THE WALL STREET JOURNAL.

DOW JONES | News Corp

WEDNESDAY, JULY 19, 2017 ~ VOL. XXXV NO. 118

WSJ.com

EUROPE EDITION

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What's News

Business & Finance

Goldman said fixed-income trading fell 40%, placing it at the back of the pack among big U.S. banks to report quarterly results. **A1**

◆ **Bank of America** reported a 10% rise in quarterly profit as the lender continued to pocket gains from Fed rate increases. **B1**

◆ **Ecuador broke ranks** with other OPEC members, saying it could no longer comply with an agreement to cut oil production. **B1**

◆ **Google is relaunching** its head-worn Glass device, targeting corporate customers, after its first version flopped due to privacy concerns. **B1**

◆ **Lockheed said** its order book had exceeded $100 billion on sales of F-35 combat jets, helicopters and missile-defense systems. **B3**

◆ **J&J raised** its sales and profit outlook for the year even as the health-care giant's drug revenue declined amid stiffer competition. **B2**

◆ **UnitedHealth reported** second-quarter profit growth and raised its projections for the year, fueled by its Optum health-services arm. **B3**

◆ **Foreign purchases** of U.S. residential property surged to a record $153 billion in the year ended in March, lifting prices in major markets. **B6**

◆ **Ad-tech company Sizmek** agreed to acquire Rocket Fuel, a public ad-tech firm, for $125.5 million. **B4**

◆ **AMC denied** that it got financial help from China's Wanda for the acquisitions of four cinema chains. **B4**

World-Wide

◆ **Republican leaders' plan** to repeal the ACA was derailed when three GOP senators refused to dismantle the health-care law without a replacement. **A1**

◆ **The U.S. Treasury** levied additional sanctions on Iran, targeting its elite military unit and ballistic-missile program. **A1**

◆ **Russian-backed** separatists declared a new state in Ukraine, ratcheting up a confrontation with Kiev. **A4**

◆ **U.S. House Republicans** are unveiling a bill that would revamp the tax code and medical malpractice laws and repeal financial rules. **A6**

◆ **The White House** released its road map for remaking Nafta that aims to keep "Buy America" provisions and cut the U.S. trade deficit. **A4**

◆ **Venezuela denounced** Trump after he threatened sanctions unless Maduro abandons his plans to rewrite the constitution. **A4**

◆ **Duterte is seeking** to extend martial law on the Philippine island of Mindanao, citing a threat from Islamic State-linked militants. **A5**

◆ **California Gov. Brown** scored a major win for his climate-change agenda when the Legislature extended a cap-and-trade program. **A7**

◆ **China's internet censors** have demonstrated the ability to delete images in chats as they are transmitted. **A3**

◆ **A Turkish court jailed** six human-rights activists pending trial for allegedly aiding an armed terror group. **A5**

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

Repeal of Health Law Lacks Votes

After the GOP's bill collapsed, a plan to scrap Obamacare and replace it later also fails

BY KRISTINA PETERSON

WASHINGTON—Senate GOP leaders' latest plan to vote on a measure repealing the Affordable Care Act was immediately derailed Tuesday when a trio of Republican senators said they wouldn't dismantle the 2010 health-care law without having a replacement in hand.

Sens. Susan Collins of Maine, Shelley Moore Capito of West Virginia and Lisa Murkowski of Alaska all said they would oppose rolling back the law, quickly crippling the plan by Senate Majority Leader Mitch McConnell to put Republicans on the record trying to deliver on their yearslong promise to dismantle the health law known as Obamacare.

Mr. McConnell (R., Ky.) had said Monday night he would pursue a repeal-first approach after a number of GOP defections derailed a broader Republican health bill.

The opposition from Sens. Capito, Collins and Murkowski blunts Mr. McConnell's effort to bring up a bill that would repeal much of the law. The Senate passed a repeal bill in December 2015, but it was vetoed by former President Barack Obama, a Democrat, in January 2016.

Mr. McConnell could lose only two GOP votes to pass the legislation in a process tied to the budget, with Vice President Mike Pence casting a tiebreaking vote. No Democrats are expected to support the GOP bill.

"I said back in January that if we are going to do repeal then there has to be replace," Ms. Murkowski said Tuesday. "There is enough chaos and uncertainty already."

President Donald Trump, who on Monday night had

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Trump's Agenda

Russia-Backed Separatists Declare New State in Ukraine

ALEXANDER ERMOCHENKO/REUTERS

CONFRONTATION: The declaration marked a new phase in separatists' three-year standoff with the government in Kiev. The conflict has sparked intense conflict, including frequent artillery duels. Above, a damaged home in the rebel-controlled city of Donetsk. **A4**

Goldman Hit Again By Bond Trading

BY LIZ HOFFMAN

Goldman Sachs Group Inc.'s bond traders laid another egg in the second quarter.

Goldman, once the fiercest trading shop on Wall Street, reported a 40% decline in its all-important fixed-income trading business that placed it at the back of the pack among big U.S. banks to report quarterly results.

The poor showing followed an equally bad first quarter, and drowned out a surprise earnings beat on Tuesday, which Goldman owed to gains in its portfolio of private-equity stakes.

The firm, run by Chairman and Chief Executive Lloyd Blankfein, reported earnings of $3.95 a share on revenue of $7.89 billion, both better than analysts had forecast. Yet shares fell 2% as investors looked through to shakiness at Goldman's core, tumbling further as Chief Financial Officer R. Martin Chavez addressed concerns on a conference call.

"We didn't navigate the market as well as we want to," he said, echoing nearly verbatim comments he made three months ago about the fixed-income business. "Everyone in our business is intently focused on this topic and at a granular, molecular level are working on it, as are all of us in the leadership team."

Goldman's traders have

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U.S. Hits Iran With New Sanctions

BY FELICIA SCHWARTZ

WASHINGTON—The Trump administration levied additional sanctions on Iran, targeting its elite military unit and ballistic-missile program.

Tuesday's move followed a late-night notification to Congress on Monday that Iran was continuing to comply with the 2015 international nuclear agreement, a determination that came after an administration debate over whether to certify Iran's compliance.

"This administration will continue to aggressively target Iran's malign activity, including their ongoing state support of terrorism, ballistic-missile program, and human-rights abuses," said Treasury Secretary Steven Mnuchin in imposing the new sanctions.

Referring to the elite Islamic Revolutionary Guard Corps, Mr. Mnuchin said, "We will continue to target the IRGC and pressure Iran to cease its ballistic-missile program and malign activities in the region."

Iran's mission at the United Nations didn't respond to a request to comment. On Monday, Iranian Foreign Minister Javad Zarif said at an event in New York that Tehran is receiving "contradictory signals" from the Trump administration but will continue to comply with terms of the deal.

The Treasury Department on Tuesday designated 16 entities and individuals it said supported the IRGC. The State Department also designated two Iranian organizations involved with Tehran's ballistic-missile program.

"These sanctions target procurement of advanced military hardware, such as fast attack boats and unmanned aerial vehicles, and send a strong signal that the United States cannot and will not tolerate Iran's provocative and destabi-

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The Open Is in Britain— But Don't Call It the British

* * *

Golf governing body wants Americans to identify tournament by its true name

BY BRIAN COSTA

The organizers of the British Open didn't approve this sentence.

It is true that their tournament, set to begin on Thursday, is open to any golfer who qualifies. And it is indeed held in Britain. Royal Birkdale, in the seaside town of Southport, England, is this year's host. But they are adamantly opposed to the use of the term British Open, and have launched a serious campaign to eradicate it from the American sports lexicon.

Their tournament is the Open Championship, they say, or simply the Open. The R&A, the governing body that oversees the event, views the two names as interchangeable. The only wrong name for it is the one most Americans use.

"It's an education process we've embarked on," said Malcolm Booth, the R&A's director of sales and marketing.

To win the broadcast rights beginning in 2016, NBC Sports had to agree as part of the contract that it would refer to the tournament strictly as the

Please see GOLF page A8

EUROPEAN PRESSPHOTO AGENCY

Wildfires Threaten Key Port In Croatia

A woman covers up as forest fires enveloped parts of the coastal town of Split. Emergency officials said some 80 people sustained minor injuries in the blaze. The situation later improved as wind speeds dropped and planes fought the fires.

BANK OF DEERE LENDS TO STRAPPED FARMERS

Machinery maker steps in to extend short-term credit, expands leasing

BY JESSE NEWMAN AND BOB TITA

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

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

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

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

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

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Japan Has New Monetary-Policy Problem

Inflation is still weak, partly thanks to price competition from e-commerce companies

By Megumi Fujikawa

TOKYO—Japan thought it was on track to beat deflation. Then came the Amazon effect.

The country's retailers have been cutting prices in response to the rise of online rivals like **Amazon.com** Inc., disrupting what had seemed like perfect conditions for Japan to get the stable dose of inflation it has long been looking for.

In part as a result, Japan's central bank is likely to lower its price forecast for the current financial year at its policy meeting on Thursday, said people familiar with its thinking. That reflects continued resistance to price rises, despite Japan's longest economic expansion in 11 years and its tightest labor market in decades. The Bank of Japan is also likely to raise its view on the economy while keeping its policy settings on hold, the people said.

Japan isn't alone in its surprise at the slow response of prices to improved economic strength. Policy makers, economists and central bankers in the U.S. and Europe are also scratching their heads about why prices around the world can move so little while economic growth gathers momentum—a factor that usually drives inflation.

While BOJ officials continue to refer to a number of factors that are holding back price gains, e-commerce is now among them, people familiar with their thinking said.

Aeon Co., one of Japan's largest retailers, said e-commerce has made competition more severe, especially when consumers remain budget-minded. Aeon, which operates Wal-Mart-like superstores that sell food and general merchandise, cut prices on milk, shampoo and more than 250 other products in April and is planning to do so again in August.

Aeon President Motoya Okada said in April that consumer trends, including the low prices offered by internet retailers, left Japan unable to return to inflation after nearly 20 years in which prices have often been in decline.

"The end of deflation was a great illusion," Mr. Okada said.

E-commerce in Japan still accounts for less than 6% of retail sales, but its influence on price-setting may be much larger because e-commerce sales keep growing 8% to 10% a year, while overall retail sales are roughly flat. E-commerce makes up about 8.5% of U.S. retail sales.

Japan was the third-largest global market for Amazon.com in 2016 after the U.S. and Germany, accounting for sales of nearly $11 billion, while some local websites offering cut-rate fashion such as Zozotown are also growing fast.

"Price competition between e-commerce companies like Amazon and brick-and-mortar shops has become fierce in the U.S. and is beginning to turn that way in Japan," said Izuru Kato, president of Totan Research Co. "It isn't so simple that the BOJ can spur inflation by just easing monetary policy."

Amazon representatives didn't respond to requests for comment.

While consumers may welcome a better deal on shampoo, the BOJ and other central banks have long been concerned that broad overall price declines can hurt an economy by fostering a negative cycle of low corporate investment, low wage growth and general lack of vitality. The BOJ has targeted inflation of 2%, and it has pumped the equivalent of hundreds of billions of dollars into the economy each year through purchasing government bonds and other assets.

In the past, the central bank blamed sliding oil prices for its failure to hit the target. Recently, oil prices have stabilized, and Japan's price index edged into positive territory this year. Still, the core inflation rate in May—covering all prices except for fresh food—was just 0.4%.

BOJ officials looking for explanations cite the difficulty of changing the common view among Japanese consumers that prices don't go up. One person close to the central bank's policy makers said Amazon was helping entrench that view further.

The BOJ predicted in April that core consumer prices would increase 1.4% in the year ending March 2018, but it is likely to reduce that estimate, said people familiar with its thinking. Some of those people said recent data suggest it will be hard for inflation to reach the 2% target by March 2019 as the BOJ has projected.

Another theory gaining ground at the BOJ is that Japanese companies are investing in automation to improve productivity and offset the higher costs of labor and raw materials. This could help them avoid pushing up the prices they charge customers.

Analysts have long said Japan's heavily staffed service industries have plenty of room for more efficiencies. However, data so far don't show major productivity gains in Japan.

Online Pressure

Prices in Japan have been slow to rise. One reason could be price competition spurred by e-commerce, which is growing fast while overall retail sales are flat.

Note: CPI data adjusted for sales-tax increase in 2014; ¥1 trillion = $8.9 billion

Sources: Ministry of Internal Affairs and Communications (CPI); Euromonitor International (online shopping); Ministry of Economy, Trade and Industry (retail)

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IRAN

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lizing behavior," Mr. Mnuchin said.

The Joint Comprehensive Plan of Action, as the 2015 nuclear agreement is formally known, was championed by the Obama administration as a way to obtain Iran's agreement to significantly cut back its nuclear program in exchange for relief from international sanctions.

President Donald Trump criticized the deal during his presidential campaign and has threatened to rip it up. For now, however, his administration is continuing a review of the accord and officials on Monday said they would look to work with allies to strengthen its enforcement and fix what they described as its flaws, including clauses that allow some restrictions on Iran's nuclear program to expire.

In announcing the decision to recertify Iran's compliance, Trump administration officials said Iran wasn't adhering to the spirit of the deal and vowed that the administration would look to levy additional sanctions to address concerns about terrorism as well as other issues.

Among the individuals and entities blacklisted in Tuesday's action are Iran-based Rayan Roshd Afzar Co. and three associated individuals. The Treasury Department said the company produced technical components for the IRGC's drone program and produced tools that supported the IRGC's efforts to block social media and telecommunications access in Iran.

Qeshm Madkandaloo Shipbuilding Cooperative Co. was sanctioned for supplying equipment to the IRGC's navy and the U.S. sanctioned Turkey-based Ramor Group and its owner Resit Tavan for providing goods to Qeshm Madkandaloo.

The Trump administration also blacklisted a China-based procurement agent and several related China-based entities related for supporting Iran's military activities.

The Treasury Department also moved against Iran-based Ajily Software Procurement Group, which it said uses hackers to steal engineering software from the U.S. and other western countries.

Treasury said the group sells some of the software to Iran's military, which cannot acquire it otherwise because of U.S. export controls.

Requests for comment from Rayan Roshd Afzar Co., Qeshm Madkandaloo Shipbuilding Cooperative Co., and Ramor Group's Mr. Tavan weren't immediately returned. Ajily Software Procurement Group couldn't be reached for comment.

The action against Ajily followed a move on Monday by the U.S. Justice Department against some related individuals.

The Justice Department charged two Iranian men it said worked with a third man, who was pardoned by President Barack Obama as part of a prisoner swap with Iran that took place as the deal took effect in 2016. The two men were accused of hacking a Vermont software company and selling sensitive software to Iran, and the Treasury Department said the men were affiliated with the Ajily procurement group.

—Asa Fitch in Erbil, Iraq, contributed to this article.

EBRAHIM NOROOZI/ASSOCIATED PRESS

Officers in the elite Islamic Revolutionary Guard Corps marched outside Tehran in a 2016 parade marking the 36th anniversary of Iraq's 1980 invasion of Iran.

BANK

Continued from Page One

struggled to find their footing as markets churn quietly higher and trillions of dollars shift from human portfolio managers to algorithms and index funds that don't try to beat the market, but simply match it.

That has led to less demand for Goldman's specialty: exotic trading products that allow investors to make one-of-a-kind bets on asset prices.

The firm blamed "a challenging environment characterized by low levels of volatility, low client activity and generally difficult market-making conditions," and it cited weakness in nearly all the major products it sells, from interest-rate derivatives to credit products.

The results will likely amplify criticism that Goldman hasn't responded quickly enough to changing investor preferences and market conditions. A rejiggering of the division's leadership last fall failed to jolt the desk from its malaise, which culminated in having its revenue surpassed in the first quarter by Morgan Stanley, Goldman's rival historically weaker in debt trading. Morgan Stanley reports its earnings Wednesday.

Saving the quarter for Goldman was its portfolio of private company stakes, which rose 88%. Goldman has held on more tightly to merchant banking than rivals, and rising markets push up the prices for the shares it holds.

But investors tend to discount the lumpy revenues in the unit. Charles Peabody of research firm Compass Point called Goldman's results a "low quality beat...aided by [private equity] gains that the marketplaces won't pay up for."

Goldman's trading business is more reliant on swashbuckling stock pickers than peers, a strategy that paid off in years past but now puts the bank on the wrong side of huge shifts in the money-management industry. As more money moves from actively managed funds to passive ones, trillion-dollar pools of assets trade less frequently and generally need less-complex and fewer services.

Goldman has made a push over the past year or so to win more business from corporate treasurers and pension managers, as well as to improve client service and better track where top clients are spending their trading commissions and fees. So far, it hasn't worked. Goldman's six-month trading revenue fell 10% from last year, dropping to the lowest level in Mr. Blankfein's decade-long tenure. Commodities trading, a business he once ran, had its worst quarter in Goldman's 17 years as a public company, as the firm struggled to adequately hedge its inventory.

Goldman has suffered a stream of departures among rank-and-file fixed-income salespeople and traders in recent months. Continued woes in the division are likely to ramp up pressure for another shake-up.

"Goldman was the unbeatable firm, the smartest guys on the block," Octavio Marenzi, CEO of capital markets consultancy Opimas, said of the business's results. "They've lost that luster."

The story was better in equities, which posted its best quarter in two years. Revenue of $1.89 billion increased 17% from a year ago. A surprising bright spot was cash stockbroking, which has faced a yearslong decline as electronic trading gutted fees.

Investment-banking reported a 3% decline in revenue from a year ago, with merger fees down 6% and stock and debt underwriting basically flat.

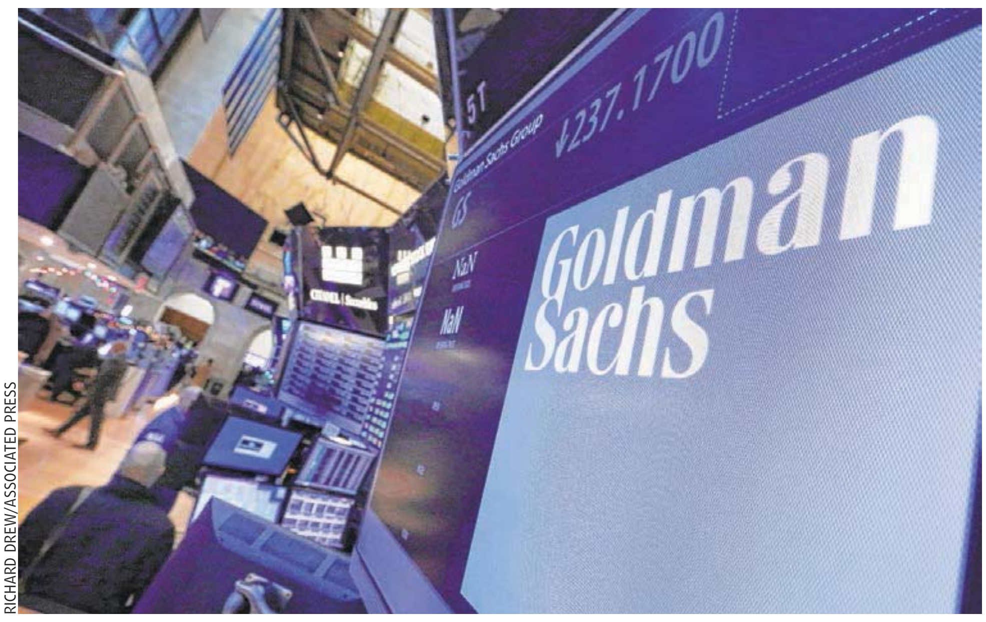
Goldman has leaned hard on investment banking in recent years, though there are signs that it also may be slowing.

A record deal boom in 2015 and 2016 is cooling, and some companies have been postponing deals as they wait to see if the Trump administration can achieve promised tax and regulatory changes.

Goldman's investment-management division reported a 13% rise in revenue and net inflows of $25 billion, though nearly all of that came from the acquisition of a business that courts big pension funds.

Goldman's return on equity, a key measure of profitability, stood at 8.7% in the quarter.

Goldman is one of few banks that has reliably exceeded 10%—a level typically demanded by investors—since the crisis. But in recent quarters, Goldman's ROE has slipped. During the second quarter, it stalled in the same place it was year ago.



RICHARD DREW/ASSOCIATED PRESS

The commodities-trading business had its worst quarter in Goldman's 17 years as a public company.

THE WALL STREET JOURNAL.
Europe Edition ISSN 0921-99
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Printers: France: POP La Courneuve; Germany: Dogan Media Group/Hürriyet A.S. Branch; Italy: Qualiprinters s.r.l.; United Kingdom: Newsprinters (Broxbourne) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY

Registered as a newspaper at the Post Office.

Editeur responsable: Thorold Barker M-17936-2003. Registered address: Avenue de Cortenbergh 60/4F, 1040 Brussels, Belgium

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WORLD NEWS

China's Online Censors Lift Their Game

By Eva Dou

BEIJING—China's already formidable internet censors have demonstrated a new strength—the ability to delete images in one-on-one chats as they are being transmitted, making them disappear before receivers see them.

The ability is part of a push by censors to step up surveillance and get ahead of activists and others communicating online in China.

Displays of this new image-filtering capability kicked into high gear last week as Chinese dissident Liu Xiaobo lay dying from liver cancer and politically minded Chinese tried to pay tribute to him, according to activists and a new research report.

Wu Yangwei, a friend of the long-jailed Nobel Peace Prize laureate, said he used popular messaging app WeChat to send friends a photo of a haggard Mr. Liu embracing his wife. Mr. Wu believed the transmissions were successful, but he said his friends never saw them. "Sometimes you can get around censors by rotating the photo," said Mr. Wu, a writer better known by his pen name, Ye Du. "But that doesn't always work."

There were disruptions on Tuesday to another popular messaging app, **Facebook** Inc.'s WhatsApp, with many China-based users saying they were unable to send photos and videos without the use of software that circumvents Chinese internet controls. Text messages appeared to be largely unaffected.

WhatsApp, which employs encryption that allows users to have secure conversations, is one of the few foreign messaging apps that has gone unblocked in China. Supporters of Mr. Liu had been using it to exchange information and images of the Nobel laureate in recent days.

WhatsApp made no technical changes that would limit its service in China, a person familiar with the matter said.

Chinese internet censorship first concentrated on word-screening software to root out politically objectionable content. As a result, internet users turned to sending photos to evade police. In response, censors upped their game by demonstrating the ability to purge images from group chats and public posts.

In a new report, researchers from the University of Toronto's Citizen Lab said they observed that WeChat expanded its image censorship to one-to-one chats for the first time, in the wake of Mr. Liu's death on Thursday.

JASON LEE/REUTERS

Researchers are probing how Tencent's WeChat is able to block images as they are sent.

Citizen Lab said it is investigating how WeChat is able to filter the images. Since the images are blocked mid-transit, the speed is too fast for human intervention. The rapid blocking suggests an algorithm is at work, Citizen Lab researcher Lotus Ruan said.

Though activists said they noticed image censoring over the past year, Ms. Ruan said Citizen Lab didn't detect this kind of targeted, person-to-person image blocking when it was investigating Chinese censorship in the spring.

Tencent Holdings Ltd., the Chinese internet company that operates WeChat, didn't respond to requests to comment. Companies are required to strictly censor their platforms, a front-line defense that is augmented by police forces dedicated to internet monitoring.

Because WhatsApp is a foreign service, China can't order it to implement fine-toothed censorship. Instead, to stop the transmission of certain images on WhatsApp, they have to disrupt the sending of images for all users in China.

The use of enhanced image filtering comes as authorities move to step up surveillance by using new data-driven technologies. Security cameras with facial recognition software are being deployed to catch jaywalkers and track criminal suspects. Local governments are rolling out "social credit" systems that catalog the digital lives of its citizens, ranging from their internet history to bill payments.

A leadership shuffle in the fall that is likely to see Chinese President Xi Jinping further consolidate his power could also help explain the evolution in censorship. Internet controls tend to tighten in the run-up to major political events in China.

These capabilities are closing a censorship gap that Chinese activists and ordinary internet users have counted on—that the sheer mass of messages was too much for censors to handle.

"If you hire a million network police, it still wouldn't be enough to filter 1.4 billion people's messages," said Bao Pu, a Hong Kong-based publisher of political books that are banned on the mainland. "But if you have a machine doing it, it can instantly block everything. It doesn't matter if it's a billion messages or 10 billion."

U.S. Walks Fine Line In Trade Talks With Beijing

By Jacob M. Schlesinger

WASHINGTON—As the Trump administration prepared for its first formal economic talks with China here on Wednesday, Chinese officials emphasized their ability to quell trade tensions with the new American president while U.S. business groups expressed concern their government might end up going too easy on Beijing.

After Donald Trump was elected last November, "many kept their fingers crossed, worrying that China-U.S. trade relations would enter a stormy season of winter and even run the risk of a trade war," Chinese Vice Premier Wang Yang told executives in Washington on Tuesday at a luncheon.

But Mr. Trump has since dropped his threats to impose drastic penalties against Chinese imports—an across-the-board tariff, or a formal charge of currency manipulation—and has so far focused on small market-opening agreements instead.

That will be the likely focus of Wednesday's economic dialogue between Mr. Wang and two top Trump economic aides: Commerce Secretary Wilbur Ross and Treasury Secretary Steven Mnuchin.

"Our economic teams have built mutual trust... featuring mutual respect and win-win cooperation," Mr. Wang said.

U.S. business groups—which had originally braced for hostilities Mr. Wang referred to—are now growing worried the Trump administration may not press China hard enough for broad reforms they consider necessary to pry China's economy open.

"Much more needs to be done," Thomas Donohue, president of the U.S. Chamber of Commerce, said at the outset of the luncheon his organization hosted.

In advance of this week's talks, the chamber submitted a report to Trump officials praising them for "a good start," but adding "additional near-term outcomes need to be more far-reaching in scope and benefit..."

The meeting comes after the Trump administration in May said it had agreed with Beijing on a broad range of measures aimed at improving the access of American beef producers, electronic-payments providers and natural-gas exporters, among others.

Some items address long-standing irritants between the two countries, as both governments strive to show warming ties.

What's a College Degree Worth? Not Much

South Korea's slowing economic growth has created a job shortage for college graduates

By Eun-Young Jeong And Kwanwoo Jun

SEOUL—Choi Young-ju earned her law degree three years ago from a South Korean college. She still hasn't found a job.

For two years, Ms. Choi has been trying to pass the government's civil-service exam to get hired as a police officer—if she can be one of the less than 1% of female applicants accepted to the force. She has failed three times, a familiar tale among a generation overflowing with graduates competing for too few jobs.

Ms. Choi's luck could change if South Korea's new leader gets his way. President Moon Jae-in wants to create 810,000 new public-sector jobs over the next five years, an increase of more than 60%, at a cost to the government of $18 billion.

"Unless we urgently come up with extraordinary measures to address this problem, youth unemployment will increase to the level of a national disaster," Mr. Moon told parliament on June 12, one month after he took office.

Slowing economic growth has left a job shortage for recent college graduates whose parents were virtually guaranteed work by the country's rapid 20th-century transformation into an industrial powerhouse. Simmering discontent helped drive mass protests against former President Park Geun-hye, who was forced from office in March, and powered Mr. Moon's election.

About one million people are out of work in South Korea, half of them between 15 and 29 years old. Many frustrated young job seekers can be found in Noryangjin, a Seoul neighborhood known for its fish market and a concentration of shabby low-rises housing government-exam cram schools.

"It's a gloomy place," said a 29-year-old civil servant who took four years to pass the exam, failing 17 times.

Students there obsess over the lack of options if they don't pass—and many don't. "It's like you're at the edge of a cliff," he said.

Mr. Moon is promoting his five-year plan to create jobs, spur companies to convert temporary contract workers into full-timers and increase the minimum wage.

Lawmakers have yet to approve spending to pay for the plan, an early obstacle at the home for a president who must also deal with an increasingly fraught military crisis with North Korea.

Lee Phil-sang, a professor of economics at Seoul National University, said Mr. Moon's hiring splurge would be unsustainable because of underlying economic challenges. To boost employment, Mr. Lee said, South Korea needs to foster competition against the chaebols, the large, family-run business empires such as **Samsung** and **Hyundai** that dominate the economy and were vital to the country's reinvention as an industrial force.


JUN MICHAEL PARK FOR THE WALL STREET JOURNAL (2)

Students preparing for civil-service exams study after class at a cram school in Seoul, above. Students obsess over the lack of options if they don't pass the exams—and many don't. Job seeker Lee Eun-Byeol, right, reviews her résumé at a coffee shop.

During his campaign, Mr. Moon proposed increasing taxes to help the state pay for new hiring. His government has since said it would do so gradually to avoid stifling private-sector job creation.

Mr. Moon did get a small win over the weekend when the independent Minimum Wage Commission said it would raise the benchmark by 16.4% at the start of 2018, the largest annual rise since 2001. Mr. Moon wants the wage to go even higher, despite pushback from small businesses.

That doesn't help college graduates, who generally aren't looking for minimum-wage-level jobs.

The president said he would meet with the heads of the chaebols to spur them to help create more jobs. He has appointed a critic of the conglomerates to head an antitrust watchdog in a bid, among other things, to improve transparency and create a level playing field for smaller companies.

"There's a limit to how many jobs can be created by large companies alone," said Lee Gyoung-sang, head of the research division at the Korea Chamber of Commerce and Industry, the country's largest private business organization. "They need to support small and medium companies that they've partnered with to help them to grow and create more jobs."

A spokeswoman for the Federation of Korean Industries, a chaebol lobby group, declined to comment on the role of large conglomerates in job creation.

Young South Koreans are among the most educated in the developed world, when ranked by percentage of college graduates. But as South Korea's economic growth has slowed—to 2.8% in 2016, down from an annual average of 8.6% in the 1980s—the private sector is no longer creating enough jobs for college-educated youth.

"High youth unemployment is reflective of a structural, supply-demand mismatch in the labor market," said Tieying Ma, a Singapore-based DBS Bank economist. South Korea needs to move up the value chain in manufacturing and services to tackle the structural problem, she said.

The jobless rate for South Koreans between 15 and 29 years old reached more than 10% this year, more than double the overall rate.

Less than 3 of every 100 applicants to South Korea's large conglomerates get hired, while around 17 of 100 get jobs they apply for at small and medium-size companies this year, according to the Korea Employers Federation.

The bleak jobs picture forced as many as 17,000 college seniors to delay graduation this year and remain enrolled to avoid the stigma of a gap on their résumés.

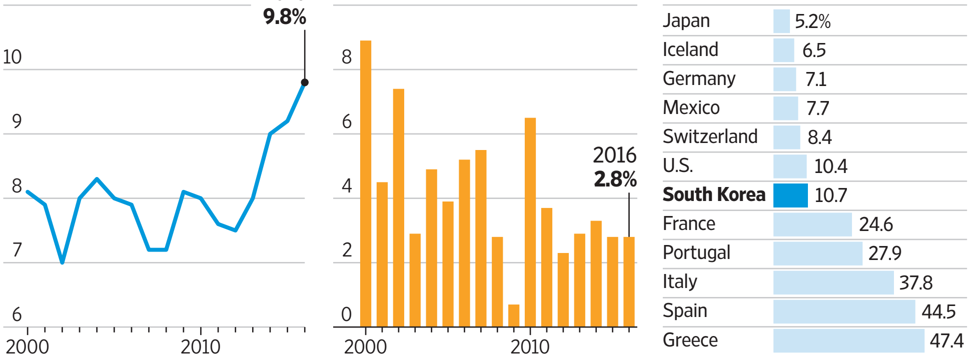
"I feel comfortable when I introduce myself as being at school, rather than jobless," said Lee Eun-byeol, a 24-year-old who was due to graduate in August 2016. She said she has made 20 fruitless applications to conglomerates.

For law graduate Ms. Choi, a 26-year-old Seoul native, to become a police officer, she will need to pass a series of exams, a physical and an interview.

"If I gave up on this, I wouldn't know what to do," she said.

Not Working

Youth unemployment in South Korea is rising as the country's economic growth slows, but it isn't as serious as in some other developed nations.



*15-29 age group **15-24 age group

Sources: South Korea's Statistical Office (South Korea youth unemployment, GDP); OECD (OECD countries) THE WALL STREET JOURNAL.

Separatists Proclaim New State in Ukraine

Announcement in the rebel stronghold of Donetsk puts in jeopardy cease-fire deal

By Nathan Hodge

MOSCOW—Russian-backed separatists declared a new state in Ukraine, ratcheting up a confrontation with the Kiev government, though Moscow distanced itself from the move as the Trump administration steps up efforts to resolve the three-year crisis.

A statement released Tuesday by the separatist Donetsk News Agency declared the formation of a new state called Malorossiya, or Little Russia—a name once used to refer to Ukrainian lands within the czarist empire. The new state, the declaration said, would include all the regions of Ukraine except Crimea, the Black Sea peninsula annexed by Russia in 2014.

"We agree that the new state will be called Little Russia, since the very name 'Ukraine' has discredited itself," the statement said.

Russia's state-controlled media gave heavy play to Tuesday's declaration, but Boris Gryzlov, the Russian government's envoy to the peace talks, said the declaration had no legal force.

"This initiative does not fit into the Minsk process," he said. "I take it only as an invitation to discussion."

The announcement drew swift condemnation from Ukrainian officials. Oleksandr Turchynov, the secretary of the National Security and Defense Council of Ukraine, blamed Russian President Vladimir Putin for inciting the rebels.

Calling separatist leaders "Kremlin clown puppets," Mr. Turchynov said the declaration was "proof of Mr. Putin's aggressive plans and his maniacal reluctance to resolve the issue in eastern Ukraine peacefully."

Washington dismissed the declaration. "That is something that is certainly an area of concern to us but beyond that I don't want to dignify it with a response," State Department spokeswoman Heather Nauert said.

Ukraine, which won independence from the Soviet Union in 1991, has been locked in conflict since separatists took over the Donetsk and Luhansk regions of eastern Ukraine, the country's industrial center.

There were signs Tuesday that not all the separatists supported the declaration. The separatist leadership in the Luhansk region said it didn't send representatives to the discussion about creating Little Russia.

The long-running conflict has sparked intense combat, with frequent artillery duels. Fighting has continued despite a European-brokered cease-fire deal that was reached in Minsk in 2015. Over 10,000 people have been killed to date.

The Ukraine crisis has been a flashpoint in U.S.-Russia relations. The U.S. and the European Union imposed sanctions on Moscow for its annexation of Crimea and its backing of separatists.

U.S. Secretary of State Rex Tillerson recently visited Kiev to shore up support for Ukrainian President Petro Poroshenko, saying sanctions would remain in place until the Russian government reverses its policies, which the U.S. and Ukraine say has included furnishing heavy weaponry and the covert deployment of Russian troops.

In a further push for a lasting cessation of hostilities, President Donald Trump recently appointed Kurt Volker, who has served previously as the U.S. permanent representative to the North Atlantic Treaty Organization, as Washington's special representative for Ukraine negotiations.

The front lines in Ukraine's east have largely solidified, with neither rebels nor government forces making significant territorial gains in recent months. A senior European official said the separatist announcement appeared designed to leave a frozen conflict in the country's east.

"They just want to scrap the Minsk process, that's clear," the official said.

VALERI KVIT/EUROPEAN PRESSPHOTO AGENCY

A Ukrainian soldier checks his weapon in the government-held city of Avdiivka. Over 10,000 people have been killed in the conflict.

Trump Unveils Blueprint for Nafta

By William Mauldin

WASHINGTON—The Trump administration released its road map for remaking the North American Free Trade Agreement that aims to preserve "Buy America" provisions and reduce the U.S. trade deficit, but steps back from some of President Donald Trump's most fiery campaign rhetoric on trade with Mexico and Canada.

The blueprint for a new Nafta shows the White House trying to navigate the shoals of striking a deal with its closest trading partners that can pass in U.S. Congress. It contains nods to Mr. Trump's base of voters fearful and angry over lost U.S. manufacturing jobs—including the broad objective for reducing the U.S. trade deficit with Nafta countries and an effort to retain rules that favor U.S. firms in government procurement.

The plan also backs an unspecified mechanism to prevent countries from manipulating their currencies for trade advantage, an issue of increasing concern among lawmakers and some economists, though one less central to U.S. trade ties with Mexico and Canada. It also includes provisions meant to challenge Mexico on labor and environmental issues.

In the 2016 campaign Mr. Trump repeatedly threatened to withdraw from Nafta, calling it the "worst trade deal maybe ever signed anywhere." The plan released Monday didn't deviate substantially from established U.S. trade policy.

The Mexican government welcomed the U.S. guidelines, and said it expects the three partners to be ready to begin formal negotiations by Aug. 16. The blueprint "will help set out more clearly the subjects to be negotiated and the timing of the modernization process," the economy ministry said in a statement.

Canada Foreign Minister Chrystia Freeland said the country welcomed the opportunity to improve the existing Nafta framework. The government would do so "while defending Canada's national interest and standing for our values," she said.

The plan drew a muted response from wary business groups and Republican lawmakers, whose votes will be needed to pass any agreement signed by Canada and Mexico.

Democratic lawmakers, meanwhile, attacked the blueprint as vague and insufficient, indicating the challenge Mr. Trump faces in winning support across party lines. And some of the Nafta objectives laid out in the document could alienate officials in Mexico City and Ottawa, including a goal of eliminating a dispute settlement system that allows trading partners to challenge duties imposed by Washington on goods allegedly dumped at below market costs.

The criticism underscores the challenge Mr. Trump—or any president—faces in negotiating a new deal in a heated political environment.

Less than two years ago, Barack Obama hammered out the Trans-Pacific Partnership with 11 Pacific nations but couldn't get the deal to a vote in Congress as the 2016 election geared up.

Mr. Trump's previous threats of withdrawing from the deal could still give him some leverage.

Some issues show common ground between Mr. Trump, who has complained about unfair trade practices in Mexico, and Democratic lawmakers, who want much stronger labor and environmental provisions in Nafta to keep companies from cutting corners by moving abroad.

In Monday's road map, the Trump administration backed much stronger labor standards in the new Nafta than the previous ones, which were added late in negotiations as a side agreement to win congressional approval of the original pact in 1993.

Mr. Trump's proposed strengthening of those provisions wasn't enough to draw the immediate support of Democrats, including those who supported Mr. Obama's policy and the Pacific pact.

Sen. Ron Wyden (D., Ore.), the top Democrat on the Senate committee that oversees trade, called the blueprint "hopelessly vague both in explaining how the administration's specific objectives will benefit the United States on key topics ranging from intellectual property rights and investment, to currency manipulation and government procurement."

—Jacob M. Schlesinger in Washington, Anthony Harrup in Mexico City and Paul Vieira in Ottawa contributed to this article.


JOSE LUIS GONZALEZ/REUTERS

Trucks wait to enter the U.S. from Tijuana, Mexico, in February.

Moscow Pushes Back As U.S. Talks Begin

Moscow turned up the rhetorical heat against the U.S. on Monday as U.S. and Russian officials met in Washington amid a continuing dispute over American allegations that the Kremlin interfered with the 2016 presidential election.

By Nathan Hodge in Moscow and Paul Sonne in Washington

The Obama administration, in response to Russia's alleged meddling in the election, late last year expelled 35 Russians it said were intelligence operatives serving under diplomatic cover. The State Department also denied Russian diplomats access to two Russian government-owned compounds in the U.S.

Speaking to reporters Monday in Minsk, Russian Foreign Minister Sergei Lavrov called the closing of the compounds "theft in broad daylight, just highway robbery."

The accusation came just before talks between Deputy Russian Foreign Minister Sergei Ryabkov and U.S. Undersecretary of State Thomas Shannon. The State Department didn't comment on the outcome of the meeting. The White House declined to comment.

Russian-U.S. relations have been in an abysmal state since Moscow's seizure of Crimea in 2014 from Ukraine. But Mr. Lavrov on Monday extended an olive branch to the Trump White House, blaming the retaliatory diplomatic measures on the Obama administration, which he said was trying to destroy U.S.-Russia relations. The Trump administration has pledged to try to restore them.

After the Obama administration introduced sanctions over the U.S. election, Russian President Vladimir Putin elected not to expel U.S. diplomats. But Russian Foreign Ministry spokeswoman Maria Zakharova recently hinted that Russia might take retaliatory measures against the U.S. diplomatic mission in Moscow.

Ahead of the Washington meeting, Russian state television gave heavy play to the subject of the diplomatic compounds, with legal commentator Gasan Mirzoyev telling state TV broadcaster Rossiya 24 that he was "absolutely sure that our side will take adequate steps in response" if the Russians aren't granted access to the compounds.

Earlier this month, three U.S. senators—two Republicans and one Democrat—sent a letter to President Donald Trump urging the White House not to return the compounds to Russia.

"The return of these two facilities to Russia while the Kremlin refuses to address its influence campaign against the United States would embolden President Vladimir Putin and invite a dangerous escalation in the Kremlin's destabilizing actions against democracies world-wide," wrote Sens. Marco Rubio (R., Fla.), Jeanne Shaheen (D., N.H.) and Johnny Isakson (R., Ga.).

Venezuela Decries Trump's Threat to Impose Sanctions

By Kejal Vyas

Venezuela issued a firm rebuke of President Donald Trump on Tuesday after he threatened to slap sanctions on the troubled oil-exporting nation unless its increasingly authoritarian leader, Nicolás Maduro, abandons his plans to rewrite the country's constitution.

Foreign Minister Samuel Moncada accused the U.S. of seeking to topple the embattled Maduro administration by backing the antigovernment protests that have rocked the South American country over the past three months, costing more than 90 lives. He said Venezuela would re-evaluate its relations with the U.S.

"This is a dark day for relations, not only between Venezuela and the U.S., but between Latin America and the U.S.," Mr. Moncada said. "Unfortunately, in the most powerful country in the world we have a president who likes humiliating his neighbors, coercing them. But with Venezuela, he won't be able to."

Mr. Maduro aims to create a new assembly with power to redraft the constitution on July 30, a measure he says is necessary to combat the country's political crisis and collapsing economy.

But his political rivals, international human-rights groups and governments say the plan is a veiled attempt at seizing more power and bypassing elections. On Sunday, more than 7.5 million Venezuelans voted in an unofficial plebiscite that expressed a mass rejection of Mr. Maduro's constitutional redo.

People familiar with the discussions in the White House say the Trump administration is weighing sanctions against Venezuela's state oil company and its executives, or even more severe measures to curtail the oil-export revenues Mr. Maduro relies on.


MARCO BELLO/REUTERS

Venezuelan Foreign Minister Samuel Moncada blasting Mr. Trump at a news conference in Caracas, Venezuela, on Tuesday.

WORLD NEWS

Amid Curbs, Sudan Minds Its Business

BY MATINA STEVIS

KHARTOUM, Sudan—In the capital of a country widely deemed a pariah state, the hustle is always on.

"We bring in all the stock in suitcases from Dubai and Doha," said Ali Kamal Ali, whose tiny electronics shop is heaving with smartphones and cases featuring the Eiffel Tower and the Grand Mosque of Mecca. "Why do you think those flights are always packed?"

But nearly two decades of U.S.-led international economic sanctions, which the U.S. delayed lifting last week, have locked this nation of 40 million people out of the Western financial system and spooked many investors.

The financial isolation—along with the strategically important country's designation as a terror sponsor and the International Criminal Court's pursuit of longtime President Omar al-Bashir for war crimes—has fostered a special kind of business acumen in executive suites and sand-caked streets: forcing businesses in this former colonial outpost to snare alternative sources of finance, sidestep trade barriers and find creative ways to import consumer goods.

The International Monetary Fund says investments from Persian Gulf states have been critical in keeping this struggling economy afloat, especially after 2011, when the oil-rich south seceded to become independent South Sudan, taking most of the country's revenue with it.

Pockets of Khartoum are starting to look like Gulf capitals. Skyscrapers bankrolled by Saudi, Kuwaiti and Qatari investments tower over the Blue and White Nile rivers that converge here. One recently developed business and residential district is called Riyadh.

Osama Abdellatif, the country's most prominent tycoon, built a desert conglomerate that employs 8,500 people, working mostly with Middle Eastern banks and selling to the Gulf's wealthy consumers.

"The impact of these sanctions on our business has been extreme, the biggest problem being banking," said Mr. Abdellatif, at his sprawling DAL Group compound, where state-of-the-art German and Swiss machines churn out thousands of bottles of Coca-Cola, packs of flour and cartons of milk a day. "Banks are extremely scared of doing business here," he added.

A $8.9 billion fine against French lender BNP Paribas in 2015 after it admitted violating sanctions sent a chilling message to major financial institutions. Correspondent banks, financial institutions that were intermediaries between Sudan and the rest of the world, pulled out soon after, rendering trade finance virtually impossible, the IMF said.

ELSADIG MOHAMED FOR THE WALL STREET JOURNAL

The bustling El-Afrungi market in downtown Khartoum reflects the resolve Sudan entrepreneurs are showing in the face of sanctions.

While the government and big business has turned to the Gulf for finance, the U.S. blockade has become a fact of life for Sudanese consumers.

There are no international automated-teller machines and debit-card payments are impossible, but that hasn't deterred would-be entrepreneurs.

At the swanky Impact Hub, a co-working space featuring a coffee bar and hipster furniture, tech-savvy Sudanese youth are trying their hand at startups, many focused on smart solutions to mitigate the impact of sanctions.

Ahmed Abdalla, a cybersecurity expert by day at African mobile giant MTN, is working on a mobile-payments platform, SIM Pay, which uses prepaid mobile-phone airtime to allow people to transact across the country. "People were counting down with the hope sanctions would be lifted," he said.

Diplomats here expect Washington to drop sanctions in the fall, as planned during the final days of the Obama administration. "When the sanctions were implemented, the hope was that there would be a popular uprising against Bashir," one Western diplomat said. "Twenty years on, I think we can safely say that didn't work."

Some congressmen and rights activists have campaigned against ending sanctions, suggesting a shift to "smart sanctions" on individuals and businesses connected to Mr. Bashir, in office for 27 years, and with alleged links to terrorism.

Sudan was first placed on the list of state sponsors of terrorism in 1993, when it harbored Osama bin Laden and other terrorists in Khartoum, and was placed under comprehensive economic sanctions in 1998 by the Clinton administration after the bombings of the U.S. embassies in Kenya and Tanzania. The sanctions were bolstered in 2007 by President George W. Bush as well as Congress in response to worsening fighting in Sudan's Darfur region.

Even if the U.S. lifts sanctions in October, Sudan's crippled economy will take many years to recover.

As part of a separate set of sanctions that aren't under review, the U.S. is blocking debt relief. Sudan owes more than $55 billion to external lenders, about half its economic output, the IMF says. Unless Washington reverses that policy, Khartoum can't apply for debt forgiveness.

For now, businesses in sweltering Sudan must wait to come in from the cold.

After the U.S. delayed its decision last Wednesday, the dollar jumped 10% on the black market, said currency traders, as they tried to fan away the heat with wads of notes.

"Sudanese love to buy new technology, they want to be part of all fashions," said Ahmed Murad, whose stall sells knockoff Chanel T-shirts emblazoned with the misspelled "CHANNEL." "When the sanctions go, I'll get the real stuff and open a boutique," he said.

Duterte Pushes to Extend Martial Law in Philippines

BY JAKE MAXWELL WATTS

MANILA—Philippines President Rodrigo Duterte has asked Congress to extend martial law in the southern island of Mindanao to the end of the year, arguing that the continued suspension of some civil liberties is necessary to contain a threat from Islamic State-linked militants.

The request would see the duration of martial law more than tripled, a sign of the difficulties the Philippines faces in ridding Mindanao of several violent extremist groups.

The military is struggling to end a bloody battle in the southern city of Marawi, where Islamic militants who occupied the city eight weeks ago are still in a standoff with government forces. The uprising has been described by government officials as an attempt by armed groups to declare an Islamic caliphate in a small Muslim-majority part of Mindanao.

Mr. Duterte is seeking an extension to martial law because he has come to the conclusion that the fighting in Marawi won't be subdued by the time its term expires this weekend, according to a letter to Congress read to reporters on Tuesday by presidential spokesman Ernesto Abella. Mr. Abella didn't provide an explanation for why such a long extension is required.

DONDI TAWATAO/REUTERS

President Rodrigo Duterte wants to extend martial law to end an Islamist insurgency in the south.

Several deadlines set by officials to end the siege have passed. Nearly 550 people have died since a failed attempt to arrest a militant leader triggered the battle. At least 45 of the dead are civilians, some of whom were beheaded by the militants.

Martial law allows the military to search and arrest suspects without the usual need for a warrant. Philippine law allows the president to declare martial law for up to 60 days but requires congressional approval for an extension. It isn't clear whether Mr. Duterte's request for more time would be granted, although the president's allies dominate both houses of Congress.

The government has responded forcefully to the occupation of Marawi, declaring its intention not to negotiate with the militants and sending troops into a pitched battle for the city that included the use of heavy weaponry and airstrikes. An unknown number of civilian hostages are being held by a handful of militants who retain control of small pockets of the city.

Despite the carnage, Mr. Duterte continues to enjoy high approval ratings. A Pulse Asia survey in June found that 82% of Filipinos approved of his performance, with 5% disapproving and the rest undecided.

Those who do oppose the president have argued that martial law has been unnecessarily imposed upon the island of Mindanao, home to 22 million people and the city of Marawi. Many Filipinos remain wary of martial law, which is remembered for its use by former dictator Ferdinand Marcos, who was ousted by popular revolt in 1986.

The island of Mindanao has long been restive, with several concurrent insurgencies raging at any one time for decades. The island is poorer and less developed than the rest of the Philippines. Poverty is particularly prevalent among its minority Muslim population, making it vulnerable to radicalization by Islamic State-inspired groups such as the Maute.

The Philippines government says it intends to rebuild the city of Marawi as a model municipality once the siege is ended, with upgraded medical facilities and other infrastructure. Nearly half a million people have been affected by the fighting, many displaced and dependent on government shelter.

Mr. Duterte has repeatedly said he intends to win in Marawi, even if it means some loss of life. He told reporters on Monday that protecting civilians is a priority but that the militants would be targeted ruthlessly. "If need be, you can bomb the whole place," he said. "I don't mind. But skip the thing about, you know, hurting the children and women.'

WORLD WATCH

UNITED KINGDOM

Inflation Eased Unexpectedly in June

U.K. consumer inflation slowed unexpectedly in June, new figures showed, offering a tentative sign that a squeeze on households evident since last year's Brexit vote may soon begin to ease.

The slowdown in the rate of inflation from the near-four-year high the previous month will be welcomed by the U.K.'s Conservative government, which has come under pressure over declining living standards just as it begins to negotiate Britain's exit from the European Union.

The data will also cast doubt over the prospect of an interest-rate rise, which some Bank of England officials have signaled might be needed this year to bring inflation back to the bank's 2% goal.

Sterling weakened by nearly 0.2% against the U.S. dollar shortly after the data were published as the prospect of a rate increase faded.

Annual price growth slowed to 2.6% in June, the Office for National Statistics said. This was significantly below the forecast of analysts polled by The Wall Street Journal, who expected it to hold steady at May's 2.9%, its highest since mid-2013.

The June slowdown in inflation was driven largely by falling gasoline and diesel prices, and the rate remained higher than in the recent past, government statisticians said. However, the core inflation rate—which excludes the most volatile products such as food, alcohol and gasoline—also saw a visible annual drop, to 2.4%, 0.2 percentage point below the May reading.

—Wiktor Szary and Jason Douglas

TURKEY

Court Imprisons Six Rights Activists

A Turkish court jailed Amnesty International's Turkey director and five other human-rights activists pending trial for allegedly aiding an armed terror group—making them the latest suspects in a massive government crackdown initially launched against alleged supporters of last year's failed coup.

In a decision Amnesty International called a "crushing blow for rights in Turkey," the court in Istanbul also decided to release four other activists from custody pending the outcome of a trial, but barred them from traveling abroad. They will have to report regularly to police.

—Associated Press

MARCOS BRINDICCI/REUTERS

REMEMBERING THE VICTIMS: Buenos Aires residents hold portraits of the 85 victims of a bomb attack that destroyed a Jewish cultural center on July 18, 1994. Prosecutors accused Iran of masterminding the bombing. Iran denied it was involved.

SAUDI ARABIA

Woman in Miniskirt Sparks Debate

Saudi Arabia's police detained a woman for appearing in public in a miniskirt and a cropped top, a violation of the country's strict dress code, state media said.

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

The woman, who hasn't been officially named, was detained by police in Riyadh for wearing "immodest clothing" and referred to the public prosecutor, state television said.

Saudi Arabia, the birthplace of Islam, enforces one of the world's strictest interpretations of the religion.

—Margherita Stancati

Republicans Set Stage for Tax Rewrite

Fiscal proposal faces some of same hurdles that blocked the party's health-care legislation

BY RICHARD RUBIN AND KATE DAVIDSON

WASHINGTON—House Republicans unveiled an ambitious fiscal plan on Tuesday to rewrite the tax code, revamp medical malpractice laws, change federal employees' retirement benefits and partially repeal the Dodd-Frank financial regulations—all in one bill that wouldn't require any votes from Democrats to pass.

The strategy, embedded in the House GOP fiscal 2018 budget, faces political and procedural obstacles, including many of the same ones that derailed the party's health-care bill in the Senate.

For instance, Republicans will have a narrow margin in the Senate and will have to comply with budgetary rules that restrict which policies can be included.

Republicans this year control the House, Senate and White House for the first time since January 2007, and they are trying to take advantage of that moment by pairing a landmark tax bill with at least $203 billion in deficit-reduction measures.

"With a Republican Congress and a Republican administration, now is the time to put forward a governing document with real solutions to address our biggest challenges," said Rep. Diane Black (R., Tenn.), chairman of the House Budget Committee.

Most bills can be filibustered in the Senate and require a 60-vote threshold. Republicans are seeking to take advantage of an exception to that rule—the so-called reconciliation procedures allowed under budgetary lawmaking.

Under reconciliation, fiscally oriented bills can become law with a simple-majority vote in both chambers and a signature from the president. They can't increase long-run budget deficits and must hit fiscal targets set out by the budget.

To get to that point, Congress must adopt a budget first, which means the House and Senate must agree twice, once on the budget and then again on the ultimate bill.

The House Budget Committee's release on Tuesday, followed by a committee vote slated for Wednesday, marks the first step in that process.

The committee's fiscal blueprint envisions $6.5 trillion in deficit reduction over the next decade, forecasts 2.6% average annual economic growth, and calls for cutting projected Medicare costs and reducing spending on nondefense programs in an effort to balance the budget by 2027.

Democrats are expected to question those economic assumptions and criticize the GOP's broad fiscal agenda.

But those criticisms are on the parts of the plan that are theoretical and nonbinding, while the tax bill and the $203 billion in potential spending cuts are a core piece of the Republican agenda over the next few months.

The budget impact of the budget is to set the stage for future reconciliation bills.

It will assign deficit-reduction targets to 11 committees under reconciliation.

The potential targets in this round of deficit reduction are unlikely to include changes to Medicare that are included in the 10-year budget outline. But other so-called mandatory spending programs could be affected.

The Judiciary Committee, for example, has a $45 billion target, while the Oversight and Government Reform Committee has a $32 billion number.

The committees will decide exactly which policies to pursue, but agenda items could include medical malpractice and Dodd-Frank bills favored by House Republicans, though reconciliation's special rules could affect and limit them too.

As the House Budget Committee prepares for a Wednesday vote, it isn't clear whether the budget written by Rep. Black has enough support to pass the House before lawmakers leave for their August recess at the end of next week.

Conservatives have been arguing for even larger spending cuts in the reconciliation package.

"I think we have the votes to move it out of committee. We get to the floor, that's another issue," said Rep. Tom Cole (R., Okla.), a member of the Budget Committee, noting that the Republican-controlled House was unable to pass a budget resolution last year.

Rep. Dave Brat (R., Va.), a member of the conservative House Freedom Caucus, said the caucus would like to see at least $400 billion in mandatory spending cuts—twice what the current version envisions.

Rep. John Yarmuth (D., Ky.), the top Democrat on the House Budget Committee, said the GOP budget "embraces the worst extremes of the Trump budget, sacrificing nearly every investment that helps American families get ahead, in order to give huge tax breaks to millionaires and corporations."

JACQUELYN MARTIN/ASSOCIATED PRESS

House Budget Committee Chair Rep. Diane Black, R-Tenn., back center right, plans to vote Wednesday on a tax-code overhaul.

Nominee Regrets Tax-Shelter Role

WASHINGTON—President Donald Trump's pick to run the Treasury Department's tax policy office said he wished he had acted differently when the accounting firm he helped lead was marketing aggressive tax shelters.

David Kautter was director of **Ernst & Young** LLP's national tax practice when the firm was selling sophisticated shelters to business owners. "I was not involved in the decision to get involved in tax shelters and I've never designed or drafted one myself," Mr. Kautter told the Senate Finance Committee at his confirmation hearing Tuesday. "Looking back, I should have been more active."

Sen. Ron Wyden (D., Ore.) said the committee's vetting process found that Mr. Kautter was regularly informed of decisions that let Ernst & Young profit. "I remain troubled that he was at the top of a department that engaged in these practices," Mr. Wyden said, citing documents that Mr. Kautter had received at the time. "Up to this morning, you have taken no responsibility for a very dark chapter."

As assistant secretary for tax policy, Mr. Kautter would help shape the technical details of the administration's tax agenda, including a rewrite of the business and individual tax codes. He would also oversee tax regulation.

Mr. Kautter, who is both a certified public accountant and a lawyer, was at Ernst & Young from 1982 to 2010. He led the firm's national tax practice from 2000 to 2010.

During the boom, firms promised to shrink or wipe out taxes on transactions, such as the exercise of stock options or the sale of a long-held asset, by using techniques that were legal. Critics and the IRS argued that the shelters were shams that cheated Uncle Sam out of billions in taxes.

Ernst & Young was among several top firms penalized for marketing these shelters. It paid $15 million in 2003 and $123 million in 2013 in connection with tax shelters.

—Richard Rubin and Laura Saunders

Insurers See New Uncertainty After GOP Bill Fails

BY ANNA WILDE MATHEWS AND MELANIE EVANS

The apparent collapse of Republican efforts to replace the Affordable Care Act creates a new wave of uncertainty for the health-care industry, particularly for insurers offering plans to consumers on the law's exchanges.

Health-care companies will be spared significant cutbacks in Medicaid that were part of the various Republican bills—a boon particularly for hospitals. Insurers are able to avoid a provision in the now-dead Senate Republican bill that they said would tank the ACA marketplaces, but they also must still contend with the survival of an ACA tax on health plans that they have long tried to get repealed.

The insurers also have no assurance on the future of federal funding that they say they need to keep the ACA exchanges viable. Companies offering products in the ACA's marketplaces are concerned federal payments that help reduce health-care costs for low-income enrollees may now be halted, as President Donald Trump has threatened in the past. The president spiked their alarm with a tweet Tuesday suggesting, "let ObamaCare fail and then come together and do a great healthcare plan. Stay tuned!"

"If he wants to destroy Obamacare, all he has to do is stop" the payments, said Jerry Dworak, chief executive of Montana Health Co-op, a nonprofit offering marketplace plans in Montana and Idaho.

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

The Blue Cross Blue Shield Association said that, "with open enrollment for 2018 only three months away, our members and all Americans need the certainty and security of knowing coverage will be available and affordable for them," and the cost-sharing payments must have "certain funding."

The group also said it supported federal and state moves to "stabilize insurance markets in the short term."

As insurers have pulled back from the marketplaces around the country and others have proposed major rate increases, a number of states have begun taking steps aimed at bolstering their individual insurance markets, including wooing insurers to stick around. Alaska recently won federal approval for a reinsurance program aimed at blunting insurers' costs for the most expensive enrollees, while Iowa is seeking a nod for a bigger program that would rewrite large portions of the ACA in the state.

Insurers have no assurance on the future of key federal payments.

At the federal level, Senate Majority Leader Mitch McConnell (R., Ky.) had raised the prospect previously of working with Democrats on efforts to stabilize the marketplaces. Several insurers said they welcomed that idea.

"The noncable-TV-oriented politicians can work together," said Tom Policelli, CEO of nonprofit Minuteman Health, which offers plans in Massachusetts and New Hampshire.

America's Health Insurance Plans said its members "remain committed to working with every policy maker and the administration to ensure the short-term stability and long-term improvement of health care in our nation."

Insurers said that, in addition to funding for the cost-sharing payments, they would like to see funding for reinsurance to help manage the risk of covering costlier, sicker enrollees, and other steps.

"Having the stability and protection of a reinsurance fund would be a real plus," said Pamela Morris, chief executive of CareSource, a nonprofit that offers exchange plans in four states. Her company is considering offering plans in some counties that currently will lack a marketplace insurer for 2018, in Indiana and Ohio, she said. Locking in the cost-sharing payments and a reinsurance program would "make it a win-win for us" to offer plans in those counties, she said.

Hospitals applauded the end of the Senate Republicans' bill, and had opposed the idea of a delayed repeal. Repealing the ACA without a replacement would create "incredible uncertainty and no guarantee that replace would happen," said Sister Carol Keehan, president and CEO of the Catholic Health Association of the U.S.

HEALTH

Continued from Page One

thrown his weight behind Mr. McConnell's bid to hold a repeal-only vote, modified his approach Tuesday.

At a lunch in the White House Roosevelt Room, the GOP president said his plan was now "to let Obamacare fail, it will be a lot easier. And I think we're probably in that position where we'll let Obamacare fail. We're not going to own it."

Mr. Trump also said that he still expected that "eventually we're going to get something done" on health care "and it's going to be very good."

In place of the potentially punishing vote on repeal-only he had touted on Monday, he emphasized on Tuesday the importance of elections next year that could increase a Republican majority and make it easier for leaders to secure votes for key initiatives.

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

BRENDAN SMIALOWSKI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Senate Majority Leader Mitch McConnell. center, speaking on Tuesday in Washington.

The pivot to a repeal-first approach came after Monday night, when Sens. Mike Lee of Utah and Jerry Moran of Kansas became the third and fourth Republicans to oppose the bill the party has been working on for weeks. They joined Ms. Collins and Sen. Rand Paul of Kentucky in opposing that measure.

The 2010 law widened health coverage in the U.S. by about 20 million people by expanding the Medicaid program and setting up subsidies for people to buy health coverage on exchanges, paid for by taxes on medical companies and higher earners.

While the law has been viewed unfavorably by most Republican voters, certain provisions, such as a regulation that prevents insurers from charging more or declining coverage to patients with costly health conditions, have been popular, and many GOP governors have welcomed the law's expanded Medicaid funding for their states.

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

At the same time, GOP leaders have warned their rank-and-file that taking no action on health care could end up being a major political liability, as well as open the party to criticism over its failure to fulfill a longstanding campaign promise despite controlling both chambers of Congress and the White House.

Republicans have opposed the law's taxes and have cited insurance-market troubles in some states' exchange marketplaces as evidence that the law hasn't delivered.

Many conservative lawmakers in the House and Senate have said that if Republicans failed to advance their existing legislation, which maintained some of the law's taxes and other regulations but sharply cut Medicaid funding, the party should try to repeal the 2010 law.

But it quickly became clear Tuesday that there likely wouldn't be enough GOP support this week to pass a bill simply repealing the law without an agreement on what would supplant it, even with a two-year transition period included.

When Republicans voted on the repeal-only bill in 2015, they knew Mr. Obama would veto it, making their vote largely symbolic.

Of the GOP senators currently in the chamber, 49 voted for it at the time. Ms. Collins is the only sitting Republican senator who voted against it then.

To even have a vote to repeal, Senate Republicans would have to vote for a "motion to proceed" that allows the chamber to begin debating a bill on the Senate floor.

Mr. Pence, addressing retail-industry leaders on Tuesday morning, said he and the president fully supported Mr. McConnell's call for senators to vote on repealing large swaths of the law now, and then turning to fashioning a new health policy.

"Obamacare has failed and Obamacare must go," Mr. Pence said. "The president and I fully support the majority leader."

Mr. Pence said the Senate had two choices: to vote now on repeal and move to replace the health law later, or to take up the legislation that passed in the House.

—Siobhan Hughes and Louise Radnofsky contributed to this article.

Special Counsel Examines Meeting

By Rebecca Ballhaus

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

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

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

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

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

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

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

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

The publicist said the prosecutor had communicated this offer to Mr. Agalarov, who along with his son organized the 2013 Miss Universe pageant in Moscow. At that time, Mr. Trump co-owned the pageant.

Mr. Kaveladze was unaware of what would be discussed at the meeting until moments beforehand, when he met Ms. Veselnitskaya and was told "a little bit about this Magnitsky Act," Mr. Balber said. As he recalls it, the only thing discussed in the meeting was the act, a 2012 U.S. law that punishes Russian officials accused of human-rights violations, his lawyer said.

Special Counsel Robert Mueller, left, is looking into a 2016 meeting at Trump Tower in Manhattan.

ALEX WONG/GETTY IMAGES

Donald Trump Jr. has said information about Mrs. Clinton was offered at the meeting but that it was of little value.

In his role at Crocus Group, a Russian development company, Mr. Kaveladze oversees international development projects, including "securing and structuring project investments and negotiating with Chinese and other international contractors," according to his website. He is a member of both the America-Georgia Business Council and the U.S.-Russia Business Council.

According to a business person formerly based in Moscow who has had dealings with Crocus Group, Mr. Kaveladze is "a total straight shooter. Very easy to deal with. Very low key, gets deals done for the family, no fuss, no ego."

The younger Mr. Trump initially said that the meeting's attendees included himself, the lawyer, the British publicist and Messrs. Kushner and Manafort. It has since emerged that Rinat Akhmetshin, a Russian-born lobbyist who represents Russian interests in Washington, also attended the meeting, as well as a translator for Ms. Veselnitskaya.

—Brett Forrest contributed to this article.

Missouri To Create Painkiller Database

By Jeanne Whalen

Missouri's governor signed an executive order creating a system to monitor prescriptions for controlled substances including opioid painkillers, after a failed effort in the Legislature left Missouri the only state lacking such a tool.

Supporters of prescription monitoring applauded the governor's move, but said the system won't be as robust as one legislators aimed to create, and urged legislators to establish a stronger system to track prescriptions and stop consumers from obtaining controlled substances from multiple sources.

Neighboring states have complained that Missouri's lack of such a database has made it a magnet for people looking to abuse opioids through multiple prescriptions, because they know doctors and pharmacies there can't check their history.

Gov. Eric Greitens said the state would establish the system in phases. As a first step, the state's health department will analyze prescription and pharmacy dispensing data provided by pharmacy-benefit managers such as **Express Scripts**, to look for inappropriate prescribing or dispensing patterns. The health department will alert law-enforcement and professional licensing boards about suspicious activity, according to the executive order signed on Monday.

In the second phase, the health department will require pharmacies to submit controlled-substance prescription information to the health department, which will alert law-enforcement and professional licensing boards about suspicious activity.

The program won't allow doctors or pharmacies to check a central database to see whether a particular patient is obtaining prescriptions from multiple doctors, a tool available in other states that public-health experts say is essential to prevent doctor-shopping.

"I am happy to see the governor engaged, but his options are limited without support by the state Legislature," said Sam Page, a physician and chairman of St. Louis County's council, who has pushed for a statewide database. He said the governor's order aids law enforcement "but doesn't help doctors take care of patients or refer addicted patients to the proper treatment."

A multiyear effort by many legislators to adopt a prescription-monitoring system has repeatedly run into opposition from a small group of legislators, who say a database containing sensitive prescription details would violate patient privacy.

The state's legislative session this year ended without the measure coming to a final vote.

California Passes Climate-Change Measure

By Alejandro Lazo

SAN FRANCISCO—California Gov. Jerry Brown scored a major win for his climate-change agenda when the Legislature approved an extension of the state's cap-and-trade program.

Mr. Brown had struggled to get Democrats on board, with some more business-friendly members concerned about the program's effect on jobs and some environmentalists objecting that it gives too much to industry. Under the program, California businesses pay for the carbon dioxide they emit while reducing the emissions over time. The state's goal is to cut emissions to 40% below 1990 levels by 2030.

In the end, Republican members—enticed by measures such as a tax break for manufacturers and a fee waiver for rural residents—joined Democrats to extend the program from 2020 through 2030. Republicans played a deciding factor in both houses, providing one critical vote in the state Senate and seven in the Assembly.

"Tonight, California stood tall, and once again boldly confronted the existential threat of our time," Mr. Brown said Monday shortly after the vote. "Republicans and Democrats set aside their differences, came together and took courageous action. That's what good government looks like."

Some Republicans sharply criticized the program, though, saying it will drive up gas prices and utility bills for California consumers.

"Mark my words, today is the start of the next great California recession," said Sen. Ted Gaines, a Republican. "I am going to protect California's poor and the working class, not double their fuel costs."

Monday's two-thirds margin—the threshold for new taxes in the state—should insulate the program from further legal challenges like the one brought earlier by the California Chamber of Commerce. It sued the state, arguing cap and trade is an illegal tax on businesses, but the program was upheld by a state appeals court in April, and the California Supreme Court last month declined to hear the group's appeal.

After the loss, the Chamber backed cap and trade as a better option than more-onerous regulations. Last week, it endorsed the governor's plan.

The legislative victory is a boost for Mr. Brown, who has played the role of global-warming crusader abroad but has struggled to enact pieces of his climate agenda back home. In pushing the program last Thursday, the 79-year-old Democratic governor warned of an apocalyptic future if climate change continues unabated.

California began using a cap-and-trade program to curb greenhouse-gas emissions in 2013. The state imposes a limit on the CO_2 that industry is allowed to release and then auctions or gives away permits for those emissions. Businesses are free to sell permits they don't need, allowing market forces to distribute and price these allowances.

Money from the quarterly auctions, so far totaling \$4.9 billion, will also go toward a state fund used for projects that include one of Mr. Brown's priorities: a high-speed rail train from Los Angeles to San Francisco.

Legislators on Monday also approved a bill to address air quality in the state, backed by Democrats concerned over the environment. They also approved a ballot measure that, if approved by voters, will give Republicans in the state more say on how cap-and-trade funds are spent.

Some members of California's Republican establishment had endorsed the plan in recent days, including former Republican Gov. Pete Wilson.

Gov. Jerry Brown, center, scored a major win when the Legislature approved an extension of California's cap-and-trade program.

RICH PEDRONCELLI/ASSOCIATED PRESS

U.S. WATCH

CINCINNATI

Ex-Police Officer Won't Face Retrial

Prosecutors Tuesday said they won't retry a former University of Cincinnati police officer after a jury last month for the second time failed to come to a unanimous decision on the officer's guilt in a 2015 fatal shooting.

"After discussing this matter with multiple jurors, both black and white, they have said to us that we will never get a conviction in this case," Hamilton County prosecutor Joe Deters said in a news conference Tuesday.

Ray Tensing, who is white, was charged with murder and voluntary manslaughter over the shooting of Sam DuBose, a 43-year-old black man, who he shot at close range, after pulling him over for having a missing front license plate. Mr. Tensing was fired from his job shortly after he was indicted over the shooting in 2015.

Prosecutors will now be working with the U.S. attorney's office to file charges of civil-rights violations against Mr. Tensing. These charges, prosecutors said, would be different from state charges already pursued.

Mr. Tensing's first trial started in November 2016, but the jury was unable to reach a unanimous verdict after 25 hours of deliberation, resulting in a mistrial. A second mistrial was declared this June, after a jury deliberated for nearly 30 hours and was similarly stuck.

Before the news conference Tuesday, Mr. Deters delivered his decision to the family of Mr. DuBose, whom he said were devastated and "very upset" with the decision not to charge Mr. Tensing for the third time. "My heart breaks for the DuBose family. I understand what they are feeling. I would feel the same way," he said.

—Shibani Mahtani and Quint Forgey

EDUCATION

Schools Get Serious About Lunch Money

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

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

Some schools withhold report cards or ban students from graduation exercises; others withhold meals entirely or give children of delinquent parents a cheese sandwich in place of a hot lunch. Other districts are planning similar actions. Many other districts simply let students slide, using general funds at the end of the year to pay off any meal debt.

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

—Tawnell D. Hobbs

TOPPLED: One of two smoke stacks at former Sappi paper mill property, standing over 200 feet tall, crumples to the ground after it was imploded on Tuesday in Muskegon, Mich. City officials were concerned that the 'Power House Stack No. 1' was a safety risk after large cracks developed in the stack.

JOEL BISSELL/MUSKEGON CHRONICLE/ASSOCIATED PRESS

IN DEPTH

FARMS

Continued from Page One

Mark Gath leases his John Deere equipment rather than buying it. Below, Mr. Gath walks through soybeans at his Minnesota farm.

SARAH HOFFMAN FOR THE WALL STREET JOURNAL (2)

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

In shoring up the ailing sector, Deere's loans may be helping draw out the pain for farmers, allowing them to continue to rack up debt despite a glut of grain world-wide that is keeping a lid on crop prices. The increase in equipment leasing, meanwhile, is weakening Deere's own market for sales.

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

But if poor weather ultimately spurs grain prices higher, Mr. Irwin said, the risks of farm lending likely would be forgotten, and Deere could win new or more-loyal customers.

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

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

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

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

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

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

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

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

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

But low commodity prices are making it difficult for Mr. DuRant to pay off past debts without taking on new ones. "It's a vicious cycle," Mr. DuRant said, noting that seed companies continually introduce more-expensive, higher-yielding varieties of corn and soybean seeds that appeal to farmers like himself, despite a global oversupply of crops and low grain prices. "I buy into it because I'm a grower, so of course I want to make 150-bushel corn instead of 120-bushel corn. All we're doing is making the situation worse."

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

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

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

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

"As producers get overextended, banks like mine say 'I can't go any further,' " said Mr. Franzén. " 'We're not going to stick with you until it's all gone.' "

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

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

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

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

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

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

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

Financing business accounted for a third of Deere's net income in fiscal 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Turning farmers like Michael Oliver into buyers again will be critical for Deere's future.

Mr. Oliver, who farms 32,000 acres near Cadiz, Ky., said he used to trade in and purchase about $12 million worth of machinery—seven combines and a dozen tractors—every year before sliding crop prices caused him to start leasing three years ago. But he recently concluded that even that was too costly. He is now extending warranties on old equipment he already owns, saying: "We're going to use our own equipment, and it looks like we're going to be keeping it for a while."

GOLF

Continued from Page One

DAN MULLAN/GETTY IMAGES

Henrik Stenson, left, the 2016 Open champion, returns the Claret Jug to R&A chief executive Martin Slumbers.

Open or the Open Championship. NBC, in turn, has instructed announcers not to use the phrase "British Open" on the air.

But Johnny Miller, the longtime NBC analyst and 1976 Open champion, has had to correct himself repeatedly. "I have trouble with it," he said.

Getting other networks to follow suit has been even more difficult. Moments before play-by-play voice Dan Hicks made a recent promotional appearance on CNBC, an NBC Sports publicist reminded the anchors of the tournament's proper name.

When the cameras went on, Mr. Hicks said, "First thing out of their mouth: 'The British Open is coming our way!' " The publicist sighed, "Oh, the R&A is not going to be happy about this."

Likewise, the R&A last year appealed to American print media outlets in the hope that a change in the published name for the tournament will prompt stateside fans to use the proper reference. But most U.S. news organizations continue to call it the British Open, as has been their custom for more than a century.

Players who qualify for the tournament receive a placard in the mail that emphasizes its singular place in golf. "Welcome to The Open," it reads in large, bold lettering. The bottom of the card reads: "The One. The Open."

But players compete in many opens, from the U.S. Open to the Houston Open to the Shriners Hospitals for Children Open. For clarity's sake, some still use the B word for this one.

"We all fall into that trap," said Ernie Els, a two-time Open champion. Speaking to a reporters after the final round of last month's U.S. Open, Mr. Els confessed, "I do call it the British Open, but..."

A British journalist standing nearby interjected: "Booo!"

The R&A notes that while the tournament is held annually in Britain, it is a global event. Qualifying tournaments this year were held in nine countries across five continents. But much of the pride Britons take in the proper name comes from the fact that their Open was the first.

Before 1860, golf at the highest level was a competition between private clubs rather than individuals, said Tony Parker, historian at the World Golf Hall of Fame. The start of the Open Championship in 1860—at Prestwick Golf Club in Scotland—wasn't just a new tournament. It was the birth of modern golf competition.

"There are some jingoistic Americans that say, 'Well, we would have done it, but we had a Civil War,' " Mr. Parker said. "Well, yeah, but we did have a Civil War, and that kept golf off the playing field for a while."

The first U.S. Open was played in 1895. Officially, the Open Championship retained its name. But by 1903, Parker said, American newspapers were calling it the British Open. That has been the popular name for it in the U.S. ever since.

The British media require no education, having long used the proper name in print and on the airwaves. But the influence of American media has created some confusion about the name in other countries where the R&A does business.

Alastair Johnston, the longtime IMG executive who has represented the R&A in media rights, licensing and sponsorships since the 1990s, said the B word has complicated some licensing negotiations in Asia.

"Business partners in Japan are saying, 'Please call it the British Open because it will mean more to people here,' " Mr. Johnston said. "We're not able to give them the name that they want."

For the R&A, it is a circular problem: Because most people in the U.S. know it as the British Open, even those who know better still call it the British Open, which only adds to the popular notion that it is the British Open.

American golfer Stewart Cink, the 2009 Open champion, said that whenever he is in Britain, he refers to it strictly as the Open. But if he is talking to someone in the U.S., he calls it the British Open. "The whole idea when you're talking is for communication," Mr. Cink said. "People in America don't know what the Open is."

Mr. Booth said the R&A has seen progress, both among players and fans, in part because of the influence of its social-media channels. The previous broadcast partner, ESPN, was also contractually obliged to use the proper name, Mr. Johnston said. A native Scotsman, Mr. Johnston added that he doesn't have to correct Americans in conversation as often as he used to.

But there remains some confusion both in the U.S. and abroad. Contrary to what the R&A said, Englishman Nick Faldo, a three-time Open champion, said it is no longer correct to call it the Open Championship.

"Now it's 'The Open,' " Mr. Faldo said. "In another five years, it will just be called 'The.' "

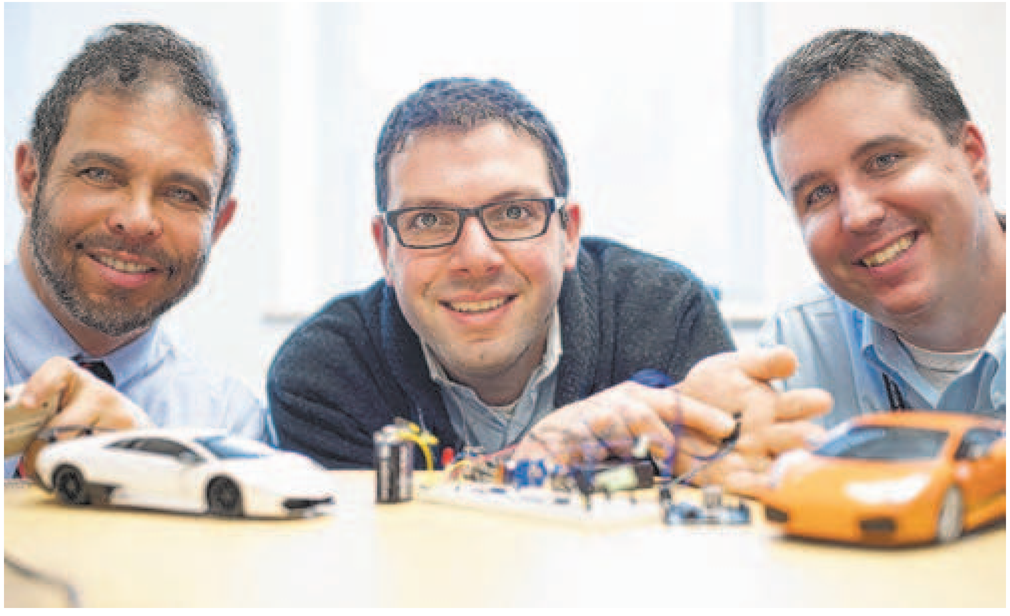
LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

When Videogames Can Help

Children with anxiety and ADHD can learn to control their emotions by playing games connected to a heart-rate monitor

FROM TOP: MIGHTEOR; KATHERINE C. COHEN/BOSTON CHILDREN'S HOSPITAL



Above, Quinn Feldman, 7-years-old, breathes to lower his heart rate while playing a Mighteor videogame. Below from left: Dr. Joseph Gonzalez-Heydrich, Dr. Jason Kahn and Pete Ducharme, LICSW, of Boston Children's, who created mobile videogames to build emotional strength.

IT ISN'T OFTEN that children are encouraged to play videogames.

But a group of Boston Children's Hospital researchers have developed videogames for children with conditions such as attention deficit hyperactivity disorder (ADHD) and anxiety, or those who just need to learn how to control their emotions better.

The videogames track a child's heart rate, displayed on the screen. The games get increasingly difficult as the player's heart rate increases. To be able to resume playing without extra obstacles the child has to calm themselves down and reduce their heart rate.

"What we're trying to do is build emotional strength for kids," said Jason Kahn, co-founder and chief scientific officer of Mighteor, a Boston-based company and spinoff of Boston Children's Hospital. BCH runs an accelerator and funded some of the research and development of the products. They retain a small piece of ownership of Mighteor. Dr. Kahn worked as a developmental psychologist at Boston Children's for seven years and maintains an affiliation there but launched the company in November.

The games help children "build muscle memory," he said. So once they are able to reduce their heart rate over and over again the response of physiologically calming themselves down becomes more automatic.

Melissa Feldman, a 39-year-old occupational therapist in Milton Mass., said she heard about the Mighteor videogames through a blog. She enrolled in a pilot group in September for her children, Carson, 10-years-old, and Quinn, 7-years-old, who have been diagnosed with anxiety disorders, among other conditions.

The games have helped the boys stop and give pause when their emotions feel out of control, she said. "I think being able to visualize that happening when they are breathing and seeing their heart rate come down and connecting that has really helped," she said.

Ms. Feldman said she's also seen a lot of carry-over into real life. "I've seen it become a much more automatic response for them," she said.

Her older son, Carson, agrees. He says the games have helped him remain calm in situations where he's upset, like when he misbehaves and can't swim in his pool.

"I think it's a fun way for kids to control their heart rate when their feelings are high and energetic," he said.

Still, he said the games aren't quite as fun as the regular videogames he plays on his mother's computer and phone. "They're maybe three-quarters as fun," he said. His favorite is still Minecraft.

The impact of the games was tested in two studies. In a pilot study, they first tested the game in a psychiatric inpatient unit with children with anger management issues, said Joseph Gonzalez-Heydrich, director of the developmental neuropsychiatry clinic at Boston Children's. They found improvements in just five days and published the results in 2012 in a study in the journal Adolescent Psychiatry.

"A lot of these kids we are seeing are not interested in psychotherapy and talking," said Dr. Gonzalez-Heydrich, who is head of the scientific advisory board of Mighteor, and said he has a small amount of equity in the company. "But they will work really hard to get good at a videogame."

In a subsequent outpatient study the researchers randomized 20 youth to 10 cognitive behavior therapy sessions and videogame therapy that required them to control their heart rate, and 20 youth to CBT with the same videogame but not linked to heart rates. All the adolescents had anger or aggression problems, said Dr. Gonzalez-Heydrich, who was senior author of the study.

Therapists interviewed the children's primary caregiver before and two weeks after their last therapy session. They found the children's ratings on aggression and opposition were reduced much more in the group that played the game with the built-in biofeedback. The ratings for anger went down about the same in both groups.

The findings were presented at the American Academy of Child and Adolescent Psychiatry conference in 2015. The study is currently under review for publication.

Some doctors are skeptical that this type of biofeedback using videogames can work as a therapy. Russell Barkley, a clinical professor of psychiatry at **Virginia Commonwealth University** Medical Center, noted that the studies looked at youth with high levels of anger, but not specifically with ADHD or anxiety, suggesting that further study as a therapy for anger control in particular may be warranted.

The Mighteor games became commercially available in June. Before that about 200 children had been participating in a pilot project.

The company has about seven videogames available now and hope to have 50 in a year. Now, customers can buy a three-month, $249 subscription to the platform giving them access to all the games. The subscription includes a tablet and wristband that acts as a wireless heart monitor, as well as coaching sessions for parents. After that, the cost is $19 a month.

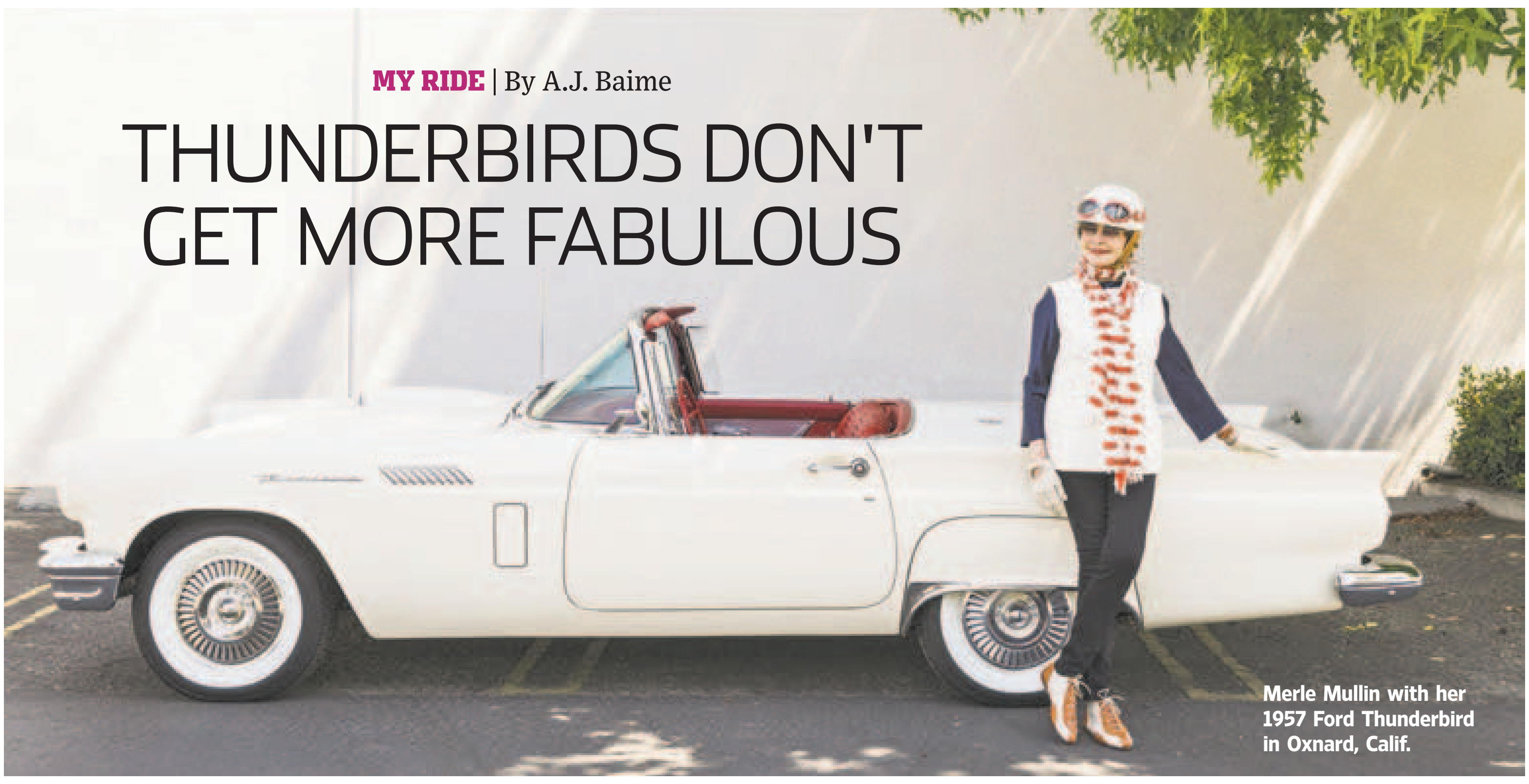
Dr. Kahn said they recommend that children play the games 45 minutes a week. The product is geared toward children ages 6 to 14. Parents receive six coaching sessions from clinical social workers when they sign up.

Kyle Smith, a child and adolescent psychiatrist at Primary Children's Hospital in Salt Lake City, said last year he began using the videogames as part of the therapy used in an outpatient program for children with anxiety. The children come to the hospital three days a week, where they attend cognitive behavioral therapy sessions.

He incorporates the videogames but the feedback is variable he said. "Certain kids really seem to take to it quite well and it's motivating for them," he said. "And there's other kids who have a harder time. If they have motor coordination difficulty or sensory problems it can be a little tougher."

MY RIDE | By A.J. Baime

THUNDERBIRDS DON'T GET MORE FABULOUS



Merle Mullin with her 1957 Ford Thunderbird in Oxnard, Calif.

EMILY BERL FOR THE WALL STREET JOURNAL

Merle Mullin, an artist/designer from Los Angeles, on her 1957 Ford Thunderbird, as told to A.J. Baime.

On the occasion of my first anniversary with my husband Peter, in 2001, we had dinner at the **Hotel Bel-Air**. After, I asked the valet for my BMW station wagon. He returned with this beautiful white Thunderbird. I said, "This is not my car." My husband said, "I guess you'd better get in and drive it home."

I figured out quickly: This was not a joke. I had owned a 1957 T-Bird years earlier, and I had often said to my husband, "I wish I had never sold that car. How did I not know it would become such a classic?"

He had made a lot of phone calls to find out what color my old T-Bird was, and what model year, and he had purchased this car for me. I was stunned to the bottom of my feet.

The T-Bird is an icon. Ford first introduced the car for model year 1955, and along with the Corvette, it is considered to be one of the first American sports cars. Ford was known at the time for more staid, functional cars, so this was an anomaly, and very few from this era were built.

My husband and I redid the suspension, so the car drives very smoothly. I love the simplicity. When you look at the dashboard and then you look at the dashboard of, say, a Tesla, the difference is remarkable.

Later this summer, I will be driving this car—which turns 60 this year—in a rally called It's All About the Girls! Women from seven countries, with their cars, will meet in Les Baux-de-Provence, France. We will spend five days on driving excursions, for fun and to raise money for charities.

I became a car girl by osmosis, as I am surrounded by car talk.

[Ms. Mullin's husband Peter is the founder of the **Mullin Automotive Museum** in Oxnard, Calif., and chairman of the board of the Petersen Automotive Museum in Los Angeles.] I have been fortunate enough to drive wonderful cars, but the T-Bird is extra special. All my passion for motoring, for my husband and for my memories of youth are embodied in this one car.

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

REVIEW & OUTLOOK

The Trumps and the Truth

Even Donald Trump might agree that a major reason he won the 2016 election is because voters couldn't abide Hillary Clinton's legacy of scandal, deception and stonewalling. Yet on the story of Russia's meddling in the 2016 election, Mr. Trump and his family are repeating the mistakes that doomed Mrs. Clinton.

The best defense against future revelations is radical transparency.

That's the lesson the Trumps should draw from the fiasco over Don Jr.'s June 2016 meeting with Russians peddling dirt on Mrs. Clinton. First Don Jr. let news of the meeting leak without getting ahead of it. Then the White House tried to explain it away as a "nothingburger" that focused on adoptions from Russia.

When that was exposed as incomplete, Don Jr. released his emails that showed the Russian lure about Mrs. Clinton and Don Jr. all excited—"I love it." Oh, and son-in-law Jared Kushner and Beltway bagman Paul Manafort were also at the meeting. Don Jr. told Sean Hannity this was the full story. But then news leaked that a Russian-American lobbyist was also at the meeting.

Even if the ultimate truth of this tale is merely that Don Jr. is a political dunce who took a meeting that went nowhere—the best case—the Trumps made it appear as if they have something to hide. They have created the appearance of a conspiracy that on the evidence Don Jr. lacks the wit to concoct. And they handed their opponents another of the swords that by now could arm a Roman legion.

* * *

Don't you get it, guys? Special counsel Robert Mueller and the House and Senate intelligence committees are investigating the Russia story. Everything that is potentially damaging to the Trumps will come out, one way or another. Everything. Denouncing leaks as "fake news" won't wash as a counterstrategy beyond the President's base, as Mr. Trump's latest 36% approval rating shows.

Mr. Trump seems to realize he has a problem because the White House has announced the hiring of white-collar Washington lawyer Ty Cobb to manage its Russia defense. He'll presumably supersede the White House counsel, whom Mr. Trump ignores, and New York outside counsel Marc Kasowitz, who is out of his political depth.

Mr. Cobb has an opening to change the Trump strategy to one with the best chance of saving his Presidency: radical transparency. Release everything to the public ahead of the inevitable leaks. Mr. Cobb and his team should tell every Trump family member, campaign operative and White House aide to disclose every detail that might be relevant to the Russian investigations.

That means every meeting with any Russian or any American with Russian business ties. Every phone call or email. And every Trump business relationship with Russians going back years. This should include every relevant part of Mr. Trump's tax returns, which the President will resist but Mr. Mueller is sure to seek anyway.

Then release it all to the public. Whatever short-term political damage this might cause couldn't be worse than the death by a thousand cuts of selective leaks, often out of context, from political opponents in Congress or the special counsel's office. If there really is nothing to the Russia collusion allegations, transparency will prove it. Americans will give Mr. Trump credit for trusting their ability to make a fair judgment. Pre-emptive disclosure is the only chance to contain the political harm from future revelations.

This is the opposite of the Clinton stonewall strategy, which should be instructive. That strategy saved Bill Clinton's Presidency in the 1990s at a fearsome price and only because the media and Democrats in Congress rallied behind him. Mr. Trump can't count on the same from Republicans and most of the media want him run out of office.

If Mr. Trump's approval rating stays under 40% into next year, Republicans will begin to separate themselves from an unpopular President in a (probably forlorn) attempt to save their majorities in Congress. If Democrats win the House, the investigations into every aspect of the Trump business empire, the 2016 campaign and the Administration will multiply. Impeachment will be a constant undercurrent if not an active threat. His supporters will become demoralized.

* * *

Mr. Trump will probably ignore this advice, as he has most of what these columns have suggested. Had he replaced James Comey at the FBI shortly after taking office in January, for example, he might not now have a special counsel threatening him and his family.

Mr. Trump somehow seems to believe that his outsize personality and social-media following make him larger than the Presidency. He's wrong. He and his family seem oblivious to the brutal realities of Washington politics. Those realities will destroy Mr. Trump, his family and their business reputation unless they change their strategy toward the Russia probe. They don't have much more time to do it.

Lula and Brazil's Progress

The forever-developing nation of Brazil has been putting its legal system to an extreme stress test, impeaching one former president, indicting the current one, and late last week convicting former President Lula da Silva of corruption even as he plans to run for the office again.

The former president's conviction is a victory for the rule of law.

So far the rule of law is winning, but Lula may be its sternest test. The champion of Brazil's left who served two terms as president from 2003 to 2011 was convicted for money laundering and corruption and sentenced to nearly 10 years in prison. Judge Sergio Moro ruled that Lula had steered government contracts to the Brazilian construction firm OAS in exchange for roughly $1.2 million in bribes in the form of a refurbished beachfront apartment.

Lula's Workers Party allies are howling that he was framed by his political enemies, but everything about the decision suggests the opposite. Mr. Moro's prosecutors have spent three years in a painstaking investigation that has uncovered a vast network of government graft emanating from the giant government-owned oil company Petrobras, whose contracts were steered by Lula.

Scores of Brazilian businessmen and politicians have been caught in the net. And it is Mr. Moro's willingness to follow the case where it led, including to a popular former head of state, that breaks new ground for the young democracy. "It's lamentable that a president of the republic is criminally convicted," Mr. Moro said. "No matter how important you are, no one is above the law." Investors voted on the Lula verdict by bidding up stocks and Brazil's currency on the news.

This is real progress for South America's largest economy and a cause for optimism despite the immediate turmoil. The great flaw most developing countries share is a weak rule of law. Brazil has spent lavishly trying to become an industrial giant by subsidizing and sheltering from competition large state-owned enterprises like Petrobras. But it has been slow to nurture an independent judiciary, and Mr. Moro's determination to pursue political corruption is encouraging.

Lula says he is innocent and will appeal, and in the meantime he is free and expected to launch a new bid for the presidency. Should he win next year before the appeal is concluded, the sentence and legal appeal would be suspended until he finished his four-year term. Brazil's political maturity will be tested as much as its rule of law.

America's Summer Labor Shortage

U.S. employers from Cape Cod bed-and-breakfasts to Alaskan fisheries have been begging the Trump Administration for more seasonal guest-worker visas. Summer is nearly half over, and on Monday the Department of Homeland Security finally agreed to issue 15,000 additional H-2B visas.

Trump's 15,000 extra guest-worker visas aren't nearly enough.

The H-2B visa program covers a myriad of industries that rely on seasonal labor, including seafood, construction, skiing, tourism and landscaping. These jobs typically pay well, though they can be grueling and their temporary nature deters native-born Americans from applying. Some summer jobs in tourism used to be filled by teens who now spend their summers studying or volunteering.

Foreign workers have become even more crucial as labor markets have tightened amid near record-low unemployment in many states. Unemployment is a mere 2.3% in Colorado, 2.7% in Hawaii and 3.2% in Maine. According to the Bureau of Labor Statistics, there were 755,000 job openings in food services and accommodations in May, up 12% from a year ago.

H-2B visas are capped annually at 66,000, and the labor shortage was exacerbated after Congress last year refused to extend a provision in the law that allowed foreigners who had previously worked on H-2Bs to count toward the limit. But the omnibus budget that Congress passed in May let Homeland Security Secretary John Kelly increase the number of visas in consultation with Labor Secretary Alexander Acosta.

While the 15,000 additional visas will no doubt be welcomed by employers, they won't satisfy the growing demand for labor. More than 120,000 seasonal visas were requested this year, so tens of thousands of summer positions in hotels, fisheries and elsewhere will go unfilled. Businesses in disparate industries will be competing for too few foreign workers. And because the government usually requires between 30 to 60 days to process visas, workers may not arrive in time to benefit some employers. The result will be reduced economic output and perhaps shorter vacations for U.S. workers.

The decision to grant the new visas is a de facto admission that the U.S. has a labor shortage. Why hurt the economy by providing so few?

For the Love Of Charlie Gard

MAIN STREET
By William McGurn

So Charlie Gard's fate now comes down to this: whether an American doctor can persuade a British judge that little Charlie's life is worth living.

The child cannot see, cannot hear, and suffers from a genetic disorder for which there is no cure—yet he has exposed the great fault line between the post-Christian West and its past. For most of history, men and women have regarded suffering as part of life. But as medicine tames once-deadly afflictions and the idea of some larger meaning to the cosmos wanes, suffering comes to appear less a part of the natural order than an intolerable anomaly.

Follow this logic to the end and you will arrive at London's Great Ormond Street Hospital for Children. The hospital dates to 1852, when it was founded by a doctor hoping to relieve "the shockingly high level of infant mortality." How curious that this same hospital now argues *for* infant mortality, or at least for the mortality of one particular infant.

Hospital experts say it's in Charlie's "best interests" that he be denied the experimental treatments because he "has no quality of life." Better for him to die, they say, than risk suffering. Never mind the judge's original admission that "no one can be certain whether or not Charlie feels pain."

Let us stipulate a distinction between removing someone from life support, as the hospital proposes, and taking active measures to induce death. Put another way, if Connie Yates and Chris Gard—Charlie's parents—decided to remove their son from his ventilator and allow nature to take its course, it would be a difficult but eminently defensible position.

But the claim asserted by the representatives of Britain's state-run health-care system is more sweeping and insidious: This is our call, they say. Such is the Great Ormond Street Hospital's sense of dominion, says Ms. Yates, that it refused to allow Charlie to come home to die, wrapped in the loving arms of his mom and dad.

In the Book of Exodus the Israelites were warned that theirs is a "jealous God," but there is no god more jealous than single-payer health care. For at the heart of single payer is single authority. Isn't it striking how resentful the legal and health-care authorities are that Charlie's family has raised $1.7 million, thus taking money off the table as an excuse to deny him the offered treatments?

Against the emotional outbursts of the parents, the official pronouncements all aim to convey a sense of reasonableness, with soothing references to the law, the selflessness and expertise of those pushing to overrule Charlie's parents, and, of course, the complexity of the situation.

Still, the deck has been stacked from the beginning. The giveaway is the appointment of a guardian to represent Charlie's interests, even as the court rulings concede it would be difficult to find a more devoted mother and father. Now we learn that the lawyer who represents Charlie in court runs a charity with connections—surprise!—to a sister organization that promotes assisted suicide and until 2006 called itself the Voluntary Euthanasia Society.

His case is the latest example of a once unthinkable practice becoming acceptable.

The Great Ormond Street Hospital even wants the last word on love: "In one respect, Charlie is immensely fortunate" to have such loving parents. Because in this context "in one respect" really means, "*not* in the sense that has to do with decisions about their son's life." In other words, the parents' love disqualifies them. In choosing a guardian to represent Charlie against his parents, the courts sided with the doctor who characterized Charlie's mom and dad as a "spanner in the works."

It wasn't long ago that people worried about the cheapening of human life were predicting practices such as legal abortion would lead to the acceptance of things once thought unthinkable. Euthanasia, for example, or the weeding out of children deemed not perfect enough. These people were dismissed as Cassandras. They now look like prophets.

Charlie Gard's story comes after a case in the Netherlands where an elderly women suffering from dementia woke up and resisted as she was about to be euthanized—only to have the doctor order her family to hold her down for the fatal injection. Meanwhile, how many moms and dads of children with Down syndrome have had complete strangers come up to ask, "Didn't you have a test?" Translation: Surely you wouldn't have had this child had you known.

The essence of civilization is that the strong protect the weak. But Charlie Gard shows that the barbarian no longer comes wielding a club and grunting in some undecipherable tongue. These days the barbarian comes as an expert, possessed of all the requisite certification—and an unquestioned faith in his absolute right to impose final judgments about the "quality of life" of other people's loved ones.

Write to mcgurn@wsj.com.

LETTERS TO THE EDITOR

Mission Investing Helps Our Charitable Goals

Regarding James Piereson and Naomi Schaefer Riley's "Big Foundations Double Down on Government Mistakes" (op-ed, July 10): Heron invests all its assets to help people and communities help themselves out of poverty. We're unapologetic in our belief that this complex work requires the muscle, scale and "can-do" spirit of large public and private enterprises too.

A foundation's fiduciary duty of obedience to mission is relevant to all our assets. We invest our capital in enterprises we believe are making a "net contribution" to society. The authors are entitled to reject mission investing, but they get the math wrong when they say "mission-based investing also can create serious distortions in the market." Would that we foundations had that kind of money.

But we don't, not even close. The total assets of foundations in the U.S. is around $800 billion, less than the near $1 trillion annual revenue of the top three Fortune 500 companies. Our ability to backstop failing government services is equally limited: that $800 billion equals about 14 months of the nation's K-12 public-school budget.

Businesses and nonprofits alike depend on both private and government revenue, along with various subsidies. All nonprofits, including those the nonprofit William E. Simon Foundation supports, get government tax subsidies. Investments are bets, not guarantees or subsidies. Investing in companies like Tesla no more distorts the market than investing in nuclear power or oil.

Mission investing is already far bigger than foundations. Insurance giant Swiss Re has moved its $130 billion in assets to "ethical investments," while BlackRock's recent renewable-energy fund is oversubscribed. The market is speaking: Impact investing is the future of capitalism.

CLARA MILLER
President, Heron Foundation
New York

Should the Press Get a Pass on Antitrust Law?

David Chavern ("How Antitrust Undermines Press Freedom" (op-ed, July 11) cleverly argues for an antitrust exemption for the U.S. news media to gain leverage against the advertising power of Facebook and Google. But Mr. Chavern misses a key point. American antitrust law exists to protect consumers, not existing competitors from new competition.

Google and Facebook have challenged newspapers by providing a service (advertising sales) at a lower cost and in a superior fashion than newspapers, their competition. Mr. Chavern proposes creating a cartel as a solution, which would effectively raise prices for consumers (advertising buyers). This is expressly what antitrust laws exist to prevent.

Facebook and Google aren't engaging in anticompetitive conduct. They provide vast amounts of valuable services free to billions of people, and their paid services are cheaper and superior than those offered by their competitors.

If Mr. Chavern doesn't like that, his industry is free to compete with them the old-fashioned way by seeking to provide a better product at a competitive or cheaper price. Attempting to prop up an industry on the backs of unwilling consumers by creating a cartel isn't the answer.

DYLAN NAEGELE
Arlington, Va.

How sorry we all feel for Mr. Chavern and his mourning of the end of press freedom, the latter meaning the end of the dominance of the left's stranglehold over what we read and hear in "the news." The rise of the internet, controlled by moguls firmly committed to the left and the Democratic Party, is ironically crushing the old media which had given us only one voice—that of the Democratic Party.

What an irony.

NICK CHICKERING
Whitefish, Mont.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

A Step Toward Scientific Integrity at the EPA

By Steve Milloy

The Trump administration in May began the process of replacing the small army of outside science advisers at the U.S. Environmental Protection Agency. In June, 38 additional EPA advisers were notified that their appointments wouldn't be renewed in August. To Mr. Trump's critics, this is another manifestation of his administration's "war on science." Histrionics aside, the administration's actions are long overdue.

The most prominent of the EPA's myriad boards of outside advisers are the Science Advisory Board and the Clean Air Scientific Advisory Committee, or CASAC. Mostly made up of university professors, these boards also frequently draw members from consulting firms and activist groups. Only rarely do members have backgrounds in industry. All EPA boards are governed by the Federal Advisory Committee Act, which requires that they be balanced and unbiased. While the EPA is required by law to convene the SAB and CASAC, the agency isn't bound by law to heed their advice.

Scott Pruitt sweeps out Obama-era science advisers. The agency needs truly independent ones.

The EPA's Obama-era "war on coal" rules and its standards for ground-level ozone—possibly the most expensive EPA rule ever issued—depend on the same scientifically unsupported notion that the fine particles of soot emitted by smokestacks and tailpipes are lethal. The EPA claims that such particles kill hundreds of thousands of Americans annually.

The EPA first considered regulating fine particles in the mid-1990s. But when the agency ran its claims past CASAC in 1996, the board concluded that the scientific evidence didn't support the agency's regulatory conclusion. Ignoring the panel's advice, the EPA's leadership chose to regulate fine particles anyway, and resolved to figure out a way to avoid future troublesome opposition from CASAC.

In 1996 two-thirds of the CASAC panel had no financial connection to the EPA. By the mid-2000s, the agency had entirely flipped the composition of the advisory board so two-thirds of its members were agency grantees. Lo and behold, CASAC suddenly agreed with the EPA's leadership that fine particulates in outdoor air kill.

During the Obama years, the EPA packed the CASAC panel. Twenty-four of its 26 members are now agency grantees, with some listed as principal investigators on EPA research grants worth more than $220 million.

Although the scientific case against particulate matter hasn't improved since the 1990s, the EPA has tightened its grip on CASAC. In effect, EPA-funded researchers are empowered to review and approve their own work in order to rubber-stamp the EPA's regulatory agenda. This is all done under the guise of "independence."

GETTY IMAGES/ISTOCK

Another "independent" CASAC committee conducted the most recent review of the Obama EPA's ground-level ozone standards. Of that panel's 20 members, 70% were EPA grantees who'd hauled in more than $192 million from the agency over the years. These EPA panels make decisions by consensus, which has lately been easy enough to achieve considering they are usually chaired by an EPA grantee.

Would-be reformers have so far had no luck changing the culture at these EPA advisory committees. In 2016 the Energy and Environment Legal Institute, where I am a senior fellow, sued the agency. We alleged that the CASAC fine-particulate subcommittee was biased—a clear violation of the Federal Advisory Committee Act. We found a plaintiff who had been refused CASAC membership because of his beliefs about fine particles.

Unfortunately, that individual wasn't willing to take a hostile public stand against the EPA for fear of professional retribution. We ultimately withdrew the suit.

The EPA's opaque selection process for membership on its advisory boards has opened the agency to charges of bias. In 2016 Michael Honeycutt, chief toxicologist of the Texas Commission on Environmental Quality, was recommended in 60 of the 83 nominations to the EPA for CASAC membership. The EPA instead selected Donna Kenski of the Lake Michigan Air Directors Consortium. Ms. Kenski received only one of the 83 recommendations. While no one objected to Mr. Honeycutt's nomination, Sen. James Inhofe (R., Okla.) lodged an objection to Ms. Kenski's nomination, claiming she had exhibited partisanship during an earlier term on the committee.

Congress has also tried to reform the EPA's science-advisory process. During the three most recent Congresses, the House passed bills to provide explicit conflict-of-interest rules for EPA science advisers, including bans on receiving EPA grants for three years before and after service on an advisory panel. The bills went nowhere in the Senate, where the threat of a Democrat-led filibuster loomed. Had they passed, President Obama surely would have vetoed them.

President Trump and his EPA administrator have ample statutory authority to rectify the problem. As Oklahoma's attorney general, Scott Pruitt spent years familiarizing himself with the EPA's unlawful ways. He is in the process of reaffirming the independence of the agency's science advisory committees. This won't mean that committee members can't have a point of view. But a committee as a whole must be balanced and unbiased. Mr. Pruitt's goal is the one intended by Congress—peer review, not pal review.

Mr. Milloy served on the Trump EPA transition team and is the author of "Scare Pollution: Why and How to Fix the EPA."

More Debt Is the Last Thing Europe Needs

By Ludger Schuknecht

The Group of 20 leaders' communiqué out of Hamburg earlier this month promises it: Public debt is to be put on a sustainable path. High debt is a mortgage on the future. Even the larger European countries, such as Italy and Spain, can be pushed to the brink, leading to the fiscal crises and widespread panics of only a few years ago. With the global economy strengthening, there's no reason to delay focusing on this important longer-term issue. The challenge now is to shift away from complacency and inaction.

Today the debt situation appears stable. But the truth is it remains precarious: Gross government debt for the Group of Seven countries is now at broadly the same level as it was after World War II. And it shows no sign of coming down.

Debt exceeds 100% of gross domestic product in the U.S., Italy and Japan. And it isn't far below in France and the U.K. Germany still shows debt well above the reasonably safe level of 60%. And even in today's relatively good times, many national deficits are stubbornly stuck between 2% and 5% of gross domestic product.

As a result, little progress with debt reduction can be expected. This could lead to some really big dominoes toppling in the next major crisis.

Three arguments are commonly offered as to why governments and policy advisors may take a relaxed approach to public debt. None of them holds up to scrutiny.

The first is that a country can grow itself out of public debt. However, with working-age populations shrinking, it's unlikely that growth will pick up again. In advanced economies, it certainly won't exceed 1% by much over the next decades. Strong reformers and countries trying to catch up may do a little more. But with the current deficits this won't be enough to bring down the debt.

Some claim that expansionary fiscal policies can have such a strong effect on growth that debts will come down despite temporarily higher deficits. Although growth-friendly fiscal reforms are certainly needed, self-financing fiscal expansions are an illusion. Fans of big government like to exaggerate the effect of higher public-works spending, while their opponents tend to trump up the supply-side effects of lower taxes. Neither is a solution to high debt.

As economies perk up, governments should be balancing their budgets, not abandoning discipline.

The second argument reflects the hope that somebody else will pay, especially in Europe. Debt relief—as demanded, for example, by Greece—is one facet. A new European debt facility, or the hope that Europe turns its national debts into a common responsibility, is another.

The EU budget already transfers several percent of GDP each year to the poorer countries. Claims between eurozone central banks exceed €1.2 trillion ($1.376 trillion). And the European rescue fund, known as the European Stability Mechanism, provides a €500 billion fire wall.

The combination of conditionality and support may have been an uncomfortable one for some countries, but in almost all cases it has also been quite successful.

Nor would the sale of Eurobonds and other debt instruments lead to less debt or lower deficits. Quite the opposite: It would be a recipe for greater collective irresponsibility thanks to increased moral hazard.

It might also destabilize the eurozone. What proponents call pro-European would actually prove to be anti-European. Nor is there any guarantee that it would work, given Europe's spotty history of keeping fiscal-discipline promises.

The third illusion refers to the role of monetary policy. The hope is to deflate the real value of government debt through a combination of inflation and low interest rates. But to think this can keep governments from piling on more debt and fool today's savvy investors is a long shot. Instead, it could well induce a vicious circle of capital flight, higher interest rates, capital controls and protectionism. Be the result high inflation or a financial crisis, things would be very bad indeed.

Where does this leave us? We can't expect long-term stability and resilience from more spending, monetization and bond issuances. Governments must make credible commitments to reducing the public debt. This requires a revival of rules-based fiscal policy making.

In Europe, the Stability and Growth Pact must be properly implemented. At the national level, the fiscal compact must be adhered to, no matter what the expansionists claim. Without these, any grand new schemes from a eurozone budget and finance minister would only result in more broken promises and an inherently unstable debt union. In the U.S. and Japan, mechanisms for debt reduction must also be put in place.

Debt reduction requires hard and smart choices. The right time to start is now.

Mr. Schuknecht is chief economist of the German federal ministry of finance.

Interprovince Investment Revives China's Growth Rate

By Yuen Yuen Ang

China's growth rate of 6.9% in the second quarter beat the expectations of analysts, who expected the economy to continue to slow. Equally surprising is the rebound in manufacturing sentiment. The Caixin purchasing managers index for June edged above 50 into expansionary territory last week.

The recent resurgence is likely more than a temporary blip. In part it reflects better global demand for Chinese products. But it's also the result of longer-term shifts in China's manufacturing landscape that will increase productivity.

Chinese industrialists began to move production to poorer interior regions, away from the more developed coastal cities, in the early 2000s. This process, known as industrial transfer, is now in full swing. It encompasses not only the physical relocation of factories, but also investment in inland businesses, creation of new distribution chains and so forth.

One example is Li-Ning, a privately owned athletics-goods company founded by former Chinese Olympian Li Ning in Guangdong province. In 2008, Li-Ning invested 10 billion yuan ($1.48 billion) in a large production facility in Hubei province's Jingmen city. The factory produces 30 million pairs of shoes and 67 million athletic suits annually, most of which are sold to Chinese consumers.

Industrial transfer is hard to measure because, unlike industrial output, it is dynamic and multifaceted. Even officials at the National Development and Reform Commission, China's top economic-planning agency, acknowledge that they lack systematic measures of the migration.

One commonly used estimate of industrial transfer is interprovince investment, a term that first appeared in some provincial-government reports in the 2000s. It is a novelty compared to foreign direct investment, which has been recorded in Chinese statistics since the 1980s.

The scale of interprovince investment is impressive. In 2015, the value in five central provinces alone—Anhui, Henan, Hubei, Hunan and Jiangxi—was 2.5 times that of FDI throughout China. In 2011, Hubei received 333 investment projects from the coast, of which 70% were in manufacturing.

Industrial transfer injects new growth opportunities into poor inland regions, but it also frees up resources for high-end manufacturing and services on the coast. Chinese policy makers term this dual structural shift "emptying the cage to change the bird."

But Beijing didn't predict, let alone plan, this wave of industrial migration. It occurred spontaneously among coastal producers, primarily in the private sector and in response to market pressures.

During the 2000s, labor and land costs rapidly rose and local governments stiffened environmental regulations, killing the profits of low-end manufacturers. Some headed overseas, while others moved inland. In central China, labor costs are less than a quarter of those in Shanghai, and enforcement of regulations is also lax.

Rising production costs on the coasts have caused the Chinese manufacturing landscape to shift inward.

China's cabinet, the State Council, reacted belatedly to the bottom-up surge of industrial transfer, making it a top priority in 2010. Earlier policies of regional development centered only on providing financial assistance to and building infrastructure in the poor interior. After 2010, the leadership actively encouraged industrial transfer, primarily by creating "special recipient zones" throughout central China. These enjoy preferential policies similar to the special economic zones on the coast.

As a result, central and western provinces are now in the midst of an "investment frenzy." Belatedly mimicking the practices of coastal governments in the 1980s and 1990s, inland governments are mobilizing their civil servants to attract domestic investors using attractive benefits.

Li-Ning, the sporting goods company, was fiercely courted by several competing cities. It ultimately chose Jingmen for its "dedicated services." The Jingmen government took care of the company's every need, from land and labor supply to electricity.

If the interior takes over low-cost, labor-intensive manufacturing while the coast advances technologically, China will command both the low and high ends of production within a single market. That would give it a formidable competitive advantage.

Yet China's process of industrial transfer faces some obstacles. Coastal investors run into corruption and weak property rights in inland locations. Large companies like Li-Ning fare well but smaller ones falter. Environmentalists worry whether pollution will migrate from rich to poor regions. While labor costs are lower in the interior, they too are rising.

Nevertheless, China's manufacturing landscape is undergoing a sea change. Domestic investors are eclipsing foreign ones. Domestic consumption is surpassing exports. Supply chains are being remade. The regional shifts in manufacturing may allow China to grow faster for longer than many analysts thought possible.

Ms. Ang is associate professor of political science at the University of Michigan. She is the author of "How China Escaped the Poverty Trap" (Cornell, 2016).

Notable & Quotable: JFK

Niall Ferguson writing in London's Sunday Times, July 16:

Here is one contemporary verdict on the Kennedy administration, written before the president's death. It had "demoralised the bureaucracy and much of the military." It had engaged in "government by improvisation and manipulation." It had relied on "public relations gimmicks."

It had "no respect for personal dignity" and treated people "as tools." It had "brutalised our allies within Nato." It was undermining the US reputation for reliability—"the most important asset any nation has". The State Department was "a shambles, demoralised by the weakness of the secretary of state and the interference of the White House." Its foreign policy was "essentially a house of cards". Thus the young Henry Kissinger.

The resemblances between the two presidents are more than superficial. In particular, both were too much inclined to see politics as a family affair. . . . What the Trump presidency has revealed most clearly is not the way the presidency has changed as an institution, but the way the American press has changed.

Or maybe not. Perhaps, if JFK had been a Republican, he would have been treated with the same ferocious animosity as DJT is treated today for much less heinous acts.

WORK & FAMILY | By Sue Shellenbarger

When the Office Laggard Is Your Pal

It's one of the most awkward professional situations—do you confront your colleague, run to your boss or keep quiet?

DOMINIC BUGATTO

IT'S GREAT TO HAVE a friend on your team at work—unless your friend isn't pulling his weight.

It may not feel like your place to tell a friend to work harder, but ratting him out to the boss isn't very appealing, either. Walking the line between being a good friend and a good employee requires figuring out whether your friend is likely to listen to any critique you give, and if so, delivering the message in a kind but firm way.

Tattling on a teammate can backfire. John Malloy once complained to his boss that his friend, a fellow assistant coach on an elite college swim team, was running disorganized practices. "Something has to be done about this. He's just not getting the job done," Mr. Malloy says he told the head coach.

Word leaked out that he'd gone behind his co-worker's back, hurting the team, says Mr. Malloy, president of the Santee, S.C., office of **Sanford Rose Associates**, an executive-search company. "I deeply regretted saying anything."

Many bosses don't want to hear such complaints. "I ask them, 'Why are you telling me? Why aren't you telling the person who's causing the issue?'" says Ed Mitzen, founder of Fingerpaint Marketing, a Saratoga Springs, N.Y., marketing agency.

But few employees feel safe giving or receiving criticism from teammates, says Robert S. Rubin, a management professor at DePaul University. Employers encourage teams to collaborate but expect employees to compete for raises and promotions, fostering mixed motives that undermine co-workers' willingness to help each other.

Keith Valory hated seeing colleagues on a previous job hurt by teammates' harsh critiques. The climate was so competitive that a friend who was actually performing well quit the company, says Mr. Valory, chief executive officer of Plex, a Los Gatos, Calif., maker of a streaming media app. He tries to create a kinder culture at Plex by having employees do anonymous peer reviews semiannually that are edited and delivered by managers. More than 95% of Plex employees give the process high ratings, he says.

Friends may be more able than others to deliver criticism kindly. Chris Bryant took aside a friend on a team he led at a previous employer to tell him he wasn't pulling his weight. "It was difficult, because we had a good time going to each other's barbecues" outside work, says Mr. Bryant, principal at Empire Studios, a New York video production company. Facing the performance problems early motivated his friend to move to a job that was a better fit before he damaged his track record.

Workplace friendships are linked to improved job performance, but coping with role conflicts, misunderstandings and disagreements with friends on the job can be emotionally draining, says a 2016 study in the journal Personnel Psychology. If conflicts over serious ethical or legal issues arise and can't be resolved by talking it over, it's best to end the friendship, says Eileen Habelow, managing partner of Learning-Link, a Cambridge, Mass., corporate-training firm.

Bosses should get involved if an employee's behavior crosses legal or ethical boundaries, or if a friend's performance continues to cause problems after repeated attempts by teammates to help.

It's wise to figure out before raising performance problems whether your friend is likely to listen, says Tasha Eurich, a Denver organizational psychologist and author of "Insight," a book on self-awareness. If your friend thinks she's already nearly perfect and belittles others who give her feedback, she's not likely to pay much attention, Dr. Eurich says. If she knows she's performing poorly but doesn't care, you'll have to persuade her that she's actually causing problems for herself or others.

It's more likely that your friend is open to change but doesn't realize it's needed, Dr. Eurich says. One way to start the conversation is to wait for an opening. If your friend expresses disappointment about a performance review, ask if it would be OK to share your thoughts, then describe problem behaviors you've seen.

Another option is to open with a question, Dr. Rubin says, such as, "I noticed that you missed a major deadline, which isn't like you. Is everything OK?"

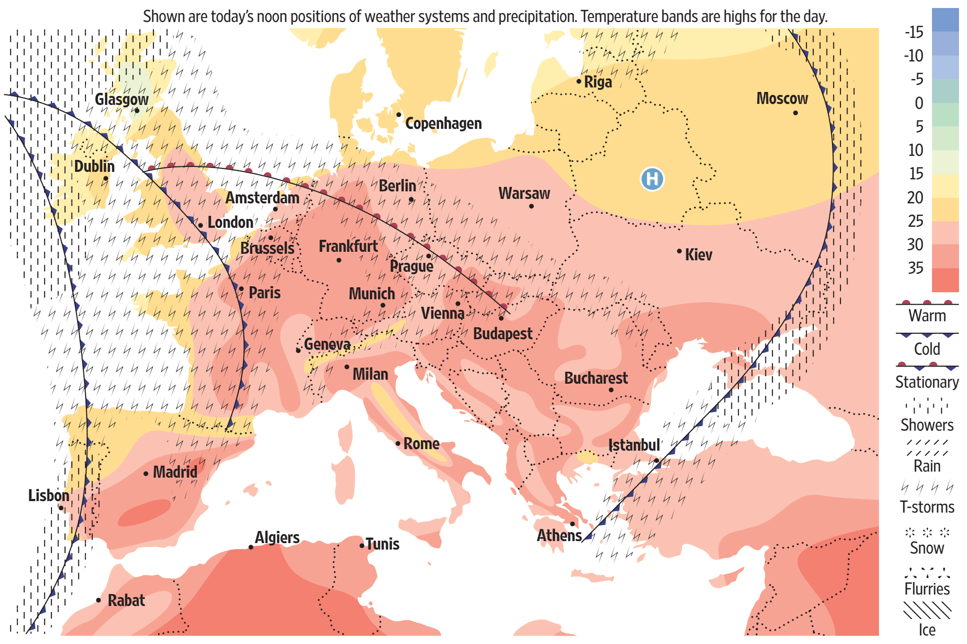
Avoid throwing around labels. Declaring that your friend has a poor work ethic or is too aggressive will only put him on the defensive, says Dana Brownlee, an Atlanta corporate trainer. Cite specific behaviors, such as leaving early during rush periods.

Finally, affirm your support for your friend and ask how you can help. Human-resources executive Eileen Timmins of Chicago was in a bind when a teammate years ago procrastinated on his part of a deadline project. To avoid complaining to their boss, she researched his role and completed part of his work herself, so she could meet her deadline. Her friend was grateful, she says, and his performance soon improved.

Weather

AccuWeather.com

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



Global Forecasts

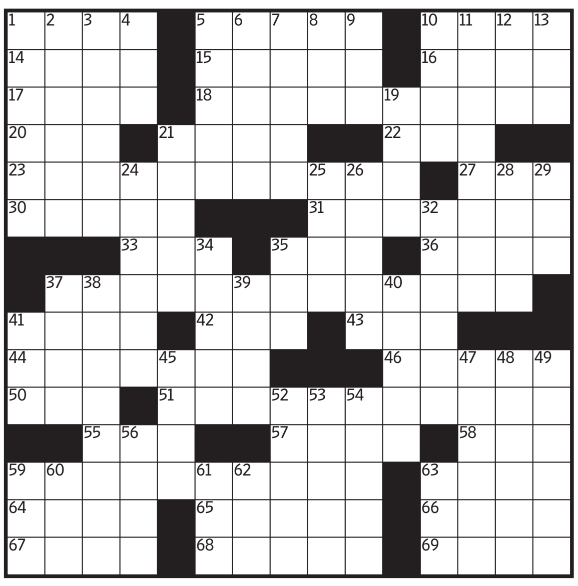
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	29	17	t	22	13	t
Anchorage	16	13	r	19	12	c
Athens	30	23	s	31	24	s
Atlanta	33	23	t	34	23	s
Baghdad	49	30	s	46	28	s
Baltimore	34	23	pc	36	24	pc
Bangkok	32	25	t	32	25	t
Beijing	32	25	t	33	23	t
Berlin	27	18	pc	27	17	t
Bogota	18	9	pc	19	9	pc
Boise	35	17	s	33	16	s
Boston	31	22	pc	30	20	pc
Brussels	30	18	t	23	11	t
Buenos Aires	14	5	pc	15	6	pc
Cairo	36	24	pc	34	24	s
Calgary	26	11	s	27	12	pc
Caracas	31	26	pc	31	26	pc
Charlotte	34	21	pc	35	23	s
Chicago	29	20	t	32	23	t
Dallas	36	26	s	37	27	s
Denver	35	18	s	34	18	c
Detroit	31	20	pc	30	22	t
Dubai	45	34	s	44	34	pc
Dublin	21	9	t	17	11	pc
Edinburgh	20	11	t	18	11	pc
Frankfurt	33	19	pc	26	15	t

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Geneva	31	18	pc	28	17	t
Hanoi	30	25	t	30	25	t
Havana	32	23	pc	32	23	pc
Hong Kong	31	27	c	31	27	r
Honolulu	31	25	pc	31	24	pc
Houston	34	24	t	34	25	t
Istanbul	27	21	pc	28	22	pc
Jakarta	32	25	t	32	24	t
Johannesburg	19	2	s	20	2	s
Kansas City	35	25	s	36	26	s
Las Vegas	38	29	t	39	29	c
Lima	21	15	pc	21	15	s
London	25	15	t	22	14	pc
Los Angeles	30	19	pc	30	19	pc
Madrid	33	20	pc	33	18	pc
Manila	31	26	t	31	26	t
Melbourne	12	8	sh	11	3	pc
Mexico City	22	13	t	23	12	pc
Miami	33	27	pc	33	26	pc
Milan	33	19	pc	31	20	s
Minneapolis	29	21	pc	30	22	c
Monterrey	34	21	pc	35	21	pc
Montreal	29	19	pc	27	19	pc
Moscow	20	12	pc	21	12	sh
Mumbai	29	24	r	30	24	r
Nashville	36	23	s	36	24	s
New Delhi	36	29	t	36	28	t
New Orleans	32	25	t	33	25	pc
New York City	32	24	pc	33	24	pc
Omaha	36	26	s	38	27	pc
Orlando	32	23	t	32	23	t

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Ottawa	28	16	pc	27	16	pc
Paris	30	18	t	25	14	t
Philadelphia	33	24	t	34	24	pc
Phoenix	39	30	pc	39	29	pc
Pittsburgh	32	20	pc	30	21	t
Port-au-Prince	36	23	pc	38	21	s
Portland, Ore.	28	15	s	25	13	c
Rio de Janeiro	21	18	sh	25	18	pc
Riyadh	45	29	pc	44	26	pc
Rome	29	18	pc	30	19	s
Salt Lake City	37	26	pc	35	23	c
San Diego	25	21	pc	26	21	pc
San Francisco	22	13	pc	22	13	pc
San Juan	31	27	s	32	26	sh
Santiago	20	4	s	22	5	s
Santo Domingo	34	24	s	33	24	s
Sao Paulo	14	11	sh	20	13	pc
Seattle	25	14	s	23	13	c
Seoul	32	25	pc	32	26	c
Shanghai	37	29	pc	39	29	t
Singapore	29	25	pc	30	25	t
Stockholm	21	11	pc	21	9	pc
Sydney	18	9	pc	17	8	s
Taipei	36	27	pc	36	27	pc
Tehran	36	23	s	37	23	s
Tel Aviv	32	25	s	30	25	s
Tokyo	31	26	t	32	26	pc
Toronto	30	17	pc	28	18	t
Vancouver	22	14	c	21	13	pc
Washington, D.C.	35	26	pc	35	26	pc
Zurich	32	18	pc	25	16	t

The WSJ Daily Crossword | Edited by Mike Shenk



LOVE STORY | By Gary Cee

Across

1 Lovers' adventure
5 Candidate's concern
10 Infatuated
14 Passionate god
15 "Love Story" author Segal
16 Hieroglyphic creature
17 Obsidian source
18 Addictive match-three game
20 Ephemeral sculpting medium
21 Film character whose last word was "Rosebud"
22 Tried-and-true
23 Happy time for a home buyer
27 FDR-DDE go-between
30 Acapulco address
31 Go past the scheduled end time
33 Blow away
35 Christmas evergreen
36 Theater honor
37 Personal matter
41 Sign up
42 Straightaway
43 Vicious with a guitar
44 Spaghetti sauce seasoning
46 Shows its age, in a way
50 Victorious shout
51 Diet-busting dessert
55 Dobbs of Fox Business Network
57 Outstanding amount
58 Verb for you
59 The CPU has direct access to it
63 Uproar
64 Spots in a yearbook photo?
65 Loons and cuckoos
66 California city nicknamed "Zinfandel Capital of the World"
67 Hard throws, in baseball
68 Bestow happiness on
69 Warning sign

Down

1 Flea market finds
2 Source of wisdom
3 Turn the page, so to speak
4 Free radio ad, for short
5 Sticky bun nut
6 Sumatran swinger, for short
7 Like some pads
8 TV panel type
9 Reserved
10 Brownie, e.g.
11 Capital on the Persian Gulf
12 "M*A*S*H" extras
13 Bat material
19 Name in the "Fargo" credits
21 Renowned Russian ballet company
24 Planter's activity
25 La Scala highlight
26 Gang domains
28 Show signs of waking
29 Ball bearer
32 Prepare for a road trip
34 "Shall we?"
35 Hardly any
37 Minute opening
38 White wine of Germany
39 Warner Bros. creation
40 Walk destination
41 Rapture
45 "I coulda been somebody, instead of ___" ("On the Waterfront")
47 Zigzagging course
48 Hothead's harangue
49 Try to mediate
52 Be smitten with
53 Bullies' targets, often
54 Deep chasm
56 Popular bills at discount stores
59 Tourist's aid
60 Opening day pitcher, probably
61 Fade away
62 "Cool" amount of cash
63 Character in Progressive ads

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

Previous Puzzle's Solution

T	E	R	S	E		A	R	T	S			G	U	S
A	T	O	L	L		R	E	E	L		A	R	L	O
C	O	M	E	M	O	N	D	A	Y		N	O	T	S
K	N	E	E		S	O	D	S		A	C	C	R	A
			P	I	L	L		E	G	G	H	E	A	D
G	A	M	E	M	O	D	E	R	A	T	O	R		
A	C	U	R	A			R	A	G		R	Y	E	
B	R	R		C	I	C	A	D	A	S		B	A	A
	E	P	S		D	O	T			A	W	A	S	H
		H	O	M	E	M	O	R	T	G	A	G	E	S
B	A	Y	L	E	A	F		H	O	E	R			
A	S	S	E	T		O	M	A	N		Z	I	M	A
C	A	L	M		P	R	I	M	E	M	O	V	E	R
O	N	A	N		E	T	R	E		A	N	A	M	E
N	A	W			T	S	O	S		G	E	N	O	A

TECHNOLOGY: DEAL COULD PROVIDE AD BUYERS WITH ALTERNATIVES TO GOOGLE, FACEBOOK B4

Euro vs. Dollar 1.1579 ▲ 0.87% **FTSE 100** 7390.22 ▼ 0.19% **Gold** 1241.10 ▲ 0.67% **WTI crude** 46.40 ▲ 0.83% **German Bund** yield 0.557% **10-Year Treasury** yield 2.263%

Rates Lift Bank of America Results

Fed's increases help quarterly earnings jump 10%, but trading revenue declines

BY RACHEL LOUISE ENSIGN

Bank of America Corp. said its second-quarter profit climbed 10% as the bank continued to pocket gains from Federal Reserve rate increases.

Quarterly profit at the Charlotte, N.C.-based bank was $5.27 billion, compared with $4.78 billion a year ago. Per share, earnings of 46 cents beat the 43 cents a share that analysts expected.

Second-quarter revenue was $22.83 billion, up from $21.29 billion a year ago. On an adjusted basis, revenue was $23.07 billion, compared with analysts' expectations of $21.78 billion.

Bank of America's large base of U.S. deposits and rate-sensitive mortgage securities makes it particularly poised to benefit from an uptick in interest rates, which recently started rising after years of record lows. But declining long-term bond yields and other factors meant the second quarter was a mixed bag for net interest income, a key measure of lending profits.

On one hand, net interest income rose 8.6% from the year-ago period to $10.99 billion. The lender was able to keep most of the benefit from rising short-term rates because it hasn't faced competitive pressure to increase deposit rates for customers.

CHRISTOPHER DILTS/BLOOMBERG NEWS

The quarter was a mixed bag for the bank's net interest income.

The Fed has raised short-term interest rates, which influence the rate the bank earns on loans and securities, twice so far in 2017. But the rate the bank paid on U.S. interest-bearing deposits has barely budged: It stood at 0.11% in the second quarter, compared with 0.09% in the prior quarter.

The rates the bank is paying depositors are "amazingly low," said Glenn Schorr, a bank analyst at Evercore ISI. Analysts have attributed depositors' reluctance to chase higher yields at other banks to a variety of factors, including the convenience of BofA's large branch network and digital capabilities.

But when compared with the first quarter of 2017, the bank's net interest income was less impressive. The metric, which Bank of America initially said would rise about $150 million, fell by $72 million. In May, the lender said the sale of a business and a reversal in long-term bond yields would eliminate most of that projected gain.

On Tuesday, bank executives said they expected net-interest income to rise in the third quarter from the second

Please see PROFIT page B2

Ecuador Busts OPEC Limits

BY BENOIT FAUCON

Ecuador has broken ranks with fellow OPEC members as the South American country's energy minister said it could no longer hold up its end of an agreement to cut oil output.

Ecuador is among the smallest producers in the Organization of the Petroleum Exporting Countries, but the news is a symbolic setback for the 14-nation cartel, which has tried to juice the oil market by withholding oil supplies.

OPEC's production cuts have so far failed to significantly raise prices, which remain stuck at or below levels in November, when the group struck its original agreement.

Ecuador's energy minister, Carlos Pérez, said in a local television interview late Monday that the country could no longer afford to restrict its output "because of the needs that the country has." Ecuador agreed to cut oil production by 26,000 barrels a day from October levels of 548,000 barrels a day, but Mr. Pérez said the country is falling about 10,000 barrels a day short.

He didn't say whether output would increase from that level, but the Latin American country's compliance has been generally weak, falling to 69% in June from an average of 85%. An Ecuadorean OPEC official couldn't be reached to comment.

Still, oil prices rose Tuesday. U.S. crude advanced 38 cents, or 0.8%, to $46.40 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, gained 42 cents, or 0.9%, to $48.84 a barrel on ICE Futures Europe.

Ecuador's announcement sounded a downbeat note as OPEC advisers gathered at the group's headquarters in Vienna on Tuesday to discuss administrative matters, including the long-delayed appointment of a new research chief, Ayed al-Qahtani, a Saudi national. The organization also named Algerian Abderrezak Benyoucef and Iran's Behrooz Baikalizadeh as respective heads of energy studies and petroleum studies, as the cartel attempts to fill positions after a period of belt-tightening induced by low oil prices.

OPEC has struggled with high production levels in recent weeks that have hurt its attempts to pull supply out of the market. Libya and Nigeria—OPEC members that were exempted from the output-cut agreement because of civil unrest—have pumped up their production in recent months.

Beijing Aims High in Global Car Business

BY TREFOR MOSS

More workers in the global auto industry are relying on Chinese companies to sign their paychecks these days.

China-based businesses have been sinking money into various automotive operations—from glass and tire makers to technology developers and car makers—for several years, reflecting Beijing's goal of eventually dominating the world's car business.

That effort accelerated during the first half of 2017, with eight overseas deals totaling more than $5.5 billion in Chinese investments, compared with nine investments for all of last year.

The list includes the takeover of troubled Japanese air-bag maker **Takata** Corp., the purchase of a U.S. flying-car developer and the acquisition of a sizable stake in Silicon Valley's **Tesla** Inc. by games and social-media company **Tencent Holdings** Ltd.

China's overseas auto-industry investments—more than $34 billion since 2008—have come despite a broad government clampdown on foreign acquisitions.

That reflects two factors, according to Michael Dunne, president of Dunne Automotive, an advisory firm. One is that Chinese automotive companies, unlike their peers in other sectors such as entertainment, have picked their targets carefully and secured good value for the money, he said.

The other is that the automotive sector clearly has government support at the highest levels to take a commanding position in the global market, he said.

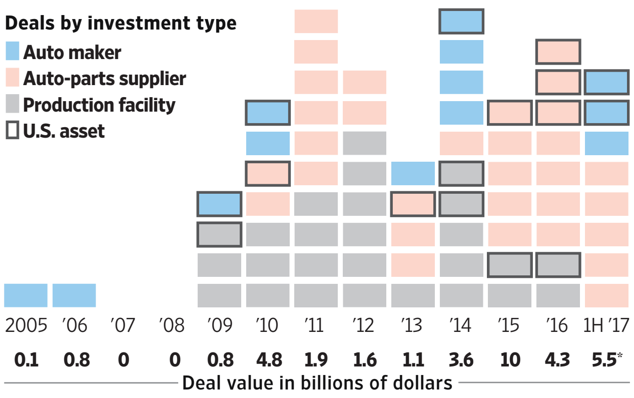
"There is no question their ambition is to be No. 1," said Mr. Dunne. He likened the approach to the ancient Chinese game of Go, "where you gradually encircle your opponent by taking strategic assets."


TY WRIGHT/BLOOMBERG NEWS

Chinese automotive companies are investing globally. Above, auto-glass maker Fuyao operates a former GM plant in Moraine, Ohio.

Investment Vehicles

Chinese auto companies have been aggressively buying U.S. and other foreign assets, securing a raft of deals in the first half of 2017.



*Total excludes three deals whose values weren't disclosed
Note: Investments valued at $100 million or more
Sources: American Enterprise Institute/Heritage Foundation; Dealogic
THE WALL STREET JOURNAL.

In many cases, Chinese companies are doing this by acquiring parts suppliers and small car makers, or setting up joint ventures on foreign soil. U.S. assets have been high on China's shopping list.

Zhejiang Geely Holding Group Co. is investing $500 million to build a **Volvo** plant that will employ 2,000 people in Ridgeville S.C., for example, while auto-glass producer **Fuyao Glass Industry Group** Co. has spent $1 billion on U.S. manufacturing facilities, including reopening a former General Motors Co. plant in Moraine, Ohio, that will employ 2,500.

Among the eight deals chalked up in the first half of 2017 was **Ningbo Joyson Electronic** Corp.'s deal last month for bankrupt air-bag maker Takata. If completed, the $1.59 billion purchase would be Ningbo Joyson's fourth in two years—a streak that included last year's $920 million acquisition of Michigan-based Key Safety Systems Inc., a maker of air bags and other auto-safety equipment.

Beijing has given vehicle-industry companies free rein to expand even as it tamps down acquisitions in other sectors, said Chen Yang, Ningbo Joyson's communications director, underscoring the car sector's strategic value to Chinese policy makers.

"We have had a lot of support from the relevant government departments," said Mr. Chen. "You can't do overseas

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HEARD ON THE STREET | By Stephen Wilmot

Supermarket Brands Pose Threat to Big Food

American consumer brands are under attack. Now, they are facing a new challenge as supermarket shoppers increasingly go generic.

Americans want goods that are wholesome, meaning both healthy and, less tangibly, authentic. Food brands, in particular, were slow to react. Many have ceded ground to fresh produce or startups with heartwarming, web-marketed back stories.

Big food is responding with additive-free recipes, homespun yarns and Facebook ad campaigns. But they face an uphill struggle as a third, even more formidable, source of competition gathers steam: **Wal-Mart Stores**, **Aldi** and **Amazon.com** house brands.

Supermarkets' "private label" goods have historically been less important in the U.S. than in other mature markets. They accounted for 17% of U.S. food sales last year, according to Euromonitor, less than half their market share in the U.K. and in Germany.

One factor has been the low U.S. market share of discounters, which dominate Germany's grocery landscape and recently upended the U.K.'s.

Discounters often achieve low prices by stocking only one brand of a given product, sourced directly from manufacturers, and getting savings from scale.

But now the big European discounters are expanding in the U.S. **Lidl** launched on

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Glasses From Google Revive at Businesses

BY LAURA STEVENS

Google parent **Alphabet** Inc. is relaunching Glass, its head-worn computer, targeting corporate customers after its initial version flopped because of privacy concerns.

Dubbed Glass Enterprise Edition, the product has been in testing at about 50 companies, including **Boeing** Co., General Electric Co. and **Volkswagen** AG, Alphabet said Tuesday.

The new device, which is designed to snap on eyeglass frames and display information, videos and images in the line of a person's sight, allows workers to see instructional content. They can also use the device to broadcast what they are viewing back to others for real-time instruction.

The product's previous version cost $1,500. The price of the new product will vary based on the needed software customization, customer support and training, the company said.

The Wall Street Journal previously reported that Google was targeting companies for testing.

Google has struggled with privacy concerns in recent years as both regulators and consumers look more closely at its usage of data tied to search results and email. Its initial release of Glass four years ago played into those concerns as users could record video in public places without others noticing.

Google sold the device to the public in mid-2014, but


STEPHEN LAM/REUTERS

The first version of the head-worn computer failed to catch on.

sales were small amid complaints about privacy protection, technical shortcomings and a lack of obvious uses. Executives have since admitted that the device was released before it was ready for consumers. Google halted sales of the device in 2015.

For the new Enterprise Edition, Google said it upgraded the design, the processing power and battery life. The camera takes clearer pictures, and a green light turns on when the camera is recording.

Deutsche Post AG's DHL unit was one of the early business-use tests for the glasses. The package-handling business used them for employees fulfilling online orders in warehouses, allowing them to receive real-time instructions about where to find items and how to direct them, according to Google.

The new glasses will be sold through a network of "Glass Partners," firms that provide training, integration and customer support to businesses.

INDEX TO BUSINESSES

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

INDEX TO PEOPLE

PROFIT

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quarter. But they declined to specify by how much. "I think we want to get out of the game of putting size parameters on it," said Paul Donofrio, the bank's chief financial officer.

The banks shares were 0.5% lower in midafternoon trading, sharper than the fall in the KBW Nasdaq Bank Index but less than the 2.7% decline in shares of Goldman Sachs Group Inc., which also reported earnings Tuesday.

Still, Bank of America shares are up more than 40% since the November election. The initial share-price gains after Donald Trump's surprise victory have been sustained as the lighter regulatory touch investors hoped for has started to materialize. In late June, Bank of America got Fed approval for a large increase in its dividend and stock buybacks.

The lender, the second-largest U.S. bank by assets, faced challenges in the second quarter. Trading revenue at Bank of America, excluding an accounting adjustment, fell 9% to $3.37 billion from $3.7 billion in the second quarter of last year. The drop was, however, less than some analysts predicted. Similar factors weighed on earnings reports from J.P. Morgan Chase & Co. and other big lenders that reported earnings on Friday.

Loans at the bank were up 1.5% from a year earlier. Loan growth has slowed across the banking industry, though there is debate about whether that has been caused by borrowers' reluctance or lenders hoarding capital to meet regulatory requirements.

Quarterly expenses rose 1.7% to $13.73 billion, from $13.49 billion a year ago. Chief Executive Brian Moynihan has made cost cutting a key tenet of his business strategy, and last year he promised to cut another $5 billion in annual expenses by 2018.

HEARD

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June 15 with six stores in North Carolina, just a few days after its key rival, Aldi, unveiled a five-year, $5 billion U.S. expansion plan.

These expansion efforts themselves don't need to succeed to force change. The threat alone will hasten the shift of the U.S. grocery sector toward private-label products.

"Embrace your own private brands before your shoppers embrace someone else's," was the primary piece of advice from consultants at Bain in a recent note on the discounter challenge for U.S. grocery executives.

Amazon and Whole Foods will speed the push into private-label goods.

Wal-Mart doesn't disclose the share of total sales coming from its own brands, but executives say it is rising. The company knows the trend well: Its subsidiary **ASDA** has been one of the chief victims of the U.K. industry rout.

The more upscale team of Amazon and **Whole Foods Market** will speed the push into private-label goods. The tech giant has been plowing resources into its Amazon-Basics range; the Whole Foods equivalent, 365 Everyday Value, anchors the grocer's new, compact store format, 365.

Ever attuned to millennial trends, Silicon Valley has even thrown up an online retailer called **Brandless** that sells $3 health-conscious private-label goods.

The impact on traditional manufacturer brands is twofold: Volumes are likely to slip as retailers make shelf space for their own offerings. And retailers, in an ever fiercer competitive environment, can use the growth of their products as leverage to whittle down suppliers' fatter margins.

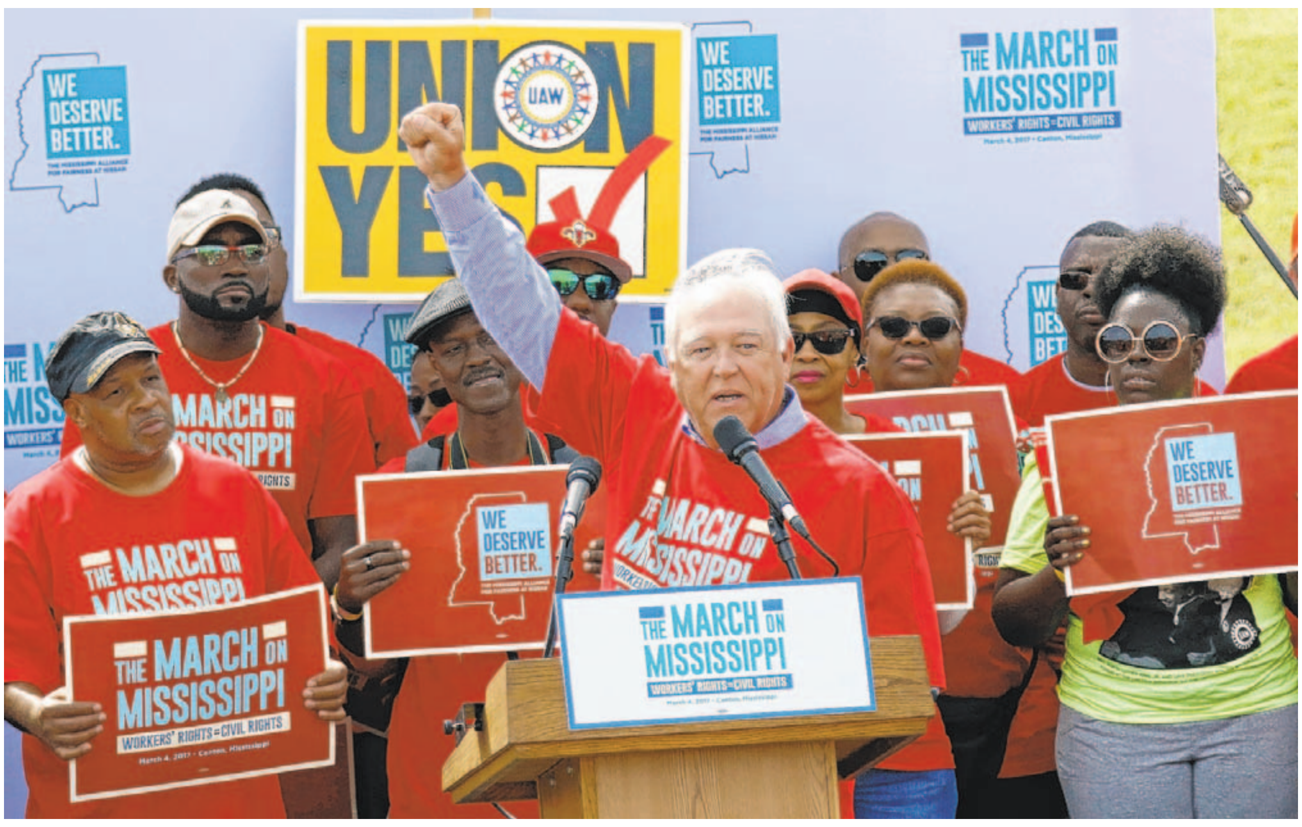
Some companies look less exposed than others. Those with big overseas operations, such as **Nestlé**, **Unilever** and **Mondelez International**, or must-have brands, like **Kraft Heinz**, stand a better chance of seeing off the new competition than those with U.S.-centric portfolios or lots of third- or fourth-placed brands.

Bernstein analysts think **Campbell Soup**, **Conagra Brands**, **General Mills**, **Kellogg** and **J.M. Smucker** are all at risk.

European groups are rushing for the exit: Nestlé's U.S. candy bars, Unilever's margarines and **Reckitt Benckiser**'s U.S. food brands, including French's mustard, are all up for sale.

Shifting consumer tastes caught U.S. food companies off guard. The rise of private-label goods will make it hard for them to fight back.

BUSINESS & FINANCE



ROGELIO V. SOLIS/ASSOCIATED PRESS

United Auto Workers head Dennis Williams at a rally near Nissan Motor's auto-assembly facility in Mississippi in March.

UAW Targets Nissan Plant

Labor union tries again to organize workers in U.S. at foreign-owned plant

By Christina Rogers

The United Auto Workers union is stepping up efforts to represent workers at a Japanese auto factory in Mississippi, its most visible organizing drive since President Donald Trump won the election and breathed new life in the Buy American movement.

The UAW, long pushing an America-first agenda that aligns with Mr. Trump's stance on free trade, will stage a vote at **Nissan Motor** Co.'s plant in Canton, Miss., the first week of August. The 82-year-old union has attempted to organize workers at foreign-owned assembly plants for decades, but largely struck out.

The UAW won a deal with Nissan this week that allows about 4,000 full-time plant workers to participate in the vote. It needs a majority of those casting ballots to win representation.

Union officials have unsuccessfully targeted Nissan in the past, including the company's facility in Tennessee that currently operates as the largest assembly plant in the U.S. in terms of output, according to WardsAuto.com. Nissan has long maintained union representation isn't the best route for its employees, arguing that workers in Mississippi already receive some of the best wages and benefits in the state.

"It is ultimately up to the employees to decide," Rodney Francis, the plant's human-resources director, said. "Given the UAW's history of strikes, layoffs and plant closures, it is clear that their presence could be harmful."

The UAW represents hundreds of thousands of auto workers, including the bulk of assembly workers at U.S. plants run by **Ford Motor** Co., **General Motors** Co. and Fiat **Chrysler Automobile** NV. Once far surpassing a million members, the union has shrunk as the American auto industry restructured, with domestic players reducing their workforce or sending jobs to other markets.

The UAW has said Nissan is violating workers' rights by blocking organizing efforts and has criticized the auto maker for what the UAW says is a liberal use of temporary workers that don't get the same benefits and job security of permanent employment.

"The company is running one of the most aggressive anti-worker campaigns that we've seen in modern U.S. history," the UAW Secretary-Treasurer Gary Casteel said.

While the UAW has largely supported Democratic candidates, including endorsing Hillary Clinton in last year's U.S. presidential election, Mr. Trump's free-trade criticisms and support for American jobs has resonated with working-class voters.

Johnson & Johnson Lifts Outlook

By Jonathan D. Rockoff
And Anne Steele

Johnson & Johnson raised its sales and profit outlook for the year even as the health-care company's second-quarter pharmaceutical revenue declined amid steeper competition for some of its drugs.

Chief Executive Alex Gorsky said the company expects sales and earnings to accelerate in the second half of the year, as J&J incorporates two acquisitions and launches new products.

The New Brunswick, N.J., company now expects adjusted earnings for the year of $7.12 to $7.22 a share, up from $7 to $7.15. And it expects sales of $75.8 billion to $76.1 billion, up from $75.4 billion to $76.1 billion.

J&J is the world's largest health-products company and its sales are considered a bellwether for the industry.

The company has been reshaping its pharmaceutical, medical-device and consumer-health businesses to adapt to patent expirations, pricing pressures and changing consumer preferences.

J&J's results have also been pressured by a stronger U.S. dollar and weakness in some emerging markets.

Rheumatoid-arthritis drug Remicade, long the company's top-selling product, has begun facing competition from lower-cost "biosimilar" rivals that analysts expect will erode sales.

Remicade sales dropped 14% in the second quarter to $1.53 billion world-wide. Finance chief Dominic Caruso said sales have held up well against a biosimilar from **Pfizer** Inc., and that most of the drop was due to a tough comparison with the previous year's quarter, when J&J recorded a positive gain for rebates on Remicade and other drugs.

J&J attributed a $342 million drop in its pharmaceutical sales in the quarter to the same positive gain last year.

Sales of diabetes drug Invokana, another key J&J product, plunged 23% to $295 million in the quarter. And sales of prostate-cancer treatment Zytiga dropped 7.2% to $558 million as a federal probe of charities that help patients pay for drugs chilled financial support to help patients cover their out-of-pocket costs.

Last month, J&J closed its largest deal ever, a $30 billion acquisition of Swiss drug company Actelion. Mr. Gorsky said J&J sees "great opportunities" to increase sales of Actelion drugs by expanding their use to more patients and around the world.

In all for the quarter, J&J earned $3.83 billion, or $1.40 a share, down from $4 billion, or $1.43 a share, in the same period a year before. Revenue rose 1.9% to $18.84 billion.

Excluding certain items, adjusted earnings were $1.83 a share. Analysts had expected $1.80 in adjusted per-share profit on revenue of $18.95 billion.

CARS

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acquisitions without government support."

Geely is the most active Chinese car manufacturer in terms of foreign takeovers. It bought struggling Malaysian auto maker Proton along with its Lotus Cars unit for $235 million in March, before acquiring U.S. flying-car startup Terrafugia in June for an undisclosed fee.

Geely's 2010 acquisition and subsequent turnaround of Volvo Cars, previously an unprofitable unit of Ford Motor Co., is often cited as the most successful example of a Chinese auto acquisition to date: As well as reviving the Swedish brand, Geely used Volvo's technology to upgrade its own product lines.

NG HAN GUAN/ASSOCIATED PRESS

A vehicle under the Geely-owned Lynk car brand on display at Shanghai's auto show in April.

Geely's absorption of foreign technology and know-how has put it "in a class by itself" among Chinese auto makers, according to Mr. Dunne, vindicating acquisitions that industry analysts initially questioned.

Other Chinese buyers have preferred to take strategic stakes in foreign vehicle makers rather than make outright purchases, as when Tencent spent $1.8 billion on a 5% stake in Tesla in March.

China National Chemical Corp.'s $7.86 billion purchase of Italian tire maker Pirelli in 2015 remains the biggest Chinese auto-sector foray to date.

The nation's largest supplier to auto makers, **Wanxiang Group**, is also a significant competitor, claiming a 12% share of the international car-parts market outside China.

Mr. Chen of Ningbo Joyson said Chinese auto suppliers are still closing the gap on world leaders such as Germany's Robert Bosch GmbH and Japan's Denso Corp., some of which have been offloading surplus units to Chinese buyers as they themselves move into more high-tech fields thought to represent the future of the car business, such as automation and connectivity.

Bosch, for example, sold its starter-motor division to Zhengzhou Coal Mining Machinery Group Co. in May.

Ningbo Joyson, however, is investing in cutting-edge technology rather than assets that Western rivals no longer want, but is still playing catch-up, Mr. Chen said. "China does not yet have one single world-class auto company," he said.

Chinese companies that are doubling down on specific subsectors of the auto-parts market might have a better chance of securing global dominance than those aiming to diversify, said Robin Zhu, an auto analyst at Bernstein Research.

Ningbo Joyson's acquisition of Key Systems and Takata will make it a top-three global player in the vehicle-safety segment, provided it can successfully stitch its various units together, he said, while auto-glass maker Fuyao, cartrim maker **Minth Group** Ltd. and vehicle-interior supplier **Yanfeng** are among the other Chinese suppliers in growing command of their specialties.

Yet even as China's auto industry racks up overseas purchases, it remains behind overall, Mr. Zhu said: "I don't think we'll see a Chinese Bosch anytime soon."

—Lilian Lin contributed to this article.

Lockheed Marks Milestone

Order book exceeds $100 billion, even as defense industry faces uncertainties

By Doug Cameron

MICHEL EULER/ASSOCIATED PRESS

The F-35 jet is key to the company's growth and represents almost a quarter of its sales. Annual production is expected to rise from 66 planes in 2017 to around 150 over the next several years.

Lockheed Martin Corp. said that its order book had grown to more than $100 billion as it sold more F-35 combat jets and boosted sales of its helicopters and missile-defense systems to foreign governments.

The milestone provides the world's largest defense company by sales with more stability amid lingering uncertainty over the path of U.S. military spending and potential disruptions to deals in the Middle East.

Defense companies typically face a lag of between a year and 18 months between securing orders and booking their sales and profits. Lockheed by far has the industry's largest order book, and it is chasing more deals such as a new training jet for the U.S. Air Force and an $80 billion refresh of the country's nuclear missiles.

Marillyn Hewson, Lockheed's chief executive, said she remains confident the U.S. would continue to boost military spending. The company is targeting near-term annual sales growth of between 3% and 5%.

U.S. lawmakers are still wrangling over the fiscal 2018 Pentagon budget, and President Donald Trump has yet to detail longer-term plans pending a military strategy review. That is likely to leave spending pegged at prior-year levels for several months under a temporary budget deal.

Lockheed reported forecast-beating quarterly profits on Tuesday and boosted its outlook for sales and earnings this year.

The F-35 jet is central to Lockheed's growth and already delivers almost one-fourth of its sales. Annual production is expected to rise from 66 planes in 2017 to about 150 in the next several years. Profits from the program continue to rise despite the Trump administration's contentious effort to slim the Pentagon's most expensive weapons program.

Sales in Lockheed's aeronautics business, which includes the F-35, rose almost 20% in the second quarter compared with a year earlier. Lockheed last month secured a $5.6 billion deal to support production of the next batch of jets and is eyeing a follow-on sale of as many as 450 planes that would potentially be the largest single arms deal in history.

International sales already account for 27% of total revenue, and Chief Financial Officer Bruce Tanner said they were running ahead of plan. He said Lockheed this year may book a portion of the $28 billion in potential sales to Saudi Arabia announced when Mr. Trump visited the kingdom in May.

Some U.S. lawmakers have called for new arms sales to the region to be frozen pending a resolution of the diplomatic dispute between Qatar and its neighbors.

Lockheed boosted its per-share earnings forecast by 15 cents to between $12.30 and $12.60 and raised expectations for sales to a range of $49.8 billion and $51 billion, though it left its free cash flow guidance unchanged.

Forecast Boosted By UnitedHealth

By Justina Vasquez And Anna Wilde Mathews

UnitedHealth Group Inc. reported profit growth in the second quarter and raised its projections for the year, fueled by its Optum health-services arm, which highlighted the company's ongoing expansion of its role as a health-care provider and data-analysis shop.

The biggest U.S. insurer has almost completely exited the Affordable Care Act marketplaces this year, which created a drag on revenue but also reduced pressure on UnitedHealth's earnings, as the company's net margin rose to 4.6% from 3.8% a year earlier.

That decision lowers the company's immediate exposure to the continuing uncertainty in Washington over health-care legislation. Republicans' efforts to pass a bill appeared stalled Tuesday. If they don't move forward, UnitedHealth and the rest of the industry may next year face the resumption of an ACA tax that is currently under a moratorium and had been expected to be repealed if Republican health-overhaul legislation passed.

During a call with analysts, UnitedHealth Chief Executive Stephen J. Hemsley generally steered clear of discussing the legislative state of play, referring briefly to uncertainty around national and state policy as a headwind for 2018 and declining to speculate about next steps. He also reiterated the company's opposition to the health-insurance tax, which he said was a specific issue for next year and which he said would, if not canceled, "further destabilize the market, which is already fragile."

While UnitedHealth didn't provide specifics about its 2018 outlook, Mr. Hemsley offered broadly optimistic comments about the company's growth prospects.

UnitedHealth on Tuesday raised its adjusted earnings-per-share guidance for the year to between $9.75 and $9.90, from between $9.65 and $9.85 previously.

Revenue rose 7.7% to $50.05 billion, slowed by withdrawals from ACA individual markets, combined with the 2017 ACA health-insurance-tax deferral. Revenue from the Medicare business rose 17% to $16.7 billion. Optum's growth was tied to its OptumRx pharmacy-benefit management unit and its OptumCare ambulatory-care business, among other factors.

Analysts surveyed by Thomson Reuters had expected $50.06 billion in revenue.

UnitedHealth once again highlighted its rapidly growing footprint as a health-care provider, which was underscored by the recent acquisition of Surgical Care Affiliates Inc. The company said that Surgical Care Affiliates started a

The insurer has almost completely left the Affordable Care Act marketplaces.

half-dozen new outpatient facilities so far this year, while its MedExpress urgent-care unit added 20 new clinics and it took over two new physician practices. UnitedHealth said it feels it is in the "early stages" of major expansion in its health-care provider business.

Optum overall saw earnings from operations grow 21% to $1.5 billion.

The Minnetonka, Minn.-based company recorded a profit of $2.28 billion, or $2.46 a share, up from $1.75 billion, or $1.81 per share, a year earlier. Excluding certain items, UnitedHealth earned $2.32 a share, compared with $1.96 for the prior year. Analysts had anticipated the company reporting a profit of $2.23 a share.

Cystic-Fibrosis Drugs Advance

By Jonathan D. Rockoff

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

Based on the results, Vertex said it is accelerating development of the new agents. "When you see data like this, it allows you to go faster," Vertex Chief Executive Jeffrey Leiden said.

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

Dr. Leiden said the company would move "as quickly as we can" to bring a new treatment to market but wouldn't give a timeline.

Cystic fibrosis is an inherited disease, resulting from a defective gene known as CFTR, that causes the body to produce a thick, sticky mucus that builds up in the lungs and other organs. Patients develop trouble breathing and, without treatment, their lungs will eventually fail.

Vertex already sells two drugs, called Kalydeco and Orkambi, but they work in only about half of the 75,000 cystic-fibrosis patients worldwide. Another 10% of patients could be treated by a two-drug combination from Vertex that is up for approval in the U.S., the company said.

By adding a third agent to that two-drug combination, the Boston-based company said it hopes to be able to treat as many as 90% of patients.

The results it released were from separate studies testing three different agents in the three-drug regimens. Each study involved 12 to 47 subjects who were given experimental treatments for two to four weeks.

The studies looked at how much air a subject could blow out in one second compared with what the subject could do before undergoing treatment.

Vertex said a combination with the company's VX-152 experimental compound improved lung function by 9.7 percentage points in a phase 2 trial, while a combination with another compound, dubbed VX-440, improved lung function by 12 percentage points.

In a phase 1 trial, a combination with a third compound called VX-659 improved lung function by 9.6 percentage points.

Tesla Adds Two Board Members

By Tim Higgins

PABLO MARTINEZ MONSIVAIS/ASSOCIATED PRESS

Linda Johnson Rice, CEO of Ebony Media, is joining Tesla's board.

Tesla Inc., which has faced criticism from its investors about a lack of independent directors, named **21st Century Fox** Inc. Chief Executive James Murdoch and Ebony Media CEO Linda Johnson Rice to its board.

The appointments announced Monday expand Tesla's board to nine people, including the Silicon Valley auto maker's CEO, Elon Musk.

In April, Mr. Musk suggested Tesla would appoint two additional directors when he responded on Twitter to a group of investors, including the **California State Teachers' Retirement System**, that were calling for improved corporate governance. Among the changes, the investors requested Tesla recruit two new directors who don't have prior personal or professional ties to Mr. Musk.

Mr. Murdoch is the son of Rupert Murdoch, executive chairman of Fox and News Corp, publisher of The Wall Street Journal. James Murdoch, who also serves on the board of News Corp and is the chairman of Sky PLC, succeeded his father as CEO of Fox in 2015.

Ms. Rice, who had been chairman emeritus of Ebony Media Holdings, returned to run the holding company that includes Ebony magazine earlier this year after selling the family-owned Johnson Publishing last year. She has been active on other boards, including as a director for Omnicom Group Inc. since 2000 and GrubHub Inc. She becomes Tesla's second female director.

A representative from CalSTRS didn't have immediate comment.

The second largest pension fund owns about 248,000 shares, or 0.15% of Tesla, according to the latest data from CapIQ.

Besides Mr. Musk, who is chairman, Tesla's board includes his brother; a former top executive for SolarCity Corp., where Mr. Musk has served as chairman; two long-time venture-capital investors in Tesla; a private-equity investor and a telecommunications executive.

JOHN LAMPARSKI/GETTY IMAGES FOR ADVERTISING WEEK NEW YORK

Sizmek provides ad buyers with tools to purchase digital space. The firm's pizza truck for Advertising Week last year in New York.

Ad-Tech Firms to Join Forces

Sizmek in deal to buy Rocket Fuel, in hopes of providing alternative to Google, Facebook

By Lara O'Reilly

Sizmek, an advertising-technology company owned by private-equity firm **Vector Capital**, agreed to acquire public ad-tech company **Rocket Fuel** Inc. for $125.5 million, or $2.60 a share, the companies said Tuesday.

Including assumption of debt, the deal values Rocket Fuel at approximately $145 million.

Rocket Fuel shares closed at $2.69 Monday. The deal includes a 30-day "go-shop" period, in which Rocket Fuel will solicit and potentially enter into alternative proposals from third parties.

"The board unanimously approved this transaction and we encourage our stockholders to follow that recommendation and tender their shares," Rocket Fuel CEO Randy Wootton said in an email.

The deal price shows how Rocket Fuel, one of ad tech's high-profile players, has fallen from its lofty position a few years ago. The company's stock traded as high as $66 in its first month as a public company in 2013 and its market valuation peaked at around $2 billion.

Sizmek provides advertising buyers with tools to purchase digital ad space, optimize what their ads look like and manage their data for ad-targeting purposes.

Rocket Fuel also has data-management capabilities and offers a demand-side "predictive marketing" platform that it says uses artificial intelligence to help marketers place their ads efficiently.

The two companies plan to combine their technology and scale in the hope of providing ad buyers with an alternative to Alphabet Inc.'s Google and Facebook Inc., as well as other ad-tech vendors. Together, they will serve more than 20,000 advertisers and 3,600 ad agencies, the companies said.

The acquisition will mark the latest in a wave of consolidation for the ad-tech sector, which has seen private-equity firms and companies in the media, cloud-computing and telecommunications industries swoop in as buyers.

The majority of pure-play ad-tech firms have had a rough ride on the public markets, struggling to convince investors of their long-term potential, largely thanks to the dominance of Google and Facebook in the digital-advertising market. Combined, the two firms collect 77 cents of each new dollar spent on digital advertising in the U.S., according to research firm eMarketer.

Excluding the sector's star performers, Criteo and The Trade Desk, ad-tech stocks were down an average of 7% in the three-month period ended June 6, according to data from investment bank Luma Partners.

But Rocket Fuel's share price began a precipitous decline in 2014. In May of that year, the Financial Times published a report alleging ads Rocket Fuel bought on behalf of its client Mercedes-Benz had been viewed by more bots than humans.

Rocket Fuel denied the allegation, saying only 6% of the ads served were questionable.

The following year, the company announced layoffs and sweeping changes in its top management.

Rocket Fuel's net loss, adjusted for depreciation and amortization, is expected to be between $4 million and $3 million in the second quarter of this year and full-year results "will be below current analysts' estimates," according to Mr. Wootton, who became CEO in November 2015.

Rocket Fuel posted a 1% decline in revenue last year to $456 million in 2016. It narrowed its net losses to $66 million, from $211 million in 2015.

Freight Startup Adds Warehouse

By Erica E. Phillips

Freight-services startup **Flexport** Inc. is stepping off the cloud and into the real world.

The San Francisco-based company, which helps customers arrange freight shipments online, will open its first warehouse on Aug. 1 near the ports of Los Angeles and Long Beach. Flexport is adding a physical footprint in an attempt to crack the roughly $400 billion freight-forwarding market. Analysts say the warehouses will allow the company to offer a wider range of services like a traditional forwarder, a key hurdle for the firm to gain market share.

Flexport's software allows shippers to arrange transportation, clear customs and arrange other services via a website, which the company says it can do faster and cheaper than established forwarders performing the same tasks by phone or email.

The 100,000-square-foot facility in Buena Park, Calif., along with others planned in Hong Kong and mainland China, will allow Flexport to handle customers' cargo directly.

Flexport is among the biggest of a group of startups attempting to digitize various aspects of logistics, including booking transportation and finding warehouse space. The biggest forwarders, including **Deutsche Post** AG's DHL and **Keuhne + Nagel**, are working on technology of their own, however. They also own warehouses and other physical assets around the world that provide storage and speed the movement of cargo through ports and onto the next legs of their journeys. Startups like Flexport account for less than 5% of the market.

"It's a logical step for [Flexport] as well as for any other startups looking to disrupt this market," said Cathy Roberson, a shipping industry analyst. "Right now a lot of those startups are nothing more but marketplaces where all you can do is compare rates, book freight, manage documents and so on. It's time for them to start differentiating themselves."

A third-party logistics firm, Biagi Bros., will operate Flexport's new Southern California warehouse with a handful of Flexport staff. The firm has plans to open two other similar warehouses soon in Hong Kong and Shenzhen—locations selected to expand Flexport's freight services on the lucrative trans-Pacific route.

Flexport founder and Chief Executive Ryan Petersen said the California facility will be a testing ground for a platform the firm is developing that would allow customers to track and sell products that are already in transit, relabeling and reshipping individual pallets from the warehouse—a capability most freight forwarders can't currently offer their customers.

TIM RUE/BLOOMBERG NEWS

The Port of Los Angeles. Flexport's 100,000-square-foot warehouse will be near the ports of Los Angeles and Long Beach.

Chinese Tycoon Stirs Debt Worries With Wanda Deal

BEIJING—Property tycoon Sun Hongbin built a reputation for bailing out indebted companies, but now the debt of his own empire is drawing attention.

After **Sunac China Holdings** Ltd., the luxury builder founded by Mr. Sun, bid $9.28 billion to acquire hotels and theme parks from **Dalian Wanda Group** last week as the latter's debt drew scrutiny, investors worry that Sunac, itself heavily leveraged, will land in the cross hairs of China's campaign to crack down on risks tied to escalating debt.

On Tuesday, such worries spilled into the open with a 7% drop in Sunac's share price in Hong Kong trading.

In an unusual arrangement, Wanda will extend a loan to Sunac for about half the purchase price of the Wanda assets, with a bank acting as middleman.

Sunac acknowledged that banks have been checking whether loans made to Sunac carry potential risks, but it said it is telling all that Wanda's assets are "quality" and there is no need for worry about Sunac's cash flow.

"It's normal that the banks are examining us because this is such a big deal," said Ma Zhixia, Sunac's executive president.

YANG YIFAN/CAIXIN/REUTERS

Property tycoon Sun Hongbin, right, with Dalian Wanda Chairman Wang Jianlin in Beijing on July 10.

The Wanda deal marks the second time this year that Mr. Sun has swooped in on a company facing trouble. In January, Mr. Sun pumped $2.22 billion into online-video platform LeEco, saving the company from a cash crunch after it expanded too quickly into products as diverse as smartphones and smart cars.

Mr. Sun goes after such big deals because he likes to take the credit for helping others, according to people who are familiar with his thinking.

Days after the Wanda deal, Mr. Sun posted a picture on the WeChat social-media platform of a magazine cover of him and Wang Jianlin, Wanda's founder and one of the richest men in China. They are side by side, with Mr. Wang resting his hand on Mr. Sun's shoulder. "We both are more handsome than the picture shows," Mr. Sun joked.

People close to him describe him as talkative and funny, yet potentially volatile. With Mr. Sun, huge decisions can be made on short notice, the people said.

It took just four days for Messrs. Sun and Wang to agree on their deal, according to Ms. Ma, who said the two tycoons have known each other a long time.

Mr. Sun's grand plans haven't always come to fruition.

Sunac in 2015 made a high-profile $1.2 billion bid for Shenzhen-based developer Kaisa Group, which had become a takeover target after the Shenzhen government blocked sales of its properties without giving a reason, prompting it to default on its debts. Sunac's bid represented a big discount on Kaisa's value based on financial reports. In the end, the deal didn't go through.

"We gave up Kaisa just because we found it isn't worth buying," Mr. Sun said at the time, without elaborating.

China's property boom has long boosted Sunac's finances, though its debt buildup and aggressive acquisitions have steadily weakened its credit profile, analysts say. Sunac said last year's profit declined because of an increase in interest expenses as it took on more debt.

Based on net debt compared to equity, Sunac is one of China's most indebted property developers.

The debt buildup over the past two years was largely to fund a land-buying spree. The company's total liabilities were 257.8 billion yuan ($38 billion) as of last December, more than doubling from 96.1 billion yuan a year earlier, according to company filings.

It is unclear what effect the bank scrutiny will have on Sunac's borrowing or its ability to roll over financing deals.

Sunac hasn't purchased any new land since October, Ms. Ma said. The company has 90 billion yuan of cash on its books and expects to generate 300 billion yuan in contracted sales from apartment and commercial-property sales for the full year, she added. "I understand that some people have concerns about Sunac's cash flow over the deals but the pressure on our capital isn't really too big," Ms. Ma said.

Fitch Ratings last week cut Sunac's corporate credit rating to double-B-minus from double-B, saying that the Wanda deal would cause a rise in Sunac's debt.

Mr. Sun has described himself as a rational thinker who drives slowly and hates risk. "I do things, which I've thought through, boldly and resolutely," he wrote on social media.

—Dominique Fong and Yang Jie

LUKE SHARRETT/BLOOMBERG NEWS

China's Dalian Wanda bought U.S. theater chain AMC in 2012.

AMC Denies It Got Funding From Wanda

By Wayne Ma

BEIJING—**AMC Entertainment Holdings** Inc. said Tuesday it never got financial help from Chinese parent company **Dalian Wanda Group** for the acquisitions of four cinema chains in the U.S. and Europe.

The movie exhibitor said in a written statement that its acquisitions of Starplex Cinemas, **Odeon & UCI Cinemas Holdings** Ltd., **Carmike Cinemas** Inc. and **Nordic Cinema Group Holding** AB over the past two years came from a combination of U.S. bank loans and cash.

Wanda and mainland China-based banks have never been a source of funding for AMC, the Kansas City, Mo., theater chain said, adding that Wanda never gave financial guarantees or provided credit enhancements.

AMC's statement comes after Chinese regulators met with executives at China's big state-owned lenders June 20 and advised them that six of Wanda's recent foreign transactions were at odds with government capital restrictions enacted last year, according to a document from one of the participating banks that was reviewed by The Wall Street Journal.

Among the six were AMC's deals for Odeon, Carmike and Nordic, which had already been completed, according to the document and a person familiar with the matter. AMC paid a combined $2.5 billion, including debt, for the three companies.

AMC's shares fell 11% on Monday after the document was widely reported. Its shares were up 1.8% late Tuesday after it denied receiving financial assistance from Wanda or Chinese banks for any of the deals.

Wanda bought AMC for $2.6 billion in 2012. Since then, the U.S. theater chain has been growing mainly through acquisitions and is now the world's largest theater chain.

MANAGEMENT

Interns Get Lesson In Earning Very Little

By Kelsey Gee

It pays to take an internship—but not a lot.

Average pay for college interns climbed to $18.06 an hour this year, but when adjusted for inflation that is less than their predecessors earned in 2010, according to a survey of paid positions released earlier this month from the National Association of Colleges and Employers.

With competition for entry-level labor increasing, economists offer multiple explanations for the sluggish rebound.

One theory is tied to the growing share of internships that are paid, in a market where more than half of all positions were unpaid just a few years ago, according to a separate survey by the Collegiate Employment Research Institute at Michigan State University.

After a string of lawsuits by unpaid interns, more employers are paying their interns for reasons of "liability protection and competing for good talent—and therefore they are pulling together the funds to pay their interns, even if it is minimum wage," said Andrew Crain, a talent acquisition specialist at the University of Georgia in Athens.

Those new, lower wages may be driving down the average, he said. Less than 30% of the university's students with internships took unpaid positions in the fall of 2016, compared with more than 50% in 2010.

Employers holding intern wages stagnant in the face of inflation may also drag average pay lower, said Phil Gardner, director of the Collegiate Employment Research Institute.

Interns in some fields aren't doing badly, though. From 2011 to 2016, pay for software engineering interns in the San Francisco area climbed 15% to $6,250 a month, or roughly $39 an hour, according to an analysis by career website Glassdoor. That is more than double the 6% climb in average paid-intern wages nationally over that period, not adjusted for inflation, according to pay levels tracked by the National Association of Colleges and Employers.

Over the same period, wages remained flat at around $13 an hour for students studying communications and humanities, who are also more likely to take unpaid positions, according to the survey published by the research institute at Michigan State.

Things may improve once those interns take full-time jobs. College graduates who accept regular full-time jobs this year are earning an average starting salary of $49,785—the highest in at least a decade, according to an analysis released in May of about 145,000 entry-level positions by executive-search firm Korn/Ferry International.

Balancing Religion and the Office

Broader array of faiths emerges in U.S. workforce, creating challenges for managers and employees

By Francesca Fontana

JUSTIN L. STEWART FOR THE WALL STREET JOURNAL (2)

Accenture's Nazneen Nathani visits a designated prayer room, above, at the firm's Los Angeles office each workday. Below, at her desk.

French oil company **Total** SA recently sent its 96,000 employees an unusual corporate missive: a comprehensive guide to religion at work.

Intended as a practical tool for managers and employees, its 80-plus pages cover everything from the basic tenets of major religions to whether bosses must provide halal food during company meals.

Few if any U.S. companies have gone as far as Total, but religious issues are cropping up more often in the workplace, resulting in lawsuits and complicated questions of faith on the job. At a time when many managers encourage employees to "bring their whole selves to work" and celebrate their individual identities, religious identity has proved tougher to navigate, managers and experts say.

When it comes to faith, most companies "stay as far away as they can," for fear of making a wrong—or unlawful—move, said Deb Dagit, former chief diversity officer at drugmaker **Merck** & Co. Ms. Dagit now runs her own consulting group.

Religious discrimination complaints filed with the U.S. Equal Employment Opportunity Commission increased 50% from 2006 to 2016. While religious discrimination comprises a relatively small portion of EEOC complaints, the rise reflects an ever more multicultural workforce with a wider array of religious faiths, said Mark Fowler, deputy chief executive of Tanenbaum, a nonprofit that works to eliminate religious prejudice.

At 92 pages, the English-language version of Total's guide offers few firm rules but states that employees' religious practices, such as prayer, should generally be respected and accommodated. Employees aren't required to read the document, which is available to those who are "curious," said a company spokeswoman.

Total created the guide to aid managers and employees who "may have questions or doubts on this topic, working with people who might not eat, dress or pray the same," said the spokeswoman.

U.S. companies often fail to address employee faith until problems arise, said Philadelphia-based employment attorney Jonathan Segal of Duane Morris LLP. Companies cannot ban religious expression outright, and U.S. Title VII requires employers to accommodate religious expression so long as it doesn't cause undue hardship on the company or workforce.

"Employees don't shed their religious rights when they walk in the door," Mr. Segal said. "It's a balance." For instance, he said, a receptionist's request to keep a Bible at the front desk may be treated differently than an employee's request to keep one in an office, away from public view.

Failing to strike that balance can put companies into hot water. After turning down a Muslim job applicant because her head scarf violated dress codes for retail employees, Abercrombie & Fitch Co. lost a discrimination case that went to the U.S. Supreme Court in 2015.

In a statement, Abercrombie said that it had "granted numerous religious accommodations when requested, including hijabs" and "remains focused on ensuring the company has an open-minded and tolerant workplace environment for all current and future store associates."

In December 2015, Cargill Inc. fired more than 100 Muslim workers from a meatpacking plant in Fort Morgan, Colo., in the midst of a dispute over whether they could take prayer breaks at work. The workers, mostly from Somalia, filed complaints with the EEOC and were deemed eligible for unemployment benefits by Colorado's labor department in 2016.

At the time, the Council of American-Islamic Relations said the company told workers prayer breaks were no longer allowed, while a Cargill spokesman said that no changes had been made to the company's religious-accommodation policies.

Tensions are being felt across the spectrum of faiths. A 2013 Tanenbaum survey of 2,024 workers showed that white evangelicals were equally as likely as non-Christians to say they felt their faiths weren't respected at work, and 28% of workers said discrimination against Christians is as serious an issue as discrimination against religious minorities.

Religion is often missing from conversations about corporate diversity policies, said Ms. Dagit.

Tanenbaum's survey found that workers at companies with religious nondiscrimination policies were less likely to say they were seeking a new job. And, those with access to flexible hours for religious observance were more than twice as likely to say they look forward to coming to work.

Each afternoon at work, Nazneen Nathani, an associate manager at consulting firm Accenture PLC, stops in a designated prayer room in her Los Angeles office. A Shiite Muslim, she prays as many as five times daily, but just once at the office.

"It's not an easy time to be a Muslim in America," said Ms. Nathani, a 14-year company veteran who works in risk management and quality. The accommodations "show me that I'm valued, and not just for my contributions as an employee, but also for who I am underneath all of that."

—Neanda Salvaterra contributed to this article.

BUSINESS WATCH

FIAT

Sesame Street Adds Another Sponsor

Fiat Chrysler Automobiles NV is joining the letters of the alphabet as a sponsor of Sesame Street. The auto maker said Monday it was joining Sesame Workshop, the nonprofit that owns the long-running children's television show, in a year-long sponsorship deal. Financial terms weren't disclosed, but Fiat Chrysler will join two other existing corporate sponsors.

Muppets from Sesame Street will be featured in 10 online advertising videos for the new Chrysler Pacifica minivan, Fiat Chrysler said. That will be the first use of Sesame Street characters in a branded vehicle since Big Bird appeared in public service advertisements alongside a Ford minivan in the late 1990s, according to Sesame Workshop.

"This is the beginning. We're talking to them about other ways they can expand" their sponsorship, Steve Youngwood, Sesame Workshop's chief operating officer, said. He declined to provide details, but said that could include some form of community-based collaboration.

It comes as part of a push by the auto maker to showcase its latest minivan in family-oriented media, including sponsorship of recent children's programming events on Viacom Inc.'s Nickelodeon network and Walt Disney Co.'s Radio Disney.

—Chester Dawson

HARLEY-DAVIDSON

Retail Sales Slip 7% For Iconic Brand

Harley-Davidson Inc. shares fell on plans to make and ship fewer motorcycles this year amid a sharp drop in retail sales.

The Milwaukee-based manufacturer said Tuesday that world-wide retail sales fell 7% in the second quarter. Sales fell 9% in the U.S., Harley's largest market. In afternoon trading, Harley's stock was down 5.7%.

Executives said strong competition from their own used motorcycles were partly to blame, as U.S. market share for new Harley bikes declined a percentage point to 48.5% in the quarter from that period a year earlier.

Harley's disappointing midyear results highlight the challenge facing the iconic American brand as it tries to grow its customer base. Harley has said it wants to add 2 million new riders in the U.S. over the next decade, as well as grow its international business to 50% of its total annual volume.

Retail sales in the U.S. fell 9% to 49,668 bikes sold in the second quarter. International sales declined 2% to 31,720 bikes. In all for the quarter, Harley topped per-share forecasts by a dime, but revenue came up short. T

The company posted a profit of $258.9 million, or $1.48 a share, down from $280.4 million, or $1.55 a share, in the year-earlier quarter. Revenue fell 5.6% to $1.57 billion.

—Andrew Tangel

Foreign Demand Fuels U.S. Home Prices

Values rise in major markets as buyers from abroad race to purchase properties

By Laura Kusisto

Foreign demand for U.S. homes is surging, helping push up prices in major U.S. markets.

In all, foreign buyers and recent immigrants purchased $153 billion of residential property in the U.S. in the year ended in March, nearly a 50% jump from a year earlier, according to a National Association of Realtors report released Tuesday.

That surpassed the previous record for foreign investment set in 2015, when foreigners purchased nearly $104 billion of U.S. residential property.

The dramatic increase was a surprise given the strong U.S. dollar, turmoil in the political arena and restrictions on Chinese buyers looking to take money out of the country, all of which were expected to damp demand.

"It was surprising that it increased and the fact that it increased quite substantially is even more surprising," said Lawrence Yun, chief economist at the National Association of Realtors. Foreign buyers, he said, "are not deterred."

ANDREW CHIN/ZUMA PRESS

Housing markets in Vancouver, seen here, and Toronto have become so overheated that many Canadians are buying in the U.S. instead.

The surge was driven largely by Canadians flocking south to avoid their own even more overheated real-estate markets. U.S. home prices are starting to look like a bargain compared with Vancouver and Toronto, where prices rose nearly 30% in the year ended in March. The gains slowed to a 6% year-over-year increase in June.

The real-estate boom up north also helps give Canadians the cash to invest in vacation properties down south.

After dipping in 2016 to nearly $9 billion in sales, transactions involving Canadians this year more than doubled to $19 billion, a new high.

"Given the price appreciation that has occurred in those two cities, they have money to spend," Mr. Yun said.

Foreign buyers continue to make up a small share of the U.S. market overall, but in some places they are a significant enough force to help explain why prices are rising so rapidly.

Purchases by foreigners accounted for 10% of U.S. existing-home sales by dollar volume, up from 8% in 2016.

Foreign buyers are disproportionately concentrated in a handful of states, with Florida, Texas and California together making up 46% of foreign buying activity.

The S&P CoreLogic Case-Shiller Indices, which covers home values in major U.S. cities, rose 5.5% in the 12-month period ended in April. Home prices hit a record in September and price growth has accelerated virtually every month since.

Still, Mr. Yun said, most of the blame for rapid price gains lies with the lack of new-home construction that is leading to a dearth of supply.

"The way to assure more affordable homes is to build more and not to limit the demand. The better approach would be to increase construction," he said.

Chinese buyers remained the largest purchasers of U.S. homes by dollar volume, with $31.7 billion worth of purchases in the year, followed by Canadians, Britons, Mexicans and Indians.

Greenberg's Firm Buys Stake in a Startup

By Leslie Scism

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

Starr's investment is the latest deal in a hot corner of "insure tech": the market for insuring small businesses, worth $100 billion in annual premiums. Financial terms weren't disclosed.

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

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

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

SETH WENIG/ASSOCIATED PRESS

Maurice R. 'Hank' Greenberg's investment is the latest in a hot corner of the 'insure tech' sector.

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

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

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

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

James Ermilio, CoverWallet's president of insurance, said the firm's goal is using "data analytics, data science and predictive modeling to make it easy for small businesses to understand, buy and manage their insurance." Large sets of data, cloud computing and sophisticated algorithms operate behind the scenes, while the firm's services are available to customers around the clock online and through smartphones, CoverWallet said.

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

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

In earlier moves, Warren Buffett's **Berkshire Hathaway** Inc. began biBerk to sell property and liability policies to small businesses. **Travelers** Cos. in March bought U.K.-based Simply Business, as it seeks to expand in the digital small-business area.

Investors Maintain Their Hold On Bonds

By Chris Dieterich

Corporate bonds may be pricey, but investors are hanging on tight.

Results from July's credit investor survey conducted by Bank of America Merrill Lynch highlight the tension between elevated valuations and sturdy economic growth.

Extreme bond bears are nonexistent. Zero survey respondents claimed to be "significantly underweight," the most pessimistic description available, either high-grade or high-yield bonds.

And yet 60% of survey respondents see investment-grade bond spreads as overvalued, the most since 2014 and up from 44% in May's survey. Another 61% of high-yield investors see junk-bond spreads as overvalued. That reading is down from 78% in May, when falling crude prices briefly renewed concerns about oil company debt.

The extra yield demanded by investors to own investment-grade bonds instead of risk-free government debt ended Monday at 1.10 percentage points, the lowest since July 2014, according to Bank of America Merrill Lynch. For speculative-grade bonds, the spread over Treasurys was 3.69 percentage points, likewise near the lowest since 2014.

July's credit survey indicates that investors largely expect spreads to remain in this tight range for the months ahead but are wary about the next year.

Half of high-grade investors said they are overweight, down from 67% in May. Some 8% of junk-bond investors claimed overweight positions, up from May, when 19% of investors were underweight junk.

While defaults are low and a slow-but-steady U.S. economy should limit any upswing in the foreseeable future, these narrow spreads are making investors wary that credit spreads can narrow much more from current levels.

Hints of pessimism appear over the longer term. Some 78% of survey respondents said they expect wider high-grade spreads a year from now, the highest proportion on record. Some 74% of junk-bond investors see wider spreads a year from now.

Investors say that, with spreads tight, investors ought not to expect much return to come from price gains.

"We see returns coming mostly from income," said strategists last week at BlackRock Inc., "not from further spread tightening."

Arbitration Fight Heats Up

By Rachel Witkowski

WASHINGTON—A fight between regulators escalated Monday when President Donald Trump's acting national banking regulator urged the Consumer Financial Protection Bureau to delay a rule barring mandatory arbitration requirements between financial firms and customers.

Acting Comptroller of the Currency Keith Noreika asked CFPB Director Richard Cordray to halt the rule, which could ease the way for class-action litigation against companies, until his office can assess the data behind the rule and verify it won't put banks in financial risk. The letter is the third between Mr. Noreika and Mr. Cordray since the CFPB announced its arbitration rule last week.

"The OCC should be granted the opportunity to conduct an independent review of the CFPB data to determine the safety and soundness implications of the Final Rule," Mr. Noreika wrote.

CFPB spokesman David Mayorga said the bureau received the letter and is reviewing it.

Mr. Noreika raised concerns about the rule the day it was announced by the CFPB, saying it presented potential risks for banks. He said the CFPB rule could allow lawsuits that could harm a bank's reputation and financial performance and ultimately drive up bank costs for consumers.

ALEX WONG/GETTY IMAGES

Richard Cordray, head of the Consumer Financial Protection Bureau

Mr. Cordray responded to the acting comptroller last week, saying he was "surprised" by the OCC's letter. "At no time during the [two-year process of preparing the rule] did anyone from the OCC express any suggestion that the rule that was under development could threaten the safety and soundness of the banking system," Mr. Cordray said in the July 12 letter.

Mr. Noreika's Monday response said Mr. Cordray continues to ignore his request for data despite "prior telephonic and in-person assurances that we would have access."

The back-and-forth between the two regulators could increase the chance congressional Republicans attempt to step in and stop the arbitration rule.

Senate Republicans, for instance, are considering steps to overturn it, and House Republicans are looking into whether they could hold Mr. Cordray in contempt for not complying with information requests related to the rule.

Mr. Cordray, who was appointed by former President Barack Obama, is serving a term that ends in July 2018.

Mr. Noreika and Mr. Cordray are members of the Financial Stability Oversight Council, a government body consisting of top regulators that has the authority to delay proposed rules by the CFPB.

Wells Fargo Is Planning Changes at Branches

By Emily Glazer

Wells Fargo & Co. is planning a round of new branch changes to improve customer and employee relationships still damaged from the bank's sales-practices scandal last year.

In its next rollout of retail shifts, Wells Fargo is aiming to solve more problems for branch customers during their visits, rather than referring issues to call centers, said Laurey Cosentino, head of Wells Fargo's retail bank customer and branch experience.

The San Francisco bank unveiled other consumer-unit changes affecting personnel, employee compensation and sales practices after it agreed last September to pay a $185 million settlement over opening as many as 2.1 million accounts using fictitious or unauthorized customer information.

The newest round of changes, which include efforts to reduce wait times and educate customers about new digital capabilities, will go into effect in mid-2018, with the first phase starting this quarter, said Mary Mack, who took over the retail unit last July.

After eliminating product sales goals in October and rolling out a new compensation plan in January, Ms. Mack said there would be further shifts that affect how employees interact with customers.

Many of the latest changes are based off of feedback from employees, including sessions led by Ms. Mack with more than 4,000 employees across 29 cities. For instance, the bank will roll out a new protocol to handle fee disputes with customers who visit a branch, aiming to get closure on the issue at that session rather than referring it to another office.

"Our customers expect to have a good experience when they come into our branches," Ms. Mack said in an interview. "They expect us to take care of their problems and address their questions."

MARK ELIAS/BLOOMBERG NEWS

The Dow Jones Transportation Average has lagged behind the Dow industrials, weighed down in part by weakness in UPS shares. But the recent push to fresh records in the Dow transports is a bullish sign for the broader market, according to Dow Theory.

Transports Wave Rally Flag

By Ben Eisen

A U.S. index of plane, train, and shipping stocks has been hitting fresh records this month, a bullish signal for those who track the century-old Dow Theory.

The Dow Jones Transportation Average didn't hit a new record between the beginning of March and the start of this month. The divergence between the index and the Dow Jones Industrial Average, which has repeatedly hit fresh records since the start of June, had raised concerns about the strength of the stock-market rally.

The Dow Theory holds that any lasting rally to new highs in the Dow industrials must be accompanied by a fresh record in the Dow transports, the 20-stock index of the largest U.S. airlines, railroads and trucking firms. When the transport average lags behind the blue-chip index, it can presage broader stock declines.

The transports were up 7.2% this year through Monday, while the Dow industrials had climbed 9.4%.

The price-weighted transport index had been dragged down in part by **United Parcel Service** Inc., the third most expensive stock in the index. The company's shares have fallen 2.2% this year through Monday as UPS contends with higher shipping costs associated with e-commerce.

A number of other technical indicators have recently flashed bullish signals.

The series of transport records this month offers confirmation of the rally in industrials, an encouraging sign for chart watchers that the broader stock-market rally is on track.

"Both the industrials and transports are in gear and confirming each other," said Stephen Suttmeier, a technical research analyst at Bank of America Merrill Lynch. "There's no divergence for the bears to growl about."

Critics of the Dow Theory say it has become less relevant as the U.S. has shifted to a more service-based economy and away from a manufacturing one. But the Dow Theory is just one of a number of technical indicators that have recently flashed bullish signals for the rally.

Measures of how broadly the rally has spread across stocks, known as market breadth, have also indicated to technicians a wide base of support for stocks.

"The technical indicators point to further gains in the stock market," said Bruce Bittles, chief investment strategist at Baird, in a note to clients on Monday.

A high in the transports has also often preceded moves higher in other indexes, such as the S&P 500. On Friday, the transports hit a 52-week high alongside the S&P 500 and the small-cap Russell 2000 index. The last time the trio began hitting 52-week highs after a three-month absence of such "triple plays" was in November, according to **Bespoke Investment Group**, and the S&P 500 gained 7.5% over the next three months.

On average since 1978, a triple play has been followed by an S&P 500 gain of 2.1% over the next three months, versus an average of 1.7% for all three-month periods.

Dow, Dollar Drop As Health Bill Fails

By Akane Otani And Riva Gold

The Dow Jones Industrial Average retreated Tuesday as the dollar and government-bond yields came under fresh pressure.

TUESDAY'S MARKETS

The Dow industrials declined 54.99 points, or 0.25%, to 21574.73, weighed down by a steep drop in shares of Goldman Sachs Group. The S&P 500 rose less than 0.1%, and the Nasdaq Composite added 0.5%.

In Europe, the Stoxx Europe 600 dropped 1.1% to end at 382.58, snapping a four-day winning streak. All sectors closed in the red, led by tech and basic material shares.

The day's moves came after Senate Republicans gave up their efforts to dismantle and replace much of the Affordable Care Act. The struggle to pass a health-care bill amplified doubts about the Trump administration's ability to implement policies like tax cuts and fiscal stimulus, some investors and analysts said.

Hopes for such policies had initially pushed stocks, the dollar and government-bond yields higher after Election Day.

If Republicans can't pass a replacement health-care bill, "there is little else [they] could do" with passing other legislation, said Toshihiko Sakai, senior manager of forex and financial-products trading at **Mitsubishi** UFJ Trust & Banking.

The WSJ Dollar Index, which measures the dollar against a basket of 16 currencies, fell 0.6% to postelection lows, while the yield on the 10-year U.S. Treasury note fell to 2.263%, according to Tradeweb, from 2.309% on Monday. Yields fall as bond prices rise.

The euro rose to a 14-month high against the U.S. dollar, climbing to $1.155 from $1.147 late Monday, notching an intraday high of $1.1584. A stronger euro can hurt European exporters as it makes products more expensive for overseas customers.

Although stocks around the world mostly fell Tuesday, some investors have said they believe the effect of policy changes on the broader stock market will ultimately be muted.

Stocks have already priced in dimming hopes for tax cuts and fiscal stimulus, said Ernesto Ramos, head of equities at BMO Global Asset Management.

"What's driving the markets here is really the earnings story," Mr. Ramos said.

A flurry of corporate earnings results drove swings in individual stocks on Tuesday.

Dow component Goldman Sachs shed 2.6% after the firm reported a 40% decrease in its fixed-income trading business, the steepest of any big bank to report second-quarter earnings yet.

Shares of Netflix jumped on stronger-than-expected subscriber growth.

Declines in the stock, the worst performer in the Dow industrials in morning trade, wiped off about 40 points from the index.

Banks had also fallen across the board Friday despite posting better-than-expected earnings as analysts pointed to concerns about future loan growth and the outlook for the second half of the year.

Shares of Netflix jumped 14% after the company reported adding more subscribers than analysts had expected in the second quarter.

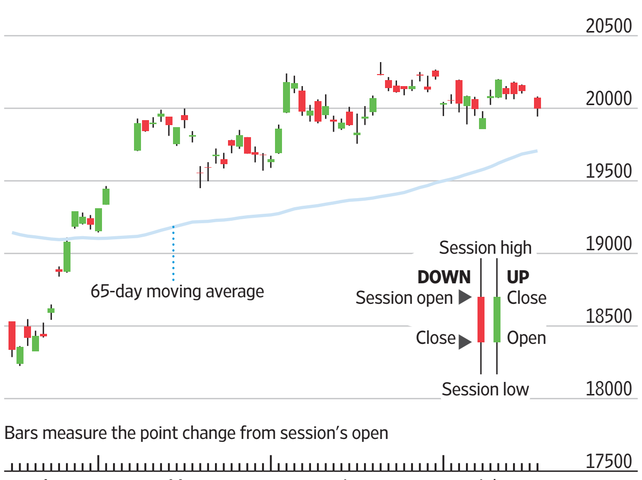
MARKETS DIGEST

Nikkei 225 Index

19999.91 ▼118.95, or 0.59%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲ 4.63%
52-wk high/low	20230.41	16083.11
All-time high	38915.87	12/29/89

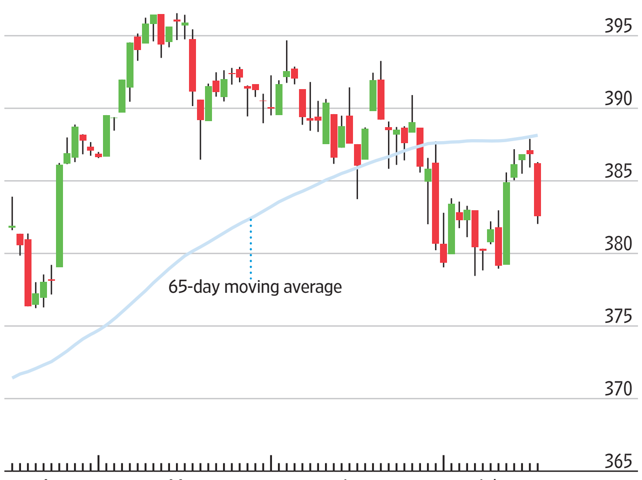


STOXX 600 Index

382.58 ▼4.28, or 1.11%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲ 5.85%
52-wk high/low	396.45	328.80
All-time high	414.06	4/15/15



S&P 500 Index

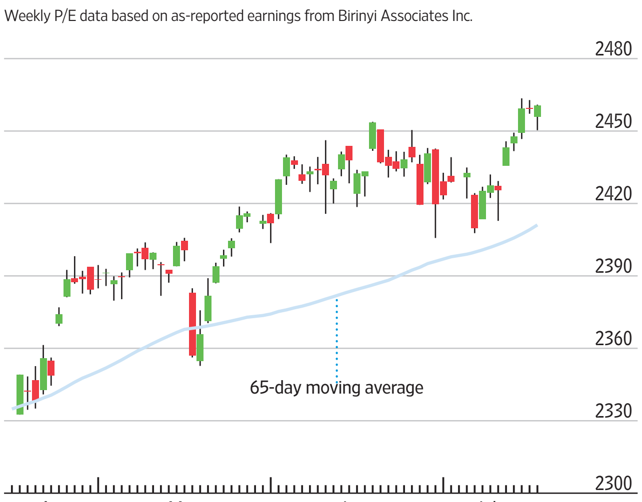
Data as of 4 p.m. New York time

2460.61 ▲1.47, or 0.06%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.29	24.85
P/E estimate *	18.80	18.37
Dividend yield	1.99	2.13
All-time high:	2460.61, 07/18/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2825.32	−6.32	**−0.22**	2383.44	2836.30	11.8
	MSCI EAFE	1918.57	−1.68	**−0.09**	1471.88	1956.39	11.8
	MSCI EM USD	1053.54	1.99	**0.19**	691.21	1053.58	32.7
Americas	**DJ Americas**	592.41	0.29	**0.05**	503.44	593.10	9.6
Brazil	**Sao Paulo Bovespa**	65269.06	56.75	**0.09**	55695.52	69487.58	8.4
Canada	**S&P/TSX Comp**	15153.92	−11.44	**−0.08**	14319.11	15943.09	−0.9
Mexico	**IPC All-Share**	51094.42	−237.87	**−0.46**	43998.98	51364.19	11.9
Chile	**Santiago IPSA**	3822.73	−11.71	**−0.31**	3120.87	3837.15	18.6
U.S.	**DJIA**	21574.73	−54.99	**−0.25**	17883.56	21681.53	9.2
	Nasdaq Composite	6344.31	29.87	**0.47**	5028.24	6344.55	17.9
	S&P 500	2460.61	1.47	**0.06**	2083.79	2463.54	9.9
	CBOE Volatility	9.92	0.10	**1.02**	9.37	23.01	−29.3
EMEA	**Stoxx Europe 600**	382.58	−4.28	**−1.11**	328.80	396.45	5.9
	Stoxx Europe 50	3128.83	−35.70	**−1.13**	2720.66	3279.71	3.9
Austria	**ATX**	3192.10	−7.50	**−0.23**	2166.58	3212.50	21.9
Belgium	**Bel-20**	3872.44	−36.79	**−0.94**	3362.71	4055.96	7.4
France	**CAC 40**	5173.27	−56.90	**−1.09**	4293.34	5442.10	6.4
Germany	**DAX**	12430.39	−156.77	**−1.25**	9923.64	12951.54	8.3
Greece	**ATG**	848.07	−10.01	**−1.17**	546.95	859.78	31.8
Hungary	**BUX**	35904.22	−236.43	**−0.65**	27001.48	36280.07	12.2
Israel	**Tel Aviv**	1452.97	−3.89	**−0.27**	1372.23	1490.23	−1.2
Italy	**FTSE MIB**	21358.20	−126.64	**−0.59**	15923.11	21828.77	11.0
Netherlands	**AEX**	518.17	−3.33	**−0.64**	436.28	537.84	7.2
Poland	**WIG**	62331.50	−206.24	**−0.33**	45958.40	62761.44	20.4
Russia	**RTS Index**	1038.45	−0.89	**−0.09**	898.05	1196.99	−9.9
Spain	**IBEX 35**	10524.50	−126.70	**−1.19**	8229.40	11184.40	12.5
Sweden	**SX All Share**	577.64	−9.47	**−1.61**	483.91	598.42	8.1
Switzerland	**Swiss Market**	8977.98	−60.67	**−0.67**	7585.56	9148.61	9.2
South Africa	**Johannesburg All Share**	53261.64	−565.77	**−1.05**	48935.90	54716.53	5.1
Turkey	**BIST 100**	105718.31	−498.69	**−0.47**	70426.16	106402.15	35.3
U.K.	**FTSE 100**	7390.22	−13.91	**−0.19**	6615.83	7598.99	3.5
Asia-Pacific	**DJ Asia-Pacific TSM**	1657.38	4.94	**0.30**	1405.52	1659.54	16.5
Australia	**S&P/ASX 200**	5687.40	−68.10	**−1.18**	5156.60	5956.50	0.4
China	**Shanghai Composite**	3187.57	11.10	**0.35**	2953.39	3288.97	2.7
Hong Kong	**Hang Seng**	26524.94	54.36	**0.21**	21574.76	26524.94	20.6
India	**S&P BSE Sensex**	31710.99	−363.79	**−1.13**	25765.14	32074.78	19.1
Japan	**Nikkei Stock Avg**	19999.91	−118.95	**−0.59**	16083.11	20230.41	4.6
Singapore	**Straits Times**	3306.08	7.84	**0.24**	2787.27	3306.08	14.8
South Korea	**Kospi**	2426.04	0.94	**0.04**	1958.38	2426.04	19.7
Taiwan	**Weighted**	10481.26	23.72	**0.23**	8902.30	10513.96	13.3

Source: SIX Financial Information; WSJ Market Data Group

Global government bonds

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

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
2.750	**Australia** 2	**1.906**	**54.6**	49.5	36.6	**93.0**	**1.855**	1.681	**1.624**
2.750	10	**2.754**	**48.9**	42.3	26.3	**41.3**	**2.739**	2.417	**1.999**
3.000	**Belgium** 2	**-0.497**	**-185.7**	-186.0	-187.8	**-127.3**	**-0.501**	-0.563	**-0.579**
0.800	10	**0.843**	**-142.2**	-146.4	-154.5	**-134.7**	**0.852**	0.608	**0.239**
0.000	**France** 2	**-0.398**	**-175.8**	-175.6	-179.7	**-122.1**	**-0.396**	-0.482	**-0.527**
1.000	10	**0.829**	**-143.6**	-147.0	-151.4	**-137.1**	**0.846**	0.639	**0.215**
0.000	**Germany** 2	**-0.640**	**-200.0**	-197.3	-198.0	**-133.4**	**-0.613**	-0.665	**-0.641**
0.500	10	**0.557**	**-170.7**	-173.2	-187.8	**-159.9**	**0.584**	0.276	**-0.014**
0.050	**Italy** 2	**0.054**	**-130.6**	-128.6	-161.3	**-74.9**	**0.074**	-0.298	**-0.055**
2.200	10	**2.193**	**-7.1**	-8.1	-17.7	**-33.2**	**2.236**	1.976	**1.253**
0.100	**Japan** 2	**-0.106**	**-146.6**	-146.6	-143.0	**-102.5**	**-0.107**	-0.115	**-0.332**
0.100	10	**0.069**	**-219.5**	-223.6	-209.8	**-181.6**	**0.080**	0.055	**-0.230**
4.000	**Netherlands** 2	**-0.613**	**-197.3**	-195.8	-196.7	**-129.1**	**-0.598**	-0.652	**-0.597**
0.750	10	**0.681**	**-158.4**	-161.6	-167.1	**-149.1**	**0.700**	0.482	**0.095**
4.750	**Portugal** 2	**0.068**	**-129.2**	-130.5	-126.8	**-0.7**	**0.054**	0.047	**0.687**
4.125	10	**3.043**	**77.8**	78.0	75.0	**153.8**	**3.097**	2.904	**3.124**
2.750	**Spain** 2	**-0.293**	**-165.3**	-163.5	-161.1	**-84.6**	**-0.275**	-0.296	**-0.153**
1.500	10	**1.546**	**-71.9**	-72.0	-69.8	**-34.2**	**1.596**	1.456	**1.243**
4.250	**Sweden** 2	**-0.683**	**-204.3**	-201.7	-202.2	**-132.9**	**-0.657**	-0.707	**-0.635**
1.000	10	**0.658**	**-160.6**	-161.6	-169.0	**-141.1**	**0.700**	0.463	**0.175**
1.750	**U.K.** 2	**0.264**	**-109.6**	-105.0	-115.6	**-51.8**	**0.310**	0.159	**0.175**
4.250	10	**1.208**	**-105.6**	-104.1	-113.5	**-75.9**	**1.275**	1.018	**0.827**
1.250	**U.S.** 2	**1.360**	**...**	...	...	**...**	**1.360**	1.315	**0.694**
2.375	10	**2.265**	**...**	...	...	**...**	**2.316**	2.153	**1.585**

Commodities

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

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 7/17/2017

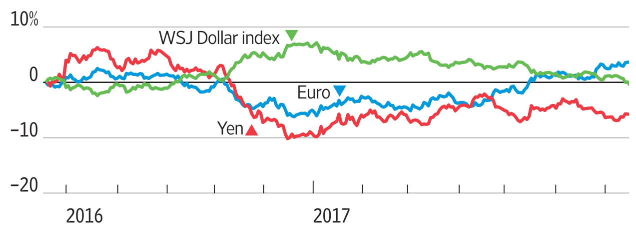
Commodity	Exchange	Last price	One-Day Change: Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	377.00	2.00	0.53%	404.75	364.50
Soybeans (cents/bu.)	CBOT	1002.00	4.50	0.45	1,047.00	907.00
Wheat (cents/bu.)	CBOT	504.25	-1.75	-0.35%	574.50	430.75
Live cattle (cents/lb.)	CME	116.950	-1.675	-1.41	122.850	99.125
Cocoa ($/ton)	ICE-US	1,900	-10	-0.52	2,281	1,767
Coffee (cents/lb.)	ICE-US	134.65	1.10	0.82	163.75	115.50
Sugar (cents/lb.)	ICE-US	14.15	0.06	0.43	20.50	12.74
Cotton (cents/lb.)	ICE-US	68.16	0.40	0.59	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2132.00	6.00	0.28	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.7270	0.0030	0.11	2.8495	2.4850
Gold ($/troy oz.)	COMEX	1242.50	8.80	0.71	1,300.30	1,155.00
Silver ($/troy oz.)	COMEX	16.260	0.161	1.00	18.780	14.340
Aluminum ($/mt)*	LME	1,925.00	4.00	0.21	1,972.00	1,688.50
Tin ($/mt)*	LME	19,980.00	130.00	0.65	21,225.00	18,760.00
Copper ($/mt)*	LME	5,985.00	104.50	1.78	6,156.00	5,491.00
Lead ($/mt)*	LME	2,326.00	43.00	1.88	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,823.00	51.00	1.84	2,958.50	2,450.50
Nickel ($/mt)*	LME	9,645.00	225.00	2.39	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	201.50	-0.10	-0.05	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2527.00	-30.00	-1.17	2966.00	2390.00
Crude oil ($/bbl.)	NYMEX	46.61	0.38	0.82	58.36	42.29
NY Harbor ULSD ($/gal.)	NYMEX	1.5133	0.0093	0.62	1.8065	1.3703
RBOB gasoline ($/gal.)	NYMEX	1.5403	0.0144	0.94	1.8366	1.3805
Natural gas ($/mmBtu)	NYMEX	3.056	0.049	1.63	3.5490	2.8300
Brent crude ($/bbl.)	ICE-EU	48.86	0.44	0.91	60.18	44.60
Gas oil ($/ton)	ICE-EU	447.25	-2.00	-0.45	532.25	405.50

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on July 18

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



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0587	17.0475	**7.4**
Brazil real	0.3168	3.1565	**−3.0**
Canada dollar	0.7903	1.2654	**−5.9**
Chile peso	0.001527	655.00	**−2.2**
Colombia peso	0.0003321	3011.11	**0.3**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0572	17.4978	**−15.6**
Peru sol	0.3080	3.2470	**−3.2**
Uruguay peso-e	0.0349	28.620	**−2.5**
Venezuela bolivar	0.100060	9.99	**−0.01**
Asia-Pacific			
Australia dollar	0.7924	1.2620	**−9.1**
China yuan	0.1482	6.7464	**−2.9**
Hong Kong dollar	0.1281	7.8049	**0.6**
India rupee	0.0155	64.3400	**−5.3**
Indonesia rupiah	0.0000751	13309	**−1.6**
Japan yen	0.008939	111.86	**−4.4**
Kazakhstan tenge	0.003069	325.84	**−2.4**
Macau pataca	0.1246	8.0284	**1.4**
Malaysia ringgit-c	0.2333	4.2870	**−4.4**
New Zealand dollar	0.7364	1.3580	**−6.0**
Pakistan rupee	0.0095	105.250	**0.8**
Philippines peso	0.0197	50.716	**2.2**
Singapore dollar	0.7321	1.3659	**−5.6**
South Korea won	0.0008891	1124.79	**−6.9**
Sri Lanka rupee	0.0065024	153.79	**3.6**
Taiwan dollar	0.03294	30.358	**−6.5**
Thailand baht	0.02977	33.590	**−6.2**
Europe			
Bulgaria lev	0.5919	1.6896	**−9.1**
Croatia kuna	0.1561	6.405	**−10.7**
Euro zone euro	1.1579	0.8637	**−9.1**
Czech Rep. koruna-b	0.0443	22.559	**−12.2**
Denmark krone	0.1557	6.4231	**−9.1**
Hungary forint	0.003784	264.24	**−10.2**
Iceland krona	0.009482	105.46	**−6.6**
Norway krone	0.1240	8.0662	**−6.7**
Poland zloty	0.2758	3.6260	**−13.4**
Russia ruble-d	0.01693	59.084	**−3.6**
Sweden krona	0.1208	8.2763	**−9.1**
Switzerland franc	1.0495	0.9528	**−6.5**
Turkey lira	0.2839	3.5219	**−0.0**
Ukraine hryvnia	0.0386	25.9200	**−4.3**
U.K. pound	1.3051	0.7662	**−5.4**
Middle East/Africa			
Bahrain dinar	2.6515	0.3772	**−0.01**
Egypt pound-a	0.0557	17.9510	**−1.0**
Israel shekel	0.2805	3.5649	**−7.4**
Kuwait dinar	3.3044	0.3026	**−1.0**
Oman sul rial	2.5970	0.3851	**0.02**
Qatar rial	0.2714	3.685	**1.2**
Saudi Arabia riyal	0.2666	3.7503	**−0.01**
South Africa rand	0.0775	12.8999	**−5.8**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.83	−0.54	−0.62	**−6.57**

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Jul 18

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2620	1.6472	1.3249	0.0113	0.1617	1.4614	0.9978	...
Canada	1.2654	1.6512	1.3278	0.0113	0.1621	1.4649	...	1.0023
Euro	0.8637	1.1272	0.9065	0.0077	0.1107	...	0.6826	0.6843
Hong Kong	7.8049	10.1847	8.1907	0.0698	...	9.0370	6.1686	6.1839
Japan	111.8640	146.0000	117.4000	...	14.3330	129.5200	88.4200	88.6200
Switzerland	0.9528	1.2435	...	0.0085	0.1221	1.1032	0.7531	0.7549
U.K.	0.7662	...	0.8042	0.0068	0.0982	0.8872	0.6057	0.6071
U.S.	...	1.3051	1.0495	0.0089	0.1281	1.1579	0.7903	0.7924

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.22778%**	0.48530%
Three month	**1.30694**	0.69710
Six month	**1.45600**	1.00730
One year	**1.73344**	1.32890
Euro Libor		
One month	**-0.39929%**	-0.36857%
Three month	**-0.37614**	-0.30357
Six month	**-0.30329**	-0.19271
One year	**-0.18271**	-0.06729
Euribor		
One month	**-0.37400%**	-0.37100%
Three month	**-0.33100**	-0.29500
Six month	**-0.27400**	-0.18900
One year	**-0.15100**	-0.05900
Yen Libor		
One month	**-0.03871%**	-0.06464%
Three month	**-0.01486**	-0.03171
Six month	**0.00200**	-0.02950
One year	**0.11329**	0.06286
	Offer	**Bid**
Eurodollars		
One month	**1.3100%**	1.2100%
Three month	**1.3500**	1.2500
Six month	**1.5000**	1.4000
One year	**1.7700**	1.6700
	Latest	**52 wks ago**
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.06%**	0.39%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

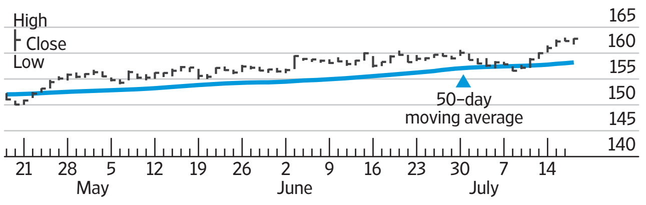
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	58.75	0.86	34.29
¥	AstellasPharma	4503	1337.50	-1.69	-17.62
AU$	AustNZBk	ANZ	28.30	-1.57	-6.97
AU$	BHP	BHP	25.10	-0.28	0.16
HK$	BankofChina	3988	3.76	-0.79	9.30
HK$	CKHutchison	0001	100.50	0.20	14.33
HK$	CNOOC	0883	8.69	-0.11	-10.41
AU$	CSL	CSL	128.36	-1.22	27.84
¥	Canon	7751	3794.00	0.11	15.14
¥	CentralJapanRwy	9022	17825	-0.50	-7.31
HK$	ChinaConstructnBk	0939	6.39	-0.31	7.04
HK$	ChinaLifeInsurance	2628	25.60	-0.78	26.73
HK$	ChinaMobile	0941	82.55	0.30	0.43
HK$	ChinaPetro&Chem	0386	6.00	0.33	9.09
AU$	CmwlthBkAust	CBA	81.40	-1.86	-1.23
¥	EastJapanRailway	9020	10630	-0.79	5.25
¥	Fanuc	6954	22275	-0.71	12.41
¥	Hitachi	6501	729.90	0.80	15.49
TW$	Hon Hai Precisn	2317	117.00	1.30	38.95
¥	HondaMotor	7267	3096.00	-1.21	-9.34
KRW	HyundaiMtr	005380	148000	-1.66	1.37
HK$	Ind&Comml	1398	5.30	0.19	13.98
¥	JapanTobacco	2914	3812.00	-0.65	-0.83
¥	KDDI	9433	2912.00	-0.27	-1.61
¥	Mitsubishi	8058	2400.50	-0.83	-3.59
¥	MitsubishiElectric	6503	1643.00	-0.79	0.83
¥	MitsubishiUFJFin	8306	721.60	-1.39	0.19
¥	Mitsui	8031	1606.50	-0.56	-0.03
¥	Mizuho Fin	8411	199.30	-0.85	-5.00
¥	NTTDoCoMo	9437	2619.50	-0.80	-1.63
AU$	NatAustBnk	NAB	29.40	-1.80	-4.14
¥	NipponTeleg	9432	5369.00	0.36	9.30
¥	NissanMotor	7201	1142.00	-0.74	-2.85
¥	Panasonic	6752	1518.00	-0.59	27.62
HK$	PingAnInsofChina	2318	58.75	0.43	51.42
$	RelianceIndsGDR	RIGD	47.00	-1.88	48.97
KRW	SamsungElectronics	005930	2542000	0.39	41.07
¥	Seven&I Hldgs	3382	4468.00	-1.15	0.34
¥	SoftBankGroup	9984	9145.00	0.43	17.77
¥	Sony	6758	4505.00	0.13	37.56
¥	Sumitomo Mitsui	8316	4268.00	-0.58	-4.30
HK$	SunHngKaiPrp	0016	119.20	0.17	21.63
TW$	TaiwanSemiMfg	2330	214.00	0.47	17.91
¥	TakedaPharm	4502	5763.00	1.44	19.19
HK$	TencentHoldings	0700	286.80	0.63	51.19
¥	TokioMarineHldg	8766	4752.00	0.04	-0.92
¥	ToyotaMtr	7203	6180.00	-1.25	-10.15
AU$	Wesfarmers	WES	40.70	-1.83	-3.42
AU$	WestpacBanking	WBC	30.77	-1.66	-5.61
AU$	Woolworths	WOW	26.25	-0.79	8.92
	Stoxx 50				
CHF	ABB	ABBN	23.78	-1.45	10.71
€	ASMLHolding	ASML	122.70	0.86	15.05
€	AXA	CS	24.79	-1.43	3.36
€	AirLiquide	AI	108.50	-1.00	2.70
€	Allianz	ALV	179.70	-1.24	14.46
€	AB InBev	ABI	99.00	-0.77	-1.54
£	AstraZeneca	AZN	5069.00	0.58	14.23
€	BASF	BAS	81.78	-2.19	-7.39
€	BNP Paribas	BNP	64.76	-1.67	6.95
£	BT Group	BT.A	304.25	0.75	-17.08
€	BancoBilVizAr	BBVA	7.49	-1.89	17.93
€	BancoSantander	SAN	5.68	-0.89	14.62
£	Barclays	BARC	205.05	-1.91	-8.23
€	Bayer	BAYN	109.95	-1.70	10.91
£	BP	BP.	445.45	-0.54	-12.59
£	BritishAmTob	BATS	5237.00	-1.28	13.32
€	Daimler	DAI	64.17	-0.79	-9.26
€	DeutscheTelekom	DTE	15.56	-1.11	-3.91
£	Diageo	DGE	2286.50	-0.28	8.36
€	ENI	ENI	13.14	-0.53	-15.06
£	GlaxoSmithKline	GSK	1600.00	-0.06	2.43
£	Glencore	GLEN	321.25	0.14	15.83
£	HSBC Hldgs	HSBA	733.90	-0.42	11.72
€	INGGroep	INGA	15.43	-1.41	15.37
£	ImperialBrands	IMB	3426.00	-0.48	-3.29
€	IntesaSanpaolo	ISP	2.87	...	18.30
€	LVMHMoetHennessy	MC	219.00	-1.51	20.73
£	LloydsBankingGroup	LLOY	66.90	-0.34	7.02
€	LOreal	OR	183.50	-0.41	5.82
£	NationalGrid	NG.	941.30	0.97	-9.33
CHF	Nestle	NESN	83.00	-0.72	13.62
CHF	Novartis	NOVN	80.50	0.44	8.64
DKK	NovoNordiskB	NOVO-B	275.80	-1.39	8.28
£	Prudential	PRU	1752.00	-0.54	7.65
£	ReckittBenckiser	RB.	7812.00	0.61	13.45
£	RioTinto	RIO	3448.00	-0.71	9.17
CHF	RocheHldgctf	ROG	243.20	-1.14	4.56
£	RoyDtchShell A	RDSA	2060.00	0.12	-8.14
€	SAP	SAP	89.83	-1.27	8.48
€	Sanofi	SAN	82.59	-1.44	7.40
€	SchneiderElectric	SU	68.03	-0.28	2.90
€	Siemens	SIE	117.95	-0.88	0.98
€	Telefonica	TEF	9.29	-0.60	5.34
€	Total	FP	42.91	-0.82	-10.14
CHF	UBSGroup	UBSG	16.78	-0.65	5.20
€	Unilever	UNA	49.26	-0.70	25.92
£	Unilever	ULVR	4290.50	0.36	30.31
€	Vinci	DG	77.15	-0.78	19.24
£	VodafoneGroup	VOD	219.55	-0.61	9.86
CHF	ZurichInsurance	ZURN	286.60	-1.10	2.21
	DJIA				
$	AmericanExpress	AXP	85.55	0.38	15.48
$	Apple	AAPL	150.08	0.35	29.58
$	Boeing	BA	208.24	-0.36	33.76
$	Caterpillar	CAT	107.06	-0.93	15.44
$	Chevron	CVX	103.72	-0.47	-11.88
$	CiscoSystems	CSCO	31.51	0.03	4.27
$	Coca-Cola	KO	44.67	-0.13	7.74
$	Disney	DIS	105.77	0.94	1.49
$	DuPont	DD	84.05	-0.72	14.51
$	ExxonMobil	XOM	80.58	-0.35	-10.72
$	GeneralElec	GE	26.89	0.26	-14.91
$	GoldmanSachs	GS	223.29	-2.60	-6.75
$	HomeDepot	HD	152.17	-1.12	13.49
$	Intel	INTC	34.53	0.17	-4.80
$	IBM	IBM	154.00	0.65	-7.22
$	JPMorganChase	JPM	91.07	-0.35	5.54
$	J&J	JNJ	134.46	1.75	16.71
$	McDonalds	MCD	153.94	-0.85	26.47
$	Merck	MRK	62.44	-0.27	6.06
$	Microsoft	MSFT	73.30	-0.07	17.96
$	Nike	NKE	57.65	-0.24	13.42
$	Pfizer	PFE	33.35	0.30	2.68
$	Procter&Gamble	PG	88.66	1.27	5.45
$	3M	MMM	211.38	-0.14	18.37
$	Travelers	TRV	125.53	-0.55	2.54
$	UnitedTech	UTX	122.63	-0.39	11.87
$	UnitedHealth	UNH	186.96	0.33	16.82
$	Visa	V	97.60	0.80	25.10
$	Verizon	VZ	43.36	-0.69	-18.77
$	Wal-Mart	WMT	76.21	-0.21	10.26

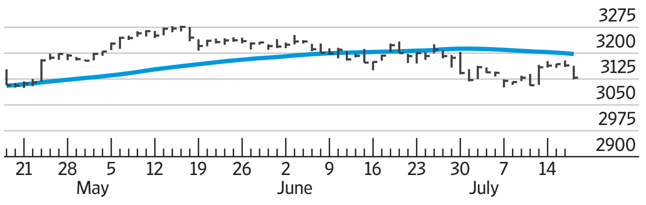
Asia Titans 50

Last: 162.78 ▲ 0.45, or 0.27% YTD ▲ 15.5%



Stoxx 50

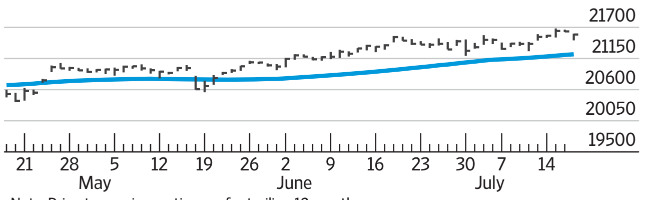
Last: 3128.83 ▼ 35.70, or 1.13% YTD ▲ 3.9%



Dow Jones Industrial Average

P/E: 21

Last: 21574.73 ▼ 54.99, or 0.25% YTD ▲ 9.2%



Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

Developers Push for Freer Liquor Laws

BY ESTHER FUNG

ZAK NEUMANN/LITTLE VILLAGE MAGAZINE/IOWA CITY DOWNTOWN DISTRICT (2)

Landlords say looser open-container rules increase retail traffic. Under a relaxed ordinance, Iowa City, Iowa, in June held a block party, where Rachel Torres, right, played a game of giant Jenga.

Property developers trying to create buzz for open-air shopping districts are lobbying regulators to relax rules to allow patrons to walk around streets and parks with alcoholic beverages.

As landlords hustle to get customers into their properties, they are looking to tap into demand for food-and-drink experiences. The hope: that lively atmospheres will encourage patrons to linger and shop.

Three years ago, Atlanta-based developer **Vantage Realty Partners** LLC proposed an open-container ordinance in Duluth, Ga., where it developed a retail and entertainment complex called Parsons Alley in a historic district downtown. The ordinance passed this year.

"Every restaurant and retailer loved it. It increases their sales. Their customers don't have to stay confined in their premises and can walk to the town green or fountain with a drink," said Chris Carter, co-founder of Vantage Realty.

Of the 45,000 square feet of space at Parsons Alley, roughly 70% is leased or sold and the firm is picking tenants for the remaining space.

The retail sector is slumping as internet shopping eats into revenue. Retail landlords are trying a variety of tactics to boost foot traffic at their properties, from adding restaurants and entertainment venues to creating open-air districts downtown.

City councils and zoning boards from Georgia to Alabama to Texas to Iowa in recent months have proved amenable to changing land-use and public-drinking ordinances to boost activity in once-bustling shopping districts.

"I don't know why alcohol is so important, but if you have a brew in hand and walk around, you'd enjoy it more, especially when there's good weather and live music," said Marc Moen, partner and owner of property developer **Moen Group**, a builder and operator of condominiums, retail, office and hotel buildings in the downtown area of Iowa City, which passed an open-container measure in May.

Last October, the board of commissioners of Forsyth County, Ga., permitted businesses in certain development districts to serve alcoholic beverages in to-go cups, with certain limits.

County officials understood the challenges in the retail environment, said Patrick Leonard, principal at **RocaPoint Partners**, which is building a $370 million, 135-acre mixed-use project in Forsyth County called Halcyon that would include plenty of lawn space.

"It seems to be a trend for retail property to help get people outside," said Mr. Leonard, adding that the looser open-container regulations "absolutely helped us lease retail space."

Iowa City's ordinance permits patrons to carry open containers on sidewalks and streets between licensed premises. That allowed the Iowa City Downtown District business association to apply for a temporary license for a downtown block party, which took place in June.

"It's an area that attracts all ages, little kids, grandparents, working adults and college students. Residents love being around activity and young people," said Mr. Moen, who supported the open-container ordinance.

In the downtown block party last month, cups were sold to partygoers who had to patronize bars and restaurants in the district to be served. The organizers also arranged for Uber pickup and drop-off points and parking garages nearby that offered free overnight parking.

"We wanted to make sure the event is safe and people are getting home," said Nancy Bird, executive director of Iowa City Downtown District, adding that there were no incidents. The party targeted 15,000 revelers, and 30,000 showed up.

Ohio in 2015 passed a bill allowing open-container zones, which opened the door for municipalities to do so. In the New York state Senate, lawmakers in February proposed a bill to allow patrons of a licensed business located within a leisure or recreation district to leave with alcohol in an open container if they stay within certain boundaries. The bill passed the Senate by a vote of 61-1, and the state Assembly has yet to weigh in on the measure.

Pushing for change on public drinking often takes time. College towns, in particular, are resistant to measures that could lead to disorderly behavior.

Mr. Carter of Vantage Realty in Atlanta said that having people visit Avalon, another retail and mixed-use development 10 miles away where an open-container ordinance had already passed, helped his campaign in Duluth.

"They see how robust Avalon is. They had to touch it and experience it. And they realized it wasn't so scary," said Mr. Carter.

Click to Bid: Colorado Parcel for Sale in Online Auction

BY PETER GRANT

The federal government is weeks away from selecting a buyer for a much-coveted development site in the Denver region in what will likely be one of the government's highest-yielding online property auctions this year.

The General Services Administration in May launched the auction for a 59-acre unused parcel that is part of the Denver Federal Center in Lakewood, Colo., one of the federal government's largest employment centers outside of Washington, D.C.

The parcel is particularly attractive because it is next to one of the rail stations on Denver's expanding commuter rail system, making it ripe for retail, residential and office development.

The parcel also is expected to fetch a high price because the Denver market is hot these days with tourism, employment and the overall population all increasing. Employment in the Denver metropolitan area rose 3.2% in 2016, with more than 50,000 jobs being added, the seventh highest among all major U.S. metro areas, according to **CBRE Group** Inc.

Government officials declined to estimate what the winning price will be. Based on comparable sales in the area, the parcel could go for more than $30 million, real-estate market watchers say.

The General Services Administration, which owns and leases office space, land, labs and other facilities for the federal government, began switching to online auctions for disposal of surplus property in the early days of the internet. Over the years the process has been refined.

In the past 10 years, the agency has conducted 1,097 online sales yielding $452.2 million. These auctions are considered to be a more fair, efficient and lucrative process than the old, sealed-bidding process. Auctions ensure wide participation and are structured to achieve top price by doing such things as allowing bidders to see rival bids in real time as they are submitted, GSA officials say.

In the past 10 years, the government has run 1,097 property sales on the internet.

The GSA's portfolio consists of 370 million square feet in 8,600 assets. Other properties that were sold in recent online auctions include an 80-year-old Washington, D.C., office building that had been used by the Agriculture Department and Sugar Grove Station, a former naval base in West Virginia that is being converted into a health-care facility.

"GSA's goal in disposing of surplus property is to bring value to taxpayers and return property to the communities we serve so it can be used in a beneficial manner," a GSA spokesman said in an email.

Still, the sales process of the Denver Federal Center site has run into controversy and criticism. For years, the city of Lakewood worked with the General Services Administration to take over the site. Lakewood officials believed that they were better positioned to develop a master plan that would ensure certain uses—like affordable housing—than the GSA, which typically sells to the highest bidder.

About 18 months ago, Lakewood and the GSA were on the verge of a complicated deal in which the GSA would have given the city the site in exchange for the city developing a lab for the federal government. But the two sides weren't able to get the deal over the goal line, and the GSA ultimately opted to put the parcel on the block.

Lakewood will still try to shape what happens on the site, but it isn't going to be as easy as it would have been if the city owned it, according to Jay Hutchison, Lakewood's director of public works.

"It was difficult after a long, very focused challenging negotiation to have it crumble right at the end," he said.

Critics say the sale of the Lakewood site to the highest bidder represents a squandered opportunity for the region.

"It's a tremendous opportunity to create a mixed-use, mixed-income community," said developer Jonathan Rose, who is known in the region for such projects as the redevelopment of the century-old Denver Dry Goods Building into office, retail and both market-rate and affordable housing.

Mr. Rose said he probably won't bid on the Lakewood site because he would likely be outbid by a developer who wouldn't include as much affordable housing.

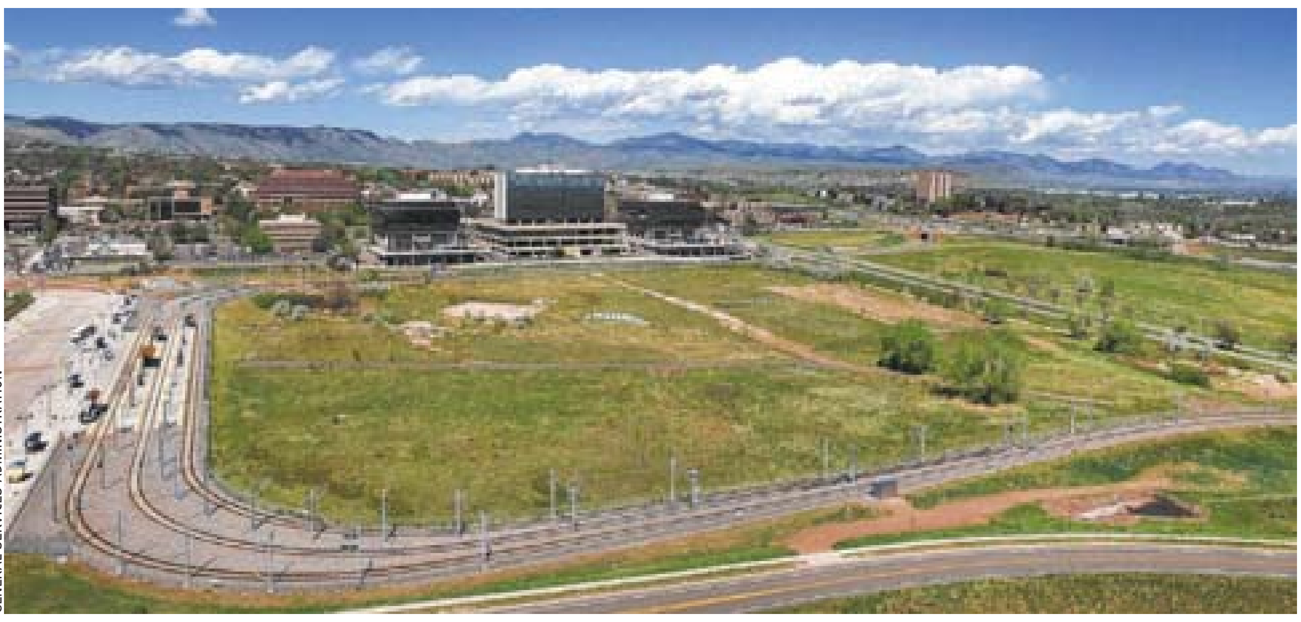
"Somebody will pay more," he said.

The Federal Center site has roots going back to the World War II era when the federal War Department acquired 2,100 acres to make and test .30 caliber rifle cartridges and other munitions. Over time the GSA, which came into existence in 1949, used it to house 28 different agencies.

About a decade ago, the GSA determined the Lakewood parcel wasn't needed and began studying plans to sell. Those plans accelerated in 2013, when the Regional Transportation District opened the Federal Center rail station.

Interest in the site appears to be keen. More than 75 interested parties showed up for a tour last month and several participated through a streaming video.

The first round of bidding officially ends one week from Tuesday. The GSA retains the right to extend the bidding period to give people the right to resubmit bids after they see the top price in the first round, the GSA spokesman said.



GENERAL SERVICES ADMINISTRATION

The government is close to choosing a buyer for a 59-acre undeveloped section of the Denver Federal Center in Lakewood, Colo.

Investors Dig for Value as Market Rises

BY IRA IOSEBASHVILI

Some investors are searching globally for out-of-favor assets, concerned that a looming wind down of central banks' easy-money policies will hit the markets' top performers.

That goes beyond moving money into less-loved areas of the stock market, such as shares of auto makers or retailers. Some are swapping U.S. Treasurys for currencies such as the Japanese yen or Swiss franc, or betting on investments that will benefit if inflation picks up again after a yearslong hiatus.

For money managers, such trades are a way to stay invested while cutting exposure to assets they believe may have become too expensive during nearly a decade of ultraloose monetary policy from the world's central banks. Signals that policy makers around the world are preparing to dial back stimulus efforts amid evidence of broad improvement in the global economy sparked selling in government bonds, utilities shares and the U.S. dollar in recent weeks.

The yield on the benchmark U.S. 10-year Treasury note is a yardstick money managers use to value other assets, so a rapid climb in yields could rattle other markets. At the same time, the cyclically adjusted price/earnings ratio for the S&P 500, a popular metric pioneered by Nobel Prize-winning economist Robert Shiller, shows valuations are at their highest levels since 2002.

"In 2009, you didn't have to dig too deep for value, once you concluded the world wasn't coming to an end," said Adam Farstrup, head of multiasset product, Americas at Schroders. "Now...there are no obvious places to hide."

To protect against sharp declines in the stock market, the firm prefers a basket of haven currencies such as the Swiss franc and Japanese yen to U.S. government bonds, where yields remain near historic lows despite the recent global bond selloff. Yields fall as bond prices rise.

Schroders has also cut positions in economically sensitive stock sectors such as financials and increased allocations to shares of health-care companies, which it believes have been depressed by months of political wrangling over a repeal of the Affordable Care Act.

Other investors are mining the stock market for companies with shares trading at relatively low multiples of earnings or book value, the total value of their assets outside what they owe. The average S&P 500 stock now trades at about 3.1 times book value, according to FactSet, the highest multiple in a decade.

Tim Rudderow, chief investment officer at **Mount Lucas Management** LP, owns **General Motors**, which traded last week at 5.6 times its past 12 months of earnings, and retailer **Kohl's**, whose stock price is down roughly 50% from its 2015 high and was trading around 11.7 times earnings, according to FactSet. By comparison, **Amazon.com** was trading around 190.1 times earnings, and **Netflix**, 211.1 times earnings.

While GM has benefited from a rise in U.S. auto sales since the U.S. financial crisis, some analysts said threats from rivals such as Tesla have hurt its shares. Kohl's shares have been stung as retailers compete with e-commerce firms such as Amazon.

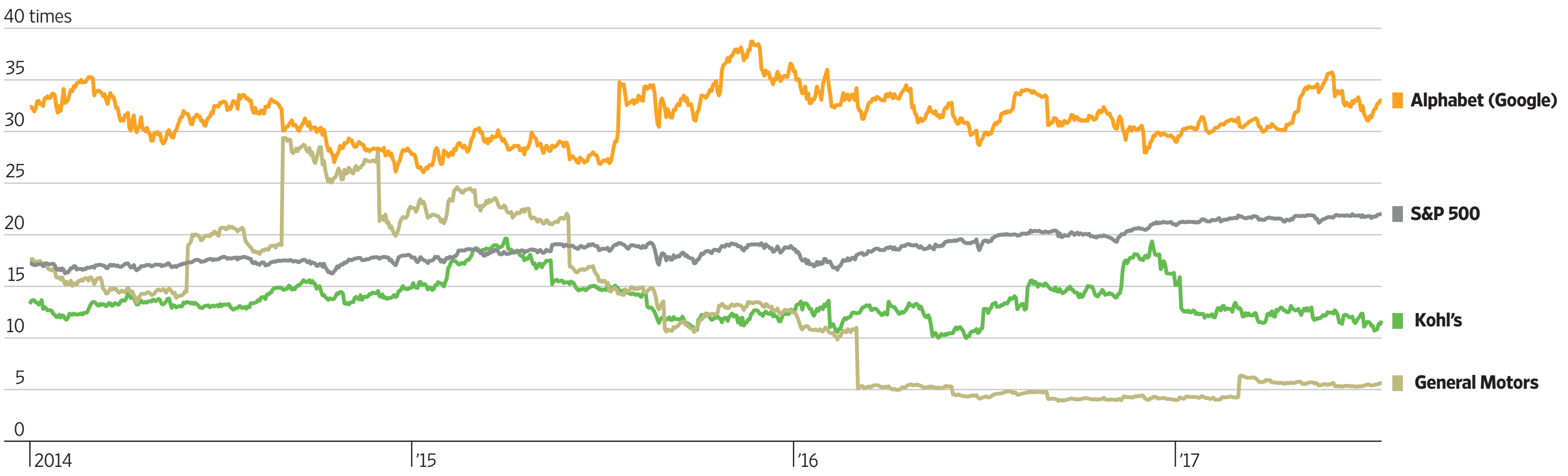
Mr. Rudderow believes momentum will shift from technology stocks that have led markets higher to equities that have performed more modestly. "This hugely bifurcated market is creating big value," Mr. Rudderow said.

Vadim Zlotnikov, chief market strategist and co-head of multiasset solutions at **AllianceBernstein**, is buying derivatives that are linked to the consumer-price index and would rise in value if U.S. inflation broke out of its monthslong slump.

Bargain Hunting

Investors are seeking out-of-favor assets at a time when many say the run-up in stocks and bonds has stretched valuations. Some are selling companies that have outperformed the market and buying shares of beaten-up retailers or auto makers.

12-month trailing price/earnings ratio

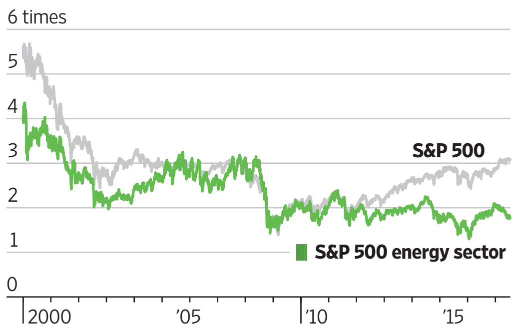


One popular valuation measure that seeks to filter out economic cycles is at its highest level since 2002.

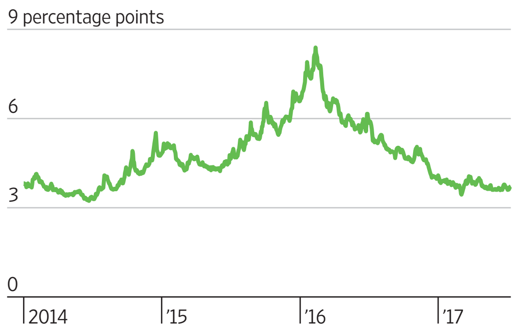
Cyclically Adjusted Price/Earnings (CAPE) ratio

S&P 500 firms appear richly valued by their book value multiples, though some investors see bargains in energy.

Price-to-book-value ratio*



Some say a junk-bond rally that has narrowed the yield premium over Treasurys makes stocks look less pricey.



*Book value is a measure of reported net worth.
Sources: FactSet (P/E ratio, book value); Robert Shiller (CAPE); Bloomberg Barclays (yield premium)

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HEARD ON THE STREET

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Goldman Needs to Revive Trading

Goldman Sachs Group is starting to lose its Wall Street halo, and it isn't clear what the bank intends to do about it.

For a second consecutive quarter, the bank dramatically underperformed its peers in fixed income, currency and commodities trading. Revenue in this segment fell by 40% from a year earlier in the three months through June.

The main reason appears to be Goldman's large footprint in commodities. Volatility was particularly low for commodities prices in the second quarter, so analysts already expected Goldman to post a weak trading result.

Still, the contrast with other banks is striking. In the same quarter, **Citigroup**, **Bank of America** and **J.P. Morgan Chase** logged declines of 6% to 19% in comparable businesses.

Also for a second quarter in a row, Goldman acknowledged that poor execution in commodities trading played a role. "We didn't navigate the market as well as we aspire to, or as well as we have in the past," Chief Financial Officer Martin Chavez said on a conference call.

He also granted that Goldman's unique client base contributed to its relative underperformance. Universal banks such as Citigroup and J.P. Morgan Chase do more trading for corporate clients, providing a steady flow of business. Goldman specializes more in serving hedge funds and other active investors, meaning volumes can fall off more quickly when speculative appetite recedes.

However, when pressed by analysts on how Goldman might improve execution or customer mix, Mr. Chavez didn't offer anything concrete—just vague assurances that Goldman is looking to fill in client gaps, serve existing clients better and learn from what has worked in other units such as equities.

Goldman still managed to beat analysts' estimates for the quarter, thanks to a strong performance in its opaque investing and lending unit. This was largely due to big increases in the value of venture startups and other companies in which Goldman holds equity stakes. But the lack of transparency in this unit means investors can't count on this strong performance being repeated in future quarters.

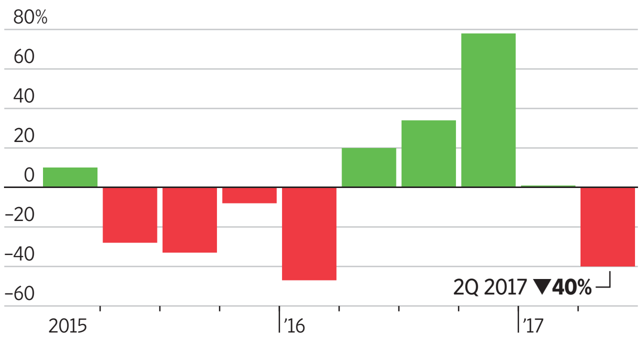
Equities-trading revenue was strong in the second quarter, rising 17% from a year earlier. But other traditional areas of strength for Goldman, such as equity underwriting and advising on mergers and acquisitions, were weak. Return on equity came in at 8.7% for the quarter, below the 10% level that investors generally expect from a bank.

Goldman's shares have been basically flat over the past three months, compared with a rise of around 6% in the KBW Nasdaq Bank Index. To catch up, Goldman needs to give investors a clearer picture how it can turn around what has typically been its most important business unit.

—Aaron Back

Not Smooth

Goldman Sachs fixed-income, currency and commodities trading revenue, change from year earlier



Source: the company

THE WALL STREET JOURNAL.

OVERHEARD

This time last year, the talk of the sport during the off season was deflategate. The National Football League would gladly take a public-relations problem over a financial one, though.

Upfront advertising sales have been the softest since the financial crisis, according to Ad Age.

The main culprit has been autos, the leading category overall, thanks to a recent slump in car sales. Movie studios also have cut back as box-office sales have stagnated.

Now, another mainstay of gridiron bathroom breaks is leaving the league feeling deflated: drugs for erectile dysfunction.

The category's pioneer, Viagra, has lost patent protection and has little need to advertise. Meanwhile, **Eli Lilly**, the maker of its leading competitor, Cialis, has said that it is dropping the drug's NFL sponsorship.

So much for an awkward Sunday tradition: kids asking embarrassed parents what "ED" stands for.

What Comes After Health Bill's Failure

Investors were right to ignore the Republican effort to repeal the Affordable Care Act. Now that the bill has failed, what comes next could be more unpredictable and disruptive to the industry.

Republican support for the Better Care Reconciliation Act unraveled Monday evening.

This is good news for health-care companies of all sorts: Health stocks have delivered splendid returns since the ACA became law in 2010. The bill to replace it, in contrast, called for significant rollbacks in access to Medicaid and introduced new incentives for insurers to more aggressively control health costs. That would likely have harmed industry profits.

Uncertainty now reigns, as opposed to a definite return to the status quo. For instance, Senate Majority Leader Mitch McConnell (R., Ky.) vowed to take up a bill to repeal the ACA without a replacement. But that idea was quickly scuttled after three Republican Senators said on Tuesday that they would oppose such a measure.

Yet congressional approval may not be necessary to frustrate investors.

Much of what the Senate bill aim-ed to achieve also can be accomplished administratively, according to analysts at Hedgeye Risk Management.

None of this means a bad outcome for investors is assured. But with the S&P Health Care Select Sector Index up more than 15% so far this year, it might not be the worst idea for investors to hedge some bets today.

—Charley Grant

Why a Weaker Dollar Can Be a Source of Market Strength

The pendulum has swung a long way in the foreign-exchange market. The dynamism of the dollar at the end of 2016 has given way to enthusiasm for the euro. That shift could yet support appetite for riskier assets such as emerging-market stocks and bonds.

The WSJ Dollar Index has now unwound the boost it got from the election of Donald Trump in November and is down about 6.5% this year. The greenback's counterpart, the euro, is up close to 10% in 2017. Early Tuesday, the euro rose above $1.15 for the first time since May 2016, reaching the top of the range it has been in since the start of 2015 under the influence of monetary-policy divergence between Europe and the U.S.

The transformation in the relative fortunes of the dollar and euro in 2017 has been remarkable. The focus at the start of the year was on the U.S. Federal Reserve and its efforts to raise interest rates. Now the European Central Bank has stolen the spotlight as it tacks gently away from ultraloose policy settings.

Hopes for growth were centered on U.S. spending and tax reform under the Trump administration. Instead it is the eurozone that has delivered consistently positive surprises on growth. And it was Europe that was supposed to face political headaches. But it is the U.S. where the challenges are rising. The collapse of the health-care bill delivered a fresh blow to the dollar.

True, a lot of these factors may now be in the euro-dollar exchange rate. Europe faces a higher bar to provide new positive surprises than the U.S. A further sharp rise in the euro might cause European policy makers to feel the currency is doing the tightening work on its own. Conversely, the risk might yet be that the Fed raises rates more than the market thinks is likely.

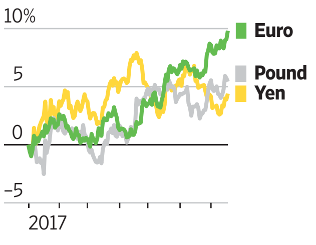
But the ramifications of this shift are broad. A weaker dollar should add to the attraction of local-currency emerging-market assets. The Mexican peso, Brazilian real and South African rand all have risen against the dollar in July.

The important thing for risk appetite is the reason for dollar weakness. As long as it reflects other parts of the world, such as the eurozone, faring better than expected relative to the U.S., rather than fears for the U.S. economy in particular, then emerging markets should have continued support. Seen like that, a weaker dollar is a source of strength.

—Richard Barley

On the Up

Performance against the U.S. dollar



Source: FactSet

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