THE WALL STREET JOURNAL.

DOW JONES | News Corp

THURSDAY, JULY 20, 2017 ~ VOL. XLI NO. 226

WSJ.com

ASIA EDITION

As of 12 p.m. ET **DJIA** 21599.96 ▲ 0.12% **NIKKEI** 20020.86 ▲ 0.10% **STOXX 600** 385.54 ▲ 0.77% **BRENT** 49.47 ▲ 1.29% **GOLD** 1240.10 ▼ 0.08% **EURO** 1.1518 ▼ 0.32% **DLR** ¥111.78 ▼ 0.25%

What's News

Business & Finance

Three major stock-market indexes in the U.S., Europe and Asia have avoided pullbacks so far this year—commonly defined as 5% declines from recent highs—for the first time since 1993. **A1**

◆ **Dalian Wanda revised** its plan to sell theme-park and hotel assets after the deal came under fire from credit-ratings firms. **A1**

◆ **McCormick agreed** to acquire Reckitt Benckiser's food division, whose brands include French's mustard, for $4.2 billion. **B1**

◆ **Two pioneers** of computer-driven "robo" advice are joining a trend toward offering socially responsible investments. **B5**

◆ **Morgan Stanley** said its second-quarter profit rose to $1.76 billion as the firm's traders delivered strong results. **B1**

◆ **Daimler said it would** tweak the engine software on more than three million diesel vehicles to improve emissions amid probes in the U.S. and Europe. **B3**

◆ **A U.S. appeals-court** panel overturned the convictions of two ex-Rabobank traders in the Libor scandal. **B1**

◆ **Akzo Nobel** said its CEO resigned for health reasons, but that the firm is on course to spin off its chemicals business. **B3**

◆ **IBM reported** its 21st consecutive quarter of declining sales. **B2**

World-Wide

◆ **France's army** chief resigned in a public disagreement with Macron over military spending. **A1**

◆ **Uruguay became** the first country to regulate and oversee the sale of marijuana. **A3**

◆ **Senate GOP leaders** said they would push ahead with a vote to repeal the ACA early next week. **A5**

◆ **After the Trump** administration unveiled its objectives for renegotiating Nafta, U.S. businesses and a major labor coalition sparred over the merits of an international arbitration system. **A3**

◆ **Trump and Putin** held a second, previously undisclosed talk on the sidelines of the G-20 summit. **A6**

◆ **The Trump** administration launched economic talks with China amid signs that new difficulties were emerging. **A4**

◆ **Special Counsel** Mueller has contacted the eighth attendee at a meeting arranged by Trump Jr. between top campaign aides and a Russian lawyer. **A6**

◆ **A plane carrying** a top Afghan official under investigation for kidnapping and raping a political rival was prevented from landing in northern Afghanistan. **A4**

◆ **School districts** across the U.S. will be alerting parents this fall how they plan to collect hundreds of thousands of dollars in unpaid lunch money. **A7**

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China: RMB28.00; Hong Kong: HK$23.00; Indonesia: Rp25,000 (incl PPN); Japan: Yen620 (incl JCT); Korea: Won4,000; Malaysia: RM7.50; Singapore: S$5.00 (incl GST)
KDN PP 9315/10/2012 (031275); MCI (P) NO. 066/01/2017; SK. MENPEN R.I. NO: 01/SK/MENPEN/SCJJ/1998 TGL. 4 SEPT 1998

ISSN 03779920
9 770377 992000 41226

Stocks Defy Odds in Steady Rise

In rare global rally, big indexes in Asia, U.S. and Europe all avoid pullbacks so far in '17

By Steven Russolillo

Stock markets go up and down: It is a fact of life. Except in 2017.

Three major stock-market benchmarks in the U.S., Europe and Asia have avoided pullbacks this year, commonly defined as 5% declines from recent highs. Never in at least the past 30 years have all three indexes—the S&P 500, MSCI Europe and MSCI Asia-Pacific ex-Japan—gone a calendar year without falling at some point by at least 5%.

In good years and bad, markets tend to fluctuate wildly, with stock indexes often falling by double-digit percentages before bouncing back. That hasn't been the case this year, another reflection of the historically low volatility that has gripped the world. The CBOE Volatility Index, or VIX, finished Friday at its lowest since 1993.

Of course, 2017 is only a little more than half over, and plenty can change in the back half of the year. But the last time equity markets went this deep into a year without all three of those benchmark indexes suffering at least 5% pullbacks was nearly a quarter-century ago, in 1993, according to The Wall Street Journal's Market Data Group. All three finished that year with sharp gains.

Many investors say they are optimistic that the steady grind higher will continue and

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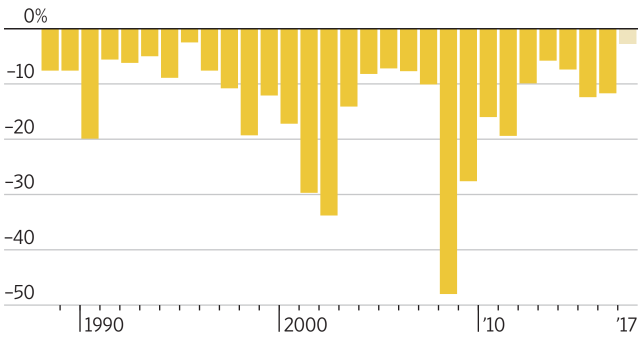
No Dips to Buy

The S&P 500's biggest pullback each year



Source: LPL Financial

THE WALL STREET JOURNAL.

U.S. and China Open Talks on Trade

YURI GRIPAS/REUTERS

BRASS TACKS: U.S. Treasury Secretary Steve Mnuchin, center left, arrives with Commerce Secretary Wilbur Ross, far left, and China's Vice Premier Wang Yang for the Trump administration's first economic talks with Beijing. A4

Army Chief Quits in Spat With Macron

By William Horobin

PARIS—France's army chief resigned in a public disagreement with President Emmanuel Macron over military spending, the first major test of the new leader's authority as he moves to take swift control over economic reforms.

Gen. Pierre de Villiers's resignation on Wednesday is the culmination of rising tensions between the two men after the government said it would cut military spending by €850 million ($982 million) this year to plug holes in France's public finances.

"In the current circumstances, I consider I am no longer able to ensure the durability of the model of the army that I believe in to guarantee the protection of France and French people, today and in the future," Gen. de Villiers said in a statement announcing his resignation.

Mr. Macron quickly announced that Gen. François Lecointre, who heads Prime Minister Édouard Philippe's defense cabinet, would succeed Gen. de Villiers.

The unusually public bickering between a French president and the army highlights early criticism of Mr. Macron. Since coming to power in May, the 39-year-old has ruffled some feathers, and he has called a "Jupiterian" approach to France's highest office with an avid embrace of real and symbolic power.

Earlier this month, he summoned lawmakers and senators to Versailles for a joint session of Parliament, and he intends to use special constitutional powers this summer to make changes to labor laws by decree.

The army chief criticized government budget plans last

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INSIDE

NEWCOMERS MOVE INTO BLUE-CHIP ART

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MCCORMICK SNAPS UP FOOD BRANDS

BUSINESS & FINANCE, B1

U.S. FARMERS TURN TO BANK OF JOHN DEERE

As low crop prices scare off lenders, company bets on customer loans

By Jesse Newman and Bob Tita

For nearly two centuries, Deere & Co. has built equipment to help farmers plant and harvest their crops. Now, the company's financial muscle is doing more of the work.

Throughout the Farm Belt, low prices for corn, soybeans and wheat are putting a strain on U.S. grain farmers, making it harder to get bank lending to plant a crop, or commit to purchasing fleets of new equipment.

Deere, the world's largest manufacturer of tractors and harvesting combines, is stepping in to fill the gap. It already lends billions to finance farmers' purchases of equipment. Now, it is providing more short-term credit for crop supplies such as seeds, chemicals and fertilizer, making it the No. 5 agricultural lender behind banks Wells Fargo, Rabobank, Bank of the West and Bank of America, according to the American Bankers Association.

Deere has also expanded its leasing program to get the company's green and yellow tractors into the hands of farmers, even when they are unable or unwilling to pay hundreds of thousands of dollars to buy one.

Its financing has helped farmers stay in business while generating income for Deere during the worst market for machinery sales in more than 15 years.

Farmers' incomes will decline for a fourth year this year, to half what they were in 2013, the U.S. Department of Agriculture projects. And inflation-adjusted debt is at a level not seen since the 1980s farm bust.

In shoring up the ailing sector, Deere's loans may be helping draw out the pain for farmers, allowing them to continue to rack up debt despite a glut of grain world-wide that is

Please see FARMS page A8

No. 1 Rule on Tour de France: Don't Sneeze on the Buffet

* * *

Teams of tired riders battle colds with quarantines, garlic, ginger shots

By Joshua Robinson

ROMANS-SUR-ISÈRE, France—Two weeks into the biggest race on his calendar, pro cyclist Pierre Rolland was spending evenings in what he called Tour de France quarantine. At team hotels, he bunked alone in his single room. At meal time, he ate by himself or at the end of a table. When teammates were around, he was banned from shaking hands.

No one felt good about it, but he knew that cycling's answer to solitary confinement was the only solution at times like these. Because Mr. Rolland fell prey to one of the sport's greatest dangers: He got sick at the Tour de France.

At this stage of the grueling three-week race, illness travels through the peloton faster than a juicy rumor. It may be July in blazing-hot France but immune systems are depleted. The riders are underslept. And everyone operates in close quarters. It all combines to turn the race into a petri dish of skinny, sniffly men trying not to cough on each other.

Pierre Rolland

"I'm sanitizing my hands 15 times a day," said Mr. Rolland, who rides for the Cannondale-Drapac team and is showing signs of improvement. "And I do my best not

Please see TOUR page A8

Wanda Sale Of Hotels Substitutes New Buyer

By Wayne Ma And Dominique Fong

BEIJING—Dalian Wanda Group's plan to sell theme park and hotel assets took a big turn Wednesday after last week's deal came under fire from major credit-ratings firms.

The Chinese property and entertainment giant brought in a new buyer for the hotels, Guangzhou R&F Properties Co., which will get 77 properties for 19.91 billion yuan ($2.95 billion). Wanda will also sell a 91% stake in its theme park and tourism projects—there are four completed, and nine planned—to Sunac China Holdings Ltd., for 43.84 billion yuan.

Sunac had originally planned to buy both the hotels and the parks.

The move came after S&P Global Ratings placed the cor-

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CAPITAL ACCOUNT | By Greg Ip

Markets to the Fed: Please Leave Us Alone

Bond yields around the world have surged since the European Central Bank hinted last month that its bond buying was coming to an end, a replay of the "taper tantrum" in 2013 when the Federal Reserve caught markets off guard with similar plans.

Both episodes are fodder for a view widespread in markets, that bonds long ago ceased to be an independent reflection of economic fundamentals and are now just a giant bet on what central banks do with their securities portfolios. According to this view, quantitative easing (QE), as this bond buying is known, zero to negative interest rates and detailed guidance on future monetary policy amount to market manipulation on a grand scale. Whatever the theoretical benefit to the economy, such manipulation muffles market signals, misallocates capital and creates excesses that can come undone violently.

This critique has been around for years, but it stands to gain in prominence because it's shared by some of the people who may one day run the Federal Reserve. Janet Yellen's term as chairwoman expires in February and if President Donald Trump doesn't reappoint her, there's a good chance her successor will come from the financial industry. A banker or trader would not necessarily prefer higher or lower interest rates than an economist, but would be much less trusting of economic models and unwilling to deploy the exotic tools the Fed has used since 2009.

The Fed has been led by economists almost continuously since 1970. Its last two chairmen, Ben Bernanke and Ms. Yellen, are prominent academic macroeconomists. Their economic training underpinned their use of QE, zero rates and forward guidance as a way of stimulating demand, getting unemployment down and holding inflation at its 2% target.

Economists have broadly praised these tools for helping bring the economy back from the brink of depression in 2008 to today's low unemployment and inflation. On Wall Street, though, opinion has been much more ambivalent. This divide was highlighted by the 2013 taper tantrum, which Mr. Bernanke later blamed on traders' "unreasonable and entirely inconsistent" belief that QE would go on forever. Traders, by contrast, say the Fed didn't appreciate how QE had forced so many investors into the same trade, who all headed for the door at the first sign of a shift.

ANDREW HARRER/BLOOMBERG NEWS

Gary Cohn is seen as a candidate to lead the Fed.

"Central bankers do not trust financial markets," James Bianco, head of the Chicago-based advisory firm Bianco Research, recently wrote to clients. They think can fix every problem in the economy "except when those cretins in the financial markets go off half-cocked."

Indeed, many on Wall Street think central bankers have an exaggerated sense of their power. Last year just before being named Mr. Trump's top economic adviser, Gary Cohn, then president of Goldman Sachs Group Inc., said the Fed was undercut by forces beyond U.S. borders: "They're constrained by the rest of the world and...the strength or weakness of your domestic currency." Mr. Cohn, who will lead the search for Ms. Yellen's successor, is widely considered a candidate.

Randal Quarles, a private-equity executive nominated as the Fed vice chairman for regulation, last year claimed that "years of near-zero interest rates have led to a rise in speculative positions across a wide range of asset classes, as all financial institutions find themselves under intense pressure to seek adequate returns."

Kevin Warsh, a former investment banker who served with Mr. Bernanke on the Fed until 2011 and now serves on an outside advisory council to Mr. Trump, is also considered a potential Fed chairman. Mr. Warsh, a scholar at the conservative Hoover Institution, has criticized the Fed for changing course too often in response to noisy economic data and swings in asset prices, for believing it can manage interest rates and the dollar so as to precisely target inflation, unemployment and economic growth and for treating markets "as a beast to be tamed, a cub to be coddled, or a market to be manipulated."

A Fed under Mr. Warsh would presumably change course less often in response to new data or market movements, nor mind that inflation is a bit below 2% as it is now, and have a very high bar to engaging in QE or cutting interest rates to zero.

Yet these prescriptions may be at odds with the conditions in which the Fed operates. Donald Kohn, who was Fed vice chairman under Mr. Bernanke, says the Fed needs to operate through markets to achieve its goals of low unemployment and stable inflation and thus it will always have to care about stocks, bonds, and the dollar, which in turn will be driven in part by actual and expected Fed policy. "It was true when rates were 5%, and when they were 0.125%." Nor can the Fed simply ignore short-term data because it's noisy because, he says, it may also contain a signal. And the Fed shouldn't forswear tools like QE because in the future, conventional tools may not be enough to restore full employment and 2% inflation.

And the Fed can point to its results. Unemployment is back to prerecession levels, and if unconventional monetary policy isn't the main reason why, it has hardly generated the calamities many critics predicted. Inflation didn't skyrocket, no new financial crisis has come along, the dollar hasn't collapsed. Nor are Ms. Yellen and her colleagues oblivious to the distortions the Fed's huge balance sheet may cause. It's one reason they seem determined to start shrinking it in coming months.

Economists at the Fed do try to respect markets. Any financial pro who succeeds Ms. Yellen should have a corresponding appreciation for economics.

WANDA

Continued from Page One

porate credit rating of Wanda's main property arm on CreditWatch with negative implications, saying the sale could weaken its business.

S&P also chided Wanda for lack of transparency over its business strategy.

All three major ratings firms flagged risks to Sunac's debt profile after Sunac disclosed in regulatory filings that it would procure a loan from Wanda to pay for the theme-park assets. Fitch downgraded Sunac's corporate credit rating by one notch.

An earlier plan to sell hotel and theme-park assets came under fire from ratings firms.

The combined value of the revised deal, before including debt, is now 63.75 billion yuan, slightly higher than the original terms. Including debt, which was disclosed Wednesday, the deal's combined value balloons to 109.15 billion yuan.

Wanda, controlled by billionaire Wang Jianlin, has made a series of overseas acquisitions that have caught the attention of Chinese regulators, including its purchase of Hollywood film production and finance company Legendary Entertainment last year for $3.5 billion.

Regulators met with executives at China's big state-owned lenders last month and advised them to halt financial assistance to Wanda for six past and pending overseas deals and place some restrictions on Wanda's borrowing, The Wall Street Journal reported Monday.

In Beijing Wednesday, Mr. Wang told reporters that the revised deal, in which Sunac buys Wanda's theme parks at a higher price but doesn't buy its hotels, was more cost-effective. Previously Sunac, which itself is highly leveraged, was going to receive a loan from Wanda itself to pay for the assets.

"Sunac doesn't have to complete the deal by borrowing money from Wanda," Mr. Wang said.

Mr. Wang also said the renegotiation of the deal was friendly. "No glasses were smashed," he said.

Sunac's chairman, Sun Hongbin, told reporters that the revised deal would give the company better liquidity and wouldn't add as much debt as the original deal entailed.

However, Sunac will still assume all the debt associated with the theme parks, revealed Wednesday to be 45.4 billion yuan.

That could add to investor worries that Sunac will land in the cross hairs of Chinese regulators concerned about the risks of rising debt. Shortly after Wanda's borrowings related to overseas deals came under scrutiny, Sunac's own debt began drawing attention.

Sunac said banks had been conducting checks of loans made to the company for possible credit risks in the days following the announcement of the Wanda deal, The Wall Street Journal reported.

The hotel buyer, Guangzhou R&F, is an indebted midsize property developer in China that owns the soccer team Guangzhou R&F F.C. The company didn't specify whether it would take a loan to purchase the 77 hotels from Wanda.

Most of Guangzhou R&F's net profit comes from building homes, while its hotel operations recorded net losses in 2015 and 2016, according to regulatory filings.

The company didn't immediately respond to requests for comment.

—Yang Jie contributed to this article.

STOCKS

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defy historical odds that suggest the markets should eventually falter. That is because earnings growth appears to be accelerating globally, economic growth is improving and central banks largely remain accommodative, even amid recent moves to tighten policy.

The rise of quantitative trading and the flood of money into passive strategies such as exchange-traded funds have also reduced volatility, investors and strategists say. ETFs owned nearly 6% of the U.S. stock market in the first quarter, the highest share on record, according to an analysis of Federal Reserve data by Goldman Sachs.

MICHAEL NAGLE/BLOOMBERG NEWS

The S&P 500's worst peak-to-trough drop this year was 2.8%. Above, the New York Stock Exchange.

Market calm has prevailed despite political and monetary turmoil. The U.K. vote last year to withdraw from the European Union, U.S. President Donald Trump's election victory in November, the European Central Bank's signal last month that it would soon start winding down its giant bond-buying program—none produced the sustained market swings many expected. That has raised concerns there might be another, less-well-understood dynamic at play that has kept trading so tranquil.

The steady performance hasn't been universally celebrated. Some investors who have missed out on this year's sharp rally are waiting for cheaper opportunities to get back in. Others are increasingly taking positions in the options market that protect themselves from large price swings.

"We all want markets to go up forever and for there never to be any problems," said Daniel Morris, senior investment strategist at BNP Paribas Asset Management, which has about $661 billion in assets under management. "But this environment has been a challenge for equity investors who are looking for growth at a reasonable price."

The MSCI Asia-Pacific ex-Japan index, a benchmark that tracks big Asian companies listed globally, has surged 22% in 2017, propelled by strong rallies in tech giants such as Tencent Holdings Ltd. and Alibaba Group Holding Ltd.

The index's biggest peak-to-trough decline during the year was 2%. If that performance continues for the rest of the year, it would be the smallest intra-year drop over at least the past three decades and a far cry from the index's average 20% pullback each year, according to analysts at J.P. Morgan Asset Management.

Indeed, there have been only three instances over the past 30 years in which the Asia index's biggest intra-year drop was less than 10%: 1991, 1993 and 2005.

Europe's performance, measured by the MSCI Europe Index, has also been steady. The index's biggest drop this year was 4%, far below its average intra-year decline of 16%, according to J.P. Morgan Asset Management.

And in the U.S., sharp gains in tech and consumer stocks including Facebook Inc., Apple Inc., Amazon.com Inc., Netflix Inc. and Google parent Alphabet Inc. have propelled markets higher alongside shallow and brief dips.

The S&P 500 has gained 10% this year. Its worst peak-to-trough drop has been 2.8%. If it finishes 2017 that way, it would be the second-smallest decline in a calendar year over the past 60 years, according to LPL Financial, an independent brokerage and investment firm. The smallest was in 1995, when the index suffered a 2.5% fall. It surged 34% that year.

History suggests the stretch of calm won't last. The S&P 500 has avoided a 5% or more pullback in just five of the past 60 years, according to LPL.

But for now, the catalysts that have propelled the rallies and minimized the pullbacks remain in place, including low odds of an imminent recession and strong earnings growth. The ratio of analysts revising their global earnings estimates higher rather than lower recently jumped to its highest level in about five years, according to Richard Turnill, global chief investment strategist at BlackRock, the world's largest asset manager.

"The reality is central banks continue to be accommodative and the global earnings picture keeps on improving," said Ryan Detrick, senior market strategist at LPL Financial. "Those two things can make up for a lot of other sins."

FRANCE

Continued from Page One

week. In a speech to senior military leaders gathered on the eve of the Bastille Day parade as U.S. President Donald Trump visited the country, Mr. Macron said a public debate on military finances wasn't dignified and he needed "no pressure or comment" to make good on his promises to the French people.

"I am your boss," Mr. Macron told the military chiefs.

Gen. de Villiers had criticized the cuts in a closed-door hearing at the National Assembly, but the comments leaked in the French press.

"I considered it was my duty to share my reservations, on several occasions, behind closed doors, in complete transparency and truth," Gen. de Villiers said in announcing his resignation. Mr. Macron accepted the resignation.

The clash on military spending comes as the French president attempts to reconcile competing election promises. Mr. Macron said in his election manifesto he would raise military spending to 2% of economic output by the end of his presidency, but that he would also cut overall spending by €60 billion to bring down the deficit and comply with European budget rules.

Mr. Macron's budget plans ran into immediate hurdles when a report by state auditor Cour des Comptes revealed a larger-than-expected budget gap. The cuts to military spending are part of a €4.5 billion plan his government hastily put together in an attempt to get back on track with deficit reduction this year.

Mr. Macron has also promised tax cuts for businesses and households to spur France's sluggish economic recovery. His government said last week it needs to find €20 billion of savings next year alone to meet its objectives.

PATRICK KOVARIK/AGENCE FRANCE-PRESSE/GETTY IMAGES

Gen. Pierre de Villiers quit over a cut to military spending.

CORRECTIONS & AMPLIFICATIONS

Macy's Inc. held its investor day on June 6. A Business & Finance article Wednesday about retailers' debt loads incorrectly said it was two weeks ago.

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

THE WALL STREET JOURNAL.
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Printers: Hong Kong: Euron Limited, 2/F., Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, Hong Kong; Indonesia: PT Gramedia Printing Group, Jalan Palmerah Selatan 22-28, Jakarta 10270; Japan: The Mainichi Newspapers Co., Ltd., 1-1-1 Hitotsubashi, Chiyoda-ku, Tokyo, 100-8051; Korea: JoongAng Ilbo. 100 Seosomun-ro, Jung-gu, Seoul, 100-814. Publisher/ Printer: Song, Pil-Ho; Malaysia:Dasar Cetak (M) Sdn Bhd, Lot 2, Jalan Sepana 15/3, Off Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor. (ROC No: 048885)6; Singapore: Singapore Press Holdings Limited, 82 Genting Lane Media Centre Singapore 349567

USPS 337-350; ISSN 0377-9920

WORLD NEWS

ECB's Draghi Seen Sticking to Tightening

Accelerating eurozone economy makes pullback on stimulus program more likely

By Tom Fairless

FRANKFURT—When European Central Bank chief Mario Draghi faces the media on Thursday after the bank's latest policy meeting, he is expected to let stand his hint three weeks ago on a possible reduction of the ECB's giant bond-buying program.

Mr. Draghi had rocked financial markets into buying euros and selling euro bonds by indicating in a June 27 speech in Sintra, Portugal, that the bank would start slowly winding down the program, known as quantitative easing, which has underpinned eurozone financial markets since its launch in early 2015.

Few investors think he will signal a change on Thursday. Most argue that the ECB needs to adjust its policy mix soon anyway, in response to an accelerating eurozone economy. Mr. Draghi's speech in late June did part of the work in preparing financial markets for an imminent policy shift, they say.

Any backtracking now "would only cause confusion and unwelcome volatility given that financial markets have already positioned themselves" for a policy change, said Marco Valli, an economist with UniCredit in Milan.

Growth in the 19-nation bloc is expected to reach 3% in the second quarter on an annualized basis, the fastest pace in around a decade. Economic sentiment is close to a 10-year high, unemployment is falling rapidly, and bank lending is picking up strongly, according to ECB data published on Tuesday.

All that suggests the ECB can afford to take its foot off the gas. Its bond-buying program is currently due to run at €60 billion ($69 billion) a month at least through December.

"With the eurozone cyclical recovery going strong and the bank lending channel mostly unclogged, the floor is clear for Draghi to tiptoe slowly in the general direction of the exit on Thursday," said Teunis Brosens, an economist with ING Bank in Amsterdam.

Despite its initial reservations about QE, the ECB has proceeded aggressively, boosting its balance sheet to around $4.9 trillion—larger than the U.S. Federal Reserve's.

ECB officials have stressed that they will move very cautiously in winding down the program, wary of triggering an adverse market reaction that could upset the recovery. They have in mind the Federal Reserve's policy error four years ago, when a hint that its own QE program would end triggered market turmoil around the world and a surge of more than 1 percentage point in U.S. Treasury yields.

Recent market movements in Europe, though, are probably acceptable to the world's second-most-powerful central bank, analysts say. German 10-year government-bond yields have risen by about 30 basis points since Mr. Draghi's speech last month, to around 0.6%. The euro is up around 4 cents against the dollar, hitting $1.1583 on Tuesday, its highest level in more than a year.

"A little taper tantrum is fine. A fully fledged panic is clearly not," said Carsten Brzeski, an economist with ING in Frankfurt.

One reason for the strong market reaction to Mr. Draghi's speech in Portugal is that investors had started to doubt whether the ECB would end QE at all, said Paul Mortimer-Lee, an economist with BNP Paribas in New York.

That was never likely given the controversy surrounding the program in parts of Europe. Partly as a result of German objections, the ECB imposed strict limits on QE that could leave it struggling to find enough bonds to buy later next year.

But the ECB had lulled some investors into complacency earlier in June, Mr. Mortimer-Lee said, by reducing its inflation forecasts and taking only a tiny step toward ending QE.

ECB officials have since warned about the danger of moving too slowly, saying that could ultimately result in a sharper market reaction.

For now, Mr. Draghi is unlikely to say anything concrete about future policy steps beyond repeating that the ECB's stimulus will probably be wound down as the economy accelerates. The ECB might also drop a pledge to accelerate its purchases if the outlook darkens, though that is unclear.

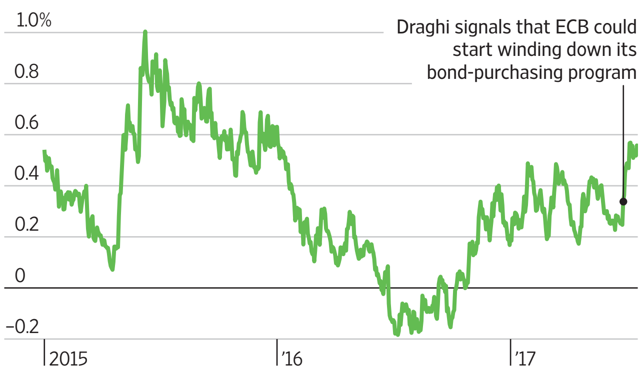
Some analysts say Mr. Draghi might struggle to justify winding down given that QE hasn't yet achieved what it set out to do—push up inflation to just below 2%. Eurozone inflation slid to just 1.3% in June.

Still, the region's solid economic recovery "should come to [Mr. Draghi's] rescue," said Joerg Kraemer, chief economist at Commerzbank in Frankfurt.

Yield Surge

As prospects increase that the ECB will slowly wind down its bond-buying program, yields have risen significantly.

Germany's 10-year bond yield



Source: Tradeweb

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PETI KOLLANYI/BLOOMBERG NEWS

Mario Draghi's remarks in June sparked a strong market reaction.

Iceland Bank Chief Sees Boon in Cuts

REYKJAVIK, Iceland—Iceland's central bank chief expects his job to become easier if leading central banks make further moves to withdraw the stimulus they have provided since the global financial crisis.

A sharp rise in foreign visitors has spurred growth and investment in Iceland, pulling the economy out of a deep financial crisis. But it has also pushed the krona sharply higher against the U.S. dollar and the euro, in turn pressing down on import prices and keeping inflation below the central bank's target.

The central bank—trying to balance the effects of a rising krona and domestic demand pressures—cut its key interest rate to 4.5% in June.

In an interview with The Wall Street Journal, Mar Gudmundsson said the interest-rate differential with other advanced economies "complicates" Sedlabanki's monetary policy conduct.

"It would ease our task a lot if interest rates in the rest of the world would come up," he said. "And we are seeing that now."

Mr. Gudmundsson is unlikely to be alone in welcoming signs that the ECB may soon ease back on its stimulus programs, since many other central banks around Europe that operate in its shadows have experienced similar problems. In most cases, they are having to keep policy loose to avoid currency gains that would lower inflation.

—Nina Adam

Uruguay Becomes First Nation to Legalize Pot Sales

By Taos Turner

MONTEVIDEO, Uruguay—Tiny Uruguay embarked on an ambitious social experiment Wednesday by becoming the first country to regulate and oversee the sale of marijuana, a policy that has enthralled pro-pot activists and smokers abroad but has lukewarm support at home.

The strategy comes as the South American country's neighbors, Argentina and Brazil, step up their fight against drug trafficking from Bolivia and Paraguay.

Some leaders in Latin America, which is on the front lines of the U.S.-backed war on drugs, have increasingly voiced fatigue with policies that rely on hard-line drug interdiction policies.

But so far, Uruguay has most decidedly broken with prohibitionist policies that for decades have defined how governments dealt with illegal drugs. World leaders and activists on both sides of the drug-legalization debate are closely watching Uruguay's experiment.

The move has also encouraged businesses, like Vancouver-based International Cannabis Corp., which has a license to operate in Uruguay, as a business opportunity.

"We are ready to start exporting to more than 12 countries, and we will do it with a seal of quality from the Uruguayan Health Ministry," said Alejandro Antalich, chief executive of the company, known as ICC. Some U.S. states, Canada and other countries have legalized marijuana for medicinal purposes.

But under an unlikely proponent of pot, Uruguayan President Tabaré Vázquez, an oncologist and antitobacco crusader, Uruguay is taking it a big step further: controlling the production, distribution and commercialization of recreational marijuana.

Pot connoisseurs who went to 16 pharmacies across the capital Wednesday, the only establishments licensed to sell, said they were pleased to make legal purchases.

"The advantage of buying marijuana here is that you know what you're smoking," said Matias Horton, 27, who waited 40 minutes before buying his first legal packet of pot. "Before, you had to buy this on the street and you had no idea what kind of ingredients you were smoking."

Uruguay moved to legalize marijuana in 2013 under then President José "Pepe" Mujica, who argued that the U.S.-led war on drugs had failed. His approach gave the state a monopoly on the market by offering prices so low it would undercut street vendors.

That plan, though, has never had strong support here, even though Uruguay has long been socially liberal, legalizing abortion, recognizing gay civil unions and adoption by same-sex couples. Indeed, 62% of Uruguayans oppose legalization, while only 29% support it, according to an Equipos poll published this week.

"If people want to smoke pot, fine," said Sara Casalla, 88. But she said pharmacies shouldn't be selling it. "They should be selling health care products. I don't like this."

Pharmacists, to be sure, have been the most unnerved, saying selling pot could put them in competition with illegal pot dealers or that smokers might try to steal their pot stash.

"You have to worry about street vendors, like those we have here around the corner," said Javier Ponce, 61, who works at Farmacia Yaro. "We're in here all day, exposed, and turning them into competitors isn't necessarily a good idea."

Martín Alvarez, head of San Roque, one of Uruguay's biggest pharmacy chains, noted that the government-set price of $1.30 per gram barely covers operating costs. "There is nothing profitable about any of this," he said.

The government, to be sure, is doing everything to keep this country of 3.4 million from becoming a pot mecca—and making it tough for these companies to make much money from this tiny market. Only Uruguayan citizens or permanent residents can buy.

MATILDE CAMPODONICO/ASSOCIATED PRESS

A Uruguayan man showed two bags of pot he bought on Wednesday at a pharmacy in Montevideo, the first day of legal sales.

International Arbitration System Emerges as Nafta Flashpoint

By William Mauldin

WASHINGTON—A day after the Trump administration unveiled its objectives for renegotiating the North American Free Trade Agreement, U.S. businesses and a major labor coalition sparred over the merits of an international arbitration system embedded in the agreement with Canada and Mexico.

The arbitration provision, contained in Nafta's Chapter 11 and known as investor-state dispute settlement, allows an investor from one country to challenge regulations or actions of a government in another country in front of an international arbitration tribunal, potentially bypassing national courts. Its fate was left unclear in the document released by the Trump administration on Monday.

The Trump administration on Wednesday said the first round of talks would be held in Washington Aug. 16-20. U.S. Trade Representative Robert Lighthizer said John Melle, who oversees the agency's Western Hemisphere functions, would serve as chief negotiator.

In its negotiating blueprint, the administration said it wanted not only to secure rights for U.S. investors in Canada and Mexico, but also to prevent investors from those countries from gaining rights in the U.S. that domestic firms don't have. The document didn't specify what should happen to the current system, and a spokeswoman for Mr. Lighthizer had no comment.

At a House subcommittee hearing on Tuesday, businesses and the AFL-CIO, America's largest labor federation, pointed to the ambiguity in the administration's blueprint. Corporate executives pressed to retain the current settlement process as a way to defend their investments abroad, while the AFL-CIO urged removing the provision, which they say favors companies over workers and undermines national court systems.

American businesses point to research saying they sometimes face discriminatory treatment abroad, compared with local businesses, and therefore they require an international arbitration system.

"It's not academic, it's for real," Dennis Arriola, executive vice president for strategic development at **Sempra Energy**, told the House hearing on Tuesday. "We had an experience in Argentina where overnight the government changed the rules and regulations." Sempra challenged Argentina under a similar provision in a bilateral pact with that country.

The chief executives of railroad **Kansas City Southern** and engine maker **Cummins** Inc. also backed the arbitration process in the hearing as a way to protect their investments in Mexico.

Labor leaders and some Democratic lawmakers see the arbitration as a green light that encourages American companies to invest in production—and create jobs—abroad because they are exposed to fewer legal risks.

"I see no evidence that we can't trust Canadian courts," Celeste Drake, an AFL-CIO trade expert, told a House trade panel on Tuesday. The Sierra Club also said Monday it opposed the arbitration process.

The U.S. has never lost an arbitration with a foreign investor under the Chapter 11 provision. Canada's **TransCanada** Corp. used the provision to sue the U.S. after the Obama administration didn't grant a permit for the Keystone XL pipeline.

TransCanada suspended that case after President Donald Trump lifted U.S. objections to the project. Companies can sue governments for monetary damages but can't overturn laws or regulations through the process.

LUKE SHARRETT/BLOOMBERG NEWS

Some heads of U.S. businesses, including the chief executive of Kansas City Southern, voiced support for a Nafta arbitration process.

Early Success for India Tax Revamp

A new national levy is reducing corruption and economic inefficiency

MUMBAI—Until recently, truck driver K Shaji often waited for hours at various checkpoints to pay state taxes on his cargo as he journeyed from India's south to the country's financial capital, Mumbai.

By Corinne Abrams, Debiprasad Nayak and Anant Vijay Kala

No more.

Such dragnets disappeared this month after the government overhauled its tax system, allowing Mr. Shaji and millions of truck drivers to motor past what used to delay their trips by hours. The delays and tax fees—plus widespread bribes—drove up costs and added to inefficiencies in the economy.

The result is an early success for a major economic initiative by Prime Minister Narendra Modi: replacing a tangle of state and federal levies with a new goods and services tax—a type of value-added tax. Some economists say the so-called GST, which kicked off July 1, may add nearly 1 percentage point to GDP growth.

Still, the new system has teething pains.

Many of India's millions of small-business owners say they haven't had enough time to prepare. They don't know which of the many rates to pay or understand how to file their invoices. Many lack the internet connection needed to file.

The textile industry, India's second-largest employer after agriculture, has had disruptions as traders adjust. It and other industries have organized strikes and protests against the plan, saying they weren't ready.

The big test comes on Sept. 5 when businesses are required to file their first tax returns. It will then also become clear whether the government tax portal vital to the plan is ready to upload and process them.

But many experts are encouraged by the process so far, the culmination of a decade of wrangling between states and the central government.

"Generally things have gone smoother than expected," said Sachin Menon, KPMG partner and national indirect tax head.

Almost seven million of the eight million VAT and service-tax taxpayers under the old system have registered for GST, and more than 560,000 businesses have signed up to pay tax for the first time, the government says. The government hopes that many more small businesses will register over time as the benefits of a tax credits system—and the threat of penalties—lures them in.

Meanwhile, the logistics industry is showing the first signs of the transformation the tax could deliver by easing some of the biggest economic drags—corruption and bureaucracy.

The industry contributes about 13% to GDP but is still underdeveloped, fragmented and fraught with inefficiencies, according to financial-services provider Avendus Capital Pvt. Ltd. Before GST was implemented, it would take 11 days to move a container from Shanghai to Mumbai, but almost double that to get it from Mumbai to Delhi, the World Bank said. Up to a quarter of the journey time was spent at checkpoints. By eliminating those, logistics costs could fall by as much as 20%, CRISIL Research, the Indian Unit of Standard & Poor's, said in a report.

Trucking companies say while shipping orders are down as companies get used to GST, the elimination of border tax posts in most states has expedited the movement of goods and cut fuel and labor costs.

"Implementation of GST is already showing significant efficiency gains in supply chain and transportation," a spokesman for Wal-Mart India said.

Experts say economic growth may be lifted by reduced transportation times and increased compliance that will boost revenue for the government that could be spent on infrastructure, sanitation and education.

"Before the GST, some companies had multiple warehousing across different states only because they didn't want to move goods across state borders," said Rajiv Biswas, an economist at IHS Markit.

Mahesh Fogla, chief financial officer of Mumbai-based Patel Integrated Logistics, said he expected the tax revamp to save his company up to the equivalent of $620,000 annually and yield a 25% increase in profit. Antique Stock Broking Ltd., a Mumbai financial-services company, estimated in a report that drivers will save up to about $115 in bribes on each trip in checkpoint graft.

However groups of officials called "flying squads," who carry out spot checks on paperwork, still demand payments, said Navin Gupta, secretary-general of industry lobby the All India Motor Transport Congress. "Physically the check post barriers have been removed, but the flying squads are still there," he said.

At the deserted checkpoint in Mankhurd just outside Mumbai, where Mr. Shaji and other drivers previously had to stop to enter the megacity, one official said 2,500 vehicles would pass through daily to be assessed for taxes.

Mr. Shaji, who has been driving for 25 years, said that before the GST he would have to wait for hours as hundreds of items were checked and the tax calculated at three tax points along the route.

"Now we can pre-calculate our travel time," he said, relaxing with a cigarette after a long drive. "I am free of tension and I can spend more time with my family and friends."


JAIPAL SINGH/EPA/REX/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

Before the tax overhaul, trucks like these had to wait for hours as hundreds of items were checked and the tax calculated.


CORINNE ABRAMS/THE WALL STREET JOURNAL

Drivers K Shaji, left, and AP Sunil Kumar outside Mumbai.

Chinese, U.S. Talk Economics Guardedly

BY JACOB M. SCHLESINGER

WASHINGTON—The Trump administration launched its first economic talks with China on Wednesday, amid signs that new difficulties were emerging in the friendly dialogue the two governments have been holding over the past three months.

"The fundamental asymmetry in our trade relationship and unequal market access must be addressed," Commerce Secretary Wilbur Ross said at the outset of the discussions Wednesday morning.

Mr. Ross praised as "significant" some sector-specific market-opening agreements reached between the two governments earlier this year, but added: "The hardest work remains to be done."

People familiar with the meetings said that, as of early Wednesday, U.S. officials were expecting a tough day of discussions and that considerable distance remained between the two sides over what kind of concrete agreement—if any—they hope to reach during the day.

As the opening ceremony for the daylong talks was winding down, the Treasury Department announced it was canceling a 5 p.m. news conference that had been scheduled for Mr. Ross and Treasury Secretary Steven Mnuchin, the U.S. co-chairmen of the talks. The Treasury didn't provide a reason for the cancellation, but the people familiar with the discussions said it may be intended to signal displeasure with the prospects for reaching any agreement Wednesday, or a sense that they may have nothing concrete to announce by day's end.

The Chinese government also canceled its planned news conference without offering an explanation.

During last year's presidential campaign, then-candidate Donald Trump regularly criticized Chinese trade policy, and China's $300 billion trade surplus with the U.S., vowing to take drastic unilateral action—such as across-the-board tariffs—to curb the imbalance. As president, he has taken a softer tone.

Saudis Arrest Woman in 'Immodest' Skirt

BY MARGHERITA STANCATI

Saudi Arabian police detained a woman for appearing in public wearing a short skirt and a cropped top, a violation of the kingdom's strict dress code, state media said.

A video of the woman walking in the historic town of Ushayqir, which first surfaced on Snapchat, went viral on Saudi social media over the weekend, sparking a fierce debate in the country, with some people speaking out in her defense and others calling for her swift punishment.

Police detained the woman, who hasn't been officially identified, in Riyadh for wearing "immodest clothing" and the case was referred to the public prosecutor, state television said Tuesday.

Saudi Arabia, the birthplace of Islam and a U.S. ally in the battle against religious extremism, enforces one of the world's strictest interpretations of the religion, largely the product of the ruling monarchy's longstanding alliance with the powerful Sunni Muslim clerical establishment.

Women must wear loose, head-to-toe gowns known as abayas in public, though exceptions are made for foreign officials and their spouses. Most women wear all-black abayas and choose to wear face-covering veils known as niqabs.

"The law must apply to her," said a tweet from the account of Aisha al-Otaibi, ahead of the woman's detention. "Europe forces women to remove their veils. In our country law is based on Islamic Shariah, and it must be respected. She insulted it and must be punished to teach a lesson." The Twitter user's profile said she is based in Jeddah.

There is no written penal code in Saudi Arabia, where judges issue verdicts based on interpretations of Islamic law, or Shariah.

The reaction to the video reflects internal tensions about the future of the kingdom, with those who are pushing for change pitted against those resisting it.

"A woman wanders in the heritage town of Ushayqir. The world has not come to an end—it's a pleasant sight. There is no insult in it. She's a human, she is a person," said a tweet from the account of Waleed al-Nasser.

The ruling monarchy, led by Crown Prince Mohammed bin Salman, has sought to somewhat relax Saudi Arabia's strict rules in an effort to attract potential foreign investors and appeal to its own, predominantly young population.

Last week, the ministry of education announced it would introduce physical education in public girls' schools in the coming academic year, something conservatives have long opposed.

Music concerts, which for decades were virtually banned, are slowly coming back.

Saudi Arabia's religious police, tasked with enforcing the country's strict social codes, last year was stripped of its power to make arrests and instructed by the government to behave kindly.

But efforts to bring social change to a country that remains deeply conservative have also been resisted. In response to the skirt video, some Saudis urged the government to restore the powers of the religious police.

The force, formally known as the Commission for the Promotion of Virtue and Prevention of Vice, in a statement on Monday said it had seen the video of the woman in an "illegal outfit" and referred the case to authorities.

Influential members of the religious establishment have spoken out against concerts as corrupting, and warned against removing strictures that still apply to women, such as a ban on women driving and a requirement that they obtain their male guardians' permission to travel abroad or marry.

This month, prominent Saudi cleric Mohamed al-Arefe asked women to not buy embellished abayas, as opposed to the more-austere all-black version of the garment.

"O' daughter, do not purchase an abaya with any decorations, or embroidery, or beads, or slits. Please, my daughter, do not show off any ornament," he said on Twitter. The message was retweeted more than 36,000 times.

—*Dahlia Kholaif contributed to this article.*


FAISAL AL NASSER/REUTERS

Two women, pictured in the Saudi capital, Riyadh, in May, wear the abaya garment and niqab veil.

WORLD WATCH

INDONESIA

Jakarta Decree Bans Islamist Organization

The government banned an Islamist group with ambitions to include the country in a global caliphate, the first use of a new executive decree signed by President Joko Widodo last week.

Freddy Haris, a director-general at Indonesia's justice ministry, said Wednesday that the Hizbut Tahrir organization was outlawed to help preserve national unity.

However, civil-rights groups have criticized the move, saying the Widodo administration and future governments could use the new legal powers to arbitrarily ban other activist groups.

Hizbut Tahrir vowed to challenge the legality of the presidential decree by seeking a judicial review in Indonesia's Constitutional Court. The group was previously outlawed in several other countries.

The growing influence of hard-line Islamist groups in Indonesia in recent months has undermined the country's reputation for practicing a moderate, tolerant form of the faith.

—*James Hookway*

QATAR

Arab Opponents Revise Demands

Four Arab nations in a dispute with Doha said they have revised and curtailed their list of demands on the Gulf nation in a diplomatic overture aimed at moving toward a solution to the standoff.

Diplomats from Saudi Arabia, United Arab Emirates, Bahrain and Egypt told reporters they had cut their demands from 13 detailed requests to six general ones focused on "principles."

"Of course we are all for compromise but there will be no compromise on these six principles," said Abdallah al-Mouallimi, Saudi ambassador to the United Nations.

Qatar's ambassador to the U.N. dismissed the new demands as a move to save face amid international pressure on the group to end the standoff. Still, both sides said they hoped to resolve their problem through regional mediation. They also reiterated that they had no plan to escalate the conflict to a military confrontation.

Among the more-prominent changes to the list was a decision to stop calling on Qatar to shut down the Al Jazeera broadcasting network.

The new list asks Qatar to refrain from inciting violence and to aid regional and international efforts to combat terrorism. It demands that Qatar remain committed to counterterrorism agreements with Arab countries made in 2013 and 2014.

Qatar had previously rejected the demands of the group, which carried a deadline of July 5, as a violation of its sovereignty.

—*Farnaz Fassihi*

AFGHANISTAN

Kabul Diverts Its Own Official's Plane

A plane carrying a top Afghan official under investigation for kidnapping and raping a political rival was prevented from landing in northern Afghanistan, authorities said Tuesday.

The official, First Vice President Gen. Abdul Rashid Dostum, was returning to Afghanistan from Turkey late Monday when Afghan authorities and the U.S.-led international military coalition agreed to deny his chartered Turkish plane permission to land in the city of Mazar-e-Sharif, a senior Afghan official said.

The aircraft was diverted to neighboring Turkmenistan.

—*Habib Khan Totakhil*

U.S. NEWS

White House Presses Forward on Health

Trump's administration has declined to concede defeat; president meets with GOP senators

By Louise Radnofsky

WASHINGTON—Republican senators headed to lunch at the White House Wednesday as presidential aides insisted the party's much-prized health care bill remained alive after three of its most bruising days yet.

The White House has declined to concede defeat since Monday, when two GOP senators—Mike Lee of Utah and Jerry Moran of Kansas—said they were joining two other Republicans, Sens. Susan Collins of Maine and Rand Paul of Kentucky, in withholding support for a revised measure rewriting the 2010 Affordable Care Act.

"I will be having lunch at the White House today with Republican Senators concerning healthcare. They MUST keep their promise to America!" Mr. Trump tweeted Wednesday morning. "The Republicans never discuss how good their healthcare bill is, & it will get even better at lunchtime.The Dems scream death as OCare dies!"

GOP leaders had hoped a bill could squeak through the upper chamber this week. They were already hobbled by the absence of John McCain (R., Ariz.), who is recovering from surgery, and the defections of four GOP senators was a serious blow because Senate Majority Leader Mitch McConnell (R., Ky.) can only lose two votes and still have the bill pass.

The defections caught many in Washington by surprise, including at the White House, where aides gave little indication they had seen it coming. The president was dining with a small group of senators Monday night around the time the defections were announced. The group learned of the defections after the meal, several participants said.

"I was very surprised when the two folks came out last night because we thought they were in fairly good shape—but they did," Mr. Trump said Tuesday.

"We did not know at that time. We were talking about next steps. We were talking about how to bring down the cost of prescription drugs," said Sen. James Lankford (R., Okla.), one of the attendees at the dinner, on a Tuesday morning interview on "Fox & Friends."

The GOP now holds 52 seats in the Senate, leaving it vulnerable to defections from conservatives, centrists or any GOP senator with a home-state concern. Democrats have remained unified in their desire to preserve the 2010 health law they see as a signature domestic achievement under Mr. Trump's Democratic predecessor, Barack Obama.

In the face of those obstacles, the White House has weighed an array of options. One is a vote to repeal the 2010 health law, reminding 49 current Republican senators that they voted for it in the past. But three GOP senators—Ms. Collins, Lisa Murkowski of Alaska, and Shelley Moore Capito of West Virginia—have said they don't support that idea.

The White House hasn't given up on the idea that it can win back Mr. Lee or Mr. Moran and that it can address other Republicans' concerns. Administration officials are contemplating changes in the bill that they hope can attract the two senators. They are looking at Mr. Moran's worries about the bill's potential negative impacts on Kansas.

Mr. Trump has at times suggested he would be open to standing back and letting the 2010 law collapse as premiums rise and insurers pull out of the market. The White House has long cited insurance market turbulence as proof the law is failing. Democrats counter that Mr. Trump's administration has taken steps to sabotage insurance markets, which would have turned around this year but for him.

Democrats have said Mr. Trump's warnings that he could let the law disintegrate are irresponsible. "Elections do have consequences, and one of the consequences, Mr. President—one of the consequences, Mr. Trump—is that you're in charge and you've got to make things better, not simply point fingers and tweet," said Chuck Schumer of New York, the chamber's Democratic leader, on Wednesday.

For months, lobbyists, GOP strategists and White House officials have described the GOP health bill in vivid metaphors ranging from the biblical resurrection of Lazarus to the bathtub scene in "Fatal Attraction," where an apparently vanquished villain roared back to lethal action.

Heading into this week, a senior White House official predicted, "This bill will have been declared dead once, and resurrected, at least once." Officials have also regularly cited their ability to get the legislation passed in the House after it was first pulled from the floor in March and declared dead by Speaker Paul Ryan (R., Wis.) as proof they can do so again.

In addition, the White House has said it may have been outflanked by Democrats in terms of public communication on the bill.

"The left, I think has been more organized in their messaging on this than collectively Republicans have as far as advocating for the benefits of the bill," Marc Short, the White House director of legislative affairs, said last week. "And I fully accept that point as sort of a lesson learned moving forward."

Why ACA Passed But Not GOP Bill

In 2010, Democrats passed a sweeping health-care bill that polls showed to be unpopular with no support from the other party. In 2017, Republicans sought to do the same. Here is a look at some of the differences that led to one passing and the other stumbling.

CONGRESS

In the wake of the 2008 elections, Democrats for a time controlled 60 of the Senate's 100 seats. Republicans now have control of the Senate, but with 52 seats, allowing no more than two defections. Democrats passed part of the Affordable Care Act through the usual legislative process requiring 60 votes, and part of it through the so-called reconciliation process that requires a 51-vote majority.

INDUSTRY

In 2009 and 2010, Democrats brought the health industry and medical associations aboard, promising them financial help and big new markets. As a result, many such groups lined up behind the plan, also called Obamacare. In contrast, the same groups largely aligned against the GOP bill.

GOVERNORS

Republicans have had to contend with governors in their own party critical of their initiative, notably because of its proposed cuts to the Medicaid program. Democrats faced no similar dynamic.

PRESIDENT

Then-President Barack Obama bridged the split between his party's purists and centrists—exhorting Democrats, traveling the country and holding public debates with Republicans. President Donald Trump has strongly advocated for his party's bill in speeches, on Twitter and in meetings with lawmakers. But some Republicans privately have said he hasn't always coordinated strategy with congressional leaders.

TIME

Democrats entered the 2008 election expecting to win and planning to push health care as a top priority. In contrast, many Republicans didn't expect to capture the presidency in 2016, and the GOP didn't have a proposal ready.

—Naftali Bendavid

Insurers Brace for New Uncertainty After Collapse

By Anna Wilde Mathews
And Melanie Evans

For the health-care system, it's back to square one.

Insurers, hospitals and state officials are facing the prospect that the Affordable Care Act will remain the law of the land for now at least, but they also are left with huge questions about how key aspects of the law will be handled under the Trump administration as deadlines loom for insurers' decisions about next year.

The collapse of Republicans' overhaul effort spares health companies and states major cutbacks in Medicaid that many had opposed. That means a major source of the coverage gains under the ACA is likely to remain intact for the foreseeable future, a boon for hospitals, doctors and officials in states that chose to expand the program.

The bill would have "ended Medicaid as we know it," said John Jurenko, vice president of government relations at NYC Health & Hospitals, which runs New York City's 11 public hospitals. That relief was temporary, he said, as he considered the continuing uncertainty. "I was very happy for a few minutes," he said. "We need to be vigilant."

For insurers, the results are mixed. They fought to kill a provision in the latest Senate bill that they said would have blown up the ACA's marketplaces, but they supported Republicans' efforts to kill the law's tax on health-insurance plans.

Insurers said they still face major uncertainty about how the ACA will be administered going forward. "We have to make business decisions here, and it's like, 'is it going to be A or B?'" said John Baackes, chief executive of L.A. Care Health Plan, which offers exchange coverage as well as Medicaid. "You can't operate that way."

The impact will likely play out differently in different places, depending on state policies and market realities.

Companies are now calling for fast efforts to provide more certainty and stability in the marketplaces, which are strained in several states as insurers are pulling back and seeking large rate increases for next year. In an estimated 38 counties across Nevada, Indiana and Ohio, no insurer has yet agreed to offer coverage through an exchange next year.

Most immediately, companies offering health plans in the ACA's exchanges are concerned key federal payments that help reduce health-care costs for low-income enrollees may now be halted, as President Donald Trump has threatened in the past. The Senate bill would have locked them in for 2018 and 2019. The president raised their alarm with a tweet on Tuesday suggesting, "let ObamaCare fail and then come together and do a great healthcare plan. Stay tuned!"


RON SCHWANE/ASSOCIATED PRESS

Ohio's John Kasich and other governors want a bipartisan deal.

"If he wants to destroy Obamacare, all he has to do is stop" the payments, said Jerry Dworak, chief executive of Montana Health Co-op, a nonprofit offering marketplace plans in Montana and Idaho. "That would probably end it right there. I don't know if he's bluffing."

Montana Health Co-op proposed only about a 4% rate increase on marketplace plans in its home state for next year, Mr. Dworak said, but that would have to increase by about 20 percentage points if the cost-sharing payments ceased.

The Blue Cross Blue Shield Association said that, "with open enrollment for 2018 only three months away, our members and all Americans need the certainty and security of knowing coverage will be available and affordable for them," and the cost-sharing payments must have "certain funding." The group also said it supported federal and state moves to "stabilize insurance markets in the short term."

Insurers said they also need firmer direction about the future enforcement of the ACA's individual mandate for people to have insurance.

Many insurers fear consumers will assume because of Republican efforts that the requirement is no longer being enforced, even though no law repealing it has passed, leading younger, healthier people to avoid marketplace plans.

Senate Majority Leader Mitch McConnell (R., Ky.) had previously raised the prospect of working with Democrats on efforts to stabilize the marketplaces, and pressure for that outcome from the health-care industry and states is likely to rapidly grow.

A group of governors, including Ohio's John Kasich, Nevada's Brian Sandoval and Pennsylvania's Tom Wolf, said Tuesday that "the best next step is for both parties to come together and do what we can all agree on: fix our unstable insurance markets."

Hospital executives said they, too, are worried about seeing more patients losing coverage if the insurance marketplaces aren't stabilized.

In addition to funding for the cost-sharing payments, insurers would like to see funding for reinsurance to help manage the risk of covering costlier, sicker enrollees, and other steps.

Pamela Morris, chief executive of CareSource, a nonprofit that offers exchange plans in four states, said her company is considering offering plans in some counties in Indiana and Ohio that currently lack a marketplace insurer for 2018.

Locking in the cost-sharing payments and a reinsurance program would "make it a win-win for us" to offer plans in those counties, she said. "That would seal the deal."

—Stephanie Armour contributed to this article.

Republicans Take Stock After Health-Care Overhaul Fails

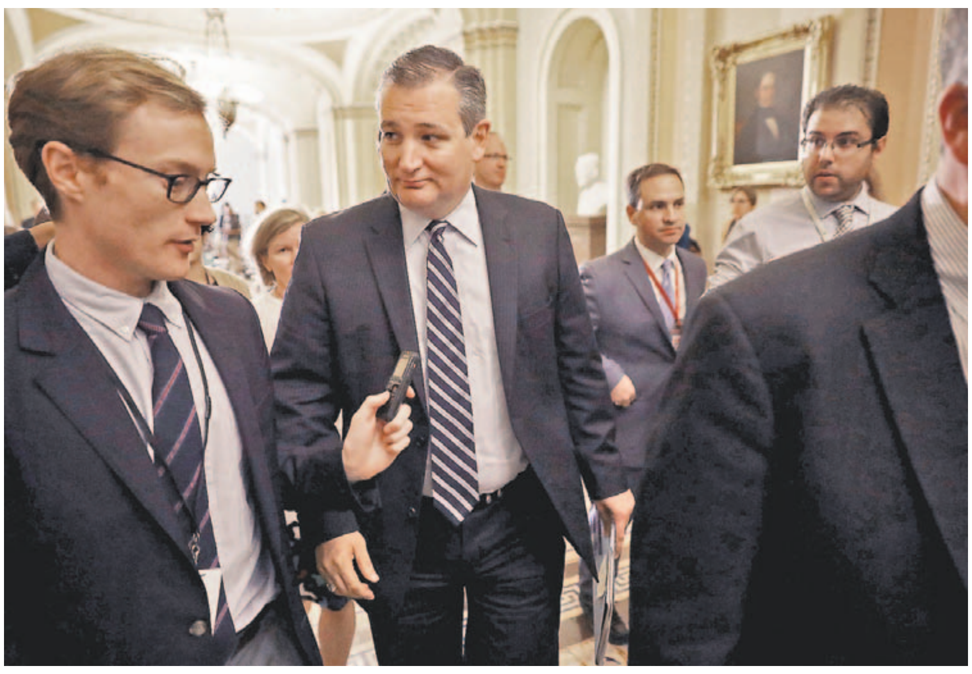
By Janet Hook
And Louise Radnofsky

WASHINGTON—President Donald Trump, reacting to the unraveling of the Senate health-care push on Tuesday, urged his fellow Republicans to focus on another task: electing more GOP senators next year so they would have a bigger majority that could withstand small defections.

"The way I look at it is, in '18 we're going to have to get some more people elected," Mr. Trump said in the Roosevelt Room in the White House. "We have to go out and we have to get more people elected that are Republican."

But some Republicans have warned that Mr. Trump's goal of winning more Senate seats would be harder if the Republican-controlled Congress failed to deliver on a repeal promise that GOP legislators have been making for four consecutive election cycles and Mr. Trump featured in his 2016 campaign.

The demise of the health-care push also could stoke tensions within the party that have largely been muted since the November election, GOP politicians said. Republicans now control both the White House and Congress for the first time since 2007.


CHIP SOMODEVILLA/GETTY IMAGES

U.S. Sen. Ted Cruz (R., Texas), center, sees a danger of 'long-lasting damage' to GOP credibility.

"This is the issue," said Mark Meckler, a conservative activist who was co-founder of Tea Party Patriots, a group that led the earliest opposition to the 2010 health-care law championed by former President Barack Obama, a Democrat.

"Right now, what I'm seeing in my channels is unbridled fury against Congress," Mr. Meckler said.

With all Senate Democrats opposed to the GOP health-care legislation, Senate Majority Leader Mitch McConnell (R., Ky.) tried two different strategies this week to pass a health-care bill that would roll back or repeal the Affordable Care Act, but he fell short of support on both. Mr. McConnell still plans to hold a vote on a 2015 version of a bill repealing the 2010 law, which is known as Obamacare, even though he lacks the votes to pass it.

The Senate Conservatives Fund, a political-action committee, said Tuesday it would recruit and fund primary challenges against GOP senators who move to block that vote.

"We will seek to identify, recruit and fund conservative challengers against Republican senators who vote against repeal," said Ken Cuccinnelli, president of the Senate Conservatives Fund.

"If they won't keep their word and if they can't find the courage to repeal a liberal takeover of our health-care system...they should be replaced by someone who will," he said.

Some of Mr. Trump's allies had previously sought to inflict damage on GOP senators who didn't support the proposed health-care legislation in the Senate. Last month, one group launched an ad attacking Sen. Dean Heller (R., Nev.) after he voiced opposition to the bill. The ads were pulled after Mr. McConnell complained to White House Chief of Staff Reince Priebus that it was an "incredibly stupid" thing to do, according to a GOP operative with knowledge of the discussion.

The midterm map of Senate elections is heavily tilted in the GOP's direction, with more vulnerable Democrats than Republicans up for re-election.

Still, said Rick Tyler, a GOP strategist who was an adviser to Sen. Ted Cruz's 2016 presidential campaign, the party's brand is taking a beating. "You have to demonstrate as a majority party that you can govern and get things done," he said. "The Republican brand is just so damaged because I don't know anyone who can tell me what it means to be a Republican anymore."

"Not being able to deliver on that promise [to repeal the ACA] would do serious and long-lasting damage to the credibility of Republicans," Mr. Cruz of Texas said last week.

One thing that could blunt the political fallout over the health-care bill is that the proposed changes to the 2010 law weren't popular among many of Mr. Trump's own voters, according to a new Wall Street Journal/NBC News poll.

Trump, Putin Held Second Talk at G-20

Previously undisclosed private conversation took place at state dinner for world leaders

By Rebecca Ballhaus

EVAN VUCCI/ASSOCIATED PRESS

Russian President Vladimir Putin and U.S. President Donald Trump at the G-20 summit in Hamburg.

WASHINGTON—U.S. President Donald Trump and Russian President Vladimir Putin held a second, previously undisclosed talk on the sidelines of the Group of 20 summit in Hamburg this month, a White House official said.

The conversation took place on the same day that the two leaders met earlier for more than two hours in what Secretary of State Rex Tillerson called an "extraordinarily important meeting."

The White House disclosed the conversation after it was reported by Ian Bremmer, president of the Eurasia Group, a political risk advisory group. He wrote about the meeting in a company newsletter and spoke about it in a television interview Tuesday.

The two leaders spoke during a state dinner for the world leaders and their spouses.

The White House official said Tuesday that Mr. Trump spoke with many leaders during the dinner and said that the president "spoke briefly" with Mr. Putin, who was seated next to first lady Melania Trump, toward the end of the evening.

Mr. Bremmer said the two spoke for about an hour, joined by Mr. Putin's translator.

The White House official said Messrs. Trump and Putin used the Russian translator because the American translator accompanying Mr. Trump spoke only English and Japanese. Mr. Trump had been seated next to Japanese Prime Minister Shinzo Abe.

"The insinuation that the White House has tried to 'hide' a second meeting is false, malicious and absurd," the White House official said. "It is not merely perfectly normal, it is part of a president's duties, to interact with world leaders."

In the meeting earlier in the day, Mr. Trump pressed Mr. Putin on what the intelligence community says was an extensive campaign by the Russian government to meddle in last year's election.

Mr. Trump told him that Americans are upset about Russia's actions and want them to stop, Mr. Tillerson told reporters in a briefing. Mr. Putin denied that Russia played a role, and the two leaders agreed not to "relitigate" the past, Mr. Tillerson said.

Russian Foreign Minister Sergei Lavrov, who was also in the meeting, told reporters afterward that Mr. Trump accepted Mr. Putin's contention that Russia didn't interfere in the campaign.

In an interview with The Wall Street Journal, Mr. Bremmer said he learned about the second Trump-Putin talk from participants at the dinner, which was attended only by world leaders and their spouses.

Mr. Bremmer said the participants described the talk as "very animated" and "very friendly."

Mr. Trump said it was already known that he would be attending a dinner with the Russian president and 18 other world leaders. "Fake News story of secret dinner with Putin is 'sick,'" he tweeted Tuesday evening. "All G 20 leaders, and spouses, were invited by the Chancellor of Germany. Press knew!"

The dinner was closed to the news media, and White House officials hadn't provided details of the president's interactions during the event before Tuesday.

The news that Mr. Trump had a talk with Mr. Putin that the White House didn't initially disclose comes as special counsel Robert Mueller investigates Russia's efforts to interfere in the 2016 U.S. presidential election, and whether Trump associates colluded with Moscow in that effort.

Mr. Trump has expressed skepticism about U.S. intelligence agencies' consensus that Russia sought to meddle in the election, saying days before his meeting with Mr. Putin, "Nobody knows for sure." He has repeatedly denied any collusion by his campaign.

Since his meeting with Mr. Putin, the president's eldest son, Donald Trump Jr., has released an email chain showing that he helped arrange a meeting in June 2016 to discuss allegedly damaging information about former Democratic presidential nominee Hillary Clinton.

In that email chain, the younger Mr. Trump was told that the information was gathered as part of a Russian government effort to help his father.

Also on Tuesday, the White House announced its intent to formally nominate Jon Huntsman—former governor of Utah and ambassador to Singapore under President George H.W. Bush and to China under President Barack Obama—as ambassador to Russia.

U.S., Russia Remain At Odds Over Seized Compounds

WASHINGTON—U.S. and Russian diplomats failed to come to an agreement over the return of Russian embassy compounds that were seized by the Obama administration in late December as punishment for Moscow's alleged interference in the 2016 presidential campaign.

U.S. Undersecretary of State Thomas Shannon and Russian Deputy Foreign Minister Sergei Ryabkov met in Washington on Monday to discuss the matter and other bilateral issues, but didn't come to a deal. Russia last year held off from responding in kind after the Obama administration seized the New York and Maryland properties and expelled 35 Russian diplomats accused of operating as spies. The Kremlin bridled its response amid hope that incoming President Donald Trump might reverse the moves, which came in the final weeks of the Obama administration.

Russian officials have been airing increasingly vocal threats since Mr. Trump met Russian President Vladimir Putin at the summit of leaders from Group of 20 leading nations in Hamburg this month.

"We warned that we have a way to respond, and American interests in the Russian Federation could suffer if our diplomatic property isn't returned without conditions," Mr. Ryabkov said in an interview Tuesday with the Russian news agency Interfax after his meeting with Mr. Shannon.

The State Department released a statement about the talks Tuesday that made no mention of the controversy.

—Paul Sonne

Special Counsel Examines 2016 Campaign Meeting

Special Counsel Robert Mueller has contacted the eighth attendee at a meeting arranged by Donald Trump Jr. between top campaign aides and a Russian lawyer, marking the first public sign that Mr. Mueller's investigation will examine the June 2016 gathering at Trump Tower in New York.

By Rebecca Ballhaus, Byron Tau and Aruna Viswanatha

Mr. Mueller, a former director of the Federal Bureau of Investigation, has also cleared the way for President Donald Trump's eldest son and a senior campaign official to testify before Congress about the meeting, a senior Democratic senator said Tuesday.

The special counsel has contacted Ike Kaveladze, vice president at Crocus Group, a company run by Azerbaijani-Russian billionaire Aras Agalarov, who helped arrange the 2016 meeting, an attorney for Mr. Kaveladze confirmed. Mr. Mueller is investigating alleged Russian meddling in last year's presidential election and whether Mr. Trump's associates colluded with Moscow.

Mr. Kaveladze was asked by Mr. Agalarov to attend the meeting as an interpreter for the Russian lawyer, according to Scott Balber, the attorney who represents both Messrs. Kaveladze and Agalarov.

But the Russian lawyer, Natalia Veselnitskaya, brought her own interpreter, and Mr. Kaveladze "doesn't recall saying a single word at the meeting," Mr. Balber said.

Mr. Kaveladze is "fully cooperating" with the special counsel's probe but has yet to be interviewed, Mr. Balber said. Mr. Agalarov and his son, pop singer Emin, haven't been approached by Mr. Mueller, he said.

Mr. Trump and his campaign aides have denied any collusion with Russia. The GOP president has also expressed skepticism about U.S. intelligence agencies' conclusion that Moscow sought to intervene during the campaign. Russian officials have denied doing so.

Donald Trump Jr. released emails last week showing he helped arrange the Trump Tower meeting to discuss allegedly damaging information about 2016 Democratic presidential nominee Hillary Clinton. The meeting was also attended by Jared Kushner, Mr. Trump's son-in-law, who was a senior campaign aide at the time and is now a top White House official, and Paul Manafort, then the campaign chairman.

On Tuesday, Sen. Dianne Feinstein (D., Calif.) said she had been informed Mr. Mueller wouldn't object to Donald Trump Jr. and Mr. Manafort testifying before the Senate Judiciary Committee.

A spokesman for Mr. Mueller declined to comment. A spokesman for Republicans on the panel didn't respond to a request to comment, but Sen. Chuck Grassley (R., Iowa), the committee's chairman, previously said he would like to call attendees in front of the panel to shed new light on the June 2016 meeting. It is unclear whether the Senate also wants to hear from Mr. Kushner.

In an email to the younger Mr. Trump dated June 3, 2016, 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."

—Brett Forrest contributed to this article.

Trump Tower Lease Costs $2.39 Million

WASHINGTON—The U.S. government is paying more than $130,000 a month to lease space in Trump Tower for the military office that supports the White House, even though Donald Trump hasn't spent a night at the New York skyscraper since becoming president.

The government signed a $2.39 million lease to rent a 3,475 sq. ft. space in the building for the military from April 11, 2017, to Sept. 30, 2018, nearly 18 months in total, according to lease documents that The Wall Street Journal obtained through a freedom of information request.

The government agreed to pay $180,000 for the last 20 days of April 2017 and $130,000 a month thereafter, according to the contract released by the General Services Administration, the agency that negotiates office space agreements for the government.

The GSA redacted large portions of the lease, including the name of the person who owns the Trump Tower space the government is renting. A Pentagon official wrote in a letter seen by the Journal that the space is owned privately by someone unaffiliated with the Trump Organization and that the department sees no way in which Mr. Trump can benefit from the rent money. Records indicate the owner is Joel R. Anderson, Mr. Trump's neighbor.

The military's lease in Trump Tower puts the space far above market rate for similarly sized apartments in the luxury high-rise market and makes it one of the most expensive residential rentals in Manhattan.

—Paul Sonne

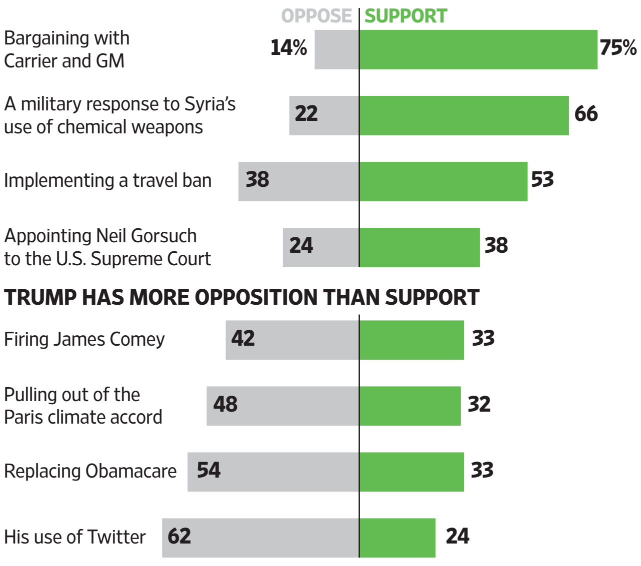
ALEX WONG/GETTY IMAGES

Special Counsel Robert Mueller, left, in Washington last month

President's Core Supporters Have His Back, Poll Finds

How Trump Counties View the President

In counties that fueled President Donald Trump's election victory, residents strongly support some of his economic and foreign-policy actions. His decisions on climate change and firing the FBI director draw less support.



Source: WSJ/NBC News telephone poll of 600 adults in Trump-supporting counties in 16 states conducted July 8-12; margin of error: +/-4 percentage points

THE WALL STREET JOURNAL.

By Michael C. Bender

People in counties that propelled President Donald Trump's election victory see him as the change agent needed to shake up political and economic systems that they said are stacked against them, a new Wall Street Journal/NBC News poll found.

The president's job performance and his handling of the economy are viewed more favorably in these so-called Trump counties than in the rest of the nation, helping to overcome doubts some people have about the president's personal qualities and some of his policy decisions.

The GOP president draws wide support in these counties for bargaining with employers to keep jobs in the U.S., with 75% of residents supporting those efforts and 14% opposing.

More than two-thirds of respondents in those counties back his signaling that he is willing to take action if North Korea goes further in developing long-range missiles and nuclear weapons, and a similar share backs his military response in April to Syria's use of chemical weapons. A majority supports his push for a ban on entry into the U.S. residents of some countries.

In these counties, 50% said they approve of Mr. Trump's job performance, compared with 46% who disapprove, the survey found. That is a stronger showing than the 40% in a nationwide Journal/NBC News survey from last month who approved of Mr. Trump's performance in office.

The survey underscored many of the themes that led to Mr. Trump's surprising victory in November, most notably the resonance of his call to protect U.S. jobs and the unfavorable view that many voters took of Democratic presidential nominee Hillary Clinton.

The survey, conducted July 8-12, included 600 adults in some of the president's strongest bastions: Counties that flipped from favoring President Barack Obama, a Democrat, in 2012 to backing Mr. Trump in November, and counties in which Mr. Trump's support in the November election surged at least 20 percentage points higher than GOP presidential nominee Mitt Romney drew in 2012.

Approval of some of the president's moves helped him overcome doubts about other actions.

Approval of some of the president's actions related to the economy and foreign policy in these counties have helped him overcome doubts about other actions. According to the poll, 42% in these counties disapproved of his firing of James Comey as director of the Federal Bureau of Investigation, with 33% approving. Nearly half disapproved of Mr. Trump's decision to pull the U.S. out of the Paris climate change accords, with about one-third approving of that action.

More than half disapprove of Mr. Trump's push to replace the Affordable Care Act, and more than six in 10 disapprove of his use of Twitter.

"Without a doubt, Donald Trump's personal style was part of his appeal in the 2016 campaign," said Democratic pollster Fred Yang, who conducted the survey with Republican Bill McInturff. "But more and more it appears to be a distraction that is starting to hit a sour note with this base."

Many poll respondents said Mr. Trump's strongest attribute was that he isn't a typical politician and is shaking things up in Washington. He is perceived as bringing the right kind of change by more than a two-to-one ratio.

JIM LO SCALZO/EUROPEAN PRESSPHOTO AGENCY

House Budget Committee Chairwoman Diane Black and other Republicans outline plans to cut $203 billion in spending.

GOP Pivots to Tax Overhaul

Republicans look to revamp code to bounce back from health-care setbacks

By Richard Rubin

WASHINGTON—Republicans, after a six-month effort to rewrite health-care law that appears to be ending in defeat, are hoping tax policy can deliver them a landmark victory.

They have a huge incentive to succeed after the health-care fumble, lawmakers say, but they acknowledge a tax overhaul won't be quick or easy either.

The party's goal of a once-in-a-generation tax-code revamp is at best months from completion. The party has yet to write a budget that will be used as a framework for advancing a tax overhaul. Party leaders also haven't agreed on key policy objectives, although top leaders from the House, Senate and White House are trying to finish a blueprint.

"It ratchets up pressure on us to get something done. It also makes it difficult to move forward with anything controversial because of a fear of it falling apart," said Rep. Tom MacArthur (R., N.J.). "We have to get things done that matter to the American people, and tax reform is one of them."

The tax plan will absorb policy fights left unresolved from health care. Republicans had counted on the health bill to repeal investment and payroll taxes and taxes on health industries created in the 2010 Affordable Care Act. Repealing those items in the tax bill would make it harder to cut other taxes and hit fiscal targets, while leaving them in place would upset business groups and others.

Politically, Republicans need momentum coming out of health care. But the same narrow vote margins and procedural technicalities that bedeviled them on health care could reappear.

Aspects of tax policy could unite Republicans. Party members generally agree that lower marginal rates on corporate taxes can increase investment and spur economic growth. President Donald Trump has shown more interest and enthusiasm for a tax rewrite than health care. Moreover, the party isn't faced with the prospect of taking away popular health benefits, as they were in the Obamacare rewrite, which stymied them in attempting the health overhaul.

"After health care, taxes are going to be so easy," Mr. Trump said this month on the Christian Broadcasting Network. "If we get what we want, it will be the biggest tax cut and the greatest tax reform in the history of our country."

The House Budget Committee planned to take the first step toward a tax bill Wednesday, considering a fiscal-2018 budget plan that will serve as a blueprint for a tax-code rewrite. If the House and Senate agree on a budget, they can advance a subsequent tax bill that avoids a Senate filibuster and pass with only Republican votes.

The House budget calls for tying the tax bill to at least $203 billion in deficit-reduction measures, which may include changes to medical-malpractice law and federal employees' retirement benefits. That bill, like health-care legislation, would face procedural constraints and couldn't increase budget deficits after 10 years, a factor that potentially ties Republican hands.

So far, the House budget doesn't appear to have enough votes to pass a budget measure. House members are scheduled to leave Washington next week and not return until September.

Rep. Dave Brat (R., Va.), said conservatives want larger spending cuts and are wary of backing the budget without more clarity on taxes.

Other internal divides loom. The party is split between members who prioritize rate cuts and those more concerned about the distribution of the tax burden. There is also a split between lawmakers who want tax cuts and those worried about budget deficits.

"The GOP is likely to pivot away from a fully revenue-neutral bill towards a bill that is deficit-financed over the first 10 years," said Jon Lieber of the Eurasia Group consulting firm. "It is getting to be crunchtime."

—Byron Tau and Kate Davidson contributed to this article.

Unpaid Lunch Money Vexes School Districts

By Tawnell D. Hobbs

School districts across the country will be alerting parents this fall how they plan to tackle a long-thorny problem: collecting what can add up to hundreds of thousands of dollars in students' unpaid lunch money.

The U.S. Agriculture Department, which sets school-meal guidelines and provides cash subsidies and foods to public schools nationwide, set July as a deadline for states or districts to have a "written and clearly communicated meal charge policy" to notify parents annually on how delinquent meal accounts could affect their children.

Some schools withhold report cards or ban students from graduation exercises; others withhold meals entirely or give children of delinquent parents a cheese sandwich in place of a hot lunch. Other districts are planning similar actions.

Many other districts simply let students slide, using general funds at the end of the year to pay off any meal debt.

In the school year that just ended, the Los Angeles Unified School District's meal debt was $629,000, Prince William County Public Schools in Virginia's reached $300,000, while Nevada's Washoe County School District's was nearly $67,000. San Diego Unified School District had a $143,000 balance.

"We're in a financial crunch. If you owe money, you should pay it," said the Rev. Steve López, board president of Yonkers Public Schools, a New York school system with an $800,000 meal debt. "But we don't want any kids to go hungry—or pointed out or ostracized by their classmates."

USDA officials say the requirement, which takes effect this coming school year, ensures consistency and transparency. School districts must tell their states what they plan to do, unless there is a statewide policy. The mandate affects only students who pay full or reduced prices for lunch, not the millions of children who qualify for free lunch.

A USDA-led study found that 58% of school food authorities, which are mostly school districts, incurred unpaid meal costs during the 2010-2011 school year.

But some schools deny food to children or toss their chosen hot meal and provide a bag lunch instead if they see their account is delinquent. Opponents of that practice, which some call "lunch shaming," say that can embarrass students, and several states have passed or are considering laws that ban it.

In the Southern Boone School District in Missouri, where school leaders are wrestling with a $30,000 meal balance, parents that have fallen behind and haven't made arrangements to pay would be barred from attending their child's graduation and other events under a policy being considered in August.

Some schools deny food to children if they see their account is delinquent.

"Many of the people on the list have the means to pay," said Southern Boone superintendent Chris Felmlee, who noted that his small district has a low percentage of poor students.

At least two states, New Mexico and Texas, recently approved laws aimed at avoiding lunch shaming, either forbidding practices that single students out or mandating that districts provide a grace period for nonpayment. A federal bill introduced in May, called the Anti-Lunch Shaming Act of 2017, would forbid actions such as students performing chores to pay off debt.

MORGAN LEE/ASSOCIATED PRESS

Students bought school lunches this past May at Gonzales Community School in Santa Fe, N.M.

Policies Vary: PB&J, Or Kitchen Duty

Many meal policies in local school districts outline how schools will communicate with parents to collect money before lunches are cut off, and they provide the length of grace periods, usually longer at the elementary level.

These policies—some in place before the U.S. Agriculture Department set a July deadline for a payment policy on school meals—also describe the "alternate" meal given to children who can't pay, usually a cheese or peanut-butter sandwich with a vegetable, fruit and milk.

Some policies also mention turning over unpaid accounts to collection agencies, taking parents to court, and involving child protective services when parents are unresponsive.

In Colorado Springs School District 11, the policy states: "Any student may work in the kitchen and receive a meal at no cost."

The meal policy for Union Area School District in Pennsylvania notes that students with negative account balances "will not be able to walk and/or attend the graduation ceremony."

But San Diego Unified and some other districts have decided to eat the costs instead of punishing students or parents. "We don't shame kids, never have, and we don't rip trays out of kids' hands," said Gary Petill, San Diego Unified's director of food and nutrition services. "No school should deny kids a meal."

—Tawnell D. Hobbs

U.S. WATCH

SENATE

Panel Advances Labor Board Picks

The Senate's labor committee approved two Republicans whom President Donald Trump nominated for vacant spots on the National Labor Relations Board on a party-line vote Wednesday.

Attorneys Marvin Kaplan and William Emanuel were advanced on 12-11 votes for seats on the five-member board that referees disputes between unions and employers. Both men still face a confirmation vote in the full Senate, but the committee vote suggests they will face little resistance in the Republican-controlled Senate.

Democrats, who hold two of the three currently filled seats on the board, still control the body. Mr. Trump has elevated the sole Republican, Philip Miscimarra, to chairman. That move slowed issuance of agency decisions, since Mr. Miscimarra can control which cases are decided but lacks the votes to win rulings.

Mr. Kaplan is counsel at the independent Occupational Safety and Health Review Commission. Previously, he worked as counsel for House Republicans on the Education and the Workforce Committee. Mr. Emanuel is a Los Angeles attorney at the Littler Mendelson law firm who mainly represents large employers.

Some business groups have expressed concern about lingering vacancies on the board, one of several Washington bodies without a full complement of appointed officials. Board decisions during President Barack Obama's tenure resulted in some big victories for labor unions, including an easier path for employees at franchise businesses and contractors to join unions. The board's position in the months ahead will shape how far these efforts go, with big implications for chains like McDonald's Corp. and others.

Democrats raised concerns that Mr. Kaplan and Mr. Emanuel were advanced only a few weeks after being nominated. Mr. Trump announced both nominees in late June.

—Eric Morath

ECONOMY

Housing Starts Jumped in June

U.S. housing starts rebounded in June, promising to help ease a national shortage of single-family homes and restrain price growth in the coming months.

Housing starts rose 8.3% in June from the previous month to a seasonally adjusted annual rate of 1.215 million, the Commerce Department said Wednesday. Residential building permits, which can signal how much construction is in the pipeline, increased 7.4% to an annual pace of 1.254 million last month. That was the largest one-month jump since November 2015.

"This is one of the best new housing construction reports that I've seen in a while," said Ralph McLaughlin, chief economist at Trulia. Starts data are volatile from month to month and are subject to large revisions. The 8.3% gain in starts came with a 15.8-point margin of error.

The pace of construction had been sluggish in recent months, with starts declining in the previous three months, and permits down in April and May.

But economists said that was likely because a warm winter pushed up some activity by a month or two and that the overall trend remains toward continued improvement in the construction sector. "Housing has been a major concern as construction was on the downside through the spring. That pattern was broken as builders picked up the pace quite sharply in June," said Joel Naroff, president and chief economist of Naroff Economic Advisors.

—Laura Kusisto and Sarah Chaney

JUSTIN SULLIVAN/GETTY IMAGES

AFTERMATH: A gas line continues to burn at a home that was destroyed by the Detwiler Fire on Wednesday in Mariposa, Calif. More than 1,400 firefighters are battling the Detwiler Fire that has burned more than 45,000 acres, forced hundreds to evacuate and destroyed at least 8 structures.

FARMS

Continued from Page One

keeping a lid on crop prices. The increase in equipment leasing, meanwhile, is weakening Deere's own market for sales.

If crop prices remain subdued, "you're just prolonging the agony and potentially building up [farm] losses instead of cutting the pain, cauterizing the wound and stanching the flow of financial blood now," said Scott Irwin, an agricultural economist at the University of Illinois.

Deere said it is responding to greater demand for leased equipment from farmers and for short-term credit from other farm-industry manufacturers such as seed companies that are offering aggressive financing through Deere as a sales incentive.

"Our core mission is to support sales of equipment," said Jayma Sandquist, vice president of marketing for the U.S. and Canada for John Deere Financial. "It's a cyclical industry. We've built a business that we can manage effectively across all cycles, and our performance would indicate we can do that."

The financing arm has shielded the Moline, Ill., company from the worst of the slump, keeping factories and dealers intact and investors satisfied with profits. Despite a 37% drop in sales of its farm equipment since a record high in 2013, Deere's stock price is up 72% from its recent low in early 2016 and up 22% since the start of 2017.

Deere Financial's portfolio of loans and leases, which includes short-term lending, leasing and multiyear loans for equipment purchases, totaled $34.7 billion at the end of the company's 2016 fiscal year, in October.

Since 2013, the total value of equipment leases held by Deere is up 87%. Loans for farm-equipment purchases, meanwhile, have fallen 10% since peaking in 2014, reflecting sliding machinery sales.

Short-term credit accounts for farmers—used for items such as crop supplies—are up 38% since the end of 2015. As of early 2017, the bank operation of Deere Financial had handed out about $2.2 billion. It is close on the heels of the No. 4 agricultural lender, Bank of America, which has about $2.6 billion out.

"Deere Financial is a massive force," said Robert Wertheimer, a Barclays analyst. Deere, which accounts for about two-thirds of all the big tractors sold in the U.S., "is able to influence this market. They have more market power than most companies."

Rob Zeldenrust, senior agronomy manager at North Central Co-op in Mentone, Ind., said a farmer who grows corn, soybeans and wheat on 1,000 acres likely would need $250,000 to cover the cost of seed, fertilizer, chemicals, spraying and fuel for a single growing season.

Suppliers like Deere can be a lifeline for farmers such as 59-year-old Harry DuRant in South Carolina. Mr. DuRant leases a tractor from Deere, and has charged seed and chemical purchases to lines of credit held by Deere and other suppliers. Together with loans from his local bank, the financing has helped him plant crops despite losing money for three years out of the past four.

SARAH HOFFMAN FOR THE WALL STREET JOURNAL

Mark Gath, a farmer in Luverne, Minn., leases combines and tractors from John Deere. 'I don't believe I'll ever buy again,' he said.

'Vicious cycle'

But low commodity prices are making it difficult for Mr. DuRant to pay off past debts without taking on new ones.

"It's a vicious cycle," Mr. DuRant said, noting that seed companies continually introduce more-expensive, higher-yielding varieties of corn and soybean seeds that appeal to farmers like himself, despite a global oversupply of crops and low grain prices. "I buy into it because I'm a grower, so of course I want to make 150-bushel corn instead of 120-bushel corn. All we're doing is making the situation worse."

Supplier credit has long played a role in the financial plumbing of the U.S. heartland. But it has grown more crucial in recent years as commercial banks have become choosier, increasing interest rates and collateral requirements and denying financing to some farmers altogether.

The volume of new loans for farm operations originated by banks in the first half of 2017 fell 7% from a year earlier, according to the Federal Reserve Bank of Kansas City, following a decline in the first half of 2016. Loan volumes in the second quarter ticked up slightly, the bank said.

"It used to be you showed up [at a bank] and said you were a farmer and they said please let us lend you something," said Illinois farmer Aaron Wernz, noting that several years ago a $100,000 loan for operating expenses could be secured with a phone call. "Now they want to make sure their t's are crossed and i's are dotted."

Nate Franzén, president of the agribusiness division of First Dakota National Bank in Yankton, S.D., said the number of high-risk loans at his bank has quadrupled to 12% in the past two years. The bank is working to restructure debt for some borrowers, and urging others to sell land or equipment or vacation homes. He has had to tell a few farmers it couldn't finance them at all.

Agribusinesses such as Monsanto Co., DuPont Co., Dow Chemical Co. and agricultural co-ops nationwide offer financing on crop supplies through in-house programs or in partnership with lenders like Deere and Rabobank.

BASF SE, one of the world's largest suppliers of pesticides to farms, offers financing exclusively through Deere, and says its program has expanded in the past five years.

CHS Inc., a large farmer-owned cooperative in the U.S. that lends widely to farmers, is holding about $250 million in debts owed by a single farm operation, according to court documents.

Deere's main rival, CNH Industrial NV—the maker of Case IH and New Holland equipment brands—has also turbocharged its leasing program.

But Deere has expanded the reach of its financing business well beyond machinery, and far more than any other manufacturer in the farm sector. The financing business accounted for a third of its net income in fiscal 2016, up from 16% in 2013.

Deere's lending arm regularly yields profit margins much greater than Deere's margins for equipment sales—in 2016, the net margin for financial services was 16%, compared with 4.5% for equipment.

Financing profits have also suffered less during the downturn; net income from financing activities fell 17% from 2013, while net income from the equipment business plunged 57% in that period.

But Deere's loan or lease balances more than a month past due have doubled since 2012 to $434 million at the close of fiscal 2016, according to an annual regulatory filing for a Deere financial subsidiary for its U.S. business.

The amount of debt Deere said it won't be able to collect has doubled since 2014 to $103 million, with more than half of that amount from its crop-supplies credit program.

Losses at Deere's financial arm still remain minuscule relative to the size of its finance business. The company said mounting farm debt isn't a significant risk given still-high equity levels—the difference between total assets and total debt on farms. "We have many good customers that can continue to repay and stay consistent across underwriting," said Deere's Ms. Sandquist.

In the longer term, Deere's aggressive leasing activity threatens its core business of selling large, high-horsepower tractors that can cost more than $200,000 apiece, and harvesting combines priced at more than $500,000.

Lease vs. buy

Deere accelerated its equipment leasing in 2014 when sales plummeted following almost a decade of rapid-fire purchases by farmers flush with cash. The leasing business has kept Deere from having to idle factories and has provided dealers with income from replacement parts and services for leased equipment.

In turn, it has provided farmers with machines for one to three years for a fraction of their purchase price, alleviating the need for loans. A new tractor costing $250,000 can be leased for about $30,000 a year. That compares with the cost to buy with a loan, which would require a 20% down payment of $50,000 and more than $40,000 a year in payments for five years for the remaining $200,000 with 5% interest.

"What a lease afforded [farmers] was a payment that was predictable," said Deere's Ms. Sandquist. "We didn't set about a strategy to use leasing."

At the end of a lease, many farmers have returned their machinery to dealers, adding to an already oversupplied market for used equipment. That pushes down the price farmers who own can get for their used machines, discouraging trade-ins for new models. The lower prices also erode profits for Deere when the machinery is eventually sold.

"We see the value of used equipment dropping off," said Cameron Hurnard of Iron Solutions Inc., which tracks prices for late-model used farm equipment.

Deteriorating prices for used equipment and the reluctance to take on more debt are souring many farmers on owning as an investment to build farm equity, which had been a key selling point for Deere's high-value machinery.

"I don't believe I'll ever buy again," said Mark Gath, a farmer in Luverne, Minn., who recently decided to lease four combines and five tractors from the company instead of borrowing money to buy. "I don't have a bank looking at me saying: 'You've got $5 million of equipment debt. What are you going to do?' "

At the end of fiscal 2016, Deere carried leases on farm and lawn equipment valued at $4.8 billion, up 22% from the previous year.

Deere quit offering one-year leases last year when it experienced a deluge of returned equipment that the company had originally valued at higher than the market for used equipment. Eliminating short-term leases pushed down the new-lease volume this year, but farmers are still taking longer leases. The longer-term contracts benefit Deere by having farmers pay more of the machinery's cost through their payments.

Deere executives said they are seeing better prices and shrinking inventories for used equipment, as well as improving order volume for new models.

Ms. Sandquist said farmers' interest in leasing is waning as their appetite for buying grows again. "We are certainly seeing leasing coming down, and we're seeing stabilization in used values," she said.

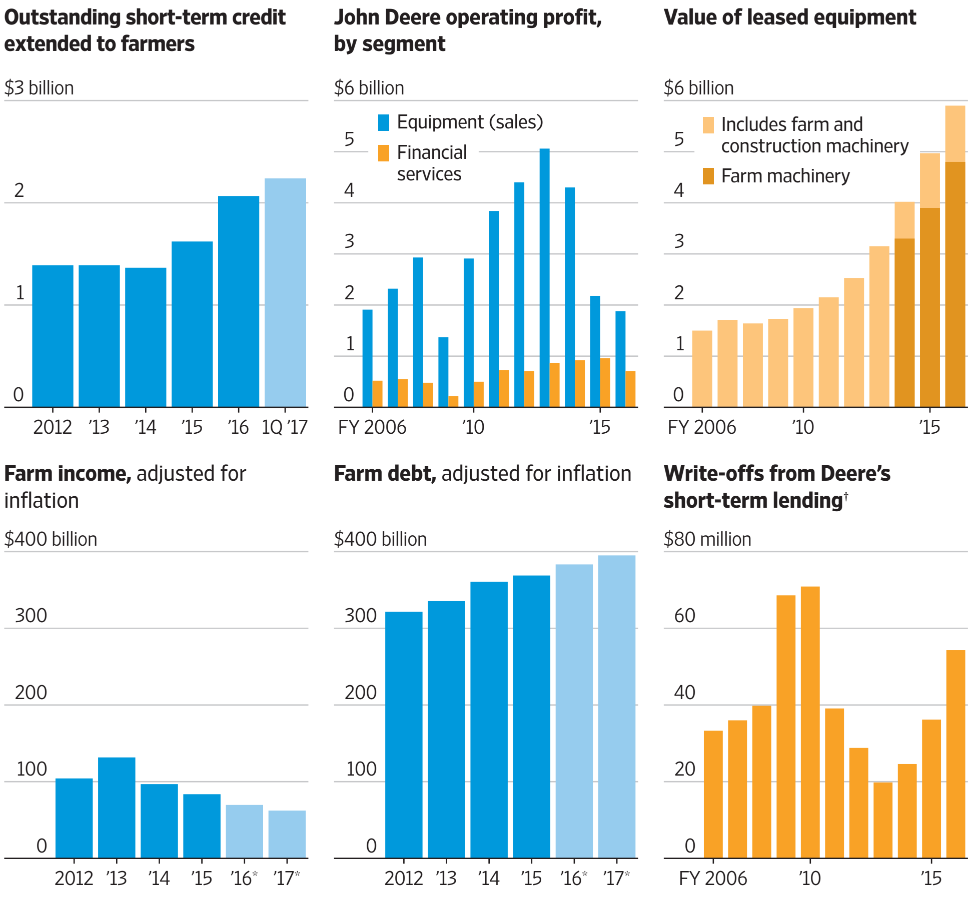
The company increased its equipment sales-growth forecast for the year to 9% from 4% in May, and it cranked up its net profit outlook to 33% growth, to $2 billion.

The longer low commodity prices persist, however, the less effective equipment leasing will be at injecting life into the new-machinery market, some analysts said. What Deere has done "spreads out the pain but it can't eliminate it," said Barclays' Mr. Wertheimer.

On the other hand, if adverse weather boosts grain prices in the long run, "then what John Deere is doing is very smart," said Mr. Irwin, the University of Illinois agricultural economist, about Deere's overall financing activities. "They're providing the financial cushion and waiting for bad weather."

Farm Financing

Deere's lending and leasing businesses have grown, but equipment sales have fallen. Farm income has dropped and debt is rising, and Deere is writing off more loans.



Note: John Deere fiscal years end Oct. 31. *projections †includes loans for farm, construction and landscaping-related purchases
Sources: American Bankers Association (short-term credit); Deere & Co. (operating profit, leased equipment); Department of Agriculture (farm income, debt); John Deere Capital (write-offs)

THE WALL STREET JOURNAL.

TOUR

Continued from Page One

to sneeze on the buffet."

For the vast majority, the Tour's third week is no longer about winning. It's about making sure everyone survives till the finish line on the Champs-Élysées on Sunday. This is where team doctors and chefs earn their money, applying everything from preventive strategies inspired by hospitals to homespun remedies to keep their pedaling germaphobes healthy.

"After two weeks of racing your body gets tired," said Team Lotto-Soudal rider Jurgen Roelandts, who is in the late stages of a bronchitis-related cough, and was also quarantined for a few days. "Every little thing, in a team of 40 or 50 people, can be contagious. And it spreads quite quickly."

So the teams don't take chances. They go through hand sanitizer like it was free. The Cannondale-Drapac outfit instructs coaches to douse their hands in gel any time they pass a drink bottle from the car to a rider midstage. (Never mind that the hygienic advantage is often undone the moment the rider tucks the bottle inside his jersey.)

Team Sunweb, meanwhile, is one of several at the Tour to haul mattresses, pillows and anti-allergenic sheets all over France, no small feat when you're staying in a different room every night for three weeks.

But perhaps no one has formalized its germ protocol as meticulously as Team Sky, known for its extreme attention to detail. The richest team in cycling modeled its hygiene practices on hospital operating theaters. If it's good enough for brain surgeons, it's good enough for the three-time Tour de France champion Chris Froome.

Sky's germaphobia involves, for instance, dispatching an advance team to every hotel at the Tour armed with antibacterial wipes and vacuum cleaners before the riders arrive.

"They clean all the TV controls, the taps, the toilets, all the areas that are vulnerable to touch," Team Sky manager Dave Brailsford said. "They Hoover the rooms. They Hoover under the beds. They give it a good old clean."

While that's happening, other Sky staffers are tasked with rubbing down every seat and surface on the team bus from the moment the riders start a stage. Then, once they cross the finish line, Sky's *soigneurs,* who help look after team members, are on hand to cart off their race clothes to nine separate washing machines—one for each rider. The idea is to further decrease the chances of saddle-sore infections being transmitted from one set of shorts to another. Sanitary instructions are posted all over the bus so everyone remembers what the stakes are.

"We set it in context and say, 'Guys, listen. How would you feel if on the eve of the last day of the Tour, we lost it because Chris got ill and it was you who gave it to him?' " Mr. Brailsford said.

The other half of pro cycling teams' war on germs is waged in their mobile kitchen units.

The Orica-Scott team likes to joke that the peloton smells them from a mile away because their chef adds a dose of healthy garlic to everything. And to make sure Mr. Rolland's fate doesn't befall anyone else on the team, Cannondale-Drapac chef Sean Fowler feeds riders daily ginger shots—a fifth of an ounce of pure, zinging, pulverized ginger, believed to boost immune response, cut with orange or grapefruit juice. "It's pretty concentrated," he said. "So it's not for everyone."

Mr. Fowler stirs all manner of herbal remedies into his riders' food. Rose hip is a special favorite for vitamin C. Dried thyme goes in the food most days for its anti-bacterial and anti-inflammatory properties. And for those with respiratory troubles, Mr. Fowler turns to pine syrup, which he calls a "natural expectorant."

Team Sunweb's doctor, Anko Boelens, likes to ply his team with multivitamins, fish oil and other natural supplements before they get sick, because treatment options are limited. Many common cold and flu drugs contain substances, such as steroids, that are banned in competition.

If his riders do catch something, Dr. Boelens's approach is simple: Just double the dosage on the vitamins.

"A lot of those things are not terribly scientific," he said. "The most important thing is, if you get a virus, let your body do the work. It's perhaps also a little bit a Dutch thing where we are pretty conservative with handing out antibiotics."

One thing Sunweb isn't conservative about, however, is quarantine. When rider Roy Curvers felt poorly earlier in the Tour, Dr. Boelens immediately conducted a physical and deemed him ill enough to serve a few nights in bike-racing solitary.

"We have a single room anyway," Dr. Boelens said. So, right now, "anyone even with a blocked nose goes in quarantine."

Riders can request special dispensation from race officials to use stronger prescription drugs, which must be approved by an independent doctor. But "therapeutic use exemptions" are a source of intense controversy in the sport. Over the weekend, Mr. Roelandts's Lotto-Soudal teammate Tim Wellens preferred to drop out with his throat problem rather than ask for permission to use an otherwise banned substance.

Messrs. Roelandts and Rolland considered doing this same. In fact, if this hadn't been the Tour, Mr. Rolland said he would certainly be in bed, because racing without the use of his nose is too brutal.

"As soon as I have to pick up speed, I've got no oxygen going to my muscles and that's the ultimate suffering," he said, before his bronchitis improved. "But this is the Tour de France and you don't quit the Tour de France."

LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

A Perk for Frugal Business Fliers

Upside, a company from Priceline's founder, bets you'll book their flight and hotel packages if there's a form of cash in it for you

TERESA ROEBUCK booked three business trips in a month and got the flights, hotels—and the $700 laptop computer—she wanted. By booking through a new site called Upside Travel, the education consultant was rewarded with $1,000 in gift cards and still figures she saved money for her company.

"I felt like I was cheating," she says.

Upside is the new venture from Priceline founder Jay Walker backed by some big names in finance and travel. It brings basics from vacation-oriented Priceline, such as unpublished discount prices bundled into one package, to higher-dollar business travel. It can be useful for well-heeled vacationers looking for bargains on first-class travel or flexible coach tickets, too.

Upside, aimed mostly at self-employed and small-business travelers, gets discounted flexible fares and room rates from airlines and hotels. Since individual prices are hidden—buyers see only one Upside package price—competitors can't match the rates and discounts get targeted to bargain-hunters without broadly lowering prices.

The package price is lower than published rates, so companies save money on their employees' travel expenses. But those published rates are higher than what Upside is paying the airline and hotel. That lets Upside rebate gift cards to travelers.

Those cards arrive once the trip is completed. Customers select from more than 50 different national retailers and restaurants, or leave the money on account at Upside for future use.

"Interests are aligned. You're getting a share of the savings that you voluntarily make on behalf of your company," Mr. Walker says.

There are drawbacks. Choice of airlines and hotels can be limited and hotels don't award loyalty points on Upside bookings. (Airlines do award miles.) There also may be cheaper airfares and hotel rates out there, but they're likely to carry so many restrictions, Upside figures they're not useful for business travelers.

The arrangement works, Mr. Walker says, because business travelers want flexible bookings, which are more expensive, and airlines and hotels are willing to discount high-dollar rates to land business travelers. Upside has no use for the new category of Basic Economy fares that lack advance seat assignments, for example, or nonrefundable hotel commitments.

"We're not here to save $22 on the Best Western," he says.

In spot checks, Upside prices often appear to be the lowest alternative. A three-day New York-to-San Francisco trip with Virgin America flights and a room at the Westin St. Francis, for example, cost $2,390 if booked directly with the airline and hotel. Upside's package price was $2,180. So the business saves $211, plus the traveler gets a $238 gift card. Upside's price was also lower than an Expedia package for the same flights and hotel.

Many times cheaper deals can be found. Upside priced a Chicago-New Orleans trip at $796 with flights on American, a room at the Hilton Garden Inn near the French Quarter and an $85 gift card. Yet the flights and hotel booked separately cost $600, and Expedia had a package price of $472. The difference: Upside priced only first-class seats on American, ignoring cheaper coach seats with heavy restrictions.

On other days for that route, Upside comes out ahead. Another search for a booking close to departure found the lowest economy fare available, $612 on United, and total cost of $1,062. Upside's package price of $992 was lower than Expedia's package price, saved $70 off published rates and gave the traveler a $106 gift card.

Historically, companies have tried to control travel spending by always booking the cheapest coach ticket or only using preferred airlines and hotels.

Now some are trying carrots in addition to the sticks by rewarding employees for frugal business trips. Some let employees bank part of the savings on trips to use toward upgrades on future trips, or return some of the savings in bonus cash or time off. A New York startup called Rocketrip benchmarks what trips should cost and tallies savings when expense reports come in below targets.

Many booking sites offer their own rewards such as points or free nights. None has gone as far as gift cards that kick back a sizable portion of the purchase.

Upside, based in Washington, D.C., started selling tickets publicly six months ago. For now, it offers bookings only on flights that originate in the U.S. Not every airline participates; Mr. Walker says the company can't disclose airline arrangements. Browsing the site shows inventory on American, United, Virgin America, JetBlue, Alaska and many international airlines. No trips on Delta showed up in a set of spot searches. Delta didn't respond to questions about Upside.

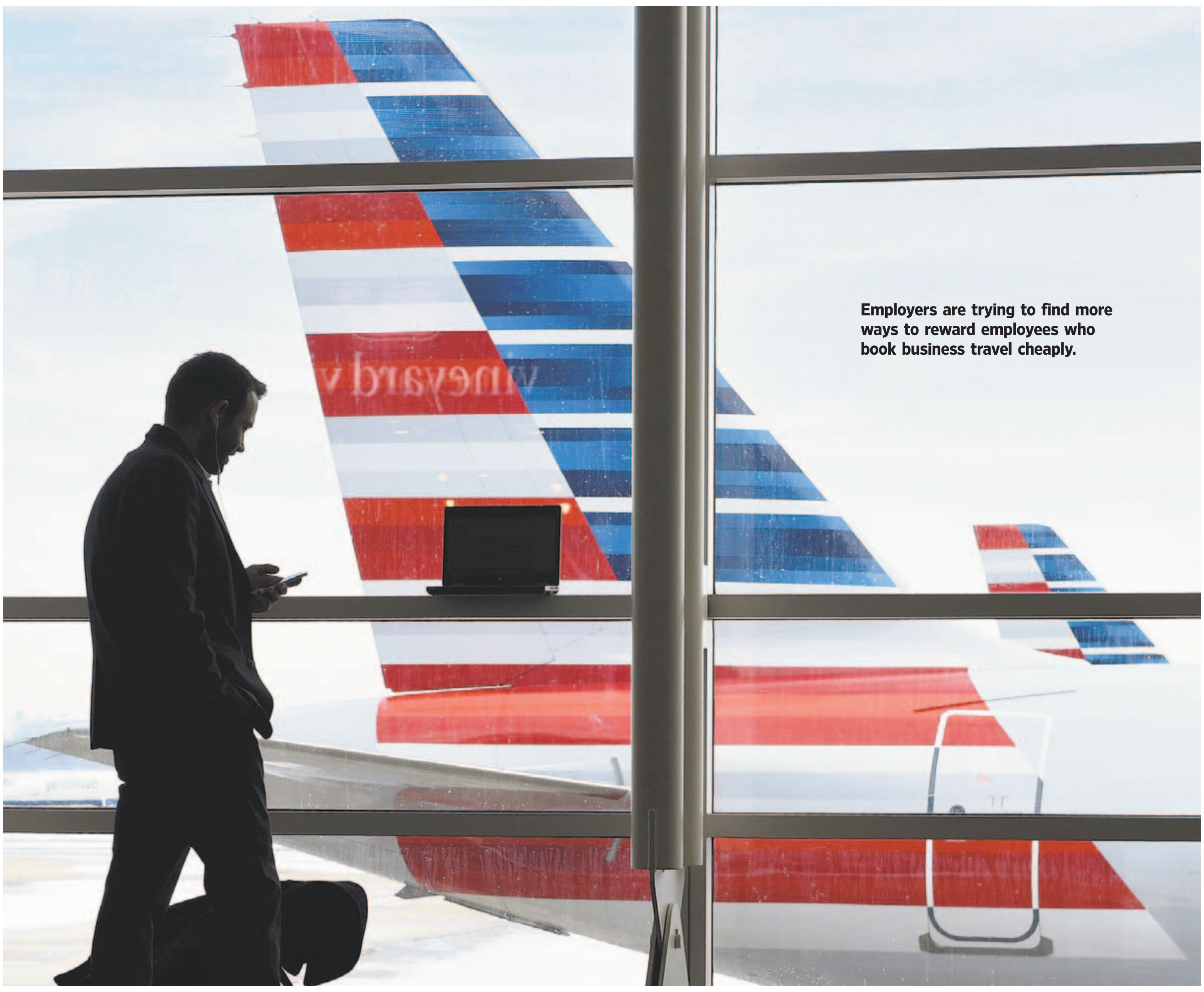
Upside built its own search engine that scores flight and hotel choices based on parameters the traveler sets, like time of departure, desired hotel location and hotel star rating, and factors in things like connection time and reliability. The site shows only a handful of choices based on those scores. After a traveler picks flights and a hotel, Upside offers similar alternatives that can yield bigger savings and gift cards.

Ms. Roebuck, the education consultant from Little Rock, Ark., saw a social media ad for Upside that prompted her to try it. She's received $4,200 in gift cards for her first 10 trips she booked. A one-week trip to Chicago to train teachers scored a $700 gift card to **Lowe's** that she used to replace a bedroom air conditioner.

She used to book Delta flights regularly, but now finds American or United flights on Upside. She says the biggest drawback is not getting Marriott points, but the gift cards have more buying power.

Chris Lanci, a Philadelphia sales executive for a startup chemicals company, says he finds Upside often beats Orbitz prices. And he's collected $1,200 in gift cards.

Mr. Lanci says you have to be willing to make concessions at times, since Upside doesn't offer every flight and every hotel. "I'll go earlier or later if I get $300 in my pocket," he says.



Employers are trying to find more ways to reward employees who book business travel cheaply.

SUSAN WALSH/ASSOCIATED PRESS

AUCTIONS

NEWCOMERS IN THE HIGH END

BY KELLY CROW

COLLECTORS SPOOKED by last year's economic and political tumult are filtering back to the big auction houses, where they are vying with an influx of newcomers for blue-chip art.

The resulting global market looks increasingly healthy, although categories such as rare books and Russian art are in less demand than hot commodities like contemporary and Asian works.

On Tuesday, London-based auction house Christie's International offered further proof of the market's strength when it said it sold £2.4 billion (roughly $3 billion) of art during the first half of 2017, up 14% in pounds from a year ago but flat when converted to U.S. dollars. Christie's auctioned $2.8 billion in art, also up 14% from the first half of last year. Christie's additionally sold $155.4 million worth of art in privately brokered deals.

Rival Sotheby's, based in New York, said it auctioned $2.5 billion in art during the first half, up 8% from the year before. Both auction houses said the six-month totals represented sales through June 30. Sotheby's is scheduled to release its consolidated sales, which include private art sales, next month.

Both houses had an easier time wrangling masterpieces to sell this season, with Christie's selling 38 works for more than £10 million apiece, or $13 million, during the first half of the year, compared with 14 during the same period the year before. Christie's also said it saw a 29% boost in the number of new collectors who paid seven figures or more for a single work of art, suggesting new buyers are muscling swiftly toward the upper reaches of the market.

Christie's priciest work during the first half was Constantin Brancusi's $57.4 million bronze head, "Sleeping Muse," which sold in May to art adviser Tobias Meyer. Also in May, it also sold Cy Twombly's abstract, "Leda and the Swan," for $52.9 million. In June, it sold Vincent van Gogh's 1889 "The Reaper (After Millet)" for $30.9 million.

Sotheby's sold Jean-Michel Basquiat's untitled turquoise painting of a skull to Japanese collector Yusaku Maezawa for $110.5 million in May, the most expensive painting auctioned during the first half of the year. The work also set a new auction record for a U.S. artist. Sotheby's other hits included a $24 million Roy Lichtenstein 1995 portrait of a "Nude Sunbathing" and a 59.60-carat oval pink diamond. The gem sold to Hong Kong jeweler Chow Tai Fook for $71.2 million, a record for a diamond at auction.

Collectors are showing renewed confidence by taking home a higher-than-usual percentage of the goods on offer at both houses. Typically, an auction is considered successful if at least 80% of the offerings find buyers. This spring, Christie's said it found buyers for 81% of its goods across the board, compared with a 79% sell-through rate for the first half of 2016. Sotheby's said it found takers for a robust 90% of its offerings in its $151.5 million jewelry sale in Geneva in May.

Both houses continue to persuade collectors to bid online, with Christie's conducting 35 online-only sales during the first half of the year. The web auctions were led by a $3 million sale of American art in May that drew 14,000 viewers. Chief Executive Guillaume Cerutti said 44% of those viewers were new to his company, making these online-only sales "a primary channel for recruiting new clients."

Among the categories, Christie's $770 million in contemporary art exceeded Sotheby's $767 million in new art sales for the first half. However, Christie's lost some ground by canceling its traditional June sale of contemporary art in London. Mr. Cerutti said the decision "will pay off" if the staff can renew its efforts to sell more art in Hong Kong, its third art hub after New York and London.

Christie's excelled in other areas. It said it sold $889 million worth of impressionist and modern art, American art, modern British art and Latin American art during the first six months of 2017. The sm represents a 43% jump from last year but is down from $1.3 billion two years ago. Sotheby's didn't give a combined total for these categories but said it had sold $701 million worth of impressionist and modern art alone in the first half of 2017, up 25% from a year ago.

Sotheby's sold Jean-Michel Basquiat's untitled turquoise painting of a skull to Japanese collector Yusaku Maezawa for $110.5 million in May.

2017 THE ESTATE OF JEAN-MICHEL BASQUIAT/ADAGP, PARIS/ARS

OPINION

REVIEW & OUTLOOK

The ObamaCare Republicans

U.S. Senate Republicans killed their own health-care bill on Monday evening, and some are quietly expressing relief: The nightmare of a hard decision is finally over, and now on to supposedly more crowd-pleasing items like tax reform. But this self-inflicted fiasco is one of the great political failures in recent U.S. history, and the damage will echo for years.

Voters may repeal and replace the Senators who broke their promise.

The proximate cause of death was Mike Lee of Utah and Jerry Moran of Kansas linking arms and becoming the third and fourth public opponents. The previous two public holdouts were Susan Collins of Maine and Rand Paul of Kentucky, and Majority Leader Mitch McConnell could lose only two GOP Senators. But this defeat had many authors, some of whom are pictured nearby and all of whom hope to evade accountability for preserving the ObamaCare status quo.

But this wasn't the inevitable result of some tide of progressive history. These were choices made by individuals to put their narrow political and ideological preferences ahead of practical legislative progress. The GOP's liabilities now include a broken promise to voters; wasting seven months of a new Administration in order to not solve manifest health-care problems; less of a claim to be a governing party; and the harm that these abdications will wreak on the rest of the Republican agenda and maybe their hold on Congress.

* * *

The ObamaCare Republicans come from both the conservative and moderate wings, but all of these Senators campaigned for nearly a decade on repealing and replacing ObamaCare. Now they finally have a President willing to sign literally any bill that lands on his desk, but in the clutch they choked. Some wouldn't even allow a debate on the floor and the chance to offer amendments.

The ObamaCare Republicans ran on fiscal discipline but they rejected the best chance for entitlement reform in a generation. They campaigned against deficits—and some like Mr. Moran and Nevada's Dean Heller have endorsed a balanced-budget amendment—yet they dismissed a $1.022 trillion spending cut. They denounced ObamaCare's $701 billion in tax increases but then panicked over repealing "tax cuts for the rich."

Conservatives like Ted Cruz and most GOP Senators played constructive roles, but a question for the ages is which cargo cult Messrs. Lee and Paul have joined. They pose as free-market purists but reject progress toward a freer market. Their claim that the bill didn't do enough to reduce insurance premiums is risible given that Mr. Cruz's deregulation amendment was adopted and the alternative is ObamaCare's even higher rates and fewer choices.

Mr. Lee opposed the first draft of the bill in part because it "included hundreds of billions of dollars in tax cuts for the affluent." He opposed the new version for "not repealing all of the ObamaCare taxes."

Messrs. Lee and Paul will try to absolve themselves by voting to move to a debate about straight repeal with no replacement, but no one should believe the ruse. They want to vote against anything that can pass lest they have to take responsibility. By the way, Mr. Lee's stunt of holding hands with Mr. Moran so neither was the deciding killer vote is a political-evasion classic on par with Arlen Specter voting "not proved" on Bill Clinton's impeachment.

The same applies to the centrists who behind the scenes formed a death panel for the bill. No concession was ever satisfactory, and their demands watered down reform. Yet they wouldn't defend their own compromises, or even try to rebut the media-Democratic caricature of the bill as a human-rights violation.

West Virginia's Shelley Moore Capito came out against the bill with a statement that began: "As I have said before, I did not come to Washington to hurt people." Does she honestly think so little of her colleagues, and the party she chose to affiliate with, to insult them so casually? This moral grandstanding would be more persuasive if Ms. Capito hadn't pledged to "turn the tide from a Washington that tells us who our doctors are and delivers a lower quality of care" at the 2016 GOP convention.

The moderates will now say that failure can be redeemed with bipartisanship, and watching them beg to be rescued by Democratic Leader Chuck Schumer will be instructive, not least for exposing the futility of a good-faith health deal. Mr. Schumer will offer to enshrine ObamaCare and bail out the insurance companies in return for Democratic votes. If such a bill did pass the Senate, it would put the House in a bind and make Speaker Nancy Pelosi more likely.

Top row from left: Sens. Dean Heller (Nev.), Susan Collins (Maine), Shelley Moore Capito (W.Va.). Middle row: Sens. Rob Portman (Ohio), Jerry Moran (Kansas), and Gov. John Kasich (Ohio). Bottom row: Sens. Rand Paul (Ky.), Mike Lee (Utah), Bill Cassidy (La.).

ASSOCIATED PRESS (1), GETTY IMAGES (2), REUTERS (2), EPA (2), ZUMA PRESS (2)

Mr. McConnell says he will hold the repeal-only vote, and Americans should understand that any Senator who votes against moving to the floor is voting to preserve ObamaCare. If the moderates really want a bipartisan solution, they will vote for repeal with a delayed replacement fuse and then try to persuade Democrats. But they don't want that amount of political responsibility.

* * *

If the ObamaCare Republicans now get primary opponents, they have earned them. In two weeks nobody will recall this or that grievance about the Senate bill, but GOP voters will wonder about the bill of goods they were sold.

The damage to the GOP's political image will radiate in ways that are hard to predict. If Republicans can't be trusted to fulfill a core commitment to voters—whether repeal and replace, or simply to reduce the burden of government—then what is the point of electing Republicans? "Sorry, it was too hard" isn't a winning 2018 message, and botching health reform will add to the betrayal narrative that has so inflamed conservative politics. In this case the critics will have a point.

Perhaps this Congress can recover with a rewrite of the tax code. But failure tends to compound, and this show of dysfunction will make Senators even edgier about taking difficult votes.

The coming days will see more than a few liberal tributes to the invincibility of the entitlement state, and how Republicans miscalculated by declining to accommodate ObamaCare. Entitlements by their nature are hard to reform once they've gained a constituency, but what these odes will omit is how close Republicans came. They had the power to reverse the march toward single-payer health care, and most wanted to use it but were blocked by a few feckless deserters.

The ObamaCare Republicans are betting voters won't remember, but implosions this consequential take a long time to forget.

Judging Poland's Democracy

Good news from Poland: Democracy lives despite an uproar over the judiciary. That's something to note for critics who see a threat to European values in the current ruckus in Warsaw.

Protesters do what the EU can't and force their leaders to U-turn.

The ruling Law and Justice (PiS) party has embroiled itself in efforts to rein in judges since winning 2015's election. Its latest gambit is to try to fire all the Supreme Court justices, giving the Justice Minister authority to rehire its favorites. PiS also last week passed a law giving Parliament final say over membership of the National Judiciary Council (KRS), the independent body that nominates judges.

PiS says unaccountable judges thwart the will of voters by nixing laws passed by Parliament—including PiS initiatives the last time the party held power from 2005 to 2007. That's debatable, but it doesn't help that the departing Civic Platform leadership in 2015 tried to rush a series of lame-duck appointments to the Supreme Court, handing PiS an early opportunity to stir public frustration with the judiciary.

Such debates are as old as the hills—judicial power, appointments and tenure preoccupied America's Founders—and some perspective would help. Foreign activists and the European Commission in Brussels fret that PiS is a threat to democracy. They're right that the proposals are heavy-handed. Yet there's no perfect method for balancing judicial independence and democratic sovereignty. Brussels doesn't have a democratic mandate to impose its view, which leans more toward judicial independence than democratic oversight.

More important are the protests from thousands of Poles in Warsaw telling their government that PiS's court plans don't represent the balance those voters want. The uproar has caused President Andrzej Duda, a former PiS politician whose office is usually ceremonial, to threaten to veto the Judiciary Council law.

Mr. Duda's proposed compromise would require a two-thirds parliamentary majority to approve nominations to the commission, depriving PiS of its ability to stack the body with the simple majority it won in 2015 with less than 38% of the vote. Now Parliament, and voters, will decide.

It's hard to find examples in history of independent judiciaries thwarting determined tyrants. What matters more is resistance from citizens demanding democratic rights. By that standard, this week's peaceful protests—which led to Mr. Duda's U-turn—show Polish democracy is resisting PiS's overreach.

The Result of GOP Failure

BUSINESS WORLD
By Holman W. Jenkins, Jr.

It's no excuse for Republican ineptitude, but there is little market in America, and none in the GOP apparently, for coherent health-care policy, to the modest degree that such a description can even apply in Washington.

Republicans, and arguably American voters, don't want an individual mandate. They do want coverage of pre-existing conditions.

There is a term for a system in which you are covered if you are sick, but you don't need to buy coverage and the government promises to make it affordable. It's health care on demand, with taxpayers footing the bill. It's single-payer—at least for the sizable portion of the population who can't be induced through a giant tax incentive to accept insurance from their employer, or who aren't already under some version of proto-single-payer such as Medicare, Medicaid, etc.

ObamaCare was a dog's breakfast, but at least it was coherent on this fundamental point.

Here's how health care would sooner or later (most likely soon) come to work in a system in which pre-existing conditions are covered but there is no individual mandate, as the GOP bill proposed.

You develop a symptom. You show up at the doctor and, in addition to the other forms, you fill out a form applying for insurance, which you cancel as soon as your treatment is complete.

If this is insurance, the cost is identical to the cost of treatment, which for some reason your insurance company fingers briefly (and takes a cut) before passing along to your doctor.

This is not insurance. Nor is it a viable business model for insurance companies, except as a receptor into which to pour taxpayer money to cover the cost of everyone's health care. Now it can be told: The GOP plan that almost certainly now is dead would have been more of an express route to single-payer than ObamaCare ever was.

Republicans, though inconvenienced by John McCain's keyhole craniotomy, could have passed something. It would have made no sense, except for the highly useful GOP curbs on Medicaid—which were worth the price of admission.

Every administration passes a health-care bill, knowing it won't be the last word, certain in the knowledge they haven't fixed anything fundamental in American health care. Reagan gave us Cobra to allow certain employees to keep their insurance after leaving their jobs. Clinton failed to give us HillaryCare but gave us the Children's Health Insurance Program. George W. Bush gave us the Medicare drug entitlement. Obama gave us you-know-what.

Only George H.W. Bush failed to enact the obligatory expansion of health-care entitlements for somebody somewhere. He was a one-term president.

Were a rational, coherent health-insurance law the apple of any eye, were legislators interested in serving up to the American people a system that would actually be viable and stable, what would it look like?

It would repeal and replace everything that isn't ObamaCare. The bill would have 19 words: "All government programs and health care-related tax benefits are null and void, except for the Affordable Care Act."

Then would come the much more tractable and cognizable job of fixing ObamaCare. The rational brain could actually get itself around it.

Pre-existing conditions without an individual mandate was a time bomb.

Which old people cast adrift from Medicare should receive ObamaCare subsidies, and how much? And how should incentives be structured so young and middle-age people, via ObamaCare, start financing their own old-age health consumption?

How should pre-existing conditions be financed? By rolling the cost into everybody's premiums, or by a separate taxpayer subsidy so individual premiums could be more actuarially based and attractive to most users?

Pre-existing conditions inevitably become a mere transitional problem when the individual mandate is fully institutionalized.

We could go on. Correcting the distortions and cross-subsidies that make ObamaCare such a morass, a death spiral in waiting, is not actually a hard job. A properly fixed ObamaCare would be the only health-care program Americans need.

This won't happen, of course. Neither will single-payer. America's jumble of health-care programs will just be increasingly poorly financed, with longer waits and fewer available providers. The rich, and those with good jobs in corporate America, will benefit from concierge health care in which all the frills and finery are available at a price. It will be expensive. But it will be a hell of lot better than Medicaid.

In the meantime, the Trump administration is becoming incalculable. Will it survive? In 16 months, after disastrous GOP midterms, will Mr. Trump announce he's now a *Democratic* president? In return for what does Chuck Schumer throw him a lifeline? The people who put him in office would applaud and say that's our Trump, even if the media would be completely nonplused.

LETTERS TO THE EDITOR

Not All Children From China Are Princelings

William McGurn suggests that we put pressure on Beijing by denying visas to some Chinese students at U.S. universities because they are children of the influential elite ("How to Squeeze China," Main Street, July 12). I have just returned from China where I visited families of my Brandeis University students.

You don't need to be a "princeling" to go to school in the U.S. Millions of ordinary Chinese have thrown themselves into securing the daunting but still achievable dream of a U.S. diploma. One father I met had gone into business in a coastal boomtown only after his support for the Tiananmen protests of 1989 had forced him out of his home city.

Enacting this embargo would inevitably mean thwarting corrupt and honest families alike. That won't hurt the politically wired. They'll send their kids to Oxford and the London School of Economics instead. We would cut ourselves off from the honest families that choose schools not for their social cachet but for the chance they offer their kids to out-compete those princelings on merit alone.

Teaching this generation of Chinese students is an extraordinary chance to engage smart and ambitious youth from one of the world's most influential countries. I teach a class that specifically looks at the lessons that Alexis de Tocqueville's works might hold for China. I invite Mr. McGurn to come up for a session or two and listen to this generation of Chinese discuss "Democracy in America," or even better, "The Old Regime and the Revolution."

Chandler Rosenberger
Boston

Intelligent Readiness for Cyber 9/11 to Come

Regarding H. Rodgin Cohen and John Evangelakos's "America Isn't Ready for a 'Cyber 9/11'" (op-ed, July 13): All we need is one more cabinet-level agency to deal with cybersecurity, as the authors propose. If 17 separate intelligence agencies aren't enough, maybe 18 is the magic number.

Instead, carve out a portion of the existing NSA and re-form it in precisely the manner and definition suggested by the authors. Concentrate the dispersed cyber talent from other agencies under this new unified structure.

Cybersecurity is a huge task within the NSA today. Taking it away is the last thing we want to do. Creating another duplicate agency is superfluous, adding to the maze of collaboration and coordination that is already too clumsy and ineffective.

Everett Stephenson
Savannah, Ga.

Multilayered approaches are required to address complex, decentralized cyberattacks. Creating a centralized bureaucracy hardly seems like an appropriate solution.

José Delgadillo
La Mirada, Calif.

Instead of starting a new federal agency, the U.S. should continue to financially encourage innovation from the private sector and agencies such as the Defense Advanced Research Projects Agency. The careful sharing of information via cyber diplomacy and cooperation with America's allies needs to continue to expand. We need to work closely with our multiple intelligence agencies to stop attacks before they occur.

Peter Katona
Los Angeles

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Turns Out Governing Is Hard

POLITICS & IDEAS

By William A. Galston

At a meeting with GOP senators on Monday night, President Trump reportedly said that Republicans would look like "dopes" if they couldn't pass a health-care bill. "If the Republicans have the House, the Senate and the presidency and they can't pass this health-care bill, they are going to look weak," Politico reports Mr. Trump said. "How can we not do this after promising it for years?"

Republicans can win big majorities, but running the country is another story.

I don't often agree with Mr. Trump, but I do this time. He has posed a fair question that requires an answer.

Here's my crack at an explanation: Campaigning is one thing, governing another. Opposing isn't the same as legislating.

Republicans had seven years to coalesce around a replacement for ObamaCare, and they wasted them. The bill they passed in 2015 was for show; they knew that President Obama would veto it and that they wouldn't have to take responsibility for its consequences. Republicans are a majority party, but they have yet to prove that they are a governing party.

After Senate Majority Leader Mitch McConnell's effort to broker a compromise collapsed Monday evening, the president tweeted that "Republicans should just REPEAL failing Obamacare now & work on a new Healthcare Plan that will start from a clean slate." In a burst of enthusiastic fantasy, he added that "Dems will join in!"

No, they won't, and some Republicans won't either. Just hours after Mr. McConnell declared his intention to bring the bill the House passed earlier this year to the floor and then move the 2015 bill as the first amendment, Republican Sens. Susan Collins of Maine, Shelley Moore Capito of West Virginia and Lisa Murkowski of Alaska announced their opposition, refusing to repeal ObamaCare without simultaneously replacing it.

"I did not come to Washington to hurt people," Ms. Capito said. "I cannot vote to repeal ObamaCare without a replacement plan that addresses my concerns and the needs of West Virginians."

Although these three senators were out in front, I doubt they were speaking only for themselves. In 2015 the Congressional Budget Office estimated that the ObamaCare repeal plan passed by the Senate would result in lost insurance coverage for 22 million Americans if enacted. Republicans are already concerned about the coverage losses their current proposals would produce. Why would they back repeal legislation that would do no better while throwing the entire health-care sector into turmoil until they were able to agree on a replacement?

Sen. Shelley Moore Capito on Capitol Hill in Washington on Jan. 20, 2015.

There is a way forward, and Mr. McConnell has pointed to it. Republicans and Democrats could sit down together to negotiate much-needed fixes to ObamaCare's troubled health-insurance exchanges. With even a modicum of goodwill on both sides, this would not be "Mission: Impossible."

Along with bipartisanship, Mr. McConnell should do what he promised—return the Senate to regular order. Explaining his decision to deliver the coup de grâce to the McConnell bill, Kansas Sen. Jerry Moran criticized the "closed-door process" that had produced the bill and called on his party's leaders to "start fresh with an open legislative process." I suspect the American people would welcome this shift.

This episode reveals some larger truths. One is that the Republican coalition disagrees on fundamentals. Small-government conservatives want to reduce spending and cut regulations as a matter of principle, and they are willing to accept the human and political consequences. Others—for whom Sen. Capito spoke—focus on the needs of their constituents. Although they prefer market solutions, they are willing to accept public-sector action when markets fail—even if this means a permanent expansion of government.

Last month the Urban Institute estimated that more than 200,000 of Ms. Capito's constituents would lose access to health care if the Senate bill became law. The bill's draconian cuts to Medicaid would have driven these losses, and the working-class West Virginians who voted for Donald Trump in droves would have been hit the hardest.

Low-income Americans just don't earn enough to purchase health insurance in the private market. This reality—not abstractions about the role of government—drove her choice.

In addition, the U.S. has an aging population. In the coming decades, tens of millions more elderly Americans will need help with the normal activities of daily life, and many will end up in nursing homes.

Most Americans of average income will be unable to save enough to afford more than a few months in such institutions, let alone the years that many end up staying. This is why Medicaid finances a large share of nursing-home costs—and why these outlays are bound to rise for the foreseeable future.

Yes, reforms are possible. But more than anything else, it is hard-to-change economic realities and immutable demographic trends that drive federal government expenditures. Sooner or later, Republicans will have to make their peace with these stubborn facts.

The President's Base vs. the Republican Party

UPWARD MOBILITY

By Jason L. Riley

The GOP's inability to scrap ObamaCare this week means, among other things, that President Trump will end his first six months in office without a major legislative accomplishment. And one question is how much his supporters care.

Recent Wall Street Journal/NBC News polling gives the president a 40% job-approval rating among all voters, while 55% disapprove. In counties Mr. Trump won last year, however, voters still back him by 50% to 46%.

Similar results come from a Washington Post/ABC News survey released Sunday, which found that the president's approval rating had slid to 36% from 42% in April, while his disapproval rating had climbed five points to 58%. Yet among Republican voters over the same period, Mr. Trump's favorability has barely budged and remains above 80%.

Moreover, these polling results reflect voter sentiment since news broke that Donald Trump Jr. met during the campaign with a Russian lawyer who claimed to have dirt on Hillary Clinton. According to the Post/ABC poll, 41% of all voters believe that the Trump campaign helped Russia try to influence the election, but that belief is shared by fewer than one in 10 Republican voters. The average Trump supporter's concern about Russia roughly matches the concern about the president's unreleased tax returns or witching-hour tweets.

Six months into the Trump presidency, the media by and large remain unable or unwilling to understand what drives his blue-collar supporters. Journalists continue to prioritize their own political concerns and play down those of the nearly 63 million people who pulled the lever for him in November.

In her new book, "White Working Class: Overcoming Class Cluelessness in America," Joan C. Williams writes that "during an era when wealthy white Americans have learned to sympathetically imagine the lives of the poor, people of color, and LGBTQ people, the white working class has been insulted or ignored during precisely the period when their economic fortunes tanked."

Trump voters care more about having a leader who understands them than about quick policy wins.

In an essay on the rising rate of premature deaths from suicide, opioids and alcohol poisoning primarily among less-educated whites, Carol Graham of the Brookings Institution observes that "poor blacks and Hispanics are much more optimistic about their futures than are poor whites and, in turn, mortality rates have not increased the same way among minorities." She adds: "A critical factor is the plight of the white blue-collar worker, for whom hopes for making it to a stable, middle-class life have largely disappeared. Due in large part to technology-driven growth, blue-collar jobs in the traditional primary and secondary industries—such as coal mines and car factories—are gradually disappearing."

Mr. Trump's ability to appeal to these voters is the reason he won and the reason his base isn't abandoning him, with or without a significant legislative victory at the six-month mark. Emily Ekins, a Cato Institute scholar who is part of a politically diverse team of academics and pollsters in the process of analyzing the 2016 election, told me on Monday that Trump supporters are less concerned about his policy agenda and more interested in having someone who understands them occupy the Oval Office.

The president's relentless rhetoric about the "costs" of illegal immigration and free trade, his attacks on outsourcing, and this week's White House "Made in America" stunt are all of a piece.

"I think there's a lot of evidence to support the idea that Trump's main appeal was validating the fears and concerns of a certain segment of Americans who felt they were being ignored by elites in the media, elites in politics, elite Republicans," said Ms. Ekins. "My reading of the data is that he's not on a timer or a clock. And it's not clear to me that his supporters are waiting for him to achieve X, Y and Z policy goals. That's an example of the press imposing their expectations on voters."

This is of little comfort to Republicans in Congress. Unlike the president, GOP lawmakers must face voters next year and desperately want some legislative victories to campaign on.

For them, a president this far under water in national polls is cause for concern, given that the party in control of the White House usually drops seats in midterm elections.

What the president's fans and foes alike want to see is economic growth and job creation, and a Bloomberg poll released Monday showed that a plurality of voters approve of Mr. Trump's performance in both categories.

For now, Mr. Trump can count on his base. The bigger question might be how long he can count on his caucus.

A Bomb Without Bombast, in Contrast With Kim Jong Un

By Bob Greene

'There was no celebration. You were trained not to do something like that."

The voice belonged to Theodore "Dutch" Van Kirk, navigator of the Enola Gay, the U.S. B-29 that in 1945 dropped the world's first atomic bomb on Hiroshima, Japan.

I've been thinking a lot about the crew of that plane as ominous talk of atomic warfare is suddenly in the air. The provocative actions and boastful threats out of North Korea have rekindled the specter of the once all but inconceivable: atomic strikes.

North Korea's chest-thumping notwithstanding, I can tell you one thing for a fact: The men who actually dropped that first atomic bomb didn't preen and they didn't brag. There was an air of solemnity to them about the task they had been asked to carry out.

In the spring of 1999 I went on a vacation trip to Branson, Mo., with Van Kirk and two of his oldest friends and Enola Gay crewmates: Paul Tibbets, the pilot, and Tom Ferebee, the bombardier. It was the last reunion they would have; all three men have since died.

I was with Van Kirk in his room when I asked whether he and the crew had celebrated their role in the end of the war.

"I don't think that people back then were as demonstrative as they are today," he said. "And we certainly were trained not to be that way on our missions. Think about the era we grew up in. Babe Ruth would hit a home run and he would run around the bases, and that would be it. You didn't show much. You took pride in being disciplined."

There may, understandably, have been drunken joy in Times Square and around the U.S. after the atomic bombing of Hiroshima and Nagasaki brought World War II to an end. The dropping of the bombs was later selected by the Associated Press as the No. 1 news story of the 20th century. But no one, before or since, had seen what the men in those B-29s witnessed, and they were in no mood to laugh or dance.

"I would hate to think about someone in my family being down there," the bombardier, Ferebee, told me. "Parts of buildings were coming up the stem of the bomb—you could tell that something strange was going on, because you could see parts of the city, pieces of the buildings, like they were being sucked up toward us."

He had done his somber job flawlessly, but he didn't feel particularly heroic. As a boy in North Carolina, he said, "I wanted to play baseball. That was my dream. I went down to Florida with the St. Louis Cardinals for spring training in 1939. . . . I wasn't good enough, yet. And then the war came. . . . I would rather have helped the Cardinals win a World Series. That's all I ever wanted."

In Branson we would go to dinner in chain restaurants and the other customers would have no idea who the three elderly men were—or what their country once asked of them.

Tibbets, who invited me to come on the trip, had been consistent since the end of the war in publicly saying he slept well because he knew how many lives, American and Japanese, his mission had saved by at last bringing the conflict to a close and preventing a land invasion of Japan.

The men who ended World War II didn't preen. They did the job perfectly and barely talked about it.

But in quiet moments, he said he fully understood the anguish of people who disagreed with him. "I had a different relationship to that day than they do," he told me. "But that doesn't make them wrong. I don't know who's wrong or what's wrong. I don't know that I'm right. . . . Just because I never was emotional and I never burst into tears doesn't mean I don't feel certain things inside me."

As I hear bombastic voices making dark and terrible threats, I think of those men. The three of them seemed, with some sadness, to understand: In the long march through history, going to war is easy. Peace is hard.

"I don't think we were violent people," Van Kirk told me in a soft voice. "I was 24 when I flew the mission, and to the best of my memory, I had never had a fistfight in my life."

He said he hoped that what he and the crew did assured a future with no taste for nuclear weapons: "Then I think people will look back at the atomic bomb and think of it as something that helped the world evolve toward a lasting peace."

And if, after he was gone, ours was not a planet that cherished peace?

"If it isn't," he said, "people will be tossing atomic bombs around like they're going out of style."

Mr. Greene's books include "Duty: A Father, His Son, and the Man Who Won the War," about his father and Paul Tibbets.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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Notable & Quotable: An Unhealthy Wage

From "Minimum wage and restaurant hygiene violation: Evidence from food establishments in Seattle," a working paper by Subir K. Chakrabarti, Srikant Devaraj and Pankaj C. Patel, SSRN.com, June 27:

We assess the effects of rise in minimum wages on hygiene violation scores in food service establishments. Using a difference-in-difference analysis on hygiene rating of food establishments in Seattle [where minimum wage increased annually between 2010 and 2013] as the treated group and from New York City [minimum wage was constant] as the control group, we find an increase in real minimum wage by $0.10 increased total hygiene violation scores by 11.45 percent. Consistent with our theoretical model, an increase in minimum wage in Seattle has no influence in more severe (red) violations, and a significant increase in less severe (blue) violations. Our findings are consistent while using an alternate control group—Bellevue City, King County, located near Seattle. . . .

Faced with an increase in real minimum wage, restaurants could lay off staff and/or cut their hours; resulting in higher task demands on the continuing staff. These increased task demands could lower hygiene levels in the food establishments and could have a significant impact on public health.

MUSIC REVIEW

The Return Of An Old Friend

Cornelius is back with his first solo album in 11 years—more of a pop work than in the past

Keigo Oyamada, aka Cornelius, whose new album is 'Mellow Waves'

MASAYOSHI SUKITA

BY JIM FUSILLI

It's been 11 years since Keigo Oyamada issued a solo album under his Cornelius moniker, but that doesn't mean the extraordinary musician and composer hasn't been busy. He wrote and recorded soundtracks for the Japanese TV program "Design A" and the anime series "Ghost in the Shell: Arise"; toured with the Yellow Magic Orchestra; joined the reformed Plastic Ono Band with Yoko Ono, her son, Sean Lennon, and others; recorded the joyous full-length disc "S(o)und(d)beams" with J-Pop singer Salyu; and issued a series of remix albums featuring his interpretations of tracks by Beastie Boys, Beck, Blur, James Brown, K.D. Lang and many more.

Nevertheless, his "Mellow Waves" (Rostrum), out on Friday, feels like the return of an old, welcome friend. Mr. Oyamada's new music is a bridge to his earlier Cornelius work, thus not only reconnecting listeners to some of the most inventive and accessible experimental rock and pop but also revealing how his approach has developed in the span of time. On "Mellow Waves," Mr. Oyamada demonstrates his grand capability for creating something new out of what's familiar.

Speaking by phone from Tokyo last week, Mr. Oyamada said he wasn't well-known enough in the States to have been missed during his decade-long absence. If his American fan base isn't as large as his music warrants, it has had the pleasure of a long, satisfying journey with a significant talent. His breakthrough here, such as it was, came with his 1997 album "Fantasma," in which he created a mélange of styles that brought to mind for American audiences Brian Wilson, Disney film scores, the Dust Brothers' production for the Beastie Boys and Beck, post-punk noise rock, and lush pop. When he toured here last year to promote a "Fantasma" reissue, including a memorable performance at the Eaux Claires Music & Arts Festival, he showed how vital and free of convention that music remains.

But Mr. Oyamada departed from the dense, glitchy arrangements of "Fantasma" for his subsequent albums. Released first in Japan in 2006, "Sensuous" emphasized his skills on many instruments, most notably guitar, as he played cutting-edge folk, funk and New Wave rock while alluding to bossa nova, all with clarity and precision. The album is finely wrought, harmonically pure, thoroughly whimsical pop of the highest caliber.

As is "Mellow Waves." Here Mr. Oyamada, who plays all the instruments, taps into many streams: On "The Rain Song," he employs layers of acoustic guitars to blend folk and bossa nova. "Sometime/Someplace" springs from a syncopated guitar pattern reminiscent of "Message in a Bottle" by the Police; later in the piece, Mr. Oyamada discharges a raw, squealing electric guitar solo. Knotty guitar and bass figures are the foundations of "Mellow Yellow Feel" and "The Spell of a Vanishing Loveliness." The latter is a bittersweet duet by Mr. Oyamada and Miki Berenyi, a member of the British band Lush.

For the most part, Mr. Oyamada was spot on when he told me "Mellow Waves" was more pop and more melodic than past works. Songs like "If You're Here" and "In a Dream" saturate the midrange with wistful keyboards. But Mr. Oyamada also offers his take on experimental electronics with "Helix/Spiral," a richly textured piece of crisscrossing synthesizers, and "Surfing on Mind Wave (Pt. 2)," in which the sustained swell of a synthetic orchestra washes over sound effects.

When juxtaposed with his subtle acoustic-guitar performances such as "Crépuscule," the album closer, these complex performances not only confirm his range but indicate a willingness to reach beyond his core capabilities to communicate.

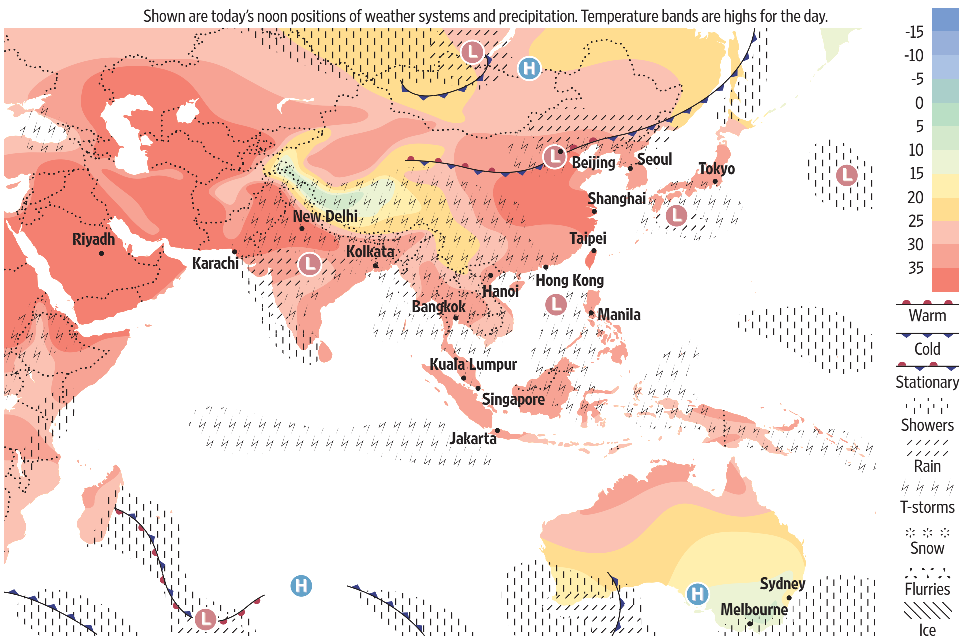
Mr. Oyamada said he hadn't realized how long he had been away from his solo work. His other projects had consumed his attention and creativity. When an artist announces he will reconnect after a lengthy sabbatical, the hope always is that he will return with the kind of integrity and invention Mr. Oyamada delivers here. Whether it serves as an introduction or resumes a relationship that had been delayed, "Mellow Waves" is an invigorating delight that celebrates the return of Cornelius and also the joys inherent in pop without borders played with freewheeling expertise.

—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.

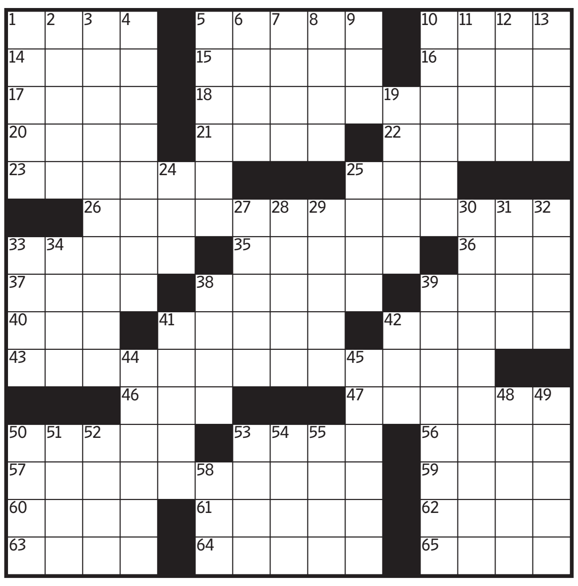


Global Forecasts

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

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Amsterdam	23	14	t	23	15	pc
Anchorage	19	13	c	19	12	pc
Athens	31	23	s	32	23	s
Atlanta	34	23	s	34	23	s
Baghdad	45	29	s	47	31	s
Baltimore	35	24	pc	35	24	pc
Bangkok	32	25	t	32	25	t
Beijing	33	24	t	25	22	r
Berlin	28	17	t	24	16	pc
Bogota	19	8	c	19	9	r
Boise	33	16	s	34	15	s
Boston	32	21	pc	31	21	s
Brussels	24	11	t	25	15	pc
Buenos Aires	16	4	pc	16	6	pc
Cairo	34	24	s	35	25	s
Calgary	27	11	pc	22	10	pc
Caracas	30	25	c	31	26	pc
Charlotte	35	22	s	36	24	s
Chicago	32	22	t	29	23	t
Dallas	37	27	s	37	27	s
Denver	35	18	s	32	17	t
Detroit	32	20	t	30	21	t
Dubai	45	34	s	43	34	s
Dublin	17	10	sh	17	10	r
Edinburgh	18	9	sh	18	12	r
Frankfurt	27	15	t	28	18	pc
Geneva	27	17	t	27	16	t
Hanoi	31	25	t	31	25	t
Havana	32	23	pc	33	22	pc
Hong Kong	32	27	r	32	27	t
Honolulu	31	24	sh	31	24	pc
Houston	35	24	s	34	25	t
Istanbul	28	22	s	28	22	s
Jakarta	32	25	t	32	24	t
Johannesburg	20	1	s	20	3	s
Kansas City	36	25	s	37	27	s
Las Vegas	39	29	t	41	29	s
Lima	21	15	s	21	15	pc
London	22	14	pc	22	14	r
Los Angeles	29	18	s	29	18	pc
Madrid	33	18	pc	33	18	pc
Manila	31	26	t	32	26	t
Melbourne	10	3	sh	14	6	s
Mexico City	23	12	pc	23	11	pc
Miami	32	26	pc	33	26	t
Milan	31	20	s	31	20	pc
Minneapolis	31	20	c	27	22	t
Monterrey	37	23	pc	36	20	pc
Montreal	28	17	c	27	17	pc
Moscow	21	12	pc	21	11	r
Mumbai	29	24	r	29	25	r
Nashville	36	24	s	37	25	s
New Delhi	36	28	t	34	28	c
New Orleans	33	25	pc	33	24	pc
New York City	33	25	s	32	24	pc
Omaha	37	26	pc	39	26	pc
Orlando	32	23	t	33	23	t
Ottawa	27	15	sh	27	15	pc
Paris	24	14	t	26	16	pc
Philadelphia	35	26	pc	34	25	pc
Phoenix	39	27	s	39	27	t
Pittsburgh	31	21	pc	31	22	pc
Port-au-Prince	38	22	s	35	24	pc
Portland, Ore.	25	14	c	28	15	s
Rio de Janeiro	25	18	s	26	19	s
Riyadh	44	29	s	44	27	pc
Rome	29	19	s	31	22	s
Salt Lake City	35	24	t	35	21	s
San Diego	25	20	pc	25	20	pc
San Francisco	21	13	pc	22	13	pc
San Juan	32	26	pc	31	26	pc
Santiago	19	6	s	23	4	s
Santo Domingo	34	23	s	32	23	pc
Sao Paulo	21	13	pc	23	13	s
Seattle	23	13	c	23	14	pc
Seoul	33	25	pc	32	26	c
Shanghai	38	29	pc	40	29	s
Singapore	31	26	pc	31	26	c
Stockholm	20	9	pc	21	9	pc
Sydney	17	8	s	18	7	s
Taipei	37	26	pc	37	26	pc
Tehran	37	23	s	38	25	s
Tel Aviv	30	25	s	31	25	s
Tokyo	31	26	pc	31	27	pc
Toronto	26	17	t	29	18	pc
Vancouver	21	13	pc	21	14	c
Washington, D.C.	36	27	pc	35	26	pc
Zurich	26	16	t	27	16	t

The WSJ Daily Crossword | Edited by Mike Shenk



AM TOO! ARE NOT! | By Joe DiPietro

Across

1 Party leader
5 Fare indicator
10 With 5-Down, "The Producers" actor
14 Resident of the Realm of the Four Quarters
15 Corundum, e.g.
16 "Tristia" poet
17 Break a yuletide rule
18 Only seedy bar in a northwest capital?
20 Air
21 Revenuers, for short
22 Enticed
23 Morphine, e.g.
25 Cuban Missile Crisis org.
26 Where kids are sent to disappear?
33 Suitor
35 Invoice word
36 Where Katie Ledecky won four Olympic gold medals
37 Go in separate directions
38 Spicy Chinese cuisine
39 Trumpet feature
40 Number that can never decrease
41 "The pines," in sports lingo
42 Setting filler
43 Coil-shaped sausage links?
46 Crew implement
47 Yet to be broken
50 Cut off
53 Pay tribute to
56 Lay out
57 Primates who specialize in prodding?
59 Bruiser
60 Cracked
61 He was sworn in by Roberts in January 2006
62 Sister of Emily and Charlotte
63 Goofball
64 Holyfield rival
65 Time for a revolution?

Down

1 Aware of
2 Outdo
3 Highway pull-off attraction
4 Lose money
5 See 10-Across
6 Word with eye or makeup
7 Patio piece
8 Tree of life setting
9 "Shiny Happy People" band
10 Twins' set
11 Good combatant
12 Tear asunder
13 Wolfed down too much of, with "on"
19 Fleet
24 Altoids holder
25 Change for the bettor?
27 Rummy
28 Name on a 2016 winning ticket
29 Birthplace of Gerald Ford
30 "Can anybody hear us?"
31 Big victory margin
32 Market research tool
33 Most of it is filtered these days
34 Conduct
38 Name in a will
39 Honor for "Oslo"
41 Couleur du lait
42 Garfield's owner
44 Person dealing with bull?
45 Northwest Passage seeker
48 Mountain, in Hawaiian
49 Sign of welcome
50 Fix
51 Roadside chain, familiarly
52 "If you say so"
53 Symbol of purity
54 "London Fields" novelist
55 Scheming
58 This might go over your head

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

Previous Puzzle's Solution

TECHNOLOGY: ALPHABET MARKETS GOOGLE GLASS TO INDUSTRY B4

BUSINESS & FINANCE

Yen vs. Dollar 111.7790 ▼ 0.25% | Hang Seng 26672.16 ▲ 0.56% | Gold 1240.10 ▼ 0.08% | WTI crude 46.96 ▲ 1.21% | 10-Year JGB yield 0.075% | 10-Year Treasury yield 2.271%

McCormick Snaps Up Food Brands

By Chip Cummins And Keith Collins

Turns out, there is some appetite for all that packaged food for sale.

McCormick & Co. said it agreed to acquire **Reckitt Benckiser Group** PLC's food division, whose brands include French's mustard, for $4.2 billion, the latest in a wave of deal activity in the global packaged-foods sector.

The transaction comes three months after the U.K. company put its food unit up for sale. Analysts at the time estimated that it could be worth $2.5 billion to $4 billion.

The agreement also comes amid a flurry of planned sales or strategic reviews of well-known packaged food brands across an industry looking to cut costs and insulate itself from slowing sales. Many companies are trying to change their product mixes as consumers move to healthier or locally produced options. Low inflation has made it difficult to raise prices to make up for sluggish volume growth in many markets.

That has triggered a number of strategic reviews among big food firms. **Unilever** PLC, the Anglo-Dutch consumer-goods behemoth that earlier this year rejected Kraft Heinz Co.'s $143 billion takeover bid, has said it is planning to unload its margarine-and-spreads business. Switzerland's Nestlé SA last month put its U.S. confectionery business up for sale.

All of those assets on the market—at a time when the global packaged-food industry is facing headwinds on several fronts—raised questions about whether sellers might be able to unload their businesses at attractive prices.

But recent deals—including the agreement late Tuesday—suggest there are still plenty of strategic buyers willing to pay top dollar for good assets.

In April, cereal giant Post Holdings Inc. agreed to buy Weetabix Food Co., maker of the breakfast brand, for £1.4 billion ($1.83 billion). Post faced several other bidders for

RICHARD B. LEVINE/LEVINE ROBERTS/NEWSCOM/ZUMA PRESS

Reckitt owns French's mustard.

the brand, which China's Bright Food Group Co. and Baring Private Equity Asia had put on the block.

Bright bought its 60% stake in Weetabix in 2012 for £1.2 billion but never succeeded in turning it into a hit in Asia. Still, the price Bright ultimately got from Post translated into a higher multiple over adjusted earnings than some had expected.

Reckitt's food business, called **RB Foods**, was seen as one of the most attractive on the block in recent months. French's is America's best-selling yellow mustard. RB Foods' other brands include Frank's RedHot sauce and Cattlemen's barbecue sauce.

Reckitt said it wasn't core, as it puts more emphasis on its home and personal-care offerings. In February, Reckitt

Please see SALE page B2

Morgan Stanley Beats Forecasts

By Liz Hoffman

Morgan Stanley said its second-quarter profit rose to $1.76 billion as the Wall Street firm's traders delivered strong results, topping rival **Goldman Sachs Group** Inc. for the second straight quarter.

Its shares were up nearly 2% at midday Wednesday as earnings and revenue beat the expectations of Wall Street analysts.

"We feel good about the decisions we've made," Chief Financial Officer Jonathan Pruzan said. "To put up those numbers across the board, in a quarter where we saw fewer market events, less client activity, feels good."

Morgan Stanley reported earnings of 87 cents a share. Analysts had expected 76 cents, up from 75 cents a year ago. Revenue of $9.5 billion was up from $8.91 billion in the second quarter of last year, and well ahead of analyst expectations of $9.09 billion.

The bank, run by Chairman and Chief Executive James Gorman, is in the late stages of a multiyear turnaround that deemphasizes volatile trading businesses in favor of more stable assets and wealth management. With the big pieces in place—buying Citigroup Inc.'s Smith Barney brokerage, slashing risk-weighted assets, and firing hundreds of fixed-income traders—the challenge now is to produce higher returns.

Mr. Gorman has promised a 10% return on equity by year-end. The figure stood at 9.1% in the quarter.

"With the firm now on solid footing, performance could still materially improve in the years ahead, assuming constructive markets," Mr. Gorman said, adding that the business could also be aided by relaxed capital requirements, higher interest rates and lower U.S. corporate taxes.

Morgan Stanley is the last of the large U.S. banks to report earnings for the second quarter, a three-month stretch of calm markets that did little to jolt Wall Street businesses. Big banks including Goldman, J.P. Morgan Chase & Co. and Citigroup Inc. offset trading declines with gains in other businesses such as commercial lending or private-equity investing.

Morgan Stanley reported a 2.1% drop in trading revenue, the smallest decline reported by any big bank this quarter. At Goldman, whose securities business most closely resembles—and competes with—Morgan Stanley's, trading revenue was off by 17%.

The figure that stands out is $1.24 billion from trading debt, currencies and other

Please see MORGAN page B2

HEARD ON THE STREET

By Nathaniel Taplin

China-U.S. Trade Is Still Thorny

U.S.-China economic relations are looking stormy again: A 100-day action plan on trade proclaimed after President Donald Trump's April summit with Chinese counterpart Xi Jinping has expired with limited tangible results.

U.S. industry sources say Chinese ministries have adhered to the letter of pledges, but not necessarily the spirit of commitments such as opening the Chinese payments system to foreign competition or speedily approving U.S. genetically modified crops. Evidence of progress on actually reducing the trade deficit remains scant.

A new "U.S.-China Comprehensive Dialogue" that is kicking off may be a chance to avoid big new import limits after Mr. Trump reiterated plans for trade remedies on steel last week and said the U.S. is a "dumping ground" for the metal.

Of the items promised in April, opening of American beef exports to China is the most notable. Others included permitting U.S. firms to expand bond underwriting in China and allowing in foreign credit-rating firms.

Action on steel or aluminum would be satisfying to Mr. Trump's Midwestern Rust Belt base. But for U.S. companies and investors, real progress on further opening up China's services sector and enforcing existing intellectual-property rights would be a much bigger win.

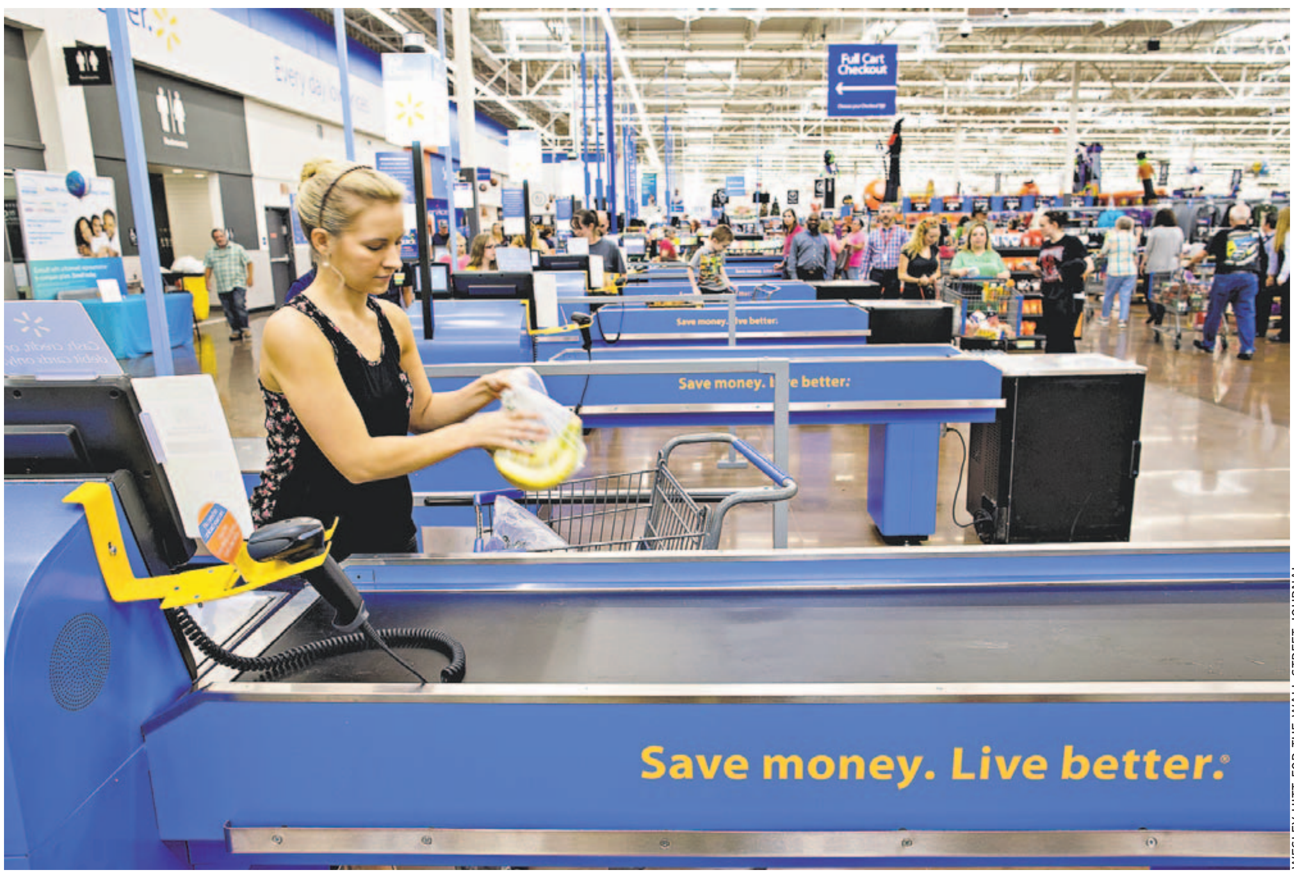
Excess steel capacity in China remains a problem. But China has finally begun to take action on its own, for its own reasons, including tackling over-indebted companies and air pollution.

On services, there is some obvious low-hanging fruit. China's $6.7 billion box office is Hollywood's biggest export market, but it lets in less than 40 U.S. movies a year.

Enforcing existing intellectual-property laws would also be a big step. Revenue from intellectual-property use were 23% of U.S. service exports to Europe in 2015 and 17% of service exports to Japan. For China, such revenue was just 12% of the total.

With the Chinese surveillance state growing more omnipresent, arguments that China is technically incapable of policing piracy seem increasingly limp. Real progress would ultimately be in China's interest—rampant Windows piracy was probably one reason why a recent ransomware attack was so effective there.

Mr. Trump's 100-day action plan has expired. And in that time, the U.S. trade deficit with China has swelled. There is much work left to do.



WESLEY HITT FOR THE WALL STREET JOURNAL

Retailers in the U.S. are increasing their use of self-checkout lanes, which can reduce costs by eliminating cashiers.

Robots Pick Up More Retail Work

Wal-Mart, others call upon machines to handle rote tasks amid pressure from online rivals

By Sarah Nassauer

Last August, a 55-year-old Wal-Mart employee found out her job was being taken over by a robot. Her task was to count cash and track the accuracy of the store's books from a desk in a windowless backroom. She earned $13 an hour.

Instead, **Wal-Mart Stores** Inc. started using a hulking gray machine that counts eight bills per second and 3,000 coins a minute. The Cash360 machine digitally deposits money at the bank, earning interest for Wal-Mart sooner than if sent by armored car. And it uses software to predict how much cash is needed on a given day to reduce excess.

"They think it will be a more efficient way to process the money," said the employee, who has worked with Wal-Mart for a decade.

Now almost all of Wal-Mart's 4,700 U.S. stores have a Cash360 machine, making thousands of positions obsolete. Most of the employees in those positions moved into store jobs to improve service, said a Wal-Mart spokesman. More than 500 have left the company. The store accountant is now a greeter at the front door, where she still earns $13 an hour.

"The role of service and customer-facing associates will always be there," said Judith McKenna, Wal-Mart's U.S. chief operating officer. But, she added, "there are interesting developments in technology that mean those roles shift and change over time."

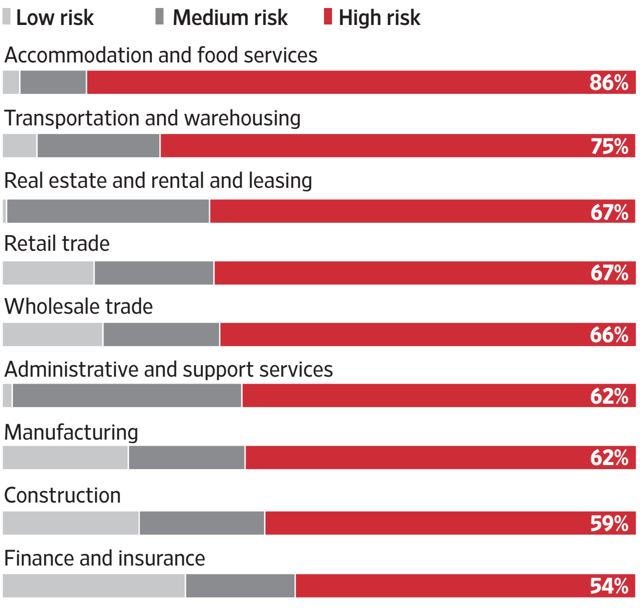
Shopping is moving online, hourly wages are rising and retail profits are shrinking—a formula that pressures retail-

Please see JOBS page B4

Occupational Hazards

The following industries may see the highest worker displacement due to automation by 2030.

Percentage of industry at risk of being automated



Sources: Citi Research, Oxford Martin School

THE WALL STREET JOURNAL.

Court Overturns Convictions of Traders in Libor Case

ANDREW KELLY/REUTERS (2)

Charges against ex-Rabobank traders Anthony Conti, left, and Anthony Allen have been dismissed.

By Michael Rapoport

A federal appeals-court panel has overturned the convictions of two former **Rabobank** traders in the scandal over attempted manipulation of the London interbank offered rate, or Libor, saying the men's Fifth Amendment right against self-incrimination had been violated.

The three-judge panel of the Second Circuit U.S. Court of Appeals in New York dismissed the charges against Anthony Allen and Anthony Conti, both former Rabobank traders who were convicted on conspiracy and wire-fraud charges in November 2015.

In a unanimous 81-page ruling, Second Circuit Judge Jose Cabranes wrote that the two men's convictions were tainted because a witness against them had been aware of testimony authorities in the U.K. had forced them to provide. Essentially, that testimony was used against them, Judge Cabranes wrote, and it was "not harmless beyond a reasonable doubt."

Michael Schachter, Mr. Allen's attorney, called the ruling "a tremendous relief for Tony Allen and his family" and said they "now look forward to putting this stressful chapter of their lives behind them."

Aaron Williamson, Mr. Conti's attorney, said: "I'm thrilled, and I've just called my client and he's thrilled as well."

A spokeswoman for the Justice Department declined to comment. A spokesman for Rabobank said the bank "does not comment on this matter."

The ruling is a blow to authorities' attempt to pursue

Please see LIBOR page B2

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

MORGAN

Continued from the prior page
fixed-income products. That business is traditionally a laggard for Morgan Stanley, with its smaller balance sheet and history of bungling risk.

But it has been performing better over the past year following a leadership shake-up that saw its top stock trader, Ted Pick, take over all of sales and trading. This marks the fifth straight quarter of $1 billion-plus revenue, a bar set by Mr. Gorman last year, and once again tops Goldman Sachs, which continues to struggle in fixed-income trading and posted a 40% decline in that business Tuesday.

The bank has been shifting its focus away from volatile trading businesses.

At Morgan Stanley, fixed income was down just 4% over last year, the smallest decline among all big banks in a tough quarter. Mr. Pruzan said currencies were stronger, credit "hung in there" and commodities were weaker.

Revenue was flat in stock trading, Morgan Stanley's strength. The firm has outmaneuvered peers in courting business from so-called "quant" hedge funds that trade huge volumes of stocks in fractions of a second.

Morgan Stanley's wealth-management business, which manages about $2.2 trillion in client assets, took in a best-ever $4.15 billion in revenue last quarter. The unit's profit margin hit 25%, the high end of a goal set last year by Mr. Gorman, as it continues to sweep in client cash and find more profitable uses for it, such as lending.

Loans to wealth clients hit a record $74 billion as of June 30, with gains across all three major products: mortgages, securities-backed loans and tailored lending, Mr. Pruzan said. As interest rates rise, Morgan Stanley is hustling to lend out a surfeit of deposits it picked up in the multiyear acquisition of Smith Barney.

In investment banking, where Morgan Stanley is generally a top-three player, revenue rose 28%, as big gains in stock and debt underwriting overcame flat merger fees.

Morgan Stanley's smallest division, investment management, reported revenue of $665 million, up 14% from a year ago. The business manages about $435 billion, making it about one-tenth the size of index-fund giant Vanguard Group.

Unlike rivals, Morgan Stanley offers no index funds that simply mirror the performance of certain corners of the stock market. Instead, it is betting on active stock pickers who can beat the market—a tall order lately as stock prices have churned indiscriminately higher.


GIULIA MARCHI/BLOOMBERG NEWS
CEO James Gorman has promised a 10% return on equity by year-end.

LIBOR

Continued from the prior page
the traders and bankers involved in the scandal over Libor, a key interest rate that international banks charge each other and a global benchmark underpinning the costs of hundreds of trillions of dollars of financial products.

More than a dozen major banks have acknowledged rigging Libor to benefit themselves and have paid billions of dollars in fines and settlements. At least nine people, including Messrs. Allen and Conti, have been convicted or pleaded guilty to Libor-related charges in the U.S. and the U.K.

Rabobank agreed in 2013 to pay more than $1 billion in settlements to U.S., U.K. and Dutch authorities, including a $325 million settlement with the U.S. Justice Department.

BUSINESS & FINANCE

Old Woes for New GE Boss

Group's profit target and cash flow will be focus of coming quarterly results

By Thomas Gryta

GE's quarterly results, due Friday, will give the company's incoming boss a taste of what he is up against: concerns about long-term profit goals and generating cash in the short term.

John Flannery's appointment as **General Electric** Co. chief executive, a post he assumes on Aug. 1, has stoked some optimism about the company, but not enough to buoy the stock. Shares of the giant industrial company are down 15% so far this year, through Tuesday's close, while the S&P 500 index is up 9.9%.

The divergence is forcing GE to defend its conglomerate model to investors. The Boston company worked with activist **Trian Fund Management** earlier this year to set new cost-cutting targets. But Wall Street is bracing for GE to lower its long-held 2018 profit target of $2 a share.

"Investors have come to realize that $2 of earnings power in 2018 is simply not on the table," said Morgan Stanley analyst Nigel Coe. In May, current CEO Jeff Immelt said the goal was at the high end of expectations, warning that GE would need additional cost cuts to make it.

On average, analysts expect earnings per share of $1.81 in 2018—down from an average estimate of $1.89 calculated in late May—and generally expect the company to lower the target either on Friday or in the months after Mr. Flannery, head of GE's health-care business, takes the reins.


MARTIN DIVISEK/BLOOMBERG NEWS
Technicians worked on an aircraft engine at a GE plant in Prague last year. The U.S. company's shares are off 15% so far this year, and GE is defending its conglomerate model to investors.

For the second quarter, Wall Street expects GE to report earnings of 25 cents a share, down about 50% from a year earlier, with revenue declining about 13%. The decline is largely attributable to a year-ago gain from GE selling its appliances business.

Thomson Reuters says GE will be the biggest drag on S&P 500 profits, which are expected to rise 8.5% in the quarter from a year earlier. Excluding GE, S&P 500 profits are forecast to climb 9.5%.

In the first quarter, GE reported a higher profit but Wall Street was blindsided by a negative cash flow of $1.6 billion from industrial operating activities. The company blamed the shortfall on the timing of inventory and orders. It reiterated its goal of $12 billion to $14 billion of positive industrial cash flow by year-end, up from $11.6 billion in 2016.

Chief Financial Officer Jeffrey Bornstein said in April that cash from operating activities would be "sequentially much better in the second quarter than the first."

GE has taken steps to retain cash by cutting the time its customers have to pay their bills, while extending the time it has to pay its own suppliers. In May, GE's Power division sent notices to some U.S. suppliers that it was lengthening the payment window and giving itself a discount if it pays those suppliers early.

The worries about cash center on the company's dividend, which costs about $8 billion a year to fund. Deutsche Bank, one of the few brokerages with a "sell" rating on the company, warned in May that GE might have trouble covering the dividend after capital spending and pension payments.

In an interview last month, Mr. Flannery said the dividend is "safe" and reducing it won't be considered. He has promised to review the entire GE portfolio and produce recommendations by the fall.

Citigroup analyst Andrew Kaplowitz is confident that cash generation will improve in the second quarter but is doubtful the negative sentiment around GE will improve until there is more clarity about Mr. Flannery's strategy.

"We think investors could largely take a wait-and-see approach to GE until new management begins to communicate its key priorities," Mr. Kaplowitz said.

BUSINESS WATCH

VERTEX

Cystic-Fibrosis Drugs Get Positive Data

Vertex Pharmaceuticals Inc. said three of its newest cystic-fibrosis drugs in development showed promise in early clinical trials treating the progressive lung disorder, raising hopes for patients who currently lack good treatment.

Based on the results, Vertex said Tuesday that it was accelerating development of the new agents. Patients won't see a new treatment soon, however. Vertex said it would wait until the first half of next year, when it has more clinical-trial data to review, to pick the one or two drugs it will put into the pivotal phase 3 studies required for approval.

Shares of Vertex were up 23% to $161.85 in late-morning trading Wednesday, following the company's disclosure after the close of trading Tuesday.

Cystic fibrosis is an inherited disease, resulting from a defective gene known as CFTR, that causes the body to produce a thick, sticky mucus that builds up in the lungs and other organs. Patients develop trouble breathing.

TIM FADEK/BLOOMBERG NEWS
United reported a 39% increase in its second-quarter profit.

Vertex already sells two drugs, called Kalydeco and Orkambi, but they work in only about half of the 75,000 cystic-fibrosis patients world-wide. Another 10% of patients could be treated by a two-drug combination from Vertex that is up for approval in the U.S., the company said. By adding a third agent to that two-drug combination, the Boston-based company said it hopes to be able to treat as many as 90% of patients.

—*Jonathan D. Rockoff*

IBM

Firm Posts Declines In Profit and Sales

International Business Machines Corp. on Tuesday reported falling quarterly profit and sales, adding to doubts about Chief Executive Ginni Rometty's lengthy effort to reinvent the 106-year-old technology company.

The 4.7% drop in second-quarter revenue, to $19.3 billion, marked the 21st consecutive quarter of declining sales at IBM. Profit margins also narrowed across all business units, including the divisions for theh company's main cloud-computing and Watson artificial-intelligence operations—two areas Ms. Rometty is counting on to propel the company's turnaround. Profit fell 6.9% from a year earlier.

Earnings results exceeded analysts' expectations. Still, revenue came in below forecasts.

—*Ted Greenwald*

UNITED

New Fares and Fees Push Revenue Higher

United Continental Holdings Inc. said profit and revenue rose in the second quarter, the latest airline to find success offering a wider range of fare categories and fees.

The U.S.'s No. 3 airline by traffic said Tuesday that despite higher fuel and labor costs, its net income rose 39% from a year earlier. Excluding items, United earned $846 million on a strong 6.4% gain in revenue.

United's unit revenue was up 2.1% in the June quarter year over year.

—*Susan Carey*

Greenberg Invests in Startup

By Leslie Scism

Starr Cos., an insurance and investment firm run by Maurice R. "Hank" Greenberg, has acquired a minority stake in **CoverWallet**, a New York startup that aims to speed up the insurance-buying process with data analytics.

Starr's investment is the latest deal in a hot corner of "insure tech": the market for insuring small businesses, worth $100 billion in annual premiums.

Financial terms weren't disclosed.

CoverWallet, launched last year by technology entrepreneurs, focuses largely on the market of online issuance of policies and related services to small businesses.

Historically, many large insurers avoided small businesses because of the costs of dealing with them individually. Quantitative analysis is changing that, and suddenly a lot of big-name insurers want to sell to local retailers, coffee shops, contractors and other small businesses.

These firms believe that algorithms work well for the standardized policies used by many small businesses.

"Change is inevitable," Mr. Greenberg, 92 years old, said in an interview. "There is no stopping that."

Last year, $1.7 billion was invested in 179 insure tech deals of various sorts, according to CB Insights, a firm with a venture-capital database.

Entrepreneurs with engineering and other computer-related backgrounds say the insurance industry is ripe for innovation because of its reliance on traditional ways of doing business even as consumers increasingly favor online financial transactions.

Because of advances in computer analytics, scientists can feed millions of data points into computers to find patterns. In general, algorithms can draw on publicly available data such as construction features of a business's premises, proximity to fire hydrants and code violations.

James Ermilio, CoverWallet's president of insurance, said the firm's goal is using "data analytics, data science and predictive modeling to make it easy for small businesses to understand, buy and manage their insurance."

Large sets of data, cloud computing and sophisticated algorithms operate behind the scenes, while the firm's services are available to customers around the clock online and through smartphones, CoverWallet said.

CoverWallet previously raised about $10 million from investors including Union Square Ventures, Index Ventures and **Two Sigma Investments**' Two Sigma Ventures division.

Among other insurers using predictive analysis to issue policies to small businesses is **American International Group** Inc., which Mr. Greenberg used to run. Last year, AIG entered a joint venture with Two Sigma, a hedge fund that is a leader in quantitative analysis.

SALE

Continued from the prior page
agreed to acquire baby-food maker **Mead Johnson Nutrition** Co. for $16.6 billion.

RB Foods generated just £411 million ($536 million) of Reckitt's overall revenue of £9.89 billion in 2016. But its operating margins—considered close to 27% last year—are considered high for packaged food.

Sparks, Md.-based McCormick, whose current brands include Lawry's and Grill Mates, said it expects combined 2017 annual net sales of about $5 billion. It also projects the deal will generate cost savings of around $50 million, the majority of which will be achieved by 2020.

Though McCormick's leverage ratio will increase because of the deal, the company plans to maintain its dividend policy but curtail its share-buyback program in an effort to maintain its investment-grade credit rating, it said. Reckitt said it intends to use the proceeds from the deal to reduce its debt.

BENOIT TESSIER/REUTERS

French regulators want to be able to apply globally what they regard as a fundamental right. A Google workshop in Paris in June.

In Europe, a Privacy Test

EU court to decide if 'right to be forgotten' extends beyond bloc; Google calls for limits

By Nick Kostov
And Sam Schechner

PARIS—The European Union's top court is set to decide whether the bloc's "right to be forgotten" policy stretches beyond Europe's borders, a test of how far national laws can—or should—extend when regulating cyberspace.

The case stems from France, where the highest administrative court on Wednesday asked the EU's Court of Justice to weigh in on a dispute between **Alphabet** Inc.'s Google and France's privacy regulator over how broadly to apply the right, which allows EU residents to ask search engines to remove some links from searches for their own names.

At issue: Can France force Google to apply it not just to searches in Europe, but anywhere in the world?

The case will set a precedent for how far EU regulators can go in enforcing the bloc's strict new privacy law. It will also help define Europe's position on clashes between governments over how to regulate what happens on the internet—from political debate to online commerce.

France's regulator says enforcement of some fundamental rights—like personal privacy—is too easily circumvented on the borderless internet, and so must be implemented everywhere. Google argues that allowing any one country to apply its rules globally risks upsetting international law and, when it comes to content, creates a global censorship race among autocrats.

"Each country should be able to balance freedom of expression and privacy in the way that it chooses, not in the way that another country chooses," said Peter Fleischer, Google's global privacy counsel. "We look forward to making our case at the European Court of Justice."

The case exposes a deep trans-Atlantic divide over the role of regulations in everything from antitrust to personal-privacy issues. In the U.S., the First Amendment forces officials to give broad leeway for free expression, even if objectionable. That makes it difficult for individuals to remove personal information gathered and published online by a slew of companies.

By contrast, Europe's experience from World War II has led to laws banning Holocaust denial and hate speech. More recent experiences with East Germany's police state have turned privacy into a fundamental right that can at times trump free expression.

The May 2014 decision granting the right to be forgotten reflects that division. That case concerned a Spaniard, Mario Costeja Gonzalez, who complained to privacy regulators about Google search links to a 1998 announcement in a Spanish newspaper mentioning debts that he had since resolved. The court said Google should remove the links from searches for Mr. Costeja's name on privacy grounds.

The decision created a right for any EU resident to ask search engines to remove links from searches for their own names, if the information is old, irrelevant or infringes on their privacy. Google and other search engines vet requests, considering privacy rights against the public interest in having that information tied to the person's name.

After the decision, Google quickly applied the right in Europe, removing about 590,000 links from some searches in the past three years, according to its transparency report. But the company resisted applying those removals to its non-European sites, like Google.com. Under pressure, Google agreed to do so only when those searches were done from within the European country where the removal request originated.

But in 2015, France's privacy regulator ordered Google to go further: applying its right-to-be-forgotten removals to all of its websites wherever they are accessed, arguing it is simple for internet users to mask their location using proxy services. After the regulator fined Google €100,000 ($115,000) last year for violating the order, Google appealed to France's Conseil d'Etat, the highest administrative court.

Google's lawyer, Patrice Spinosi, argued to the Conseil d'Etat that Google's current system for applying the right to be forgotten in Europe "is perfectly effective unless you want to be a fraudster," saying the court should reject the French position on more fundamental grounds, without even asking the EU court.

On Wednesday, however, the Conseil d'Etat said "the scope of the right to be forgotten poses several serious difficulties in the interpretation of European Union law."

Akzo CEO Resigns Because of Health

By Ben Dummett

Dutch paint giant **Akzo Nobel** NV said Wednesday its chief executive has resigned for health reasons, while also affirming its plan to spin off its chemicals business to appease shareholders after rejecting a $28 billion takeover bid from U.S. rival **PPG Industries** Inc.

Ton Büchner's decision to step down comes after a monthslong battle to fend off both PPG and a campaign by **Elliott Management** Corp., a U.S. activist investor and one of Akzo's largest shareholders, to push the company into sale talks.

Thierry Vanlancker, the head of Akzo's chemicals business, was named as his successor.

Akzo didn't disclose the details of Mr. Büchner's health issues, but said the executive believed that he would "endanger" his health if he continued in the position.

"This is a very recent development. This is not about weeks ago, but is about days ago," Akzo Chairman Antony Burgmans told reporters on a conference call Wednesday. In 2012, Mr. Büchner, 52 years old, took a leave of absence as chief executive for about two months, citing fatigue.

Elliott, which launched a legal challenge earlier this month to remove Mr. Burgmans, declined to comment on Mr. Büchner's resignation.

Akzo is in the process of spinning off its specialty-chemicals business from its paints-and-coatings operations, either through an initial public offering or a sale. The Amsterdam-based company is under pressure from shareholders to complete the deal, after promising such a move would generate more value than selling itself to PPG.

Mr. Vanlancker, who said on Wednesday he has no plans to divert from the current strategy, joined Akzo in 2016. He was previously a senior executive for Chemours Co., a Wilmington, Del.-based chemicals company spun off from DuPont Co. in 2015.

Pittsburgh-based PPG dropped its takeover bid for Akzo in June after two increases to its initial bid in March failed to draw its target into talks. Akzo, led by Messrs. Büchner and Burgmans, rejected the offers as too low and argued that completion of the tie-up was far from certain given the complex and lengthy antitrust review a deal would likely face. The company is betting that a spinoff of the chemicals business and a plan to boost dividend payouts will generate more value.

Elliott had argued Akzo couldn't make that decision until first determining if the company could negotiate a better deal through negotiations with PPG.

In May, Elliott, which currently owns 9.5% of Akzo, lost an initial legal battle in the Netherlands to try to remove Mr. Burgmans, whom Elliott regarded as an impediment to merger talks. Even though PPG has since dropped its bid, Elliott still wants the Akzo chairman removed because of the board's handling of PPG's overture.

JASPER JUINEN/BLOOMBERG NEWS

Ton Büchner in April. Akzo said his health became an issue recently.

Daimler Readies Emissions Fix

By William Boston

BERLIN—**Daimler** AG on Tuesday said it would tweak the engine software on more than three million diesel vehicles to improve emissions amid probes in the U.S. and Europe into allegations that the maker of Mercedes-Benz cars cheated on emissions.

Daimler didn't call its "service action" a recall, but the move is reminiscent of **Volkswagen** AG's recall of nearly 11 million vehicles world-wide in the wake of its emissions-cheating scandal. The Volkswagen scandal raised awareness of toxic pollution from diesel vehicles, leading more European cities to weigh banning diesel vehicles.

The move also comes as regulators and criminal investigators on both sides of the Atlantic are scrutinizing Mercedes-Benz on suspicion that some of its diesel vehicles used illegal defeat devices, an allegation raised by environmental groups that Daimler has repeatedly denied.

In Germany, public concern about diesel bans has led to a sharp drop in diesel sales and forced Chancellor Angela Merkel's government to create a round table to encourage the auto industry to adopt voluntary measures to curb diesel pollution and prevent cities from banning diesel vehicles.

"The public debate about diesel engines is creating uncertainty—especially for our customers," Daimler Chief Executive Dieter Zetsche said in a statement. "We have therefore decided on additional measures to reassure drivers of diesel cars and to strengthen confidence in diesel technology."

Daimler first began updating software on some diesel vehicles in March but is now dramatically expanding the program. Daimler said the update would cost about €220 million ($254 million) but would be free of charge to car owners. The repairs would begin in the coming weeks and are expected to continue for months.

Volkswagen eventually pleaded guilty to conspiracy to defraud the U.S. government and U.S. consumers, agreeing to pay penalties, fines and compensation to consumers of more than $22 billion.

Daimler is under investigation in Germany and the U.S. but hasn't been charged with any wrongdoing. The company denies using defeat devices.

The investigations are ongoing, but there is no evidence so far that Daimler engaged in the kind of intentional criminal activity and long years of coverup that characterized the Volkswagen scandal.

A German government report published in 2016 concluded that many European car makers, including Daimler, used a loophole in regulations to reduce emissions controls to protect the engine. Regulations allow this during cold temperatures, but the window is so wide that it allows car makers to reduce emissions control even in mild temperatures. In response to criticism, Daimler's software fix aims to narrow the window and reduce toxic tailpipe emissions during normal driving.

The German car maker said the update would cost about $254 million.

German car makers have made a huge bet on diesel because the engines are known for better fuel economy and lower carbon dioxide emissions than cars run on gasoline. But the downside is that they produce high levels of toxic nitrogen oxides, which are linked to respiratory diseases and death.

Several studies of air quality in European cities have found levels of NOx pollution that far exceeds the legal limit, prompting cities such as Paris and London to create ultra low emissions zones in the city center.

The public outcry against diesel leaves Germany's premium car makers Mercedes, BMW, Audi and Porsche particularly exposed to a sudden shift away from diesel.

SEAN GALLUP/GETTY IMAGES

Daimler, the maker of Mercedes-Benz, is under investigation in Germany and the U.S.

Discovery, Scripps In Talks on Tie-Up

By Dana Mattioli
And Amol Sharma

Discovery Communications Inc. is in talks to combine with **Scripps Networks Interactive Inc.**, people familiar with the situation said, a deal that would unite two media companies trying to chart a course in a cable-TV industry being upended by digital consumption.

Terms of the deal talks couldn't be learned. Discovery Communications is worth about $15 billion, including its preferred stocks, according to S&P Global Market Intelligence. Scripps has an $8.8 billion market valuation.

There is no guarantee that the two sides will reach a deal. It is also possible that another bidder for Scripps could emerge.

Both media companies specialize in nonfiction cable programming. Discovery owns brands such as its namesake Discovery Channel, Animal Planet and TLC, while Scripps has a portfolio including HGTV, Cooking Channel and Food Network.

The companies have discussed tying up before. In 2014, they abandoned talks about a merger and one issue at the time was that the family that controls Scripps wasn't ready to sell.

Discovery, based in Silver Spring, Md., posted revenue of $6.5 billion last year, while Scripps brought in $3.4 billion in revenue. The two companies, like other midsize cable-TV companies that don't own broadcast or sports networks, are trying to figure out where they fit in a shifting media landscape.

Traditional cable is under pressure from streaming services like Netflix, which are luring away subscribers. Cable channels are vying to be part of "skinny" online TV bundles from Sling TV, Hulu, YouTube and others.

The biggest cable-network owners have an advantage in those negotiations.

Together, Discovery and Scripps could be in position to offer their own subscription web-TV bundle of nonfiction programming. Both companies also are banking on their expertise in food, travel and cooking programs to translate well to young consumers on Facebook and Snapchat.

There is also a simple logic to getting bigger at a time when distributors in pay television have done their own deals and may have more leverage in channel-carriage negotiations. Cable networks get a slice of consumers' monthly bills based on rates hashed out with the providers. In recent years, AT&T Inc. has purchased DirecTV and Charter Communications Inc. has merged with Time Warner Cable.

It is far from certain that a Discovery-Scripps merger would resolve some of the structural problems they and other media companies face in the TV world, including the gradual movement of eyeballs—and advertisers—to digital platforms that are perceived to allow more sophisticated audience targeting.

Discovery has struggled with soft advertising growth in the U.S., amid ratings pressures on its channels, though it turned in a solid performance at the advance TV ad sales season this spring. Cord-cutting has partially offset gains the company has made in revenue from cable-TV subscriptions. Last year overall revenue grew 2%.

Phone Makers Line Up Against Qualcomm

BY TRIPP MICKLE

A group of smartphone manufacturers joined **Apple** Inc. in a legal battle against **Qualcomm** Inc., claiming that the chip maker charges excessive patent licenses and violates antitrust laws.

Taiwan-based contract manufacturers **Compal Electronics** Inc., Foxconn Technology Group, **Pegatron** Corp. and **Wistron** Corp. filed a lawsuit against Qualcomm late Tuesday night in U.S. federal district court in San Diego, according to Theodore J. Boutrous, an attorney at **Gibson, Dunn & Crutcher** LLP who is representing the four.

The companies, which assemble iPhones and iPads for Apple and other gadgets for other brands, broadly challenged Qualcomm's licensing practices with them as illegal, according to a draft copy of their complaint.

Apple is covering legal fees associated with the manufacturers' defense.

Qualcomm didn't immediately respond to requests for comment.

Separately, Qualcomm said Wednesday it filed lawsuits against Apple in Germany alleging that the device maker infringes its patents. Those suits aim to stop "Apple's sale and importation of the latest iPhones in Germany," according to Qualcomm general counsel Don Rosenberg, mirroring the chip maker's moves earlier this month to block imports of some Apple devices into the U.S.

Apple didn't immediately respond to a request for comment about the lawsuits filed in Germany.

The moves come after a series of escalating legal blows between Apple and Qualcomm, which supplies chips used in many smartphones and licenses technology used in nearly all of them.

Apple sued Qualcomm in January in the U.S. claiming unfair business practices, and the four contract manufacturers—which have the direct licensing agreements with Qualcomm that cover iPhones and iPads—later stopped paying royalties on Apple's behalf.

Qualcomm sued the four in May over the nonpayment, setting up their countersuit Tuesday. Qualcomm has said that its licensing agreements with the contract manufacturers are independent of Apple.

JACK TAYLOR/GETTY IMAGES

Apple sued Qualcomm in January claiming unfair practices. Four firms have joined Apple's fight.

Qualcomm also has asked federal trade authorities to block imports of some iPhones and iPads as part of the broader dispute.

Qualcomm says its licensing practices are fair, and that Apple is merely trying to reduce its costs at a time of slowing iPhone shipments. At a conference in Aspen, Colo., Monday, Qualcomm Chief Executive Steve Mollenkopf said he expects the dispute to be settled out of court, just as Qualcomm settled a similar patent dispute in 2008 with cellphone maker Nokia Corp.

The four companies' countersuit was filed just ahead of Qualcomm's quarterly financial report Wednesday afternoon. The legal battle forced Qualcomm in April to cut its profit forecast because it no longer expected patent-licensing revenue from the iPhone in the quarter. It is expected to report adjusted earnings of 81 cents a share, down from $1.16 a share a year earlier, according to analysts surveyed by Thomson Reuters.

Qualcomm's patent-licensing business on cellular technology accounted for roughly 80% of the company's pretax profit in 2016.

—Ted Greenwald contributed to this article.

Apple Selects New Chief For China

BY ALYSSA ABKOWITZ

BEIJING—Apple Inc. has created—and filled—an executive role to oversee its operations in China, where the tech behemoth faces a range of challenges, including increasingly fierce competition from domestic rivals.

Isabel Ge Mahe was named vice president and managing director of Greater China, reporting to Chief Executive Tim Cook and Chief Operating Officer Jeff Williams, the Cupertino, Calif., company said. Greater China typically includes the mainland, Taiwan, Hong Kong and Macau.

Ms. Ge Mahe, who currently serves as vice president of wireless technologies, will manage the iPhone maker's government relations, its research-and-development centers and China-specific features for Apple devices.

"So many companies get the market wrong, so to have somebody who is from China, understands Apple and has a real leadership role is a really smart move," said Chris DeAngelis, Beijing-based general manager of Alliance Development Group, which advises companies on China market strategies.

Ms. Ge Mahe was involved in developing new China-specific features for its iOS 11 operating system, including the ability to scan the square quick-response, or QR, codes widely used to pay utility bills and restaurant tabs, for example. She also worked on features that will allow customers to use their phone number as an Apple ID and filter out text-message scams that inundate many Chinese smartphone users.

The appointment comes as Apple contends with declining market share in China and tighter scrutiny from government authorities over the company's operations. Last week, Apple said it would begin storing all cloud data for its customers here with a government-owned company, relinquishing some control over its Chinese data.

In the first quarter, shipments of iPhones to China dropped 27% year over year, according to the most recent data from research firm IDC.

Chinese authorities shut down Apple's book and movie services last year, without giving a reason. Homegrown messaging apps such as Tencent Holdings Ltd.'s WeChat are challenging Apple's App Store, whose biggest market last year was China.

—Tripp Mickle in San Francisco contributed to this article.

Glasses From Google Resurface

BY LAURA STEVENS

Google parent **Alphabet** Inc. is relaunching Glass, its head-worn computer, targeting corporate customers after its initial version flopped because of privacy concerns.

Dubbed Glass Enterprise Edition, the product has been in testing at about 50 companies, including **Boeing** Co., **General Electric** Co. and **Volkswagen** AG, Alphabet said Tuesday.

The new device, which is designed to snap on eyeglass frames and display information, videos and images in the line of a person's sight, allows workers to see instructional content.

They can also use the device to broadcast what they are viewing back to others for real-time instruction.

The product's previous version cost $1,500. The price of the new product will vary based on the needed software customization, customer support and training, the company said.

Google sold the device to the public in mid-2014, but sales were small amid complaints about privacy protection, technical shortcomings and a lack of obvious uses.

Google halted sales of the device in 2015 and moved development of the project out of the limelight.

For the new Enterprise Edition, Google said it upgraded the design, the processing power and battery life.

The camera takes clearer pictures, and a green light turns on when the camera is recording.

AGGO/GOOGLE

Alphabet is now courting corporate customers for its head-worn computer Glass.

Samsung's Bixby Takes on Siri in U.S.

BY TIMOTHY W. MARTIN

SEOUL—Bixby, **Samsung Electronics** Co.'s voice-activated virtual assistant, may be late to the party, but its U.S. launch Wednesday presents a new contender to **Apple** Inc.'s Siri in the race to make smartphones smarter and more user-friendly.

The English-language version of Bixby, an artificial-intelligence service used to field tasks, had suffered a string of delays despite Samsung's vows that it would be available this spring.

Samsung executives had touted Bixby's potential in the buildup to the April release of the Galaxy S8—the company's first flagship smartphone since last year's Galaxy Note 7 debacle.

The Wall Street Journal had previously reported that the virtual assistant wouldn't likely be ready until the second half of July, and that the service had struggled to comprehend English syntax and grammar during internal tests.

The South Korean technology giant said Wednesday that Bixby would offer full integration across its core Samsung apps, promising that almost anything that users could do by touching or typing could now be accomplished with a voice command. It is capable of multiple tasks with a single voice command, such as locating a nearby steakhouse and hailing a taxi, Samsung said.

Bixby had been available months earlier in Korean in Samsung's home market, and the world's largest smartphone maker had been piloting an "early access" program for Bixby's English-language version since last month, enlisting tens of thousands of U.S. consumers.

Samsung has devoted significant resources to developing and promoting Bixby, and has a button on the side of the Galaxy S8 dedicated to activating the virtual assistant. Users can also summon the service by saying "Hi Bixby" or "Hello Bixby."

Bixby's English-language stumbles have also tripped up Samsung's development of a voice-activated speaker, a project code-named "Vega" that has been in the works for more than a year, the Journal previously reported.

The speaker, similar to Amazon.com Inc.'s Echo, will be powered by Bixby.

JOBS

Continued from page B1

ers, ranging from Wal-Mart to Tiffany & Co., to find technology that can do the rote labor of retail workers or replace them altogether.

As **Amazon.com** Inc. makes direct inroads into traditional retail with its plans to buy grocer **Whole Foods Market** Inc., Wal-Mart and other large retailers are under renewed pressure to invest heavily to keep up.

Economists say many retail jobs are ripe for automation. A 2015 report by Citi Research, co-authored with researchers from the Oxford Martin School, found that two-thirds of U.S. retail jobs are at "high risk" of disappearing by 2030.

Self-checkout lanes can replace cashiers. Autonomous vehicles could handle package delivery or warehouse inventory. Even more complex tasks like suggesting what toy or shirt a shopper might want could be handled by a computer with access to a shopper's buying history, similar to what already happens online today.

"The primary predictor for automation is how routine a task is," said Ebrahim Rahbari, an economist at Citi Research. "A big issue is that retail is a sizable percentage of the workforce."

Nearly 16 million people, or 11% of nonfarm U.S. jobs, are in the retail industry, mostly as cashiers or salespeople. The industry eclipsed the shrinking manufacturing sector as the biggest employer 15 years ago. Now, as stores close, retail jobs are disappearing. Since January, the U.S. economy has lost about 71,000 retail jobs, according to data from the Bureau of Labor Statistics.

"The decline of retail jobs, should it occur on a large scale—as seems likely long-term—will make the labor market even less hospitable for a group of workers who already face limited opportunities for stable, well-paid employment," said David Autor, an economist at the Massachusetts Institute of Technology.

Autonomous vehicles could handle package delivery or warehouse inventory.

Earlier this year, Beverly Henderson took a pay cut and gave up her health-care benefits when she left Wal-Mart in the wake of the back-office changes. "I'm 59 years old," she said. "I never worked on the floor. I've always worked office positions and I had no desire."

She is now an office manager at a local business she says can't afford to give her the same perks or $16.75 an hour she made after 16 years with Wal-Mart.

"I would have never left Wal-Mart. They were paying me decent," said the Southport, N.C., resident.

At Wal-Mart, Ms. Henderson managed store invoices, a job the company used technology to mostly centralize.

Automation is filtering through many parts of retail. Tiffany is using machines to polish basic pieces, like silver jewelry, during the production process. **Home Depot** Inc. now has self-checkouts in most stores and is testing adding scanner guns to make them useful for shoppers buying bulky products like lumber.

"We want to simplify the stores so that we can free up our associates...so they can focus on selling," Carol Tomé, Home Depot's chief financial officer, said in an interview.

Wal-Mart has long squeezed efficiency out of its business, both in stores and throughout its vast supply chain. Although it employs 1.5 million people in the U.S., it has around 15% fewer workers per square foot of store than a decade ago, according to an analysis by The Wall Street Journal.

Some Wal-Mart stores are experimenting with touch screens to let shoppers process returns. Self-checkouts are becoming a larger percentage of its total registers, according to a person familiar with company strategy.

Several of Wal-Mart's published patent applications propose technology to improve customer service. One describes a system that uses facial recognition to detect customer dissatisfaction and adjust staffing accordingly. In addition, jobs at hundreds of stores are shifting to support new services such as grocery pickup for digital orders.

'Robo' Advisers Add Socially Responsible Investing

By Anne Tergesen

Two pioneers of computer-driven "robo" advice are joining an industrywide trend toward offering socially responsible investments.

Betterment LLC announced Wednesday that it would offer portfolios that favor companies with strong records on the environment, corporate governance, human rights, and health and safety, among other factors. Rival **Wealthfront** Inc. earlier this month announced similar plans to introduce socially responsible investing options later this year.

"It's something there has been a lot of pent up demand for," said Dan Egan, vice president of behavioral finance and investing at Betterment. "We have been hearing requests for years both from existing customers and prospective clients."

The two companies are taking different approaches. New York-based Betterment is using exchange-traded funds that track socially responsible indexes. Wealthfront, of Redwood City, Calif., says it will give clients the flexibility to invest directly in stocks or avoid ones that don't meet their criteria.

Over the past year, a small but growing number of robo investment services have introduced or announced plans to include socially responsible investments in their offerings. They include investing giants TIAA and Morgan Stanley and a handful of smaller independent firms with names such as Wealthsimple, Prophecy Impact Investments LLC and OpenInvest.

Industry titan Vanguard Group, which had $80 billion in its Personal Advisor Services as of June 30, offers one socially responsible fund—the Vanguard FTSE Social Index Fund—in that service. A spokeswoman said the company has no current plans to add others.

Driving the trend is a desire on the part of individuals to spend and invest in ways that are consistent with their values. Data also show that socially responsible investments can outperform over the long run; since 1990, the MSCI KLD 400 Social Index has returned an average of 8.4% a year, versus 7.6% for the S&P 500 index.

Jon Hale, director of sustainability-investing research at Morningstar Inc., said it makes sense for robos to offer socially responsible investing since their target market—millennials—often expresses a strong interest in the investment style.

Mr. Egan said Betterment is jumping into the fray because the trading volumes for two socially responsible ETFs that invest in U.S. large-cap stocks have improved enough to drive down the costs associated with them.

Wealthfront plans to allow people who want a socially responsible investment portfolio to use its direct indexing platform, in which clients hold individual stocks in the Dow Jones U.S. Total Stock Market Index rather than the ETF. While that service is currently open to people with balances of $100,000 or more, the company has yet to decide what the minimum required investment will be for its socially responsible portfolios, said spokeswoman Kate Wauck.

Wealthfront plans to give clients the option to screen out four sectors: fossil fuels, deforestation, weapons and tobacco. In addition, it will let clients eliminate individual stocks they wish to avoid.

BENJAMIN C. TANKERSLEY/THE WASHINGTON POST/GETTY IMAGES

JBG Smith Properties owns the Atlantic Plumbing mixed-use redevelopment in Washington, D.C.

REIT Makes Pure Play on Washington

By Peter Grant

Steven Roth, chief executive of **Vornado Realty Trust**, made a bold prediction this year about the firm's plans to spin off its Washington, D.C., portfolio and merge it with a local company.

"JBG Smith has the potential to be the fastest-growing real-estate company in the nation," Mr. Roth said of the merged company in February on a conference call with analysts.

On Tuesday, Wall Street gave a stamp of approval to this prediction for **JBG Smith Properties**, the largest real-estate investment trust with a Washington, D.C., focus. It was the first day of regular trading following the closing of the merger of Vornado's Washington portfolio and JBG Cos. The new company has more than $8 billion in assets.

JBG Smith shares closed at $37.24 on the New York Stock Exchange, above the upper end of the $33 to $36.50 range that analysts predicted. The value was still well below the $41.75 a share the company's assets are worth, according to analysts. The shares were down 2.4% at $36.37 midday Wednesday.

75

The rough percentage of JBG Smith's portfolio in office property.

JBG Smith is launching when major office markets throughout the country are grappling with anemic growth in occupancies and rents, which is unusual for this late in the economic cycle. They are being hurt by tepid job growth, increased efficiency by tenants and in some cases new supply. As a result, most office REITs are trading below the net value of their assets.

JBG Smith executives said they are going to need to prove themselves to public market investors.

"Nobody is just going to give us the benefit of the doubt," said CEO W. Matthew Kelly in an interview Tuesday.

The office market in the Washington, D.C., region has been hurt by years of government downsizing. Budget cuts by the Trump administration are expected to damp demand further from most nondefense-related government agencies.

About 75% of JBG Smith's portfolio is office property. Most of the rest consists of rental apartments.

"Not only is competition among new product growing but existing product is also facing challenges from a demand perspective," said real-estate services firm JLL in a report on Washington's second-quarter office market.

Mr. Kelly agreed the Washington office market has been hurt by government cutbacks in recent years. But lately trends have become more positive thanks partly to population growth and the high education level of the region's workforce, he said.

"There's still some digging out that needs to happen" from the "terrible run" the Washington office market has had, Mr. Kelly said. "But we view the market bottom as behind us," he said.

The merged company achieves longtime goals for Vornado, which is contributing about $5 billion of property, and JBG Cos., a 57-year-old real-estate firm based in the Washington region. For more than three years, Mr. Roth has been trying to simplify Vornado as a New York-focused office and retail company by selling many of its other assets. A Vornado spokesman declined to comment.

JBG Cos., meanwhile, has been looking for a way to tap the public stock markets and give some of its investors an opportunity to cash out. An effort by JBG to merge with New York REIT Inc. in a proposed $8.4 billion deal collapsed last year following strong objections by New York REIT shareholders.

JBG Cos. won't be contributing all its property to the merged company. About $3 billion of properties—including buildings in Pennsylvania and Baltimore—will be managed but not owned by JBG Smith because they don't fit into the new company's strategy. The management team plans to sell the other property over four to six years. But that has raised some concerns about a possible conflict of interest.

"Only the original JBG partners stand to profit from the sale of these assets," Green Street Advisors said in a report. "This...could distract the team from running the REIT's owned portfolio."

Mr. Kelly said JBG is "staffed appropriately to tackle everything that's on our plate."

The merged company owns close to 19.5 million square feet of office space, 1.4 million square feet of retail and more than 11,000 rental apartments.

Its well-known properties include the Warner Building, on Pennsylvania Avenue near the White House, and the Atlantic Plumbing redevelopment of a former industrial property into residential and retail space.

But land and developments in the pipeline make up more than 15% of JBG Smith's assets, one of the largest amounts in the REIT sector.

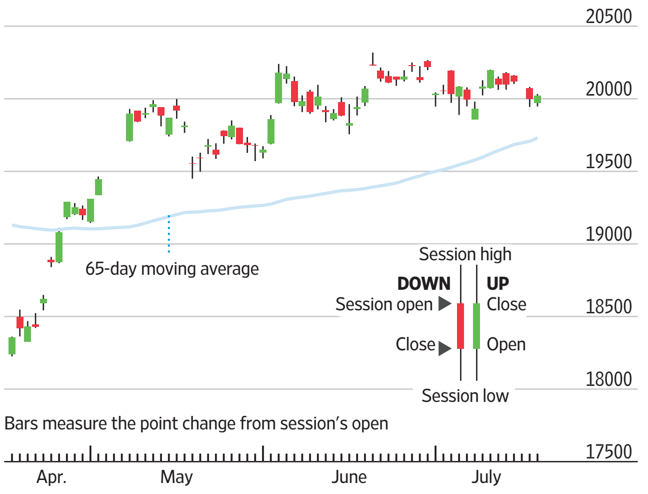
MARKETS DIGEST

Nikkei 225 Index

20020.86 ▲20.95, or 0.10%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲4.74%
52-wk high/low	20230.41	16083.11
All-time high	38915.87	12/29/89



STOXX 600 Index

385.54 ▲2.96, or 0.77%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲6.67%
52-wk high/low	396.45	328.80
All-time high	414.06	4/15/15

S&P 500 Index

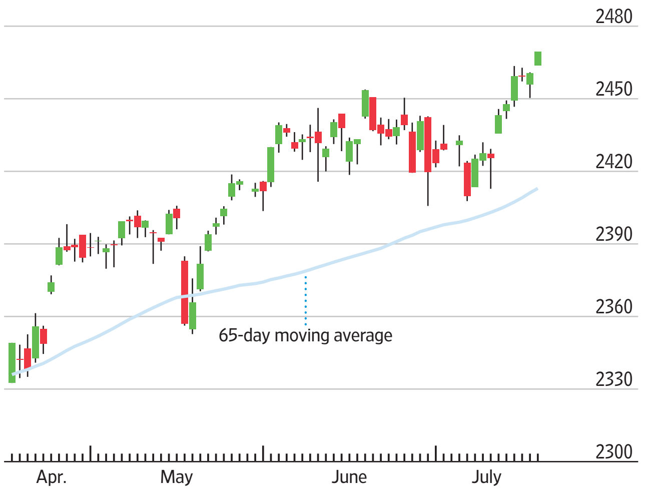
Data as of 12 p.m. New York time

2469.50 ▲8.89, or 0.36%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.29	24.85
P/E estimate *	18.80	18.37
Dividend yield	1.99	2.13
All-time high:	2460.61, 07/18/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 12 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	2833.91	7.10	0.25	2384.24	2836.30	12.1
	MSCI EAFE	1925.00	3.95	0.21	1471.88	1956.39	12.2
	MSCI EM USD	1060.38	7.15	0.68	691.21	1062.35	33.5
Americas	DJ Americas	594.79	2.44	0.41	503.44	594.86	10.1
Brazil	Sao Paulo Bovespa	65054.94	–282.73	–0.43	55695.52	69487.58	8.0
Canada	S&P/TSX Comp	15217.98	68.41	0.45	14319.11	15943.09	–0.5
Mexico	IPC All-Share	51142.80	43.09	0.08	43998.98	51364.19	12.0
Chile	Santiago IPSA	3826.41	–2.59	–0.07	3120.87	3837.15	18.7
U.S.	DJIA	21599.96	25.23	0.12	17883.56	21681.53	9.3
	Nasdaq Composite	6386.37	42.07	0.66	5034.41	6387.35	18.6
	S&P 500	2469.50	8.89	0.36	2083.79	2469.88	10.3
	CBOE Volatility	9.75	–0.14	–1.42	9.37	23.01	–30.6
EMEA	Stoxx Europe 600	385.54	2.96	0.77	328.80	396.45	6.7
	Stoxx Europe 50	3155.79	26.96	0.86	2720.66	3279.71	4.8
France	CAC 40	5216.07	42.80	0.83	4293.34	5442.10	7.3
Germany	DAX	12452.05	21.66	0.17	9991.65	12951.54	8.5
Israel	Tel Aviv	1455.44	2.47	0.17	1372.23	1490.23	–1.0
Italy	FTSE MIB	21478.95	120.75	0.57	15923.11	21828.77	11.7
Netherlands	AEX	524.25	6.08	1.17	436.28	537.84	8.5
Russia	RTS Index	1043.13	4.68	0.45	898.05	1196.99	–9.5
Spain	IBEX 35	10588.10	63.60	0.60	8229.40	11184.40	13.2
Switzerland	Swiss Market	9024.32	46.34	0.52	7585.56	9148.61	9.8
South Africa	Johannesburg All Share	54091.11	829.47	1.56	48935.90	54716.53	6.8
Turkey	BIST 100	107417.52	1699.21	1.61	70426.16	107563.95	37.5
U.K.	FTSE 100	7430.91	40.69	0.55	6615.83	7598.99	4.0
Asia-Pacific	DJ Asia-Pacific TSM	1666.75	7.69	0.46	1405.52	1668.56	17.2
Australia	S&P/ASX 200	5732.10	44.70	0.79	5156.60	5956.50	1.2
China	Shanghai Composite	3230.98	43.41	1.36	2953.39	3288.97	4.1
Hong Kong	Hang Seng	26672.16	147.22	0.56	21574.76	26672.16	21.2
India	S&P BSE Sensex	31955.35	244.36	0.77	25765.14	32074.78	20.0
Indonesia	Jakarta Composite	5806.69	–15.66	–0.27	5027.70	5910.24	9.6
Japan	Nikkei Stock Avg	20020.86	20.95	0.10	16083.11	20230.41	4.7
Malaysia	Kuala Lumpur Composite	1757.27	2.35	0.13	1616.64	1792.35	7.0
New Zealand	S&P/NZX 50	7732.75	25.42	0.33	6664.21	7732.75	12.4
Pakistan	KSE 100	45418.70	–217.66	–0.48	39017.32	52876.46	–5.0
Philippines	PSEi	7972.90	19.98	0.25	6563.67	8102.30	16.6
Singapore	Straits Times	3325.07	18.99	0.57	2787.27	3325.07	15.4
South Korea	Kospi	2429.94	3.90	0.16	1958.38	2429.94	19.9
Taiwan	Weighted	10506.10	24.84	0.24	8902.30	10513.96	13.5
Thailand	SET	1575.85	4.33	0.28	1406.18	1591.00	2.1

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 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points Latest	Previous	Month Ago	Year ago	Yield Previous	Month ago	Year ago
2.750	Australia 2	1.907	55.1	55.4	32.6	87.8	1.906	1.686	1.568
2.750	10	2.732	46.1	49.3	22.5	37.6	2.754	2.417	1.930
3.000	Belgium 2	-0.500	-185.6	-184.9	-192.3	-126.4	-0.497	-0.563	-0.574
0.800	10	0.817	-145.4	-141.8	-158.6	-131.7	0.843	0.605	0.238
0.000	France 2	-0.411	-176.7	-175.0	-184.1	-121.7	-0.398	-0.481	-0.527
1.000	10	0.798	-147.3	-143.1	-155.9	-134.5	0.829	0.633	0.209
0.000	Germany 2	-0.634	-199.0	-199.1	-203.2	-132.4	-0.640	-0.672	-0.634
0.500	10	0.545	-172.6	-170.3	-190.9	-158.0	0.557	0.282	-0.026
0.050	Italy 2	0.059	-129.8	-129.8	-166.8	-75.4	0.054	-0.308	-0.064
2.200	10	2.191	-8.0	-6.7	-23.8	-31.6	2.193	1.954	1.239
0.100	Japan 2	-0.109	-146.5	-145.8	-147.7	-101.8	-0.106	-0.117	-0.328
0.100	10	0.075	-219.6	-219.1	-213.6	-178.5	0.069	0.056	-0.231
4.000	Netherlands 2	-0.610	-196.6	-196.5	-199.8	-126.6	-0.613	-0.638	-0.576
0.750	10	0.661	-161.0	-158.0	-170.6	-146.5	0.681	0.486	0.090
4.750	Portugal 2	0.053	-130.3	-128.4	-136.1	-2.5	0.068	-0.001	0.665
4.125	10	3.046	77.5	78.2	66.1	151.8	3.043	2.853	3.073
2.750	Spain 2	-0.286	-164.2	-164.5	-167.5	-82.9	-0.293	-0.315	-0.139
1.500	10	1.545	-72.6	-71.4	-74.9	-36.5	1.546	1.443	1.190
4.250	Sweden 2	-0.701	-205.7	-203.4	-207.1	-132.8	-0.683	-0.711	-0.638
1.000	10	0.644	-162.7	-160.2	-173.4	-138.3	0.658	0.458	0.172
1.750	U.K. 2	0.277	-107.9	-108.8	-117.9	-51.6	0.264	0.182	0.174
4.250	10	1.197	-107.4	-105.2	-115.9	-75.4	1.208	1.033	0.801
1.250	U.S. 2	1.356	...	...	...	...	1.352	1.360	0.690
2.375	10	2.271	...	...	...	...	2.260	2.192	1.555

Commodities

Prices of futures contracts with the most open interest — 12 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 7/18/2017

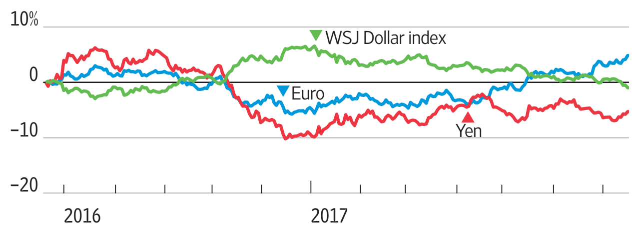
Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	383.50	6.50	1.72%	404.75	364.50
Soybeans (cents/bu.)	CBOT	1011.25	9.50	0.95	1,047.00	907.00
Wheat (cents/bu.)	CBOT	503.50	-0.25	-0.05%	574.50	430.75
Live cattle (cents/lb.)	CME	117.075	0.200	0.17	122.850	99.125
Cocoa ($/ton)	ICE-US	1,942	31	1.62	2,281	1,767
Coffee (cents/lb.)	ICE-US	135.25	0.35	0.26	163.75	115.50
Sugar (cents/lb.)	ICE-US	14.44	0.34	2.41	20.50	12.74
Cotton (cents/lb.)	ICE-US	67.85	-0.37	-0.54	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2121.00	-10.00	-0.47	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.7115	-0.0190	-0.70	2.8495	2.4850
Gold ($/troy oz.)	COMEX	1240.10	-1.80	-0.14	1,300.30	1,155.00
Silver ($/troy oz.)	COMEX	16.270	0.002	0.01	18.780	14.340
Aluminum ($/mt)*	LME	1,907.00	-18.00	-0.94	1,972.00	1,688.50
Tin ($/mt)*	LME	19,975.00	-5.00	-0.03	21,225.00	18,760.00
Copper ($/mt)*	LME	5,973.00	-12.00	-0.20	6,156.00	5,491.00
Lead ($/mt)*	LME	2,278.00	-48.00	-2.06	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,776.50	-46.50	-1.65	2,958.50	2,450.50
Nickel ($/mt)*	LME	9,650.00	5.00	0.05	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	207.70	6.20	3.08	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2538.00	8.00	0.32	2966.00	2390.00
Crude oil ($/bbl.)	NYMEX	47.13	0.54	1.16	58.36	42.29
NY Harbor ULSD ($/gal.)	NYMEX	1.5452	0.0303	2.00	1.8065	1.3703
RBOB gasoline ($/gal.)	NYMEX	1.5634	0.0226	1.47	1.8366	1.3805
Natural gas ($/mmBtu)	NYMEX	3.065	-0.008	-0.26	3.5490	2.8300
Brent crude ($/bbl.)	ICE-EU	49.45	0.61	1.25	60.18	44.60
Gas oil ($/ton)	ICE-EU	456.00	9.00	2.01	532.25	405.50

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on July 19

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0578	17.3000	9.0
Brazil real	0.3171	3.1538	–3.1
Canada dollar	0.7943	1.2590	–6.3
Chile peso	0.001530	653.60	–2.4
Colombia peso	0.0003325	3007.95	0.2
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0572	17.4864	–15.7
Peru sol	0.3084	3.2422	–3.3
Uruguay peso-e	0.0349	28.640	–2.4
Venezuela bolivar	0.100060	9.99	–0.01
Asia-Pacific			
Australia dollar	0.7945	1.2587	–9.4
China yuan	0.1481	6.7538	–2.8
Hong Kong dollar	0.1281	7.8085	0.7
India rupee	0.0156	64.2669	–5.4
Indonesia rupiah	0.0000751	13317	–1.5
Japan yen	0.008946	111.78	–4.5
Kazakhstan tenge	0.003064	326.34	–2.2
Macau pataca	0.1243	8.0432	1.6
Malaysia ringgit-c	0.2333	4.2865	–4.4
New Zealand dollar	0.7351	1.3604	–5.8
Pakistan rupee	0.0095	105.205	0.8
Philippines peso	0.0197	50.812	2.4
Singapore dollar	0.7308	1.3684	–5.5
South Korea won	0.0008898	1123.90	–7.0
Sri Lanka rupee	0.0065045	153.74	3.6
Taiwan dollar	0.03293	30.370	–6.4
Thailand baht	0.02976	33.600	–6.2
Europe			
Bulgaria lev	0.5888	1.6985	–8.6
Croatia kuna	0.1553	6.439	–10.2
Euro zone euro	1.1518	0.8682	–8.7
Czech Rep. koruna-b	0.0441	22.659	–11.8
Denmark krone	0.1549	6.4569	–8.7
Hungary forint	0.003764	265.68	–9.7
Iceland krona	0.009454	105.77	–6.4
Norway krone	0.1240	8.0629	–6.7
Poland zloty	0.2734	3.6571	–12.7
Russia ruble-d	0.01696	58.967	–3.8
Sweden krona	0.1207	8.2861	–9.0
Switzerland franc	1.0472	0.9549	–6.3
Turkey lira	0.2838	3.5240	0.0
Ukraine hryvnia	0.0385	25.9425	–4.2
U.K. pound	1.3032	0.7673	–5.3
Middle East/Africa			
Bahrain dinar	2.6515	0.3772	–0.01
Egypt pound-a	0.0558	17.9097	–1.2
Israel shekel	0.2804	3.5667	–7.3
Kuwait dinar	3.3039	0.3027	–1.0
Oman sul rial	2.5967	0.3851	0.04
Qatar rial	0.2717	3.680	1.1
Saudi Arabia riyal	0.2667	3.7502	–0.01
South Africa rand	0.0773	12.9345	–5.5

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.94	...	unch.	–6.45

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Jul 19

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2587	1.6399	1.3179	0.0113	0.1612	1.4493	0.9998	...
Canada	1.2590	1.6406	1.3182	0.0113	0.1612	1.4498	...	1.0003
Euro	0.8682	1.1316	0.9092	0.0078	0.1112	...	0.6897	0.6898
Hong Kong	7.8085	10.1752	8.1772	0.0699	...	8.9934	6.2024	6.2038
Japan	111.7790	145.6700	117.0500	...	14.3150	128.7300	88.7900	88.8300
Switzerland	0.9549	1.2445	...	0.0085	0.1223	1.0999	0.7586	0.7588
U.K.	0.7673	...	0.8035	0.0069	0.0983	0.8839	0.6095	0.6097
U.S.	...	1.3032	1.0472	0.0089	0.1281	1.1518	0.7943	0.7945

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	1.22889%	0.48740%
Three month	1.30722	0.70160
Six month	1.45322	1.02020
One year	1.73344	1.34490
Euro Libor		
One month	-0.39786%	-0.36857%
Three month	-0.37643	-0.30357
Six month	-0.30329	-0.19271
One year	-0.18486	-0.06571
Euribor		
One month	-0.37300%	-0.37100%
Three month	-0.33200	-0.29700
Six month	-0.27400	-0.18900
One year	-0.15100	-0.05600
Yen Libor		
One month	-0.02836%	-0.08071%
Three month	-0.00971	-0.03636
Six month	0.00771	-0.03307
One year	0.11757	0.06143
	Offer	**Bid**
Eurodollars		
One month	1.3100%	1.2100%
Three month	1.3500	1.2500
Six month	1.5000	1.4000
One year	1.7700	1.6700
	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%	0.42%
Euro zone	n.a.	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

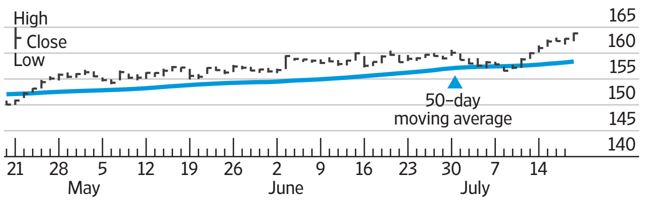
Top Stock Listings

12 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans					
HK$	AIAGroup	1299	58.35	-0.68	33.37
¥	AstellasPharma	4503	1367.50	2.24	-15.77
AU$	AustNZBk	ANZ	29.41	3.92	-3.32
AU$	BHP	BHP	24.83	-1.08	-0.92
HK$	BankofChina	3988	3.77	0.27	9.59
HK$	CKHutchison	0001	100.10	-0.40	13.88
HK$	CNOOC	0883	8.71	0.23	-10.21
AU$	CSL	CSL	127.99	-0.29	27.47
¥	Canon	7751	3795.00	0.03	15.17
¥	CentralJapanRwy	9022	17795	-0.17	-7.46
HK$	ChinaConstructnBk	0939	6.40	0.16	7.20
HK$	ChinaLifeInsurance	2628	25.75	0.59	27.48
HK$	ChinaMobile	0941	82.90	0.42	0.85
HK$	ChinaPetro&Chem	0386	6.06	1.00	10.18
AU$	CmwlthBkAust	CBA	83.81	2.96	1.70
¥	EastJapanRailway	9020	10565	-0.61	4.60
¥	Fanuc	6954	22085	-0.85	11.46
¥	Hitachi	6501	722.20	-1.05	14.27
TW$	Hon Hai Precisn	2317	117.00	...	38.95
¥	HondaMotor	7267	3091.00	-0.16	-9.49
KRW	HyundaiMtr	005380	148500	0.34	1.71
HK$	Ind&Comml	1398	5.34	0.75	14.84
¥	JapanTobacco	2914	3813.00	0.03	-0.81
¥	KDDI	9433	2920.00	0.27	-1.33
¥	Mitsubishi	8058	2401.50	0.04	-3.55
¥	MitsubishiElectric	6503	1622.50	-1.25	-0.43
¥	MitsubishiUFJFin	8306	718.00	-0.50	-0.31
¥	Mitsui	8031	1607.00	0.03	...
¥	Mizuho Fin	8411	198.60	-0.35	-5.34
¥	NTTDoCoMo	9437	2631.50	0.46	-1.18
AU$	NatAustBnk	NAB	30.30	3.06	-1.21
¥	NipponTeleg	9432	5439.00	1.30	10.73
¥	NissanMotor	7201	1128.50	-1.18	-4.00
¥	Panasonic	6752	1505.00	-0.86	26.52
HK$	PingAnInsofChina	2318	58.80	0.09	51.55
$	RelianceIndsGDR	RIGD	47.05	0.11	49.13
KRW	SamsungElectronics	005930	2537000	-0.20	40.79
¥	Seven&I Hldgs	3382	4449.00	-0.43	-0.09
¥	SoftBankGroup	9984	9260.00	1.26	19.25
¥	Sony	6758	4497.00	-0.18	37.31
¥	Sumitomo Mitsui	8316	4272.00	0.09	-4.22
HK$	SunHngKaiPrp	0016	119.60	0.34	22.04
TW$	TaiwanSemiMfg	2330	214.50	0.23	18.18
¥	TakedaPharm	4502	5751.00	-0.21	18.95
HK$	TencentHoldings	0700	298.00	3.91	57.09
¥	TokioMarineHldg	8766	4728.00	-0.51	-1.42
¥	ToyotaMtr	7203	6128.00	-0.84	-10.90
AU$	Wesfarmers	WES	40.53	-0.42	-3.82
AU$	WestpacBanking	WBC	31.94	3.80	-2.02
AU$	Woolworths	WOW	26.25	...	8.92
Stoxx 50					
CHF	ABB	ABBN	23.90	0.50	11.27
€	ASMLHolding	ASML	129.80	5.79	21.71
€	AXA	CS	24.96	0.71	4.09
€	AirLiquide	AI	109.25	0.69	3.41
€	Allianz	ALV	179.70	...	14.46
€	AB InBev	ABI	99.45	0.45	-1.09
£	AstraZeneca	AZN	5070.00	0.02	14.25
€	BASF	BAS	81.72	-0.07	-7.46
€	BNP Paribas	BNP	64.84	0.12	7.09
£	BT Group	BT.A	305.15	0.30	-16.83
€	BancoBilVizAr	BBVA	7.51	0.24	18.21
€	BancoSantander	SAN	5.66	-0.51	14.04
£	Barclays	BARC	206.30	0.61	-7.68
€	Bayer	BAYN	111.15	1.09	12.13
£	BP	BP.	445.95	0.11	-12.49
£	BritishAmTob	BATS	5288.00	0.97	14.42
€	Daimler	DAI	64.14	-0.05	-9.30
€	DeutscheTelekom	DTE	15.64	0.55	-3.38
£	Diageo	DGE	2289.50	0.13	8.51
€	ENI	ENI	13.13	-0.08	-15.13
£	GlaxoSmithKline	GSK	1610.50	0.66	3.10
£	Glencore	GLEN	322.00	0.23	16.10
£	HSBC Hldgs	HSBA	738.80	0.67	12.47
€	INGGroep	INGA	15.43	0.03	15.41
£	ImperialBrands	IMB	3445.00	0.55	-2.75
€	IntesaSanpaolo	ISP	2.86	-0.49	17.72
€	LVMHMoetHennessy	MC	222.25	1.48	22.52
£	LloydsBankingGroup	LLOY	68.08	1.76	8.91
€	LOreal	OR	185.25	0.95	6.83
£	NationalGrid	NG.	945.50	0.45	-8.92
CHF	Nestle	NESN	83.35	0.42	14.10
CHF	Novartis	NOVN	81.20	0.87	9.58
DKK	NovoNordiskB	NOVO-B	274.90	-0.33	7.93
£	Prudential	PRU	1773.50	1.23	8.97
£	ReckittBenckiser	RB.	7937.00	1.60	15.26
£	RioTinto	RIO	3446.50	-0.04	9.12
CHF	RocheHldgctf	ROG	244.10	0.37	4.94
£	RoyDtchShell A	RDSA	2061.50	0.07	-8.07
€	SAP	SAP	91.33	1.67	10.29
€	Sanofi	SAN	82.24	-0.42	6.94
€	SchneiderElectric	SU	68.44	0.60	3.52
€	Siemens	SIE	116.60	-1.14	-0.17
€	Telefonica	TEF	9.32	0.34	5.70
€	Total	FP	43.38	1.10	-9.16
CHF	UBSGroup	UBSG	16.95	1.01	6.27
€	Unilever	UNA	49.72	0.93	27.10
£	Unilever	ULVR	4314.00	0.55	31.03
€	Vinci	DG	78.38	1.59	21.14
£	VodafoneGroup	VOD	221.95	1.09	11.06
CHF	ZurichInsurance	ZURN	287.40	0.28	2.50
DJIA					
$	AmericanExpress	AXP	85.64	0.14	15.60
$	Apple	AAPL	150.60	0.34	30.03
$	Boeing	BA	209.95	0.82	34.86
$	Caterpillar	CAT	107.78	0.66	16.21
$	Chevron	CVX	103.81	0.09	-11.80
$	CiscoSystems	CSCO	31.89	1.21	5.53
$	Coca-Cola	KO	44.73	0.13	7.89
$	Disney	DIS	106.53	0.74	2.22
$	DuPont	DD	84.84	1.00	15.59
$	ExxonMobil	XOM	80.33	-0.33	-11.00
$	GeneralElec	GE	26.93	0.15	-14.78
$	GoldmanSachs	GS	223.10	-0.09	-6.83
$	HomeDepot	HD	153.77	1.05	14.69
$	Intel	INTC	34.56	0.09	-4.71
$	IBM	IBM	147.76	-4.05	-10.98
$	JPMorganChase	JPM	91.34	0.30	5.85
$	J&J	JNJ	134.74	0.21	16.95
$	McDonalds	MCD	154.05	0.06	26.56
$	Merck	MRK	62.72	0.49	6.53
$	Microsoft	MSFT	73.77	0.64	18.72
$	Nike	NKE	57.57	-0.13	13.27
$	Pfizer	PFE	33.61	0.75	3.48
$	Procter&Gamble	PG	87.92	-0.03	4.57
$	3M	MMM	211.88	0.27	18.65
$	Travelers	TRV	126.03	0.40	2.95
$	UnitedTech	UTX	122.93	0.24	12.14
$	UnitedHealth	UNH	189.20	1.26	18.22
$	Visa	V	97.97	0.40	25.57
$	Verizon	VZ	43.38	0.05	-18.73
$	Wal-Mart	WMT	75.85	-0.46	9.74

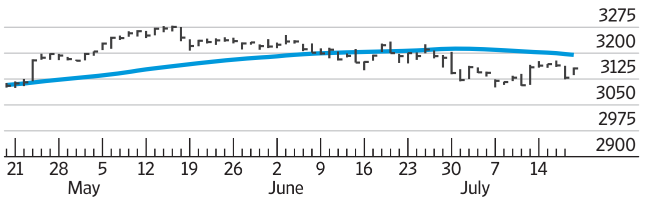
Asia Titans 50

Last: **163.82** ▲ 1.04, or 0.64% — YTD ▲ 16.2%



Stoxx 50

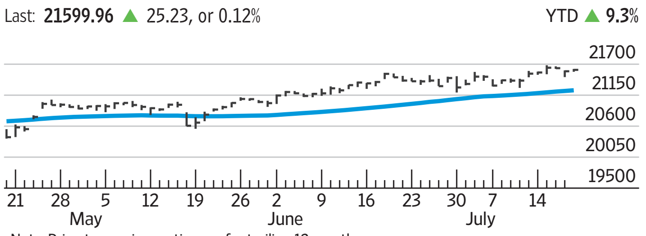
Last: **3155.79** ▲ 26.96, or 0.86% — YTD ▲ 4.8%



Dow Jones Industrial Average

P/E: 21

Last: **21599.96** ▲ 25.23, or 0.12% — YTD ▲ 9.3%



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

Frankfurt an Early Favorite After Brexit

Banks prize Germany's reliable economy and politics as they shift some operations to city

By Patricia Kowsmann


'Stability is the one thing all banks are looking for,' says a banker on moving business to Frankfurt.

ANDREAS ARNOLD/DPA/ZUMA PRESS

FRANKFURT—Germany's financial hub is taking an early lead in attracting banking businesses in anticipation of Britain exiting the **European Union**. Its main asset: stability.

Banks from Japan's **Nomura Holdings** Inc. and **Sumitomo Mitsui Financial Group** Inc. to the U.S.'s **Citigroup** Inc. are shifting some business to Frankfurt given the possibility that the U.K. will be left out of the single market once it leaves the EU. This would prevent banks in London from being able to serve customers across the Continent, known as passporting rights.

Following U.K.'s Brexit referendum in June 2016, many European capitals began lining up to woo some of these firms. In meetings with regulators and at cocktail gatherings with visiting banking officials, those countries have been dangling sweeteners.

France has promised changes to cut labor costs, and Italy is changing its tax policies to make it less burdensome for bankers and other professionals. Spain's markets regulator is trying to make Madrid more international by hiring native English speakers to revise and edit all communications the agency sends out in English. But it is Frankfurt with its low-key approach that has been getting the biggest response.

"Stability is the one thing all banks are looking for, and in this regard Germany, with its stable economy and politics, is a winner," said an official at a bank that is shifting some of its business to Frankfurt.

Detmar Loff, a partner at law firm **Ashurst**, which is advising banks on their Brexit choices, also points to a well-educated workforce that speaks English, reasonable costs and a reliable regulatory environment as reasons for the German city's early success. Frankfurt is also home to the eurozone's banking supervisor, the **European Central Bank**, which often summons bankers to discuss their businesses. Being close to the ECB, bankers say, makes that easier.

Paris, which many touted as a big contender for Brexit businesses, has suffered from political uncertainty surrounding this year's elections. Emmanuel Macron, France's new pro-business president, is stepping up efforts to bring firms to the capital, but it has secured only one big bank. **HSBC Holdings** PLC has said it would transfer about 1,000 jobs to France, where it already has a retail presence.

It is too early to tell how many financial firms—and people—will converge on the German city of 730,000, which gets sleepy on weekends when many expat workers go home while others retreat to the residential suburbs in the surrounding hills.

Sumitomo Mitsui Financial, Nomura and **Daiwa Securities Group** Inc. separately said they would set up subsidiaries in Germany, but didn't provide staffing figures. Citigroup is planning to make Frankfurt its broker-dealer business hub outside London by adding about 150 positions in its business already set up in the city, according to a person familiar with the plan.

Morgan Stanley is close to picking Frankfurt as its EU hub, according to a person familiar with the plan. But both Citigroup and Morgan Stanley are also expected to shift some jobs to other capitals, including Paris and Dublin.

Frankfurt Main Finance, the group that is promoting the financial center, estimates that more than 10,000 jobs will come to the city in the next six years as a result of Brexit, adding to the existing 75,000. That is still a fraction of the more than 700,000 people who work in financial and related services in London.

The group points to plenty of high-quality office space and lower rents than in Paris and Dublin as some of the reasons banks should move to the city. In its Brexit promotional booklet, the group also boasts about Germany's soccer league, nearby golf courses and "unique events like the European Cultural Days of the ECB."

Hubertus Väth, managing director of Frankfurt Main Finance, acknowledged Frankfurt's subdued reputation, particularly among bankers looking to spend their money.

"At the end of the day, we live in a world of preconceived notions," Mr. Väth said. "But we are also in a position where it is extremely easy to surprise positively."

—Max Colchester in London, Jeannette Neumann in Madrid and Giovanni Legorano in Rome contributed to this article.

Crude Prices Climb on a Decline in U.S. Stockpiles

By Alison Sider

Oil prices rose Wednesday after a U.S. government report showed sharp drawdowns in oil and fuel stockpiles.

U.S. crude futures rose 56 cents, or 1.2%, to $46.96 a barrel by midday on the New York Mercantile Exchange. Brent, the global benchmark, was up 62 cents, or 1.3%, to $49.46 a barrel on ICE Futures Europe.

U.S. oil stockpiles fell by 4.7 million barrels last week, according to the **U.S. Energy Information**. In total, stockpiles of oil and petroleum products fell by 10.2 million barrels.

The declines in oil and fuel inventories helped bolster confidence that production cuts by the **Organization of the Petroleum Exporting Countries** and other major producers are having an impact on bloated U.S. stockpiles. U.S. oil inventories have now dropped in 13 of the last 15 weeks.

"This market, which has been so impatient in 2017 to see declines in inventories, is now finally seeing it," said Andy Lipow, president of Lipow Oil Associates in Houston.

Investors had been bracing for a possible rise in crude inventories after the **American Petroleum Institute** projected Tuesday that crude stocks had grown by 1.6 million barrels in the week ended July 14. Analysts surveyed by The Wall Street Journal anticipated that the amount of crude in storage fell by 3.1 million barrels, on average.

Wednesday's data also helped ease nagging worries about demand that have dogged the market at times this year. Gasoline stockpiles fell by 4.4 million barrels a day last week. The amount of gasoline being stored in the U.S. now stands about 10 million barrels lower than this time last year, even as refiners have been churning out the fuel at high rates.

"We're absorbing as hard as these refiners are running—it's not accumulating at the moment," said Donald Morton, senior vice president at Herbert J. Sims Co., who oversees an energy trading desk.

But continually rising U.S. output, even at relatively low oil prices, may have capped oil's gains Wednesday. The EIA reported that U.S. oil production rose by 32,000 barrels a day last week.

The resilience of the U.S. oil industry has been a concern for OPEC , undermining its efforts to rebalance supply and demand. Market players will also be eyeing the outcome of an OPEC meeting next Monday, when delegates will discuss the possibility of including two previously exempted OPEC members, Nigeria and Libya, into the production-curtailment plan.

"It is likely that the focus of both participants and observers will increasingly shift to compliance with supply accords over the coming months, and how to counter a historical tendency for compliance to decline over time," analysts at **JBC Energy** said of the coming OPEC meeting in St. Petersburg.

—Christopher Alessi contributed to this article.

MARKETS

Commodity Traders Stung

Banks, hedge funds stumbled in first half amid weak oil prices and low volatility

By Stephanie Yang

Oil prices are having a tough year. So are some commodity traders.

Major commodity players such as banks and hedge funds have stumbled, as low volatility and a faltering oil recovery derailed returns during the first half. The S&P GSCI commodity index slumped 10.2% in that period, the worst first-half performance since 2010.

Part of the trouble comes from a lack of volatility this year that has made trading more challenging, traders said. Range-bound markets offer little opportunity for investors and traders to profit from major price moves and arbitrage divergences.

Low volatility also leads to less demand from clients who want to lock in prices or investors looking to bet on market trends, both major components of banks' commodities businesses. While commodity prices have rebounded slightly in July—the S&P GSCI index was up 0.2% this month through Tuesday—a snapback in price swings hasn't occurred.

Goldman Sachs Group Inc., historically a major commodity trader, reported its worst-ever quarter for commodities trading in its earnings report Tuesday. "Commodities is a story of challenges on all fronts," Chief Financial Officer R. Martin Chavez said on a conference call after the release. When trading revenue fell during the first quarter from a year earlier, the bank had also blamed trading in currencies, commodities and corporate bonds.

Bank revenue from commodities broadly has been on a decline. Global revenue from commodities at the 12 biggest investment banks totaled $4.3 billion in the 2016 fiscal year, down from a peak of $14.5 billion in 2008, according to research and analytics firm Coalition Development Ltd., which measures trading and financing revenue.

Increased regulation has caused Wall Street banks to retreat in recent years from commodities, including activities in physical oil and gas.

An unexpected drop-off in oil prices this year has contributed to the malaise, after many banks and hedge funds had expected gains.

Veteran oil traders such as Pierre Andurand and Andrew Hall, both hedge-fund managers, lost money this year after betting that production cuts among members of the Organization of the Petroleum Exporting Countries would boost oil prices, The Wall Street Journal has reported.

According to S&P Dow Jones Indices, energy's performance has lagged behind the returns of other commodities by the most in 27 years. The S&P GSCI Energy Total Return index lost 18.8% in 2017 through June 30, marking the sector's worst start to the year since 1998.

"Overall, the trading market is a little bit tricky right now," said Marc Fontaine, an independent consultant and former head of commodity derivatives for the Americas at BNP Paribas. "There is a lot less volatility, and that makes it much more difficult not just for the Goldman Sachs's of the world but the large merchants like Mercuria to trade and to trade well."

Returns from commodity-trading advisers, funds that trade futures including commodity contracts often based on market trends, have also suffered this year. Société Générale's SG CTA Index, which tracks performance of the funds, is down 3.45% this year through June, the worst first-half return since 2011. While CTAs trade futures in all asset classes, some in the sector attribute losses to a lack of major moves in commodities.

"You get a market where you're bullish at the top and bearish at the bottom. And those are tough markets to trade," said Tai Wong, head of metals trading at BMO Capital Markets.

Among longer-term investors, the lackluster returns in oil and other commodities have damped enthusiasm. Net flows into commodities in the first half totaled $9.5 billion, an 86% drop from the first half of 2016 when net inflows totaled $69.8 billion, according to RBC Capital Markets.

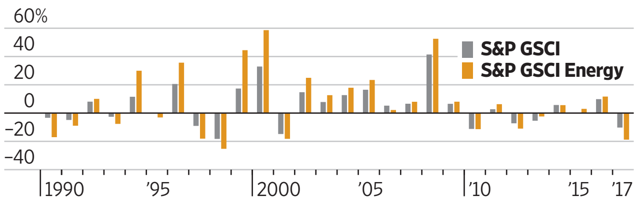
"As we see the oil price continue to decline...we definitely see a lot of negative sentiment in commodities," said Darwei Kung, portfolio manager of the $2.7 billion Deutsche Enhanced Commodity Strategy Fund.

Hedge funds and other speculative investors have pared their bullish bets on crude-oil futures after they reached a record high earlier this year.

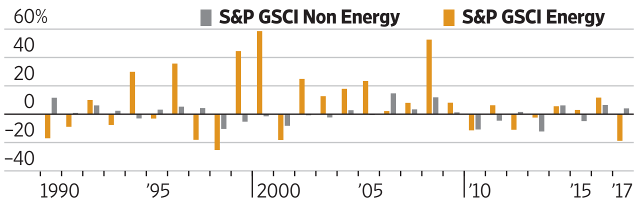
Ebele Kemery, head of energy investing at J.P. Morgan Asset Management, said the drop in oil prices has prompted clients to focus more on holding commodities as an inflation hedge and a tool for diversification, rather than look for price gains. Ms. Kemery also sees more opportunities in soft commodities and industrial metals, which may benefit from an improved macroeconomic outlook. "What it has done is make our investors turn back to basics," she said.

Trouble in Commodities

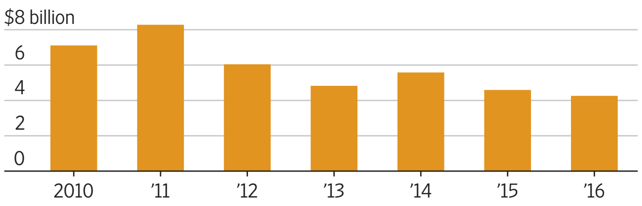
Returns from commodities during the first half of 2017 were the worst in seven years...



...as energy lagged other raw materials by the most in more than two decades.



Meanwhile, revenue at big Wall Street banks* from commodities has continued to shrink.



Note: Returns are for the first six months. *12 largest banks
Sources: S&P Dow Jones Indices (returns); Coalition (revenues)

THE WALL STREET JOURNAL.

Stocks Get Boost From Health Care

By Riva Gold And Amrith Ramkumar

U.S. stocks rose, propelled by gains in shares of health-care companies.

The Dow Jones Industrial Average advanced 27 points, or 0.1%, to 21601 around midday. The S&P 500 climbed 0.4% and the Nasdaq Composite added 0.6%, with both indexes advancing from Tuesday's records.

WEDNESDAY'S MARKETS

In Asia, tech stocks led Hong Kong's Hang Seng Index to a 0.6% rise. Japan's Nikkei Stock Average added 0.1% as investors were cautious ahead of the Bank of Japan's meeting on Thursday.

Health-care stocks in the S&P 500 rose 0.7%, and the Nasdaq Biotechnology Index added 1.3%. Vertex Pharmaceuticals shares jumped 21% after the company said three of its cystic-fibrosis drugs in development showed promise in early clinical trials treating the progressive lung disorder.

UnitedHealth Group rose 1%, among the largest percentage gains in the Dow industrials.

Stocks seem to have shaken off the recent failure of Senate Republicans to replace the Affordable Care Act, said Crit Thomas, global market strategist at Touchstone Investments. Many investors had previously considered the health-care bill's progress an indicator of the likelihood of Congress passing corporate-friendly policies later in the year.

"There's still the anticipation that even if health care can get done, tax reform is still something that can," Mr. Thomas said. "I'm not as convinced on that."

Corporate news and earnings drove some of Wednesday's biggest moves.

The S&P 500's information-technology sector was on pace to close above its all-time high set back in March 2000 at the peak of the dot-com boom. Tech stocks were up 0.5% a day after Netflix blew through its quarterly subscriber growth estimate and had its best day of 2017.

Morgan Stanley shares rose 2.1% after the bank released second-quarter earnings that showed revenue beat analysts' expectations, wrapping up the reporting season for big banks.

Shares of Discovery Communications added 4% after The Wall Street Journal reported it was in talks to combine with Scripps Networks Interactive, which rose 14% around midday.

The dollar, which fell to its lowest close since October on Tuesday, was little changed Wednesday against a basket of 16 currencies. The yield on the 10-year U.S. Treasury note rose to 2.271% by midday, according to Tradeweb, slightly up from 2.263% Tuesday. Yields rise as prices fall.

Elsewhere, the Stoxx Europe 600 edged up 0.8%, echoing gains across Asian markets with earnings season in full swing.

"We've seen quite a strong earnings period, not just in the U.S. but in Europe and emerging markets," said Mouhammed Choukeir, chief investment officer at Kleinwort Hambros.

Many investors are closely watching to see if the European Central Bank's Thursday meeting provides clues about when it will exit its huge stimulus program. ECB President Mario Draghi gave a speech in late June that many interpreted as hawkish.

"Draghi has been a wild card in the market," said JJ Kinahan, chief market strategist at **TD Ameritrade**. "People are really watching to see if he strikes a more dovish tone."

HEARD ON THE STREET

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Tata Motors Fights Fires at Home

It's hard to focus elsewhere when things at home aren't going well.

That's the reality for Mumbai- and New York-listed **Tata Motors**, one of India's largest auto manufacturers. India Chief Executive Guenter Butschek told employees in a letter this week that Tata Motors was in a "crisis situation" and that the company's historical backbone, the commercial-vehicle segment, was losing its market position and growth was lackluster. He is right: Trouble is brewing.

Tata Motors' seeming success outside India masks the pain at home. Its British unit Jaguar Land Rover posted double-digit growth—global retail sales were up 11% last month and up 65% in China. But it isn't clear how long Tata Motors can ride these results: Sales in all other overseas markets fell 8% on the year.

At home, performance has been dismal. In India, Tata Motors dominates commercial vehicles, its biggest business by revenue, and holds almost 50% of the Indian market. But that is down from 65% a decade ago. It hasn't been able to stanch the decline at the hands of Indian truck makers such as Mahindra and Eicher Motors. Tata's passenger-car segment hasn't done much better.

Previous strategies to get the India business rolling have backfired. Tata Motors ramped up consumer financing, but default and delinquency rates on loans have been high. Lenders subsequently tightened standards, and that has hit sales.

It is easy for investors to dismiss the domestic woes when most of Tata's value is embedded in its Jaguar Land Rover unit. The domestic business accounts for only 13% of the value of the entire company, according to a sum-of-the-parts analysis by Credit Suisse.

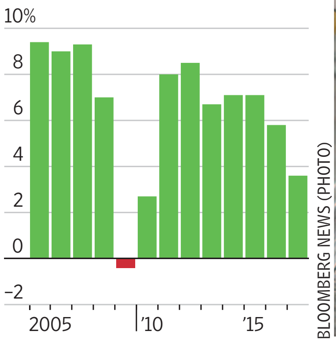
Yet if Mr. Butschek is serious about addressing a crisis, that implies spending on the Indian business will have to increase, potentially sapping resources elsewhere. His letter noted a business plan with "stretched" sales targets, streamlined supply and a "single-minded obsession" to fix things. Tata Motors' India business has been posting losses, dragging on profitability metrics. Meanwhile Jaguar's return on assets is 16%.

JLR for its part has plans to boost spending. The India business could erode investments in JLR's electric vehicles or new plants, for instance. With Tata Motors trading at 9.89 times forward earnings compared with 13.9 times for its Asian peers, investors are right to penalize the company for ignoring its home turf. But with the crisis just being acknowledged, that discount is perhaps not enough.

—Anjani Trivedi

Bumpy Ride

Tata Motors' return on assets



Source: S&P Global Market Intelligence

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Tata Motors' Jaguar assembly plant in Castle Bromwich, U.K.

OVERHEARD

Netflix investors continue to love subscriber growth—perhaps to their long-term detriment—so it is worth examining the company's ability to predict its audience.

Second-quarter net subscriber additions, which were reported Monday, exceeded the streaming company's prior projection by 63%—a record for the last four years in which Netflix has been projecting this number.

There have been only three misses, and they usually spark selloffs in Netflix's richly valued stock, so management has reason to tread carefully.

Netflix projected 4.4 million net subscriber additions for the third quarter, which would mark the first sequential decline from the second quarter in at least five years.

Netflix has at least 19 original shows set to debut in the third quarter, but none are established properties. The company may have to work extra hard to keep its viewers tuned in.

What Comes After Health Bill's Failure

Investors were right to ignore the Republican effort to repeal the Affordable Care Act.

Now that the bill has failed, what comes next could be more unpredictable and disruptive to the industry.

Republican support for the Better Care Reconciliation Act unraveled Monday evening. This is good news for health-care companies of all sorts: Health stocks have delivered splendid returns since the ACA became law in 2010.

The bill to replace it, in contrast, called for significant rollbacks in access to Medicaid and introduced new incentives for insurers to more aggressively control health costs. That would likely have harmed industry profits.

Uncertainty now reigns, as opposed to a definite return to the status quo.

Yet congressional approval may not even be necessary to frustrate investors. Much of what the Senate bill aimed to achieve also can be accomplished administratively, according to analysts at Hedgeye Risk Management. For example, the Centers for Medicare and Medicaid Services could permit states to add work requirements for Medicaid beneficiaries, which could result in less coverage. Or the individual mandate to buy insurance might not be enforced. And President Donald Trump could yet follow through on his vow to crack down on high drug prices.

None of this means a bad outcome for investors is assured. But with the S&P Health Care Select Sector Index up more than 15% this year through Tuesday, it might not be the worst idea for investors to hedge some bets today. *—Charley Grant*

Microsoft Needs to Make Its Heads Count in the Cloud

For **Microsoft**, the trick these days is growing the cloud without getting itself too puffed up.

The first objective has been progressing well. When Microsoft reports fiscal fourth-quarter results on Thursday afternoon, its cloud businesses should remain a big growth driver—especially in a period of weaker sales of personal computers. The company's Intelligent Cloud segment is expected to boost revenue by 9% year over year, according to FactSet. The Productivity and Business Processes segment, which contains important cloud services like Office 365, Dynamics and the newly acquired LinkedIn, is expected to increase revenue by 20%.

The second point has been more of a challenge. The acquisition of LinkedIn last year added more than 10,000 full-time employees to Microsoft's payroll. That brought the company's total head count to more than 121,000—not quite the record, as the ill-advised pickup of Nokia in 2014 pushed the size of the workforce to more than 128,000. Microsoft has been working since then to bring that number down without substantial job cuts because expanding its cloud business requires talent, and not the cheap kind.

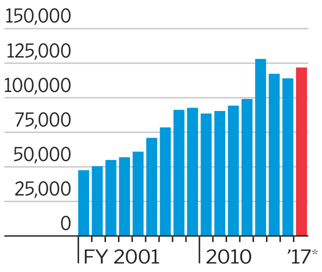
So investors shouldn't expect Microsoft to get much smaller, despite new layoffs numbering "in the thousands" reported earlier this month. An internal email from the company billed the move as an effort to "align the right resources for the right customer at the right time." And it should be noted that Microsoft's efficiency hasn't been a big problem to date. Even with the head-count boost this year, Microsoft's annual revenue per employee still ranks well above that of many of its big tech peers.

Still, Microsoft has to mind its spending. Shifting to the cloud has trimmed the high gross margins of its legacy software business. That isn't a burden shared by its main cloud rivals **Amazon.com** and Google parent **Alphabet** Inc. Wall Street is expecting Microsoft's adjusted operating margin to make gradual improvements over the next two fiscal years after remaining flat around 30% for the last three. Expensive clouds need to show a silver lining.

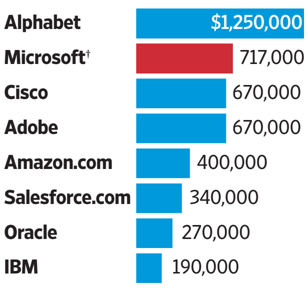
—Dan Gallagher

Staffed Up

Microsoft's full-time employee head count



Annual revenue per employee



*March 31, 2017 disclosure †Trailing 12 months ended March
Note: Fiscal years end in June
Sources: the company (staff); FactSet (revenue)

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