy crucial documents. And John Koskinen, the awful replacement IRS commissioner who stonewalled and misled, remains in office.

The Lois Lerner fiasco offers a sobering lesson for a Congress whose various committees are holding hearings on Russia's intervention in last year's elections as Mr. Mueller investigates the same. While Mr. Mueller's office is a watered-down version of Ken Starr's or Lawrence Walsh's, it remains true that special prosecutors corrupt even if they don't corrupt as absolutely as independent counsels. The main headlines of the past week—Is Donald Trump attempting to undermine Mr. Mueller? Will Trump fire Mueller?—all speak to the challenge a special prosecutor poses to the constitutional authority of the president.

Far less scrutiny has been devoted to the challenge Mr. Mueller poses to the authority of the legislative branch. In this case, ironically, the challenge stems less from the aggressiveness of the special prosecutor than from the meekness of Congress. In between their public tributes to Mr. Mueller's sterling character, too many in Congress seem to worry more about how they might be affecting his investigation than about what his investigation might be doing to theirs.

One small snapshot: Mr. Mueller, an unelected appointee, had the Trump memos written by former FBI Director James Comey even as the FBI was refusing to release them to the elected representatives of the American people.

When Mr. Mueller was appointed back in May, Sen. Lindsey Graham rightly noted that though he respected the decision, the appointment will "really limit what Congress can do, and it's going to really limit what the public will know about this."

Alas, the South Carolina Republican went on to say that "we in Congress have to be very careful not to interfere in his lane."

Certainly representatives and senators shouldn't set out to frustrate Mr. Mueller's investigation. But neither should they permit Mr. Mueller to frustrate theirs.

In this investigative capacity, Congress has many tools to enforce its demands for information. It can, for example, use inherent contempt to jail someone until he testifies or produces the requested information. True, inherent contempt hasn't been invoked since 1935, but given that the civil path to enforcing a contempt finding takes years and the criminal option (as Ms. Lerner showed) has effectively been overridden, Congress would do well to rely on its own powers and authority.

Here a May 2017 review from the Congressional Research Service is illuminating. Although witnesses before a congressional committee do have the right to invoke the Fifth Amendment, the House can get a court order directing the witness to testify so long as the threat of prosecution for that testimony is removed. Mr. Mueller might not like this, but that shouldn't stop Congress from using a power designed to extract information rather than punish.

Even more intriguing, sensitive or privileged client information isn't exempt from congressional subpoena. This might prove especially fascinating in the case of former Trump campaign manager Paul Manafort, who has had business dealings with a pro-Russia Ukrainian political party.

Ditto for Glenn Simpson, whose Fusion GPS commissioned what became the Christopher Steele Russian dossier on behalf of political clients.

Not to mention the many other powers of Congress, including impeachment and the purse. The point is, Congress has many ways to get to the bottom of the Russia story and hold people accountable—if it so chooses.

In *Anderson v. Dunn* (1821), the Supreme Court correctly noted that without the power to imprison those found in contempt, Congress would be "exposed to every indignity and interruption, that rudeness, caprice or even conspiracy may meditate against it."

Two centuries later, the different examples of Ms. Lerner and Mr. Mueller both point to a brand new indignity—which Congress inflicts on itself when it is too timid to assert its own powers.

Write to mcgurn@wsj.com.

The Best-Loved Politician in India

By Tunku Varadarajan

Sushma Swaraj wins admirers by helping citizens abroad.

India's proudest boast is that it is the world's biggest democracy. But in the 70 years since independence, India's citizens have been poorly served by government ministers, many of whom have been remote, overbearing, idle, AWOL or corrupt.

Not Foreign Minister Sushma Swaraj. A longtime member of the ruling nationalist Bharatiya Janata Party, the 65-year-old Punjabi has also been chief minister of Delhi and opposition leader.

In her present role, she has become India's best-loved official, mostly due to her tireless attention to Indians in distress abroad. It is a task she gave herself after it became clear that Prime Minister Narendra Modi, a control freak, intended to exercise tight personal control over foreign and security policy.

Ms. Swaraj's space, therefore, lay in elevating that most mundane but vital diplomatic function: consular and citizen services. By using Twitter publicly as a channel for citizens (and even noncitizens) to call for assistance, Ms. Swaraj has reminded people that the oldest role of any foreign ministry is to look after its nationals outside the country.

Ms. Swaraj has 8.69 million followers, putting her in the global top 10 among politicians. The majority of her tweets are written in response to pleas for help. Of these, a good number come from the Indian diaspora in the Persian Gulf, mostly blue-collar workers who toil under stressful, often inhumane conditions.

Late last week, a group of Indian workers in Saudi Arabia filmed an appeal to Ms. Swaraj. Each man had his palms pressed together, as if in prayer; their leader, in plaintive tones, asked Ms. Swaraj to help them return to India as their salaries were being withheld.

Ms. Swaraj tweeted right back. "Why do you beseech me? You're Indian citizens. The Indian Embassy in Riyadh will do everything to help you." They are now on their way home.

On other occasions, she has helped Indians who are sick abroad find hospitals, then negotiated with those hospitals to accept Indian insurance. Indian women in bad marriages to foreign men tweet to her for her help to return to India.

On one delicious occasion, a man tweeted to her for assistance with his fridge, complaining that Samsung was making him pay to repair it. Her response was blunt but courteous. "Brother, I cannot help you in matters of a refrigerator. I'm very busy with human beings in distress."

Many of these human beings, as it happens, are Pakistani, and they tweet directly to Ms. Swaraj, too. Despite tensions between India and Pakistan, there's a steady flow to India of Pakistani visitors in urgent need of medical attention, hospitals in Pakistan being expensive and largely substandard. They often encounter problems getting permission to leave Pakistan, or visas to enter India.

Recently Ms. Swaraj ensured that Rohaan Siddiqi, a Pakistani toddler, was able to fly to India for life-saving surgery. After the operation on the boy's aorta, the emotional father said: "The heart of my child beats today for Madam Sushma Swaraj." Her response was, "Rohaan—keep smiling," a tweet that will do more for neighborly relations than a score of official summits.

Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.

OPINION

Europe's Next Crisis: The Balkans

By Walter Russell Mead

At a recent closed think-tank meeting, a well-informed German official was asked what problem in Europe caused him the most worry. His answer came without hesitation: the Western Balkans, where a new crisis is brewing as Turkey and Russia stir the pot.

In his worst-case scenario, Russia and Turkey would encourage their proxies in the Balkans, Serbia and Albania, to help them redraw the region's borders. The Serbian government, with Russian support, could annex large portions of Bosnia populated by ethnic Serbs. Turkish support could help Albania pull off a similar maneuver, not only in heavily Albanian Kosovo but also in Macedonia, where much of the large Albanian minority would like to reunite with the motherland.

Russia and Turkey stir up trouble, while the EU focuses on its own problems first.

This course of events is unlikely. Since some of the territory claimed by Greater Albania partisans is in Serbia, it would be difficult for the two countries to agree on a new map. But it isn't an impossible outcome, even if the idea more likely would inspire a James Bond villain than a foreign minister. And increasing numbers of wannabe Bond villains seem to be popping up in world politics these days.

There is a grave reality underlying the German's concerns. The Balkans are unraveling, and the West now must worry about more than Russian meddling. Turkey is becoming more of a NINO (NATO in Name Only) power, and despite deep Turkish suspicions of Russia, President Recep Tayyip Erdogan is cooperating more closely with President Vladimir Putin.

Turkey and Russia have been brought together by their opposition to Germany and the European Union. Russians don't just hate NATO; they see the EU as a barrier against Russia's historical great-power role in European affairs.

Turkey has also turned against the EU and is looking for leverage against Germany and its fellow members. For Russia and Turkey, the ability to cause Europe trouble in the Balkans with relatively little risk and cost is too good to pass up.

The prospect of EU membership for countries like Bosnia, Kosovo, Macedonia, Montenegro and Serbia has done more than anything to keep the fragile peace in the Western Balkans. Every Balkan country would rather be part of the EU than be allied to either Russia or Turkey.

AP

Police during a parade marking the 25th anniversary of the Republic of Srpska in the Bosnian town of Banja Luka on Jan. 9

But hopes of near-term EU membership are fading. Europe is losing Britain and has had a hard time managing relations with members like Hungary and Poland. The 28—soon to be 27—EU members have little desire to take in five obstreperous new Balkan states that would make the union even more ungovernable, and would expect financial aid at a time when the post-Brexit EU budget will already be stretched.

Albanians and Serbs are both signaling that if the West walks away, they'll have to look east, and that will mean shifting to a nationalist agenda with Russian and Turkish help.

For the EU, a new round of Balkan chaos would be a disaster: refugees, crime, radicalization among Balkan Muslims, greater opportunities for hostile powers to gain influence at EU expense. But the EU doesn't think it can manage the Balkans on its own. The U.S. will have to be part of the solution, Germans say.

Will the U.S. play ball? Engaging in distant Balkan quarrels to make Germany's life easier isn't exactly Donald Trump's idea of smart foreign policy. Even Bill Clinton struggled for two years to keep the U.S. out of the post-Yugoslav wars.

Mr. Trump may be even more skeptical of intervention and treat the possibility of a new round of Balkan wars with the chilly aloofness that Barack Obama displayed in Syria. This would be a mistake. Although the quarrels in the Balkans are trivial compared with larger problems elsewhere, what happens in the Balkans doesn't always stay in the Balkans, and NATO as well as the EU could be shaken to the core by another round of Balkan bloodletting. The crisis has the potential to redefine U.S.-EU relations for decades.

Europeans argue that relatively small, short-term American investments—active diplomacy and building up U.S. forces in Kosovo—could go a long way. But we have a president who may not find that argument convincing.

Mr. Trump's core foreign-policy conviction seems to be that the U.S. has let its allies enjoy a decadeslong free ride. Europeans who worry about Balkan peace need to think about how they can persuade a skeptical White House to engage.

The old appeals—to NATO solidarity, defense of freedom, fear of Russia—may not be enough. Mr. Trump thinks in terms of deals, and Berlin needs to think about how to bring him to the table.

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

How O.J. Became Black America's Mr. Bad Example

By Jason Whitlock

Millions tuned in last week to see 70-year-old O.J. Simpson, inmate No. 1027820, ask a Nevada parole board to release him from prison. It was one more reminder of Mr. Simpson's outsize influence on American culture.

After serving nine years of a 33-year sentence for robbery and kidnapping, Mr. Simpson, with the parole board's blessing, will depart his cell in October for the comfort of a Florida condo. He'll still be dogged, however, by the 1994 double homicide for which a star-studded defense team won him acquittal.

Whether we like it or not, O.J. Simpson is an important figure in American history. His life and murder trial exacerbated race relations, helped polarize the media and established him as a reviled killer in mainstream popular culture—and a reviled martyr in black popular culture.

Before 1994, mainstream and black media alike celebrated Mr. Simpson as a shining example of the liberal ideals of integration and assimilation. But when he was accused of murdering his ex-wife and her friend, the media flipped the narrative into one of black betrayal. His second marriage, to a young, white waitress; his refusal to address racial issues; and his abandonment of black social circles now explained how and why a black man was able to rise from poverty to football star to broadcaster and pitchman: Orenthal James Simpson sold out.

Over the course of two decades, Mr. Simpson's story became the most powerful African-American tale since Alex Haley chronicled the life of Malcolm X. The Simpson saga continues to grow in importance. Last month rapper Jay Z released the song and video "The Story of O.J.," warning blacks against trying to transcend race: "O.J. like, 'I'm not black, I'm O.J.' Okay."

Mr. Simpson has become a negative standard-bearer for black athletes, celebrities and media figures—a sort of abusive, alcoholic father who serves as the example to avoid. This influence is omnipresent but seldom acknowledged. No black public figure wants to be "The Story of O.J.," a contemporary equivalent of "Uncle Tom's Cabin."

That is why many black personalities have abandoned the racial middle ground, compromise and even logic in their discourse. Expressing a moderate position publicly will invite accusations of selling out. So we feel pressured into a strident, illogical posture, even though many of the most militant voices in the black media are more assimilated in their private lives than their angry diatribes would have you believe. The gap between what we say privately and publicly about race has never been wider.

After 1994 his success was attributed to race betrayal. Now no one wants to be Jay Z's 'Story of O.J.'

Advertising outrage at police misconduct is an old tactic to establish black credibility. Mr. Simpson benefited from this phenomenon when he teamed up with lawyer Johnnie Cochran during his murder trial. The famed rap group N.W.A has a library of records that dehumanize and marginalize black people. But the song everyone remembers is "F— tha Police," its only one on that subject.

Today the ultimate disguise for Simpson-like assimilation is proclaiming support for the Black Lives Matter movement. The mixed-race NFL quarterback Colin Kaepernick struggled to connect with his black teammates until he took a knee during the national anthem to protest police brutality. That made him a black hero.

If you are a black athlete, celebrity or media personality living, socializing, working, studying or dating in the white community, the easiest way to stop Twitter trolls from spamming your social media with accusations of race betrayal is to celebrate BLM. If you're an educated, nerdy, proper-speaking black person who has been chastised for "acting white" by your black peers, supporting BLM salvages your black image. Call it the O.J. Effect.

Black men used to measure ourselves by how we compared to Martin Luther King Jr. He was the good dad we modeled our behavior after. Now for two decades, we've learned from Mr. Simpson's negative example. We've tried to do the opposite of our bad dad. This has crippled black public figures when it comes to discussing race.

So has black guilt—an individual or collective feeling among successful black people who recognize we've harmed poor blacks by abandoning them. We soothe our consciences with hashtag activism and feigned disdain for a country we'd never dream of leaving.

Last week Mr. Simpson sounded like a man fit for a world he helped shape. During the parole hearing he relitigated his robbery trial, ignored his murder trial and pretended his serial domestic violence didn't impeach his claim of having lived a "conflict-free" life. He played the victim to an evil American criminal-justice system, and then smiled and laughed as if there's no place he'd rather be than in America.

Mr. Whitlock is a co-host of "Speak for Yourself" on Fox Sports 1.

America's Cops and Robbers, All Rolled Into One

By Tony Lima

There aren't many things government can claim to do more efficiently than the private sector. Taking people's property is one. In 2014 the federal U.S. government seized about $4.5 billion from people who hadn't been charged with crimes. That exceeds the private-sector equivalent, burglary. According to an analysis by Armstrong Economics, perpetrators absconded with only $3.9 billion that year.

Since 2007 the U.S. Drug Enforcement Administration alone has seized more than $3 billion in currency from individuals in civil actions under which legal protections for criminal charges don't apply. Criminal asset forfeiture requires an indictment against both an individual and the property in question. With civil asset forfeiture only the property is charged before being seized.

Last week U.S. Attorney General Jeff Sessions stated his intention to increase the volume of these asset forfeitures. Contrary to published reports, the Sessions directive doesn't extend asset forfeiture to states that have outlawed the practice. It clarifies that federal asset forfeiture can only be applied to violations of federal law.

But there's no doubt Mr. Sessions is putting himself in bad company. As California attorney general, Kamala Harris opposed a 2011 law restraining the practice of civil asset forfeiture. In 2015 she sponsored a bill to allow authorities to seize suspects' assets before filing charges. That year California forfeitures totaled $50 million. Ms. Harris is now a U.S. senator in the midst of a 2020 presidential boomlet.

Civil asset forfeiture has become a profit center for law enforcement. Any law-enforcement official can seize assets, and anyone suspected of a crime can be a target. In 2016 half of all forfeitures in Connecticut were valued at less than $570, casting doubt on the claims of many government agencies that civil asset forfeiture is used only against big-time thieves and drug dealers. Many states allow law-enforcement agencies to keep all or part of what they seize.

It's impossible to know how many instances of federal asset forfeiture lead to criminal convictions, because the U.S. Justice Department doesn't keep such data. "Although the Department of Justice's forfeiture database tracks more than 1,300 variables about cash and property seizures, not one indicates whether a criminal charge or conviction accompanied a forfeiture," according to a 2015 report from the Institute of Justice, a free-market legal group. "The DOJ carefully tracks and reports forfeiture revenue, but fails to publicly report whether forfeitures target proven criminals."

In 2013 the Internal Revenue Service seized $33,000 from Carole Hinder. It was the entire balance in her restaurant's checking account. Ms. Hinder had operated her business for more than 40 years, accepting only cash. The agency then got a warrant to seize another $150,000. Ms. Hinder's crime? Making deposits of less than $10,000, the threshold above which banks must report transactions to the IRS.

Ms. Hinder's mother had advised her to make smaller deposits because it would be more convenient for the bank—the required IRS Form 8300 is long, complicated and time-consuming for banks to fill out. The IRS alleged that Ms. Hinder's deposits were "related and excessive." Thankfully, sanity eventually prevailed. The IRS dismissed her case in late 2014.

Law-enforcement agencies seize billions a year without filing charges. Even burglars take less.

In 2012 Bi-County Distributors, a small, family-owned business on Long Island, N.Y., watched the federal government yank $446,000 from its account. Three different banks had stopped doing business with Bi-County because of the reporting requirements triggered by its frequent large cash deposits. Bi-County's accountant advised the company to stay below the $10,000 limit, which, of course, drew the IRS's attention.

In January 2015, Loretta Lynch, then U.S. attorney for New York's Eastern District, signed a settlement returning the $446,000 to the company. Bi-County survived because its vendors allowed it to postpone paying bills. At one point, Bi-County owed a supplier almost $300,000.

Asset forfeiture imposes costs on the broader U.S. economy as well as individual businesses. Capital that is tied up in court proceedings or accounts payable isn't available to finance productive enterprise. Instead of expanding this practice, Mr. Sessions should reform it. His recent directive took a tiny step in this direction by expediting both the notification and appeal processes.

But he should do more. The Justice Department should start keeping track of forfeitures that don't lead to charges and urge Congress and the states to pass reforms, especially an end to the practice of using the proceeds as a source of revenue for the government.

Mr. Lima is a professor emeritus of economics at California State University, East Bay.

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1211 Avenue of the Americas, New York, N.Y., 10036
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Notable & Quotable: Jared Kushner

From Jared Kushner's statement to congressional investigators, July 24:

With respect to my contacts with Russia or Russian representatives during the campaign, there were hardly any. The first that I can recall was at the Mayflower Hotel in Washington, D.C. in April 2016. This was when then candidate Trump was delivering a major foreign policy speech. . . . I stopped into the reception to thank the host of the event, Dimitri Simes. . . . He introduced me to several guests, among them four ambassadors, including Russian Ambassador Sergey Kislyak. . . .

Reuters news service has reported that I had two calls with Ambassador Kislyak at some time between April and November of 2016. While I participated in thousands of calls during this period, I do not recall any such calls with the Russian Ambassador. We have reviewed the phone records available to us and have not been able to identify any calls to any number we know to be associated with Ambassador Kislyak and I am highly skeptical these calls took place. . . . Through my lawyer, I have asked Reuters to provide the dates on which the calls supposedly occurred or the phone number at which I supposedly reached, or was reached by, Ambassador Kislyak. The journalist refused to provide any corroborating evidence that they occurred.

The only other Russian contact during the campaign is one I did not recall at all until I was reviewing documents and emails in response to congressional requests for information. In June 2016, my brother-in-law, Donald Trump Jr. asked if I was free to stop by a meeting on June 9. . . . That email was on top of a long back and forth that I did not read at the time. . . . Documents confirm my memory that this was calendared as "Meeting: Don Jr. Jared Kushner." No one else was mentioned.

I arrived at the meeting a little late. When I got there, the person who has since been identified as a Russian attorney was talking about the issue of a ban on U.S. adoptions of Russian children. I had no idea why that topic was being raised and quickly determined that my time was not well-spent at this meeting. Reviewing emails recently confirmed my memory that the meeting was a waste of our time and that, in looking for a polite way to leave and get back to my work, I actually emailed an assistant from the meeting after I had been there for ten or so minutes and wrote "Can u pls call me on my cell? Need excuse to get out of meeting."

FROM LEFT: RB STUDIOIMMAGINE; FRANTZESCO KANGARIS FOR THE WALL STREET JOURNAL (3)

Jeff Lotman, above, stands with his 1954 Lincoln Capri, in Essex, England, in June. The car makes its way through Siena's main piazza on the Mille Miglia route in an undated photo, left. Below, its interior and a headlight.

MY RIDE | By A.J. Baime

A Classic Lincoln's Italian Pilgrimage

Jeff Lotman, 56, the Los Angeles-based CEO of Global Icons, a brand-licensing agency, on his 1954 Lincoln Capri, as told to A.J. Baime.

The Mille Miglia started out in 1927 as an Italian race from Brescia to Rome and back—a thousand miles of flat-out speed. In 1957, a famous driver named Alfonso de Portago lost control of his Ferrari, and an accident left about a dozen people dead. The race was canceled. But in the late 1970s, organizers brought the Mille Miglia back as a controlled rally for vintage cars—vehicles that had competed in the original race, or a period-correct make and model of one.

I read about this rally, and along with my old college roommate Brian Grozier—who has since passed away—we began to hunt for a car. I was not keen on spending hundreds of thousands—or even millions—on a vintage Ferrari, Maserati or **Alfa Romeo**, but I learned that there were a few American cars that competed in the original Mille Miglia. So I bought a 1954 Lincoln Capri seven years ago, for just over $30,000. This was a car we could actually fit in. (Both Brian and I were over 6 feet.)

This past May, the Lincoln finished its fifth Mille Miglia. Compared to the other cars, it's ginormous, and one of the cheapest. The toolboxes of some of these vintage Ferraris cost more than my car. The Lincoln is also very comfortable. It has bucket seats, power windows, an automatic transmission and a big V-8 engine. At times, you're moving at 90 mph, and it's like driving a sofa.

The event itself is astonishing—four days motoring through Italy. In Siena, we took the car down centuries-old thoroughfares normally closed to vehicles, with stone walls less than a thumb-width on either side of the car. In Rome, the rain came in sheets. In one village after another, you see old couples dressed to the nines sitting at tables with bottles of wine, watching these glamorous cars go by.

I have had plenty of mechanical problems through these rallies. Before my friend Brian passed away, he nicknamed the car Regan after the character in "The Exorcist," because clearly this vehicle is haunted.

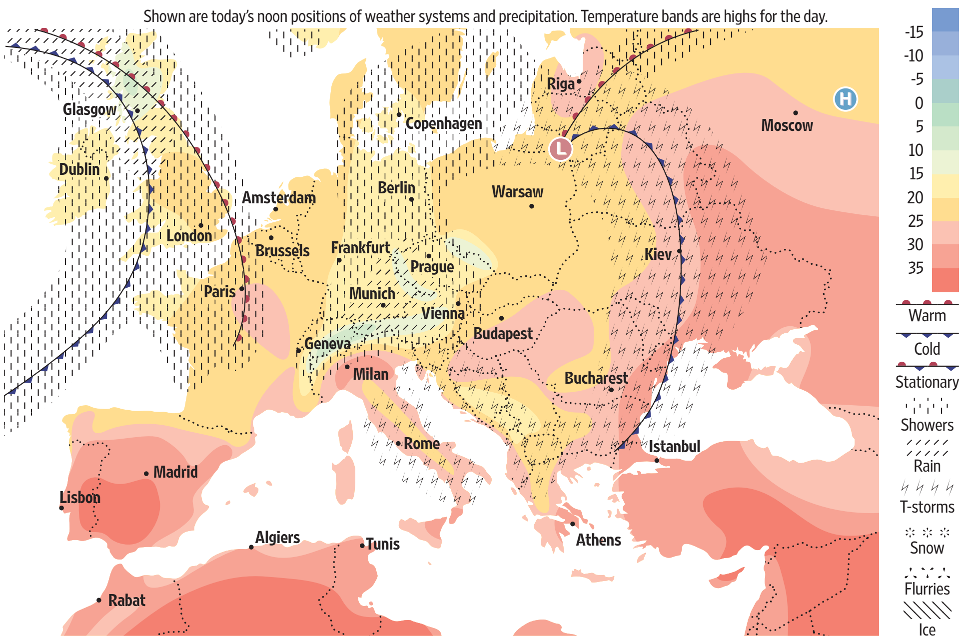
But it has never failed to finish a rally, and I am already eyeing next year's drive.

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

Weather

AccuWeather.com

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



Global Forecasts

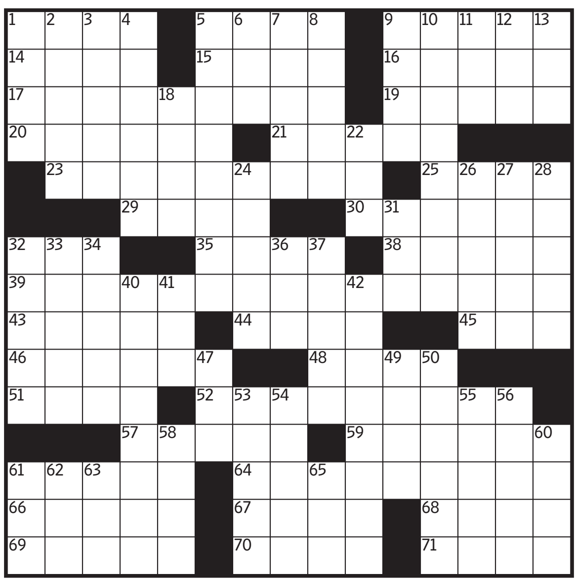
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	22	16	pc	20	15	pc
Anchorage	16	12	sh	18	13	pc
Athens	33	24	s	31	22	pc
Atlanta	33	23	pc	33	24	t
Baghdad	45	29	s	47	31	s
Baltimore	28	21	pc	30	22	pc
Bangkok	31	26	t	31	26	t
Beijing	23	19	r	30	21	pc
Berlin	19	15	sh	22	16	c
Bogota	18	9	r	19	10	pc
Boise	34	20	pc	35	18	pc
Boston	24	17	s	26	20	pc
Brussels	24	17	pc	22	13	pc
Buenos Aires	21	15	c	23	15	pc
Cairo	38	25	s	39	25	s
Calgary	29	13	s	31	15	s
Caracas	32	27	pc	32	26	pc
Charlotte	31	21	t	33	23	t
Chicago	32	22	pc	28	14	t
Dallas	37	27	s	39	28	s
Denver	29	16	pc	28	16	t
Detroit	29	21	pc	26	18	t
Dubai	43	34	s	44	36	s
Dublin	19	11	r	17	12	sh
Edinburgh	18	11	r	17	11	sh
Frankfurt	22	15	sh	23	15	sh

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Geneva	23	14	sh	25	16	sh
Hanoi	31	26	t	32	26	pc
Havana	33	23	pc	33	23	pc
Hong Kong	33	27	t	33	27	sh
Honolulu	31	24	s	31	24	s
Houston	35	25	pc	36	25	pc
Istanbul	31	23	s	31	22	s
Jakarta	32	25	pc	32	24	pc
Johannesburg	20	4	s	18	4	s
Kansas City	34	22	pc	29	18	t
Las Vegas	37	28	pc	39	29	pc
Lima	21	15	pc	21	15	s
London	20	14	sh	20	14	pc
Los Angeles	28	19	pc	29	19	pc
Madrid	34	21	s	37	21	s
Manila	29	27	t	29	26	r
Melbourne	14	5	r	14	8	c
Mexico City	21	13	pc	24	12	pc
Miami	33	27	t	34	27	pc
Milan	31	17	s	31	18	pc
Minneapolis	27	19	t	28	17	s
Monterrey	36	22	pc	36	21	pc
Montreal	26	18	pc	23	15	sh
Moscow	26	17	t	29	18	t
Mumbai	31	27	r	30	26	sh
Nashville	34	24	s	34	24	pc
New Delhi	33	28	pc	34	27	t
New Orleans	33	25	pc	34	25	t
New York City	25	19	pc	27	22	pc
Omaha	29	20	t	29	17	pc
Orlando	34	23	pc	33	24	t

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Ottawa	25	17	pc	24	13	sh
Paris	25	16	sh	23	14	pc
Philadelphia	28	20	pc	30	22	pc
Phoenix	40	29	s	42	29	s
Pittsburgh	28	18	s	27	19	t
Port-au-Prince	35	24	pc	34	24	pc
Portland, Ore.	30	15	s	27	14	s
Rio de Janeiro	27	19	s	26	18	s
Riyadh	45	29	s	45	29	s
Rome	29	19	pc	29	20	pc
Salt Lake City	32	22	pc	33	22	pc
San Diego	25	21	pc	26	21	pc
San Francisco	23	13	pc	24	13	s
San Juan	31	26	sh	31	26	sh
Santiago	19	5	s	18	5	pc
Santo Domingo	32	23	pc	32	24	pc
Sao Paulo	24	12	s	23	12	s
Seattle	28	14	s	23	14	pc
Seoul	33	23	s	32	25	pc
Shanghai	39	29	t	38	29	s
Singapore	31	26	pc	31	26	pc
Stockholm	22	12	pc	23	13	pc
Sydney	22	10	s	18	11	pc
Taipei	37	26	pc	36	26	pc
Tehran	38	27	s	38	28	s
Tel Aviv	34	26	s	33	27	s
Tokyo	29	25	t	29	25	r
Toronto	25	19	pc	26	16	sh
Vancouver	24	15	s	23	13	pc
Washington, D.C.	28	22	pc	31	24	pc
Zurich	18	11	sh	22	14	sh

The WSJ Daily Crossword | Edited by Mike Shenk



DRIVE-THRU | By David C. Duncan Dekker

Across

1 Crowning point
5 Fed
9 Hiccup cure, supposedly
14 It might generate some interest
15 Pretentious
16 Bookstore section
17 Destructive crime
19 Agile aquatic animal
20 Getup
21 Tools for duels
23 Grassy tracts
25 Old Testament prophet
29 Kitchen add-on?
30 March time?
32 Relaxing retreat
35 Joule fractions
38 Remorseful person, at times
39 Walk all over
43 Hearing-based
44 Good looker?
45 Some hosp. staffers
46 Plastered
48 Seething state
51 All there
52 They go with the flow
57 Totaled
59 Singer Grande
61 "Crocodile Hunter" Steve
64 Relocation aid, and a description of its progress through this puzzle
66 "Zip it!"
67 Blue dye
68 Extremely
69 Know somehow
70 Supporters' calls
71 Secy., e.g.

Down

1 Menlo Park middle name
2 Lacquer layers
3 Devil ray
4 Good source of fiber and vitamin A
5 Eligible for a master class
6 3-D test
7 Bewildered
8 Spirit of nature
9 Pump, e.g.
10 Dances
11 Tsp. or gal.
12 Eel eggs
13 Throw wildly
18 "I smell ___!"
22 Psychic power, briefly
24 Cowardly Lion's lack
26 "Your Body Is a Wonderland" singer John
27 Classic cinema
28 They were driven to work
31 Bygone hoops grp.
32 Wild guesses
33 Onetime colleague of Randy and Simon
34 LeBron's birthplace
36 Not straight
37 Bergen's Mortimer
40 Filling stations?
41 Space bar neighbor
42 Stressful endeavors
47 Have control over
49 Senator in space, in 1985
50 Inscrutable sort
53 "Be that as ___..."
54 Extremely low turnout
55 Icicle bearers
56 Complications
58 Initial cost
60 Med. sch. subject
61 They're high among highbrows
62 Feel bad about
63 Ace's objective
65 Through

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

Previous Puzzle's Solution

TECHNOLOGY: NEW LEGO BOOST KIT MAKES THE CLASSIC BRICKS COME TO LIFE B4

Euro vs. Dollar 1.1658 ▲ 0.11% FTSE 100 7434.82 ▲ 0.77% Gold 1251.70 ▼ 0.18% WTI crude 47.89 ▲ 3.34% German Bund yield 0.570% 10-Year Treasury yield 2.328%

New Guilty Plea in VW Scandal

Former executive to be sentenced in U.S. on criminal charges tied to emissions case

By Mike Spector

A former **Volkswagen** AG compliance executive agreed to plead guilty in the U.S. to criminal charges stemming from his alleged role in the German auto maker's years-long emissions-cheating deception, a court spokesman said.

Oliver Schmidt, a German citizen who for several years led Volkswagen's environment and engineering office in Auburn Hills, Mich., faces charges that he conspired to defraud U.S. officials and customers with diesel-powered vehicles featuring illegal software that duped government emissions tests.

Prosecutors and lawyers in the criminal case told a federal judge Tuesday morning that Mr. Schmidt has agreed to plead guilty, a spokesman for the U.S. District Court in Detroit said. Mr. Schmidt is scheduled to be sentenced Aug. 4, the spokesman said. Mr. Schmidt had been awaiting trial while behind bars in Michigan.

A lawyer for Mr. Schmidt declined to comment.

A spokeswoman for Volkswagen said the auto maker continues to cooperate with U.S. Justice Department probes of individuals.

Volkswagen in March pleaded guilty to criminal charges in the U.S. and has admitted to rigging nearly 600,000 diesel-powered vehicles with illegal software that allowed them to pass government emissions tests and then pollute far beyond legal

VOLKSWAGEN/EUROPEAN PRESSPHOTO AGENCY

Oliver Schmidt led a VW environment and engineering office.

limits on the road.

The company has said the software is on some 11 million vehicles globally. In the U.S. alone, legal settlements could cost Volkswagen more than $25 billion depending on how many vehicles the auto maker ends up repurchasing to compensate consumers.

Mr. Schmidt is one of eight individuals charged in the U.S. in Volkswagen's emissions cheating. A former engine-development manager at Volkswagen luxury-unit Audi was charged this month. One engineer has pleaded guilty and is to be sentenced in August. Others charged are believed to reside in Germany and aren't likely to be extradited to the U.S. to face charges.

Judges have denied Mr. Schmidt's attempts to be released from prison on bond amid concerns he would flee before appearing for required court dates.

The charges against Mr. Schmidt include conspiracy, wire fraud and violations of the Clean Air Act.

The terms of Mr. Schmidt's guilty plea and his expected prison time or other punishments remained unclear. A spokeswoman for the U.S. attorney's office in Detroit, which is pursuing the case alongside Justice Department prosecutors in Washington, declined to comment on the agreement's terms.

Viacom Weighs Play for Scripps

By Joe Flint

Since taking over as **Viacom** Inc.'s chief executive last year with the blessing of powerful shareholder Shari Redstone, Bob Bakish has been working to win over Wall Street with moves meant to stabilize the embattled entertainment giant.

Now Mr. Bakish is contemplating what would be his boldest bet yet: an acquisition of rival media outfit **Scripps Networks Interactive**, operator of HGTV and Food Network. People familiar with the situation say Viacom is in talks to acquire the company, as is **Discovery Communications** Inc.

Members of the Scripps family were expected to meet Tuesday to discuss a potential sale, according to people familiar with the matter. The family members collectively control a 91.8% voting stake in the company and are expected to make a decision soon.

In a sign that investors are optimistic about the odds of a deal, Scripps shares have risen by about 20% since The Wall Street Journal first reported last week that the company was in play.

At Viacom, Mr. Bakish has sharpened the company's focus on six key cable channels, including MTV and Nickelodeon, brought in new management at the Paramount film studio, given the green light to spend more on talent, and unloaded the company's stake in pay-television channel Epix for about $600 million.

At first glance, Viacom and Scripps would be odd partners. The Scripps channels are lifestyle brands primarily aimed at families or people looking to upgrade their homes and kitchens. Viacom's core brands target teens and young adults, often with reality shows.

However, such a deal could potentially strengthen Viacom's hand in channel-carriage negotiations with cable companies and emerging streaming TV players.

The Scripps networks have been solid performers. In the second quarter, domestic ad revenue for Scripps was up 4% while Viacom's was off by 2%, according to MoffettNathanson, a media analyst firm. Subscriber fees grew 6% in the second quarter for Scripps, compared with 1.9% for Viacom, MoffettNathanson said.

Together, the companies would account for about 18% of TV ratings, on par with conglomerates like **Walt Disney** Co. and **Comcast**'s NBCUniversal, according to RBC Capital Markets.

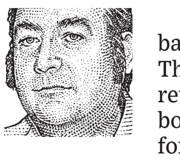
For Viacom, the question is how financially feasible such a takeover would be. Scripps had an $8.8 billion market capitalization before the Journal reported on July 18 that the company was in talks with

Please see VIACOM page B2

HEARD ON THE STREET

By Richard Barley

Greek Bond Doesn't Fix European Troubles



Greece is back again. The country's return to the bond markets for the first time since 2014 is another sign the eurozone is faring better than many thought possible a few months ago. But it is also a reminder of how far Europe has to go.

Greece on Tuesday priced €3 billion ($3.5 billion) of new five-year bonds yielding 4.625% in a deal that also involves buying back debt due in 2019 that was sold during its last, brief period of market access. The order book was over €6.5 billion, said one of the banks managing the sale.

The new debt is slightly cheaper and refinancing some of the existing bond makes sense to smooth out redemptions, which have been the flashpoint for Greek crises in recent years. The next hump is in 2019.

But buyers of the new bonds will still need strong nerves. The startling gains in Greek assets in 2017—with bonds returning more than 17% and stocks up more than 30%—reflect both the improved atmosphere in Europe and the high risk premiums attached to Greece. After all, it is only two years since the country came to the brink of an exit from the eurozone. Greece has won positive outlooks from Moody's Investors Service and S&P, but its ratings remain deep in "junk" territory, limiting its ability to access markets consistently.

There are glimmers of hope for the Greek economy, but the damage is deep. The economy has shrunk by more than 25% from its precrisis size. Unemployment has fallen by more than 5 percentage points from its peak, but is still above 21%. The International Monetary Fund believes Greece's debt is unsustainable, but the eurozone has yet to commit fully to more debt relief.

A true end to the Greek crisis is likely to require deeper eurozone integration, so that Greece's burden is shared in some way. More reform in Athens will also need to come. While the cyclical recovery, helped by extraordinarily loose monetary policy and relative political calm, means the currency bloc has moved down investors' list of worries, Greece's on-off crises have shown how quickly such comforts

Please see HEARD page B2

IMAGO/ZUMA PRESS

Fiat Chrysler has moved North American manufacturing of the Jeep Compass sport-utility vehicle to Mexico from the U.S.

More U.S. Cars Are Made in Mexico

By Mike Colias And Chester Dawson

The "Made in Mexico" label has become more plentiful on American car lots this year, even as auto makers pressured by President Donald Trump began the year with promises to create more jobs in the U.S.

A move by auto makers to produce some popular sport-utility models in Mexican factories helped spur a 16% increase in production of light vehicles in Mexico during the first six months of the year compared with the same period in 2016. At the same time, tepid sales of sedans held down production in the U.S. and Canada, according to new data posted by WardsAuto.com.

The data indicates one in five cars built in the North American Free Trade Agreement zone comes from Mexico, including hot new products from **General Motors** Co. and **Fiat Chrysler Automobiles** NV. That is up from the industry's reliance on Mexico during the financial crisis, when the U.S. car business received billions of dollars in bailouts aimed at preserving jobs and keeping domestic competitors afloat.

Mr. Trump launched several attacks on Mexican car imports throughout his campaign and after his election, saying more auto-factory jobs should remain in the U.S. Since then, auto makers have committed to several initiatives, including a move by **Ford Motor** Co. to scrap an assembly plant being built in Mexico and invest some of the money saved in a Michigan factory that will add jobs. GM and Fiat Chrysler have said they intend to invest billions of dollars to add jobs in factories in coming years, citing favorable policies related to tax reform and other issues as reason for optimism.

The Trump administration in August will start new discussions with Canada and Mexico on an overhaul to Nafta. The vehicle-manufacturing business—including a sprawling supply base—is a central negotiation point.

The latest data from WardsAuto shows that U.S. light-vehicle manufacturing fell 5% during the first six months of this year from a year earlier, as auto makers shed workers or scheduled significant downtime to counter a slowdown in demand for sedans. A substantial chunk of America's automotive manufacturing footprint is devoted to production of family cars or compact cars, which aren't faring well as gasoline prices remain low and sport-utility vehicles grow in popularity.

Separate U.S. trade data shows that the value of light-vehicle imports from Mexico to the U.S. ballooned 40% through May.

United Auto Workers President Dennis Williams told reporters last week that the union is planning to launch a

Please see CARS page B2

◆ General Motors' second-quarter profit falls 42% B2

Scaramucci's White House Job Complicates Sale of Firm

By Kate O'Keeffe And Michael C. Bender

WASHINGTON—Anthony Scaramucci's appointment as White House communications director presents a sensitive situation for the planned sale of his investment company to a Chinese conglomerate—a deal that is now under government review.

Mr. Scaramucci first announced plans to sell a controlling stake in his hedge-fund investing firm, **SkyBridge Capital**, to Chinese giant **HNA Group** Co. in January in anticipation of joining the White House, he said. He didn't get a job there at the time.

Meanwhile, the SkyBridge/HNA deal proceeded and, like many foreign deals, is facing a review by the Committee on Foreign Investment in the U.S.

Mr. Scaramucci's appointment to a White House position last week gives the review new significance. The committee, which reviews deals for national security concerns, is made up of top officials in the administration of President Donald Trump, and is led by the Treasury.

The panel, known as CFIUS, can approve a deal or recommend the president block it, meaning a transaction that Mr. Scaramucci stands to profit from could ultimately be in the hands of his boss, Mr. Trump.

The deal is worth $250 million, according to a person familiar with the matter. Securities filings indicate that Mr. Scaramucci has a 25%-to-50% stake in the firm, which would mean that he could stand to earn between $62.5 million and $125 million from the deal.

CHIP SOMODEVILLA/GETTY IMAGES

Anthony Scaramucci said he had worked with the Office of Government Ethics 'to take care of' all conflicts of interest.

White House officials didn't respond to requests for comment.

Mr. Scaramucci is far from the only official to face business issues as he joins the Trump administration.

Wilbur Ross Jr., the billionaire private-equity investor whom Mr. Trump tapped to serve as secretary of Commerce, agreed to sell 80 assets worth at least $92 million. Treasury Secretary Steven Mnuchin was required to sell by mid-May more than $100 million of shares in CIT Group Inc., the financial firm he helped lead.

But ethics experts say the CFIUS involvement makes Mr. Scaramucci's case unique, given that the White House and other senior Trump appointees have a hand in the outcome. In addition to Treasury, CFIUS includes representatives of the Justice, Commerce, Defense and State departments, and others, and the president has the right to

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INDEX TO BUSINESSES

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

INDEX TO PEOPLE

BUSINESS & FINANCE

JEFF KOWALSKY/BLOOMBERG NEWS

General Motors' exit from Opel contributed to a 42% drop in second-quarter profit. A GM assembly plant in Orion Township, Mich.

GM Relies on Home Market

Auto maker's retreat from Europe puts dent in profit, but margins in U.S. remain ample

BY MIKE COLIAS

General Motors Co. provided a clearer portrait of its future, revealing how big a bet it is placing on the continued strength of U.S. buyers.

The company's financial performance, reported Tuesday, was dented by moves it is making to exit Europe and certain emerging markets. More than $1 billion in costs led to a 42% plunge in second-quarter earnings to $1.7 billion and overshadowed the underlying strength of its core North American operation.

The Detroit auto giant said the short-term pain is worth it, with Chief Executive Mary Barra saying that selling its money-losing Opel unit and shuttering operations in India and South Africa "will allow us to deploy resources and capital to higher-return opportunities." Topping that list: a new line of hulking pickup trucks due in 2018 and the revitalization of Cadillac's premium product line.

Ms. Barra has benefited from a strengthening U.S. market since taking GM's helm in 2014, banking record profits and fat margins that helped the company pay for costly safety recalls and jump-start its self-driving car efforts.

In the second-quarter, North American margins exceeded 12%, among the healthiest anywhere in the global auto industry, as customers continued to snap up Chevy Silverados and Cadillac Escalades that are popular amid cheap gasoline prices.

Ms. Barra, however, faces one of her thorniest challenges in more than three years at the helm. She needs to maintain production discipline and hold sale incentives in check, a job that is complicated by the company's drastic pullback from selling to rental-car fleets that have long been Detroit's biggest customer.

GM's North America unit contributed nearly all of the company's $3.68 billion in operating profit in the second quarter, dwarfing the operating profit and equity income from its other key operations—China and the GM Financial lending arm.

The auto maker enters the second half of 2017 with excess inventory in North America, resulting from robust production schedules in the first six months of the year. Nearly 1 million unsold GM vehicles are sitting on dealer lots, representing 105 days of supply.

Inventories ballooned amid slower-than-expected sales of passenger cars, which prompted GM to begin cutting production at several U.S. factories.

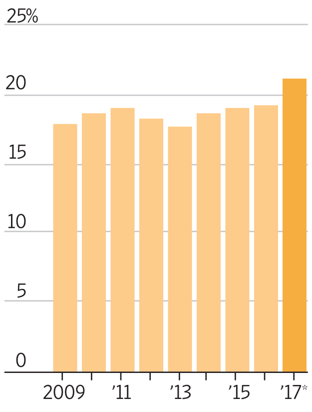
GM Chief Financial Officer Chuck Stevens said the company will report weaker third-quarter earnings as a result of needed production cuts.

For the second quarter, GM posted operating profit of $1.89 per share, breezing past Wall Street expectations of $1.69 per share. The per-share figure excludes results from GM's Opel business in Europe, which is slated to be sold to French car maker Peugeot by year's end.

China—GM's No. 2 profit generator and top market by sales volume—continued to provide steady income of about $500 million, even amid flattening consumer demand as sales of pricier SUVs and GM's Cadillac luxury line padded profits.

Acceleration

Share of Nafta-built light vehicles made in Mexico



*First six months
Source: WardsAuto.com
THE WALL STREET JOURNAL.

HENRY ROMERO/REUTERS

Chrysler cars outside the company's plant in Toluca, Mexico, where year-to-date output is up 177%.

CARS

Continued from the prior page
"Made in America" campaign later this year, an effort to support hundreds of thousands of members building vehicles or parts in U.S. factories. Mr. Williams is looking to follow the Trump administration's focus on American-made products and will use the effort to educate consumers on how to know whether a car is built in America.

Finding those cars is getting harder.

Pickups such as some versions of Fiat Chrysler's Ram and Chevrolet Silverado, two of the best-selling vehicles in America, are built in Mexico.

GM and Chrysler this year also started producing small crossover SUVs in Mexican plants; these are considered important vehicles for U.S. dealerships because of their growing popularity as consumers shift away from passenger cars.

GM moved some production of a revamped version of its popular Chevrolet Equinox crossover SUV to Mexico from plants in the U.S. and Canada. Over the next few years, the largest U.S. auto maker is expected to add other new models to factories south of the border.

Most of Fiat Chrysler's increase comes from a decision to shift North American manufacturing of the Jeep Compass from the U.S. to Mexico. An all-new version of that small SUV is being built at FCA's plant in Toluca, Mexico, where year-to-date production is up 177%, according to WardsAuto.

FCA said in a written statement that it is "in the process of realigning its U.S. manufacturing operations to respond to a shift in demand from cars to trucks and SUVs," adding the company plans to ramp up production at U.S. plants over the next several months.

Output at FCA's factory in Belvidere, Illinois, is down nearly 93% year to date, as production of the older Compass model has ended and two other models—the Jeep Patriot and Dodge Dart—were canceled. That plant has been retooled for production of the Jeep Cherokee midsize SUV, which just began in June after being shifted from a Toledo facility.

SALE

Continued from the prior page
overrule committee decisions.

The review is also occurring at a time when the government has ramped up its scrutiny of Chinese deals. The backers of at least five Chinese deals—including another one involving HNA—have recently refiled or said they would refile applications to the committee after failing to get CFIUS approval, according to people familiar with the matter and public disclosures.

In his first news conference Friday, Mr. Scaramucci said he had worked with the Office of Government Ethics "to take care of" all conflicts of interest with his business. "My start date is going to be in a couple of weeks, so that it's a—100% totally cleansed and clean," he said, later adding: "You want to go serve the country, and so the first thing you have to do is take on this mega opportunity cost by getting rid of all your assets, and so—but I'm willing to do that, because I love the country."

The ethics office declined to comment.

President George W. Bush's White House ethics lawyer, Richard Painter, said in an interview that he couldn't recall a similar situation arising in which a deal by an incoming White House staffer was undergoing a CFIUS review. He recommended that the White House stay out of the process entirely and respect whatever decision CFIUS makes, without the president exercising his right to overrule it.

"The worst case is this deal gets approved and it looks like favoritism," said Mr. Painter.

Under the terms of the deal, HNA, with George Hornig-backed investment company RON Transatlantic, will take a stake of approximately 89% in SkyBridge, according to filings. HNA could end up with as much as 80% of SkyBridge, the filings indicate, while RON Transatlantic, which has been a minority shareholder for the past four years, could end up with between 9% and 38%, the filings show.

In recent weeks, HNA has come under pressure from regulators back home as Beijing attempts to rein in some of its highest-profile private sector companies in what officials say is growing unease with their mounting debt and rising influence. Regulators last month ordered banks to scrutinize loans to HNA, one of China's most acquisitive companies, and others. On Monday, the closely held company unveiled a new ownership structure to try to clarify who controls it.

An HNA spokesman said in a statement Sunday: "HNA Group is a financially strong company with a robust, diversified balance sheet that reflects our continued growth and engagement across the capital markets."

HNA has spent $5.68 billion on investments abroad so far this year, following $20 billion last year, according to Dealogic.

—Lisa Beilfuss in New York, Rebecca Ballhaus in Washington and Anjani Trivedi and Julie Steinberg in Hong Kong contributed to this article.

VIACOM

Continued from the prior page
Discovery. Reuters later reported that Viacom had talks with Scripps. The company is now valued at $10.4 billion.

Viacom had $12.2 billion in debt as of March 31 and is clinging to the lowest level of investment-grade credit ratings, according to Moody's Investors Service. That means a deal would likely need to be financed substantially with stock, rather than cash, so as not to further burden the balance sheet, said Moody's debt analyst Neil Begley.

"I don't think that they have a lot of financial capacity on their balance sheet," Mr. Begley said.

But Viacom's equity isn't as valuable as it once was. The shares trade at about 12 times earnings, compared with Scripps at about 18 times. Viacom has a market capitalization of $14.5 billion.

One benefit would be that Viacom could boost revenue by helping Scripps's channels gain greater distribution globally, Mr. Begley said.

The additional free cash flow from Scripps could also be used to help Viacom reduce its leverage, Barclays equity analyst Kannan Venkateshwar wrote in a note last week, adding that a deal would still be "a confusing step in the wrong direction."

For Discovery, an acquisition of Scripps could help the company offer a compelling package of popular nonfiction channels for "skinny" online TV bundles, and a good mix of male- and female-skewing audiences, among other benefits.

Investors have been on a roller coaster with Viacom lately. When Mr. Bakish was installed as permanent CEO in December, following a power struggle that led to the overhaul of management and the board, shares began to rebound from the mid-$30 range and reached about $47 in late March.

But persistent Wall Street concerns about the TV ad market and Viacom's place in the cable TV bundle have helped push the stock down to $35, slightly above where it was when Mr. Bakish took over. Over three years, Viacom's class B shares are down more than 50%.

He landed the job of chief executive after winning the confidence of Ms. Redstone, president of Viacom's controlling shareholder **National Amusements** Inc. and daughter of ailing mogul Sumner Redstone.

Mr. Bakish hasn't been as tightfisted with the creative community as the company was perceived to be under the previous regime. In June, Paramount tapped Brian Robbins, a successful producer of content targeting teens and young adults to head the new production division Paramount Players.

In another big deal, Viacom struck a partnership with successful movie and television producer Tyler Perry to produce content for BET and other networks as well as getting a first look at any new feature concepts.

—Sarah Rabil and Dana Cimilluca contributed to this article.

HEARD

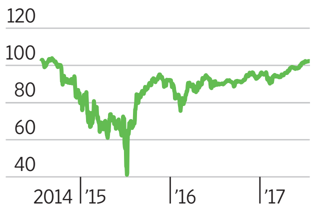
Continued from the prior page
can evaporate.

That has implications beyond Greece. Questions remain, for instance, over how markets will treat Italian government bonds once the European Central Bank's quantitative easing comes to an end. While everything is well, Italian debt behaves like a high-yielding but safe government bond. But political risk can cause credit concerns to come to the fore quickly. That ambiguous status remains essentially unresolved.

Greece shows how the eurozone has made strides in 2017. But it is still very much a work in progress.

Rough Ride

Price of 4.75% Greek government bond due 2019



Source: FactSet
THE WALL STREET JOURNAL.

U.S. Jury Backs AbbVie Payment In AndroGel Case

By Peter Loftus

A federal-court jury in Chicago ordered drugmaker **AbbVie** Inc. to pay $150 million in punitive damages to an Oregon man after finding the company liable for fraudulent misrepresentations about the safety of the testosterone-replacement therapy AndroGel, according to court records.

The case was the first to go to trial of more than 4,000 lawsuits against AbbVie claiming AndroGel harmed patients, and that the North Chicago, Ill., company failed to properly warn doctors and patients about its risks.

4,000
Lawsuits faced by AbbVie from patients who used AndroGel

The Oregon man, Jesse Mitchell, had filed a lawsuit against AbbVie in 2014, claiming that his use of AndroGel for several years caused a heart attack in 2012. He accused AbbVie of failing to properly warn doctors and patients that the drug carried an increased risk of heart attacks and strokes.

The lawsuit said AbbVie relayed positive information about AndroGel while omitting cardiac risks in its advertisements, and that AbbVie spent $80 million promoting AndroGel in the U.S. in 2012.

The jury in U.S. District Court for the Northern District of Illinois found AbbVie not strictly liable or negligent in Mr. Mitchell's heart attack, according to court records. But it found the company liable for "fraudulent misrepresentation," ending a trial that began in early July.

Mr. Mitchell's attorney, Troy Rafferty, said the jury found that AbbVie's fraudulent misrepresentation caused Mr. Mitchell's injury.

AbbVie had argued at trial that Mr. Mitchell's heart attack was caused by other risk factors not related to AndroGel.

An AbbVie spokeswoman said: "The jury found that AndroGel did not cause any damage. We expect the punitive damage award will not stand." The jury didn't award compensatory damages to Mr. Mitchell, AbbVie said.

Some studies have suggested AndroGel and similar testosterone-replacement therapies increased patients' risk of heart problems, and in 2015 the U.S. Food and Drug Administration strengthened warnings in the drugs' prescribing labels about cardiovascular risks.

The FDA also said the drugs' benefits weren't established in men whose testosterone levels had fallen due to aging.

AbbVie had boosted AndroGel sales to an annual peak of more than $1.1 billion in 2012 with an aggressive marketing campaign including television commercials that urged men with low testosterone to talk to their doctors about treatment options. AbbVie and other drugmakers helped popularize the term "Low-T" to describe the condition. The drug is approved to treat low testosterone levels in males due to certain medical conditions.

AndroGel sales have declined in recent years and were $675 million in 2016.

LUKE SHARRETT/BLOOMBERG NEWS

A Caterpillar vehicle at work in West Virginia in May. The company predicts improved revenue of up to $44 billion for all of 2017.

Caterpillar Raises Outlook

By Andrew Tangel

Caterpillar Inc. on Tuesday signaled cautious optimism about the global economy as it offered fresh evidence that it was recovering in many of its markets from a yearslong sales slump.

The world's largest heavy-machinery maker, often seen as a bellwether for economic conditions, highlighted growing demand for Chinese construction and signs of a global mining-industry coming back to life as the manufacturing giant boosted its outlook for the year, despite sluggish infrastructure spending in the U.S. and weakness in Brazil and the Middle East.

The Peoria, Ill.-based maker of bulldozers, mining trucks and other heavy machinery said Tuesday it expects revenue of $42 billion to $44 billion for all of 2017, up from a previous forecast of as much as $41 billion.

The company's second-quarter results released Tuesday come after four consecutive years of declining sales amid a slowdown in the construction markets and a downturn in commodities.

But evidence of a sustained, long-term reversal remained unclear as weaknesses persisted in some countries and markets. And executives noted revenue increases in some cases followed steep declines, and that sales were still off highs of recent years.

Caterpillar said it is expecting strengthening demand for excavators in China in response to government spending on public-works projects, a pickup in the North American natural gas industry and increasing sales of replacement parts for mining equipment as fewer trucks remain idle.

Geopolitical uncertainty and commodity-price volatility still pose risks to Caterpillar's rosier outlook for the year, but executives declined to speculate how the company might fare next year and beyond. Executives cautioned construction-equipment sales could slow in the latter part of the year.

Caterpillar said its second-quarter revenue jumped 10% to $11.3 billion from the prior year. Shares rose about 6% Tuesday afternoon to $114.15.

Caterpillar is the beneficiary of an upswing so far this year in the global economy. Stabilized commodity prices have allowed major developing economies like China, Brazil, Russia and Nigeria to strengthen after a commodity-price plunge in 2014 staggered them.

An International Monetary Fund index of global commodity prices has risen nearly 27% since hitting a 12-year low in 2016. The World Bank projected last month that by next year global economic growth would reach a seven-year high.

Developed countries have benefited as well from this improvement in international prospects. A report this month on industrial production, found that factory output in the eurozone shared-currency area was at the highest level in six years.

Racing to increase production of heavy machines such as excavators, Caterpillar also beefed up its workforce in the second quarter, a shift following years of layoffs and factory closures.

Its U.S. payroll grew to 48,500 employees by the end of June, an increase of 2,000 over the previous three months. Caterpillar's international workforce rose by 1,300 employees to 62,700.

Sales of construction equipment in North America, Caterpillar's largest market, rose 3% in the second quarter.

—Josh Zumbrun and Austen Hufford contributed to this article.

McDonald's Makes Headway In Regaining Lost Customers

By Julie Jargon

McDonald's Corp.'s bet that low prices will bring in customers is paying off for now.

The burger giant, which beat analysts' expectations with its second-quarter results, said its $1 drinks promotion and a new line of burgers helped reverse a sales slump in its U.S. business.

But price promotions can't drive sales over the long term, and the company said it isn't relying on short-term tactics to regain and retain customers it lost to rival fast-food chains in the past few years.

"It's a market-share fight," Chief Executive Steve Easterbrook told investors on Tuesday, saying McDonald's has won back some customers.

McDonald's has been introducing new menu items priced with its core budget-conscious customers in mind and adding more conveniences like self-order kiosks, food delivery and a mobile order and payment app. It has also been remodeling many of its restaurants. Those moves are all longer-term changes the company said it hopes will keep customers coming back.

"People had quit giving McDonald's a chance," said Trip Miller, managing partner at Gullane Capital Partners, a Memphis-based investment firm that owns shares of McDonald's. "To get people to see the changes you're making, you have to drive them in the door. They may not be getting as fast of an experience as they were a year or two ago but it's a higher quality experience."

McDonald's speed of service has been declining, Mr. Easterbrook confirmed with analysts. But order accuracy and quality perception scores have improved, he said, adding that he hopes the self-order kiosks and mobile-order and pay app will shave seconds off order times.

The chain reported better-than-expected domestic same-store sales growth in the second quarter, contributing to the strongest global same-store sales and traffic growth in more than five years.

Revenue fell for the quarter, however, as McDonald's sold more of its restaurants to franchisees and is no longer collecting the full amount of revenue from them, the company said.

Investors cheered the results, sending McDonald's shares up 4.8% to $159.07.

McDonald's recently found that most of the consumers it had lost in recent years had defected to rival fast-food chains serving cheaper food rather than the higher-priced fast-casual restaurants it had been trying to emulate with healthier items such as salads and snack wraps.

The company said its renewed focus on the fast-food customer led to its recent decision to begin using fresh, rather than frozen, beef in its quarter-pound burgers. It is currently rolling out a line of semi-customizable burgers topped with ingredients other than the usual tomatoes and lettuce. Those burgers, while more expensive than its Big Macs, are a lot cheaper than the ones sold by "better burger" restaurants such as Five Guys.

Executives said they need to be careful about not raising menu prices too much. Restaurants in the last year have taken a hit as customers found it much cheaper to eat at home than to eat out. The gap between the cost of food-at-home and away widened considerably last year as a number of key commodities prices dropped.

McDonald's finance chief, Kevin Ozan, said he is carefully monitoring key inflation indexes to make sure McDonald's price inflation remains below that of food-at-home.

McDonald's reported net income of $1.4 billion, or $1.70 a share, up from $1.09 billion, or $1.25 a share a year ago. Analysts were expecting $1.62 a share.

Revenue for the quarter totaled $6.05 billion, down from $6.27 billion last year, but above the $5.96 billion analysts expected. Same-store sales rose 6.6% globally and 3.9% in the U.S., beating expectations of 3.7% and 2.9%, respectively.


KEVIN HAGEN FOR THE WALL STREET JOURNAL

CEO Steve Easterbrook said order accuracy has improved.

Trump: Apple to Build 3 U.S. Plants

By Tripp Mickle And Peter Nicholas

President Donald Trump on Tuesday said in an interview that **Apple** Inc. Chief Executive Tim Cook has committed to build three big manufacturing plants in the U.S., a surprising statement that would help fulfill his administration's economic goal of reviving American manufacturing.

Mr. Trump, in a 45-minute interview with The Wall Street Journal, said Mr. Cook promised him Apple would build "three big plants, beautiful plants." Mr. Trump didn't elaborate on where those plants would be located or when they would be built.

"I spoke to [Mr. Cook]; he's promised me three big plants—big, big, big," Mr. Trump said as part of a discussion about business-tax reform and business investment. "I said you know, Tim, unless you start building your plants in this country, I won't consider my administration an economic success. He called me, and he said they are going forward."

Apple declined to comment.

Mr. Trump's comments were some of the first he has made regarding Apple manufacturing since assuming the presidency and revives pressure on the world's largest company by market value to move manufacturing operations from Asia to the U.S.

Daimler Funds China Tech Startup

By Liza Lin

SHANGHAI—Mercedes-Benz parent **Daimler** AG is investing in a Chinese self-driving startup, in another instance of a Western auto maker seeking out a Chinese partner to get a foothold in a challenging market.

The Stuttgart, Germany-based automotive giant made its first investment in a Chinese startup this week, taking part in a $46 million funding round for Momenta, a Beijing-based firm providing road sensors and high-definition mapping software.

Other investors in Momenta include NIO, an electric-vehicle maker backed by **Tencent Holdings** that has pledged to sell fully autonomous cars in the U.S. in 2020.

Daimler declined to comment.

It joins peers such as **Hyundai Motor** Co. in aligning with Chinese firms as the race to develop an autonomous vehicle revs up.

Western auto makers face high hurdles entering China because the country considers the kind of mapping needed to make self-driving cars work a national-security issue and limits it to domestic companies.

Foreign software and car companies also could face difficulty gaining approval to conduct test drives in the country, The Wall Street Journal recently reported.

China has made self-driving cars part of its national agenda, setting autonomous-vehicle targets and creating places to test such technology, as Beijing pushes to dominate the artificial-intelligence industry by 2030.

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

Laying the Bricks for Programming

Learning programming is awesome when you're making **Lego** robots fart.

"Usually Legos cannot fart, so we made these Legos fart a lot," says Eleanor, 9 years old, who helped me code dance moves, jokes and simulated bodily functions into Lego Boost, a new take on the iconic bricks. "Also burp. Don't forget the burping," she adds.

Making Lego bricks come to life is a big deal for children aged 7 to 12—as well as for parents who want to teach them the basics of programming.

The Lego Boost kit, which arrives in stores for $160 on Aug. 1, updates the beloved plastic bricks with simple motors and sensors that connect wirelessly to a tablet. In the box, you get the pieces to make a rolling robot named Vernie, a cat, a rover, a factory or an electric guitar. (Just not all at once.) You create basic programs by dragging and dropping icons, little blocks of code, in a companion tablet app.

With the assistance of junior reviewers Eleanor, Wes and Andrew, I found Lego Boost to be a hefty project for young children—but a remarkably fun way to learn how to think like a programmer. It's an early contender for best toy of 2017.

Andrew, 10, had Vernie built and zipping around the house in about four hours, with little assistance from me. "Even though it is complicated, it's very cool how you get to build all these things," he says.

Building the robot with Andrew began like all Lego projects: ripping open a box and then desperately attempting to not lose little bricks in the carpet. While most of the 847 pieces resemble the billions out there in the wild, Boost kits include a Move Hub. Inside is a computer, a Bluetooth wireless chip, motors and motion sensors. There's also a piece containing a color and distance sensor, and an additional motor piece.

The other new part is an app for iPads and Android tablets. (Alas, it doesn't work on phones.) You start in an introductory lesson, building a simple truck. That teaches you the basics, including how to install six AAA batteries (not included) and how to make programs. Andrew assembled Vernie by following on-screen diagrams that look a lot like Lego's printed instruction books.

About halfway through, the app paused the build and asked Andrew to assemble code to make Vernie come alive. "My neck is sore," said the robot, to Andrew's delight.

Once Andrew gave Vernie his tank-tread legs, the app shifted more to coding, presenting a series of challenges. Andrew made the robot say "Hello" when he shook its hand by combining two bits of code, an input from Vernie's tilt sensor and an output to the iPad's speaker.

Encouraging children to code is a growing preoccupation of many toys and games. Apps like Tynker, Lightbot and Box Island encourage children to solve puzzles with code. And robots such as Dash and Dot and Sphero Sprk Edition help move children beyond glowing screens to programming physical objects.

Lego Boost stands out from the pack because children build both the objects and the code to make them come alive, multiplying the opportunities for creativity. Lego executives say they don't consider Boost to be a "teaching" product. It isn't goal-oriented like educational programs, though children come away with coding fundamentals like sequencing and looping.

Among my test crew, Boost also appealed because it's classic Lego—a toy kazillions of young people understand intuitively. (A more complicated Lego kit called Mindstorms is often used to teach robotics to older students.) Lego encourages children to use the brainy new Boost components with their other creations. How about a dragon that walks? The app offers help to make one.

When Eleanor and her brother Wes, 6, began programming the cat, one of the first exercises was to give it a Lego-brick bottle of milk, which it "drinks," triggering simulated feline flatulence. Later, Wes had a Eureka moment, figuring out how to make Vernie move forward and shout "OMG" when he clapped his hands.

"In regular coding games you look at the screen to see the things happen, but in this coding game you look at the robot to see if you did it right," Wes says.

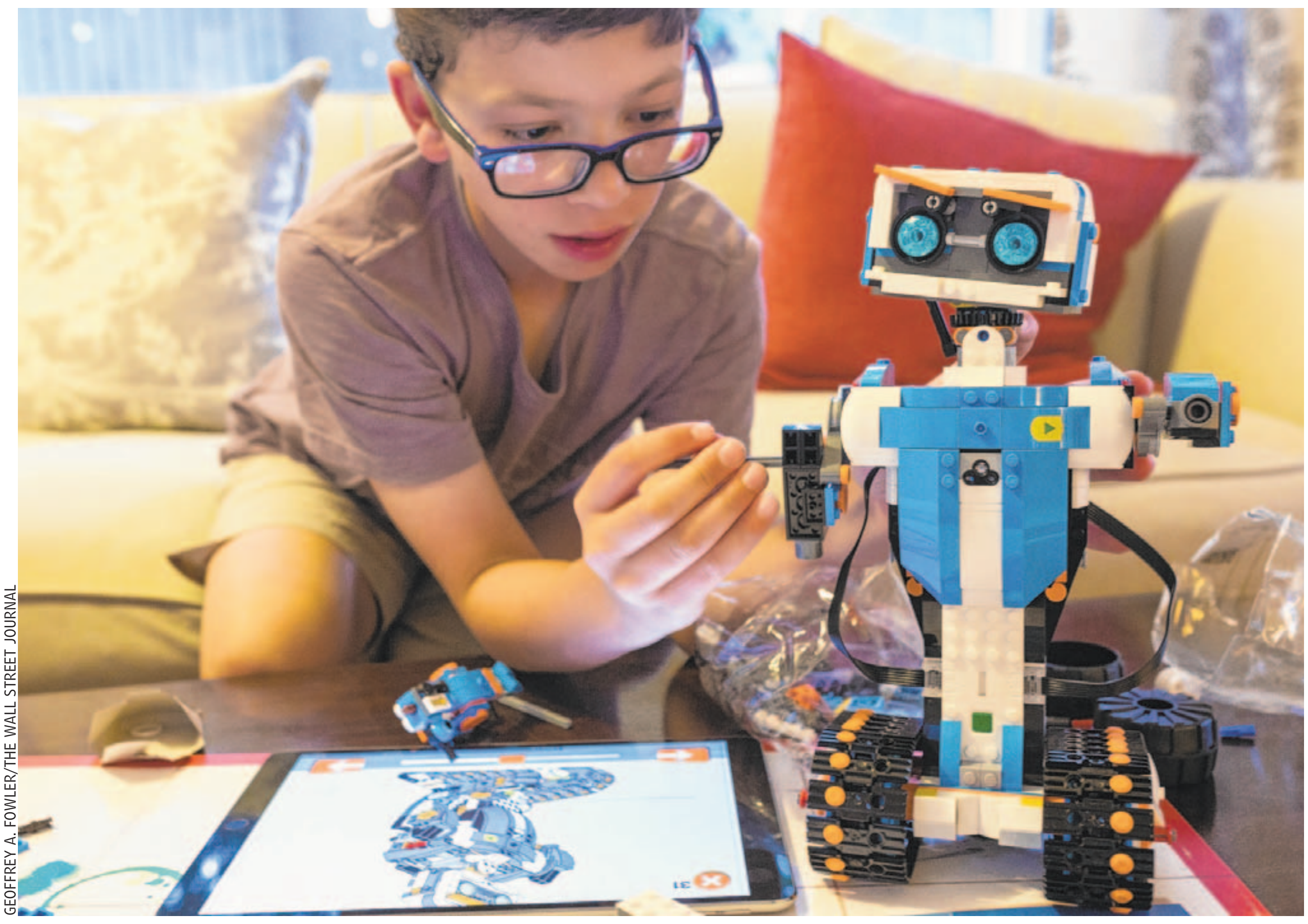
Lego says it has no plans to sell additional coding blocks as in-app purchases, though it does provide manual motor and sensor controls for the type of children who go to Harvard at 14.

My testers were disappointed that the Boost pieces have limited lights and no speakers; noises only come from the tablet. But it didn't take them long to imagine uses for their robots. One common theme was pranks. "I would get the cat and put it in a bush, and then as my mom or my dad was coming home, I would have the cat screaming," says Eleanor.

One of my few complaints about the Boost app is that it doesn't offer any help for parents. There's no search function for code blocks, and since they don't come with explanatory text, it can be hard to help when a child gets frustrated. My advice: Take it slow. Lego Boost's capabilities go wide, and a child could spend a week working out all the possibilities of just one or two bits of code.

At $160, Lego Boost is a big purchase. But if this makes you feel any better, a Lego Star Wars Death Star costs $500 and only features pretend droids.

What impressed me most about Lego Boost was how much my testers say they enjoyed the coding aspect. Lego-obsessed Wes, who is slightly younger than Boost's advertised age, says coding is better than building because it's "faster and funner." I think there are plenty of engineers in Silicon Valley who would agree.



GEOFFREY A. FOWLER/THE WALL STREET JOURNAL

Andrew, a programmer in the making, builds Vernie, a Lego Boost robot with motors to move its tracks, head and eyebrows.

LG Display to Invest in OLED Phone Screens

By Eun-Young Jeong

SEOUL—**LG Display** Co. said it would invest an additional 7.8 trillion won ($7 billion) to churn out more smaller-size organic light-emitting-diode display panels used largely in premium smartphones, in a bid to challenge Samsung Display's dominance in the market.

Seoul-based LG Display has already said it would invest $6.5 billion in OLED production at its two factories in South Korea.

The global OLED market is expected to reach $25.2 billion this year, according to research firm IHS Markit, up 63% from last year.

Most of that growth is concentrated in smaller-size OLED panels, a sector dominated by **Samsung Electronics** Co.'s display-making affiliate, Samsung Display, which holds 97.1% market share by revenue.

While LG Display holds a monopoly in the market for large-size OLED panels used in televisions, the company has stuck to older liquid-crystal display technology for smaller devices such as smartphones.

The bulk of smartphones use LCD displays, but premium smartphones are switching to OLED, including **Apple** Inc., which will use OLED screens for its coming iPhone 8. That shift has pushed LG Display to jump into the fray for smaller-size OLEDs.

OLED displays are thinner and more flexible, allowing phone makers to sell devices that are curved and sleeker in appearance.

Advocates of the technology say OLED also offers better color contrast and energy efficiency.

LG Display said Tuesday that its new OLED investment would be divided between large- and smaller-size OLED displays at its factory in Paju, near South Korea's border with North Korea.

About two-thirds of the investment, or $4.5 billion, will go into the production of smaller-size OLEDs, while the remainder will be invested in large-size OLEDs.

In addition to its investment in its home country, LG Display said it would start producing large-size OLEDs at its facility in Guangzhou, China, a plant previously used solely to make LCDs for televisions. The company didn't confirm the size of its investment in Guangzhou.

Tuesday's announcement came after the company said it earned $720.5 million in operating profit for the three months ended June 30, a 22% decline from the previous quarter.

The company earned $5.9 billion in revenue for the same period, a 6.1% slip from the previous three months.

STEVE MARCUS/REUTERS

LG Display already holds a monopoly in the market for large-size OLED panels used in televisions.

Fender Amps Up Digital-Music Platform With User-Given Data

By Angus Loten

Fender Musical Instruments Corp. has tapped cloud computing, data analytics and other digital capabilities to launch a personalized guitar-learning platform, its first revenue-generating digital service, the company said.

Best known for its iconic guitars, the 70-year-old Scottsdale, Ariz., company is following other firms in a range of industries that are leveraging digital technology not merely to improve internal processes, but to create and drive entirely new revenue streams.

The platform, called Fender Play, collects user-provided data, such as preferred instruments and musical genres, to develop a customized curriculum of learning "paths" that focus on song-based teaching, technique, and a catalog of hundreds of songs arranged for players at different skill levels. It can be accessed on desktop computers, smartphones and other devices.

Users can track their progress in real time via a dashboard, with access to high-definition videos, a glossary of terms and chords, and other resources.

"Fender at its core is a tech company," said Ethan Kaplan, director of Fender Digital, a tech unit launched two years ago, citing company founder Leo Fender's background as a radio repairman.

None of the learning platform's features would be possible without cloud storage, deep-level analytics, and data and content management, which were "all built from scratch," though supported by the company's existing information-technology infrastructure, Mr. Kaplan said.

"Every day we work with the CIO and IT team" who manage an "IT infrastructure and a global supply chain with over a thousand-person logistics machine that can take a small plank of wood and spit out a guitar," he said.

Fender sells guitars, amplifiers and other products through a network of about 13,000 independent music retailers, as well as online and through national music stores.

Digitally driven revenue streams offer a key area of growth for the company. Five years ago, Fender withdrew a planned initial public offering of as much as $200 million, citing poor market conditions. The company at the time was looking to repay debt and build working capital.

Launched July 6, Fender Play is a subscription-based model that enables recurring revenue, Mr. Kaplan said. It is part of a growing suite of digital products and services, he added. Among these is a cloud-enabled amplifier that connects to Wi-Fi and provides automated updates for digital music samples and effects.

"The world is going in a digital direction and we wanted to keep up with that," said Mr. Kaplan. "The music space is evolving and we're evolving with it," he said.

State of 'Good Jobs' in America

BY LAUREN WEBER

At a time when politicians and pundits decry the end of middle-class jobs, it may come as a surprise that there are 30 million jobs paying more than $35,000 a year for U.S. workers without four-year college degrees.

Now for the bad news: There are 75 million U.S. workers without college diplomas, or 2.5 workers for every one of those good jobs, meaning that high-school grads have far lower odds of winning the career lottery than they did 25 years ago, according to a new report from Georgetown University's Center on Education and the Workforce. Good jobs, as defined by the report's authors, pay more than $35,000 a year, or more than $45,000 for workers over the age of 45.

The number of good jobs for noncollege graduates rose to 30 million in 2015 from 27 million in 1991, but the labor market grew, too. By 2015, the share of all good jobs that went to noncollege graduates fell to 45% from 60% in 1991—leaving 45 million workers in low-paying, sometimes part-time roles that don't offer a path to the middle class.

In the post-World War II era, jobs in manufacturing and production propelled millions of American workers into the middle class. Today, more middle-class jobs for nongraduates are in financial services and health care. A high-school diploma alone won't cut it for a lot of those jobs, however.

Among noncollege-degree holders, only workers with an associate degree had better odds of finding a good job in 2015 than they did 1991, Georgetown found. High-school graduates and dropouts, and people with some college, are all faring worse now than before, the report says. "There's an assumption that there are no good jobs available if you don't have a B.A.," says Anthony Carnevale, the Center's director. There are still pathways to well-paying careers, but fewer jobs pay a living wage—at least $17 an hour for a full-time job—or higher for noncollege graduates relative to the total labor market. A growing share of those jobs require some post-secondary training, he says.

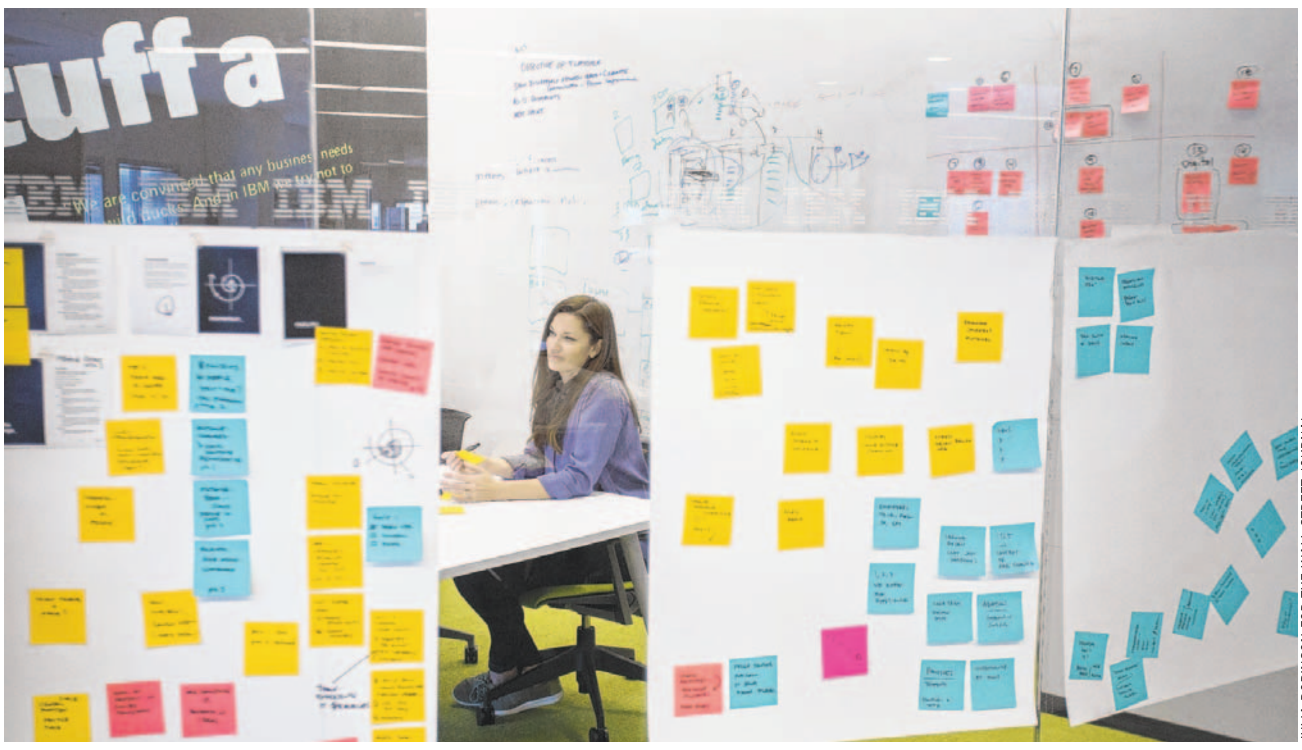
"You need to be in a program that leads directly to those jobs," says Mr. Carnevale, such as community college or a certification course. "And you need to hold your institution accountable to being able to prepare you for a job."

Workers are getting the message. The number of career-focused certificates awarded by community colleges, in fields such as electronics engineering and video production, more than doubled between 2000 and 2014, according to American Association of Community Colleges.

The Unplugging of Telecommuters

Employers bring remote staffers back to the office to gain more control over work; a 'terrifying' change

BY JOHN SIMONS



JULIA ROBINSON FOR THE WALL STREET JOURNAL

IBM product-design director Joni Saylor, who helps integrate former telecommuters into the company's office culture in Austin, Texas.

Big businesses have embraced flexible work practices, but fewer of them seem to favor full-time working from home.

International Business Machines Corp., **Aetna** Inc., **Bank of America** Corp., **Best Buy** Co. and **Reddit** Inc. are among employers that have ended or reduced remote-work arrangements recently as managers demand more collaboration, closer contact with customers—and more control over the workday.

Bringing workers back to the office isn't easy, managers say. Remote employees often set their own hours and ways of working, and bridle when faced with open-plan offices and set meeting schedules.

A large majority of U.S. employers let staffers telecommute sometimes, according to the Society for Human Resource Management.

Yet the portion of U.S. workers who performed all or some of their work at home fell to 22% last year, from 24% in 2015. Such workers spent an average of 3.1 hours a day toiling at home last year, down slightly from 2015, according to the Labor Department's American Time Use Survey.

Coming back to the office can be "honestly terrifying" for remote workers, says Andrew Marder, a research analyst with Capterra Inc., a business-software review site owned by Gartner Inc.

Mr. Marder telecommuted for about three years while blogging about investing for the Motley Fool financial website. He was also a full-time caregiver for his newborn during part of that time.

Moving to an office role at Capterra in 2014, Mr. Marder had to get used to the lack of privacy at work and an hour-plus commute to Arlington, Va. As a telecommuter, he was used to working at any hour to meet deadlines. Once in the office, he struggled with prioritizing tasks and managing his time during work hours, frequently missing deadlines in the first months on the job.

His manager, J.P. Medved, set weekly meetings to plan Mr. Marder's workflow, plotting deadlines. Mr. Medved says those changes improved Mr. Marder's ability to submit work on time.

Bosses acknowledge that remote workers don't suffer from productivity problems. Research has found telecommuters who can work outside normal office hours and don't have to spend time commuting often are more productive than their cubicle-bound counterparts. Rather, managers want their teams within view and are willing to trade some efficiency for the serendipity that office-based conversations might yield.

Companies tend to clamp down on telework during periods of turmoil and reinvention, says Ken Matos, vice president of research at Life Meets Work, a workplace consultancy.

As a finance vice president at Tetra Pak International SA, George Benaroya observed waves of colleagues return to company workspaces when new leaders would take over divisions and rein in remote work.

Office comebacks were often a letdown, recalls Mr. Benaroya, who left the company in 2012. Workers accustomed to personal space and sole use of their equipment at home had to adjust to cramped spaces and jammed printer queues.

The formerly remote employees' egos were bruised, too: The top managers who made special time for them during office visits paid less attention once those workers were a regular presence, he says. Managers spent extra time hand-holding former home workers, leaving less time for other duties.

"You lose efficiency," Mr. Benaroya says.

Tetra Pak spokeswoman Carol Yang says the issues that Mr. Benaroya describe don't reflect the company's current situation.

This spring IBM, long a promoter of remote work, offered thousands of work-from-home employees a choice to follow their position back to an office or apply for a new role. Those who chose to do neither could leave the company.

Marketing manager Dave Wilson spent a decade working from home in Nashua, N.H. With two young children home during work hours, distractions abounded and Mr. Wilson says he felt isolated from colleagues.

So when his job was relocated to Raleigh, N.C., he took a position marketing artificial-intelligence products at IBM's Littleton, Mass., campus.

He relishes the verbal sparring of the office. During a recent meeting to critique IBM's e-commerce offerings, participants got in each other's faces to make their points—when he attended meetings via conference call, people would disengage unless they were leading the conversation, he recalls.

IBM's leaders want to provoke those creative tensions, and have spent $750 million to redevelop its workplaces around a new system of teamwork; the company has also trained 160,000 employees on working more nimbly.

As former telecommuters arrive at IBM's Austin, Texas, location, Joni Saylor will help to integrate them into office culture. Ms. Saylor, a product-design director who worked remotely for IBM until 2013, says telecommuters sometimes struggle to adjust to working in teams after operating on their own.

Best Buy's work-from-home program gave 5,000 headquarters employees free rein to choose where they worked, a perk that complicated tasks such as scheduling meetings, says Best Buy spokesman Jeff Shelman. "There was no control," he says. "Managers didn't have the tools to do their jobs."

The company ended the policy in 2013. Workers now arrange time out of the office with their managers.

The four years since the telework rollback have coincided with Best Buy's resurgence. Net income has more than doubled in the period and shares have climbed more than 200%, though the company is reluctant to draw a connection between those results and the end of remote work.

BUSINESS WATCH

TOYOTA

Auto Maker Nears E-Car Breakthrough

Toyota Motor Corp. said Tuesday it was nearing a major technological breakthrough in electric-car batteries, as the world's second-largest car maker by sales accelerates its push to build all-electric vehicles.

The technology, a solid electrolyte, would enable smaller, lighter lithium-ion batteries, which theoretically could hold a higher charge—boosting the range of electric vehicles, according to the company.

Toyota said it was working on "production engineering" for these batteries and it expects to start selling cars with the new batteries by the early 2020s.

The company declined to comment on which vehicles might be equipped with these batteries.

—Sean McLain

WABCO

Company Held Talks With Germany's ZF

German auto-parts maker ZF Friedrichshafen AG recently held advanced takeover discussions with **Wabco Holdings** Inc. before the talks fell apart amid resistance from ZF's board.

Wabco, currently valued at roughly $7.5 billion, disclosed when it reported second-quarter earnings last week that it had received a takeover offer from an unnamed party; according to people familiar with the matter, ZF is the mystery bidder.

Wabco said in a securities filing that its operating margin during the period was hurt by "extraordinary professional fees" related to the bid.

The filing goes on to say that the two sides "engaged in advanced discussions" but that after due diligence the talks were terminated when the buyer's board balked.

It isn't clear whether ZF could return with another bid, and according to people familiar with the matter it is possible Wabco could draw another suitor.

Wabco is a big supplier of technology and services to improve safety, efficiency and connectivity of commercial vehicles, according to its website.

—Dana Cimilluca and Dana Mattioli

SONY PICTURES

TV Production Unit Taps New Leaders

Sony Pictures Entertainment has restructured its television production unit in the wake of two top executives departing last month to oversee Apple Inc.'s push into creating original content.

Jeff Frost, who had led business affairs for Sony Pictures Television Studios, has been tapped as president. Creative executives Chris Parnell and Jason Clodfelter have been named co-presidents reporting to Mr. Frost, who in turn reports to Tony Vinciquerra, chairman and chief executive of Sony Pictures Entertainment.

The trio will comprise a newly created "Office of the President" in charge of overseeing U.S. programming and production for parent **Sony** Corp. All are veteran Sony executives. Mr. Frost has been with the studio since 2008, while Messrs. Parnell and Clodfelter each have been with Sony for more than a decade.

Despite not owning a broadcast network or major cable or streaming service, Sony Pictures Television Studios is one of the industry's most prolific producers of content. Shows it produces or coproduces include Netflix's "The Crown," NBC's "The Blacklist," the CBS comedy "Kevin Can Wait" and AMC's "Better Call Saul."

The success of the TV unit has been crucial for Sony as its movie studio has struggled recently.

—Joe Flint

Strong Earnings Give U.S. Stocks a Boost

Energy stocks follow crude-oil prices higher; VIX 'fear gauge' stays at low levels

By Akane Otani and Riva Gold

U.S. stocks climbed Tuesday, bolstered by a flurry of upbeat corporate earnings.

The Dow Jones Industrial Average added 100.26 points, or 0.5%, to 21613.43, after three consecutive sessions of declines. The **S&P 500** rose 0.3%, and the **Nasdaq** Composite edged up less than 0.1%.

TUESDAY'S MARKETS

The Stoxx Europe 600 rose 0.4% to 380.77 after a measure of German business confidence climbed to a record high in July. Banks, insurance companies and miners caused most of Europe's advance.

Earnings reports are expected to drive much of the trading action this week, analysts say, with roughly 40% of S&P 500 firms scheduled to report quarterly results through Friday. Solid reports should help major indexes keep climbing, investors say, even as many have expressed concerns about stocks looking pricey relative to their historical valuations.

A rally in Caterpillar, **McDonald's** and DuPont helped lift the Dow industrials. Shares of Caterpillar gained 5.9% after the equipment giant raised its revenue and profit outlook for the year, while McDonald's shares jumped 4.75% after the fast-food chain's earnings topped analysts' expectations. Shares of DuPont, whose earnings also surpassed expectations, added 1.35%.

Declines in the shares of 3M and United Technologies, both of which released quarterly results earlier Tuesday, weighed down the blue-chip index.

As stocks rose, the **CBOE** Volatility Index, which measures investors' expectations for swings in the S&P 500 over the next 30 days, extended losses. The VIX was down 0.6% at 9.37 in late trading, on track to close under 10 for its ninth consecutive session—its longest such streak ever.

Stock indexes received a boost from energy shares, which jumped 1.6% in the S&P 500 in late trading, buoyed by a climb in oil prices. Energy stocks, the worst-performing sector in the S&P 500 this year, have come under pressure this year as oil prices have slid.

U.S. crude rose 3.3% to $47.89 a barrel Tuesday, extending gains from Monday, when Saudi Arabia—the world's top oil exporter—said it would limit oil exports in August.

Government-bond prices fell ahead of the release of the Federal Reserve's latest policy statement, expected Wednesday.

The yield on the 10-year U.S. Treasury note rose to 2.328%, according to Tradeweb, from 2.253% on Monday. Yields rise as bond prices fall.

Economists expect no change in interest rates, though some expect the central bank could announce the start date of its balance-sheet runoff.

"I think there's a relatively low ceiling on where [policy] can go unless inflation kicks in," said John Maxwell, fund manager at **Ivy Investments**. "We don't have signs of inflation that need to be tamed."

The rise in government-bond yields supported financial shares; such moves tend to boost lending income. The KBW Nasdaq Bank Index of large U.S. commercial lenders added 1.5% in late trade.

QILAI SHEN/BLOOMBERG NEWS

McDonald's shares gained after the company's earnings topped expectations. A Shanghai store.

Novo Banco Launches Debt Swap

By Margot Patrick And Patricia Kowsmann

Novo Banco SA, the Portuguese lender created from the collapse of Banco Espírito Santo SA three years ago, has launched a plan to raise €500 million ($582 million) from a bond exchange—a condition of its takeover by U.S. private-equity firm **Lone Star Funds**.

Pacific Investment Management Co. and other Novo Banco bondholders who wanted to mount their own takeover have challenged the Lone Star arrangement.

A successful bond exchange would put the bank a big step closer to securing the Lone Star deal.

Novo Banco has offered to swap all of its senior bonds—worth €8.3 billion in face value—mostly at a substantial discount to par. The exchange includes billions of euros in zero-coupon notes that were issued at a deep discount in the months before Banco Espírito Santo failed and bought by offshore companies that helped prop up the bank for years.

As a sweetener, bondholders are being offered three-to-five-year fixed-term deposits for the proceeds from the exchanged bonds to boost their overall return. The fixed-term rates haven't been announced yet.

The bond offer must raise at least €500 million as a condition of the Lone Star takeover.

Novo Banco agreed earlier in 2017 to hand a 75% stake to Lone Star in exchange for a €1 billion capital injection. It is currently owned by a bank resolution fund that is mostly funded by a government loan.

If the deal with Lone Star fails and it doesn't get the €1 billion capital injection that comes with it, Novo Banco has said it will be unable to meet its minimum regulatory capital requirements and operate as a going concern.

That means authorities could decide to resolve the bank, it says.

Novo Banco was created after Banco Espírito Santo collapsed in the summer of 2014. While Novo Banco was supposed to be a "good bank" housing deposits and good loans from the defunct lender, and ready for a quick sale, its credit portfolio showed signs of serious strain immediately. That hurt its attractiveness to buyers and led the country's central bank to transfer €2 billion in senior debt off Novo Banco's balance sheet in December 2015 to boost its capital ratios. Bondholders including Pimco and **BlackRock** Inc. cried foul and sued.

Pimco owns some of the bonds that are part of Tuesday's exchange offer. In May, the investment management firm and other bondholders wrote to the Portuguese central bank offering to skip the bond swap and discuss buying the bank.

However, the exchange offer is expected to go ahead, as Pimco and others have been in settlement talks with Portuguese authorities about the €2 billion in transferred bonds.

Novo Banco said the offer is based on market prices and is slightly above the average prices of 2016. The offer ends Oct. 2.

PATRICIA DE MELO MOREIRA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Portugal's Novo Banco aims to raise €500 million from a bond exchange, as a condition of its takeover by equity firm Lone Star.

Fintech Firm Files for U.S. Bank Charter

By Telis Demos

Within a week of a Trump administration official endorsing the idea of giving bank charters to financial-technology companies, a startup is putting that to the test.

Varo Money Inc., a digital banking startup backed by private-equity firm **Warburg Pincus** LLC, last week formally applied for a national banking charter and deposit insurance, the company said. The filings aren't public yet.

Taking those steps could put Varo—which now partners with banks to provide services for its mobile banking application—on the path to becoming a full-fledged regulated bank. That means it will take deposits, pay interest, make loans in any state and issue cards, all through smartphone apps.

Unlike internet banks of the dot-com era, and in contrast to a wave of startup "challenger banks" in Europe, fintech firms such as **LendingClub** Corp. and **PayPal Holdings** Inc. have sought to avoid becoming U.S. banks themselves.

Varo is seeking a national banking charter from the Office of the Comptroller of the Currency, as well as the ability to take deposits from the Federal Deposit Insurance Corp.

Varo was founded in 2015, and initially has partnered with banks, including The Bancorp Inc., to provide deposits and lending services.

But co-founder and Chief Executive Colin Walsh, a veteran of **Wells Fargo** & Co. and **American Express** Co., said that recent discussions with regulators led Varo to accelerate its plans and apply for its own charter now, before it has fully launched its services.

Though new bank charters have been rare since the financial crisis, regulators say they are eager to encourage new entrants. Last week, acting OCC head Keith Noreika said "the federal banking system [needs] to be more inclusive," and that the agency was having discussions with interested firms.

The approval process typically takes at least a couple of months, and will involve intensive review of the company's plans and financial condition.

Becoming a bank would make Varo a more complex investment. Warburg Pincus, the private-equity firm that counts former U.S. Treasury Secretary Timothy Geithner as its president, can't own more than 24.9% of the bank to avoid being regulated as a bank holding company.

So Varo, which raised more than $27 million from Warburg last year, will seek to raise $160 million more from new investors to reduce Warburg's stake and to provide the bank with a capital base, Mr. Walsh said.

Mr. Walsh said that Varo's aim is to provide a suite of app-based tools for customers' financial health, such as making a model of future cash flow and suggesting when to move money from checking to savings, pay off a credit card, take out small loans, or invest more in the market.

"We want to be a full-service bank," he said.

Varo Bank will be based in Utah, where it will also have a call center for customers. It isn't planning to open branches.

Options Exchange Cleared for Bitcoin

By Gunjan Banerji

Traders tired of quiet U.S. markets may soon have something more volatile to bet on: bitcoin options.

On Monday, a bitcoin options exchange called **LedgerX** won approval from the **Commodity Futures Trading Commission** to clear bitcoin options, making it the first U.S. federally regulated platform of its kind.

The venue will allow traders to place options bets on virtual currencies, which have recently posted some of the wildest swings across global markets.

LedgerX, which plans to launch in the fall, will offer institutional investors bitcoin puts and calls, contracts that allow them to sell or buy, respectively, at designated prices.

The CFTC's decision marks a victory of a three-year-plus effort by founders of New York-based LedgerX, overseen by **Ledger Holdings** Inc. Cofounders Paul Chou, chief executive officer, and Juthica Chou, president, were traders at **Goldman Sachs Group** Inc. before taking the helm of LedgerX. Chief Technology Officer Zach Dexter, also a co-founder, was a software engineer.

The CFTC's approval also represents a divergence to how two U.S. regulatory agencies have treated bitcoin, the largest virtual currency with a market capitalization of about $45 billion, according to coinmarketcap.com.

In March, the Securities and Exchange Commission denied an application for the first exchange-traded fund that would track bitcoin on concerns the virtual currency could be manipulated. The SEC declined to comment on LedgerX.

Most bitcoin markets are unregulated and outside of the U.S. Bats BZX, an exchange owned by **CBOE Holdings** Inc., asked the SEC to reverse the bitcoin ETF decision, saying that the CFTC calls bitcoin a commodity and had allowed another exchange to offer swaps based on it.

CFTC acting Chairman Christopher Giancarlo has stated publicly that he's optimistic about blockchain technology's future, but he hasn't commented on LedgerX. Blockchain is a digital ledger and the technology that underpins bitcoin. Mr. Chou is on the CFTC's Technology Advisory Committee.

A CFTC spokeswoman said, "No committee, including the Technology Advisory Committee, plays any role in any registration decision."

An approval "recognizes the important and legitimate uses of digital currencies that are spreading throughout the world," said Jeremy Liew, a partner at **Lightspeed Venture Partners**, in an email before the CFTC's decision Monday. The venture-capital firm has a stake in LedgerX.

Proponents say an options exchange will spur trading and attract investors who are fearful of entering what has so far been an unregulated market, dominated by coders and entrepreneurs. A CFTC-regulated venue could assuage concerns about the virtual currency landscape. Bitcoin has won over unlikely champions as it gains mainstream acceptance, including **Fidelity Investments** Chief Executive Abigail Johnson.

It might also be welcome news for traders who thrive on volatility. Bitcoin's value has more than doubled this year to $2,762.63 as of Sunday, but the currency is prone to violent swings. Within one day in January, it approached a record before entering bear market territory.

$45B

Market capitalization of the virtual currency bitcoin

A weekend slide in July was another reminder of how immature cryptocurrency markets are. Another currency, ether, recently plunged 50% after hitting a high one month before.

The more volatile an asset is, the pricier options contracts on it are. Mr. Chou says he expects bitcoin miners to sell options on the currency in exchange for U.S. dollars.

Bitcoin miners use computer programs to solve math problems and receive in exchange new bitcoins, a system that ensures the issuance of new coins is a decentralized process.

Investors can use options to hedge portfolio declines or place directional bets. Wealth managers, family offices and hedge funds have expressed interest in trading on LedgerX, and it has market makers—trading firms that provide continuous options quotes—signed on, the company said.

Other venues offer options for digital currencies, but none are federally regulated.

Greek Bond Issue Gets Warm Reception

Greece got solid demand Tuesday for its first bond issuance in three years, in what the government sees as the first of several moves that will enable the debt-ridden country to wean itself from new bailouts.

By Nektaria Stamouli, Christopher Whittall and Emese Bartha

Tuesday's deal included an invitation for holders of a bond coming due in 2019 to swap their securities for new ones due in 2022.

Greece sold €3 billion ($3.5 billion) worth of the 2022 bond, Greek government officials and bankers said. About half of that is new money, and half is from existing investors in the 2019 bond who switched, according to one of the banks managing the deal.

The new bond matures in August 2022 and will yield 4.625%. The 2019 bond is yielding around 3.2%, so investors will be paid a decent premium for participating in the swap.

Greek bonds have been on a tear of late. Greece paid €102.60 per €100 face value of the 2019 bond. A year ago, the bond was trading below €90.

Still, the sum raised is a token—less than 1% of Greece's total debt—and on its own not enough to forestall the need for more aid or other concessions from its eurozone rescuers. But the bond issuance was meant as a show of confidence and test of investors' appetite for its debt, two years after the country was teetering on the brink of collapse and eurozone exit. It is also a way to ease a big hump of debt repayments due in 2019.

Athens's debt office is aiming to go ahead with more bond issues before the end of the country's third bailout in mid-2018. "They need to show the market that they can stand on their own feet," said Giuseppe di Mino, managing director at hedge fund Amber Capital, who expects another Greek debt sale toward the end of the year.

Greek officials hope that this time the return to the markets will be consistent.

Greece Finance Minister Euclid Tsakalotos said this first attempt went better than expected and more will follow before Greece fully regains market access when its bailout expires.

"From now on we are focused on August 2018," Mr. Tsakalotos said in a televised statement. "There will be a second and a third [market access] to approach August 2018 with confidence and emerge from bailouts."

Previous bonds plunged in value a year later when Greece faced a big political crisis and came close to euro exit. They have since come roaring back, rewarding investors such as Charles Zerah, fixed-income fund manager at Carmignac, who held on through that white-knuckle ride.

"We had some volatile periods, but nevertheless it has been successful," he said. Mr. Zerah said the outlook for Greece has changed compared with 2014, with a healthier European economy and reduced political risk. He added that a "significant turnaround" is also noticed in Greece, citing the government's progress on economic reforms.

Greece's economy, which has shrunk by more than one-quarter from its precrisis size, returned to growth in the first quarter of the year, but still has a long way to go. Its unemployment has dropped from a staggering 28%, but is still close to 22%, more than double the eurozone's average.

Still, many investors didn't touch the Greek bonds because of their junk rating or their poor liquidity.

Venture Firm Canaan Raises an $800 Million Fund

By Eliot Brown

Giant venture-capital funds are piling up in Silicon Valley, a sign that foundations, pension funds and endowments are still willing to rush money into the risky startup sector despite lingering concerns about overheated valuations.

The latest firm to raise a jumbo-size fund is **Canaan Partners**, a fixture on the venture-capital scene that collected $800 million for new investments in tech and health-care startups. Canaan's 11th fund is the largest in its 30-year history, up from $675 million three years ago, it says.

NOAM GALAI/GETTY IMAGES FOR TECHCRUNCH

Maha Ibrahim of Canaan Partners, in May. Venture funds have seen a big influx of money.

Canaan's new war chest furthers a trend since early last year of venture funds ballooning to levels not seen since the dot-com boom. The influx of capital has helped startups stay private longer with money that in past eras would have been raised on the public markets.

Last year, U.S. venture firms raised 30 funds totaling at least $500 million each, according to Dow Jones VentureSource. That is up from 17 in 2015 and is by far the most in a year since 2000, when there was 54.

Through the first half of this year, there were eight such megafunds recorded by VentureSource that collected a total of $9.3 billion, which represented about half of the entire sum of capital raised by 302 venture-capital funds. The median fund size is generally around $100 million.

Fund managers raising outsize funds over the past year include firms such as New Enterprise Associates and Technology Crossover Ventures, which raised $3.3 billion and $2.5 billion, respectively, both their largest to date.

"It feels like people are saying, we want to double down on the winners," said Maha Ibrahim, a managing partner at Canaan. "It's a very active environment."

The influx of money from limited partners—the foundations, pension funds, endowments and other big money managers that invest in venture capital—suggests investors hope the startup frenzy of recent years will march on.

Investment returns in recent years have been notably strong amid a low-interest-rate environment, thanks to startup valuations soaring to new heights.

As of July, 100 U.S. startups were valued at $1 billion or more, about triple the number from three years ago, according to The Wall Street Journal's Billion Dollar Startup Club.

Those returns, however, are mostly on paper because so few startups are holding initial public offerings, the main vehicle for venture firms to reap big profits.

The lack of appetite from the public markets spooked venture capitalists, pushing startup funding down 29% to about $55 billion last year, according to VentureSource. Investment in venture firms, meanwhile, rose 18% to about $44 billion last year, the most since the height of the dot-com boom.

Ms. Ibrahim said Canaan's existing investors collectively wanted to invest about 50% more money than the last fund while new investors were eager to get in, leading to demand well in excess of the $800 million.

"We're looking to invest with the best managers that are likely to outperform the public markets and their peers," said Amanda Outerbridge, a principal at Harbour-Vest Partners, a longtime Canaan investor.

Two of Canaan's past three funds have so far delivered returns at or near the top 10% of venture-capital firms tracked by investment adviser Cambridge Associates, according to data provided by Canaan. A third fund has generated middle-of-the-road returns.

The Menlo Park, Calif., firm was formed as a spinoff of General Electric Co. in 1987, initially funding small bets in biotech and a once-tiny computing sector.

It has remained in both industries, with about 60% of its capital earmarked for tech in areas like online marketplaces and fintech, and 40% devoted to pharmaceuticals and medical technology.

Among Canaan's best recent investments are early bets on **LendingClub** Corp., which went public with a $5.4 billion valuation before beginning a long slide in its share price, and grocery-delivery startup **Instacart** Inc., which was valued recently at $3.4 billion.

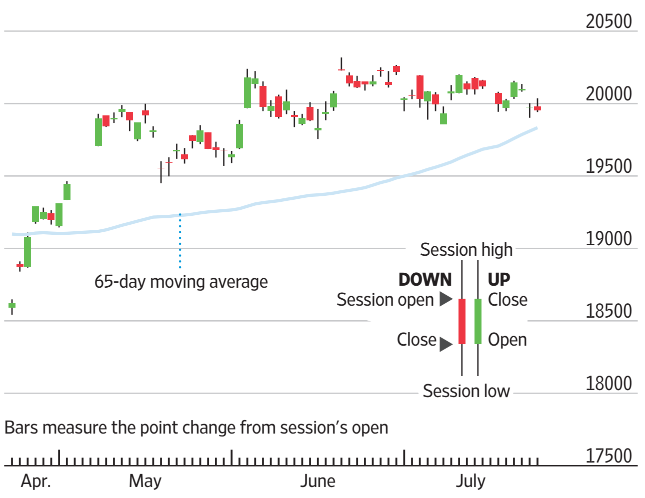
MARKETS DIGEST

Nikkei 225 Index

19955.20 ▼20.47, or 0.10%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲ 4.40%
52-wk high/low	20230.41 16083.11
All-time high	38915.87 12/29/89



Bars measure the point change from session's open

STOXX 600 Index

380.77 ▲1.54, or 0.41%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲ 5.35%
52-wk high/low	396.45 328.80
All-time high	414.06 4/15/15

S&P 500 Index

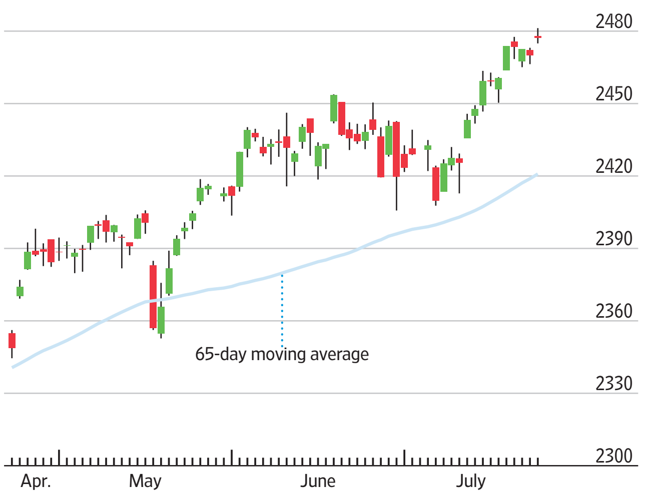
2477.08 ▲7.17, or 0.29%

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	24.35	24.87
P/E estimate *	18.87	18.39
Dividend yield	1.97	2.12
All-time high:	2477.08, 07/25/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 4 p.m. New York time

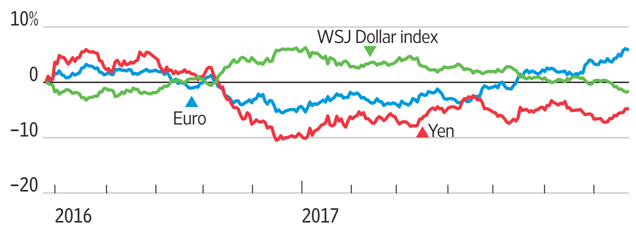
Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2846.22	15.27	0.54	2384.24	2850.00	12.6
	MSCI EAFE	1925.65	5.69	0.30	1471.88	1956.39	12.2
	MSCI EM USD	1060.76	–3.51	–0.33	691.21	1063.99	33.6
Americas	**DJ Americas**	597.89	2.85	0.48	503.44	597.91	10.6
Brazil	**Sao Paulo Bovespa**	65620.44	520.89	0.80	55695.52	69487.58	9.0
Canada	**S&P/TSX Comp**	15220.32	91.63	0.61	14319.11	15943.09	–0.4
Mexico	**IPC All-Share**	51695.24	29.59	0.06	43998.98	51755.42	13.3
Chile	**Santiago IPSA**	3808.51	–6.06	–0.16	3120.87	3837.15	18.2
U.S.	**DJIA**	21642.97	129.80	0.60	17883.56	21681.53	9.5
	Nasdaq Composite	6416.71	5.90	0.09	5034.41	6417.70	19.2
	S&P 500	2481.08	11.17	0.45	2083.79	2481.24	10.8
	CBOE Volatility	9.07	–0.36	–3.82	9.04	23.01	–35.4
EMEA	**Stoxx Europe 600**	380.77	1.54	0.41	328.80	396.45	5.4
	Stoxx Europe 50	3125.02	14.93	0.48	2720.66	3279.71	3.8
Austria	**ATX**	3212.24	53.59	1.70	2166.58	3224.80	22.7
Belgium	**Bel-20**	3901.76	29.10	0.75	3362.71	4055.96	8.2
France	**CAC 40**	5161.08	33.38	0.65	4293.34	5442.10	6.1
Germany	**DAX**	12264.31	55.36	0.45	10092.53	12951.54	6.8
Greece	**ATG**	843.05	–6.02	–0.71	546.95	859.78	31.0
Hungary	**BUX**	35286.14	–76.69	–0.22	27001.48	36280.07	10.3
Israel	**Tel Aviv**	1455.23	3.56	0.25	1372.23	1490.23	–1.1
Italy	**FTSE MIB**	21457.45	130.87	0.61	15923.11	21828.77	11.6
Netherlands	**AEX**	524.69	3.04	0.58	436.28	537.84	8.6
Poland	**WIG**	61974.70	146.31	0.24	46052.49	62853.78	19.7
Russia	**RTS Index**	1010.06	–3.63	–0.36	898.05	1196.99	–12.3
Spain	**IBEX 35**	10523.40	76.90	0.74	8229.40	11184.40	12.5
Sweden	**SX All Share**	564.86	0.36	0.06	483.91	598.42	5.7
Switzerland	**Swiss Market**	8937.90	39.67	0.45	7585.56	9148.61	8.7
South Africa	**Johannesburg All Share**	54499.11	130.49	0.24	48935.90	54802.03	7.6
Turkey	**BIST 100**	107040.67	330.15	0.31	71792.96	107749.80	37.0
U.K.	**FTSE 100**	7434.82	57.09	0.77	6615.83	7598.99	4.1
Asia-Pacific	**DJ Asia-Pacific TSM**	1668.51	–4.92	–0.29	1405.52	1674.86	17.3
Australia	**S&P/ASX 200**	5726.60	38.50	0.68	5156.60	5956.50	1.1
China	**Shanghai Composite**	3243.69	–6.91	–0.21	2953.39	3288.97	4.5
Hong Kong	**Hang Seng**	26852.05	5.22	0.02	21574.76	26852.05	22.1
India	**S&P BSE Sensex**	32228.27	–17.60	–0.05	25765.14	32245.87	21.0
Japan	**Nikkei Stock Avg**	19955.20	–20.47	–0.10	16083.11	20230.41	4.4
Singapore	**Straits Times**	3327.83	17.03	0.51	2787.27	3327.83	15.5
South Korea	**Kospi**	2439.90	–11.63	–0.47	1958.38	2451.53	20.4
Taiwan	**Weighted**	10463.15	1.87	0.02	8902.30	10513.96	13.1

Source: SIX Financial Information;WSJ Market Data Group

Currencies

London close on July 25

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0575	17.3973	**9.6**
Brazil real	0.3155	3.1692	**–2.6**
Canada dollar	0.7996	1.2506	**–7.0**
Chile peso	0.001539	649.90	**–3.0**
Colombia peso	0.0003301	3029.08	**0.9**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0563	17.7536	**–14.4**
Peru sol	0.3081	3.2455	**–3.2**
Uruguay peso-e	0.0351	28.480	**–3.0**
Venezuela bolivar	0.100060	9.99	**–0.0**
Asia-Pacific			
Australia dollar	0.7950	1.2579	**–9.4**
China yuan	0.1481	6.7515	**–2.8**
Hong Kong dollar	0.1281	7.8085	**0.7**
India rupee	0.0155	64.4250	**–5.2**
Indonesia rupiah	0.0000750	13327	**–1.5**
Japan yen	0.008957	111.64	**–4.6**
Kazakhstan tenge	0.003057	327.09	**–2.0**
Macau pataca	0.1244	8.0384	**1.5**
Malaysia ringgit-c	0.2335	4.2820	**–4.5**
New Zealand dollar	0.7426	1.3466	**–6.7**
Pakistan rupee	0.0095	105.330	**0.9**
Philippines peso	0.0197	50.642	**2.1**
Singapore dollar	0.7349	1.3608	**–6.0**
South Korea won	0.0008947	1117.69	**–7.5**
Sri Lanka rupee	0.0065125	153.55	**3.4**
Taiwan dollar	0.03296	30.341	**–6.5**
Thailand baht	0.02988	33.470	**–6.5**
Europe			
Bulgaria lev	0.5959	1.6782	**–9.7**
Croatia kuna	0.1573	6.358	**–11.4**
Euro zone euro	1.1658	0.8578	**–9.8**
Czech Rep. koruna-b	0.0448	22.320	**–13.1**
Denmark krone	0.1567	6.3798	**–9.8**
Hungary forint	0.003818	261.89	**–11.0**
Iceland krona	0.009437	105.97	**–6.2**
Norway krone	0.1253	7.9782	**–7.7**
Poland zloty	0.2738	3.6524	**–12.8**
Russia ruble-d	0.01665	60.048	**–2.0**
Sweden krona	0.1219	8.2038	**–9.9**
Switzerland franc	1.0534	0.9493	**–6.8**
Turkey lira	0.2805	3.5647	**1.2**
Ukraine hryvnia	0.0387	25.8300	**–4.6**
U.K. pound	1.3040	0.7669	**–5.3**
Middle East/Africa			
Bahrain dinar	2.6529	0.3770	**–0.06**
Egypt pound-a	0.0559	17.8977	**–1.3**
Israel shekel	0.2802	3.5683	**–7.3**
Kuwait dinar	3.3080	0.3023	**–1.1**
Oman sul rial	2.5960	0.3852	**0.06**
Qatar rial	0.2747	3.641	**0.0**
Saudi Arabia riyal	0.2667	3.7502	**–0.01**
South Africa rand	0.0768	13.0252	**–4.9**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.58	0.06	0.07	**–6.84**

Sources: Tullett Prebon, WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
2.750	**Australia** 2	**1.849**	**45.5**	48.4	31.3	**80.1**	**1.841**	1.666	**1.541**
2.750	10	**2.699**	**37.5**	43.2	23.6	**34.7**	**2.689**	2.380	**1.923**
3.000	**Belgium** 2	**-0.472**	**-186.6**	-184.9	-190.8	**-129.2**	**-0.493**	-0.556	**-0.553**
0.800	10	**0.826**	**-149.8**	-148.7	-154.9	**-135.6**	**0.769**	0.594	**0.220**
0.000	**France** 2	**-0.384**	**-177.8**	-177.3	-181.7	**-127.0**	**-0.417**	-0.464	**-0.530**
1.000	10	**0.810**	**-151.4**	-150.9	-153.7	**-138.2**	**0.747**	0.606	**0.194**
0.000	**Germany** 2	**-0.653**	**-204.7**	-200.0	-199.0	**-135.0**	**-0.643**	-0.637	**-0.610**
0.500	10	**0.570**	**-175.4**	-174.7	-188.5	**-161.4**	**0.510**	0.258	**-0.038**
0.050	**Italy** 2	**-0.004**	**-139.8**	-136.0	-168.6	**-79.6**	**-0.004**	-0.333	**-0.056**
2.200	10	**2.122**	**-20.2**	-20.9	-23.3	**-33.9**	**2.047**	1.911	**1.237**
0.100	**Japan** 2	**-0.110**	**-150.4**	-147.0	-145.4	**-107.0**	**-0.114**	-0.101	**-0.330**
0.100	10	**0.070**	**-225.4**	-218.5	-208.8	**-181.5**	**0.071**	0.056	**-0.239**
4.000	**Netherlands** 2	**-0.634**	**-202.8**	-199.2	-196.1	**-129.7**	**-0.635**	-0.609	**-0.558**
0.750	10	**0.681**	**-164.3**	-163.4	-168.9	**-149.6**	**0.622**	0.454	**0.080**
4.750	**Portugal** 2	**0.058**	**-133.6**	-130.0	-129.4	**-11.9**	**0.056**	0.059	**0.621**
4.125	10	**2.957**	**63.3**	63.1	75.5	**144.2**	**2.887**	2.898	**3.017**
2.750	**Spain** 2	**-0.262**	**-165.6**	-163.7	-165.4	**-91.1**	**-0.281**	-0.301	**-0.171**
1.500	10	**1.531**	**-79.3**	-78.1	-77.8	**-46.8**	**1.475**	1.366	**1.108**
4.250	**Sweden** 2	**-0.692**	**-208.6**	-207.4	-206.1	**-139.5**	**-0.717**	-0.708	**-0.656**
1.000	10	**0.662**	**-166.2**	-162.9	-170.6	**-138.2**	**0.628**	0.438	**0.194**
1.750	**U.K.** 2	**0.312**	**-108.2**	-107.2	-111.2	**-59.7**	**0.285**	0.241	**0.142**
4.250	10	**1.260**	**-106.4**	-106.7	-110.9	**-76.3**	**1.189**	1.035	**0.813**
1.250	**U.S.** 2	**1.394**	**...**	...	...	**...**	**1.357**	1.353	**0.739**
2.375	10	**2.324**	**...**	...	...	**...**	**2.256**	2.143	**1.576**

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 7/24/2017

Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	382.75	-8.00	-2.05%	417.25	374.00
Soybeans (cents/bu.)	CBOT	992.00	-18.00	-1.78	1,047.00	907.00
Wheat (cents/bu.)	CBOT	474.75	-14.00	-2.86	574.50	430.75
Live cattle (cents/lb.)	CME	112.925	-1.475	-1.29	122.850	99.125
Cocoa ($/ton)	ICE-US	1,923	-45	-2.29	2,281	1,767
Coffee (cents/lb.)	ICE-US	130.80	-1.75	-1.32	163.75	115.50
Sugar (cents/lb.)	ICE-US	13.90	-0.50	-3.47	20.50	12.74
Cotton (cents/lb.)	ICE-US	68.85	0.56	0.82%	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2105.00	2.00	0.10	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.8410	0.1045	3.82	2.8540	2.4850
Gold ($/troy oz.)	COMEX	1256.20	-4.50	-0.36	1,307.00	1,160.80
Silver ($/troy oz.)	COMEX	16.465	0.022	0.13	18.780	14.340
Aluminum ($/mt)*	LME	1,917.50	-8.50	-0.44	1,972.00	1,688.50
Tin ($/mt)*	LME	20,225.00	50.00	0.25	21,225.00	18,760.00
Copper ($/mt)*	LME	6,030.00	-5.00	-0.08	6,156.00	5,491.00
Lead ($/mt)*	LME	2,249.00	6.00	0.27	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,782.00	17.50	0.63	2,958.50	2,450.50
Nickel ($/mt)*	LME	9,610.00	-5.00	-0.05	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	211.50	2.20	1.05	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2625.00	72.00	2.82	2631.00	2376.00
Crude oil ($/bbl.)	NYMEX	47.86	1.52	3.28	58.36	42.29
NY Harbor ULSD ($/gal.)	NYMEX	1.5699	0.0478	3.14	1.8065	1.3703
RBOB gasoline ($/gal.)	NYMEX	1.5726	0.0390	2.54	1.8366	1.3805
Natural gas ($/mmBtu)	NYMEX	2.927	0.045	1.56	3.5490	2.8300
Brent crude ($/bbl.)	ICE-EU	50.30	1.48	3.03	60.13	44.88
Gas oil ($/ton)	ICE-EU	464.75	12.75	2.82	532.25	405.50

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Jul 25

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2579	1.6401	1.3247	0.0113	0.1611	1.4660	1.0057	...
Canada	1.2506	1.6308	1.3173	0.0112	0.1602	1.4578	...	0.9943
Euro	0.8578	1.1187	0.9034	0.0077	0.1099	...	0.6860	0.6821
Hong Kong	7.8085	10.1829	8.2236	0.0699	...	9.1026	6.2440	6.2092
Japan	111.6440	145.6000	117.6000	...	14.2980	130.1500	89.2800	88.7700
Switzerland	0.9493	1.2381	...	0.0085	0.1216	1.1070	0.7591	0.7549
U.K.	0.7669	...	0.8077	0.0069	0.0982	0.8939	0.6132	0.6097
U.S.	...	1.3040	1.0534	0.0090	0.1281	1.1658	0.7996	0.7950

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.23278%**	0.49265%
Three month	**1.31667**	0.74300
Six month	**1.45389**	1.07320
One year	**1.73900**	1.39860
Euro Libor		
One month	**-0.39929%**	-0.36857%
Three month	**-0.37286**	-0.30357
Six month	**-0.30043**	-0.19257
One year	**-0.18729**	-0.06186
Euribor		
One month	**-0.37100%**	-0.37100%
Three month	**-0.32900**	-0.29800
Six month	**-0.27200**	-0.18700
One year	**-0.15300**	-0.04800
Yen Libor		
One month	**-0.02600%**	-0.07357%
Three month	**-0.00807**	-0.03771
Six month	**0.01143**	-0.03243
One year	**0.11643**	0.06686
	Offer	Bid
Eurodollars		
One month	**1.3200%**	1.2200%
Three month	**1.3800**	1.2800
Six month	**1.4100**	1.3100
One year	**1.8000**	1.7000
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.95**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.13%**	0.46%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

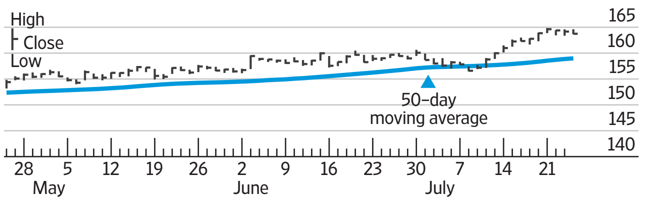
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans					
HK$	AIAGroup	1299	58.95	0.08	34.74
¥	AstellasPharma	4503	1338.00	-0.15	-17.59
AU$	AustNZBk	ANZ	30.01	0.40	-1.35
AU$	BHP	BHP	24.56	0.66	-2.00
HK$	BankofChina	3988	3.76	...	9.30
HK$	CKHutchison	0001	101.50	0.10	15.47
HK$	CNOOC	0883	8.57	-0.58	-11.65
AU$	CSL	CSL	128.56	2.02	28.04
¥	Canon	7751	3808.00	0.11	15.57
¥	CentralJapanRwy	9022	17585	...	-8.55
HK$	ChinaConstructnBk	0939	6.43	0.31	7.71
HK$	ChinaLifeInsurance	2628	25.05	-1.18	24.01
HK$	ChinaMobile	0941	83.80	-0.59	1.95
HK$	ChinaPetro&Chem	0386	5.91	-1.17	7.45
AU$	CmwlthBkAust	CBA	84.28	0.85	2.27
¥	EastJapanRailway	9020	10420	-0.62	3.17
¥	Fanuc	6954	22585	0.42	13.98
¥	Hitachi	6501	728.80	-0.61	15.32
TW$	Hon Hai Precisn	2317	117.00	0.86	38.95
¥	HondaMotor	7267	3066.00	0.79	-10.22
KRW	HyundaiMtr	005380	146000	0.69	...
HK$	Ind&Comml	1398	5.40	0.19	16.13
¥	JapanTobacco	2914	3807.00	1.66	-0.96
¥	KDDI	9433	2866.50	-1.24	-3.14
¥	Mitsubishi	8058	2372.00	-0.55	-4.74
¥	MitsubishiElectric	6503	1687.00	-0.41	3.53
¥	MitsubishiUFJFin	8306	704.70	-0.10	-2.15
¥	Mitsui	8031	1581.00	-0.91	-1.62
¥	Mizuho Fin	8411	196.70	0.25	-6.24
¥	NTTDoCoMo	9437	2585.00	-1.45	-2.93
AU$	NatAustBnk	NAB	30.24	0.30	-1.40
¥	NipponTeleg	9432	5327.00	-1.28	8.45
¥	NissanMotor	7201	1130.00	...	-3.87
¥	Panasonic	6752	1494.50	-0.07	25.64
HK$	PingAnInsofChina	2318	57.25	-0.95	47.55
$	RelianceIndsGDR	RIGD	49.40	0.10	56.58
KRW	SamsungElectronics	005930	2500000	-1.69	38.73
¥	Seven&I Hldgs	3382	4425.00	-0.47	-0.63
¥	SoftBankGroup	9984	9328.00	0.78	20.13
¥	Sony	6758	4467.00	-0.40	36.40
¥	Sumitomo Mitsui	8316	4186.00	-0.05	-6.14
HK$	SunHngKaiPrp	0016	117.70	-0.68	20.10
TW$	TaiwanSemiMfg	2330	214.00	-0.23	17.91
¥	TakedaPharm	4502	5648.00	-0.60	16.81
HK$	TencentHoldings	0700	301.60	-0.20	58.99
¥	TokioMarineHldg	8766	4676.00	-0.30	-2.50
¥	ToyotaMtr	7203	6107.00	0.46	-11.21
AU$	Wesfarmers	WES	40.29	0.10	-4.39
AU$	WestpacBanking	WBC	32.28	0.34	-0.98
AU$	Woolworths	WOW	26.36	0.42	9.38
Stoxx 50					
CHF	ABB	ABBN	22.30	0.50	3.82
€	ASMLHolding	ASML	131.50	-0.15	23.30
€	AXA	CS	25.00	1.46	4.21
€	AirLiquide	AI	106.50	0.09	0.80
€	Allianz	ALV	179.10	1.47	14.08
€	AB InBev	ABI	97.61	-0.09	-2.92
£	AstraZeneca	AZN	5087.00	-0.04	14.64
€	BASF	BAS	81.00	0.10	-8.28
€	BNP Paribas	BNP	65.17	1.46	7.63
£	BT Group	BT.A	306.60	0.31	-16.43
€	BancoBilVizAr	BBVA	7.67	2.02	20.71
€	BancoSantander	SAN	5.81	1.84	17.14
£	Barclays	BARC	209.70	2.04	-6.15
€	Bayer	BAYN	111.60	0.27	12.58
£	BP	BP.	446.45	1.52	-12.39
£	BritishAmTob	BATS	5283.00	-2.40	14.31
€	Daimler	DAI	61.06	0.23	-13.66
€	DeutscheTelekom	DTE	15.46	-0.45	-4.50
£	Diageo	DGE	2249.50	0.09	6.61
€	ENI	ENI	13.19	1.00	-14.74
£	GlaxoSmithKline	GSK	1586.00	-0.60	1.54
£	Glencore	GLEN	330.65	5.76	19.22
£	HSBC Hldgs	HSBA	756.30	2.59	15.13
€	INGGroep	INGA	15.67	1.16	17.20
£	ImperialBrands	IMB	3441.00	-0.49	-2.87
€	IntesaSanpaolo	ISP	2.89	0.77	18.96
€	LVMHMoetHennessy	MC	218.85	-0.14	20.64
£	LloydsBankingGroup	LLOY	69.00	1.63	10.38
€	LOreal	OR	180.20	0.28	3.92
£	NationalGrid	NG.	937.70	0.29	-9.67
CHF	Nestle	NESN	82.15	0.37	12.46
CHF	Novartis	NOVN	79.80	0.31	7.69
DKK	NovoNordiskB	NOVO-B	268.50	0.45	5.42
£	Prudential	PRU	1810.00	1.83	11.21
£	ReckittBenckiser	RB.	7533.00	-1.18	9.40
£	RioTinto	RIO	3475.00	4.54	10.02
CHF	RocheHldgctf	ROG	242.10	-0.21	4.08
£	RoyDtchShell A	RDSA	2079.50	1.04	-7.27
€	SAP	SAP	89.11	0.41	7.61
€	Sanofi	SAN	82.67	0.93	7.50
€	SchneiderElectric	SU	65.66	0.40	-0.68
€	Siemens	SIE	117.25	0.77	0.39
€	Telefonica	TEF	9.33	0.27	5.80
€	Total	FP	42.97	0.74	-10.03
CHF	UBSGroup	UBSG	17.27	1.65	8.28
€	Unilever	UNA	49.52	0.12	26.59
£	Unilever	ULVR	4338.50	0.12	31.77
€	Vinci	DG	77.14	0.46	19.23
£	VodafoneGroup	VOD	220.05	-0.65	10.11
CHF	ZurichInsurance	ZURN	289.90	1.47	3.39
DJIA					
$	AmericanExpress	AXP	85.43	0.51	15.32
$	Apple	AAPL	152.74	0.43	31.88
$	Boeing	BA	212.46	0.13	36.47
$	Caterpillar	CAT	114.54	5.88	23.51
$	Chevron	CVX	104.41	1.17	-11.29
$	CiscoSystems	CSCO	32.12	0.82	6.29
$	Coca-Cola	KO	45.23	0.87	9.09
$	Disney	DIS	106.41	-0.55	2.10
$	DuPont	DD	85.49	1.35	16.47
$	ExxonMobil	XOM	80.27	0.50	-11.07
$	GeneralElec	GE	25.45	0.08	-19.46
$	GoldmanSachs	GS	221.63	1.58	-7.44
$	HomeDepot	HD	147.11	1.75	9.72
$	Intel	INTC	34.67	0.49	-4.41
$	IBM	IBM	146.19	0.14	-11.93
$	JPMorganChase	JPM	92.80	1.67	7.54
$	J&J	JNJ	131.87	-0.86	14.46
$	McDonalds	MCD	159.10	4.77	30.71
$	Merck	MRK	62.38	-0.30	5.96
$	Microsoft	MSFT	74.25	0.89	19.50
$	Nike	NKE	59.38	0.73	16.82
$	Pfizer	PFE	33.10	-0.66	1.91
$	Procter&Gamble	PG	89.16	1.11	6.04
$	3M	MMM	199.28	-5.10	11.60
$	Travelers	TRV	127.46	0.85	4.12
$	UnitedTech	UTX	120.39	-2.23	9.82
$	UnitedHealth	UNH	190.41	-0.25	18.98
$	Visa	V	100.00	-0.37	28.17
$	Verizon	VZ	44.00	0.66	-17.57
$	Wal-Mart	WMT	78.52	2.12	13.60

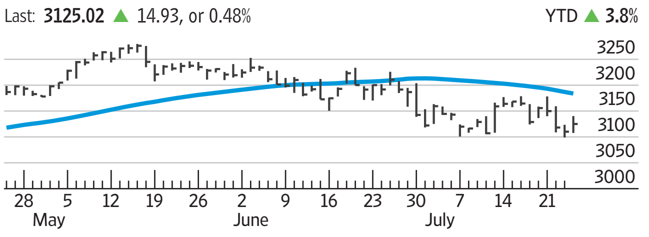
Asia Titans 50

Last: **163.74** ▼ 0.43, or 0.26% YTD ▲ **16.1%**



Stoxx 50

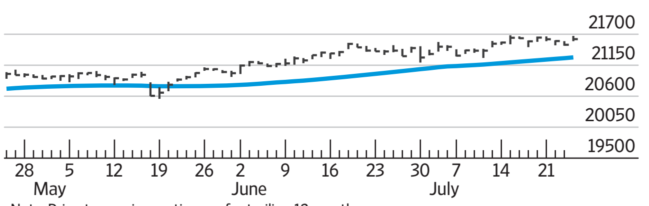
Last: **3125.02** ▲ 14.93, or 0.48% YTD ▲ **3.8%**



Dow Jones Industrial Average

P/E: 21

Last: **21613.43** ▲ 100.26, or 0.47% YTD ▲ **9.4%**



Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

THE PROPERTY REPORT

Owners Spend Freely to Remodel Homes

Householders stay put and renovate as prices rise for properties in a tight U.S. market

By Laura Kusisto And Sarah Chaney

A shortage of new single-family homes across the U.S. is pushing up prices and locking many buyers out of the market. The silver lining: a boom in renovations of existing homes.

Americans are expected to pour a record $316 billion into home remodeling this year, up from $296 billion a year earlier, according to Harvard University's Joint Center for Housing Studies.

The burst of renovations has been a boon for contractors as well as big home-improvement companies, which have enjoyed strong revenue growth even as most other retailers are struggling.

It also reflects rising home prices and growing consumer confidence, as people are once again willing to invest in their homes, either through savings or by tapping home equity.

"We turn away as much work as we do," said Bill Halliday, owner of Home Improvements of Vero Beach, in Florida. "It used to be you could call me and I could get somebody to you in a couple of days. Now I can get somebody to you in four or five weeks."

Analysts polled by FactSet expect Lowe's Cos. to post adjusted earnings on a per-share basis of $4.62 in its current fiscal year, up from $3.99 a year earlier. Home Depot Inc. is forecast to post earnings of $7.24 in its fiscal year, up from $6.45 a year prior. The earnings results would be the highest level recorded in data back to 2004, according to FactSet.

But economists caution that the current boom is unlike earlier ones in that it is largely a reflection of a broken housing market. Many Americans are electing to stay put rather than trade up because the inventory of affordable homes is so small.

In all, there are about as many homes for sale in the U.S. today as there were in 1994, but there are 63 million more people, according to Zillow Chief Economist Svenja Gudell. Ms. Gudell called the inventory shortage a crisis.

Existing-home sales declined 1.8% in June from the previous month, driven by a shortage of inventory, the National Association of Realtors said Monday. Home prices have continued to climb faster than incomes because demand is far outstripping supply. The S&PCoreLogic Case-Shiller U.S. National Home Price Index rose 5.6% in the 12 months ended in May, according to a Tuesday report, matching the April increase.

PATRICK T. FALLON/BLOOMBERG NEWS

Analysts expect home-improvement stores such as Lowe's to post higher earnings this year.

The supply squeeze is bad news for the overall U.S. economy because renovations are less of an economic engine than new construction.

"There's no inventory, that's what's really kicking the market in the teeth," said Nela Richardson, chief economist at real-estate firm Redfin. "The wound in the market is the lack of new construction of starter homes."

Throughout much of the housing downturn and recovery Americans invested little in their homes, in part because they had lost value. At the bottom of the home-renovation market in 2009, Americans spent $222 billion on renovations, or about 30% less than today.

The resurgence is being driven by several market trends. Rising home prices are boosting confidence and making people more willing to spend on big-ticket items like full kitchen remodels and additions. The average household expenditure on home renovations increased 57% in the last 12 months, according to HomeAdvisor, a website for homeowners and contractors.

Adjusted for inflation, U.S. spending on home renovations remains below the peak in 2006, when rising home prices prompted millions of Americans to refinance their homes and pour that money into elaborate upgrades. Adjusted for inflation, home renovation spending that year was roughly equivalent to $334 billion, according to Harvard.

Two big demographic groups in particular, baby boomers and millennials, are driving the latest home-improvement craze.

Baby boomers are staying in their homes longer than previous generations, in part because they are in better health and in part because the competition for smaller homes is so fierce. At the top of their renovation lists are accessibility features such as ramps, elevators and railings.

According to a survey by Houzz, a home-renovation website, roughly 60% of boomers are planning to stay in their homes for the next five years—one of the reasons it is so difficult for buyers to trade up, according to Houzz.

The millennials buying homes are often investing in older properties that need a significant amount of work.

"There are two 900-pound gorillas," said Brad Hunter, chief economist at HomeAdvisor. "The baby boomer generation and the millennials are both having really dramatic impacts at the same time."

—Bowdeya Tweh contributed to this article.

ROBERT NICKELSBERG/GETTY IMAGES (TOP); BEBETO MATTHEWS/ASSOCIATED PRESS

SL Green CEO Marc Holliday and President Andrew Mathias were allowed to buy stakes in the One Vanderbilt project in Manhattan.

SL Green Smacked Down Over Pay

By Peter Grant

Shareholders of **SL Green Realty** Corp. this year for the first time rejected the office-building landlord's 2016 compensation, saying it was too generous and wasn't sufficiently aligned with investors' interests.

In a nonbinding say-on-pay vote in June, investors rejected the company's 2016 compensation, which awarded SL Green Chief Executive Marc Holliday $17.3 million, the highest amount in the real-estate investment trust industry.

SL Green was one of several REITs in the recently ended proxy season that had their executive pay rejected, marking an unusually strong rebuke of a sector that is generally lauded for its compensation practices.

Executives of SL Green, one of the largest U.S. office REITs, said the amount was justified given Mr. Holliday's performance and the fact that the plan was modified to address investors' concerns in the past.

But analysts and investors criticized numerous provisions, including a 29% increase in Mr. Holliday's base salary without an explanation in the company's proxy filing with the Securities and Exchange Commission.

Shares of REITs have been lagging behind the broader stock market. Office REITs are up only about 0.6% this year, compared with 10% for the S&P 500. Retail REITs are down 10%.

Shares of SL Green, the biggest office landlord in New York, were trading at $102 on Tuesday, down 5.2% for the year. Like many other office companies, it is being hurt by concerns over new supply and slowing rent and occupancy growth.

Three other REITs besides SL Green had their compensation rejected by investors in the nonbinding say-on-pay votes, a large number given that there were only 29 no votes in the entire corporate world, according to Jeremy Banoff, a senior managing director with **FPL Associates** LP, a compensation-consulting firm that focuses on the real-estate industry.

New York Mayor Bill de Blasio, left, and Marc Holliday last year.

The other three REITs were **Whitestone REIT**, of Houston, and **Senior Housing Properties Trust** and **Hospitality Properties Trust**, both of Newton, Mass. Executives of those three companies didn't return calls seeking comment.

The high number of rejections was surprising given that REITs in general do better than other companies in aligning compensation plans with investors, according to a recent FPL report. Just under 90% of REITs tie a large percent of compensation to total shareholder returns, the report said. In the rest of the corporate world about 57% of companies do this, the report said.

Proxy advisory firm **Institutional Shareholder Services** Inc., a longtime critic of SL Green's pay, said in a report that a no vote was warranted this year "in light of the [compensation] committee's poor responsiveness to shareholder concerns following multiple consecutive years for low say-on-pay support."

This year, only 43% of SL Green's voting shareholders supported the company's compensation. In an interview with The Wall Street Journal, the chairman of SL Green's compensation committee, John Alschuler Jr., said management was disappointed by the outcome and takes the opinion of its shareholders seriously. But he also criticized the ISS report, calling parts of it "vacuous intellectually."

Mr. Alschuler said Mr. Holliday's increase in base salary amounted to $300,000, which he described as a rounding error given the size of the chief executive's total pay package.

Partly because of SL Green's share price, Mr. Holliday's total compensation in 2016 was 25% less than his 2015 package.

Mr. Alschuler said Mr. Holliday asked for the higher base salary because much more of his compensation is now at risk. "We thought that was fair," he said.

But Mr. Holliday's total compensation is more than triple the median remuneration of the largest 100 public REITs as calculated by FPL. His base salary increase gave him the second-highest base salary in the REIT industry.

Critics also called attention to SL Green's award to Mr. Holliday of options valued at more than $2 million, which he will automatically receive after one more year of employment.

Mr. Alschuler said that SL Green is a frugal company, given that its total overhead costs are low compared with comparable REITs.

"What ISS is saying is: You're a really frugal company, but we don't like how you're frugal."

Mr. Alschuler said some shareholders may have voted no because they were concerned Mr. Holliday and SL Green President Andrew Mathias were allowed to buy stakes in the company's development at One Vanderbilt in Midtown Manhattan. Some investors, he said, wrongly believe that might give Messrs. Holliday and Mathias incentives to favor One Vanderbilt over other office buildings SL Green owns.

Mr. Alschuler said that concern isn't valid partly because the two executives also own a "very significant amount" of stock in the whole company.

Why Data Centers, Cell Towers Are Hot

By Esther Fung

E-commerce has been blamed for the struggles of retail real estate, but is proving to be a boon for owners of data centers and cell towers.

As more people consume digital content and make purchases online, landlords and owners of data centers and cell towers that house cables and beam data to smartphones are looking to expand faster.

Cell-tower operator **REIT Crown Castle International** Corp. on July 18 said it is making a $7.1 billion acquisition of **Lightower Fiber Networks**, a purchase that would double its fiber-optic footprint and expand its reach to Northeast U.S. markets.

Data-center owner and operator **Digital Realty Trust** Inc. said in June that it would acquire competitor **DuPont Fabros Technology** Inc. in an all-stock deal valued at $7.6 billion. San Francisco-based Digital Realty said the transaction will strengthen its existing portfolio in northern Virginia, Chicago and Silicon Valley.

The moves show how technology is creating numerous winners in real estate even as it disrupts traditional industries such as retailing. While mall owners face pressure from the rise of e-commerce, the increase in web activity is fueling demand for wireless infrastructure and racks of telecommunication equipment that need to be stored somewhere.

"Technology innovation has impacted a lot of the real-estate asset classes. Just look at today versus five years ago," said Andrew Power, chief financial officer of Digital Realty, who pointed to the disruption Airbnb Inc. has wrought on the hotel industry.

Information-technology firms and cloud-service companies such as **Amazon** Inc. and **Facebook** Inc. are driving demand for data centers, while the growth of supply of data centers has been slow to catch up, he said.

All of that is being reflected in share prices. Total returns from data centers were 22% in the first half of this year, higher than the 4.9% return of all equity REITs, according to data from the National Association of Real Estate Investment Trusts, and the 8.8% return for the S&P 500 stock index.

Total returns from infrastructure REITs, which include cell towers, were 22% over the same period.

"Data centers are truly a growth real-estate sector. We're all using these electronic file cabinets," said Joel Beam, managing director and senior portfolio manager of real-estate strategies at asset-management firm Salient Partners LP, which had increased its investments in data centers in recent months.

Houston-based Crown Castle is focused on providing infrastructure to lease to wireless carriers such as **Verizon Communications** Inc., **AT&T** Inc. and **T-Mobile US** Inc. in urban areas. Its latest all-cash deal is its biggest to date.

Cell towers are the main platform of the digital economy, said Crown Castle Chief Executive Jay Brown. "It's very similar to railroad tracks and toll roads," he said.

Yet there are questions over how quickly advances in technology could shrink the amount of space necessary for storage and transmission of data, and whether there could be alternative uses for the highly specialized real estate.

Data centers are typically windowless buildings with thick walls and other rigid infrastructure to protect from natural disasters. They are also huge consumers of power.

"You wonder if all this stuff could eventually be stored on the head of a pin. I'm not a tech expert," Mr. Beam said.

LOREN HOLMES/ALASKA DISPATCH NEWS/ZUMA PRESS

The total returns from infrastructure REITs, which include cell-phone towers, were 22% in the first half of the year.

MARKETS

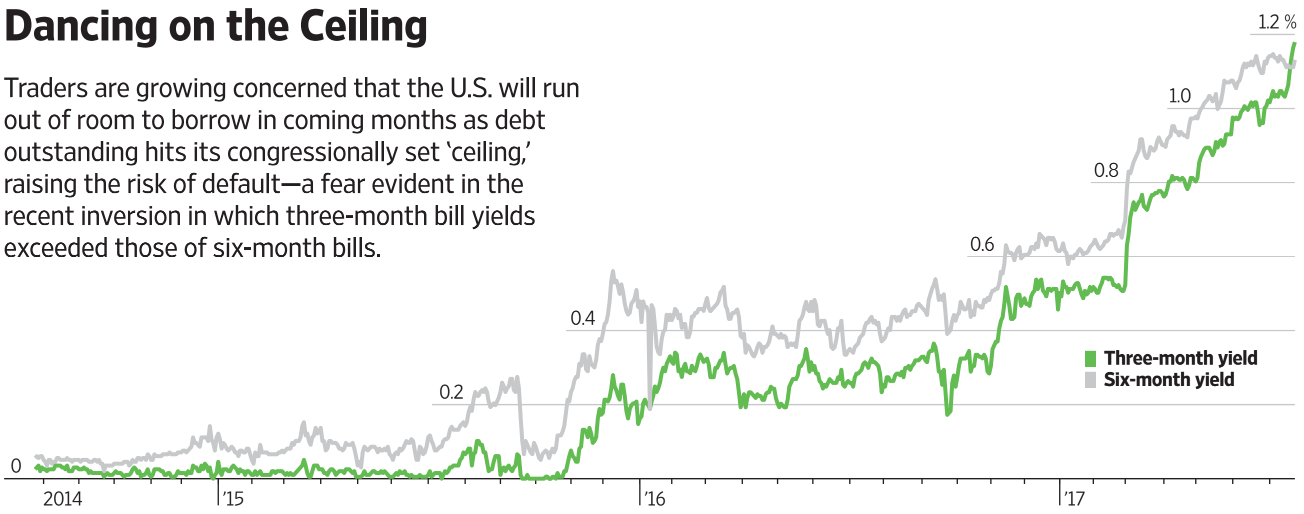
Investors on Edge Over Borrowing Limit

Treasury-bill yields get jarred amid doubts on Congress's ability to smoothly reach accord

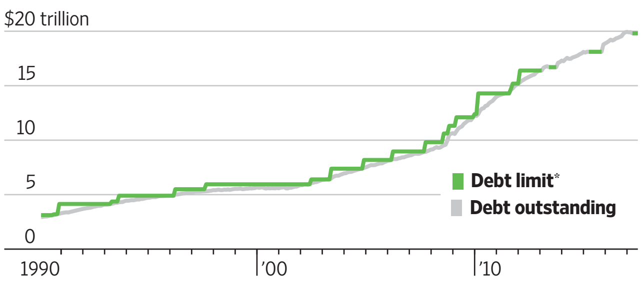
By Ben Eisen

Dancing on the Ceiling

Traders are growing concerned that the U.S. will run out of room to borrow in coming months as debt outstanding hits its congressionally set 'ceiling,' raising the risk of default—a fear evident in the recent inversion in which three-month bill yields exceeded those of six-month bills.

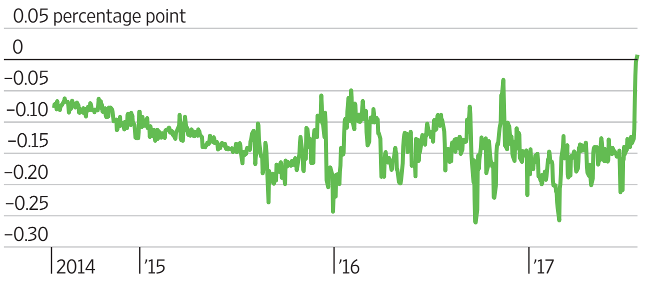


Debt outstanding has repeatedly encroached on the ceiling in recent years.

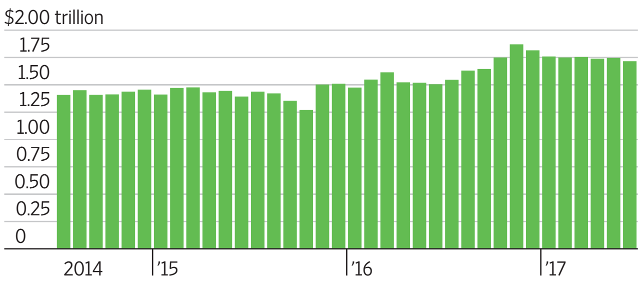


The three-month-bill selloff has put yields above comparable index swaps.

Spread between three-month yield and overnight index swap



Bills outstanding† have shrunk as the government has sold longer-dated debt.



The yield curve has flattened, as rising short-term rates have been matched by falling long-term ones.

Yield on 10-year Treasury note

*Absence of line indicates debt-ceiling suspension. †Bills oustanding includes all Treasurys maturing in 52 weeks or less. Note: Through Monday
Sources: Ryan ALM (yields); TD Securities, Treasury Department (debt); TD Securities (spread); Wrightson ICAP (bills outstanding)

THE WALL STREET JOURNAL.

Wall Street is getting worried about the debt-ceiling debate in Washington.

Bond traders, concerned about protracted sparring over the federal government's borrowing limit, are pushing up the yields on short-term Treasurys. The three-month yield, the shortest-term of the U.S. government-debt offerings to mature after the coming debt-ceiling deadline, late Monday was paying more than a security whose term is twice as long. It is a rare "inversion" that hasn't happened in this corner of the market since the throes of the financial crisis. The inversion continued on Tuesday morning.

A brief default on government debt would hit short-term T-bills first, so they have typically turned volatile ahead of deadlines in Washington for lifting the government's cap on borrowing. But the magnitude and timing of the moves—well before October, the Congressional Budget Office's estimated deadline for a deal—suggest investors are on edge about what's to come.

"We are all attuned to the dysfunction in Washington," said Priya Misra, head of Global Rates Strategy at TD Securities in New York. "It's making an early resolution seem very unlikely. Even though the Republicans control the House, Senate and White House, it's not a unified party per se, and that's what creates the risk of a policy mistake."

To be sure, analysts say yields in the $1.7 trillion T-bill market can become jumbled for reasons besides a debt debacle, such as when the Federal Reserve is in a rate-lifting cycle, as it is now. When rates are rising, pushing up short-term yields relative to their longer-term counterparts, they are already more disposed to become inverted. But these yields otherwise haven't inverted on a closing basis during the central bank's cycle of rate increases that began in late 2015.

Plus, three-month T-bill yields are trading cheaper than they usually do relative to overnight index swaps, an interest-rate derivative in which investors bet on the Fed's interest-rate policy. That suggests other factors are at play than the outlook for the Fed. T-bills on Monday were cheaper than OIS for the first time since 2009, according to TD Securities.

The debt-ceiling debate has become common in recent years, with a particularly contentious debate taking place in 2011. It was followed by a debate in 2013 that also sent short-term yields higher, and another one in 2015. That has led investors to routinely demand more yield on the bills most at-risk if the government were to temporarily stop repaying its debt.

This time around, the debate adds a new dimension because it will force different factions within the Republican Party to come to an agreement. And they will also have to reach across the aisle to avoid a filibuster, since the Senate will likely need 60 votes to pass a debt-limit increase.

The Treasury reached its $20 trillion ceiling in March, but has raised cash through a series of extraordinary measures. Now lawmakers have until early-to-mid October to lift the ceiling before cash balances are exhausted, according to the Congressional Budget Office. In the meantime, some market participants expect the Treasury will reduce its issuance of T-bills.

Some investors are doubtful about Congress's ability to smoothly reach an agreement to lift the debt limit given its divides on a health-care bill. And Treasury Secretary Steven Mnuchin has said he doesn't want to attach conditions to a bill lifting the debt ceiling while White House budget director Mick Mulvaney has long advocated tying it to spending cuts or other legislation. President Donald Trump has said Mr. Mnuchin is the point-person on the matter.

While most expect a debt-ceiling deal to be ironed out eventually, some worry about knock-on effects in the meantime. In addition to the remote possibility of a short-term delay in debt payments, a debate that comes down to the wire could affect the Fed's decisions on the timing of interest-rate increases. The Fed has indicated it expects one more increase this year.

The Treasury Department auctioned $39 billion of three-month T-bills Monday at a yield of 1.18%, above where the market was trading at the time, analysts said. That is another sign investors are demanding more yield to own three-month T-bills.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY **WSJ.com/Heard**

Shale-Oil Drillers Face a Squeeze

Rising profits for oil-service companies usually mean oil producers are making money, too. But when the producers are drilling high-cost oil from shale, rising expenses could squeeze profits and lead them to scale back growth.

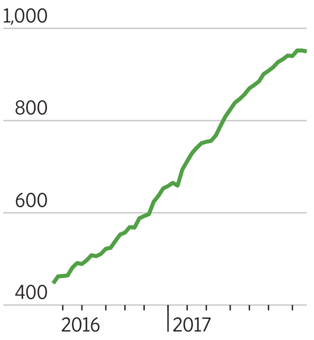
That is the message from earnings at **Schlumberger** and **Halliburton**, the world's two largest oil-service providers, which reported strong results this week but said the boom in new shale drilling likely has ended.

The number of rigs drilling for oil and gas in the U.S. has more than doubled in the past year. Paradoxically, though, Halliburton Executive Chairman David Lesar noted that a "tapping of the brakes is happening all over the place in North America" even as he sees stronger margins ahead.

Schlumberger's executives said last week that its pressure-pumping equipment is in very high demand in U.S. shale, but Chief Executive Paal Kibsgaard said that U.S. land-based producers are "largely driven by the U.S. equity investors who are encouraging, enabling and rewarding short-term production growth in spite of marginal project economics." He also suggested that activity would moderate.

Roughnecks Rejoice

U.S. rotary rig count, oil and gas



Sources: Baker Hughes; Reuters (photo)
THE WALL STREET JOURNAL.

Schlumberger says its equipment is in high demand

The fact that these comments are being made with U.S. crude prices hovering around $46 a barrel would have been remarkable three years ago. Back then the conventional wisdom held that the break-even price for spending any money on shale formations was somewhere in the range of $60 to $70 a barrel.

That number has come way down, much to the chagrin of producers in the Organization of the Petroleum Exporting Countries and major non-OPEC power Russia that were scrambling to stabilize prices at a meeting in St. Petersburg, Russia. Much of it stems from innovation—squeezing more oil out of each well. But part came at the expense of oil-field-services companies that saw margins collapse. That trend is reversing.

"The rig count is up. There are less underutilized assets sitting around, and that puts oil-field-services companies in a stronger position," says Rob Thummel, portfolio manager at energy-focused investment firm Tortoise Capital Advisors.

In addition to services such as pressure pumping, other important costs for shale producers such as sand are rising. As employment streams back into the business, labor costs may also go up. Unless producers can innovate away the increased costs of services, materials and labor, or OPEC's discipline forces prices higher, this inflation will eat at their margins and make them less likely to drill as many new wells.

—Spencer Jakab

OVERHEARD

Dive! Dive! Dive!

Greek bulk carrier **Dry-Ships** has been doing a nice submarine impression since its mysterious 1,500% spike in November, shedding 99.9% of its value as millions of new shares have been issued with seemingly little regard for their price.

Yet the company's very own Captain Nemo, Chief Executive **George Economou**, outdid himself last Friday as the stock executed its latest reverse split.

It plunged by nearly 58% in the early hours of trading on a split-adjusted basis, coming close to breaking below the $1-a-share mark that had spurred its previous seven reverse splits in record time.

Then it unexpectedly released ballast. The share price tripled in afternoon trading before closing down by what for most companies would be a shocking 28%. Who needs to go to a cruise-ship casino when this dry bulk carrier offers such exciting action right on the Nasdaq?

Akzo Nobel's Results Lift Odds of Deal

The weaker that Dutch paint group **Akzo Nobel** looks, the better the chances of an eventual takeover by U.S. rival **PPG Industries**.

That helps explain the muted stock-market reaction to a decidedly crummy set of results Tuesday. Even stripping out €20 million ($23.3 million) of costs for the company's takeover defense—PPG walked away from its $28 billion bid in early June—second-quarter operating profit was 6% lower than last year and 7% lower than analysts expected.

In April, when the company unveiled new targets to fend off PPG, management said "significant growth momentum" would push operating profit €100 million higher this year. It is sticking to this target even though growth momentum is lacking. A hiring freeze is expected to pick up the slack.

The more Akzo Nobel relies on cost-cutting, rather than underlying growth, to prop up its stand-alone strategy, the more it undermines its defense against PPG, which insinuated that the U.S. group would ax jobs.

The company's growth deficit also reinforces the strategic rationale for consolidation in the paint industry. PPG could resurrect its bid any time from December, when the cooling-off period expires. More likely is after next April, when Akzo Nobel Chairman Antony Burgmans retires. Activist hedge fund **Elliott Management** remains on the war path for change.

Akzo Nobel shares look like a one-way bet. If its stand-alone plan succeeds, the market will be pleasantly surprised. If it fails, then a fresh takeover bid becomes ever more probable.

—Stephen Wilmot

HNA's Disclosure Doesn't Solve Mystery of Its Ownership

Scrutinizing the ownership of **HNA Group** always brings to mind Winston Churchill's well-worn description of Russia as a riddle wrapped in a mystery inside an enigma.

The acquisitive Chinese company, which owns a nearly 10% stake in Deutsche Bank and is trying to buy White House communications director Anthony Scaramucci's **SkyBridge Capital**, says it is trying to be more transparent. On Monday, it disclosed new details about its shareholders, listing 15 individuals and entities it says are its ultimate owners.

Revealing so much detail about ownership is unusual for a closely held mainland Chinese company. But HNA is an active global acquirer, and its disclosure hardly quells questions around the group.

The main change is that a charitable foundation based in New York, **Hainan Cihang Charity Foundation**, is now HNA's largest beneficial owner, with a stake of nearly 30%. That stake was transferred to the charity by Bharat Bhise, CEO of Bravia Capital, and former HNA owner Guan Jun. Not much was known about Guan Jun, and not much is known about the charity, either, except that it was set up late last year. Nor has much light been shed on the convoluted structure through which the charity and the other beneficial owners own stakes.

GREG BAKER/AGENCE FRANCE-PRESSE/GETTY IMAGES

Overseas deal making by China's HNA is likely to remain stalled.

Those in Beijing wondering why HNA has been so eager to move its money abroad by buying assets overseas are unlikely to be appeased by learning its biggest shareholder is based in the U.S. The Chinese government is already investigating debt levels at HNA and four other companies that have made big overseas transactions.

Nor will those who deal with HNA outside China be much better informed. They include regulators in the U.S. and Europe looking into the SkyBridge and Deutsche Bank deals, as well as Western investment banks already wary of working with HNA.

One practical effect of all this is that HNA's overseas deal making is likely to remain stalled. Even if the names of HNA's owners are now clearer, business partners and regulators will need time to become comfortable with their backgrounds and motives. HNA's declaration of openness hasn't unpeeled the mystery around the group; it has simply changed the wrapping.

—Andrew Peaple