

THE WALL STREET JOURNAL.

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TUESDAY, JULY 3, 2018 ~ VOL. CCLXXII NO. 2

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What's News

Business & Finance

Fed officials offered Goldman and Morgan Stanley an option to avoid stress-test failure and continue paying billions to shareholders, a sign of a significant shift in the regulatory climate for banks. **A1**

◆ The IPO market has come roaring back in 2018, with companies raising public capital at a pace rarely seen in the past two decades. **A1**

◆ Pfizer raised list prices on over 40 prescription drugs, marking a second round of increases this year despite mounting public scrutiny. **B1**

◆ Regulators are stepping up enforcement on brokerages' sales of private stakes in companies, which are often targeted at seniors. **B1**

◆ Tesla's engineering chief won't return from his leave of absence. Separately, the auto maker upped the output target for its Model 3 sedan. **B3**

◆ The federal probe into how Facebook handled data about its users has been joined by the SEC and the FBI. **B4**

◆ PwC must pay \$625.3 million in damages for failing to catch a fraud scheme that helped cause the failure of Colonial Bank, a judge ruled. **B10**

◆ U.S. stocks rallied late in Monday's session, led by tech shares. The Dow rose 35.77 points to 24307.18. **B11**

◆ Nestlé is in talks to acquire control of Canada's Champion Petfoods for more than \$2 billion. **B2**

World-Wide

◆ López Obrador's election win could offer a chance to reset frayed relations with Washington, as the incoming Mexican president and Trump both believe the North American Free Trade Agreement needs to be rewritten. **A1, A5**

◆ Germany's Merkel and her rebellious interior minister reached a deal for tighter control over immigration, pulling back from the brink of a full-blown government crisis. **A16**

◆ Trump's trade offensive is threatening the livelihoods of many farmers in regions that helped send him to the White House. **A3**

◆ The president said he met with four potential Supreme Court nominees and would interview more before announcing his choice. **A4**

◆ A judge halted the administration from systematically detaining asylum seekers who have a credible fear of returning to their homelands. **A3**

◆ The administration's push for more detention facilities for immigrants is boosting the outlook for two big private prison operators. **A3**

◆ Harvey Weinstein was indicted in Manhattan on additional sex crimes charges, these involving an alleged incident in July 2006. **A3**

◆ Rescuers found 12 missing youths and their soccer coach in a Thai cave complex nine days after they were trapped by floodwaters. **A16**

Notice to Readers

WSJ.com and WSJ mobile apps will publish throughout the July Fourth holiday. The print edition won't appear Wednesday, but a daily edition will be available in our iPad, Android and Windows apps.

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TUESDAY, JULY 3, 2018 ~ VOL. CCLXXII NO. 2

Boys Found After Nine Days Lost in the Darkness of a Flooded Cave



HUDDLED TOGETHER: Rescuers found all 12 boys and their soccer coach alive deep inside a cave complex in northern Thailand on Monday, nine days after they were trapped by floodwaters. Authorities warned the mission wasn't complete, as family members wept in relief. **A16**

Vote Resets U.S., Mexico on Trade

By JOSÉ DE CÓRDOBA
AND DAVID LUHNOW

MEXICO CITY—Andrés Manuel López Obrador's election victory could offer a chance to reset frayed relations with Washington, as the incoming Mexican president and President Donald Trump both believe the North American Free Trade Agreement needs to be rewritten.

But the two committed economic nationalists, who come from opposite ideological corners, are expected to butt heads over exactly how to rewrite the trade agreement and how to check illegal immigration into

the U.S., issues that are contentious on both sides of the nations' shared 2,000-mile border.

President Trump called Mr. López Obrador on Monday to congratulate him. Both sides termed the conversation amicable. Later, Mr. Trump said Mexico's president-elect "had a very excellent election. I would say even better than anticipated."

Mr. López Obrador, who is to take office Dec. 1, said in a television interview that "we are not going to fight." He added: "We will extend our open hand to look for a relationship of friendship with the U.S."

The warm remarks belied

growing strains between the nations under Mr. Trump, who has repeatedly criticized Mexico and its people and called for the construction of a wall to divide the two countries.

Mr. López Obrador could prove a pugnacious counterpart to Mr. Trump. He has vowed to defend Mexico's dignity and published a collection of speeches during his campaign called "Oye, Trump," or "Listen Up, Trump," an attack on the U.S. president's plans to build a border wall and his policy toward migrants, which the Mexican politician called "racist" and "xenophobic."

If the two men reach an im-

passe it could slow nearly a quarter-century of cautious but successful bridge-building, which saw the two countries go from distant neighbors to political allies and key economic partners who trade nearly \$560 billion of goods every year.

"It heightens the risk that the relationship will deteriorate further," said Michael Shifter of the Inter-American Dialogue, a Washington, D.C., think tank. "I think he will be

Please turn to page A5

◆ Mexican voters snub the establishment..... A5
◆ Investors view new president warily..... B11

Morgan, Goldman Got Help From Fed On Tests

By LIZ HOFFMAN
AND LALITA CLOZEL

Federal Reserve officials told Goldman Sachs Group Inc. and Morgan Stanley that they were about to flunk a portion of the annual stress tests but offered them a deal to avoid an outright fail and continue paying billions to shareholders.

In phone calls to executives of the Wall Street titans on June 21, regulators told them that to fully pass the test, they would have to cut almost in half the combined \$16 billion they had hoped to pay out to shareholders, according to people familiar with conversations between the Fed and both banks.

But Fed officials gave the banks an unprecedented option: If they agreed to freeze their payouts at recent levels, they would get a "conditional non-objection" grade and avoid the black eye of failure. That meant the banks could pay out a combined \$13 billion, or about \$5 billion more than what they would have given back to investors if they had decided to retake the test and get a passing grade.

It also will boost a profitability measure that helps determine how much Goldman Chief Executive Lloyd Blankfein and Morgan Stanley CEO James Gorman are paid.

The arrangement is the first of its kind in the eight years of the Fed's annual tests, and one of the clearest signs to date of a significant shift in Please turn to page A2

App Developers Gain Access To Millions of Gmail Inboxes

Google and others enable scanning of emails by data miners

By DOUGLAS MACMILLAN

Google said a year ago it would stop its computers from scanning the inboxes of Gmail users for information to personalize advertisements, saying it wanted users to "remain confident that Google will keep privacy and security paramount."

But the internet giant continues to let hundreds of outside software developers scan the inboxes of millions of Gmail users who signed up for email-based services offering shopping price comparisons, automated travel-itinerary planners or other tools. Google does little to police those developers, who train their computers—and, in some cases, employees—to read their users' emails, a Wall Street Journal examination has found.

One of those companies is Return Path Inc., which collects data for marketers by scanning the inboxes of more than two million people who have signed up for one of the free apps in Return Path's partner network using a Gmail, Microsoft Corp. or Yahoo email address. Computers normally do the scanning, analyzing about 100 million emails a day. At one point about two years ago, Return Path employees read about 8,000 unredacted emails to help train the company's software, people familiar with the episode say.

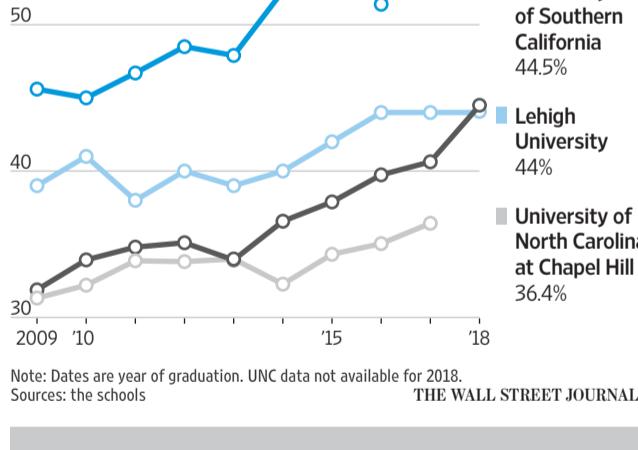
In another case, employees of Edison Software, another Gmail developer that makes a mobile app for reading and organizing email, personally reviewed the emails of hundreds of users to build a new feature, says Mikael

Please turn to page A6

Academic Honors Lose Luster

Honors designations have become much more common at many top U.S. schools, according to a Wall Street Journal review. **A2**

Percentage of graduates with honors



Note: Dates are year of graduation. UNC data not available for 2018.

Sources: the schools

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The Heavy Breathing in This Park Isn't What Anyone Thinks It Is

* * *

Dogs run, humans leap from benches at the sound of a Manhattan art installation

By MAYA SWEEDLER

NEW YORK—José Sandín was sitting on a bench in City Hall Park in lower Manhattan just before lunchtime last week for a little down time.

Suddenly, seemingly out of nowhere, heavy breathing and gasps erupted, and he jumped up. "I thought there was a bear behind us," he said.

He was wrong. It was art.

The park's atmosphere is interrupted twice an hour by loud, strange noises that have intrigued, perplexed and rankled visitors. Park goers have mistaken them for the whoosh of an airplane, the thumping of an ultrasound or audio from a

dinosaur movie.

The sounds are recordings of people breathing. They are part of an art installation meant to bring awareness to respiratory disease and the effects of poor air quality.

Titled "Out of Thin Air," the exhibit—by a Brooklyn-based artist named Sari Carel—leaves many confused.

"My first thought was dinosaurs," said New York resident Michelle Guelbart, a 30-year-old Brooklyn nonprofit employee who strolled through last week and figured the sounds were a promotion for this summer's "Jurassic World" movie. "I was definitely surprised by the

INSIDE



CHILDREN'S SUPPLEMENTS RAISE CONCERN

LIFE & ARTS, A7



21 RULES FOR JULY FOURTH WIFFLE BALL

JASON GAY, A12

IPO Market Runs at Fastest Clip Since 2014

BY MAUREEN FARRELL

An IPO market that was left for dead just two years ago has come roaring back in 2018, with companies raising public capital at a pace rarely seen in the past two decades.

So far this year, 120 companies have used initial public offerings to raise \$35.2 billion on U.S. exchanges. That is the highest volume since 2014 and the fourth-busiest year-to-date on record, according to Dealogic, whose data go back to 1995.

Bankers say no single catalyst is pushing companies to tap the public markets for capital. Instead, the surge has been caused by a convergence of favorable business conditions, strong stock markets and investors' hunger for high-growth companies.

Those factors have led to offerings by an array of firms varied by size, industry and age—ranging from the web-

storage and collaboration company Dropbox Inc. to home-alarm company ADT Inc. to big-box retailer BJ's Wholesale Club Holdings Inc.

The total amount raised doesn't count one of the largest and most high-profile companies to go public in the U.S. this year. Swedish music-sharing company Spotify Technology SA went public without raising any money through a so-called direct listing.

Some of the largest private companies, including Airbnb Inc., Uber Technologies Inc. and WeWork Cos., which have raised vast amounts of private capital, are still waiting in the wings and are expected to hold off on going public until at least 2019, according to people familiar with the companies' plans. Another closely watched IPO candidate, ride-

Please turn to page A4

◆ James Mackintosh: Stocks are up despite troubles..... B1

U.S. NEWS

You Graduated Cum Laude? So Did Everyone Else

By MELISSA KORN

Nearly half of students who graduated from Lehigh University, Princeton University and the University of Southern California this year did so with cum laude, magna cum laude or summa cum laude honors, or their equivalents. At Harvard and Johns Hopkins, more got the designations than didn't.

Anyone with a grade-point average of at least 3.4 is granted Latin honors at Middlebury College; the number of students graduating with honors has been rising in recent years, the school says, and was north of 50% this spring.

"I'd say that it's time to reconsider our eligibility criteria," said Middlebury Interim Provost Jeff Cason.

Honors designations have become close to the norm at many top schools, according to a Wall Street Journal review of the criteria for earning honors and the percentage of the senior class that got the designation at schools in the top 50 of the WSJ/Times Higher Education ranking.

The share increased to 44% from 32% in the past decade at

USC, which requires a GPA of at least 3.5 for the lowest honor, cum laude, and to 44% from 39% at Lehigh, where students need at least a 3.4.

"A 4.0 does signal something significant, that that student is good," said Stuart Rojstaccer, a former Duke University professor who has studied grade inflation for years. "A 3.7, however, doesn't. That's just a run-of-the-mill student at any of these schools."

Research from an administrator at the College Board and a doctoral student at the University of Georgia found that 47% of high-school students graduated with an A average in 2016, up from 39% in 1998. Students keep earning the high marks in college.

At Wellesley College, 41% of this year's graduating class completed their degrees with Latin honors, which means a GPA of at least 3.6 at the Massachusetts school. That share has risen in the past two years, after being roughly one-third for much of the past decade. A spokeswoman said the school hasn't pinpointed the cause.

Meanwhile, nearly 59% of seniors who graduated from Johns Hopkins this spring did



Harvard graduates at their commencement ceremony in May.

so with what the school refers to as "general honors" by achieving a GPA of at least 3.5. A decade ago, nearly 46% did.

Rushabh Doshi learned of his honor after seeing his name on a list in the Johns Hopkins graduation program this spring. Then he noticed the list was four pages long.

Mr. Doshi, who majored in public health and is heading to Oxford University to study

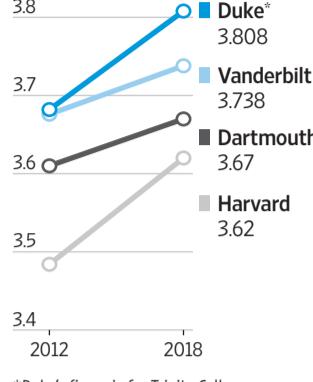
medical anthropology in the fall, said he was proud of his academic accomplishment. But, he said, "It's not something that holds too much weight."

Spokesman Dennis O'Shea said the school hasn't studied the trend and so can't provide an explanation for the rise. He called its students "bright" and "committed."

Most elite schools cap the share of the graduating class

Grade Inflation

Minimum GPAs needed for honors



*Duke's figure is for Trinity College of Arts & Sciences

Note: Dates are year of graduation.

Sources: the schools

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University this past spring were the highest in at least a decade.

Academic researchers say that uptick is a sign of grade inflation, not of smarter students.

"Moving the whole bar upward creates a problem where people learn they can do very little and get a grade-point average that looks very respectable," said Richard Arum, dean of the University of California, Irvine School of Education.

A handful of schools, including the University of North Carolina at Chapel Hill, have tried to rein in the awards.

Beginning with the class that graduated in 2017, Georgetown University started distributing honors based on the relative performance of students, rather than a fixed 3.5 GPA cutoff. Roughly a quarter of the class now gets one of the three Latin honors; before the shift, according to the student newspaper, more than half of the students within some undergraduate programs received those designations.

The school says it now uses percentiles "in order to ensure that Latin honors represent a mark of distinction."

Rescued Turtles Return to Sea With Satellite Tags for Tracking



HOMESTRETCH: The New England Aquarium released five loggerhead turtles Monday at West Dennis Beach in Massachusetts. The tags glued to their shells will transmit location and diving data for six to nine months to study feeding and migration patterns.

Banks Got Break on Stress Test

Continued from Page One

the regulatory environment for banks, which have been expecting a gentler approach from Washington ever since the election of President Donald Trump.

"New refs, new rules," consulting firm PricewaterhouseCoopers LLP wrote in a note.

This round of tests was the first graded by Trump appointee Randal Quarles, a former Wall Street lawyer and private-equity executive who last year became the Fed's regulatory czar.

"This year's stress test followed the same notification process as in past years—all firms were notified of the results and given the fixed option to reduce their capital payout plans with no negotiations," a Fed spokesman said.

Goldman and Morgan Stanley had failed the quantitative portion of the exercise, which tests whether bank capital levels stay above regulatory requirements. A qualitative portion looks at more-subjective questions, including the quality of a bank's internal data or board of directors.

The Fed's willingness to compromise contrasts with its hard line of recent years. In 2014, for example, the regulator blindsided Citigroup Inc. with a failing grade, leaving executives scrambling to address the Fed's concerns. The same year, Utah-based Zions Bancorp also failed on quantitative grounds. Like Goldman Sachs and Morgan Stanley, the firm was able to keep its capi-

tal payouts level from the prior year, but was dinged with a formal failing grade.

The 2018 exercise was the harshest iteration of the stress tests so far, simulating a hypothetical scenario of 10% unemployment, crashing markets and soaring loan losses.

Fed officials said their leniency toward Goldman and Morgan Stanley was due in part to the impact of the 2017 tax law, which reduced the value of certain tax assets held by the banks and meant they entered the crisis scenario with diminished capital reserves, affecting their results throughout the nine-quarter test period.

The willingness to compromise contrasts with the Fed's hard line of recent years.

The decision came in a unanimous decision by the board, which includes Barack Obama appointee Lael Brainard.

The stress tests, arguably the most visible sign of the postcrisis crackdown on Wall Street, are being changed in ways that benefit the industry. The Fed exempted three firms with less than \$100 billion of assets from the test this year under the new banking law. Its treatment of Morgan Stanley and Goldman—as well as State Street Corp., which got a pass although it also failed to clear capital requirements under the stress scenario—showed the Fed taking a more flexible approach to what had been a binary exercise.

"The Fed was very kind," said Arthur Angulo, a managing director at Promontory Financial Group and a former Fed official. He added the Fed's exer-

cise of discretion on the quantitative portion of the test was "a potential slippery slope."

Agencies run by Trump appointees have moved to loosen rules in other ways. Regulators recently proposed easing the Volcker rule, which limits bank traders from making big bets, and are planning changes that could make it easier for banks to meet lending requirements and reduce compliance penalties under the Community Reinvestment Act, which requires banks to lend in poor neighborhoods.

The interim director at the Consumer Financial Protection Bureau, Mick Mulvaney, has largely stopped initiating new investigations and wants the consumer-finance regulator to be less antagonistic to the businesses it regulates. In May, Mr. Trump also signed a bipartisan law rolling back crisis-era rules for smaller and regional banks.

The deal with the Fed isn't a total win for Goldman and Morgan Stanley, whose shares both fell by more than 1% on Friday. Investors want banks to raise their shareholder payouts every year as profits increase, not keep them steady.

But the two banks fared better under the Fed's offer than they would have if they had been forced to dial back their requests to the point where they passed the test.

If Goldman had been required to rejig its plan until its capital ratios exceeded the Fed's minimum, the bank would have been able to seek just over \$1 billion in buybacks, instead of the \$5 billion that was approved, according to people familiar with the matter.

Other aspects of the Fed's offer were unusually accommodating. The two banks could peg their shareholder payouts to one of two levels:

either the amount they paid out over the past year, or an annualized average of its payouts over the past two years.

Morgan Stanley had boosted its payout in 2017, so it chose the prior-year level. Goldman, which didn't buy back any shares in the second quarter, gets a bigger number by using the two-year look-back. The difference is worth about \$570 million to Goldman shareholders.

Goldman can return \$6.3 billion to shareholders, compared with \$5.7 billion last year. Mr. Blankfein said in a statement that the bank is "positioned to return capital to our shareholders, while re-investing in our global client franchise for the long-term."

Morgan Stanley was approved for the same \$6.8 billion it paid out last year, which Mr. Gorman said "reflects the underlying strength and stability of our attractive mix of businesses."

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U.S. WATCH

ECONOMY

Factory Activity Rises Before Tariffs

American factory activity accelerated for the second straight month, in part because manufacturers were scrambling to move goods ahead of threatened tariffs.

The Institute for Supply Management on Monday said its manufacturing index rose to 60.2 in June from 58.7 in May. Numbers above 50 indicate activity is expanding across the manufacturing sector, while numbers below 50 signal contraction. The overall ISM index in February hit 60.8, its highest level since May 2004, before easing in March and April. It picked up in May and again in June.

The U.S. imposed steel and aluminum tariffs against Europe, Canada and other nations last month and faced retaliation for the action.

—Sharon Nunn

MICHIGAN

State Takes Schools, Cities Off Critical List

It wasn't just Detroit and Flint. Dearborn, Pontiac, Benton Harbor—all were run by state-appointed emergency financial managers in recent years.

For the first time since 2000, no city or school district in Michigan is under such control, a sign the state has put the auto industry's downturn and other financial woes in the rearview mirror.

Gov. Rick Snyder, who appointed 22 emergency managers—more than all of his predecessors combined—credits his use of emergency managers with controlling costs and resolving issues such as unfunded liabilities of cities. Last week, he released the Highland Park School District from receivership, the most-recent case in which the state has handed control back to elected officials.

The fact that the state now has no emergency managers in place for the first time in 18 years shows how well that commitment has worked," Mr. Snyder said.

—Kris Maher

IDAHO

Girl Stabbed at Her Birthday Party Dies

A 3-year-old Idaho girl who was stabbed at her own birthday party died Monday, two days after a man invaded the celebration and stabbed nine people, authorities said.

Timmy Kinner is accused of attacking a group of children and the adults who tried to protect them at the party at an apartment complex that is home to many refugee families.

Word of the child's death came at Mr. Kinner's first court appearance, where a judge told him that he was charged with first-degree murder and other felonies in connection with the Saturday night attack.

Mr. Kinner is American, and the victims are members of refugee families from Syria, Iraq and Ethiopia.

Boise Police Chief William Bonas said the evidence doesn't suggest the attack was a hate crime.

The suspect had recently stayed at the apartment complex but was asked to leave Friday over bad behavior, he said.

—Associated Press

CLEVELAND

Man Held in Alleged July 4 Bomb Plot

An American-born citizen who federal authorities say recently scouted locations in Cleveland to attack people watching Fourth of July fireworks and talked of carrying out additional bombings has been charged with trying to support terrorism.

Federal authorities said Monday that Demetrius Pitts, 48, had expressed his support for al Qaeda for more than a year and talked about setting off bombs at a July 4 parade and later in his hometown, Philadelphia.

He was arrested Sunday after meeting an undercover agent. FBI special agent Stephen Anthony said it was unclear how close Mr. Pitts was to carrying out his threats, but he said authorities couldn't sit back and wait to find out.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Health and Human Services

Secretary Alex Azar's surname was misspelled as Axar in a U.S. News article Saturday about a judge's decision to strike down the Trump administration's approval of a Kentucky plan to impose work requirements on many Medicaid recipients.

U.S. Circuit Judge Joan Larsen is 50 years old. In some editions Thursday, a U.S. News article about possible nominees to the Supreme Court incorrectly said she is 49.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

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U.S. NEWS

Trade Spat Takes Toll On Farm Belt

By JESSE NEWMAN

The U.S. Farm Belt helped deliver Donald Trump to the White House, drawn to his promises to revive rural America and deregulate industry. Now, the president's trade offensive is threatening the livelihoods of many farmers.

Mounting trade disputes, spurred by U.S. threats to withdraw from the North American Free Trade Agreement and tariffs on billions of dollars of goods from key trading partners, have cut U.S. agricultural exports and sent commodity prices tumbling. Many farmers, who depend on shipments overseas for one-fifth of the goods they produce, say they are anxious.

"We live and die by trade," said Arkansas farmer Rusty Smith, who joined dozens of farmers in Grand Rapids, Mich., last week to discuss trade and agricultural commodities.

Since April, duties the U.S. has levied on goods from China, Mexico, Canada and the European Union have sparked retaliatory

Some farmers fear it will jeopardize foreign markets that took decades to establish.

tariffs and trade threats, targeting American farm goods from pork to cheese to apples.

Disquiet among farmers grew in June as crop prices fell thanks to benevolent U.S. weather and additional duties expected from China on products like soybeans, for which it is the U.S.'s top customer. The total value of this year's U.S. corn, soybean and wheat crops dropped about \$13 billion, or 10%, in June, said Chris Hurt, an agricultural economist at Purdue University.

The planned tariffs on U.S. soybean exports come as farmers have boosted plantings, betting on the oilseeds to deliver stronger returns than corn during a yearslong slump in the farm economy.

For farmers like Mr. Smith, who grows corn and soybeans in Cotton Plant, Ark., the 16% decline in soybean prices alone translates into a nearly \$100 per acre drop in the value of his crop. "That's \$100,000 that has disappeared into thin air," he said. "We were already in the red, and now it's even worse."

Researchers at the University of Illinois and Ohio State University estimate that over four years, a 25% tariff on U.S. soybean imports by Beijing would result in an average 87% decline in income for a midsize Illinois grain farm.

Still, many farmers say they support the Trump administration's trade goals.

"Ultimately I think the president is trying to do the best thing for the country as a whole. You can't please all people all the time," said Jon White, a Jones, Mich., hog farmer.

As midterm elections loom, administration officials have tried to reassure farmers, saying they are considering the use of Depression-era programs, which permit borrowing of as much as \$30 billion from the Treasury, as well as other tools to shield farmers from trade-related losses.

Farmers could take on out-size importance in coming elections in key farm states, like Michigan, which Mr. Trump narrowly won in 2016. Michigan exports more than \$3 billion of food and farm goods, supporting over 26,000 jobs there, according to the state's Farm Bureau.

Mr. Trump's job-approval rating hasn't taken a hit as trade tensions have escalated, said Charles Franklin, director of the Marquette Law School poll, which interviews Wisconsin voters. But if farm incomes are significantly squeezed, tensions could emerge between party loyalty and farmers' wallets.

Some farmers fear trade battles will jeopardize foreign markets that took decades to establish. "It's a long, hard climb to build market share," said Gary Parr, who grows corn and soybeans in Charlotte, Mich. "To lose it is tough."

Others worry another bumper harvest this fall will compound pain inflicted by tariffs. The USDA expects farmers to reap the fourth-largest corn crop and third-biggest soybean crop in history.

Dairy farmers have been banking on sales abroad to help absorb increasing milk supplies that have pushed down prices.

Tariffs imposed on U.S. cheese exports by Mexico, the largest buyer of U.S. dairy products, add insult to injury, they say.

Brian Preston, a dairy farmer in Quincy, Mich., said trade uncertainty helped prompt a decision to postpone a \$2.5 million expansion project on his farm.

—Jacob Bunge

contributed to this article.



Michigan hog farmer Jon White says he thinks the president is trying to do what's best for the country.

Tariff Targets

U.S. duties on goods from China, Canada and elsewhere have sparked retaliatory tariffs, which take aim at American farm goods.

Share of farm sector cash receipts in 2016



—Jesse Newman and Yaryna Serkez

Sources: Department of Agriculture (cash receipts); Ministry of Commerce of the People's Republic of China (Chinese tariffs); Department of Finance Canada (Canadian tariffs)

Weinstein Faces New Assault Charges

By ZOLAN KANNO-YOUNGS

Harvey Weinstein, the powerful Hollywood producer who was previously indicted in Manhattan for rape and sexual assault of two alleged victims, was indicted on additional sex crimes charges on Monday in connection with a third woman in a July 2006 incident.

Manhattan District Attorney Cyrus Vance Jr.'s office said a grand jury voted to charge Mr. Weinstein, 66 years old, with a criminal sex act in the first degree for allegedly forcibly committing oral sex on a woman, as well as two counts of predatory sexual assault. With the three additional felony charges, he could now face a maximum sentence of life in prison.

Dozens of women accused him of sexual misconduct last fall, sparking a national movement to encourage victims of sexual assault to report such crimes.

"A Manhattan Grand Jury has now indicted Harvey Weinstein on some of the most serious sexual offenses that exist under New York's Penal Law," Mr. Vance said in a statement. "This indictment is the result of the extraordinary courage exhibited by the survivors who have come forward."

Benjamin Brafman, Mr. Weinstein's attorney, said in a statement that his client would plead not guilty to the new charges. "Mr. Weinstein maintains that all of these allegations are false and he expects to be fully vindicated," he said. "Furthermore to charge Mr. Weinstein as a Predator when the interactions were each consensual is simply not justified."

Mr. Weinstein was charged in May with first- and third-degree rape, as well as committing a criminal sexual act in the first degree in connection with incidents in 2004 and 2013 against two women, according to the Manhattan prosecutors office.

He pleaded not guilty to those charges and is currently out of jail on \$1 million bail.

Under New York state law, some of the most serious sex offenses, such as rape in the first degree or aggravated sex abuse in the first degree, don't have statutes of limitations, according to legal experts.

Mr. Weinstein has seen his career and reputation implode since the allegations surfaced last fall. Around then, police in New York and London began investigating him for sexual assault allegations.

More Detentions Boost Private Prisons

By ZUSHA ELINSON

The Trump administration's new push for more federal detention facilities for immigrants awaiting asylum hearings or deportation has brightened the outlook for the country's two largest private prison operators.

Tennessee-based CoreCivic Inc. and Florida-based Geo Group Inc. had already been helped by higher federal spending on Immigration and Customs Enforcement. Now, the Trump administration is seeking \$2.8 billion in the 2019 budget year to increase the number of beds in immigration detention centers to

52,000—49,500 adult and 2,500 family beds—from about 40,000 now, a spokeswoman said.

Shares in both companies rose last month after ICE issued a notice that it may seek 15,000 new beds for families. An ICE official said it made the request for information on potential facilities and providers "in anticipation of the potential need to house a large number of family units" after Mr. Trump ended his policy of separating children at the southern border. So far this year, Geo's shares are up 14%, while CoreCivic's have risen 4.8%, according to FactSet.

Geo declined to comment

on any coming contracts. A CoreCivic spokesman said the company—formerly known as Corrections Corporation of America—is ready to accommodate the federal government's changing needs and would review the request for information.

Last month, CoreCivic CEO Damon Hininger told investors that "this is probably the most robust kind of sales environment we've seen in probably 10 years." In a first-quarter earnings call in April, Geo Group CEO George Zoley said he expected opportunities for new contracts "as the president will be asking for a significant increase in the deten-

tion bed capacity for ICE" in the next budget cycle.

Immigrant detention has become an increasingly important source of revenue for private prison companies since the Obama administration, as the number of detainees grows and state prison populations decline. ICE uses both private companies and local governments to house detainees.

The share of CoreCivic's revenue from ICE has risen to 25% in 2017 from 13% in 2007, while for Geo Group, the share expanded to 24% last year from 10% a decade earlier, according to the companies. The rest comes from operating federal and state prisons as well as other sources.

Private prison operators took a hit in 2016 when the Justice Department's inspector general found that private prisons were more dangerous than government-run facilities, prompting the agency to announce it would begin phasing out contracts for federal prisons, though not for ICE detention centers. The companies disputed the report's findings.

The Trump administration revoked the plan to cut private prison use.

Between Oct. 1 and June 17, the U.S. Border Patrol arrested roughly 273,000 people, a 17% increase over the year-earlier period, according to government data obtained by The Wall Street Journal.

Judge Blocks U.S. On Asylum-Seekers

A federal judge in Washington, D.C., on Monday ruled the Trump administration can't systematically detain asylum seekers who arrive at the border with a credible fear of returning to their homelands.

The ruling by U.S. District Judge James E. Boasberg marked the second time in less than a week that a federal judge has found the Trump administration's immigration policies to likely be unlawful and ordered changes.

Last Wednesday's order by

a federal judge in California aimed at restricting the separation of families after they cross the border illegally. Monday's ruling wasn't about keeping children and parents together but the procedures around denying so-called humanitarian parole to asylum seekers.

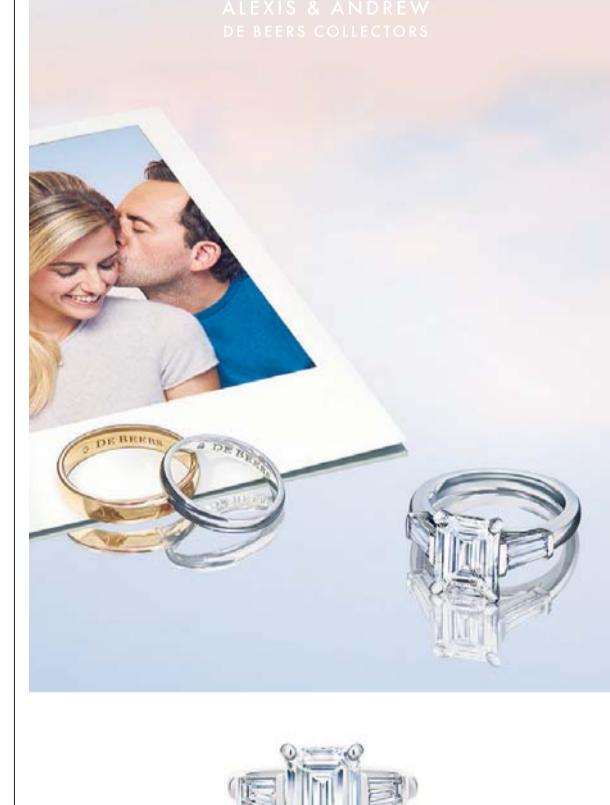
The American Civil Liberties Union alleged that the Trump administration was locking up the vast majority of asylum applicants during their proceedings as a measure to deter mass migration. The civil-rights group pointed to a big drop in the percentage of asylum seekers released from immigration custody, arguing the decrease was evidence that officials

were engaging in "systematic detention" in violation of government policy.

Judge Boasberg's order—a temporary injunction that applies to five ICE field offices—requires that asylum applicants be granted an "individualized determination" into whether he or she presents flight risk or a danger to the community.

A Justice Department spokesman declined to comment on the ruling. In court briefs, DOJ lawyers said the department wasn't violating the directive and contended that an alleged lack of compliance with the internal policy couldn't be a basis for a lawsuit.

—Jacob Gershman



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U.S. NEWS

The Dangers of Losing Faith in Democracy

**CAPITAL JOURNAL**

By Gerald F. Seib

Important as civility in public life is, something even more important appears to be imperiled in today's charged political climate: faith in democracy itself.

During his 2016 presidential campaign, President Donald Trump repeatedly told his followers the electoral system was rigged. He declared that the Republican primary system was rigged against him, that the Democratic primary system was rigged, and that polling places would be rigged in the general election.

More broadly, many of his supporters certainly believed that their own party's power brokers worked against them and that the political system, steered by financial institu-

tions and dominated by coastal elites, was stacked against them.

Since Mr. Trump's election—which, presumably, proved the system wasn't rigged against him—Democrats have been the ones more likely to say the system is rigged. They note that twice in the past five general elections Democrats have won the popular presidential vote yet lost the White House in the electoral college. Moreover, they note that, because of gerrymandered congressional districts, the share of House seats they won fell below their share of the national vote total in each of the past four congressional elections.

Now, angry Democrats see a Supreme Court unfairly stacked against them. The Senate denied their president, Barack Obama, a vote for his Supreme Court nominee before the presidential election in 2016, while that same Republican-controlled Senate now is moving rapidly to ensure Mr. Trump a vote on his second Supreme Court nominee before the 2018 midterm election.

As the nation prepares to celebrate its Independence

Day, it is worth considering the dangers embedded in these grievances. A functioning democracy depends on the belief that the system is fair, that votes count and that the proper recourse for unhappy citizens is the electoral process. If that faith is lost, the chances that citizens will resort to other, darker means for venting their frustration go up significantly.

"It doesn't lead to a good place if people on both sides continue to feel this way for very long," says presidential historian Michael Beschloss. American democracy has flourished because citizens "had the faith that if you wait for a while the system would, from their point of view, correct itself. People are losing their faith."

There are parallels to the current climate. Mr. Beschloss notes that, while the country is in a far different place than it was in 1932, when a deep and potentially destabilizing Depression was settling in, Americans then were voicing similar doubts about the viability of both their economic and democratic systems. One of Franklin D. Roosevelt's accomplishments, he says, was restoring faith in it.



MIKE NELSON/EP/SHUTTERSTOCK

California voters cast their ballots last month in the state's primary.

Frank Luntz, a Republican pollster, is seeing signs of a lack of trust in the system, as well as deep anger, in focus groups with voters he is conducting around the nation. Sessions with voters from both sides of the partisan divide now devolve quickly into shouting matches, he says.

"A lot of them have now just shut out the whole system," he adds. "No one talks about elections now. [They say] we have to take to the streets."

Signs of the mood also can be seen in Mr. Luntz's polling. In a recent survey, 65% of respondents said they agreed that "the system in America is rigged against ev-

eryday, ordinary Americans." Three-quarters of Democrats said they felt that way; almost six in 10 Republicans did.

Asked how Americans can best uplift the country together, only about one in 10 cited a commitment to vote and participate in the electoral process.

How to turn this around? For starters, the nation needs leaders who, rather than stoke grievances, show they are committed to making the political system fair and effective. They could start with a commitment to end the gerrymandering of congressional

districts for purely partisan benefit, a sin of which both parties are guilty.

For a long stretch in the 1970s and 1980s, Democrats were the ones who benefited from districts unfairly constructed to benefit their candidates; that was a time when that party controlled more levers at the state level where new districts are drawn. Now the tables have turned. Perhaps both sides can agree that the gerrymandering process is corrosive for all.

Ironically, each party has a prominent example to point to as evidence the system still works. By his very presence in the White House, President Trump is proof that some hidden establishment hand isn't in control.

And among Democrats, last week's stunning primary victory of a 28-year-old newcomer, Alexandria Ocasio-Cortez, who felled a Democratic Party power broker in New York state, is proof that the simple act of voting is a powerful way to effect change. Rep. Joe Crowley had every conceivable conventional advantage in that race. The democratic process had other ideas.

Roberts Becomes Man in the Middle

BY BRENT KENDALL

WASHINGTON—Though John Roberts has been chief justice of the United States for 13 years, this fall's term may see the true birth of the Roberts Court.

With the retirement of Justice Anthony Kennedy, Chief Justice Roberts will be the new man in the middle on the Supreme Court. He will have four steadfastly liberal justices on his left and likely four deeply conservative ones to his right, including a second justice appointed by President Donald Trump.

That new ideological math is expected to give the chief justice greater leverage to steer the direction of the court than at any time since the George W. Bush appointee joined it in 2005.

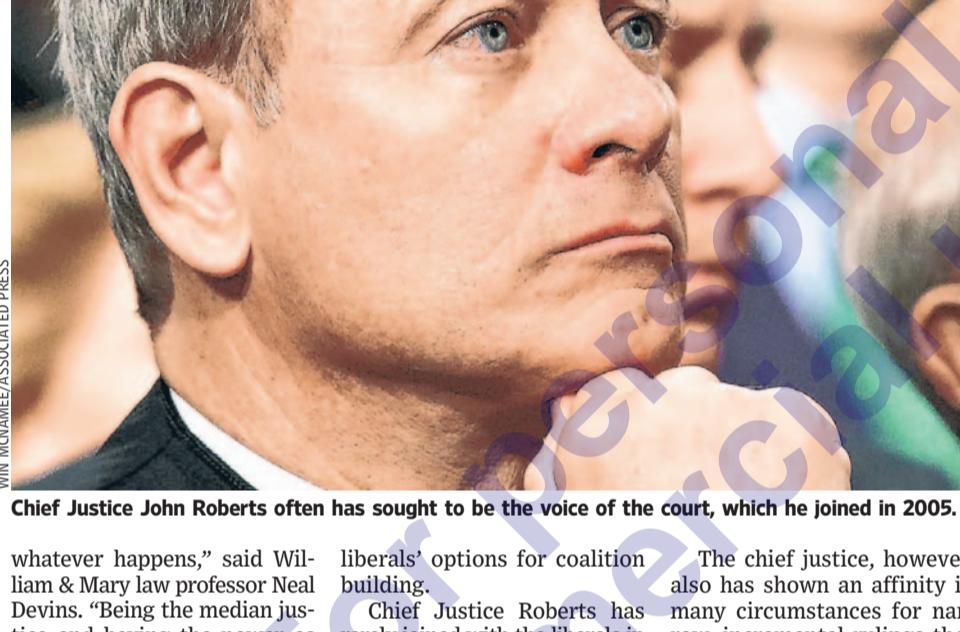
The chief is the sole justice whose role, by tradition, goes beyond casting votes and writing opinions and extends to serving as the custodian of the court's role and reputation. Chief justices have often shown concern that the institution not depart too markedly from public sentiment or issue opinions that are strongly at odds with presidential or congressional actions.

That puts Chief Justice Roberts in a highly unusual position: a chief who also will be a swing vote.

University of Chicago law professor Aziz Huq said it has been 80 or 90 years since the chief justice was also the court's median justice. "It creates some interesting questions, because the chief justice is supposed to be institutionally minded," he said. "We evaluate chief justices in terms of the performance of the court."

Most notably, it raises the question of how often Chief Justice Roberts will choose to be the leader of the court's newly dominant conservative wing versus seeking to craft a broader coalition of justices.

"For all sorts of reasons, Roberts is going to be central to



Chief Justice John Roberts often has sought to be the voice of the court, which he joined in 2005.

whatever happens," said William & Mary law professor Neal Devins. "Being the median justice and having the power as chief justice to assign opinions, you're really running things."

Chief Justice Roberts often has sought to be the voice of the court, especially on cases of particular gravity, such as last week's ruling upholding Mr. Trump's travel ban.

For the 2017-18 session, Chief Justice Roberts was in the majority in 93% of the court's rulings, according to data compiled by SCOTUSblog, surpassing Justice Kennedy for the top spot for the first time in years.

But the chief justice also has been spectator to a handful of the court's most notable decisions, cases in which Justice Kennedy spoke for the court after forging a majority with his liberal colleagues to recognize a constitutional right to same-sex marriage and to preserve affirmative action.

That is far less likely to happen now. Because he is more conservative than Justice Kennedy, Chief Justice Roberts is unlikely to be in play to the same degree, narrowing the

liberals' options for coalition building.

Chief Justice Roberts has rarely joined with the liberals in 5-4 cases, though he did so famously in 2012 when that lineup upheld the Affordable Care Act, President Barack Obama's signature health-care law. That coalition also joined together in a cellphone privacy decision last month.

Legal observers say he won't want the court to be seen as a partisan body.

More often, the chief justice has joined with other conservatives to move the law distinctly to the right. He has been part of major decisions weakening campaign finance laws, public-sector unions and Jim Crow-era voting rights protections. His court has strengthened gun rights and issued a long string of rulings that have been favorable to corporations and employers.

Companies that have gone public in the U.S. this year are trading, on average, 23% above their IPO price, and technology companies have done particularly well, up 52% above their IPO price, according to Dealogic data through Friday's close. Meanwhile, the S&P 500 rose less than 2% for the year, and the tech-heavy Nasdaq Composite climbed 8.8% during the same period.

"This year we're finding the investor demand for technology IPOs is literally the highest we've ever seen both in terms of the quantity and quality of interest," said Madhu Namburi, JPMorgan Chase & Co.'s head of technology investment banking.

Not all IPOs have been win-

The chief justice, however, also has shown an affinity in many circumstances for narrow, incremental rulings that pick up more votes, and legal observers say his strong sense of stewardship means he won't want the court to be seen as a partisan body that decides all of the nation's big legal issues on 5-4 votes.

"Roberts is a pretty cabined and cautious opinion writer, and that might be due to him being chief," said Mr. Huq.

Chief Justice Roberts made his first public remarks since the Kennedy retirement on Friday, appearing at a regional legal conference for a question-and-answer session with a longtime federal appeals court judge, J. Harvie Wilkinson.

Judge Wilkinson asked Chief Justice Roberts whether he felt the weight of his office in ways that don't apply to his colleagues. "I think there is something to that, yes," the chief justice responded. "As the chief justice, I feel some obligation to be something of an honest broker among my colleagues. I don't necessarily go out of my way to pick fights."

Trump Interviews Potential Justices

BY PETER NICHOLAS AND VIVIAN SALAMA

WASHINGTON—President Donald Trump said Monday that he met with four potential Supreme Court nominees earlier in the day and planned to interview "two or three more" ahead of the planned announcement of his decision next week.

Speaking alongside Netherlands Prime Minister Mark Rutte at the White House, Mr. Trump said the candidates were "outstanding people, they are really incredible people." Each of Mr. Trump's meetings lasted about 45 minutes, White House press secretary Sarah Sanders said.

The pace of the interviews underscores the urgency in filling the vacancy created by the retirement of Justice Anthony Kennedy. The opening gives Mr. Trump his second nomination to the high court and the chance to replace a swing vote with a reliably conservative judicial voice, one who could set a new direction for the court on abortion rights, gay rights and other issues that have divided the country.

Mr. Trump said he intended to reach a decision on the Supreme Court nominee this week and announce the decision Monday. The nominee will require confirmation in the Senate, where the Republicans have a 51-49 majority.

As Mr. Trump interviews prospective nominees, he is seeking a broader sense of their background, some advisers said.

Leonard Leo, an outside adviser to Mr. Trump on judicial selections, said in an interview: "Character is something really important, and presidents are in a particularly good position to gauge that."

The names most frequently cited as front-runners include Thomas Hardiman of the Third U.S. Circuit Court of Appeals in Philadelphia; Raymond Kethledge, of the Cincinnati-based Sixth Circuit; Brett Kavanaugh of the District of Columbia Circuit; Amy Coney Barrett of the Chicago-based Seventh Circuit; and another Sixth Circuit judge, Amul Thapar.

As the search unfolds, the White House is treading carefully when it comes to abortion rights, an issue that could potentially cripple a nominee's prospects. As a candidate, Mr. Trump stated he wanted "pro-life" justices who would vote to overturn Roe v. Wade, the landmark Supreme Court ruling that made abortion legal.

In a sign of the sensitivities surrounding the issue, Ms. Sanders declined to answer a question Monday about whether the president wants to see the ruling overturned. "I'm not going to get into any specifics," she said, adding that Mr. Trump has chosen not to ask candidates their views on specific cases including Roe v. Wade.

As the White House girds for a tough confirmation battle, officials are setting up a war room.

Raj Shah, lead deputy White House press secretary, will leave that role to oversee communications and strategy on the high-court pick and help coordinate messages with allies on Capitol Hill, the White House said. Justin Clark, who directs the Office of Public Liaison, will oversee outreach to outside constituency and interest groups.

White House counsel Don McGahn will lead the search for the nominee and head the "overall confirmation process," Ms. Sanders said.

2017 and a more-than-tenfold increase from 2016's volume, according to Dealogic.

The largest IPOs in the second half of 2018 are expected to come out of China. Many of the largest Chinese companies planning to debut in 2018, including Meituan Dianping and Xiaomi Corp., will do so in Hong Kong as its stock exchange changed its listing rules this year to allow companies with dual-class shares to list there.

An exception is Tencent Music Entertainment Group, China's largest music-streaming company, which is expected to go public in the U.S. and is expected to be one of the largest IPOs of the year, according to people familiar with the deal.

While 2018 could be a near-record year, bankers and lawyers are betting activity could continue to accelerate from there. "There's a real chance that 2019 could be even stronger than 2018," said JPMorgan Chase's Mr. Namburi.

IPOs Come Roaring Back

Continued from Page One

hailing firm Lyft Inc., recently raised \$600 million from mutual fund and hedge-fund investors including Fidelity Investments.

But for the remainder of the year, bankers and lawyers expect the rapid IPO pace to continue, including many multibillion-dollar technology companies going public in the U.S. Among them: Sonos Inc.; Upwork; SurveyMonkey; and Eventbrite Inc.

"Our global IPO pipeline is stronger now than it's been since the financial crisis," said Evan Damast, global head of equity and fixed income syndicate at Morgan Stanley.

IPO issuance began to pick up pace last year after a mori-

bund 2016. Helping along this year's rush: Companies are no longer worried they may have to go public at valuations below those they had achieved in the private markets, as a disconnect has largely been erased between public and private-market valuations.

Companies that have gone public in the U.S. this year are trading, on average, 23% above their IPO price, and technology companies have done particularly well, up 52% above their IPO price, according to Dealogic data through Friday's close.

Bankers reaped \$1.2 billion in fees from U.S.-based IPO clients in the first half of this year, according to Dealogic, down slightly from 2017 as the equity capital markets industry has faced continued fee pressure from companies looking to cut costs. Among the top three market-share holders this year for U.S.-listed IPOs are Bank of America Corp., Goldman Sachs Group Inc. and Credit Suisse Group AG.

The surge in IPOs hasn't dented private-market activity.

Many companies continue to raise vast sums there. That companies are tapping both private and public markets defies expectations that companies would largely turn to IPOs once private funding tightened.

Activity so far this year has made it clear both markets can thrive in tandem, at least for now.

"Private markets primarily facilitate companies to raise capital. A public IPO is a land-

mark event for a company that goes far beyond just raising capital," said Mr. Namburi.

Employees of public companies, he said, have a clear sense of the wealth they have earned, and public companies have a currency to use for acquisitions and for future capital-raising.

Tech IPOs, mostly software companies, have been going strong, raising \$12.2 billion in 28 deals in the first half of 2018, nearly double the volume from the same period in

2017 and a more-than-tenfold increase from 2016's volume, according to Dealogic.

The amount of money raised in U.S. IPOs is the fourth-highest since 1995.

IPO volume through July 2 of each year

\$70 billion

All other IPOs

Technology IPOs

Year	Volume (\$B)
1995	~10
1996	~20
1997	~30
1998	~25
1999	~35
2000	~60
2001	~25
2002	~15
2003	~20
2004	~15
2005	~20
2006	~25
2007	~30
2008	~25
2009	~10
2010	~15
2011	~25
2012	~20
2013	~30
2014	~25
2015	~15
2016	~20
2017	~30
2018	~35

THE WALL STREET JOURNAL.

WORLD NEWS

Mexican Voters Snub the Establishment

López Obrador's win deals unprecedented setbacks to Mexico's traditional parties

By SANTIAGO PÉREZ
AND JOSÉ DE CÓRDOBA

MEXICO CITY—Mexico's election was a tsunami for the country's traditional parties, which suffered unprecedented setbacks at the hands of Andrés Manuel López Obrador and the Movement for National Regeneration the leftist leader founded just four years ago.

Like Brexit and the presidential election of Donald Trump, Mexico's historic vote is the latest example of the backlash against the political establishment that has swept through Europe and the U.S. amid eroding trust in traditional political parties.

Mr. López Obrador's victory marks an end to the political party system that dominated Mexico over the past three decades—a three-party system of the centrist Institutional Revolutionary Party (PRI), the conservative National Action Party (PAN) and the center-left Party of the Democratic Revolution (PRD). His new party is known as Morena, an acronym that also alludes to the country's patron saint, the Virgin of Guadalupe, and means dark-



Andrés Manuel López Obrador took more than half of the vote in a field of four candidates.

skinned in Spanish.

"This is the end of the parties as we have known them," said Jesús Silva-Herzog, a leading political commentator and scholar. "The legacy parties have their work cut out for them in remaking themselves and reassessing their identity."

Mr. López Obrador's landslide—he won by more than

30 percentage points over his closest rival and took more than half of the vote in a field of four candidates—is the widest since Miguel de la Madrid of the PRI won the 1982 election, before Mexico became a full democracy.

Mr. López Obrador will also be the first Mexican president since 1997 to have an outright

majority in Congress.

For the ruling PRI, the once-hegemonic party that ruled Mexico as a single party state from 1929 to 2000, the result was a disaster. The number of PRI representatives in the 500-member lower house is expected to drop from 204 to 45, according to projections from the country's electoral author-

Electoral Earthquake

Legacy political parties take a beating amid a backlash against the establishment.

- Morena-PT-PES (López Obrador)
- PAN-PRD-MC (Anaya)
- Independent/Non-Affiliated
- PRI-PVEM-Panal (Meade)

Lower House (500 seats)

Projected*	50%	306 seats	131	63
Previous		60	15	180

Senate (128 seats)

Projected*	38%	70 seats	38	20
Previous		19	8	41

*Preliminary result with 72.2% of the vote counted.

Sources: EMPRA (previous); Mexico's electoral agency INE (projected)

THE WALL STREET JOURNAL.

"The results are catastrophic for the PRI," said Roger Bartra, a renowned Mexican sociologist. "I don't think the party will disappear, because it still has a powerful machinery, but it faces unprecedented challenges."

The broader opposition is so weakened that some analysts speculate that Morena could become Mexico's next hegemonic party, exerting a political power similar to the one the PRI exercised from 1929 to 2000.

"It's a paradox that the ones who voted for López Obrador to put an end to the PRI are really voting to construct another PRI," said José Antonio Crespo, a political analyst at CIDE university in Mexico City. "This could mean a setback to Mexico's democracy."

Like the PRI, Morena is a pragmatic "big tent" including all sorts of political actors with clashing beliefs, including an alliance with the Social Encounter party that has conservative views on issues like same-sex marriage and abortion, according to Jorge Chabat, a professor at the University of Guadalajara.

"There's room for everybody—the left, the right, those with a history of corruption, those not corrupt," said Mr. Chabat. "This is very clear—it's back to the future."

—Juan Montes contributed to this article.

Vote Resets Nations On Trade

Continued from Page One
less accommodating to Trump's demands and his abrasive comments about Mexico and Mexicans and to the extent he stands up to Trump, he will have a lot of support."

Mr. López Obrador's team will inherit the renegotiation of Nafta, which has stalled recently on U.S. demands that it include provisions such as a "sunset clause" that requires the deal to be renewed every five years.

In some ways, the new Mexican team could prove more flexible. Mr. López Obrador has signaled his administration will be more receptive to Washington's push to raise wages in Mexico—a key goal of both Mr. Trump and Democratic lawmakers in Washington.

On the flip side, the new Mexican leader's nationalist impulses could clash with Mr. Trump's "America first" policy. Mr. Trump, for instance, has repeatedly threatened tariffs in industries like cars made in Mexico as a way to pressure Mexico in the trade talks.

"Any of these arm-twisting tariffs—whether the threat of auto tariffs or the imposition of auto tariffs—could be enough to make Mexico under [Mr. López Obrador] walk away," said Monica de Bolle, senior fellow at the Peterson Institute for International Economics think tank.

The stakes are high for both countries. Mexico has long been the No. 2 destination for U.S. exports, after Canada. Trade between the two coun-



Mexico's president-elect, Andrés Manuel López Obrador

Jason Marczak, a fellow at the Atlantic Council who specializes in Latin America. "He will work with the U.S. on areas of interest when it benefits Mexico. I do not see him acquiescing to U.S. demands when it's not in Mexico's interest."

Some of the same global forces that led to Mr. Trump's victory helped propel Mr. López Obrador. Like the U.S. president, Mr. López Obrador wants to focus on the domestic economy. He is a proponent of "México First," said Andrew Selee, president of the Washington-based Migration Policy Institute.

Both men rode to victory on a wave of popular anger at the political establishment. While Mr. Trump, a brusque and bombastic 72-year-old billionaire, promised to drain Washington's "swamp," Mr. López Obrador, 64, a silver-haired social activist with a messianic tendency, railed against Mexico's "mafia of power," what he says is a corrupt clique who keep Mexicans in poverty.

Hector Vasconcelos, Mr. López Obrador's pick for foreign minister, said in an interview Monday the new president wants to keep close ties with the U.S., but added that Mexico will look to deepen ties with the rest of the world.

"For the past three decades, we've been excessively focused on the U.S., on the north in general," he said. "While we won't lose sight that the relationship with the U.S. is vital, there is a whole world out there, including Europe and Asia and South America. We'd like to deepen our economic and political ties with them, too."

With Mr. López Obrador in charge, the U.S. will likely face a Mexican government less interested in cooperating on security and controlling immigration.

—Robbie Whelan contributed to this article.

WORLD WATCH

IRAN

Diplomat Among Four Held in Alleged Plot

European security services arrested four people, including an Iranian diplomat, for allegedly planning to bomb an annual gathering of Iranian opposition groups outside Paris on Saturday and are examining whether Tehran ordered the attempted attack.

Rudy Giuliani, an attorney for President Donald Trump, was one of several high-profile U.S. critics of Tehran who spoke at the meeting at a conference center.

The involvement of the Iranian government would mark an escalation of Tehran's militancy outside the Middle East.

The arrests came days before Iranian President Hassan Rouhani is set to travel to Switzerland and Austria, in a visit critical for the country's relationship with Europe.

—Matthew Dalton



FLIGHT RISK: French investigators transported an Alouette II helicopter allegedly abandoned by infamous bandit Redoine Faid and suspected accomplices after his escape from Réau Prison on Sunday.

U.S. Eases Scope Of Sanctions Threat

The Trump administration will consider requests for waivers from economic sanctions against Iran on a case-by-case basis, a senior State Department official said, a step back from threats to

insist on zero imports by a Nov. 4 deadline.

Oil prices rose to multiyear highs last week after U.S. officials signaled the administration would act to cut Iran exports faster than expected and said all countries and companies that continued purchasing Iranian oil risked sanctions.

—Jessica Donati

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IN DEPTH

This Park's Odd Noises Are Art

Continued from Page One

sounds, though not alarmed, because this is New York City."

Discovering that the noises were of people with respiratory problems, she said: "Huh, OK...I guess I respect the art."

The New York City Department of Parks & Recreation said it has received three formal noise complaints since the installation opened May 31. One, from a person identifying as a nearby resident, took umbrage with the "obnoxious noises."

"People go to the park to rest and relax. Not hear these noises," the person wrote. "Just because it is considered Art doesn't mean this is the right venue for it."

Many more react on social media. One city resident tweeted that he hadn't been able to sit in the park in June because the installation

sounded like "someone heavily breathing and burping wherever you go in or near the park."

The breathing exhibit, which runs through July 8, involves six speakers along the park's walkway leading up to City Hall. For 16 minutes roughly every half-hour, the speakers affixed to light posts unleash sounds of labored inhales and exhales, gargles and hisses. They are active every day between 10 a.m. and 9 p.m.

Each speaker emits a different sound at any given moment, creating the effect of being surrounded by people breathing simultaneously.

Parks-department spokeswoman Maeri Ferguson said the exhibit doesn't violate city rules about amplified sound and was approved by a community board in lower Manhattan.

A pug on a walk last week was so startled by a sudden whoosh above that he skittered across the sidewalk, seeking cover under a bench. Only after coaxing was the leashed pug persuaded to resume his stroll.

Signs around the park leave much to conjecture. Mr. Sandin, 40, a former composer living in



A pedestrian in Manhattan's City Hall Park reacts to breathing sounds, an art installation that intrigues—and befuddles—visitors.

from a fascination with breathing. Her sister was diagnosed at 35 with a rare lung disease, Ms. Carel said, and watching her adjust to the condition sparked the artist's interest in examining disabilities associated with respiratory illness.

She brought New Yorkers suffering from asthma and other respiratory problems into a studio, where she and a recording engineer created a soundtrack from their inhales and exhales.

Her final product, she said, layered those breathing recordings with others from a medical-electronics company that taped patients with emphysema, bronchitis, chronic obstructive pulmonary disease and other illnesses to demonstrate its digital stethoscope.

The artist acknowledged park visitors may find the exhibit "surprising," particularly at quieter times of the day.

"Unfortunately, it's not possible to make something everyone can connect with or enjoy," she said. "I'm not interested in antagonizing, though some artists are. I was interested in involving collaborators and community."

The 8.8-acre park serves as a

retreat from the surrounding government buildings, office towers and traffic-clogged roads leading to the Brooklyn Bridge. It is a popular site for public art and in recent years has hosted other sound-based installations.

In 2016, a local nonprofit sent singers in to serenade visitors. That year, the park also installed an audio piece in which four loudspeakers played a recording of a flock of starlings.

Two park regulars, Essence Franklin, 25, and fellow New York municipal employee Mary Van Noy, 34, visiting last week, still hadn't settled on what the sounds were, despite having listened on other days. "It sounds different every time we're here," Ms. Van Noy said. "I thought it was a dinosaur at first."

Ms. Franklin said she heard rattlesnakes, then birds. "We like to play the guessing game."

One thing they hadn't guessed was labored breathing.

Told it was recordings of respiration, Ms. Van Noy said: "I guess it's just become a quirky aspect of this park. I don't really like day-to-day predictability, so it's kind of nice to be surprised."

ference, which it shares with the users.

Earny had a partnership with Return Path, which connected its computer scanners to Ms. Forghani's email and began collecting and processing all of the new messages that arrived in her inbox. Ms. Forghani says she didn't read Earny's privacy policy closely and has never heard of Return Path. "It is definitely concerning," she says of the information collection.

Matt Blumberg, Return Path's chief executive, says users are given clear notice that their email will be monitored. All of Return Path's partner apps mention the email monitoring on their websites, he says, and Earny's privacy policy states that Return Path would "have access to your information and will be permitted to use that information according to their own privacy policy."

Oded Vakrat, Earny's CEO, says his company doesn't sell or share data with any outside companies. Earny users can opt out of Return Path's email monitoring, he says.

Personal messages

Return Path says its computers are supposed to strip out personal emails from what it sends into its system by examining senders' domain names and searching for specific words, such as "grandma." The computers are supposed to delete such emails.

In 2016, Return Path discovered its algorithm was mislabeling many personal emails as commercial, according to a person familiar with the matter. That meant millions of personal messages that should have been deleted were passing through to Return Path's servers, the person says.

To correct the problem, Return Path assigned two data analysts to spend several days reading 8,000 emails and manually labeling each one, the person says. The data helped train the company's computers to better distinguish between personal and commercial emails.

Return Path declined to comment on details of the incident, but said it sometimes lets employees see emails when fixing problems with its algorithms. The company uses "extreme caution" to safeguard privacy by limiting access to a few engineers and data scientists and deleting all data after the work is completed, says Mr. Blumberg.

At Edison Software, based in San Jose, Calif., executives and engineers developing a new feature to suggest "smart replies" based on emails' content initially used their own emails for the process, but there wasn't enough data to train the algorithm, says Mr. Berner, the CEO.

Two of its artificial-intelligence engineers signed agreements not to share anything they read, Mr. Berner says. Then, working on machines that prevented them from downloading information to other devices, they read the personal email messages of hundreds of users—with user information already redacted—along with the system's suggested replies, manually indicating whether each made sense.

Mr. Berner says he believes Edison's privacy policy covers this practice by telling users the company collects and stores personal messages to improve its artificial-intelligence algorithms. Edison users can opt out of data collection, he says.

Email Inboxes Get Scanned

Continued from Page One

Berner, the company's CEO.

Letting employees read user emails has become "common practice" for companies that collect this type of data, says Thede Loder, former chief technology officer at eDataSource Inc., a rival to Return Path. He says engineers at eDataSource occasionally reviewed emails when building and improving software algorithms.

"Some people might consider that to be a dirty secret," says Mr. Loder. "It's kind of reality."

Neither Return Path nor Edison asked users specifically whether it could read their emails. Both companies say the practice is covered by their user agreements, and that they used strict protocols for the employees who read emails. eDataSource says it previously allowed employees to read some email data but recently ended that practice to better protect user privacy.

Google, a unit of Alphabet Inc., says it provides data only to outside developers it has vetted and to whom users have explicitly granted permission to access email. Google's own employees read emails only "in very specific cases where you ask us to and give consent, or where we need to for security purposes, such as investigating a bug or abuse," the company said in a written statement.

This examination of email data privacy is based on interviews with more than two dozen current and former employees of email app makers and data companies. The latitude outside developers have in handling user data shows how even as Google and other tech giants have touted efforts to tighten privacy, they have left the door open to others with different oversight practices.

Facebook Inc. for years let outside developers access its users' data. That practice, which Facebook has said it stopped by 2015, spawned a scandal when the social-media giant this year said it suspected one developer of selling data on tens of millions of users to a research firm with ties to President Donald Trump's 2016 campaign. The episode led to renewed scrutiny from lawmakers and regulators in the U.S. and Europe over how internet companies protect user information.

There is no indication that Return Path, Edison or other developers of Gmail add-ons have misused data in that fashion.

Data mining

For companies that want data for marketing and other purposes, tapping into email is attractive because it contains shopping histories, travel itineraries, financial records and personal communications. Data-mining companies commonly use free apps and services to hook users into giving up access to their inboxes without clearly stating what data they collect and what they are doing with it, according to current and former employees of these companies.

Gmail is especially valuable as the world's dominant email service, with 1.4 billion users.

How Data Miners See Your Email

Email data collectors use software to scan millions of messages a day, looking for clues about consumers that they can sell to marketers, hedge funds and other businesses.

Here are a few things they look for:

1) SUBJECT

Several subject lines can be tested to see which one gets the most clicks.

2) SENDER

Senders are assigned reputation scores based on the likelihood recipients will read their messages.

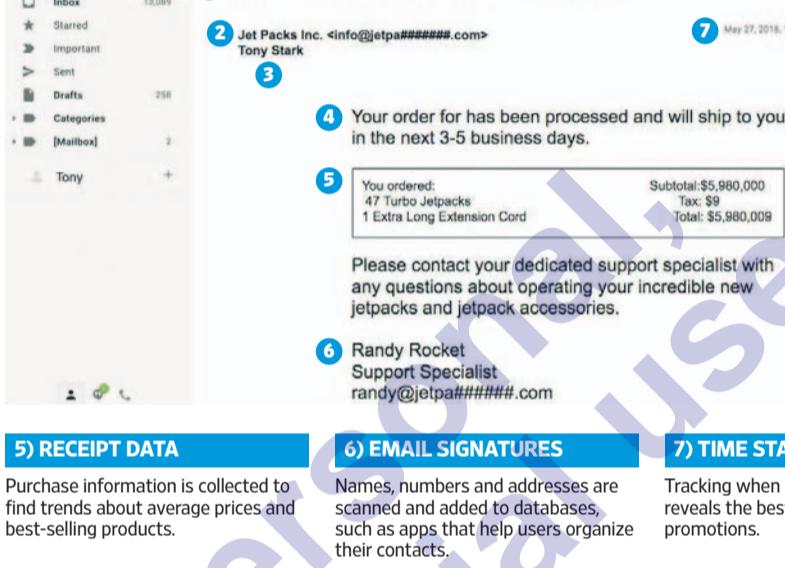
3) RECIPIENT

Names and email addresses, which are replaced by code numbers, are linked to demographic information such as age and location.

4) MESSAGE TEXT

Full sentences are parsed to help software algorithms understand natural written language.

Source: email data companies
THE WALL STREET JOURNAL.



5) RECEIPT DATA

Purchase information is collected to find trends about average prices and best-selling products.

6) EMAIL SIGNATURES

Names, numbers and addresses are scanned and added to databases, such as apps that help users organize their contacts.

7) TIME STAMP

Tracking when messages are opened reveals the best times to send future promotions.



DAVID PAUL MORRIS/BLOOMBERG NEWS

Attendees at a Google conference in May for outside developers of apps for Android, Gmail and other Google products.

Nearly two-thirds of all active email users globally have a Gmail account, according to comScore, and Gmail has more users than the next 25 largest email providers combined.

The data miners generally have access to other email services besides Gmail, including those from Microsoft and Verizon Communications Inc.'s Oath unit, formed after the company acquired email pioneer Yahoo. Those are the next two largest email providers, according to comScore.

Oath says access to email data is considered "on a case-by-case basis" and requires "express consent" from users. A Microsoft spokeswoman says it is committed to protecting customers' privacy and that its terms of use for developers prohibit accessing customer data without consent, and provide guidelines for how data can and can't be used. Neither company's privacy or developer policies mention allowing people to see user data.

Google's developer agreement prohibits exposing a user's private data to anyone else "without explicit opt-in consent from that user." Its rules also bar app developers from making permanent copies of user data and storing them in a database.

Developers say Google does little to enforce those policies. "I have not seen any evidence of human review" by Google employees, says Zvi Band, the co-founder of Contactually, an email app for real-estate agents. He says Contactually has never

had employees review emails with their own eyes.

Google said it manually reviews every developer and application requesting access to Gmail. The company checks the domain name of the sender to look for anyone who has a history of abusing Google policies, and reads the privacy policies to make sure they are clear. "If we ever run into areas where disclosures and practices are unclear, Google takes quick action with the developer," a spokesman said.

Google says it lets any user revoke access to apps at any point. Business users of Gmail can also restrict access to certain email apps to the employees in their organization, the company said, "ensuring that only apps that have been vetted and are trusted by their organization are used."

Google has contended with privacy concerns since it launched Gmail in 2004. The company's software scanned email messages and sold ads across the top of inboxes related to their content. That year, 31 privacy and consumer groups sent a letter to Google co-founders Larry Page and Sergey Brin saying the practice "violates the implicit trust of an email service provider." Google responded that other email providers were already using computers to scan email to protect against spam and hackers, and that showing ads helped offset the cost of its free service.

While some users complained the ads were creepy, people signed up for Gmail in

droves. In 2014, Google said it would stop scanning Gmail inboxes of student, business and government users. In June of last year, it said it was halting all Gmail scanning for ads.

Meanwhile, Google in 2014 started promoting Gmail as a platform for developers to leverage the contents of users' email to develop apps for such productivity tasks as scheduling meetings. A new Gmail version launched this spring adds a link next to inboxes to a curated menu of 34 add-ons.

Google says apps make Gmail more useful. Turning Gmail into a platform emulates Microsoft's Windows and Apple Inc.'s iPhone, which attracted outside developers to make their software more useful to corporate users.

Data-mining companies use free apps to get users to give up email access.

Google doesn't disclose how many apps have access to Gmail. The total number of email apps in the top two mobile app stores, for Apple's iOS and Android, jumped to 379 last year, from 142 five years earlier, according to researcher App Annie. Most can link to Gmail and other major providers.

Almost anyone can build an app that connects to Gmail accounts using Google's software

called an application programming interface, or API. When Gmail users open one of these apps, they are shown a button asking permission to access their inbox. If they click it, Google grants the developer a key to access the entire contents of their inbox, including the ability to read the contents of messages and send and delete individual messages on their behalf. Microsoft also offers API tools for email.

Return Path, based in New York, gains access to inboxes when users sign up for one of its apps or one of the 163 apps offered by its partners. Return Path gives the app makers software tools for managing email data in return for letting it peer into their users' inboxes.

Return Path's system is designed to check if commercial emails are read by their intended recipients. It provides customers a dashboard where they can see which of their marketing messages reached the most customers.

Marketers can view screenshots of some actual emails—with names and addresses stripped out—to see what their competitors are sending. Return Path says it doesn't let marketers target emails specifically to users.

Navideh Forghani, 34 years old, of Phoenix, signed up this year for Earny Inc., a tool that compares receipts in inboxes to prices across the web. When Earny finds a better price for items its users purchase, it automatically contacts the sellers and obtains refunds for the dif-

GREATER NEW YORK

Taxi Group Proposes a Minimum Wage

BY KATIE HONAN

A study commissioned by New York City's Taxi and Limousine Commission recommends setting a minimum wage for for-hire drivers working for ride-hailing app-based companies like Uber in an effort to address complaints of low pay in the industry.

Under the proposal, the city would establish an hourly minimum rate of \$17.22 for the 80,000 drivers working for companies like Uber and Lyft. Currently, these drivers get a base rate for each fare, plus pay based on the time and distance of the ride. They can also receive bonus pay based on other factors, including surge pricing

during peak usage times.

The new recommendation would require ride-hailing companies to make up the difference if their drivers don't make a minimum of \$17.22 an hour during their shifts. Establishing that minimum wage would increase an individual driver's earnings by an average of 22.5%, according to the study. Drivers would make an average of \$6,300 more each year.

Josh Gold, a spokesman for Uber, said the proposal could hurt riders with higher fares and limit transportation options.

"We are concerned about the unintended consequences of implementing the findings in

this report and believe many of the assumptions made about our industry are oversimplified to the point of flawed," he said.

Under the proposal, the city would establish a minimum rate of \$17.22 an hour.

If the study's proposal is implemented, it would be the first of its kind in the U.S.

The TLC commissioned the study after a City Council hearing last year on ride-hailing apps where both for-hire and

taxi medallion drivers complained of low wages due to a proliferation of ride-hailing apps and an explosion in the number of drivers on city roads. Economists from the Center for New York City Affairs at The New School and the Center on Wage and Employment Dynamics at the University of California, Berkeley, wrote the study.

The authors found that despite promises of independence and a steady paycheck, drivers working for these apps struggle financially.

The majority of app-based drivers make less than the current minimum wage and work more than 30 hours a week, the study found. The current city-

wide minimum wage is \$15 an hour for companies with 11 or more employees.

Meera Joshi, the commissioner for the TLC, said the study is important in finding ways to improve working conditions for thousands of drivers.

"Getting feedback on the analysis of our proposal is essential to inform upcoming policy-making on driver pay by TLC and City Council," she said in a statement.

There are more than 600,000 trips daily on ride-hailing apps—which is twice as many rides as taken in medallion taxi cabs.

The number of New York City medallion taxi cabs is 13,587. The medallion is a metal shield affixed to a car that gives the driver the right to pick up street hails in certain parts of the city. Other drivers can only respond to bookings, whether over the phone or via an app.

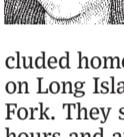
Advocates for taxi medallion drivers say they want further regulation to curb the number of for-hire drivers who rely on hailing apps.

"The only way forward is to look at the industry holistically and implement one set of policy solutions that will help drivers in every sector," Bhairavi Desai, the executive director of the New York Taxi Workers Alliance, said in a statement.

Hearings on the proposal could come later this summer, according to city officials.

METRO MONEY | By Anne Kadet

Life Is Good For Long Island Fishmongers



Alex and Stephanie Villani enjoy an enviable life. They live in a beautiful, secluded home with a big pool on Long Island's idyllic North Fork. They set their own work hours and answer to no one. They spend two months every winter in the Florida Keys.

And how do they pull it off? They fish for a living. Literally. Their income derives from their daily catch in the Long Island Sound, which they sell through their Blue Moon Fish business at farmers markets in Brooklyn and Manhattan. "It's not much different than how it would be 300 years ago," Ms. Villani says.

Unlike most local fishing operations that eke out a meager living selling their catch to wholesalers, the Villanis sell direct to the public—and command a lot more for their fish.

Wholesalers offer about \$1 a pound for bluefish, for example. But the Villanis sell their whole bluefish at the market for \$3.50 a pound, and get \$8 a pound for bluefish fillet. The downside? It's twice as much work.

On a recent Monday, Mr. Villani, a burly 66-year-old, munched a bagel at his kitchen table and declared himself pleased with the morning's expedition. "I caught a lot of fish in two hours," he said. "You get back, you tie up the boat, you're

alive. It's a perfect day!" Fishing ranks second only to logging as the nation's deadliest occupation.

"There's lots of ways to kill yourself," Mr. Villani says.

Cruising 4 miles into the Sound from Mattituck Inlet on his 36-foot boat, he met the dawn dragging the waters with his 55-foot net.

There's not much to do while you trawl. "I listen to music and twiddle my thumbs," says Mr. Villani, who grew up in Manhattan and started fishing professionally in 1972 with a \$600 clam boat.

When the net was full, he sprang into action, emptying his haul of flopping fish onto the boat deck. Donning knee-pads and gloves, he threw the undersized fish overboard, along with sea bass worth several thousand dollars that were off limits due to state quotas.

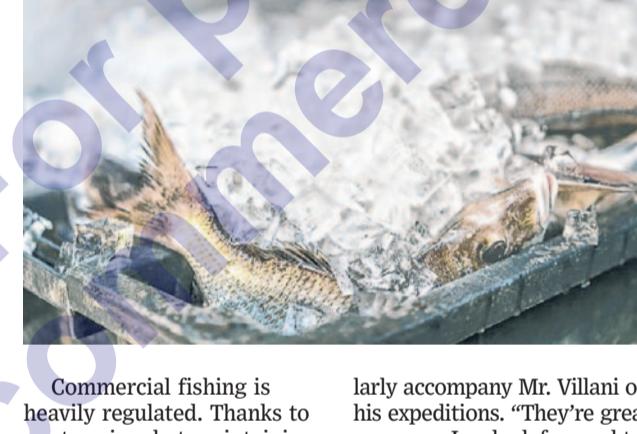
Next, he decapitated 45 sand sharks, nesting them on ice, followed by 60 flounder and 600 porgies. After breakfast, he trucked his catch to the fillet house to be skinned and deboned.

Ms. Villani, who is 50, spends her days smoking fish for sale at the market, cleaning the truck and fish tubs and loading fish and ice.

"There's a lot of drudgery behind the scenes that people don't see," says Ms. Villani, who is raising an 11-year-old daughter with her husband. "You're dirty, you're wet, you're smelly. You're so tired."



Alex Villani emptied his haul on the deck of his boat. Below, he steered the vessel during a recent Long Island Sound fishing trip.



Commercial fishing is heavily regulated. Thanks to quotas aimed at maintaining fishery sustainability, New York's harvest—which centers largely on Long Island—fell from 60 million pounds annually in the mid-1990s to 30 million in 2016. Commercial-fishing permits, meanwhile, fell 42%, to less than 1,000.

Inspectors with the National Marine Fisheries Service regu-

larly accompany Mr. Villani on his expeditions. "They're great company. I so look forward to it," he says dryly.

Saturday is the longest day of the week for the Villanis. They load their 24-foot truck with 1,200 pounds of fish and hit the road at 3:30 a.m. to make the 100-mile trip to markets in Manhattan's Tribeca neighborhood and at Grand Army Plaza in Brooklyn.

The stalls—which each rent for \$125 a day—are a bustling scene. Customers pepper the Villanis and their eight helpers with questions and snap up a dozen kinds of fish, ranging from pricey striped-bass fillet at \$20.95 a pound to sea robin at \$1.50 a pound, along with oysters, clams and scallops.

"Their stuff is always fresh. It's the best you can buy," said customer Stephen

Rose on a recent Saturday.

The Villanis, who have sold at the markets for 30 years, say it's been a long road to prosperity. It helps that despite growing demand for local fish, they see little competition. "A lot of fishermen don't want to do what we do," says Ms. Villani.

"They want to be solitary."

anne.kadet@wsj.com

the agency's 177,666 apartment units. And \$2.6 billion is needed for architectural and electrical improvements in common spaces, parks and playgrounds.

Deborah Goddard, NYCHA executive vice president for capital projects, said the costs ballooned due to an aging portfolio and inflation. A more-competitive construction market also "stunned" them, she said. NYCHA is competing for limited contractor resources during the city's construction boom, officials said.

BY KATIE HONAN

The New York City Housing Authority said Monday that it needs \$31.8 billion to fix its decaying housing stock, an increase of nearly \$7 billion from previous estimates.

"You can't escape the enormity of the number, or the enormity of the unmet gap in the funding," Stanley Brezenoff, the interim NYCHA chairman, said at a news conference.

NYCHA estimated as re-

cently as last year that repairs would cost about \$25 billion. But officials said Monday that the cost estimate increased by 27% to \$31.8 billion after new inspections of its affordable-housing apartments revealed crumbling infrastructure.

The agency reached the new estimate after inspectors reviewed the needs of its 2,413 buildings in 325 developments between 2016 and 2017. The inspections' results were compiled in a report in March, although it

wasn't publicly released until Monday, after a Politico New York story detailed the findings.

The cost-increase announcement comes shortly after NYCHA was put under a federal-monitor program following an investigation by federal prosecutors that revealed major health and safety violations.

The city admitted Saturday that hundreds of children under 5 years old living in NYCHA apartments had tested positive for elevated lead levels. The au-

thority previously had stated that 19 children had elevated lead-exposure levels. Lead-paint exposure was just one of the many failings noted in the federal prosecutors' investigation.

Comptroller Scott Stringer said Monday that he would open an investigation into NYCHA, the city's Health Department and City Hall concerning how they responded to lead-paint hazards. "Agencies must be held accountable for coordinating and following all

laws, as well as best practices to keep our kids safe and healthy," he said in a statement.

"The CDC guidance is clear, and the Health Department has always followed it," City Hall said on Monday. "The reason we are now going above and beyond these guidelines is because the City has had dramatic success in reducing childhood lead exposure."

NYCHA officials said the largest repair cost would be \$12.6 billion to gut-renovate many of

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GREATER NEW YORK

Democrats Vie for Governor Nod

By JOSEPH DE AVILA

Connecticut's Democratic voters have a stark choice to make in August's gubernatorial primary.

On one side, there is Ned Lamont, a wealthy businessman from Greenwich whose claim to fame includes beating former U.S. Sen. Joe Lieberman in the 2006 Democratic primary for U.S. Senate. The other choice is Joe Ganim, who made a stunning political comeback in 2015 when he was elected to his sixth term as mayor of Bridgeport after a seven-year prison stint for public corruption.

The candidates are vying for the chance to succeed outgoing Democratic Gov. Dannel Malloy, who declined to run for a third term. Republicans are aiming to capitalize on Mr. Malloy's poor public approval rating to pick up a governor's seat in the otherwise blue state.

Front-runner Mr. Lamont won the endorsement from the Connecticut Democratic Party, as well as support from key Democratic allies, including Connecticut's AFL-CIO branch, and party stalwarts like Sen. Chris Murphy (D., Conn.).

Mr. Ganim, who was convicted in 2003 for granting city contracts in exchange for hundreds of thousands of dollars in cash, entertainment, food and home furnishings, petitioned his way onto the ballot.

That conviction "is the first thing people who are not from Bridgeport think of when they hear about him," said Ronald Schurin, associate professor in residence of political science at the University of Connecticut. "Nothing is beyond possibility, but he has a pretty steep hill to climb."

Mr. Ganim pleaded not guilty to the charges. And in 2015 he made a public apology.

Mr. Ganim's strategy includes touting his stewardship of Bridgeport—he attracted investments from companies like real-estate developer Ex-act Capital and expanded the police force—while painting Mr. Lamont as an out-of-touch



Ned Lamont, center, recently chatted with officials in Connecticut.

Ned Lamont

AGE: 64 years old**EDUCATION:** Harvard College, Yale School of Management**FAMILY:** Married with two daughters and a son**RESIDES:** Greenwich**CAREER:** Former cable TV executive**POLITICS:** Beat Joe Lieberman in the 2006 Democratic primary for U.S. Senate. Lost in general election.**POSITION:** Supports highway tolls for commercial trucks.

MONICA LORGE FOR THE WALL STREET JOURNAL (2)

Bridgeport Mayor Joe Ganim spoke at a June news conference.

Joe Ganim

AGE: 58 years old**EDUCATION:** University of Connecticut, University of Bridgeport Law School**FAMILY:** Divorced with three children**RESIDES:** Bridgeport**CAREER:** Elected mayor of Bridgeport six times. Served a federal prison term from 2003 to 2010 for corruption.**POLITICS:** Elected to sixth term as mayor in 2015 in comeback election.**POSITION:** Supports highway tolls for out-of-state drivers.

businessman who can't connect with average voters.

"Who's more in touch and sensitive to the challenges?" Mr. Ganim asked in an interview.

In response, Mr. Lamont

said he and Mr. Ganim attended dozens of Democratic town committee meetings and forums and spoke to hundreds of party delegates. "They got to see us and figure out who con-

ncts, who's a leader, who has a vision of where we want to take this state, and the folks overwhelming supported me," Mr. Lamont said in an interview.

Mr. Lamont, a cable-television entrepreneur who opposed the war in Iraq, arrived on the national political scene when he beat Mr. Lieberman, a staunch supporter of the war, in the 2006 primary. But he ended up losing the general election to Mr. Lieberman, who ran as an independent. In 2010, Mr. Lamont ran for governor and lost the Democratic primary to Mr. Malloy.

Mr. Ganim was Bridgeport's mayor for five terms before he was convicted on 16 felonies. He returned to politics in 2015 and retook the mayoral seat.

Connecticut's next governor will face significant fiscal challenges. The winner will have to close a budget deficit of \$1.96 billion in the fiscal year that begins in July 2019 and \$2.5 billion the following year.

Messrs. Ganim and Lamont both said they don't want to raise income taxes to fix the state's fiscal mess, but haven't ruled it out. Both want to collect sales taxes on online purchases.

Connecticut's transportation system is in need of an overhaul, and both Democratic candidates propose instituting highway tolls to help pay for it. Mr. Lamont only wants commercial trucks to pay tolls, while Mr. Ganim said he wants out-of-state drivers to pay.

Both candidates support legalizing and taxing recreational marijuana and raising the minimum wage to \$15.

The Republican playbook for November includes tying the Democratic candidate to Mr. Malloy. There are five Republicans competing in August's primary.

Connecticut's general election could come down to whether more voters are unhappy with the last eight years under an unpopular Democratic governor or with Republican President Donald Trump. "There will be some people in each camp," Mr. Schurin said. "Where the greater number is, I don't know."

New MTA App Aims To Ease Ride

By PAUL BERGER

includes fare payment across all of its services, "it will give the MTA's app a huge leg up and utility" compared with other transit apps.

Already, using the new app, a rider could plan a trip from Long Island to Connecticut on the Long Island Rail Road, the subway and Metro-North Railroad. Along the way, the traveler could see subway train arrival times, service advisories and escalator and elevator outages.

Soon, the MTA plans to allow Paratransit customers to see when their Access-a-Ride vehicle will arrive and, during a journey, when they should expect to reach their destination.

Technology combines real-time service information and the ability to plan trips.

The MTA also draws information from outside agencies such as NJ Transit, the PATH rail system, some suburban bus systems, the Staten Island Ferry and the Hudson River and East River ferries.

Nick Sifuentes, executive director of transit advocacy group Tri-State Transportation Campaign, worked with the MTA on the new website and app during the past couple of months. He said MYmta puts New York ahead of other cities nationally and internationally in terms of having a single app that combines so many functions.

"I love it," he said. "I think other people are going to love it too."

Cooling Off in the Summer Heat



SWEET RELIEF: Children played in a water fountain Monday in lower Manhattan's Battery Park as the thermometer hit 95 degrees. More hot, hazy weather is on tap for Tuesday and the Fourth of July.

GREATER NEW YORK WATCH

NEW YORK STATE

State Trooper Killed In the Line of Duty

A 29-year-old New York state trooper responding to a call about a suicidal and possibly armed man barricaded in his home near the Pennsylvania border early Monday was fatally shot along with the suspect, a 43-year-old school principal, officials said.

Trooper Nicholas Clark was among responders to a 3:30 a.m. 911 call from the estranged wife of Steven Kiley, said State Police First Deputy Superintendent Chris Fiore. Trooper Clark was fatally shot during the response, and Mr. Kiley was later found dead with a gunshot wound inside the home in Erwin, near Corning.

Mr. Kiley was principal of Bradford Central School, which has 280 students in grades K-12, according to the state education department.

Gov. Andrew Cuomo called Clark "a stellar trooper with an extraordinary record. He had his whole life before him." He ordered flags across the state to be flown at half-staff until Trooper Clark's internment.

—Associated Press

NEW JERSEY

Nuclear Power Plant To Close on Sept. 17

America's oldest nuclear power plant will shut down on Sept. 17, but the Oyster Creek plant near the New Jersey shore will stay right where it is for the next 60 years.

Officials with the U.S. Nuclear Regulatory Commission held a briefing Monday on shutdown plans for Oyster Creek, which opened in 1969. They said Chicago-based Exelon plans to remove the remaining nuclear fuel rods from storage pools and put them into dry storage within 5½ years of the shutdown date.

All told, it will cost \$1.4 billion to shut down the plant; Exelon currently has \$982.1 million of that set aside in a decommissioning account, NRC officials said.

Although the plant will stop producing electricity just before summer ends, radioactive material could be on site until the late 2070s, if not later.

A public hearing on Exelon's decommissioning plans is scheduled for July 17 in Lacey Township.

—Associated Press

CRIME

Police Say Two Dead In Murder-Suicide

Authorities say a man abducted a woman and then apparently shot and killed her at a New Jersey motel before turning the weapon on himself.

Bergen County prosecutors say police were called just after 5 a.m. Monday about a domestic violence incident/kidnapping at a Paterson address.

Police found the male suspect's vehicle near the Knights Inn in South Hackensack and approached a motel room shortly after 8:30 a.m. Monday.

After they announced their presence, officers reported hearing gunshots and tried to break down the door, then broke a window and got inside the room to find the man and woman dead.

Authorities said they believe 45-year-old Jose Segura-Montero shot and killed 41-year-old Marcia Fererra and then himself.

The county medical examiner's office will determine the cause and manner of their deaths.

—Associated Press

alexander
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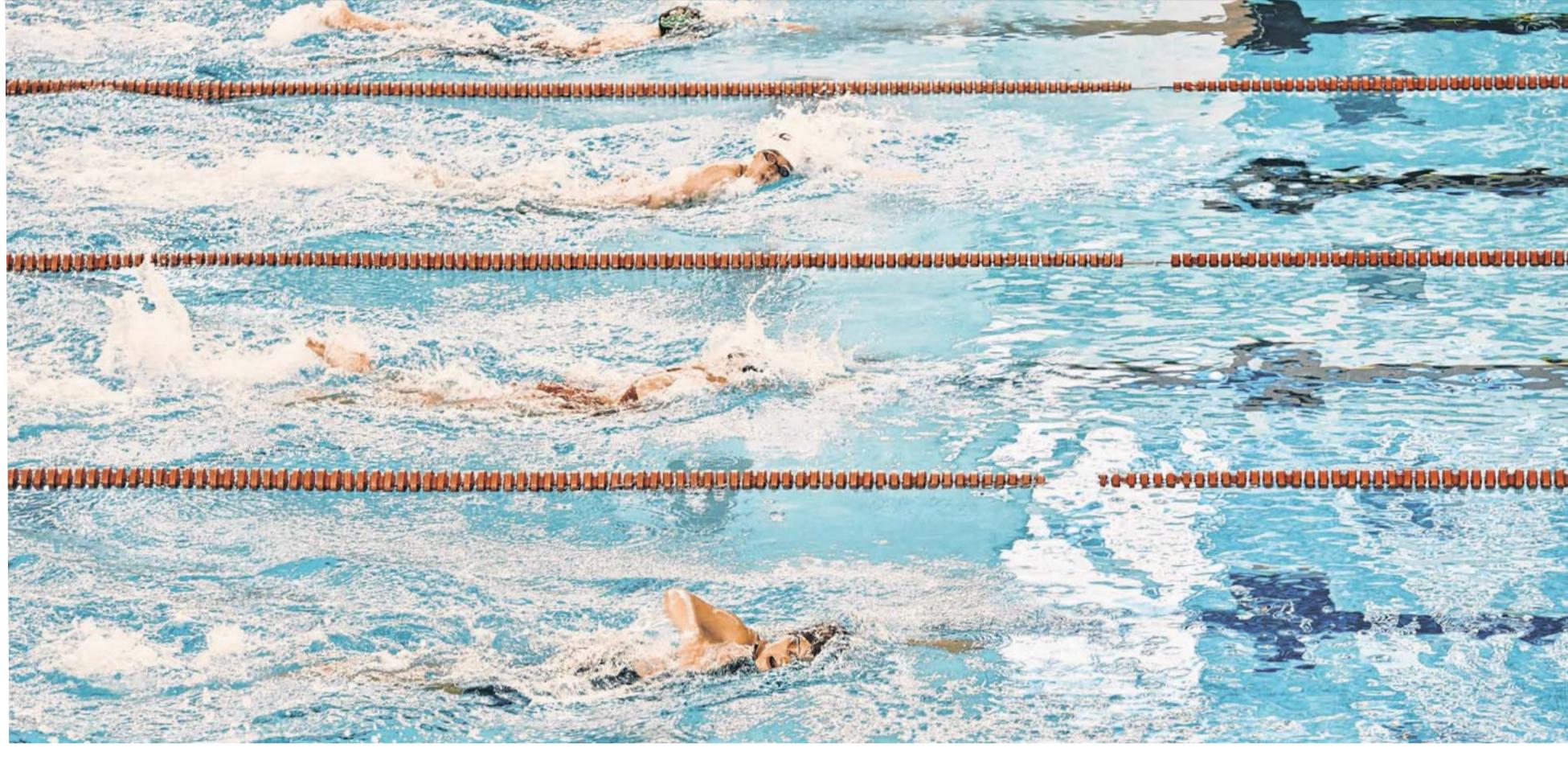
THE SUMMER ISSUE

THE SEASON'S MOST DECADENT FASHIONS, ELEGANT ESCAPES & SPECTACULAR HOMES

OUT TODAY

3 NYPI01

LIFE & ARTS



SIMON SIMARD FOR THE WALL STREET JOURNAL (2); USA SWIMMING (SOCCER)

FITNESS

USA Swimming Flips for Other Sports

BY HILARY POTKEWITZ

WATCHING HIS teenagers compete in a championship swim meet in early June, Polo Trejo was surprised to see USA Swimming ads on large-screen TVs showing kids doing other sports.

The video clips of young swimmers playing baseball, soccer, lacrosse and track-and-field and marching in the school band caught Mr. Trejo's attention because most of the competitive swimmers he knows in California's Central Valley—including his daughter Alyssa, 18 years old, and son Matthew, 16—have time only to swim. Other activities fell off once they joined a year-round club swim team at age 10.

"The tone was, if you're going to be a serious swimmer, swimming is all you can do," recalls Mr. Trejo, 45. "It was a foreign concept to me, because growing up I wrestled, I played baseball, I rode my bike—and I didn't do any of it year-round. Swimming is a different world."

His youngest, 11-year-old Amelia, didn't follow her siblings onto the club team starting blocks. She says she enjoys soccer, basketball and track too much to give them up. "She likes swimming, she just doesn't want to do it all year," Mr. Trejo says.

It's become a common refrain as more American tweens opt out of swim team. From 2013 to 2016, the number of competitive swimmers in the 10-year-old age group dropped by almost 10%, according to USA Swimming, the sport's governing body. While sports leagues nationwide are facing overall declines in youth participation, nearly half of the swimmers who quit said they left swimming to play other sports. More than 40% said swim team was too much of a time commitment.



As more tweens drop swim team, USA Swimming has launched ads, left, to attract multisport athletes. Swimmer George Groves, below, also plays soccer and baseball.



Kathleen Hughes, 46, of Providence, R.I., grew up as an all-or-nothing swimmer and has some regrets. "I felt I had to quit every other sport by sixth grade to focus exclusively on swimming," she says. Ms. Hughes swam for a Division I college program, but was determined that her children not specialize too early. As a pediatric nurse practitioner, she's been following research showing that focusing on just one sport from an early age can lead to overuse injuries and burnout in young children.

Ms. Hughes searched for a local swim club with the "least crazy" practice schedule and coaches that shared her philosophy. Now, her daughter Ruby, 14, swims on a year-round club team but also plays on her school's soccer, swim and lacrosse teams. Her son George, 11, swims on the year-round club team and plays club soccer and baseball. Occasionally, events overlap and they skip something.

"We chose our teams very carefully and have made swimming work for us," Ms. Hughes says.

Next season George will advance to a higher-level soccer team with a more demanding schedule, and Ms. Hughes isn't sure how the family's juggling act will go.

"I actually think swimming is the one sport that hasn't gotten more intense since I was a kid," she says. "It's soccer and baseball that will

suck up your life now—they're the ones that have really changed."

It's too early to tell if USA Swimming's gambit will work, but it is drawing interest from some coaches. Brandon Stallings, 37, who recently formed a new swim club in Jonesboro, Ga., learned about the FlexSwim program last month and is considering signing his team up to join USA Swimming's Georgia regional chapter.

Mr. Stallings, who grew up in nearby Decatur, was on his high-school swim team and played in the marching band. In his day job, he teaches piano, voice and drum lessons, but he's spent years teaching swim classes at community pools on nights and weekends. His new team, the North Henry County Dolphins, includes 45 kids ranging in age from 4 to 14, and most, like him, are African-American.

"I'm trying to develop the love of swimming here," Mr. Stallings says.

It hasn't been easy. Most of the parents didn't consider swimming a "real sport," he says, until they saw their kids compete in their first swim meet. Most of his swimmers play other sports, including basketball, soccer, lacrosse, track and football.

"This is what I sell them on: Swimming protects the body," Mr. Stallings says. "It may not be your first sport, but it can propel you to be better at your first sport."

He says it is unlikely that his team would join USA Swimming if they had to maintain an elite club's practice or competition schedule, considering that the families only recently agreed to increase practices to three times a week.

"They'll get to see the progression as they gradually get better at swimming, and as swimming makes them better at their other sports," Mr. Stallings says. "It's a joyful thing."

YOUR HEALTH | By Sumathi Reddy

ARE KIDS TAKING TOO MANY SUPPLEMENTS?

MORE AND MORE children in the U.S. are taking alternative dietary supplements that have scant proven benefits and could pose health risks.

According to a recent analysis, the rate of children taking alternative or herbal supplements nearly doubled, to 6.3% from 3.7%, between 2003 and 2014. The increase was fueled by melatonin, a hormone used to aid sleep, and omega-3 fatty acids, or fish-oil supplements, which often are given to children with attention-deficit/hyperactivity disorder and autism despite little evidence that they help.

All told, one-third of children and adolescents in the U.S. take loosely regulated dietary supple-

ments, the analysis found, largely reflecting the use of multivitamins. That rate has held steady over a decade, while the use of alternative supplements has jumped.

The analysis, published in the journal *JAMA Pediatrics* in June, is based on a national survey of more than 4,400 families asking if anyone ages zero to 19 had used dietary supplements in the past 30 days.

"What this study underscores is how commonly dietary supplements are used," says Caleb Alexander, co-director of the Johns Hopkins Center for Drug Safety and Effectiveness and a co-author of the analysis.

Healthy children and adolescents who eat a balanced diet don't need vitamins, experts say. "These treatments add complexity and cost to patient regimens with little or nothing to gain," Dr. Alexander says. "Why should children and ad-

Please turn to page A10



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LIFE & ARTS

MY RIDE | By A.J. Baime

A Porsche's Roar Evokes Childhood Memories

Bruce Turkel, a branding consultant from Miami, on his 1983 Porsche 911 SC rally car tribute, as told to A.J. Baime.

When I was a kid, my dad drove air-cooled Porsches. At the end of the day, I would go down to the end of my street so I could hear the sound of that engine when he came home. He did some rally racing in a Porsche, and to this day, I keep a trophy he won on my desk.

When my oldest daughter graduated college, I bought a 2009 Porsche 911. I love it, but it has a water-cooled engine. [Porsche switched from air-cooled to water-cooled engines in the 911 in model year 1999.] The sound is not the same. My Porsche mechanic worked for the mechanic my dad used to go to, and earlier this year, he sent me a note with a picture of this 1983 Porsche rally car replica. He asked, "Is this your next toy?"

My immediate thought was that it was too flashy for me. It was owned by a Miami car collector and I decided to take a look. This owner had the car in a big man-cave. When he started the engine, it was the same beautiful song that I remember from the Porsches my dad drove—that air-cooled engine.

This Porsche has been built out by a previous owner as a replica of a Porsche that raced in the Dakar Rally [from Paris to Dakar, Senegal] in 1978—rally racing like my dad did when I was a kid, though not in Africa. The paint job is instantly recognizable to any racing



ANDRIANA MEREUTA FOR THE WALL STREET JOURNAL

fan. Starting in the 1960s, Martini—the Italian vermouth brand-sponsored racing cars that soon became known world-wide for their bright-striped paint scheme.

Rally cars, road-racing cars, circuit cars.

This Porsche's air-cooled 3.0-liter engine is original and has been rebuilt. In fact, everything in this car has been rebuilt, and the air-conditioner has been upgraded. You need that where I live.

I took delivery of the car just a few weeks ago. For my first real adventure in it, I left my house at 4 a.m. and drove across the state of Florida through the Everglades. I may have broken the speed limit. As a rally car, it has special lights so you can see everything around you in the dark.

Every time I get in this car, I think of my dad. He was my hero, and he would have loved this air-cooled Porsche.

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

Bruce Turkel, above, with his 1983 Porsche 911 SC rally car tribute, which has an air-cooled engine that sounds just like the one in his father's Porsche. The car has extra lights, below right, and a distinctive striped paint job that recognizes Italian race-car sponsor Martini.



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Children and Nutrition

Continued from page A7
olescents be taking things where there's no demonstrated health benefit?"

Some experts say supplements like omega-3 and melatonin aren't harmful but have no evident benefit for children. But others such as Dima Qato, an assistant professor and pharmacist at the University of Illinois at Chicago and co-author of the study, say there is some evidence that they have risks in adults.

Supplements aren't tightly regulated by the U.S. Food and Drug Administration like prescription drugs are. Supplement manufacturers don't have to demonstrate safety or effectiveness to the FDA.

Bodybuilding supplements, used by 3% of boys and 1.3% of girls, are a concern because in some cases they have been linked to cardiac problems, Dr. Alexander says.

Steve Mister, president of the Council for Responsible Nutrition, a Washington, D.C.-based group representing the dietary-supplement industry, said the analysis unfairly links supplement use to harmful health effects, such as heart problems.

"What concerned us is the way they tried to turn these results into something sinister by referencing potential adverse events and suggesting that because so many children were using them that that would translate into a large amount of adverse events," Mr. Mister says.

The American Academy of Pediatrics doesn't recommend the routine use of dietary supplements except in breastfed babies, says Steven Abrams, chairman of the AAP committee on nutrition.

Supplements don't compensate for bad diets, he notes. "We don't want people to think giving a child a multivitamin makes up for a diet of only hot dogs and

french fries," says Dr. Abrams, a pediatrician at the University of Texas Dell Medical School in Austin.

They also aren't a substitute for appropriate medical therapy. Omega-3, for example, appears to be safe, but there's very limited data that it benefits ADHD, he notes. "The concern would be if it was used to replace appropriate medical therapy," Dr. Abrams says.

Natalie Muth, a pediatrician in Carlsbad, Calif., says supplement use comes up a fair amount in her practice. Dr. Muth says she tells most families that in most

cases supplements—including vitamins and melatonin—are needed.

Rather than giving children an omega-3 supplement, for example, feed them fish early on, she says: "Eating the actual food is going to be far superior to any

supplement." For better sleep, Dr. Muth favors having a bedtime routine and educating parents and children about limiting screen time and sugary or caffeinated drinks.

Melatonin is used occasionally, but as a last resort and with a lot of caveats," she says. "The most important caveat being across the board for all supplements, they're not closely regulated by anyone. You can't be sure

that what's on the bottle is actually what you're getting, so you've got to really be careful."

Clinical trials of dietary supplements often don't include children, says Craig Hopp, deputy director of the division of extramural research of the National Institutes of Health's National Center for Complementary and Integrative Health. "We

can't necessarily extrapolate because we see a certain finding in an adult population," he says.

Pieter Cohen, an associate professor of medicine at Cambridge Health Alliance and Harvard Medical School who studies supplements, says the analysis raised more questions than answers. He says the study didn't specify how many of the supplements were recommended by a doctor.

"If it's the case that over 90% of this is unnecessary and doesn't provide any health benefit, then we have a whole lot of children potentially being exposed to excessive products that might have harmful ingredients in them," he adds. "On the other hand, maybe some part of this is recommended by physicians and is evidence-based."

He says he is especially concerned about the teenagers using bodybuilding supplements. "We have study after study showing that those products may contain a host of unsafe ingredients," Dr. Cohen says.



Some experts question the benefits of alternative supplements such as melatonin and fish-oil pills.

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LIFE & ARTS

The Gateway Arch in St. Louis has undergone a \$380 million reconfiguration, including the Museum at Gateway Arch Entry Plaza (right); stagecoach and model in both the 'Manifest Destiny' and 'New Frontiers' galleries of the museum (below).



GATEWAY ARCH PARK FOUNDATION (3)

EXHIBITION REVIEW

A New Gateway to the West

BY EDWARD ROTHSTEIN

St. Louis NEVER HAVING VISITED Eero Saarinen's stainless-steel-clad Gateway Arch—created as an entry in a 1947 architectural competition, completed here in 1965 and now the focus of a \$380 million reconfiguring of the surrounding national park (including some \$220 million from private sources) and the opening of a \$176 million visitor center and museum in a subterranean space of 150,000 square feet—I was unprepared for the impact it has in person.

Arches have been typically associated with weighty conquest—recall the Arc de Triomphe—but this one is ethereal, otherworldly. Its 630-foot-high frame traces the path of an equilateral triangle sweeping upward, tilting and shrinking as it rises, becoming impossibly light, almost pulled into filigree before returning earthward, creating a stunning path of reflected light that seems to defy geometry and confound perspective. It has no resemblance to surrounding remnants of industry and trade. The arch presents an ideal, altering our perceptions of the real.

In fact, it isn't the park and the museum that provide the context for the arch; it is the arch that provides a context for the park and museum. The arch measures what is seen around it.

What is the result?



In 1935, this waterfront park was created by President Franklin Roosevelt as the Jefferson National Expansion Memorial, thus honoring President Thomas Jefferson, who doubled the country's size with the Louisiana Purchase, turning St. Louis into a gateway westward—an idea the arch is meant to invoke.

The 91 acres of parkland have just been refined by Michael Van Valkenburgh Associates as if restoring a vision of the pastoral. The park now covers over an interstate that once divided it, elevates the riverfront to minimize flooding,

and eliminates an enormous parking garage, cushioning the arch in a symmetrical expanse of tamed nature and hidden commerce. A new civic space is created, extending into the Gateway Arch Museum, which was designed by Cooper Robertson and James Carpenter Design Associates with Trivers Associates.

Its entrance is a radiant slice into the earth through which we are inducted into the history of St. Louis and the settlement of the West (climaxing with a paid tram trip through the arch's core, up to an observation room). Beginning

on an airy mezzanine with a terrazzo floor-map of the U.S. marked with paths of exploration and settlement leading from St. Louis, the visitor is led into six galleries devoted to particular themes: the colonial era, Jefferson's westward vision, the riverfront metropolis, Manifest Destiny, new frontiers, and the arch's origins. Each gallery offers a major artifact: a covered wagon, say, or a Creole cabin constructed using vertical logs. The exhibits, created by Haley Sharpe Design, are deft and clear.

Unfortunately, the content itself is often ambivalent—for the same reasons the Jefferson National Expansion Memorial was renamed the Gateway Arch National Park in February. Celebrations of "national expansion" are now considered in poor taste: One person's expansion is another's desecration. And, as we know, there were serious deleterious effects, particularly on American Indians.

So now, instead of celebration there is much denigration. Exhibits pose at offering varied views, but accusations are unanswered. Indian tribal advocates assert that Columbus "came and murdered our people" or proclaim that because of land seizures, "America legally owns" no more than a "few acres." A graphic offers support.

There is not much to cheer, either, when French and Spanish law gave way to U.S. law after the Louisiana Purchase. "Women lost many rights," "enslaved families could be torn apart," and "free

persons of color experienced greater oppression."

The expansion of the U.S. raises persistent concerns. "Should the residents of the territory have had a voice in the Louisiana Purchase?" "Is acquiring land through warfare justified?" Why celebrate when those setting out westward believed they had a right to "seize land for their own use, even if others already lived there?"

Reaching past such characterizations would require very different questions. When, in any earlier time, have inhabitants of purchased or vanquished territories been consulted about their preferences? When has victory *not* led to land acquisition and displaced peoples? Had any previous confrontations between pre-modern cultures and more technically advanced societies unfolded differently, given vastly different understandings of property, history, rights and law?

Instead, everything is seen through contemporary spectacles. America's failings are treated as singular, not its promise. Look, in contrast, at the challenge posed by the 1947 architectural competition

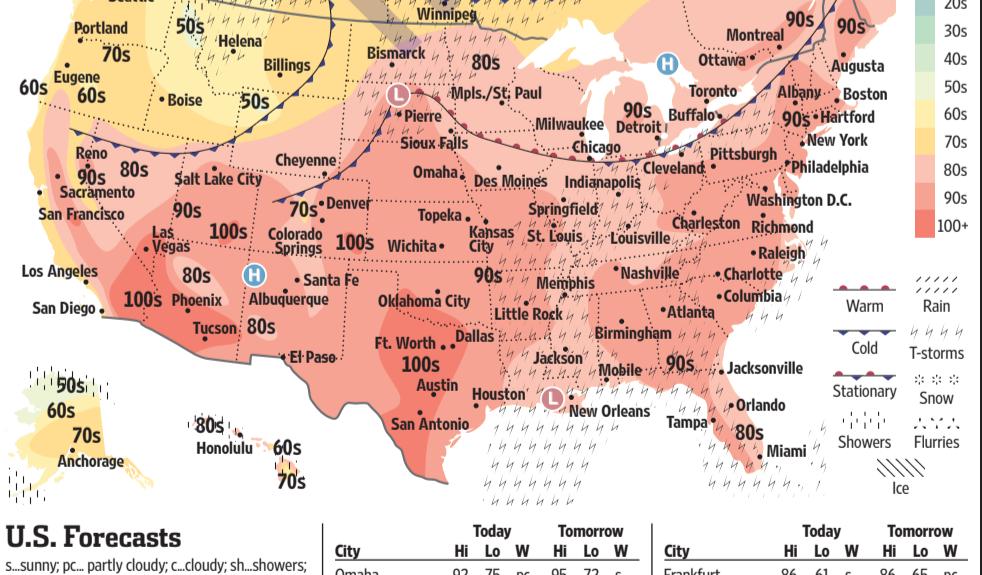
A monument to American expansion gets a contemporary transformation.

that led to the arch: Design a structure that would "keep alive in the present and in the future the daring and untrammeled spirit" that "conceived and made possible the territorial integrity and national greatness of the United States of America."

Think how startling it would be to be told that, yes, important aspects of American expansion are worth celebrating. That would mean affirming the value and distinctiveness of American ideals, despite earthly failings that can accompany them. And that, I now see, is the geometric allegory of Saarinen's arch: It offers an ideal with enduring significance in a flawed, less-than-ideal world.

Mr. Rothstein is the Journal's Critic at Large.

Weather



U.S. Forecasts

S...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

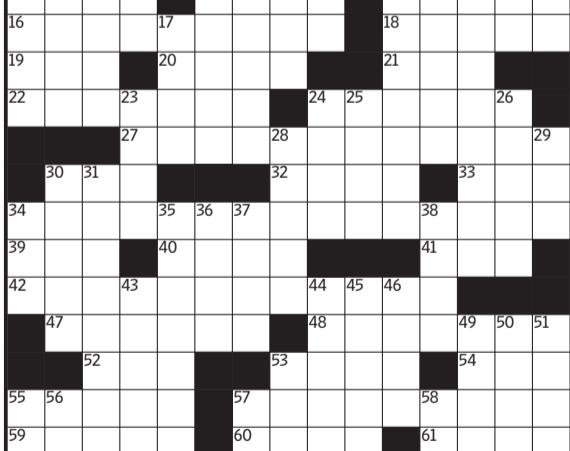
Today Hi Lo W Yesterday Hi Lo W

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	73	57	s	72	58	r
Atlanta	91	73	pc	88	72	t
Austin	103	74	s	94	73	t
Baltimore	96	74	pc	92	74	pc
Boise	77	52	pc	96	64	s
Boston	91	75	t	87	75	t
Burlington	92	69	s	95	74	s
Charlotte	96	72	pc	93	69	t
Chicago	88	73	pc	90	74	t
Cleveland	87	71	t	90	73	t
Dallas	102	77	s	96	77	t
Denver	97	61	pc	91	59	pc
Detroit	88	73	t	91	74	t
Honolulu	95	75	pc	85	75	sh
Houston	95	75	pc	85	72	r
Indianapolis	88	74	t	93	76	s
Kansas City	93	75	s	92	74	s
Las Vegas	105	79	s	104	80	s
Little Rock	91	72	t	93	72	pc
Los Angeles	78	62	pc	80	62	pc
Miami	88	74	pc	89	75	pc
Milwaukee	81	68	pc	86	74	t
Minneapolis	88	73	pc	90	73	t
Nashville	90	75	c	96	75	t
New Orleans	83	76	t	88	76	t
New York City	92	76	pc	88	74	pc
Oklahoma City	96	71	s	92	68	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	76	55	s	75	57	pc
Athens	93	75	s	93	74	s
Baghdad	117	87	s	117	88	s
Bangkok	93	80	t	93	80	t
Beijing	91	72	pc	95	75	pc
Berlin	80	55	s	82	59	s
Brussels	83	59	s	82	59	pc
Buenos Aires	51	38	pc	52	41	c
Dubai	102	91	s	110	92	s
Dublin	70	51	s	75	54	pc
Edinburgh	68	52	pc	72	55	c

The WSJ Daily Crossword | Edited by Mike Shenk



PUTTING AMERICA LAST | By Lewis Porter

- Across**
- 1 Skate park sight
 - 5 Uncommonly bright
 - 9 Son of Padmé and Anakin
 - 13 Art is that makes us realize truth; Picasso
 - 14 Industry event
 - 15 Hackneyed
 - 16 Dancewear for cross-dressing monarchs?
 - 18 Seller of the Smokehouse Brisket sandwich
 - 19 Busy season in Saint-Tropez
 - 20 Father of Deimos and Phobos
 - 21 Nittany Lions' sch.
 - 22 Crush container
 - 24 Flowers in a butterfly garden
 - 27 Blond Brahmins?
 - 30 "Here's the thing."
 - 32 "____ you're told!"
 - 33 "Before and After Science" musician
 - 34 Observation following a diner explosion?
 - 39 It might exhibit relief
 - 40 Rondeau writer
 - 41 "Antony and Cleopatra" prop
 - 42 Sleuth on the case of the missing cushion?
 - 47 Angry denounce
 - 48 Struggled against
 - 52 Patriots' org.
 - 53 Sister of Dick, in primers
 - 54 Commotion
 - 57 What congressional bills do, for signing or vetoing?
 - 59 Carnival attractions
 - 60 Concluded
 - 61 Pleasant
 - 62 Paper piece

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

Previous Puzzle's Solution
 ASLEEP BASSIOS
 SHALLIT JOHNNUT
 WAILINGWALLAIR
 EDDTURK DELTA
 WEEPINGWILLOW
 EBAY STORIES
 DOSED TERRACAM
 GOTSLICK GEOLOGY
 EKE NAIR NAMES
 BILLION ZEST
 MOURNINGDOVES
 IDTAG GIGAEAR
 LOUCRANONICESME
 SSN RANG NOTYET

SPORTS

WORLD CUP

How England Stole From the NBA

England manager Gareth Southgate went to an NBA game. The experience changed the way that England's soccer team plays.

BY ANDREW BEATON
AND BEN COHEN

Samara, Russia

IT WAS THE NIGHT before the Super Bowl, and sitting courtside at the New Orleans Pelicans vs. Minnesota Timberwolves game was a man who had traveled all the way from England with his mind intensely focused on another global sports event: the World Cup.

There has never been anyone more interested in a Pelicans vs. Timberwolves matchup than England manager Gareth Southgate.

Southgate bombarded his companions with detailed inquiries about strategy, arena operations and even Crunch, the wolf mascot. Chris Wright, the chief executive of the local MLS team Minnesota United, was stunned by his curiosity about this sport that's about as British as sauerkraut.

"Here's this English guy, the England team manager, trying to figure out Basketball 101," Wright said.

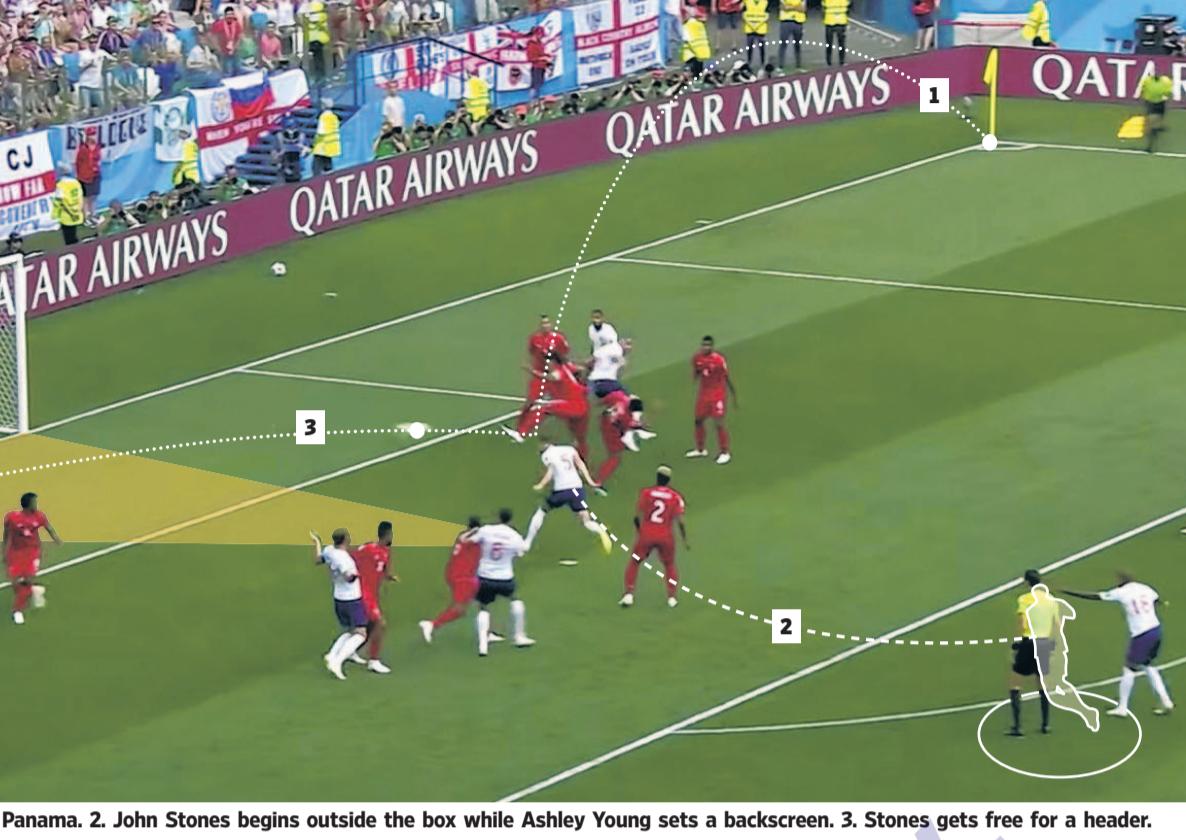
But these are strange days for England. They have emerged as a serious contender at the World Cup. They lucked into the weaker half of the knockout bracket. They play Colombia on Tuesday for a spot in the quarterfinals. And they can attribute some of their unlikely success to basketball.

Wright was delighted when the Football Association contacted him before Southgate's visit to the Super Bowl in Minnesota. He is English himself, which is why he wasn't expecting this request from the manager: "Is there any way we can go to the Wolves game?"

On the ride to the arena, Southgate told colleagues that he was especially curious about how NBA teams created space around the basket. He thought there might be something he could steal.

Was there any way he could apply the principles of NBA plays—the pick-and-rolls, the off-ball screens, the constant movement—to the English soccer team?

There are precious few moments in every soccer match when a manager can choreograph the action by designing a play. They're called set pieces, and for many years, they were better known in



1. England takes a corner kick against Panama. 2. John Stones begins outside the box while Ashley Young sets a backsreen. 3. Stones gets free for a header.

England as a bloody disaster.

All of which makes England's set pieces at this World Cup nothing short of a national miracle.

Their six goals on set plays were the most of any country in the group stage. But there's a better comparison than England vs. the world: England vs. England. They have scored four goals on corners and free kicks so far. They scored four goals on corners and free kicks in the previous three World Cups combined.

"On set plays, we're a real threat," Southgate said. "We've identified that as a key area in tournaments and a key area we felt we could improve on."

England's ineptitude on set plays before Southgate's hiring in 2016 was a bigger national drama than Brexit.

At the time, England star Harry Kane took their corners and free kicks, one of the many questionable tactical decisions that eventually cost Roy Hodgson his job. That paved the way for the un-

proven Southgate, a retired player whose prior managing experience included a stint with the country's youth team and three seasons with a middling English Premier League club that was relegated under his watch. Southgate was an improbable choice, and he was given the job only after Sam Allardyce was fired in disgrace.

Southgate now looks like the manager who might be able to solve England's problem of face-planting in spectacular fashion at the worst possible time. His inventive schemes have benefited one player in particular: Harry Kane. In England's World Cup win against Tunisia, Kane slammed home a header on a corner kick in the 91st minute to avoid an embarrassing draw. It was his second goal of that match: Kane had already scored on another corner kick.

But the clearest example of how England implements basketball strategies on their set plays was a corner kick during their 6-1 blowout of Panama in the group stage.

It started with Kieran Trippier's bending corner. Once the ball was in the air, two English players cleared out the center of the box, almost like they were 3-point shooters flaring away from the basket. At the top of the box, Ashley Young threw his body into the defender guarding John Stones long enough for Stones to get free in the middle of the box and head the cross for a goal.

It was a primitive basketball play: the back-screen. And it worked to perfection.

It's not like Southgate invented the pick play in soccer. But even he said, through an England spokesman, that he was influenced by what he saw watching basketball.

"In areas where he was specifically interested," Wright said, "he wanted to go deep."

Which is why Southgate was so inquisitive at the Pelicans vs. Timberwolves game. "He was the one asking questions all night," said Ben Grossman, a Minnesota United minority owner.

"Like I'm Tom Thibodeau," Wright said referring to the Timberwolves coach.

Southgate had so many questions about how everything from how offenses create space to how defenses protect the basket that he stayed long after the game was over. Grossman realized when they finally left that Southgate was not at the NBA game simply to have a good time. He was there to work.

"I know this is going to sound a little silly, but I actually left that night expecting England to do well in the World Cup," he said. "You could just tell the way he went about his business that he was going to leave no stone unturned."

TV Listings

Tuesday, July 3
(All times Eastern)
10 a.m.: Sweden vs. Switzerland (FS1)
2 p.m.: Colombia vs. England (FOX)



Belgium players celebrate a goal.

BELGIUM 3, JAPAN 2

A CRAZY FINISH

BY JONATHAN CLEGG

Rostov-on-Don, Russia **THROUGH THREE GAMES** at the 2018 World Cup, Belgium had looked so irresistible that the biggest question was whether it might actually be too good for its own good. Three straight wins had landed Belgium in a loaded side of the World Cup bracket, an imposing lineup featuring four former champions, and a potential quarterfinal matchup with Brazil.

No one expected Japan to put up much of a fight. But in the latest breathtaking encounter in a tournament that had already produced its share of thrillers, Belgium was forced to battle back from a two-goal second-half deficit to advance to the last eight thanks to an epic 3-2 win sealed in the last minute of regulation.

The final goal came from Belgium's final attack of the game, a sweeping, length-of-the-field surge that ended up with Nacer Chadli tapping into the Japan net. While Chadli was promptly buried under a pile of red jerseys, the Japanese players, who had looked on course for one of the upsets of the tournament, crumpled to the field.

The win means Belgium will head into its quarterfinal against Brazil in Kazan on Friday facing serious questions about its shaky defense and its painfully slow starts, but not for its resiliency.

It's been a few years since I cranked out a Rules for Fourth of July Wiffle ball. If you think this is just a lazy attempt to do a summer version of Rules for Thanksgiving Family Touch Football so I can sneak away for a prolonged holiday weekend, let me tell you...guilty as charged!

I actually wrote this Wiffle ball column in February, people! There are five-month old jokes in here! Lot of references to "Philly Special," "The Shape of Water" and Ester Ledecka. You had to look up Ester Ledecka, didn't you? She was only the biggest sensation in Pyeongchang!

What's Pyeongchang?

Sheesh. How quickly we forget.

The point is, while you're reading this, I'm goofing off on vacation. I've taken my son down to the pond to fish...for six minutes, until I'm bored to tears. Can't that kid have more traditional hobbies, like playing Fortnite on my phone?

Now onto the Wiffle ball:

1. I like to begin my Wiffle ball columns with a stern admonition against betting. However, now that the Supreme Court has given a thumbs-up to sports degeneracy, knock yourself out, America. Bet away! Gamble the mortgage. I suggest a Fourth of July parlay: Win at Wiffle ball, get into a fight at the fish store, and knock over the table next to the grill, with all the meat. Everyone winds up eating hot dog buns from the bag.

2. There's always one confident person at Fourth of July who pronounces him or herself "The Grillmaster." You can ignore this person, because here's what it takes

to become "The Grillmaster": 20 minutes of googling "how to grill fish" on an iPad.

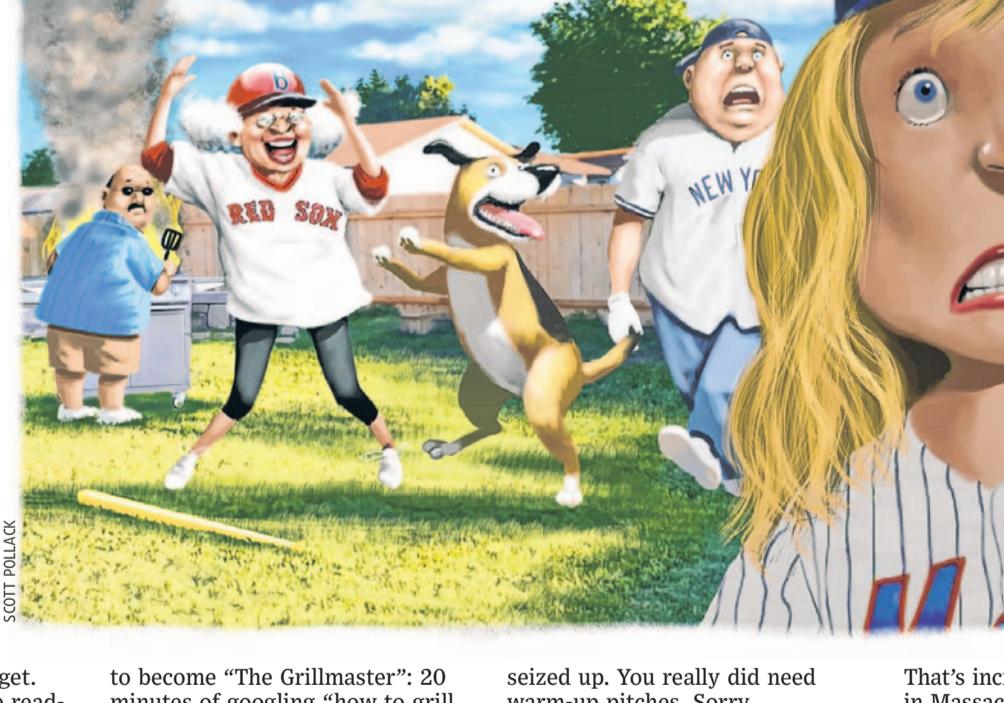
3. Announcing yourself "Grillmaster" is also a shifty way of diverting attention from the fact that you didn't bring anything for the grill. But we noticed. Oh, we noticed.

4. I strongly suggest you get the Wiffle ball game under way before lighting the grill. Everyone remembers what happened to Cousin Ray in 2011. It was a great catch, though, Ray. Sorry you had to go to the emergency room.

5. Keep it moving! Speed is essential to a good Wiffle game. After all, the average baseball contest in 2018 runs for six and a half hours, except for Red Sox and Yankees games, which last 11 hours. Try to get your Wiffle game done in a half-hour, before anyone's back seizes up.

6. No, you don't need warm-up pitches. What do you think this is?

7. Aw geez, Grandpa's back



seized up. You really did need warm-up pitches. Sorry.

8. Wiffle ball games have the option of playing with bases and base runners—or awarding bases based on distance of batted balls. You know: hitting it off the house is a double, over the roof is a home run, through the back windshield of your brother's Tesla is a Grand Slam.

9. You just lost two outfielders to the artichoke dip.

10. No, let's not play with a tennis ball. You need a proper Wiffle ball. A tennis ball damages the bat, it goes too far and...wow, congratulations, Dave Kingman, you just hit a tennis ball 6,500 feet into the woods.

11. Awwwww, man, that was Otis's tennis ball. Poor doggy. I'm sorry, Otis. We'll get you a new tennis ball at the store.

12. There's a chance that Washington Nationals star Bryce Harper could land a \$400 million contract

in free agency. You know how many hot dogs you can buy with \$400 million? A...lot. Who am I, Journal tax policy reporter Richard Rubin? I'm the sports doofus. I can't do math.

13. You can tell how old someone is by whether or not they do Carlton Fisk arm waves when they hit a deep fly ball down the left field line.

14. The Red Sox have won a lot in recent years, and there are kids who have grown up in New England who don't know how to do the Carlton Fisk arm wave—they don't even know who Carlton Fisk is.

That's incredible to me. Growing up in Massachusetts, I think they used to teach the Fisk arm wave to us in school, like English. Carlton Fisk was a bigger deal than Paul Revere.

15. No, your aunt isn't trying to show you up with a slow home run trot around the bases. She's 81. It takes a while. Give her a break.

16. Everyone thinks they have an amazing curveball in Wiffle. Secret: everyone's curveball stinks.

17. Hey! I just tattered your curveball over the roof, like Aaron Judge.

18. Someone is already shooting off fireworks. Find Otis. Ugh, Otis is under the porch. You're safe, Otis. They're just fireworks. Good boy.

19. You won! Congratulations.

You are 11 games in front of the Baltimore Orioles in the AL East.

20. The game isn't over until we find out who got poison ivy.

21. No, let's not play two. Wiffle ball is fun, but there's guacamole here, people.

OPINION

Abortion, *Roe*—and Trump

MAIN STREET
By William McGurn

Whenever a Supreme Court seat opens up during a Republican administration, headlines start warning that American women will soon be in for a new Dark Ages if *Roe v. Wade*—the landmark 1973 decision legalizing abortion across all 50 states—is overturned. This time around, with Justice Anthony Kennedy's retirement, the fifth vote to overturn *Roe* has just become a numerical possibility.

The Supreme Court is the Democrats' preferred legislature for social issues.

Unfortunately, what ought to occasion a healthy debate over a contentious issue once again looks to be clouded by a handful of dubious orthodoxies. In rough order, they are as follows:

First, that *Roe* is the settled law of the land.

Second, that litmus tests are bad and unhelpful.

Finally, that an individual's stand on abortion determines where he stands on *Roe*.

Start with settled law. The obvious reality is that *Roe* remains one of the most unsettled decisions in the history of the high court. After all, if one seat change will really mean the death of a nearly 50-year-old precedent, the ruling can't be as settled as claimed.

Ditto for assertions by Democrats such as Senate Minority Leader Chuck Schumer that "at least 20 states" are "poised to ban abortion immediately" if *Roe* is given the heave-ho. Which itself confirms both that any national "consensus" is fake and that the scare over *Roe* now showing up in news coverage reflects the understanding among *Roe* supporters that their legal rationale remains weak and nationally unpersuasive.

As for litmus tests, Democrats are more honest here. Almost all Senate Democrats will vote against anyone the president picks, and almost all will invoke concerns over *Roe* as part of their defense. This reflects another reality. The Supreme Court is the Democrats' preferred legislature for getting their way on socially contentious issues. How much easier to gain five justices' votes than to do the hard work of winning over the American electorate. In this case, at least two pro-choice Republican senators—Alaska's Lisa Murkowski and Maine's Susan Collins—may join Democrats out of worries about *Roe*.

On the GOP side, meanwhile, some activists erroneously maintain that the Democrats' insistence on justices who will reliably vote for pro-abortion outcomes must be matched by Republican appointees equally committed to pro-life outcomes. Mr. Trump seemed to embrace this view during the 2016 presidential campaign when he declared, "I am putting pro-life justices on the court."

Mr. Trump walked this back Sunday on Fox Business when he told Maria Bartiromo he



Protesters at the high court.

wouldn't ask prospective Supreme Court nominees how they might vote on *Roe*. For good reason: It is a bad idea to expect that any nominee will publicly express his (or her) dissent from a Supreme Court decision that has yet to be overturned. During his own confirmation hearings in 1986, even Antonin Scalia demurred when asked by Sen. Ted Kennedy if he would vote to overturn *Roe* if confirmed. "I do not think it would be proper for me to answer that question," he answered.

Which leads to the final confusion. Five decades of angry debate have unfortunately conflated the case against abortion with the case against *Roe*. In fact, the fundamental legal objection to *Roe* (and the follow-up, *Planned Parenthood v. Casey*) isn't moral. It's that it substitutes the views of a handful of unelected men and women in robes for the democratically expressed wishes of the American people. And many excellent jurists who are personally pro-choice rightly regard *Roe* and *Casey* as terrible decisions precisely because

they appreciate the violence *Roe* does here.

In this sense, *Roe* can likewise be a good test of a nominee's views on stare decisis. This is the legal principle that even bad decisions, especially ones that have been accepted by society, must sometimes be left standing because to overturn them would create more harm than good.

There are decent arguments, rooted in stare decisis, on why a Roberts court would be unwise to overturn *Roe*—or at least refrain from doing it all at once. And there are equally strong counterarguments about the corruption *Roe* and *Casey* continue to inflict on the body politic. The strongest is that the court has usurped a decision that a free and self-governing society would leave to the ballot box.

This pro-life columnist embraces all the arguments about the need to protect the most innocent and vulnerable among us. But the Constitution says nothing about abortion. All government of, by and for the people guarantees is that such issues are to be decided by the American people themselves, acting through their elected representatives.

So when it comes to seating the Supreme Court's next justice, here's hoping—for the sake of both the unborn and American democracy—it will be someone who, regardless of his or her own views on abortion, recognizes that a justice's main obligation on this issue is to ensure a fair and democratic fight, the winner being the side that persuades their fellow citizens of the justness of their cause.

Write to mcgurn@wsj.com.

America's Decline Never Seems to Arrive



GLOBAL VIEW
By Walter Russell Mead

This year's Independence Day does not find the nation in the most celebratory of moods.

With one of the most polarizing presidents in American history poised to make the most consequential Supreme Court choice in decades, trade wars looming on all sides, a moral and humanitarian crisis on the southern border, and at least one member of Congress calling for mobs to harass administration officials on the streets, the atmosphere in Washington could hardly be more tense. Some speak of a "cold civil war" between red and blue.

Meanwhile, the values that have defined U.S. foreign policy since World War II are shuddering and shaking. As China and Russia seek to pull down the pillars of American strength, it is unclear whether President Trump is committed to the institutions and alliances that have kept America great for so long—or whether his ill-judged attempts to reform the global system will bring it down in ruins. Some leaders in Asia, Africa and even Europe are beginning to wonder whether

China's authoritarian technocracy is a better governance model for the 21st century than America's chaotic democratic system.

Uncertainty about the future is not new to the U.S. "A republic, if you can keep it," was Benjamin Franklin's famous account of the product of the Constitutional Convention. Our national anthem begins not with a triumphant assertion but an anxious question: Is the American flag still flying as night gives way to dawn?

That anxiety intensified as American power grew. Fear of decline has been an American obsession since the end of World War II. The political scientist Andrew Hacker published "The End of the American Era" in 1970; Charles Kupchan used the same title for a 2002 book; and in 2011 Stephen Walt used it again for an influential article in the National Interest. From Paul Kennedy to Fareed Zakaria to Henry Kissinger, some of the most acute foreign-policy thinkers have from time to time perceived the signs of decline.

And yet somehow, the flag has continued to fly. Why does American power look so fragile and remain so resilient? One reason is that the U.S. emerged just as the pace of human history was

accelerating. In the mid-18th century, the Enlightenment and Industrial Revolution unleashed ideas and technologies that would transform the world. Modern capitalism exploded into being. The social turmoil, geopolitical instability, and technological change now battering the global system are only the latest stages in a long process whose end we can't yet see.

Our institutions show an unrivaled capacity for weathering disruptive change.

The U.S. has stood the challenge better than most. Now in its 230th year, the American political system is one of the world's oldest. But the revolutionary force of capitalism isn't finished with us. The social and political changes of the 21st century challenge the institutions that humanity so painstakingly assembled in the second half of the 20th. Across the globe, societies must renew themselves as the information revolution reshapes the way people work, think, interact and engage in politics.

This is doubly hard for the

U.S., which must not only reform its own domestic institutions but also act as custodian of a world system under strain from globalization, technological disruption and great-power rebalancing.

As Franklin well knew, there are no guarantees that the American experiment will work. Yet he and his fellow Founders designed a system of government to weather the stress and the strain of revolutionary times. The strength and flexibility of Madisonian federalism have enabled the American system to flourish amid more than two centuries of successive upheavals.

But constitutions, however elegant, can't breathe life into dead polities. It is the union of sound institutions with a strong national spirit—ordinary Americans' patriotism, democratic faith and enterprising ambition—that has made America such a force in the world.

Noisy extremists on the political fringes notwithstanding, that spirit still rules in America today. As long as it does, the country will continue to astonish the world with its creativity and its capacity for renewal. For now, at least, we can still answer Francis Scott Key's anxious question in the affirmative: our flag is still there.

If You Value My Opinion, Pay Me for It

By Peter Funt

The Nielsen Corp., which tracks TV viewing and other consumer behavior, knows the value of a buck. When Nielsen sends out survey mailers, tucked inside each envelope is a crisp dollar bill. After all, a deal's a deal. Nielsen wants your feedback, and it learned years ago that you're more likely to respond when compensated, even with a token sum.

But in the internet era, many companies think it's reasonable to ask for your time and advice without offering anything in return.

"At Avis, we value our customers' opinions," said the email after my recent car rental. I doubt it, since Avis offered me zilch for filling out its three-minute survey.

Home Depot wanted me to "take just a few minutes" to rate my purchase of "1 lb. Stain Removing Poultice Powder." The compensation was Home Depot's enduring gratitude:

"Thank you in advance for your time."

The Geico Homeowners Team emailed a survey saying the company's goal is "excellent service." No thanks. My goal is to get paid for my work.

Avis, Home Depot and even Donald Trump want free feedback.

Petco called me "a valued pet parent" but offered nothing for a hefty 15-minute survey. Really? At the federal minimum wage, I deserve \$1.81.

Even the wealthiest American president in history wants free feedback. "Please, take a moment to take the Official Presidential Job Performance Poll today," reads the email sent by the Republican National Committee, operating as "The official polling team of President Trump." What? No chance to win Trump steaks? Not even a MAGA hat?

Some companies are less daft. Wells Fargo offers survey respondents "a chance to win \$1,000 in our Survey Sweepstakes." Best Buy dangles "a chance to win one of three \$5,000 Best Buy shopping sprees." AT&T promises a shot at "1 of 8 \$100 Gift cards." However remote your chances, a prize at least conveys the company's thanks.

The most riling request for uncompensated feedback I've ever seen came in a recent email from JPMorgan Chase Bank, "inviting" me to join something called the Chase Innovation Community. This "select group of customers," I was told, "will be asked to participate in short online surveys and discussions with others in the community," occurring "once or twice a month."

Working with the international research firm Ipsos, Chase pledged that this data "will result in improvements and products inspired by you." To participate, I would first have to fill out a survey

to determine if I was "eligible" to complete more surveys.

I decided to phone Chase customer service to check the validity of this odd program. Three different customer-service agents, taking more than a half-hour of my time, concluded it was a scam and advised me to forward the email to the Chase Abuse unit. A fourth agent checked further and informed me that the Ipsos survey was legit.

Alas, I'll never know what, if anything, members of the Chase Innovation Community receive for their service. A team T-shirt, perhaps? After completing the initial survey, which asked about my accounts, credit cards and various banking habits, I was rejected.

Just as well. My advice to Chase and other feedback free-loaders: If you want my two cents, you can start by offering me at least a penny for my thoughts.

Mr. Funt is a writer and host of "Candid Camera."

BOOKSHELF | By Mark G. Spencer

The Birthday Of a New World

Apostles of Revolution

By John Ferling
(Bloomsbury, 478 pages, \$35)

With each passing July 4, the Founders' world fades further into the past. The march of time takes the meaning of the American Revolution with it. In "Apostles of Revolution," historian John Ferling helps us bridge that historical distance. The author, a professor emeritus at the University of West Georgia, has written a comparative biography of Thomas Jefferson (1743-1826), Thomas Paine (1737-1809) and James Monroe (1758-1831). "Comparative history," he writes, "prompts the historian to ask questions that might not otherwise be asked, to travel pathways of inquiry that might not otherwise be taken, and to draw conclusions that might otherwise never be drawn."

Jefferson, Paine and Monroe are hardly overlooked figures. Few American revolutionaries have been studied as much as the principal author of the Declaration of Independence.

Elected president in 1800, Jefferson was a colossal figure in giving shape and meaning to the American Revolution," Mr. Ferling writes. He asserts, similarly, that Paine's "Common Sense" was "the most important pamphlet published in the American Revolution." Monroe, the fifth president, was the last of the revolutionary generation to hold that office. What does the author's comparative history of these three yield?

First, his selection of individuals emphasizes the Revolution's radical core. For Jefferson, Paine and Monroe, political independence was only a part of America's Revolution. Their revolution included a radically new and forward-looking republican society formulated in the wake of Independence. Some Founders—such as John Adams and Alexander Hamilton—were deeply skeptical about democracy. Jefferson, Paine and Monroe embraced it. "No individual of their era," Mr. Ferling asserts, "strode harder than these three to bring an end to a world where wealth and power were restricted to the few." In 1776 their vision of change encompassed not just America but Europe as well. With the American Revolution, wrote Paine, "The birthday of a new world is at hand."

France mattered greatly to the meaning of America's Revolution. Living there from 1784 to 1789, Jefferson found "enormous inequality producing so much misery to the bulk of mankind." When revolution came to France in 1789, Paine "rushed" to Paris to participate. Jefferson declared that France had been "awakened by our revolution."

The turmoil of the French Revolution, however, also had its sway. During the Reign of Terror, Paine was imprisoned in the Luxembourg, a royal palace turned prison for the Revolution's "political enemies." Hundreds, like Paine's friend Georges Danton, were beheaded. This was the context that greeted Monroe when he arrived in France as an American minister in 1794, clutching "his unwavering hope that the French Revolution would succeed, spreading change across Europe" and bolstering anti-Federalist forces in America. Paine, too, was steadfast in his hope to spread revolution, especially to England. Addressing London's Revolution Society in 1791 he toasted "THE REVOLUTION OF ALL THE WORLD."

A comparative biography of Thomas Jefferson, James Monroe and Thomas Paine emphasizes the 'radical core' of the American Revolution.

By the late 1790s, Jefferson and Paine had "lost hope" in the French Revolution. Yet in America's presidential election of 1800 they saw a chance to fulfill America's Revolution. On it rested their "hope that a republican beacon of light might shine toward the rest of the world."

Mr. Ferling's American Revolution does not end with the War for Independence. That was only "the first act of the great drama." Its real meaning was in subsequent 19th-century developments, the "bustling democratic world" that historian Gordon S. Wood has described. "The birthday of the new world that Paine and Jefferson had envisaged with American independence had at last come," Mr. Ferling writes, "flowing over the new nation and transforming it into a more egalitarian and democratic country than most who were living in 1776 could ever have imagined."

Along the way, Mr. Ferling challenges many common interpretations, especially of Paine, whom he defends from unfair partisan assessments. (John Adams memorably described Paine as "a mongrel between Pigg and Puppy, begotten by a wild Boar on a Bitch Wolf.") Paine's alcoholism, Mr. Ferling argues, was an exaggerated claim bruited about by his enemies. More certain are Paine's "palpable self-regard," his suffering bouts of severe depression and loneliness, and his habit of serially overstaying his welcome even with those sympathetic to him—once for five years!

Jefferson's final letter—written days before he died, on July 4, 1826—defined his American Revolution. The real achievement was "the signal of arousing men to burst the chains" imposed by "monkish ignorance and superstition . . . and to assume the blessings and security of self-government." The Revolution, Jefferson wrote, had secured "the free right to the unbounded exercise of reason and freedom of opinion. All eyes are opened, or opening, to the rights of man." He made clear what he saw as the significance of the annual celebration: "Let the annual return of [Independence] day forever refresh our recollections of these rights, and an undiminished devotion to them."

What would Jefferson make of America on July 4, 2018? Mr. Ferling speculates that he would "be pleased by the breadth of today's democracy." But Jefferson, Paine and Monroe would also be distressed by the maintenance of an enormous standing army and an eagerness to use it for frequent foreign wars, as well as "an economy underpinned by a federal banking system and a permanent national debt." And the powerful, centralized presidency of today would, to them, most resemble "the eighteenth-century English monarchy."

But what might be most shocking to these founders, Mr. Ferling speculates, is "that wealth in the United States was about the same percentage of hands as had been the case in England in 1776." Jefferson, Paine and Monroe, the author concludes, "might welcome another Age of Paine." Some will suspect that Mr. Ferling might, too.

Mr. Spencer, a professor of history at Brock University, is the author of "David Hume and Eighteenth-Century America."

OPINION

REVIEW & OUTLOOK

The Abortion Scare Campaign

Some things in politics are predictable—a New Jersey tax increase, a “no” vote by Senator Rand Paul, and an abortion-rights scare campaign every time a Republican President makes a Supreme Court nomination. And sure enough, the predictions of doom for abortion and gay rights began within minutes of Anthony Kennedy’s resignation last week. These predictions are almost certainly wrong.

* * *

“Abortion will be illegal in twenty states in 18 months,” tweeted Jeffrey Toobin, the legal pundit, in a classic of cool, even-handed CNN analysis soon after the resignation news. Democratic Senate leader Chuck Schumer was almost as definitive. “Whomever the president picks, it is all too likely they’re going to overturn health-care protections and *Roe v. Wade*,” the 1973 abortion-rights decision, Mr. Schumer declared. “We don’t need to guess.”

The first thing to keep in mind is that this is what Democrats and their media allies always say. They said it in 1987 when Justice Kennedy was nominated. They said it in 1990 about David Souter, again about Clarence Thomas in 1991, John Roberts and Samuel Alito in 2005, and Neil Gorsuch in 2017. They even claimed the Chief Justice might overturn *Roe* because his wife is a Roman Catholic. Mrs. Roberts is still waiting to write her first opinion.

The liberal line is always that *Roe* hangs by a judicial thread, and one more conservative Justice will doom it. Yet *Roe* still stands after nearly five decades. Our guess is that this will be true even if President Trump nominates another Justice Gorsuch. The reason is the power of *stare decisis*, or precedent, and how conservatives view the role of the Court in supporting the credibility of the law.

Start with the Court’s *Obergefell* ruling that legalized same-sex marriage in 2015. The ruling was only 5-4 and Justice Kennedy wrote the majority opinion with a formidable dissent by Chief Justice Roberts.

Yet there’s almost no chance the Chief would reverse *Obergefell* now. Tens of thousands of gay couples have been married across the U.S. since the ruling. They have changed their lives based on it. Is the Court now going to tell those couples that states can declare their marriages void? Or that their property rights under marriage laws are no longer valid?

A key part of the Court’s *stare decisis* calculation is “reliance interests,” or how and how many people have come to rely on a precedent. Chief Justice Roberts cited reliance interests in his *Wayfair* dissent on state internet sales taxes this term, and its logic is even more compelling for same-sex marriage.

A different *stare decisis* logic applies to *Roe*, which was one of the Court’s worst rulings but is now 45 years old and embedded in American law. While abortion is still hotly debated, the Court has reinforced the right many times.

The Peso Federales

Andrés Manuel López Obrador’s victory in Sunday’s presidential election was a landslide by Mexican standards, as he appears to have won more than 50% of the vote and his Morena party dominated gubernatorial, mayoral and legislative races. Voter participation was a robust 63%, so the president-elect certainly has a mandate.

Yet it didn’t take long for Mr. López Obrador to see that he’ll have to cope with a different sort of election—the one that takes place daily in fi-

Planned Parenthood v. Casey in 1992 superseded *Roe* with its “undue burden” test on states for imposing limits on abortion. In 2016 in *Hellerstedt*, the Court invoked that test to strike down a Texas law imposing stringent regulations on abortion clinics. In many other cases when the Court has upheld state restrictions, the core right was never challenged.

Why *Roe v. Wade* and same-sex marriage are likely to survive after Kennedy.

Our view, supported by more than a little reporting, is that even though they think *Roe* was wrongly decided, most of the current conservative Justices would shy from overturning it and handing abortion law entirely to the states. The exception is Justice Clarence Thomas, who has made his intentions clear.

Scientific advances have made abortions easy to obtain through medication in the early weeks of pregnancy, and making them illegal would create an enormous social uproar and invite an attack on the Court that Chief Justice Roberts in particular would not want. Judge Laurence Silberman of the D.C. Circuit Court of Appeals told us recently that his long-time friend and colleague Antonin Scalia told him before he died that even he would not have sought to overturn *Roe* today.

Ah, but didn’t five Justices only last week vote to overturn a 41-year-old First Amendment precedent on coerced speech on union fees? They did, but *Abood* had long ago become an outlier in the Court’s free-speech jurisprudence. It survived by a single vote even as the Court struck down other examples of speech coerced by governments.

The same cannot be said about the Court’s abortion precedents. A post-Kennedy Court is likely not to overturn *Roe* and its successors but it will probably uphold more state restrictions. This won’t please some social conservatives, but it would put U.S. law close to where American public opinion is—keeping abortion legal but making it rarer than it now is.

* * *

Many on the left and right will disagree with this analysis for different reasons. Conservatives want to believe that *Roe* can still be repealed in toto, like *Plessy v. Ferguson*, and we admire their conviction. Liberals want to scare Americans to believe abortion rights are in peril so they can intimidate enough GOP Senators to defeat whoever Mr. Trump nominates to replace Justice Kennedy.

The headlines are already targeting GOP Senators Susan Collins, Lisa Murkowski and Shelley Moore Capito, and abortion is the political cudgel. Ms. Collins said over the weekend that she won’t vote to confirm a nominee who shows “hostility” to *Roe*. She isn’t likely to face such a choice.

No one on Mr. Trump’s list of nominees will claim to want to overturn *Roe*—and not because they are lying. In their caution and deference to precedent, they will be showing proper conservative respect for the law and the reputation of the Court.

nancial markets. From Sunday evening into Monday afternoon, the Mexican peso fell 1% against the U.S. dollar as investors assessed what the leftwing sweep might mean for policy. Call them the peso federales.

News later Monday that Mr. López Obrador had spoken to Donald Trump calmed markets and the peso recovered some losses. But the peso message is that the president-elect now has to worry what the markets think if he wants to improve the lives of Mexicans.

Let German Voters Try Again

The main lesson from the troubles in Angela Merkel’s German government is that administrations need to be about something other than survival. By our deadline Monday evening it appeared she had survived the latest challenge to her chancellorship. But she’ll limp through the remaining three years of her term if she can’t fill the ideas void at the center of her government.

Mrs. Merkel stared down a rebellion from the center-right Christian Social Union (CSU), the Bavarian sister party to Mrs. Merkel’s Christian Democratic Union (CDU). Horst Seehofer, Mrs. Merkel’s Interior Minister and CSU leader, had threatened to resign (or force Mrs. Merkel to fire him) if she didn’t emerge from last week’s European summit with a plan to stem the entry of asylum-seekers into Germany.

She did, and despite Monday’s theatrics Mrs. Merkel’s deal with Mr. Seehofer mostly builds on that EU pact. She promised the CSU stricter enforcement along the Germany-Austria border to bar asylum-seekers whose claims are being processed elsewhere in the EU from entering Germany, in line with the EU plan.

Maybe that will give Mr. Seehofer the political boost he wants from stirring up this feud. Bavaria, in Germany’s south, was traversed by a large share of the Middle Eastern migrants who entered after Mrs. Merkel’s open-door offer of refuge in 2015. The CSU now faces an electoral threat from the anti-immigrant Alternative for Germany (AfD), which could deprive Mr. Seehofer’s party of its absolute majority in the state parliament in local elections in October. But the CSU’s slipping poll numbers suggest Mr. See-

A new election with new ideas is needed to fix the Merkel crisis.

hofer’s stunt may have backfired.

The larger and longer-term problem is that Mrs. Merkel remains politically weak after last year’s inconclusive election, and this probably won’t be the last domestic crisis she faces. She didn’t so much win that election as lose it less than Germany’s other major parties did. Her diminished CDU/CSU

seat count in parliament, and its unwieldy coalition with the center-left Social Democratic party, make her vulnerable to political shenanigans from all corners.

Political leaders and commentators have convinced themselves that Mrs. Merkel is indispensable for German stability or European cooperation or something. Voters disagree. Otherwise they’d have re-elected her with a bigger margin, especially considering her enduring personal popularity.

Mrs. Merkel should have gone back to voters again after the last inconclusive result, and she’d be wise to keep the option on the table when the next crisis inevitably arises. A new vote would give Mrs. Merkel a chance to run on a more compelling program than she did last year or to bow out for a new party leader.

The alternative is for Mrs. Merkel to lurch from crisis to crisis, her authority weakened by each one, while enacting policies that voters didn’t endorse. It’s hard to see the virtue in that. Any short-term stability will come at immense cost as infighting paralyzes Mrs. Merkel’s center-right. Frustrated voters might turn to the AfD.

Germany’s current political crisis began when Mrs. Merkel failed to give enough voters enough reason to vote for her. It won’t end until she or someone else does.

LETTERS TO THE EDITOR

Spare Us From the Internet Sales Tax Tsunami

Regarding your editorial “Springtime for Internet Taxers” (June 22): The states should have a right to collect sales taxes for items shipped into their territories. As the owner of a small business that sells restroom fixtures to all 50 states, however, I am terrified, not of the taxes, but of the paperwork. When my business files sales taxes every quarter in our home state, North Carolina, we have to calculate, report and pay four different tax rates: one for the state and three others depending on what each of the 100 counties demands. It is an arduous but manageable process for us. If we have to file in 50 states, it will bury us and leave even more of an advantage to Amazon and others who can throw a team of accountants and coders at this form of chaos.

Are the states willing to make this reasonable for us? If we are going to go in this direction, how about one tax rate for all states who charge it, reporting to one agency? The additional revenues are going to be a windfall to the states, so maybe they can afford to work with us on this.

CHRIS BERL
Mooresville, N.C.

How did the assenting justices get around Article 1, Section 9 of the U.S. Constitution: “No Tax or Duty shall be laid on Articles exported from any State”?

JOAN GLACY
New York

This ruling, if it is not carefully legislated, opens the door to unintended consequences for the taxation of goods and services never envisioned by the justices. If states tax a transaction based on a customer’s state of residence, imagine businesses in a popular tourist or business convention location being required to ask customers what state they hail from so they can collect taxes on behalf of their various home states.

MIKE FULJENZ
Beaumont, Texas

The premise is that when you go to an internet site in another state you are virtually at that location, just as if you visited in person. All that is

WALT NOCITO
Appleton, Wis.

You shouldn’t be so harsh on Connecticut and New Jersey. Certainly the governors of those states will quickly propose legislation to reduce other state taxes to compensate their residents for the increased taxes awarded by the Supreme Court.

JACK WOODRUFF
Vail, Colo.

Art of the Deal Varies Throughout East Asia

William Zartman provides important insight into East Asian culture and negotiations (“Kim Jong Un and the Art of the Asian Deal,” op-ed, June 25). I have lived, worked and negotiated in Asia, I have had my share of soju, large sea cucumbers and fish eyeballs in the pursuit of relationship-building to close on deals.

President Trump can be assured that Kim Jong Un, Xi Jinping, Moon Jae-in and Shinzo Abe all have read “Trump: The Art of the Deal.”

The real question is whether President Trump understands the culture and mind-set differences between China, Korea and Japan that guide their own “art of the deal” thinking.

Prof. Zartman points out most Westerners are frustrated that a deal in Asia appears transitory and subject to renegotiation. What he fails to

RON DUDLEY
Sanibel, Fla.

Income Equality Helped Trump, Embarrasses Some

Phil Gramm and Robert B. Ekelund Jr.’s “How Income Equality Helped Trump” (op-ed, June 25) explains with mathematical precision what many intuitively suspect by what we see around us. I wonder how forthcoming census participants were about any “off-the-books” work and “hidden income” not otherwise reported to keep income at levels low enough to qualify for benefits and services. All income quintiles could have “hidden income,” but I suspect the consumable income of the lower three quintiles would be even closer together.

JOHN TROTTER
Elizabeth, N.J.

Apparently Americans aren’t as naive as many on the left want us to believe. Income inequality is a natural and needed outcome of the independent decisions we all make daily.

WILLIAM MORSE
Grosse Ile, Mich.

Pepper ... And Salt

THE WALL STREET JOURNAL



“Where do you see yourself in 50 million years?”

JOHN KNOERLE
Chicago

Justice Kagan’s dissent was laughable. She frets that “public employee unions will lose a secure source of financial support.” So what? What bearing does that have on a case attempting to adjudicate the First Amendment rights of government workers? It seems pretty obvious that her no vote was results-oriented; i.e., she didn’t want a party to whom she is sympathetic to be inconvenienced.

JOHN KNOERLE
Chicago

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

OPINION

Will New York's Mayor Erase Real Diversity?

By Maximilian Ximenez

When I received my diploma from Bronx Science High School in 2010, I was one of the few Hispanic graduates on the stage. But my fellow students and alumni were united by a deep respect for our common accomplishment—which is now in jeopardy.

Mayor Bill de Blasio and Schools Chancellor Richard Carranza have proposed to abolish the Specialized High Schools Admission Test, the qualifying exam for Bronx Science and New York City's eight other specialized high schools. In the name of "diversity," they propose a lottery open to the top students from all city middle schools, regardless of academic standing or rigor.

'Asian' is a broad category, covering the planet's largest continent with the majority of its population.

The notion that specialized high schools are insufficiently diverse is false. The majority of students at almost all of them are not white—but Asian-American, the racial group with the highest poverty rate in New York City. Most are not sons and daughters of privilege; they are first-generation Americans, if not immigrants themselves. My best friends were the children of cabbies and grocers, cleaners and cooks—parents who sacrificed to support their children's dreams of becoming doctors, physicists or roboticists.

"Asian" is a broad category, covering the planet's largest continent with the majority of its population. Many of my classmates were of Chinese, Indian or Korean heritage. But I also studied alongside Afghan, Bangladeshi, Burmese, Filipino, Indonesian, Iranian, Jordanian, Malay, Mongolian, Pakistani, Taiwanese, Uzbek and Yemeni students, among others.

I was exposed to more diversity at Bronx Science than I could have been at almost any other institution of learning in the world. Long nights in the school's tech lab would end with a friend's mother dropping off lumpia or paneer for the robotics team. During free periods I would practice guitar chords from Taiwanese death-metal bands or discuss mythology and philology with my friend who headed the school's Vedic Religions Club. Some of my best friends belonged to small communities like the Druze, Baha'i or Tayoke, groups that would be hard to find together outside New York.

The idea that schools like Bronx Science lack diversity reflects something worse than mere ignorance. Chancellor Carranza asserted that he does not "buy into the narrative that any one ethnic group owns admission to these schools." It's as if he wants to erase my classmates and their genuine diversity.

I was born in the Bronx and raised by a single mother. I attended a failing middle school with a graduating class of fewer than 60, which was closed right after I left. I made it into Bronx Science with little more than a used copy of a \$10 test-prep book my mom ordered on eBay. That I was Hispanic had no bearing on my admission: I got in because I studied hard and worked hard, just like my many Asian friends from all backgrounds. I would have been mortified to hear that I was offered a spot in the school at their expense.

Mr. Ximenez is a literary agent.

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WORLD NEWS

Merkel, Balking Allies Strike Migrant Deal

Standoff with
Bavarian sister party
threatened to unravel
chancellor's coalition

BY ANDREA THOMAS
AND JAMES MARSON

BERLIN—Germany's government stepped back from the brink of a full-blown crisis Monday when Chancellor Angela Merkel reached a last-minute deal for tighter control over immigration with her rebellious interior minister after two days of talks.

Interior Minister Horst Seehofer announced the agreement late Monday after agreeing to a final make-or-break round of talks with Ms. Merkel less than a day after offering his resignation as minister and chairman of the Christian Social Union, the Bavarian sister party to Ms. Merkel's Christian Democratic Union.

Speaking shortly after the deal was struck, Ms. Merkel praised it as a "really good compromise" that would help regulate the movements of asylum seekers within the European Union without creating tensions with Germany's neighbors.

"This preserves the spirit of partnership in the European Union while at the same time taking a decisive step toward organizing and managing secondary emigration," she said, a reference to migrants who come to Germany after registering applications for asylum in other EU countries.

Mr. Seehofer said the gov-



German Chancellor Angela Merkel, right, with Interior Minister and Christian Social Union leader Horst Seehofer on Saturday.

PAUL ZINKEN/DPA/AGENCE FRANCE PRESSE/GETTY IMAGES

ernment would establish so-called closed centers near its borders where asylum applications would be reviewed quickly. He didn't immediately provide further details but said the deal would be sufficient for him to remain in his role as minister.

"We have a clear agreement on how to prevent illegal migration in future on the border between Germany and Austria," Mr. Seehofer said. "I am glad that this agreement has been reached. It has once again

proved to be worth fighting for a conviction. And what has now been agreed is really a clear agreement that is very sustainable for the future."

The deal Monday appeared to stave off a rupture in the seven-decade alliance between the chancellor's Christian Democratic Union and Mr. Seehofer's Christian Social Union that had moved closer Sunday when the interior minister unexpectedly said he was willing to resign over what he said were unbridgeable politi-

cal differences.

But the drama and the level of brinkmanship over the polarizing issue of immigration have raised doubts about the sustainability of Ms. Merkel's left-right coalition and left the chancellor bruised at the hands of her closest partners.

It wasn't clear immediately after the announcement whether Ms. Merkel's center-left partners, the Social Democrats, were on board with the compromise. An official from the Social Democrats said the

party supported the fundamental idea of such an accelerated asylum procedure, though their approval depended on the details of the conservatives' agreement.

Party chairwoman Andrea Nahles said after meeting with the conservatives following the deal that it was too early to assess it and the parties would meet again for deliberations on Tuesday.

The deal would require additional agreements with other EU countries for them to

accept asylum seekers being sent back to where they first registered claims.

Should Germany fail to secure such agreements—a distinct possibility after Italy's new anti-immigration government said it wouldn't take back refugees who leave the country—German authorities would still deny entry to asylum seekers who turn up at the German-Austrian border, according to Monday's agreement.

This appeared to represent a concession by Ms. Merkel, who previously insisted such rejections would have to be taken in concert with the governments of the countries where asylum seekers first entered the EU.

In facing down the unprecedented challenge from within her own conservative alliance, Ms. Merkel demonstrated the survival skills that have underpinned her more than 12-year rule as chancellor, even as the events themselves showed how much her authority has waned in recent years.

The price of restoring peace in her own ranks was high. In seeking to placate the CSU, she all but abandoned the 2015 open-door policy toward migrants that caused a political backlash, slashing her party's support in elections last year and emboldening anti-immigrant forces at home and across Europe, including within her own coalition.

"She had to correct herself here. And this correction is a move to the right," said Tilman Mayer, a politics professor at Bonn University.

U.S. Sanctions Echo Through Russian Factory Towns

Company owned by billionaire freezes budget for communities; 'The life of the city depends on that factory'

BY THOMAS GROVE

SAYANOGORSK, Russia—When the Trump administration blacklisted Russia's biggest aluminum producer, **United Co. Rusal**, in April, it was among a blast of measures aimed at the country's elite.

But the sanctions are already weighing on the residents of this Siberian factory town more than 2,000 miles east of Moscow, where Rusal and its smelter anchor the local economy.

The smelter is still running, employing more than 6,000 of Sayanogorsk's 45,000 residents. But Rusal has frozen its \$24 million budget for community spending in company towns, including Sayanogorsk's \$3 million share, according to a Rusal employee. "It was the first thing we had to look for to freeze," the employee said.

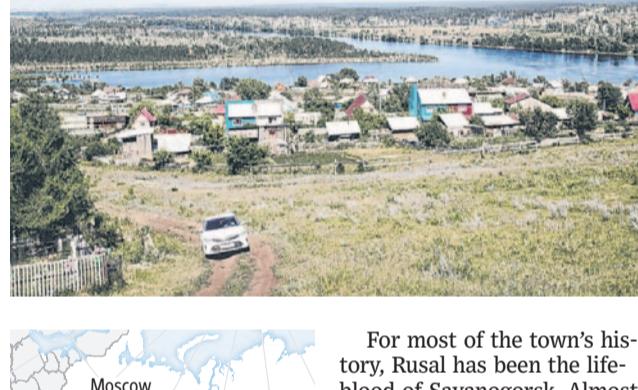
That means plans for upgrades to the Rusal-built hospital are on hold; the company has put off consideration of an expansion of the town's cultural centers and the renovation of a memorial wall in the town center.

"The life of the city depends on that factory," said Nina Chvaniva, one of this city's deputy mayors. "Otherwise there is no Sayanogorsk."

Hanging over the town is an October deadline set by the Trump administration for Russian billionaire Oleg Deripaska to sell down his majority ownership in EN+ Group PLC, the holding company



Living standards in Sayanogorsk, Russia, have been buoyed by funding from aluminum maker Rusal. The town was established in 1975 to house workers at a hydroelectric plant on the Yenisei River.



For most of the town's history, Rusal has been the lifeblood of Sayanogorsk. Almost half of the city's budget comes from Rusal taxes. Those taxes—as well as other company spending—have funded parks, hospitals and retirement homes. As aluminum prices have risen over the years, so have the city's fortunes. "You take Rusal away, we'd be little more than orphans here," said local activist and opposition-party politician Vitaly Anisimov.

Immediately after the introduction of sanctions, which forbid financial transactions and purchases from Rusal, the company's exports dropped 70%, though they have risen slightly since. Aluminum has piled up in factory warehouses and ports. Rusal has said it would continue to produce, but that if it can't find a buyer for Mr. Deripaska's stake that will satisfy Washington, it will have to cut its operations, a move that would force job cuts.

Rescuers Find Thai Youth Soccer Team Trapped in Cave Complex

BY JAMES HOOKWAY

BANGKOK—Rescuers found 12 missing boys and their soccer coach deep inside a cave complex in northern Thailand, and are now preparing to give them a crash course on diving so they can escape the floodwaters that trapped them 10 days ago.

Narongsak Osottanakorn, Chiang Rai's provincial governor, told reporters Tuesday morning that if rescuers don't teach the soccer team scuba techniques, the boys might face months waiting for Thailand's rainy season to end and the floodwaters to recede.

British cave diving experts and Thai navy SEALs found all 13 people alive late Monday. The breakthrough came after torrential rains eased, enabling a network of pumps to reduce water levels and allow

rescue teams to penetrate farther into the 6-mile-long Tham Luang cave in search of the team and their coach. The SEALs spent much of the past few days setting up relay stations with air tanks and other equipment every 25 yards.

Local media showed images of family members weeping and hugging each other in relief as news of the discovery broke.

Given the weakened state of the group after 10 days trapped beneath ground, concern is now turning to how to safely and quickly to extract them.

The biggest problem is that some of the passages connecting the chambers of the cave are still fully submerged with muddy floodwaters. Rescuers are assessing whether the boys and their coach are able to make the arduous four-hour journey to the entrance while trying to build up their

strength with food and water.

The area around the cave entrance, meanwhile, is thrumming with the sound of generators powering water pumps that have been flown in from as far away as Bangkok in an effort to subdue the elements and make it easier for the boys and their coach to get out.

"They are all safe, but the mission is not completed," Mr. Narongsak said. "So far we have just found them. The next mission is to bring them out from the cave and send them home."

The boys, ranging in age from 11 to 16, entered the cave after playing their regular Saturday match on June 23. Their coach, 25-year-old Ekkapol Chantawong, sometimes took the team known as the Wild Boars on expeditions in addition to coaching them, and they had been to the caves before.

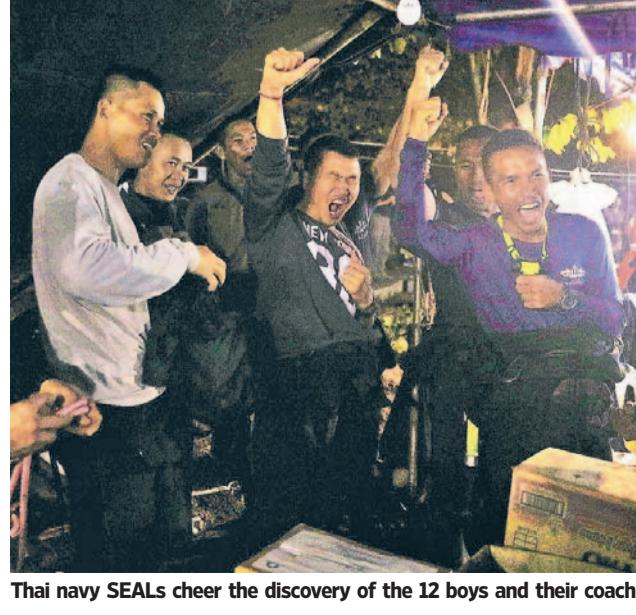
This time, however, the rainy

season was in full flow. The Tham Luang caves are often flooded from June to October.

Finding the team proved to be an arduous technical challenge. On Monday, the SEAL teams and other rescuers worked on widening the passages inside. They drove deeper into the complex until the rescuers' instincts proved correct: The boys had found refuge 400 yards farther in than initially thought, and all were safe and accounted for.

The Thai SEALs later released a video clip of the boys, some still wearing their soccer shirts, sheltering on a raised outcrop of rock as British divers Rick Stanton and John Volanthen approached. "How many of you? 13? Brilliant!" Mr. Stanton said.

Some of the boys asked what day it was. "Monday," he said. "You've been here 10 days."



SOE ZEY TUN/REUTERS

Thai navy SEALs cheer the discovery of the 12 boys and their coach.

BUSINESS & FINANCE

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Pfizer Again Raises Drug Prices

A second round this year comes even as industry as a whole is wary of public criticism

BY JONATHAN D. ROCKOFF

Pfizer Inc. raised the list prices for more than 40 of its prescription drugs this week, marking a second round of increases this year despite mounting public scrutiny.

The increases apply to widely used drugs including

lung-cancer treatment Xalkori, Norvasc blood-pressure pills and Lyrica pain capsules, according to drug-pricing data from RELX PLC's Elsevier information business. Many lift the list prices by 9.4% and by double-digit percentages for the year overall.

The moves separate Pfizer from several rivals that have pledged to lift list prices only once every 12 months and by less than 10% overall for the year as they try to blunt criticism and avoid congressional action.

Pfizer, one of the world's biggest drug companies by sales, said it commonly sells its products at a discount and isn't responsible for how much patients must bear in copays or other out-of-pocket costs.

"The list price remains unchanged for the majority of our medicines. We are modifying prices for about 10% of our medicines, including some instances where we're decreasing the price," the company said in a statement.

Other drug companies raised the list prices of medi-

cines this month, according to the wholesale acquisition cost data from Elsevier's Gold Standard Drug Database, though most of them are smaller drug makers.

Sanofi SA raised the price of eczema treatment Dupixent by 3% on Friday, and the explanation for the move reflected industry sensitivity to questions about price increases, even slight ones.

Regeneron Pharmaceuticals Inc., Sanofi's partner selling Dupixent, said in a statement that the drug's price rise was

less than medical inflation, while also noting that its partner has "final decision-making" on pricing and directing questions about the increase to the French company.

Sanofi said the increase was Dupixent's first "since launching last March, and is the only planned increase for 2018."

A round of drug-price increases in June or July is a standard, though less and less common, practice for the industry and usually draws little notice. Pfizer's latest round, *Please turn to page B2*

Regulators Take Aim At Private Stake Sales

BY JEAN EAGLESHAM AND COULTER JONES

Regulators are stepping up enforcement on the sale of private stakes in companies, following a Wall Street Journal investigation that found securities firms with unusually high numbers of troubled brokers selling tens of billions of dollars a year of these investments, often targeting seniors.

The Massachusetts chief financial regulator announced a probe on Monday into 10 brokerage firms in the state selling investments, known as private placements, as a result of the Journal's reporting.

"Private placements are risky investments that reward the salesperson handsomely with high commissions," said the Massachusetts regulator, William Galvin. Brokers with a history of disciplinary actions "magnify the risk of unsuitable sales in connection with private placements," he added.

The North American Securities Administrators Association, which represents all state regulators, said it plans to work even closer with federal law enforcement to target bad actors following the Journal's reporting.

Sales of private placements, which can be stakes in anything from a real-estate development to an oil well, are booming: More than 1,200 brokerage firms sold around \$710 billion of private placements last year.

The Journal found that firms selling private placements tend to have higher numbers of brokers with red flags such as investor complaints, regulatory actions or criminal charges and are more likely to be booted from the industry. Around one in eight brokers marketing private placements carried three or more red flags on their records, compared with one in 50 in the broader industry, the Journal previously reported.

Private placements are generally subject to less policing and have fewer rules about what financial information to disclose to investors than the more transparent public markets, like stocks and bonds.

The Massachusetts-based firms targeted in the state's probe include **Moors & Cabot** Inc., which the Journal found was among 25 firms selling private placements with the highest number of red flags per broker.

More than one-third of its *Please turn to page B2*



Swiss tennis star Roger Federer wore Uniqlo gear at Wimbledon Monday, as his 21-year sponsorship deal with Nike came to an end.

Nike Out as Uniqlo Wins Federer

BY TOM PERROTTA AND SARA GERMANO

WIMBLEDON, England—Roger Federer and Nike Inc. are no more.

The Swiss tennis champion and current top-ranked player at Wimbledon emerged at the tournament on Monday wearing a new uniform from Uniqlo, marking the end of more than two decades of sponsorship by Nike.

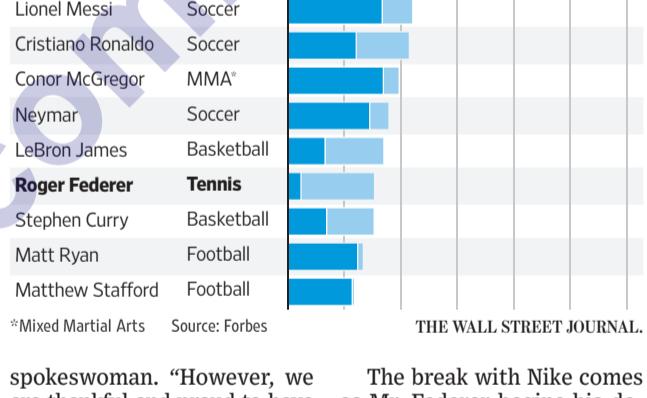
"I was excited to wear Uniqlo today," he said after his match, in a black hoodie. "It's been a long time coming."

Mr. Federer's new deal with Uniqlo is valued at roughly \$300 million over 10 years, according to people familiar with the matter. The outerwear brand announced Mr. Federer as a new spokesman on its Twitter feed Monday.

"We do not comment on athlete contracts," said a Nike

Getting Paid

Even before his new deal with Uniqlo, Roger Federer ranked among the top-paid athletes. Estimated pay for the past 12 months:



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spokeswoman. "However, we are thankful and proud to have been a part of Roger's incredible journey and wish him the best in the future."

Grand Slam singles titles. Mr. Federer, who will turn 37 years old next month, hasn't lost his winning form. At Wimbledon Monday, he easily won his first match against Serbia's Dusan Lajovic.

Nike's relationship with Mr. Federer dates to 1997. The world's largest sportswear maker went to great lengths to recognize his success, designing a sneaker in collaboration with basketball star Michael Jordan and naming a walkway on Nike's Oregon campus in Mr. Federer's honor.

Uniqlo, which is owned by **Fast Retailing** Co. of Japan, has expanded rapidly by focusing on insulated basics and wardrobe staples.

Yet Uniqlo isn't a tennis-shoe manufacturer. Mr. Federer donned Nike sneakers in his Wimbledon entrance Monday. He plans to stick with the shoes, at least for now.

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RIDING THE RAILS PARISIAN STYLE

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Whole Foods Riles Workers, Suppliers

BY HEATHER HADDON AND LAURA STEVENS

Amazon.com Inc. has infused Whole Foods with its efficient, data-driven ethos in the year since it bought the natural grocer. But not all Whole Foods employees and suppliers are happy about that.

Suppliers say they are angry at the higher rates Whole Foods now charges them to sell their products there, with some refusing to sign new contracts. At Whole Foods stores, hundreds of layoffs have upset workers and led to calls for unionization.

"There has never been a time in Whole Foods' history more ripe for widespread labor organization," a group of employees wrote in a letter last month as part of their efforts to organize workers.

Amazon and Whole Foods spokeswoman declined to comment.

A year after Amazon bought Whole Foods for \$13.5 billion, the e-commerce company is making its mark on the nation's largest natural and organic supermarket. Year-over-year sales at Whole Foods stores are up



A Whole Foods in Burbank, Calif. Suppliers are being charged more to sell products at the chain.

since the takeover, as consumers respond to new delivery options and enhanced benefits for Amazon Prime members. Whole Foods recently introduced 10% discounts for Prime members at all of its 460 stores, and it offers two-hour delivery service in 19 cities.

Employees said Amazon's changes since its August pur-

chase closed have been gradual and considered, and many said they were relieved that activist investors are no longer putting pressure on Whole Foods, as they were in 2017 after two years of falling sales and before the chain sold itself to Amazon.

One thing that hasn't changed: Whole Foods co-

founder John Mackey is still at the helm and continues to spend time in the company's stores, talking to employees and checking out the grocer's operations.

Still, Amazon is exerting its influence. Whole Foods has hired workers from Amazon, including a new head of com-

Please turn to page B4

In the past two decades higher yields have typically been strongly tied to rises in stocks, as a stronger economy pushes up both. This year so far the six-month correlation of daily changes in the S&P and the 10-year Treasury yield, a formal measure of the link,

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BUSINESS & FINANCE



The company's pet-care operation generated sales growth of 3% last year, which was second only to the coffee division's growth.

MARK RALSTON/AGENCE FRANCE PRESSE/GETTY IMAGES

Nestlé, Pet-Food Maker Talk Deal

Nestlé SA is angling to take control of Canada's **Champion Petfoods** for more than \$2 billion, according to people familiar with the matter, as the con-

By Ben Dummett,
Dana Mattioli
and Dana Cimilluca

sumer-goods giant seeks out higher-growth businesses to help offset its struggling packaged-foods operations.

Nestlé is in talks to acquire a majority stake in the closely held maker of specialty cat and dog food, whose owners include Toronto buyout firm Bedford Capital. The talks, however, could still break down.

The interest in Champion comes about a year after Nestlé first disclosed a far-reaching plan to revive its stock price by investing in areas such as pet

care, bottled water and coffee amid pressure from U.S. activist investor Daniel Loeb. Since then, the company has made several deals, including its \$7 billion acquisition of the rights to sell **Starbucks** Corp.'s coffee and tea in grocery and retail stores.

Still, Mr. Loeb remains dissatisfied with these efforts. On Sunday, he made public a letter to Nestlé Chief Executive Mark Schneider and the board, criticizing the company for not selling underperforming and nonstrategic businesses quickly enough and described the company's strategic approach as "muddled."

Switzerland-based Nestlé is already established in the pet-food market through its well-known Purina brand. In April, it acquired a majority stake in Tails.com, a direct-to-consumer

dog nutrition business in the U.K., for an undisclosed amount.

Nestlé's pet-care operation generated organic sales growth of 3% last year, second only to the coffee division's growth on an organic sales basis, which excludes such factors as foreign-exchange fluctuations.

By comparison, the company's confectionery and prepared-dishes and cooking-aids businesses grew by 0.3% and 2.2% respectively.

The acquisition of Champion could help Nestlé sustain the momentum of its pet-food operation, while providing the Edmonton, Alberta-based company with a broader customer base.

Champion, as a closely held company, doesn't disclose financial information. But it and other natural pet-food makers

are growing faster than their more traditional rivals as health-conscious consumers increasingly do for their pets what they have done for themselves by favoring natural food and high-end treats—a trend that has had many packaged-foods companies playing catch-up.

Champion sells its dog and cat food under the Orijen, and Acana brands, listing fresh meat, free-run poultry and wild-caught fish among the ingredients it uses.

The company sells its products in more than 80 countries through a network of pet-food distributors and veterinarian practices, as well as in-store and online, according to its website.

◆ Heard: Nestlé's activist needs to be patient B12

Regulators Focus on Stake Sales

Continued from the prior page approximately 135 brokers have at least one red flag, according to the Journal's analysis. A representative of Moors & Cabot didn't have an immediate comment Monday.

The biggest firm in the probe is **LPL Financial** LLC. A spokesman for LPL said it was reviewing the state regulator's request for information.

"Based on the Journal's reporting, state and federal regulators need to work even more closely together," said Joseph Borg, president of the state regulators association and Alabama securities commissioner. "And that's exactly what we're planning."

Lawyers who represent investors with claims against brokerage firms and brokers welcomed the regulators' ramped-up efforts but were skeptical of the outcome.

"We have heard the refrain after virtually every major investment scandal that regulators will work closer and coordinate," said Andrew Stoltmann, president of the Public Investors Arbitration Bar Association. "Unfortunately, it simply doesn't happen."

Private placements can offer better returns than publicly traded stocks and bonds, but are generally riskier and harder to trade.

Former regulators said private placements can attract bad actors because of the lax policing and high commissions. "The Journal's findings further show the need for tough policing in this space," said Brad Bennett, a former chief of enforcement at Finra and now a partner at law firm Baker Botts LLP.

A spokeswoman at the Financial Industry Regulatory Authority said private placements have "long been an examination priority and continue to be an area of focus" in its oversight of the brokerage industry.

A Securities and Exchange Commission spokesman said that "cases involving private placements have long been and continue to be a core part of our enforcement program, particularly when retail investors are the victims."

Mall Vacancy Rate at Highest Level Since 2012

By ESTHER FUNG

Malls are the emptiest they have been since 2012, when the U.S. economy was still struggling to recover from the last recession.

The vacancy rate reached 8.6% in the second quarter, up from 8.4% in the first quarter, as more consumers shifted their shopping online, according to data from real-estate research firm **Reis** Inc. The highest postrecession vacancy was in the third quarter of 2011, when it hit 9.4%, Reis said.

The shopping slowdown is being felt in all types of brick-and-mortar retail outlets throughout the country. Vacancies in open-air shopping

centers, for example, increased during the last quarter in 55 of the 77 metropolitan areas studied by Reis.

The impact is especially severe among strip malls and other neighborhood and community shopping centers, which suffered their worst quarter in nine years. About 3.8 million square feet of space was emptied from April to June, pushing the vacancy rate for this type of mall up to 10.2%, Reis said.

Local governments that depend on retailers to create jobs and generate tax revenue are among those feeling the pain. The rising vacancies also are pockmarking the suburban landscape with empty shop-

ping centers, although some landlords are finding other uses for the space, transforming them into gyms, call centers and even churches.

Space has been emptied by a steady decline of some of the most iconic retail names. Bon Ton Stores Inc., Sears Holdings Corp. and J.C. Penney Co. are among big names that have sharply reduced the number of stores in recent years.

The last Toys "R" Us stores closed on Friday after a restructuring attempt failed.

In March, when it announced the liquidation of U.S. stores, the company had roughly 800 stores in the country.

Xander Chou, a 40-year-old resident of Mountain View, Ca-

lif., said he visited Toys "R" Us regularly when he was growing up, but the store fell behind the competition. Lately, "I only went to the store when I need an emergency gift for a baby shower or birthday I forgot to shop for," he said.

In the first quarter, e-commerce sales accounted for 9.5% of total retail sales after adjusting for seasonal variations, up from 9.1% in the previous quarter, according to data from the U.S. Census Bureau.

Retail landlords also have suffered from a glut of new shopping centers that were built in the years leading up to the 2008 financial crisis. For every person in the U.S., there are 24 square feet of retail

space, far more than Canada's 16 square feet per capita, Australia's 11 square feet and 5 square feet in the U.K.

Not all is gloomy in the retail world. Some well-located malls that cater to more-affluent consumers are still seeing strong tenant demand and rent growth. Reis data showed that mall rents grew by 0.3% in the second quarter despite rising vacancies.

Some retailers are recognizing that having a brick-and-mortar presence reinforces their online efforts. Even Amazon.com Inc. has begun to open stores. "A store can still reach new shoppers," said Tiffany Hogan, senior analyst at Kantar Consulting.

Pfizer Lifts Prices on Some Drugs

Continued from the prior page which was first reported by the Financial Times, comes after President Donald Trump, in May, said he expected some big drug companies to make "massive" price cuts.

The price increases help drug makers meet financial-growth targets, especially when key products are losing sales to lower-cost generic versions. Yet many companies pledged in recent years to make just one increase a year and nothing totaling more than 10% after the rising prices of EpiPen allergy treatments and other drugs sparked criticism from doctors, hospitals and patients and hearings in Congress.

The restraint has curbed the rise in list prices for brand-name medicines overall. "Sub-6.0% inflation levels are here to stay," Raymond James analyst Elliot Wilbur wrote in a note to investors Monday. List prices for generic drugs have been falling.

Drug companies say they aren't profiting much from increases, because they offer discounts and rebates off the list price to win contracts with the middlemen that manage drug benefits for health plans and decide which medicines to reimburse.

Yet for many patients, costs

Prescribing Prices

Pfizer raised the list prices of more than 40 of its prescription drugs this week. Here's a small sample:

DRUG/PRICE	CHANGE IN PRICE
Lipitor 20mg (90 tablets) \$1,402.31	9.4%
Neurontin 800mg (100 tablets) \$1,325.61	9.4
Norvasc 10mg (90 tablets) \$840.09	9.4
Celebrex 100mg (100 capsules) \$804.43	9.4
Lyrica 150mg (90 capsules) \$695.59	4.0
Chantix 1mg (56 tablets) \$429.34	7.0
Zoloft 100mg (30 tablets) \$318.62	9.4

Source: Elsevier's Gold Standard Drug Database

THE WALL STREET JOURNAL.

have kept rising, and the trend has remained a political issue in Washington. In May, the Trump administration issued a plan to combat high drug prices.

Pfizer Chief Executive Ian Read has been among the most vocal industry executives pushing back against the criticism, noting that spending in the U.S. on prescription drugs has held relatively steady as a percentage of overall health-care spending.

Mr. Read also has blamed health plans for raising the out-of-pocket costs for patients by increasing copays and deductibles.

"It's not drug pricing. It's

drug affordability that is the problem," Mr. Read said in May at an event in Washington held by the news organization Politico.

Among the drugs whose list prices Pfizer raised this week are big sellers for the company, such as Chantix smoking-cessation pills. On July 1, the price of a bottle of 56 tablets rose 7% to \$429, after a 9.4% increase in January, according to Elsevier's drug-price database.

The list price for a month's supply of Viagra rose 9.4% to \$2,211 on July 1, after a similar price increase for the male-imotence treatment on Jan. 1.

—Joseph Walker

contributed to this article.

<p

BUSINESS NEWS

Tesla's Top Engineer Leaves

Departure occurs as auto maker sets new production target for mass-market sedan

By TIM HIGGINS

Tesla Inc.'s engineering chief won't return from his leave of absence, a person familiar with the situation said, as the auto maker heads into a pivotal period to prove it can sustain production of the Model 3 sedan.

Doug Field, who had been senior vice president of engineering, stepped away from his work overseeing product development at the Silicon Valley auto maker in early May. At the time, a Tesla spokesman said, "Doug is just taking some time off to recharge and spend time with his family. He has not left Tesla."

People familiar with the move believed at the time he would return six weeks later, but he hadn't.

In a statement on Monday, the company said: "After almost five years at Tesla, Doug Field is moving on. We'd like to thank Doug for his hard work over the years and for everything he has done for Tesla."

Mr. Field couldn't be reached for comment.

After reaching its long-de-

layed goal of building 5,000 Model 3 cars a week, Tesla said on Monday that it aims to increase the output to 6,000 a week by late August. The electric-vehicle maker has spent the past year struggling to meet production goals for the Model 3, twice missing the 5,000-a-week target for what is considered Tesla's first mass-market offering.

The auto maker on Monday also reaffirmed that it expects to have positive cash flow and post a profit in the third and fourth quarters. Keeping up the 5,000-a-week production pace is key to Tesla meeting its cash-flow forecast.

Beyond ramping up Model 3 production, Tesla is racing to

develop new products, including the Model Y compact sport-utility vehicle that Mr. Musk has said he wants to unveil in March and begin production in the first half of 2020.

A key leader at Tesla since joining in 2013 from Apple Inc., Mr. Field oversaw the engineering of the company's vehicles and last year was given oversight of production until Chief Executive Elon Musk resumed that role last spring.

Mr. Field is credited for helping make the Model 3 easier to build by simplifying engineering complexity that plagued previous vehicles.

Mr. Field's departure is one of several by high-level executives over the past two years as

Tesla has struggled to bring out the Model 3, which is priced lower than its other luxury vehicles as part of a plan to transform the company into a more mainstream auto maker.

At least 50 vice presidents or higher-ranking executives have departed over the past 24 months, according to people familiar with the company, partly because of its purchase of SolarCity Corp. Mr. Musk sees executive turnover as being in line with other large companies and has announced plans for a management reorganization aimed at flattening the layers of managers.

◆ Heard on the Street: Tesla's triumph goes only so far.. B12



The company plans to hold a conference next year for its 15,000 store managers and leaders, focused on bias and inclusiveness.

Report Criticizes Starbucks Over Its Diversity Policy

By RACHEL FEINTZEIG

Starbucks Corp. should audit its stores for prejudice against customers, review the racial diversity of its staff and help pay for antibias training for local police, according to a report compiled by outside experts advising the coffee chain on its diversity efforts.

The report was released Monday by Sherrilyn Ifill, president and director-counsel of the NAACP Legal Defense and Educational Fund, and Heather McGhee, distinguished senior fellow of the think tank Demos.

The pair came on as advisers to Starbucks after an incident in April when a store manager in Philadelphia called the police after two black men who hadn't

said, teaching participants about "being mindful of triggers and pausing to make thoughtful decisions that move beyond bias." The company also plans to hold a conference next year for its 15,000 store managers and leaders, focused on bias and inclusiveness.

Donte Robinson and Rashon Nelson, the two men arrested after the Starbucks manager called the police, also had recommendations for Starbucks in the report: They want the company to develop a "customer bill of rights" that would be displayed at each cafe. They also want Starbucks to donate money toward college readiness and SAT prep programs in Philadelphia schools as well as to "an initiative to increase trust between communities and law enforcement."

"We decided to turn what happened to us into something positive by using this moment as a call to action," Mr. Nelson said in a statement released Monday by his attorneys. "We stand ready to work with Starbucks and other businesses that are committed to ensuring public spaces are inclusive and free from discrimination."

The NAACP Legal Defense Fund and Demos examined the company's store manual and the handbook that Starbucks gives to workers and described the company's policies as "confusing," adding that "ad hoc unwritten policies" disseminated at the store level can lead to discrimination.

The report also suggested that Starbucks should train employees on when to reach out to community resources instead of the police—for example when dealing with the homeless. It encouraged the company to tally up store calls to law enforcement, suggesting that Starbucks should review stores that reach out to police five or more times in a set period.

"Make clear in company policy that law enforcement should only be called to address criminal activity or threats to public safety," Ms. Ifill and Ms. McGhee wrote.

The pair also want Starbucks to push for antibias training for police departments in areas close to Starbucks cafes.

Starbucks also said it would start releasing training modules on bias later this summer, with a total of 12 set for the next year. Half of them, to be delivered via iPads, will be geared toward managers and half toward employees. The first is set to cover "mindful decision making," the company

said.

After reaching its long-de-

Nissan Unplugs Deal For Battery Business

TOKYO—**Nissan Motor** Co. said it scrapped a plan to sell its battery business to **GSR Capital** after the Chinese investment firm was unable to pay for the deal.

The companies agreed last in August that GSR would buy the majority of Nissan's electric-car battery operations for an undisclosed sum. The deal included Nissan's battery-manu-

faturing operations in Smyrna, Tenn., England and Japan.

Nissan said on Monday it had been aiming to complete the deal by the end of June but GSR Capital couldn't provide the necessary funds.

A spokesman for GSR Capital didn't immediately respond to a request for comment.

Nissan has been seeking to get out of the battery-making business for some time. Chairman Carlos Ghosn has said he prefers for Nissan to purchase batteries because several suppliers compete on price and

technology.

GSR Chairman Sonny Wu had said the deal represented an important step for the company in entering the "new energy vehicle industry chain."

Batteries are among the most sought-after areas of technology because leading car makers have said they plan to boost the proportion of their sales from electric cars.

South Korea and Japan have some of the battery industry's leading companies, with China in fast pursuit.

—Alastair Gale



The company constructed a tent at its factory in Fremont, Calif., to help it reach its goal of producing 5,000 Model 3s a week.

Grocery Giants Flex Their Muscle

Two of the world's biggest grocery chains, **Tesco** PLC and **Carrefour** SA, will collaborate on how they buy from suppliers amid

mounting competition from **Amazon.com** Inc. and other rivals.

Tesco, Britain's largest grocery chain, and Carrefour, the French giant, said they would jointly source certain products to lower prices, raise quality and broaden their offerings.

The deal, which the companies said would initially last three years, will give them more leverage with suppliers. It will cover joint purchasing of store-brand products and goods not

for resale, like cleaning supplies.

Financial terms weren't disclosed. "The details are very much still being worked out," a Tesco spokeswoman said.

The deal, which was announced Monday, is the latest in a string of moves by traditional grocers as they race to compete with Amazon's growing food ambitions and rapidly changing shopper behavior.

Online shopping, discounters and meal-delivery services all are eating into once-reliable profit margins.

The announcement comes just over a year after Amazon said it would buy Whole Foods for \$13.7 billion. Since then, Amazon has slashed prices and used the Whole Foods network of stores to ramp up its online-grocery business.

Amazon has also ramped up its fresh-food delivery service in the U.K.

In France, it struck a deal with Casino Guichard-Perrachon SA to deliver items from that company's Monoprix chain.

Amazon's inroads into the grocery sector have struck fear into supermarket chains worldwide and prompted a number of recent deals.

Kroger Co., America's largest chain, in May said it would increase its stake in British online delivery specialist **Ocado Group** PLC and license its technology to run automated warehouses and process online orders.

Analysts said Amazon's ambitions also were partly responsible for **Walmart** Inc.'s decision in April to sell its British arm Asda Group Ltd. to **J Sainsbury** PLC, creating the largest player

in the U.K.'s grocery market. That deal is expected to pressure Tesco.

Tesco and Carrefour have moved to beef up their online delivery and technology.

Alexandre Bompard, Carrefour chief executive, in January pledged to invest €2.8 billion (\$3.27 billion) in digital commerce by 2022 and grow online food sales to €5 billion in five years—a sixfold increase over last year.

Tesco last week said it would test a checkout-free method of payment for its convenience stores that would allow shoppers to scan products on their mobile devices and then leave with them. Last year, it became the first retailer to offer a same-day grocery delivery service across the U.K.

Dell and CEO Return to Public Spotlight

By JAY GREENE

When Dell Inc. closed the biggest technology merger in history nearly two years ago, the company's namesake founder said the new entity would enjoy its freedom away from the glare of Wall Street and its obsession with quarterly earnings.

On Monday, Michael Dell said he was ready to go under the spotlight again. "I did that for 25 years, and obviously I know what I'm getting myself into," he said in an interview.

Mr. Dell's company, now known as **Dell Technologies** Inc., is a one-stop shop for corporate-technology services that was formed through the \$67 billion merger of Dell and EMC Corp. On Monday, it an-

nounced plans to buy the shares that track its stake in the fast-growing software company **VMware** Inc.—a move that would make Dell a publicly traded company again.

The share-swap decision came after a months-long strategic review as Dell wrestled with a bulging debt load built through a \$25 billion leveraged buyout in 2013 that took the company private and the EMC deal, which added tens of billions of dollars more to the pile.

Dell Technologies had been paying roughly \$2 billion a year in interest on that debt when Congress passed legislation at the end of 2017 that eliminated a big chunk of the deductions companies can make on such payments. Wall

products business growing 22% to \$16.67 billion in the quarter that ended May 4, driving 19% overall net revenue growth to \$21.36 billion.

But Dell's return to a public company comes as corporate computing is evolving. In the five years Dell was privately held, cloud computing has soared, diminishing legacy companies that sell hardware—Dell's key businesses as a maker of servers and storage gear.

Corporate customers are increasingly renting computing services from companies such as Amazon.com Inc. rather than buying their own hardware.

◆ Heard on the Street: Dell's deal won't be easy..... B12

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TECHNOLOGY

Lyft Takes Spin in Bike-Sharing

Ride-hailing company to purchase Motivate, which offers bicycles for short-term rentals

BY GREG BENSINGER

Ride-hailing firm Lyft Inc. said it agreed to purchase an urban bike-rental company recognizable by its curbside docking stations and sponsors such as Ford Motor Co. and Citigroup Inc.

The deal for Motivate International Inc. gives Lyft access to thousands of bicycles for short-term rental and a potential advantage over bigger rival Uber Technologies Inc., which recently bought smaller dockless bike-rental company Jump.

Lyft is spending about \$250 million in cash for the New York City company, according to people familiar with the matter, which compares with \$200 million for Uber's deal.

The two rivals are clamoring to provide riders with options for short trips within cities as scooters and bicycles have become a popular option. Venture-capital firms have poured hundreds of millions of dollars into upstart electric-scooter-rental companies such as Bird Rides Inc.

Bike-sharing, scooter rentals and even flying taxis are attractive to the largest ride-hailing companies because they offer customers a cheaper and often quicker means to travel within dense cities. Uber has said the average Jump ride in San Francisco was 2.6 miles.



Motivate International, whose sponsors include Ford, holds exclusive deals to provide bike-sharing in cities such as San Francisco.

Lyft will gain about 30,000 bikes in eight U.S. cities from San Francisco to New York. Customers can rent them for intervals of 30 minutes typically for \$3, or \$10 to \$12 for a day pass, depending on the city, and must return them to other docking stations.

Uber's Jump, available in just a handful of cities, is \$2 for 30 minutes and the bikes can be left anywhere a customer can lock them.

Motivate has one advantage over Jump and other bike-rental firms, such as Neutron Holdings Inc.'s Lime, that plan to bring thousands of bikes to U.S. cities: exclusivity. In New York, San Francisco and elsewhere, Motivate has negotiated exclusive deals to be the lone provider of bike-sharing services. That means other outfits will have to reach deals to enter a city, rather than just placing their bikes on streets

for rental. Motivate took in about \$100 million in revenue last year, with roughly half of that sum coming from sponsors who adorn the company's bikes with their logos, according to people familiar with the matter.

Lyft carefully structured the transaction to avoid adding about 600 Motivate workers represented by the Transport Workers Union. Those

functions, which include bicycle maintenance and servicing operations, will fall under a new, separate company retaining the Motivate name, according to Lyft.

App-based transportation companies have resisted workers from forming unions, including in Seattle where Uber and Lyft drivers have attempted to organize.

—Eliot Brown contributed to this article.

Probe Into Facebook Adds FBI And SEC

BY GEORGIA WELLS

The federal investigation into how Facebook Inc. has handled information about its users is getting bigger.

The social-media giant has received questions from the Securities and Exchange Commission and Federal Bureau of Investigation, according to a person familiar with the matter.

The SEC and FBI join the Justice Department and Federal Trade Commission in probing how the political analytics firm, Cambridge Analytica, which aided President Donald Trump's 2016 presidential election, purchased data on 87 million users of Facebook without their consent.

Facebook and Cambridge Analytica officials have provided conflicting accounts of what the social-media giant knew about how the data were going to be used by Cambridge Analytica.

"We are cooperating with officials in the U.S., U.K. and beyond," a spokesman for Facebook said. "We've provided public testimony, answered questions, and pledged to continue our assistance as their work continues."

The Washington Post previously reported the broadening of the investigation.

Representatives for the FBI, SEC, FTC and Justice Department either declined to comment or couldn't immediately be reached.

Colgate to Invest in Online Startup

BY ROB COPELAND
AND SHARON TERLEP

Colgate-Palmolive Co. is turning to an online startup to help it sell products such as toothpaste through a home-subscription service, the latest experiment by a big household-products maker to cut out traditional retailers as sales shift online.

Colgate, which has been selling its namesake product since 1873, is close to a deal to acquire a minority stake in Hubble, a two-year-old New York company currently sells contact lenses in brightly colored boxes online.

As part of the deal, Hubble would develop online subscription avenues for some of Colgate's products, the people said.

The first, focused on oral care including teeth whitening, is expected to start as soon as this year, while others in areas such as pet food remain under



Hubble would develop subscription avenues for Colgate products.

consideration, the people said.

The companies will share revenue from the ventures. Financial terms couldn't be learned.

The better-late-than-never

move brings Colgate into an arena vexing the biggest makers of household goods.

Subscription-service startups have yet to deliver profits for the most part but have

succeeded in wooing shoppers en masse from industry stalwarts, forcing them to respond.

In toothpaste alone, there are several upstarts like Quip and Goby selling monthly subscriptions for toothbrushes or toothpaste.

Defections to razor subscription services Dollar Shave Club and Harry's forced Procter & Gamble Co.'s Gillette to slash prices and shift focus toward new products. P&G executives are exploring a range of alternatives to the traditional retailer model.

Two years ago, Unilever PLC bought Dollar Shave Club for \$1 billion. P&G last year acquired Native Deodorant, a startup selling natural deodorant online.

"We're working very hard to stay on top of that and not let a direct-to-consumer model slip us the way it slapped Gillette," Colgate CEO Ian Cook said at the company's shareholder meeting in May.

A Year On, Grocer Deal Riles Some

Continued from page B1
compensation and benefits who worked at Amazon's Seattle headquarters for nearly four years as senior compensation manager.

Amazon also has been looking for a Seattle-based executive to develop products for Whole Foods and work with the companies "on everything from strategy to execution," according to a job posting.

At the same time, Whole Foods is laying off hundreds of in-store marketing employees who filled out chalkboard signs and organized local events. Monday was their last day with the company.

More finance and purchasing decisions are being made at Whole Foods headquarters in Austin, Texas. Whole Foods executives say that centralization is making the company nimble and saving money.

"Please note this wasn't an easy decision and isn't a reflection of the dedication of the work you do," Whole Foods leaders said in a recent conference call announcing the cuts to marketing employees in the Midwest, according to an audio recording reviewed by The Wall Street Journal.

For many suppliers, Amazon is helping spur Whole Foods sales after two tough years. Cereal maker Kashi Co. and kombucha brewer GT's Living Foods are some of the health-food brands whose sales have grown since the deal, according to data firm inMarket.

But many suppliers are angry that Whole Foods has added fees of at least 3% to restock shelves and run promotions for vendors who sell approximately \$300,000 in

products annually. The increases surpass what rival chains routinely charge for merchandising changes, food-company executives said.

"A lot of our members are perplexed, just completely dumbfounded," said Phil Kafarakis, president of the Specialty Food Association, which represents both suppliers that have gone along with the new fees and ones that have refused.

Whole Foods planned the fee increase before Amazon's acquisition, but executives are now using the promise of wider, Amazon-fueled sales to push suppliers to agree to the charges.

"We are excited about the new growth opportunities that exist as we continue to innovate with Amazon," Whole

Foods is laying off hundreds of the firm's in-store marketing employees.

Foods wrote in a recent email to vendors who hadn't agreed to new contracts. "Unfortunately, we have yet to receive your full commitment to support the program."

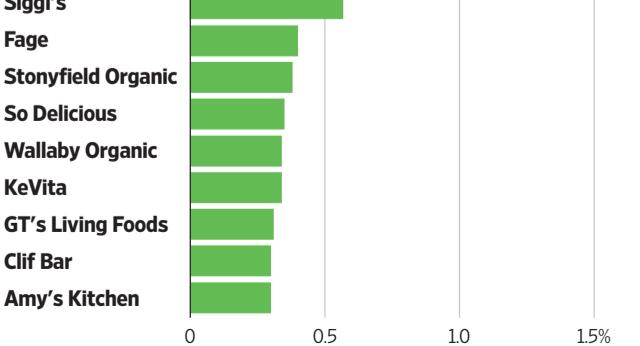
Whole Foods says the fees and centralized merchandising strategy mean that suppliers' goods will be displayed and promoted more consistently, helping to drive sales. There will also be additional marketing efforts, according to the company.

Many food companies say they have no choice but to go with the tougher terms.

"You play ball," said Donald Snyder of Green Hasson Janks LLP, a Los Angeles-based accounting firm that met with clients last month to discuss the changes at Whole Foods. "They are a great source of revenue."

Shelf Life

Top brands by percentage of Whole Foods sales since Amazon's acquisition of the company



Note: Data from July 2017 through May 2018

Source: inMarket

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INTERNATIONAL PROPERTY REPORT

France

Paris Pins Growth Hopes on Rail

By SHEFALI ANAND

For more than a decade, French planners have dreamed of an ambitious and expensive new rail network that would supersize Paris and turn it into a leader rather than a follower of global cities like London and New York.

Today, the Grand Paris Express—one of Europe's largest transport projects—is starting to take shape. In dozens of sites in the region, construction work can be seen such as boring machines digging tunnels into the ground or machines pouring concrete to make the roof of a future metro train station.

Like most other major transportation projects, the Grand Paris Express has run into major delays as well as cost overruns of its initial budget of about €25 billion (\$29 billion). The network of 124 miles of new metro lines in and around Paris is now slated to be completed in phases between 2024 and 2030, and financing problems or other issues could still derail the project.

But a number of energy sources are powering the Grand Paris Express, giving it



The Grand Paris Express is years away from completion but has added to rising property values.

more traction. These include the coming Paris Summer Olympics in 2024 and post-Brexit uncertainty that has hit London, Paris's historical economic rival in the region.

Also, the Paris region is benefiting from one of the

strongest commercial real-estate markets it has seen in years.

That is stoking interest among investors, developers and tenants in new development opportunities tied to the new rail lines and 68 expected

stations.

Already, the Grand Paris plan has contributed to rising property values in areas like Saint-Denis to the north of Paris, where Olympic housing

and venues are being planned, and Villejuif in the south,

where two train lines will meet.

"What can be almost certain is that the Grand Paris Express will benefit the existing good locations today, such as La Defense, but also some of the new hubs" like Saint-Denis and Villejuif, said Cedric Dujardin, head of real estate for France at DWS, a unit of Deutsche Bank AG.

Investors are jumping in. Last month, French investment firm La Française bought Le Balthazar, a 32,600-square-meter office building in Saint-Denis, for about €235 million, on behalf of Korean investors including Hyundai Investment Asset Management.

Also in June, a 24,000-square-meter office building named #Curve, under construction near the future station in Saint-Denis, was bought by Générale Continentale Investments, a French investor and real-estate developer, and U.K. private-equity firm Benson Elliot. The price wasn't disclosed.

Schroder Real Estate invested €130 million in a 25,000-square-meter office building in June 2017 in Bagneux, south of Paris.

Demand For Offices Climbs

By SHEFALI ANAND AND PETER GRANT

France's commercial real-estate market has been hitting post-2008-crash records for sales and office vacancy in recent months, but concerns about a slowing economy could put a damper on the party.

Investors purchased €39.4 billion (\$46 billion) worth of French commercial property in 2017, according to Real Capital Analytics, the highest total since the data firm began tracking the market in 2007. By comparison, the figure was €34.8 billion in 2016 and €33.5 billion in 2007, just before the crash hit, Real Capital said.

Demand for office space in the Paris region is the highest brokers have seen in years. In the first quarter of 2018, nearly 750,000 square meters (8.1 million square feet) was leased in the region, the best start of a year since 2007, according to Knight Frank. Last year, 2.6 million square meters were leased, also the best performance since 2007 and 15% higher than the 10-year average, the firm said.

Brokers and investors say the market is being fueled by economic growth and the business-friendly policies of President Emmanuel Macron. France also has been benefiting from a growing tech sector.

Not all the news is good: The economic growth rate in France has slowed this year and forecasts are being weakened by rumblings of a trade war triggered by the Trump administration.

Commercial-property sales so far this year have been slow.

Volume was only €9 billion as of June 26, according to Real Capital.

Big Real-Estate Buyer Turns Into a Seller

By ISOBEL LEE

Just weeks after pulling off the largest retail real-estate acquisition ever, **Unibail-Rodamco-Westfield** is going into property-sales mode.

The Paris-based mall giant is under pressure to reduce the debt load it took on to finance its \$15 billion acquisition of Westfield Corp., which closed in June and created a global company with €62 billion (\$72.43 billion) worth of property. The combined portfolio

consists of 102 shopping malls, 13 office properties and 10 convention centers in Europe and the U.S.

Chief Executive Christophe Cuvillier said the plan is to sell noncore assets from both the old Unibail-Rodamco portfolio and the slate of Westfield properties.

First, €3 billion of properties from the old Unibail-Rodamco portfolio of €43 billion will be sold, according to Mr. Cuvillier. "Those disposals will include shopping centers and mature

and well-let offices," he said.

The next step will come in the fall, by which time Unibail will have analyzed the 35 Westfield malls it purchased.

Unibail's strategy—both as a buyer and seller—faces numerous pitfalls at a time retail real estate faces an existential challenge from online shopping. The purchase of Westfield added 44 million square feet of malls, a property type many investors are shunning.

Competition from internet retail, which relies on low-rent

warehouses and distribution centers rather than higher-price store space, raises questions about the strength of future demand for Unibail's malls. It will also make it more difficult to find buyers for lower-quality shopping centers.

"Retailers don't want to be in second-rate malls in the current sales climate," said Peter Papadakos, head of Continental Europe at REIT research firm Green Street Advisors.

Mr. Cuvillier said he believes there is a bright future for

malls with the right designs, locations and mix of stores, restaurants and entertainment. "I'm still a strong believer in physical retail and connected retail," he said. "I do not believe that all sales will go online in the future."

E-commerce now accounts for a global sales average of 9%, according to Bain & Co., a figure which is expected to double by 2023. Online sales are much higher in the U.S. and the U.K., where nearly all the Westfield malls are.

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Paris had more luxury store openings than any city in the world last year. A Louis Vuitton store.

Luxury Retail Booms in Capital

By ISOBEL LEE

One of the few bright spots in retail real estate these days is on the "high streets" of major cities, where luxury brands are still willing to pay stratospheric rents to promote their designer clothes, accessories, shoes and other goods.

Nowhere is the luxury high street stronger today than in Paris. The French capital had more luxury store openings than any other city in the world last year, accounting for 5.6% of total global designer store launches, according to Savills.

In October, Louis Vuitton opened its new flagship on Place Vendôme in a historic property near the Ritz hotel that was originally built by the architect behind Versailles.

Nearby, luxury rival Chanel has slowly been acquiring smaller premises around its historic home at 31 Rue Cambon over the past decade, with plans to create the brand's largest store in Paris, if not Europe. Set to open later this year, the revamped flagship will include offices, showrooms and museum spaces, as well as workshops for customizing goods.

The decision by both Vuitton and Chanel to buy property instead of renting reflects a long-term commitment to

physical stores, said Faustine Godbert, an associate in Savills's retail real-estate unit in Paris. "Luxury brands are ready to pay huge amounts to own the building, because they know that they will stay there for a long time," she said.

The investments reflect the diverging paths of retail brands, with luxury labels buoyed by Chinese consumers even as the sector overall remains under siege from online competition. While sales at some high-end stores might not be enough to justify their high real-estate costs, retailers still consider the locations invaluable for marketing and branding purposes.

For Paris, a position atop the high-street heap underscores the city's re-emergence as a fashion and tourist mecca nearly three years after terrorist attacks caused visitor numbers to plummet, decimating retail turnover.

"When the hotels are full, so are the boutiques," said Ms. Godbert. "International tourism is a more important driver of luxury retail sales now than ever before. And the fashion houses are ready to welcome them in a big way."

Asian shoppers, in particular, have been helping the city's retailers. "Paris welcomes more Chinese overnight visitors than any other European city," says Marie Hickley, director of Savills European retail research. They come for cheaper prices than they can find in their home markets, and to be certain they aren't acquiring fake goods, she said.

Landlords are reaping the benefits: Prime high-street Paris rents grew about 9% a year between 2013 and 2017, according to Rob Wilkinson, chief executive of AEW Europe SA, a unit of asset manager AEW Global. "But it's very much bifurcated between high-end luxury and the more basic retail that's been impacted by e-commerce," he added.

MARKETS DIGEST

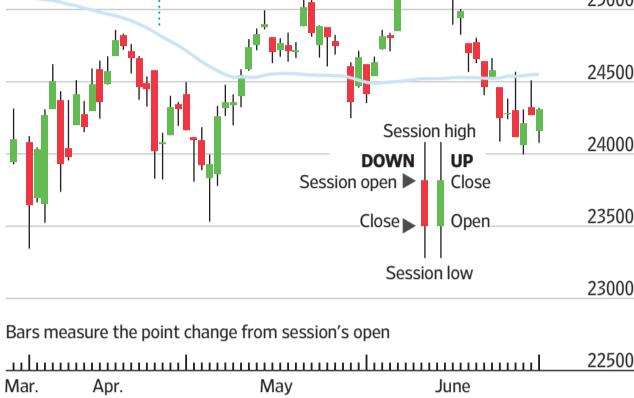
EQUITIES

Dow Jones Industrial Average

24307.18 ▲ 35.77, or 0.15%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.42 20.89
 P/E estimate * 16.04 18.18
 Dividend yield 2.22 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 Birinyi Associates Inc.

S&P 500 Index

2726.71 ▲ 8.34, or 0.31%
 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



Mar. Apr. May June

Nasdaq Composite Index

7567.69 ▲ 57.38, or 0.76%
 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



Mar. Apr. May June

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	24319.42	24077.56	24307.18	35.77	▲ 0.15%	26616.71	21320.04	13.2	-1.7	11.1
Transportation Avg	10452.68	10291.45	10448.20	103.21	▲ 1.00%	11373.38	9021.12	8.4	-1.5	8.8
Utility Average	717.97	709.42	717.64	6.00	▲ 0.84%	774.47	647.90	2.0	-0.8	8.5
Total Stock Market	28410.98	28122.58	28408.04	94.27	▲ 0.33%	29630.47	24958.26	12.7	2.7	9.3
Barron's 400	740.67	731.60	740.67	2.28	▲ 0.31%	760.51	629.56	14.2	4.2	9.3

Nasdaq Stock Market

Nasdaq Composite	7568.10	7443.10	7567.69	57.38	▲ 0.76%	7781.51	6089.46	23.9	9.6	14.7
Nasdaq 100	7099.27	6969.16	7097.82	57.02	▲ 0.81%	7280.70	5596.96	26.8	11.0	17.0

S&P

500 Index	2727.26	2698.95	2726.71	8.34	▲ 0.31%	2872.87	2409.75	12.3	2.0	9.5
MidCap 400	1953.65	1936.24	1953.65	1.98	▲ 0.10%	2003.97	1691.67	11.1	2.8	9.1
SmallCap 600	1027.28	1009.53	1027.28	9.90	▲ 0.97%	1052.40	817.25	19.0	9.7	12.7

Other Indexes

Russell 2000	1655.09	1631.06	1655.09	12.02	▲ 0.73%	1706.99	1356.90	16.0	7.8	9.9
NYSE Composite	12486.54	12400.54	12485.58	-18.67	▲ -0.15%	13637.02	11699.83	5.5	-2.5	4.7
Value Line	570.67	564.82	570.67	1.04	▲ 0.18%	589.69	503.24	8.6	1.5	4.5
NYSE Arca Biotech	4800.41	4707.77	4799.00	47.12	▲ 0.99%	5018.28	3787.17	23.8	13.7	5.0
NYSE Arca Pharma	527.82	522.63	527.63	0.16	▲ 0.03%	593.12	514.66	-1.8	-3.2	-3.1
KWB Bank	104.85	103.17	104.85	0.95	▲ 0.92%	116.52	89.71	8.0	-1.7	10.7
PHLX® Gold/Silver	81.61	80.62	81.11	-0.49	▲ -0.60%	93.26	76.42	2.7	-4.9	9.0
PHLX® Oil Service	153.74	149.42	150.22	-4.64	▲ -3.00%	170.18	117.79	11.2	0.4	-8.2
PHLX® Semiconductor	1322.35	1293.78	1321.81	8.11	▲ 0.62%	1449.90	1020.51	29.5	5.5	24.5
Cboe Volatility	18.08	15.54	15.60	-0.49	▲ -3.05%	37.32	9.14	39.0	41.3	-2.4

\$ 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 4 p.m. to 6:30 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	7,975.1	271.85	-0.01	-0.004	272.00	270.04
KKR CIA	KKR	4,393.8	25.98	0.05	0.19	25.98	25.32
Altaba	AABA	3,756.9	73.40	-0.01	-0.01	73.45	73.00
General Electric	GE	3,626.1	13.35	-0.02	-0.15	13.38	13.30
Symantec	SYMC	3,202.8	20.89	...	unch.	20.89	20.69
Vanguard FTSE Emerg Mkt	VWO	2,925.1	41.75	0.01	0.02	41.75	41.58
U.S. Mkt Rotation Strategy	HUSE	2,826.3	40.07	-0.08	-0.19	40.07	40.07
iSh Commodities Sel Strat	COMT	1,937.3	38.48	0.16	0.43	38.48	38.48

Percentage gainers...

Mexco Energy	MXC	57.6	10.66	2.41	29.21	10.66	8.22
Axiom	ACXM	328.0	38.40	4.19	12.25	40.59	33.33
Herman Miller	MLHR	322.6	38.50	4.05	11.76	39.50	34.45
TransEnterix	TRXC	76.0	4.10	0.09	2.24	4.18	4.00
SRC Energy	SRCI	74.7	11.00	0.20	1.85	11.00	10.78

...And losers

Novo Nordisk ADR	NVO	71.7	45.92	-0.84	-1.8
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COMMODITIES

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Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hi lo	Low	Settle	Chg	Open interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.								
July 2.9540	2.9560	2.9085	2.9315	-0.0195	5,522			
Sept 2.9695	2.9730	2.9210	2.9440	-0.0220	139,721			
Gold (CMX) -100 troy oz.; \$ per troy oz.								
July 1249.90	1249.90	1239.80	1239.80	-11.50	199			
Aug 1253.40	1255.60	1240.60	1241.70	-12.80	321,762			
Oct 1260.00	1260.60	1246.10	1247.10	-13.16	16,017			
Dec 1265.00	1267.00	1252.00	1253.00	-13.30	106,482			
Feb'19 1271.20	1271.20	1257.90	1258.80	-13.60	16,742			
June 1279.80	1279.80	1270.00	1270.90	-13.70	4,435			
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
Sept 949.30	950.90	931.30	934.40	-16.50	20,081			
Dec 942.30	942.30	927.10	929.30	-16.30	1,951			
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
July 838.90	838.90	809.60	809.00	-43.40	570			
Oct 856.10	857.50	811.10	813.40	-44.30	83,026			
Silver (CMX) -5,000 troy oz.; \$ per troy oz.								
July 16.055	16.055	15.730	15.744	-0.360	3,358			
Sept 16.145	16.180	15.800	15.835	-0.363	162,018			
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
Aug 72.87	74.35	72.51	73.94	-0.21	394,727			
Sept 71.25	72.40	70.74	71.62	-0.84	289,023			
Oct 69.81	70.71	69.01	69.30	-1.62	202,897			
Dec 68.24	69.13	67.53	67.83	-1.66	305,246			
June'19 65.04	65.70	64.50	64.75	-1.34	152,576			
Dec 62.68	63.37	62.40	62.62	-1.03	202,402			
NY Harbor USLD (NYM) -42,000 gal.; \$ per gal.								
Aug 2.1816	2.2057	2.1023	2.1048	-0.064	136,173			
Sept 2.1874	2.2104	2.1610	2.1630	-0.052	69,160			
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
Aug 2.1240	2.1468	2.1023	2.1048	-0.064	136,173			
Sept 2.1050	2.1285	2.0839	2.0862	-0.0459	86,524			
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.								
Aug 2.922	2.927	2.852	2.862	-0.062	207,423			
Sept 2.896	2.896	2.834	2.844	-0.057	182,335			
Oct 2.903	2.908	2.845	2.857	-0.051	173,549			
Jan'19 3.127	3.140	3.076	3.092	-0.043	115,385			
March 2.993	2.993	2.945	2.962	-0.040	118,461			

Cash Prices | WSJ.com/commodities

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Monday

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Coins,wholesale \$1,000 face-a

11708

Other metals

LBMA Platinum Price PM

*851.0

Platinum,Engelhard Industrial

842.0

Platinum,Engelhard fabricated

942.0

Palladium,Engelhard industrial

946.0

Palladium,Engelhard fabricated

1046.0

Aluminum,LME, \$ per metric ton

*2183.0

Copper,Comex spot

2,9315

Iron Ore, 62% Fe CFR China-s

n.a.

Shredded Scrap, US Midwest-s,m

Steel,HRC USA,FOB Midwest Mill-s

n.a.

Fibers and Textiles

Burlap,10-oz,40-inch NY yd-n,w

0.5600

Cotton,11/16 std lw-mdMphs-u

0.8227

Cotlook 'A' Index-t

*0325.3

Hides,hvy native steers piece fob-u

n.a.

Wool,64s,staple,Terr del-u,w

n.a.

Grains and Feeds

Barley,top-quality Mnpls-u

n.a.

Bran,wheat middlings,KC-u

59

Corn,No. 2 yellow,Cent IL-bp,u

3,1450

Corn gluten feed,Midwest-u,w

118.8

Corn gluten meal,Midwest-u,w

458.2

Cottonseed meal,u,w

250

Hominy feed,Cent IL-u,w

98

Meat-bonemeal,50% pro Mnpls-u,w

283

Oats,No.2 milling,Mnpls-u

2,8750

Rice,Long Grain Milled, No.2 AR-u,w

25.75

Sorghum,(Milo) No.2 Gulf-u

n.a.

Fats and Oils

Corn oil,crude wet/dry mill-u,w

29,0000

Grease,choice white,Chicago-h

0.2650

Lard,Chicago-u

n.a.

Soybean oil,crude,Cent IL-u

0.2763

Tallow,bleach,Chicago-h

0.2713

Tallow,edible,Chicago-u

n.a.

Monday

SoybeanMeal,Cent IL,rlail,ton48-u

339.50

Soybeans,No.1 ylw IL-bp,u

8,1900

Wheat,Spring14%-pro Mnpls-u

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Wheat-No.2 soft red St.Louis-bp,u

5,0000

Wheat-Hard -KC (USA) \$ per bu

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Wheat-No.1soft white,Portl,OR-u

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Food

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choice 1-3,600-900 lbs.-u

180.94

select 1-3,600-900 lbs-u

166.93

Broilers, National comp wghtd-u,w

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Butter,AA Chicago

2,2525

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.

Monday, July 2, 2018

A B C

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				
ABB	ABB	21.58	-0.19	Andeavor	ANDV	131.81	0.63	BlackRock	BLK	499.52	0.48	DukeRealty	DRE	28.74	-0.29	Gentex	GNTX	22.93	-0.09	KraftHeinz	KHC	62.09	-0.73	Nike	NKE	78.35	-1.33
ADT	ADT	8.15	-0.50	ArubaLogix	ARDX	20.00	-0.45	Eni	E	36.67	-0.45	GenuineParts	GPC	91.00	-0.78	Kroger	KR	28.22	-0.23	NorthropGrum	NOC	308.87	1.13	RoyalDutch	RDSA	68.40	-0.83
AES	AES	13.14	-0.27	AB InBev	BUD	100.60	-0.16	EOG Rscs	EOG	122.40	-2.03	Gilligan	GIL	27.75	-0.41	LATAMairlines	LTM	9.72	-0.17	NoelleEnergy	NBL	33.99	-1.29	RoyalGlobe	RGLD	92.53	-0.31
Aflac	AFL	48.29	-0.14	AnterisResources	ARL	20.94	-0.11	EPAM Systems	EPAM	124.29	-0.04	HLDs	GILD	71.28	0.44	L Brands	LB	35.95	-0.93	Nokia	NOK	5.65	-0.10	Ryanair	RYAN	113.65	-0.58
AGNC Inv.	AGNC	18.82	-0.24	Anthon	ANTM	23.27	0.24	EQT	EQT	54.45	-0.73	GlobePayments	GPM	112.41	0.92	LINE	LN	41.43	0.36	NonuraHoldings	NMR	4.79	...	SAP	SAP	115.32	-0.34
ANGI Homesvc	ANGI	15.66	0.28	Aon	AON	137.25	0.22	E TRADE	ETrade	61.62	0.46	GoDaddy	GDDY	72.16	1.86	LQK	LQK	31.75	-0.15	Nordson	NDSN	128.42	0.01	S&P Global	SPGI	204.32	0.43
Ansys	ANSYS	176.00	1.82	Appartmtn	AVP	42.02	-0.08	EastWestBnp	EWB	65.68	0.48	Goldcorp	GG	13.55	-0.16	LPL Financial	LPLA	65.99	0.45	SBA Comm	SBC	164.69	-0.43	SBIC	SBIC	164.09	-0.43
ASML	ASML	195.25	-2.72	AppMaterails	AMAT	45.68	-0.51	EastmanChem	EMN	99.45	-0.51	GoldmanSachs	GS	223.26	2.69	NorfolkSouthern	NSC	152.21	1.34	SEI Investments	SEIC	63.15	0.63	21stCenturyFox	FOXA	49.20	-0.49
ATT&T	T	32.21	0.01	ApplianceCo	APTIV	97.18	-0.27	Eaton	ETN	74.93	0.19	Graco	GGG	45.13	-0.09	NorthenTrust	NTRS	104.02	1.13	SINA Corp	SINA	83.99	-0.70	21stCenturyFox	FOXA	48.67	-0.60
AbbottLab	ABT	61.00	0.01	ApplianceCo	APTIV	97.18	-0.27	Elevance	EVN	52.29	0.10	LabCorp	LH	180.78	1.25	NorthropGrum	NOC	308.87	1.17	Sinao	SINA	83.99	-0.70	Twitter	TWTR	154.48	-0.31
AbbVie	ABBV	93.11	0.46	AppMaterails	AMAT	45.68	-0.51	EBay	EBAY	36.67	0.41	Lehman	LRX	173.05	0.20	NorwegianCruise	NCLH	47.06	-0.19	Skycom	SKM	59.21	-0.77	TylerTech	TYL	226.28	4.18
Abiomed	ABMD	412.51	3.46	AppMaterails	AMAT	45.68	-0.51	Ecobal	ECL	140.24	-0.09	LinkedIn	LAMR	68.22	-0.09	Novartis	NVS	74.71	-0.83	TysonFood	TSN	66.42	-0.23	Turkcell	TRV	122.39	1.05
Accenture	ACN	163.23	-0.26	AppMaterails	AMAT	45.68	-0.51	Ecopetrol	ECPE	20.08	-0.07	GrubHub	GRUB	106.60	1.60	NovoNordisk	NVO	46.75	-0.64	TripAdvisor	TRIP	56.11	-0.40	U.S. Foods	USFD	37.97	0.15
ActionVision	AVT	77.28	0.96	AppMaterails	AMAT	45.68	-0.51	Chubb	CB	126.81	-0.21	GuapAvacal	AVAC	8.16	-0.13	Nutrius	NTX	62.85	0.75	US Foods	USFD	37.97	0.15	21stCenturyFox	FOXA	49.20	-0.49
AdobeSystems	ADBE	243.26	-0.55	AppMaterails	AMAT	45.68	-0.51	Church&Dwight	CHD	52.94	-0.22	GuideWire	GWRE	89.20	0.42	Nutrius	NTX	53.77	-0.61	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
AdvanceAuto	ADP	134.70	-1.00	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA	163.09	0.13	HedgeFunds	HLD	21.40	-0.16	OncoreHoldings	OCN	59.21	-0.77	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
AdvMrcs	ADM	45.16	-0.17	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA	97.66	-4.08	GlobalPayments	GPN	112.41	0.92	NorthWestern	NWN	50.71	-1.07	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
AdvMrcs	ADM	45.16	-0.17	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA	97.66	-4.08	Oldemark	OLD	10.43	-0.01	Novartis	NVS	74.71	-0.83	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
AdvMrcs	ADM	45.16	-0.17	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA	97.66	-4.08	OpenMarkets	OMK	11.35	-0.01	Novartis	NVS	74.71	-0.83	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
AdvMrcs	ADM	45.16	-0.17	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA	97.66	-4.08	OpusBank	OPB	10.43	-0.01	Novartis	NVS	74.71	-0.83	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
AdvMrcs	ADM	45.16	-0.17	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA	97.66	-4.08	OrbitalFinance	OFN	10.43	-0.01	Novartis	NVS	74.71	-0.83	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
AdvMrcs	ADM	45.16	-0.17	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA	97.66	-4.08	OrbitalFinance	OFN	10.43	-0.01	Novartis	NVS	74.71	-0.83	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
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AdvMrcs	ADM	45.16	-0.17	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA	97.66	-4.08	OrbitalFinance	OFN	10.43	-0.01	Novartis	NVS	74.71	-0.83	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
AdvMrcs	ADM	45.16	-0.17	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA	97.66	-4.08	OrbitalFinance	OFN	10.43	-0.01	Novartis	NVS	74.71	-0.83	UbiquitiNetworks	UBNT	86.10	1.38	21stCenturyFox	FOXA	48.67	-0.60
AdvMrcs	ADM	45.16	-0.17	AppMaterails	AMAT	45.68	-0.51	Cigna	CIGNA																		

MONEY & INVESTING

SoFi Eyes \$500 Million Deal Chest

By PETER RUDEGEAIR
AND MAUREEN FARRELL

Social Finance Inc. has been meeting with banks in recent weeks to discuss raising a roughly \$500 million unsecured line of credit that could go toward potential buyouts of other financial-technology firms, people familiar with the matter said.

SoFi is now led by Anthony Noto, a former Goldman Sachs Group Inc. deal maker who took the reins at the startup in March. The chief executive is looking to ramp up acquisitions to make the online lender more of a full-service financial institution. In June, SoFi hired Bill Tanona, a veteran executive who most recently served as finance chief of venture-capital firm GSV Capital Corp., to lead its internal deal-making team.

"We won't have a mentality that everything has to be built internally," Mr. Noto said at an industry conference on June 20. "We don't have any near-term plans, but we're building a strategy and a process to evaluate the different opportunities as they come our way."

Since its 2011 founding, SoFi had been one of the most ambitious startups looking to shake up consumer finance,

raising billions of dollars in capital to branch out beyond its original business of refinancing student loans. As recently as last summer, SoFi was applying to open its own bank in Utah and teasing that an initial public offering wasn't far off.

Those plans stalled after former CEO Mike Cagney and much of senior leadership left the company last year. Mr. Cagney's resignation came weeks after ex-employees accused some managers in lawsuits of engaging in or tolerating what they described as improper behavior toward women. He said at the time that the litigation and media coverage of it made his presence a "distraction from the company's core mission."

Now Mr. Noto, who departed as operating chief of Twitter Inc. to join SoFi, is looking to expand SoFi's presence in areas such as banking services and wealth management, potentially with acquisitions and partnerships with outside firms, some of the people said. The San Francisco startup began offering customers a SoFi checking account and debit card in June. It also plans to give customers access to buying and selling individual stocks and other as-



Chief Executive Anthony Noto left Twitter to join Social Finance.

lines of credit from banks in the run-up to their IPOs. Mr. Noto said at the June conference that an IPO is "definitely not a priority for SoFi." People familiar with the company's plans said any IPO would come in late 2019 at the earliest.

Pre-IPO companies can typically command stellar terms from banks eager to lend to them with the assumption that doing so will earn them a place in the IPO underwriting team. Still, many banks have balked at the terms SoFi has sought, according to people familiar with the matter. Some couldn't get their risk committees to sign on to the deal because it wasn't secured by any assets.

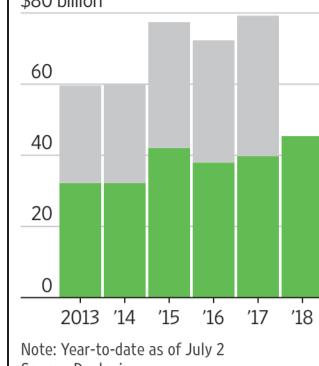
Mr. Noto has also been spending his first few months on the job rebuilding the executive ranks. He hired former Goldman Sachs partner Michelle Gill to be chief financial officer and Expedia Inc. technology chief Tony Donohoe to serve in that role at SoFi.

SoFi also recently hired former Amazon.com Inc. executive Assaf Ronen to help run its products team, according to people familiar with the matter. Mr. Ronen had previously been in talks to join Uber Technologies Inc. in a senior role before the ride-hailing company rescinded the offer.

Full Speed Ahead

Issuance of automotive asset-backed securities is on track to exceed last year's total.

Year-to-date Rest of year



Note: Year-to-date as of July 2

Source: Dealogic

THE WALL STREET JOURNAL.

Electric-Car Debt Leads to Warning

BY ORLA McCAFFREY

Amid the hoopla about a new technology, the rising number of electric-vehicle leases is cause for concern to bond investors, according to some analysts.

That is because the uncertain resale value of the cars could increase risk for investors who buy bonds composed of pooled auto leases, according to an analyst at S&P Global Ratings.

Electric vehicles comprise less than 2% of all auto sales, but their leases are increasingly being securitized, or bundled together and sold as bonds to investors, according to a recent comment by Jennifer Lam, lead analyst on auto lease asset-backed securities at S&P. The leases from these

\$45.6B

Bond issuance this year in the auto-backed ABS market

vehicles, along with resale revenue, fund interest payments to investors over the course of the bond. When pools are composed largely of leases on electric vehicles, their risk profile may be enhanced, Ms. Lam wrote.

"Pools of auto leases that finance a significant number of electric cars shed light on operational risks and manufacturer linkages not often observed in the auto lease ABS market," Ms. Lam said in the comment.

Some of the risk derives from the relatively brief resale history for electric vehicles compared with more traditional cars. Analysts don't see an increased risk of default with the cars, since most are leased to customers with relatively high credit scores. But the short history of electric vehicles creates uncertainty around their residual value—an estimate of their worth when their leases are up. That value, along with interest rates and taxes, determines monthly lease payments.

The asset-backed securities market has been an increasingly popular destination for companies that want to raise capital quickly and use high demand to secure low interest rates. Tesla Inc. in February closed a deal for \$546 million in bonds backed by lease payments on its Model X and Model S cars.

The largest tranche of that deal carried a 0.3-percentage-point spread above the benchmark swap rate.

But Tesla hasn't offered leases on its Model 3 vehicles yet and doesn't plan to for another six to nine months, CEO Elon Musk wrote on Twitter last month. Mr. Musk attributed the delay to a negative effect on Tesla's cash flow.

Issuance in the auto sector of the asset-backed securities market—which includes leases, prime loans and subprime loans—is roughly \$45.6 billion so far in 2018, up from \$39.8 billion at this time last year, according to Dealogic. Analysts expect demand for lease securitizations to remain stable as companies compete to attract consumers.

Judge Hits PwC With Big Payout

By MICHAEL RAPORT

PricewaterhouseCoopers LLP must pay \$625.3 million in damages for failing to catch a fraud scheme that helped cause one of the biggest bank failures of the financial crisis, a federal judge ruled Monday.

The judgment against PwC over the 2009 failure of Alabama's Colonial Bank is one of the largest judgments or settlements ever for malpractice by an accounting firm, and accentuates long-standing concerns over the quality of audits performed by the Big Four accounting firms.

The decision follows a December ruling in which U.S. District Judge Barbara Jacobs Rothstein found PwC, the outside auditor for Colonial's bank holding company, negligent in not detecting a massive fraud at a major customer of the firm. That scheme helped trigger the bank's collapse.

In her ruling, Judge Rothstein agreed with the Federal Deposit Insurance Corp., which had sued PwC as the receiver for the failed bank, that \$625.3 million was the proper level of damages to assess against PwC. That amount was "amply supported by reliable evidence," she said. PwC had asked the judge to impose damages of less than half that amount.

"We are pleased that the court recognized there are consequences when an auditor breaches its duty to the investing public," said Stephen Sorensen, a lawyer for the FDIC.

Philip Beck, a lawyer for PwC, said the firm is "disappointed" in the ruling and plans "to pursue an appeal of this matter at the earliest opportunity."

The case stemmed from a fraud scheme at Taylor Bean & Whitaker Mortgage Corp., once of one of the nation's biggest mortgage companies. Authorities have said Taylor Bean overdrawn its account at Colonial for years to cover its own cash shortfalls. Taylor Bean covered that up by, among other things, selling Colonial thousands of mortgages it had already sold to other investors—even as PwC's audits of Colonial found no problems.

When the fraud was discovered, Taylor Bean filed for bankruptcy in August 2009. This was followed shortly by Colonial's failure, which cost the FDIC's deposit insurance fund billions of dollars. Taylor Bean Chairman Lee Farkas and at least seven other people, including two Colonial employees, were convicted or pleaded guilty to participating in the scheme.

Vanguard Nixes Fees on Rival ETFs

By LISA BEILFUSS

Vanguard Group plans to eliminate online commissions on its rivals' exchange-traded funds, a move by the asset management giant to lure new assets and steer more customers to financial advice.

Vanguard became the world's second-largest money manager by offering some of the lowest-cost products in the industry. Rivals have increasingly tried to match or beat Vanguard on fees, pushing the cost of investing toward zero for some basic portfolios of stocks and bonds as firms duel for customers.

For years customers paid nothing to trade Vanguard's own funds. In August, the manager will extend that same arrangement to customers that want to buy or sell online nearly 1,800 other ETFs offered by such competitors as BlackRock Inc., Charles Schwab Corp. and State Street Global Advisors. It will still charge commissions for phone trades of these rival ETFs.

The plan is the first significant pricing change at Vanguard under new Chief Executive Mortimer J. "Tim" Buckley, who took the helm earlier this year. The larger strategy is to

attract new brokerage clients to Vanguard and offer them other services like financial advice where Vanguard can collect additional revenue.

"If we attract new investors, we have an opportunity to offer them advice over time," said Karin Risi, head of Vanguard's retail investor group.

Currently, the amount Vanguard customers pay to trade other ETFs depends on a client's account size and, in some cases, trading frequency. For example, investors with \$50,000 or less pay \$7 per online trade on the first 25 trades, and \$20 thereafter. Those with \$500,000 to \$1 million pay \$2 per online trade.

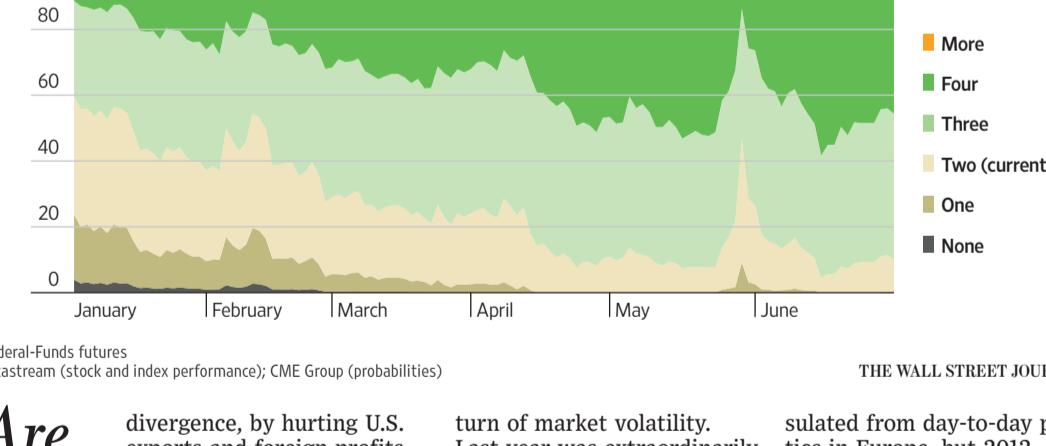
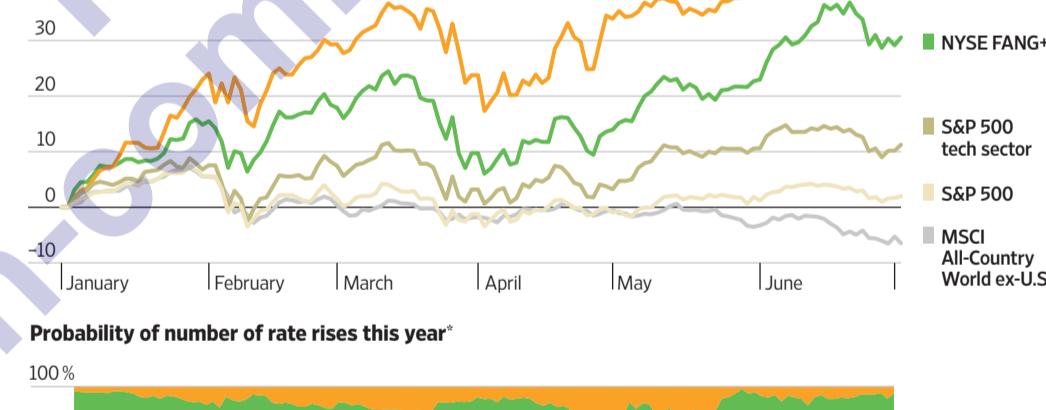
Vanguard won't be the only firm allowing investors to trade rival funds without paying a commission. Fidelity Investments' brokerage unit allows clients to do the same thing with 95 ETFs run either by Fidelity or BlackRock's iShares commission free, according to its website.

Vanguard launched its financial advice business, Personal Advisor Services, in 2015. It caters to customers with at least \$50,000 and charges 0.3% of assets under management for that advice. That is less than the 1% typically charged by traditional wealth advisers.

U.S. Stocks Ride Out Rising Rates, With Help From Big Tech

Big technology companies helped the U.S. market beat the rest of the world this year.

Investors are pricing a much greater chance of four rate rises this year than they were in January.



*Probabilities derived from Federal-Funds futures

Sources: Thomson Reuters Datastream (stock and index performance); CME Group (probabilities)

Stocks Are Up Despite Troubles

Continued from page B1

is just 27%, half the level of a year ago. If it breaks down further, higher bond yields could be bad for stocks, as happened briefly in February.

The second is the global economy. At the start of the year, hopes for global growth were high, and investors became overconfident. Hope ran far ahead of reality, and European, Japanese, Chinese and other emerging-market data came in well below expectations while economists upgraded their forecasts for U.S. growth. The rise in the dollar should help narrow the economic

divergence, by hurting U.S. exports and foreign profits of U.S. multinationals, and there has been some disappointment in the U.S. data already, if minor so far.

The third risk is from Mr. Trump's trade war. At the start of the year the political focus was on the beneficial effects for investors of Mr. Trump's corporate-tax cuts, but his trade policies are detested by markets. New tariffs contributed to China's bear market, and U.S. companies are just beginning to warn of profit hits from retaliatory tariffs and supply-chain problems.

"As investors, we have

been long global trade for three decades," said Pascal Blanqué, chief investment officer at France's Amundi Asset Management. "We are moving into an era of dominance of politics over economics."

The fourth risk is the re-

turn of market volatility. Last year was extraordinarily calm for equities, bonds and currencies, with the Cboe Volatility Index, or VIX, reaching new lows. But volatility has risen, and the Cboe's VVIX index, a measure of swings in the VIX itself, had its highest average over six months in more than a decade. If the VVIX moves indicate a broader rise in volatility ahead, that will hurt stocks.

Finally, there is European politics. Italy's general election always threatened to deliver a win for populists, but the eventual coalition between populists on the left and right spooked markets. European stress over immigration is spreading, with the leader of Germany's junior coalition partner offering to resign this weekend and political opportunists taking advantage. Investors in the U.S. are reasonably in-

sulated from day-to-day politics in Europe, but 2012 demonstrated that if troubles become serious in Europe, Wall Street will suffer too.

Why are U.S. markets taking it so well? Part of the answer is that investors aren't pricing in much of a drag from the rest of the world, wrongly in my view. But another part is the enthusiasm for big technology stocks, almost all of which are listed in the U.S.

The big gains in Amazon, Apple, Microsoft, Netflix, Facebook, Nvidia and Alphabet in the first half accounted for the entire gain in the S&P 500, according to S&P senior index analyst Howard Silverblatt. Their momentum may keep them going for a while yet.

But if Big Tech stumbles, the U.S. stock market may not prove so exceptional after all.

MARKETS

New Mexican President Spurs Uncertainty

Investors view López Obrador warily as they wonder about impact of his economic policy

BY ROBBIE WHELAN
AND ANTHONY HARRUP

MEXICO CITY—Financial markets reacted cautiously Monday to Andrés Manuel López Obrador's decisive electoral victory as investors ponder what the country's swing to the left will mean for economic policy.

The leftist former mayor of Mexico City won more than 53% of the votes Sunday, and the coalition led by his Morena party secured majorities in both houses of congress as well as several key governorships, according to the national electoral agency.

After strengthening overnight to as few as 19.64 pesos to the dollar in what currency traders described as a "euphoria rally," the Mexican currency gave back some gains and was trading around 19.95 per dollar Monday afternoon. The local stock market's benchmark IPC index was down 2%.

"We still really don't know what this guy is going to do," said Win Thin, head of emerging-markets currency strategy at Brown Brothers Harriman, a trading house in New York. "He said all the right things in his victory speech, but we don't know who his advisers will be, what his exact policy stances will be, and this all comes in a context where no one seems to



The peso gave back some gains after strengthening overnight in what currency traders described as a 'euphoria rally.'

be blinking on global trade conflicts. We can expect the peso to remain under pressure for the time being."

In a speech before tens of thousands of supporters in Mexico City's central square, Mr. López Obrador reiterated promises of fiscal discipline, respect for central-bank autonomy and good relations with the private sector.

"The conciliatory tone is what the market's concentrating on right now," said Chris Gaffney, president of world markets at TIAA Bank. "At

least it sounds like he's trying to soften the market impact at this time."

Investors said commitments to economic orthodoxy and a promise not to confiscate private assets, despite a planned review of contracts in the newly opened oil industry, gave the market confidence.

"We now have an administration with a super-presidency that has very few constraints on power, so we'll have to see how he exercises that power," said Alberto Ramos, chief Latin America economist

for Goldman Sachs. "His remarks added some comfort to the market, although investors might still be somewhat concerned about excessive concentration of power."

The first major test of Mr. López Obrador's fiscal discipline will come when his transition team prepares a 2019 federal budget in cooperation with the lame-duck administration. He has promised extensive social programs, setting up scholarship funds for hundreds of thousands of students and workforce-training pro-

grams for millions of young Mexicans. He vows to fund the programs through government austerity and savings from a crackdown on public corruption, which he says costs the government \$25 billion a year.

"It's going to be a hard circle to square," said Graham Stock, a partner at BlueBay Asset Management in London, a firm that has about \$1 billion invested in Mexican sovereign and corporate bonds. "We're used to candidates making promises during campaigns and finding they're not feasible

in office, but these things must be done using the financial resources available."

Mexican bonds are typically thought of as one of the most stable emerging-market debt investments because of the country's close economic ties with the U.S. If Mr. López Obrador doesn't keep to promises of fiscal austerity, or if trade relations significantly worsen, the risk premium on Mexican debt instruments could widen, Mr. Stock said.

"Right now, Mexico has very cheap access to capital in U.S. dollars. That market access could be jeopardized if it looks like the fiscal condition of the country is going to deteriorate," he added.

Private investors worry about Mr. López Obrador's plan to halt new auctions for oil-and-gas exploration rights while the government reviews contracts handed out since the 2013 energy overhaul, although analysts say his government will need the revenue from those contracts.

"To deliver on his campaign promises, López Obrador will need an energy sector that generates revenue during his six-year term," wrote Ixchel Castro, manager of Latin America oils and refining markets research for the consultancy Wood Mackenzie. "This administration stands to reap the rewards of the reforms—increased production, private investment and job creation—but this will require strong backing from both the incoming administration and government coalition support."

Soybean Prices Tumble to Lowest In Nearly 10 Years

BY BENJAMIN PARKIN

Soybean prices fell to the lowest point in almost a decade Monday as looming Chinese tariffs threatened to kill off demand from the U.S.'s largest customer.

Futures for July fell 1.2% to \$8.48/b bushel at the Chicago Board of Trade, the lowest close since March 2009. The market tumbled 15% in

"That is the market," said Jeff Kaprelian, a broker at advisory firm The Hueber Report. "There is nothing more important than Chinese demand."

The tariffs could come at a particularly inopportune time for U.S. farmers.

The agriculture industry has endured a long-running slump sparked by global crop gluts and low commodity prices.

But the soybean market proved more resilient, bolstered in large part by a roaring Chinese appetite for oilseeds to crush into pig feed and juice for cooking oil.

That demand prompted U.S. farmers to grow more of the crop, this year planting more soybeans than corn for the first time in 35 years.

Now those farmers, who had mostly decided what to sow before trade tensions between China and the U.S. flared up, aren't sure what they will do with all of it come harvest time.

Bumper soybean production in Brazil has increasingly allowed China to bypass the U.S. altogether, although some of that lost business could be replaced by other countries.

"They're definitely in the red," said Joel Karlin, an economist at Western Milling. "The reason that U.S. farmers planted more soybeans than corn is that because the return from soybeans was more profitable... The farm community was not anticipating this."

—Jesse Newman contributed to this article.

Beijing said it plans to introduce tariffs on U.S. soybean imports starting on Friday.

June as soybeans, which became a crucial cash crop for beleaguered American farmers in recent years, got caught up in a trade dispute between China and the U.S.

Beijing said it plans to introduce tariffs on U.S. soybean imports starting on Friday, part of a package of measures retaliating against the Trump administration's own threatened duties against hundreds of billions of dollars worth of Chinese goods.

Soybean buyers in China—which gobble up around one-third of all the U.S.-grown crop—have sharply slowed their purchases in anticipation of the duties.

That demand prompted U.S. farmers to grow more of the crop, this year planting more soybeans than corn for the first time in 35 years.

Now those farmers, who had mostly decided what to sow before trade tensions between China and the U.S. flared up, aren't sure what they will do with all of it come harvest time.

Bumper soybean production in Brazil has increasingly allowed China to bypass the U.S. altogether, although some of that lost business could be replaced by other countries.

"They're definitely in the red," said Joel Karlin, an economist at Western Milling. "The reason that U.S. farmers planted more soybeans than corn is that because the return from soybeans was more profitable... The farm community was not anticipating this."

—Jesse Newman contributed to this article.

Oil Prices Edge Lower On Supply Anxieties

BY NEANDA SALVATERRA
AND AMRITH RAMKUMAR

U.S. oil prices edged lower from a multiyear high Monday, with some traders worried that major oil producers could increase production more than previously expected.

Light, sweet crude for August delivery inched down 21 cents, or 0.3%, to \$73.94 a barrel on the New York Mercantile Exchange, snapping a four-session winning streak following its best week since 2016. Brent crude, the global benchmark, was down \$1.93, or 2.4%, at \$77.30 a barrel.

President Donald Trump jolted the oil market on Saturday

day when he asked Saudi Arabia to significantly boost its production by about two million barrels a day to offset falling production from Venezuela and an expected decline in supply from Iran after U.S. sanctions on Tehran fall into place.

Investor anxiety about geopolitical events in places like Canada and Venezuela has spurred the recent oil rally. The request from Mr. Trump comes after Washington said it would sanction countries that don't cut oil imports from Iran to "zero" by Nov. 4.

Among refined products, gasoline futures dropped 4.6 cents, or 2.2%, to \$2.1048 a gallon.

U.S. government bond prices fell Monday after strong manufacturing data signaled the economy still has momentum for further growth.

Bonds Drop on Strong Economic Data

BY DANIEL KRUGER

U.S. government bond prices fell Monday after strong manufacturing data signaled the economy still has momentum for further growth.

The yield on the benchmark 10-year Treasury note rose for the fourth time in the past five trading sessions, climbing to 2.867%, according to Tradeweb, from 2.847% Friday.

Yields rose after the Institute for Supply Management on Monday said its manufacturing index rose to 60.2 in June from 58.7 in May. It was the second consecutive increase. Numbers above 50 indicate activity is expanding

across the manufacturing sector. Economists surveyed by The Wall Street Journal had expected a 58.1 reading for June.

"There's still quite a bit of good fundamental momentum in the economy," leading some investors to sell Treasurys, said Thomas Simons, a money-market economist at Jefferies Group LLC.

Broader economic growth appeared to pick up in the just-completed second quarter after a modest slowdown in the early months of 2018. The unemployment rate declined below 4% this spring, and forecasters expect solid growth this year, supported by recent tax cuts and strong consumer sentiment.

Fed funds futures, which in-

vestors use to bet on the direction of interest-rate policy, late Monday showed a 47% probability that Federal Reserve officials will raise rates at least two more times this year, up from 44% Friday, according to CME Group data.

While policy makers increased their forecast for the total of 2018 rate increases to four at their June meeting from three in March, futures have been slow to incorporate the new projection into market probabilities. The chance of a fourth rate increase was 35% a month ago, before the Fed's June rate increase.

The probabilities are likely to increase more the closer the Fed gets to raising rates at its September meeting, Mr. Simons said.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$125,880,604,000	\$118,836,780,900
Accepted bids	\$48,000,224,000	\$42,000,042,900
"noncomp"	\$851,321,700	\$774,250,900
*new noncomp	\$0	\$473,000,000
Auction price (rate)	99,509,611	98,945,917

(1.940%) (2.085%)

	13-Week	26-Week
Coupon equivalent	1.97%	2.13%
Bids at clearing yield/accepted	53.58%	4.12%
Cusip number	912796Q88	912796PK9

Both issues are dated July 5, 2018. The 13-week bills mature on Oct. 4, 2018; the 26-week bills mature on Jan. 3, 2019.

FOUR-WEEK BILLS

	4-Week
Applications	\$85,608,729,300
Accepted bids	\$35,000,369,300
"noncomp"	\$759,558,700
*new noncomp	\$0
Auction price (rate)	99,855,333

(1.860%) (2.085%)

	4-Week
Coupon equivalent	1.88%
Bids at clearing yield/accepted	88.72%
Cusip number	912796PS2

The bills, dated July 5, 2018, mature on Aug. 2, 2018.

MARKETS

Investors Are Wary on Tech, Small Caps

Options that offset risk in sectors that outperformed in 2017 become more popular

By GUNJAN BANERJI

After becoming accustomed to extraordinary calm in markets last year, investors are showing greater caution in two of the best-performing groups of 2018: technology and small-cap companies.

The U.S. equity market eked out gains in the second quarter, but bouts of volatility have become a common fixture this year.

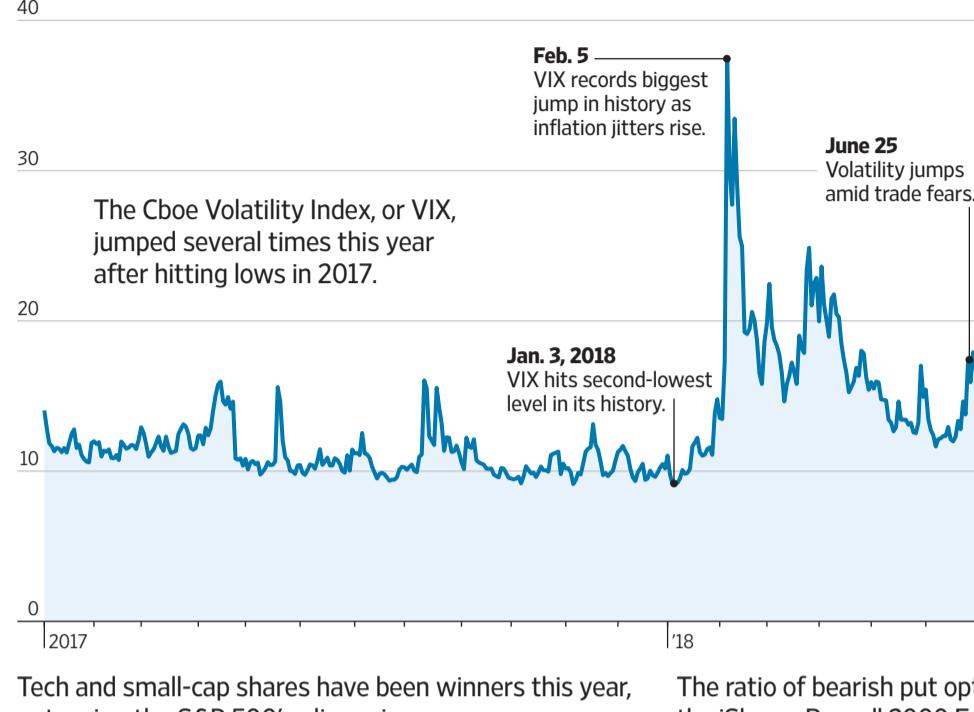
As share prices lose some of their upward momentum, investors are turning to options to help shield them in a market downturn.

Investors often offset risks in their stock positions with options—contracts that give them the right to buy or sell shares at a later date. Traders say that while hedging using options is still relatively low as a nine-year bull market chugs along, activity has picked up.

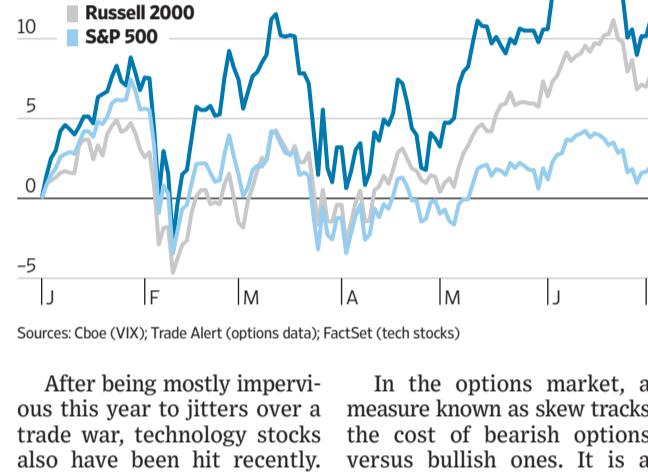
That is a shift from 2017, when record stock prices led investors to largely see buying these contracts as a waste of money.

What has changed is an escalation of geopolitical stresses. Last year, tensions with North Korea rattled some investors, but the threat of a trade war between the U.S. and China—the world's two biggest economies—has caught their attention in 2018. Signs of slowing growth in countries outside the U.S. have added to anxieties.

The outsize gains in the technology sector and shares of smaller companies this year have made them more at risk during market pullbacks, some market participants say, incentivizing investors to seek insurance for them.



Tech and small-cap shares have been winners this year, outpacing the S&P 500's slim gains.



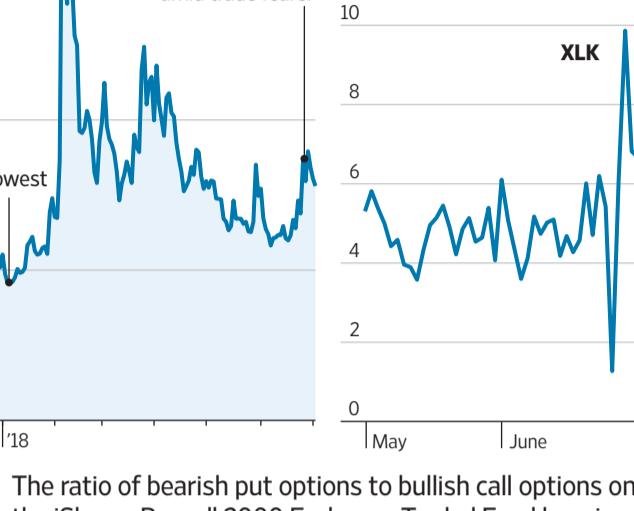
Sources: Cboe (VIX); Trade Alert (options data); FactSet (tech stocks)

After being mostly impervious this year to jitters over a trade war, technology stocks also have been hit recently. This past Wednesday, as equity prices tumbled, the S&P 500's technology sector bore the brunt of the selloff, falling 1.5%. Some investors are gearing up for more tumult, even after the tech-heavy Nasdaq Composite Index just logged its eighth consecutive quarter of gains.

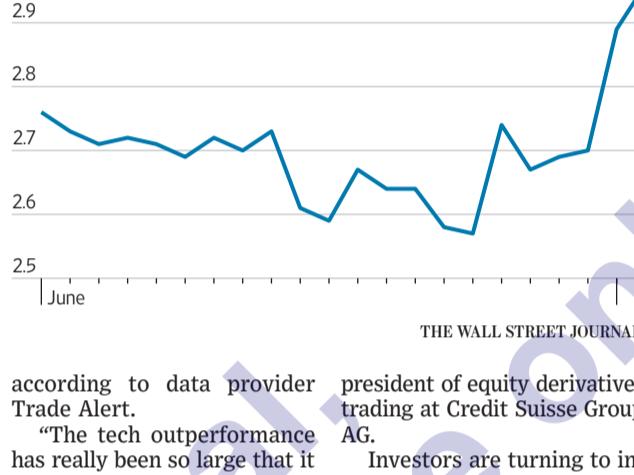
In the options market, a measure known as skew tracks the cost of bearish options versus bullish ones. It is a widely followed gauge because during times of nervousness, investors tend to pay up for the bearish options that allow them to sell shares later.

Skew for a big technology exchange-traded fund, the Technology Select Sector SPDR fund, recently hit the highest level in two months,

An options measure dubbed skew, measuring how expensive it is to hedge stock declines, recently surged for the Technology Select Sector SPDR Fund.



The ratio of bearish put options to bullish call options on the iShares Russell 2000 Exchange-Traded Fund has risen.



THE WALL STREET JOURNAL.

president of equity derivatives trading at Credit Suisse Group AG.

Investors are turning to insurance even in groups that are considered less exposed to the ramifications of a global trade war. Because they tend to get less revenue from abroad, small companies have been darlings of the stock market this year. The Russell 2000 index climbed 7.4% in the second quarter while the S&P

500 added 2.9%.

Meanwhile, a measure that tracks expected volatility one month from now for a popular small-cap ETF, the iShares Russell 2000 fund, has crept higher, Trade Alert data show. It is currently close to the highest it has been in the past year, meaning investors see the possibility of greater swings ahead.

Expected volatility in one of the biggest ETFs tracking China—the iShares China Large-Cap fund—has risen, too, according to New York-based brokerage Macro Risk Advisors.

Some traders are wagering that turbulence in the market will rise across the board. There has been a tick higher in call-option buying on the Cboe Volatility Index, or VIX, according to Credit Suisse in a June 25 note. A bullish bet on the volatility gauge is akin to a bearish bet on stocks. The VIX is based on options prices on the S&P 500 and tends to rise when stocks fall.

Call options give the right but not the obligation to buy shares, while puts confer the right to sell.

The majority of the biggest options positions in the Cboe index are calls, Trade Alert data show. Some of these positions will pay out only if the VIX rockets past 25, 55% above 16.09, the level at which it closed Friday.

The VIX's average over the past three months has been about 15, slightly below where it was in the prior quarter. While these figures are below its long-term average of roughly 18, it is a jump from the historic calm of last year, when the VIX closed below 10 a record number of times.

"Volatility markets are clearly reacting to the escalating trade war rhetoric," Amy Wu Silverman, equity derivatives strategist at RBC Capital Markets, wrote in a recent note.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Tesla's Triumph Goes Only So Far

Sell the News

Tesla share price



week. That means Tesla built on the gains made in the last week of the first quarter, when it produced 2,020 Model 3s. But the company said that nearly 40% of the total Model 3s produced in the most recent quarter have yet to be delivered to customers, a larger percentage than in previous quarters.

Tesla's sustainable pro-

duction rate isn't the only topic investors ought to scrutinize. After all, the point of mass producing Model 3s is to make a profit.

Tesla added a new assembly line and worked around the clock to achieve its production goal, which can't be good for profit margins. Investors won't get a clear look at how the production

scramble affected finances until Tesla reports financial results later this summer. Perhaps most important, higher production figures will test how deep the pool of demand for Tesla's cars really is.

The company said Monday it has 420,000 Model 3 reservations. At last week's production rate, that implies a backlog of about 18 months.

But Tesla's website says a Model 3 reservation placed today will be filled in approximately six to nine months. A month ago, the website said orders would be filled in up to 12 months.

"Demand is considered a given due to the reported backlog of the Model 3 orders. However, the actual size of this backlog is illusive at best," says Daniel Ruiz, founder of Blinders Off Research.

It will take much more good news to justify Tesla's stratospheric valuation.

—Charley Grant

Dell's VMware Deal Won't Be an Easy One

Dell Technologies Inc. going public again may have been inevitable. That doesn't mean it was ever going to be easy.

In that light, the plan announced Monday qualifies as one of the better options. As a debt-laden tech giant still heavily reliant on selling personal computers, Dell was never going to be an easy sell as an initial public offering. And the prospect of a reverse merger with **VMware** ran the risk of hurting the most valuable part of the new Dell empire. Rumors of such a move earlier this year clobbered the market value of both VMware and the tracking stock Dell created to follow the software maker as a way to help pay for its latest big move—the \$60 billion takeover of EMC in 2016.

VMware is helping Dell pay for its transaction again. This time, Dell is planning to buy up the tracking stock, in part with \$9 billion coming from a special dividend announced by VMware on Monday. It will then list its Class C shares directly on the market, making Dell a public company five years after going private in one of the largest ever private-eq-

uity-backed deals. The company expects to have the whole matter wrapped up before the year is out, pending approval of the holders of that tracking stock.

That may not be a slam dunk, given opposition Dell has faced in the past from activist investors. But by offering a 25% premium over the tracking stock's average price from the past month, Dell has good reason to believe it can win most of them over. It helps that the tracking stock has had a tricky value proposition from the beginning, having averaged a 34% discount to VMware's shares since inception.

As for VMware's holders, the deal should help remove the cloud that has hung over the software maker since January, when rumors of the reverse-merger option were swirling. That has offset the company's otherwise strong performance of late.

Dell will still have to face the challenge of appealing to investors as a consolidated technology giant at a time when its peers are simplifying themselves. That won't be easy. So it helps that Dell isn't making that task any harder.

—Dan Gallagher

Nestlé's Activist Needs to Be Patient

Slimming

Nestlé's price/earnings ratio



the time frame.

For example, the easiest way to improve growth would be to sell dated brands that don't sit comfortably with its focus on "nutrition, health and wellness," and replace them with trendier brands. Mr. Schnei-

der has said he will turn over roughly 10% of the portfolio; Mr. Loeb suggests 15%. So far Mr. Schneider has disposed of only the U.S. candy business.

Mr. Loeb is right to point out that, with asset prices high, Mr. Schneider should move faster. The activist is also right that Nestlé's \$32 billion stake in cosmetics group L'Oréal serves no obvious purpose and is ripe for a sale.

But in other respects, Mr. Loeb's criticisms look unfair. Mr. Schneider has been a very active buyer, having already picked up a range of often niche brands in areas of strategic focus. Nestlé is in talks to acquire a \$2 billion stake in Canada's Cham-

pion Petfoods, The Wall Street Journal reported Monday.

One problem with Mr. Loeb's position is that Nestlé is a vast company that will take a long time to refocus. Many of its troubles, such as intense pressure from struggling food retailers, are beyond its control.

Mr. Loeb's other problem is that he bought Nestlé roughly a year ago, when its shares were at a peak multiple of earnings.

They have fallen 7% over one year as growth has disappointed.

Third Point's investment in Nestlé will test Mr. Loeb's appetite for long-term thinking.

—Stephen Wilmot

OVERHEARD

Hershey has joined the list of iconic American brands to be hit by foreign trade retaliation, following the likes of Harley-Davidson and Jim Beam.

Canada last week unveiled its list of U.S. products that will be hit with new tariffs. It includes yogurt, roast coffee, salad dressing and chocolate.

Among those that will be hit the hardest is the Pennsylvania maker of Hershey's Kisses and Reese's Peanut Butter

Cups. Canada accounts for around 5% of the company's sales. While some other U.S. food companies produce most of their Canadian sales in the country, Hershey exports most of its products across the border.

This is the last thing the company needs as it is already struggling with reduced demand at home. Hershey bars these days are coming with fewer smiles.