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THE WALL STREET JOURNAL.

DOW JONES | News Corp * * * * * * MONDAY, JULY 10, 2017 ~ VOL. CCLXX NO. 7 WSJ.com ★★★★ $4.00

Last week: **DJIA** 21414.34 ▲ 64.71 0.3% **NASDAQ** 6153.08 ▲ 0.2% **STOXX 600** 380.18 ▲ 0.2% **10-YR. TREASURY** ▼ 27/32, yield 2.393% **OIL** $44.23 ▼ $1.81 **EURO** $1.1403 **YEN** 113.91

What's News

Business & Finance

A **proposal** for a new open-outcry floor by one of the smallest U.S. options exchanges has sparked criticism from rivals. **A1**

◆ **China's Cosco Shipping** agreed to buy smaller rival Orient Overseas for $6.3 billion, establishing an Asian container giant. **B1**

◆ **Tesla's sales** in Hong Kong came to a standstill after a tax break for electric vehicles was slashed. **B1**

◆ **Apple's iTunes Store**, already struggling against rising competition for music listeners, is also losing the battle for video viewers. **B1**

◆ **Fox News remained** first in prime-time viewers in the second quarter, but its lead over MSNBC narrowed. **B3**

◆ **Banks are aiming** to use biometric data to replace passwords, but are relying on customers to store the data on their smartphones. **B4**

◆ **The new Spider-Man** movie had the best opening for a film featuring the superhero in a decade. **B3**

◆ **Holders of patents** to the Crispr gene-editing technology are willing to join a global patent pool. **B4**

◆ **Eli Lilly said** the U.K. Supreme Court has ruled that a rival's product infringes Lilly's patents for cancer drug Alimta. **B3**

◆ **The offshore wind** industry is turning to the U.S. but faces high costs and logistical issues. **B6**

◆ **People who lent** to Fyre Festival before it collapsed are trying to force the organizer into bankruptcy. **B6**

World-Wide

◆ **Senate Republicans** are so divided over a health-overhaul bill that they are struggling to agree on what to do if they fail to pass their legislation. **A1, A4**

◆ **Trump's eldest son** arranged a June 2016 meeting between campaign aides and a Russian lawyer who has been linked to the Kremlin after being told she "might have information helpful to the campaign." **A1**

◆ **Premier Abadi** praised Iraqi military forces during a visit to Mosul, but stopped short of declaring a final victory over Islamic State. **A5**

◆ **At the G-20 summit,** Trump held firm to the nationalist principles that were central to his campaign. **A6**

◆ **Tillerson met** with Ukraine's Poroshenko, a visit that telegraphs U.S. support to Kiev after Trump's meeting with Putin. **A5**

◆ **Three large California** wildfires spread quickly over the weekend, burning thousands of acres and forcing evacuations. **A2**

◆ **U.S. and German doctors** who examined cancer-stricken Nobel laureate Liu said he is strong enough to leave China, contradicting Chinese authorities' assessment. **A7**

◆ **Thousands of opposition** supporters gathered in Caracas to celebrate a leader's release from jail. **A7**

◆ **Macron's plans to** loosen France's labor rules drew praise from business leaders, even as some warned that lowering unemployment will take time. **A9**

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After a Brutal Fight, Victory Celebrations in the Old City of Mosul

FADEL SENNA/AGENCE FRANCE-PRESSE/GETTY IMAGES

LIBERATING: Members of Iraq's federal police wave the national flag Sunday after Prime Minister Haider al-Abadi visited and congratulated the forces, indicating the battle to retake the city from Islamic State was all but won. Soldiers still faced one pocket of resistance. **A5**

Proposal to Launch Options Trading Floor Stirs Outcry

By Gunjan Banerji

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

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

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

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

Box's initial plan, though, sparked critical letters this year from Chicago Board Options Exchange owner, CBOE Holdings Inc., and the NYSE, as well as trading firms that said another trading venue will make it tougher to do business as activity potentially becomes

Please see TRADE page A2

GOP Rift Widens On Health As Senate Returns

Some conservatives see opportunity to return to goal of fully repealing ACA

By Stephanie Armour

WASHINGTON—Senate Republicans returning from a July 4 recess are so divided over a health-overhaul bill that they are also struggling to agree on what to do if they fail to pass their legislation.

Some conservative lawmakers say an implosion of the Republican legislation would give them a chance to return to their goal of fully repealing the Affordable Care Act, putting off until later a decision about what system to put in its place. Others, including Senate Majority Leader Mitch McConnell (R., Ky.), are considering the possibility of legislation to shore up the law's marketplaces where individuals buy health coverage, action that would involve working with Democrats.

The focus on possible steps to take if Senate Republicans can't unite around a health bill is the strongest sign yet of the growing pessimism about the fate of the GOP legislation and the party's seven-year pledge to topple the ACA. Some Republicans now say a vote to pass a bill could stretch beyond August, if there is a vote at all.

Sen. Bill Cassidy (R., La.) said Sunday on Fox that he has reservations about the bill. Mr.

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◆ McConnell deploys steely drive with bill A4

TIFFANY HUNTS TO REGAIN ITS 'COOL'

Former chief failed to turn sales around amid reliance on lower-price jewelry

By Suzanne Kapner

The turmoil at Tiffany & Co. reached a climax on a Sunday in February, just hours before the launch of a new Super Bowl ad campaign featuring Lady Gaga.

Instead of congratulating Chief Executive Frederic Cumenal on his effort to update the face of the 180-year-old jeweler, the board of directors had surprising news—he was out.

The Frenchman had been tapped two years earlier to boost growth and refresh the company's image. But sales and profits fell two years in a row, and directors grew more concerned when Mr. Cumenal presented a three-year strategic plan in the fall of 2016 that didn't forecast much improvement, according to people familiar with the situation. Tiffany said it wanted a leader who could deliver results faster.

To make matters worse, the Friday before the Super Bowl, activist investor Jana Partners LLC alerted the company it had built up a 4.9% stake and wanted a meeting, according to the people.

At the root of the jeweler's tepid results is a stubborn perception: Tiffany has lost its cool and is struggling to get it back. "Audrey Hepburn versus Lady Gaga is a fine line to walk," said Citi analyst Paul Lejuez.

Mr. Cumenal's goal was to shift that image, but his job was made harder by a surprising statistic—45% of Tiffany's sales last year came from jewelry categories with an average price of $530 or less. Analysts say that could hurt its aura of exclusivity.

"You'd be hard pressed to find anything at Cartier for $500," said Robert Passikoff, president of market research firm Brand Keys.

Chairman Michael Kowalski, a 34-year Tiffany veteran serving as interim chief, defended the company's wide range of prices and styles. "We built a very large tent," he said. "That has been a great strength of the company, and also a great challenge."

Managing that challenge will fall to its next CEO, who is expected to be appointed soon, according to a person familiar with the situation.

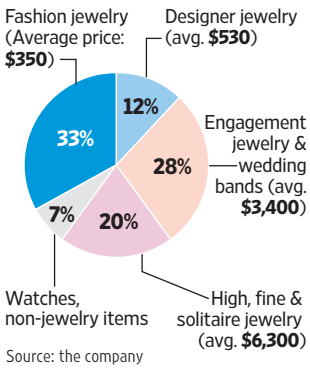
Mr. Kowalski said Tiffany has struck the right balance between its high and low-end offerings and has elevated its entry-level categories in re-

Please see TIFFANY page A10

Entry Level

About 45% of Tiffany's sales come from lower-priced items.

Sales by segment, FY 2016



Source: the company

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Trump's Son Met With Russian About Campaign

By Rebecca Ballhaus

WASHINGTON—President Donald Trump's eldest son arranged a June 2016 meeting between top campaign aides and a Russian lawyer who has been linked to the Kremlin after being told she "might have information helpful to the campaign."

In a statement Sunday, Donald Trump Jr. said he didn't know the lawyer's name before the meeting, and said they were set up by an "acquaintance" from the 2013 Miss Universe pageant. The meeting, in New York City, was also attended by Jared Kushner, the president's son-in-law and senior adviser, and Paul Manafort, President Trump's campaign chairman at the time. The younger Mr. Trump said he told Messrs. Kushner and Manafort "nothing of the substance" of the meeting beforehand.

Mr. Manafort resigned about two months later amid reports of his connection to pro-Russian political forces in Ukraine. Investigators are currently examining whether Mr. Manafort's work for foreign interests violated the Foreign Agents Registration Act and related laws.

Mr. Manafort's spokesman

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◆ Trump sticks to positions at summit A6

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KIM HONG-JI/REUTERS

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DOUBLING UP ON ENDURANCE SPORTS

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Most Camps Have S'mores; This One Has Finance

* * *

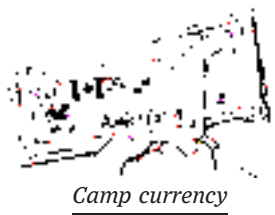
Children ditch forests for forex; piggy banks in arts and crafts

By Akane Otani

DENVER—In an increasingly competitive business world, prospective bankers and executives need every edge they can get. That's why people like Kashious Vela have opted for a specialized camp this summer, where he will learn about economics, financial markets and theories of international trade.

He is also 8 years old and starting third grade later in the year. He's unapologetic about why he's devoting his summer to high finance when many children his age will be playing sports and singing campfire songs.

"I like money," said Kashious, who goes by Kash. "And you could get really rich."



Camp currency

Kash is one of 85 children between the ages of 7 and 11 who traveled from around the country to Denver in June for the Junior Money Matters camp. These campers come for a week inside classrooms, spending seven hours a day studying things like the U.S. current-account deficit and supply and demand dynamics.

Teaching economics and fi-

Please see CAMP page A10

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U.S. NEWS

THE OUTLOOK | By Paul Hannon and David Harrison

Weak Inflation Vexes Central Banks

Leading central banks plan to withdraw some of the stimulus measures they have put in place since the financial crisis. But their timing seems a little puzzling: Inflation, which is already below their targets, is falling world-wide.

The decline in inflation is a mystery since the global economy appears to be growing at a faster pace than during recent years, while unemployment rates continue to edge lower.

According to central bankers, inflation is generated by the gap between the demand for goods and services and the economy's ability to supply them. When that output gap is wide, inflation is lower, and when it is narrow, prices grow more quickly. Low inflation is a symptom of a weak economy, something they want to avoid as much as high inflation, a sign of an overheated economy.

To boost inflation, central banks stimulate demand by lowering interest rates, encouraging households and businesses to borrow and spend. As the volume of goods and services that people want to buy nears the limit of the economy's capacity to supply them, wages rise, as do prices, generating inflation.

But try as they might, central banks have been unable to reach their inflation targets in recent years, despite their success boosting growth and lowering jobless numbers. That has raised questions about the reliability of the traditional link between the output gap and prices.

"Central banks across the Western world are struggling to define that relationship," said Bert Colijn, an economist at ING Bank.

Across the Group of 20 largest economies, which account for most of the world's economic activity, annual inflation slumped in May to its lowest level since August 2016, according to the Organization for Economic Cooperation and Development.

Much of that decline was due to easing energy prices. But even excluding that volatile item, and similarly choppy food prices, "core" inflation is slowing in many places.

That isn't a recent phenomenon. Core inflation in developed economies hasn't changed much in the years since the financial crisis, never reaching the 2.5% rate it stood at in September 2008, when Lehman Brothers collapsed, or going below the 1.1% rate it hit in December 2010.

Central bankers are struggling to explain why inflation isn't responding the way the textbooks say it should to an improving global economy and falling jobless rates. According to the OECD, the unemployment rate in developed economies fell to 5.9% in May from 6.3% a year earlier.

That Sinking Feeling

Though unemployment is falling globally, consumer prices haven't gained traction in the world's largest economies. Change from a year earlier in CPI:

Source: Organization for Economic Cooperation and Development

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In the U.S., Federal Reserve Chairwoman Janet Yellen has shrugged off the past few months of low inflation numbers, saying they were caused by temporary domestic factors, such as cheaper new cellphone plans. But the global inflation slowdown calls that thesis into question.

Chicago Fed President Charles Evans suggested last month that poorly understood technological advances or aging populations could also be holding down inflation around the world.

"I sometimes wonder if there isn't something more global, more technological that's taking place that we don't quite have our arms around very well," he said.

Fed officials devoted part of their June 13-14 meeting to debating inflation's surprising softness. Some argued the link between the output gap and inflation had weakened over the past few years. Others worried that letting the economy grow too quickly would bring about a sudden burst of inflation that would be hard to control.

The picture is just as confusing in Europe.

In a June 27 speech that was widely viewed by investors as signaling a readiness to remove some stimulus later this year or early next, European Central Bank President Mario Draghi said inflation has been weaker "than one would expect on the basis of output gap estimates and historical patterns."

Mr. Draghi concluded that a narrowing output gap would eventually have its usual effect on prices. It would just take longer.

Other global factors may be at play. Because so many companies compete around the world, weaker economic growth and sluggish inflation in one country could keep a lid on prices in other countries, propagating low inflation across continents.

Another explanation could be there are lower inflation expectations globally. After years of tepid price growth, workers may not push that hard for a raise and companies may not feel compelled to increase prices despite signs of improvement in the economy.

Whatever the cause, central bankers appear willing for now to look beyond the past few months of weak inflation numbers as they shift away from easy-money policies. Faith in output gap theory is one driver. Some also are growing worried about other problems. For example, recent speeches from Fed officials and the minutes of the last meeting suggest a growing concern about financial stability as asset prices rise.

If consumer price trends don't turn soon, however, central bank officials could find they have undermined the inflation mission they have established as their core objective.

ECONOMIC CALENDAR

WEDNESDAY: Federal Reserve Chairwoman **Janet Yellen** will deliver her semiannual monetary-policy report to Congress on Wednesday and Thursday. Ms. Yellen has said job growth in recent months has been well above the pace necessary to absorb new entrants to the labor force and that weak inflation numbers largely reflect transitory factors.

THURSDAY: China's foreign trade, a bright spot in the world's second-largest economy this year, probably remained strong last month. Economists expect **China's exports** grew 9% from a year earlier, accelerating from May's 8.7% rise.

FRIDAY: The Commerce Department releases **U.S. retail sales** data for June, after sales in the struggling sector fell 0.3% in May, driven by a decline in car purchases and less spending at gas stations. Economists surveyed by The Wall Street Journal expect sales ticked up 0.1% in June.

Economists will watch the U.S. Labor Department's June **consumer-price index** for any indication of whether recent weakness in inflation might be transitory, after May's report showed consumer prices fell slightly. Economists surveyed by the Journal expect CPI increased 0.1% in June.

Later Friday morning, the Federal Reserve will release **U.S. industrial production** data. This measure of output at factories, mines and utilities was unchanged in May from the prior month. Manufacturing, which accounts for the bulk of industrial production, has shaped up as a bright spot in the economy so far this year. Economists surveyed by the Journal forecast industrial production grew 0.3% in June.

JOSH EDELSON/AGENCE FRANCE-PRESSE/GETTY IMAGES

California Faces Wild Blazes

Three large California wildfires spread quickly over the weekend, burning tens of thousands of acres and forcing evacuations in several areas.

As of Sunday afternoon, the fires—two north of Santa Barbara on the edge of Los Padres National Forest and one north of Sacramento—were still blazing.

The largest, the Alamo Fire, which started Thursday east of Santa Maria and reached 24,000 acres by Sunday, was only 10% contained, state officials said.

About 50 miles southeast, the Whittier Fire, which began Saturday in Los Padres National Forest and spread to 7,800 acres by Sunday, was 5% contained, according to Santa Barbara County Fire Captain Dave Zaniboni.

The Wall Fire, shown at left near Oroville on Saturday, began Friday and had spread to 5,000 acres by Sunday.

—Rebecca Davis O'Brien

TRADE

Continued from Page One

less transparent and more fragmented.

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

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

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

Open outcry accounts for about 13% of U.S. options trading, according to Burton-Taylor International Consulting, which advises exchanges. Most trades are done electronically. Over 350 million options contracts exchanged hands in June in the U.S., with about 2% flowing through Box, data from Options Clearing Corporation show. Box is partly owned by TMX Group, which operates the Toronto Stock Exchange.

Backers of the company's proposal say it will boost competition among exchanges. Some also say it is Box's right to try to build market share in the fiercely competitive options landscape, where a select group of exchanges like the NYSE, Nasdaq and Chicago Board Options Exchange run the existing floors.

But Box's efforts have rankled some U.S. options traders, who are already dealing with a labyrinthine market structure. A new open outcry pit would push market makers to staff the new floor and incur higher costs, said Peter Maragos, chief executive of Dash Financial Technologies, a broker dealer and technology provider.

"Where's the benefit for the client?" said Mr. Maragos, whose firm has brokers on the CBOE floor. "We're just adding more complexity, more fragmentation."

The SEC doesn't restrict the number of exchanges, said Box Chief Executive Ed Boyle. It only creates the legal and regulatory requirements that exchanges must follow. He also pointed to the existing 15 venues for U.S. options.

"For someone to make the statement 'Why do we need another one?' is naive," said Mr. Boyle, who has worked in options since 1981. "It really comes off as they don't want additional market competition."

Steve Crutchfield, the head of market structure for CTC Trading, opposed the new floor in a letter to the SEC. He said that a sparsely populated floor can make it easier for trading firms that handle client orders to seek venues where they get paid commissions, rather than where they can get the best prices for clients. His firm staffs all four existing open-outcry floors.

One of the changes Mr. Boyle made in response to criticism was to scrap a requirement for traders to post continuous electronic quotes if they have a floor presence, which others don't require.

Some options traders said the open-outcry model could help investors who want to prevent prices from moving when their large options orders are getting executed.

"There is still a role for human traders," said Andy Nybo, a director at Burton-Taylor. An NYSE spokeswoman said 25% to 40% of the exchange's options volume flows through two floors in San Francisco and New York.

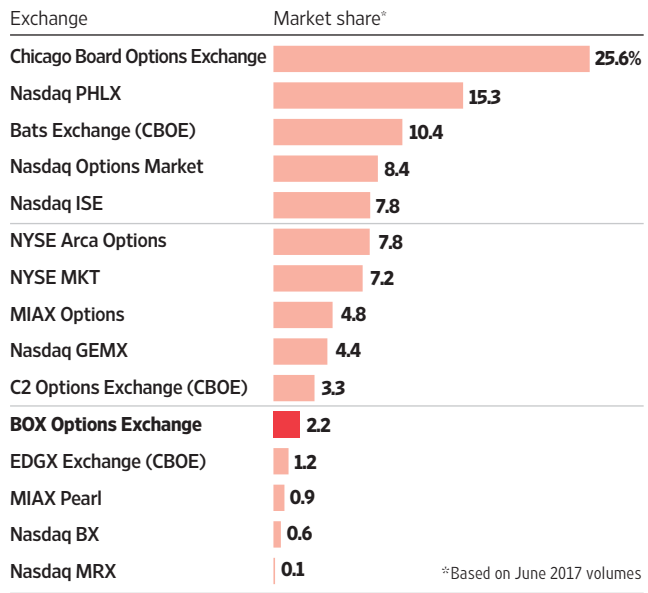
The number of CBOE floor traders has fallen, but over half of its most lucrative products—including options on the S&P 500 index and CBOE Volatility Index—are carried out on its Chicago floor. Nasdaq still operates an open-outcry pit in Philadelphia. While CME Group closed most of its futures trading floors, it maintains pits for S&P 500 futures and options on futures for everything from the S&P index to hogs and corn.

Box isn't the first exchange to consider a new floor in recent years. Before being acquired by Nasdaq, the International Securities Exchange had considered an open outcry floor but eventually decided against it, said a person familiar with the matter.

But its plan has stoked worries that, if approved by the SEC, the new floor could lead to other exchanges trying to launch their own. "Approving the proposal would open the floodgates for every options [exchange] to open empty 'trading floors' in disused office space," Mr. Crutchfield wrote.

Cryin' Out Loud

Box Options Exchange has a tiny slice of options market share, but hopes to snap up more with a new open outcry floor where brokers will vocally match orders.



Source: Options Clearing Corporation

THE WALL STREET JOURNAL.

CORRECTIONS & AMPLIFICATIONS

The first name of researcher Jay Blundon of St. Jude Children's Research Hospital in Memphis, Tenn., was incorrectly given as John in the Mind & Matter column Saturday on early learning in mice.

PacifiCorp has filed plans with state regulators to spend $3.5 billion on wind and transmission projects. A Business & Finance article on Thursday about changes in the U.S. power industry incorrectly said it had filed plans to spend $13.6 billion.

The first name of Clifford Roberts, former chairman of the Augusta National Golf Club, was incorrectly given as Clifton in a Sports article Saturday about professional golfer Sergio Garcia.

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

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Counselors Go Where Students Are

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

By Melissa Korn

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

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

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

In 2016, 14% of the 463 respondents to a survey of university counseling-center directors said they have "embedded" or "counselor in residence" positions, including in residence halls or academic departments—double the share from 2015.

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

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

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

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

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

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

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

In-house counseling centers often hold office hours that are more in line with students' schedules than the main health facilities on campus. At Ohio University, for example, students can drop in for sessions with three counselors in residence—counseling or psychology doctoral students who also live in faculty apartments in the dormitories—between 5 p.m. and 10 p.m. every day but Saturday.

"There's more of a demand for service, and more of a demand for immediate service," said Josette Cline, director of counseling and psychological services at the University of Arkansas.

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

MATTHEW HOLST FOR THE WALL STREET JOURNAL

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

A Push to Ease Stigma of Therapy

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

Mental-health experts say that students from certain cultural backgrounds are less inclined to seek out their services, as are first-year students still worried about fitting in with their new peers.

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

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

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

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

—Melissa Korn

TOM WILLIAMS/CONGRESSIONAL QUARTERLY/NEWSCOM/ZUMA PRESS

Christopher Wray's confirmation hearing before the Senate Judiciary Committee for the FBI director post is set to start Wednesday.

FBI Nominee Avoids the Spotlight

By Aruna Viswanatha And Del Quentin Wilber

If fireworks erupt at Wednesday's confirmation hearing for President Donald Trump's pick to be the next director of the Federal Bureau of Investigation, they aren't likely to be sparked by the nominee, Christopher Wray, a former Justice Department official known as a workhorse who eschews the spotlight.

Many current and former FBI agents say that is exactly what the agency needs—someone who focuses on running investigations while leaving politics to others—as the FBI navigates turbulence following the firing of former Director James Comey. Other agents and legal observers wonder if Mr. Wray, who has spent a decade as a defense lawyer, has the gravitas to buck political pressure and chart an independent course for the nation's premier law-enforcement agency.

The public will hear from Mr. Wray on Wednesday for the first time since his selection, as the Senate Judiciary Committee weighs his nomination to lead the FBI and its 13,000 agents. If confirmed, the 50-year-old Mr. Wray would take over one of the most challenging jobs in law enforcement, charged with impartially overseeing investigations while weathering political storms.

"Chris looks for the way that creates the least drama," said John Richter, an attorney who worked with Mr. Wray at the Justice Department and at his law firm, King & Spalding.

Few would say that about Mr. Comey, a larger-than-life figure at 6-foot-8 who was known for his dramatically timed news conferences, his performances before Congress and, by his own account, leaks to the press. Mr. Comey was beloved by many agents for standing up for them, but he also attracted sometimes unwelcome attention to the agency.

The FBI in recent months has been criticized for its handling of the investigation into former Secretary of State Hillary Clinton's use of a private email server, buffeted by Mr. Comey's firing and stung by Mr. Trump's allegations that its agents are on a "witch hunt."

Democrats plan to press Mr. Wray on whether he could stand up to White House pressure if necessary. Mr. Comey told Congress Mr. Trump demanded his loyalty and pressured him to drop an investigation of a former top aide, allegations the White House has denied.

Mr. Comey's dismissal remains a sore point in the agency. At a "Family Day" event last week at headquarters, some agents wore T-shirts reading "Comey Is My Homey," as have others at field offices around the country, according to photos and people at the events.

"They are still ticked off," said Frank Montoya Jr., a longtime FBI agent and supervisor who retired last year. Mr. Wray is "going to be viewed first and foremost as a political appointment by a president who demanded loyalty from the last director and didn't get it, so he fired him," Mr. Montoya said.

Mr. Wray is known to focus on running investigations, leaving politics to others.

A big test for Mr. Wray would come the next time Mr. Trump tweeted criticism of the FBI, Mr. Montoya said. "Is he going to apologize for the tweet or is he going to speak out forcefully and say that's not the way it is?" he said.

Mr. Wray appears to be reaching out to agents, meeting with the FBI Agents Association at his request, according to the group's president, Thomas O'Connor.

Mr. O'Connor said he was impressed by Mr. Wray's understanding of how agents do their job. "It was a positive meeting," he said, adding that agents are looking for someone who is "ruled by what is the right thing to do."

Mr. Wray's associates said he would quit if put in a compromising situation. They cited his threat to resign in 2004 along with Mr. Comey, then deputy attorney general, because the two believed a domestic surveillance program up for reauthorization was unconstitutional.

"He's very good at convincing people of a wiser course, but he's highly principled, and if he can't stop the train, he'll find a way to blow the whistle and get off," Mr. Richter said.

Mr. Wray spent several years near the top of the Justice Department hierarchy in the aftermath of the Sept. 11, 2001, attacks, routinely working 15-hour days that began at 6:30 a.m. Mr. Wray also ran the department's criminal division between 2003 and 2005.

"If he can do an effective job without being in the spotlight, he would prefer it that way, and the bureau really needs that," said Joe Robuck, a former FBI agent who worked with Mr. Wray on a 2000 major corruption case in Atlanta.

States Debate Guns In the Courthouse

By Jacob Gershman

The national debate over where Americans can carry guns has landed, quite literally, at the courthouse door.

This year, lawmakers in Arkansas and Oklahoma passed bills expanding the right to bear arms to court buildings, for state employees or elected officials.

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

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

But the more expansive bills have met resistance from people concerned that allowing firearms in courthouses would invite trouble. Security fears were underscored by eruptions of violence inside and outside courthouses in recent years, including shooting incidents in Delaware, Texas and South Carolina, in which gunmen opened fire at estranged relatives and, in an attack near Dallas, in which a prosecutor was targeted.

"Courthouses can be very emotionally charged places," said Bill Raftery, a senior analyst with the National Center for State Courts. "It's a public building, but it's a place that has prisoners being transported and highly charged emotional cases and situations."

In May, Florida lawmakers tabled a "courthouse carry" bill that would have permitted gun owners to carry their weapons into judicial premises and then store them with security officials. Arkansas legislators debated but set aside a bill that would have allowed concealed handgun licensees to possess guns not only in courthouses but courtrooms.

The bills that passed are narrower in scope. Arkansas lawmakers in March voted to allow state employees who work at county courthouses and have concealed-carry permits to carry firearms into the buildings. This spring, Oklahoma's Republican-led Legislature passed a law permitting elected county officials who are licensed gun owners to carry concealed weapons into courthouses as long as they are "acting in the performance of their [public] duties."

In some states, like Iowa, courts have pushed to tighten security. Last month, the state's Supreme Court issued a statewide ban on bringing weapons into courthouses.

Some gun activists say the Iowa Supreme Court's move infringes on the rights of law-abiding firearm owners.

Issue Spurs Clashes Within Government

The U.S. Supreme Court has recognized an individual's right to bear arms under the Second Amendment but hasn't ruled on what degree it might extend to carrying concealed weapons into public places.

That has left the issue over the scope of gun bans to statehouses. Even among Republicans in states with looser gun laws, the idea of lifting courthouse gun restrictions is controversial.

The broader issue has led to clashes between branches of government and between courts and gun-rights activists.

Last year, Texas Attorney General Ken Paxton sued a county northwest of Houston for posting signs barring gun owners from entering its main courthouse carrying a firearm. He argued that gun bans should exclude areas of courthouses used by nonjudicial offices. The challenge stalled after a state judge ruled for the county.

—Jacob Gershman

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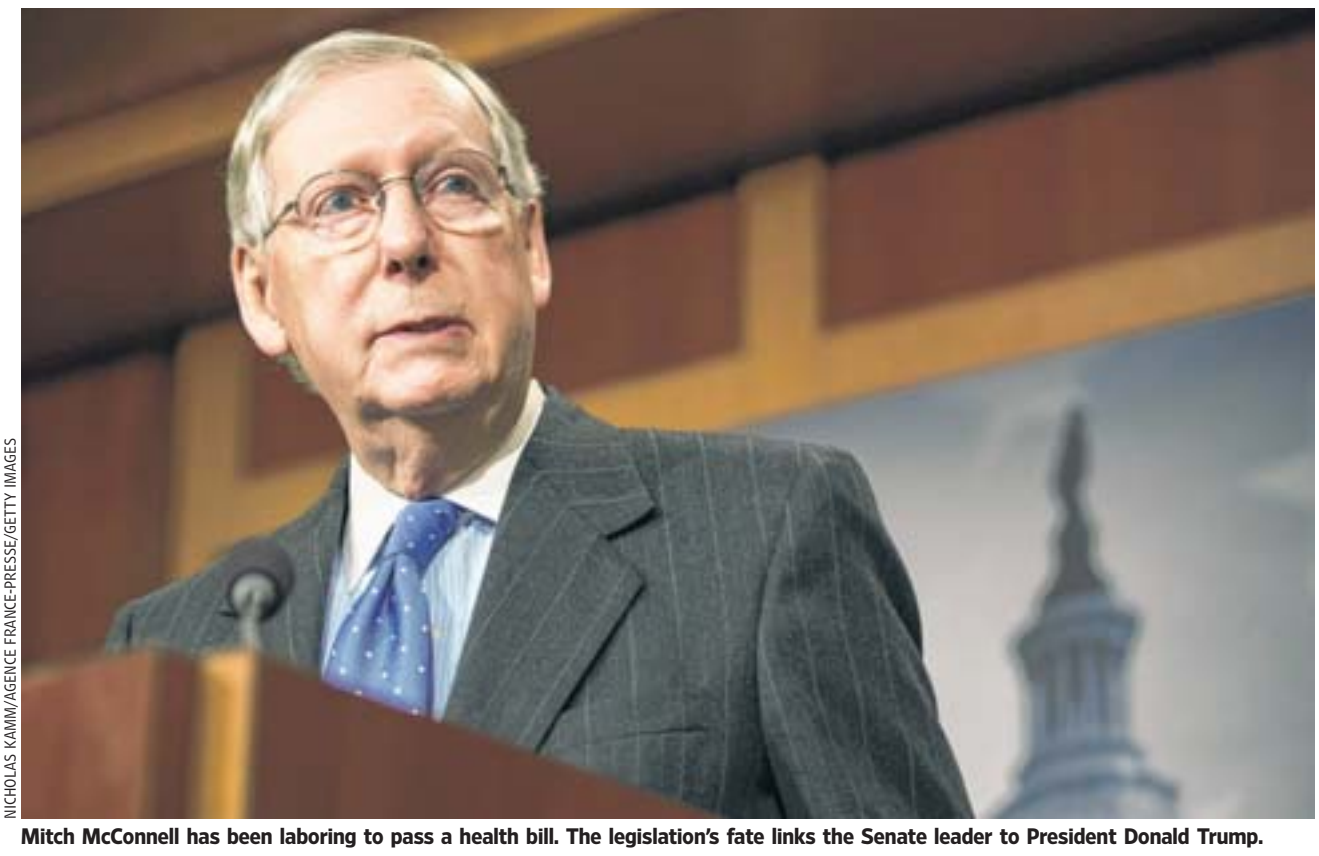
McConnell Deploys Steely Drive on Hill

In corralling health-bill votes, majority leader prods, coaxes and maneuvers in Senate

By Siobhan Hughes



NICHOLAS KAMM/AGENCE FRANCE-PRESSE/GETTY IMAGES

Mitch McConnell has been laboring to pass a health bill. The legislation's fate links the Senate leader to President Donald Trump.

LOUISVILLE, Ky.—President Donald Trump's ability to land his first major legislative achievement, on health care, rests with a Republican who kept a studied distance from the party's nominee during the campaign and since: Senate Majority Leader Mitch McConnell.

Now, Mr. McConnell's ability to pass a bill that largely guts the Affordable Care Act links the fortunes of both men. It also will determine whether Republicans can deliver on a seven-year-old promise.

It is a bedeviling assignment, made harder after Mr. Trump recently suggested in a tweet the GOP could repeal the 2010 health law and replace it later. The majority leader can lose only two Republican votes, and he has threatened to cut a final deal with Democrats if his caucus doesn't get in line.

"No action is not an alternative," Mr. McConnell said at a Rotary Club lunch in his home state of Kentucky last week.

Few people are willing to write off Mr. McConnell's threats, given his credentials as a smart, tenacious strategist who hates losing.

"Never underestimate Mitch McConnell," said Sen. Heidi Heitkamp (D., N.D.).

In his effort to assemble the votes to pass a health bill before an August congressional recess, the 75-year-old will rely on skills he has honed since childhood, including keeping his cards close, using every tool to build a coalition and moving decisively when the moment is right.

The distance he has kept from Mr. Trump, whose approval rating is about 40%, reflects the way Mr. McConnell has sought political safety—and leaving his options open—by keeping his head down and his circle of confidants tight. Some congressional aides refer to Mr. McConnell as "the lockbox."

Democrats and some Republicans complain that he is taking the same approach to the health bill, which featured no public hearings and no input from the other party. "If you at least have open committee hearings and hear from both sides, I think that's better," said fellow Kentucky Republican Sen. Rand Paul.

Mr. McConnell, who declined to be interviewed, operates on the assumption that sharing too much information can be damaging.

"Most campaigns err, he believes, by talking too freely with media about matters they should be keeping confidential, or under more calculated control," conservative lawyer John Dyche wrote in a book about the majority leader.

A son of a midlevel manager, Mr. McConnell has spent a lifetime studying the elements of power. He believes not in the power of personal relationships but in political leverage—and a lightning-sharp willingness to dress down those who don't bend his way.

Mr. McConnell didn't hesitate to tell White House chief of staff Reince Priebus that it was "incredibly stupid" for a Trump-aligned group to run ads pressuring Sen. Dean Heller (R., Nev.) into backing the health bill, according to a GOP operative with knowledge of the conversation. The outside group pulled the advertisement.

At a recent Senate leadership meeting, Mr. McConnell confronted Sen. Rob Portman (R., Ohio), asking whether the man who balked at the bill's cuts to Medicaid funding was the same man who had backed changes to entitlement programs as head of the White House budget office under George W. Bush, said a person familiar with the conversation.

The blunt attack stunned some meeting participants, this person said, and prompted Mr. Portman to defend himself, saying he supported overhauling entitlements but thought GOP leaders had overreached.

Mr. McConnell is also willing to do a bit of horse trading to line up votes. He has floated adding $45 billion to the bill to combat opioid addiction and expand health-savings accounts so the funds can be used to pay health-insurance premiums, according to outside groups and Republican aides who have followed the negotiations.

The opioid provision is aimed at winning over Mr. Portman and Sen. Shelley Moore Capito from West Virginia, whose states have been beset with drug overdoses, and conservatives like Sen. Ted Cruz of Texas, who has pushed the health-savings-account idea.

—Jim Oberman contributed to this article.

SENATE

Continued from Page One

Cassidy, a physician, was one of three Republicans who held town hall-style meetings over the July 4 congressional recess. He gives the bill a 50-50 chance of passing this month.

The weeklong recess has only made Senate Republicans' path toward health legislation harder, with lawmakers returning to Washington facing at least one more defection and negotiations sputtering between conservatives and centrists. Sen. John Hoeven of North Dakota told a local newspaper that he doesn't support the current legislation, joining nine other members who had already come out against it.

In addition, Mr. McConnell's suggestion over the break that lawmakers would have to act to stabilize health-insurance markets if GOP senators can't agree on legislation drew sniping from within his own party.

Negotiations over changes to the bill to bring more Republicans on board have reached an apparent standoff. Conservatives, like Mike Lee of Utah, are insisting on a provision that would let insurers sell cheaper, less-comprehensive plans. But centrists have signaled they would oppose such a measure, fearing it would erode protections for people with pre-existing health conditions.

The intraparty divide presents a tough obstacle for Mr. McConnell. Republicans initially aimed to get health legislation to President Donald Trump's desk by early April, according to a presentation by GOP leaders. Then a vote was planned for just before the recess, but Mr. McConnell, of Kentucky, was forced to postpone it.

Now a vote, if one occurs, would likely come in mid-to-late July, with Congress's August recess serving as the next deadline. If that fails, the legislative calendar would only get more difficult.

As Republicans struggled to unite behind a bill, Mr. Trump said in late June that if they can't, they should pass a bill repealing the ACA, sometimes called Obamacare, and then work on a replacement. He reiterated that message in a tweet on Sunday. Mr. McConnell has shown little enthusiasm for that idea, and some Capitol Hill aides say Mr. Trump's suggestion has complicated the ability to get legislation passed.

The majority leader, who presides over a narrow 52-48 majority, can afford to lose two GOP votes and still pass the bill, with Vice President Mike Pence breaking a potential 50-50 tie.

Mr. McConnell hoped to assemble a revised bill over the recess but, publicly at least, Senate Republicans seem at least as polarized as before. Mr. Hoeven said he is concerned the bill doesn't do enough to help low-income people in his state and those with pre-existing conditions.

Still, he said he hopes health-care legislation, possibly composed of multiple bills instead of one, would pass.

"I think there's a number of ways to do it, but we're going to have to make sure that between Medicaid and the refundable tax credit that we have a good option for low-income individuals," he said in an interview last week.

Conservatives responded sharply to Mr. McConnell's suggestion that Republicans, presumably working with Democrats, would have to pass a measure to stabilize the insurance markets if they couldn't agree on their own health bill. Such efforts could include continuing billions of dollars in payments to insurers to offset their costs for providing subsidies that lower out-of-pocket costs for low-income consumers. Mr. Trump has threatened to stop those payments.

"If the Republican Party wants to work with Democrats to bail out Obamacare, the results will be catastrophic for the party," said Michael Needham, CEO of Heritage Action for America, the lobbying arm of the Heritage Foundation, the conservative group. "For seven years it has pledged it is the party of repeal, and now is the time to work toward that goal."

A recent proposal from Sen. Ted Cruz (R., Texas) has also provoked divisions. It would let insurers that sell plans complying with ACA regulations also sell health policies that don't.

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

Conservative groups are insisting the Cruz proposal be a part of the Senate legislation. Mr. Cruz's plan has been sent to CBO, which is expected to provide an analysis of its financial and coverage impact as early as this week, according to a person familiar with the talks.

Mr. Cruz has said that providing additional choices would lower premiums for many, and that sicker people would still have options. "Under this amendment, the protections for pre-existing conditions remain there," Mr. Cruz told a Dallas television station.

But Democrats said the plan would create a bifurcated system with insurance becoming increasingly expensive for older, less-healthy individuals. "This is nothing more than a two-track system for making Trumpcare even meaner," said Sen. Patty Murray (D., Wash.).

How the GOP Bill Stacks Up to ACA

While the Affordable Care Act funds expansions in health coverage with taxes on health industries and high-income households, the GOP bill does the reverse.

It would repeal taxes and lower projected government spending toward Americans' health coverage while phasing out the ACA's Medicaid expansion and cutting Medicaid more broadly. It would reduce the ACA's tax credits for low-income consumers and would let states obtain waivers from some insurance regulations.

It also would scale back requirements under the 2010 ACA that were imposed on employer-based health plans.

The most conservative senators say the bill doesn't go far enough toward repealing the ACA, while more centrist lawmakers such as Sen. Susan Collins of Maine worry that it guts too much of the current law and takes coverage from too many people.

The legislation would leave 22 million more people uninsured in a decade compared with the ACA, according to the nonpartisan Congressional Budget Office.

—Stephanie Armour

MEET

Continued from Page One

has said he is taking the "appropriate steps" to respond to guidance from federal authorities about his FARA disclosures.

In the meeting, the lawyer, Natalia Veselnitskaya, "stated that she had information that individuals connected to Russia were funding the Democratic National Committee and supporting [Hillary] Clinton," Mr. Trump Jr. said in his statement. "Her statements were vague, ambiguous and made no sense. No details or supporting information was provided or even offered. It quickly became clear that she had no meaningful information." When Ms. Veselnitskaya then raised the issue of the Magnitsky Act, which placed sanctions on Russian human-rights abusers, Mr. Trump Jr. said he cut off the meeting.

Ms. Veselnitskaya couldn't be reached for comment.

Revelations of the 2016 meeting arrived over the weekend as President Trump was returning to Washington after a G-20 summit meeting in Hamburg, where he met one-on-one with Russian President Vladimir Putin. In Sunday morning tweets, the U.S. president said he "strongly pressed" the Russian leader twice about meddling in the U.S. election and that Mr. Putin "vehemently denied it."

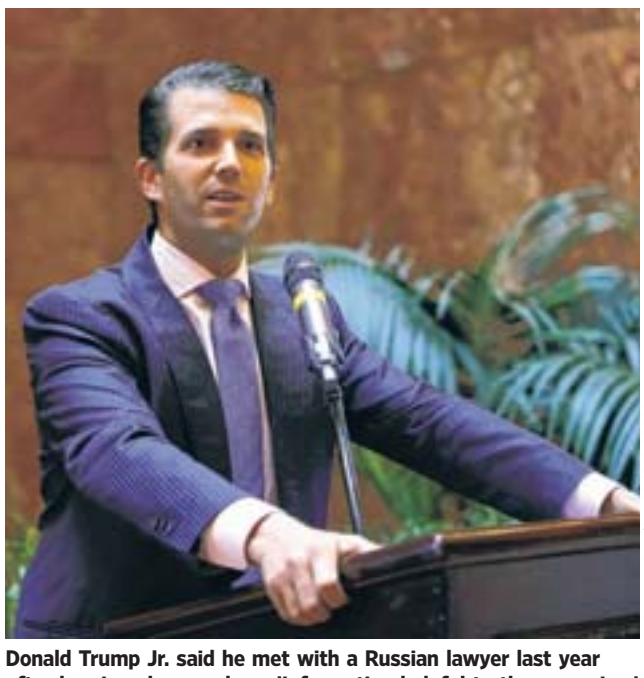
Lawmakers on both sides of the aisle were critical of Mr. Trump's handling of the meeting, saying he could have more strongly protested Russian meddling.

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

A person close to the Trump campaign recalled getting an email around the time of the meeting with the Russian attorney asking about the campaign's stance on the Magnitsky Act. The person couldn't recall if they responded to the email, or whether it was before or after the meeting took place.

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

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



KATHY WILLENS/ASSOCIATED PRESS

Donald Trump Jr. said he met with a Russian lawyer last year after hearing she may have 'information helpful to the campaign.'

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

The U.S. intelligence community has concluded that Mr. Putin ordered a campaign to influence the outcome of the 2016 U.S. presidential election in Mr. Trump's favor, and a special counsel appointed by the Justice Department earlier this year is investigating whether Trump campaign aides colluded with Russia in that effort. Mr. Trump has denied that there was any collusion and has said he doubts the intelligence community's assessment, saying earlier this week, "No one really knows for sure."

Mr. Kushner disclosed the meeting with Ms. Veselnitskaya earlier this year in a required form to obtain a security clearance, according to a statement by his attorney, Jamie Gorelick. Mr. Kushner initially filed a disclosure that didn't list any contacts with foreign government officials, but the next day submitted a supplemental disclosure saying that he had engaged in "numerous contacts with foreign officials."

Mr. Kushner has since submitted information about "over 100 calls or meetings with representatives of more than 20 countries, most of which were during transition," Ms. Gorelick said.

Two previously disclosed meetings Mr. Kushner held with key Russians—the head of a state-run bank that has faced U.S. sanctions and Sergei Kislyak, the Russian ambassador to the U.S.—had already drawn the interest of agents conducting a counterintelligence investigation to determine the extent of those contacts. Mr. Kushner agreed earlier this year to speak to the Senate Intelligence Committee.

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

As a lawyer, she has campaigned against the Magnitsky Act and the Russian accountant for whom the measure was named. Sergei Magnitsky was jailed and died in prison after he uncovered evidence of a large tax-refund fraud.

—Shane Harris contributed to this article.

Doubts Raised Over Cybersecurity Unit

President Donald Trump returned to Washington over the weekend to fresh turmoil over his interactions with Russia—this time, for his handling of a meeting with Vladimir Putin where he pressed the Russian leader on election-interference attempts but also declared the two countries could work together on cybersecurity.

Mr. Trump said Sunday that the two leaders discussed forming a joint unit between their two nations to guard against cyberattacks. "Putin & I discussed forming an impenetrable Cyber Security unit so that election hacking, & many other negative things, will be guarded and safe," he tweeted.

Later in the evening, he appeared to walk back that suggestion. "The fact that President Putin and I discussed a Cyber Security unit doesn't mean I think it can happen. It can't-but a ceasefire can,& did!" he tweeted.

The idea of a joint cybersecurity unit came under criticism from lawmakers in both parties, who questioned why the U.S. would cooperate on cybersecurity with a nation that sought to interfere in its last election.

"It's not the dumbest idea I've ever heard, but it's pretty close," Sen. Lindsey Graham (R., S.C.) said in an interview with NBC. "There's only one person in Washington, that I know of, that has any doubt about what Russia did in our election, and it's President Trump."

—Rebecca Ballhaus

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WORLD NEWS

Iraqi Premier Visits Nearly Retaken Mosul

With Islamic State confined to tiny patch, Abadi says final victory will come very shortly

By Asa Fitch
And Ali A. Nabhan

MOSUL, Iraq—Prime Minister Haider al-Abadi congratulated Iraqi military forces during a visit here following nearly nine months of battle to oust Islamic State, meeting with commanders and greeting residents, with the extremists confined to a tiny patch of territory.

But he stopped short of declaring a final victory over the extremists on Sunday. Mr. Abadi's visit had raised expectations that he would announce the full recapture of the nation's second-largest city, but Iraqi forces were still battling Islamic State fighters on Sunday over a narrow strip of land near the Tigris River.

"Victory is settled and remaining Daesh [fighters] are trapped in the last spans," Mr. Abadi said, using another name for the ruthless Sunni Muslim militant group after meeting with security commanders at the Nineveh province operations command. "It's only a matter of time [before] we announce the big victory to our people."

AHMAD AL-RUBAYE/AGENCE FRANCE-PRESSE/GETTY IMAGES

Prime Minister Haider al-Abadi, center, greeted military commanders in Mosul on Sunday.

Islamic State's defeat in Mosul would deal it a major military, psychological and political blow. It was in Mosul that it achieved perhaps its greatest military victory, its forces capturing the northern city in just four days in early June 2014, handing the Iraqi military a humiliating defeat and sending shock waves through the region.

The official declaration was likely to come Sunday evening or Monday, said Lt. Gen. Sami Al Ardhi, a counterterrorism commander who attended the meeting with Mr. Abadi.

"Our troops are advancing now, and we hope to have them finish their task tonight or tomorrow," he said. "Iraqi Army troops need a day or two to finish their duty."

Despite the slowness of the final advance, only one area that Iraqi counterterrorism forces are responsible for clearing remained in Islamic State control by Sunday evening, Sabah Al Numan, spokesman for those forces, told state television.

"There is nothing left except making sure that the last area, Al Qulai'at, is empty of terrorists," he said. "The whole world is awaiting the moment of the announcement of official victory in Mosul by Prime Minister Abadi."

The Iraqi army is responsible for clearing other areas north of Al Qulai'at, and hasn't yet completed that task, counterterrorism commanders said.

"We came today to do a field supervision and supervise the battle," Mr. Abadi said. "The terrorists have no way to escape but to die or surrender. Eventually the battle is settled, and the big victory is in hand."

Sen. John McCain (R., Ariz.), the chairman of the Senate Armed Services Committee, called the Mosul campaign a significant success, but cautioned that eliminating Islamic State for good would require a more sustained commitment from Iraq and a U.S.-led coalition that is backing the fight.

"A comprehensive post-Mosul strategy is the only way to ensure that the defeat of [Islamic State] will be enduring," he said. "We cannot afford for Mosul to turn out like Libya, where we squandered a long and brutal military success by walking away before winning the peace."

Islamic State lost its administrative grip over Mosul in October, when government forces pushed it from the eastern half of the city.

In its final days, the terrorist group mustered only a couple hundred fighters, cornered on a tiny patch of territory on the western bank of the Tigris River.

Iraqi forces have in recent days been bogged down as they fight to advance through the sliver of Iraq's second-largest city still under Islamic State control.

The remaining Islamic State fighters in west Mosul have had more than two years to entrench themselves in the dense neighborhood, where they are falling back on increasingly desperate tactics, including using women as suicide bombers to attack Iraqi forces.

On his tour of the nearly won city, Mr. Abadi visited Mosul's eastern half, which has in large part returned to normal life since being recaptured by Iraqi forces in February. A number of residents there waved flags from their cars and honked. Small groups of people set up loudspeakers and danced in front of Mosul University and in a central commercial area of the eastern city.

Failed Coup Left Turkey Divided

By Ned Levin
And Margaret Coker

MALTEPE, Turkey—As Turkey prepares nationwide commemorations marking last year's failed military coup, the country is divided over a single word—justice—and where to find it.

For nearly a month, Kemal Kilicdaroglu, leader of the main opposition Republican People's Party, or CHP, has been seeking justice along State Road D100. His protest march from the capital Ankara, which ended Sunday in an Istanbul suburb, was intended to highlight what many see as a sharp undemocratic tilt in their nation.

"We walked for nonexistent justice. We walked for the rights of victims, jailed lawmakers and journalists," Mr. Kilicdaroglu told the crowd.

Officials in Turkey's ruling party say Mr. Kilicdaroglu is looking in the wrong place. "You don't seek justice in the streets," Prime Minister Binali Yildirim said shortly after his political opponent started the march on June 15. He chided Mr. Kilicdaroglu for not working through parliament.

The thousands of Justice Marchers who joined Mr. Kilicdaroglu along one of Turkey's main highways brought public attention to a topic that is hard for the ruling party to ignore. The protest also threatens to dim the spotlight on a week of events led by President Recep Tayyip Erdogan's government to mark the uprising, in which at least 270 people died. The CHP opposed last year's coup.

YASIN AKGUL/AGENCE FRANCE-PRESSE/GETTY IMAGES

Opposition supporters gathered in Istanbul Sunday to mark the end of a protest march from Ankara. The surge of national unity after last year's failed coup quickly fizzled.

The government will hold a series of "democracy watches," echoing the mass rallies it held in the immediate aftermath of the coup attempt. Mr. Erdogan will address the nation early on July 16, marking the time a year earlier when the tide turned against the coup.

On that day, military jets bombed parliament and tanks opened fire on the streets of Istanbul and Ankara. Millions of citizens from across Turkey's deeply divided political landscape mobilized in a show of nonpartisan people power.

But that surge of national unity quickly fizzled as the government used the state of emergency imposed after the coup to purge tens of thousands of civil servants and arrest tens of thousands more.

The purges predominantly targeted people in the political opposition, not members of Mr. Erdogan's ruling Justice and Development Party party, despite their once close political alliance with the cleric Fethullah Gulen, whom the government blames for the coup. Mr. Gulen, who lives in the U.S., has denied any role in it.

At least a dozen trials are under way of military officials and civilians accused of treason and murder for their alleged roles in the coup—as well as alleged ties with Mr. Gulen.

The main trial of senior military officers alleged to be among the "Peace at Home Council" that was purportedly to take charge of the country in the event of a successful coup is set to wrap up this month.

The trials have become morality plays about contemporary Turkey, with AKP officials urging citizens to attend as an act of patriotism and newspapers deriding arguments offered by the defense, reflecting broad national sentiment against the defendants.

The centrist Posta newspaper headline about a trial that opened in May was "Traitors' day of account" while the pro-government Yeni Safak's headline was "You are all murderers."

Mr. Yildirim, the prime minister, has expressed impatience with the slow progress of the trials and defendants' expressions of innocence.

Mr. Kilicdaroglu feels a similar impatience. He decided to protest after one of his CHP lawmakers, a former journalist, was convicted of spying. That followed Erdogan-backed constitutional changes that narrowly passed in an April referendum the CHP says was fraudulent.

Protest Draws A Diverse Crowd

MALTEPE, Turkey—Kemal Kilicdaroglu's protest march drew large numbers of people across sectors of Turkish society, from the country's heartland as well as those who describe themselves normally as apolitical but are worried about the country's direction since the events of July 2016.

Sevem Yilmaz, a homemaker from Gaziantep, in the country's south, brought her four children more than 600 miles to Istanbul. She lined up before lunchtime along the crowded shoreline road outside the rally venue to secure a spot to see Mr. Kilicdaroglu. By late afternoon, Ms. Yilmaz was still bursting with energy. "This action is extraordinary. He makes me proud to be Turkish," she said about Mr. Kilicdaroglu. "I want my kids to see that justice is worth standing up and fighting for."

Umut Kahraman, a 21-year-old from Bursa who is studying to be a chef, traveled three hours from his hometown to attend the day's events out of concern for social justice and his perception the governing party is trying to force its values on the rest of Turkey.

"We are all Muslims here but you wouldn't know it from the government," Mr. Kahraman said.

"They are Muslims who want to tell us all what to do and who to be and how to live. I'm gathering here for diversity," he said.

—Margaret Coker

Tillerson Offers U.S. Backing to Ukraine President

VALENTYN OGIRENKO/REUTERS

U.S. Secretary of State Rex Tillerson and Ukrainian President Petro Poroshenko after their meeting on Sunday in Kiev.

By Thomas Grove

MOSCOW—U.S. Secretary of State Rex Tillerson met Sunday with Ukrainian President Petro Poroshenko, a visit that telegraphs U.S. support to Kiev after President Donald Trump's historic meeting with Russian President Vladimir Putin.

In an appearance with Mr. Poroshenko in Kiev, Mr. Tillerson said the Trump administration was looking for a fresh solution to the crisis in the country, which is locked in a conflict with separatists in the eastern Donbas region.

The U.S., Mr. Tillerson said, was committed to restoring "Ukraine's territorial sovereignty and integrity," adding, "It is necessary for Russia to take the first steps to de-escalate the situation in the east part of Ukraine" by encouraging separatists to pull back heavy weaponry.

Mr. Tillerson traveled to Ukraine with Kurt Volker, the Trump administration's new point man on the crisis. appointed Friday as Washington's special representative for Ukraine negotiations.

"We are disappointed by the lack of progress under the Minsk agreement, and that is why we are appointing a special representative," Mr. Tillerson said, referring to a peace process that has failed to deliver a lasting cessation in hostilities.

Ukraine is one of the major sources of friction between Washington and Moscow. The conflict in Ukraine began after street protests in Kiev led to the ouster of Kremlin-friendly President Viktor Yanukovych in 2014. Russia then annexed the Black Sea peninsula of Crimea from Ukraine and has backed separatists in eastern Ukraine, prompting U.S. sanctions on Russia.

Mr. Poroshenko thanked Mr. Tillerson for the expression of U.S. support. He told journalists after the meeting that Washington said it had no intention of lifting sanctions on Russia until Ukrainian territory is "freed"—a reference to Crimea—and the Minsk agreements are fulfilled.

Mr. Trump's meeting with Mr. Putin on the sidelines of the Group of 20 meeting in Hamburg, Germany, had raised anxieties in Kiev about how the new U.S. administration plans to handle the crisis. Shortly after the meeting Sunday between Messrs. Tillerson and Poroshenko, Mr. Trump said he didn't discuss U.S. sanctions in his meeting with Mr. Putin.

"Nothing will be done until the Ukrainian and Syrian problems are solved," he said on Twitter.

Mr. Tillerson also reiterated U.S. support for sanctions.

"The U.S. and the EU sanctions on Russia will remain in place until Moscow reverses the actions that triggered these particular sanctions," Mr. Tillerson said.

He also re-emphasized the importance of anticorruption efforts and judiciary reform to encourage more foreign direct investment in the country.

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Trump Sticks To Positions At Summit

By Peter Nicholas

HAMBURG—Through marathon meetings and dinners at the Group of 20 summit, various world leaders sought to coax America's new president to accept core tenets of the internationalist order they embrace, including commitment to free trade and tough environmental regulation.

He barely budged. In his second foreign trip, President Donald Trump largely held firm to the nationalist principles that were central to his campaign identity, suggesting that the America First doctrine that underpins his foreign policy is more durable than some of his European counterparts had hoped.

German Chancellor Angela Merkel, speaking Saturday at the close of the summit, said the ideological gulf has proved tough to bridge. Talking about the back-and-forth with the Trump administration over the summit's joint statement, the German chancellor said: "The negotiations on the climate issue reflected dissent—everyone against the United States of America. And that the negotiations on the trade issue were especially tough was also a result of the United States taking certain positions."

Still bristling over Mr. Trump's decision to withdraw from the Paris climate accord, one French official said that an aim in drafting the joint statement was to ensure that the U.S. "is clearly identified as being alone."

If anything, Mr. Trump's two forays overseas have shown that some leaders are bending toward his positions, not the reverse.

The statement, for example, carried language about America helping other countries use "fossil fuels more cleanly and efficiently." A European Union official conceded the reference to "these kind of energy sources is not something we like."

But the White House liked it. Trump officials cast the wording as a victory for a president who still sees a place for oil-and-gas drilling.

"We got language in there that is consistent with the speech the president gave when he announced the decision to withdraw from the Paris accord," one senior White House official said Saturday.

So it went with trade.

Mr. Trump has long complained that past trade deals favored other nations at the expense of the U.S., resulting in large trade deficits. The final statement bore a distinctly Trumpian ring, stressing the importance of "reciprocal and mutually advantageous trade."

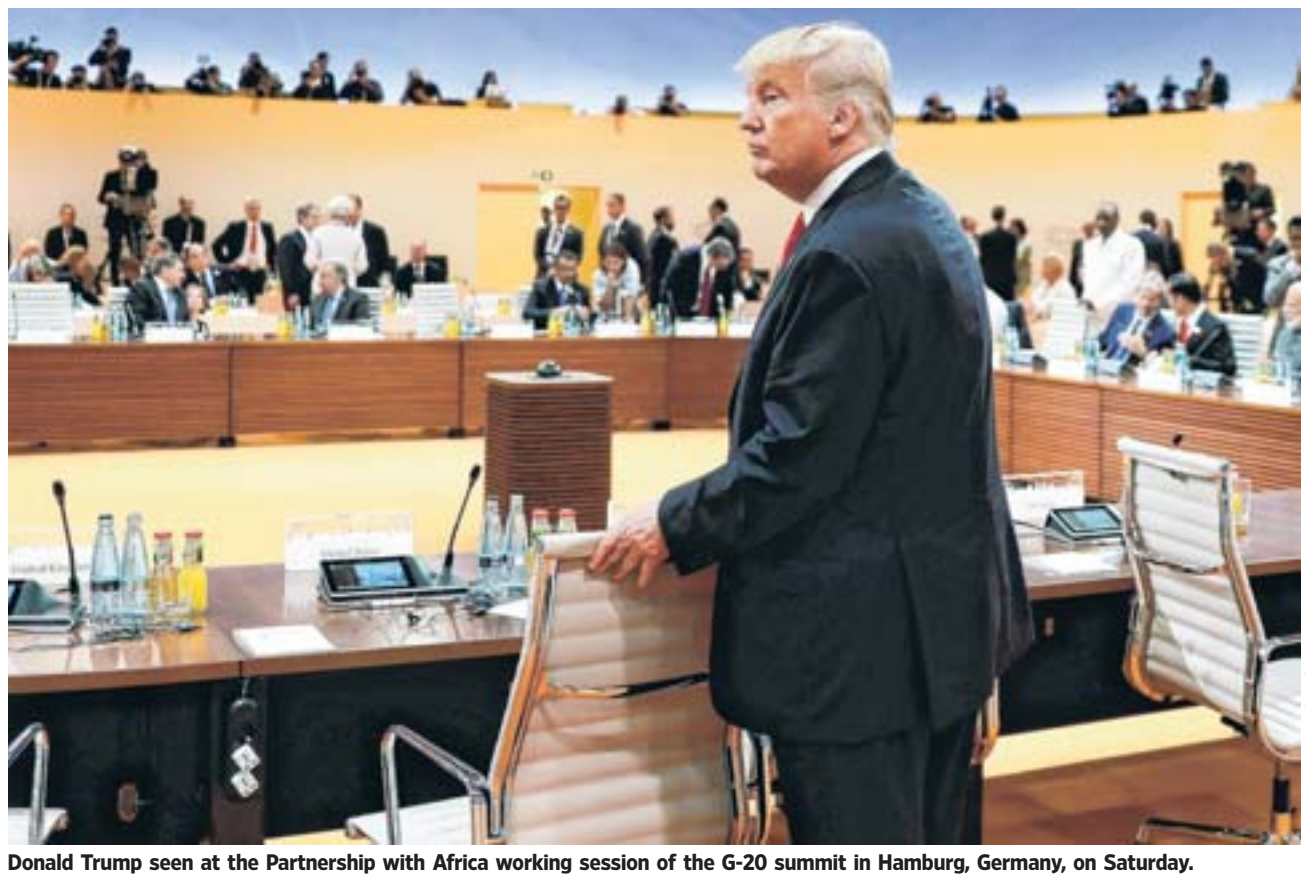
The White House was happy with it. When the subject of trade came up a few months ago at a meeting of finance officials from the 20 leading countries, "it was kind of 19-1—me being the one," Treasury Secretary Steven Mnuchin recalled.

Far from showing that his views have shifted, Mr. Trump used the three-day trip to deliver the clearest vision he's offered to date of his world view: a commitment to preserving western civilization. He held up the West as the standard all should reach.

The location he chose for that message was Poland.

"The fundamental question of our time is whether the West has the will to survive," Mr. Trump said. "Do we have the confidence in our values to defend them at any cost? Do we have enough respect for our citizens to protect our borders?"

—Emre Peker, William Horobin, and Anton Troianovski contributed to this article.



MARKUS SCHREIBER/DPA/ZUMA PRESS

Donald Trump seen at the Partnership with Africa working session of the G-20 summit in Hamburg, Germany, on Saturday.

Germany Seeks to Explain How G-20 Riots Spiraled

By Anton Troianovski And Andrea Thomas

HAMBURG—Riots that raged for hours just a mile from the Group of 20 meeting site left German officials struggling to explain over the weekend how protests that had long been predicted spiraled out of control.

Only after SWAT teams, riot police and water cannons swept block by block were authorities able to end the riots early Saturday morning in the left-leaning Schanzenviertel neighborhood, a 20-minute walk from the venue where leaders of the world's 20 largest economies met.

The riot in the Schanzenviertel Friday night appeared to be the most violent flare-up as tens of thousands of people protested across the city. By Sunday, 411 people had been detained and 476 officers injured, according to the police. An unspecified number of protesters also were injured.

Stores were looted, barricades and cars set on fire, and officers attacked with rocks, bottles and slingshots, Hamburg police said. Authorities moved to quell the riots late Friday night only after they had raged for hours, according to several shopkeepers in one of the hardest-hit streets. Unrest continued, to a smaller degree, on Saturday night, as more barricades and vehicles burned in the streets.

A police spokesman said intelligence suggesting that some of Friday night's roughly 1,500 rioters were preparing to pelt authorities from buildings with cobblestones and Molotov cocktails had caused the delay in stopping the unrest. "We had prepared for the G-20 summit to be attacked, not the people of Hamburg," Hamburg police spokesman Timo Zill told **ZDF** public television.

Hamburg's Interior minister, Andy Grote, said the riot had been long-planned—to a degree "we have never witnessed before"—and that many of the perpetrators were still in the city. Mr. Grote sought to justify the time it took for police to move into the Schanzenviertel. "We wanted to ensure that by moving it, we wouldn't put our colleagues' lives at risk and that we would win the upper hand," he said.

German politicians had warned of violence for months, in part because the summit was held near two of the more radical neighborhoods in a city long a hub of anarchist protest. Officials from the host government have said they needed to hold the annual summit in a metropolitan area to ensure there were enough hotel rooms, and that they wanted to show off one of Germany's most international cities.

But critics claiming the government had miscalculated intensified their attacks. The conservative opposition leader in the Hamburg legislature, André Trepoll, slammed center-left Mayor Olaf Scholz for going easy on left-wing extremism.

Demonstrations against the summit continued more peacefully Saturday. More than 50,000 people marched in protest of what organizers described as "this cold and cruel world of global capitalism."

PAWEL KOPCZYNSKI/REUTERS

A German riot police officer aims a tear gas gun at protesters during Saturday's demonstrations in Hamburg.

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Paul Fredrick

WORLD WATCH

JIM HOLLANDER/EUROPEAN PRESSPHOTO AGENCY

RUN FOR YOUR LIFE: A man sprints ahead at the running of the bulls in Pamplona, Spain, on Sunday.

UNITED KINGDOM

Planned U.S. Bill to Give Baby Residency

Two House Republicans plan to propose legislation in the next week that they say would give terminally ill British baby boy Charlie Gard permanent residency in the U.S. so he can travel for experimental therapy after U.K. courts ruled doctors should discontinue his life support.

The case has drawn international attention and has drawn attention to the role of British and European courts in end-of-life decisions for the very young.

Brad Wenstrup (R., Ohio) and Trent Franks (R., Ariz.), said their bill would "support Charlie's parents' right to choose what is best for their son" and enable him to "receive treatments that could save his life."

The 11-month-old's parents, Chris Gard and Connie Yates, lost a legal battle against London's Great Ormond Street Hospital in June to continue his artificial ventilation and travel to the U.S. for a therapy that hasn't been tested on humans or mice with Charlie's condition.

On Friday, the hospital said fresh evidence about a potential treatment from researchers at two international hospitals had prompted it to apply to the U.K. High Court for a new hearing.

—Joanna Sugden

KOREAS

American Bombers Exercise With Seoul

The U.S. sent two B-1B bombers to the Korean Peninsula to practice "attack capabilities" with South Korean jet fighters, the U.S. military's latest show of force following North Korea's first intercontinental ballistic missile test launch last week.

Friday's joint exercise included U.S. F-16 jet fighters as well as fighter planes from the South Korean and Japanese air forces.

Friday's flyover was met with a sharp denunciation from Pyongyang.

—Jonathan Cheng

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Foreign Doctors Say China's Liu Can Travel

By Josh Chin

BEIJING—The U.S. and German doctors who examined cancer-stricken Nobel Peace Prize laureate Liu Xiaobo say he is strong enough to leave China, contradicting Chinese authorities' assessment of the long-imprisoned dissident's health.

With Beijing under pressure to let Mr. Liu go abroad for treatment of late-stage liver cancer, hospital authorities said last week that foreign specialists would be brought in. Doctors Joseph Herman of the University of Texas MD Anderson Cancer Center and Markus Büchler of the University of Heidelberg met Mr. Liu and his Chinese medical team over the weekend at a hospital in the northeastern city of Shenyang.

The foreign doctors said in a statement on Sunday that "both physicians believe Mr. Liu can be safely transported with appropriate medical-evacuation care and support." The evacuation, their statement said, "would have to take place as quickly as possible."

The First Hospital of Chinese Medical University, where Mr. Liu is being treated, said Saturday that it was "unsafe" for him to travel. In recent days, the hospital said, Mr. Liu had accumulated a large amount of fluid in his abdomen and was having difficulty eating.

The foreign physicians' statement—which was emailed to reporters and posted on both their universities' websites—marks a surprise break in Chinese authorities' tight control over information about Mr. Liu.

Mr. Liu has been in custody since late 2008 for organizing a signature drive for a manifesto calling for peaceful political change. Rigorous government censorship has kept his name out of the media and off the internet in China ever since, and his wife has lived under house arrest since he was awarded the Nobel Peace Prize in 2010.

Mr. Liu was diagnosed with late-stage liver cancer in May and granted medical parole in early June, though news of his illness wasn't confirmed by the government until June 26. Hospital authorities have released little information about Mr. Liu and kept him under police guard on an isolated floor, requiring doctors to hand over their smartphones to prevent unauthorized photos, according to a family friend who said he spoke with a member of the Chinese medical team.

Beijing extended invitations to Dr. Herman, an oncologist, and Dr. Büchler, a surgeon, to come to China as it faced mounting pressure from the U.S. and European Union to let Mr. Liu seek treatment abroad. On Friday, the office of the United Nations High Commissioner for Human Rights also demanded access to the political activist, according to a spokeswoman.

China's Ministry of Foreign Affairs didn't immediately respond to a request for comment. A woman answering the phone Sunday evening at the First Hospital said no one was available to comment.

A statement posted to the hospital's website Saturday quoted the foreign physicians as saying they couldn't do more for Mr. Liu than the Chinese team had. In their statement, Drs. Herman and Büchler acknowledged "the quality of care" provided to Mr. Liu so far.

Both the University of Heidelberg and MD Anderson "are prepared to offer Mr. Liu the best care possible," they said.

The invitation presents Beijing with a dilemma. The Chinese leadership has sought to deny Mr. Liu any public platform for his views. Refusing to let him go risks making Beijing only the second government to have a Nobel Peace laureate die in custody after Nazi Germany, which saw journalist and Hitler-critic Carl von Ossietzky succumb to tuberculosis in a prison hospital in 1938.

ANDY WONG/ASSOCIATED PRESS

Imprisoned in 2008 for pushing a manifesto, Liu Xiaobo is shown being treated for liver cancer at a hospital in Beijing in June.

Maduro Opponents Celebrate A Release

By Anatoly Kurmanaev

CARACAS, Venezuela—Thousands of opposition supporters gathered in the capital Sunday to commemorate the 100th day of antigovernment protests and celebrate the release from jail of opposition leader Leopoldo López.

Mr. López was moved from the Ramo Verde military prison to house arrest Saturday morning in a surprise move that could break the political deadlock gripping Venezuela. One of the country's most popular politicians, Mr. López was serving a nearly 14-year sentence for allegedly instigating violence at protests in 2014, charges he denies.

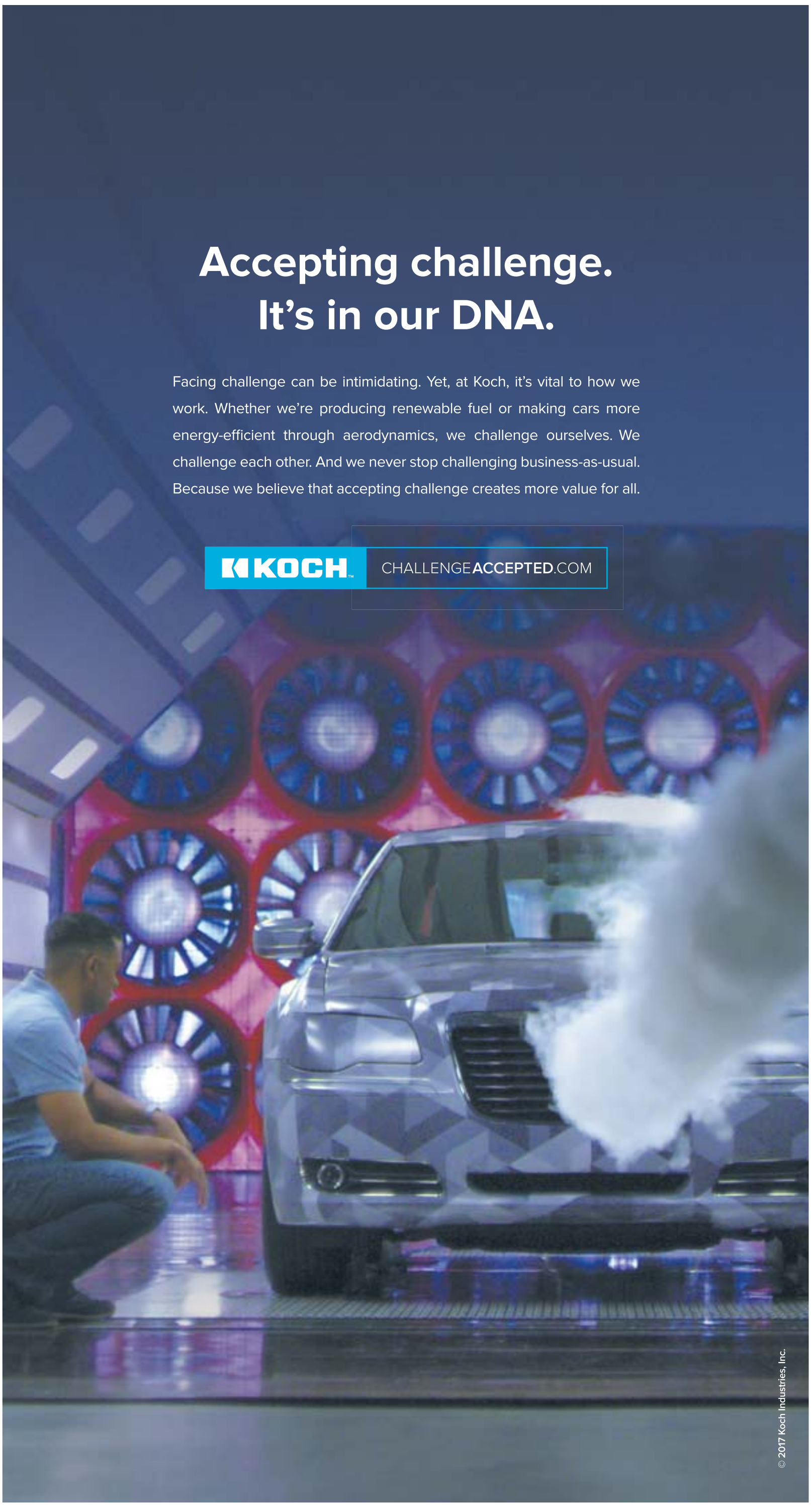
"After all the resistance, all the work, we're seeing a step that was achieved by this struggle in the street," his wife, Lilian Tintori, told reporters at the rally as she fought back tears. "We will continue our fight until the liberation of all political prisoners and justice for the victims" of repression, she said.

Ms. Tintori said she started crying when Mr. Lopez was unexpectedly brought home at 3 a.m. on Saturday, accompanied by two top lieutenants of President Nicolás Maduro, siblings Delcy and Jorge Rodriguez. Ms. Tintori said there was no political negotiation to free Mr. Lopez.

"It was a unilateral measure by President Maduro," she said.

Opposition supporters greeted Ms. Tintori with chants of "liberty" and "yes we can." Many wore T-shirts with signs "100th Day" and portraits of killed protesters.

Mr. Lopez's commuted sentence has confused government supporters and rank-and-file officials, who have spent years vilifying the opposition leader as the "Monster of Ramo Verde" behind the country's political violence. Some took to social networks to criticize what they saw as a sign of weakness in Mr. Maduro.



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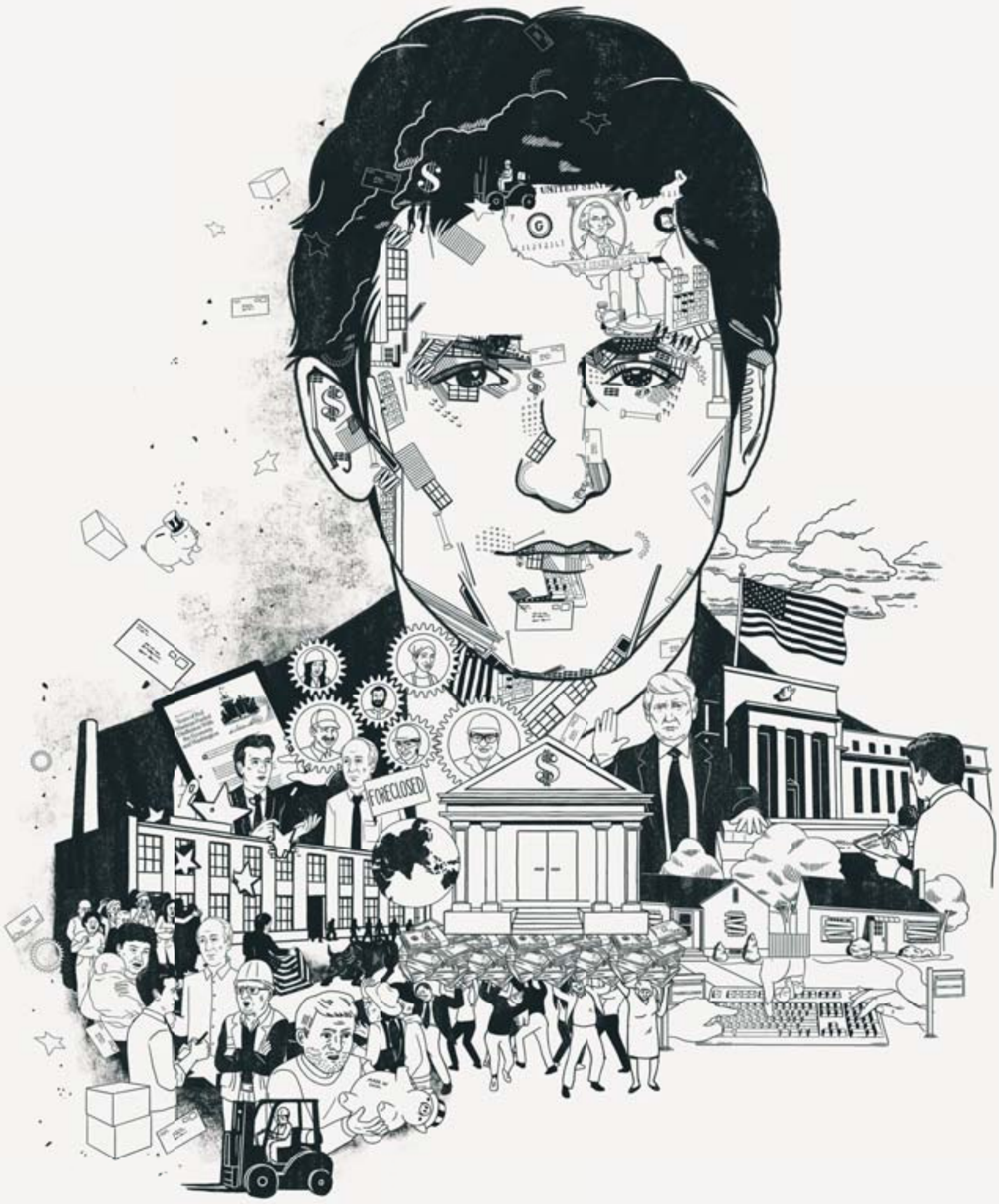

JON HILSENRATH ECONOMICS EDITOR

The Face of Real News

Jon Hilsenrath's investigation into the economic workings of America's heartland uncovered the brewing dissatisfaction that led to the election of Donald Trump.

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Source: Pew Research Center, Political Polarization & Media Habits, 2014

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WORLD NEWS

U.K. Conservatives Waver on Austerity

By Paul Hannon
And Wiktor Szary

LONDON—Britain's Conservative government, licking its wounds after an election setback in June, is having to consider easing curbs on public spending that have been a central policy of the party since it came to power in 2010.

Chancellor of the Exchequer Philip Hammond said in a speech last week that Conservatives "recognize that the British people are weary after seven years' hard slog repairing the damage of the Great Recession," even as he added that Britain had to acknowledge that "borrowing to fund consumption is merely passing the bill to the next generation."

According to British media reports, Foreign Secretary Boris Johnson is one of several cabinet ministers who have recently pressed for a relaxation of strict spending rules.

"People's tolerance for austerity is drying up, even if that means higher taxes," said Roger Harding, head of public attitudes at the National Center for Social Research, which published a survey in late June showing that 48% of Britons—a higher share than at any time in the past decade—thought the government should increase taxes and spend more.

The potential shift away from a focus on bringing down the national debt, which ballooned after the financial crisis, comes in the wake of Prime Minister Theresa May's reversal at the polls and a series of national traumas.

After a deadly fire in a public-housing block, opposition politicians suggested public-spending limits had encouraged corners to be cut in reducing fire risks, while a series of terrorist attacks raised questions about budgets for policing.

Matthew Goodwin, professor of politics at University of Kent, said it wasn't clear those events could be linked to public-spending cuts, but a connection between the two has "entered the public mind."

Several leading Conservative Party politicians, he added, have interpreted the election result as "a reflection of public anger over a continuing period of fiscal austerity and a desire for greater spending and wage growth."

By international standards, the U.K.'s budget tightening hasn't been particularly harsh. According to the Organization for Economic Cooperation and Development, the U.K. government cut its annual borrowings before interest payments to 2.0% of economic output in 2016 from 3.8% in 2008.

But if the cuts haven't been deep, they have lingered. Explicit spending curbs have been in place for longer in the U.K. than for any other European country, bar Greece.

"Generally, people are tired of austerity and the same old thing," said Max Neal, a 19-year-old student at the University of Kent, who was among the many whose votes transferred the Canterbury electoral district to the opposition Labour Party after a century in Conservative hands.

Another factor encouraging austerity fatigue may be the pound's slump since the June 2016 referendum vote to leave the European Union, pushing up prices of imported goods and spurring inflation.

With wages lagging behind, real incomes have shrunk in Britain, especially for the 5.4 million public-sector workers subject to an annual pay-rise limit of 1%.

—Amanda Coletta contributed to this article.

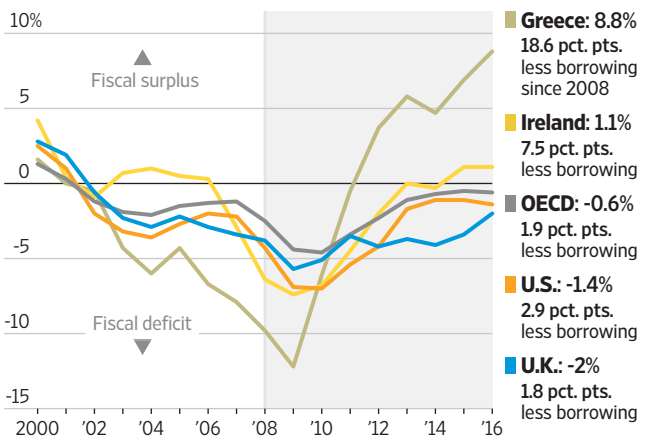
IK ALDAMA/ZUMA PRESS

Protesters held placards at a demonstration in London on July 1.

Belt-Tightening

The U.K.'s fiscal path since the 2008 financial crunch has been less extreme than that of eurozone crisis countries.

Primary financial balance before interest payments
As a percentage of GDP



Note: Adjusted for the cycle and one-offs
Source: Organization for Economic Cooperation and Development

THE WALL STREET JOURNAL.

French Industry Endorses More-Liberal Labor Laws

By Nick Kostov
And Stacy Meichtry

AIX-EN-PROVENCE, France—French President Emmanuel Macron's plans to loosen rigid labor rules drew praise from business leaders attending an annual summer retreat, even as some of them warned the measures will take time to reduce the country's chronically high unemployment.

The elite gathered in sun-kissed Provence over the weekend described an air of "Macron-mania" as many of the corporate chieftains who backed the presidential campaign of the former investment banker lauded his proposals to make it easier for companies to hire and fire staff.

"We're very keen for there to be change," said Ross McInnes, chairman of aerospace firm **Safran** SA.

Mr. Macron is counting on French industry to loosen its purse strings, betting that private-sector hiring, rather than public spending, will fuel France's recovery. The overall unemployment rate is nearly 10% and about a quarter of young people are jobless.

However, some managers struck a note of caution, saying firms that have long avoided investing in France could still take years get on board. Many are waiting until September when Mr. Macron is expected to pass the labor measures into law.

"The fruits of the reform will not come in one year. They will come after two or three years," said Antoine Frérot, chief executive of water and waste-management firm **Veolia Environnement** SA.

The time frame illustrates why previous French governments have balked at taking the bitter medicine of labor-market overhauls.

Since the start of the 2008 financial crisis, Germany and European regulators have demanded that countries along the bloc's Mediterranean rim boost their competitiveness by stripping away rules protecting workers from being fired, even in an economic downturn. Doing so would lower costs and legal uncertainty for firms and encourage them to hire, European officials say.

Trade unions, however, say such measures risk exposing workers to massive job cuts.

Mr. Macron wants to avoid the fate of another European centrist, former Italian Prime Minister Matteo Renzi, who was counting on his own overhaul of labor rules to spur a job-market recovery. Instead, Italy's jobless rate has remained stubbornly high, and Mr. Renzi resigned last year.

Mr. Frérot estimated he added about 100 workers to Veolia's 2,000-strong staff in Italy after the Renzi overhaul, which he said allowed the firm to take on short-term contracts because it could hire staff on flexible terms to complete them.

Unlike his Italian counterpart, Mr. Macron has some economic wind in his sails. The Bank of France recently raised its forecast for economic growth to 1.6%.

Some business leaders also are chafing over signs the Macron government wants to delay cuts to payroll and wealth taxes by one year in order to make up for overspending by the previous administration.

One French business leader said he was disappointed the lowering of the wealth tax would no longer coincide with the government's plan to privatize its stakes in large French companies.

"It would have meant a river of money coming from frozen assets in real estate and going into capital markets," the business leader said.

On Sunday, the government tried to assuage those concerns. Finance Minister Bruno Le Maire told reporters here that no "definitive decision" had been made on when the tax cuts would take effect.

"I think we can perfectly [well] reduce public spending very significantly to meet our European commitments and at the same time cut taxes for French households and French companies," Mr. Le Maire said.

AGENCE FRANCE-PRESSE/GETTY IMAGE

President Emmanuel Macron

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TIFFANY

Continued from Page One

cent years by adding more gold items and raising prices. He said Tiffany's proprietary research showed it continues to be a "respected and highly desired brand."

Helena Cawley, a 38-year-old Manhattan entrepreneur, said she wore Tiffany jewelry in her teens and 20s, but now prefers pieces from Cartier or David Yurman, which she says are more sophisticated. "Tiffany lost a bit of its cachet," Ms. Cawley said. "Their styles haven't changed very much over the years."

New campaign

Mr. Cumenal was working to update that image. He hired Grace Coddington, Vogue magazine's creative director at large, to conceive a new advertising campaign featuring celebrities, including teenage actress Elle Fanning. He also picked Lady Gaga to star in Tiffany's first Super Bowl ad.

In the past, Tiffany's marketing spotlighted a piece of jewelry along with an anonymous couple caught in a romantic interlude. The new campaigns feature so-called style influencers.

"The recipe for marketing on social media, particularly to millennials, is to have an endorser who people believe in," said Simeon Siegel, an analyst at the brokerage firm Nomura Instinet.

Mr. Cumenal, 57 years old, widened Tiffany's reach beyond its 310 retail stores by making some designs available at edgy boutique Dover Street Market and at Net-a-Porter, a fashion website.

He upped the hip factor with a deal to sponsor the Whitney Museum of American Art's Biennial exhibitions. "All the cool kids" were at the opening party in March, according to a Vogue article, which noted that

This year's HardWear jewelry line was Tiffany's first new collection since 2014.

"revelers sipped Moët & Chandon through paper straws with a Tiffany-blue swirl."

The former CEO, in an interview, said he is pleased the board is continuing to pursue strategies he laid out.

But new designs represented less than 10% of jewelry sales last year, according to Mr. Kowalski. And two or more years can elapse between the launch of collections.

"They are still selling product lines that were introduced in the 1960s," said Credit Suisse analyst Christian Buss. "Given that consumer purchases are driven by newness, updating legacy styles hasn't been adequate to drive demand."

The company's HardWear line, which made its debut this spring with the Lady Gaga ad, was its first new collection since Tiffany T was introduced in 2014.

Tiffany is playing catch-up in watches, which accounted for 1% of sales in the past two years, the company said. Other luxury brands can get as much as half their revenue from the category, according to Brian Tunic, an analyst with RBC Capital Markets. Tiffany launched a new watch line in 2015, after a failed partnership with Swatch ended in a lawsuit. In 2014, Tiffany paid Swatch $480 million in damages, but it has appealed the ruling.

Tiffany said it plans to launch a new home and accessories collection this fall that will include leather goods, flatware and silver objects designed by Reed Krakoff, the former creative director of Coach, who was hired earlier this year as Tiffany's chief artistic officer.

Mr. Kowalski, who groomed Mr. Cumenal to replace him after 16 years as CEO, said in an interview at the company's New York headquarters that some of the legacy styles, including collections by Jean Schlumberger and Elsa Peretti, continue to be best sellers. Ms. Peretti's designs accounted for 9% of Tiffany's sales last year, according to the company.

Mr. Cumenal tried to speed up the development of new lines by creating a research center near Tiffany's headquarters that will open later this year. The center is expected to shorten product cycles by having the design and production departments work together more closely from the outset. In the past, designers would first sketch their ideas and then pass them to the production team.

Charles Lewis Tiffany and a partner opened their first store in 1837 to sell parasols, scent bottles and other items imported from Europe and the Far East. By 1850, when Mr. Tiffany opened a branch in Paris, the company was selling the gemstones of European aristocrats to America's newly minted millionaires.

The brand entered the national zeitgeist with the 1958 publication of Truman Capote's novella, "Breakfast at Tiffany's," and the subsequent movie starring Audrey Hepburn, in which she declares of the company's Fifth Avenue store, "Nothing very bad could happen to you there."

Mr. Cumenal joined Tiffany in 2011 from LVMH Moët Hennessy Louis Vuitton SE, where he ran its wine and spirits business. He found initial success overseeing Tiffany's international operations, where sales rose about 20% during his tenure.

As CEO, Mr. Cumenal ruffled feathers by recruiting outsiders, including a former Cartier executive to head international operations and a former Saks Fifth Avenue executive to oversee the Americas, as well as Mr. Krakoff in the artistic post, according to people familiar with the situation.

Added meetings

He introduced a more formal structure to what had been, according to Mr. Kowalski, a "process light" company. Some senior executives balked at his requirement that they spend one week a month in New York to attend meetings, arguing they would be more effective in the field, visiting stores or working with their teams, the people said.

Other changes annoyed the rank and file, including a new hierarchical atmosphere that was a shift from the open-door, collegial tone fostered by the popular Mr. Kowalski, the people said.

Especially irksome was Mr. Cumenal's decision to dial back the use of Tiffany's signature blue, which he felt had become over used. Some Asian stores were using blue plate glass, and the company's print ads often consisted of an entire glossy magazine page printed in the robin's egg hue. Some believed the move indicated the new CEO lacked respect for Tiffany's heritage, the people said.

Mr. Kowalski, in the interview, said the use of the color was an issue the company wrestled with over the years. "There was legitimate concern over the wise use of such an important brand asset," he said.

Some board members were put off by Mr. Cumenal's management style, which they described as disdainful and aloof, other people familiar with the matter said.

Directors were perturbed when Mr. Cumenal didn't tell them he decided to name Mr. Krakoff, who had been working for the company as a consultant, to the chief artistic post until January, after the contract was signed, the people said.

Mr. Kowalski said he tried to help Mr. Cumenal navigate board relationships, but acknowledged there "was a natural ebb and flow of tensions around that."

Another point of contention was a push by Mr. Cumenal to add younger board members who had more fashion, digital and global experience, the people said.

The board, which included four directors age 70 or older, agreed it needed a refresh and had instructed an executive search firm last year to help it identify new candidates, one of the people said.

But it wanted to move at a more gradual pace, given that much of Tiffany's senior management had turned over during the previous three years. The board had already raised the retirement age to 74 from 72 in 2014, and there was talk of raising it again, to 75, the people said.

In February, after Mr. Cumenal's ouster, Tiffany reached an agreement with Jana Partners, the activist investor, to add three new directors, including a former CEO of luxury jeweler Bulgari and a co-CEO of fashion house Tory Burch LLC.

Tiffany also agreed to limit waivers for directors who exceeded its retirement age. One director didn't stand for re-election at the company's annual meeting in May, and Tiffany said two directors won't stand for re-election next year.

Mr. Kowalski said the board is attuned to the changes in luxury retailing, where opening new stores is no longer a recipe for success. "It recognizes that the growth strategies that proved successful a decade ago are not likely to drive financial success today," he said.

Tiffany's shares, which had sunk below $60 in June 2016, are now trading above $90. They are up nearly 17% since the company announced the CEO change on Feb. 5.

Jana Partners is pushing Tiffany to expand more overseas, particularly in the Middle East, and for growth in e-commerce, which accounts for about 6% of Tiffany's sales.

Some analysts and investors also say Tiffany should streamline its supply chain. The jeweler is rare in the business for owning processing and polishing operations. It also has agreements with diamond producers to purchase a minimum number of stones each year. The company said its rationale is to secure enough high quality supply to satisfy its production requirements.

Mr. Siegel, the Nomura Instinet analyst, said the strategy ties up working capital and creates a backlog of inventory. According to his estimates, inventory totaled 54% of sales in the most recent fiscal year, up from 39% in 2000. He said locking up supply wasn't as important now that monopolies no longer control the diamond trade and that prices, according to Rapaport-RapNet Diamond Trading Network, have declined from their 2011 peak.

Mr. Kowalski said the strategy is less costly and results in better quality products. He added Tiffany is working to manage its inventory more efficiently by editing down its offerings and by using new software to better predict demand.

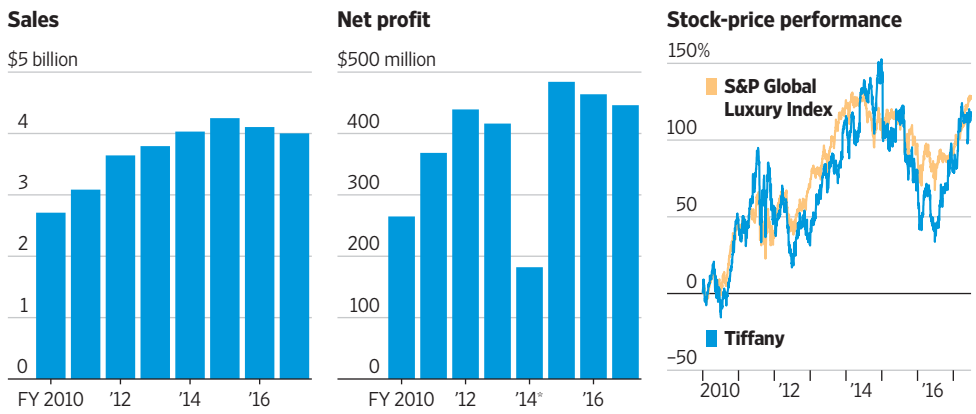
—David Benoit contributed to this article.

ORE HUIYING/BLOOMBERG NEWS; JONATHAN LEIBSON/GETTY IMAGES (JEWELRY)

Former Tiffany CEO Frederic Cumenal was pushed out in February after the board said it wanted a leader who could deliver faster growth.

All That Glitters

Tiffany is trying to turn around sales and profit, although its shares have risen lately and loosely have tracked the overall luxury index.



Note: For fiscal years ending in January where noted *Affected by damages paid in dispute with Swatch.
Source: the company (sales, profits); Thomson Reuters (performance)

THE WALL STREET JOURNAL.

CAMP

Continued from Page One

nance to this age group demands patience, creativity and the occasional bribe. Camp counselors punctuated lessons with clapping exercises meant to recapture errant campers' attention, lunchtime sessions of the tag game "Sharks and Minnows" and plenty of Cheez-Its and Capri Sun juice packs. In arts and crafts, they made piggy banks.

During lectures, some children squirmed in their seats or attempted to wander around, promptly attended to by counselors who promised to hand out colorful stickers if they were quiet. Others didn't need much coaxing to participate.

"How do countries make money?" a camp counselor asked during one day's international trade lesson.

"By suing people!" one boy shouted.

The nonprofit Young Americans Center for Financial Education has offered a program for fourth-, fifth- and sixth-graders since 1990. But the center concluded the real growth area is in children who have just started losing their baby teeth. Enrollment in Junior Money Matters—for those who have completed second or third grade—rose to a record 247 campers this summer, according to the center. It is one of several camps, including Camp Millionaire, Youth About Business and the Future Investor Clubs of America, that cater to the money-minded and their offspring.

Spencer Smith, a 9-year-old from nearby Castle Pines, is a first-timer at the Denver camp. But he is already looking ahead, explaining he wants to "work with money" when he grows up.

"When you train puppies, it's better to train them when they're younger," he noted. "It's the same with people."

Madison Grider, a 10-year-old camper from Centennial, Colo., aspires to attend Harvard University and medical school. That's not going to come cheap. She said she has already started saving money for her tuition, and has learned how to write checks, exchange currencies and withdraw money from a savings account at camp.

"When you grow up you don't have to learn it—you can just do it," Madison said.

This capitalist training ground can be challenging. Two hours into the third day of camp, one child retreated to a corner of an empty room, crying while waiting for a counselor to call his mother. Counselors don't necessarily have financial backgrounds; most have experience in youth programs or nonprofit work.

Jennifer Starr said her 8-year-old daughter, Brooke, wanted to go to camp after her older sister enjoyed attending a field trip with a similar itinerary.

Brooke said it was as much her mother's idea as her own. "My mom sent me here to learn more about money and see what it's like to be a grown-up," said Brooke, decked out in a soccer jersey and soccer-ball earrings.

As some parents see it, the weeklong immersion in business and finance could mean a leg up for their children over more-indulged peers.

"Spencer is only 9, but is interested in becoming an accountant and has always been interested in money concepts and saving his own money. We want to foster that," said Sara Smith, a senior vice president at a network of hospitals who drove her son through an hour of traffic so he could attend.

On the children's agenda: practice how to exchange "AmeriDollars" for "PacAsia" notes (stopping by a corner of the room designated "Singapore" to conduct the exchange) and form countries to barter for natural resources printed on laminated cards.

During an hourlong trade lesson, a group in the back corner took the opportunity to practice their best fake-flatulence noises. Over in the Netherlands, tensions were rising. One boy made off with all of the country's metal, fruits and vegetables, sugar, electronics and textiles, leaving his fellow citizens with nothing to trade.

"They won't be quiet," said Spencer, as the rest of his temporary countrymen—who had dubbed themselves "The Weirdos"—dashed across the room to exchange their minerals for another country's sugar.

"Fidget, fidget, fidget," said one camper who remained seated, clutching an orange fidget spinner, a popular rotating toy, as others scrambled to even out their country's balance of trade.

The Denver program's curriculum sprang from the vision of the late Bill Daniels, a cable-TV pioneer who felt government interference could strangle business, according to the website for his philanthropic foundation. The camp aims to instill a love of free enterprise early in childhood, for $235 a week. Representatives for the camp said its curriculum is nonpolitical.

Richard Martinez Jr., president and CEO of the center, said early on, his neighbors asked him why he was sending his children to "bank camp" when he put them in the program. But times have changed for current campers, he said.

"Especially today with everything going on around the world right now—talk of trade deals, immigration—it's really playing out firsthand," he said. "I see they've learned about supply and demand today and ask them to tell me about that, and boy, they just go crazy." He said he isn't expecting every camper to become an investment banker, but it is important children learn about economics and personal finance early.

At the end of the week, campers ran a simulated town for a day, some filling out applications for positions at a post office, auto shop, bank and newspaper. They went to work at mock offices and shops, built using funds from corporate sponsors, emblazoned with logos including those of McDonald's Corp., United Parcel Service Inc., Janus Henderson Investors, Cambiar Investors and Comcast Corp.

Some children are already dreaming of other careers.

Even Kash, who professed his affection for money, doesn't see himself working on Wall Street or occupying a corner office. "When I grow up, I want to race cars!" he said.

MATT NAGER FOR THE WALL STREET JOURNAL

Youngsters practice using pretend currency at the Junior Money Matters camp, where they learn about finances and trade.

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GREATER NEW YORK

Subway Delays Take Heavy Toll On Commuters

By Melanie Grayce West

New York City subway riders arriving late to the office, missing a school pickup or running late for a doctor's appointment, take heed: You aren't alone.

In a survey released Sunday by Comptroller Scott Stringer, 74% of New York City subway commuters reported arriving late to work or a meeting in recent months, and 65% were delayed in picking up or dropping off a child at school.

Some 71% of the 1,200 riders surveyed at 143 subway stations across the city from June 13 to June 26 said they experienced delays at least half the time they rode the subway.

Nearly three-quarters of surveyed riders gave the Metropolitan Transportation Authority a grade of "C" or lower for overall service, with one in seven riders giving the MTA an "F."

The subway system is "in crisis," Mr. Stringer said, calling for a top-to-bottom review and massive reorganization of the MTA. He also called on lawmakers to push for a $3.5 billion bond act to provide much-needed capital for the MTA to take on significant infrastructure repairs, including modernizing an aging signal system.

"Every option must be on the table," Mr. Stringer said. "There's a real human cost to subway delays and we all know that transportation is our lifeline to our jobs, to our families and our kids."

At a separate press conference Sunday afternoon, MTA Chairman Joe Lhota said he hadn't seen Mr. Stringer's report. Mr. Lhota said his focus for the coming weeks would be to guide riders using New York Penn Station through a rough summer of commuting due to an extensive repair project and to prepare both a 30-day and a 60-day plan for Gov. Andrew Cuomo that would address the MTA's service problems, among other things.

Mr. Lhota said he wasn't surprised that riders gave subway service low marks. "At the end of the day I want all of our customers as satisfied as possible." he said.

The survey by Mr. Stringer's office found that subway woes were worst for straphangers living in low-income communities. Some 42% of respondents residing in ZIP Codes where average incomes are below $62,150 for a three-person family said they experienced significant delays always or more than half the time.

SPENCER PLATT/GETTY IMAGES

Nearly three-quarters of riders gave the MTA a 'C' or lower for overall service, according to a survey released by the city Sunday.

GEORG WENDT/DPA/ZUMA PRESS

Hamburg Mayor Olaf Scholz with Mayor Bill de Blasio and his son, Dante. Mr. de Blasio spoke at a human-rights rally in the German city.

Mayor Takes Heat for Trip

Critics knock de Blasio for going abroad after officer is killed, but he says he's doing his job

By Mike Vilensky

Mayor Bill de Blasio positioned himself as a leader of the left in Hamburg during the weekend but faced blowback at home for heading overseas days after the fatal shooting of a New York Police Department officer.

Mr. de Blasio, a Democrat, gave a speech at a protest rally Saturday outside the G-20 summit in Hamburg, where presidents and prime ministers were meeting.

In his speech, Mr. de Blasio promoted tolerance, democracy, and immigration. "America is seeking its truest identity and its identity in the end will be a progressive identity, an inclusive identity, a nation for all," he said, according to a transcript from his office.

Opponents called the trip insensitive after the killing of Miosotis Familia, an NYPD officer who was memorialized at a vigil Saturday. Others have questioned how the trip helps New York City.

"You have a city that is mourning because an officer was executed on the Fourth of July," said Ed Mullins, president of the New York City Sergeants Benevolent Association, a 13,000-member police union, in an interview. "Instead of trying to bring peace between the police and community, you're joining protesters in a foreign country. What message does that send?"

Challengers in this year's mayoral race—a Democrat, a Republican and an independent—also criticized Mr. de Blasio for being out of town amid rising homelessness and transit breakdowns.

A spokesman for Mr. de Blasio, Eric Phillips, said Sunday that the mayor was with the officer's family the night of the shooting, at the precinct the next day, and will visit the family again Monday. "The complaints of a few just don't jibe with the facts," Mr. Phillips said.

The mayor called into New York radio station WNYC on Friday and defended his trip. "All the issues that need to be attended to, I'm attending to every day regardless of where I am," he said. On issues such as climate change it helps to work with international governments, he added.

Mr. de Blasio has had a tense relationship with the city's police at times. In 2015, some officers turned their backs as the mayor eulogized a slain officer at a funeral. But relations improved as Mr. de Blasio adopted a more positive tone and completed a contract with the Patrolmen's Benevolent Association, the city's largest police union.

On social media and elsewhere at home, New Yorkers debated the mayor's trip.

Bill Hyers, Mr. de Blasio's 2013 campaign manager, tweeted: "de Blasio has been protesting for years, part of the reason he was elected."

But Brian Kogan, a general contractor in Brooklyn, tweeted his displeasure, saying "we don't want him back."

In a phone interview, Mr. Kogan, 32 years old, said it seemed like the mayor wasn't there for the city in a sensitive moment. "I feel like he's just ditching us."

How to Cope as Work At Penn Station Starts

By Paul Berger

The dreaded day for commuters has arrived.

From Monday until Labor Day, Amtrak will reduce weekday capacity at New York Penn Station by 20% so engineers can overhaul a web of rails and switches.

Thousands of passengers on the Long Island Rail Road and NJ Transit will be diverted to other stations where they must transfer to buses, the subway or ferries to reach their destinations. Those who continue into Penn Station face the possibility of overcrowding and delays.

Here are five things to know to help get through the summer:

Experiment Have you ever wondered whether your door-to-door commute would be better by bus? If you are an NJ Transit train commuter and your office is close to the Port Authority Bus Terminal, now is the time to put it to the test. LIRR commuters might want to try some of the free buses that depart from eight park-and-rides to Grand Central Terminal.

Do Your homework If you are thinking of gaming this temporary system, don't make assumptions.

To prevent diverted NJ Transit passengers from hopping onto Montclair-Boonton Line Midtown Direct trains at Broad Street, Newark, those trains won't stop there during peak hours. And if you are thinking of taking advantage of NY Waterway's temporary ferry service from Hoboken to West 39th Street in Manhattan, be warned. It is only available to passengers with an NJ Transit rail ticket.

Use Technology "The service providers' websites are better than ever," says Joshua Crandall, founder of Clever Commute, a free mobile app that tracks suburban commuter lines across the region.

The MTA and NJ Transit set up dedicated webpages for the summer commute at lirrsummerschedule.com and NJTransit.com/TheUpdate. Their mobile apps provide real-time service updates and schedules.

There also are services such as Clever Commute that pull real-time data from rail providers and combine it with crowd-sourced information from commuters. If you are an LIRR commuter diverted to Jamaica or Atlantic Terminal, you can check the status of every subway line at a glance using Datadog's new MTA Service Checker at mtaservicechecker.com.

Choose the Right PATH Only four NJ Transit Morris & Essex Lines Midtown Direct trains, which arrive at Penn Station before 7 a.m., survived the summer cull. Remaining trains will be diverted to Hoboken where the Port Authority is braced for an additional 7,000 passengers to flow into the PATH system between 7 a.m. and 9 a.m.

PATH is adding an extra seven trains during that period on the 33rd Street line, each capable of carrying 1,100 passengers. Even so, a PATH spokesman suggested that, if possible, commuters should try to avoid the peak between 8:15 a.m. and 8:45 a.m.

Is Penn Station Safe? Amtrak officials say Thursday's derailment of an NJ Transit train occurred in the same area at the western end of the station where the repair work is being carried out. The station is safe, and the work is necessary to ensure reliability and resiliency, they say.

Lawmaker Looks for Middle Ground

By Kate King

WASHINGTON—In a Capitol defined by rancor, a freshman congressman from New Jersey is betting on bipartisanship as his best chance for making his mark.

Rep. Josh Gottheimer, a 42-year-old former Ford Motor Co. and Microsoft Corp. executive, was one of only six Democrats to flip Republican-held House seats last November. He has spent his first few months in office balancing calls from Democrats to resist all aspects of President Donald Trump's agenda with a need to maintain popularity in his Republican-leaning district, which narrowly voted for Mr. Trump.

"I don't work for the national Democratic Party," Mr. Gottheimer said. "I work for the Fifth Congressional District. There are things that are non-negotiable, but there are plenty of areas like tax reform and infrastructure and certain regulatory reform that I believe are good for people back home."

Mr. Gottheimer highlights in particular his work as co-chairman of the House's Problem Solvers Caucus, a group of 21 Republicans and 21 Democrats. Members of the caucus vote as a bloc if 75% agree on an issue, Mr. Gottheimer said, and pay dues and agree not to campaign with or contribute to one another's campaign challengers.

The caucus's members have met with House Speaker Paul Ryan (R., Wis.) and Minority Leader Nancy Pelosi (D., Calif.), as well as Mr. Trump and members of his cabinet. Mr. Gottheimer acknowledged that some of his Democratic colleagues wouldn't take these meetings.

"I've got to do whatever I can to be at the table," he said. "I'm not going to take the sit-out, obstructionist approach."

His effort to steer away from partisan battles is a solid re-election strategy given his GOP-leaning district, according to Sarah Binder, a senior fellow in governance studies at the Brookings Institution. "He really needs to burrow himself into that district, not to address national issues that polarize the parties," she said.

T.J. KIRKPATRICK FOR THE WALL STREET JOURNAL

Rep. Josh Gottheimer of New Jersey in his Washington office. He is co-chairman of a bipartisan bloc.

> 'I'm not going to take the...obstructionist approach,' said Rep. Josh Gottheimer.

Mr. Gottheimer's district covers parts of northern New Jersey's rural Sussex and Warren counties, as well as parts of the more suburban Passaic and Bergen counties. The district was formerly held by Scott Garrett, a founding member of the conservative House Freedom Caucus.

Mr. Gottheimer's bid for bipartisanship starts with early-morning workouts led by Rep. Markwayne Mullin (R., Okla.), a former college wrestler who leads bruising cross-training routines attended by about a dozen lawmakers. Participants usually don't discuss politics in the gym, but the workouts provide the opportunity to build relationships, Mr. Mullin said.

At a recent Problem Solvers Caucus meeting, closed to the media, the discussion centered on balancing national-security funding with spending for domestic programs. Members debated how much discretionary spending to support and how to pay for it, Mr. Gottheimer said.

His co-chairman, Rep. Tom Reed (R., N.Y.), said working with a small bipartisan group and the attractiveness of voting as a bloc has helped him find areas of compromise. He cited military spending as one area where he has changed his mind.

"I'm willing to consider revenue increases in order to get a deal put together with the caucus," said Mr. Reed, an early backer of Mr. Trump's.

Mr. Gottheimer, who said he calls or texts Mr. Reed three to four times a week, couldn't think of a specific policy issue where he has changed his mind since coming to Washington. But he said he has been surprised by the degree of openness lawmakers have to bipartisanship.

Some of Mr. Gottheimer's constituents are wary of his willingness to work with Republicans. Jeff Fox, a 66-year-old Paramus resident who founded a local chapter of the progressive grass-roots movement Indivisible, said members are concerned about the effectiveness of his participation in the Problem Solvers Caucus.

"It just feels, more often than not, that the Democrats tend to give in and move more to the right than the Republicans do to the left," Mr. Fox said.

Other constituents said they were heartened by Mr. Gottheimer's efforts. "At least he's working with people," said Steve Sluka, a 69-year-old Franklin resident and registered Republican. "I want him to try to work with the Republicans to try to work on a good health-care plan and start working on tax reform."

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CLOCKWISE FROM LEFT: BRYAN ANSELM FOR THE WALL STREET JOURNAL; ASSOCIATED PRESS; ANTHONY ALVAREZ

Musicians wait to perform at a concert at the Newark Museum, left; an aerial view of fires during the 1967 Newark riots; and Herbie Hancock, below left, with Newark-born musician Wayne Shorter at the New Jersey Performing Arts Center in April.

Newark Sings A New Tune Amid Revival

By Maria Armental

In a Newark jazz club last month, Lorenzo Morrast proudly watched as his 16-year-old daughter, Alexis, delivered a soulful, throaty rendition of an old tune that laments of the tribulations of African-American folk hero John Henry.

"Early '70s was a tough time for the city," the Newark native said, referring to the period after the summer of 1967, when violence erupted there and in more than 100 other U.S. cities, fueled by long-simmering economic and racial tensions.

Fifty years after the riots, some see a future shaped in part by musicians such as Alexis, a jazz phenom who in February won "Showtime at the Apollo," a competition at Harlem's legendary theater.

Newark today—led by Mayor Ras Baraka, whose father was injured in the riots—has some of the trappings of urban revival: A Whole Foods, Starbucks, luxury-apartment developments and a restaurant on the horizon from celebrity chef Marcus Samuelsson.

Decades ago, Newark was a jazz haven mentioned in the same breath as New York City and New Orleans. Its roster included saxophonist James Moody, trumpeter Woody Shaw and vocalist Sarah Vaughan.

Clubs, rejuvenated by a post-Prohibition beer-brewing boom and thirst for entertainment, attracted the likes of Charlie "Bird" Parker, who recorded for Newark's Savoy Records, and Billie Holiday, whose 1957 run at Newark's Sugar Hill jazz club was immortalized in a photo book published this year.

Events in 1967 marked a turning point for Newark, hastening a population and economic decline, and setting off a downswing for clubs.

"They ran everybody out of the city," said Leo Johnson, a saxophonist who moved to Newark in 1957 at age 17.

Clubs would open, the 77-year-old recalled, but it was mostly "here today, gone tomorrow."

News that a black taxi driver had been beaten by police, some erroneously said killed, on July 12, 1967, primarily sparked the Newark riots.

Neighborhoods were destroyed, 26 people died and many more were injured. Images of bloodied bodies, armored trucks and looted stores were carried across the nation.

"That image stayed that way for many years," said Ray Chambers, a Newark-born businessman and philanthropist who has championed several city developments, including the New Jersey Performing Arts Center and the Prudential Center.

Mr. Chambers was 24 years old, working in Newark when the 1967 clashes broke out. He recalls the fear and friends—black and white, National Guardsmen and city residents—"wondering how much of a divide would be created and what it would cost to knit [Newark] back together."

Last month, as Mayor Baraka introduced the city's latest pitch to jump-start the economy: "Hire. Buy. Live. Newark," he noted that, "There's much more to do to dispel that ghost."

The proposal includes targets to hire at least 2,020 Newark residents by 2020 and bring the city's unemployment rate from 6.7% in May to the state's level of roughly 4%.

Newark, with a population of about 281,000, according to 2016 U.S. Census figures, is a city built on dreams of families who sought better opportunities, Rutgers University-Newark Chancellor Nancy Cantor said, "and it is our moral responsibility, as well as good business to make that happen."

Essential to the city's cultural evolution are organizations such as NJPAC, the Institute of Jazz Studies at Rutgers-Newark—a pre-eminent jazz archive and research facility that moved here before the riots and whose board had drawn such luminaries as Louis Armstrong, Duke Ellington and Dave Brubeck—and WBGO, which bills itself as "Jazz Public Radio from the Jazz Capital of the World, New York City," but is Newark-based.

Part of an earlier effort to re-energize the city after 1967, WBGO was envisioned as a cultural beacon, said Robert Ottenhoff, a philanthropy executive who helped found the station.

WBGO is "a story of hope, and a story of people working against the odds," he said. "I like to think that there are lots of little stories like that in the city of Newark."

On a recent Friday night at Clement's Place, a Newark jazz lounge that opened last year during the city's 350th anniversary, old records covered walls bathed in red and purple. Alexis sang of rail worker John Henry's defiance and perseverance.

"The lights are back," her father said, "so I think Newark is back."

PROPERTY WATCH

RISING RENTS

Residential Boom Drives Retail Prices

Residential development is boosting the growth of Brooklyn's retail real-estate market, driving rising rents in some neighborhoods, according to a new report.

Greenpoint and downtown Brooklyn had the biggest rent growth among the development hot spots, according to a study conducted by real-estate services firm GFI Realty Services LLC.

Average asking rents for ground-floor space on Greenpoint's Franklin Street corridor hit $89 a square foot in the first quarter of 2017, a 42% jump from the $63 a square foot recorded in the same period the previous year. Ground-floor asking rents on the downtown Fulton Street section rose 8% to $325 a square foot, the report said.

However, Williamsburg's Bedford Avenue corridor, among the borough's priciest retail areas, saw a decline in ground-floor asking rents, falling 18% from $359 a square foot to $295 a square foot, the report said.

SALE IN NEW JERSEY

Office Building Makeover Pays Off

A joint venture that bought and refurbished a 1970s New Jersey office building has sold it for $98.5 million, about four times the amount the partnership invested.

In 2013, Rubenstein Partners LP and Onyx Equities LLC bought the building in Basking Ridge at 211 Mount Airy Rd. for $12.5 million from telecommunications firm Avaya Inc., said Rubenstein principal Stephen Card.

The venture embarked on an $11 million project to overhaul and modernize the building.

Last year, the team signed a 16-year lease for the entire 306,000 square-foot building with pharmaceutical company Daiichi Sankyo Inc.

For the buyer, Harbor Group International LLC, the acquisition is part of a strategy launched several months ago to purchase office properties, each leased entirely to a high-credit tenant, said Jordan Slone, Harbor Group's chief executive.

LEASE SIGNED

Chelsea Piers Sports Coming to Brooklyn

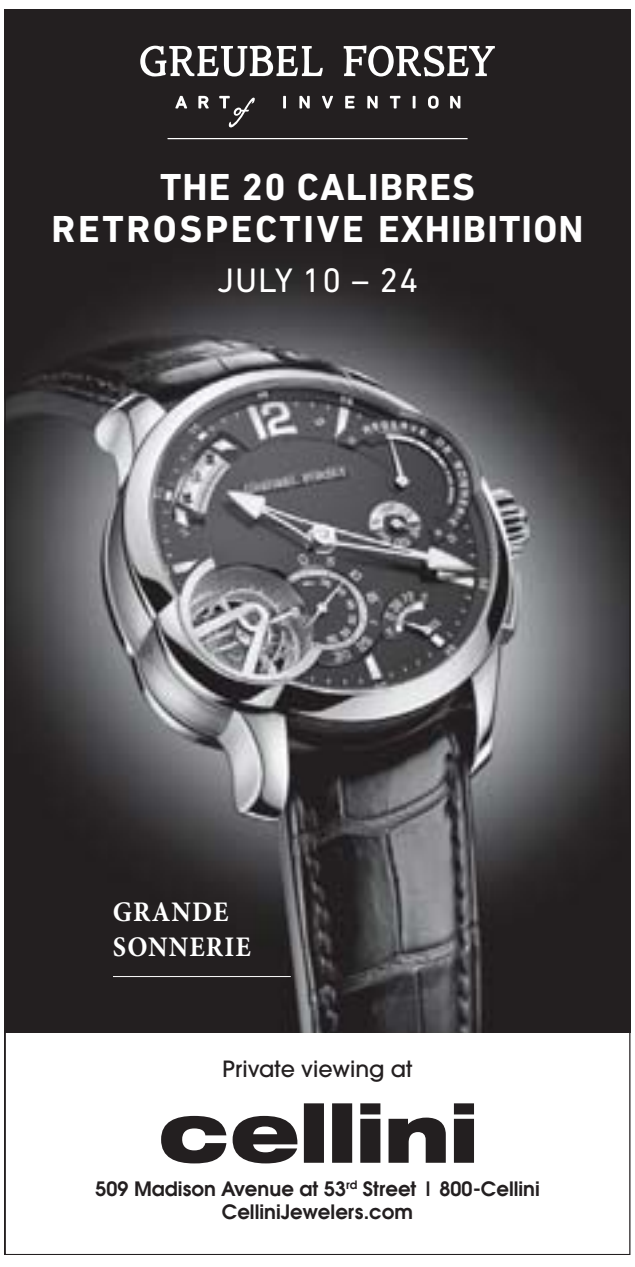
The company behind the 28-acre Chelsea Piers Sports & Entertainment Complex on the west side of Manhattan has signed a long-term lease to take 52,000 square feet at the base of 33 Bond, a new apartment tower on the border of downtown Brooklyn and Boerum Hill, according to developer TF Cornerstone Inc.

TF Cornerstone had spent some time searching for a gym or a similar type of tenant for the building, said Jake Elghanayan, TF Cornerstone senior vice president.

"The focus on fitness has grown and expanded," he said.

The coming of Chelsea Piers reflects the area's shift toward a more 24-7 neighborhood, Mr. Elghanayan said. The 714-apartment rental building is in an area where the residential population has grown significantly with new development. Asking rents for ground-floor space was about $100 a square foot.

—Keiko Morris



WeWork's Chinese Rival Moves Into Manhattan

By Keiko Morris

PROPERTY

Co-working provider Serendipity Labs Inc. has looked for quick expansion in the U.S. using franchise agreements and joint-venture deals. Now, a new agreement extends its reach to China.

Serendipity Labs has joined forces with UrWork Venture Investment Co., a Beijing startup with a $1.3 billion valuation, to create a 34,000-square-foot location at 28 Liberty St.

Expected to open in October, the new space gives UrWork, a rival to co-working giant WeWork Cos. in China, its first foothold in the U.S.

The deal allows both companies to broaden the network of locations available to their customers in China and the U.S. without the extensive investments and time involved in trying to expand internationally on their own.

"We were not going to move people and capital into China to try to make that network," said John Arenas, Serendipity Labs's chief executive. "But because we have a full-service customer base that is growing, they want to understand how we can serve their needs globally."

The move represents a departure from the traditional co-working business model. Expanding is expensive and can come with a lot of risks, industry executives said.

BRAD LEBLANC/SERENDIPITY LABS

UrWork and Serendipity plan to link their reservation systems so clients of both companies can book workspace in more locations.

Firms have to secure long-term leases, build out the appealing interiors that often have pricey finishes and furnishings, and manage the networking events often associated with co-working memberships. Until now the few co-working providers that have rapidly grown have done so by raising large amounts of capital from investors.

"That is quite restrictive in terms of who can get a hold of that capital," said Ben Munn, managing director of solution development and consulting for the Instant Group, a company that finds and manages office arrangements for companies. "So you do see more companies now going for a variety of routes, which include joint ventures and interesting deals with landlords with much lower liability."

Both UrWork and Serendipity Labs, which bills itself as an upscale co-working provider, have plans to expand their network of locations.

UrWork, which has raised more than $184 million from investors in several rounds of funding, said it has more than 78 locations in 20 cities in China and Singapore, and intends to boost the number of its facilities to 150 in 35 cities during the next three years. In the U.S., UrWork also said it is planning to open a Los Angeles location later this year.

While UrWork has built its business in China providing space and professional services to small businesses and startups, the company said it is seeing demand from bigger companies. It recently announced the addition of Chinese video-sharing firm Bilibili as a tenant in Shanghai and Amazon.com Inc. in Shenzhen.

The New York location, which is in the former One Chase Manhattan Plaza tower owned by Chinese conglomerate Fosun International Ltd., is expected to attract, in part, Chinese companies that have business in New York and other multinational firms with ties to China, said UrWork Chief Executive and founder Mao Daqing. UrWork is an investor in the New York location.

Some of the staff will be able to speak Mandarin. UrWork and Serendipity Labs said they would connect their reservation systems so members of both companies will be able to easily book space throughout the combined network of locations via apps.

"We think Serendipity Labs will ensure our members who are coming to New York of the highest level of co-working experience," Mr. Mao said.

About half of Serendipity Labs' clients are established companies, making it important to provide flexible office options in other cities and secondary office markets, Mr. Arenas said. Serendipity, which has six sites and plans to add 10 by the end of the year, has more than 100 locations committed to development.

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LIFE & ARTS

The GQ Style staff are proponents of the post-trend fashion movement, including from left, Will Welch, Mobolaji Dawodu and Noah Johnson.

CLOCKWISE FROM TOP: ADAM BIRKAN FOR GQ STYLE; MP MASSIMO PIOMBO; MISSONI; EPA

FASHION WEEK

Men Are Done With Trends

A new consumer gravitates toward independent labels that specialize in classics

BY RAY A. SMITH

AS THE FASHION industry gets ready for men's fashion week in New York starting July 10, retailers and style arbiters are focusing on a new type of male customer: Call him post-trend.

After several years when many fashionable men impulsively chased popular runway fads, the industry is now recognizing a new breed of consumer who gravitates toward independent labels that specialize in classics, craftsmanship and quality.

"There was a time when guys didn't really want to talk about their clothes and then we got way past that," says Will Welch, the editor of the quarterly magazine GQ Style, and a proponent of the new look. The new consumer is "a guy who already knows a lot about fashion and has a pretty dialed-in personal style."

Mr. Welch and retailer Josh Peskowitz are two leading promoters of the post-trend aesthetic. Although they don't work together, their shared sensibility is having a major influence on the industry. Both have worked in the business for many years: Mr. Peskowitz is a former Bloomingdale's men's fashion director and co-founder of Magasin, an eclectic menswear boutique in Culver City, Calif. He has a large social media following with 16,300 Instagram followers.

Mr. Peskowitz likens the post-trend customer to the type of person who buys organic, farm-raised, fair-trade, or locally-sourced food. A consumer "who cares how their clothes are made and the meaning behind these clothes."

Runway looks from left: Dries Van Noten, Missoni and MP Massimo Piombo

Such a consumer is interested in high-end Italian fashion brands, not only the usual suspects such as Gucci and Prada, but obscure ones like Massimo Piombo and Salvatore Piccolo. He's likely to visit a cool, niche specialty store like Noah in New York or RTH in West Hollywood, Calif., more than a Neiman Marcus or Saks Fifth Avenue.

Mr. Welch and Mr. Peskowitz have introduced many of their respective acolytes and customers to idiosyncratic brands, such as Needles of Japan and Massimo Alba of Italy.

"We wanted to have interesting stuff, one or two standard deviations away from normal," said Mr. Peskowitz about his store. Magasin carries independent, under-the-radar Italian and Japanese labels mixed with some pieces from individualistic designer labels like Dries Van Noten and Missoni.

Menswear movements are often started by insiders, including certain fashion editors and their friends who are zigging while others are zagging. They are usually ahead of the curve, first to start wearing a next-big thing designer or a trend. Their influence now spreads wider and faster due to Instagram.

Both men believe the men's fashion pendulum has swung too

Please see FASHION page A13

TELEVISION REVIEW

BARD TO BE

BY JOHN ANDERSON

ACCORDING TO "WILL," London circa 1590 is an orgiastic mosh pit writhing with tattooed punk rockers; the public torture of Catholics is described as "the best theater in town," and Anne Hathaway is a shrew—no, not *that* Anne Hathaway, the one married to William Shakespeare, who is being made the subject of the most sensationally speculative fiction.

Being given a double-episode debut Monday evening, "Will" stars newcomer Laurie Davidson as the Bard-to-Be, who leaves his bedraggled wife and children to write for the stage and win his fortune—with very little encouragement. "Who wants a play by William Shakespeare?" asks his sour spouse (Deirdre Mullins). The answer: no one. "Will" is a portrait of the artist as a starving young climber, and faint-hearted Shakespeare scholars may well swoon at the goings-on: the androgynous, hedonistic Christopher Marlowe (Jamie Campbell Bower) kissing young Will squarely on the mouth; the comely Alice Burbage (Olivia DeJonge) contributing her own lines to "The Two Gentlemen of Verona"; Will being in league, however reluctantly, with his "cousin" Robert Southwell (Max Bennett), the outlaw Jesuit and saint-to-be. (They were, it seems, distantly related.)

But to paraphrase Polonius ("Hamlet," Act 2, Scene ii) there is method to all this madness. There's even a makeshift defense of the playwright against the class-rooted Oxfordian argument, which says Shakespeare couldn't possibly have written the sophisticated plays for which he's credited because he was, well, a bumpkin. Through the initial episodes of what is thus far set to be a 10-part series, Will does indeed prove himself a rube. But London is teeming, not just with sewage and Catholic-Protestant blood, but with "Shakespearean" language. All it requires is a poet's tweak.

"Friends, patrons, countrymen! Lend me your ears!" bellows James Burbage (Colm Meaney) from the stage of his Globe Theatre, foreshadowing the most famous line from "Julius Caesar." Presto (Lukas Rolfe), a street urchin whose sister is in a brothel and who resorts to cutting himself for emotional release, tries to rob Will of his cousin's precious papers, but not without first telling him, "The world's your oyster," which will wind up in "The Merry Wives of Windsor." The show gives Will credit for at least part of "Edward III," which really gets into the weeds of the authorship argument (as illustrious a critic as Harold Bloom, for instance, rejects the notion that Shakespeare wrote any of it) but it is a hit among the Elizabethan groundlings. "Your play's quite the thing," says Marlowe, hinting at "Hamlet," which has yet to be written.

TURNER ENTERTAINMENT NETWORKS

Laurie Davidson and Olivia DeJonge in 'Will'

Shakespeare is a sponge, absorbing all he hears. And when he needs ideas for his new plays, he takes the advice of young Alice: "Steal them."

Nothing is understated in "Will" not the violence, the vulgarity or the elocution: Every character declaims as if to be heard in the Globe's cheap seats. Ewen Bremner is deliciously, excessively vile as a sadist in service to the queen and, worse, a true believer. But the whole cast is, verily, first-rate and clever. "Live fast, die young and leave a pox-ridden corpse," announces the peacocky Richard Burbage (Mattias Inwood), who with his pal the playwright will eventually enjoy one of the most successful actor-author relationships in the history of theater. The quip above does not make it into any plays—like the show's soundtrack, it is a decidedly 20th-century construction. But that's one of the clever things about "Will": Not every familiar-seeming statement is destined for a Shakespeare play. Just the better ones.

Will
Begins Monday, 9 p.m., TNT

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LINA HASKEL FOR THE WALL STREET JOURNAL (3); JAKOB EDHOLM (BOTTOM)

WHAT'S YOUR WORKOUT? | By Jen Murphy

A Double-or-Nothing Endurance Test

An executive prepares for swimrun events, where pairs of competitors must stay within 10 meters of each other while covering many miles

PETER REJLERS GETS fired up when a competitor kicks him in the face in the water during a triathlon. Getting kicked in the face by his race partner? "That isn't quite as motivating," he says.

Mr. Rejlers, the 50-year-old CEO of Rejlers AB, a Stockholm-based engineering consultancy, competes in a sport called swimrun. A test of endurance and friendship, swimrun races require teams of two to swim and run between and over islands while remaining within 10 meters of each other throughout the course.

"Scuffles during the race are inevitable," he says. "My partner mentioned quitting and I threatened to carry him to the finish line."

The swimrun idea was conceived as a drunken bet between four Swedes to swim and run across more than 20 islands in Stockholm's archipelago, according to organizers. In 2006, the concept was dubbed Ötillö, which means island-to-island in Swedish. Today a series of swimrun races are held throughout Europe. The sport is slowly catching on in North America.

Mr. Rejlers signed up for his first swimrun in 2012 at the behest of a colleague. Sprint courses span around 7 to 9 miles, but the duo went much bigger. Ötillö, the Swimrun World Championship demands 6.2 miles of open-water swimming and 40.4 miles of trail running between 26 islands in the archipelago around Stockholm. The longest swim is 1.1 miles and the longest run is 12.4 miles.

"Neither of us were really swimmers," he says. After eight hours swimming in 46-degree water with huge swell, the duo had to quit. "We were freezing," he says. "I barely made it back to land." The failure fueled Mr. Rejler's competitive side. "It was the first time I ever quit something," he says.

He committed to swimming in open water every day for two years. He tried competing with a new partner, John Norling, in 2014. "Unfortunately, my race companion only practiced in a pool," he says. "He was swimming in the totally wrong direction. I had to have a rope between us in the water so he could find the way." The duo finished in 13 hours, 26 minutes and 42 seconds.

"I've done an Ironman, and I still think the Ötillö is one of the toughest single-day races," he says. Unlike a triathlon, athletes don't change clothes between transitions. Instead of asphalt, they're running on cliffs, slippery rocks and dirt trails. "If you only practice running on the road, you'll have great difficulty," he says. Teams of two are required for safety.

Mr. Rejlers competes in shorter swimruns throughout summer and is training for his third attempt at the Sept. 4 world championship.

John Norling, left, and Mr. Rejlers teamed up for the 2014 Ötillö World Championship.

The Workout

Mr. Rejlers trains two hours a day, sometimes longer on weekends. He built a CrossFit-inspired gym in his backyard to allow more time with his children, ages 15, 13, 11, 8 and 2. "When I run, they bicycle alongside me. Or if I swim, they might kayak next to me," he says. "When they get older, I'd love to have one of my children race the Ötillö with me."

TRX straps and ropes dangle from trees. Oversize tires and kettlebells litter the lawn. "The kids really like the slackline," he says, referring to a suspended length of flat, narrow webbing that people walk across. Mr. Rejlers often has friends and colleagues over for group workouts. He also has a gym at work. He often works out for an hour in the morning, again at lunch and sometimes at home before dinner.

Mr. Rejlers lives in the seaside town of Saltsjöbaden, near the world championship course, and swims daily. "Swimming in open water is crucial to finishing a swimrun," he says. "When you swim in a pool, you tend to breathe one way. In the ocean, you need to breathe on both sides to take into account the waves." He runs trails near his home, often carrying a pack filled with water and food similar to what he'd carry during the race. He and Mr. Norling train two to three times a month. In the summer he plays tennis and during the winter he competes in Nordic skiing races to keep up his cardio.

Peter Rejlers trains in the water with his daughter, Elin, outside their home in Saltsjöbaden, Sweden. They swim connected by a tether, above.

The Diet

"Oats porridge with banana, blueberries and strawberries keeps me full until noon, and I can order it at any breakfast meeting," he says. Lunch is often salad, sometimes topped with chicken, and steamed spinach or broccoli. "I rarely eat meat and try to keep the carbs down," he says. A banana is his go-to afternoon snack. Dinner is often Thai food, extra spicy, with one glass of red wine.

The Gear & Cost

Swimrun athletes compete in wetsuits and swim in their sneakers. Mr. Rejlers has a Blueseventy Reaction wetsuit (retail $500) and competes in Salomon S-Lab XA Amphib sneakers (retail $180), which are made of quick-drying mesh. "You don't want a cushioned shoe that will take on water," he says. He uses Head hand paddles, which make swimming more efficient (retail from $18 and $28) and wears Head Tiger LSR mirrored goggles (retail $27). A Swimrunners pull belt is designed to combine a belt, a pull buoy and an elastic cord and retails for around $160.

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EXHIBITION REVIEW

An Ode to the Little Queen of Mischief

KAY THOMPSON/COLLECTION OF HILARY KNIGHT (3)

BY EDWARD ROTHSTEIN

New York

Groucho Marx—who knew something about anarchic comedy—once said he was glad he was not Eloise's father, which is fine, because in Kay Thompson's classic "Eloise" (1955), with illustrations by Hilary Knight, no father is mentioned. Even the 30-year-old mother, who has a charge account at Bergdorf's, never appears, having zero interest in her 6-year-old daughter, whom she has deposited at the Plaza Hotel with an English nanny.

It isn't the most promising background for a heroine who has charmed readers for over 60 years, selling more than two million books. Nor does Eloise provide much of a behavioral model. She bangs on walls, harasses guests and staff, and boasts of being a nuisance. But she has immunity: Her mother, she tells us, knows the "Owner."

Yet, somehow, this spoiled, self-created, self-celebrating child works her charms. And now that she has taken over galleries of the New-York Historical Society in "Eloise at the Museum," under the guidance of curator Jane Bayard Curley—who first created the show for the Eric Carle Museum of Picture Book Art in Amherst, Mass.—we begin to understand this book's place in American culture.

Images of Eloise by Hilary Knight, clockwise from above: 'I have a dog that looks like a cat' (c. 1954); painting of 'Eloise' (1956); unused cover sketch (1954)

The designers have imported Mr. Knight's deft illustrative style. Old hotel phones here offer Bernadette Peters reciting excerpts from "Eloise" and lesser-known sequels—"Eloise in Paris" (1957), "Eloise at Christmastime" (1958) and "Eloise in Moscow" (1959). One gallery includes a life-size replica of the Plaza's elevator man worriedly looking as if a crew of Eloise wannabes is about to invade.

A reading area is stocked with Eloise books and others Mr. Knight illustrated, along with Eloisian artifacts: a one-eyed doll that she sawed in two and an empty bottle of gin. Mr. Knight's trial drawings of Eloise suggest her knowing smile and overactive imagination in a half-dozen pencil strokes. He was born in New York to equally talented parents: His mother, Katherine Sturges Knight, displays a "vibrant decorative sensibility"; his father, Clayton Knight, specialized in aviation art.

We see too, how close Eloise is to Ms. Thompson, who is called here "a multi-talented boundary pusher." A piano prodigy who performed with the St. Louis Symphony, she became mentor to Judy Garland, and was vocal coach to both Lena Horne and Frank Sinatra. She had five nose jobs and (not unjustly) still thought she looked like Basil Rathbone. In the early 1950s she was the highest paid cabaret singer around. She appeared in "Funny Face" (1957)—a clip is shown here.

Eloise was part of her personality. Through much of her own self-created life—she was born Catherine Fink to a Jewish pawnbroker in St. Louis in 1909—she regularly channeled the voice of that 6-year-old when she wanted to break down opposition. When "Eloise" was adapted for television in 1956, Ms. Thompson resented the child actress and insisted on being her dubbed-in voice—a grotesque arrangement ultimately discarded.

One attraction here is Mr. Knight's 1956 painting of Eloise, mounted at the Plaza Hotel until, in 1960, it vanished; it turned up two years later, in a dumpster and was restored for this show. Thompson's biographer, Sam Irvin, suggests it was all a stunt cooked up by Thompson, getting Eloise into the news as Dr. Seuss books and Barbie dolls were eclipsing her.

Thompson's petulance is as clear as her gifts. Mr. Knight was not permitted to re-create images until after Thompson's death in 1998. (She also pulled the three sequels out of circulation and never completed the fourth, published posthumously as "Eloise Takes a Bawth.") Such are Eloise's progenitors.

Ms. Thompson must have also been aware of at least one other: Ludwig Bemelmans's "Madeline" (1939), the subject of another show curated by Ms. Curley in 2014. Both books led to sequels; both inspired merchandising (this exhibition ends in a gift shop); and both celebrated girls who would never consent to walking in two straight lines, in rain or shine. Bemelmans, like Thompson, was also enticed by hotels—designing for the Waldorf-Astoria, creating murals for the Carlyle Hotel.

In writing "Madeline" a German-born American immigrant chose an Old World setting for his tales of iconoclastic mischief; in creating "Eloise," a St. Louis-born lower-class child, later an emigrant into the upper-class social world, gives us a French chateau-like setting also ripe for disruption. Eloise calls herself a "city child," but what we see is the American child rebelling against the Old World: self-created, self-governed—ready for encounters with cats in hats and Sendakian wild things. Eloise celebrates autonomy, now often given a feminist twist—one reason, perhaps, why Lena Dunham has Eloise tattooed on the small of her back.

Those who grew up with Eloise at large, or those who live in a world she helped shape, should—to use her favorite words—sklank, slomp, skitter, skibble and scurry to see this show.

Eloise at the Museum
New-York Historical Society, through Oct. 9

Mr. Rothstein is the Journal's Critic at Large.

FROM TOP: GETTY IMAGES; NEPENTHES

FASHION

Continued from page A11

far to the extreme. Among the looks that went over the top: Guys who like the post business-casual mix of tailored blazers with hoodies or track pants; dandies who wear Italian or Savile Row-inspired suits with artfully-folded pocket squares; sneakerheads; and fashion-trend daredevils early to adopt crazes like Adidas Yeezy Boost sneakers and ankle-baring trousers.

"I hope that we've got the machetes out and are hacking down a different path [for men to follow]", Mr. Welch said.

Andrew Gura, a 45-year-old filmmaker who lives in Silver Lake, Calif., is the type of customer Mssrs. Peskowitz and Welch are describing. He "bought really heavily into the shrunken preppy thing" that has been a trend for a few years but started going for a different look last year. He likes independent, artisanal stories like Magasin because they are "for people who have an inkling for something different. The creativity is what attracts me. A lot of the lines [they carry] are so unique and specialized." He now prides himself on not wearing "what everyone else has" and rarely shops at mainstream department stores, choosing Magasin, RTH and Mohawk General Store and select others instead.

Brendon Babenzien, the former design director at the popular Supreme streetwear brand, started his clothing label Noah in 2015 with the goal of getting more men to shop for better quality over trends. "People are taught to buy things based on a very surface level but a lot of the quality has gone away completely," he said. The Noah label supplies information to customers on everything from how garments are made to how much it costs to make and eschews trends.

To anyone outside fashion's bubble, Messrs. Welch and Peskowitz don't necessarily act or look like fashion oracles.

Josh Peskowitz, above, advocates eclectic looks. Left, a Needles brand jacket.

Both are self-deprecating. Mr. Welch is tall, gangly and bookish. He often wears a dark suit with a dark T-shirt and virtually never wears sneakers.

Mr. Peskowitz has a penchant for unstructured suits and sport coats, loose trousers, utilitarian wear and exotic shirts and jackets. That style has earned him admiration in the fashion world and made him catnip for street-style photographers, who surround him outside fashion shows. Men's fashion blogs have often referred to Mr. Peskowitz, as a menswear "gawd."

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SPORTS

NIC BOTHMA/EUROPEAN PRESSPHOTO AGENCY

Roger Federer has looked sharp.

TENNIS

The Big Four Find Groove at Wimbledon

BY JOSHUA ROBINSON

LONDON—It doesn't happen as often as it used to, but the Big Four of men's tennis is safely into the second week of a Grand Slam tournament. Roger Federer, Novak Djokovic, Rafa Nadal and Andy Murray, the top four seeds here, all cruised through the first three rounds of Wimbledon to raise the prospect of the first all-Big Four semifinals since 2012.

For fans in southwest London, the success of their favorite players—and the promise of future heavyweight clashes—has come at a price. It turned the first week of Wimbledon into a total snooze.

Djokovic, Federer, Nadal and Murray have only dropped one set between them in a combined 12 matches. Only Murray has spent longer than six hours on court—in total. And in one afternoon this past week, Djokovic and Federer played on Centre Court for just 82 minutes after their respective opponents retired with injury.

This, for instance, is what has passed for intrigue in the men's tournament: Federer had the sniffles this week. That made people vaguely curious, but he said on Saturday that he was feeling at least 50% better than he did on Friday. "I almost had more trouble with my cold than with my opponents," Federer added in French.

Federer's on-court efficiency so far has been daily vindication of his decision to skip the clay-court season to focus on grass following his success at the Australian Open.

Nadal has looked healthier than he has in years and is carrying the form he showed while winning his 10th French Open title. and Djokovic appears to have shaken whatever funk held him back at the first two Slams of the season.

Only Murray has given the home supporters slight cause for concern as a hip injury that bothered him in the buildup to Wimbledon seemed to limit his movement in his third-round victory over Fabio Fognini on Friday.

MARK MATCHO

FITNESS | By Jason Gay

How to Exercise on Vacation

For the past week or so I've been on a family "vacation"—I put vacation in quotes, because who really goes on vacation anymore? It's 2017, lazybones—nobody unplugs. I spent a half-hour this morning running around my in-laws' waterside idyll trying to locate Wi-Fi so I could file this column. When I finally got a strong enough signal to hit send, I celebrated as if I'd landed a lunar module.

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

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

Vacation exercise is an almost paradoxical concept. There was a time when exercise was one of those things, like the office, you took a vacation *from*—you slept in, stayed up late, ate the food you wanted, drank sugary drinks with umbrellas, even though you knew they'd give you a headache in the a.m. The most exercise you might get was carrying four chairs and a Styrofoam cooler across the beach. Or body-surfing. Your workout might be playing badminton for the one time every year you play badminton. Or mini golf. Regular golf! The perfect vacation exercise was 18 holes of meandering regular golf.

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

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

I could mock this, I really could. Fitness is another thing we've dragged on vacation with us, along with our emails and conference calls. This is likely the exact opposite of healthy. We probably should let our down time be genuine down time, and stop importing all of our anxieties along with us.

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

This is how I think vacation exercise can be done:

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

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

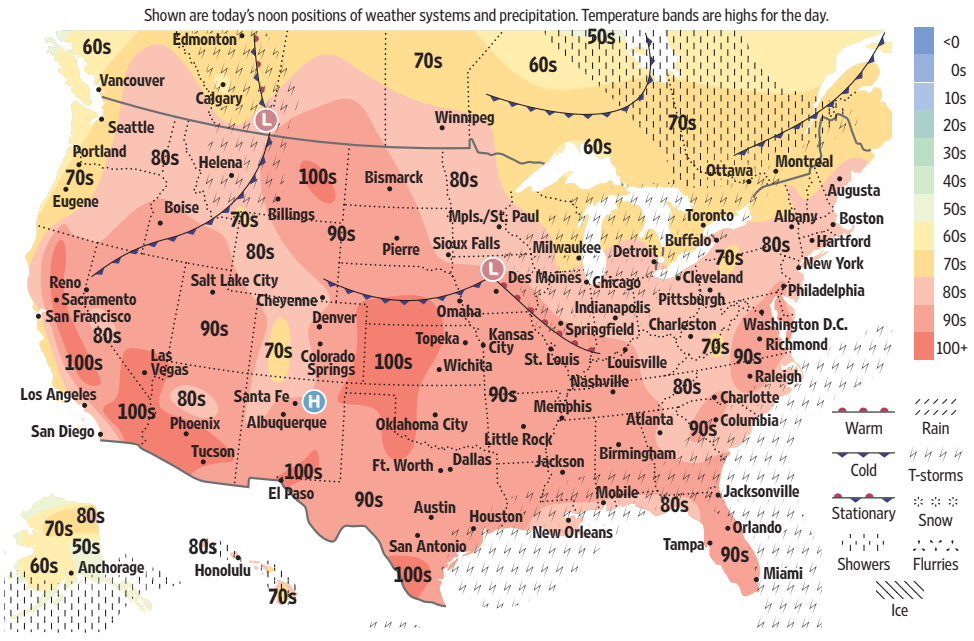
3. Sweat is sweat. You don't need any fancy sport or wicking clothes to get a vacation workout. My father-in-law, for example: he's old school. He's not the country club type. He's not going paddleboarding. He is, however, utterly content to spend a 90 degree vacation day with a pair of hedge clippers,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

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

Weather

AccuWeather.com

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



U.S. Forecasts

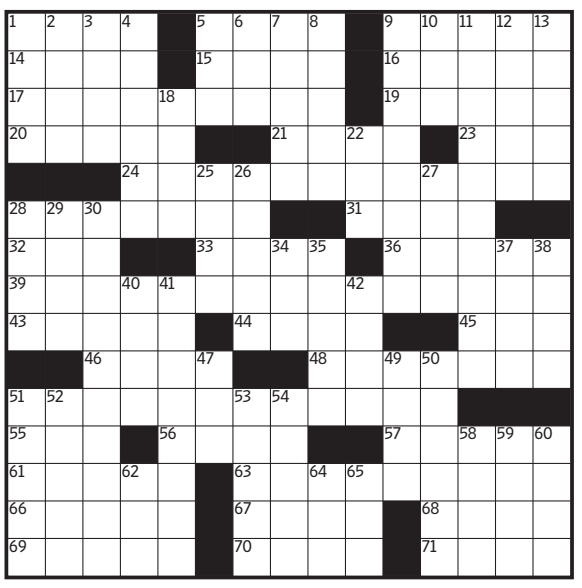
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Anchorage	63	50	c	64	55	c
Atlanta	89	72	pc	91	74	pc
Austin	99	75	pc	99	76	t
Baltimore	90	71	pc	96	73	s
Boise	95	63	s	91	63	s
Boston	87	69	s	87	69	c
Burlington	80	66	t	83	63	t
Charlotte	90	70	s	92	73	s
Chicago	84	67	t	85	70	t
Cleveland	83	70	t	83	68	t
Dallas	95	78	s	95	78	t
Denver	96	63	pc	94	64	pc
Detroit	81	70	t	85	67	pc
Honolulu	86	75	s	88	76	pc
Houston	95	76	t	93	77	t
Indianapolis	87	72	t	88	71	t
Kansas City	94	75	s	94	76	s
Las Vegas	106	87	pc	108	87	pc
Little Rock	93	71	pc	93	73	s
Los Angeles	88	68	s	84	67	pc
Miami	90	81	pc	91	79	pc
Milwaukee	79	65	t	78	68	pc
Minneapolis	85	66	pc	83	70	pc
Nashville	94	71	s	95	74	s
New Orleans	89	77	t	89	77	t
New York City	84	72	s	88	74	pc
Oklahoma City	96	73	s	96	73	s
Omaha	94	74	t	96	77	s
Orlando	90	73	t	90	72	t
Philadelphia	90	73	pc	94	76	t
Phoenix	107	89	pc	107	90	pc
Pittsburgh	81	70	t	83	69	t
Portland, Maine	83	63	pc	80	63	c
Portland, Ore.	76	53	pc	78	56	pc
Sacramento	96	59	s	92	57	s
St. Louis	98	79	pc	99	80	s
Salt Lake City	98	76	pc	98	73	pc
San Francisco	71	55	pc	71	56	pc
Santa Fe	92	62	t	91	63	t
Seattle	73	54	pc	74	55	pc
Sioux Falls	86	66	pc	89	68	pc
Wash., D.C.	92	76	s	97	78	pc

International

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	76	59	c	66	57	sh
Athens	94	77	s	95	76	s
Baghdad	120	88	s	117	87	s
Bangkok	92	78	c	93	78	t
Beijing	96	67	s	98	76	pc
Berlin	74	60	t	73	57	t
Brussels	74	57	t	66	56	sh
Buenos Aires	55	39	c	57	51	s
Dubai	110	94	pc	109	91	s
Dublin	63	50	c	63	48	c
Edinburgh	58	50	sh	60	47	c
Frankfurt	80	60	t	77	57	sh
Geneva	78	58	t	76	58	t
Havana	89	73	pc	89	73	pc
Hong Kong	90	81	t	89	81	sh
Istanbul	85	69	s	84	71	s
Jakarta	89	75	pc	90	76	t
Jerusalem	91	70	s	94	72	s
Johannesburg	70	43	s	70	42	s
London	77	58	t	70	57	t
Madrid	89	62	pc	92	64	s
Manila	91	78	t	92	78	t
Melbourne	59	44	sh	58	41	s
Mexico City	68	53	t	69	56	pc
Milan	88	67	t	86	68	t
Moscow	67	54	pc	74	57	s
Mumbai	87	81	r	88	80	r
Paris	72	57	t	73	61	pc
Rio de Janeiro	79	65	pc	79	65	s
Riyadh	112	87	s	114	88	s
Rome	86	68	s	87	68	s
San Juan	90	77	sh	88	78	sh
Seoul	82	75	r	86	74	pc
Shanghai	93	78	t	91	81	t
Singapore	87	76	c	87	78	c
Sydney	63	46	pc	63	51	pc
Taipei	92	79	c	93	80	t
Tokyo	87	77	pc	87	77	c
Toronto	77	66	t	82	59	t
Vancouver	70	55	pc	70	55	s
Warsaw	81	65	pc	77	60	pc
Zurich	80	59	t	74	58	t

The WSJ Daily Crossword | Edited by Mike Shenk



FLIP-FLOPS | By Ruth Bloomfield Margolin

Across

1 Target for an Apple Pencil
5 Tom yum goong cuisine
9 Fraught with danger
14 West African nation
15 Massages
16 ___ fell swoop
17 *Home of Brigham Young University
19 Drywall is attached to them
20 Like a cliff
21 Locomotive fuel
23 French denial
24 *Parental warning to squabbling twins
28 Lunch follower, for some youngsters
31 Big Apple's "Finest": Abbr.
32 Mar. follower
33 All over again
36 Love to pieces
39 *Rule on most freeways
43 Like ___ (probably)
44 11 for Na or 17 for Cl, for example
45 Dir. from Providence to Boston
46 Historic periods
48 Criticizes unfairly
51 *Classic name for a movie palace
55 Aussie bird
56 Extend across
57 Bartender's bowlful
61 "I can take ___!"
63 2015 Pixar film, or what the starred answers have in common
66 Christina of "Sleepy Hollow"
67 See 70-Across
68 In need of a massage
69 Back at sea?
70 Pride, greed, wrath, gluttony, envy, sloth and 67-Across
71 Pace for a pony

Down

1 Mischief-makers
2 Role to play
3 Burn soother
4 Sell off, as a holding
5 1989 play about Capote
6 Primitive dwelling
7 Early calculators
8 "___ the Sheriff" (Bob Marley song)
9 Double-crossing
10 Bank acct. earning
11 December 31 rituals
12 Fund, as a university chair
13 Kind of question that can be answered silently
18 ___-Free (contact lens solution brand)
22 Writer Rand
25 Sharif of "Doctor Zhivago"
26 W. Va. neighbor
27 Formal hairstyle
28 "Peter Pan" dog
29 Common blood type: Abbr.
30 Sunsweet product
34 Guinness Book suffix
35 Comedian Sykes
37 Nevada city
38 First family's home
40 Bull, in Barcelona
41 Home of the NCAA's Longhorns
42 Ill-mannered fellow
47 "The racer's edge" brand
49 Blend
50 Mass producer?
51 Chicago footballers
52 Cry from a paintball loser
53 Flags, as a taxi
54 Boredom
58 Othello, for example
59 Continental currency
60 "Leave in," to proofers
62 Big maker of ATMs
64 ID for the IRS
65 "___ been real!"

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

Previous Puzzle's Solution

The contest answer is NIGERIA. Each of the theme entries conceals a river backwards: AMSTEL, whose MOUTH (1-Across) is in the Netherlands, TIBER (Italy), ELBE (Germany), NILE (Egypt) and VOLGA (Russia). The first letters of those countries spell NIGER, a river whose mouth is in the contest answer country.

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OPINION

Why Bitcoin Is Booming

By John O. McGinnis
And Kyle W. Roche

Who says only the government can make money? This year the value of the private currency bitcoin has climbed to unprecedented levels, while at the same time becoming far less volatile than in previous periods of rapidly increasing demand. Bitcoin has reached these new benchmarks despite news that might have depressed its value, such as the Securities and Exchange Commission's rejection of a fund permitting small traders to invest in bitcoin on the stock market.

The SEC action prompted obituaries, but bitcoin is thriving. A prime reason is the distrust many citizens have in their government's currency. They want to use bitcoin as a hedge or an alternative mechanism of payment and transfer when government currency doesn't efficiently perform such basic functions. It's no surprise that millennials, many of whom understand the digital currency much better than their baby-boom forbears, are investing in bitcoin at far greater rates.

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

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

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

The innovation of bitcoin is creating a decentralized process to update the blockchain as new transactions in bitcoin occur. Anyone with internet access can attempt to update the blockchain by employing substantial computer power to solve a mathematical problem. The miner who succeeds in solving the problem gets the rights to add a block of recent transactions to the blockchain. In return for this work, the successful miner is paid in newly minted bitcoin, the number of which is fixed by a pre-existing algorithm. This process is repeated every 10 minutes or so, assuring an accurate record of all bitcoin transactions.

Bitcoin miners serve another important role. As with any currency, sometimes the rules governing bitcoin's operation need to be tweaked. With fiat, governments pass laws or issue administrative decrees. With bitcoin, new code is adopted when the community of miners reaches a consensus on the change.

Bitcoin miners sometimes disagree about how best to meet the demands of the market, as shown by a current dispute about the optimal size of each block. But the genius of bitcoin is that because miners are paid in bitcoin, their incentives are strongly aligned with bitcoin's value. Government officials, by contrast, might not face such strong incentives to maintain the value of their national currency. In developing nations, sometimes those interests include taking valuable property in exchange for an abuse of their power. In developed ones, job retention, promotion, and ideological perspectives can all distort official behavior. Money has been described as a social contract, but politicians charged with enforcing that contract often have incentives to advance their own interests or those of particular political factions at the expense of their legal duties.

Bitcoin's creation of order without centralized law is not unknown to society. Social norms often regulate behavior without the benefit of formal law. Rules of etiquette tell people how to behave at the table without causing offense. But while order without law is possible without software, software can improve its enforcement. One might ignore a social convention, but it is impossible to ignore the operation of an algorithm that tells the world whether you own a bitcoin.

To continue to flourish, bitcoin does not have to become a more stable store of value than the U.S. dollar. It can climb the rungs of respectability by prevailing over less trustworthy currencies. It is already gaining strength and stability by competing successfully against monetarily oppressive regimes and helping poor immigrants in the developed world remit money to their relatives back home. As bitcoin gains stability, it can become even more competitive because even the best fiat money is subject to political risks.

National and international crises will continue to fuel bitcoin's rise. The instability caused by problems with the euro, Brexit and the many Western democracies' growing ratio of debt to gross domestic product threatens the value of even established currencies. Bitcoin is likely to succeed so long as the value of other moneys rests on politics.

Mr. McGinnis is a law professor at Northwestern University. Mr. Roche is a lawyer at Boies Schiller & Flexner LLP.

Puerto Rico's Broken Promesa

AMERICAS
By Mary Anastasia O'Grady

Puerto Rico's government-owned electricity monopoly—known by the acronym Prepa—filed for bankruptcy protection July 2. It did so even though it had negotiated a restructuring agreement with creditors that would have saved $2.2 billion in debt service that could have been used to invest in modernizing the utility.

In a democratic, market economy that would be weird. But Puerto Rico is now run by a seven-member, unelected federal board under the Puerto Rico Oversight, Management and Economic Stability Act, or Promesa, passed by Congress last year. On June 27 that board unilaterally rejected the restructuring agreement, leading the company to declare bankruptcy.

The board's takedown of the Prepa deal is part of its wider drive to excuse Puerto Rico from tough negotiations with creditors and instead give creditors a crew cut. An adviser to the Ad Hoc Group of General Obligation Bondholders of Puerto Rico told me in April they were close to a deal with the commonwealth in which each side would make concessions. But the oversight board came in at the 11th hour to stop negotiations and imposed a fiscal plan that leaves minimal funds for debt service.

Behind these decisions is a belief that if the commonwealth can clear its balance sheets by giving creditors only a fraction of what they are owed, Puerto Rico's access to the capital markets will resume. Seriously.

Advocates of empowering this Washington junta say bondholders are getting what they deserve for buying the triple-tax-exempt debt even though the island's fiscal picture was deteriorating. Yet even before Promesa, bondholders were on schedule to take losses. The difference is that under the shelter of federal intervention, the rule of law has been politicized and creditors have been stripped of their rights. Bondholders are crying foul, but the real losers are Puerto Ricans.

Puerto Rico's constitution stipulates that general-obligation bondholders must be paid before San Juan uses its revenues for any other purpose. By leaving bondholders only the budgetary crumbs, the fiscal plan effectively green-lights the violation of the constitution. It also violates the Promesa requirement that the board approve a plan that "respect[s] the relative lawful priorities or lawful liens, as may be applicable, in the constitution, other laws or agreements . . ."

Promesa also recognized the Prepa restructuring by expressly exempting any "preexisting voluntary agreement." Yet the board ignored this constraint on its power when it dissolved the agreement last month, as Assured Guaranty has noted in a complaint filed in federal district court in Puerto Rico on June 26.

Four members of the oversight board now say they nixed the Prepa agreement because they have a plan to privatize the company and the restructuring deal would scare off investors.

Dinging creditors will not restore the island's access to capital markets.

In a June 23 op-ed in the Puerto Rican daily El Nuevo Día, Stephen Spencer, financial adviser to the Prepa Bondholders Group—whose members own some 40% of the company's bonds—rejected the claim that the restructuring would mean the company could not attract private capital.

Even if the board is right, it is hardly a justification to trample creditor rights or violate the Promesa law. Doing so increases legal uncertainty on the island and is unlikely to produce the desired result of faster growth through investment. Three years after Detroit declared bankruptcy, it is still not able to access the capital markets without the backing of the state of Michigan. Puerto Rico has no such backstop.

The quid pro quo for bankruptcy was supposed to be fiscal discipline. But that's not happening, according to Ojel Rodríguez, a research analyst for the San Juan think tank Fundación Libertad. In a March post co-authored with his colleague Andresen Blom, he said "the government has defined most of the budget as essential services, meaning that any serious restructuring of the island's finances amounts to basically reducing [debt service] . . . often directly in conflict with Promesa and the Puerto Rican Constitution." On Wednesday Mr. Rodríguez told me by email that rather than seriously cutting expenditures, the political class on the island is now "passing the buck to hard-pressed taxpayers."

In a June 13 letter to oversight board Chairman Jose B. Carrión III, Sen. Tom Cotton of Arkansas warned that the board's fiscal plan "creates a dangerous precedent that property and investor rights are open to interpretation in a fiscal crisis." Mr. Carrión responded in a June 22 letter that the plan is the best alternative. In a telephone call last week Mr. Cotton told me that he remains concerned about the board's treatment of the rule of law.

Bringing fiscal discipline to Puerto Rico will be politically costly. Stiff-arming creditors is more fun. But in an economy heavily dependent on access to capital markets, it's bound to produce more pain than gain.

Write to O'Grady@wsj.com.

This Letter Arrives With 'Post Age' Due

By Stephen Miller

In 2011 Jeff Madrick published "Age of Greed: The Triumph of Finance and the Decline of America, 1970 to the Present." This year, Pankaj Mishra published "Age of Anger: A History of the Present." I think the present age should instead be called the "Age of Post," because in recent years more and more writers have used words with "post" as a prefix to argue that there has been a dramatic change in the world's economic, religious and intellectual landscape.

Many "post-words" have been around for centuries, but in the past year post-words have become increasingly popular. Lawrence Summers writes in the Washington Post: "We may have our first post-rational president." A writer in the New Yorker worries that "tomorrow we'll be genetically engineering our way into a post-human future." A reviewer in the New York Review of Books asks: "In a world that is post-credal, post-religion, and post-socialism, in what should humanism be grounded?"

How can the writer speak of "post-socialism" while the popular senator Bernie Sanders continues to promote democratic socialism? And how can he speak of "post-religion" when church-state relations are continually debated in the U.S.? Moreover, in a recent issue of the New York Review of Books a China expert discusses "China's astounding religious revival," noting that Protestantism "is growing exponentially in China."

Would-be deep thinkers use a prefix for dramatic effect.

"Post-Christian" has recently become a popular word, thanks in part to Rod Dreher's best-seller "The Benedict Option: A Strategy for Christians in a Post-Christian Nation." However, although roughly 25% of Americans now say they have no religious affiliation, Christian worship remains a strong current in American life.

Last year, "post-truth" was selected by Oxford Dictionaries as the word of the year because its usage soared, spiking after Brexit and again after the American presidential election. The Oxford English Dictionary defines "post-truth" as "relating to or denoting circumstances in which objective facts are less influential in shaping public opinion than appeals to emotion and personal belief."

Is truth more forgotten now than it was in, say, the time of Samuel Johnson? In 1751 he wrote that "there are indeed, in the present corruption of mankind, many incitements to forsake truth." Many voices in the press are determined to persuade us that our era is unique. A reviewer in the Times Literary Supplement laments "a postmodern world where truth is considered passé," but who considers truth passé?

Writers who use the term "post-truth" go about their daily lives assuming that their spouses, doctors and accountants are telling the truth. And it's still the case that there are places in the world where journalists risk their lives to tell the truth. We don't live in anything approaching a post-truth world.

Post-words continue to proliferate because they signal to readers: "I'm a deep thinker." But that is rarely the case.

Mr. Miller's latest book is "Walking New York: Reflections of American Writers from Walt Whitman to Teju Cole."

BOOKSHELF | By John F. Ross

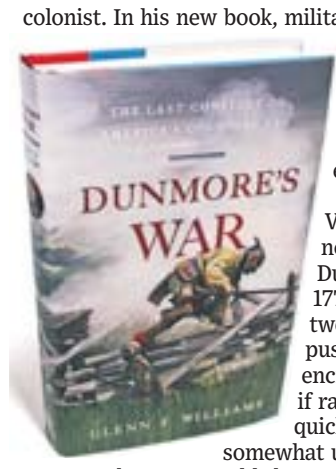
The End Of the Beginning

Dunmore's War

By Glenn F. Williams
(Westholme, 393 pages, $35)

Aside from the usually apocryphal stories of Pocahontas and the Pilgrims' first Thanksgiving, most Americans draw a blank about their country's colonial history before musket fire sounded at Lexington and Concord in 1775—a pity, for in the often violent intersection of Europeans and Native Americans lie dramatic, often harrowing, stories that remain critical to our understanding of how the fledgling American republic arose.

The 1763 Treaty of Paris, which ended the seven-year French and Indian War, may have concluded the struggle over North American hegemony between France and Britain, but it did not mean that the continent's other stakeholders—which is to say, mostly the Indians—were satisfied with the newly shaping world. A year after the Boston Tea Party and six months before Concord Bridge, Dunmore's War—the final conflict of the colonial era—broke out, pitting Indian against colonist. In his new book, military historian Glenn Williams argues convincingly that this war deserves close examination, even though it was over in five months and resulted in only one major engagement.



The war drew its name from Virginia's last colonial governor, John Murray, fourth Earl of Dunmore, who took office in 1771 as tensions mounted between the ever westward-pushing settlers and the encroached-upon tribes. A shrewd if rapacious Scot, Dunmore had quickly moved to strengthen his somewhat unsteady fortunes when he came to the New World the year before with an appointment as royal governor of New York, earning a 51,000-acre land grant on the shores of Lake Champlain. Now, as governor of Virginia, he cast his eyes west for himself and his colony to the Ohio Country, which Virginia legally claimed, largely through the deplorable 1768 Treaty of Fort Stanwix. Under the treaty, the Six Nations of New York—the Iroquois Confederacy—had ceded to the British crown great tracts of land along the Ohio River in southwestern Pennsylvania, West Virginia and Kentucky. Although the Six Nations had never occupied the Ohio Country, they claimed suzerainty over the Shawnee, who did. The enraged Shawnee did not assent to the treaty or receive any of the payment it stipulated, the richest purse ever bestowed upon the Indians by colonists.

In late 1773, when Daniel Boone led a contingent of would-be settlers into Kentucky, Shawnee warriors ambushed a small supply party, torturing and killing Boone's 17-year-old son. From there, violence escalated. The following year, Dunmore mobilized the Virginia militia, sending two columns totaling 2,500 men to destroy Shawnee villages. Vastly outnumbered, the Shawnee, led by Chief Cornstalk, decided to strike the southern column before the two militia forces could join together. At Point Pleasant, in modern-day West Virginia, where the Ohio and Kanawha rivers meet, the Shawnee inflicted significant casualties on the Virginians but in the end had to fall back. Fearful that the invaders would wipe out their villages, Cornstalk sued for peace, which came only when he surrendered virtually all his lands in the Treaty of Camp Charlotte.

Dunmore's War quieted the American frontier for the two critical years in which the colonies united to fight a national war for independence.

Mr. Williams, a historian at the U.S. Army Center of Military History, argues that the often-touted view of the war—land-ravenous Virginians pressing in upon innocent Shawnee seeking to protect their homeland—is simplistic: It does not acknowledge the part played by the Iroquois Confederation and the Cherokee, the struggle over Ohio lands between the Virginia and Pennsylvania colonies, and the intrigues of the British Indian Department. Yet he ventures too far—and against current scholarship—in the other direction by arguing that Dunmore's was not a war of aggression but rather a defensive war, sparked by unprovoked barbarian depredations but pursued through an offensive strategy. He considers that, by 1774, an Indian war in the Ohio Country had become "inevitable," a dangerous term for any historian. To him, Chief Cornstalk was set on war, although contemporary documents clearly show him to be a man of honor, moderation and peace, continually overriden by the rampant greed, distrust and violence of the frontier.

The peace treaty that Dunmore forced upon the Shawnee, Mr. Williams writes, "proved far less draconian than one would expect from an aggressor bent on land acquisition through conquest and genocidal extermination." While Dunmore indeed stopped the militia from burning down Shawnee towns, he had accomplished what the colony had wanted all along: ridding itself of the last major obstacle to settling the Ohio Country. Any provisions for punitive action written into the treaty, as Dunmore must have realized, would make Shawnee cooperation more difficult. For them, the peace was quite humiliating enough.

This is a soldier's history, strong when it comes to the business of war but a bit too simple when it comes to matters of the peace. Mr. Williams is at his best in campaign history, mining new primary source material about the organization, training, operations and tactics of the Virginia militia. He shows how its members effectively adapted conventional European tactics to the American woods, learning from Indian fighting techniques and past conflicts to evolve their own brand of bush fighting.

Dunmore's War sufficiently quieted the frontier for the two critical years in which the colonies passed from resistance on particular issues to fighting a united national war for republican independence. Dunmore himself would fight ineffectively for the British and would soon be loathed by the very men he had led into the Ohio Country, many of whom volunteered for service in the Continental Army. Chief Cornstalk would be murdered in cold blood in 1777 by American ruffians, his death doing much to drive the Shawnee to the British side. Just as the sun puts out the stars, the Revolutionary War would dim this last colonial struggle in American memory, but not to the Shawnee, who feel its effect to this day.

Mr. Ross is the author, most recently, of "Enduring Courage: Ace Pilot Eddie Rickenbacker and the Dawn of the Age of Speed."

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OPINION

REVIEW & OUTLOOK

Putin Is Not America's Friend

Rex Tillerson sounds like John Kerry on Russia and Syria.

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

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

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

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

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

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

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

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

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

California's One-Party State

Democrats try to rig a recall election to keep a supermajority.

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

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

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

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

Worried they could lose their supermajority, Democrats are rigging the recall rules. Turnout in special elections typically drops more for Democrats than Republicans. So Democrats last month passed legislation adding procedural hurdles that would delay the recall election from this fall to next June's midterm primary, when liberal turnout is expected to be higher.

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

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

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

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

New Evidence on School Vouchers

Some optimistic findings from Indiana and Louisiana.

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

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

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

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

These studies are important in rebutting what has been an especially aggressive campaign this year against vouchers by unions and liberal journalists. With President Trump and Education Secretary Betsy DeVos supporting school choice including vouchers, the campaign is on to discredit them with or without persuasive evidence.

Student improvement after the first two years at a new school is also consistent with common sense. Parents and teachers know that changing schools can be a big adjustment for children, and private schools typically have different cultural mores and teaching habits. Most parents don't look for private schools if their children are prospering in their current school.

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

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

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

LETTERS TO THE EDITOR

If It's Time for Paid Leave, Who Should Pay?

Ivanka Trump makes a good case for a federal family-leave policy ("Paid Family Leave Is a Good National Policy," Letters, July 5). However, she leaves out the negatives of this proposal. We already have failing programs like Social Security, Medicare, Medicaid, disability and others that are bankrupting our country and are full of waste and fraud. I am sure the CBO would score this type of proposal well, as progressives like this, and most certainly the benefits would be touted to save billions. But like every federal program, legislators will continue to add to the benefits and not fund the program correctly. Has the CBO ever been right beyond one year? Let's fix the programs we have before we add more burdens to taxpayers.

KEN NELSON
Chicago

Paid family leave is another reason jobs will leave this country. Employers will pay twice: first for the worker away on leave, then for his or her replacement. As most jobs today are knowledge based, it takes lots of training (time and money) to ramp up a supplemental worker. Will employers get time to do this? Will they be able to pass along this cost to whomever they serve? Why should this burden fall to an employer?

It isn't just wages that drive jobs overseas, it's the whole package of regulations, required benefits, burdensome reporting and government intrusion that causes employers to move jobs. This is another terrible idea for the competitiveness of America, and it will be lower-wage workers who will suffer most.

We are so far away from a world that once hired me to solve my employer's problems. Now it's a world where my employer exists to solve my problems. And you wonder why American jobs leave for overseas?

MICHAEL LE MONIER
Scottsdale, Ariz.

The proposal contained in President Trump's budget does not call for paid family leave, despite your editorial board and Ms. Trump using the term.

Paid family leave allows anyone time to care for a close family member, including an elderly parent or a sick spouse. The Bureau of Labor Statistics has made this clear.

Three U.S. states already have it: California, New Jersey and Rhode Island. New York will began a program in January. These programs also allow workers to use the leave to care for themselves in recovering from illness.

In the states, paid family leave operates as a self-sustaining insurance program. A tiny payroll deduction creates a large enough fund to provide workers with some paid leave when needed. The results are phenomenal, not just for families but for businesses as well.

An extensive examination in California found that the program has had a positive or at least neutral effect on profitability for 91% of companies, turnover for 93% and morale for 99%. More people are staying in the workforce, creating more goods and services. A researcher found similar positive results in New Jersey. Also, with paid family leave, fewer people are dependent on public assistance.

The solution is to take this insurance program and make it national. The proposal in President Trump's budget, however, is for parental leave only.

JOSH LEVS
Atlanta

I read Ivanka Trump's well-reasoned letter in support of paid family leave. Unfortunately, all government-supported or mandated benefits are initiated as a "targeted benefit to help the people who need it the most" and "with a reasonable time limit and benefit cap." Then these benefits are inevitably expanded beyond reason with little concern about cost.

KEVIN FLETCHER
Golden, Colo.

No matter how great mandated paid family leave may be, it clearly doesn't fit the enumerated powers under the Constitution. Republicans are at least supposed to pretend it still matters. A Republican is supposed to know that such mandates, if done at all, should be done at the state level. What would James Madison, Alexander Hamilton, John Jay and Thomas Jefferson say about all this?

RONALD S. REICH
Avon-by-the-Sea, N.J.

One Can't Run the Pentagon Like a Business

In "The Pentagon Should Deploy Against Waste" (Letters, June 27), Tom Broderick points out every federal agency except the Defense Department has been able to produce CFO-Act financial statements that have received unqualified opinions from financial-statement auditors. Has that made any difference in how those agencies (e.g., the VA, HHS, HUD, Education, the Small Business Administration, Interior, Treasury, etc.) operate?

It hasn't and the reason is obvious: Federal agencies run on budgets authorized and approved by Congress each year. They are not businesses in any way. And yet the CFO Act of 1990 (combined with the Government Management Reform Act of 1994) required every federal agency to begin producing private-sector-style financial statements (balance sheets and income statements) as if they were businesses. Federal agencies need to do good budgetary accounting, not private-sector-style financial accounting. And in this regard, DOD has a commendable record. Anti-Deficiency Act violations at DOD (obligations exceeding congressionally approved obligation authority) average less than three cents for every $100 in obligations each year.

The eight U.S. senators Mr. Broderick cites know this—or they should. The CFO-Act has done nothing to improve the operation of DOD or any other federal agency. It has, however, given many politicians in Congress, on both sides of the aisle, a convenient way to deflect the public's attention from the Congress's own massive failures in "management" of the federal fisc.

CHRISTOPHER HANKS
Milwaukee, Wis.

Shoot Down North Korean Test ICBMs in Boost Phase

Your editorial "The North Korean Missile Crisis" (July 5) suggests that we "consider" shooting down future North Korean test missiles. We need to shoot them down as soon as possible by any means necessary and unannounced until the first missile is destroyed. Let North Korea provide the test targets for a missile defense system. After the predictable complaints from China, Russia, Iran and anyone else, we'll tell them that we will have an operational missile-defense system and they won't. We intend to share it with Ukraine, Poland, Lithuania, Israel, the Philippines, Japan and anyone else threatened by you. A better option is to remove Kim Jong Un yourselves.

WILLIAM BOLES
Broomfield, Colo.

GETTY IMAGES

THAAD launcher ready for Kim Jong Un?

The Non-Minimal Problem: $15 Isn't the Real Number

Regarding Holman Jenkins's "Seattle Aims at McDonald's, Hits Workers" (Business World, July 1): At last, someone finally said it. It's the people who work at McDonald's today, not the "greedy corporation" nor our "unfair society," who limit pay because they aren't worth $15 in many cases. To earn $15 you must create a good bit more than $15 worth of value for your employer to cover the cost of Social Security, workers' comp, your training, business and property taxes, capital investment, rent, and any other benefits such as paid vacation. This isn't greed, it's a fact of survival for any business.

PAUL D. OECHSLIN
Huntington, N.Y.

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Pepper ... And Salt

THE WALL STREET JOURNAL

"Vegan? In my day we called that a gatherer."

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OPINION

The Terror Problem From Pakistan

By Rahmatullah Nabil
And Melissa Skorka

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

Haqqani's ties to Pakistan make political solutions essential. Islamabad has shown no sign it is genuinely willing to end its support of terror proxies and reconcile with the Kabul regime. Yet the success of the administration's recent decision to deepen U.S. involvement in the Afghan war will depend on whether Haqqani can be defeated, co-opted, or separated from the ISI, which for decades has relied on militant proxies to further Pakistani interests in Afghanistan.

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

Since 9/11, Haqqani has evolved from a relatively small, tribal-based jihadist network into one of the most influential terrorist organizations in South Asia. It is largely responsible for the violence in Kabul and the most notorious attacks against the coalition. It masterminded the 19-hour siege on the U.S. Embassy and NATO headquarters in 2011, and allegedly facilitated an assault on a U.S. Consulate near the Iran border in 2013 and a 2009 suicide bombing of a U.S. base in Khost province, which killed seven CIA operatives. The group also holds five American hostages in Pakistan. Since the 2013 death of Taliban leader Mullah Omar, Haqqani has become the only group with the cohesion, influence and geographic reach to provide Pakistan with "strategic depth"—a territorial buffer on its western border.

AGENCE FRANCE-PRESSE/GETTY IMAGE

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

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

Haqqani is a central element of the strategic challenge that faces the U.S. and its allies. The network's expanding operations in northern and southeastern Afghanistan, and especially in Kabul, over the past decade have enabled its Taliban affiliates to "control or contest" territory accounting for about one-third of the Afghan population, or nearly 10 million. That's a higher proportion of the population than Islamic State controlled in Syria and Iraq at the height of its power in 2014, according to CNN's Peter Bergen. The militants' wide reach makes it hard for NATO forces to build enduring partnerships with Afghan civilians.

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

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

The U.S. should also press Pakistan to stop providing sanctuary to terrorists. That would require Washington to consider publicly exposing the extent to which officials at the highest levels of the Pakistan military and ISI support terror. Such moves against an ostensible ally would be unusual and would require advanced measures to protect intelligence sources and methods. But the U.S. has tolerated Pakistan's duplicity for 16 years, and it hasn't worked.

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

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

Mr. Nabil served as the head of Afghanistan's national directorate of security from 2010-12 and 2013-15. Ms. Skorka served as a strategic adviser to the commander of International Security Assistance Force in Afghanistan from 2011-14 and is a research associate at Oxford's Changing Character of War Centre.

New Bailouts Prove 'Too Big to Fail' Is Alive and Well

By Neel Kashkari

Three strikeouts in four at bats would be barely acceptable in baseball. For a policy designed to prevent taxpayer bailouts, it's an undeniable defeat. In the past few weeks, four European bank failures have demonstrated that a signature feature of the postcrisis regulatory regime simply cannot protect the public. There's no need for more evidence: "bail-in debt" doesn't prevent bailouts. It's time to admit this and move to a simpler solution that will work: more common equity.

Bail-in debt was envisioned as an elegant solution to the "too big to fail" problem. When a bank ran into trouble, regulators could trigger a conversion of debt to equity. Bondholders would take the losses. The firm would be recapitalized. Taxpayers would be spared.

The idea, adopted both in the U.S. and Europe following the 2008 financial crisis, has its share of supporters, including JPMorgan Chase CEO James Dimon. "Essentially, too big to fail has been solved," Mr. Dimon insisted in a shareholder letter earlier this year. "Taxpayers will not pay if a bank fails." Wall Street also prefers this debt funding rather than equity because it is better for bank share prices. In theory, taxpayers and stockholders both win.

The problem is that it rarely works this way in real life. On June 1, the Italian government and European Union agreed to bail out Banca Monte dei Paschi di Siena with a €6.6 billion infusion, while protecting some bondholders who should have taken losses. Then on June 24, Italy decided to use public funds to protect bondholders of two more banks, Banca Popolare di Vicenza and Veneto Banca, with up to €17 billion of capital and guarantees. The one recent case in which taxpayers were spared was in Spain, when Banco Popular failed on June 6.

Regulators keep insisting bondholders will take losses, but then they're reluctant to impose them.

The largest of these four banks was less than one-tenth the size of $2.5 trillion JPMorgan. Think about that: If bail-in debt couldn't protect taxpayers from a midsize bank failure when the global economy is stable, what are the odds it will work if a Wall Street giant runs into trouble when the economy looks shaky? Or how about when several giants are in trouble at the same time, as in 2008? Don't hold your breath.

Why are governments so reluctant to force losses on bondholders? Sometimes they fear financial contagion. The argument holds water in the case of too-big-to-fail banks: If creditors at one large institution face losses, creditors at others may fear the same and try to pull their funding. Once the dominoes start falling, they are very hard to stop. This is why the Federal Reserve and the Treasury Department, with the support of Congress through the Troubled Asset Relief Program, intervened so dramatically to arrest the 2008 crisis.

When systemic risk isn't an issue, governments may worry that bondholders are politically important constituents. In the recent Italian examples, the banks weren't considered too big to fail, but the bondholders were retail investors. Regulators claimed that this was a unique circumstance, but there always seem to be unique circumstances when bailouts are concerned. What will happen if an important pension fund faces losses?

This is one more reminder that only equity can be counted on to protect taxpayers—and it needs to be raised in advance of economic distress. Although capital standards for America's largest banks are higher now than before the last crisis, they are not nearly high enough. The odds of a bailout in the next century are still nearly 70%.

Large banks need to be able to withstand losses of around 20%, according to a 2015 analysis by the Federal Reserve. But they have only about half that amount in equity because regulators have generously assumed bondholders would take losses. Italy demonstrates that this is wishful thinking. Too big to fail is alive and well, and taxpayers are on the hook.

There is bipartisan support for fixing the problem, but it will require forcing large banks to raise much more equity. They won't do it on their own, because their stock prices benefit when the public takes the risk. Indeed, banks are now moving in the wrong direction by increasing their dividends and stock buybacks. As a country, we must decide what's more important: protecting taxpayers or bank investors.

Mr. Kashkari is president of the Federal Reserve Bank of Minneapolis and a member of the Federal Open Market Committee.

Mineral Rights Can Make You Rich

By Merrill Matthews

One often-overlooked benefit of the U.S. energy boom: The federal government receives billions of dollars in royalties annually. Thanks to property rights, so do millions of Americans. Over the past decade, for example, Cabot Oil & Gas Corp. has dished out $1 billion in royalties and $500 million in signing bonuses to Pennsylvania landowners in Susquehanna and Wyoming counties.

In fiscal 2016, Washington collected $3.9 billion in royalties from oil and gas production on federal land and offshore—and that's down from $6.6 billion in 2015, according to a new report from the Government Accountability Office. Lower energy prices contributed to the decline, but so did the Obama administration's roadblocks on drilling-permit applications.

The Congressional Research Service reports that federal lands produced 1.57 million barrels of crude oil a day in 2008. By 2015 that had risen 25% to 1.955 million. But over the same period production on nonfederal land more than doubled from 3.467 million barrels a day to 7.46 million.

The contrast was starker for natural gas. Federal lands produced 6,471 billion cubic feet in 2008, but that number shrank to 4,594 billion by 2015. Over the same period production on nonfederal lands grew from 14,523 billion cubic feet to 24,143 billion.

The difference is even more pronounced when you realize that the royalty rate is typically much higher on state and private land. Oil and gas producers are required to pay 12.5% to drill on federal land. Royalties on state land are usually in the range of 16% to 18%. In Texas, the largest producer, the typical rate is 25%. Royalties on private land often reflect the state rate.

Why would producers flock to state or private land rather than cheaper federal land? Because time is money. The Bureau of Land Management took an average of 307 days in 2011 to process applications for drilling permits. States can give approval within a few months.

The National Association of Royalty Owners, a trade group, estimates that eight million to 12 million people receive royalties from oil and gas production nationwide. A 2013 study by Timothy Fitzgerald and Randal Rucker, economists at Montana State University, estimated that in 2012 private owners earned some $22 billion in royalties. Production on private lands has since increased significantly.

Mr. Fitzgerald and others estimated later that six major shale plays generated $39 billion in private royalties in 2014. Some will receive a small fortune, while others—me included, thanks to my grandfather, who left me some mineral rights—may earn enough for a dinner date every few months.

But there's hope for more. "So much of our land was closed to development," President Trump observed in a recent energy speech. "We're opening it up." If he makes good on that promise, it will give the economy a major boost, along with millions of royalty owners.

Mr. Matthews is a resident scholar with the Institute for Policy Innovation in Dallas.

How Antitrust Undermines Press Freedom

By David Chavern

Whenever President Trump attacks CNN or berates the Washington Post, journalists and free-speech advocates rise up to defend the media and the First Amendment. Meanwhile, a greater threat to America's news industry looms mostly unnoticed: Google and Facebook's duopolistic dominance of online advertising, which could do far more damage to the free press than anything the president posts on Twitter.

The rapid growth of digital connectivity has pushed demand for information to unprecedented heights. Never in history have so many people consumed so much news. This is a boon for democracy. Although reporting is often an irritant to those in power, high-quality news and analysis is essential to any political system that depends on giving citizens the facts so they can draw their own conclusions.

Facebook and Google dominate online ads, and news companies can't join forces to compete.

The problem is that today's internet distribution systems distort the flow of economic value derived from good reporting. Google and Facebook dominate web traffic and online ad income. Together, they account for more than 70% of the $73 billion spent each year on digital advertising, and they eat up most of the growth. Nearly 80% of all online referral traffic comes from Google and Facebook. This is an immensely profitable business. The net income of Google's parent company, Alphabet, was $19 billion last year. Facebook's was $10 billion.

But the two digital giants don't employ reporters: They don't dig through public records to uncover corruption, send correspondents into war zones, or attend last night's game to get the highlights. They expect an economically squeezed news industry to do that costly work for them.

The only way publishers can address this inexorable threat is by banding together. If they open a unified front to negotiate with Google and Facebook—pushing for stronger intellectual-property protections, better support for subscription models and a fair share of revenue and data—they could build a more sustainable future for the news business.

But antitrust laws make such coordination perilous. These laws, intended to prevent monopolies, are having the unintended effect of preserving and protecting Google and Facebook's dominant position. The digital giants benefit from legal precedent against collective action that has a chilling effect on publishers. Yet each newspaper or magazine on its own has only limited negotiating power.

Antitrust enforcers have declined to address Google and Facebook's growing dominance, enabling the digital giants to roll up the information economy. The Federal Trade Commission and the Justice Department let Google take over the online ad industry by buying Doubleclick, AdMob and AdMeld, as well as mapping competitor Waze. Regulators allowed Facebook to acquire two direct competitors, Instagram and WhatsApp.

The News Media Alliance, which represents digital and print publishers (including Dow Jones, publisher of The Wall Street Journal), is proposing a solution: a new law granting a limited safe harbor under antitrust for publishers to negotiate collectively with dominant online platforms. This would grant media organizations the flexibility to expand innovative digital models of news distribution, while also giving them more ways to sustain high-quality journalism.

A safe harbor would be less necessary if U.S. antitrust enforcers opted to apply the existing laws. European regulators already have begun to act, slapping Google with a $2.7 billion fine for violations of fair competition. So far, however, their counterparts in Washington have largely watched from the sidelines.

The unique role news media continue to play in American politics and history makes it crucial to ensure a fairer fight for revenue between news publishers and these massive information gateways. Today, antitrust laws are insulating Google and Facebook from market forces. News publishers are committed to unleashing those forces to defend their investments in great journalism.

Mr. Chavern is president and chief executive of the News Media Alliance, a trade association representing approximately 2,000 newspapers in the U.S. and Canada.

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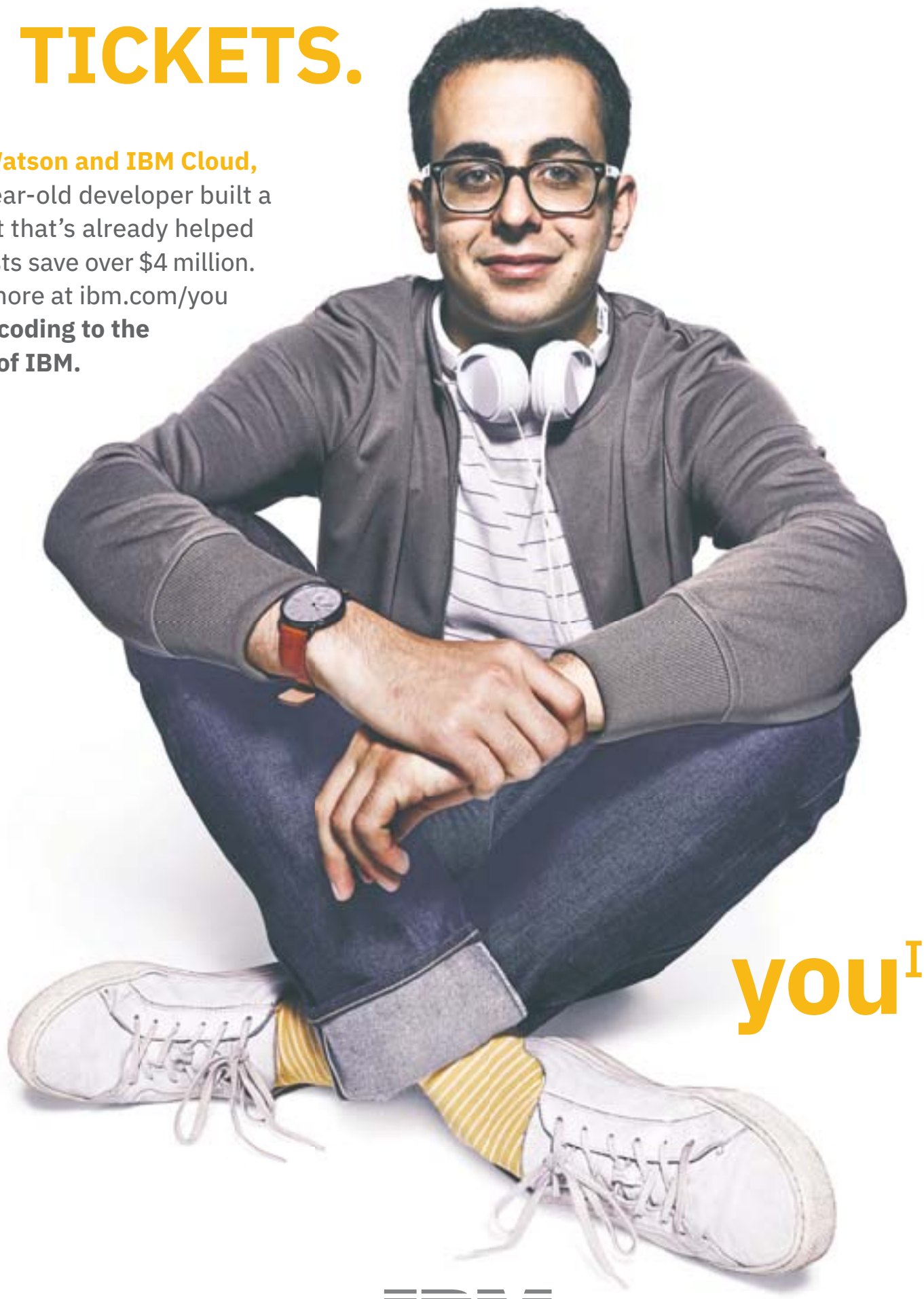

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TECHNOLOGY: WHY YOUR PHONE WILL BE THE KEY TO FUTURE ATMS B4

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Tesla Grinds to Halt in Hong Kong

By Tim Higgins
And Charles Rollet

Tesla Inc.'s sales in Hong Kong came to a standstill after authorities slashed a tax break for electric vehicles on April 1, demonstrating how sensitive the company's performance can be to government incentive programs.

Not a single newly purchased Tesla model was registered in Hong Kong in April, according to official data from the territory's Transportation Department analyzed by The Wall Street Journal.

In March, shortly after the tax change was announced and ahead of the April 1 deadline, 2,939 Tesla vehicles were registered there—almost twice as many as in the last six months of 2016.

The end of the tax exemption "has really put the brakes on electric-vehicle adoption in Hong Kong," said Mark Webb-Johnson, a founder of Charged Hong Kong, a group that promotes electric vehicles.

As a result of the new policy, the cost of a basic Tesla Model S four-door car in Hong Kong has effectively risen to around $130,000 from less than $75,000.

Hong Kong's decision is effective through March 2018, and the government has said it would review the policy before then.

Tesla doesn't break out vehicle sales by country or region and declined to discuss specifics in Hong Kong. But it acknowledged in a statement a slowdown, calling it "expected" after the tax change and a "short-term" challenge.

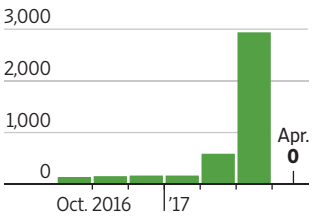
"Tesla welcomes government policies that support our mission and make it easier for more people to buy electric vehicles; however, our business does not rely on it," Tesla said. The company said its sales in China, where it faces large tariffs, has risen without government incentives.

Tesla last week said it sold more than 22,000 cars world-

Please see TESLA page B2

Incentives Matter

Tesla new-car registrations in Hong Kong



Source: Hong Kong Transportation Department
THE WALL STREET JOURNAL.

Cosco To Acquire Shipping Competitor

By Costas Paris
and Joanne Chiu

Cosco Shipping Holdings Co., China's biggest shipping company, agreed to buy smaller rival **Orient Overseas (International)** Ltd. for $6.3 billion, establishing an Asian container giant at the same time that the industry struggles to emerge from a multi-year down cycle.

The move would see a half dozen supercarriers, grouped into three alliances, move about three-quarters of all seaborne trade after a wave of consolidation among the world's top 20 carriers over the past year.

The Chinese conglomerate joined **Shanghai International Port (Group)** Co., one of the world's biggest port operators, to buy a combined 68.7% stake from Orient Overseas's controlling shareholder, the companies said Sunday.

The offer price of 78.67 Hong Kong dollars (US$10.07) per share is a 31% premium over Orient Overseas's Friday closing price. The deal will have to be approved by global regulators, which is expected in the next six to eight months.

The Wall Street Journal reported the deal on Saturday.

Orient Overseas is controlled by the family of former Hong Kong Chief Executive Tung Chee-Hwa. The two sides had been in talks for months but were stuck over the price.

Cosco hasn't hidden its ambition to become one of the world's dominant carriers. The deal would make it the third-biggest container operator in terms of capacity, behind Denmark's **Maersk Line** and Switzerland-based **Mediterranean Shipping** Co. It would also create the second-biggest mover of U.S. imports, with a 10.8% market share, and the third-largest in terms of exports, with an 8.5% share, according to the Journal of Commerce.

"With the acquisition, Cosco effectively doubles its share in the U.S. market, which puts it at par with the other big players," said Basil Karatzas, the chief executive of New York-based Karatzas Marine Advisors & Co.

Cosco said it offered to buy the remaining shares from Orient Overseas' minority shareholders at the same offer price, though it plans to keep Orient Overseas' listing status and branding after the deal.

Shanghai International Port will own a 9.9% stake.

U.S. Offshore Wind Farms Face Headwinds From High Costs, Logistical Troubles

SCOTT EISEN/GETTY IMAGES

BLOWN OUT: The first offshore wind installation in the U.S., a $300 million project off Rhode Island, began turning six months ago. But nearly two decades after wind farms emerged in Europe's North Sea, they remain a relative rarity here. One reason: No companies here build turbine towers big enough for use in deep water. B6

Apple Loses Ground in the Digital-Movie Battle

By Ben Fritz
And Tripp Mickle

Apple Inc.'s iTunes Store—already struggling against rising competition for music listeners—is losing the battle for video viewers as well.

The company's market share for renting and selling movies has been falling for several years, tumbling to between 20% and 35% from well over 50% as recently as 2012, according to people with knowledge of the matter.

No third parties track market share in the digital-movie business, making exact figures impossible to obtain. Different Hollywood studios do different amounts of business with Apple, but several of them report a marked decline in iTunes' leadership position.

An Apple spokeswoman, who didn't dispute the market-share estimates, said Apple is focused on providing customers with video content across subscription services such as **Netflix** and HBO, as well as iTunes, where she said movie purchases and rentals have increased over the past year and hit their highest level in more than a decade.

Apple's growth appears to be a consequence of overall industry increases, despite its market-share losses. Last year, total U.S. digital-movie sales and rentals rose a combined 12% to $5.3 billion in the U.S., according to **PricewaterhouseCoopers**.

Apple's challenges in video come as the company looks to double by 2020 its $24 billion services business, which includes App Store sales, Apple Pay and Apple Music. iTunes, where Apple sells and rents films, has served as the foundation of that services business since 2003 when it made its debut as a digital store for music downloads before expanding to include TV shows and movies. Services, the company's second-largest business, have taken on increasing importance as Apple seeks to reduce its dependency on the iPhone, which accounts for two-thirds of annual sales.

iTunes video, music, book and magazine sales last year accounted for an estimated $4.1 billion in revenue, making it the second-largest services business behind App Store sales, which were nearly twice as large, according to estimates by Bernstein Research.

Apple's iTunes has faced a host of competitors in recent years in the market for renting and buying new movies online, which typically cost about $6 and $15 each, respectively.

One that has had a big impact is **Amazon.com** Inc., which in addition to its Prime subscription service rents and

Please see ITUNES page B2

KEYWORDS | By Christopher Mims

Career of the Future: Robot Psychologist

Artificial-intelligence engineers have a problem: They often don't know what their creations are thinking.

As artificial intelligence grows in complexity and prevalence, it also grows more powerful. AI already has factored into decisions about who goes to jail and who receives a loan.

Defining AI is slippery and growing more so, as startups slather the buzzword over whatever they are doing. It is generally accepted as any attempt to ape human intelligence and abilities.

One subset that has taken off is neural networks, systems that "learn" as humans do through training, turning experience into networks of simulated neurons. The result isn't code, but an unreadable, tangled mass of millions—in some cases billions—of artificial neurons, which explains why those who create modern AIs can be befuddled as to how they solve tasks.

Most researchers agree the challenge of understanding AI is pressing. If we don't know how an artificial mind works, how can we ascertain its biases or predict its mistakes?

We won't know in advance if an AI is racist, or what unexpected thought patterns it might have that would make it crash an autonomous vehicle. We might not know about an AI's biases until long after it has made countless decisions. It's important to know when an AI will fail or behave unexpectedly.

"A big problem is people treat AI or machine learning as being very neutral," said Tracy Chou, a software engineer who worked with machine learning at Pinterest Inc. "And a lot of that is people not understanding that it's humans who design

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INSIDE

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BUSINESS & FINANCE

DAVID PAUL MORRIS/BLOOMBERG

The company amassed over $17 billion in debt by scooping up networks from Verizon, AT&T. A Frontier phone booth in Nevada in 2012.

Frontier's Big Bets on Landlines Falter

Debt payments loom as customers depart; shares have tumbled 69% so far this year

By Drew FitzGerald

THE WEEK AHEAD

Frontier Communications Corp.'s big bets on landlines are unraveling.

The once-small phone company amassed more than $17 billion in debt by scooping up networks across the country from **Verizon Communications** Inc. and **AT&T** Inc. It was a contrarian strategy that Frontier could generate steady revenue from residential internet and video services even as wireless use exploded.

Instead, Frontier has been losing customers and scrambling to cover looming debt payments. The Norwalk, Conn., company recently slashed its dividend, and its shares have tumbled 69% so far this year. It plans a 1-for-15 reverse stock split on Monday, a move designed to keep its Nasdaq listing.

Frontier's troubles multiplied in spring 2016 after it closed a $10.5 billion deal for phone and internet lines from Verizon. The move nearly doubled Frontier's revenue and gave it millions of new customers in California, Texas and Florida. They included 1.6 million subscribers on Fios, a fiber-optic service that appeared lucrative but hid some snags below the surface.

"This last acquisition was largely about acquiring fiber," a strategy the company still supports, Frontier finance chief Perley McBride said. "It's just integration that didn't go well. When you double in size and you don't do it well, it's sort of up front and center."

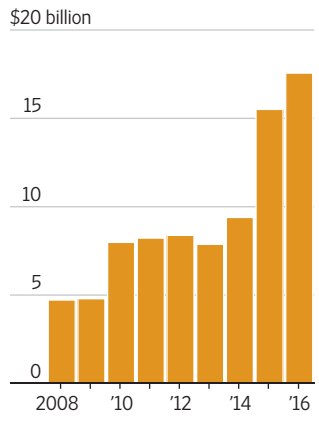
Mr. McBride said he doesn't expect revenue growth anytime soon from the consumer markets acquired from Verizon last year. That is a reversal from the forecast of his predecessor, John Jureller, who in 2015 called the revenue trends "very positive."

Revenue has instead declined companywide for the past year. Frontier's 2016 loss widened to $373 million from $196 million a year earlier. The company plans to devote at least $1 billion this year on capital spending to keep its network humming.

"Cable companies are beating the pants off Frontier," said Jonathan Chaplin, an analyst for New Street Research, noting that companies such as Charter Communications Inc. have invested more heavily in marketing, network equipment and customer service in the past three years.

Trying to Connect

Frontier has amassed debt to pay for network acquisitions.



Source: S&P Capital IQ
THE WALL STREET JOURNAL.

The stiffened competition came just as Frontier faced pressure to cut costs, partly so it could pay for the networks it bought. The result was a series of network failures and complaints about customer service.

Compounding that challenge, Frontier said Verizon stopped writing off overdue accounts before the deal closed, saddling the acquirer with thousands of subscribers unlikely to pay their outstanding bills.

"Verizon is notorious for being very good sellers of assets," said Moody's Investors Service analyst Mark Stodden. The bond-rating firm recently downgraded Frontier's credit to B2, five steps below investment grade, citing "sharp subscriber losses" since the latest acquisition.

Verizon spokesman Bob Varettoni said the company's "objective was to concentrate landline operations in contiguous northeast markets to enhance operational efficiency, and to sharpen our strategic focus on wireless."

Verizon wasn't an unfamiliar business partner to Frontier, which paid $8.6 billion in 2010 to acquire the wireless carrier's landlines in 14 states.

Frontier's profits were barely growing in the years leading up to its latest deal, but its performance took a turn for the worse after the deal closed. It was the Fios business that undershot executives' rosy expectations the most as cancellations climbed.

Frontier's executives say the business is trending in the right direction. Customer losses, excluding canceled past-due accounts, have eased. New managers include a former executive of **Alphabet** Inc.'s Google Fiber hired to improve network performance.

REX SHUTTERSTOCK/ZUMA PRESS

Apple is moving into original programming and recently released its first program, 'Planet of the Apps.' A June premiere event.

ITUNES

Continued from the prior page

sells movies on a "transactional" basis. Its market share in that business has recently risen to around 20%, studio executives who are involved in home-entertainment sales say, as it has been highlighting its entertainment offerings.

Another is **Comcast** Corp., the nation's largest cable provider by subscribers, which has long rented movies on its set-top boxes and in late 2013 began selling digital copies as well. It now has about 15% of the combined market, according to people involved in digital movie sales.

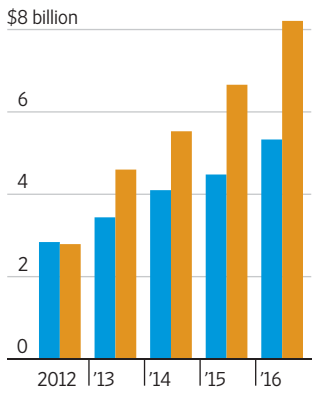
"Comcast and Amazon have been quite aggressive of late and taken quite a lot of the business," said Dennis Maguire, a former president of home entertainment for **Viacom** Inc.'s Paramount Pictures.

In addition to steeper competition, Apple faces broader changes in the movie rental and sales market as consumers increasingly watch movies and TV shows offered through streaming-subscription services from Amazon, Netflix Inc. and others. Their popularity is a big reason why video-on-demand movie rental revenue in the U.S. declined 4% to $1.8 billion last year, the first year it has dropped in recent memory, according to PricewaterhouseCoopers. Digital movie purchase revenue grew 21% to $3.5 billion, compared with a 29% increase the prior year.

"That's a challenge for the whole industry," said Bruce Leichtman, president of Leichtman Research Group, which analyzes the media industry.

Rising Competition

Subscription services are overtaking video-on-demand rentals and movie purchases.



Source: PricewaterhouseCoopers
THE WALL STREET JOURNAL.

Apple's market share declines are independent from the broader slowdown in the business, but both affect the company.

The transition mirrors what happened to iTunes' music business after **Spotify** AB began offering a subscription service in 2011. Just as Apple responded by launching a $10 music-streaming service in 2015, it is moving to beef up its video offerings in a subscription service. To help make such a service more appealing, Apple recently hired the former chiefs of television for **Sony Pictures Entertainment** to spearhead a move into original video and has released its first program, "Planet of the Apps," which is available along with some other video content to Apple Music subscribers.

TESLA

Continued from the prior page

wide—either Model S sedans or Model X sport-utility vehicles—in the second quarter, up 53% from a year earlier but short of analyst estimates and the 25,000 it sold in the first three months of 2017. The company said a battery-pack production shortfall affected deliveries.

Tesla's stock dropped sharply in the wake of last week's results, which fueled concerns among analysts and investors that demand for Tesla's current two models is weakening ahead of the launch of the Model 3, a $35,000 sedan. Chief Executive Elon Musk said on Twitter over the weekend that production of the Model 3 had started.

Buyers of Teslas and other electric vehicles in many markets benefit from government incentives. Tesla notes on its website that U.S. purchasers are eligible for a $7,500 federal income-tax credit, plus additional incentives in some states.

Norway has exempted electric vehicles from a range of charges, including import taxes, a 25% value-added tax and the purchase taxes that apply to gas-powered vehicles, according to Tesla. Those policies have helped make Norway, with a population of around 5 million, one of Tesla's biggest markets, ranking second in revenue in 2015 and third last year after the U.S. and China, according to the company.

Incentives vary elsewhere in Europe. Germany exempts electric vehicles from circulation taxes for a decade, while the U.K. exempts such vehicles from an annual circulation tax and full electric cars are exempt from a company car tax, according to the European Automobile Manufacturers' Association.

Tesla warns investors in securities filings that such incentives can change and says that "could have some impact on demand for our products and services."

Last year in Denmark, an incentive program expired and was replaced with a less generous one. New car-registrations for all-electric vehicles of all brands fell 70% in 2016 in the country to 1,373 vehicles, while across the European Union the number grew by 7% to 63,278 vehicles. In the first quarter of this year, only 48 all-electric vehicles were registered in Denmark.

The incentive policies can be controversial. During the Obama administration, Tesla received loans to encourage electric-vehicle development. Though it ultimately paid them back, critics have cited that assistance in arguing Tesla unfairly benefited from U.S. government help.

Mr. Musk has rejected such contentions, saying during an analyst call in May the notion that his company has survived because of government subsidies and tax credits "drives me crazy." Tesla says on balance, industry incentive structures still benefit traditional, combustion-engine vehicles.

Hong Kong, though relatively small, is a significant outpost of luxury-car buyers and trend setters. Its government had long waived its vehicle-registration tax for newly purchased electric automobiles, adding to the attractiveness of Tesla's cars.

The cost of one Tesla vehicle in Hong Kong rose to $130,000 from less than $75,000.

The Hong Kong registrations data don't show actual sales figures but are a close proxy because new cars in Hong Kong must be registered to be driven.

In May, only five privately owned electric vehicles were registered, according to documents provided to district council members and viewed by the Journal.

The reversal in Hong Kong comes as Tesla is planning to expand in mainland China, the world's largest new-car market.

Dave Sullivan, an analyst for the consulting firm AutoPacific Inc., said the Hong Kong decline could foreshadow challenges for Tesla as a luxury brand in China.

"Hong Kong is the fashionable China," he said. "It's not exactly painting a glowing picture for the future of Tesla in China."

What financing rate is your broker charging you?

US Margin Loan Rates Comparison $300k

Interactive Brokers	2.41%[1]
Schwab	6.82%
Fidelity	6.82%
TD Ameritrade	7.25%
E*TRADE	7.75%
Scottrade	6.25%
Vanguard	6.00%

Competitor firm information is for margin loan rates obtained from their respective websites as of 6/22/17.
Competitor rates and offers subject to change without notice.

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Interactive Brokers Rated Low Cost by Barron's 16 years in a row*

Trading on margin is only for sophisticated investors with high risk tolerance. You may lose more than your initial investment.

Member - NYSE, FINRA, SIPC, NFA – Supporting documentation for any claims and statistical information will be provided upon request. Services vary by firm. *Low Cost Rated by Barron's 16 Years Straight - Low cost broker 2002 through 2017 according to Barron's online broker reviews. For more information see, ibkr.com/info - Barron's is a registered trademark of Dow Jones & Co. Inc. [1] IB calculates the interest charged on margin loans using the applicable rates for each interest rate tier listed on its website. For additional information on margin loan rates, see ibkr.com/interest. 06-IB17 1096CH1095-v2

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Fox News Stays No. 1 as MSNBC Rises

Controversies and departing talent don't unseat network, as 15-year run continues

By Joe Flint

When Tucker Carlson was getting ready to take over as Bill O'Reilly's replacement at Fox News this spring, he said network boss and **21st Century Fox** Executive Chairman Rupert Murdoch told him, "relax and enjoy yourself."

Relaxation and enjoyment may have been in short supply inside the halls of Fox News over the past year. Turbulence from sexual-harassment scandals led to the exits of the network's two top executives, Roger Ailes and Bill Shine, and its biggest star, Mr. O'Reilly.

It raised the prospect among media observers that Fox News's 15-year run of dominance in cable news could be in jeopardy. Not so fast. Fox may be looking over its shoulder more at rivals CNN and MSNBC, but it has kept its hold on No. 1.

The network finished the quarter that ended in June first in total prime-time viewers and first among those 25 to 54 years old, growing 21% in that key demographic compared with the year-earlier period, according to Nielsen. Mr. Carlson has proved a solid replacement for Mr. O'Reilly, at lower cost, and the round-table show "The Five" is up slightly in the ratings over Megyn Kelly's "The Kelly File." Ms. Kelly left for NBC early this year.

Fox News co-President Jack Abernethy said 2017 has been "a great year by virtually all measures."

Still, the landscape has shifted. Ratings for all three cable networks are up substantially from before the presidential election cycle, but MSNBC is enjoying the most sustained growth, with liberal audiences hungry for a critical point of view on the Trump administration. Its viewership among those 25 to 54 grew by 72% year over year in the quarter that ended in June, narrowing the gap with Fox News considerably.

Rachel Maddow's show is No. 1 in the key demographic and is primarily responsible for MSNBC's surge in prime time. But others are also recording substantial gains that are contributing to the network's overall improved performance. "Last Word" with Lawrence O'Donnell at 10 p.m. posted a 97% increase in viewers 25 to 54 in the second quarter compared with a year earlier, the fastest pace in that time slot. He still trails Sean Hannity's "Hannity" on Fox News, which increased its 25-to-54 audience 31%.

Though Fox is still No. 1, its ratings have eroded somewhat since the quarter that ended in December 2016—coinciding with the end of the election and the departures of top network personalities.

In addition to those personnel changes, Fox News parent 21st Century Fox has been dealing with a probe by federal authorities examining whether the company violated securities laws in its handling and disclosure of sexual harassment settlements, according to people familiar with the matter.

21st Century Fox, which shares common ownership with The Wall Street Journal parent News Corp, has said it is cooperating with the probe. Separately, there are sexual harassment and racial discrimination lawsuits pending that name as defendants top executives who remain at the Fox News Channel. A Fox News spokeswoman said the network is mounting a vigorous defense in those cases.

New incidents continue to surface. Last week, Fox Business Network said it suspended on-air host Charles Payne. The law firm retained to investigate sexual harassment at the company is now looking into Mr. Payne's relationship with an on-air guest at the channel.

Mr. Payne denies any wrongdoing and says he will defend himself vigorously, his lawyer said.

"It's been a roller coaster of emotions for everybody," said Fox News anchor Martha MacCallum. "At the same time we were covering the most tumultuous election we had ever seen we were also going through a lot of tumult here."

Bret Baier, chief political anchor, said he would put his "blinders on" and try to shut out all the bad news around the channel. "I'm not going to tell you it didn't affect us," he said.

When Mr. Ailes was forced out last July, Mr. Murdoch named himself executive chairman of the channel. (Mr. Ailes, who denied allegations that he harassed women, died in May.) The media world has been buzzing about whether Mr. Murdoch will appoint another top executive at the network.

Mr. Shine was co-president alongside Mr. Abernethy, who continues to hold that title. Mr. Shine resigned amid allegations that he allowed a culture of sexual harassment at the company. He has denied any wrongdoing.

In a statement, Mr. Murdoch said, "We have a great and settled leadership team which I enjoy working with every day."

The multiple controversies have created complications for ad-sales executives. After the revelations that Mr. O'Reilly had settled multiple sexual-harassment complaints, they had to work quickly to shift several ads from his program to other Fox programs. Mr. O'Reilly has denied any wrongdoing. Fox News remains a big draw for advertisers, ad buyers say, because of its high, stable ratings.

Mr. Carlson's average audience in the 8 p.m. hour since succeeding Mr. O'Reilly is 5% smaller than what "The O'Reilly Factor" was averaging, according to Nielsen. But Mr. Carlson is besting Mr. O'Reilly's performance among the desirable demographic of adults 25 to 54, enabling him to earn $14,100 per 30-second ad slot, a 21% jump over his predecessor's rates a year earlier, according to ad-tracking firm Standard Media Index.

Furthermore, Mr. O'Reilly had a deal that paid him $25 million a year while Mr. Carlson makes significantly less, a person familiar with the matter said. Likewise, in the 9 p.m. hour, "The Five" is less expensive than "The Kelly File," the person said.

"They've shed a lot of their wage bill," said Andrew Tyndall, a TV-news consultant.

Fox has said it is moving aggressively to change its workplace culture following the scandals. It points to hires of more women and minorities, including in key senior positions. The network is also much quicker to respond to complaints, as evidenced in May when it fired on-air personality Bob Beckel within days after learning he made a racist remark to a black technician trying to fix his computer.

"We're sending signals that we are going to operate differently," Mr. Abernethy said.

—Suzanne Vranica contributed to this article.

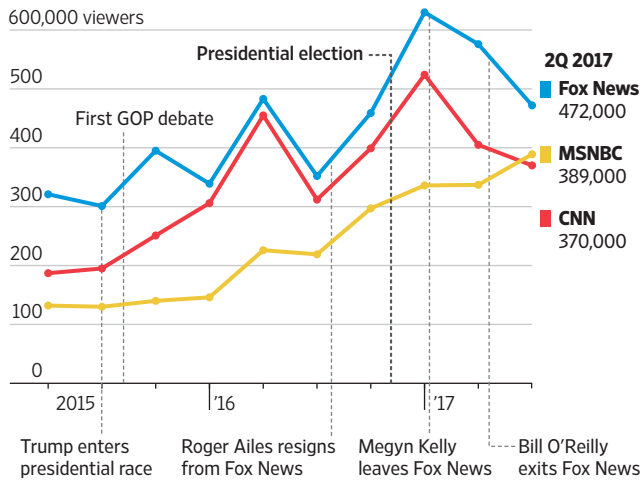
RICHARD DREW/ASSOCIATED PRESS

Tucker Carlson took over as Bill O'Reilly's replacement this spring.

Cable News Ratings Race Tightens

Fox News is still No. 1, but after turmoil at the network and a fading election boost, MSNBC has crept up and narrowed the gap.

Average primetime viewers, adults 25 to 54



Source: Nielsen THE WALL STREET JOURNAL.

New 'Spider-Man' Swings To Top of the Box Office

By Ben Fritz

The superhero who kicked off Hollywood's modern comic-book craze has swung back into the top tier.

"Spider-Man: Homecoming" opened to a strong $117 million in the U.S. and Canada, according to studio estimates—the best opening for a film featuring the web-slinging teenager in a decade.

Overseas, it took in $140 million from 56 markets, more than any prior "Spider-Man" film in the same set of countries. It performed particularly well in South Korea, Mexico and the U.K. "Homecoming" has yet to open in France, Germany or Japan and to be approved for release in China, which typically imposes a blackout on Hollywood imports for several weeks during the summer to promote local films.

The reboot earned overwhelmingly positive reviews and an average grade of "A" from opening-night audiences, according to market-research firm CinemaScore, indicating it should have a robust run in theaters over the coming weeks.

Its success will benefit two Hollywood competitors, **Sony Pictures Entertainment** and **Walt Disney** Co.'s Marvel Studios, that joined together to make "Homecoming" in an unusual partnership.

Sony Pictures financed the $175 million movie and will keep all of the profits it generates.

That is a big deal for Sony, which has been in a grueling box-office slump for several years.

A significant element in the downturn of its motion-picture business this decade was 2012's "The Amazing Spider-Man" and 2014's "The Amazing Spider-Man 2," which disappointed fans and underperformed at the box office.

"This is a triumphant return" and "really gratifying," said Sony's president of worldwide marketing and distribution, Josh Greenstein.

The 2002 film "Spider-Man" was one of Sony's most successful movies ever and inspired dozens of superhero movies from competitors seeking similar success. That original run of films reached its apex with 2007's "Spider-Man 3," which opened to $151 million domestically and grossed $891 million world-wide.

To try to restore the character to his former glory, Sony joined with Marvel, which is behind many of the most successful superhero movies in recent years, including "Avengers," "Captain America: Civil War" and "Guardians of the Galaxy Vol. 2."

Marvel produced the movie for Sony and integrated "Spider-Man" with its superhero universe.

The new version of the character, played by British actor Tom Holland, first appeared in last year's blockbuster "Civil War."

Marvel provided its producing services free, save for a small compensation if the film grosses more than $750 million globally, as looks likely. But Disney could still benefit greatly from the movie's success as it owns all merchandise rights to "Spider-Man." More successful movies typically spur more toy sales.

To sell "Homecoming" to audiences, Sony's advertisements emphasized the new Spider-Man's youth and playful attitude, in comparison to the more serious tone of the "Amazing Spider-Man" films, as well as his partnership with Iron Man.

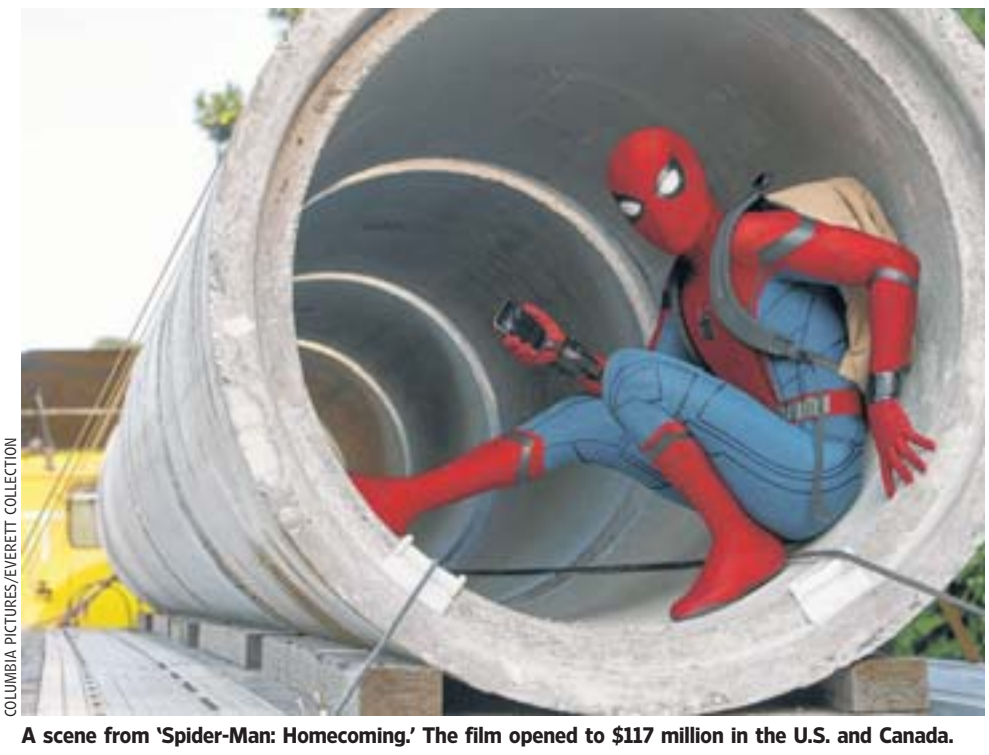
Spider-Man will next appear in a pair of "Avengers" sequels from Marvel, and the two studios are working on a follow-up to "Homecoming" scheduled for 2019.

July has brought good news to Sony. It successfully opened one of summer's few mid-budget dramas, "Baby Driver," last week. This weekend the Edgar Wright-directed movie's box office sales dropped a modest 38% to $12.75 million, bringing its total domestic gross to a healthy $56.9 million.

Estimated Box-Office Figures, Through Sunday

	FILM	DISTRIBUTOR	SALES, IN MILLIONS WEEKEND*	CUMULATIVE	% CHANGE
1.	Spider-Man: Homecoming	Sony	$117	$117	—
2.	Despicable Me 3	Universal	$34	$149.2	-53
3.	Baby Driver	Sony	$12.8	$56.9	-38
4.	Wonder Woman	Warner Bros.	$10.1	$368.8	-35
5.	Transformers: The Last Knight	Paramount	$6.3	$118.9	-63

*Friday, Saturday and Sunday Source: comScore



COLUMBIA PICTURES/EVERETT COLLECTION

A scene from 'Spider-Man: Homecoming.' The film opened to $117 million in the U.S. and Canada.

U.K. Court: Generics Infringe Eli Lilly's Patents on Alimta

By Ali Stratton

Eli Lilly & Co. said Friday the U.K. Supreme Court has ruled that a rival's product directly infringes Lilly's patents for cancer-treatment drug Alimta in several European countries, a breakthrough in the Indianapolis drugmaker's effort to protect market exclusivity for its third-largest product by revenue.

The decision in the patent-infringement suit reversed a lower-court ruling last year that would have allowed competitors such as Actavis, now part of **Teva Pharmaceutical Industries** Ltd., from making a generic form of Alimta before the patent expires in June 2021.

The Supreme Court also upheld the U.K. Court of Appeal's ruling that the products from Actavis indirectly infringed Lilly's patents as well.

The court's full judgment is expected to be handed down Wednesday.

Actavis filed suit more than three years ago to commercialize alternative forms of pemetrexed, the active ingredient in Alimta, diluted in saline solution, stating t wouldn't infringe patents for Alimta in the U.K., France, Italy and Spain.

The decision reversed a ruling that would have allowed generic competitors to drug.

Teva completed its $40.5 billion acquisition of Actavis from **Allergan** PLC in 2016. Teva, in a statement issued Friday, said it was disappointed with the court's decision.

Lilly said in a statement that it was pleased with the ruling. It has previously said the Alimta vitamin regimen patents were "valid and enforceable" against generic-drug manufacturers.

Alimta treats mesothelioma, a rare cancer linked to asbestos exposure. Sales of the product totaled about $2.28 billion for Lilly in 2016, about 11% of its overall revenue.

The drug consists of the compound patent, which covers the basic chemical composition of the drugs. A second patent—the one that was under review—covers the method of administering Alimta to patients with certain vitamins designed to mitigate side effects.

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For Phones, an ATM Role

Fingerprints stored on mobile devices give users access to cash; limiting hack dangers

By Telis Demos

CRAIG WARGA/BLOOMBERG NEWS

Citigroup has yet to roll out cardless ATMs. Other banks have ATMs that can link to phones.

In 2015, **Citigroup** Inc. began testing an ATM that would scan a customer's iris and make four-digit access codes obsolete. Two years on, Citi has shelved the project.

Among the reasons: the cost and complexity of collecting and managing millions of customers' biometric data. A large database of biometric data is also a particularly juicy target for hackers.

"If I steal your password, you make a new password," said George Avetisov, chief executive of HYPR Corp., a banking-technology startup. "But how do you make a new fingerprint?"

Perhaps as a response to that issue, banks are taking a different tack on collecting biometric data. They aim to use the information to replace personal-identification numbers and passwords but are relying on customers to store and safeguard it themselves—via their own smartphones.

Over the past year, lenders such as **Wells Fargo** & Co., **J.P. Morgan Chase** & Co. and **Bank of America** Corp. have started to roll out automated teller machines that can link to customers' mobile devices. Customers will sign in through their phones, potentially using a fingerprint, and transmit a code to the ATM.

Though this adds a step to the identification process, customers are nonetheless eager to ditch the numerous PINs and passwords needed for transactions. Mobile phones are also one device on which biometrics has worked, as about two billion units globally can use fingerprints, pictures of eyes and faces, and voice recognition, according to HYPR. Those tools are already widely used for signing in to mobile-banking applications.

Citigroup's apps, for example, use voice, face and fingerprint recognition, although the bank has yet to roll out cardless ATMs. As for the iris-reading ATMs, Citigroup has "reasons ranging from logistical to operational" for not pursuing them at this time, a spokesman said.

Other banks have shared similar difficulties with how to approach biometric data. A survey by the U.K.'s University of Oxford and Mastercard Inc. published in June found that while nine out of 10 bankers wanted to take advantage of biometrics, only about a third reported a good experience so far using the technology.

An added complication is that, unlike some other countries, the U.S. doesn't have national identification databases. In countries such as Chile, which does have such a database, banks could tap into it to enable customers to sign into an ATM with a fingerprint. So, banks in the U.S. are on their own to figure out how to record and store customers' biometric markers. That process adds complexity and cost.

The need for next-generation ATMs is urgent. For one, card fraud is rising despite new security measures such as chip-enabled cards. Fair Isaac Corp., a credit-data provider, has said it detected a 70% uptick in compromised cards being used at ATMs and merchants in 2016.

Though ATMs—introduced 50 years ago—might seem quaint in the mobile age, their usage remains strong. Last year, J.P. Morgan increased the number of ATMs it owns by 4%, even as it closed 3% of its branches. In January, Citigroup nearly doubled the size of its ATM network with a deal to add 30,000 locations at retailers.

In their quest to use smartphones for biometrics, banks are relying on processes that are already well established. A customer using a phone at an ATM would authenticate her identify, using, say, a fingerprint as is the case with Apple Inc.'s iPhone and Apple Pay.

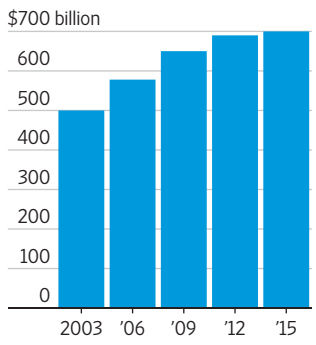
The phone would then create a digital token and transmit that to the ATM. That would validate the transaction without revealing any underlying biometric data to the bank. That means banks wouldn't have to protect treasure troves of genetic templates from hackers. This is because the biometric data would be stored on individual devices, not in a central location.

"With tokens, there's no use in attacking the bank server," said HYPR's Mr. Avetisov. Such digital tokens are widely used in mobile-payment applications and they are also generated by the chips now embedded in most credit cards.

—Emily Glazer contributed to this article.

Cashing In

Dollar value of withdrawals at U.S. ATMs via debit and prepaid cards



Source: Federal Reserve
THE WALL STREET JOURNAL.

Patent Holders for Gene-Editing Tool Weigh Global Pool

By Amy Dockser Marcus, Joe Palazzolo and Jonathan D. Rockoff

Holders of key patents to the Crispr gene-editing technology are willing to join a world-wide joint patent pool—a development that medical and legal experts think could hasten the development of new human therapies.

The Broad Institute of MIT and Harvard, along with three other institutions that own Crispr-Cas9 patents—Harvard University, Massachusetts Institute of Technology and Rockefeller University—have submitted 22 patents for evaluation to the proposed pool, including patents involved in a dispute over intellectual-property rights to the groundbreaking technology.

The move comes amid growing concerns that the logjam over rights to Crispr technology may hinder breakthroughs in disease treatment.

Crispr is the defense system of bacteria and was adapted by scientists, using the protein known as Cas9, to edit genes in plants, animals and people.

Two main camps lay claim to key developments in the technology: One is the Broad Institute group, which was issued a patent in the U.S. for the Crispr-Cas9 technology for Cas9 gene editing.

The other is a group led by the University of California, Berkeley, which is challenging the Broad patent in court and has been issued its own patents for Crispr-Cas9 in other areas of the world, including Europe.

Forming a patent pool would allow researchers or companies around the world to obtain a one-stop license more efficiently. In patent pools, patent holders typically merge their assets together and voluntarily negotiate terms of the license, fees and how any royalties will be divided. Pool members may also pay royalties to the pool if they need a license to commercialize products, depending on the terms of the agreement.

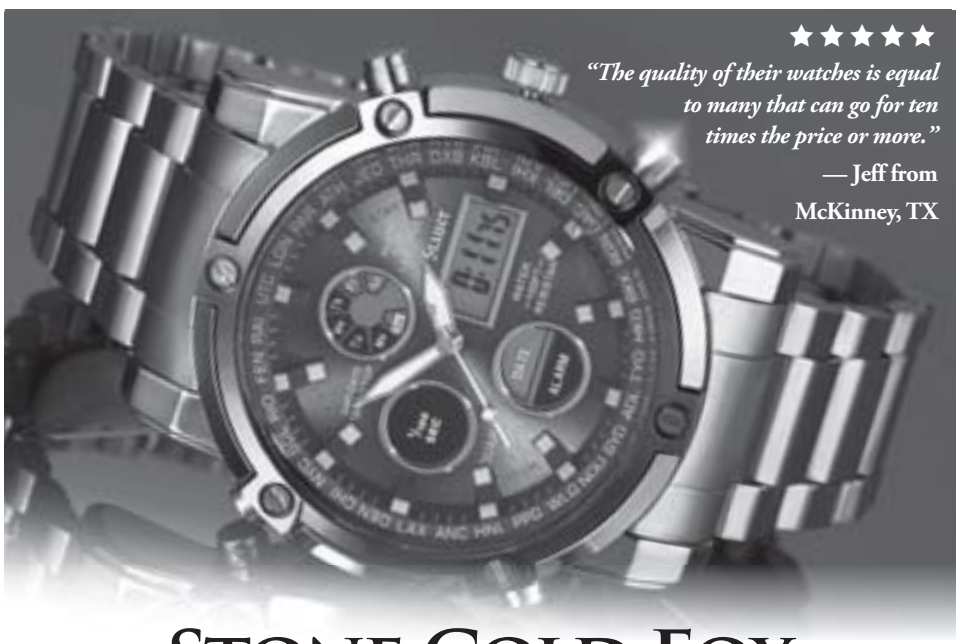
Kathleen Denis, associate vice president for the Office of Technology Transfer at Rockefeller University, said the university believes the patent pool "holds promise for simplifying the process for scientists to obtain the appropriate licenses" for Crispr.

Rockefeller's decision to join the Broad in exploring a patent pool follows a separate clash between the two institutions over credit for Crispr. Ms. Denis said that Rockefeller and Broad have agreed to settled their differences via an "informal dispute resolution process."

The proposal for a pool comes from a group called MPEG LA LLC, based in Denver and Chevy Chase, Md. It operates licensing programs for a number of different technologies, primarily video.

In the uncertainty over resolution of the patent dispute, some companies have chosen sides, signing licensing deals with one or the other camp; others have hedged their bets and sought licenses from more than one party. "Potential licensees all want clarity on this," said Kristin Neuman, executive director, biotechnology licensing, at MPEG LA. "It is confounding their ability to plan for their businesses."

Some companies and researchers are calling on the government to play a greater role in ensuring access to Crispr technology, whose discovery was funded by federal grants. Therapeutics based on the technology could home in on a gene defect, cut it out and, if necessary, replace it with other DNA, potentially revolutionizing the treatment of disease.



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ERIC RISBERG/ASSOCIATED PRESS

An Uber vehicle in self-driving mode. It is important to know when AI will behave unexpectedly.

MIMS

Continued from page B1

these models and humans who choose the data they are trained on."

An example can be found on Google Translate. Ask it to translate "doctor" to Portuguese, and it always returns the male form of the noun, *médico*, over the female, *médica*.

Conspiracy? No, it is a natural consequence of biases inherent in literature used to train translation systems. Something similar happens in data when researchers eliminate the category of race: Other data, such as where a person lives, correlate so strongly with race that they become proxies for it.

Unlike with humans, we can't just ask a robot why it does what it does. Artificial intelligences can excel at narrow tasks, but even those that talk have introspective powers about on par with a cockroach. It is a difficult enough problem that the Defense Advanced Research Projects Agency is funding research on "explainable artificial intelligence."

Here's why we're in this pickle: A good way to solve problems in computer science is for engineers to code a neural network—essentially a primitive brain—and train it by feeding it piles of data. Once the AI has had enough time to chew through a bunch of images labeled "cat," for example, it can reliably pick out pictures of a cat.

The tricky bit is that neural networks learn by altering their own innards. This is basically how your brain works, too. And like the connections between the 86 billion or so neurons in your brain, the precise way an AI "thinks" is incomprehensible.

Researchers at DeepMind Technologies Ltd., a subsidiary of Alphabet Inc., announced a novel way to get inside the minds of machines: Treat them like human children.

Even AIs that talk have introspective powers about on par with a cockroach.

To say engineers are using the techniques of cognitive psychology on AI isn't an analogy. The team at DeepMind used exactly the same tests and materials psychologists use on children to tease out how their AI thinks, says David Barrett, a DeepMind research scientist.

Decades of research on unpacking the human brain through cognitive science may now be applied to machines, potentially unlocking an avenue for understanding AI and making it accountable, he said.

A result of DeepMind's research: We now know at least one of its AIs—a model designed to learn words after being exposed to them only once—is, surprisingly, solving problems the same way humans do. Like humans, it is identifying objects by shape, even though it wasn't taught to, and even though there are other ways to identify random objects, such as color.

Understanding is just the beginning of how we interact with artificial intelligences. The other half of robot psychology is what might be described as therapy—that is, changing an AI's mind.

Because engineers typically create many versions of an AI when trying to discover the best one, the use of cognitive psychology could give engineers more power to choose the ones that "think" the way we want them to, Mr. Barrett said. Alternatively, we might find it's better when AIs don't think like us: We might learn something new about how to solve problems.

The upshot is that when we replace human decision-makers with artificial intelligences, AIs have the potential to be better, with more accountability, because their output is measurable and we might be able to trace how they make decisions.

We ask humans to do this—in court, when dissecting a business decision—but humans are unreliable narrators. With machines, we could have decision-makers whose every bias and impulse can be inspected and potentially altered.

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BUSINESS NEWS

U.S. Wind Farms Run Into Headwinds

Over a dozen offshore projects are in the works, but high costs, logistical issues remain

By Erin Ailworth

SEAN D. ELLIOT/ASSOCIATED PRESS

Guests aboard a National Wildlife Federation boat tour view the Block Island wind farm off Rhode Island, the first offshore wind farm in the U.S.

INDUSTRY FOCUS

After two decades spinning power from the gusts that sweep Europe's North Sea, the offshore wind industry is finally turning to the U.S. A big hurdle: getting its giant turbines to American waters.

No one in the U.S. currently makes turbine towers sizable enough for use in deep waters—one of the many challenges impeding the buildup of offshore wind on the other side of the Atlantic Ocean.

The first offshore wind installation in the U.S., a $300 million, 30-megawatt project off Rhode Island, began turning six months ago. Companies including Denmark's **Dong Energy** AS, Norway's **Statoil** ASA and Spain's **Iberdrola** SA are pursuing more than a dozen projects that would dwarf it.

But the Block Island wind farm in the U.S. generates power for 24.4 cents per kilowatt-hour, while offshore wind projects in Europe can come in well under 10 cents per kilowatt-hour. Developers are optimistic that, as occurred in Europe, prices will go down as more projects begin and a supplier network takes shape in the U.S.

"They are really viewing this as a real market if you are attracting players like Dong and Iberdrola and Statoil," said Maxwell Cohen, a senior research analyst at IHS Markit. "I've heard some pretty major companies that are not in offshore at least being asked, 'Why not?'"

If all 17 of the proposed farms are built, the wave of U.S. offshore wind projects, primarily concentrated in the Northeast, would add 9.1 gigawatts of generating capacity, according to the American Wind Energy Association. That is enough to power three million homes.

Offshore wind farms require hundreds of millions to billions of dollars to construct, depending on their scale, and analysts say not all of the proposed U.S. farms will be built. But state-level policies that promote renewable energy are providing momentum.

Earlier this year, New York Gov. Andrew Cuomo, a Democrat, called for 2.4 gigawatts of offshore wind to be developed by 2030. Massachusetts Gov. Charlie Baker, a Republican, signed legislation last year to have the state add 1.6 gigawatts of wind power offshore by June 2027.

Statoil won an auction late last year for the right to build a wind farm 14 miles off the New York coastline. Dong, meanwhile, has two proposed U.S. projects: one about 15 miles off Martha's Vineyard that it has teamed with Eversource Energy, a Northeast utility, to build; and another off the coast of New Jersey.

"I can really feel the appetite and the interest in the market now," said Thomas Brostrom, president of North American operations at Dong, which has built 22 offshore wind farms in Europe. "This is the moment."

Avangrid Renewables, an Iberdrola subsidiary, has joined with developer Copenhagen Infrastructure Partners to build a separate wind farm off Martha's Vineyard.

Most of the 17 proposed projects are in federally designated wind energy areas. Such zones were created to help cut through some of the red tape and community opposition that for more than a decade has blocked Cape Wind, a more than 400-megawatt project proposed for federal waters off Martha's Vineyard.

Jim Gordon, the man behind Cape Wind, is unwilling to concede defeat, saying the wind farm's lease is still active and that he hopes to see it built one day.

Block Island didn't have the same troubles, in part because it was much smaller and developer Deepwater Wind built it in state waters, which required fewer federal permits. But hurdles remain for large offshore wind projects in the U.S., including how to build out a supply chain that can regularly ship giant turbine towers from Europe.

Components like the enormous stands that anchor offshore turbines will have to be brought up from places like the Gulf Coast.

That is because many U.S. Atlantic ports are small, and large vessels need to navigate busy shipping lanes, hurricane barriers and bridges.

This proved a challenge for the Block Island farm, said Meaghan Wims, a spokeswoman for Deepwater Wind. Its stands were brought up on barges from the Gulf Coast. The turbine towers and blades were shipped from France.

A Norwegian ship carrying the nacelles—the housing that holds the main generating machinery—couldn't fit under the Newport Pell Bridge that spans Narragansett Bay in Rhode Island, so it skipped coming into port and went straight to the construction site offshore.

It can also still take considerable time to get the necessary permits and approvals for offshore wind farms from state and federal regulators.

Wind Rush

Areas designated in federal waters for offshore wind development. About 9 gigawatts of offshore wind projects have been proposed, but not all will be built.

Offshore wind lease and planning areas

Source: Bureau of Ocean Energy Management
THE WALL STREET JOURNAL.

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UNITED STATES BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK

In re:	) Chapter 11
ANGELICA CORPORATION, *et al.*,	) Case No. 17-10870 (JLG)
Debtors.[1]	) (Jointly Administered)

NOTICE OF (I) APPROVAL OF DISCLOSURE STATEMENT; (II) ESTABLISHMENT OF RECORD DATE; (III) HEARING ON CONFIRMATION OF PLAN AND PROCEDURES FOR OBJECTING TO CONFIRMATION OF PLAN; AND (IV) PROCEDURES AND DEADLINE FOR VOTING ON PLAN

TO PARTIES IN INTEREST IN ANGELICA CORPORATION AND ITS AFFILIATED DEBTORS' CHAPTER 11 CASES:

PLEASE TAKE NOTICE that:

1. **Approval of Disclosure Statement**. By Order dated June 30, 2017 [Docket No. 384] (the "**Order**"), the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**") approved the *Revised Disclosure Statement for Second Amended Joint Chapter 11 Plan of Angelica Corporation and Its Affiliated Debtors*, dated June 29, 2017 (as it may be amended, the "**Disclosure Statement**") filed by Angelica Corporation and its affiliates, as debtors and debtors in possession (collectively, the "**Debtors**"). The Bankruptcy Court also authorized the Debtors to solicit votes from those parties entitled to vote with regard to the acceptance or rejection of the Debtors' Second Amended Joint Chapter 11 Plan, dated June 29, 2017 (as it may be amended, the "**Plan**"), annexed as **Exhibit A** to the Disclosure Statement. Any capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

2. **Confirmation Hearing**. A hearing (the "**Confirmation Hearing**") to consider the confirmation of the Plan will be held at **11:00 a.m. (Eastern Time) on August 22, 2017**, before the Honorable James L. Garrity, United States Bankruptcy Judge, in Room 601 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004. The Confirmation Hearing may be continued from time to time without further notice other than the announcement by the Debtors of the adjourned date(s) at the Confirmation Hearing or any continued hearing or as indicated in any notice of agenda of matters scheduled for hearing filed by the Debtors with the Bankruptcy Court, and the Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to interested parties.

3. **Record Date for Voting**. Only parties who are eligible to vote and hold Claims against the Debtors as of June 27, 2017 are entitled to vote on the Plan.

4. **Voting Deadline**. All votes to accept or reject the Plan must be actually received by the Debtors' voting agent, Prime Clerk LLC ("**Prime Clerk**"), by no later than 4:00 p.m. (Eastern Time) on August 4, 2017 (the "**Voting Deadline**"). Any failure to follow the voting instructions included with your ballot may disqualify your ballot and your vote.

5. **Parties in Interest Not Entitled to Vote**. The following holders of Claims and Interests are not entitled to vote on the Plan: (i) holders of unimpaired Claims, (ii) holders of Interests, or (iii) holders of Claims that are the subject of filed objections or requests for estimation. If you have timely filed a proof of Claim and disagree with the Debtors' classification of, objection to, or request for estimation of, your Claim and believe that you should be entitled to vote on the Plan, then you must serve on the Debtors at the address set forth below and file with the Bankruptcy Court (with a copy to chambers) a motion (a "**Rule 3018(a) Motion**") for an order pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**") temporarily allowing such claim in a different amount or in a different class for purposes of voting to accept or reject the Plan.

6. All Rule 3018(a) Motions must be filed on or before the 10th day after the later of (i) service of this notice and (ii) service of notice of an objection or request for estimation, if any, as to such Claim. In accordance with Bankruptcy Rule 3018, as to any creditor filing a Rule 3018(a) Motion, such creditor's ballot will not be counted except as may be otherwise ordered by the Bankruptcy Court at least six days prior to the Voting Deadline or as the Bankruptcy Court may direct. Creditors may contact Prime Clerk by calling (844) 276-3030 (domestic) or (917) 962-8891 (international) or emailing angelicaballots@primeclerk.com to receive an appropriate ballot for any Claim for which a proof of Claim has been timely filed and a Rule 3018(a) Motion has been granted. Rule 3018(a) Motions that are not timely filed and served in the manner set forth above shall not be considered.

7. **Objections to Confirmation**. Responses and objections, if any, to confirmation of the Plan must:

(a) Be in writing;

(b) State the name and address of the objecting party and the amount and nature of the Claim or Interest of such party;

(c) Conform to the Bankruptcy Rules and the Local Rules of the Bankruptcy Court;

(d) State with particularity the basis and nature of any objection to confirmation of the Plan;

(e) Be filed with the Bankruptcy Court either (i) *electronically* or (ii) *conventionally*, as noted below:

(i) *Electronic Filing*: the filer must be an attorney in possession of passwords and logins to both PACER and the Bankruptcy Court's Electronic Case Filing System; electronic filing must be in accordance with General Order M-399 (which can be found at http://www.nysb.uscourts.gov); or

(ii) *Conventional Filing*: the filer must send the response or objection by mail, courier, or messenger to the Bankruptcy Court's clerk at the following address: United States Bankruptcy Court, One Bowling Green, New York, NY 10004; the hard copy of the response or objection should be accompanied by a CD-ROM containing the response or objection in text-searchable portable document format (PDF);

NOTE: All filers – those filing electronically as well as those filing conventionally – must provide Bankruptcy Court Chambers with two separate hard copies of the response or objection; any proposed order should be accompanied by a CD-ROM containing the response or objection in text-searchable portable document format (PDF); and

(f) Be served in accordance with General Order M-399 so as to be received no later than **August 7, 2017 at 12:00 p.m. (Eastern Time)**, and on the following parties:

(i) The Debtors, c/o Angelica Corporation, 1105 Lakewood Parkway, Suite 210, Alpharetta, Georgia 30009 (Attn: John Makuch and Jonathan I. Blake, Esq.);

(ii) The attorneys for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Matthew S. Barr, Esq., Jill Frizzley, Esq., and Kevin Bostel, Esq.);

(iii) The Office of the United States Trustee for Region 2, U.S. Federal Office Building, 201 Varick Street, Suite 1006, New York, New York 10014 (Attn: Richard C. Morrissey, Esq.); and

(iv) The attorneys for the statutory creditors' committee, Cole Schotz P.C., 1325 Avenue of the Americas, New York, New York 10019 (Attn: Michael D. Sirota, Esq. and Daniel F.X. Geoghan, Esq.).

IF ANY OBJECTION OR RESPONSE TO CONFIRMATION OF THE PLAN IS NOT FILED AND SERVED STRICTLY AS PRESCRIBED HEREIN, THE OBJECTING PARTY MAY BE BARRED FROM OBJECTING TO CONFIRMATION OF THE PLAN AND MAY NOT BE HEARD AT THE HEARING. REPLIES TO ANY SUCH OBJECTIONS AND RESPONSES MUST BE FILED AND SERVED BY NO LATER THAN AUGUST 14, 2017 AT 12:00 P.M. (EASTERN TIME).

8. **Parties Who Will Not Be Treated as Creditors**. Any holder of a Claim that (i) is scheduled in the Debtors' schedules of assets and liabilities at $0.00, or in an unknown amount, or as disputed, contingent, or unliquidated, and is not the subject of a timely filed proof of Claim or a proof of Claim deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any order of the Bankruptcy Court, or otherwise deemed timely filed under applicable law or (ii) is not scheduled and is not the subject of a timely filed proof of Claim or a proof of Claim deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any order of the Bankruptcy Court, or otherwise deemed timely filed under applicable law, shall not be treated as a creditor with respect to such Claim for purposes of voting on the Plan.

9. **Executory Contracts and Unexpired Leases**. Subject to the occurrence of the Effective Date under the Plan, all executory contracts and unexpired leases to which the Debtors is a party, and which have not expired by their own terms on or prior to the Confirmation Date, and which have not previously been rejected, assumed, or assumed and assigned, shall be deemed automatically rejected, except for an executory contract or unexpired lease that (i) is specifically designated on the Schedule of Assumed Contracts and Leases filed with the Plan Supplement; (ii) as of the Effective Date is subject to a pending motion to assume such Unexpired Lease or Executory Contract; or (iii) is a contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan..

10. **Additional Information**. Any party in interest wishing to obtain information about the solicitation procedures or copies of the Disclosure Statement or the Plan should contact the Debtors' voting agent, Prime Clerk, at (844) 276-3030 (domestic) or (917) 962-8891 (international), angelicaballots@primeclerk.com, or may view such documents by accessing the Debtors' website: http://cases.primeclerk.com/angelica or the Bankruptcy Court's website: http://www.nysb.uscourts.gov. As previously noted above, a PACER (www.pacer.psc.uscourts.gov) password and login are needed to access documents on the Bankruptcy Court's website (http://www.nysb.uscourts.gov). **PRIME CLERK IS NOT AUTHORIZED TO, AND WILL NOT, PROVIDE LEGAL ADVICE.**

Dated: New York, New York, July 5, 2017, WEIL, GOTSHAL & MANGES LLP, 767 Fifth Avenue, New York, New York 10153, Telephone: (212) 310-8000, Facsimile: (212) 310-8007, *Counsel for Debtors and Debtors in Possession*

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Angelica Corporation (5260); Clothesline Holdings, Inc. (1081); Angelica Textile Services, Inc.–NY (6508); Royal Institutional Services, Inc. (8906); and Angelica Textile Services, Inc.–CA (5010). The location of the Debtors' corporate headquarters is 1105 Lakewood Parkway, Suite 210, Alpharetta, Georgia 30009.

BUSINESS WATCH

FYRE FESTIVAL

Creditors Seek To Force Bankruptcy

People who lent money to Fyre Festival before it collapsed are trying to force the company that ran the event into bankruptcy following the arrest of William "Billy" McFarland, the man behind the music festival.

Hyped as "the cultural experience of the decade," Fyre Festival was to be held in the Bahamas over two weekends in April and May featuring artists like Migos and Lil Yachty. But the festival proved to be a flop when attendees, some of whom paid thousands of dollars, arrived at the private party venue only to find a half-built festival ground, bad food and canceled musical acts.

The festival was quickly postponed, and photos of festival attendees stranded on the island went viral on social media. Now lenders are hoping bankruptcy can help them figure out what happened to their money and if they can get any of it back.

"We look forward to finding out where the money went," said Robert Knuts, a lawyer at Sher Tremonte LLP, who filed a petition Friday in New York against **Fyre Festival** LLC on behalf of three lenders who sunk $530,000 into the event. Mr. Knuts said they are part of a larger group of more than 20 individuals who together lent more than $4 million to Fyre Festival.

Through bankruptcy, these lenders hope to install an independent trustee who would have the ability to examine Fyre Festival's records, Mr. Knuts said. A trustee would also be able to claw back payments the company may have made to other creditors and figure out if there are any sources of recovery, potentially through insurance.

Mr. McFarland, 25 years old, founded Fyre Media, a company that developed a digital application for book artists and entertainers. He established Fyre Festival LLC in late 2016 to promote the music festival, court papers say. He was arrested last week on a fraud charge and released on bail.

Randall W. Jackson, a Boies Schiller Flexner LLP lawyer representing Mr. McFarland in the criminal case, declined to comment. Michael Levine, a lawyer is representing Mr. McFarland in a separate civil lawsuit brought by a Fyre Festival investor, also declined to comment,

—Jonathan Randles

LOCKHEED MARTIN

F-35 Contract Worth Up to $5.6 Billion

The Pentagon awarded a deal worth up to $5.6 billion for **Lockheed Martin** Corp. to continue work on the next batch of F-35 combat jets while negotiations continue on a final sales contract. The award covers work toward the planned purchase of 91 of the jets for the U.S. and an additional 50 for overseas allies, with the Pentagon expecting to close a deal by year-end.

The two sides spent more than a year negotiating the last batch of the radar-evading fighters, with the Pentagon ultimately imposing a deal that Lockheed called "disappointing," before accepting the price and other terms. The F-35 is by far the Pentagon's costliest weapons program and increasingly important to Lockheed, which generates almost one-quarter of its revenue from the program.

President Donald Trump criticized the program's cost before taking office and has taken credit for driving improved terms. The average $95 million cost of the most common model in the last deal was broadly in line with existing cost-cutting plans.

—Doug Cameron

GEORGE FREY/GETTY IMAGES

The F-35 is the Pentagon's costliest weapons program.

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MARKETS DIGEST

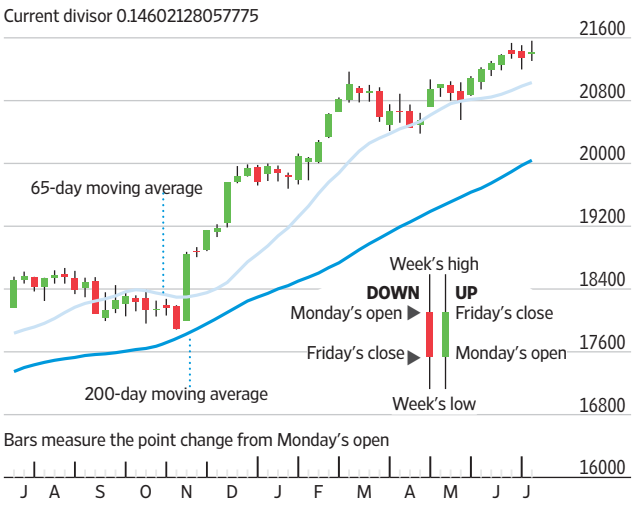
Dow Jones Industrial Average

21414.34 ▲64.71, or 0.30% last week

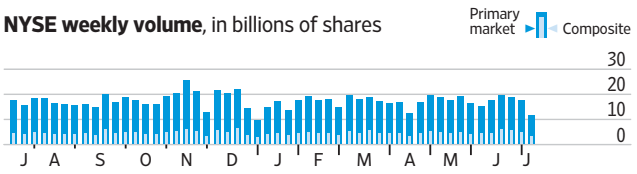
High, low, open and close for each of the past 52 weeks

	Last	Year ago
Trailing P/E ratio	20.82	19.28
P/E estimate *	18.24	17.30
Dividend yield	2.35	2.57
All-time high	21528.99, 06/19/17	

Current divisor 0.14602128057775



NYSE weekly volume, in billions of shares



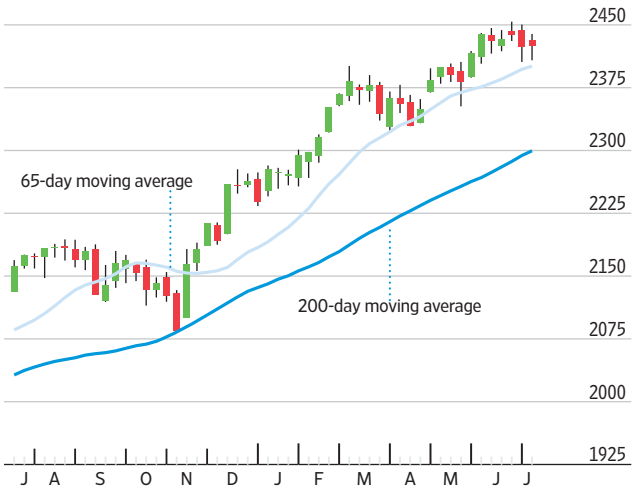
Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2425.18 ▲1.77, or 0.07% last week

High, low, open and close for each of the past 52 weeks

	Last	Year ago
Trailing P/E ratio	23.77	24.07
P/E estimate *	21.44	17.94
Dividend yield	2.01	2.17
All-time high:	2453.46, 06/19/17	



Financial Flashback

The Wall Street Journal, July 10, 2009

The new General Motors was born after six weeks in bankruptcy and a $50 billion bailout by the U.S. The government gradually sold off its GM stake.

Major U.S. Stock-Market Indexes

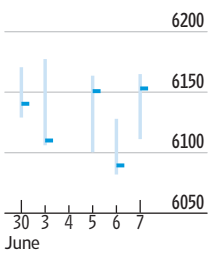
	Latest Week High	Low	Close	Net chg	% chg	52-Week Low	Close (●)	High	% chg	% chg YTD	3-yr. ann.
Dow Jones											
Industrial Average	21562.75	21305.38	**21414.34**	64.71	0.30	17888.28		21528.99	18.0	8.4	7.9
Transportation Avg	9704.52	9560.87	**9694.94**	131.21	1.37	7648.44		9694.94	26.2	7.2	5.7
Utility Average	709.89	697.76	**702.04**	-4.87	-0.69	625.44		737.51	-2.1	6.4	8.1
Total Stock Market	25291.42	24936.52	**25132.47**	7.51	0.03	21514.15		25399.65	14.5	8.0	6.7
Barron's 400	650.44	639.97	**648.16**	1.92	0.30	521.59		650.48	22.1	7.7	6.2
Nasdaq Stock Market											
Nasdaq Composite	6177.36	6081.96	**6153.08**	12.66	0.21	4956.76		6321.76	24.1	14.3	11.4
Nasdaq 100	5684.98	5579.64	**5656.47**	9.55	0.17	4528.36		5885.3	24.9	16.3	13.1
Standard & Poor's											
500 Index	2439.17	2407.70	**2425.18**	1.77	0.07	2085.18		2453.46	13.9	8.3	7.0
MidCap 400	1763.51	1728.99	**1747.36**	0.71	0.04	1476.68		1769.34	14.9	5.2	6.9
SmallCap 600	865.12	843.62	**854.73**	-1.12	-0.13	703.64		866.07	18.3	2.0	7.8
Other Indexes											
Russell 2000	1429.37	1398.83	**1415.84**	0.48	0.03	1156.89		1426.68	20.3	4.3	6.1
NYSE Composite	11869.82	11694.08	**11752.98**	-8.72	-0.07	10289.35		11835.72	11.2	6.3	2.1
Value Line	526.67	515.67	**520.26**	-2.45	-0.47	455.65		529.13	11.4	2.8	1.0
NYSE Arca Biotech	3960.38	3855.92	**3904.38**	44.78	1.16	2834.14		4016.86	23.3	27.0	11.8
NYSE Arca Pharma	538.94	529.21	**532.33**	-3.96	-0.74	463.78		554.66	-1.0	10.5	0.3
KBW Bank	97.85	96.17	**97.13**	1.53	1.60	64.45		99.33	50.7	5.8	10.5
PHLX§ Gold/Silver	80.01	77.02	**77.50**	-3.28	-4.06	73.03		112.86	-27.7	-1.7	-8.1
PHLX§ Oil Service	136.01	124.89	**126.75**	-4.05	-3.10	126.75		192.66	-23.9	-31.0	-25.5
PHLX§ Semiconductor	1058.60	1020.42	**1054.90**	19.99	1.93	701.07		1138.25	50.5	16.4	17.8
CBOE Volatility	13.05	10.28	**11.19**	0.01	0.09	9.75		22.51	-15.2	-20.3	-0.4

§Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

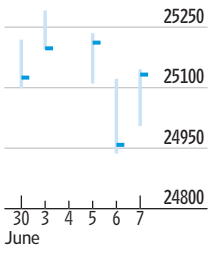
Nasdaq Composite

▲ 12.66, or 0.21% last week



DJ US TSM

▲ 7.51, or 0.03% last week



International Stock Indexes

Region/Country	Index	Latest Week Close	% chg	52-Week Range Low	Close	High	YTD % chg
World	**The Global Dow**	2771.46	0.07	2318.79		2790.26	9.5
	DJ Global Index	358.71	-0.27	309.46		362.91	10.0
	DJ Global ex U.S.	239.56	-0.57	203.49		243.70	12.0
	Global Dow Euro	2290.94	0.20	1978.68		2398.98	1.4
DJ TSM	**Global**	3694.10	-0.27	3183.51		3735.77	9.9
	Global ex U.S.	2420.76	-0.58	2055.74		2462.44	12.0
	Developed ex U.S.	2353.61	-0.60	2005.62		2398.94	11.3
	Global Small-Cap	5036.93	-0.37	4301.63		5086.94	9.0
	Global Large-Cap	3503.20	-0.26	3024.01		3545.24	10.1
Americas	**DJ Americas**	582.66	0.01	503.67		588.47	7.8
Brazil	**Sao Paulo Bovespa**	62322.40	-0.92	53140.74		69052.03	3.5
Canada	**S&P/TSX Comp**	15027.16	-1.02	14259.84		15922.37	-1.7
Mexico	**IPC All-Share**	50059.02	0.40	44364.17		50300.81	9.7
Chile	**Santiago IPSA**	3688.64	2.27	3127.54		3782.66	14.4
Europe	**Stoxx Europe 600**	380.18	0.21	327.35		396.45	5.2
	Stoxx Europe 50	3116.31	-0.19	2730.05		3276.11	3.5
Eurozone	**Euro Stoxx**	375.26	0.64	304.11		392.06	7.1
	Euro Stoxx 50	3463.84	0.64	2838.01		3658.79	5.3
Belgium	**Bel-20**	3835.83	1.11	3319.64		4041.03	6.4
France	**CAC 40**	5145.16	0.48	4190.68		5432.40	5.8
Germany	**DAX**	12388.68	0.52	9629.66		12888.95	7.9
Israel	**Tel Aviv**	1428.36	-0.37	1378.66		1478.96	-2.9
Italy	**FTSE MIB**	21015.10	2.09	16066		21788	9.3
Netherlands	**AEX**	509.92	0.55	433.77		536.26	5.5
Spain	**IBEX 35**	10488.80	0.42	8185.9		11135.4	12.2
Sweden	**SX All Share**	578.99	0.36	473.16		596.72	8.3
Switzerland	**Swiss Market**	8883.27	-0.27	7593.20		9127.61	8.1
U.K.	**FTSE 100**	7350.92	0.52	6590.64		7547.63	2.9
Asia-Pacific	**DJ Asia-Pacific TSM**	1606.02	-1.16	1359.38		1640.63	12.9
Australia	**S&P/ASX 200**	5703.60	-0.31	5156.6		5956.5	0.7
China	**Shanghai Composite**	3217.96	0.80	2953.39		3288.97	3.7
Hong Kong	**Hang Seng**	25340.85	-1.64	20564.17		26063.06	15.2
India	**S&P BSE Sensex**	31360.63	1.42	25765.14		31369.34	17.8
Japan	**Nikkei Stock Avg**	19929.09	-0.52	15106.98		20230.41	4.3
Singapore	**Straits Times**	3229.01	0.08	2787.27		3271.11	12.1
South Korea	**Kospi**	2379.87	-0.50	1958.38		2395.66	17.4
Taiwan	**Weighted**	10297.25	-0.94	8640.91		10513.96	11.3

Source: SIX Financial Information; WSJ Market Data Group

Commodities and Currencies

	Last Week Close	Net chg	% Chg	YTD % chg
DJ Commodity	**550.51**	-4.38	-0.79	-2.95
TR/CC CRB Index	**172.56**	-2.22	-1.27	-10.36
Crude oil, $ per barrel	**44.23**	-1.81	-3.93	-17.67
Natural gas, $/MMBtu	**2.864**	-0.171	-5.63	-23.09
Gold, $ per troy oz.	**1208.60**	-32.10	-2.59	5.10
U.S. Dollar Index	**96.00**	0.37	0.39	-6.08
WSJ Dollar Index	**88.35**	0.60	0.69	-4.94
Euro, per dollar	**0.8770**	0.0018	0.21	-7.74
Yen, per dollar	**113.91**	1.52	1.35	-2.65
U.K. pound, in dollars	**1.29**	-0.01	-1.05	4.39

	52-Week Low	Close (●)	High	% Chg
DJ Commodity	506.18		589.81	3.70
TR/CC CRB Index	166.50		195.14	-7.81
Crude oil, $ per barrel	39.51		54.45	-2.60
Natural gas, $/MMBtu	2.55		3.93	2.25
Gold, $ per troy oz.	1127.80		1364.40	-10.91
U.S. Dollar Index	94.15		103.25	-0.29
WSJ Dollar Index	85.20		93.56	1.83
Euro, per dollar	0.87		0.96	-3.08
Yen, per dollar	99.88		118.18	13.28
U.K. pound, in dollars	1.20		1.34	-0.50

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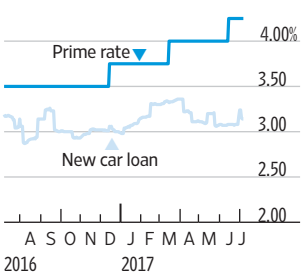
Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

New car loan

Bankrate.com avg†:	**3.14%**
Think Mutual Bank	**1.89%**
Rochester, MN	800-288-3425
Lake Elmo Bank	**1.99%**
Lake Elmo, MN	651-777-8365
Pentagon Federal Credit Union	**2.24%**
Alexandria, VA	877-412-4381
UniBank for Savings	**2.24%**
Whitinsville, MA	800-578-4270
First Savings Bank of Hegewisch	**2.25%**
Chicago, IL	773-646-4200

Interest rate	Yield/Rate (%) Last (●)	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	1.00-1.25	1.00-1.25	0.25	1.25	1.00
Prime rate*	4.25	4.25	3.50	4.25	1.00
Libor, 3-month	1.31	1.30	0.67	1.31	1.07
Money market, annual yield	0.33	0.33	0.23	0.36	-0.07
Five-year CD, annual yield	1.39	1.38	1.17	1.39	0.01
30-year mortgage, fixed†	4.08	4.00	3.43	4.33	-0.26
15-year mortgage, fixed†	3.27	3.21	2.70	3.50	-0.16
Jumbo mortgages, $424,100-plus†	4.45	4.48	4.02	4.88	-0.41
Five-year adj mortgage (ARM)†	3.47	3.42	3.04	4.03	-0.54
New-car loan, 48-month	3.14	3.08	2.87	3.36	-0.04
HELOC, $30,000	5.13	5.12	4.57	5.13	0.52

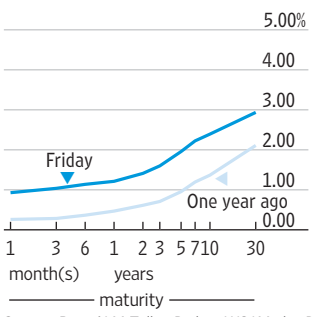
Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks.† Excludes closing costs.

Sources: SIX Financial Information; WSJ Market Data Group; Bankrate.com

Benchmark Yields and Rates

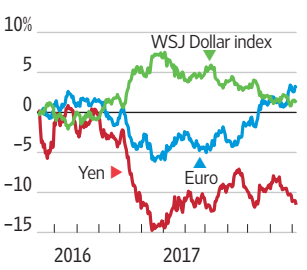
Treasury yield curve

Yield to maturity of current bills, notes and bonds



Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Corporate Borrowing Rates and Yields

Bond total return index	Yield (%) Last	Wk ago	Spread +/- Treasurys, in basis pts, 52-wk Range Last	Low	High	Total Return 52-wk	3-yr
10-yr Treasury, Ryan ALM	2.393	2.298				-7.02	2.68
DJ Corporate	3.075	3.010				-0.60	3.93
Aggregate, Barclays Capital	2.620	2.550	42	41	55	-1.34	2.52
High Yield 100, Merrill Lynch	5.382	5.240	337	316	504	9.584	3.018
Fixed-Rate MBS, Barclays	2.930	2.870	31	10	34	-0.43	2.27
Muni Master, Merrill	2.013	1.994	14	-6	18	-0.851	2.868
EMBI Global, J.P. Morgan	5.717	5.575	334	315	407	3.031	4.354

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

New to the Market
Public Offerings of Stock

IPOs in the U.S. Market

None expected this week

Lockup Expirations

None expected this week

IPO Scorecard

Performance of IPOs, most-recent listed first

Company **SYMBOL** IPO date/Offer price	Friday's close ($)	% Chg From Offer price	1st-day close	Company **SYMBOL** IPO date/Offer price	Friday's close ($)	% Chg From Offer price	1st-day close
Byline Bancorp **BY** June 30/$19.00	20.27	6.7	1.1	Mersana Therspeutics **MRSN** June 28/$15.00	13.29	-11.4	-5.1
Tintri **TNTR** June 30/$7.00	6.85	-2.1	-5.8	Avenue Thera **ATXI** June 27/$6.00	7.62	27.0	-7.6
Aileron Thera **ALRN** June 29/$15.00	13.80	-8.0	27.8	Esquire Financial **ESQ** June 27/$14.00	15.00	7.1	-1.7
Blue Apron **APRN** June 29/$10.00	7.73	-22.7	-22.7	Granite Point Mortgage **GPMT** June 23/$19.50	18.95	-2.8	-0.3
Dova Pharmaceuticals **DOVA** June 29/$17.00	25.17	48.1	27.1	Altice USA **ATUS** June 22/$30.00	32.45	8.2	-0.8

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)
Egalet Healthcare	July 6 March 2,'16	$30.0	$150.0	Cantor Fitzgerald & Co
Liberty Media Telecommunications	July 5 Feb. 2,'17	$443.8	$2,030.8	GS, JPM, MS

Public and Private Borrowing

Treasurys

Monday, July 10

Auction of 13 week bill; announced on July 6; settles on July 13

Auction of 26 week bill; announced on July 6; settles on July 13

Wednesday, July 12

Auction of 10 year note; announced on July 6; settles on July 17

Tuesday, July 11

Auction of 3 year note; announced on July 6; settles on July 17

Auction of 4 week bill; announced on July 10; settles on July 13

Thursday, July 13

Auction of 30 year bond; announced on July 6; settles on July 17

Public and Municipal Finance

Deals of $150 million or more expected this week

Sale	Final maturity	Issuer	Total ($mil.)	Rating Fitch	Moody's	S&P	Bookrunner/ Bond Counsel(s)
July 11	Aug. 15, 2037	Denton (Lewisville) ISD	202.5	N.R.	N.R.	N.R.	Preliminary/ McCall Parkhurst & Horton
July 11	Feb. 27, 2018	Miami-Dade SD	270.0	N.R.	N.R.	N.R.	Preliminary/ Greenberg Traurig PA
July 11	Oct. 1, 2040	South Carolina Trans Infras Bank	188.6	A	A1	N.R.	Preliminary/ McNair Law Firm PA
July 12	July 1, 2040	Maryland Transportation Auth	164.3	AA-	Aa3	AA-	Preliminary/ McKennon Shelton & Henn
July 14	prelim.	Chabot-Las Positas Comm Coll Dt	160.0	N.R.	N.R.	N.R.	Piper Jaffray/—
July 14	prelim.	Chicago Transit Authority	230.1	N.R.	N.R.	N.R.	M. Stanley/—
July 14	prelim.	Cobb Co-Kennestone Hosp Auth	157.7	N.R.	N.R.	N.R.	BoA Merrill/—
July 14	prelim.	Dallas City-Texas	168.1	N.R.	N.R.	N.R.	Loop Capital Markets/—
July 14	prelim.	Fulton Development Authority	177.9	N.R.	N.R.	N.R.	BoA Merrill/—
July 14	prelim.	Harris (Aldine) ISD	378.5	N.R.	Aa2	AA-	J P Morgan Securities LLC /—
July 14	prelim.	Hawaii	250.9	N.R.	N.R.	N.R.	BoA Merrill/—
July 14	prelim.	Linn (Greater Albany) SD #8J	159.0	N.R.	N.R.	N.R.	Piper Jaffray/—
July 14	prelim.	Los Angeles Dept of Airports	232.4	N.R.	N.R.	N.R.	BoA Merrill/—
July 14	prelim.	Massachusetts Port Authority	172.8	N.R.	N.R.	N.R.	Barclays/—
July 14	prelim.	NYC Transitional Finance Auth	1,000.0	N.R.	N.R.	N.R.	BoA Merrill/—
July 14	prelim.	Pennsylvania Turnpike Commission	770.0	N.R.	N.R.	N.R.	Citi/—
July 14	prelim.	Philadelphia City-Pennsylvania	348.0	N.R.	N.R.	N.R.	Citi/—
July 14	prelim.	Port Authority of NY & NJ	828.6	N.R.	N.R.	N.R.	Goldman & Co/—
July 14	prelim.	San Diego USD	195.0	N.R.	N.R.	N.R.	J P Morgan Securities LLC/—

Source: Thomson Reuters/Ipreo

A Week in the Life of the DJIA

A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA gained 64.72 points, or 0.30%, on the week. A $1 change in the price of any DJIA stock = 6.85-point change in the average. To date, a $1,000 investment on Dec. 31 in each current DJIA stock component would have returned $32,568, or a gain of 8.60%, on the $30,000 investment, including reinvested dividends.

The Week's Action Pct chg (%)	Stock price change	Point chg in average	Company	Symbol	Close	$1,000 Invested (year-end '16) $1,000
2.68	2.45	16.78	**J.P. Morgan Chase**	JPM	$93.85	$1,106
2.34	4.62	31.64	**Boeing**	BA	202.37	1,324
2.03	3.11	21.30	**McDonald's**	MCD	156.27	1,304
1.64	1.32	9.04	**DuPont**	DD	82.03	1,129
1.52	3.38	23.15	**Goldman Sachs**	GS	225.28	946
1.37	2.54	17.39	**UnitedHealth Group**	UNH	187.96	1,185
0.77	0.53	3.63	**Microsoft**	MSFT	69.46	1,132
0.67	1.40	9.59	**3M**	MMM	209.59	1,189
0.57	0.50	3.42	**Procter & Gamble**	PG	87.65	1,060
0.51	0.64	4.38	**Travelers**	TRV	127.17	1,051
0.41	0.50	3.42	**United Technologies**	UTX	122.61	1,132
0.41	0.14	0.96	**Intel**	INTC	33.88	948
0.19	0.25	1.71	**Johnson & Johnson**	JNJ	132.54	1,167
0.15	0.14	0.96	**Visa**	V	93.92	1,209
0.11	0.16	1.10	**Apple**	AAPL	144.18	1,258
0.11	0.09	0.62	**American Express**	AXP	84.33	1,153
-0.46	-0.35	-2.40	**Wal-Mart Stores**	WMT	75.33	1,106
-0.50	-0.54	-3.70	**Caterpillar**	CAT	106.92	1,172
-0.58	-0.89	-6.10	**IBM**	IBM	152.94	938
-0.63	-0.51	-3.49	**Exxon Mobil**	XOM	80.22	904
-0.71	-0.24	-1.64	**Pfizer**	PFE	33.35	1,047
-0.76	-1.17	-8.01	**Home Depot**	HD	152.23	1,151
-0.81	-0.84	-5.75	**Chevron**	CVX	103.49	896
-1.03	-0.46	-3.15	**Coca-Cola**	KO	44.39	1,090
-1.28	-0.40	-2.74	**Cisco Systems**	CSCO	30.90	1,051
-1.45	-0.93	-6.37	**Merck**	MRK	63.16	1,090
-1.73	-1.02	-6.99	**Nike**	NKE	57.98	1,149
-2.64	-1.18	-8.08	**Verizon**	VZ	43.48	842
-2.76	-2.93	-20.07	**Walt Disney**	DIS	103.32	999
-3.18	-0.86	-5.89	**General Electric**	GE	26.15	840

Sources: WSJ Market Data Group; S&P Dow Jones Indices. For more information on the Dow Jones Industrial Average and the 30 industrials, please visit www.djindexes.com

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Retirement Rule Could Lose Some Bite

By Lisa Beilfuss

The administration in recent days has raised questions about the impact of the fiduciary rule's compliance costs and legal liabilities, a sign that the rule meant to protect retirement savers from conflicted advice may survive a review without some of its primary enforcement provisions.

In a legal brief this past week, the Labor Department urged the U.S. District Court for the Northern District of Texas to uphold its February ruling against business groups seeking to eliminate the fiduciary rule, but the agency said it doesn't stand by a condition in the Obama-era rule that allows investors to bring class-action suits against brokers who they say failed to act as fiduciaries.

Separately, in opening a new comment period on the rule and a potential delay of its Jan. 1, 2018, deadline for full compliance, the agency asked pointed questions to gauge costs to the financial-services industry.

Writing that commentators have been divided on best-interest contract requirements throughout the rule-making process, the department said it "is interested in the possibility of regulatory changes that could alter or eliminate contractual...requirements."

Together, legal observers say, the Labor Department moves indicate the agency is considering eliminating the best-interest contract from the fiduciary rule as it conducts an economic-impact review ordered by President Donald Trump in February.

The contract currently would require retirement-account stewards to provide a legally binding promise to put clients' interests first and allow investors to bring class-action lawsuits against those they say breached their fiduciary duty.

"That was the stick," said Erin Sweeney, an attorney at Miller & Chevalier Chartered who represents parties in litigation regarding fiduciary obligations, of the regulation's right of private action. It was "intended to be a warning to the industry that if they didn't behave, they faced the class-action threat," she said.

The heart of the rule became effective last month after Labor Secretary Alexander Acosta said "respect for the rule of law" precluded further delay while the agency's review plays out.

Mr. Acosta didn't eliminate the possibility of a repeal or revision after the Labor Department completes that review at the end of the year.

Lifting the legal liability facing brokers and insurance agents who handle retirement savings is "kind of clever, really," Ms. Sweeney said. If the Labor Department cuts the best-interest contract, the rule is alive and in effect. But with no contract, it isn't enforceable in any practical way, she said. "There isn't a doorway open to get to court. There's no contract to sue on."

The department could also opt to keep the best-interest contract but throw out the class-action provision by eliminating the requirement that brokers and firms that want to use the regulation's exemption aren't allowed to have clients waive their right to bring class-action suits.

◆ The ABCs (and T's and Z's) of the fiduciary rule..... R1

Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets.
Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange.
a-The NAV and market price are ex dividend. **b**-The NAV is fully diluted. **c**-NAV is as of Thursday's close. **d**-NAV is as of Wednesday's close. **e**-NAV assumes rights offering is fully subscribed. **f**-Rights offering in process. **g**-Rights offering announced. **h**-Lipper data has been adjusted for rights offering. **j**-Rights offering has expired, but Lipper data not yet adjusted. **l**-NAV as of previous day. o-Tender offer in process. **v**-NAV is converted at the commercial Rand rate. **w**-Convertible Note-NAV (not market) conversion value. **y**-NAV and market price are in Canadian dollars. NA signifies that the information is not available or not applicable. NS signifies fund not in existence of entire period.
12 month yield is computed by dividing income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, July 7, 2017

Fund (SYM)	NAV	Close	Prem /Disc	52 wk Ttl Ret
General Equity Funds				
Adams Divers Equity Fd **ADX**	16.96	14.38	-15.2	20.6
Boulder Growth & Income **BIF**	11.69	9.82	-16.0	24.5
Central Securities **CET**	30.13	25.08	-16.8	32.2
CohSteer Opprtnty Fd **FOF**	13.75	13.04	-5.2	21.2
Cornerstone Strategic **CLM**	13.21	16.17	+22.4	21.5
EtnVnc TaxAdvDiv **EVT**	22.41	21.88	-2.4	15.8
Gabelli Dividend & Incm **GDV**	23.13	21.93	-5.2	20.4
Gabelli Equity Trust **GAB**	6.15	6.20	+0.8	22.6
Genl American Investors **GAM**	40.40	34.53	-14.5	21.3
Guggenheim Enh Fd **GPM**	8.60	8.26	-4.0	20.8
HnckJohn TxAdv **HTD**	26.14	25.88	-1.0	11.0
Liberty All-Star Equity **USA**	6.54	5.69	-13.0	23.5
Royce Micro-Cap **RMT**	9.82	8.74	-11.0	24.1
Royce Value Trust **RVT**	16.39	14.64	-10.7	31.1
Source Capital **SOR**	43.22	38.93	-9.9	9.8
Tri-Continental **TY**	27.60	24.41	-11.6	23.2
Specialized Equity Funds				
Adams Natural Rscs Fd **PEO**	21.33	18.41	-13.7	-0.9
AllnzGl NFJ Div Interest **NFJ**	14.36	13.13	-8.6	15.8
AlpnGlblPrProp **AWP**	7.08	6.26	-11.6	26.5
ASA Gold & Prec Metals **ASA**	12.63	11.16	-11.6	-30.8
BlkRk Enh Cap Inco **CII**	15.86	14.97	-5.6	18.2
BlkRk Engy Res Tr **BGR**	13.94	12.69	-9.0	-3.8
BlackRock Enh Eq Div Tr **BDJ**	9.47	8.86	-6.4	18.8
BlackRock Enh Gl Div Tr **BOE**	14.37	13.32	-7.3	21.8
BlkRk Intl Grwth&Inco **BGY**	6.73	6.30	-6.4	20.6
BlkRk Health Sci **BME**	35.13	36.81	+4.8	11.6
BlackRck Rscs Comm Str Tr **BCX**	9.16	8.14	-11.1	11.9
BlackRock Science & Tech **BST**	23.82	22.54	-5.4	42.7
BlackRock Utility & Infr **BUI**	20.53	20.42	-0.5	8.9
CBREClarionGlblRlEstIncm **IGR**	8.60	7.64	-11.2	1.2
Central Fund of Canada **CEF**	12.82	11.83	-7.7	-20.3
ClearBridge Amer Engy **CBA**		8.94	NA	13.0
ClearBridge Engy MLP Fd **CEM**		15.32	NA	5.9
Clearbridge Engy MLP Opp **EMO**		12.54	NA	5.8
Clearbridge Engy MLP TR **CTR**		12.68	NA	5.5
Cohen & Steers Infr Fd **UTF**	24.67	23.07	-6.5	20.1
C&S MLP Incm & Engy Opp **MIE**	11.53	10.69	-7.3	12.2
Cohen & Steers Qual Inc **RQI**	13.38	12.66	-5.4	-2.3
CohnStrsPfdInco **RNP**	22.51	20.73	-7.9	6.6
Cohen & Steers TR **RFI**	13.33	12.49	-6.3	-2.6
CLSelignm Prem Tech Gr Fd **STK**	20.27	21.71	+7.1	46.3
Divers Real Asset Incm Fd **DRA**	19.30	17.52	-9.2	13.8
Duff & Phelps **DNP**	9.69	11.01	+13.7	10.8
Duff&PhelpsGblUtilInc Fd **DPG**	18.08	16.38	-9.4	4.5
Eaton Vance Eqty Inco Fd **EOI**	14.27	13.59	-4.8	13.0
Eaton Vance Eqty Inco II **EOS**	15.02	14.60	-2.8	20.5
EtnVncRskMngd **ETJ**	10.01	9.40	-6.1	6.4
Etn Vnc Tax Mgd Buy-Write **ETB**	16.05	16.50	+2.8	10.5
Eaton Vance BuyWrite Opp **ETV**	14.41	15.26	+5.9	13.1
Eaton Vance Tax-Mng Div **ETY**	11.83	11.40	-3.6	19.1
Eaton Vance Tax-Mngd Opp **ETW**	11.31	11.47	+1.4	23.3
EtnVncTxMngGlDvEqInc **EXG**	9.36	9.16	-2.1	17.0
Fiduciary/Clymr Opp Fd **FMO**	13.58	13.89	+2.3	15.9
FT Energy Inc & Growth Fd **FEN**	24.77	25.16	+1.6	9.0
FstTrEnhEqtIncFd **FFA**	16.03	14.80	-7.7	21.7
First Tr Engy Infr Fd **FIF**	19.16	18.25	-4.7	11.7
First Tr MLP & Engy Incm **FEI**	15.02	15.28	+1.7	9.5
Gabelli Hlthcr & Well **GRX**	11.82	10.69	-9.6	5.3
Gabelli Utility Tr **GUT**	5.38	6.99	+29.9	14.7
GAMCOGlblGoldNatRscs&Inc **GGN**	5.42	5.44	+0.4	-2.3
Goldman Sachs MLP Inc Opp **GMZ**	9.90	9.52	-3.8	10.6
Goldman Sachs MLP Energy **GER**	7.27	7.17	-1.4	11.3
John Hancock Finl Opps Fd **BTO**	35.22	36.73	+4.3	50.0
Macquarie Glbl Infrstrctr **MGU**	27.00	24.07	-10.9	20.2
Neuberger Berman MLP Incm **NML**	10.30	9.58	-7.0	21.2
Neubrgr Brm Rl Est Sec Fd **NRO**	5.90	5.30	-10.2	-0.5
Nuveen Dow 30 Dynamic **DIAX**	17.40	16.45	-5.5	21.5
Nuveen Core Eq Alpha **JCE**	15.46	14.83	-4.1	12.6
Nuveen Diversified Div **JDD**	12.69	12.73	+0.3	20.1
Nuveen Engy MLP Fd **JMF**	12.37	13.20	+6.7	14.0
Nuv NASDAQ 100 Dyn Over **QQQX**	21.22	21.53	+1.5	27.5
Nuveen Real Est Incm Fd **JRS**	11.19	11.10	-0.8	1.5
Nuv S&P 500 Dyn Overwrite **SPXX**		15.24	NA	18.3
Nuveen S&P 500 Buy-Write **BXMX**	13.96	13.97	+0.1	14.1
Reaves Utility Fund **UTG**	33.65	34.67	+3.0	17.2
Tekla Hlthcr Investors **HQH**	25.73	25.11	-2.4	10.2
Tekla Healthcare Opps Fd **THQ**	19.76	18.21	-7.8	18.3
Tekla Life Sciences **HQL**	20.97	20.95	-0.1	22.1
Tekla World Hlthcr Fd **THW**	15.56	15.23	-2.1	18.4
Tortoise Energy **TYG**	28.27	29.76	+5.3	6.4
Tortoise MLP Fund **NTG**	18.67	18.96	+1.6	9.9
Voya Gl Equity Div **IGD**	8.09	7.54	-6.8	25.1
Income Preferred Stock Funds				
Calamos Strat Fd **CSQ**	12.22	11.73	-4.0	27.1
Cohen & Steers Dur Pfd **LDP**	27.24	26.65	-2.2	16.7
Cohen & Strs Sel Prf Inco **PSF**	27.91	28.26	+1.3	12.0
FT Interm Duration Pfd **FPF**	24.85	24.50	-1.4	13.1
Flaherty & Crumrine Dyn **DFP**	26.62	26.48	-0.5	17.1
Flaherty & Crumrine Pfd **FFC**	20.53	22.06	+7.5	9.0
John Hancock Pfd Income **HPI**	21.99	22.00	0.0	2.8
John Hancock Pfd II **HPF**	21.70	22.11	+1.9	3.7
John Hancock Pfd Inc III **HPS**	19.35	19.11	-1.2	2.8
JHancock Pr Div **PDT**	16.03	16.93	+5.6	8.2
LMP Cap & Inco Fd **SCD**		14.19	NA	16.5
Nuveen Preferred & Incm **JPI**	25.87	24.84	-4.0	8.4
Nuveen Pfd Incm Opps Fd **JPC**	10.85	10.42	-4.0	9.7
Nuveen Pfd Secs Incm Fd **JPS**	10.34	10.32	-0.2	15.9
TCW Strategic Income Fund **TSI**		5.55	NA	7.7
Virtus Global Dividend **ZTR**	12.81	12.72	-0.7	21.8
Convertible Sec's. Funds				
AdvntClymrFd **AVK**	17.25	16.26	-5.7	23.7
AllianzGl Conv & Incm **NCV**	6.76	7.08	+4.7	24.0
AllianzGl Conv & Incm II **NCZ**	6.06	6.28	+3.6	26.6
AllianzGl Div Incm **ACV**	22.03	21.27	-3.4	28.9
AllianzGl Equity & Conv **NIE**	21.72	19.77	-9.0	14.3
Calamos Conv Hi Inco Fd **CHY**	11.62	11.80	+1.5	20.3
Calamos **CHI**	11.04	11.20	+1.4	22.9
World Equity Funds				
Alpine Tot Dyn Div **AOD**	9.69	8.75	-9.7	30.0
Calamos Global Tot Ret Fd **CGO**	12.53	NA	NA	NA
Cdn Genl Inv **CGI**	28.44	20.61	-27.5	17.9
China Fund **CHN**	20.26	18.58	-8.3	32.3
Clough Global Opp Fd **GLO**	11.54	10.53	-8.8	23.2
EtnVncTxAdvGblDiv **ETG**	17.75	17.12	-3.5	27.3
EatonVance TxAdv Opport **ETO**	23.97	24.57	+2.5	22.4
First Trust Dynamic Eur **FDEU**	19.12	18.61	-2.7	29.7
Gabelli Glbl Multimedia **GGT**	9.07	9.05	-0.2	39.8
GDL Fund **GDL**	11.73	10.22	-12.9	11.6
India Fund **IFN**	30.66	27.48	-10.4	20.5
Japan Sml Cap **JOF**	12.76	11.34	-11.1	25.5
Korea Fund **KF**	44.41	39.53	-11.0	23.9
Mexico Fund **MXF**	19.58	17.47	-10.8	11.1
Morgan-Stanley Asia-Pac **APF**	18.79	16.32	-13.1	19.9
MS China a Shr Fd **CAF**	25.48	22.44	-11.9	31.5
MS Emerging Fund **MSF**	18.14	16.16	-10.9	21.5
MS India Invest **IIF**	37.21	32.74	-12.0	25.6
New Germany Fund **GF**	18.54	16.77	-9.5	37.4
Swiss Helvetia Fund **SWZ**	13.80	12.68	-8.1	26.3
Templeton Dragon **TDF**	22.80	20.38	-10.6	28.0
Templeton Emerging **EMF**	16.61	14.88	-10.4	32.7
Virtus Total Return Fund **ZF**	13.33	12.30	-7.7	13.5
Voya Infr Indls & Matls **IDE**	15.80	15.31	-3.1	37.9
Wells Fargo Gl Div Opp **EOD**		6.08	NA	11.6
U.S. Mortgage Bond Funds				
BlackRock Income Trust **BKT**	6.71	6.31	-6.0	4.9
Nuveen Mtg Opp Term Fd **JLS**	26.39	25.60	-3.0	5.2
Investment Grade Bond Funds				
Blackrock Core Bond Tr **BHK**	14.70	13.78	-6.3	5.6
BlkRk Credit Alloc Incm **BTZ**	14.74	13.40	-9.1	6.4
John Hancock Income Secs **JHS**	15.35	14.49	-5.6	5.6
MFS Inc Tr **MIN**	4.55	4.31	-5.3	9.0
WstAstClymr InfLnkd Fd **WIW**	NA	10.95	NA	3.3
WstAssetClymr InflLnk Sec **WIA**	NA	11.14	NA	2.9
Loan Participation Funds				
Apollo Sr Fltg Rate Fd **AFT**	18.10	16.90	-6.6	7.3
BlackRock FR Incm Strat **FRA**	14.95	14.09	-5.8	5.7
Blkrk FltRt InTr **BGT**	14.45	13.94	-3.5	5.4
BlackstoneGSO Strat Cred **BGB**	NA	16.00	NA	8.4
Blackstone GSO Sr Float **BSL**	NA	17.98	NA	6.5
Eagle Point Credit **ECC**	NA	20.71	NA	7.7
Eaton Vance FR Incm Tr **EFT**	15.51	15.17	-2.2	5.7
EatonVnc SrFltRate **EFR**	15.17	14.92	-1.6	6.0
Eaton Vance Sr Incm Tr **EVF**	7.16	6.66	-7.0	5.8
First Trust Sr FR Fd II **FCT**	14.15	13.28	-6.1	6.1
FT Sr Floating Rate 2022 **FIV**	9.80	10.04	+2.4	NS
Invesco Credit Opps Fund **VTA**	12.97	11.86	-8.6	7.2
Invesco Senior Income Tr **VVR**	4.87	4.54	-6.8	6.1
Nuveen Credit Strt Inc Fd **JQC**	9.26	8.54	-7.8	7.2
NuvFloatRteInco Fd **JFR**	11.67	11.84	+1.5	6.6
Nuv Float Rte Opp Fd **JRO**	11.60	11.61	+0.1	7.0
Nuveen Senior Income Fund **NSL**	6.90	6.82	-1.2	6.7
Pioneer Floating Rate Tr **PHD**	12.54	11.94	-4.8	6.1
Voya Prime Rate Trust **PPR**	5.68	5.31	-6.5	5.9
High Yield Bond Funds				
AllianceBernstein Glbl **AWF**	13.86	12.84	-7.4	7.0
Barings Glbl Short Dur HY **BGH**	21.26	19.77	-7.0	9.3
BlackRock Corp Hi Yd Fd **HYT**	12.15	11.01	-9.4	8.1
BlkRk Debt Strat Fd **DSU**	12.64	11.53	-8.8	6.8
BlackRockDurInco Tr **BLW**	16.93	15.72	-7.1	9.3
Brookfield Real Assets **RA**	25.38	NA	NA	NS
Credit Suisse High Yld **DHY**	2.78	2.87	+3.2	9.6
DoubleLine Incm Solutions **DSL**	21.27	20.69	-2.7	8.7
Dreyfus Hi Yd Strat Fd **DHF**	3.57	3.52	-1.4	9.0
Fst Tr Hi Inc Lg/Shrt Fd **FSD**	18.00	17.07	-5.2	7.1
Guggenheim Strat Opps Fd **GOF**	19.79	21.16	+6.9	10.3
Ivy High Income Opps Fund **IVH**	16.35	15.46	-5.4	9.6
Neuberger Berman HYS **NHS**	13.29	11.74	-11.7	7.8
NexPoint Credit Strat Fd **NHF**	24.53	22.09	-9.9	11.7
Nuveen Credit Opps 2022 **JCO**	9.88	10.03	+1.5	NS
Nuveen Gl Hi Incm Fd **JGH**	18.41	16.76	-9.0	8.6
Nuveen High Incm Dec18 **JHA**	10.13	10.02	-1.1	5.7
Nuveen High Incm Dec19 **JHD**	10.29	10.25	-0.4	5.9
Nuveen Hi Incm Nov 2021 **JHB**	10.14	10.15	+0.1	NS
Pioneer High Income Trust **PHT**	10.74	9.84	-8.4	9.1
Prud Gl Shrt Dur Hi Yd **GHY**	16.50	14.89	-9.8	8.1
Prudentl Sh Dur Hi Yd Fd **ISD**	16.76	15.20	-9.3	8.0
Wells Fargo Incm Opps Fd **EAD**	NA	8.47	NA	9.1
Wstrn Asset Glbl Hi Inco **EHI**	NA	10.13	NA	10.0
Wstrn Asset High Inco II **HIX**	NA	7.14	NA	9.2
Wstrn Asset Opp Fd **HIO**	NA	5.06	NA	7.7
West Asst HY Def Opp Fd **HYI**	NA	15.23	NA	8.2
Other Domestic Taxable Bond Funds				
Apollo Tactical Incm Fd **AIF**	17.50	16.38	-6.4	9.0
Ares Dynamic Credit Alloc **ARDC**	NA	16.35	NA	7.5
Barings Corp Investors **MCI**	NA	14.87	NA	3.9
BlackRock Multi-Sector IT **BIT**	19.52	17.93	-8.1	10.5
BlackRock Taxable Mun Bd **BBN**	23.22	22.98	-1.0	6.9
Doubleline Oppor Credit **DBL**	NA	25.03	NA	7.9
Duff & Phelps Util & Cp Bd **DUC**	9.82	9.15	-6.8	6.5
EtnVncLtdFd **EVV**	15.14	13.98	-7.7	7.4
Franklin Ltd Duration IT **FTF**	NA	11.88	NA	9.95
Guggenheim Taxable Muni **GBAB**	23.20	22.76	-1.9	6.7
Invesco High Incm 2023 **IHIT**	10.05	10.13	+0.8	NS
John Hancock Investors **JHI**	18.41	17.54	-4.7	7.6
KKR Income Opps Fund **KIO**	NA	NA	NA	9.0
MFS Charter **MCR**	9.34	8.65	-7.4	8.6
MFS Multimkt **MMT**	6.69	6.17	-7.8	8.6
Nuveen Build Am Bd Fd **NBB**	21.85	20.70	-5.3	6.0
PIMCO Corporate & Incm **PTY**	NA	16.46	NA	10.5
PIMCO Corporate & Incm **PCN**	NA	17.45	NA	10.2
PIMCO HiInco **PHK**	NA	8.78	NA	12.8
PIMCO Inco Str Fd **PFL**	NA	11.93	NA	9.1
PIMCO Incm Strategy Fd II **PFN**	NA	10.53	NA	9.2
Putnam Mas Inco **PIM**	5.02	4.78	-4.8	6.6
Putnam Premier Income Tr **PPT**	5.55	5.53	-0.4	5.7
Wells Fargo Multi-Sector **ERC**	NA	13.31	NA	8.8
World Income Funds				
Aberdeen Asia-Pacific **FAX**	5.44	5.01	-7.9	8.0
Etn Vnc Short Dur Fd **EVG**	15.31	13.96	-8.8	7.4
Legg Mason BW Glbl Incm **BWG**	NA	13.10	NA	5.4
MS EmMktDomDebt **EDD**	8.71	7.93	-9.0	8.7
PIMCO Dynamic Credit **PCI**	NA	22.30	NA	11.6
PIMCO Dynamic Income Fund **PDI**	NA	30.13	NA	13.5
PIMCO Income Opportunity **PKO**	NA	27.07	NA	9.7
PIMCO Strat Income Fund **RCS**	NA	10.45	NA	9.0
Templeton Emerging **TEI**	12.70	11.12	-12.4	5.4
Templeton Global **GIM**	7.49	6.68	-10.8	6.5
Wstrn Asset Gl Def Opp Fd **GDO**	NA	17.92	NA	7.6
National Muni Bond Funds				
AllianceBrnstn NtlMun **AFB**	14.76	13.54	-8.3	4.7
Blackrock Invest **BKN**	15.70	14.81	-5.7	5.5
BlackRock Mun 2030 Target **BTT**	23.59	23.04	-2.3	4.1
BlackRock Municipal Trust **BFK**	14.40	14.17	-1.6	5.8
BlackRockMuni **BLE**	15.05	15.42	+2.5	5.7
BlackRockMuni Tr **BYM**	15.10	14.44	-4.4	5.4
BlkRk MuniAssets Fd **MUA**	14.18	14.92	+5.2	4.6
BlkRk Munienhanced **MEN**	11.87	11.95	+0.7	5.7
BlkRk MuniHldgs Inv **MFL**	14.78	14.76	-0.1	5.8
BlkRk MuniHldgs Qlty II **MUE**	14.13	13.73	-2.8	5.6
BlkRk MuniVest **MVF**	9.68	9.62	-0.6	6.0
BlkRk MuniVest II **MVT**	15.29	15.77	+3.1	5.9
BlkRk MuniYield **MYD**	14.84	14.97	+0.9	5.7
BlkRk MuniYld Quality **MQY**	15.72	15.29	-2.7	5.6
BlkRk MuniYld Qlty II **MQT**	13.81	13.11	-5.1	5.6
BlRkMunyldQltyIII **MYI**	14.36	14.26	-0.7	5.7
Deutsche Mun Income Tr **KTF**	12.60	13.57	+7.7	6.2
Dreyfus Mun Bd Infr Fd **DMB**	14.04	13.17	-6.2	5.1
Dreyfus Strat Muni Bond **DSM**	8.42	8.56	+1.7	5.8
Dreyfus Strategic Munis **LEO**	8.64	8.96	+3.7	5.7
Eaton Vance Mun Bd Fd **EIM**	13.69	12.64	-7.7	5.1
Eaton Vance Mun Income **EVN**	13.28	12.96	-2.4	5.4
EV National Municipal Opp **EOT**	21.82	21.85	+0.1	4.6
Invesco Adv Mun Incm II **VKI**	12.16	11.50	-5.4	5.8
Invesco Mun Incm Opps Tr **OIA**	7.56	7.76	+2.6	5.2
Invesco Mun Opportunity **VMO**	13.53	13.08	-3.3	6.2
Invesco Municipal Trust **VKQ**	13.51	12.69	-6.1	5.8
Invesco Qlty Mun Inco **IQI**	13.59	12.65	-6.9	5.6
Invesco Inv Grade Muni **VGM**	14.01	13.41	-4.3	5.7
Invesco Value Mun Incm Tr **IIM**	16.20	15.06	-7.0	5.0
MainStay DefinedTerm **MMD**	20.05	19.77	-1.4	5.4
MFS Munl Inco **MFM**	7.36	7.12	-3.3	5.3
Nuveen AMT-Free Quality **NEA**	14.90	13.65	-8.4	5.5
Nuveen AMT-Free Mun **NVG**	16.08	15.15	-5.8	5.8
Nuveen Mun Credit Incm Fd **NZF**	15.74	14.97	-4.9	6.0
Nuveen Enhncd Mun Val Fd **NEV**	14.99	14.31	-4.5	5.9
Nuveen Intermed Dur Mun **NID**	13.65	13.23	-3.1	4.9
NuveenMuniInco Opp Fd **NMZ**	13.27	13.44	+1.3	6.2
Nuveen Muni Value Fund **NUV**	10.22	9.97	-2.4	3.9
Nuveen Qual Mun Incm Fd **NAD**	15.26	14.09	-7.7	5.7
Nuveen Sel Tax Free **NXP**	15.22	14.29	-6.1	3.8
Nuveen Sel TF **NXQ**	14.70	13.71	-6.7	3.7
PIMCO MuniFd **PMF**	12.81	13.78	+7.6	6.3
Pimco Muni Inc II **PML**	12.14	13.12	+8.1	5.9
PIMCO Muni Inc III **PMX**	11.01	11.71	+6.4	6.1
Pioneer Mun Hi Inc Adv Tr **MAV**	11.94	11.48	-3.9	5.7
Pioneer Mun Hi Incm Tr **MHI**	12.78	12.04	-5.8	5.3
Putnam Tr **PMM**	7.87	7.48	-5.0	5.5
Putnam Muni Opportunities **PMO**	13.09	12.53	-4.3	5.3
Wstrn Asset Mngd Muni **MMU**	NA	13.76	NA	5.1
Western Asset Mun Tr Fund **MTT**	NA	22.15	NA	4.9
Single State Muni Bond				
BlackRock CA Municipal Tr **BFZ**	15.26	14.32	-6.2	5.4
BlkRk MuniHldgs CA Qlty **MUC**	15.44	14.37	-6.9	5.1
Blkrck MunHl NJ Qlty **MUJ**	15.44	14.35	-7.1	5.6
BlRk MuHldg NY Qlty **MHN**	14.72	13.87	-5.8	5.0
BlkRk MuniYld CA Fd **MYC**	15.51	15.04	-3.0	5.2
BlkRk MuniYld CA Quality **MCA**	15.63	14.96	-4.3	5.1
BlkRk MuniYld MI Qlty **MIY**	15.40	14.12	-8.3	5.4
BlRk Muyld NY Qlty **MYN**	14.13	13.01	-7.9	5.0
Eaton Vance CA Mun Bd **EVM**	12.42	11.54	-7.1	5.2
Invesco CA Value Mun Incm **VCV**	13.44	12.59	-6.3	5.1
Invesco PA Value Mun Incm **VPV**	13.99	12.35	-11.7	5.2
Invesco Inv Grade NY Muni **VTN**	14.60	13.58	-7.0	5.2
Nuveen CA AMT-Free Qual **NKX**	15.66	15.62	-0.3	5.1
Nuveen CA Muni Value **NCA**	10.34	10.23	-1.1	4.1
Nuveen CA Quality Muni **NAC**	15.55	15.17	-2.4	5.5
Nuveen MD Qual Muni **NMY**	14.49	12.97	-10.5	5.0
Nuveen MI Qual Muni **NUM**	15.34	13.63	-11.1	4.9
Nuveen NJ Qual Muni **NXJ**	15.57	13.66	-12.3	5.3
Nuveen NY AMT-Free **NRK**	14.42	13.05	-9.5	5.0
Nuveen NY Qual Muni **NAN**	15.06	14.16	-6.0	5.1
Nuveen OH Qual Muni **NUO**	16.55	14.91	-9.9	4.8
Nuveen PA Qual Muni **NQP**	15.08	13.35	-11.5	5.3
Nuveen VA Qual Muni **NPV**	14.36	13.10	-8.8	4.4
PIMCO California Muni **PCQ**	14.18	16.80	+18.5	5.4
PIMCO California Mun II **PCK**	8.64	9.96	+15.3	5.5

Fund (SYM)	NAV	Close	Prem /Disc	52 wk Ttl Ret
General Equity Funds				
Specialized Equity Funds				
Griffin Inst Access RE:L	NA	NA	NA	NS
Griffin Inst Access RE:M	NA	NA	NA	NS
NexPointRlEstStrat;A	21.11	NA	NA	NS
NexPointRlEstStrat;C	21.05	NA	NA	NS
NexPointRlEstStrat;Z	21.06	NA	NA	10.1
SharesPost 100	25.53	NA	NA	-0.2
Tot Inc+ RE:A	29.20	NA	NA	6.1
Tot Inc+ RE:C	28.51	NA	NA	5.3
Tot Inc+ RE:I	29.50	NA	NA	6.4
Versus Cap MMgr RE Inc:F	27.60	NA	NA	4.3
Versus Cap MMgr RE Incl	27.67	NA	NA	4.7
Wildermuth Endwmnt Str	12.25	NA	NA	10.8
Wildermuth Endwmnt S:C	12.12	NA	NA	9.97
Wildermuth Endwmnt S:I	12.25	NA	NA	NS
Income Preferred Stock Funds				
The Relative Value:CIA **VFLEX**	25.05	NA	NA	NS
Convertible Sec's. Funds				
Calmos Dyn Conv and Inc **CCD**	20.37	20.06	-1.5	14.7
World Equity Funds				
BMO LGM Front ME	10.10	NA	NA	16.8

Fund (SYM)	NAV	Close	Prem /Disc	12 Mo Yld
U.S. Mortgage Bond Funds				
Vertical Capital Income	12.49	NA	NA	3.0
Loan Participation Funds				
504 Fund	9.79	NA	NA	3.5
FedProj&TrFinanceTender	10.03	NA	NA	NS
Invesco Sr Loan A	6.62	NA	NA	4.5
Invesco Sr Loan B	6.62	NA	NA	4.5
Invesco Sr Lo

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0.47

The level the 20-day correlation between the Dow Jones Industrial Average and the S&P 500 fell to last week, the lowest since 2003

Dow, S&P Grow Apart

What did the market do today?

The answer to this simple question has become more difficult in recent weeks, as the typically close relationship between the Dow Jones Industrial Average and the S&P 500 has broken down.

MONEYBEAT

The 20-day correlation between the two closely followed yardsticks of U.S. stock-market performance last week fell to 0.47, the lowest since 2003, according to WSJ Market Data Group. That is a far cry from near-lockstep trading that usually occurs between the two. Over the past 15 years, the average correlation between the Dow and S&P 500 is 0.96.

Correlation is measured on a scale of minus-1 to 1. A reading of 1 means uniform price moves while minus-1 means perfect opposition; a reading of zero means no relationship.

The unusually disparate day-to-day price moves are a result of the recent sector rotation that has taken hold of equity markets. Since mid-June, former market laggards such as financial stocks have surged, while this year's top performer, technology, has slipped. This price action has accentuated the difference between the two indexes.

The Dow is price-weighted, meaning that companies with the highest stock prices carry the most sway. **Goldman Sachs Group** Inc., which trades at more than $225 a share, represents the biggest holding. Industrial-sector stocks account for one-fifth of the Dow.

Contrast this with the S&P 500, which ranks stocks by market values. **Apple** Inc., the largest company in the world, is the biggest holding here; the tech sector is the biggest grouping in the S&P 500. Goldman ranks a distant 52nd in the S&P 500.

The Dow led the way early this year when financials and industrials rallied. The S&P 500 has done best when technology stocks have dominated.

The recent sector rotation has had an even greater impact on the correlation between the Dow and the tech-heavy Nasdaq Composite Index. Over 15 years, these two benchmarks have a correlation of 0.83. Since last month, however, the Dow and Nasdaq have been negatively correlated, meaning they have moved in opposition. That is rare, and the minus-0.45 correlation between the Dow and Nasdaq late last month was the weakest since 2001.

—Chris Dieterich

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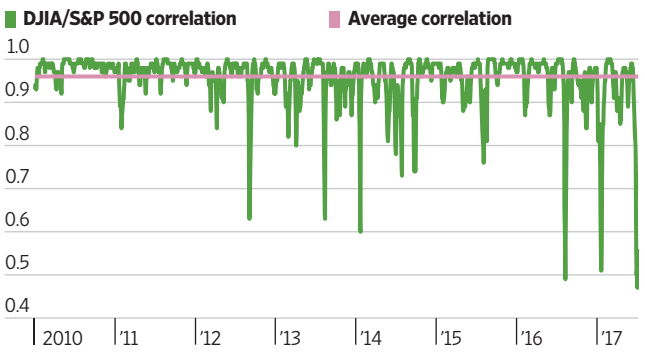
Falling Out of Line

The correlation between the Dow Jones Industrial Average and the S&P 500 slumped last week to the lowest since 2003.



Note: Based on rolling 20-day correlations; average is over 15 years
Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

Betting on Rates Is Risky

A year after hitting a record low, 10-year yield is back up, never going below 2.135%

By Ben Eisen

THOMAS LOHNES/GETTY IMAGES

Investors are bracing for the ECB to withdraw stimulus. ECB headquarters seen in Frankfurt.

About a year ago, the benchmark 10-year Treasury note yield hit a record low, catching jittery investors off-guard and leaving many bewildered.

CREDIT MARKETS

On July 8, 2016, the yield settled at 1.366%, extending a drop below record lows from 2012. Many said yields would head even lower, pulled down by global central-bank bond buying. With comparable German and Japanese yields having already fallen into negative territory, it was only fair to expect the U.S. would follow, many said.

Instead yields have bounced back. They jumped as high as 2.609% after the presidential election as investors bet on faster growth and higher inflation under the Trump administration. Even as those expectations faltered in recent months, yields have traded in a range, never dropping lower than 2.135%.

A year later, the 10-year yield is up more than a full percentage point, settling recently trading at 2.393% on Friday. That is remarkably low by historical standards but shows again how rates have defied expectations.

That is worth considering as the 10-year yield has climbed nearly a quarter of a percentage point from its 2017 low at the end of last month as investors brace for the possibility that the European Central Bank begins to withdraw its bond-buying stimulus. Some investors, such as Ray Dalio of Bridgewater Associates, have said that the period of easy-money policies is coming to a close.

Economists are again ramping up expectations for yields to keep rising. Last month's WSJ Economic Survey showed consensus expectations for the 10-year yield to rise to 2.66% by year-end, 0.45 percentage point above where it was trading at the beginning of June.

Torsten Sløk, chief international economist at Deutsche Bank, noted last month that year-forward projections for the 10-year yield in the Federal Reserve Bank of Philadelphia's quarterly survey of professional forecasters have been 0.6 percentage point too high on average since 2003.

Just as rates have defied forecasts in the past, they are bound to do so again at some point in the future. That is increasingly leading investors to exercise caution when trying to call the direction of rates.

"There are still many unknown variables that will occur this year that could cause rates to remain low or fall back down so investors should not bet too heavily on rates to rise aggressively in the back half of 2017," said Andrew Pace, a vice president at Performance Trust Capital Partners.

Dollar Gets Lift From Strong Jobs Numbers

By Ira Iosebashvili

CURRENCIES

The dollar edged higher Friday after a U.S. employment report showed that the economy continued to create jobs at a rapid pace last month.

The ICE Dollar Index, which measures the U.S. currency against a basket of six others, settled up 0.2% at 96.00 Friday. It fell as low as 95.75 after the data were released Friday morning.

Nonfarm payrolls rose by a seasonally adjusted 222,000, more than the 174,000 expected by economists, the Labor Department said. But wage growth remained tepid, with average hourly earnings for private-sector workers rising 2.5% in June compared with a year earlier, little changed from prior months.

The crosscurrents underline a paradox that has plagued investors and policy makers this year. While job creation has been strong, it has done little to quicken inflation, an important criteria for the Federal Reserve to raise interest rates.

"The fact that the economy is creating jobs at such a fast clip is clearly positive," said Omer Esiner, chief market analyst at **Commonwealth Foreign Exchange**. At the same time, "the fact that wage inflation is absent is a key concern."

Investors have been closely watching U.S. data to determine whether the country's economy is strong enough for the Fed to deliver a third rate increase this year.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US$	Fri per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso	.0589	16.9657	6.9
Brazil real	.3049	3.2803	0.8
Canada dollar	.7765	1.2878	–4.2
Chile peso	.001499	667.10	–0.4
Colombia peso	.0003236	3089.83	2.9
Ecuador US dollar	1	1	unch
Mexico peso	.0553	18.0860	–12.8
Peru new sol	.3077	3.250	–3.1
Uruguay peso	.03457	28.9300	–1.4
Venezuela b. fuerte	.100150	9.9851	–0.1
Asia-Pacific			
Australian dollar	.7606	1.3148	–5.3
China yuan	.1468	6.8128	–1.9
Hong Kong dollar	.1280	7.8120	0.7
India rupee	.01547	64.625	–4.9
Indonesia rupiah	.0000746	13412	–0.8
Japan yen	.008779	113.91	–2.6
Kazakhstan tenge	.003082	324.44	–2.8
Macau pataca	.1243	8.0462	1.6
Malaysia ringgit	.2326	4.2990	–4.2
New Zealand dollar	.7280	1.3736	–4.9
Pakistan rupee	.00945	105.850	1.4
Philippines peso	.0198	50.628	2.1
Singapore dollar	.7235	1.3822	–4.5
South Korea won	.0008667	1153.74	–4.5
Sri Lanka rupee	.0065138	153.52	3.4
Taiwan dollar	.03268	30.602	–5.7
Thailand baht	.02932	34.110	–4.7
Vietnam dong	.00004400	22725	–0.2
Europe			
Czech Rep. koruna	.04370	22.883	–10.9
Denmark krone	.1533	6.5230	–7.7
Euro area euro	1.1403	.8770	–7.7
Hungary forint	.003702	270.15	–8.2
Iceland krona	.009589	104.29	–7.7
Norway krone	.1195	8.3668	–3.2
Poland zloty	.2692	3.7142	–11.3
Russia ruble	.01656	60.385	–1.4
Sweden krona	.1187	8.4275	–7.5
Switzerland franc	1.0375	.9639	–5.4
Turkey lira	.2764	3.6182	2.7
Ukraine hryvnia	.0384	26.0450	–3.8
UK pound	1.2887	.7760	–4.2
Middle East/Africa			
Bahrain dinar	2.6517	.3771	–0.02
Egypt pound	.0560	17.8730	–1.4
Israel shekel	.2824	3.5405	–8.0
Kuwait dinar	3.2993	.3031	–0.8
Oman sul rial	2.5968	.3851	0.03
Qatar rial	.2710	3.691	1.4
Saudi Arabia riyal	.2667	3.7502	–0.01
South Africa rand	.0747	13.3918	–2.2

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	88.35	0.18	0.20	–4.94

Sources: Tullett Prebon, WSJ Market Data Group

THE TICKER | Market events coming this week

Monday

Consumer credit
April, prev. up $8.2 bil.
May, exp. up $12.0 bil.

Tuesday

Short-selling reports
Ratio, days of trading volume of current position, at June 15
NYSE 4.8
Nasdaq 4.1

Wholesale inventories
April, previous down 0.5%
May, expected up 0.3%

Earnings expected*
Estimate/Year Ago($)
PepsiCo **1.40**/1.35

Wednesday

Mort. bankers indexes
Purch., previous up 3%
Refinan., prev. down 0.4%

EIA status report
Previous change in stocks in millions of barrels
Crude oil down 6.3
Gasoline down 3.7
Distillates down 1.8

Earnings expected*
Estimate/Year Ago($)
Bank of the Ozarks **0.73**/0.60
Fastenal **0.49**/0.45

Thursday

Initial jobless claims
Previous 248,000
Expected 245,000

EIA report: natural gas
Previous change in stocks in billions of cubic feet
up 72

Producer price index
All items, May 0.0%
June, expected 0.0%
Core, May up 0.3%
June, expected up 0.1%

Earnings expected*
Estimate/Year Ago($)
Commerce Bancshares **0.70**/0.67

Friday

Business inventories
April, previous down 0.2%
May, expected up 0.3%

Capacity utilization
May, previous 76.6%
June, expected 76.7%

Consumer price index
All items, May down 0.1%
June, expected up 0.1%
Core, May up 0.1%
June, expected up 0.2%

Industrial production
May, previous 0.0%
June, expected up 0.3%

U.Mich. consumer index
June, final 95.1
July, prelim. 94.7

Retail sales
May, previous down 0.3%
June, expected up 0.1%

Retail sales, ex. autos
May, previous down 0.3%
June, expected up 0.2%

Earnings expected*
Estimate/Year Ago($)
Citigroup **1.22**/1.24
First Republic Bank **1.09**/0.97
J.P. Morgan Chase **1.60**/1.55
PNC Financial **2.02**/1.82
Wells Fargo **1.01**/1.01

* FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES) ◆ ADJUSTED FOR STOCK SPLIT

NOTE: FORECASTS ARE FROM DOW JONES WEEKLY SURVEY OF ECONOMISTS

CHRIS RATCLIFFE/BLOOMBERG NEWS

PepsiCo is scheduled to report quarterly results on Tuesday. Analysts expect the maker of soft drinks and snacks to post earnings of $1.40 a share, up from last year.

Gold Falls to Lowest Level Since March

By Stephanie Yang

COMMODITIES

Gold prices dropped near a four-month low on Friday after U.S. jobs data showed better-than-expected growth.

Gold for August delivery settled down 1.1% at $1,209.70 a troy ounce on the Comex division of the New York Mercantile Exchange, closing at the lowest level since March 15.

On Friday, the Labor Department said the U.S. economy added 222,000 jobs in June, beating economists' expectations of 174,000. Jobs reported in May and April were raised, signaling strong job growth and healthy economic conditions.

Gold swung between gains and losses following the report as investors weighed the positive jobs number against lackluster wage growth and signs of higher unemployment.

Gold is "still in a defensive mode. The bears are in control," said Bob Haberkorn, senior market strategist at RJO Futures. "You need an event to push it higher."

The precious metal has sold off in recent weeks as the Federal Reserve has raised interest rates and laid out plans for tighter monetary policy. Gold pays its holders nothing and struggles to compete with yield-bearing assets when borrowing costs rise.

The WSJ Dollar Index Friday rose 0.2% to 88.35, making dollar-denominated metals such as gold and copper more expensive to foreign buyers.

Meanwhile, copper for September delivery fell 0.5% to $2.6470 a pound in New York.

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MARKETS

THE DAILY SHOT | By Lev Borodovsky

Ripples Spread in a Global Bond Selloff

WSJ subscribers can get **The Daily Shot**—a chart-by-chart briefing on markets and economics—sent to their email each morning. Subscribe at **wsj.com/newsletters**

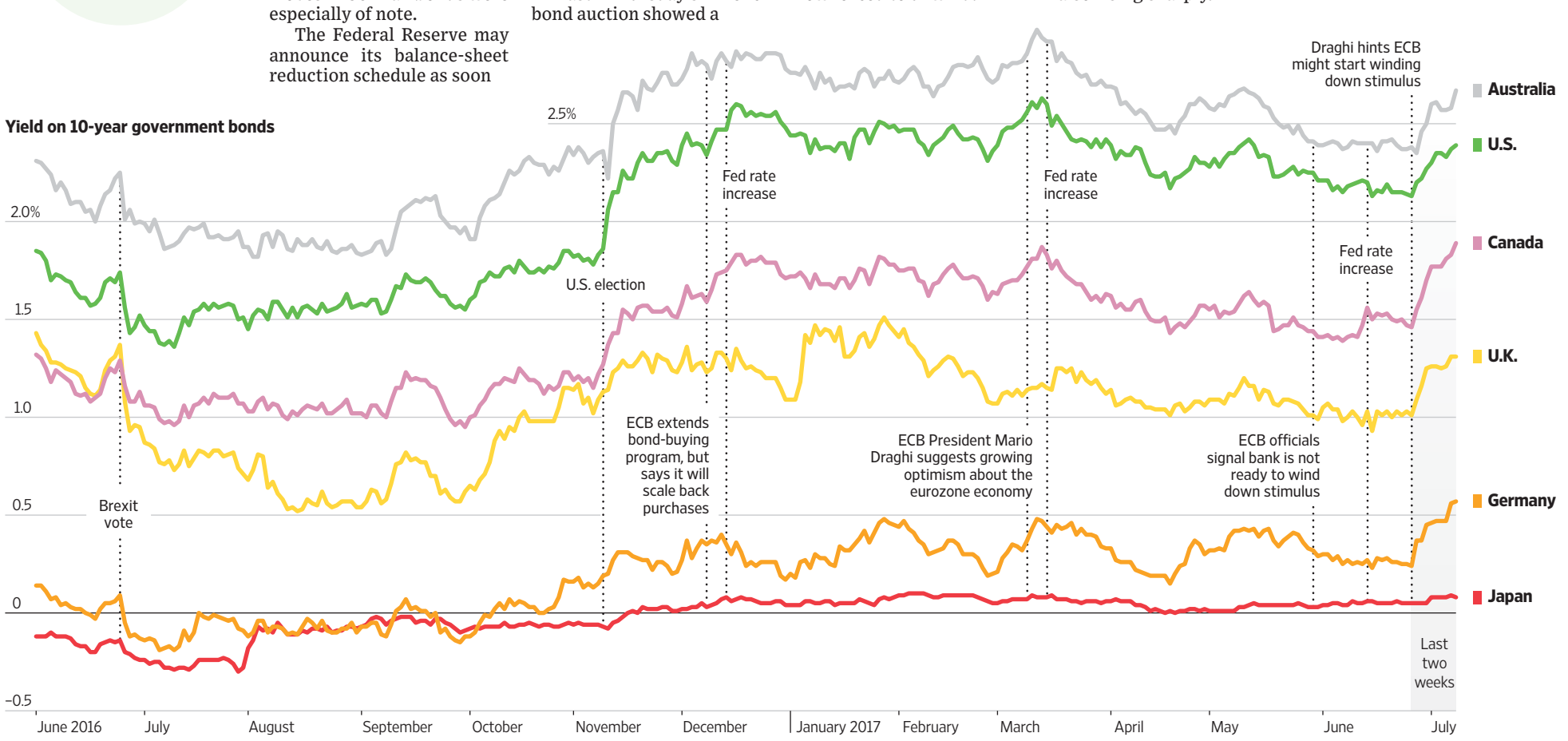
The global bond rout deepened last week, spilling over into the equity markets. Fixed-income investors have become jittery about major central banks sounding increasingly hawkish. The moves in German bonds were especially of note.

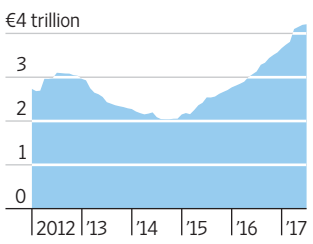
The Federal Reserve may announce its balance-sheet reduction schedule as soon as September. The Bank of Canada and the Bank of England are hinting at near-term rate increases, while the European Central Bank may soon accelerate its tapering.

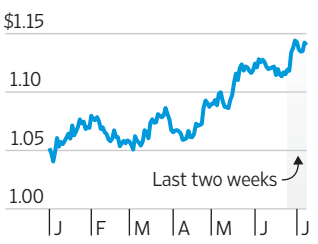
Last Thursday's French bond auction showed a marked decline in demand, triggering the bond selloff around the world.

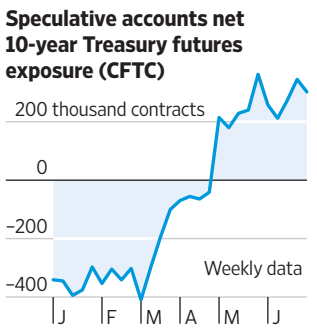
Some hedge funds have been net long Treasurys as well as other long-dated government bonds and are now forced to unwind.

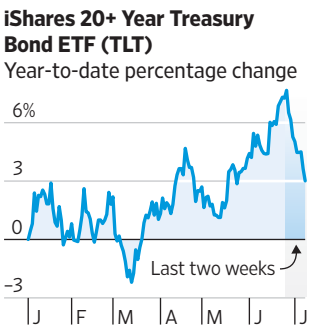
Several bond analysts (including DoubleLine Capital's Jeffrey Gundlach) suggest that this is only the beginning, with the 10-year Treasury moving toward 3% this year and mortgage rates also rising sharply.

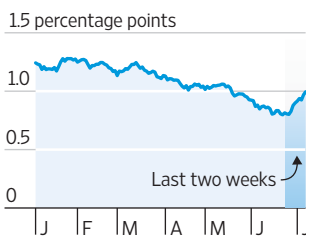












Note: €1 trillion = $1.1 trillion
Sources: FactSet (yields, TLT, spread); European Central Bank via Federal Reserve Bank of St. Louis (assets); WSJ Market Data Group (Stoxx Europe 600; euro); Commodity Futures Trading Commission (positions)

THE WALL STREET JOURNAL.

HEARD ON THE STREET

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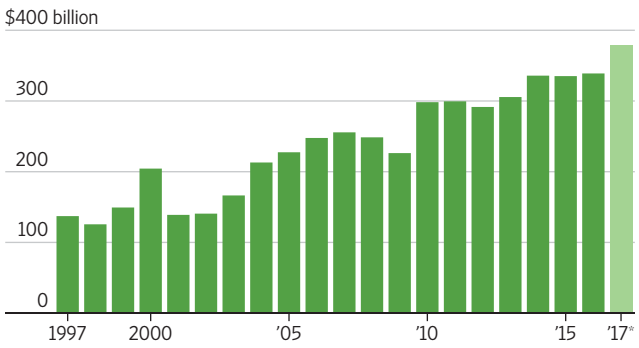
Why the Chip Rally Is Different This Time

Times are very good in the chip business. In this boom-and-bust industry, that leads to the obvious question: Are they too good?

Global semiconductor revenue has doubled since the first dot-com era of the late 1990s. That is when PCs were flooding into every home, and every business was buying servers and wiring up for the internet. Those aren't big growth drivers now, but new industries have emerged to fill the gap: Cars and household appliances are packing in more chips than ever. Artificial intelligence is being built into big corporate networks. These sorts of capabilities require new processors and memory, in turn driving up sales of chips.

That has put the chip industry in the strongest upswing in years. Global chip sales jumped nearly 23% in the 12 months ended in May to $31.9 billion, according to the Semiconductor Industry Association. That is the sixth consecutive month of double-digit gains—the strongest sustained run in seven years. The association also projects full-year sales growth of 11.5%, which would mark the highest growth rate since 2010. Profits are surging as well; **Samsung** and **Micron Technology** both recently reported record quarterly earnings, thanks mostly to strong prices on memory chips.

Chipper
Global semiconductor revenue



*Forecast
Source: World Semiconductor Trade Statistics

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But chips have been a cyclical business in the past, so investors are nervous. Despite some gains in recent sessions, the PHLX Semiconductor Index is about 7% off its peak in the past month. That was after surging by 60% in value over the previous 12 months. The coming second-quarter earnings season will include forecasts for the latter half of the year, and any disappointment will likely send share prices down further. Still, Credit Suisse opined Friday that at its current level the semiconductor index has priced in "cyclical peak" concerns.

Those cyclical concerns may be overblown. The industry is enjoying several strong demand drivers that aren't short-term in nature. Autos in particular are in the midst of a strong push toward automation. Artificial intelligence also is still in its early days. And even mature markets like smartphones are creating fresh demand for specialized chips.

With demand strong, the biggest risk could be supply. Much of the current upswing in revenue is driven by strong prices in the volatile markets for DRAM and NAND flash memory. That could change, and an added risk may come from a handful of fabrication facilities under construction in China.

With some exceptions—like **Nvidia** and **Advanced Micro Devices**—chips aren't that expensive. The PHLX Index averages around 14.8 times forward earnings, unchanged from a year ago and a 32% discount to the Nasdaq Composite. The group has averaged a 21% discount over the past five years.

With demand strong, the downside for the sector is limited. If investors believe the industry's wild swings are a thing of the past, they could give companies more credit for their healthy growth—and feel confident in stacking up a few more chips.

This is the first of three columns on what is next for the booming semiconductor industry. Still coming: What the new iPhone means for chip makers and how China is trying to upend the industry. —*Dan Gallagher*

OVERHEARD

Pokémon hunters may not be destroying front lawns anymore. But there is still enough around to tear up the game charts.

The "Pokémon Go" mobile game first went live last July 6 and immediately became the top-grossing game on both the iOS and Android app stores. It marked its first birthday this week by swinging back to near the top.

On Friday afternoon, "Pokémon Go" was the second-highest grossing game for **Apple** Inc.'s iPhone. **Doug Creutz** of Cowen credits a major update released June 21 for the game's resurgence. He notes "Pokémon Go" averaged a 10th-place ranking just last month.

That makes "Pokémon Go" a rare breed of game app with staying power. SuperData estimates "Pokémon Go" has grossed more than $1.3 billion to date.

Longevity will be key to the next billion.

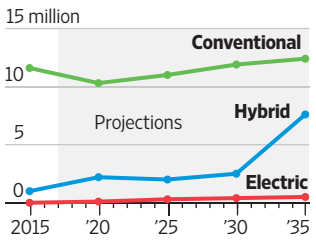
Electric Cars Will Need More Than Fans

Last year, the Organization of the Petroleum Exporting Countries conveniently predicted that in 2040, electric vehicles would make up just 6.7% of the car fleet. The owners of four-fifths of proven oil reserves also said the number of cars on the road would double.

Right now, electric cars make up about 1% of sales in the U.S., Europe and China. But last week brought news from two quarters with the ability to shape that future in a way that OPEC can't: a mainstream auto manufacturer and a major government.

Volvo says it will drop purely conventional engines by 2019, and France wants to ban the sale of conventionally fueled vehicles by 2040.

Plugged
U.S. vehicle sales by engine type



Source: Energy Information Administration

Government help already plays a role in electric vehicles' rapid growth. Yet consumer, and voter, preferences may get in the way.

Success hinges largely on bringing down battery costs and extending range. For example, **General Motors** surprised the industry when it said that its new Chevrolet Bolt's battery cost just $145 a kilowatt-hour. Even so, the Bolt costs about $30,000 after a $7,500 federal subsidy, or nearly twice the price of a comparably-sized, gasoline-powered Chevrolet Sonic.

Even with subsidies, there is still a sacrifice in terms of cost and convenience to going electric.

If those constraints can be alleviated by continued progress in technology and infrastructure, then OPEC really will be in trouble in a couple of decades.

If progress slows, or if subsidies become less generous, then auto manufacturers and politicians with green ambitions will have egg on their faces.

—*Spencer Jakab*

Don't Worry Too Much About Europe

After a strong start to the year, European stocks have come off the boil. In particular, the bond-market turmoil of the past two weeks has jolted the market. But a decent growth outlook means investors shouldn't be too nervous about Europe.

The Stoxx Europe 600 has given up roughly half of the gains it made up to early May, although it is still up 5% for the year. In local-currency terms, it is lagging behind the S&P 500, which is up around 8%, but the rise of the euro means that in dollar terms it is still well ahead.

The European growth story looks solid, supporting earnings. Some of the drag on the headline Stoxx Europe 600 is from the U.K., where the economy seems to be suffering from Brexit uncertainty. Excluding U.K. stocks, the index is up nearly 7%.

Nervousness around monetary policy is understandable. Since ultralow interest rates and abundant liquidity have boosted the valuation of many financial assets, even a very gradual shift by the European Central Bank toward the monetary-policy exit is a significant one. But it will create winners as well as losers, most notably in the financial sector, which should benefit from a steeper yield curve. European bank stocks are duly outperforming, up 10%; bond proxies like utilities have suffered.

One problem for European stocks, perversely, is that a lot has gone right so far in 2017. Political risks have faded, first-quarter earnings were strong and cash has begun to flow back into Europe. There are fewer catalysts for a big improvement in Europe's prospects.

So after an 18% gain in the past year, and with the Stoxx Europe 600 trading at 15 times forward earnings, near a posttech bubble high, companies will need to deliver good results. Stoxx 600 earnings are expected to rise a lofty 17.8% this year, according to Thomson Reuters I/B/E/S.

Relative to the skinny returns on offer in bonds, however, equities still look attractive. And if the global growth story maintains momentum, then European stocks should continue to perform. —*Richard Barley*

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INVESTING IN FUNDS & ETFS

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THE WALL STREET JOURNAL.

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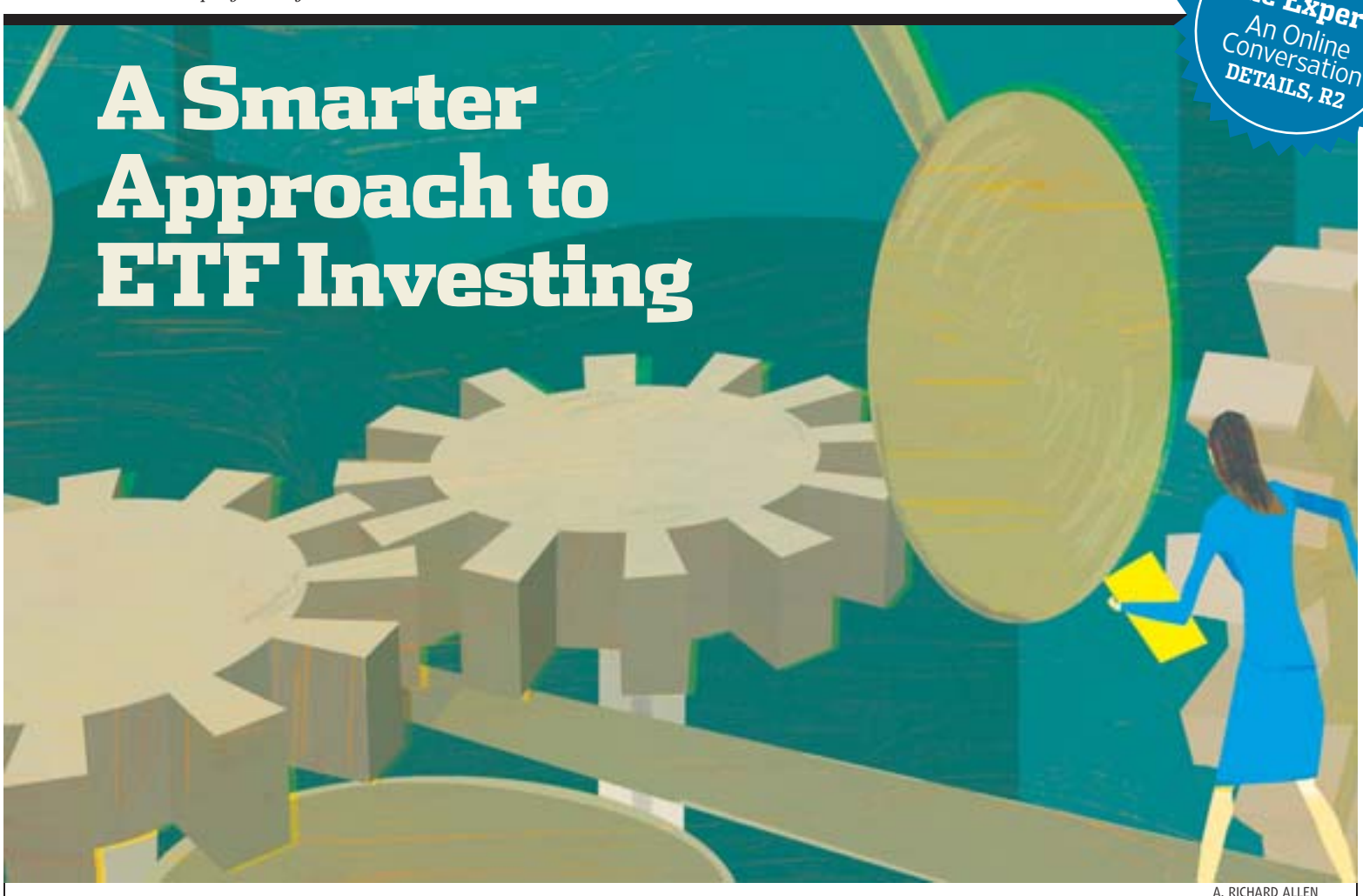
DETAILS, R2



A. RICHARD ALLEN

A Smarter Approach to ETF Investing

Exchange-traded funds turn 25 years old next year. Yet investors still make many mistakes. One thing to know: The time of day makes a difference.

BY MICHAEL A. POLLOCK

EXCHANGE-TRADED FUNDS in the U.S. turn 25 years old next year, and the rapidly growing ETF universe continues to eat into traditional mutual-fund investing.

But while investors are trading ETFs more actively than ever, are they doing it more smartly? The answer, according to the pros, is too often no.

Overwhelmed by the swelling number of ETF choices, investors sometimes take shortcuts. They pick those just with the lowest fees or the strongest recent returns. Then, because ETFs are so easy to buy and sell—unlike their mutual-fund cousins, they can be traded all day on exchanges, like stocks—investors impatiently dump the laggards and move on to something else.

For all of these reasons, the returns that investors earn in ETFs often can lag behind the performance of the ETFs themselves.

As ETFs continue to attract more investor dollars, this may be a good time to step back and look at how to choose, trade and manage ETFs more safely:

1. Don't get caught up in the buzz

Aiming to gain an edge in a competitive field, financial firms create high-sounding labels for ETFs, such as "smart beta," "strategic beta" and "alternative beta." Such terms usually mean that an ETF weights the stocks in its basket based on something other than market cap or that it employs a proprietary strategy to try to trim risk or beat the broad market.

Smart-beta funds can beat the market, at least for a while. But because their specialized strategies move in and out of vogue, stretches of good performance are frequently followed by lackluster returns, says Phil Bak, chief executive of Ann Arbor, Mich.-based ETF provider ACSI Funds and a former head of ETF listings at the New York Stock Exchange. What happens when a strategy becomes too popular is that the underlying stocks of the ETF become expensive, and the strategy then begins to underperform. Institutional players and professionals are continually rotating in and out of certain strategies, shifting to ones they believe are undervalued and due for a rebound.

Dividend-focused ETFs, which did well in part of 2015 and last year, haven't fared as well lately for this reason, Mr. Bak says.

People need to consider whether their investment-time horizons are long enough to justify owning an ETF whose performance could vary widely over several years.

2. Pick your spots when trading

In theory, an ETF's net asset value should closely track the value of the stocks it holds. But the two can diverge more than usual at certain times of day—such as early, before some stocks have opened at 9:30 a.m. ET, or near the 4 p.m. close, when a rush of late orders can cause heightened volatility.

By not trading at the open or close, investors improve their chances of minimizing transaction costs paid on ETF trades, says Joel Dickson, Vanguard Group's global head of investment research and development. He and others also advise using limit trades—specifying in advance the lowest price for a sale or highest price for a buy that you're willing to accept.

Limit trades can be useful for a value play, such as trying to buy below where an ETF has been trading. But an alternative that offers price protection and better assurance of getting a trade done is a marketable limit order.

In this approach, someone who wants to buy an ETF would set the limit price at or a few cents above the "ask," the lowest price a prospective seller will accept. When selling, the investor might set the limit price at or a few cents below the bid, which is the highest price a prospective buyer would be willing to pay.

Because markets have been calm recently, investors may question the value of giving up some price certainty in exchange for better execution, says Michael Iachini, who heads manager research at Charles Schwab Investment Advisory Inc. But volatility will rise again, and marketable limit orders can protect investors against abrupt changes in price just as they are entering a trade, Mr. Iachini says.

3. Give diligence its due

Sorting through numerous ETFs can be hard, but ETF shopping deserves as much time as analyzing actively managed mutual funds, says David Lynch, managing partner at Athena Capital in Lincoln, Mass.

It may be tempting to skip fund literature

Please turn to the next page

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SCOREBOARD

Second-quarter 2017 fund performance, total return by fund type. More on R2.

U.S. stocks*	Intl. stocks*	Bonds (intmd.)
2.7%	6.5%	1.4%

*Diversified funds only, excluding sector and regional/country funds

Source: Lipper

The ABCs (and T's and Z's) of the Fiduciary Rule

BY DAISY MAXEY

THE LABOR DEPARTMENT'S new "fiduciary" rule is meant to protect retirement savers from conflicted investment advice, by requiring that a financial adviser put the client's interest first.

But it can't protect them from this side effect: a raft of new terminology and mutual-fund share classes to decipher.

Mutual-fund companies have been introducing an alphabet soup of share classes or expanding the use of existing share classes to help financial advisers comply with the landmark rule. So, this is a good time to sort out the related terminology, old and new, and the share classes such as A, R, T, Z and "clean shares," that are growing up around the rule or being disrupted by it.

◆ **FIDUCIARY:** Let's start with the key word in all this. The fiduciary standard requires that a financial adviser put the client's best interest first. The new rule, which began to take effect June 9, requires that financial advisers who make recommendations on tax-advantaged retirement savings act in their clients' best interests.

Before the rule was implemented, many brokers advised retirement savers under a "suitability" standard, which required that they recommend products that were suitable for a particular client, but not necessarily in the client's best interest.

Under the fiduciary rule, a much broader group of advisers, including many brokers who previously advised retirement investors under a suitability standard, are obligated to act as fiduciaries, says Fred Reish, a partner in the employee benefits and executive compensation practice group at New York law firm Drinker Biddle & Reath LLP.

It is likely to result in advisers paying more attention to the cost of investment products and the quality of investment managers, he says.

◆ **LEVEL-FEE FIDUCIARY:** Financial advisers who receive level fees charge a set percentage of a client's assets under management a year or a set fee. That is in contrast to those who charge commissions that vary based on their recommendations, such as for stock trades or mutual fund sales, or who receive similar types of compensation from a third party, such as a mutual-fund company.

The fiduciary rule may encourage advisers to take only level fees because it offers streamlined compliance obligations for those who do. To qualify as a pure "level-fee fiduciary" under the rule, an adviser and any affiliates or related parties may receive only level fees for offering advice or investment management to a retirement plan or IRA.

Investors working with advisers who accept varying compensation will receive more disclosures because such compensation creates conflicts of interests so there is more to disclose, says Michael Kitces, a partner and director of wealth management at Pinnacle Advisory Group Inc.

◆ **12B-1 FEES:** Not a new term, but part of the new rule. Many mutual funds subtract 12b-1 fees from their assets to compensate brokers or other distributors. These fees, which pay for marketing and various shareholder services, often go unnoticed by investors. But at 0.25% to 1% of a client's assets in a fund annually, they can take a toll on a portfolio.

DANIEL BAXTER

The fees have been in decline over the years, and the fiduciary rule will accelerate that trend. Now when an adviser operating under the fiduciary rule wants to recommend a fund that includes a share class that charges 12b-1 fees to investors, many advisers will likely conclude that they should choose the share class without the 12b-1 fee.

"That obligation never existed before for any IRA, so it's an immense, dominant pressure that will probably make most 12b-1 fees in IRAs vanish in the next few years," says Mr. Kitces.

◆ **CLASS A SHARES:** Investors who purchase Class A shares through a broker typically pay a sales charge ranging from 2.25% to 5.75% of the assets they're investing, according to Morningstar Inc. It is a payment bundled in with cost of the fund's management, and is passed on to the distributor by the fund company.

Some mutual-fund experts speculate that Class A shares will decline in popularity under the fiduciary rule as fund companies develop shares with lower fees and shares that don't include any fees to compensate distributors.

"Is the A share dead? That is pretty likely," says Paul Ellenbogen, head of global regulatory solutions at Morningstar Inc.

◆ **CLASS T SHARES:** Class T shares (the T is for "transaction") aim to help remove the temptation for advisers to recommend a higher-cost fund over a less-expensive option. These new shares feature uniform sales charges across all fund categories. No difference in price offers no financial incentive to push one fund over another.

T shares would typically charge a 2.5% load, or sales fee, when purchased and a 12b-1 fee of 0.25% to pay for distribution or other expenses, according to Morningstar. The front-end load may decline for larger purchases.

◆ **CLEAN SHARES:** These shares charge only the fee to manage and operate a mutual fund, and don't include payments to distributors, such as the broker-dealers and retirement-plan platforms that sell the funds.

Investors who buy clean shares will likely pay 60% to 70% less to buy a fund, says Mr. Ellenbogen. But investors will have to pay separately for any advice they receive from a broker so it doesn't necessarily mean they'll pay less overall.

Clean shares will also magically boost the performance of the average actively managed mutual fund, says Mr. Kitces. That is because mutual funds currently have to report their performance net of commissions and broker compensation. As broker-dealers shift to being compensated by commissions outside of the funds, "the mutual fund itself will no longer have to count the broker's compensation against their own performance," he says.

Clean shares carry different monikers: American Funds began this year offering F3 shares, and Janus Capital Group, now **Janus Henderson Group**, filed in January to offer Z shares.

Ms. Maxey is a reporter for The Wall Street Journal in New York. Email her at daisy.maxey@wsj.com.

◆ Should you dump your broker because of the fiduciary rule?..... R2

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MONEY MANAGEMENT

Should You Dump Your Broker Because of the Fiduciary Rule?

Start of the new era for advice is a good time to decide

BY CHERYL WINOKUR MUNK

BRIAN STAUFFER

IT'S TIME for investors to think again about what they want and what they can expect from the professionals who handle their accounts and give them advice.

Why now? Because a new Labor Department rule that began to take effect in June holds brokers to a fiduciary standard—meaning they have to act in the best interest of their clients—when offering guidance on tax-favored retirement accounts like 401(k)s and IRAs. Previously, the standard for brokers was less strict: They were required to offer only "suitable" guidance.

The new rule doesn't apply to non-retirement accounts; brokers still only have to meet the suitability standard for those. And it doesn't dramatically affect investment advisers registered with the SEC, who already were held to a fiduciary standard for all accounts in advising clients on how to invest. (One way it does affect them is by applying a fiduciary standard to their advice on withdrawals from retirement accounts.)

But the change still serves as a reminder of the differences in the rules governing brokers and registered investment advisers, making this a good time for investors to review their situation to be sure it's the best arrangement for them.

Thanks to ample publicity surrounding the new rule, some investors may have come to associate a fiduciary duty with better performance and service. But industry participants say that isn't necessarily the case. After all, having a fiduciary responsibility doesn't guarantee a financial professional will dole out sound advice or generate stellar investment returns for clients, they say.

Here are some things investors need to understand as they decide whether to stick with their current situation or make a change.

'Fiduciary' isn't everything

First, investors who aren't certain of their broker's or adviser's fiduciary status can always ask. But that status alone shouldn't be the basis for firing someone who has performed well for an investor in the past, industry watchers say.

Rather, they say the decision to maintain or end a relationship with a financial professional depends largely on an individual's needs, past investment performance, fees and the professional's regulatory history.

"It doesn't matter whether he or she is a fiduciary or not. It's all based on performance and what you're paying to get that performance," says Charles Field, a New York-based partner at the law firm Sanford Heisler Sharp LLP and co-chairman of the firm's financial-services practice. "You wouldn't keep your gardener if all your shrubs were dying. You'd get another one. The same thing should be true for your financial adviser," he says.

Mr. Field suggests investors meet with their broker or adviser to discuss their portfolio's performance, after fees, and how it compares with the appropriate benchmarks. Those who are worthy of an investor's business will be transparent about their fee structure, he adds.

Another consideration is how much help the investor needs. "Part of the decision is: Do you need ongoing planning and advice?" says Jamie Hopkins, who co-directs the retirement-income program at the American College of Financial Services. Generally, advisers offer more comprehensive financial guidance than brokers.

Some investors may be better off with a broker who is paid by a commission on transactions than they would be with an adviser who is a fiduciary and is paid an annual flat fee or one based on account size. A fee-based model may be more expensive for some investors and of questionable value, especially for younger investors who don't have a lot of money to invest and don't require much advice. "At a certain point, it's probably not even worth it" to pay an adviser who charges a fee, says James Choi, professor of finance at the Yale School of Management.

A broker can also make sense for certain buy-and-hold strategies—for instance, when buying bonds an investor plans to hold until maturity or accumulating stocks for the long term, says James Poer, chief executive of Kestra Financial, an Austin, Texas, firm that offers both brokerage and fee-based advisory services. In these instances, it makes no sense to pay a continuing asset-management fee, he says.

What are your goals?

On the flip side, for investors who have a sizable sum to invest or who need more continuing advice than their broker can provide, it could be more economical to switch to a registered investment adviser, says Ryan D. Brown, an attorney with expertise in finance and retirement planning who is a partner at CR Myers & Associates in Southfield, Mich.

"You have to align yourself with an adviser who meets with your goals and objectives. It's a very individual decision," he says.

Some brokerage firms offer both commission and fee-based services, so that's another question to ask before making a switch, Mr. Poer says.

The decision-making process should also include a visit to BrokerCheck, a website maintained by the Financial Industry Regulatory Authority that gives a snapshot of a broker's experience, licensing information and regulatory history. "You don't want to do business with anyone who has a ding on BrokerCheck," says Mr. Field.

The Securities and Exchange Commission has a similar tool for registered investment advisers, at adviserinfo.sec.gov.

What's ahead

To be sure, the issue of having to decide between an adviser who is a fiduciary and one who isn't may eventually be moot. If proponents have their way, all financial professionals eventually will be governed by the same best-interest standard, regardless of how they are registered or the types of accounts they service. The SEC continues to consider the matter and recently requested industry comments. Meanwhile, the Certified Financial Planner Board of Standards is attempting its own fix. It recently floated a proposal to expand the fiduciary duty to anyone holding the certified financial planner designation, which includes brokers.

Regardless of whether an adviser has a fiduciary obligation, investors always want to work with someone who has their best interest in mind, says Jamie Price, chief executive of Advisor Group, which owns four brokerage firms and a registered investment advisory and provides services to independent investment advisers.

To determine whether that's the case, he says, investors should ask a lot of questions and refuse to work with anyone—fiduciary or not—who doesn't meet their expectations.

"The best advisers are very transparent about everything," he says.

Ms. Winokur Munk is a writer in West Orange, N.J. She can be reached at reports@wsj.com.

A Smarter Approach To ETF Investing

Continued from the prior page

and just choose the ETF with the lowest expense ratio, says Todd Rosenbluth, head of ETF and mutual-fund research at New York-based financial-analysis firm CFRA. That could be a mistake: Performance can hinge much more on what is in the underlying index than on a small difference in fees, he notes.

Vanguard FTSE Developed Markets ETF (VEA), with an expense ratio of 0.07%, and **iShares Core MSCI EAFE Index** (IEFA), at 0.8%, are similar funds. But the iShares fund, which has more French and German stocks and no exposure to Canada, has gained nearly 15% this year, compared with about 14% for the Vanguard ETF, Mr. Rosenbluth notes.

4. Avoid the hot 'satellite positions'

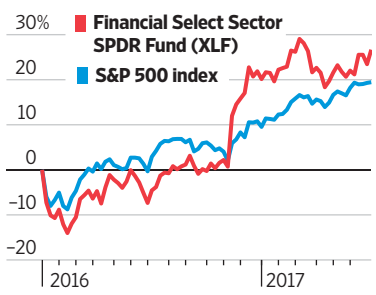
People often create ETF portfolios by first buying a broad fund such as **SPDR S&P 500** ETF (SPY) and then surrounding it with more-specialized ETFs, or "satellite positions." But commonly, returns on the satellite positions lag behind the return from the S&P, says Jay Batcha, a Traverse City, Mich.-based adviser whose firm, Optimal Capital, guides other advisers on ETF strategies.

Avoid picking those ETFs that have sizzled the most lately, says Mr. Batcha. It's also important to understand that the narrower an ETF's strategy, the more volatile it can be, Mr. Batcha adds.

This year, investors poured into **Financial Select Sector SPDR Fund** (XLF), believing that banks generally would benefit from deregulation and rising interest rates. At one point in June, it was up only marginally for the year while the S&P was up 8%. Then it surged to catch up to the S&P. How volatile has it been? It has a beta of 1.5 over the past year, which means it has been 50% more volatile than the S&P 500. For the past three years, the fund was only 12% more volatile than the S&P. The heightened volatility may reflect shifting investor expectations about what the Trump administration will do in terms of financial deregulation.

One Volatile ETF

XLF's ride in 2017 shows how narrower ETFs can have more volatility than a broad market index.



Source: FactSet THE WALL STREET JOURNAL.

5. Figure out the factors

ETF fact sheets usually describe the factors behind the strategy. Smart-beta funds often use three to six metrics. Some others—such as low-volatility ETFs—tend to rely a lot on one factor. Some may use 15 or 20 factors as part of a complex, quantitative approach.

Mr. Batcha says having more factors tends to smooth performance over a market cycle. Among ETFs he likes is **Reality Shares Divcon Leaders Dividend** ETF (LEAD), which uses seven factors to spot companies most likely to raise dividends, according to its fact sheet.

But steer away from ETFs whose strategies aren't well-described in literature, says Mr. Bak of ACSI Funds. "If, after a half-hour, you are still scratching your head and trying to figure out when an ETF might or might not do well," he says, "perhaps that investment is too complicated for you."

Mr. Pollock is a writer in Ridgewood, N.J. He can be reached at reports@wsj.com.

IN TRANSLATION

INTERVAL FUNDS

Investors may soon be hearing more about interval funds.

With these funds, investors can redeem shares only at specified times or intervals.

Why would an investor want to own one? Because it's hard for an individual to find another way to invest in the assets these funds hold.

Interval funds typically invest in illiquid assets that aren't listed on any exchanges, including commercial property such as vast farmland or forestry tracts, as well as private equity and business loans. Few individual investors can afford to buy 10,000 acres of farmland, for instance.

The illiquidity is why these funds don't offer shareholders the ability to redeem shares daily.

Some researchers think there will be both a need and a demand for exposure to such assets in the near future. Low returns from traditional investments by historical standards will lead to a "steady stream of assets moving into alternative investments," says a 2016 report from consulting firm McKinsey & Co. "These flows will be redirected heavily toward illiquid private markets."

Interval funds may also provide a boost for financial advisers in a world where passive investing in funds that track market indexes is the rage.

"What retail investors now hold is largely a portfolio of passive exchange-traded funds, so the alternative-assets domain is how the adviser will add value to the client," says Kimberly Flynn, managing director of XA Investments LLC in Chicago.

—Simon Constable

QUARTERLY MONITOR | WILLIAM POWER

U.S.-Stock Funds Rose 2.7% In the Second Quarter but Overseas Did Even Better

Foreign-stock exposure is finally making a difference for fund investors.

For years, fund investors have heeded the advice to keep at least some of their money in overseas stocks. But in many months and quarters, the diversification strategy didn't pay off, as U.S. stocks climbed to a series of highs.

Now it is. While U.S. stocks are performing well, as corporate earnings roll on, international-stock funds are doing even better. Cheaper valuations in the rest of the world and support from central banks has turned the tide.

Mutual funds and exchange-traded funds focused on U.S. stocks gained a respectable 2.7% in the second quarter—their fifth straight quarterly gain. But international-stock funds were up 6.5%, according to Thomson Reuters Lipper data. For the first half, U.S.-stock funds were up 7.7%, while international funds were up 15%.

FOLLOW THE MONEY

Second-quarter 2017 flow of investor cash by fund type, in billions*

U.S. stocks	Intl. stocks	Bonds
−$23.3	$78.4	$93.7

*estimated mutual-fund/ETF flows through 6/28
Source: Investment Company Institute

"One of the biggest fears I'd had was U.S. investors abandoning foreign markets" in frustration, says Brent Schutte, chief investment strategist at Northwestern Mutual Wealth Management Co. in Milwaukee. According to Mr. Schutte, the "questions I was getting in the last few years [were] 'why invest [overseas] at all?' And 'why does diversification matter?' "

Now, he says, "we believe international and emerging markets will outperform in the second half," as they did in the first.

An estimated net of nearly $78.42 billion flowed to mutual funds and ETFs that invest in international stocks in the second quarter, based on Investment Company Institute data. In contrast, an estimated $23.31 billion flowed *out* of U.S.-stock funds in the quarter.

Health/biotechnology funds led the way in the U.S., up 8.5% in the quarter.

Bond funds rise along with stocks

Investors wary about the valuations of U.S. stocks and convinced that the Federal Reserve will be measured in raising interest rates also put their faith in bonds. An estimated $93.67 billion flowed to bond funds in the quarter.

Bond-fund performance has been positive. Funds focused on intermediate-maturity, investment-grade debt (the most common type of fixed-income fund) were up 1.4% in the quarter and up 2.4% for the first half.

"If you would have started the year telling me both the stock and bond markets would have pretty positive returns in the first six months, that is something I wouldn't have thought would have happened," says Mr. Schutte. "For the second half," he adds, "we believe we'll see rising interest rates alongside a still-rising equity market, but perhaps more volatility," as the Fed winds down its bond portfolio and rates rise.

However, he says, "We've de-emphasized interest-rate-sensitive sectors like real-estate investment trusts and utilities; we would rather own traditional equities like the S&P than REITs."

Mr. Power is a Wall Street Journal news editor in South Brunswick, N.J. Email him at william.power@wsj.com.

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Read what they have to say at **WSJ.com/Experts**. Posts featured throughout the week include:

◆ "What's the 'Long Term' for Older Investors? The Answer May Surprise You," by Patrick Lach, an associate professor of finance at Eastern Illinois University and the founder of Lach Financial in Louisville, Ky.

◆ "Why American Teens' Financial Literacy Isn't Improving," by Annamaria Lusardi, the Denit Trust Chair of Economics and Accountancy at the George Washington University School of Business in Washington, D.C., where she focuses on financial literacy, personal finance and macroeconomics.

The Journal Report welcomes your comments—by mail, fax or email. Letters should be addressed to Lawrence Rout, The Wall Street Journal, 4300 Route 1 North, South Brunswick, N.J. 08852. The fax number is 609-520-7256, and the email address is reports@wsj.com.

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*Morningstar Direct, data as of 02/09/2015. Based on a comparison of total offerings of distinct U.S. Mutual Funds and ETFs classified by Morningstar as Sector Equity within the universe of 175 U.S. investment firms offering mutual funds and ETFs.

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WINNERS' CIRCLE

And the No. 1 Stock Fund Is...

Miller Opportunity wins with a 48.55% gain for 12 months

BY SUZANNE MCGEE

THE WHEEL OF FATE has turned, putting a stock-picking legend back on top for the third time in less than a decade in The Wall Street Journal's Winners' Circle contest.

The second-quarter 2017 laurels go to Bill Miller, this time at the helm of a different fund—his own **Miller Opportunity Trust** (LMOPX)—and operating independently from **Legg Mason**, the firm where he made his name and which he in turn helped make a household name. Mr. Miller and fellow portfolio manager, Samantha McLemore, left Legg Mason last year, but continue to provide investment services to the firm.

Mr. Miller's Baltimore-based fund beat its nearest rival by nearly 6 percentage points, with a return for the 12 months ended June 30 of 48.55%.

The quarterly Winners' Circle contest is designed to identify which U.S. stock fund with at least $50 million in assets and a record of more than three years posted the best performance in the trailing 12 months. Index funds and exchange-traded funds don't qualify because they aren't actively managed; leveraged funds also aren't included.

Mr. Miller was a top runner-up in this contest in the final quarter of 2009, when his other fund, Legg Mason Opportunity Trust, posted an 86% gain in the midst of the recovery from the financial crisis. The same fund dominated the Winners' Circle for several quarters in a row, in 2013 and 2014, when some of the turnaround companies it held in its portfolios posted triple-digit returns in only a few months. Now, once again, Mr. Miller's patient buy-and-hold strategy has paid off for investors, with retailer Restoration Hardware Holdings rebounding by about 110% in the past six months alone.

MILLER VALUE PARTNERS

Samantha McLemore and Bill Miller

Mr. Miller says adding Restoration Hardware to the portfolio was originally Ms. McLemore's idea. Her interest in the company was piqued by arguments that **Restoration Hardware** was poised to benefit from millennial spending habits. "When the stock was hit hard last year and fell to a low of $24, we went and visited the company," Ms. McLemore says. The duo concluded that the issues plaguing it—excess spending on warehouses, among them—were temporary, and that when the company's earnings power became visible once more, the stock would benefit.

Ms. McLemore also advocated investing in **Wayfair** Inc., which has soared about 90% over the past 12 months. After Wayfair's 2014 initial public offering, it spent heavily at a time when investors were fearful that Amazon would annihilate all other retailers. After analyzing the business, Mr. Miller and Ms. McLemore concluded that the stock's selloff and the massive short selling weren't justified. "The firm was making sound investments, and management owned 40% of the company," Ms. McLemore says.

Among other ventures Mr. Miller likes is bioengineering firm **Intrexon**, which he describes as a financially sound company that needs FDA approval for some key products to become a big winner. The products include an apple that doesn't brown when it has been cut or bitten into, and a topical cream designed to be a safer, less painful alternative to laser removal of tattoos.

And in second place...

The Winners' Circle runner-up for the second quarter in a row was **Baron Discovery Fund** (BDFIX), which posted a gain of 43.85% for the 12 months ended June 30 but actually outperformed the winner in the second quarter. The Baron fund, co-managed by Laird Bieger and Randy Gwirtzman, earned 10% in the June quarter, compared with 6.43% for Miller Opportunity.

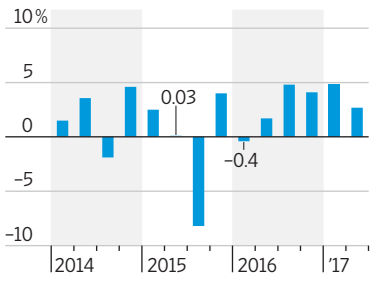
The fund's returns come courtesy of an intriguing assortment of holdings in 62 smaller growth companies, including its biggest winner, **Everspin Technologies** Inc., which makes a new kind of memory chip known as MRAM for which new applications are being found daily. Another related holding is **Impinj** Inc., which went public in July 2016 and has more than doubled since then. "They make a microchip the size of a grain of sand that can be placed on a tag," says Mr. Bieger, noting that two of the firm's biggest customers are retailers **Macy's** Inc. and Zara, which can now manage their inventory in real time.

Mr. Bieger is looking for opportunities to profit from technological disruption—such as the fund's investment in **Trade Desk** Inc., a platform that uses algorithms to buy online advertising—and avoiding areas where online trends are creating headwinds, such as e-commerce and retailing more generally (except for specialist firm **Party City Holdco** Inc.). While the fund managers are patient, they don't want to battle adverse cyclical trends.

Ms. McGee is a writer in New England. She can be reached at reports@wsj.com.

Score at the Quarter

U.S.-stock funds extended their winning streak to five quarters, measured by average total return for diversified funds.



Source: Lipper
THE WALL STREET JOURNAL.

SAVING FOR COLLEGE | CHANA R. SCHOENBERGER

Which State's '529'?

More college-finance answers

Just before students begin applying to colleges this fall, we answer more questions on how to pay for college, including using 529s—the tax-advantaged higher-education savings accounts that invest in mutual funds.

How can I determine which state's 529 plan is right for me?

Every state offers a 529 plan, which allows investors (typically the parents) to contribute after-tax money that will grow tax-free and can be withdrawn later without any federal taxes or penalties when it's used for qualified higher-education expenses like tuition, room and board, or a computer.

In some ways, deciding which state's plan is best for you is similar to deciding which mutual funds to include in a retirement account—fees are important, and returns are paramount.

But there are other considerations that make the decision on a 529 plan different. The most important is state taxes. Having to pay state taxes on withdrawals eats into your returns. So a good first step is to find out whether the state where you are a tax resident will give you state-tax benefits for choosing a specific 529 plan (28 states and Washington, D.C., do), says Andrea Feirstein, a 529 consultant to states and managing director of AKF Consulting Group in New York. Five other states offer tax benefits if you save in any 529 plan.

Some states also offer a partial scholarship if you start an account with your own state's plan, Ms. Feirstein says. For instance, New Jersey residents who invest in the state's 529 plan can earn a scholarship of up to $1,500 for the first semester of the student's freshman year at an approved school in the state, depending on how long their account has been open and how much they have contributed to it. The New Jersey scholarships start at $500 for an account that has been open for four years with contributions totaling at least $1,200.

Next, think about whether you want a financial adviser to sell you the plan (nearly every state offers this kind of plan) or whether you want to invest in a direct-sold plan (31 states have these). Adviser-sold plans tend to have higher fees.

You should also consider which investment managers are involved in your other investments when you choose the company that will administer your 529, Ms. Feirstein says. "We believe that manager diversity is always worth considering," she says.

Finally, some state plans give you a menu of investing options that include low-cost, passively managed index funds, while others feature more expensive, actively managed funds. Make sure the plan you choose has the fund type you prefer, Ms. Feirstein says.

For help with comparing states' 529 plans, look at College Savings Plans Network (collegesavings.org), Savingforcollege.com, and Morningstar.com.

Whichever plan you choose, the key is to get started saving, Ms. Feirstein says. "There is simply no substitute for getting this process under way and having funds work for you on a tax-deferred basis, regardless of how little or how much you can contribute or how early or late you may be to the game," she says.

* * *

Are furniture and furnishings for a student's off-campus apartment an eligible 529 withdrawal expense?

No. The earnings portion of withdrawals used for these purposes are subject to ordinary income tax and the 10% federal penalty for nonqualified withdrawals, Ms. Feirstein says.

HAVE A COLLEGE-FINANCE QUESTION IN GENERAL? We'll answer them in future Investing in Funds & ETFs reports. Write to reports@wsj.com.

Category Kings in 9 Realms

Data provided by LIPPER

Top-performing funds in each category, ranked by one-year total returns (changes in net asset values with reinvested distributions) as of June 30; assets are as of May 31. All performance numbers are preliminary.

Large-Cap Core

	Symbol	Assets ($ millions)	2nd-qtr (%)	Total return (%) YTD	1-yr	5-yr*
BNY Mellon:Foc Eq Op;M	MFOMX	466.8	7.5	17.1	**31.3**	16.5
Vanguard PRIMECAP;Adm	VPMAX	53,879.3	5.8	14.6	**29.0**	18.6
Vanguard PrmCp Cre;Inv	VPCCX	9,693.0	5.3	13.1	**27.4**	17.9
Natixis:Oakmark;A	NEFOX	272.4	3.8	8.0	**27.2**	15.0
Oakmark Fund;Inv	OAKMX	17,412.7	3.8	8.1	**27.0**	15.6
Category Average:		974.0	3.0	8.7	**17.0**	13.4
Number of Funds:			901	869	**834**	675

Small-Cap Core

	Symbol	Assets ($ millions)	2nd-qtr (%)	Total return (%) YTD	1-yr	5-yr*
B Riley Dvsfd Eq;Instl	BRDZX	11.1	1.0	12.6	**37.2**	N.A.
TH & B MicroCap;Inst	THBIX	72.2	4.0	3.7	**35.6**	13.7
Highland:Sm-Cp Eqty;A	HSZAX	67.1	6.0	15.2	**34.3**	15.3
Federated MDT SCC;Inst	QISCX	188.0	3.1	5.1	**32.3**	18.7
Dreyfus Opptstc SC;Inv	DSCVX	1,028.7	1.9	9.3	**31.8**	15.5
Category Average:		453.2	1.6	3.5	**20.9**	12.9
Number of Funds:			1,006	989	**949**	680

Midcap Core

	Symbol	Assets ($ millions)	2nd-qtr (%)	Total return (%) YTD	1-yr	5-yr*
Tarkio	TARKX	72.9	9.0	15.0	**39.0**	17.5
CB Select;IS	LCSSX	19.9	9.1	22.5	**34.6**	N.A.
Thrivent Fds:MC Stk;A	AASCX	1,583.8	3.4	7.1	**29.8**	17.5
Invesco Endeavor;A	ATDAX	231.5	4.1	7.5	**27.4**	11.7
13D Activist;I	DDDIX	285.8	5.0	11.4	**26.8**	16.0
Category Average:		644.5	1.8	6.0	**17.2**	13.0
Number of Funds:			454	446	**413**	291

Large-Cap Value

	Symbol	Assets ($ millions)	2nd-qtr (%)	Total return (%) YTD	1-yr	5-yr*
MassMutual Sel:Fc Vl;I	MFVZX	723.5	3.7	10.2	**32.6**	15.7
PowerShares S&P500 EV	SPVU	$46.2	3.6	6.6	**30.1**	N.A.
J Hancock Clsc Val;I	JCVIX	1,976.4	2.2	4.8	**29.4**	15.0
Dodge & Cox Stock	DODGX	65,360.0	1.8	6.8	**28.7**	16.4
Hotchkis:Dvsfd Value;I	HWCIX	113.1	3.3	7.6	**28.1**	14.8
Category Average:		773.5	1.9	5.5	**17.9**	12.9
Number of Funds:			505	497	**480**	366

Small-Cap Value

	Symbol	Assets ($ millions)	2nd-qtr (%)	Total return (%) YTD	1-yr	5-yr*
RBB:Schneider Sm Cap Val	SCMVX	45.1	–5.5	1.0	**54.9**	11.4
Paradigm:Micro-Cap	PVIVX	43.4	8.2	15.2	**47.5**	15.2
Royce Fd:Oppty;Inv	RYPNX	1,462.0	2.8	8.2	**36.1**	13.8
Small Cap Value Fund	SCAPX	N.A.	6.3	4.9	**34.5**	13.2
Hotchkis:SC Dvs Val;I	HWVIX	19.3	3.8	3.2	**33.3**	N.A.
Category Average:		394.0	0.5	0.5	**21.5**	12.3
Number of Funds:			311	305	**296**	223

Midcap Value

	Symbol	Assets ($ millions)	2nd-qtr (%)	Total return (%) YTD	1-yr	5-yr*
AMG Mg Fairpt MC;I	ABMIX	4034.9	–0.9	5.2	**30.1**	15.5
Pzena Mid Cap Value;Inst	PZIMX	5.5	–0.3	3.4	**29.6**	N.A.
TCW:Rel Value MC;I	TGVOX	100.6	2.3	5.9	**29.3**	13.7
Transam:Sm/Md Cap V;A	IIVAX	873.7	2.1	7.0	**25.5**	14.0
Frst Tr ADex:MultiCapVal	FAB	107.5	1.1	4.1	**24.4**	13.4
Category Average:		699.9	1.0	4.3	**18.0**	13.5
Number of Funds:			171	166	**159**	121

Large-Cap Growth

	Symbol	Assets ($ millions)	2nd-qtr (%)	Total return (%) YTD	1-yr	5-yr*
Edgewood Growth;Inst	EGFIX	8965.8	8.5	23.1	**33.2**	19.0
T Rowe Price I LgCp Gro	TRLGX	14,033.2	8.1	19.6	**31.5**	17.5
Homestead:Growth	HNASX	143.4	8.1	19.6	**31.2**	17.1
JPMorgan:Dyn Gro;R5	DGFRX	336.4	8.5	21.4	**31.0**	15.8
Transam:Cap Growth;I	TFOIX	755.8	10.1	28.3	**30.2**	18.1
Category Average:		1,275.9	5.5	15.4	**20.4**	14.1
Number of Funds:			715	692	**665**	536

Small-Cap Growth

	Symbol	Assets ($ millions)	2nd-qtr (%)	Total return (%) YTD	1-yr	5-yr*
Baron Discovery;Rtl	BDFFX	179.8	11.6	24.6	**43.4**	N.A.
JPMorgan:Dyn SCG;I	JDSCX	167.0	7.6	20.4	**35.4**	14.9
JPMorgan:SmCp Gro;R6	JGSMX	1,281.7	7.5	20.1	**35.0**	15.3
Mngr Dir:HR SmCp Gr;Inst	HRSMX	210.1	7.4	14.1	**34.8**	17.9
Oberweis:Micro-Cap;Inv	OBMCX	78.9	4.7	12.4	**34.2**	18.7
Category Average:		284.9	4.6	10.8	**22.8**	12.5
Number of Funds:			576	561	**545**	436

Midcap Growth

	Symbol	Assets ($ millions)	2nd-qtr (%)	Total return (%) YTD	1-yr	5-yr*
PRIMECAP:Odyssey Ag Gr	POAGX	8287.9	6.3	15.7	**34.1**	20.1
Baron Partners Fund;Rtl	BPTRX	1,989.7	14.6	28.4	**33.1**	18.3
Renaissance IPO ETF	IPO	13.9	8.6	21.3	**30.2**	N.A.
Putnam Equity Spectrum;Y	PYSYX	1,274.2	1.2	15.7	**28.3**	12.7
Eventide Gilead;A	ETAGX	1,305.9	7.0	16.3	**28.2**	17.5
Category Average:		482.9	4.8	12.7	**18.9**	12.9
Number of Funds:			413	407	**397**	328

N.A.: Not applicable; fund is too new

* Annualized Note: For funds with multiple share classes, only the largest is shown.

Winners and Losers

Data provided by LIPPER

Best- and worst-performing stock funds for the periods ended June 30; assets as of May 31 and include all share classes. Performance data are final and include share prices and reinvested dividends.

Second-Quarter Best Performers

Fund Name	Assets ($ millions)	Performance (%) June	2nd-qtr	1-year
Direxion:Ntrl Gs Rl Br3X	6.5	1.4	**46.3**	–2.9
Direxion:S&P OG EP Br 3X	21.2	–0.3	**41.4**	–30.1
Direxion:S&P Btech Bl 3X	267.9	44.8	**31.7**	122.1
VelShs 3x Invrs Silver	18.6	14.5	**30.2**	11.0
ProShares:Ulls O&G Ex&Pr	0.8	0.6	**28.4**	–13.6
Direxion:S Korea Bull 3X	9.4	–0.5	**28.0**	101.2
VelShs 3x Inv Crude ETN	40.1	12.7	**26.2**	–6.3
VelShs 3x Inv Crude	70.8	12.6	**26.2**	N.A.
Glbl X MSCI Greece	373.8	6.8	**25.8**	49.7
Direxion:CSI Ch Int Bl2X	10.8	0.5	**25.8**	N.A.

Second-Quarter Worst Performers

Fund Name	Assets ($ millions)	Performance (%) June	2nd-qtr	1-year
Direxion:Nat Gas Bull 3X	43.5	–8.7	**–42.1**	–49.8
Direxion:S&P OG EP Bl 3X	134.5	–8.6	**–42.0**	–40.4
ProShs II:UltVIX STF ETF	387.2	–8.8	**–39.3**	–95.7
VelShs Dly 2x VIX ST ETN	193.9	–8.7	**–39.2**	–95.7
Direxion:MSCI Bra Bull3X	129.9	–7.7	**–36.7**	–0.6
Direxion:S&P Btech Br 3X	91.1	–35.9	**–33.8**	–81.0
VelShs 3x Long Crude	437.0	–16.8	**–33.6**	N.A.
VelShs 3x Long Crude ETN	113.9	–16.8	**–33.6**	–60.1
ProShs II:UltPro 3x CO	14.1	–16.9	**–33.2**	N.A.
VelShs 3x Long Nat Gas	519.0	–8.4	**–33.2**	–70.3

Five-Year Best Performers

Fund Name	Assets ($ millions)	Performance (%) 2nd-qtr	1-year	5-year*
Direxion:Semicnd Bull 3X	314.7	4.1	205.5	**64.5**
ProShares:UltP QQQ	1,772.2	10.7	102.6	**50.9**
Direxion:Hlthcre Bull 3X	155.9	20.9	31.7	**49.1**
VelShs DlyInv VIX ST ETN	826.5	13.8	225.4	**48.9**
ProShs II:ShVIX STF ETF	719.6	13.6	221.5	**47.9**
Direxion:Finl Bull 3X	1,359.7	11.0	93.4	**45.9**
Direxion:Tech Bull 3X	291.8	7.3	97.0	**42.8**
ProShares:UltPro S&P500	880.5	8.1	55.8	**40.6**
Direxion:S&P 500 Bull 3X	565.7	8.0	54.9	**39.9**
ProShares:UltP MidCap400	36.7	4.2	55.4	**39.8**

Five-Year Worst Performers

Fund Name	Assets ($ millions)	Performance (%) 2nd-qtr	1-year	5-year*
ProShs II:UltVIX STF ETF	387.2	–39.3	–95.7	**–88.5**
VelShs Dly 2x VIX ST ETN	193.9	–39.2	–95.7	**–88.5**
Direxion:Nat Gas Bull 3X	43.5	–42.1	–49.8	**–72.4**
VelShs 3x Long Nat Gas	519.0	–33.2	–70.3	**–67.1**
VelShs 3x Long Crude ETN	113.9	–33.6	–60.1	**–65.8**
Direxion:Gold M Id Bl 3X	1,514.6	–16.1	–70.1	**–63.0**
VelShs Dly 2x VIX MT ETN	2.4	–26.5	–73.2	**–60.2**
Direxion:Semicnd Bear 3X	37.3	–13.5	–76.9	**–59.9**
ProShs II:VIX ST Fut ETF	148.8	–19.0	–76.4	**–57.8**
VelShs VIX ShTm ETN	13.2	–18.9	–76.4	**–57.8**

One-Year Best Performers

Fund Name	Assets ($ millions)	Performance (%) June	2nd-qtr	1-year
Rex VolMAXX SVW Ftrs Str	18.8	4.1	15.7	**270.3**
VelShs DlyInv VIX ST ETN	826.5	3.6	13.8	**225.4**
ProShs II:ShVIX STF ETF	719.6	3.5	13.6	**221.5**
Direxion:Semicnd Bull 3X	314.7	–15.9	4.1	**205.5**
Direxion:Reg Bnk Bull 3X	26.0	18.8	–0.7	**138.5**
ProShares:UlP Fin Sel	21.6	19.6	10.7	**125.7**
Direxion:S&P Btech Bl 3X	267.9	44.8	31.7	**122.1**
ProShares:UltP QQQ	1,772.2	–8.0	10.7	**102.6**
Direxion:S Korea Bull 3X	9.4	–0.5	28.0	**101.2**
ProShares:Ult S&P Reg Bk	12.1	12.6	0.8	**99.6**

One-Year Worst Performers

Fund Name	Assets ($ millions)	Performance (%) June	2nd-qtr	1-year
VelShs Dly 2x VIX ST ETN	193.9	–8.7	–39.2	**–95.7**
ProShs II:UltVIX STF ETF	387.2	–8.8	–39.3	**–95.7**
Rex VolMAXX LVW Ftrs Str	2.9	–6.9	–28.9	**–84.9**
Direxion:S&P Btech Br 3X	91.1	–35.9	–33.8	**–81.0**
Direxion:Semicnd Bear 3X	37.3	13.4	–13.5	**–76.9**
Direxion:Jr Mnr Bull 3X	728.9	12.6	–28.2	**–76.6**
VelShs VIX ShTm ETN	13.2	–4.1	–18.9	**–76.4**
iPath ETN SP500 VIX ST A	961.8	–4.1	–18.9	**–76.4**
ProShs II:VIX ST Fut ETF	148.8	–4.2	–19.0	**–76.4**
VelShs Dly 2x VIX MT ETN	2.4	–12.4	–26.5	**–73.2**

Ten-Year Best Performers

Fund Name	Assets ($ millions)	Performance (%) 2nd-qtr	1-year	10-year*
ProFunds:Biotech;Inv	276.4	9.7	25.7	**19.3**
ProShares:Ult QQQ	1,257.8	7.5	62.0	**17.9**
ProShares:Ult Hlth Cr	83.9	14.0	25.3	**17.1**
Rydex:NASDAQ 2x;H	378.1	7.2	60.4	**17.1**
ProFunds:UltraNASDAQ;Inv	364.8	7.2	60.5	**17.1**
Frst Tr:NYSEArcaBiotech	930.8	8.2	27.3	**16.9**
SPDR S&P Biotech	2,951.0	11.3	42.8	**16.8**
ProFunds:Internet;Inv	112.5	11.0	47.4	**16.6**
T Rowe Price Glbl Tech	4,887.2	8.9	39.2	**15.7**
Fidelity Sel Bio Tech	8,551.7	4.8	25.0	**15.7**

Ten-Year Worst Performers

Fund Name	Assets ($ millions)	Performance (%) 2nd-qtr	1-year	10-year*
ProShares:UlS Rl Est	34.4	–5.2	–7.2	**–39.8**
Direxion:M SC Br 2x;Inv	6.5	–5.5	–41.1	**–34.7**
ProShares:UlS Semicond	4.3	–6.1	–52.4	**–32.9**
United States Nat Gas	421.1	–10.4	–21.6	**–32.6**
Rydex:Inv Rus 2x;H	13.4	–5.7	–39.6	**–31.9**
ProFunds:UltSh NAS;Inv	16.1	–8.6	–42.4	**–31.8**
ProShares:UlS Finl	49.9	–7.6	–40.7	**–31.5**
ProShares:UlS QQQ	281.4	–8.4	–41.7	**–31.5**
Rydex:Inv NAS 2x;H	17.9	–8.6	–42.1	**–31.3**
ProFunds:UltSh Sm-Cp;Inv	10.2	–5.9	–40.4	**–30.8**

Note: For funds with multiple share classes, only the largest is shown *Annualized N.A. = not applicable, fund is too new

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PORTFOLIO STRATEGY

If the Market Declines, Two Funds to Consider

A revealing statistic is the maximum drop

BY JOHN COUMARIANOS

HOW WELL will your stock fund hold up in a bear market?

To answer that question, traders and analysts often rely on statistical ways of measuring volatility—the most prominent among them being standard deviation, which tells you how far a series of returns swings from the average over a given period. But such metrics don't always offer a clear picture of how resilient a fund is likely to be in tough times.

That is why more attention should be paid to "max drawdown"—the maximum decline a fund has experienced from peak to trough over a given period. When combined with standard deviation, max drawdown can reveal more about a fund's past volatility than standard deviation alone.

First, however, a closer look at standard deviation: Generally, the wider the range, the greater the volatility of that investment. For example, over long periods, the stock market's annual returns have averaged around 10% and its standard deviation has been about 18, meaning the majority—though not all—of the market's annual returns have been between 28% and minus 8%.

That's a big range, so standard deviation is useful in understanding that the stock market has inflicted a wild ride on investors in exchange for delivering its annualized 10% return. But it doesn't quite tell investors how much downside volatility they can expect to endure. That's because there can be multiple years of negative returns easily exceeding an 8% loss (such as the bear market of 2000-02) or much bigger single-year losses than 8% (such as in 2008). Standard deviation only captures a majority of results around an average, not the full range of results.

These days, even an 8% calendar-year loss might seem surprising to investors who have been treated to unusually calm markets and whose short memories make the 2008-09 bear market seem like ancient history. But it is really a ho-hum event in the long stretch of market history when you consider that the last two bear markets—in 2000-02 and 2008-09—saw drawdowns of 50%. Also, the stock market has experienced eight bear markets as defined as a drop of 20% or more since 1929 and countless pullbacks of 10% to 20%. These statistics may be more meaningful in conveying the past volatility of the stock market to investors than standard deviation of returns.

Finally, standard deviation doesn't distinguish between upside and downside volatility. Of course, investors want the former without the latter.

To see how volatility can be deceiving by itself, we looked at domestic large-cap funds with more than $1 billion in assets for two time periods—the beginning of 2008 through May 2017 and from the beginning of 2010 through May 2017. The first period captures the three most recent significant declines—the crisis period in 2008-09 and the market swoons in the late summer of 2011 and late 2015—early 2016. The latter period captures only the second two.

We found a number of examples where looking at just one volatility metric in isolation could be deceiving.

First, **AMG Yacktman Focused Fund** (YAFFX) had stellar relative max drawdowns of 38% and 11% for both periods under consideration, when compared with the 51% and 16% max drawdowns for the S&P 500 Total Return Index.

Yet Yacktman Focused looks unremarkable on standard-deviation metrics. The fund's three-year standard deviation is 10.1, and its 10-year standard deviation is 15.6. Those readings are in line with the 10.4 three-year and 15.2 10-year readings of the S&P 500 Total Return Index. In this case, the fund's max-drawdown statistics would give an investor a better understanding than standard deviation of its resilience in bad times.

Sequoia Fund (SEQUX) poses a somewhat different problem—its long-term volatility looks muted, but its more-recent max drawdown number is alarming. A top performer with low relative volatility for decades, including during the financial crisis, the fund stumbled in 2015 and 2016 with a large position in embattled Canadian drug company **Valeant Pharmaceuticals**. Its max drawdown from 2010 through May 2017 is 31% versus 16% for the S&P 500.

But just as Sequoia's record of stability made it hard to forecast its recent stumble, its recent high volatility numbers may also be a poor guide to the future. Recent reforms on position sizes and committee reviews instituted after the Valeant debacle could result in the fund returning to its formerly muted volatility profile.

Mr. Coumarianos, a former Morningstar analyst, is a writer in Laguna Niguel, Calif. Email reports@wsj.com.

When 'Max Drawdown' Is Needed

Focusing on 'max drawdown' in conjunction with standard deviation can be useful.

NAME	MAX DRAWDOWN FROM 6/07–5/17	MAX DRAWDOWN FROM 1/10–5/17	STANDARD DEVIATION 10-YR (MTH.-END)
AMG Yacktman Focused	–38.35%	–10.98%	15.64
Sequoia	–40.72	–31.32	14.29
S&P 500 total return	–50.95	–16.26	15.23
Russell 1000 Value total return	–55.56	–17.07	16.11
Russell 1000 Growth total return	–47.99	–18.79	15.50

Source: Morningstar THE WALL STREET JOURNAL.

FUND RESULTS

Lipper's A-to-Z quarterly fund listings are free at WSJ.com/FundsETFs.

SPOTLIGHT | IQ ENHANCED CORE PLUS BOND U.S.

A MOMENTUM ETF FOR BONDS

"Strategic-beta fixed income." Sounds like a trendy mouthful, but it describes a year-old bond fund that is seeking to attract fixed-income investors with a strategy more commonly associated with stocks: momentum investing.

IQ Enhanced Core Plus Bond U.S. ETF (AGGP), which launched in May 2016, has about $255 million in assets and a return of 2.92% this year through June.

It is an "ETF of ETFs," meaning it invests in a range of funds from other providers, and tracks an index that covers seven core categories: U.S. investment-grade corporate bonds; U.S. mortgage-backed securities; short, intermediate and long-term Treasurys; emerging-market bonds; and high-yield corporate debt.

AGGP's approach, also known as "smart beta," sits somewhere between active and passive investing. While the fund tracks an index, the index itself is biased toward a certain "factor"—in this case, momentum. If investment-grade corporate bonds have a high momentum score, the fund will overweight them relative to its benchmark, the Barclays Capital Aggregate Bond Index, and vice versa if the score is low.

"Momentum has been used in the equity world and commodities and currencies for a couple of decades," says Sal Bruno, managing director at IndexIQ, which operates the fund. "This fund applies it to the fixed-income world."

—Gerrard Cowan

Largest Taxable-Bond Funds

Data provided by LIPPER

Total returns are for periods ended June 30 and are preliminary; assets are through May 31, and include all share classes.

Fund Name	Symbol	Assets ($ millions)	Performance (%) June	2nd qtr	1 yr	3 yr*	5 yr*	10 yr*
Vanguard Tot Bd;Adm	VBTLX	182,374.4	0.02	1.5	–0.4	2.4	2.1	4.5
Vanguard Tot Bd II;Inv	VTBIX	129,823.0	0.01	1.5	–0.6	2.3	2.0	N.A.
PIMCO:Income;Inst	PIMIX	85,844.5	0.5	2.3	9.7	5.7	8.2	9.4
Vanguard Tot Itl Bl;Adm	VTABX	84,915.6	–0.4	0.6	–0.6	3.6	N.A.	N.A.
Met West:Total Return;I	MWTIX	79,888.7	–0.1	1.3	0.3	2.3	3.5	6.0
PIMCO:Tot Rtn;Inst	PTTRX	73,784.3	0.1	1.8	2.1	2.6	2.8	6.0
Vanguard Sh-Tm Inv;Adm	VFSUX	60,521.5	0.1	0.7	1.3	1.9	2.2	3.3
DoubleLine:Tot Rtn;I	DBLTX	53,761.5	–0.2	1.4	1.4	3.0	3.6	N.A.
Dodge & Cox Income	DODIX	49,585.4	0.1	1.5	3.2	2.9	3.5	5.2
Vanguard Sh-Tm Bd;ETF	BSV	48,978.0	–0.1	0.5	unch.	1.3	1.2	2.9
iShares:Core US Agg Bd	AGG	45,338.6	–0.1	1.5	–0.4	2.5	2.2	4.4
Lord Abbett Sh Dur;F	LDLFX	40,614.2	0.1	0.7	2.6	2.0	2.6	N.A.
Templeton Gl Bond;Adv	TGBAX	39,284.1	0.7	–1.3	10.4	1.3	3.8	6.6
T Rowe Price New Inc	PRCIX	35,804.4	0.1	1.6	0.2	2.3	2.3	4.7
iShares:iBoxx $IG Corp	LQD	33,983.9	0.4	3.0	1.7	3.7	4.1	5.9
American Funds Bond;A	ABNDX	33,571.5	–0.1	1.4	0.2	2.2	2.3	3.1
Fidelity Str Adv Cre Inc	FPCIX	32,455.4	0.1	1.7	2.2	2.9	2.9	N.A.
Vanguard Int-Tm Bd;ETF	BIV	32,016.9	–0.3	1.6	–1.0	3.0	2.7	5.6
Fidelity US B Id;IP	FXNAX	30,588.0	–0.1	1.3	–0.6	2.5	2.2	N.A.
Fidelity Total Bond	FTBFX	29,428.2	–0.2	1.3	2.3	3.1	3.1	5.1

*Annualized N.A.=not applicable, fund is too new Source: Lipper

Mutual-Fund Yardsticks: How Fund Categories Stack Up

Includes mutual funds and ETFs for periods ended June 30. All data are final.

Data provided by LIPPER

Investment objective	Perfomance (%) June	2nd-qtr	1-yr	5-yr*
Diversified stock & stock/bond funds				
Large-Cap Core	0.7	3.0	17.0	13.4
Large-Cap Growth	–0.2	5.5	20.4	14.1
Large-Cap Value	1.8	1.9	17.9	12.9
Midcap Core	1.6	1.8	17.2	13.0
Midcap Growth	1.0	4.8	18.9	12.9
Midcap Value	1.7	1.0	18.0	13.5
Small-Cap Core	2.5	1.6	20.9	12.9
Small-Cap Growth	2.6	4.6	22.8	12.5
Small-Cap Value	3.1	0.5	21.5	12.3
Multicap Core	1.0	2.8	17.6	13.2
Multicap Growth	0.2	5.0	20.0	13.5
Multicap Value	1.8	1.6	17.9	13.0
Equity Income	0.9	1.8	13.2	11.4
S&P 500 Funds	0.6	3.0	17.3	14.0
Specialty Divers. Equity	–0.4	1.5	5.0	–5.1
Balanced	0.4	2.5	10.3	7.9
Stock/Bond Blend	0.3	2.4	10.2	7.0
Avg. U.S. Stock Fund†	1.2	2.7	17.6	12.0
Sector stock funds				
Science & Technology	–1.5	5.0	29.0	15.4
Telecommunication	–1.7	0.9	9.0	10.1
Health/Biotechnology	6.6	7.1	18.8	18.0
Utility	–1.8	2.2	3.4	9.7
Natural Resources	–1.9	–11.0	–3.4	–1.6
Sector	2.2	1.6	6.3	8.0
Real Estate	1.9	1.9	–0.4	8.5

Investment objective	Performance (%) June	2nd-qtr	1-yr	5-yr*
World stock funds				
Global	0.5	5.0	18.0	10.6
International (ex-U.S.)	0.1	6.5	19.0	8.0
European Region	–1.1	7.1	21.3	9.6
Emerging Markets	1.0	5.8	20.2	4.0
Latin American	–0.3	–1.2	13.1	–4.4
Pacific Region	2.2	7.6	22.2	8.8
Gold Oriented	–0.2	–3.6	–17.9	–9.7
Global Equity Income	0.3	3.3	12.0	8.6
International Equity Income	0.01	5.1	16.0	5.6
Taxable-bond funds				
Short-Term	0.02	0.5	1.3	1.3
Long-Term	0.3	2.2	2.3	3.5
Intermediate Bond	-0.04	1.4	0.5	2.3
Intermediate U.S.	–0.7	–0.2	–0.1	0.2
Short-Term U.S.	-0.04	1.4	0.5	2.3
Long-Term U.S.	–0.1	1.5	–2.9	1.1
General U.S. Taxable	0.2	1.8	3.5	4.0
High-Yield Taxable	0.03	1.8	10.7	5.7
Mortgage	–0.3	0.9	0.4	1.8
World Bond	0.2	1.9	5.0	1.7
Avg. Taxable-Bond Fund**	0.01	1.2	3.7	2.5
Municipal-bond funds				
Short-Term Muni	-0.1	0.2	–0.1	0.4
Intermediate Muni	–0.3	1.6	–0.9	2.2
General & Insured Muni	–0.2	1.9	–0.9	3.1
High-Yield Muni	–0.1	2.3	–0.3	4.6

Stock & Bond Benchmark Indexes

All total return unless noted

Investment objective	Perfomance (%) June	2nd-qtr	1-yr	5-yr*
Large-cap stocks				
DJIA	1.7	4.0	22.1	13.5
S&P 500	0.6	3.1	17.9	14.6
Midcap stocks				
S&P MidCap 400	1.6	2.0	18.6	14.9
Small-cap stocks				
Russell 2000	3.5	2.5	24.6	13.7
Broad stock market				
DJ U.S. Total Stock Market	0.9	3.0	18.5	14.5
Russell 3000	0.9	3.0	18.5	14.6

Investment objective	Performance (%) June	2nd-qtr	1-yr	5-yr*
Stock indexes				
DJ U.S. TSM Growth	0.5	4.6	21.8	15.4
DJ U.S. TSM Value	1.3	1.5	15.3	13.6
Taxable bonds				
Barclays Agg. Bond	–0.1	1.4	–0.3	2.2
Municipal bonds				
Barclays Muni. Bond	–0.4	2.0	–0.5	3.3
International stocks				
MSCI EAFE†† (price return)	–0.4	5.0	17.1	5.8
Dow Jones World (ex. U.S.)	0.3	5.8	20.4	7.8

*Annualized †Diversified funds only **Excludes money-market funds ††Europe, Australia, Far East Source: Lipper

Monitoring Money-Market Funds

Performance figures for these consumer-oriented funds are estimated annualized yields, which include earnings from the funds' investments and the effects of compounding. Funds open only to institutions, special-purpose and tax-exempt funds are excluded from these tables.

Largest Funds

Fund Name	Assets ($millions)	Performance (%) 2nd–qtr	12-mos	Compound 7-day yield (%)
Fidelity Govt Cash Reserves	131,645.6	0.46	0.25	0.61
Vanguard Prime MMF/Inv	84,795.1	0.97	0.72	1.08
Vanguard Federal MMF	75,164.4	0.72	0.46	0.87
Fidelity Government MMF	63,804.6	0.42	0.19	0.57
Schwab Cash Reserves	37,330.1	0.54	0.32	0.63
Schwab Govt MF/Sweep	26,951.6	0.15	0.05	0.25
Schwab US Treasury MF	16,660.1	0.23	0.07	0.34
Northern US Govt MMF	15,669.5	0.49	0.23	0.66
Edward Jones/Inv Class	15,622.9	0.18	0.06	0.31
Vanguard Treasury MMF	15,250.5	0.71	0.43	0.85

Highest 12-Month Yield

Fund Name	Assets ($millions)	Performance (%) 2nd–qtr	12-mos	Compound 7-day yield (%)
Fidelity Inv MM/Instit	10,129.7	1.11	0.85	1.23
BlackRock MMP/Instit	637.0	1.03	0.78	1.14
JPMorgan Liq Assets/Cap	1.4	1.03	0.72	1.15
Vanguard Prime MMF/Inv	84,795.1	0.97	0.72	1.08
Schwab Value Adv MF/Ultra	2,921.2	0.94	0.71	1.06
Federated Prime Cash/Wealth	2,725.3	1.02	0.69	1.12
Invesco Prem Port/Inst	675.6	1.00	0.65	1.15
Fidelity MMF	2,427.6	0.82	0.61	0.93
BMO Prime MMF/Premier	203.0	0.84	0.54	1.00
Northern MMF	161.7	0.85	0.50	0.91

Highest Seven-Day Yield

Fund Name	Assets ($millions)	Performance (%) 2nd–qtr	12-mos	Compound 7-day yield (%)
Fidelity Inv MM/Instit	10,129.7	1.11	0.85	1.23
Invesco Prem Port/Inst	675.6	1.00	0.65	1.15
JPMorgan Liq Assets/Cap	1.4	1.03	0.72	1.15
BlackRock MMP/Instit	637.0	1.03	0.78	1.14
Federated Prime Cash/Wealth	2,725.3	1.02	0.69	1.12
First Amer Ret Prime/Z	265.7	0.95	–	1.10
Vanguard Prime MMF/Inv	84,795.1	0.97	0.72	1.08
Schwab Value Adv MF/Ultra	2,921.2	0.94	0.71	1.06
BMO Prime MMF/Premier	203.0	0.84	0.54	1.00
Fidelity MMF	2,427.6	0.82	0.61	0.93

Lowest 12-Month Yield*

Fund Name	Assets ($millions)	Performance (%) 2nd–qtr	12-mos	Compound 7-day yield (%)
Federated Govt Res/Cl P	10,956.2	0.00	0.00	0.01
RBC US Govt/Investor	2,255.5	0.01	0.01	0.01
Federated Tr/UST Ob/Cash	672.2	0.00	0.00	0.00
AZL Government MMF	551.5	0.00	0.00	0.00
First Investors Govt/A	132.7	0.00	0.00	0.00
BlackRock Liq:T-Fd Select	62.1	0.00	0.00	0.01
The US Treasury Trust/S	51.3	0.00	0.00	0.00
BlackRock Liq:Treas Tr S	48.0	0.00	0.00	0.00
Ready Assets USA Govt MF	46.9	0.01	0.00	0.07
JPMorgan 100% US Tr Secs	0.1	0.00	0.00	0.00
Average Yields (all retail taxable funds)		0.33%	0.16%	

Source: Money Fund Report (iMoneyNet.com)

* - Ranked by assets.

Largest Stock and Balanced Funds

Data provided by LIPPER

Total returns are for periods ended June 30. Equity data are final. All other data are preliminary. Assets are through May 31.
Performance data include both share prices and reinvested dividends.

Fund Name	Symbol	Assets ($ millions)	Performance (%) June	2nd-qtr	1-year	3-year*	5-year*
Vanguard TSM Idx;Adm	VTSAX	574,666.1	0.9	3.0	18.5	9.1	14.5
Vanguard 500 Index;Adm	VFIAX	324,562.5	0.6	3.1	17.9	9.6	14.6
Vanguard Tot I Stk;Inv	VGTSX	280,328.3	0.5	5.8	20.0	1.3	7.6
SPDR S&P 500 ETF	SPY	235,791.8	0.6	3.1	17.8	9.5	14.5
Vanguard Instl Indx;Inst	VINIX	228,438.6	0.6	3.1	17.9	9.6	14.6
American Funds Gro;A	AGTHX	162,724.1	–0.2	3.9	21.5	9.8	15.6
American Funds EuPc;R6	RERGX	142,282.1	1.0	7.7	22.2	3.7	9.6
Fidelity 500 Idx;Pr	FUSVX	119,117.8	0.6	3.1	17.9	9.6	14.6
Fidelity Contrafund	FCNTX	114,455.4	–0.4	6.1	22.2	10.5	14.6
iShares:Core S&P 500	IVV	112,533.0	0.6	3.1	17.9	9.6	14.6
American Funds Bal;A	ABALX	112,524.9	–0.1	2.3	10.4	6.9	10.6
American Funds Inc;A	AMECX	106,729.7	0.02	1.9	9.6	5.3	9.4
American Funds CIB;A	CAIBX	105,796.7	–0.1	3.3	7.9	3.8	7.7
Vanguard Wellington;Adm	VWENX	100,071.6	0.7	2.7	12.3	6.8	10.5
American Funds Wash;A	AWSHX	91,66 6.7	0.1	2.5	15.1	8.1	13.3
American Funds CWGI;A	CWGIX	89,998.1	0.8	5.2	18.4	4.9	11.2
American Funds FInv;A	ANCFX	87,721.0	–0.2	3.1	19.1	9.8	14.8
Vanguard FTSE Dev Mk ETF	VEA	86,429.6	0.5	6.4	20.3	1.9	9.1
American Funds ICA;A	AIVSX	86,363.7	0.5	2.4	15.7	8.2	14.1
Vanguard Md-Cp Idx;Adm	VIMAX	86,052.6	0.7	2.8	17.3	8.1	14.8

Note: For funds with multiple share classes, only the largest is shown *Annualized N.A.=Not applicable or not available

Tracking Exchange-Traded Portfolios

Performance figures are total returns for periods ended June 30; for largest exchange-traded funds and other portfolios, ranked by asset size.

Fund	Symbol	Assets ($ billions)	Volume (000s)	Expense ratio	Launch date	Performance (%) June	2nd-qtr	1-year
SPDR S&P 500 ETF	SPY	236.74	72,758.8	0.09	01/22/93	0.6	3.1	17.8
iShares Core S&P 500 ETF	IVV	115.46	5,779.3	0.05	05/15/00	0.6	3.1	17.9
Vanguard Tot Stk Mkt Idx ETF	VTI	79.83	1,893.7	0.04	05/24/01	0.9	3.0	18.5
iShares MSCI EAFE ETF	EFA	76.50	28,525.1	0.33	08/14/01	–0.2	6.2	20.2
Vanguard 500 Index ETF	VOO	70.14	927.4	0.04	09/07/10	0.6	3.1	17.9
Vanguard FTSE Emerging Markets ETF	VWO	55.64	11,532.7	0.14	03/04/05	0.8	3.5	18.9
Vanguard FTSE Developed Markets ETF	VEA	55.62	10,785.1	0.07	07/20/07	0.5	6.4	20.3
PowerShares QQQ Nasdaq 100	QQQ	49.56	60,675.6	0.20	03/10/99	–2.4	4.1	29.1
iShares Core US Aggregate Bond ETF	AGG	47.42	2,606.9	0.06	09/22/03	–0.1	1.5	–0.4
iShares Core S&P Mid-Cap ETF	IJH	40.04	2,172.7	0.09	05/22/00	1.6	2.0	18.5
iShares Russell 2000 ETF	IWM	37.75	22,363.9	0.20	05/22/00	3.5	2.5	24.6
iShares Russell 1000 Value ETF	IWD	36.76	1,807.7	0.20	05/22/00	1.6	1.3	15.3
iShares iBoxx $ Inv Grade Cor B ETF	LQD	35.98	4,567.7	0.15	07/22/02	0.4	3.0	1.7
iShares Russell 1000 Growth ETF	IWF	35.38	1,825.4	0.20	05/22/00	–0.3	4.6	20.2
Vanguard Total Bond Market ETF	BND	34.55	1,978.2	0.05	04/03/07	–0.01	1.5	–0.5
SPDR Gold Shares	GLD	34.04	7,015.9	0.40	11/18/04	–1.9	–0.3	–6.3
Vanguard REIT ETF	VNQ	33.95	4,206.8	0.12	09/23/04	2.1	1.6	–1.9
iShares Core MSCI Emerging Markets	IEMG	32.49	8,899.3	0.17	10/18/12	1.0	5.8	22.9
iShares MSCI Emerging Markets Index Fund	EEM	32.28	75,824.7	0.72	04/07/03	1.0	6.1	23.0
Vanguard Value ETF	VTV	31.31	1,522.4	0.06	01/26/04	1.7	1.8	16.5

*Expense charge is a maximum of 8 cents a share †Assets are estimated N.A.= Not applicable, fund is too new.
Note: Total returns are based on the change in the net asset values, not changes in market prices. Net asset values can vary from market prices, which therefore can reflect a premium or discount to the net asset values. Source: Thomson Reuters

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ASK ENCORE | GLENN RUFFENACH

He Wants to Retire One Place, She Another

Also: Tackling readers' questions about medical expenses and IRAs

I know you have written about moving in later life. But what about spouses who want to retire to different places? I would like to relocate to a cooler climate, but my wife prefers someplace warmer. Needless to say, this is tricky. Any thoughts?

Well...this question hits uncomfortably close to home.

My wife, a retired teacher, would like to move, at some point, to a small beach community, but I'm reluctant to do so. (I enjoy *visiting* the beach, but I prefer living, as we do, near a large city. There's simply more to do.) So far, we have agreed to disagree. And I'm fortunate that my wife loves our current home and neighbors. But this issue isn't going away.

"Tricky" is the right word. In talking with retirees through the years, we have found that few issues are tougher to resolve than differences over where to live. Compromise is nice when it works, but the biggest risk here is dragging an unwilling spouse to a new location.

One simple, but often expensive, solution is maintaining two homes and dividing your time between them. (My wife and I have talked about getting a small place at the beach. Very small.) Barring that, the best advice is to begin discussing this question often and early, ideally several years before retiring. In her book "Retirement for Two," psychologist and author Maryanne Vandervelde offers a series of questions about moving in later life that can help spouses iron out differences. Among them:

◆ Do we want to stay put or shake things up for retirement living?

◆ If we decide to relocate, what factors are most important to each of us, and how would we rank them? (Examples: Climate? Cost of living? City vs. country? A smaller place? Proximity to family?)

◆ Can we afford, financially and emotionally, to make a mistake in where we live?

◆ Which of us feels most strongly about where we should live?

◆ What mechanisms—such as spending an out-of-season vacation in a desired location—will help us share the decision equally?

◆ Finally, if we don't agree, how will we fashion a compromise?

SONIA PULIDO

* * *

What percent of my retirement savings should I set aside for medical care? My wife and I are in good health. I am 71, she is 64. Is there an average amount to consider?

It's tough to pinpoint a percentage for the "average" retiree, simply because of the number of variables: a person's age at retirement, his or her life expectancy, health status, how much and what kinds of insurance, etc. What we can do is look at spending patterns and projections.

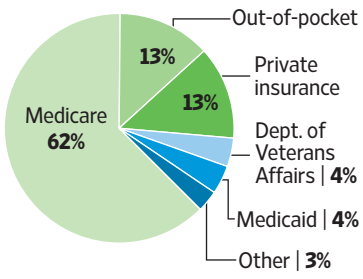
A good place to start is the Bureau of Labor Statistics and its Consumer Expenditure Survey. For the 12 months ended June 30, 2016, retiree households, on average, spent $5,824 on health care. That figure includes $4,016 for health insurance, $905 for medical services, $697 for drugs and $207 for medical supplies.

As for projections, Fidelity Investments each year publishes an estimate of how much money a couple retiring at age 65 will need to cover health-care costs in later life. The 2016 figure: $260,000. That doesn't include possible bills for long-term care. Fidelity estimates the same couple would need another $130,000 to insure against such costs.

Finally, check out "Savings Medicare Beneficiaries Need for Health Expenses," published in January by the Employee Benefit Research Institute in Washington. (Go to ebri.org and search for that title.) Among the findings: A couple, where both spouses have median drug expenses, would need $165,000 to have a 50% chance of having enough money to cover health-care bills in retirement. Increase the odds to 90% and the figure jumps to $265,000.

Medical Bills

Source of payment for Medicare beneficiaries' (65+) health expenses :



Source: Employee Benefit Research Institute estimates from the 2013 Medical Expenditure Panel Survey

THE WALL STREET JOURNAL.

* * *

I have an individual retirement account with Fidelity. I have check-writing privileges for this IRA. I am over 70½. If I write a check (for less than $100,000) to a charity is that considered a qualified charitable distribution? Also does the acknowledgment letter from the charity have to mention that it is a QCD, or is merely saying "thank you for your donation" good enough?

Yes, your check would be considered a direct transfer to the charity and, as such, would be a qualified charitable distribution.

Some background: The Protecting Americans from Tax Hikes Act of 2015 made permanent a provision that allows IRA owners 70½ or older to transfer as much as $100,000 a year directly from their IRA to charity. That transfer is excluded from your income and, if done correctly, counts toward the IRA owner's required minimum distribution.

A "direct transfer" is critical. Let's say an IRA custodian makes a check payable to the account owner, who then endorses the check to the charity. That two-step process wouldn't qualify as a direct transfer.

Actually, the check can be more than $100,000, but only $100,000 would qualify as a QCD, notes Ed Slott, an IRA expert in Rockville Centre, N.Y. Any excess over the $100,000 would carry over as an itemized tax deduction, if you itemize. If you don't itemize, the excess might make you eligible to itemize.

As for the letter from the charity, there's no requirement to mention the QCD. But it certainly would be "a nice touch, both for your tax preparer and for the charity, to make [such acknowledgments] more 'QCD friendly,' " Mr. Slott says.

So...let's hope some charities are reading this.

*Mr. Ruffenach is a former reporter and editor for The Wall Street Journal. His column examines financial issues for those thinking about, planning and living their retirement. Send questions and comments to **askencore@wsj.com**.*

SPOTLIGHT

ASIAN JUNK DEBT

ASIA MIGHT BECKON FOR JUNK INVESTORS

Could Asian junk debt be a sweet spot for investors?

On average, it had bigger annualized returns than U.S. high-yield securities from 1999 through 2016 but about the same annualized volatility, according to an analysis by money-management firm Matthews Asia. The analysis also showed Asian junk had higher returns and lower volatility than similar securities from Latin America and Europe.

The returns are higher in Asia because they have to be to attract investors. No matter how good a company is, it is affected by the credit of the country where it's based, and there are many Asian countries with imperfect credit.

"I call them good companies in bad ZIP Codes," says Satya Patel, a portfolio manager for **Matthews Asia Strategic Income** fund (MAINX).

"The best company in India can only be a triple-B-minus," he says, because that is the rating of the Indian government. It's also just above a junk rating.

Mr. Patel points out that current yield spreads for junk debt—the difference between the interest rates companies must pay to borrow and the rates governments pay—are marginally higher than historical averages in Asia, while spreads elsewhere are below their averages. That means that if spreads were to move toward their historical averages, prices of junk debt would trend higher in Asia and lower elsewhere.

"As an investor, you might be worried about the level the U.S., Europe or Latin America are at," says Mr. Patel. "Not so much in Asia."

—Simon Constable

SECTOR STRATEGY

KRISZTIAN BOCSI/BLOOMBERG NEWS

Gamers play Activision Blizzard's 'Heroes of the Storm' in Germany in 2015.

Tech Funds to Sink Your Teeth (Not FANGs) Into

BY TIM MULLANEY

ASK MOST PEOPLE to explain this year's rally in technology stocks and funds, and they'll respond with a four-letter word: FANG, the popular acronym for **Facebook**, **Amazon.com**, **Netflix** and Google (via the stock of its parent, **Alphabet**).

But it isn't that simple.

Most of the tech funds with the best returns year to date do rely heavily on FANG, and on **Apple** Inc., according to data from fund researchers Morningstar Inc.

But the hottest tech stocks this year aren't the FANGs—they are semiconductor stocks, videogame companies and purveyors of software tied to hot fields like cloud computing and manufacturing automation. And this changing of the guard, temporary or not, means at least one tech fund is outperforming not only the S&P 500 but the S&P Tech index, and without overweighting the FANGs. That's good news for tech-fund investors who worry that FANG stocks have become overvalued.

The year's top-performing actively managed tech fund through July 7, according to data from Morningstar, is **T. Rowe Price Global Technology** (PRGTX), which listed only an 11% allocation to FANG stocks for the first quarter. The T. Rowe fund's shares have risen 28.7% so far this year, before dividends, thanks in part to positions in London-based telecom firm **Liberty Global** and **Tesla**, the latter of which it recently sold. The S&P 500 and S&P Tech index, by contrast, have returned 8.3% and 17%, respectively.

The fund's largest holding is cloud-computing leader **Salesforce.com**, says manager Josh Spencer. The $4.8 billion fund has a small exposure to Amazon and just recently bought some Netflix, but for much of this year Alphabet was the only FANG stock in its top 10 holdings. It also has no Apple shares. As the global tech fund's name implies, it has also put more than a quarter of its money to work outside the U.S.

The second- and third-best returns for actively managed tech funds to date, by contrast—in a virtual tie—are **Fidelity Advisor Technology Fund** (FATIX) and **Fidelity Select Technology** (FSPTX)—each of which each devotes more than a quarter of its portfolio to FANG shares and Apple. The Fidelity Advisor Technology fund posted a return of 27.7% through July 7, and Fidelity Select Technology posted a return of 27.68%. Both returns are before dividends.

Mr. Spencer says he isn't down on FANG. He just thinks it isn't the only interesting technology around. He is just as interested—and more interested, at current prices—in chips, in software for industrial automation, in videogaming and in cloud computing.

Fidelity's two top tech funds also have bets outside the FANGs, including Tesla and large investments in chip companies and Asian web businesses such as **JD.com**. But Apple, Facebook and Alphabet are the top three holdings of Fidelity Advisor Technology, accounting for more than a quarter of the fund, according to SEC filings.

Indeed, many tech-fund managers still like the FANG companies: 70% of actively managed funds are overweight the four companies' share of the S&P 500, and short interest in the FANGs has all but evaporated, says Bank of America Merrill Lynch strategist Savita Subramanian.

But even after the recent selloff in tech stocks, Alphabet is trading at 28 times this year's estimated earnings and Facebook at 30; never mind the stratospheric multiples Netflix and Amazon have long commanded. Through July 7, Facebook was up 32% for the year, Amazon 31%, Netflix 21% and Alphabet Class A shares 19%. Apple shares are up 24%.

But none of the FANGs, nor Apple, has climbed as much as the top 10 performers in the 69-stock S&P 500 Information Technology Index through July 7.

The new class of tech outperformers, of course, also face risk of overvaluation or missteps. But this year's top 10 tech performers in the S&P Information Tech Index include videogame company **Activision Blizzard** (up more than 50%), semiconductor manufacturing equipment maker **Lam Research** (40%), chip maker **Micron Technology** (38%), and videogame-chip maker **Nvidia** (37%). The common theme is their ties to markets growing faster than the projected 3% to 3.5% rise in corporate tech spending, says Scott Kessler, director of equity research at CFRA Research.

Weight watching

For investors who want to be in the tech sector but are worried about being overweight in certain shares, there is also **Guggenheim S&P 500 Equal Weight Technology** ETF (RYT), which owns equal-weighted positions in each tech company in the S&P 500. (It also doesn't own Netflix and Amazon, which are members of S&P's Consumer Discretionary Index.) The $1.4 billion fund has scored a 16.4% return this year, according to ETF Database.

"It's a little bit of the anti-Apple," says Bill Belden, head of product development at Guggenheim. "When market leadership is narrow, there's a reversion to the mean where equal-weight funds can benefit."

*Mr. Mullaney is a writer in Maplewood, N.J. He can be reached at **reports@wsj.com**.*

Q&A

A Gold-Fund Pioneer Goes It Alone in ETFs, Despite Commodity Angst

BY GERRARD COWAN

A FORMER HEAD of the world's biggest commodity ETF is going it alone at a challenging time.

William Rhind is founder and chief executive officer of ETF issuer **GraniteShares** in New York. He is betting that the world needs more exchange-traded funds focused on commodities, even though commodity prices only recently began to emerge from a terrible five-year stretch.

Then again, the 38-year-old native of Aberdeen, Scotland, was part of a success in commodity ETFs: Before GraniteShares, he was CEO of World Gold Trust Services, sponsor of **SPDR Gold Shares**, the $33 billion gold fund.

GRANITESHARES

William Rhind: from gold to Granite.

His new company launched its first two ETFs in May: **GraniteShares Bloomberg Commodity Broad Strategy No K-1 ETF** (COMB) and **GraniteShares S&P GSCI Commodity Broad Strategy No K-1 ETF** (COMG). The company has received funding from a number of investors, principally Bain Capital, which is a shareholder.

WSJ: *Why did you decide to launch your own ETF company?*

MR. RHIND: Growing up in Aberdeen, we've got some great role models, particularly in financial services. You've got great entrepreneurs like Martin Gilbert of Aberdeen Asset Management. He went to the same school that I did in Aberdeen and was a big role model for me growing up.

You have to gain the necessary experience and stature in the industry before you can credibly go out on your own.

WSJ: *How did you secure funding?*

MR. RHIND: When you're backing a company at such an early stage you're really backing the people, because there is no business. When they invested in us, the company was really just a PowerPoint and an Excel spreadsheet. We had a very clear vision for what a new kind of ETF company looks like.

WSJ: *What does it take to start an ETF company?*

MR. RHIND: A company that enters the ETF space has to do four core things. You have to be multi asset class—offer products in fixed income, equities, commodities. Then on the product side you need to compete on price. That literally means offering a low-cost product and competing with the likes of **BlackRock** or **Vanguard**. Third, you need to be able to innovate, and bring a superior engineering skill to the actual fund construction. And most importantly, you need to be original.

WSJ: *It's a crowded market. How do you stand out to investors?*

MR. RHIND: We have to keep in mind that on a relative basis, there are still very few ETFs versus mutual funds. There are now just over 2,000 ETFs, but there are over 7,000 mutual funds, and there are still mutual funds coming to market every day. So there's still a lot of room to grow, compared to the legacy mutual-fund business.

WSJ: *Why do you see room for growth in commodities?*

MR. RHIND: I'd rather be launching a business close to the bottom of a cycle than the top. If you look at the performance of commodities over the last five years, we've had a horrendous bear market, which turned around last year and delivered the first positive performance in five years. Who knows where we'll end up at the end of this year, but the signs are that commodity markets are finally turning the corner.

*Mr. Cowan is a writer in Northern Ireland. Email **reports@wsj.com**.*

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NEWS CHALLENGE: FUNDS AND INVESTING

Test Your Smarts on…Ethical Investing

BY MATTHEW KASSEL

WITH SOCIAL, ethical and environmental issues prominent in the national dialogue, the investment strategy known as sustainable investing continues to grow.

It goes by many other names: ethical investing, socially responsible investing, impact investing or high-road investing. Particularly popular among millennials, it refers to investment strategies that take into account factors such as a company's record on consumer protection, board diversity and managerial practices, among other things.

"In this day and age, so much of a corporation's value comes from its reputation," says Andrei Cherny, chief executive of the online investment-management firm Aspiration, which focuses on sustainable investments.

How much do you know about ethical (or whatever you want to call it) investing? Let's find out.

1. *The modern phenomenon of socially responsible investing in the U.S. can be traced back to which period in American history?*

A. The 1870s B. The 1930s
C. The 1960s D. The 1990s

ANSWER: C. Although socially responsible investing has roots in the financial practices of 18th-century Quakers and Methodists, who opposed the slave trade, its modern iteration springs from the 1960s, when the civil-rights, antiwar and other movements opened up a whole new field of socially conscious investing.

2. *Fill in the blank: ESG is an acronym for _____.*

A. Environmental, sustainable and green
B. Ethical, social and governance
C. Ethical, sustainable and green
D. Environmental, social and governance

ANSWER: D. ESG standards—or environmental, social and corporate governance standards—are the criteria by which socially conscious investors weigh a firm's ethical bona fides.

3. *Last year, investors put how much money into ESG funds in the U.S.?*

A. $20 million B. $100 million
C. $1 billion D. $3 billion

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A 1960 protest in Atlantic City, N.J., against Woolworth's segregated lunch counters in the South.

ANSWER: D. According to fund-research firm Morningstar Inc., investors added nearly $3 billion to ESG funds in the U.S. last year. Over the next two to three decades, Bank of America Merrill Lynch predicts, millennials could drive about $15 trillion to $20 trillion into ESG funds in the U.S.

4. *At the start of 2016, the sustainable, responsible and impact investing category represented what percentage of all investment under professional management in the U.S.?*

A. 22% B. 10% C. 5% D. 0.1%

ANSWER: A. Sustainable investing had a market size of $8.72 trillion in the U.S. at the beginning of 2016, representing about one-fifth of all investments under management, according to a biennial report published by the advocacy group US SIF: The Forum for Sustainable and Responsible Investment.

5. *From 2014 to 2016, sustainable investing grew by what percentage in the U.S.?*

A. 12% B. 20% C. 33% D. 55%

ANSWER: C. Sustainable investing grew 33% over a two-year period from 2014 to 2016 in the U.S., from $6.57 trillion at the start of 2014 to $8.72 trillion in 2016, according to the US SIF report.

6. *On a global level, what is the dollar amount of assets professionally managed under ESG strategies?*

A. $15.56 trillion B. $22.89 trillion
C. $34.45 trillion D. $45.67 trillion

ANSWER: B. There are $22.89 trillion of assets under professional management in the ESG realm globally, according to a report by the Global Sustainable Investment Alliance, up 25% since 2014 and representing 26% of all assets under professional management around the world.

7. *True or false: There is no official governing body that regulates environmental, social and governance criteria.*

ANSWER: True. While there are a number of groups that track such criteria, like the Sustainability Accounting Standards Board, a U.S. nonprofit, there is no government-established universal standard for sustainable investing.

8. *Which of these financial firms have established sustainable-investing products in the past couple of years?*

A. Fidelity Investments
B. Goldman Sachs
C. BlackRock
D. All of the above

ANSWER: D. As ESG investing goes mainstream, a number of financial firms have been moving into the sustainable-investing realm. In 2015, for example, **Goldman Sachs** bought Imprint Capital Advisors, an asset-management firm focused on ESG investment, and **BlackRock** launched the **BlackRock Impact U.S. Equity** mutual fund (BIRAX) for socially conscious investors. Most recently, in May, **Fidelity Investments** launched two sustainability index funds.

9. *True or false: Some studies have shown that companies focusing on sustainability and social responsibility have outperformed those that don't.*

ANSWER: True. Critics say that many socially conscious strategies haven't paid off for investors, but in one study, for example, researchers in the Netherlands found that companies with high eco-efficiency scores—a measure of a company's impact on the environment—had better average returns than those with lower scores over an eight-year period, from 1995 to 2003, "suggesting that the incremental benefits of [sustainable investing] can be substantial," the study says.

"For a long time, people have made the assumption that if you're putting environmental and social questions into the mix" then you're not focused on returns, says Mr. Cherny, of Aspiration. But that perception, he says, is changing.

10. *True or false: I can invest in sustainable-investment funds through my 401(k).*

ANSWER: True—as long as your company's plan offers them. That wasn't always the case. But in October 2015, the Labor Department—in addressing plan fiduciaries' duties under the Employee Retirement Income Security Act—ruled that fiduciaries managing retirement and 401(k) plans can invest in sustainable funds as long as it makes financial sense.

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