

THE WALL STREET JOURNAL.

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OIL Closed (\$74.14)

GOLD Closed (\$1,251.60)

EURO \$1.1657

YEN 110.48

What's News

Business & Finance

More Americans are job-hopping, a sign of labor-market dynamism that could stoke broader wage growth and improve worker productivity. **A1**

◆ **China's HNA** said its chairman and co-founder, Wang Jian, died after an accidental fall during a business trip in France. **B1**

◆ **Beijing shifted** plans for the timing of its response to U.S. tariffs that are set to go into force Friday, saying it "won't fire the first shot." **A5**

◆ **A Chinese court** temporarily halted U.S. chip maker Micron from selling a range of products in China, two rival manufacturers said. **B4**

◆ **China's yuan surged** against the dollar Wednesday, continuing a recovery spurred by a PBOC pledge to keep the exchange rate stable. **B11**

◆ **U.S. auto sales** rose 1.9% in the first half and about 5% in June, supported by a strong economy, tax cuts and low unemployment. **B2**

◆ **A group of Barnes & Noble** executives has temporarily assumed the duties of CEO Parneros, who was fired for company policy violations. **B1**

◆ **Two pilots have filed** lawsuits alleging sexual harassment against National Beverage chief Caporella and the company. **B2**

◆ **Glencore said** it received a subpoena from U.S. authorities related to compliance with corruption and money laundering laws. **B3**

◆ **Tech stocks faltered** in Europe on Wednesday, with the sector dropping 1.3%. **B11**

World-Wide

◆ **Trump's search** for a Supreme Court justice to succeed Kennedy is focusing on a trio of federal judges, with a decision expected this week in anticipation of an announcement on Monday. **A1**

◆ **Poland's Supreme Court** chief defied a judicial overhaul that has put the government on a collision course with the EU, showing up to work despite a law forcing her ouster. **A1**

◆ **Saudi authorities** continue to detain members of the kingdom's elite in an anticorruption crackdown and have made new arrests. **A6**

◆ **Colleges will face** new pressure to adopt race-neutral admissions standards after the administration reversed Obama-era guidelines. **A3**

◆ **Immigrants separated** from their children after being arrested for illegally entering the U.S. are being asked to pick between being deported alone or with their children. **A4**

◆ **Malaysia's Najib** posted bail after he was charged in connection with the 1MDB financial scandal that helped topple his government. **A16**

◆ **Two people hospitalized** in England were exposed to the same nerve agent that poisoned a former Russian spy in March, police said. **A6**

◆ **Rescuers working** to extract a youth soccer team from a flooded Thai cave system raced to drain an escape route ahead of worsening weather. **A16**

◆ **U.S. and allied officials** are attempting to choreograph a coming NATO meeting as a tableau of unity, after Trump chided other leaders. **A7**

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All Eyes to the Sky for Nation's 242nd Birthday



SMILES FOR THE FOURTH: Fireworks capped celebrations of Independence Day in New York City and around the country.

Economy Spurs Job Hopping

Boom gives workers incentive to seek better positions, higher compensation

By DAVID HARRISON
AND ERIC MORATH

Kimberly Enoch had a stable job working from home managing grants for a Little Rock, Ark., nonprofit, but she was bored and thought she could do better. So she quit.

Within three months, she landed a job as a grant writer at Southern Bancorp Community Partners, snagging a 14%

raise, a faster pace at work and an easy seven-minute commute. "I knew I could do more," Ms. Enoch said.

Americans are choosing to leave their jobs at the fastest pace since the internet boom 17 years ago—and getting rewarded with bigger paychecks, more satisfying work or both.

Labor Department data show that 3.4 million workers quit their jobs in April, the latest figure available. That was near a 2001 peak and twice the 1.7 million who were laid off from jobs that month.

Job-hopping is happening across industries, including retail, food service and construc-

tion, a sign of broad-based labor-market dynamism.

Workers have been made more confident by a strong economy and historically low unemployment—3.8% in May, the lowest since 2000. Ms. Enoch said she started getting interview opportunities the same day she began sending out applications online.

The trend could stoke broader wage growth and improve worker productivity, which have been sluggish in the past decade. Employees tend to get their biggest wage increases when they move from one job to another. Job-

Please turn to page A2

Off the Clock

Share of unemployed Americans who voluntarily quit their job



Note: 3-month average, seasonally adjusted

Source: Labor Department

THE WALL STREET JOURNAL.

Trump Winnows Down Justice Picks

BY PETER NICHOLAS
AND LOUISE RADNOFSKY

President Donald Trump's search for a Supreme Court justice to succeed Anthony Kennedy is focusing on a trio of federal judges, with a decision expected this week in anticipation of an announcement on Monday, people familiar with the search said.

Following a brisk round of interviews Monday and Tuesday, the three front-runners at this late stage in the president's search are all U.S. appeals court judges: Brett Kavanaugh of Maryland, of the D.C. Circuit; Raymond Kethledge of Michigan, of the Sixth Circuit; and Amy Coney Barrett of Indiana, of the Seventh Circuit.

Mr. Trump, who spent part of the Fourth of July holiday at his golf club in northern Virginia, has been taking advice from lawmakers and confidants as he settles on a nominee who could set a new direction for a high court split between conservative and liberal factions that have dueled for years.

Since Justice Kennedy was often a swing vote, Mr. Trump's selection could tip the balance when it comes to some of the most divisive issues the court faces: abortion rights, health care and the limits of executive power, among them.

Advisers in recent days have called Mr. Trump to talk

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◆ Lines are drawn in Montana, where Trump won big..... A3

Chairman of China's HNA Dies in Fall



FATAL ACCIDENT: Wang Jian, chairman and co-founder of China's HNA Group Co., died Tuesday after falling off a cliff while posing for a photograph on a sightseeing trip in Provence, France. **B1**

A Hedge-Fund Star Dims, And Investors Bolt

Clients overlooked David Einhorn's quirks while he was winning. But Greenlight Capital has shrunk by half. 'Patience is wearing thin.'

By GREGORY ZUCKERMAN

For years, David Einhorn's investors didn't seem to mind his unusual ways—the aloofness toward clients, midday naps, unpopular stock picks, late nights on the town. Until the billionaire hedge-fund manager fell into a slump.

After more than a decade of winning on Wall Street, Mr. Einhorn's Greenlight Capital Inc. has shrunk to about \$5.5 billion in assets under management, his investors estimate, from a reported \$12 billion in 2014, and his investments are struggling.

"My patience is wearing thin," said Morten Kielband, chairman of investment-management firm Key Family Partners SARL

and an early Greenlight investor, who said he has withdrawn much of his firm's money from the fund. "This is unbelievable."

Some frustrated clients have pulled out of Greenlight over the past three years, and some others say they will exit if results don't rebound.

Mr. Einhorn's story emerges from The Wall Street Journal's discussions with more than a dozen current and former investors and employees. Greenlight doesn't publicly report its results. Investors in the firm shared with the Journal the performance data in this article.

The value of an investment in Mr. Einhorn's main fund was down 11.3% at the end

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The World Spoils My World Cup

Fans record games and go to extremes to avoid scores

By CHRIS KIRKHAM
AND IAN LOVETT

Fernando Ferrer, a seventh-grade teacher in Evanston, Ill., wanted to watch Argentina square off against Nigeria in the FIFA World Cup one afternoon last week, but it conflicted with his daughter's birthday party at the mall.

So he scheduled his YouTube TV account to record the match and then took precautions for his foray into the outside world. He put a piece of tape over his mouth and taped a message on his shirt meant to deflect any mention of soccer: "Shhhh...World Cup DVR :)" As he walked through

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Poland Purges Court, Setting Up EU Clash

BY NATALIA OJEWSKA

WARSAW—The head of Poland's Supreme Court on Wednesday defied a judicial overhaul that has put the nationalist government on a collision course with the European Union, showing up to work surrounded by cheering supporters despite a new law forcing her ouster.

The Supreme Court's chief justice, Małgorzata Gersdorf, refused to follow a government order calling for the retirement of 27 of the court's 82 judges, herself included. Justice Gersdorf told cheering supporters on the steps of the courthouse Wednesday that she would fight to protect the judiciary's independence.

The judicial overhaul has pushed Poland to the center of a clash between governments on the EU's eastern fringe that say they are acting to rein in unelected officials, like judges, and Brussels, where many EU

officials believe such ex-communist nations are testing the prevailing norms on democracy by veering toward single-party rule where prosecutors and judges must answer to political leaders.

The law was passed in December, with the earliest retirements effective Wednesday. In reaction to the law, the EU initiated for the first time a disciplinary process that could lead to Poland losing some voting rights.

It is a closely watched process. Democratically elected governments in neighboring Hungary and Romania are both under fire for weakening their own judges and prosecutors in ways that cement ruling-party control. Politicians there say they are exercising their democratic prerogative to pass sovereign laws. Protesters in both countries have expressed solidarity with their Polish counterparts.

Please turn to page A6

Cut Your Amazon Bill in Half

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Oracle Autonomous Database

Easy to Move—Guaranteed Savings

There's the cloud... and there's the Oracle Autonomous Cloud.

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Guarantee applies to same data warehouse workload run on Oracle Autonomous Data Warehouse Cloud and AWS. Pricing based on standard published pricing for Oracle bring your own license and AWS as of 3/1/18. Workload comparison to be based on actual required number of OCPU/VCPU, storage amount, and time required to complete workload with minimum workload of one hour. Any credits due will be applied to Universal Credit cloud account. Offer valid through 5/31/19. Copyright © 2018, Oracle and/or its affiliates.

U.S. NEWS

U.S. Reverses Race Guidance to Colleges

By MICHELLE HACKMAN

WASHINGTON—Colleges across the country will face new pressure to adopt race-neutral admissions standards, after the Education Department reversed Obama-era guidelines that encouraged the use of race to promote diversity.

The Obama guidelines, issued jointly by the Education and Justice departments, had laid out legal recommendations for schools looking to use race as an admissions factor.

The reversal, announced by the Education Department on Tuesday, is among the highest-profile actions by the Trump administration to undo President Barack Obama's approach to race and affirmative action. The role of race in college ad-

missions has fueled a debate for decades, prompting numerous lawsuits.

Trump administration officials and critics of affirmative action said the Obama guidelines, published between 2011 and 2016, went beyond Supreme Court precedent, actively encouraged racial bias and led schools to believe that legal affirmative action is simpler to achieve than the law allows.

"Just because the courts have ruled that some kinds of racial discrimination are legally permissible does not mean it is appropriate for the federal government to encourage as much of it as people can get away with," said Roger Clegg, president and general counsel of the Council for Equal Opportunity, which op-

poses affirmative action in higher education.

"The Supreme Court has determined what affirmative-action policies are constitutional, and the Court's written decisions are the best guide for navigating this complex issue," said Education Secretary Betsy DeVos.

Anurima Bhargava, who headed civil-rights enforcement in schools under Mr. Obama's Justice Department and helped craft the Obama-era documents, said they simply offered guidelines to schools and colleges looking to continue using affirmative action legally.

She said the current administration's action signals that it doesn't favor racial diversity.

"The law on this hasn't

changed, and the Supreme Court has twice ruled reaffirming the importance of diversity," Ms. Bhargava said. "This is a purely political attack that benefits nobody."

The new guidelines don't have the force of law, but they represent the administration's legal viewpoint. Schools that keep race-conscious admissions intact risk federal investigations or the loss of federal funding.

The move comes as the Justice Department is investigating whether Harvard University is illegally discriminating against Asian-American students by holding them to a higher standard than other applicants. The Trump administration revived the probe last year after Obama civil-rights officials dismissed a similar complaint.

It also comes weeks ahead of a deadline in a separate lawsuit against Harvard, stemming from the same complaint, in which the Justice Department has filed a statement of interest.

That suit, filed in 2014 by a group called Students for Fair Admissions, alleges Harvard intentionally discriminates against Asian-Americans by limiting the number of Asian students who are admitted. It is expected to go to trial in October.

The plaintiffs say in court filings that the school has displayed a "stunning failure to take the elementary steps required by the law" to achieve diversity without taking race into account—such as considering applicants' socioeconomic backgrounds, eliminat-

ing early admissions and increasing community-college transfers.

In a statement, Harvard spokeswoman Melodie Jackson said the school "will continue to vigorously defend its right, and that of all colleges and universities, to consider race as one factor among many in college admissions, which has been upheld by the Supreme Court for more than 40 years."

The action to rescind the Obama-era guidelines is likely to escalate a long-running national debate over the role of race in college admissions, an issue the U.S. Supreme Court has revisited on several occasions since the 1970s.

—Melissa Korn
and Sadie Gurman
contributed to this article.

Lines Are Drawn In State Where Trump Won Big

By JOSHUA JAMERSON

HELENA, Mont.—Jerry Swick, an Army veteran who currently resides in this mountainous capital city, plans to vote this fall to keep Democratic Sen. Jon Tester in Congress. He just doesn't know how he would tell that to President Donald Trump, for whom Mr. Swick voted in 2016.

Mr. Trump will host a campaign rally in Big Sky Country Thursday in an effort to corral his supporters behind Matt Rosendale, the Republican state auditor who hopes to quash Mr. Tester's hopes for a third term.

"I guess if Trump came up to me and asked me to vote for Rosendale, I'd say, 'Yeah, sure,'" said Mr. Swick, who in the 1970s served in the Army Signal Corps. "But then I'd go out and still vote for Tester."

For Mr. Tester, that means focusing on public-lands policy and offering entreaties to Montana's veteran population, one of the largest in the nation.

Many of these vulnerable Democrats plan to keep their Senate seats by positioning themselves as champions of their local constituents rather than trumpeting progressive agenda items such as Medicare-for-all or pledging to "resist" Mr. Trump's presidency.

For Mr. Tester, that means focusing on public-lands policy and offering entreaties to Montana's veteran population, one of the largest in the nation.

It also means highlighting what Democrats say is perhaps Mr. Tester's biggest asset: his reputation as a "real Montanan" who years ago lost three fingers in a meat grinder while working on his 1,800-acre dirt farm in Big Sandy, home to fewer than 600 residents.

On Tuesday, Mr. Tester was plowing in a field where he will

Democratic senators in 10 states won by Trump are up for re-election in November.

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U.S. NEWS

LOREN ELLIOTT/REUTERS
Undocumented immigrants boarded a bus before departing a federal court Tuesday following hearings in McAllen, Texas,

Parents Face Tough Choice at Border

By ALICIA A. CALDWELL
AND STEPHANIE ARMOUR

Immigrants separated from their children after being arrested for illegally entering the U.S. at the Mexican border are being asked to choose between being deported alone or with their children.

U.S. Immigration and Customs Enforcement started giving parents who have been issued deportation orders a form laying out their options after a federal judge in San Diego last month ordered the administration to reunite immigrant families separated by federal authorities at the border with Mexico.

Jennifer Elzea, an ICE spokeswoman, said the agency has had a "longstanding" policy of giving parents set to be deported a choice of being sent home with or without children. The new form is specifically for parents who were separated from their children at the border under the administration's zero-tolerance policy.

Separately, the Department

of Health and Human Services told lawmakers this week that congressional interest in visiting shelters for unaccompanied migrant children has become so overwhelming that it was constraining federal resources and threatening the ability to quickly reunite families.

U.S. District Judge Dana Sabraw on June 27 gave the government two weeks to reunite immigrant children, age 5 and under, with their parents and 30 days to reunite the older children. He also ordered the government to stop separating families at the border and to stop deporting parents without their children unless parents agree to be sent back alone.

Ms. Elzea said decisions about being deported with children wouldn't affect an immigrant's pending asylum claim.

A lawyer for the American Civil Liberties Union, which brought the suit and is asking Judge Sabraw to make his injunction permanent, said the group was concerned the new

checkoff form was being sent to asylum seekers with still-pending applications and misleading them about their options.

President Donald Trump signed an executive order last month to keep families together amid outcry from immigration advocates and lawmakers, including many Republicans. More than 2,000 children have been separated from their parents.

A reunification plan wasn't put in place as part of the order and the administration has scrambled to create a process to reunite families.

HHS sent a letter to Sen. Chuck Grassley (R., Iowa.) and Rep. Bob Goodlatte (R., Va.) saying almost 500 work hours have been spent on congressional visits so far. More than 70 members of Congress visited in June.

The letter comes as some Democrats complain they have been denied access or the ability to contact individuals working at the centers. Sen. Jeff Merkley (D., Ore.) in June

was blocked access to a South Texas facility. Sen. Bill Nelson (D., Fla.) also was denied entry to a facility in his state last month.

The agency's Office of Refugee Resettlement, which is in charge of migrant children, has come under mounting criticism for its oversight. Republicans on the House and Energy Committee last month began looking into its treatment of children.

HHS Office of Inspector General, the watchdog arm of the agency, also is reviewing the shelters' conditions.

"This increased interest, however, has created resource constraints that are threatening to impact ORR's ability to quickly reunite the children in our care with a parent or safely place them with a sponsor," according to the July 2 letter from Matthew Bassett, assistant secretary for legislation at HHS. He called on the lawmakers to work with HHS to facilitate visitation requests.

—Jacob Gershman

contributed to this article.

More K-12 Students Get Special Help

By DOUGLAS BELKIN
AND TAWNELL D. HOBBS

More students are getting extra help for a range of issues including ADHD and anxiety, data show, with a disproportionate amount of those receiving support attending schools in wealthier districts.

From the 2009-10 school year to 2015-16, the number of public school students in kindergarten through 12th grade granted accommodations known as 504 plans more than doubled, from 1% to 2.3%, or more than 1.2 million students, according to a Wall Street Journal analysis of federal data.

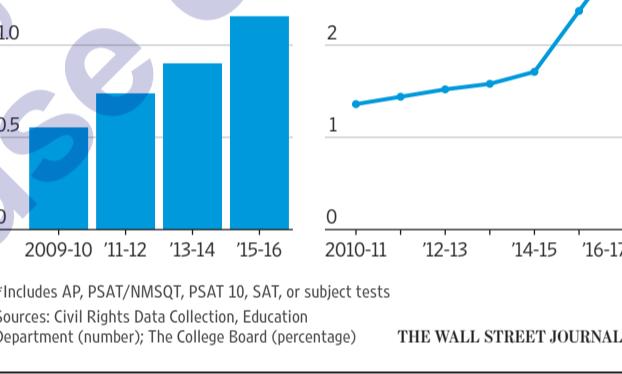
504 plans are designed to level the academic playing field for K-12 students who face a variety of physical and emotional challenges by providing services such as extended time for tests, including college entrance exams like the SAT and ACT.

The data show high rates of students receiving accommodations in wealthier districts and lower rates in poorer ones. In some wealthy schools, as many as one in five students receive this type of accommodation.

Making Accommodations

More students are seeking help in school and on college entrance exams for various disabilities such as ADHD and anxiety.

Number of 504 disability accommodations issued to U.S. public school students



*Includes AP, PSAT/NMSQT, PSAT 10, SAT, or subject tests

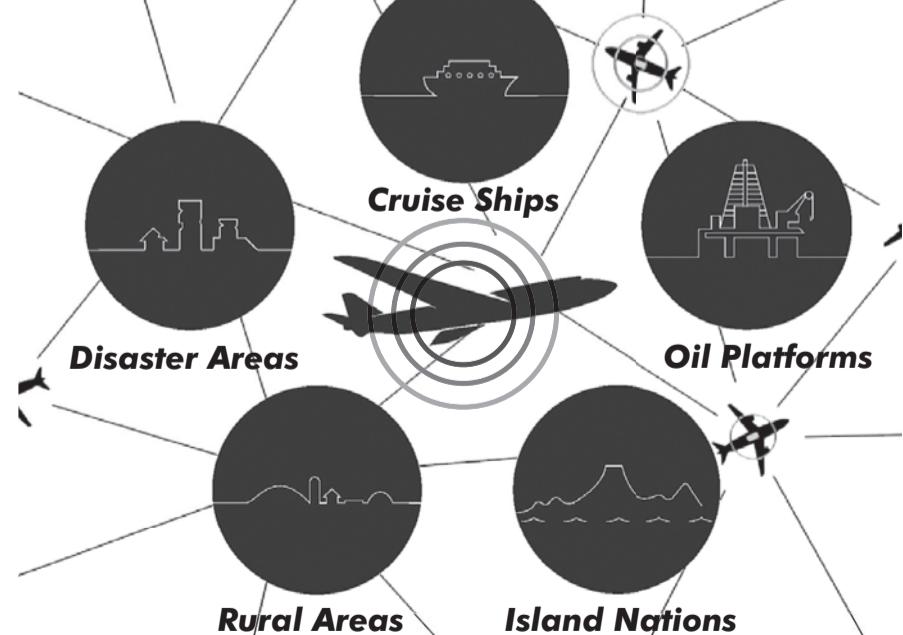
Sources: Civil Rights Data Collection, Education Department (number); The College Board (percentage)

THE WALL STREET JOURNAL.



Wireless Network
Redefining Global Connectivity

Airborne Wireless Network is in the development stage of building the world's first airborne fully meshed communications network by attempting to use commercial aircraft as mini satellites with the goal of delivering a continuous data signal around the globe. The company's primary target customer-base will be existing worldwide data and communications service providers. Once developed, this technology could be able to connect areas previously not able to receive broadband signals, potentially creating the possibility of connecting the entire globe.



Airborne Wireless Network is working with the following companies to help advance its development:

GE Aviation, Air Lease Corporation, Mynaric, Jet Midwest, Inflight Canada

airbornewirelessnetwork.com

Ticker: ABWN

Trump Narrows Judge Pick

Continued from Page One
up the merits of different candidates.

Sen. Tom Cotton (R., Ark.), one of Mr. Trump's closest allies on Capitol Hill, spoke to the president earlier in the week and gave a frank assessment of the strengths and drawbacks of different candidates, said an aide to the senator, who added that Mr. Cotton wasn't promoting any one person.

Others have called the Republican president to promote federal appeals court judge Thomas Hardiman of Pennsylvania, reminding Mr. Trump that he has a compelling life story as a one-time taxi driver.

Mr. Trump has been asking advisers to rate the merits of different candidates and to explain how outside constituency groups might line up in the confirmation fight.

A central tension is whether to base the selection primarily on a dispassionate review of judicial records and written rulings, or on a candidate's biography and the personal chemistry Mr. Trump feels during the interviews, people close to the White House said.

Some want to see the president follow the model used in picking Neil Gorsuch for the court in 2017, a process that leaned heavily on judicial writings in the belief that is the best way to predict a judge's behavior on the bench.

"I think President Trump is conducting a search built on the principles he established during his first Supreme Court selection—written opinions and the thinking behind them matter most. Past Republican presidents focused on biography and interviews," said Steve Bannon, former White House chief strategist.

The search process is being run by White House counsel Don McGahn, who has been advising the president on the candidates' judicial record and vetting their qualifications. Mr. Trump likes sparkling résumés, but also values candidates who project self-confidence and don't appear "weak," as one person close to the selection process said.

Mr. Trump spoke by phone Tuesday to at least two potential nominees, a person familiar with the matter said: Judge Hardiman and Judge Joan Larsen of the U.S. Court of Appeals for the Sixth Circuit.

That follows a round of interviews on Monday with federal judges Barrett, Kavanaugh and Kethledge and Judge Amul Thapar of the Sixth Circuit, according to two people familiar with the matter.

Mr. Trump is believed to have enjoyed his meeting with Judge Kavanaugh, a former clerk of Justice Kennedy. Another fan of Judge Kavanaugh is Mr. McGahn, a person close to the White House said.

Mr. McGahn has made the



The president's nominee could set a new direction for the Supreme Court.

argument that Judge Kavanaugh's long record of judicial rulings makes him a known quantity, this person said. Other people close to the White House have said that the president and Mr. McGahn worry that a nominee who lacks such a record may turn out to be more malleable once he or she reaches the court.

But Judge Kavanaugh's candidacy has drawbacks. One of his allies is Karl Rove, who served as an adviser to former President George W. Bush and during the 2016 campaign called Mr. Trump "a complete idiot."

Mr. Trump also enjoyed his interview with Judge Kethledge and felt the two "hit it off," a person close to the White House said.

Judge Barrett, a former

clerk to the late Justice Antonin Scalia who spent most of her career as an academic at Notre Dame Law School, is seen by some allies of the president as looking the part of a modern Supreme Court justice.

She is a mother of seven who juggled her family and career and was the focus of scrutiny for her Catholic faith during her confirmation hearing last year for the Chicago-based Seventh Circuit.

Mr. Trump also spoke on Monday to Sen. Mike Lee, a Utah Republican on the White House's long list of 25 candidates for the post who has expressed enthusiasm for the job. People close to the search believe Mr. Lee's chances are slim.

With the president planning to announce his choice with celebratory fanfare Monday, it is unlikely there will be follow-up interviews with the contenders, said one person close to the process. Mr. Trump instead is expected to replay the advantages of each candidate with Mr. McGahn and other advisers before throwing his lot with one, this person said.

The vacancy created by Justice Kennedy's retirement is a chance for Mr. Trump to put a lasting imprint on the high court. But first he will need to steer the nominee to confirmation in a Senate where Republicans hold 51 of 100 seats; also, one Republican, Sen. John McCain of Arizona, is frequently absent because of illness.

Several GOP senators have bucked their party in the past, including Susan Collins of Maine, who on Tuesday became the focus of an advertising campaign by NARAL Pro-Choice America, trying to persuade her to reject any candidate who doesn't share her belief that the court should maintain broad support for abortion rights.

Mr. Trump has been courting a trio of Democratic senators in states he won in 2016—Heidi Heitkamp of North Dakota, Joe Manchin of West Virginia, and Joe Donnelly of Indiana. Democrats, meanwhile, are hoping to peel off Ms. Collins in particular, as well as Sen. Lisa Murkowski of Alaska, another centrist Republican who supports abortion rights.

—Jess Bravin
contributed to this article.

U.S. NEWS

Trade Slows Ahead of Threatened Tariffs

Data show drop-off even before new U.S. penalties on Chinese goods are implemented

BY MIKE BIRD
AND RIVA GOLD

Even before a round of U.S. tariffs levied on China comes into force Friday, there are signs that global trade is already cooling.

Business surveys published this week show that global export growth, strong in 2017, has slowed to a relative crawl—helping to drive sharp stock-market falls in big exporting nations like South Korea and Japan.

The data suggest that the synchronized world-wide growth that sustained global markets and company earnings

worth of goods changing hands—is unlikely to be repeated.

The volume of global trade is so large that even modest changes in its rate of growth are more consequential than what is directly at stake in the row between the U.S. and China. U.S. tariffs due to be implemented on Friday cover \$34 billion in Chinese goods; China is levying retaliatory tariffs on an equivalent amount of American exports.

China's customs agency unexpectedly issued trade data that showed growth in exports to the U.S. slowing earlier this week, although some analysts raised doubts about the reliability of government statistics.

Already-imposed tariffs—such as the U.S. has placed on steel and aluminum imports—may not have a meaningful impact on most Chinese businesses.

"With Asian steel and aluminum companies, most of the exports are actually inter-regional. It's only 0.1% of total productive capacity that even goes to the U.S. for Chinese steel companies. Aluminium is just 2%", said Catherine Yeung, investment director at Fidelity International.

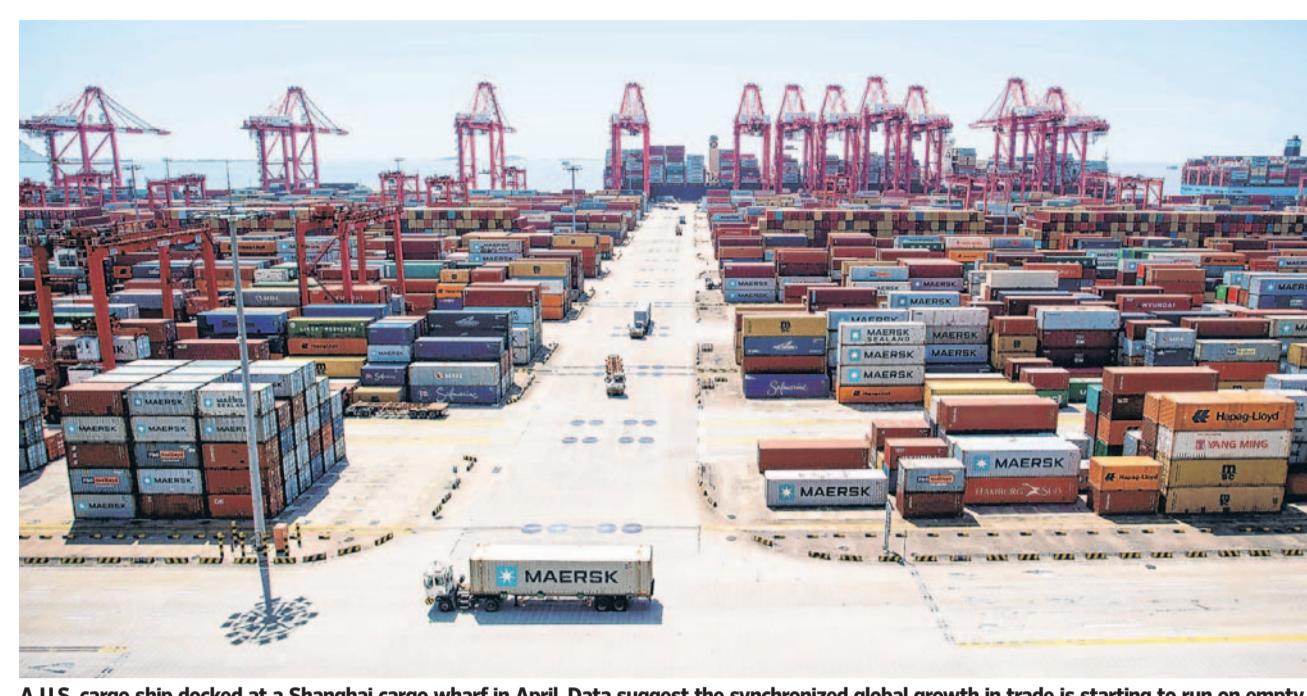
The global trade moderation explains the recent selloff in emerging-market bonds and equities better than any fears of rising protectionism, BCA Research, an independent Canadian research firm, argued in a report last week. Any fall in trade is likely to first hit economies integral to globalized manufacturing processes, such as those of several emerging countries in Asia.

"When global trade expands, weak parts of the chain do well. Conversely, when global trade growth dwindles, these same weak links are the first to break," said Arthur Budaghyan, chief emerging markets strategist at BCA Research.

For sure, some economists argue there is a link between the rise in protectionist policies and soft global export data—even if many talked-about tariffs haven't yet taken effect.

"It might be that companies are anticipating trade becoming more difficult with China or with the U.S. and are adjusting their supply chains," said Joanna Konings, senior international trade economist at ING in Amsterdam.

Even small tariffs can have big effects on business confidence. Imposing tariffs in a world of integrated, multinational supply chains might be self-destructive and would likely pass through to U.S. consumers, according to strategists at Morgan Stanley.



A U.S. cargo ship docked at a Shanghai cargo wharf in April. Data suggest the synchronized global growth in trade is starting to run on empty.

4.8%

Rise in global merchandise trade in 2017, the strongest in years

for much of last year is already starting to run on empty. And that slowdown is likely to have a greater impact on trade than the developing conflict among the U.S., China and other major economies, analysts and investors say.

"There is a huge correlation between the performance of Asian exports and Asian earnings. You can extend that analysis from global trade to global earnings," said Tai Hui, chief markets strategist for Asia at J.P. Morgan Asset Management. Companies in sectors like consumer electronics are already suffering, he added.

For nearly half a year, surveys of purchasing managers in manufacturing have indicated dwindling international demand growth, as major economic regions like the eurozone and China come off the boil.

The new-exports portion of J.P. Morgan's Global Manufacturing PMI fell to 50.5 in June, its weakest in nearly two years. The figure remains above 50, indicating export orders are still rising, but it has grown weaker every month since hitting its most recent peak at 54.2 in January.

The orders data closely mirror year-on-year changes in world trade volumes, suggesting last year's 4.8% rise in global merchandise trade—the strongest since 2011, according to the World Bank, and representing an extra \$1.13 trillion

in exports.

Even small tariffs can have big effects on business confidence. Imposing tariffs in a world of integrated, multinational supply chains might be self-destructive and would likely pass through to U.S. consumers, according to strategists at Morgan Stanley.

China Issues Vow Not to Act First

BY LINTGLING WEI

BEIJING—As the U.S. and China gear up to slap each other with tariffs, Beijing's leadership faced the thorny question of whether to strike first, or let Washington take the lead.

In response to the Trump administration's plan to impose tariffs on \$34 billion of Chinese products starting 12:01 a.m. Friday Eastern time, China pledged to retaliate with levies of the same value at the same time. But since Beijing is 12 time zones ahead of Washington, that meant China planned to put its tariffs into effect at 12:01 a.m. Friday in Beijing, which is noon Thursday in Washington, according to people familiar with the matter.

The arrangement, a Chinese official said Wednesday, reflected Beijing's determination to start its tariffs on July 6, the same date set by the U.S. for its levies. "It's the U.S. that started all this," the official said. "China is fully prepared."

Beijing's plan later shifted. Wary of being seen as provoking the battle, the State Council, China's cabinet, issued a statement saying "China absolutely won't fire the first shot."

That means Beijing would implement its tariffs starting midday Friday local time—an unusual practice for China, which generally assess duties on a full-day basis, Chinese officials said.

Imposing tariffs ahead of Washington would have entailed risks for Beijing, ana-

lysts said, making it harder for the two sides to resume negotiations that have been stalled for the past month.

A first strike would go against the Chinese leadership's public position that Beijing doesn't want a trade war with the U.S. President Donald Trump has threatened to levy duties on an additional \$400 billion in Chinese products if Beijing retaliates for his first batch of tariffs.

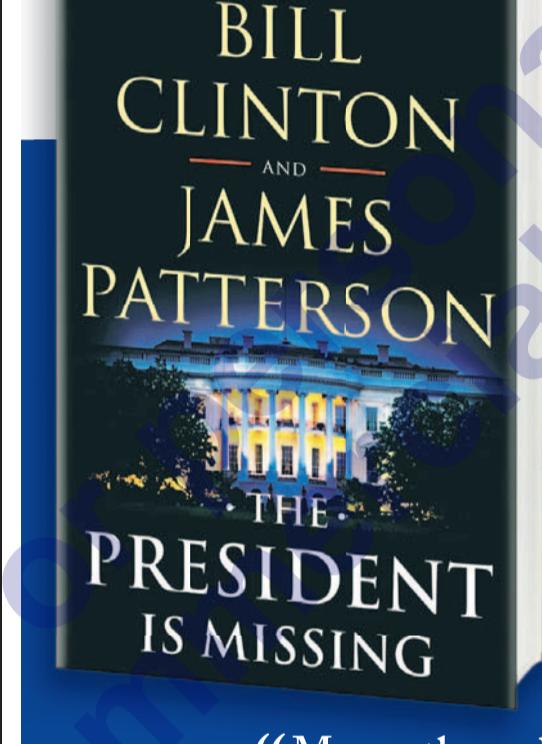
A Chinese head start "would not be moving hearts and minds on both sides toward the positive direction of de-escalation," said Timothy P. Stratford, a Beijing-based lawyer at Covington & Burling LLP.

Hardest hit in the early rounds of the trade fight are likely to be U.S. exports of sport-utility vehicles as well as soybeans and other cash crops, and, on the Chinese side, exports of auto parts and medical instruments.

The looming trade battle between the world's two largest economies has rattled global markets, businesses and investors. Both sides called a brief truce in May after several rounds of talks. Mr. Trump then stepped up his drive to reduce a trade imbalance that was \$375 billion in China's favor last year and to punish Beijing for what the U.S. says are pressure tactics on American businesses to transfer technology to Chinese companies.

◆ Chinese court halts sales of some Micron products B4

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WORLD NEWS

Saudis Still Hold Dozens in Crackdown

Mistreatment of some detainees is alleged as government continues anticorruption arrests

By MARGHERITA STANCATI AND SUMMER SAID

RIYADH, Saudi Arabia—Months after the start of an anticorruption crackdown, Saudi authorities are still holding a senior prince and several dozen businessmen and former officials in detention and recently have made new arrests, government officials said.

Some of the detainees have been beaten and deprived of sleep while being questioned, officials and people close to the detainees said. In some cases, these people said, those in custody haven't been charged with crimes and have been permitted little or no contact with relatives or lawyers.

Many are being held at a maximum-security prison outside the capital, while others are being housed in palaces that have been converted into detention centers, two government officials said. The officials acknowledged that some prisoners had been subjected to rough treatment.

Spokesmen for the Saudi

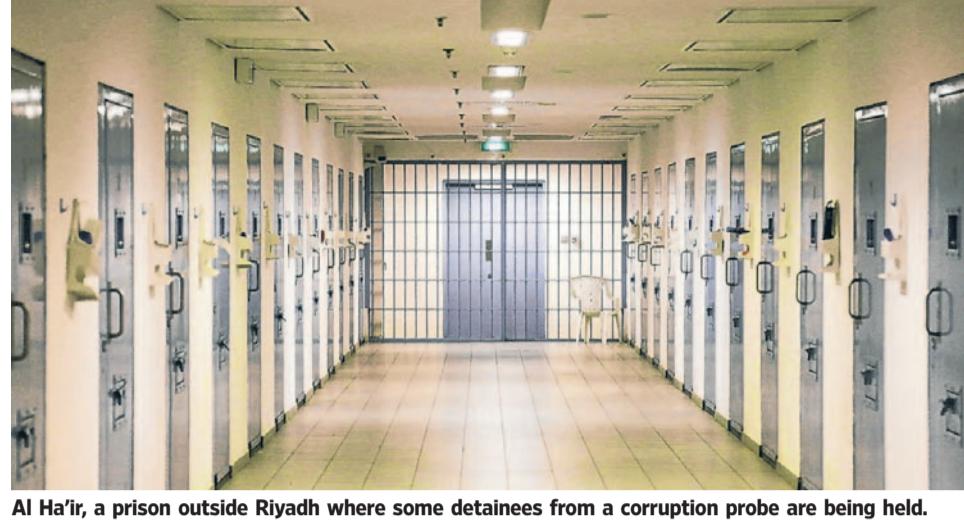
government didn't respond to requests to comment. The deputy attorney general has said some detainees face charges that go beyond corruption and could be tried in courts that specialize in cases of national security and terrorism.

None of the detainees could be reached to comment. People close to several of them said authorities had raised the prospect of treason or terror charges, which could lead to prison or the death penalty, as a tactic aimed at pressing for untrue confessions or financial settlements.

Hundreds of prominent Saudis were arrested in November and detained at the Ritz-Carlton hotel in Riyadh. Most were released after agreeing to make payments Saudi officials say totaled more than \$100 billion.

The Saudi government has described the campaign as a way of ridding the country of corruption and leveling the commercial playing field as Crown Prince Mohammed bin Salman works to revamp the economy and attract foreign investment and talent.

Corruption has been endemic in the kingdom, where much of the economy depends on state spending and a large royal family made rich by oil long operated with few limits.



Al Ha'ir, a prison outside Riyadh where some detainees from a corruption probe are being held.

FAYAL AL MASSEK/REUTERS

In March, King Salman, Prince Mohammed's father, established new departments in the attorney general's office to prosecute corruption cases.

Critics of the government say the new arrests and continued detentions are an effort by Prince Mohammed to consolidate power and sideline potential opponents one year after his father installed him as the country's de facto ruler in a precedent-breaking move. The government denies the accusation.

Under Prince Mohammed, who runs Saudi Arabia day to day, the government has worked to open up a reli-

giously conservative traditional society with steps such as allowing women to drive and opening cinemas, while at the same time jailing critics, including clerics and rights activists.

Those still in custody include some of Saudi Arabia's richest men, and some who once held powerful government positions until their arrests in November. Among them are Mohammed al-Amoudi, a Saudi-Ethiopian billionaire; Bakr bin Laden, the chairman of the construction giant Saudi Binladin Group; Amr al-Dabbagh, former head of Saudi Arabia's investment

agency; and Adel Fakieh, a former economy minister and once a trusted aide to Prince Mohammed.

Also detained is a senior royal, Prince Turki bin Abdullah, who served as governor of Riyadh and is a son of the previous monarch, King Abdullah.

A Saudi official in November said the prince was accused of corruption linked to a project to build a subway in Riyadh. He hasn't been charged and the exact accusations he faces remain unclear, according to a person familiar with the matter, who cast the prince's arrest as a political move intended to sideline a

potential rival of Prince Mohammed.

Some detainees released from the Ritz have been subjected to travel bans and some have had to wear ankle monitors, people close to those former detainees said. Several have become outspoken advocates for Prince Mohammed's approach. At least one has gone into business with the government.

The Saudi government's investigation into some prominent business families is still under way, Saudi government officials said. In recent days, three billionaires from the Mahfouz family, a prominent Saudi banking group, have been detained for undisclosed reasons, the officials said.

Other executives have secretly negotiated settlements to avoid detention in recent weeks, these officials said.

Since the Ritz was closed as a detention center and re-opened as a hotel in late January, there has been nearly complete official silence on the cases of 56 suspects who didn't agree to a settlement.

The Saudi government wants to avoid the publicity of the Ritz episode "and will do things more quietly with any new arrests," a person familiar with the matter said.

Benoit Faucon in London contributed to this article.



AGENCIA GAZETA/REUTERS



Protesters in Warsaw support Chief Justice Małgorzata Gersdorf, top right, who was told to retire early along with 26 other judges.

that the government's overhaul poses a systemic threat to judicial independence and democratic standards. EU member states held a hearing with Poland last week at a ministerial meeting in Luxembourg, with more likely in the coming months.

"Reform of the judiciary is certainly a goal, a legitimate goal," said Guy Verhofstadt, leader of the Liberal group in the EU Parliament and a former Belgian premier. "But forcing judges to retire, delivering them to the will and the whim of the governing majority can never be part of such a reform."

Poland could eventually have some of its EU voting rights stripped if found to be in breach of the bloc's rule of law. However, Poland's close allies, including Hungary, have signaled they would block any decision to take action against the government.

On Monday, the European Commission, the EU's executive agency, launched a fresh legal process against Poland over the lowering of the retirement age. That could see Poland taken to the court's jurisdiction.

Laurence Norman in Brussels and Drew Hinshaw contributed to this article.

EU, Poland Clash Over Court Purge

Continued from Page One

Thousands of Poles who view the action as a slide toward authoritarian rule took to the streets Wednesday in noisy protests around the country, chanting, holding candles and waving flags.

"We want them to keep their hands off the judiciary, for God's sake!" said Aleksandra Nowosad a 39-year-old media production manager. "We are angry because they are violating our rights. We won't leave," she said outside the Supreme Court.

Justice Gersdorf, who has vocally opposed the government, told hundreds of protesters that she was working to protect the constitution. "Just to be clear: I am not engaging in politics," Justice Gersdorf said. "I am doing this in order to defend the rule of law."

Demonstrators shouted, "We are with you!"

The new law mandates early retirement for all male Supreme Court judges over 65 years old and all female judges over 60. A panel of experts would then appoint replacement judges. Parliament would choose who staffs that panel, unless more than two-fifths of Poland's sharply divided parliament obstructs the process, in which case President Andrzej Duda would choose the panelists.

Judges who would be affected had until midnight on Tuesday to apply for an extension by the president. But Justice Gersdorf, who is 65, refused—joined by other judges—saying that the constitution allows her to carry out her six-year term, which ends in 2020.

She and 10 other judges refused to even apply for a presidential extension.

Justice Gersdorf continued her work in the court's offices on Wednesday, and the government didn't intervene or try to remove her, a court spokesman said.

The law is seen as an attempt by the ruling Law and Justice party to seize control of the judiciary.

"I am afraid that this is the end of independent judiciary," said Anita Fogler, 46, a marketing specialist who gathered with other protesters near the resistance fighter statues that adorn the Supreme Court.

"This is the beginning of a more intense battle to restore the separation of powers in Poland."

The governing party has complained about the courts, saying they aren't accountable to the people. Speaking at the European Parliament in Strasbourg, France, where lawmakers from the mainstream parties had placed cards reading "Rule of Law" in Polish or English on their desks, Polish Prime Minister Mateusz Morawiecki defended the government's decision, criticizing the EU for what he said was imposing its way of doing things on member states.

"Respecting national identities is part of the trust that must be built in the EU," he said. "Every country has a right to set up its legal system in line with its own traditions."

The law is part of sweeping changes that have also included overhauls in lower courts and in the constitutional courts. The Supreme Court is the final appeals court for civil and criminal cases. It also authorizes election results.

The government won 38% of the vote in 2015 elections, enough to gain an absolute majority in parliament. Polls show

steady support for Law and Justice since that election, though its push for court overhauls has brought increasing numbers of people—largely the young and urban—out to express their disapproval.

"We are showing that we do not agree with the ruling party's politics and that we are here and that something is happening—that people are taking to the streets," said Natalia Polubiec, the chairwoman of the Young Democrats, a group that has been active in protests against the government.

The EU is pursuing a legal process against Poland, arguing

U.K. Police Say Two British Nationals Exposed to Nerve Agent

BY STEPHEN FIDLER AND WILL HORNER

LONDON—A man and a woman who have been admitted to a hospital in western England were exposed to the same nerve agent that was behind the poisoning of a former Russian intelligence officer and his daughter four months ago, counterterrorism police said Wednesday.

Britain blamed Russia for the earlier poisoning using Novichok, a military-grade nerve agent developed in the Soviet Union. Moscow denied any responsibility for that attack.

The man and woman, both British nationals, collapsed at home over the weekend in Amesbury, 7 miles from Salisbury where spy Sergei Skripal and his daughter Yulia were poisoned in March. They are

in critical condition at the same Salisbury hospital that treated the Skripals.

The incident is likely to reignite the controversy over allegations that Russia had a role in the poisoning of the Skripals. It comes days before U.S. President Donald Trump is due to meet Russian President Vladimir Putin in Helsinki and during the World Cup in Russia where England's soccer team is competing. Moscow is likely to claim that the second incident reinforces its assertion that it wasn't to blame for the attack on the Skripals.

A statement from Neil Basu, the head of Scotland Yard's counterterrorism unit, said that counterterrorist police had taken over the investigation from the local police force. Some 100 counterterrorism detectives had joined

local police in the investigation. He said Britain's Porton Down biological weapons laboratory confirmed that Novichok was responsible for the illnesses of the British couple, but said it wasn't clear if the

Novichok was from the same batch used in the Skripal poisoning. He gave no clue as to whether police believed the nerve agent had been left over from a previous attack and said no assumptions

would be made over whether the two incidents were linked.

Several sites in Amesbury and Salisbury that the couple were believed to have visited before their illness have been cordoned off, but there was no evidence they had visited any of the sites decontaminated after the Skripal poisonings.

Senior British officials held an emergency meeting in London to discuss the incident, a Downing Street spokeswoman said. She said Prime Minister Theresa May was being regularly updated.

Police initially suspected the Amesbury couple had become ill after consuming contaminated drugs but later said they were conducting further testing "to establish the substance which led to these patients becoming ill."

Police said the woman, aged 44, collapsed at about 10:15 a.m. on Saturday and was taken to the hospital. And at about 3:30 p.m., an ambulance was called back to the same address, where a 45-year-old man also had become ill.

Wiltshire police said that no one else was receiving treatment.

Julia Skripal was released from the hospital in April and her father was released a month later. They are currently at an undisclosed location, protected by the British government.

Mr. Skripal, a former Russian military intelligence officer who had been jailed by Russian authorities for passing information to British intelligence, arrived in the U.K. as part of a prisoner exchange in 2010.



JACK TAYLOR/GETTY IMAGES

Police at one of several sites recently visited by the pair.

Mr. Skripal, a former Russian military intelligence officer who had been jailed by Russian authorities for passing information to British intelligence, arrived in the U.K. as part of a prisoner exchange in 2010.

WORLD WATCH

INTERNATIONAL TRADE

WTO Sees Risks From Import Curbs

The international system for resolving trade disputes will come under increasing threat if leading economies continue to ramp up the pace at which they impose new restrictions on imports, the World Trade Organization warned.

In a twice-yearly report, the trade arbiter said members of the Group of 20 largest economies introduced twice as many restrictions on trade in the six months through mid-May as they did in the previous period.

—Paul Hannon

GUATEMALA

More Seen as Missing In Volcano Eruption

Authorities raised to 332 from 197 the number of people officially missing from the deadly eruption of the Volcano of Fire on June 3.

Guatemala's disaster agency said the new figure came following a review of nearly 200,000 records and verifying lists of people living in shelters.

The disaster agency has confirmed at least 113 deaths from the eruption, which sent superheated flows raging through small villages. Eighty-five of those bodies have been identified.

But an independent group known as Antigua to the Rescue, after the nearby city of the same name, said the death toll could be high as 2,900.

—Associated Press

INDIA

New Delhi Criticizes Messaging Service

India blasted Facebook Inc.-owned messaging service WhatsApp following a series of deadly attacks on victims mistakenly accused of kidnapping children, after rumors and false reports of trafficking activities circulated on the messaging platform.

India's Ministry of Electronics and Information Technology said in a statement late Tuesday that it warned WhatsApp about the rumors and false information on the messaging platform in India and has directed its senior management to take immediate action. The statement didn't specify the type of action, but said the "spread of such messages should be immediately contained through the application of appropriate technology."

In a letter to the ministry, WhatsApp said it was "horrified by these terrible acts of violence." WhatsApp told the Indian government it has been using a twin strategy "to give people the controls and information they need to stay safe," and "to work proactively to prevent misuse on WhatsApp."

The letter outlines steps the company has taken to promote digital literacy for users new to social media and the importance of checking facts. It said WhatsApp would "work with leading academic experts in India to learn more about the spread of misinformation."

—Krishna Pokharel and Rajesh Roy



The U.S. is frustrated with military spending levels by its allies. Above, members of the NATO-led peacekeeping mission in Kosovo this month.

ARMEND NIMANI/AGENCE FRANCE PRESSE/GETTY IMAGES

WORLD NEWS

NATO Allies Hope for Harmony

BY MICHAEL R. GORDON

U.S. and allied officials are working hard to choreograph a NATO meeting next week that would be a tableau of unity, and show that the 29-member alliance is fighting terrorism, standing up to Russia and working closely to boost military spending.

But President Donald Trump has already disrupted the mood, and raised the stakes, by warning European leaders in a series of blunt letters that they are not doing their share.

"I understand domestic political pressures," Mr. Trump wrote in a letter on June 19 to Norwegian Prime Minister Erna Solberg, which was reviewed by The Wall Street Journal. "It will, however, become increasingly difficult to justify to American citizens why some countries continue to fail to meet our shared collective security commitments."

In Europe, some leaders have bristled at Mr. Trump's pressure, inserting a potential point of friction in the continuing summit preparations.

"I am not very impressed by this type of letter," said Belgian Prime Minister Charles Michel, whose government has one of the lowest levels of military spending in the North Atlantic Treaty Organization in terms of GDP but which has promised to step up defense expenditures.

Even before Mr. Trump's letters, there were anxieties in Europe that the NATO summit

could be a repeat of the Group of Seven meeting last month at which the president upbraided allies, only to engage in a warm meeting days later with a long-standing adversary, North Korean leader Kim Jong Un.

The Brussels NATO summit on July 11 and 12 will be quickly followed by Mr. Trump's July 16 meeting in Helsinki with Russian President Vladimir Putin, a leader Mr. Trump is eager to engage but

Mr. Trump's letters to European leaders warn they aren't doing their share.

who is also the alliance's principal adversary and has long sought to sow divisions in the West's ranks.

"The president has been consistent in his criticism of the alliance. He believes that the EU was created to take advantage of the U.S. and that NATO is as bad as Nafta," said one senior European official, referring to the North American Free Trade Agreement. "There is no reason why we should not have an animated NATO summit."

There is a long history of U.S. frustration with its allies' military spending. Following Russia's military intervention in eastern Ukraine and Crimea,

NATO nations promised at a summit meeting in Wales all members would spend at least 2% of their GDP on defense by 2024. At least 20% of that was to be spent on weapons and improving military capabilities—a target that was set to ensure that the funds didn't go just for military pay.

During his political campaign, Mr. Trump set off alarms in Europe when he implied that the U.S. might defend only NATO allies that met their military-spending obligations. Mr. Trump later sought to dispel the allies' unease during a July 2017 visit to Warsaw by endorsing Article 5, which stipulates that allies will come to each other's defense if attacked.

Just a week ago, some European officials expressed hope that the Trump administration would build on that approach by backing a summit meeting that hailed the headway the alliance was making on military spending and adapting in the face of new threats.

"There is real potential for a strong, united message at the NATO summit," said one official from a NATO nation. "If the summit is divisive, Putin will see opportunity in that."

Mr. Trump, however, sees the summit as an opportunity to pressure allies to do more and European officials see his letters as a thinly veiled threat: If the allies don't spend more to defend the alliance, the U.S. may do less.

Falling Short

Estimated defense expenditures as a share of GDP, 2017*



THE WALL STREET JOURNAL.



SAFETY IN SIGHT: Some 60 migrants on the rescue ship Open Arms, turned back by Italy and Malta, arrived in Barcelona on Wednesday.

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IN DEPTH

World Spoils World Cup

Continued from Page One
the mall to a pottery class with his daughter and her friends, shoppers and employees took notice and teased, some yelling fake results as he walked by.

"I looked like a complete lunatic," said Mr. Ferrer, who has recorded most matches this tournament so he can watch later. "But you've got to be super careful."

Lunacy is what's required to avoid spoilers during this year's World Cup, which has become a test of devotion for many soccer fans in the U.S.

Four years ago, it wasn't hard for Americans to keep up in real time with the World Cup, which was being played in Brazil, just a few hours ahead of the East Coast. But

with the tournament being played this year in Russia, seven to 10 hours ahead of most of the U.S., World Cup superfans are taking ever-more-drastic measures to avoid spoilers.

Chris Albon, a 34-year-old data scientist who works at home in Arizona, effectively cut himself off from the outside world during the first two weeks of the tournament.

From 5 a.m. Pacific time, when the first game started, until 10 p.m., when Mr. Albon finished watching the games, he avoided all social media and news websites.

"I'm sure there are things that happened today, but I have absolutely no idea what they are," he said.

Mr. Albon had to keep up his media blackout for the entire first two weeks of the tournament, when 48 matches were packed into 15 days.

There have been some unexpected benefits: He is "getting way more work done," running more often and reading for fun.

A majority of Americans now have access to DVR according to Nielsen data, a 17% increase from four years ago. Those who don't can choose from a number of streaming services—including FuboTV, Sling TV and YouTube TV—that didn't exist in 2014.

At the same time, there have never been as many outlets for spoilers, with a non-stop barrage of information lurking in email and text messages, Google advertisements and friendly co-workers looking to strike up a conversation.

Social media is a particular danger: Live sporting events can drive more than twice as much Twitter engagement as other television programs, according to Nielsen.

Chad Troutwine, a tech entrepreneur and filmmaker in Los Angeles, politely emailed the employees at both of the companies he owns, asking

them not to talk or email about the World Cup. His work email is now safe, he said, but that's about it. He doesn't check Gmail or social media, and has turned off all his push notifications.

He left text messages on for emergencies, but acknowledges that "can be a little bit of a risk."

"My phone is fraught with little land mines," he said.

Bill Darnell, a youth pastor who lives outside Indianapolis, taped several matches on Father's Day. He was still catching up in the wee hours of the next day in the family room when his wife came to ask why he hadn't responded to or liked a Father's Day post she wrote.

He looked up at the screen to see how much time was left. "I said 'I appreciate it, I love you, but I just need 10 minutes more time,'" he recalled.

Brian Jefferson, a cardiolo-

gist in Nashville, Tenn., had an all-day shift at his hospital on a recent Sunday but was determined to catch the three World Cup matches he had recorded at home. For nearly 10 hours he went "on blackout."

He sent nurses on his rotation ahead of him to scope out patients' rooms, to ensure the games weren't on. He made sure other staff knew not to bring up the scores. Dr. Jefferson went home, switched on his Comcast Xfinity DVR and saw a headline staring back at him from the menu: "Mexico STUNS Germany!"

"It was unavoidable," he said.

A Comcast spokesman said the Mexico-Germany headline was a one-off for this World Cup that owed to the unexpected outcome of the match.

The most devoted soccer fans, like Andrew Hagenbaugh, spend four years hoping to talk about soccer with any of their friends and co-workers. But for four weeks, they do everything they can to avoid it.

An aspiring sports-talk host

who studies at the Ohio Media School, Mr. Hagenbaugh, 22, is the biggest soccer fan among his friends. But a few weeks before the World Cup, he told them not to discuss it.

Classmate Mac Robinson sensed an opening.

Mr. Hagenbaugh thought Snapchat was safe, but he said his friends bombarded him with prank spoiler messages. He shut that down, too.

So Mr. Robinson and other classmates got creative. They spent hours recording audio footage from past World Cup games and other soccer matches to mimic the sound of upcoming live matches.

During a broadcast class that coincided with the World Cup, they played the spliced old clips loud enough for Mr. Hagenbaugh to hear on the other side of the room, hoping he would think they were blasting current matches.

For the final two weeks of the tournament, Mr. Hagenbaugh has a plan: "Lock myself in my room and turn off everything."

A Hedge-Fund Star Dims

Continued from Page One

of 2017 from 2014's end. The S&P 500 grew 38.3%, including dividends, in the same period. The average stock-focused hedge fund gained 18.3% in the period, according to HFR, a firm that tracks hedge funds.

The fund dropped 7.7% in June and is down 18.7% for the year, compared with a rise of 2.65% for the S&P 500 and 1% for stock hedge funds. "We are obviously frustrated by our results," Greenlight said in a letter to investors when it revealed its June returns.

Mr. Einhorn, 49, hasn't clearly explained the losses, sometimes pointing to the market's shift away from the less expensive value stocks he favors—those considered inexpensive relative to earnings and other metrics.

"It is difficult to explain what caused the results," he said in an April investor letter. "To some extent, this quarter's result stems from the continued extreme outperformance of growth over value."

People familiar with the fund attribute Mr. Einhorn's troubles in part to his unconventional ways—sticking to value stocks, for example, and keeping clients at a distance—which he hasn't changed even as investors bolt.

"He's stubborn," said Peter Weiss, a Boston-area investor who said he withdrew hundreds of thousands of dollars this year. "He'll never admit he's made a big mistake...It just makes me crazy."

Mr. Einhorn said in a statement: "When we recognize a mistake we exit the position and own up to it in our quarterly letters."

ages investments of publicly traded Greenlight Capital Re Ltd., which invests in the same holdings as his hedge fund, said people familiar with the policy. Disclosing such information, Mr. Einhorn told them, might violate securities laws.

With the media, Mr. Einhorn was soft-spoken and generous with his time. Behind closed doors, he sometimes showed a darker side. At "idea dinners," where he and other hedge-fund managers regularly met to debate stocks, he could be insulting to those who questioned him, some participants said.

Mr. Einhorn said in the statement: "I am always respectful of my peers during what can be passionate conversations."

In 2001, John Burbank, who was starting a research service and later became a hedge-fund manager, pitched Mr. Einhorn on refiner Valero Energy Corp., said a person familiar with the meeting. Mr. Einhorn dismissed the idea and spent half an hour lambasting him for not doing his homework.

"You really should go for better businesses," Mr. Einhorn said, according to this person, telling Mr. Burbank to steer clients to one of Greenlight's largest holdings at the time, WorldCom Inc., the person said. A year later, WorldCom declared bankruptcy. Valero's stock more than doubled over the next three years.

A Greenlight spokesman declined to comment on the episode.

King David

Investors tolerated the quirks because returns were sweet. Less than a decade into the fund, Greenlight had annual gains as high as 58%.

Investors had a nickname for Mr. Einhorn: King David.

Some of his biggest hits came from public battles with companies whose stock he shorted, betting against them by selling borrowed shares. In 2002, he began a protracted spat with Allied Capital Corp., a lender he said was overvaluing its holdings. Allied called his claims unfounded, but its

share price fell 20% in 2003, and Greenlight profited.

Greenlight could be difficult to deal with, some current and former investors said. While most hedge funds let clients withdraw money once a quarter, Greenlight in 2005 began requiring a three-year commitment with one chance a year to withdraw after that.

When clients asked Mr. Einhorn for his views on investments, he often chafed, several investors said. While he revealed the firm's five largest "disclosed long positions" monthly, he wouldn't say whether there were other large positions or significant bearish bets in the portfolio, nor would he give midmonth updates as many funds do, these investors said.

Once, Greenlight wouldn't tell an investor what shares it was buying, only for the investor to learn later what it was doing in a media report, frustrating him. "You call them and try to have a substantive conversation," the investor said, "and they're almost obnoxiously closed-door."

Mr. Einhorn told some investors he couldn't share much information about his moves because he also man-

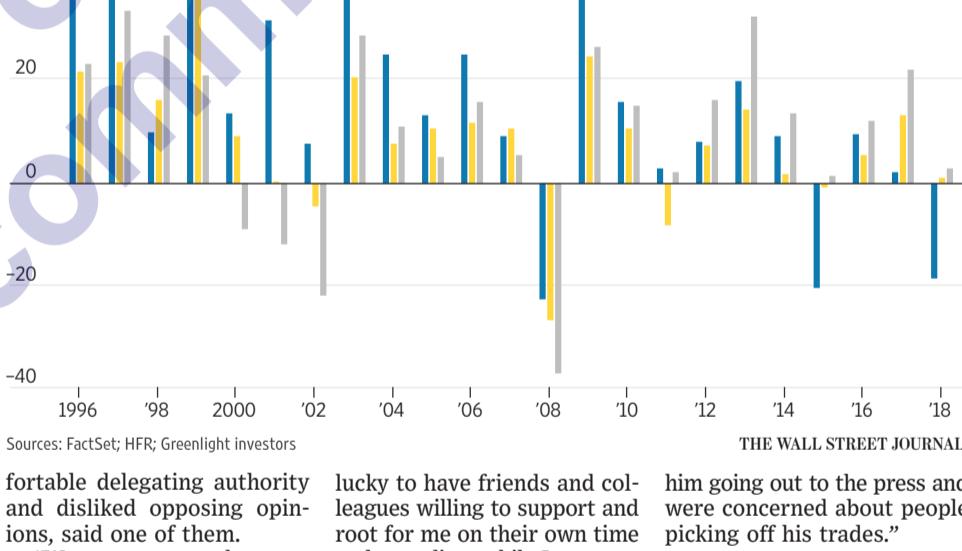
'When we recognize a mistake we exit the position and own up to it,' says David Einhorn of Greenlight Capital.



Flagging Performance

Greenlight Capital has recently underperformed the S&P 500 and an index of stock-focused hedge funds.

Annual returns



Sources: FactSet; HFR; Greenlight investors

lucky to have friends and colleagues willing to support and root for me on their own time and own dime while I compete on my vacation."

The Greenlight fund lost nearly 23% in 2008, hit by the financial crisis, before rebounding in 2009 with a 37% gain. Both years, it topped the S&P 500.

Through 2013, Greenlight seemed unstoppable, as it moved into investments such as gold, derivatives and debt, gaining 19.8% that year.

In 2014, for the first time in years, Mr. Einhorn opened Greenlight to more investors, some of his clients said, drawing \$1 billion in new cash and increasing assets under management to \$12 billion.

That year, he bought a small piece of the Milwaukee Bucks basketball team. In 2015, he became chairman of the board of the Robin Hood Foundation, the hedge-fund industry's unofficial charitable arm.

Some investors showed early signs of becoming wary of Mr. Einhorn's methods, including Gregory Horn, who runs Persimmon Capital Management LP. Mr. Horn said he worried that Mr. Einhorn's public appearances to promote his holdings could make him a possible target of rivals hoping to drive up stock prices.

"We like our managers investing, not promoting," said Mr. Horn, whose firm says it pulled its money from Greenlight in 2014. "We didn't like

him going out to the press and were concerned about people picking off his trades."

Downturn

Mr. Einhorn's downturn hit mid-decade. Greenlight dropped more than 20% in 2015, hurt in part by a 74% collapse in shares of solar and wind producer SunEdison Inc., one of Greenlight's largest holdings at the time; the S&P 500 returned 1.5%. Investors hoped it was a blip; Mr. Einhorn seemed to take it in stride.

At his annual investor dinner that winter, he featured a slide of the now-imprisoned pharmaceutical executive Martin Shkreli, who had once unsuccessfully pitched the firm on an investment. Mr. Einhorn's message: It could be worse—Greenlight could have invested with Mr. Shkreli.

Greenlight's tumble continued, and concern grew among investors about Mr. Einhorn's approach, which avoided popular tech stocks that were part of what he called a "bubble basket."

He told investors in an early 2018 presentation that he had been shorting stocks including Amazon.com Inc., Athenahealth Inc. and Netflix Inc., stocks that are up more between 19% and 103% this year—a short position loses value when the underlying stock rises. BrightHouse Financial Inc., Greenlight's second-largest holding as of March 31

according to its securities filings, is down 31% this year.

Some investors said they wished Mr. Einhorn had embraced high-growth stocks as did his friend Daniel Loeb, who runs the hedge fund Third Point LLC, which bought two million shares of Netflix last year.

Greenlight's restrictions on when clients can withdraw funds have become harder to swallow, said P. Justin Pearlstone, who is on the board of a charity that invests in Greenlight and has placed the fund on an internal watch list for possible withdrawal in January 2019.

"The liquidity terms are onerous and out of the norm today," Mr. Pearlstone said. "Investors would be more comfortable with those terms if the returns were better."

Adding to distress among some investors is Mr. Einhorn's pending divorce. "If someone goes through a divorce, I usually get out," said Mr. Kielland, Mr. Einhorn's early backer. "I made an exception with David, but I made a mistake...He has to be distracted: I'm convinced that's 30% to 40% of why Greenlight has been underperforming."

Mr. Kielland said he has withdrawn three-fourths of his firm's money. Several other investors said they withdrew, or are considering withdrawing, money in part because of the divorce.

Mr. Einhorn said: "This Europe-based investor has almost no contact with me and has no basis for his statement. Our investment team and I are solely focused on the portfolio."

Greenlight has said 18% of the money it manages—or about \$1 billion—is from the reinsurance company it controls, while some of his investors say Mr. Einhorn personally has more than \$1 billion in the fund. Those figures suggest that, of Greenlight's \$5.5 billion in assets under management, less than \$3.5 billion is outside investors—a sign of how much it has shrunk.

Some rivals say Mr. Einhorn's avoidance of expensive stocks could prove prescient. General Motors Co. shares, among Greenlight's largest holdings, gained 10% last month on news of an investment from SoftBank Group Corp.'s SoftBank Vision Fund, though GM remains down 5% this year.

Supporters point to Greenlight's stellar annual returns since inception: 15% versus 8.7% for the S&P 500 and 7.5% for the average stock-focused hedge fund, according to HFR.

Mr. Einhorn is showing few signs of changing. In April, he unveiled his latest bearish pick, Assured Guaranty Ltd., warning that its business was more challenged than investors realized.

An Assured spokesman directed inquiries to its earlier statement that Mr. Einhorn "demonstrates a fundamental lack of understanding of our business model and the municipal debt markets."

Mr. Einhorn's warning didn't move the stock much that day, but he remained hopeful. "Bubbles do pop, you know," he told the crowd. "Or at least they used to."

Last month, Mr. Einhorn was back in Las Vegas, playing poker in a high-stakes tournament.

—Rob Copeland contributed to this article.



This is unbelievable, says Greenlight investor Morten Kieland.

shares fell and it was acquired in 2009 at a fraction of its 2002 price, resulting in millions in profits for Greenlight.

Mr. Einhorn was involved in almost every Greenlight investment decision and treated most employees with respect, forging loyalty, said former employees. But he was uncom-

fortable delegating authority and disliked opposing opinions, said one of them.

"We encourage and engage in rigorous debate about all investments," Mr. Einhorn said in his statement, adding: "however, as portfolio manager I am responsible for final decisions."

Most days, Mr. Einhorn napped at about 2 p.m. in his office, said a former employee familiar with his routine, and sometimes fell asleep in midday meetings. Mr. Einhorn said he had a sleep disorder and often woke at 3 a.m. to work, the person said.

Mr. Einhorn and his employees gained

GREATER NEW YORK

Mom and Children Are Reunited

Volunteers helped a Guatemalan migrant family reconnect in New York City

BY LARA KORTE

A Guatemalan mother who had been detained and separated from her three children when she crossed the U.S. border more than a month ago was reunited with them in New York City after volunteers raised enough money to post her bond and drove her across the country.

"The day they took them away from me, I told them, I promised I was going to fight for them and I was going to find you," the mother, Yeni Gonzalez-Garcia, said at a news conference Tuesday after meeting with her children at a foster-care agency in East Harlem. "And today, when I saw them, I said I promised I would come get you and I'm here."

Ms. Gonzalez-Garcia, 29 years old, arrived in Queens on Monday night after traveling from an ICE detention center in Eloy, Ariz. The mother spent 43 days in detention after Customs and Border Protection agents caught her and her children crossing the border in May near Yuma, Ariz. Her children, ages 6, 9 and 11, were taken into federal custody and placed with Cayuga Centers, the foster-care



in federal prison, many were taken to foster homes around the U.S. Although Mr. Trump signed an executive order ending the practice in late June, more than 2,300 children already had been separated from their parents.

Last week, a federal judge ordered the Trump administration to stop separating families and reunite all children with their parents within 30 days.

Rep. Adriano Espaillat (D., N.Y.), who accompanied Ms. Gonzalez-Garcia during Tuesday's news conference, said that before she can claim custody of her children, she must undergo an application process that could take up to 60 days. She will be able to see her children every day until they are formally reunited, according to her lawyer, Jose Xavier Orochena. He said he expects his client to get a court date in three to six months. Then she will apply for asylum. A decision could take more than two years.

The Department of Health and Human Services, which helps reunite immigrant children and parents, didn't respond to requests for comment.

Ms. Finn said Ms. Gonzalez-Garcia's separation from her children was part of President Donald Trump's zero-tolerance immigration policy, which required all those caught crossing the border illegally to be detained. Because children can't be held

Yeni Gonzalez-Garcia, center, hugged her translator, Janey Pearl Starks, at a news conference on Tuesday. She was separated from her three children in May after crossing the border near Yuma, Ariz.

agency in New York City.

Ms. Gonzalez-Garcia's journey was made possible by a group of New York residents, who heard about her detention and started an online fundraiser to help reunite her with her family. The group collected enough money to post Ms. Gonzalez-Garcia's bond. Then, 10 volunteers drove her more than 2,500 miles to New York.

"We didn't have any corporate support, we didn't have any elected officials involved," said Julie Schwietert Collazo, the lead organizer of the online fundraiser. A former so-

cial worker who is married to a refugee, Ms. Schwietert Collazo said she knew her network of friends could make a difference. "There is people power and people really want to take action," she said.

A volunteer drove Ms. Gonzalez-Garcia into the city Monday night and stopped in Central Park, where a crowd of supporters gathered to cheer her arrival. "If this seems a little slapdash and thrown together, good, because it is," said Meghan Finn, who organized Ms. Gonzalez-Garcia's cross-country trip.

Although the group of sup-

porters originally raised \$7,500 needed for Ms. Gonzalez-Garcia's bail, the online fundraiser collected more than \$45,000 by Tuesday afternoon. The funds will cover her living expenses as she waits to apply for asylum, organizers said. She is currently staying with a host family in Queens.

Ms. Gonzalez-Garcia's separation from her children was part of President Donald Trump's zero-tolerance immigration policy, which required all those caught crossing the border illegally to be detained. Because children can't be held

New ATF Park-Blast Photos Are Released

BY ZOLAN KANNO-YOUNGS

The Bureau of Alcohol, Tobacco, Firearms and Explosives has released an image of a bakery bag that it says is tied to a mysterious 2016 Central Park explosion that seriously injured a Virginia man and remains unsolved.

The federal agency said it hopes the image will spur tips leading to the arrest of the person responsible for leaving the explosive materials in Central Park on July 3, 2016.

Connor Golden, 20 years old, had his leg amputated after he stepped on the explosives during a trip to New York City. Last year, the ATF and the New York Police Department announced a \$40,000 reward for information leading to the arrest of the suspect, who they said has a chemistry background.

The bag in the released picture bears the words "La Unica." There is a La Unica Bakery in New Jersey, though an ATF spokesman said that packaging is no longer available at the business. A manager at the bakery didn't return a request for comment.

"The packaging is older, but it's unique," said Matthew Fleming, an ATF spokesman. "It has a connection to the tri-state area, so we're hoping it produces a lead."

Mr. Golden's father, Kevin Golden, said Tuesday that the release of the image made his family optimistic, but added that they were frustrated by the overall slow pace of the probe. He questioned why the crime didn't command as much attention as a terrorist attack.

"It fits into terrorist activity from where I'm sitting," Kevin Golden, 54, said. "Location, time of year, right on the eve of July Fourth. All of those things tend to signal potential terrorist involvement."

Since the explosion, Kevin Golden said his son has progressed in rehabilitation and is studying music engineering at the University of Miami. The lack of closure, however, has weighed on the family.

"It's a somber day for us as you can imagine," Kevin Golden said. "I had to duck out of the office for a few moments as that hour passed...To think an innocent kid like that would find himself in a situation."

Mr. Fleming said the ATF is investigating every possible lead. John Miller, the NYPD's deputy commissioner of intelligence and counterterrorism, said the department received "calls of interest" after announcing the reward last year.

"That case will never be closed until it's solved," he said.



Bakery bag tied to the explosion.

Defending Champions Chew Their Way to Glory in Fourth of July Tradition



EAT UP: Joey 'Jaws' Chestnut, third from left, downed a record 74 frankfurters and buns in 10 minutes Wednesday to win his 11th title at the Nathan's Famous July Fourth hot-dog eating contest at Coney Island. He claimed the Mustard Belt. Miki Sudo, top right, ate 37 dogs and buns to take the women's prize for the fifth straight year.

City Delays Coney Island Dockless Bike Launch

BY PAUL BERGER

The New York City Transportation Department will delay the launch of a dockless bike pilot program in Brooklyn's Coney Island because of community concerns about summer crowds and construction, said a person familiar with the Transportation Department's plan.

Coney Island was one of two beach communities where the bicycles, which customers can rent and leave where they please, were supposed to start

appearing later this month. The test launch will still go forward in the Rockaways in Queens, this person said.

Alexandra Silversmith, executive director of the Alliance for Coney Island, a nonprofit that supports local business, said she was unaware of the delay but said locals had two major concerns about the pilot program. They worried that because Coney Island's famed boardwalk is open to bikes only between 5 a.m. and 10 a.m., riders would be forced onto lo-

cal streets that don't have bicycle lanes, she said. And they were concerned that the area is undergoing more construction than usual, as the city installs sewer and drainage systems.

Councilman Mark Treyger, who represents Coney Island, said in a statement that residents need more clarity from the Transportation Department about "where bikes will be left and how safety for all—bike riders and other residents—will be ensured."

Transportation Commis-

sioner Polly Trottenberg said many of those questions would be answered as the pilot rolls out in Queens, the Bronx and Staten Island.

New York City currently has the Citi Bike program, which allows customers to rent bicycles in parts of Manhattan, Brooklyn and Queens. However, riders must return the bikes to docking stations, which are costly and time-consuming to set up. Dockless bikes don't require stations.

The person familiar with the

city's dockless bike plan said two companies, LimeBike and Pace, will operate the pilot program in the Rockaways beginning in mid-July. Before the end of the month, two companies—Jump and Ofo—are expected to launch dockless bikes in the Bronx, while LimeBike and Jump will bring the bicycles to the North Shore of Staten Island.

Some of the companies, such as Lime and Jump, will offer pedal-assist bikes, which have a motor that kicks in when cyclists struggle.

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GREATER NEW YORK

New York to Litigants: Let's Settle Those Lawsuits

BY CORINNE RAMEY

New York's court system has a message for some people and businesses who file civil cases: Get out of the courtroom.

Court officials are looking to expand a Manhattan pilot program that requires parties in many contract disputes, such as those involving commercial leases or construction, to go through mediation prior to appearing before a judge. The program includes nearly all contract cases filed in Manhattan with claims of \$500,000 or less that don't have motions pending before a judge.

During mediation, a neutral person helps the disputing parties negotiate a settlement. Unlike arbitration, which often requires cases be resolved outside of court, New York's pilot allows litigants who don't settle during mediation to proceed to trial. Court officials believe mediation can be less expensive for people and resolve cases quicker, thereby reducing the backlog in the court system.

"For participants in most disputes, conventional litigation frequently costs too much and takes too long," said John Kiernan, a partner at Debevoise & Plimpton LLP who chairs an advisory panel on alternative-dispute resolution convened by the court system.

From May 2017 through January, 145 cases were referred to mediation through the pilot program, according to court data. Of the 99 cases that have completed mediation, 50 were settled.

Technically, court officials can't force litigants to take part in mediation, although participants are led to believe the process is required.

"I don't have a hammer to hit them with," said Kevin Egan, a court-system settlement coordinator who meets with lawyers and tells them about the process. "A lot of this is jawboning, and trying to sell the process to them."

The Manhattan program comes amid a push to expand mandatory mediation in both

federal and state courts. Late last month, the New York City Bar Association recommended that courts support, and in some instances mandate, mediation.

Under a 2014 pilot program, New York state's court system sent every fifth case filed in the Manhattan commercial division, which handles commercial disputes over \$500,000, to mandatory mediation. In 2016, officials discontinued the pilot. A court system spokesman said the program was unsuccessful because the cases sent to mediation were arbitrary and hadn't been vetted or screened. The new pilot program was launched with different criteria for selecting cases.

A typical mediation session lasts about a full day, said Jonathan T.K. Cohen, a Manhattan-based mediator. He often puts the parties into separate rooms and goes back and forth between them. Among other things, he explains the downside of going to court instead of settling. "I say, 'You might want to kill this person in



MICHAEL NOBLE JR. FOR THE WALL STREET JOURNAL

Settlement coordinator Kevin Egan, center, led Michael Gibson, left, and Robert Mahler through the discovery process to help mediate a contract dispute last month in New York.

court. But you're suing over \$100,000, and it might take you five years,'" Mr. Cohen said.

Typically, the litigants split the mediator's fee, which in Mr. Cohen's case is about \$500 an hour.

Some critics of mandatory mediation say parties shouldn't be forced into the process. Mediation can be less effective when disputing par-

ties are compelled, and don't choose to participate, some argue. "The whole nature of mediation is quite different from a court trial," said Dorcas Quel Anderson, a professor at Singapore Management University who researches mediation. "It involves the parties themselves making a consensual decision."

Others question whether power disparities between

GREATER NEW YORK WATCH

LIBERTY ISLAND

Woman in Custody In Statue Standoff

Liberty Island was evacuated on Wednesday as police scrambled to coax a woman down from the base of the Statue of Liberty, sparking security concerns and creating a Fourth of July social-media sensation.

The woman made it onto the green pedestal, about 25 or 30 feet above the observation deck where tourists are allowed, and around 150 feet off the ground. She was arrested at 6:30 p.m., after a roughly three-hour rescue effort.

Earlier Wednesday, seven people were arrested for hanging a banner on Liberty Island that read: "Abolish I.C.E." refer-

ring to U.S. Immigration and Customs Enforcement.

The activist group behind the banner, Rise and Resist, said on Facebook that the climber was one of 40 participants in the banner action, but her decision to scale the statue was made without consulting any other member of the group. Earlier, the group had tweeted that the climber wasn't connected to its demonstration.

National Park Service spokesman Jerry Willis said the climber was Therese Patricia Okoumou, 45 years old, of Staten Island. She was in the custody of the Federal Bureau of Prisons, charged with trespassing, disorderly conduct and interference with governmental administration. It wasn't known if she had a lawyer.

—Leslie Brody

workers and employers can lead to unfair settlements. Because mediators don't function as judges, the more powerful party may have the upper hand while negotiating, unlike in a courtroom. "We don't believe in mediation at all," said Judith Goldiner, who heads the civil law-reform unit at the Legal Aid Society, a public-defender organization.

A correction officer found the female bird Monday after seeing it land near a laundry facility for one of the island's jails. A New York City Correction Department spokesman said Tuesday that the bird appeared to be in distress, with a drooping wing, and suffering from dehydration. It was transported to the Wild Bird Fund in Manhattan for treatment.

The owl—named Lorax, after the eco-friendly character in the Dr. Seuss book and film—is recuperating at the bird-rescue organization.

Executive Director Rita McMahon said Lorax, who is about 2 to 3 years old, had parasites and a small sore on her foot but was getting stronger with fluids and a diet of mice.

—Katie Honan

PHOTO: AP/WIDEWORLD

LIFE & ARTS



At Gristmill, custom-made barstools proved uncomfortable for some diners.

FOOD & DRINK

Go Ahead, Pull Up a Barstool

As restaurants squeeze in more seats to boost profits and add a casual vibe, some customers squirm

BY ALINA DIZIK

BARSTOOLS are moving to center stage in many restaurants, and patrons are finding them tricky.

While Japanese noodle spots have long used bar seating, Italian, New American and other restaurants are also adopting the layout, in efforts to speed turnover and boost profit with more seats. OpenTable recently rolled out a feature allowing patrons to reserve bar seats, which have traditionally been first come, first served.

Some restaurants have found they can increase profits by more than 50% when using barstools versus regular chairs and tables, says Waldy Malouf, senior director at the Culinary Institute of America. In most cases, restaurants need only 3 square feet for barstools, compared with 6 square feet for traditional chairs. Tall seating areas also make it easier for diners to scoot in alongside strangers, Mr. Malouf says. "There's less commitment than a [formal] meal and faster turnover."

"You're seeing more restaurants use high-tops or bars to optimize square footage—in most cases, you're fighting for inches," says Dean Small, founder of Synergy Restaurant Consultants, based in Newport Beach, Calif. What's now called "stool seating" is used to increase profits in smaller restaurants, with stools facing front windows, at islands in the center of the restaurant and along narrow walkways, says Chris Tripoli, principal of A La Carte Foodservice Consulting.



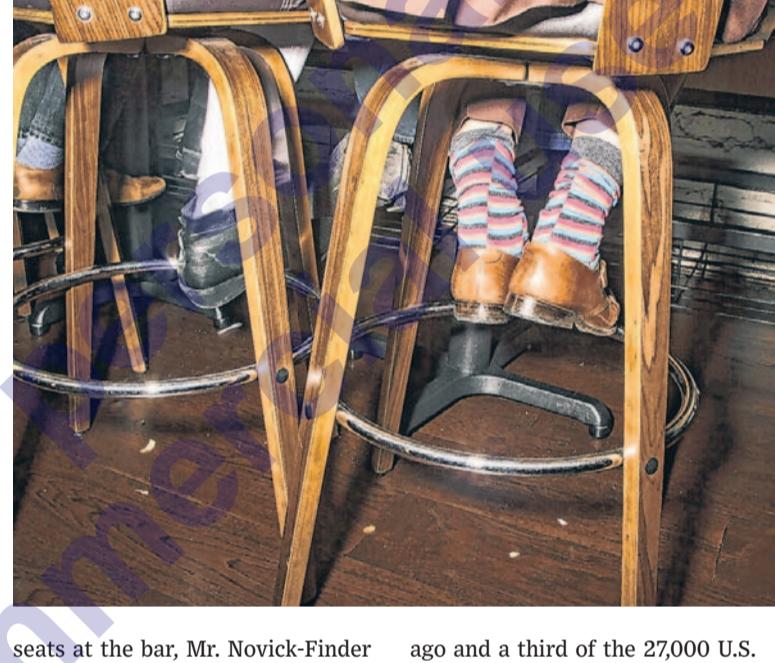
Above and right, Melissa O'Donnell's Lil' Gem restaurant in New York has bar-height banquets and stools to save dining-room space and allow for a bigger kitchen. The stools with backs and footrests are aimed to make eating comfortable.

Group in Houston.

But diners' reactions to the new barstool setups don't always go according to restaurants' plans. In some cases, "they think they are casualizing, but it's just making people uncomfortable," says New York restaurant consultant Clark Wolf.

When opening Gristmill in Brooklyn in 2016, chef-owner Jake Novick-Finder worked with a custom furniture maker to perfect his barstool seating. On one visit, the furniture maker even made a mold of Mr. Novick-Finder's rear end to create a comfortable seat. It still wasn't a perfect fit: "We had a lot of people coming in, saying they couldn't sit without a back," he says.

While the restaurant still has



seats at the bar, Mr. Novick-Finder has since cut down the legs of barstools in the front area of the restaurant and replaced the high-tops with traditional tables to make the restaurant more hospitable to families who stop in for dinner, the chef says.

Jonathas Valle, 39, a New York architect, avoids bar seating, even when dining solo. Part of the problem is eating can be messy because it's tough to wiggle the chair close enough to the bar or high-top table, he says. "If you want to sit with a napkin and a knife, how are you going to use a barstool?"

Booking site OpenTable says it rolled out its barstool reservations feature nationwide eight months

ago and a third of the 27,000 U.S. restaurants on the platform use it. It's aimed in part at helping diners who want to avoid such non-traditional seating to specify their preference, says chief executive Christa Quarles in San Francisco.

Families and older people are especially averse to barstools, consultants and chefs say.

Bar-height seating now goes well beyond mixed drinks, says William Harris, co-founder of restaurant interior-design firm AvroKO. The company now incorporates food prep stations into the bar area, and often incorporates a "really long surfboard effect" to stretch the dining area out further, he says.

Last year, chef-owner Melissa

O'Donnell turned her Italian restaurant with traditional tables on New York's Lower East Side into Lil' Gem, a 40-seat Lebanese restaurant with bar-height banquets and stools. The goal was to decrease the size of the dining room and expand the kitchen, making service faster.

One result surprised her. With a more casual atmosphere, people are now ordering plates one by one, and lingering longer with lower check averages, she says. "It creates a more cohesive convivial feeling, but it's definitely affected the way people eat," she says.

Ms. O'Donnell is now asking diners to order everything at once, to prevent them from filling up on bread and hummus.

Some complain that eating at the bar can feel like a traditional dinner is cut short. After visiting Uovo, a year-old pasta bar in Los Angeles, Gezel Remy, 30, a product designer, was disturbed that entrees and small portions were priced similarly to nearby traditional restaurants. "It can't be that I'm getting fast food at fancy sit-down dinner prices," she says.

"We are the first restaurant that has a team in Italy making fresh pasta and overnighting it," Uovo cofounder Jerry Greenberg said in an email. "We also created an intimate 24-seat pasta bar where the chefs can deliver each dish immediately after it is made, at its absolute best."

Despite such complaints, stool seating is often a moneymaker. Online booking platform Resy, says quicker turnover—85 minutes at the bar versus 105 minutes at a traditional table—means bar dinners can make up nearly 15% of meals served during prime-time hours. While most guests still opt for a traditional table, the most popular time for bar dinner reservations is Friday at 6 p.m., according to Resy, which has around 2,000 restaurants on its platform.

At Roister in Chicago, bar-height seating accounts for about half of the restaurant's seating. "Hearth seats" overlooking the kitchen are the restaurant's most coveted, says Nick Kokonas, co-founder of the Alinea Group, which owns the restaurant. In addition to barstools with flexible backs, the company has installed special cooling units to keep diners comfortable near hot cooking equipment. "People love the show, and they love to be part of the action," he says.

MUSIC

AT 70, T BONE BURNETT'S BURST OF CREATIVITY

BY CHRIS KORNELIS

AFTER JEFF BRIDGES and T Bone Burnett won Oscars for their work on the 2009 movie "Crazy Heart," the actor enlisted the music producer to help him with a solo album. But when Mr. Bridges's friends dropped by the studio, he says several made the same observation: Mr. Burnett didn't seem to be doing much.

Gabe Witcher, fiddle player with the Punch Brothers, thought the same when Mr. Burnett started bringing him and his colleagues into sessions. But he also noticed something else.

"Everything we did for him," Mr. Witcher says, "was, like, the best thing that we had recorded."

Mr. Burnett, 70 years old, is one of the U.S.'s most acclaimed music producers. He has overseen career-making albums like the Counting Crows's "August and Everything After," Grammy winners such as the "O Brother, Where Art Thou?" soundtrack, and Robert Plant's

post-Led Zeppelin collaboration with Alison Krauss, "Raising Sand."

But now Mr. Burnett says he is looking inward, saying no to just about every project that isn't something "that I can generate myself." He is writing songs for a musical and new albums, even co-creating and lending his gentle growl to an animated music-history series called "Drawn & Recorded."

"One of the regrets I have—I'm not like Edith Piaf, I do regret some things—is that I didn't spend a lot more time on my own work," says Mr. Burnett, whose last solo album of new music, "The True False Identity," was released in 2006. "I spent a lot more time hiding behind other peoples' work because it was safer, I think, and easier. I feel, at this point now, I've got enough work underneath me that I can go ahead and stand on my own."

Born in St. Louis and raised in Fort Worth, Texas, Mr. Burnett ("T Bone" is an old nickname whose origins are long forgotten,

Please turn to the next page



'One of the regrets I have,' music producer T Bone Burnett says, 'is that I didn't spend a lot more time on my own work.'

LIFE & ARTS



ART REVIEW

In San Antonio, A Visual Heritage Tour

BY JUDITH H. DOBRZYNSKI

San Antonio

TO CELEBRATE San Antonio's founding 300 years ago as a northern administrative outpost of New Spain, the San Antonio Museum of Art set out to display the grandeur of that heritage to a city whose art museums lack a collection of historical Spanish art. Katherine Luber, the museum's director, and William Rudolph, its chief curator, traveled to Spain (five times), seeking to borrow art dating from the reign of Ferdinand and Isabella to the dawn of modernism.

They came back with 34 works from the Prado, the Reina Sofia and other Madrid institutions, many never before seen in the U.S., and borrowed nine more from American museums for an exhibition they named "Spain: 500 Years of Spanish Painting From the Museums of Madrid."

What were they thinking? No list that small—from devotional works, portraits and still lifes to genre paintings and landscapes—could fulfill the ambition of that title. Yet with paintings by masters like Goya, El Greco and Picasso, this remarkable show gives San Antonians a strong flavor of Spain's artistic traditions and manages, moreover, to showcase superb works by several painters who are little known anywhere in the U.S.

In tune with the exhibition's chronological installation, the first two galleries display religious and

court paintings. Here is where you will find José de Ribera's muscular "St. Jerome Writing" (c. 1615) alongside Francisco de Zurbarán's stately and splendid portrait of "St. Elisabeth of Portugal" (c. 1635), a queen who against her husband's wishes gave her riches to the poor.

Four works by El Greco include his ethereal "Annunciation" (c. 1596-1600), which provides a marvelous opportunity to compare and contrast his scene with Bartolomé Esteban Murillo's later, more naturalistic "Annunciation" (c. 1650). Nearby is an earlier version, a crystalline 15th-century "Annunciation" by an anonymous Hispano-Flemish artist that alludes to Isabella's interest in Northern art and the internationalism of the Spanish art world at the time. With its crisp detail, Alonso Sánchez Coello's "The Infanta Isabel Clara Eugenia" (1579) also betrays Flemish influence.

Among the revelations is the breathtaking "Christ Crucified" (c. 1646) by Alonso Cano—hardly well known here—whose exquisitely rendered body of Christ, wrapped in a billowing loincloth, evinces his talent as a sculptor as well as painter. As death sets in, Jesus' outstretched

arms and downcast face are turning blue; little streams of blood flow naturally around his toes from the nails in his feet. The dark background and dramatic lighting set a meditative mood.

Around the corner are four works by Goya—the biggest, most impressive being "Manuel Godoy as Prince of Peace" (1801), commemorating a battlefield victory. Bedecked in military uniform, his gleaming sword at his side, the handsome Godoy stretches out to read a letter—echoing the pose of Goya's famous "The Naked Maja" (c. 1800), who was reputed to be Godoy's mistress.

The 19th century—a territory traditionally dominated in art history by the French—holds more surprises. Manuel Cabral y Aguado Bejarano, a portrait and genre painter from Seville, portrayed his son in the irresistible "Alfonso Cabral with a Puro" (1865). Dressed

as a bandit in black costume and a jaunty hat, with a cigar in one hand, the rosy-cheeked boy—his hair just slightly askew—has a little smirk on his face. Nearby is his polar opposite, "The Young Marchioness of Roncalí" (1858) by Luis de Madrazo y Kuntz. Attired in a regimental costume of white and red satin, she is dainty, proper and serious, but just as charming.

The show moves on to display a layered, impressionistic garden landscape by Santiago Rusiñol; Picasso's brilliantly colored "The Artist's Sister, Lola" (1899-1900), painted when he was just 18; and two paintings by Joaquín Sorolla y Bastida, who became an international star, loved in America, in the early 20th century. His sunny, brushy beach scene, "Bath Time, Valencia" (1909), shows off one of his strengths—capturing light and movement.

"500 Years of Spanish Painting" is missing something, however: No Madrid or U.S. museum was willing to lend a great work by Velázquez, Spain's most renowned painter. His talents are glimpsed here only in one lesser work, "Queen Mariana" (c. 1656). This small portrait of the young second wife of Philip IV, on loan from the Meadows Museum, illustrates his capacity for capturing royal comportment and hinting

Clockwise from above: Ignacio Zuloaga's "Young Village Bullfighters" (1906); Luis de Madrazo y Kuntz's "The Young Marchioness of Roncalí" (1858); Joaquín Sorolla y Bastida's "Bath Time, Valencia" (1909)

at the self.

A second gap is less serious. Spain has a tradition of marvelous, symbolic still-life paintings, portraying luscious melons, silvery fish, ready-to-eat fruits and vegetables, along with everyday items like vessels and books. Only two are seen here. One, "Still Life With Oysters, Garlic, Eggs, Pot and Pan" (1772), is by the greatest of the artists, Luis Meléndez, but it lacks the vibrancy of his best works.

Still, despite those weaknesses, the curators accomplished a lot with 43 paintings, which are hung with great care for sightlines, echoes and engaging juxtapositions. If they exaggerated a bit in the exhibition title, who can blame them for thinking big? Visitors to the show should actually be glad.

Spain: 500 Years of Spanish Painting From the Museums of Madrid
San Antonio Museum of Art, through Sept. 16

Ms. Dobrzynski writes about culture for many publications.



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Burnett Gets Creative

Continued from the prior page
spokeswoman says) toured with Bob Dylan in the 1970s. After that, Mr. Burnett started the Alpha Band with bandmates Steven Soles and David Mansfield. When he became a first-call producer for everyone from Elvis Costello and Roy Orbison to the Wallflowers and John Mellencamp, Mr. Mansfield says he wasn't thrilled to see Mr. Burnett working behind the scenes at the expense of his songwriting.

"I was such a fan of his writing," he says, "that I sort of had wished that he hadn't gone whole hog from one to the other."

Since he has shifted focus, Mr. Burnett says he is writing more music than he ever has. The streak began a few years ago when he agreed to write the music for "Happy Trails," a musical about Hollywood cowboy Roy Rogers and his wife, Dale Evans. Nervous that he wouldn't be able to crank out enough material, Mr. Burnett started waking at 4 a.m. to write while his home was quiet.

With the songs for "Happy Trails" more or less done, he has kept up the

habit as he works on the soundtrack to "The Peanut Butter Falcon," an independent film starring Dakota Johnson and Shia LaBeouf. He's also working on new solo material, including the album "The Invisible Light," which grew out of the scores he wrote for the HBO series "True Detective."

Mr. Burnett describes the music as "electronic music and tribal music at the same time." Keefus Ciancia, a keyboardist he is collaborating with, says "I don't know what to call it myself, and I'm afraid to call it anything." Mr. Bridges, who has heard a bit, says it's "quite a departure from any other

music I've ever heard."

Mr. Burnett says he doesn't plan on performing "The Invisible Light" on tour. He will instead work with visual artists to create an "immersive theatrical presentation" that will travel from city to city, spending about a month in each one.

"I don't expect this stuff to be popular in that sense of having hundreds of billions of views and all that stuff," says Mr. Burnett, who hopes to begin releasing the band's music through the Verve Label Group in the fall. "But I view it as telling the truth, saying as clearly as I can: I went (to) this

place at this time and I saw this thing and it was good."

In making his own music, Mr. Burnett says he relies on the same process he developed as a producer supporting other artists: He "casts" the project with the right musicians, thanks them for coming and lets them work.

Mr. Bridges, who has worked with him for 40 years, says it is an approach that, in Mr. Burnett's hands, works.

"He really creates a wonderful atmosphere for people to relax," Mr. Bridges says, "and usually when you're relaxed, your best work comes tumbling out of you."



Jeff Bridges, center, performing in Nashville with Mr. Burnett, right. The two men worked together on 'Crazy Heart,' a 2009 movie that resulted in an Oscar for best actor for Mr. Bridges and one for original song for Ryan Bingham and Mr. Burnett.

CLOCKWISE FROM TOP LEFT: FUNDACIÓN MUSEO SOROLLA, MADRID; ESTATE OF IGNACIO ZULOAGA, ARTISTS RIGHTS SOCIETY (ARS), NEW YORK/MUSEO NACIONAL CENTRO DE ARTE REINA SOFÍA, MADRID; MUSEO LAZARO GALLIANO, MADRID

SPORTS

WORLD CUP

How Russia Gave Itself a Facelift

Eager to change its international reputation, Russia has handled its role as host seamlessly—so far



WIMBLEDON

UPSETS SHAKE DRAW

BY TOM PERROTTA

Wimbledon, England

The first week of Wimbledon hasn't even ended and many of the top women are gone.

On Wednesday Caroline Wozniacki, ranked No. 2 in the world, lost to Ekaterina Makarova in three excruciating sets, 6-4, 1-6, 7-5. Wozniacki was down 5-1 in the third set and saved four match points as she tried to come back, but lost her serve in the final game. Wozniacki (pictured, above) congratulated Makarova for her sharp play, but said she was disappointed in her second-round defeat. Her best effort at Wimbledon has been the quarterfinals, but she felt like she could do more this year.

"The fact that I played an opponent today that went all in, everything was going her way, sometimes it happens in tennis," Wozniacki said.

Wozniacki isn't alone. Five of the top eight seeds in the women's draw have already lost. There's Sloane Stephens, the No. 4 seed, who went down in the first round. So did Petra Kvitova, a two-time Wimbledon champion seeded No. 8. The other two—Elina Svitolina, seeded fifth, and Caroline Garcia, seeded sixth—also lost in the first round.

For other seeded American women, all is well so far. No. 9 Venus Williams lost the first set on Wednesday but lost just one game in the last two sets against Alexandra Dulgheru. Madison Keys, the No. 10 seed, has won two matches without losing a set. And then there's Serena Williams, the No. 25 seed who advanced to the third round after beating Viktoriya Tomova in straight sets.

"I feel like I'm going in the right direction," Serena Williams said. "I just hope every match is better."

WHEN U.S. national security adviser John Bolton sat down with Vladimir Putin at the Kremlin last week, to calm the highest tensions between superpowers in at least three decades, the American delivered an unexpected compliment.

"I look forward to learning how you handled the World Cup so successfully," Bolton told Russia's

By Anatoly Kurmanov in Moscow and Andrew Beaton in Samara, Russia

president, referring to the fact that the U.S. will host the 2026 World Cup along with Mexico and Canada.

This World Cup here hasn't failed to surprise. Germany, the reigning champions, exited in the group stage. Spain got bounced in the round of 16 by the hosts. And, most broadly, this tournament has gone shockingly smoothly so far, giving nearly a million tourists an oddly good impression of the country, which only 10% of people around the world view positively, according to last year's Gallup poll.

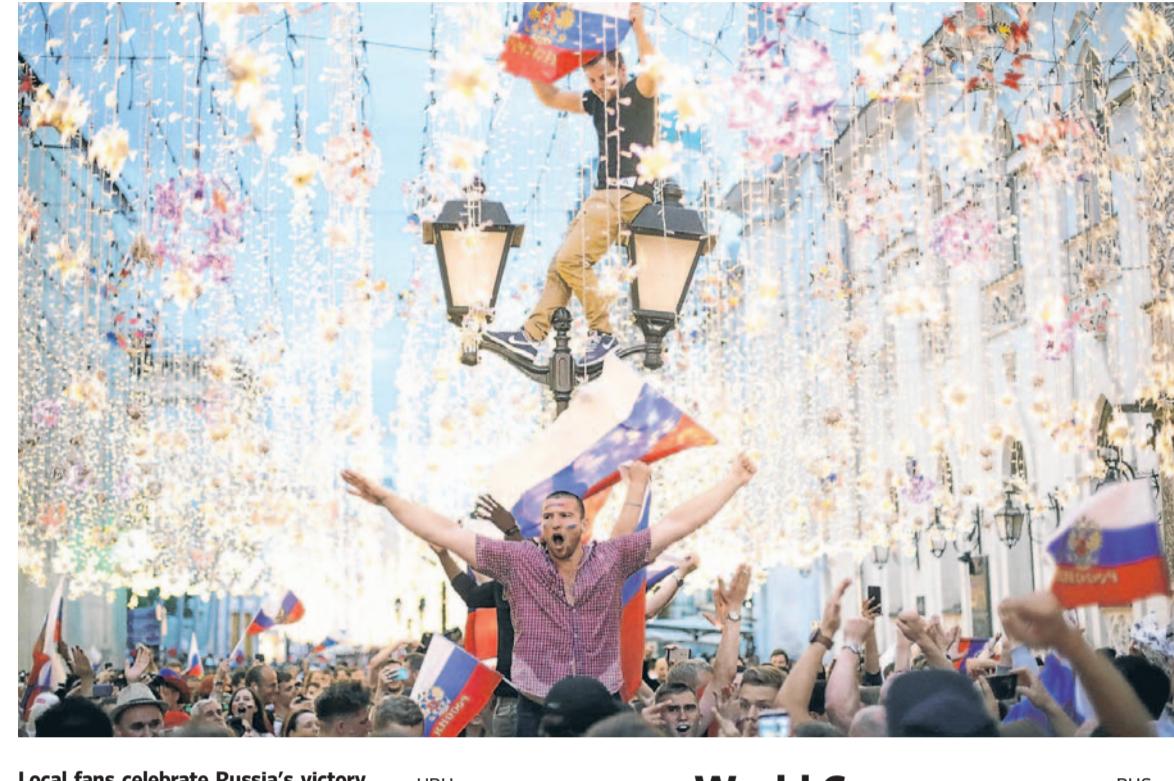
This was not exactly the expectation before the World Cup actually began. The 2014 Winter Olympics in Sochi were marred by a bevy of issues surrounding the host nation, from hotel rooms missing doorknobs to revelations of a state-sponsored Russian doping program.

The questions were even bigger for this World Cup. Some officials and leaders from competing countries said they would boycott the games because of tense political issues. There were fears of dangerous levels of hooliganism. Nobody seemed to believe the state's transportation infrastructure could handle such a massive influx of people in little-known cities such as Saransk and Samara.

But to the surprise of everyone who expected these issues to boil over at some point, nothing of the sort has happened with the World Cup more than halfway finished. This is no accident. It was the product of years of planning from a government that was eager to legitimize Putin's near two-decade reign and improve Russia's dire international image. So far, Russian officials are already declaring: mission accomplished.

"The atmosphere is absolutely fantastic," said Alexey Sorokin, who leads Russia's World Cup local organizing committee and spent a recent news conference trumpeting the success of everything from the fan zones in every city to the transportation that has taken fans around the country. "We have never had so many guests in this country before. This is amazing."

The Russian federal government



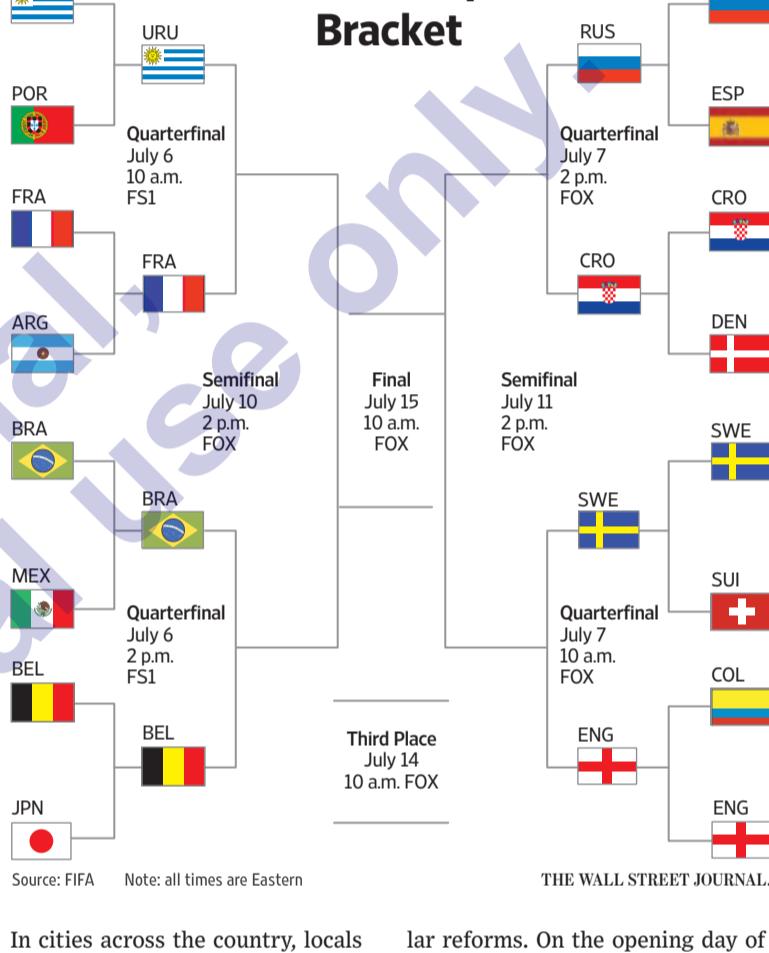
Local fans celebrate Russia's victory over Spain on Nikolskaya Street.

spent \$12 billion preparing for the World Cup, most of it going to improved stadiums, airports and roads in host cities, according to official figures. Regional authorities spent billions more. Some of the spending has been perfunctory, designed to paper over the cracks of poverty and stagnation in a country whose economy has grown 0.6% a year for the past decade.

Some of these improvements, such as the increased public transport in host cities, may be invisible to visitors who had never even heard of places like Volgograd and Rostov before. Other changes, like the steep bleachers at the stadium in Yekaterinburg, which were added to accommodate extra fans, are readily apparent. Even little additions, like giant soccer beanbags at the airport in Rostov where fans could be found sleeping in the wee hours of the morning before their flights, have been appreciated by the visitors.

Other changes have drawn scrutiny and criticism. Russia's notorious stray dog problem quickly vanished in the days leading up to the World Cup—the product of authorities spending at least 110 million rubles (about \$2 million at the time) on tenders to cull stray dogs in host cities and training camps, according to animal rights activist, Ekaterina Dmitrieva.

The euphoria spreading here is the product of the only thing less likely than Russia cleaning up its act so quickly: The Russian soccer team is in the World Cup quarterfinals for the first time since 1970.



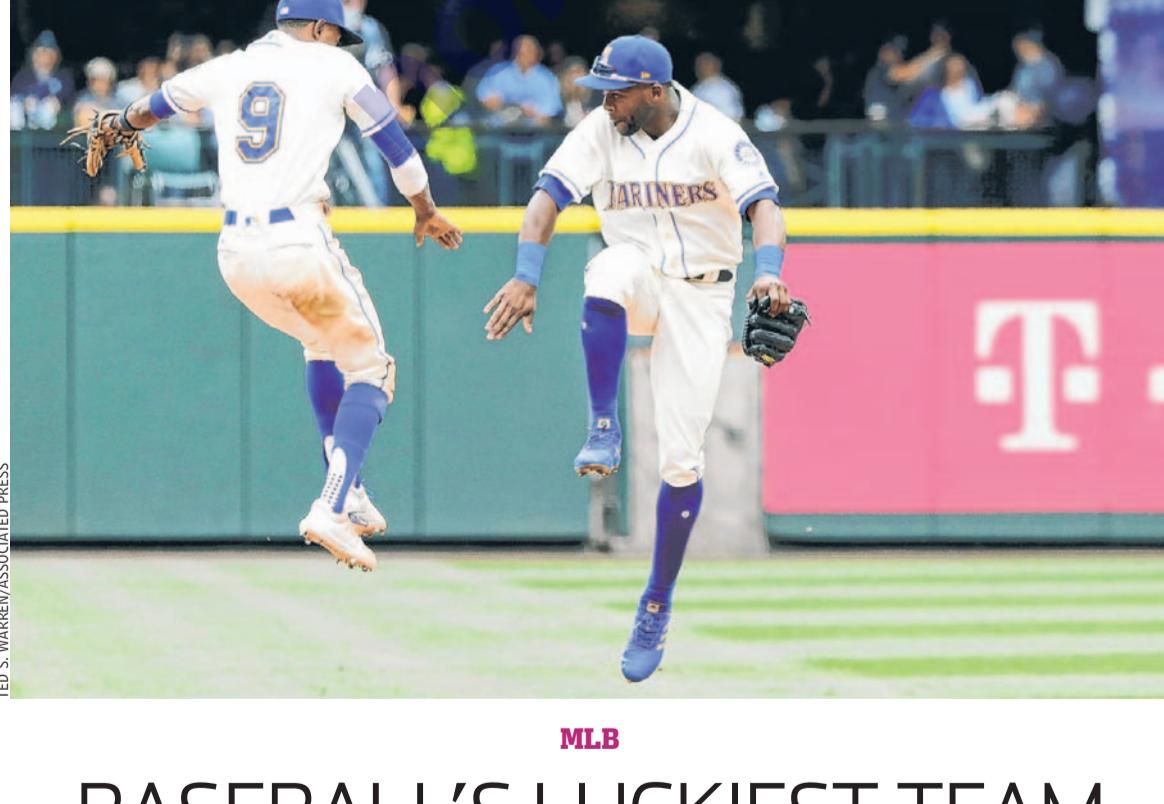
Source: FIFA Note: all times are Eastern

World Cup Bracket

In cities across the country, locals celebrated the win by endlessly honking their horns and running around the streets.

But the fervor hasn't been all vodka and marinated pigs fat. Authorities have also used the excitement to increase the crackdown on dissent and push through unpopu-

lar reforms. On the opening day of the World Cup, the government announced plans to raise the pension age by up to eight years, a move opposed by 92% of Russians, according to the polls. Putin's approval ratings sank, despite the national team's best-ever soccer performance that day.



MLB

BASEBALL'S LUCKIEST TEAM

BY JARED DIAMOND

AS GENERAL MANAGER of the Seattle Mariners, Jerry Dipoto's job description requires him to look at all things baseball in an objective way. So on an intellectual level, he recognizes that the first half of his team's season makes absolutely zero sense.

The Mariners have emerged as perhaps the biggest surprise in the sport. They entered Tuesday with

a record of 55-32, seven games ahead for the AL's second wild-card spot and just behind the first-place Houston Astros in the AL West. Their brilliant start puts them in prime position to snap the longest playoff drought in major North American professional sports, a miserable stretch of failure that dates back to 2001.

But it isn't what the Mariners are doing that makes them so bizarre—it's how they're doing it. The Mariners have already won a

ridiculous 26 games that have been decided by one run, or more wins than the Baltimore Orioles have total. They have gone 8-0 in extra innings, the first squad to accomplish that since 2002. They have scored just 22 more runs than they have surrendered, yet sit at 23 games over .500. (By way of contrast, the Astros have a run difference of plus-170.)

Even crazier, Seattle has played its best without its biggest star, second baseman Robinson Cano,

Mariners' Dee Gordon, left, and Guillermo Heredia celebrate after a 1-0 win over the Royals on July 1.

who tested positive for a performance-enhancing drug and was suspended 80 games on May 15. Since then, the Mariners have gone 32-14, the best in baseball.

Analytically minded front-office types, folks like Dipoto, look at numbers like these and have no choice but to conclude that the Mariners have benefited from a whole lot of luck. Considerable research has suggested that a team's success in one-run situations comes down to randomness more than skill, like a coin flip turning up heads 10 times in a row.

On some level, Dipoto under-

stands this. "I'm not going to overthink it or try to figure out how we've won so many one-run games," Dipoto said. "They're in the bank. I'm not too worried about what's in the bank."

In other words, sure, maybe the Mariners have played better than they "should." That doesn't change the fact that both Baseball Prospectus and FanGraphs list their odds of qualifying for the postseason at over 85%. A win by one run counts the same in the standings as a win by 10.

This is where Dipoto brings a different perspective, one that none of his counterparts share. He is the only active GM who played in the major leagues, having pitched eight seasons for the Cleveland Indians, New York Mets and Colorado Rockies from 1993 through 2000. He knows firsthand what it feels like when a team unites to defy logic, even when it can't be explained with data.

That's why in spite of everything, there is a part of Dipoto that can't help but think, "As a sustain-

able thing for us, this is who we are."

The players in the Seattle clubhouse, the 25 men who continue to produce the late-inning heroics that have propelled the Mariners to this point, clearly agree. Pitcher Wade LeBlanc, a 10-year veteran, insisted that "there's definitely a skill" to winning close games. "There's an ability to be able to continue to go out and execute your game plan, your pitches, your at-bats in close games that other guys might not have," he said.

Ryon Healy, the first baseman who has hit 17 home runs for the Mariners, put it even more simply: "Anything that repeats itself that many times isn't so much luck at that point."

The Mariners can point to a few tangible elements of their roster that likely do make them more equipped to prevail in close contests. The back end of their bullpen has been strong, particularly closer Edwin Diaz, who leads the majors with 33 saves, allowing them to preserve slim leads. Their pitching staff rarely beats itself, ranking second in baseball by walking just 2.5 batters per nine innings, which proves useful when a single run can determine the outcome. At the plate they boast a contact-oriented lineup that strikes out once every 4.9 plate appearances, sixth-fewest in the sport.

But sometimes there is no explanation for what happens during a baseball season, no matter how hard people try to quantify every last detail.

As the Mariners have kept winning, they have developed what outfielder Mitch Haniger described as "a different type of confidence."

"It's hard to develop that, and it's got to be real," Haniger said. "What we have going on is real."

OPINION

Trump Blows Away a Penumbras

WONDER LAND
By Daniel Henninger

Michael Moore, who somehow has kept his name afloat since he made a movie about George W. Bush 14 years ago, says he wants to surround the U.S. Capitol with a million protesters so the Senate won't be able to vote on President Trump's Supreme Court nominee. He asks: "What would you give your life for?"

The day after Justice Anthony Kennedy resigned, the New York Times' editorialists addressed "those who face the future in fear after Wednesday." Lest anyone miss the point, the Times said: "It is a

Liberals are hysterical because a long era of judge-made law may be about to end.

dark moment in the history of the court and the nation, and it's about to get a lot darker."

All this panic is supposed to be about the future of *Roe v. Wade*, the 1973 decision establishing abortion as a right. In fact, the threat to Democratic political rule is even bigger than *Roe*, which was about just one thing. What is at risk is the rationale for judicial overreaching that was created in the court's 1965 decision, *Griswold v. Connecticut*.

Supreme Court decisions don't often produce phrases that enter the vocabulary of political life, but *Griswold* did.

The phrase is "penumbras formed by emanations."

Griswold is worth recalling because it established a right to privacy, though the Constitution says nothing about any such right. Justice William O. Douglas famously explained how this could be, arguing that "specific guarantees in the Bill of Rights have penumbras, formed by emanations from those guarantees that help give them life and substance."

Douglas's "penumbras" decision, though ridiculed, defined the post-'60s era of "judge-made law," in which achieving a result that reflected liberal values or policy goals mattered more than the legal reasoning to justify it. This results-driven view is what routinely sent Justice Antonin Scalia into eloquent and volcanic dissents.

Though capable of rigor in his reasoning, Anthony Kennedy was willing to swing toward decisions that simply affirmed what he thought were ascendant cultural mores. With the Trump Supreme Court nominations, this long era of judge-made law is at risk, if not over.

First with Neil Gorsuch and now with Justice Kennedy's successor, Donald Trump is putting a stop to ruling by penumbra. It's a historic shift, and Mr. Trump's opponents are going absolutely crazy.

As the Times editorial suggests, the left seems to believe the Supreme Court will virtually cease to exist as a branch of government. That puts liberals in a tough spot, because they had already



Protesters at the Supreme Court June 28.

thrown in the towel on the legislative branch.

From the 1970s onward, modern liberalism increasingly came to rely on filing lawsuits to effect policies that couldn't survive passage through representative bodies like the House and Senate. Or they deployed executive mandates—which reached an apotheosis with Barack Obama.

Former Senate Majority Leader Harry Reid ended the filibuster for appellate-court nominees so his party could pack the D.C. Circuit with judges who would affirm the Obama regulatory orders that covered vast swaths of America.

Having all but abandoned the legislative branch to achieve their goals, progressives now think the Trump Supreme Court nominations will close off the judiciary as a policy tool. Thus, the hysteria.

In the *Carpenter* case this term, Justice Gorsuch wrote a long dissent, which didn't mention "penumbras," but it's clear he knows exactly when the trouble started: "From the founding until the 1960s, the right to assert a Fourth Amendment claim didn't depend on your ability to appeal to a judge's personal sensibilities about the 'reasonableness' of your expectations or

privacy. It was tied to the law." Justice Gorsuch calls judging rooted in law "the traditional approach." I'm for it.

Our confusing culture could itself kill penumbral legal reasoning. One can imagine the high court struggling to adjudicate cases based on ever more arcane claims for self-identity, diversity and privacy.

Contorting itself even further to accommodate incomprehensible rights could discredit the court with a strong majority of the American people.

Despite his reputation as the swing vote on cultural issues, Justice Kennedy appeared to understand that we have arrived at a crossroads. In several opinions this term, he essentially issued statements of belief.

Here, in *Nifla v. Becerra*, is the co-author of *Planned Parenthood v. Casey* explaining why pregnancy-service agencies should not be compelled to issue a state's abortion notification: "It is forward thinking to begin by reading the First Amendment as ratified in 1791; to understand the history of authoritarian government as the Founders then knew it." He is saying to his liberal colleagues in the judiciary: Enough is enough.

Some argue that Mr. Trump filled the Scalia seat with Justice Gorsuch and now is obligated to fill the Kennedy "swing" seat with another Kennedy. He is under no such obligation. What President Trump should do is complete his already stellar Gorsuch bench. That would mean a justice who respects the law's traditions and understands its limits.

Write henninger@wsj.com.

Can Trump and Europe Cut a Deal?

By Karl Rove

Each July 4 when I was growing up, my family would read the Declaration of Independence—or at least its stirring opening verses—from a framed copy that I still have. In recent years I've joined friends at their Austin, Texas, hilltop home to eat fried chicken and watch fireworks light up the night sky.

This year I was traveling in Europe, far away from the familiar Independence Day rituals of home. I had to make do with reading Jefferson's rousing words on a laptop in Nice, France. If there were fireworks on the Riviera, they were celebrating a wedding, not American independence (or even France's critical role in the Revolutionary War).

Still, the holiday led to conversations with European friends about my home country's condition. One perceptive Italian remarked that the world needs an America that's economically and militarily strong. He should be reassured by the booming U.S. economy and Washington's recent increases in defense spending. Neither, however, erases concerns about America's commitment to the Western alliance.

Those concerns loom large given Donald Trump's trade agenda and foreign policy. If Mr. Trump further disparages

the North Atlantic Treaty Organization at the alliance's meeting next week in Brussels and then indulges Russia's President Vladimir Putin shortly afterward at their Helsinki summit, the Europeans' worst fears may be confirmed.

On the other hand, perhaps what Mr. Trump's allies and advisers say is true: that the president strongly supports free trade as long as the playing field is level, and that his NATO rhetoric is meant to prod allies into raising their defense spending to 2% of gross domestic product, to which each NATO country has committed. After all, even if the president's rhetoric hasn't always been tough on Russia, the administration's actions have been.

If Mr. Trump's NATO threats and his new tariffs on EU imports are negotiating ploys, maybe the Europeans should respond in good faith. They could offer a deal: The EU would reduce tariffs on American cars to match what the U.S. charges on European autos. In return, Mr. Trump would drop his steel and aluminum tariffs. European leaders also could present credible plans to meet their longstanding pledge on defense outlays.

Commitments to equalize tariffs and meet agreed-upon targets for military spending would be fair concessions on Europe's part. Mr. Trump would then either settle down or pile on new demands,

thereby revealing himself as a protectionist and an isolationist. Whichever happened, at least we would know the president's real views.

U.S. allies can take some comfort that Americans still support democracy and believe in global engagement: 84% believe that "when other countries become democratic, it

On Independence Day across the Atlantic, doubts over America's global leadership.

contributes to our own well-being," according to a May 8 poll sponsored by Freedom House, the George W. Bush Institute and the Penn Biden Center for Diplomacy and Global Engagement.

Sixty-seven percent said that democracy abroad "often helps make the U.S. a little safer," while just 22% said "there is no impact on U.S. security when other countries move away from dictatorship." According to a May poll from Pew, support for free-trade agreements is at 56%, the highest in three years.

Still, some of America's supporters in Europe have deeper concerns. My Italian friend was most worried about whether my countrymen still believe in "the American dream"—that if you work hard, you can achieve happiness and

prosperity. If Americans no longer believe that, he said, then there is little hope for the rest of the West, because the values of work, responsibility and optimism are already eroding in Europe.

My answer: Although the Great Recession shook the U.S., the sense of hopefulness and enterprise at the core of the American dream is still widespread. I didn't have these numbers at hand when we talked, but a Gallup survey from January found 63% of Americans were satisfied with "the opportunity for a person in this nation to get ahead by working hard." That's below the 76% who felt this way during the patriotic revival after 9/11, but still well above the 53% who did in 2012.

America's friends abroad see Washington as a mess and our politics strained by hyperpartisanship. They're right. But some perspective is in order: In the 242 years since that first Independence Day, it's been this way, or far worse, at many other moments. Each time, the good sense of the American people ultimately asserted itself, and we rose to meet our challenges. I'm betting we will again.

Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

'Little House' Has Been Condemned

By Michael Taube

Laura Ingalls Wilder is persona non grata at the American Library Association. The board of the Association for Library Service to Children, an ALA division, voted 12-0 last month to rename its Laura Ingalls Wilder Award as the Children's Literature Legacy Award. "Wilder's legacy, as represented by her body of work, includes expressions of stereotypical attitudes inconsistent with ALSC's core values of inclusiveness, integrity and respect, and responsiveness," the association announced in a press release.

Wilder, best known for her 1935 novel "Little House on the Prairie," published nine books in all about her pioneer family's settlement in the Midwest and West. Her endearing

stories were based on the importance of faith, family and farming. There were moments of great triumph, as well as periods of hardship, tragedy and illness where she and her family relied on their wits and skills to survive.

The ALSC had fretted in February about Wilder's "complex" legacy and the "anti-Native and anti-Black sentiments" in her work—a claim not without an underpinning in fact. Characters in "Little House on the Prairie" say "the only good Indian is a dead Indian" three times. The book's original first chapter also included this description of a place: "There were no people. Only Indians lived there." In later versions, the first sentence was changed to "no settlers." Wilder's references to her white settler family's

manifest destiny has also troubled the black community.

Hardly anyone would defend these sentiments today, but people are products of their times. The Wilder Award was established in 1954, and

its first recipient was Laura Ingalls Wilder herself. If we judge past luminaries by today's standards, who's next to go?

Each year the World Cultural Council bestows the Albert Einstein World Award of Science. Recently released personal diaries revealed that in the 1920s Einstein described

Chinese people as "industrious, filthy, obtuse" and resembling a "peculiar herd-like nation . . . often more like automatons than people."

As for the American Library Association, since 1982 it has teamed with Amnesty International to promote an annual Banned Books Week. An ALSC blog post about it last September called the week a time to "celebrate intellectual freedom." How does the ALSC square the spirit of Banned Books Week with its scrubbing of Wilder's name? I tried to reach them, but didn't receive a response.

Mr. Taube, a Troy Media syndicated columnist and political commentator, was a speechwriter for former Canadian prime minister Stephen Harper.

BOOKSHELF | By Tunku Varadarajan

Gatsby On the Ganges

The Billionaire Raj

By James Crabtree
(Tim Duggan, 408 pages, \$28)

There have been scores of books about India that focus on its poverty, some sensitive and soulful, others frankly execrable. In contrast, very few offer a portrait of Indians with wealth. This expository lopsidedness is particularly grating in the present time, when India's economy has galloped to seventh place in the global rankings, breathing down the creaky necks of France and Britain (precariously perched at sixth and fifth, respectively).

Writers like Katherine Boo have told us who the slum dwellers of India are, how they live and love in a largely pitiless country. But who are the people who've made all the money, the ones who've profited mightily from India's rise in the years since 1991, when the economy was first unshackled from socialism? Why haven't Indian billionaires been studied and written up as avidly as have the Russian oligarchs?

One obvious reason is that there are very few outright criminals among the Indian super-rich, very few that are unapologetically corrupt in the Russian way. Still, as James Crabtree notes in "The Billionaire Raj," India's new hyper-rich are sometimes dubbed the Bollygarchs, "for their ability to bring together much the same mixture of industrial might and intimacy with power" as their Russian counterparts.

A former Mumbai bureau chief for the Financial Times, Mr. Crabtree has written a book that is a lively and valuable blend of the empirical and the anecdotal. In the mid-1990s, he tells us, India had only two-repeat, two-billionaires, with a paltry \$3 billion between them. By 2010, Forbes included 49 on its global list. Today there are over 100, more than any country bar the U.S., China and Russia. The wealth of India's billionaires currently comprises 15% of the country's GDP, up from 1% in 1995.

There are, Mr. Crabtree makes clear, two broad classes of billionaire in India. Crudely put, the first is that of the Good Billionaires—such as those from the software sector—whose milieu is largely "untouched by government" and whose business success is "assumed to come mostly from efficiency and innovation." They feature in Mr. Crabtree's book only in passing.

Instead, he devotes his energies to a study of the Bad Billionaires, those who work in "rent-thick" sectors where firms couldn't possibly make money without access to government favors. The "raj" in the title is intended to suggest a "nexus"—a word beloved of Indian editorialists—between business and government, akin to the one that bound government to commerce during the state-controlled "license raj" that prevailed before 1991. Mr. Crabtree describes in detail the manner in which the billionaires of this cohort got rich with the help of politicians and bureaucrats.

India's new super-rich are sometimes dubbed 'Bollygarchs.' Few are corrupt in the Russian way, but their wealth is tied to government favors.

You can, if you're so inclined, become depressed by this nexus-narrative. To paraphrase a former head of India's central bank—whom Mr. Crabtree interviewed at length—politicians need billionaires to give them money to fund their election campaigns and offer sops to the poor in order to win their votes; and the billionaires need the politicians to offer them public resources and contracts at cut-price. It's a venal embrace, but also one of shared ardor.

This arrangement has led to massive infusions of money into Indian elections. "Before liberalization," Mr. Crabtree notes wryly, "Indian democracy was a cheap, low-tech affair." Today India is "not far behind the United States as the world's most expensive democracy, except that in India's case most of the money [is] unaccounted for"—since campaign-finance laws are easily circumvented. Expenditure by politicians in the last general election in India, in 2014, amounted to \$5 billion. Mr. Crabtree laments that "India's problems of corruption and cronyism would be impossible to fix without first lancing the boil of . . . illicit cash in politics."

The best parts of Mr. Crabtree's book, however, aren't his observations on the civic state of India (although these are certainly valuable and wise). They are his reportage, in which he relates his encounters with several of the men who are emblematic of the billionaire raj. These include Vijay Mallya, currently in financial exile in London, where he lives beyond the reach of the Indian taxman and his many creditors. Mr. Mallya, known as "the Branson of Bangalore" in his heyday, is a liquor baron and the owner of a Formula One team. "A man of coteries and Gatsby-style parties and famously ill-disciplined timekeeping," he fled to London when a private airline he founded went belly-up.

Other Indian billionaires aren't as fiscally ill-disciplined, but they can be as vulgar as Mr. Mallya, if not more so. We are given an exhaustive account of the life of Mukesh Ambani, India's richest man, whose 27-floor skyscraper home in Mumbai—occupied by his family alone—is "designed to keep India at bay." It cost \$1 billion to build and has a monthly energy bill of \$109,000. Mr. Ambani deals in petrochemicals, textiles and telecom. Mr. Crabtree doesn't get to interview him, but he does talk to several others from among India's super-wealthy, including Gautam Adani, a Gujarati billionaire who is reputed to have profited handsomely from his proximity to India's prime minister.

Mr. Crabtree makes the argument that the "rampant cronyism and wild growth" one sees in India today is reminiscent of the Gilded Age in the United States. The Ambanis and Adanis and Mallyas, he suggests, are not unlike the Rockefellers and Vanderbilts of yesteryear. Having made that comparison, he asks whether India—like the U.S.—will have a Progressive Era after its own Gilded Age, in which the methods of wealth creation are cleaned up and made more moral. There is, he believes, no reason India can't do what South Korea and Singapore have done—or what America did before. But this won't happen, he writes, unless India addresses the mind-boggling inequality that persists in the country. The Billionaire Raj, he says, needs to be a passing phase, not a permanent condition.

Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.

OPINION

REVIEW & OUTLOOK

Houston, We Have a Space Force

For most Presidents an event about space regulation wouldn't produce headline news, but then there's President Trump. At such an event last month Mr. Trump ordered the Pentagon to develop a de novo military branch dedicated to space. This plan is not ready for the launch pad, even if Mr. Trump is right about the threat.

President Trump's idea of a "separate but equal" Space Force isn't novel: The House last year passed a proposal for an independent space branch, and Congress ended up commissioning a study. The argument is that the Air Force is ill-equipped to manage threats from Russia and China, which are aggressively expanding military capabilities in space.

The proponents have a point. The U.S. relies on satellites for essential functions like GPS but also weather and directing military efforts on the ground. The threats include jamming or spoofing signals, hacking, antisatellite missiles, and perhaps more the public doesn't know. Periodic classified briefings to Congress appear to terrify Members.

A 2016 study from the Government Accountability Office revealed 60 distinct entities that deal with assets in space, either managing or acquiring technology, sprawled across government. The Air Force handles about 90% of unclassified space dollars, though the Army and Navy also have outfits that deal with space. GAO cited all the usual suspects of Pentagon projects, including cost overruns and leadership churn. To her credit, Air Force Secretary Heather Wilson has made fixing some of the dysfunction a priority by streamlining duplicative procurement.

A wholly separate space force would replicate these problems on a larger scale. Branches of the military form their own cultures but also their own civilian workforces and back-end offices to manage operations. Service chiefs compete for dollars from Congress, and budget fights can be more about preserving power cen-

ters than national security.

Note too that personnel costs, particularly health care, are already crowding out other Pentagon priorities. Worse, entitlements like Medicare are crowding out Pentagon funding. This means in the future a lower portion of a lower budget will be dedicated to core competencies of war.

Air Force Space Command already employs 36,000 people at 134 locations, and don't believe those who say these functions would be absorbed by a new Space Force with no added staff. A new headquarters alone would spawn hundreds of new aides and staffers. The Air Force will try to avoid surrendering its personnel and dollars to a new branch, even if the Space Force is designed as a subsidiary, much like the Marines are of the Navy.

Defense Secretary Jim Mattis summed it up last year when this idea was floated in Congress: "I oppose the creation of a new military service and additional organizational layers at a time when we are focused on reducing overhead and integrating joint warfighting functions."

But Mr. Trump is fixated on the prospect, and in response to his June remarks Secretary Mattis said the Pentagon would start the process. Congress would have to authorize a new branch, but Members of both parties seem willing, albeit after a fight over whose district will host the space cadets.

Yet proceed with caution. Congress is free to dedicate money to research and development in space or do a wholesale restructuring of Air Force Space Command. Congress can also continue to propose discrete ideas. One is Alaska Senator Dan Sullivan's proposal to put sensors in space that would help missile-defense systems communicate with one another.

Republicans in Congress had to swallow tens of billions in domestic spending this year to win even a modest increase in funding for the armed services. That will be a waste if the GOP sets up a space force that copies and pastes the military's culture of inefficiency.

A new military service isn't needed to compete above the Earth.

A Risky Drug Approval Lesson

What the FDA can learn from progress against muscular dystrophy.

too small, among other objections.

FDA approved the drug after a long and ugly fight within the agency, and that decision was right on the merits. Eteplirsen was an improvement over available treatments, of which there were none. On the evidence so far the drug is showing decline in patients.

But if FDA had cashiered that therapy, Sarepta would have lacked the resources to continue its research and testing to treat Duchenne and develop what may be an even better drug. If eteplirsen had failed to get approval, dollars and brain power would inevitably have flowed toward treating other diseases with more promise of success. FDA has tremendous influence over private investment.

Risk-averse FDA reviewers have traditionally focused on avoiding what the agency knows as a Type I error: Approving a drug that isn't safe or effective. A potential breakthrough on Duchenne is a reminder that a Type II error—rejecting a drug that should have been approved—carries risks beyond one drug. That failure can delay innovations and perhaps cures.

Sarepta's gene therapy is hardly a sure bet, and the company's competition may come up with something better. But FDA Commissioner Scott Gottlieb has written on these pages that the agency's culture must adapt to tolerate uncertainty, especially in diseases with few or no approved treatments. Dr. Gottlieb's legacy will depend in large part on how much he can change that culture.

Iran's Persistent Protests

and Hezbollah in Lebanon.

President Trump's May decision to exit the nuclear deal and reimpose financial sanctions is already increasing pressure on the regime. Protestors swarmed Tehran's Grand Bazaar last month after the local currency, the rial, slumped to 90,000 to the dollar in the black market. The rial has fallen roughly by half since the end of 2017, as traders and banks anticipate a harder time getting dollars. Economist Steve Hanke estimates annual inflation has spiked to 126%.

In August the U.S. Treasury plans to reimpose sanctions on gold and other precious metals, U.S. dollar dealing, trade in Iranian sovereign debt, and autos. In November U.S. sanctions will kick in on ports, shipbuilding, petroleum, energy, insurance, and more. A State Department official suggested last month that the U.S. wants to halt all Iranian oil exports, but on Monday policy planning director Brian Hook said it will consider waivers for countries on a case-by-case basis.

Mr. Rouhani responded Tuesday by threatening to disrupt oil shipments from neighboring countries in the Middle East, but that would court U.S. intervention to keep oil flowing through the Strait of Hormuz. The U.S. doesn't want an oil-price spike with a barrel already selling for nearly \$75. But the risks are far greater for Iran if it doesn't change its marauding behavior because its political control at home is far from certain.

More demonstrations as the regime scrambles to beat new sanctions.

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OPINION

LETTERS TO THE EDITOR

Health-Care Risks Will Persist Despite AHPs

Labor Secretary Alexander Acosta chooses to ignore history by recommending that we implement association health plans (AHPs) for small businesses ("A Health Fix For Mom and Pop Shops," op-ed, June 19). While there would be potential pricing advantages from aggregating small employer groups, their downfall will be the inevitable antiselection factor that has occurred every time we have tried to aggregate small groups. Why? AHPs will be very appealing to groups that have sicker populations, and while initially even healthy groups will find them attractive, over time the cost of the sicker groups will drive up prices to the point that they will become less and less attractive to the healthier groups.

Multiple Employer Welfare Arrangements didn't work for this reason. If there were some level of underwriting to allow risk-adjusted premiums, that might allow these plans to last for a longer period, but antiselection will still doom them to an inevitable death spiral.

BEN CUTLER
Chairman, USHealth Group
Paradise Valley, Ariz.

Your editorial on AHPs mistakes meager improvements in buyer power for economies of scale. If 1,000 individuals buy 1,000 health plans, the cost of providing the actual health care is substantially the same as in a group plan with 1,000 members. Reductions in administrative costs are a distraction; the pernicious issue is that insurers set higher prices for individuals and small groups, prices untethered from actual costs. If we can-

not fix this, voters will eventually move us to a system in which there is only one (all powerful) buyer of health-care services—surely anathema to many subscribers of this newspaper.

JAMES TAYLOR
Denver

The rise of association health plans coincides with the ongoing dissection of the Affordable Care Act, which has posed a significant threat to two opposite ends of the health-care access paradigm that are the source of current and future costs for our nation. Reducing access to affordable insurance for citizens with chronic and difficult medical issues is an unfortunate side effect and will, ultimately, reduce the working productivity of a population that is growing daily. With no or reduced benefits and costlier insurance, they will put off care that will multiply in cost when catastrophically needed.

Probably the most important tenet of the ACA that we cannot let unravel is our investment in the future—the health and development of our children. First-dollar coverage for preventive care and immunizations, care for children with developmental or behavioral and mental-health problems, and coverage of children to age 26 under a family policy have been ACA attributes and need to be sustained. It is essential that we support the care of children so they can become healthy, productive adults able to keep our country great.

RUSSELL C. LIBBY, M.D.
McLean, Va.

There's More Than One Reason for GE's Fall

Andy Kessler's characterization of GE as a hedge fund may be witty, but it is not true ("General Electric's Long Unwinding," Inside View, June 25). We grew GE Capital in the 1980s from less than 10% of earnings to about 40% in the early 1990s. We did this by expanding businesses like aircraft leasing that were closely related to major industrial products that were entering new markets like equipment leasing and were globalized. GE Capital emerged as a large, diversified financial-services company with a Triple-A debt rating. The industrial component consisted of global No. 1 and No. 2 businesses whose operating margin doubled in the '90s. The combined company posted a total return on capital of 27% while remaining in range of the 60/40 mix of industrial/financial services during the last half of the '90s.

There was no restatement of earnings during this period, which included SEC reviews.

ROBERT W. NELSON
Boca Raton, Fla.

In the 1960s GE had many electronic divisions in computers, semiconductors, data communications and instrumentation. Those are key parts of today's high-tech world. At GE those divisions are long gone, killed by a culture that valued and promoted generalists who rotated from flashlight batteries to aircraft engines or whatever.

At GE anyone who developed good knowledge of a business was

at risk of being labeled narrow and his career limited. Those with interest in a particular market often left for better careers in more focused companies.

For GE technology divisions with a new business or product idea, the approval cycle to corporate and back was 18 to 24 months. In Silicon Valley it was only a few months. High-technology headhunters had easy pickings at GE.

GE was paranoid about top salespeople earning big dollars on commissions. It used a plan that distributed commission from a sale over multiple levels—district, regional, national. A salesman who brought in a big order saw very little from it. Top salespeople left for better incomes.

The generalists in GE management were focused on the financial markets, not their customers who bought their products.

DON VALENTINE
Tecmark Associates
Port Washington, N.Y.

GE's forced-ranking system ("rank and yank") for employees may also have contributed to the company's decline. The system forces the supervisor to rank all employees, and then fire the bottom 10%. You can't win unless your co-worker loses. The setup ensures poor morale and is still causing trouble at other companies. The best IT person I know was told to use that system to rank a team he had spent three years building. He quit.

As a young Army officer writing my first efficiency report, I paid close attention to the guidelines. The next day the colonel came at me in high dudgeon asking why I hated a certain captain. "Why, I think he is a fine officer, quite above average," I answered. He told me that "above average" was a terrible rating, and would follow him wherever he went in the Army, effectively ruining his career. I retrieved my error, and ranked him "outstanding." He soon finished his tour, left the Army and in fact had an outstanding career. Looking back at 1964 through eyes on the wrong side of 80, I can see the colonel was right. All the officers were outstanding. And the enlisted men. And the nurses.

CLAUDE BURDICK
Livermore, Calif.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Oh, it's true love. It's just terribly inconvenient."

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OPINION

How a Rich Californian Hijacked the Legislature

By Thomas M. Boyd

California's ballot initiative process, created 107 years ago to bypass a corrupt state government in Sacramento, is a form of "direct democracy" by which voters make policy themselves, at the ballot box. In recent years, however, it has also become a playground for enormously wealthy people, who use their personal resources to promote their preferred changes to the law.

This process last week resulted in a new California law, passed after a mere 72 hours of consideration, that will set a de facto national standard for data breaches and dictate the way

Threatened with a ballot initiative, lawmakers pass a ruinous data-privacy law.

businesses are able to use personal information to develop and market their products.

Alastair Mactaggart, a San Francisco real-estate developer, spent more than \$3 million to qualify his exceptionally broad privacy initiative for the November ballot. Last week he challenged California lawmakers: They could either pass a law that mimicked his proposal or run the risk that voters would adopt his broader version in the fall.

The Legislature did his bidding, and without any meaningful input from those most affected by the new law's provisions: California businesses. Non-profits such as universities, think tanks, advocacy groups and political parties are left unregulated.

In a June 26 letter to the state Assembly, the California Chamber of Commerce and 24 other business groups noted the "take it or leave it" nature of the political process, concluding that while the legislative proposal was preferable to Mr. Mactaggart's broader ballot initiative, it remained "deeply flawed" and represents a serious threat to the California economy."

The new law opens businesses to potential litigation in which the plaintiff won't need to prove economic loss or harm. Virtually any company available on the internet in California would be affected, and statutory damages apply "per consumer, per incident." On the internet, "incidents" can quickly number in the thousands.

Further, the law establishes "rights" that will harm customers. Consumers are entitled to demand that a business "delete any personal information about the consumer which the business has collected from the consumer." Businesses are also forbidden to discriminate against any consumer who exercises that right.

That will make it difficult to administer loyalty programs, which depend on the collection of personal information. Now, unless a business can prove to California regulators that the benefits of such programs are "reasonably related to the value provided to the consumer by the consumer's data," they'll be vulnerable to discrimination claims for withholding the benefits from customers who demand the deletion of their information. Businesses nationwide will be forced to make major adjustments to minimize litigation risks.

The new law's only redeeming factor is that the Legislature can change it. Mr. Mactaggart's ballot initiative would have amended the state constitution to permit amendments only if they made the requirements more onerous. Still, wealthy activists shouldn't be able to take lawmakers hostage like this.

Mr. Boyd was an assistant attorney general in the Reagan administration.

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By Greg Rushford

President Harry S. Truman and Secretary of State George Marshall successfully pressed America's war allies to create the General Agreement on Tariffs and Trade more than 70 years ago. Leaders across the globe, mindful of how economic nationalism in the 1930s had contributed to the devastation of World War II, wanted to open the world up again. The agreement focused on slashing of tariffs and other barriers to trade—bringing unprecedented prosperity to hundreds of millions of people. The GATT, which evolved into the World Trade Organization in 1995, became the world's most successful international economic experiment.

But now economic nationalism and tariff wars are back. President Trump regards the WTO with disdain and would like to withdraw. He has ordered aides to come up with ways to inflict punitive tariffs on U.S. trading partners anytime he wishes—in clear violation of the system the WTO administers. And it's not only talk. Mr. Trump and U.S. Trade Representative Robert Lighthizer have taken a wrecking ball to the legal machinery sustaining the global trade regime.

The White House is slowly killing the WTO's seven-member appellate body, which is the institution's court of final appeal in trade litigation. The ploy is a simple war of attrition: The U.S. has whittled the court down to four members by withholding the consensus to replace jurists when their four-year terms expire. Another vacancy in September will leave three—barely a quorum but not enough to handle the caseload. By the end of next year, only Hong Zhao, a veteran Chinese trade official, will be left.

Mr. Lighthizer, who declined to comment for this article, has left WTO diplomats in the dark as to what he wants. But that's not difficult to figure: higher tariffs. Mr. Lighthizer

Trump's War on the WTO



GETTY IMAGES

President Trump with U.S. Trade Representative Robert Lighthizer.

has been a longtime advocate for the protectionist domestic steel lobby, which has often lost at the WTO.

Mr. Lighthizer argued in 1995 that it had been "a mistake" when the appellate body's decisions were made binding on member countries. American presidents since Ronald Reagan had championed that reform.

Economic nationalism is a threat to world-wide—and American—prosperity.

It meant that losing parties would have to bring trade policies into compliance with their WTO legal obligations or pay compensation. To economic nationalists like Mr. Lighthizer, this infringed on sovereign rights.

In a 2001 speech, Mr. Lighthizer raised eyebrows in the normally genteel trade bar by saying that he believed some WTO jurists "may be crooked, although I have no evidence of that." Perhaps due to such intemperance, his 2003 campaign to become a WTO jurist was rebuffed. Now he can exact revenge.

Mr. Lighthizer's gripes about judicial overreach could find some support—if it weren't for his bullying.

The WTO's negotiated trade agreements, subjected to rounds of compromise, include imprecise legal obligations. Stuck analyzing diplomatically fudged language, the appellate body has been forced to fill the gaps by applying enlightened international legal theories.

"There are issues that governments have chosen not to raise in negotiations in the hope that they could obtain their goals through litigation at the WTO, even though they knew what they sought had never been agreed to by the other members," Washington trade lawyer Terrence Stewart wrote last year. It's a legitimate concern, but judicial overreach still is in the eye of the beholder.

Despite Mr. Trump's assertion that the WTO has been "a disaster" for the U.S., Washington has won 85% of the 117 WTO cases it has brought against foreign trading partners. Japan complained in 2003 that WTO jurists had stretched the law by determining that Japanese health officials used phony science to ban American apples.

The real U.S. gripe is that foreign governments have won most of the

145 cases that they have brought against American protectionist policies. Mr. Lighthizer's steel clients have screamed the loudest whenever jurists in Geneva have found legal hanky-panky in the way U.S. anti-dumping officials hit foreign competitors with tariffs. This is fodder for Mr. Trump's base.

The Democratic Party has its share of protectionists too. In 2011 President Obama's trade office, cloaked in secrecy, blocked the appointment of Washington trade lawyer Jennifer Hillman to a second term on the appellate body. Ms. Hillman was subjected to a whisper campaign suggesting her vote was not considered "reliable." Translation: She was too intellectually honest to tilt her legal determinations in the White House's favor. This pleased the steel lobby.

In 2016 Mr. Obama's trade advisers blocked Seung Wha Chang, a South Korean legal scholar, for a second term on the appellate body. Mr. Chang had ruled against the U.S. too often, especially in cases involving steel and aluminum. The Koreans complained bitterly.

Tim Reif, the Obama trade lawyer whose fingerprints were all over the moves against Ms. Hillman and Mr. Chang, is currently advising Mr. Lighthizer. On June 7 he was nominated by President Trump to fill a vacancy on the U.S. Court of International Trade. As a federal judge, Mr. Reif will enjoy lifetime tenure. He declined to comment.

The debate over the WTO isn't going to be resolved by lawyerly tinkering. The real problem rests in the return of economic nationalism. Both political parties would be well-advised to consider the wisdom of Truman and Marshall. They understood that true national-security imperatives meant resisting protectionism.

Mr. Rushford edits the Rushford Report, an online journal that tracks trade politics.

Reform the NHS Before It Kills Again

By Rupert Darwall

National Health Service jingoism is an abiding feature of British politics. "This is the model of health care that reflects our values as a people," Prime Minister Theresa May declared last month. It is so precious, Mrs. May said, that it should remain in public hands—not for the next 70 years, but forever. Mrs. May proceeded to promise a budget-busting increase in NHS spending of nearly 20% over the next five years. "Taxpayers will have to contribute a bit more in a fair and balanced way," she said, sugar-coating the pill of large tax increases in the autumn budget.

Two days after this speech, an independent report revealed a different way in which the NHS is world-class. NHS managers covered up the unlawful killing of up to 650 patients at the Gosport War Memorial Hospital on the English south coast.

The NHS is not a stranger to mass medical malpractice. Three years ago, a report revealed the deaths of 19 mothers and infants at Morecambe Bay Hospital due to clinical incompetence. In 2015 the Francis Report into Mid-Staffs Hospital found "appalling and unnecessary suffering of hundreds of people" and warned of "highly concerning" reports of similar experiences elsewhere.

Last week's report lifts the lid on the most horrifying NHS scandal. On Aug. 17, 1998, 91-year-old Gladys Richards was readmitted to Gosport for rehabilitation after surgery and treatment for hip dislocation at another nearby hospital. Although Richards didn't mention any pain, Jane Barton wrote a prescription for high-dosage opioids and gave Richards a subcutaneous infusion. Dr. Barton explained that using a syringe driver was the kindest treatment available, and she continued, "the next thing will be a chest infection."

Dr. Barton understood what she was doing. Richards's death certificate records the cause, four days

later, as bronchopneumonia, even though this was not the underlying cause of death. According to the report, mis-certifying deaths due to bronchopneumonia was linked to opioid usage without appropriate clinical indication. The report also found that bronchopneumonia-certified deaths rose at the hospital starting in 1993 and peaked in 1998—the same year Richards was admitted.

Richards's two daughters reported her death to the local police, who started the first of three bungled investigations. "The doctor fully explained the procedure of placing a syringe driver in place and the eventual outcome," one detective wrote, complaining to a colleague that he had no idea why "these two women are so out to stir up trouble."

The investigations uncovered evidence of criminality, but it was difficult to call to account those responsible. When officials in London tried to find out what had been happening, local NHS managers complained of "headquarters interference." Twelve clinicians wrote to Sir Liam Donaldson, the Department of Health's chief medical officer, to say that Dr. Barton was being made a scapegoat: "Senior colleagues were not only aware of these practices, but had similar prescribing practices."

One nurse told the police that the regime at the Daedalus Ward—"Dead Loss," the staff called it—was geared toward euthanasia. Upon admission, one elderly woman was immediately put on a syringe drive. Her family insisted she be allowed to die naturally.

She recovered sufficiently to be taken home. Brian Livesley, a physician at the Chelsea and Westminster Hospital, was brought in by the police to review the evidence. He said he would support allegations of manslaughter, assault and actual bodily harm.

British hospital managers covered up the unlawful killing of as many as 650 patients, a report finds.

The most damning evidence was that nurses had raised concerns in 1991 about indiscriminate use of opioids and syringe drivers. Eleven years later, the meeting notes resurfaced. "When I read the minutes, I felt sick," a senior nurse recalled.

A handful of people within the system tried to broaden the investigation and publicize what was going on. Mr. Donaldson pressed for urgent action, telling ministers that a great deal of pressure had to be exerted from the center. At virtually every turn, the system beat them. The health secretary, Jeremy Hunt, eventually had to overrule official advice against holding an independent inquiry.

The report explains the almost identical dismissal of relatives' concerns as a result of the "coincidence of interests" rather than conspiracy. When the state is a monopoly provider of health care, there is a political interest in suppressing bad news.

In discussing whether to prosecute, one police officer noted the "perceived plight" of the NHS ahead of the 2001 general election. At a pivotal meeting of prosecutors closer to polling day, a government lawyer attacked Dr. Livesley and sabotaged the emerging prosecution case.

Proponents of socialized medicine condemn profit in health care, but a for-profit hospital does not have a financial interest in killing its patients. In the NHS, patients are a cost and troublesome ones can be put on a syringe driver, something a nurse told the police happened at Gosport.

"The NHS is drowning in bureaucracy," a report noted in 2015. NHS bureaucracy drowned evidence of Gosport's culture of euthanasia. Fifteen years ago, then-Prime Minister Tony Blair delivered a landmark speech arguing for pluralism in the delivery of public services. "Our aim is to open up the system," he declared, specifically calling for private sector provision.

A January 2018 poll found 64% of respondents agreeing with Mr. Blair that it shouldn't matter whether hospitals are run by the government or by the private sector and 58% agreeing that the NHS needs reform more than it needs extra money. By spending without reform and ruling out pluralism, Theresa May is out of step with a majority of voters. In doing so, she is taking health-care policy in Britain back to a darker age.

Mr. Darwall is author of "Green Tyranny: Exposing the Totalitarian Roots of the Climate Industrial Complex" (Encounter, 2017).

The Capital Gazette Heroine

By Stephen Hunter

the dry cleaners. That's no way to get on MSNBC.

The pictures show a hearty, happy woman, full of joy and warmth. She would be the one who hugged the hardest and laughed the loudest. But on that day at that place at that time, she attacked.

Wendi Winters threw her body at the gunman. It's possible she saved others by slowing him down.

It has been reported that Winters had attended an "active-shooter workshop," where the dogma was "run, hide or fight." The theory instructs that if you cannot choose either of the first options, you revert to the third. But what good are instructions in the crucible of violence, when things happen faster than thoughts?

She had but one weapon—her body. She threw it at the man with the gun.

"I heard her shout, 'No!'" a witness said. "There was anger in her voice."

Further reports confirm the scenario. She was found in the aisle, not seated as were those murdered in surprise. She made the decision not to flee, not to hide but to fight.

I don't believe it was the training that impelled her. It certainly helped, in that it prepared her for the moment and perhaps put the possibility in her mind. But you can train only what's already there. And that was a bravery to risk all out of love—of her colleagues, of her community, of her newspaper, of all the people she knew and served.

She made the point, often forgotten, that some things are worth fighting for, even to the death. It was hopeless, doomed, but not futile. She might have cut a few seconds off the killing time and let others escape. Even if not, she left an example that belies the squalor of the tragedy. We are all ennobled by it. It is her gift to us, and we should be grateful.

Mr. Hunter is a novelist and retired film critic for the Washington Post.

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WORLD NEWS

Cave Rescuers Race Against the Weather

Forecast of rain in Thailand imperils operation to create way out for boys' team

BY PHRED DVORAK AND JAKE MAXWELL WATTS

THAM LUANG CAVE, Thailand—International rescuers working to extract a youth soccer team from a flooded cave system in northern Thailand raced Wednesday to drain a route to freedom before an incoming storm again raises water levels in the underground labyrinth.

The worsening weather forecast is for heavy rain within days as the tropical wet season becomes more entrenched.

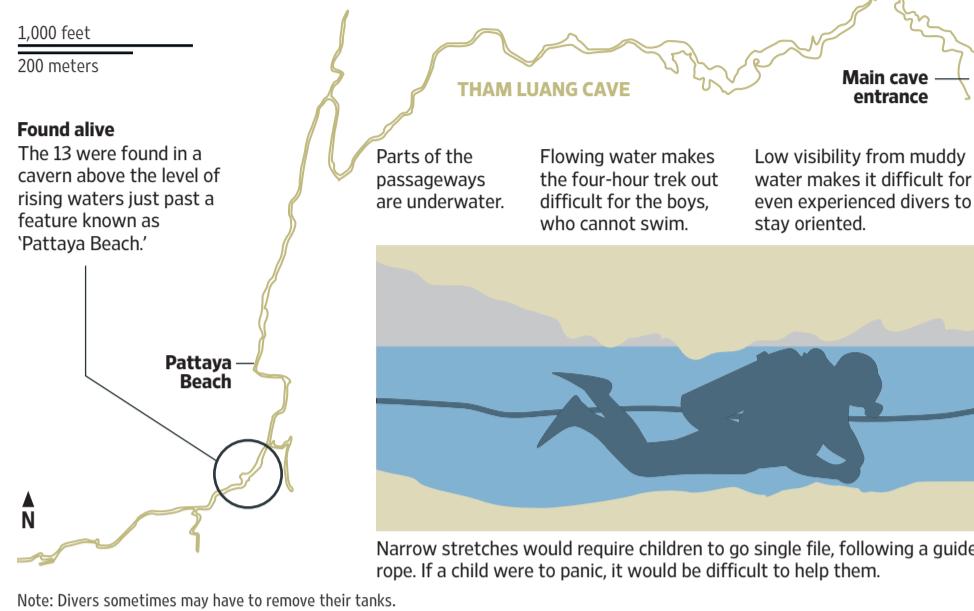
Thai officials said the 12 boys and their coach appeared to be in good shape and physically ready for an extraction attempt if enough water can be pumped out of the cave.

Others involved in the operation suggested an extraction could be imminent.

"If everything goes well, they can get out tomorrow or the day after," said Claus Rasmussen, a diver at Blue Label Diving in Phuket, who is offering advice at the cave site. "If not, then maybe we're looking at a four-month option," referring to a proposal that would

The Way Out

Rescuers have been debating the safest way to get the trapped youth soccer team out of the Tham Luang Cave. A look at why taking them out now could be dangerous:



Note: Divers sometimes may have to remove their tanks.
Source: Thai government, staff reports

see the team wait out the remainder of the rainy season, which can run until November.

Mr. Rasmussen said one plan under consideration would pair each child with three divers who would guide them out individually and carry air tanks that attach to masks for the children.

One person involved in the rescue effort who asked not to be identified said divers are

now attempting to clear an exit from the cave and pump out as much water as possible.

He said that water levels inside the cave system, among Thailand's largest, have gone down in recent days between 5 and 10 centimeters (about 2 to 4 inches).

A lack of heavy rain in the past few days has helped the operation. Water, however, has again started coming in from

an unknown source, complicating efforts.

Cave-diving experts have said that giving the children scuba gear and guiding them out carries significant risk. The passageways are narrow and sometimes difficult to maneuver, and the boys are a considerable distance into the cave. Some caverns are completely flooded.

Another possibility is to



Medics have descended the cave to aid some of the trapped boys. Rescuers may teach them scuba skills in case they need to navigate flooded passages as they make their eventual escape.

find a way to drill through the surface above or search for an alternative route into the miles-long cave system.

The boys, who range from 11 to 16 years, entered the cave complex with their 25-year-old coach, Ekkapol Chantawong, on June 23 after finishing a soccer game, said the government spokesman, Lt. Gen. Weerachon Sukondhapatipak.

When the team entered the

Tham Luang Cave, some left their soccer cleats and backpacks with their bicycles outside.

Then, a flash flood cut them off from the entrance and they sought out higher ground further inside the cave as water levels quickly rose.

—Wilawan Watcharasakwet at Tham Luang Cave and James Hookway in Bangkok contributed to this article.



Former Prime Minister Najib outside court on Wednesday

Malaysia's Najib Posts Bail in 1MDB Corruption Case

BY BEN OTTO AND YANTOULTRA NGUI

KUALA LUMPUR, Malaysia—Former Malaysian leader Najib Razak posted about \$123,000 in bail, capping a 24-hour period in which he was arrested, detained overnight and charged in court in connection with a multibillion-dollar financial scandal that helped topple his government.

The spectacle of the white-haired former prime minister

standing before a judge Wednesday as he was confronted with four charges—including three of criminal breach of trust, which carries a penalty of up to 20 years in prison—was unprecedented in this Southeast Asian nation.

Security officers led the 64-year-old into a hushed courtroom crowded with close to 100 lawyers, political party leaders, reporters and court officials. Dressed in a navy suit, he responded to each charge: "Not guilty."

The charges against Mr. Najib stem from investigations launched by the new government of Prime Minister Mahathir Mohamad into what went on at state investment fund 1Malaysia Development Bhd., or 1MDB. Mr. Najib launched the fund in 2009 as a way to spur investment in Malaysia, but it racked up debts that now stand at \$8 billion.

The U.S. Justice Department alleges in civil lawsuits

that \$4.5 billion was taken from the fund and used to buy mansions, among other uses.

The part of the inquiry that led to Mr. Najib's arrest on Tuesday revolves around how some \$10.5 million, allegedly from a former 1MDB unit, made its way into his personal account. Mr. Najib also faces one count of using his position for gratification. He has denied wrongdoing.

In requesting bail of nearly \$1 million on Wednesday, At-

torney General Tommy Thomas told Kuala Lumpur's High Court that Mr. Najib had "brought shame to the country."

Shafee Abdullah, a lawyer representing Mr. Najib, called that assessment "nonsense," and argued for lower bail, citing the former leader's frozen bank accounts.

The judge set Mr. Najib's bail at 1 million ringgit in cash, or about \$247,000. Mr. Najib was required to post half of the bail Wednesday.

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RACE TO VICTORY

JOHN STEVEN DEWS



Maritime master. Important race. Spirited composition. From one of the most highly respected marine painters of all time comes this outstanding, original oil painting by John Steven Dews. This passionate rendition of Crackerjack racing toward victory in the 1993 Swan European Regatta draws the viewer into the heart-pounding action of the race. Signed (lower left). Canvas: 30" h x 40" w; Frame: 37 5/8" h x 47 1/4" w. #30-7883

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Chinese Magnate Dies in Accident

Chinese conglomerate **HNA Group** Co. said Chairman and co-founder Wang Jian died

By Stella Yifan Xie
in Hong Kong and
Josh Jacobs in Paris

Tuesday after an accidental fall during a business trip in France.

Mr. Wang's sudden death comes at a critical time for HNA. The company in recent years went on a global acqui-

sition spree that saw it scoop up stakes in Deutsche Bank AG, the Hilton hotel chain, purchase office buildings in New York and acquire other businesses.

But after amassing significant debt, HNA over the past year has been dismantling parts of its overseas empire under pressure from the Chinese government, exiting from its stake in the Hilton chain and various noncore assets to help reduce its lever-

age.

Mr. Wang himself kept a relatively low profile in recent years, but his sudden death raises questions about the group's mysterious and evolving shareholder structure. As of a year ago, he held a 14.98% stake in HNA Group, according to the company.

Mr. Wang, 57 years old, was visiting a cliff-side church in Bonnieux, a village in the Vaucluse department

of France's southeast, according to a French police official. He stood on a wall meant to keep people from falling off the cliff and asked a friend to take a photo of him, the official said. Mr. Wang then fell over the side of the cliff—a drop of between 33 and 49 feet—and died at the scene, the official added.

Mr. Wang was one of the conglomerate's top decision makers and was deeply involved in the running of HNA

and its strategy.

Mr. Wang started his career as an aviation official and co-founded HNA with Chen Feng more than two decades ago. The pair built what was originally a regional Chinese airline into one of the country's largest privately held conglomerates, with interests in multiple airlines, hotels, financial institutions and other assets in China and abroad.

Please turn to page B10

Soccer Bonanza Eludes an Insurer

By MENGQI SUN

Allianz SE is one of the biggest insurers of the World Cup. But it missed out on a golden opportunity when defending champion Germany exited the tournament last week.

Before the start of soccer's most important contest, retailers offered sales promotions or prizes that would pay out if Germany took the crown again this year. To cover the potential payments, those retailers asked Allianz for insurance. The German insurer declined, betting a high likelihood of a victory for its home country, and passed up potential revenue.

"Clearly our data was wrong," Peter Williams, a live-entertainment executive for a commercial-insurance unit of Allianz, said in an email. "But prior to the event, I think anybody thought Germany was a favorite."

The decision was one of many bets made by large insurers as part of the global sporting event taking place in Russia.

The insured value of the World Cup is estimated to total between \$6 billion and \$7 billion, according to estimates provided by commercial insurer **Beazley** PLC. That is higher than the estimated \$5 billion value of insurance provided as part of the 2014 World Cup in Brazil.

The policies in place for 2018 cover everything from the possibility of terrorism to player injuries to cancellations.

The push to insure every aspect of the World Cup is part of a larger global market covering risks posed by large events. Many band tours, art exhibitions, business conferences, music festivals and more.

Please turn to page B10

Executive Team to Run Barnes & Noble

By MARIA ARMENTAL AND JEFFREY A. TRACHTENBERG

A group of **Barnes & Noble** Inc. executives has temporarily taken over the duties of ousted Chief Executive Demos Parneros, who was fired for company policy violations.

The bookseller said Tuesday that Mr. Parneros won't receive any severance pay and that he is no longer a board member.

Barnes & Noble didn't disclose what rules Mr. Parneros may have violated but said the decision wasn't tied to any disagreement over financial reporting or any potential fraud.

Chief Financial Officer Allen Lindstrom and a group of other Barnes & Noble executives will share the CEO duties on a temporary basis until a replacement for Mr. Parneros is hired, the company said.

Executive Chairman Leonard Riggio, who helped build Barnes & Noble into the country's largest publicly traded bookstore chain, will be involved in management decisions, the company said. Mr. Riggio is the largest private shareholder.

The next chief executive will be Barnes & Noble's fourth in the last two years.

Mr. Parneros didn't respond to requests for comment.

A company representative declined to comment beyond the announcement.

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◆ Beverage executive accused of improper touching..... B2



Inside the passenger cabin of an airliner at a German assembly line. Private-equity funds have spent \$207 billion on financing commercial airliner deliveries since 2009.

Airplane Financing May Be Flying Too High

Discount Fare

Monthly lease rates for new aircraft



BY LAURENCE FLETCHER AND ROBERT WALL

Private-equity investors, known for their jet-setting ways of landing deals, have become hooked on the air-transport business. Some fear an airplane investment bubble is forming.

Attracted by a global rise in passenger numbers, an explosion of budget airlines and healthy profits, private-equity funds have poured \$207 billion into financing commercial airliner deliveries since 2009, according to Boeing data, during which time almost \$900 billion was spent on new jet-

liners. But with returns weakening, some investors worry the historically cyclical sector is overinflating.

"The big question is, are we in a bubble and is it going to explode in the face of investors? My view is that there is a significant risk of a big bursting of the bubble," said Michel Dembinski, head of aviation at Japanese financial group MUFG.

Average return-on-investment data is hard to track because most deals are private. However, Mr. Dembinski said he thinks returns have fallen to the mid-single-digit range from 10% to 15% a decade ago.

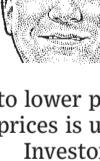
Though other factors are at play, lower returns feed through to lower average monthly leasing rates for the most-sought-after new planes, Boeing 737s and Airbus A320s, which have fallen sharply in recent years, according to aviation data provider IBA.iQ.

Interest in aviation is a reflection of rampant demand from global investors for more niche, private markets. Low bond yields, high equity markets and often disappointing returns from investors such as hedge funds helped drive private-equity fundraising activity to its highest level this

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HEARD ON THE STREET | By Charley Grant

July Is a Risky Month for Drug Prices

 Less than two months after its unveiling, President Donald Trump's plan to lower prescription drug prices is up for a big test.

Investors aren't particularly worried since it stopped short of calling for Medicare to directly negotiate prices with individual drug companies. And the Trump administration has been rolling the plan out at a deliberate pace.

But there is a chance that prevailing attitude will change soon. Midterm elections loom in November.

More immediately, July is a popular month for drug companies to increase list prices of their medicines.

Health and Human Services Secretary Alex Azar said in congressional testimony last week that he hopes companies will "practice restraint" with price increases.

If any such moderation materializes, it seems unlikely to last for long or to be substantial. Shares of big

drug manufacturers, many of them struggling to generate sales growth, have underperformed the stock market for the better part of two years.

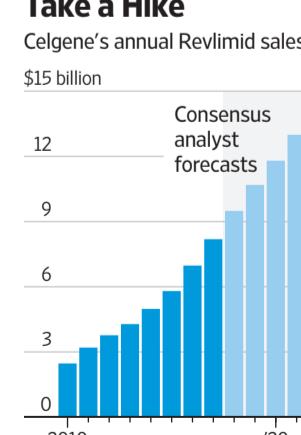
Forgoing drug price increases means forfeiting one of the few easy ways to boost their top and bottom lines. In certain cases, skipping a price increase could mean a decline in revenues if the drugmaker can't offer a big enough rebate to middlemen in the supply chain.

Pfizer raised the list prices on 40 drugs earlier this week, some by as much as 9.4%. **Celgene** Chairman and CEO Mark Alles said on the company's website last month that it will boost sticker prices no more than once a year and at a rate no higher than the projected health-care inflation rate, which is 5.3% for 2018.

That sounds like an improvement, but his pledge comes with an important caveat. "Because value is a guiding principle of our pricing decisions, there may be exceptional circumstances in which additional clinical or

Take a Hike

Celgene's annual Revlimid sales



health economic evidence demonstrates a clear and significant increase in the value of one of our medicines where this standard would not apply," Mr. Alles said.

"We believe this action will provide greater certainty for all stakeholders and contribute to limiting the growth of health care spending," he said.

The wiggle room here is significant. Celgene booked

\$2.2 billion in revenue from its blood-cancer drug Revlimid in the first quarter. That was two-thirds of the company's total sales in the period. Celgene has raised Revlimid's price regularly since the drug launched in 2010 and continues to conduct research on the drug.

That certainly sounds like a quest for a "clear and significant increase in value."

When asked by email whether the "exceptional circumstances" apply to Revlimid, a company spokesman re-sent the statement with slight changes in wording.

For their part, a spokeswoman at HHS said: "We are paying close attention to how all market players are behaving, but this administration has made it clear that the status quo is unacceptable."

The drug industry and the Trump administration won't necessarily agree on what constitutes reasonable practices. Investors shouldn't be surprised if drug-pricing rhetoric heats up once again this summer.

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The next chief executive will be Barnes & Noble's fourth in the last two years.

Mr. Parneros didn't respond to requests for comment.

A company representative declined to comment beyond the announcement.

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Airplane Financing Is Soaring

Continued from page B1
century in 2017, according to data group Prequin. Private-equity funds now sit on a record \$1 trillion of uninvested cash, according to Prequin.

In June, private investment firm **Castelake** LP, a longtime investor in aviation, completed a \$911.3 million securitization to finance a portfolio of 36 aircraft. Late in 2017, **Apollo Global Management** LLC, the private-equity firm co-founded by billionaire investor Leon Black, agreed to acquire privately held Sun Country Airlines for an undisclosed amount.

That came shortly after **Indigo Partners** LLC, a U.S. private-equity group with stakes in rapidly growing discount airlines, organized a joint plane purchase between four airlines and European plane maker **Airbus** to acquire 430 planes valued at almost \$50 billion before typical discounts.

Aengus Kelly, chief executive of **AerCap Holdings** NV, one of the world's largest plane-rental companies, said while there are credible private-equity investors in aviation, some recent actors aren't long-term players. This raises the possibility that they could bolt for the door if short-term yields dry up.

"A bunch of these guys are tourists," he said. "They are investors looking for any place to park money to get returns," he said, without naming

names. "That money will leave the sector at the first sign of trouble."

Airlines have been quick to tap that money. Carriers buying new planes have been increasingly turning to capital markets—including private equity and small investors—to finance their new jets.

However, plane investments, which typically are long-term bets, can be risky. The airline sector tends to be highly cyclical, exposed to the whims of the broader economy. It is a lesson some might have forgotten given the sustained boom in air traffic.

Evan Carruthers, head of aviation strategy at Castelake, said some less-experienced investors that have only recently entered the market will realize they have struck deals that don't offer sustainable returns. When that happens, he said, they will likely sell their positions. "It is going to be a buying opportunity for us," Mr. Carruthers said.

Some private-equity firms have already cashed out. **Cinven Partners** LLP in 2015 sold its stake in plane lessor **Avolon** to Bohai Leasing, an affiliate of China's **HNA Group**. Avolon was set up only five years earlier with private-equity backing.

Terra Firma Capital Partners Ltd. and an investment partner sold plane-rental firm **AWAS** to **Dubai Aerospace Enterprise** in 2017.

Some still see attractive ways to make money in the sector.

"We still believe returns on average in aviation are compelling versus fixed income," said John Morabito, who runs an aviation-finance fund at U.S. investment firm EnTrust Permal.

New York's Plaza Hotel Sold to Qatar Fund



A fund controlled by the Gulf state of Qatar has emerged as a surprise buyer of New York's famed Plaza Hotel, according to people familiar with the matter.

Katara Hospitality, which buys and manages hotels for the Qatar government, has acquired full ownership of the 1907 property for about \$600 million, these people said. Previous owners include hotelier Conrad Hilton and President Donald Trump.

Katara bought the majority stake held by India's **Sahara**

Group and a 25% stake held by New York real-estate investor **Ashkenazy Acquisition** Corp. and its partner Saudi Prince al-Waleed bin Talal. The deal, which closed on Monday, includes 282 guest rooms and the property's retail space, say the people familiar with the transaction.

Representatives of Ashkenazy, Katara and Prince al-Waleed's **Kingdom Holdings** didn't respond to requests for comment.

—Craig Karmin and Keiko Morris

BUSINESS & FINANCE

CEO Accused of Improper Touching

BY JENNIFER MALONEY AND MARK MAREMONT

Two pilots have filed lawsuits alleging sexual harassment by the billionaire behind LaCroix sparkling water, claiming 82-year-old Nick A. Caporella inappropriately touched them on multiple trips while they were flying with him in the cockpit of his business jet.

The allegations by the former employees, both men, were made in lawsuits filed in the past two years in Florida and name both the chief executive and **National Beverage** Corp. as defendants. Mr. Caporella is the chairman, chief executive and controlling shareholder of National Beverage, which has a market value of \$5 billion, thanks to surging LaCroix sales.

Mr. Caporella, a rare CEO who also pilots the corporate jet, and the company have denied the allegations in court documents. The suits claim the unwanted touching occurred on more than 30 trips from 2014 to 2016.

One of the two lawsuits was settled and the allegations withdrawn.

Glenn Waldman, an attorney for Mr. Caporella and National Beverage, called the allegations false and "scurrilous." The lawyer said the company's management hired him to conduct an investigation and he determined the allegations were

meritless.

Mr. Waldman said he spoke with other pilots who flew with Mr. Caporella and they said they had never seen such behavior.

In court filings, Mr. Caporella and National Beverage denied any inappropriate touching occurred, writing in separate responses to both lawsuits that "any contact would be the equivalent of an innocent pat on the back or handshake after a completed flight." In court documents, the company says both pilots left their positions because of poor performance.

One lawsuit, filed in December 2016 in federal court in the Southern District of Florida, was settled in January 2018, according to court records. Terms weren't disclosed.

The other lawsuit, which was partly dismissed by a federal court citing jurisdiction, was refiled in December 2017 in Circuit Court in Broward County and is pending.

Both pilots were hired in recent years to fly as second-in-command alongside Mr. Caporella.

The two pilots complained to executives at the aviation company and National Beverage about Mr. Caporella's alleged inappropriate touching, but the behavior continued, according to the lawsuits.

The pilots' attorney, Lee Schillinger, said Mr. Caporella

pays his crew a generous salary. One of his clients had previously been working three jobs to make the salary that Mr. Caporella offered, according to court documents. "He reaches over and grabs his co-pilot," said Mr. Schillinger. "He's trying to prove that he's in control."

Mr. Schillinger confirmed one case has been settled. Mr. Waldman said the settlement covered "modest wage claims." He said he reported findings of his investigation to National Beverage's senior management and didn't know if the board had voted on the set-

them to be untrue, based on our knowledge of Mr. Caporella and the investigation that was conducted."

One lawsuit was filed by pilot Terence Huenefeld and his wife. Mr. Huenefeld, who spent about five months working for Mr. Caporella, accused the CEO of unwanted touching on 18 flights between March and July 2016, according to court documents.

The lawsuit alleged Mr. Caporella engaged in "repeated unjustified, unwarranted and uninvited grabbing, rubbing and groping of Terry's leg in a sexual manner, reaching up towards Terry's sexual organs."

Mr. Huenefeld withdrew all of his allegations against Mr. Caporella as part of the settlement, according to a document dated Feb. 2 and provided by Mr. Waldman. Mr. Huenefeld couldn't be reached for comment.

Mr. Waldman said his investigation into the second lawsuit is continuing and depositions are scheduled for later this month.

The second pilot, Vincent Citrullo, alleged in his lawsuit a similar pattern of behavior. The lawsuit claims that on 14 flights from March 2014 to July 2015, Mr. Caporella engaged in unwanted touching.

Mr. Citrullo said he stands by his allegations "100%. It was definitely inappropriate."



Low unemployment and tax cuts are helping to maintain momentum in the U.S. auto market despite the talk of higher import duties.

Car Sales Outrun Threat of Tariffs

BY ADRIENNE ROBERTS

U.S. auto sales have held up so far this year, with many of the largest car sellers posting sales increases in the first half despite predictions that demand would cool.

Rising interest rates and plentiful late-model used vehicles were expected to curb new-vehicle sales, but analysts say a strong economy, low unemployment and tax cuts kept sales at a near-record pace over the first six months of 2018—extending a long period of prosperity for what is a cyclical industry.

But industry executives warn that momentum could still stall as President Donald Trump threatens to impose tariffs that could raise some car prices by nearly \$6,000, according to estimates.

Overall U.S. auto sales increased by 1.9% in the first half of the year. June sales increased by about 5%, according to analysts, aided by an additional selling day compared with last year.

General Motors Co., reporting for the first time since it announced it would move from monthly to quarterly reports, said year-to-date through June its sales were up 4.2% at 1,474,170 vehicles. Both **Toyota Motor** Corp. and **Fiat Chrysler Automobiles** NV notched gains for the first six months, while sales at **Ford Motor** Co. and **Honda Motor** Co. were relatively flat.

Nissan Motor Co. reported a nearly 5% decrease in first-half sales.

"Tax reform raised take-home pay, consumer confidence is high and household balance sheets are healthy," GM's chief economist, Elaine Buckberg, said. "All of this plus a strong job market makes consumers more willing to commit to major purchases like vehicles."

As vehicle prices rise and sales remain strong, U.S. consumers are on track to spend \$215 billion on new vehicles in the first half of the year, nearly \$5 billion more than the first six months of 2017, according to J.D. Power. The auto-market researcher pegs the average new-vehicle transaction price at \$32,221 for the first half.

David Christ, Lexus general manager for Toyota, warned tariffs on auto imports would have a broad effect, with even prices for vehicles built in the U.S. going up. "The biggest loser in all this would be the consumer because they will have fewer options," Mr. Christ said.

In comments to the Commerce Department, Toyota said its Camry sedan, built in Kentucky with a base price of about \$23,600, could rise in cost by \$1,800 if automotive tariffs are enacted because the Camry is made with about 30% foreign parts.

Billy Hayes, a vice president

Holding Strong

U.S. vehicle sales overall have defied predictions of a 2018 slowdown.

June sales, in thousands



January-June sales, change from previous year



Note: GM does not report monthly sales

Source: the companies

THE WALL STREET JOURNAL.

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BUSINESS NEWS

Ex-CEO Of WPP Pursues Funding

By NICK KOSTOV

WPP PLC founder Martin Sorrell has sent a letter to shareholders of his new marketing venture seeking their approval to raise up to £1 billion (\$1.32 billion) to fund acquisitions.

In looking to build a war chest, Mr. Sorrell is positioning his new firm—to be named S4 Capital—to go head-to-head with his former company and other major advertising firms that are targeting similar acquisitions.

On Tuesday, The Wall Street Journal reported that Mr. Sorrell and WPP had submitted rival bids for MediaMonks, a Netherlands-based digital creative agency, ahead of a deadline last week.

In an information circular published Wednesday, Mr. Sorrell asked shareholders of his new vehicle—which is targeting businesses focused on technology, data and content—to grant him the authority to issue up to one billion shares at a price of at least £1 each. The document, which precedes a general shareholders meeting set for July 23, said talks already are under way for a number of possible acquisitions.

When Mr. Sorrell announced S4 Capital's creation in May, he said the firm would be too small to rival WPP, which has a market value of £14.65 billion. However, his interest in buying marketing businesses that he describes as "new era, new age" places him firmly in a space where ad holding companies like WPP are trying to grow.

The 73-year-old businessman, who left WPP in April amid controversy, didn't sign a noncompete clause in his employment contract with the company.

Mr. Sorrell is also asking shareholders to make him sole owner of the company's B share. That would mean executives couldn't be appointed or removed without his approval and that he could veto any shareholder resolution. It would also ensure that his control of S4 Capital wouldn't be diluted if new shares were to be issued.

Mr. Sorrell resigned as chief executive in April after the Journal reported that the company's board was looking into an allegation of improper personal behavior and whether Mr. Sorrell had misused company assets.

Mr. Sorrell rejected the allegation "unreservedly" at that time.

Glencore Receives U.S. Subpoena

Mining firm is asked to provide documents on business in Congo, Nigeria and Venezuela

By SCOTT PATTERSON

LONDON—Glencore PLC said it received a subpoena from U.S. authorities related to compliance with American corruption and money-laundering laws at its operations in Congo, Nigeria and Venezuela—a move that ratchets up government scrutiny of the mining and trading giant.

The Tuesday disclosure rattled investors. The shares closed down less than 1% in London on Wednesday after an 8.1% drop on Tuesday.

Glencore said the U.S. Justice Department issued a subpoena demanding it hand over documents and other records related to compliance with the U.S. Foreign Corrupt Practices Act and U.S. money-laundering statutes. FCPA is an antibribery law that forbids the bribing of foreign officials to win or keep business. Glencore said it was reviewing the request and would provide further details "as appropriate." A spokesman declined to comment further.

The company said the subpoena was dated July 2 and relates to its operations in the three countries since 2007.

Glencore's mining operations in the Democratic Republic of Congo have been the subject of scrutiny by foreign governments and corruption watchdogs. But its oil operations in Venezuela and Nigeria haven't surfaced before as a subject of interest by government officials. The broad scope of the subpoena—covering practices in three different countries over more than a decade—suggests "there is a relatively thorough investigation at hand," said Tyler Broda, an RBC Capital Markets analyst.

Glencore is one of the world's largest diversified mining companies and is among the largest traders of commodities, including coal, oil and copper. It employs 146,000 people in more than 50 countries. The company was formed in 1994 when its current chief executive, Ivan Glasenberg, and a team of executives bought out financier Marc Rich for \$1.2 billion.

Among the world's mining giants, Glencore has pushed the furthest into politically risky countries. That has left it



A Glencore copper-cobalt mining pit in the Democratic Republic of Congo last year. Cobalt is a key ingredient in lithium-ion batteries.

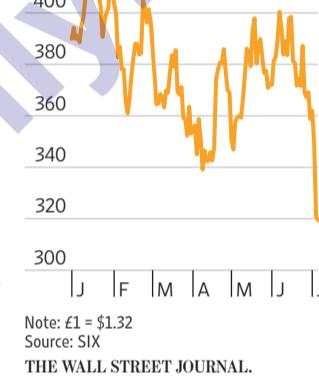
open in many cases to heightened inspection in some of those countries, where the rule of law can be weaker. Some of Glencore's rivals, such as BHP Billiton, have tried to pivot to more developed countries, seen as less risky.

Recently, Mr. Glasenberg has found himself caught between the Trump administration and Moscow as Washington increases sanctions on Russia. Glencore owns about 9% of United Rusal, Russia's biggest aluminum maker. That company, and its major owner, Russian billionaire Oleg Deripaska, have been sanctioned by Washington for his perceived closeness to President Vladimir Putin. Mr. Glasenberg stepped down from the company's board in April because of the sanctions. Mr. Deripaska has said sanctions against him and his entities are "baseless."

Glencore's biggest regulatory headache, however, has been Congo. It operates a pair of copper-mining operations that also produce cobalt, a crucial ingredient of lithium-ion batteries that power mobile phones and electric vehicles. Congo accounts for over 60% of the world's cobalt production. Prices for the metal have soared. Nearly 10% of Glencore's metals and minerals revenue came from Congo and Zambia in 2017.

Digging a Hole

Glencore's share price



Note: £1 = \$1.32
Source: SIX
THE WALL STREET JOURNAL.

New Rolling Stone: Fewer Issues, More Events

By JEFFREY A. TRACHTENBERG

Rolling Stone is in for a makeover in the hands of a new owner.

Penske Media Corp., which acquired control of Rolling Stone parent Wenner Media six months ago, will slash the storied music magazine's circulation by more than half, publish it once a month instead of twice and target growth in the events business.

The goal is to cut production costs and improve the magazine's quality to cope with a punishing climate for print publishers.

"Our strategy is to go much deeper in our core areas: music, politics and entertainment," said Gus Wenner, president and chief operating officer of Wenner Media.

Rolling Stone's new July cover, featuring pregnant entertainer Cardi B and her husband, the rapper Offset, signals the magazine's relaunch.

Inside is a lengthy profile of actor Johnny Depp and an extended photo essay about the Korubu indigenous people titled "The Hidden World of the Amazon" by Sebastian Salgado.

It is a tough time to be in the magazine business, with print advertising in steep decline and more than half of U.S. digital ad dollars going to Alphabet Inc.'s Google and Facebook Inc., according to eMarketer.

But Penske Media, which bought a majority stake in Wenner Media for north of

\$50 million, is among several acquirers betting they can revitalize these publications by developing new lines of business, from paid events to e-commerce to brand licensing, while cutting costs in the legacy print operation. In January, Meredith Corp. completed its acquisition of struggling publisher Time Inc., and Hearst Magazines purchased health-and-wellness publisher Rodale Inc.

Rolling Stone is reducing its circulation to 650,000 copies from 1.45 million. Mr. Wenner was concerned that many copies were being sold on the cheap to consumers through sharply discounted promotions or given away free.

"For us to succeed, we need an authentic audience, readers

who are buying our magazine," said Mr. Wenner, the 27-year-old son of Jann Wenner, Rolling Stone's co-founder, former editor and current editorial director. "We want to set ourselves up for long-term success. You can't do that if you are creating a fake audience for your magazine and are buying tons of traffic online."

Last October, three months before it was acquired by Meredith, Time Inc. said it would cut the weekly circulation of Time magazine by one-third to two million copies and reduce the print frequency of seven other titles.

Rolling Stone has raised its cover price to \$9.99 from \$5.99 to help compensate for having fewer issues on the newsstand. The increase also reflects a shift to heavier paper stock and a larger page format intended to spotlight its photojournalism while re-casting the magazine as a more premium product.

The magazine has boosted its editorial staff by 30% over the past five months and named Jason Fine, its former managing editor, as editor. Its 13 new staffers include Alan Sepinwall, author of "The Revolution Was Televised," as the magazine's chief TV critic.

Rolling Stone averaged newsstand sales of about 28,000 print copies per issue for the six-month period ended Dec. 31, 2017, according to the Alliance for Audited Media, compared with about 139,000 print copies in the same period a decade earlier.

With a Final Message to 'Play On,' Toy Retailer Closes Its Doors



Toys "R" Us Inc. stores went dark last week, but that hasn't stopped kids of all ages from mourning the retailer's demise.

The company sought chapter 11 protection in September with the hopes of survival, but abandoned those plans following a dismal holiday season.

Toys "R" Us's overseas businesses and the chain's intellectual property—even mascot Geoffrey the Giraffe—along with sister brand Babies "R" Us are slated to be sold.

A photo of Geoffrey waving goodbye and holding a suitcase in an empty store went viral as the end neared. The company's website now tells shoppers and children of all ages to "Play on" in its final message.

On social media, fans shared memories and pledged to always be Toys 'R' Us kids.

The toy retailer was born in 1948 when World War II veteran Charles Lazarus opened a children's furniture store in Washington, D.C., to cater to the post-

war baby-boom era. In later years, Mr. Lazarus added toys to the store, which was called Children's Bargain Town.

Mr. Lazarus started Toys "R" Us in 1957, modeling the initial design after supermarkets with a wide variety of toys and shopping carts. He sold Toys "R" Us to retail conglomerate Interstate Stores in 1966 for \$7.5 million.

In 1974, Interstate sought bankruptcy protection, and four years later the company emerged with Mr. Lazarus back

at the helm. The company went public in the 1980s and opened hundreds more stores.

Toys "R" Us was bought for \$6.6 billion in 2005 by private-equity firms Bain Capital and KKR & Co. and Vornado Realty Trust. The debt from the leveraged buyout, and industry headwinds, helped topple the chain.

Mr. Lazarus died in March, days after Toys "R" Us told its 33,000 employees it would shut down and liquidate U.S. stores.

—Lillian Rizzo and Dave Cole

GENERAL ELECTRIC

Latin America Chief Is Arrested in Brazil

Brazilian police arrested the head of General Electric Co. in Latin America Wednesday as part of an investigation into a cartel of companies accused of siphoning off cash from public health contracts in Rio de Janeiro for the past two decades.

Prosecutors accused Daurio Speranzini Jr. of taking part in the cartel when he worked for Philips Medical Systems, before joining GE. A Rio de Janeiro court also issued arrest warrants for another 21 people as part of "Operation Resonance," the latest in a series of sprawling corruption probes that have ensnared the upper echelons of Brazilian business and politics.

The alleged cartel to fix prices for medical equipment tenders in the state of Rio involved at least 33 companies, though some of these were merely front companies, prosecutors said.

Mr. Speranzini couldn't be reached for comment.

—Samantha Pearson

HUDSON'S BAY CO.

Retailer to Sell Half Of Europe Business

Hudson's Bay Co. has agreed to sell half of its European business in a deal that would bring in more than \$1 billion, according to people familiar with the situation, as the department-store

operator continues to shed assets amid a challenging environment for brick-and-mortar retailers.

The transaction, if completed, would unite Germany's two biggest department store chains—longtime rivals Galeria Kaufhof GmbH and Karstadt Warenhaus GmbH—in one company.

Under the proposed deal, Austrian real-estate company Signa Holding GmbH will buy half of HBC Europe's operating company, which includes Kaufhof, retail chains in Belgium and the Netherlands and Saks Off 5th stores in Europe, as well as half of HBC Europe's real-estate company, one person said.

—Suzanne Kapner,
Ben Dummett

ENBRIDGE

Pipeline Firm to Sell Plants to Brookfield

Oil and gas pipeline operator Enbridge Inc. announced a deal to sell 19 natural-gas gathering and processing plants to Brookfield Infrastructure Partners LP, another step in its bid to shrink its heavy debt burden and focus on pipeline and utilities businesses.

The deal, for 4.3 billion Canadian dollars (\$3.7 billion), comes less than two months after the company announced C\$3.2 billion of asset sales. Together, the deals more than double the C\$3 billion asset sale target that Enbridge's chief executive, Al Monaco, had set for this year.

—Vipal Monga

MANAGEMENT

M.B.A. Programs Attract Students With Math Help

BY JANAKI CHADHA

Business schools are making greater accommodations for applicants who have analyzed more sonnets than spreadsheets.

As many flagship M.B.A. programs struggle to attract a broader array of young professionals, some schools, including Carnegie Mellon University, Yale University and Columbia University, are helping former English literature and political-science majors prepare for math-intensive coursework before their first semesters.

BUSINESS EDUCATION Jonathan Feinstein, who runs a 'math camp' for new Yale M.B.A. students, said for some enrollees 'this is all Martian.'

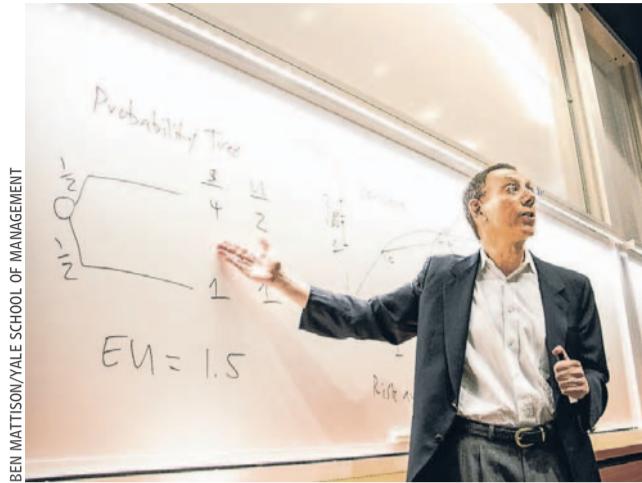
Carnegie Mellon University, Yale University and Columbia University, are helping former English literature and political-science majors prepare for math-intensive coursework before their first semesters.

M.B.A. admissions offices historically limited applicants to the quant-heavy Graduate Management Admission Test for admission. But some 91% of U.S. business schools surveyed by Kaplan Test Prep last fall accept the Graduate Record Examination, an entrance exam used mainly for social-science and humanities master's programs. That is up from 24% of schools in 2009.

The same survey found 67% of schools said offering the GRE option has increased enrollment of students from backgrounds outside the traditional pre-M.B.A. tracks of finance, consulting and other business-related fields.

Business-school administrators want to make sure those students are coming to campus prepared, said Michael Malone, an associate dean at Columbia Business School. "There's an industrywide recognition from business schools. If they're coming and feeling underprepared, that has an impact on their experience," he said.

Each summer, the Yale School of Management calls in about 20% of incoming students to a three-day "math camp" to help students pick up the basics of topics such as calculus and statistics. The school invites students with weaker quantitative backgrounds, as evident in undergraduate transcripts and standardized test



Jonathan Feinstein, who runs a 'math camp' for new Yale M.B.A. students, said for some enrollees 'this is all Martian.'

scores, according to Yale's admissions office.

"For some of the students, when they first walk in, this is all Martian," said Jonathan Feinstein, who runs the course. In the end, "the students who are struggling quantitatively almost always make it through" Yale's program, he said.

M.B.A. programs, once reliable, moneymaking ventures for large universities, have experienced a steady drop in applications in recent years.

Meanwhile, options for prospective students have increased. In an attempt to court a wider swath of applicants, schools have introduced certificate programs that take less time to complete and new specialized degree tracks that focus on industries such as fashion and technology.

Schools say the decision to begin accepting the GRE is also part of an effort to attract students applying to a range of master's programs, and increase representation of women and minorities.

For about one-third of students coming into the two-year M.B.A. program at Carnegie Mellon University's Tepper School of Business, admission is contingent on completing a five-week online math course over the summer and passing a three-hour final exam. The course, first offered in 2016, is

targeted toward students who wouldn't otherwise fulfill the school's calculus requirement.

"We want to be able to recruit people who have strong analytical ability but may not have the most extensive quants background," said Kathryn Barracough, head of Tepper's M.B.A. program.

Vanderbilt University's Owen Graduate School of Management has a similar program. In this year's incoming class, about 41% of students are required to take an online course that generally takes about a month to complete, depending on a student's ability, up from 32% of incoming students last year.

"We explain to them, this is not to punish you," said Christie St-John, director of M.B.A. admissions at Owen. "If you're coming from a background of no quant, no math, you need to get yourself prepared."

Jeff Lenar said math was never his strong suit. He majored in history at the U.S. Naval Academy and served in the Marine Corps before entering business school at Owen. Having completed his first year in the program, he said he is glad he took the math prep course.

"You could complain about it, but I was well aware that business school was going to be difficult, so I took it as an opportunity," he said.

Better-Off Students

Percentage of internships/co-ops that are unpaid



Source: National Association of Colleges and Employers poll, most recent of 4,213 bachelor's degree students conducted Feb. 15-April 30, 2017.

THE WALL STREET JOURNAL.



Low unemployment has stoked competition to recruit young talent through internships. A museum intern in Florida.

These Days, Interns Get Paid

BY PATRICK THOMAS

A tight U.S. labor market is squeezing out the unpaid internship.

With unemployment at historic lows, more companies are paying for work they used to get free in order to ensure a pipeline of young talent for entry-level positions. In some cases, hiring managers are relaxing standards to fill open seats.

Internships have boomed in recent decades, providing a way for students to build their résumés while giving employers access to cheap labor. A survey of 2017 college graduates conducted by the National Association of Colleges and Employers showed that nearly 60% of respondents had an internship during their time in school, compared with almost 50% in 2007.

In 2012, about half of all internships were unpaid. Since that peak, unpaid internships have declined steadily, hitting 43% in 2017, according to NACE.

Grace O'Neil, a student at the University of Minnesota, this past spring as a sophomore was offered an unpaid internship at a local media company. She turned it down, gambling that a better, paid opportunity was coming. A month later, she got a call from Warner Bros.

Pictures offering her a paid

marketing internship in Burbank, Calif., for the summer.

"I think now people are understanding that you shouldn't be taking an unpaid internship," said Ms. O'Neil, who started the Warner Bros. job in June. "Our time is valuable. Students are not as willing to take them anymore."

Unpaid internships have been widely criticized for taking advantage of free labor and catering to students who can afford spending a summer or semester working without pay because their parents foot the bill. Students can get college credit for internships, but unless they are on a scholarship they still pay the school for that credit.

"Employers feel safer if the intern receives course credit—even though it's the student, rather than the employer, who pays for those credits," said Ross Eisenbrey, distinguished fellow at the Economic Policy Institute, a Washington, D.C., think tank.

The U.S. Department of Labor in January tried to clarify what makes an unpaid internship legal. New guidelines, which include a seven-part test, state that the position must provide an experience applicable to the student's education and that their work should complement, not displace, that of a paid employee.

Cape Cod Five Cents Sav-

ings Bank

, in Harwich Port, Mass., established a paid-intern program last year to attract college students and create a pipeline of young talent. Laura Newstead, a senior vice president and chief human-resources officer, said recruiting local college students and graduates to stay in Cape Cod can be challenging as most of them want to go off to Boston or New York. Four of the bank's previous paid summer interns returned after graduating to work full-time.

Robert Walters PLC, a professional recruitment consultancy, is converting the unpaid internship in its New York office to paid work after some schools stopped sending students to the program, said Kurt Kraeger, president of the firm's New York office. In the past, he said, the company offered college credit, flexible schedules and a small stipend to students—but that is no longer enough.

"Going forward, we are going to be more competitive and do away with the unpaid internships," Mr. Kraeger said.

The average hourly internship wage rose 3.7% in 2018 to \$18.73, according to NACE. In 2014, the average hourly wage for an intern was about \$16.

Hiring managers say rising competition for workers also means in some cases relaxing their hiring standards.

BOARDWALK GP, LP

9 GREENWAY PLAZA, SUITE 2800

HOUSTON, TEXAS 77046

NOTICE OF ELECTION TO PURCHASE COMMON UNITS REPRESENTING LIMITED PARTNER INTERESTS OF BOARDWALK PIPELINE PARTNERS, LP

JUNE 29, 2018

Reference is made to the Third Amended and Restated Agreement of Limited Partnership, dated as of June 17, 2008, as amended (the "Partnership Agreement"), of Boardwalk Pipeline Partners, LP, a Delaware limited partnership (the "Partnership"). Unless otherwise specified, capitalized terms used herein and not defined herein shall have the meanings given to such terms in the Partnership Agreement.

This document constitutes a Notice of Election to Purchase pursuant to Section 15.1(c) of the Partnership Agreement and serves as notice that Boardwalk GP, LP, a Delaware limited partnership and the general partner of the Partnership (the "General Partner"), has exercised its right pursuant to Section 15.1(b) of the Partnership Agreement to purchase all of all Limited Partner Interests Outstanding held by Persons other than the General Partner and its Affiliates.

The only class of Limited Partner Interests of the Partnership Outstanding that is not entirely held by either the General Partner or its Affiliates is that consisting of Common Units. All conditions precedent to the exercise by the General Partner of its right pursuant to Section 15.1(b) of the Partnership Agreement have been fulfilled. The General Partner hereby elects to purchase all Common Units Outstanding held by Persons other than the General Partner and its Affiliates, upon surrender of Certificates representing such Common Units in exchange for payment of the Purchase Price set forth below, at the offices of American Stock Transfer & Trust Company, LLC, the transfer agent for the Common Units (the "Transfer Agent") set forth below.

Securities to Be Purchased:

All Outstanding Common Units held by Persons other than the General Partner and its Affiliates

CUSIP:

096627 10 4

Purchase Date:

July 18, 2018 (the "Purchase Date")

Purchase Price:

\$12.06 per Common Unit (the "Purchase Price"), which is equal to the average of the daily Closing Prices on the New York Stock Exchange per Common Unit for the 180 consecutive Trading Days ending on June 29, 2018.

Aggregate Purchase Price for All

Common Units to Be Purchased:

\$1,504,010,427

Address and Telephone Number

of the Transfer Agent:

American Stock Transfer & Trust Company, LLC
Operations Center
Att'n: Reorganization Department
6201 15th Avenue
Brooklyn, New York 11219
1-877-248-6417

This Notice of Election to Purchase is being mailed on July 3, 2018 to holders of record of the Common Units as of the close of business on June 27, 2018.

On or prior to the Purchase Date, the General Partner shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate Purchase Price of all Common Units to be purchased. If on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Common Units subject to purchase, then from and after the Purchase Date, notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Common Units (including any rights pursuant to Articles IV, V, VI and XII of the Partnership Agreement) shall thereupon cease, except the right to receive the Purchase Price (determined in accordance with Section 15.1(b) of the Partnership Agreement) therefor, without interest, upon surrender to the Transfer Agent of the Certificates representing such Common Units, and such Common Units shall thereupon be deemed to be transferred to the General Partner on the record books of the Transfer Agent and the Partnership, and the General Partner shall be deemed to be the owner of all such Common Units from and after the Purchase Date and shall have all rights as the owner of such Common Units (including all rights as owner of such Common Units pursuant to Articles IV, V, VI and XII of the Partnership Agreement).

All Certificates surrendered for payment must be accompanied by a letter of transmittal in the form to be mailed to holders of record of the Common Units as of the close of business on the Purchase Date. Copies of the form of letter of transmittal may be obtained from and after the Purchase Date free of charge upon request directed to the Transfer Agent at the address or telephone number set forth above. At any time from and after the Purchase Date, a holder of an Outstanding Common Unit in certificated form subject to purchase as provided herein may surrender such holder's Certificate evidencing such Common Unit, together with a completed letter of transmittal in the prescribed form, to the Transfer Agent in exchange for payment of the amount described herein, without interest thereon. The method chosen for the delivery of Certificates representing Common Units to the Transfer Agent is at the option and risk of the holder. If delivery is by mail, use of registered or certified mail, properly insured, is suggested.

Common Units held through The Depository Trust Company ("DTC") should be surrendered for payment in accordance with DTC's procedures therefor. Payment of the Purchase Price with respect to Common Units held in uncertified or book-entry form on the books of the Transfer Agent will be made in accordance with the applicable procedures of the Transfer Agent.

For more information regarding this Notice of Election to Purchase, you may contact the Transfer Agent at the address or telephone number set forth above.

Research Expansion Opportunities in the

Restaurant Industry ▾

open or launch



MOST MENTIONED SUBJECTS

- Franchises
- Facility Openings
- Wine, Beer, Spirits

KEYWORDS

- Grand Opening
- Restaurant
- Local Lunch
- Rooftop
- Atmosphere
- Hiring

CORPORATE SIGNALS

New Site

NEWS VOLUME

Fine
Casual
Family



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DOW JONES
FACTIVA

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24174.82 ▼132.36, or 0.54%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.29 20.89
P/E estimate * 16.04 18.18
Dividend yield 2.24 2.30
All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open

Mar. Apr. May June

*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

S&P 500 Index

2713.22 ▼13.49, or 0.49%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.98 23.87
P/E estimate * 17.18 18.72
Dividend yield 1.91 1.96
All-time high 2872.87, 01/26/18



Bars measure the point change from session's open

Mar. Apr. May June

*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

Nasdaq Composite Index

7502.67 ▼65.01, or 0.86%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.98 25.69
P/E estimate * 20.92 21.01
Dividend yield 0.95 1.13
All-time high: 7781.51, 06/20/18



Bars measure the point change from session's open

Mar. Apr. May June

*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	S&P	500 Index	MidCap 400	SmallCap 600
Industrial Average	24444.88	24150.85	24174.82	-132.36	-0.54	26616.71	21320.04	12.5	-2.2	10.9
Transportation Avg	10491.26	10346.45	10367.18	-81.02	-0.78	11373.38	9021.12	7.5	-2.3	8.5
Utility Average	723.44	714.55	719.44	1.80	0.25	774.47	647.90	2.3	-0.5	8.6
Total Stock Market	28513.46	28278.53	28297.97	-110.07	-0.39	29630.47	24958.26	12.3	2.3	9.2
Barron's 400	744.93	739.18	739.76	-0.91	-0.12	760.51	629.56	14.1	4.1	9.2

Nasdaq Stock Market

Nasdaq Composite	7594.33	7498.50	7502.67	-65.01	-0.86	7781.51	6089.46	22.8	8.7	14.4
Nasdaq 100	7122.45	7009.51	7014.55	-83.27	-1.17	7280.70	5596.96	25.3	9.7	16.5

S&P

S&P	500 Index	2736.58	2711.16	2713.22	-13.49	-0.49	2872.87	2409.75	11.7	1.5	9.3
MidCap 400	1969.40	1955.60	1957.35	3.70	0.19	2003.97	1691.67	11.3	3.0	9.1	
SmallCap 600	1033.64	1028.52	1028.93	1.65	0.16	1052.40	817.25	19.2	9.9	12.8	

Other Indexes

Russell 2000	1667.52	1655.40	1660.42	5.33	0.32	1706.99	1356.90	16.4	8.1	10.0
NYSE Composite	12576.82	12484.60	12494.70	9.12	0.07	13637.02	11699.83	5.6	-2.5	4.8
Value Line	574.35	570.67	571.09	0.42	0.07	589.69	503.24	8.7	1.6	4.5
NYSE Arca Biotech	4852.97	4801.96	4813.33	14.33	0.30	5018.28	3787.17	24.1	14.0	5.1
NYSE Arca Pharma	533.32	529.14	530.62	2.99	0.57	593.12	514.66	-1.2	-2.6	-2.9
KBW Bank	105.44	103.49	103.62	-1.23	-1.17	116.52	89.71	6.7	-2.9	10.2
PHLX® Gold/Silver	83.57	82.00	82.87	1.76	2.17	93.26	76.42	4.9	-2.8	9.8
PHLX® Oil Service	154.51	150.86	151.43	1.20	0.80	170.18	117.79	12.1	1.3	-8.0
PHLX® Semiconductor	1327.31	1296.50	1297.71	-24.11	-1.82	1449.90	1020.51	27.2	3.6	23.7
Cboe Volatility	16.45	14.68	16.14	0.54	3.46	37.32	9.14	43.9	46.2	-1.3

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 1 p.m. to 3:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	5,246.0	270.50	-0.40	-0.15	271.13	270.36
Ambev ADR	ABEV	4,077.8	4.69	...	unch.	4.70	4.65
General Electric	GE	2,951.7	13.35	-0.02	-0.15	13.41	13.34
Van Eck Vectors Jr Gold	GDXJ	2,286.6	32.96	-0.04	-0.12	33.07	32.91
Invesco QQQ Trust I	QQQ	2,039.7	170.73	-0.07	-0.04	172.80	170.55
iShares MSCI Emg Markets	EEM	1,206.8	42.93	...	unch.	42.95	42.84
Micron Technology	MU	1,146.3	50.63	-0.85	-1.65	52.69	50.50
Van Eck Vectors Gold Miner	GDX	1,139.1	22.50	0.03	0.14	22.52	22.46

Issues traded

Advances

Declines

Unchanged

New highs

New lows

Closing tick

Closing Arms*

Block trades*

Trading Diary

Volume, Advancers, Decliners

NYSE NYSE Amer.

Total volume* 484,389,006 9,555,368

Adv. volume* 287,938,222 5,143,396

Decl. volume* 179,008,543 4,21

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract Open	High hi lo	Low	Settle	Chg	Open interest
	Open	High	Low	Settle	Chg	Open
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,950	2,9420	2,8970	2,9060	-0.0255	4,761
July	2,9305	2,9420	2,8980	2,9170	-0.0270	138,553
Sept	2,9450	2,9665	2,9080	2,9170	-0.0270	138,553
Gold (CMX) -100 troy oz.; \$ per troy oz.	1238.10	1254.10	1237.00	1251.60	11.80	188
July	1242.90	1258.50	1238.80	1253.50	11.80	323,890
Aug	1249.10	1263.90	1244.30	1259.00	11.90	17,427
Oct	1255.30	1269.80	1250.10	1264.80	11.80	115,721
Dec	1258.10	1275.50	1257.30	1270.70	11.90	17,274
Feb'19	1280.30	1283.10	1280.30	1283.00	12.10	4,458
Palladium (NYM) -50 troy oz.; \$ per troy oz.	940.60	948.00	934.40	938.00	3.60	20,119
Sept	930.10	943.20	929.70	933.20	3.90	1,963
Platinum (NYM) -50 troy oz.; \$ per troy oz.	817.00	844.00	796.90	841.80	32.80	486
Oct	823.10	849.30	800.70	846.30	32.90	82,989
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	15.790	15.980	15.740	15.952	0.208	2,036
Sept	15.880	16.085	15.815	16.043	0.208	162,147
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	74.08	75.27	72.73	74.14	0.20	391,048
Sept	71.71	72.85	70.43	71.59	-0.03	281,518
Oct	69.22	70.15	68.04	68.84	-0.46	205,784
Dec	67.61	68.59	66.66	67.44	-0.39	302,332
June'19	64.55	65.54	63.82	64.70	-0.05	152,836
Dec	62.52	63.38	61.73	62.52	-0.10	203,944
NY Harbor USLD (NYM) -42,000 gal.; \$ per gal.	2,159.00	2,191.00	2,142.00	2,164.20	0.084	122,666
Sept	2,165.80	2,197.50	2,148.00	2,171.10	0.081	76,665
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	2,106.20	2,135.00	2,090.70	2,117.00	0.018	133,753
Sept	2,088.50	2,115.30	2,071.80	2,098.50	0.013	90,189
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.	2,861	2,903	2,852	2,870	.008	212,526
Sept	2,845	2,878	2,830	2,846	.002	184,832
Oct	2,856	2,889	2,843	2,856	-.001	172,939
Jan'19	3,084	3,122	3,078	3,093	.001	114,103
March	2,957	2,988	2,950	2,963	.001	119,164
April	2,648	2,672	2,646	2,663	.012	122,319

Agriculture Futures

	Contract Open	High hi lo	Low	Settle	Chg	Open interest
	Open	High	Low	Settle	Chg	Open
Corn (CBT) -5,000 bu.; cents per bu.	340.25	345.25	339.25	342.75	5.25	5,687
July	361.25	366.75	359.75	364.25	5.25	763,908
Oats (CBT) -5,000 bu.; cents per bu.	254.00	254.00	254.00	254.00	8.50	63
July	240.25	242.00	238.50	239.25	-.75	3,004
Soybeans (CBT) -5,000 bu.; cents per bu.	849.50	852.75	843.00	844.00	-4.50	3,755
July	872.00	873.50	863.00	864.25	-5.25	408,679
Soybean Meal (CBT) -100 tons; \$ per ton.	329.50	330.80	327.90	328.70	-1.70	4,290
July	328.10	328.80	325.10	325.40	-2.20	197,344
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	28.81	28.85	28.58	28.62	-.15	4,165
July	29.34	29.52	29.15	29.20	-.19	230,688
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	1136.00	1164.00	1135.50	1162.50	21.50	5,824
Sept	1135.00	1150.00	1135.00	1151.50	20.50	1,016
Wheat (CBT) -5,000 bu.; cents per bu.	480.75	495.00	480.50	491.50	11.25	1,080
Sept	481.25	493.00	481.00	491.00	10.75	202,474
Wheat (KCI) -5,000 bu.; cents per bu.	459.00	463.75	459.00	462.25	12.75	392
Sept	471.25	487.00	471.00	484.00	13.25	130,075
Wheat (MPLS) -5,000 bu.; cents per bu.	524.50	519.50	519.50	519.50	7.50	70
Sept	527.75	538.75	527.75	535.25	8.25	27,590
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.	152,450	153,250	151,500	152,800	.875	22,153
Sept	152,475	153,075	151,750	152,600	.475	8,813
Cattle-Live (CME) -40,000 lbs.; cents per lb.	107,400	107,475	106,200	106,450	-.450	131,794
Oct	110.35	110.90	109.85	110.10	.25	87,797
Hogs-Lean (CME) -40,000 lbs.; cents per lb.	83.500	84.075	83.300	83.725	.525	16,145
July	74.900	76.575	74.300	76.000	1.625	75,118
Lumber (CME) -110,000 bd. ft.; \$ per 1,000 bd. ft.	571.70	577.00	560.40	561.70	-13.90	1,156
Sept	555.20	561.80	543.20	545.20	-12.30	3,715
Milk (CME) -200,000 lbs.; cents per lb.	15.27	15.27	15.27	15.27	0	1,000
June	15.27	15.27	15.27	15.27	0	1,000
Cocoa (ICE-US) -10 metric tons; \$ per ton.	2,385	2,385	2,385	2,418	-.47	161
Sept	2,508	2,543	2,437	2,454	-.47	95,826

Interest Rate Futures

	Contract Open	High hi lo	Low	Settle	Chg	Open interest
	Open	High	lo	Settle	Chg	Open
Coffee (ICE-US) -37,500 lbs.; cents per lb.	109.75	109.75	108.45	108.35	.55	81
July	111.80	112.90	111.50	111.90	.25	160,969
Sugar-World (ICE-US) -12,000 lbs.; cents per lb.	11.65	11.69	11.24	11.39	-.17	517,531
March'19	12.38	12.43	12.01	12.12	-.21	254,268
Sugar-Domestic (ICE-US) -12,000 lbs.; cents per lb.	25.90	26.00	25.90	25.97	.13	2,164
Sept	25.95	25.95	25.95	25.97	.11	1,579
Cotton (ICE-US) -50,000 lbs.; cents per lb.	84.44	84.44	84.44	84.54	.04	161
Dec	83.07	83.66	82.60	82.81	-.12	180,146
Orange Juice (ICE-US) -15,000 lbs.; cents per lb.	162.25	162.25	162.25	166.50	.70	825
Sept	167.75	169.30	165.75	167.70	.80	10,711

Interest Rate Futures

Treasury Bonds (CBT)-\$100,000; pts 32nds of 100%

	Contract Open	High hi lo	Low	Settle	Chg	Open interest
	Open	High	lo	Settle	Chg	Open

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, July 3, 2018

		Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg					
A	B	C	AnadarkoPetrol	APC	73.46	-0.02	BioGen	BIIB	293.51	-2.26	DowDuPont	DWP	65.15	-0.62	GeneralElec	GE	13.37	...	Knight-Swift	KNX	38.29	-0.17	RoyalBScotlnd	RBS	6.64	-0.04	TransDigm	TDG	344.44	1.83
ABB	ABB	21.53	-0.05	BlueMarinPharm	BRMN	94.46	0.54	CenterPointEner	CNP	27.61	-0.04	DiPepperSnap	DPS	132.22	-0.46	GeneralMills	GIS	43.53	0.09	Kohl's	KSS	72.20	0.87	RoyalCaribeRn	RCL	103.44	-0.52			
ADT	ADT	8.05	-0.04	Dropbox	DBX	32.00	-0.80	CenturyLink	CTL	19.10	-0.57	EdukeEnergy	DUK	79.83	0.05	Gentel	GNTX	22.80	-0.13	KoreElecPwr	KEP	14.23	-0.10	NextEraEnergy	NEE	168.56	0.45			
AES	AES	13.01	-0.13	Fidelity	FID	61.43	0.27	CharterComms	CHTR	295.51	5.67	DUkeRealty	DUR	29.08	-0.34	GPC	GPC	90.72	-0.29	KraftHeinz	KHH	62.64	0.55	NielsenHoldings	NLSN	30.54	-0.05			
AFC	AFC	42.90	-0.01	FinTech	FINT	49.99	-0.38	Chemours	CHML	45.53	-0.37	EMC	E	37.68	1.01	Gildan	GIL	27.07	-0.29	NiSource	NI	26.73	0.21	Travelers	TRV	122.77	0.38			
AGNC Inv	AGNC	18.95	-0.12	FintechEnergy	FNG	65.97	-0.08	EOG Rscs	EOG	122.00	-1.84	EPAM Systems	EPAM	122.45	-1.84	Kroger	KR	28.01	-0.48	NobleEnergy	NBL	34.66	0.69	Trilex	TRM	32.41	-0.09			
ANGI Homes	ANGI	15.78	-0.12	FintechEnergy	FNG	65.97	-0.08	FidelityInvest	FID	61.43	0.27	EMC	E	37.68	1.01	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
Ansly	ANSS	173.34	-2.66	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EOG Rscs	EOG	122.00	-1.84	Kroger	KR	28.01	-0.48	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
ASML	ASML	139.47	-3.78	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EPAM Systems	EPAM	122.45	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AT&T	AT&T	32.52	-0.59	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EMC	E	37.68	1.01	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AbbottLabs	ABT	60.81	-0.19	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EOG Rscs	EOG	122.00	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AbbVie	ABBV	93.61	-0.20	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EPAM Systems	EPAM	122.45	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
Abubrook	ABNB	157.53	-2.93	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EMC	E	37.68	1.01	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
Accenture	ACN	163.34	-0.11	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EOG Rscs	EOG	122.00	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
ActvionDil	ATVI	75.89	-0.44	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EPAM Systems	EPAM	122.45	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
Adobesystems	ADBE	242.01	-1.25	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EMC	E	37.68	1.01	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
Advantage	ADV	12.05	-0.01	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EOG Rscs	EOG	122.00	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AdvantEdge	ADGE	8.58	-0.02	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EPAM Systems	EPAM	122.45	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AeroCap	AER	54.14	-0.37	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EMC	E	37.68	1.01	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
Aetna	AET	185.20	-0.48	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EOG Rscs	EOG	122.00	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AffiliatdPcr	APGN	147.23	-1.67	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EPAM Systems	EPAM	122.45	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
Aig	AIG	136.50	-0.22	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EMC	E	37.68	1.01	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
Airbus	AIRB	184.75	-1.61	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EOG Rscs	EOG	122.00	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AirbusA320	AIRB	136.60	-0.21	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EPAM Systems	EPAM	122.45	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AirbusA330	AIRB	136.60	-0.21	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EMC	E	37.68	1.01	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AirbusA350	AIRB	136.60	-0.21	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EOG Rscs	EOG	122.00	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AirbusA380	AIRB	136.60	-0.21	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EPAM Systems	EPAM	122.45	-1.84	LATAMAirlines	LATM	10.18	-0.16	ParamountGlobal	PG	151.18	-0.14	Travelers	TRV	122.77	0.38			
AirbusA390	AIRB	136.60	-0.21	FirstEnergy	FID	61.43	0.27	FidelityInvest	FID	61.43	0.27	EMC	E	37.68	1.01	LATAMAirlines														

MONEY & INVESTING

Dalio's Firm Gets Chinese Approval

BY STELLA YIFAN XIE

Bridgewater Associates LP, the world's largest hedge-fund firm, has won approval to sell investment products to institutional and high-net-worth investors in China.

BridgeWater (China) Investment Management Co., a Shanghai-based unit of the U.S. firm, obtained a license on June 29 to be a private fund manager, according to the Asset Management Association of China, a quasiofficial body. It has six months to launch its first onshore investment fund.

The Westport, Conn.-based firm joins a dozen other foreign asset managers—including BlackRock Inc., Schroders PLC and Fidelity International—that have gained approval to tap into China's asset-management industry.

Bridgewater, which manages about \$160 billion in assets globally, received approval to set up a Shanghai subsidiary in May 2016 and has been allowed to trade directly in Chinese markets. It currently manages some money from Chinese institutions and the country's government. The latest approval means it can now raise money domestically to invest within the country.

The license approval for Bridgewater, which was founded more than four decades ago by Ray Dalio, comes at a turbulent time for China's financial markets. The main stock benchmark has underperformed its global peers this year and recently entered bear-market territory, hurt by an escalating trade war between the U.S. and China and recent weakness in the country's economy and currency.

KPMG Has Ties to Troubled Firm

Parent investigates role of Dubai auditing affiliate at developing nation investor Abraaj

The unraveling of **Abraaj Group**, a once-highflying champion of emerging-markets investing, is drawing attention to the role played by its auditor, a Middle East affiliate of KPMG.

By Simon Clark,
William Louch
and Nicolas Parasie

KPMG International, the firm's global umbrella organization, is working with law firm **Linklaters LLP** on an independent investigation of its Dubai-based affiliate's work for Abraaj, according to Brian Bannister, KPMG's London-based global head of communications.

Investors have accused Dubai-based private-equity firm Abraaj of taking money from its funds and using it for purposes that weren't sanctioned. The firm, which attracted money from governments and private investors around the world, has filed for a liquidation proceeding in the Cayman Islands. Under pressure from investors and creditors, the firm has agreed to sell several parts of its business.

KPMG audited Abraaj at least nine of its biggest funds, public records show, including funds where investors say money was used for purposes other than intended. KPMG also audits companies Abraaj invested in, such as Air Arabia Group, an airline which was a recipient of Abraaj money and invested \$336 million with Abraaj.

"The close relationship between KPMG and Abraaj raises red flags," said Sabah al-Binali, an Emirati management consultant.

Mr. Binali said he isn't an investor in Abraaj but has observed the firm and met with several of its employees. "We take the questions raised in relation to Abraaj very seriously,"

Mr. Bannister said in an emailed response to questions.

The ties to Abraaj run deep. KPMG Lower Gulf Ltd., the Dubai-based affiliate, is led by Chairman and Chief Executive Vijay Malhotra. His son has worked at Abraaj. An executive named Ashish Dave alternated between stints at KPMG and as Abraaj's chief financial officer, a job he held twice. At least two other members of Abraaj's finance team in Dubai also previously worked for KPMG.

Messrs. Malhotra and Dave didn't respond to requests for comment. A spokeswoman for KPMG Lower Gulf declined to comment.

KPMG International declined to comment on the hiring practices. Abraaj spokeswoman Mitali Atal said it is normal for a financial company like Abraaj to hire people with experience at accounting firms like KPMG.

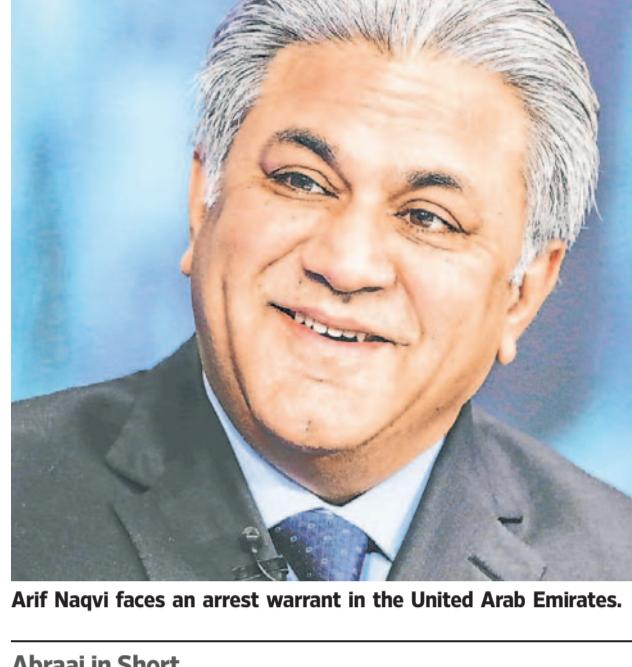
U.S. institutions including the Bill & Melinda Gates Foundation, investment company Hamilton Lane and the U.S. government's Overseas Private Investment Corp. and U.S. Agency for International Development collectively pledged hundreds of millions of dollars to Abraaj. The World Bank and the British, French and Dutch governments also backed Abraaj.

The controversy at Abraaj is the latest to involve KPMG, a network of independent firms in some 150 countries. KPMG International licenses the KPMG trademark and sets standards for all member firms, including KPMG Lower Gulf.

In the U.S., KPMG fired employees over an information-stealing scandal. KPMG said it promptly notified authorities when it learned of the employees' conduct.

In South Africa, KPMG's affiliate is under fire over issues including its ties to a politically connected family. KPMG has said its work for the Gupta family fell short of its standards but that there was no criminal wrongdoing.

In the U.K., regulators said



LUKE MACGRAGOR/BLOOMBERG NEWS

Arif Naqvi faces an arrest warrant in the United Arab Emirates.

Abraaj in Short

Selected investors and investments in three of Abraaj's biggest funds. Money from the health fund and fund IV was used by Abraaj for purposes other than intended, drawing the ire of investors.

Abraaj Growth Markets Health Fund

\$1 billion fund raised in 2016

Investors

Gates Foundation
World Bank
Philips

Investments

Care hospitals, India
Islamabad Diagnostic Centre, Pakistan
Avenue hospital, Kenya

Abraaj Africa Fund III

\$1 billion fund raised in 2015

World Bank
FMO
CDC Group

Lilistar, food maker, South Africa
Java House, coffee shops, Kenya

Abraaj Private Equity Fund IV

\$1.6 billion fund raised in 2012

Hamilton Lane
Bank of America
Lexington Partners

Kudu, restaurant chain, Saudi Arabia
Yorsan, dairy products, Turkey
Fan Milk, ice-cream, Ghana

Source: the company

last month that the quality of audits by KPMG's British affiliate was "unacceptable." The affiliate has been investigated by regulators over its auditing of a construction company that collapsed in January. KPMG has

said it conducted the audits appropriately.

Audit quality is KPMG's "No. 1 priority," Mr. Bannister said. KPMG doesn't "hesitate to take decisive action when individual behavior or events occur that do

not meet the high standards to which we operate," he said.

Regulators and investors are scrutinizing Abraaj's management of assets, which peaked at nearly \$14 billion this year. Dubai Financial Services Authority officials visited Abraaj in recent weeks and took computers and documents, people familiar with the visit said. Ms. Atal said Abraaj has offered "full cooperation" to regulators and is in "regular dialogue" with them.

Abraaj founder Arif Naqvi faces an arrest warrant in the United Arab Emirates for allegedly writing bad checks to a former business partner for a total of at least \$48 million. Abraaj has said that "settlement discussions are ongoing with the intent to arrive at a satisfactory solution for all parties."

Abraaj filed for provisional liquidation last month in the Cayman Islands amid mounting questions about its management of funds. **Deloitte**, appointed by Abraaj's board to investigate the firm, told Abraaj creditors in June that money in Abraaj's \$1 billion health-care fund and another fund was used for purposes other than intended and that Abraaj lacked adequate governance, according to notes of a Deloitte presentation reviewed by The Wall Street Journal. KPMG audits both funds.

After investors in the health-care fund including the Gates Foundation and World Bank last year started questioning whether their money was being mismanaged, Abraaj said it appointed KPMG Lower Gulf in January to "verify all receipts and payments made by the fund."

Abraaj said in a Feb. 7 statement that KPMG's review found the fund was "in line with the agreed upon procedures."

Abraaj's selection of KPMG to review a fund that it audits was a "conflict of interest," Mr. Binali said. Ms. Atal, the Abraaj spokeswoman, said it wasn't for Abraaj to say if KPMG was conflicted. KPMG declined to comment.

Chinese Magnate Dies in Fall

Continued from page B1

He also helped establish the Hainan Province Cihang Foundation, HNA's charitable foundation, which is based in the island's capital of Haikou.

HNA disclosed last year that the international arm of its charitable foundation, which was set up in New York in 2016, was its largest shareholder, with a nearly 30% stake. Together with the domestic arm, the foundation entities own a 52% position in HNA.

The company has said that all of the group's shareholders "have pledged to donate all of their shares to the foundation upon resignation or death." But HNA couldn't be immediately reached to clarify whether Mr. Wang's shares will be donated.

In a statement Wednesday, the company's board and management team—led by HNA's other co-founder, Mr. Chen, and Chief Executive Adam Tan—said: "Together we mourn the loss of an exceptionally gifted leader and role model, whose vision and values will continue to be a beacon for all who had the good fortune to know him, as well as for the many others whose lives he touched through his work and philanthropy."

The statement said the company extends its deepest condolences to Mr. Wang's family and friends. HNA also changed all wording and photos on its corporate website to black, white and shades of gray.

HNA has several assets in France, including a stake in Pierre & Vacances, a resort operator the Chinese company has a joint venture with. An HNA unit acquired control of Servair, the in-flight catering unit of Air France in 2017.

The conglomerate was a sponsor of a recent European golf tournament in Paris called the HNA Open de France that took place June 28 to July 1. It isn't known whether Mr. Wang was at the golf event.



MICHAEL DALDER/REUTERS

Allianz earlier declined to insure retailers against a World Cup victory by Germany, now eliminated.

Allianz Misses a Windfall

Continued from page B1

critical conventions are insured.

Few of these events can rival the World Cup in scope. The 31-day soccer tournament is held in 11 cities across Russia this year, with 32 teams playing 64 matches.

"The World Cup is probably one of the biggest insurable events because of the global reach of the teams which are playing and the sheer size," said Mr. Williams in a phone interview.

Allianz made a number of risk-management assessments as part of this year's World Cup. Retailers also asked Allianz to insure them against a Cup victory for Poland, which Allianz accepted. That turned out to be prescient since Poland is now out of the tourna-

ment. Allianz also hopes to make profits from insurance-related decisions about other teams.

Allianz separately helps insure FIFA, soccer's world governing body, and various national teams including Germany, according to its website. It also covers stadiums and local infrastructure in Russia, and it provides health

and travel insurance to fans. Another risk Allianz and other insurers offered to cover this year was the prospect of an event being canceled or moved. Those policies across the industry are expected to total up to \$1.5 billion, which includes TV rights and sponsorship, according to estimates

from Beazley.

Terrorist attacks and cybersecurity are other concerns that attract coverage, as do fears that a player could be removed from action because of an injury or an accident. For a star player, the insured amount could be up to \$200 million, according to Beazley. Each team typically buys such coverage, Beazley said.

Those covering the event or hoping to profit from its global reach—like broadcasters, merchandisers and advertisers—look to insurers to protect their own stakes in the contest. Makers of country-specific T-shirts, for example, want policies to cover their risks in production and transportation of the garments, according to Mr. Williams.

"You don't think about that,

but that's millions of dollars worth of T-shirts being made somewhere and then being sent around the world," Mr. Williams said. "It's billions of dollars of premiums flying into the insurance market."

BANKRATE.COM® MMA, Savings and CDs

Average Yields of Major Banks

Tuesday, July 3, 2018

Type	MMA	1-MO	2-MO	3-MO	6-MO	1-YR	2-YR	2.5YR	5YR
National average									
Savings	0.19	0.08	0.08	0.22	0.29	0.53	0.70	0.67	1.14
Jumbos	0.35	0.08	0.09	0.24	0.32	0.57	0.75	0.76	1.24
Weekly change									
Savings	0.01	0.00	0.00	0.01	0.00	0.02	0.01	0.00	-0.01
Jumbos	0.01	0.00	0.00	0.01	0.01	0.02	0.02	0.02	0.01

Consumer Savings Rates

Explanation of ratings: Safe Sound SM, (855) 733-0700, evaluates the financial condition of federally insured institutions and assigns a rank of **1, 2, 3, 4 or 5** based on data from the fourth quarter of 2017 from federal regulators. **5**: most desirable performance; **NR**: institution is too new to rate, not an indication of financial strength or weakness. Information is believed to be reliable, but not guaranteed.

High yield savings

Bank/rank	Phone number	Yield (%)
Money market and savings account		
Pacific National Bank /5	\$5,000	2.02
(305) 539-7500		
VirtualBank /4	\$100	2.01
(877) 998-2265		
CIT Bank /5	\$100	1.85
(855) 462-2652		
One-month CD		
EH National Bank /4	\$0	0.83
(888) 392-5265		
M.Y. Safra Bank, FSB/NR	\$5,000	0.30
(212) 652-7200		
Mount McKinley Bank /5	\$5,000	0.15
(907) 452-1751		
Two-month CD		
VirtualBank /4	\$10,000	0.15
(877) 998-2265		
Applied Bank /5	\$1,000	0.05
(800) 616-4605		
Three-month CD		
CD Bank /4</td		

MARKETS

Chinese Munis Are Worrying Investors

By MANJU DALAL

Plunging bond prices in an obscure corner of the Asian credit markets are starting to worry investors.

In recent weeks, yields on more than a dozen U.S. dollar bonds issued by Chinese local governments have surged as their prices fell sharply on concerns of potential defaults.

The issuers are known as local-government financing vehicles, which in recent years took advantage of hospitable market conditions and bond investors' thirst for yield to raise money to fund things like roads, ports, factories and railway projects. There are around 90 such financing vehicles with more than \$40 billion in U.S. dollar debt outstanding, roughly half of which comes due in 2019 or 2020, according to ANZ Research.

One issuer, Qinghai Provincial Investment Group, has \$300 million in one-year debt that comes due this September. Prices of those securities

Yields on some bonds issued by Chinese local governments have surged lately.

recently dropped to about 85 cents on the dollar to yield over 80%, according to Thomson Reuters data, indicating investors see a high likelihood of default.

S&P Global has a BB rating on Qinghai and is reviewing it for a downgrade. The issuer, according to the credit-rating firm, is an investment company that produces and sells aluminum in China. On June 21, S&P said in a note that Qinghai "does not have a concrete, credible plan" to refinance its maturing debt, though it should have enough financial resources to repay the September bonds.

Qinghai didn't respond to a request for comment.

Some issuers may find their fundraising options limited because investors in the credit markets have turned more risk averse. Beijing also has been prohibiting implicit government guarantees on debt issued by local government financing vehicles.

To be sure, there has never been a debt default by any Chinese local-government financing vehicle. Such entities have also issued roughly 7 trillion yuan (\$1 trillion) worth of local-currency debt on the mainland, and there have long been concerns about defaults by weaker borrowers. But in recent years, some bonds that were looking precarious ended up avoiding defaults thanks to early redemptions or bailouts by local authorities.

China has been tightening policies since 2014 to curb excessive borrowing by local governments, and there has long been speculation that it could let a few small issuers default to discipline some borrowers. It is unclear, however, if that will end up happening in light of recent weakness in China's economy, the yuan and the Chinese stock market.

Yuan Gains as Central Bank Vows Stability

By SAUMYA VAISHAMPAYAN

The Chinese yuan surged against the dollar on Wednesday, continuing a recovery that began the previous afternoon after China's central bank chief pledged to keep the exchange rate "basically stable."

The yuan advanced as much as 0.7% against the dollar shortly after trading began in mainland China on Wednesday. One dollar bought 6.6298 yuan, compared with 6.6672 yuan on Tuesday.

Offshore, the Chinese currency strengthened 0.4% from late Tuesday, with one dollar at 6.6412 yuan. That meant the yuan's value was weaker in trading hubs such as Hong Kong than on the mainland.

The yuan's reversal came after Yi Gang, governor of the People's Bank of China, said Tuesday that the central bank is monitoring recent fluctuations in the currency market and will use its "ample" monetary tools to keep the yuan stable.

The yuan has risen more than 1% from its intraday trough against the dollar on Tuesday, which marked the yuan's weakest level in nearly a year. The Chinese currency tumbled 3.4% against the dollar in June in one of its worst months on record.

Demand for options that protect investors against swings in the dollar against the offshore yuan shot up after the yuan's latest moves. One-month implied volatility for the dollar against the yuan, which is based on prices for such protective currency options, has surged to near its highest level since February and is almost double its five-year average, according to Thomson Reuters.

Investors traded a record number of futures contracts



The People's Bank of China says it is monitoring recent fluctuations in the yuan and will use its resources when it needs to.

Sharp Turn

How many yuan one U.S. dollar buys, 2018



Number of days it has taken the dollar to rise above each key level against the yuan*



The Chinese yuan's trade-weighted index, 2018



THE WALL STREET JOURNAL.

Tech Stocks Are Weak in Europe

By JON SINDREU

Concerns that disputes between the U.S. and China could hit the technology sector continued to weigh down stocks.

Tech stocks were the worst performers

WEDNESDAY'S MARKETS

in Europe on Wednesday, with the sector dropping 1.3%. This echoed what happened in U.S. markets on Tuesday, when shares of technology companies led the broader S&P 500 to close down 0.5%.

The broader Stoxx Europe 600 closed up only 0.1%, despite big gains in telecom companies. Markets in Asia mostly closed lower.

The moves came after a Chinese court temporarily banned U.S. firm **Micron Technology Inc.** from selling chips in the country and one day after the U.S. moved to block **China Mobile Ltd.**—the world's biggest mobile operator in subscribers—from entering the U.S. market, citing national security concerns.

Shares in Micron closed down 5.5% Tuesday, while the PHLX Semiconductor Index has dropped 9.2% over the last month. U.S. markets were closed Wednesday for the July Fourth holiday.

One of the firms leading the losses in Europe on Wednesday was **Siltronics**, a German semiconductor manufacturer that generates 30% of

its revenue from China, according to data provider FactSet. Its shares closed down 7.1%.

Shares of China Mobile edged up 0.5% after hitting a four-year low the previous day.

"The noise has gotten harder to ignore these past couple of weeks, and it certainly has dented market confidence," said Joseph Amato, chief investment officer of equities at Neuberger Berman. "Markets are not yet ready to trust the Trump administration on trade negotiations."

Tech stocks have been one of the top performers of 2018, buoyed by low long-term interest rates and expectations that the sector's behemoths—

Facebook, Google owner Alphabet, Apple and Amazon—will continue to expand their global dominance.

So far, these companies have remained relatively insulated from the tensions between the U.S. and China, which has sparked concerns about a broader trade war. A first round of U.S. tariffs imposed on Chinese goods is set to come into effect Friday.

Dan Skelly and Kevin Demers, equity strategists at Morgan Stanley Wealth Management, believe investors may have underestimated the extent to which tech stocks could be buffeted by trade barriers.

"With most of the sector's supply chain in Asia, tariffs could cause a spike to costs

and negative impact to margins," they recently told clients. "Thus, we are taking a more cautious view on consensus earnings estimates, which may prove aggressive as the full impact of these headwinds work their way into the numbers."

Stephen Yiu, fund manager at Blue Whale Capital, said trade woes will affect the tech sector unevenly. "If you are selling a tangible product, including chips, you can be affected," he said. "One stock that we do not like is Apple, China could impose a tariff on them, or other luxury-goods firms."

By contrast, Mr. Yiu owns Amazon and Google, which he said are likely to be shielded from such problems and could even benefit from investors demanding safer stocks.

Asian and European stock markets have been hit the hardest by the U.S. administration's move toward greater protectionism. This adds to signs that the pace of economic growth may have already peaked outside the U.S., leading investors to push further back the time at which they expect other central banks to follow the Federal Reserve's path and start tightening monetary policy.

Stocks were lower in Asia early Thursday. Japan's Nikkei Stock Average was down 0.2%, Hong Kong's Hang Seng Index was down 0.1% and South Korea's Kospi was down 0.5%.

Brent Oil Rises on Disruption In Libya

By SARAH MCFARLANE

Brent crude edged up on supply problems in Libya on Wednesday, with the recent output issues expected to take some time to resolve.

Brent crude, the global oil benchmark, settled up 0.62% at

\$78.24 a barrel on London's ICE Futures exchange, near a more-than-three-year high of \$80.50 hit in May.

Earlier this week, Libya's National Oil Co. declared force majeure on loadings from some of its ports after a military faction stopped vessels entering the ports. Up to 850,000 barrels a day of supply has been shut in.

"In the very short term our expectations are for Brent to climb back over \$80, Libya being a key factor," said Harry Tchilinguirian, senior oil strategist at BNP Paribas.

Oil prices have risen around 3% over the past two weeks in light of falling global inventories and the belief that the decision by the Organization of the Petroleum Exporting Countries to pump more oil wasn't enough to offset falls in production expected from Iran and Venezuela.

Brokerage PVM estimated the combined impact of the Libyan supply issues, sanctions curbing Iranian output later in the year and the continuation of falling output from Venezuela could remove more than 2 million barrels a day of production from May levels.

For the latest information on inventories, investors were awaiting official weekly data on U.S. stocks and production due to be published by the Energy Information Administration on Wednesday. Industry group the American Petroleum Institute said Tuesday that its own weekly data showed a 4.5-million-barrel decrease in crude inventories.

Nymex reformulated gasoline blendstock—the benchmark gasoline contract—rose 0.3% to \$2.12 a gallon.

Risky Trades Hidden at European Lenders

By JAMES MACKINTOSH

European banks are hiding hundreds of billions of dollars of risky trades off their balance sheets by shifting them for a few days just before reporting dates, data from the Bank for International Settlements show.

The same problem doesn't happen with British or U.S. banks, due to better-designed rules—and even though the problem has long been recognized in money markets, it has been getting worse since new rules were introduced in Europe.

Banks jack up their borrowing in the money markets between reporting dates, lending

the money for short periods to make a quick profit. At the end of the quarter and the end of the year when they have to produce snapshots of their exposures, they close the trades down, allowing them to report lower leverage to European regulators than they in fact have.

The trouble comes because the eurozone, along with Switzerland, chose to use quarterly exposure to calculate the leverage ratio, a measure of how much capital the bank has compared with its total assets.

By contrast, the U.K. and U.S. both use an average of assets over the quarter, creating no incentive for banks to cheat—and the BIS found much less

window dressing in these banks.

The strange thing is that European regulators haven't fixed their rules to prevent the practice, given how easy it would be to switch to the U.S. and British approach.

There has always been an element of "window dressing" of the balance sheet to make the bank look more appealing to investors. But the BIS says the problem has grown from \$35 billion to more than \$145 billion since 2015, when new rules forced banks to report their leverage ratio to regulators. That amounts to 1.4% of the total assets, a big improvement for European banks that

reported capital of only 5.5% of total assets at the end of last year, according to the European Banking Authority.

Some investors have already dismissed the leverage ratios as useless because they are so easily fiddled with.

Vincent Mortier, deputy chief investment officer at France's Amundi Asset Management, said window dressing "can be very effective for balance-sheet measures, but doesn't change at all the risk."

Davide Serra, founder of hedge fund Algebris Investments, said stress tests of banks by regulators are much more reassuring than leverage or capital ratios. "Stress tests

are much more important to us than the actual annual report," he said.

Yet the effects are visible across money markets, and the BIS worries that if what it calls "stress events" coincided with the regulatory reporting date the effects could spill over into other markets.

Ironically, the leverage ratio was introduced as a simple way to stop banks building up the massive balance-sheet exposures some had before the financial crisis, when the risk-based capital requirements were comprehensively fiddled. It is proof yet again of what should be well known by bank regulators by now: What gets measured gets distorted.

MARKETS

Platinum Sinks on Auto-Tariff Threats

Prices hit their lowest in nearly a decade as protectionist rhetoric fuels bearish bets

By AMRITH RAMKUMAR

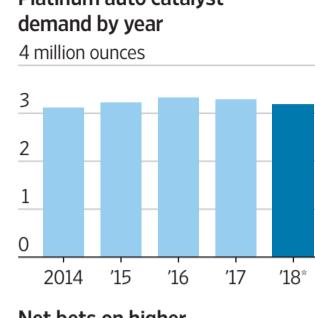
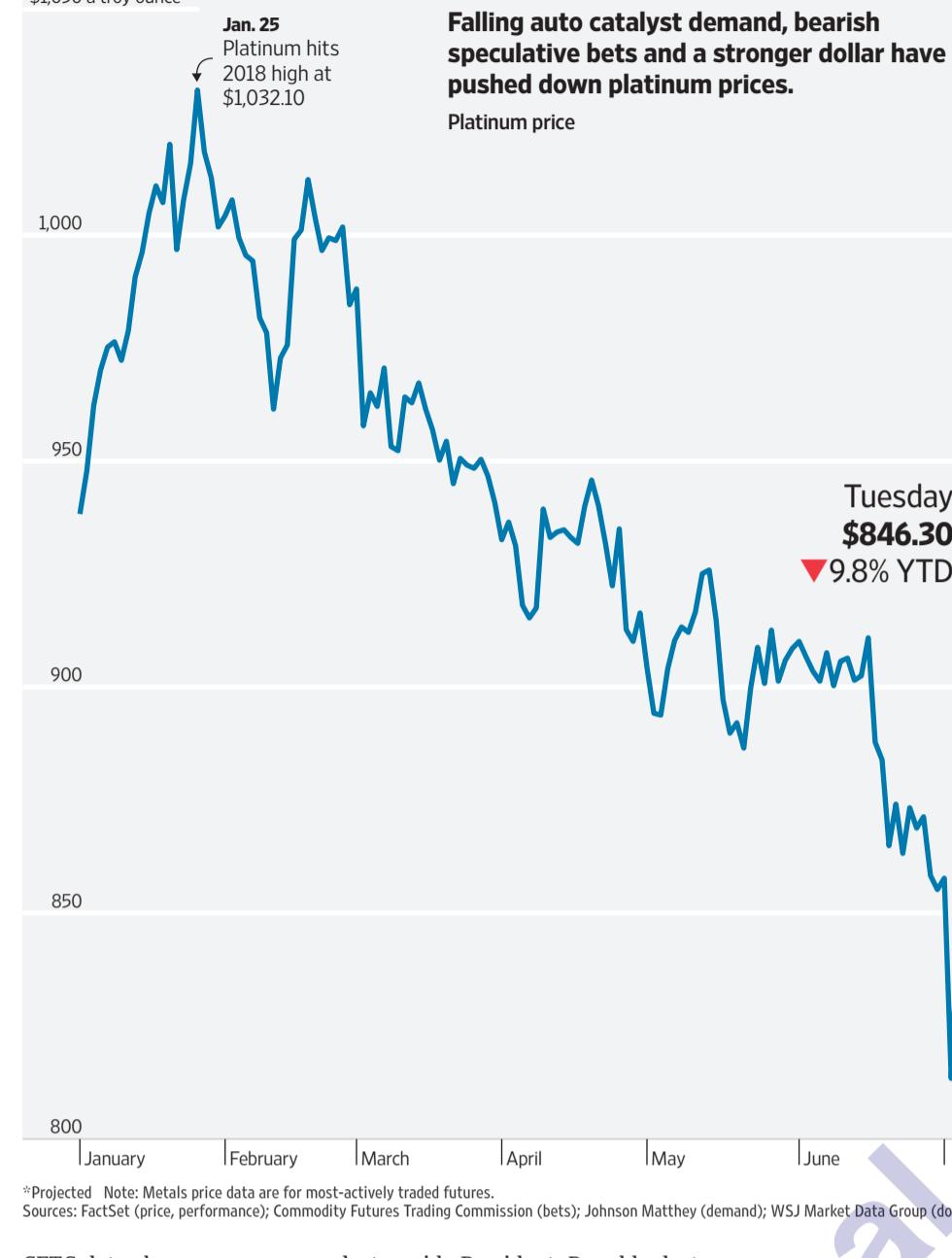
Platinum prices this week tumbled to their lowest level in almost a decade, the latest case of intensifying global trade tensions shaking up the metals market.

Most-actively traded futures contracts of the silvery-white metal slid 5.2% Monday, the steepest one-day drop in nearly seven years, and closed at their lowest level since December 2008. The threat of protectionist policies has fueled bets that slower trade activity will disrupt the global economy, reducing commodity consumption. Prices recovered 4% to \$846.30 a troy ounce Tuesday.

Platinum—a precious metal that also has industrial uses in car manufacturing—has fallen 18% from its peak in January. Investors have broadly sold metals lately, with gold and copper also retreating.

Analysts say tariffs could hurt demand for platinum more than other metals because roughly 40% of demand is for catalytic converters that scrub emissions in diesel car engines. And with gasoline and hybrid vehicles expected to become more popular in the coming years, investors have soured on platinum.

Such worries have prompted speculators to wager prices will continue to sink. Bearish bets on platinum prices by hedge funds and other speculators exceed bullish ones by the biggest amount ever, according to Commodity Futures Trading Commission data going back to 2006. Bearish wagers outnumbered bullish ones by 26,168 contracts in the week ended June 26, the latest



THE WALL STREET JOURNAL.

to the U.S., limiting demand for metals broadly and sending the dollar to its highest level in a year. A stronger dollar makes commodities more expensive for overseas buyers.

"When you get a malaise like this, it just hits all the markets. There are really very few places to run," said Edward Meir, a strategist at broker-dealer INTL FCStone.

While it has industrial uses, platinum is seen by some investors and traders as a precious metal and it is commonly used in jewelry. It doesn't have the same prominence as gold as a store of value, but they have historically traded relatively closely together.

Now, higher interest rates are pushing up Treasury yields, making commodities less attractive to some investors and weighing on gold and platinum prices. Platinum has taken the bigger hit. The metal's prices are trading more than \$400 a troy ounce below gold's—nearly the largest gap ever—according to WSJ Market Data Group.

Despite platinum's protracted slump, some analysts think it could bounce back if investor sentiment on trade shifts.

Mr. Butler noted that speculators might be forced to cover their short positions if platinum prices begin to rise again, potentially triggering a short squeeze and further gains. Some bulls also have said that auto makers might consider replacing palladium with platinum, with platinum trading at a discount to its precious-metal cousin for the first time since 2001.

But for now, continuing trade tensions between the world's largest economies signal more volatility ahead for platinum prices.

"The charts look ugly, the funds have started selling and the fundamentals look bad," said INTL FCStone's Mr. Meir.

*Projected Note: Metals price data are for most-actively traded futures.

Sources: FactSet (price, performance); Commodity Futures Trading Commission (bets); Johnson Matthey (demand); WSJ Market Data Group (dollar)

CFTC data show.

"There's been an absolute washout," said Jonathan Butler, a precious-metals strategist at Mitsubishi Corp. "Bearish bets are very much at the fore."

The latest rhetoric surrounding auto tariffs has particularly hurt platinum, ana-

lysts said. President Donald Trump said he sees his threat on auto tariffs as his biggest weapon to extract concessions from trading partners. But the prospect of 20% tariffs on imported European vehicles also could lower the amount of platinum needed in diesel engines, according to some ana-

lysts.

The anxiety over tariffs comes as demand for platinum in catalytic converters already was projected to decline for a second consecutive year, according to Johnson Matthey PLC, a London-based metals trader and one of the world's largest makers of catalytic

converters. Supply, meanwhile, is projected to stay roughly flat. The platinum industry has already been suffering, with the biggest producers in South Africa cutting jobs, selling assets and raising capital to stay afloat.

Meanwhile, economic growth momentum has shifted

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

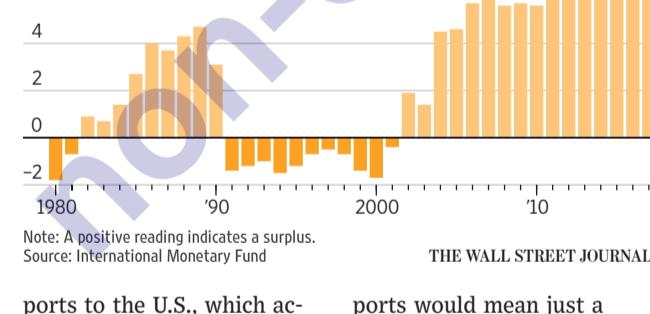
WSJ.com/Heard

Email: heard@wsj.com

Germany's Woes Are Eurozone's

Big Target

Germany's current-account balance as a share of gross domestic product



ports to the U.S., which account for 0.7% of German GDP, according to Citigroup, are a particular bugbear for Mr. Trump. That has shaken investors: The Euro Stoxx automobiles and parts index is down 11% this year.

Still, Germany isn't the best country for investors to bet against. Berenberg thinks a 25% U.S. tariff on car im-

ports would mean just a 0.15% direct hit to German GDP. And the country is well-placed to withstand slower growth. Its economy has been humming and its fiscal position is strong, with government debt down to 64.1% of GDP at the end of 2017.

The indirect impact on business confidence throughout the eurozone could be

much greater than any direct hit from tariffs. Other countries, like Italy, are far weaker fiscally, and are still posting weak growth. With the European Central Bank still running ultraloose monetary policy, many economists are doubtful about the eurozone's capacity to react to fresh economic trouble.

Moreover, bonds are the haven asset in the eurozone, so markets offer Germany respite in times of trouble. While political risk in Italy has sent its bond yields soaring, stress in Germany has helped lower its cost of borrowing. The 10-year bund yield fell below 0.3% Monday. Instead, trouble for Germany can spread quickly through markets to other parts of Europe.

That reflects Germany's position as an anchor in Europe. Politics and trade may yet cause that anchor to slip. But Southern Europe, not Germany, would likely bear the brunt. —Richard Barley

China, Not World Cup, Is Macau's Real Worry

Macau's World Cup blues will soon fade, but bigger problems are brewing.

Gross gambling revenue in the semiautonomous Chinese city in June missed analysts' forecasts for the second month in a row, rising 12.5% from a year earlier. Shares of casino operators listed in Hong Kong plunged 7% on average Tuesday, leaving them more than 20% down from their peaks earlier this year.

The quadrennial global soccer championship is probably one reason, as gamblers chose to wager on that rather than baccarat. That will pass: During the final week of the previous World Cup, bets returned to Macau, said Deutsche Bank.

But another problem could prove longer-lasting: China. The recent drops in the yuan and Chinese stock markets are reminiscent of their slides in 2015, which set off big capital outflows that eventually forced Beijing to tighten controls. A similar sequence now would be bad news for Macau,

which depends heavily on

gamblers from the north.

Moreover, a significant chunk of the cash flowing into the city, especially from high rollers, comes through underground channels via agents called junkets. These could take a hit as the government continues to combat shadow banking.

Another driver of Macau's fortunes—the Chinese property market—is also starting to look shaky. The housing boom has buoyed spending on luxury items from Louis Vuitton handbags to Mercedes-Benz cars. Now Beijing is trying to rein in the explosion of debt, which will likely slow the market.

Even after the latest drop, Macau stocks have more than doubled on average from their 2016 lows, led by Wynn Macau. Earnings multiples are in line with the five-year average, suggesting valuations aren't especially low. If Chinese capital dries up, they will take a further hit.

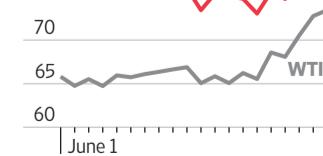
Investors looking to take a punt should hold on to their chips for now.

—Jacky Wong

Gas Prices Shouldn't Frighten Detroit

American Accent

Oil futures prices in June



Set. Prices hit a peak in late May and are now approaching that level again. Nevertheless, auto sales data from major manufacturers continue to show surprisingly strong sales of heavier vehicles and weak car sales. Ford Motor, for example, reported year-over-year June increases of 8.9% and 3.2% in SUV and truck sales, respectively, and a 14% decline in car sales.

That resilience in light-truck demand is a tailwind for all U.S.-based manufacturers. The traditional Detroit "big three" got 82% of unit sales and an even higher share in dollar terms from light trucks. The three biggest Japanese companies got just 54% of unit sales from

light trucks.

The explanation for trucks' continued appeal may lie in the booming labor market and a strong environment for small businesses that purchase pickups. Combine that with the fact that cars and even trucks are more fuel-efficient these days and that filling them is a smaller share of disposable income than in past economic cycles and consumers can shrug away \$3 gasoline.

That could reverse at some higher price point, but the U.S. Energy Information Administration recently estimated that they probably have hit their peak for the year. Detroit seems to have dodged at least one economic bullet.—Spencer Jakab

OVERHEARD

Some cord-cutters out there miss the good old days—probably because they feel like strangling someone.

AT&T, which completed its merger with media company Time Warner a couple of weeks ago, has notified its "Live a Little" subscribers to its "DirecTV Now" service that it is raising prices by \$5 to \$40 a month on Aug. 1.

People sick of contracts and paying up for lightly watched offerings such as C-Span 2, The Golf Channel and USA Network embraced the service when it launched 18 months

ago. The online description of the service shows the logos of 63 channels not offered in the entry-level package.

The price was right in part because the extras were light. AT&T's message to customers explaining the 14.2% price increase seems to miss that selling point.

"We know value is important, and that's why we are determined to keep packing in as many features and benefits as possible," said the message, displayed in a screenshot by Cord Cutters News.