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EUROPE EDITION

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NASDAQ 6140.42 ▼ 0.06%

NIKKEI 20033.43 ▼ 0.92%

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BRENT 47.92 ▲ 1.05%

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What's News

Business & Finance

The dollar is down 5.6% so far this year, its largest two-quarter percentage decline since 2011, as investors turned more confident recoveries around the world are gaining on or surpassing growth in the U.S. **A1**

◆ **Big U.S. funds** are staying out of Europe even as the region rebounds amid lingering concerns over political and financial instability. **A1**

◆ **France's Total** is set to invest \$1 billion in an Iranian gas field, capping months of negotiations over the first move by a Western oil company into the country in years. **B1**

◆ **Bitcoin's high fees** are reducing the digital currency's appeal. **B1**

◆ **Global stock markets** had their best first half in years. But the strong run was capped by turbulence last week, a possible harbinger of greater volatility. **B1**

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

◆ **A Fyre Festival** promoter was charged with defrauding investors to raise money for the failed concert in the Bahamas. **B2**

◆ **A cultural divide** between the U.S. and Europe has thrust European officials into the role of global tech-sector cops. **B3**

◆ **Brexit could cost** U.K. lenders \$17.1 billion to relocate activities to Europe. **B7**

World-Wide

◆ **A bill that would make** it tougher for Trump to ease sanctions on Russia faces obstacles, with the White House not ruling out a veto and some GOP House lawmakers objecting that the measure would harm U.S. firms. **A1**

◆ **Saudi Arabia and other** Gulf Arab states are floating possible punitive measures if Qatar doesn't bow to their demands. **A2**

◆ **Parts of Damascus** were on lockdown Sunday after a car bomb killed at least a dozen people in the Syrian capital. **A3**

◆ **Pope Francis replaced** a conservative cardinal with a deputy to head the Vatican body in charge of disciplining priests accused in sex-abuse cases. **A3**

◆ **Governors are pushing** back on the GOP health bill, urging lawmakers to rethink cuts to Medicaid funding. **A5**
◆ **U.S. consumers** are getting letters from insurers warning that ACA plans will be terminated. **A5**

◆ **The U.S. has partly** rescinded a ban on the use of laptops on some U.S.-bound international flights. **A7**

◆ **Xi warned** Hong Kong that challenges to mainland sovereignty won't be tolerated, as the former British colony marked the 20th anniversary of its handover. **A4**

◆ **The EU and Japan** neared a trade deal, but gaps remain. **A4**

◆ **Congo declared an end** to the Ebola epidemic that caused four deaths. **A3**

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Iraqis Flee Mosul as Regime Tries to Finish Off Militants



RUBBLE: Residents including an Iraqi girl, above, fled Mosul's historic center as government forces sought to drive Islamic State from the city.

Big Funds Aren't Buying European Recovery Story

By Christopher Whittall
and Georgi Kantchev

LONDON—How long Europe's current stock and bond rally lasts may depend on U.S. investors like Eric Stein.

International funds, such as Mr. Stein's Eaton Vance, had withdrawn billions of dollars from the eurozone for large parts of the last decade, amid a sovereign debt crisis and weak growth.

But even as the region's economy and markets rebound and political risks appear to clear, Mr. Stein—like many big foreign-based investors—are still cautious amid lingering concerns over political and financial instability.

An analysis of the holdings of the 29 largest active equity mutual funds with global mandates—which control close to \$500 billion in assets and are predominantly U.S.-

based—shows that major active investors outside of Europe, as a group, haven't added eurozone shares this year, according to J.P. Morgan Chase & Co.

While local funds can help the upward momentum, and some U.S. hedge funds are wagering on Europe, the large pool of capital from big foreign investors is key to how high those markets can go. International flows helped

push European equities higher amid signs of firming economic growth last year.

But as valuations rise many of the largest foreign-based investors aren't buying into the rally until they have greater certainty that Europe's problems are behind it.

"We can see some cyclical momentum with good growth numbers and signs of political cohesion... but the ques-

Please see EUROPE page A2

Russia Sanctions Bill Faces Hurdles

By Peter Nicholas
and Byron Tau

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

The bill cleared the Senate

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

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

For Mr. Trump, the bill presents a dilemma. If it

passes as is, White House officials say, the measure would erode the president's power to conduct diplomacy.

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

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

Supporters of the measure

from both parties worry that a delay gives opponents more time to soften it.

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

Mr. Trump is set to meet with Russian President Vladimir Putin for the first time in his presidency later this week

Please see RUSSIA page A5

SMUGGLER OR MIGRANT? A TRIAL'S CONUNDRUM

Some say man Italy has in court is a poor Eritrean trying to get to Europe

For several years, as Europe's migration crisis grew, investigators pursued one of the world's most wanted people smugglers, a fugitive known as "the general" for the efficiency of his network.

By Drew Hinshaw, Matina Stevis
and Pietro Lombardi

Police from five nations tracked Medhanie Yedhego Mered as he crisscrossed the Sahara ferrying compatriots from Eritrea, his home country on the Horn of Africa, to Europe. In May of last year they finally zeroed

in on him, drinking an afternoon chai in a Khartoum tea room as Sudanese police barged in to make the arrest.

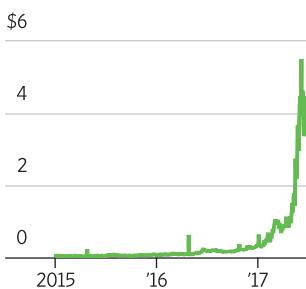
A year on, a growing stack of evidence suggests that one of the biggest trafficking manhunts in Europe got the wrong guy.

The baby-faced man currently on trial in Sicily is not the 36-year-old smuggling kingpin, according to dozens of witnesses, digital records and Eritrea's government. Instead, indications are he is an Eritrean milk deliveryman named Medhanie Berhe Tesfariam who was slowly trying to make his

Please see TRIAL page A6

Bitcoin Fees Spike

The cost of buying and selling the digital currency has made it impractical. **B1**
Average transaction fees on bitcoin:



Source: BitInfoCharts
THE WALL STREET JOURNAL.

INSIDE



POLITICS ADDS TO BANKS' POLICY PUZZLE

EUROPE FILE, A2



BUILDING A SKYSCRAPER LIKE AN IPHONE

KEYWORDS, B1

A Parade Mocking Politicians And Disease? That's Horrible!

* * *

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

By Jennifer Levitz

BEVERLY, Mass.—If you're going to hold a Horribles Parade on the Fourth of July, you have to expect some horrible floats. They'd better not be too horrible this year, or a local subcommittee with clipboards will bar them from the procession.

The irreverent parade in this town's Beverly Farms community traces to the 1800s. It is in a long tradition

of Independence Day parades in New England towns that, along with conventional patriotic fare, include "horribles" paraders who lampoon the world around them.

Over recent years in Beverly Farms, Horribles Parade floats and marchers have poked fun at targets ranging from politicians and reality shows to town trash collection and stomach-bug

outbreaks on cruise ships.

Things got a little too horrible last year, though, for some townspeople—too politically fraught, too tasteless, too insensitive on social issues.

One float referred to Bill Clinton's sex scandals. Another included a rendition of a Mexican border wall with people in sombreros.

"The flavor of last year was so political," said Raeann



Downey, chairwoman of the Beverly Farms-Prides Crossing 4th of July Committee. "It got down and dirty; it was all Trump, Hillary and the wall."

So this year, a subcommittee of five semiretired parade volunteers will vet floats to make sure none oversteps the bounds of acceptable horribleness.

Vulgar words are out, and "we don't want body parts," said Ms. Downey. The vetters, she said, will also steer floats

Please see PARADE page A6

WORLD NEWS

Politics Adds to Central Banks' Policy Puzzle



EUROPE FILE
By Simon Nixon

Central bankers around the world are grappling with a common problem: when and how to normalize monetary policy at a time of normal levels of economic growth, normal levels of unemployment but abnormal levels of wage growth that are keeping inflation lower than their economic models predict.

Policy makers at the European Central Bank and Bank of England are facing political challenges that are making their task even harder.

At the ECB, the political constraint is its own self-imposed rules setting limits on

the size and scale of its quantitative easing program.

To avoid getting foul of the European Union treaty prohibition on direct financing of governments by the central bank, the ECB limits itself to buying government bonds strictly in proportion to each eurozone member's ECB shareholding and capping its ownership of any individual bond at 33%. As a result, its QE program will soon run into capacity constraints—starting as soon as this summer with Germany, Spain, Ireland and Portugal. That leaves it little option but to taper its current €60 billion (\$68 billion) monthly purchases next year, says Gilles Moec, senior European economist at Bank of America Merrill Lynch.

That's a problem, however, because the case for normalizing eurozone monetary policy is particularly weak, despite a recovery whose strength continues to take most economists by surprise. The economy has now expanded for 16 consecutive quarters,

creating 6.4 million jobs. Consumer confidence is also at a 16-year high.

The sharp reduction in Eurozone political risks following the defeat of populist parties in recent elections in Austria, the Netherlands and France could lead to further upward surprises in growth if it leads to a pickup in business confidence and investment. Yet unemployment in parts of the eurozone remains high—suggesting substantial spare capacity—wage increases are low even in Germany and inflation itself fell to 1.3% in June from 1.4% in May, well below the ECB's target of close to but below 2%.

The ECB's challenge is therefore to construct a narrative that allows it to taper without provoking a taper tantrum that sends eurozone financing costs soaring and undermines the recovery.

Last week, ECB President Mario Draghi attempted to meet the challenge by declaring that “the threat of deflation has gone and reflationary forces are at play. As these reflationary

forces emerge, the ECB can adjust the parameters of QE to offset an automatic real-terms loosening of monetary policy.

Balancing this subtle message was one that the ECB would need to be “persistent” and “prudent” in maintaining highly accommodative monetary policy to support the recovery. The jump in eurozone-govern-

2.9%

Inflation in the U.K., which is well above target

ment bond yields last week, led by a sharp rise in German bund yields, suggests Mr. Draghi's rhetorical balancing act wasn't entirely successful.

The Bank of England's political difficulties are equally daunting.

On the face of it, the case for a tightening of monetary policy in the U.K. looks

strong. Inflation is well above target at 2.9% and forecast to remain so beyond the BOE's two-year forecasting horizon. Inflation expectations have risen 0.4 percentage point since July. Unemployment is just 4.7%, and the economy is growing in line with its potential, helped by a growing global economy.

A recent hawkish speech by BOE chief economist Andrew Haldane, coming after three members of the BOE's rate-setting committee unexpectedly voted to raise bank rate in June, has fueled speculation the BOE could vote to raise rates later this year.

Yet hanging over the U.K. economy is the uncertainty of Brexit. Much of the rise in inflation is the result of the one-off devaluation of sterling after the 2016 referendum. The economy has proved remarkably resilient since the Brexit vote.

Yet there are signs that falling real wages as result of higher inflation are starting to hurt consumer spend-

ing and confidence. At the same time, fears of a chaotic or badly managed Brexit that creates new barriers to EU trade may be deterring business spending.

That all points to the heightened risk of a premature normalization of monetary policy in the eurozone and UK.

Those risks could be heightened by action elsewhere. Should the Federal Reserve respond to a softening in recent data by delaying the three rate increases expected this year, a weaker dollar against the euro and sterling means an effective further tightening of euro-area and U.K. financing conditions. Both the euro and pound appreciated against the dollar last week.

That in turn highlights what may be the biggest challenge facing the ECB and BOE as they contemplate their plans for policy normalization: the need to reassure markets by explaining how they would respond if indeed they do make a mistake.

Powerful Chinese Carrier Rocket Fails



GLITCH: China announced that the Hainan province launch of a rocket designed to carry communication satellites was unsuccessful.

EUROPE

Continued from Page One

tion is, how long will that last?” Mr. Stein said. “Some of the most urgent European issues haven’t magically gone away.”

After years of underperformance, eurozone equities are on a tear, with the Euro Stoxx index up around 6.5% this year compared with a roughly 8% gain for the S&P 500. In dollar terms, the Euro Stoxx has comfortably outperformed the S&P, given that the brighter economic outlook has pushed up the euro 8.6% against the greenback this year.

Eurozone junk-rated bonds have notched a return of 4.2% this year compared with 4.9% for the U.S. market, according to Bloomberg Barclays bond indexes.

The eurozone economy grew 2.3% in the first quarter of the year over the same period in 2016, its fastest rate since 2015, compared with 1.4% in the U.S.

In politics, the threat to the eurozone from antiestablishment lawmakers who want to take their countries out of the EU has faded. Such parties lost in recent French and Dutch elections and polls show their popularity slipping in Germany, Italy and elsewhere.

Meanwhile, Italian authorities last month bailed out two troubled lenders in a move that analysts said was a step toward stabilizing the country's weak banking sector.

“By and large we’re in an environment where the investment backdrop in Europe is benign,” said Mark Dowding, co-head of investment-grade debt at London-based BlueBay Asset Management.

Mr. Dowding believes, for instance, that Italian government bonds look attractive at current levels.

The yield premium of 10-year Italian bonds over ultra-safe German bunds is currently around 1.7 percentage points, down from a two-year high of around 2.1 percentage points in April before the French elections, according to Tradeweb.

But many funds are more cautious after being burned several times before. That was particularly so during the sovereign-debt crisis of 2010 to 2012, when yields on bonds such as Italy's soared amid concern about a eurozone breakup.

Mr. Stein, who is Eaton Vance's co-director of global income, said that while the short-term outlook for Europe has improved, there are plenty of unresolved problems. That includes uncertainty around Britain's Brexit negotiations, the impact of

the European Central Bank tapering its massive bond-buying program and longer term questions over further EU integration and the region's poor demographic prospects.

“We just seem to have a major European crisis once a year,” he said.

The fact that markets have rallied makes some investors all the more cautious.

Pacific Investment Management Co. scooped up Italian bonds in the years following the sovereign debt crisis. Now that those yields have fallen, the bonds don't look so attractive given the prospect of the ECB tapering and remaining political risks, said Nicola Mai, global sovereign credit analyst at Pimco.

“A eurozone breakup is still very possible over the medium to long term,” said Mr. Mai.

Investors sold Italian bonds after ECB President Mario Draghi hinted on Tues-

day at scaling back the bank's asset purchases.

Still, on some metrics Europe remains cheap compared with the U.S. Analysts estimate earnings per share growth of 16.9% this year for the Euro Stoxx, according to FactSet, compared with 10.3% for the S&P 500. The price-to-book value, which compares a company's share price to the value of its assets, for the Euro Stoxx index is 1.7, compared with 3.1 for the S&P 500.

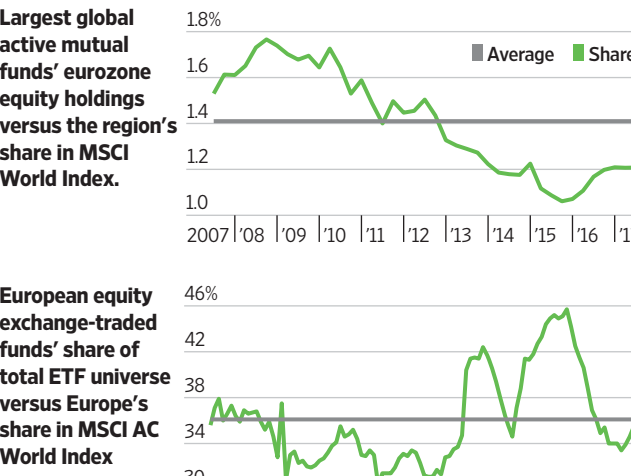
A wave of foreign money could help lift European assets further because the positioning of global investors in Europe is now “very low,” said Isabelle Mateos y Lago, chief multiasset strategist at BlackRock Inc.

Ms. Mateos y Lago thinks foreign money flows will return.

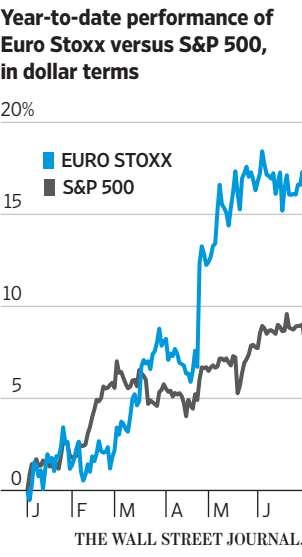
“There is a really strong domestic growth story taking place in Europe right now... people are waking up to that,” she said.

Unconvinced

Eurozone equities have performed strongly this year, but some international investors haven't amplified their positions, and flows to European ETFs remain modest.



Sources: J.P. Morgan (equities and flows); FactSet (performance through June 29)



Qatar May Face New Threats From Neighbors

By NICOLAS PARASIE

DUBAI—Qatar faces a potential volley of new punitive measures by Saudi Arabia and other Gulf Arab states as it was unlikely to bow by Sunday to their demands in the worst regional diplomatic crisis in years.

The kingdom, the United Arab Emirates, Bahrain and Egypt have cut diplomatic ties and imposed a transport ban against Qatar, accusing Doha of supporting extremist groups and meddling in their domestic affairs, charges that Qatar denies.

On June 22, they gave Qatar 10 days to give in to 13 demands that include closing down state broadcaster Al Jazeera, curbing ties with Iran and ending Turkey's military presence on its soil.

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

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

Commercial restrictions could be put into place to raise the pressure, Reem al-Hashimi, the U.A.E.'s minister of state for international cooperation, said in June. Qatar's opponents are considering telling allies to sever commercial ties with Qatar or else lose business ties with them, according to a person familiar with the matter.

U.A.E. Minister of State for Foreign Affairs Anwar Gargash said on June 24 that Qatar could be expelled from the Gulf Cooperation Council, a six-member political and economic bloc that includes Saudi Arabia, the U.A.E., Bahrain, Qatar, Kuwait and Oman.

Qatar's stock market, which resumed trading after a week-long religious holiday, fell Sunday as investors worried about the crisis' impact on the

country's economy. The benchmark QE Index closed down 2.3% at 8822.15, pulled lower by consumer-goods stocks.

Doha has remained defiant and is likely to reject the demands. Qatar's foreign minister, Sheikh Mohammed bin Abdulrahman Al-Thani, said Saturday that the 13 demands “were meant to be rejected” and that the country continues to favor dialogue to put an end to the diplomatic dust-up, according to a statement from the country's Ministry of Foreign Affairs.

He also reiterated earlier comments that said the ultimatum, which expired at the end of Sunday local time, was focused “on undermining and infringing on the sovereignty of Qatar.”

Qatar's rejection of the demands will likely escalate the crisis.

Doha is seeking help from the U.S. to resolve the dispute, while Abu Dhabi and Riyadh want the U.S. to back their efforts to isolate their neighbor.

U.S. Secretary of State Rex Tillerson has appealed for calm and reconciliation, urging the two sides to use the list of demands as a starting point for negotiations.

Qatar's rejection of the demands will likely escalate the crisis, unless the U.S. pushes for a negotiated settlement, according to political-risk advisory firm Eurasia Group.

—Asa Fitch in Dubai and Max Colchester in London contributed to this article.

CORRECTIONS & AMPLIFICATIONS

About 0.7% in annual sales of Ocado Group PLC's product is wasted. A Business News article in the Friday-Sunday edition about grocery-delivery services cited data from a Barclays Capital Inc. report that incorrectly said about 30% of Ocado's product is wasted daily.

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WORLD NEWS

Deadly Car Bombing Rocks Damascus

At least a dozen are killed in the Syrian capital on the first day of work after a holiday

By RAJA ABDULRAHIM

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

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

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



The site of a deadly bombing in Damascus's eastern Tahrir Square district on Sunday. The capital had been relatively quiet since May.

follows Ramadan.

No group claimed responsibility for the attack, but car bombs are usually the work of Islamic State or other Islamist extremist groups operating in Syria.

Attacks in Damascus aren't unusual. But the capital has

been relatively quiet since May, when an internationally brokered de-escalation deal was reached between the Syrian regime and rebels.

Islamic State claimed several attacks earlier this year in both Damascus and the central city of Homs. In March, nearly

40 people were killed when suicide bombers attacked a courthouse and restaurant in Damascus in an attack claimed by Islamic State.

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

east of Damascus.

On Saturday, regime forces launched artillery attacks on the town of Ein Tarma in the rebel-held eastern Ghouta suburb of Damascus. Local residents alleged the shells contained chlorine gas, causing dozens of injuries but no

deaths, according to opposition activists and the U.K.-based Syrian Observatory for Human Rights.

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

The U.S. and Russia brokered a 2013 deal under which Syrian President Bashar al-Assad, facing the threat of a U.S. attack, joined an international treaty barring the use of chemical weapons. Syria agreed to destroy the most dangerous substances from its declared chemical-weapons program, including sulfur mustard and sarin. The treaty also barred the use of chlorine as a weapon. But it didn't require Syria to destroy its chlorine supply because it wasn't a declared weapon and because of its wide household use.

Though Ghouta is covered under the de-escalation deal reached in May, regime and allied forces have kept trying to advance into the suburb.

—A correspondent in Damascus contributed to this article.

Pope Removes Conservative Doctrine Chief

By FRANCIS X. ROCCA

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

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

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

Cardinal Müller, a conservative German prelate appointed to head the congregation by Pope Benedict XVI, has been conspicuously out of step with the pope's liberalizing push, particularly on the issue of divorce. Pope Francis has replaced him with Archbishop



Gerhard Müller is 69 years old, far from the mandatory retirement age of 80 for cardinals

Luis Ladaria Ferrer, 73, opting for a low-profile theologian with a record of doctrinal orthodoxy but little history of engagement in public debates.

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

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

Under Pope Francis—who

has taken a highly informal approach to doctrine—the congregation's teaching role has been practically neutralized; it has issued just one such document in more than four years. Under previous pontiffs, the congregation vetted all Vatican documents of any significance to ensure they were doctrinally sound. But under Pope Francis, the congregation's suggested

emendations to some of the pope's most-significant writings, including a major statement on divorce, have been ignored.

In Archbishop Ladaria, the pontiff has chosen a self-described moderate who has served as the congregation's No. 2 official since 2008. Some observers had predicted Pope Francis would name Cardinal Luis Antonio Tagle of Manila or Argentine Archbishop Víctor Fernández, a major contributor to papal documents including *Amoris Laetitia*, in which priests were encouraged to show leniency toward divorced Catholics who remarry without an annulment of their first marriage. But a prominent liberal prelate would have stoked the conservative opposition that has risen steadily during the current pontificate.

Saturday's shake-up is the latest in a series of high-level personnel news at the Holy See. Earlier this week, Cardinal George Pell, the Vatican's finance chief, took a leave of absence to return to Australia to defend himself against charges of child sex abuse.

Ebola Outbreak Declared At an End

By NICHOLAS BARIYO

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

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

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

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

Moumouni Kinda, program manager for the Alliance for International Medical Action, one of the institutions helping combat the outbreak, hailed Congolese authorities and their partners for containing the epidemic rapidly by adopting response strategies different from those practiced in West Africa, where the virus killed more than 11,300 people between 2014 and 2016, marking the world's deadliest episode.

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

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

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

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

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

Why Geezers Have Taken Over Professional Tennis

For the first time in the modern era, the top five players in the world are over 30

By MATTHEW FUTTERMAN

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

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

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

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

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

"Age is just a number," said Brad Gilbert, who quit playing

in 1995 at 34, ancient by early 90s standards, to coach Andre Agassi. "You see it in every sport now, athletes playing longer and playing better at older ages."

Indeed, tennis is part of a sports ecosystem in which 32-year-old Cristiano Ronaldo is a near-lock this year to win a fifth Ballon d'Or as world soccer's player of the year.

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

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

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

A variety of factors—including skyrocketing prize money, better knowledge of fitness and nutrition, and the shaky psyches and physical weaknesses of players who were supposed to bump off the aging greats—have made 30-something the new 20-something in tennis.

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

Tennis experts say both players have recaptured their glory with a similar strategy—

improving their backhands and using the shot as a weapon rather than a defensive tool to set up a forehand. Federer skipped the clay court season to prep for Wimbledon's grass. Oddsmakers have pegged him as a 2-1 favorite.

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

But with so many lesser 30-somethings also still having success, clearly a larger dynamic is at work. Money, and the opportunities and comforts it provides, is driving the demographic change. Thanks to burgeoning media rights fees, prize money on the ATP World Tour has dou-



Federer celebrates after winning the Gerry Weber Open, a warm-up to Wimbledon, in Germany.

bled the past decade, to \$119 million this year from \$58 million in 2006.

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

The aforementioned Argentine Calleri, who was the Fognini of his day, scratched out \$3.75 million during his mid-dling 14-year career. Even first-round losers at Wimbledon pocket \$45,500. A third-round appearance at the All England Club nets \$120,000.

The money allows the top players to travel with coaches, trainers, physiotherapists, masseuses and nutritionists. The lesser players get similar treatments, albeit from smaller and less mobile teams.

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

WORLD NEWS



President Xi Jinping attends a ceremony marking the 20th anniversary of Hong Kong's return to Chinese rule from Britain.

Xi Draws Line in Hong Kong

Chinese leader tells the city to end its political upheaval and embrace its place in China

By JOHN LYONS

HONG KONG—Chinese President Xi Jinping delivered a stern warning to Hong Kong, where a pro-democracy movement has provoked mass protests in recent years, saying challenges to mainland sovereignty won't be tolerated. "Any attempt to endanger China's sovereignty and security, challenge the power of the central government...or use Hong Kong to carry out infiltration and sabotage activities against the mainland is an act that crosses the red line, and is absolutely impermissible," Mr. Xi said in a speech marking the 20th anni-

versary of the city's return to Chinese rule from Britain. The 64-year-old leader spoke at the end of a three-day visit to Hong Kong, his first as China's president, as the mainland exerts growing influence over a city that has operated with a free-market ethos under a "one country, two systems" arrangement introduced in the 1997 handover. In the past year, mainland authorities have intervened in local elections and moved to block pro-democracy Hong Kong legislators from taking their seats. The speech amounted to an admonition to the city of seven million people to end an era of political upheaval and embrace its place in broader China. Mr. Xi, who left the city Saturday afternoon, took pains to extol the virtues of Hong Kong's free-market system as a source of growth and

a symbol of mainland accommodation and promotion of "global peace." Mr. Xi lauded the one country, two systems model as a success and affirmed China's long-term commitment to it. But he cautioned against the risks of political turmoil. "Making everything political or deliberately creating differences and provoking confrontation will not resolve the problems," Mr. Xi said. "It can only severely hinder Hong Kong's social and economic development." Mr. Xi demanded changes, some of which have the potential to rekindle controversy. For example, he underscored the need to "step up the patriotic education of the young people," reviving the memory of a failed 2012 attempt to introduce a pro-China curriculum in Hong Kong schools. The initiative failed after it

sparked mass protests by local parents who decried it as Communist Party brainwashing. Analysts say pressure now falls on Hong Kong's new leader, Carrie Lam, to reintroduce the controversial measure. Ms. Lam, who was sworn in before Mr. Xi's speech, is expected to try to introduce an antisedition law that failed amid mass protests in the past. Hong Kong's protest movement appears mostly to have been subdued by the prosecution of protest leaders and a sense among many local residents that resisting mainland encroachment is hopeless. Mr. Xi's visit was marked by small rallies, but nothing like the mass pro-democracy protests that shut down parts of the city for 79 days in 2014. —Chester Yung and Jenny W. Hsu contributed to this article.

Japan Ruling Party Stumbles in Vote

By ALASTAIR GALE

TOKYO—Japanese Prime Minister Shinzo Abe suffered a rare heavy election defeat, clouding prospects for his policy goals such as revising the nation's pacifist constitution. Mr. Abe's Liberal Democratic Party lost its position as the biggest party in the Tokyo metropolitan assembly Sunday to an upstart group headed by a former TV anchorwoman who has adopted some of the rhetoric of global populist movements. Public broadcaster NHK said Yuriko Koike's Tokyo Residents First Party and its allies were assured of winning over half of the 127 seats in the Tokyo Assembly. While the Tokyo vote doesn't alter the picture of na-

tional power, it raises new concerns for Mr. Abe ahead of an election for the lower house of parliament that must be held by the end of 2018. The LDP suffered a landslide election defeat in 2009 shortly after losing a Tokyo election. Mr. Abe's government has been hit by a slump in public approval ratings in the wake of a series of recent gaffes and scandals, and as it forced through parliament new anti-terrorism legislation that some Japanese see as chilling free speech. Mr. Abe has denied repeated accusations from rival politicians and bureaucrats that he used inappropriate influence to help friends win business deals. Despite the setbacks, analysts say the weakness of na-

tional opposition parties and Mr. Abe's tight grip on power within his party mean he will likely continue to lead the government through next year's election. "A lot of people are not crazy about Mr. Abe, but they think the alternatives are worse," said Gerald Curtis, professor emeritus at Columbia University and a long-term observer of Japanese politics. Mr. Abe became prime minister for a second time in 2012 and is one of the longest-serving leaders among advanced economies. Earlier this year the LDP changed a party rule to allow him to run for a new term as party leader, which would keep him in power through 2021. The impact of the Tokyo defeat may be seen in increased

resistance within the ruling party to some of Mr. Abe's policy plans, most notably his aim to amend the constitution. In May, Mr. Abe proposed formally recognizing Japan's Self-Defense Forces in the constitution, which has remained unchanged since Japan renounced war at the end of World War II. Mr. Abe has said he wants the LDP to come up with a draft revision by the end of this year, but some senior figures in the party have called for caution in making constitutional changes. The big winner in the latest election was Ms. Koike, a former defense minister and TV presenter who is viewed by analysts as likely to run for national leadership after the 2020 Tokyo Olympics. Ms. Koike is the only politician who polls well in surveys about potential national leaders other than Mr. Abe, but she routinely declines to discuss her future political ambitions. "I feel emotional and a strong burden of responsibility," Ms. Koike said after exit polls showed her party was set for a big win. Mr. Curtis said that while Japan has largely avoided the wave of populism that has swept several Western countries, Ms. Koike was able to tap into a strong undertone of dissatisfaction with incumbent parties around the world. Ms. Koike chided the LDP for being out of touch with regular people and for failing to work for their core interests.



Yuriko Koike's Tokyo Residents First Party came out on top in the election for the Tokyo Assembly.

WORLD WATCH

ISRAEL Former Prime Minister Released From Prison

Former Israeli Prime Minister Ehud Olmert was released from prison Sunday morning, a Prison Service official said. Mr. Olmert, 71, was whisked away by Israel's security service after his release and driven home, spokesman Assaf Librati said. The release came days after a parole board granted him early release from his 27-month corruption sentence. Under the terms of his early release, for the next few months Mr. Olmert must do volunteer work and appear before police

twice a month, Mr. Librati said. He can't give interviews to the media or leave the country. He added that President Reuven Rivlin could lift the parole restrictions. Mr. Olmert was convicted in 2014 in a case that accused him of accepting bribes to promote a Jerusalem real-estate project and of obstructing justice. The charges pertained to a period when he was mayor of Jerusalem and prime minister before he became trade minister in 2006. Mr. Olmert, who denied the charges, was sentenced to six years in prison. But Israel's highest court reduced his sentence in December 2015 after acquitting him of some of the charges. —Associated Press

AUSTRALIA Trade Talks Open With Latin American Bloc

Australia and New Zealand have started free-trade talks with the Pacific Alliance, seeking increased market access and reduced tariffs with the Latin American trading bloc. Trade ministers from the two countries—which have relatively small populations and are reliant on trade—said Saturday that they were starting negotiations with the alliance, which is made up of Mexico, Chile, Peru and Colombia. Both Australia and New Zealand have been strong proponents of reviving the 11-nation

Trans-Pacific Partnership after President Donald Trump withdrew the U.S. from it in January. An agreement with the Pacific Alliance would create new export opportunities for Australian farmers, miners, manufacturers and others in some of Latin America's major economies and, importantly, open the door to Mexico for Australian exporters, Australian Trade Minister Steven Ciobo said. The six-year-old alliance accounted for gross domestic product of more than \$1.8 trillion in 2016 and the four countries account for 38% of the region's population and 57% of its total imports, Mr. Ciobo said. —Robb M. Stewart

U.S. Navy Patrols Close to Islands Claimed by China

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

By Gordon Lubold in Washington and Jeremy Page in Beijing

to signal Washington's displeasure with Beijing. The U.S. Navy on Sunday sent the guided-missile destroyer USS Stethem near Triton Island in the Paracel island chain in the South China Sea, according to U.S. officials. The warship came to within 12 nautical miles of Triton, indicating the patrol was meant as a freedom-of-navigation operation and represented a challenge to what the U.S. sees as excessive maritime claims. China, Taiwan and Vietnam all lay claim to the island, which is smaller than a square mile. U.S. military officials stressed that operations like Sunday's are typically planned weeks, if not months, ahead of time and said the patrol wasn't connected to the other recent actions taken by Washington. But the timing of the operation is likely to cause concern in Beijing. It comes days before President Donald Trump is expected to meet Chinese President Xi Jinping at a Group of 20 summit in Hamburg, Germany. The operation also comes after signals emerged from the White House that the administration was out of patience with Beijing after Mr. Trump had pushed Mr. Xi to use the country's economic leverage on North Korea to stop Pyongyang to stop its missile and nuclear programs. Now the U.S. seems no longer willing to placate China to get it to do so. That suggestion was clear June 20 when Mr. Trump seemed to end that approach with a tweet: "While I greatly appreciate the efforts of President Xi & China to help with North Korea it has not worked out. At least I know China tried!" On Thursday, the White

House approved a \$1.42 billion arms sale to Taiwan, including radar, missiles and torpedoes. That angered Beijing, which claims Taiwan as its own territory. Also on Thursday, the White House announced sanctions on four Chinese entities over their dealings with North Korea. The moves contrasted to the approach toward Beijing earlier in Mr. Trump's tenure, when he indicated that he wanted to engage with Beijing even after targeting China during the presidential campaign on trade and other issues. The freedom-of-navigation operation Sunday is the second to be publicly confirmed since Mr. Trump took office in January. The Navy destroyer the USS Dewey conducted an operation May 24 around Mischief Reef in the South China Sea's Spratly archipelago.

The latest patrol follows new signs of U.S. displeasure with Beijing.

After the U.S. patrol near the Spratlys, Beijing vowed to build up its military capabilities and accused the U.S. of destabilizing the region. After the Stethem's operation near Triton Island on Sunday, China's foreign ministry issued a statement saying the destroyer "trespassed China's territorial islands." "U.S. forces operate in the Indo-Asia-Pacific region on a daily basis, including in the South China Sea," said Lt. Cmdr. Matt Knight, a spokesman for the Pacific Fleet. China dispatched military vessels and fighter planes in response to "warn off the U.S. vessel," Foreign Ministry spokesperson Lu Kang said in the statement Sunday that used the Chinese name for the Paracel island chain. "The Xisha Islands are an inherent part of the Chinese territory," the statement said noting that the U.S. had conducted the operation without first getting approval from Beijing.



The U.S. sent the USS Stethem, here docked in Shanghai in 2015, near Triton Island in the Paracel islands in the South China Sea.

EU, Tokyo Move Closer To a Trade Agreement

BRUSSELS—The European Union and Japan are nearing a trade deal, the two sides said over the weekend, but there are still gaps to overcome as two of the U.S.'s biggest economic competitors look to bolster international commerce.

By Laurence Norman in Brussels and Alastair Gale in Tokyo

The EU and Japan have been holding trade talks since 2013 but discord over issues like Japanese auto exports and European agricultural sales to Japan has slowed progress. Negotiations have accelerated in recent months, as both sides have reacted to the Trump administration's retreat from international trade deals. Japanese Foreign Minister Fumio Kishida said Saturday the framework of an agreement was within reach, adding he was willing to go to Brussels to complete a deal before Prime Minister Shinzo Abe travels to Europe for the Group of 20 leaders summit.

The EU's trade commissioner Cecilia Malmström said before departing Tokyo that she was confident of a political deal by July 6, paving the way for Mr. Abe to visit Brussels. She acknowledged the need for additional talks among officials. The EU's executive negotiates trade deals on behalf of its 28 member states. Ms. Malmström will report back to capitals on the progress made. Even if a deal is announced on Thursday, there would still be work ahead to agree on a detailed text of a final agreement. The full ratification process could also take some time. With €125 billion (\$134.3 billion) of exports and imports in 2016, an EU-Japan trade deal would be one of the most significant the bloc has reached. Officials have said it could see the scrapping of an annual €1 billion worth of customs duties and propel European exports of processed food, chemicals and medical devices. —Valentina Pop and Emre Peker in Brussels contributed to this article.

U.S. NEWS

Governors Push Back on GOP Health Bill

States that expanded Medicaid under ACA urge lawmakers to rethink funding cuts

By Kristina Peterson and Michelle Hackman

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

These governors, some of whose states stand to lose billions of dollars in Medicaid funding under the Senate bill, are likely to press senators to keep as much of that money as possible. That pressure reflects a risk taken by Senate Majority Leader Mitch McConnell (R., Ky.), perhaps unavoidably, in deciding to delay a vote on the GOP health-care bill until after lawmakers return to Washington the week of July 10.

Most vocal are those governors of states that expanded their Medicaid eligibility under the Affordable Care Act. The bill would phase out that expansion and also transform the safety-net program from an open-ended system in which states get a guaranteed federal matching rate tied to

what they spent into one in which the federal government's share would be capped. In all, the bill would cut \$772 billion in funding for the program over a decade.

"It's a pretty big deal, because in most cases these states have had bitter battles inside the state legislature and [with the] governor about [Medicaid], and it's been settled in favor of expansion," said Stewart Verdery, a former GOP Senate aide and founder of Monument Policy Group, a lobbying and public-affairs firm.

In Nevada, Republican Sen. Dean Heller, who faces a tough re-election fight next year, appeared with GOP Gov. Brian Sandoval at a news conference recently and said he opposes the health bill. Republican Gov. John Kasich of Ohio has said the bill's opioid-addiction measures don't go far enough, and he said he has conveyed his worries to the state's GOP senator, Rob Portman. Arkansas Republican Gov. Asa Hutchinson said he has spoken to his state's GOP senators, Tom Cotton and John Boozman, almost daily about his concerns with the bill.

"I think the governors are actually going to be a major force in this in helping us get to a good place," Democratic Sen. Tom Carper of Delaware, an opponent of the health bill,



Govs. John Kasich of Ohio, right, and Colorado's John Hickenlooper discuss the health bill last week.

said Sunday on NBC.

All Democrats are expected to oppose the measure, so Mr. McConnell can afford to lose no more than two GOP votes to pass the health bill, with Vice President Mike Pence breaking a 50-50 tie if necessary. That means Republican leaders must flip at least seven of the nine GOP senators who have already said publicly they oppose the bill, a challenge compounded by the recess.

In a recent Wall Street Journal/NBC News poll, 16% of respondents said the version

of the bill passed by the House was a good idea.

A White House official said in a Fox News interview on Sunday that Republicans "are getting close" to achieving their goals on health-care policy. The president is calling members of Congress this weekend to help get the Senate bill across the finish line, said Marc Short, the White House legislative affairs director.

He suggested that if an overhaul isn't achievable, then lawmakers should focus on repealing the ACA and then

work on a replacement law.

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

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

cluding repealing taxes on health industries and high-income households.

Some governors agree with Senate GOP leaders that the Medicaid program should be trimmed back. But governors in the 31 states that expanded the program generally say the bill's cuts go too far, and 20 Senate Republicans represent such states.

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

In Ohio, Mr. Kasich has said some of the tweaks under discussion wouldn't make up for the Medicaid cuts.

Some Democratic governors are hoping the bill's repercussions in their states are enough to dissuade GOP senators from supporting it. "You're going to force me into an impossible decision," Colorado Gov. John Hickenlooper, a Democrat, said he has told the state's GOP senator, Cory Gardner. "You're really asking governors to make the decision of who lives and who dies." Mr. Gardner hasn't taken a public position on the bill.

—Ryan Tracy contributed to this article.

Insurers' Warnings Raise Stakes

By Anna Wilde Mathews and Melanie Evans

Hundreds of thousands of consumers across the U.S. are getting letters from insurers warning that their health plans bought under the Affordable Care Act will be terminated at year-end, raising alarm at a politically sensitive moment when Senate Republicans are struggling to craft their own health-care legislation.

As lawmakers head off for their July 4 recess, conservative Republicans on Friday revived a proposal to quickly repeal the 2010 health-care law and come up with a replacement later, a surprise move reflecting the fractured state of the Senate GOP and the frustration felt by some conservatives about the pace of the Republican health push. The initiative, quickly seized on by President Donald Trump, renewed an idea that earlier had been discarded as politically and practically unworkable, and some Republicans on Capitol Hill said the idea was unlikely to get sufficient support this time either.

The repeal-first approach reopens an old skirmish between Republican centrists and conservatives, whose disagreements over everything from the scope and timeline of an ACA repeal to the future of Medicaid and the nature of health insurance have hamstrung the party.

Now, lawmakers heading home for recess have another potential headache: the letters to consumers sent to comply with rules requiring insurers to give policyholders notice of at least 180 days, or about six months, before they pull out of a state's individual insurance market. That puts the deadline in early July for a plan that runs until the end of December.

In many cases, planned withdrawals from certain ACA marketplaces by major insurers, including **Aetna Inc.**, **Humana Inc.** and **Anthem Inc.**, have been disclosed. But the letters may be the first affirmation for many consumers that their plans will end.

Some insurers are also sending the letters even if they haven't made a final decision to withdraw, just to keep their options open, said Nate Purpura, a vice president at **eHealth Inc.**, an online insurance vendor. "If they ultimately need to leave, they have to send these," he said.

The withdrawal notices are already causing heartburn, according to insurance agents and other industry officials. In Mississippi, one of the states where Humana will stop selling plans, consumers have recently been calling the state's insurance regulator in alarm after getting letters, said Mike Chaney, the insurance commissioner. "They're worried about what they will do for health insurance," he said.

In Knoxville, Tenn., Reba



Insurers' withdrawal notices are upsetting patients, say insurance agents and industry officials.

Conservatives Seek Speedy ACA Repeal

WASHINGTON—Conservative Republicans on Friday revived a proposal to speedily repeal the Affordable Care Act and come up with a replacement later, a surprise move reflecting the fractured state of the Senate GOP and the frustration felt by some conservatives about the pace of the Republican health-care push.

The move, backed by President Donald Trump in a tweet, renewed an idea that earlier had been seen as politically and practically unworkable, and Republicans on Capitol Hill said the idea was unlikely to get enough support this time as well. But it had the potential to excite the Republican base as Congress heads into its July 4th recess.

Sen. Ben Sasse (R., Neb.) kicked off the push, saying that

he believed congressional leaders' prospects of simultaneously overturning former President Barack Obama's 2010 Affordable Care Act and enacting a replacement were dimming. He said that the party's best hope could be to wipe out the law in its entirety, then work on filling the void over time.

"On the current path, it looks like Republicans will...fail to pass any meaningful bill at all," Mr. Sasse said in a letter to the White House. "We must keep our word."

He suggested that if Senate Majority Leader Mitch McConnell (R., Ky.) couldn't assemble a bill with broad GOP support by the time senators return from their recess on July 10, the Senate should vote on the same ACA repeal bill Congress passed in 2015, which was vetoed by Mr. Obama.

Within minutes of the suggestion, which Mr. Sasse also discussed on "Fox & Friends," Mr. Trump signaled support. "If

Republican Senators are unable to pass what they are working on now, they should immediately REPEAL, and then REPLACE at a later date!" he tweeted.

Democratic lawmakers, who are united in support of the ACA, warned of the consequences of a repeal-first approach on Friday. Sen. Patty Murray (D., Wash.) said that Mr. Trump shouldn't urge Republicans "to pull coverage and protections away from tens of millions of families and increase costs for tens of millions more without any plan for a replacement."

Mr. Sasse's move and Mr. Trump's response were notable in part because they pointedly circumvented Mr. McConnell, who has been laboring to produce a bill that would satisfy his party's conservative and centrist factions and win the support of at least 50 Senate Republicans.

—Louise Radnofsky

all medical costs could be significantly higher.

In announcing withdrawals, several insurers have highlighted questions about the cost-sharing payments and enforcement of the ACA's individual coverage mandate.

In the fall of 2013, the Obama administration faced a backlash when consumers got notices informing them that their policies would be canceled at the end of the year because they didn't meet new ACA requirements.

Under pressure, the administration that November said it would let people keep their old plans for at least another year.

Letters from insurers going out now feature strongly worded versions of the following language: "Urgent: Your health coverage is at risk."

—Louise Radnofsky contributed to this article.

RUSSIA

Continued from Page One

at the Group of 20 summit of world leaders in Germany. It isn't clear whether the sanctions bill will come up in conversation.

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

The measure would enshrine into law Russia sanctions that former President Barack Obama imposed. It would target Russian actors linked to human-rights abuses, arms sales and malicious cyberattacks.

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

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

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

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

Bound up in the issue, some Democrats contend, is Mr. Trump's own misgivings about U.S. intelligence officials' verdict that Russia interfered in the election to help him and damage his rival, Hillary Clinton.

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

Trump Joins Fray Over Voter Request

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

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

Many states have coun-

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

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

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

Pointing to the cyberheft of emails from the Democratic National Committee that were leaked last summer, Mr. Trump said at a candidate debate in September that the perpetrator could have been

The president has voiced skepticism over Russian interference in the U.S. election.

Russia, China or possibly "somebody sitting on their bed who weighs 400 pounds."

Later, as president, Mr. Trump told CBS News that it was difficult to identify a hacker unless the person is caught "in the act."

He continued: "I'll go along with Russia. It could have been China. It could have been a lot of different groups."

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

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

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

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

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

—Louise Radnofsky

IN DEPTH

TRIAL

Continued from Page One
way to Europe when he was grabbed.

There is one other source who calls the person on trial innocent: a man who says he is Mr. Mered, the real smuggler. “I thought they were going to release him in no time—they know that he is not the right Medhanie,” he said. The Wall Street Journal contacted the man via chat messages to what is listed in court documents as Mr. Mered’s verified Facebook page.

Yes, he was in the people-smuggling business, this man said, but he no longer is. As for the one on trial in Sicily, “May God help him.”

Political pressure is heavy in Europe to score a victory against the brutal business of people smuggling. Just last week rescuers pulled more than 10,000 migrants from boats, off Libya’s coast and recovered 24 bodies.

It is estimated 14,000 people have died in Libya-based smuggling operations since 2013, fueling authorities’ determination to capture operators such as Mr. Mered, for whom they long ago issued an arrest warrant.

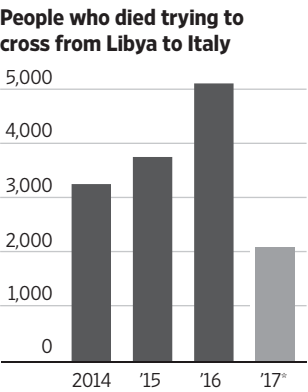
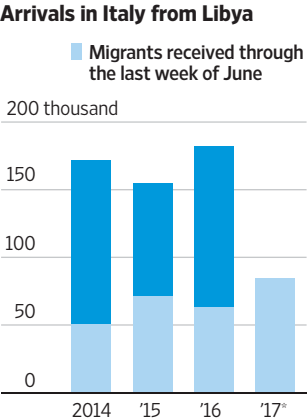
Isolated land

Born poor in rural Eritrea, Mr. Mered fled the isolated land across the Red Sea from the Arabian peninsula, as have countless other young men facing a future of forced military service. For cash, according to Italian prosecutors, he began helping his countrymen make their way to Israel through Sinai, a route bedeviled by bandits and kidnappers.

In 2013, Israel sealed off that route just as another, more lucrative path had opened up. The post-Arab Spring collapse of law and order in Libya created rich opportunities to smuggle

Perilous Passage

Libya-to-Italy is a primary and sometimes deadly route for migrants trying to get to Europe.



*As of June 23
Sources: Frontex (2014-2016 arrivals); IOM (2017 arrivals, deaths)
THE WALL STREET JOURNAL.



Migrants sleep aboard a rescue ship in the Mediterranean, above; Italy has put on trial an alleged people smuggler called Medhanie Yedhego Mered, below right, but some say the defendant, below left, actually is an Eritrean migrant, Medhanie Berhe Tesfamariam.



BRITISH NATIONAL CRIME AGENCY/EUROPEAN PRESSPHOTO AGENCY; CAROLYN COLE/LOS ANGELES TIMES/GETTY IMAGES

people, guns, drugs and contraband.

Moving to Libya around 2013, Mr. Mered seized on the surge of African migrants trying to get to Europe. He set up shop in the Libyan port of Zuwara, turning a three-story building into a smuggling depot, according to Italian court documents.

By 2015, with migrants paying up to \$2,000 apiece to sail from Libya to Italy, Mr. Mered was grossing \$1 million in a good week, according to the Italian state’s evidence. His network of contacts stretched to Sweden, Germany and the Netherlands.

Italian authorities say they have confirmed Mr. Mered’s operation smuggled 7,000 people to Italy between 2013 and 2015, and they suspect it was far more. One state’s witness in Italy described Mr. Mered as “a king...the only man who could walk around Libya wearing a crucifix.”

The man who calls himself the real Mr. Mered said he was “in the business between August 2013 and 2015.” Besides being contacted by the Journal through a Facebook page listed in court documents, he was reached via Facebook by an old friend in Canada, who then spoke to him by phone and confirmed it was Mr. Mered’s voice. The Journal also sent a message on WhatsApp to the man via a number listed in court documents, which was shown as having been read.

On wiretapped phone calls dating from the period when Mr. Mered was in the smuggling business, he voiced the anxieties of an overstretched crime boss: rivals breaking into his business and fears that the police were closing in.

“I am really scared, my friend,” Mr. Mered is heard telling an associate on one call.

“Do you know when one starts to fear? It is when he has made money that he starts to fear.”

In October 2013, the death of more than 360 Eritrean migrants in a shipwreck off the small Italian island of Lampedusa trained the

world’s attention on Europe’s burgeoning migration problem. The calamity also moved Calogero Ferrara, a veteran mafia prosecutor in Sicily, to action. He decided to apply his techniques to a smuggling trade that had begun to rival drug trafficking.

“I was the first to investigate it in this way,” the cigar-smoking prosecutor said in his office in Palermo packed with awards and “Wanted” posters of men he has gone after. “Basically, we’re using the tools of a typical mafia investigation...wiretapping, intercepts, checking Facebook.”

He soon ran into the obstacles that have made people smuggling one of the toughest crimes to pursue. While Italian police routinely nabbed the helmsmen of the boats, these were the small fish, often migrants who were steering the vessels under coercion. The masterminds stayed in African countries that provided little cooperation.

By sweeping tens of thousands of calls, and with support from investigators in Sweden, the Netherlands and elsewhere, Mr. Ferrara assembled a rough map of Libya-based smuggling networks. By 2014, he was homing in on one in particular, Mr. Mered’s.

Mr. Mered, however, soon fled Libya, afraid of its rampaging militias, for Sudan. There, European law-enforcement officials last year saw their chance to nab him.

As the refugee crisis expanded, Sudan offered to help Europe in hopes of loosening decades of Western sanctions imposed for human-rights abuses and har-

boring terrorists. The U.K., Sudan’s onetime colonial master, sent an agent from Britain’s newly formed National Crime Agency to establish a rapport with the Sudanese state. The NCA declined to comment.

In July 2015, according to an account filed in the Italian court, the NCA informed Italy it had located Mr. Mered in Sudan. Italian prosecutors and NCA agents laid out a strategy to capture him, with the British lining up help from Sudan, according to an NCA memo. British agents supplied Mr. Ferrara’s prosecution team with a cellphone number they said belonged to Mr. Mered.

The prosecutor says his defendant is the right man, but ‘a judge will see.’

Three times in May 2016, investigators intercepted calls on the phone. In one, they heard a discussion of helping a man emigrate, according to court documents.

“Medhanie, please help me,” the first man said, in the Eritrean language of Tigrinya.

“When you have the money, the situation will change,” replied the second man.

The Sudanese pinpointed the location of the phone, placing the caller in Khartoum’s Asmera Corner Café, a popular migrant hangout.

Sudanese police encircled the cafe and arrested the suspect while he was inside having tea. In his pockets,

according to court documents, were a few scraps of paper and a cellphone containing the numbers of known smugglers—men who, in 2014 wiretaps, had been heard discussing people smuggling with Mr. Mered.

The Sudanese handed over the man to Italian police, who loaded their quarry on an Italian government plane and flew him to Rome. There, news footage showed a stunned-looking young man in a reddish shirt walking off a plane, handcuffed and flanked by police.

The NCA celebrated its victory in a statement that day, saying it had captured “one of the world’s most wanted people smugglers.”

Almost immediately doubts arose about the identity of the arrested man. He bore little resemblance to the photo on Mr. Mered’s Facebook page, said several people—including Mr. Mered’s wife, who lives in Sweden.

A number of Eritreans, some identifying themselves as relatives and others as friends of the arrested man, said he wasn’t Mr. Mered. Instead, they said, he was a then-29-year-old Eritrean, Mr. Tesfamariam.

They described a man unlike the entrepreneurial smuggler at the center of an international manhunt.

One of seven children, Mr. Tesfamariam, quiet and reserved, had shown almost no ambition growing up in the Eritrean capital of Asmara, they said. He loved cycling and dreamed of studying in China, said his half sister, Hiwet Tesfamariam, yet he didn’t even know where

China was. He drifted from one menial job to another, among them delivering milk door to door.

In late 2014, facing a life of forced army service, Mr. Tesfamariam became part of the mass emigration that has marked Eritrea for a decade. He joined a sister in next-door Sudan, where he hoped to find a smuggler to take him to Europe.

His lack of drive and money left him stuck in Khartoum, spending his days playing videogames in a hovel he shared with four other migrants.

The man arrested by the Sudanese police in May 2016 had a battered Samsung 19105 phone containing pictures of himself hanging out in shabby clothes or sleeping on a bedraggled mattress. In Italy, he gave the police his Facebook password.

In the months after the arrest, reasons to think it was a mistake piled up.

Eritreans who said they had been smuggled by Mr. Mered said that he wasn’t this man. Eritrea’s government wrote to Rome saying the same, and providing a copy of Mr. Tesfamariam’s identity papers. The defense said voice-recognition analysis showed the voice of the man in custody didn’t match Mr. Mered’s.

The defense offered a benign explanation of a wiretapped call on the cellphone found with the suspect, saying Mr. Tesfamariam was helping a friend whose family was trying to send him money to migrate.

An Italian lawmaker launched a parliamentary inquiry into the case, requesting information about the procedures followed to identify the man on trial. A couple of European governments, at the behest of their diplomats in East Africa, have asked the Italians to release the man in prison in Sicily.

Not giving up

Mr. Ferrara, the Sicilian prosecutor, is undeterred. In an interview, he cast doubt on evidence provided by Eritrea’s government and by the supposed family members of the suspect, saying people in small communities might be looking out for one another.

“It is the same guy, at least according to our experts, but a judge will see,” Mr. Ferrara said. “The problem we have...in these cases, we don’t know exactly the names of these people. We have thousands of conversations of people who say they are Medhanie...it’s a very difficult situation.”

The trial, which began last fall, is expected to continue for months.

The half sister of Mr. Tesfamariam said her brother, sitting in a Sicilian jail, is “very desperate.”

Far away, the man who says he is Mr. Mered has become a transient. “I have no permanent residence, I move from one country to another,” he told the Journal. Facebook data this year put him in Uganda.

He said he had retired, having grown disillusioned with the smuggling business.

“If I am a bad person,” he said, “I will be met with bad things.”

PARADE

Continued from Page One
“away from the racial things, the gender things.”

Horribles parades likely trace in part to one held in 1851 in Lowell, Mass., as a parody of the Ancient and Honorable Artillery Company of Massachusetts, according to the New England Historical Society.

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

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

In recent decades, displays have sometimes tested the lim-

its of horrible taste. Jackson Tingle, 34 years old and coordinator of the Highlands Horribles Parade in Danvers, Mass., cringed when he saw 1970s photos of marchers wearing 17th-century attire, carrying small gallows and holding signs reading “just hanging.”

“I thought, ‘Oh, that’s fun,’ ” he said sardonically. “They’re making fun of the Salem Witch Trials.’ ”

Beverly’s and Salem’s mayors in a joint statement denounced 2008 Horribles parade displays in those communities that satirized a rise in teen pregnancies in nearby Gloucester, Mass. Gloucester’s own Fishtown Horribles Parade had a kerfuffle with a float on which “the mermaid was a little bit topless,” said Al Kipp, 57, a parade organizer there. An organizer confronted the mermaid mid-parade and told her to keep herself covered.

Last year, Mike DeGrange, 39, organizer of the 91-year-old Ancients & Horribles Parade in Gloucester, R.I., was surprised by a truck flying a



An entry in 2015’s Salem Willows Horribles parade in Salem, Mass.

Confederate flag. “Was it a proud moment? No,” he said. “But the Ancients & Horribles Parade is going to have some horrible things in it.”

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

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

As criticism spread quickly on the internet, the parade decided “this year is going to be a little more controlled,” said

Ms. Downey, 68, the parade-committee chairwoman.

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

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

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

Floats will undergo another

screening before the 8 a.m. parade start. For anything still going too far, Ms. Downey said, vetters will be “bringing black spray paint and duct tape.”

Resident Sindi Piku, 20, working in a pizza shop, worries the tradition will lose its sass: “People get offended so easily.”

“We’re not going to be politically correct,” said Ms. Downey. “We want clever, not crude.”

Joe Nichols, 29, entering his third Beverly Farms float with friends, hopes the vetting isn’t too strict. He figures his edgiest appearance was in 2015 dressed as Caitlyn Jenner in fishnet top holding a sign: “Bruce Jenner believes in change.”

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

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

U.S. NEWS

THE OUTLOOK | By Ben Leubsdorf

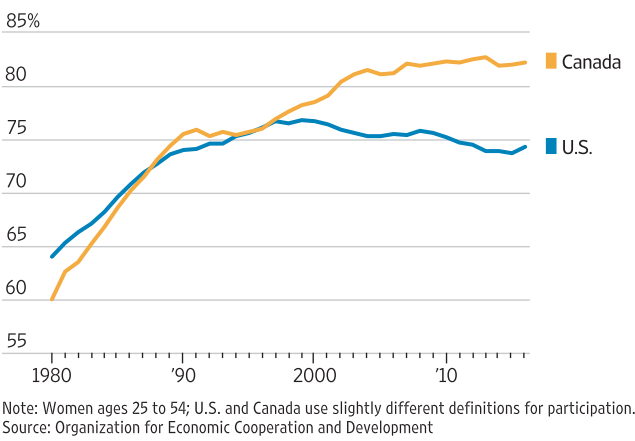
Women in the Workforce: Canada's Example

During the decades after World War II, a growing share of U.S. and Canadian women participated in the workforce, boosting household incomes and national production, while opening new opportunities for women themselves. Then in the late 1990s, something changed. Female workforce participation began slipping in the U.S. while it kept marching higher in Canada. By 2016, 74.3% of U.S. women between the ages of 25 and 54 were working or looking for work, compared with 82.2% in Canada, according to Organization for Economic Cooperation and Development data. Both were near 76% two decades earlier. The participation gap between men and women also narrowed more in Canada than in the U.S. Understanding the divergence could help fix America's growth problem. President Donald Trump has pledged to boost annual increases in U.S. output from around 2% to above 3%. Achieving that ambitious goal would likely require, among other things, boosting labor-force participation. Many women choose to

remain outside the labor force or spend time away from work, often to care for children. But women who want to work, but don't or can't, represent untapped economic potential. Enabling them to join the job market over time could generate stronger labor-force growth, offsetting drags from an aging population and other forces, and in turn boost the economy's growth trajectory. The continued rise in female workforce participation north of the border could be, in part, a reflection of economic conditions. Canada's economic growth has edged past that of the U.S. since 1997, averaging 2.5% a year versus 2.3%. Unlike the U.S., Canada avoided a recession in 2001 and avoided a severe financial crisis last decade. A healthier U.S. labor market might have continued to draw in more women, too. But the phenomenon also likely reflects policy choices. Canada's government encouraged more two-working parent households in the late 1990s and early 2000s by cutting tax rates, adding support for child care and expanding paid parental leave. Quebec's provincial government intro-

Alternate Paths

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



duced universal day care. The U.S. government spends relatively little to subsidize child care and has no national paid family-leave program, though employers are required to grant up to 12 weeks of unpaid leave. "Canada's rapid progress in female labor-force participation was no accident; it reflects deliberate and targeted policy measures," International Monetary Fund Managing Director Christine

Lagarde said last year. Extended leave didn't seem to have much immediate effect on how many Canadian mothers returned to work after giving birth. But there was evidence subsidized child care boosted the number of Quebecois mothers who worked. An IMF study found Canada's tax and benefit system changes—including phasing out income surtaxes and introducing a new child tax benefit—helped boost fe-

male participation. Federal Reserve Chairwoman Janet Yellen, in a May speech, highlighted research concluding that "policy differences—in particular the expansion of paid leave following childbirth, steps to improve the availability and affordability of child care and increased availability of part-time work—go a long way toward explaining the divergence between advanced economies" in women's workforce participation. If the U.S. "had policies in place such as those employed in many European countries," she said, the participation rate for prime-age women could reach 82%—roughly Canada's level. The U.S. isn't the only country where officials are looking to women as a source of stronger growth. Leaders from the Group of 20 nations pledged in 2014 to reduce gender participation gaps 25% by 2025. The International Labor Organization in June said achieving that goal would boost global output by 3.9%. Still, there are reasons to proceed carefully in crafting policies that could ripple through the U.S. economy and society.

The White House recently proposed a six-week paid parental leave program, citing the prospect of stronger growth as one motivation. But generous paid leave would likely encourage more women and men to remain home longer after birth. It's also unclear whether paid leave is significantly more effective than unpaid leave in boosting long-term participation; both allow workers to keep their jobs and so ease the return to work. Requiring employers to grant new mothers' requests for reduced hours or flexible schedules could lead some companies to avoid hiring women for full-time positions, despite laws barring such discrimination. More women might end up in part-time jobs, with limited chances for advancement; Ms. Blau's study noted U.S. women are less likely to work part time and more likely to hold high-level jobs than women in other advanced economies. "Policies aren't that easy to devise," Harvard University economist Claudia Goldin said. "Sometimes you push one lever and that works, but it hurts something somewhere else."

New York Police Monitor Terror Overseas

By ZOLAN KANNO-YOUNGS

When three men started a deadly rampage on London Bridge in early June, New York Police Department officials prepared to send special units to the Big Apple's most-popular tourist destinations. Then the call came from an NYPD detective—based in London. He said the attack didn't occur at a tourist attraction but at a bridge used by Londoners. So the NYPD deployed armed units to avenues commonly used by residential New Yorkers, as well as the British embassy. "We were able to look at that and say we can change our deployment strategy," said Lt. John Miedreich, who oversees the detectives posted abroad. When a terrorist attack happens overseas, the NYPD uses information gathered by 14 detectives around the world to determine where in New York City they should deploy resources as a precaution. The detectives stationed abroad foster relationships with local law-enforcement officials. They can then quickly relay information about terrorist attacks to New York, according to the NYPD's head of counterterrorism, John Miller. At a time when terrorists are building networks that stretch around the world, Mr. Miller said, police need to be able to respond with a global network of their own. The overseas detective program underscores how differ-



A Times Square board displays a tribute to the victims of the May 22 Manchester Arena attack.

Ban on Laptop Use Is Partly Rescinded

LONDON—The U.S. government has partly rescinded a ban on the use of laptops on some U.S.-bound international flights only days after rolling out demands for enhanced security measures at overseas airports. Abu Dhabi-based **Etihad**

Airways on Sunday was cleared to allow its passengers flying to the U.S. to again use laptops, tablets and other electronics in the cabin, the airline and the U.S. Department of Homeland Security said. The Abu Dhabi airport was one of 10 in the Middle East and North Africa hit in March by a U.S. ban on using certain electronic gadgets in flight. The ban remains in place at the other airports, including

Dubai, home of **Emirates Airline**, the world's largest by international traffic, and **Qatar Airways**. The homeland security department called for the ban amid concerns terrorists were trying to smuggle explosives inside a laptop or tablet and set them off once the plane was aloft. The department required passengers to check their devices or leave them at home. —Robert Wall

about \$1.6 million a year. Eugene O'Donnell, a professor at John Jay College of Criminal Justice and a former member of the NYPD, said he supports New York's overseas-liaison program but it needs more oversight. "The question is what are they doing sitting in London that they couldn't do sitting in New York," he said. "Are they just getting briefed? And if they are getting briefed, do they need to be there?" Mr. Miller said stationing detectives abroad ensures stronger relationships. He also noted that many countries have liaisons posted at NYPD headquarters. "With mutual cooperation from two law-enforcement agencies, part of that commitment is showing up," Mr. Miller said. The NYPD stationed its first detectives abroad in Toronto and Lyon, France, in the wake of the Sept. 11, 2001, terrorist attacks, and subsequently Tel Aviv. Toronto, a large, diverse metropolitan city, was an easy place to start because it is similar to New York City, Lt. Miedreich said. Lyon is the headquarters of Interpol. The Israeli National Police also have extensive experience in counterterrorism. Now the program has spread to 11 other cities, from Sydney to Santo Domingo, Dominican Republic, to Madrid. In March, the NYPD sent a detective to Doha, Qatar, because of its proximity to regions with heavy movement among terrorists, Lt. Miedreich said.

U.S. WATCH

WHITE HOUSE

President Keeps Up His Fight With Media

President Donald Trump kept his public confrontation with the media alive over the weekend, on Sunday tweeting a short doctored video of himself tackling and punching a person at the side of a wrestling ring who was meant to represent television network CNN. Mr. Trump also made more extensive remarks criticizing news outlets for their coverage of him at a "Celebrate Freedom" concert Saturday night organized by the First Baptist Church of Dallas and held at the Kennedy Center in Washington ahead of the July 4 holiday. "The fake media tried to stop us from going to the White House, but I'm president and they're not," he said. A separate disagreement between Mr. Trump and MSNBC hosts Mika Brzezinski and Joe Scarborough triggered rebukes from Republican lawmakers as well as Democrats after the president criticized Ms. Brzezinski's intellect and appearance in a tweet. —Louise Radnofsky

ILLINOIS

Lawmakers Work on Budget Compromise

Illinois lawmakers continued to labor to put together a budget on Saturday, the first day of the state's third fiscal year without a balanced spending plan. During its record-breaking fiscal impasse, the state has racked up \$14.6 billion in unpaid bills, and bond houses are warning its credit rating could be downgraded to junk status. Republican Gov. Bruce Rauner called a 10-day special session to solve the budget crisis before the start of the fiscal year on July 1. But the governor and lawmakers were unable to broker a deal before midnight Friday, leaving the General Assembly working overtime. —Quint Forgey

ARKANSAS

Nightclub Shooting Leaves 28 Injured

A shooting at a nightclub in Little Rock left 28 people wounded early Saturday after an apparent dispute erupted at a rap concert, police said. The shooting occurred about 2:30 a.m. Saturday at the Power Ultra Lounge downtown, about a mile east of the State Capitol, Little Rock Police Chief Kenton Buckner said. "Some sort of dispute ensued in the audience" with "multiple individuals responsible for those shots fired," he said. All the victims were expected to survive, Chief Buckner said. Two were in critical condition and the remainder suffered wounds that weren't life-threatening, he said. —Arian Campo-Flores

DOLLAR

Continued from Page One
dollar, now the worst-performing of the major currencies this year. Few had expected such a turnabout even six months ago. Investors had driven the dollar to a 14-year-high after the November U.S. presidential election on hopes that Donald Trump's plans for a tax overhaul, deregulation and fiscal stimulus would accelerate growth while the Federal Reserve also raised interest rates. Instead, the Trump administration's plans have repeatedly hit political roadblocks while U.S. growth, employment and inflation data have begun to soften. Even the Federal Reserve continuing to raise U.S. interest rates—one of the few positives for the dollar this year—is no sure thing. Some Fed officials recently have expressed concern about pushing up rates amid weakening inflation. The latest was Federal Reserve Bank of St. Louis President James Bullard, who said on Thursday that he doesn't support raising short-term interest rates again this year. "I think we have been overly

Cycling Through

Dollar bull and bear markets typically last for about seven years. The dollar this year entered the sixth year of a bull-market cycle.

Federal Reserve's Trade-Weighted Dollar Index



hawkish, especially with regard to our future plans," he told reporters during a London presentation. Markets are pricing in a roughly 54% chance that the Fed sticks to its projection for at least one more rate increase in 2017, according to fed-funds futures contracts tracked by CME Group. That is down from 62% in March. Meanwhile, investors are growing more bullish about economic recoveries in Europe

and parts of the developing world, even as they fear a U.S. slowdown. After years in which the U.S. economy outpaced growth in the eurozone, the 19-country currency bloc pulled ahead last year, and recent forecasts have its growth essentially even with that of the U.S. this year and next. Emerging-market economies are expected to expand at the even faster rate of 4.7% this year, more than double

the pace of U.S. and Europe, according to **J.P. Morgan**. "The rest of the world's tone is improving while the U.S. is decelerating, and the dollar is reflecting that," said Mark McCormick, North American head of foreign-exchange strategy at **TD Securities**. Some investors believe the dollar's performance this year could spell the end for the bull market in the greenback. Periods of dollar strength have typically lasted for around seven years. "We're at this pivotal moment now where we're in the midst of a major turn lower in the dollar," said Bilal Hafeez, head of foreign-exchange strategy for Nomura Securities in London. Alessio de Longis, a portfolio manager at OppenheimerFunds, entered the year betting on a broadly stronger dollar but now expects the dollar to trade sideways this year. "The growth momentum in the U.S. is fading," Mr. de Longis said. "Without a reinvigoration of tax reform, which doesn't seem likely this year, the dollar bull market is probably over." Hedge funds and other speculative investors built up more than \$28 billion in bullish bets on the dollar at the end of last year, according to **Commodity**

LIFE & ARTS

MUSIC

The South's Rock Renaissance

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

BY NEIL SHAH

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

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

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

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

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

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



The South's new acts reflect the region's diversity. Top from left, Adam Williamson, Lee Bains III, Eric Wallace of Lee Bains III & the Glory Fires; below, Brittany Howard of Alabama Shakes.



mingham's 500-capacity club Saturn. The new venue is a step up from Mr. Teasley's earlier 250-capacity room, Bottletree. "It's unbelievable how much the demand for great music has grown here in the last 10 years," Mr. Teasley says.

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

capacity Iron City, he says.

Louisville, Ky. has also seen expansion. Zanzabar, a favorite local venue, recently doubled its capacity and now accommodates nearly 400 people. Co-owner Jon Wettig says he hopes an apartment the venue owns next door will entice more bands to come through.

In Nashville, Live Nation, the country's biggest concert promoter, has been bulking up. It now runs the city's Ascend Amphitheater and Carl Black Chevy Woods Amphitheater. Rival AEG Presents

is planning to open two new music establishments—a 4,000-capacity venue and a smaller 600-capacity one—in downtown Nashville as part of a new entertainment district.

What unites the new crop of bands is their inclusive definition of Southernness. "The whole sweep of changes from the first era of Southern rock to where we are now has a lot to do with the younger generation becoming more comfort-

able living in diverse environments," Bitter Southerner's Mr. Reece says. Atlanta's Bitter, which formed a year ago, sometimes sings in Spanish; its Houston-born singer and songwriter Maritza Nuñez, 21, a first-generation Mexican-American, loves Shakira and Courtney Love.

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

has racked up nearly 1.7 million in album units, including sales and streams, says Nielsen Music. Jason Isbell and the 400 Unit, another thriving act, debuted at No. 4 on the Billboard chart last month with their new album, "The Nashville Sound."

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

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

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

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

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

ART REVIEW

THE UNKNOWN GAUGUIN

BY MARY TOMPKINS LEWIS

Chicago

THE SHADOWS OF French colonialism, of 19th-century cultural appropriations, and of the artist's unbridled carnal appetites found in his work have made the French Post-Impressionist painter Paul Gauguin (1848-1903) a lodestone for scholars and commentators of every conceivable stripe. Gauguin's infamous self-image as an exotic, unrepentant savage has been debunked, but what has not received its due is the breadth of his creative process—the radical experiments and breathtaking range of media Gauguin employed to define a willfully crude, self-conscious primitivism that defied the hierarchies of the fine arts.

The exhaustive and exhilarating "Gauguin: Artist as Alchemist," an exhibition of almost 250 works curated by Gloria Grooms of the Art Institute of Chicago and Claire Bernardi and Ophélie Ferlier-Bouat of the Musée d'Orsay (where the show travels next), changes that. Though he supported himself as a painter (some 70 of his paintings are on view), the primal place of sculpture and the applied arts in Gauguin's oeuvre—as seen here in wood, carved stone, embellished furniture and richly expressive ceramics—reveals his fascination with decoration and the lowly craft arts that would shape his outlier

aesthetic. Working in France, the Caribbean and finally French Polynesia, he produced an oeuvre of astonishing complexity and refinement that challenges his mythic persona as an *ultra-sauvage*.

The show opens with early works that highlight the artist's deep attachment to the humble objects he carved or collected and their significance for his art. A chalk drawing by Camille Pissarro of Gauguin whittling a small wooden statuette—a skill likely acquired in his years as a youthful mariner—is flanked by the tiny figure pictured within it, painstakingly carved by Gauguin in a tropical hardwood he would see again in Tahiti. An 18th-century pine-wood tankard looms large in Gauguin's "Clovis Sleeping" (1884), an exquisite portrait of his young son that anticipates the dreamlike world of the artist's later Symbolist works. A later wooden walking stick, on which Gauguin sculpted a snake and female nude and topped with a wooden clog, encapsulates his late 1880s stay in Brittany while offering a rustic riposte to Parisian *flâneurs'* elegant accouterments.

Gauguin produced over a hundred ceramic objects in France. Though prized by the artist and often depicted in his still lifes (a number are here), these clay and stoneware creations remain his least known works; the inclusion of almost half of those that have sur-



Paul Gauguin's 'Mahana no atua (Day of the God)' (1894)

vived is an epiphany. The artist delighted in the strangeness of such works as his "Vase With the Portrait Mask of a Woman" (1887-88), a glazed vessel on which the accidental effects of the firing process are celebrated with gilded highlights. Gauguin remembered his mother's collection of anthropomorphic ceramics from her native Peru, and the placement of this work alongside the ancient Andean "Portrait Vessel of a Ruler" is one of the show's many inspired pairings. It suggests how non-European cultures shaped his defiant aesthetic.

The artist also mined his own works for eloquent motifs. The tentative female nude who inches into a pool atop his elegant glazed "Cup Decorated With the Figure of a Bathing Girl" (1887-88) evolved

from the charcoal and pastel "Breton Bather" (1886-87), a design for a fan and for stoneware, and is reprised in reverse in a zincograph from his Volpini Suite (1889).

Neither clay nor kilns were in Tahiti when Gauguin arrived in 1891, so he worked, instead, in bark cloth, stone and especially tropical hardwoods. He became obsessed with the local *ti'i'i*, the mysterious Maori deities banned by Christian missionaries and hidden away by natives; they figure in his Polynesian paintings and were joined by the artist's own small idols carved in wood and adorned with precious objects.

Woodblock prints became a huge part of his late output, as seen here in the pages and printing plates of his "Noa Noa Suite," an ambitious graphic project he undertook on his

sole trip back to Paris (1893-95) that synthesized his ambiguous Tahitian imagery and primitive style. Its shallow carved blocks of flattened motifs may well have inspired his later ensembles of painted and sculpted reliefs, including the decorative panels of his "Maison du Jouir" (or House of Pleasure) that he built in his last days on the Marquesas Islands. The final expression of his mythic artistic identity, its remnants bring the exhibition to a powerful and poignant close.

Gauguin: Artist as Alchemist

Art Institute of Chicago, through Sept. 10

Ms. Lewis teaches art history at Trinity College, Hartford, Conn.

LIFE & ARTS

WHAT’S YOUR WORKOUT? | By Jen Murphy

The Disc Golf Fitness Regimen

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

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

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

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

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

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

The Workout

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

Tom Triplett Park in Pooler,



Ga., is his home course. While on tour, he plays before shows. “It’s a great way to catch up with friends I haven’t seen in awhile,” he says. “On the disc golf course, you have a few hours to really

connect.” He estimates he’s played 700 courses. Favorites include Maple Hill in Leicester, Mass., and DeLaveaga in Santa Cruz, Calif.

As in golf, a disc golfer pro-

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

gresses down the fairway and must make each throw from the spot where the previous throw has landed, often dealing with obstacles like trees, shrubs and terrain changes before hitting the target, often a basket. “With golf, you shoot left or right. In disc golf, there are so many nuances—you can throw backhand, overhead.” Mr. Deputy is constantly trying to improve various throws like the roller, which is thrown on the ground, and a tomahawk, a vertical throw using a hook-thumb grip.

The Diet

Mr. Deputy embraced a ketogenic diet 2½ years ago hoping to shed

pounds. “I tried every diet out there, and my body rejected each one in two weeks,” he says. On the ketogenic diet, most of one’s caloric intake comes from fats. “Losing weight by eating more butter and sour cream really messes with everything we’ve been taught about nutrition, but I felt great and the diet is sustainable.” In one year he lost 70 pounds and now rarely eats sugar and refined carbs. “I did have a fruit extravaganza for a few months eating watermelon and apples and probably gained 15 pounds back,” he says.

Breakfast is spinach and baked chicken topped with cheese and sour cream. Lunch or dinner might be a burger, hold the bun, and broccoli. On the road, Chipotle is a frequent stop. He orders a chicken bowl with no rice, light on the beans and heavy on the sour cream, cheese and lettuce.

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

The Gear & Cost

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

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

FITNESS

HOW CYCLISTS CAN STAND OUT

BY RACHEL BACHMAN

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

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

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

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

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

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

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

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

The Clemson experiment found



Cyclists wearing fluorescent-yellow leg coverings were recognized as cyclists nearly three times farther away than those wearing a neon-yellow jersey in an experiment at Clemson University. That’s because our eyes are drawn to human movement such as pedaling, researchers say.

A recent experiment at Clemson University found a solid taillight attached to each ankle made a cyclist more visible in daytime than a single blinking taillight attached to the seat post. Researchers say the pedaling motion draws observers’ eyes.

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

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

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

But most eye-catching of all: a solid light worn on the back of each ankle. The researchers custom-rigged taillights with ankle straps for the experiment. Trek’s parts-and-accessories brand, Bontrager, doesn’t make ankle lights.

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

The likelihood of bike crashes is declining as ridership rises in big U.S. cities, data suggest. Rides on

bikes offered through city-centered bike-share programs have surged—to 28 million last year—as the programs expand, according to the National Association of City Transportation Officials. Two cyclists have died in bike-share crashes out of more than 100 million trips since 2010: a woman in Chicago last year and, recently, a man in New York.

Bike-share bikes are thought to be safer than personal bikes because they tend to be heavier, slower and equipped with lights, according to a report by the Mineta Transportation Institute, a research center at San Jose State University.

Advocates say the best way to make cycling safer is to build more protected bike lanes.

For night riding, New York’s bike-sharing system, Citi Bike, is testing a product called Laserlight

on 250 of its 10,000 bikes. The light, made by a London-based company called Blaze, is mounted on the front of the bike and projects a green laser image of a bicycle onto the ground about 20 feet in front. The image alerts drivers and pedestrians that a cyclist is approaching. An independent 12-week study found that a bike with a Laserlight in the dark is more visible to a driver than a bike without one in the daytime. The Laserlight automatically illuminates when it begins to get dark outside. On bike-share bikes, it’s powered by pedaling. On personal bikes, it’s removable and rechargeable.

Bike headlights are brighter than ever. Garmin’s Varia UT800 can be seen a mile away in daylight, company officials say.

Brighter isn’t always better. In recent months metal signs sprang up along a bike trail near Boston

reading: “Please dim headlights & aim them down. Avoid blinding others on path.”

Christopher Tonkin, chair of the Arlington (Mass.) Bicycle Advisory Committee, says he isn’t sure who posted the signs. The group left them up because members agree with the sentiment and have been seeing more high-powered LED headlights used day and night, Mr. Tonkin says.

Mighk Wilson, executive director of the Orlando, Fla.-based nonprofit American Bicycling Education Association, says certain strategies can make a rider more visible. One tip in the association’s classes on cycling skills is riding in the center of a lane. “Most important, really, is your positioning on the road, which then enhances your use of those lights and makes you more relevant,” Mr. Wilson says.

OPINION

REVIEW & OUTLOOK

Trump’s Signals to China

The Trump Administration is losing patience with China’s failure to stop North Korea’s nuclear program, and two signals last week were new U.S. sanctions on Chinese aiding the North and a \$1.4 billion arms sale to Taiwan. Beijing may be miscalculating that this U.S. government will behave like every other.

The arms sale includes such sorely needed equipment as antiship missiles and torpedoes, though that doesn’t make up for two decades of neglect by past U.S. administrations. Washington is obligated under the Taiwan Relations Act to help the island if it comes under attack, so the smart policy is to ensure that Taiwan can defend itself and deter a Beijing invasion.

Twenty years ago military experts derided the idea of a Chinese invasion as a “million man swim,” since the People’s Liberation Army lacked even the amphibious landing capability to move its forces across the 110-mile Taiwan Strait. Today China has landing craft, advanced fighters, ships and submarines. Shore-based missiles make it dangerous for the U.S. Navy to enter the Taiwan Strait in a crisis.

Taiwan’s air force still flies some F-5 fighters bought in 1985, and its navy’s two deployable submarines date from the same era. A 2016 report from the RAND Corporation estimated that Taiwan needs to spend \$25.3 billion on new weapons over the next 20 years to create a

credible deterrent against Chinese attack. The most critical need is for more F-16 fighters so Taiwan’s air force isn’t overwhelmed in the early days of a conflict, as would be the case now.

Meanwhile, the U.S. Treasury last week announced new sanctions to reduce the flow of money through China to North Korea. Treasury said it will cut off the China-based Bank of Dandong from the U.S. financial system for “facilitating millions of dollars of transactions for companies involved in North Korea’s WMD and ballistic missile programs.” Treasury also sanctioned Dalian Global Unity Shipping Co., and two Chinese citizens, Sun Wei and Li Hong Ri.

These sanctions against Chinese entities dealing with the North are long overdue, and we’ve advocated turning the financial screws against any Chinese doing business with the North if China’s government won’t rein in its client regime. Beijing loudly protested the new sanctions and the Taiwan arms sales, but it should understand that the U.S. can escalate on both fronts and there is pressure from both parties in the U.S. Congress to do so.

After his friendly visit to Mar-a-Lago in April, Chinese President Xi Jinping may have concluded he can take a few token steps on North Korea and resume business as usual. But as the North’s threat to the U.S. and its allies increases, China’s malign neglect is untenable.

Arms for Taiwan and sanctions on Chinese dealing with Pyongyang.

The Other Republican Health Plan

U.S. Democrats spent most of last week accusing Republicans of trying to create a dystopia where Americans are denied basic health-care treatments. So note the initial steps that the Food and Drug Administration, under new political management, took to lower the cost of prescription medicine for patients. You might not have noticed amid the latest Trump Twitter meltdown.

Last week the FDA published a list of drugs that don’t face competition from generic alternatives even though their intellectual property protections have expired. The FDA said it will expedite the approval process for such applications “until there are three approved generics for a given drug product.” The agency says it will take more steps and has announced a July meeting for public feedback.

For some drugs on the roster, no company has submitted a generic application. One reason is that the cost of developing a generic product can run into the millions of dollars, and many can’t fetch the profit to recoup the expense. Yet competition is essential for lowering prices: Consumers pay 94% of the branded price on average when one generic firm enters the market, but that drops to 52% with two competitors and to 44% with three, according to an FDA analysis.

The savings ripple across the health-care system, and last year generics saved \$253 billion, according to a June report from the Association for Accessible Medicines. Case in point are alternatives for chronic troubles such as the cholesterol-reducing statin, Lipitor, which cost \$3.29 a unit before its patent expired. The generic version last year cost \$0.11.

One barrier to innovation is that some manufacturers are abusing FDA safety and risk-mitigation regulations to protect monopoly positions. A generic competitor has to prove equivalence to the branded product to win FDA approval, and that requires extensive testing with anywhere from 1,500 to 5,000 tablets of the original treatment. But companies are in-

voking FDA safe-use and distribution restrictions to avoid handing over the capsules.

In 2014, Alex Brill of Matrix Global Advisors analyzed reported cases of this misuse. Delayed competition for 40 products cost \$5.4 billion annually in lost savings, Mr. Brill found. About \$1.8 billion of the cost is picked up by the federal government through Medicaid and other programs. This issue will no doubt capture attention at the agency’s public meeting next month, and Congress could help by codifying changes as part of an agency reauthorization. Bills to rein in this behavior have been introduced.

A larger challenge for the FDA is developing an approval process for “complex generics,” such as the allergy shot EpiPen, that require a device or present some other complication. The good news is that no scholar has devoted as much attention to the issue as new FDA Commissioner Scott Gottlieb, who has testified to Congress that the generic-approval process was written when most products were molecule pills that were straightforward to recreate. Regarding EpiPen, FDA regulations helped keep a generic alternative off the market by requiring an identical device to deliver a shot of adrenaline.

Last week’s announcement is the beginning of a process, and other unresolved issues include that most generics aren’t approved on the first round, and revisions create substantial work for companies and FDA staff. The agency also has a backlog of applications and has struggled to hire enough staff to keep up with applications.

None of this will ever attract the media attention of “Pharma bro” Martin Shkreli, who jacked up the price of a treatment that faced no competition, or the periodic mugging of some drug company CEO in front of Congress. But Dr. Gottlieb has dedicated much of his career to explaining the benefits that competition can bring to medicine, and now he’s bringing that experience to one of the most resistant bureaucracies in Washington.

The FDA’s new chief is pushing more generic drug competition.

U.S. Workers Pay for the Minimum Wage

Some laws of economics are so obvious that they require hundreds of papers to prove, and a classic example is the minimum wage, which increases the cost of labor and in most cases prices some workers out of jobs. Fresh evidence comes from Seattle’s minimum-wage climb to a \$15 an hour.

A study from researchers at the University of Washington published in the National Bureau of Economic Research looked at how Seattle’s minimum-wage increase in 2016 to \$13 an hour from \$11 affected low-wage workers. The results? Hours worked fell 9%—3.5 million hours a quarter—and low-wage employees lost \$125 a month on average.

Let that sink in: A campaign predicated on giving workers a raise *lowered* paychecks. The increase to \$13 from \$11 also “yielded more substantial unemployment effects” than an earlier jump to \$11 from \$9.47, the study found.

Note that Seattle’s minimum will continue to rise to \$15, with varying deadlines for small and large businesses. Later increases will almost certainly be more damaging, as businesses try to absorb costs by automating more tasks or raising prices for consumers. As for workers, some may even *ask* for reduced hours: Benefits like Medicaid phase out as income rises, which means a worker’s next dollar of income can be taxed above 100%.

The labor unions underwriting the Fight for \$15 campaign have activated the phone trees to impugn the study’s credibility. Proponents of the increase point to a report released last month from the University of California-Berke-

ley that purported to find no adverse effects from Seattle’s move. Yet the Washington study relied on sophisticated and detailed data about hours and earning, while Berkeley deployed the restaurant industry as a proxy.

One political subplot: Wage and employment expert Michael Saltsman wondered why Seattle Mayor Ed Murray’s office pumped the Berkeley report when the city commissioned its own studies from the Washington researchers. According to reporting in the Seattle Weekly, the mayor’s office knew the damning report was coming. Berkeley scholars were offered an advance copy to rebut the claims. This looks more like coordinating press releases than honestly addressing the Seattle evidence.

Other attempts to avoid reality include complaints that the study didn’t adequately control for Seattle’s booming labor market, which liberals say is displacing low-wage jobs for better opportunities. The study did include a control, and this is the tension for the left: Wages are growing so fast in Seattle that the government needs to intervene to increase them?

Still another progressive impulse is to say that perhaps \$15 an hour is too disruptive to the labor market, but with more data the government can pinpoint the precise wage that benefits workers. That would certainly raise the demand for labor consultants and Berkeley professors, if not for waiters. The real and eternal lesson is that political wage-setting hurts the least skilled and lowest-paid workers, as the evidence in Seattle shows.

A new study says the \$13 wage is a killer for lower-wage workers.

The Simplicity Of a Health Deal



POTOMAC WATCH
By Kimberley A. Strassel

As Washington continues to boggle America with the complex minutiae of health-care reform, the contours of an actual deal aren’t nearly so mystifying.

The success of the Republican Party effort comes down to one simple question: Will the most conservative members of Congress accept that the politics of health care have changed?

Or more simply yet: Will they acknowledge that any reform must include continued protections for pre-existing medical conditions?

It’s that easy. Yes, the media analysis is correct that there are two camps of defectors from the Senate’s reform bill. One consists of Republican moderates—Susan Collins, Dean Heller, Lisa Murkowski, Rob Portman—who claim the bill is too mean to poor and sick people. Cue mind-numbing media stories about Medicaid formulas and per capita spending caps and medical inflation, all of which make a compromise sound nigh impossible.

Hardly. Here’s a tip: When a politician claims a bill “cuts too much,” that’s an invitation to be bought off. There’s a reason several senators who had been largely mum on the GOP bill (Shelley Moore Capito of West Virginia, Jerry Moran of Kansas) came out against it only after Majority Leader Mitch McConnell delayed a vote. They saw the other holdouts were about to get payola, and they wanted theirs.

And there is cash to be had. With the stakes this high, the Senate leadership will gladly shuffle some money toward opioid treatment, rural health-care providers or Medicaid. So getting the “moderates” on board is simple and transactional. They name a price, they get pork, they vote yes.

The conservatives are the sticking point, precisely because they have principles. Sens. Ted Cruz, Ron Johnson, Mike Lee and Rand Paul have been clear from the start that any bill must lower premiums, which involves getting rid of costly ObamaCare mandates. And there is no question that among the most expensive mandates are those designed to protect individuals with pre-existing conditions—in particular “community rating,” which requires insurers to charge the same prices regardless of health status.

The House Freedom Caucus was so intent on getting rid of community rating that it nearly derailed the bill. Only after the conference added an amendment allowing states to apply for waivers from community rating did the most conservative members finally come on board.

Even so, it was always clear that provision was never going to fly in the Senate—and for a simple reason. Freedom Caucus members tend to hail from inordinately conservative (and safe) congressional districts, whereas

senators represent entire statewide populations. And a sizable majority of the public strongly supports retaining protections for pre-existing conditions.

This is the true legacy of the Republican presidential loss in 2008, and the health-care law that resulted. Few Americans ever understood the stunningly complex means by which ObamaCare screwed up the individual insurance market, or the wider economy. To this day, most Americans haven’t intimately interacted with the law, as they receive their health care from an employer or Medicare.

But every American remembers two particular provisions of the law—pre-existing conditions and coverage for children up to 26. These policies are simple and sound good. And they have become over the years a new standard in most people’s minds. A February poll from YouGov showed 77% support for protections for consumers with pre-existing conditions.

The GOP must realize protection for pre-existing conditions is here to stay.

Principles matter, but so does public will. Conservatives will argue their side just needs to do a better job explaining how these mandates drive up costs for everyone, or lower the quality of care. These are valid points, but they’ll count for little in the face of 2018 Democratic campaign ads that flash GOP names next to a graphic of a kid in a wheelchair with cancer who can’t get care. Republicans lost this argument nearly a decade ago, when Mr. Obama won. More than 90% of Senate Republicans understand this.

Which is another way of saying that protections for pre-existing conditions are here to stay, and conservatives face a choice. They can work with their colleagues to minimize the costs of the mandates (there are innovative ways to do this) and build in different free-market reforms to lower premiums. The Congressional Budget Office estimates that the current Senate bill will reduce premiums by about 30%. The GOP can and should build on this.

Or they can kill the bill, and get no premium reductions at all, no deficit reduction, no Medicaid reform, no tax cuts and no economic boost. Oh, and the protections for pre-existing conditions would remain. Plus, electoral disaster would loom.

It’s a binary choice, rooted in blunt political reality, which ought to make it an easy call. The question is whether conservatives will be savvy enough to forge a face-saving compromise and seek victories elsewhere in the bill. The health-care debate has changed over the past decade, and Republicans can’t reverse it on a dime. But they can pass a bill that starts the walk back to freer health-care markets.

Write to kim@wsj.com.

LETTERS TO THE EDITOR

U.S. Steel Is Competitive With Fair Imports

“The Outlook: Trade War Risks From ‘National Security’ Tariffs” (U.S. News, June 19) fails to acknowledge the widespread negative reverberations that are happening in the American steel industry. Negative consequences of the status quo are happening right now to hundreds of companies representing billions of dollars of the U.S. economy. If President Trump curbs imports of steel and steel products in the name of national security, positive impacts are very likely.

The article’s illustrations show countries of origin for steel imports to the U.S. Very little raw Chinese steel is imported to America since tariffs were imposed several years ago. However, millions of tons of Chinese steel are imported every year as pipe, tubing, rebar, structural steel, valves, fittings, car parts, machine

parts, etc. None of those items enter the U.S. economy as steel imports, even though 50% to 90% of the market value of the goods are comprised of the cost of the steel. Raw Chinese steel is sold to foreign manufacturers of steel products at prices below the combined cost of the commodities that go into making the steel.

The result is that most steel-related businesses in the U.S. have been losing money recently. I don’t support one-sided protectionism. The U.S. needs a level playing field and fair trade. We don’t need a heavy-handed government to tilt things in our favor.

When we engage in free trade at all costs, American citizens always lose in the long run.

JOHN CLARK
Stupp Corp.
Houston

Puritans and Today’s Progressives Compared

Regarding the headline “Progressives Are the New Puritan Busybodies” atop the June 28 letters: It would seem to be a clever analogy, and one that contains a certain historical truth. Many of the elite colleges at the forefront of progressivism were founded by Puritans. Increase Mather was president of Harvard College in the 1690s and Jonathan Edwards (“Sinners in the

Hands of an Angry God”) was an early president of Princeton.

Those Puritans were fruitful and multiplied. The elite colleges’ practice of admitting children of alumni ensured that many of their students were, and continue to be, literally descended from the Puritans. Over time, they have abandoned the restrictive lifestyle of their Puritan ancestors and even their faith in God, but they retain at least two Puritan characteristics: obsession with a cataclysmic end to the world and a holier-than-thou attitude.

NANCY SCHAUFFLER
Woodstock, N.Y.

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KAMIL KUSTAH
Houston

OPINION

Trump's Opportunity to Arm Ukraine

By Stephen Blank

President Trump's trip to Poland this week is an exceptional opportunity to reassert U.S. leadership and American greatness. In Warsaw Mr. Trump can reaffirm the U.S. commitment to European security by giving Ukraine the weapons it urgently needs to defend itself against Russia's continuing aggression.

How to promote freedom, advance U.S. interests, and show strength to Russia.

Russia's violations of the 2015 Minsk II accords grow daily in both number and intensity. Moscow has reconstituted four armies on Ukraine's borders, rebuilt the Black Sea Fleet, created a powerful anti-access and area-denial bubble in the Black Sea, militarized Ukrainian energy installations there and prepared the logistical infrastructure for a ma-

jor war with Ukraine, including potential amphibious operations in the South. It is building nuclear bunkers in Feodosia and Sevastopol. The Russian military clearly regards large-scale, protracted conventional war, backed by mounting nuclear threats, to be a real possibility.

Vladimir Putin believes that he is already at war with the West, even if shots are not yet being fired. How else to explain repeated overflights of Europe, close encounters with U.S. and other NATO naval and air forces, election subversion in France, Germany and Holland, massive information-war campaigns throughout Europe that coincide with continued hacking against America's political system?

Though Mr. Putin occasionally praises Mr. Trump, his actions show that he is contemptuous of the American president—and of U.S. resolve.

The Obama administration's strategic dereliction compounded the Russia problem. Mr. Trump's trip will be closely watched as a sign of his willingness to advance U.S. and European security. Giving Ukraine weapons that can meet Russia's threats—counter-



Defense Secretary Jim Mattis, left, and Ukraine's President Petro Poroshenko at the Pentagon on June 20.

battery radars, armored vehicles, anti-tank weapons, secure communications gear, reconnaissance drones, antilanding weapons such as shallow-water mines, and training and intelligence support—can help deter Russian aggression while solidifying American leadership of NATO.

Arming Ukraine would keep faith with American policies dating back to

President Harry Truman to support free peoples against aggression. It would enhance U.S. leadership and resolve. Moreover, it would communicate those attributes globally and create, as Ronald Reagan's policies did, a real basis for future dialogue with a Russia deprived of the means of aggression. A public show of helping Ukraine would also turn down the heat domestically.

Mr. Trump's persistent critics would be forced to credit him with resisting Russia in support of American interests.

Arming Ukraine and shoring up NATO can't be the end of it. Congress must expand and extend sanctions while passing legislation to counter Russian information warfare. Perhaps the most direct way to impose costs on Russia is to increase American energy exports to Europe.

Mr. Putin won't like any of it. His goal all along has been to sow chaos in the West and diminish NATO's influence on his doorstep. Paradoxically, he is forcing Mr. Trump to play a bigger role in Eastern Europe than the U.S. president wants to. If Mr. Putin moans about it, Mr. Trump should deliver a strong, simple message: You brought this upon yourself.

While in Warsaw, Mr. Trump will have a rare opportunity to do the right thing and demonstrate American greatness in action. For America's freedom and the freedom of Europe, he shouldn't miss that opportunity.

Mr. Blank is a senior fellow at the American Foreign Policy Council.

A Reform Win for Narendra Modi

By Sadanand Dhume

Three years after he was elected to boost India's economy, Prime Minister Narendra Modi has delivered his most significant economic reform to date. A nationwide goods and services tax that kicked in July 1 is replacing more than a dozen state and central levies, and promises to knit 1.3 billion people in India's 29 states and seven federally administered union territories into a single market.

With its finely tuned gift for hyperbole, the Modi government turned the occasion into a spectacle. On Friday, lawmakers and eminent citizens filed into a parliament building bedecked with lights for a special midnight ceremony to mark the onset of the new tax. In the past, governments have reserved such heightened symbolism for rare commemorations of India's independence from Britain. With millions of people watching on television, Mr. Modi hailed the new tax regime as "a landmark achievement that is bound to take the nation toward exponential growth."

Proponents of the GST, a value-added tax similar to those in place in many countries, laud it as the most far-reaching tax reform in India's his-

tory. They say it will increase efficiency by reducing the number of taxes businesses must file, improve logistics by dismantling border checkpoints, and boost government revenues by increasing incentives to pay taxes instead of dodging them.

For instance, large firms seeking tax credits will likely favor suppliers who are compliant with the new tax system. If things go as planned, the new tax could end up giving India's economic growth a boost.

Skeptics point out that the model India has ended up adopting—after protracted haggling between New Delhi and the states—is not merely less than perfect. It's not even a good second best.

To begin with, in the clash between India's love of complexity and the traditional simplicity of a value-added tax, complexity has clearly prevailed. Depending on how you count, India's GST boasts between five and seven rates, from 0% to 28%. Aerated drinks, many tobacco products and other goods regarded as either harmful or luxuries will attract even higher levies.

The complexity opens the door for both potential fudging by crooked businessmen and harassment by venal tax authorities. In places it shades into absurdity. Customers will pay differ-

ent taxes for the same movie or the same flight depending on how much their ticket costs.

In theory, the GST was meant to lower taxes, but in practice India's rates will be among the highest in the world. Contrast India's steep rates with

India's long-awaited goods and services tax is far from perfect. But as economic reform it's still significant.

those in traditionally well-run and prosperous economies. Australia levies a simple 10% VAT on most goods and services. Singapore's rate is 7%.

In a scramble to come to an agreement between states and the center, the Modi government has left large chunks of the economy outside the new tax net. For now many petroleum products won't be included. Nor will the GST cover alcoholic beverages or electricity. Perhaps over time the list of exemptions will narrow, but for now they appear glaring.

Then there's the fraught question of harassment by tax authorities. Before Mr. Modi came to power he promised

an end to the previous government's "tax terrorism" against both individuals and businesses. Early on in his campaign, he likened his ideal of tax collection to how a bee collects honey from a flower: in a manner that's painless and mutually beneficial.

In practice, the Modi administration has deepened some of the worst instincts of its predecessor. India's infamous 2012 retroactive tax law, which allows the government to tax transactions dating back to 1962, remains on the books. The prime minister has armed India's tax inspectors—not exactly famous for their probity—with draconian powers of search and seizure, and sharply curbed citizens' ability to appeal against arbitrary decisions. In private, some businessmen complain that the uncertainty this has generated helps explain why private domestic investment in India cratered over the past three years.

The GST is supposed to ease harassment by relying on technology. But, true to the bureaucratic spirit of this government, it includes a harsh antiprofitteering clause that allows tax authorities to haul up businessmen they accuse of not passing on the benefits of lower tax rates to consumers.

While this isn't unique to India, it underlines the central problem with

the government's taxation philosophy. Instead of widening the tax base with carrots such as lower and simpler tax rates, it prefers to wield the old socialist stick of punishment.

The framers of India's GST have also ensured that businesses will have to come to terms with a welter of complicated regulations. The jury remains out on how well small businesses, unable to hire batteries of chartered accountants and tax lawyers, will cope with the brave new world that awaits them.

For now cautious optimism appears warranted. He may have made too many compromises, but Finance Minister Arun Jaitley still deserves credit for forging a difficult political consensus on a long-awaited reform. Many of the teething troubles that businesses fear—such as unclear and excessively complex new rules—will likely become less daunting over time.

In Parliament Friday, Mr. Modi praised the GST as a "good and simple tax." This may be far from current reality, but it remains a laudable aspiration. His administration deserves credit for taking a big step on a long journey.

Mr. Dhume is a resident fellow at the American Enterprise Institute, and a columnist for WSJ.com.

Neil Gorsuch Makes a Mark on the U.S. Supreme Court

By Sai Prakash
And John Yoo

The Republican gamble to stiff-arm Merrick Garland and hold open Justice Antonin Scalia's seat appears to have hit the jackpot. In his abbreviated first year on the Supreme Court, Justice Neil Gorsuch has lived up to supporters' greatest hopes and critics' worst fears.

The term that ended last week revealed that Justice Gorsuch is no Scalia doppelgänger. The new justice has shown greater sensitivity toward individual liberties than his predecessor, who wrote a controversial 1990 decision permitting states to burden free exercise of religion with general prohibitions, including criminal laws.

Justice Gorsuch joined the majority in *Trinity Lutheran v. Comer*, which struck down Missouri's exclusion of churches from a state-funding program for playgrounds. But he refused to accept the distinction suggested by Chief Justice John Roberts, who wrote the court's opinion, between religious *status* and *activity*.

"Is it a religious group that built the playground?" Justice Gorsuch asked in a concurrence. "Or did a group build the playground so it might be used to advance a religious mission?" The majority's distinction, Justice Gorsuch wrote, made no sense under the Free Exercise Clause, which "guarantees the free exercise of religion, not just the right to inward belief (or status)."

Justice Gorsuch's arrival highlights the ascension of Justice Clarence Thomas, also frequently—and unfairly—caricatured as a Scalia clone. Astute court watchers have long understood that Justice Thomas was more conservative and intellectually aggressive than Scalia, who once called himself a "fainthearted originalist." Scalia sometimes abandoned the constitutional text when it conflicted with traditional values or established precedent.

Justice Thomas is a more consistent originalist, willing to reject longstanding doctrine and practice when they flout the Constitution's original meaning. He might have found a fellow traveler in Justice Gorsuch.

Reacting to the excesses of the Warren Court, Scalia wanted to limit judicial discretion. But he also sought to restore fidelity to the Constitution's original meaning. While the latter impulse demanded a narrowing of the court's Commerce Clause jurisprudence, which has justified the vast expansion of the administrative state, the former sometimes caused Scalia to flinch. In 2005's *Gonzalez v. Raich*, Scalia concluded that Congress could regulate the growing of marijuana for personal use. Justice Thomas voted to bar the application of federal drug laws under these circumstances.

Similarly, while Scalia wrote the seminal opinion recognizing an individual right to bear arms, he also countenanced state regulation of gun pos-

session, thereby treating the Second Amendment as a second-class right. Last week the court declined to hear an appeal in *Peruta v. California*, upholding the Golden State's virtual ban on concealed-carry permits. "The Framers made a clear choice," Justice Thomas wrote in a dissent Justice Gorsuch joined. "They reserved to all Americans the right to bear arms for self-defense. I do not think we should stand by idly while a State denies its citizens that right, particularly when their very lives may depend on it."

In the much discussed "travel ban" decision, Justice Thomas authored a concurring opinion, joined by Justices Alito and Gorsuch, arguing that immigration is properly the domain of the political branches, not the courts. *Trump v. International Refugee Assistance Project* mostly resurrected the administration's 90-day moratorium on entry by nationals of six countries, pending a full high-court review in the fall. The other six justices, however, left the door open to challenges by aliens who have some attachment to the United States.

Justice Gorsuch's arrival has underscored the court's fault lines. Conservatives have long criticized Justice Anthony Kennedy's penchant for conjuring constitutional rights out of whole cloth, from abortion to gay marriage. Chief Justice Roberts like-

Clarence Thomas, the consistent originalist, may have found a fellow traveler in his new colleague.

wise earned the ire of conservatives with his 2012 vote to uphold Obama-Care's individual mandate as a tax. In prizing consensus, Chief Justice Roberts forgets that great justices have sacrificed it for constitutional fidelity. Earl Warren regularly joined 5-4 or 6-3 majorities to apply the Bill of Rights and Reconstruction amendments more vigorously to the states. Oliver Wendell Holmes, perhaps the most influential justice of the 20th

century, was known as "the great dissenter" for a reason. Consensus comes at a cost.

Justice Gorsuch's appointment is President Trump's greatest accomplishment to date. His early decisions have solidified a three-justice conservative bloc. A resurgent conservative wing exposes the high court's directionless middle, occupied by Justice Kennedy and to a lesser extent Chief Justice Roberts.

Justice Gorsuch's noteworthy debut will prompt an even fiercer fight over the next vacancy, almost certain to occur during President Trump's term. In replacing Scalia, Justice Gorsuch may not have changed the balance of the Court on the most divisive constitutional issues. But his commitment to the original Constitution sets the stage for a noisy confirmation battle

Mr. Prakash is a law professor at the University of Virginia and a senior fellow at the Miller Center. Mr. Yoo is a law professor at the University of California, Berkeley and a visiting scholar at the American Enterprise Institute.

A Used Book Is a \$3 Time Machine

By Danny Heitman

My 16-year-old son loves to read as much as I do, but unlike me, he prefers to savor his nonfiction and novels on an electronic reader. Although I'm thrilled when any young person enjoys reading regardless of format, I wonder if my teenager is missing out on the joys of used books.

This came to mind recently when I attended a used-book sale. I go every year, and I often spot complete sets of Dickens, Twain or Poe labeled with the personal-library seals of their former owners. When I find several volumes from the same donor, I can't help but wonder if a household bookshelf has been emptied, perhaps because someone died or moved into a nursing home. I've come to regard the hints of personal history in these books as a sheltering presence, like lingering in an old church for an hour or two.

This year, for three bucks, I took home a first-edition copy of the American anthropologist Loren Eiseley's 1975 memoir, "All the Strange Hours." The first page bore an inscription: "To Gar. Christmas 1976. From Mickey."

"Gar" sounded like a nickname, which made me feel as if I were eavesdropping on an intimate conversation. Within the fourth chapter, I found a longer message from Mickey, written in cursive on a yellowing sheet of loose-leaf paper: "Gar—I ended up having to send you my very own copy (still crackling now) of this because, believe it or not, I haven't been able to get to the bookstore to get you a copy. Getting ready to wrap it for you, I started reading parts of it again. I know you will enjoy reading every page of it. Have a nice Christmas. Hope to see you soon. Greetings also to Peggy. Love, Mick."

Secondhand books remind me that the world of reading spans time as readers reach across the years to shake hands with each other. Eiseley isn't read much today, but before his death in 1977, he was a big deal. His books sold well and were eagerly anticipated, which Mickey's note conveys. My vintage copy of "All the Strange Hours" had landed me in a yuletide some four decades ago, when Jimmy Carter had just defeated Gerald Ford for the presidency, and readers raw from raging inflation and Water-

gate would surely have found respite in reading a naturalist's memoir.

In "84, Charing Cross Road," Helene Hanff celebrated old books as torches passed between generations. "I do love secondhand books that open to the page some previous owner read oftenest," she wrote. "The day Hazlitt came he opened to 'I hate to read new books,' and I hollered 'Comrade!' to whoever owned it before me."

Like Hanff, I've opened old books and found some path a prior pilgrim has worn through the text. In my tattered copy of Virginia Woolf's "A Room of One's Own," a reader I'll never know penciled "integrity" throughout one chapter, inviting me to consider to what degree that single word might summarize Woolf's sensibility.

I've been thinking about how I might extend my own greeting to some future soul through the books I'll leave behind, as I turn each page of my old Eiseley, hoping, as I always do when I read, to touch the eternal.

Mr. Heitman, a columnist for the Advocate in Baton Rouge, La., is author of "A Summer of Birds: John James Audubon at Oakley House."

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LIFE & ARTS

ART REVIEW

Finding Meaning in the Scraps

BY LEE LAWRENCE

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

Some 25 years later, Ms. Berliner is curator of Chinese art at the Museum of Fine Arts, Boston, and is giving this intriguing genre its due. Since she joined the MFA in 2012, the institution has acquired some 40 *bapo* paintings, making it the largest museum collection of its kind. Now, with “China’s 8 Broken: Puzzles of the Treasured Past,” she has staged the genre’s grand debut. While the show includes some decorated objects and a most amazing piece of embroidery (all on loan), the primary focus is on paintings. From a distance, they look like collages of writings, paintings and rubbings the artist has salvaged—edges are torn, frayed, or charred; ink rubbings of inscriptions have faded patches; paintings have folds and rips, missing sections and insect damage.

In a few, the artist emulated 17th-century art lovers, who displayed cherished works by pasting them onto a screen. In most, however, the bits and pieces cascade down the length of a scroll, clump, and occasionally coalesce into the shape of a dragon, scepter, or coin. Such forms are auspicious, as are some texts reproduced in the paintings. This explains the show’s title: It is a translation of *bapo*, which combines the lucky charms of the number eight and the notion of incompleteness. But that’s



Untitled *bapo* from 1911. The long-dismissed genre of Chinese *bapo* painting, in which artists portrayed objects hyper-realistically, is having its debut examination.

not all the paintings are about.

At one level, there’s quite a lot of boasting going on. Artists are showing off their knowledge and skill, while buyers are advertising themselves as men so cultured they recognize snippets of poetry, allusions, ancient masterpieces. Yet there is something almost tongue-in-cheek about paying homage to ancient masters using frowned-upon realism. And while the artists purport to duplicate the real thing, some play tricks. A painting by Wu Chunkui includes a rubbing with a large crack, yet the stone it replicates has never suffered such damage. What are we to make of that?

Or, for that matter, of artists mixing in mundane mementos like a ticket stub, toothpaste wrapper, or matchbox label? It is tempting

to see pastiches of classic and modern—the revered poem tossed in with the discarded wrapper—as criticisms of China’s veneration of the past. Or perhaps as sermons about the futility of earthly pursuits, be they highbrow or low-brow. This was my first reaction and, Ms. Berliner says, hers. But the timeline she has pieced together and the texts she has translated—both of which the show outlines nicely—cast a different light on *bapo*. Consider that, from 1850 until 1864, fighters in the Taiping Rebellion disparaged tradition, killed millions and laid waste to a great swath of the country. Elsewhere, Muslim rebels staged uprisings, some lasting until the late 1870s. China’s last imperial dynasty was flailing, finally falling

in 1911/12. And all the while Western-style modernity was encroaching at an ever-quickenning pace.

No single interpretation fits all. Some artists might have been calling attention to the value in the ordinary—does a printed school primer not belong in the venerable history of imparting knowledge? Is the invention of toothpaste not wonderful? But it seems likely that others harbored darker thoughts. The hope that “worm-eaten pages may have spirits preserved within” appears in one; in another, a poem mourning the destruction of past treasures. They can be read as warnings that, given the turbulent and violent times, China’s cultural heritage risked going the way of flotsam.

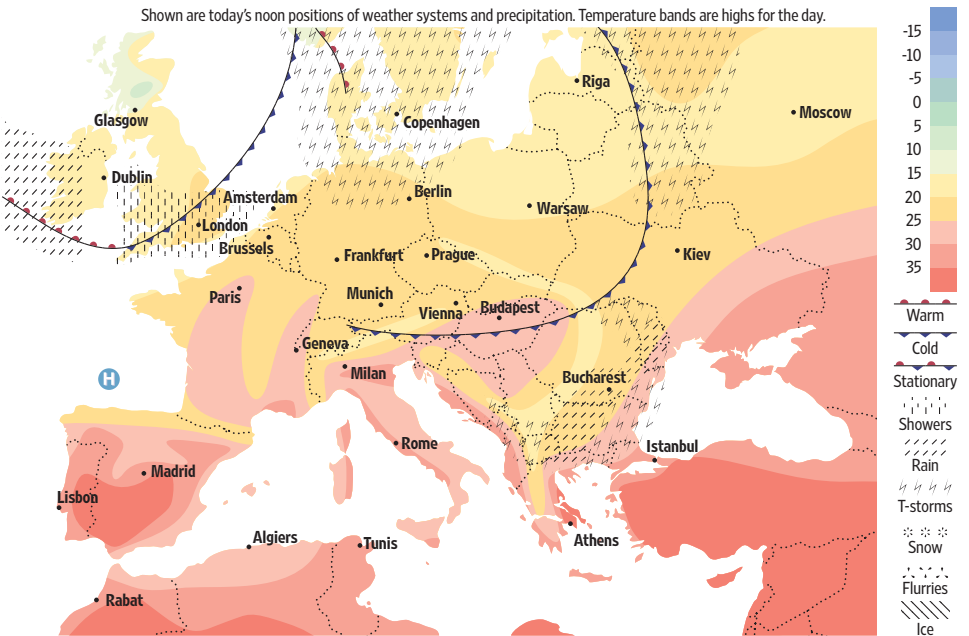
Bapo was not the only name

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

China’s 8 Broken: Puzzles of the Treasured Past
Museum of Fine Arts, Boston, through Oct. 29

Ms. Lawrence writes about Asian and Islamic art for the Journal.

Weather



The WSJ Daily Crossword | Edited by Mike Shenk

FLYING COLORS By Alice Long

Across

1 Flying colors?
5 Upturned, as a box
10 Its HQ is the J. Edgar Hoover Building
13 Nation west of Egypt
15 Smooth transition in music
16 Sports official
17 Congregation answers
18 Strabismus, familiarly [1]
20 Doofus [1]
22 Mother of Kourtney, Kim, Khloé and Rob
23 Superlative suffix
24 Sea dogs

Down

1 Torch feature
2 Bartender's bowlful
3 "My Heart Skips ____"
4 Peer in an Ibsen play
5 Hollywood award
6 Mathletes, stereotypically
7 Sense of self
8 Letters between mus and xis
9 Spot for computer icons
10 Skillet
11 Honey bunch
12 Conditions
14 Kutch of "The Ranch"
19 Stretch of history
21 Gobble up
25 Rural storage
26 Get up
27 Diner sandwiches
29 Little salamander
30 Caterers' containers

Previous Puzzle's Solution

TACO'S PAIS CHIEW
ALONE ALIT HATH
RAULCASTRO INTO
PIPE STEAMINGUP
SNEAKIER PROS
VIA YOKOONO
FIVEANDTEN KNOW
ALE VIN TEE
TIINA SEXYSYMBOLS
SEESAW'S EAR
RICE LASVEGAS
GUANTANAMOVERIE
ANTI ROBERTDOLE
EDEN AVON NEVER
LODE TARS TREYS

- 65 Color that can precede each half of each [3] answer
31 Congregation holders
32 Diva's delivery
33 Surfer's noserider
34 "Ring around the collar" brand
35 Picnic pest
36 Pinnacle
38 Pub order
41 John who plays Churchill in "The Crown"
42 Ebb
45 November 11 honoree
47 PC connection type
48 Beginning
49 Rapper's entourage
50 It merged with Exxon in 1999
51 "____ mind?"
52 Enjoy the rink
53 Spreadable cheese
55 Future tulip
56 Sleeper on a train
57 Sound from the stands
58 "____ was saying..."

The contest answer is COMPANY STORE. As suggested by 30-Across, the solution requires taking letters 5 and 10 from the six ten-letter answers (like the C and O from RAULCASTRO) to get the contest answer.

WSJ
PODCASTS



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BUSINESS & FINANCE

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Monday, July 3, 2017 | B1

Euro vs. Dollar 1.1410 ▼ 0.28%

FTSE 100 7312.72 ▼ 0.51%

Gold 1240.70 ▼ 0.28%

WTI crude 46.04 ▲ 2.47%

German Bund yield 0.467%

10-Year Treasury yield 2.298%

Total to Seal \$1 Billion Iran Deal



Total plans to develop the South Pars gas field in Iran.

By SARAH KENT
AND BENOIT FAUCON

LONDON—France's **Total** SA said it will sign a deal on Monday that completes a \$1 billion investment in a giant Iranian gas field, capping months of negotiations over the first big move by a Western oil company into the country in years.

Total will be the lead operator in a partnership with

China National Petroleum Corp. and Iran's **Petropars** to develop South Pars—a gas field under the Persian Gulf that is one of the world's largest. Iran's oil ministry said the contract would be signed Monday afternoon.

The Paris-based oil giant has led the charge to return to the oil-rich country since Western sanctions over its nuclear program were lifted. Monday's deal will be the cul-

mination of months of negotiations after Total signed a preliminary \$4.8 billion agreement to develop the giant gas deposit alongside its partners late last year.

Total Chief Executive Patrick Pouyanné has indicated the first \$1 billion to be pledged on Monday would go toward funding the project's first phase.

Total said the gas from the Pars field will supply the do-

mestic market from 2021. The company had been in talks with Iran to create the country's first liquefied natural gas export system but they couldn't agree on a gas price, people familiar with the matter said.

International oil companies have been slow to re-enter Iran following a landmark deal with world powers in 2015 that lifted many Western sanc-

Please see IRAN page B2

Bitcoin's Newest Trouble: High Fees

By PAUL VIGNA

Bitcoin was designed to be cheap, reliable and fast. Lately, though, many users are complaining that the digital currency is anything but.

The cost for investors and consumers to buy or sell bitcoin hit an average of \$5 per transaction in early June, the highest rate of its eight-year history as an alternative means of payment. The fee has since come down to about \$3.50. Two years ago, it was less than a nickel.

High transaction fees make it impractical to use bitcoin as a day-to-day currency.

The figures, from data provider BitInfoCharts, show that the growing use of bitcoin, whose total value now exceeds \$40 billion, is stretching the limits of its current market structure. In turn, dealing in bitcoin is becoming more costly and inconvenient, turning off some customers.

High fees make it impractical to use bitcoin as a day-to-day currency. Paying a \$5 fee to send \$10,000 in bitcoin isn't a big deal, but it is hard to justify buying a cup of coffee with bitcoin if the transaction costs more than the coffee.

An array of bitcoin applications such as cross-border money transfers and small-ticket consumer payments need an affordable bitcoin network to thrive. With higher fees, "I think a lot of use cases start to die," said Jonathan Levin, chief executive of research firm Chainalysis.

In recent years, consumers have been showered with rewards for swiping their credit cards—from cash back to airline miles and points for free hotel stays. The merchant pays the fee, the consumer gets the spoils.

In bitcoin's case, the fees are being borne by users.

When Cameron Oatley, a 19-year-old student in Romsey, southeast England, recently sent a friend \$30 worth of bitcoin on a U.S. platform, he was hit with a \$6 transaction fee.

"The whole reason behind bitcoin isn't really there anymore," Mr. Oatley says. "Any currency where you have to pay a huge portion of the transaction just for the privilege of using that currency is no currency."

Bitcoin transactions are processed by a group called miners, who maintain the network and get paid for their

Please see FEES page B7

KEYWORDS

By Christopher Mims

Building a Skyscraper Like an iPhone



The world's housing crisis has many causes, but there is a stubbornly persistent one that we should have been able to solve by now: productivity.

As prices of components and materials for pretty much every other physical object—cars, cellphones, clothing, etc.—have dropped precipitously, it still costs too much to build a building. Over the past 60 years, productivity in manufacturing has increased eightfold while remaining basically flat in construction, says Jan Mischke, a senior fellow at McKinsey Global Institute who specializes in infrastructure and housing.

Gadgets like iPhones, every one the same, benefit from economies of scale, but that's harder to achieve with buildings, which must fit the sites they are constructed on.

As usual, technologists think they have a solution. They are reviving surprisingly old ideas in construction, including prefabrication and modular building. But don't think "trailer park." This time, they're applying all the logistics and IT knowledge gained from building the global supply chains that deliver mobile devices, and all the automation pioneered by the automobile and other manufacturing industries. Yes, robots may be replacing more workers, but at least this should create more affordable housing.

Katerra, a construction startup, has raised \$221 million at a valuation north of \$1 billion, and it projects up to \$500 million in revenue this year. It is, in some ways, the standard-bearer of this new, tech-focused wave of interest in building.

The company currently has a single, 200,000-square-foot factory in Phoenix where it manufactures whole walls, including all the windows, insulation, electrical wiring and plumbing. Katerra uses an integrated, computer-aided design-and-manufacturing system that tells all the factory's automated saws and routers how to produce all the buildings' components. The same system connects to job-site cranes that lift and place the finished panels.

Katerra ships the walls to construction sites, where they're snapped together like Lego bricks. The company's goal is to build seven more factories within two years, each intended to serve a different geographic area. "That will cover the whole U.S.," says Katerra's chairman and founder, Michael Marks.

Construction is an industry worth more than \$1 trillion a year, and Katerra has plenty of competition. A nearly identical process has been adopted by Baltimore startup **Blueprint Robotics**, Mr. Marks says. Both companies buy their ro-

Please see MIMS page B3



'Spider-Man: Homecoming' opens this week in the U.S. Marvel Studios oversaw the movie's production while Sony picked up the tab.

Rivals Join to Spin Gold

Disney's Marvel and Sony Pictures team up for 'Spider-Man' film that looks to be a hit

By BEN FRITZ

"Spider-Man: Homecoming" brings two of Hollywood's biggest competitors together in an unprecedented partnership that one company hopes will revive its movie business and the other sees serving as a two-hour promotion for its toys.

Sony Pictures Entertainment paid for the \$175 million production of the movie, including the writing, shooting, and editing, but the entire process was managed by **Walt Disney** Co.'s Marvel Studios.

Sony will keep all of the profits "Homecoming" generates following its release on July 7. Disney controls all merchandise rights to the character and is betting that a hit movie will have millions more Spider-Man toys and bed sheets flying off shelves.

"It's an unusual thing for two companies that are so competitive, but it's better for each to have a Spider-Man movie that really works," said Amy Pascal, a producer of "Homecoming" and former head of Sony Corp.'s motion picture business who helped arrange the

unlikely partnership.

The Spider-Man franchise has had dual masters since 1999, when Sony bought big-screen rights to the character from Marvel, then an independent company. The deal gave the comic-book publisher 5% of film revenue and called for the two companies to split revenue from related Spider-Man merchandise.

The first movie Sony made under the arrangement, 2002's "Spider-Man," was a massive hit, grossing \$822 million world-wide, as were the 2004 and 2007 sequels. But ticket sales declined for a poorly received 2012 reboot, "The Amazing Spider-Man," and its sequel, which grossed a weak \$709 million in 2014.

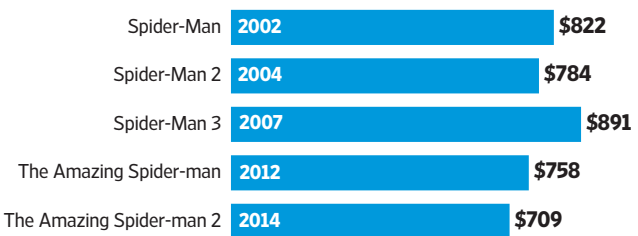
In a 2011 renegotiation designed to resolve years of behind-the-scenes legal disputes and provide Sony with much-needed cash, the Japanese company gave up its share of merchandise rights while Marvel, Disney-owned by that time, agreed to forgo its 5% of film revenue and make a one-time payment of \$175 million and pay up to \$35 million for each future film.

Now that it kept all the

Fraying Web

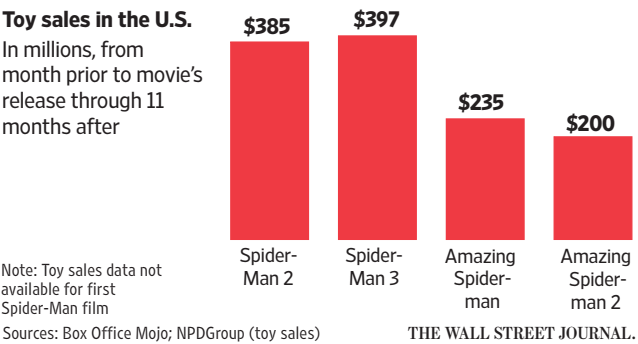
The Spider-Man franchise is getting a reboot after recent releases flopped and sales of toys fell sharply.

Global box-office in millions



Toy sales in the U.S.

In millions, from month prior to movie's release through 11 months after



Note: Toy sales data not available for first Spider-Man film

Sources: Box Office Mojo; NPDGroup (toy sales)

THE WALL STREET JOURNAL.

profit from Spider-Man merchandise, Disney cared more deeply about that business, which declined as the movies lost momentum. U.S. toy sales

of Spider-Man fell to \$200 million for a 12-month period bracketing the release of "The Amazing Spider-Man 2" in

Please see SPIDER page B2

Global Stocks Cap Strong Half, and Worries Mount

By STEVEN RUSSOILLO

Global stock markets collectively had their best opening half-year in years, but turbulence last week could be a harbinger of greater volatility.

All but four of 30 major indexes representing the world's biggest stock markets by value have risen this year, a first-half performance unmatched since 2009, according to an analysis by The Wall Street Journal. In the past 20 years, only four first-half rallies have been as widespread or better than the current global surge. Two of them preceded sharp market crashes, and two others came at the start of long bull markets.

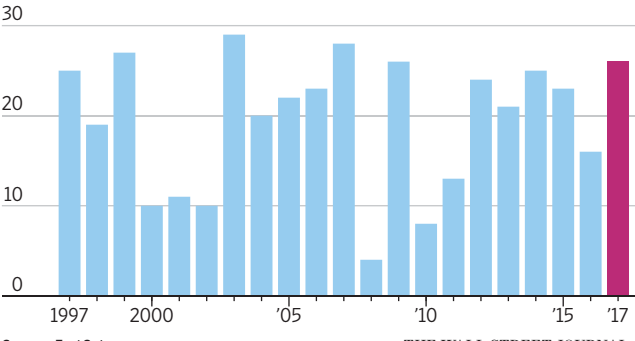
In the U.S., the tech-heavy Nasdaq Composite surged 14%, its best first half since 2009. The Dow Jones Industrial Average and S&P 500 each rose

about 8%—the best start to a year since 2013. Stock benchmarks from South Korea to India to Spain put up double-digit percentage gains for the first six months.

Positive Territory

Twenty-six of the world's top 30 stock-market indexes have risen this year, a first-half performance unmatched since 2009.

Number of indexes that rose in the first half of each year



Source: FactSet

THE WALL STREET JOURNAL.

Investors attribute the rally's breadth to strengthening corporate earnings, improving economies and continued support from central banks. Europe in particular benefited

from surprisingly stronger-than-expected economic conditions. A sentiment reading of Eurozone businesses and consumers released last week jumped to its highest level since before the financial crisis.

In the U.S., earnings growth has been a crucial to the market's performance. And a resilient tech sector, led by U.S. and Chinese giants, is an increasing influence on domestic and Asian markets.

Despite challenges to President Donald Trump's agenda, and political jolts in countries from Brazil to the U.K., stock markets have been unusually steady. Measures of volatility in the year's first half were at or near multiyear lows in the U.S., Europe and Asia.

Investors are now asking whether the strong first half heralds a choppy second half, or continued strength.

Data on global rallies offer a mixed record: A surge in the first half of 1999 preceded the tech bubble's burst. The rally to start 2007 came before the global financial crisis. But broad, world-wide gains in 2003 and 2009, similar to this year's, were early stages of yearslong market rallies.

High stock valuations and tranquil trading this year have led to concerns about complacency. Federal Reserve Chairwoman Janet Yellen warned that asset valuations were "somewhat rich." The S&P 500 trades at about 18 times projected earnings over the next 12 months, around its highest level in 13 years. Still, this forward multiple was above 26 times at the dot-com bubble's peak in 2000, according to FactSet.

Valuations are more modest

Please see STOCKS page B5

TECHNOLOGY

WSJ.com/Tech

Alibaba To Unveil Digital Assistant

By Liza Lin

Alibaba Group Holding Ltd. plans to introduce a digital personal assistant similar to **Amazon.com** Inc.'s Echo device as soon as this week, according to a person familiar with the matter.

The home device, powered by voice-recognition technology, will be targeted at Chinese consumers. Among other features, the device will allow people to use verbal commands to buy products from Alibaba's shopping platforms Taobao and Tmall, the person said.

Alibaba's digital personal assistant will be targeted at Chinese consumers.

Alibaba's device, which was previously reported by the Information, would heighten the competition for Amazon, **Alphabet** Inc.'s Google and **Apple** Inc. when they look to market their own digital assistants in China.

Chinese search-engine giant **Baidu** Inc. launched its own voice-controlled home robot, called Little Fish, in April. It includes a tablet screen that allows users to perform searches, order food and play music and movies.

JD.com Inc., Alibaba's smaller e-commerce rival, already sells a smart home speaker, called Dingdong.

These and other Chinese technology companies, including **Tencent Holdings** Ltd., control the lion's share of the domestic market for online retail, live-streaming video and search, among other services.

EU Faces Off Against U.S. Firms

A deep cultural divide between the U.S. and Europe in their approaches to Silicon Valley has thrust European officials into the role of global tech-industry cops.

By *Sam Schechner*
in Paris,
Natalia Drozdiak
in Brussels and
John D. McKinnon
in Washington

The result is that many of the most heated battles over whether or how regulators should protect car makers, news organizations and other industries from the disruptive effects of tech giants are playing out first in Brussels, Paris and Berlin instead of Washington or San Francisco.

Just Friday, Germany approved new legislation imposing €50 million fines on social-media companies that fail to quickly remove hate speech and terrorist content—over strident opposition from **Facebook** Inc. and other tech companies, which advocate self-regulation to tackle those problems. That step followed the €2.42 billion (\$2.76 billion) fine that the European Union's executive arm levied last week against **Alphabet** Inc.'s **Google** for abusing its dominance as a search engine.

These decisions have significant implications for the companies in Europe, one of their most important markets with its 500 million consumers. The rulings also influence regulators, courts and officials globally. Last week, South Korea's antitrust chief told the Yonhap News agency he would examine how to curb the market clout of Google and Facebook.

Google said it "respectfully disagrees" with the EU decision and will consider an appeal, and didn't respond to requests for comment on South Korea's plans. Facebook declined to comment.

Some of these issues are coming to a head in the U.S., too, though at a slower pace. American policy makers in

some cases are rethinking policies that were designed to nurture the tech industry in its early days, now that these companies are touching every sector of the economy.

The firms also are coming to terms with the loss of a strong ally in the White House in former President Barack Obama. When Republicans took charge in January, GOP lawmakers set out to roll back several big Obama-era policies that favored tech companies. That included the "net neutrality" regulations that prevented broadband providers from prioritizing certain internet content, and recent privacy rules that hit telecom companies but not tech firms. Up to now, though, the U.S. generally has favored a lighter approach, driven partly by Americans' aversion to restrictions on free speech. Across the Atlantic, the more tightly controlled approach is illustrated by Europeans' war-hardened devotion to personal privacy and restricting hate speech.

"It stems from very different economic traditions in how much of a role the state should have in resolving problems," says James Waterworth, vice president for Europe at the U.S.-based Computer & Communications Industry Association, a lobby group that represents U.S. tech companies including Facebook and Google. "In a globalized world, with large transnational companies, these things increasingly come into conflict."

Some free-market supporters in the U.S. and Europe view the moves by regulators as cover for political interventions and even protectionism. Europe dominated the early mobile-phone era but now has no tech companies on the scale of Google or Facebook.

Mr. Obama in 2015 said the EU's investigations into big U.S. tech companies were "more commercially driven than anything else," suggesting the EU was trying to help out European competitors.

EU officials deny such accu-



Margrethe Vestager, the European Union's competition commissioner, discussing the antitrust case against Alphabet Inc.'s Google in Brussels this past Tuesday.

Targeted

U.S. tech firms have faced investigations or possible regulations on several fronts in Europe. Here are some of the hot spots:

INVESTIGATIONS		LEGISLATION	
● Negative decision	● Partly settled	● Ongoing	● Passed
● In debate			
Taxes		Competition	
● Apple—EU		● Google—EU	
● Google—France, Italy, among others		● Qualcomm—EU	
● Amazon—EU		● Facebook—Germany	
Privacy		Online Media	
● Google—France		● Facebook/Google et al.—Germany; hate speech	
● Facebook/WhatsApp—Ireland, France, others		● Google—EU; copyright	
		● Google, Amazon et al.—EU; unfair terms	

Source: staff reports

THE WALL STREET JOURNAL.

sations but frequently say that if large tech companies, which are primarily American, want access to the bloc, they must "play by the EU's rules."

The EU's antitrust watchdog is still investigating other aspects of Google's business and chip maker **Qualcomm** Inc. for allegedly abusing their market positions. The watchdog also has been probing whether **Amazon.com** Inc. paid appropriate taxes in Lux-

embourg. The firms all deny wrongdoing.

And Europe's national privacy regulators are coordinating multiple investigations into Facebook's handling of personal information from chat service WhatsApp.

"These companies have become so dominant, so powerful, when [they] demote rivals, who puts the limit?" said Ramon Tremosa i Balcells, a liberal lawmaker from Spain who

Microsoft Plans To Trim Sales Jobs

By Jay Greene

Microsoft Corp. will reorganize its global sales group this week, laying off workers, as it refines the business to focus on selling its cloud-computing services, according to a person familiar with the plans.

The exact number of layoffs is unclear, though they will hit staff in offices around the world, this person said.

Microsoft had more than 121,000 employees at the end of March, the last time the company disclosed its head count.

Reorganizations at the software giant are something of an annual ritual, often announced at the close of the company's fiscal year, which ended Friday.

A year ago, Microsoft revamped its sales organization after Kevin Turner, the company's chief operating officer, who oversaw 51,000 employees, left the company. Microsoft Chief Executive Satya Nadella used Mr. Turner's departure to reorganize the sales group,

promoting Judson Althoff to executive vice president of its world-wide commercial business, and Jean-Philippe Courtois to executive vice president and head of global sales, marketing and operations.

The reorganization this week will refine the sales duo's roles, as well as boost the sales group's focus on cloud-computing services, according to the person familiar with the plans.

The organization has historically focused on selling packaged software and services to corporate buyers.

Microsoft has raced to build out its web-based, on-demand computing business to compete with cloud-infrastructure pioneer **Amazon.com** Inc. While Microsoft's Azure technology has emerged as the top competitor to Amazon Web Services, its 2017 sales will likely be roughly a quarter of its top rival, according to estimates from Deutsche Bank.

The Puget Sound Business Journal first reported news of the reorganization.

MIMS

Continued from page B1
bots and systems from manufacturers of construction robots based in Austria, Germany and Japan, where this kind of prefabricated construction is widespread, he says. Blueprint declined to comment for this piece.

Katerra is responsible for its buildings from design to final construction, which it says allows it to further cut costs. In consumer electronics, "design for manufacturability"—the reconfiguring of a device's shape and function to make it cheaper to build—is standard. Another thing Katerra borrows from that industry: buying goods in bulk, direct from suppliers.

Some startups are also constructing whole rooms, which can then be stacked atop one another. Google recently announced it placed an order with **Factory OS**, the startup's first order, for 300 units of housing for employees. Factory OS Chief Executive Rick Holliday says a previous project built with modular construction saved \$105,000 per unit in construction costs, which translated to

\$700 a month less in rent per unit. Google has said modular construction is also more environmentally friendly, leading to less waste.

The tallest modular high-rise ever built was completed in the Prospect Heights section of Brooklyn in November 2016 by **Forest City Ratner** Cos. A conventional builder that has explored prefab methods, the company created a factory in the Brooklyn Navy Yard.

At the project's busiest, upward of 200 people were constructing and finishing individual "mods"—three for every one-bedroom apart-

ment, says Bob Sanna, executive vice president of construction at Forest City.

Though successful, the project illustrates some growing pains of the new methods. Forest City had joined with construction giant Skanska on the modular factory, but that relationship ended, after delays in completing the high-rise, in a dispute.

History is littered with architects' experimental modular building projects, from Frank Lloyd Wright's Usonian homes to the Palacio Del Rio hotel in San Antonio, erected in record time to be ready for the 1968 World's



Modular home assembly at a Katerra facility located in Phoenix.

BUSINESS NEWS

Hollywood Seeks Better Deal With China

BELJING—China's box office remains in the doldrums, and that trend looms large as Hollywood studios argue to increase the number of films they release in theaters here.

At the year's midway-point, Chinese cinemas have grossed an estimated 25 billion yuan, or \$3.69 billion, according to Beijing film research firm EntGroup. That is a tepid 2% rise over the first six months of 2016.

The slow growth extends a trend that started in 2016, when the box office grew 3.7%. Over the previous five years, Chinese box office revenue rose an average of 34% annually.

One drag this year has been the lack of domestic Chinese-language hits, which are important in driving the-

ater attendance outside major cities.

"The local audiences are getting pickier and demand local films with better quality," said Wang Bei of iMiner, another Beijing film research company. "All those crappy local films in previous years have exhausted the moviegoing passion of local audiences, and it takes time to rebuild their confidence toward these movies."

Another drag on the box office has been China's embrace of video streaming, analysts said. About 80 million Chinese consumers now pay to stream videos, up nearly 32% from a year ago, according to Beijing-based research firm Analysys.

The top-performing Chinese film this year is Jackie Chan's

"Kung Fu Yoga," which took in nearly 1.8 billion yuan. Last year's Chinese production of "The Mermaid" nearly doubled that with close to 3.4 billion yuan.

The one bright spot in China's box office has been Hollywood films, led by the latest offering of "The Fast and the Furious" franchise, Universal's "Fate of the Furious," which has grossed nearly 2.7 billion yuan (\$400 million).

After years of rapid growth, the sharp slowdown suggests the market could be near its peak, giving Hollywood studios a sense of urgency as the U.S. and China renegotiate the 2012 deal that gave better access for American films in China, according to a person familiar with the situation.

"We believe we only get one shot at this, so we need to go for as much as we can including higher revenue share and better handling of release dates," the person said. "There's no other industry growth right now. Getting more money from China can still move the needle."

The current deal requires China to allow theatrical distribution of at least 34 Hollywood films annually, with the studios getting 25% of the revenue. It doesn't apply to films for which theatrical distribution rights are sold for a flat fee.

The **Office of the U.S. Trade Representative** is negotiating with its counterpart in China on behalf of the studios, and the two sides have

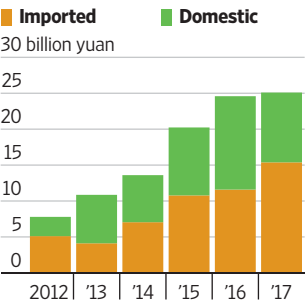
until early 2018 to come to a new five-year agreement.

The **Motion Picture Association of America**, the studio trade group, has asked the trade representative to seek concessions that include increasing the quota by at least 20 films a year and allowing studios to keep about 40% of the box-office grosses, in line with some other foreign markets, the person said. In the U.S., studios keep about 60% of the box-office receipts for hit movies.

The trade group also wants to end blackout periods when state-backed **China Film Group**, which distributes most films, restricts theaters to Chinese movies, typically during peak moviegoing periods such as national holidays.

Movies at Midyear

China's box office grew slowly in the first half of 2017, with foreign films accounting for most of the revenue.



Note: First-half figures; 2017 through June 28; 10 billion yuan = \$1.48 billion
Source: EntGroup

THE WALL STREET JOURNAL.

China Film Group and the MPAA didn't respond to requests for comment.

—Lilian Lin and Wayne Ma contributed to this article.

MARKETS REVIEW & OUTLOOK | SECOND QUARTER



Khalid al-Falih is energy minister of Saudi Arabia and president of OPEC. Both have a lot to lose if crude prices continue their slide.

Investors Lose Faith in Oil

By ALISON SIDER

Oil prices tumbled in the second quarter, swinging into a bear market as many investors who at the start of the year clung to hopes of rapidly shrinking stockpiles finally cut their losses.

Crude ended the quarter 9% lower, and sank as much as 21.9% in June from highs set in February. A loss of 20% or more typically signals the start of a bear market.

It is a sharp shift from the first months of 2017, when investors had been divided over whether members of the Organization of the Petroleum Exporting Countries would stick to pledges to cut output, but generally believed those cuts would help ease the global supply glut and lift prices.

For a time, it seemed almost nothing could shake oil investors out of their malaise. Prices fell even after OPEC announced it would extend its cuts into next year and the U.S. Energy Information Administration reported that U.S. stockpiles fell nearly every week during the quarter.

At the same time, U.S. output has risen more quickly than many predicted: The EIA is now forecasting that it will average a record of 10 million

barrels a day next year. Output from Libya and Nigeria, OPEC members exempt from the production-cut agreements, has ramped up as well.

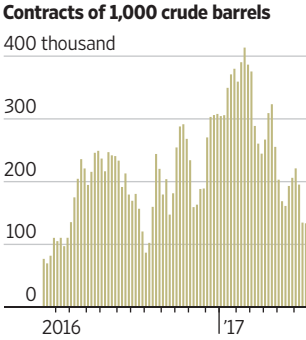
Bullish investors “are burned, they are tired and they are surly. Now they’re starting to go short,” said Robert McNally, president of The Rapidan Group. “Hell hath no fury like a hedge fund scorned.”

Hedge funds and other speculative investors have piled into bets on falling oil prices. Bullish bets still outnumber bearish ones, but by the slimmest margin since August, according to data from the Commodity Futures Trading Commission.

Prices ended the quarter on a high note, rising 2.47% Friday, after oil-field services firm Baker Hughes Inc. reported that the number of rigs drilling for oil in the U.S. edged lower by two, the first weekly decline since January, raising hopes that U.S. drillers are responding to lower prices by pulling back. During the last week of the quarter, prices of U.S. crude futures rose 7%—the largest weekly increase since Dec. 2, the week OPEC struck its deal to cut output. The seven-session streak of gains assuaged worries that prices were on course to fall

Falling Fast

Investors have all but given up on OPEC’s efforts to rebalance the oil market. Money managers’ net bullish position on U.S. oil prices has fallen to its lowest level since August.



Source: CFTC
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below \$40 a barrel. But the world is still awash in oil.

“All the bearish things are kind of still in play” said David Leben, director of commodity derivatives at BNP Paribas.

Even though many analysts still say that crude inventories are falling and that OPEC’s efforts will work, many investors are no longer buying it. Increasingly, the market is divided between those who believe that OPEC’s efforts are paying off and those who

don’t.

“It’s alarming to people because this cycle has played out very fast,” said Robin Wehbe, managing director of the Boston Company, who runs the **Dreyfus Natural Resources** Fund. “The oil market has gone from a cartel-managed business to an open-market-driven business.”

Saudi Arabia, OPEC’s de facto leader, has a lot riding on higher oil prices. The country is targeting oil prices of \$60 a barrel to smooth the way for the initial public offering of Saudi Aramco, its national oil company. That is one reason some investors still hope that OPEC will make deeper cuts.

Citigroup is among the firms that believe the market is actually getting tighter, but the firm’s analysts say for now, negative sentiment could be hard to shake.

Citi analysts say the chances that Brent crude futures will climb to \$60 by the end of the year are less than 50%, down from their previous estimate of a 65% chance. Brent settled at \$47.92 Friday.

“The fund community has been burned so badly as to reduce the likelihood of them jumping back in no matter what the fundamentals,” the analysts wrote in a June 26 research note.

Weak Inflation Keeps Yields Down

By SAM GOLDFARB

U.S. government-bond yields startled many investors in the year’s first half by falling, yanking the rug out from under expectations that a recovery in inflation would drain cash from the credit market.

The yield on the benchmark 10-year Treasury note settled Friday at 2.298%, down from 2.446% at the end of last year and well below its recent peak of 2.609% set in March. Yields fall when bond prices rise.

Weaker measures on inflation are a big reason for the yields’ decline. Inflation is perhaps the biggest threat to long-term government bonds because it erodes the purchasing power of their fixed returns. Softening inflation then bolsters demand for Treasury debt, driving down yields.

After reaching 2.1% in February, the Fed’s preferred gauge of overall inflation rose just 1.4% in May from the prior year. Core inflation, which excludes energy and food prices, has slipped to 1.4% from 1.8% in February.

This came as a surprise to many investors who anticipated inflation would surge as lawmakers cut taxes and unleash a flood of fiscal spending under a new presidential administration. Now those expectations are diminishing, especially as a retreat in oil prices threatens to weigh down costs for a broad range of products.

Many observers now question whether the Federal Reserve’s 2% target is really within reach.

“The Fed has been trying to get inflation to 2% for a long time now,” said Donald Ellenberger, senior portfolio manager at Federated Investors. As

Inflation Fade

The 10-year break-even rate, a market-based gauge of inflation expectations, has declined this year.



Note: Break-even inflation reflects the yield gap between the 10-year Treasury note and the comparable inflation-protected security.
Source: Tradeweb
THE WALL STREET JOURNAL.

the Fed starts to tighten monetary policy, “the market is saying you’re really never going to get to 2%,” Mr. Ellenberger said.

Inflation has become such a focus for credit-market investors that it has overwhelmed concerns about what the Federal Reserve is doing. Yields have declined even as the Fed

could keep raising rates, but that might only further depress inflation expectations, providing still more reason to buy bonds.

“It could be a combination of both of those scenarios,” said Sean Simko, head of fixed-income portfolio management at SEI Investments. “The end result is still that

U.S. inflation has become a focus for Treasury investors, overwhelming concerns about the Fed.

has raised interest rates twice this year and signaled the possibility of another increase in the second half of the year.

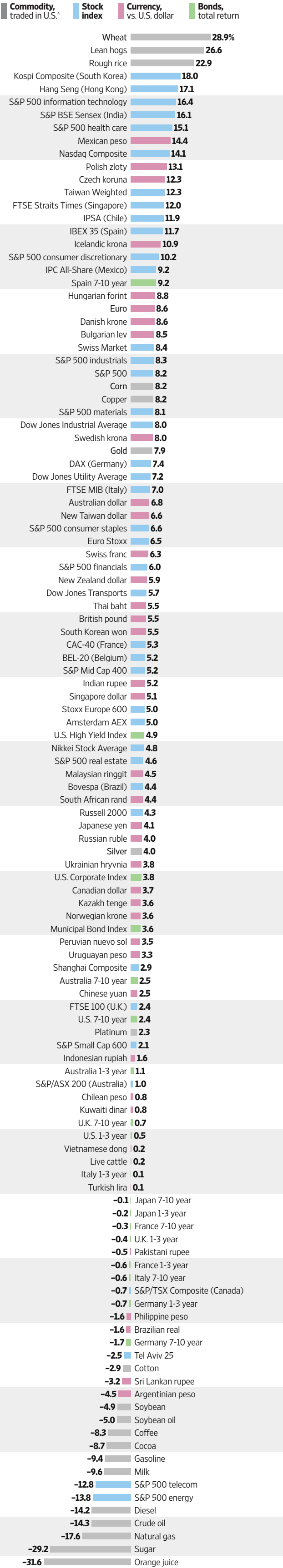
Some bond investors say that it almost doesn’t matter what the central bank does unless inflation picks up. The Fed could respond to lackluster inflation by keeping rates steady, which typically supports Treasury prices. Or it

rates are not going to go as high as everyone had expected.”

Optimism that the Trump administration would usher in a new era of economic growth driven by fiscal rather than monetary policy has dissipated. That was punctuated by the 10-year yield’s largest one-day decline in nearly a year on May 17, after reports—dis-

First Half Winners and Losers

Stock markets around the world have performed well so far this year, with big gains in technology shares. Energy markets posted some of the largest declines.



*Continuous most-active contract
Sources: FactSet (indexes, commodities); Tullett Prebon (currencies); Bloomberg Barclays (bonds)
THE WALL STREET JOURNAL.

MARKETS REVIEW & OUTLOOK | SECOND QUARTER



CHARLES BAUS/CSM/ZUMA PRESS
Relatively high returns have lured investors into new municipal bonds such as one issued to refinance Houston's NRG Stadium.

Investors Flood Into Munis

By HEATHER GILLERS

For evidence of investors' appetite for municipal debt, look no further than New Jersey.

That is where delays have plagued the planned megamall American Dream for more than a decade. Nevertheless, investors recently flooded into unrated public authority bonds designed to revive the 2.9 million-square-foot project.

The \$1.1 billion offering, which promised returns of as much as 6.86%, is a sign of how hungry investors are for new municipal debt despite mounting fiscal problems in some cities and states around the country.

Buyers have snapped up nearly \$88 billion in new public bonds this year through Friday, up 8% from the same period last year, according to Thomson Reuters. That happened as annual borrowing by local governments rose to a seven-year high.

It also comes as ratings firms have downgraded Illinois

and Hartford, Conn., to the brink of junk status, and the troubled U.S. territory of Puerto Rico was placed under court protection as a way of sorting through its mountain of liabilities.

"The market is able to take these individual events in stride," said John Miller, co-head of global fixed income at Nuveen Asset Management.

The demand for new bonds is driving down costs for government borrowers and making existing debt more expensive for investors. The S&P Municipal Bond Index gained 3.25% year to date through Friday.

One high performer was a bond issued by the Harris County Sports Authority to refinance Houston's NRG Stadium. It returned 20.7% during the second quarter through Thursday, according to bondholder Nuveen Asset Management.

The same authority struggled during the latest recession with soured debt deals, a cash crunch and ratings downgrades. But it has now been

able to set aside enough money to repay the bonds, making them more valuable.

Many investors still view public debt as a relatively safe way to make money because municipal defaults are rare and states aren't allowed to seek bankruptcy protection. But some observers say they see greater potential for losses as public expenses rise.

"Risk in the municipal market is building," said Matt Fabian, a partner at Municipal Market Analytics, in a recent note.

The performance of the municipal-debt market in 2017 is a surprise to many observers, who expected a pullback following the election of President Donald Trump. The S&P Municipal Bond Index fell 3.46% last November largely because of expectations that tax cuts and higher inflation would reduce the value of tax-exempt debt, analysts said.

About \$27 billion flowed out of municipal-bond mutual funds and exchange-traded funds during the last two

months of 2016, according to the Investment Company Institute.

But those outflows reversed at the start of 2017 as tax cuts and higher inflation looked less likely in the near term. Inflows have totaled \$15 billion so far in this year. Lower inflation expectations typically give investors confidence that the debt will retain its value.

"People got more comfortable with the fact that tax reform is not going to happen anytime soon," said Triet Nguyen, a managing director at New York-based NewOak Capital, a research and advisory firm.

A drop in municipal-bond refinancing combined with an increase in debt coming due during 2017 have also driven up bond prices as investors look for ways to use their cash, analysts said.

"Despite the Illinois and Connecticut headlines, munis have performed just fine," added J.R. Rieger, managing director of Fixed Income Index Product Management at S&P Dow Jones Indices, LLC.

STOCKS

Continued from page B1 elsewhere. Germany's DAX trades at less than half its 2000 peak. The Nikkei Stock Average fetches 17 times forward earnings, around its five-year average.

Last week, investors tasted greater uncertainty that could lie ahead, when top European Central Bank officials offered mixed messages on the future of its bond-buying program. Heads of the central banks in the U.K. and Canada also indicated they were pondering when to raise interest rates.

Stocks and currencies gyrated on the notion of less central-bank accommodation. "Central banks have created huge distortions in the markets, which are going to be difficult to unwind," said Colin Graham, chief investment officer of multiasset solutions at BNP Paribas Asset Management. "But we think they are going to talk hawkish and walk dovish," he said, implying that central banks won't do anything too drastic.

In the ninth year of a bull market in the U.S., the Dow, S&P 500 and Nasdaq Composite have set numerous records. Globally, nearly half of the top 30 stock indexes are at or near all-time highs.

"We're really seeing a synchronized global recovery take shape this year," said Graeme Bencke, global portfolio manager at Pinebridge Investments in London. "Everything is looking better."

The tech sector's rising clout has been key. The five largest U.S. companies are tech- and consumer-related companies, led by Apple Inc. They propelled the Nasdaq this year. China's tech behemoths fared even better.

Even sectors that have mostly underperformed this year, such as financials, have belatedly joined in.

After all major U.S. banks passed the Fed's annual stress tests, analysts say they look attractive again.

Banks including Citigroup Inc. and Bank of America Corp. said they would boost share

buybacks and dividends.

Among the few losers this year were energy stocks, thanks to oil's sharp decline. Exxon Mobil Corp. and Chevron Corp. were some of the Dow's worst performers.

In January, investors hoped Donald Trump's election victory would trigger lower taxes, less regulation and more infrastructure spending. France's presidential election loomed over Europe's prospects. So far, though, Mr. Trump hasn't enacted major changes to fiscal policy or taken significant protectionist measures. And pro-Europe Emmanuel Macron romped to victory in France, allaying fears about anti-European Union sentiment.

Through it all, the market's focus has remained on central bankers, the pattern since the financial crisis. While the U.S. has raised short-term interest rates four times since the end of 2015, the ECB and Bank of Japan have mostly remained accommodative, helping juice asset prices.

Investors point to a pickup in earnings growth as the vital driver of global gains.

Investors point to a pickup in earnings growth as the vital driver of global gains this year. In the U.S., first-quarter earnings from S&P 500 companies increased 14%, the best growth since 2011. First-quarter earnings in Asia-Pacific, excluding Japan, and in Europe, also grew at a double-digit rate. "Europe has gone from a headwind to a tailwind," said Mark Matthews, head of research for Asia at Swiss private bank Julius Baer. "There was a fear that the euro was unraveling. The fear is behind us."

"We've never been in a period like this," Mr. Bencke of PineBridge Investments said. "It's like central banks are slowly pulling the rug from under your feet. My hope is they'll move slowly, and the world will err on the side of caution."

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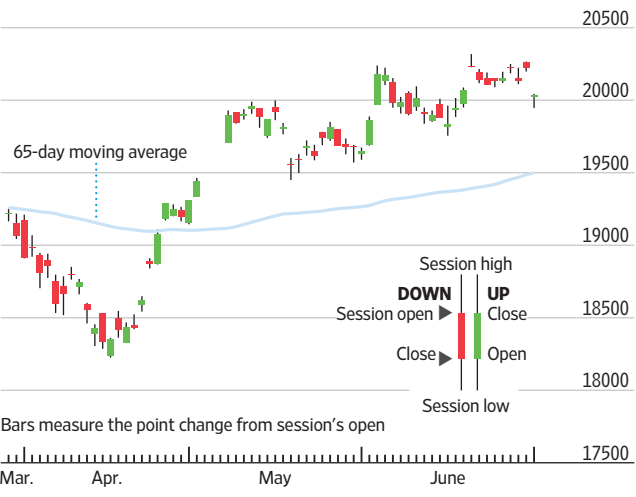
TruCost by
S&P Dow Jones Indices
ESG Analysis

MARKETS DIGEST

Data as of Friday, June 30, 2017

Nikkei 225 Index

20033.43 ▼186.87, or 0.92%
High, low, open and close for each trading day of the past three months.



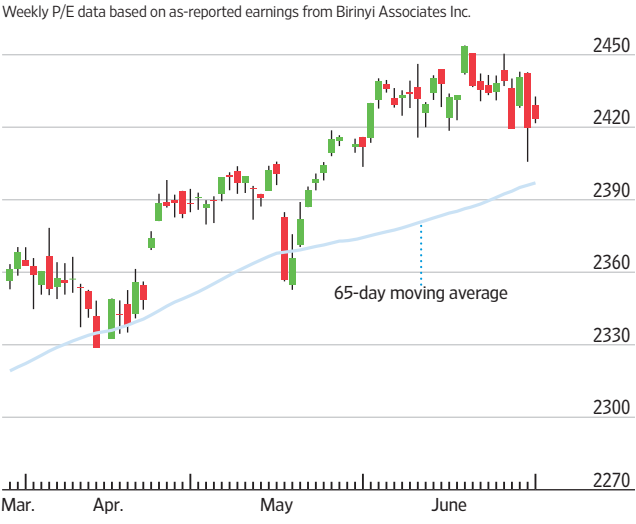
STOXX 600 Index

379.37 ▼1.29, or 0.34%
High, low, open and close for each trading day of the past three months.



S&P 500 Index

2423.41 ▲3.71, or 0.15%
High, low, open and close for each trading day of the past three months.



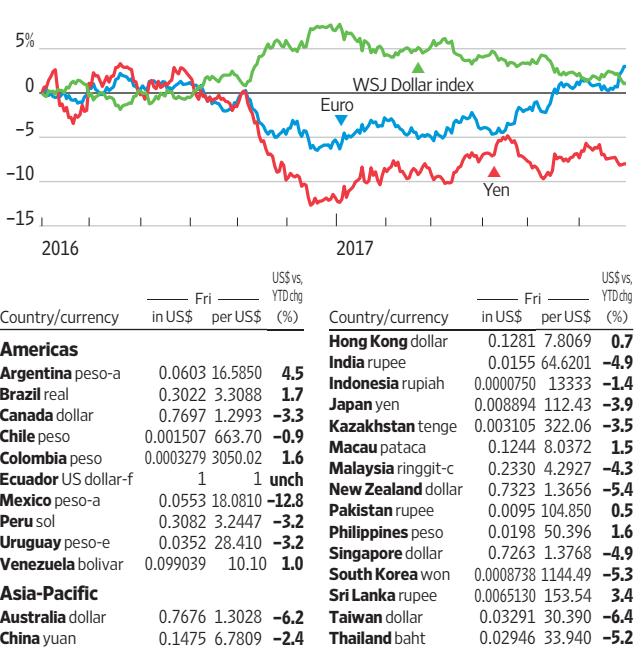
International Stock Indexes

Region/Country	Index	Close	Latest NetChg	% chg	Low	52-Week Range Close	High	YTD % chg
World	The Global Dow	2769.39	-6.25	-0.23	2284.45		2790.26	9.4
	MSCI EAFE	1883.19	-12.56	-0.66	1573.30		1916.37	11.8
	MSCI EM USD	1010.80	-3.22	-0.32	819.19		1019.11	17.2
Americas	DJ Americas	582.63	0.82		502.62		588.47	7.8
	Sao Paulo Bovespa	62899.97	661.02		51842.27		69052.03	4.4
	S&P/TSX Comp	15182.19	-31.23	-0.21	14064.54		15922.37	-0.7
	IPC All-Share	49857.49	659.37		44364.17		49939.47	9.2
	Santiago IPSA	3606.79	12.87		3113.51		3782.66	11.9
U.S.	DJIA	21349.63	62.60		17888.28		21528.99	8.0
	Nasdaq Composite	6140.42	-3.93	-0.06	4822.90		6321.76	14.1
	S&P 500	2423.41	3.71		2085.18		2453.46	8.2
	CBOE Volatility	11.18	-0.26	-2.27	9.75		22.51	-20.4
EMEA	Stoxx Europe 600	379.37	-1.29	-0.34	318.76		396.45	5.0
	Stoxx Europe 50	3122.17	-20.30	-0.65	2730.05		3276.11	3.7
	ATX	3106.66	17.82		2022.96		3209.58	18.6
	Bel-20	3793.62	-2.95	-0.08	3236.01		4041.03	5.2
	CAC 40	5120.68	-33.67	-0.65	4085.30		5432.40	5.3
	DAX	12325.12	-91.07	-0.73	9373.26		12888.95	7.4
	ATG	823.74	4.02		527.16		827.01	28.0
	BUX	35205.42	75.15		26268.11		35989.69	10.0
	Tel Aviv	1433.63	...	Closed	1378.66		1478.96	-2.5
	FTSE MIB	20584.23	-120.42	-0.58	15423.79		21787.90	7.0
	AEX	507.15	-1.38	-0.27	422.18		536.26	5.0
	WIG	61018.36	-457.60	-0.74	43549.58		62336.39	17.9
	RTS Index	1000.96	0.51		903.04		1195.61	-13.1
	IBEX 35	10444.50	-86.60	-0.82	7926.20		11135.40	11.7
	SX All Share	576.91	-2.09	-0.36	459.48		596.72	7.9
	Swiss Market	8906.89	-37.15	-0.42	7593.20		9127.61	8.4
	Johannesburg All Share	51611.01	255.04		48935.90		54548.91	1.9
Asia-Pacific	BIST 100	100440.39	250.07		71594.98		100617.69	28.5
	FTSE 100	7312.72	-37.60	-0.51	6463.59		7547.63	2.4
	DJ Asia-Pacific TSM	1624.81	-9.49	-0.58	1359.38		1640.63	14.2
	S&P/ASX 200	5721.50	-96.60	-1.66	5156.60		5956.50	1.0
	Shanghai Composite	3192.43	4.36		2932.48		3288.97	2.9
	Hang Seng	25764.58	-200.84	-0.77	20495.29		26063.06	17.1
	S&P BSE Sensex	30921.61	64.09		25765.14		31311.57	16.1
	Nikkei Stock Avg	20033.43	-186.87	-0.92	15106.98		20230.41	4.8
	Straits Times	3226.48	-32.17	-0.99	2787.27		3271.11	12.0
	Kospi	2391.79	-3.87	-0.16	1953.12		2395.66	18.0
Asia-Pacific	Weighted	10395.07	-26.58	-0.26	8575.75		10513.96	12.3

Source: SIX Financial Information;WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Fri in US\$	Fri per US\$	YTD chg (%)
Europe			
Bulgaria lev	0.5835	1.7138	-7.8
Croatia kuna	0.1540	6.495	-9.5
Euro zone euro	1.1410	0.8765	-7.8
Czech Rep. koruna-b	0.0436	22.919	-10.8
Denmark krone	0.1534	6.5173	-7.8
Hungary forint	0.003691	270.92	-7.9
Iceland krona	0.009807	101.97	-9.7
Norway krone	0.1193	8.3811	-3.0
Poland zloty	0.2697	3.7078	-11.4
Russia ruble-d	0.01691	59.143	-3.5
Sweden krona	0.1184	8.4489	-7.2
Switzerland franc	1.0428	0.9590	-5.9
Turkey lira	0.2843	3.5177	-0.2
Ukraine hryvnia	0.0383	26.0800	-3.7
U.K. pound	1.2996	0.7695	-5.0
Middle East/Africa			
Bahrain dinar	2.6504	0.3773	0.03
Egypt pound-a	0.0552	18.1200	-0.1
Israel shekel	0.2866	3.4894	-9.3
Kuwait dinar	3.3004	0.3030	-0.9
Oman sul rial	2.5964	0.3852	0.05
Qatar rial	0.2683	3.727	2.4
Saudi Arabia riyal	0.2667	3.7501	-0.02
South Africa rand	0.0764	13.0930	-4.4
WSJ Dollar Index			
	87.84	0.12	0.13 -5.48

Sources: Tullett Prebon, WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Latest	Spread Over Treasuries, in basis points	Previous	Yield	Year ago
5.250	Australia 2	1.737	34.3	32.1	28.8	101.3	1.694
4.750	10	2.608	30.4	24.6	19.3	52.3	2.514
3.000	Belgium 2	-0.469	-186.3	-184.9	-185.5	-112.5	-0.476
0.800	10	0.800	-150.4	-148.7	-155.7	-137.1	0.782
0.000	France 2	-0.364	-175.7	-175.4	-177.3	-111.4	-0.381
1.000	10	0.821	-148.3	-145.8	-147.9	-127.6	0.811
0.000	Germany 2	-0.594	-198.7	-195.5	-201.9	-124.4	-0.582
0.250	10	0.467	-183.7	-181.6	-191.6	-155.5	0.453
0.300	Italy 2	-0.307	-170.1	-167.5	-144.6	-66.0	-0.302
2.200	10	2.155	-14.9	-10.8	-3.4	-22.1	2.161
0.100	Japan 2	-0.116	-150.9	-149.4	-145.2	-88.7	-0.120
0.100	10	0.088	-221.6	-220.9	-216.9	-170.6	0.059
4.000	Netherlands 2	-0.569	-196.2	-193.5	-193.4	-118.9	-0.562
0.750	10	0.660	-164.4	-162.0	-169.5	-149.3	0.648
4.750	Portugal 2	0.082	-131.2	-121.9	-106.8	-32.5	0.155
4.125	10	3.020	71.6	74.4	88.7	152.4	3.012
2.750	Spain 2	-0.255	-164.8	-163.1	-159.2	-76.8	-0.257
1.500	10	1.532	-77.2	-74.1	-68.5	-24.3	1.528
4.250	Sweden 2	-0.617	-201.1	-202.2	-199.7	-122.1	-0.648
1.000	10	0.659	-164.5	-164.2	-171.1	-120.7	0.626
1.750	U.K. 2	0.372	-102.2	-100.0	-119.9	-47.8	0.373
4.250	10	1.259	-104.5	-101.5	-121.1	-60.0	1.254
1.250	U.S. 2	1.394	...	...	...	...	1.373
2.375	10	2.304	...	...	...	...	2.269

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

Commodity	Exchange	Last price	Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	380.00	10.50	2.84%	399.25	364.50
Soybeans (cents/bu.)	CBOT	952.50	27.75	3.00	1,034.50	907.00
Wheat (cents/bu.)	CBOT	525.75	29.75	6.00	526.00	430.75
Live cattle (cents/lb.)	CME	116.275	-0.225	-0.19%	127.650	99.400
Cocoa (\$/ton)	ICE-US	1,931	70	3.7%	2,281	1,767
Coffee (cents/lb.)	ICE-US	125.95	-0.40	-0.32	163.75	115.50
Sugar (cents/lb.)	ICE-US	13.81	0.31	2.30	20.50	12.74
Cotton (cents/lb.)	ICE-US	68.69	1.45	2.16	75.72	66.15
Robusta coffee (\$/ton)	ICE-EU	2144.00	12.00	0.56	2,286.00	1,885.00
Copper (\$/lb.)	COMEX	2.7155	0.0200	0.74	2.8495	2.4850
Gold (\$/troy oz.)	COMEX	1242.20	-3.60	-0.29	1,300.30	1,155.00
Silver (\$/troy oz.)	COMEX	16.635	-0.019	-0.11	18.780	16.125
Aluminum (\$/mt)*	LME	1,901.50	8.50	0.45	1,972.00	1,688.50
Tin (\$/mt)*	LME	19,850.00	565.00	2.93	21,225.00	18,760.00
Copper (\$/mt)*	LME	5,925.00	85.00	1.46	6,156.00	5,491.00
Lead (\$/mt)*	LME	2,307.00	26.00	1.14	2,445.00	2,022.00
Zinc (\$/mt)*	LME	2,756.00	22.00	0.80	2,958.50	2,450.50
Nickel (\$/mt)*	LME	9,330.00	150.00	1.63	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	201.00	-4.40	-2.14	n.a.	n.a.
Palm oil (MYR/mt)	MDX	2455.00	-14.00	-0.57	2966.00	2390.00
Crude oil (\$/bbl.)	NYMEX	46.14	1.21	2.69	58.30	42.06
NY Harbor ULS (\$/gal)	NYMEX	1.4840	0.0335	2.31	1.7930	1.3609
RBOB gasoline (\$/gal)	NYMEX	1.5142	0.0372	2.52	1.8561	1.3902
Natural gas (\$/mmBtu)	NYMEX	3.034	-0.008	-0.26	3.5750	2.8750
Brent crude (\$/bbl.)	ICE-EU	48.86	1.23	2.58	60.18	44.60
Gas oil (\$/ton)	ICE-EU	440.75	6.25	1.44	530.25	403.50

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3028	1.6930	1.3583	0.0116	0.1669	1.4860	1.0026	...
Canada	1.2993	1.6883	1.3550	0.0116	0.1664	1.4821	...	0.9973
Euro	0.8765	1.1390	0.9140	0.0078	0.1123	...	0.6746	0.6729
Hong Kong	7.8069	10.1458	8.1398	0.0694	...	8.9072	6.0087	5.9933
Japan	112.4300	146.1100	117.2300	...	14.4010	128.2600	86.5400	86.3100
Switzerland	0.9590	1.2463	...	0.0085	0.1229	1.0942	0.7380	0.7362
U.K.	0.7695	...	0.8024	0.0068	0.0986	0.8780	0.5922	0.5907
U.S.	...	1.2996	1.0428	0.0089	0.1281	1.1410	0.7697	0.7676

Source: Tullett Prebon

Key Rates

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FINANCE & MARKETS

Brexit Could Cost Lenders \$17 Billion

By MAX COLCHESTER

LONDON—Banks in the U.K. could be on the hook for €15 billion (\$17.1 billion) in costs to relocate certain activities to Europe after Brexit, according to a study by a finance trade group—a tab that could weigh on bank profits for years and ultimately hit **European Union** consumers.

The **Association for Financial Markets in Europe**, which commissioned the review by the **Boston Consulting Group**, warned that the cost of creating a subsidiary in the EU would have a “material impact” on banks’ bottom lines.

An industry group said the costs would have a ‘material impact’ on banks.

These additional costs could be passed on to European customers, the industry group added.

British banks will likely have to shift large chunks of their operations into the EU after the U.K. leaves the trade bloc in order to continue servicing customers there.

The U.K. is currently locked in negotiations with the EU to try to guarantee as much access to the EU as possible, while remaining outside the single market.

However, if a deal isn’t cut and the U.K.’s financial hub is frozen out of Europe, then more than €1 trillion of bank assets, including loans, securities and derivatives, may need to be rebooked into European subsidiaries, according to AFME.

That could prove expensive on several counts. Not only do banks have to shuffle staff, expand offices and get regula-

tory approval, but they would also have to capitalize their new European entities.

Investment banks used London as a springboard to sell to clients not only across Europe but also Africa and Asia. Having capital pooled in one place made it more efficient to do business. But if the rights to sell to EU clients from London are lost, BCG estimates that €70 billion of equity capital would have to be pumped into these new European units. These costs amortized over three to five years could reduce the banks’ return on equity, a key measure of profitability, by 0.5% to 0.8%, the report says.

Another question is clearing. The European Union’s executive arm proposed plans that could force clearing-houses that do a large of chunk of business in euros to move into the EU. BCG estimates that moving the approximately €83 trillion of euro-denominated interest-rate contracts out of the U.K. would force European banks to hold an extra €30 billion to €40 billion of collateral.

Clearing is a business that depends on scale, where a mass of contracts with opposite bets can cancel each other out, reducing the amount of capital banks have to hold against the risk.

Siphoning off contracts to a new location could make clearing more expensive, analysts say.

A survey showed that European businesses were largely unconcerned with the banks’ plight. “Most businesses we interviewed told us that they expect their banks to address all the challenges and absorb all the costs that Brexit could create,” the AFME report said. The report reiterated a point that bankers have been making to policy makers for over a year: any shift needs to be gradual to allow business to adjust.

FEES

work in newly created bitcoin and through transaction fees. Until a few years ago, the fees were an afterthought. But rising activity has changed the math.

The increased popularity of the currency has pushed the number of transactions to about 260,000 a day from 100,000 a few years ago. The network, however, still can only process about seven transactions a second, which has resulted in bottlenecks.

To expedite orders, end users have the option of offering a higher fee as an incentive to miners to process their transactions. The fee you pay can determine how fast you get bitcoin.

Eric Piscini, a principal at Deloitte Consulting LLP who specializes in virtual currencies, recently tried to move a small amount of bitcoin without paying a fee. It took two days.

“It’s an issue,” says Mr. Piscini. “If you want to pay a



MARK BLINCH/REUTERS

Average cost for consumers to buy or sell bitcoin hit a \$5 in June.

merchant, either the merchant is taking the risk that the transaction won’t be validated, or he has to wait two days before he gives you the service or product.”

Bitcoin fees also fluctuate with demand; when trading is busier, the fee goes up. Some services like San Francisco-based Coinbase charge customers an average network fee; others allow users to manually set the fee themselves.

Rising fees have led the bit-

coin community to renew efforts to solve problems with the currency’s market structure—the so-called “scaling” stalemate that essentially boils down to how many bitcoins can trade at one time.

The question of how to best increase network capacity has long divided the industry. Entrepreneurs, who have built businesses around bitcoin, see the currency as something to be used and exchanged frequently.

Goldman Sells Some Venezuelan Bonds

By MATT WIRZ
AND LIZ HOFFMAN

Goldman Sachs Group Inc. has begun offloading some of the \$2.8 billion in Venezuelan bonds it acquired in a controversial deal involving the country’s central bank, according to people familiar with the matter.

The Wall Street firm’s asset-management arm sold at least \$300 million face amount of the debt to a small group of hedge funds in recent days, people familiar with the trades said.

The firm’s purchase of the bonds in May drew harsh criticism from Venezuelan opposition leaders, some investors and U.S. Sen. Marco Rubio (R., Fla.) for supplying cash to authoritarian President Nicolás Maduro.

Goldman Sachs Asset Management sold the debt to promote trading of the bonds,

which the firm hopes will push up prices and legitimize the securities in the eyes of other investors, people familiar with the trades said.

The trades come as Goldman closed its books for the second quarter on Friday, and could justify a higher valuation for the bonds, both in the price bump and by easing the “illiquidity discount” that is often applied to bonds that trade in-

frequently. The sale of even a sliver of the firm’s holdings shows that some on Wall Street remain eager to trade in Venezuela’s high-yielding debt.

Four or five hedge funds in London and New York bought the bonds of state-owned oil company **Petróleos de Venezuela SA**, or **PdVSA**, due in 2022 from Goldman for about 32.5 cents on the dollar, slightly more than the 31 cents the firm

paid when it purchased the bonds from Venezuela’s central bank in May, according to people familiar with the matter.

Goldman now has company in what has proven to be a controversial investment. In recent weeks, some firm executives have said privately that Goldman’s chief mistake wasn’t in buying the bonds but in going it alone, buying nearly all of the \$3 billion issuance.

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FUND NAME	GF	AT	LB	NAV	CR	NAV	YTD	12-MO	2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866									
Fax No: 65-6835-8865, Website: www.cam.com.sg , Email: cam@cam.com.sg									
CAM-GIF Limited									

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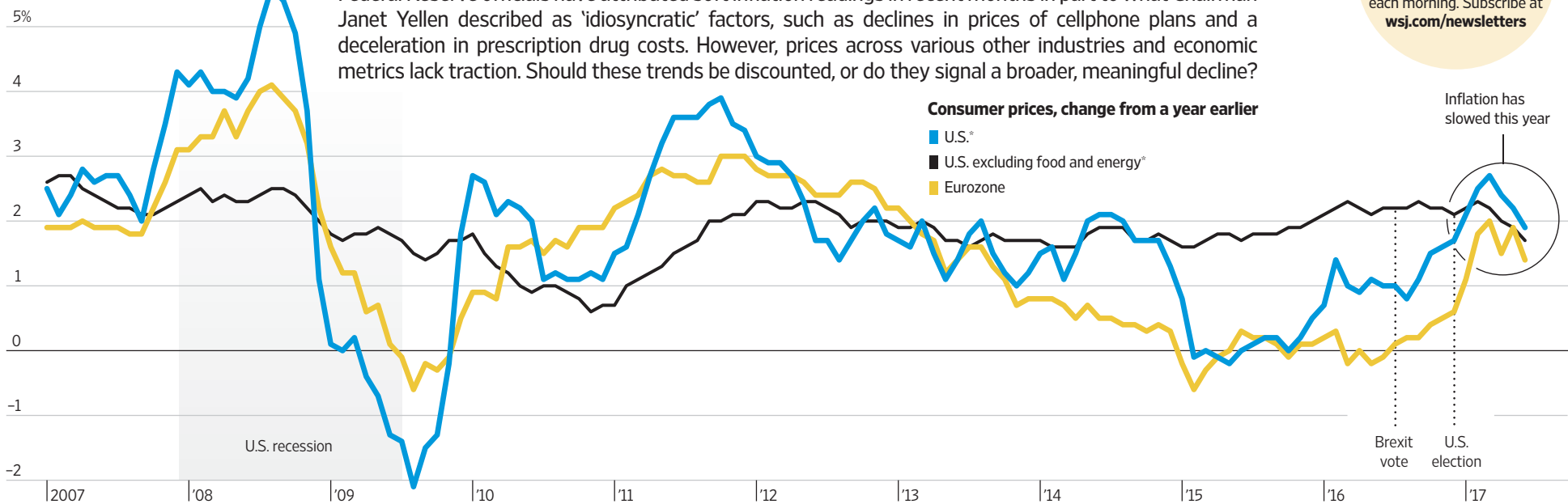
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MARKETS

THE DAILY SHOT | By Lev Borodovsky

What to Make of Softening Inflation

Federal Reserve officials have attributed soft inflation readings in recent months in part to what Chairman Janet Yellen described as ‘idiosyncratic’ factors, such as declines in prices of cellphone plans and a deceleration in prescription drug costs. However, prices across various other industries and economic metrics lack traction. Should these trends be discounted, or do they signal a broader, meaningful decline?

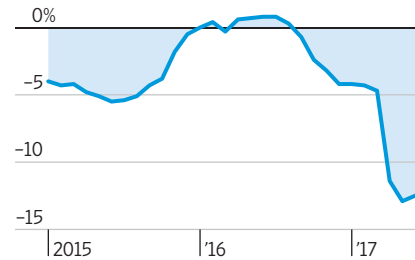


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Wireless prices have fallen and health-care inflation has slowed in recent months...

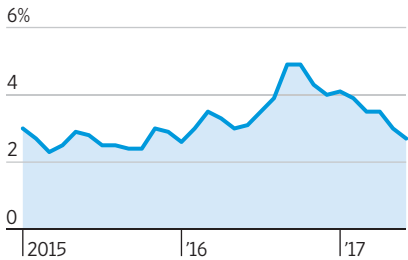
Wireless-service prices

Change from a year earlier



Medical-care prices

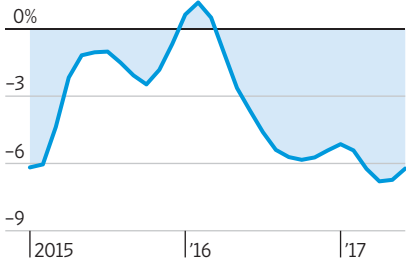
Change from a year earlier*



...But the trend is also evident in other sectors, such as used autos and education.

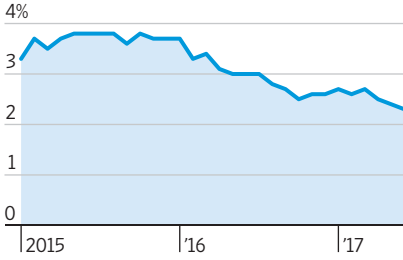
Used car and truck prices

Change from a year earlier*



Education prices

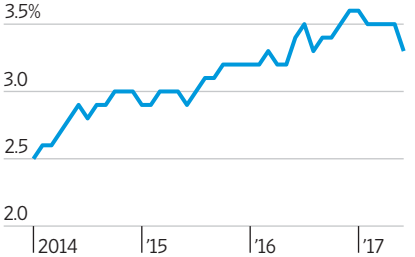
Change from a year earlier



Even sectors with persistent inflation, such as shelter, seem to have peaked. And after a run-up, prices for crude oil and other commodities have slumped.

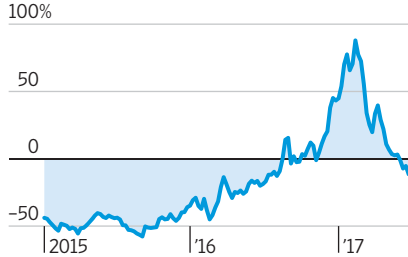
Shelter prices

Change from a year earlier



U.S. crude-oil prices

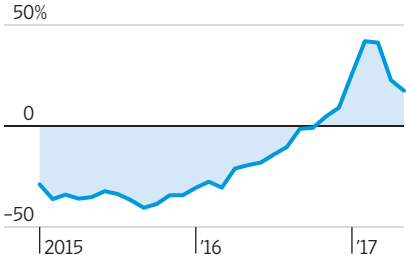
Change from a year earlier



U.S. import price inflation is also slowing. Economists have argued that tight labor markets will spur inflation, but that hasn't happened and wage growth has decelerated.

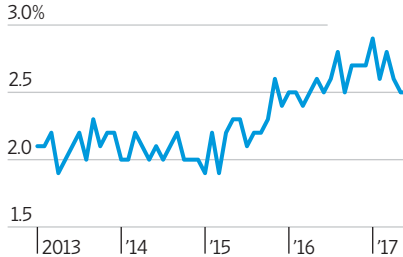
Global Commodity Index

Change from a year earlier



U.S. hourly earnings, total private

Change from a year earlier*



*Seasonally adjusted
Sources: Federal Reserve Bank of St. Louis; U.S. Bureau of Labor Statistics (U.S. inflation and wages); Eurostat (eurozone inflation); Energy Information Administration (crude); International Monetary Fund (Global Commodity Index)

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FINANCIAL ANALYSIS & COMMENTARY

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Central Bankers Shake Sentiment

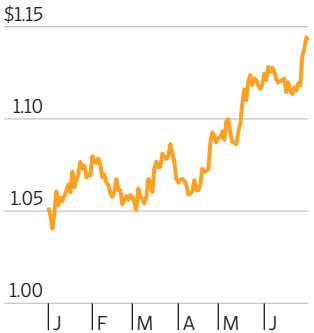
The calm has been broken. The first half of 2017 has ended with big moves in global bond yields and exchange rates, sparked by a belated realization that central banks are increasingly edging toward reining in extraordinary policy measures. The stage is set for a scrap-pier second half.

Comments last week from central bankers, most notably European Central Bank President Mario Draghi, have challenged the conditions that have lifted bonds and stocks together this year, and kept volatility low. The assumption that inflation was too soft for central banks to tighten policy is being questioned.

Falling unemployment and closing output gaps mean emergency policy looks inappropriate. Progress in the recovery means not changing policy settings delivers ever more stimulus. That raises fears about bubbles in stock and bond valuations. The withdrawal will likely be gradual, but the direction of travel is clear.

Marching Higher

How many dollars €1 buys



Source: WSJ Market Data Group
THE WALL STREET JOURNAL.



Mario Draghi, president of the European Central Bank

eurozone headline inflation came in at 1.3% for June, down from 1.4% in May. That is still far from the ECB's target of "below, but close to" 2%. But central bankers clearly want to engender confidence in deflation. And they may be more willing to look through swings in headline measures driven by erratic moves in oil and commodities prices—as long as they think they are driven by supply, not demand.

The second is investment. A pickup in investment spending would reassure central banks that growth isn't overly dependent on consumption. Bank of England Gov. Mark Carney noted in May that this could also lift the underlying level of interest rates, which would also require a response from central banks.

The third is exchange rates. Central banks on the move are likely to see their currencies appreciate. That in turn could tighten financial conditions and weigh on inflation, potentially delaying actual policy moves.

For markets, tension looms. If central bankers are making a mistake, and growth prospects dim, then bonds should do well while riskier assets struggle.

If central bankers are right, and growth is solid while inflation is being held back by temporary factors, then bond buyers should lose. After a stretch where both bonds and stocks have done well, a new landscape is forming. —Richard Barley

OVERHEARD

When **Apple** launched the iPhone 10 years ago, it touted the device as revolutionary, but it made sure to emphasize one important task: making phone calls.

When he presented the iPhone for the first time on stage in early 2007, then-CEO Steve Jobs spent a lot of time talking about the phone in the iPhone. Making calls was "the killer app."

Apple kept that focus when the device went on sale, with a promise the "iPhone delivers up to eight hours of talk time."

Today, phone calls on smartphones are almost quaint.

Most surveys now rank talking among the least popular of smartphone activities, and the quality of voice calls is still a frequent complaint.

Only Apple knows for sure what's in the 10th anniversary iPhone, but if the iPhone 7 is any guide, the killer app of the original phone will hardly be mentioned.

No one buys a phone for making calls now anyway.

China Data Show Global Growth Fine

Investors have grown accustomed to rude shocks from China, so it is always nice to get some unexpected encouraging news.

China's June purchasing managers index fit the bill—it ticked up after stalling out for two months, in a sign that this spring's tough crackdown on financial market leverage has, so far, done limited damage to the real economy.

More important, the percentage of businesses reporting stable or improving export orders hit its highest level since early 2012.

Weakening trade data from Taiwan and Korea and faltering U.S. consumer confidence earlier in the second quarter had suggested a cautious outlook about global demand. But this latest China data, paired with bullish signals from Europe, suggest it is doing just fine.

May profits in the information technology and communications sector—one of China's biggest export earners—ticked up for the second month in a row following a big drop in March. Factory input prices rose again after falling in May. Factory gate prices fell, but the fall was the smallest since March.

There were some discouraging signs: The PMIs for small and medium-size enterprises were lower in May, although they still indicated growth. Smaller firms may be feeling the pain from slower credit growth. Manufacturing employment also weakened again. A weaker job market and tougher conditions for small firms could mean a deeper slowdown in the second half.

But for now, the message from China to the world is: steady onward.

—Nathaniel Taplin

India's Sweeping Tax Overhaul Is Far From Straightforward

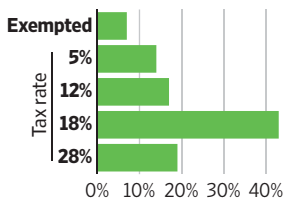
India, one of the world's fastest-growing economies, was implementing one of the most sweeping tax overhauls in its history over the weekend. But cheering investors should be cautious.

The introduction of a countrywide goods-and-services tax should put India in line with many countries by introducing a unified levy on sales across the nation. Taxes on goods shipped across the vast nation will be charged at their final destination, replacing the current muddled system under which layers of taxes are charged whenever goods cross state borders.

Any reform that lowers the cost and complexity of

Taxing Goods

Portion of goods affected by tax rate under India's new levy



Source: DBS
THE WALL STREET JOURNAL.

doing business in India is a positive. Still, following Prime Minister Narendra Modi's botched demonetization program last year, there is a risk that the rollout could

go wrong.

The country's growth and consumption, already hit by the cash cleanup, could be derailed further if companies struggle to adjust.

Like most things in India, the tax, too, is complicated. Rather than creating a single sales-tax rate, as in most countries, rates will vary on different categories of goods, ranging from 5% on mass-consumption goods to 28% on consumer durables. Items such as tobacco and luxury cars could face an even higher rate.

The variations mean companies might have incentive to produce lower-quality goods or find some other way

to circumvent higher rates on their goods. Moreover, a confusing "antiprofititeering" clause means businesses will have to pass on any upside they gain from lower taxes on their goods by cutting prices.

The broader upshot is that consumer demand in India faces significant change. More than one-quarter of Indian consumer goods, including hair oil, incense sticks, soda and the widely used clarified butter known as ghee, are set to get more expensive while one-fifth will get cheaper, according to Goldman Sachs.

For consumer companies with deep supply chains across India, this alters the

calculus of doing business. India is a notoriously price-sensitive market. Pharmaceuticals giant GlaxoSmithKline, which has a big business in India, faces lower sales growth in fiscal 2018 because of the tax, analysts reckon; its consumer health-care company will likely have to raise prices or endure thinner margins. **Maruti Suzuki**, maker of one of the most popular cars on Indian roads, could see prices fall by 2% to 3%, which could hit revenue if a rise in demand doesn't compensate.

In India, it seems, even reforms supposed to simplify can prove a headache.

—Anjani Trivedi