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DJIA 21235.67 ▼ 0.17%

NASDAQ 6175.46 ▼ 0.52%

NIKKEI 19908.58 ▼ 0.52%

STOXX 600 386.62 ▼ 0.97%

BRENT 48.29 ▲ 0.29%

GOLD 1266.10 ▼ 0.19%

EURO 1.1203 ▲ 0.05%

What's News

Business & Finance

GE said Jeff Immelt will step aside as CEO Aug. 1. He will be succeeded by John Flannery, who heads GE's health-care business. **A1, A2**

♦ Tech shares fell around the world, extending Friday's declines in the U.S. tech giants that have driven the stock-market rally. **B1**

♦ Uber said its chief business officer has left the firm, a move apparently tied to a report on the ride-hailing firm's workplace culture. **B1**

♦ French and Italian bonds rose in value and the British pound fell, reflecting investors' views of politics affecting the three countries. **B1**

♦ Trump was set to urge limits on the U.S. consumer-finance regulator and a re-assessment of banking rules in a Treasury report. **B7**

♦ Cybersecurity experts said they found the malware that knocked out electricity in Ukraine and warned U.S. companies of the risk. **B4**

♦ Facebook is building a feature to let users subscribe to publishers directly from the mobile app. **B4**

♦ GM's Opel unit named a new CEO as Peugeot gets set to complete its purchase of the European car maker. **B3**

♦ Car sales in China fell for a second-straight month as higher taxes hurt demand. **B3**

♦ Goldman agreed to buy electricity from a wind farm to power its data centers. **B7**

♦ Lotte will sell shares in its Malaysian petrochemical unit at \$1.83 to \$1.88. **B7**

World-Wide

♦ May told Conservative lawmakers she would take the party out of the "mess" she created after failing to secure a majority in last week's British election. **A1**

♦ Pressure is mounting on the prime minister to seek closer ties to the EU after Britain leaves the bloc. **A4**

♦ Russian police detained hundreds of anticorruption protesters, including opposition leader Navalny, who hopes to challenge Putin for the presidency next year. **A3**

♦ The White House asked Beijing to take action against Chinese companies and individuals to curb their trading with North Korea. **A5**

♦ The National Front saw support crumble in the first round of France's parliamentary election, as Macron's party posted big gains. **A4**

♦ A second appeals court blocked Trump's executive order that banned U.S. travel for people from six Muslim-majority countries. **A6**

♦ The U.S. attorney general will testify at a public hearing Tuesday before a Senate panel probing Russian meddling in the election. **A6**

♦ The U.S. Secret Service said it has no audio copies or transcripts of any tapes recorded within Trump's White House. **A6**

♦ Trump was sued over payments by U.S. and foreign governments to his hotels and other businesses. **A6**

♦ Several donors are pledging \$790 million in a bid to eradicate polio by 2020. **A3**

CONTENTS Markets B8
Business News B3 Opinion A10-11
Capital Column A2 Technology B4
Crossword A12 U.S. News A6-7
Head on Street B8 Weather A12
Life & Arts A9,12 World News A2-5

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24

GETTY IMAGES

SESSIONS
TO TESTIFY
PUBLICLY

U.S. NEWS, A6

INSIDE



YOUR GYM'S
TECH IS GETTING
SMARTER

LIFE & ARTS, A9

GE's Immelt to Step Down as CEO

John Flannery will assume role in August, focusing on boosting firm's profit

Flannery, and retire as chairman of the board on Dec. 31. Mr. Flannery, 55 years old, is a 30-year veteran of GE who spent much of his career in the company's once-sprawling financial business.

Mr. Flannery, in a meeting for employees Monday that was broadcast on Facebook, said he would be taking a look at the entire portfolio.

"I want to start with a fresh look around the company overall," he said, expecting to come back in the fall with a set of recommendations. "I

By Thomas Gryta,
David Benoit
and Joann S. Lublin

want to go through a deep review with a sense of urgency."

The change comes as GE has been under pressure by activist investor Trian Fund Management to slash costs and boost profits in the company's core industrial business.

Mr. Immelt recently laid out two-year cost saving targets and revamped GE's executive-bonus program. Some Wall Street analysts had recently openly wondered about when Mr. Immelt might retire, but the CEO gave no sign he was ready to step aside.

Despite its public involvement in GE, Trian executives weren't involved in the CEO succession process and weren't briefed on the change, people familiar with the matter said. Trian declined to comment Monday on Mr. Flannery's selection.

Mr. Immelt, 61, sold off GE's media businesses and divested the bulk of the company's lending businesses after the financial crisis.

Please see GE page A2

♦ CEO leaves a vastly different firm than he inherited..... A2
♦ Heard: GE must bring good things back to life..... B8

GE Under Immelt

Stock and index performance



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

Hundreds Detained in Protests Across Russia



CARRIED AWAY: Police detained a protester in St. Petersburg, above. Hundreds of anticorruption demonstrators were held in Russia on Monday, including opposition leader Alexei Navalny. The protest was the first since large anti-Kremlin demonstrations were held in March. **A3**

U.K.'s May Vows to Fix 'Mess' From Vote

BY JENNY GROSS AND JASON DOUGLAS

LONDON—Prime Minister Theresa May addressed Conservative lawmakers for the first time since last week's election and sought to convince them that she would take the party out of the "mess" she created, after a disappointing outcome weakened her grip on power.

Mrs. May's failure to secure a majority in the election puts the country's objectives in negotiations to leave the European Union in flux. With no clear mandate, control over the shape of Brexit is likely to hang more on lawmakers than with Mrs. May, raising the prospect that the U.K. is heading for a less-abrupt break with the EU than seemed likely before the election.

The electoral gamble has damaged Mrs. May's authority within her party. At the Monday meeting, she sounded contrite and took responsibility for the disastrous election results.

"I'm the person who got us into this mess and I'm the one who will get us out of it," Mrs. May told a roomful of lawmakers, one who was there said.

David Davis, the minister overseeing Britain's Brexit negotiations, told the British Broadcasting Corp. that bickering over who would succeed Mrs. May was the "absolute height of self-indulgence" and urged party members to get behind her.

Please see U.K. page A4

Treating PTSD With an Injection

By MICHAEL M. PHILLIPS

FORT BELVOIR, Va.—The U.S. Army has commissioned a study to determine whether an anesthetic injection to the neck alleviates symptoms of post-traumatic stress disorder—a treatment that, if proven effective, could be a big step toward easing an affliction affecting hundreds of thousands of troops who have returned from combat.

In recent years, some military doctors have begun treating PTSD patients, particularly Navy SEALs and Army Green Berets, with the injections. The shots interrupt messages

Ban Blocked

A court declined to reinstate Trump's temporary U.S. travel ban for people from six Muslim-majority countries. **A6**

along nerve fibers that control the fight-or-flight response.

That early clinical experience has produced promising results, with troops experiencing

near-immediate relief of anxiety, hyper-vigilance, social withdrawal and other symptoms, said military doctors who have administered the treatment. They include Col. Jim Lynch, command surgeon at the joint Special Operations Command-Africa, which deploys elite troops to train local forces and conduct missions in Africa.

"Once people have the shot, they get dramatically better.

Please see PTSD page A7

Hell on Earth! Satanic Band Files Suit Citing Dreary Work Conditions

* * *
Band members from Ghost squabble offstage over money, food, stinky costumes

By JOHN JURGENSEN



A Nameless Ghoul

Ghost, a Swedish heavy-metal band, built a cult following over a decade using demonic pageantry and rhyming lyrics like "hypnotizing horns of ram" and "paralyzing pentagram."

Band members perform in eerie masks and keep their identities secret, adding to the group's mystique.

It all worked like a charm—until a recent lawsuit unmasked the satanic musicians as a bunch of earthly beings.

In court papers and other documents, band members discuss such pedestrian matters as salaries, tour buses, laundry arrangements and how concert venues should prepare the bananas in their backstage spread.

"Don't put any fast food under our noses," the band tells venues.

In a realm where celebrities market their personal lives

as much as their music, Ghost's anonymity was an anomaly that fans flocked to.

Please see GHOST page A8



GIORGOS MOUTAFIS/REUTERS

Quake Strikes Greek Island

SHAKEN: An earthquake with a preliminary magnitude of 6.2 hit the eastern Greek island of Lesbos, killing one person, injuring at least 10 and damaging numerous homes. The quake was also felt in Turkey.

Rescue workers in the village of Vrissa, left.

WALL STREET'S FEAR INDEX GAINS POWER

VIX, invented 24 years ago, has spawned a giant trading ecosystem

By ASHYLYN LODER AND GUNJAN BANERJI

Wall Street's "fear gauge" has neared all-time lows this year. That hasn't stopped retail investor Jason Miller from making a nice chunk of change betting it will go even lower.

The Boca Raton, Fla., day trader said he has made \$53,000 since the start of the year by effectively shorting the CBOE Volatility Index,

nicknamed the VIX. That includes a white-

knuckle day on May 17, when the VIX spiked

46% following reports that President Donald

Trump had pressured former Federal Bureau of

Investigation Director James Comey to drop a probe into former national security adviser Michael Flynn.

As the 40-year-old Mr. Miller recalled, he rode out the storm, confident the market would revert to its torpid ways—which it did.

"One person's fear is another person's opportunity," Mr. Miller said.

Volatility—or the lack of it—has become the central obsession of the markets as the S&P 500 trades around its all-time high. Invented

24 years ago as a way to warn investors of an

Please see VIX page A8



SESSIONS TO TESTIFY PUBLICLY

U.S. NEWS, A6



YOUR GYM'S TECH IS GETTING SMARTER

LIFE & ARTS, A9

SESSIONS TO TESTIFY PUBLICLY

U.S. NEWS, A6

WORLD NEWS

What the U.K. Election Means in America



CAPITAL JOURNAL

By Gerald F. Seib

As Britain's Conservatives sift through the rubble of their electoral disaster last week, a question with compelling relevance in Washington now arises:

Young voters upended the status quo in Britain. Could they do it in the U.S.?

Multiple forces were at work, of course, in the stunning outcome of the British election, which cost Prime Minister Theresa May and her Conservative Party their majority in Parliament. An uninspiring campaign, terrorism, second thoughts about the decision

to exit from the European Union, even the downsides of the prime minister's attachment to the American president—all were factors.

But the decisive one may have been a surge of support for the opposition Labour Party among young voters. A postelection analysis by the Financial Times found that young voters backed Labour over the Conservatives by 51 points more than the national average. By contrast, voters over the age of 65 backed the Conservatives by 32 points more than the national average.

That is a stunning generation gap—and a far wider one than seen just a few years ago. "Over the course of seven years, the partisan age gap has rocked from 14 points to 83," the Financial Times wrote.

Those young voters propelled Labour leader Jeremy Corbyn, the trans-Atlantic version of Sen. Bernie Sanders, to his unexpectedly strong challenge to Mrs. May. This all represented a considerable turnaround

from just 12 months ago, when young voters' failure to show up in such numbers was a significant factor in the vote in favor of Brexit, the departure from the EU.

"For many of Corbyn's supporters, this was the anti-Brexit election," writes Richard V. Reeves of the Brookings Institution in his postelection analysis. "Older voters voted overwhelmingly to leave the EU, while many pro-European youngsters stayed home. This time, they turned out. Seats with high numbers of young voters, including many college towns, swung strongly towards Labour."

Indeed, an exit poll by NME, a music-news organization, indicated that turnout among those aged 18 through 24 rose 12 percentage points over the last general election two years ago. Two-thirds of those young voters went for Labour.

Such findings are cause for concern for America's own conservative party, the Republicans, who face signs they could be confronting a similar wave among young

voters. Democrats, in turn, will be heartened—though the story also carries cautionary notes for them.

The election of Republican President Donald Trump—brought about in part because young voters underperformed in key areas for

Support for Labour hints at promise, but also risks, for American Democrats.

Democrat Hillary Clinton has prompted a surge of anti-Trump sentiment among young voters, as well as a rise in activism.

In the most recent Wall Street Journal/NBC News poll, just 26% of those aged 18 through 34 said they approved of the job Mr. Trump is doing, while 64% said they disapproved. That 38-point gap between approval and disapproval stands

in stark contrast to the findings among voters aged 50 to 64, where Trump approval essentially matched disapproval, and with voters aged 65 and above, where approval slightly topped disapproval.

Moreover, there are signs that this Trump disapproval is spilling over to the Republican Party more broadly. The Pew Research Center tracked the party affiliation of voters from December 2015 through March of this year, and found that 23% of voters aged 18 through 29 who originally identified as Republicans or leaned Republican had defected to the Democrats.

Anecdotal evidence shows this move toward the Democrats is accompanied by stronger activism among young voters. State and local meetings of both the Democratic Party and Our Revolution, the organization formed to absorb last year's Sanders supporters, are filled with boisterous young activists of the left.

Significant parts of that youth movement have little to no use for the Democratic

Party establishment, and some actually would prefer breaking out on their own. The divide was on full display over the weekend, when Mr. Sanders told a boisterous rally in Chicago: "The current model and the current strategy of the Democratic Party is an absolute failure."

But therein also lies a warning for Democrats. The surge in activism by young voters is fueled not merely by anti-Trump sentiment but by a drive to push the party to the left. That almost certainly isn't a formula for picking off some swing congressional districts within their grasp, such as the one to be filled in a special election for an open House seat in Georgia on June 20.

In such districts, the key for Democrats is winning over centrists who may lean Republican but are turned off by Mr. Trump. As that suggests, young-voter fervor is a good thing for Democrats overall—but not necessarily everywhere.

Immelt Leaves a Different Firm Than He Inherited

BY THOMAS GRYTA
AND AUSTEN HUFFORD

Jeff Immelt will leave General Electric Co. looking a lot different than it did when he took the helm in 2001: He estimates he sold two-thirds of the company he inherited.

He shed its plastics, media and its appliances business. He shrunk its once massive GE Capital finance operations and refocused the company on making jet engines and other heavy machinery.

"You could never have predicted the environment of the last 16 years," Mr. Immelt said to employees in a town hall meeting Monday morning. He became choked up as he thanked his team and high-

lighted some of the challenges he faced over his time, including the terrorist attacks of 9/11 and the financial crisis.

Mr. Immelt came to GE in 1982, the same year as getting an M.B.A. from Harvard. In his career, he spent time in the Plastics, Appliances, and Healthcare businesses. Like his successor, John Flannery, Mr. Immelt was promoted to CEO after running the Healthcare division.

Mr. Immelt had a tough CEO act to follow in Jack Welch, an empire builder who delivered steady profit growth and sent GE's shares soaring during the 1990s. Four days after Mr. Immelt took charge in 2001, the Sept. 11 attacks flattened GE's aviation business. Later, the fi-

nancial crisis turned its giant banking business into a liability, forcing GE to cut its dividend for the first time since the Great Depression.

Mr. Immelt ultimately sold NBCUniversal because it distracted from GE's core mission and he exited the insurance industry in 2005. He bought industrial businesses such as Enron Corp.'s wind-power division and life-sciences firm Amersham PLC. He made major investments to serve oil and gas drillers but was criticized by some for paying up at the peaks of that market.

His moves resulted in a reshaping of the company's workforce—with the number of GE workers abroad increasing while the number of employees in the U.S. declined.

The end of his career as CEO came under President Donald Trump and a push against globalization. Mr. Immelt has walked a careful line by defending global trade and the Paris Accord on climate change.

Mr. Immelt bought and sold more than \$100 billion worth of business in his time as CEO but said in a letter to investors this year that the "GE portfolio is pretty well set."

Mr. Flannery, in a meeting for employees Monday, made it clear that he would be conducting his own review. "I want to start with a fresh look around the company overall," he said. "I want to go through a deep review with a sense of urgency."

On Monday, investors cheered the news of Mr. Immelt's departure, sending shares up 3.9%. During his tenure, the company's stock price and total shareholder return both lagged behind the performance of the benchmark S&P 500 index.

standard PowerPoint in his 2015 presentation, said people familiar with the matter. "That takes guts because there are 600 people in the room," one of the people said.

Like Mr. Immelt, he is a devoted Allman Brothers fan, going to some of the rock group's final concerts. He is a voracious reader of fiction and nonfiction by authors including Atul Gawande and J.D. Vance.

He started working abroad for GE Capital in 1997 in Latin America and moved to Asia in 2005. He took a risk in 2009 by moving to India where he ran the company's first separate profit-and-loss statement for a country.

After leaving India, he joined GE's corporate headquarters team in 2013 where he ran mergers and acquisitions. On Mr. Flannery's watch as head of GE's mergers and acquisitions team, he led the spinoff of its consumer credit business, Synchrony Financial.

—Joann S. Lublin
and Kate Linebaugh

One of four internal contenders to succeed Jeff Immelt for the top job, Mr. Flannery became the board's final pick based on his broad GE experience and inclusive leadership style, said another person familiar with the matter. Directors took their final vote at a regular board meeting held Friday at GE's headquarters, this person said.

Mr. Flannery was born in Alexandria, Va., and lived there

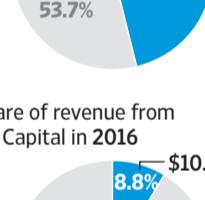


Jeff Immelt in 2016. He will step aside as chief executive on Aug. 1 after 16 years at the helm.

GE

Shifting Stream

Share of revenue from GE Capital in 2001



Share of revenue from GE Capital in 2016



Source: The company

THE WALL STREET JOURNAL

ness, and purchased of the energy business of Alstom SA.

He stepped in to lead the health-care business in 2014 when the unit was struggling and some analysts called for GE to spin it off or sell it. Instead, Mr. Flannery and GE have doubled down. The unit, which makes imaging and diagnostic equipment, has been expanding into life sciences. GE Healthcare's revenue rose to \$18.29 billion in 2016, back to levels it sustained in the beginning of the decade, while increasing operating profit.

Mr. Bornstein said he and Mr. Flannery have worked closely for more than 20 years and have a similar view in terms of return and capital allocation. "He grew up as a corporate finance guy and has a deep understanding of value and value creation," Mr. Bornstein said on the call.

The new CEO will be focused on cash flow management and shareholder value and will work closely with Mr. Bornstein on costs, one of the people familiar with the matter said.

GE said Monday that Kieran Murphy, one of Mr. Flannery's lieutenants, will take over as CEO of the health-care unit. Mr. Murphy, who joined the company in 2008, has been CEO of the company's life-sciences business.

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CORRECTIONS & AMPLIFICATIONS

In the June/July WSJ.

Magazine article about Gibbs Farm, one of the farm's Brahman cattle is pictured next to Bernar Venet's "88.5° ARC x 8" sculpture. The photo caption incorrectly said it

was a yak.

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

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WORLD NEWS

Police Detain Hundreds in Russia Protest

Kremlin critic and rally organizer Alexei Navalny is held near entrance to his home

By JAMES MARSON

MOSCOW—Police on Monday detained hundreds of anticorruption protesters across Russia, including opposition leader Alexei Navalny, who is hoping to harness a surprise surge in rallies against the Kremlin to challenge President Vladimir Putin in elections next year.

The protests in cities across Russia—from Vladivostok in the east to Norilsk in the Arctic—were the first since the largest anti-Kremlin demonstrations in five years in March.

Riot police in Moscow dragged protesters out of a crowd carrying Russian flags and shouting “Russia without Putin!” in chaotic scenes on one of the capital’s main streets, as the unsanctioned protest mixed with official celebrations of Russia Day. More than 100 people were detained in both Moscow and St. Petersburg, according to monitor group OVD-Info.

Mr. Navalny, a 41-year-old anticorruption blogger, has energized Russia’s weak and divided opposition with videos and blog posts that expose what he calls egregious examples of corruption at the top levels of the Russian state.

He has spread his campaign for the presidency to cities across Russia in recent months, even though a conviction for embezzlement,



Riot police detain a man during an anticorruption protest organized by opposition leader Alexei Navalny in central Moscow.

which uses the internet to appeal to young voters, said electricity at their office was cut and their streaming video stopped, before they moved to a backup that worked.

Authorities had warned that people carrying placards or who appeared to be protesting would be arrested. But thousands, many of them in their late teens and twenties, still came to Tverskaya Street in Moscow, where they swarmed around metal detectors that police had set up for Russia Day celebrations.

People re-enacting events from Russia’s history, including men in metal helmets and chain mail wielding wooden shields, mixed with crowds shouting, “We’re in charge!” and “Putin’s a thief!” Police tried to hold protesters back at certain points, beating some with batons and dragging others from the crowd to waiting police vans.

The geographical spread of the protests, including cities in Russia’s far east, Siberia and Arctic north, represents rare progress for the opposition movement in tapping discontent outside Moscow and St. Petersburg.

Numbers varied from city to city from dozens to hundreds to thousands. Russian state television largely ignored the demonstrations, instead covering official events including sports competitions, musical performances and the unfurling of a huge Russian flag by service members from the Ministry of Emergency Situations and children in red berets from a government-backed youth military group called Yunarmiya.

which he calls politically motivated, may prevent him from running, and opinion polls show overwhelming support for 17-year Kremlin incumbent Mr. Putin.

Police detained Mr. Navalny on Monday near the entrance to his home, his wife

said in a message on his Twitter.

Mr. Navalny had received permission to stage a rally in Moscow, but he said Sunday he was switching the venue to the capital’s main drag near the Kremlin, blaming authorities for pressuring com-

panies into not providing equipment for a stage at the agreed venue.

The General Prosecutor’s Office said that a protest in the new location would be illegal, and warned that police would take measures to prevent disorder. Mr. Navalny

will face misdemeanor charges for calling for the protest and disobeying a police officer’s order, police told Interfax news agency, which could land him a fine and 15 days in jail.

Members of Mr. Navalny’s Anti-Corruption Foundation,

Groups Move to End Polio by 2020

By BETSY MCKAY

The longstanding quest to eradicate polio is attracting a new injection of funds from donors around the world, as health leaders grapple with obstacles from ridding conflict areas of the virus to a shortage of vaccine.

Rotary International, the Bill & Melinda Gates Foundation and the Canadian government are among several donors who are pledging \$790 million Monday to vaccinate millions of children, conduct surveillance for the virus and other needs until 2020—the year in which health leaders hope to declare that polio has been eradicated. The pledges were to be made at a Rotary International convention in Atlanta.

The Global Polio Eradication Initiative, which includes Rotary, the Gates Foundation

and other organizations, set the cost of polio eradication activities between 2013 and 2019 at \$7 billion. The new pledges leave about \$300 million still to be raised.

The GPEI has missed previous deadlines that it set for eradicating polio, a highly infectious virus that primarily affects young children and can cause paralysis. There is reason to hope the latest goal can be met, because there have been only five cases of polio in Pakistan and Afghanistan this year, two countries where transmission of polio has never been stopped. Vaccination campaigns have improved, reaching children in communities hard to access before.

But some areas controlled by insurgent groups are still hard to reach. Polio resurfaced in Nigeria last year, after the World Health Organiza-

tion had declared that the country had eliminated it. There have also been six polio cases reported this year in Syria and the Democratic Republic of the Congo from a form of the virus derived from the oral vaccine.

In addition, an injectable form of the vaccine is in short supply, forcing health officials to prioritize who gets it. And future funding from the U.S. government, a major contributor, is uncertain as Congress must now weigh sharp cuts to foreign aid proposed by the Trump administration.

“2020 is feasible, but it’s probably a best-case scenario,” John Hewko, general secretary of Rotary International, said in an interview. Rotary, which works through its members in countries on programs to vaccinate children and conduct surveillance

for the virus, is increasing its goal for annual contributions to \$50 million a year from \$35 million a year, with its dollars matched two to one by the Gates Foundation.

For the 2020 goal to be met, no more cases of polio could occur after this year, because the WHO will declare eradication only three years after the last case. “If we don’t get some big increase in instability in those countries, we have a very good chance that this would be the last year of cases,” Bill Gates, the billionaire philanthropist and Gates Foundation co-chair, said in an interview.

Still, he said, “we’re still very worried about Nigeria and very worried about Syria.”

The most sensitive test for whether polio is circulating isn’t illnesses, but presence of the virus in sewage samples, he said. “We’re still see-

ing a lot of positive sewage samples in various parts of Pakistan,” he said.

“We’ve got to execute very

well this year in order to stay on track,” Mr. Gates said. “if we have cases in 2018, then we miss 2020.”



A child is given the polio vaccine in Karachi, Pakistan, in May.



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WORLD NEWS

May Faces Pressure to Ease Up on Brexit

BY LAURENCE NORMAN
AND VALENTINA POP

BRUSSELS—Pressure is mounting on U.K. Prime Minister Theresa May to seek closer ties to the European Union after Britain leaves the bloc in March 2019, following her election setback last Thursday.

Some senior Conservatives say the party's loss of its parliamentary majority in last week's vote was, in part, a rejection of Mrs. May's insistence on a clean break with the EU. They say the government will struggle to pass legislation needed to prepare Britain for exit without a change in approach.

Ruth Davidson, the influential leader of the Scottish branch of the Conservative party, said last weekend the government should look again at its Brexit approach and "move to a consensus within the country about...what we seek to achieve as we leave."

Yet for Mrs. May, there are no easy alternatives. Whether she seeks to maintain closer economic ties with the EU or simply drops her threat that no deal is better than a bad deal, there are risks involved.

For now at least, Mrs. May is suggesting her pre-election Brexit plans are unchanged. She says her government is ready to start negotiations with the EU team next week as planned, although no date was agreed during discussions in Brussels on Monday.

Her plan is for Britain to leave the EU's single market of goods and services, a zone of common regulation that allows a British company to operate and sell its products across the bloc.

Mrs. May has also pledged to take the U.K. out of the EU's customs union—which im-



TONY MELVILLE/REUTERS

British Prime Minister Theresa May leaving 10 Downing Street on Friday to ask the Queen's permission to form a government.

poses zero tariffs on trade among EU members and a common set of tariffs on imports from nonmembers—although she has said she is open to a future U.K.-EU customs-union arrangement. She also wants an end to the jurisdiction of EU courts over British laws and regulations.

In the short-term, the least economically disruptive alternative would be to remain in the single market either inside the customs union or, like Norway, outside it.

The Norway model has delivered strong economic benefits, yet it would require Britain doing two things Mrs. May has ruled out: maintaining

freedom of movement of EU citizens into the U.K. and continuing large budget payments to the EU.

It would also continue to give EU courts a key role in shaping British rules. In other words, Britain would have to accept some of the least attractive parts of EU membership while surrendering any influence over the bloc's direction.

"Make no mistake, the Norway option is not going to be an easy sell to euroskeptics, and has never been seen by Brussels as a credible model for the U.K.," said Mujtaba Rahman, Europe director with Eurasia Group, a London-

based consultancy. "Norway...pays into the EU budget amounts that would basically be the same were it a full EU member."

Another alternative would be to leave the single market but seek customs-union membership. That would ensure Britain retained the benefits of the EU's 38 regional and bilateral trade deals and nullify one of the biggest risks from Brexit—the imposition of EU tariffs and onerous customs checks on U.K. imports and exports to the EU.

It would also help resolve one of the thorniest issues sparked by Brexit: how to avoid a hard border in Ire-

land—which is a specific pledge of the Northern Irish Democratic Unionist Party that looks set to enter an agreement to prop up a minority Conservative government. If Britain is in the customs union, major customs checks on the border with the Republic of Ireland won't be needed. But staying in the customs union would thwart perhaps the strongest economic argument used by Brexiteers: It would prevent Britain from being able to negotiate and sign its own trade deals. The U.K. would have to continue to apply the common external tariff and rely on Brussels to negotiate new trade deals. EU

courts would also likely continue to have oversight of U.K. rules and regulation.

There are two other options for the U.K. One would be to join the European Free Trade Association, an organization Britain helped found. That could offer some economic protection by allowing Britain access to EFTA's 27 trade deals covering 38 countries while also allowing the U.K. to start negotiating its own trade deals. Yet it isn't clear if EFTA would take Britain back and, in any case, it could take some time for Britain to have full access to those deals.

Most significant, the benefits in terms of new export markets would be relatively small compared with the EU single market and EU trade deals. That is why three of EFTA's four members—Norway, Iceland and Liechtenstein—all joined the EU's single market. Switzerland didn't, though it has some benefits and obligations of the single market through bilateral deals with the EU.

Mrs. May could also drop a stance she repeated before the election, that "No deal is better than a bad deal," which would signal a commitment to some kind of agreement during the two-year Brexit talks.

There is also one other option Britain could push: negotiating a long transitional agreement with the EU which allowed one of these alternative models to stand for a number of years before Britain fully exited.

That looks difficult. EU officials and lawmakers have said any transitional deal should be short-lived, no more than three years, according to the European Parliament.

—Jason Douglas in London contributed to this article.

U.K.

Continued from page A1

But rumors swirled over how long she could last, and to what extent she could see through the definitive break with the EU she had set out—including leaving the bloc's single market for goods and services to get control over immigration.

Scottish leader Nicola Sturgeon said supporters of a clear break with the EU have been left dead in the water in the wake of the election result. Ruth Davidson, the leader of the Scottish Conservative party, said she wanted to put economic advancement at the heart of any Brexit deal.

Mrs. May's team continued to seek an agreement with a small Northern Irish party, the Democratic Unionist Party, which it is hoping it can rely on to pass legislation through Parliament.

The DUP is likely to demand concessions in exchange for its support, including guarantees that Brexit won't disrupt trade between Northern Ireland and Ireland, an EU member.

Kathrin Muehlbommer, senior vice president of Moody's, said in a research note that the Conservative Party's reduced share of parliamentary seats may mean there is a higher likelihood that Brexit will involve compromises that Mrs. May wouldn't have earlier considered.

"This could potentially include a request to remain inside the EU single market or the customs union," Mrs. Muehlbommer said.

She also said she expected the election outcome to delay the start of negotiations or lead to a period where no substantive issues are discussed.

Like the Conservative Party,

the main opposition Labour Party is divided on what Brexit should look like. Labour leader Jeremy Corbyn and his close ally John McDonnell, the party's finance spokesman, have sent a strong signal that they believe the U.K. should quit the EU's single market for goods and services, as well as its customs union.

Mr. McDonnell, in an interview with broadcaster ITV on Sunday, said a Brexit deal that preserves Britain's single-market membership would be interpreted "as not respecting the result of that referendum," referring to last year's Brexit vote.

Their stance aligns with the party's election platform, which said a Labour government would seek to preserve the benefits of single-market membership and the EU's customs union, while ending free movement of people. It pledged to "build a close cooperative future relationship with the EU, not as members but as partners."

Yet some in the party have left the door open to a less clear break. Barry Gardiner, a spokesman and one of a three-person team driving Labour's Brexit policy, said on Monday that some kind of "reformed membership" of the single market and customs union was another possibility, though it isn't clear if such an offer would even be on the table.

Uncertainty over the direction of Brexit weighed on business leaders. The U.K.'s Institute of Directors said it quizzed 700 executives and found a sharp deterioration in confidence about the U.K. economy's prospects following the election result. The institute said 57% of respondents were pessimistic about the economy, compared with 37% before the vote.

National Front Loses Big in France

BY WILLIAM HOROBIN
AND STACY MEICHTRY

PARIS—After knocking at the gates of power only a month ago, Marine Le Pen saw support for her far-right party crumble in Sunday's first round of parliamentary elections, dashing its hopes of becoming France's opposition party and an entrenched menace to the Europe Union.

President Emmanuel Macron's fledgling party, La République en Marche, trounced mainstream parties across the political spectrum but forced the once-buoyant antiestablishment National Front in particular into a reckoning. Ms. Le Pen on Monday faced a final election result that showed the momentum that had carried her in to last month's second-round presidential vote had perished.

National Front candidates garnered only 13.2% of Sunday's vote, compared with 13.6% in the last parliamentary election five years ago. Pollster Ipsos Sopra-Steria projected the party would end up with between one and five seats in the 577-seat National Assembly, compared with between 415 and 455 for Mr. Macron's party and its centrist ally.

What caused the collapse, pollsters and party officials say, is that the National Front's primarily young, working-class base decided to sit out the parliamentary races.

Around 57% of people who voted for Marine Le Pen in the presidential election stayed home for the parliamentary ballot, Ipsos Sopra-Steria said. The abstention rate among Macron voters was 38%.

The numbers stand in con-

trast to the National Front's high expectations going into the 2017 races. In recent years, the party had drawn nearly a third of the vote in local, regional and European Parliament elections.

"This clearly marks a pause in a very, very strong progression," Ms. Le Pen said Monday while campaigning for a seat in the north of France.

Supporters who expected Ms. Le Pen to win the first round of the presidential race were disappointed when she finished behind Mr. Macron. Her 33.9% score in the runoff also fell far short of the 40% she was hitting in the polls.

What followed was soul-searching. Ms. Le Pen floated the possibility of renaming and restructuring her party before deserting the idea. She also promised to hold a party

congress after the parliamentary elections to discuss the National Front's anti-euro stance, which many of the rank-and-file blamed for her presidential loss.

"All voters have disappointment from the presidential election, and all they hear about is internal difficulties," said Jérôme Fourquet, a pollster with IFOP.

Mr. Fourquet and other analysts say Ms. Le Pen is likely to retain leadership of the National Front, because the party's identity is built around her family. They say the only figure who might have challenged her for leadership was her niece, Marion Maréchal Le Pen, who quit the party shortly after the presidential loss, saying she wanted to spend time with family.

In 2012, Ms. Maréchal Le Pen won the party's only seat

in the National Assembly, winning 34.65% of the first-round vote in a southern French district.

The National Front candidate now running for her seat, Hervé de Lépinay, won 31.81% of the vote on Sunday behind the La République en Marche candidate.

The party's best shot for landing a parliamentary seat is in Pas de Calais, an area hard-hit by migrant flows and industrial decline, where Ms. Le Pen herself is running.

Ms. Le Pen scored 46.02% on Sunday, nearly 30 points ahead of her La République en Marche rival, Anne Roquet.

But she and other National Front candidates face the same hurdle she tripped over in the presidential race: Those who voted for other candidates in the first round are expected to coalesce behind her rival.

Muhammad and his wives.

The verdict comes amid a crackdown on blasphemous comments on social media.

Authorities launched the campaign earlier this year, citing public anger. Blasphemy is a highly sensitive issue in Muslim-majority Pakistan, where even an allegation of an insult to Islam can lead to violence.

Mr. Raza's lawyer, Fida Hussain Rana, said his client, a Shiite Muslim, was targeted after he had an argument about a sectarian matter with two Sunni Muslims on Facebook.

—Qasim Nauman



PETER NICHOLLS/REUTERS

A pro-Brexit backer celebrated the invoking of Article 50 in March.

fire after coming under attack but said it hadn't officially heard of civilian casualties.

The violence follows a difficult past few days for the U.S. and Afghan partnership. In the south of the country, a U.S. air-strike accidentally killed several Afghan policemen on Friday. A day later, an Afghan commando killed three U.S. soldiers during an elite operation in the east.

So-called insider attacks are frequent in Afghanistan, but very rare among special operations troops.

—Jessica Donati and Ehsanullah Amiri

PAKISTAN

Man on Death Row To Fight Insult Charge

A man sentenced to death by a Pakistani court on charges of committing blasphemy on Facebook plans to appeal the conviction, his lawyer said, the first such punishment in Pakistan for blasphemy on social media.

A court in the central city of Bahawalpur on Saturday sentenced Taimoor Raza, 30 years old, to death, after finding him guilty of insulting figures revered in Islam, including the Prophet

Muhammad and his wives.

The verdict comes amid a crackdown on blasphemous comments on social media.

Authorities launched the campaign earlier this year, citing public anger. Blasphemy is a highly sensitive issue in Muslim-majority Pakistan, where even an allegation of an insult to Islam can lead to violence.

Mr. Raza's lawyer, Fida Hussain Rana, said his client, a Shiite Muslim, was targeted after he had an argument about a sectarian matter with two Sunni Muslims on Facebook.

—Qasim Nauman

WORLD NEWS

Indian Businesses Face Taxing Changes

BY CORINNE ABRAMS
AND DEBIPRASAD NAYAK

MUMBAI—India is bracing for a dramatic but risky overhaul of the country's tax system that authorities hope will draw millions of businesses into their tax net and boost the economy.

The initiative, set to kick off on July 1, aims to streamline India's cumbersome network of state and federal levies and ease commerce across state borders.

It is a big part of a larger effort, including the cancellation of large-denominated currencies last year, to improve tax collection from companies that make up India's huge informal economy. Some estimate the new system will add nearly 1 percentage point to India's growth in gross domestic product within a few years.

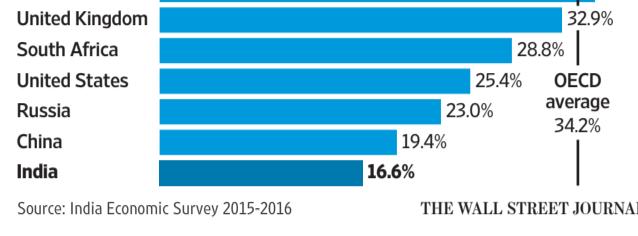
But the risks could drag on short-term economic growth, experts say. Among the hurdles are getting millions of companies to register, educating them on how to file online, poor internet connections and widespread tax avoidance. The design of the new nationwide Goods and Services Tax—which replaces a value-added tax and other levies—also is more complex than many expected.

A chaotic rollout could roil an economy still hobbled by a cash shortage caused by the

Digging Deeper

India has one of the lowest tax-to-GDP ratios in the world. Policy makers hope a new goods-and-services tax could help change that.

Tax-to-GDP levels



Source: India Economic Survey 2015-2016

THE WALL STREET JOURNAL

elimination of the bank notes in November.

"This is one of the biggest changes we have undertaken since independence," said Neelkanth Mishra, India equity analyst at Credit Suisse.

The government says it will implement the tax on schedule, simplifying the tax structure and lifting the economy.

India ranks 172nd out of 190 countries in the World Bank's ease-of-paying-taxes index. It has one of the worst tax-to-GDP ratios in the world, at 16.6%, compared with an OECD average of 34%. That deprives the government of revenue for much-needed improvements to education, health care, sanitation, infrastructure and other state priorities.

The new tax has already registered 80% of the 7 million current VAT business payers,

the government says, and it hopes to bring in most of the rest. The challenge, experts say, will be registering millions of other small and mid-size enterprises in India that aren't registered.

Among the more than 160 countries that use a value-added tax, India's is among the most complex. It has four tax brackets, exemptions for products like petroleum and additional levies on luxury goods. It will split revenue between states and the central government. The rules are the result of years of wrangling between political parties, states and central government in the world's biggest democracy, a country of 1.2 billion people.

Kunal Kumar Kundu, analyst at Société Générale, called it "the world's most complicated VAT framework," saying



Workers post a billboard in Kolkata. Ad agencies and other firms are bracing for a new tax regime.

that compliance will likely be burdensome, particularly for small businesses.

HSBC initially projected that the system would add 0.8% to India's GDP growth but halved its projection after the government announced the multiple tax brackets.

"It's not ideal," said Pranjul Bhandari, HSBC's chief economist for India.

The new system requires most businesses with annual revenue above 2 million rupees (\$31,000) to upload their invoices every month to a portal that will need to be stable enough to accept billions of documents.

"I don't know whether [policy makers] know the complications in a small trade," said Biju John, a rubber dealer in the southern state of Kerala. "We are in rural areas, where

internet connectivity is poor."

Businesses' invoices will be matched with those of their suppliers or vendors, who must provide their tax number before they can claim a credit.

Analysts commend the use of peer pressure to make businesses comply.

"The government has made you the tax collector," Uday Pimprikar, a partner at Ernst & Young who specializes in indirect taxation, told a seminar hall packed with business owners and accountants in Mumbai this month.

At scenes like this playing out across the country, merchants anxiously ask questions and voice hopes the government will delay implementation.

Many businesses say they are still awaiting guidance on how the new tax will work.

"There are no clear insights given on how to process" it, said Parag Malde, owner of Jupiter Impex, a textile company in Mumbai.

As the registration deadline looms, some businesses say they plan to stop taking orders while the tax is implemented. Others say they will wait to see what happens.

Once in place, the system will create a single market, potentially allowing global companies like Unilever, Amazon and Nestlé to consolidate operations.

But few expect implementation to be easy.

"India is trying to attempt what some of the leading economies do not have," said Abhay Laijawala, head of India equities research for Deutsche Bank. "Even the United States does not have" such a system.

U.S. Presses China to Curb Trade With North Korea

The Trump administration has asked Beijing to take action against nearly 10 Chinese companies and individuals to curb their trading with North Korea, senior U.S. officials

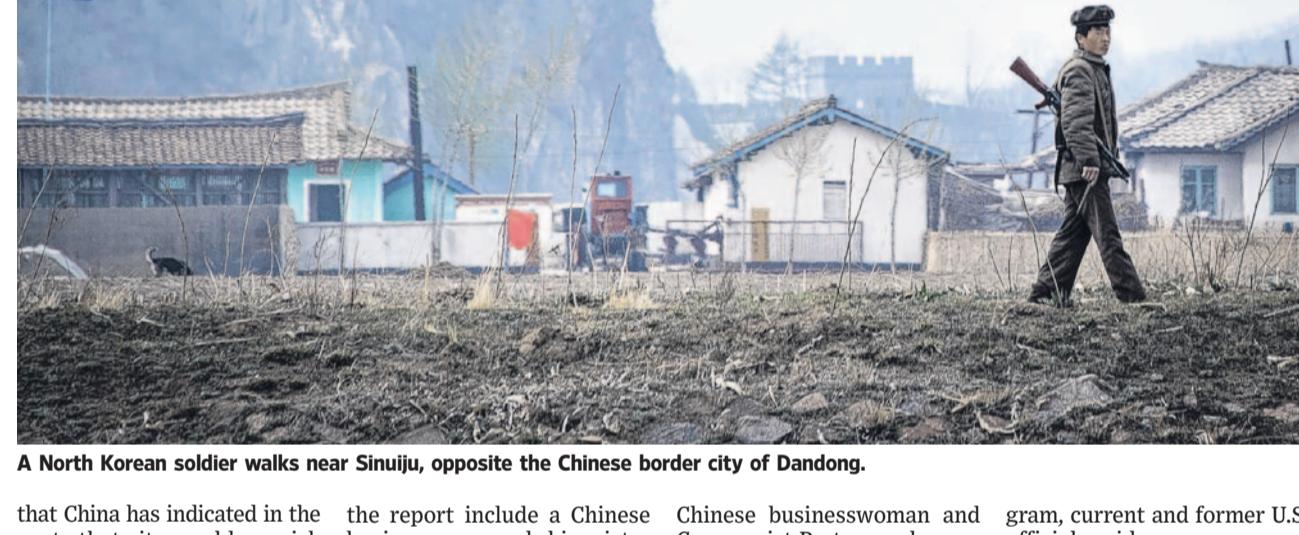
By Jay Solomon
in Washington
and Jeremy Page
in Dandong, China

said, as part of a strategy to decapitate the key networks that support Pyongyang's nuclear-weapons program.

Although there is no firm deadline, the U.S. has indicated the Treasury Department could impose unilateral sanctions on some of these entities before the end of the summer if Beijing doesn't act, the U.S. officials said.

Without such action, U.S. officials fear that Pyongyang, which has conducted nine missile tests since President Donald Trump took office, would be able to develop a missile capable of carrying a nuclear warhead as far as the continental U.S. within a few years.

The Trump administration, like the Obama administration, has voiced hope China would increase pressure on Pyongyang, and it has praised Beijing's moves to reduce coal imports from its communist ally in recent months. Still, senior U.S. officials acknowledged



A North Korean soldier walks near Sinuiju, opposite the Chinese border city of Dandong.

it implements United Nations sanctions on North Korea, it is opposed to unilateral action and favors a negotiated solution.

Mr. Trump first asked Chinese President Xi Jinping to crack down on North Korean trade during a summit at the president's Florida resort in April, U.S. officials said. It remains unclear whether Beijing would take action against the Chinese companies of concern to the U.S.

C4ADS said Chinese corporate and trade records show 5,233 local companies traded with North Korea between 2013 and 2016. Many of them share Chinese owners, addresses or other identifying features, it said.

"You need to deny these networks access to Chinese markets and more broadly the international financial system," said David Thompson, author of the C4ADS report.

The Trump administration has been seeking to increase economic pressure on North Korea beyond just China, senior U.S. officials said. This has included dispatching top diplomats on missions to Europe, the Middle East, Southeast Asia, and Africa, all places where the North Koreans have conducted trade.

—Kersten Zhang in Beijing contributed to this article.

Protests Swell Over Housing Crackdown

Protests against Chinese property controls have grown in intensity in recent weeks, underscoring the challenge for the government in preventing public eruptions of anger as it cracks down on housing speculation.

By Dominique Fong in Beijing and James T. Areddy in Shanghai

In response to skyrocketing home prices, governments in China's big cities have set limits on the buying of multiple homes and higher down-payment ratios, which has left many unable to sell their homes and others worried they won't be able to buy in before prices rise further.

Protests over the new rules started in early May. In the latest and largest breakout, hundreds of people marched down a busy Shanghai shopping street this weekend.



Newer apartment buildings towered over an older structure in Shanghai's Guangfuli neighborhood in April 2016.

Snapshots of the Shanghai protest quickly whirled through mobile-messaging app WeChat, showing scenes of protesters clashing with police and some being dragged away.

"So far, no Shanghai leader has come out to speak to us," said Li Pinger, a 40-year-old IT contractor at a university who took part in Saturday's protest.

Ms. Li said she has been unable to move into an apartment she bought last year at a hotel project in Shanghai's Qingpu District after the Shanghai government in May banned the sale of apartments built on land for commercial or office use and directed developers to convert thousands of units back to fit those purposes.

Ms. Li put up half of the

580,000 yuan (about \$85,000) for her apartment and took out a mortgage for the rest. Now, she feels trapped, she said: "I'm really angry."

Shanghai's government had no official response to Saturday's protest. In a statement released late Monday, a local housing bureau suggested a softening of policies applied to developers and buyers, though it stopped short of explicitly saying commercially zoned units could be permitted for use as residences.

Beijing's housing authority said in late May that it would allow apartments that were bought before March 26 to be listed and sold, an apparent loosening of the previous blanket ban on the sale of them.

Beijing Scolds Its Censors

BY JOSH CHIN AND EVA DOU

BEIJING—The Chinese Communist Party's powerful disciplinary wing is taking aim at the country's internet censors for not pushing a party-line agenda, saying they were "irresolute" in implementing the policies of President Xi Jinping and "not trying hard enough to ensure political security."

The rebuke, published on Sunday by the Central Commission for Discipline Inspection, may shed light on censors' surprise shuttering last week of dozens of Chinese celebrity news and gossip sites—an area previously considered safe from government scrutiny.

The commission's new report, taken together with last week's action, is also another sign that the Communist Party under Mr. Xi is moving to reclaim ideological authority it surrendered after Mao Zedong's death, analysts said.

"The old Communist ideology is coming back," said Qiao Mu, a Beijing-based media scholar and prominent critic of government censorship. "Communism doesn't like entertainment and gossip; it wants politi-

cics and class warfare."

The discipline inspection commission's report targeted the Cyberspace Administration of China, which is in charge of regulating internet content, and had been in the works for months. Analysts say the Cyberspace Administration was likely aware of its findings before taking action last week to shut down at least 90 social-media accounts run by celebrities.

Among the closed sites was the Weibo social-media account of China's self-proclaimed "No. 1 Paparazzo," Zhou Wei, who had amassed more than 7 million followers by publishing salacious stories about Chinese celebrities.

In meetings last week, authorities told the country's top web portals, video-streaming sites and social-media platforms that the accounts were being shut down to comply with privacy protections in the country's new cybersecurity law, the Cyberspace Administration's Beijing and Guangzhou branches said.

The regulators also encouraged the platforms to do more to promote the spread of "core socialist values" online.

The Cyberspace Administration and Central Commission for Discipline Inspection didn't reply to requests for comment.

If sustained, the crackdown on entertainment news would mark a dramatic reorientation of China's censorship machinery, which has previously ignored entertainment while grinding away at independent news reporting and expressions of political dissent.

Weibo, which hosted several of the closed accounts, is a vivid example. The platform was left for dead by many analysts after a crackdown in 2013 silenced influential users seen as critical of the government, but it revived itself with a focus on entertainment and is now bigger than Twitter with 340 million active users.

Weibo didn't immediately respond to a request for comment.

Squeezing celebrity gossip and entertainment news threatens to deprive the government of a useful diversion at a time of slowing economic growth and increasing social anxiety, media scholars said.

—Wayne Ma and Lilian Lin contributed to this article.

U.S. NEWS

Travel Ban Suffers Another Legal Setback

Appeals court rules Trump exceeded his powers; White House says order is lawful

BY BRENT KENDALL

A second federal appeals court blocked President Donald Trump on Monday from enforcing an executive order that temporarily banned U.S. travel for people from six Muslim-majority countries, dealing another legal blow to the White House.

The Ninth U.S. Circuit Court of Appeals in San Francisco ruled that Mr. Trump exceeded the scope of his broad powers to police U.S. borders. The president's order, which he has said would reduce the chances of terrorist attacks, "runs afoul" of legal provisions that prohibit discrimination based on nationality, a three-judge Ninth Circuit panel found.

"Immigration, even for the president, is not a one-person show," the panel wrote in a 78-page opinion.

The appeals court also prohibited the president from moving forward with his plan for a temporary suspension of the U.S. program for admitting refugees.

The court, however, did



President Donald Trump, right, spoke during a meeting of his cabinet on Monday at the White House in Washington, D.C.

week the Republican president called for a travel ban that is broader than the current executive order he signed. The order, signed March 6, temporarily bars U.S. entry for people from Iran, Libya, Somalia, Sudan, Syria and Yemen. It is a scaled-back version of a more ambitious effort that Mr. Trump pursued in January and dropped after courts issued rulings halting its implementation.

The revised restrictions have also fared poorly in court, as judges have agreed with challengers that Mr. Trump's past statements about Muslims and his support for a so-called Muslim ban suggest his order unlawfully targeted people on the basis of religion.

The Ninth Circuit ruled that Mr. Trump violated provisions in the Immigration and Nationality Act that require him to offer sufficient findings that travelers from the banned countries would harm the U.S., under current screening protocols.

Among other things, the court found that the president's order didn't demonstrate that current U.S. screening procedures for travelers are inadequate.

—Rebecca Ballhaus contributed to this article.

narrow part of an earlier decision from a federal judge in Hawaii. The Ninth Circuit ruled the president could move forward with part of his executive order that called for the federal government to review world-wide vetting procedures for visa applicants, which could lead to additional

countries being subject to a travel ban.

The Ninth Circuit decision follows a May 25 ruling from the Fourth Circuit in Richmond, Va., that rejected the Trump administration's request to reinstate the travel ban. The Justice Department has already appealed that rul-

ing to the Supreme Court, and it is possible the justices could take initial action as soon as this week.

White House press secretary Sean Spicer said the White House is reviewing the latest court decision.

"We can all attest that these are very dangerous

times and we need every tool at our disposal" to prevent terrorists from entering the country, Mr. Spicer said. He said the administration is confident that the executive order is "fully lawful and ultimately will be upheld by the Supreme Court."

In a series of tweets last

Sessions Expected to Testify About Comey, Russia

BY ARUNA VISWANATHA AND PETER NICHOLAS

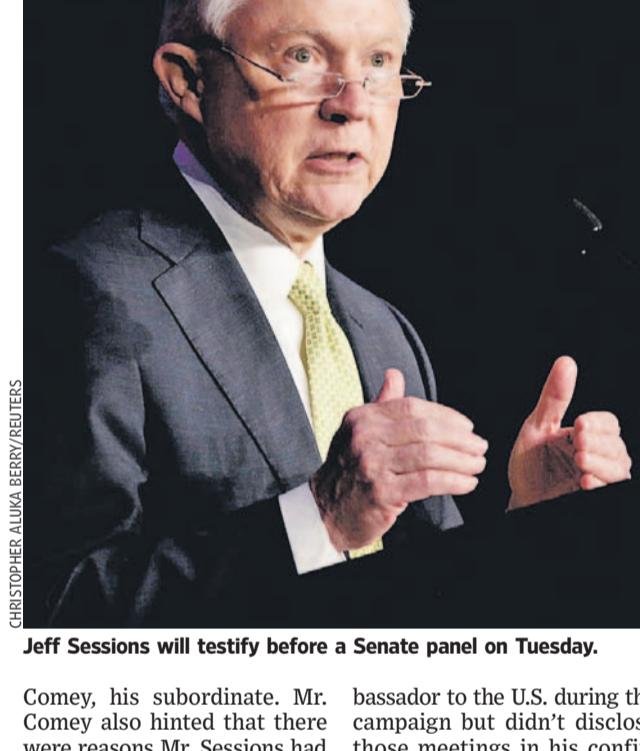
Attorney General Jeff Sessions' public testimony Tuesday will mark a high-stakes moment in his tumultuous four-month tenure, as lawmakers are expected to confront him with questions ranging from his interactions with former Federal Bureau of Investigation Director James Comey to his contacts with Russian officials.

The Senate Intelligence Committee on Monday said Mr. Sessions will appear at an open session Tuesday. That came after a weekend letter in which Mr. Sessions canceled previously planned testimony before House and Senate appropriations committees and said he wanted to go before the intelligence panel instead to address allegations Mr. Comey raised in remarks to the committee last week.

The intelligence committee often holds closed hearings, and until the panel's announcement Monday, there was uncertainty about whether the public would have access to the attorney general's testimony.

The announcement sets up the second high-drama session before the committee within a few days, following Mr. Comey's appearance on Thursday.

In his three hours of testimony on that day, Mr. Comey portrayed Mr. Sessions as an attorney general who didn't manage the relationship between President Donald Trump, his boss, and Mr.



Jeff Sessions will testify before a Senate panel on Tuesday.

Comey, his subordinate. Mr. Comey also hinted that there were reasons Mr. Sessions had to recuse himself from the Justice Department's investigation into Russian interference in the 2016 election beyond what was publicly known.

In March, Mr. Sessions said he would recuse himself from any inquiry related to the 2016 campaign because he had played such a high-profile role in the Trump campaign. That announcement came after revelations that Mr. Sessions had met twice with Russia's am-

bassador to the U.S. during the campaign but didn't disclose those meetings in his confirmation hearings.

A Justice Department spokesman last week rejected parts of Mr. Comey's descriptions of his interactions with the attorney general, and a spokeswoman on Monday said Mr. Sessions "believes it is important for the American people to hear the truth directly from him."

Mr. Sessions, a former federal prosecutor and chairman of the Senate Judiciary Com-

Agency Says It Has No Trump Tapes

WASHINGTON—The U.S. Secret Service has no audio copies or transcripts of any tapes recorded within President Donald Trump's White House, the agency said on Monday.

The agency's response to a Freedom of Information request submitted by The Wall Street Journal doesn't exclude the possibility that recordings could have been created by another entity.

The question of a White House recording system has lingered for more than a month since Mr. Trump first raised the possibility in a tweet about former Federal Bureau of Investigation Director James Comey.

In recent days, the two men have offered differing accounts of whether Mr. Trump asked Mr. Comey in private conversations to ease off the FBI's

probe of former national security adviser Mike Flynn.

On Friday, Mr. Trump kept the tapes mystery alive, telling reporters in the White House Rose Garden, "I'll tell you about that maybe sometime in the very near future." He added, "Oh, you're going to be very disappointed when you hear the answer, don't worry."

White House aides have declined to answer questions about whether there are tapes, with press secretary Sean Spicer saying he was "not aware." At a cabinet meeting Monday, Mr. Trump didn't respond to a shouted question from a reporter about whether there were tapes.

And at the White House daily briefing on Monday, Mr. Spicer said: "The president made clear in the Rose Garden last week that he would have an announcement shortly."

The Secret Service on Monday sent its reply to a May 15

request from the Journal that sought recordings or transcripts of any recordings made after Jan. 20 within the White House.

"In response to your request, the Secret Service has conducted a reasonable search for responsive records," the agency wrote. "It appears, from a review of Secret Service's main indices, that there are no records pertaining to your request that are referenced in these indices."

Such records would typically be subject to the Presidential Records Act and turned over to the National Archives and Records Administration at the end of a president's time in office.

The National Archives and Records Administration said in response to a request from the Journal that presidential records aren't subject to the Freedom of Information Act while the president is in office.

—Louise Radnofsky

decision to fire Mr. Comey.

Mr. Trump fired Mr. Comey last month, suggesting later in a television interview that the decision was driven in part by Mr. Comey's handling of the investigation into alleged Russian election meddling.

Last week, Mr. Comey described an Oval Office meeting at which he said the president asked the attorney general to exit from the room, ultimately leaving Mr. Comey alone with Mr. Trump.

—Louise Radnofsky contributed to this article.

President Sued Over Government Payments to His Firms

BY JOE PALAZZOLO

A lawsuit filed Monday by attorneys general in Maryland and the District of Columbia alleges U.S. and foreign government payments to President Donald Trump's hotels and other businesses violate the Constitution.

The lawsuit, similar to one filed in New York by a government watchdog group in January, pivots on Mr. Trump's decision to place his business assets into a trust, rather than divest upon taking office. Mr. Trump tapped his two adult sons to run the **Trump Organization** in his absence.

Payments from domestic and foreign governments to Mr. Trump's hotels and other businesses violate constitutional provisions that prohibit U.S. officials from accepting "any present, Emolument, Office, or Title" from foreign states, and that bar the president from receiving compensation from the federal or state governments, other than his salary, according to the lawsuit, filed in federal district

court in Greenbelt, Md.

A Justice Department spokeswoman declined to comment on the new suit. Government lawyers have argued in the New York case that Mr. Trump's businesses place him in the company of past high-ranking U.S. officials who profited while in office, including Vice President Nelson Rockefeller who had holdings in major oil companies and other corporations that conducted business globally.

White House press secretary Sean Spicer on Monday suggested the lawsuit was politically motivated and the business transactions in question were commonplace for government officials.

Few courts have considered the emoluments provi-

sions of the Constitution. Some legal experts say the Foreign Emoluments clause was intended to prevent the employment of foreign governments, making it inapplicable to Mr. Trump's situation.

D.C. Attorney General Karl Racine and Maryland Attorney General Brian Frosh cite in their complaint "millions of

dollars" in payments from foreign governments that lease space in Trump properties, patronize the president's hotels or otherwise conduct business with the Trump Organization. Mr. Trump receives benefits from the U.S. government as well, through his lease of federal property for the **Trump International Hotel** in Washington, D.C., the lawsuit says.

Absent the consent of Congress, private enrichment through the receipt of benefits from foreign governments is prohibited," according to the lawsuit, which asks a federal judge to declare Mr. Trump in violation of the Constitution and to prohibit him from further violations.

Mr. Trump, through his lawyers, has pledged to donate to the U.S. Treasury all profits from foreign-government payments made to his hotels. The policy will apply only to payments from guests who identify themselves as a representative of a foreign government, the Trump Organization told Congress in May.

On Friday, lawyers for the U.S. Department of Justice moved for dismissal of the New York lawsuit, which was filed by Citizens for Responsibility and Ethics in Washington and makes nearly the same case as the complaint filed by Maryland and the District of Columbia.

Department lawyers said in their brief that the nation's founders didn't intend for the

constitutional provision to reach the president's private business pursuits. The clauses apply "only to the receipt of compensation for personal services and to the receipt of honors and gifts based on official position," they wrote, adding that CREW's interpretation would mean that presidents "from the very beginning of the Republic, including George Washington," had also violated the Constitution.

Maryland and District of Columbia officials must show they have been injured to have standing to sue. The complaint says they own businesses that compete with Mr. Trump's and could lose economic and commercial activity to the Trump Organization.

They also argue that they are harmed by "perceived and/or actual pressure to grant special treatment" to Trump businesses, which could put them at a disadvantage to other states that have given or will give his companies favorable consideration.

—Rebecca Ballhaus contributed to this article.



D.C.'s Karl Racine, right, and Maryland's Brian Frosh lead the suit.

week the Republican president called for a travel ban that is broader than the current executive order he signed. The order, signed March 6, temporarily bars U.S. entry for people from Iran, Libya, Somalia, Sudan, Syria and Yemen. It is a scaled-back version of a more ambitious effort that Mr. Trump pursued in January and dropped after courts issued rulings halting its implementation.

The revised restrictions have also fared poorly in court, as judges have agreed with challengers that Mr. Trump's past statements about Muslims and his support for a so-called Muslim ban suggest his order unlawfully targeted people on the basis of religion.

The Ninth Circuit ruled that Mr. Trump violated provisions in the Immigration and Nationality Act that require him to offer sufficient findings that travelers from the banned countries would harm the U.S., under current screening protocols.

Among other things, the court found that the president's order didn't demonstrate that current U.S. screening procedures for travelers are inadequate.

—Rebecca Ballhaus contributed to this article.

Iowa Seeks To Rework Health Law

Other states nationwide are keeping an eye on the state's plan to revamp the Affordable Care Act

BY ANNA WILDE MATHEWS
AND LOUISE RADNOFSKY

Iowa officials are seeking federal permission to implement a plan that would alter major aspects of the Affordable Care Act in the state, an effort that will draw close attention from other states facing a meltdown of their health-insurance marketplaces next year.

Officials in President Donald Trump's administration said they were aware of the Iowa proposal and were open to supporting it to the extent possible under the current health law.

"If Iowa thinks that certain things are what they need, we're going to try to work with them," a White House official said. The official said the administration welcomed suggestions from the states to tweak the workings of the law within their borders, and officials "want to get to 'yes' with states."

The Iowa proposal, which would offer one type of insurance plan and revamp the law's subsidies that help people buy coverage, among other changes, would be in effect for 2018, though it could be extended.

Iowa Insurance Commissioner Doug Ommen, a Republican, said the state must take emergency action to ensure that about 72,000 Iowans who have ACA plans aren't left without coverage options next year, after insurers said they would pull out. The proposal was meant as a stopgap measure, Mr. Ommen said, as Republicans in Congress work to pass a bill that would make significant changes to the law at a national level.

Iowa's largest insurer, **Wellmark Blue Cross and Blue Shield**, now said it would reverse its plans to exit from the state's individual market and will sell plans in every county next year if the new proposal goes into effect.

Still, the effort faces significant challenges—including questions about whether Mr. Trump's administration has the authority to approve all aspects of it under the law. The White House official said the

administration is "open to maximizing opportunities" for states' proposals under the law, but "we're not going to stretch the law."

Iowa officials believe the federal government has flexibility to approve the plan, which aims to steady the Iowa individual insurance market, Mr. Ommen said. "If you don't have a stable market, no one has insurance," he said.

Iowa's gambit will get notice from around the country, experts said, as insurers announce they plan to pull back from ACA marketplaces next year in the wake of a wave of withdrawals in 2017. About 45 counties across three states—Missouri, Ohio and Washington—are poised to be without any products available through their insurance marketplaces in 2018. Other states, including Alaska, are seeking federal waivers for programs to bolster their markets, but the Iowa proposal is more sweeping.

'We're confident there will be [coverage] in 2018, but we can't guarantee anything.'

Mr. Trump, a Republican, and other administration officials have sought to highlight insurance-market problems—including Iowa's—in their bid to push GOP health-care legislation through the Senate. The House has already passed a bill. Democrats have said Mr. Trump's administration is exacerbating strains on the insurance marketplaces by threatening to stop certain federal ACA payments that insurers said are vital.

But there is also pressure on Mr. Trump's administration to ensure the individual insurance markets don't implode. Even if Republican legislation is signed, it likely wouldn't take effect in time to change insurance markets in 2018. White House officials said they have worked behind the scenes for months with in-



Iowa insurance officials said action must be taken to ensure thousands of people in the state aren't left without coverage next year.

surers to discuss their options, including answering questions and encouraging them to continue to offer coverage in some cases.

The Iowa proposal would change important features of the federal health law. The law's subsidies that enable lower-income people to buy health insurance would become flat payments tied to age and income. The plan streamlines the insurance plans now sold under the law to one design at the ACA's most popular "silver" tier of coverage. Consumers would purchase the plans outside the insurance exchange created by the law.

Consumers would still be able to buy 2018 plans during this fall's open enrollment period, but to purchase them after Jan. 1 they would need to show they had maintained continuous coverage, with no gap longer than 63 days in the previous 12 months. That restriction aims to prevent people from signing up only when they have medical needs, Mr. Ommen said. The law's mandated essential benefits would stay in place, as would protections that ban insurers from setting premiums or denying coverage based on consumers' pre-existing health conditions. A new reinsurance program would limit insurers' costs for the most-expensive enrollees.

Wellmark Blue Cross and Blue Shield had said in early April that it would stop selling ACA plans in Iowa after losses. CEO John Forsyth said the insurer believed the current market wasn't sustainable but wanted to help develop changes that would improve it.

Wellmark needs an answer by late August to be ready for

Opioid Crisis Poses Challenge for Bill

The nation's worsening opioid crisis has become another sticking point in Republican plans to dismantle portions of the Affordable Care Act, with key GOP senators hesitating to support a bill that could threaten addiction treatment.

Several provisions of the ACA, also known as Obamacare, allowed millions of Americans seeking substance-abuse treatment to gain coverage, including through an expansion of the Medicaid health program for the poor. But the House bill repealing the ACA, passed in early May, would roll back that Medicaid expansion beginning in 2020 and allow insurance companies to charge some people with drug addictions higher

premiums or deny them substance-abuse coverage.

Concerns about those provisions cut into Republican support for the replacement measure in the House. Of the 20 Republicans who voted against the House bill, 16 represent states that saw significant increases in drug-overdose death rates in recent years.

Now, the same concerns are emerging as a factor as the Senate takes up the House bill and ponders how to change it.

Sen. Rob Portman (R., Ohio) said in an interview that there is a growing worry among fellow GOP senators that rolling back the Medicaid expansion without offering other affordable options would have an outsize effect on people seeking addiction treatment, who access medications and other treatments through their insurance.

"So many people on Medicaid and expanded Medicaid rely on that funding for their treatment for substance abuse," he said. "This is clearly an issue where you don't want to make matters worse by reducing access to treatment."

Mr. Portman, along with other Republican senators from states that have expanded Medicaid such as Dean Heller of Nevada, are pushing to wind down the Medicaid expansion funding more slowly. They would have the rollback occur over a seven-year window beginning in 2020.

Lawmakers are also looking at including a pot of money specifically for opioid treatment, according to Republican Senate aides. But more budget-hawkish lawmakers want to end the Medicaid expansion in three years, by 2023.

—Sharon Nunn

open enrollment in the fall, Mr. Forsyth said.

"We're confident there will be something in 2018, but we can't guarantee anything" until the state gets the federal signoff, he said.

Mr. Forsyth said he and other Iowa officials met last Wednesday with leaders of the Centers for Medicare and Medicaid Services, including its head, Seema Verma, and got encouraging signals. A CMS spokeswoman said the agency can't comment until a final decision is made on the state's proposal.

A spokesman for Medica, another ACA insurer that has said it may pull out of Iowa next year, said, "We are familiar with the proposal and ap-

preciate [the Iowa Insurance Division] working with interested carriers for input."

Aetna Inc., which is exiting Iowa's exchange next year, said the proposal wouldn't change its plans. A spokeswoman for Gundersen Health Plan, which has a small Iowa ACA footprint, didn't respond to a request for comment.

Legal experts said federal officials might lack the authority under the law to approve the Iowa proposal. The law includes a waiver program that allows for federal subsidy money to be redirected under a state plan, but the program has specific requirements and it is far from clear whether the Iowa proposal could meet them, said Timothy S. Jost, an

emeritus professor at Washington and Lee University. "It's just hard to imagine how this could be legal," he said.

The Iowa program may also pose challenges to some older and lower-income ACA enrollees, compared with the current law's setup, due to how the Iowa subsidies would work, said Larry Levitt, a senior vice president at the Kaiser Family Foundation. "There may be some winners and losers from this," he said, but "it sounds like an important proactive effort from the state to preserve coverage for people."

Mr. Ommen said the plan "is not a perfect solution," but "our view is this is the only option we have to preserve our market."

PTSD

Continued from Page One
immediately," Dr. Lynch said. The shot isn't a cure, he said, but eases symptoms enough to allow talk therapy, pharmaceuticals and other approaches to achieve long-term improvements.

The treatment occupies an unusual medical netherworld. Most of the doctors who have administered it said they firmly believe it works. The wider military, hewing to standard medical practice, won't endorse the treatment without evidence from a controlled trial such as the one the Army has commissioned.

"It has yet to be proven that it really does work," said psychologist Ron Hoover, who oversees the new PTSD study on behalf of the Army. "The Army takes a fairly conservative position about treatments or any kind of medical care. They don't want to risk service members' lives or experiment on them."

Researchers are finding it difficult, though, to recruit volunteers for the study because likely candidates have already heard promising reports about the treatment from comrades, said co-principal investigator Kristine Rae Olmsted of RTI International, a nonprofit research organization hired by the Army to conduct the study.

Physicians such as Dr. Lynch who advocate use of the stellate ganglion block say it improves the effectiveness of traditional treatments.

The conundrum surrounding the new Army study highlights both the injection's promise and the frustration its advocates feel trying to win it wider acceptance beyond the special

cebo, Ms. Olmsted said. "The problem," she said, "is word-of-mouth is very powerful."

Researchers began enrolling subjects last summer at military hospitals in Germany, Hawaii and North Carolina. RTI said only 45 had volunteered.

Between 11% and 20% of Iraq and Afghanistan veterans suffer from PTSD in a given year, according to the National Center for PTSD, an arm of the Department of Veterans Affairs. Commanders worry that PTSD reduces the combat effectiveness of those still in the military and can make life a misery for those who have left it. Sufferers are often irritable, edgy and quick to anger.

The most common psychological treatments, called exposure therapies—in which a PTSD sufferer repeatedly revisits the traumatic event to weaken its effect—ease symptoms in about 60% of those with combat-related PTSD, according to an estimate by psychologist JoAnn Difede, director of the Program for Anxiety and Traumatic Stress Studies at Weill Cornell Medicine and New York-Presbyterian Hospital.

About the same percentage see at least some improvement from the most frequently used anti-PTSD drugs—selective serotonin reuptake inhibitors—but only 20% to 30% see complete remission from the drugs, according to 2014 research led by Dr. Difede.

Patients. Among most military doctors, he said, "it's not getting traction."

The Department of Veterans Affairs said it has no specific policy regarding use of stellate ganglion blocks to treat PTSD among those who have left the military. Doctors use the injections for PTSD on a limited basis at their discretion, a VA spokesman said. The department is conducting a small research project on the injections

operations troops who are already convinced.

"Honestly, I feel like I've let people down," said Army Dr. Sean Mulvaney, a former Navy SEAL who practices at Fort Belvoir, Va., and said he had administered more than 600 stellate ganglion injections to PTSD

at its medical center in Long Beach, Calif.

The prospects of generating scientific consensus are clouded

by the nature of the population

suffering from PTSD. Doctors

say some veterans are problematic trial subjects because they

have an incentive to stay sick—

sound to guide the needle to the area around the target nerves. The right side of the brain controls the fight-or-flight reaction. Doctors surmise that in patients with PTSD, messages between the brain and body get stuck in a loop. The anesthetic resets the system.

American bomb in 2001 and again in a 2005 helicopter crash.

Gen. Bolduc said he came home with symptoms from headaches and memory loss to excessive alertness and flashes of anger. He was diagnosed with PTSD in 2014 and received his first of two stellate ganglion blocks. His wife, he said, noticed the change in his demeanor on the drive home.

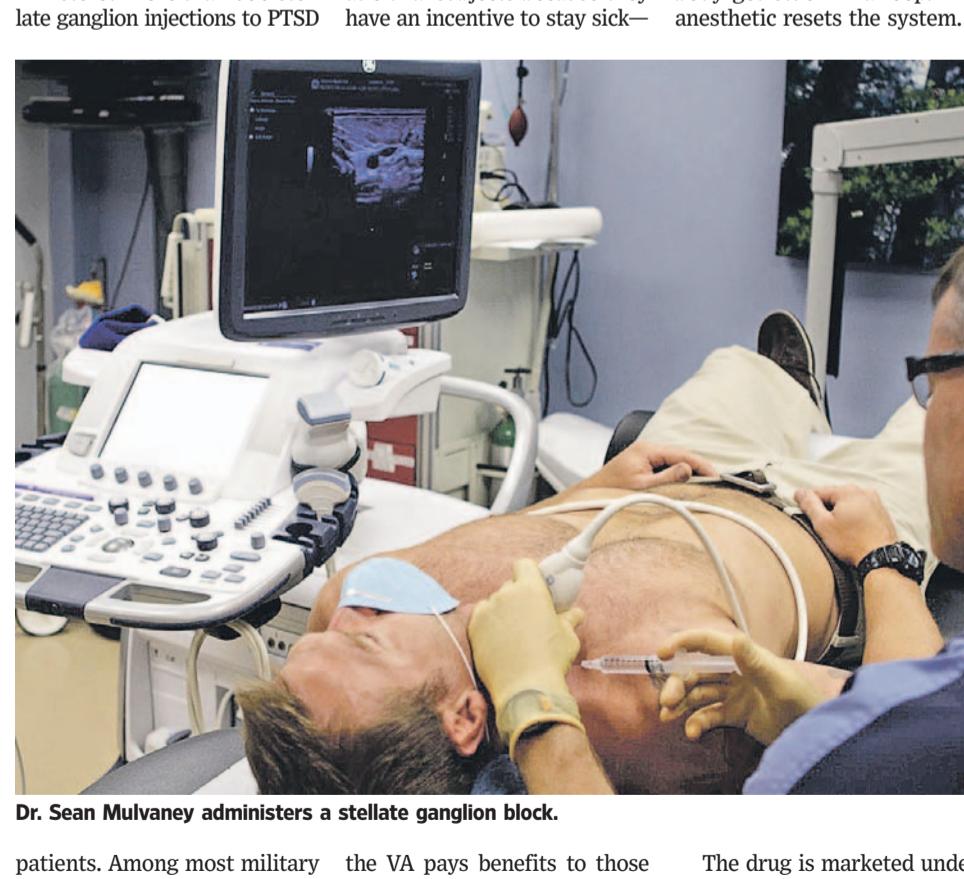
The shot "gives you the break to deal with things," he said. "I was able to put myself on the road to recovery." He said he is also on medication for anxiety and depression as part of a broad treatment plan for his PTSD and injuries. The injection, he said, "doesn't stop you from operating effectively in a combat environment."

In a 2014 study led by Drs. Lynch and Mulvaney, researchers injected a local anesthetic into the necks of 166 service members suffering from PTSD. They concluded the injection is a "safe and minimally invasive procedure that may provide at least 3 months of relief from symptoms associated with combat-related PTSD."

That study didn't feature a control group. One small controlled study published in 2015 found no statistically significant difference between effects from one stellate ganglion block and the placebo. Patients showed improvement after a second injection.

"The most obvious explanation would be that the previously reported benefits for PTSD were attributable to placebo effect," psychiatrist Robert McLay, then the research director at Naval Medical Center San Diego, said at the time. He said this year he believes the treatment is worthy of further study.

The Army study is intended to settle the debate.



Dr. Sean Mulvaney administers a stellate ganglion block.

patients. Among most military doctors, he said, "it's not getting traction."

The VA pays benefits to those suffering from combat-induced PTSD. The elite commandos who have already become fans of the injections have the opposite incentive—active-duty SEALS and Green Berets usually want to show improvement so they can stay with their teams, doctors said.

In the stellate ganglion procedure, doctors inject the anesthetic ropivacaine in the right side of the neck, using ultra-

sound to guide the needle to the area around the target nerves. The right side of the brain controls the fight-or-flight reaction. Doctors surmise that in patients with PTSD, messages between the brain and body get stuck in a loop. The anesthetic resets the system.

The drug is marketed under the brand name Naropin by Germany's Fresenius Kabi AG and, according to RTI, costs less than \$2 a dose. Most patients require just one injection, although some require a second shot, doctors said.

One of the patients is Dr. Lynch's commander, Brig. Gen. Donald Bolduc, a Green Beret who has served more than five years in Afghanistan. He was injured by an errant 2,000-lb.

KC McGINNIS FOR THE WALL STREET JOURNAL

IN DEPTH

VIX

Continued from Page One
imminent crash, the VIX has morphed into a giant casino of its own.

Volatility trading has wormed its way into many corners of the investing universe, including insurance products that guarantee retirement income and mutual funds that try to avoid the worst declines. Once the obscure province of academics and derivatives experts, volatility is now traded by would-be retirees alongside the most sophisticated hedge funds in the world.

Even investors who have never heard of the VIX are exposed to its gyrations. There is an estimated \$200 billion in so-called "volatility control" funds that use the VIX to decide whether to buy or sell stocks. "Tail risk" strategies, designed to steer clear of sudden slumps, often rely on it. Pensions such as the San Bernardino County Employees' Retirement Association in California have profited from bets the VIX would fall. Asset managers including Alliance-Bernstein incorporate volatility into retirement-date savings funds, adjusting stock exposure based on the severity of market swings. And insurance giant AIG sells annuities with fees that rise along with the VIX.

Lately, the VIX has been signaling a near-complete absence of fear, and the preternatural calm is making some people nervous. Opinion is divided on whether it is a bullish signal for stocks or a worrying sign of complacency. After all, the VIX also approached a record low in early 2007, just before the sub-prime crisis began unspooling. In recent days the VIX nudged higher, rising more than 10%, as technology stocks fell.

Some analysts see low volatility as a sign of increased efficiency, where shocks are more quickly absorbed by the market's portfolios from downturns. He said the Fed's policies have kept volatility artificially low for so long that the speed of any reversal will be more severe.

46%

How much the VIX spiked following reports Mr. Trump had pressured James Comey to drop a probe into former NSA adviser Michael Flynn.

"When this goes, you're going to see the mushroom cloud from Saturn," he said.

The VIX was conceived after the Black Monday crash in 1987, when the market fell 26% in a single day. The measure used stock-market bets, known as options, to gauge expectations for the speed and severity of market moves, or what traders call volatility. Options prices rise and fall based on

the perceived odds of a payoff, akin to the way home insurance costs more on a hurricane-plagued coast than in an untroubled inland suburb.

Unlike home insurance, options prices fluctuate constantly as traders react to news and reassess their risks. Those prices feed into the VIX. The CBOE launched the original index in 1993, and it quickly became a staple of the financial press.

It took Wall Street another decade to figure out the VIX wasn't just a market weather vane but also a potential gold mine. In the summer of 2002, newly minted billionaire Mark Cuban called Goldman Sachs Group Inc. looking for a way to protect his fortune from a crash. Because the VIX typically rises when stocks fall, he wanted to use it as insurance. But there was no way to trade it.

Devesh Shah, the Goldman trader who fielded the call, said he instead offered him an arcane derivative called a "variance swap," but Mr. Cuban wasn't interested.

VIX trading as a new risk-management tool, banking on the same appeal that had drawn Mr. Cuban. Trading grew steadily, but slowly.

Then the financial crisis hit, serving up a huge marketing opportunity. Amid an economic tailspin akin to the Great Depression, surging unemployment, and more than \$5 trillion erased from the S&P 500, the only thing rising in the U.S. was the VIX, which topped 80 in late 2008.

At Barclays PLC, a farsighted few realized access was a big problem. Trading futures and options was too complicated and costly for many investors. The bank instead devised a product that tracks VIX contracts but trades on an exchange just like any a corporate stock. Suddenly anyone with a brokerage account could trade like the pros. The Barclays iPath S&P 500 VIX Short-Term Futures ETN launched in January 2009, just months before the S&P 500 hit a 12-year low.

VIX trading exploded. Terrified investors piled into Barclays's new product and similar ones that followed.

"I think of it as the great democratization of volatility," said Bill Speth, vice president of research and product development at CBOE. "Investors who never would have opened a futures account or traded an option could and did trade these exchange-traded products."

Amid the panic, investors were willing to pay to insure their portfolios. The costs would be a drag in bull markets, but looked like a small price to pay in the immediate wake of the crisis.

"It was the Wild West," said Bill Luby, who quit a 20-year consulting career in 2005 to become a full-time trader. "If you knew the landscape, there was a lot of money to be made."

Trading the VIX, however, is a lot different from watching it on TV, and its idiosyncrasies left some investors feeling burned. No trading strategy can exactly replicate the VIX index, and traders rely on proxies like futures and options, which can veer widely from the VIX itself.

The pair rewrote the VIX formula, expanding it to a larger universe of stock-market bets and making it possible to create a tradable futures contract. Their equation synthesizes thousands of trades and distills them all into a single number meant to represent the collective expectations for the market. When the VIX is at its current level of around 10, it implies that traders believe the S&P 500 will move by an average of less than 1% a day during the next 30 days.

The more stocks move, the higher the VIX goes. Since the market typically falls much more sharply than it rises, the VIX tends to surge when the market crashes—hence its potential as insurance.

Messrs. Shah and Rattray handed their invention to CBOE Holdings Inc., the owner of the VIX trademark.

"I didn't realize how big it would be," said Mr. Rattray, who is now the chief investment officer for Man Group PLC, an \$89 billion hedge fund.

The formula allowed the CBOE to cash in its marquee index. The exchange launched VIX futures in 2004, and VIX options two years later. The firm billed

endure a month in the van." During concerts around that time, the band churned through songs such as "Death Knell" and "Satan Prayer." At one point, Papa handed out unconsecrated communion wafers and sang about the stench of "dead human sacrifices."

Afterward, one of the Nameless Ghouls was tasked with cleaning the band's gamey vestments in his apartment building's communal washing machine in Sweden.

"It was like getting the whole football team's dirty wash," Martin Persner, the former Ghoul, said in an interview. Minutes from a band meeting included with court documents noted him raising concerns about the dank wardrobe situation and asking if it was possible to do laundry at the concert venues. Mr. Persner, a longtime Ghost guitarist who left the band last year, didn't join the other Ghouls in filing suit.

As Ghost ascended in popularity in recent years, its concerts—known to fans as "rituals"—became more elaborate, featuring faux stained glass and burning incense. A confetti cannon shot fake money with Papa's scowling

face printed next to the number 666. Friends and audience members recruited as "sisters of sin" dressed up as nuns to administer the ersatz communion.

Backstage protocol was more basic. A list of requests sent to concert venues, obtained by The Wall Street Journal, included Ghost's demands for cold cuts, beer and

Ghost's anonymity is a throwback to the 1970s and groups like Kiss.

room-temperature bottled water. The band stipulated that bananas remain bagged in the catering area due to "a very severe banana allergy" among the traveling crew.

At each tour stop, they asked for six local postcards plus stamps ("YES WE REALLY WANT THESE"), along with good chocolate ("NOT HER-SHEY!"), and quality food. "You are what you eat and in this regard we want to stay healthy," Ghost noted in a dos-

A Recipe for Fear

The CBOE Volatility Index has spawned a booming marketplace that both expresses and influences how investors perceive risk.

BASIC INGREDIENTS

Traders buy and sell stock-market wagers, called options, to bet on the direction, timing, speed and severity of market moves. Prices change constantly as traders reassess the odds that their wagers will pay off. The better the odds, the higher the price.

It costs \$3.90 to buy an S&P 500 option... ...betting on a 5% drop in the S&P 500 index in June*.

CBOE VOLATILITY INDEX, OR 'THE VIX'

The VIX synthesizes thousands of options on S&P 500 futures, distilling the prices into a single number that measures expectations for the velocity of market turbulence, called volatility.

Recent VIX level indicated an outlook for continued calm.

The VIX hit 80 during the financial crisis, implying that anticipated gyrations will average more than 4% a day during the next 30 days.

VIX INSURANCE

Because stocks tend to fall much more sharply than they rise, the VIX typically spikes when stocks plummet, making it an attractive form of insurance.

FEAR GOES MAINSTREAM

Cumulative percentage change, shown monthly, in the price of the iPath S&P500 VIX Short-Term Futures ETN from its inception in January 2009

*As of June 9

Sources: FactSet (index); CBOE Holdings (volume)

THE WALL STREET JOURNAL.

past year as market shocks proved fleeting. The ProShares Short VIX Short-Term Futures ETF that, like Mr. Miller, shorts the VIX, is up 70% this year.

Pravit Chintawongvanich, head of derivatives strategy for Macro Risk Advisors, estimated that traders and investors now have a near-record \$512 million at stake for every single-point move in VIX futures.

In a twist, the very funds that are meant to protect against volatility may make any correction worse, said Rocky Fishman, an equity-derivative strategist with Deutsche Bank. So-called "volatility control" funds aim to provide investors with a smoother ride by sidestepping the worst dips. A rising VIX signals the funds to shed stocks in favor of safer assets, accelerating the selloff and spooking other investors into joining the exodus.

Rising volatility triggered \$50 billion in stock selling during the market gyrations of August 2015, and \$25 billion in the wake of the U.K.'s surprise vote to exit from the European Union last year, Mr. Fishman said.

Such bets have paid off in the

sier sent to venues.

When band members weren't on stage or discussing evolutions in Ghost's devilish mythology, they grappled with the earthly concerns of road life. In the cramped confines of the tour bus, sleeping schedules conflicted, recalls Mr. Persner. Debates about which restaurants to eat at were common.

The ultimate behind-the-scenes clashes, however, were about money. Mr. Forge's legal response to the Ghouls' suit, filed last week, describes showdowns over the band's salaries, and claims the Ghouls were never more than musicians for hire. Their lawsuit "destroyed the mystery" of Ghost, Mr. Forge said, and their anonymity made them replaceable. He didn't respond to requests for comment for this article.

Papa Emeritus recently debuted a new set of Nameless Ghouls, with no announcement to fans. The band launched a U.S. tour earlier this month.

The former Ghouls who filed suit declined interview requests. In a statement released in April, they accused Mr. Forge of "unabashed dishonesty, greed, and darkness."

Not the darkness of which Ghost sings, but a darkness that pushes a person to betray his best friends when fame and fortune appear within reach."

Ghost's anonymity is a throwback to the 1970s, when groups like Kiss shrouded themselves in sinister mystery. Pre-Wikipedia, fans had to piece together group lore by poring over music magazines, album liner notes and urban legends.

To be sure, some inquisitive and savvy Ghost fans were able to ferret out details about the musicians before they were exposed in the suit. But for the band, concealing their everyday identities was just a way to amp up the theater. The goal was to fuel rumors and "to create something larger than five dudes," said Mr. Persner, who went public separately in a YouTube reveal meant to promote his own band, Magna Carta Cartel.

Being shrouded in a cloak and mask had practical advantages, too. "There was never a bad hair day," said Mr. Persner.

—Neanda Salvaterra contributed to this article.

Trading on Volatility

The CBOE Volatility Index, Wall Street's 'fear gauge,' soared during the financial crisis, which kicked off a surge in trading of VIX derivatives that has continued to this day.

VIX index



Average daily volume of VIX futures and options*



*Through May 17

Sources: FactSet (index); CBOE Holdings (volume)

age. The dispute "really messed up the whole mythos of the band," one fan complained online. "The lawsuit reduces them all to boring, flawed people."

Kathleen Higgins of Halifax, Canada, a pet-store manager whose husband plays in a Ghost tribute band, avoided news of the lawsuit online and said she was bummed out by the band's money squabbles and mundane affairs. "It's like watching a Broadway show. When I saw 'Phantom of the Opera' as a child I wasn't interested in who the actors were or what they ate for breakfast," she said.

In character, Papa is a sort of occult sect leader who leads audiences in chants of "Belial, Behemoth, Beelzebub, Asmodeus, Satanias, Lucifer," incantations in the song "Year Zero." But ahead of the band's 2013 American tour, the frontman was especially excited about Ghost's transportation upgrade.

"It will be a real tour bus on the U.S. bit!" Mr. Forge wrote to the band in an email included in the suit. "Had we taken the van we would [have] gotten a minimal profit, but not sufficiently large for us to

endure a month in the van." During concerts around that time, the band churned through songs such as "Death Knell" and "Satan Prayer." At one point, Papa handed out unconsecrated communion wafers and sang about the stench of "dead human sacrifices."

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LIFE & ARTS



ILLUSTRATION BY TAYLOR GALLER; APPLE (BELOW)

FITNESS | By Rachel Bachman

Your Gym's Tech Is Getting Smarter

From cardio equipment that can talk to your Apple Watch to sensors that track your movements, new tools surface at health clubs

FROM THE Apple Watch to eagle-eyed sensors, digital technology is going ever further to embed itself into your health club.

These advances promise exercisers everything from smoother workout starts to better data to increased gym attendance. However, tech-savvy gym rats concerned about privacy should remember that they can always opt out.

This fall, an update to Apple Watch's operating system launches a feature called GymKit, which will allow the watch to link to most major cardio-equipment brands available at gyms by tapping the watch to an enabled machine, says Jeff Williams, Apple's chief operating officer.

On a treadmill, for instance, the machine will track speed, workout duration, incline and distance covered. The watch will track heart rate, and use a combination of treadmill data and its knowledge of user age, sex and body type to calculate calorie count. All data from the workout will beam to the Apple Watch, but the watch won't share any user data with the cardio equipment, Apple officials say.

For the past few years, gym-goers have been able to connect to cardio equipment through various smartphone apps. But it is a patchwork system, and many people skip it and leave their data locked in machines.

A spokeswoman from equipment maker Life Fitness says she



An update to the Apple Watch operating system this fall will allow users to capture data from a workout by tapping the watch to a cardio machine.

anticipates the Apple Watch's new connectivity will boost the number of tracked workouts.

A simpler connection to cardio machines will remove a step or two from groggy morning routines and could give Apple Watch an edge in the wearables market, where it is playing catch-up two years after its launch. About 7% of adult consumers own a smart-watch, compared with 18% who own a wearable fitness tracker, according to the NPD Group. Another perk: not having to use the cardio console. "Who wants to punch in your weight before you do your workout?" says Jay Blahnik, Ap-

ple's director of fitness for health technologies.

Bryan O'Rourke, a fitness-industry consultant specializing in technology, says Apple Watch's move is part of a larger push to integrate easy-to-use technology into health club members' lives at the gym and elsewhere. Traditional health clubs are facing more competition from specialty fitness boutiques and online-streaming workout services.

New York-based health club chain Equinox is testing a smartphone-based chatbot—a computer program that uses artificial intelligence to simulate human conversation—to

talk to new members via instant messaging. Equinox's chatbot reaches out to new members weekly for the first month, encouraging them to set goals and nudging them when they fall short. It also responds when they send a message.

In a recent monthlong test at all 88 Equinox clubs, new members who used the chatbot visited the club 40% more often than new members who opted out, according to Samir Desai, Equinox chief information officer. The chatbot's first goal is to get people coming to the gym, since people who don't form that habit in the first few months are likely to drop their membership.

At four clubs in New York, Equinox has also installed sensors to track members through their smartphones while they're in the club. The sensors can tell when a member regularly runs on a treadmill, for instance, and prompt a message suggesting the person try one of Equinox's Precision Running classes.

Nadine Kerstan, a 45-year-old holistic health coach in South Orange, N.J., joined Equinox about a year ago. She enjoys the guided meditations she listens to through Equinox's smartphone app. But the concept of sensor-tracking is "a little creepy," she says. "I don't want to feel like Big Brother is watching me at the gym."

Niki Leondakis, CEO of Equinox Fitness Clubs, says the informa-

tion from sensors will help the club help members achieve their goals. The more engaged members are with the club, the more often they show up and exercise, she says.

"I would say that everyone today understands that they're being tracked," Ms. Leondakis says, citing a shopper browsing for shoes on a website.

The aim is to install the sensor system at all clubs, Mr. Desai says. Equinox says its members are asked if they want to allow the app to track their location and can opt out.

Bay Area-based Active Wellness is going further. It manages about 60 fitness locations across the U.S., mostly in corporate settings. In its Oakland, Calif., club, Active Wellness is testing a facial-recognition system designed to let members breeze in without a card or digital swipe, and track members in most places except locker rooms and bathrooms.

Mike Rucker, Active Wellness's vice president of technology, acknowledged some members' reservations about the system. Members can opt out, he says, but facial recognition could create more seamless gym experiences in the near future.

"Imagine a world where you step on a treadmill that automatically adjusts to all your favorite settings," Mr. Rucker says. "And literally without touching a button, you're ready to go."

PLAYLIST: ALAN ALDA

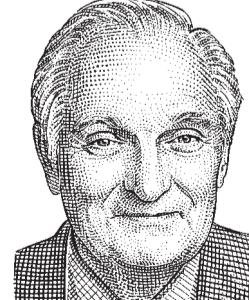
FAB FOUR WITH FEELING

Alan Alda, 81, is a film, stage and TV actor who has won seven Emmy awards. He is the author of *"If I Understood You, Would I Have This Look on My Face?"* (Random House). He spoke with Marc Myers.

When I was 31, I bought the Beatles' "Sgt. Pepper" just after the album came out in June 1967. The more I listened to it, the more the album felt like a collection of really sharp show tunes. It was so unlike anything else. **"SHE'S LEAVING HOME"** is still a favorite and deeply personal.

Listening to the song today, I'm left with a grateful sense of melancholy. The song's lyric is beautifully constructed and illustrates both sides of the chasm between caring parents and a newly independent child.

Looking back, I wish I had made it easier on my parents when I was trying to break free. I'm sure I hurt them many times by saying what I felt or thought without softening the blow.



My mother was tender and easily hurt. One day when we were in Amsterdam just before I spent my junior year in college in Paris, she innocently said, "Your father and I are in Amsterdam, and you'll be in Paris. You can come up and visit us."

I said, "I'm not coming up to see you all the time." My mother became upset and walked ahead of me. It was difficult to catch up to her.

The Beatles song opens with a strangely anxious harp solo. When Paul McCartney begins to sing the song's narrative, he's backed by a sorrowful cello and strings. The arrangement is haunting.

Meanwhile, John sings the parents' perspective as a Greek chorus—"We gave her most of our lives." In the song, the daughter leaves a "note that she hoped would say more," while her parents wonder, "How could she do this to me?" Two inner voices, each so far from understanding the other.

Recently, I listened to the song and re-



The Beatles in their 'Sgt. Pepper' days, photographed in 1967.

called an incident with one of my daughters many years ago, when she was still in college. After she failed to win an audition, I wasn't as sympathetic as I could have been. She told me off in blunt terms.

Later, she called to apologize. I said, "I didn't mind. I thought you were just being colorful." But it was more than that. Now I realize that her outburst was probably the very moment she emotionally left home.

OPINION

REVIEW & OUTLOOK

America's Steel-Trapped Minds

Donald Trump has ordered a "national security" review of steel imports with a goal of justifying a broad-based tariff. If his advisers look honestly at the evidence, they can't possibly find enough to justify such a job-killing, economically harmful policy.

Start with the fact that U.S. steel prices are already higher than in the rest of the world, and the gap has significantly widened over the past five years amid increased import duties. In 2012 the average price of cold-rolled coil produced in the U.S. was 11.5% and 12.1% higher than the Chinese and Southern European equivalent. This year U.S.-made steel is 34% and 27% more expensive, respectively.

American steel makers cry "dumping," but is every foreign company in every country dumping? The U.S. Commerce Department has already imposed 152 antidumping or countervailing-duty orders on imports from 32 countries, and many more cases are pending. Commerce charged South Korea and Turkey with dumping welded line pipe in 2015 and last year slapped duties on imported cut-to-length steel plate from Brazil, China and Turkey. Antidumping duties contributed to a 25% decline in foreign imports between 2015 and 2016.

Domestic steel makers have exploited these protectionist measures to raise prices and boost their bottom lines. Last year Nucor posted an 11.9% profit before taxes, depreciation and amortization. AK Steel's margins have doubled in two years to 8.5% while Steel Dynamics's has increased by half to about 15%.

Commerce Secretary Wilbur Ross nonetheless says that antidumping duties are "not able to resolve the broader structural economic harm to the U.S. steel industry caused by massive global overcapacity and unfair foreign competition." His beef is that China, which accounted for nearly half of the world's output last year, has driven down global prices and increased pressure on U.S. steel companies.

The reality is that foreign competition forced the U.S. steel industry to become more efficient—or at least it did before the tariff walls began going up. Over the past four decades, production has shifted from unionized integrated mills that use blast furnaces and iron ore to lower-cost mini-mills that employ electric arc furnaces, scrap metal and nonunionized labor. Steel from integrated mills makes up a third of domestic production, down from about three-quarters in 1980.

Domestic manufacturers that were slow to adapt, such as Bethlehem Steel, have gone out of business while leaner steel makers that have embraced new technologies are prospering. In

April U.S. Steel slashed its annual profit forecast to invest in retrofitting decades-old mills. Improvements in technology and workflow are the main reasons the U.S. steel workforce has shrunk—and survived an onslaught of competition.

Yet U.S. foundries are still running at only 71% capacity while imports make up a quarter of the U.S. market. One reason is that most advances in high-strength steel have occurred overseas. Many downstream consumers say domestic steel doesn't meet industry quality or safety standards. Mini-mills produce lower-grade metal that's suitable for roads and buildings, but not as much for automotive sheet or appliances.

This excess capacity should moot natural security concerns. Defense consumes less than 3% of domestic steel, and U.S. foundries would have plenty of spare capacity to ramp up production in wartime. Canada, Mexico and South Korea accounted for 40% of imports last year, while China and Russia together provided 7%.

The greatest harm from broad-based steel tariffs would be to the thousands of American businesses and workers that use steel. These would include the higher cost of American steel for construction (42% of steel shipments), automotive (27%) and machinery (9%). Public works and homes would cost more to build.

Many U.S. companies that compete globally would risk losing business to overseas competitors. Some would turn to substitute materials such as plastic or aluminum, tweak their supply chains or move production overseas. Auto makers would likely utilize more high-strength aluminum and shift more production to Canada and Mexico. American steel workers could even be harmed if demand for steel drops as users adapt to higher prices.

There are 16 times more workers employed today in U.S. steel-consuming industries than the 150,000 or so American steelworkers. A study by economists Joseph Francois and Laura Baughman found that more American workers lost jobs (200,000) after George W. Bush imposed steel tariffs in 2002 than were employed in the entire steel industry at the time (187,500). The result was \$4 billion in lost wages.

The case against steel tariffs is so overwhelming that it's hard to believe even Mr. Ross can find a way to justify it. The motivation could only be to assist the politically clamorous owners of a handful of steel companies that would exploit government favoritism to raise prices. The losers would be millions of the so-called forgotten men and women the President vowed to help during his campaign.

Hezbollah in New York

Federal prosecutors have charged two U.S. citizens with providing material support to Hezbollah and helping the Iranian-backed Lebanese terror group prepare potential attacks in America and Panama. The charges, announced Thursday after the men were arrested June 1, show that Iran's terror proxies roam far beyond the Middle East.

The FBI and New York Police Department carried out the investigation, which resulted in a raft of terror-related charges for naturalized citizens Ali Kourani of the Bronx and Samer el Debek of Dearborn, Mich. Prosecutors say Hezbollah recruited the men as "operatives," provided them with "military-style training," then gave them a variety of ominous tasks.

Prosecutors in the Southern District of New York say the 32-year-old Mr. Kourani conducted "pre-operational surveillance" of military and law-enforcement sites around New York as well as Kennedy Airport. The feds allege that Mr. Debek, age 37, staked out targets

in Panama that included the American and Israeli embassies as well as the Panama Canal. Attorneys for the two men didn't respond to media inquiries.

Mr. Debek's alleged Panamanian operations are consistent with Hezbollah's presence across Latin America that goes back to the bombings of the Israeli embassy and a Jewish community center in Buenos Aires, in 1992 and 1994 respectively, killing more than 100 people.

In 2011 U.S. investigators foiled a plot to kill the Saudi ambassador at a Washington restaurant, leading to a guilty plea by the would-be assassin. Hezbollah was also behind a 2012 bus bombing in Bulgaria that killed five Israeli tourists and their local bus driver.

Iran bankrolls Hezbollah to the tune of \$200 million annually and provides most of the 80,000 missiles the group points at Israel. The latest allegations are a reminder that the Tehran regime still deserves its reputation as the world's leading state sponsor of terror.

Macron's French Sweep

Emmanuel Macron is looking like more than a one-election wonder. On Sunday the new French President's upstart political party, La République en Marche, swept the first round of elections for the National Assembly, the lower house of Parliament. If the results continue through the second round Sunday, Mr. Macron will have a sturdy mandate to repair France's broken economy.

Turnout was a historic low 49%, but En Marche and its smaller centrist ally, Modem, qualified for the second round in nearly every constituency where they fielded candidates.

Mr. Macron's party came first with 32% of the vote overall, thumping the center-right Republicans (22%), the hard-right National Front (13%) and the center-left Socialists (10%). Smaller far-left parties divided the rest of the ballots.

These results could translate into some 400 En Marche seats out of 577 once the second round is complete. This is an astonishing feat for a party that didn't exist a year ago as well as a rebuke to the country's traditional political class.

The legislative election is inoculating Mr. Macron against the antireform left's accusation that he is in the Élysée Palace only because the French wanted to keep out his far-

right rival, the National Front's Marine Le Pen. The legislative races suggest voters prefer Mr. Macron's reform vision over what the traditional parties are offering. So

when labor unions hit the barricades and set tires alight to protest his reforms, Mr. Macron can point out that they represent an unpopular special interest.

A big majority in the National Assembly will also permit Mr. Macron to enact his reform agenda via legislation rather than relying on brittle Presidential decrees. With more than two-thirds of the Assembly in his camp, he could be more ambitious in tackling France's job- and growth-killing taxes and regulations.

Start with the 35-hour workweek. Mr. Macron during the campaign vowed to keep the law intact while giving firms more room to negotiate overtime. But abolition is the real cure for a measure that discourages job creation, and the former investment banker should make the case for it.

Mr. Macron's meteoric rise in politics is impressive, but the real test will be whether he can put France's 10% unemployment rate on a downward trajectory and accelerate a GDP growth rate stuck at zero to 1%. With a bigger majority should come bigger reform goals to restore the vitality of France.

Voters bolster the new President's reform mandate.

A French Charter Of Integration



France's President Emmanuel Macron, knowing only success in his first month in office, has yet to act on one of his most quietly announced goals: dealing with Islam in France. He's pledged affirmative-action measures, zero tolerance on security and "a determined

policy of reconquest of the Republic" in the country's no-go, Islamist-controlled enclaves.

Tall order. Taller still, even in Mr. Macron's current state of grace, considering history's great Reconquista took more than 700 years.

In the context of France's battle with homegrown "Islamist terrorism" (Mr. Macron's verbal escalation over former President François Hollande's "obscurantism") and its hundreds of French dead, the details of the new president's approach to restraining Islamism are few. So far, they have nothing to do with a unifying charter of national civilization that would represent a binding solution for an Islamic presence that has been described by the intellectual Alain Minc as "a subterranean territory within French society."

Instead, the president's announced priorities are the "moralization" of French politics (don't hold your breath) and, in order to restore international confidence in France's economic stability, the difficult reform of the rigid French labor code.

When it comes to drawing Muslims closer to France, Candidate Macron spoke of reducing class sizes in schools in "difficult neighborhoods" and giving employers €15,000 (\$16,800) over three years for each new open-term hire from those neighborhoods.

That, for now, is it on affirmative action ("discrimination positive," in French) which Mr. Macron said in March he'll "take on totally." His predecessor, Mr. Hollande, had experimented with a similar but no-name employment inducement for two years before dropping it.

And the "reconquest of the Republic" remarks?

They received virtually no media attention. In spite of last month's election defeat of Marine Le Pen, and a consistent majority view in France that the failure to integrate Muslims is a Muslim-made problem, broad political discussion of Islam remains couched in euphemism. The talk is instead of migrants, the suburbs (a verbal stand-in for Muslim-majority enclaves), or *communautarisme* (referring to the total rejection of French law and values in many Muslim-majority housing projects).

Who these Muslims are, or their number, is left vague by the state, which considers precise information on the subject potentially discriminatory. But a liberal

think-tank, Institut Montaigne, last year came up with some interesting results on the 5.6% of France's population that it counts as Muslim.

The study found that 28% of those Muslims have "adopted value systems clearly opposed to the values of the Republic." Hold that up alongside an estimate a year ago from former Prime Minister Manuel Valls that only 1% of French Muslims are Salafists supporting jihadism.

Boualem Sansal, an Algerian novelist, recently told a French reporter that when it came to "Islamism or political Islam," Mr. Macron didn't grasp "France's No. 1 problem." The Islamists in France think in terms of conquering neighborhoods, not states, Mr. Sansal said.

Defining the relationship between Muslims and the state and setting an example for the rest of Europe.

Perhaps Mr. Macron should talk to Gérald Darmanin. He's the president's budget minister with a part-Algerian heritage who, as mayor of Tourcoing, the northern French town with a large Muslim population, had refused to approve a building permit for a minaret.

Mr. Darmanin said last year that "Islam has to adapt to the Republic and not vice versa." To establish this relationship officially, making clear that French law and values have precedence over any interpretation of the Quran, he urged that "there has to be a compact or state agreement."

A covenant of this kind would create an Islamic consistory in France with legal status equal to that of similar Roman Catholic, Protestant or Jewish bodies. As was the case with the Jews more than 200 years ago, Muslims could be asked to pledge to defend France ahead of all other considerations.

With Muslims representing an estimated 5% to 6% of the French voting population, Mr. Macron's subordinate focus on their role buys him momentary calm to solidify power through another remarkable performance in the second round of legislative elections Sunday.

But dealing with the issue of Islam head-on, comprehensively and soon—offering job and educational opportunity while achieving real accommodation of French values—would be a profound statement of Mr. Macron's authority. He cannot fail to try.

As far as a reconquest of lost territory goes, that's a lot of verbal resonance bound in with a much smaller practical reality. Still, a charter of integration, setting an example for Muslim relationships with the rest of Europe, could be considered progress.

The Robot-Human Alliance

By Ken Goldberg

Humans have been beaten by a machine again. Last month the world's top-ranked player of Go, an abstract strategy board game, lost to Google's AlphaGo program. This marked a major achievement for machine learning.

What might be more important, though, went less noticed: Around the same time, some of the world's top Go players began competing alongside the AlphaGo program in human-machine teams. The players learned new strategies by studying AlphaGo's previous games and said working with the program gave them new confidence.

Most computer scientists agree that predictions about robots stealing jobs are greatly exaggerated. Rather than worrying about an impending Singularity, consider instead what we might call Multiplicity: diverse groups of people and machines working together to solve problems.

Multiplicity isn't science fiction. A combination of machine learning, the wisdom of crowds and cloud computing already underlies tasks Americans perform every day. Consider Google's search engine. It runs on a set of algorithms with input from a large number of human users who share valuable feedback every time they click on or skip over a link.

Multiplicity allows Amazon to recommend books, Netflix to suggest movies and Facebook to organize newsfeed posts. Millions of people show their preferences by clicking, and that data is used to build and maintain statistical models that predict what users want.

The key is clustering people and products, which allows the algorithm to make recommendations under the assumption that similar people have similar tastes. A continuing stream of human interaction ensures that the system evolves as new items are introduced and as tastes change.

While scientists still don't understand Multiplicity very well, they are discovering clear benefits to machine diversity. Researchers have developed a family of techniques known as "ensemble learning," in which a set of specialized algorithms work together to produce a single result.

One variant, known as "random for-

ests," was developed by Leo Breiman and Adele Cutler at the University of California, Berkeley. They proved that in complex problems with noisy data, a group of "decision trees" will always outperform a single tree—so long as the trees are sufficiently diverse.

By the same token, the benefits and challenges of human diversity have been recognized for centuries in political science, economics and sociology. Experiments on group problem-solving show that the diversity of the people involved is more important than their total IQ.

Perhaps the most exciting area of machine learning is deep learning, in which millions of parameters are tuned based on diverse training examples of speech or images that have been labeled by people.

In robotics, too, the exciting progress, especially in autonomous driving, can be characterized in terms of Multiplicity. Data from a varied group of human drivers is combined to demonstrate appropriate responses to varying conditions, and to train multiple statistical machine-learning algorithms that run on distributed hardware.

The systems must be continuously updated and fine-tuned based on changes in road, weather and traffic conditions, and as human expectations evolve. All this requires a continuing feedback cycle with people at the core.

Collective intelligence with artificial intelligence enables many of the most sophisticated and effective systems in use today. If people stopped providing input, these systems would quickly become outdated and would deteriorate.

Despite years of experience in human factors and human-machine interfaces, more research is needed on the best ways to combine diverse groups of people with diverse groups of machines. The important question isn't when machines will surpass human intelligence, but how humans can work together with them in new ways.

Multiplicity is collaborative instead of combative. Rather than discourage the human workers of the world, this new frontier has the potential to empower them.

Mr. Goldberg, a professor of engineering at the University of California, Berkeley, is director of the People and Robots Initiative.

OPINION

Comey Closes the Case—Almost

By Peter J. Wallison

Now we know, thanks to former FBI Director James Comey's testimony last week, that President Trump wasn't a target of the investigation into Russian meddling in the 2016 election.

That's by far the most important thing Mr. Comey said. For a year, the FBI has been looking into possible collusion between the Trump campaign and Russia, and apparently there wasn't enough evidence to make Mr. Trump a target. That news should put to rest—as the president had hoped—an allegation that, if true, would undoubtedly have caused even Republicans in Congress to consider impeachment.

But Mr. Comey's testimony has put another question on the table: whether the president attempted to obstruct justice. According to Mr. Comey, he met with Mr. Trump privately in the Oval Office while the FBI was investigating former national security adviser Mike Flynn. "I hope

The president's insistence on disputing the former director's testimony was a needless complication.

"you can see your way clear to letting this thing go," Mr. Comey says the president told him. The former FBI chief testified that the president also asked him for "loyalty." Mr. Trump later fired Mr. Comey, possibly because he hadn't shown it.

As this national obsession continues, there will be heated discussions about whether Mr. Trump's statements and actions, and the surrounding circumstances, were an effort to obstruct justice. The answer: Given what we know, there is very little chance Special Counsel Robert Mueller will bring an obstruction charge.

For one thing, the facts are ambiguous. Yes, Mr. Trump asked Mr. Comey to abandon the investigation of Mr. Flynn, but he didn't order it—something that, as president, he had the authority to do. As Mr. Comey remembered the president's request, it



President Trump and then-FBI Director Comey at the White House on Jan. 22

was couched as a wish: "I hope you can see your way clear . . ."

Similarly, the president's desire for loyalty is not unusual. All presidents expect loyalty from those in their administrations. The executive branch cannot function if subordinates aren't loyal to the president. Leaks are evidence of this.

In addition, Mr. Comey reported Mr. Trump said several things that are inconsistent with an intent to disrupt the investigation generally.

The most serious part of the inquiry relates to the Trump campaign's possible collusion with the Russians—clearly an impeachable offense if it occurred with Mr. Trump's knowledge or direction. Mr. Comey reports Mr. Trump as saying "if there were some 'satellite' associates of his who did something wrong, it would be good to find that out." That clearly indicates Mr. Trump wasn't trying to keep the FBI from investigating the Russia collusion issue.

These factual ambiguities alone make the case for obstruction of justice far less than clear-cut. Legal and political considerations militate in the same direction.

There is a strong argument that, as a matter of law, the president cannot be criminally guilty of obstructing justice if he simply orders the FBI director not to investigate someone. All appointed officials are the president's subordinates, and he is responsible for, and has authority over, their actions.

Under this conventional analysis of the executive branch, the president is authorized to direct or command investigations or prosecutions by the Justice Department, which acts on his authority alone. Thus, the president cannot be guilty of obstruction of justice unless he attempts to obstruct an investigation of himself, as in Watergate.

We don't know how many times past presidents have instructed the Justice Department to prosecute, or not, a criminal case. When the House voted in 2012 to hold President Obama's attorney general, Eric Holder, in contempt for failing to turn over documents, who directed that he not be prosecuted? It isn't publicly known how often this happens, but Mr. Mueller and the rest of the professionals in the Justice Department certainly know. That adds further ambiguity to Mr. Mueller's decision.

The idea that on this limited evidence Mr. Mueller would find the president obstructed justice, and thus set in motion proceedings that could unseat the winner of a presidential election, is a dream of the "resistance," but it isn't credible.

The smartest thing ever said about Mr. Comey's approach to the Hillary Clinton email issue—shaming her in public but refusing to recommend prosecution of what was clearly a serious crime—was that the FBI director didn't want to make a decision

that would determine the outcome of the 2016 election.

Similarly, Mr. Mueller probably will scold Mr. Trump for his actions, which certainly violated normal Washington protocol, but say ultimately that prosecution isn't warranted.

There isn't even much for Mr. Mueller to investigate. Only two people are involved, Messrs. Trump and Comey, and the latter's testimony is the only evidence Mr. Mueller needs. He could make the decision promptly, allowing the president and Congress to turn to the important domestic and foreign issues America faces. Mr. Comey's failure before last week to acknowledge publicly that Mr. Trump wasn't a target of the Russia probe shows the damage unnecessary delay can do.

What might have foreclosed this favorable outcome, however, is the president's unnecessary challenge Friday to Mr. Comey's account. Never one to leave well enough alone, Mr. Trump accused Mr. Comey of lying and offered to give his own testimony. That sets up a conflict that the media will treat as a test of Mr. Trump's honesty.

Unless there are tapes—which would raise even more questions—this is a challenge the president will lose. His exculpatory recollections under oath, whatever they are, will not be more credible than Mr. Comey's contemporaneous memorandums.

If that is Mr. Mueller's finding, the president will have given his enemies the priceless opportunity to claim he lied under oath, an impeachable offense—at least in Republican eyes when President Clinton was in the dock.

But the situation isn't irretrievable. Mr. Mueller could still say the president's testimony would change nothing and needn't be taken, since Mr. Comey's statements and memorandums simply don't make out a case of obstruction. Mr. Mueller would face merciless media and Democratic criticism for cutting this circus short.

But if he is the man of integrity everyone has averred, he will follow this course for the good of the country.

Peter J. Wallison is a senior fellow at the American Enterprise Institute. He was White House counsel in the Reagan administration.

The Trump Budget Still Shortchanges The Military

By Mac Thornberry

Ask anyone who served in the U.S. military in the late 1970s, and he will tell you it was a miserable time. Morale was low. Training was deficient. Weapons and equipment didn't work. Good people left the armed services in droves.

At the same time the world was growing more dangerous, with the Soviet invasion of Afghanistan, the Iranian revolution and hostage crisis, and multiple nations falling to communism.

A decade later the situation had turned around. How did America go from the hollow military of the 1970s to the strength that helped drive the Soviet Union out of existence? Are there lessons we could apply today?

After the stagnant '70s, Presidents Carter and Reagan boosted spending by double digits annually.

A few months ago the vice chiefs from each branch of the U.S. military appeared before the House Armed Services Committee, which I lead. Their testimony certainly got my attention. Only three of the Army's 58 Brigade Combat Teams are "ready to fight tonight." More than half the Navy's airplanes cannot fly because they are awaiting maintenance and spare parts. The Air Force is short 1,500 pilots and 3,000 mechanics, and its fleet is older and smaller than ever.

All that is alarming enough, but what surprised me most was testimony that pilots today get fewer training hours in the cockpit than during the dire days of the 1970s.

How did this happen? Since 2010 the defense budget has been cut by more than 20%, but the world hasn't become 20% safer.

To get planes, ships and equipment ready to deploy to the Middle East or elsewhere, the military has had to take parts off other planes, ships and units. This cannibalization has diminished American readiness. The military isn't prepared to carry out all the missions it may be asked to do in a time of war.

What is the answer? Rebuilding the military after the 1970s took serious and sustained effort. When the Soviets invaded Afghanistan, the Carter administration raised defense spending by 12% in 1979 and 15% in 1980.

Ronald Reagan added even more: 17% in 1981 and 18% in 1982. After that the rate of growth slowed a bit, but in all there were five straight years of double-digit increases followed by three more of nearly 10%. At that point the defense budget was about 6% of America's gross domestic product. Today it's only 3.1%.

Repairing the damage done to the military in our time will require a similar sort of response. It's wrong to send brave men and women out on missions for which they aren't fully prepared or without the best equipment the nation can produce.

President Trump has committed to rebuilding America's military, but his first budget proposal doesn't follow through on that promise. Admittedly, very few of his Pentagon appointees were in place to help write the budget. Still, the proposal he sent to Congress for next year adds to defense spending a mere 3% above President Obama's last budget. Although it may stop the bleeding, it won't do much to help the military get well.

At the same time, the Pentagon needs to get better value for the money it spends. Outdated acquisition systems result in wasted dollars and delays in getting our troops the weapons and equipment they need. That is why defense reform has been, and will continue to be, such a high priority for the House and Senate Armed Services Committees.

But fixing the military's planes and ships cannot wait until the budget is balanced. America's military personnel need those tools now. Few remember how fierce the opposition was to the defense buildup of the 1980s. But looking back, President Reagan's policy was obviously the right one—for those who served and for the good of mankind.

I hope that 30 years from now they can say we did the right thing as well.

Mac Thornberry, a Texas Republican, is chairman of the House Armed Services Committee.

In Iran, Radio Liberty Doesn't Live Up to Its Name

By Sohrab Ahmari

President Trump is hiring a chief executive for the Broadcasting Board of Governors, the federal agency that oversees Voice of America and other media outlets charged with beaming light and liberty into closed societies world-wide. Politico reports the leading contender is Michael Pack, a conservative filmmaker and president of the Claremont Institute. Whoever gets the job faces an uphill battle to reform an agency that has lost its sense of mission.

To get a feel for the dysfunction, consider Radio Farda, the Persian-language component of Radio Free Europe/Radio Liberty. With an annual budget of \$117 million, RFE/RL is supposed to serve as a surrogate press in 23 countries across Europe and Asia that restrict media freedom. Farda is one of its most important broadcasters, intended to give Iranians a rigorous, fair and morally credible alternative to propaganda from Tehran.

But Farda too often fails to deliver. Nowhere is this more apparent than in its treatment of Israel. Here's how it recounted a Palestinian attack that took place March 19, 2016, amid last year's stabbing intifada: "Israeli media, quoting security officials, claimed that Abdullah Ajlouni, a 20-year-old youth, had, as Israeli media put it, approached several Israeli soldiers in a 'suspicious manner,' and had tried to attack them."

In fact, Israeli forces didn't open fire on Ajlouni merely because he had acted suspicious. Ajlouni had pulled a knife and stabbed one of the soldiers before they opened fire.

The story went on to claim that Ahmad Dawabsheh, a 6-year-old Palestinian boy who eight months earlier survived an arson attack by hard-line Israeli settlers, had been "transferred to Spain for treatment of wounds sustained in the flames, and Israel still hasn't arrested anyone on suspicion of carrying out the attack."

Again, incorrect. Israel had two months earlier indicted two Jews, charging one with murder over the attack, which killed Ahmad's parents and 18-month-old brother. Iranians relying on Farda to understand these events were given the false impression that Israel is a place where Jews kill Arabs with impunity. Nenad Pejic, a former Balkan correspondent who now serves as RFE/RL's Prague-based editor-in-chief, conceded in an email that the stabbing story that also discussed the Dawabsheh case had been "inaccurate."

Here's a Farda headline, from a March 10, 2016, news brief: "Three Palestinians and One American Killed in Clashes in Israel." The implication of saying that Palestinians were killed in impersonal "clashes" is that unmentionable Israelis hover in the background as potential culprits. It is only in the second paragraph that the story identifies the attacker as a "Palestinian man." Omitted altogether is that the "clashes" started after he began stabbing mainly Jewish civilians.

Such obfuscation of assailants'

and victims' identities reinforces the frame, familiar to Iranians from their own media, in which Israelis are always aggressors. Mr. Pejic acknowledged that this story was "incomplete."

Mr. Pejic said the label "extremist"

was "misused" with respect to Mr.

McCain in a 2012 article. But he said the other instances arose from quotes, or came from opinion pieces, or were otherwise "in line with the kind of political observation frequently found in news analysis."

The Persian-language service too often parrots state media and doesn't give Israel a fair shake.

Mr. Pejic countered that a three-paragraph squib didn't allow room for elaboration. Yet Farda published a second, much longer story on this incident that still didn't divulge the researcher's anti-Israel views.

Then there is Farda's coverage of President Obama's nuclear diplomacy. At least five stories, published between 2012 and 2017, described critics of Mr. Obama's engagement with Tehran as "extremists" and their views of Iranian realities as "amateurish."

The extremists in question included Sen. John McCain, congressional opponents of the deal generally, GOP aides on Capitol Hill, the American Israel Public Affairs Committee and the Foundation for Defense of Democracies.

Mr. Pejic said the label "extremist" was "misused" with respect to Mr.

McCain in a 2012 article. But he said the other instances arose from quotes, or came from opinion pieces, or were otherwise "in line with the kind of political observation frequently found in news analysis."

Yet RFE/RL couldn't point to any instances in which Democrats or supporters of the deal were labeled "extremists"—or with other pejoratives like "peaceniks" or "hippies." As a taxpayer-funded broadcaster, RFE/RL has a particular duty to refrain from partisanship when reporting on American politics.

Perhaps most dismaying are the stories that seem to be borrowed wholesale from state-run Iranian media.

An April 2016 Farda headline quoted President Hassan Rouhani to the effect that "If It Weren't for Iran's Assistance, ISIS would Have Captured Baghdad and Damascus." Another, from November 2016, read: "Iran's Deputy President Visits Shiite Festival in Iraq."

Like any item that might appear in Islamic Republic of Iran Broadcasting, these U.S.-funded stories deferentially quoted one Iranian official after another without offering context or any alternative view. Mr. Pejic agreed that these stories were "incomplete."

If any federal agency could use a Trumpian shake-up, the Broadcasting Board of Governors is it.

Sohrab Ahmari is a Journal editorial writer in London.

Notable & Quotable: Hillary

From "Can Hillary Clinton Please Go Quietly Into the Night?" by T.A. Frank, *VanityFair.com*, June 9:

There's a fine line—or maybe not even so fine a line—between boosting morale and monopolizing the spotlight. One reason Bill Clinton was able to make a name for himself decades ago was that previous candidates had the grace to get out of the way. Jimmy Carter and Walter Mondale and Michael Dukakis weren't trying to place themselves at center stage during the campaign of 1992. The Clintons, by contrast, kept sticking around. . . . As a friend of mine recently wrote to me in an e-mail, "They both had to be president?"

Even the name of [Mrs.] Clinton's PAC has a presumptuous ring to it. When someone has driven a bus off the road and hurled passengers out of their seats, it's a bad time for the

driver to stagger back to the wheel and call out "Onward together!" Onward, fine. Together, maybe not.

All of this would be easier to take if Hillary were on a crusade for a distinctive cause, in the manner of Bernie Sanders or Pat Buchanan or Jesse Jackson or Ross Perot. But when she offers her take on the world, she speaks in clichés and vague generalities like "progress" versus "turning back the clock."

Such teleological smugness (to which Barack Obama was likewise prone) doesn't just attract the ire of conservatives; liberals can get miffed, too. Is "progress" on the side of expanding NATO or the opposite? Is it on the side of greater National Security Agency surveillance or of less? Is it in favor of immigration amnesty or high-tech border security? We all want to move forward, but maybe we're not all facing Hillary's way.

At the same time, the Pentagon needs to get better value for the money it spends. Outdated acquisition systems result in wasted dollars and delays in getting our troops the weapons and equipment they need. That is why defense reform has been, and will continue to be, such a high priority for the House and Senate Armed Services Committees.

But fixing the military's planes and ships cannot wait until the budget is balanced. America's military personnel need those tools now. Few remember how fierce the opposition was to the defense buildup of the 1980s. But looking back, President Reagan's policy was obviously the right one—for those who served and for the good of mankind.

I hope that 30 years from now they can say we did the right thing as well.

Mac Thornberry, a Texas Republican, is chairman of the House Armed Services Committee.

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LIFE & ARTS

SHOPPING

Your Tote Bag Says So Much About You

Shoppers turn into walking billboards for brands as bags become 'visible status symbols'

BY ANNE MARIE CHAKER

THE DECISION ON which of the 29 tote bags stashed in your closet to bring on your Saturday afternoon stroll can spark a minor identity crisis.

Kyle Chayka, a freelance writer in Brooklyn, N.Y., says he owns somewhere between 12 and 20 tote bags. He favors a red one with both long and short straps, from clothing brand Freitag (acquired as a conference freebie) and an especially roomy Christie's bag which he likes on the weekends.

"They've become visible status symbols," Mr. Chayka says. "It's like the equivalent of wearing a sports jersey." A tote shows what style and brands you affiliate with, he says.

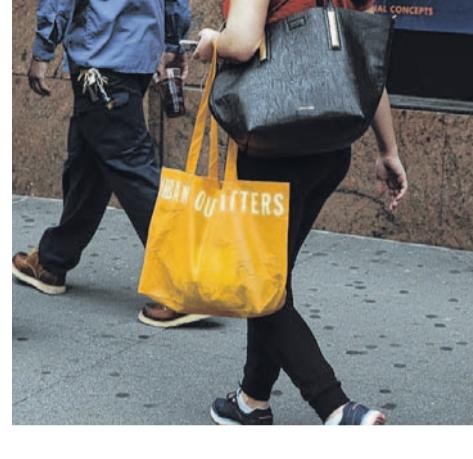
Totes are conversation starters, the way noticing the book someone is reading on the subway used to be, he says. "Sometimes when you see a tote bag, you know that person is one degree of separation from you."

Sturdy, canvas, waterproof or made of recycled material, tote bags take up an expanding part of our lives (and car trunks) as cities, counties and states continue to impose fees or bans on plastic bags. Stores either give them away free with purchase or sell them for a couple bucks in the hopes that consumers will like them and carry them—and that others will notice.

"They are walking billboards," says Ty Haney, founder of Outdoor Voices, an athletic-leisure clothing brand that emphasizes recreational play over performance. Its tote bags, which come free with an in-store purchase, carry the slogan "technical apparel for recreation." Ms. Haney says it is a more cost effective way of advertising than buying online ads because it gets the brand name into neighborhoods and scenes where there are lots of potential customers.

The company's investment is \$5 a bag, and it says it distributes thousands in its stores each month, but declined to specify a number.

Jonathan Hochman, an internet marketing consultant in Cheshire, Conn., says that "for \$5,000 worth of bags, you could probably buy 3 to 5 million online impressions."



Some of those eyeballs, though, might be the wrong type of customer. It takes five views of an online ad for the brand to really register with someone, he says. A real-world logo on a bag, however, "is actually a testimonial," he says.

When totes are durable and reusable they become longer-lived ad campaigns. Swimwear label 6 Shore Road's founder, Pooja Kharbanda, says that she made 1,000 tote bags to distribute at pop-up stores in Montauk, N.Y., and Newport, R.I., this summer. She estimates the cost is 2.5 times what it would be if she had just chosen paper bags.

But she hopes the bags will turn up on the beach, carrying flip flops and towels. For a customer who might forget about the brand over the winter, "they could pick it up again and think 'maybe I should check out what new things they have,'" says Ms. Kharbanda.

Some retailers sell the bags to help cover the cost. H&M's tote bags cost \$2 to \$4 and help spread the word about their garment recycling program. Customers who trade in old clothing or textiles can get 15% off their purchase. The bags proclaim: "There's only one rule in fashion: Recycle your clothes" or "Bring it: The lonely sock, the stained shirt, the washed-out dress and it will be reborn."

"We know that word-of-mouth is the strongest kind of advertising," says Marybeth Schmitt, communications manager for



Companies pay to offer shoppers durable bags that spread their brands' messages. The more stylish totes can also be conversation-starters for consumers, like team jerseys or books.

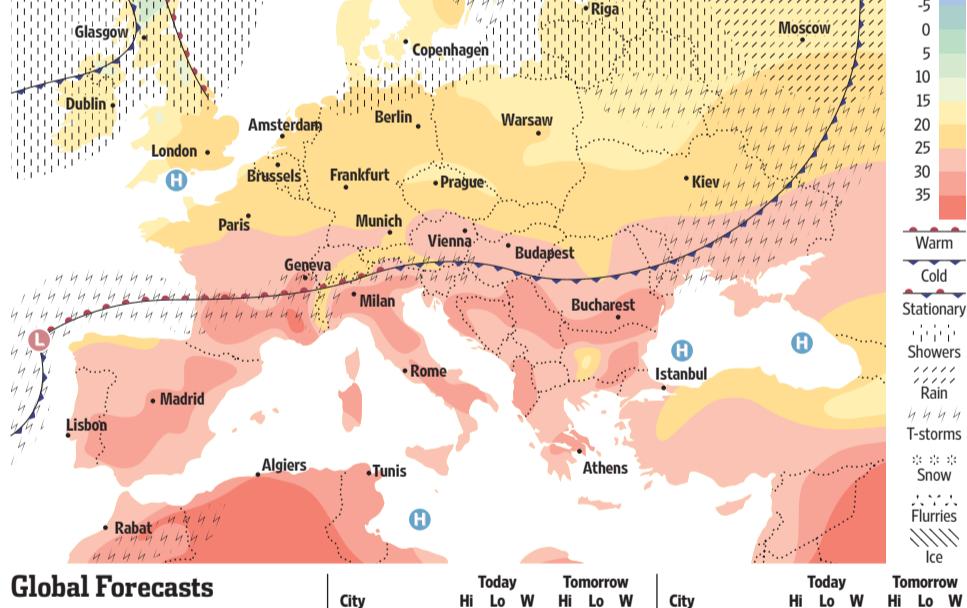
H&M North America, which operates 477 stores in the U.S. "And, this is like a form of word-of-mouth. They are recommending it by wearing it."

Catherine Depret's black, Honest Co., glow-in-the-dark, Halloween-themed tote has become the daily day care bag for 5-year-old Alexandre, filled with snacks, water and a stuffed animal, says the Washington, D.C., attorney. She originally got the tote with a shipment of diapers.

"The canvas is sturdy and I like the design," she says. "If it was a brand I didn't like, I wouldn't like it as much."



Weather



Global Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	20	10	pc	24	15	pc
Anchorage	13	8	r	14	7	r
Athens	30	21	s	32	21	s
Atlanta	30	22	t	32	23	t
Bahrain	45	27	s	44	25	s
Baltimore	34	22	s	29	17	t
Bangkok	34	26	c	33	25	t
Beijing	31	15	s	36	20	s
Berlin	21	11	pc	21	12	c
Bogota	18	10	sh	18	9	pc
Boise	20	8	pc	24	12	s
Boston	32	17	pc	22	14	s
Brussels	21	11	pc	25	15	s
Buenos Aires	18	8	pc	17	11	c
Cairo	36	23	s	34	22	s
Calgary	16	10	t	18	8	r
Caracas	31	26	pc	30	26	t
Charlotte	32	21	pc	33	21	t
Chicago	34	23	pc	33	22	t
Dallas	33	25	pc	34	25	pc
Denver	26	10	s	28	10	s
Detroit	31	20	t	28	19	t
Dubai	40	29	s	42	32	s
Dublin	19	11	c	19	12	c
Edinburgh	18	12	sh	20	11	c
Frankfurt	23	12	pc	26	14	s

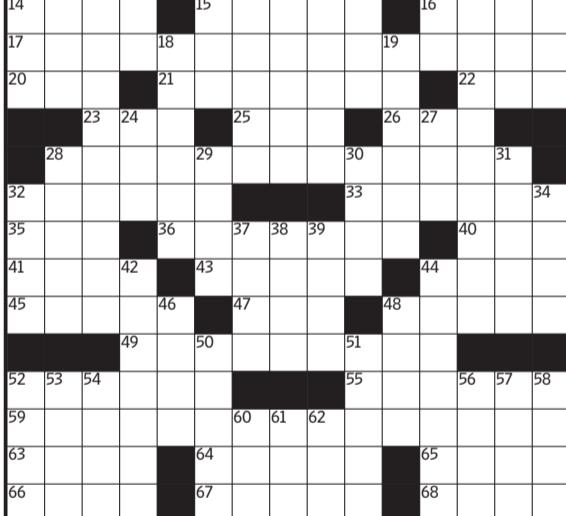
City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	30	18	t	29	18	t
Hanoi	34	27	t	35	27	r
Havana	31	23	pc	31	23	pc
Hong Kong	32	26	r	33	27	t
Honolulu	30	23	sh	30	23	pc
Istanbul	25	18	p	26	19	s
Jakarta	32	26	t	32	25	sh
Johannesburg	22	4	s	21	6	s
Kansas City	33	23	pc	32	21	t
Las Vegas	33	21	s	37	23	s
Lima	22	17	s	22	16	pc
London	22	13	pc	25	14	pc
Los Angeles	26	16	pc	29	16	pc
Madrid	37	21	s	38	21	pc
Manila	33	26	t	33	26	t
Melbourne	15	6	pc	15	8	pc
Mexico City	26	14	pc	24	14	pc
Miami	31	26	t	31	25	t
Milan	33	21	s	33	22	t
Minneapolis	33	22	t	32	20	t
Monterrey	37	21	pc	37	21	pc
Montreal	27	11	pc	22	10	s
Rome	28	18	s	28	18	pc
Salt Lake City	22	11	r	25	14	s
San Diego	22	16	pc	23	17	pc
San Francisco	20	12	pc	21	12	pc
San Juan	31	26	sh	31	26	pc
Santiago	18	4	c	16	5	pc
Santo Domingo	32	23	pc	33	23	sh
Sao Paulo	21	16	sh	20	15	c
Seattle	18	10	c	19	11	c
Seoul	25	16	pc	25	16	pc
Shanghai	24	21	sh	26	19	c
Singapore	30	26	t	31	26	t
Stockholm	14	6	pc	21	10	pc
Sydney	18	14	pc	19	12	pc
Taipei	34	27	t	30	24	r
Tehran	37	21	s	36	24	s
Tel Aviv	28	22	s	29	21	s
Tokyo	23	18	sh	25	19	sh
Toronto	27	15	t	22	14	s
Vancouver	17	9	c	17	10	pc
Washington, D.C.	34	24	s	31	19	t
Zurich	28	14	pc	27	14	pc

AccuWeather.com

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

Legend: Warm (red), Cold (blue), Stationary (yellow), Showers (light blue), Rain (dark blue), T-storms (purple), Snow (white), Flurries (pink), Ice (orange).

The WSJ Daily Crossword | Edited by Mike Shenk



WILD PITCHES | By Aaron L. Peterson

Across	28	49
1 "You're a riot!"	Baseball pitch from a chef?	Baseball pitch from a Woodstock attendee?
5 Venomous African snake	"I understand"	Consumption
10 Grievance	Sartre play	Friend of Jerry and George
14 "By Jove!"	NYC's first subway line	Contest hopeful
15 Cheering loudly	35 NYC's first subway line	Baseball pitch from a backyard cook?
16 Convention center event	40 Bag-checking org.	41 ___ there, done that
17 Baseball pitch from a DVD fan?	44 Like champion racehorses	Fan's favorite
20 Break off	46 Hired thugs	Balance sheet listing
21 Alumni assembly	47 Warm the bench	Little pitchers have big ones, reportedly
22 Johnny Bench, for 17 seasons	48 College heads	Fill fully
23 Pollen collector	49 Unoriginal	Bring back a ball, e.g.
25 Evangelist's topic	50 Bitonesheadoff	Sour fruit
26 Sportage producer	51 Arose riot	

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

Down</th

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, June 13, 2017 | B1

Euro vs. Dollar 1.1203 ▲ 0.05%

FTSE 100 7511.87 ▼ 0.21%

Gold 1266.10 ▼ 0.19%

WTI crude 46.08 ▲ 0.55%

German Bund yield 0.250%

10-Year Treasury yield 2.215%

Tech Shares Lead Global Declines

By RIVA GOLD
AND ALEXANDER OSIPOVICH

Shares of technology companies fell around the world Monday, with the U.S. giants that had been driving this year's stock-market gains extending Friday's steep declines.

In Europe, the Stoxx Europe 600 dropped 1% to 386.62, weighed down by a 3.6% drop in the tech sector. Shares of semiconductor manufacturer AMS fell 8.3%, 3-D sensors maker STMicroelectronics lost 8.9% and the U.K.'s Dialog Semiconductor declined 6.7%.

In the U.S., the tech-heavy Nasdaq Composite fell 0.5%. The S&P 500 lost 0.1%, and the

Dow Jones Industrial Average fell 36.30 points, or 0.2%, to 21235.67.

Apple shares fell 2.9%, while Netflix tumbled 4.5%. Google parent Alphabet and Facebook lost nearly 1% each, and Amazon fell 1.4% by late afternoon. Shares of those companies each fell 3% or more Friday.

Several large tech companies have led this year's rally, prompting concerns that major indexes' gains have been too concentrated in a handful of stocks. Tech shares in the S&P 500 have climbed roughly 17% this year, while the Nasdaq has risen 15%.

Analysts have cited a se-

ries of critical research notes on players like Apple as the trigger for the selloff, but after the run-up, the sector "was ripe for a pullback of some sort," said Mark

tures gained 0.5% to \$46.08 a barrel, after falling 3.8% last week.

Some analysts said investors have sold tech shares to move into other areas of the

Some analysts said investors have sold tech shares to move money into other areas.

Luschini, chief investment strategist for Janney Montgomery Scott.

Energy shares in the S&P 500 rose 0.6% by late afternoon on Monday, buoyed by rising oil prices. U.S. crude fu-

market. "It's more the winners into the losers, rather than a broader move towards safety," said Russ Koesterich, co-portfolio manager of BlackRock's Global Allocation Fund.

Several market watchers

said tech stocks can rebound quickly, despite relatively high valuations, if investors continue to favor large companies with growth potential.

For the second quarter, the information-technology sector is expected to report the second-highest year-over-year earnings growth in the S&P 500 at 9.3%, according to FactSet.

Earlier, declines in tech shares also hit stock markets in Asia. Leading the way lower was Hong Kong's Hang Seng Index, which slid 1.2% amid declines in internet heavyweight Tencent, which had recently climbed to record highs.

Please see STOCKS page B2



Emil Michael has left the firm.

Uber's Senior Ranks Roiled Again

By GREG BENSINGER

Uber Technologies Inc. said a top lieutenant of its chief executive had left the firm and it planned to name Nestlé SA executive Wan Ling Martello to its board, Uber's third prominent female hire in the past week, as the ride-hailing company grapples with a leadership crisis.

Uber's chief business officer, Emil Michael, told employees Monday that he had left the company. According to people familiar with the matter, his departure was related to a report on Uber's workplace culture by former U.S. Attorney General Eric Holder that was presented to the board.

The board, in a meeting Sunday, also considered a possible leave of absence for Chief Executive Travis Kalanick as he deals with the death of his mother in a boating accident last month that left his father seriously injured.

The board meeting capped a difficult stretch for Uber, which has come under fire over its workplace culture after a former software engineer in February published a blog alleging the company ignored harassment claims from her and other workers.

The company is also dealing with a lawsuit by Google parent Alphabet Inc. over the alleged theft of self-driving-car trade secrets, a federal probe into its business practices and the recent departures of top executives.

The results of Mr. Holder's investigation are set to be released to employees Tuesday after the board unanimously voted to adopt all its recommendations. They were expected to include new human-resources processes and training, as well as to address the future of key executives, including Mr. Michael, according to people familiar with the matter.

Mr. Kalanick is protected in his position because of his share-based voting power—which, along with co-founder Garrett Camp and early employee Ryan Graves, gives him a large majority.

Please see UBER page B4

STREETWISE |

By James Mackintosh

Hot Sector, Crowded Trade Mean Danger



Normally, a slight fall in a volatile stock-market sector would be of little note. But Friday's pullback in technology stocks bears closer attention than usual, coming out of the blue and, unusually, not being part of a wider selloff.

The fall was small in absolute terms, but it looks huge compared with everything else. The S&P 500 tech sector has had only two worse days relative to the wider market since the dot-com bear market ended in 2003. One was amid the post-Lehman carnage in October 2008, the other after the market began its credit-crunch-induced descent in late 2007. These are not good precedents for investors.

Investors should be cautious about reading too much into one or two days' moves. Nvidia Corp., the graphics card maker that has become the picks-and-shovels supplier to the gold rush in artificial intelligence and cryptocurrencies, had a hard time, dropping 6.5% on Friday. Facebook Inc., Amazon.com Inc., Alphabet Inc. and Apple Inc. fell more than 3% on Friday and were lower again Monday afternoon. But the wider Nasdaq-100 index, dominated by technology, was off only 2.4% on Friday and 1% on Monday afternoon. Even Nvidia's Friday drop wasn't its worst day this year. (The stock was up slightly Monday afternoon.) This will probably turn out to be merely a small correction to the phenomenal run-up in tech stocks this year.

Yet, there are both short-term and long-term reasons to worry about tech. In the short term, the fall was an example of what happens when shares lose momentum. When shareholders buy stocks just because they're going up, any interruption can be brutal.

The tech sector has also become universally popular, suggesting the shares have become a crowded trade. Goldman Sachs Group Inc. analysts even point out that the biggest tech stocks—the "FAAMGs" of Facebook, Apple, Amazon, Microsoft Corp. and Alphabet (Google)—have appeal to investors who buy into low volatility, after recording lower volatility than any market sector in the past six months. They already qualified for those who screen shares for momentum and earnings growth. When popular trades go out of fashion, they often do so suddenly.

Please see STREET page B2



Jon Maddux used to advise homeowners on how to get rid of debt. Now he runs a firm that pitches loans to 'nonprime' borrowers.

JOHN FRANCIS PETERS FOR THE WALL STREET JOURNAL

Help Wanted: Subprime Brokers

Riskier mortgages are back; the problem is finding enough people with the skills to sell them

By KIRSTEN GRIND

Brokers willing to learn the lost art of making risky mortgages are in demand again.

Brandon Boyd was a high school junior during the financial crisis. Now, the former Calvin Klein salesman is teaching mortgage brokers how to make subprime loans.

Mr. Boyd, a 25-year-old account executive at FundLoans in a beach town outside of San Diego, is at the cusp of efforts to bring back an army of salespeople who once powered the mortgage industry and, some say, contributed to the housing crisis.

Mortgage brokers, who serve as middlemen between lenders and borrowers, used to be a key part of the home-loan process. But some brokers faked loan applications and steered people into debt they couldn't afford.

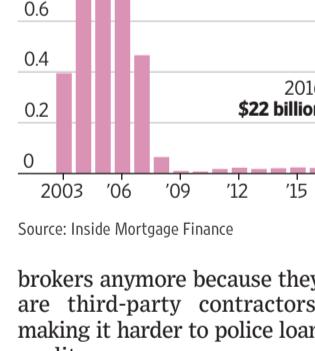
Financial regulation has severely diminished their ranks since the housing meltdown. And big banks with national sales teams say they won't use

Starting Over

Nonprime mortgages, and those originated by brokers, have plummeted since the financial crisis.

Nonprime mortgage originations

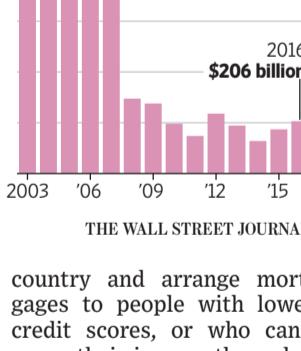
\$1.2 trillion



Source: Inside Mortgage Finance

Broker mortgage originations

\$206 billion



THE WALL STREET JOURNAL

brokers anymore because they are third-party contractors, making it harder to police loan quality.

Now, small and midsize independent lenders want the brokers back. Nonbank lenders that typically cater to riskier borrowers say they need brokers to fan out across the

country and arrange mortgages to people with lower credit scores, or who can't prove their income through a typical tax return.

Brokers are a key part of a mortgage chain that starts with a borrower going to a broker for a loan. The broker surveys lenders for the best

loan to fit the customer. The lender then funds the borrower's loan.

While brokers before the crisis served banks and independent lenders, today they are working largely for nonbank lenders who make up a critical part of the mortgage market.

In the first quarter, nonbank lenders accounted for about half the mortgages originated in the U.S., according to industry publication Inside Mortgage Finance.

The going has been tough in subprime, though: In the first quarter, nearly a decade after the start of the housing crisis, lenders originated just \$6 billion in loans to borrowers with less-than-stellar credit scores or who are using alternative documentation to prove income, a category now known as "nonprime," according to Inside Mortgage Finance.

In all of 2016, they originated \$22 billion in loans, according to Inside Mortgage Finance.

Please see BROKER page B2

Please see UBER page B4

Investors' Bets in Europe Diverge After Elections

Changing Fortunes

French and Italian debt prices rallied, sending yields lower, in response to the weekend's election results.

Yields on 10-year government bonds

2.5%

Italy

France

April 23

First round of voting in French presidential election

2016

2017

THE WALL STREET JOURNAL

By CHRISTOPHER WHITTALL

French and Italian bonds rose in value and the British pound continued its fall on Monday, with investors taking very different views of the politics currently affecting three of Europe's largest economies.

Weekend ballots in France and Italy showed signs that the popularity of the anti-establishment parties that had spooked investors earlier this year continues to wane. But the pound has been falling since the U.K.'s ruling Conservative Party failed to secure a parliamentary majority in last Thursday's election, spurring investors' concern that this will make Brexit negotiations even harder for Britain.

The yield on French 10-year government bonds fell around 0.05 percentage point to 0.595%, according to Tradeweb, its lowest close since November. That came after French President Emmanuel Macron's La République en Marche party won the first round of parliamentary elections Sunday, putting the upstart centrist party on course to secure a sweeping majority.

Yields fall as prices rise.

The yield on Italy's 10-year government bond fell about 0.09 percentage point to 2.00%, its lowest close since January, after no candidates from the anti-establishment 5 Star Movement made it through to the runoff vote for any of the main cities contested in Italian municipal elections.

"In the near term, the risk of populism across Europe is in retreat," said Nicola Mai, global sovereign credit analyst at Pacific Investment Management Co. "Both on the macro side, where the data are really strong in Europe, and on the politics side, things have been quite encouraging for markets."

There are early signs also

Please see RALLY page B2

INDEX TO BUSINESSES

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

A
Adam Opel.....B3
Aetna.....A7
Alibaba Group Holding.....B4
Alphabet.....B1,B4
Alstom.....A2
Amazon.com.....A5,B1
American International Group.....B5
Apple.....A9,B1,B4
Arconic.....B5
Astro Malaysia Holdings.....B7
B - C
Baker Hughes.....B8
Citigroup.....B7
CSX.....B5
D - E
Darden Restaurants...B5
Dragos.....B4
ESET.....B4
F - G
Facebook.....B1,B4
Ford Motor.....B5
Forest City Realty Trust.....B5
FujiFilm Holdings.....B4
GE Capital.....A2
General Electric.....A1,A2,B8
H - K
General Motors.....B3
Goldman Sachs Group.....B1,B7
Great Eastern.....B7
Gymboree.....B4
Hisense Electric.....B4
Hon Hai Precision Industry.....B4
JANA Partners.....B5
J.P. Morgan Chase.....B5
Jupiter Impex.....A5
Kohl's.....B5
L - N
Lotte Chemical Titan....B7
Lotte Group.....B7
Lyft.....B4
Maybank Asset Management.....B7
Microsoft.....B1
Mitsubishi Motors.....B4
Morgan Stanley.....B7
Nestle.....B1
Neuberger Berman Group.....B5
Nokia.....B2
Nvidia.....B1
P - Q
Permodalan Nasional....B7
Pershing Square Capital Management.....B5
R - S
Peugeot-Citroen.....B3
Qatar Airways.....B3
T - V
Rotary International...A3
Schulte Roth & Zabel.....B5
Sharp.....B4
Sony.....B4
Starboard Value.....B5
Starwood Capital Group.....B5
W - X
Tata Motors.....B4
Toshiba.....B4
Trian Fund Management.....A1,B8
Trump International Hotel.....A6
Uber Technologies....B1,B4
Valeant Pharmaceuticals International.....B5
Y - Z
Wal-Mart Stores.....B4
Warner Chilcott.....B4
Wellmark Blue Cross and Blue Shield.....A7
Whole Foods Market....B5
XBiotech.....B8
Yancol Australia.....B4
Yanzhou Coal Mining....B4
Zoetis.....B5

INDEX TO PEOPLE

A - C
Agran, Greg.....B7
Bonderman, David.....B4
Bornstein, Jeff.....B8
Brin, Sergey.....B2
Camp, Garrett.....B1
Cukierman, Joram.....B7
D - H
Flannery, John....A1,A2,B8
Frei, Frances.....B4
Friedlich, Jim.....B4
Graves, Ryan.....B1
Gurley, Bill.....B4
Hanifi, Moe.....B7
I - K
Herendeen, Paul.....B5
Huffington, Arianna...B4
Hunker, David.....B5
L - N
Imelt, Jeff....A1,A2,B8
John, Bozoma Saint...B4
Kalanick, Travis.....B1
Kantor, Charles.....B5
Klein, Eleazer.....B5
O - P
Manbeck, Keith.....B5
Martello, Wan Ling....B1
Michael, Emil.....B1
Neumann, Karl-Thomas
R - S
Osanai, Atsushi.....B4
Page, Larry.....B2
T - V
Rumayyan, Yasir Al....B4
Simard, John.....B8
Singh, Harry.....B7
W - X
Voegele, Will.....B5
Worley, Guy.....B5
Xu, Haidong.....B3
Zuckerberg, Mark.....B2

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I don't want to be a part of that," he said.

Steve Arnold, an account executive at Angel Oak Mortgage Solutions, one of the largest nonprime lenders, said he is on the phone almost nonstop from 8:30 a.m. to 6 p.m. every day except Sunday coaching brokers on how to make nonprime loans.

Recently, Mr. Arnold said, a broker called with a client who had a credit score of 620 and had sold his prior house in a sale that didn't generate enough funds to cover the mortgage. But the person had stellar income and was paying his rent on time.

The broker didn't know how to make a loan possible.

"A lot of [the brokers] are timid and scared and don't know where to start with the nonprime type loans," said Mr. Arnold, who is based in West Palm Beach, Fla.

Mr. Arnold made subprime loans between 2003 and 2007, and laughs when asked about the difference between the precrisis lending period and today.

"Back then we saw a lot of fraud with wages and earnings and bank statements," he said. Today, every loan file "is manually reviewed and underwritten by our company."

At the trade industry's annual conference at the Luxor Hotel and Casino in Las Vegas last September, several thou-

ghans. History has shown time and again that executives without effective checks and balances waste company cash on poorly thought out or overly expensive vanity projects, and founders of several of the biggest tech businesses have kept control of their companies through special classes.

Mark Zuckerberg still controls 60% of Facebook votes, co-founders Larry Page and Sergey Brin control 51% of Alphabet votes, and Snap Inc.'s IPO this year gave buyers of its shares zero votes.

There are other risks. New tech eventually disrupts old tech; could a new approach to social media send Facebook the way of MySpace, or a new phone

style leave Apple looking like Nokia Corp.? Hard to imagine, but so was the invention of the iPhone. Staff shortages are bidding up costs rapidly, as Silicon Valley competes with itself and Wall Street for the best computer-science graduates. There's also a danger that governments, particularly in Europe, get serious about their tax, antitrust or encryption concerns.

All these are for the future; for now, worry about a crowded trade quickly becoming much less crowded.

sand brokers packed presentation rooms. Five years ago, the association said it was lucky to get 200 people.

"It's been a hard battle" against the stigma of subprime lending, said Krista Donecker, an account executive at Irving, Texas-based Caliber Home Loans Inc. Ms. Donecker sometimes uses a presentation showing the difference between a precrisis subprime loan and a subprime loan today when she trains brokers.

She said she would never forget the first time she gave the presentation a couple of years ago. One of the brokers raised her hand and asked: "Are you sure this isn't illegal?"

means for Britain's negotiations with Brussels. Some investors say reduced Conservative Party influence could lead to a softer Brexit, which could be good for the economy, but others argue that the increased uncertainty will make the divorce even more tortuous and unpredictable.

In the meantime, though, the direction has been lower for the pound, which is the main barometer of investor sentiment toward the U.K.

"The bit of opacity is around what happens in the negotiations with the EU," said Stephen Macklow-Smith, a portfolio manager at J.P. Morgan Asset Management.

—Jon Sindreu contributed to this article.

BUSINESS & FINANCE

STREET

Continued from the prior page

Yet, tech stocks aren't repeating the dot-com bubble of 2000. It's true that before its drop on Friday, the S&P tech sector came within 0.1% of breaking its dot-com high for the first time. But unlike 2000, many of today's tech stocks are well established and run highly profitable oligopolies.

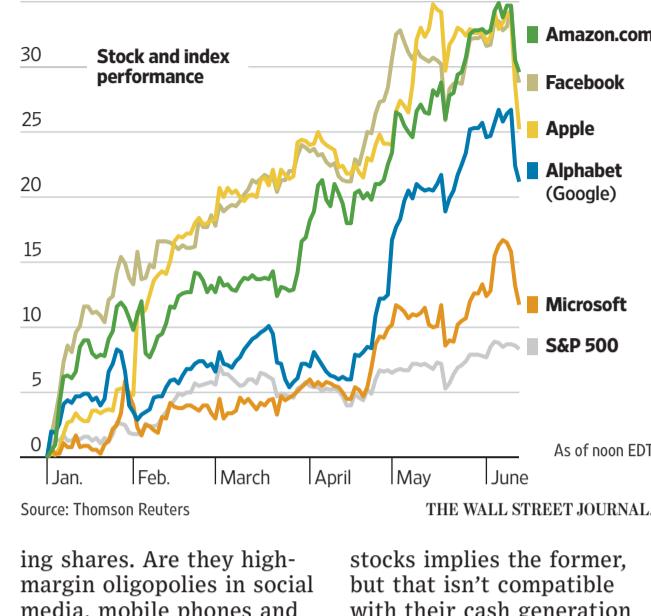
In the long term, the danger is that hubris in the boardrooms of tech companies will lead them to fritter away shareholder cash as they set out on a landgrab of new technologies away from their core expertise.

Apple has put the "hub" in hubris with its flashy new wheel-shaped headquarters. Some of the maddest projects have been put on ice—Apple's plan to diversify from mobile phones into electric cars or Google's internet provision via solar-powered drones—but plenty of "moonshot" projects remain.

Some of these moonshots will surely pay off, but investors would be wise to wonder about the core expertise of some of the companies in which they're buy-

What Goes Up Must Come Down... a Bit

Shares in leading technology stocks have dropped sharply but remain strongly ahead for 2017.



Source: Thomson Reuters

THE WALL STREET JOURNAL.

ing shares. Are they high-margin oligopolies in social media, mobile phones and operating systems? Or are they generic technology in-

stocks implies the former, but that isn't compatible with their cash generation being plowed back into high-growth moonshots.

The lack of effective controls on the founders of many of the big tech firms adds to risk.

cubation operations able to turn wacky ideas into new business models? Treating them as safe, low-volatility

Worsening this risk is the lack of effective controls on the powerful founders of many of the big tech com-

BROKER

Continued from the prior page peak for such loans, lenders made about \$1 trillion of these mortgages.

Meanwhile, the volume of loans produced by mortgage brokers dropped to \$37 billion in this year's first quarter, down about 34% from the last three months of 2016. Loans from brokers peaked at around \$1.1 trillion in 2003.

Lenders say there is an untapped market among borrowers with good credit scores like self-employed workers who don't have proper income documentation, or for respon-

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Cupru Min SA Company based in Abrud, 1, Piata Petru Dobra, Alba county, Romania, tel.+40258-780710, fax +40258-780296, e-mail: office@cuprumin.ro, organizes an open auction for the sales of copper concentrate. The quantity to be sold is 80,000 tons. Contract duration: 24 months. Deadline for the offer submission: 13.07.2017 11.00 a.m. Deadline for the reception of the clarification requests regarding the contents of the assignment documents is 03.07.2017 at 15.00 h. Deadline for the transmission of answers to clarification requests is 3 working day since the request reception. The offers will be submitted in Romanian language, with a validity of 90 days since the opening. The offers will be opened on 13.07.2017 at 12.00 a.m. at the company head-office. The criteria for assignment is based on the most advantageous technical-economic offer. No alternative offers accepted. The documentation drawn up in Romanian or English language, on hard copy or electronic format can be purchased at a price of 3000 Lei (VAT included) or equivalent in Euro, USD at the Romanian National Bank exchange rate valid on the day of payment in the company accounts:

• RO39RNCB0004021659250001 for lei

• RO36RNCB0004021659250055 for Euro

BUSINESS NEWS

Car Sales In China Slide Amid Higher Taxes

By TREFOR MOSS

SHANGHAI—China's passenger-car market is suffering a lean spell, mirroring a similar slowdown in the U.S. auto sector, with sales falling for the second month in a row in May as higher taxes hurt.

Passenger-car sales in the world's biggest auto market dropped 2.6% to 1.75 million last month, the government-backed China Association of Automobile Manufacturers said Monday.

That performance followed a 3.7% decline in April, the sharpest since a mid-2015 slump, which prompted the government to slash its autosales tax to 5% from 10% to stoke demand.

"The market is gloomy," said Xu Haidong, the association's assistant secretary-general, blaming "overconsumption" last year for weak demand now.

Passenger-car sales surged 16% in 2016, thanks in part to the government's tax cut. But Beijing raised the tax back to 7.5% at the start of this year, sapping buyer interest in the early months of 2017.

Tighter liquidity controls are also making some Chinese banks reluctant to finance auto purchases, said Robin Zhu, an auto analyst with Sanford C. Bernstein, a research and brokerage firm. Having forecast 4.6% growth for the China auto market in 2017 at the start of this year, Mr. Zhu said there is now a risk of growth failing to achieve that level.

However, surging demand for commercial vehicles is offsetting sluggish passenger-car sales. Sales of commercial vehicles in China increased 15% year-over-year in May to 345,000. The commercial vehicle market grew 18% in the first five months of 2017.

—Lilian Lin contributed to this article.

GM's Opel Unit Names New CEO

Finance chief gets top job as Peugeot prepares to complete its deal for car maker

BY ERIC SYLVERS AND MIKE COLIAS

General Motors Co.'s European unit, Opel AG, appointed a new chief executive as **Peugeot** gets set to complete its more than \$2 billion acquisition of the perennially unprofitable car maker.

Michael Lohscheller, who had been Opel's chief financial officer for the past five years, has taken over as the German company's CEO, Opel said Monday. He succeeds Karl-Thomas Neumann, who called his decision to leave Opel "personal," without revealing further details.

Peugeot earlier this year agreed to buy Opel, betting it can turn around a company that hasn't posted a profit in almost two decades. The acquisition, which could close as early as the end of July, would make Peugeot Europe's No. 2 car maker, behind Volkswagen AG. Revenue at Peugeot, officially known as Groupe PSA,



Opel's headquarters in Rüsselsheim, Germany, earlier this year. Peugeot intends to purchase Opel in a \$2 billion deal that would make Peugeot Europe's No. 2 car maker, behind Volkswagen.

would jump by one-third.

It wasn't immediately clear what role Peugeot CEO Carlos Tavares played in the change at Opel. A Peugeot spokesman declined to comment on the relationship between Messrs. Tavares and Neumann. Mr. Neumann couldn't be reached

through an Opel spokesman.

"I know some of you are disappointed, but I hope you can understand my decision," Mr. Neumann wrote on Twitter. He said he would take some time before deciding his next move.

Mr. Tavares had been ex-

pected to make some changes among Opel's top managers, though many analysts expected that significant changes were likely to come only after Peugeot gained control of Opel.

GM installed Mr. Neumann in early 2013 after a turbulent period of restructuring and ex-

ecutive turnover at Opel. The former CEO of German parts maker Continental AG put in place a 10-year plan that included a \$5 billion commitment from GM for investment in new vehicles.

Mr. Neumann, an avid marathon runner, had some success in reviving the beleaguered brand. He hired a new marketing chief from the cosmetics industry who oversaw edgy advertising campaigns that emphasized stylish designs and distinctive features. The vehicles improved and garnered critical praise too, as Opel gained market share in categories such as compact cars and crossover sport-utility vehicles.

Still, Mr. Neumann was unable to deliver on his goal of ending a long run of losses in Europe. GM said it had been on track to break even on the continent in 2016 before the U.K.'s vote to leave the European Union created currency-exchange headwinds. GM reported a loss of \$257 million in Europe last year, adding to the nearly \$20 billion in red ink it has spilled there over the past two decades.

—Nick Kostov contributed to this article.

Qatar Airways Boss Hits Back at Trump

DUBAI—The chief executive of Qatar's national airline struck a strident tone in the face of an air blockade imposed by its Arab neighbors, express-

By Nicolas Parasie in Dubai and Robert Wall in London

ing dismay that President Donald Trump backed the action while talking up the carrier's growth prospects.

A group of Middle East countries led by Saudi Arabia, the United Arab Emirates, Bahrain and Egypt last week cut diplomatic and transport

links to Qatar, accusing it of supporting Islamist groups and extremists in the region. Doha denies that it supports extremists. Mr. Trump has signaled he backed the move by Qatar's neighbors.

"I'm extremely disappointed in President Trump, I thought he was more shrewd," Akbar Al Baker, CEO of state-owned **Qatar Airways**, said in an interview. "I was expecting that the U.S. will lead the challenge to this blockade," he said.

Mr. Al Baker, who has for years maintained friendly relations with Mr. Trump, is among the first Qatari executives to publicly lash out at

the U.S. for its role in isolating the Persian Gulf state.

He called the four countries' blockade an illegal act that contravenes existing agreements with Qatar allowing free and unhindered air-space passage.

The tension with the U.S. comes at a politically sensitive time for Mideast airlines that have expanded rapidly on U.S. routes.

Some U.S. rivals, including American Airlines Group Inc., Delta Air Lines Inc. and United Continental Holdings Inc., have lobbied the Trump administration to curb the growth of airlines from the Persian Gulf,

such as Qatar Airways, **Emirates Airline**, and Etihad Airways, though other U.S. carriers and tourist groups have urged Washington to maintain an open market. The Trump administration hasn't said which side it would back.

The suspension of flights between the Arab states threatens to disrupt Qatar Airways' model, which consists of shuttling passengers from larger nearby countries like Saudi Arabia across its network of more than 150 destinations. Through Doha's airport, the airline carries millions of passengers every year, helping boost tourism and business,

which are vital to Qatar's plan to diversify its energy-dependent economy.

The air blockade has affected 18 Qatar Airways destinations or about 50 daily flights since it was announced last week, according to Mr. Al Baker.

Mr. Al Baker said he would use the planes normally deployed on one of the affected routes to accelerate the launch of several new destinations. The airline had earlier said that for 2017 and 2018 it expects to establish new routes to Thailand, Brazil, Chile, Ivory Coast, Ghana, Australia and Kenya among two dozen destinations.

England's Wine Industry Is in Ferment Over Brexit

BY LAURENCE FLETCHER AND TAPAN PANCHAL

England's wine industry has a Brexit hangover.

The fast-expanding sector has transformed itself over the past 30 years from a national joke to an international award winner.

The 14% drop in **sterling against the euro** since the vote in June 2016 to leave the European Union might have been expected to benefit U.K. industries selling abroad. A weaker pound means exports are cheaper for foreign buyers. Foreign wares become more expensive in the U.K.

But, as for many British industries, the reality isn't straightforward. Plus, last week's U.K. election adds to uncertainty over what Brexit will look like, winegrowers say.

English winemakers must buy their gear and vines from countries where winemaking is better established. English wine is a niche product, mostly sold domestically; unlike Scottish whiskey, the global market is small. And domestic drinkers aren't readily willing to give up their beloved Champagne, even if English wine comes with a cheaper price tag.

For English winemakers, "there's no real benefit at all," from the weaker pound, says Bob Lindo, a former pilot who turned to vine-growing 27 years ago, after a midair collision ended his Royal Air Force career.

In many cases, the fall in the pound isn't helping sales. The long-term nature of the business means it can take six years or more for planting additional vines to result in more wine on the shelf.

At the same time, the currency move means vineyards have to absorb higher import costs. Most of the specialist equipment and raw materials for producing wine, from the vines themselves, to fermenting tanks, glass bottles and corks, can only be bought abroad and usually come from France or elsewhere in the eurozone.

"Winegrowers now have to buy at the new exchange rate," said Mr. Lindo. "It depends what stage of the cycle you're at—if you're just starting out, then you've had a 7 or 8% increase in costs."

Mr. Lindo, whose Camel Valley vineyard is based in Cornwall—a southwest region that voted to leave the European Union in last year's referendum—added that he

was disappointed by the result of the vote.

Mark Driver, a former hedge-fund manager at London's Horseman Capital who quit to set up winery Rathfinny Estate, voted to leave the EU but says "costing will certainly increase" because of the weaker pound.

He still has to invest about £4 million (\$5 million) in the winery he is building. Around half of this will be in euros and covers bottling, disgorging and riddling equipment from France and Italy and 250,000 vines from Germany and France.

"Brexit could be adding 5% to 7% to our capital investment bill over the next year," Mr. Driver said.

This could mean a bill roughly £200,000 to £280,000 higher than before the Brexit vote.

However, Mr. Driver believes the weaker pound will be positive for sales as overseas buyers find it cheaper to buy English wine.

Others in an industry that mostly favored staying in the EU echoed his concerns.

"It is affecting margins. It does have an impact," said Tamara Roberts, chief executive of Ridgeview Estate. Her company, which makes sparkling wine in Sussex, south of London, is the official supplier to receptions at the U.K. prime minister's Downing Street residence.

Ms. Roberts said domestic and foreign sales had been buoyant in the first half of 2017, but it was hard to know how much of this was due to the pound's fall.

She said she saw little chance that weaker sterling would help English wine displace "the power and place of Champagne" among U.K. buyers. Champagne is "almost immune to any exchange rate" moves, she said.

English winemakers grow their grapes domestically, benefiting from a similar climate to northern France. The sector is expected to double production by 2020.



A weaker pound isn't helping British winemakers, who typically purchase equipment and vines from countries outside the U.K.

ANDREW MATTHEWS/PA WIRE/ZUMA PRESS

"IF YOU CAN DREAM IT, YOU CAN DO IT."

Walt Disney

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TECHNOLOGY

WSJ.com/Tech

Cyber Experts Identify Malware That Hit Grid

BY ROBERT MCMILLAN

Computer-security researchers said Sunday they have discovered the malicious software that knocked out electricity in Ukraine's capital last year, and warned U.S. companies that the code could be repurposed to disrupt systems in the U.S.

The discovery sheds light on an incident that security experts have been watching closely, hoping to understand the risk to the U.S. electrical grid. It follows a 2014 cyber-campaign against the U.S. in which networks at 17 energy companies, including four electric utilities, were compromised.

The malicious software, called Crashoverride, has been analyzed over the past week by Dragos Inc., a Washington, D.C., firm specializing in securing the industrial-control

than merely reconnaissance as in some other examples of such software. That makes it the most powerful industrial-attack code uncovered since Stuxnet, the software jointly developed by the U.S. and Israel a decade ago to disrupt Iran's Natanz nuclear enrichment facility, he said.

Crashoverride "is a selection of tools that are targeted, well planned and tested," said another industrial-control system expert briefed on the malicious software. "We've never seen this level of capabilities before."

The software runs on the Microsoft Windows operating system. Once installed on a network, it scans to discover what computer systems are available and can then be configured to switch circuit breakers, cutting off power, Mr. Lee said.

Microsoft's free security software now "detects and helps remove" the Crashoverride malware, a company spokeswoman said Monday.

Mr. Lee said the software contains a number of digital clues linking it to the 2016 attack that caused a partial outage in Kiev, Ukraine's capital, in the early hours of Dec. 17.

It isn't clear who was responsible for that attack. At the time, Ukrrenergo, the utility that operates the backbone of Ukraine's power transmission network, suspected a computer intrusion.

"We're 99% sure that it was a hacker," the utility's chief executive, Vsevolod Kovalchuk, said at the time.

Ukrrenergo didn't respond to requests for comment Monday.

There are no known Crashoverride infections in the U.S., Mr. Lee said. While the code isn't designed to work with systems on the U.S. power grid, it wouldn't be difficult to modify it to work in the U.S., he said.

Mr. Lee is skeptical that the Crashoverride code could have a widespread impact, however, because it would need to be manually configured to attack individual substations.



A conference last year in Paris. A Facebook news feature would be a boon to publishers as they emphasize digital subscriptions.

Facebook Eyes News Feature

Subscription support for news on firm's mobile app seen rolling out by year-end

BY DEEPA SEETHARAMAN AND LUKAS I. ALPERT

Facebook Inc. may soon help its users do something unfamiliar on the platform: pay for news.

The social-media giant is building a feature that would allow users to subscribe to publishers directly from the mobile app, according to people familiar with the matter. The feature, long requested by publishers, is expected to roll out by the end of 2017, three of the people said.

Many details remain up in the air, but discussions have centered on making the feature available only on stories published natively to Facebook through its Instant Articles product.

Talks also have focused on how to structure the arrangement, with Facebook leaning toward a metered-payment model, which would allow users to read some articles free of charge each month before prompting them to pay, three of the people familiar with the

matter said.

Another point under discussion is how payments would be processed and whether Facebook would get a cut of the revenue. One model being considered is to have Facebook take payment information but let publishers keep all the money, some of the people said.

"We're working with partners to understand their business and explore ways we can help them drive more value from Facebook. We are taking the time to deeply understand their different goals and needs," Facebook said in a statement.

The new feature would be a boon to publishers that are increasingly emphasizing digital subscriptions to power revenue growth, including The Wall Street Journal, the New York Times, the Washington Post and the Financial Times.

Publishers have long been frustrated by Facebook's outsize role in news dissemination and commanding presence in the digital advertising market. The dominance of Alphabet Inc.'s Google and Facebook in online advertising—the companies are expected to receive more than 60% of U.S. digital ad spending this year, according to market-research

company eMarketer—is one reason many newspapers now see subscription growth as paramount.

"Helping news publishers get paid for their digital content is arguably the most meaningful help that Facebook could provide to global journalism," said Jim Friedlich, chief executive of the foundation behind the Philadelphia Inquirer, which has lobbied Facebook for the initiative. "If Facebook truly creates a successful platform for the sale of news subscriptions at scale it will be a powerful and historic game-changer for the news industry."

He argued that such a change would likely be hugely beneficial to local and regional publishers "who have been less successful than national news enterprises in building revenue beyond print."

Top publishers urged Facebook to include a subscription option on Instant Articles before the format's launch in May 2015. At the time, Facebook employees studied different subscription models, such as prompting users to visit a publisher's website and subscribe after they have read a certain number of articles, according to two people familiar with the matter.

The idea didn't get off the ground partly because Facebook didn't want to introduce barriers between its users and content, one of the people said. One of the goals of Instant Articles, through which media outlets publish stories directly on Facebook instead of linking back to their sites, was to speed up load times on mobile.

But many publishers found they weren't making as much money on Instant Articles as on their own sites due to Facebook's restrictions on the number and types of ads, according to a January report from Digital Content Next, a trade group for digital-content companies. Publishers are also experimenting with new rival offerings from Apple Inc. and Google.

In response to mounting frustration and competition, Facebook eased some of its ad restrictions on Instant Articles.

In April, it added a new tool so publishers could encourage readers to sign up for their newsletters. Facebook executives also warmed to the idea of driving subscriptions through Facebook and started working on a "payment system" more seriously, the people familiar said.

BUSINESS WATCH

GYMBOREE

Clothing Retailer Files For Bankruptcy

Children's clothing seller Gymboree filed for bankruptcy, hoping to cement a deal to pare more than \$900 million in debt off its books and survive the shakeout in the retail sector.

The San Francisco-based company's survival would be costly to unsecured creditors, assuming Gymboree succeeds in implementing a fast-track restructuring.

Suppliers deemed "critical" to Gymboree's continued business will be paid in full, but general unsecured creditors are being offered nothing, according to a description of the restructuring strategy buried in court papers.

More than 375 stores, and perhaps as many as 450, would be closed in the restructuring to allow Gymboree to free up capital to boost its online selling effort, court papers say.

Gymboree has set a target date of Sept. 24 to get confirmation of a chapter 11 plan.

—Peg Brickley and Imani Moise

LYFT

Jaguar Invests in Ride-Sharing Firm

Lyft drivers are getting an upgrade.

The U.K.'s luxury-vehicle maker Jaguar Land Rover has invested \$25 million in Lyft Inc., the latest auto company to strike a deal with the Silicon Valley ride-hailing company.

Under the agreement, the companies will collaborate on "mobility services," including driving cars, and certain Lyft drivers will be supplied with Jaguar or Land Rover vehicles, likely for testing purposes. The partnership follows a wave of conventional auto companies pairing with a growing patchwork of tech companies, startups or

companies not seen as conventional competitors in the car business on autonomous-vehicle technology and testing.

Jaguar Land Rover, owned by India's Tata Motors Ltd., follows General Motors Co. as a Lyft investor. GM invested \$500 million in the Uber Technologies Inc. rival in early 2016. Lyft has struck deals with Alphabet Inc.'s Waymo unit and NuTonomy Inc. to work on technology.

—John D. Stoll

FUJIFILM

Scandal Losses Bigger Than First Thought

Fujifilm Holdings Corp. said losses from accounting irregularities in New Zealand were larger than first thought and extended to the company's Australian office-equipment unit, a development that raises further doubts about Japanese firms' control over their overseas operations.

The Japanese camera and copier maker said six board members at its subsidiary Fuji Xerox would resign to take responsibility for losses that ballooned to ¥37.5 billion (\$340 million) between fiscal 2010 and 2015, from ¥22 billion. It also docked pay from all the board members at Fuji Xerox and two senior group executives. Only one of the resigning board members will stay with the company.

Fujifilm said the scandal-related losses shouldn't widen further because it had reviewed all existing contracts at the two units and didn't see the same problems in any of its other markets, including Japan.

The latest example of Japanese accounting irregularities is likely to add to investors' concerns over corporate governance at Japan's companies, after a long-running accounting scandal at Toshiba Corp. and last year's admission by Mitsubishi Motors Corp. that it falsified fuel-efficiency data for some of its cars.

—Megumi Fujikawa

UBER

Continued from page B1

Mr. Michael's exit, though, could complicate a proposal that Mr. Kalanick step aside for a period.

The board took no action on the idea and left it to Mr. Kalanick to decide, a person familiar with the matter said. It isn't clear whether Mr. Kalanick ultimately will take the time off.

Uber confirmed Mr. Michael is no longer with the company and declined to comment further. Messrs. Kalanick and Michael haven't responded to requests for comment.

Mr. Michael's departure accentuates leadership turmoil

that is extraordinary for a company of Uber's size. The company, which investors value at \$68 billion, has experienced a parade of executive departures since early this year, including its heads of finance, communications, product and ride-sharing. Uber fired the head of its autonomous vehicle development and a senior vice president of engineering.

Uber is set to soon announce Ms. Martello, Nestlé's executive vice president for Asia, Oceania and sub-Saharan Africa, as its eighth voting director, according to people familiar with the matter.

Ms. Martello previously served as chief financial officer for the Kit Kat maker and was CFO for Wal-Mart Stores

Inc.'s international division. She also sits on the board of China internet company Alibaba Group Holding Ltd.

Ms. Martello couldn't be reached for comment. Uber declined to comment on her appointment.

The ride-hailing firm's board is made up of investors and insiders, including Mr. Kalanick; Mr. Camp, the co-founder and chairman; Mr. Graves, who at one time was Uber's chief executive; private-equity billionaire David Bonderman; media mogul Arianna Huffington; Yasir Al Rumayyan, an official from a Saudi Arabian government investment fund; and venture capitalist Bill Gurley.

The addition of Ms. Martello follows last week's hiring

of Harvard Business School management professor Frances Frei and Apple Inc. music executive Bozoma Saint John. Ms. Frei was hired as senior vice president of leadership and strategy to assist the human-resources team, while Ms. Saint John will be chief brand officer.

For the first time in its eight-year history, Uber released diversity numbers in March, showing it is about inline with other technology companies.

As of the report's release, women comprised 36% of Uber's employees, thanks to a prevalence of women in customer support and other non-technical jobs. On the technical team, 15% of employees were women.

Suppliers deemed "critical" to Gymboree's continued business will be paid in full, but general unsecured creditors are being offered nothing, according to a description of the restructuring strategy buried in court papers.

More than 375 stores, and perhaps as many as 450, would be closed in the restructuring to allow Gymboree to free up capital to boost its online selling effort, court papers say.

Gymboree has set a target date of Sept. 24 to get confirmation of a chapter 11 plan.

—Peg Brickley and Imani Moise

LYFT

Jaguar Invests in Ride-Sharing Firm

Lyft drivers are getting an upgrade.

The U.K.'s luxury-vehicle maker Jaguar Land Rover has invested \$25 million in Lyft Inc., the latest auto company to strike a deal with the Silicon Valley ride-hailing company.

Under the agreement, the companies will collaborate on "mobility services," including driving cars, and certain Lyft drivers will be supplied with Jaguar or Land Rover vehicles, likely for testing purposes. The partnership follows a wave of conventional auto companies pairing with a growing patchwork of tech companies, startups or

BY TAKASHI MOCHIZUKI

TOKYO—Sharp Corp. has sued China's Hisense Electric Co., which licensed the Sharp brand for televisions sold in the U.S., accusing Hisense of putting the Sharp name on poor-quality TVs and deceptively advertising them.

The court action is the latest effort by Osaka-based Sharp to retrieve the right to use its own name when selling TVs in one of the world's largest markets. Sharp is trying to recover its position as a global maker of consumer electronics. Hisense rejected the allegations and said it was selling high-quality televisions under the Sharp name.

The dispute illustrates the risks when the owner of a well-known brand name gives up control over products sold under that name.

In 2015, Sharp signed a deal with Hisense giving the Chinese company the right to use the Sharp name on TVs sold in the U.S. through 2020.

At the time, Sharp was in

sharp found its TVs made by Hisense violated U.S. standards.

financial distress and selling assets to raise cash.

In 2016, Taiwan's Foxconn Technology Group, formally known as Hon Hai Precision Industry Co., took a controlling stake in Sharp for ¥388.8 billion (\$3.52 billion), and Foxconn has sought to put the Japanese company back on a growth track.

In a complaint filed to a California state court in San

Francisco, Sharp lawyers said the Japanese company's brand and trademark "are at risk of being destroyed" by the time the five-year term of the Hisense agreement expires.

It said that under Hisense's management, the televisions are "shoddily manufactured" and "in many cases, perceived by consumers as cheap." It said it wanted Hisense to stop using the Sharp name.

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FINANCE & MARKETS

Mall of the Future Will Have No Stores

Landlords rethink the traditional model and create housing, offices and much less retail

BY ESTHER FUNG

When **Starwood Capital Group** LLC bought Fairlane Town Center in 2014, the investment firm had a lot of work to do.

The Dearborn, Mich., mall was only 72% leased, and among the vacant space was a sprawling former anchor store.

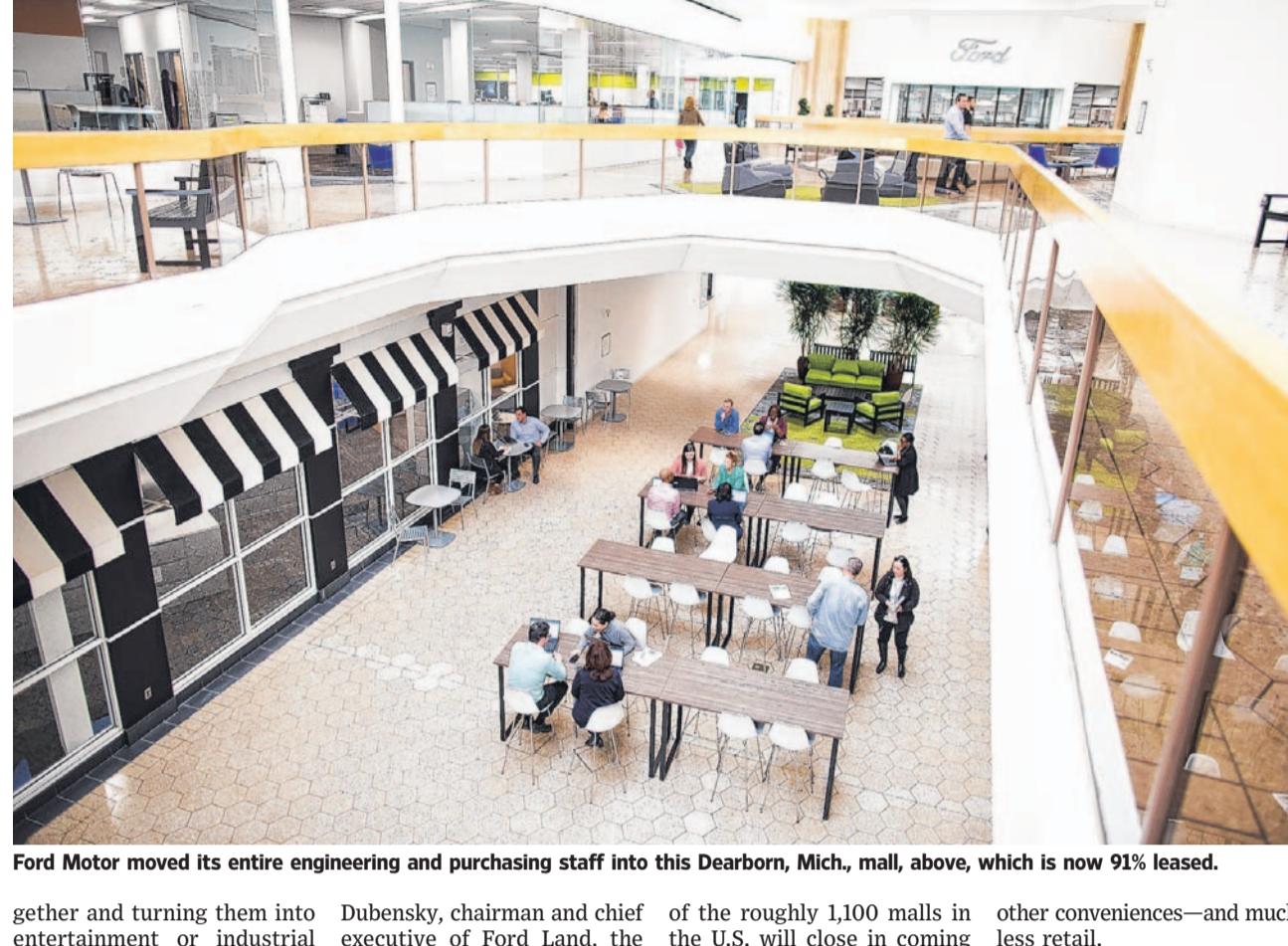
A chance call to **Ford Motor** Co. to sell some mall advertising turned out to be a game changer. In April, Ford moved its entire engineering and purchasing staff into space once inhabited by department-store chain Lord & Taylor. Ford is now the mall's largest tenant, with 240,000 square feet of space.

"Our relationship began as good neighbors," said Michael Powers, senior vice president of leasing at Starwood. "Then we found out they were in the market for office space. It was somewhat serendipitous."

As retailers close bricks-and-mortar stores at an accelerating pace, shopping-center landlords like Starwood Capital are facing a vexing question: What to do with all this empty space?

Their solutions are varied but all have a common element: reducing, or even eliminating, retail from the equation.

Some landlords plug empty spaces with churches, for-profit schools and random enterprises while they figure out a long-term plan. Others see a future in mixed-use real estate, converting malls into streetscapes with restaurants, offices and housing. And some are razing properties alto-



Ford Motor moved its entire engineering and purchasing staff into this Dearborn, Mich., mall, above, which is now 91% leased.

gether and turning them into entertainment or industrial parks.

Ford's 10-year lease at Fairlane Town Center "brought 1,800 to 2,000 employed people to our property, people with a paycheck," said Mr. Powers. The mall, which is still anchored by Macy's, J.C. Penney and Sears, is 91% leased, he said, and its food operators are doing better in the daytime than they did before, as Ford workers pile in for lunch.

Ford liked the mall's proximity to its main facility in Dearborn, which is being rebuilt over the next 10 years, and its wide open spaces.

"We didn't move walls, didn't change anything in a significant way," said Dave

Dubensky, chairman and chief executive of Ford Land, the company's real estate arm.

A construction binge in the 1980s and 1990s left the U.S. oversaturated with malls. Growth in online sales and declining demand for full-price goods are causing retailers to shrink the number of stores and divert resources to e-commerce platforms.

In all, retailers have announced 2,880 store closings from January to April 6 of this year, more than twice as many as in the same period a year earlier, according to **Credit Suisse Group AG**.

For the full year, the investment bank anticipates more than 8,600 stores to close. Analysts predict that 400 or so

of the roughly 1,100 malls in the U.S. will close in coming years.

Many mall owners are trying to liven up the experience, bringing more dining and entertainment tenants, and eschewing the traditional mix of middling food courts, fashion retailers and department stores.

"The appetite for experimentation is there," said Matthew Billerbeck, a Seattle-based senior vice president of design and architecture at **Cal Island RTKL**.

One strategy is to convert enclosed malls into open-air properties that landlords call "lifestyle centers," with apartments, theaters, grocery stores, medical offices and

other conveniences—and much less retail.

In Arlington, Va., landlord **Forest City Realty Trust** is redeveloping Ballston Common Mall by knocking down the main entrance to create a plaza, removing two-thirds of the roof and installing more windows to create wider vistas of open spaces. The Cleveland-based real-estate investment trust is also building 406 apartments linked to the mall.

"We're turning the mall inside out," said Will Voegele, senior vice president at Forest City Realty Trust. "We don't want a building with its back turned to the street."

The firm is converting what was once Macy's furniture store on the third level of the

mall into a gathering space for residents, including outdoor patios, seating and landscaping. Its tenant mix will feature more food options and street-facing retail.

Sometimes developers conclude that the only way to save a dying mall is to level it and start over.

The City Center mall in downtown Columbus, Ohio, was a community centerpiece where pop bands such as Hanson performed in the 1990s.

But the 1.25-million-square-foot mall started to deteriorate as competition from shopping centers increased.

City Center's anchor department stores, Lazarus, Kaufmann's and Jacobson's, closed in the last decade, and vacancy rates jumped to 75%.

The city in 2007 sued the owners of the mall and sought to evict them, accusing them of neglecting the property. The city purchased the property that year in hopes of redeveloping it, but closed it in 2009.

"We looked at 10 different redevelopment plans," said Guy Worley, chief executive and president of Columbus Downtown Development Corp., a nonprofit development firm. "It was built to be a mall and nothing else."

So, the city demolished the property over a two-year period and retained the underground parking structure, which was still used by workers downtown. In 2011, Columbus Downtown opened a park in its place called Columbus Commons, which has a performance space, two cafes, a carousel and bocce courts.

The park has spurred development around its perimeter, mostly office and residential, and hosts more than 200 events annually. The flagship Lazarus department store, which had been linked to the mall, is now an office building.



Goldman Sachs CEO Lloyd Blankfein, above, and Citi's Michael Corbat were fooled by fake emails.

Banking's Email Prankster Duper Wall Street Executives

BY LIZ HOFFMAN AND TELIS DEMOS

The chief executives of Goldman Sachs Group Inc. and Citigroup Inc. are the latest bank bosses to be hooked by an email prankster trolling top Wall Street brass, exposing a low-tech gap in banks' cybersecurity armor.

Goldman's Lloyd Blankfein and Citigroup's Michael Corbat, as well as Citigroup consumer-banking chief Stephen Bird, responded over the weekend to emails sent by the anonymous prankster, who masqueraded as top executives at the two banks.

The hoaxter, who last month snared Barclays PLC chief Jes Staley and Bank of England Gov. Mark Carney, on Sunday published screenshots of the exchanges on Twitter. Goldman and Citigroup confirmed the email exchanges.

None of the executives disclosed sensitive information in responding to the prankster, but the repeated episodes flag concerns about whether banks have done enough to guard against online threats.

The emails mimic a well-known scam known as "phishing." In this, scammers try to get victims to click on malicious links or try to capture sensitive information, such as passwords, via seemingly innocuous emails. These emails can take the form of invoices from customers, shared

Google documents, or phony password-reset requests.

Last year, the Federal Bureau of Investigation said that it had observed a 270% increase in business-email scams over a 15-month period.

The anonymous bank trickster so far has appeared to seek to embarrass executives rather than extract secrets or plant viruses.

The fear, though, is that if bankers can fall for pranksters, they might also fall victim to the kinds of phishing attacks that hackers used to breach the Democratic National Committee's email, enabled by a false email asking to reset a password.

Mr. Blankfein received an email that appeared to be from a top lieutenant, Harvey Schwartz. The prankster appeared to be looking for confirmation that a pair of recent tweets from Mr. Blankfein were a swipe at President Donald Trump's infrastructure agenda.

"Tweet won some online award for humorous tweet — Trump will be so pissed ;)" it read, according to the screenshots published on Twitter.

In fact, bankers often complain that their email is too secure, making it cumbersome to interact with clients. At many firms, emails dealing with client or financial information go through additional layers of security.

Messrs. Corbat and Bird received emails appearing to come from Citigroup Chairman

Michael O'Neill. Mr. Corbat only sent a brief response, while Mr. Bird traded a series of emails with the prankster. The emails were personal in nature and didn't pertain to business dealings of the banks or their financial workings.

"CEOs are trying to be hands on these days, tweeting and emailing and responding to many things themselves," said Sandeep Kumar, managing director for capital markets at Synectech, an information-technology consulting firm. "These firms have many layers of security and filtering....But at times, emails will sneak in and somebody will be tempted to click on a wrong link or respond to someone they shouldn't."

Many bankers, including those at Citigroup, access their email through third-party security applications such as those developed by Good Technology, now part of BlackBerry Ltd. Those apps screen links when they are clicked and block many of them. Mr. Corbat, in his response to the prankster, noted that he couldn't open the link.

In fact, bankers often complain that their email is too secure, making it cumbersome to interact with clients. At many firms, emails dealing with client or financial information go through additional layers of security.

—Peter Rudegeair contributed to this article.

Finance Chiefs Under Fire As Activists Turn Up Heat

BY RICHARD TEITELBAUM

Investors cheered last month when **Whole Foods Market** Inc. named a chairwoman and five independent directors.

After losing more than 40% since late 2013, shares rose 2.2%.

CFO Charles Kantor

JOURNAL was less im-

pressed with a

different change.

The portfolio manager at **Neuberger Berman Group LLC** was concerned that the finance chief the company named the same day, Keith Manbeck, lacked experience, as the company is being targeted by activist investor **Jana Partners LLC**. Neuberger Berman owned a 2.7% stake in the upscale grocery chain as of March 31, according to FactSet.

"He has a very steep learning curve," said Mr. Kantor, who signed a letter last year calling for a new CFO with a background in real estate, cost-cutting and store economics.

When activist investors ask for changes at a company or its board, their campaigns often start at the top, with the CEO in the crosshairs. Public activist pressure played a prominent role in ousting the chief executives of three S&P 500 companies this year: insurer **American International Group Inc.**, railroad **CSX Corp.** and aerospace-parts maker **Arconic Inc.**

But pressure is mounting on CFOs, too, as they are more often given the job of cutting waste, increasing efficiency and boosting margins.

Mr. Kantor's concerns about Whole Foods speak to the vital function that CFOs have assumed. Mr. Manbeck previ-

ously served as senior vice president of digital finance, strategy management and business transformation at retailer **Kohl's Corp.**, according to Whole Foods.

"It's hard to argue that they hired someone with the skill sets described in our letter," Mr. Kantor said.

A Whole Foods spokes-

woman didn't respond to

emails and phone calls seeking comment.

The kinds of opportunities activists exploit are changing, and some practitioners are recalibrating their tactics in ways that bolster the CFO's profile. After the 2008-09 financial crisis, U.S. companies built up cash in response to fear of more turmoil. That made them targets for activists who could score a bump in share price by pushing management to use cash for a dividend rise or share buyback.

"Those opportunities have largely vanished," said David Hunker, head of shareholder activism defense at **J.P. Morgan Chase & Co.** "That's led activists to find other levers to improve performance."

Mr. Herendeen helped lead a drive that included cutting Zoetis's head count by more than 20% over about 24 months, refocusing research and development, and reducing the variety of packages and dosages it sold. The efforts are expected to save \$300 million in annual costs in 2017, according to a company spokesman.

His experience dealing with pressure from activists dates back to the middle part of the last decade while CFO at **Warner Chilcott PLC**, he said. Mr. Herendeen was two months into a new CFO role at **Zoetis Inc.** in 2014 when he learned **Pershing Square Capital Management LP** had a stake of more than 8% in the animal-health company and was agitating for board seats and expense reductions.

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CHRIS RATCLIFFE/BLOOMBERG NEWS

MARK KAULZARICH/BLOOMBERG NEWS

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INTERNATIONAL INVESTMENT FUNDS

MARKETS DIGEST

Nikkei 225 Index**19908.58** ▼104.68, or 0.52%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high▲4.16%
2017.28 14952.0238915.87 12/29/89
High, low, open and close for each trading day of the past three months.

Bars measure the point change from session's open

Mar. Apr. May June

17500 18000 18500 19000 19500 20000 20500

STOXX 600 Index**386.62** ▼3.77, or 0.97%

High, low, open and close for each trading day of the past three months.

Mar. Apr. May June

340 350 360 370 380 390 400

S&P 500 Index**2429.39** ▼2.38, or 0.10%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

Last 24.15 24.29

P/E estimate * 18.97 17.92

Dividend yield 1.95 2.16

All-time high: 2439.07, 06/02/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Mar. Apr. May June

2270 2300 2330 2360 2390 2420 2450

International Stock Indexes

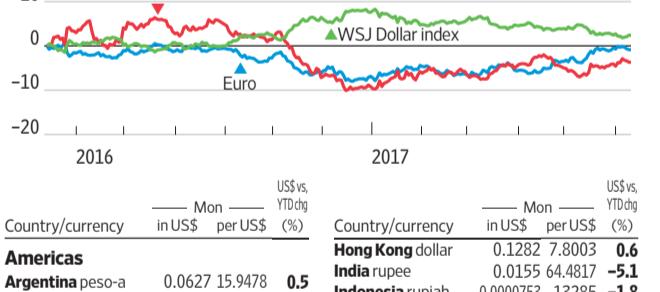
Data as of 4 p.m. New York time

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Close	High	YTD % chg
World	The Global Dow	2772.96	-8.43	-0.30	2193.75	2791.48	9.7	
	MSCI EAFE	1885.70	-7.27	-0.38	1471.88	1956.39	9.9	
	MSCI EM USD	1007.71	-10.48	-1.03	691.21	1044.05	26.9	
Americas	DJ Americas	583.25	-0.54	-0.09	480.90	585.50	7.9	
Brazil	Sao Paulo Bovespa	61657.42	-553.14	-0.89	48066.67	69487.58	2.4	
Canada	S&P/TSX Comp	15382.88	-90.33	-0.58	13609.58	15943.09	0.6	
Mexico	IPC All-Share	49129.33	47.60	 0.10	43902.25	50154.33	7.6	
Chile	Santiago IPSA	3681.57	-2.30	-0.06	2998.64	3786.05	14.2	
U.S.	DJIA	21235.67	-36.30	-0.17	17063.08	21305.35	7.5	
	Nasdaq Composite	6175.46	-32.45	-0.52	4574.25	6341.70	14.7	
	S&P 500	2429.39	-2.38	-0.10	1991.68	2446.20	8.5	
	CBOE Volatility	11.47	0.77	7.20	9.37	26.72	-18.3	
EMEA	Stoxx Europe 600	386.62	-3.77	-0.97	308.75	396.45	7.0	
	Stoxx Europe 50	3181.93	-28.14	-0.88	2626.52	3279.71	5.7	
Austria	ATX	3168.56	-40.71	-1.27	1981.93	3212.50	21.0	
Belgium	Bel-20	3899.49	-46.93	-1.19	3127.94	4055.96	8.1	
France	CAC 40	5240.59	-59.12	-1.12	3955.98	5442.10	7.8	
Germany	DAX	12690.44	-125.28	-0.98	9214.10	12878.59	10.5	
Greece	ATG	784.60	2.50	 0.32	517.10	800.08	21.9	
Hungary	BUX	35334.48	-76.53	-0.22	25126.36	35423.40	10.4	
Israel	Tel Aviv	1420.63	-6.70	-0.47	1372.23	1490.23	-3.4	
Italy	FTSE MIB	20910.23	-212.19	-1.00	15017.42	21828.77	8.7	
Netherlands	AEX	521.89	-5.41	-1.03	409.23	537.84	8.0	
Poland	WIG	60354.56	-82.01	-1.35	42812.99	62666.49	16.6	
Russia	RTS Index	1041.49	...	Closed	884.83	1196.99	-9.6	
Spain	IBEX 35	10842.40	-135.90	-1.24	7579.80	11184.40	15.9	
Sweden	SX All Share	588.60	-6.43	-1.08	443.66	595.45	10.1	
Switzerland	Swiss Market	8807.85	-38.00	-0.43	7475.54	9136.95	7.2	
South Africa	Johannesburg All Share	51564.00	-652.93	-1.25	48935.90	54716.53	1.8	
Turkey	BIST 100	99442.11	499.24	 0.50	70426.16	99707.33	27.3	
U.K.	FTSE 100	7511.87	-15.46	-0.21	5788.74	7598.99	5.2	
Asia-Pacific	DJ Asia-Pacific TSM	1624.47	-3.68	-0.23	1308.52	1637.17	14.2	
Australia	S&P/ASX 200	5677.80	...	Closed	5103.30	5956.50	0.2	
China	Shanghai Composite	3139.88	-18.52	-0.59	2833.07	3288.97	1.2	
Hong Kong	Hang Seng	25708.04	-322.25	-1.24	20038.42	26063.06	16.9	
India	S&P BSE Sensex	31095.70	-166.36	-0.53	25765.14	31309.49	16.8	
Japan	Nikkei Stock Avg	19908.58	-104.68	-0.52	14952.02	20177.28	4.2	
Singapore	Straits Times	3248.34	-5.85	-0.18	2729.85	3271.11	12.8	
South Korea	Kospi	2357.87	-23.82	-1.00	1925.24	2381.69	16.4	
Taiwan	Weighted	10109.96	-89.69	-0.88	8458.87	10226.84	9.3	

Source: SIX Financial Information/WSJ Market Data Group

Currencies

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



London close on June 12

US\$ vs.
Country/currency Mon YTD chgUS\$ vs.
Country/currency In US\$ per US\$ (%)US\$ vs.
Country/currency In US\$ per US\$

FINANCE & MARKETS

Trump to Urge Curbs on Watchdog

BY RYAN TRACY

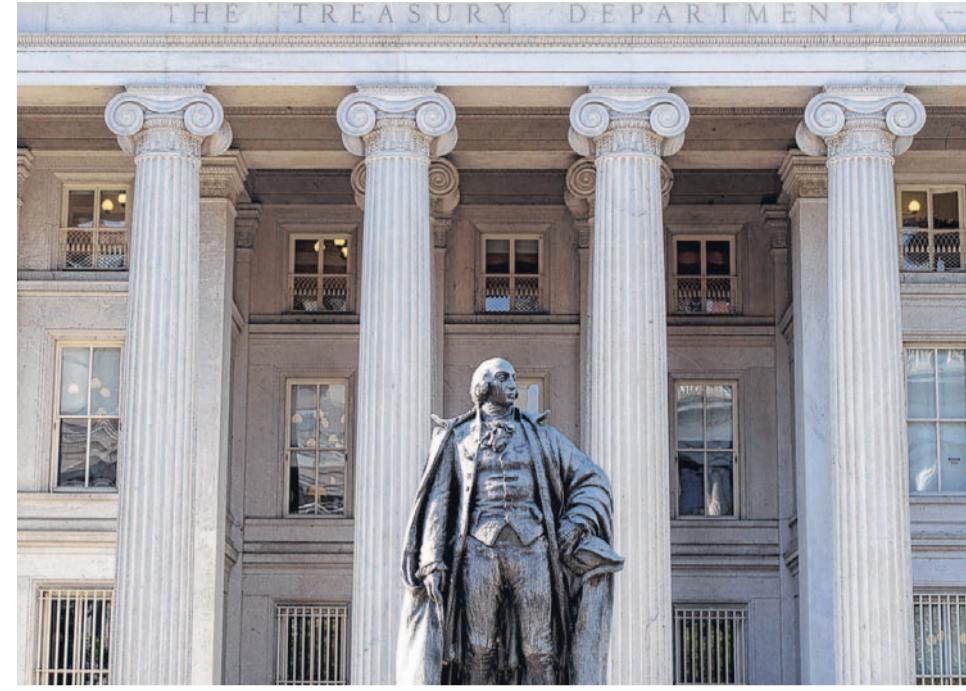
WASHINGTON—The Trump administration was ready to recommend limits on the U.S. consumer-finance regulator and a reassessment of a broad range of banking rules in a report to be released as early as Monday, according to people familiar with the matter.

The report from the Treasury Department, drafted in response to a February executive order from President Donald Trump, is less sweeping than financial legislation approved by the House of Representatives last week, these people said.

That suggests the administration is taking a more pragmatic path than some Republicans who want to throw out Obama-era financial rules wholesale, although administration officials are still seeking to loosen regulatory restrictions on banks in significant ways.

The Treasury Department didn't respond to a request for comment.

The report makes recommendations on policy goals, without laying out a specific process for achieving them, these people said. It is harshly critical of the Consumer Financial Protection Bureau and recommends that the agency be stripped of its authority to



The Treasury Department report is highly critical of the Consumer Financial Protection Bureau.

tors could pursue on their own, once Mr. Trump's team completes the process of appointing new regulators.

Regulators are already reviewing the Volcker rule, for instance, and people familiar with the matter said the report examines how the current enforcement environment for the rule is affecting financial markets.

The report is expected to set in motion a re-evaluation of the Community Reinvestment Act, a law intended to make sure banks meet local credit needs, people familiar with the matter said. It will also likely suggest that big banks be asked to file "living wills" every two years, instead of annually, these people said. The wills outline how banks could go through bankruptcy without needing a taxpayer bailout.

The report also is likely to examine bank regulators' position on leveraged loans, a form of risky lending to already-indebted companies, one of the people said.

It will likely raise broad concerns about the use of arbitrary asset-size thresholds to apply bank regulations, such as the 2010 Dodd-Frank law's provisions requiring tougher supervision of banks with more than \$50 billion in assets, this person said.

Wind to Power Up Goldman

BY LIZ HOFFMAN

A wind farm in Scranton, Pa., sitting over ancient coal seams, will soon power **Goldman Sachs Group Inc.**'s data centers in New Jersey.

The Wall Street bank said Monday that it has agreed to buy 68 megawatts of electricity from the plant, which will come online in 2019. It is the first such agreement struck by a bank, according to trade group Business Renewables Center, and pushes Goldman closer to its goal of procuring 100% of the energy it uses from renewable sources by 2020.

The deal is Goldman's effort to stake a claim in a hot corner of the energy-trading market and to try to catch up with rivals.

Citigroup Inc. and **Morgan Stanley** are already big in the renewables-trading segment. Goldman recently hired a Citigroup trader, Moe Hanifi, who will join Harry Singh and Jo-Ram Cukierman in spearheading the firm's effort.

Commodities trading has been a tough business across Wall Street since the financial crisis due to stricter capital rules. It was among the businesses that Goldman blamed for disappointing trading revenue last quarter.

Goldman won't just be in the renewables market for its own needs. The firm's commodities arm has been building a business to connect corporate buyers of electricity with developers.

That group, reporting to commodities chief Greg Agran, will manage the 15-year electricity contract, protecting Goldman from price swings, grid congestion and other risks.

It hopes to market that same service to a group of companies that are striking their own power agreements, Mr. Agran said in an interview.

Lotte Decides on Price Range for Chemical IPO

BY YANTOULTRA NGUI

KUALA LUMPUR, Malaysia—South Korea's **Lotte Group** plans to offer shares in its petrochemical unit in Malaysia at between 7.80 ringgit and 8 ringgit (\$1.83 and \$1.88) each, according to two people with direct knowledge of the initial public offering.

If the stock sells at the high end of the price range, the 740.4 million shares in **Lotte Chemical Titan** being sold would be worth about 5.92 bil-

lion ringgit (\$1.39 billion), making the IPO Malaysia's largest since the pay-television operator **Astro Malaysia Holdings Bhd.** raised \$1.5 billion in 2012.

Four so-called cornerstone investors have agreed to take up to 20% of the IPO, The Wall Street Journal reported Wednesday. The people familiar with the IPO identified them as Malaysian state-owned fund manager **Permodalan Nasional Bhd.**, the insurance firm **Great Eastern**

and asset managers **Maybank Asset Management** and **Eastspring Investments**. Cornerstone investors are generally allocated substantial blocks of IPO shares in exchange for a commitment to hold the stock for a set period, but there is no lockup period for this IPO, they added.

A Lotte Group spokeswoman said the company could "not comment on detailed information about the process."

Lotte Chemical Titan, which

produces plastics including polyethylene used in shopping bags and toys, plans to use most of the IPO proceeds to build a naphtha plant in Indonesia, according to a draft prospectus filed with the **Securities Commission**.

An IPO of Lotte Chemical Titan had been planned for last year, but the offering was delayed after South Korean prosecutors charged the parent company's chairman and four of his family members with tax evasion and embezzlement in October. Lotte apologized for "causing concern" and said it would cooperate with the investigation process. In January, the chairman's sister was sentenced to three years in prison.

Lotte is South Korea's fifth-largest conglomerate. Besides petrochemicals, it has interests in duty-free stores, luxury hotels and insurance. It boasts annual sales of about \$74 billion, and has been controlled by the Shin family since it was established in 1948.

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MARKETS

THE DAILY SHOT | By Lev Borodovsky

Stars not aligned for job openings and skills

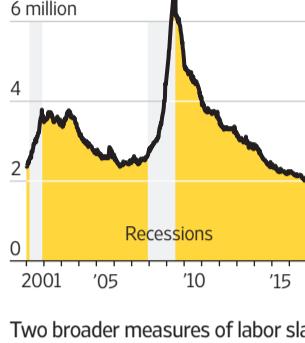
Unemployment dropped last month to its lowest level since 2001, yet wage growth is below levels seen in the late stages of previous economic expansions and underemployment remains above the lows of the previous cycles. These

dissonant readings point to an increasing mismatch between workers' skills and the roles employers are seeking to fill, a conflict measured by the Beveridge curve, which tracks the relationship between unemployment and job vacancies.

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Joblessness has fallen sharply since the recession ended.

Continuing unemployment-insurance claims, weekly

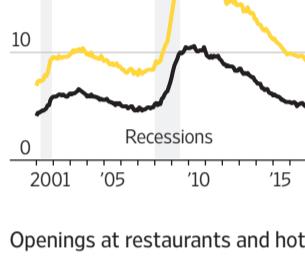


Two broader measures of labor slack are down but above previous lows.

■ U-6 unemployment rate*

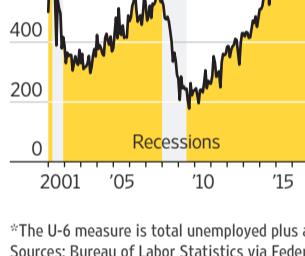
■ U-4 unemployment rate†

20%



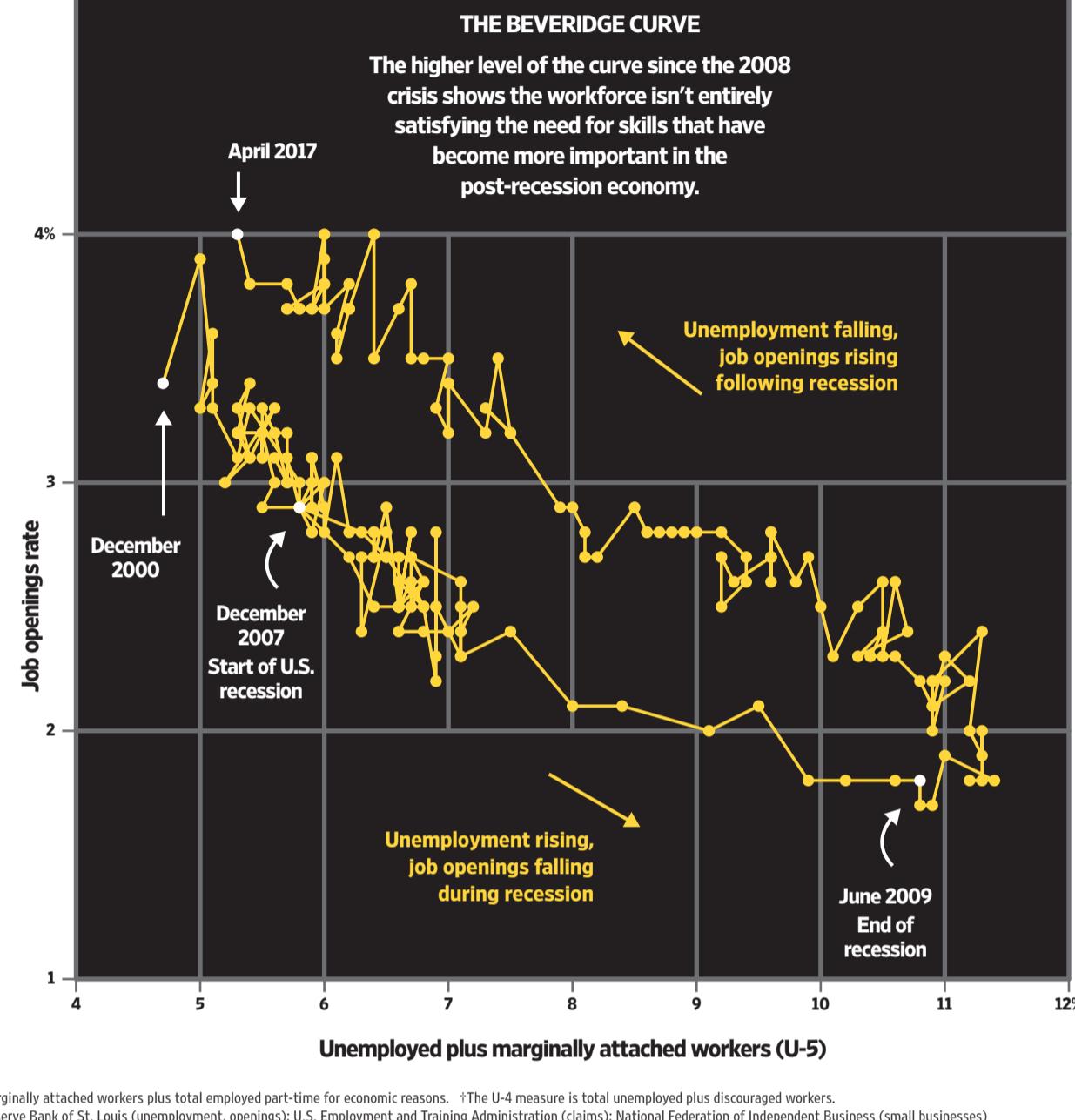
Openings at restaurants and hotels have surged during the recovery.

800 thousand



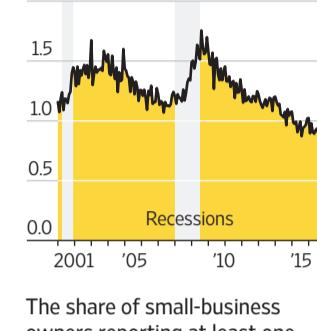
*The U-6 measure is total unemployed plus all marginally attached workers plus total employed part-time for economic reasons. †The U-4 measure is total unemployed plus discouraged workers.

Sources: Bureau of Labor Statistics via Federal Reserve Bank of St. Louis (unemployment, openings); U.S. Employment and Training Administration (claims); National Federation of Independent Business (small businesses)

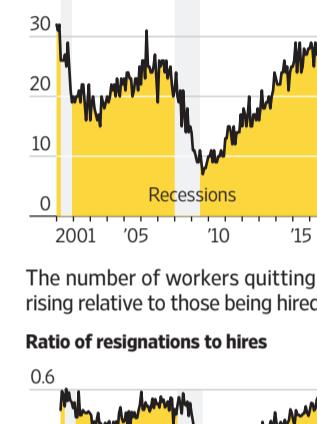


Fewer workers are being hired for each opening, a likely sign of skills mismatch.

Ratio of hires to openings

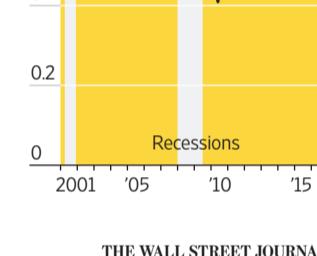


The share of small-business owners reporting at least one hard-to-fill job has risen.



The number of workers quitting is rising relative to those being hired.

Ratio of resignations to hires



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GE Must Bring Good Things Back to Life

A fresh face will be leading General Electric. Next up for the industrial giant: freshening up shareholder returns.

GE said Monday that long-time Chief Executive Jeff Immelt will retire on Aug. 1.

The change is more of a makeover than a full-scale rebuild. John Flannery, a veteran company executive, will take over as CEO. Finance chief Jeff Bornstein will remain in place. GE said that succession planning has been under way since 2011.

Investor returns under Mr. Immelt were disappointing. Much of that was due to bad luck. Mr. Immelt took the helm on Sept. 10, 2001, and presided over the company during the 2008 financial crisis.

More recently, however, GE has missed analyst sales estimates in 10 of the past 13 quarters, according to FactSet. The rate at which GE

Lower Bar

GE's forward price/earnings ratio



earning \$2 a share in 2018.

Even the move to spin off GE Capital, which investors celebrated, has had just a limited effect on the share price. GE shares have lagged behind the Dow Jones Industrial Average since the split was announced in 2015.

So, Mr. Flannery has his work cut out for him. On the bright side, he will enjoy the benefit of lower expectations. GE trades at about 16 times forward earnings, according to FactSet—not necessarily cheap, but well below the nosebleed valuations that Mr. Immelt had inherited. The shares yield a healthy 3.5%.

Don't expect the status quo. Mr. Flannery signaled a "deep review with a sense of urgency" in a note to employees.

He will review the wide portfolio of industrial businesses and announce more detailed plans to shape the

portfolio later this year, and he will have some options.

Perhaps, to pick one example, a greater investment in the struggling oil-and-gas business, which is in the process of merging with **Baker Hughes**, is in order. Segment operating profit fell 33% from a year earlier, but equipment orders were up 30%. Mr. Immelt's timing on energy bets has been unfortunate, but Mr. Flannery's might be fortuitous.

Even without a total overhaul of the business, there should be good opportunities to cut expenses and sharpen the company's portfolio, especially with activist hedge fund **Trian Fund Management** installed as a major shareholder.

GE shares were up 3.8% in Monday afternoon trading. Mr. Flannery will have a good opportunity to keep that momentum.

—Charley Grant

OVERHEARD

Perseverance is admirable. **XBiotech** Inc. provides a case in point. The company announced Friday that its late-stage study for its experimental colon cancer treatment Xilonix has been discontinued after an interim analysis of the data. While it didn't show any safety concerns, the findings "were not sufficient to meet efficacy."

However, CEO **John Si-mard** is undeterred. "In the coming weeks, the company plans to analyze the data extensively to further understand the primary and secondary endpoint data, as well as to identify populations that may have benefited from the therapy. These findings today will not affect our efforts to pursue approval of the therapy," he said in a statement.

Shareholders may not have much else left besides that character trait, though. Shares plunged 66% on Friday.

U.K. Drifts Away From Europe Recovery

The U.K. wants to separate from Europe. Judging by economic and political outcomes, it looks like it is getting its wish.

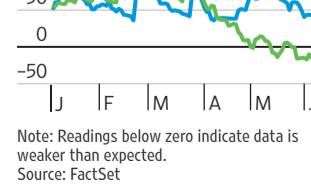
The U.K. election has left the incumbent Conservative party under Prime Minister Theresa May in a much weaker position. Uncertainty over the economy and Brexit has only risen.

That has overshadowed events in Europe. The first round of parliamentary elections in France suggest there will be a strong majority for President Emmanuel Macron to push ahead with reforms. In Italy, local elections produced a subdued performance for the antiestablishment 5 Star Movement. The populist tide some saw sweeping Europe has failed to advance.

Economic outcomes have

Breakdown

Citigroup economic-surprise indexes



Note: Readings below zero indicate data is weaker than expected.

Source: FactSet

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territory for more than eight months now, U.K. data have disappointed.

The clearest reversal is in foreign-exchange markets: The euro has reached its highest against sterling, above £0.88, since the U.S. election in November, the event that put markets on notice that politics mattered. But other markets reflect the shifting risks too. The 10-year Italian bond yield has fallen to just above 2%, its lowest since late January; U.K. stocks are underperforming their European peers so far this year.

The eurozone's many moving parts mean jitters about continental politics will return, particularly in Italy. But the U.K.'s troubles are front and center. Eurozone assets, particularly the euro, look more stable.—Richard Barley

diverged too. The U.K. slipped in the first quarter to the bottom of the European league table with growth of just 0.2% from a quarter earlier; the eurozone grew by 0.6%. Pleasant surprises in eurozone data have continued, with the Citigroup economic-surprise index for the currency bloc in positive ter-

Microsoft's Game Plan for Xbox One X

Microsoft is putting a high price on its new Xbox—but the company's real game lies elsewhere.

Microsoft first teased the development of a more powerful version of its Xbox One videogame console a year ago. It lifted the wraps on that machine on Sunday, ahead of the game industry's annual E3 conference.

The new console, called the Xbox One X, is designed to render games in super-high-resolution, 4K graphics. It goes on sale in November with a starting price tag of \$499.

This represents Microsoft's attempt at a mid-generation console update.

Sony took a crack at it in November with the launch of the PlayStation 4 Pro.

Both consoles are designed

for the same games as their lower-priced siblings, but with more robust graphics.

Sony says its Pro has accounted for about 20% of total PlayStation 4 unit sales since the launch, which suggests at least 2.5 million PlayStation users have chosen to pay for sharper resolution.

That isn't a huge number, although Microsoft will find it a challenge to match: The Xbox One X is priced \$100 higher than the PlayStation 4 Pro. It is also double the recently reduced price of the mainstream Xbox One S. That means Microsoft is charging a much higher premium than Sony, which has priced its Pro console at only 33% above the regular PlayStation 4.

Microsoft also is working from a smaller base. The

Xbox One is estimated to have sold around half the 60 million units that PlayStation 4 has since both consoles hit the market in late 2013.

The Xbox One X won't change the console game for Microsoft. But a high-end machine that appeals to a small number of enthusiasts may be helpful for the company's wider gaming business. Microsoft generates much higher returns through software and services such as the popular Xbox Live, which hosts 52 million active users paying a monthly fee.

That is up 13% from a year ago, despite a decline in Xbox hardware sales over that time. It is a much better game for Microsoft to be playing to win.

—Dan Gallagher