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Google Hit With $2.71 Billion Fine

EU ruling on tech giant's comparison-shopping service could have broader impact

By Natalia Drozdiak And Sam Schechner

BRUSSELS—The European Union's antitrust regulator fined Alphabet Inc.'s Google a record €2.42 billion ($2.71 billion) for favoring its own comparison-shopping service in search results and ordered the search giant to apply the same methods when displaying rivals' services, in a move that could have far-reaching implications for the tech industry.

While the penalty is larger than many had expected, it is one Alphabet can easily afford, considering its $92 billion in cash and liquid securities on hand. The real sting may come from what Tuesday's ruling means for current and future cases in Europe targeting Google and other large tech firms—most of them hailing from Silicon Valley.

Antitrust experts and tech executives say it could be precedent-setting in instances where tech giants have become gatekeepers for our digital lives.

Google's search engine is one such gateway, opening for users a seemingly endless path to goods and services. The EU maintains, however, that the deck is stacked and by taking advantage of this popular gateway, Google gave its own businesses—selling shopping ads to merchants—a big advantage.

"Google abused its market dominance as a search engine by promoting its own comparison shopping service in its search results, and demoting those of competitors," said EU antitrust chief Margrethe Vestager. "What Google has done is illegal under EU antitrust rules."

How Google ends up changing its business model to comply with the EU ruling "could eventually apply to any way that Amazon, Facebook or anyone else offers to search for products or services," said

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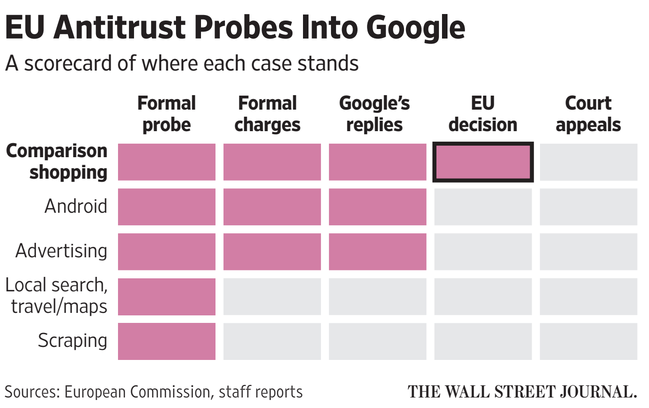
◆ Big fine may be just the start for Silicon Valley.................... A2



Sources: European Commission, staff reports THE WALL STREET JOURNAL.

What's News

Business & Finance

Global businesses, including A.P. Moeller-Maersk, WPP Group and Rosneft, reported significant cyberattacks against their computer systems. **A1**

◆ **Google was fined** a record $2.71 billion by the EU for rigging searches to favor its comparison-shopping service. **A1**

◆ **SingTel will start** taking orders for an IPO of its high-speed broadband unit that could raise as much as $1.95 billion. **B6**

◆ **Investors unnerved** by the calm in financial markets are increasingly moving to protect themselves from big swings. **B1**

◆ **GM expects industry** vehicle sales to fall short of its original forecast for the year. **B2**

◆ **Hollywood studios** are auditing box-office receipts from Chinese movie theaters amid concerns they are being shortchanged. **B1**

◆ **MSCI is considering** nearly doubling the number of Chinese stocks it includes in its key benchmarks. **B1**

◆ **Arconic said it stopped** selling panels for high-rise buildings of the sort used on London's Grenfell Tower. **B2**

◆ **The Mexican peso rose** to its highest level in over a year against the dollar. **B10**

◆ **Pandora CEO** Westergren is resigning as the company contends with the rise of subscription music platforms. **B4**

World-Wide

◆ **The Pentagon** said it has seen signs that Syria is preparing to use chemical weapons, paving the way for new conflict between the U.S. and Assad. **A1**

◆ **North Korea's** state media described Trump's "America First" policy as "Nazism in the 21st century," and compared the president to Hitler. **A3**

◆ **Li Keqiang** made a strong defense of his signature program, saying it has caused significant job creation in China. **A3**

◆ **A bomb planted** under or inside a car killed a senior Ukrainian intelligence officer, according to authorities. **A4**

◆ **The Supreme Court's** decision to review and allow partial enactment of Trump's travel ban may lead to another round of litigation. **A6**

◆ **Iran's foreign minister** blasted the Trump administration's travel ban, saying that it is discriminatory. **A4**

◆ **In their meeting** at the White House, Trump and Modi agreed to expand cooperation on combatting terrorism and overcoming trade differences. **A3**

◆ **Brazil's opposition** went on the attack after it was revealed that President Temer faces criminal charges. **A5**

◆ **The Senate Republican** health bill would leave 22 million more Americans uninsured in 2026 compared with the current law. **A6**

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Car Bomb Kills Senior Ukrainian Intelligence Officer

STEPAN FRANKO/EUROPEAN PRESSPHOTO AGENCY

EXPLOSION: Investigators inspect a car severely damaged by a bomb blast in the Ukrainian capital Kiev, above. Authorities were looking for evidence of involvement by Moscow, which has supported pro-Russian rebels in eastern Ukraine. The Kremlin denied involvement. **A5**

U.S. Warns Syria on Chemical Weapons

By Dion Nissenbaum And Thomas Grove

The Pentagon said it has seen signs that Syria is preparing to use chemical weapons again, setting the stage for a new showdown with Syrian President Bashar al-Assad.

Capt. Jeff Davis, a Pentagon spokesman, said Tuesday that the U.S. has seen "actions suggestive of intent to use chemical weapons" at the same Syrian airfield hit by American cruise missiles in April.

The U.S. has been tracking developments at Shayrat air base for several days and indications that Syria is preparing to use chemical weapons have become "more compelling" in the last 24 hours, he said. Capt. Davis said the intelligence pinpointed a specific plane in a specific shelter at Shayrat that was being prepared to use chemical weapons.

The Pentagon released the information hours after the Trump administration issued a late-night warning on Monday that Syria would pay a "heavy price" if Mr. Assad uses chemical weapons again.

"The United States has identified potential preparations for another chemical-weapons attack by the Assad regime that would likely result in the mass murder of civilians, including innocent children," White House press secretary Sean Spicer said late Monday.

Syrian officials have denied using chemical weapons, and

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Firms Hit by Wave of Cyberattacks

By David Gauthier-Villars, Michael Amon and James Marson

Global businesses from Europe to the U.S., including shipping giant A.P. Moeller-Maersk A/S, advertising firm WPP Group PLC and Russian oil company PAO Rosneft, reported significant cyberattacks Tuesday against their computer systems.

It was unclear how, or if, the attacks were related, but they spread simultaneously across Europe and into the U.S. on the heels of a global attack in May from a virus dubbed WannaCry. Experts said Tuesday's attack resembled WannaCry in that it encrypted data, freezing computers and demanding a ransom.

The offensive again hammered home the vulnerabilities that corporations and governments face in their increasingly interconnected communication systems.

Ukraine was hit by an "unprecedented" wave of cyberattacks Tuesday, the prime minister said, which infected the computers of a government ministry, as well as those of state telecoms and postal and transport companies, among others.

Russia's state-controlled oil company, PAO Rosneft, said its systems were under a "massive hacker attack" that could have serious consequences, but didn't affect oil production.

Rosneft, the world's largest publicly listed oil company by production, said it had contacted law-enforcement authorities about the attack. The company's website was down on Tuesday, but its official Twitter accounts spread news of the attack.

The company said it had recently switched to a different oil reserve-control system, so "neither oil production nor preparation processes were stopped."

Denmark's shipping giant Maersk said Tuesday that its computer systems had been brought down by a cyberattack. The breakdown is affecting multiple computer systems

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SHALE BOOM'S IMPACT IN ONE WORD: PLASTICS

Petrochemicals power U.S. manufacturing, exports

By Christopher M. Matthews

When new parents in Rio de Janeiro buy baby food in plastic containers, they are bringing home a little piece of the U.S. shale revolution.

That boom in drilling has expanded the output of oil and gas in the U.S. more than 57% in the past decade, lowering prices for the primary ingredients Dow Chemical Co. uses to make tiny plastic pellets. Some of the plastic pellets are exported to Brazil, where they are reshaped into the plastic pouches filled with puréed fruits and vegetables.

Tons more will be shipping soon as Dow completes $8 billion in new and expanded U.S. petrochemical facilities mostly along the Gulf of Mexico over the next year, part of the industry's largest transformation in a generation.

The scale of the sector's investment is staggering: $185 billion in new U.S. petrochemical projects are in construction or planning, according to the American Chemistry Council. Last year, expenditures on chemical plants alone accounted for half of all capital investment in U.S. manufacturing, up from less than 20% in 2009, according to the Census Bureau.

Integrated oil firms including Exxon Mobil Corp. and Royal Dutch Shell PLC are racing to take advantage of the cheap byproducts of the oil and gas being unlocked by shale drilling. The companies are expanding petrochemical units that produce the materials eventually used to fashion car fenders, smartphones, shampoo bottles and other plastic stuff being bought more and more by the world's burgeoning middle classes.

"It's a tectonic shift in the hemispherical balance of

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Who Pays on the First Date? No One Knows Anymore

Online dating multiplies meetups, with pricey tabs; fake wallet reach

By Khadeeja Safdar

There was a time when Tinesha Zandamela would dig around for her wallet at a first date, anticipating that the guy would insist on paying.

That was before she went out with one who "forgot" his wallet, or the one who requested to split the check 50-50 after eating nearly all the food. Now when the bill arrives, she sits still, not even attempting what some call "the reach."

"If you reach, you could end up with the entire bill," said the 23-year-old in Provo, Utah. "No one is going to stop you."

Love in the time of Tinder is upending an age-old tradition between men and women: that moment when the woman feints for her wallet—but expects the guy will insist on paying.

The popularity of the dating app and others like it means single people are going on more first dates than ever. Many women say they have stopped doing the reach because they are not only more likely to end up splitting the bill, but also more liable to cover all of it. Now when the check arrives, both people often brace themselves for a gunfighter's staredown.

On her 18th birthday, Jaclyn Suchta, an account supervisor

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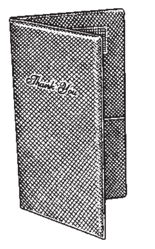
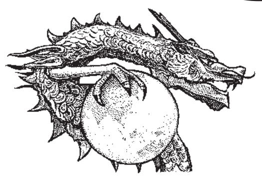


Restaurant bill

Hostage to China's Insecurity—Its Markets



CHINA'S WORLD
By Andrew Browne

SHANGHAI—At last, Chinese stocks have gained a measure of global respectability.

Thanks to a decision by the index giant MSCI to include a small selection in its emerging-markets benchmark, college endowments and pension funds will soon own stakes in companies that offer everything from high-speed rail networks to fiery *maotai* liquor and life insurance.

This is a symbolic landmark, like the IMF's move in 2015 to elevate the status of the Chinese yuan by anointing it a reserve currency.

There's a good chance it will disappoint in much the same way.

Shortly after the IMF bestowed recognition of what it called Beijing's efforts to build a "more open and market-based economy," it all started going awry. Domestic investors lost faith in the economic outlook amid slowing growth and explosively rising debt. As the yuan slumped, capital fled the country. Alarmed, the central bank dove back into currency-control mode and clamped down on capital outflows—reversing years of market opening.

Today, yuan deposits in Hong Kong, the leading offshore center for Chinese currency trading, have shriveled. And we're back to a loose yuan peg against the dollar.

Crises have a way of exposing the government's deep-seated fears of market forces. The regime sees rises and falls in the stock indexes as a barometer of public confidence toward its performance, and the true test of the MSCI's cautious welcome of domestic "A" shares will come next time they take a dive.

In 2015, when a bubble burst, the government panicked. It ordered massive buying by state-owned companies, scared off short sellers with legal threats and put all initial public offerings on ice. The "national team" of buyers sent in to prevent a worse rout still owns a big chunk of the market.

Beijing's fear of market forces means MSCI inclusion is likely to disappoint.

Some lessons have been learned. However, the mainly technical improvements that finally convinced the MSCI to include 222 "A" shares listed in Shanghai and Shenzhen in the index don't address the deeper failings of the system.

The state's heavy hand in the economy is increasing. Economic overhauls under President Xi Jinping have stalled, or in some cases reversed. Moreover, as Eswar Prasad, a Cornell economist and former head of the IMF for China points out, the leadership has "unequivocally repudiated political, legal, and institutional reforms," which undermines long-term confidence in the economy.

The stock market is hostage to the reflexes of an insecure leadership.

Consider last week's unexpected instruction by China's media regulator to social-media companies to stop streaming video and audio, part of a censorship drive to combat "negative speech." Immediately, Nasdaq-listed Weibo lost $1 billion in market value.

Or recent sweeping checks on the borrowings of overseas deal makers. Ostensibly, that action is aimed at cracking down on spiraling debt. Yet speculation is rife that the tycoons have been caught up in a factional power play ahead of a key Communist Party meeting in the fall. Nobody really knows.

Optimists reckon that the IMF and MSCI moves strengthen the hand of Chinese technocrat reformists, who seek to spur changes to the operations of wasteful state enterprises and spendthrift local governments.

But the forces of resistance are stubbornly entrenched. Whatever happened to the theory, popular in the U.S. Clinton administration, that rewarding China with membership in the World Trade Organization in 2001 would lead to ever-expanding market opportunities for U.S. businesses, if not democracy?

It turned out that China's WTO accession marked their high point. Today, China's domestic markets are closing, state enterprises are skewing competition against multinationals as never before, and the chief U.S. trade negotiator during the WTO process, Charlene Barshefsky, accuses Mr. Xi of trying to "Sinicize the Chinese economy."

Likewise, the IMF's gift to China was the signal for retrenchment, not advance.

Will the MSCI arrangement produce different results? Domestic investors weren't impressed: The indexes hardly budged on the news.

Still, there's plenty of international interest. No matter that China's casino-like bourses are dominated by mom-and-pop investors, and plagued by insider trading: They are too big to ignore. With a capitalization of $7.5 trillion, they trail only the U.S. in size.

Morgan Stanley, the former parent of MSCI, isn't buying all the gloom about China. While others brace for a financial shock, its equity researchers in a recent report see a golden decade ahead.

Chin-Ping Chia, MSCI's head of Asian research, compared adding China to the indexes with "the opening of the Great Wall."

Now that the barrier has been breached, though, the incoming armies of investors should gird for a struggle.

Big EU Fine Could Be Just the Start for Silicon Valley

By Sam Schechner

The Google shopping-ad business targeted Tuesday by the European Union's antitrust cops is relatively small for the search giant's parent, **Alphabet** Inc. But the implications of the case are anything but puny for Google and other tech giants.

Antitrust experts and tech executives say the EU's €2.42 billion ($2.71 billion) ruling against Google's search engine could be precedent-setting for a host of other products and services.

One prominent possibility: the voice-enabled assistant, which many tech executives are betting will replace the search engine. Silicon Valley executives regularly talk about a future of "ambient tech," where digital assistants slowly replace all of our devices and answers come from Google's digital assistant, or others like Amazon.com Inc.'s Alexa or Apple Inc.'s Siri.

At issue in Tuesday's decision is the EU's contention that Google must give "equal treatment" in its search results to businesses that might compete with the company in other ways. Because the EU says Google's search engine is dominant, the bloc says it is illegal for Google to hurt shopping competitors by putting its own product ads for, say, new barbecue grills, on top of any search results from other sites that offer links to buy the same products.

Now, imagine a world where relevant grills come not atop a written list, but as suggestions in users' ears.

In the U.S., Amazon has more than 25 million users for its voice-enabled Echo speaker devices, giving it more than 70% of the smart-speaker market, ahead of Google Home, which has 23%, according to research firm eMarketer. Earlier this month, Apple announced its own smart speaker device called HomePod. Including smartphones with voice assistants, research firm Ovum predicts that there will be some 7.5 billion digital assistant devices in use globally by 2021, up from 3.5 billion in 2016.

A spokesman for Microsoft Corp., which operates the voice assistant Cortana, declined to comment. Spokesmen for Facebook Inc., Amazon and Apple didn't immediately respond to requests for comment.

There are big hurdles to subjecting digital assistants to antitrust scrutiny. In particular, antitrust regulators would have to determine that one of them is dominant in a certain market for them to be able abuse that dominance.

Big Ticket

Some previous large fines in cases alleging abuse of market dominance by the EU

Company	Year	Fine (billions)	Allegation
Google	**2017**	**€2.42**	**Abusing dominance in search by favoring own online shopping service**
Intel	2009	€1.06	Abusing dominance to discourage PC makers from using other chips
Microsoft	2004	€0.5	Abusing dominance in PC operating systems to leverage itself into the market for server operating systems and media players
Servier	2014	€0.43	Abusing dominant position in anti-hypertension market, as part of larger cartel decision
Telefónica Broadband	2007	€0.15	Imposing unfair prices on wholesale broadband providers

Note: Not including fines for cartel behavior, tax clawbacks or procedural violations
Sources: EU and staff reporting
THE WALL STREET JOURNAL.

In the wake of the decision, the EU said it was planning to explore how it could apply elsewhere. And Margrethe Vestager, the EU's competition chief, has said she thinks voice-enabled assistants are the next frontier for online search.

"We're on the brink of doing more oral search, which of course poses new challenges, when it comes to enabling people to have a choice, when it comes to search results, to make sure they get the right answer to their queries," Ms. Vestager said in a March interview. "Which is why, instead of being specific on page design or screen design, I think it's very important to focus on how to allow competition, how to enable that to happen."

In three cases over the past two years, the EU has made charges against Google ranging from complaints that it abused the dominance of its operating system Android to force phone makers to promote Google's mobile applications, to complaints it restricted how a website that offers a Google search function can show advertisements sold by other companies. Google is fighting or responding to all these charges and complaints.

Complainants in Tuesday's decision, including Yelp Inc., are hoping the shopping case will have broader implications for Google. Complainants also say the precedent should extend to technologies from other companies.

"The principles in this decision are likely to be employed in the digital-assistant context," said Thomas Vinje, a lawyer for FairSearch, a group of complainants against Google. "These technologies seem likely to be an important part of our lives going forward, and the application of these principles to results delivered by voice assistants is extremely important."

—Natalia Drozdiak contributed to this article.

GOOGLE

Continued from Page One

Michael A. Carrier, a law professor at Rutgers University.

That could change how those companies develop a host of different products for Europe and globally, one tech executive said.

Google, which has been wrestling with EU complaints of deck-stacking for the better part of seven years, said Tuesday it is considering an appeal. "We respectfully disagree with the conclusions announced today," said general counsel Kent Walker.

At the heart of the case is what the EU believes is Google's outsize control over traffic, both to its own and competing comparison-shopping websites. Merchants typically pay a small fee—either to Google or to its competitors—each time a user clicks through a search to the merchant's site. Type in "gas grill" on google.com, and the first thing that appears is a set of ads—which merchants pay Google for—with links directly to the merchants' sites.

A user will also see results showing product pages from competing price-comparison websites. The EU says those routinely appear much lower, giving Google an unfair advantage. Google argues users prefer links that shuttle them directly to the site where they can buy the product, instead of going through another search website.

In its decision, the EU detailed what it said were years of abuses, including demoting the results of rivals and artificially promoting its own shopping service above all other results. Those changes led to what the EU said was a 45-fold traffic increase in the U.K. and a 35-fold increase in Germany, with drops of traffic to rivals of 85% in the U.K. and 92% in Germany.

In response, the EU more than doubled what had been the bloc's previous record penalty for a company allegedly abusing its market position—a €1.06 billion fine on Intel Corp. in 2009.

Timeline: EU's Probe of Google

◆ **November 2009:** Foundem, a price-comparison website based in the U.K., files a complaint in Brussels over Google's search practices.

◆ **November 2010:** EU regulators begin a formal investigation into Google's search practices.

◆ **January 2013:** Google submits proposals to address concerns it favored its own search services, struck restrictive deals with advertisers, and copied content from rival websites without permission.

◆ **February 2014:** After further concessions by Google, Brussels announces a settlement.

◆ **September 2014:** In an about-face, EU seeks fresh concessions.

◆ **November 2014:** Margrethe Vestager takes over as EU antitrust chief.

◆ **April 2015:** EU announces charges against Google, accusing it of skewing results to favor its shopping service. Google later contests the charges.

◆ **June 2017:** EU fines Google $2.7 billion in comparison shopping case.

The EU also ordered Google to treat rival comparison-shopping services equally in its search results. Google has 90 days to end the conduct and explain how it will implement the decision, or face additional penalties of up to 5% of average daily global revenue, the EU said.

The fine and broad remedy order mark a major escalation in Brussels' fight over whether the Mountain View, Calif., company has used its dominance in markets stretching from online ads to mobile-phone software as a cudgel to promote its own services at the expense of competitors.

Tuesday's decision is the first to come from multiple separate probes the commission has opened into Google's practices. Three of the probes have resulted in formal charges: on comparison shopping, Google's Android mobile operating service, and its AdSense advertising service.

Other inquiries into Google's conduct with its other search services, such as travel and maps, and allegations the search engine copies, or "scrapes," content from rival sites are at an early stage.

The shopping decision, however, could expedite the other probes, opening a new chapter in the drama that will likely play out in EU courts for years to come.

It also highlights the bloc's divergence with U.S. regulators in its approach to Google. The Federal Trade Commission closed its own probe into Google's search practices in 2013 after the company agreed to voluntary changes, though some firms have been lobbying U.S. regulators to pick the case back up.

Tuesday's decision will likely renew complaints from U.S. firms that they are being unfairly targeted in the EU, something European officials strenuously deny. U.S. companies are also under scrutiny in Europe for their tax affairs, as well as for their privacy practices, leading to decisions against firms like Apple Inc. and Facebook Inc. Google, for instance, this week faces a hearing in France over that country's order to apply the EU's "right to be forgotten" from search engines globally—not just for searches in the EU.

Initially, Google and the EU attempted to settle the antitrust case without lengthy litigation or formal charges. Google proposed three separate sets of remedies over more than four years, going so far as to redesign some of its search-results pages. But in the end, under intense political pressure from Germany and France, the EU's executive arm rejected those settlement offers as insufficient and issued formal charges that could lead to legally binding changes to how it and other companies operate.

The possibility of a prolonged antitrust battle in some ways resembles—and is the outgrowth of—the fight a decade ago between the EU and Microsoft Corp. The software maker eventually was fined a total of €2.2 billion in decisions that accused Microsoft of abusing the power of its Windows operating system. Microsoft then turned around and lobbied the EU to open some of its initial investigations into Google, which was then ascendant.

But the two companies—each with new CEOs—last year agreed to bury the hatchet, after Microsoft withdrew from some of the main groups of complainants against Google.

News Corp, owner of The Wall Street Journal, has also formally complained to the EU about Google but over the company's handling of news articles on its search service, not the shopping service.

EMMANUEL DUNAND/AGENCE FRANCE-PRESSE/GETTY IMAGES

Margrethe Vestager, the EU's antitrust chief, said Google 'abused its market dominance.'

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WORLD NEWS

Trump, Modi Edge Closer

In their first meeting, leaders pledge to expand cooperation on terrorism, Afghanistan

By Carol E. Lee And Eli Stokols

CARLOS BARRIA/REUTERS

Donald and Melania Trump greeted Indian Prime Minister Narendra Modi at the White House.

WASHINGTON—U. S. President Donald Trump and Indian Prime Minister Narendra Modi said after their first meeting on Monday that they agreed to expand cooperation between their two countries on combating terrorism, stabilizing Afghanistan and overcoming differences on trade.

Mr. Trump said the U.S. and India are close to completing a natural-gas deal, though he quipped that it hadn't been signed yet because he's "trying to get the price up a little bit." He also called on India to remove barriers to U.S. exports to make way for "fair and reciprocal" trade between the two countries.

"The future of our partnership has never looked brighter," Mr. Trump said in a statement delivered standing alongside Mr. Modi in the Rose Garden at the White House.

Mr. Modi invited Mr. Trump to visit India with his family and said his economic vision for his country is compatible with the president's campaign-slogan promise to "Make America Great Again." He said India's development is in America's interest.

"Be assured that in this joint journey of our two nations towards development, growth and prosperity, I will remain a driven, determined, and decisive partner."

As part of closer cooperation on terrorism, he said the U.S. and India will enhance intelligence sharing.

Mr. Trump also has yet to sign off on a policy toward Afghanistan and Pakistan. Mr. Modi stressed that India has "played an important role in rebuilding Afghanistan."

Mr. Trump also mentioned his concern about North Korea's nuclear weapons and missile programs, saying it represents a threat that "has to be dealt with and probably dealt with rapidly." He didn't elaborate. Mr. Trump in a Twitter message last week said that his plan to enlist China in pressuring North Korea to reverse course "has not worked out."

In advance of Mr. Modi's White House visit, the U.S. sanctioned Mohammad Yusuf Shah, senior leader of a military group that has used violence against Indian troops in the Kashmir region. India and Pakistan have been embroiled in a conflict for decades over Kashmir.

Mr. Trump briefly mentioned the importance of eliminating trade barriers that weigh on U.S. exports, but he didn't criticize the U.S. trade deficit with India in the same strong terms he has used toward other major economies.

U.S. merchandise imports from India are about twice the level of its exports to the South Asian country, resulting in a trade deficit of $24.4 billion last year. U.S. officials say barriers to agricultural goods and India's policies on intellectual property weigh on American farmers and businesses.

The meeting on Monday took place amid differences between Messrs. Modi and Trump on issues such as trade, climate change and immigration. Mr. Trump withdrew the U.S. from a 2015 international climate accord, of which India is a signatory.

But the two men papered over their differences as they worked to establish a rapport in discussions set over approximately four hours, including a private dinner at the White House. They hugged after their public statements.

After welcoming Mr. Modi, Mr. Trump said he had been reading about him and that India is doing well economically, for which he congratulated the prime minister. "It's a great honor to have Prime Minister Modi of India, who has been such a great prime minister," Mr. Trump said.

Mr. Modi said he was grateful for the visit and mentioned Mr. Trump's visit to India before he became president.

—William Mauldin contributed to this article.

China Premier Defends Plan to Boost Economy

By Lingling Wei

DALIAN, China—Premier Li Keqiang made a strong defense of his signature program aimed at bolstering China's new economy as traditional drivers lose steam, saying the initiative has led to significant job creation.

The "mass entrepreneurship and innovation" program, put in place in 2014 and intended to encourage individuals and businesses to jump into technology-oriented industries has created millions of new jobs annually in the past few years, helping the nation keep its jobless rate under 5%, Mr. Li said at the plenary session of the annual June meeting of the World Economic Forum, which started on Tuesday.

The Chinese government has given priority to employment in its pursuit of inclusive growth that can benefit the public overall, Mr. Li said, adding that the program had led to "unimaginable job growth."

His remarks come as concerns grow over the health of the world's second-largest economy. Burdened with high levels of debt and persistent industrial overcapacity, the country is attracting less foreign direct investment, experiencing continued capital outflows, and recently had its sovereign rating downgraded by Moody's Investors Service. Many officials and economists within China also have been questioning whether the new-economy-oriented program led by Mr. Li could pick up the slack.

At the forum, Mr. Li said China has sufficient capabilities to manage the risks, pointing to the country's high savings rate and Chinese banks' capital buffers. He also urged foreign investors to be "bullish about China." He repeated his pledge that foreign businesses won't run into problems repatriating profits made in the country, and encouraged companies to reinvest funds in the country.

Mr. Li also vowed not to resort to stimulus measures to jump-start China's economy. Instead, he said, China will continue to focus on structural changes such as cutting debt levels and reducing overcapacity to put the economy on a stronger footing in the longer term.

The annual June meeting of the World Economic Forum, dubbed "summer Davos," is being held in Dalian, a seaport city in northeastern China whose booming economy and glittering infrastructure represents a contrast to the foundering manufacturing facilities dotting the region.

—Liyan Qi contributed to this article.

BENEDIKT VON LOEBELL/WEF/EUROPEAN PRESSPHOTO AGENCY

Li Keqiang addressed the World Economic Forum on Tuesday.

North Korea Compares Trump's Policies to Nazism

By Jonathan Cheng

SEOUL—North Korea's state media described President Donald Trump's "America First" policy as "Nazism in the 21st century," and compared the U.S. president to Adolf Hitler, in the harshest language that Pyongyang has directed at the Trump administration.

Mr. Trump's policy "is the American version of Nazism far surpassing the fascism in the last century in its ferocious, brutal and chauvinistic nature," Pyongyang's state-controlled Korean Central News Agency said in a report published Tuesday.

The language reflects North Korea's hardening line on Mr. Trump, as the U.S. president turns up the heat on the regime nearly six months into his administration.

While North Korean propaganda regularly targets the U.S. with military threats, it has remained quiet until recently on the president himself.

Typically, North Korea has given new leaders in Washington and Seoul a wider berth at the beginning of their terms, as Pyongyang feels out their likely policies.

Shortly after Mr. Trump took office in January, the U.S. government approved visa applications for Choe Son Hui, a top North Korean diplomat, to visit New York for back-channel talks, signaling a possible willingness to engage in dialogue. But the State Department eventually nixed the meeting following the killing of Kim Jong Nam, the half brother of North Korean dictator Kim Jong Un, in Malaysia.

The language reflects Pyongyang's hardening line on the U.S. president.

Since then, the U.S. military has conducted several flyovers near the Korean Peninsula using B-1B bombers and directed a Navy aircraft carrier group to the region—all to North Korea's consternation.

The U.S. Embassy in Seoul declined to comment on the remarks.

Mr. Trump said in a May interview with Bloomberg News that he would be honored to meet Kim Jong Un "under the right circumstances."

Robert Carlin, a visiting scholar at Stanford University's Center for International Security and Cooperation, said the harsher rhetoric from Pyongyang, including recent articles in North Korea's party mouthpiece calling Mr. Trump a "reckless war maniac" and a "lunatic," comes after several months in which North Korea refrained from making personal attacks on Mr. Trump.

"The coarsening language toward the administration, and toward the president himself, seems to reflect a slowly sharpening discussion within the regime," Mr. Carlin, a former longtime Central Intelligence Agency analyst, wrote in an analysis for 38 North, a North Korea-focused blog.

In Tuesday's article, the North complained about sanctions on the country, which KCNA described as "an unethical and inhumane act, far exceeding the degree of Hitler's blockade of Leningrad."

The article also described Mr. Trump's decision to withdraw the U.S. from the 2015 Paris climate-change agreement as a violation of international norms that surpassed the horror of the Nazis' concentration camps.

Mr. Trump has called his decision to withdraw from the pact a "reassertion of our sovereignty."

KRT/ASSOCIATED PRESS

President Trump in May said he would be honored to meet Kim Jong Un 'under the right circumstances.'

IMAGO/ZUMA PRESS

Smog blanketed Stuttgart, home of Daimler and Porsche, in January. The city is among those weighing a ban on diesel vehicles.

European Cities Put Brakes On Diesel Vehicles' Spread

By William Boston

BERLIN—Large European cities from Munich to Madrid are banning or restricting diesel vehicles amid mounting alarm over toxic emissions, presenting a major challenge to European car makers who sell millions of them.

National governments have been slow to react to a string of scandals that have exposed diesel engines as far bigger polluters than advertised. But these cities, goaded by environmental groups, are emerging as the leaders of an antidiesel movement that is forcing Europe's car industry to rethink its future.

Among the cities considering or seeking a ban on diesel vehicles or an environmental tax are **BMW** AG's hometown Munich, and Stuttgart, which hosts **Daimler** AG and **Porsche SE**. Their message to Europe's car makers: If you can't clean diesel, we will.

"Cities are sending a signal to the public and manufacturers that there is a preference for clean vehicles," said Ray Minjares, a researcher at the International Council on Clean Transportation. The group uncovered emissions cheating by German car maker Volkswagen AG that has drawn attention to the issue over the past two years.

The scandal, which has since spread to other auto makers, started in the U.S. But less than 5% of U.S. cars are diesels, compared with half of all new European cars sold—some 85 million on the road.

The European Union took center stage after it set aggressive targets to reduce carbon-dioxide emissions to fight climate change.

European auto makers, especially the Germans, bet big on diesel as their main tool to reduce carbon-dioxide emissions. Diesel burns more efficiently than gasoline, so it gets better mileage and emits less carbon dioxide. The industry pushed it and won support from European governments, which have subsidized diesel through lower taxes since the 1990s.

Climate change isn't the only issue. A study co-written by Mr. Minjares concluded that just one pollutant from diesel engines caused 107,600 premature deaths world-wide in 2015. Around 80% of them were in Europe, China and India.

But car makers will be hard-pressed to shift from diesel and still meet European greenhouse-gas targets. Demand for electric cars is still less than 2% of global auto sales. All sales of new electric vehicles, including plug-in hybrids, accounted for just 1% of the 14.6 million new cars sold in the EU last year.

German car makers and unions are worried about the impact on their livelihoods. More than half of the European sales of Germany's top brands, including BMW, Mercedes-Benz, Audi and Porsche, sport diesel engines.

Dieter Zetsche, CEO of Daimler, which owns Mercedes, said this week that "driving bans are a political response, but will not lead to real change because they can't really be implemented."

Germany's largest industrial union, IG Metall, also objects, in part because they say bans would disproportionately hurt poorer drivers. Car makers, it says, should make older engines cleaner while politicians should promote electric vehicles and invest in technology to improve traffic flows.

Car makers will be hard-pressed to shift and still meet European greenhouse-gas targets.

"Such a sweeping demand is nonsense," Roman Zitzelsberger, head of IG Metall's southwestern Germany chapter, said this week.

The German auto industry is offering a trade-off: It has offered to update software on middle-age diesel vehicles on the road in Germany to bring them in line with modern emissions standards if bans are dropped. But nearly half of the 15 million diesel cars on the road in Germany are too old to fix.

The mayors driving the movement say they have little choice. As traffic hubs, they suffer some of the world's most toxic air. And since the Volkswagen scandal discredited "clean diesel," a barrage of court orders is forcing them to address the issue.

In car-crazy Germany, where Rudolf Diesel invented the eponymous engine, Stuttgart will begin next year to ban all but the most modern diesels, around 90% of them. Munich, which is considering a similar step, must present a plan by week's end to drastically cut the city's chronic pollution, in response to a court ruling.

Paris, which prohibits any diesel vehicle made before 1997 from driving in the city, will extend the ban in July to diesel vehicles made before 2001. That will affect nearly a fifth of the nation's heavy-goods vehicles and a smaller percentage of passenger vehicles.

London Mayor Sadiq Khan is creating an ultralow-emission zone with a system of prohibitive road tolls. "The air in London is lethal," Mr. Khan said in April as he unveiled plans to steeply raise the toll on the most polluting vehicles starting in 2019.

Oslo, the Norwegian capital, enacted a diesel ban in January as winter smog smothered the city, fining violators nearly $180. The ban, in effect from 6 a.m. to 10 p.m., was lifted once winds picked up and the air cleared.

The strategy is gaining traction beyond Europe. Mexico City joined Paris, Athens, and Madrid at a mayors' conference in December in a pledge to ban all diesel vehicles from their cities by 2025. Seoul plans to ban diesel made before 2006 from driving in the city's central districts.

"It is correct and important to discuss driving bans," Dieter Reiter, lord mayor of Munich, said this month.

SYRIA

Continued from Page One

a Syrian official told the Associated Press on Tuesday that the U.S. appeared to be preparing for a "diplomatic battle" with Syria.

Russia, a major ally of the Syrian regime, responded angrily on Tuesday to the Trump administration's warning to Syria. "We consider such threats to a lawful government unacceptable," Russian news agencies quoted Kremlin spokesman Dmitry Peskov as saying.

Mr. Peskov said Russia didn't know what evidence Washington's warning was based on.

In April, President Donald Trump approved a strike on Shayrat, the airfield in western Syria, after Mr. Assad used chemical weapons that killed dozens of Syrian civilians in Idlib province.

Images of dead and dying Syrian children provided jarring evidence of the effects of the attack. Mr. Trump cited the images when he spoke about how the attack had changed his view of the Syrian conflict and Mr. Assad.

In an interview carried by Syria's state news agency SANA the month of the Idlib attack, Mr. Assad said Syria had given up its chemical arsenal a few years earlier and had never deployed chemical weapons before surrendering them. Even if Syria still had such arms, he added, it wouldn't use them.

Russia defended the Assad regime against accusations its forces were responsible for the attack and said an on-the-ground investigation was needed before blame was cast.

Mr. Trump is scheduled to travel next week to Europe to visit Poland and attend a meeting of the Group of 20 world powers in Hamburg, Germany, where is may also sit down separately with Russian President Vladimir Putin for the first time since taking office.

The Kremlin spokesman, Mr. Peskov, said Tuesday that a meeting on the sidelines of the Hamburg summit may take place but that full-fledged bilateral talks weren't yet planned, Interfax reported.

Mr. Trump has praised Mr. Putin and emphasized his willingness to meet the Russian leader. But the U.S. and its allies fighting Islamic State in Syria have had a series of recent confrontations with forces that back the Assad regime, and the confrontations threaten to widen into a direct clash with the regime.

Pentagon officials have said they have the ability to carry out a quick airstrike in the region if Mr. Trump orders another strike.

The U.S. cruise missile strike on Shayrat in April hit aircraft hangars, fuel depots, radar, and ammunition bunkers. The U.S. said it destroyed about 20 planes in that attack, but the airfield was quickly back in operation.

Russia, a major ally of the Syrian regime, responded angrily to the Trump warning.

The U.S. didn't target any suspected chemical-weapons depots at the airfield in April because of fears that a strike could release the deadly weapons into the air. At the time, some outside analysts criticized the U.S. for not hitting the base harder.

Soon after the strike, Mr. Trump responded on Twitter to criticism that the U.S. didn't hit the runways more forcefully, writing, "The reason you don't generally hit runways is that they are easy and inexpensive to quickly fix (fill in and top)!"

—Felicia Schwartz contributed to this article.

SANA/REUTERS

President Bashar al-Assad inspects the cockpit of a warplane at a Russian air base in Hmeymim, in western Syria.

U.S. Travel Ban Draws Iran's Condemnation

Iran Foreign Minister Javad Zarif blasted the Trump administration's temporary ban on travelers from six Muslim-majority countries, but the response in the rest of the Middle East to the U.S. Supreme Court decision to allow its partial implementation was more muted.

By Aresu Eqbali in Tehran and Asa Fitch in Dubai

After the Supreme Court on Monday narrowed the scope of the ban but allowed it to go into place, Mr. Zarif tweeted that it was discriminatory and didn't accomplish its objectives.

"A bigoted ban on Muslims will not keep [the] U.S. safer," he said on Tuesday. "Instead of policies empowering extremists, [the] U.S. should join the real fight against them."

President Donald Trump has sought to impose a 90-day ban on U.S. entry for people from Iran, Libya, Somalia, Sudan, Syria and Yemen, and to suspend temporarily the U.S. program for admitting refugees, moves the administration says will strengthen national security and prevent terrorism.

Lower courts blocked previous versions of the ban, despite Mr. Trump scaling it back in March to address some of the legal challenges to his original executive order.

The Supreme Court, in an unsigned 13-page opinion on Monday, allowed the Trump administration to implement the temporary ban but narrowed its scope for now. It will give closer consideration to the case in October, when it will hear oral arguments.

Joining Mr. Zarif in criticizing the decision, Hossein Naghavi-Hosseini, the spokesman for the Iranian parliament's national-security and foreign-policy commission, said Mr. Trump's "racist" policies would backfire, the official Islamic Republic News Agency reported.

Mr. Naghavi-Hosseini said the restrictions were a violation of the nuclear deal in 2015 between Iran and six world powers including the U.S., although he didn't specify how. Under that deal, Iran got relief from international sanctions in exchange for new curbs on its disputed nuclear program.

"Halting visa issuance is a type of human-rights violation that contradicts all the U.S. officials' claims and statements regarding respect for human rights," he said. It wasn't clear if Mr. Naghavi-Hosseini's views reflected those of the parliamentary body as a whole.

Iranian Supreme Leader Ayatollah Ali Khamenei has been critical of the travel ban, saying in February that it exposed the "real face" of the U.S.

A spokesman for the Libyan parliament based in the eastern port city of Tobruk said the House of Representatives condemned the decision. "We believe the ruling should be more specific to certain groups such as the Muslim Brotherhood and individuals," Abdullah Blieheg said. "It's unreasonable to class all Libyans as a threat," he added.

WORLD WATCH

CANADA

U.S. Ramps Up Lumber Trade Spat

The Trump administration escalated its lumber trade tiff with Canada, adding a new layer of duties on imports from its northern neighbor, even as it said it still hopes to negotiate a settlement before the full bite of the penalties is felt.

Two months after moving to impose 20% tariffs on Canadian softwood lumber commonly used in single-family homes, the Commerce Department said it was considering additional fees that would mean some products would face duties as high as 30.88%.

The Trump administration has accused Canada of unfairly selling its lumber in the U.S. below production costs, aided in part by improper government subsidies—a trade practice known as dumping. The first round of duties was aimed at countering the alleged subsidies, while the new round is aimed at other factors the U.S. says is fueling the alleged dumping.

Canada has denied the U.S.'s allegations, and Prime Minister Justin Trudeau at one point said he would carefully consider retaliatory measures against the U.S. The U.S. last year imported more than $5 billion of softwood lumber from Canada.

The Commerce Department said the duties announced on Monday were "preliminary" and that it would reach a final determination on Sept. 7.

—Jacob M. Schlesinger and Paul Vieira

SCOTLAND

SNP Leader Delays Independence Vote

Scotland's chief minister reversed her earlier plans to push for a second independence referendum before Britain departs the European Union, saying instead she would revisit the issue once Brexit talks are completed.

Tuesday's about-face came after the Scottish National Party, which went into the June 8 election with a pledge to hold a second vote on Scottish independence, saw an electoral setback and lost seats in the U.K. Parliament, mainly to the Scottish Conservative Party.

Nicola Sturgeon, leader of the SNP and head of Scotland's semiautonomous government in Edinburgh, originally said she wanted the fresh vote on independence to be held between the fall of 2018—when the terms of the U.K.'s exit from the European Union are likely to be broadly agreed—and before the spring of 2019 when the U.K. is expected to formally exit the EU.

—Wiktor Szary

MEXICO

Trade Deficit Grows

Mexico had a $1.08 billion trade deficit in May, more than double the shortfall in the year-earlier month as the deficit in petroleum goods widened, the National Statistics Institute said.

Exports last month rose 12.9% from a year earlier to $35.47 billion thanks to solid gains in shipments of factory-made goods, while imports increased 14.7% to $36.54 billion.

—Anthony Harrup

SERGEI CHIRIKOV/EUROPEAN PRESSPHOTO AGENCY

MURDER TRIAL: Three of the five men accused of the contract killing in 2015 of Russian opposition leader Boris Nemtsov wait inside a glass-walled cage in a Moscow courtroom. The jury began deliberations on Tuesday in the case of a high-profile political killing yards from the Kremlin.

Brazil Leader Charged, Opening New Fight

Attorney general's bribery charges against President Temer embolden his foes

By Paul Kiernan And Paulo Trevisani

JOEDSON ALVES/ZUMA PRESS

President Michel Temer is the latest Brazilian politician to face charges under Operation Car Wash, a massive anticorruption push.

BRASÍLIA—Brazil's opposition went on the attack Tuesday after President Michel Temer became the first sitting president in the country's history to face criminal charges.

As Congress prepared for a vote in the coming weeks that could suspend the unpopular president from office, his political foes were emboldened by Attorney General Rodrigo Janot's filing of charges against Mr. Temer on Monday.

"It is a matter of respect to the country. Brazil can't live with this anymore," said José Guimarães, a congressman from the Workers' Party. Former President Luiz Inácio Lula da Silva, also of the Workers' Party, said on his Twitter account that Mr. Temer should call early elections and step down.

In charges filed against the president, Mr. Janot alleged Mr. Temer took about $150,000 in bribes from the former chairman of JBS SA, the world's biggest meat-packer, and agreed to accept about $11.5 million more. Mr. Janot also requested permission from the Supreme Court to further investigate Mr. Temer for money laundering.

"The spurious practices aimed at serving private interests with voluminous public resources aren't restricted to those reported in the charges hereby presented," Mr. Janot wrote in his indictment, saying Mr. Temer "swindled" Brazil's citizens. "The criminal organization didn't just operate in the recent past but remains in full activity today."

A representative for Mr. Temer declined to comment. Mr. Temer has previously denied any wrongdoing and has said he wouldn't step down from the presidency. On Tuesday, local daily Folha de S. Paulo reported that Mr. Temer and his aides were planning a counterstrike against Mr. Janot's allegations.

Two-thirds of Congress must vote to allow the case against Mr. Temer to go to a trial, which would occur before the country's Supreme Court and result in a 180-day suspension of the leader's mandate. That sets the stage for a high-stakes showdown between Brazil's crusading law-enforcement apparatus and an entrenched political class at a time of growing tension between the two sides.

"At the end of the day, lawmakers will choose stability over sending a president to trial," predicted Alfredo Kaefer, a congressman from a small party aligned with Mr. Temer.

Launched in 2014, the so-called Operation Car Wash has expanded from a narrow money-laundering probe into Brazil's most significant anti-corruption push ever. In a country where the rich and powerful historically faced few consequences for wrongdoing, the investigation has led to the jailing of scores of high-profile businessmen and politicians, yielded more than $7 billion in settlements and stirred broad hopes for a fairer society.

But it hasn't magically given Brazilians a new roster of honest politicians, something even the most optimistic political scientists say would take years. Instead, the investigations have fueled a state of nearly constant political turmoil, contributing to Brazil's deepest economic downturn in more than a century and leading to the impeachment of President Dilma Rousseff in 2016.

"So far, the confrontation of systemic corruption has basically been the work of law enforcement: police, prosecutors and judges, with strong support from civil society and public opinion," Sergio Moro, the judge spearheading Car Wash who is widely seen as a national hero, told The Wall Street Journal. "It needs to become part of the political agenda."

But with a second president in little more than a year teetering, some Brazilians are beginning to wonder if the costs of cleaning up corruption outweigh the benefits. Brazil's per capita economic output has contracted by some 11% since Car Wash began, forcing millions of layoffs.

The instability has been compounded by growing evidence of corruption's omnipresence in Brazilian politics.

In a videotaped testimony he gave as part of a plea deal earlier this year, Marcelo Odebrecht, the former chief executive of Latin America's largest construction company, said he was unaware of any politician managing to get elected without illegal cash. Undeclared contributions, he estimated, account for some three-fourths of all campaign money.

"Even if the guy says he didn't know, he still received money from his party that was [illegal]," Mr. Odebrecht said.

But with a budget deficit in excess of 9% of gross domestic product, Brazil desperately needs to pass sweeping reforms to avert a potential debt crisis, economists say. Mr. Temer, who is deeply unpopular with ordinary Brazilians but enjoys cozy relations with much of Congress, was seen a capable negotiator until the latest scandal erupted.

Growing numbers of politicians, and some members of the judiciary, have said Brazil should focus on fixing the economy under Mr. Temer, whose term ends in 2018. The president's governing coalition in Congress has remained largely intact even after the attorney general placed Mr. Temer under investigation in May.

—Luciana Magalhaes contributed to this article.

Draghi Hints at End to ECB Stimulus

By Tom Fairless

SINTRA, Portugal—European Central Bank President Mario Draghi hinted that the ECB might start winding down its large monetary stimulus as the eurozone economy picks up speed, even as he warned against an abrupt end to years of easy money.

The comments, at the ECB's annual economic-policy conference in Portugal on Tuesday, come as investors watch closely for a sign that the world's second-most-powerful central bank is preparing to withdraw controversial policies such as its €60 billion ($67.52 billion) a month bond-buying program.

Investors took them as a signal that the ECB is moving toward that goal. The euro jumped 0.9% against the dollar to $1.1284, while eurozone government bond yields also rose sharply.

So far, top ECB officials have avoided discussing the future of their bond purchases after December, when the program is currently set to end.

Mr. Draghi said the ECB's stimulus policies are working and will be slowly withdrawn as the economy accelerates. However, he warned that "any adjustments to our stance have to be made gradually, and only when the improving dynamics that justify them appear sufficiently secure."

"Today Draghi moved his first step towards indicating that ECB monetary policy will become less [stimulative] in 2018," said Marco Valli, an economist with UniCredit in Milan.

Many analysts expect the central bank to announce in September or October that it will start early next year to taper its bond purchases, known as quantitative easing.

Mr. Draghi didn't directly address the question of timing. He highlighted positive developments in the eurozone economy, including broadening economic growth and reduced political uncertainty. Emmanuel Macron's victory in France's presidential elections in May helped stem concerns that his far-right rival, Marine Le Pen, might drastically alter the shape of the eurozone.

"Political winds are becoming tailwinds," Mr. Draghi said. "There is newfound confidence in the reform process, and newfound support for European cohesion, which could help unleash pent-up demand and investment."

At a policy meeting this month, the ECB took a tiny step toward ending its stimulus, signaling it probably wouldn't cut interest rates any further below zero. But Mr. Draghi said after the meeting that policy makers hadn't even discussed unwinding their stimulus.

On Tuesday, the ECB chief indicated that any change would have to be gradual, "to ensure that our stimulus accompanies the recovery amid the lingering uncertainties."

That tone of continued caution may disappoint officials in Northern Europe, who have been calling for a swift exit from stimulus as economic growth and inflation recover. Top officials in Germany, Europe's largest economy, have for years called for an end to policies they complain hurt savers and pensioners.

The dilemma for ECB officials is that while eurozone growth is accelerating, outpacing the U.S. in the first quarter, the bloc's inflation rate remains weak. It slid to 1.4% in May, some way below the ECB's target of just below 2%.

Mr. Draghi suggested inflation has fallen short because of temporary factors that the ECB can afford to ignore. They include falling energy and commodity prices, and changes to the labor force that reduce workers' power to demand higher wages, he said.

Top Ukrainian Intelligence Officer Killed by Bomb

VALENTYN OGIRENKO/REUTERS

A senior Ukrainian military intelligence officer was killed when a bomb detonated under his car in the Ukrainian capital of Kiev on Tuesday, the Defense Ministry said, in an act the government is treating as terrorism.

Ukraine's chief military prosecutor said authorities were looking for evidence of involvement by Russia, which has supported pro-Russian rebels in a conflict in eastern Ukraine.

Authorities said Col. Maksym Shapoval was killed when explosives detonated under an automobile.

Ukraine has seen a spate of murders and attempted killings far from the front lines and covert military interventions across its neighbor's eastern border since Moscow's annexation of Crimea in 2014.

The Kremlin denies involvement. Russia's state-controlled media often portray the killings as evidence of Ukraine's lawlessness.

A Chechen sniper living in Ukraine, Adam Osmayev, was targeted in a botched killing this month before the killer was stopped by his wife, Amina Okuyeva.

In March, a former Russian parliamentarian who had fled to Kiev with his wife was shot dead on a sidewalk in the center of the capital, in what Ukraine President Petro Poroshenko called an act of "state terrorism." His assassin was killed by the victim's bodyguard.

—Thomas Grove

SUSANA GONZALEZ/BLOOMBERG NEWS

Shipping containers of Maersk, whose systems were hacked.

HACK

Continued from Page One

across several business units, a Maersk spokeswoman said, adding the company was assessing the situation.

The spokeswoman said she couldn't provide details on how the computer outage was affecting the company's flagship business, Maersk Line, the world's largest container operator by capacity.

Attempts to connect to the Maersk Line website yielded the following message: "Oh no, our website is down!"

A person with knowledge of the situation said more than a dozen terminals at APM Terminals, Maerk's port operating unit, had been affected around the world. Those included Rotterdam and ports on the U.S. East Coast

The Port Authority of New York and Jersey sent out alerts Tuesday morning that said the APM Terminals facility in Elizabeth, N.J., "is experiencing system issues" and advising carriers to delay arrival until further notice.

Maersk's crucial role in the global supply chain makes whatever ultimately happen with its own handling of the attack crucial for much of the rest of the world. Because of the ballet-like logistics required to slot ships into ports and unload them efficiently, speed in sorting out any computer malfunction is critical.

WPP, the London based advertising conglomerate, said its I.T. systems across several companies were affected by a "suspected cyberattack."

"We are taking appropriate measures [and] will update asap," the advertising company said in a tweet.

WPP employees at its various agencies and businesses across the group were instructed not to log into the network and shut down their computers after the issue was discovered, said several people within the company.

A spokesman for Mondelez International Inc., a New Jersey-based global food maker, said the company's network is experiencing a global IT outage and that they were investigating the causes.

DLA Piper, one of the largest business law firms, was among the companies hit by the cyberattack. The New York-based firm, which has offices in dozens of countries, said it "has experienced issues with some of its systems due to suspected malware."

Ukrainian Prime Minister Volodymyr Groysman said that important systems had not been damaged and that IT experts were working to address the issue.

The virus, called "Petya," encrypted data on computer systems and demanded payment to unlock them, the government said. The Infrastructure Ministry, telecoms company Ukrtelecom, state postal service Ukrposhta and several banking institutions were infected, the government said. Energy generation and supply companies were also hit, along with private businesses, the Security Service of Ukraine said.

Maersk, WPP Group and Rosneft reported significant intrusions on their systems.

The attacks used a version of the WannaCry virus, an adviser to Ukraine's interior minister said. The virus was delivered over the last several days via emails written in Russian and Ukrainian that were disguised as regular business correspondence, the adviser, Anton Gerashchenko, wrote on his Facebook page.

The Wannacry malware in May inflicted most of its damage on European businesses and institutions. It locked computer systems that were old or weren't adequately patched, demanding ransom.

U.S. NEWS

GOP Health Bill Hurdles Heighten

Senate measure would increase the number of uninsured by 22 million, report predicts

The Senate Republican health-care overhaul would result in 22 million more people uninsured and cut the cumulative federal deficit by $321 billion in the next decade, compared with the current Affordable Care Act, according to an estimate released Monday by the Congressional Budget Office.

By Stephanie Armour, Kristina Peterson and Louise Radnofsky

That assessment threw into doubt whether the bill would make it past an initial procedural hurdle as Senate Majority Leader Mitch McConnell (R., Ky.) is engaged in last-minute negotiations with more than a half-dozen GOP lawmakers wavering in their support of the bill.

Sen. Susan Collins (R., Maine) said she would vote against the bill, citing the CBO report.

Also on Monday, the American Medical Association made public its opposition to the bill in a letter to Senate leaders, saying "it will expose low- and middle-income patients to higher costs and greater difficulty in affording care." But insurer Anthem Inc. said it believed the legislation would bring stability to the individual insurance markets.

GOP leaders have said the Senate will vote this week on the bill. They can lose no more than two Republican senators on either the "motion to proceed" to debate on the bill, or on the bill itself, expected to come up for a vote later in the week. None of the 48 members of the Senate Democratic caucus is expected to vote in favor of the bill.

Six GOP senators are now opposed to the bill; at least three said they would block it on the procedural vote.

The bill's effect on consumers would vary widely, the CBO found. Many people would see lower premiums, partly because their plans would cover fewer benefits. But for lower-income consumers or those with special needs, medical costs could be significantly higher.

Republicans emphasized the CBO's finding that after rising for a time, average premiums would go down after 2020.

"Our plan will help address Obamacare's ballooning costs for consumers by lowering premiums over time and cutting taxes, and today's estimate confirms that," said Sen. John Cornyn of Texas, the chamber's second-ranking Republican.

The White House said in a statement: "The CBO has consistently proven it cannot accurately predict how healthcare legislation will impact insurance coverage. This history of inaccuracy, as demonstrated by its flawed report on coverage, premiums, and predicted deficit arising out of Obamacare, reminds us that its analysis must not be trusted blindly."

Democrats and their allies pounced on the analysis to say the Senate bill would gut Medicaid and give tax breaks to the wealthy.

"Today's report confirms what doctors, patient advocates, Democrats and Republicans have been saying for weeks: Trumpcare will lead to higher costs for less care and will lead to tens of millions of Americans left without health insurance," said Sen. Chuck Schumer of New York, the chamber's Democratic leader.

Senate GOP leaders have been working for weeks in closed-door sessions to draft a bill knocking down key parts of the 2010 law and replacing it with a new system of tax credits and cuts to Medicaid. If the bill passes this week, it is possible the House could vote on health-overhaul legislation before Congress takes a recess in August.

Four conservative Republicans—Sens. Rand Paul of Kentucky, Ron Johnson of Wisconsin, Mike Lee of Utah and Ted Cruz of Texas—said shortly after the bill's release they opposed it in its current form. A centrist, Sen. Dean Heller (R., Nev.), said he was opposed the following day.

Ms. Collins said in a trio of tweets Monday evening that while she wanted to fix the ACA, the "CBO analysis shows Senate bill won't do it," citing the cuts to Medicaid funding and how that could restrict health-care access in rural areas. "Senate bill doesn't fix ACA problems for rural Maine," she said.

Mr. McConnell's most immediate challenge is securing the 50 votes needed to clear the procedural vote. Mr. Paul and Ms. Collins have said they would vote against it, and Mr. Johnson has said he couldn't vote to advance the bill without further information.

If Mr. McConnell can't persuade at least one of those Republicans to change his or her mind, the monthslong push to overhaul the ACA would collapse on the procedural vote.

Lawmakers will have little time to digest the CBO analysis, if the vote occurs this week as planned. When the CBO reported that the House version of the bill would result in 23 million fewer insured Americans in 2026 than the current law, it delivered a jolt that undermined the bill's support, though House Republican leaders were able to muster enough support to narrowly pass it.

It is unclear if the CBO score will have a similar effect in the Senate. Some GOP centrists had expressed concerns that the bill would leave too many people uninsured.

—Natalie Andrews and Richard Rubin contributed to this article.

MARIE D. DE JESUS/ASSOCIATED PRESS

The American Medical Association said the health bill will expose lower-income patients to higher costs.

Republican Leaders Scramble for Votes

The prospects for the Senate Republican plan to repeal the Affordable Care Act looked dire on Tuesday morning, as Senate Majority Leader Mitch McConnell's goal to garner the support of 50 GOP senators fell further out of reach. Here is what to expect as the debate on health care moves forward over the rest of the week:

Q: How did the Congressional Budget Office's analysis change the legislative dynamics?

The nonpartisan Congressional Budget Office released a report on Monday that estimated 22 million more people would be uninsured over a decade under the Senate GOP health bill than under current law. The analysis also showed the bill would lower the federal deficit by $321 billion over 10 years.

When the House debated its bill this year, a similar CBO estimate for the increase in uninsured weighed heavily on members of that chamber. Sen. Susan Collins of Maine, a moderate Republican, voiced her opposition to the Senate bill after the CBO score was released.

Q: Which GOP senators aren't ready to vote yes?

To get a bill passed, Mr. McConnell can afford to lose two votes from his 52-member caucus. As of now, at least six Republicans said they are opposed to the Senate's bill:

Conservatives:
Sen. Rand Paul, Kentucky
Sen. Ted Cruz, Texas
Sen. Mike Lee, Utah
Sen. Ron Johnson, Wisconsin

Centrists:
Sen. Susan Collins, Maine
Sen. Dean Heller, Nevada

The conservatives said that the Senate GOP plan doesn't go far enough to lower costs for consumers, and that the Republicans should offer a more robust Obamacare repeal bill. Some centrists said the bill doesn't do enough to protect the Obamacare Medicaid expansion.

Q: So is the bill dead?

Not yet. Some of the more conservative members—Messrs. Johnson, Lee and Cruz—are seen as more likely to come around with some negotiation with the White House and the GOP leadership in the Senate than the centrist members.

—Joshua Jamerson

Lockout Provision May Not Increase Enrollees

By Anna Wilde Mathews

Senate Republican leaders on Monday unveiled a new provision in their health bill designed to prod people to maintain their insurance coverage, a tweak made after insurers had complained an initial version of the legislation threatened to undermine the individual insurance market.

But industry officials say it isn't clear how much the new clause would stabilize the markets or draw in the young, healthy enrollees insurers crave.

Insurers applauded the tweak, which would impose a waiting period of six months on people who try to buy plans after having a gap in coverage of 63 days or more. The idea is to motivate consumers to maintain continuous coverage, rather than jumping into the market when they get sick or need a medical procedure.

The Blue Cross Blue Shield Association said on Monday that the legislation "includes several urgently needed and important steps to help make the individual market for insurance more stable and affordable in 2018 and 2019," among them "strong incentives for people to stay covered continuously."

But insurers and experts also said it wasn't clear that the new six-month lockout period or other provisions would fully make up for the impact of another important part of the Senate bill: dumping the Affordable Care Act mandate that requires most people to have insurance.

In doubt is the effect of any loss of the mandate that people have insurance.

Many insurers feel that the ACA requirement, and the tax penalty associated with it, helps bring young, healthy enrollees into the market. Healthy enrollees help offset the costs of sicker consumers and hold down premiums.

"Any loosening up in the mandate is detrimental to the risk pool," said Dave Dillon, a vice president at Lewis & Ellis, an actuarial consulting firm, and fellow at the Society of Actuaries. "I don't see that six-month waiting period as being very effective to encourage enrollment."

Paul Markovich, the chief executive of Blue Shield of California, said the new continuous-coverage provision is "helpful," but "I don't think that's as strong an incentive for individuals to stay in the pool" as the individual mandate.

Overall, he said, the Senate legislation could help steady the marketplaces in the short term, partly by including two years of federal payments for cost-sharing subsidies and providing new federal stabilization funding that could help blunt costs for insurers. But "when you get to the longer term, it will be much more challenging" to keep the individual market steady.

Martin Hickey, chief executive of New Mexico Health Connections, a nonprofit insurer, said that getting rid of the individual mandate would likely push his company's rate increase on marketplace plans for next year up by 10 to 20 percentage points, and he didn't expect that amount would be reduced by the inclusion of the six-month lockout requirement. He said the continuous-coverage penalty might "actually drive more sick people into the pool."

The Congressional Budget Office, in its analysis of the Senate bill, projected the lockout requirement would ultimately "slightly increase the number of people with insurance."

Travel-Ban Ruling Raises Opposing Views

By Joe Palazzolo

The Supreme Court's decision to review and allow partial enforcement of President Donald Trump's executive order banning immigration from six predominantly Muslim countries inspired dueling narratives that hinted at new litigation likely to unfold over the summer.

For Mr. Trump, the order amounted to a "clear victory for national security" that "allows the travel suspension for the six terror-prone countries and the refugee suspension to become largely effective," according to the president's statement after the ruling.

Omar Jadwat, director of the Immigrants' Rights Project at the American Civil Liberties Union, which is representing groups challenging Mr. Trump's directive, said the high court's order, "properly construed, should really allow for only the narrowest implementation of the ban."

Two federal appeals courts blocked the administration from enforcing the ban, prior to Monday's order, in challenges brought by Hawaii, refugee-resettlement groups and legal residents whose relatives are seeking entry into the U.S. The lawsuits allege that Mr. Trump's order is motivated by an animus toward Islam, as opposed to concerns about national security. The president has asserted authority to exclude broad groups from the country in order to keep it safe.

The Supreme Court, departing from the lower courts, freed the Trump administration to enforce the ban when "there is no tie between the foreign national and the United States."

But the justices added that Mr. Trump's order "may not be enforced against foreign nationals who have a credible claim of a bona fide relationship with a person or entity in the United States."

Mr. Trump read the court's order as freeing his hand. "Today's ruling allows me to use an important tool for protecting our Nation's homeland," he said in his statement.

Attorney General Jeff Sessions saw a prelude to victory, saying in a statement that the Justice Department was "confident the United States Supreme Court will uphold this constitutional and necessary executive order."

Becca Heller, director of the International Refugee Assistance Project, said the high court's ruling allowed the administration to enforce the travel ban against a narrow group of individuals—those who tried to apply for a tourist visa and who otherwise had no connections to the U.S.

Ms. Heller said refugees and immigrants applying for visas to work in the U.S., visit a family member or go to school here would still have protection pending the outcome of the case.

The justices are slated to hear arguments in October, but they indicated that the case might be moot by then, saying they "fully expect" the order to allow the government to move ahead with its original plans—to pause travel from the countries for 90 days while officials identify any holes in screening procedures.

JAMES LAWLER DUGGAN/REUTERS

A passenger arrived at Washington Dulles International Airport on Monday after the court ruling.

Battle Turns to Enforcing 'Bona Fide' Relationship

By Joe Palazzolo

The Supreme Court's ruling freed the Trump administration to enforce the president's executive order banning travelers from six Muslim-majority countries who have "no tie" to the U.S.

But the court ruled that the travel ban "may not be enforced against foreign nationals who have a credible claim of a bona fide relationship with a person or entity in the United States."

What is a bona fide relationship? The court offered some examples by way of explanation. "For individuals, a close familial relationship is required," the court wrote in its majority opinion. A foreigner who wishes to enter the U.S. to live with or visit a family member would qualify, the justices wrote.

"As for entities, the relationship must be formal, documented, and formed in the ordinary course, rather than for the purpose of evading [the executive order]," the court wrote. "The students from the designated countries who have been admitted to the University of Hawaii have such a relationship with an American entity. So, too, would a worker who accepted an offer of employment from an American company or a lecturer invited to address an American audience."

Lawyers for refugee resettlement groups challenging the ban said the vast majority of refugees and visa seekers would remain protected under the high court's order. Only those seeking tourist visas and those who have no connection to the U.S. would be subject to the travel ban, they said.

The U.S. government is likely to take a different view of the Supreme Court's decision. The Department of Homeland Security said it would provide details on implementation after consultation with the State Department and Justice Department.

Legal experts and even some of the justices said court's emphasis on a "bona fide relationship" would be fought over in the lower courts. "I fear that the court's remedy will prove unworkable," wrote Justice Clarence Thomas.

Justice Thomas, who would have restored the travel ban fully, wrote that the court's effort to strike a middle ground between suppressing the ban completely, as the lower courts had, and allowing the administration to apply it without constraint "will invite a flood of litigation until this case is finally resolved on the merits, as parties and courts struggle to determine what exactly constitutes a 'bona fide relationship.'"

Trump Aides Hire Lawyers For Probe

At least 10 have retained attorneys or are moving to do so amid Russia inquiry

By Peter Nicholas
And Carol E. Lee

As investigations intensify into whether the Trump campaign colluded with Russia in the 2016 presidential campaign, at least 10 White House officials and former aides have retained lawyers in conjunction with the probes, or are moving to do so.

Inside the White House, President Donald Trump, Vice President Mike Pence and Mr. Trump's senior adviser Jared Kushner, his son-in-law, all have hired private attorneys, as have former campaign advisers Michael Caputo, Boris Epshteyn and Roger Stone, among others.

The growing roster of legal counselors could further complicate communication inside a White House that has been rocked by divisions, and risks adding one more distraction for an administration that has struggled to keep the public focus on its policy agenda.

Asked about the White House's management of the investigations, Andrew Card, chief of staff to former President George W. Bush, said: "I think they're learning they have to do a better job of it. I don't fault them for the way they've had to learn this process. But I'm hoping they do not get distracted. That's the most critical thing."

Kellyanne Conway, counselor to President Trump, said, "It's business as usual here in the White House, where the president's packed schedule and the breakneck pace have been unchanged."

Past administrations have taken different approaches in parrying investigations, which can be a consuming preoccupation for the officials involved. Former President Bill Clinton tapped White House attorney Lanny Davis to manage press inquiries into various ethics investigations that played out in part of his second term, hoping to create a firewall between the probes and his policy agenda.

Faced with a special counsel investigating the outing of Central Intelligence Agency covert agent Valerie Plame, some of Mr. Bush's White House aides hired their own attorneys.

As of now, the Trump White House has settled on a model that relies heavily on the president's chief outside lawyer, Marc Kasowitz, and a team that includes longtime Republican communications specialist Mark Corallo and another outside attorney who is a practiced TV commentator, Jay Sekulow, to defend the president.

Robert Mueller, a special counsel hired by the Justice Department, is conducting the Federal Bureau of Investigation probe of Russia activities in the 2016 election and whether the president obstructed justice by trying to curtail or influence the probe, according to people familiar with the investigation. Mr. Mueller took over after Mr. Trump fired James Comey as FBI director, who initiated the investigation last year.

Senate and House committees are also examining what happened during the campaign and whether any Trump advisers colluded with Russians. The White House has denied any wrongdoing by the president and his team.

One advocate for the approach taking shape in the administration is senior White House adviser Steve Bannon. He aims to keep the response to the investigation "outside the White House" so that it doesn't become an "all-consuming thing" inside the building, a person familiar with the matter said.

Also important to Mr. Bannon was finding a "Lanny Davis" type, this person said. That role seems to have fallen to Mr. Sekulow.

White House chief of staff Reince Priebus is himself a lawyer and hasn't retained counsel, nor has Ms. Conway, who served as Mr. Trump's campaign manager. Mr. Bannon hasn't hired a lawyer either and doesn't plan to do so, the person familiar with the matter said.

Mr. Kushner's attorney is Jamie Gorelick, a former Clinton administration official. She is a partner at WilmerHale, the same law firm that employed Mr. Mueller until he became special counsel.

After Mr. Mueller left WilmerHale, Ms. Gorelick asked Mr. Kushner to obtain independent legal advice on whether he should keep her on, given the WilmerHale connection.

Mr. Kushner sought advice from Abbe Lowell, a seasoned lawyer who was counsel to House Democrats during the impeachment proceedings against Mr. Clinton. Ms. Gorelick said in a statement Monday that Mr. Kushner has added Mr. Lowell to his legal team. He is also keeping Ms. Gorelick.

Mr. Trump receives regular briefings from the Kasowitz team, speaking to them virtually every day, a White House official and a person close to the team said. Mr. Kasowitz has also met with White House aides. In one meeting, Mr. Kasowitz told the aides that they could come to him in the event they had questions, three people who were in the meeting said.

A person close to the Trump legal team said that Mr. Kasowitz isn't dispensing legal advice to White House staff. Asked about Mr. Kasowitz's meeting with White House aides, this person said that Mr. Kasowitz offered to recommend attorneys if people felt they wanted legal counsel, this person said.

Mr. Kasowitz declined to comment.

—Michael C. Bender contributed to this article.

WIN MCNAMEE/GETTY IMAGES

Marc Kasowitz has been hired by Mr. Trump as his chief outside lawyer for the investigations into Russian interference in the election.

White House Struggles to Fill Fed Slot

By Kate Davidson
And Rachel Witkowski

The Trump administration is struggling to find a nominee for the Federal Reserve board with community-banking experience, delaying plans to fill two other Fed vacancies, including a key regulatory post.

The problem: They can't find somebody willing to take the job.

Ethics rules require Fed governors and their immediate family members to divest themselves of holdings in any financial firms to avoid potential conflicts of interest. But many of the country's small banks are privately held and run by third- or fourth-generation executives.

Since President Donald Trump took office, at least three community-banker candidates who had been recommended for the job either bowed out or declined to be considered over concerns about selling their stakes in their banks, according to people familiar with the matter.

This reluctance has held up the administration's plans to submit nominees for all three Fed board openings together to the Senate for confirmation. It could delay the community-banker nomination into the fall, the people said.

The divestiture requirement is "an impediment to the administration finding a community banker, unless they find a retired banker who's already divested their interests," said Camden Fine, the chief executive of the Independent Community Bankers of America.

The problem isn't a new one—the Obama administration also had trouble finding a community banker willing to be considered for the position—but it has broader implications for the Trump administration's regulatory agenda.

Mr. Trump has three vacancies to fill on the seven-member Fed board. He also can nominate any board member to serve as vice chairman for supervision, a role created by the 2010 Dodd-Frank law but never formally filled during the Obama administration.

Without a vice chairman for supervision, the Trump administration is missing a key player to carry out its plans for overhauling financial regulations, including rolling back portions of Dodd-Frank.

White House spokeswoman Natalie Strom said in a statement: "The president takes the responsibility of nominating individuals to the Federal Reserve board very seriously, as whoever he chooses will have a major impact on the future of U.S. economic policy. We are in the process of reviewing a wide range of incredibly qualified candidates for all the open positions on the board and will announce the president's selections at the appropriate time."

Mr. Trump is expected to nominate Randal Quarles, a top Treasury Department official in the George W. Bush administration, to the regulatory post. He also is considering former Richmond Fed economist Marvin Goodfriend for another board slot.

The quest for a candidate with small-bank experience is part strategy, part necessity.

Community bankers generally enjoy broad support on Capitol Hill. Packaging the nomination of a small-bank candidate with two other Fed nominees could make it easier for all three to win Senate approval, though the administration could move ahead with two nominees.

Congress amended the Federal Reserve Act two years ago to require that at least one Fed board member have community banking experience.

PAUL MORRIS/BLOOMBERG NEWS

Former Richmond Fed economist Marvin Goodfriend is being considered for a central-bank board position.

IMF Lowers Forecast Amid Uncertainties

By Ian Talley

WASHINGTON—The International Monetary Fund lowered its forecast for the U.S. economy Tuesday, saying it could no longer assume the Trump administration will be able to deliver pledged tax cuts and higher infrastructure spending.

The IMF, in its annual review of the American economy, questioned the White House's plan to accelerate output and said it was skeptical the administration would be able rev up the world's largest growth engine to a sustained 3% annual rate.

Instead, the fund forecasts the growth rate will steadily fall over the next five years to around 1.7%, assuming no major policy changes.

In April, the IMF said President Donald Trump's tax-overhaul plans and spending stimulus could goose the growth rate to 2.5% next year, up from 2.3% this year. But after talks with administration officials amid still-evolving policy plans, the fund says it can no longer factor such fiscal stimulus into its forecasts. The IMF now says the economy will expand by 2.1% this year and next.

Initial optimism about the administration's ability to get a tax revamp and infrastructure spending has faded in the face of mounting political hurdles.

The Trump administration says its economic platform—including cutting corporate and income taxes, boosting infrastructure spending and reducing regulations—will push growth up to a sustained rate of 3% to 4% a year and cut unhealthy government debt levels.

The IMF disagreed, questioning whether the package as proposed will deliver the administration's growth targets, balance the budget and cut public debt.

YURI GRIPAS/REUTERS

The IMF questioned the White House's plan to accelerate output.

U.S. WATCH

SUPREME COURT

Justices to Weigh Sports-Gambling Case

The Supreme Court agreed to consider New Jersey's bid to legalize wagering on sports, a case in which the state is challenging restrictions imposed by the federal government.

The justices, in a brief order Tuesday, said they would hear an appeal by New Jersey's Republican Gov. Chris Christie and other state officials who were on the losing end of lower court rulings.

The state has made two recent attempts to introduce sports betting to the state, most recently with a law it passed in 2014 that repealed state prohibitions on sports wagers at casinos and racetracks.

The four major U.S. professional sports leagues and the National Collegiate Athletic Association sued to block New Jersey's law, saying state-sponsored gambling threatened the integrity of their games.

Lower courts said New Jersey's effort to allow sports bets was prohibited by a 1992 federal law that bars most states from licensing such wagers. Nevada has an exception to the prohibition because its sports betting was grandfathered into the law.

New Jersey is raising states-rights claims, arguing federal law shouldn't be able to foreclose a decision that should belong to state officials.

—Brent Kendall

HOUSE OF REPRESENTATIVES

GOP Nears Deal to Raise Defense Outlay

House Republicans are nearing a deal on overall spending levels for fiscal 2018 that would boost military spending well above the limit imposed by current law.

For the fiscal year that begins in October, House Republicans are coalescing around setting base military spending at $621.5 billion, far surpassing the $549 billion limit under current law, in a budget resolution that could be released and adopted by the House Budget Committee this week, according to House GOP aides. House Republicans are likely to set nonmilitary spending at $511 billion, which is below the limit of $516 billion under current law.

The budget resolution, a largely symbolic document, carries unusual importance this year because Republicans plan to use it to help pass an overhaul of the tax code without Democratic support.

The budget resolution will lay out the measuring sticks and revenue targets for the tax plan, which top Republicans are trying to write now. If the House and Senate both adopt the same budget, that unlocks the so-called reconciliation procedures that can allow a subsequent tax bill to pass on a party-line vote.

—Kristina Peterson and Richard Rubin

TRADE

Marathon Nafta Hearings Begin

The Trump administration is holding marathon public hearings over plans to rewrite the North American Free Trade Agreement with Mexico and Canada.

Beginning with an 11-hour session Tuesday, the U.S. Trade Representative's office planned three days of hearings, churning through more than 130 witnesses. The variety of speakers is showing the widespread interest in the pact, with a long list of industries, unions and activists looking to protect what they have gained since the 1994 launch, to make up for what they have lost, or to take advantage of the opportunity for change.

The intense interest in Nafta has been spurred by President Donald Trump's harsh criticism of the sweeping pact as "a disaster," and his April threat to pull out abruptly and completely. That has sparked a robust defense from Nafta advocates who had long taken the agreement for granted, and raised hopes for critics looking for fix what they see as longstanding problems.

In the month after U.S. Trade Representative Robert Lighthizer's mid-May notification to Congress that the pact would be renegotiated, his agency got more than 12,000 public comments on the matter, crashing the server and forcing him to extend the comment period.

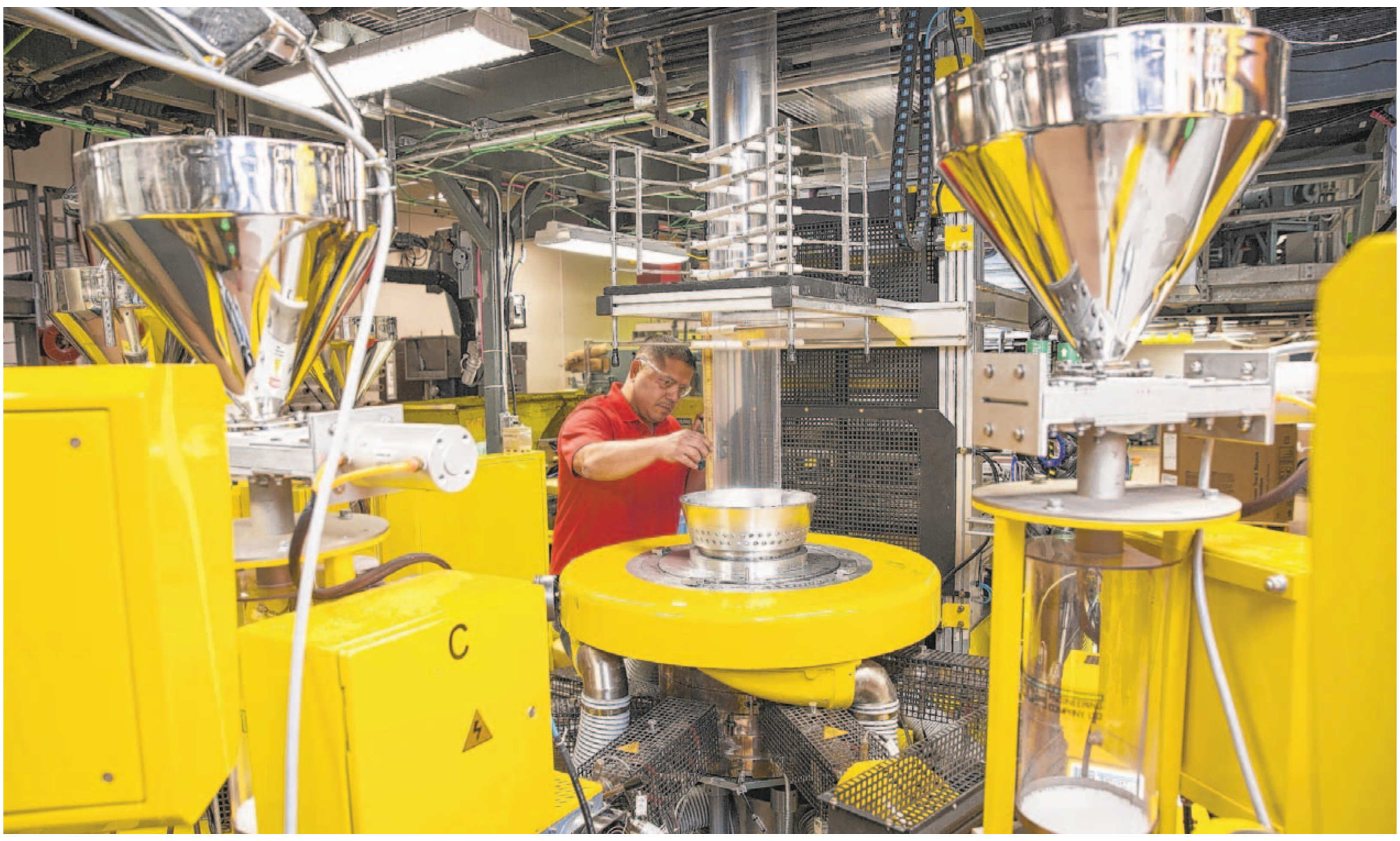
—Jacob M. Schlesinger

IN DEPTH

SHALE

Continued from Page One

who makes what to essentially feed the manufacturing sector," said Dow Chief Executive Andrew Liveris, referring to the growth of production in the U.S. His company now plans to double down on its U.S. expansion with a $4 billion investment in a handful of projects over the next five years.



SCOTT DALTON FOR THE WALL STREET JOURNAL

A new petrochemical facility in Freeport, Texas, on the Gulf of Mexico is part of Dow Chemical's $8 billion investment over the next year.

Companies are eagerly launching new U.S. petrochemical projects—310 in all according to the Chemistry Council—because at a time of uncertainty over when demand for transportation fuels may peak, due to electric cars and ride sharing, the world's appetite for plastics is expected to rise for decades to come.

That demand typically grows at least 1.5 to 2 times as fast as global gross domestic product, according to industry analysts. That theoretically makes petrochemicals one of the safer fossil fuel investments, though skeptics question whether the margins on U.S.-made plastics can last.

The new investment will establish the U.S. as a major exporter of plastic and reduce its trade deficit, economists say. The American Chemistry Council predicts it will add $294 billion to U.S. economic output and 462,000 direct and indirect jobs by 2025, though analysts say direct employment at plants will be limited due to automation.

For energy companies, the build-out creates a new market for byproducts they previously had little use for. Drillers have been flush for years with the raw materials but have left them in the gas stream to be burned off, because no one wanted them. A spike in demand in coming years could make drilling more profitable.

Petrochemical companies are betting the price of the feedstocks—their most costly expense—will remain low for years due to shale drilling. As a result, net U.S. petrochemical exports, which include plastic as well as products such as fertilizer, adhesives and solvents, will grow to $110 billion a year by 2027 from $17 billion last year, according to IHS Markit. That would come close to the value of Saudi Arabia's current annual oil exports.

"There's no other industry that comes close to that level of growth," said IHS economist Thomas Runiewicz.

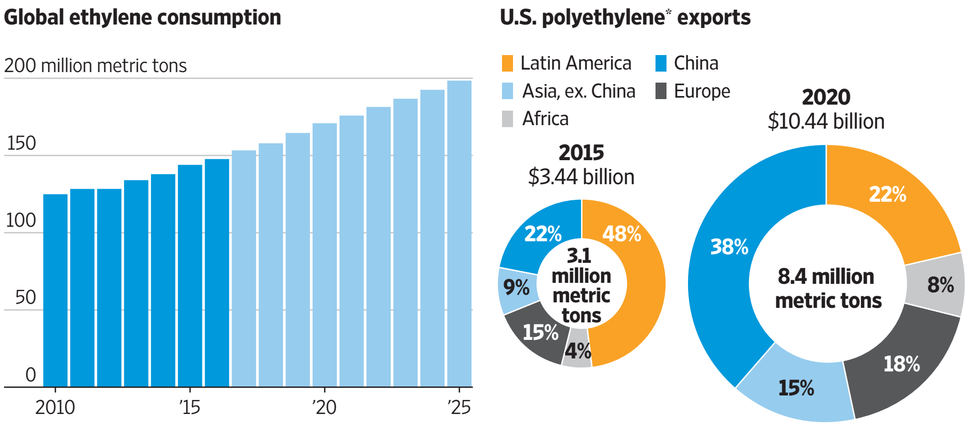
Many of the companies investing in the U.S. are foreign, including Saudi Arabia's state-owned chemical company and some of the largest petrochemical companies in Brazil, Japan and Thailand.

In April, Exxon said it selected a site near Corpus Christi, Texas, for a $9.3 billion petrochemical complex it is building jointly with Saudi Basic Industries Corp. The proposed facility, the largest of its kind in the world, is expected to be done by 2021 and produce 1.8 million metric tons a year of ethylene, the main component of plastic.

"We don't see this as a bet," said Neil Chapman, president of the chemicals unit at Exxon, which is investing a total of $20 billion in such projects along the Gulf of Mexico. "You've got to pinch yourself sometimes and say 'this is the envy of the world.' "

Plastic Model

The world's consumption of ethylene has soared, and the U.S. forecasts major growth in exports.



*The main material produced from ethylene
Note: Projections begin in 2017. Polyethylene data may not add to 100% due to rounding.
Source: PCI Wood Mackenzie

THE WALL STREET JOURNAL.

Booming exports

Dow's plant in Freeport, Texas, when fully operational by the end of the year, will produce 1.5 million metric tons of ethylene annually. The company plans to export at least 20% of the plastic it makes in the U.S. and is particularly eyeing Latin America as a ripe market.

Dow expects plastic baby food containers will be a booming business in Brazil, where an increasingly career-oriented female population is favoring prepared baby foods in innovative packaging to save time, according to a 2015 World Health Organization study. That is expected to fuel projected annual growth of about 10% in sales of the industry's flexible and rigid plastic packaging in Brazil, the report said.

"We are taking advantage of population growth, the rising middle class and the on-the-go lifestyle," said Paloma Alonso, Dow's vice president of plastics in South America. "The Gulf investment is really essential for us."

The U.S. investments aren't without risk. American petrochemical facilities mostly run on ethane, a byproduct tied to natural-gas prices, while counterparts in Asia and Europe primarily use naphtha, a crude-oil derivative.

Half of 2016's capital investment in U.S. manufacturing was for chemical plants.

Ethane prices fell when U.S. natural-gas prices fell in 2009, while naphtha prices increased as oil prices soared to more than $100 a barrel in 2011. Since then oil has fallen below $50 a barrel, making companies that use naphtha more competitive. Natural-gas prices remain historically low, but the wave of new ethane demand could drive up prices.

Paul Bjacek, a chemicals expert at Accenture, said diminishing margins might push smaller companies or private-equity investors out of the second wave of investment, but larger operators will move ahead.

"The margins are still good, they're just not as good as they were, which was amazing," he said.

Human beings have been using pliable materials found in nature, such as rubber, for centuries. But when Leo Baekeland, a Belgian-born American chemist, invented the first fully synthetic plastic derived from coal in 1907, it set off the modern consumer era, flooding the market with cheap durable goods almost entirely derived from fossil fuels.

Chemists can take the carbon atoms found in fossil fuels and rearrange them to create chains of atoms longer than those found in nature, which in turn can be used to make everything from nylon stockings to PVC piping.

Oil and gas byproducts, including ethane, butane and propane, are sent to huge furnaces called "steam crackers," which use superheated steam fed at high pressure to break apart molecules. Ethane is cracked into a smaller molecule, ethylene. The majority of ethylene in turn is used to make a plastic called polyethylene, and formed into pellets.

Millions of these U.S.-made pellets will be loaded into 25 kilogram sacks and sent via cargo ships to factories around the world, where they will be melted and shaped into plastic products.

By the end of the decade, energy consultancy PCI Wood Mackenzie estimates the U.S. chemical industry will have increased its capacity to make ethylene by 50%.

The world consumed more than 147 million metric tons in 2016 of ethylene and will need more than 186 million tons by 2023 to meet global demand, according to the consultancy. It said U.S. exports of polyethylene, the plastic pellets, are expected to reach $10.5 billion by 2020.

China is also rushing to build new plastics factories to meet domestic demand, which is already more than double U.S. demand and is expected to grow 6% annually.

The boom in U.S. petrochemicals is a big turnaround from just a decade ago. Following a period of large investment in U.S. projects in the 1990s, U.S. ethylene manufacturers made huge cuts in the 2000s.

Instead, chemical companies invested in large projects in the Middle East and Asia, attracted by cheaper raw materials and closer proximity to manufacturers, who had also fled the U.S. because of higher costs. The tough times were exacerbated by falling demand for plastic as the financial downturn took hold in 2009.

More than a dozen facilities on the U.S. Gulf were shut down in 2008 and 2009. Dow alone closed a half-dozen plants on the Gulf and laid off 5,000 employees world-wide. Chevron Phillips Chemical, a joint venture between Chevron Corp. and Phillips 66, temporarily closed two factories and ran others at lower capacity. LyondellBasell shut down its complex in Chocolate Bayou, Texas, and declared bankruptcy in the U.S.

"The industry was really looking inward and saying 'it's not dead but it's not going to grow anymore,' " said Steve Zinger, a petrochemical consultant at PCI Wood Mackenzie.

Horizontal drilling

Then came the fracking revolution. By 2010, as U.S. drillers used horizontal drilling and hydraulic-fracturing technologies to release vast oil and gas deposits trapped in rocks, they also unlocked raw materials for petrochemicals. U.S. production of natural-gas byproducts has grown from two million barrels a day in 2008 to more than 3.7 million in 2016, according to energy consultant RBN Energy LLC.

The petrochemical industry was slow to react due to uncertainty about the long-term viability of U.S. shale drilling. Initially, companies invested only in adding capacity to existing U.S. facilities. By 2012, they started building.

Later this year, a new Chevron Phillips facility capable of producing 1.5 million metric tons of ethylene a year is coming online in Baytown, Texas. It covers a plot the size of 44 football fields and is made up of 350 miles of pipe, 40,000 tons of steel and 140,000 tons of concrete. It has taken four years to finish.

During the height of its construction, more than 4,500 construction workers and engineers were on site. Once operational, it will take only around 200 employees to run.

"I had told the board the U.S. was not a growth play, but by 2010 I saw things were changing," said Ron Corn, Chevron Phillips' senior vice president of projects. "Of course, once you put in the capital, you have to wait five years."

For Chevron Phillips, the biggest challenge isn't profitably making plastic pellets. It is getting them to market in a crowded Gulf Coast.

Because there is so much traffic in the Port of Houston, and a dearth of shipping containers there, the company has created a fleet of 2,750 railcars to divert many of the pellets north to Fort Worth. From there, they will be sent by train to ports in Long Beach, Calif., and Charleston, S.C., where they will be shipped to Asia and South America. Some exports will also leave from Houston and Freeport, Texas.

"Everyone has the same great idea at the same time in this industry," Mr. Corn said. "The way you win is on logistics."

DATE

Continued from Page One

in Rochester Hills, Mich., found herself on the losing side. She said she was invited to a movie that day, but at the ticket counter, her date looked at her blankly for several uncomfortable moments, until she ponied up cash for both tickets, plus popcorn and sodas.

"It was so awkward," she said. "Who makes you pay on your birthday?"

Alex Paull, 19, said she recently went on a date with a man she met on Tinder and chose not to reach for the check since he had picked the place and initiated the date.

After the man took her home, he sent her a $20 invoice via the mobile-payment app Venmo for her portion of the meal, she said. The West Virginia University student said she blocked him on Venmo and didn't pay the bill.

On Grindr, a dating app primarily for gay men, people are often opting for cheaper dates, such as coffee and cocktails, said Byron Norton-Wolf, a 51-year-old in Orlando, Fla.

It is a "good thing" when both people do the reach at the same time, the singing waiter said, though he added age can be a determinant on same-sex dates. "The person who doesn't reach is usually younger." One of his dates, however, circumvented the whole process. Before the check arrived, he went to the restroom and said he would be waiting outside.

The rules aren't complicated, according to etiquette experts. "If you invite, you pay," said Diane Gottsman, author of "Modern Etiquette for a Better Life." "But the reality is that the other person may not know the rules or realize it's a date."

Alexz Poole, a 30-year-old lawyer, said that since moving to New York four years ago, she has noticed a gradual change in the way the reach was being received. At first, her dates would typically intervene and pay the bill, she said, but over time Ms. Poole ended up covering more than her fair share.

At a recent drinks meetup, she asked her date if they were planning to order food since they hadn't specified beforehand. His response: "Don't you have food at home?"

Thanks to the growing number of online dating services, the economic dynamics of playing the field have changed. According to analysis conducted by Deutsche Bank, paying for two people in New York or San Francisco to go to a movie and have a meal, plus a few beers and taxi rides, comes to about $130. Three of those a week can cost more than $20,000 a year.

Some people say they are embracing what they consider to be a more progressive view on gender roles. "I almost feel like it's rude not to let them pay," said Miles Bird, a 27-year-old who works in venture capital in San Francisco. "I'd be falling into stereotypes."

Mr. Bird said he usually suggests splitting the check before the reach is an option, though he has been forced to pay the entire bill on occasion.

"Not reaching when reaching is expected is a kind of reverse power play," said Chase Amante, founder of Girls Chase, a website aimed at providing dating advice to men. "Rather than the man asserting power by paying, the woman asserts power by forcing the man to pay."

KATIE HART

Katie Hart said, 'more often than not,' men let her pay.

A woman who refuses to reach, however, could come off as a "gold digger," he said. "There's a certain subset of the population looking for free meals."

The custom of a man paying on a date is a relic of chivalry that is several centuries outdated and connotes ownership, said Julia Long, a sociology lecturer at Anglia Ruskin University who specializes in feminist theory. "Women are not commodities to be bought."

Ms. Zandamela, who considers herself a feminist, said that since women still tend to earn less than men, it isn't unreasonable for guys to cover dinner and a movie. "There's a huge gender pay gap," she said. "The least a guy can do is pay for a date that he initiates."

Some men say they expect to cover the check on a first date, but still hope the woman will reach. "You don't want to feel like you're being used," said Amir Nobakht, a medical doctor in Los Angeles.

He said his guest on a recent date ordered two entrees—pasta to eat at the restaurant and a grilled fish to go. When she went to the bathroom, he asked for separate checks, he said. "I always pay on the first date, but you have to draw the line somewhere."

The practice of a man paying on a heterosexual date has proved more resistant to change than other gendered norms, said David Frederick, a psychology professor at Chapman University. In a 17,600-person study he published with colleagues in 2015, 39% of the women surveyed said they hoped the man would decline an offer to help pay the bill.

"I never expect them to let me pay, but more often than not, it's happened," said Katie Hart, an accounts payable manager in Indianapolis. "They're like, sure, and, I say, oh, OK, sure."

The 37-year-old recently went on a date to a downtown restaurant, and the man suggested splitting a burger and fries. When the burger showed up, she said, "he cut it very unevenly, looked at it for a few minutes and then took the bigger side."

When the check arrived, Ms. Hart said she performed the ritual reach for her credit card, and he agreed to let her pay half without any hesitation. "Even the waitress looked at him, like, are you serious?"

—Brian Baskin contributed to this article.

LIFE & ARTS

CLOCKWISE FROM LEFT: TRUSTEES OF THE BRITISH MUSEUM; ASHMOLEAN MUSEUM, UNIVERSITY OF OXFORD (2)

Raphael's 'Study for the Massacre of the Innocents' (c. 1509-10), left, 'The heads and hands of two apostles' (c. 1519-20), above, and 'Study for an angel' (c. 1515-16), below

ART REVIEW

Beyond the Brush

An exhibition reveals how Raphael's artistic genius transcended the medium of paint

BY RICHARD CORK

Oxford, England

ALTHOUGH RAPHAEL is still hailed as a supreme master of the Italian Renaissance, his paintings no longer generate the immense admiration ignited by Michelangelo and Leonardo da Vinci. But a revelatory exhibition at the Ashmolean Museum proves that Raphael's drawings sweep away any reservations we may harbor about his paintings. Whether working with ink or chalk, he never stopped searching for fresh ways of defining his restless vision. Raphael was always pushing himself, right up until the tragic moment in April 1520 when a high fever killed him at the age of 37.

Even the first exhibit in "Raphael: The Drawings," a probable self-portrait made in 1500-01 when he was only 17, is filled with mature confidence. Focusing on his head, Raphael defines its essential features with cool authority and summarizes his long, flowing hair in a series of linear flourishes. The teenager who had grown up in Urbino may well be celebrating his new status as an independent "master." Yet there is nothing complacent about Raphael's draftsmanship. He had a deeply enquiring mind, and after encountering Michelangelo's work in Florence he became charged with dynamism. Even his studies for the Christ child (c. 1507) are energetic in the extreme, as he tries several times on the same sheet of paper to catch the vivacity of the infant's thrusting toes.

The Ashmolean is lucky enough to own no less than 50 Raphael drawings, acquired in 1845 from a collection amassed by the portrait painter Sir Thomas Lawrence. But this exhibition has also borrowed 70 other drawings, most notably from the Albertina Museum in Vienna. Taken together, they testify to Raphael's obsession with sensuous female beauty, male musculature, maternal tenderness, childish energy, horrifying violence and, finally, a spellbound sense of wonder.

An early ink drawing inspired by Michelangelo's "David" (c. 1504-05) is handled with such assurance that we wonder why Raphael did not also become a prolific sculptor. His full-length chalk "Study for Adam in the Disputa" (c. 1508-10) was made for an ambitious fresco he painted within the pope's private library at the Vatican Palace. But this drawing could easily have been produced in preparation for a major carving. Adam's highly developed physique is celebrated here, and yet he looks melancholy as well. Raphael was intensely aware of the aggressive and destructive urges lurking within humanity, and he explores them with alarming power in several studies for the "Massacre of the Innocents." Drawn between 1509 and 1510, they concentrate on the crucial moment when mothers are still struggling to clasp, defend and hide their children from the assailants. But these beefy murderers will not be stopped, and their swords are seconds away from butchering the terrified infants' flesh.

After gazing at these studies, we view Raphael's drawing of "A seated mother embracing her child" (c. 1512) in a more fearful way. The young woman looks very urgent as she clasps her little son. Raphael uses the folds in her drapery to emphasize the protective urgency of her gesture, and the child adds to this sense of alarm by grabbing her veil and pulling it over his head. Looking at these drawings, it is easy to imagine ourselves watching the artist himself hard at work. One sheet, alive with closely related studies of a seated male nude, shows Raphael changing his mind as the figure twists on a lump of rock and flings up his right arm in a defensive maneuver.

This mood could hardly be more different from the sublime "Study for an angel" (1515-16), where another seated figure raises both arms upward as if to bless an unseen gathering below. Raphael was adept at expressing joy, nowhere more vividly than in an astonishing "Study for the Three Graces" (c. 1517-18) where his red chalk celebrates the women's erotic allure. But in a 1513-14 chalk study of "A man carrying an older man on his back," the helpless figure is so heavy that he seems overwhelmingly burdensome, and his bearer appears to be on the verge of collapse.

Raphael would doubtless have sympathized. By this time, he had been appointed architect of St. Peter's as well, and success threatened to overwhelm him with an excessive workload. But his prowess as a draftsman never stopped increasing, and the Ashmolean's show terminates with the finest drawing of all: "The heads and hands of two apostles" (c. 1519-20). Made in preparation for a monumental painting, "The Transfiguration of Christ," it shows both men in a profound state of awe. Unable to believe the miracle he is witnessing, one of them touches his own body as if to convince himself of his physical reality. The other flings his fingers out into space, perhaps imagining how Christ himself would float through the air toward heaven. Raphael died very soon after the painting itself was completed, and his sudden loss seems even more deplorable when we visit this enthralling exhibition.

Raphael: The Drawings
Ashmolean Museum, through Sept. 3

Mr Cork's latest book, "Face To Face: Interviews With Artists," was published by Tate in 2015.

MY RIDE | By A.J. Baime

THIS '67 DODGE STILL MAKES BEAUTIFUL MUSIC

DUSTIN FRANZ FOR THE WALL STREET JOURNAL

David Dweck's 1967 Dodge Charger, seen here in Cleveland, was in the first wave of 1960s muscle cars.

David Dweck, 55, a real-estate investor from Boca Raton, Fla., on his 1967 Dodge Charger, as told to A.J. Baime.

This year marks the 50th anniversary of the Summer of Love, and the 50th birthday of my Dodge Charger. The year 1967 was a huge year for cars and music. I was 5, and it all had a big impact on me.

I wanted to do something special, so I shipped my 1967 Charger to Cleveland. I flew my kids Evan and Gabriella in. Along with my girlfriend Elysa, we took a Father's Day road trip, motoring to the Rock & Roll Hall of Fame in Cleveland, then to a car show in Akron. After that, my kids left and Elysa and I drove the Charger through Pennsylvania to the Jersey shore, playing a soundtrack of 1967 music along the way.

My parents drove Dodges, and in high school I drove their 1972 Dodge Dart with the famous slant six engine. When I grew up, I wanted to experience those cars again, so I began a small collection of cars. The most special is my 1967 Charger.

The Charger was first unveiled for model year 1966, during the first wave of muscle cars. The Mustang was already a sales phenomenon, and the Camaro was about to become one. The original Charger body style only lasted two years, so my 1967 is a rare vehicle today. (The second-generation Charger is the one that became iconic due, in part, to its role as the General Lee in "The Dukes of Hazzard.") I found my car online for sale in Idaho in 2013, and I paid a mechanic a hundred bucks to look at it.

I paid $21,000 for the car and had it shipped to Florida. When it arrived, it exceeded my expectations. It's a performance car, but also a great cruising mobile. I made one modification: I put a CD player and a subwoofer in the trunk, and a speaker box in the back of the car.

Over four days on Father's Day weekend, I put about a thousand miles on the Charger. It performed like a champ. I blared "Sgt. Pepper's Lonely Hearts Club Band," the Doors and the Rascals. But when I reached the Jersey shore, I had to play some Springsteen. As the Boss sings in "Jungleland": "Barefoot girl sitting on the hood of a Dodge..."

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

OPINION

REVIEW & OUTLOOK

America's Health-Care Hour

Senate Republicans in the U.S. are headed for a vote on their health-care bill as soon as this week, and Majority Leader Mitch McConnell is still scrambling for 50 votes. What the holdouts should understand is that this is a defining political moment. They may never have a better chance to improve U.S. health care and reform government, and the window is closing.

GOP opponents will be accountable if they ruin this reform moment.

Repairing the failing individual insurance market, putting Medicaid on budget for the first time in the entitlement's history and passing an enormous pro-growth tax cut are historic opportunities. If reluctant GOP Senators think they won't be held accountable for a defeat, they should think again.

Moderates like Ohio's Rob Portman and West Virginia's Shelley Moore Capito remain nervous about the bill's Medicaid overhaul, but the block-grant model is the kind of fiscal progress they normally claim to want. The budget will never balance, and debt will continue to accumulate, if Congress can't modernize entitlements. Mr. Portman already won an extension to four years from three in the House bill for the start of phasing out ObamaCare's Medicaid expansion, and many Senators represent states that didn't expand.

Liberals call block grants heartless, but ObamaCare increased Medicaid enrollment by 29% to 74.5 million Americans—one of four citizens—in a program originally meant for poor women and the disabled. Equalizing payments for these traditional beneficiaries and ObamaCare's new able-bodied adult enrollees above the poverty line is uncaring only in liberal caricature. The real scandal is Medicaid's poor health outcomes and a funding formula that doesn't encourage states to prioritize the neediest Americans.

Conservatives such as Ted Cruz of Texas, Rand Paul of Kentucky, Mike Lee of Utah and Ron Johnson of Wisconsin claim the bill doesn't do enough to lower insurance premiums by repealing every mandate and regulation that artificially drives up costs. Their objections are principled but no bill will ever be perfect and most of their ideas don't now command a Senate majority.

On policy substance, the Senate bill gives Governors the regulatory flexibility to upgrade their insurance markets. Even if the bill isn't everything conservatives imagine, no one can credibly claim it isn't deregulatory progress. ObamaCare created a rule-making pathway supposedly meant to encourage state innovation, but these so-called 1332 waivers are highly prescriptive in statute and the Obama Administration tightened them even more through regulation. Among the four states that applied, only a single waiver was approved.

The Senate bill would fast-track 1332 applications and expand their scope to include items like the definition of a "qualified health plan," minimum benefits or limits on purchasing catastrophic health plans. The Senate waivers are far more comprehensive than the House's Meadows-MacArthur amendment, and any Governor who wants to experiment with market solutions and roll back overregulation will be liberated from federal command and control.

The Trump Administration would rapidly start to restore the traditional state regulatory authority over insurance. Waiver critics say a Democratic successor could take back freedoms not codified in law. But federalist devolution will be hard to reverse if Governors can show they can make premiums more affordable, improve the incentives for insurers to rejoin a more robust market and increase insurance without mandates.

The Congressional Budget Office on Monday released its cost-and-coverage estimate of the Senate bill, and opponents are touting its guess of 22 million fewer insured people compared to ObamaCare. But CBO's forecasts always underestimate the benefits of markets, and the real news is that the scorekeepers expect premiums to fall by 30% by 2020 than under current law. The GOP can deliver tangible financial gains to the millions failed by ObamaCare.

These are enormous conservative policy victories, even if they aren't everything we or other free-marketeers would like. Democrats built the entitlement state piecemeal over decades, and it will have to be reformed in pieces that are politically sustainable.

Some Senators can't be placated on substance and they may decide that defeating the bill is better for them politically. This is pure fantasy. Democrats won't ease their opposition to Nevada's Dean Heller in 2018 if he votes no. They'll double their investment against him as Mr. Heller's political base sours on him. When you face a tough political choice, better to stick with your friends than bet on the kindness of political enemies.

Another fantasy is that Republicans can vote no and blame Democrats for the collapsing ObamaCare status quo. The media will blame Republicans for every premium hike, and voters believe they elected a GOP Congress and President. If this bill fails Republicans will be forced to come hat in hand to Chuck Schumer's Democrats for the votes to stop a downward spiral of surging premiums and declining choices. Conservative reform won't be included.

The larger and rarer opportunity is to show that conservative ideas can succeed in health care. More progress is possible as voters come to trust Republican solutions, but not if the GOP now panics into defeat. Senator Johnson entered politics to oppose ObamaCare. Is he really going to squander this chance to make his detour into politics worthwhile?

Every consequential legislative reform is difficult, but the GOP anxiety over repeal and replace is excessive. They should have more confidence in their convictions and how their solutions can improve American lives.

A Unanimous Rebuke on the U.S. Travel Ban

The U.S. Supreme Court on Monday began the process of rebuking lower courts for usurping the political branches on national security. The entire Court, even the four liberals, agreed to hear the Trump Administration's appeal of appellate-court rulings blocking its immigration travel ban, and the Justices allowed nearly all of the 90-day ban to proceed in the meantime.

The Supreme Court lets nearly all of Trump's policy be enforced as it hears his appeal.

This is a victory for the White House, though it's more important for the Constitution's separation of powers. President Trump's ban is neither wise nor necessary, but that isn't an invitation for judges to become back-seat Commanders in Chief.

Yet that is precisely what liberal majorities on both the Fourth and Ninth Circuit Courts of Appeal did in blocking the travel bans, and the Supreme Court is saying those rulings won't be the last judicial word. The Court's unsigned per curiam opinion set the case for an early hearing on the legal merits in the next term that begins in October.

Justice Clarence Thomas, joined by Justices Samuel Alito and Neil Gorsuch, wrote a concurrence arguing that the Court should have lifted the lower-court injunctions in toto. He also added a cheeky aside that "I agree with the Court's implicit conclusion that the Government has made a strong showing that it is likely to succeed on the merits—that is, that the judgments below will be reversed."

Some Justices might not agree with that, but it's notable that Chief Justice John Roberts managed to corral a unanimous Court for lifting nearly all of the injunctions. That means even the liberals understand that injunctions need to be issued with care, especially on national security where judges lack the knowledge and electoral accountability of the executive and Congress.

The High Court's precedents are clear, especially *Kleindienst v. Mandel* (1972) that said courts should defer to the executive if there is a "facially legitimate and bona fide" justification on national security. Judges can't run roughshod over the Constitution merely because an unpopular President issued the travel order.

Democrats and the media will now begin a ferocious lobbying campaign to turn five Justices against these precedents, in particular the Chief Justice and Justice Anthony Kennedy. We doubt this will succeed because this isn't a close legal call, and it concerns the Presidency more than this particular President.

Bank Bailouts, Italian-Style

Italy wants you to know it's not bailing out the two banks that were rescued at the cost of up to €17 billion ($19.03 billion) this weekend. But then why are senior bondholders being protected in full?

Rome closes down two banks but saves their senior bondholders.

Veneto Banca and Banca Popolare di Vicenza, both based in the prosperous northeastern region around Venice, are being liquidated, so they aren't technically being bailed out or rescued. Much of their capital will be wiped out. The problem is that Rome is still spending a bundle of taxpayer money to close down two midsize banks that aren't systemically important while sparing bondholders from so much as a minor haircut.

This episode suggests that Europe's no-bailout rules have failed an early test. The EU's new Single Resolution Board declined to get involved Friday on grounds that neither bank is systemically important. That spared them having to include a haircut for creditors that the European Union theoretically requires before taxpayers can be asked to support an institution.

Italy feared the political consequences of such a "bail-in" because Italian mom-and-pop investors own a disproportionately large share of the bonds. But apart from the false advertising of disguising a bailout as a liquidation, this sends a signal to other bank creditors that they'll be rescued too.

The larger story is that Europe keeps hamstringing its banks. Italy's bankruptcy laws make it expensive and time-consuming to clear the books of nonperforming loans, and ultralow interest rates make it difficult for institutions to earn their way back to health. Slow growth weighs on the balance sheets of many banks despite repeated rescue attempts—including several billion euros last year for these two banks from a government-backed investment fund.

Europe lacks the political will to enact policy reforms that European banks and economies need. So no wonder it finds taxpayer bailouts—sorry, "liquidations"—impossible to resist.

Justice Anthony Kennedy, American Culture Warrior

MAIN STREET
By William McGurn

So Anthony Kennedy is apparently sticking around.

For a while Democrats—who have lost the House, lost the Senate and lost the White House—were having conniptions over the thought they might soon lose what Justice Antonin Scalia once described as their "super-legislative" power: the U.S. Supreme Court.

At the Washington Post Ruth Marcus called the prospect of Justice Kennedy's retirement "terrifying and terrible." Because notwithstanding his many sound opinions—this is the same justice who gave us *Citizens United*, upholding First Amendment speech rights—on the court he nevertheless plays an indispensable role for American progressives: culture warrior.

On issues best fitted for federalist solutions, such as abortion and marriage, Justice Kennedy has proved himself a reliable voice for the animating impulse of modern American progressivism. This is the idea that the American people cannot be trusted to decide certain issues and so must yield, as he once put it, to the "enhanced understanding" of unelected justices such as himself.

It started, of course, with abortion. One doesn't have to be pro-life to recognize that the reasoning of *Roe v. Wade* was absurd. In fact, in 1992 in *Planned Parenthood v. Casey*, the court more or less confirmed this recognition when it upheld the outcome of *Roe* while substituting an entirely new rationale for it.

In that case Justice Kennedy was at first a vote to reject what had been an egregious and unconstitutional power grab. But somewhere along the way he flipped. In the end, he would be the deciding vote in a plurality decision that called on "contending sides of [this] national controversy to end their national division by accepting a common mandate" the court had found for them.

In a withering dissent, Scalia pointed out the toxic effect this approach has had on America's public life:

"By foreclosing all democratic outlet for the deep passions this issue arouses, by banishing the issue from the political forum that gives all participants, even the losers, the satisfaction of a fair hearing and an honest fight, by continuing the imposition of a rigid national rule instead of allowing for regional differences, the Court merely prolongs and intensifies the anguish."

For "anguish," substitute "culture wars."

Turned out Justice Kennedy was just getting started. Having reaffirmed a constitutional right to privacy that James Madison and the other Founders had somehow neglected to include in their draft, the court with Justice Kennedy's assistance would soon unearth another constitutional right unmentioned in the Constitution: dignity.

A more modest justice might have concluded from the 40 years of *Roe* warfare that the court would be wise to avoid making the same mistake with marriage. Especially at a time when both the states and public opinion were moving in the direction of same-sex marriage anyway. But Justice Kennedy was determined to get there first.

The result was *Obergefell v. Hodges* (2015), which instituted same-sex marriage in every state. Had this come through state legislatures, the laws would likely have included compromises that would ensure gay Americans would have no obstacles to getting married but those who wished not to be a part of it might have their consciences respected.

Judicial decrees on difficult moral questions have made our politics bitter.

Not so in the America Justice Kennedy has ushered in. Now we jail county clerks who don't want their names on such certificates and ruin people who don't want their businesses to participate in same-sex weddings. Indeed, the court has just agreed to hear an appeal from a baker who declined to make a cake for a gay couple in Colorado—and Justice Kennedy in all likelihood will once again be the deciding vote.

What makes issues such as abortion and marriage so contentious is that the opposing moral positions cannot be reconciled. The beauty of democratic politics, however, is its recognition that what free people want and what they will settle for as reasonable are two different things. Justice Kennedy's unfortunate legacy on these hot-button issues is to take compromise off the table and thus ensure anger and ill will.

And why not, when the sides are depicted as the enlightened versus the bigots? Though he walked it back in *Obergefell*, in which he conceded that many who opposed same-sex marriage were acting from "honorable religious or philosophical premises," in the 2013 decision overturning the Defense of Marriage Act, Justice Kennedy asserted that the only possible motivation for such a law was a "bare congressional desire to harm a politically unpopular group."

Anthony Kennedy is an educated man who writes in the smooth tones of Stanford and Harvard Law. The effect, alas, is no less noxious. Next time America's corrosive politics comes up, it's worth remembering that the justice so often hailed as a "moderate" or "centrist" has done as much as any to fan the flames of America's raging culture war.

Write to mcgurn@wsj.com.

LETTERS TO THE EDITOR

Debt Is the Real Issue, Not the Debt Limit

Jason Furman and Rohit Kumar repeat a familiar argument in "Don't Raise the Debt Limit—Repeal It" (op-ed, June 21). Since Congress approves U.S. federal spending in its budget process, the federal debt is merely a consequence of its previously approved spending. So the debt limit shouldn't be an issue.

This argument fails to take into account the price of money. Congress has no say about interest rates. Yet paying interest on the federal debt is part of the budget. When those rates go up, that part of the budget rises without congressional and presidential approval.

Raising the debt limit, or not, allows Congress and the president a say on this part of the budget.

MICHAEL Y. WARDER SR.
Upland, Calif.

Messrs. Furman and Kumar fail to take into account the assets of the federal government in dealing with its budget. Contrary to their conclusion that a default would result if Congress approves deficit spending without borrowings, the government, just like anyone else, can sell its assets to finance excessive spending. The estimated $120 trillion net worth of the federal government shouldn't be put off the table in dealing with its $20 trillion debt.

PROF. OSCAR VARELA
University of Texas at El Paso

Messrs. Furman and Kumar make a lot of sense in advocating federal debt-limit repeal. It will never happen. Doing so would deprive elected politicians an opportunity to pontificate and obstruct to create the illusion of fiscal discipline.

RICHARD CHAMBERS
Barrington, Ill.

Messrs. Furman and Kumar say default is less likely if the debt limit is repealed. If Congress continues unrestrained spending, I want something that reminds the members they are spending somebody else's money. Some difficult decisions by Congress would cause definite short-term hardship, reduce the debt and strengthen the economy. Congress never shows any fiscal responsibility that might cost a vote. Keep the debt limit as a reminder and let us as voters try to get the entrenched shortsighted, profligate, self-serving rulers out of Washington.

MICHAEL P. CARTER
Savannah, Ga.

Humans as Junior Partners in Robot Alliance

Ken Goldberg notes in "The Future Will See a Robot-Human Alliance" (op-ed, June 13) that some human players have begun playing alongside computers in the challenging and ancient game of Go.

Sadly, the experience of chess suggests that such happy harmony may not last long. By 2006 chess computers had firmly supplanted humans as the world's best players. Nevertheless, like Go now, "centaur" teams (as we then called them) of humans and computers were stronger than computers alone. That changed in 2013 with the advent of superstrong chess computers like Rybka, Komodo and Stockfish. All of these computers find human assistance unnecessary and unhelpful, playing best when they play alone. Komodo and Stockfish are now so skilled that no human player, including World Chess Champion Magnus Carlsen, has ever been able to even draw a game, even at odds. I hope this experience isn't predictive for the ultimate impact of machine learning on society and the economy.

CORY EVANS
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OPINION

Why China Fears Lawyers

By Terry Halliday

On July 9, 2015, Chinese police began to round up criminal-defense lawyers and rights activists, detaining more than 300 people over the next few months. As the second anniversary of the so-called 709 Crackdown approaches, the unprecedented steps being taken by China's security apparatus to crush these activist-lawyers betray the deep anxiety beneath the Communist Party's self-confidence.

The 709 Crackdown ushered in a humiliating parade of public confessions by lawyers including Wang Yu, Xie Xang and Zhang Kai. They are being forced to mouth wooden words far removed from the values they expressed in my research on China's defense lawyers.

China's mistreatment of human-rights activists can only stifle national discontent for so long.

The Chinese authorities are taking advantage of extended disappearances, known euphemistically as "designated residential surveillance," to apply an expanding repertoire of torture. This includes both psychological and physical pressure, some of it medieval in its primitive methods.

In addition to life-threatening denials of medical treatment, lawyers are being forcibly injected with excruciatingly painful and disorienting drugs, presumably to force them to make false confessions. The most recent reports come from lawyer-brothers Li Chunfu and Li Heping.

Moreover, Chinese authorities often replace a persecuted lawyer's chosen counsel with a government-friendly substitute. Secret trials are held for those accused of betraying "state secrets." And lawyers whose representation would be considered standard in a society living under the rule of law are now accused of subverting state power. China is repudiating global standards for the practice of law and the protection of human rights.

Why does China take such risks on the Party's domestic standing, its international reputation and its bid for soft power?

China once encouraged its citizens to turn to the law. It raised legal consciousness and promised that the law would be a peaceful path to the redress of grievances. But as grievances began to accumulate for hundreds of millions of Chinese across China, the promise of peaceful resolution ultimately proved hollow.

Pollution, property-takings, religious persecution, suppression of minorities, forced abortions, exploited labor, rampant corruption, unjust treatment by police, tainted food. China's leaders know there is a pot of discontent ready to boil over at any moment.

Lawyers often have their hands on the lid because they are the persons of last resort when all other forms of redress have failed. But ever since Xi Jinping ascended to power, the law and its practitioners are no longer the channels for redress, or the restraint on the abuse of power, that they once were.

The more they're persecuted, the more international attention lawyers bring to their causes. Above, a protest outside the Chinese Embassy in Bangkok on Aug. 6, 2015.

What Beijing fears most are the ideals championed by these activist lawyers and the voice they can give to disempowered citizens. Activist lawyers fight for basic legal freedoms. They demand procedural protections for their clients, such as the freedom to choose or meet with a lawyer, the protection of clients from coerced confessions, and standards of fairness in court, including the examination and cross-examination of evidence. They want fair trials and neutral judges. As one lawyer said, "I hate unfairness."

These lawyers seek an open political society where there is freedom of speech and association, including the ability of lawyers to form bar associations independent of state control. Many leading activists are Christians; they press for freedom of religion and protections for all believers, including the brutally repressed adherents of Falun Gong. They want open exchanges of views and beliefs, where citizens are freed from stifling censorship.

Perhaps most dangerously for a one-party state, activist lawyers want political power to be divided. They insist that the executive be restrained by the other branches of government, especially the judiciary. They want political influence taken out of the courts, with many calling for the abolition of the Party's Political-Legal Committee, the ultimate decider in sensitive cases.

In short, China fears freedom. Its leaders know that in many former dictatorships, including South Korea and Taiwan, lawyers led the march toward basic legal and political freedoms. China fears potential lawyer-leaders and the substantial proportion of its citizens who want those lawyers to be their spokespersons.

China's leaders are gambling that its citizens don't long for freedoms, that they don't want open access to the wider world. They bet that China's pervasive and feared security apparatus can indefinitely subjugate and distract citizens and lawyers into quiescence.

It's a gamble that may not pay off. Previous crackdowns hardened these lawyers' resolve and widened their appeal, especially to a younger generation of lawyers imbued with the ideals inscribed in international treaties.

China's leaders are thus caught in a trap: The more harshly they treat the lawyers, the greater publicity these lawyers will generate from opinion-shaping international and social media, the closer the monitoring by international bar associations and rights organizations, the more vigorous the mobilization by the international civil society, and the more pressure placed on leaders of open political societies to take a moral stand.

The China Dream is becoming a deepening China Nightmare. As a now-silenced Chinese legal academic recently said, "to punish by way of trampling all over the law . . . is a process of sowing hatred. You get temporary peace, but sooner or later the volcano will erupt, the flood will drown all."

Mr. Halliday is co-director of the American Bar Foundation's Center on Law and Globalization and author of "Criminal Justice in China: The Politics of Lawyers at Work" (Cambridge, 2016). His research was undertaken with a Chinese research team whose identity is protected.

The Surprising Factor for Immigrant Success in America

By Edward P. Lazear

Try a thought experiment: Consider immigrants in the U.S. from Algeria, Israel and Japan and rank them, from highest to lowest, by educational attainment. Here's the correct order, according to data from the Census Bureau: Algerians have average schooling of 14.7 years, followed by Israelis with 14.5 years and Japanese with 14.3.

Surprised? Consider an additional fact: Algerians represent about 1 in 2,500 immigrants in the U.S., whereas Israelis are 1 in 350 and Japanese 1 in 100.

Here's another counterintuitive result: The average educational level in Mexico, 8.5 years, is almost twice that of India, 4.4 years. Yet Indian immigrants in the U.S. average 16 years of schooling, whereas Mexican immigrants average nine years.

What explains this? America's immigration policy is far from evenhanded. A potential immigrant's country of origin is an important determinant of his or her likelihood of being admitted.

The U.S. rations its immigration slots, granting permanent residency to about one million people a year. But demand is so high that more than four million are denied residency and remain in the queue.

Some origin countries are highly favored, and others are implicitly penalized. If immigration reflected the world population, India would send four times as many people to the U.S. as it actually does; Mexico would send 1/15th as many.

Immigrants from the least-favored countries tend to be the elite. For example, immigrants in the U.S. from the former Soviet Union have the highest educational attainment, 16 years on average. But they account for only about 0.14% of immigrants overall.

They are rare because they had to obtain permission not only to enter the U.S. but also to leave the Soviet Union. Many were highly educated dissidents, accomplished academics or other professionals. The same is true, perhaps to a lesser extent, of immigrants from countries like Algeria.

The effect works the other way for immigrants from countries that are overrepresented. Tonga makes up 0.0015% of the world population but accounts for 0.04% of U.S. immigrants, and those people earn less than $20,000 a year on average. In contrast, Nigeria is 2.6% of the globe but only 0.5% of U.S. immigrants, and they earn more than $41,000 a year. This is true even though Tonga's average level of education is 9.4 years and Nigeria's is just 5.2 years.

Those born in Algeria do better than those from Israel and Japan. Why? There are fewer of them.

One factor driving these patterns is American policies that favor family reunification. In most years more than 60% of entering immigrants have relatives already in the U.S. Family reunification is a worthy goal, not only for humanitarian reasons but because people in intact families perform better in society.

But focusing too heavily on reunification creates a disadvantage for would-be immigrants whose countries are not already well-represented in the U.S. It also pushes down the average achievement among immigrants.

Taking a more balanced approach would have several positive effects. First, it would improve the success of immigrants when they arrive in the U.S. Researchers have shown that immigrants in general, but especially those who are admitted based on their skills, are likelier to start businesses and patent inventions.

Second, this increased success would spill over to the native-born population. An immigrant who creates a thriving company or a better way of doing business improves the standard of living for all Americans.

Third, accepting skilled immigrants from many different countries would reduce the brain drain on any single one of them. If the U.S. switched to a skills-based system but still favored family reunification, it could quickly deplete countries like El Salvador, which today is 31-times overrepresented among U.S. immigrants.

Because America is in the enviable position of being the destination of choice for people willing to move, it can surely afford to be evenhanded toward source nations.

Some caution is warranted because immigrants from overrepresented countries have become central to the American economy. If productivity is reflected in wages, then immigrants from Mexico add about 1.5 times as much to gross domestic product as those from the next-highest source country, India, because there are so many more Mexican natives in the U.S. Furthermore, immigrants are well-integrated into the labor force. In the U.S., the unemployment rate among immigrants is about 10% lower than that for the native-born population.

Still, the relative achievement of immigrant groups is determined in large part by immigration policy. Almost every country can supply talented people who would like to come to America. Moving toward a fairer and more balanced treatment of these nations can improve the success of U.S. immigrants—which in turn would make the native born population more welcoming.

Mr. Lazear, a former chairman of the Council of Economic Advisers (2006-09), is a professor at Stanford University's Graduate School of Business and a Hoover Institution fellow.

The U.S. Senate Saves the 10th Amendment

By Avik Roy

For decades America's conservatives have sought to restore meaning to the 10th Amendment, which recognizes the states' right to manage their affairs free from Washington's interference. Passing the Republican Senate's health-care bill would represent historic progress toward that goal.

In nearly every state, Medicaid is either the largest or second-largest budget line, as well as the fastest-growing category. Every year state lawmakers, trying to carry Medicaid's heavy burden, are forced to make difficult choices about what else to cut: education, roads, public safety.

Especially frustrating is that state officials have little control over how to manage their Medicaid programs. The 1965 Medicaid law contains dozens of limits on what states can do to avoid waste, fraud and abuse. In the half-century since, Washington has added to that burden with more laws and regulations.

Governors and state legislatures ask Washington every year for the right to receive their Medicaid funds in the form of a block grant, which would give them autonomy to manage the spending as they see fit. The Senate bill, for the first time, would allow that.

States that forgo the block grants would still receive additional flexibility through per capita allotments, an idea first proposed by President Clinton in 1995. The Senate bill would limit the growth of federal spending on each able-bodied enrollee to the rate of medical inflation, and on elderly and disabled enrollees to medical inflation plus 1%. After 2025, per enrollee spending would be tied to overall inflation. The net effect would be to reduce overall federal spending on the pre-ObamaCare Medicaid program by up to 2% from projected levels over the next 10 years.

In exchange for putting Medicaid on a budget, states would gain substantial latitude to use funds more efficiently. Example: Thanks to ObamaCare, states are permitted to verify a recipient's eligibility for Medicaid only once a year. As a result, scarce dollars continue going to people who become ineligible. Of the 10% (or more) of Medicaid spending that is improper, the majority goes to ineligible recipients, according to the Foundation for Government Accountability and the Centers for Medicare and Medicaid Services.

The health-care bill would liberate states to bypass ObamaCare rules and better manage Medicaid.

The Senate bill would liberate states from many other ObamaCare burdens. It would oblige the Secretary of Health and Human Services to grant all state waiver requests unless they increase federal spending, and to issue a final decision on waiver applications within six months of receiving them. Under current law, waivers are at the secretary's discretion and there is no deadline.

The new waiver process would let states reduce premiums and health-care costs by bypassing a broad array of ObamaCare provisions, including benefit mandates and requirements that all individual policies be part of a single risk pool. Waivers would last eight years, with the option to renew.

All of this new flexibility would substantially improve Washington's fidelity to the 10th Amendment. It would give governors and state legislators the ability to reduce health-care costs for those who've struggled in the ObamaCare era. It would help them devote limited resources to those most in need.

There's always more to be done. To the degree Republican senators can further expand state flexibility without running afoul of Senate parliamentary rules, they should do so. For one thing, the federal Medicaid law prohibits states from making eligibility changes prospectively—meaning they cannot make changes for future enrollees while grandfathering in current ones. Senators should consider amending their bill to eliminate this constraint.

But even in its current form, the GOP health-reform effort represents the greatest expansion of state sovereignty in generations. It's one of the primary reasons the left hates the bill and one of the most important reasons conservatives should support it.

Mr. Roy, president of the Foundation for Research on Equal Opportunity, was a policy adviser to Mitt Romney, Rick Perry and Marco Rubio.

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Notable & Quotable: Orwell

CNN's Jake Tapper speaking at the Los Angeles Press Club, June 25:

On this day in 1903, a future journalist named Eric Blair was born, better known as George Orwell. Reading Garrison Keillor's sublime Writers Almanac today I was reminded of the quote "In a time of universal deceit, telling the truth is a revolutionary act."

What a fantastic quote and how appropriate for this evening, and this era.

Except then I did some research to prepare for this speech and I learned that according to Quote Investigator, Orwell never actually said this. . . .

Orwell in fact could be quite critical of journalists. . . . He criticized quote "the all-prevailing schizophrenia of democratic societies, the lies that have to be told for vote catching purposes" and "the distortions of the press."

But it was a cautionary tale—noting that the Axis powers in World War II "lost the war quite largely because their rulers were unable to see facts which were plain to any dispassionate eye. To see what is in front of one's nose needs a constant struggle."

WORK & FAMILY | By Sue Shellenbarger

The Memory You Think You Have

Why it's totally normal for family members to recall major life events differently—and why talking over those difference matters

WHAT ARE THE ODDS that your most vivid family memory isn't totally accurate?

Parents are often surprised by what their teens and young adult children remember from childhood. Children and parents may turn imagined events into memories, misremember details or interpret shared events differently. And grown children often recall incidents parents have forgotten or blocked out.

Taking time to compare memories and hash out the differences can help family members make peace with lingering issues that they never thought they could resolve.

ILLUSTRATION BY ROBERT NEUBECKER; TIM BROWN PHOTOGRAPHY

Mary Dell Harrington has no recollection of walking down the driveway of her Larchmont, N.Y., home to meet her daughter's school bus one afternoon 12 years ago. Ms. Harrington had just gotten word that her beloved 80-year-old father had suffered a stroke in a distant state, and she was upset.

Her 21-year-old daughter, Annie Berning, was 9 at the time. She recalls the moment clearly. "I can see the outfit she was wearing," she says. It was a longish blue skirt and sunglasses that hid her mother's tears. Before Ms. Harrington could tell Annie the news, Annie asked her to drive her to the mall. When she learned a moment later that her grandfather had fallen ill, Ms. Berning felt sad and overwhelmed, she says. As the family cared for him and later prepared to attend his funeral, she began feeling guilty about asking for a trivial favor in the midst of a family crisis.

Ms. Harrington was dismayed to learn her daughter still harbored some guilt when the topic came up recently. She reassured her that asking to go shopping hadn't been inappropriate or unkind. Ms. Berning says she found the conversation comforting.

"Talking about these stories gives you a chance to clear up tiny misconceptions, or tell your children it's OK," says Ms. Harrington, a writer and co-founder of Grown and Flown, a blog for parents of 15- to 25-year-olds.

Recalling a memory isn't like replaying a mental video. More often, memories are reconstructions of facts, inferences and imagined details that people patch together after the fact, helping them build a sense of identity. Parents and children alike may forget difficult moments they don't want to recall.

Children and teens are most likely to remember events that are both emotional and relevant to the developmental stage they're in at the time, a 2016 study shows.

Playing sports was important to Annie's brother Walker Berning as a teenager. He was a football, baseball and hockey player and also ran track. His most vivid memories from that time are of injuries that sidelined him, including a clipped Achilles tendon in a schoolyard accident that kept him off the baseball diamond for a while. Now 26, Mr. Berning is a Washington, D.C., financial analyst.

Mary Dell Harrington and Mel Berning, center, with their son Walker, left, shown at age 22 in this 2013 photo, and daughter Annie, right, shown at age 17.

Twins and siblings who are close in age sometimes claim memories that actually happened to the other sibling, such as winning a swim competition, a 2001 study says.

Children perceive the passage of time differently than adults, says Robyn Fivush, a psychology professor at **Emory University**. Adults can track time on a phone or calendar, but a few days can feel like weeks to a child, causing him to remember events as lasting longer than they actually did.

That generation gap has become a running joke in the Wingens family. Helene Wingens's two older sons, Andrew, 25, and Jonathan, 20, vividly recall a baby nurse staying with the family for several weeks after their younger brother David was born 16 years ago. Every time it comes up, Ms. Wingens wonders what they're talking about.

Ms. Wingens, a Livingston, N.J., writer, insists the nurse stayed only for a weekend.

Andrew and Jonathan remember the nurse watching "CatDog" cartoons on the family TV, and insist they wouldn't have such vivid memories after only a weekend. Whatever the case, the baby-nurse dispute has become a fixture in family lore. "I don't think we'll ever settle it," Jonathan says.

Setting the record straight can be worth the effort. Children's memories sometimes reflect harmful distortions, such as a child blaming himself for his parents' divorce, says Kate McLean, author of "The Co-Authored Self," a book on how individuals build a sense of identity through shared stories. It's best in such cases to explain the real reasons in an age-appropriate way, to relieve him of that burden.

In other cases, it's better for children to be allowed to stick to their own version of events. Families sometimes tell and retell stories that cast a child in the same role over and over, as a screw-up or a maverick, without regard for the fact that she has changed and moved on, Dr. McLean says. This can feel confining to teens or young adults.

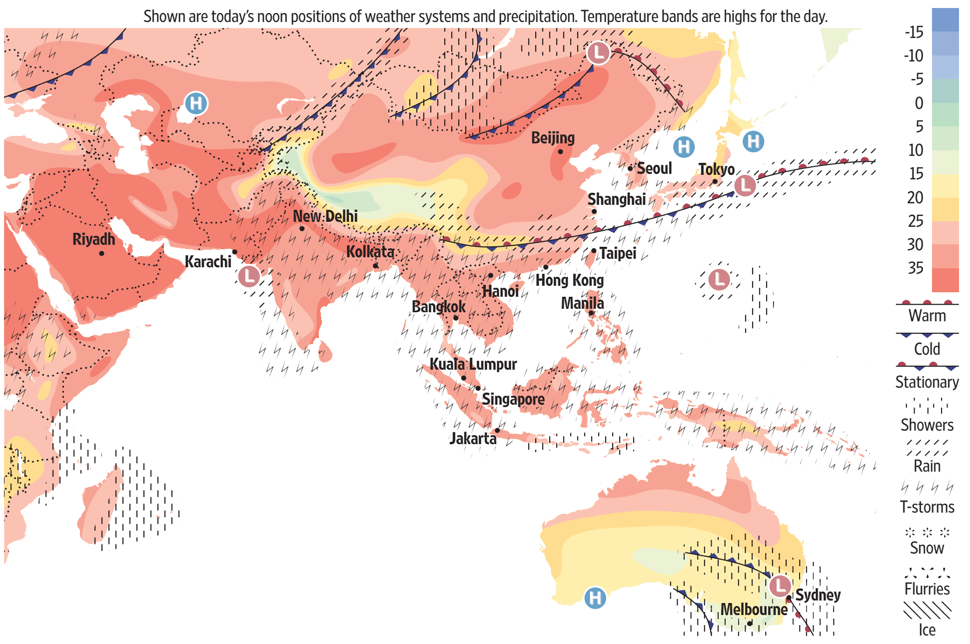
Parents might dwell on stories about how sensitive a teen was as a child and how she cried a lot, while the teen may be trying to cobble together a more mature self-image, insisting, "No, I'm not sensitive at all. I'm strong!" says Dr. McLean, a psychology professor at **Western Washington University** in Bellingham, Wash.

As she presses family members to revise their view, Dr. McLean says, the teen learns to stand up for herself.

Weather

AccuWeather.com

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

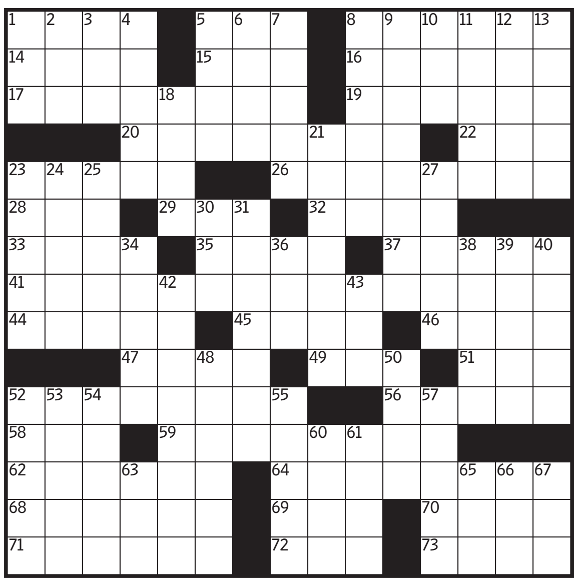


Global Forecasts

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

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	21	15	t	20	15	sh
Anchorage	16	11	pc	15	10	r
Athens	34	24	s	36	25	s
Atlanta	30	21	s	27	21	t
Baghdad	48	29	s	46	29	s
Baltimore	28	17	s	33	22	s
Bangkok	33	26	t	34	26	t
Beijing	34	23	pc	34	23	t
Berlin	27	17	t	22	15	t
Bogota	20	10	pc	18	10	r
Boise	29	13	s	29	14	s
Boston	26	17	s	27	20	pc
Brussels	23	15	t	19	13	sh
Buenos Aires	15	4	c	16	7	s
Cairo	37	24	s	37	24	s
Calgary	19	9	sh	20	9	pc
Caracas	31	25	t	31	25	pc
Charlotte	30	18	s	30	20	pc
Chicago	28	20	pc	30	20	c
Dallas	33	24	pc	34	26	pc
Denver	30	12	t	27	11	pc
Detroit	27	20	s	29	21	c
Dubai	42	33	s	45	32	s
Dublin	16	10	r	14	10	r
Edinburgh	14	11	pc	15	10	r
Frankfurt	26	15	t	22	14	r
Geneva	23	13	t	18	12	t
Hanoi	31	26	t	30	26	t
Havana	31	22	pc	31	23	pc
Hong Kong	33	28	sh	32	28	t
Honolulu	30	23	s	30	23	pc
Houston	31	24	t	31	25	t
Istanbul	31	23	s	32	25	s
Jakarta	32	25	pc	32	24	pc
Johannesburg	18	3	pc	18	3	s
Kansas City	30	21	t	30	19	t
Las Vegas	42	27	s	41	28	s
Lima	22	17	pc	22	17	pc
London	19	13	r	20	13	c
Los Angeles	25	17	pc	25	17	pc
Madrid	26	12	t	24	11	s
Manila	33	26	t	33	26	t
Melbourne	15	7	pc	13	7	pc
Mexico City	22	14	t	22	14	t
Miami	32	26	t	32	26	t
Milan	25	17	t	26	14	t
Minneapolis	27	18	t	27	17	c
Monterrey	34	23	pc	37	21	pc
Montreal	23	14	pc	21	16	r
Moscow	20	11	s	22	14	c
Mumbai	30	26	r	31	27	r
Nashville	32	21	s	31	22	t
New Delhi	33	26	t	32	26	t
New Orleans	29	23	t	28	24	t
New York City	26	19	s	29	23	pc
Omaha	33	19	t	27	17	t
Orlando	30	22	t	31	23	t
Ottawa	24	12	pc	20	16	r
Paris	24	14	t	21	13	pc
Philadelphia	27	18	s	32	23	s
Phoenix	43	28	s	42	27	s
Pittsburgh	25	15	s	29	20	c
Port-au-Prince	35	23	pc	35	23	pc
Portland, Ore.	25	13	pc	28	15	pc
Rio de Janeiro	26	18	s	26	19	s
Riyadh	43	27	s	45	29	s
Rome	31	21	pc	28	19	s
Salt Lake City	33	16	sh	30	16	s
San Diego	22	17	pc	21	17	pc
San Francisco	20	12	pc	20	13	pc
San Juan	31	26	pc	31	26	sh
Santiago	15	2	s	16	3	s
Santo Domingo	32	23	pc	33	23	pc
Sao Paulo	25	14	s	25	14	s
Seattle	23	13	pc	26	14	pc
Seoul	29	20	pc	28	20	pc
Shanghai	27	23	pc	29	25	c
Singapore	30	25	c	30	26	c
Stockholm	19	9	pc	19	14	pc
Sydney	16	9	sh	16	8	pc
Taipei	33	26	pc	33	26	t
Tehran	38	24	s	39	24	s
Tel Aviv	31	23	s	30	23	s
Tokyo	25	22	r	26	23	pc
Toronto	24	15	c	27	19	t
Vancouver	21	13	pc	22	13	pc
Washington, D.C.	28	20	s	33	24	s
Zurich	22	13	t	19	12	t

The WSJ Daily Crossword | Edited by Mike Shenk



SPELL CHECK | By David Alfred Bywaters

Across

1 There's no I in ___
5 Court feature
8 It's often picked up in bars
14 Many a choirboy
15 Hacker, of a sort
16 Make fizzy
17 There's no X in ___
19 Seismometer mover
20 Capital of British India until 1911
22 Manipulate
23 Arousing skepticism
26 There's no Q in ___
28 Neighbor of Minn. and Mich.
29 Stadium surface
32 Borough adjacent to Hackensack
33 Styptic material
35 Grant in the arts
37 Popular cooler brand
41 There's no T in ___
44 Celsius, e.g.
45 Backside
46 To-do
47 Tony-nominated play of 2017
49 In support of
51 Pivot for Pavlova
52 There's no Y in ___
56 Paragons
58 Pop's bro
59 "Get ready..."
62 Sought absolution
64 There's no C in ___
68 Become wider
69 Start for athlete or atomic
70 Icky stuff
71 "Turn! Turn! Turn!" songwriter
72 Witness
73 There's no B in ___

Down

1 Mite
2 Connecticut collegian
3 Dune buggy, e.g.
4 Obtain without recompense
5 Salt, symbolically
6 Suit
7 Prepare to drive
8 Angel on one's shoulder, say
9 Like a crest
10 Before, in ballades
11 Buccaneers' base
12 Ring-shaped reef
13 Aquamarine or emerald
18 Sun emanations
21 Reprimanded
23 Youngsters in a stable environment
24 New relative
25 Dummy
27 Weathercast numbers
30 Dominate, in slang
31 Domestic flap?
34 Old PC system
36 Columbus sch.
38 Ball game?
39 Pungent bulb
40 Fairy tale villains
42 Lover of beauty
43 Sighting subject
48 Schubert wrote over 600 of them
50 Diana of "Game of Thrones"
52 Targets of squats
53 Liberate from bondage
54 Place pour les professeurs
55 Egg containers
57 Play director
60 End for soft or hard
61 Jay Gould's railroad
63 Pester
65 Indian honorific
66 Escape from Ford, e.g.
67 Praiseful poem

Previous Puzzle's Solution

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

TECHNOLOGY: SAMSUNG REVIVES TARNISHED GALAXY NOTE 7 B4

THE WALL STREET JOURNAL.

Wednesday, June 28, 2017 | B1

Yen vs. Dollar 112.4120 ▲ 0.48% | Hang Seng 25839.99 ▼ 0.12% | Gold 1251.00 ▲ 0.38% | WTI crude 44.34 ▲ 2.21% | 10-Year JGB yield 0.050% | 10-Year Treasury yield 2.201%

Markets' Calm Unnerves Investors

Stocks' torpor fuels worries a big shakeup is brewing as well as a rush into safer assets

By Ira Iosebashvili

Stock volatility is near an all-time low and corporate profits have bounced back from a year ago, but investors are increasingly moving to protect themselves from big swings in financial markets.

Long-term U.S. government bond yields, which move opposite to price, fell to fresh lows for this year on Monday, the latest sign of investors' skepticism about economic growth. Meanwhile, utility stocks, often a refuge for nervous investors, have rallied this year, with another move up Monday helping to lift the broader market.

Other signs of anxiety abound: A measure that shows expectations there will be a big move in Wall Street's fear gauge, the CBOE Volatility index or VIX, rose to an all-time high this month. The VIX—which offers a reading on investor expectations for turbulence—has been hovering near an all-time low this month. The cost of insuring against a drop in the S&P 500 has climbed steadily since the beginning of the year. And currencies typically considered havens, such as the Swiss franc, have appreciated against the dollar since last month.

So far this month, investors have pulled $235 million from the two largest exchange-traded funds that profit from declining volatility, on track to be the biggest monthly outflow since November, according to FactSet.

The moves illustrate a bind ensnaring many investors: Stocks have soared to records this year, even as anxiety mounts over a cluster of issues that could derail the rally. Those include fears that a mistimed interest-rate increase by the Federal Reserve could dent economic growth, an accelerating drop in oil prices could hurt wagers on emerging markets or China's economy could slow, with consequences beyond its borders.

A gauge that reflects expectations of a big move in the VIX hit a record this month.

Although money managers are loath to sit out a market rally, many have opted to increase their allocations to investments that would take the edge off a sharp decline in markets.

Erik Knutzen, chief investment officer for multiasset-class portfolios at Neuberger Berman, which manages $267 billion, has recently trimmed his exposure to assets that have soared in price, such as U.S. large-capitalization stocks, concerned that lofty valuations could take a hit if there is a threat to global growth. Mr. Knutzen is also selling put options on stocks, allowing him to buffer his portfolio from a decline in equities while still maintaining market exposure.

"There's a lot of anxiety about where to put money to work," he said. "We know the VIX won't stay low forever."

Some investors worry the Fed's pace of interest-rate increases will further slow a U.S. recovery that appears to have shifted into low gear. While the Fed's decision earlier this month to raise rates was widely expected, many investors were surprised that Fed Chairwoman Janet Yellen gave little weight to a series of weak inflation readings and indicated the central bank remains on track to tighten monetary policy for a third time

Please see STOCKS page B2

Studios Audit Chinese Receipts

By Wayne Ma

SHANGHAI—Concerned they are being shortchanged, Hollywood studios are conducting an audit of box-office receipts from Chinese movie theaters, a person familiar with the matter said Tuesday.

The audit has been under way for six months, and is a review of box-office receipts for select Hollywood films released in China in 2016, the person said. It is being conducted by accounting firm **PricewaterhouseCoopers** LLP for the Motion Picture Association of America, the industry group backed by Hollywood's six major studios, this person said.

An MPAA spokesman in Singapore didn't immediately reply to a request for comment. A spokesman for PricewaterhouseCoopers in Hong Kong declined to comment. The audit was first reported by Bloomberg News.

The audit is scrutinizing ticket sales at a granular level, starting from how local movie theaters report sales, all the way up to how revenue is reported to U.S. studios by state-backed China Film Group, which distributes most films in the country, the person said. China Film Group couldn't immediately be reached for comment.

Hollywood studios have long suspected that their box-office receipts in China are underreported. In some instances, Chinese theaters might sell tickets to a Hollywood film only to credit those sales to a Chinese film, the person said. Other Chinese theaters might simply not report the sales, the person added.

The audit will likely be completed by the third quarter of this year—ahead of a year-end deadline for the U.S. to renegotiate its film-trade deal with China. The studios are planning to ask for a bigger cut of the box office and an expanded number of slots for Hollywood films, the person said.

The most recent trade deal, struck in 2012, allowed for 34 films to be released theatrically in China each year, with Hollywood studios receiving 25% of those box-office receipts.

The 2012 agreement included provisions for a basic audit, which Hollywood had already wanted for some time, the person said. However, it took almost five years to hammer out a legal agreement for the audit, the person said.

China's box office grew 3.7% to 45.71 billion yuan ($6.68 billion) in 2016. That was slower than an average growth rate of 34% over the past five years because of cutbacks in discounted tickets and a crackdown on so-called ghost screenings, in which movie distributors buy tickets in bulk to make a flop look like a hit.

STREETWISE
By James Mackintosh

Alarm Bells Are Ringing Out On Trade

Global trade is in trouble, and investors don't seem to care. One of the ironies of the election of a fierce nationalist in the U.S. is that it coincided with what looked like a recovery in global trade, after years of stagnation.

We will find out in coming days if U.S. President Donald Trump and his administration are willing to jeopardize trade by slapping tariffs on steel on national-security grounds—bypassing international rules and opening the way to a tit-for-tat response. But even without new tariffs, the nascent trade recovery isn't all it seems.

Investors have rightly seen tariffs as good for U.S. steel stocks, which have been pummeled by international competition and weak balance sheets. But there seems to be little fear of a full-blown trade war developing, either in steel—where investors in shares of major foreign competitors have seemed oblivious—or more widely.

Why aren't investors more concerned about the risk of globalization being put into reverse gear? One answer is that few really believe Mr. Trump wants to start a trade war. His campaign rhetoric led investors to dump the Mexican peso after he won, anticipating trade troubles. But the peso is now stronger than it was before the November election, and the first tariffs that he imposed were on Canada, not the target his voters expected. Aside from Canada, his trade actions have so far mostly involved fiddling around the edges, commissioning reports and improving the enforcement of existing rules.

Another answer is that investors have been discussing "deglobalization" for a long time, so the idea of increased trade friction comes as no surprise (though a full-on trade war would be a shock). The 2007-2008 financial crisis led to a collapse in global trade, and after a brief recovery it flatlined for years. Banks also retreated from financial commitments abroad, and there has been no return to the pre-Lehman Brothers days of grand cross-border banking acquisitions. Creeping protectionism has been visible in the rising number of minor trade disputes.

The data showed a clear pickup in trade in the first quarter, with 5.7% year-over-year growth in March the highest for six years, according to the CPB Netherlands Bureau for Economic Policy

Please see STREET page B2

DEREK DAVIS/GETTY IMAGES

Maine resident Emily Griffin with her Blue Apron delivery. The meal-kit startup is preparing for an initial public offering.

Blue Apron Battles Loosening Ties

By Eliot Brown

In just five years, meal-kit maker **Blue Apron** Inc. has ripened from an idea batted around by three friends in New York City to a company on the verge of an initial public offering with over one million customers and over $790 million in annual revenue.

As the company prepares to whet investors' appetite before a stock-market listing expected this week, its financial statements expose an inherent threat to growth: Finding loyal customers is getting hard.

Blue Apron packs gourmet ingredients in a box and ships them to customers who pay $10 a meal per person to make dishes such as hoisin beef and vegetable stir-fry with Fairy Tale eggplant.

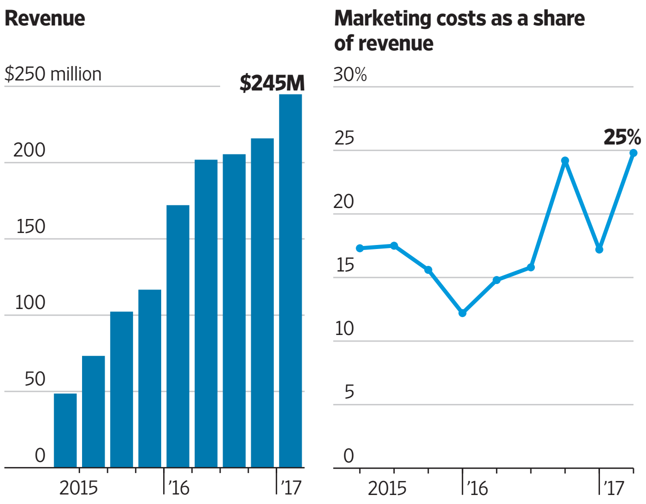
The company is trying to carve off a slice of a $600 billion U.S. grocery market that is grappling with low food prices, heavy competition and the specter of more online grocers highlighted by Amazon.com Inc.'s deal to buy Whole Foods Market Inc.

To keep up its blistering growth and live up to its targeted $3 billion valuation, Blue Apron has had to replace a large share of customers who quit after trying the food and woo ever more people through ads and free offers. As a result, its marketing costs as a percentage of revenue rose to 25% in the first quarter from 15% a year earlier, contributing to a $53 million loss compared with a small profit in last year's first quarter. Multiple potential investors in the IPO said they found the high marketing costs concerning.

A Blue Apron spokeswoman declined to comment. The company said in securities filings that it expects marketing costs as a percentage of revenue to be lower in coming quarters as it is in the midst of implementing a new strategy to spend heavily.

Boxed In

Sales are rising as Blue Apron finds new customers but it's paying up for marketing as those customers are hard to find.



Source: the company

THE WALL STREET JOURNAL.

This predicament strikes at the heart of countless startups that sell products online, offer monthly subscription boxes or deliver just about anything at the tap of an app. Venture capitalists have collectively pumped billions of dollars into these startups over the past few years with the promise that exciting new brands and convenience would lure a new generation of millennial customers.

Despite two decades of internet retailing, roughly 90% of U.S. shopping still takes place in brick-and-mortar stores, according to various estimates. And consumers are easily able to jump from one app to another, making it difficult for a company to spread into the mainstream.

"With hyper adoption also comes hyper abandonment," said Brendan Witcher, an analyst at Forrester Research Inc. "What the market needs to do with these startups is wait until the novelty effect has worn off—that is really the key."

Food delivery has been par-

Please see MEALS page B2

INSIDE

JUST SAY NO? WHEN EDGY FIRMS RECRUIT SENIOR EXECUTIVES

MANAGEMENT, B5

MSCI Eyes More China Stocks

By Gregor Stuart Hunter

Less than a week after its landmark decision to include Chinese stocks in its key benchmarks, index provider **MSCI** Inc. is considering nearly doubling the number of stocks it admits.

The company could admit 195 midsize companies in addition to the 222 companies announced last week, MSCI Chief Executive Henry Fernandez told Shanghai Securities News in remarks confirmed by an MSCI spokesman. He didn't specify a time frame.

The initial 222 stocks will be added to MSCI benchmarks like its flagship Emerging Markets Index—tracked by some $1.6 trillion in global wealth—in two phases, beginning next May. MSCI forecasts the addition could set off an initial inflow of some $17 billion into Chinese stocks as active managers and exchange-traded funds that track MSCI's indexes reweight their portfolios.

Chinese stocks will be a relatively minor part of MSCI's main indexes, given the small number of companies being admitted at first. The company has previously said it expects to add more Chinese stocks, though it hasn't said when this will happen or what its criteria will be.

In previous cases, such as South Korea and Taiwan, MSCI has added stocks to its indexes over time. Roughly 3,000 companies are listed on China's two main markets in Shanghai and Shenzhen.

Last week's decision is already stoking investor interest in Chinese markets, market participants said. Neil McLean, head of execution trading at Nomura in Hong Kong, said more clients had established accounts to trade Chinese shares via the Stock Connect trading link with Hong Kong in the past week.

Chinese shares haven't had much of a lift, however. The Shanghai Composite is up 1.2% since MSCI's announcement, while the smaller Shenzhen market is down 4.6%.

INDEX TO BUSINESSES

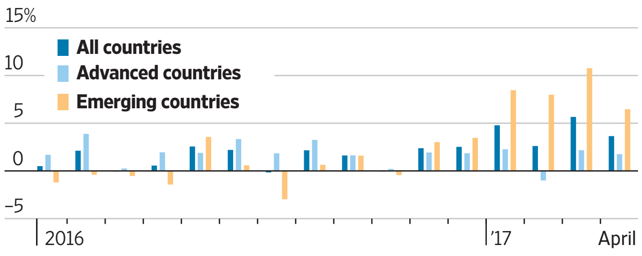
These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

INDEX TO PEOPLE

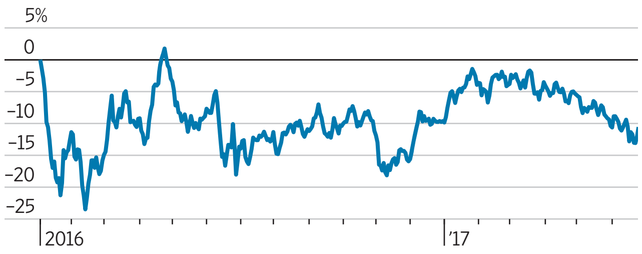
Trade Troubles

Global trade accelerated earlier this year, but the most recent data show it slowed again in April. A brief recovery in shipping stocks seems to have been snuffed out, too.

Total imports of merchandise, change from year earlier



Dow Jones Global Shipping Index, change since 2015



Sources: CPB Netherlands Bureau for Economic Policy Analysis (imports); Thomson Reuters (shipping index)
THE WALL STREET JOURNAL.

STREET

Continued from the prior page
Analysis. But April data were weaker, and the shipping sector is suffering.

Trade acceleration is good news for investors, as more globalization means faster economic growth and more efficient use of productive assets and workers (who may not be so happy). The twin dangers for investors are that the recent recovery proves to be a mirage, or that Mr. Trump brings it to an end.

The global trade recovery might be less than it seems if it is merely a reflection of China's stimulus last year. Oxford Economics estimates that as much as 70% of the trade growth comes from the knock-on effects of Chinese demand, which few people expect to last.

As China put the monetary brakes on in recent months, the Baltic Dry index of shipping costs has tumbled, and the Dow Jones Global Shipping index shows the sector's stocks have fallen a tenth from this year's high. South Korea's trade volumes, used by many as a leading indicator of global trade, have fallen back after hitting a new high in March.

If Mr. Trump goes ahead with his steel tariffs, the bet is whether it leads to a creeping deglobalization with a steady ratcheting-up of trade restrictions, or a trade war.

The lesson of the 1930s is that trade wars hurt everyone, so my money would be on more subtle forms of retaliation. But politicians can best show that they mean business by striking back publicly. In Europe, attacking Mr. Trump looks especially like a vote winner. Investors should be worrying a lot more about trade.

BUSINESS & FINANCE

Fire Puts Firm on Its Heels

By Bob Tita

Arconic said that it would curb sales of cladding of the sort used on London's Grenfell Tower.

Arconic Inc. said it has stopped selling panels used on the exterior of high-rise buildings that are suspected of contributing to the spread of a deadly fire in a London apartment tower earlier this month.

The U.S.-based aerospace and building materials specialist said Monday that the decision reflected "inconsistency" in building codes around the world. The fire that killed 79 people in London's Grenfell Tower on June 14 has prompted a review of construction safety standards in the U.K.

The move by Arconic triggered a sharp fall in its shares, as analysts questioned whether its role in supplying the panels could entail potential liabilities and affect its search for a new chief executive following a tumultuous six months that included a proxy battle with activist investors.

Arconic, formerly part of **Alcoa** Corp., produces panels under the Reynobond PE brand that go into cladding for buildings. Reynobond PE panels aren't allowed by regulators on tall buildings in the U.S. and some other countries because of the potential fire hazard. The panels have been widely used in the U.K., including the recently refurbished Grenfell Tower.

"Because of the inconsistency of building codes across the world and issues that have arisen in the wake of the Grenfell Tower tragedy regarding code compliance of cladding systems, Arconic is discontinuing global sales of Reynobond PE for use in high-rise applications," the company said in statement. A spokesman said the panels would still be sold for use on low-rise buildings that are generally more accessible for firefighters.

"Our product is one component in the overall cladding system; we don't control the overall system or its compliance," the company said later in a statement.

Reynobond PE consists of two aluminum sheets sandwiching a polyethylene core. The Grenfell Tower's facade is suspected of having aided the fire's advance. Investigators suspect the blaze spread through a narrow gap between the burning polyethylene core in the Reynobond panels and a layer of insulation attached to the exterior of the building.

Arconic's involvement in the cladding used on the building had been known for some days, but its decision to halt sales and concerns about potential liability cut about $600 million from the company's market value Monday.

The stock ended down 6% at $24.01 in heavy trading.

J.P. Morgan analysts said in a note that "several entities" were involved in the decision to use the cladding panels in Grenfell Tower, many of which might bear "significantly more responsibility" than Arconic.

U.K. officials have said the material didn't meet building standards for towers whose height exceeds 18 meters, or about 59 feet. But U.K. building industry experts and the company that supplied the material to contractors working on Grenfell Tower maintain that it is compliant with current building codes.

The Reynobond issue poses a new distraction for a company trying to steady itself after a proxy fight with activist investors that resulted in the resignation of CEO Klaus Kleinfeld. He was succeeded by aerospace executive and Arconic board member David Hess as interim CEO.

—Wiktor Szary contributed to this article.

STOCKS

Continued from the prior page
this year.

Stocks fell an average of 7.4% in the six months after the Fed raised rates during a quarter in which GDP growth was 1.2% or below, according to data from UBS Group AG that analyze three decades of Fed policy.

Some wariness is already apparent in the bond market, several analysts said. The yield premium investors demand to hold the benchmark 10-year U.S. Treasury note relative to the two-year note shrank this month to the smallest since September, approaching a 2007 low. A falling premium is known as a flattening yield curve and typically happens when worries rise that economic momentum is slowing.

"The bond market is already pricing in a Fed policy mistake," said David Woo, head of global interest rates and foreign exchange at Bank of America Merrill Lynch.

While riskier assets such as emerging markets are rising on hopes that a global recovery is sparking long absent inflation, "the bond market believes that rates will go up and inflation...will get crushed," Mr. Woo said.

He is also worried that a recent drop in oil prices will rout investors from emerging-market trades that have delivered big gains this year. The Russian ruble, which tends to move with oil prices, is down about 3.7% this month.

GM Cuts Outlook for Industry

By Mike Colias

General Motors Co. expects industry vehicle sales to fall short of its original forecast for the year, the latest sign of a slowdown in the U.S. auto market after a record run.

GM now expects U.S. light-vehicle sales in the low-17-million range, down from an earlier expectation that this year's tally would roughly match the 17.55 million record from last year, finance chief Chuck Stevens told analysts during a conference call Monday.

Mr. Stevens also said U.S. pricing has become "very, very competitive" amid slowing sales during the first several months of the year. But he said incentives have moderated recently, a sign car makers aren't willing to cut into profitability to maintain market share as demand cools.

"It appears the industry is becoming a bit more rational," Mr. Stevens said.

Industry sales in each month so far this year have fallen from a year earlier. In a note to investors Monday, Barclays analyst Brian Johnson said he expects the seasonally adjusted sales rate to ease to 16.5 million in June. That would mark the fourth straight month that the pace of sales fell below 17 million, the slowest stretch since mid-2014.

But Mr. Johnson agrees that auto makers "may be drawing the line" on big discounts that have helped fuel sales over much of the past year. He said incentives in June were at the lowest levels in about a year.

Auto makers also are pulling back on less-profitable sales to rental companies, a tactic long deployed to sustain sales volumes during a market downturn.

Separately, GM raised its estimate for special charges it will incur from the sale of its Opel AG European division to $5.5 billion, about $1 billion higher than originally expected. Mr. Stevens said heavier costs linked to the consolidation of some vehicle programs under the deal are a primary factor, describing the charges as "largely noncash."

GM announced the deal in March to sell Opel to France's Peugeot for about $2.1 billion, exiting from a business that has suffered billions of dollars in losses over nearly two decades. Mr. Stevens said the sale is on track to close by the end of the year.

He said GM will report Opel results as discontinued operations beginning with the auto maker's second-quarter earnings, scheduled for July 25.

GM also said it would tap about $3 billion in short-term debt to help pay for pension-funding obligations that Peugeot will inherit once the deal closes.

MEALS

Continued from the prior page
ticularly tough. Well-funded startups that have shut down in this business include cooked meal-delivery companies such as Maple, Spoon Rocket and Sprig Inc., which closed last month.

Aside from Amazon and **eBay** Inc., few e-commerce companies have become giant successes.

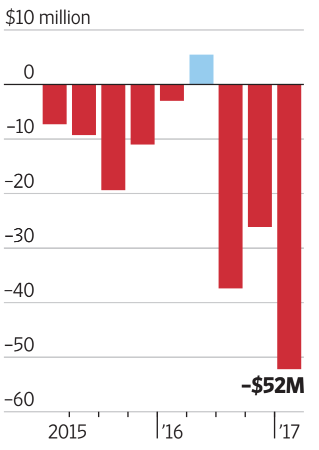
Many venture capital and other investors have been burned as niche hits haven't translated to wide-scale adoption as expected.

Companies including discount clothier **Zulily** Inc., high-end clothing site Gilt Groupe and home décor business **One Kings Lane**—which together raised more than $700 million—were sold at fractions of their peak valuation as buyers tired of their offerings.

New York-based Blue Apron, meanwhile, is grappling with numerous meal-box imitators—with two-word names like Purple Carrot and Sun Basket—that not only compete for customers, but also bid up advertising rates on **Facebook** Inc. and **Alphabet** Inc.'s Google.

Blue Apron launched in 2012, after Matthew Salzberg left his investing job at venture-capital firm **Bessemer Venture Partners** and started the food company with two friends. Customers receive a box of food with just the right amount of ingredients, and can start or cancel the service weekly.

Blue Apron's quarterly profit/Loss



Source: the company
THE WALL STREET JOURNAL.

Blue Apron quickly took hold among a variety of age groups and geographies—not just urban millennials. By 2015, the company had raised nearly $200 million from marquee investors such as Bessemer and mutual-fund company **Fidelity Investments** and was valued at $2 billion despite having only 300,000 customers.

Over time, Blue Apron has lowered the cost of buying and delivering food—to 69% of the company's revenue in early 2017 from 93% in 2014—in part by building warehouses and owning its own wine label and beef farm.

But profits haven't followed as expected. When the company sought investors in 2015, it projected it would book $24 million in earnings before interest, tax, depreciation and amortization in 2016 and $137 million in 2017, according to people who viewed the company's projections.

Instead, the company reported a loss of $44 million on that basis last year and $46 million in this year's first quarter, even as revenue grew roughly as projected.

To find more customers, Blue Apron has recently blanketed consumers with advertising and deals such as $40 worth of discounts. In its IPO filing, Blue Apron says it has spent $94 to acquire each customer on average since 2014, although the fact that marketing spending is increasing significantly faster than customers shows that newer customers are proving far more expensive to find.

Another problem is that Blue Apron appears to be churning through customers. The company doesn't disclose specifics, data in its securities filings about marketing spending and customer growth.

But Daniel McCarthy, a professor of marketing at Emory University who has analyzed Blue Apron's numbers, estimated that roughly 60% of customers stop using the service after six months.

Blue Apron said in its IPO filing that its ability to retain customers presents a risk—and that it would need to keep making new products to maintain their interest.

"The retention at Blue Apron seems particularly troubling—very much out of the norm," Mr. McCarthy said, adding a more reasonable drop rate would be 30% to 40% after six months. "It becomes hard to see how they're going to grow their way into profitability."

—Corrie Driebusch contributed to this article.

Shipping Magnate Loads Up in Rough Time for Oil

By Costas Paris

OSLO—Shipping magnate John Fredriksen is trying to buy more oil tankers despite a glut of vessels afloat, a messy restructuring of an offshore-drilling company he leads and two unsuccessful takeover attempts of rival tanker firms.

The self-made billionaire, who also is a major player in offshore oil drilling and salmon farming, says he is working 17-hour days as he looks to expand his fleet of the most voluminous tankers—known as very large crude carriers, or VLCCs.

"We used to be the biggest VLCC owner, but now we are No. 4," as his tanker company, **Frontline** Ltd., was overtaken by rivals, said Mr. Fredriksen in a rare interview earlier this month.

"I'm looking to invest more than two billion [dollars] in acquisitions," he said, noting he is primarily looking to acquire companies outright rather than buy tankers from rivals.


ELIN HØYLAND/DAGENS NÆRINGSLIV
John Fredriksen with his daughters Kathrine, left, and Cecilie.

An oversupply of cheap oil and too many tankers chasing too little cargo have, respectively, hit drilling and shipping hard. Mr. Fredriksen reckons shipping companies will scrap three times as many tankers this year as they did last year, with fewer new vessels coming to market.

"Around 150 very large crude carriers, or about 20% of the existing fleet, will be scrapped over the next couple of years," said the 73-year-old, known in the industry as "Big John." "To have a say in the market you have to have size, so I'm looking to buy tankers all the time."

The price of a five-year-old VLCC has fallen 17% to around $58 million over the past year. Amid this drop, Frontline pressed a $765 million, hostile takeover for Norway's DHT Holdings Inc. earlier this year.

DHT fought off that effort, prompting Mr. Fredriksen to drop his bid and turn his sights on U.S.-listed **Gener8 Maritime** Inc., a deal that would have created the world's largest tanker fleet if sealed. But the talks with Gener8 fell apart over price, according to a person familiar with the matter.

Frontline CEO Robert Hvide Macleod on Monday said the company is still hunting, but isn't currently involved in any takeover activity. "We believe the market will offer good opportunities in the future, and our strategy is to continue expanding the fleet," Mr. Macleod said.

Despite some consolidation among container liners, shipping remains a highly fragmented industry, marred by overcapacity and lengthy price wars. Dozens of companies that ship containers, oil and commodities like iron ore and grain have declared bankruptcy over the past three years. Others have fallen deeply into the red as freight rates lurk well below break-even levels.

"The tanker market is depressed, so his quest to make Frontline even bigger seems odd," said Mike Sapountzoglou, a director at Athens-based ship-management and financing company Flagship Navigation Ltd. "But it will eventually recover and Fredriksen is renowned for his sense of timing."

Mr. Fredriksen said U.S. hedge funds and Chinese state-owned shipping companies were responsible for the cratering of the global shipping market over the past few years. Industry executives say around $30 billion was put into shipping from 2009 to 2015 by U.S. investors, exacerbating a capacity glut.

The son of a Norwegian shipyard welder, Mr. Fredriksen dropped out of high school and moved to Beirut to trade oil. He later supplied fuel to the U.S. Air Force during the war in Vietnam. His tankers moved crude out of Iran during that nation's war with Iraq in the 1980s.

He gave up his Norwegian citizenship in 1996 and became a citizen of Cyprus. He also has offices in Singapore and Bermuda, where taxes are substantially lower than in Norway.

Mr. Fredriksen has said his empire would be passed to his twin daughters, Kathrine and Cecilie, who are increasingly taking responsibilities in the group.

Apart from Frontline, Mr. Fredriksen controls dry-bulk shipping company Golden Ocean Group, vessel-leasing firm Ship Finance International Ltd., **Seadrill** Ltd. and the world's biggest Atlantic salmon producer, Marine Harvest ASA.

Seadrill, which operates 49 oil rigs and has an additional 13 under construction, faces a July 31 deadline to restructure some $10 billion of debt.

Peloton Finance Head Seeks Steady Growth

By Nina Trentmann

One of Lisa Klinger's tasks is to put the brakes on her boss.

"When I first joined, our CEO said that if we are not public within 12 months, he would be disappointed," recalls the finance chief of **Peloton Interactive** Inc., the 400-person Manhattan-based company that sells internet-connected bikes and subscriptions to cycling classes. "I cringed," she said.

CFO JOURNAL

Ms. Klinger is Peloton's first chief financial officer. Her 2016 hire might have been a precursor to an initial public offering of stock. Ms. Klinger has taken two companies public previously: luxury retailer **Vince Holding** Corp. and U.S. grocer **The Fresh Market** Inc. However, Chief Executive and co-founder John Foley no longer talks about a coming IPO.

A spokesman for Mr. Foley said he wouldn't comment on Ms. Klinger's remarks or on a potential date for an IPO.

"When I got here, we had to do a lot of basic building," she said. Peloton was focused on the exercise bikes and online classes, whereas more mundane, yet fundamental things, such as finance processes and internal controls, received little attention.

"The team was working on a great product but did not think of setting up the background operations," Ms. Klinger said.

Her mission is to turn Peloton into a "well-run, high-growth company." Controlled, sustained growth is important to putting Peloton on a solid footing so an IPO will be successful and deliver a high valuation, Ms. Klinger said. This includes expanding and sustaining the subscriber base, increasing the number of showrooms and improving the logistics of shipping bikes to customers.

"We could do an IPO tomorrow, but that's not what we are here for," Ms. Klinger said, adding that listing simply for the sake of listing wasn't the best long-term strategy.

Peloton has raised $325 million this year and is valued at $1.25 billion. Investors include **Wellington Management**, **Fidelity Investments**, **Kleiner Perkins Caufield & Byers** and **True Ventures**, among others. The company, which hasn't yet posted a profit, had $170 million in revenue in 2016, up from $60 million the previous year.

A monthly subscription fee of $39 generates about 20% of Peloton's revenue, Ms. Klinger said.

"We want to get as many bikes into people's homes as possible so we can get the subscription fee," Ms. Klinger said.

Peloton didn't give specific subscriber numbers, but aims to have 200,000 subscribers by the end of the year.

The company might prove to be disruptive to the fitness industry, similar to the way **Netflix** Inc. upended cable television.

"The subscription fee is the thing that matters," said Andrew Burns, an analyst at D.A. Davidson & Co. "This is a high-quality annuity stream."

Contrary to competitors such as **SoulCycle** Inc. that operate dozens of cycling studios, Peloton only sells $1,995 bikes that come equipped with a tablet on which users see live or prerecorded cycling classes, a less capital-intensive business model.

JOHN TAGGART FOR THE WALL STREET JOURNAL
Manhattan-based Peloton sells internet-connected bikes and cycling-class subscriptions. It has raised $325 million this year.

"Peloton is a potential winner because of its capital-light business model," said Randy Konik, an analyst with Jefferies LLC in New York. "The good thing at Peloton is that they don't have to have many studios," Mr. Konik said.

Peloton plans to use its fifth round of funding to shore up its working capital, Ms. Klinger said. Some of the cash will be used as a deposit for a revolving credit facility. Being closely held provides the company with flexibility.

"You can do things like saying you will have negative earnings before interest, tax, depreciation and amortization for the next 18 months," Ms. Klinger said.

Sprint, Charter and Comcast in Talks

Cable firms explore deal that could further their plans for offering wireless service

Sprint Corp. has entered into exclusive talks with **Charter Communications** Inc. and **Comcast** Corp. as the cable companies explore a deal that could bolster their plans to offer wireless service, according to people familiar with the matter.

By Shalini Ramachandran, Ryan Knutson and Dana Mattioli

Sprint Chairman Masayoshi Son and the cable firms have entered into a two-month, exclusive agreement for discussions through late July, putting merger talks with **T-Mobile US** Inc. on hold, the people said.

One arrangement that has been considered is for Charter and Comcast to invest in improving Sprint's network in exchange for favorable terms to offer wireless service using the carrier's network, the people said. Such a deal could involve the companies taking an equity stake in Sprint, some of the people said. The cable companies already have such a network-resale agreement with Verizon Communications Inc., but the Sprint deal could provide much better terms.

While thought to be the much less likely scenario, the talks also include the possibility for the cable companies to jointly acquire Sprint, some of the people said. Sprint has a market value of $32 billion and $32.6 billion of net debt.

A reseller agreement with Charter and Comcast wouldn't preclude a subsequent merger between Sprint and T-Mobile, some of the people said. While Sprint and T-Mobile have remained far apart in their merger talks, people familiar with the discussions said a merger between the two companies isn't off the table and may still be the most likely outcome.

Charter and Comcast, the two largest U.S. cable companies by subscribers, in May agreed to a wireless truce, which barred both companies from doing a wireless deal without the other's blessing or participation for a year.

John Malone, whose Liberty Broadband Corp. is Charter's largest investor, has been trying to convince Comcast Chief Executive Brian Roberts for the past year that the companies should jointly buy a carrier like Sprint, according to people familiar with the matter.

So far, Mr. Roberts has been reluctant. His goal is to secure a better reseller agreement as Comcast jumps into the wireless business, according to a person familiar with his thinking.

Charter Chief Executive Tom Rutledge has said that he sees the logic in buying a wireless operator at the "right price and right owners' economics" but "I don't know that it's necessary."

Sprint's agreement to enter the exclusive cable talks puts its T-Mobile merger discussions on hold.
ALAN DIAZ/ASSOCIATED PRESS

The talks between Sprint, Charter and Comcast come as the cable and wireless industries are on a collision course that makes consolidation increasingly logical but also complex. Users of smartphones rely equally on cable and cellular companies' services to surf the web and watch videos, as more than half of all smartphone web traffic is carried over Wi-Fi.

Cable titans Charter and Comcast see a chance to retain customers and hold off the threats of cord-cutting and online video providers by adding mobile-phone service to their bundles of TV, phone and broadband internet service. The thinking is that the "quad play" would make their offerings more essential and cost efficient, making customers less likely to cancel contracts.

Meanwhile, wireless companies are engaged in a price war in a saturated market that is quickly eroding revenue.

T-Mobile and Sprint, the third- and fourth-largest carriers by subscribers, have cut prices the most. Unlike Verizon and AT&T Inc., Sprint and T-Mobile don't have extensive consumer wired networks, so combining wireless with cable's high-speed wires could help speed the construction of next-generation, or 5G, wireless internet connections.

Mr. Son, a Japanese billionaire whose **SoftBank Group** Corp. controls Sprint, has been trying to gin up cable companies' interest in acquiring the struggling carrier or buying a big stake.

Mr. Son had recently rekindled talks with **Deutsche Telekom** AG, the parent company of T-Mobile, to merge the two companies, but a deal has yet to materialize. The two previously discussed combining in 2014 but backed down in the face of regulatory opposition. As recently as last week, Sprint CEO Marcelo Claure publicly spoke about the benefits of a T-Mobile merger.

Comcast recently started offering wireless service to its own high-speed internet customers, using Verizon's network for the connections. Charter is working on a similar service to be released next year.

Striking a reseller agreement with Sprint instead of Verizon would likely make it easier for the cable companies to expand their wireless offering. With Verizon, for instance, the cable companies can't sell wireless service outside of their cable footprint, and the deal was struck years ago, when wireless prices were much higher.

In discussions with Sprint about a potential new reseller agreement, Mr. Son has shown willingness to give the cable executives unprecedented flexibility, including control over things like customer SIM cards, according to people familiar with the matter. That would give Charter and Comcast more control over their customers and more leverage with Sprint in any future discussions than they have in their current reseller deal with Verizon.

Samsung Revives Tarnished Galaxy Note 7

By Eun-Young Jeong And Timothy W. Martin

SEOUL—**Samsung Electronics** Co. is quietly rejuvenating its tarnished Galaxy Note 7 smartphone.

A refurbished version of the premium smartphone, whose global recall last year garnered unwanted attention for the South Korean technology giant after some caught fire, is coming to retailers' shelves on July 7 with different components under the name Galaxy Note 7 FE, according to people familiar with the matter.

The FE stands for "Fandom Edition," one of the people said.

The device will initially be available for consumers in South Korea, with relatively modest inventory for release in other countries yet to be announced, one of the people said, adding that Samsung is expected to release at most 400,000 devices among three major telecommunications companies in South Korea.

A worker in Seoul processes a replacement Samsung Galaxy Note 7 last year after some devices caught fire, prompting a global recall.
JUNG YEON-JE/AGENCE FRANCE-PRESSE/GETTY IMAGES

The refurbished Note 7 will be priced below 700,000 South Korean won ($618), although smartphone prices are generally adjusted up to the point of release because of fluctuating market conditions, said one of the people familiar with the matter.

A spokeswoman for Samsung declined to comment. Samsung said in late March that it planned to sell refurbished or rental versions of the Galaxy Note 7 but didn't specify timing or targeted markets.

Details about the Galaxy Note FE's release date and pricing were earlier reported by South Korea's semiofficial Yonhap News agency and local trade media.

Samsung recalled around three million Galaxy Note 7 devices last year after reports of some devices catching fire—a debacle that cost the company at least $5 billion and led to a ban on the devices on various airlines.

The South Korean company concluded earlier this year that the overheating in some devices came from design and manufacturing problems with the devices' batteries. Samsung said the defect affected 330 out of the three million Note 7 phones that it sold.

Analysts said the revived Note 7 wouldn't compete with or cannibalize sales of the Galaxy S8, Samsung's latest flagship smartphone, which was released to much fanfare in April.

Unlike the Galaxy S series, the Galaxy Note smartphones feature a larger screen and a stylus, endearing them to a loyal base of fans.

"The Note 7 is a unique product for Samsung," said Tom Kang, a Seoul-based analyst at Counterpoint Technology Market Research. "This is a product for Note-series fans so it's going to address a different market segment from the S8."

Mr. Kang added that sales of Galaxy Note 5 devices—the Note 7's immediate predecessor, since Samsung skipped the number "6" in its Note series—have remained robust in the absence of a viable follow-up in the Note series.

Samsung ceded the No. 1 spot in the global smartphone market to rival Apple Inc. in the last three months of 2016, thanks in large part to the Galaxy Note 7 recall fiasco.

Samsung regained the title in the first quarter of 2017, according to market-research firm Counterpoint.

Pandora Co-Founder and Chief Executive Steps Down

By Anne Steele

Pandora Media Inc.'s co-founder and chief executive, Tim Westergren, is resigning from the company as the internet radio service contends with the rise of subscription music platforms.

President Mike Herring and marketing chief Nick Bartle are also leaving the company, Pandora said Tuesday.

Finance Chief Naveen Chopra has been named interim CEO, and Pandora's board will begin searching for a successor, the company said. Mr. Chopra joined the company on Feb. 28.

"Over the past several weeks, the board has taken a number of steps to refocus and reinforce Pandora," board member Roger Faxon said in prepared remarks. "As listeners continue to move from traditional terrestrial radio to more dynamic and flexible offerings, it is the board's belief that this transition continues to present a massive opportunity, and that Pandora is in an ideal position to capture an increasing share of this audience."

Tim Westergren returned to Pandora's helm in March last year.
THEO WARGO/GETTY IMAGES FOR PANDORA MEDIA

Mr. Westergren, a musician, returned to Pandora's helm in March last year in a bid to help it strike crucial licensing deals—a management strategy that has yielded mixed results for technology companies—and shortly after it bought ticketing company Ticketfly.

Pandora launched a $10-a-month music service earlier this year amid steep competition from other streaming providers such as Spotify AB and Apple Inc.'s music service. The recorded-music industry, whose global revenue has dropped 60% since 2000, has been betting on growth in paid-streaming services to make up for declining CD and digital download sales.

But Pandora's stock has lost 24% of its value during Mr. Westergren's most recent CEO stint. Mr. Westergren, who has composed film scores and toured with the soft-rock band YellowWood Junction as a keyboardist, previously served as Pandora's chief creative officer and treasurer from 2000 to 2002, as CEO and president from 2002 to 2004, and as chief strategy officer from 2004 to 2014.

Earlier this month, Pandora secured a $480 million investment agreement with satellite-radio company Sirius XM Holdings Inc., capping a review of strategic options announced in May. When the deal closes, SiriusXM will name three directors to Pandora's board, with one of the picks serving as chairman.

Pandora also announced a deal to sell Ticketfly to Eventbrite Inc. for $200 million, down significantly from what Pandora originally paid in 2015.

Pandora board member Tim Leiweke praised Mr. Westergren for stepping in "at a critical time" to "reset relations with the major labels, launch our on-demand service, reconstitute the management team and refortify our balance sheet by securing an investment from Sirius XM."

Shares of Pandora, down 35% so far this year, were off 1.1% at midday Tuesday.

Pandora also sid Tuesday that it named Jason Hirschhorn, founder and CEO of digital-content curation company ReDEF Group, to the company's board.

Mr. Hirschhorn previously held positions at Myspace Inc., Sling Media Inc. and MTV Networks.

Qualcomm Loses Bid To Halt U.S. Case

By Ted Greenwald

A U.S. federal judge ruled against **Qualcomm** Inc.'s motion to dismiss a Federal Trade Commission case that alleges the large supplier of smartphone chips used its position in the market to compete unfairly.

The Monday ruling by U.S. District Judge Lucy Koh is a setback—though not an unexpected one—in Qualcomm's broad legal battle over its business practices. That fight includes a separate lawsuit filed by **Apple** Inc. against Qualcomm which makes similar legal arguments.

Judge Koh's decision that the government's case could advance rejected Qualcomm's claim, filed in April in a Northern California federal district court, that the FTC's complaint failed to support even basic elements of an antitrust violation.

The FTC says Qualcomm, whose technology is used in almost all smartphones, acts unfairly by refusing to sell its chips to handset makers that don't buy a license to use the technology—which is deemed essential to cellular communications—and by refusing to sell licenses to competing chip makers. The government says Qualcomm further impaired competition by using its dominant position to compel Apple to use its chips exclusively.

"We respect the Court's decision, which is based on the legal standards that apply at this early stage of the case," said Qualcomm general counsel Don Rosenberg in a statement, adding that "the FTC will have the burden to prove its claims which we continue to believe are without merit."

Motions to dismiss suits rarely succeed, legal experts said, because the judge is required to accept the plaintiff's factual allegations as true and the defendant must persuade the judge that a lawsuit presents no grounds to argue the case.

The FTC's action faces an uncertain future despite the judge's ruling. The case was filed during the waning days of the Obama administration, and Maureen Ohlhausen, then the commission's lone Republican, dissented from the FTC's move to file the lawsuit. Under President Donald Trump, Ms. Ohlhausen became acting FTC chair, and several commission seats are unfilled. If Republicans become a majority on the commission, she may call a vote on whether to withdraw the case.

MANAGEMENT

Scientists Are Useful Beyond Just R&D

By Lauren Weber

Looking for a way to lift productivity? Hire nerds.

Companies with a higher proportion of scientists and engineers are more productive than their peers, even when those workers aren't directly involved in the research-and-development tasks that drive the most obvious forms of innovation, a new paper from the National Bureau of Economic Research suggests.

The authors studied manufacturing plants and found that, for example, a plant with 10 scientists and engineers among its 100-person workforce would be 4.4% more productive than a plant with the same number of employees but no scientists and engineers. The researchers used a measure of productivity that captures improvements from firms investing in technology or hiring better-educated workers.

Some 80% of industrial scientists and engineers work in roles outside of formal R&D, such as information technology and operations. Their knowledge and training is critical to firms' ability to improve processes, fix broken systems and implement new technologies, says Richard Freeman, a Harvard University economist and co-author of the paper.

Scientists and engineers are valuable even in non-R&D positions at firms.

When organizations change accounting or human-resources systems or adopt new production processes, "they can't just wave a wand and say 'now the workplace operates this way,' " says Mr. Freeman. "You need people who have to make decisions and find ways to make it work in their workplaces."

Mr. Freeman and co-authors Erling Barth, of the Institute for Social Research in Norway, James Davis, of the U.S. Census Bureau, and Andrew Wang, of Harvard Law School's Labor and Worklife Program, were curious about the influence science and engineering professionals wield outside of R&D. Most previous research has focused on jobs where scientists and engineers were inventing new products.

Analyzing employee and production data from manufacturing establishments between 1992 and 2007, the authors found that the value scientists and engineers bring even to non-R&D roles derives from their training, says Mr. Freeman. When a manufacturer needs to fix the airflow in its factories, for example, "you need someone who knows about the flow of air currents, the right equations to use and other well-established principles," he says.

When an Edgy Firm Offers a Top Job

Stint at a pot grower, vendor of intimacy aids or matchmaking service could be a résumé black mark

By Joann S. Lublin

ANDREW SPEAR FOR THE WALL STREET JOURNAL

Chris Postler, who was named chief operating officer of Cincinnati-based Pure Romance this past January, turned down a job offer from the maker of 'relationship enhancement products' four times before he finally accepted a position with the company.

Executives, beware of marijuana and adult toys. Joining an edgy enterprise such as a cannabis producer or marital-aids business could make it difficult to land a good role at a mainstream company later.

YOUR EXECUTIVE CAREER

Marijuana-industry experience "is not something that would be in our [management] assortment anytime soon," says Brian Cornell, chief executive of **Target** Corp. "We have to be thoughtful about who we recruit," because decisions must match the retailer's family values, he adds.

Would Mr. Cornell ever hire an executive with marijuana-company experience? "I'd probably think long and hard about it," the Target leader replies.

Offbeat businesses often attract ambitious people eager to make their mark in a burgeoning field. But a senior manager's stint at an adult entertainment company or personal matchmaking service could become a résumé black mark unless the role delivers highly valued expertise, executive recruiters and leadership coaches say.

"There will be career consequences from going to an offbeat company," warns Jane Howze, a managing director for The Alexander Group, an executive-search firm. "Recruiters and employers will look at your impact there and whether you previously worked for a more conventional business."

Marijuana growers frequently confront this dilemma in their recruiting efforts.

"It has been challenging hiring C-suite talent," says Derek Peterson, chief executive of publicly held Terra Tech Corp., which grows and sells marijuana for legal medical use in several states. He cautions management prospects that banks might close their accounts or reject mortgage applications because marijuana violates U.S. law.

"The people you end up with as executives are people truly willing to take a risk," Mr. Peterson observes.

Mike James says he worried about the possibility of harming his career before he left his top management role at a nutritional-supplements firm to join Terra Tech's predecessor in 2010. So, he kept working for his old employer during four years as the part-time chief financial officer of his new employer.

Thirty states and Washington, D.C., have legalized marijuana for at least medicinal use, but the U.S. government still considers it an illegal and dangerous drug. U.S. sales of legal marijuana should reach $19 billion by 2021, up from $5.9 billion last year, predicts Arcview Group, a marijuana investment and research firm.

Many executives with Wall Street backgrounds move into the marijuana business "because they can see the growth trajectory," says Troy Dayton, Arcview's CEO.

Mr. James, now Terra Tech's full-time CFO, expects most conventional companies would employ him in the future. But "I will not be applying for a job at Target," he vows.

During their next job search, executives of an offbeat company should tout their transferable skills such as a record of innovation, career advisers suggest. "It is absolutely about the leader's personal brand, not the industry's brand," says Elaine Varelas, managing partner at Keystone Partners, a career transition and leadership-development firm.

This approach succeeded several years ago when a female executive left Playboy Enterprises Inc., famous for nude photos. She says she emphasized her team-building skills at the well-known entertainment business. "Find that positive spin," she recommends.

The executive soon got hired by a professional-services firm. "They thought it was really cool that I had worked for Playboy," she recalls.

Chris Postler also hesitated to join an edgy business. Nearly four years ago, **Pure Romance** LLC wooed the bank financial analyst for a middle-management position. The Cincinnati firm uses a predominantly female independent sales force to sell "relationship enhancement products" for women.

In Mr. Postler's Catholic family, such wares "had been taboo for a long time," he says. He turned down Pure Romance's offer four times.

Mr. Postler changed his mind after Chief Executive Chris Cicchinelli promised that he might become second-in-command someday. Mr. Cicchinelli says he believed at the time that Mr. Postler "could help us set strategy and execute."

Recruited by Pure Romance in 2014, Mr. Postler landed his first executive post the following year. But he didn't lose his unease about its products "until way into my employment," he says. He was named chief operating officer in January.

Pure Romance has grown so fast—with 2016 sales climbing 24% to $203 million—that mainstream businesses now court Mr. Postler for senior operational spots. "Because their growth stagnated, they are looking for that growth magic from a new executive," he says. He has no plans to quit Pure Romance.

At **Ivy International** SA, a matchmaking concern, men's fears about career damage have crimped its efforts to recruit a male executive for the management team. Ivy clients pay as much as €250,000 ($280,000) for its personalized dating services.

Many male applicants consider Ivy a frivolous business that would discourage conventional future employers from taking them seriously, says Inga Verbeeck, CEO of the Belgium-based firm, which she founded in 2012. Her first male executive finally arrived in June.

BUSINESS WATCH

TOSHIBA

Partner Revises Bid For Chip Business

Western Digital Corp. has submitted to **Toshiba** Corp. a new proposal to buy their joint-venture chip business, Western Digital said, adding that it would team up with U.S.-based private-equity company **KKR** & Co.

In the new proposal, the U.S. team would provide debt financing to facilitate Toshiba's sale of its stake in the NAND flash-memory joint venture, rather than take a stake in the Toshiba unit, the U.S. chip company said Tuesday.

Toshiba planned to reach a definitive agreement on Tuesday with its preferred bidder, a group led by funds backed by the Japanese government.

—Takashi Mochizuki

RICHARD B. LEVINE/LEVINE ROBERTS/NEWSCOM/ZUMA PRESS

Under Armour generates $4.8 billion in annual revenue.

UNDER ARMOUR

Footwear Veteran Named President

Under Armour Inc. said Tuesday that it brought in a footwear executive to be its new president and operating chief, adding a top deputy under founder and Chief Executive Kevin Plank as the company seeks to reinvigorate growth.

Patrik Frisk, who recently served as CEO at Canadian shoe seller **Aldo Group** Inc., will be responsible for executing the company's long-term growth plan. The company eliminated its COO role in 2015, saying it would allocate responsibilities to other executives.

Under Armour, which was launched as an apparel maker, is relying on shoe sales to help it compete more effectively with **Nike** Inc. and **Adidas** AG. The company generates $4.8 billion in annual revenue.

—Austen Hufford

KOHL'S

Supervalu Executive To Be Finance Chief

Kohl's Corp. said Tuesday it has hired an executive with experience in food and office supplies to serve as its next chief financial officer.

Bruce Besanko, who is stepping down as the chief financial officer and chief operating officer of the retail and wholesale food seller **Supervalu** Inc., will join the department store chain on July 10. Mr. Besanko will report to Kohl's Chief Executive Kevin Mansell.

Supervalu said Monday that Mr. Besanko, who turns 59 years old next month, is leaving the company next week to pursue another opportunity.

Mr. Besanko is succeeding Wesley McDonald, who announced plans in November to retire this spring after serving as the chief financial officer at Kohl's for 14 years.

—Joann S. Lublin and Suzanne Kapner

Insurers Ask Court To Enforce Agreement On Debt

By Andrew Scurria

Bond insurers are suing Puerto Rico's financial oversight board over a $9 billion utility debt-restructuring agreement, accusing the U.S. territory's financial supervisors of improperly withholding approval of the controversial deal.

Assured Guaranty Ltd. and **MBIA** Inc.'s National Public Finance Guarantee Corp. on Monday night asked for a court order requiring the federal oversight board to accept the existing debt agreement covering the cash-strapped power monopoly known as Prepa. That deal, three years in the making, has failed so far to gain sufficient support among the oversight board's seven voting members, leaving the agreement wobbling on the brink of collapse, The Wall Street Journal reported this month.

The oversight board presented Prepa's creditors with a counteroffer this week that would further revise those proposed terms to obtain additional debt relief, according to a person familiar with the matter.

$9B

Amount of Puerto Rican debt affected by utility deal

Puerto Rico's central government and several agencies are under court-supervised restructuring proceedings in San Juan, but so far the board hasn't invoked those same bankruptcy protections for the electric utility. Whether the oversight board has authority to veto the deal has generated controversy between the board, Prepa's creditors and the members of Congress who wrote Puerto Rico's federal rescue package. The insurers' lawsuit said the deal was preordained by Congress under that law and can't be "second-guessed" now by the board.

"The clock is ticking on Prepa's restructuring, and Puerto Rico cannot afford to endure a Prepa bankruptcy that could turn the lights off," the lawsuit said.

Bondholders under the existing deal would receive new debt worth 85% of their claims, paid from a new charge on utility customers. Critics, which include local manufacturers, say the deal would impose new costs on utility ratepayers to repay creditors that risk stifling economic growth and crowding out private generation projects.

Without a settlement framework in place, Prepa could join in the territorial government's court-supervised bankruptcy, where a judge would decide who gets paid what.

BOE Orders Banks: Boost Capital

U.K. central bank takes step to cut stimulus, cites lender risks from Brexit, consumer debt

By Jason Douglas And Paul Hannon

HANNAH MCKAY/REUTERS

The Bank of England's latest move comes as officials at the central bank debate raising the benchmark interest rate.

LONDON—The Bank of England took a small step to dial back the broad stimulus it put in place for the U.K. economy following last year's vote to leave the European Union. The move is also aimed at protecting the banking system against risks ranging from spiraling consumer borrowing to the possibility that Brexit talks collapse.

The central bank on Tuesday ordered lenders to begin rebuilding special buffers of capital that in July last year it said they could run down with the aim of keeping credit flowing to households and businesses in the wake of the referendum result.

The July reduction in the countercyclical capital buffer to zero was part of a package of measures the bank implemented to cushion the economy. It also cut its benchmark interest rate to a low of 0.25% and embarked on a fresh round of bond purchases to support growth in response to the uncertainty generated by the Brexit vote. The capital buffer is designed to be raised in good times to build resilience against potential future losses and relaxed in a downturn to keep the economy flush with credit.

The instruction to banks to begin returning capital to prereferendum levels comes alongside a debate among central bank officials over whether to begin nudging up the bank's benchmark interest rate.

Chief Economist Andy Haldane last week signaled that he is inching closer to voting for a gentle increase in borrowing costs to restrain quickening inflation, adding an influential voice to a vocal minority in favor of withdrawing some of the extensive central-bank stimulus underpinning the U.K. economy.

The **Federal Reserve** this month said that it would raise short-term interest rates for the fourth time since December 2015 and mapped out a plan to begin shrinking its vast portfolio of assets, highlighting officials' confidence in the U.S. economic expansion. The **European Central Bank** is starting to consider the circumstances under which it, too, would begin reducing monetary stimulus for the 19-nation eurozone.

In announcing its decision on bank capital requirements Tuesday, the Bank of England said in its latest assessment of the prospects for financial stability in the U.K. that the broad level of risk appears "standard" rather than elevated, justifying a reversal of July's decision.

The central bank raised banks' countercyclical capital buffer to 0.5% from its current level of zero and said it expects to raise it again, to 1%, in November.

"This action will supplement banks' already substantial ability to absorb losses," the central bank said.

Officials said, though, that pockets of risk warrant extra vigilance from banks and regulators.

Those concerns include prospects for Brexit talks ending without an agreement on future economic ties to the EU, a rapid rise in consumer borrowing in Britain, and heavy indebtedness in China.

At a news conference, Bank of England Gov. Mark Carney said the central bank aims to strengthen the banking system so that it can withstand any shocks if these or any other threats materialize.

British households' unsecured borrowing has been increasing at an annual rate in excess of 10% for several months, as consumers try to support spending amid meager wage growth and rising inflation. The Bank of England said lenders must test borrowers' ability to repay loans more stringently and ensure they can comfortably cover defaults.

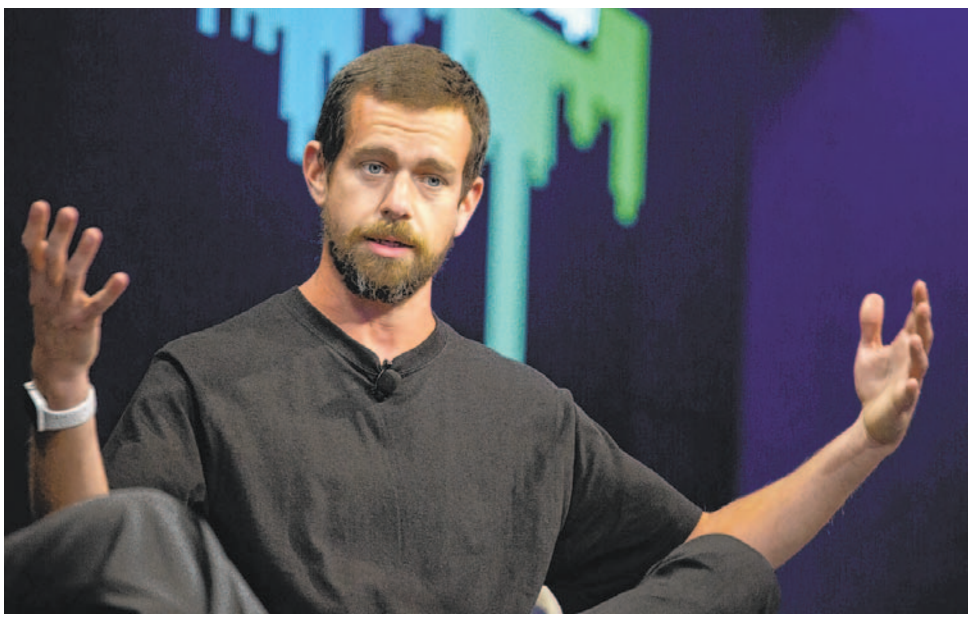
On Brexit, the central bank said it is overseeing lenders' contingency planning for withdrawal and listed ways in which a disorderly British exit from the bloc could hurt the U.K. and European economies.

Mr. Carney said that while a no-deal scenario between the U.K. and the EU might not be the most likely outcome, it would be the most threatening to the financial system and wider economy. The U.K. must conclude exit talks by March 2019 unless EU member states agree to an extension.

"We start from the most difficult situation from a financial stability perspective," Mr. Carney said.

Square Widens Scope to Consumer Loans

By Peter Rudegeair



MICHAEL NAGLE/BLOOMBERG NEWS

Jack Dorsey, a co-founder of Twitter, runs Square, which processes payments for small businesses.

Square Inc., the technology company best known for processing payments for small merchants across the U.S., is now angling to lend to consumers, too.

This week, the San Francisco firm run by **Twitter** Inc. co-founder Jack Dorsey started telling some of its small-business clients that it would soon be willing to provide credit to their customers.

The initiative, which follows the launch of a consumer-oriented Square prepaid debit card, is part of a broader push from the company to branch out beyond its original products—small, white credit-card readers that merchants plug into a mobile phone or tablet.

Offering consumers financing options for their purchases brings Square into competition with financial-technology companies such as **PayPal Holdings** Inc., **Affirm** Inc. and **GreenSky** LLC, as well as consumer lenders like **Synchrony Financial** that offer credit cards tied to specific retailers.

It also means Square will be on the hook for consumer defaults, which have recently ticked up at some online lenders and credit-card companies.

Square plans to hold the consumer loans on its balance sheet, but as volume grows it could look to sell loans to outside money managers, as it does with its small-business credits unit.

"Our first eight years were really focused on sellers," said Mr. Dorsey in an interview earlier this year. "I think a big part of our future is applying that same sort of mind-set and approach to individuals as well."

Square shares, first offered to the public in 2015, have surged around 75% this year as the company's payments business continues to grow. Relationships and data from the payments business have also helped Square sidestep some of the challenges that other financial-technology startups have faced in business lending.

Starting this week, loans in Square's new program will be made available to residents of six states—California, Colorado, Florida, New Jersey, New York and Virginia. Plans to roll the program out nationwide are unclear.

The consumer installment-lending program is first being offered through roughly 225,000 business clients that also use Square to send and manage their invoices. Eligible consumers who receive an invoice for a service from one of those merchants, which range from wedding photographers to veterinarians, will have the option to finance it over a period of three, six or 12 months.

"You will not see us doing car loans and mortgage loans," said Jacqueline Reses, the executive in charge of Square Capital, the company's lending arm. "We want to do things that are relevant to Square sellers."

Each borrower who gets approved will be charged a uniform annual-percentage rate of 9.99% for loans that range from $250 to $10,000.

Square's move into prepaid debit cards earlier this year is part of a separate initiative. It grew from a service called Square Cash that started four years ago as a way to send money to another person using an email address or a phone number. It has since started to morph into a way to pay for goods and services.

SingTel Moves Toward Broadband IPO

By P.R. Venkat

NICKY LOH/BLOOMBERG NEWS

The telecommunications firm is Southeast Asia's largest.

SINGAPORE—**Singapore Telecommunications** Ltd., will start taking orders from institutional investors for an initial public offering of its high-speed broadband unit that could raise as much as 2.7 billion Singapore dollars (US$1.95 billion), making it the largest such fundraising in more than six years.

In a prospectus filed to the central bank, NetLink NBN Trust, a SingTel unit, said it is seeking to sell about 2.9 billion units at a price range of S$0.80 to S$0.93 per unit.

NetLink provides high-speed broadband service to residential and nonresidential customers in Singapore. An IPO of that size, if successful, would be the largest fundraising in more than six years in the city-state, ranking behind Hutchison Port Holdings Trust's US$5.5 billion IPO in 2011.

People familiar with the IPO process said that the company is also tapping "anchor investors" who will commit to buy certain portion of the IPO size.

If successful, the IPO could also give a boost to the Singapore equities market which has faced a dearth of major deals. So far this year, the biggest IPO in the country has a S$174 million deal by the recruiting agency **HRnet Group** Ltd.

NetLink aims to start trading on the Singapore Exchange on July 19.

Analysts say that fiber-optic penetration in Singapore is likely to increase in the coming years as more residential and commercial consumers seek higher bandwidth for data services such as video streaming. Nomura has estimated that the current residential fiber-optic coverage was around 66% as of December 2015, but is estimated to be around 96% by the end of 2018.

The IPO would also strengthen Singtel's balance sheet and give it more scope to undertake mergers and acquisitions. In 2015, the company spent US$810 million to buy Trustwave, a U.S.-based company that specializes in managed security services used for protection of IT infrastructure and dealing with cyberthreats.

SingTel is Southeast Asia's largest telecommunication company in terms of subscribers. It has a presence in Asia, Australia and Africa, and boasts 595 million mobile customers in 25 countries.

Blackstone Approaches Japan Property Deal

By P.R. Venkat And Julie Steinberg

The private-equity firm **Blackstone Group** LP is nearing a deal to buy a Singapore-listed company that operates retail properties in Japan, people familiar with the process said Tuesday.

A deal would allow Blackstone to gain control of Japan's **Croesus Retail Trust**, which manages a portfolio worth about 1.5 billion Singapore dollars (US$1.1 billion) consisting mainly of shopping malls, these people said. It currently has a market capitalization of more than US$500 million.

Croesus, which is backed by its partners **Daiwa House Industry** Co. Ltd., and **Marubeni** Corp., said in April that it had been approached with an offer to buy the Singapore-listed firm and that it was engaged in preliminary talks. Croesus didn't identify the party it was talking to.

For Blackstone, an acquisition of the Singapore-listed firm will add to its real-estate portfolio that currently has US$102 billion assets under management.

Earlier this year, Blackstone was among the companies that were interested in buying Singapore-listed **Ascendas Hospitality Trust**, people familiar with the process said.

The sale of Ascendas Hospitality was called off after management evaluated offers from potential buyers.

In the quarter ended March 31, Croesus said its revenue rose 22.4% year on year to S$37.35 million. It said commercial land prices in Tokyo, Nagoya and Osaka have continued to rise, particularly in Osaka, due to an increase in foreign visitors.

Draghi Shakes Up Bonds

ECB chief triggers a selloff in government debt by hinting at less accommodative policy

By Min Zeng


ALESSIA PIERDOMENICO/BLOOMBERG NEWS

Mario Draghi said ECB stimulus policies are working and will slowly be withdrawn.

European Central Bank President Mario Draghi sparked a broad wave of selling in developed-world government bonds, highlighting investors' vulnerability when major central banks pivot toward a less accommodative monetary policy.

Mr. Draghi hinted Tuesday that the ECB might start winding down its large monetary stimulus—it buys €60 billion ($67.5 billion) of debt a month—as the eurozone economy picks up speed, even as he warned against an abrupt end to years of easy money.

CREDIT MARKETS

Mr. Draghi said the ECB's stimulus policies are working and will be slowly withdrawn as the economy accelerates. However, he also said "any adjustments to our stance have to be made gradually, and only when the improving dynamics that justify them appear sufficiently secure."

Government-bond yields, which rise when prices fall, jumped in eurozone markets from Germany and France to Italy and Spain. The selling pressure spread to Denmark, Sweden, the U.K. and the U.S., pushing up the yield on the benchmark 10-year Treasury note from its 2017 low, set on Monday.

"It is the risk that policy accommodation may be removed sooner than previously thought, spelling trouble for investors," said Christopher Sullivan, chief investment officer at the United Nations Federal Credit Union.

At midday in New York, the yield on the benchmark 10-year Treasury note was 2.201%, compared with 2.135% on Monday. Yields rise as bond prices fall.

The center of the selling was in the eurozone. The yield in the 10-year German bund, the benchmark for the eurozone's debt market, rose by about 0.08 percentage point to 0.33%. The yield on 10-year Italian government debt jumped by 0.12 percentage point and the yield on the 10-year bond in Spain rose by 0.09 percentage point.

The selloff came as Federal Reserve Chairwoman Janet Yellen was scheduled to speak in London on Tuesday afternoon. Fed officials are on track to raise interest rates one more time before the end of this year, followed by three rate increases during 2018.

The selling of U.S. bonds came ahead of a $34 billion sale of five-year Treasury notes, scheduled for Tuesday afternoon, followed by a $28 billion sale of seven-year notes on Wednesday. Some traders said the planned sales added to downward price pressure in the Treasury market.

The ECB's large bond-buying program, along with that from the Bank of Japan, has been a big factor pushing down global government-bond yields to their historically low levels over the past few years. The buying has helped limit increases in yields on U.S. Treasury debt even as the U.S. labor market approaches full employment. The Federal Reserve has raised interest rates four times since December 2015.

Tuesday's selling was a reminder to bond investors of how broad the impact of central-bank policies has become as these banks have taken a greater role in the global market for government debt. The world's financial markets are increasingly correlated, moving more in line with one another, and with trading increasingly automated, moves in one market easily affect others.

Investors remember the so-called taper tantrum in the Treasury market in 2013. The 10-year Treasury yield soared as bond investors responded to comments by Ben Bernanke, chairman of the Federal Reserve at the time, that the central bank might start reducing bond buying soon. The selloff rippled to other bond markets, pushing up long-term borrowing costs for consumers and businesses and undercutting the momentum of economic growth.

Central bankers have been careful to manage investors' expectations in order to avoid another bond-market rout that would hurt the broader economy. The Fed has signaled to investors that it would be slow and gradual in raising rates and scaling back its holdings of debt. Officials from the ECB and BOJ have been cautious, too. So far, top officials at the ECB have avoided discussing the future of their bond purchases after December, when the program is currently scheduled to end.

European Shares Fall as Euro Gains

By Riva Gold

European stocks slipped, while the euro and government-bond yields rose following a speech from European Central Bank President Mario Draghi.

Mr. Draghi expressed confidence that eurozone inflation would ultimately pick up just as growth broadens, and hinted that the bank might start winding down its large monetary stimulus. The euro climbed 0.9% to $1.1279, around a two-week high.

TUESDAY'S MARKETS

The Stoxx Europe 600 dropped 0.8% to 385.98, with all but the banks and basic-resources sectors falling.

Bank shares advanced in Europe after Italian authorities said Sunday they were prepared to spend as much as €17 billion ($19 billion) as part of the shutdown of two regional banks.

Spanish banking group Bankia also climbed 3.5% after it agreed to acquire Banco Mare Nostrum.

In the U.S., the Nasdaq Composite fell 0.3% by midday, hurt by declines in the shares of technology companies. The Dow Jones Industrial Average was up 12 points, or less than 0.1%, to 21422, and the S&P 500 edged down less than 0.1%.

Technology and biotechnology stocks have been some of the best performers in the S&P 500 this year, as investors have flocked to companies viewed as having high growth potential. But the group has slipped over the past month while financial stocks, a 2017 laggard, have regained ground.

The S&P 500 technology sector lost 0.4% Tuesday, while the Nasdaq Biotechnology Index edged down 0.6%. Shares of Google parent **Alphabet** fell 1.3% after the European Union's antitrust regulator fined Google €2.42 billion ($2.71 billion) for favoring its own comparison-shopping service in search results.

Meanwhile, financial stocks rose with government bond yields. The KBW Nasdaq Bank Index of U.S. commercial lenders rose 0.7%, while the yield on the 10-year U.S. Treasury note climbed to 2.201% by midday, according to Tradeweb, from 2.135%. Higher rates tend to benefit banks, since they boost their net-interest margins, a key measure of lending profitability.

Korea's Kospi edged up 0.1% to another record close, while Japan's Nikkei added 0.4% following an earlier decline in the yen against the dollar.

—Akane Otani contributed to this article.

ANGEL NAVARRETE/BLOOMBERG NEWS

Bankia rose 3.5% after it agreed to acquire Banco Mare Nostrum.

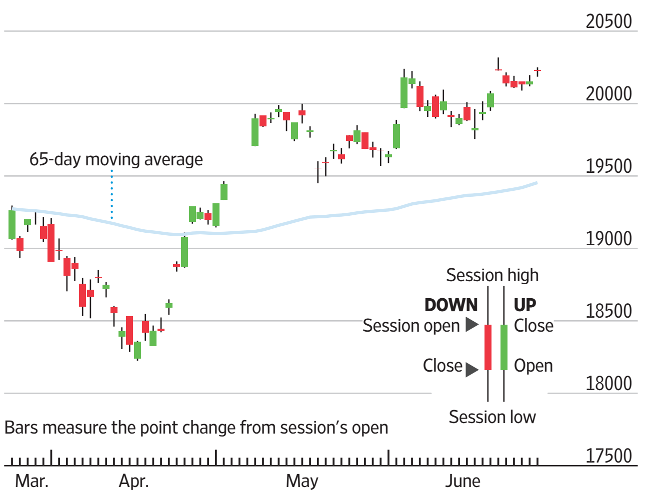
MARKETS DIGEST

Nikkei 225 Index

20225.09 ▲71.74, or 0.36%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲5.81%	
52-wk high/low	20230.41	15106.98
All-time high	38915.87	12/29/89



STOXX 600 Index

385.98 ▼3.07, or 0.79%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲6.80%	
52-wk high/low	396.45	316.70
All-time high	414.06	4/15/15

S&P 500 Index

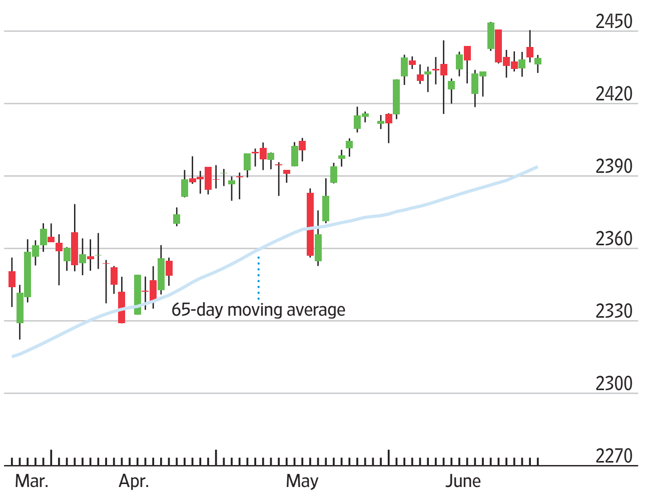
Data as of 12 p.m. New York time

2438.89 ▼0.18, or 0.01%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.09	24.22
P/E estimate *	18.76	17.93
Dividend yield	1.95	2.17
All-time high:	2453.46, 06/19/17	

* Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 12 p.m. New York time

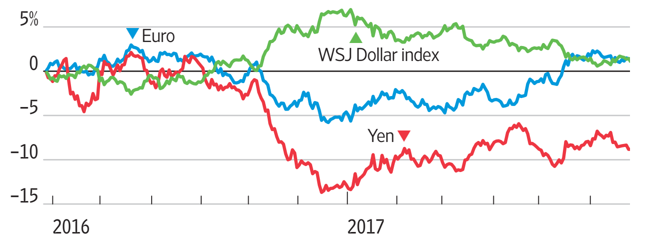
Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2780.06	4.91	0.18	2235.47	2791.48	10.0
	MSCI EAFE	1895.88	1.38	0.07	1471.88	1956.39	10.5
	MSCI EM USD	1017.57	−1.54	−0.15	691.21	1044.05	28.1
Americas	**DJ Americas**	585.69	0.14	0.02	489.68	588.61	8.4
Brazil	**Sao Paulo Bovespa**	62228.83	40.74	0.07	49252.12	69487.58	3.3
Canada	**S&P/TSX Comp**	15324.05	8.03	0.05	13745.59	15943.09	0.2
Mexico	**IPC All-Share**	49005.29	−160.38	−0.33	43998.98	50154.33	7.4
Chile	**Santiago IPSA**	3618.01	−3.19	−0.09	3061.18	3786.05	12.3
U.S.	**DJIA**	21420.17	10.62	0.05	17190.51	21535.03	8.4
	Nasdaq Composite	6227.03	−20.12	−0.32	4643.93	6341.70	15.7
	S&P 500	2438.89	−0.18	−0.01	2006.67	2453.82	8.9
	CBOE Volatility	9.85	−0.05	−0.51	9.37	23.01	−29.8
EMEA	**Stoxx Europe 600**	385.98	−3.07	−0.79	316.70	396.45	6.8
	Stoxx Europe 50	3191.53	−19.09	−0.59	2654.54	3279.71	6.0
France	**CAC 40**	5258.58	−37.17	−0.70	4059.90	5442.10	8.1
Germany	**DAX**	12671.02	−99.81	−0.78	9304.01	12951.54	10.4
Israel	**Tel Aviv**	1438.59	−6.04	−0.42	1372.23	1490.23	−2.2
Italy	**FTSE MIB**	20790.86	−211.09	−1.01	15286.86	21828.77	8.1
Netherlands	**AEX**	518.73	−1.89	−0.36	416.97	537.84	7.4
Russia	**RTS Index**	1003.79	10.95	1.10	890.88	1196.99	−12.9
Spain	**IBEX 35**	10647.90	−48.70	−0.46	7793.70	11184.40	13.9
Switzerland	**Swiss Market**	9072.92	−48.30	−0.53	7585.56	9148.61	10.4
South Africa	**Johannesburg All Share**	51432.24	143.53	0.28	48935.90	54716.53	1.5
Turkey	**BIST 100**	99638.65	...	Closed	70426.16	100265.64	27.5
U.K.	**FTSE 100**	7434.36	−12.44	−0.17	5982.20	7598.99	4.1
Asia-Pacific	**DJ Asia-Pacific TSM**	1630.28	−4.66	−0.29	1332.29	1643.59	14.6
Australia	**S&P/ASX 200**	5714.20	−6.00	−0.10	5103.30	5956.50	0.9
China	**Shanghai Composite**	3191.20	5.75	0.18	2912.56	3288.97	2.8
Hong Kong	**Hang Seng**	25839.99	−31.90	−0.12	20172.46	26063.06	17.5
India	**S&P BSE Sensex**	30958.25	−179.96	−0.58	25765.14	31311.57	16.3
Indonesia	**Jakarta Composite**	5829.71	...	Closed	4834.57	5829.71	10.1
Japan	**Nikkei Stock Avg**	20225.09	71.74	0.36	15106.98	20230.41	5.8
Malaysia	**Kuala Lumpur Composite**	1779.45	...	Closed	1616.64	1792.35	8.4
New Zealand	**S&P/NZX 50**	7626.35	30.85	0.41	6664.21	7626.35	10.8
Pakistan	**KSE 100**	46332.31	...	Closed	37039.57	52876.46	−3.1
Philippines	**PSEi**	7876.37	62.20	0.80	6563.67	8102.30	15.1
Singapore	**Straits Times**	3219.53	10.06	0.31	2756.53	3271.11	11.8
South Korea	**Kospi**	2391.95	3.29	0.14	1936.22	2391.95	18.0
Taiwan	**Weighted**	10512.06	−1.90	−0.02	8505.51	10513.96	13.6
Thailand	**SET**	1586.45	0.84	0.05	1406.18	1591.00	2.8

Source: SIX Financial Information; WSJ Market Data Group

Currencies

London close on June 27

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



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0609	16.4201	**3.5**
Brazil real	0.3010	3.3225	**2.1**
Canada dollar	0.7582	1.3190	**−1.9**
Chile peso	0.001510	662.10	**−1.1**
Colombia peso	0.0003312	3019.46	**0.6**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0556	17.9986	**−13.2**
Peru sol	0.3073	3.2542	**−2.9**
Uruguay peso-e	0.0353	28.330	**−3.5**
Venezuela bolivar	0.098800	10.12	**1.3**
Asia-Pacific			
Australia dollar	0.7588	1.3179	**−5.1**
China yuan	0.1468	6.8126	**−1.9**

Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Hong Kong dollar	0.1282	7.8005	**0.6**
India rupee	0.0155	64.4650	**−5.1**
Indonesia rupiah	0.0000752	13303	**−1.6**
Japan yen	0.008896	112.41	**−3.9**
Kazakhstan tenge	0.003104	322.12	**−3.5**
Macau pataca	0.1245	8.0314	**1.5**
Malaysia ringgit-c	0.2332	4.2880	**−4.4**
New Zealand dollar	0.7280	1.3736	**−4.9**
Pakistan rupee	0.0095	104.845	**0.5**
Philippines peso	0.0199	50.262	**1.3**
Singapore dollar	0.7209	1.3871	**−4.2**
South Korea won	0.0008779	1139.04	**−5.7**
Sri Lanka rupee	0.0065236	153.29	**3.3**
Taiwan dollar	0.03294	30.360	**−6.5**
Thailand baht	0.02945	33.960	**−5.2**

Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Europe			
Bulgaria lev	0.5780	1.7301	**−6.9**
Croatia kuna	0.1528	6.546	**−8.7**
Euro zone euro	1.1323	0.8832	**−7.1**
Czech Rep. koruna-b	0.0431	23.206	**−9.7**
Denmark krone	0.1522	6.5685	**−7.1**
Hungary forint	0.003652	273.84	**−6.9**
Iceland krona	0.009660	103.52	**−8.4**
Norway krone	0.1188	8.4182	**−2.6**
Poland zloty	0.2680	3.7310	**−10.9**
Russia ruble-d	0.01695	58.992	**−3.7**
Sweden krona	0.1161	8.6158	**−5.4**
Switzerland franc	1.0393	0.9622	**−5.6**
Turkey lira	0.2843	3.5174	**−0.2**
Ukraine hryvnia	0.0383	26.0800	**−3.7**
U.K. pound	1.2787	0.7820	**−3.5**
Middle East/Africa			
Bahrain dinar	2.6504	0.3773	**0.03**
Egypt pound-a	0.0551	18.1460	**0.1**
Israel shekel	0.2843	3.5172	**−8.6**
Kuwait dinar	3.2933	0.3036	**−0.6**
Oman sul rial	2.5923	0.3858	**0.2**
Qatar rial	0.2653	3.769	**3.6**
Saudi Arabia riyal	0.2666	3.7509	**0.01**
South Africa rand	0.0770	12.9855	**−5.2**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	88.40	−0.33	−0.38	**−4.88**

Sources: Tullett Prebon, WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	**1.653**	**26.8**	33.3	28.1	**100.2**	**1.669**	1.582	**1.600**
4.750	10	**2.364**	**16.6**	24.5	17.3	**63.7**	**2.385**	2.421	**2.071**
3.000	**Belgium** 2	**-0.508**	**-189.3**	-189.6	-187.9	**-115.0**	**-0.560**	-0.578	**-0.552**
0.800	10	**0.703**	**-149.4**	-154.0	-156.2	**-123.8**	**0.600**	0.686	**0.196**
0.000	**France** 2	**-0.394**	**-177.9**	-179.8	-179.5	**-109.6**	**-0.461**	-0.493	**-0.498**
1.000	10	**0.725**	**-147.3**	-153.4	-148.5	**-113.0**	**0.606**	0.763	**0.304**
0.000	**Germany** 2	**-0.594**	**-197.8**	-198.3	-200.0	**-124.6**	**-0.646**	-0.698	**-0.649**
0.250	10	**0.358**	**-183.9**	-189.2	-191.6	**-154.5**	**0.248**	0.332	**-0.111**
0.300	**Italy** 2	**-0.324**	**-170.9**	-168.3	-151.3	**-58.3**	**-0.346**	-0.212	**0.015**
2.200	10	**2.028**	**-17.0**	-24.4	-15.0	**-1.0**	**1.896**	2.098	**1.424**
0.100	**Japan** 2	**-0.117**	**-150.2**	-143.7	-147.2	**-88.8**	**-0.100**	-0.171	**-0.290**
0.100	10	**0.050**	**-214.7**	-208.4	-221.1	**-163.7**	**0.056**	0.037	**-0.203**
4.000	**Netherlands** 2	**-0.541**	**-192.6**	-193.9	-193.9	**-117.9**	**-0.602**	-0.638	**-0.582**
0.750	10	**0.561**	**-163.7**	-168.9	-170.9	**-139.2**	**0.451**	0.539	**0.042**
4.750	**Portugal** 2	**0.161**	**-122.4**	-124.7	-110.4	**-0.4**	**0.089**	0.198	**0.594**
4.125	10	**3.032**	**83.4**	76.6	88.4	**185.1**	**2.906**	3.132	**3.285**
2.750	**Spain** 2	**-0.268**	**-165.3**	-162.9	-160.0	**-62.4**	**-0.293**	-0.298	**-0.027**
1.500	10	**1.449**	**-74.8**	-76.7	-71.7	**1.8**	**1.373**	1.531	**1.453**
4.250	**Sweden** 2	**-0.667**	**-205.1**	-204.3	-200.4	**-125.6**	**-0.706**	-0.702	**-0.658**
1.000	10	**0.495**	**-170.2**	-169.3	-173.7	**-106.4**	**0.447**	0.512	**0.371**
1.750	**U.K.** 2	**0.262**	**-112.3**	-109.7	-121.9	**-44.3**	**0.239**	0.083	**0.155**
4.250	10	**1.084**	**-111.3**	-112.7	-123.4	**-49.8**	**1.013**	1.014	**0.937**
1.250	**U.S.** 2	**1.385**	**...**	...	...	**...**	**1.336**	1.302	**0.598**
2.375	10	**2.197**	**...**	...	...	**...**	**2.140**	2.248	**1.434**

Commodities

Prices of futures contracts with the most open interest — 12 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 6/26/2017

Commodity	Exchange	Last price	One-Day Change: Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	371.25	4.00	1.09%	399.25	364.50
Soybeans (cents/bu.)	CBOT	921.25	7.50	0.82	1,034.50	907.00
Wheat (cents/bu.)	CBOT	470.50	5.00	1.07	502.00	430.75
Live cattle (cents/lb.)	CME	115.625	-2.650	-2.24%	127.650	99.400
Cocoa ($/ton)	ICE-US	1,861	16	0.87	2,281	1,767
Coffee (cents/lb.)	ICE-US	125.00	0.50	0.40	163.75	115.50
Sugar (cents/lb.)	ICE-US	12.85	unch.	unch.	20.50	12.78
Cotton (cents/lb.)	ICE-US	67.74	0.51	0.76	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2078.00	-12.00	-0.57	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.6640	0.0255	0.97	2.8495	2.4850
Gold ($/troy oz.)	COMEX	1247.60	1.20	0.10	1,300.30	1,155.00
Silver ($/troy oz.)	COMEX	16.620	-0.011	-0.07	18.780	16.125
Aluminum ($/mt)*	LME	1,863.00	-12.50	-0.67	1,972.00	1,688.50
Tin ($/mt)*	LME	19,275.00	-50.00	-0.26	21,225.00	18,760.00
Copper ($/mt)*	LME	5,795.00	-2.00	-0.03	6,156.00	5,491.00
Lead ($/mt)*	LME	2,253.50	46.50	2.11	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,725.00	-2.00	-0.07	2,958.50	2,450.50
Nickel ($/mt)*	LME	9,100.00	-100.00	-1.09	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	193.40	3.30	1.74	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2439.00	-3.00	-0.12	2966.00	2390.00
Crude oil ($/bbl.)	NYMEX	44.34	0.96	2.21	58.30	42.06
NY Harbor ULSD ($/gal.)	NYMEX	1.4202	0.0338	2.44	1.7930	1.3609
RBOB gasoline ($/gal.)	NYMEX	1.4584	0.0303	2.12	1.8561	1.3902
Natural gas ($/mmBtu)	NYMEX	3.078	0.029	0.95	3.5750	2.8750
Brent crude ($/bbl.)	ICE-EU	47.13	1.09	2.37	60.18	44.60
Gas oil ($/ton)	ICE-EU	423.50	13.50	3.29	530.25	403.50

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Jun 27

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3179	1.6851	1.3695	0.0117	0.1689	1.4919	0.9993	...
Canada	1.3190	1.6865	1.3708	0.0117	0.1691	1.4932	...	1.0009
Euro	0.8832	1.1294	0.9180	0.0079	0.1132	...	0.6697	0.6702
Hong Kong	7.8005	9.9744	8.1069	0.0694	...	8.8313	5.9141	5.9190
Japan	112.4120	143.7500	116.8300	...	14.4110	127.2800	85.2300	85.3000
Switzerland	0.9622	1.2304	...	0.0086	0.1234	1.0894	0.7295	0.7301
U.K.	0.7820	...	0.8127	0.0070	0.1002	0.8855	0.5928	0.5934
U.S.	...	1.2787	1.0393	0.0089	0.1282	1.1323	0.7582	0.7588

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.22378%**	0.46030%
Three month	**1.29506**	0.63110
Six month	**1.44683**	0.89815
One year	**1.73289**	1.20475
Euro Libor		
One month	**-0.40143%**	-0.35886%
Three month	**-0.37286**	-0.29000
Six month	**-0.30029**	-0.18186
One year	**-0.18400**	-0.05657
Euribor		
One month	**-0.37300%**	-0.36100%
Three month	**-0.33100**	-0.28100
Six month	**-0.27300**	-0.17600
One year	**-0.16100**	-0.04900
Yen Libor		
One month	**-0.02536%**	-0.06471%
Three month	**-0.00329**	-0.02964
Six month	**0.02014**	-0.01421
One year	**0.12371**	0.06900
	Offer	Bid
Eurodollars		
One month	**1.2800%**	1.1800%
Three month	**1.2800**	1.1800
Six month	**1.5000**	1.4000
One year	**1.6700**	1.5700
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.10%**	0.75%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

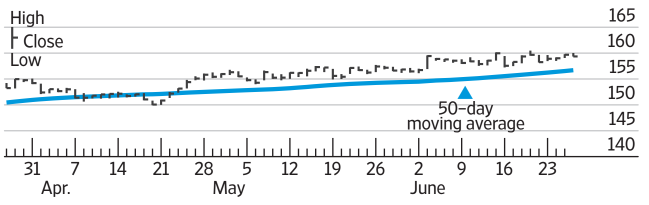
Top Stock Listings

12 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	**1299**	57.90	-0.17	32.34
¥	AstellasPharma	**4503**	1380.00	-1.53	-15.00
AU$	AustNZBk	**ANZ**	28.03	0.97	-7.86
AU$	BHP	**BHP**	22.46	0.04	-10.38
HK$	BankofChina	**3988**	3.83	-0.52	11.34
HK$	CKHutchison	**0001**	98.35	-0.56	11.89
HK$	CNOOC	**0883**	8.50	-0.47	-12.37
AU$	CSL	**CSL**	140.80	-1.35	40.23
¥	Canon	**7751**	3936.00	0.79	19.45
¥	CentralJapanRwy	**9022**	18315	-0.46	-4.76
HK$	ChinaConstructnBk	**0939**	6.12	-0.81	2.51
HK$	ChinaLifeInsurance	**2628**	24.10	-1.23	19.31
HK$	ChinaMobile	**0941**	83.00	-0.12	0.97
HK$	ChinaPetro&Chem	**0386**	6.14	-0.97	11.64
AU$	CmwlthBkAust	**CBA**	82.08	0.65	-0.40
¥	EastJapanRailway	**9020**	10960	-0.23	8.51
¥	Fanuc	**6954**	21955	0.50	10.80
¥	Hitachi	**6501**	686.60	2.29	8.64
TW$	Hon Hai Precisn	**2317**	121.50	1.25	44.30
¥	HondaMotor	**7267**	3074.00	0.29	-9.99
KRW	HyundaiMtr	**005380**	160500	-2.13	9.93
HK$	Ind&Comml	**1398**	5.22	-0.57	12.26
¥	JapanTobacco	**2914**	4128.00	0.93	7.39
¥	KDDI	**9433**	2992.50	-0.23	1.12
¥	Mitsubishi	**8058**	2292.50	1.33	-7.93
¥	MitsubishiElectric	**6503**	1619.00	2.11	-0.64
¥	MitsubishiUFJFin	**8306**	728.30	0.19	1.12
¥	Mitsui	**8031**	1534.00	0.56	-4.54
¥	Mizuho Fin	**8411**	198.00	0.30	-5.62
¥	NTTDoCoMo	**9437**	2720.50	-0.66	2.16
AU$	NatAustBnk	**NAB**	29.15	-0.03	-4.96
¥	NipponTeleg	**9432**	5490.00	1.12	11.77
¥	NissanMotor	**7201**	1085.00	0.37	-7.70
¥	Panasonic	**6752**	1559.50	1.33	31.11
HK$	PingAnInsofChina	**2318**	52.95	-0.28	36.47
$	RelianceIndsGDR	**RIGD**	43.95	-0.57	39.30
KRW	SamsungElectronics	**005930**	2415000	0.04	34.02
¥	Seven&I Hldgs	**3382**	4744.00	0.44	6.53
¥	SoftBankGroup	**9984**	9247.00	-0.12	19.09
¥	Sony	**6758**	4349.00	1.19	32.79
¥	Sumitomo Mitsui	**8316**	4222.00	0.50	-5.34
HK$	SunHngKaiPrp	**0016**	115.70	-0.69	18.06
TW$	TaiwanSemiMfg	**2330**	211.50	-1.63	16.53
¥	TakedaPharm	**4502**	5812.00	0.48	20.21
HK$	TencentHoldings	**0700**	288.00	1.41	51.82
¥	TokioMarineHldg	**8766**	4660.00	-0.21	-2.84
¥	ToyotaMtr	**7203**	5876.00	0.65	-14.57
AU$	Wesfarmers	**WES**	40.58	-1.17	-3.70
AU$	WestpacBanking	**WBC**	30.09	0.03	-7.70
AU$	Woolworths	**WOW**	25.57	-0.08	6.10
	Stoxx 50				
CHF	ABB	**ABBN**	24.40	-0.93	13.59
€	ASMLHolding	**ASML**	118.60	-0.84	11.20
€	AXA	**CS**	23.89	-0.44	-0.42
€	AirLiquide	**AI**	111.05	-0.40	5.11
€	Allianz	**ALV**	174.35	-0.11	11.05
€	AB InBev	**ABI**	100.85	-1.18	0.30
£	AstraZeneca	**AZN**	5347.00	-1.51	20.50
€	BASF	**BAS**	84.39	-0.59	-4.44
€	BNP Paribas	**BNP**	62.65	1.70	3.47
£	BT Group	**BT.A**	288.50	0.10	-21.37
€	BancoBilVizAr	**BBVA**	7.37	0.88	16.12
€	BancoSantander	**SAN**	5.88	0.68	18.67
£	Barclays	**BARC**	202.80	1.45	-9.24
€	Bayer	**BAYN**	121.75	-0.33	22.82
£	BP	**BP.**	460.30	0.55	-9.67
£	BritishAmTob	**BATS**	5428.00	-0.89	17.45
€	Daimler	**DAI**	65.08	-0.44	-7.98
€	DeutscheTelekom	**DTE**	16.24	-2.29	0.29
£	Diageo	**DGE**	2331.00	0.32	10.47
€	ENI	**ENI**	13.52	-0.59	-12.61
£	GlaxoSmithKline	**GSK**	1697.50	-0.79	8.67
£	Glencore	**GLEN**	287.65	3.77	3.71
£	HSBC Hldgs	**HSBA**	689.90	0.15	5.02
€	INGGroep	**INGA**	15.14	0.97	13.24
£	ImperialBrands	**IMB**	3575.50	-0.61	0.93
€	IntesaSanpaolo	**ISP**	2.76	1.77	13.60
€	LVMHMoetHennessy	**MC**	229.80	-0.45	26.68
£	LloydsBankingGroup	**LLOY**	66.72	0.33	6.73
€	LOreal	**OR**	191.20	-2.12	10.27
£	NationalGrid	**NG.**	984.60	-2.03	-5.15
CHF	Nestle	**NESN**	84.30	-1.58	15.40
CHF	Novartis	**NOVN**	82.80	-0.72	11.74
DKK	NovoNordiskB	**NOVO-B**	287.90	-2.17	13.03
£	Prudential	**PRU**	1799.00	-0.94	10.54
£	ReckittBenckiser	**RB.**	7884.00	-0.95	14.49
£	RioTinto	**RIO**	3157.00	3.27	-0.05
CHF	RocheHldgctf	**ROG**	252.00	0.12	8.34
£	RoyDtchShell A	**RDSA**	2088.50	1.11	-6.87
€	SAP	**SAP**	94.35	-1.40	13.94
€	Sanofi	**SAN**	87.63	-1.21	13.95
€	SchneiderElectric	**SU**	69.17	-1.28	4.63
€	Siemens	**SIE**	124.10	-1.43	6.25
€	Telefonica	**TEF**	9.41	-1.24	6.66
€	Total	**FP**	44.40	0.67	-7.04
CHF	UBSGroup	**UBSG**	16.00	1.85	0.31
€	Unilever	**UNA**	49.86	-0.89	27.47
£	Unilever	**ULVR**	4301.50	-0.72	30.65
€	Vinci	**DG**	77.70	-2.28	20.09
£	VodafoneGroup	**VOD**	221.60	-0.76	10.88
CHF	ZurichInsurance	**ZURN**	281.70	-0.95	0.46
	DJIA				
$	AmericanExpress	**AXP**	83.38	0.51	12.55
$	Apple	**AAPL**	145.75	-0.04	25.85
$	Boeing	**BA**	199.79	-0.10	28.33
$	Caterpillar	**CAT**	104.75	0.48	12.95
$	Chevron	**CVX**	104.71	0.55	-11.04
$	CiscoSystems	**CSCO**	32.22	-0.06	6.62
$	Coca-Cola	**KO**	45.17	-0.56	8.96
$	Disney	**DIS**	105.92	0.33	1.63
$	DuPont	**DD**	80.71	-0.55	9.96
$	ExxonMobil	**XOM**	81.49	0.31	-9.72
$	GeneralElec	**GE**	27.36	-0.89	-13.40
$	GoldmanSachs	**GS**	221.55	0.50	-7.48
$	HomeDepot	**HD**	152.80	0.91	13.96
$	Intel	**INTC**	34.06	-0.03	-6.09
$	IBM	**IBM**	155.04	-0.12	-6.60
$	JPMorganChase	**JPM**	88.73	1.71	2.83
$	J&J	**JNJ**	136.52	0.13	18.49
$	McDonalds	**MCD**	154.65	0.45	27.05
$	Merck	**MRK**	66.03	0.16	12.15
$	Microsoft	**MSFT**	70.11	-0.60	12.83
$	Nike	**NKE**	52.87	-0.77	4.01
$	Pfizer	**PFE**	34.05	0.01	4.82
$	Procter&Gamble	**PG**	88.90	-0.51	5.74
$	3M	**MMM**	210.81	-0.85	18.05
$	Travelers	**TRV**	127.93	-0.02	4.50
$	UnitedTech	**UTX**	121.86	-0.01	11.17
$	UnitedHealth	**UNH**	185.42	0.16	15.86
$	Visa	**V**	95.31	0.09	22.15
$	Verizon	**VZ**	44.91	-1.83	-15.87
$	Wal-Mart	**WMT**	76.01	0.68	9.97

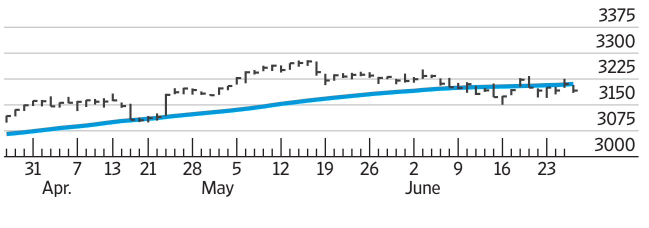
Asia Titans 50

Last: **159.36** ▼ 0.33, or 0.20% YTD ▲ 13.0%



Stoxx 50

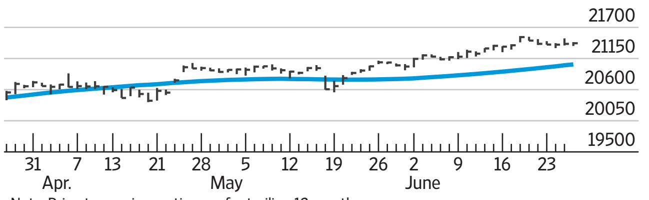
Last: **3191.53** ▼ 19.09, or 0.59% YTD ▲ 6.0%



Dow Jones Industrial Average

P/E: 21

Last: **21420.17** ▲ 10.62, or 0.05% YTD ▲ 8.4%



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

Witness Says Magnate Knew of Fudging

Case over accounting scandal at American Realty centers on the level of a key metric

By Peter Grant

KEITH BEDFORD FOR THE WALL STREET JOURNAL

Nicholas Schorsch, shown in 2014, built American Realty as part of a more than $30 billion empire.

The chairman of a real-estate empire involved in one of the biggest accounting scandals in years participated in a key conversation the night executives finalized a quarterly earnings report at the center of the case, according to the government's star witness.

Testifying this month in a federal courtroom in Manhattan, Lisa McAlister, the former chief accounting officer of **American Realty Capital Partners**, described a frantic, all-night session on July 28, 2014, when she and other executives tried to figure out how to deal with the fact that an important metric—adjusted funds from operations—had been improperly inflated by about $12 million in the previous quarter. Some of those conversations, she said, involved former American Realty Chairman Nicholas Schorsch.

Ms. McAlister's lawyer, Caroline Mehta, said Ms. McAlister had no comment beyond her testimony.

Lorin Reisner, a lawyer representing Mr. Schorsch, said in an email last week that Mr. Schorsch "has acted lawfully and properly in all respects." Mr. Reisner added: "Given the ongoing trial, it would be inappropriate to comment on statements made by counsel or witnesses."

The defendant in the criminal securities fraud case is American Realty's former chief financial officer, Brian Block. In his opening statement, Daniel Tehrani, an assistant U.S. attorney, alleged Mr. Block "fudged the numbers just enough" that night to get the adjusted funds metric "back to what they wanted," according to the trial transcript.

Mr. Block has denied the charges. His lawyer, Reid Weingarten, said in his opening statement at the jury trial that his client used a "legitimate new add-back" that night and that he believed "he was entirely justified doing what he did." Mr. Weingarten declined to comment beyond the court testimony.

Mr. Schorsch, who built American Realty as part of a commercial real-estate empire valued at more than $30 billion, faces numerous civil actions but hasn't been charged by the government. Much of his empire collapsed after the company announced in October 2014 that reporting errors that had been "identified" by company executives in the second-quarter report were "intentionally not corrected."

Mr. Block and Ms. McAlister were forced to resign at that point. In December 2014, Mr. Schorsch resigned from the boards of American Realty and 15 other companies he was overseeing.

American Realty, which owns more than $15 billion worth of retail, office and industrial assets, has changed its name to **Vereit** Inc. It reported earlier this year that it is cooperating with federal investigations that were launched in 2014.

The testimony of Ms. McAlister, who has pleaded guilty for her involvement in the alleged fraud and making false statements, shines light on the internal workings of Mr. Schorsch's empire. She has provided the most detailed account to date of Mr. Schorsch's alleged connection to critical accounting decisions.

Under cross-examination, Ms. McAlister admitted she lied in a letter to the Occupational Safety and Health Administration after she left American Realty claiming to be a whistleblower. She also acknowledged making inaccurate statements in a $50 million defamation lawsuit she filed against American Realty that was later withdrawn. She is cooperating with the government to reduce her sentence and "will do anything to stay out of jail," Mr. Weingarten said, noting that she has two children with special needs.

"The very best thing I can do for my kids today is tell the truth," Ms. McAlister responded.

Ms. McAlister described in her testimony a corporate culture at American Realty that was obsessed with hitting its financial projections on Wall Street, particularly the adjusted funds from operations metric. She said the company spelled out its goals on this metric on mouse pads that were delivered to employees.

"We must always hit our own numbers," Mr. Schorsch wrote in an email, according to Ms. McAlister's testimony.

In early 2014, as American Realty executives were preparing the company's first-quarter report, they were having difficulty hitting projections. She said the company was able to reach its goal by using an "incorrect" method for calculating adjusted funds from operations, or AFFO.

In the next three months leading up to American Realty's second-quarter filing, company executives discussed the discrepancy on numerous occasions but it wasn't resolved, Ms. McAlister testified. "Fixing the first-quarter mistake would mean that the total AFFO reported in the second-quarter filing would be lower than expected," said Assistant U.S. Attorney Tehrani in his opening statement.

The company was scheduled to report its second-quarter earnings on July 29. The previous evening, Ms. McAlister testified, she was on a conference call with Messrs. Schorsch and Block when the subject of adjusted funds from operations arose.

By that time, Mr. Block had calculated the correct number using the right method. But doing that would mean reporting a funds from operations number that was less than what the company had reported in the first quarter and lower than what Wall Street expected, she said.

"Nick just said, 'It's in the deferred financing costs. There's your answer,'" Ms. McAlister testified. "'You know what you need to do.'"

Ms. McAlister testified that a line item used in the calculation of adjusted funds from operations—the amortization of deferred financing costs—was increased by about $12 million. She described the change as an "unsupported adjustment" because it didn't have "an analysis behind it from the books and records to support it."

During cross-examination, Ms. McAlister said she listened to the call with Mr. Schorsch on speakerphone at Mr. Block's desk. She said Mr. Block made no attempt to shield her from the call. She also said she had no knowledge of prior conversations Mr. Block had with Mr. Schorsch on the subject.

"It was my understanding that Nick knew what Brian was talking about, and he was bringing up different line items and then Nick just jumped all over the deferred financing costs amortization," she said.

Final summations are expected this week.

ISTAR

A REIT called Safety, Income and Growth is acquiring the ground net lease of this Los Angeles building.

A New REIT on the Block

By Esther Fung

Risk-averse investors looking for income will soon have a new option to consider: ground leases.

iStar Inc., a New York-based real-estate investment, financing and development firm, has spun off some of its ground leases—or the land under buildings—into a separate real-estate investment trust called **Safety, Income and Growth** Inc. that is expected to raise $250 million from an initial public offering and concurrent private placement.

The shares started trading last Thursday on the New York Stock Exchange. Safety declined to comment pending the official closing of the deal. The deal was to have its official close when the proceeds were to come through on Tuesday.

The REIT projects to pay an annualized dividend of 60 cents, which translates to a yield of 3% at the IPO price of $20, according to the prospectus.

The REIT is the first publicly traded company tied directly to leases on the land underlying commercial real estate. In many commercial developments, ownership of the land is separate from ownership of the building on top, and landowners collect income from the owners of the brick-and-mortar buildings. Owners of hotels and office buildings, for example, often must pay ground leases.

The leases generate steady income for landowners, potentially making them attractive to investors looking for safety at a time when real-estate and stock-market valuations are high and interest rates remain near historic lows.

"Ground leases are real estate's analogy to buying Treasurys," said Jim Sullivan, president of Green Street's Advisory Group. "When structured properly, they are perhaps the safest form of real estate that an investor can own."

The Federal Reserve raised interest rates in March and June as the economy continued to show signs of strength. Yet yields on 10-year Treasurys still hover around 2.2%. At the same time, an eight-year bull market for U.S. commercial property is fueling concerns that a correction is due.

Ground net leases are typically "triple net leases," in which tenants are responsible for development costs, property-operating expenses, taxes and insurance. In the event of an economic downturn, the last thing tenants likely default on is the ground lease because it could result in the landowner taking back the land as well as the building.

The REIT is tied directly to leases on the land underlying commercial property.

"The upshot of this is that you're not buying the part of real estate that loses value, you're getting the good part," said Michael Underhill, chief investment officer at asset-management firm Capital Innovations LLC. "While the building on your land might be obsolete in 20 years, the land itself shouldn't be."

Capital Innovations isn't planning to invest in Safety because its business model doesn't meet the firm's corporate-governance standards, which include a dedicated management team, Mr. Underhill said.

Safety has a portfolio of 12 ground leases that are signed by operators of hotels in Seattle, Salt Lake City and Dallas, as well as office buildings in Detroit, a medical office building in Cumming, Ga., a multifamily apartment building in Milwaukee and a self-storage facility in Bloomington, Minn.

"We believe that rental income from ground net leases can provide us with a safe, secure and growing cash flow stream," said Safety's prospectus filed with the Securities and Exchange Commission.

Two farmland REITs have similar models, Gladstone Land Corp. and Farmland Partners, which rent undeveloped land to farmers on a net-lease basis. Gladstone has gained 2.7% this year through Monday, while Farmland has declined 18%. The FTSE NAREIT Equity REITs Index has risen 4.9% over the same period.

Safety's lease terms range from 30 to 99 years, according to the prospectus. These leases will have contractual base rent increases that may be linked to consumer price inflation.

"Our investment thesis is predicated, in part, on what we believe is an untapped market opportunity to expand the use of the ground net lease structure to a broader component of the approximately $7.0 trillion institutional commercial property market," the prospectus said.

Real-Estate Tech Sees Deals

By Keiko Morris

Investors and startups in the real-estate technology sector are anticipating a wave of mergers and acquisitions in the coming year as the market continues to grow, according to a new global survey of investors and startup companies.

The survey showed that 76% of those polled in the second quarter said they expected more purchases and mergers of companies in the sector in the next 12 months. That was up from 58% in the fourth quarter of last year, according to the report issued by MetaProp NYC, a real-estate technology investment and advisory firm. The report surveyed 1,700 investors and startup founders and chief executives.

Startup founders and executives expressed optimism about deal making. Almost a third said it is likely or very likely their companies would be acquired, go public or have some other type of major liquidity event in the next two years, according to the survey.

The sector already has begun to see some big deals, said MetaProp co-founder and managing director Aaron Block. He noted last year's merger of VTS and Hightower Inc., companies that offer products to help commercial real-estate owners and brokers manage their businesses.

Most investors and startups in the sector expect a rise in M&A in the next year.

"We are starting to see these things happening at a faster and increasing volume of international focus," Mr. Block said. "These are all very good signs of a growing and robust market, but it is by no means near saturation."

Some investors expressed caution. In the second quarter, 23.8% of them said they anticipated making fewer investments in the next 12 months, up from less than 8% at the end of last year, the survey showed.

Nevertheless, startup founders and chief executives were optimistic about the investment landscape. A little more than 80% said they expected raising venture capital would be easier or the same in the coming year, compared with about 73% in the fourth quarter of last year, according to the surveys.

MARKETS

The Mexican Peso Makes a Comeback

Currency leads rally of emerging-market peers as worries over Trump trade threats ease

By Ben Eisen
and Chelsey Dulaney

The Mexican peso is on a tear, leading this year's rally in emerging-markets currencies that had fallen around the time of the U.S. presidential election.

The peso rose 0.7% against the dollar on Monday, with little in the way of news to drive the move. It was the latest leg of the peso's roughly 16% rally against the greenback in 2017. One dollar bought 17.87 pesos late Monday, and 17.94 pesos on Tuesday.

The election of President Donald Trump battered the Mexican currency.

The peso fell to a record low against its U.S. counterpart in January as investors bet the enactment of protectionist policies by the new administration would damage Mexico's economy.

Since the inauguration, though, the peso has strengthened as Mexico's central bank lifted rates and investors soured on the "Trump trade."

Speculative investors turned bullish on the Mexican currency in April after steadily wagering against it for more than two years.

Hedge funds and other money managers recently held a net 95,814 contracts betting on a stronger peso, the largest bullish position in the currency since 2013, according to Commodity Futures Trading Commission data.

"The peso is still one of the most undervalued currencies in the world," said Marc Chandler, global head of currency strategy at Brown Brothers Harriman & Co.

The peso's rise is also representative of the broader rally in emerging-markets currencies. The Russian ruble is up about 4% against the dollar in 2017, while the Korean won has gained 6.6% and the South African rand 6.5%.

When those currencies fell after the election, it raised concerns across developing economies.

But among emerging-markets currencies, the peso's reaction to Mr. Trump's political rise has been the sharpest, as he discussed policies such as building a wall at the Mexican border and pulling the U.S. out of the North American Free Trade Agreement.

During the election, the peso was closely linked with Mr. Trump's prospects for winning the election, and it weakened sharply after his win in November.

Analysts say many of the fears that drove the peso to its record low of about 22 pesos per U.S. dollar haven't panned out. The White House in April walked back its threat to pull the U.S. from Nafta, saying that the Trump administration would instead focus on renegotiating the pact with Mexico and Canada to "make all three countries stronger and better."

Mexico's economy has been surprisingly robust, expanding at a pace of 2.7% in the first quarter as the weak peso boosted exports.

The Bank of Mexico lifted rates on Thursday to 7%, the highest level since 2009, and the seventh consecutive increase.

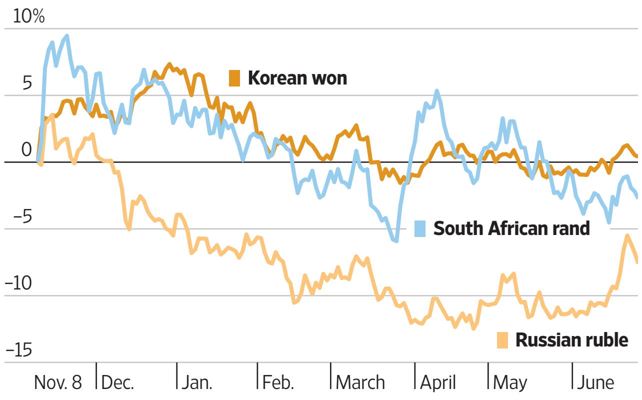
Some of the most popular postelection trades have reversed course alongside the peso's rebound.

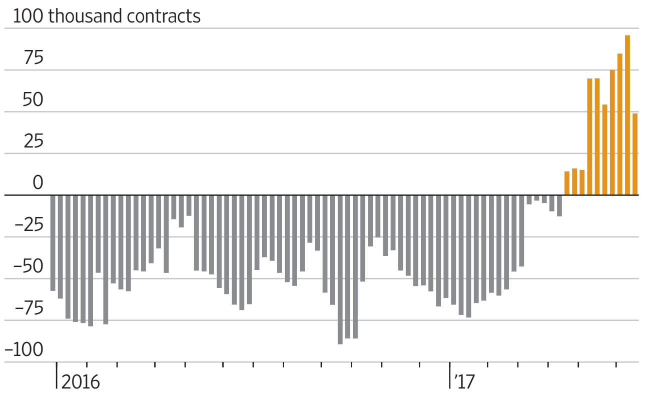
Treasury yields have been declining since March, erasing much of their rise following Mr. Trump's victory. And bank stocks are off their postelection highs.

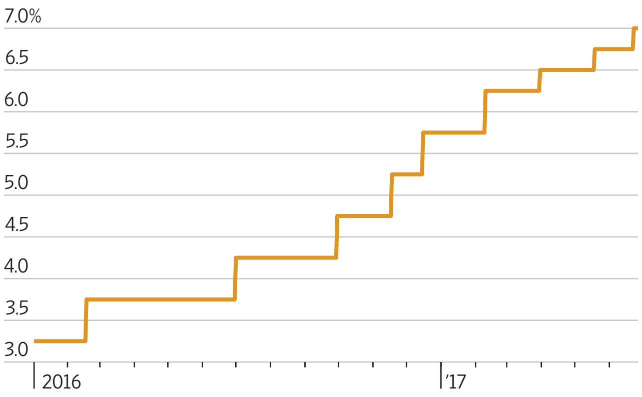
The S&P 500 is still up 14% since the election.

Signs of Strength

The Mexican peso has staged a large rebound against the U.S. dollar in recent months, leading a broader rally in emerging markets currencies that were hit after Donald Trump was elected. Investors are betting the peso will rise alongside interest rates.







Sources: Tullett Prebon (forex); WSJ Market Data Group (dollar index); Commodity Futures Trading Comission (positions); Banco de México (targets)

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HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Consumer Credit Gone Wild in U.K.

The Bank of England has sent a warning to U.K. banks: Rein in the rapid growth in consumer credit or face higher capital requirements. For an economy so dependent on consumers, the move shouldn't be taken lightly.

The central bank made two moves Tuesday: It increased general capital requirements, reversing its move in the wake of last summer's Brexit vote to withdraw the so-called countercyclical buffer. And it will now stress test consumer-credit exposures this summer to determine whether banks need to build in greater resilience to losses.

In recent months, U.K. consumer credit, which includes credit cards and unsecured loans, has been growing at an annualized rate of more than 10%. This has helped keep the economy buoyant, but leaves banks exposed to potential losses.

But before any specific consumer-credit changes, all banks face higher capital requirements through the return of the countercyclical buffer. This will add £5.7 billion ($7.25 billion) in capital requirements across the industry by June 2018, equal to 0.5% on the capital ratios of U.K. balance sheets, and probably the same amount again by the end of 2018.

The bank cut the 0.5% that was in place to zero last summer to help banks cope with any increase in risks due to Brexit. However, it doesn't think that move drove consumer credit, which was already growing rapidly. Rather, it thinks banks have become overconfident in their assessment of lending risks. They will need to reassess those risks or the Bank of England will do it for them.

—Paul J. Davies

China Juices the Inflation Debate

To figure out where U.S. stocks or the Federal Reserve are heading next, you could watch jobs data or talking heads on TV. Or you could monitor Chinese electricity production.

A side effect of China's increasing weight in global commodities markets is that its industrial cycle, mostly driven by housing construction, weighs ever heavier on global inflation data. Anyone puzzling over weak U.S. inflation numbers in April and May should look across the Pacific.

China is the world's second-largest economy, but it is still a small export market for the U.S. relative to Canada or the European Union. It mainly feeds into the U.S. economy through its enormous and increasing weight in global energy, metal and chemical markets, which in turn drive the price of nearly everything you buy.

Chinese indicators of heavy industrial growth such as steel and electricity production have lined up closely with U.S. inflation over the past decade. The correlation between U.S. consumer-price inflation and a moving average of growth in Chinese electricity use was weakly positive from 1997 to 2007: 0.4 on a scale of zero to one. Over the past decade, that figure has risen to 0.64, and over the past year it has been 0.91, indicating nearly perfect correlation.

The tightening link suggests a big part of the U.S. inflation uptick in late 2016 and early 2017 was probably due to the shot in the arm global resource markets got from China's 2016 stimulus. "Hard" economic indicators related to industrial growth rose strongly in China in late 2016 and early 2017, unlike in the U.S.

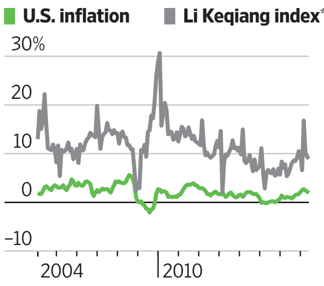
China's economy is cooling as that stimulus winds down and domestic construction slows. But in the U.S., there are signs of rebounding consumption and growth, in part because of cooling prices, particularly for oil. In other words, the outlook is for benign global inflation as Chinese real estate slows and amid steadier growth in the U.S. That should be positive for stocks and enable a slower liftoff from the Fed on rates.

Federal Reserve Bank of New York President William Dudley put it best in his recent public comments: With both inflation and unemployment low, "this is actually a pretty good place to be." That sort of thinking should cheer stock investors. One reason for that is a slowly cooling China across the Pacific.

—Nathaniel Taplin

Eastern Wind

Change from a year earlier



*Average of growth in Chinese electricity production, bank loans and freight traffic.
Sources: CEIC (index), Federal Reserve (inflation); Reuters (photo)

THE WALL STREET JOURNAL.

Electricity transmission tower in China's Anhui province

OVERHEARD

Everyone knows the S&P 500 and that trillions of dollars track or are indexed to it. The Schwab 1000 index is quite a bit less popular.

But the discount brokerage wants investors to use its index, and especially its index fund, instead of the S&P 500. To make the case, **Charles Schwab** shows in ads that the Schwab 1000 has beaten the S&P 500 in the long run. Having 1,000 stocks, they argue in the ads, is better than 500.

The problem is, indexes and index funds aren't the same thing. Schwab's fund has often lagged behind the index it is supposed to track. It also lagged behind the S&P 500 during many periods.

Arguing that your index beats their index gets uncomfortably close to active management, whose failure to beat indexes made passive investing so popular. Schwab needs to watch what it promises or investors will flee when its index falls behind.

SoftBank Should Hurry to Get Rid of Burdensome Sprint

Japanese technology giant **SoftBank** is a goose that lays golden eggs and dines on debt—or so founder Masayoshi Son, the country's richest man, described it last month.

But if the goose is going to keep laying, it first needs to cure the indigestion caused by its investment in **Sprint**.

The indebted U.S. telecom operator, 83% owned by SoftBank, has entered into exclusive deal talks with **Charter Communications** and **Comcast** Corp., according to The Wall Street Journal. It isn't clear what sort of deal could result. The cable companies may be looking to offer wireless services on Sprint's networks, with favorable terms in exchange for an investment. Or, less likely, they could be pursuing a joint takeover of Sprint.

These talks don't mean a merger of Sprint and T-Mobile is off the table. Sprint abandoned an earlier pursuit of T-Mobile in 2014 after regulators signaled they would block a deal, but Mr. Son has expressed hope that the U.S. may be more amenable under President Donald Trump. Holding discussions with Charter and Comcast now could give Sprint leverage in any future talks with T-Mobile.

Whatever the outcome, it is important for SoftBank to divest itself of Sprint to free up cash for its other eggs. Sprint has staged something of a recovery over the past year, but it is still fighting an uphill battle against the U.S. industry's two giants, AT&T and Verizon. The carrier, in the red since SoftBank bought the majority stake in 2013, has $32.6 billion of net debt—three times its earnings before interest, taxes, depreciation and amortization.

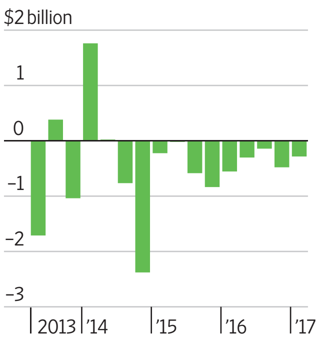
SoftBank now has its hands full with its $93 billion Vision Fund, the world's largest technology fund, which counts Saudi Arabia, **Apple** and Qualcomm as investors. SoftBank has committed $28 billion, but will have around half of the equity due to the fund's unusual structure. And it stands to receive around 20% of the fund's profits above a certain threshold. So the fund's success will likely be a much bigger driver for SoftBank than struggling Sprint ever will be.

With the Vision Fund, Mr. Son reckons SoftBank is now "flying away, not just walking around in the garden." Taking flight will be easier without the dead weight of Sprint.

—Jacky Wong

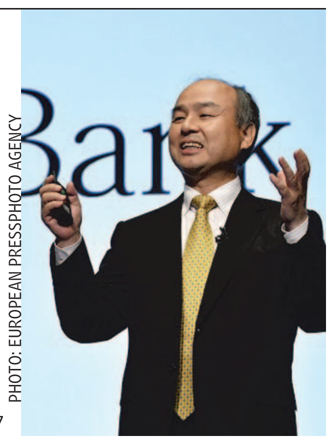
Crawl to the Finish

Sprint's quarterly net income



Source: S&P Global Market Intelligence

THE WALL STREET JOURNAL.



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SoftBank founder Masayoshi Son