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DJIA 21409.07 ▲ 0.003% NASDAQ 6193.30 ▲ 0.27% NIKKEI 20195.48 ▲ 0.57% STOXX 600 379.15 ▼ 0.65% BRENT 47.52 ▲ 1.37% GOLD 1213.60 ▲ 0.12% EURO 1.1436 ▲ 0.32%

What's News

Business & Finance

Bertelsmann is raising its stake in Penguin Random House to 75%, through a deal with Pearson, in a multimillion-dollar bet on the future of print. **A1**

◆ **Buffett's Berkshire** Hathaway is relying less on stock picking, as the firm earns more income from its operating businesses. **A1**

◆ **Dalian Wanda is helping** the buyer of its theme parks and hotels finance almost half of the deal. **B1**

◆ **Snap's rough week** continued, as a bank that led the IPO of the firm cut its price target for the stock. **B1**

◆ **The yuan** has been closing weaker than the level set by the PBOC amid a tug of war between the central bank and currency investors. **B1**

◆ **PepsiCo's** quarterly sales and earnings rose as the company offset weak demand in North America with higher prices. **B3**

◆ **Internet firms** are preparing to launch online protests Wednesday over GOP efforts to roll back net-neutrality rules. **B4**

◆ **A record amount** of money flowed out of a major emerging-market ETF last week, a sign of nervousness among investors. **B6**

◆ **Facebook plans** to show advertisements inside its chat app Messenger as revenue growth in its core service slows. **B4**

◆ **Twitter** tapped Ned Segal, an ex-Goldman executive, as CFO, a step toward filling a list of vacancies. **WSJ.com**

World-Wide

◆ **Donald Trump Jr.** attended a meeting to discuss allegedly incriminating information about Clinton he was told was being offered as part of Russia's support of his father's candidacy, according to emails he released. **A1**

◆ **McConnell said** the U.S. Senate would delay its August break, as the chamber tries to pass a health-care bill. **A1**

◆ **The U.S. and Qatar** signed an agreement to crack down on terrorist financing. **A3**

◆ **North Korea's missile test** didn't show Pyongyang is able to arm the device with a warhead that can survive re-entry, South Korea's intelligence agency said. **A2**

◆ **Iraqis turned** to the challenges of rebuilding Mosul after announcing Islamic State's defeat in the city. **A3**

◆ **European diplomats say** they are concerned the Trump administration will stretch out its review of the Iranian nuclear deal. **A3**

◆ **The U.K.'s May** welcomed a review recommending stronger protection for workers in the "gig economy." **A4**

◆ **Trump plans** to nominate Randal Quarles to be the Fed's point person for regulating big banks. **A5**

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◆ **Germany asked** European governments for help in finding those who rioted during the G-20 summit. **A4**

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

Trump Son Told of Russia Support

Emails show campaign officials entertained offers of Moscow help in presidential election

By Paul Sonne And Rebecca Ballhaus

WASHINGTON—The president's eldest son, Donald Trump Jr., attended a meeting last June to discuss allegedly incriminating information about Hillary Clinton that he was told was being offered as part of the Russian government's support of his father's candidacy, according to emails he released Tuesday.

The release of the emails, following days of news reports about the June 2016 meeting, offers clear evidence that senior officials in the Trump camp entertained offers of Russia's help in last year's campaign. Law-enforcement and congressional investigators are probing whether the Trump campaign colluded with Moscow to influence the election.

The release also is likely to pull the younger Mr. Trump, who had a significant role in the campaign though never joined the Trump administration, further into the center of the matter.

In a statement read to reporters by a White House spokeswoman on Tuesday, President Donald Trump said: "My son is a high quality person and I applaud his transparency."

After reading the statement, Sarah Huckabee Sanders, the White House principal deputy press secretary, said: "beyond that I'm going to have to refer everything on this matter" to Donald Trump Jr.'s counsel.

A June 3, 2016, email to the younger Mr. Trump, from a British publicist, said that a top Russian prosecutor had "offered to provide the Trump campaign with some official documents and information that would incriminate Hillary and her dealings with Russia and would be very useful to your father."

The publicist said the prosecutor had communicated this offer to Azerbaijani-Russian billionaire Aras Agalarov, who along with his son, pop star Emin Agalarov, organized the 2013 Miss Universe pageant in Moscow with the president and developed a relationship with the Trump family.

"This is obviously very high

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MICHAEL REYNOLDS/EUROPEAN PRESSPHOTO AGENCY

Sen. David Perdue of Georgia, at podium, joins other GOP senators in discussing a delay in the Senate's break to work on legislation.

Senate Delays Recess To Labor On Health

By Richard Rubin

WASHINGTON—Senate Majority Leader Mitch McConnell announced Tuesday the Senate would begin its August break two weeks later than expected, as the chamber labors to pass a health-care bill.

The Senate will now recess starting during the third week of August, rather than at the month's start, the Kentucky Republican said in a statement. He cited the need to "complete action on important legislative items and process nominees."

The move came as two people familiar with the Senate GOP health-care legislation, expected to be unveiled later this week, said it likely will retain both of the Affordable Care Act's taxes that affect

Please see SENATE page A7

Bertelsmann Raises Its Stake in Penguin

By Zeke Turner

BERLIN—Bertelsmann SE is raising its stake in publisher Penguin Random House to 75%, tightening the German media company's control over one of the top prizes in the book business in a multimillion-dollar bet on the future of print.

Bertelsmann said Tuesday it was buying a 22% stake in the business from Pearson PLC for about $780 million. The British education company will retain a 25% stake in the publisher.

Pearson said it would receive a total of $968 million from the sale and associated dividend payments.

The move comes after years of strategic reorganizing in the publishing world, with companies worried that the rising popularity of e-books and online sales would permanently cut into their margins. But lately executives have noticed overall book sales rising as consumers spend more time reading, partly thanks to heightened interest in politics.

Global book-publishing revenue is expected to increase 9.7% from 2015 to €122.95 billion ($140.10 billion) in 2020, according to statistics cited by Bertelsmann.

Electronic book sales last year made up just 20% of Penguin Random Houses's total sales, according to an analysis by book industry expert Rüdiger Wischenbart for the Frankfurt Book Fair.

Printed books "will still be around in 100 years," Penguin

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GOOGLE'S QUIET INFLUENCE CAMPAIGN

Company pays professors for research supporting business practices that face regulatory scrutiny; a 'wish list' of topics

By Brody Mullins and Jack Nicas

Google operates a little-known program to harness the brain power of university researchers to help sway opinion and public policy, cultivating financial relationships with professors at campuses from Harvard University to the University of California, Berkeley.

Over the past decade, Google has helped finance hundreds of research papers to defend against regulatory challenges of its market dominance, paying stipends of $5,000 to $400,000, The Wall Street Journal found.

Some researchers share their papers before publication and let Google give suggestions, according to thousands of pages of emails obtained by the Journal in public-records requests of more than a dozen university professors. The professors don't always reveal Google's backing in their papers, and few disclosed the financial ties in later articles on the same or similar topics, the Journal found.

University of Illinois law professor Paul Heald pitched an idea on copyrights he thought would be useful to Google, and he received $18,830 in funding. The paper, published in 2012, didn't mention Google. "Oh, wow. No, I didn't. That's really bad," he said in an interview. "That's purely oversight."

The money didn't influence his work, Mr. Heald said, and Google issued no conditions: "They said, 'If you take this $20,000 and open up a doughnut shop with it—we'll never give you any more money—but that's fine.' "

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INSIDE

GETTY IMAGES

A TEST FOR BEIJING'S LEADERSHIP

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ROLEX DELA PENA/EPA

WANDA DEAL HAS ODD TWIST

BUSINESS & FINANCE, B1

JASON LEE/REUTERS

ANXIETY IN EMERGING MARKETS

FINANCE & MARKETS, B6

Secret App Makes Manhattan Skyscrapers Change Color

* * *

Invitation-only Spireworks lets users change lights on two spires

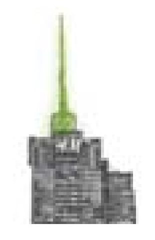
By Rachel Louise Ensign And Liz Hoffman

On warm nights, Bobby Francis and his three roommates like to hit the balcony of their Manhattan apartment, pull out their phones and change the color of the New York City skyline.

With a few taps, spires atop two Midtown skyscrapers flicker blue, red and orange.

"It doesn't feel like something I should have access to at all," said Mr. Francis, who turns 23 on Wednesday. The consultant sleeps in the former kitchen of a converted two-bedroom apartment.

Yet he does. Mr. Francis and his roommates are members of New York's latest exclusive club: Spireworks, a much whispered-about free app that allows users to change the spires atop two of New York's tallest buildings.



4 Times Square

The only way to join is to be invited by a current user, so access has spread through an

Please see SPIRE page A8

Berkshire Moves Away From Stock Picking

By Nicole Friedman

With its latest energy bid, Warren Buffett's Berkshire Hathaway Inc. is relying less on stock picking for its future.

Last week, the billionaire investor's firm offered to buy bankrupt power-transmission firm Energy Future Holdings Corp. for $9 billion in cash. Should the deal go through, Berkshire would be expanding its reliance on running stable and highly regulated industries to deliver growth.

Mr. Buffett rose to fame as a stock picker and continues to invest tens of billions in equities and other securities for Berkshire's portfolio.

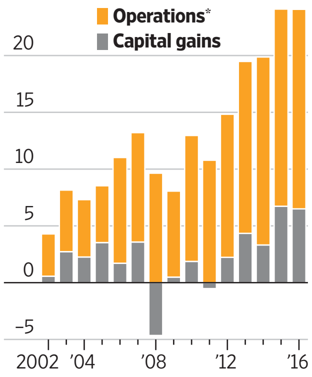
But today, those investments are "de-emphasized," as Berkshire earns significantly more income from its operating businesses, Mr. Buffett said in his February letter to shareholders. Berkshire has undergone a "gradual shift from a company obtaining most of its gains from investment activities to one that grows in value by owning businesses," he wrote.

The conglomerate's shift toward regulated businesses began in 1999, when Berkshire announced an agreement to buy its first utility business, and accelerated with the 2009

Please see BUFFETT page A2

Shifting

Berkshire Hathaway's after-tax earnings by segment



*Includes interest and dividends from investments

Source: the company

THE WALL STREET JOURNAL.

Beijing Gets a Failing Grade on North Korea

CHINA'S WORLD
By Andrew Browne

SHANGHAI—Not for the first time, the specter of nuclear proliferation hangs over North Asia.

In the 1970s, South Korea was secretly pursuing a nuclear-weapons program. Taiwan was running a similar clandestine operation. Japan sat on a stockpile of plutonium from its civilian nuclear program and then, as now, had all the technology it needed to build a bomb.

Only strong U.S. pressure, combined with strategic reassurance to its allies, managed to head off an arms race. In Taiwan's case, the U.S. confronted it with CIA evidence of its program and shut it down in the 1980s.

Today, a nuclear-arms race is one of the nightmare scenarios as China's ally Pyongyang terrorizes its neighbors.

This time, it's on Beijing to restore a measure of calm.

China faces a moment of truth in its own backyard on whether it is ready to assume greater global leadership.

So far, writes John H. Maurer, a professor at the U.S. Naval War College, "Beijing is flunking the test."

In Beijing's view, the current crisis was largely created by U.S. belligerence, and the onus is primarily on Washington to fix it, with China acting as facilitator.

President Donald Trump has tweeted that while he appreciates the attempt by Chinese President Xi Jinping to help, "it has not worked out." China insists it has made "relentless efforts" to ensure peace on the Korean Peninsula.

An irritated China on Tuesday hit back at U.S. pressure to do more. "The 'China responsibility theory' on the peninsula nuclear issue can stop," a Foreign Ministry spokesman said.

Yet, China is Pyongyang's enabler: Up to 90% of North Korea's foreign trade runs through its neighbor. And commerce is surging; Pyongyang is a bustling capital.

Beijing appears to believe that living with a nuclear North Korea is preferable to the alternatives: the collapse of its socialist ally spilling refugees into its industrial heartland and bringing U.S. troops to its border.

This is likely a terrible miscalculation. It would be unwise to count on restraint from North Korea's youthful Kim Jong Un, a leader who reportedly had his own uncle blown to bits with an antiaircraft gun. He already has the capability to wipe out Seoul or Tokyo, and a missile that can reach Alaska.

KRT/ASSOCIATED PRESS

North Korean soldiers cheering during a concert celebrating a successful missile launch.

A nuclear arms race might itself be a trigger for war. How would Beijing respond if Taiwan reactivated its nuclear program?

Right-wing politicians in Seoul are openly debating the nuclear option. Public opposition in Japan, the only country in the world to have suffered a nuclear attack, makes it unlikely that Tokyo would ever build its own arsenal.

But then, the unthinkable is now reality: President Trump has talked about a "major, major conflict."

Back in the 1970s, South Korea attempted a nuclear breakout when it feared U.S. abandonment. Seoul didn't drop the effort until 1980—after the U.S. suspended a plan to pull out troops, according to Seung-Young Kim, a senior lecturer at the University of Sheffield.

A North Korea capable of hitting the U.S. with a nuclear-tipped ballistic missile would, once again, raise questions about U.S. willingness to come to the rescue. Would Washington risk Seattle for Seoul? That, in turn, might spur demands for a homegrown nuclear deterrent.

White House officials have signaled in recent days that the U.S. is ready to act unilaterally by targeting Chinese banks and companies that Washington says are funneling cash to Pyongyang's weapons program.

Hawks in the U.S. call for tougher action on North Korea. Others press for Washington to open direct dialogue with Pyongyang, though it's uncertain whether the North would even come to the table.

One thing is clear, however: China's passivity doesn't jibe with its quest for respect as a great power capable of solving big problems.

In the past, write Jake Sullivan and Victor Cha, two prominent North Korean experts, China left it to the U.S. to offer Pyongyang inducements, including energy aid, to abandon its nuclear ambitions. The bill during the Clinton and later Bush administrations came to half a billion dollars.

Now, they argue, "we should tell China that it has to pay to play. The basic trade would be Chinese disbursements to Pyongyang, as well as security assurances, in return for constraints on North Korea's program."

The world looks at North Asia as an almost invincible economic powerhouse. Even as the current crisis unfolds, the South Korean stock market booms. Samsung is poised to overtake Apple as the world's most profitable technology company. Hobbling debt levels and obstacles to entry are far more worrying to foreign investors in China than the nuclear standoff.

Yet the region's gains have always been fragile. It is now the most dangerous corner of the planet.

The question now is whether China will come to see that its rogue ally imperils everything—its past victories against poverty, its dreams of future wealth and power. And whether that will inspire it to lead.

BOOKS

Continued from Page One

Random House Chief Executive Markus Dohle said in a document sent to Bertelsmann employees and seen by The Wall Street Journal.

Executives at Bertelsmann said the deal wouldn't affect Penguin Random House's daily operations, but Bertelsmann's increased control will give it the right to name the chairman of the publisher's board.

"The decision-making powers have of course shifted in our favor," Bertelsmann CEO Thomas Rabe said in an internal document sent to employees.

Increased control of Penguin Random House makes sense financially and strategically, with the deal set to boost Bertelsmann's earnings by more than €60 million while enhancing the prospects of its books business in China, India and Brazil, Mr. Rabe said.

Under the terms of the existing New York-based Bertelsmann-Pearson joint venture, the German company had the right to appoint the CEO, a position currently filled by Mr. Dohle, a Bertelsmann loyalist who has been with the company for 23 years and ran Random House before the merger.

Previously Bertelsmann had 53% of Penguin Random House. The increased stake comes after Bertelsmann this past winter announced it was targeting €20 billion in annual revenue by around 2020, with 30% coming from the U.S.

Penguin Random House's enterprise value for the transaction had been set at $3.55 billion, according to Bertelsmann, which was advised by J.P. Morgan Chase & Co. In preparation for the deal in the last few weeks, Bertelsmann issued a €500 million bond, according to the company's spokesman.

Bertelsmann Chief Financial Officer Bernd Hirsch said the company had financed the acquisition at "exceedingly favorable terms."

As part of the deal, Pearson can't make further changes to its slimmed-down minority stake until March 2019. Pearson finance chief Coram Williams said the company won't keep its stake in the joint venture forever. After the 2019 date, "we are free to do what we like," Mr. Williams said.

The 2013 merger of Penguin and Random House joined 250 brands that publish more than 15,000 titles a year.

Penguin Random House's stable of writers include Dan Brown, John Grisham, Ken Follett, George R.R. Martin, John Green and Paula Hawkins. Earlier this year, the house turned heads by signing a two-book deal with Barack and Michelle Obama that Bertelsmann called the highest advance ever paid in the history of book publishing.

Bertelsmann competes with News Corp, which owns book publisher HarperCollins, as well as Dow Jones & Co., the publisher of The Wall Street Journal.

In January, Pearson gave notice that its 47% stake could be up for sale. Pearson faced falling revenue from its North American higher-education business and told investors it was looking to shore up its balance sheet.

The stake sale has provided Pearson with around £300 million ($387 million) of extra capital that will be used for a share buyback, said Mr. Williams, Pearson's CFO.

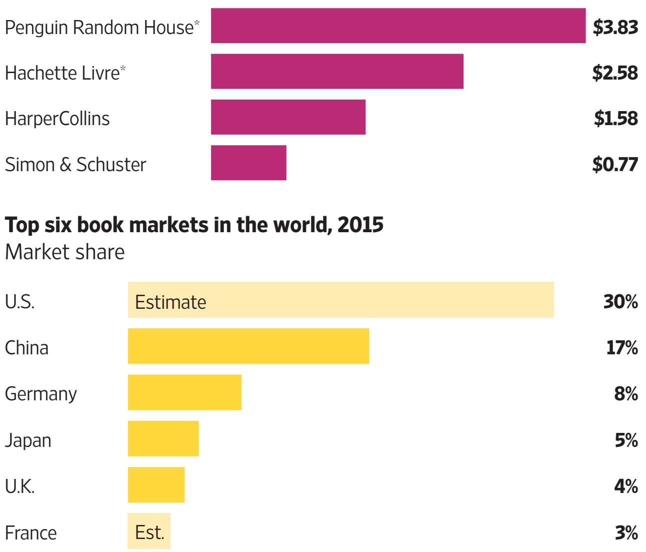
—Olga Cotaga and Nina Trentmann in London contributed to this article.

Big House

Bertelsmann is solidifying its hold on the world's biggest English-language publisher.

Global players in the English-language book market, 2016
Total combined book and e-book revenue, in billions

Top six book markets in the world, 2015
Market share



*Converted at €1 = $1.14
Note: Analysis for market share-by-company based on company reports.
Source: Rüdiger Wischenbart Content and Consulting for the Frankfurt Book Fair, 2017.
THE WALL STREET JOURNAL.

Seoul Doubts Success of Missile Test

By Alastair Gale

North Korea's recent long-range missile test didn't show Pyongyang is able to arm the device with a warhead that can survive the intense heat and vibration of re-entering the atmosphere, South Korea's intelligence agency said.

The assessment, given to South Korean lawmakers on Tuesday, contradicts an assertion by North Korea and suggests the isolated state may still have a significant technical hurdle to overcome in its quest for a missile that can threaten major U.S. cities.

Governments and private-sector analysts are still analyzing data from the July 4 test launch of a missile North Korea called the Hwasong-14. Most agree the flight path indicates the missile would be able to reach Alaska and possibly farther in a conflict.

More specific details are largely dependent on images released by North Korea and guesswork. The tip of the missile, where the warhead, or re-entry vehicle, would be located, has drawn attention from experts because it appears to consist of a simple hollow fairing.

The fairing looks too small to fit the re-entry vehicle that North Korea has shown on other missiles, John Schilling, an aerospace engineer, wrote in an analysis of the Hwasong-14 published Monday on the North Korea-focused website 38North.

Yi Wan-young, a South Korean lawmaker who attended a briefing by the National Intelligence Service, said in televised comments that the spy agency assessed that North Korea hasn't developed re-entry technology for the Hwasong-14.

The agency reached the assessment because it wasn't able to confirm a successful re-entry of the missile, and because North Korea doesn't have testing facilities for re-entry vehicles, Mr. Yi said.

Developing a ballistic missile that can carry a nuclear weapon in a warhead at its tip and successfully detonating the device at a predetermined target is one of the biggest challenges in missile science. When it re-enters the Earth's atmosphere on its descent, the warhead is exposed to temperatures of thousands of degrees and extreme vibration.

> *An assessment suggests Pyongyang may have a big hurdle to overcome.*

Following the Hwasong-14 launch, North Korea said through its state media that the test verified all the technical features of the missile "including the heat-resisting features and structural safety of the warhead tip of (the) ICBM made of (a) newly developed domestic carbon compound material."

South Korean authorities tend to be more skeptical of North Korea's weapons progress than their U.S. counterparts. American officials have stated that the latest North Korean missile appeared to have intercontinental range but haven't commented publicly on whether it has a viable warhead.

Mr. Schilling, the analyst, said the North Korean missile will likely need a year or two of testing before it can reliably deliver a nuclear warhead to targets along the U.S. West Coast.

The new capabilities displayed in last week's test brought new urgency to Washington's efforts to halt North Korea's weapons programs.

—Min Sun Lee and Charles Hutzler contributed to this article.

BUFFETT

Continued from Page One

agreement to acquire railroad Burlington Northern Santa Fe. Regulated businesses can yield steady returns, while stock investments are more volatile but can produce bigger wins. Berkshire also operates less-regulated businesses including retailers and manufacturers.

The energy and railroad businesses accounted for 24% of Berkshire's 2016 net earnings, up from 8% a decade ago.

"The franchise has pivoted away from equity investments toward acquisitions," said James Shanahan, senior equity-research analyst at Edward Jones. "The bigger the utility business gets, I think the more important it becomes that the leader of Berkshire Hathaway has a strong understanding of the operations of utility businesses."

If Berkshire Hathaway Energy Co.'s deal to buy Energy Future Holdings and its Texas-based utility Oncor is approved, Oncor would increase the conglomerate's earnings by about 2%, according to Morgan Stanley analysts.

The deal has been challenged by hedge fund Elliott Management Corp., which said it plans to put together its own deal with a higher valuation for Oncor.

One major ramification of the Oncor deal, should it go through, is that it would give more power to Berkshire Hathaway Energy's chief executive, Greg Abel. Analysts say this purchase make them increasingly confident Mr. Abel is the leading candidate to succeed Mr. Buffett as chief executive of the parent company.

Mr. Abel, 55 years old, runs Berkshire Hathaway Energy similarly to how Mr. Buffett, 86, runs Berkshire. Both managers maintain small head offices—27 employees at Berkshire Hathaway Energy and 25 at Berkshire's headquarters—and grant their subsidiary managers autonomy to run their businesses.

Before making its bid to buy Energy Future, Berkshire Hathaway Energy participated in talks with Texas regulators and major Oncor customers to make sure its bid would be acceptable to them, Oncor executives said in an interview.

Regulators have scuttled two previous attempts to buy Energy Future's 80% stake in Oncor.

"They went to Texas first," said Bob Shapard, Oncor's chief executive. "Berkshire brought [Energy Future] a deal that essentially had been settled with the major players in Austin."

Berkshire Hathaway Energy, formerly known as MidAmerican Energy Holdings Co., has led some of Berkshire's biggest acquisitions. This deal would significantly expand its customer base. Dallas-based Oncor serves 10 million Texans, and Berkshire Hathaway Energy serves 11.6 million customers in Midwestern and Western states, the U.K. and Canada through its utility and natural-gas businesses.

Mr. Abel joined the company in 1992 and became chief executive in 2008. Berkshire Hathaway Energy declined to make Mr. Abel available to comment.

Ajit Jain, who oversees many of Berkshire's insurance operations, is also widely considered a potential successor to Mr. Buffett. Mr. Jain declined to comment. Berkshire has acquired insurers in recent years and launched a commercial-insurance company in 2013.

More broadly, Berkshire's utility investments mark a different strategy than how Mr. Buffett built his firm decades ago, when he sought to buy companies like See's Candies that required little capital investment.

As Berkshire has grown into a behemoth, Mr. Buffett has turned to acquiring regulated businesses that require consistent maintenance. The downside is these businesses require continuing capital investments, but that helps use up some of Berkshire's massive cash pile. The utility businesses also earn tax credits for their investments in renewable energy, which Mr. Buffett can apply to the rest of the company's balance sheet.

"It is probably a different act to maintain this company than it was to build it," said Lawrence Cunningham, a law professor at George Washington University who has written about Berkshire. "Warren wasn't doing this when Berkshire was much smaller, but nowadays, in the last 10 years, they've got so much capital."

Mr. Buffett didn't respond to a request for comment.

Mr. Buffett told shareholders at the company's annual meeting in May that the next CEO's main job would be capital allocation. Even if the Oncor deal closes, Berkshire has about $50 billion in cash available to spend, according to CFRA Research.

CORRECTIONS & AMPLIFICATIONS

An Off Duty article in the June 30-July 2 edition about waterproof gadgets incorrectly referred to the JBL Flip 4 Bluetooth speaker as the Charge 3, a similar JBL model. Neither the Flip 4 nor the Charge 3 will float. The article incorrectly said the Charge 3 will float, and it incorrectly implied that the product in the photo was the Charge 3.

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

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FELIPE DANA/ASSOCIATED PRESS

Airstrikes targeted Islamic State positions on the edge of the Old City in Mosul on Tuesday, as pockets of resistance remained a day after Iraq declared victory over the extremists in its second-largest city.

Iraq Begins to Rebuild a Shattered Mosul

Parts of the western side of the city were flattened in the fight to oust Islamic State

By Karen Leigh And Asa Fitch

ERBIL, Iraq—The day after announcing Islamic State's defeat in Mosul, Iraqis turned to the enormous challenges of rebuilding and resettling the country's second-largest city.

The municipal government worked Tuesday to repair and open roads in the western side of the city, where the terror group made its last stand in Mosul. Swaths of that half of the city were largely flattened in months of fighting, with streets impassable and basic services nonexistent.

"Our priority now is getting people home," said Abdulsattar Alhabbu, head of the Mosul municipality. "Our focus is on west Mosul, where most of the damage from the fight happened. Our priority is bringing back the water supply. There is no life without water."

Prime Minister Haider al-Abadi proclaimed victory over Islamic State in Mosul on Monday. The government declared a holiday on Tuesday and a week of official celebrations. But even amid the festive atmosphere, Mr. Abadi referenced the tremendous economic and security challenges ahead. An Iraqi counterterrorism forces commander said the fight to clean up the last remaining pockets of Islamic State resistance in Mosul was continuing on Tuesday.

Nearly nine months of fighting to drive the extremist group from the city displaced more than 800,000 residents, according to the International Organization for Migration. Many say they won't return home until water and other basic services are restored—a task that will take at least six weeks, according to Hussameldin al-Abbar, an official of Nineveh province, where Mosul is located.

"Nearly every building on the western side of Mosul was completely destroyed. With this level of devastation, it's very unlikely that the hundreds of thousands of displaced families will be going home anytime soon," said Arnaud Quemin, interim Iraq country director for aid group Mercy Corps. "This is a critical moment for Mosul."

That lack of basic services is keeping thousands of residents like Ahmed Suleiman Abdullah staying put in desert camps for displaced people near Mosul, even as scorching summer temperatures soar above 110 degrees. Mr. Abdullah fled in March with his two wives and nine children after his house in western Mosul was partly destroyed by fighting.

"One of the major problems is there is no water supply to the area and no electricity," he said recently. "How do you survive with kids with no water?"

Part of his house could be repaired quickly if he had money to do it, Mr. Abdullah said.

"We had no jobs for three years under Daesh," he said, using an Arabic acronym for Islamic State. "We spent all our savings, and now there is no work and we have nothing."

Khalid Muhammed, 32, a stationery and cosmetics shop owner in western Mosul, said last week that he reopened last month as people started to return. But a lack of city-supplied water was limiting customers.

"We are getting water tankers from NGOs, but we need the state-supplied water to be back so all the people will come back to their homes," he said, referring to aid organizations.

Though officials put forth a $100 billion, 10-year plan for reconstructing the country, they are short on funds. The International Monetary Fund in 2016 provided more than $5 billion in emergency loans to shore up Iraq's economy and to rebuild key cities destroyed by fighting. But it wasn't enough.

The government will need hundreds of millions of dollars to rebuild and compensate residents who lost their homes, businesses and factories in Mosul. But Iraq's economy has been badly battered in three years of war against Islamic State.

"What we have now is nothing. We need an emergency budget for rebuilding Mosul, and international aid," said Mr. Abbar, the provincial official. "For 2017, Nineveh province's budget was $40 million. By my estimation what we need only for the restoration of infrastructure and basic services is more than $500 million."

Some Mosul residents had already begun returning to help in the cleanup and to begin to rebuild even before Mosul's full recapture this week.

In the Jadida neighborhood of western Mosul, Hassan Falah, 20, stacked broken blocks of concrete last week at his family's house, whose roof and third story were blown off. He and his extended family are hoping for government aid for rebuilding, but they aren't waiting for it to come.

"After what we saw under Daesh, we never hoped to survive," he said, recounting how his family and neighbors hid out in the basement as the battle raged above them. "We were given a new life after liberation."

—Ali A. Nabhan in Erbil, Iraq, and Ghassan Adnan in Baghdad contributed to this article.

Europe Wary as U.S. Reviews Iran Nuclear Deal

By Laurence Norman

BRUSSELS—European diplomats say they are increasingly concerned the Trump administration will stretch out its review of the Iranian nuclear deal, undermining the agreement by curbing the economic benefits designed to ensure Iran's compliance.

President Donald Trump has attacked the agreement, reached in 2015, as a "terrible deal" for the U.S.

European officials have been publicly upbeat about the U.S. remaining a party to the deal, but diplomats privately voice serious concerns about where the U.S. review is headed. They say Washington is providing little feedback, has given no firm end-date for the review and hasn't made clear who is shaping the process.

European officials still believe the Trump administration won't abandon the nuclear deal, but many fear Washington will keep it under a rolling review. That, they say, would crimp economic benefits Iran expected from the agreement by persuading already cautious Western banks and investors to stay away—whereas President Barack Obama's top officials urged engagement with Tehran. European diplomats also worry that if the U.S. commitment remains uncertain, Iran may respond by attempting limited violations.

Trump administration officials have raised concerns—echoed in some European capitals—that the deal doesn't curtail Iran's nuclear activities once its key commitments expire over the next 15 years. Washington has also repeatedly criticized the deal for not committing Iran to change its behavior in the region, where it has intervened to support the regime of Syrian President Bashar al-Assad and moved to increase its influence elsewhere through proxy forces such as Hezbollah.

While Obama administration officials toured Europe to encourage companies to take advantage of the lifting of most sanctions, the new administration has taken the opposite approach. White House deputy spokeswoman Sarah Huckabee Sanders said Monday that Mr. Trump used last weekend's Group of 20 leaders meeting in Germany to press his counterparts "to stop doing business with nations that sponsor terrorism, especially Iran."

The limbo over the deal could strain U.S. ties with Europe, where the governments of France, Germany, and the U.K., as well as the European Union, helped negotiate the deal and support it. They argue the deal averted a military conflict over Iran's nuclear program and is now allowing the continent to start rebuilding investment ties with Tehran.

"I think a situation where the new administration will just keep things under review—I would not say forever, but on and on and on—I don't think that is unrealistic," a senior European diplomat said. "Nobody has any guarantee of the outcome."

U.S. officials said Washington has informed allies about the basic parameters of the review. A senior administration official said the U.S. had "numerous bilateral meetings with different European allies" to solicit feedback.

Many senior U.S. defense and foreign-policy posts remain unfilled. European diplomats say that has hampered communication.

—Felicia Schwartz in Washington contributed to this article.

EPA/IRANIAN SUPREME LEADER WEBSITE

Iran's Supreme Leader Ayatollah Ali Khamenei speaking in the capital, Tehran, in June.

U.S., Qatar To Fight Terror Financing

By Felicia Schwartz

WASHINGTON—The U.S. and Qatar signed an agreement in Doha Tuesday to crack down on terrorist financing, part of efforts by Secretary of State Rex Tillerson to resolve a weekslong conflict between four Arab states and Qatar.

Under the accord, the two countries will step up efforts to track down terrorist funding sources and will do more to collaborate and share information.

The agreement lays out steps both sides will take in coming months and years to "interrupt and disable terror financing flows and intensify counterterrorism activities globally," Mr. Tillerson said, after meetings with senior Qatari officials.

Mr. Tillerson and his Qatari counterpart said the accord isn't directly related to the feud between Qatar and the bloc of Saudi Arabia, the United Arab Emirates, Bahrain and Egypt.

"The United States has one goal, drive terrorism off the face of the earth," Mr. Tillerson said.

The four Arab countries cut diplomatic ties and imposed a travel ban on June 5 in response to allegations Qatar funds terrorist groups. U.S. officials have said they fear the conflict could drag on for months.

Qatar denies the allegations and has accused the bloc of waging a smear campaign. The four Arab countries rejected Qatar's response to a list of demands to try to resolve the crisis, including curbing diplomatic ties with Iran, severing links with the Muslim Brotherhood and closing the Al Jazeera television network.

WORLD WATCH

BREXIT TALKS

EU to Press U.K. Over Divorce Costs

European officials are preparing to press Britain to clarify its position in coming days on European Union demands that it settle a bill to leave the bloc, as U.K. Foreign Secretary Boris Johnson dismissed what he called the EU's "extortionate" expectations.

EU officials have said the U.K. has legal commitments upward of €60 billion ($68 billion) of spending pledges. They have made the divorce bill one of several priorities that must be addressed up front—along with citizens' rights after Brexit and the situation in Ireland—before they are willing to begin discussions on a future EU-U.K. trade deal.

The clash over the settlement comes ahead of the start Monday of the second round of talks over the U.K.'s departure from the bloc. In recent days, European officials have voiced concern the U.K. is seeking to sidestep discussions on the divorce bill.

During a parliamentary debate in London on Tuesday, Mr. Johnson said Britain should tell the EU to "go whistle" if it repeats its demands for a large exit bill. "The sums that I have seen that they propose to demand from this country seem to me to be extortionate," Mr. Johnson said.

—Laurence Norman

CANADA

Rate Rise Expected Amid Housing Boom

The Bank of Canada is widely expected on Wednesday to raise its benchmark policy rate for the first time in seven years, signaling the Canadian economy is on the path to recovery after years of tepid growth following the global slump in commodities.

Canada's central bank, led by Gov. Stephen Poloz, is joining peers at the Federal Reserve, the Bank of England and the European Central Bank as they dial back on the extraordinary run of ultralow interest rates aimed at jump-starting the global economy in the aftermath of the recession of 2008-09.

In Canada, which was hit with an income shock after the downturn in prices of oil and other commodities, low rates have resulted in an extended period of loose money that has fueled a housing boom in pockets of the country. Some analysts say soaring real-estate prices, which have stretched affordability and forced official measures to curb investing, could be a factor driving Wednesday's expected increase.

Amid recent growth in gross domestic product and robust job creation, Mr. Poloz has signaled he will remove stimulus this week, monetary-policy analysts said.

—Paul Vieira

WORLD NEWS

Russia Cultural Rift Snags Bolshoi Ballet

By Nathan Hodge

MOSCOW—It was supposed to be the hottest ticket of Moscow's theater season: A ballet based on the life of legendary dancer Rudolf Nureyev.

Instead, critics say it has become a casualty of Russia's culture wars.

Days before a scheduled Tuesday premiere at the landmark Bolshoi theater, the management postponed the show about the dancer, who led an extravagant, unconventional life, had affairs with men and women, and died of AIDS-related complications.

Saying the show wasn't ready to go public, the theater now plans to stage the ballet next May—but the decision has set Russia's cultural observers on edge.

The Bolshoi is one of Russia's cultural treasures, and a source of immense national pride. The ballet's controversial subject matter has highlighted a debate within Russia about cultural identity and artistic freedom as the country has grown increasingly conservative and politically isolated.

Mr. Nureyev, who defected from the Soviet Union in 1961, had a reputation as a rebel and a nonconformist. Postponement of the performance is raising questions about official censorship and homophobia.

"The Bolshoi ballet is vodka, a nesting doll, a bear and a balalaika in one festive candy wrapper, and any spots on its reputation are particularly sensitive," wrote ballet critic Leila Guchmazova in Russia's Theater magazine, describing the uproar over the cancellation. "It's impossible to take the Nureyev out of 'Nureyev.' "

In a briefing on Monday, theater general director Vladimir Urin acknowledged the story of Mr. Nureyev is "ambiguous, with a complex fate," and that presenting his character would be challenging, Russian news agencies reported. But he denied the theater had come under official pressure.

In videotaped remarks Saturday posted by the independent TV channel Dozhd, Mr. Urin explained the postponement, saying that "in the state the performance is currently in, it is impossible to show it on the stage of the Bolshoi."

Russia's powerful Ministry of Culture, which holds sway over the state-funded Bolshoi, told news agency RIA-Novosti that Russia's top cultural official applied no pressure to pull the performance.

"Censorship and bans are not the style of our organization," it said.

Ballet critic Natalia Zvenigorodskaya, however, said few observers were convinced by the official version of events.

The reaction among people interested in high culture, she said, "reflects an unhealthy atmosphere in culture and society" that is deeply skeptical of official motives.

"We are returning to a very familiar situation," she said. "I lived in the U.S.S.R. and I don't want to go back to that."

Russian President Vladimir Putin has cast himself as a defender of traditional family values, allying closely with the Russian Orthodox Church.

The Russian government has clashed with the European Court of Human Rights over a 2013 law and other legislation that banned the promotion of homosexuality.

Mr. Putin has come under direct criticism from Western leaders over reports that dozens of gay men have been targeted for arbitrary detention and extrajudicial killing in the southern republic of Chechnya.

Natalia Antonova, a Moscow-based writer and playwright, said the intense debate stoked by the cancellation of the premiere reflected an "identity crisis" in Russian political and cultural life that emerged after the collapse of the Soviet Union.

Russian officialdom, she said, "wants the prestige that's associated with something like this ballet, but at the same time they have to please the religious hard-liners that they've encouraged."

The Bolshoi, Ms. Antonova added, "received a huge blow to its reputation because of what happened."

This is not the first time the Bolshoi has been engulfed by scandal.

In 2013, the artistic director of the Bolshoi Ballet was severely burned when a masked assailant threw acid in his face. A Russian court sentenced a star dancer to prison for ordering the gruesome attack.

The director of the new ballet, Kirill Serebrennikov, has also courted controversy. He is known for productions that tweak Russia's conservative officials, and another Moscow theater where he is artistic director is involved in an embezzlement probe observers say is politically motivated.

Mr. Serebrennikov didn't respond to a request for comment on the investigation and the postponement of the ballet. In comments to the newspaper Vedomosti, Mr. Serebrennikov declined to comment on the Bolshoi's decision.

"This is the decision of the theater," he said. "That's what they decided."

JACK MITCHELL/GETTY IMAGES; ALEXANDER ZEMLIANICHENKO/AP

At far right, Vladimir Urin, the Bolshoi theater's general director, on Monday. Theater management has postponed a ballet based on legendary dancer Rudolf Nureyev, shown at left in 1962.

ELEFTHERIOS ELIS/AGENCE FRANCE-PRESSE/GETTY IMAGES

Garbage in Athens in June amid a municipal strike. Central-bank chief Yannis Stournaras hit out at creditor nations like Germany.

Greece's Banker Urges Privatization

By Tom Fairless And Nektaria Stamouli

ATHENS—Greece's central-bank governor said the country has no need to return to bond markets this year, and called on the government to focus instead on privatizations as a way to win investors' confidence.

"I think it's a bit early" to tap public markets, Yannis Stournaras said in his first comments on the issue since Greece reached a deal with its international creditors in mid-June.

"I think it would be even better, for instance, if Greece proceeds with two or three emblematic privatizations in the period to come. That would be more helpful to tap markets later," he said.

The comments indicate a division among top Greek officials over how to get the crisis-struck country back on its feet. Greece's privatization program, which has repeatedly missed targets set under the country's bailout, is lately speeding up, despite Greece's left-wing government initially opposing many of the projects.

Mr. Stournaras, a governor of the European Central Bank, separately argued that the ECB shouldn't take any steps yet to reduce its large monetary stimulus—a prospect that has roiled financial markets since ECB President Mario Draghi hinted at it last month. ECB officials will gather in Frankfurt on July 19-20 to reconsider their policy mix.

Yannis Stournaras said the country has no need to return to bond markets in 2017.

Mr. Stournaras also hit out at Northern European creditor countries such as Germany for risking the financial stability of the currency union by running large foreign surpluses.

"They increased their surpluses at the time others tried to reduce our deficits," he said.

After months of delays, Athens hashed out a deal in June with its international creditors, which outlines only some minimum debt relief for Greece after its bailout program ends next year, but put off any final decision.

Some Greek officials are eager to follow up with a symbolic return to international bond markets, possibly this month. The head of the eurozone's bailout fund, Klaus Regling, suggested on Monday that Greece should return to markets well before its bailout program ends.

Greece's bailout program is set to expire in August 2018, after which the country will either need to raise money from private investors or return to its public-sector creditors for a fresh bailout.

In the absence of debt-relief specification, the International Monetary Fund agreed to support the deal only in principle—without providing fresh funds—and the ECB refused to consider buying Greek debt under its giant bond-buying program, known as quantitative easing. Bringing Greece under the QE umbrella, from which it has always been excluded, would greatly ease the nation's return to financial markets, analysts say.

Mr. Stournaras criticized the lack of clarity over the longer-term sustainability of Greece's debt. Without a deal on debt relief for Greece, a fresh bailout might loom, he warned.

"If Greece's partners fail to clarify their position on debt, and if Greece is not able to tap markets at reasonable interest rates because of this, then I'm afraid that a further bailout is inevitable," he said. "But nobody wishes that."

May Backs Study On 'Gig' Workers

By Stu Woo and Wiktor Szary

LONDON—Prime Minister Theresa May welcomed an officially commissioned review recommending stronger protection for workers in the U.K.'s "gig economy," as her government seeks to address insecurities generated by new informal employment practices.

The review is a first step toward addressing the divisions between haves and have-nots in U.K. society that the government believed were exposed by last year's referendum vote to leave the European Union. It is a first step in a broader effort by governments in industrialized economies to give people more security in work so as to combat a backlash against globalization.

"The issues [the report] confronts go right to the heart of this government's agenda," Mrs. May said on Tuesday.

The report recommended that British law should be clarified so that people working for **Uber Technologies** Inc.'s smartphone app and the like are regarded as workers—it suggests the term "dependent contractors"—and not as self-employed.

They should have rights to greater worker protection, including safeguards to ensure they don't earn less than the national minimum wage plus a supplement to account for vacation pay. Firms using their services should contribute to the U.K. state's National Insurance system like traditional employers, it said.

Mrs. May said lawmakers would consider the report's nonbinding recommendations over the summer and respond in detail this year. Labor-market flexibility can't be one-sided, with workers bearing the brunt of it, she said.

Britain has become a battleground over the status of gig-economy workers, who are typically people who log on to smartphone apps to find short-term jobs such as chauffeuring people, delivering food or mowing lawns. Because of its relatively large population and shared language, the U.K. is one of the largest international markets for U.S. gig-economy giants such as Uber and TaskRabbit Inc.

Tuesday's report cited an April study from the not-for-profit Chartered Institute of Personnel and Development that found that 1.3 million Brits, or 4% of working adults in the U.K. between ages 18 and 70, work in the gig economy.

Of those gig-economy workers, the study said 58% already have a permanent job elsewhere and take gig-economy jobs to boost income. Some major companies have argued that these workers aren't entitled to employee rights, including paid holidays and minimum wage.

The review suggested greater safeguards in the U.K. for dependent contractors.

Such workers have challenged that position around the world, including in the U.K., where a London tribunal ruled in October that Uber drivers should be entitled to rights typically offered to full-time employees. Uber is appealing that ruling.

The report recommended that the government develop regulation that establishes tests to determine whether workers are employees or dependent contractors.

Neil Carberry, managing director for people and infrastructure at the Confederation of British Industry, a business lobby group, said a number of proposals included in the report would be of significant concern to companies and could affect job creation.

Germany Seeks Europe's Help in Apprehending G-20 Rioters

By Andrea Thomas

BERLIN—Germany asked European governments for help in finding and prosecuting rioters who left a trail of destruction in Hamburg during the weekend's Group of 20 summit.

The violence took political Berlin by surprise and sparked calls this week for a crackdown on organized left-wing radicals—who had largely fallen off the radar as security officials concentrated on neo-Nazis and Islamists.

Politicians warned that failure to prevent escalations would mean high-level international gatherings could take place only in autocratic regimes, where not even peaceful protest is tolerated.

"Many photos and video recordings are currently getting assessed to identify the perpetrators. For this, we rely on support from our foreign partners," Justice Minister Heiko Maas wrote in a letter dated Monday to his colleagues from the European Union seen by The Wall Street Journal.

"We must stop this brutal riot tourism in Europe," Mr. Maas wrote, asking his European counterparts to swiftly execute German arrest warrants.

Among huge numbers of peaceful demonstrators, a smaller core fought street battles with riot police and set cars and barricades ablaze during the two-day summit.

On Friday night, hundreds of masked, black-clad hooligans unleashed devastation rarely seen in Germany.

Police said on Tuesday that 186 people had been arrested and 228 temporarily detained. Among them were suspects from France, Italy, Spain, Russia, the Netherlands, Switzerland and Austria, a Hamburg prosecutor said.

Mr. Maas and Interior Minister Thomas de Maizière on Monday called for an EU-wide database of far-left extremists. Mr. de Maizière said some extremists were stopped at the German border, but others had to be let go because no evidence could be found that they were planning crimes.

"The events surrounding the G-20 summit must be a turning point for our view of the extreme left-wing scene and its willingness to commit violence," Mr. de Maizière said.

In its annual report published last week, Germany's domestic intelligence agency said the number of left-wing extremists in Germany had increased to 28,500, from 26,700 last year, the highest level since 2012.

Several politicians and security officials said last weekend's events meant tolerance of such groups now had to stop.

Last year, Berlin experienced its worst rioting in five years when radicals and squatters opposing evictions clashed with police.

DANIEL DOHLUS/ZUMA PRESS

A protester threw a bike into a barricade fire in Hamburg last week.

U.S. NEWS

Trump to Appoint Fed Bank Regulator

President plans to put his first mark on central bank by nominating ex-GOP Treasury official

WASHINGTON—President Donald Trump plans to put his first mark on the Federal Reserve by nominating Randal Quarles, an investment-fund manager and former Republican Treasury official, to be the central bank's top official in charge of regulating big banks.

By Ryan Tracy, Kate Davidson and Nick Timiraos


JB REED/BLOOMBERG NEWS

President Donald Trump is expected to nominate Randal Quarles, above, as the Fed's top official in charge of regulating big banks.

Randal Quarles

AGE
59

EDUCATION
Philosophy and economics degree from Columbia University; law degree from Yale University

GOVERNMENT EXPERIENCE
◆ **2001-2006:** Undersecretary of domestic finance, assistant secretary of international affairs, U.S. Treasury; U.S. executive director, International Monetary Fund

◆ **1991-1993:** U.S. Treasury staff, deputy assistant secretary for financial institutions policy

OTHER EXPERIENCE
◆ Managing director, Cynosure Group (current)

◆ Partner, Carlyle Group

◆ Partner, Davis Polk & Wardwell LLP

TERM
If confirmed, could serve four-year term as vice chairman for supervision and 14-year term as Fed governor

The choice of Mr. Quarles, expected for months and confirmed by a White House official Monday, would put a more industry-friendly voice in perhaps the most powerful U.S. bank-regulatory post: Fed vice chair of supervision.

That job was created by Congress in 2010 and was never filled during the Obama administration, although former Fed governor Daniel Tarullo filled the role de facto. If confirmed by the Senate, Mr. Quarles would take a lead role in carrying out the Trump administration's goal of rethinking many financial regulations adopted during the Obama era.

Mr. Quarles would also weigh in on monetary policy as one of seven members of the Fed's board of governors, now short-staffed with only four members. His views in that sphere could put him at odds with his new colleagues, notably because he has criticized the Fed's policy of keeping interest rates near zero for years following the financial crisis, and advocated for a monetary-policy rule, or formula, to guide rate decisions.

The Fed board has three vacancies, and the White House hopes to offer two more nominees as soon as possible, the official said. The administration has also begun the search for the next Fed chairman, though Mr. Trump hasn't ruled out nominating Chairwoman Janet Yellen to a second term, to begin when her current term expires in February.

Mr. Quarles has donated to Republican candidates for years and served in the Treasury Department in both Bush administrations, working on both international affairs and as undersecretary for domestic finance, a senior job that involves coordination with the many U.S. agencies that oversee the financial sector.

He left the government in 2006 and was a managing director at the Carlyle Group private-equity firm, investing in troubled banks. He is now managing director at Cynosure Group, a Utah investment firm.

Mr. Quarles, in a March 2016 Wall Street Journal op-ed that he co-wrote, said he didn't support "arbitrarily taking an ax to big banks and irreparably damaging the economy." He endorsed a review of postcrisis regulations but warned that "the consequence of a dramatic increase in bank capital is an increase in the cost of bank credit."

Analysts and government officials have said nominating Mr. Quarles, an establishment Republican, would be a sign that the White House favors more incremental rather than radical changes to the Fed, an institution that has long engendered mistrust among the economic nationalists who backed Mr. Trump during his campaign last year.

Mr. Trump's team has advocated a rethink of Wall Street rules but has few officials in place at financial regulatory agencies. If confirmed, Mr. Quarles would immediately take over the job of overseeing the Fed's regulatory staff, which supervises some of the largest U.S. financial firms including J.P. Morgan Chase & Co., Bank of America Corp. and Citigroup Inc.

He could push for changes in the way the Fed oversees those firms, but he couldn't change the rules on his own. For that, he would need the support of other members of the Fed's board and other agencies.

The choice of Mr. Quarles "shows that we're looking for a change to the heavy-handed approach to regulation from the prior administration," the White House official said Monday. Mr. Quarles, the official said, "has a track record of working well with others to implement public policy."

Obama administration officials have said stricter curbs on financial risk-taking were warranted in the wake of the financial crisis.

Mr. Quarles would find some familiar faces at the Fed. He has worked before with Fed governor Jerome Powell, who is now the point person on the Fed's regulatory efforts and also served in the George H.W. Bush administration and worked at Carlyle Group.

Mr. Quarles is married to Hope Eccles, who is a relative of Marriner Eccles, the New Deal-era Fed chairman whose name is on the building where Mr. Quarles would have his office.

Ms. Yellen is set to testify on Wednesday and Thursday on Capitol Hill, where she will likely be asked about Mr. Quarles and the Fed's agenda. In the past, she has said she is open to changing some bank rules but not what she regards as core changes adopted after the 2008 financial bailouts.

Ms. Yellen has objected to proposals to require the Fed to use a mathematical monetary-policy rule, an approach popular among some conservatives who argue central banks have too much discretion and should be more accountable to the public.

Mr. Quarles said in the 2016 op-ed that low-interest-rate policies have "led to a rise in speculative positions" across the financial system and that a monetary-policy rule would reduce the incentive for big banks and smaller firms to take dangerous risks.

Mr. Quarles's path to the nomination illustrates a broader trend in which nominees across the executive branch have faced delays completing the traditional background clearance and screening process.

Top White House officials had identified the vice chair post as a priority weeks after Mr. Trump's election last year, and after an extended search process, officials identified Mr. Quarles as their top pick in April. At the time, Treasury Secretary Steven Mnuchin had indicated a nominee for the post was imminent.

The White House expected Mr. Quarles's nomination to receive broad Republican support. He needs a simple majority to be approved by the Senate, where Republicans control 52 out of 100 seats.

The White House has also been considering economist Marvin Goodfriend to fill a second vacancy on the Fed board, according to people familiar with the situation. It isn't clear when his nomination might be announced and submitted to the Senate.

TRUMP

Continued from Page One
level and sensitive information but is part of Russia and its government's support for Mr. Trump—helped along by Aras and Emin," the publicist, Rob Goldstone, who was working for the Agalarovs, wrote in the email to the younger Mr. Trump. "What do you think is the best way to handle this information and would you be able to speak to Emin about it directly?"


JUSTIN LANE/BLOOMBERG NEWS

Donald Trump Jr., center, said he would work with congressional investigators who have sought his testimony.

President Trump's son responded by offering to speak to Emin Agalarov about the matter. "[I]f it's what you say I love it," the younger Mr. Trump wrote, appearing to suggest the information would be good to release "later in the summer."

In a statement, the younger Mr. Trump said he believed the Agalarovs had political opposition research about Mrs. Clinton and wanted him to meet with a Russian lawyer in New York about the matter.

"I first wanted to just have a phone call but when that didn't work out, they said the woman would be in New York and asked if I would meet," Mr. Trump said in the statement. "I decided to take the meeting."

The younger Mr. Trump hired a private attorney Monday and said he would work with congressional investigators who have sought his testimony after he said he arranged the meeting with top campaign aides and the Russian lawyer, who has been linked to the Kremlin.

On Tuesday, Sen. John Cornyn (R., Texas), a member of the Senate Intelligence Committee, called for the younger Mr. Trump to testify before the committee.

The U.S. intelligence community has concluded that Russian President Vladimir Putin ordered a campaign to influence the outcome of the 2016 U.S. election in Mr. Trump's favor. A special counsel appointed by the Justice Department earlier this year is investigating whether Trump campaign aides colluded with Moscow.

The president's son said in a statement Tuesday that the Russian lawyer he met, Natalia Veselnitskaya, wasn't working for the Russian government, and Ms. Veselnitskaya herself has denied ties to the Kremlin. Dmitry Peskov, a spokesman for Mr. Putin, said Monday the Kremlin doesn't know Ms. Veselnitskaya and "cannot keep track of every Russian lawyer and their meetings within the country or abroad."

But Ms. Veselnitskaya and the Agalarov family have extensive ties to the Kremlin. She counts among her clients state-owned companies and relatives of top government officials. Her husband previously served as deputy transportation minister of the Moscow region.

In one of the emails released by Donald Trump Jr. on Tuesday, Mr. Goldstone, the publicist, described the lawyer as a "Russian government attorney flying over from Moscow."

Ms. Veselnitskaya said in an NBC interview broadcast on Tuesday before the younger Mr. Trump released the emails that she didn't take the meeting with the intent of supplying "damaging" information on Mrs. Clinton.

"I never had any damaging or sensitive information about Hillary Clinton. It was never my intention to have that," she said.

Asked in the NBC interview why Mr. Trump believed she had information about Mrs. Clinton, Ms. Veselnitskaya said: "It is quite possible that maybe they were longing for such an information. They wanted it so badly that they could only hear the thought that they wanted."

She said the younger Mr. Trump only asked her one question in the meeting: "whether I had any financial records which might prove" that money used to sponsor the Democratic National Committee was "coming from inappropriate sources."

She said she responded that she didn't have any such records and that "it was never my intention to collect any financial records to that end."

Ms. Veselnitskaya has been involved in a broad Russian campaign to discredit the Magnitsky Act, a U.S. law that punishes Russian officials accused of human-rights violations. Moscow banned Americans from adopting Russian children in response to the U.S. law's passage.

The email correspondence released by the younger Mr. Trump on Tuesday appears to show he forwarded the chain and meeting plans to Jared Kushner, Mr. Trump's son-in-law and a senior campaign aide, as well as Paul Manafort, then the campaign chairman.

Over the weekend, the younger Mr. Trump said he told the two aides "nothing of the substance" of the meeting prior to it.

In the email chain, Mr. Goldstone discusses "very high level and sensitive information" being offered to the campaign.

The emails also appear to contradict statements by members of the campaign that they were unaware of a Russian effort to support Mr. Trump in the 2016 election. During the campaign and since his election victory, Mr. Trump repeatedly praised Mr. Putin and cast doubt on the U.S. intelligence community's conclusion that Russia sought to interfere in the election. Last week, he said in Warsaw: "Nobody knows for sure."

In a July 24, 2016, interview with CNN, the younger Mr. Trump said the charge that Russia had mounted a campaign to help his father was "so phony."

Mark Corallo, a spokesman for Mark Kasowitz, the president's private attorney, said Tuesday: "The president was not aware of and did not attend the meeting."

Advisers, Attorney, Pop Singer Played a Part in Sit-Down

By Sharon Nunn

A meeting between members of Donald Trump's inner circle and a Russian lawyer in June 2016 has raised concerns about whether the campaign was too cozy with people tied to the Kremlin. Here is a rundown of the major people who attended or helped arrange the meeting.


YURY MARTYANOV/KOMMERSANT PHOTO/ASSOCIATED PRESS


SHARIFULIN VALERY/TASS/ZUMA PRESS

Lawyer Natalia Veselnitskaya denied acting on behalf of the Kremlin. Azerbaijani singer Emin Agalarov initiated the 2016 meeting.

Donald Trump Jr., the president's oldest son, arranged a June 2016 meeting between Jared Kushner, the president's son-in-law and senior adviser, Paul Manafort, President Trump's campaign chairman at the time, and a Russian lawyer who has been linked to the Kremlin.

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

Mr. Manafort, along with Mr. Kushner, wasn't informed "of the substance" of the meeting beforehand, according to a statement released by Mr. Trump Jr. on Sunday.

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

In the meeting, Natalia Veselnitskaya, the Russian lawyer, said she possessed information on Russia-connected individuals funding the DNC and supporting Democratic candidate Hillary Clinton. She then raised the issue of the Magnitsky Act, which placed sanctions on Russian human-rights abusers, according to Mr. Trump Jr.'s statement.

Ms. Veselnitskaya said in a statement Monday that she met with Mr. Trump Jr. in her capacity as a private attorney. "The purpose of my brief meeting with Mr. Trump, Jr. was to explain the facts of my client's position," she said. She said she has also met with members of Congress to discuss the Magnitsky Act on behalf of her clients.

"I have never acted on behalf of the Russian government and have never discussed any of these matters with any representative of the Russian government," she said.

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.

Emin Agalarov, an Azerbaijani pop singer and son of billionaire Aras Agalarov, asked his publicist to set up a meeting between Ms. Veselnitskaya and Donald Trump Jr. Emin Agalarov's publicist, Rob Goldstone, reached out to Donald Trump Jr., who agreed to meet with Ms. Veselnitskaya.

Emin Agalarov performed at the 2013 Miss Universe pageant in Russia, and he and his father sponsored the event, which was then co-owned by the elder Donald Trump.

Mr. Goldstone, a publicist, was asked by Emin Agalarov to help set up the eventual meeting with Ms. Veselnitskaya and Mr. Trump's aides.

"I reached out to Donald Trump Jr.," said Mr. Goldstone. "At the meeting, the Russian attorney presented a few very general remarks regarding campaign funding and then quickly turned the topic to that of the Magnitsky Act and the banned U.S. adoption of Russian children—at which point the meeting was halted by Don Jr. and we left."

GOOGLE

Continued from Page One

In some years, Google officials in Washington compiled wish lists of academic papers that included working titles, abstracts and budgets for each proposed paper—then they searched for willing authors, according to a former employee and a former Google lobbyist.

Google promotes the research papers to government officials, and sometimes pays travel expenses for professors to meet with congressional aides and administration officials, according to the former lobbyist. The research has been used, for instance, to deflect antitrust accusations against Google by the Federal Trade Commission in 2012, according to a letter Google attorneys sent to the FTC chairman and viewed by the Journal.

Last month, European regulators issued a $2.71 billion fine against Google for unfairly favoring its services over rivals' in its search results. Google has denied the charge.

Illinois law professor Paul Heald, left, got $18,830 to fund a paper on copyrights. Ryan Calo, right, wrote a paper about privacy that drew a $400,000 contribution to Stanford.

MICHELLE KANAAR FOR THE WALL STREET JOURNAL; HEATHER AINSWORTH FOR THE WALL STREET JOURNAL

The funding of favorable campus research to support Google's Washington, D.C.-based lobbying operation is part of a behind-the-scenes push in Silicon Valley to influence decision makers. The operation is an example of how lobbying has escaped the confines of Washington's regulated environment and is increasingly difficult to spot.

"Ever since Google was born out of Stanford's Computer Science department, we've maintained strong relations with universities and research institutes, and have always valued their independence and integrity," the company said. "We're happy to support academic researchers across computer science and policy topics, including copyright, free expression and surveillance, and to help amplify voices that support the principles of an open internet."

Google receives nearly $80 billion a year in ad sales drawn mostly from seven products that each attract more than a billion global users a month, including Gmail, YouTube and Google maps. Its search engine handles more than 90% of online searches globally, according to StatCounter; its Android software will run roughly 1.3 billion of the 1.5 billion smartphones expected to be sold this year, according to Strategy Analytics.

Through its various enterprises, Google collects information that reaches deep into daily life—recording everything from users' search history to whom they know to where they are—consumer profiles so rich that not even Google knows their full potential.

Google has paid professors whose papers, for instance, declared that the collection of consumer data was a fair exchange for its free services; that the company didn't use its market dominance to improperly steer users to Google's commercial sites or its advertisers; and that it hasn't unfairly quashed competitors. Several papers argued that Google's search engine should be allowed to link to books and other intellectual property that authors and publishers say should be paid for—a group that includes News Corp, which owns the Journal. News Corp formally complained to European regulators about Google's handling of news articles in search results.

Google has funded roughly 100 academic papers on public-policy matters since 2009, according to a Journal analysis of data compiled by the Campaign for Accountability, an advocacy group that has campaigned against Google and receives funds from Google's rivals, including Oracle Corp. Most mentioned Google's funding.

Another 100 or so research papers were written by authors with financing by think tanks or university research centers funded by Google and other tech firms, the data show. Most of those papers didn't disclose the financial support by the companies, the Campaign for Accountability data show.

Google said in some of its funding letters that it would "appreciate receiving attribution or acknowledgement of our award in applicable university publications." There are no professional standards on such disclosures in the research papers, which are mostly published in law journals at the universities.

Money spent on the research measures in the low millions of dollars—according to the former employee and former lobbyist—a relatively small expense for the search-and-advertising giant. Some in academia say professors pay too high a price. Such corporate funding runs the risk of creating the impression "that academics are lobbyists rather than scholars," Robin Feldman, of the University of California Hastings College of the Law, said in a Harvard University law journal article she cowrote last year.

Ms. Feldman and others say even disclosing money received from a company that has benefited from the research can give the appearance of a conflict of interest and undermine academic credibility.

> *The funding of favorable research is part of a behind-the-scenes lobbying effort.*

"Yeah, the money is good but it does get in the way of objective academic research," said Daniel Crane, a University of Michigan law professor. He said he turned down Google's offers to fund his research that opposed antitrust regulation of internet search engines. "If I am reading an academic paper, and they disclose an interest with a party with an interest in the outcome," he said, "you take [the research] with a grain of salt."

Paying for favorable academic research has long been a tool of influence by U.S. corporations in food, drug and oil industries. Scandals involving conflicts of interest in medical research have spurred many medical schools, scientific researchers and journals to require disclosure of corporate funding and to prohibit corporate sponsors from meddling with findings.

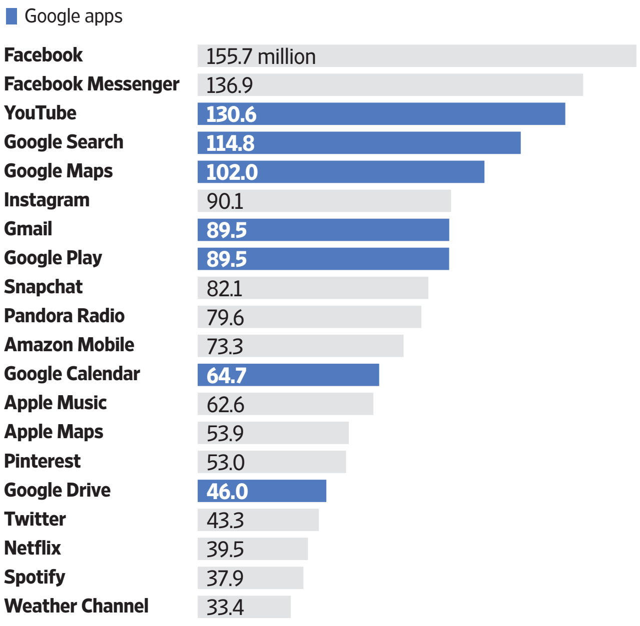
The tech industry now includes the world's top five companies by market value: Apple Inc., Google parent Alphabet Inc., Microsoft Corp., Amazon.com Inc. and Facebook Inc.

Several of the companies also are active in funding academic research. Microsoft has paid Harvard business professor Ben Edelman, the author of papers saying Google abuses its market dominance. Chip maker Qualcomm Inc. funded papers supporting its side of a fight against Google over patents. And telecommunication giants Verizon Communications Inc. and AT&T Inc. have funded various papers against Google. The companies either declined to comment or didn't respond to requests for comment.

Google's strategic recruitment of like-minded professors is one of the tech industry's most sophisticated programs, and includes funding of conferences and research by trade groups, think tanks and consulting firms, according to documents and interviews with academics and lobbyists.

Google's Mobile Mastery

Most popular U.S. mobile apps, by unique monthly visitors



Note: Mobile app visitors as of December 2016.
Source: ComScore

THE WALL STREET JOURNAL.

Digital diary

Google collects in-depth data from more than a billion people, and it uses the information to personalize everything from search results to YouTube recommendations to ads. The company's control of consumer data on such a mass scale has raised antitrust questions.

Early last year, Daniel Sokol, a University of Florida law professor, published an academic paper arguing that Google's use of the data was legal. "There is no cause for concern in this arena," he wrote. The paper also noted that no companies funded the research.

"If they did," Mr. Sokol said in a footnote of the paper, he and his co-author "would be sipping Mai Tais with our respective friends and families on a beach in Hawaii based on the proceeds of such a sponsorship. We are not."

Mr. Sokol, though, had extensive financial ties to Google, according to his emails obtained by the Journal. He was a part-time attorney at the Silicon Valley law firm of Wilson Sonsini Goodrich & Rosati, which has Google as a client. The 2016 paper's co-author was also a partner at the law firm, which didn't respond to requests for comment.

From at least as early as 2013, Mr. Sokol also has coordinated with Google officials to ensure online symposiums had a pro-Google bent.

In March 2013, Mr. Sokol helped Paul Shaw, a Google public-policy official, persuade law professors to write papers for an online symposium on patents. Mr. Shaw sent Mr. Sokol a list of a dozen law professors along with specific topics for their papers. None was paid to participate. Mr. Shaw deferred comment to a company spokesman.

After the conference, Mr. Sokol submitted a $5,000 invoice to Google.

In September 2013, Mr. Sokol worked with Rob Mahini, a senior Google lawyer, to plan an online conference on a separate patent issue. Mr. Mahini identified professors to participate, and he asked Mr. Sokol to invite them.

After running into difficulty persuading professors to write papers for the conference, Mr. Sokol asked Mr. Mahini if Google could provide "some 'encouragement' to them to participate," the emails show. Mr. Sokol declined to explain what he meant. Google said it didn't pay professors to participate. Mr. Mahini didn't respond to requests for comment.

When the symposium ended, a Google assistant emailed Mr. Sokol about his bill. Mr. Sokol replied: "$5,000, like last time."

Asked for comment, Mr. Sokol wrote in an email: "For the symposia that I organized, I should have disclosed the sponsorship for such organization and have now done so. I disclose any financial support for the articles that I write."

Patent pending

Google and companies that make smartphones backed by its Android software have for years fought allegations of patent infringements by Oracle, Apple and Microsoft. The legal dispute has drawn academic cover on both sides.

Google sought help from Jorge Contreras, a University of Utah law professor who has also argued for a looser interpretation of U.S. patent laws.

Since 2013, Mr. Contreras has written numerous papers on patents. Google helped fund two of those papers, which each disclosed the financial support. The other papers didn't mention his relationship with Google.

Google funded a Washington, D.C., symposium in June 2015, organized by Mr. Contreras, that showcased how Google and other companies had pledged not to enforce some of their patents, allowing others to use their technology.

Around that time, Mr. Contreras forwarded his research paper on the topic to Google policy officials and lawyers: "I would also welcome your feedback and comments," he wrote in the email.

"It's in really great shape!" a Google lawyer responded. "Would be good to discuss a couple of things briefly...that are somewhat related." They set up a phone appointment, according to the emails.

Mr. Contreras said in an interview that he sent the paper as a courtesy because Google sponsored the conference. He said it was common among academics to ask for feedback on papers, including from officials at companies the papers discuss: "They're experts and in the trenches, and I'm writing about what these people do. So, it's good to get feedback."

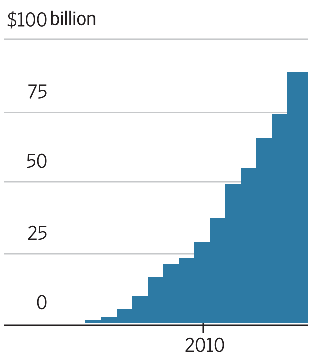
A month before the symposium, Google hosted a private patent-law briefing at the Washington law office of Wilson Sonsini for several dozen influential public-policy advocates it hoped to win over. Google paid travel expenses for Mr. Contreras to speak about how the company shares its intellectual property.

Mr. Contreras said Google doesn't pay professors to change their positions; it simply funds research that supports the company.

"I don't think there's any dishonesty here," he said, "but they pick the right people who they know are going to say the right thing."

Up And To The Right

Google's global revenue



Source: the company

THE WALL STREET JOURNAL.

Trusted allies

In 2010, Google hired Deven Desai, then a researcher in law and technology at Princeton University, to find academics to write research papers helpful to the company.

Over the next two years, Mr. Desai said, he spent more than $2 million of Google's money on conferences and research papers that paid authors $20,000 to $150,000.

In September 2012, the FTC was nearing a decision on whether to charge Google with antitrust violations, including its practice of favoring its shopping and travel services in search results. Google's law firm, Wilson Sonsini, sent the FTC chairman an 8-page letter in the company's defense and attached Google-funded research papers supporting its arguments.

Mr. Desai, now a law professor at Georgia Institute of Technology after leaving Google in 2012, said part of his job was to compile a list of "all the major policy academics in intellectual property so Google lobbyists could know who to follow and potentially target for papers."

He said Google made clear the checks carried no requirements: "It was a gift. Recipients can do what they want."

Among the largest were $400,000 stipends that in 2010 went to several researchers investigating ways to improve users' online privacy.

Google and other tech companies collect personal information, including data some users would rather not share. The firms usually give notice on a privacy policies page about what is collected, and they often ask for users' consent to keep the information.

Some privacy advocates say the policies are long and confusing, and few people read them. The advocates seek instead rules limiting the use of personal data.

Ryan Calo, then at Stanford University, received one of the $400,000 awards in 2010, though he didn't disclose the funding in one of the two papers he later published on privacy protection.

That paper suggested finding better ways to alert consumers about exposing their personal data "before we give in to calls to abandon notice as a regulatory strategy."

He said in an interview that the Google money was paid to Stanford. Nonetheless, he said, he should have disclosed the financial support in both papers. After publication, Mr. Calo kept in touch with Google and shared his papers before publication, emails show.

"I'll be following up with a draft of that paper I mentioned of how cyberlaw is changing, and look forward to any examples or thoughts," Mr. Calo wrote on Dec. 20, 2013, to Google officials about an idea he had on artificial intelligence, robotics and the law.

Betsy Masiello, a Google official at the time, was copied on the email and responded: "Also let me know if you have a draft on surveillance! =)"

Later, after seeing Mr. Calo's research on government surveillance, Dorothy Chou, a Google spokeswoman at the time, tried unsuccessfully to arrange for Mr. Calo to discuss his conclusions on National Public Radio.

"I'm really hoping NPR reaches out so you can get on air to make those points," she wrote on Jan. 21, 2014. Days later, she wrote: "We have another producer asking to chat about government surveillance, and I wanted to let you know that we pointed her your way."

Ms. Chou declined to comment. Ms. Masiello didn't respond to requests for comment.

Mr. Calo, who is now a professor at the University of Washington, said it was common practice to discuss research with companies involved to ensure accuracy: "If you want to have impact as a scholar, you absolutely need to solicit input from the very entities you're talking about."

Google officials, he said, "identify work that resonates with a position they have already, and then they amplify that work."

Everything Google Knows About You

The search engine giant keeps a detailed history of every term you've searched, website you've visited and video you've watched with its services. To see what data it has on you, visit **myactivity.google.com**

Data Google gathers from its users

- **Name, birthday, gender, country**
- **Search terms and websites visited**
- **Emails sent and received with Gmail**
- **Videos watched on YouTube**
- **Geographical location and directions**
- **Ads clicked and shopping**

Source: the company

THE WALL STREET JOURNAL.

Voter-Hack Attempt Addressed

Intrusion in Maryland's system failed, prompts new precautions and concern by lawmakers

BY ALEXA CORSE

Last August, Maryland's State Board of Elections noticed something suspicious: Someone was probing the state's online voter-registration system using an internet address originating in the Netherlands.

"They were trying to knock at the door to see if they could get in," said Nikki Charlson, Maryland's deputy state administrator of elections.

The system wasn't penetrated, Ms. Charlson said, nor did the activity affect systems involved in vote tallying, which aren't connected to the internet.

Still, Maryland's disclosure is one of several new reports indicating that attempts to hack election systems in 2016 were more widespread than previously known. Russian government hackers targeted voting systems in 21 states, Jeanette Manfra, acting undersecretary for cybersecurity and communications at the federal Department of Homeland Security, told the Senate Intelligence Committee last month.

Previously, only a handful of states, including Arizona and Illinois, had publicly confirmed hacking attempts against their election systems.

Maryland's experience shows the challenges hackers pose to a state, even one that jumps on a problem quickly. Federal help to define the threat was slow to arrive, and state elections officials had to walk a fine line between pursuing a security problem and sowing doubts about the soundness of their electoral process. Maryland state lawmakers didn't find out about the attempted intrusion until 10 months later, via news reports, raising concern about their ability to oversee the elections system.

State and local officials nationwide are generally in charge of securing election systems. But as U.S. intelligence and law-enforcement agencies detected Russian hacking attempts last summer, DHS offered help.

Ultimately, 33 states and 36 cities and counties used DHS tools or sought advice from the agency, Jeh Johnson, former secretary of homeland security, told the House Intelligence Committee the same day Ms. Manfra testified.

In Maryland, election officials were able to recognize the unsavory nature of the character rattling their virtual doorknob. That Netherlands address was on a list of suspicious IP addresses provided to states by the nonprofit Multi-State Information Sharing & Analysis Center, which provides cybersecurity services to government entities, around the same time Maryland detected it, Ms. Charlson said.

The state's computer staff blocked the IP address from multiple parts of the network within three days.

About two weeks later, Maryland officials reported the incident to the Federal Bureau of Investigation, which notified DHS. Twenty days after Maryland first detected the incident, DHS completed its own report, confirming that the system hadn't been penetrated.

Linda H. Lamone, Maryland's elections administrator, said she learned that DHS was offering additional assistance at a conference on Sept. 16. Maryland requested that assistance, which DHS provided beginning a month later, Ms. Charlson said.

Since then, DHS has remotely conducted weekly "cyber hygiene scans," which look for vulnerabilities in Maryland's internet-connected systems, she said. However, DHS said it couldn't provide more thorough assessments until after the election because of a backlog of requests, Ms. Charlson said. She is still trying to schedule federal on-site assessments of software and physical sites.

—Sharon Nunn contributed to this article.

BRENDAN SMIALOWSKI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Citizens participate in early voting at the Potomac Community Recreation Center last October in Potomac, Md.

SENATE

Continued from Page One

high-income households.

The move would leave in place a 3.8% tax on net investment income and a 0.9% payroll tax for these households. The bill's specifications sent to the Congressional Budget Office for evaluation assumed both taxes would remain in place, one of the people said.

Both taxes apply only to individuals with incomes above $200,000 or married couples making more than $250,000. Neither threshold is indexed for inflation.

Keeping the taxes would serve several goals. First, it would maintain about $230 billion in revenue over a decade that Republicans could spend on health care and use as an incentive to woo holdout lawmakers.

Second, it would blunt some Democratic arguments against the bill, which have focused on the fact that it reduces taxes for wealthy households while cutting spending on Medicaid for low-income people. Some Republicans, including Bob Corker of Tennessee, Mike Rounds of South Dakota and Susan Collins of Maine, have questioned that trade-off.

Both taxes were created in the 2010 health law and took effect in 2013. Under the House-passed health-care bill, the investment tax would be repealed retroactively for 2017 and the payroll tax would disappear in 2023. Senators had been publicly considering maintaining the investment tax but their plans for the payroll tax were less clear.

Senate Republicans plan to release a new version of their health-care bill this week, likely Thursday, in preparation for a vote next week, GOP aides said. So far, they are at least eight votes short and are having trouble corralling both conservative and moderate Republican members, who have concerns that go far beyond the tax cuts.

Keeping the two taxes would help Republicans avoid a messy and politically challenging situation on the Senate floor.

Under the procedure the GOP is using, Democrats can offer unlimited amendments. That means, for example, Democrats could propose keeping the taxes and using the money for more generous tax credits that could be used by near-retirees to buy health insurance. Such amendments might pass with bipartisan majorities and voting against those could be politically tough for Republicans.

It is unclear whether keeping the taxes would cost Republicans any votes in the Senate or the House. Some members, including Sen. Pat Toomey of Pennsylvania, have argued for repealing the taxes, saying they slow economic growth.

The 3.8% investment tax applies to capital gains, dividends, interest and other passive income. The payroll tax applies to wages and self-employment income.

The levies were designed to go on top of the existing 2.9% payroll tax most wage earners face that is devoted to Medicare, so that investment income and wages both face the same tax burden.

The main type of income that isn't subject to either tax is business profits from companies in which the taxpayer is actively involved. The Obama administration proposed applying a 3.8% tax to that income, but the proposal didn't advance in Congress.

Republicans have taken a different view toward other taxes passed as part of the 2010 health law. Those levies, on prescription drugs, medical devices and health insurance, are tied directly to health care and are now more likely to get repealed if Republicans can pass a law.

—Kristina Peterson contributed to this article.

KEVIN LAMARQUE/REUTERS

Senate Majority Leader Mitch McConnell, left, and Sen. John Cornyn, the second-ranking Senate Republican. The GOP likely will retain both of the Affordable Care Act's taxes that affect high-income households.

Fire-Safety Issue at a Marriott Arises

BY SCOTT CALVERT AND BOB TITA

The company that made the combustible panels used on the London housing tower where a rapidly moving fire killed at least 80 people says the same type wraps one of Baltimore's most prominent hotels: the 32-story Marriott Waterfront overlooking the city's Inner Harbor.

But Baltimore officials say they aren't sure what is on the hotel because they never asked the architects for details about the hotel's exterior panels. Two of the architects involved in the project, and its general contractor, also aren't sure or no longer have the records.

City officials say the use of such combustible panels would have complied with the building code in place when construction of the hotel began in 1998, as well as the current code, and they said such panels are allowed when a building has sprinklers. But experts in U.S. fire-safety regulations raise questions about whether the panels would pass muster, then or now. The panels in question have cores made of polyethylene, a common variety of plastic derived from petroleum or natural gas that can be highly combustible.

For decades, U.S. regulators have generally restricted metal composite panels on tall buildings unless they had fire-resistant cores. But panels with polyethylene cores were widely used in the U.K., including on London's Grenfell Tower, which went up in flames June 14.

In an interview, Arconic Inc., which made the Grenfell Tower panels, declined to comment on whether the same panel type was used on the entire Marriott in Baltimore. "We sell our products with the expectation that they are used in a [wall] system that complies with local building codes and regulations," a company spokesman said.

On its website, Arconic, formerly part of Alcoa Corp., says the 750-room Marriott Waterfront used 83,000 square feet of the type of panel used on Grenfell Tower, marketed as Reynobond PE.

Two of the architects involved in the Marriott's design said in interviews they don't recall what type of panels encase the hotel, located in the city's Harbor East district. One, Peter Fillat, said he discarded the project file about six years ago, following normal protocol.

Marriott International Inc. said it is working with the hotel building's owner to identify the type of cladding. "The safety and security of our guests and associates is a top priority," spokesman Jeff Flaherty said in an email. The general contractor that built the hotel said the firm doesn't keep specifications on finished projects as old as the Marriott.

Aluminum composite panels first appeared in buildings in Europe in the 1970s and became popular in the U.S. during the 1980s. The panels gave architects a lightweight alternative to masonry and other materials.

U.S. WATCH

MARINE AIRCRAFT CRASH

Plane Had Specialized Personnel, Equipment

The military plane that crashed in Mississippi and killed all 16 aboard was carrying a group of elite Marine troops headed to California for specialized training, U.S. defense officials said.

The crash late Monday evening took the lives of 15 Marines and one Navy sailor. The plane was carrying a group of Marines from what is known as the Marine Corps Forces Special Operations Command.

Those 15 and a Navy corpsman who were killed in the crash came from variety of active-duty and reserve units around the nation, an official said.

Marine Corps officials said the flight began from Marine Corps Air Station Cherry Point in North Carolina, and was headed to a naval air facility in El Centro, Calif., to transport personnel and equipment there.

The plane contained weaponry and ammunition that could have contributed to additional explosions after the crash, which occurred in a soybean field in rural Mississippi, officials said. A special team of explosives technicians are examining the site to assure it remains safe.

Officials said they don't know what caused the plane to plummet from about 20,000 feet into the field, but investigators are examining the pallets of ammunition and other cargo on board, and how the material was loaded, for clues.

—Gordon Lubold

JUSTIN LANE/EUROPEAN PRESSPHOTO AGENCY

FUNERAL FOR SLAIN OFFICER: Flags are carried past an image of slain New York Police Department Officer Miosotis Familia on Tuesday. The mother of three was shot while in her patrol car in the Bronx, N.Y.

EDUCATION

More Student-Loan Disclosures Required

Florida joined Indiana and Nebraska this month in requiring that colleges and universities provide detailed information about student debt and projected loan payments.

Under a law that went into effect July 1, Florida's institutions of higher education will now have to provide students a yearly report detailing how much they have borrowed so far, their expected loan total and estimated monthly payment.

The Florida law applies only to federal loans, and the disclosures will be required of all schools that disburse state financial aid. "Our students need to be as informed about this debt and what it will cost over the life of the loan as they would be when they buy a car or a house," said Dorothy Hukill, the Republican chair of Florida's Senate education committee and the bill's sponsor. "You should have the information. You have the information, you make your choice."

Federal Reserve data show that Americans had almost $1.44 trillion in student loans outstanding at the end of the first quarter this year, up by nearly $100 million in the past year.

—Melissa Korn

ECONOMY

Housing Market's Labor Shortage Eases

A labor shortage that has hampered the construction industry for most of the housing market's five-year recovery is showing signs of easing.

The number of open construction jobs fell to a seasonally adjusted 154,000 in May, down from the cyclical high of 238,000 open jobs set in July of last year, according to the most recent Labor Department data. Job openings as a percentage of total employment were at 2.2%, down from 2.8% the previous month.

Hiring "has been expanding," said Robert Dietz, chief economist at the National Association of Home Builders. "It's just not expanding fast enough."

The lack of workers has been one of the housing industry's biggest challenges, slowing the construction process for single-family homes and apartments and contributing to a housing shortage.

—Laura Kusisto

OLYMPICS

IOC CLEARS PATH FOR PARIS, LOS ANGELES

BY MATTHEW FUTTERMAN

The International Olympic Committee voted to award the 2024 and 2028 Summer Games simultaneously, a dramatic move to lock down two sites at a time when cities are no longer lining up to host the iconic global sporting competitions.

The move, which all but guarantees those events will take place in Paris and Los Angeles, is just one flank in a multifront battle the IOC faces to position itself for the future amid softening television ratings and stress with sponsors.

Just months ago, the planned purpose of this meeting in Switzerland was a technical update on the competing bids for 2024. But as one European capital after another dropped out of the competition, the organization's leaders decided they couldn't lose either of the two remaining candidates, Paris and Los Angeles, as a future host city.

Now, after just a few weeks of consideration, the roughly 100 members of the IOC have approved President Thomas Bach's request to change the organization's decades-old rules so that they can award both the 2024 and 2028 Summer Games at once this September.

It is likely that Paris will get 2024. The French have explained that land needed for their proposed Olympic Village won't be available for 2028.

In contrast, Los Angeles Mayor Eric Garcetti said the city would relish hosting the Games "in two months, if we were asked, or in two decades." Casey Wasserman, the leader of the bid, said Tuesday, "We don't believe in ultimatums; we believe in partnerships."

In recent years, Budapest, Rome, Oslo, Hamburg, Stockholm, Boston and Krakow all pulled out of Olympic bids in the face of political opposition. Only Almaty, Kazakhstan remained in the race when the IOC selected Beijing for the 2022 Winter Games race.

—Julie Jargon contributed to this article.

SEBASTIEN BOZON/AGENCE FRANCE-PRESSE/GETTY IMAGES

French President Emmanuel Macron.

MIKE EHRMANN/GETTY IMAGES

Donald Trump makes an appearance during the final round of the World Golf Championships-Cadillac Championship at Trump National Doral Golf Club in 2016.

U.S. WOMEN'S OPEN

Golf Won't Run From Trump

Despite criticism, this week's major tournament won't be the last at a course owned by the president

BY BRIAN COSTA

For months leading up to this week's U.S. Women's Open, organizers came under criticism for their decision to host the tournament at a course owned by President Donald Trump. At the men's U.S. Open last month, a women's advocacy group flew a plane banner urging the U.S. Golf Association to "dump Trump."

But the governing body isn't merely sticking with Trump's Bedminster, N.J., club as the host of this tournament—a plan it made years before his run for office. In an interview, USGA executive director Mike Davis said he also wouldn't hesitate to bring future events to Trump courses.

"As good as the Trump Organization is with their portfolio, I can't imagine if they invite us in the future that we wouldn't seriously look at it," Davis said.

That stance reflects a revival in the aspirations of the Trump Organization as a host of major golf tournaments, which just one year ago seemed imperiled by Trump's polarizing campaign.

In June 2016, the PGA Tour announced it was moving its longtime stop at Trump's Doral, Fla., course to a Mexico City club. It cited a lack of sponsorship interest related to fears of Trump overshadowing the branding of the event. That move followed the PGA of America's 2015 decision to yank its Grand Slam of Golf from a Trump-owned course in Los Angeles after his comments about Mexican immigrants.

There were reports that Trump's Turnberry course in Scotland would be removed from the rotation of courses that hosts the British Open. But since the election, golf's organizing bodies have hardly run from their association with Trump and his 18 clubs.

In February, the R&A reaffirmed Turnberry's place on the rotation of courses that host the British Open, albeit with the timing of its next turn unclear. In May, the Senior PGA Championship was held as planned at a Trump course in Potomac Falls, Va. The European Tour is also considering bringing the Scottish Open to a Trump course in Aberdeen, Scotland, in 2019, according to a person familiar with the matter.

The upshot: Pro golf on the whole is finding that it doesn't need to distance itself from Trump, and doesn't particularly want to.

Last week, Phil Mickelson signed on to redesign a course in Bali that will become Trump's 19th golf property. Other prominent golfers have joined the president for casual rounds, including Tiger Woods, Rory McIlroy, Ernie Els and Lexi Thompson. "If Trump asks me to play, I'm going to play," Els said. "It's the respect I have for this country that has given me so much."

Critics have called on female golfers to boycott the U.S. Women's Open, citing Trump's history of disparaging comments about women. But there was no such resistance from the LPGA, whose players will compete this week for $5 million in prize money, the highest purse in women's golf.

"We play the courses the check writer chooses," said LPGA commissioner Mike Whan.

The check writer in this case is the USGA, and the firms that fund the organization have felt no discernible backlash. Fox pays for the broadcast rights as part of a larger deal that also covers the U.S. Open. The USGA's corporate partners—American Express, Lexus, Rolex and Deloitte—sponsor the organization, not one particular event. "We have no role in the site selection process," a Deloitte spokesman said.

It would be a stretch to say organizers need Trump, as there are plenty of other courses that would come without the threat of protesters at the gates. But as a host, many golf bodies still like Trump.

Ted Bishop, a former president of the PGA of America, said the sheer acreage required for the infrastructure around major tournaments eliminates many otherwise fine courses from consideration. And not all owners are eager to cater to organizers' every desire on issues ranging from course preparation to ticket sales. Trump, on the other hand, has repeatedly talked about his desire to host majors on his courses, many of which are well-equipped to host big events.

"It's not that easy to find these major championship sites," Bishop said. "And you never know what you're going to get into with who your partner is going to be."

Trump, who bought the Bedminster club in 2002, became a bigger figure in the industry during the recession and the years that followed. At a time when many financiers wanted nothing to do with golf courses, Trump spent millions buying, building and renovating them.

Whether his investments prove wise remains to be seen. A Wall Street Journal analysis in April found that the value of Trump's golf properties hasn't kept pace with the amount of money he has spent to make long-term upgrades. But what matters to tournament organizers is that Trump is willing to make those investments in the first place.

"It's always been, 'What can we do to make this better? How can we help you?' " Davis said.

Bedminster, which has become Trump's favored summer retreat from the White House, is also set to host the PGA Championship in 2022. Eric Trump, who oversees his father's golf business, said in a statement, "We have developed terrific relationships with all of the major golf organizations."

The USGA's association with Trump has caused it some headaches. After a recording emerged in October 2016 of Trump bragging in lewd terms about groping women, three U.S. senators urged Davis to relocate the Women's Open.

UltraViolet, a women's advocacy group, organized a small protest at an LPGA event in March and is planning a protest at Bedminster during Sunday's final round. Shaunna Thomas, one of the group's co-founders, said its objection is with the USGA "choosing to give millions in revenue, free advertising and branding to a self-professed serial sexual predator."

But organizers seem more emboldened than cowed by the whole experience. Whan, the LPGA commissioner, pointed to the USGA's history of creating opportunities for women. By contrast, he said of protesters, "I haven't seen them spend any money to lift up women's golf."

SPIRE

Continued from Page One

unlikely network of colleagues, friends and denizens of the city's rooftop bars. Among fans, invites remain a precious commodity, creating a new class of haves and have-nots.

The have-nots plead their case on social media, and a black market for invitations has opened up on Craigslist.org and other websites, where they sell for $100 and up. The app owners recently asked Tinder, the dating app, to take down a profile hocking a Spireworks invite for $1,000.

Anthony Papavasiliou, a 38-year-old owner of a Fort Lee, N.J., Greek restaurant, has been posting on social-media sites seeking access since a friend showed him the app in action two years ago. He donated $250 to Creative Time, a New York nonprofit that supports artists that was giving out invites, but he didn't nab one.

"I just have to have it," he said, describing himself as "the kind of guy who wakes up at 3 a.m. to get the latest iPhone."

The app lets users control the colors of spires atop two buildings: One Bryant Park, dubbed the Bank of America Tower after its main tenant, and 4 Times Square, home to law firm Skadden, Arps, Slate, Meagher & Flom LLP and distinguished by a large neon logo of fashion label H&M.

The app is the brainchild of Mark Domino, a digital-media artist who built "multi-sensory musical instruments" while a student at Brown University. He is the son-in-law of Douglas Durst, the real-estate tycoon whose family company, the Durst Organization, owns the two midtown office towers. Mr. Domino works as director of digital media at Durst.

After sunset each night, app users can log in, choose a building and select from a palette of colors during a two-minute session. Options for sparkles add pizazz. Cloud-hosted software sorts the requests and instructs the lights that line the two spires, a combined 716 feet tall.

Usually only five users are allowed to actively change the colors at a time. So, on busy nights, a digital queue forms. Waits approached half an hour on July 4th this year. Red, white and blue were the only colors available that night.

"What is more powerful than getting control of the city?" asked Vincent Bruneau, the 36-year-old CEO of a company that runs a corporate-meeting app who scored an invite. "It's kind of supernatural."

Last year on a trip to Paris, Mr. Bruneau received a 6 a.m. call from a friend back in New York begging him to change the color of the spires so he could impress guests at a party. Bleary-eyed, Mr. Bruneau obliged.

Durst has added One World Trade Center, which it manages, to the app on special occasions, including the U.S. Open tennis tournament, the NYC Marathon and World AIDS Day.

Seven years ago, Mr. Domino wrote the code to control the spire lights. At the Durst holiday party in 2010, his father-in-law hit the button for the inaugural color change. Durst employees invited a few friends and tenants, who each got a few invites to give away.

The app's community grew slowly and by word-of-mouth. In the past year, it has increased dramatically and the number of users is now approaching 10,000, Mr. Domino said. Each user can offer five invites.

Earlier this year one couple turned Durst's Times Square spire blue to reveal the gender of the baby they were expecting, and a handful of men have used it in marriage proposals, Mr. Domino said. One user hid his phone in his pocket and bet tourists near Times Square that he could change the spire's color as a magic trick, Mr. Domino said.

At a 2015 party celebrating the listing of a posh Tribeca penthouse with clear views to Midtown, a broker with the app wowed potential buyers as they played rooftop croquet while being serenaded by a string quartet. "Talk about being king of the castle," said Elizabeth Kee of Core, the listing agent. The apartment sold for $8.3 million.

When Natalia Krasnodebska got a Spireworks invitation from her friend Ashley Zelinskie, she said she fired off a thank-you tweet. Almost immediately, Ms. Zelinskie, an artist currently showing at Sotheby's, was flooded with dozens of requests for invitations from strangers. She said she declined them all.

TIM CLAYTON/CORBIS/GETTY IMAGES

A night view of New York, showing the colored spires of Bank of America Tower and 4 Times Square.

Mr. Domino said he didn't like the velvet-rope vibe that has grown around the app. He said he wanted Spireworks to be an "open system to share in moments of discovery and play."

He said he is looking for ways to cut down on "bootlegging," perhaps by doing away with the invitation system in favor of one unlocked by charitable donations. Durst said it has had preliminary discussions with charity partners but declined to name them.

Mr. Domino also said he was dismayed how many of the app's most ardent fans are young men who want to use it to pick up women.

He said that in a recent survey of Spireworks users, bartenders at the Boom Boom Room, a millennial hot spot atop the Meatpacking District's Standard Hotel, complained the club was saturated with men using the app to try to seduce women.

James Geraci, a recent college graduate from the Boston area, tweeted to the official Spireworks account during a Memorial Day visit to New York seeking an invite. Some women were coming by his hotel room, which faced the spires, and he said he thought the app would be "a power move of a pickup line."

No one ever responded. Mr. Geraci said he "ended up having to try to impress the girls the old-fashioned way."

LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

From Wallflower To Expert Networker

A business owner emulated the communication and dress of others to build a web of contacts

Boston business owner and investor Pradeep Aradhya says dressing to project confidence and vitality at networking events attracts positive attention from other people who are curious and capable.

JOSH ANDRUS FOR THE WALL STREET JOURNAL

GREAT NETWORKERS are made, not born.

Pradeep Aradhya, 48, a Boston business owner and investor, saw himself as an introvert for years, but learned to network after realizing it was essential to his success. He's now seen by colleagues, business partners and friends as a master.

Raised in India by parents who were college professors, Mr. Aradhya learned to defer to elders and others with authority. He moved to the U.S. to earn a doctoral degree in structural dynamics at **North Carolina State University** in 2000, and then rose through the ranks as a software engineer at several companies to become vice president of technology at Digitas in Boston in 2006.

The ad agency's flamboyant culture was a shock. "I was one of those button-down engineers who was quiet and held himself in the background," Mr. Aradhya says. At his first client pitch meeting, a colleague from the creative department showed up in a pirate shirt. Another wore leather pants.

"They held court with clients, and they were completely respected," Mr. Aradhya says. "I thought, 'Hey, this is a new world.'

People trained in technology often have to sharpen their social skills to move into jobs that require selling, communicating or managing others. Mr. Aradhya made the shift by learning to explain technology to non-techies and polishing his image and conversational skills.

He traded his dark suits and button-down shirts for stylish shoes and bright-colored shirts, says Tonny Wong, his supervisor at Digitas. Mr. Aradhya also learned to talk about his complex work without making others feel intimidated, says Mr. Wong, now chief consulting officer at Hacker-Agency, a Seattle marketing company.

Introducing himself to strangers didn't come naturally when he began attending events. "I had to force myself," he says. Without a network, he says, "it's impossible to scale or build anything valuable."

Mr. Aradhya founded his own consulting firm, Novus Laurus (Latin for "new success") in 2009, to develop digital marketing strategies for clients, including **Staples** Inc. He also began investing in consumer tech, food and indie film ventures in 2012.

Mr. Aradhya spends six to eight hours a week going to events and following up with people. He embraced as his networking mantra a formula he'd heard from colleagues in marketing: You must "entertain, enlighten or enrich" people to attract positive attention to a brand, he says. He tries to do the same for people he meets, so they'll remember him and help when they can.

Mr. Aradyha began window shopping and researching men's fashions online to figure out how to project a confident, successful image. He swapped his dark suits for jackets of crushed silk or woven with metallic thread, and wears exotic-looking designer shoes by Zota or Fiesso. The look shows he's not afraid of taking risks, and tends to attract people who are curious and capable, he says. At many events, "I don't even have to start a conversation," he says. "People will ask, where did you get those shoes?"

> Ease in and listen for a while before turning a conversation in a new direction.

His crushed-silk jacket caught the eye of a fashion-industry speaker at a recent conference and helped Mr. Aradhya shoot to the front of a line waiting to meet the man.

His style makes him a standout at tech gatherings where "the men are in rumpled shorts and man buns and T-shirts, and you're tempted to ask them, 'Have you done your laundry in a month?'" says Diane Darling, author of "The Networking Survival Guide."

"He's a very memorable figure," says Lexington, Mass., public-relations executive Bobbie Carlton. She has been sharing contacts with Mr. Aradhya since she met him at an event three years ago. He has become an investor in Innovation Women, a speakers' bureau she founded to promote diversity among conference speakers.

Mr. Aradhya began studying how people use humor when networking. He noticed that people who interrupted a conversation with a joke were often ignored. Those who found contextual humor in their surroundings and interjected it gracefully into conversations fared better.

He also says something outrageous now and then. The audience was dozing off at a late-afternoon program recently where he was a panelist. He was the last to introduce himself, and he jolted listeners awake by identifying himself as "the king of India" who also happens to run Novus Laurus. "He definitely woke everybody up" and drew a laugh, says Colleen Bradley-MacArthur, a Lexington, Mass., media-relations strategist who was present.

As he enters an event, Mr. Aradhya looks for the power center in the room—a group of people who appear successful and prosperous, or who are deep in thoughtful discussion.

A common networking mistake is to walk up to a group, change the subject and start talking about yourself, Mr. Aradhya says. He has learned to ease in and listen for a while instead, before breaking in and turning the conversation in the direction he wants.

Still, like anyone who networks a lot, he has been shot down sometimes. A bodybuilder at 5-foot-11 and 195 pounds, he can be intimidating. If he sees a person making eye contact without approaching him, he engages the person with a friendly question.

MY RIDE | By A.J. Baime

An East German Clunker U2 Turned Into Art

FROM LEFT: KATRINA WITTKAMP FOR THE WALL STREET JOURNAL; GETTY IMAGES

Tim Cunningham with his U2 Trabant in Chicago. The Trabant became famous in the rock world as part of U2's stage set during the early 1990s Zoo TV tour, below.

Tim Cunningham, 35, a Chicagoan who works in community relations, on his U2 Trabant, as told to A.J. Baime.

I have seen U2 71 times—not that I'm counting. My collection of U2 memorabilia runs from the very first-ever released recording, a three-song record from 1979 called "Three" (only 1,000 were pressed) to original Joshua Tree bedsheets (so rare, many die-hard fans do not know they even exist).

At the same time, I have been a lifelong car guy. I have two Ford Model As (a 1931 and a 1928) in my garage.

The Trabant was like a pot of gold, because it gave me a chance to combine my two passions.

Around 1990, U2 was recording the album "Achtung Baby" in Berlin. At the time, the Trabant was an East German car that had become a symbol of the failures of communism.

Millions were built in East Germany. They were utilitarian vehicles with no frills and lawn mower-like two-stroke engines. When Germany reunified, there were dead Trabants all over the streets. A famous mural had been painted on the Berlin Wall of a Trabant crashing through.

When U2 went on the Zoo TV tour in 1992, they used Trabants—stripped of their drivetrains and painted by artists—in their traveling stage set. Today, three of these Trabants hang in the atrium of the Rock and Roll Hall of Fame in Cleveland.

One U2 Trabant ended up in the hands of a New Jersey woman. I got in touch with her, and in 2011, she reached out to say she was looking for a new home for her Trabant. She would give it to me free on one condition: I was to come to New Jersey, look her in the eye, and promise I would take care of it.

I borrowed a trailer, drove to Baltimore for a U2 show, then up to New Jersey to pick up the Trabant. It was painted by the Irish artist Catherine Owens, who collaborated a lot with U2 over the years.

There is only one direct reference on the car to the band, words on the back bumper—"one but not the same"—a reference to the song "One."

To me, the Trabant is an important piece of artwork and rock history. Very few exist, and I am honored to be the caretaker of this one.

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

OPINION

REVIEW & OUTLOOK

Why Xi Jinping Fears Liu Xiaobo

Nobel Laureate Liu Xiaobo, who was moved two weeks ago from a prison cell to a hospital room, wants to go to Germany for treatment of late-stage liver cancer. China's most prominent dissident is fit enough to travel, according to both a German and an American doctor who examined him. The U.S. Embassy has asked China to release the prodemocracy activist, and a spokesman for German Chancellor Angela Merkel called on China to give "a signal of humanity."

The international concern over the man China calls a "criminal" and sentenced to 11 years in prison for "subversive" writings puts President Xi Jinping, who must ultimately decide how to respond, on the spot. So far he refuses to let Mr. Liu go.

While officials use the standard line that other countries should not interfere in China's internal affairs, the state-controlled media are airing video of the foreign doctors examining Mr. Liu, a gross invasion of privacy, to bolster the case that he is receiving adequate care. The German Embassy protested the video in a statement, which read in part: "It seems that security organs are steering the process, not medical experts. This behavior undermines trust in the authorities dealing with Mr. Liu's case, which is vital to ensure maximum success of his medical treatment."

China bars his treatment overseas for cancer lest we hear his story.

Security is tight at the First Hospital of China Medical University in Shenyang, with journalists prevented from talking to Mr. Liu. Officially he received "medical parole," but the hospital has become a different prison. His family reports being pressured to issue a statement that he is unfit to travel.

There is a reason for this shameful treatment: Beijing has much to hide. If Mr. Liu goes abroad, he can describe the conditions he faced in prison and the authorities' refusal to give him adequate follow-up treatment for hepatitis, which almost certainly led to his cancer. If the condition had been detected earlier, his treatment options and life expectancy today would be much better.

The government that imprisoned Mr. Liu for his beliefs and failed to ensure his health can't ask the world to trust that it will give him the best care. Mr. Liu's request for treatment in Germany offers him the chance to spend more time with his wife Liu Xia, who has been held under house arrest for seven years. China's greatest democracy advocate deserves to spend his last days in freedom so the world can hear the final testimony to his struggle.

A Russia Sanctions Trap

Congress wants to increase sanctions on Russia for meddling in the 2016 election, and please go for it. But the bill that recently passed the Senate 98-2 contains a hastily written provision that could boomerang on U.S. interests, and the House can fix the potential damage.

The problem is a provision that expands restrictions on how U.S. energy firms can interact with Russian counterparts. U.S. companies are already prohibited from investing in or advising on oil and gas projects in Russia. But the bill would also bar them from taking part in any project anywhere with sanctioned Russian firms. In practice this could bar U.S. companies from some of the biggest deep-water drilling projects around the world and thus help Russia and China.

At issue is a quirk of the oil and gas industry known as "unitization"—a technical term for operating efficiency. Governments (say, Brazil) will grant leases to many industry players for different blocks of the same oil field. While the leases are stand-alone deals, the host government will nonetheless require all players to jointly create the infrastructure (pipelines, etc.) to efficiently develop the field.

Under the Senate language, U.S. companies would be barred from any project where sanctioned Russian firms were also granted exploration rights. Those blocks would instead be snapped up by European or Chinese firms that aren't bound by similar restrictions. Russia could even exploit the rules to hurt U.S. companies by bidding on projects solely to drive American energy firms out of deals.

A Senate provision could hurt U.S. oil firms working outside Russia.

Richard Sawaya, vice president of the National Foreign Trade Council, estimates that the Senate provision could bar U.S. oil and gas firms from some $100 billion in exploration projects over 10 years—with commensurate damage to American jobs, shareholders and tax revenue. The provision might even help Russian companies get much of that business.

The oil and gas industry supports the overall sanctions bill but wants to correct the boomerang provision. Texas Rep. Pete Sessions may be able to force some changes as head of the House Rules Committee, but he could use a hand from the Trump Administration. Secretary of State Rex Tillerson may be reticent given his former Exxon ties, but this bill should transcend political appearances.

The White House dislikes the sanctions bill because it limits President Trump's discretion to lift sanctions without Congressional approval. So it may be staying silent in hopes that the oil provision takes down the entire bill in the House. Republicans who want to act against Russia shouldn't let that happen.

Mr. Trump wants to unleash U.S. oil and gas production, which properly deployed can undercut Vladimir Putin's petro-dollar revenue at home and his political leverage over European energy markets. It makes no sense to kneecap U.S. energy production in the rest of the world in a bill aimed at sanctioning Russia.

Running the Schumer Blockade

The Trump Presidency is well into its seventh month but the Trump Administration still barely exists. Senate Democrats are abusing Senate rules to undermine the executive branch, and Republicans need to restore normal order.

President Trump got an inexcusably slow start making nominations, but in the past few weeks he's been catching up to his predecessors. According to the Partnership for Public Service, as of June 28 Mr. Trump had nominated 178 appointees but the Senate had confirmed only 46. Barack Obama had 183 nominees confirmed by that date in his first term, and George W. Bush 130.

The White House has understandably begun to make a public issue of the delays, and Minority Leader Chuck Schumer says it "has only itself to blame." But a press release Mr. Schumer sent out Monday made the White House case, showing that the Senate has received 242 nominations but confirmed only 50 through June 30. Democrats are now the problem.

Among the non-controversial nominees awaiting confirmation: Kevin Hassett to lead the White House Council of Economic Advisers; David Malpass, under secretary at Treasury for international affairs; two nominees needed to review pipelines and other projects at the Federal Energy Regulatory Commission; and Noel Francisco for Solicitor General. Mr. Malpass was nominated in March and voted out of committee in mid-June. Mr. Trump's State Department is barely functioning with only eight confirmed appointees.

Democratic obstruction against nominees is nearly total, most notably including a demand for cloture filings for every nominee—no matter how minor the position. This means a two-day waiting period and then another 30 hours of debate. The 30-hour rule means Mr. Trump might not be able to fill all of those 400 positions in four years. The cloture rule also allows the minority to halt other business during the 30-hour debate period, which helps slow the GOP policy and oversight agenda.

Democrats have also refused to return a single "blue slip" to the Judiciary Committee, which has the effect of blocking consideration of judicial nominees from their home states.

The GOP Senate needs to stop Democratic abuse of the rules.

Senators like Minnesota's Al Franken and Amy Klobuchar are holding hostage the eminently qualified Minnesota Supreme Court Justice David Stras for the Eighth Circuit Court of Appeals for no reason other than politics.

Minority Leader Chuck Schumer's troops are even invoking an obscure rule that prohibits committees from doing business more than two hours after the Senate opens for the day. Republicans have had to cancel briefings on national security and Russia electoral interference, as well as scrap a markup of two human-trafficking bills.

Democrat Harry Reid didn't have the cloture headache when he was Majority Leader because in 2013 he cut a deal with Republicans. The GOP traded the ability to offer more amendments to legislation in return for letting Mr. Reid limit post-cloture debate for most nominations to eight hours. This rule let Mr. Reid confirm dozens of judicial and lower-cabinet nominations every week. But the deal expired in early 2015, and good luck getting Mr. Schumer to grant the GOP the same terms.

Frustrated Republicans may soon begin listening to Oklahoma Senator Jim Lankford, who wants the majority to impose the eight-hour rule unilaterally. Most debate about nominees occurs during vetting and in committees. Eight hours on the floor is enough for all but the most controversial nominees, and the Senate could then get back to other business.

Mr. McConnell will be wary of Mr. Lankford's advice to change a Senate rule in the middle of the term, but the Majority Leader rightly did so when Democrats staged a historic filibuster of Supreme Court Justice Neil Gorsuch. Democrats aren't using cloture to raise the level of debate or highlight unqualified nominees. They are using it—and have said as much—to sabotage a Presidency. That isn't what the Founders intended, and Republicans have every right to stop this abuse of process to let the President form a government.

How to Squeeze China

MAIN STREET
By William McGurn

If the first Duke of Wellington were alive today, he might advise that the battle for North Korea will be won or lost on Harvard Yard.

Add Stanford, Yale, Dartmouth, Chicago and other top-tier private American universities so popular with China's "red nobility" i.e., the children and grandchildren of Communist Chinese elites. For if the Trump administration hopes to enlist an unwilling Beijing to check North Korea's nuclear ambitions, visas for the children of China's ruling class to attend these universities offer an excellent pressure point.

Beijing has been Pyongyang's closest ally ever since the Cold War split the peninsula after World War II. According to the Council on Foreign Relations, China provides North Korea with "most of its food and energy." Though China has warned Kim Jong Un about his nuclear testing (which Mr. Kim has ignored), plainly it fears a free and united Korean peninsula more than a nuclear-armed North.

Revoking visas for Chinese students, of course, would not alone resolve the North Korea problem even if it did force Beijing to act. But Beijing could make life for North Korea difficult if it chose to.

Thus far most talk about U.S. options regarding North Korea has focused on economic sanctions or military action against the Pyongyang regime. The dilemma is that every meaningful option comes with big risks, including the devastation of Seoul, retaliation against U.S. troops and more suffering for innocent North Koreans. The advantage of starting with student visas is twofold: The unintended harm done would be more limited than any military strike, and visas are likely a more effective lever than sanctions.

Today 328,547 Chinese students attend American universities, according to the Institute for International Education. The Chinese represent the largest group of foreign students in America.

How many of these students are children of Chinese leaders is unclear. American universities are disinclined to provide this information. In addition, the children of Chinese government officials sometimes attend U.S. universities under assumed names.

The Chinese taste for prestigious American universities goes right to the top. Although President Xi Jinping rails against the corruption of Western values, his daughter went to Harvard, which Mr. Xi managed to swing on an official annual salary of roughly $20,000. A few years back, the Washington Post noted that of the nine members of the standing committee of China's Politburo, at least five had children or grandchildren studying in the U.S. There are many, many more.

Officially, of course, China is an egalitarian society. In reality, hereditary favors, which now include access to top U.S. universities, are a fixed perk of Communist Chinese culture.

Put it this way: If China's ruling elite were forced to choose between supporting North Korea and their children's access to American universities, is it all that hard to see where they would come down? This might be especially true if we continued to allow ordinary Chinese citizens with no family connections to the party or government to come study here.

Would China retaliate? Probably. Would our universities scream? Without doubt. Would there be unfairness? Absolutely.

Force ruling elites to choose between North Korea and American colleges for their kids.

But if the U.S. does not act quickly, a despot who executes people with anti-aircraft guns will soon have the capability to strike Seattle or Chicago with a nuclear-tipped intercontinental ballistic missile. A White House unwilling to consider Chinese student visas as leverage to prevent this would signal Pyongyang and Beijing alike that America is not serious.

U.S. visas are the one thing we know people want. Before Ray Mabus served as Barack Obama's secretary of the Navy, he was Bill Clinton's ambassador to Saudi Arabia. There he championed the cause of two American women who had been kidnapped as children and taken to Saudi Arabia by their father, after he'd been divorced in the U.S. by his American wife.

To make the pressure real, Ambassador Mabus cut off all American visas for the father and his Saudi relatives. That got their attention. Unfortunately the deal for the girls' freedom collapsed after Mr. Mabus left Riyadh and his successor lifted the hold on the visas.

China is even more vulnerable to such pressure. Perry Link, a China scholar at the University of California, notes that the family connections that lie just below the surface in Chinese Communist culture are more powerful than outsiders realize. He likens it to the Mafia.

Imposing sanctions on the offspring of China's rulers "might raise howls in the U.S. but would be perfectly normal and rational—unexceptional—inside the culture of the people we would be sanctioning," says Mr. Link. "They would 'get it,' and the pinch would be felt.

"Whether or not it would be enough to budge them from their 30-year-old position on North Korea is a different question. But I support making the try."

Write to mcgurn@wsj.com.

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 6). 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 93% 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..

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OPINION

The Venezuelan Regime Is Coming Apart

By Vanessa Neumann

Venezuelans got a surprise Saturday morning when the country's Supreme Court released opposition leader Leopoldo López from prison to house arrest, citing "health problems." Why now? Americans may recall President Trump's February tweet demanding Mr. López be freed. Has the regime of President Nicolás Maduro at last yielded to international pressure?

Not likely. Mr. Maduro's objective—for he controls the Supreme Court, whose justices are party appointments—seems to have been to quiet street protests by making the opposition look co-opted, thereby discrediting it. But Mr. López announced he would keep fighting the regime and supported this past Sunday's 100 Day March—although he abided by the terms of his house arrest and stayed off the street.

> Maduro frees a dissident from prison, casting a light on fissures within the country's *Chavismo* elite.

The march commemorated the 100th day of the street demonstrations that began March 30, when the Supreme Court effectively stripped the National Assembly of its legislative power. The Assembly has been controlled by the opposition since elections in late 2015, and the court's decision—although reversed the next day amid a public outcry—removed any doubt that Venezuela has become a dictatorship.

Since then, things have gotten even worse. Mr. Maduro announced May 1—May Day—that an appointed "constituent assembly" would meet July 30 to draft a new Cuban-style constitution. Adding insult to injury, the drafters are to meet at the Legislative Palace, seat of the democratically elected National Assembly.

A taste of the clash to come came on July 5, Venezuela's independence day. Armed plainclothes gangs called *colectivos* invaded the National Assembly and attacked lawmakers, leaving five badly injured, as the National Guard stood and watched. The colectivos were set up over a decade ago, allegedly on the model of Iran's *basij* militia.

But the ruling regime is far from united. On the evening of July 5, Mr. Maduro publicly stated that "something strange has happened at the National Assembly" and announced he would launch an investigation. His plan for a new constitution even has drawn opposition from some die-hard *Chavistas,* who view the current constitution, adopted in 1999, as the crowning achievement of the Bolivarian Revolution under Hugo Chávez, Mr. Maduro's predecessor.

On April 1—the day after the Supreme Court backed down from its decision on the National Assembly—Attorney General Luisa Ortega Díaz, a career Chavista, proclaimed that "the constitutional order has been broken." Last week the Supreme Court attempted to usurp *her* power by appointing a new deputy attorney general, an office that is legally Ms. Ortega's to fill. The illicitly appointed deputy was then smuggled into the Public Ministry in the trunk of a car. When she was discovered and thrown out, the episode became the stuff of comical internet memes.


REUTERS
Supporters of Venezuelan dissident Leopoldo López outside his house, July 8.

The military is also jockeying for position. A year ago the commanding general or admiral of all four branches of the Venezuelan military sent a letter to Luís Almagro, secretary-general of the Organization of American States. The OAS had just issued a report condemning Caracas's violations of human rights and the country's constitution. The generals promised to defend the nation against human-rights violations and subversion of the constitution—meaning they would abide by the will of the people, reflected in the National Assembly.

The letter was made public only last Friday. Its release signals that the military, which has long viewed Mr. Maduro as a Cuban puppet, will not stand for Mr. Maduro's attempt to rewrite the constitution. It also further reveals the fissures within the country's Chavismo elite.

Diosdado Cabello, a military man who helped restore Chávez to power after a 2002 coup attempt, has been arguing that he should be Mr. Maduro's successor. On his nationally broadcast TV show, "Aquí No Se Habla Mal de Chávez" (also a Twitter hashtag), he shows footage of himself by Chávez's side stretching back to their 1992 coup attempt and claims Chávez was like a father to him. As president of the National Assembly before the opposition took it over, Mr. Cabello made a show of personally driving Mr. López to prison, purportedly to protect him from "ultraright" assassins seeking "to lead us to a civil war in Venezuela." The commutation of that sentence is a slap in Mr. Cabello's face, a further reason for even Chavista generals not to be loyal to Mr. Maduro.

Sources with relatives in the regime who are closely tied to Mr. Cabello tell me that he was not consulted before Mr. Maduro decided to free Mr. López. These sources speculate Mr. Maduro authorized the release on advice from former Spanish prime minister José Luís Rodríguez Zapatero, who visited Mr. López in prison last month. One theory is that Mr. Maduro hopes Spain will grant him asylum if he is forced from power.

What comes next? The opposition plans an unofficial, and therefore nonbinding, plebiscite Sunday on Mr. Maduro's constituent-assembly plan, and the message is likely to be clear. Domestic polling puts the president's approval rating in single digits. Although the regime does not renew opponents' passports, the plebiscite will accept expired passports as identification. The military is fracturing and overtly abandoning its commander in chief. The regime is fighting to stay in power but divided into warring factions.

This is not a coup d'état; it is instead a transition back to democratic order under the constitution the Chavistas themselves drafted. The release of Mr. López, while intended to prolong the life of the regime, will likely accelerate the ouster of Mr. Maduro and his cohorts who have ruled by decree. Only then can Venezuela begin the process of reconciliation and development.

Ms. Neumann, a Venezuela native, is president of the political risk consultancy Asymmetrica and a contracted consultant to the U.S. government on Venezuela.

The G-20: Another Vacuous Meet-and-Greet

By Walter Russell Mead

The captains and the kings depart, the flames in Hamburg gutter out, and the clouds of oily smoke and tear gas slowly disperse. Another Group of 20 summit has come and gone, and yet again the world has failed to change.

This should not come as a surprise; global summits are almost always empty exercises in public relations. They survive only to make politicians look good. Incumbent presidents and prime ministers strut before the cameras, hoping to look like leaders and statesmen in contrast to their political rivals back home. Egos in wannabe powers are stroked, as the world's great powers pretend to take them seriously for a few days. There are gassy dinners and gassier communiqués that mean nothing and achieve nothing, yet are haggled over line by line before falling into the oblivion that will entomb them forever.

Will any country change its trade policy as a result of anything in the G-20 communiqué? Will any country change its environmental policies as a result of anything said there? Will any serious historian 50 years from now—or even five—have even the slightest interest in anything the summit produced? Will any of the leaders who signed the communiqué spend five minutes thinking about how to implement it back home?

The answer to all of these questions is, almost certainly, no. All other G-20 summits were forgotten before the last leader returned home; this one is no exception. The world is not governed, or even significantly influenced, by a committee of 20 presidents and prime ministers signing vaguely worded statements with no binding force; history is not made by communiqué.

Great powers, on the other hand, do make history, and even as the hollow rituals of G-20 summitry unrolled, the great and the near-great powers were busy. The rising tension over North Korea's missile program drove a flurry of Asia-centric diplomacy as the U.S., China, Russia, South Korea, India and Japan explored their options in closed bilateral sessions. Judging from its rhetoric, the Trump administration appears to believe its diplomatic options on this issue are rapidly disappearing. China so far refuses to impose the kind of isolation on North Korea that could threaten the regime's existence, and Russian missile specialists are reported to be helping North Korea's current efforts.

President Trump is looking at a set of bad options: capitulation or a bout of coercive diplomacy that involves the threat of war. Whether the Trump administration restrains North Korea or acquiesces in its nuclear and missile program for want of alternatives, Northeast Asia is moving toward its most important strategic realignment since the Communist conquest of China.

> As the empty summit rituals unfolded, the great powers were busy making history.

Forestalling a war between the U.S. and North Korea is not, unfortunately, the only major challenge the administration faces. Russia, China and Iran, the big three revisionist powers, spent the Obama administration chipping away at world order, and their efforts and those of their smaller sidekicks (like North Korea) have begun to pay off. From Ukraine to the Balkans, Europe has become less stable; the Middle East is a cauldron of conflict and hate. ISIS may be losing territory, but its violent ideology is gaining ground. We do not know where the challenges will come or what form they will take, but the Trump administration is likely to face much sterner international tests than anything President Obama saw.

This is not good news. Barring a Pearl Harbor or 9/11 type of attack—and perhaps even under those circumstances—the Trump administration would begin a conflict with a hostile, deeply skeptical press and with much of the public leaning toward blaming the U.S. rather than its opponents for the crisis. Potential enemies are well aware that American public opinion is the Achilles' heel of an otherwise nearly invincible American military machine.

Foreigners see a beleaguered American president, a press in full Watergate mode, and a public that is weary of engagement overseas. Across the globe, America's competitors are thinking about how they can use this moment to advance their own agendas. America's allies wonder whether they can continue to count on the U.S. for their security. America's adversaries and potential adversaries are mulling how U.S. weakness can best be exploited.

This combination of American disunity and growing world instability, not the language of the G-20 final communiqué, is driving world history today. This is what our politicians and our officials ought to be thinking about. This, not parsing the body language of world leaders at a vacuous meet-and-greet, is what the press should be covering. This is what could make the difference between peace and war. This is what anyone seriously interested in putting America first and making it great again needs to address.

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

Free Trade Is the Next Step for the Balkans

By Edi Rama

Leaders of the six Western Balkan nations gather in Trieste, Italy, on Wednesday for the annual Berlin Process conference. It will be an opportunity not only to discuss pathways of integration into the European Union, but also to heal wounds, unite behind an idea and, critically, create a new platform for economic growth. We will be asked to support, among other things, the formation of a regional economic area. I will be arguing in its favor.

After decades of autocracy, Albania and its neighbors have now suffered through two decades of its exact opposite. This includes war, riots, chaos and more. With this has come corruption, cronyism and clientelism, as various political factions strive for power so as to pocket the spoils.

Albanians are now calling for a halt to this free-for-all. That's the message voters gave us after my country's elections last month. After four years governing in coalition with a junior partner, my party campaigned for a full mandate to clean house and was given a rare parliamentary majority. Albanians endorsed our plans for nation-building and institutional reform, plans that will ultimately depoliticize governance and deliver the rewards to ordinary people.

That's how we hope to gain stability for our country—that, together with continued progress toward full membership in the European Union. A decision to start accession negotiations this year is within reach, once we have fulfilled our commitment to reform our courts and justice system and strengthen the rule of law.

But economic factors make themselves felt even in this. Albanians and our Western Balkan neighbors have suffered years of instability in part because of economic underdevelopment. We have corrupt judges and corrupt prosecutors because they, too, want their share of the spoils. Corrupt politicians have plagued us for the same reason.

When the main driver for affluence is politics instead of personal initiative and enterprise, conflicts are inevitable. They may take different forms: ethnic nationalism in some places, religious sectarianism in others, ideological divisions elsewhere. But when resources are scarce it always comes down to who you know instead of what you know or what you can do.

So that is our next priority in Albania. While we continue to modernize and democratize our government, we will also lay out the basis for economic development.

That is why this week in Italy, I will be strongly endorsing a regional economic area as a stepping stone to facilitating the EU accession process.

There are some misgivings about the plan. Some of my Western Balkan colleagues fear that a regional economic area will be a cul-de-sac, a way-station where Brussels will abandon us. Some member states and EU leaders have displayed reluctance about further expansion.

> Only economic growth can stabilize the region over the longer term, and closer ties to the EU will help.

But we have only to look at the Central European Free Trade Agreement, to which all six Western Balkan countries are signatories, to see that a regional economic area can help, not hinder, our progress. CEFTA was originally founded by the Czech Republic, Poland and Slovakia. They used it to demonstrate their ability to work together, despite political or cultural differences, and show that they were qualified for full EU membership.

The critical benefit of a regional economic area is immediate. A Western Balkan market of 20 million is more attractive to investors and trade than an Albanian market of less than four million.

This is important to my government. We want to unleash our nation's capabilities and encourage the creation of jobs and production. So we will be persuading our neighbors to get behind the plan. We have some ideas we will be putting forward to help reassure them about the EU's intentions, and I know that Johannes Hahn, the EU's enlargement commissioner, will be doing the same.

Ultimately, this is about stability. We can't have that without a growing economy. It's time to put Balkan instability behind us.

Mr. Rama is the prime minister of Albania.

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Notable & Quotable: Avenues to Electric

Matt Ridley writing on electric-car mandates in the Times of London, July 10:

To achieve a major transition in the economy, such as to electric transport, you could force the issue with a legal deadline, challenging the engineers to solve the practical problems and incentivizing businesses to leave their comfort zone and abandon existing technologies.

Without a government ban it might never happen. But that sort of hothouse growth risks entrenching an immature technology, preventing a better one from coming along.

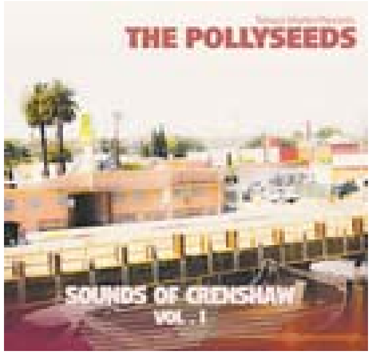
Ten years ago Gordon Brown, then chancellor, and Hilary Benn, environment secretary, announced that ahead of an EU timetable Britain would forcibly phase out incandescent light bulbs in favour of compact fluorescent (CFL) ones, promising that this would "help tackle climate change, and also cut household bills". By sending free CFL bulbs to most households and requiring retailers to sell only the new bulbs, this cost the country almost £3 billion.

CFL bulbs were less popular with consumers than with manufacturers, who tooled up to produce them. Now, just ten years later, nobody wants CFL bulbs, thanks to the dramatic fall in price of the next technology: more efficient, better quality and safer LED lights. The government backed the wrong technology.

Tesla's decision to build a "Gigafactory" to make lithium-ion batteries may establish a new standard for battery technology for a generation, at the risk of pinching off research into potentially better designs for batteries. Or Tesla may find itself with an obsolete system if one of those other technologies suddenly achieves a breakthrough.

Perhaps we should leave this to the market. The great merit of private enterprise is that it reduces the cost of learning by putting a limit to the extent of the hazard of any particular adventure. One company gambles, and takes a hit, but the harm is limited and the lesson is learned by everyone.

SAMANTHA J PHOTOGRAPHY



The Pollyseeds (left to right) Chachi, Rose Gold, Terrace Martin and Wyann Vaughn

MUSIC REVIEW | By Jim Fusilli

NOT THE STANDARD SUPERGROUP

TO CALL THE POLLYSEEDS a supergroup misses its most appealing feature. True, it includes pianist Robert Glasper, multi-instrumentalist Terrace Martin and saxophonist Kamasi Washington, but over the years the term has come to imply a mercenary aspect, as if the ace musicians in such a group have allied to form a marketable commercial enterprise. For Mr. Martin, the project's ringleader, the Pollyseeds is a celebration of community in which all the players get a chance to shine, as evidenced by "Sounds of Crenshaw Vol. 1" (Ropeadope), out on Friday.

The album is a modernized, easygoing, smile-inducing blend of late '70s and early '80s soul and R&B. Mr. Martin is best known for his work as a producer and performer on Kendrick Lamar's "To Pimp a Butterfly," but he's released several albums that explore different African-American musical styles. His 2016 "Velvet Portraits" tapped into mellow soul and smooth jazz not only with Messrs. Glasper and Lalah Hathaway, bassist Stephen Bruner (better known as Thundercat) and drummer Ronald Bruner Jr., among others. "Velvet Portraits" was nominated for a Best R&B Album Grammy. ("Lalah Hathaway Live" won the award. It was produced by Messrs. Glasper and Martin.)

As his Pollyseeds colleagues, the 38-year-old Mr. Martin chose musicians he's been playing with for years—including Mr. Washington, whom he met as a teen in the Young World Stage All-Stars, a group nurtured by drummer and hard-bop innovator Billy Higgins that came together in Los Angeles's 1990s pay-it-forward jazz scene. Among the featured musicians on "Sounds of Crenshaw Vol. 1" are drummer Trevor Lawrence Jr., bassist Brandon Eugene Owens and guitarist Marlon Williams, longtime Martin associates. His father, Curly Martin, plays drums on the swaying ballad "Believe," and vocalist Wyann Vaughn is the daughter of Wanda Hutchinson of the Emotions, who sang on "Velvet Portraits."

For the new album, Mr. Martin, now on tour in Herbie Hancock's band, had in mind the kind of supple cohesiveness provided by the rhythm sections on classic recordings featuring Motown's Funk Brothers, L.A.'s Wrecking Crew and Philadelphia's TSOP. Thus, the tracks here build from deep grooves dug by musicians who are at ease with one another and can be assertive without steely tension. On "Up and Away," Mr. Lawrence's fat-bottom percussion is sweetened by Mr. Martin on a variety of synthesizers, while on "Intentions"—sung by rapper Chachi with help from Ms. Vaughn and newcomer Rose Gold—Mr. Martin creates a rubbery synthetic rhythm section that's sweetened by funk chording by Mr. Williams and chiming electric piano by Craig Brockman.

If the Pollyseeds sound particularly tight on "Mama D/Leimert Park," it may be because Mr. Martin is playing all the instruments and vocalizing with the aid of a vocoder. Perfectly applied modern sounds bring an old-school template up to the moment.

As for Mr. Glasper, he and Mr. Martin reworked Janet Jackson's 1987 song "Funny How Time Flies (When You're Having Fun)," stripping away the pop verses and using the repeating staccato chorus as the jump-off for a track featuring subtle shadings by Messrs. Glasper and Williams and an explosion by Snarky Puppy drummer Robert Searight. Mr. Glasper's Fender Rhodes electric piano is the foundation for the instrumental "Chef E Dubble" with tenor sax by Mr. Washington.

Though the album is heavy with midtempo funk that occasionally wanders too close to smooth-jazz turf, some of its best moments are provided by expressive ballads, including Ms. Vaughn's "Your Space" and the gritty "Feelings of the World" with its extended solo on electric guitar by Mr. Williams. "Wake Up" is a lovely duet featuring Mr. Martin on soprano sax and Kenneth Crouch on a grand piano.

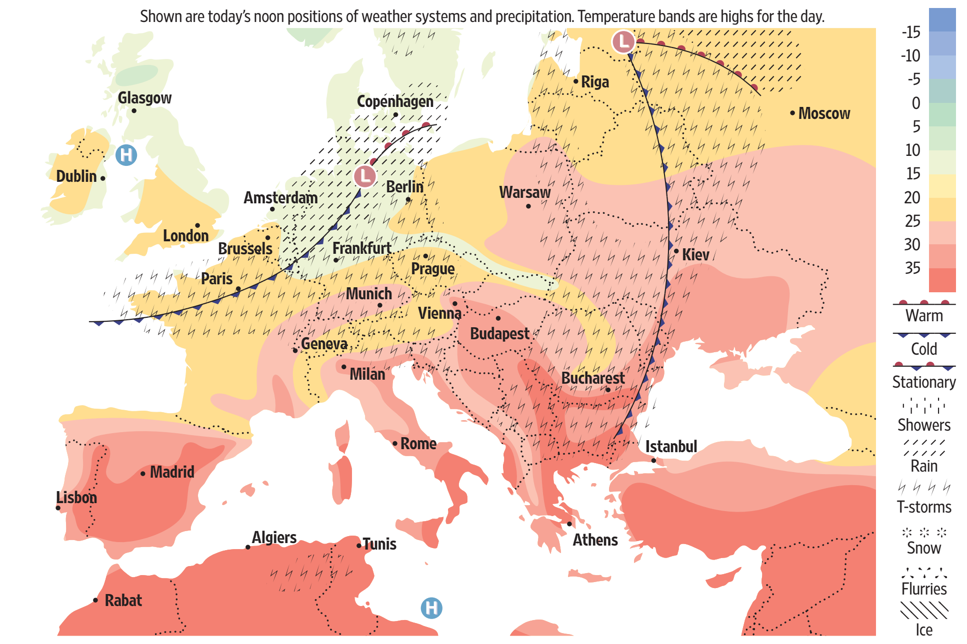
When we spoke by phone last week, Mr. Martin, who was in London with Mr. Hancock, said he intended for the Pollyseeds to be a continuing project—"a marathon." A tour of Japan is planned for September. As the album title indicates, more recordings by the collective are forthcoming, thus ensuring further explorations of soul, R&B, funk and jazz by the gifted Mr. Martin and his friend-filled collective.

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

Weather

AccuWeather.com

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

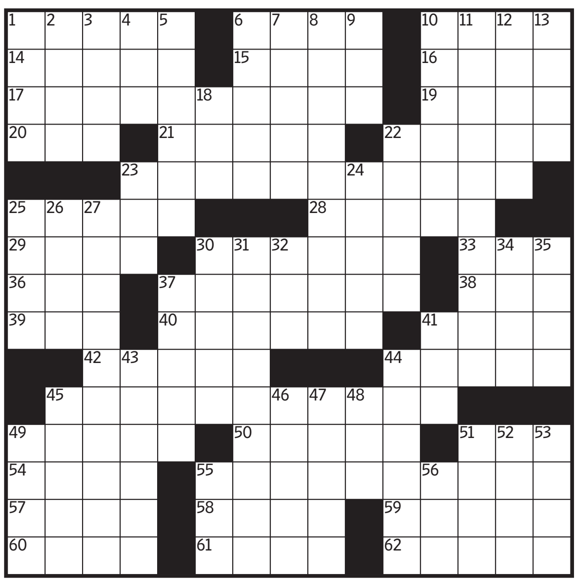


Global Forecasts

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

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	18	11	r	20	11	pc
Anchorage	21	14	pc	22	16	pc
Athens	36	25	s	36	27	s
Atlanta	32	23	t	33	24	pc
Baghdad	45	30	s	46	28	s
Baltimore	34	24	t	37	23	pc
Bangkok	33	25	t	33	25	t
Beijing	37	26	pc	36	26	pc
Berlin	21	11	r	19	10	pc
Bogota	17	9	r	18	9	c
Boise	36	20	s	38	21	pc
Boston	29	21	pc	25	17	t
Brussels	20	8	t	21	11	pc
Buenos Aires	18	16	sh	24	11	c
Cairo	38	25	s	38	25	s
Calgary	26	12	pc	30	14	s
Caracas	32	26	pc	31	25	pc
Charlotte	33	23	pc	34	23	pc
Chicago	33	21	t	27	18	c
Dallas	35	26	pc	35	26	s
Denver	31	16	t	29	15	t
Detroit	32	21	t	28	17	c
Dubai	44	35	s	43	34	s
Dublin	18	11	pc	20	10	pc
Edinburgh	18	10	pc	18	10	pc
Frankfurt	22	10	t	22	11	s
Geneva	26	14	t	25	13	pc
Hanoi	30	26	t	32	26	t
Havana	33	22	pc	32	22	pc
Hong Kong	33	28	t	32	27	t
Honolulu	31	24	pc	31	24	pc
Houston	34	25	pc	34	25	t
Istanbul	31	21	s	31	23	s
Jakarta	32	25	c	32	24	c
Johannesburg	23	7	s	21	8	s
Kansas City	35	24	s	31	21	pc
Las Vegas	42	30	s	42	31	s
Lima	21	15	pc	21	15	pc
London	22	12	pc	24	15	pc
Los Angeles	29	19	pc	29	19	pc
Madrid	37	20	s	39	21	s
Manila	32	26	t	32	26	t
Melbourne	14	7	pc	14	8	c
Mexico City	21	13	t	22	12	t
Miami	32	27	sh	32	27	t
Milan	32	20	pc	33	21	pc
Minneapolis	31	16	pc	25	16	s
Monterrey	32	22	pc	32	22	pc
Montreal	22	13	pc	23	15	pc
Moscow	22	17	r	23	17	r
Mumbai	31	28	sh	31	27	sh
Nashville	34	24	pc	33	24	pc
New Delhi	31	26	pc	32	27	pc
New Orleans	32	25	t	32	25	t
New York City	31	23	pc	33	22	pc
Omaha	32	21	pc	29	20	pc
Orlando	32	24	t	31	24	t
Ottawa	22	12	c	22	13	c
Paris	24	13	t	25	14	pc
Philadelphia	33	24	t	35	24	pc
Phoenix	42	31	pc	42	31	pc
Pittsburgh	30	23	c	30	20	t
Port-au-Prince	34	23	pc	34	23	pc
Portland, Ore.	26	14	s	27	13	s
Rio de Janeiro	26	19	s	26	18	s
Riyadh	45	28	pc	45	32	s
Rome	31	21	s	33	21	s
Salt Lake City	36	22	pc	37	23	pc
San Diego	26	20	pc	26	20	pc
San Francisco	22	13	pc	21	13	pc
San Juan	31	26	sh	31	26	sh
Santiago	17	5	pc	13	1	sh
Santo Domingo	32	24	pc	32	23	pc
Sao Paulo	22	13	s	23	13	s
Seattle	24	13	s	24	12	s
Seoul	31	23	pc	31	23	pc
Shanghai	35	28	t	36	28	t
Singapore	30	25	t	30	25	t
Stockholm	22	11	pc	18	9	pc
Sydney	17	9	sh	18	10	pc
Taipei	35	26	t	35	26	t
Tehran	36	23	pc	30	22	pc
Tel Aviv	33	26	s	32	25	s
Tokyo	30	26	pc	30	25	pc
Toronto	26	17	sh	22	16	r
Vancouver	21	13	pc	21	12	s
Washington, D.C.	34	27	t	37	26	pc
Zurich	25	13	t	24	12	s

The WSJ Daily Crossword | Edited by Mike Shenk



AIN'T VEE GOT FUN? | By Harold Jones

Across

1 Smoothie choice
6 Any of six on a cube
10 Chesapeake Bay swimmer
14 Disturbingly different
15 Up to the job
16 Top of the world
17 Part of a homicidal bridal ensemble?
19 Home port of the USS Niagara
20 Popular time to go to la plage
21 Concubines' quarters
22 French film award
23 Knives wielded by deadly snakes?
25 Turn in the park
28 Spaniards' spending
29 Pimlico runner
30 George's "Gravity" co-star
33 Spell
36 401(k) cousin
37 Retiree's military uniform?
38 Crew tool
39 Grumpy co-worker
40 Like old audiobooks
41 Badlands sight
42 Ashton Kutcher's "That '70s Show" role
44 Spiteful
45 Ingredient in saltimbocca à la Gryffindor?
49 Real doozies
50 Dortmunders' denials
51 Dribble catcher
54 Unfavorable for flora
55 Prosecution presented through poetry?
57 Wish for le roi
58 "Deathtrap" wife
59 Earth Day month
60 Home city of the Big 12's Cyclones
61 "Stupid ___ stupid does"
62 Knight work

Down

1 Lincoln or Ford
2 Descended
3 Sudan splitter
4 Stylist's stuff
5 Kind of musical wonder
6 Quarterback Brett
7 "Buy you ___?" (bar offer)
8 Ascended
9 Elongated fish
10 Brand with Gym2Pool activewear
11 Competition with stakes
12 Wanted poster listing
13 Silhouette on a highway sign
18 Drake's genre
22 Gem unit
23 Industrial tub
24 "Foreign Affairs" author Alison
25 Etching agent
26 Bullring beast
27 Antipasto bit
30 Ninny's lack
31 Bar tenders?
32 Org. with a Traffiicthief database
34 Jet stream heading
35 Shot in a dentist's office
37 Battery number
41 ___ de mer
43 Piano pieces
44 Alternative to the Dow
45 Jewish holiday
46 California mission founder Junípero
47 Travel pages
48 Hydrocarbon ending
49 Kilauea output
51 Ready for skinny-dipping
52 Mother of Horus
53 Stiff drink
55 Sch. nicknamed the West Point of the South
56 PC's brain

Previous Puzzle's Solution

T	W	I	G		P	U	S	H		S	C	O	W	S
H	A	L	O		A	N	T	I		H	O	L	E	S
U	R	S	A		S	L	E	D		A	L	I	E	N
S	M	A	L	L	T	I	M	E	C	R	O	O	K	
			P	E	A	T			Y	E	N			
	C	L	O	G	S		B	O	N	D		C	A	B
S	O	U	S	A		T	E	R	I		O	L	L	A
L	I	T	T	L	E	B	L	A	C	K	B	O	O	K
O	N	E	S		B	A	L	L		I	S	S	U	E
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O	U	T	G	O		G	A	G	A		E	Z	R	A
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▶ Solve this puzzle online and discuss it at **WSJ.com/Puzzles.**

TECHNOLOGY: INVESTMENT IN FACIAL-RECOGNITION SYSTEMS HEATS UP IN CHINA B4

BUSINESS & FINANCE

Euro vs. Dollar 1.1436 ▲ 0.32% | FTSE 100 7329.76 ▼ 0.55% | Gold 1213.60 ▲ 0.12% | WTI crude 45.04 ▲ 1.44% | German Bund yield 0.551% | 10-Year Treasury yield 2.362%

Wanda Deal Includes Odd Twist

China firm to borrow billions and then lend it to theme-park buyer

By Dominique Fong And Wayne Ma

BEIJING—**Dalian Wanda Group**'s $9.28 billion sale of its theme parks and hotels to developer **Sunac China Holdings** Ltd. has an unusual twist: Wanda is helping Sunac finance almost half of the deal.

Regulatory filings show that Wanda, the giant Chinese property and entertainment company, will take out a three-year bank loan of 29.6 billion yuan ($4.35 billion) and lend the money to Sunac. Sunac will use the borrowed funds to pay Wanda to gain ownership of its theme-park business, according to the documents filed by Sunac on Tuesday.

Neither Dalian Wanda nor Sunac disclosed the arrangement when Wanda announced the deal on Monday. Both companies declined to provide further details beyond the public filing with the Hong Kong stock exchange. Sunac's shares rose 14% Tuesday.

In selling off its prized hotel and theme-park assets, Wanda is paring a heavy debt load that has attracted the scrutiny of China's banking regulator, which last month asked lenders to review loans to overseas deal makers including Wanda.

Sunac will assume all the loans associated with the theme parks on its balance sheet, both companies have stated. Neither has specified the level of leverage involved.

The financing arrangement with Sunac allows Wanda to pay for its own sale without incurring debt, according to Cheong Yin Chin, an analyst for independent credit research firm CreditSights Inc.

Wanda would record the $4.35 billion bank loan as an asset rather than debt if it acts as a lender to Sunac, Ms. Cheong said. Sunac would record Wanda's loan as debt on its books.

"Sunac will be the one assuming the entire debt," Ms. Cheong said. "Although the [property] assets and debt ultimately appear on Sunac's books, Wanda can still have the brand name, and all the expenses come from Sunac itself...that is the advantage for Wanda."

For Sunac, the deal set off an alarm: S&P Global Ratings on Tuesday placed the company's corporate credit rating on CreditWatch negative.

The credit-ratings firm said the acquisition of Wanda's assets and a large investment in technology company LeEco "will further pressure the developer's already high financial leverage and increase the burden on future cash flow."

Wanda, controlled by billionaire Wang Jianlin, started

Please see WANDA page B2

Snapchat Parent's Stock Is Fading

By Corrie Driebusch

Snap Inc.'s rough week continued Tuesday, as a bank that led its initial public offering cut its price target for the Snapchat parent's stock.

Snap's shares declined 9% to close at $15.47. A day before, shares fell below their IPO price of $17 for the first time.

The waning confidence in Snap coincides with a stumble by another recent IPO. In late June, meal-delivery startup **Blue Apron Holdings** Inc. struggled to find buyers in its stock offering, priced its shares below its initial expectations, and has remained under its IPO price since its second day of trading. Though it isn't unusual for a newly listed company's stock to fall below its IPO price, it isn't a great sign for two high-profile IPOs to be struggling, traders say.

Snap's decline on Tuesday came as analysts at **Morgan Stanley**, one of the lead underwriters on Snap's IPO, downgraded the company to "equal weight" from "overweight" and cut their price target from $28 a share to $16. Analysts typically assign ratings to companies they follow that indicate whether they recommend investors buy, hold or sell the stocks. Morgan Stanley's new rating suggests holding on to shares of Snap at a price of $16.

The bank cited increasing competition, noting that **Facebook** Inc.'s Instagram "has become more aggressive in competing for Snap's ad dollars." Morgan Stanley added that as a result, it expects Snap's ad revenue growth to be materially slower than it previously expected.

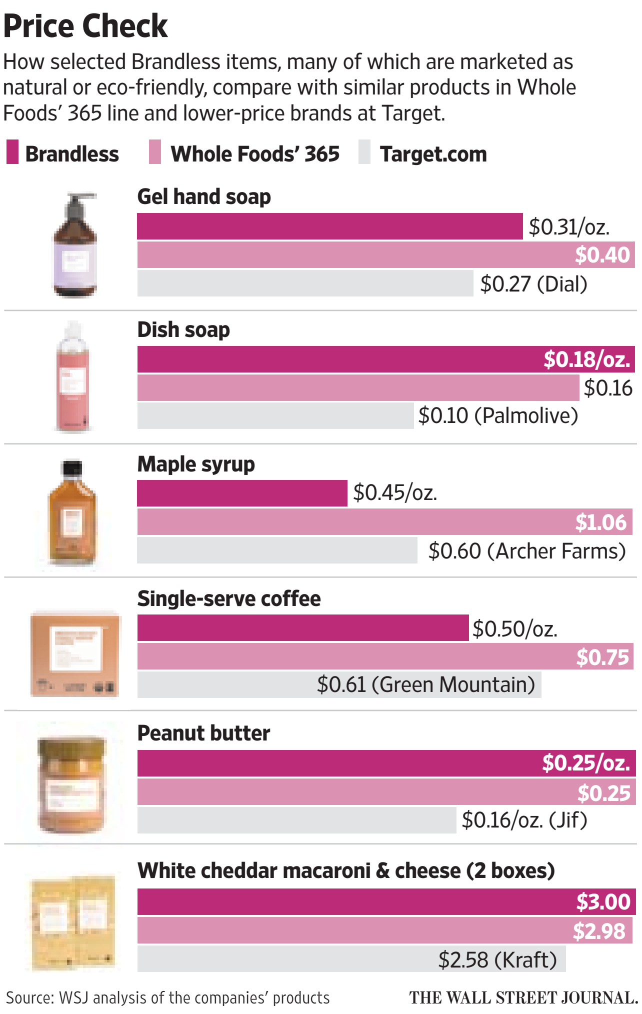
Snap shares tumbled in May after the company reported a slowdown in user growth for its disappearing-messaging app in its first quarterly earnings report as a publicly traded company. The company also reported its revenue in the quarter nearly quadrupled from a year earlier, but failed to exceed Snap's fourth-quarter revenue.

In March, the average analyst target price was more than $23 a share, according to research firm FactSet. As of Tuesday, that average target price slipped to a little more than $20.

Meanwhile, Blue Apron's stock dropped 12%, to $7.14, on Tuesday.

ACKERMAN + GRUBER FOR THE WALL STREET JOURNAL

Brandless products are taste-tested in Minneapolis. The e-commerce retailer is betting shoppers will pay $3 for generic versions of household staples rather than buy Colgate, Heinz and other big brands.



Startup's $3 Pricing Challenges Big Brands

By Sharon Terlep

A new online retailer is betting it can get American shoppers to break up with big brands from Colgate to Heinz.

Called **Brandless**, the San Francisco-based startup on Tuesday started selling generic, health- and environmentally conscious consumer staples, such as fluoride-free toothpaste and organic agave nectar. Everything will be priced at $3.

The business model: Cut out supermarkets and traditional marketing, funneling that money instead toward making products that can compete with pricier, name-brand counterparts.

In doing so, Brandless aims to capitalize on a packaged-goods sector in upheaval, one that faces increasing competition among both high-end and discount brands as well as consumers who are doing more shopping online and demanding less-processed foods.

"It's an inefficient process," Brandless co-founder Ido Leffler said of the traditional system of packaged-goods companies selling their products through brick-and-mortar retailers. "We are re-appropriating those dollars back to the consumers."

The 115 products that will be initially available are generally more expensive than their big-brand rivals. Brandless hand soap, for instance, costs 31 cents per ounce, more than Dial, which goes for about 27 cents an ounce on **Target** Corp.'s website for a similarly sized bottle.

But compared with hand soap sold by **Whole Foods**' private-label 365 brand, which has a similar emphasis on natural and healthy products, the Brandless option is less costly, by about nine cents per ounce.

Brandless hopes its simple, one-price-for-every-product proposition will be another draw, much like the Dollar Shave Club, which upended the men's razor market when it introduced a subscription service costing $3, $6 or $9 a month.

In a few cases, $3 buys multiple Brandless items, such as a two-pack of organic macaroni and cheese. Shipping is $9, or free for orders of $72 or more. People who pay a $36-a-year membership fee get free shipping on orders of $48 or more.

The trick, industry experts say, will be to convince shoppers that Brandless products are of a high-enough quality that shoppers feel like they are getting a deal.

"They need to make sure their quality is by far the best in the market for the price they are charging," said consumer-products consultant Thom Blischok, especially because price-conscious Americans, who comprise nearly three-fourths of the U.S. consumer market, generally aren't willing to experiment with their household staples.

David Garfield, head of the consumer-products practice at consulting firm AlixPartners, said the concept could appeal to millennials who are less brand-loyal than older generations, and more inclined to shop online. Brandless, is he said, "seeing the factors and phenomena in the market in the right way."

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HEARD ON THE STREET | By Paul J. Davies

Brexit Stirs Up a Stink Over Clearinghouses

Imagine being told you could no longer talk about anything related to Europe on Facebook. That is akin to the problem facing the essential work of financial clearinghouses. Eurozone regulators want their own network to keep track of financial risks after Brexit.

Such a change would be highly irritating for users. But the true costs and consequences could be much less dire than some predict.

A clearinghouse is a place where transactions in things like foreign exchange and interest-rate derivatives can be safely recorded, monitored and settled.

But it is more than that: The key thing is almost all banks go there, reaping the benefits of a network. The more people use one platform, the better it works. With Facebook, you can share news among as wide a group of friends as possible at the same time. In a clearinghouse, banks offset as many overlapping financial claims among as wide a group of counterparties as possible and that dramatically cuts the cost of holding them.

LCH, part of the **London Stock Exchange Group**, is the Facebook of derivatives. It typically handles 90% to 95% of all interest-rate swap clearing globally, which generated 18% of the group's pretax operating profit last year. European Union regulators are worried because it is in London, which will be beyond their jurisdiction after Brexit. The U.S. has direct oversight of LCH because its derivatives regulators made registration mandatory if U.S. clients are going to use it for dollar-denominated trades.

Clearing has boomed since

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Beijing Battles Investors Over the Yuan

By Saumya Vaishampayan And Shen Hong

China's central bank is finding that some of the most stubborn yuan skeptics are lurking in its backyard.

A tug of war between the People's Bank of China and investors in the country's domestic foreign-exchange market has played out almost daily in recent months, with the yuan consistently closing weaker than the level set by the central bank.

While the central bank's support has helped the yuan gain 2.2% against the U.S. dollar this year after three years of declines, Chinese investors have been focusing in recent weeks on factors that could drag the currency lower in the coming months, traders say.

Many investors expect the Chinese economy to slow in the second half of 2017 as authorities try to cool the country's reliance on debt-fueled growth. That could force Beijing to rely on a cheaper yuan to turbocharge China's sizable export sector. The Federal Reserve, meanwhile, is predicting further U.S. interest-rate increases, which should boost the dollar against the yuan.

AGENCE FRANCE-PRESSE/GETTY IMAGES

In recent months, the yuan has consistently closed weaker than the level set by the central bank.

And while China has clamped down on capital outflows in recent months, there is still demand for foreign assets from Chinese people as they seek to diversify their wealth. That could exert downward pressure on the yuan.

Conversely, the central bank's chief objective is yuan stability, The Wall Street Journal has reported, as it seeks to keep the economy on an even keel.

The tension is showing up in how the yuan trades inside China. China's central bank sets the yuan's value against the dollar 15 minutes before trading starts at 9:30 a.m. each day. The currency is then allowed to trade 2% above and below that so-called fix.

In recent months, the yuan has usually started weakening from the fix once trading starts. On May 18, it closed 0.4% lower. A bigger one-day drop has happened just 10 times since the PBOC devalued the yuan in August 2015.

The downward pressure persisted until the central

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INDEX TO BUSINESSES

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

INDEX TO PEOPLE

BUSINESS & FINANCE

Tesla Adds Repair Capacity

Electric-car maker is prepping to deliver first batch of Model 3 vehicles this month

By Tim Higgins

JASON REED/REUTERS

The Silicon Valley auto maker is adding 1,400 technicians and 100 new service centers world-wide.

As **Tesla** Inc. begins a pivotal launch of its first mass-market car, the company said it plans to triple its capacity to repair vehicles, adding 1,400 technicians, dozens of new service centers and hundreds of maintenance vans that can be dispatched to an owner's home.

The Silicon Valley auto maker started production last week of the Model 3, a $35,000 sedan that Chief Executive Elon Musk is betting will boost Tesla's production to 500,000 vehicles next year from 84,000 last year.

The surge of cars—coupled with any possible mechanical glitches that could arise with a new model—would likely tax a small network of about 150 Tesla service centers around the world.

Over the next 12 months, Tesla plans to add another 100 service centers world-wide, according to a company executive.

But since most of the repairs are routine and can be done remotely, Tesla will expand its fleet of service vans by 350 this year from several dozen currently, the executive said. The new vans will come equipped with espresso machines and snacks for the customers.

Tesla is bracing for the most critical test in its 14-year history, as it aims to transform from a niche luxury player into a mainstream auto maker.

The first 30 Model 3 cars will be handed over to customers by the end of July and Mr. Musk has said he is targeting monthly production of 20,000 by December.

The rollout of Tesla's Model X sport-utility vehicle was riddled with a number of mechanical malfunctions last year that underscored the challenges of the company's mass-market ambitions. Tesla moved quickly to resolve those new-model glitches.

Buyers of some of its vehicles have criticized Tesla for slow service.

In March, Jon McNeill, Tesla's sales and service president, posted a letter on an online Tesla user forum responding to complaints of long wait times to get vehicles fixed at third-party body shops. He promised to increase the number of Tesla-approved body shops by 300.

Tesla's vehicles include a wireless communications system that allows the company to diagnose 90% of maintenance problems remotely, indicating whether the car can be fixed in the field.

Tesla estimates that its vans can service 80% of the issues, freeing up space in the service centers. Tesla charges customers the same amount remotely or in the shop.

Other auto makers are trying to improve the auto-service experience, long a pain point for many car owners.

Chinese Auto Sales Revived in June

By Trefor Moss

SHANGHAI—Chinese passenger-car sales bounced back in June, raising hopes that the world's biggest auto market is gaining momentum after a tepid start to the year.

Passenger-car sales—which had declined in April and May, the biggest dip in two years—increased 2.3% in June from a year earlier, the China Association of Automobile Manufacturers said Tuesday. The 1.83 million vehicles sold pushed the first-half total to 11.25 million, up 1.6% from a year earlier.

After last year's exceptional 16% growth in passenger-car sales, China's auto industry had expected a slowdown in 2017. Growth is still on track for 5% this year, assuming sales accelerate as expected in the second half, said Xu Haidong, the association's assistant secretary-general.

Total Chinese vehicle sales in the first half rose 3.8% to 13.35 million, buoyed by strong demand for commercial vehicles.

Racing Ahead

Japanese auto makers set the pace in China in the first half of 2017.

	Sales growth, change from previous year	Number of vehicle sales
Honda	**18.7%**	**0.64 million**
Nissan	**6.7**	**0.65**
Toyota	**5.4**	**0.62**
Volkswagen	0.2	1.40
General Motors	−2.5	1.85
Ford	−7.0	0.54
Hyundai	−46.7	0.43

Source: the companies THE WALL STREET JOURNAL.

Among foreign makers, Japanese companies posted the biggest first-half gains: Honda Motor Co. increased its China sales by 18.7%, Nissan Motor Co. by 6.7% and Toyota Motor Corp. by 5.4%.

Some nimble product launches struck a chord with Chinese buyers, said Yale Zhang, managing director of Automotive Foresight. For example, in March Honda launched the UR-V, a large sport-utility vehicle that taps into rising demand for SUVs.

Other foreign auto makers struggled in the first half. General Motors Co. had a 2.5% drop in sales and Ford Motor Co. slumped 7%.

Political tensions between Beijing and Seoul over South Korea's missile-defense program contributed to a nightmare first half for Hyundai Motor Co., whose sales plunged 47%.

Both GM and Ford drew encouragement from strong June sales as they look to China to compensate for weak U.S. demand. GM posted a 4.3% sales bump last month, while Ford's sales soared 15%.

"The momentum we've found in Q2 and June, we're optimistic about that rolling forward through the rest of the year," Ford's Asia-Pacific president, Peter Fleet, said in an interview, adding that the company expects high single-digit growth in China in the third quarter.

GM plans to introduce 10 new models in China before the end of 2017, China head Matt Tsien said in a written statement.

Both U.S. makers benefited from their luxury brands. Sales of GM's Cadillac increased 75% in the first six months of the year, while Ford's Lincoln doubled its sales.

Auto sales in China surged in late 2016 as consumers bought ahead of an increase in the sales tax on small-engine vehicles to 7.5% from 5%.

—Lilian Lin in Beijing contributed to this article.

HEARD

Continued from the prior page

the financial crisis because regulators demanded it for more of the global trade in interest-rate swaps, currency swaps and interbank funding to help them keep a closer eye on connections between banks. And while lots of clearing takes place in London, the trading of underlying contracts could happen anywhere.

Banks that use clearing must post collateral, or margin, against their trades in a clearinghouse. But at the same time, having all these trades in one place means they get to offset what they all owe each other. This means less margin is required overall than if all those trades had to be backed with collateral separately.

If Brexit forces banks to shift euro-denominated trades within the EU, all the benefits banks get offsetting about 30% of the market against trades in other currencies in London would vanish.

Some predict costly ramifications: Europe's leading finance trade body, Afme, last week predicted the extra collateral needed would be up to $45 billion, which would sap more funding and capital from banks. That is less than a widely quoted $77 billion estimate from a specialist company, ClarusFT, but way more than an estimate of $3 billion to $9 billion from Eurex Clearing, owned by **Deutsche Börse** and a likely beneficiary should euro settlement business leave London.

But the costs might be lower than the higher estimates because these don't consider efficiencies that clearinghouses have yet to pursue. These could come from offsetting different kinds of trades, for example, derivatives against sale-and-repurchase agreements. Extra costs would encourage them to do this.

For now, the business will stay in London anyway. It is hard for banks to hedge their bets by moving some business to a different venue. That only makes sense if your clearing friends all want to do the same thing.

There could be disruption in satisfying EU regulators, but some of the costs may be worth paying.

YUAN

Continued from the prior page

bank stepped in later that month, market participants say, directing state-owned banks to buy yuan and sell dollars. It also changed the way it calculates the fix by adding a "countercyclical" component that gives it more control over the currency.

The PBOC didn't respond to a request for comment.

The central bank's apparent intervention didn't shift Chinese investors' expectations for long. The yuan closed at a weaker level versus the central bank's fix for most of June. That has continued in July, though to a smaller degree, after another bout of suspected intervention by the central bank late last month. In all, the yuan has closed weaker than the fix on 25 of the past 29 trading days. It weakened 0.1% from the central bank's fix on Monday and 0.02% on Tuesday.

"Once the PBOC stops intervening, there's actually great pressure for the yuan to fall because the weak outlook of our economy and the financial risk we've accumulated are still hanging over our heads," said a Shanghai-based senior currency trader at a midsize local bank.

Chinese exporters, major players in the domestic currency market, appear unconvinced that the yuan will steady. Deposits of foreign currencies at Chinese banks hit a record of $779 billion in May, according to data from Wind Info going back to 2002, suggesting that many big companies are parking their dollars at banks rather than swapping them into yuan.

The holdouts include Shenzhen-based **Noncam Technology**, a gaming-gadgets maker that sells 80% of its products to clients from the U.S. and Europe. Its chief executive, Frank Shen, expects the dollar to rise after the Fed's rate increases, while China may be pressured to devalue the yuan to boost exports. "Any short-term fluctuations will not alter the longer trend of a stronger dollar," Mr. Shen said. "Everyone expects that the dollar will rise further."

The Chinese central bank's difficulties with the changing expectations of participants in the domestic market are striking in part because its main struggle in the past has been with overseas investors betting against the yuan in offshore markets, where the currency trades more freely.

On several occasions in the past 18 months, the PBOC has squeezed short-term borrowing costs for the yuan in Hong Kong, the main center for offshore yuan trading, making it expensive for investors to bet against the Chinese currency.

The message appears to have hit home with yuan skeptics overseas.

"We know when there's a major selloff in renminbi, the PBOC will intervene," said Edmund Goh, a fixed-income investment manager at Aberdeen Asset Management in Singapore, using another name for the yuan. Mr. Goh said he has been slightly overweight the yuan for a while.

"I would not want to bet against the PBOC," he added.

—Yifan Xie contributed to this article.

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A lineup of salsas for sampling. Brandless has a one-price-for-every-product proposition.

BRANDS

Continued from the prior page

He added, however, that consumer-goods companies spend heavily on advertising and prominent shelf placement because those techniques pay off. "They are underestimating how difficult it is to thread the needle and execute," he said.

Mr. Leffler, who has founded several other startups including a line of natural beauty products and another of school supplies, has been working on Brandless since 2014 with his co-founder, Tina Sharkey, former chief executive of strategic advisory firm Sherpa Foundry. She also was an investor in venture-capital firm Sherpa Capital, whose investments include **Uber Technologies** Inc. and **Slack Technologies** Inc.

Much of their several years developing Brandless was spent combing the industry for suppliers who could provide products that are organic, gluten-free, free of genetically modified organisms or have other health-conscious credentials. Orders placed on brandless.com will be shipped from two distribution centers, one in California and one in Indiana, with most delivered to shoppers within two days.

The company plans to focus its marketing on social media and free samples, rather than costlier avenues like television and print advertising, Ms. Sharkey said. "We're not anti-brand, we're reimagining what it means to be a brand."

As an online operation, the company won't have the overhead pressures that have forced traditional retailers like **Wal-Mart Stores** Inc. and Target to push their biggest suppliers to cut prices. Brandless plans to double its lineup of merchandise by mid-September and eventually expand the price range. The company said it has received $50 million in funding from investors including New Enterprise Associates and Google Ventures.

Mr. Leffler said the company doesn't necessarily expect to replace Amazon or the grocery store.

"The average consumer shops in multiple locations," he said. "For some people, we'll be their everyday destination, and for some people we will be their No. 5."

WANDA

Continued from the prior page

as a property developer but moved into entertainment to diversify and expand its holdings. It owns the world's largest cinema chain, AMC Entertainment Holdings Inc., as well as Legendary Entertainment, a Hollywood film producer and financier.

In the deal with Sunac, Wanda will sell four theme parks and at least nine others that are planned. The existing parks recorded a net profit of $562 million last year, up 28% from the previous year, regulatory filings show. The net value of the theme-park assets was $3.65 billion, according to the filings. The amount of debt held by those attractions wasn't disclosed.

Wanda is a private company and not much is known about its overall debt. However, its property unit, which accounted for 55% of its revenue in the first half of 2017, was saddled with about $33 billion in debt as of 2016, according to Wanda's regulatory filings. Those regulatory filings also reveal that Wanda's consolidated liabilities, which include debt, totaled more than $100 billion at the end of last year.

Wanda's chairman, Mr. Wang, said the company will use proceeds from the sale to trim debt at the property unit, Dalian Wanda Commercial Properties Co., which is seeking a listing on a Chinese stock exchange but has yet to receive approval.

Herbicide Scars U.S. Crops

By Jacob Bunge


BRYCE GRAY/ASSOCIATED PRESS
Farmer Bill Bader checked peach trees in Missouri last year for damage from the herbicide dicamba.

Crop damage from a powerful herbicide is spreading across the southern U.S., spurring a flood of complaints to agricultural agencies and sowing division among farmers.

Hundreds of farms in Arkansas, Tennessee, Missouri and Mississippi have reported crops shriveled by dicamba. For farmers, lower crop yields because of herbicide damage could add to financial pressures after several years of low crop prices.

Long used to kill weeds, new formulations of the potent chemical are being widely deployed this year as more farmers plant soybean and cotton seeds engineered by **Monsanto** Co. to withstand dicamba. The St. Louis company estimated in June that about 20 million acres of its new biotech soybeans had been sold to farmers this year, up from about one million sold in a limited release last year.

The U.S. agriculture industry is betting on new combinations of biotech seeds and chemicals like dicamba to fight weeds that have grown resistant to glyphosate, the world's most widely used herbicide. Glyphosate use has proliferated over the past 20 years as Monsanto, DuPont Co. and Syngenta AG have rolled out seeds engineered to survive that spraying. That has contributed to resistant weeds, which can choke out crops if left unchecked—further eroding already-slim profit margins for farmers.

But affected farmers say that when neighbors spray dicamba onto the new biotech crops, some of the herbicide is drifting onto adjacent fields that aren't planted with resistant varieties, sometimes severely damaging them.

The U.S. Environmental Protection Agency is investigating dicamba-related crop damage and is discussing the mounting complaints with pesticide manufacturers.

Some states are restricting how and when dicamba can be sprayed, ratcheting up fines for misuse and mandating online training courses for farmers. On Friday, Missouri Director of Agriculture Chris Chinn announced a temporary suspension of the use or sale of the herbicide in the state, after more than 120 complaints of drift damage. That same day, Arkansas lawmakers banned its use or sale for 120 days, beginning July 11.

Arkansas has received about 600 complaints this year, up from roughly 30 in 2016.

"Everybody's concerned," said Brad Doyle, who raises soybeans and runs a small seed company near Weiner, Ark. The state has received nearly 600 complaints of dicamba-related crop damage this year, up from about 30 in 2016, when dicamba-resistant soybeans were introduced.

Complaints have also surged in Tennessee and Mississippi.

Monsanto and German group **BASF** SE, which makes a version of the spray, criticized Arkansas for the ban, saying it deprives farmers of a critical weedkiller.

A spokeswoman for BASF said Arkansas' ban "needlessly punishes growers who have successfully and lawfully used the product, while failing to provide an effective deterrent to growers who may be willing to ignore the ban." The state also boosted fines on "egregious" dicamba violations to $25,000 from $1,000.

A spokesman for Monsanto said the ban was premature as the causes of reported crop injuries hadn't been fully investigated. The company doesn't sell its version of dicamba in Arkansas, because academics there are still reviewing it.

Dicamba kills weeds by stimulating rapid growth that outstrips the plants' nutrient supply. The chemical is prone to spray drift, prompting chemical makers to recommend it be applied with special nozzles. Dicamba can also pose a threat if the pesticide evaporates and spreads in gas form. BASF and Monsanto have tried to minimize that risk in newer versions that bind the herbicide more tightly to plants.

Some farmers in Arkansas and Missouri have filed lawsuits against the companies, arguing they bear some liability for dicamba-related crop damage. BASF and Monsanto are contesting the claims.

Crop scientists are researching the effects dicamba can have on unmodified soybean plants, such as reducing the number of beans produced per plant. But some of those efforts are being disrupted by the spray.

Chuck Wilson, director of the University of Arkansas Northeast Research and Extension Center, said nearly all of the facility's soybean research plots were damaged by dicamba in June. About 300 acres of crops were affected.

"We basically had to start over and replant," he said.

—*Jesse Newman contributed to this article.*

Pepsi Gets Boost From Higher Prices

By Imani Moise
And Jennifer Maloney

PepsiCo Inc. said its second-quarter sales and earnings rose as the beverage and snack maker continued to offset weak demand in North America with higher prices.

The company lifted its adjusted earnings-per-share outlook for the year to $5.13 from $5.09, as it anticipates less of an impact from foreign-exchange effects. However, the raised outlook was a penny lower than Wall Street projections. Pepsi shares were off less than 1% at $113.76 in afternoon trading Tuesday.

The Purchase, N.Y., maker of Frito-Lay snacks, Gatorade and its namesake cola has been hurt as consumers spend more time at the perimeter of the supermarket browsing through produce and fresh meats and less time in the center aisles, where the company's packaged foods such as Rice-A-Roni and Aunt Jemima are found.

Still, the company has been able to achieve sales growth by raising prices. During a conference call, analysts raised concerns that the price increases could backfire, sending customers to competitors selling cheaper snacks and drinks.

Pepsi Chief Executive Indra Nooyi said the company watches pricing "very, very carefully on a weekly basis. I think where the market is today, when we can take pricing, we should take the pricing."

Pepsi executives added that their strategy includes not just raising prices but shifting the company's portfolio to more premium products, such as its new snack, Lay's Poppables.

Sales in its Frito-Lay and North American beverage units increased 3% and 2%, respectively, on flat volume growth. One of Pepsi's newest products, its LIFEWTR bottled-water brand, generated $70 million in sales in its first five months, Ms. Nooyi said during the call, and is on track for $200 million a year in sales.

Sales slipped 1% in its Quaker Foods business, but volume held steady.

PepsiCo's beverage volumes declined 2% in the latest quarter while total food and snacks volume grew 2%, driven by gains in foreign markets.

In all for the quarter ended in June, PepsiCo posted earnings of $2.11 billion, compared with $2.01 billion a year ago. Adjusted earnings per share of $1.50 handily topped the consensus estimate of $1.40 as the sale of PepsiCo's minority stake in Britvic PLC, the company that produces and sells Pepsi in the U.K., added 6 cents to its bottom line. Revenue also beat views, rising 2% to $15.71 billion, compared with estimates of $15.6 billion.

RICHARD B. LEVINE/LEVINE ROBERTS/NEWSCOM/ZUMA PRESS
PepsiCo's beverage volumes declined 2% in the latest quarter.

Internet Firms Tee Up Protest

By John D. McKinnon

WASHINGTON—Major internet companies are preparing to launch online protests Wednesday over Republican efforts to roll back Obama-era net neutrality rules, employing a tactic that influenced policy in past years.

The question is whether it will have the same impact this time. Silicon Valley and its allies don't have the same level of support in government that they enjoyed under the tech-friendly Obama administration, and the current Federal Communications Commission has already made clear its plans to significantly scale back the net neutrality rules. The GOP-controlled Congress is unlikely to intervene.

The Republican-led FCC voted in May to begin the process of rolling back the rules, and it is expected to complete the process in the fall. The rules, adopted in 2015, generally require telecommunications companies that provide online access, such as AT&T Inc. and **Comcast** Corp., to treat all internet traffic the same and not slow or block some sites.

An online campaign helped galvanize support for the strong 2015 rules. Another protest in 2012 helped scuttle antipiracy legislation that was favored by much of the entertainment industry.

Many big internet companies, such as **Amazon.com** Inc., **Facebook** Inc. and Google parent **Alphabet** Inc., would like to keep the 2015 rules in place, arguing they are important to maintaining healthy competition on the internet. The companies worry, for example, that without the strong rules, the providers could use internet fast lanes to push their own online services.

But the providers contend the rules represent overreach by the government that could stifle investment and innovation and ultimately competition.

Republicans recently have sided with the telecommunications firms, while Democrats have been more sympathetic to the internet firms.

Wednesday's day of protest is aimed at demonstrating the grass-roots appeal of the net neutrality rules and thereby weaken political support among Republicans for the rollback.

Major organizers, including a coalition of online activists known as Battle for the Net, as well as the Internet Association, a trade group, say much of the effort will be aimed at generating consumer calls and emails to Washington policy makers. That includes the FCC's three commissioners as well as members of Congress. Some sites also could run more slowly than normal, according to organizers, or at least appear to briefly.

Battle for the Net has been offering online firms sample messages that mimic slowdowns, including one it calls "spinning wheel of death."

"Don't worry, none of these will actually block, slow or paywall your site," the group says. "But, they will let your users submit a comment to the FCC and Congress without having to leave your platform."

One graphic reads: 'Keep the Internet Weird. Defend Net Neutrality.'

A graphic the group offers for social media users shows a cat riding a unicorn and wielding a handgun, with the caption, "Keep the Internet Weird. Defend Net Neutrality."

This week's protest also likely faces longer odds of success than the previous ones over net neutrality and antipiracy rules because Republicans on the FCC appear determined to go ahead with the rollback.

"We will not rely on hyperbolic statements about the end of the internet as we know it, and 140-character argle-bargle, but rather on the data," FCC Chairman Ajit Pai said in May.

Facial Recognition Wears a Smile

Beijing startup that sells surveillance tools to police forces adds $410 million in funding

By Liza Lin

THE WALL STREET JOURNAL

A SenseTime programmer tests a scanner that matches photos to people's features in real time.

SHANGHAI—A Chinese startup that sells facial-recognition systems to police forces secured venture-capital funding that values it at more than $1.5 billion, underscoring the sector's emergence as one of technology's hottest areas of interest.

Beijing-based **SenseTime** Co., which provides surveillance systems using facial recognition to Chinese law-enforcement agencies, said Tuesday it raised $410 million in new funding from investors, lifting it to so-called unicorn status with a value of more than $1 billion.

Using artificial intelligence, facial-recognition systems from SenseTime and others identify people in a crowd by matching their features against those on file in image databases. The software breaks down a person's face into a series of measurements and uses them to create a template that can be compared with others.

Adoption has been especially swift in China, aided by a large network of surveillance cameras, a national photo-identification index and relatively few privacy concerns.

Customers include law-enforcement agencies that use the technology to identify and detain criminal suspects. It is also being used by local governments to discourage behaviors like jaywalking. In a park near Shanghai, for example, it is being used to identify race participants who take shortcuts on a running track.

But commercial uses are growing as the technology emerges as an alternative way to identify people who gain access to workplaces, board airplanes, make ATM withdrawals and check into hotels.

American tech companies are active in the sector as well. Facebook Inc. is considered a pioneer in the field and last year Apple Inc. bought Emotient, a startup whose technology assesses emotions based on facial expressions. Los Angeles-based **FaceFirst** Inc. provides facial-recognition systems for U.S. and international airports and military bases.

SenseTime, which also provides facial and image recognition to the finance and mobile-internet sectors, was founded in 2014 and has 500 employees. Local Chinese governments are among its biggest clients.

The company will use the funding raised to retain and hire talent and pay for research into other technologies that rely on artificial intelligence, including self-driving cars and medical diagnostics, said Chief Executive Xu Li.

SenseTime investors include Chinese private-equity fund **CDH Investments** and Sailing Capital, a VC fund linked to the Shanghai government.

"We are already seeing the early signs of how artificial intelligence is changing traditional industry," CDH Investments Chairman Wu Shangzhi said. "The time has come for AI to have a big impact."

In total, AI-focused tech startups in China raised $500 million in the first six months of the year, preliminary data from Dow Jones VentureSource showed, compared with $700 million for all of last year. No separate data were available for facial recognition startups.

Alibaba Group Holding Ltd. Chairman Jack Ma and Foxconn Technology Co. are investors in these kinds of startups. Yunfeng Capital, a venture fund founded by Mr. Ma, is an investor in Shanghai-based **Yitu Technology**. Foxconn has a stake in Beijing-based **Megvii Technology** Inc.

Providing smart surveillance systems for national security gave startups a huge leg up when they began, said Cool Zhang, IDC China's director for artificial intelligence.

China's annual public-security budget is huge, making it an easy sector for companies to generate revenue, he said.

Privacy advocates worry that the technology could be used by governments to conduct random surveillance without cause.

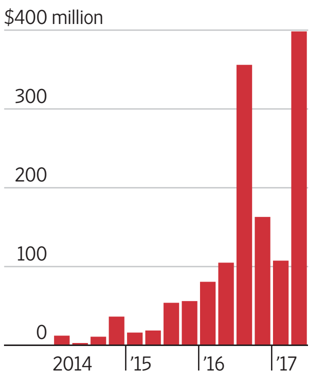
"This is a force multiplier that takes the identification of people in public to a completely different level," said Clare Garvie, a researcher for the Center on Privacy & Technology at Georgetown University Law Center.

Analysts say investment in the sector is expected to continue growing—especially in China, where the government has made a big push to advance AI technologies.

—Josh Chin in Beijing contributed to this article.

China's AI Explosion

Fundraising by Chinese artificial-intelligence* startups



*Companies selling AI products or using AI to leverage their products and services.
Note: Latest quarter's figure is preliminary.
Source: VentureSource
THE WALL STREET JOURNAL.

NOAM GALAI/GETTY IMAGES FOR TECHCRUNCH

Messenger product head Stan Chudnovsky says the rollout will be done 'slowly and carefully.'

Facebook Starts Including Ads in Its Messenger App

By Deepa Seetharaman

Facebook Inc. has spent years developing two of the world's most popular messaging apps. Now, with slowing revenue growth in its core service, it wants to cash in.

Starting Tuesday, Facebook will show advertisements inside Messenger, the chat app that Facebook says is now used by 1.2 billion people every month. The ads will be shown between users' messages, similar to the way ads are sandwiched between posts in Facebook's news feed, the main scroll of pictures, videos and posts that greets everyone who uses the service.

Facebook plans to roll out the ads "slowly and carefully" to Messenger's users, said Stan Chudnovsky, Messenger's head of product, replicating the strategy followed by its photo-sharing app, Instagram, which started showing ads to users in 2013 and took a couple of years to implement more widely.

Facebook also has been studying ways to profit from WhatsApp, the company's other messaging app.

Facebook is trying to make money from Messenger as it braces for an expected slowdown in revenue growth from news feed, the primary source of Facebook's revenue today, starting in mid-2017. Executives have told investors that Facebook would no longer increase the number of ads shown to users in the news feed. The increases helped juice revenue in prior years, but risked turning off users by jamming too many ads in their feeds.

Facebook has positioned itself to keep driving growth beyond news feed, with its acquisition of Instagram in 2012 and with heavy investments in messaging. It spun out Messenger as a stand-alone app in 2011 and continued to develop it separately after buying WhatsApp in 2014 for $22 billion.

"We believe that messaging, it's one of the few things that people actually do more than social networking," Facebook Chief Executive Mark Zuckerberg said that year.

Both Messenger and WhatsApp, which also claims 1.2 billion users, have been studying moneymaking strategies centered on connecting users to advertisers. Facebook has said two billion messages are sent between people and businesses every day over Messenger. Barclays Capital estimates that figure is about 2.5 billion for WhatsApp. But Messenger is more popular in affluent markets like the U.S. and Europe, while WhatsApp is more popular in developing countries that haven't yet been lucrative for Facebook.

Facebook could net an extra $11 billion in revenue from the two messaging apps by 2020, Barclays Capital estimates.

Facebook has been testing Messenger ads for six months in Australia and Thailand, Mr. Chudnovsky said. He said users were "very open" to ads that were useful and connected them to companies.

Advertisers can use Messenger ads in two ways: to drive traffic to their website or to open a messaging thread between the user and company. Facebook is urging advertisers to use Messenger ads to open a thread, where users can ask questions and seek advice about a potential purchase.

"On Messenger, these ads open up a conversation and end up being higher converting for the advertiser," Mr. Chudnovsky said.

Intel Hits Back at Rivals With New Server Chips

By Ted Greenwald

Intel Corp. on Tuesday brought to market a new generation of chips used in the servers that run data centers, firing back at competitors that lately have moved to challenge its hegemony in its most profitable market.

The rollout of the Xeon Scalable Family, an updated line of 58 processors priced from roughly $200 to $10,000 each, highlighted Intel's ambition to maintain its hold over all segments of the data-center market.

Intel makes most of its revenue on processors for personal computers, but the powerful server chips bring higher prices and profit margins. The server-chip division reported an operating-profit margin of 44% in fiscal 2016 compared with 32% in the segment that sells PC chips.

The server business has become more strategic lately as sales of personal computers have plateaued in recent years.

Intel holds nearly 100% of the $16.5 billion global market for server chips that run the software instructions called x86 that form the foundation of nearly all commercial software, according to Mercury Research.

But Intel's server business shows signs of contracting. Although the chip giant has said it expects double-digit revenue growth in its data-center division in coming years, half of that growth will come not from chips but from ancillary products like storage and networking, according to Bernstein Research analyst Stacy Rasgon. In addition, Intel has said that profit margins in its data-center segment would narrow as that business absorbs more of the costs of developing new manufacturing methods.

Meanwhile, the server sector has attracted a raft of rivals. Advanced Micro Devices Inc. in June started shipping its Epyc line of server chips aimed squarely at the lower-priced half of Intel's offerings. Those products, AMD's first entry into the data-center market since 2013, are giving server makers a welcome alternative to Intel's products. However, any impact on Intel won't become clear for some time.

Qualcomm Inc. and Cavium Inc. in March demonstrated chips running Microsoft Corp.'s Windows Server operating system based on technology from ARM Holdings, a division of SoftBank Group Corp. Microsoft has said it expects to use such chips in its Azure cloud service. International Business Machines Corp. has announced new server chips expected later this year.

And the boom in artificial intelligence has spurred sales of graphics processors made by Nvidia Corp., which has overshadowed Intel in the training phase of machine learning.

Intel responded to the newly competitive environment with a New York launch event Tuesday where it touted partnerships with prominent software and hardware vendors, endorsements from Amazon.com Inc. and Alphabet Inc.'s Google—an early Xeon Scalable Family customer—and boasts of its central role in three systems that are candidates for an annual list of top 500 supercomputers.

Spanning a range of uses and cost-per-performance characteristics, the new product line is intended to encourage customers to move into higher-price products, the company said.

FOCKE STRANGMANN/EUROPEAN PRESSPHOTO AGENCY

Intel makes most of its revenue on processors for PCs, but its powerful server chips command higher prices and profit margins.

MANAGEMENT

WORKAROUND

How Gender Affects Funding for Women

Women entrepreneurs receive a tiny fraction of venture-capital funds, and new research points to a reason why: the questions investors ask female founders.

A team of management and psychology researchers examined how venture investors interacted with entrepreneurs at TechCrunch's New York startup competition over seven years and found that VC funds typically asked male founders questions about how their companies will succeed, while posing questions to women founders about how they would avoid failure.

While women have founded nearly 40% of all privately held companies in the U.S., they have fetched just 3% of all venture capital, according to venture-capital tracker PitchBook Data Inc.

As a recent string of scandals call attention to the tech sector's treatment of women, ranging from pay disparities to charges of sexual misconduct, the researchers plan to present their examination into why women-led startups receive such a paucity of VC funding at the annual meeting of the Academy of Management next month.

Investors' questions tend to be about avoiding failure, and less about success.

Led by Columbia Business School doctoral candidate Dana Kanze, the team looked at video recordings of question-and-answer sessions between venture investors and 189 startups during the annual TechCrunch Disrupt New York event from 2010 to 2016. They transcribed the interviews and examined the questioners' language, finding that two-thirds of the questions asked of male entrepreneurs focused on the company's potential for success.

The 23 female founders had the opposite experience. Two-thirds of their questions sought answers about preventing failure, including "What are the opportunities for leakage?"—an industry term for lost customers and revenue.

The analysis suggests female investors were as likely as their male counterparts to ask the woman-led teams prevention-focused questions, contradicting the attitude among some firms that hiring more female VCs alone improves the odds that female founders get funded.

The questioning patterns appeared to be linked to how much money the startups fetched. Entrepreneurs who were asked promotion-focused questions were more likely to win one of the top prizes in the competition. Male-led teams raised an average of $17.1 million each, more than five times the $3.3 million earned by the female-led companies.

The paper, "We Ask Men to Win & Women Not to Lose: Closing the Gender Gap in Startup Funding," offers a window into gender stereotypes of what an entrepreneur is supposed to look like, Ms. Kanze said. "Women seem to be violating that norm, and are inadvertently penalized."

—*Kelsey Gee*

CEOs Head To the Web For Critiques

Glassdoor and other career sites give employees forums to appraise the boss

By Vanessa Fuhrmans

PATRICK T. FALLON/BLOOMBERG NEWS

Zillow CEO Spencer Rascoff. He says he looks at Glassdoor ratings of acquisition candidates.

Career websites such as Glassdoor have become regular reading for job seekers. Now chief executives are increasingly perusing their online reviews to find out what employees think of them—to evaluate policies and even to talk back.

A growing number of sites such as Indeed.com, Vault.com, Kununu and Fairygodboss let people post anonymous appraisals of their employers. A poster can comment on everything from pay and benefits to workplace likes and dislikes. Glassdoor is one of the most extensive sources of online employee feedback, displaying reviews of more than 700,000 companies and whether reviewers approve or disapprove of their CEOs.

The public-yet-personal critiques are prompting more company bosses to track and respond to reviews. In the process, they have come to treat them as a necessary evil or a useful management tool, and a performance measure akin to using stock prices to gauge investor confidence.

In the past three years, Spencer Rascoff, CEO of real-estate website **Zillow Group** Inc., has responded to some 70 reviews on Glassdoor and has a 95% CEO approval score on the site. His company was co-founded by Rich Barton, the same entrepreneur who helped start Glassdoor.

Like Mr. Rascoff, some of the most active CEOs on Glassdoor enjoy high ratings.

"Getting caught up on recent @Glassdoor employee reviews of @zillow," he tweeted last fall, adding: "Reviews were almost all good lately. But a few things we need to work on."

Some CEOs use responses simply to show they are listening. When, for instance, a worker at Nagarro, a division of Germany-based information-technology company **Allgeier** SE, complained about undermining colleagues, Nagarro CEO **Manas Fuloria** replied: "Your experience is your reality and we must fix it. Do reach out."

Daniel Chait, head of recruiting-technology firm **Greenhouse Software** Inc. gets an email alert every time someone posts a Glassdoor review of his company and has responded to nearly all 74 of them over the past few years. "Where people get into trouble is if they ignore it, or they try to use it as a way to win the argument" with a negative reviewer, says Mr. Chait, who has a 95% approval rating.

For some business leaders, that isn't always easy.

"Gosh, I am sorry we have made our cafeteria so good and so inexpensive that people would rather stay here than go out. How evil of us," wrote **Overstock.com** Inc.'s CEO, Patrick Byrne, in response to a reviewer this spring who complained that the online retailer's cafeteria encouraged people not to leave work.

Meghan Tuohig, vice president of people care at Overstock, says Mr. Byrne—who has a 58% approval rating on Glassdoor—is one of a number of people at the company who receives an alert when someone posts a Glassdoor review about working there. The company responds to both positive and negative reviews, particularly when they are about specifics that "we can straighten out or investigate further," she says.

Increasingly, outsiders are listening too. Zillow's Mr. Rascoff and leaders at other companies say they also look at Glassdoor ratings of acquisition candidates. A leaked Salesforce presentation of potential targets last year included each company's overall and CEO rating on Glassdoor.

"We have walked away from dozens of acquisitions that looked good on paper and made strategic sense" because of poor reviews, says Mr. Rascoff.

Glassdoor says all company reviews undergo a series of checks before appearing online to guard against abuse and to verify they are, indeed, from a current or former employee. A handful of times, the website has received emails from workers saying their employers coerced or incentivized them to write positive reviews, says Glassdoor spokesman Scott Dobroski. If an investigation finds that is the case, he says, it is removed.

Employers can't alter or remove bad reviews, though in some cases Glassdoor says it will disallow or remove reviews if they reveal confidential business information or otherwise violate its guidelines.

Mr. Chait says Greenhouse invites employees to write reviews, while making clear it is optional. Occasionally the critiques have led to changes, such as when some reviewers complained a take-home test that Greenhouse gave job seekers was too arduous. This year, he says, the firm tweaked how it presented the test, stressing that candidates shouldn't spend more than a few hours on it.

"I need that negative feedback," Mr. Chait says of some reviews. "As a CEO, my life is full of people saying nice things to me."

First Responders

Chief executives with the most responses to Glassdoor reviews in the past three years.

CEO / Company	Number of reviews	Number of CEO responses
Spencer Rascoff Zillow	344	70
Dan Caruso Zayo Group	205	37
Manas Fuloria Nagarro	328	24
Neil de Crescenzo Change Healthcare	256	23
Michael Hansen Cengage Learning	559	22

Note: Companies with 1,000 or more employees and more than 200 reviews between June 2014 and June 2017.
Source: Glassdoor

THE WALL STREET JOURNAL.

BUSINESS WATCH

CONSOL ENERGY

Miner to Spin Off Its Coal Business

Consol Energy Inc., one of the world's oldest coal miners, said Tuesday its board has approved plans to spin off its coal business, cementing its identity as a natural-gas exploration and production company.

Consol Energy said in December it planned to separate itself from the coal business, but the makeover for the Pennsylvania company began earlier this decade amid a boom in domestic natural-gas exploration. In late 2015, the company's earnings from natural gas eclipsed those from coal.

The company said in securities filings Tuesday that the coal business, called Consol Mining Corp., will seek a listing on the New York Stock Exchange and distribute shares in Consol Mining on a pro rata basis to Consol Energy shareholders.

Jimmy Brock, chief operating officer at Consol, will become chief executive of the coal business, the company said Tuesday in the filing.

—*Ezequiel Minaya*

ANDREW HARRER/BLOOMBERG NEWS

A Consol Energy coal terminal in Baltimore. The U.S.-based company said its coal business will be called Consol Mining.

HOMELAND SECURITY

Trump Administration Delays Startup Rule

The Trump administration on Monday took steps toward scrapping a regulation that would have helped more foreign-born entrepreneurs build start-ups in the U.S. without a traditional visa.

The Department of Homeland Security filed a notice that it will delay the effective date of the International Entrepreneur Rule, which would have let foreign entrepreneurs apply to work in the U.S. provided their startup raised $250,000 from established U.S. investors.

The rule, enacted in the final days of the Obama administration, had been set to go into effect next week. The DHS will delay that date by eight months, the agency said in a Federal Register filing.

—*Douglas MacMillan*

RENT-A-CENTER

Rent-to-Own Seller Rejects Buyout Offer

Rent-A-Center Inc. said Tuesday it has rejected an unsolicited takeover offer of $15 a share from activist investor **Vintage Capital Management** LLC, calling it an "inadequate and opportunistic proposal."

The company's shares were up 10% to $12.22 in afternoon trading, following its disclosure of the proposal from Vintage Capital, which sent a letter to Rent-A-Center's financial adviser last month. The offer valued the rent-to-own seller of household goods at $800 million.

—*Ali Stratton*

Cash Exits Emerging-Market ETF

Record outflows hit fund as changing rate picture stokes anxiety around risky assets

By Saumya Vaishampayan

A record amount of money flowed out of a major emerging-market exchange-traded fund last week, a sign that some investors may be growing skittish about owning risky assets in an environment where global interest rates are set to rise.

Investors pulled a net $818.5 million out of the **iShares J.P. Morgan USD Emerging Markets Bond ETF** in the five days through Friday, the biggest weekly outflow since the fund was launched in 2007, according to data from FactSet. The $11.7 billion fund is the largest emerging-markets bond ETF by total assets, according to ETFdb.com, which tracks such funds.

The exodus of money from emerging-market dollar debt followed comments from central bankers in the U.K., Canada and the eurozone suggesting that their economies have recovered enough for them to consider stepping back from their easy monetary policies. Yields on benchmark government bonds in the U.S. and Germany have since rallied, with the 10-year bund recently hitting its highest level since early 2016.

To be sure, weekly flows for ETFs can be volatile. The iShares emerging-market ETF in question received a net inflow of $899.8 million in the five days ended June 9, the biggest weekly inflow in the fund's history, the data show. Even with last week's withdrawal, investors have poured a net $3.6 billion into that fund so far this year.

In the wake of the 2008 global financial crisis, many major central banks bought bonds aggressively as they tried to stabilize their economies, helping drive yields lower. The Federal Reserve has since reversed course, ending its bond purchases and raising short-term interest rates. It now appears likely that more central banks in developed markets are ready to tighten monetary policy as well.

$818.5

The ETF's outflows, in millions, in the five days through Friday

Investors turned to risky assets that offer higher returns, such as those in emerging markets, as rates dropped to ultralow levels around the world in part because of central banks' bond purchases. The question now is whether those yield-hungry investors will continue to want to own emerging-market debt as returns on safer assets become more appealing. Signals from the Fed in 2013 that it was ready to end its asset purchases hit emerging markets hard in an episode known as the taper tantrum. At the time, investors unloaded bonds in an effort to pre-empt the Fed's scaling back of its stimulus program.

The 10-year Treasury yield settled at 2.371% on Monday in New York. A rise in the 10-year Treasury yield to near 3% could be a more significant trigger for a reversal of fund flows, said Khoon Goh, head of Asia research at ANZ. As developed-market yields rise, "we could see at the very least some unwinding of the strong inflows," he added.

Foreign investors have snapped up emerging-market debt in Asia, excluding China, in each of the first six months of the year, according to ANZ, sending $6.1 billion into those bonds in June alone.

The pace has cooled recently, however, with last month's amount marking the smallest monthly inflow since March.

Kisoo Park, a global bond manager at Manulife Asset Management in Hong Kong, said global rates would probably rise more than many market participants currently expect, but not to absolute levels high enough to spur large outflows from emerging markets.

"You want to be in a country that has an improving fundamental trend and high yields, like Indonesia and India," he said, adding that he owns bonds in both countries.

Temasek Became a Net Seller in Latest Year

By Jake Maxwell Watts and Gaurav Raghuvanshi

ORE HUIYING/BLOOMBERG NEWS

Chia Song Hwee, president of Singapore's Temasek, said that 'generally speaking the market pricing is a bit too high.'

SINGAPORE—Singapore state investment firm **Temasek Holdings** Pte. Ltd. said it sold more assets than it bought for the first time in nine years as it shifted its focus toward private equity and moved away from public markets where valuations are high.

The company, which had a portfolio value of almost $200 billion at the end of the latest financial year, owns large stakes in global firms including **Standard Chartered** PLC and **China Construction Bank** Corp. In the financial year ended March 31, Temasek invested 16 billion Singapore dollars (US$11.6 billion) and divested S$18 billion, as it rebalanced its portfolio away from traditional sectors such as banking and telecommunications.

Temasek said it remains cautious on global economic uncertainties and is focusing on new long-term opportunities including technology-related industries, life sciences, agribusinesses, nonbank financial services and energy.

The company said it stepped up investments in private equity over public markets in the last financial year, as it deemed the latter to be highly priced. Temasek's president, Chia Song Hwee, said the company didn't set out last financial year intending to divest more than it invested, but that "generally speaking the market pricing is a bit too high."

Temasek reported a 13% return to shareholders in the latest financial year, supported by a stronger global economy. It said its total portfolio value rose 13.6% to S$275 billion in the 12-month period ended March 31.

Its net profit rose to S$14.2 billion from S$8.4 billion a year earlier. Last July, Temasek reported its first drop in portfolio value since the global financial crisis, largely due to weakness in shares of public companies it had stakes in.

Temasek is among several large institutional investors, both state-run and private, that have warned recently of high valuations in public markets at the same time that there are unresolved uncertainties in the global political economy. This week, Singapore sovereign-wealth fund **GIC** Pte. Ltd. said it had built a more cautious investment profile and warned of "complacency" in the investment industry due to low volatility in public markets.

Many global institutional investors have performed well in the 12-month period ended March 31 despite a series of high-risk political events such as Britain's vote to leave the European Union and a surprising election result in the U.S.

Temasek stuck a more positive tone than GIC, however. The company's executives said Tuesday they are encouraged by an improvement in business sentiment and investment, a trend that, if it continues, could help support markets at a time when central banks around the world are beginning to normalize interest rates.

Temasek's investments in the past year include U.S. technology firm **Amazon** Inc., Chinese online travel reservations platform **Ctrip.com** and US$800 million in a life-sciences company, **Verily Life Sciences**, which was spun off from **Alphabet** Inc.'s Google.

Among deals in its home country of Singapore, which accounts for 29% of Temasek's underlying assets, the company invested an additional S$1.6 billion in **Singapore Telecommunications** Inc. and bought out public transport operator SMRT Corp. for S$1.2 billion.

The state investment firm's major divestments completed in the last financial year include Indian telecommunications firm **Bharti Airtel** and Singapore shipping operator **Neptune Orient** Lines. It also divested part of its stake in Thai telecom **Intouch Holdings**.

At the end of March, a quarter of Temasek's portfolio was in financial services, 23% was in telecommunications, media and technology, and 17% was in transportation and industrials.

Energy Shares Support Indexes In U.S.

By Riva Gold and Akane Otani

EQUITIES

The Dow Jones Industrial Average eked out a gain after a brief bout of selling sent it down more than 100 points.

The Dow industrials finished up 0.55 point, or less than 0.1%, to 21409.07, after losing roughly 129 points earlier in the session. The S&P 500 fell 1.9 points, or less than 0.1%, to 2425.53 and the Nasdaq Composite rose 16.91 points, or 0.3%, to 6193.30.

Shares of energy companies gained with oil prices, supporting major stock indexes.

In Europe, the Stoxx Europe 600 fell 0.7% to 379.15, weighed down by declines in shares of U.K. companies.

The U.K.'s FTSE 100 index gave up 0.5%. Germany's DAX 30 index fell less than 0.1%, while France's CAC 40 index was down 0.5%.

Shares of Marks & Spencer Group dropped 4.7% after the British retailer reported a 0.5% fall in U.K. like-for-like sales for the first quarter of fiscal 2018.

U.S. stocks had dropped after Donald Trump Jr. released emails about meeting with a Russian lawyer to discuss allegedly incriminating information about Hillary Clinton, traders said. But by afternoon, stocks retraced much of their losses—leaving the Dow industrials on track to close slightly higher for the day.

The energy sector rose 0.5% in the S&P 500, leading gains. U.S. crude oil rose 1.4% to settle at $45.04 a barrel.

Overall, many investors and analysts say they have pared expectations for the U.S. stock market's gains for the rest of the year. Stock valuations are at higher-than-average levels and central banks are signaling they will move toward normalizing monetary policy.

That leaves the stock market vulnerable to a pullback should earnings growth stall out, investors say.

Government-bond prices edged higher Tuesday, with the yield on the 10-year U.S. Treasury note falling to 2.362%, according to Tradeweb, from 2.371% Monday. Yields fall as bond prices rise.

Earlier in Asia, Japan's Nikkei Stock Average gained 0.6% as a weaker yen provided support. Hong Kong's **Hang Seng** Index gained 1.5%.

Home-Price Rise Helps Banks Avoid Pain

By Christina Rexrode

CHRISTOPHER DILTS/BLOOMBERG NEWS

Some lenders including Wells Fargo say they have reached out to customers with Helocs about to reset, offering affordable options.

Rising home prices have turned the great home-equity-line reset into a small setback rather than a disaster for the banking industry.

Banks let home-equity lines of credit, or Helocs, flow freely in the run-up to the financial crisis, often to borrowers with bad credit or living in overvalued homes. Typically, the borrowers were allowed to pay back only the interest for 10 years. In recent years, banks worried that those borrowers wouldn't be able to keep up when the lines reset, which can raise monthly payments by hundreds of dollars.

Now, more than halfway through the problem resets, banks are more optimistic. Borrowers with Helocs taken out in early 2007 are falling behind at lower rates than those that reset over the past three years, according to data provided to The Wall Street Journal by credit-reporting firm Equifax.

About 3.8% of borrowers who signed up for Helocs in early 2007 were a month or more late on their payments four months after the lines reset, according to Equifax. That delinquency rate had been above 4% for each of the past three years, moving as high as 4.43% for loans made in 2004.

What's changed: The economy and jobs picture have improved and housing has recovered enough in recent years to give borrowers more flexibility. Specifically, it has become less common for mortgage borrowers to owe more than their house is worth, a condition known as being "underwater" that makes it harder for Heloc borrowers to handle a reset.

In the first quarter, 9.7% of U.S. properties with a mortgage were seriously underwater, according to research firm Attom Data Solutions. In early 2014, that proportion was 17.5%. The firm defines seriously underwater as loans where the borrower owes at least 25% more than what the home is worth.

Also, big lenders including J.P. Morgan Chase & Co. and Wells Fargo & Co. say they have reached out to customers whose Helocs were about to reset, offering options the borrowers can afford. That can include taking out another loan to pay off the Heloc before it resets or applying for a new Heloc to keep the interest-only payments, both of which can allow a bank to mark a Heloc as "positively" closed.

Equifax estimates nearly 16% of the 2007 Helocs had been positively closed in recent months by the time they were about to reset. Four months after the reset, more than 24% had been positively closed.

"It's really just sitting down with customers and assessing their needs and offering them good options," said Pete Boomer, head of mortgage production at PNC Financial Services Group Inc., which set up a task force for customers with resetting Helocs.

The overall economy has helped, too. Since problem Helocs began resetting around early 2014, housing prices have risen, making it easier for banks to refinance customers into new loans. U.S. home prices, after dropping throughout the 2008 crisis and its aftermath, have risen nearly 35% since the start of 2014. The median sales price of an existing home was $252,800 in May 2017, according to the National Association of Realtors, up from $187,900 in January 2014.

Unemployment has also fallen, making banks more comfortable with extending credit. "At the end of the day, lenders do want to have Helocs on their books," said Guy Cecala, publisher of the trade publication Inside Mortgage Finance. "They like the income on them—they just want to make sure they're all in order."

Helocs from late 2007 and 2008 are the only problem lines that still need to reset. By then, cracks were starting to show in housing, and banks were getting stingier with Helocs. About 766,000 Helocs originated in 2007 are still active, representing a balance of nearly $46 billion, according to Equifax. About 584,000 Helocs made in 2008 are still active, a balance of about $31 billion.

Gunnar Blix, deputy chief economist of Equifax, said banks got ahead of many problem Helocs by rolling them into new loans or otherwise modifying the lines.

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(1) Source IPE "Top 400 asset managers" published in June 2017 and based on AUM as of end December 2016. (2) Source: Amundi and Pioneer Investments combined figures pro-forma as of end December 2016 provided for information purposes only, subject to change without prior notice.
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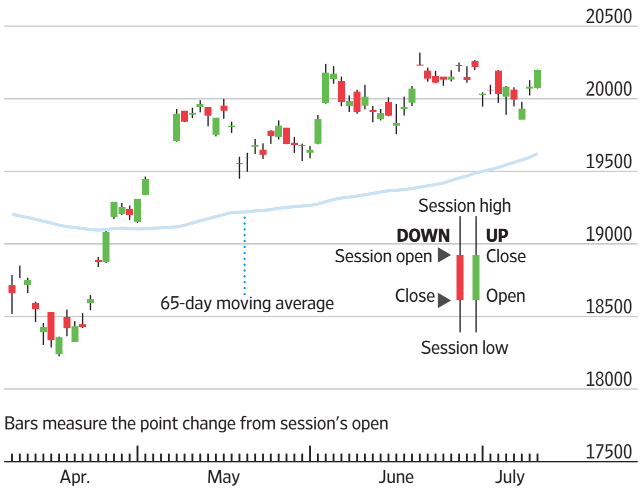
MARKETS DIGEST

Nikkei 225 Index

20195.48 ▲114.50, or 0.57%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲5.66%
52-wk high/low	20230.41	16083.11
All-time high	38915.87	12/29/89



STOXX 600 Index

379.15 ▼2.49, or 0.65%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲4.91%
52-wk high/low	396.45	328.80
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 4 p.m. New York time

2425.53 ▼1.90, or 0.08%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.77	24.07
P/E estimate *	18.56	17.94
Dividend yield	2.01	2.17
All-time high:	2453.46, 06/19/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2785.96	5.56	0.20	2373.10	2792.77	10.2
	MSCI EAFE	1884.53	4.08	0.22	1471.88	1956.39	9.8
	MSCI EM USD	1018.51	9.22	0.91	691.21	1044.05	28.2
Americas	**DJ Americas**	583.32	-0.10	-0.02	503.44	588.61	7.9
Brazil	**Sao Paulo Bovespa**	63815.86	790.40	1.25	53732.82	69487.58	6.0
Canada	**S&P/TSX Comp**	15139.41	34.13	0.23	14319.11	15943.09	-1.0
Mexico	**IPC All-Share**	50500.89	-115.92	-0.23	43998.98	50869.10	10.6
Chile	**Santiago IPSA**	3728.29	4.00	0.11	3120.87	3786.05	15.7
U.S.	**DJIA**	21409.07	0.55	0.003	17883.56	21562.75	8.3
	Nasdaq Composite	6193.30	16.91	0.27	5002.82	6341.70	15.1
	S&P 500	2425.53	-1.90	-0.08	2083.79	2453.82	8.3
	CBOE Volatility	11.00	-0.11	-0.99	9.37	23.01	-21.7
EMEA	**Stoxx Europe 600**	379.15	-2.49	-0.65	327.02	396.55	4.9
	Stoxx Europe 50	3107.09	-21.83	-0.70	2720.66	3279.71	3.2
Austria	**ATX**	3146.91	-5.60	-0.18	2110.64	3212.50	20.2
Belgium	**Bel-20**	3824.74	-20.34	-0.53	3357.04	4055.96	6.1
France	**CAC 40**	5140.60	-25.04	-0.48	4270.99	5442.10	5.7
Germany	**DAX**	12437.02	-8.90	-0.07	9841.11	12951.54	8.3
Greece	**ATG**	844.33	0.50	0.06	546.80	850.96	31.2
Hungary	**BUX**	35749.57	24.65	0.07	26912.03	36168.63	11.7
Israel	**Tel Aviv**	1435.93	0.58	0.04	1372.23	1490.23	-2.4
Italy	**FTSE MIB**	21111.70	-78.97	-0.37	15923.11	21828.77	9.8
Netherlands	**AEX**	510.99	-1.06	-0.21	436.28	537.84	5.8
Poland	**WIG**	60700.46	-128.78	-0.21	44837.76	62666.49	17.3
Russia	**RTS Index**	1001.51	-4.63	-0.46	898.05	1196.99	-13.1
Spain	**IBEX 35**	10449.10	-60.40	-0.57	8229.40	11184.40	11.7
Sweden	**SX All Share**	579.32	-2.16	-0.37	480.93	598.42	8.4
Switzerland	**Swiss Market**	8874.07	-69.77	-0.78	7585.56	9148.61	8.0
South Africa	**Johannesburg All Share**	52376.38	188.46	0.36	48935.90	54716.53	3.4
Turkey	**BIST 100**	103182.64	2085.48	2.06	70426.16	103558.64	32.1
U.K.	**FTSE 100**	7329.76	-40.27	-0.55	6615.83	7598.99	2.6
Asia-Pacific	**DJ Asia-Pacific TSM**	1624.62	12.97	0.80	1391.46	1643.59	14.2
Australia	**S&P/ASX 200**	5728.90	4.50	0.08	5156.60	5956.50	1.1
China	**Shanghai Composite**	3203.04	-9.59	-0.30	2953.39	3288.97	3.2
Hong Kong	**Hang Seng**	25877.64	377.58	1.48	21224.74	26063.06	17.6
India	**S&P BSE Sensex**	31747.09	31.45	0.10	25765.14	31747.09	19.2
Japan	**Nikkei Stock Avg**	20195.48	114.50	0.57	16083.11	20230.41	5.7
Singapore	**Straits Times**	3218.80	-27.55	-0.85	2787.27	3271.11	11.7
South Korea	**Kospi**	2396.00	13.90	0.58	1958.38	2396.00	18.2
Taiwan	**Weighted**	10415.57	125.66	1.22	8841.46	10513.96	12.6

Source: SIX Financial Information; WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	1.753	37.0	34.7	28.0	95.5	1.734	1.619	1.612
4.750	10	2.705	34.1	31.8	21.0	47.8	2.693	2.411	1.912
3.000	**Belgium** 2	-0.475	-185.8	-187.9	-193.2	-124.2	-0.492	-0.593	-0.585
0.800	10	0.912	-145.1	-146.7	-159.7	-140.3	0.908	0.605	0.031
0.000	**France** 2	-0.379	-176.2	-177.4	-185.8	-124.4	-0.387	-0.519	-0.587
1.000	10	0.921	-144.3	-146.5	-155.5	-130.4	0.910	0.646	0.130
0.000	**Germany** 2	-0.597	-198.0	-198.7	-208.7	-134.5	-0.600	-0.748	-0.688
0.250	10	0.551	-181.3	-183.4	-193.7	-159.9	0.541	0.265	-0.165
0.050	**Italy** 2	0.110	-127.3	-130.0	-160.5	-73.0	0.087	-0.266	-0.073
2.200	10	2.322	-4.1	-9.9	-11.5	-30.5	2.276	2.087	1.129
0.100	**Japan** 2	-0.101	-148.4	-148.3	-144.6	-100.7	-0.096	-0.107	-0.350
0.100	10	0.095	-226.9	-228.1	-214.7	-170.8	0.095	0.055	-0.275
4.000	**Netherlands** 2	-0.572	-195.6	-197.7	-204.9	-127.0	-0.590	-0.710	-0.613
0.750	10	0.750	-161.4	-163.2	-172.2	-153.1	0.743	0.479	-0.097
4.750	**Portugal** 2	0.044	-133.9	-137.2	-122.1	-28.5	0.015	0.118	0.372
4.125	10	3.129	76.5	72.3	79.5	166.5	3.098	2.997	3.098
2.750	**Spain** 2	-0.206	-158.9	-159.4	-164.8	-77.6	-0.207	-0.310	-0.119
1.500	10	1.687	-67.6	-70.8	-76.5	-26.4	1.667	1.437	1.170
4.250	**Sweden** 2	-0.695	-207.9	-208.7	-206.2	-130.4	-0.700	-0.724	-0.647
1.000	10	0.678	-168.5	-170.5	-179.1	-130.2	0.670	0.410	0.132
1.750	**U.K.** 2	0.304	-108.0	-108.8	-124.7	-50.4	0.299	0.092	0.153
4.250	10	1.280	-108.4	-110.5	-119.4	-67.4	1.270	1.007	0.760
1.250	**U.S.** 2	1.383	...	...	...	...	1.387	1.339	0.657
2.375	10	2.363	...	...	...	...	2.375	2.201	1.434

Commodities

Prices of futures contracts with the most open interest — 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 7/10/2017

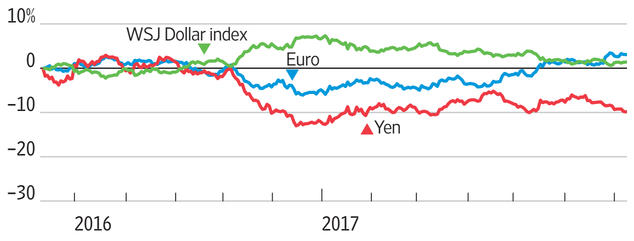
Commodity	Exchange	Last price	One-Day Change: Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	401.00	-1.00	-0.25%	404.75	364.50
Soybeans (cents/bu.)	CBOT	1041.75	2.50	0.24%	1,047.00	907.00
Wheat (cents/bu.)	CBOT	551.25	1.25	0.23	574.50	430.75
Live cattle (cents/lb.)	CME	115.250	1.425	1.25	127.650	99.400
Cocoa ($/ton)	ICE-US	1,807	-31	-1.69	2,281	1,767
Coffee (cents/lb.)	ICE-US	126.90	-1.70	-1.32	163.75	115.50
Sugar (cents/lb.)	ICE-US	13.45	-0.11	-0.81	20.50	12.74
Cotton (cents/lb.)	ICE-US	67.60	0.31	0.46	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2072.00	-28.00	-1.33	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.6720	0.0245	0.93	2.8495	2.4850
Gold ($/troy oz.)	COMEX	1216.00	2.80	0.23	1,300.30	1,155.00
Silver ($/troy oz.)	COMEX	15.805	0.176	1.13	18.780	14.340
Aluminum ($/mt)*	LME	1,923.00	-9.00	-0.47	1,972.00	1,688.50
Tin ($/mt)*	LME	19,700.00	-160.00	-0.81	21,225.00	18,760.00
Copper ($/mt)*	LME	5,815.00	-14.00	-0.24	6,156.00	5,491.00
Lead ($/mt)*	LME	2,286.50	-2.50	-0.11	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,779.00	-3.00	-0.11	2,958.50	2,450.50
Nickel ($/mt)*	LME	8,920.00	-75.00	-0.83	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	197.30	0.80	0.41	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2581.00	-12.00	-0.46	2966.00	2390.00
Crude oil ($/bbl.)	NYMEX	45.25	0.65	1.46	58.36	42.29
NY Harbor ULSD ($/gal.)	NYMEX	1.4770	0.0234	1.61	1.7930	1.3609
RBOB gasoline ($/gal.)	NYMEX	1.5180	0.0173	1.15	1.8561	1.3902
Natural gas ($/mmBtu)	NYMEX	3.034	0.105	3.58	3.5750	2.8320
Brent crude ($/bbl.)	ICE-EU	47.55	0.67	1.43	60.18	44.60
Gas oil ($/ton)	ICE-EU	438.00	4.50	1.04	530.25	403.50

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on July 11

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0588	17.0176	7.2
Brazil real	0.3076	3.2510	-0.1
Canada dollar	0.7740	1.2920	-3.9
Chile peso	0.001499	667.00	-0.4
Colombia peso	0.0003257	3070.75	2.3
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0558	17.9291	-13.5
Peru sol	0.3073	3.2543	-2.9
Uruguay peso-e	0.0346	28.900	-1.5
Venezuela bolivar	0.098731	10.13	1.3
Asia-Pacific			
Australia dollar	0.7618	1.3127	-5.5
China yuan	0.1470	6.8014	-2.1
Hong Kong dollar	0.1280	7.8128	0.7
India rupee	0.0155	64.5400	-5.0
Indonesia rupiah	0.0000748	13369	-1.2
Japan yen	0.008761	114.15	-2.4
Kazakhstan tenge	0.003046	328.26	-1.6
Macau pataca	0.1243	8.0464	1.6
Malaysia ringgit-c	0.2327	4.2975	-4.2
New Zealand dollar	0.7212	1.3866	-4.0
Pakistan rupee	0.0095	105.250	0.8
Philippines peso	0.0197	50.746	2.3
Singapore dollar	0.7225	1.3841	-4.4
South Korea won	0.0008689	1150.88	-4.7
Sri Lanka rupee	0.0065053	153.72	3.6
Taiwan dollar	0.03274	30.547	-5.9
Thailand baht	0.02932	34.110	-4.7
Europe			
Bulgaria lev	0.5844	1.7113	-7.9
Croatia kuna	0.1543	6.479	-9.7
Euro zone euro	1.1436	0.8745	-8.0
Czech Rep. koruna-b	0.0437	22.861	-11.0
Denmark krone	0.1538	6.5033	-8.0
Hungary forint	0.003718	268.99	-8.6
Iceland krona	0.009236	108.27	-4.2
Norway krone	0.1202	8.3167	-3.8
Poland zloty	0.2696	3.7087	-11.4
Russia ruble-d	0.01643	60.865	-0.7
Sweden krona	0.1187	8.4220	-7.5
Switzerland franc	1.0340	0.9671	-5.1
Turkey lira	0.2760	3.6227	2.8
Ukraine hryvnia	0.0386	25.9400	-4.2
U.K. pound	1.2844	0.7786	-3.9
Middle East/Africa			
Bahrain dinar	2.6504	0.3773	0.03
Egypt pound-a	0.0559	17.9017	-1.3
Israel shekel	0.2803	3.5676	-7.3
Kuwait dinar	3.2974	0.3033	-0.8
Oman sul rial	2.5974	0.3850	0.01
Qatar rial	0.2703	3.700	1.6
Saudi Arabia riyal	0.2666	3.7504	-0.01
South Africa rand	0.0737	13.5741	-0.9

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	88.38	0.01	0.01	-4.91

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Jul 11

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3127	1.6860	1.3574	0.0115	0.1680	1.5010	1.0160	...
Canada	1.2920	1.6592	1.3362	0.0113	0.1654	1.4773	...	0.9841
Euro	0.8745	1.1232	0.9044	0.0077	0.1119	...	0.6769	0.6662
Hong Kong	7.8128	10.0347	8.0794	0.0684	...	8.9343	6.0473	5.9518
Japan	114.1460	146.6100	118.0500	...	14.6100	130.5200	88.3500	86.9400
Switzerland	0.9671	1.2421	...	0.0085	0.1238	1.1058	0.7484	0.7367
U.K.	0.7786	...	0.8051	0.0068	0.0997	0.8904	0.6026	0.5931
U.S.	...	1.2844	1.0340	0.0088	0.1280	1.1436	0.7740	0.7618

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.22389%**	0.47935%
Three month	**1.30350**	0.67335
Six month	**1.46267**	0.96600
One year	**1.75233**	1.28450
Euro Libor		
One month	**-0.40357%**	-0.36500%
Three month	**-0.37214**	-0.30086
Six month	**-0.30614**	-0.19271
One year	**-0.18414**	-0.07171
Euribor		
One month	**-0.37400%**	-0.36900%
Three month	**-0.33100**	-0.29100
Six month	**-0.27300**	-0.19100
One year	**-0.15500**	-0.06100
Yen Libor		
One month	**-0.03414%**	-0.06214%
Three month	**-0.01293**	-0.03186
Six month	**0.00557**	-0.02671
One year	**0.11486**	0.05464

	Offer	Bid
Eurodollars		
One month	**1.3200%**	1.2200%
Three month	**1.3400**	1.2400
Six month	**1.4900**	1.3900
One year	**1.8300**	1.7300

	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.05%**	0.48%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

Top Stock Listings

4 p.m. New York time

Asia Titans

Cur	Stock	Sym	Last	% Chg	YTD% Chg
HK$	AIAGroup	1299	57.60	2.40	31.66
¥	AstellasPharma	4503	1386.50	0.07	-14.60
AU$	AustNZBk	ANZ	28.85	0.38	-5.16
AU$	BHP	BHP	24.78	1.06	-1.12
HK$	BankofChina	3988	3.66	1.95	6.40
HK$	CKHutchison	0001	98.95	0.71	12.57
HK$	CNOOC	0883	8.54	0.23	-11.96
AU$	CSL	CSL	132.46	-0.65	31.92
¥	Canon	7751	3769.00	0.56	14.39
¥	CentralJapanRwy	9022	17915	-0.03	-6.84
HK$	ChinaConstructnBk	0939	6.18	4.04	3.52
HK$	ChinaLifeInsurance	2628	24.60	2.71	21.78
HK$	ChinaMobile	0941	81.00	0.31	-1.46
HK$	ChinaPetro&Chem	0386	5.84	0.86	6.18
AU$	CmwlthBkAust	CBA	82.94	0.16	0.64
¥	EastJapanRailway	9020	10885	0.93	7.77
¥	Fanuc	6954	22400	1.54	13.05
¥	Hitachi	6501	712.10	1.58	12.67
TW$	Hon Hai Precisn	2317	118.50	2.60	40.74
¥	HondaMotor	7267	3104.00	...	-9.11
KRW	HyundaiMtr	005380	148000	...	1.37
HK$	Ind&Comml	1398	5.02	3.08	7.96
¥	JapanTobacco	2914	3874.00	0.44	0.78
¥	KDDI	9433	2929.00	0.69	-1.03
¥	Mitsubishi	8058	2378.00	-0.52	-4.50
¥	MitsubishiElectric	6503	1673.00	0.21	2.67
¥	MitsubishiUFJFin	8306	751.40	0.28	4.33
¥	Mitsui	8031	1609.00	0.37	0.12
¥	Mizuho Fin	8411	205.00	0.20	-2.29
¥	NTTDoCoMo	9437	2641.00	0.71	-0.83
AU$	NatAustBnk	NAB	30.09	0.10	-1.89
¥	NipponTeleg	9432	5305.00	1.43	8.00
¥	NissanMotor	7201	1154.50	0.22	-1.79
¥	Panasonic	6752	1521.00	1.98	27.87
HK$	PingAnInsofChina	2318	55.10	1.72	42.01
$	RelianceIndsGDR	RIGD	45.75	-0.97	45.01
KRW	SamsungElectronics	005930	2450000	0.70	35.96
¥	Seven&I Hldgs	3382	4528.00	-0.15	1.68
¥	SoftBankGroup	9984	9106.00	1.99	17.27
¥	Sony	6758	4439.00	2.80	35.54
¥	Sumitomo Mitsui	8316	4378.00	0.11	-1.84
HK$	SunHngKaiPrp	0016	115.90	...	18.27
TW$	TaiwanSemiMfg	2330	212.00	2.91	16.80
¥	TakedaPharm	4502	5706.00	0.21	18.01
HK$	TencentHoldings	0700	278.40	2.50	46.76
¥	TokioMarineHldg	8766	4807.00	0.69	0.23
¥	ToyotaMtr	7203	6263.00	1.23	-8.94
AU$	Wesfarmers	WES	40.68	-0.46	-3.46
AU$	WestpacBanking	WBC	31.08	0.68	-4.66
AU$	Woolworths	WOW	25.75	-0.08	6.85

Stoxx 50

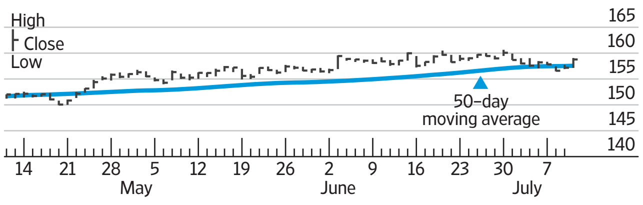
Cur	Stock	Sym	Last	% Chg	YTD% Chg
CHF	ABB	ABBN	23.85	0.21	11.03
€	ASMLHolding	ASML	117.50	-0.17	10.17
€	AXA	CS	25.03	-0.58	4.36
€	AirLiquide	AI	107.00	-0.88	1.28
€	Allianz	ALV	179.90	-0.06	14.59
€	AB InBev	ABI	96.50	-1.83	-4.03
£	AstraZeneca	AZN	5081.00	-0.96	14.50
€	BASF	BAS	81.82	0.43	-7.35
€	BNP Paribas	BNP	65.26	-0.46	7.78
£	BT Group	BT.A	287.60	-0.28	-21.61
€	BancoBilVizAr	BBVA	7.52	-0.01	18.43
€	BancoSantander	SAN	5.76	-0.79	16.21
£	Barclays	BARC	205.75	-0.94	-7.92
€	Bayer	BAYN	110.05	-0.32	11.02
£	BP	BP.	442.45	-0.29	-13.18
£	BritishAmTob	BATS	5180.00	-0.58	12.08
€	Daimler	DAI	64.15	1.25	-9.29
€	DeutscheTelekom	DTE	15.65	-0.29	-3.35
£	Diageo	DGE	2261.00	-1.01	7.16
€	ENI	ENI	12.97	-0.23	-16.16
£	GlaxoSmithKline	GSK	1603.00	-0.80	2.62
£	Glencore	GLEN	307.50	2.14	10.87
£	HSBC Hldgs	HSBA	742.60	0.58	13.05
€	INGGroep	INGA	15.59	-0.06	16.57
£	ImperialBrands	IMB	3407.50	-0.80	-3.81
€	IntesaSanpaolo	ISP	2.83	-0.91	16.82
€	LVMHMoetHennessy	MC	214.50	-1.06	18.25
£	LloydsBankingGroup	LLOY	65.55	-1.52	4.86
€	LOreal	OR	179.10	-0.53	3.29
£	NationalGrid	NG.	922.50	-0.92	-11.14
CHF	Nestle	NESN	82.30	-0.72	12.66
CHF	Novartis	NOVN	78.80	-0.88	6.34
DKK	NovoNordiskB	NOVO-B	272.50	-0.55	6.99
£	Prudential	PRU	1750.00	-2.70	7.53
£	ReckittBenckiser	RB.	7600.00	-0.93	10.37
£	RioTinto	RIO	3425.50	0.79	8.45
CHF	RocheHldgctf	ROG	238.50	-1.12	2.54
£	RoyDtchShell A	RDSA	2044.50	0.17	-8.83
€	SAP	SAP	90.33	-1.07	9.08
€	Sanofi	SAN	83.36	-0.64	8.40
€	SchneiderElectric	SU	67.79	0.22	2.54
€	Siemens	SIE	120.55	-0.41	3.21
€	Telefonica	TEF	9.02	0.06	2.26
€	Total	FP	42.67	-0.22	-10.66
CHF	UBSGroup	UBSG	16.84	-0.59	5.58
€	Unilever	UNA	48.41	-0.12	23.75
£	Unilever	ULVR	4222.50	0.43	28.25
€	Vinci	DG	75.12	0.36	16.11
£	VodafoneGroup	VOD	217.50	-1.11	8.83
CHF	ZurichInsurance	ZURN	286.50	-0.93	2.18

DJIA

Cur	Stock	Sym	Last	% Chg	YTD% Chg
$	AmericanExpress	AXP	84.19	-0.13	13.65
$	Apple	AAPL	145.53	0.32	25.65
$	Boeing	BA	206.45	1.22	32.61
$	Caterpillar	CAT	108.24	0.37	16.71
$	Chevron	CVX	103.15	0.11	-12.36
$	CiscoSystems	CSCO	31.09	0.36	2.88
$	Coca-Cola	KO	44.33	-0.11	6.92
$	Disney	DIS	103.87	0.27	-0.34
$	DuPont	DD	82.58	0.01	12.51
$	ExxonMobil	XOM	80.64	0.60	-10.66
$	GeneralElec	GE	26.38	1.31	-16.52
$	GoldmanSachs	GS	227.01	0.52	-5.20
$	HomeDepot	HD	150.59	-0.39	12.31
$	Intel	INTC	33.92	0.80	-6.48
$	IBM	IBM	153.21	-0.14	-7.70
$	JPMorganChase	JPM	92.83	-0.39	7.58
$	J&J	JNJ	131.28	-0.21	13.95
$	McDonalds	MCD	154.91	-0.39	27.27
$	Merck	MRK	62.34	-0.78	5.89
$	Microsoft	MSFT	69.99	0.01	12.63
$	Nike	NKE	58.20	-0.91	14.49
$	Pfizer	PFE	33.17	-0.72	2.12
$	Procter&Gamble	PG	86.76	-0.38	3.19
$	3M	MMM	209.64	-0.40	17.40
$	Travelers	TRV	125.09	-0.54	2.18
$	UnitedTech	UTX	123.59	0.43	12.74
$	UnitedHealth	UNH	186.03	-0.49	16.24
$	Visa	V	95.44	0.37	22.33
$	Verizon	VZ	42.80	-0.93	-19.82
$	Wal-Mart	WMT	73.47	0.33	6.29

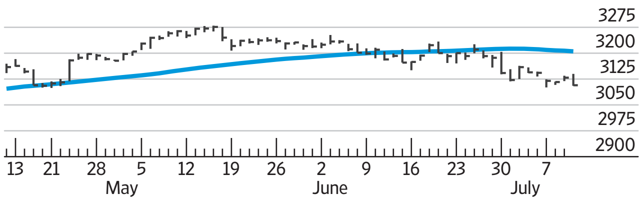
Asia Titans 50

Last: **158.78** ▲ 1.61, or 1.02% — YTD ▲ **12.6%**



Stoxx 50

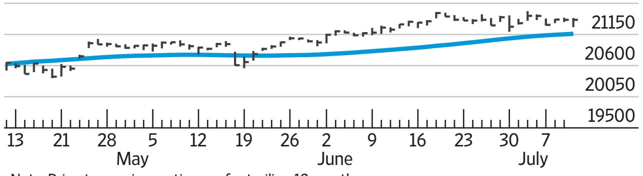
Last: **3107.09** ▼ 21.83, or 0.70% — YTD ▲ **3.2%**



Dow Jones Industrial Average

P/E: 21

Last: **21409.07** ▲ 0.55, or 0.00% — YTD ▲ **8.3%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

Coming to Your Block: Pop-Up Hotels

Startups aim to help apartment landlords convert units into short-term rentals

By Laura Kusisto


WHYHOTEL
WhyHotel transformed 50 empty units in a Pentagon City, Va., apartment building into hotel rooms, at $179 to $329 a night per unit.

A handful of startups are betting they can help apartment-building owners convert empty units into hotel rooms, a controversial practice that could help landlords generate more revenue.

The rise of home-sharing services such as **Airbnb** Inc. has been a boon for owners of single-family homes looking to make extra money by renting out properties.

But the services have been met with fierce resistance by local governments and some tenants worried that large residential buildings could morph into hotel-like properties brimming with tourists and other transients.

Yet some startups contend they can navigate these potential pitfalls.

Arlington, Va.-based **WhyHotel** aims to turn apartment buildings into pop-up hotels, complete with front desks and maid services, to help owners generate revenue while they are in the midst of finding full-time tenants.

YouRent.com of Miami leases sections of apartment buildings or even entire properties, bringing in designers to transform the units into hotel rooms. A soon-to-be-launched startup Parallel similarly will rent blocks of units from landlords, decorate them and rent them out to overnight guests with an in-house hospitality team.

Pillow Residential, which last month raised $13.5 million in funding, offers a platform that allows building owners to access information about Airbnb guests and see which units in their building are being rented out and when.

The services are sprouting up just as the red-hot U.S. apartment market is beginning to cool.

In all, there are roughly 29 million apartment units in the U.S., according to the National Multifamily Housing Council. Nearly 800,000 new units have been built since the beginning of 2014, according to CoStar Group Inc.

But the vacancy rate for apartments in downtown markets rose to 8.1% in the first quarter from 6.8% a year ago, according to CoStar.

The startups, which are expected to typically operate eight to 16 months in a building, see potential in helping the developers of those buildings wring revenue out of units that aren't yet leased.

WhyHotel piloted its concept with 50 empty units in a Pentagon City, Va., building owned by **Vornado Realty Trust**. Prices were $179 to $329 a night on units that otherwise wouldn't have generated revenue until they were rented to long-term tenants. The service ran from January through May, when there were enough tenants to bring the building close to full occupancy.

"They're very easy conversations to have because there's a lot of product coming online," said Jason Fudin, cofounder and chief executive of WhyHotel and a former vice president of strategic initiatives at Vornado.

Mr. Fudin declined to disclose what percentage of the nightly rental fee Vornado received, saying it is different for every deal.

Mr. Fudin said his team hammered out an agreement with local officials that permitted it to operate the hotel for no more than 24 months. He said the business model makes sense only in buildings that are 200 units or more, in which significant structural modifications aren't needed to bring the buildings up to hotel-like codes and they can get enough scale to make it worthwhile to operate as a hotel for only a short time.

While WhyHotel avoids converting apartment units permanently to hotel rooms to help dodge the controversy of housing becoming tourist lodging, other companies are embracing that model.

YouRent takes control of a block of units in high-end apartment buildings and rerents them as hotel rooms. Brian Ferdinand, YouRent's chief operating officer, said the company hopes to take advantage of the glut of luxury-apartment inventory and demand for hotel rooms in hip urban cores.

The company is expanding in Miami; Austin, Texas, and Nashville, Tenn., and plans to fan out to San Diego, Denver and Boston. Mr. Ferdinand said a two- or three-bedroom unit rents for about the price of a hotel room on a nightly basis.

Mr. Ferdinand said that in some cases, YouRent pays landlords 20% above what they could get from a typical tenant because the short-term rental business is so lucrative. The company's average guest stay is 3.5 nights.

YouRent is aiming to provide a more structured alternative for landlords, Mr. Ferdinand said, offering detailed screening to weed out people with criminal records or sexual predators, paying applicable local taxes and obtaining permits and buying rental insurance.

These new services aim to get around an issue that Airbnb has been confronted with: Historically, landlords have been reluctant to allow tenants to rent out units because they didn't receive any of the revenue. Most apartment leases forbid tenants from subletting units without permission.

Airbnb has been trying to recruit owners of big apartment buildings, which represent a crucial growth opportunity for the company because the sleek modern buildings with doormen, fitness centers and contemporary finishes are likely to appeal to business travelers.

Airbnb rolled out its own program last fall that would give landlords who allow tenants to rent units a cut of the revenue. The initial reception was cool. Landlords are wary of liability, disrupting the sense of community in the building and having the risks of tenants who hadn't gone through the full screening process.

A spokesman for Airbnb said the program has expanded to about 10,000 eligible units and the program "continues to grow."


CHESTERFORD RESEARCH PARK
In May, Uttlesford District Council bought a 50% share in this biotechnology research facility.

U.K. County Governments Race Into Real-Estate Investments

By Art Patnaude

In Britain, an unlikely group is piling into commercial real-estate investments: local governments.

The central U.K. government has cut back on funding for local entities known as councils since the 2008 financial crisis. To plug the gap, local officials have been hunting for yield in property.

In all, local councils have poured £1.8 billion ($2.32 billion) into commercial real estate in the past 12 months, up from £406 million in the previous 12-month period, according to property data firm Real Capital Analytics.

The bet is that income from renting out offices and malls will help cover costs for libraries, social services and other expenses.

But the surging activity has sparked warnings that the risks being taken with public money are too great.

"The level of demand has taken everybody by surprise," said a property broker who has worked on more than a dozen deals with councils.

"Concerns center on the perceived lack of expertise of councils in this specialized arena, which could lead to costly errors that have consequences for taxpayers," said Tom Leahy, director of market analysis at Real Capital.

U.K. councils, ranging in size from major counties to smaller districts, often are responsible for services such as education, transportation and housing. They typically receive funding from a combination of central-government grants and local taxes.

Ultralow interest rates at central banks around the world have pushed down yields on asset classes like bonds. In response, institutional investors have turned to commercial real estate, in which yields tend to be higher.

For U.K. councils, the government spending cuts have only exacerbated the need for new ways to generate revenue. The decision to invest in property "is just a function of the search for yield," the broker said. "They can't get it in the bond market. They don't trust the stock market. Property is what makes sense."

In recent months, Surrey Heath Borough Council has bought two retail properties and one industrial property in Camberley, where it is based, according to Mr. Leahy.

Barnsley Borough Council, meanwhile, this year invested £70 million to fund the construction of a new shopping center.

In May, Uttlesford District Council in Essex bought a 50% share in Chesterford Research Park, a biotechnology and pharmaceutical research facility, for £45 million. "As funding from central government diminishes, Uttlesford, like other councils across the U.K., is seeking alternative routes through which to generate long-term income," the council said in May.

Late last year, Spelthorne Borough Council spent £360 million to buy an office campus of oil company BP PLC, the biggest deal in the past 12 months. The council said its central-government funding will be withdrawn completely by 2018, forcing it to find innovative ways to fund services and create new revenue streams.

When bidding against other investors, these councils have a distinct advantage: cheap debt.

The Public Works Loan Board, an arm of the U.K. Treasury, can lend to councils at interest rates derived from U.K. government bonds, which are at record lows. The benefits for councils are clear: "It's access to long-term, very cheap finance," said John Duxbury, head of retail at London-based M&G Real Estate.

But the investments being fueled by the cheap money require some expertise. Unlike bonds, real estate requires upkeep and maintenance of the assets, investors said.

To be sure, deal making from councils still makes up a small part of the total volume of U.K. commercial-property transactions, which was £44.4 billion in the past 12 months, according to Real Capital.

Retailers Tap Consultants To Haggle on Mall Leases

By Esther Fung

Consultants who help store owners wring concessions from landlords are seeing brisk business these days, another ripple of the shifting retail landscape across the U.S. economy.

The rise of online shopping and changing consumer preferences are forcing retailers to rethink virtually all aspects of their operations. First on the list for many is real estate, which is typically the second-biggest cost after payroll.

As store owners scrutinize their store footprints, they are turning to professionals who can help them get better deals from landlords.

A roster of retailers, including **Bebe Stores** Inc. and **Pacific Sunwear of California** Inc., are tapping lease-consulting firms to get landlords to agree to take less money.

"The C-suite, as well as the company's board, are more engaged in real estate than ever before," said Andrew Grasier, co-president of **A&G Realty Partners**, a real-estate advisory firm that has worked with hundreds of retailers on restructuring leases and shrinking store fleets. "Sales trends and margins aren't as predictable as in the past, which puts more pressure on getting occupancy costs more in line with a store's performance."

Landlords say they will make their own assessments by studying the tenant sales at the stores, their rent-to-sale ratios and how they compare with the retailers' national averages and the national average of the industry. Sometimes, the retailers might be the ones trying to bully the landlord to accept their terms, asking for as little as zero dollars in gross rent.

"Some retailers we're working with, a little less, and others, we'd politely say go ahead and order the moving truck," said Ami Ziff, director of national retail for **Time Equities** Inc., a real-estate firm with a portfolio that includes malls and open-air shopping centers across the country.

Landlords of weaker shopping centers that don't attract alternative tenants are more likely to amend leases, while owners of stronger malls say they can ignore such requests from retailers that aren't on the brink of bankruptcy or buy out the lease from a struggling tenant and replace it with a higher-paying tenant.

When a tenant is a highly leveraged retailer facing pressure from creditors to restructure or terminate leases outright, landlords can feel pressure to make a deal.

Last week, jeans maker True Religion Apparel Inc. filed for bankruptcy protection, following in the footsteps of apparel retailers Rue21 Inc., Wet Seal LLC and Gymboree Corp. in recent months. True

When a tenant is highly leveraged, landlords can feel pressure to do a deal.

Religion said it plans to use bankruptcy laws to close or consolidate underperforming stores and renegotiate leases.

A bankruptcy filing makes it more difficult for landlords to pursue and collect the full amount of rent, because the bankruptcy code effectively halts legal action against a company.

Sometimes landlords are at the mercy of tenants. Spirit Realty Capital, a real-estate investment trust that owns free-standing buildings that it leases to single tenants such as electronics stores, fast-food restaurants and convenience stores, said during its first-quarter earnings call that it suffered a perfect storm when some tenants stopped paying rents. Appliance seller Hhgregg Inc., outdoor-gear retailer Gander Mountain Co. and home décor and apparel chain Gordmans Stores Inc. filed for bankruptcy protection in March, while a movie-theater operator and two casual-dining operators defaulted on rent payments.

In April alone, the REIT failed to collect $4 million in rent and subsequently had to pause its earlier plans to acquire more real-estate assets.

Spirit Realty suffered a "black eye, bloody nose and broken limbs," said Green Street Advisors in a recent research note. Spirit Realty declined to comment.

Real-estate consultants advise clients looking to cut costs to explain to landlords that the failure to cooperate could end up hurting them more. They counsel tenants with regional or national profiles to negotiate with landlords on a combined-portfolio basis rather than on an individual-store basis.

Landlords "rarely agree to rent reductions out of the goodness of the heart. Landlords are out there trying to make money, too," said Gregory Apter, president of Hilco Global, a real-estate services firm that has seen a rise in demand from retailers in lease-restructuring negotiations.

Rents are rising in metropolitan areas, especially in locations that are densely populated and where landlords are putting in more effort to spruce up properties. One other reason is that vacancy rates for many of the stronger centers and malls are still low, which is providing some support to rents.

MARKETS

Investors Keep Faith in Long-Term Bonds

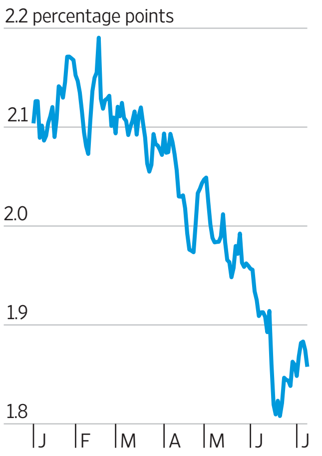
Despite recent selloff, 10-year/30-year yield differential shows belief in tame inflation

By Min Zeng

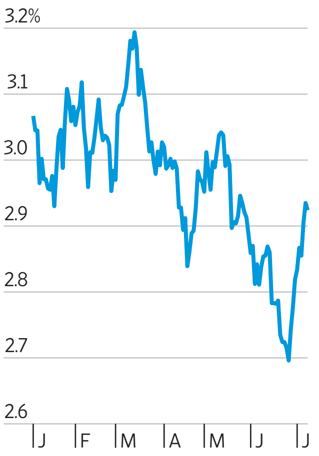
Long View

The difference between the yield on the 10-year U.S. Treasury note and the 30-year bond recently touched its lowest since 2009, a sign investors' inflation expectations remain muted.

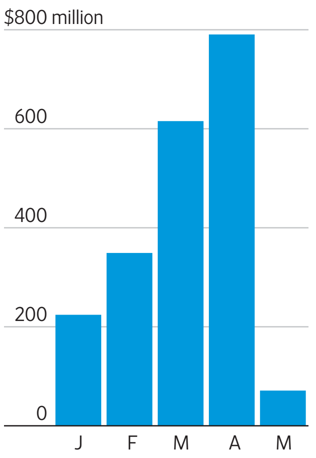
30-year U.S. inflation break-even rate*



Yield on the 30-year Treasury bond

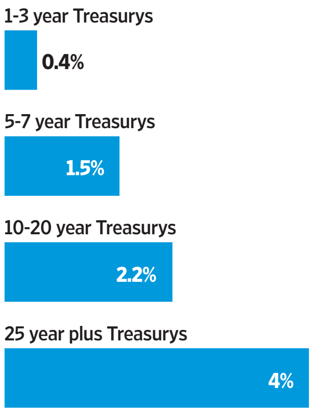


Monthly flows into long bond funds and ETFs



Total returns on Treasury bonds in baskets of various maturities

Year to date through July 7



*The break-even rate is the expected annual inflation rate over the next 30 years.

Sources: Ryan ALM (spread, yield); Thomson Reuters (break-even rate); Morningstar (flows); Bloomberg Barclays bond indexes (total return)

THE WALL STREET JOURNAL.

Investors aren't giving up on the best-performing Treasurys, one sign that some think the recent bond-market selloff could prove short-lived.

Bond prices have fallen in recent weeks, pushing the yield on the benchmark 10-year U.S. Treasury note to its highest since early May. The yield settled at 2.362% Tuesday, down from 2.393% Friday. But it was up from this year's low of 2.135% on June 26, one day before the recent selloff started. Yields rise as bond prices fall.

At the same time, the difference between the yields on the 10-year and 30-year Treasurys recently hit its lowest since 2009. A shrinking gap means investors get a lower premium to own the 30-year bond, which signals their doubts that inflation will rise and threaten the value of long-term debt.

Investors have long confronted a trade-off when dabbling in long-term bonds. When interest rates fall, prices of these bonds rise more sharply than their shorter-term peers, rewarding bond buyers. Yet bondholders suffer losses if prices fall and yields rise rapidly.

"The bond market is pricing in low inflation," said Thomas Byrne, director of fixed income at **Wealth Strategies & Management** LLC. "Inflation, here and abroad, will ultimately determine long-term rates and central-bank policies."

The recent selloff is stirring a fresh debate over whether long-dated government debt is riskier than bonds with shorter maturities, a split that highlights the crosscurrents complicating investors' outlook for bonds.

Government bonds in the U.S. have sold off along with their peers in many other developed countries since late June, following signals from major central banks that a broad improvement in the global economy may allow them to pull back ultraloose monetary stimulus. Easy-money policies have played a key role in driving bond prices to historically high levels following the financial crisis.

At the same time, inflation remains subdued, tempering a major threat to long-term government bonds. Over the past few months, some measures have showed inflation pressure easing in the U.S., with some indicators falling below the Federal Reserve's 2% target. Friday's jobs report exceeded analysts' expectations, yet a gauge of wage growth remained tame.

Inflation chips away investors' purchasing power from their bonds' fixed payments. As a result, the 30-year Treasury bond, the longest maturity in the Treasury debt market, is the most sensitive to the inflation outlook. The U.S. consumer-price index report for June is scheduled to be released on Friday.

In a major sign some investors expect inflation to stay contained, the yield premium investors demanded to hold the 30-year Treasury bond relative to the 10-year Treasury note fell to 0.516 percentage point on July 3, the lowest level since January 2009, according to Tradeweb. It ticked up to 0.55 percentage point Monday.

On Tuesday, the 30-year Treasury yield was 2.925%, still below the 3.067% where it closed at the end of 2016.

The premium decline has surprised some traders and analysts because it happened as the recent selloff has driven up the 10-year yield's premium relative to that of the two-year note.

The 30-year break-even rate, the yield premium of the 30-year Treasury bond to the 30-year Treasury inflation-protected security, was 1.86 percentage points Monday, according to Tradeweb. That suggests investors expect inflation in the U.S. to run at an annualized 1.86% rate over the next three decades.

While the break-even rate has risen from this year's low of 1.804% set on June 20, it was below this year's high of 2.158% in February.

"Inflation has been too low and Congress has struggled to pass legislation to promote economic growth," said Andrew Pace, vice president at Performance Trust Capital Partners LLC. "Without these two issues getting resolved, it will be hard" for the rise in long-term Treasury bond yields to continue, he said.

Treasury bonds maturing in more than 25 years posted a 4% return this year through July 7, including price changes and interest payments, beating the 1.4% return on overall Treasury debt, according to data from Bloomberg Barclays bond indexes.

Over a greater time span, buying long-term bonds has been rewarding. The 30-year Treasury bond yield closed at a high of 15.252% in October 1981. It has since been declining, driven partly by moderation of inflation pressure. The yield closed at a record low of 2.109% in July 2016.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Chip Makers Feasting on Phones

Today's smartphones are essentially a collection of processors and memory wedded tightly to a high-definition touch screen. Large smartphone manufacturers like **Apple** and **Samsung Electronics** design some chips themselves, but procure many others from a wide range of suppliers with different areas of expertise. Three of the largest chip makers by market cap—**Intel**, **Broadcom** and **Qualcomm**—have major business with smartphones.

But smartphones aren't the growth market they once were. Global smartphone unit sales rose barely 2% last year compared with 10% the year before, according to IDC. New designs this year from Apple and Samsung are expected to lift upgrades. But unit sales are expected to rise only 4% for the year, IDC predicts.

The best play for investors is to find companies not limited to selling one chip per phone. Memory companies like **Micron Technology** and **Western Digital** benefit from higher amounts of DRAM and NAND flash being built into new phones. Micron CEO Sanjay Mehrotra noted in the company's last earnings call that DRAM in even low- and midtier phones would double by next year.

Another opportunity comes from the so-called radio frequency, or RF, chips that amplify signals, filter interference and boost data speeds. Smartphone makers are packing more of these types of chips per device to make their products work across multiple networks around the world. That is good news for Broadcom, **Skyworks** and **Qorvo**. Ed Snyder of Charter Equity estimates total RF chip content in this year's new iPhone models alone will average about $27 per unit—up 30% in just two years.

The trick here is timing: Most stocks in this group have already seen a strong run. Micron, Broadcom and Skyworks are all up more than 30% so far this year, thanks in part to their other strong businesses, including supplying Samsung's newly launched Galaxy S8. And Apple is widely expected to delay the shipment of its redesigned, 10th-anniversary iPhone this fall due to possible component shortages. In a research note Monday, Andy Hargreaves of KeyBanc Capital Markets said expectations for an iPhone launch delay have already been incorporated into Wall Street's consensus estimates for several Apple suppliers—including Broadcom, Skyworks and **Cirrus Logic**.

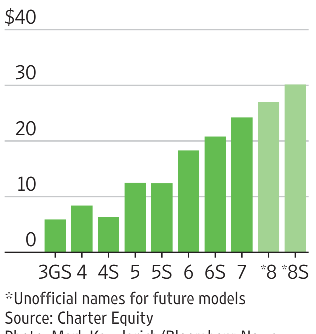
That will likely curb projections in the coming earnings season. And it won't be clear until the iPhones actually ship which chips are inside. But Broadcom and Skyworks both trade at less than 15 times forward earnings—in line with the sector average. That could leave room for an October surprise.

This is the second of three columns on what is next for the booming semiconductor industry.

—Dan Gallagher

Tuned In

Estimated radio-frequency-chip content per iPhone generation



*Unofficial names for future models

Source: Charter Equity

Photo: Mark Kauzlarich/Bloomberg News

THE WALL STREET JOURNAL.

OVERHEARD

Amazon.com's relentless expansion has devastated companies everywhere, but at least vintners can breathe easy.

Several outlets reported last week about an Amazon news release about "the first wine ever developed from conception to release with Amazon Wine." The retailer then corrected the release several hours later, pointing out that it will simply distribute the wine called NEXT.

Amazon already sells wine online, but doing so is complicated. And retail competitors already market their own bottles—some quite good. For example, **Costco Wholesale** has earned accolades for its store-brand Champagne and a British **Wal-Mart Stores** subsidiary saw a run on an award-winning Chilean red wine that was selling for under $6.

On the other end of the spectrum was "Two Buck Chuck" at **Trader Joe's**.

Amazon isn't in this game yet, but it will be late if it ever arrives.

Wanda Rides China's Cash Carousel

When it comes to managing debt burdens, Chinese companies know how to keep it all between friends.

Take this week's megadeal involving one of China's most indebted firms, property developer **Dalian Wanda Group**. It is selling $9.3 billion in hotel and theme-park assets to another big property firm, **Sunac China**.

Sunac is using most of its cash balance to pay for half of the purchase amount. But given the deal's size it needs some help.

In a maneuver that will reduce the need for external financing, Wanda is lending about 29.6 billion yuan ($4.4 billion) to Sunac to buy its own assets.

The structure of the loan is a typical example of so-called entrusted lending, a common form of shadow banking in China in which one company lends money to another. Because that isn't strictly legal, such loans are arranged via a bank that acts as a middleman, often earning a cut of the deal.

With the current Sunac-Wanda deal, Sunac should book the loan as debt, although it could bury it in one of its many joint ventures. Wanda will presumably record the loan as an asset, meanwhile. The ultimate effect is that most of Wanda's debts haven't been dealt with; they have just been shifted elsewhere within China Inc.

Wanda is lending the cash cheaply, too. The loan will be at the benchmark lending rate, now around 5%. Typically such loans are priced at a premium. Still, if one of your friends is helping you out, it is rude to make them pay over the odds.

—Anjani Trivedi and Jacky Wong

Corporate Bonds Are Relying on a Prop That May Fail

There's a fine line in financial markets between resilience and complacency. Corporate bonds are sitting right on it.

Global government bonds have been shaken as central banks, most notably the European Central Bank, have signaled that the clock is ticking on ultraloose monetary policy. Ten-year German bond yields have risen about 0.3 percentage point from their late-June lows, pushing up U.S. Treasury yields, too.

Yet corporate bonds haven't even blinked. Indeed, the yield spread on European and U.S. investment-grade bonds versus underlying government debt has actually compressed since the turmoil started, Bank of America Merrill Lynch indexes show. Yields have risen, just not by as much as on government bonds. At 0.99 percentage point in Europe and 1.12 points in the U.S., investment-grade spreads are close to their tightest level since the global financial crisis.

There are some reasons for resilience. The search for yield—or to be more accurate, the search for higher-yielding paper, or spread—is still in effect. And though the focus is on whether the ECB will wind down its bond purchases, the corporate-bond market is still receiving significant support. In the three months since the ECB cut its overall monthly bond purchases to €60 billion ($68.3 billion) from €80 billion, corporate-bond buying has slowed to an average of only €7.1 billion a month from €7.6 billion, BlueBay Asset Management notes.

But there is also cause for concern. Supply has been heavy as companies have looked to lock in low interest rates, transferring risk to bondholders: In the U.S., investment-grade issuance in the first half was $714 billion, in line with 2016 when full-year issuance set a record, according to trade body Sifma. In Europe, first-half supply of €183 billion was up 10% from 2016, according to Société Générale. A further rise could easily turn returns negative in Europe, denting investor appetite; the market is now up just 0.7% for 2017.

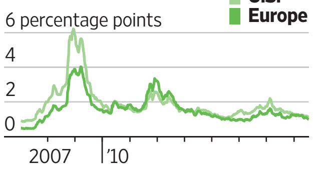
And credit conditions may be shifting. Activist investors are making waves in Europe. Perhaps the best example is Dan Loeb at hedge fund Third Point targeting consumer giant Nestlé, pitting shareholder interests against those of bondholders. The company promised to double its leverage ratio to fund stock buybacks, yet spreads on its bonds barely reacted.

Corporate bonds have benefited greatly from central-bank support and benign credit conditions. Shifting tides mean relying on those factors persisting looks risky.

—Richard Barley

Tight Fit

Yield spread for investment-grade corporate bonds over government bonds



Source: Bank of America Merrill Lynch indexes via FactSet

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