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Last week: DJIA 21349.63 ▼ 45.13 0.2% NASDAQ 6140.42 ▼ 2.0%

STOXX 600 379.37 ▼ 2.1%

10-YR. TREASURY ▼ 1 12/32, yield 2.298%

OIL \$46.04 ▲ \$3.03

EURO \$1.1427 YEN 112.39

What's News

Business & Finance

The dollar is down 5.6% so far this year, its worst stretch in six years, as investors turned more confident that economic recoveries around the world are gaining on or surpassing growth in the U.S. A1

♦ Federal investigators believe Caterpillar failed to submit numerous required export filings in recent years. B1

♦ France's Total is set to invest \$1 billion in an Iranian gas field, capping months of negotiations. B3

♦ Bitcoin's transaction costs have soared, hurting the digital currency's appeal. B1

♦ U.S. stocks set records in the first half, but some investors are worried about the impact of the recent collapse in crude prices. B5

♦ Aircraft technology to warn pilots they are flying toward potentially hazardous icing conditions is inadequate, a joint U.S.-European study reports. B2

♦ A Fyre Festival promoter was charged with defrauding investors to raise money for the failed concert in the Bahamas. B3

♦ European deal making is set to march on in the second half of the year despite early signs of an acrimonious breakup with the European Union. B10

♦ Brexit could cost U.K. lenders \$17.1 billion to relocate activities to Europe. B10

World-Wide

♦ Governors are pushing back on the GOP health bill, urging lawmakers to rethink cuts to Medicaid funding. A1

♦ New Jersey's budget standoff continued, and Illinois lawmakers edged closer to a deal on revenue and spending measures. A3

♦ The U.S. Navy conducted a patrol close to a China-controlled island in the South China Sea, signaling displeasure with Beijing. A1

♦ Iraq's security forces are on the verge of defeating Islamic State in that country, a boost for Iraqi Prime Minister Abadi. A1

♦ Myrtle Beach, S.C., is dealing with a flurry of violence that has officials working to reassure tourists and residents. A3

♦ Foreign airports that send direct flights to the U.S. must have explosives-detecting scanners within 21 days under a Homeland Security mandate. A2

♦ A bill that would make it tougher for Trump to ease sanctions on Russia faces obstacles in the House. A4

♦ Saudi Arabia's new crown prince launched a crackdown on dissent, attempting to silence activists and critical clerics. A5

♦ Parts of Damascus were on lockdown after a car bomb killed at least a dozen people in the Syrian capital. A5

Notice to Readers

WSJ.com and WSJ mobile apps will publish throughout the July 4th holiday. The Wall Street Journal print edition won't appear Tuesday, but an edition will be available in WSJ iPad and Android apps.

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A girl stood in a rubble-filled street in Mosul, where Iraqi forces on Sunday continued their advance against Islamic State militants.

ISIS SETBACK LIFTS IRAQ LEADER

Prime minister, who generated few expectations, stitched military alliance, damped sectarianism

By BEN KESLING

MOSUL, Iraq—Three years ago, Abu Bakr al-Baghdadi proclaimed the existence of an Islamic State caliphate and proceeded to sweep his forces through northern Iraq and toward Baghdad, threatening the viability of the fragile country.

Today, the leader declaring an end to the caliphate is someone few would have imagined in the position, Iraqi Prime Minister Haider al-Abadi. A man seen as the favorite of none but acceptable to all, the 65-year-old former electrical engineer has managed to turn that tepid sentiment into a defining strength.

Over nearly three years in office, Mr.

Abadi has narrowed gaps between Iraq's warring Shiite and Sunni politicians. He balanced competing interests among geopolitical rivals Iran and the U.S., and spearheaded an overhaul of Iraqi security forces, who had fled advancing Islamic State fighters. Iraq is close to retaking Mosul, Islamic State's psychologically important stronghold.

"Abadi has magnificently shifted between leading and balancing," said Jon Alterman, director of the Middle East program at the Center for Strategic and International Studies in Washington. "If he led too much then there'd be too many alienated people, and if he balanced too much there would be no forward progress."

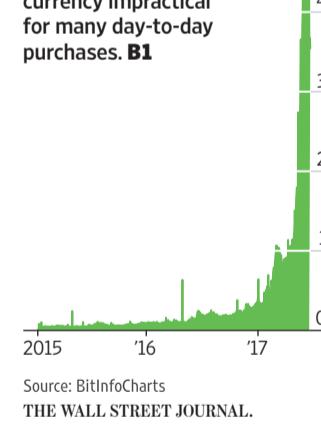
Today, Iraq's security forces are on the verge of defeating Islamic State, the key requirement if the nation wants to enjoy a stable and cohesive future, despite daunting challenges that remain. Sectarian anger still simmers, and the country's economy and infrastructure have been devastated by years of fighting.

"Abadi is riding high," said one U.S. official in Washington. "But the government needs to show that it can act to make people's lives better, and probably the window for that is pretty limited. If it doesn't, all that goodwill Abadi built up will diminish."

There wasn't always such a sense of

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Please see DOLLAR page A2



Source: BitInfoCharts

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GOP Governors Resist on Health Bill

BY KRISTINA PETERSON AND MICHELLE HACKMAN

Republican senators back home on recess this week are hearing from some influential critics of their health-law effort: GOP governors, many of whom are urging them to push back on the legislation because it would cut Medicaid funding.

Governors of states including Ohio, Nevada and Arkansas, which stand to lose billions of dollars in Medicaid funding under the Senate bill, want senators to keep as much of that money as possible. That pressure reflects a risk taken by Senate Majority Leader Mitch McConnell (R,

Ky.), perhaps unavoidably, in deciding to delay a vote on the GOP health-care bill until after lawmakers return to Washington the week of July 10.

Most vocal are governors of states that expanded their Medicaid eligibility under the Affordable Care Act. The bill would phase out that expansion and transform the state-federal safety-net program into one in which the federal government's share would be capped. In all, the bill would cut \$772 billion in funding for the program over a decade.

"It's a pretty big deal, because in most cases these states have had bitter battles inside the state legislature and

[with the] governor about [Medicaid], and it's been settled in favor of expansion," said Stewart Verdery, a former GOP Senate aide and founder of Monument Policy Group, a lobbying and public-affairs firm.

For any Republican senator "to blow that up from afar is really dicey," Mr. Verdery said.

In Nevada, Republican Sen. Dean Heller, who faces a tough re-election fight next year, appeared with GOP Gov. Brian Sandoval at a news conference recently and said he opposes the health bill. Republican Gov. John Kasich of Ohio has said the bill's opioid-addiction measures don't go far enough, and he said he has conveyed his

worries to the state's GOP senator, Rob Portman. Arkansas Republican Gov. Asa Hutchinson said he has spoken to his state's GOP senators, Tom Cotton and John Boozman, almost daily about his concerns with the bill.

All Democrats are expected to oppose the measure, which means Mr. McConnell can afford to lose no more than two GOP votes to pass the health bill, with Vice President Mike Pence breaking a 50-50 tie if necessary. That means Repub-

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- ♦ Illinois officials edge closer to a deal..... A3
- ♦ Disputes over budgets tie up states..... A3

U.S. Patrol Raises Stakes for Beijing

The U.S. conducted a naval patrol close to a China-controlled island in the South China Sea on Sunday—the second such operation confirmed by American officials in less than six weeks—following several recent moves that appear to signal Washington's displeasure with Beijing.

By Gordon Lubold in Washington and Jeremy Page in Beijing

The U.S. Navy on Sunday sent the guided-missile destroyer USS Stethem near Triton Island in the Paracel Island chain in the South China Sea, according to U.S. officials. The warship came to within 12 nautical miles of Triton, indicating the patrol was meant as a freedom-of-navigation operation and represented a challenge to what the U.S. sees as excessive maritime claims.

China, Taiwan and Vietnam all lay claim to the island, which is smaller than a square mile and serves as a Chinese

outpost. Beijing has controlled it since seizing the Paracels from Vietnamese forces in 1974.

U.S. military officials said operations such as that on Sunday are typically planned weeks, if not months, ahead of time and that the patrol wasn't linked to the other recent actions taken by Washington.

The timing of the operation, nonetheless, is likely to cause concern in Beijing. It comes days before President Donald Trump is expected to meet Chinese President Xi Jinping at a Group of 20 summit in Hamburg, Germany.

Mr. Trump spoke by phone with Mr. Xi and Japanese Prime Minister Shinzo Abe on Sunday night, the White House said. During the calls, Mr. Trump reaffirmed the U.S. commitment to a denuclearized Korean Peninsula with China and America's willingness to stand with Japan to re-

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♦ Xi draws line in visit to Hong Kong..... A6

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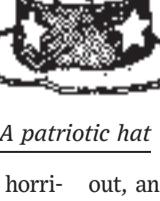
ROCK'S SOUTHERN RENAISSANCE

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OLDIES BUT GOODIES AT WIMBLEDON

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A patriotic hat

When Horribles Parades Are Too Horrible, Enter the Clipboards

* * *

At a town's traditional July 4 procession, satirical floats now must pass a taste test

By JENNIFER LEVITZ

BEVERLY, Mass.—There's a question hovering over the July 4 Horribles Parade this year and it's all about the limits of horribleness.

The Beverly Farms event traces to the 1800s and fits into a long tradition of Independence Day parades in New England that, along with conventional patriotic fare, include "horribles" parades who lampoon the world around them.

Things got a little too horrible last year, though, for some townspeople—took fraught, too tasteless, too insensitive on social issues. One float referred to Bill Clinton's sex scandals. Another included a rendition of a Mexican border wall with people in sombreros.

"The flavor of last year was so political," said Raeann Downey, chairwoman of the Beverly Farms-Prides Crossing 4th of July Committee. "It got down and dirty; it was all Trump, Hillary and the wall."

So this year, a subcommittee of five semiretired parade volunteers carrying clipboards will vet floats to make certain none oversteps the bounds of acceptable horribleness. Scofflaws will be barred from participating.

Vulgar words are out, and "we don't want body parts," said Ms. Downey. The vетters, she said, will also steer floats "away from the racial things, the gender things."

Horribles parades likely trace in part to one held in 1851 in Lowell, Mass., as a parody of

Please see PARADE page A8

U.S. NEWS

THE OUTLOOK | By Ben Leubsdorf

When Women Boost the Workforce

During the decades after World War II, a growing share of U.S. and Canadian women participated in the workforce, boosting household incomes and national production, while opening new opportunities for women themselves.

Then in the late 1990s, something changed. Female workforce participation began slipping in the U.S. while it kept marching higher in Canada. By 2016, 74.3% of U.S. women between the ages of 25 and 54 were working or looking for work, compared with 82.2% in Canada, according to Organization for Economic Co-operation and Development data. Both were near 76% two decades earlier. The participation gap between men and women also narrowed more in Canada than in the U.S.

Understanding the divergence could help fix America's growth problem. President Donald Trump has pledged to boost annual increases in U.S. output from around 2% to above 3%. Achieving that ambitious goal would likely require, among other things, boosting labor-force participation.

Many women choose to remain outside the labor force or spend time away from work, often to care for children. But women who

want to work, but don't or can't, represent untapped economic potential. Enabling them to join the job market over time could generate stronger labor-force growth, offsetting drags from an aging population and other forces, and in turn boost the economy's growth trajectory.

Canada's economic growth has edged past that of the U.S. since 1997, averaging 2.5% a year versus 2.3%. Unlike the U.S., Canada avoided a recession in 2001 and also avoided a severe financial crisis last decade.

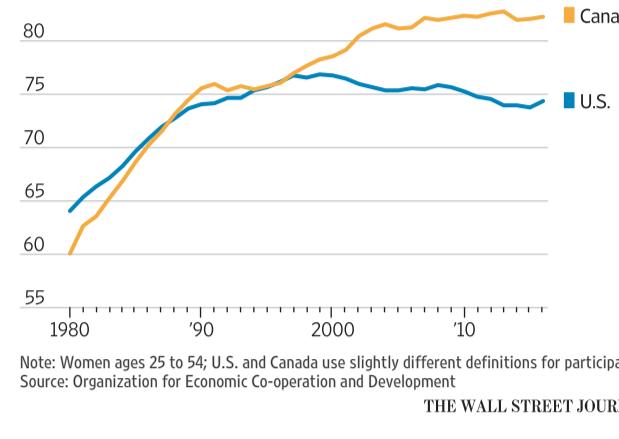
Canada's federal government encouraged more two-working-parent households in the late 1990s and early 2000s by cutting tax rates, adding support for child care and expanding paid parental leave. Quebec's government introduced universal day care.

The U.S. government spends relatively little to subsidize child care and has no national paid family-leave program, though employers are required to grant up to 12 weeks of unpaid leave.

"Canada's rapid progress in female labor-force participation was no accident; it reflects deliberate and targeted policy measures," Christine Lagarde, managing director of the International Mone-

Different Paths

Labor force participation among women in Canada has advanced, while it has receded in the U.S.



Note: Women ages 25 to 54; U.S. and Canada use slightly different definitions for participation.
Source: Organization for Economic Co-operation and Development

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tary Fund, said last year.

Extended leave didn't seem to have much immediate effect on how many Canadian mothers returned to work after giving birth. But there was evidence that subsidized child care boosted the number of Quebecois mothers who worked.

An IMF study found Canada's tax- and benefit-system changes helped boost female participation.

Federal Reserve Chairwoman Janet Yellen, in a May speech, highlighted research concluding that "policy differences—in particular the ex-

pansion of paid leave following childbirth, steps to improve the availability and affordability of child care and increased availability of part-time work—go a long way toward explaining the divergence between advanced economies" in women's workforce participation.

If the U.S. "had policies in place such as those employed in many European countries," she said, the participation rate for prime-age women could reach 82%—roughly Canada's level.

One study, released in 2013 by Cornell University

economists Francine Blau and Lawrence Kahn, concluded that almost 30% of the decline in U.S. women's participation relative to other advanced economies between 1990 and 2010 could be traced to those countries pursuing the policies such as those Ms. Yellen mentioned.

Still, there are reasons to proceed carefully in crafting new policies that could ripple through the U.S. economy and society.

The White House recently proposed a six-week paid parental leave program. It's unclear whether paid leave is significantly more effective than unpaid leave in boosting long-term participation; both allow workers to keep their jobs and so ease the eventual return to work.

Requiring employers to grant new mothers' requests for reduced hours or flexible schedules could lead some companies to avoid hiring women for full-time positions, despite laws barring such discrimination.

More women might end up in part-time jobs, with limited chances for career advancement; Ms. Blau's study noted U.S. women are less likely to work part time and more likely to hold high-level jobs than women in other advanced economies.

ECONOMIC CALENDAR

MONDAY: The eurozone's unemployment rate has been falling steadily, if slowly, since the currency area's return to growth four years ago, but the European Central Bank has yet to see the pickup in wages that would reassure policy makers inflation is on the way back to their target. Economists expect that figures released Monday will show the fall in the jobless rate stalled in May at 9.3%.

WEDNESDAY: Minutes from the Federal Reserve June monetary policy meeting will shed more light on the Fed's view of the divergence between the inflation and employment sides of its dual mandate. Fed watchers will assess whether soft inflation readings are increasingly dividing the Fed over the appropriate course for monetary policy. The central bank lifted its benchmark interest rate at the June meeting and penciled in one more rate rise this year.

THURSDAY: The U.S. Commerce Department releases its international trade report for May. Economists surveyed by The Wall Street Journal expect the trade gap narrowed to \$46.1 billion in May, from \$47.6 billion a month earlier.

FRIDAY: Economists will be watching wage growth when the U.S. Labor Department releases the June employment report. Economists surveyed by the Journal expect that the unemployment rate remained at 4.3%, while U.S. employers added 181,000 jobs in the month.

Overseas Airports Must Get Scanners

BY SUSAN CAREY
AND ROBERT WALL

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

U.S. officials are giving 180 affected domestic and international airlines four months to make other security enhancements, including more intensive passenger screening and monitoring of planes on the ground, according to a memo the International Air Transport Association sent to its member carriers after the DHS announced new security measures on Wednesday.

The memo, which hasn't been made public, was reviewed by The Wall Street Journal and earlier reported by the New York Times.

In a related development, the U.S. partly rescinded a ban on the use of laptops on some U.S.-bound international flights as Abu Dhabi-based Etihad Airways was cleared Sunday to allow passengers flying to the U.S. to again use the devices, along with tablets and other electronics, in the cabin, the airline and DHS said.

The Abu Dhabi airport was one of 10 in the Middle East and North Africa affected in March by a U.S. ban on using certain electronic gadgets



A federal security officer scans baggage at John F. Kennedy International Airport in New York.

REUTERS

while in flight.

The ban remains in place at the other airports, including Dubai, home of Emirates Airline, the world's largest by international traffic, and Qatar Airways. Emirates Airline and Qatar Airways are rivals with Etihad for the business of connecting passengers via their Mideast hubs between destinations around the world.

The International Air Transport Association memo also said foreign airports failing to install explosives-detecting scanners along with procedures to use them to scan carry-on bags at random could face a ban on carrying laptops in the cabin or a suspension of flights to the U.S.

While in flight.

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Mr. Kelly later suggested widening the limited laptop ban as drastically as to cover all foreign flights in and out of the U.S. After consulting with airlines and foreign aviation officials, he settled on the mandates laid out on Wednesday, which affect about 325,000 passengers a day fly-

An IATA spokesman declined to comment. The trade body's leader, Alexandre de Juniac, said last week that the "aggressive-implementation timeline will...be challenging."

Homeland Security Secretary John Kelly has warned for months that terrorists are aiming to take down a plane with explosives hidden in a laptop.

Mr. Kelly later suggested widening the limited laptop ban as drastically as to cover all foreign flights in and out of the U.S. After consulting with airlines and foreign aviation officials, he settled on the mandates laid out on Wednesday, which affect about 325,000 passengers a day fly-

ing from airports in 105 nations.

A DHS official declined to confirm the timeline laid out in the IATA memo, saying that doing so could compromise aviation security.

The official confirmed that DHS intends to work with airlines that may not be able to install the machines promptly.

The DHS official said many of the affected airports already have the scanners, which measure for traces of explosives by analyzing a swab taken from a flier's luggage or hand.

Manufacturers say the test takes about 30 seconds and that the machines cost between \$25,000 and \$50,000.

U.S. WATCH

ARKANSAS

Nightclub Shooting Leaves 28 Injured

A shooting at a nightclub in Little Rock left 28 people wounded early Saturday after an apparent dispute erupted at a rap concert, according to police.

The violence wasn't an act of terrorism or an active-shooter situation and didn't appear planned, police said at a news conference Saturday afternoon.

"This is certainly...a terrible, terrible tragedy," Little Rock Mayor Mark Stodola said at the briefing.

All of the victims—25 of whom were shot and three of whom were injured as they attempted to flee—are expected to survive, Little Rock Police Chief Kenton Buckner said.

The shooting occurred about 2:30 a.m. Saturday at the Power Ultra Lounge in downtown Little Rock, about a mile east of the State Capitol, Chief Buckner said.

"Some sort of dispute ensued in the audience" with "multiple individuals responsible for those shots fired," he said.

No arrests had been made, Chief Buckner said, and it was too early in the investigation to identify potential suspects.

—Arian Campo-Flores

OKLAHOMA

Former Officer Faces Third Murder Trial

A former police officer in Oklahoma who said he was trying to protect his daughter when he fatally shot her boyfriend in 2014 is on trial for the third time in seven months, after jurors in previous trials couldn't decide whether he was guilty of murder.

Shannon Kepler was off duty when he shot 19-year-old Jeremy Lake in August 2014.

Mr. Lake was walking with Mr. Kepler's then-18-year-old daughter when Mr. Kepler approached them near the home of the victim's aunt.

Mr. Kepler claimed Mr. Lake was armed and that he was acting in self-defense, but police didn't find a weapon on the victim or at the scene.

While one jury found the 57-

year-old former Tulsa police officer guilty of recklessly using a firearm, it was unable to agree on whether that crime led to the more serious conviction of first-degree murder.

Mr. Kepler has pleaded not guilty; his third trial got under way on Friday.

Prosecutors have alleged that Mr. Kepler watched his daughter and Mr. Lake from his vehicle before approaching them on the street. Mr. Lake's aunt has said her nephew was reaching out to shake Mr. Kepler's hand to introduce himself when Mr. Kepler fired.

Lawyers for Mr. Kepler didn't respond to requests for comment, but during previous trials they pointed out that witnesses gave contradictory testimony. Defense attorney Richard O'Carroll previously has said that Mr. Kepler was trying to protect his daughter, Lisa Kepler, because she had left her father's home and was staying in a crime-ridden neighborhood.

Tulsa County District Attorney Steve Kunzweiler declined to comment until after the trial.

—Associated Press

'Without a...tax reform...the dollar bull market is probably over.'

mean European companies are better able to withstand a weakening dollar than in previous years.

Alessio de Longis, a portfolio manager at OppenheimerFunds, entered the year betting on a broadly stronger dollar but now expects the dollar to trade sideways this year.

"The growth momentum in the U.S. is fading," Mr. de Longis said. "Without a reinvigoration of tax reform, which doesn't seem likely this year, the dollar bull market is probably over."

Hedge funds and other speculative investors built up more than \$28 billion in bullish bets on the dollar at the end of last year, according to Commodity Futures Trading Commission data. As of June 27, bullish bets on the dollar had shrunk to a net \$2.7 billion.

Still, the dollar's latest malaise might not last: James Athey, a senior investment manager at Aberdeen Asset Management, expects the dollar to rise against developed-market currencies such as the yen in the months ahead.

"The dollar has suffered greatly," said Mr. Athey, who thinks dollar investors are too pessimistic about the Fed's interest-rate path.

"We think the U.S. economy is still the most robust," he added.

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U.S. NEWS

S.C. Confronts Myrtle Beach Violence

Incidents prompt governor to step up security in popular vacation destination

BY CAMERON MCWHIRTER

Just as summer is ramping up, Myrtle Beach, a top South Carolina summer destination, is dealing with a flurry of violence that has city and state officials scrambling to calm worried visitors and residents.

In the city's most prominent incident, at least seven people were injured in a June 18 shooting that was live-streamed on Facebook. That shooting—and two others that weekend—followed six over the Easter holidays in April.

The latest violence prompted South Carolina's Republican Gov. Henry McMaster to visit the city and order steps to beef up security, such as bringing in officers and staff to support local police.

"Whatever it takes to make sure that this aberration does not take place again," Gov. McMaster said. "Our tourism industry is huge; it's very important to us." The state estimates that tourism is a \$20.2 billion industry, generating about \$1.5 billion in state and local tax revenues in 2015, according to the latest data available.

Tourism drives Myrtle Beach's local economy, and each group visiting the city spends about \$2,766, according to the Myrtle Beach Area Chamber of Commerce.



People walking along Ocean Boulevard in Myrtle Beach, S.C., on June 21, days after a shooting incident in the summer tourist spot.

GRACE BEAHM/THE POST AND COURIER/ASSOCIATED PRESS

The Grand Strand, a group of South Carolina beach communities including Myrtle Beach, has seen an increase in tourism in recent years, with arrivals via plane rising 6% in 2016 from the year before, according to data from Myrtle Beach International Airport. The vast majority of visitors drive to Myrtle Beach from the Southeast.

With only about 32,000 year-round residents, Myrtle

Beach becomes "a relatively large city" every summer and the police force hasn't grown enough to meet current needs, said Brad Dean, president of the chamber. He estimated that the number of visitors to the area rose 24%, to 18 million, in 2016 from 2011. The city's year-round population is estimated to have grown 19% since 2010, according to the U.S. Census Bureau.

"We need to invest in law

enforcement to remain a safe and welcoming community," Mr. Dean said. He said the chamber, which handles marketing for the area, was ready to divert funds for more police.

The police department had 296 employees in the 2015-2016 fiscal year, up from 276 five years earlier, according to the City of Myrtle Beach records, while the total police budget rose 38% over that time.

At the same time, smaller

beach towns along the Atlantic coast have seen more people coming to their area in recent years because they are more family-focused, quieter and safer, said Debbie Smith, a real-estate agent and mayor of Ocean Isle Beach, N.C.

According to Ms. Smith, after the videotaped shooting in Myrtle Beach, one couple there left their motel and drove to Ocean Isle Beach and rented a vacation property

from her. "If I was staying down in Myrtle Beach, [the violence] would make me think twice," she said.

Ms. Smith said her community of 650 year-round residents—which swells to about 25,000 during the summer season—won't know if business has increased until the season is over. Ms. Smith said her town tries to focus on family visitors.

"We're not very hospitable if you have a throw-down party all weekend," she said.

Myrtle Beach, however, has grown into a large resort center in recent years, with tall condo buildings, large hotels and attractions. The Grand Strand area is well known for hosting thousands of motorcyclists in the late spring.

The city has dealt with outbreaks of violence in the past. In 2014, police responded to at least eight shootings over the Memorial Day weekend.

At a special city council meeting following the recent shootings, some people called for Republican Mayor John Rhodes and other officials to resign. Mr. Rhodes didn't return calls for comment.

Mark McBride, a resident and former mayor, said the city government has been ignoring a growing violence problem. A large portion of local taxes are spent on advertising to attract tourists, but not enough is spent to make sure the city has enough police to handle the crowds, he said.

"The priority should be public safety and not advertising," he said.

New York Police Deploy Detectives Abroad

BY ZOLAN KANNO-YOUNGS

When three men started a deadly rampage on a London bridge in early June, New York Police Department officials prepared to send special units to the Big Apple's most popular tourist destinations.

Then the call came from an NYPD detective—based in London. He said the attack didn't occur at a tourist attraction but at a bridge used by Londoners.

So the NYPD deployed units armed with long rifles to avenues commonly used by resident New Yorkers, as well as the British Embassy.

"We were able to look at that and say we can change our deployment strategy," said Lt. John Miedreich, who oversees 14 detectives the department posts abroad.

The overseas detectives foster relationships with local law-enforcement officials in their host cities. That allows them to quickly relay information back to New York, according to the NYPD's head of counterterrorism, John Miller.

The NYPD said the overseas detectives don't conduct investigations on their own. Instead, they share training practices and information about transnational crime with the foreign police.

At a time when terrorists are building networks that stretch across the world, Mr. Miller said, police need a global network of their own.

The overseas detective program underscores how differently the NYPD, with 36,000 officers—nearly triple the size of the next largest U.S. police



TIMOTHY A. CLARY/AGENCE FRANCE PRESSE/GETTY IMAGES

The NYPD increased patrols on May 23, a day after a bombing at a Manchester, England, arena.

Quick Alerts After Attacks in Europe

Minutes after a bomb went off outside a soccer game in Paris in 2015, a New York Police Department detective in that city said he received a call from a friend in the Paris police assigned to the stadium. The detective immediately relayed

the news to New York officials, who began to deploy officers at sports arenas. The pattern repeated itself after terrorists attacked restaurants and the Bataclan theater in Paris.

This May, before most of the public knew details of an explosion at a Manchester, England, concert, NYPD chief of intelligence Thomas Galati said he received a call from his detec-

tive in London. Mr. Galati used that information to order both "hard" and "soft" security checks at New York concert venues.

"You get right in the moment when something is happening because you need to understand it," said John Miller, the NYPD's head of counterterrorism. "Is there something we need to do in New York?"

—Zolan Kanno-Youngs

departments in Chicago and Los Angeles—operates. Lt. Miedreich is unaware of any other U.S. police department that stations officers abroad.

The NYPD gets a hand from the New York City Police Foundation, a nonprofit that

spends about \$1.4 million a year, all from private donations, for the travel expenses and housing of the detectives. The NYPD still pays their salaries, about \$1.6 million a year.

Eugene O'Donnell, professor at John Jay College of Crimi-

nal Justice and former NYPD member, said he supports the overseas program but that it needs more oversight.

"The question is, what are they doing sitting in London that they couldn't do sitting in New York," he said. "Are they

Illinois Officials Close In On a Deal

BY QUINT FORGEY

A breakthrough in Illinois's fiscal stalemate came Sunday when House lawmakers approved Democratic revenue and spending measures, sending to the Senate what could become the state's first budget in two years.

The proposed budget would fund a more than \$36 billion spending plan with a \$5 billion tax increase. The state brings in roughly \$32 billion a year.

During its record-breaking fiscal impasse, Illinois has racked up \$14.6 billion in unpaid bills, and credit-rating companies are warning the state's debt could be downgraded to junk status.

The logjam is the result of a political standoff between Republican Gov. Bruce Rauner, elected in November 2014, and House Speaker Michael Madigan, a Chicago Democrat who has held the office for more than three decades.

Mr. Rauner called a 10-day special session to solve the budget mess before the start of the fiscal year on July 1. But the governor and lawmakers were unable to broker a deal before midnight Friday, leaving the General Assembly working overtime as the state entered its third fiscal year without a budget.

Democratic Rep. Greg Harris, Mr. Madigan's top lieutenant in budget negotiations, wrote the revenue and spending measures that passed the House Sunday. Mr. Harris's revenue bill, the more contentious piece, increases the state's personal income-tax rate from 3.75% to 4.95% and the corporate income-tax rate from 5.25% to 7%.

The proposal is largely in line with a similar Republican plan to raise revenue, but Mr. Rauner favors only a temporary increase in income taxes—not the permanent one outlined in Mr. Harris's bill.

In a statement following the House floor action, the governor said he would veto the revenue measure.

But Mr. Rauner's veto threat may not matter to Democrats, who passed both the revenue and spending measures with more than 71 votes—the threshold needed to override the governor's decision. The Senate, which will take up the House budget Monday, has a Democratic supermajority which could also reject the governor's veto.

Budget Disputes Tie Up States

BY KATE KING

State government remained closed in New Jersey on Sunday, with Republican Gov. Chris Christie and Democratic lawmakers seemingly no closer to reaching a budget deal that would reopen state parks and beaches for the remainder of the July 4 holiday weekend.

Meanwhile, in Maine, Republican Gov. Paul LePage implemented a partial shutdown until Monday. Connecticut Gov. Dannel P. Malloy on Friday signed an executive order that sharply curtailed state spending after the Legislature failed to approve a budget plan to close a two-year deficit of \$5.1 billion. And in Illinois, lawmakers worked through the weekend to try to pass a spending plan.

In New Jersey, more than 30,000 state workers will be

furloughed Monday unless an agreement is reached, Mr. Christie said Sunday at an afternoon news conference in Trenton. Essential employees, including state police, will remain on duty.

"If the leadership came to an agreement today then I could reopen government tomorrow," the governor said, referring to the state Legislature. "But I don't know if we'll have an agreement today."

New Jersey lawmakers missed Friday's midnight deadline to pass a balanced budget, prompting Mr. Christie to close state government. Visitors were turned away from state beaches and parks Saturday and Sunday.

Mr. Christie said he would sign a budget sent to him by Democrats, including more than \$300 million in additional spending for education and

JULIO CORTEZ/ASSOCIATED PRESS



New Jersey Gov. Chris Christie addressing lawmakers Saturday.

other services, but only if lawmakers passed a bill giving the state more control over its largest insurer. The insurer, Horizon Blue Cross Blue Shield of New Jersey, has strongly opposed the legislation.

Assembly Speaker Vincent Prieto, a Democrat, has refused to put the legislation demanded by Mr. Christie up for a vote, calling it an unfair intervention in the not-for-profit company that shouldn't be part of the budget process. Mr. Prieto and the governor were both at the Statehouse over the weekend.

Mr. Christie, who is prevented by term limits from running for a third term, is scheduled to leave office in January. His lieutenant governor, who is also the Republican nominee in the race to replace him, said she supports setting aside the Horizon bill and fi-

nalizing the budget.

In Maine, Mr. LePage ordered the state's first shutdown since 1991, after lawmakers failed to strike a deal on new taxes and education funding.

"The Maine people are taxed enough," Mr. LePage said in a statement. "I will not tax them any more and in my

budget overall taxes were decreased. Maine has plenty of revenue to fund state government without raising taxes."

Essential services in the state remain in place as will a host of others, including some state parks, unemployment benefits and child welfare.

—Kate Linebaugh contributed to this article.

U.S. NEWS



Russian President Vladimir Putin is set to meet this week with President Donald Trump at the G-20 summit in Hamburg, Germany.

Russia Bill Faces Hurdles

Some lawmakers balk at proposal that would hurt president's ability to ease sanctions

By PETER NICHOLAS
AND BYRON TAU

WASHINGTON—A bill that would make it tougher for President Donald Trump to ease sanctions on Russia appeared headed for speedy approval but now faces obstacles in the House of Representatives, with the White House not ruling out a veto and some Republican lawmakers objecting that the measure would harm U.S. companies.

The bill cleared the Senate in June by a 98-2 vote, a rare show of bipartisan unity in favor of legislation that would slap Russia with new sanctions partly because of the U.S. intelligence community's assessment that Russia interfered in the 2016 U.S. presidential election.

After the House raised parliamentary objections to the bill, the Senate made technical fixes and sent it back to the House for a vote.

For Mr. Trump, the bill presents a dilemma. If it passes as is, White House officials say, the measure would erode the president's power to conduct diplomacy.

But if he works to scuttle the bill, Mr. Trump may open himself to criticism that he isn't holding Russia accountable for its actions in the election.

The House is on recess until next week, and no timetable has been set for considering the bill, which also carries sanctions against Iran.

Supporters of the measure from both parties worry that a delay gives opponents more time to soften it.

"Does it give an opening for people to water it down? Absolutely. There are people who would love to see this not happen," Senate Foreign Relations Committee Chairman Bob Corker (R., Tenn.) recently told reporters.

Mr. Trump is to set to meet with Russian President Vladimir Putin for the first time in his presidency later this week at the Group of 20 summit of world leaders in Germany. It isn't clear whether the sanctions bill will come up in conversation.

As it stands, the bill would limit the White House's power to act on sanctions without congressional authorization, requiring the president to seek Congress's permission to relax the present set of sanctions against Russia.

The measure would enshrine into law Russia sanctions that former President Barack Obama imposed. It

would target Russian actors linked to human-rights abuses, arms sales and malicious cyberattacks.

The bill also would strengthen existing sanctions on the Russian energy sector, while adding new sanctions to industries like mining, metals, shipping and railways.

The White House says its concern is that the bill restricts the president's flexibility to carry out diplomacy, ceding more power to Congress.

Mr. Trump has voiced skepticism over Russian interference in the election.

The administration hasn't yet decided whether it would veto the bill if it passes the House unchanged, officials said.

"It's important to note that no administration—not just the Trump administration—but no administration would accept the way Congress is looking to shackle the executive branch," White House Legislative Affairs Director Marc Short said in an interview.

Bound up in the issue, some Democrats contend, is Mr.

Trump's own misgivings about U.S. intelligence officials' verdict that Russia interfered in the election to help him and damage his rival, Hillary Clinton.

Rep. Eliot Engel of New York, top Democrat on the House Foreign Affairs Committee, said in an interview:

"The president and his administration go very soft on Russia."

A White House official disputed that assessment, saying the Trump administration "is not opposed to being tough on Russia" and is committed to keeping "existing sanctions programs" intact until the Kremlin "moderates its anti-U.S. activities."

Mr. Trump, on the campaign trail and as president, has frequently voiced skepticism over Russian interference in the election.

Some House Republicans are raising other objections to the bill. Rep. Pete Sessions, a Texas Republican who chairs the House Rules committee, said he worries that, if the bill were to pass, energy companies may have to reveal "proprietary" information that could weaken their competitive standing.

"We need to change this bill," Mr. Sessions said. He added: "You would expect that a Texas member would understand the needs of companies in Texas."

get the Senate bill across the finish line.

He suggested if an overhaul isn't achievable lawmakers should focus on repealing the ACA and then work on a replacement law. "If the replacement part is too difficult for Republicans to come together, then let's go back and take a first step and repeal," Mr. Short said in a Fox interview.

Friday, Mr. McConnell indicated he would stick with the current plan to repeal and replace much of the law in a single vote, a strategy supported by many Senate Republicans.

The 50 governors have varying views of the Senate bill, which would roll back many provisions of the ACA in addition to the Medicaid changes. The bill would also cut taxes cumulatively by more than \$500 billion over a decade, according to the Congressional Budget Office, including repealing taxes on health industries and high-income households.

Some governors agree with Senate GOP leaders the Medicaid

Trump Joins Tussle Over Voter Request

By LOUISE RADNOFSKY

WASHINGTON—President Donald Trump weighed in on a controversy over states resisting to turn over voter records, tweeting Saturday: "What are they trying to hide?"

The new Presidential Advisory Commission on Election Integrity, which the administration set up to investigate any election impropriety, had sought information from states that would identify and provide personal details about every registered voter, and the elections they had participated in since 2006.

Many states have countered that the request seeks information they consider sensitive and beyond their power to turn over, and that they object to attempts to interfere in their operation of elections.

Mississippi Secretary of State Delbert Hosemann, a Republican, issued a statement Friday saying that he hadn't yet received the request but that he understood from another secretary of state what it sought.

Among the items, he said: the first and last names of all registered voters, their addresses, dates of birth, political party "if recorded in your state," and the last four digits of voters' social security number, if available.

Also, Mr. Hosemann said, the request seeks information on elections a voter participated in from 2006 onward, "information regarding any felony convictions," information on voter registration in another state, information on military status, and "overseas citizen information."

If he were to receive such a request, he said, he would reply: "They can go jump in the Gulf of Mexico, and Mississippi

is a great state to launch from. Mississippi residents should celebrate Independence Day and our State's right to protect the privacy of our citizens by conducting our own electoral processes."

Ten states have refused to participate outright, including Mississippi, California and New York. More have said they would send only partial information, and some are still deciding, according to a tally compiled by the Associated Press.

Kris Kobach, the panel's vice chairman and Kansas secretary of state, is a Republican who pursued a variety of anti-fraud measures in Kansas that were popular with some but were described as aggressive and discriminatory by critics.

The election-integrity panel was formed in May after months of unsubstantiated claims by Mr. Trump that voter fraud had tainted last November's election. It is overseen by Vice President Mike Pence, who said three days ago the letter would be going out.

The five other members of the panel include Democrats and Republicans, and its full remit includes looking at voter suppression and registration processes.

"There's nothing more important than ensuring the integrity of the American vote," Marc Short, the White House legislative affairs director, said Sunday on Fox News in response to a question about states' resistance to turning over information to the panel.

The issue has galvanized Democrats as well as voting-rights activists, who point to studies that found voter fraud has been extremely rare in the U.S.



A Trump election panel seeks personal details about every voter.

President Knocks CNN in Fake Video

By LOUISE RADNOFSKY

WASHINGTON—President Donald Trump kept his public confrontation with the media front and center over the weekend, on Sunday tweeting a short doctored video of himself tackling and punching a person at the side of a wrestling ring who was meant to represent television network CNN.

Mr. Trump also made more extensive remarks criticizing news outlets for their coverage of him at a "Celebrate Freedom" concert Saturday night organized by the First Baptist Church of Dallas and held at the Kennedy Center in Washington ahead of the July 4 holiday.

"The fake media tried to stop us from going to the White House, but I'm president and they're not," he said, in what has been a recurring theme in his speeches since he took office.

"The fact is the press destroyed themselves because they went too far. Instead of being subtle and smart, they used the hatchet and the people saw it right from the beginning."

In recent days, the Republican has seized on CNN's retraction of a story, and the ensuing resignation of three journalists, to taunt the outlet as "Fake News." CNN says the story was removed from the network's website because it hadn't been through the organization's vetting standards.

A separate fight between Mr. Trump and MSNBC hosts Mika Brzezinski and Joe Scarborough triggered rebukes from GOP lawmakers as well

as Democrats after the president criticized Ms. Brzezinski's appearance.

The president and his aides say that his outspoken social-media approach was what his backers voted for, and his use of Twitter allows him to circumvent, or respond to, the reporters he believes aren't accurately conveying his message.

"My use of social media is not Presidential—it's MODERN DAY PRESIDENTIAL. Make America Great Again!" Mr. Trump wrote Saturday evening.

After Sunday's short video of Mr. Trump tackling a man with the CNN logo superimposed over his face, a CNN representative said in a statement it was "a sad day when the president of the United States encourages violence against reporters."

It added: "Instead of preparing for his overseas trip, his first meeting with Vladimir Putin, dealing with North Korea and working on his health care bill, he is involved in juvenile behavior far below the dignity of his office."

Mr. Trump has faced criticism from lawmakers and officials in both parties over his tweets about the media.

"The coarseness is not acceptable," said Ohio Gov. John Kasich, a Republican rival of Mr. Trump's in the presidential election, in an ABC interview Sunday.

"Everything I was trained as a leader, this man is none of those things," said Sen. Tom Carper (D., Del.) on NBC. "Leaders don't build themselves up by pushing other people down."

HEALTH

Continued from Page One

lican leaders must flip at least seven of the nine GOP senators who have already said publicly they oppose the bill, a challenge compounded by the recess.

"The further you get away from this place, the more pushback you'll get," Sen. Lindsey Graham (R., S.C.), who has said he prefers the Senate bill to the ACA, said in the Capitol last week. In a recent Wall Street Journal/NBC News poll, 16% of respondents said the version of the bill passed by the House, which also included deep cuts to Medicaid, was a good idea.

A White House official on Sunday said Republicans "are getting close" to achieving their goals on health-care policy. The official, Marc Short, the White House legislative affairs director, said the president is calling members of Congress this weekend to help

get the Senate bill across the finish line.

He suggested if an overhaul isn't achievable lawmakers should focus on repealing the ACA and then work on a replacement law. "If the replacement part is too difficult for Republicans to come together, then let's go back and take a first step and repeal," Mr. Short said in a Fox interview.

Friday, Mr. McConnell indicated he would stick with the current plan to repeal and replace much of the law in a single vote, a strategy supported by many Senate Republicans.

The 50 governors have varying views of the Senate bill, which would roll back many provisions of the ACA in addition to the Medicaid changes. The bill would also cut taxes cumulatively by more than \$500 billion over a decade, according to the Congressional Budget Office, including repealing taxes on health industries and high-income households.

Some governors agree with Senate GOP leaders the Medicaid

aid program should be trimmed back, freeing up money that could be spent elsewhere or used for tax cuts.

But governors in the 31 states that expanded the program generally say the bill's cuts go too far, and 20 Senate Republicans represent such states. Medicaid, the safety-net program for the disabled and low-income women and children, covers roughly one in five Americans.

"I know that they're trying to save money, and they rightfully should," said Mr. Hutchinson, whose state expanded Medicaid eligibility. "I just want to be able to also not undo some really significant reform that we're trying to accomplish in Arkansas."

In Ohio, Mr. Kasich has said some of the tweaks under discussion wouldn't make up for the amount of the Medicaid cuts. Adding money for opioid treatment would be like "spitting in the ocean," he said.

Alaska's governor, independent Bill Walker, said the state could be "sorely damaged" by

Medicaid cuts in GOP legislation. Alaska's two GOP senators, Lisa Murkowski and Dan Sullivan, have said the current bill doesn't do enough to address their state's high cost of health care. They haven't said whether they would support the legislation.

Some Democratic governors are hoping the bill's repercussions in their states are enough to dissuade GOP senators from supporting it.

"I think the governors are actually going to be a major force in this in helping us get to a good place," Sen. Tom Carper (D., Del.) said Sunday on NBC. "They have to live with this stuff on a daily basis."

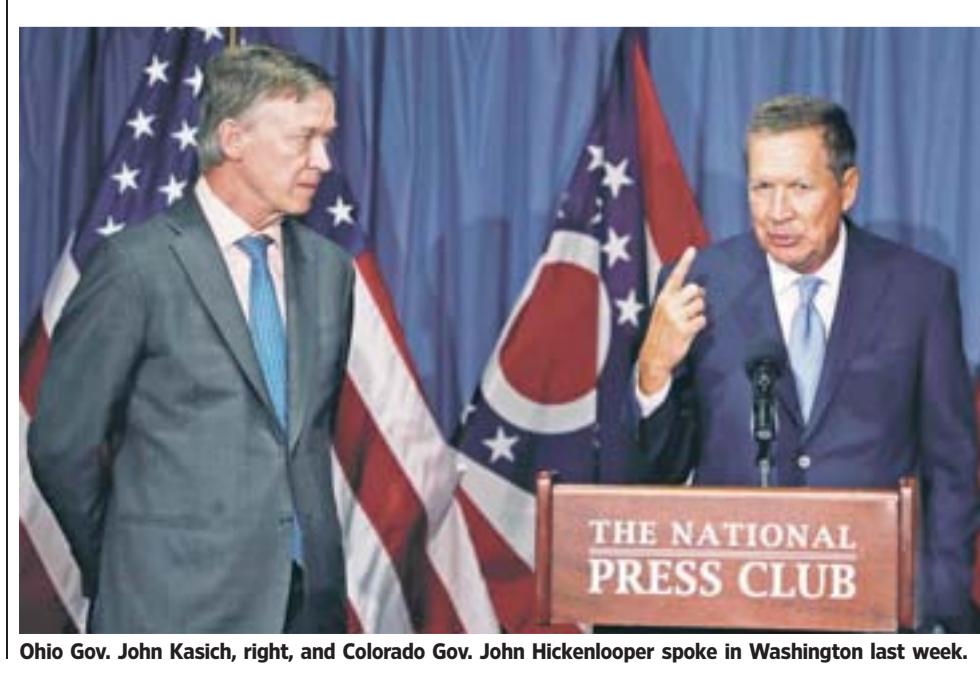
Democratic Gov. John Hickenlooper of Colorado said he has told the state's GOP senator, Cory Gardner, "You're going to force me into an impossible decision." Mr. Gardner hasn't said whether he supports the Senate bill.

Republicans have said they want to give states more flexibility in how they spend federal dollars on Medicaid in hopes they can come up with innovative ways to stretch the money. Some health analysts and lawmakers from both parties say that approach would be overwhelmed by the bill's steep cuts, which would likely force states to limit eligibility or reduce benefits.

Other GOP senators are feeling pressure from the opposite direction. In Maine, GOP Gov. Paul LePage has for years castigated the ACA's Medicaid expansion as an irresponsible use of federal funds, and he wrote in a letter to Republican Sen. Susan Collins that "we should do everything we can to prevent it from causing more harm."

Even so, Ms. Collins has cited the bill's rollback of the expansion as a top reason for her opposition.

—Ryan Tracy contributed to this article.



Ohio Gov. John Kasich, right, and Colorado Gov. John Hickenlooper spoke in Washington last week.

WORLD NEWS

Saudi Heir Aims to Silence Deposed Prince

Royal court cracks down on dissidents, limits movements of Mohammed bin Nayef

By JUSTIN SHECK
AND SHANE HARRIS

The new heir to Saudi Arabia's throne has launched a crackdown on dissent in recent weeks, attempting to silence activists and critical clerics as well as his deposed predecessor, according to U.S. and Saudi officials familiar with the events.

King Salman upended Saudi Arabia's succession order last month by naming his 31-year-old son, Mohammed bin Salman, crown prince and next in line to the throne, and sidelining his nephew and heir apparent, Mohammed bin Nayef, who has deep ties to U.S. intelligence and is widely viewed by U.S. officials as a stabilizing force in the region.

The newly elevated crown prince has limited the movements of Mohammed bin Nayef, the officials said. He has also replaced Mohammed bin Nayef's guards with ones loyal to the royal court, they said, in a bid to ensure that Mohammed bin Nayef doesn't take any steps to rally support.

"They want to make sure nothing is being plotted," one of these people said.

Referring to Mohammed bin Nayef, a representative of the Saudi royal court said in a text message that there were "no restrictions on his movement whatsoever, either in or outside of Saudi Arabia." The prince has hosted guests since the leadership change, the representative wrote in an emailed statement.

U.S. and Saudi officials said the royal court's efforts to stifle dissent within the kingdom include monitoring and in some cases infiltrating the social media accounts of some activists and bloggers.

Some activists and religious figures viewed as stirring pro-



Crown Prince Mohammad bin Salman, right, at a ceremony to receive pledges of allegiance in Mecca, Saudi Arabia, in June

test on social media have also been summoned in person to meet with interior ministry officials, and at least one of those people was told by officials to quiet down or face jail time, according to people familiar with the matter.

The royal court official didn't respond to questions about the broader attempt to stifle dissent that the people familiar with the situation described.

Political parties are banned in Saudi Arabia, as are protests; unions are illegal; the press is controlled and criticism of the royal family can lead to prison. Since the 2011 Arab Spring, the kingdom has stepped up efforts to curb dissent with tough laws.

The recent crackdown follows the royal power shuffle and a move earlier in June by the kingdom to lead an economic blockade of neighboring Qatar, and is raising concerns among U.S. officials and ob-

servers that more political upheaval may be on the way, since the aging King Salman consolidated power in the hands of Mohammed bin Salman.

The Qatar blockade was championed by Mohammed bin Salman, while Mohammed

bin Nayef favored a more tempered approach through diplomatic channels. That difference of opinions contributed to the timing of the power shuffle, The Wall Street Journal has reported.

Mohammed bin Nayef was a trusted contact for those officials. U.S. President Donald

Trump has appeared to embrace Mohammed bin Salman by meeting with him in both Riyadh and Washington, D.C., before his elevation to the crown prince role.

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

Mohammed bin Nayef "and his U.S. counterparts tended to see eye to eye on things," said Steven Simon, who worked on Middle East security issues as a senior director at the National Security Council during the Clinton and Obama administrations.

One former diplomat said of the sidelined prince that in Saudi Arabia and the U.S., "the whole security apparatus has been dependent on him."

Complaints about the escalating clash with Qatar led Saudi officials to boost efforts to monitor dissident communications and halt public criticism last month, in the weeks leading up to the power shuf-

fle. Officials working for Mohammed bin Salman used technology from Hacking Team, an Italian company that provides surveillance tools to governments, according to people familiar with the matter.

Hacking Team didn't return a call and emails seeking comment.

Some critics have left social media. Cleric Bader al-Amer told his followers on June 14 that he will stop posting on Twitter and other social media indefinitely. His announcement came after he tweeted that several clerics and intellectuals believe Qatar's claim that it doesn't sponsor terrorism.

Ibrahim al-Modaimegh, a former legal adviser to the government, said on June 27 that he was leaving Twitter temporarily for health reasons and hoped the new Saudi leadership would free people imprisoned for their political views.

Defiant Qatar Faces New Threats From Its Neighbors

DUBAI—Qatar faces a potential volley of new puritive measures by Saudi Arabia and other Gulf Arab states, which extended a deadline for it to meet its demands by 48 hours after a request by Kuwait's emir.

A joint statement issued early Monday on behalf of Bahrain, Egypt, Saudi Arabia and the United Arab Emirates said it expected Qatar to respond to their demands on Monday, amid the worst regional diplomatic crisis in years.

The kingdom, the U.A.E., Bahrain and Egypt have cut diplomatic ties and imposed a transport ban against Qatar, accusing Doha of supporting extremist groups and meddling in their domestic affairs, allegations Qatar denies. On June 22, they gave Qatar 10 days to give in to 13 demands that include closing down state broadcaster Al Jazeera, curbing ties with Iran and ending Turkey's military presence on its soil.

Qatar has indicated that it won't meet the demands, which would amount to a radical policy overhaul. Qatar's economy has been resilient so far, but could suffer deeply if the transport ban remains and other economic sanctions are imposed.

The Arab states, on issuing the demands, didn't specify what they would do if Qatar doesn't comply, but have since floated publicly and privately a number of possible measures aimed at deepening Qatar's isolation and hurting its economy.

Commercial restrictions could be put into place to raise the pressure, Reem al-Hashimi, the U.A.E.'s minister of state for international cooperation, said in June.

—Nicolas Parasie

Former Israeli Premier Is Paroled

Associated Press

JERUSALEM—Former Israeli Prime Minister Ehud Olmert was released from prison on Sunday morning, a Prison Service official said, days after a parole board granted him early release from his 27-month corruption sentence.

Under the terms of his early release, for the next few months Mr. Olmert, 71 years old, must do volunteer work and appear before police twice a month, a spokesman said. The ex-premier can't give interviews or leave the country. The spokesman added that President Reuven Rivlin could lift the restrictions.

Mr. Olmert was convicted in 2014 in a wide-ranging case that accused him of accepting bribes to promote a Jerusalem real-estate project and of obstructing justice. The charges pertained to a period when he was mayor of Jerusalem and trade minister before he became prime minister in 2006.

Mr. Olmert, who denied the charges, was originally sentenced to six years in prison. But Israel's highest court reduced his sentence in December 2015 after acquitting him of some of the charges.

Deadly Car Bombing Rocks Syrian Capital

By RAJA ABDURAHIM

Parts of Damascus were on lockdown Sunday after a car bomb killed at least a dozen people in the Syrian capital, according to state media and an opposition monitoring group.

The explosion came after Syrian security forces chased three vehicles believed to be car bombs through the streets of the city, state media quoted the Interior Ministry as saying. State forces destroyed two of the vehicles but the third detonated in a residential neighborhood home to military checkpoints and government buildings.

It wasn't immediately clear what the intended target was but the explosion went off near the air force intelligence branch, one of the regime's feared military arms because of its brutal crackdown on dissenters. The attack struck on the first day of work after the religious holiday of Eid, which follows Ramadan.

No group claimed responsibility for the attack, but car bombs are usually the work of



The site of a deadly bombing in Damascus's eastern Tahrir Square district on Sunday.

Islamic State or other Islamist extremist groups operating in Syria.

Attacks in Damascus aren't unusual. But the capital has been relatively quiet since May, when an internationally brokered de-escalation deal

was reached between the Syrian regime and rebels.

Islamic State claimed several attacks earlier this year in both Damascus and the central city of Homs. In March, nearly 40 people were killed when suicide bombers attacked a

courthouse and restaurant in Damascus in an attack claimed by Islamic State.

Much of the focus of Syria's war in recent months has turned to escalating battles against Islamic State in areas east of Damascus

On Saturday, regime forces launched artillery attacks on the town of Ein Tarma in the rebel-held eastern Ghouta suburb of Damascus. Local residents alleged the shells contained chlorine gas, causing dozens of injuries but no deaths, according to opposition activists and the U.K.-based Syrian Observatory for Human Rights.

The Syrian regime has denied using chemical weapons. But the U.S. and other Western and Arab states have blamed it for such attacks, including the deadly 2013 sarin gas attack on Ghouta, which killed more than 1,400 people.

The U.S. and Russia brokered a 2013 deal under which Syrian President Bashar al-Assad, facing the threat of a U.S. attack, joined an international treaty barring the use of chemical weapons. Syria agreed to destroy the most dangerous substances from its declared chemical-weapons program, including sulfur mustard and sarin.

—A correspondent in Damascus contributed to this article.

JAPAN

Business Confidence Hits Three-Year High

Business confidence among Japan's large manufacturers strengthened to its highest level in more than three years in the second quarter, according to a central bank survey, as a pickup in the global economy and renewed strength in stocks brightened the outlook for corporate Japan.

The main index measuring large manufacturers' confidence rose to plus 17 in the April-June period from plus 12 previously, according to the Bank of Japan's quarterly tankan survey.

The result compares with a forecast of plus 15, according to economists polled by The Wall Street Journal. The index represents the percentage of companies saying business conditions

are favorable minus those saying conditions are unfavorable.

The survey also showed improved sentiment among large nonmanufacturers and a jump in investment plans, though companies were less confident about business conditions three months ahead and about profit for the current business year.

The improvement adds to recent encouraging data for Prime Minister Shinzo Abe's administration, pointing to renewed strength in Japan's economy after the longest expansion since 2006.

Analysts said the result supports the Bank of Japan's view that the economy and inflation are gaining strength, ahead of the release of the bank's quarterly forecasts this month. But with price rises still far from the bank's 2% target, the latest result isn't likely to spur monetary-policy shifts.

—Megumi Fujikawa

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—Megumi Fujikawa



AFRICA SUMMIT: Leaders of Sahel regional countries met with French President Emmanuel Macron in Bamako, Mali, on Sunday.

residents near an active volcano on Indonesia's main island, killing all eight people on board, officials said.

The helicopter crashed about three minutes before arriving at Dieng Plateau, the popular tour-

ist area where the volcanic eruption on Sunday injured at least 10 people. The aircraft reportedly hit a cliff on Mount Batur in the Temanggung district of Central Java province.

All eight people on board were killed, said Maj. Gen. Heronimus Guru, deputy operations chief of the National Search and Rescue Agency.

Brig. Gen. Ivan Tito, director of operation and training at the search agency, told TVOne station that the victims were four navy officers and four rescuers. He also said the Indonesian-made Dauphin AS365 helicopter was airworthy.

The Sili Crater at Dieng Plateau spewed cold lava, mud and ash as high as 164 feet when it erupted Sunday morning, said Sudarmo Purwo Nugroho, spokesman for the National Disaster Mitigation Agency. —Associated Press

Ehud Olmert, left, left the Maasiyah prison on Sunday.

REUTERS

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REUTERS

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WORLD NEWS

Japan Ruling Party Falters in Local Vote

Liberal Democrats lose position as biggest party in Tokyo's metropolitan assembly

BY ALASTAIR GALE

TOKYO—Japanese Prime Minister Shinzo Abe suffered a rare heavy election defeat, clouding prospects for his policy goals such as revising the nation's pacifist constitution.

Mr. Abe's Liberal Democratic Party lost its position as the biggest party in the Tokyo metropolitan assembly on Sunday to an upstart group headed by a former TV anchorwoman who has adopted some of the rhetoric of global populist movements.

Yuriko Koike's Tokyo Residents First Party and its coalition partner won 78 of the 127 seats in the Tokyo Assembly, while the LDP won 23 seats, its worst-ever result.

While the Tokyo vote doesn't alter the picture of national power, it raises new concerns for Mr. Abe ahead of an election for the lower house of parliament that must be held by the end of 2018. The LDP suffered a landslide election defeat in 2009 shortly after losing a Tokyo election.

On Monday, Mr. Abe told reporters he would try to "win back the public's trust" following the latest defeat.

His government has been hit by a slump in public approval ratings in the wake of a series



Yuriko Koike, seen greeting supporters Saturday, and her Tokyo Residents First Party were big winners in the Tokyo Assembly election.

RODRIGO REYES/MARIN/ZUMA PRESS

of recent gaffes and scandals, and as it forced through parliament new antiterrorism legislation that some Japanese see as chilling free speech.

Mr. Abe has denied repeated accusations from rival politicians and bureaucrats that he used inappropriate influence to help friends win business deals.

Despite the setbacks, analysts say the weakness of national opposition parties and Mr. Abe's tight grip on power within his party mean he will likely continue to lead the government through next year's election.

"A lot of people are not crazy about Mr. Abe, but they think the alternatives are worse," said Gerald Curtis, professor emeritus at Columbia University and a long-term observer of Japanese politics.

Mr. Abe became prime minister for a second time in 2012

and is one of the longest-serving leaders among advanced economies. This year, the LDP changed a party rule to allow him to run for a new term as party leader, which would keep him in power through 2021.

The impact of the Tokyo defeat may be seen in increased

resistance within the ruling party to some of Mr. Abe's policy plans, most notably his aim to amend the constitution. In May, Mr. Abe proposed formally recognizing Japan's Self-Defense Forces in the constitution, which has remained unchanged since Japan renounced war at the end of World War II.

Mr. Abe has said he wants the LDP to come up with a draft revision by the end of this year, but some senior figures in the party have called for caution in making constitutional changes. Surveys show public opinion divided on revising the constitution, with many Japanese reluctant to alter their pacifist mandate.

The big winner in the latest election was Ms. Koike, a former defense minister and TV presenter who is viewed by analysts as likely to run for national leadership after the 2020 Tokyo Olympics.

Ms. Koike is the only politician who polls well in surveys about potential national leaders other than Mr. Abe, but she routinely declines to discuss her future political ambitions.

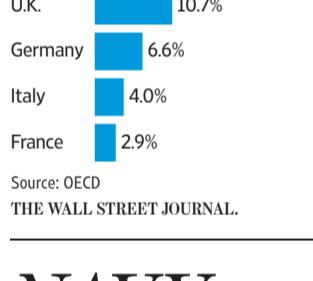
"I feel emotional and a strong burden of responsibility," Ms. Koike said after exit polls showed her party was set for a big win.

Mr. Curtis said that while Japan has largely avoided the wave of populism that has swept several Western countries, Ms. Koike was able to tap into a strong undertone of dissatisfaction with incumbent parties around the world.

More Older Workers Aren't Shy About Not Retiring

Staying Active

Japan had the highest proportion of people 65 and older in the workforce among Group of Seven nations in 2016.



Source: OECD

THE WALL STREET JOURNAL.

BY MEGUMI FUJIKAWA

HIRATSUKA, Japan—Yoshiko Iida, at 85 years old, is a trendsetter. Offering antiwrinkle creams and beauty treatments at a Pola-brand cosmetics shop outside Tokyo, she works six-day weeks and supervises a team of saleswomen all above Japan's normal retirement age. They outsell many regional outlets.

"I want to continue this job as long as I'm healthy," she said.

In a country where more than a quarter of the population is over 65, many of her customers are in that age range, too. One of them, Tomoko Inoue, said she has been a Pola cus-

tomer for 35 years largely because of Ms. Iida, whom she calls her "source of energy."

Ms. Iida is part of a larger rethink among Japanese companies and their employees about retirement age. The Japanese government, concerned about the costs of supporting an aging populace, is encouraging companies to keep older people in the workforce longer and offering subsidies to some that employ workers over 65.

Many large companies here still enforce a strict two-stage retirement path for career employees: They must step down from their well-paid jobs at 60, then can work at lower salary as contract employees

for an additional five or 10 years. After that, they are pushed out altogether.

Companies typically figure they are dumping high-price workers who are past their prime. But some are realizing that can be shortsighted, especially in a sales business like Ms. Iida's when the people walking out the door have client lists that took decades to build. Who better to target consumers in their senior years than other seniors?

At Pola, part of **Pola Orbis Holdings Inc.**, the sales force of 42,000 includes about 1,500 salespeople in their 70s, 80s and 90s.

"They've worked for a long time, and the relationships

with their customers go back just as far," says Miki Oikawa, who is in charge of the beauty business at Pola. "There's a lot of trust there."

Daiwa Securities Group Inc. used to set an age limit of 70 for veteran salespeople working under contract. It recently scrapped the limit.

"This will make it possible for us to have more consultants in the age range of 60 to 80, which is similar to the generation that holds the largest financial assets," says the brokerage firm's chief executive, Seiji Nakata.

Some 23% of Japanese age 65 or over were working in 2016, the highest level among the Group of Seven industrial-

ized nations and ahead of 19% in the U.S., according to the Organization for Economic Cooperation and Development.

For companies like Pola, the cosmetics maker, it is easier to keep older salespeople because they are contractors working on commission, rather than employees. That means the companies aren't as exposed to risks if an older salesperson has to take time off.

In the case of Ms. Iida, that risk seems pretty low.

She has been on the hunt for customers since 1964, when she started packing Pola products in a diaper bag and going door to door.

"Life is all about competition," Ms. Iida said.



The U.S. sent the USS Stethem near Triton Island. Above, the ship in 2015 on a visit to Shanghai.

U.S., Philippines Patrol Sea as Manila Battles Militants

MANILA—The U.S. and the Philippine navies conducted a joint maritime patrol off the southern Philippines, as a battle with Islamic State-aligned militants raised fears the conflict could spread to other parts of the region.

The U.S. Embassy in Manila

said the patrol in the Sulu Sea, which it said came at the invitation of the Philippine government, aimed to combat piracy and other crime in the region.

The Sulu Sea is a largely lawless expanse of water between the southern Philippines, Indonesia and Malaysia where piracy and kidnappings are common. The three nations last month started up joint patrols of the waters after the outbreak of fighting between Philippine troops and Islamic State-aligned

militants on the predominantly Muslim island of Mindanao in the southern Philippines. The island is under martial law.

More than 400 people have been killed and 400,000 displaced in fighting in the city of Marawi. The Philippines says it is close to subduing around 100 militants holding hostages in the city, but authorities fear foreign terrorists could join the fight via the porous southern border along the Sulu Sea.

—Ben Otto

Under international maritime law, territorial waters extend 12 nautical miles from nations' coastlines.

"It does suggest that the Trump administration is willing to give the Pacific Command a little more leeway," she said.

After the U.S. patrol near the Spratlys, Beijing vowed to build up its military capabilities and accused the U.S. of destabilizing the region. China also protested after a similar U.S. operation near Triton in January 2016.

After the Stethem's operation near Triton Island on Sunday, China's foreign ministry issued a written statement saying the destroyer "trespassed

China's territorial islands."

China dispatched military ships and fighter aircraft in response to "warn off the U.S. vessel," Foreign Ministry spokesperson Lu Kang said in the statement, which used the Chinese name for the Paracel Islands.

"The Xisha Islands are an inherent part of the Chinese territory," the statement said noting that the U.S. had conducted the operation without first getting approval from Beijing.

"The U.S. who deliberately stirs up troubles in the South China Sea, is running in the opposite direction from countries in the region who aspire for stability, cooperation and development," the statement said.

The Paracels are considered less of a potential flashpoint than the Spratlys, where China has built seven fortified artificial islands in the last three years or so.

China has also conducted substantial upgrades of military infrastructure in the Paracels, including a helipad on Triton Island, according to the Center for Strategic and International Studies.

Over the course of fiscal 2016, the U.S. conducted freedom-of-navigation operations challenging excessive maritime claims of 22 coastal states, including allies and partners, said Lt. Cmdr. Matt Knight, a spokesman for the Pacific Fleet.

—Cheiko Tsuneoka in Tokyo contributed to this article.

China's Xi Draws Line In Visit to Hong Kong

BY JOHN LYONS

HONG KONG—Chinese President Xi Jinping delivered a stern warning to Hong Kong, where a pro-democracy movement has provoked mass protests in recent years, saying challenges to mainland sovereignty won't be tolerated.

"Any attempt to endanger China's sovereignty and security, challenge the power of the central government...or use Hong Kong to carry out infiltration and sabotage activities against the mainland is an act that crosses the red line, and is absolutely impermissible," Mr. Xi said in a speech marking the 20th anniversary of the city's return to Chinese rule from Britain.

He spoke at the end of a three-day visit to Hong Kong his first as China's president, as the mainland exerts growing influence over a city that has operated with a free-market ethos under a "one country, two systems" arrangement introduced in the 1997 handover. In the past year, mainland authorities have intervened in local elections and moved to block pro-democracy Hong Kong legislators from taking their seats.

Mr. Xi extolled the virtues of Hong Kong's free-market system as a source of growth and a symbol of mainland accommodation and promotion of "global peace." He affirmed China's long-term commitment to the "one country, two systems" model but cautioned against the risks of political turmoil.

"Making everything political or deliberately creating differences and provoking confrontation will not resolve the problems," Mr. Xi said.

RODRIGO REYES/MARIN/ZUMA PRESS

WORLD NEWS

Ebola Outbreak In Congo Ends

BY NICHOLAS BARIYO

The Democratic Republic of Congo's Ebola epidemic is over, the country's health ministry declared, putting an end to the most-recent outbreak of the highly contagious disease that caused four deaths.

The announcement came after health officials contained a chain of cases in the remote Bas-Uélé province, a forested region in the northeast of the country, allowing authorities to register zero cases for 42 days or two incubation periods of the virus, said Oly Ilunga Kalenga, the health minister.

The end of the outbreak is a huge relief for sub-Saharan Africa's largest nation, which has been battling a record eighth outbreak near a region where the hemorrhagic fever was first discovered in 1976.

The outbreak in the remote Likati zone, some 800 miles from Kinshasa, coupled with Congo's experience in fighting past outbreaks, helped officials quickly snuff out the virus, health officials said.

Moumouni Kinda, program manager for the Alliance for International Medical Action, one of the institutions helping combat the outbreak, hailed Congolese authorities and their partners for containing the epidemic rapidly by adopting response strategies differ-

ent from those practiced in West Africa, where the virus killed more than 11,300 people between 2014 and 2016, marking the world's deadliest epidemic.

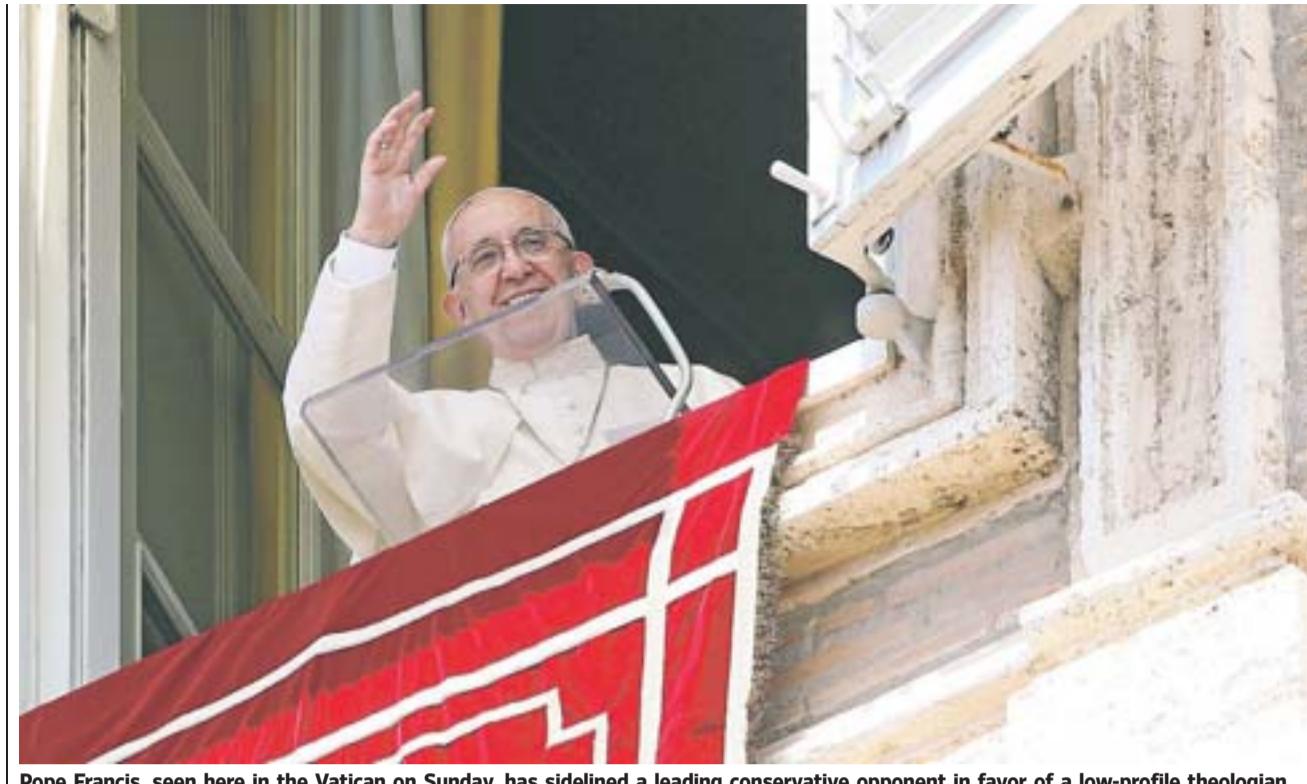
"We preferred to set up small units for the isolation of suspect cases," Mr. Kinda said. "Patients were mainly isolated in small emergency units and occasionally in their homes to avoid contamination of care teams in charge of transportation. We have made every effort to rapidly deploy secure medical care."

The virus affected nine people, four of whom died, in an equatorial forest area near Congo's border with the Central African Republic, according to the public-health ministry.

There were nearly 100 other suspected cases of the virus but none tested positive, health officials said. The first victim died on April 24 but the outbreak was only confirmed as Ebola on May 12.

Health officials had to rely on motorbikes to reach the epicenter of Likati, which lacks road and rail connections with Kisangani, the nearest city, in this mineral-rich but impoverished central African nation.

"We responded very quickly," said Eugene Kabambi, a spokesman for the World Health Organization in Congo.



Pope Francis, seen here in the Vatican on Sunday, has sidelined a leading conservative opponent in favor of a low-profile theologian.

Pope Fires Doctrine Chief

BY FRANCIS X. ROCCA

ROME—Pope Francis appointed a new head of the Vatican's doctrinal office, sidelining a leading opponent of his efforts to liberalize the Catholic Church and further diminishing a body already much weakened under his pontificate.

Pope Francis ousted Cardinal Gerhard Müller as head of the Congregation for the Doctrine of the Faith, the Vatican body responsible for defining and defending Catholic doctrine. Pope Francis declined to renew the cardinal's five-year term, which came to an end on Saturday.

Although Cardinal Müller is only 69 years old, far from the mandatory retirement age of 80 for cardinals, Saturday's announcement didn't indicate that he would receive a new assignment.

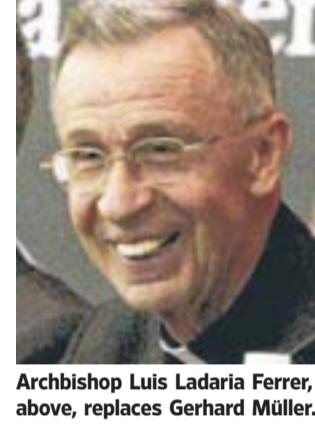
Cardinal Müller, a conservative German prelate appointed to head the congregation by Pope Benedict XVI, has been

conspicuously out of step with the pope's liberalizing push, particularly on the issue of divorce. Pope Francis has replaced him with Archbishop Luis Ladaria Ferrer, 73, opting for a low-profile theologian with a record of doctrinal orthodoxy but little history of engagement in public debates.

Cardinal Müller's exit reflects the dwindling power of the congregation, a Vatican office that loomed especially large under John Paul II and Cardinal Joseph Ratzinger, who served as its chief for almost 24 years before becoming Pope Benedict.

For 2½ decades, amid controversy over the modernizing changes introduced by the Second Vatican Council, the congregation issued a series of documents reaffirming traditional church teaching on topics including sexual and medical ethics, liberation theology and the church's relations with other faiths.

Under Pope Francis—who has taken a highly informal



Archbishop Luis Ladaria Ferrer, above, replaces Gerhard Müller.

to some of the pope's most-significant writings, including a major statement on divorce, have been ignored. The pope has also personally fired a number of congregation staff members against the wishes of Cardinal Müller.

Lacking influence within the Vatican, Cardinal Müller has made public statements increasingly at variance with Pope Francis, particularly with regard to the pontiff's 2016 document *Amoris Laetitia*, in which he encouraged priests to show leniency toward divorced Catholics who remarry without an annulment of their first marriage.

In May, for example, Cardinal Müller contradicted the pope when he told EWTN Catholic television that the document didn't open Communion to remarried divorced people. He also said the church wouldn't ordain women as deacons, even though the pope had named a commission to look into the question.



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IN DEPTH

IRAQ

Continued from Page One

possibility in Iraq. Before Islamic State swept to power in 2014, the country was at its most fractious since the fall of Saddam Hussein. Mr. Abadi's predecessor, Nouri al-Maliki, was a polarizing figure, accused of fueling sectarian conflict and packing ministries with loyalists.

Transparency International ranked the country near the bottom at 171 of 177 countries world-wide for corruption, with such pervasive problems that the country has only moved up a few positions after years of attempted overhauls. Mr. Maliki didn't respond to a request for comment, but Sunday released a public statement praising the military and militias.

When the festering Syrian civil war next door bled across the border, Iraq's military crumbled. In June of 2014, militants exploited Iraq's problems to blitz into Mosul—grabbing nearby land, stores of weapons and oil fields. In Islamic State's advance, millions of civilians came to live under the Sunni extremist group's rule.

Some Sunnis initially welcomed the militants as an alternative to the predominantly Shiite government of Mr. Maliki. The implementation of Sharia law followed, where people could be jailed for smoking or executed for unauthorized use of a cellphone.

Amid the turmoil, the conciliatory Mr. Abadi was tapped to become prime minister, an antidote to Mr. Maliki's divisive rule. He faced growing alarm among Iraq's allies.

Iran, the world's biggest Shiite-majority country, couldn't

counthence its neighbor falling to a Sunni extremist group. In 2014 Grand Ayatollah Ali al-Sistani, the pre-eminent Shiite cleric in Iraq, called on fellow countrymen to rise up to help protect the country; Shiite militias formed that Mr. Abadi has both empowered and theoretically kept under central government control. Iran's Islamic Revolutionary Guard Corps's elite Quds Force decided to fund and train many of them.

Ayatollah Sistani, who typically makes public statements via a representative at Friday prayers, didn't respond to a request for comment.

For Iran, forging such a partnership offered a way to cultivate a new proxy in Iraq and also to nurture others. Iran could revive overland supply routes through Iraq and its other ally, Syria, to Lebanon, where the Shiite political and militant group Hezbollah is based.

For Mr. Abadi, the relationship provided a backstop to a buckling Iraqi military. It also offered a skilled battlefield partner in Qasem Soleimani, the commander of the Revolutionary Guards. Iran's heavy involvement in Iraq also exposed Mr. Abadi to accusations that he was turning his country into an Iranian pawn.

An official in the office of Iran's United Nations representative didn't return a request for comment on Iran's relationship with Mr. Abadi.

U.S. State Department officials mostly sidestep the thorny issue of Iran's involvement in Iraq's war against Islamic State, saying Baghdad was ultimately in charge of the powerful Shiite militias. As part of this balancing act, Mr. Abadi courted the U.S. military for assistance, too, just years after the Americans pulled troops out of the country.

In 2014, the U.S. military started a gradual increase of troops with the launch of Operation Inherent Resolve. By the end of Barack Obama's presidency, more than 5,000 Americans were deployed to Iraq with hundreds close to the front lines of combat. Support has increased under President Donald Trump.

Iraq has benefited from a more than billion-dollar investment by the U.S. to train and equip forces, and fund U.S. troops in the country. Mr. Abadi also fired generals from the Maliki era and demanded that top officers eschew sectarianism. Those steps brought increased assistance from the U.S., including advanced weapons and air support.

As the war with Islamic State heated up, Iraq became a tinderbox of crisscrossing rivalries and sectarian tensions. Christian and Sunni minorities in Iraq grew wary of Iran's growing influence, with those groups forming some of their own militias.

Some Iran-friendly Shiite forces, meanwhile, became openly hostile to U.S. troops. In late 2015, multiple militias pledged to fight U.S. troops if they deployed to Iraq and established bases in the country, harking back to their efforts against Americans during the Iraq war.

Mr. Abadi sought to keep everyone on the same side, largely by lauding the benefits of a unified Iraq, adding Kurdish and Sunni elements to his cabinet and reaching out to Sunni leaders for dialogue.

From the beginning of his tenure, the Iraqi prime minister reached out to Sunni Arab



The ruins on Sunday of the Al-Nuri Mosque in Mosul, where Abu Bakr al-Baghdadi proclaimed the Islamic State caliphate three years ago.

countries in the region while maintaining his ties with Iran. In 2015, the Saudi government reopened its embassy in Baghdad, which had been shuttered decades before in response to Saddam Hussein's invasion of Kuwait.

Inside Iraq, Mr. Abadi began to win over the country's minority Sunnis.

"This government led by Abadi has not met desired levels of ambitions, but if you compare it with the previous government, you will find a big difference," said Ahmed al-Masari, head of the Sunni political bloc in federal parliament. "Now there are reforms and progress, while during the previous government several provinces fell to terrorism."

Renad Mansour, a fellow at Chatham House, a London-based internationally focused think tank, said Sunni leaders came to realize a flexible Shiite leader may be their least bad option, especially if they hoped to exercise some power as a minority group in a democratic Iraq. "The Sunnis are past their denial of reality," he said. "They realize that they're going to be a minority."

Mr. Abadi didn't neglect the country's Shiite majority either. By 2015, Ayatollah Sistani, arguably the most revered figure in the country, voiced strong

Abadi, the favorite of no one but acceptable to all, emerged as the leader Iraq needed.

support for Mr. Abadi and worked to ensure the militias remained by law ultimately under Iraqi government control. Mr. Abadi in turn has praised the cleric, even this week saying his call to form militias was a crucial move to save the country from Islamic State dominance.

In marshaling foreign and domestic support, Mr. Abadi's government began racking up wins. In mid-2015 Iraqi forces took back Tikrit from Islamic State, their first major territorial victory. In November 2015, Kurdish Peshmerga forces pushed into the northern town of Sinjar, and the Iraqi military soon declared the Anbar hub of Ramadi free from militant control. The city of Fallujah fell months later.

In Mosul, where an offensive began last fall, Islamic State



Iraqi Prime Minister Haidar al-Abadi, left, with Iran's Supreme Leader Ayatollah Ali Khamenei in Tehran in June

didn't retreat but dug in deeper. Even as Iraqi forces surrounded the city and advanced, the militants used hundreds of thousands of civilians as human shields while stockpiling munitions and setting up snipers' nests in the warrens of the old city.

Today, Iraqi forces are fighting scattered pockets of Islamic State fighters.

In east Mosul, shops selling mobile phones or fashionable jeans have reopened next to restaurants slicing up kebabs. Patrons smoked openly, even during the holy month of Ramadan—a display unthinkable under Islamic State control.

Still, seeds of new conflicts are just below the surface.

Iraqi soldiers are accused of beating and summarily executing unarmed men and boys fleeing fighting in the heart of Mosul. The most recent allegations come from a Human Rights Watch report released Friday. Because the military is seen as a Shiite institution and Mosul is predominantly Sunni, such abuses, real or even rumored, threaten to fan sectarian tensions.

The Iraqi government will investigate any credible cases of abuse, according to Saad al-Hadithi, a spokesman for Mr. Abadi, but he said those allegations must be based on evidence and not hearsay. Mr. Abadi has said he wouldn't tolerate any human-rights abuses by troops.

In Anbar Province, tribal officials have exiled families of Islamic State members. In the city of Mosul, the city council recently passed a resolution declaring the same. Mr. Abadi has

signaled he will use his federal authority to prevent the local government from taking such actions.

Mosul mobile-phone salesman Forat Latif said the environment is ripe for another antigovernment group to lure Sunnis into more fighting.

"We will go back to the same environment that created Daesh," he said. "It's the same cloud that brought all this rain."

Iraqi officials recently released a 10-year \$100 billion reconstruction plan. The government doesn't have the money, and the World Bank and the International Monetary Fund haven't come forward with funds. Last year, the IMF provided a \$5.3 billion dollar emergency loan to help stabilize the country—a sizable contribution at the time but a fraction of what is needed now. Large sections of major cities like Ramadi and Mosul have been destroyed, with buildings, bridges and water mains turned to rubble.

During his tenure, Prime Minister Abadi has overseen an increase in oil production, which helped boost the country's GDP last year by 11%, according to the IMF. Yet low oil prices have complicated Iraq's efforts to pay government workers, who have sporadically taken to the streets to protest, and the non-oil sector of the economy is still reeling.

One of the biggest challenges for Mr. Abadi is the pressure from different Iraqi minorities for more autonomy.

The Kurdish north, led by President Masoud Barzani, has been angling for independence for years, and last month an-

nounced it will hold a referendum on the issue in September.

Federal elections are scheduled for April, and Mr. Abadi may face rivals for his position. He has managed to remain on good terms with both Iran and the U.S.—with U.S. Secretary of State Rex Tillerson praising the prime minister publicly in March.

But as the relationship between the U.S. and Iran deteriorates, there is a risk that Iran will back a challenger to the prime minister more clearly in Tehran's camp. Mr. Maliki has remained a constant presence in the political realm.

Mr. Abadi may face his biggest test when Iraq and its foreign allies no longer share a common foe.

On Thursday, as he declared the end of the caliphate, Mr. Abadi stayed focused on defeating Islamic State. "We will continue to fight Daesh until every last one of them is killed or brought to justice."

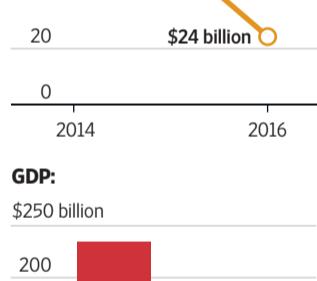
On the same day, though, brownouts in Baghdad left millions without power, showing the government's limited capacity to provide public services to its people. Four improvised bombs, meanwhile, detonated in different areas of Baghdad, killing a handful of people. Such attacks are a reminder that the war against Islamic State is moving beyond the battlefield and into the daily lives of Iraqis, something they had hoped a prime minister would prevent.

Ghassan Adnan in Baghdad, Asa Fitch and Al'A. Nabhan in Erbil, Iraq, and Dion Nissenbaum in Washington contributed to this article.

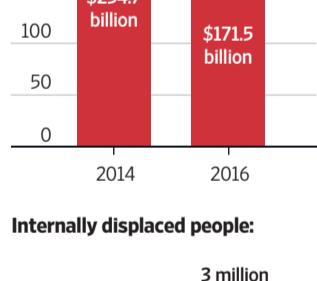
Iraq Today

Oil revenues and GDP have fallen and millions of people have been displaced since ISIS swept into power in Iraqi territory.

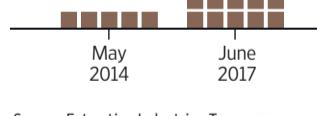
Oil revenues:



GDP:



Internally displaced people:



Source: Extractive Industries Transparency Initiative (Oil revenues) World Bank (GDP); International Organization for Migration (Internally displaced people).

THE WALL STREET JOURNAL.

PARADE

Continued from Page One
the Ancient and Honorable Artillery Company of Massachusetts, according to the New England Historical Society.

Members of that citizen-soldier organization, who marched in whatever uniforms they had, probably "looked a little ratty," said Charles Fazio, curator of the company's museum in Boston. Horribles parades, he said, were "a political thing started by some wisecrackers."

Over the years, the lampooning broadened to cultural and civic events. An 1877 horribles parade in St. Albans, Vt., depicted a local building committee in a trundle bed with a nursing bottle, according to the Vermont Historical Society.

In recent decades, displays have sometimes tested the limits of horrible taste. Jackson Tingle, 34 years old and coordinator of the Highlands Horribles Parade in Danvers, Mass., cringed when he saw 1970s

photos of marchers wearing 17th-century attire, carrying small gallows and holding signs reading "just hanging."

"I thought, 'Oh, that's fun,'" he said sardonically. "They're making fun of the Salem Witch Trials."

Beverly's and Salem's mayors in a joint statement denounced 2008 Horribles parade displays in those communities that satirized a rise in teen

pregnancies in nearby Gloucester, Mass. Gloucester's own Fishtown Horribles Parade had a kerfuffle with a float on which "the mermaid was a little bit topless," said Al Kipp, 57, a parade organizer there. An organizer confronted the mermaid mid-parade and told her to keep herself covered.

Last year, Mike DeGrange, 39, organizer of the 91-year-old Ancients & Horribles Parade in

Gloster, R.I., was surprised by a truck flying a Confederate flag. "Was it a proud moment? No," he said. "But the Ancients & Horribles Parade is going to have some horrible things in it."

Even by horribles standards, some of Beverly Farms's 2016 floats were too much for spectators like resident Jim Thompson, 55. "I stood on the sidelines getting angrier and angrier," he said. "I had a cup of Dunkin' Donuts ice tea. So I started throwing ice at them."

Along with the Trump, Clinton and border-wall floats was a trailer sporting real toilets and making light of the debate over transgender bathroom policies. A display bashed the Cincinnati zoo for the killing of Harambe the gorilla and included a sign some deemed racially insensitive.

As criticism spread quickly on the internet, the parade decided "this year is going to be a little more controlled," said Ms. Downey, 68, the parade-committee chairwoman.

The committee decided to

more strictly enforce its "Horribles Parade Guidelines for Entrants," which prohibits disparagement of religion, sexual orientation and ethnic groups as well as offensive sexual content. It added the wording: "POLITICAL COMMENTARY AND SATIRE MUST STAY WITHIN THE BOUNDS OF ACCEPTABLE PUBLIC DISPLAY."

The new five-member vetting subcommittee will hop in a truck around 9 p.m. Monday night, July 3, hitting each location where float-building is under way. "If we can find them," Ms. Downey said. "Sometimes they hide their floats."

The vettors will keep guidelines on their clipboards and check that each float meets them, said committee spokesman David Bertoni, 65. The committee knows some conclusions will be judgment calls, he said, and has settled on a basic benchmark: "Would the Stephen Colbert show be OK with this?"

Floats will undergo another screening before the 8 a.m. parade start. For anything still go-

ing too far, Ms. Downey said, vettors will be "bringing black spray paint and duct tape."

Resident Sindi Piku, 20, working in a pizza shop, worried the tradition will lose its sash: "People get offended so easily."

"We're not going to be politically correct," said Ms. Downey. "We want clever, not crude."

Joe Nichols, 29, entering his third Beverly Farms float with friends, hopes the new vetting isn't too strict.

He figures his edgiest appearance was in 2015 dressed as Caitlyn Jenner in fishnet top holding a sign: "Bruce Jenner believes in change."

His group starts bouncing around themes in May or June, looking online for topics that have drawn controversy. The night before the parade, they get a keg and make the float. He said they are keeping this year's idea secret for now.

"To me, it's about the tradition," he said, "staying up all night and making something that is actually horrible."



The 2015 Salem Willows Horribles parade in Salem, Mass.

VINCENT ROJO/NYT/FIELD GENEALOGY

photos of marchers wearing 17th-century attire, carrying small gallows and holding signs reading "just hanging."

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GREATER NEW YORK

Harlem Spurns 'SoHa' Tag

Label for central part of neighborhood irks residents and draws an unwelcome parallel

BY MELANIE GRAYCE WEST

A running battle over a New York City neighborhood's name has gotten fresh attention in recent weeks as a chorus of politicians decried the spread of a not-so-new four-letter word: SoHa.

The latest lawmaker to take a stand is Adriano Espaillat, the freshman Democratic congressman who represents the area. On Thursday, Mr. Espaillat introduced a resolution that states, "An attempt to rebrand Harlem as 'SoHa' is insulting."

SoHa, an abbreviation for South Harlem, has existed—and rubbed some Harlem residents the wrong way—since at least 2001, according to news reports at the time.

The term was briefly used in parts of the Morningside Heights and Manhattan Valley area, but now roughly describes the lower section of what's commonly called central Harlem, stretching from the top of Manhattan's Central Park to 125th Street, bordered on the west by Morningside Park and on the east by Fifth Avenue.

What to call, or not call, a neighborhood is a near perennial issue across New York City, sometimes pitting residents against the real-estate industry, city officials or historians.

Residents in the Bronx neighborhood of Allerton recently campaigned to have their area recognized. In Brooklyn, "PLG" is taking root in Prospect Lefferts Gardens, while "ProCro," where Prospect Heights borders Crown Heights, has prompted an outcry.

But amid a shifting population in Harlem—a historically and culturally important neighborhood, home to the Apollo Theater, gospel worship and long-established soul-food restaurants—SoHa strikes a particular nerve.

Longtime residents point to a 15-story building on Frederick Douglass Boulevard called SOHA 118, built in 2006, as the genesis of the SoHa trend. Real-estate company Keller Williams NYC has had a SoHa team for some time, and the shorthand has been seeping into other brokers' parlance.

It also is popping up on everything from restaurant menus to street-front signage, according to residents.

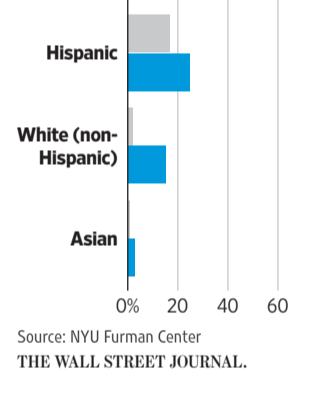
Critics say that beyond being historically inaccurate, using SoHa reflects an effort by some in the real-estate industry to draw a parallel with SoHo, the chic downtown area that started the moniker trend, and drive up already escalating rents in the area. Me-



Adam Clayton Powell Jr. Boulevard, in what is commonly known as central Harlem. Some call it 'SoHa.'

Neighborhood Shift

Share of the population in central Harlem, by race



Source: NYU Furman Center
THE WALL STREET JOURNAL.

Boundaries Evolve As Times Change

Harlem's boundaries have fluctuated for generations.

New York City maps from the 1850s put Harlem in the area east of Fifth Avenue, which is now generally considered East Harlem.

The neighborhood's boundary dips as far south as East 74th Street on some historical maps, according to Kate Cordes, assistant director of maps, local history and genealogy at the New York Public Library.

The 1995 edition of the Encyclopedia of New York City states that Harlem is "bounded to the north by the

Harlem River, to the east by Fifth Avenue, to the south by 110th (Central Park North), and to the west by Morningside and St. Nicholas avenues."

Those parameters can be found on current maps issued by the city's Department of Planning, albeit with disclaimers that neighborhood names aren't officially designated.

"Neighborhood names are subjective and organic," said Rachael Raynor, a spokeswoman for the Department of Planning. They are informed by, among other things, history, geography and residents' preference, which can evolve over time.

—Melanie Grayce West

dian rent in central Harlem was \$1,050 in 2015, up from \$710 in 2000, according to census data analyzed by NYU Furman Center.

Replacing "Harlem" with the new acronym also is seen as an attempt to erase black culture, said Danni Tyson, a real-estate broker and member of Community Board 10, a local panel that deals with community issues. "When you remove a name, you're losing something," he said. "And with us, Harlem, it means a sense of black culture."

Mr. Espaillat said there is "an underlying subtle racial, economic message" with SoHa. "It's very divisive."

A spokeswoman for the Real Estate Board of New York, an industry group, declined to

comment on the SoHa friction, saying only that the group supports existing New York regulations that state the use by real-estate brokers, associate real-estate brokers and real-estate salespersons of a name to describe an area that would be misleading to the public is prohibited.

Responding to pressure, Keller Williams NYC decided to change the name of its SoHa team, a spokeswoman said. "The team has a passion for the people, the history and the culture of the neighborhood they also call home," she said. "With respect to the neighborhood and people of Harlem, they will change their team name."

With his resolution, Mr. Espaillat said he wants to ensure there is no evolution of "Har-

lem," especially not on maps or GPS systems. He proposes that Harlem is really the "greater Harlem area," which includes neighborhoods such as Morningside Heights, Hamilton Heights and Sugar Hill.

Jacqueline Jimoh, a 71-year-old lifelong resident of Harlem, said people can try to break down the neighborhood however they like—east, west or central. But "you're not going to change it. You don't like it? You go elsewhere."

Standing in Morningside Park on a recent afternoon, Brian McLeod, 37, said SoHa will never catch on. "This is Harlem," the lifelong resident said. "SoHo is SoHo. SoHa? No, no."

—Mariana Alfaro contributed to this article.

Shutdown in New Jersey



Cheesquake State Park is one of many state facilities that were closed over the weekend because of a budget stalemate in Trenton.

Gov. Chris Christie, a Republican, ordered the shutdown of nonessential state operations such as parks, beaches and motor-vehicle offices after he and lawmakers failed to agree on the terms of a \$34.7 billion budget on Friday.

Mr. Christie said he would order the Legislature to return Monday after having done so for Saturday and Sunday.

The impasse centers on a pro-

posal to overhaul the state's largest health insurer, Horizon Blue Cross Blue Shield of New Jersey. Mr. Christie and Democratic Senate President Steve Sweeney support the plan, while Democratic Assembly Speaker Vincent Prieto is opposed.

A spokesman for Horizon said the proposed legislation would be unduly burdensome and force it to raise premiums.

Mr. Christie said Sunday that he is open to making a deal to reopen government.

—Roundup

Eaters Work Their Plans to Bring Title Home

BY ZOLAN KANNO-YOUNGS

To rightfully represent the birthplace of the Nathan's Famous July Fourth hot-dog eating contest, New Yorker Yasir Salem says he has enlisted the help of a hypnotherapist and hasn't touched a wiener in weeks.

The century-old annual contest has been dominated by renowned international and West Coast eaters, but a small group from the New York area are beefing up for the Coney Island event in unique ways.

Mr. Salem said the mustard belt—the contest's trophy—soon could head back to the East Coast. "You're starting to see a resurgence," said Mr. Salem, who also is a marathon runner. "The way I see it competitive eating started in New York with Nathan's. New York is rising again."

Mr. Salem, 40 years old, of Manhattan's East Village neighborhood, said a daily 4-pound salad and gallon of water hopefully will improve his intake of hot dogs. To get over his gag reflex, he went to a hypnotherapist three years ago. "The idea of vomiting is what I found out held me back," he said. "I had him construct a program for me and it hypnotized me."

The best chance of upsetting reigning champion Joey

Chestnut or No. 2-ranked Matt Stonie, both of California, falls to Carmen Cincotti, a 23-year-old from South Jersey.

Mr. Cincotti placed third in last year's contest by eating 42 dogs—28 fewer than Mr. Chestnut. "Nathan's is Coney Island at this point, and to have the belt every year across the country, it makes no sense to me," he said.

Mr. Cincotti, who is studying web development, centers his training around what he calls "casual eating sessions."

"I'll just buy doughnuts and hot dogs and just go to town on them," said Mr. Cincotti, who is

150 pounds and described himself as a picky eater.

When he's not at the gym—he says goes five to six times a week—Mr. Cincotti works out at Hibachi or Chinese buffets.

"At the end of the day it's like any other professional athlete," he said. "You put the time in and practice hard and do it."

Mr. Salem, who ate 31 hot dogs last year in the contest, said he uses spreadsheets to track the rate of hot dogs he consumes per minute.

In her debut last year, Sophia DeVita, 22 of New Jersey, ate 15.5 dogs—23 fewer than the reigning champion, Miki

Doctor Recounts Bronx Hospital Shooting Horror

BY ZOLAN KANNO-YOUNGS

The six people injured by a gunman in Bronx-Lebanon Hospital Center were in stable condition on Sunday, including a member of the hospital staff who was in stable but critical condition, according to hospital officials.

Henry Bello, 45 years old, shot and killed a seventh person, a young doctor, before he turned the gun on himself Friday afternoon.

Bello was a house physician who could only practice medicine at Bronx-Lebanon because he was working on a limited permit, said Sridhar Chilimuri, the physician-in-chief at the hospital. Bello had finished medical school but had not completed his residency, he added.

Tracy Sin-Yee Tam, 32, was filling in for a co-worker when Bello shot her with an AR-15 rifle, hospital officials said. There was no indication that Dr. Tam and Bello knew each other, officials said.

Dr. Tam, a physician in family medicine, was remembered by her colleagues as someone always willing to lend a helping hand. "That's her nature," Dr. Chilimuri said. "From her mentors, she had always aspired to work in underserved communities. She felt that was her calling."

Bello could be both polite and disruptive, Dr. Chilimuri recalled. After he was accused of sexual misconduct in 2015, the hospital threatened Bello with termination.

He resigned in February of that year, officials said, and had a short stay at a men's shelter in Manhattan earlier this year.

Hospital and police officials described a horrifying scene on Friday after Bello returned to the hospital hiding the weapon under a white medical coat.

A spokesman for the hospital said Bello "appeared to be a part of the staff" and there was "extensive security" in place when he entered.

Bello went to the 16th floor, where he asked an employee for a "Dr. Ahmed," a senior law-enforcement official said. Another law-enforcement official identified him as Kamran Ahmed. A hospital official declined to comment.

One doctor then recognized Bello, Dr. Chilimuri said, and got a glimpse of his rifle. The doctor called his supervisor, who then phoned Dr. Chilimuri. Dr. Chilimuri called security at the hospital to initiate a "Code Silver," to alert

staff that there was an active shooter. Dr. Chilimuri said he heard gun shots on the other end of the call.

Bello shot five hospital employees and one patient in the leg on the 16th floor, hospital officials said. He then went to the 17th floor and fatally shot Dr. Tam, officials said.

He attempted to light himself on fire with a flammable liquid, the senior law-enforcement official said. He then shot himself and died.

After the carnage, Dr. Chilimuri and his chief-nursing officer accompanied police to the 17th floor to help evacuate hospital employees and patients. Some nurses and doctors had taken cover in closets and bathrooms with patients.

"Those nurses ran right into those rooms and did not leave those patients," said Patricia Cahill, the chief-nursing officer. "They protected them."

When Dr. Chilimuri stepped off the elevator, he said he was ankle deep in bloodied water from the hospital's fire-alarm system, which sprayed from the ceilings.

'This is the worst scene you would see in movies,' says the physician-in-chief.

The bodies of Dr. Tam and Bello were still in the hallway.

He said the nurses on the floor refused to leave until all the patients were secured.

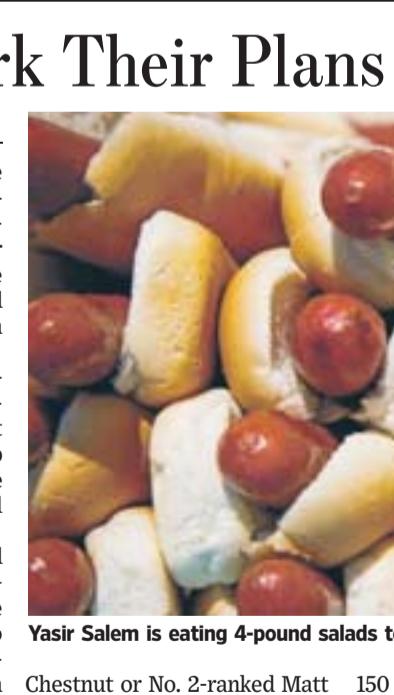
"To go there, drag patients over dead bodies it was incredibly difficult," Dr. Chilimuri said. "I imagine this is the worst scene you would see in movies."

Dr. Tam, who resided in Jamaica, Queens, graduated from Touro College of Osteopathic Medicine in New York in 2013, a spokeswoman for the school said.

"She was a serious, dedicated student who was well liked and respected by her classmates and faculty," Martin Diamond, interim dean and dean emeritus of the school, said in a written statement.

After Dr. Tam completed her residency at Bronx-Lebanon, she thanked one of her mentors at the hospital in a handwritten note.

"I will always miss you," she said. "You have no idea how much your patience and kindness have led the way to wanting me to be like you toward treating patients."



Yasir Salem is eating 4-pound salads to get in shape for Nathan's July Fourth hot-dog eating contest.



Sudo.

On three occasions in the last month Miss DeVita says she has bought dozens of Hostess snacks and tried to devour them as fast as possible.

Eric "Badlands" Booker, 48, is a seasoned hot-dog enthusiast. The 400-pound MTA employee and rapper has competed in the contest for 20 years. He listens to his own music when training. "I pretty much eat to the beat," he said.

A New Yorker winning the belt would be a relief, he said. "My MTA co-workers say: 'When you going to bring it back?'"

JULIO CORTEZ/ASSOCIATED PRESS

Gov. Chris Christie, a Republican, ordered the shutdown of nonessential state operations such as parks, beaches and motor-vehicle offices after he and lawmakers failed to agree on the terms of a \$34.7 billion budget on Friday.

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Mr. Christie said Sunday that he is open to making a deal to reopen government.

—Roundup

GREATER NEW YORK

PROPERTY WATCH

WEST VILLAGE

Northwell to Provide Health Services

The developers behind a large condominium complex have signed a lease with health-care provider Northwell Health, bringing additional medical-care services to the former St. Vincent's Hospital Manhattan site, the developers said.

Northwell Health, which has a network of hospitals and outpatient centers, signed a lease to take 22,000 square feet of space at Greenwich Lane, a 199-unit, West Village complex built by a joint venture of the Rudin family and Global Holdings Group. The residential development consists of five buildings and five townhouses constructed on the former hospital site.

As part of the rezoning-appraisal process, the developers were required to set aside the space for a community facility and work to fill at least half of it with some type of medical offices, said Michael Rudin, senior vice president of Rudin Management Co.

Northwell Health's facility, expected to open in 2018, would provide specialty health care, including services in the cardiology, gastroenterology, pulmonology, and ear-nose-and-throat areas.

The facility will be near Northwell's Lenox Health Greenwich Village, an emergency center housed in the 150,000-square-foot O'Toole Building that had been part of St. Vincent's Hospital, which closed in 2010.

NEW YORK CITY

Development Barriers Are Higher Elsewhere

New York City's regulatory environment is far less restrictive than other major office markets in the U.S., according to a report from research firm Green Street Advisors.

The city scored lower than markets such as West Los Angeles, San Francisco, Washington, D.C., Boston and downtown Los Angeles, according to the report, which examines barriers to commercial real estate supply in the top markets. New York scored a 5 for regulatory constraint, with 10 being the most constrained. In comparison, West Los Angeles was given 10 points.

—Keiko Morris



A view of Manhattan from the 63rd floor of One World Trade Center.

DREW ANGERER/GETTY IMAGES

"We have a lot of relationships with local farmers and fishermen," said Scott Crawford, a FreshDirect vice president.

An even newer entrant in the field is RealEats, a Geneva, N.Y., company that began rolling out its program this month to customers throughout the Northeast.

The company offers vacuum-sealed dishes from by well-known chefs, including New Yorkers Dale Talde and Bill Telepan. The "cooking" required is reheating the pouches in a pot of boiling

Perhaps the biggest local business vying in the space is online grocer FreshDirect, based in Long Island City, Queens.

Though it is known primarily for its supermarket-style array of products, it began rolling out its own line of kits, priced starting at \$19 (for two servings), late last year. Meal options range from lemon Parmesan chicken pasta to braised pork meatballs with sautéed leeks and apples.

FreshDirect said response to the kits has been strong, with sales growing by double-digit percentages month over month. It said its success is partly due to its sourcing of ingredients for the kits from area suppliers.

RealEats, of Geneva, N.Y., offers vacuum-sealed dishes that have been prepared by well-known chefs.

YANA PASKOVA FOR THE WALL STREET JOURNAL (2)

water. A three-meal-a-week plan for one person runs \$45.

RealEats said on its website that its meals are made "using local, never-processed, non-GMO ingredients, free from added hormones, antibiotics, preservatives or junk of any kind."

Another variation is companies delivering fully prepared meals for home consumption but geared to diners with special dietary needs.

A case in point: Epicure, a New York City outfit that made its debut last year and creates dishes for those with

digestive disorders, including gluten-free meals. Prices run from \$12 to \$23 for entrees.

Some of these companies say they are ready to take their concepts national if sales boom. It is a playbook that others have followed.

Plated, based in New York City, started its meal-kit delivery program in the Northeast five years ago but has expanded its shipping to 48 states.

Either way, the city is a good testing ground for food companies, said Erik Thoresen, a principal with Tech-

nomic, a market-research firm that has studied the meal-kit and meal-delivery industry.

New York is such a competitive dining environment that any business that succeeds here is positioned solidly for expansion, he said.

Mr. Thoresen isn't surprised so many companies are entering the dine-in space, locally and nationally, given the growth curve.

Annual sales of meal kits nationwide surged by 260% in 2016 to \$1.8 billion, according to Technomic. It projects the market will skyrocket to \$12.8 billion in 2021.

Interest in the market also has spread to Wall Street. Blue Apron Holdings Inc., the parent company of Blue Apron, went public on Thurs-

day.

Not every local business that has attempted to cash in on the craze has succeeded.

Eli Zabar, a New York foodie fixture who runs restaurants and markets in Manhattan, tested a meal-kit service last year in a slice of the city, but ultimately nixed the program.

He cited the high delivery costs and the difficulty maintaining quality control if the shipping area was expanded as some of the reasons for discontinuing.

It was "not a road I wanted to go down," Mr. Zabar added.

GREATER NEW YORK WATCH

NEWARK

Two People Killed, Two Hurt in Shooting

A shooting over the weekend left two men dead and two others wounded at a site near Lincoln Park in Newark, Essex County prosecutors said.

The 26-year-old victims were identified Sunday as Niger Farrel, of East Orange, and Darnell Holmes, of Newark.

Two other East Orange men, ages 25 and 28, were wounded in the Saturday night shooting.

—Associated Press

PATERSON

Man Charged After Stabbing at Party

A New York City man accused of stabbing another man during a party at a New Jersey home has been charged with murder.

Paterson police said Miguel Nesbeth also faces weapons charges stemming from the death of 41-year-old Alfred Edwards.

The stabbing was reported around 1:30 a.m. Sunday. It wasn't known Sunday if the 31-year-old Brooklyn suspect has retained an attorney.

—Associated Press



Other Firms Drawn to Tech's Turf

By KEIKO MORRIS

Technology companies have transformed Manhattan's Midtown South neighborhoods such as the Flatiron District, Chelsea and SoHo into the cool office locale. These days, other sectors are ramping up their presence.

The share of new leases signed by tech firms in Midtown South

PROPERTY

dropped significantly in the first half of

this year as more traditional

companies from sectors in-

cluding cosmetics and finan-

cial services continued to ex-

and relocate in the area,

according to analysis from

real-estate services firm JLL.

Tech firms represented 13%

of new leases signed in Mid-

town South in the first half of

2017, compared with 35% for

the same period last year and

48% in 2015, according to JLL.

Average asking rents in Mid-

town South rose 8.8% in the sec-

ond quarter to \$76.66 a square

foot. Midtown's average asking

rent was \$75.78, JLL said.

Tech remains a major pres-

ence in these neighborhoods,

with giants such as Google, a

unit of Alphabet Inc., and

Facebook Inc. continuing to ex-

and relocate in the area,

said real-estate analysts, bro-

kers and building owners.

Aetna Inc. is among the latest

drawn to the area, announc-

ing plans on Thursday to move

its corporate headquar-

ters and 250 jobs from Con-

nnecticut to 61 Ninth Ave. in

Chelsea by late 2018.

"We think it's more than just

wanting to hang with the cool

kids," said Tristan Ashby, direc-

tor of New York research for JLL.

"These more traditional cor-

porations have realized that they

are competing for the same tal-

ent as Google and Facebook. The candi-



Renditions of 61 Ninth Ave. in Chelsea, top, where Aetna will be based, and One SoHo Square, above.

dates they want to hire don't commute to Grand Central."

Bermuda-based insurance company Argo Group signed a lease this year to relocate and expand its New York City of-

fices from a 17,000-square-foot

space just north of Houston

Street to a 48,000-square-

foot office at 413 W. 14th St. in

the Meatpacking District.

"Argo was one that shocked

the market," said Paul Amrich,

vice chairman of real-estate ser-

vices firm CBRE Group Inc., and

part of the team representing

the building owners in the Argo

deal. "They were like, 'Wait, in-

surance in the Meatpacking Dis-

trict?' But we have seen more

and more of that occurring."

For Argo, there were few

places in the city that could of-

fer the "feel" and environment

they found in the company's

current office near SoHo and

the new Meatpacking District

location and provide the

amount of space the company

needed. Its New York office is

its fastest-growing location,

with the digital team repre-

senting the largest portion of

jobs there, said Mark E. Wat-

son III, Argo's chief executive.

Financial-services firms

looking to tap into the pool of

technology labor have been in-

creasing their presence in

Midtown South as well. Capita-

l One Financial Corp. signed

leases in the first half of 2017

for space around the Flatiron

District totaling 130,000

square feet, according to JLL.

Baltimore-based investment

manager T. Rowe Price Group

in April announced it would

house its new Technology De-

velopment Center at 233 Park

Ave. South, also home to Face-

book and BuzzFeed.

As the Midtown South mar-

ket continues to attract more

established companies, com-

mercial real-estate owners

have poured money into the

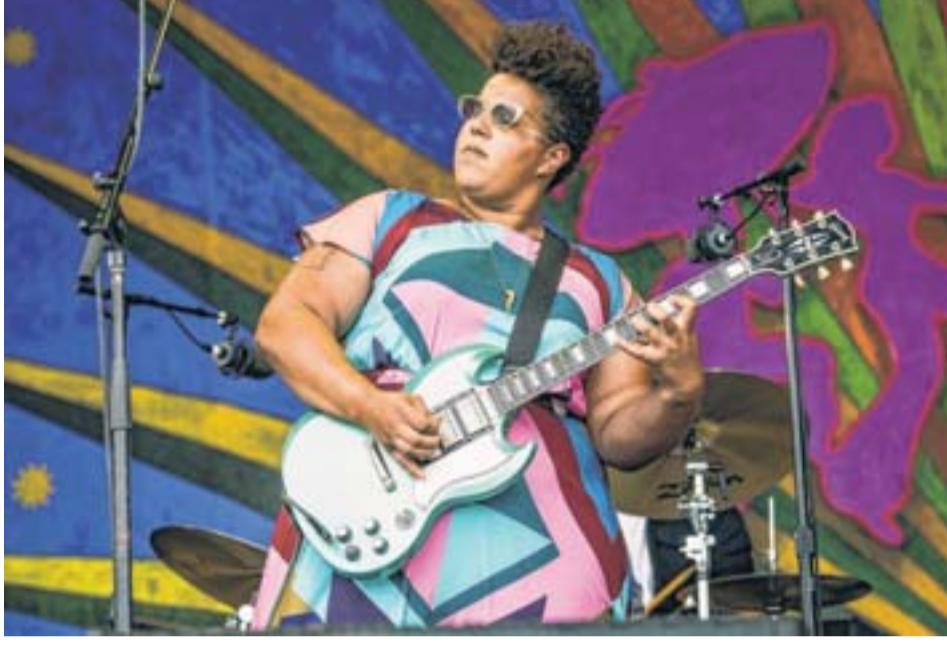
area's properties. Stellar Man-

agement, which owns One

SoHo Square, has almost com-

</div

LIFE & ARTS



BY NEIL SHAH

ROCK 'N' ROLL hasn't ruled American pop culture for decades, but in the South, it's enjoying a renaissance.

From the garage-punk bands of Nashville to Atlanta's metal-heads, Southern rock scenes are flourishing, sprouting new acts, clubs and publications. The new acts are much different than their predecessors: They are multi-ethnic and tackle thorny subjects with a centrist voice. Rather than hiding their accents, they take pride in their Southernness and flaunt it. Musically, they've splintered into a variety of styles, from retro-soul and revved-up Lynyrd Skynyrd-esque rock to punk.

"Southern rock has gone from being music made by white guys with accents like mine to being this multicultural thing that crosses so many genres," says Chuck Reece, editor-in-chief of the *Bitter Southerner*, a Southern music and culture magazine whose digital audience has grown to over 100,000 monthly viewers since its launch in 2013.

The South has long been a well-spring of American popular music, from New Orleans jazz and Memphis rock and roll to Atlanta rap. The latest rock revival shows how dramatically this region's demographic and economic landscape is changing. In the past decade, the South has seen more growth in Hispanics, Asians and mixed-race Americans than any region, says William Frey, a Brookings Institution demographer. There's also been an infusion of young people from New York, Chicago, Los Angeles and rural parts of the Midwest into Southern cities, drawn by a strong regional economy and lower living costs. This "blend of life-styles, backgrounds and origins will keep the region on the cutting edge of cultural change," Mr. Frey says.

Among notable Southern acts are Birmingham's Lee Bains III and the Glory Fires; Bitter, a punk band with two transgender members and a Latina lead singer; and Alabama Shakes, led by powerhouse Brittany Howard, who is biracial.

The popularity of homegrown Southern acts has fueled a broad expansion in the live-music scene. In 2015, The Bowery Presents, a New York-based concert promoter, partnered with musician-entrepreneur Brian Teasley to open Birmingham's 500-capacity club Sat-

MUSIC

The South's Rock Renaissance

The popularity of rock acts like Alabama Shakes, Bitter and Lee Bains III and the Glory Fires is fueling an expansion in the South's live-music scene



The South's new acts reflect the region's diversity. Top left, Brittany Howard of Alabama Shakes; Maritza Nuñez and Bitter, top right; and above from left, Adam Williamson, Lee Bains III, Eric Wallace of Lee Bains III & the Glory Fires.

urn. The new venue is a step up from Mr. Teasley's earlier 250-capacity room, Bottletree. "It's unbelievable how much the demand for great music has grown here in the last 10 years," Mr. Teasley says.

Bigger bands like TV on the Radio "didn't come here in anywhere near the frequency that they do now," Mr. Teasley says. Meanwhile, Birmingham's music-business infrastructure has grown—more bands, labels, blogs, record stores and venues, such as the 1,300-capacity Iron City, he says.

Louisville, Ky., has also seen expansion. Zanzabar, a favorite local venue, recently doubled its capacity and now accommodates nearly

400 people. Co-owner Jon Wettig says he hopes an apartment the venue owns next door will entice more bands to come through.

In Nashville, Live Nation, the country's biggest concert promoter, has been bulking up. It now runs the city's Ascend Amphitheater and Carl Black Chevy Woods Amphitheater. Rival AEG Presents is planning to open two new music establishments—a 4,000-capacity venue and a smaller 600-capacity one—in downtown Nashville as part of a new entertainment district.

What unites the new crop of bands is their inclusive definition of Southernness. "The whole sweep of changes from the first

era of Southern rock to where we are now has a lot to do with the younger generation becoming more comfortable living in diverse environments," Bitter Southerner's Mr. Reece says. Atlanta's Bitter, which formed a year ago, sometimes sings in Spanish; its Houston-born singer and songwriter Maritza Nuñez, 21, a first-generation Mexican-American, loves Shakira and Courtney Love.

Perhaps the region's biggest breakout group is Alabama Shakes, based in Athens, Ala., who won Grammy awards in 2016 for "Best Rock Performance" and "Best Alternative Music Album." The band has racked up nearly 1.7 million in

album units, including sales and streams, says Nielsen Music. Jason Isbell and the 400 Unit, another thriving act, debuted at No. 4 on the Billboard chart last month with their new album, "The Nashville Sound."

The Glory Fires, who fuse classic-rock, punk and soul, released their third album on Friday. Frontman Lee Bains III, 32, an English-literature major who wears a baseball cap and holds a construction job, says his first concert was seeing the Allman Brothers Band. Yet he calls Atlanta rap duo OutKast his "Beatles." "The South doesn't sound one way," he says. "It's a multitude." On "Whitewash," a new song, he rejects white privilege, saying he doesn't want "power over anybody."

The Glory Fires are the latest in a line of unashamedly Southern rockers. Lynyrd Skynyrd wrote "Sweet Home Alabama" in response to Neil Young's criticisms of the region. Drive-By Truckers, who revived Southern rock in the 2000s, took pride in Southernness but also challenged the region's troubled history. On "The Weeds Downtown," from the Glory Fires' 2014 album, "Dereconstructed," Mr. Bains tries to convince his now-wife to move back to Birmingham: "I know that Birmingham gets you down / But look what it raised you up to be."

Seventies acts like the Charlie Daniels Band defended the South at a time when it was poor, largely rural and frequently disdained in other parts of the country. By the time pop, "hair metal" and hip-hop dominated in the 1980s and early 1990s, Southern accents had become a career obstacle. "Everybody was trying to run from their Southernness," says Mike Cooley, co-leader of Drive-By Truckers.

Today's bands "speak loud and proud with their accents," Mr. Cooley says. Being Southern has been an asset for Birmingham's St. Paul and the Broken Bones. Just three years after forming in 2012, the soul-rock group, popular in the U.S. and Europe and fronted by the energetic, bespectacled singer Paul Janeway, opened up for the Rolling Stones.

When the band first started, fellow musicians and fans questioned how they succeeded being from a small Southern city like Birmingham, Mr. Janeway says. "Now it's like, 'Y'all from Alabama!'" He laughs. "It's kind of beautiful."

CLOCKWISE FROM TOP LEFT: AMY HARRIS/ASSOCIATED PRESS; NICOLE C. KIBERT; WES FRAZER FOR THE WALL STREET JOURNAL

FITNESS

HOW CYCLISTS CAN STAND OUT

BY RACHEL BACHMAN

SOME OF THE best ways to make cyclists more visible to drivers are also the simplest, new research says.

Highlighting the motion of pedaling can make cyclists more conspicuous, according to two recent experiments. Rick Tyrrell, a psychology professor at Clemson University, plans to submit his findings to academic journals this summer.

In one experiment, Dr. Tyrrell put 186 college students in a car—not all at the same time, obviously. One by one, the passengers were driven along a 15-minute route and told to press a button each time they were confident that they saw a cyclist.

A stationary cyclist was placed along the route facing away from the car. The cyclist wore one of four combinations of clothes, from all-black to nearly all-fluorescent yellow.

Although fluorescent jackets can

make people more visible generally, in this experiment the fluorescent jersey didn't make the cyclist significantly more recognizable as a cyclist than a black jersey. When the cyclist wore fluorescent leg coverings, however, observers recognized he was a cyclist more than three times farther away on average than when he wore black leggings and a fluorescent jersey.

"Humans are really good at recognizing other humans," Dr. Tyrrell says, noting that pedaling a bike is an obviously human motion.

Cyclists and pedestrians tend to overestimate how visible they are to others, previous research has shown.

In Dr. Tyrrell's other experiment, he and his students tested the use of taillights to increase cyclists' visibility during the day. Both studies were funded in part by bike maker Trek Bicycle. While nighttime cycling crashes are more likely to be fatal, about 80% of crashes occur during the day, when most cycling takes place, according to the study.

Please see CYCLING page A10



Fluorescent colors on the legs make cyclists more conspicuous than such colors on their upper bodies, a study says.

LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

The Disc Golf Fitness Regimen

After finding other types of exercise too hard or too dull, a Georgia musician discovered his jam with this mellow sport

ZACH DEPUTY never found exercise fun. But when his weight tipped past 400 pounds, he knew he needed to move more. Running was uncomfortable. CrossFit sounded like torture. And low-impact activities like golf seemed boring until the singer-songwriter's tour manager introduced him to disc golf six years ago. Instead of using a ball and club, players attempt to throw a Frisbee-like disc into an elevated metal basket in the fewest throws possible.

On his second disc golf outing he landed a toss from 150 feet away. "From that moment on I was hooked," he says. "If someone told me to hike up a hill for a beautiful view, I'd think about it," he says. "If you put baskets up a mountain, well there's no question I'd hike up to toss a disc."

He credits his passion for disc golf, combined with a high-fat, low-carb ketogenic diet, with helping him drop 100 pounds.

Mr. Deputy is in the middle of his 10th year on tour. Some years he's averaged 300 days on the road. The 35-year-old has cut back to about 175 days of travel in 2017 to maximize time at home, in Savannah, Ga.

Mr. Deputy competes in as many Professional Disc Golf Association tournaments as his schedule allows. His PDGA Player Rating is currently 894, which is similar to a golf handicap of about 10. "I have a fantasy that I'll compete professionally in the Masters division," he says of the 40-and-over competition.

The Workout

Mr. Deputy tries to play six days a week and always covers at least one mile walking a course. "I can get up to four miles of hiking up and down hills on challenging courses," he says. Most courses have nine to 18 holes. Completing a course can take anywhere from 40 minutes to three hours, he says.

Tom Triplett Community Park in Pooler, Ga., is his home course. While on tour, he plays before shows. "It's a great way to catch up with friends I haven't seen in awhile," he says. "On the disc golf course, you have a few hours to really connect." He estimates he's played 700 courses. Favorites include Maple Hill in Leicester, Mass., and DeLaveaga in Santa Cruz, Calif.

As in golf, a disc golfer progresses down the fairway and must make each throw from the spot where the previous throw has landed, often dealing with obstacles like trees, shrubs and terrain changes before hitting the target, often a basket. "With golf, you shoot left or right. In disc golf, there are so many nuances—you can throw backhand, overhead."



Zach Deputy puts at his home course in Pooler, Ga. In disc golf, as in regular golf, putting is key to scoring low. Left, a sampling of his discs.

broccoli. On the road, Chipotle is a frequent stop. He orders a chicken bowl with no rice, light on the beans and heavy on the sour cream, cheese and lettuce.

Intermittent fasting is part of the ketogenic diet philosophy, so he tries not to eat before noon or after 8 p.m.

The Gear & Cost

Disc golfers can choose from hundreds of discs. Many disc brands offer a flight rating system designed to describe a specific disc's speed, turn and stability. Mr. Deputy estimates he owns 400 discs. "When a new model comes out, I need to know how it performs," he says. Discs retail for \$7 to \$30, but Mr. Deputy receives free discs from his sponsor, Innova.

Tie-dye T-shirts and shorts are common on the disc golf course. "I like loose clothing, like basketball shorts, so I'm not constricted in a run up or throw," he says. Mr. Deputy rotates hard on his right foot, which wears down the sole of normal sneakers, so he now wears thick-soled, Nasu Disc Golf WP sneakers. (They retailed for \$130, but have been discontinued.) Most courses are free to play.

The Debate Over the Ketogenic Diet

Eat more fat to lose weight? The concept goes against conventional nutrition advice, as well as the federal Office of Disease Prevention and Health Promotion's Dietary Guidelines for Americans, which cautions that a diet high in saturated fat can lead to heart disease and obesity. But some researchers favor a high-fat, low-carb regimen, called the ketogenic diet.

When the body enters the metabolic state of ketosis, it starts relying on fat-generated ketone bodies, rather than glucose, as its primary energy source. Ketone bodies are chemical structures made by the liver out of fatty acids, primarily. Ketosis is reached through a combination of fasting and significant reduction of carbohydrate intake, typically under 50 grams a day, says Dr. Ken Ford, a ketones expert who runs the Florida-based Institute for Human and Machine Cognition. On a ketogenic diet, people typically consume 70% of their calories from fat, he says.

Torey Armul, a registered dietitian and spokesperson for the Academy of Nutrition and Dietetics based in Columbus, Ohio, says that while the diet has become popular in certain crowds, she wouldn't recommend it.

"A ketogenic diet restricts nutrient-rich foods, like whole grains, legumes, fruits and dairy," she says. "A lack of fiber, in particular, causes gastrointestinal distress and may impair digestive health." Ms. Armul says there is also some evidence that a ketogenic diet breaks down muscle tissue for energy. "This diet is usually used medically under the supervision of doctors and dietitians. People need to be very careful about adapting for at-home use. A healthy diet is one that is sustainable and supports a positive relationship with food and allows for flexibility."

CYCLING

Continued from page A9
cording to U.K. data.

The Clemson experiment found that from a distance of 200 meters, or about one long city block, a flashing taillight is significantly more conspicuous than an always-on taillight, which in turn is significantly more conspicuous than a taillight turned off.

But most eye-catching of all: a solid light worn on the back of each ankle.

The researchers custom-rigged taillights with ankle straps for the experiment. Trek's parts-and-accessories brand, Bontrager, doesn't make ankle lights.

"It's something that we're looking into for the future of how to make the right product for the consumer," says Scott Kasin, Trek's electronics and integration product manager. "It was truly eye-opening for all of us."

A yearlong experiment with nearly 4,000 cyclists in Denmark found that those who used front and rear daytime running lights had 19% fewer crashes that caused injury than those in a control group.

The likelihood of bike crashes is declining as ridership rises in big U.S. cities, data suggest. Rides on bikes offered through city-centered bike-share programs have surged—to 28 million last year—as the programs expand, according to the National Association of City Transportation Officials. Two cyclists have died in bike-share crashes out of more than 100 million trips since 2010: a woman in Chicago last year and, recently, a man in New York.

Bike-share bikes are thought to



be safer than personal bikes because they tend to be heavier, slower and equipped with lights, according to a report by the Minnesota Transportation Institute, a research center at San Jose State University. Advocates say the best way to make cycling safer is to build more protected bike lanes. For night riding, New York's bike-sharing system, Citi Bike, is testing a product called Laserlight on 250 of its 10,000 bikes. The light, made by a London-based company called Blaze, is mounted

on the front of the bike and projects a green laser image of a bicycle onto the ground about 20 feet in front. The image alerts drivers and pedestrians that a cyclist is approaching.

An independent 12-week study found that a bike with a Laserlight in the dark is more visible to a driver than a bike without one in the daytime.

In London, all 11,500 bikes in the city's bike-share program, Santander Cycles, are equipped with Laserlights, says spokesman Matthew Sparkes of Transport for London, which owns the program.

them up because members agree with the sentiment and have been seeing more high-powered LED headlights used day and night, Mr. Tonkin says.

Mighk Wilson, executive director of the Orlando, Fla.-based nonprofit American Bicycling Education Association, says certain strategies can make a rider more visible. One tip in the association's classes on cycling skills is riding in the center of a lane rather than on the edge, so drivers don't try to squeeze past or turn in front of you.

"Most important, really, is your positioning on the road, which then enhances your use of those lights and makes you more relevant," Mr. Wilson says.

Keep Blinking

Using a headlight and taillight during the day can make a cyclist more visible and less likely to be involved in crashes, according to data from Denmark. An experiment at Clemson University found a blinking taillight can make cyclists more visible during the day than a solid light or no light.

Night Lights

For night cycling, London and New York bike-share programs are using the Blaze Laserlight, which projects a green image of a bicycle on the ground 20 feet ahead to warn people a bike is approaching.

The light activates in the dark.

LIFE & ARTS



1

Finding Meaning in the Scraps

little-

gan to research the little-known genre of *bapo* painting, eyes rolled. It lasted from the mid-19th through the early 20th century and, to most scholars, it committed grievous sins. The paintings were crassly commercial, as opposed to, say, works by scholar artists expressing erudition, wit and veiled commentary. The artists portrayed objects hyperrealistically, an approach dismissed as gimmickry by a tradition that valued distillation over representation. Not to mention their subject matter—*bapo* artists reproduced, quite literally, scraps.

Berliner is curator of Chinese art at the Museum of Fine Arts, Boston, and is giving this intriguing genre its due. Since she joined the MFA in 2012, the institution has acquired some 40 *bapo* paintings, making it the largest museum collection of its kind. Now, with "China's 8 Brokens: Puzzles of the Treasured Past," she has staged the genre's grand debut. While the show includes some decorated objects and a most amazing piece of embroidery (all on loan), the primary focus is on paintings. From a distance, they look like collages of writings, paintings and rubbings the artist has salvaged—edges are torn, frayed, or charred; ink rubbings of inscriptions have faded patches; paintings have folds and rips, missing sections and insect damage.

lated 17th-century art lovers, who displayed cherished works by pasting them onto a screen. In most, however, the bits and pieces cascade down the length of a scroll, clump, and occasionally coalesce into the shape of a dragon, scepter, or coin. Such forms are auspicious, as are some texts reproduced in the paintings. This explains the show's title: It is a translation of *bapo*, which combines the lucky charms of the number eight and the notion of incompleteness. But that's not all the paint-

At one level, there's quite a lot of boasting going on.

Artists are showing off their knowledge and skill, while buyers are advertising themselves as men so cultured they recognize snippets of poetry, allusion, wit, and

poetry, allusions, ancient masterpieces. Yet there is something almost tongue-in-cheek about paying homage to ancient masters using frowned-upon realism. And while the artists purport to duplicate the real thing, some play tricks. A painting by Wu Chunkui includes a rubbing with a large crack, yet the stone it replicates has never suffered such damage. What are we to make of that?

Or, for that matter, of artists mixing in mundane me-

wealth,” “upset waste-paper basket” and “piles of brocade ashes.” They all fit. Not many *bapo* paintings survive, having been discarded as worthless by generations of both art lovers and revolutionaries. What survives may be just a fraction of what was once a popular art form whose origins are still unclear. But like the fragments the paintings depict, they embody rich stories Ms. Berliner is still uncovering.

mentos like a ticket stub, toothpaste wrapper, or matchbox label? It is tempting to see pastiches of classic and modern—the revered poem tossed in with the discarded wrapper—as criti-

of the past. Or perhaps as sermons about the futility of earthly pursuits, be they highbrow or lowbrow. This was my first reaction and, Ms. Berliner says, hers. But the timeline she has pieced together and the texts she has translated—both of which the show outlines nicely—cast a different light on *bapo*. Consider that, from 1850 until 1864, fighters in the Taiping Rebellion disparaged tradition, killed millions and laid waste to a great swath of the country. Elsewhere, Muslim rebels staged uprisings, some lasting until the late 1870s. China's last imperial dynasty was flailing, finally falling in 1911/12. And all the while Western-style modernity was encroaching at an ever-quickening pace.

have been calling attention to the value in the ordinary—does a printed school primer not belong in the venerable history of imparting knowledge? Is the invention of toothpaste not wonderful? But it seems likely that others harbored darker thoughts. The hope that “worm-eaten pages may have spirits preserved within” appears in one; in another, a poem mourning the destruction of past treasures. They can be read as warnings that given the turbulent and violent times, China’s cultural heritage risked going the way of flotsam.

**Lawrence's Treasures
of the Treasured Past**
Museum of Fine Arts, Boston,
through Oct. 29



Left: Untitled *bapo*
by Wu Chunkui;
Untitled *bapo* by
Zheng Zuochen
(20th century);
'Dragon' (late
19th-early 20th
century), by Zhu
Wei; Untitled *bapo*
from 1911

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SPORTS

WIMBLEDON

Why Geezers Rule Tennis

BY MATTHEW FUTTERMAN

When Andy Murray and Novak Djokovic both hit "The Big Three-Oh" earlier this year, it was truly a senior moment for men's tennis. For the first time in the game's modern era, the five best players in the world—and the five top seeds at Wimbledon—are all over 30 years old.

That makes them virtual AARP members by traditional tennis standards. The era when punky teenagers like Boris Becker, or even a 17-year-old Rafael Nadal, stormed their way to major championships before they were of legal drinking age suddenly feels as distant as players wearing ties and slacks on Centre Court.

Behind that sea change is a dramatic shift in how professional tennis players approach the game now, because it isn't just the top players who are long in the tennis tooth.

Half of the 32 seeds at Wimbledon, which starts Monday, are older than 30. Four others are 29. A decade ago, the top players older than 30 were 22nd-ranked Spaniard Carlos Moya and 29th-ranked Argentine journeyman Agustin Calleri.

Spaniard Feliciano Lopez, who at 35 is old enough to play on the game's senior tour, won the title at the Wimbledon warm-up tournament at Queens Club. A crafty lefty with eons of experience on grass, the 19th-seeded Lopez is being tipped for a deep run at Wimbledon.

Everyone now knows the important roles rest, recovery and diet play in longevity in the sport.

"Age is just a number," said Brad Gilbert, who quit playing in 1995 at 34, ancient by early '90s standards, to coach Andre Agassi. "You see it in every sport now, athletes playing longer and playing better at older ages."

Indeed, tennis is part of a sports ecosystem in which 32-year-old Cristiano Ronaldo is a near-lock this year to win a fifth Ballon d'Or as world soccer's player of the year. David Ortiz, in his final season at age 40, clubbed 38 home runs and had an MVP-worthy year in 2016.

According to Gilbert, tennis players began thinking they could play longer when Agassi made the U.S. Open final in 2005 at 35. (He lost to future king Roger Federer).

But tennis figured to be different, as it became increasingly physical during the past decade, requiring a freakish combination of speed, strength, endurance, and reflexes that wouldn't seem to



Roger Federer, who turns 36 in August, skipped the clay court season to prep for Wimbledon's grass.

make it very friendly past the typical athletic peak for a human of about 27-years-old.

However, a variety of factors—including skyrocketing prize money, better knowledge of fitness and nutrition, and the shakies psyches and physical weaknesses of players who were supposed to bump off the aging greats—have made thirtysomething the new twenty-something in tennis.

The game is dominated by aging matinee idols. Federer, who turns 36 in August and Nadal, who is 31, astoundingly split the year's first two Grand Slams after several seasons in which they battled injuries and played like they were past their sell-by dates.

Tennis experts say both players have recaptured their former glory with a similar strategy—improving their backhands and using the shot as a weapon rather than a defensive tool to set up a forehand. Federer skipped the clay court season to prep for Wimbledon's grass. Oddsmakers have pegged him as a 2-1 favorite.

John McEnroe, a three-time Wimbledon champion, compared Federer to the ageless and bionic Six Million Dollar Man. "He looks great and he's rested."

But with so many lesser thirty-somethings also still having success, clearly a larger dynamic is at work.

Money, and the opportunities and comforts it provides, is driving the demographic change. Thanks to burgeoning media rights fees, prize money on the ATP World Tour has doubled the past decade, rising to \$119 million this year from \$58 mil-

lion in 2006.

The biggest beneficiaries are the top players, but being a top 30 player now affords a far better life than it did a decade ago. Italy's Fabio Fognini, who at 30 is ranked 29th in the world, has collected \$8.7 million in prize money during an unspectacular 13-year career. He has already pocketed \$700,000 this year while posting a 17-13 record.

The aforementioned Argentine Calleri, who was the Fognini of his day, scratched out \$3.75 million during his middling 14-year career. Even first-round losers at Wimbledon will pocket \$45,500.

The money allows the top players to travel with entourages that include coaches, trainers, physiotherapists, masseuses and nutritionists. Everyone now knows the important roles rest, recovery and diet play in longevity.

The regimens have helped obliterate a group of players in the 26-29 age group, who normally would have taken over the sport by now. Since June 2005, just two players not named Murray, Nadal, Federer, Djokovic or Wawrinka have won one of the 49 Grand Slam tournaments. The Big Four of Federer, Nadal, Djokovic and Murray has a combined career record of 175-43 against once-future greats Milos Raonic, 26; Marin Cilic, 28; Kei Nishikori, 27; Grigor Dimitrov, 26; and Juan Martin Del Potro, 28.

Only Cilic and Del Potro have managed a single Grand slam victory. Del Potro has suffered through wrist problems. Raonic has a massive serve but shaky ground strokes. Nishikori has a weak serve.

Dimitrov and Cilic can be brilliant but are inconsistent.

Patrick McEnroe, the ESPN analyst who played professionally for 11 years and served as director of player development for the U.S. Tennis Association, said the serial beatdowns have likely caused chronic mental damage.

"Generally if you are going to be a multiple slam winner you will win when you are young," he said.

Now the players who appear most likely to topple all those over-30 greats are the ones who are in the under-25 set. They include 23-year-old Dominic Thiem, 20-year-old German wonder Alexander Zverev, and France's Lucas Pouille, who is 23 years old. They will have a serious void to fill.

On the women's side, with 35-year-old Serena Williams pregnant, the field of would-be stars is wide open. At Roland Garros, the unseeded Jelena Ostapenko emerged from virtual oblivion to take the title, and the top-ranked players have yet to prove they can win consistently on the biggest stages.

Tennis has dealt with generational voids before. For years, the game's higher minds worried about what would happen when Pete Sampras and Agassi retired. Federer and Nadal, arguably the two greatest players in history, solved that problem. Sampras won his final Grand Slam title in 2002. The next year, Federer won the first of his five consecutive Wimbledon titles. Three months before Agassi lost that 2005 U.S. Open final, Nadal won for the first time at Roland Garros.



German players celebrate on Sunday.

SOCER

Germany Is Showing Off

BY JOSHUA ROBINSON

Germany's best soccer players were on summer vacation. Goalkeeper Manuel Neuer went on a tropical honeymoon, while playmaker Mesut Ozil lounged around Beverly Hills. Thomas Muller, the striker, played a bunch of golf. Defender Mats Hummels passed the time by tweeting about the NBA.

So the national team sent the next best options to the Confederations Cup, an international tournament that serves as a one-year-out dress rehearsal for the World Cup. It turns out it didn't matter. With a team of youngsters, first-timers and national team marginals, Germany defeated Chile 1-0 on Sunday night to win yet another major trophy.

The Confederations Cup in itself doesn't mean a huge amount. It can't match the World Cup or any of the continental championships for prestige or emotional investment. But Germany's latest party in Russia confirmed a larger truth of international soccer right now: there is no level of the game at which Germany isn't currently incredible and nearly unbeatable.

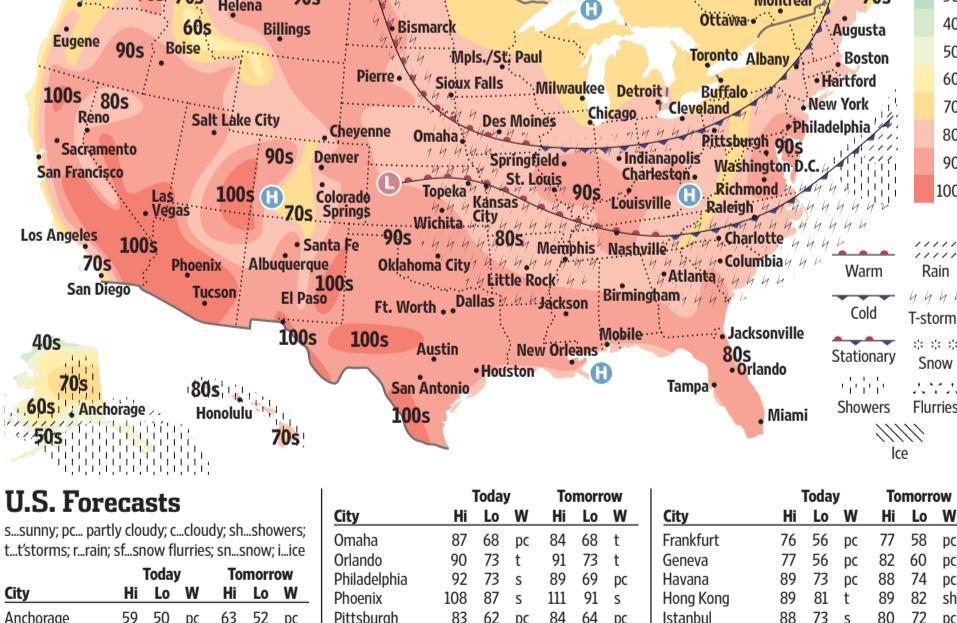
Three years on from lifting their fourth World Cup, the Germans are steamrolling everyone.

Using effectively a B-team in Sunday's final to hold off Chile, the defending South American champion, was only their latest show of strength. Earlier this summer, Germany also won the Under-21 European Championship. And last year, its Under-23 side earned a silver medal at the Olympics in Rio de Janeiro.

Even Germany's women's team is bossing world soccer. Ranked No. 2 in the world, it took gold in Rio and is now a heavy favorite to win the European Championship next month.

"We'll have to reconfirm all of these victories next year," national team manager Joachim Löw said. "But at the moment, Germany is still the best team in the world. That's what this means."

Weather



U.S. Forecasts

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

t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 59 50 pc 63 52 pc

Atlanta 86 72 t 89 73 t

Austin 97 77 pc 98 75 pc

Baltimore 93 70 s 90 69 pc

Boise 96 64 s 100 68 s

Boston 88 66 s 80 64 s

Burlington 77 59 pc 76 57 s

Charlotte 87 71 t 87 69 t

Chicago 78 62 pc 84 66 t

Cleveland 82 64 t 83 64 pc

Dallas 97 79 s 95 78 pc

Denver 90 60 pc 91 59 pc

Detroit 82 62 pc 83 63 pc

Honolulu 87 76 sh 87 75 pc

Houston 94 77 pc 94 77 pc

Indianapolis 89 68 pc 89 70 t

Kansas City 83 69 pc 84 68 r

Las Vegas 107 80 s 109 84 s

Little Rock 88 71 r 93 73 pc

Los Angeles 80 61 pc 80 62 pc

Miami 90 80 sh 90 80 sh

Milwaukee 73 59 pc 75 62 pc

Minneapolis 82 64 pc 83 66 pc

Nashville 90 71 t 88 72 t

New Orleans 91 75 pc 91 74 pc

New York City 89 70 t 84 69 s

Oklahoma City 95 72 pc 94 72 pc

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 59 50 pc 63 52 pc

Atlanta 86 72 t 89 73 t

Austin 97 77 pc 98 75 pc

Baltimore 93 70 s 90 69 pc

Boise 96 64 s 100 68 s

Boston 88 66 s 80 64 s

Burlington 77 59 pc 76 57 s

Charlotte 87 71 t 87 69 t

Chicago 78 62 pc 84 66 t

Cleveland 82 64 t 83 64 pc

Dallas 97 79 s 95 78 pc

Denver 90 60 pc 91 59 pc

Honolulu 87 76 sh 87 75 pc

Houston 94 77 pc 94 77 pc

Indianapolis 89 68 pc 89 70 t

Kansas City 83 69 pc 84 68 r

Las Vegas 108 80 s 109 84 s

Little Rock 88 71 r 93 73 pc

Los Angeles 80 61 pc 80 62 pc

Miami 90 80 sh 90 80 sh

Milwaukee 73 59 pc 75 62 pc

Minneapolis 82 64 pc 83 66 pc

Nashville 90 71 t 88 72 t

New Orleans 91 75 pc 91 74 pc

New York City 89 70 t 84 69 s

Oklahoma City 95 72 pc 94 72 pc

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 59 50 pc 63 52 pc

Atlanta 86 72 t 89 73 t

Austin 97 77 pc 98 75 pc

Baltimore 93 70 s 90 69 pc

Boise 96 64 s 100 68 s

Boston 88 66 s 80 64 s

Burlington 77 59 pc 76 57 s

Charlotte 87 71 t 87 69 t

Chicago 78 62 pc 84 66 t

Cleveland 82 64 t 83 64 pc

Dallas 97 79 s 95 78 pc

Denver 90 60 pc 91 59 pc

Honolulu 87 76 sh 87 75 pc

Houston 94 77 pc 94 77 pc

Indianapolis 89 68 pc 89 70 t

Kansas City 83 69 pc 84 68 r

Las Vegas 108 80 s 109 84 s

Little Rock 88 71 r 93 73 pc

OPINION

For Whom the Bell Tolls, Sell

By Andy Kessler

You think this market's crazy? One day in early 1987, with Wall Street humming, a meeting after trading closed involved several cases of champagne. The Dow Jones Industrial Average had breached 2000 that day, a cause for celebration. A week and a half later, more champagne was ordered when the average passed 2100. Then again a few weeks later for 2200. Eventually my boss stopped buying bubbly when breaking records became the norm. Japanese insurance companies would show up at the brokerage firm where I was a securities analyst and ask for a list of our five favorite stocks, then hand it to their salesman and say "buy 50,000 of each."

On Friday, Oct. 16, 1987, the average dropped 108 points. Rumors swirled that we'd celebrate with cases of Bud Light. No matter: I was with some traders and a client in a stretch limo, headed to watch Mike Tyson fight Tyrell Biggs for the heavyweight championship—an event staged by Donald Trump in Atlantic City, N.J. Man, I miss the 1980s.

The market truly crashed the next Monday, dropping 508 points, or 22.6%. In retrospect, there had been signs all over the place. How did everyone miss them? Well, as the old Wall Street adage goes, no one rings a bell at the top (or bottom) of the market.

So here we are in 2017. The

stock market is supposed to be the great humbler, but the records are coming fast and easy. The Dow Jones Industrial Average is up 8% for the year and flirts with a record practically every day. Some of this is structural: Bonds are no fun, since the yield curve is flattening and three-month Treasurys are 1%. So money flows to stocks—and other weird things.

Is this a bull market or a mania? You never know for sure, except in retrospect.

A friend of mine used to run a large-growth mutual fund. In the dot-com mania of 1999, he told me that tens of millions of new capital would flow in every single day. Trying to figure out where to put it, he would consider the new batch of initial public offerings—and then inevitably he just would buy more Yahoo or America Online or Cisco or, what the heck, Yahoo again.

Today, money is flowing into exchange-traded funds. But because ETFs are weighted by market cap, that money flows into the biggest names: Facebook, Amazon, Apple, Microsoft, Google. Classic momos, or momentum stocks. The church of what's working now. What could possibly go wrong?

Sure, the economy is picking up, earnings are growing,

and the business is being transformed by mobile, cloud and artificial intelligence. But who doesn't already know that? On the flip side, we're at the start of a 30-year cycle of interest-rate raising, nonhousing debt is higher than in 2008, and deciphering China's direction is as hard as Chinese arithmetic.

Remember, bull markets end when the perception of earnings growth disappears, maybe because of a recession or even simply pending inflation. Manias, on the other hand, end when the market runs out of buyers.

In 1987, Treasury Secretary James Baker refused to support the dollar, and Japanese buyers left town.

In late 1999, Federal Reserve Chairman Alan Greenspan flooded the economy with money to head off a potential panic over the Y2K computer glitch. Then in early 2000 he pulled the money back in, ending the stock-buying frenzy. In 2007, the subprime mortgage-backed security market rolled over as foreign buyers left, though because of thinly traded markets it took another year to show up in prices.

Another ding-dong: In less than a year at least 50 companies, including one named Mysterium, have raised hundreds of millions of dollars via something called Initial Coin Offerings, selling a percentage of a new cryptocurrency service in exchange for other digital coins. That's a modern version of a blank-check company,

which usually ends in tears.

So are we facing a raging bull market or a mania? Sadly, you'll only know in retrospect. I'm not saying it's a top today, though if it is, I'm happy to take credit. It could go on for a while. Pundits pore over charts of volatility and put-call ratios. Forget that. Real investors survey the landscape and look for signs of a market gone loco. In one week in late 1999, the hedge fund I used to run had two groups from the Middle East each insist on wiring us \$500 million. Practically "The Gong Show." We politely declined and then started returning money to our existing investors.

Are there any bells ringing now? How about a few months back when someone looked me in the eye and insisted—with cracking a smile—that Uber was a bargain at a \$68 billion valuation? Or when, with shades of AOL and Time Warner, Amazon bought Whole Foods for \$13 billion—and then its stock went up by more than that amount? Or when Tesla missed its numbers again and the stock rose anyway? Or when the price of a bitcoin, backed by nothing but the faith of devotees, hit \$3,000, tripling over a year? Or when Hertz stock rose 14% on news of a deal with Apple for a self-driving car that is still vaporware?

Listen for whom the bell tolls.

Mr. Kessler writes on technology and markets for the Journal.

How to Revive Central America



AMERICAS
By Mary Anastasia O'Grady

The "Northern Triangle" of Central America—Honduras, Guatemala and El Salvador—is one of the world's most dangerous regions. Drug trafficking and a weak rule of law have spawned powerful organized-crime networks that have overwhelmed government institutions. The instability has cost the region economically, feeding a vicious circle of poverty and violence with spillover effects for Mexico and the U.S.

The Trump administration recognizes that faster economic growth is part of what's needed for the region and is looking beyond simply throwing money at the problem. To succeed, it will have to break with the State Department's conventional wisdom that underdevelopment is caused by a paucity of taxes and regulation. It will also have to climb down from its view that trade is a zero-sum game.

Policy makers might start by reading a new report on micro, small and medium-sized businesses in Guatemala by the Kirzner Center for Entrepreneurship at Francisco Marroquin University in Guatemala City. It measures—by way of household surveys in 179 municipalities and interviews with industry experts—"attitudes, activities and aspirations of the entrepreneur."

The work is part of the Global Entrepreneurship Monitor study for 2016-17, which covers 65 countries.

At a June meeting in Miami with officials from the three Northern Triangle countries and Mexico, Secretary of State Rex Tillerson spoke of the need to "improve the overall economic competitiveness" of the region and "boost the willingness of private companies to invest in Central America."

That had to be music to the ears of most Guatemalans since the GEM study ranks Guatemala No. 1 for its positive view of entrepreneurship as a career choice. Guatemala also ranks high (No. 9) for the percentage of the population engaged in new businesses, defined as less than 3½ years old.

And it ranks 12th in terms of the percentage of the population who "are latent entrepreneurs and who intend to start a business within three years."

Guatemalan early-stage entrepreneurs see themselves as innovative, ranking seventh in the perception that they offer a product that has a unique, competitive edge.

Yet Guatemalan eagerness to run a business has not translated into prosperity for the nation, and therein lies the lesson for Mr. Tillerson and friends. The country ranks a lowly 59th in entrepreneurs' expectations that they will create six or more jobs in five years. It also sinks to near the bottom of the pack (62nd) in creating business-service companies. More than 76% of businesses are

consumption-oriented. Service businesses make up only 3.4% of all companies.

Failure to create jobs and grow, and the heavy concentration of businesses in the consumer sector, reflects the difficulty Guatemalan entrepreneurs have in getting credit. That's not unusual in an economy in which more than 72% of businesses operate

underground and therefore cannot access the formal banking system. Those businesses generate income but they are not able to make investments for future growth.

The World Bank's 2017 "Doing Business" survey provides many clues about why the informal economy is so large. Guatemala ranks 88th out of 190 countries world-wide for ease of running an enterprise, but in key categories that make up the index it performs much worse.

The survey finds that it takes 256 hours to comply with the tax code. The total tax take is 35.2% of profits. It takes almost 20 days to start a legal enterprise and costs 24% of per capita income. To enforce a contract it takes more than 1,400 days and costs more than 26% of the claim.

Guatemalan migrants who make it to the U.S. are famously

entrepreneurial and send home more in remittances every year than the total value of apparel, sugar and coffee exports. But at home the state is hostile to business and disrespectful of property rights. As a result, most new ventures see the cost of formality as outweighing the benefits.

The obvious solution is an overhaul of the tax, regulatory and legal systems in order to increase economic freedom. A lower tax rate and a simpler code would give companies an incentive to operate legally, thereby broadening the base and improving access to credit.

Instead the Guatemalan authorities—encouraged by the State Department and the International Monetary Fund—spend their resources trying to impose a complex, costly system in an economy of mostly informal businesses with a much-smaller number of legal, productive entrepreneurs. Recently the United Nations International Commission against Impunity in Guatemala recommended a new tax to fight "impunity."

This is no way to attract capital or raise revenue. Nor is Trump protectionism going to help Mr. Tillerson turn Central America around. Companies won't want to manufacture in the region if they don't have access to the U.S. market.

If the U.S. wants to see an economic recovery in the Northern Triangle, it has to recognize the reality of the market.

Write to O'Grady@wsj.com.

A Main Street Independence Day

By Thomas M. Boyd

When you begin to worry that America's traditions are lost to political correctness and the genius of the Founders forgotten, stand on Main Street in Leland, Mich., and watch a July 4 parade roll past.

Leland is a rural hamlet sandwiched between Lake Michigan on the west and Lake Leelanau on the east. It has become a summertime retreat for those who migrate to the water when the prairie begins to bake. I am a Virginian who grew up with the salt of the Atlantic in my nostrils. But I married a daughter of the Midwest, and she introduced me to the Great Lakes, where nostalgic American traditions still resonate.

Every summer, several generations of families return to Leland, and the town's July 4 parade is a main event. In years past, Gen. Mark W. Clark, liberator of Rome in 1944, spent his summers along the shore and

donned his uniform to march down Main Street with other veterans. A few years back, Russ Stroud, who retired here after a successful career downstate as an auto executive, stopped his 1936 Studebaker grain truck in front of the

Veterans, antique cars, volleyball players—and flags everywhere.

Judges' stand and, dressed in a tuxedo top and Bermuda shorts, got down on one knee to repropose to his wife. Last year, every spot along Main Street was taken well in advance of the parade, with swarms of young children perched eagerly on both curbs. The Stars and Stripes were everywhere: on silk bow ties, top hats, headbands, T-shirts and painted faces. Uncle Sam, in full regalia, pedaled by on a bike, his white beard and tails flowing in the wind.

The parade opened with the color guard, and as Old Glory passed, men and women of all ages stood, some with hands pressed respectfully over their hearts. Next came the veterans, no longer of World War II but Korea or Vietnam or Iraq. Following behind was a series of antique Army jeeps and armored personnel carriers.

Then came the Boy Scouts, Leland Township Fire and Rescue, the Cherry King and Queen, and the Grand Marshal in a 1922 convertible. A chorus line of antique cars carried a series of candidates for political office, from local county commissioner to Congress. What, after all, would July 4 be without a reminder that the Declaration of Independence was, among other things, a clarion call for independent choice?

There were floats for practically every entity in Leelanau County, from the Coffee Club to the Library Committee to the state-champion volleyball team. All the groups were

armed with candy and bubble gum, which they tossed toward the curbs. Children swarmed like pigeons in the park competing for crusts of bread.

The float that really captivated the crowd was from Bunek True Value Hardware. In the rear was a wooden outhouse and in front, seated on a white porcelain "throne," was someone, no doubt a member of the Bunek family, holding aloft a silver painted plunger like a scepter.

Forty-five minutes later, it was over. As the crowd dispersed, everyone wore a smile. Heading to my car, I caught sight of a thematic banner, one of those carried periodically throughout the parade. This one read: "Remember the past, imagine the future." Good advice for that, and any, July 4.

Mr. Boyd is a partner in the Washington office of DLA Piper and served as an assistant attorney general in the Reagan administration.

BOOKSHELF | By Melanie Kirkpatrick

Terror's Tailwind

The Forgotten Flight

By Stuart H. Newberger
(Oneworld, 320 pages, \$30)

The word "Lockerbie" entered the global vocabulary on Dec. 21, 1988, when Pan Am Flight 103, en route from London to New York, blew up over the Scottish village of that name. All 243 passengers and 16 crew members died, along with 11 people on the ground. Ten months later, on Sept. 19, 1989, another plane exploded, this time over the Sahara Desert; 170 people perished on UTA's Flight 772, traveling to Paris from N'Djamena, the capital of Chad.

Stuart Newberger dubs Flight 772 "the forgotten flight." Unlike Pan Am 103, the French airliner crashed thousands of miles away from TV cameras and the families of the victims.

While Lockerbie and terrorism soon became synonymous world-wide, "UTA 772 might just as well have crashed on the moon," he writes. Post-crash investigations found that both planes had been destroyed by suitcase bombs planted by Libyan agents acting on the orders of the late dictator Moammar Gadhafi.

Mr. Newberger is well-placed to tell the story of Flight 772. He was the lawyer for the families of the seven Americans who died aboard the plane as they sued Libya for damages in U.S. federal court.

"The Forgotten Flight" is an exhaustive examination of the events leading up to the crime and a detailed record of the families' struggle to hold Libya accountable.

Much of the evidence introduced in the U.S. trial was gathered by France, given the French ownership of UTA (now part of Air France). The probe was led by Jean-Louis Bruguiere, a magistrate judge who had earned the nickname Le Sheriff for his toughness and tenacity. He and his team traveled the world in pursuit of the facts about what happened aboard Flight 772. An early clue came from a Congolese prostitute who said that, a few days before the crash, a Libyan client had told her not to travel on the doomed flight.

It was, however, the discovery of a tiny piece of green circuit board—"miraculously recovered from the tons of debris scattered over miles of barren desert," Mr. Newberger writes—that provided the evidentiary link to Libya. The trail was tortuous: The circuit board had been manufactured in Taiwan for a German company that used it in a remote-controlled timer sold to a Libyan firm connected to Libya's intelligence officials.

When "The Forgotten Flight" recounts the French investigation, it moves along quickly and resembles a spy thriller. The only flaw in the narrative is the author's irritating habit of lapsing into pidgin English when relating his conversations with Le Sheriff and others. Zee editor of Meester New-ber-jay's manuscript ought to have excised these cartoonish passages.

Among the debris scattered over miles of desert, a tiny piece of a circuit board was found that linked the bombing to Libya. The lawsuits began.

The rest of the story, though well told, is not as gripping as the hunt for evidence. Mr. Newberger describes the twists and turns of the legal case brought by the Flight 772 families and reviews other terrorism cases heard in the U.S. and abroad. The book's final chapters take up sovereign immunity—the legal doctrine that protects countries and their diplomats from lawsuits in U.S. courts unless specific legislation lifts it.

Such legislation was passed in 1996, when Congress and President Bill Clinton eliminated sovereign immunity for countries that sponsored terrorism, making it possible for the Flight 772 families to sue Libya. In 2007 a U.S. federal judge found Libya responsible for the Flight 772 bombing and in 2008 ordered the Libyan government to pay the unprecedented sum of \$7 billion to the families of the victims and to the American owner of the plane, which UTA had leased.

Also in 2008 Congress passed new legislation, signed by President George W. Bush, restoring sovereign immunity for Libya as part of a plan by the U.S. government to restore normal relations with that country and bring it into an anti-terrorist coalition. Mr. Newberger's judicial victory became moot. Not long after, the State Department began negotiating with Libya, which, in 2009, paid \$1.5 billion to the U.S. Treasury to compensate all victims of Libyan acts of terrorism. The Flight 772 families each received about \$10 million. Their claims weren't fully resolved until 2013.

Mr. Newberger's disappointment at this turn of events is understandable. He is upset that the families did not receive a larger settlement and that the process was taken out of the hands of the court, whose judgment, he writes, had provided the families "a significant level of closure on their own personal journeys of pain and loss."

Even so, he is over the top in his denunciation of the U.S. deal with Gadhafi. He sees it as a betrayal of the rule of law, an insult to the victims' families and a "reward" to a murderous despot. Among his most preposterous statements is one in which he says that the judge's original ruling had been "pushed aside, subject only to the whims of the President." He never explains why persuading Libya to give up its nuclear program and join the fight against al Qaeda—objectives that the president had determined were in the national interest—amounted to mere "whims." The families deserved to be compensated and their loved ones remembered, but not at the cost of Americans' larger interest in reining in a terrorist state.

Near the end of "The Forgotten Flight," Mr. Newberger quotes riveting passages from the transcript of the Flight 772 trial. Experts are describing the flight's final moments—the shards of metal flying through the cabin, the fire, the plane breaking up. Says one: "There's a pretty good chance . . . probably better than even, that a lot of passengers were conscious until they hit the ground."

Twenty-eight years after Libyan terrorists killed 170 people over a remote desert, Mr. Newberger's well-researched book ensures that UTA Flight 772 will no longer be forgotten.

Ms. Kirkpatrick, a former deputy editor of the Journal's editorial page, is the author of "Thanksgiving: The Holiday at the Heart of the American Experience."

OPINION

REVIEW & OUTLOOK

The Senate's Tax Panic

On the dishonest left and the timid right, the Senate health-care bill boils down to "benefit cuts for the poor to pay for tax cuts for the rich." Some centrist Republicans are spooked and want their colleagues to keep ObamaCare's enormous tax increase on investment income. The pity is that the losers of this political retreat would be American workers with stagnant wages.

ObamaCare created a 3.8-percentage-point surtax on capital gains, dividends, interest and other forms of so-called "unearned income." This tax increase on capital was sold as hitting the rich, but note that it brought the top rate to 23.8% for singles earning as little as \$200,000 and couples \$250,000. That's a middle-class couple. Democrats are weaponizing the income-distribution tables as they always do, because most of the \$172.2 billion in lost revenue over a decade on a static basis would flow to the top 20% of taxpayers.

Support is growing to leave the surtax in place and spend the money on more insurance subsidies for low-income people or something else. Others want to delay repeal, or else defer the debate and deal with the surtax in tax reform. The conceit seems to be that Democrats and the media will give Republicans credit for surrendering, the controversy will melt away, and everyone will repair to the ideological conformity of the Aspen Ideas Festival.

Best of luck with that one. Democrats will pocket the concession and continue demagoguing tax cuts for the wealthy as the tax debate begins—only more emboldened for having tasted blood. The details are irrelevant to their opposition. GOP Senators also ought to understand that the goal of this left-right assault isn't simply to defeat the health-care bill but to sink pro-growth tax reform too.

Most immediately, delay makes tax reform \$172.2 billion harder, because Republicans would have to find the money in other budget offsets—assuming they really do want to repeal the tax. But in that case, why not do so now? Republicans won't be in a stronger position after they've shown they can't win the class-warfare argument.

The larger progressive ambition is to make it too much trouble to ever again cut marginal tax rates for individuals or businesses to grow the economy, and some conservatives are joining them. They want the GOP to surrender to the neo-Keynesian view that tax rates don't matter to economic growth or individual behavior. A coterie of Beltway conservatives wants Republicans to repudiate their post-Reagan

economic principles and return to their former status as tax collectors for the entitlement state while embracing right-wing income redistribution with child tax credits and family-leave subsidies.

The economic merits don't seem to count in this political fantasia. The reason to repeal the surtax isn't to shower dollars on the affluent, as if anyone truly believes that is the intent. The reason is to increase the stock of capital and improve the incentives for capital formation, which in turn increases labor productivity, wages and job creation.

Cutting the rate on capital income to 20%—it was 15% as recently as 2012—is a major increase in the return on investment and 3.8 points is close to half of the eight-point cut in the Bill Clinton-Newt Gingrich budget deal of 1997. That reform helped propel the 1990s boom, especially in a surge of venture capital in tech and other business startups.

The Tax Foundation estimates that repealing the surtax would increase employment over the decade by 133,000 jobs and increase the size of the economy by 0.7%. After-tax earnings across the bottom 60% of the income distribution would be about 0.65% higher than they would otherwise be. Combined with a successful tax reform, workers could see a big pay raise for the first time in years, which was President Trump's foundational campaign promise.

The economic literature is extensive that investors are highly sensitive to marginal tax rates, and they decide when to realize capital gains. Tax receipts for the first eight months of fiscal year 2017 are 3% off projections. The Congressional Budget Office attributes this slowdown to taxpayers who "may have shifted more income than projected from 2016 to later years, expecting legislation to reduce tax rates to be enacted this year."

This "lock-in effect" reduces economic efficiency and therefore growth because capital isn't being cashed out to find its highest return. An economic expansion that is already long in the tooth at eight years can't afford a Republican tax rout.

* * *

When Republicans campaigned to "repeal and replace" ObamaCare, we don't recall hearing that they meant only some of its tax increases. If they panic on the ObamaCare surtax, they'll give Democrats a major policy victory without having provided a single vote to pass it. Talk about bad politics. Messy compromises are necessary to pass the health bill, but the Senate shouldn't further damage reform with antigrowth political patent medicine.

Pruitt's Clean Water Break

President Trump is having a hard time getting legislation through Congress, but his Administration is moving fast to roll back Barack Obama's pen-and-a-phone lawmaking. The latest example, which barely registered in the press, is the Environmental Protection Agency's decision last week to rescind the unilateral rewrite of the Clean Water Act.

The Obama EPA in 2015 redefined "waters of the United States" under the Clean Water Act to include any land with a "significant nexus" to a navigable waterway. Several arbitrary thresholds were used to determine significance, such as land within a 100-year floodplain and 1,500 feet of the high-water mark of waters under government jurisdiction. The rule extended the government's writ to prairie potholes, vernal pools and backyard creeks.

Trump's Signals to China

The Trump Administration is losing patience with China's failure to stop North Korea's nuclear program, and two signals last week were new U.S. sanctions on Chinese aiding the North and a \$1.4 billion arms sale to Taiwan. Beijing may be miscalculating that this U.S. government will behave like every other.

The arms sale includes such sorely needed equipment as antiship missiles and torpedoes, though that doesn't make up for two decades of neglect by past U.S. administrations. Washington is obligated under the Taiwan Relations Act to help the island if it comes under attack, so the smart policy is to ensure that Taiwan can defend itself and deter a Beijing invasion.

Twenty years ago military experts derided the idea of a Chinese invasion as a "million man swim," since the People's Liberation Army lacked even the amphibious landing capability to move its forces across the 110-mile Taiwan Strait. Today China has landing craft, advanced fighters, ships and submarines. Shore-based missiles make it dangerous for the U.S. Navy to enter the Taiwan Strait in a crisis.

Taiwan's air force still flies some F-5 fighters bought in 1985, and its navy's two deployable submarines date from the same era. A 2016 report from the RAND Corporation estimated that Taiwan needs to spend \$25.3 billion on new weapons over the next 20 years to create a credible deterrent against Chinese attack. The most critical need is for more F-16 fighters so Taiwan's air force isn't overwhelmed in the early days of a conflict, as would be the case now.

Obama's legacy of rule by decree is rapidly being undone.

2006 *Rapanos v. U.S.* case that conceived the new "significant nexus" standard, which the Obama EPA used as a pretext to pursue its water land grab.

Mr. Pruitt said the EPA will propose a new rule "in accordance with Supreme Court decisions, agency guidance, and longstanding practice" that would "return power to the states and provide regulatory certainty." Consider it another lesson in the limits of pen-and-phone rule by decree.

Arms for Taiwan and sanctions on Chinese dealing with Pyongyang.

Taiwan deserves some blame for failing to spend enough on its own defense, but President Tsai Ing-wen is committed to buying more U.S. arms and reinvigorating the domestic arms industry. The island began a project to build its own submarines earlier this year, but it will need American help and the Trump Administration can move with dispatch to provide it.

Meanwhile, the U.S. Treasury last week announced new sanctions to reduce the flow of money through China to North Korea. Treasury said it will cut off the China-based Bank of Dandong from the U.S. financial system for "facilitating millions of dollars of transactions for companies involved in North Korea's WMD and ballistic missile programs." Treasury also sanctioned Dalian Global Unity Shipping Co., and two Chinese citizens, Sun Wei and Li Hong Ri.

These sanctions against Chinese entities dealing with the North are long overdue, and we've advocated turning the financial screws against any Chinese doing business with the North if China's government won't rein in its client regime. Beijing loudly protested the new sanctions and the Taiwan arms sales, but it should understand that the U.S. can escalate on both fronts and there is pressure from both parties in the U.S. Congress to do so.

After his friendly visit to Mar-a-Lago in April, Chinese President Xi Jinping may have concluded he can take a few token steps on North Korea and resume business as usual. But as the North's threat to the U.S. and its allies increases, China's malign neglect is untenable.

Republicans are now afraid to repeal ObamaCare's taxes.

Our family has contributed significantly to the SPLC over the past three to four decades. We are products of a liberal upbringing during the 1960s, and the SPLC was in the sweet spot of the type of organizations we wanted to support. Unfortunately, this is no longer the case.

The straw that broke our back was when Ben Carson was placed on the extremist hate list. When I heard about this, I immediately called and was told that his name was removed. I must not have been the only supporter who was outraged. There are many good reasons to disagree with Ben Carson's views, and I have troubles with many of them. However, the one thing I know for sure is that Dr. Carson isn't a hater, and he has contributed more than most of us to the benefit of our country and will continue to do so. This lack of judgment on the part of the SPLC demonstrated to me that the organization had lost its moral compass, and we could no longer support it.

MARK HARRIS
Palo Alto, Calif.

Taking people and groups with different views from your own and lumping them with villains is the mark of intimidation. It contributes to increased polarization by maligning groups that tens of millions of Americans support, either directly or through a shared perspective on the issues.

SEAN PARNELL
The Philanthropy Roundtable
Washington

The SPLC was created to fight the KKK and make any members who had committed a crime held accountable. The SPLC accomplished that and reduced the influence of the Klan. It seems like all organizations that are created to solve problems, like the EPA, CFPB and many others, once their goals and objectives are accomplished, they are unwilling to disband, instead proclaiming to "have more work to do." That mind-set encourages them to seek out soft targets and in some cases go beyond their mission statement.

Like many organizations that have done some good, the SPLC has now become political and is used as a tool to enforce biased opinions.

BARRY J. BRANAGAN
Casa Grande, Ariz.

When Is an M.D.'s Age a Diminishing Return?

Testing the cognitive function of an aging person responsible for the decisions and delivery of health care to others is a reasonable idea whose time has come ("When Are Doctors Too Old?", Life & Arts, June 26). That idea should include those who vote on health-care legislation, too.

ERIC J. LITTLETON, M.D.

Sevierville, Tenn.

Given the paucity of rigorous studies that relate physician age per se to patient outcomes, the basis for targeting older physicians would seem at face value to be quite arbitrary and insensitive to the fact that the aging process affects each of us differently, depending on our genetic makeup,

LAWRENCE D. DEVOE, M.D.

Augusta, Ga.

A Double Standard for Violence, Intimidation

The "historical pressure of Donald Trump" isn't the root cause of the left's rage or of its violent rhetoric and actions—it is merely a pretext for them ("Rage Is All the Rage, and It's Dangerous" by Peggy Noonan, Declarations, June 17). If any other Republican had been elected president in 2016, denying Hillary Clinton her assumed right to that office, he or she would have become the target of violent speech and hatred just as President Trump has and as the gentlemanly George W. Bush was.

The political rage infecting the U.S. is almost exclusively a left-wing phenomenon, and it is not something accidental to leftist ideology but is intrinsic to it. Violence has been part of the radical left's arsenal and ideology since the French Revolution. It is the direct result of

the hard left's rejection of traditional Christian morality and its embrace of moral relativism in pursuing its agenda, which allows leftists to demonize their political opponents and to use any means necessary to defeat or even eliminate them. Certainly, most liberals in the U.S. don't espouse violence, but a growing, radicalized minority of them do, and often with the tacit approval of their less radical brethren. Unless mainstream liberals in the U.S. reject the demonization of those who do not share their ideology and unless they subordinate their ideology to morality, the rage and violence will get worse.

MARY R. SCHNEIDER

Avon Lake, Ohio

Pepper ... And Salt

THE WALL STREET JOURNAL



It Isn't Illegal, but Acting Like a Jerk Has Some Costs

In his letter of June 19 Curtis Pehl writes, "By Harvard's rescinding these 10 students' admissions in June, they may not have any other college to attend."

What other college would want them?

ED SHOOP

Essex Junction, Vt.

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OPINION

American Retrenchment Is a Golden Oldie

By James Dobbins

In its 76th year, the "American Century" seems headed for a premature end. Americans are reportedly tired of shouldering the burdens of world leadership, supporting democracy, promoting free trade, and defending their allies. From now on, the American president says, the indispensable nation is going to look out for No. 1, raise new barriers to trade and immigration, and renegotiate—or possibly renegge on—recent and long-standing commitments.

Europe's most influential leader, German Chancellor Angela Merkel, has given voice to what is likely a wider sentiment: America's allies can no longer count on the U.S. and must take their fates into their own hands.

"As we look out at the rest of the world we are confused," wrote Henry Luce in February 1941.

But America's tendency to draw inward is nothing new. The American Century was first proclaimed by Henry Luce, publisher of Time and Life magazines, in words that resonate today. "We Americans are unhappy," he wrote in February 1941. "We are not happy about America. We are not happy about ourselves in relation to America. We are nervous—or gloomy—or apathetic. As we look out at the rest of the world we are confused; we don't know what to do."

He continued: "As we look toward the future—our own future and the

future of other nations—we are filled with foreboding. The future doesn't seem to hold anything for us except conflict, disruption, war." While this may sound familiar, Luce was describing a nation still recovering from the Great Depression. Most Americans were disillusioned with the results of the First World War and determined to stay out of the Second.

Many of today's Americans still haven't recovered from the Great Recession that began in 2008. Nearly all are deeply disappointed with the results of the seemingly endless wars in Iraq and Afghanistan. In 1941 Luce argued that "other nations can survive simply because they have endured so long—sometimes with more and sometimes with less significance. But this nation, conceived in adventure and dedicated to the progress of man—this nation cannot truly endure unless there courses strongly through its veins from Maine to California the blood of purposes and enterprise and high resolve." He concluded: "It is in this spirit that all of us are called, each to his own measure of capacity, and each in the widest horizon of his vision, to create the first great American Century."

Donald Trump is not the first president to want to reduce America's foreign commitments. In 1969, as America began to withdraw from Vietnam, President Richard Nixon established a doctrine that came to bear his name, warning that the U.S. would henceforth expect its allies to provide the manpower for their own defense. Presidents Jimmy Carter, George W. Bush and Barack Obama also entered office promising a restrained American role abroad.

Yet Mr. Carter went on to launch a covert war against the Soviet presence in Afghanistan and enunciated a



doctrine of his own, declaring that any "attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force." Mr. Bush pledged not to engage in "nation building," yet ended up doing that in Afghanistan and Iraq. During his first term Mr. Obama announced a "pivot to Asia," then the world's most peaceful region, but spent his second term boosting American military

commitments in Europe and the Middle East instead.

Isolationism is a recurring temptation of American foreign policy. Responding to new and unforeseen challenges, however, the U.S. has repeatedly resisted that temptation and risen to the demands of global leadership. Is it different this time? Certainly the official rhetoric from the Trump administration is more fervent. And Mr. Trump's election is a sign that American dissatisfaction with the existent global division of labor is widespread.

But we don't know how the country will respond to the next crisis. It took the surprise Japanese attack on Pearl Harbor, nine months after Luce's call to arms, to push the U.S. into World War II. It took the installation of Soviet puppet regimes throughout Eastern Europe to keep America engaged on the Continent for 40 years after the defeat of Nazi Germany. It took the Soviet invasion of Afghanistan for Mr. Carter to commit to defending the Persian Gulf. The 9/11 attacks turned Mr. Bush into a nation builder, and the rise of the Islamic State and the Russian invasion of Ukraine led Mr. Obama to recommit American forces to the Middle East and Europe.

Mr. Obama, like his predecessors, discovered that while Americans wanted a less costly foreign policy, they had difficulty accepting the diminished influence that went with it. Americans are unlikely to remain comfortable seeing their leaders heading a coalition of petro-state monarchs and illiberal strongmen while the democratic world marches to a different drum.

President Trump and his administration will be tested soon. The test could come in Syria or on the Korean Peninsula, or in some wholly unanticipated place and some entirely unexpected way. Then, when allies' support and international solidarity will be at a premium, Americans will find out whether their century of pre-eminence has ended.

Mr. Dobbins is a senior fellow at the RAND Corp., a former U.S. ambassador and assistant secretary of state, and the author of "Foreign Service: Five Decades at the Forefront of American Diplomacy," just out from Brookings Institution Press.

An American in Paris? Non, It's the French President

By Eliora Katz

Paris Seeking the American Macron!" the Weekly Standard's Bill Kristol tweeted the other day, expressing his disdain for Republicans and Democrats. To hear the French philosopher Alain Finkielkraut tell it, Mr. Kristol should look in Paris.

Like the anti-Trump Mr. Kristol, Mr. Finkielkraut didn't care for either choice in his country's recent presidential election. He has no truck with the xenophobic nationalism of Marine Le Pen's National Front. As for President Emmanuel Macron, he is far too American for Mr. Finkielkraut's taste.

The new leader's official presidential portrait photo was unveiled last week, and the French media noted its striking resemblance to Barack Obama's from 2012. Mr. Macron sent supporters to knock on voters' doors, a campaign practice that is familiar to Americans but was unheard of here.

When the president sings "La Marseillaise," the French national anthem, he closes his eyes and holds his hand over his heart. "This is not our tradition," Mr. Finkielkraut, 67, told me in a recent interview at his book-lined apartment near Jardin du Luxembourg.

Mr. Finkielkraut himself is a distinctly French type, a celebrity intellectual à la Régis Debray, Pascal Bruckner or Bernard-Henri Lévy. His complaints about Mr. Macron—and America—run deeper than political symbolism and ritual. He argues that France faces a "civilizational" crisis, a degeneration of social bonds whose symptoms include a decaying language, an inability to integrate immigrants, a contempt for French history, and a rise in terrorism, which he calls "the new ambient music of Europe."

Much of this he blames on multiculturalism, which he sees as a worldview made in America. "France is an old civilization; it has the right to preserve itself," he says.

"The multicultural society is a multi-conflicted society." In particular, large waves of Muslim immigrants have failed to adopt the values of the secular republic, known as *laïcité*. Candidate Macron celebrated France's cultural disunity,

'Entrepreneurship is the new France,' says Emmanuel Macron. One philosopher is skeptical.

proclaiming: "There is no such thing as a single French culture." To Mr. Finkielkraut, multiculturalism is a form of American "imperialism"—one that, by denying a country like France its right to maintain its particular identity, belies its claim to celebrate diverse cultures.

"We willingly accept the replacement of the French language by 'Globish,'" Mr. Finkielkraut laments.

To illustrate, he cites the English-language slogan of Paris's 2024 Olympic bid: "Made for sharing." Originally used in a Cadbury chocolate commercial, the slogan was later adapted by Burger King for its wedge-sliced Pizza Burger.

Then there is the new president's economic program. "Emmanuel Macron's philosophy is that of *homo economicus*," Mr. Finkielkraut explains, referring to the theory that man's motivations come down to rational self-interest. Mr. Macron, a former investment banker, often sounds less like de Gaulle than Zuckerberg. Last month he proclaimed in English: "I want France to be a nation that thinks and moves like a startup." He promised the French state would be a "platform and not a constraint" and added: "Entrepreneurship is the new France."

The new France sounds a lot like the old America, but Mr. Finkielkraut isn't alone in thinking the country already resembles the U.S. in its social problems. One of the most popular

books in Paris is Christophe Guilluy's "The Peripheral France," which cites growing inequality between big cities like Paris and Lyon, which benefit from globalization, and the left-behind rest of the country.

Never known as a cheery people, the French are now the most pessimistic on earth. One 2016 global poll found 88% of Frenchmen felt their country was heading in the wrong direction—the highest rate of gloom among all nations surveyed. To be sure, France's sclerotic welfare and regulatory state has stymied growth. But Mr. Finkielkraut argues that what his country needs isn't a Silicon Valley on the Seine, but a *raison d'être*—a sense of confidence in its purpose and way of life.

Mr. Macron ran on the slogan, "En Marche!"—"Forward!" or "On the Move!" That's also the name of his new party. It begs the question: *En marche où?* Where to?

Ms. Katz is a Robert L. Bartley Fellow at The Wall Street Journal.

If You Think the U.S. Is Divided and Ugly, Hit the Road

By Bob Greene

We were just west of Bartonsville, Pa., one warm recent morning when the rain began to pelt the windshield in earnest. Two competing candle stores—American Candle and the Candle Shop of the Poconos—beckoned to us with roadside signs, but it seemed advisable to motor on.

A predicted band of storms were sweeping across the eastern part of the country as this new summer was beginning. I'd been in New York and was due in Chicago by mid-evening. Flights were being canceled. So, the night before, I'd called a fellow I'd met during the New York visit—a former long-haul truck driver who'd told me he hankered to see the Great Lakes again—and asked what were the chances he'd be willing to drive straight from Manhattan to Illinois. He said sure; we worked out a price.

By 8 a.m. we were on the road. You know how divided this country is reputed to be? How ugly things allegedly are? Here's a suggestion:

Cross the United States by road this summer. Take a good look out your window. The country itself is pretty swell—beautiful and vibrant and full of small surprises. We, who live here, may do everything we can to screw things up, but our mutual home brims with moments of random loveliness.

On a busy street corner in Newark, N.J., a mother protectively clutched her daughter's hand as they waited to cross. In eastern Pennsylvania, the soaring, craggy rock formations by the highway sent a silent message: We were here before you were born and we'll be here after you are gone. Driving over the Delaware River, with the splendor of the famed Delaware Water Gap below, we caught the first magnificent sight of the Pocono Mountains—and those

trees, all those breathtaking miles of ancient trees. Who could ever count them? An impossible task.

In large cities life can seem crowded and claustrophobic. In rural Pennsylvania the overwhelming sensation was of how much open space America still has to offer: the room, if we choose, to spread out, to free ourselves from barking over each other's shoulders. What must life here have been like before the telephone, before television, before the internet, when people didn't have thousands of angry and disembodied voices—the voices of strangers—battering them every day, stirring them up? When the voices they heard belonged, in the main, to their neighbors?

The onetime truck driver favored classical music on his radio, which gave our unfolding view a quietly majestic soundtrack. The lines between counties, the divisions, felt artificial, invisible. The physical nation felt seamless. Exit 277: Lake Harmony. If only.

We would hit 20 or 30 minutes of bright sunshine and then another storm. On farmland east of Bellefonte a dozen cows stood in formation in the downpour. At the Milesburg Travel Center we parked next to a gray car populated by one man,

The beauty of our country as seen from a car window on the 12½-hour drive from New York to Chicago.

his two sons, and three bicycles lashed upright to their roof in the dark rain, like props-in-waiting for Margaret Hamilton in "The Wizard of Oz."

The skies cleared anew; Tchaikovsky was on the radio, and in a pasture near a farmhouse in Hazen a family had set up twin sets of soccer goals.

Six hours and 10 minutes into our journey we were in Ohio. So many

stretches of concrete over bodies of water, both wide and tiny; this country, when it wants to, has always known how to bridge things. We crossed the Mahoning River en route to Warren. Before the end of our drive there would be the Cuyahoga, the Vermilion, the Maumee, Crooked Creek, Grapevine Creek, the Grand Calumet.

In Lorain County, Ohio, was a big new Riddell factory where football helmets are manufactured for the kind of conflict from which combatants expect to go home not hating each other. The Florence Township headquarters of Bettcher Industries, maker of cutting-and-trimming tools, resembled a pristine, quintuple-scale red barn. Someone in the Meadows of Perrysburg housing development had painted a beaming smiley face on the side of a home facing the Ohio Turnpike.

Then we were in Indiana, with golden bales of hay positioned so artfully in emerald fields you'd have thought a painter with an infinite canvas had placed them for maximum effect. Near Elkhart, matching the mood, were roadside directions to Linton's Enchanted Gardens. In Gary, as the clouds lifted, the U.S. Steel Yard, home ballpark of the minor-league RailCats, lured passersby to a long summer of baseball games.

A man in a lovingly restored black-and-white Studebaker passed us on the right and we entered Illinois. At 7:24 p.m. Central Time, 12 hours and 24 minutes after leaving New York, we pulled up to my destination. I told the fellow behind the wheel the quickest way to his hoped-for Great Lake, Lake Michigan, and we said goodbye. Some country. Some day.

Mr. Greene is completing a new novel, "Yesterday Came Suddenly," about an America with no internet.

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Notable & Quotable: George III

King George III addressing Parliament, Oct. 31, 1776:

Nothing could have afforded Me so much Satisfaction as to have been able to inform you, at the Opening of this Session, that the Troubles, which have so long distracted My Colonies in North America, were at an End; and that My unhappy People, recovered from their Delusion, had delivered themselves from the Oppression of their Leaders, and returned to their Duty. But so daring and desperate is the Spirit of those Leaders, whose Object has always been Dominion and Power, that they have now openly renounced all Allegiance to the Crown, and all political Connection

with this Country. They have rejected, with Circumstances of Indignity and Insult, the Means of Conciliation held out to them under the Authority of Our Commission; and have presumed to set up their rebellious Confederacies for Independent States. If their Treason be suffered to take Root, much Mischief must grow from it, to the Safety of My loyal Colonies, to the Commerce of My Kingdoms, and indeed to the present System of all Europe. One great Advantage, however, will be derived from the Object of the Rebels being openly avowed, and clearly understood. We shall have Unanimity at Home, founded in the general Conviction of the Justice and Necessity of Our Measures.

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THE WALL STREET JOURNAL.

Monday, July 3, 2017 | B1

Bitcoin's New Problem: High Fees

Transactions get more expensive, reducing currency's appeal for day-to-day usage

BY PAUL VIGNA

Bitcoin was designed to be cheap, reliable and fast. Lately, though, many users are complaining that the digital currency is anything but.

The cost for investors and consumers to buy or sell bitcoin hit an average of \$5 per transaction in early June, the highest rate of its eight-year history as an alternative means of payment. The fee has since come down to about \$3.50. Two years ago, it was less than a nickel.

The figures, from data pro-



MARK BLINCH/REUTERS

The cost to buy or sell bitcoin hit \$5 per transaction in early June.

vider BitInfoCharts, show that the growing use of bitcoin, whose total value now exceeds \$40 billion, is stretching the limits of its current market

structure. In turn, dealing in bitcoin is becoming more costly and inconvenient, turning off some customers.

High fees make it impractical

to use bitcoin as a day-to-day currency. Paying a \$5 fee to send \$10,000 in bitcoin isn't a big deal, but it is hard to justify buying a cup of coffee with bitcoin if the transaction costs more than the coffee.

An array of bitcoin applications such as cross-border money transfers and small-ticket consumer payments need an affordable bitcoin network to thrive. With higher fees, "I think a lot of use cases start to die," said Jonathan Levin, chief executive of research firm Chainalysis.

In recent years, consumers have been showered with rewards for swiping their credit cards—from cash back to airline miles and points for free hotel stays. The merchant pays the fee, the consumer gets the spoils. In bitcoin's case, the

fees are being borne by users.

When Cameron Oatley, a 19-year-old student in Romsey, southeast England, recently sent a friend \$30 worth of bitcoin on a U.S. platform, he was hit with a \$6 transaction fee.

"The whole reason behind bitcoin isn't really there anymore," Mr. Oatley says. "Any currency where you have to pay a huge portion of the transaction just for the privilege of using that currency is no currency."

Bitcoin transactions are processed by a group called miners, who maintain the network and get paid for their work in newly created bitcoin and through transaction fees.

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◆ Why bitcoin and ether went wild..... B6

Caterpillar Faces More Questions In Probe

BY ANDREW TANGEL
AND ARUNA VISWANATHA

Federal investigators believe Caterpillar Inc. failed to submit numerous required export filings with the government in recent years, adding to questions facing the manufacturing giant, people familiar with the matter said.

The findings are preliminary, these people said, but offer an avenue for investigators to examine whether missing export submissions were part of a possible effort by the Peoria, Ill.-based maker of yellow bulldozers, mining trucks and other heavy equipment to avoid paying taxes.

The possible missing export filings were discovered as part of a continuing criminal probe into potential export and tax violations at Caterpillar, according to the people familiar with the matter. The probe is the latest in a series of inquiries centered largely on a Swiss subsidiary that U.S. Senate investigators have found was part of a long-time Caterpillar strategy to lower its U.S. tax bill. The Swiss unit has been involved in overseas sales of Caterpillar replacement parts. While the tax-angle of the probe is in its very early stages, investigators believe it could be the beginning of a yearslong investigation, people familiar with the matter say.

Caterpillar hasn't been accused of any wrongdoing.

"Caterpillar believes its tax position is right," a spokeswoman said. "We are in the process of responding to the government's concerns, and hope to be in a position to bring this matter to resolution within a reasonable timeframe."

As part of the criminal probe, federal agents from three agencies raided the manufacturing giant's headquarters and two nearby facilities in early March. A prime focus of the searches was information related to Caterpillar's export submissions, according to previously disclosed search warrants, but the people familiar with the matter said the government has yet to determine whether there are potential tax implications related to those filings.

Investigators have identified discrepancies between what Caterpillar turned over to authorities in response to subpoenas before the raids and the company's regular filings with the U.S. Department of Commerce's Automated Export System, the people familiar with the matter said.

The export system provides government researchers with U.S. trade data and includes information such as the valuations of products shipped abroad. It also allows law-enforcement agencies to track U.S. exports and monitor shipments to countries facing sanctions. Exporters could face civil or criminal penalties if they fail to file export information or if they submit misleading information.

Please see TALC page B2

Lack of Cheap Drugs Thwarts Treatments

Shortages add \$400 million to costs as doctors use pricier and riskier alternatives; sterile talc is scarce



STERILE TALC, a low-cost medicine, comes from open pits, like this one in southern France. Doctors find its shortage frustrating because it involves a basic ingredient.

BY PETER LOFTUS

The scarcity of a simple medicine is complicating treatment for patients with a serious lung problem, one example among dozens showing how shortages of low-cost, essential medical products are causing problems in the U.S.

The medicine, sterile talc powder, is used to treat malignant pleural effusion, a disease affecting about 150,000 Americans that involves excessive fluid buildup around the lungs and can cause shortness of breath and chest pain. The condition is often triggered by lung or breast cancer.

Talc isn't a cure, but an injection of a talc-containing

solution can adhere the lungs to the chest wall and prevent the buildup of fluids for months. The talc costs hospitals about \$120 per 30-gram container.

Chronic drug shortages have burdened U.S. medical care for several years. Studies have estimated drug shortages add more than \$400 million in annual U.S. health-care costs because hospitals and doctors are forced to seek more expensive alternatives, and health-care workers must spend extra time managing shortages.

The shortages of low-cost medicines have been caused by a decline in the number of suppliers for certain products and failures by companies to build enough production ca-

pacity or meet manufacturing-quality standards, according to a 2016 report from the U.S. Government Accountability Office. Experts also say thinner profit margins for many older drugs reduce incentives for companies to invest in them.

The number of continuing drug shortages in the U.S. was 176 as of March 31, according to the University of Utah Drug Information Service, down from 320 in 2014.

Food and Drug Administration steps to ward off new shortages, like trying to line up other manufacturers when one has a supply problem, have helped. But shortages remain a concern for doctors and hospitals.

In the case of sterile talc,

supplies have dwindled because of a production problem, said Areta Kupchyk, an attorney for the substance's only U.S. supplier, Lymol Medical. The family-run, pri-

vately held company in Woburn, Mass., relies on a contract manufacturer, she said, and production was suspended due to a "manufacturing issue" involving a change in a product compo-

nent. Ms. Kupchyk declined to identify the contract manufacturer and said she didn't know when production would resume.

Sterile talc is derived from white rock typically mined from open pits. The shortage is the type that doctors and pharmacists find particularly frustrating because it involves a basic ingredient that can also be found in nondrug products. It doesn't have extra ingredients such as perfume that are found in consumer talcum-powder products, which are used for cosmetics and to absorb moisture.

As a result of the shortage, doctors and hospitals are resorting to riskier and

Please see TALC page B2

176

The number of drug shortages in the U.S. as of March 31.

KEYWORDS | By Christopher Mims

Maybe Houses Can Be Built Like iPhones

The world's housing crisis has many causes, but there is a stubbornly persistent one that we should have been able to solve by now: Productivity.

As prices of components and materials for pretty much every other physical object—cars, cellphones, clothing, etc.—have dropped precipitously, it still costs too much to build a house. Over the past 60 years, productivity in manufacturing

has increased eightfold while remaining basically flat in construction, says Jan Mischaik, a senior fellow at McKinsey Global Institute who specializes in infrastructure and housing.

Gadgets like iPhones, every one the same, benefit from economies of scale, but that's harder to achieve with buildings, which must fit the sites they are constructed on.

As usual, technologists think they have a solution. They are reviving surprisingly old ideas in construc-

INSIDE



WINNERS AND LOSERS IN FIRST HALF

MARKETS REVIEW, B5-B8

Suncor Swears Off Oil Bets

BY BRADLEY OLSON

CALGARY, Alberta—One of the best-performing oil companies in the past year is gaining favor with investors in part by embracing an unusual strategy: promising not to reinvest in its core business "in the foreseeable future."

The company is Suncor Energy Inc., Canada's largest oil producer, and the core business is the country's oil sands. A host of big international oil companies have plotted a speedy retreat from the region because of concerns about how the once-booming area can remain lucrative in the face of regulation to limit carbon emissions and relatively cheap U.S. shale drilling.

Despite the cloud over the oil sands, Suncor shares outperformed every major North American oil company from June 2016 to May, as well as the S&P 500 index. Most other energy producers have been routed as crude prices have fallen almost 20% since April.

Suncor has gained favor in part by heeding the chill on investment. After years of spending to ramp up new projects, the company is about to take a pause in the oil sands, where operators must use steam or expensive equipment to transform the tarlike crude into a substance suit-

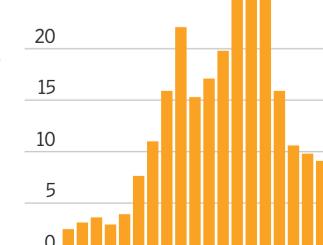
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◆ Investors cut losses as oil enters bear territory..... B6

Peak to Trough

Oil sands spending peaked in 2013 and has fallen due to concerns on low prices, climate regulations

\$30 billion



Note: 2017 and 2018 are estimates

Source: WoodMacKenzie

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Former Tepco Officials Enter Not-Guilty Pleas

BY MAYUMI NEGISHI

TOKYO—Three former executives from **Tokyo Electric Power** Co. pleaded not guilty to charges of negligence at the beginning of the only criminal trial related to Japan's nuclear-plant meltdown six years ago.

Former Tepco Chairman Tsunehisa Katsumata and the ex-heads of the utility's nuclear division, Sakae Muto and Ichiro Takekuro, offered apologies at the Tokyo District Court but said it wasn't possible to have foreseen the estimated 43-foot tsunami that struck the Fukushima Daiichi plant on March 11, 2011, triggering meltdowns

in three of the plant's six reactors.

"I apologize for the tremendous trouble to the residents in the area and around the country because of the serious accident," Mr. Katsumata said quietly as he bowed.

"I believe I don't have a criminal responsibility in the case," he said.

Public anger remains high over the handling of the biggest nuclear accident since the 1986 Chernobyl disaster by the government and Tepco. Some former residents of the area who were evacuated following the disaster rode a 4 a.m. bus to attend Friday's hearing.

The joint U.S.-European report slated to be released in August will conclude that cockpit systems still are unable to pinpoint the most treacherous icing conditions in time, according to preliminary summaries and people familiar with specific findings.

Despite years of extensive work by plane makers, equipment suppliers and government researchers, experts have determined that typical weather radar on board jetliners can only provide pilots a few seconds of warning regarding likely locations of risky high-altitude ice crystals. That is too brief to help crews avoid or otherwise react to such hazards.

Representatives of radar manufacturers, regulators and pilot unions concluded that while it is theoretically possible for longer-range identification of ice crystals if they are large and uniform, that is an unlikely scenario during routine operations.

Instead, flight tests revealed that today's airborne radar systems themselves can't pinpoint the most hazardous smaller crystals more than a few miles in front of jetliners, according to the people familiar with the details. The study group is advocating further flight tests, and industry experts continue to work on alternate solutions that incorporate other sensors.

Summaries of some of the findings already have circulated among industry technical groups and air-safety authorities on both sides of the Atlantic. But earlier this year, members of the study group said they saw little industry interest in continuing to develop performance standards for radar detection of ice crystals.

Ice accumulation can wreak havoc inside modern jet engines or on the tips of airspeed-measuring devices extending from the noses of jets, called Pitot tubes. Such incidents are infrequent, but they have caused numerous emergencies in the past

two decades and contributed to at least two high-profile commercial airliner crashes.

Speed sensors on an Air France jet headed to Paris from Rio de Janeiro in 2009 iced up and malfunctioned while flying through an area known for strong, high-altitude storms, confusing the cockpit crew. Responding improperly to unreliable airspeed readings, the pilots allowed the plane to slow too much and mistakenly continued to pull up the nose at a sharp angle, resulting in a stall that killed all 228 people on board.

When airspeed indicators malfunction, autopilots typically kick off and pilots are then forced, at least temporarily, to manually fly the plane. The Air France crash prompted an industrywide reassessment of pitot-tube designs and pilot training to cope with high-altitude aircraft upsets.

Depending on the circumstances, ice buildup also can shut down engines or reduce their thrust without warning. Powerful thunderstorms can push smaller-than-normal ice particles into the red-hot bowels of engines, where they can accumulate until shedding ice damages rapidly spinning turbine blades or douses ignition sources.

The question of how to best increase network capacity has long divided the industry. Entrepreneurs, who have built businesses around bitcoin, see it as something to be used and exchanged frequently.

Miners and developers, meanwhile, tend to see it as an asset to hold, like gold. They fear that increasing limits would make it more expensive to be a miner.

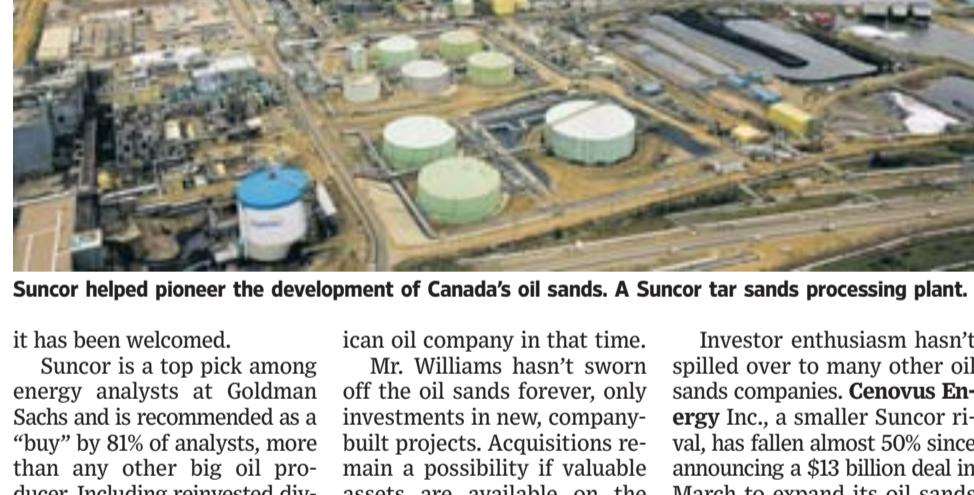
The fight has dragged on for two years. New solutions to the standoff were recently proposed and may be adopted this summer. Several other potential breakthroughs, however, have fallen apart in the past.

Mr. Williams said Suncor will be able to cut costs further in ways that will also reduce emissions. The company is testing autonomously driven mining trucks in certain operations. Suncor and others also have begun using solvents instead of steam—requiring less energy and lower emissions—to make the tar-like oil easier to extract, process and ship.

"Hydrocarbons have a fundamental part to play in the energy mix forever," said Mr. Williams. "Technologically, we can solve most of the issues."

Some of the company's oil sands operations will soon have carbon emissions that are comparable to other kinds of extraction, he said. While regulatory concerns may intensify, for now restrictions in even the most stringent areas equate to a price of just \$1 a barrel, he said, suggesting that concerns about such costs are overblown.

Some investors remain wary of making a big bet on the oil sands due to coming regulations. They see the industry's future as similar to energy utilities that generally don't see massive growth but are popular with shareholders for returning cash.



Suncor helped pioneer the development of Canada's oil sands. A Suncor tar sands processing plant.

it has been welcomed.

Suncor is a top pick among energy analysts at Goldman Sachs and is recommended as a "buy" by 81% of analysts, more than any other big oil producer. Including reinvested dividends, the company's U.S. shares returned 18% to shareholders from June of last year to May 31. That's better than every other major North Amer-

ican oil company in that time.

Mr. Williams hasn't sworn off the oil sands forever, only investments in new, company-built projects. Acquisitions remain a possibility if valuable assets are available on the cheap. Rather, he has assured shareholders that Suncor can continue to grow, generate cash and buy back shares even at low oil prices.

Investor enthusiasm hasn't spilled over to many other oil sands companies.

Cenovus Energy Inc., a smaller Suncor rival, has fallen almost 50% since announcing a \$13 billion deal in March to expand its oil sands output. The company said last month that it would replace its CEO as investors soured on the deal.

Royal Dutch Shell PLC, Sta-

marketing application for a foreign-made talc product to mitigate the shortage, but it won't be available in the U.S. until August at the earliest, according to a spokeswoman for its manufacturer, **Novartech SA** of France.

An FDA spokeswoman said the agency works closely with manufacturers of drugs in short supply to help restore stocks, and asks other companies to increase production if they manufacture the same drug. The FDA says such efforts have helped cut the number of new shortages but can't prevent all of them.

Troubles with Lymol's talc supply surfaced in April

2016, when the company recalled more than 25,000 canisters of an aerosolized ver-

sion because a defective

stem valve was hindering de-

livery of sufficient amounts

of the substance, according

to the FDA.

FDA inspectors found a

series of manufacturing-

quality problems during sev-

eral visits to Lymol between

April and June 2016, accord-

ing to a 15-page FDA inspec-

tion report obtained by The

Wall Street Journal under

the Freedom of Information Act.

Among them: shipping talc to customers before getting the results of sterility tests, inadequate training of staff on drug quality and failing to sufficiently investigate 86 customer complaints about defects in talc contain-

ers.

Ms. Kupchyk, the Lymol attorney, declined to comment on the report.

After the recall of aero-

solized talc, Lymol continued

to sell sterile talc powder.

But the talc powder has been

in short supply since Febru-

ary, according to the FDA.

Lymol used to be known as

Bryan Corp., which in 2007

pleaded guilty to federal

criminal charges including

selling sterile talc powder be-

tween 1997 and 2000 without

FDA marketing approval and

without properly sterilizing

it, according to court records.

The company paid the federal

government more than \$4.5

million in fines. The FDA ap-

proved the company's sterile

talc powder for sale in 2003.

Ms. Kupchyk declined to com-

ment on the guilty plea. An

attorney who represented the

company in that case didn't

return requests for comment.

BUSINESS & FINANCE



MARK GRAVES/ASSOCIATED PRESS

A U.S.-European report on aircraft icing technology is due in August. A plane being deiced.

Jet Ice-Alert Systems Hit

Aircraft technology isn't adequately alerting pilots to hazards, study says

By ANDY PASZTOR

representatives of radar manufacturers, regulators and pilot unions concluded that while it is theoretically possible for longer-range identification of ice crystals if they are large and uniform, that is an unlikely scenario during routine operations.

Instead, flight tests revealed that today's airborne radar systems themselves can't pinpoint the most hazardous smaller crystals more than a few miles in front of jetliners, according to the people familiar with the details. The study group is advocating further flight tests, and industry experts continue to work on alternate solutions that incorporate other sensors.

Summaries of some of the findings already have circulated among industry technical groups and air-safety authorities on both sides of the Atlantic. But earlier this year, members of the study group said they saw little industry interest in continuing to develop performance standards for radar detection of ice crystals.

Ice accumulation can wreak havoc inside modern jet engines or on the tips of airspeed-measuring devices extending from the noses of jets, called Pitot tubes. Such incidents are infrequent, but they have caused numerous emergencies in the past

two decades and contributed to at least two high-profile commercial airliner crashes.

Speed sensors on an Air France jet headed to Paris from Rio de Janeiro in 2009 iced up and malfunctioned while flying through an area known for strong, high-altitude storms, confusing the cockpit crew. Responding improperly to unreliable airspeed readings, the pilots allowed the plane to slow too much and mistakenly continued to pull up the nose at a sharp angle, resulting in a stall that killed all 228 people on board.

When airspeed indicators malfunction, autopilots typically kick off and pilots are then forced, at least temporarily, to manually fly the plane. The Air France crash prompted an industrywide reassessment of pitot-tube designs and pilot training to cope with high-altitude aircraft upsets.

Depending on the circumstances, ice buildup also can shut down engines or reduce their thrust without warning. Powerful thunderstorms can push smaller-than-normal ice particles into the red-hot bowels of engines, where they can accumulate until shedding ice damages rapidly spinning turbine blades or douses ignition sources.

The question of how to best increase network capacity has long divided the industry. Entrepreneurs, who have built businesses around bitcoin, see it as something to be used and exchanged frequently.

Miners and developers, meanwhile, tend to see it as an asset to hold, like gold. They fear that increasing limits would make it more expensive to be a miner.

The fight has dragged on for two years. New solutions to the standoff were recently proposed and may be adopted this summer. Several other potential breakthroughs, however, have fallen apart in the past.

The question of how to best increase network capacity has long divided the industry. Entrepreneurs, who have built businesses around bitcoin, see it as something to

TECHNOLOGY

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MIMS

Continued from page B1
tion, including prefabrication and modular building. But don't think "trailer park." This time, they're applying all the logistics and IT knowledge gained from building the global supply chains that deliver mobile devices, and all the automation pioneered by the automobile and other manufacturing industries. Yes, robots may be replacing more workers, but at least this should create more affordable housing.

Katerra, a construction startup, has raised \$221 million at a valuation north of \$1 billion, and it projects up to \$500 million in revenue this year. It is, in some ways, the standard-bearer of this new, tech-focused wave of interest in building.

The company currently has a single, 200,000-square-foot factory in Phoenix where it manufactures whole walls, including all the windows, insulation, electrical wiring and plumbing. Katerra uses an integrated, computer-aided design-and-manufacturing system that tells all the factory's automated saws and routers how to produce all the buildings' components. The same system connects to job-site cranes that lift and place the finished panels.

Katerra ships the walls to construction sites, where they're snapped together like Lego bricks. The company's goal is to build seven more factories within two years, each intended to serve a different geographic area. "That will cover the whole U.S.," says Katerra's chairman and founder, Michael Marks, who was previously chief executive of consumer electronics manufacturing giant Flextronics.

Construction is an industry valued at more than \$1 trillion a year, and Katerra has plenty of competition. A nearly identical process has been adopted by Baltimore startup **Blueprint Robotics**, Mr. Marks says. Both companies buy their robots and systems from manufacturers of construction ro-



Modular home assembly at a Katerra facility in Phoenix. The construction company is projecting up to \$500 million in revenue this year.

bots based in Austria, Germany and Japan, where this kind of prefabricated construction is widespread, he says. Blueprint declined to comment for this piece.

Katerra is responsible for its buildings from design to final construction, which it says allows it to further cut costs. In consumer electronics, "design for manufacturability"—the reconfiguring of a device's shape and function to make it cheaper to build—is standard. Another thing Katerra borrows from that industry: buying goods in bulk, direct from suppliers.

Some startups are also constructing whole rooms, which can then be stacked atop one another. Google recently announced it placed an order with **Factory OS**, the startup's first order, for 300 units of housing for employees. Factory OS Chief Executive Rick Holliday says a previous project built with modular construction saved \$105,000 per unit in construction costs, which translated to

\$700 a month less in rent per unit. Google has said modular construction is also more environmentally friendly.

The tallest modular high-rise ever built was completed in the Prospect Heights section of Brooklyn in November 2016 by **Forest City Ratner** Cos. A conventional builder that has

Some startups are constructing whole rooms that are stacked atop one another.

explored prefab methods, the company created a factory in the Brooklyn Navy Yard. At the project's busiest, upward of 200 people were constructing and finishing individual "mods"—three for every one-bedroom apartment, says Bob Sanna, executive vice president of construction at Forest City.

Though successful, the project illustrates growing pains of

the new methods. Forest City had joined with construction giant Skanska on the modular factory, but that relationship ended, after delays in completing the high-rise, in a dispute.

It shouldn't surprise anyone that traditional companies are testing prefabricated and modular construction, especially with complicated parts of buildings like bathrooms and staircases. The cost savings from this type of construction are manifold, including less site supervision, easier inspections and lower labor costs, since it is easier to build things in a factory than on a job site, says Mr. Sanna. To save on labor costs, some companies outsource construction of modules to other countries, like Poland.

History is littered with architects' experimental modular building projects, from Frank Lloyd Wright's Usonian homes to the Palacio Del Rio hotel in San Antonio, erected in record time to be ready for the 1968 World's Fair. So why isn't it mainstream by now?

The consensus of those I spoke with, both providers and customers, is that the biggest barrier is mind-set. Construction is a conservative industry. In Europe and Asia, modular construction is more popular than in the U.S., where it represents less than 3% of new building, says Tom Hardiman, executive director of the Modular Building Institute.

Modular construction is also far more sensitive to demand. For a building factory to be profitable, says McKinsey's Mr. Mischke, there must be a need for 3,000 to 5,000 new units of prefabricated housing a year within two hours' shipping distance from the factory. In the U.S., aging millennials mean there is plenty of demand for housing. But much of it is in cities, where factors such as scarcity of land trump all else and have limited the market for modular construction. Homes, after all, aren't like cellphones. We can't just stick the old ones in a drawer when the latest model comes out.

Microsoft Prepares To Trim Sales Jobs

By JAY GREENE

Microsoft Corp. will reorganize its global sales group this week, laying off workers, as it refines the business to focus on selling its cloud-computing services, according to a person familiar with the plans.

The exact number of layoffs is unclear, though they will hit staff in offices around the world, this person said. Microsoft had more than 121,000 employees at the end of March, the last time the company disclosed its head count.

Reorganizations at the software giant are something of an annual ritual, often announced at the close of the company's fiscal year, which ended Friday.

A year ago, Microsoft revamped its sales organization after Kevin Turner, the company's chief operating officer, who oversaw 51,000 employees, left the company. Microsoft Chief Executive Satya Nadella used Mr. Turner's departure to reorganize the sales group, promoting Judson Althoff to executive vice president of its world-wide commercial business, and Jean-Philippe Courtois to executive vice president and head of global sales, marketing and operations.

The reorganization this week will refine the sales duo's roles, as well as boost the sales group's focus on cloud-computing services, according to the person familiar with the plans. The organization has historically focused on selling packaged software and services to corporate buyers.

Microsoft has raced to build out its web-based, on-demand computing business to compete with cloud-infrastructure pioneer Amazon.com Inc.

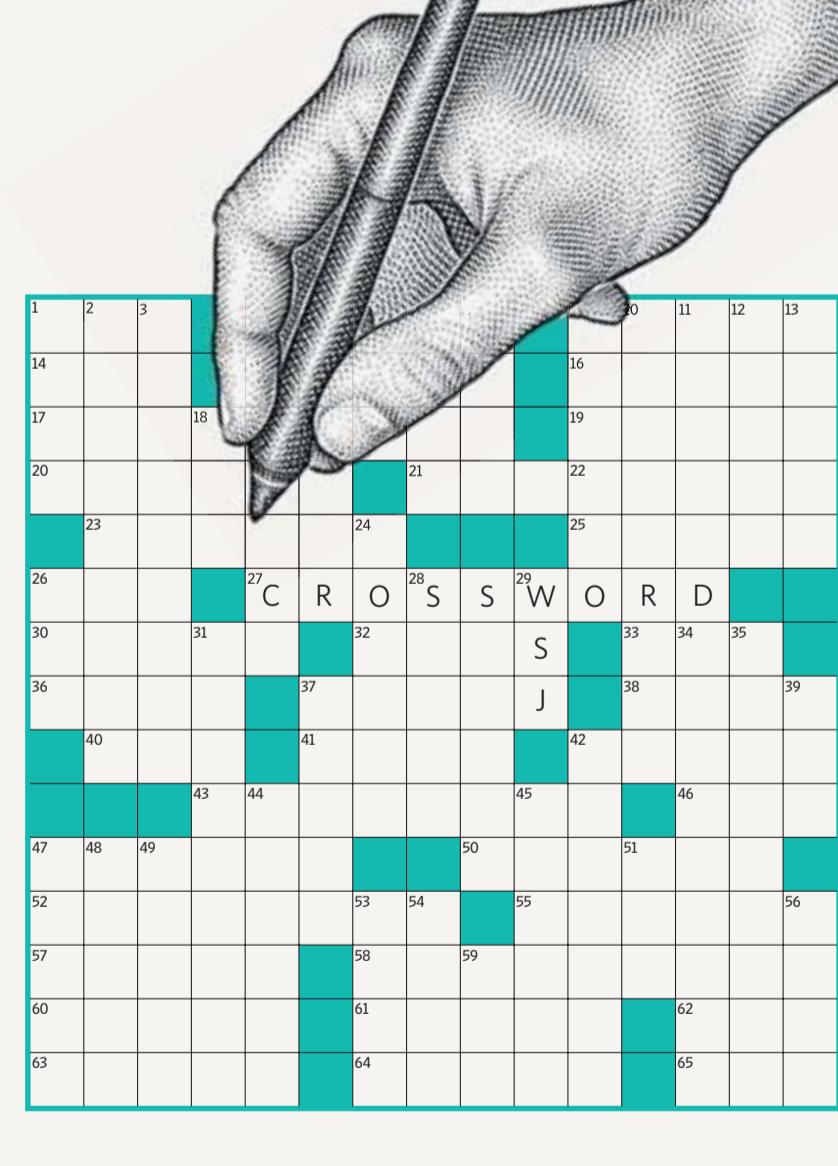
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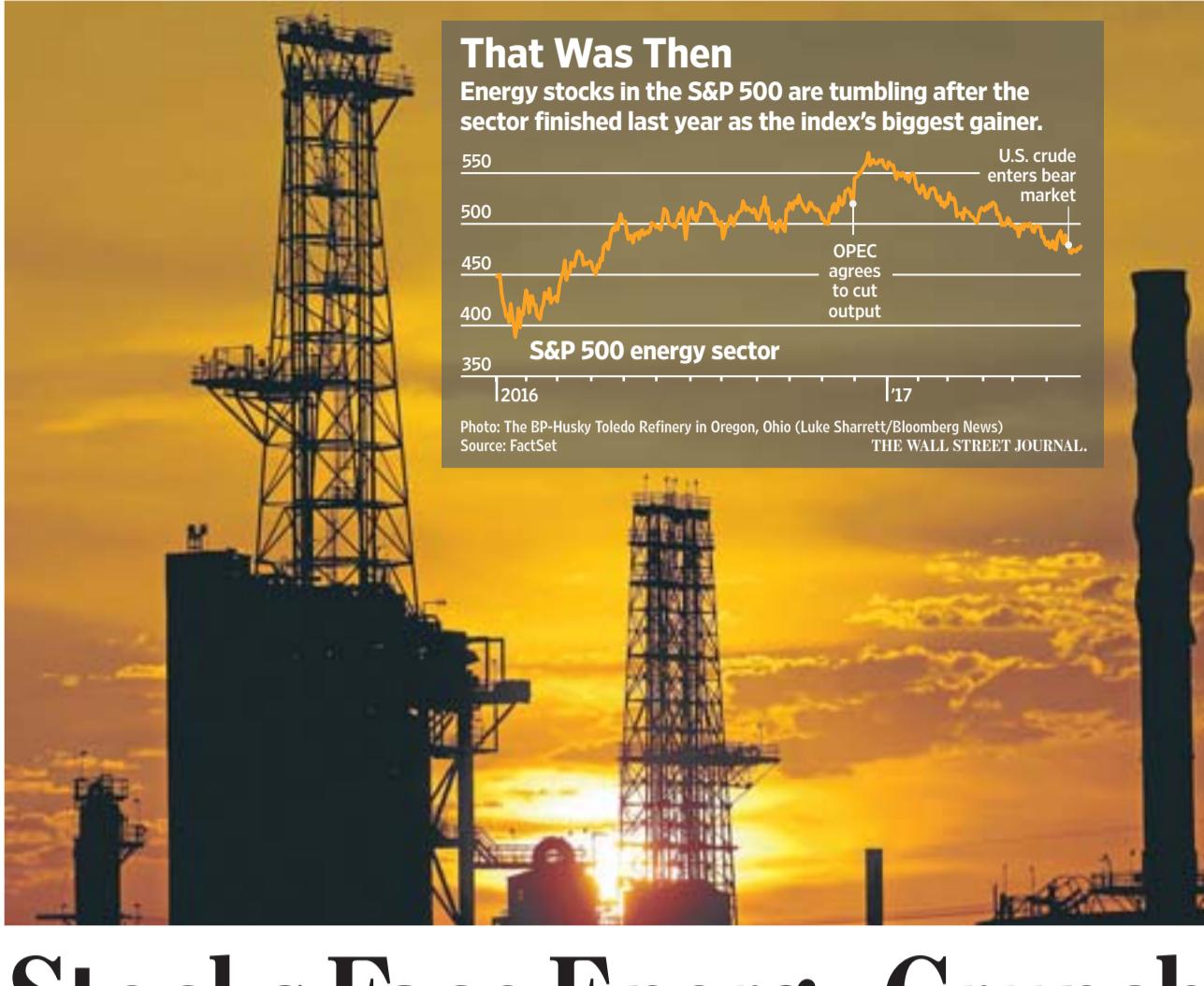
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MARKETS REVIEW & OUTLOOK

Second Quarter



That Was Then

Energy stocks in the S&P 500 are tumbling after the sector finished last year as the index's biggest gainer.

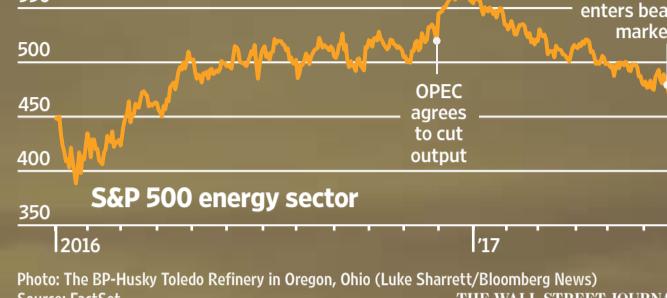


Photo: The BP-Husky Toledo Refinery in Oregon, Ohio (Luke Sharrett/Bloomberg News)

Source: FactSet

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Stocks Face Energy Crunch

Worries emerge that crude-price collapse could diminish bullish outlook on market

By AKANE OTANI

Tumbling oil prices are emerging as the latest threat to the long stock-market rally.

U.S. stocks set records in the first half of the year, bolstered by steady economic growth world-wide and the best quarterly earnings among S&P 500 companies in nearly six years. Energy companies are expected to provide the biggest boost in earnings growth of the broad index's 11 sectors this year, according to analysts surveyed by FactSet, largely due to favorable comparisons with a weak year-ago period.

S&P 500 companies are expected to post earnings growth of 9.8% in 2017 compared with a year earlier, according to FactSet. Without energy companies, that figure would fall to 7%.

But some investors are concerned that the recent collapse in crude prices could damp that bullish outlook. As of June 30, analysts expected

U.S. crude would trade at an average of \$52.76 a barrel in the third quarter and average above \$54 in the fourth, according to FactSet.

U.S. crude for August delivery closed up 2.5% to \$46.04 a barrel on Friday, but oil prices are still down 14% this year. Oil in June entered a bear market, which is typically defined as a decline of 20% or more from a recent peak.

Further declines in oil prices could renew concerns about the health of U.S. oil companies, refiners and drillers, whose profits bounced back in the first half of the year after several quarters of contraction.

It also could prompt analysts to trim corporate earnings estimates—undermining a key factor that has kept stocks climbing despite reduced expectations for policy changes from Washington, such as tax cuts and fiscal stimulus.

"Clearly the energy sector has felt the impact of falling oil prices already—and if it keeps going, corporate earnings will definitely be impacted," said Omar Aguilar, chief investment officer of equities at Charles Schwab Investment Management.

Early last year, a collapse in oil prices spilled over to the stock market, combining with global recession concerns to send shares lower. Stocks look better able to withstand oil-price declines this time around, analysts say. They note energy stocks in the S&P 500 already have shed 14% this year. Among the biggest decliners are offshore-

drilling contractor Transocean Ltd. and exploration-and-production firms Andarko Petroleum Corp. and Range Resources Corp.

The broader stock market has been resilient: The S&P 500 has climbed 8.2% this year—posting its best first half of the year since 2013.

Also the stock market has been moving less in tandem with oil prices this year than last, when U.S. crude and the S&P 500 hit their 2016 lows on the same day.

Perhaps the biggest factor is that the economic picture has changed: When oil prices slid in the second half of 2015 and the start of 2016, investors were contending with a number of risks beyond declining commodity prices, including signs of slowing global growth, shrinking corporate profits and a stronger U.S. dollar.

This year, global economic growth is on the mend, with regions from the U.S. to Europe posting their strongest corporate earnings in years. And oil prices remain well off their 2016 trough, when U.S. crude settled at \$26.21 a barrel, its lowest since May 2003.

"We're in a very different economic environment, one where we can take a bit of a hit on oil prices without it necessarily affecting the recovery," Mr. Aguilar said.

Many investors also largely consider the latest decline in oil prices to be an issue of oversupply, rather than a sign of waning global demand.

"As long as oil finds a floor around \$40 a barrel or higher," earnings should continue growing, said Alan Gayle, director of asset allocation at RidgeWorth Investments.

14%

Oil prices fell by this much in the year's first half.

Low Inflation Hurts Bond Yields

By SAM GOLDFARB

U.S. government-bond yields startled many investors in the year's first half by falling, yanking the rug out from under expectations that a recovery in inflation would drain cash from the credit market.

The yield on the benchmark 10-year Treasury note settled Friday at 2.298%, down from 2.446% at the end of last year and well below its recent peak of 2.609% set in March. Yields fall when bond prices rise.

Weaker measures on inflation are a big reason for the yields' decline. Inflation is perhaps the biggest threat to long-term government bonds because it erodes the purchasing power of their fixed returns. Softening inflation then bolsters demand for Treasury debt, driving down yields.

After reaching 2.1% in February, the Fed's preferred gauge of overall inflation rose just 1.4% in May from the prior year. Core inflation, which excludes energy and food prices, has slipped to 1.4% from 1.8% in February.

This came as a surprise to many investors who anticipated inflation would surge as lawmakers cut taxes and unleash a flood of fiscal spending under a new presidential administration. Now those expectations are diminishing.

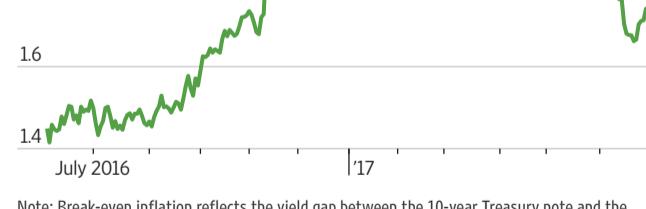
Many observers now question whether the Federal Reserve's 2% target is really within reach.

"The Fed has been trying to get inflation to 2% for a long time now," said Donald Ellenberger, senior portfolio manager.

Softening Outlook

The 10-year break-even rate, a market-based gauge of inflation expectations, has declined this year.

2.2 percentage points



Note: Break-even inflation reflects the yield gap between the 10-year Treasury note and the comparable inflation-protected security.

Source: Tradeweb

THE WALL STREET JOURNAL.

ager at Federated Investors. As the Fed starts to tighten monetary policy, "the market is saying you're really never going to get to 2%," Mr. Ellenberger said.

Inflation has become such a focus for credit-market investors that it has overwhelmed concerns about what the Federal Reserve is doing. Yields have declined even as the Fed has raised interest rates twice this year and signaled the possibility of another increase in the second half of the year.

Some bond investors say that it almost doesn't matter what the central bank does unless inflation picks up. The Fed could respond to lackluster inflation by keeping rates steady, which typically supports Treasury prices. Or it could keep raising rates, but that might only further depress inflation expectations, providing still

more reason to buy bonds.

"It could be a combination of both of those scenarios," said Sean Simko, head of fixed-income portfolio management at SEI Investments. "The end result is still that rates are not going to go as high as everyone had expected."

Optimism that the Trump administration would usher in a new era of economic growth driven by fiscal rather than monetary policy has dissipated. That was punctuated by the 10-year yield's largest one-day decline in nearly a year on May 17, after reports—disputed by the White House—that President Donald Trump may have interfered with an FBI investigation.

Also undermining that optimism is the lack of success GOP lawmakers have had in fulfilling their promise to

overhaul the health-care system, even as opposition mounts to some of their tentative tax proposals.

Several investors said Congress has a long way to go to win back their confidence that it can pass fiscal stimulus in the form of tax cuts or infrastructure spending. "It would take a tax bill to be delivered and voted on for the market to take that seriously again," said Brian Battle, director of trading at Performance Trust Capital Partners LLC.

Some investors say yields can't fall much further from here. Recent hints that some major central banks could be moving closer to unwinding their monetary stimulus has already unsettled traders, lifting yields from their 2017 lows.

In addition, higher interest rates set by the Fed have generally provided a floor for Treasury yields. Few analysts see risks of a recession soon, and geopolitical risks have abated.

At current levels, there is more room for yields to rise than to fall, said Jim Caron, fixed-income portfolio manager at Morgan Stanley Investment Management.

The 10-year yield is unlikely to drop below 2% but could rise as high as 2.75% if Congress manages to pass fiscal stimulus, he said.

NEXT WEEK

The Investing in Funds & ETFs quarterly report will be published on July 10.



First Half Winners and Losers

Stock markets around the world have performed well so far this year, with big gains in technology shares. Energy markets posted some of the largest declines.

Commodity, traded in U.S.*	Stock index	Currency, vs. U.S. dollar	Bonds, total return
Wheat		28.9%	
Lean hogs		26.6	
Rough rice		22.9	
Kospi Composite (South Korea)	18.0		
Hang Seng (Hong Kong)	17.1		
S&P 500 information technology	16.4		
S&P BSE Sensex (India)	16.1		
S&P 500 health care	15.1		
Mexican peso	14.4		
Nasdaq Composite	14.1		
Polish zloty	13.1		
Czech koruna	12.3		
Taiwan Weighted	12.3		
FTSE Straits Times (Singapore)	12.0		
IPSA (Chile)	11.9		
IBEX 35 (Spain)	11.7		
Icelandic krona	10.9		
S&P 500 consumer discretionary	10.2		
IPC All-Share (Mexico)	9.2		
Spain 7-10 year	9.2		
Hungarian forint	8.8		
Euro	8.6		
Danish krone	8.6		
Bulgarian lev	8.5		
Swiss Market	8.4		
S&P 500 industrials	8.3		
S&P 500	8.2		
Corn	8.2		
Copper	8.2		
S&P 500 materials	8.1		
Dow Jones Industrial Average	8.0		
Swedish krona	8.0		
Gold	7.9		
DAX (Germany)	7.4		
Dow Jones Utility Average	7.2		
FTSE MIB (Italy)	7.0		
Australian dollar	6.8		
New Taiwan dollar	6.6		
S&P 500 consumer staples	6.6		
Euro Stoxx	6.5		
Swiss franc	6.3		
S&P 500 financials	6.0		
New Zealand dollar	5.9		
Dow Jones Transports	5.7		
Thai baht	5.5		
British pound	5.5		
South Korean won	5.5		
CAC-40 (France)	5.3		
BEL-20 (Belgium)	5.2		
S&P Mid Cap 400	5.2		
Indian rupee	5.2		
Singapore dollar	5.1		
Stoxx Europe 600	5.0		
Amsterdam AEX	5.0		
U.S. High Yield Index	4.9		
Nikkei Stock Average	4.8		
S&P 500 real estate	4.6		
Malaysian ringgit	4.5		
Bovespa (Brazil)	4.4		
South African rand	4.4		
Russell 2000	4.3		
Japanese yen	4.1		
Russian ruble	4.0		
Silver	4.0		
Ukrainian hryvnia	3.8		
U.S. Corporate Index	3.8		
Canadian dollar	3.7		
Kazakh tenge	3.6		
Norwegian krone	3.6		
Municipal Bond Index	3.6		
Peruvian nuevo sol	3.5		
Uruguayan peso	3.3		
Shanghai Composite	2.9		
Australia 7-10 year	2.5		
Chinese yuan	2.5		
FTSE 100 (U.K.)	2.4		
U.S. 7-10 year	2.4		
Platinum	2.3		
S&P Small Cap 600	2.1		
Indonesian rupiah	1.6		
Australia 1-3 year	1.1		
S&P/ASX 200 (Australia)	1.0		
Chilean peso	0.8		
Kuwaiti dinar	0.8		
U.K. 7-10 year	0.7		
U.S. 1-3 year	0.5		
Vietnamese dong	0.2		
Live cattle	0.2		
Italy 1-3 year	0.1		
Turkish lira	0.1		
-0.1	Japan 7-10 year		
-0.2	Japan 1-3 year		
-0.3	France 7-10 year		
-0.4	U.K. 1-3 year		
-0.5	Pakistani rupee		
-0.6	France 1-3 year		
-0.6	Italy 7-10 year		
-0.7	S&P/TSX Composite (Canada)		
-0.7	Germany 1-3 year		

MARKETS REVIEW & OUTLOOK | SECOND QUARTER

Investors Lose Faith in OPEC Cuts

Market went into bear territory in June as U.S. oil production beat expectations

BY ALISON SIDER

Oil prices tumbled in the second quarter, swinging into a bear market as many investors who at the start of the year clung to hopes of rapidly shrinking stockpiles finally cut their losses.

Crude ended the quarter 9% lower and sank as much as 21.9% in June from highs set in February. A loss of 20% or more typically signals the start of a bear market.

It is a sharp shift from the first months of 2017, when investors had been divided over whether members of the Organization of the Petroleum Exporting Countries would stick to pledges to cut output but generally believed those cuts would help ease the global supply glut and lift prices.

For a time, it seemed almost nothing could shake oil investors out of their malaise. Prices fell even after OPEC announced it would extend its

cuts into next year and the U.S. Energy Information Administration reported that U.S. stockpiles fell nearly every week during the quarter.

At the same time, U.S. output has risen more quickly than many predicted: The EIA is now forecasting that it will average a record of 10 million barrels a day next year. Output from Libya and Nigeria, OPEC members exempt from the production-cut agreements, has ramped up as well.

Bullish investors "are burned, they are tired and they are surly. Now they're starting to go short," said Robert McNally, president of Rapidan Group. "Hell hath no fury like a hedge fund scorched."

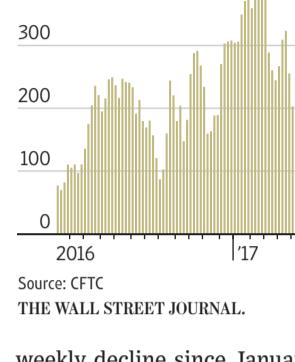
Hedge funds and other speculative investors have piled into bets on falling oil prices. Bullish bets still outnumber bearish ones but by the slimmest margin since August, according to data from the Commodity Futures Trading Commission.

Prices ended the quarter on a high note, rising 2.47% Friday, after oil-field services firm Baker Hughes Inc. reported that the number of rigs drilling for oil in the U.S. edged lower by two, the first

Falling Fast

Investors have all but given up on OPEC's efforts to rebalance the oil market. Money managers' net bullish position on U.S. oil prices has fallen to its lowest level since August.

Contracts of 1,000 crude barrels



Source: CFTC

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weekly decline since January, raising hopes that U.S. drillers are responding to lower prices by pulling back. During the last week of the quarter, prices of U.S. crude futures rose 7%—the largest weekly increase since Dec. 2, the week OPEC struck its deal to cut output. The seven-session streak of gains assuaged worries that prices were on course to fall below \$40 a barrel.

But the world is still awash in oil.

"All the bearish things are kind of still in play" said David Leben, director of commodity derivatives at BNP Paribas.

Even though many analysts still say that crude inventories are falling and that OPEC's efforts will work, many investors are no longer buying it. Increasingly, the market is divided between those who believe OPEC's efforts are paying off and those who don't.

"It's alarming to people because this cycle has played out very fast," said Robin Wehbé, managing director of Boston Co., who runs the Dreyfus Natural Resources Fund. "The oil market has gone from a cartel-managed business to an open-market-driven business."

Saudi Arabia, OPEC's de facto leader, has a lot riding on higher oil prices. The country is targeting oil prices of \$60 a barrel to smooth the way for the initial public offering of Saudi Aramco, its national oil company. That is one reason some investors still hope that OPEC will make deeper cuts.

Citigroup Inc. is among the firms that believe the market is actually getting tighter, but the firm's analysts say for now,

negative sentiment could be hard to shake.

Citigroup analysts say the chances that Brent crude futures will climb to \$60 by the end of the year are less than 50%, down from their previous estimate of a 65% chance. Brent settled at \$47.92 Friday.

"The fund community has been burned so badly as to reduce the likelihood of them jumping back in no matter what the fundamentals," the analysts wrote in a June 26 research note.

Goldman Sachs Group Inc. on Wednesday also cut its three-month forecast for West Texas Intermediate, the U.S. benchmark for crude, to \$47.50 a barrel from \$55.

Investors are increasingly turning their attention to 2018, where the outlook is murky.

Many wonder whether OPEC producers will unleash a flood of oil once their agreement ends.

The Goldman Sachs analysts said there is a "shrinking window of time" for global oil supplies to fall before OPEC is tempted to start churning out more oil. That leaves the analysts "cautious of calling for a sharp bounce in prices here," they said.

Copper Prices Are At Risk For a Fall

BY DAVID HODARI AND JUSTIN YANG

Fears of sluggish Chinese economic growth and the end of supply disruptions loom over the copper market, threatening to take 10% or more off prices in the coming months, analysts say.

The base metal's price is up more than 7% so far this year, pushed higher by optimism surrounding President Donald Trump's promises of infrastructure spending and a stimulus-driven uptick in the Chinese economy in late 2016.

Now, though, with investors increasingly fearful of a Chinese economic slowdown and Mr. Trump's investment pledges looking increasingly unlikely to bear fruit, those purchases look "overexuberant," according to Caroline Bain, chief commodities economist at Capital Economics.

"We expect several of the recent drivers of industrial metals—especially stronger economic growth in China—to slow going into the second half of the year," Seth Rosenfeld, senior research analyst at Jefferies, said.

A "relatively benign outlook suggests there will be little to bolster prices over the course of this year, as optimism about [industrial metals] demand continues to fade," said Ms. Bain in a note, adding that prices could slip as low as \$5,200 a metric ton by the end of the year. London Metal Exchange three-month copper contracts were last priced Friday at \$5,937 a metric ton.

China's desire to rein in public credit growth could hamper industrial metals demand from its property and infrastructure sectors, underpinning a slowdown in broader demand. On top of this, Chinese auto-sales growth is expected to fall to 3%, down from 13.7% last year, putting more pressure on metals demand, J.P. Morgan said.

The world's biggest copper customer has seen demand growth slow for some time.

"China's copper demand growth is no longer 5-10%, it's now 3%, and in the past year or so, it's struggled to get to 2%," said Tom Price, a commodities analyst at Morgan Stanley.

In the medium term, a Chinese slowdown would push copper prices toward \$5,000 a metric ton, J.P. Morgan said in a note.

Those forecasts of a drop in prices might have come sooner in the year if copper hadn't found support from supply-side problems. Prices were bolstered in the first months of 2017 by disruptions at the world's two largest copper mines—BHP Billiton's Chilean Escondida operation and Freeport McMoRan's mine at Grasberg in Indonesia.

"Those supply disruptions kept prices higher than we had initially thought," said Carsten Menke, a commodity research analyst at Julius Baer.

The effects of those interferences are now played out. "The first quarter was a world of pain for copper, but now we've seen supply normalize. Plus, trade tends to be weaker in the second half of the year than in the first half anyway," Mr. Price said.



High returns have lured investors into new public bonds such as one issued to refinance Houston's NRG Stadium. It returned 20.7% in the quarter through Thursday.

Yield Seekers Flood Into Municipal Debt

BY HEATHER GILLERS

For evidence of investors' appetite for municipal debt, look no further than New Jersey.

That is where delays have plagued the planned megamall American Dream for more than a decade. Nevertheless, investors last month flooded into unrated public authority bonds designed to revive the project.

The \$1.1 billion offering, which promised returns of as much as 6.86%, is a sign of how hungry investors are for new municipal debt despite mounting fiscal problems in some cities and states around the country.

Buyers have snapped up nearly \$88 billion in new public bonds this year through Friday, up 8% from the same period last year, according to Thomson Reuters. That happened as annual borrowing by local governments rose to a seven-year high.

It also comes as ratings firms have downgraded Illinois

and Hartford, Conn., to the brink of junk status, and the troubled U.S. territory of Puerto Rico was placed under court protection as a way of sorting through its mountain of liabilities.

"The market is able to take these individual events in stride," said John Miller, co-head of global fixed income at Nuveen Asset Management.

The demand for new bonds is driving down costs for government borrowers and making existing debt more expensive for investors. The S&P Municipal Bond Index gained 3.25% year to date through Friday.

One high performer was a bond issued by the Harris County Sports Authority to refinance Houston's NRG Stadium. It returned 20.7% during the second quarter through Thursday, according to bondholder Nuveen Asset Management.

The same authority struggled during the latest recession with soured debt deals, a cash crunch and ratings down-

Munis Rebound From Trump Slump

Municipal bond prices climbed in 2017 as investors became less concerned their value would be eroded by inflation or tax cuts.



Source: S&P Dow Jones Indices

THE WALL STREET JOURNAL.

grades. But it has now been able to set aside enough money to repay the bonds, making them more valuable.

Many investors still view public debt as a relatively safe way to make money because municipal defaults are rare and states aren't allowed to seek bankruptcy protection.

But some observers say they

see greater potential for losses as public expenses rise.

The performance of the municipal-debt market in 2017 is

a surprise to many observers,

who expected a pullback fol-

owing the election of Presi-

dent Donald Trump. The S&P

Municipal Bond Index fell

3.46% last November largely

because of expectations that

tax cuts and higher inflation would reduce the value of tax-exempt debt, analysts said.

About \$27 billion flowed out of municipal-bond mutual funds and exchange-traded funds during the last two months of 2016, according to the Investment Company Institute.

But those outflows reversed at the start of 2017 as tax cuts and higher inflation looked less likely in the near term. Inflows have totaled \$15 billion so far in this year. Lower inflation expectations typically give investors confidence that the debt will retain its value.

A drop in municipal-bond refinancing combined with an increase in debt coming due during 2017 also have driven up bond prices as investors look for ways to use their cash, analysts said.

"Despite the Illinois and Connecticut headlines, munis have performed just fine," said J.R. Rieger, managing director of fixed income index product management at S&P Dow Jones Indices LLC.

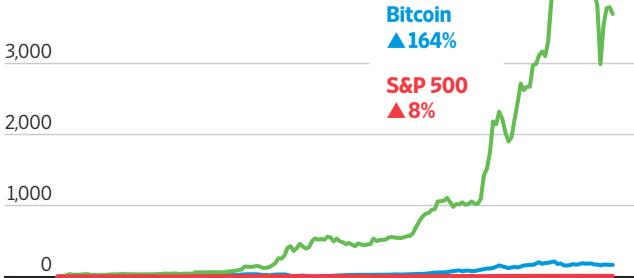
Virtual Currencies Bitcoin and Ether Wrap Up a Wild Quarter

Where the Volatility Went

Virtual currency ether has surged this year, handily beating bitcoin and the S&P 500.

Year-to-date percentage change

5,000%



Sources: CoinDesk (bitcoin, ether); FactSet (S&P 500)

By PAUL VIGNA

Even for an investment as volatile as bitcoin, the second quarter was wild.

The cryptocurrency stood at \$1,079 on April 1. Over the next two months, it nearly tripled in price, driven in part by a surge of interest coming from Japan and South Korea.

Bitcoin hit a record of \$3,019 on June 11 and then fell 27% in the days after.

It closed the quarter at \$2,557.39, more than doubling its price during the three months. On March 31, it was at \$1,079.75.

Ether, a less mature digital currency, traded as high as \$395 on June 12, up nearly 50-fold on the year, before suffering

a sharp one-day flash crash and settling the quarter at \$304.24.

For bitcoin, ethereum and dozens of other smaller virtual currencies, questions abound in the second half. The bitcoin community, nearly a decade old, is still fighting over how best to expand network capacity. The current limit of seven transactions per second has slowed trading and led to higher fees. Some predict the stalemate could be settled this summer though, perhaps through splitting the currency in two.

Ethereum, the platform that supports ether, has its own capacity issues: The ether sell-off was accompanied by a surge in demand that overwhelmed the

nascent network's ability to process trades. There were delays of hours and even days. On one exchange, GDAX, a multimillion-dollar sell order sparked a cascade of stop-loss orders that created a flash crash and forced the exchange to credit some investor accounts. At one brief point, ether traded for 10 cents.

Both currencies will likely be driven in coming months by initial coin offerings, or ICOs. A cross between crowdfunding and a securities offering, ICOs have become a way for startups in the sector to bypass venture-capital funding and raise millions, virtually instantly.

Some of these startups have working products. Others

have nothing beyond a white paper. There are no standards or regulations around these ICOs, and the quality of the offerings varies greatly.

Many of the ICOs are using Ethereum's platform. A software standard within Ethereum's protocol made it relatively easy for firms to create digital tokens, and these entrepreneurs have taken advantage of it. In May, startup prediction market Gnosis raised \$12.5 million. In early June, a startup called Civic, which is building digital identity products, raised \$33 million. Later in June, another startup, called Bancor, building a trading platform for all these ICOs, raised \$150 million.

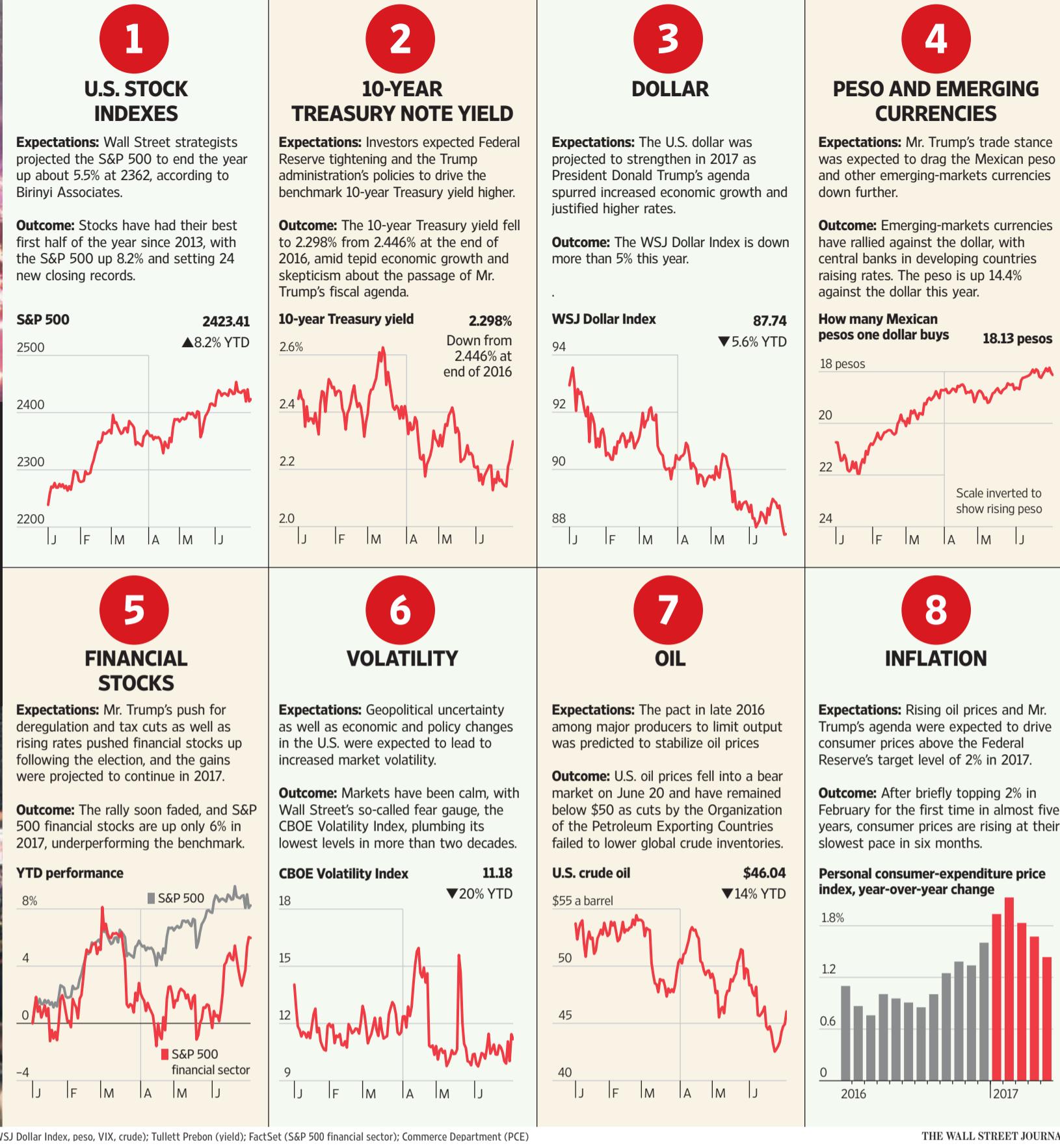
MARKETS REVIEW & OUTLOOK | SECOND QUARTER



Predictions Vs. Reality: Who Won?

The year's first half proved to be far from what Wall Street forecasters anticipated.

BY AMRITH RAMKUMAR



Sources: WSJ Market Data Group (S&P 500, WSJ Dollar Index, peso, VIX, crude); Tullett Prebon (yield); FactSet (S&P 500 financial sector); Commerce Department (PCE)

THE WALL STREET JOURNAL.

\$4.95
Online U.S. Equity Trades

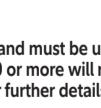
Fidelity cut the price of trades
to give you even more value.

	FIDELITY	TD AMERITRADE	SCHWAB	E*TRADE
Online U.S. equity [†] and option trades	\$4.95	\$6.95	\$4.95	\$6.95
Online options (per contract rate)	\$0.65	\$0.75	\$0.65	\$0.75
Lowest margin rates ^{††}	4.25%	6.50%	6.00%	5.75%
Leader in displaying price improvement on trades	Yes	No	No	No
Barron's Best Online Broker in 2016 & 2017 [‡]	Yes	No	No	No

Table compares pricing for retail investors.

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INVESTMENTS

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There is an Options Regulatory Fee from \$0.04 to \$0.06 per contract, which applies to both option buy and sell transactions. The fee is subject to change.

[‡]4.25% rate available for debit balances over \$1,000,000. Fidelity's current Base Margin Rate, effective since 6/16/2017, is 7.325%.

Among listed competitors, Fidelity is the only broker to display price improvement. Price improvement details provided for certain domestic stock and single-leg option orders entered during market hours after the primary opening, provided there is a National Best Bid and Offer (NBBO) at the time the order is placed. Price improvement details are provided for informational purposes only and are not used for regulatory reporting purposes. See Fidelity.com for more details.

Commission comparison is based on published website commission schedules for retail accounts, as of 03/13/2017, for E*Trade, Schwab, and TD Ameritrade for online U.S. equity trades. For E*Trade: \$6.95 per trade for 0 to 29 trades per quarter and \$4.95 per trade for 30 or more trades per quarter. For TD Ameritrade: \$6.95 per market or limit order trade for an unlimited amount of shares. For Schwab: \$4.95 for up to 999,999 shares per trade, though orders of 10,000 or more shares or greater than \$500,000 may be eligible for special pricing. Employee equity compensation transactions and accounts managed by advisors or intermediaries through Fidelity Clearing & Custody SolutionsSM are subject to different commission schedules. Commissions are subject to change without notice. See each provider's website for any additional information and restrictions.

[§]Barron's, March 20, 2017 and March 19, 2016 Online Broker Surveys. 2017: Fidelity was evaluated against 15 others and earned the top overall score of 35.6 out of a possible 40. The firm was also named best online broker for Long-Term Investing (shared with 2 others), Best for Novices (shared with 1 other), and Best for Investor Education (shared with 2 others). Fidelity was also ranked 1st in the following categories: Trading Experience & Technology (shared with 2 others), Mobile (shared with 1 other), Research Amenities, and Portfolio Analysis and Reports (shared with 2 others). 2016: Fidelity was evaluated against 15 others and earned the top overall score of 34.9 out of a possible 40.0. Fidelity was also named Best Online Broker for Long-Term Investing (shared with one other), Best for Novices (shared with one other), and Best for In-Person Service (shared with four others), and was ranked first in the following categories: trading technology; range of offerings (tied with one other firm); and customer service, education, and security. Overall ranking for both years based on unweighted ratings in the following categories: trading experience & technology; usability; mobile; range of offerings; research amenities; portfolio analysis and reports; customer service, education, and security; and costs.

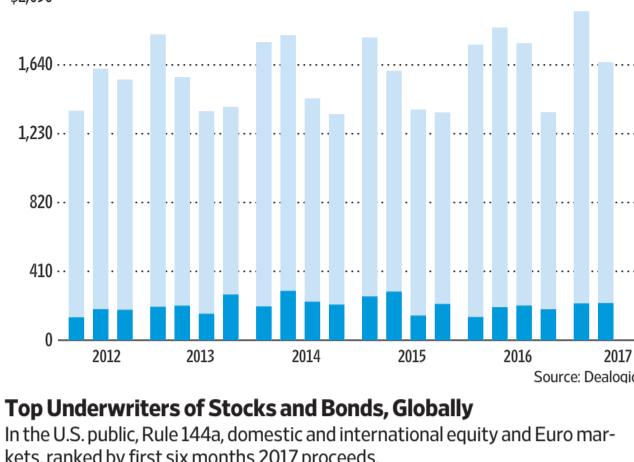
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MARKETS REVIEW & OUTLOOK | SECOND QUARTER MARKETS DIGEST

Scoreboard of Wall Street Underwriting:

First Six Months

Quarterly Volume of New Global Stocks and Bonds, in billions



Source: Dealogic

Top Underwriters of Stocks and Bonds, Globally

In the U.S. public, Rule 144a, domestic and international equity and Euro markets, ranked by first six months 2017 proceeds.

	First 6 Months 2017			First 6 Months 2016		
	Proceeds (\$billions)	Market share (%)	No. of Issues	Proceeds (\$billions)	Market share (%)	Rank
Citi	284.0	7.0	1,387	241.2	6.1	2
J.P. Morgan	274.9	6.8	1,372	265.7	6.7	1
BofA-Merrill Lynch	259.6	6.4	1,115	225.8	5.7	3
Goldman Sachs	208.9	5.2	930	180.1	4.6	5
Morgan Stanley	194.2	4.8	1,099	156.5	4.0	8
Barclays	192.7	4.8	883	195.3	4.9	4
Deutsche Bank	158.4	3.9	765	163.9	4.1	6
HSBC	154.6	3.8	733	159.8	4.0	7
Wells Fargo Sec	126.0	3.1	860	135.6	3.4	9
BNP Paribas	122.9	3.0	509	107.3	2.7	10
Total Totals	1,976.2	48.8	5,550	1,831.3	46.3	
Industry Total	4,053.5	100.0	14,097	3,958.9	100.0	

Global Initial Public Offerings

Underwriters of global IPOs by global issuers, first six months.

Manager	Amount (\$millions)	Mkt Share (%)	(\$Millions)	Manager	2017	2016
Citi	5,814.0	6.7	6.5	J.P. Morgan	1,591.4	1,240.1
J.P. Morgan	5,040.4	5.8	7.0		1,317.0	953.2
Morgan Stanley	4,668.5	5.4	6.5	BofA-Merrill Lynch	1,243.3	1,058.3
Credit Suisse	4,415.0	5.1	2.7	Morgan Stanley	1,238.3	853.1
Deutsche Bank	4,270.1	4.9	4.2	Goldman Sachs	1,168.5	910.7
Goldman Sachs	4,247.8	4.9	4.9	Barclays	895.5	681.9
Barclays	2,399.4	2.8	2.1	Deutsche Bank	787.2	702.1
BofA-Merrill Lynch	2,098.8	2.4	3.3	Credit Suisse	771.4	613.7
UBS	1,928.9	2.2	2.6	Wells Fargo Sec	573.9	500.2
RBC Capital Markets	1,881.5	2.2	0.6	HSBC	530.0	462.2
Total Totals	36,764.3	42.2	40.2	Total Totals	10,116.4	7,975.9
Industry Total	87,032.6	100.0	100.0	Industry Total	20,880.6	17,671.9

Syndicated Loans

Largest lead arrangers of syndicated loans in the U.S., first six months.

Manager	Amount (\$billions)	Mkt Share (%)	(\$billions)	Manager	2017	2016
BofA-Merrill Lynch	179.79	14.1	16.9	J.P. Morgan	89.91	11.8
J.P. Morgan	172.34	13.6	15.3	BofA-Merrill Lynch	84.12	11.1
Citi	111.84	8.8	9.2		78.27	10.3
Wells Fargo Sec	97.63	7.7	9.3	Goldman Sachs	69.38	9.1
Barclays	71.26	5.6	4.3	Morgan Stanley	68.37	9.0
Goldman Sachs	64.52	5.1	2.7	Wells Fargo Sec	47.59	6.3
Deutsche Bank	54.53	4.3	4.3	Barclays	40.20	5.3
Credit Suisse	50.74	4.0	2.5	HSBC	30.26	4.0
Morgan Stanley	48.78	3.8	2.4	Deutsche Bank	29.27	3.9
RBC Capital Markets	40.54	3.2	2.3	RBC Capital Markets	24.14	3.2
Total Totals	891.96	70.1	69.3	Total Totals	561.50	73.8
Industry Total	1,272.23	100.0	100.0	Industry Total	760.98	100.0

High-Yield Bonds

Top underwriters of corporate high-yield debt in U.S. markets, first six months.

Manager	Amount (\$billions)	Mkt Share (%)	(\$billions)	Manager	2017	2016
J.P. Morgan	16.14	11.7	9.9	J.P. Morgan	3.29	8.3
BofA-Merrill Lynch	13.41	9.7	9.3	Goldman Sachs	2.73	6.8
Goldman Sachs	12.21	8.8	9.6	BofA-Merrill Lynch	2.62	6.6
Citi	11.02	8.0	9.2	Morgan Stanley	2.40	6.0
Barclays	10.92	7.9	8.9	Citi	2.33	5.8
Credit Suisse	8.63	6.2	7.2	Barclays	1.86	4.7
Wells Fargo Sec	8.05	5.8	5.2	Credit Suisse	1.70	4.3
RBC Capital Markets	7.21	5.2	3.9	Deutsche Bank	1.37	3.4
Deutsche Bank	6.81	4.9	8.8	RBC Capital Markets	0.95	2.4
Morgan Stanley	6.65	4.8	5.4	UBS	0.87	2.2
Total Totals	101.06	72.9	77.4	Total Totals	20.12	50.5
Industry Total	138.56	100.0	100.0	Industry Total	39.88	100.0

¹Dealogic Revenue analytics are employed where fees aren't disclosed. ²Includes government-guaranteed debt issuance. Source: Dealogic

Who's No. 1?

Leading stock-and-bond underwriters, by volume, second-quarter 2017

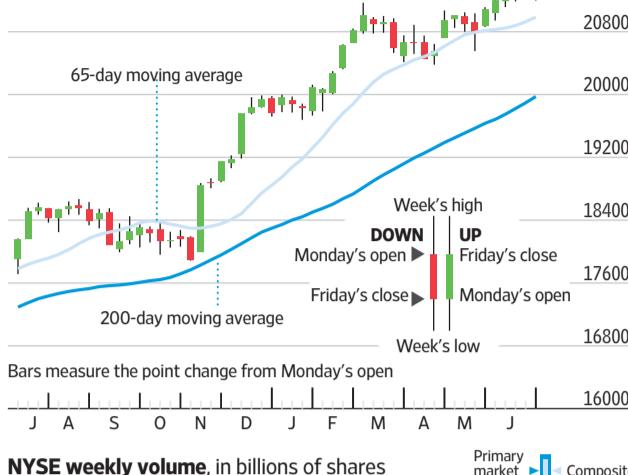
Market Sector	No. 1 Manager	Second-qtr Change from market share (%)	(\$pct. points)
Stocks and Bonds			
Global Debt, Equity & Equity-linked	Citi	7.3%	0.5
Global Fees ¹	J.P. Morgan	7.5	-0.2
U.S. Debt, Equity & Equity-linked	Citi	11.7	1.5
U.S. Fees ¹	J.P. Morgan	11.5	0.7
Stocks			
Global Equity & Equity-linked	Morgan Stanley	8.6%	3.5
Global Common Stock	Morgan Stanley	8.3	3.6
Global Initial Public Offerings	Citi	8.2	3.6
Global Equity-linked	Morgan Stanley	11.7	3.7
(US Issuers) Equity & Equity-linked	J.P. Morgan	12.1	1.2
(US Issuers) Common Stock	Morgan Stanley	11.9	4.2
(US Issuers) Initial Public Offerings	Citi	10.9	4.4
(US Issuers) Equity-linked	J.P. Morgan	14.3	1.3
Bonds ²			
Global Debt	Citi	7.3%	0.4
Global Investment Grade Debt	J.P. Morgan	7.5	1.5
Global Asset-backed Securities	Citi	17.5	2.9
U.S. Debt	Citi	12.6	1.6
U.S. Investment Grade Debt	J.P. Morgan	13.2	2.5
U.S. Federal Credit Agency Debt	Nomura	10.9	1.9
U.S. Financial Institutions	J.P. Morgan	12.8	3.3
U.S. Mortgage-backed Securities	Wells Fargo Securities	17.5	0.4
U.S. Asset-backed Securities	Citi	22.4	3.7
Syndicated Loans			
Global Syndicated Loans	J.P. Morgan	10.2%	1.1
U.S. Syndicated Loans	J.P. Morgan	14.0	0.9
Leveraged Finance			
US Core Leveraged Finance Revenue	J.P. Morgan	11.4%	0.3
US Core Leveraged Finance	Barclays	9.5	1.3
US Total Leveraged Finance	J.P. Morgan</		

MARKETS DIGEST

Dow Jones Industrial Average

21349.63 ▼45.13, or 0.21% last week
High, low, open and close for each of the past 52 weeks

Current divisor 0.14602128057775



NYSE weekly volume, in billions of shares
Primary market → Composite

Weekly P/E data based on as-reported earnings from Birlin Associates Inc.

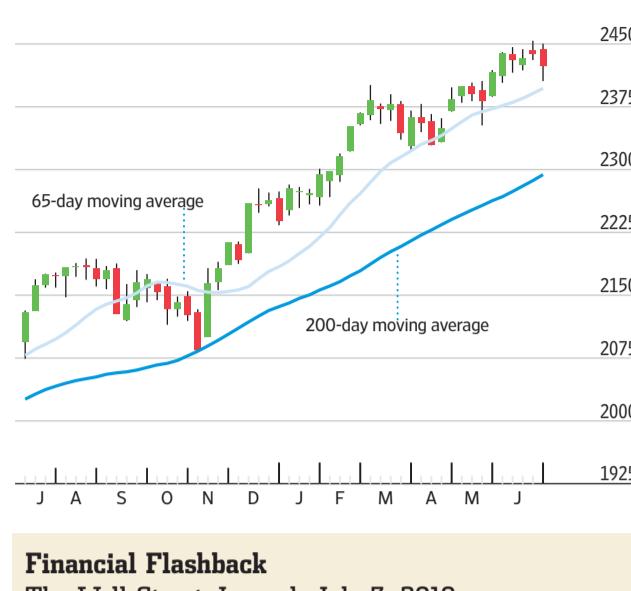
Major U.S. Stock-Market Indexes

	Dow Jones		Latest Week		52-Week		YTD		3-yr. ann.	
	High	Low	Close	Net chg	% chg	Low	Close (●)	High	% chg	YTD
Industrial Average	21506.21	21197.08	21349.63	-45.13	-0.21	17888.28	● 21528.99	18.9	8.0	8.3
Transportation Avg	9606.16	9383.67	9563.73	175.06	1.86	7557.62	● 9593.95	26.5	5.7	5.3
Utility Average	734.65	704.53	706.91	-18.36	-2.53	625.44	● 737.51	-1.3	7.2	7.1
Total Stock Market	25383.83	24931.22	25124.96	-132.15	-0.52	21498.96	● 25399.65	15.9	7.9	6.9
Barron's 400	651.38	639.61	646.24	0.77	0.12	514.60	● 650.48	23.8	7.4	6.3
Nasdaq Stock Market										
Nasdaq Composite	6303.45	6087.81	6140.42	-124.83	-1.99	4822.90	● 6321.76	26.3	14.1	11.7
Nasdaq 100	5845.15	5599.44	5646.92	-156.19	-2.69	4410.75	● 5885.3	27.3	16.1	13.6
Standard & Poor's										
500 Index	2450.42	2405.70	2423.41	-14.89	-0.61	2085.18	● 2453.46	15.2	8.2	7.3
MidCap 400	1760.30	1730.56	1746.65	2.70	0.15	1476.68	● 1769.34	16.4	5.2	6.8
SmallCap 600	862.34	846.92	855.85	2.68	0.31	700.06	● 866.07	20.5	2.1	7.8
Other Indexes										
Russell 2000	1428.03	1403.02	1415.36	0.58	0.04	1139.45	● 1425.98	22.4	4.3	5.9
NYSE Composite	11837.60	11683.31	11761.70	28.50	0.24	10289.35	● 11833.34	11.8	6.4	2.3
Value Line	525.84	517.70	522.71	1.94	0.37	453.96	● 529.13	13.3	3.3	1.2
NYSE Arca Biotech	4017.65	3842.77	3859.60	-157.26	-3.91	2834.14	● 4016.86	24.5	25.5	11.6
NYSE Arca Pharma	550.67	534.89	536.30	-12.62	-2.30	463.78	● 554.66	0.9	11.4	0.8
KBW Bank	97.09	91.46	95.60	4.06	4.44	62.34	● 99.33	48.9	4.1	10.3
PHLX Gold/Silver	83.80	79.96	80.78	-2.65	-3.17	73.03	● 112.86	-21.2	2.4	-7.1
PHLX Oil Service	132.65	127.39	130.80	2.87	2.24	127.17	● 192.66	-24.0	-28.8	-25.1
PHLX Semiconductor	1099.41	1026.05	1034.91	-53.58	-4.92	672.51	● 1138.25	51.1	14.2	17.6
CBOE Volatility	15.16	9.68	11.18	1.16	11.58	9.75	● 22.51	-24.3	-20.4	-1.1

\$Philadelphia Stock Exchange

S&P 500 Index

2423.41 ▼14.89, or 0.61% last week
High, low, open and close for each of the past 52 weeks



Financial Flashback

The Wall Street Journal, July 3, 2010

Apple Inc. said all of its iPhones mistakenly inflate readings of cellular signal strength, an uncharacteristic stumble for the consumer electronics giant.

New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/primary exchange	Shares (mil.)	Pricing Range(\$)	Low/High	Bookrunner(s)
7/3	3/27	Akcea Therapeutics	AKCA	9.6	12.00/14.00	WFS, BMO Cptl Mkts	

Lockup Expirations

None expected this week

IPO Scorecard

Performance of IPOs, most-recent listed first

Company	SYMBOL	IPO date/Offer price	Friday's close (\$)	% Chg From Offer	1st-day close	Company	SYMBOL	IPO date/Offer price	Friday's close (\$)	% Chg From Offer	1st-day close
Byline Bancorp	BY	June 30/\$19.00	20.05	5.5	...	Mersana Therapeutics	MRSA	June 28/\$15.00	13.97	-6.9	-0.2
Tintri	TINR	June 30/\$7.00	7.27	3.9	...	Avenue Therapeutics	ATXI	June 27/\$6.00	7.95	32.5	-3.6
Alioner Thera	ALRN	June 29/\$15.00	11.15	-25.7	3.2	Esquire Financial	ESQ	June 27/\$14.00	15.00	7.1	-1.6
Blue Apron	APRN	June 29/\$10.00	9.34	-6.6	-6.6	Granite Point Mortgage	GPMT	June 23/\$19.50	18.92	-3.0	-0.4
Dova Pharmaceuticals	DOVA	June 29/\$17.00	22.29	31.1	12.5	Altice USA	ATUS	June 22/\$30.00	32.30	7.7	-1.3

Sources: WSJ Market Data Group; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

None expected this week

Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
Government Properties Income Trust	June 28	\$462.5	...	Citi, BofA ML, UBS
Real Estate/Property	July 7/16			
Physicians Realty Trust	June 28	\$408.0	...	KeyBanc, BofA ML, BMO Cptl Mkts, MS, Raymond James & Assoc, RBC Cptl Mkts
Carrizo Oil & Gas	June 28	\$227.8	...	GS, WFS
Oil & Gas	Aug. 28/14			
Akebia Therapeutics	June 28	\$58.0	\$175.0	MS
Healthcare	May 5/16			
Minerva Neurosciences	June 28	\$38.8	\$150.0	Citi, Jefferies
Global Medical REIT	June 28	\$31.5	\$500.0	Janney Montgomery Scott, Wunderlich Sec, BMO Cptl Mkts
Real Estate/Property	April 18/17			
Meridian Waste Solutions	June 28	\$3.5	\$50.0	Roth Cptl Ptnrs, Joseph Gunnar & Co
Transportation	June 15/17			
bluebird bio	June 27	\$460.1	...	GS, BofA ML, Cowen & Co
Healthcare	Feb. 22/17			
Repligen	June 27	\$120.0	...	JPM, Stephens
Healthcare	May 18/16			
WhiteHorse Finance	June 27	\$30.7	\$455.0	DB, JPM, RW Baird & Co
Finance	March 31/17			
Finjan Holdings	June 27	\$11.3	\$100.0	FBR Cptl Mrks & Co
Chemicals	July 11/14			
Armour Residential REIT	June 26	\$118.8	...	MS,

BUSINESS & FINANCE

Overseas Deal Making Stays Brisk

By BEN DUMMETT

LONDON—European deal making is set to march on in the second half of the year despite Britain's latest election surprise and early signs of an acrimonious breakup with the European Union, some investment bankers say.

U.K. voters this month unexpectedly denied British Prime Minister Theresa May a majority government, while disagreements over Britain's financial commitments to separate from the EU are flaring.

Both developments pose potential challenges for deal-making, particularly in the U.K.—among Europe's most active merger-and-acquisition markets—as political uncertainty brings potential changes to tax, trade and other policies that make valuing transactions more difficult.

Still, deal value has soared in Europe this year despite recent geopolitical quakes that have surprised markets, most notably the Brexit vote.

Overall, deal value in which the acquirer or target is a European is up nearly 16% in the first half of 2017 from the year-earlier period, according to Dealogic, a data provider, despite a drop in the number of transactions by 1.3%.

That trend highlights the preferences for mergers and acquisitions for some big North American and European companies as they seek to cut costs, boost investment in new technologies or seek new sources of revenue to boost profit. They are encouraged by cheap financing and rising equity markets.

"Investors like M&A at the moment because it's an alternative to organic growth," for companies that face weak demand from their existing business or technological disruption, said Dietrich Becker, a senior investment banker at Perella Weinberg Partners. "That's an overriding theme [and] that's something that's going to continue to drive people's agendas."



Luxottica, maker of Ray-Ban sunglasses, is merging with lens maker Essilor International.

If European companies don't seize the initiative to act, activist investors are showing signs of impatience. Nestlé SA faces such a scenario in the form of U.S. hedge fund **Third Point** LLC, which disclosed that it bought a 1.25% stake in the packaged-foods giant for \$3.5 billion and urged changes to help boost the company's stock price.

Several large deals announced this year have set the pace for the rest of 2017.

Among them **Thermo Fisher Scientific** Inc.'s \$5.2 billion deal to acquire **Patheon** NV, a Dutch-based drug development technology company, and the €16.3 billion (\$18.5 billion) bid that same month by Italian infrastructure group **Atlantia** SpA for Spanish rival **Abertis Infraestructuras** SA.

As other big deals are completed—such as the \$49 billion merger between Luxottica Group SpA and Essilor International SA in January—bankers expect a raft of smaller deals to take their place.

"We are going to see more smaller-scale deals" for the rest of the year, said Wilhelm Schulz, Citigroup Inc.'s chair-

man of M&A for Europe, Middle East and Africa.

Experts don't expect the activity to be led by China. Chinese deal making into Europe, last year a key driver of activity, remained muted in the first half due to Beijing's restrictions on capital outflows.

In another potential setback, China's banking regula-

tion, meanwhile, recently agreed to acquire 90% of Bacarat from a group of private-equity firms for €164 million, aiming to accelerate the French luxury crystal maker's expansion plans in Asia and the Middle East.

"There's ample rationale for, and evidence that, Chinese groups will continue to make acquisitions in Europe and elsewhere in the West," said Thierry d'Argent, global co-head of coverage and investment banking at Société Générale.

The trend in rising mergers and acquisitions is also underpinned by the confidence CEOs are feeling from the availability of cheap financing and strengthening equity markets, some bankers say.

Interest rates in Europe remain near record lows, continuing to benefit from central-bank efforts to stimulate economic growth in part through bond-buying programs.

Assets held by the European Central Bank on its balance sheet total €4.2 trillion, almost double the amount at the start of 2015.

tors recently initiated a review of the borrowing activity of some of the country's more acquisitive conglomerates, including Anbang Insurance Group Co., HNA Group Co. and Fosun International Ltd.

However, the country's global ambitions remain.

China Investment Corp. in June agreed to buy Blackstone Group LP's European warehouse business for €12.25 billion. China's Fortune Fountain

Divers Real Asset Fund CTR

BlackRock Eng Div Tr BDJ

BlackRock Eng Div Tr BDE

BlackRock Eng Div Tr BDF

BlackRock Eng Div Tr BDI

BlackRock Eng Div Tr BDP

BlackRock Eng Div Tr BDR

BlackRock Eng Div Tr BDT

BlackRock Eng Div Tr BDU

BlackRock Eng Div Tr BDV

BlackRock Eng Div Tr BDW

BlackRock Eng Div Tr BDX

BlackRock Eng Div Tr BDD

BlackRock Eng Div Tr

MARKETS

Funds Don't Buy Europe Recovery Story

Big investors are wary as concerns linger over political and financial instability

BY CHRISTOPHER WHITTALL
AND GEORGI KANTCHEV

LONDON—How long Europe's stock and bond rally lasts may depend on U.S. investors like Eric Stein.

International funds, such as Mr. Stein's **Eaton Vance**, had withdrawn billions of dollars from the eurozone for large parts of the past decade, amid a sovereign-debt crisis and weak growth.

But even as the region's economy and markets rebound and political risks appear to clear, Mr. Stein—like many big foreign-based investors—are still cautious amid lingering concerns over political and financial instability.

An analysis of the holdings of the 29 largest active equity mutual funds with global mandates—which control close to \$500 billion in assets and are predominantly U.S.-based—shows that major active investors outside of Europe, as a group, haven't added eurozone shares this year, according to J.P. Morgan Chase & Co.

While local funds can help the upward momentum, and some U.S. hedge funds are wagering on Europe, the large pool of capital from big for-

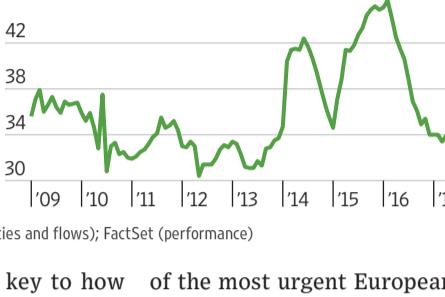
Unconvinced

Eurozone equities have performed strongly this year, but some international investors haven't amplified their positions, and flows to European ETFs remain modest.

Largest global active mutual funds' eurozone equity holdings versus the region's share in MSCI World Index.



European equity exchange-traded funds' share of total ETF universe versus Europe's share in MSCI AC World Index



Sources: J.P. Morgan (equities and flows); FactSet (performance)

eign investors is key to how high those markets can go. International flows helped push European equities higher amid signs of firming economic growth last year.

But as valuations rise, many of the largest foreign-based investors aren't buying into the rally until they have greater certainty that Europe's problems are behind it.

"We can see some cyclical momentum with good growth numbers and signs of political cohesion...but the question is, how long will that last?" Mr. Stein said. "Some

of the most urgent European issues haven't magically gone away."

After years of underperformance, eurozone equities are on a tear, with the Euro Stoxx index up around 6.5% this year compared with a roughly 8% gain for the S&P 500. In dollar terms, the Euro Stoxx has comfortably outperformed the S&P, given that the brighter economic outlook has pushed up the euro 8.6% against the greenback this year.

Eurozone junk-rated bonds have notched a return of 4.2% this year compared with 4.9%

Year-to-date performance of Euro Stoxx versus S&P 500, in dollar terms



THE WALL STREET JOURNAL

for the U.S. market, according to Bloomberg Barclays bond indexes.

The eurozone economy grew by 2.3% in the first quarter over the same period in 2016, its fastest rate since 2015, compared with 1.4% in the U.S.

In politics, the threat to the eurozone from antiestablishment lawmakers who want to take their countries out of the EU has faded. Such parties lost in recent French and Dutch elections, and polls show their popularity slipping in Germany, Italy and elsewhere.

Meanwhile, Italian authorities last month bailed out two troubled lenders in a move that analysts said was a step toward stabilizing the country's weak banking sector.

"By and large we're in an environment where the investment backdrop in Europe is benign," said Mark Dowding, co-head of investment-grade debt at London-based **BlueBay Asset Management**. Mr. Dowding believes, for instance, that Italian government bonds look attractive at current levels.

The yield premium of 10-year Italian bonds over ultra-safe German bonds is currently around 1.7 percentage points, down from a two-year high of around 2.1 percentage points in April before the French elections, according to Tradeweb.

But many funds are more cautious after being burned several times before. That was particularly so during the sovereign-debt crisis of 2010 to 2012, when yields on bonds such as Italy's soared amid concern about a eurozone breakup.

Mr. Stein, who is Eaton Vance's co-director of global income, said that while the short-term outlook for Europe has improved, there are plenty of unresolved problems.

They include uncertainty around Britain's Brexit negotiations, the impact of the European Central Bank taper-

ing its massive bond-buying program and longer term questions over further EU integration and the region's poor demographic prospects.

"We just seem to have a major European crisis once a year," he said.

The fact that markets have rallied makes some investors all the more cautious.

Pacific Investment Management Co. scooped up Italian bonds in the years following the sovereign-debt crisis. Now that those yields have fallen, the bonds don't look so attractive given the prospect of the ECB tapering and remaining political risks, said Nicola Mai, global sovereign credit analyst at Pimco.

"A eurozone breakup is still very possible over the medium to long term," said Mr. Mai.

Investors sold Italian bonds after ECB President Mario Draghi hinted on Tuesday at scaling back the bank's asset purchases.

Still, on some metrics Europe remains cheap compared with the U.S.

Analysts estimate earnings per share growth of 16.9% this year for the Euro Stoxx, according to FactSet, compared with 10.3% for the S&P 500.

The price-to-book value, which compares a company's share price with the value of its assets, for the Euro Stoxx index is 1.7, compared with 3.1 for the S&P 500.

China Opens Hong Kong Bond Link

BY SHEN HONG

SHANGHAI—Starting this week, global investors will have a new way to invest in the world's third-largest bond market.

China will open the bond connect trading link between the mainland and

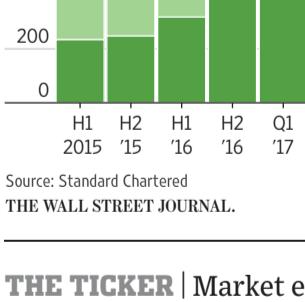
Hong Kong Monday, people familiar with the matter told The Wall Street Journal on Friday. The program, which will make it easier for foreigners to invest in China's \$9 trillion bond market, was approved by China's central bank in May.

The new trading link follows last year's landmark opening of China's bond market to global investors with trading accounts inside China. With the bond connect program, the market will open to foreign investors with trading accounts in Hong Kong, too.

Foreign Interest

Foreign investors' holdings of Chinese bonds

Other bonds
Exchange-traded bonds
Policy bank bonds
Chinese government bonds



Source: Standard Chartered
THE WALL STREET JOURNAL

The connection will be one-way, however: Foreigners will be able to buy bonds in the mainland market, but Chinese investors won't be able to do likewise in Hong Kong. Its launch comes as China has been fighting a battle to stem capital outflows and reduce downward pressure on its currency.

"The fact that only the northbound channel is open for now means it's more about attracting foreign investors into China," said Zang Min, senior fixed-income analyst at Hongxin Securities.

The bond connect program is modeled in part on the stock-market links between Hong Kong and China's exchanges in Shanghai and Shenzhen, although they permit two-way investment flows.

Although foreign investors have expressed growing interest in investing in Chinese bonds, that hasn't translated into a rush of overseas money into the market.

Even after the People's Bank of China allowed free access for global investors to the bond market last year, their share in the market remains low. At the end of March, the total amount of Chinese domestic bonds held by foreign investors was around 830 billion yuan (\$122.4 billion), or around 1.4% of the market, according to Goldman Sachs.

Among the more than 100 foreign investors who have so far registered with regulators to use the bond connect program "many carry the DNA of Chinese money," said one of the people familiar with the matter, referring to overseas branches of Chinese companies or funds.

Among the reasons behind global investors' reluctance to

pile into Chinese bonds is their absence from major global bond indexes that are tracked by passively managed funds, such as the one compiled by Citibank. Goldman Sachs estimates that once China's bond market is included in such indexes, it could lead up to \$250 billion of extra foreign capital to flow into China, as global money managers allocate their bond holdings based on the composition of such indexes.

A lack of diversity among investors, regular turmoil in the market and various forms of price anomalies in China's bond market has also made foreign investors hesitant. Chinese banks, which are mostly state-owned and tend

to share similar trading strategies, are estimated to account for around two-thirds of the bond market's trading volume.

China's bond market has expanded ninefold in the past decade as Beijing has looked to encourage companies to use bonds and stocks to raise funds and reduce the pressure on an overstretched banking sector.

The effort has yet to achieve significant breakthroughs as corporate bonds account for only 12% of the entire market, while government and policy bank bonds take up a combined 80% share.

—Gregor Stuart Hunter and Saumya Vaishampayan contributed to this article.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency Fri in US\$ per US\$ YTD chg (%)

Americas Vietnam dong .00004400 22725 -0.2

Europe Czech Rep. koruna .04374 22.863 -11.0

Denmark krone .1537 6.5080 -7.9

Euro area euro 1.1427 .8752 -7.9

Hungary forint .003698 270.41 -8.1

Iceland króna .098918 101.87 -9.8

Norway krone .1198 8.3460 -3.5

Poland złoty .2701 3.7026 -11.6

Russia ruble .01696 58.902 -3.9

Sweden krona .1186 8.4312 -7.4

Switzerland franc 1.0436 .9582 -6.0

Turkey lira .2840 3.5212 -0.1

Ukraine hryvnia .0383 26.0800 -3.7

UK pound 1.3024 .7678 -5.2

Asia-Pacific Australia dollar .7689 1.3006 -6.3

China yuan .1475 6.7787 -2.4

Hong Kong dollar .1281 7.8075 0.7

India rupee .01548 64.611 -4.9

Indonesia rupiah .0000751 13320 -1.5

Japan yen .008898 112.39 -3.9

Kazakhstan tenge .003105 322.06 -3.5

Macau pataca .1244 8.0372 1.5

Malaysia ringgit .2329 4.2935 -4.3

New Zealand dollar .7335 1.3633 -5.6

Pakistan rupee .00954 104.853 0.5

Philippines peso .0198 50.396 1.6

Singapore dollar .7265 1.3765 -4.9

South Korea won .0008730 1145.43 -5.2

Sri Lanka rupee .0065206 153.36 3.3

Taiwan dollar .03286 30.433 -6.2

Thailand baht .02947 33.930 -5.2

Close Net Chg % Chg YTD Chg

WSJ Dollar Index 87.74 0.02 0.02 -5.59

Sources: Tullett Prebon, WSJ Market Data Group

Positive stress-test results for U.S. banks this past week triggered the largest wave of share-buyback announcements on record.

U.S. banks disclosed plans for \$92.8 billion in corporate repurchases Wednesday, accounting for nearly all the

MONEYBEAT record \$93.1 billion announced that day, according to Jeffrey Yale Rubin, director of research at Birinyi Associates.

Banks had been a reliable source of shareholder returns before the financial crisis but must now have the Federal Reserve sign off on their capital plans.

On Wednesday, the Fed approved the capital plans of the 34 U.S. banks taking part in its annual checkup of how they would fare in a severe downturn. Twenty-six of those firms announced plans to buy back stock. The stress tests also cleared the way for lenders to boost dividends.

Stock buybacks have been near records for years, providing a key pillar of support for the

broader stock market. U.S. companies repurchased \$136 billion of their stocks during the first quarter, the biggest single source of demand for U.S. equities, according to a Goldman Sachs Group Inc. analysis of Fed data.

The value of stock retired by companies took a slight dip during the first three months of this year. Buybacks among S&P 500 firms fell 18% in the first quarter from the same period a year earlier, according to S&P Dow Jones Indices.

The prospect of further buybacks and dividends in the years ahead has some investors growing bullish on bank stocks.

Stock repurchases by financial companies in the S&P 500 rose 10.2% in the first quarter and accounted for 22.2% of all buybacks, according to S&P Dow Jones Indices.

—Chris Dieterich

ONLINE



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THE TICKER | Market events coming this week

Monday

U.S. stock market will close early at 1 p.m. ET, and bond market at 2 p.m. ET

Total vehicle sales

Domestically produced, at an annual rate

May, previous 16.7 mil.

June

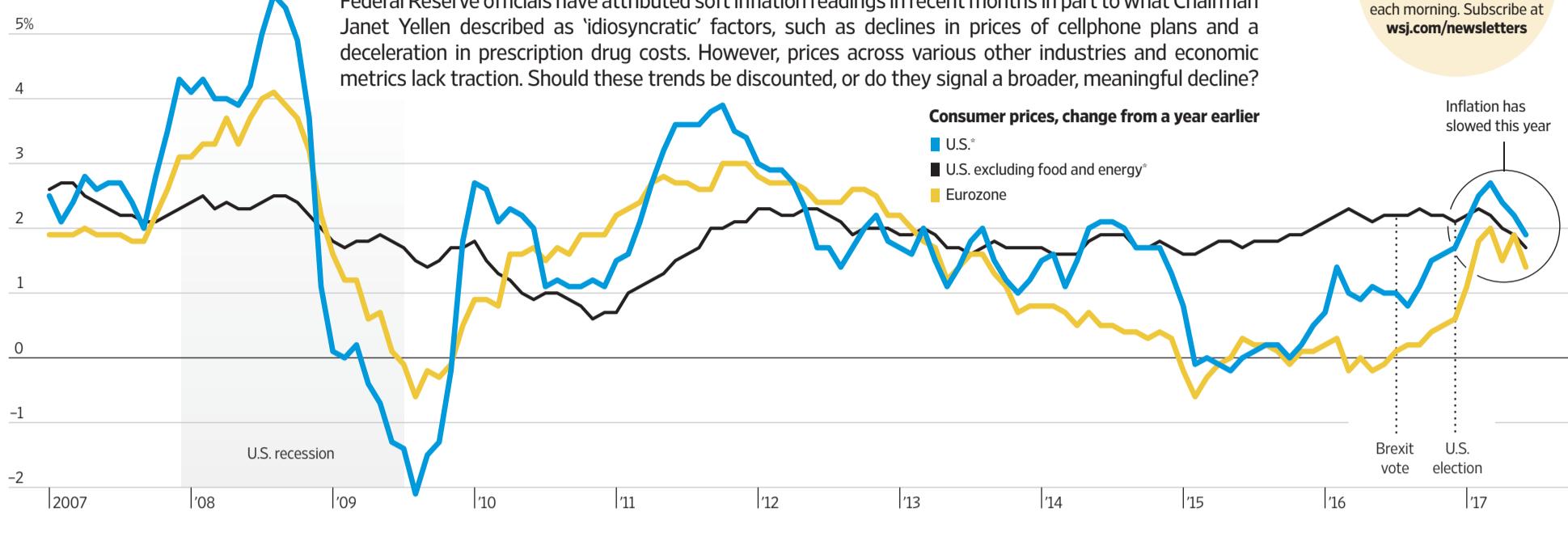
MARKETS

THE DAILY SHOT | By Lev Borodovsky

What to Make of Softening Inflation

Federal Reserve officials have attributed soft inflation readings in recent months in part to what Chairman Janet Yellen described as "idiosyncratic" factors, such as declines in prices of cellphone plans and a deceleration in prescription drug costs. However, prices across various other industries and economic metrics lack traction. Should these trends be discounted, or do they signal a broader, meaningful decline?

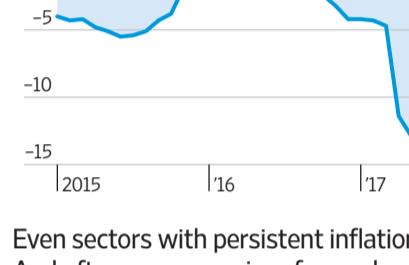
Consumer prices, change from a year earlier



Wireless prices have fallen and health-care inflation has slowed in recent months.

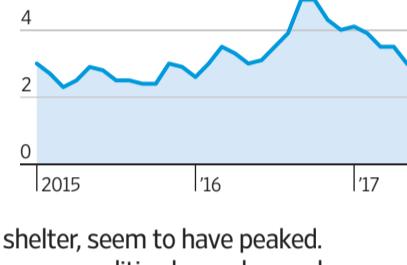
U.S. wireless-service prices

Change from a year earlier



U.S. medical-care prices

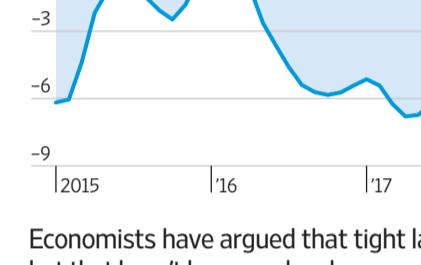
Change from a year earlier*



But the trend is also evident in other sectors, such as used autos and education.

U.S. used car and truck prices

Change from a year earlier*



U.S. education prices

Change from a year earlier



Even sectors with persistent inflation, such as shelter, seem to have peaked. And after a run-up, prices for crude oil and other commodities have slumped.

U.S. shelter prices

Change from a year earlier



U.S. crude-oil prices

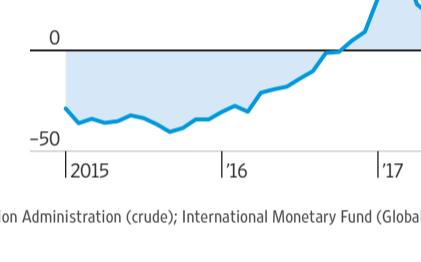
Change from a year earlier



Economists have argued that tight labor markets will spur inflation, but that hasn't happened and wage growth has decelerated.

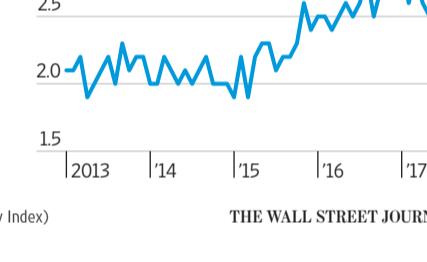
Global Commodity Index

Change from a year earlier



U.S. hourly earnings, total private

Change from a year earlier*



*Seasonally adjusted

Sources: Federal Reserve Bank of St. Louis; U.S. Bureau of Labor Statistics (U.S. inflation and wages); Eurostat (eurozone inflation); Energy Information Administration (crude); International Monetary Fund (Global Commodity Index)

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A Bumpy Second Half Takes Shape

The calm has been broken. The first half of 2017 has ended with big moves in global bond yields and exchange rates, sparked by a belated realization that central banks are increasingly edging toward reining in extraordinary policy measures. The stage is set for a scrapier second half.

Comments last week from central bankers have challenged the conditions that have lifted bonds and stocks together this year and kept volatility low.

Falling unemployment and closing output gaps mean emergency policy looks inappropriate: There is no emergency. The withdrawal will likely be gradual, but the direction of travel is clear.

Bonds got a rude awakening with yields jumping.

Stocks and currencies got caught up in the turmoil too.

Inflation remains weak in Europe and the U.S., but central bankers clearly want to engender confidence in reflation. And they may be more willing to look through swings in headline measures as long as they think they are driven by supply, not demand.

The second is investment. A pickup in investment spending would reassure central banks that growth isn't overly dependent on consumption.

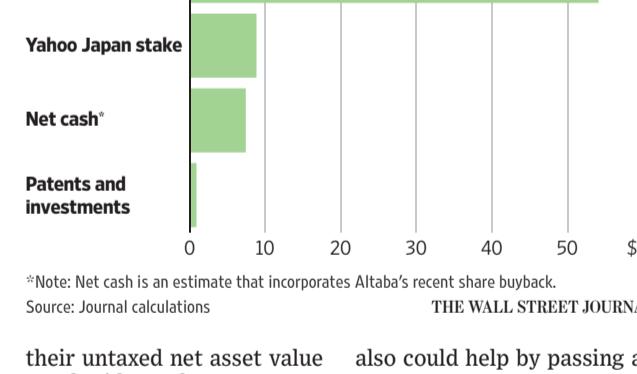
If central bankers are right and growth is solid while inflation is held back by temporary factors, then bond buyers should lose out. Stocks should do better, but to the extent valuations have been inflated by low interest rates, then there is a headwind. After a long stretch in which both bonds and stocks have done well, a new landscape is forming.

—Richard Barley

Yahoo Delivers the Goods at Last

Life After Yahoo

Components of Altaba's pretax net asset value, in billions



Source: Journal calculations

rate—36.5% for Alibaba and 38% for Yahoo Japan, according to UBS—and investors apply an additional 10% discount to account for expenses such as management fees and transaction costs as is common with closed-end funds, its assets were worth \$49.16 a share as of the market close Friday. That is 9.8% below where its shares were trading, implying investors are already giving Altaba some credit for tax efficiency or are applying an additional discount of less than 10%.

Meanwhile, Altaba's management has a simpler lever for narrowing the fund's discount: stock buybacks.

At the current discount to net asset value, Altaba can effectively use buybacks to get \$1 worth of assets for only 70 cents.

Altaba bought back 64.5 million shares for \$3.4 billion through a modified Dutch auction that ended June 16. More stock buybacks should be on the horizon. That alone could be reason to own Altaba.

—Miriam Gottfried

OVERHEARD

The last week of June seems to be lucky for bond traders.

After the Brexit referendum on June 23 last year, global currency and bond markets gyrated wildly.

The sudden volatility unnerved many, but was quite pleasant for people who make a living trading fixed income and currencies at major banks.

Those same bankers got another summer surprise last week, as comments by central bankers in the U.K. and Europe triggered a sudden surge in interest rates and currencies.

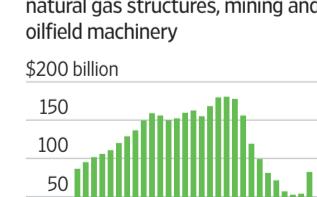
While smaller than last year, the bump still makes for a refreshing reprise at the end of a weak quarter for trading.

As U.S. traders head off for the Independence Day holiday, they may be tempted to toast their old colonial masters for delivering yet another last-minute second-quarter boost.

Brief Bounce in Oil Prices Won't Lift Economy for Long

Slippery Slope

Annualized spending on petroleum, natural gas structures, mining and oilfield machinery



Source: Commerce Department

covered. With energy prices sliding, the rebound is looking short-lived.

Spending on energy-related equipment and structures (such as oil wells) counted for about 40% of the gain in capital spending in

the first quarter. Since energy firms buy plenty of other items, such as transportation equipment, their share of overall capital spending was probably even larger.

Much of the gain in energy-sector spending in the first quarter likely came from purchases that were deferred in response to the crash in oil prices. And the recovery in oil prices to an average of \$52 a barrel in the first quarter soothed nerves.

Oil prices have retreated since then, with a barrel lately fetching \$44.93 in New York trading. Morgan Stanley warned in a note this week that the likelihood of a "sharp dip in oil prices to a level that chokes U.S. drill-

ing" is increasing. Even if that scenario doesn't unfold, spending will likely be lower: Overall, U.S. oil and exploration companies reported a sharp increase in exploration expenses in the first quarter, but FactSet data show industry analysts expect that strength to quickly fade.

A survey from the Federal Reserve Bank of Dallas released Wednesday showed that energy firms were less optimistic in the second quarter than the first quarter, and that fewer firms were increasing their capital spending. Comments from respondents to the survey exhibited plenty of worry.

Slower energy-sector spending may be why overall spending figures have lately

been soft. Earlier this week, the Commerce Department reported that shipments and orders for nondefense capital goods, excluding aircraft—proxies for current and future capital spending—slipped in May from April.

The news isn't all bad: Lower oil prices give consumers more money to spend elsewhere, and energy-intensive industries will also benefit. But as economists at Cornerstone Macro point out, with the U.S. now a major energy producer, those offsets aren't as powerful as they once were. Lacking a boost from stronger capital spending, the economy is probably destined to just muddle along.

—Justin Lahart