For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

THE WALL STREET JOURNAL.

DOW JONES | News Corp * * * * * THURSDAY, JUNE 29, 2017 ~ VOL. CCLXIX NO. 150 WSJ.com ★★★★ $3.00

DJIA 21454.61 ▲ 143.95 0.7% NASDAQ 6234.41 ▲ 1.4% STOXX 600 385.82 ▼ 0.04% 10-YR. TREAS. ▼ 7/32, yield 2.223% OIL $44.74 ▲ $0.50 GOLD $1,248.00 ▲ $1.60 EURO $1.1379 YEN 112.30

What's News

Business & Finance

Big U.S. banks plan to boost dividend payouts and share buybacks after the Fed approved capital plans for all 34 firms taking part in stress tests. **A1**

◆ **Berkshire is on track** to become Bank of America's top shareholder after the lender received permission to increase its dividend. **A2**

◆ **Central-bank officials** left investors with mixed impressions about stimulus plans, roiling currencies and bond markets. **A1**

◆ **Sycamore agreed** to buy Staples for about $6.9 billion, a bold bet on a firm whose sales have been shrinking. **B1**

◆ **A U.K. regulator** blasted the nation's asset-management industry and called for remedies to drive competition and performance. **B1**

◆ **Booming demand** for passive investments is making ETFs an increasingly crucial driver of share prices. **B12**

◆ **Blue Apron stumbled** in its IPO, a caution to firms seeking to live up to private valuations in the public markets. **B1**

◆ **Tech and bank shares** rallied, leading broad gains in U.S. stocks. The Dow rose 143.95 points to 21454.61. **B11**

◆ **Nestlé may be** cutting back on its packaged-food business after the company outlined a strategic shift. **B1**

◆ **Global firms scrambled** to cope with fallout from a cyberattack on computers in Europe and the U.S. **B3**

◆ **ABC News settled** a defamation suit brought by the maker of a meat product that critics called "pink slime." **B5**

World-Wide

◆ **The Venezuelan** government's account of what caused it to put Caracas under military control Tuesday night left citizens seeking clues to explain the bizarre events. **A1**

◆ **Senate GOP leaders** scrambled to rework their health-care bill, but Republican senators remained divided over policy planks. **A4**

◆ **France's new government** laid out its plans to remake labor rules in an effort to reinvigorate the economy. **A6**

◆ **A senior Vatican official**, Cardinal George Pell, has been charged in Australia with sexual offenses. **A6**

◆ **The administration** plans to begin enforcing its travel ban Thursday, but the changes are unlikely to be immediately visible at airports. **A5**

◆ **The DHS mandated** new security measures for flights to the U.S., stepping back from a broader laptop ban. **A5**

◆ **Tillerson is pressing** Gulf Arab countries to resolve their feud, which pits Qatar against its neighbors. **A6**

◆ **Hong Kong police** detained pro-democracy protesters ahead of a visit by China's President Xi. **A9**

◆ **Brazil's police stopped** issuing passports due to a lack of funds, amid concern Temer may be cutting budgets to stifle corruption probes. **A8**

◆ **South Korea's Moon** and Trump are set to meet, with North Korea likely to dominate their talks. **A9**

◆ **India's plans** to overhaul its tax structure are triggering strikes and protests. **A9**

CONTENTS

26433>
0 78908 63141 1

© Copyright 2017 Dow Jones & Company. All Rights Reserved

Tensions Rise Ahead of Hong Kong Anniversary

DAMIR SAGOLJ/REUTERS

OPPOSITION: Police detained activist Joshua Wong Wednesday at a protest ahead of the arrival of Chinese President Xi Jinping to mark the 20th anniversary of the former British colony's return to China. **A9**

Banks Boost Payouts After Passing Tests

In turning point for industry, Fed sanctions large increase in dividends, buybacks

By Liz Hoffman And Ryan Tracy

Big U.S. banks plan to increase dividend payouts and share buybacks to their highest levels in years after the Federal Reserve on Wednesday approved capital plans for all 34 firms taking part in its annual stress tests.

The approvals—the first time since the annual tests began in 2011 that all firms got passing grades—reflect a turning point for big financial institutions that have been shackled by tighter regulation since the financial crisis. They could also herald a return to precrisis days when banks were reliable dividend payers and shareholders flocked to them.

Bank of America Corp., for example, said that it would increase its dividend by 60% to 12 cents a share per quarter, putting it above a threshold where Warren Buffett's Berkshire Hathaway Inc. may convert a stake in the firm into common stock and become the bank's largest shareholder. The second-biggest U.S. bank by assets also said it received approval to repurchase up to $12.9 billion of its shares, far above the $7.7 billion it bought back over the previous year.

On average, the group of firms taking part in the stress tests requested payouts that are near 100% of their expected

Please see STRESS page A2

◆ Berkshire poised to be BofA's top holder....... A2
◆ Heard on the Street: Bank stocks rally on stress tests... B12

Signals on Stimulus Roil Global Markets

Easy money unleashed by global central banks is receding, a development that could test a range of assets—from stocks to real estate—that have become tightly linked to monetary support since the global financial crisis.

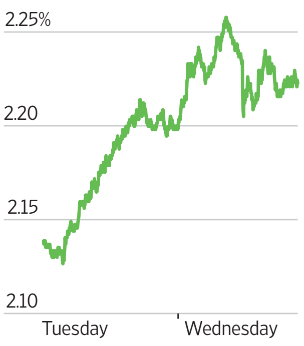
By Tom Fairless in Sintra, Portugal, Paul Vieira in Ottawa and Christopher Whittall in London

Top European Central Bank officials left investors with mixed impressions over the past two days about when the ECB would reel in its €2.3 trillion ($2.6 trillion) bond-buying program, and the chiefs of

Please see BANK page A8

Jump-Started

Yield on the 10-year Treasury note



Note: Bond yields rise as prices fall.
Source: Thomson Reuters
THE WALL STREET JOURNAL.

◆ Hints of tightening hit the dollar....... B11

RETAIL SHIFT PUSHED NIKE TO AMAZON

Sneaker giant resisted for years but got outflanked by e-commerce

By Laura Stevens And Sara Germano

For years, Nike Inc. was one of the biggest holdouts against Amazon.com Inc., refusing to provide its sneakers and athletic clothing for sale on the hulking e-commerce site. Its products were so cool, the company reasoned, it didn't need or want the help.

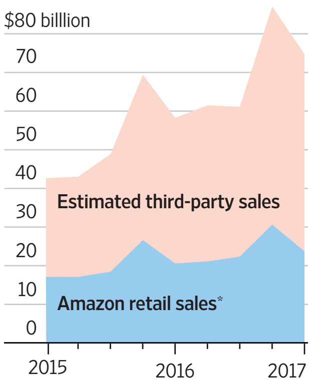
Recently, Nike reversed course. Behind that decision lies a dramatic shift in the balance of power between brands and Amazon.

For decades, big consumer brands carefully controlled which retailers could sell their wares and at what prices. And for years, Amazon left the brands alone.

Lately, the explosion of third-party sellers on the site has led to authentic goods from companies such as Nike, Chanel, The North Face, Patagonia and Urban Decay being sold on Amazon even though they don't authorize the sales, undercutting their grip on pricing and distribution.

Sales Force

Third-party sales surpass direct sales by Amazon.com.



*Includes related shipping fees and digital media content, as well as a portion of Amazon Prime fees
Source: FactSet; company filings
THE WALL STREET JOURNAL.

Even though Nike didn't send Amazon its products either directly or through approved wholesalers, Nike is the most purchased apparel brand on the site, according to a Morgan Stanley survey. A recent search for Nike products on Amazon turned up roughly 73,000 items.

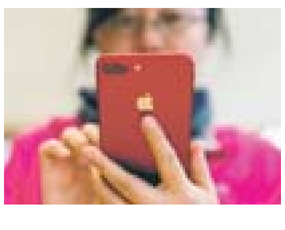
These days, there are so many third-party resellers, who generally are allowed to resell goods they have lawfully acquired at whatever price they want, that companies see few ways to stop them.

"It's a Whac-A-Mole situation," said Robert Payne, an attorney who works with companies on the issue.

Nike's recent deal represents one strategy: Add Amazon as a distributor to drown out the flood of third-party sales. Nike agreed to start selling some products directly to Amazon in exchange for stricter policing of counterfeits and restrictions on unsanctioned sales, according to a person familiar

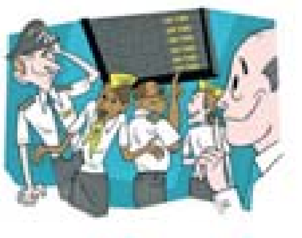
Please see NIKE page A10

INSIDE



APPLE'S BIG RISK AS IPHONE TURNS 10

BUSINESS & FINANCE, B1



HOW AIRLINES GAME 'ON TIME' RANKINGS

THE MIDDLE SEAT, A11

Helicopter Mystery Confounds Venezuelans

By Anatoly Kurmanaev And Kejal Vyas

CARACAS, Venezuela—The government's account of what caused it to put this capital city under military control on Tuesday night sounded like an action-movie plot: Police commando Oscar Pérez hijacks a police chopper, flies around the capital promoting rebellion and dropping explosives, then lands and disappears into thin air.

The narrative would be fitting for Mr. Pérez, a part-time action actor. But Caracas residents have been glued to social media since Tuesday, looking for any clues that would explain the bizarre events of that night.

Mr. Pérez had suddenly become the country's most-wanted man. President Nicolás Maduro ordered the National

Please see COPTER page A8

Last Call for Minibottles? A Little Booze Battle Is Nipping at Maine

* * *

Lawmakers put deposit on miniatures, and now governor wants to ban them

By Jennifer Levitz

Yvette Meunier, a scientist and avid bicyclist, last year took it upon herself to chronicle an increasing trash menace in Maine, those little liquor bottles, typical of minibars and airplanes.

Along her regular 8.4-mile path from Augusta to Gardiner, she decided to stop, note and photograph every discarded tiny bottle. She placed her GPS device next to each one to document its location. "In no way did I want it to look like I was planting any of this stuff," she said.

She tossed each mini into a bag tied by bungee cord to the back of her bike. "It was the worst bike ride ever," she said, of the frequent stops to collect used bottles. "I was about four hours in when I called it quits."

Miniature bottle

Nonetheless, diligent mapping of her data concluded she collected 9.4 mini liquor bottles per mile, versus 2.3 "5-Hour Energy" drinks per mile and 1.25 milk containers per mile, she said.

She lugged her bounty earlier this year to a State House hearing (except the milk cartons, which "were a little raunchy," she said). Ms. Meunier presented the evidence to lawmakers and spoke in favor of a plan to slap a deposit on the bottles to inspire consumers

Please see BOOZE page A10

Oracle #1
SaaS Enterprise Applications Revenue

#1
Oracle Cloud
14.5%

#2
Salesforce Cloud
12.4%

1,000+ Employees Segment, 2015

ORACLE®

oracle.com/applications

Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.
Copyright © 2017, Oracle and/or its affiliates. All rights reserved.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

U.S. NEWS

Berkshire Poised to Be BofA's Top Holder

By Rachel Louise Ensign
And Nicole Friedman

Warren Buffett's firm is on track to become the biggest shareholder in **Bank of America** Corp.

The Charlotte, N.C., bank, the second-largest in the country by assets, received permission from the Federal Reserve on Wednesday to boost its per-share dividend to 48 cents a year. Mr. Buffett has said a dividend of this size would prompt his **Berkshire Hathaway** Inc. to swap its preferred shares in the bank into about $17 billion worth of common stock.

The move would make the famous stockpicker's firm the largest stockholder of the second- and third-largest U.S. banks—the third being **Wells Fargo** & Co.—while also providing a vote of confidence for Bank of America stock.

On Wednesday, as part of the "stress test" process, the Fed approved Bank of America's plan to pay out the 48-cent dividend, a 60% increase from the current 30-cent level.

The regulator also approved the bank's plans to buy back $12.9 billion worth of shares. Over the past year, the bank got permission to buy back $7.7 billion worth of shares.

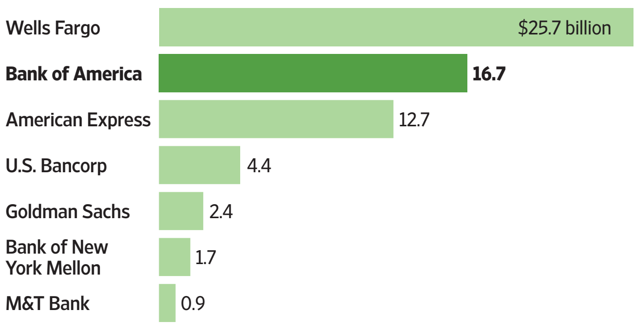
In February, Mr. Buffett said in his annual letter to shareholders that Berkshire planned to make the switch in its Bank of America stake if the bank could increase its annual dividend to 44 cents a share from its recent level of 30 cents a share. That is because a common-stock dividend of 44 cents would pay Berkshire more than the $300 million that the preferred stake gives the firm annually.

Berkshire bought its preferred shares in the bank in 2011, when the lender sorely needed to shore up investor sentiment. The $5 billion deal also included warrants to buy 700 million shares of Bank of America common stock for $7.14 apiece, far below the current price.

The preferred shares have little downside, so long as Bank of America stays solvent. But they have no upside either.

Berkshire's Bank Bets

How a potential common-share investment in Bank of America would compare with other Berkshire Hathaway stakes



Note: BofA stake dependent on Berkshire exchanging preferred for common shares.
Source: FactSet
THE WALL STREET JOURNAL.

With a change in Berkshire's shares, Mr. Buffett effectively would be saying that he would like to take part in possible gains on Bank of America's stock while still enjoying a steady dividend.

After an exchange, Mr. Buffett's firm would own about 7% of the bank's common shares, giving it a significant role in corporate-governance issues from compensation to the election of new directors. Currently, the largest shareholder of Bank of America is **Vanguard Group** with a 6.6% stake, according to FactSet.

Before his February letter, Mr. Buffett had said he would wait to exercise the warrants, which expire in 2021.

It isn't clear when exactly a Berkshire exchange could happen now that the dividend increase has been approved. Mr. Buffett couldn't be reached to comment.

Big banks need approval from the Fed to increase their dividends, a process that culminated in Wednesday's annual review of how the lenders would perform under severely stressed economic conditions. This is the second year in a row that Bank of America has gotten permission to increase both its dividend and buybacks. In the early years of the test, the bank struggled to get a clean approval for such capital-return increases from the regulator.

The dividend and buyback boosts are positive for Bank of America Chairman and Chief Executive Brian Moynihan. The 57-year-old lawyer has worked to restore the bank's relationships with shareholders after years of large mortgage fines and losses stemming from the bank's crisis-era purchases of Countrywide and Merrill Lynch.

When Berkshire bought the preferred shares in 2011, Bank of America was slumping, losing confidence among many investors. Mr. Buffett helped to change that narrative by agreeing to purchase $5 billion in preferred stock and calling the bank "well led," an important endorsement for Mr. Moynihan more than a year after he had risen to the CEO role.

The terms though were expensive for Bank of America. The preferred stock paid a chunky 6% annual dividend, or $300 million a year. Bank of America shares have tripled since the investment, from about $7.60 to $23.88, giving Berkshire a paper gain of almost $12 billion. The Omaha, Neb., investor also has made about $1.7 billion in dividends on the preferred shares.

Mr. Buffett, Berkshire's chairman and CEO, amassed stakes in a number of lenders and financial-services companies, sometimes at cut-rate prices around the financial crisis. Berkshire's other bank holdings as of March 31 included Wells Fargo, Bank of New York Mellon Corp., American Express Co., Goldman Sachs Group Inc., M&T Bank Corp. and U.S. Bancorp.

STRESS

Continued from Page One

earnings over the next year, up from 65% last year, senior Fed officials said. That means banks in some cases will be able to start whittling away at capital buffers that many bank executives say are well in excess of what is needed to absorb potential losses.

Such moves signal an easing of the Fed's hardline stance toward banks since the crisis and could provide a durable pillar of support for higher bank stock prices. Those soared following President Donald Trump's election but largely have treaded water so far in 2017 amid lackluster economic indicators, political defeats for the White House and a flattening yield curve that threatens to weigh on bank profits.

The KBW Nasdaq Bank index is up 2.8% year to date versus an 8.9% gain for the S&P 500. That said, bank stocks are still well ahead of the broader market when measured from November's election. Big-bank shares rose in many cases more than 1% in after-hours trading Wednesday, while some, like Citigroup Inc., were up more than 2%.

CHUCK BURTON/ASSOCIATED PRESS

Bank of America said that it would increase its dividend by 60% to 12 cents a share a quarter.

The payouts announced by banks Wednesday were in many cases above investor expectations. Citigroup, for instance, said it planned to return $18.9 billion to shareholders over the coming four quarters. That is equal to 132% of what Wall Street analysts expect the bank to earn over the same period. Analysts had expected the bank's payout ratio would be around 110%.

Morgan Stanley and Alabama-based Regions Financial Corp. were also among those that were approved for payout ratios in excess of 100%, according to FactSet estimates and Wall Street Journal reviews of corporate filings.

"The absolute minimum is there won't be increased capital in these businesses," Morgan Stanley Chief Executive James Gorman said earlier this month. "There shouldn't be and there won't be."

Morgan Stanley, Goldman Sachs Group Inc. and State Street Corp. cleared one of the Fed's yardsticks by just tenths of a percentage point, suggesting they have gotten more adept at figuring out how to squeak through the tests.

The latest result was the second part of the Fed's test results. In the first leg, released last week, the Fed said all big U.S. banks were able to survive a hypothetical recession.

Fed governor Jerome Powell said the stress-test process, now in its seventh year, "has motivated all of the largest banks to achieve healthy capital levels."

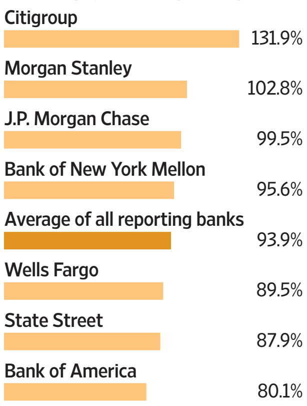
Born of the financial meltdown, the stress tests have come to command bankers' and investors' attention. Executives manage with the tests in mind and have collectively spent billions of dollars to develop risk-management systems to meet the Fed's expectations.

This year's passing grades suggest that those efforts have paid off. Banks today are better capitalized and more conservatively managed than before the financial crisis and have better insight into risks lurking in their own books.

Paying Out Profits

After years of retaining profits, big banks may start paying out more to shareholders in 2017.

Ratio of payout to expected profit



Note: Expected profit for the 12 months ending June 30, 2018
Source: FactSet, the companies
THE WALL STREET JOURNAL.

J.P. Morgan Chase & Co., the nation's biggest bank by assets, was approved for a 12% increase to its dividend and a $19.4 billion buyback program. CEO James Dimon said the bank was "pleased to further increase capital returns to our shareholders while continuing to invest in our businesses."

In a nod to progress at banks, the Fed has made changes to the exams. This year, only 13 of the biggest, most complex banks faced a qualitative exam of their risk-management abilities. Others, such as the U.S. arm of Spain's Banco Santander SA, had to pass only a numerical assessment.

The results had some banks breathing sighs of relief. At Santander, the U.S. chief executive said he planned to hold a champagne toast in the boardroom after the Fed approved its capital plan. The bank had failed the tests the previous three years.

Wells Fargo & Co.'s approval, too, is a sorely needed win for the bank, which has been in the spotlight for months over a sales-practices scandal. Some analysts had predicted that the Fed might flunk Wells Fargo on "qualitative" grounds even if it passed the numerical part of the exam.

Wells Fargo Chief Financial Officer John Shrewsberry said this spring that the bank was "very self-aware" of that risk and that it had "sized our [capital-return] ask appropriately."

The Fed said the largest and most complex firms, however, still have work to do in maintaining accurate data and identifying risks in new products.

One spot hit hard this year was credit cards. Credit-card defaults are rising after years in record-low territory and were a chief focus of Fed officials who designed this year's tests. Last week's results forecast $100 billion of credit-card losses in a severe downturn across the industry.

Two of the largest standalone card issuers, Capital One Financial Corp. and American Express Co., revised their payout requests downward after receiving the results of the stress test's first part last week.

—Christina Rexrode contributed to this article.

Breaking Down the New Dividends and Buybacks

The largest U.S. banks all said they would increase their dividends and share buybacks, a move cheered by investors that followed the banks receiving passing grades on the Federal Reserve's stress tests Wednesday.

Here is how the new dividends and buybacks break down at the biggest banks:

◆ **Bank of America Corp.** boosted its quarterly dividend 60% to 12 cents a share from the current 7.5 cents.

The bank also plans to buy back $12.9 billion worth of shares over a four-quarter period versus the $7.7 billion in the previous period.

Warren Buffett has said a dividend of this size would prompt his **Berkshire Hathaway** Inc. to swap its preferred shares in the bank into about $17 billion worth of common stock.

◆ **Citigroup Inc.** is increasing its quarterly dividend to 32 cents a share from 16 cents.

It also plans to buy back $15.6 billion compared with $10.4 billion in its buyback plan last year.

The bank's capital return plan of $18.9 billion over the next four quarters is above the $15 billion to $18 billion that Citigroup said it needed to achieve to be credible with shareholders hoping for a solid return.

◆ **J.P. Morgan Chase & Co.** plans to increase its quarterly dividend to 56 cents a share from the current 50 cents a share.

The largest U.S. bank by assets also plans to buy back up to $19.4 billion of stock in the four-quarter period versus the $10.6 billion it planned for the 12 months ending June 30.

◆ **Wells Fargo & Co.** plans to boost its quarterly dividend to 39 cents from 38 cents.

The bank also plans to buy back up to $11.5 billion of stock versus $8.3 billion for the four-quarter period ended March 31.

Wells Fargo has been in the spotlight since last September when its sales practices scandal emerged. It then paid a $185 million settlement but has continued to face public scrutiny over investigations and other regulatory problems. Analysts for months have also pressed the bank's management about its CCAR submission.

—Emily Glazer, Rachel Louise Ensign and Telis Demos

CORRECTIONS & AMPLIFICATIONS

The International Brotherhood of Teamsters union was incorrectly called the United Brotherhood of Teamsters in a Business News article Wednesday about United Parcel Service Inc.'s plans to freeze pension plans for nonunion employees.

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

THE WALL STREET JOURNAL
(USPS 664-880)
(Eastern Edition ISSN 0099-9660)
(Central Edition ISSN 1092-0935)
(Western Edition ISSN 0193-2241)

Editorial and publication headquarters:
1211 Avenue of the Americas,
New York, N.Y. 10036

Published daily except Sundays and general legal holidays. Periodicals postage paid at New York, N.Y., and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.

All Advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, N.Y. 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor:
Fax: 212-416-2891; email: wsj.ltrs@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?
CONTACT CUSTOMER SUPPORT.
By web: customercenter.wsj.com
By email: wsjsupport@wsj.com
By phone: 1-800-JOURNAL (1-800-568-7625)
Or by live chat at wsj.com/livechat

U.S. WATCH

RAIL INCIDENT

CSX Workers Fatally Struck by Train

A **CSX** Corp. conductor and a trainee were fatally struck by an Amtrak train late Tuesday night in Washington, after stepping off their own train in response to a safety alert, federal investigators said.

The two men stepped off the CSX freight train near Union Station shortly before 11:30 p.m. to check its wheels, National Transportation Safety Board member Earl Weener said at a news conference Wednesday.

The men were on the adjacent track when they were struck by a southbound Amtrak train that originated in Boston and was carrying 121 passengers, he said. Amtrak said no one on that train was injured. Names of the two CSX crew members hadn't been released.

"We have few definitive facts at this early stage," Mr. Weener said. He said investigators would explore whether CSX notified Amtrak of the wheel check before the incident. They also would view footage from an outward-facing camera on the Amtrak train and one aimed into the Amtrak locomotive, he said.

Officials from CSX and Amtrak declined to comment on details of the incident, citing the NTSB investigation. CSX said it was "deeply saddened" by the deaths of the two employees.

—Scott Calvert and Ted Mann

NEVADA

Insurers Pull Back on ACA Exchange Plans

Anthem Inc. said it would stop selling Affordable Care Act marketplace plans in most of Nevada next year. The move together with the departure of a smaller insurer leaves 14 of the state's counties poised to have no insurer on its exchange.

The state insurance marketplace, the Silver State Health Insurance Exchange, said that insurers had filed to offer plans only in Clark, Washoe and Nye counties, leaving the remaining, largely rural region without any exchange options for 2018.

In addition to Anthem, Prominence Health Plan, a unit of hospital company **Universal Health Services** Inc., will leave the Nevada exchange next year; Prominence had been selling marketplace plans in seven counties, including four of those that are now poised to lack exchange insurers.

The 14 Nevada counties join an estimated 47 counties in Ohio, Indiana and Missouri that currently appear at risk of having no exchange insurers in 2018, according to the Kaiser Family Foundation, after a series of withdrawal announcements by various insurers.

Echoing comments it previously made around other withdrawals, Anthem said its Nevada decision came as the "individual market remains volatile."

—Anna Wilde Mathews

WASHINGTON STATE

Partial Shutdown Is Averted With Accord

Washington state lawmakers reached the outline of a budget deal after working into the early-morning hours Wednesday, averting a partial government shutdown, state officials said.

The agreement came after a prolonged fight between Republicans who control the state Senate, Democrats who control the House and the governor's office.

The sides have been at odds over how to meet state education funding levels mandated by the state Supreme Court in its two-year budget.

—Zusha Elinson

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

Emory Has Joining Atlanta on Its Mind

By Melissa Korn

Emory University for years has been making the case that it is engaged in, and contributing to, the city of Atlanta. Now, it wants to officially become part of the metropolis.

The nearly 15,000-student research university, which already brands itself as being in Atlanta and has an Atlanta address, filed paperwork Tuesday to annex itself into the city's borders. Currently, the school's 630-acre campus isn't under the city's jurisdiction, but lies in adjacent DeKalb County.

Emory administrators hope the annexation leads to, among other things, an expanded light-rail route through the notoriously traffic-congested region.

The university's move, and its strategy to become more tightly linked to Atlanta, reflects a broader trend of schools forging close ties with their urban communities as responsible or charitable neighbors. Schools' own success may depend on the safety and business opportunities of the cities in which they are based.

The University of Pennsylvania and Drexel University in recent years have invested in revitalizing parts of Philadelphia, while Johns Hopkins University acknowledges on its website that "the health and well being of the university is inextricably tied to the physical, social, and economic well being" of Baltimore.

Emory had been publicly considering the move for nearly a year before submitting its petition to the city. If the school doesn't join the city, it will miss out on the opportunity to benefit from a proposed expanded rail line and other transportation projects.

The school already has a number of affiliations with other educational and cultural institutions in the city proper, and this move to more formally align with the growing, vibrant city is "in the long-term interest of the university," said Emory spokesman Vince Dollard.

To legitimately pursue annexation, which requires the ownership of property spanning the Atlanta border, Emory bought a house across the street from the western edge of its campus last year. A portion of the home's plot is in the city.

The federal Centers for Disease Control and Prevention also filed a petition Tuesday for its campus to be annexed by Atlanta. The city said that it welcomed the school and the CDC—as well as some "thriving commercial businesses," which could bring new tax revenue—under its umbrella.

Silicon Valley Moves on Wage Laws

As California weighs hourly pay mandate, region's cities enact their own measures

By Alejandro Lazo

MARCIO JOSE SANCHEZ/ASSOCIATED PRESS

The minimum hourly wage in San Jose, Calif., is set to reach $15 in 2019. Above at right, Chuck Hammers, a local pizzeria owner.

SAN FRANCISCO—Proponents of a $15 minimum wage have found fertile territory in Silicon Valley, where the region's booming technology industry is credited for helping drive soaring housing prices and a sizable income gap.

California is on track for a $15 minimum wage by 2022, but some Silicon Valley cities are opting to hit that target faster, prodded by a campaign aimed at organizing low-wage workers in the region.

The city of Santa Clara is the latest to propose an accelerated $15 minimum wage, following the lead of San Jose and six other Santa Clara County cities. The City Council plans to vote on a measure that would raise base pay to $15 by 2019 next month.

Mountain View, where Alphabet Inc.'s Google is based, will have a $15 minimum wage next year, as will Sunnyvale. The $15 target will be reached in 2019 by San Jose, the region's largest city, and home to companies such as PayPal and eBay. Cupertino, hometown to Apple Inc., also will hit the $15 target in 2019, as will Palo Alto, Milpitas and Los Altos.

Minimum pay in all of these Silicon Valley cities is expected to continue to climb beyond $15, because all of the cities mandate more pay increases based on a regional inflation index.

The increases in one of the costliest regions in the country are being enacted when there is still much debate and research around the effectiveness of such wage increases. Proponents say raising the local minimum wage remains the easiest way to address stagnating pay. Critics say the rush toward a $15 minimum wage will hurt businesses and cost jobs.

In Seattle, two studies released this month found conflicting results from that city's wage boost. The University of California, Berkeley, found Seattle's food-service workers benefited with a modest wage increase and no reduction in jobs. But a study from the University of Washington found employers cut workers' hours and earnings.

Many localities are barred by state law from boosting local wage. Cities in California, which allows for local wage laws, have been on the forefront of raising hourly pay locally.

State legislatures in Washington, Arizona, Colorado, and Maine have approved measures to raise their states' minimum wages to $12 an hour.

Twenty-six states have laws on the books that block smaller jurisdictions from setting their own wages, according to the National Conference of State Legislatures. At least 10 states considered laws this year.

David Neumark, an economist at the University of California, Irvine, said minimum-wage increases aren't an effective policy tool for alleviating poverty and the effects of a $15 minimum wage widely remain unknown. While smaller increases leave room for businesses to adjust margins through prices or by varying their workforce, a move toward a $15 mandate will likely leave little room for anything other than layoffs, he said.

Michael Reich, a professor at UC Berkeley and one of the authors of its Seattle wage study, said such concerns are overblown. San Jose's 2013 minimum wage increase to $10 in 2010 led to an average 1.5% price increase at restaurants.

In Silicon Valley, the median household income is $101,980—the nation's highest, according to U.S. Census data. Some question the impact of a minimum-wage boost in one of the most expensive regions of the country. Data recently released by the U.S. Department of Housing and Urban Development says a family of four in San Jose with an annual income of $84,750 is considered low income. In San Francisco, $105,350 is low income, and in New York City, it is $76,300.

Unions and other activists say their efforts to raise wages in Silicon Valley are part of a campaign to organize service-industry workers and other low-wage employees in one of the wealthiest regions of the U.S. Activists say raising base pay will help the lowest-rung workers make ends meet, and boost incomes for those already making $15.

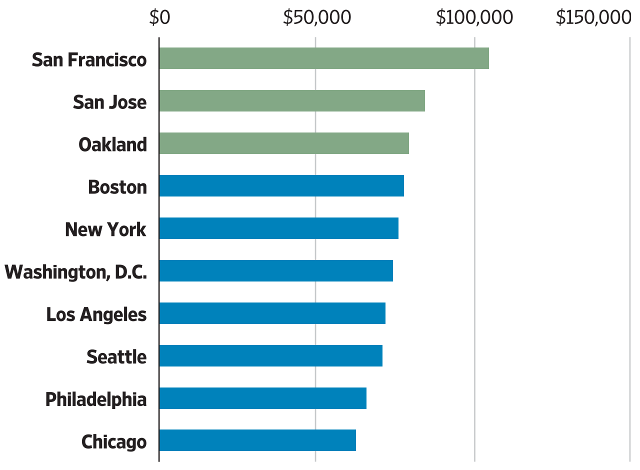
"It is a wealth-producing region, and some of the wealth should be shared," said Derecka Mehrens, a founder of the "Silicon Valley Rising" campaign, which has been organizing low-wage workers in the area.

Chris Horton, president of Santa Clara's Chamber of Commerce, said while the chamber supports "a living wage" the accelerated wage increase the city is considering will hit the bottom line for small businesses.

Ravinder Lal, the owner of two UPS Stores in San Jose and Santa Clara says he made more revenue than last year—but $50,000 less in profit, generally brought on by higher costs due to wage increases in San Jose.

How High Is Low Income?

The limits for what is considered low income for a family of four in the Bay Area exceeds that of other major cities.



Source: U.S. Department of Housing and Urban Development

THE WALL STREET JOURNAL.

Two Sides of Debate On Minimum Pay

Ravinder Lal, who employs 15 people at his two UPS Stores in San Jose and Santa Clara said he has seen higher costs because of San Jose's wage increase.

He already pays people more than the minimum wage but increases require him to also bump up workers making $15, he said.

"Most small-business owners that I know, in this valley, are struggling just like somebody working, because it is so expensive," he said.

Blanca Rosell, 57 years old, who lives in Sunnyvale, Calif., which borders Santa Clara, said a minimum-wage increase in Santa Clara would help employers there retain workers because many low-wage workers are drawn to neighboring Mountain View for higher pay.

Ms. Rosell said she works 70 hours a week, splitting her time at a Burger King in Mountain View and a Carl's Jr. in Santa Clara.

In Santa Clara, where she has worked more than six years in a Carl's Jr., she holds a supervisory position and is paid $11.75 an hour. At the Burger King, where she has worked six months, she is paid $13, because of that city's higher minimum-wage policy.

The jobs barely help cover the rent in her $1,850 one-bedroom apartment in Sunnyvale, where she lives with her two sons, her eldest son's wife, and that couple's two younger children, she said. Her son works assembling motors at the Tesla factory in nearby Fremont.

She says she doesn't want to move because she wants her 15-year-old to be able to attend high school in the area.

"The rent is very high, and we don't make a whole lot, and so we can't make it paying all the bills," she said.

She believes an increase in Santa Clara's minimum wage will allow her to work fewer hours.

—Alejandro Lazo

Governor Presses Lawmakers on Budget

By Douglas Belkin

JUSTIN L. FOWLER/ASSOCIATED PRESS

Illinois Gov. Bruce Rauner says he will extend the session if legislators miss Friday's budget deadline.

Illinois Gov. Bruce Rauner has this message for legislators as they struggle to deliver a budget to him by Friday's deadline: No one leaves the capital until a deal is done.

"If the Legislature fails to send a balanced budget package to my desk by Friday, we will have no choice but to keep them in session until they get the job done," Mr. Rauner, a Republican, said in a statement on Wednesday.

The warning comes as Illinois lawmakers spent Wednesday in negotiations trying to end a two-year budget stalemate that has led to a nearly $15 billion backlog of unpaid bills and economic pain across the state.

Steve Brown, the spokesman for Democratic House Speaker Michael Madigan, said many Democrats believe that Mr. Rauner isn't negotiating in good faith and, contrary to his rhetoric, has no intention of signing any deal.

"I think people realize that they are probably chasing a set of moving goalposts," Mr. Brown said. "There is widespread disbelief that this guy is really capable of any deal that includes a tax increase."

On Tuesday Mr. Madigan unveiled a $36 billion budget proposal but didn't spell out how much taxes would have to increase to get the state's fiscal house in order.

If a budget isn't passed by Friday, credit-rating firms have warned they will downgrade the state's rating to junk.

On Tuesday, Mr. Madigan said his budget would cut about 5% from most state operations out of their normal appropriation. A Republican budget blueprint included an increase to the individual income tax. Mr. Madigan's budget hasn't spelled out those details.

"I'm not saying that this is perfect, I'm not saying that this meets every request of the governor, but I'm saying it goes a long way toward giving the state of Illinois a good solid spending plan that responds to the real needs of the state," Mr. Madigan told reporters on Tuesday.

On Wednesday, Democrats advanced several pieces of legislation designed to meet demands by Mr. Rauner, who has said he wouldn't move forward unless tax increases are tied to overhauls aimed at creating a more business-friendly climate in Illinois. Among those demands: a freeze on property taxes and an overhaul of the state's workers' compensation system.

The shuffling of state revenue and expenses is necessary to start digging Illinois out of a nearly $15 billion backlog in unpaid bills and a $250 billion deficit to the pension system.

"We think there should be a budget," Mr. Brown said. "There are too many things being destroyed."

Trump International Hotel & Tower® Chicago
Forbes Five-Star Hotel Award 2013 - 2017
TRUMP HOTELS™
NEW YORK | CENTRAL PARK & SOHO CHICAGO LAS VEGAS WAIKIKI MIAMI WASHINGTON, D.C. TORONTO VANCOUVER PANAMA IRELAND | DOONBEG Estate Collection WINERY | CHARLOTTESVILLE SCOTLAND | ABERDEEN Coming Soon BALI LIDO
TRUMPHOTELS.COM

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

CAPITAL ACCOUNT | By Greg Ip

Health Bill Draws Line Between Old and Poor

The health-care overhaul that Senate leaders floated this past week does more than roll back an entitlement Republicans have loathed since the day it was enacted in 2010. It portends a deeper struggle over the safety net that pits the elderly against the poor.

The federal government is often called an insurance company with an army. Thanks to aging and health-care inflation, the cost of that insurance is rising relentlessly. Social Security, Medicare and Medicaid now swallow 58% of tax revenue, and are on track to take 80% by 2047.

Heading off this fiscal collision is a task no politician relishes because of the ugly tradeoffs required: Whose taxes should rise? And if the answer is nobody's, whose benefits should be cut?

In that regard, the Senate Republican plan to replace the Affordable Care Act could be a watershed. Not only would it enact among the steepest cuts to a pillar of the safety net in decades; by singling out Medicaid, it would signal that the burden of cost containment will fall more on the poor than the elderly.

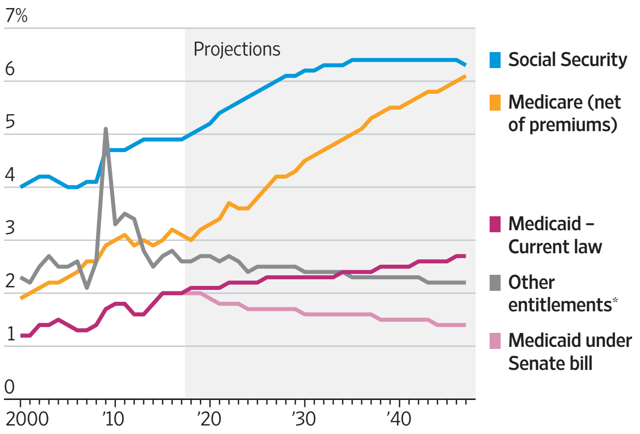
Of course, this isn't the explicit intent of either the Senate draft or the slightly different ACA replacement passed by the House of Representatives last month. Neither deals with Medicare.

That omission, however, speaks volumes. In 2012, Republican presidential candidate Mitt Romney and running mate Paul Ryan (now speaker of the House) proposed converting Medicare from fee-for-service to vouchers, and federal Medicaid to a block grant. The aim was to arrest the growth of both open-ended federal obligations.

Donald Trump later deduced that those promises contributed to the ticket's defeat, and so when he sought the Republican nomination, he promised not to touch Medicare or Social Security. Initially, he also promised to spare Medicaid but that gradually receded from his pitch. When Mr. Trump's first budget was unveiled last month, it pledged to curb safety-net programs including Medicaid and Social Security disability insurance but, at Mr. Trump's insistence, not Medicare or

Where the Costs Are

Social Security and Medicare as a share of GDP are growing much more rapidly than Medicaid, which would actually fall under the Senate proposal.



*Includes refundable tax credits, food stamps, welfare, veterans pensions, and the Troubled Asset Relief Program; excludes ACA subsidies and Children's Health Insurance Program
Sources: Congressional Budget Office; Committee for a Responsible Federal Budget (Medicaid estimates)
THE WALL STREET JOURNAL.

Social Security pensions.

The electoral dividend: The elderly are a growing and highly motivated part of the electorate. Most workers pay Medicare taxes, and everyone regardless of income becomes eligible at age 65. Thus, most Americans feel entitled to Medicare, creating an emotional bond that transcends party affiliation and background.

That bond is much weaker with Medicaid. Because touching Medicare is toxic, the entitlements debate has been shunted to Medicaid, "a less vocal more vulnerable population," says Marc Goldwein of the Committee for a Responsible Federal Budget, a fiscal watchdog group.

Still, while singling out the poor and walling off old-age entitlements may be politically shrewd, it is economically blinkered. The cost of entitlements for the poor such as food stamps and tax credits isn't trending higher. Exceptions are disability benefits, which have trended higher, and Medicaid, which I will come back to.

Medicare's costs are being pressured by both an aging population and the tendency of health costs to grow faster than general inflation. The Congressional Budget Office estimates Medicare spending will soar from 3.1% of GDP this year to 6.1% in 2047.

Roughly 8% of Medicaid's 70 million beneficiaries are elderly and they receive 16% of benefits; the remainder are children, working-age adults and the disabled. So while aging does contribute to the program's rising costs, the main factor is health-care inflation. The program's costs are projected to rise from 2% of GDP this year to 2.7% in 2047.

The federal government funds about 60% of Medicaid by matching state spending. Both the House and Senate health bills would replace the matching formula with either a block or a per-enrollee grant. The financial impact depends crucially on how the grant is determined.

Starting in 2025 the Senate would index per-enrollee payments to the overall inflation rate, a more stringent cap than either Mr. Romney or the House contemplated. If the cap held, federal Medicaid spending in 2047 would fall by nearly half relative to current law, to 1.4% of GDP, according to rough estimates by the CRFB.

Republicans argue this will encourage states to deliver health care more efficiently because they will not have to share the savings with Washington. That potential, however, may be limited: States will either have to replace the missing federal money themselves, or reduce benefits, restrict eligibility, cut fees to providers, or some combination thereof, widening the quality disparity between Medicaid and Medicare coverage.

Mr. Goldwein says while Medicaid is unsustainable, fixing it will not correct "our structural deficit until we deal with Social Security and Medicare." Those two programs, he says, can be mended by paring back benefits for middle-class and upper-income beneficiaries.

Economic reality favors, eventually, just such a fix. But not while today's politics prevail.

AARON P. BERNSTEIN/REUTERS

Senate Majority Leader Mitch McConnell speaking about the Republican health bill on Tuesday.

Senate GOP Scrambles To Win Over Opponents

By Kristina Peterson, Siobhan Hughes and Michelle Hackman

WASHINGTON—Senate Republican leaders scrambled Wednesday to rework by week's end their plan to dismantle the Affordable Care Act, but GOP senators remained mired in disputes over key policy planks of the bill.

A day after Senate Majority Leader Mitch McConnell (R., Ky.) abruptly postponed a vote on the bill until after next week's recess, GOP senators sought agreement on a series of thorny issues, with little evidence of quick progress.

Lawmakers said they hoped to hammer out a new version of the bill before leaving Washington on Friday, but some doubted they could overcome the intraparty rifts by then.

"It's going to be very difficult," said Sen. Susan Collins (R., Maine), one of nine Senate Republicans who publicly oppose the bill.

Senators with concerns about the legislation traipsed in and out of Mr. McConnell's office, and GOP leaders worked to figure out whose concerns could be soothed by extra funds and whose would require more radical alterations.

Sen. Dean Heller of Nevada, currently opposed to the bill, and the two senators from Alaska, Lisa Murkowski and Dan Sullivan, were among those meeting with Mr. McConnell, but no deals to win them over emerged publicly.

In a long and contentious closed-door luncheon Wednesday, roughly 15 to 20 GOP senators aired competing ideas over how to improve the bill, Sen. Rand Paul (R., Ky.) said. "We've got a long ways to go," added Mr. Paul, another opponent of the bill.

Lawmakers said much of the discussion centered on how to shore up the faltering individual market, where people buy insurance if they don't get it through work or safety-net programs. Conservatives have been pushing an idea backed by Sen. Ted Cruz (R., Texas) that would allow insurers who offer at least one plan that meets ACA requirements

Lawmakers parade through McConnell's office, but no deals emerge publicly.

to also offer a cheaper plan covering fewer benefits.

"That would have the effect of significantly reducing premiums and enabling people to purchase health insurance they can afford," Mr. Cruz said.

Supporters of Mr. Cruz's plan say people who don't need a specific benefit shouldn't have to buy it—for example, men should not be required to buy policies that include maternity services.

Others dismissed such arguments, saying men are involved in pregnancy also. "Women don't get pregnant without sperm," Sen. Bill Cassidy (R., La.) said dryly.

The Cruz plan, critics added, would encourage healthier, younger people to buy the skinnier plans, driving up premiums for sicker and older consumers.

Centrist Republicans, meanwhile, want changes in the bill's phase-out of higher federal support for the ACA's expansion of Medicaid, which the current bill would start reducing in 2021 and fully eliminate by 2024. Centrists also want to change a provision that lowers the growth rate for Medicaid spending in 2025. Such a shift could ease concerns about passing those costs to states.

But such a change would also create new problems among conservatives.

Some lawmakers also are pushing for higher per-capita limits on Medicaid payments for beneficiaries who are elderly or disabled, according to people familiar with the talks.

Republicans hope to resolve these policy disputes by Friday, giving the Congressional Budget Office time to evaluate a new version's cost and coverage by the time lawmakers return the week of July 10.

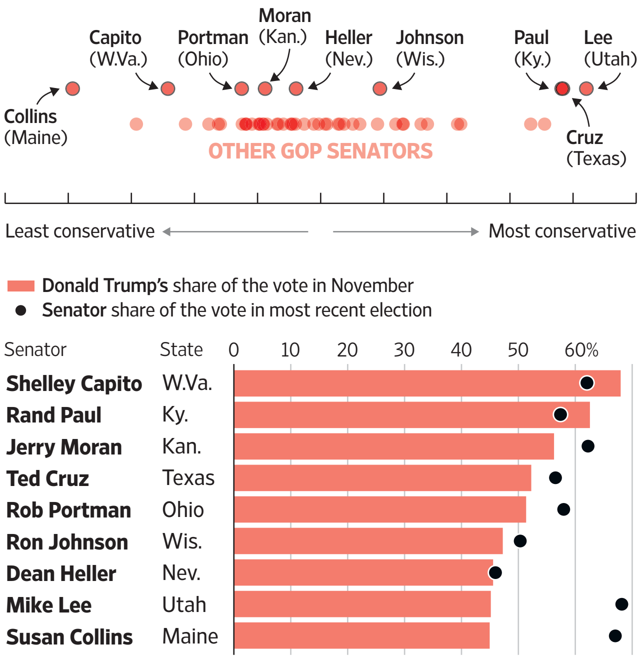
Democrats said the delay shows that Republicans should work with them to fix the ACA, rather than dismantling it. Senate Minority Leader Chuck Schumer (D., N.Y.) said: "Let's abandon more tax breaks for the rich, let's abandon cuts to Medicaid, and discuss what the American people are really concerned about—premiums, deductibles, the costs and quality of health care."

—Stephanie Armour contributed to this article.

Bridging the Divide

Opposition to the Senate GOP health-care bill is coming from both wings of the party, making a compromise bill a daunting task.

Where GOP senators opposed to the health-care bill align politically, by one measure of ideological position



Note: Ideology based on Keith Poole and Howard Rosenthal's weekly Common Space DW-Nominate scores, a measure of ideology using roll call votes throughout each individual's congressional career.
Sources: Voteview.com (ideology); House of Representatives Office of the Clerk; Dave Leip's Atlas of U.S. Presidential Elections (vote share); staff reports (opposition)
THE WALL STREET JOURNAL.

Ending ACA Rule Could Help Insurers

By Anna Wilde Mathews

Buried in the Senate Republican health bill is a possible boon for insurers: an end to the Affordable Care Act rule that forced them to spend the lion's share of premiums on health care for enrollees.

Under the ACA, the federal government requires insurers to spend 80% of premiums revenue, received for individual and small-business plans, on health costs. For large employer plans, the share is 85%. If an insurer doesn't hit the required ratio, it has to rebate the extra money to customers.

The Senate bill would end that requirement, starting in 2019. Instead, the bill says, states would mandate their own versions of the ratio—typically called a medical-loss ratio, or MLR—for individual and employer plans. States would also determine how rebates would be paid, if necessary.

The upshot for insurers would depend on states' actions, but analysts suggested that where states chose to loosen the requirements, the industry might be able to bolster its profits, particularly in the employer business. "They could see some margin expansion," said Ana Gupte, an analyst with Leerink Partners LLC.

Deep Banerjee, an analyst with S&P Global Ratings, said the ACA's ratio requirements prodded insurers to reduce administrative costs and get more efficient, and also was one factor motivating the industry to seek big mergers, as companies sought to shave expenses further. The requirements also led to cuts in the commissions paid to brokers, squeezing them, industry officials have said.

In the individual insurance market, where consumers buy their own plans, insurers are generally already paying out a higher share of premiums on health claims than the law requires, he said, so the shift in the ratio requirement may not have much immediate effect.

The Congressional Budget Office, in its analysis of the Senate bill, estimated that states representing about half the U.S. population would choose to maintain the current federal ratio. But in states that allowed insurers to drop the minimum share of premiums going toward health care, "the provision would cause insurers to raise premiums," at least in areas where they faced little competition.

A spokeswoman for America's Health Insurance Plans said the group hasn't taken a position on the Senate bill's provisions about medical-loss ratios.

Price Sold Stock Before Drop, Others Face Losses

By James V. Grimaldi

Health and Human Services Secretary Tom Price's appointment to be a cabinet secretary inadvertently saved him a big stock market loss, while as many as five members of Congress may not have been so lucky.

When Dr. Price was appointed to run HHS, he said he would sell 461,238 shares in an Australian biomedical company to avoid any possible future conflicts of interest, in case the firm's primary drug came to the U.S. market.

On Tuesday, the company, Innate Immunotherapeutics, announced a clinical trial for a multiple sclerosis drug had apparently failed, sending the stock tumbling 92%. If Dr. Price had sold the stock after Tuesday's decline, his shares would have been worth $22,601, registering a loss on an initial $94,000 investment.

Instead, Dr. Price, a former Republican congressman from Georgia, in February sold the Innate Immunotherapeutics shares for about $320,000, earning at least $225,000, according to an analysis by The Wall Street Journal of his disclosures to Congress and an ethics disclosure report in April. Dr. Price's spokeswoman didn't respond to a request for comment.

Some of his colleagues weren't so fortunate. Rep. Chris Collins, the firm's largest shareholder and a director of Innate Immunotherapeutics, suffered a paper loss of about $17 million on Tuesday, according to public filings of his stake in the company.

Mr. Collins's total losses on Innate Immunotherapeutics are roughly $5 million, which was how much Mr. Collins initially invested in the company over the past 15 years, according to a person familiar with the company.

Mr. Collins told Dr. Price about the company, Mr. Collins said in an interview earlier this year, leading to Dr. Price's investment and two private placement purchases. Dr. Price was one of fewer than 20 U.S. investors invited last year to buy discounted shares.

"For those that invested in Innate including me, we all were sophisticated investors who were aware of the inherent risk," Mr. Collins said. "For every successful drug, there are countless numbers that fail. That's how today's system works."

In recent years, Innate Immuno Chief Executive Simon Wilkinson had made optimistic statements about the drug for secondary progressive multiple sclerosis, the firm's only drug in development.

On a conference call Tuesday, Mr. Wilkinson told investors the drug had no meaningful or statistical difference from a placebo in a trial with 93 patients who have MS.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

WASHINGTON WIRE

DIPLOMACY

Ambassador to China Espouses Trade

Newly appointed U.S. Ambassador to China Terry Branstad touted trade as he took the helm of an important diplomatic mission that has been mired in uncertainty under President Donald Trump's administration.

Earlier this month, David Rank, who had headed the embassy's work as chargé d'affaires since the departure of former Ambassador Max Baucus, resigned over the Trump administration's withdrawal from the Paris climate accord. U.S. diplomats have said they hoped Mr. Branstad's arrival would steady the ship.

Appearing before reporters with family members at the ambassador's residence on Wednesday, Mr. Branstad struck an optimistic tone.

"We recognize this is an important relationship between the two greatest economic powers in the world," he said. "We want to work together to denuclearize the Korean Peninsula."

—Josh Chin

CONGRESS

Business Groups Push For Tax Overhaul

Four of Washington's largest business groups have a renewed message for Congress: Get moving on a tax plan already.

In a letter sent Wednesday to congressional leaders, the groups urged Congress to "move quickly" on tax policy. The groups are the U.S. Chamber of Commerce, the Business Roundtable, the National Federation of Independent Business, and the National Association of Manufacturers.

"No initiative likely to be considered in this Congress offers more promise than comprehensive tax reform to accelerate out of the current pattern of slow economic growth," the groups wrote.

—Richard Rubin

Travel Restrictions to Be Unveiled

By Laura Meckler And Brent Kendall

WASHINGTON—The Trump administration plans to begin enforcing its travel ban on Thursday, but the changes are unlikely to be immediately visible at airports in the U.S. or anywhere else.

Rather, the new rules will have their first impact on the desks of embassy and other government officials around the world, as they make decisions about who is granted a visa under an executive order put forth in March by President Donald Trump and scaled back by the Supreme Court on Monday.

On Thursday, the Department of Homeland Security is slated to issue guidance for who will qualify for visas, a spokesman said. The department declined to give details on the guidelines, which will take effect the same day.

TED S. WARREN/ASSOCIATED PRESS

Travelers at the Seattle-Tacoma International Airport on Monday, the day of the Supreme Court ruling.

A version of the guidelines under discussion late Wednesday afternoon called for a restricted definition of what family ties would qualify as a "bona fide" relationship that allowed for U.S. travel, according to one person familiar with the discussion. Under this version, applicants would need to prove a relationship to a parent, spouse, child, adult son or daughter, son- or daughter-in-law or sibling in the U.S., he said. Others, including grandparents, grandchildren and fiancées, wouldn't qualify.

The DHS action follows a Supreme Court decision to lift lower courts' injunctions on the executive order temporarily banning travel to the U.S. by citizens from six Muslim-majority countries that the GOP president has said poses particular security risks.

The court said the ban could be implemented in the months before it hears a pair of legal challenges this fall. But it also ordered the administration to make exceptions for visa and refugee applicants who have a "bona fide" relationship with people or institutions in the U.S.

There are few expectations of the sort of chaos at airports that accompanied Mr. Trump's first version of this executive order. After its release in January, some travelers were abruptly stopped at arrival gates and sometimes held for hours. A flurry of court challenges followed.

The March order allows for existing visas to remain valid, including those issued as recently as Wednesday. So it is unlikely that people will be turned back unexpectedly in the near term.

Still, immigration advocates are bracing for trouble. Amnesty International USA said it would station researchers at John F. Kennedy International Airport in New York and Dulles International Airport outside Washington, D.C., on Thursday to monitor implementation of the new rules.

An Amnesty spokeswoman said it is unclear exactly what guidelines border agents will be given. Questions also remain about how to interpret the Supreme Court order.

A letter sent Tuesday to Homeland Security Secretary John Kelly by advocacy groups, including Muslim Advocates, said: "The public is in urgent need of information about the manner through which persons can establish a 'bona fide' relationship with a person or entity in the United States," as well as how to make such a request.

Beyond the new travel rules, the DHS is also developing new rules for vetting visa and refugee applicants, and is still conducting a country-by-country review of security procedures that could lead to new and possibly more sweeping travel restrictions by people from the six targeted countries and elsewhere.

New Air Security Measures Replace Laptop Ban

By Susan Carey

The Department of Homeland Security mandated new security measures for airlines flying to the U.S., stepping back from a broader ban on traveling with laptops.

DHS officials said Wednesday that new requirements will include enhanced screening of passengers and their belongings at foreign airports and new protocols for pets while they are on the ground there.

Homeland Security Secretary John Kelly outlined the new standards in a speech in Washington, where he said that terrorists are working hard to bring down aircraft and that the government must respond by increasing defensive measures.

"It is time that we raise the global baseline of aviation security. We cannot play international Whac-A-Mole with each new threat," he said.

Mr. Kelly added that various requirements, which will affect 180 airlines operating from 280 airports in 105 countries, can be "dialed up and down" depending on the threat. He said they would be enacted over the "next several weeks and months."

In March, DHS banned personal electronic devices from the cabins of aircraft flying to the U.S. from 10 airports in the Middle East and North Africa. The agency feared that terrorists could smuggle explosives inside a laptop or tablet past security and set off the device in the cabin when the plane is aloft.

Airlines complained such a ban would disrupt their operations and inconvenience their passengers. Some airlines and industry experts also warned that storing more laptops powered by lithium batteries in the cargo hold raised the risk of an undetected fire.

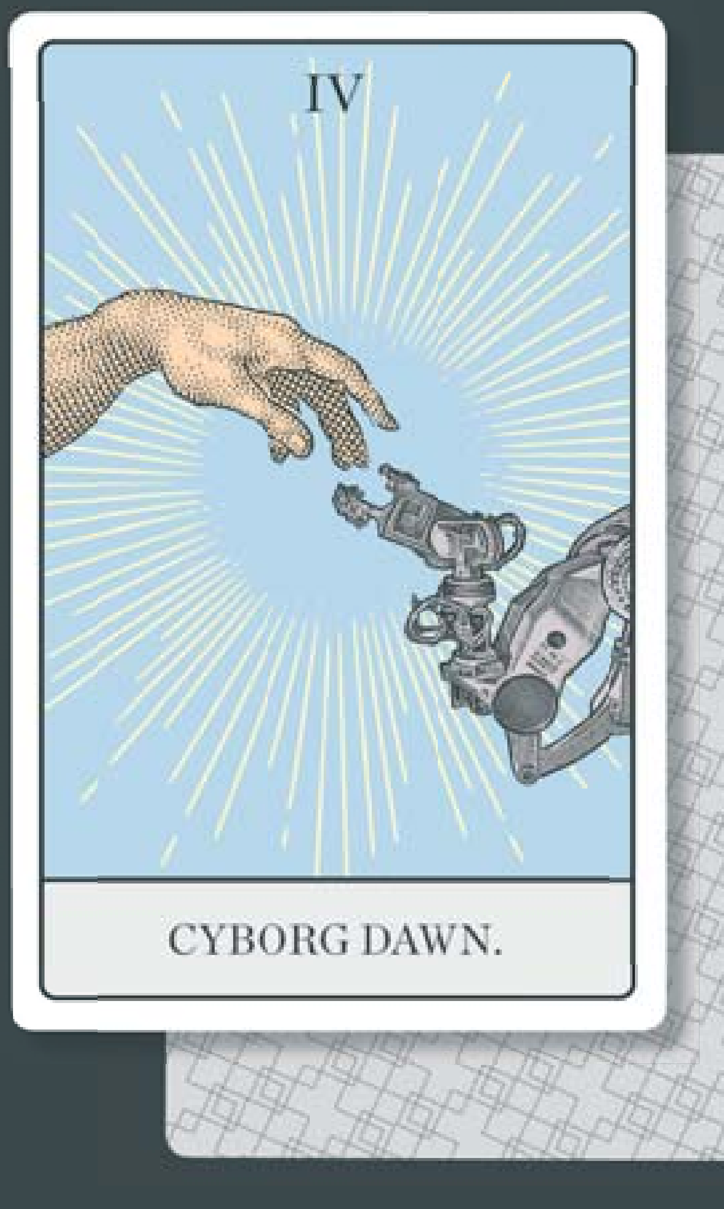
Mr. Kelly had previously suggested a wider ban affecting flights from Europe, or affecting all flights to and from the U.S. The stricter protocols outlined on Wednesday would preclude a wider ban and lift the in-cabin electronics prohibition at the 10 affected airports if officials there enact the new measures. The rules would affect some 325,000 passengers a day, DHS officials said.

Airlines or airports that don't comply may be subject to a ban on large electronic devices or possibly be barred from flying to the U.S. altogether, Mr. Kelly said Wednesday.

—Laura Meckler and Robert Wall contributed to this article.

THE FUTURE OF EVERYTHING

Erasing the Line Between Human and Machine



The age of cyborgs is upon us. Scientists and engineers are designing brain-computer interfaces to treat diseases and even, perhaps, grant humans the power of telepathy.

The future of the mind, from mental health to cognition, is a fusion of mind and machine.

Read now at WSJ.COM/FOE

Sponsored by:
ENTERPRISE FLORIDA

THE WALL STREET JOURNAL.
Read ambitiously

© 2017 Dow Jones & Company, Inc. All rights reserved. 6DJ5657

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

France Opens Bid to Recast Labor Rules

Macron's proposals aim to give firms more leeway on employment and jump-start growth

By William Horobin And Marcus Walker

French President Emmanuel Macron, right, with the newly elected president of the National Assembly, François de Rugy, at the Élysée presidential palace Wednesday.

LAURENCE BENHAMOU/AGENCE FRANCE-PRESSE/GETTY IMAGES

PARIS—France's new government laid out its plans to remake the country's decades-old labor regulations, opening President Emmanuel Macron's effort to give the eurozone's second-biggest economy the vigor it has long lacked.

Mr. Macron wants to revise more than 3,000 pages of labor rules that employers say discourage hiring by making it complicated and financially risky to dismiss workers. His proposals include capping fines for unfair dismissals and giving companies more leeway to work around rules set by unions.

"The world is changing and it's changing fast," said Labor Minister Muriel Pénicaud, who used to head human resources at French dairy company Danone SA. "We are obliged to change our social model."

The proposals announced Wednesday will be refined and amended over the summer in preparation for the government to decree the changes in September.

Revising the labor laws is a major test of Mr. Macron's authority, two months after he won election as president by putting such change at the heart of his campaign.

The success or failure of his mission to reinvigorate France's economy will shape the future of the European Union and its shared currency, the euro. France's stagnation paired with neighbor Germany's recent strength has left the bloc's economy and politics deeply unbalanced. Recent optimism that the EU is turning a corner and leaving a crisis-hit decade behind it rests to a large extent on hopes that France can shake off its malaise.

The country suffers from a litany of problems that most other continental European countries have tackled with greater determination in recent years. French unemployment has been stubbornly high since the 1980s. Rigid labor regulations and high payroll taxes have deterred business from hiring workers on indefinite contracts with full benefits.

Mr. Macron's agenda mimics in some ways Germany's reforms in the early 2000s under then-Chancellor Gerhard Schröder, who made widespread changes to labor rules and the welfare state, as well as overhauls in the Netherlands and Scandinavia. In all cases, the goal was to protect Europe's cherished "social model" of capitalism with a strong safety net, while adapting it to the competitive pressures of globalization.

Mr. Macron's labor overhaul is the most politically charged part of his agenda, but its economic efficacy will depend on nitty-gritty details yet to be defined, as well as on corporate shake-ups, consumer and investor confidence, and a wider package of policy overhauls.

The current economic climate favors Mr. Macron. The Bank of France recently raised its economic forecasts, saying it expects a rebalancing of the domestic economy with more foreign demand. And the consumer confidence reading jumped in June to its highest level in a decade.

Economists, business people and labor lawyers have also welcomed the thrust of Mr. Macron's proposals. "If Mr. Macron takes this through to the end, it will be a really deep reform of the labor code," said Baudouin de Moucheron, a senior partner specializing in labor law at the law firm Gide Loyrette Nouel.

French companies have refrained from commenting on the preparations of new labor laws, avoiding being tarnished by a perennially controversial debate in France. But business federations have long said that restrictive labor laws are the primary hurdle discouraging foreign companies from investing and native businesses from expanding.

A crucial aspect of Mr. Macron's plan is to let companies negotiate some working conditions with their employees in ways that depart from sectorwide agreements between unions and employers' federations. But some economists warn that small French companies, which the government says hold the key to stronger growth and lower unemployment, may lack the size and institutional know-how to embark on negotiations with their employees.

Other proposals include capping the cost for companies of legal settlements when laid-off workers go to court.

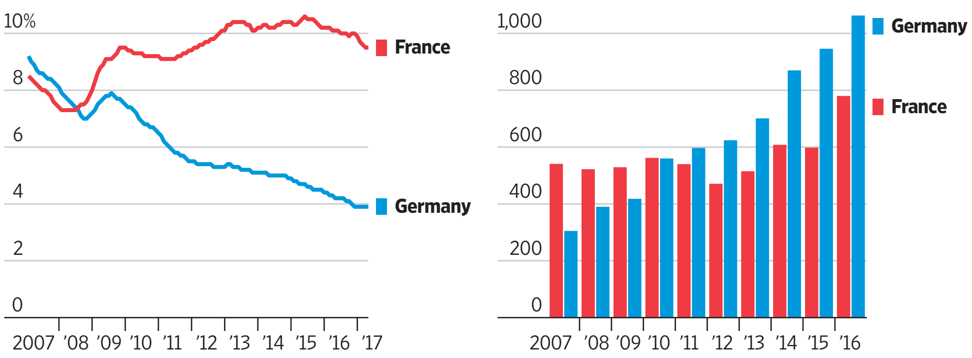
The government also presented measures that Mr. Macron hadn't flagged during the campaign, including a plan for a new type of labor contract tied to the duration of a project. It also wants to change rules for determining whether an international company can justify layoffs in France.

The radical leftist union CGT has called for a day of strikes and demonstrations on Sept. 12, but other unions haven't yet launched nationwide efforts to oppose Mr. Macron.

"I am neither naive nor suspicious," Jean-Claude Mailly, head of the Force Ouvrière, said Wednesday in an interview with French daily Le Monde. "The negotiation isn't useless," he added.

Closing the Gap

Critics say France's labor laws have discouraged hiring and warded off foreign investment. President Emmanuel Macron aims to bring the labor market more in line with Germany's.



Sources: Eurostat (unemployment); EY (foreign investment)

THE WALL STREET JOURNAL.

Macron Strives To Buck Resistance On Labor Reform

With a broad revamp of labor laws, President Emmanuel Macron is seeking to end France's record of piecemeal changes and sliding ambitions.

In 2006, after weeks of strikes and protests, President Jacques Chirac reneged on his government's pledge for flexible work contracts to bring down unemployment among young people.

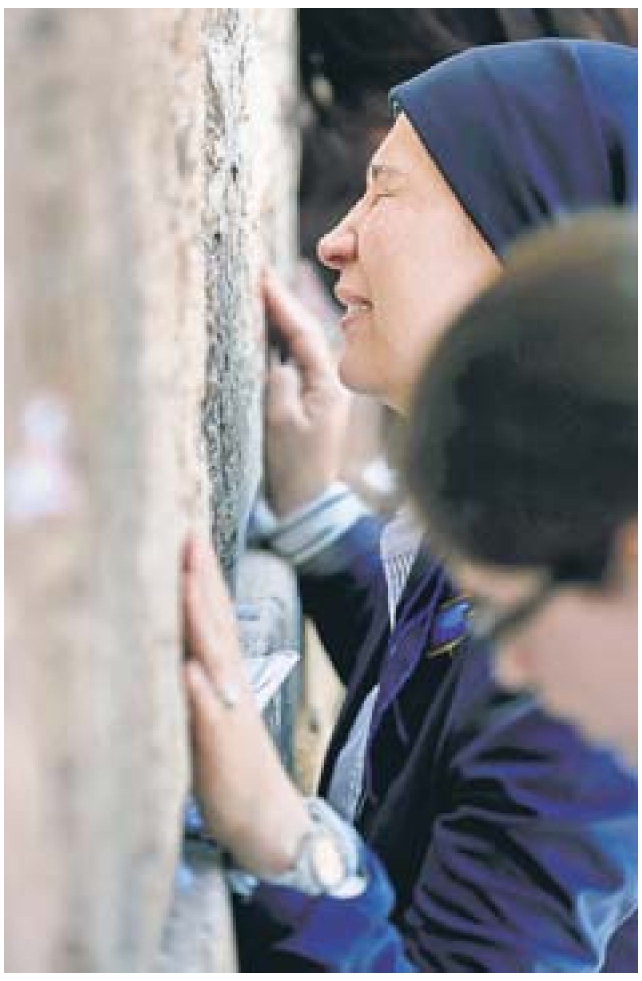
Nicolas Sarkozy came to power in 2007 promising France would work more to earn more. When the financial crisis struck, he narrowed his agenda to a pension-system overhaul.

President François Hollande set out in 2012 to import German-style flexibility to France's labor market by building consensus with unions. Few companies made use of the new provisions. In 2016, Mr. Macron, as economy minister, pushed to cap fines for unfair dismissals and give companies greater power to work around sectorwide rules, but the government backed down after street protests.

—*William Horobin*

Israel's Shift Upsets U.S. Groups

By Rory Jones



Women at the Western Wall in Jerusalem, a site of contention.

THOMAS COEX/AGENCE FRANCE-PRESSE/GETTY IMAGES

JERUSALEM—Israel's Prime Minister Benjamin Netanyahu has shifted closer to his ultraorthodox coalition partners on a controversial religious issue, sparking fresh tension with more-liberal American Jewish groups that accuse the leader of putting his political survival before their interests.

Mr. Netanyahu earlier this week suspended a previously agreed plan to allow Reform and Conservative movements of Judaism to help administer the religion's Western Wall shrine. Members of his government also proposed a bill that would allow only Israel's ultraorthodox-dominated Jewish authority, known as the Chief Rabbinate, to administer and determine who can convert to the religion.

The moves have rekindled longstanding strains between Israel's rabbinate and the Reform and Conservative movements in the U.S. that take a more-progressive approach to interpreting Judaism's laws and want equal standing in administering the faith and its holy shrines. Some American Jewish groups are now threatening to cut donations and investment to Israel that could amount to billions of dollars.

"If you cause Jews in the diaspora, particularly Jews of the United States to feel alienated...it has a strategic impact that should be of great concern to all the leaders of Israel," said Rabbi Rick Jacobs, president of the Union for Reform Judaism in North America, in a broadcast Wednesday on Israel's Army Radio.

His group, which represents roughly two million American Jews, canceled a planned Thursday meeting with Mr. Netanyahu in protest over the Israeli government's position on the religious conversion bill and the Western Wall.

The shrine is one of Judaism's holiest sites and the last of the four walls that abutted the Temple Mount compound in Jerusalem's Old City, where an ancient Jewish temple once stood. The Temple Mount, known as Haram al Sharif to Muslims, is now the location of the Al Aqsa mosque, one of Islam's holiest sites.

President Donald Trump became the first sitting U.S. leader to visit the Western Wall on a trip to Israel and the Palestinian territories last month.

Israel's rabbinate has long had a monopoly on many important religious matters in Israel, such as marriage, divorce and modes of worship. This stems from the political sway ultraorthodox parties wield as longstanding kingmakers in governing coalitions. Animosity between the ultraorthodox and Reform and Conservative movements goes back decades. Most Jews in America practice the more-liberal Reform and Conservative forms of Judaism.

The U.S. groups have long accused the Israeli government of being beholden to ultraorthodox parties. The two ultraorthodox parties, Shas and United Torah Judaism, have 13 members in Mr. Netanyahu's fragile 66-member governing coalition in a parliament that holds 120 seats.

"We are not willing to give a foothold here to the Reform. We don't want them here," Yaakov Litzman, health minister and member of the ultraorthodox political party United Torah Judaism, told Army Radio on Wednesday.

Mr. Netanyahu's move has faced criticism from opposition leaders and members of his own government, including hard-line Defense Minister Avigdor Lieberman, who heads the Yisrael Beiteinu party. The Jewish Agency, a body that facilitates Jewish immigration to Israel, also openly criticized the government's decision.

About 4.2 million American adults said they were Jewish by religion, according a 2013 survey by the Pew Research Center.

"The representatives of U.S. Jewry feel they were slapped in the face by the Israeli government and that they are apparently no longer welcome here," said Naftali Bennett, who is also leader of the Jewish Home party in the governing coalition and minister of diaspora affairs. "This isn't true. The Jews of the U.S. are welcomed and loved."

Mr. Netanyahu's office has said his government has only suspended the planned agreement on the Western Wall and discussions are ongoing to come to a compromise. The proposed bill on religious conversions will have to pass three votes in parliament to become law.

Cardinal Is Charged With Sexual Abuse

By Robb M. Stewart

Cardinal George Pell

ANDREAS SOLARO/AFP/GETTY IMAGES

MELBOURNE, Australia—Police in Australia have charged Cardinal George Pell, a senior official at the Vatican, with multiple counts of sexual offenses.

Cardinal Pell is the most senior Vatican official to be charged in the child sexual-abuse scandals that have rocked the Roman Catholic Church in various countries. The Vatican finance chief was charged on summons and will be required to appear at the Melbourne Magistrates' Court on July 18, said Shane Patton, deputy commissioner of Victoria state's police force.

Cardinal Pell, who is 76 years old, was informed of the action by police in Australia and strenuously denies all allegations, the Archdiocese of Sydney said. In the past, he has repeatedly rejected allegations of sexual abuse, including in October when three police officers traveled to Rome to interview him.

"Cardinal Pell will return to Australia, as soon as possible, to clear his name following advice and approval by his doctors who will also advise on his travel arrangements," the archdiocese said in a statement. "He said he is looking forward to his day in court and will defend the charges vigorously."

There are multiple complainants behind the charges, Mr. Patton said at a news conference Thursday in Melbourne, where Cardinal Pell had been archbishop. He also formerly served as archbishop of Sydney.

No details of the charges were disclosed, and Mr. Patton said the charges have yet to be tested in a court.

U.S. Seeks Closure on Qatar

By Felicia Schwartz

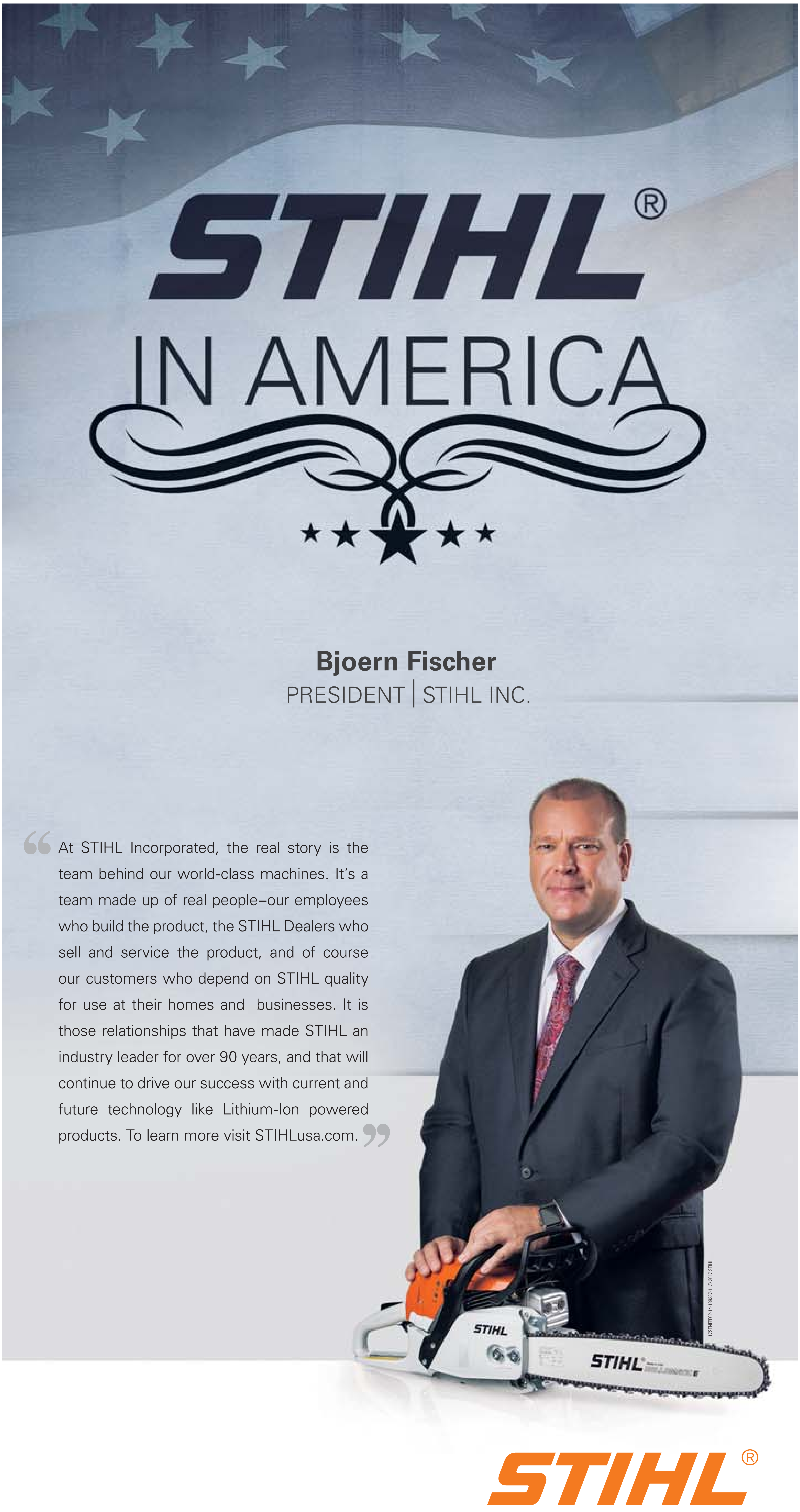
WASHINGTON—Secretary of State Rex Tillerson is keeping U.S. pressure on feuding Gulf Arab countries, urging negotiations as officials from all sides stream into Washington to make their case.

Mr. Tillerson is pressing his appeal for calm and reconciliation on all sides of the deepening conflict, which pits tiny gas-rich Qatar against its neighbors, Saudi Arabia, the United Arab Emirates and others that accuse Doha of supporting extremism and cozying up to Iran.

Mr. Tillerson met separately Tuesday with Kuwait's minister of state for cabinet affairs, Sheikh Mohammad Abdullah al-Sabah, and Qatar's foreign minister, Sheikh Mohammed bin Abdulrahman Al-Thani.

Saudi Foreign Minister Adel al-Jubeir told reporters Tuesday that it is now up to Qatar to amend its behavior.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com



For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

WORLD NEWS

Weary Brazilians Reject Rallies

By Samantha Pearson

SÃO PAULO—More than three years into a vast antigraft scandal that once sparked massive protests and a former Brazilian leader's ouster, a wide swath of society is fed up with political instability.

This craving for normalcy goes a long way to explain why few Brazilians are protesting President Michel Temer's government despite the corruption charges leveled against him this week and his profound unpopularity. He has a 7% approval rating, the lowest in a generation.

From bankers to builders and millionaires to slum dwellers, many Brazilians are tacitly choosing stability over rule of law. That, many observers say, may help Mr. Temer cling on to power until his mandate ends next year.

"I'm sick of watching about all this on TV every night. We just want an end to the chaos," Edilson Sousa, 29 years old, said Wednesday from his makeshift restaurant in one of São Paulo's biggest slums. "Elections are next year anyway so why not just let Temer stay until then?"


MIGUEL SCHINCARIOL/AFP/GETTY IMAGES

FLASHBACK: A São Paulo crowd protested in July 2016 against then-suspended President Dilma Rousseff.

Brazil's top prosecutor filed criminal charges against Mr. Temer on Monday, accusing him of accepting about $150,000 in bribes in the so-called Car Wash corruption scandal. The president denies the allegations.

For Mr. Temer to face trial, two-thirds of Brazil's lower house of Congress must approve. But with scores of legislators accused of corruption and other crimes—including rape and murder—Congress may be reluctant to turn against the president without public pressure, said Rafael Cortez, a political scientist at São Paulo-based consultancy Tendências.

"The lack of big street protests against Temer puts less pressure on Congress to end his mandate," Mr. Cortez said.

Academics, pollsters and other commentators attribute Brazilians' apparent acquiescence not just to simple protest fatigue but also to a fear of the unknown. With no appealing alternative to Mr. Temer on the horizon, many Brazilians worry that ousting him would stir only more political instability, jeopardizing the country's economic recovery.

"There is just nobody left to take Temer's place who could make things better," said Katia Gomes da Costa, a feminist activist.

Not everyone agrees.

Marcelo Kayath, founding partner at QMS Capital and former head of Latin American Securities at Credit Suisse, said the economic overhauls Brazil needs might be more successful under another leader. "I want to see all corrupt politicians go to jail," Mr. Kayath said. "Temer doesn't represent stability anymore so if we can't have stability, we might as well have justice."

Brazilians widely support the Car Wash investigation itself, which has unearthed a multibillion-dollar scheme in which companies bribed politicians of all major parties in exchange for state contracts, loans and other favors.

But Brazilians are reluctant to remove another president so shortly after protests led to President Dilma Rousseff's impeachment in August. Rafael Alcadipani, an academic at the Getulio Vargas Foundation, a business school, said protest leaders are doing little to encourage demonstrations since many of them are now tied to parties tarnished in the Car Wash scandal.

Mr. Temer's defense strategy has centered on painting himself as a figure of stability. In a defiant speech Tuesday, he said his accusers "wanted to bring the country to a halt."

Officials Suspend Passport Issuance

By Luciana Magalhaes

SÃO PAULO—Brazil's Federal Police suspended issuing passports because of a lack of funds for migration control and travel documents, amid concern President Michel Temer may be reducing the budget of law-enforcement officials to stifle corruption investigations.

Brazil's Planning Ministry said Wednesday the federal government is proposing a bill to add 102.4 million reais ($31.1 million) to Justice Ministry funding to fix the problem and resume issuing passports in coming days.

The suspension late Tuesday came as Mr. Temer tries to pass unpopular overhauls to cut the country's burgeoning budget deficit, and faces a criminal investigation and accusations of corruption.

As news about the lack of funds for travel documents in Brazil became public, one of the prosecutors involved in Brazil's Car Wash graft investigation used his Facebook page to accuse Mr. Temer's government of "suffocating" the Federal Police.

"Imagine how the several investigations across the country are going," prosecutor Carlos Fernando dos Santos Lima wrote, adding the police team devoted to the Car Wash probe has also been reduced. "Who benefits from this?"

Mr. Temer's office declined to comment.

Brazilian Attorney General Rodrigo Janot filed corruption charges Monday against Mr. Temer. The charges against Mr. Temer are based largely on a taped conversation at the president's house in March with Joesley Batista, former chairman of meatpacker **JBS** SA. In it, the businessman tells Mr. Temer of his various attempts to hamper investigations into JBS SA, including by paying hush money to a jailed witness.

Prosecutors say the president encouraged Mr. Batista's measures. Mr. Batista signed a plea deal, telling prosecutors he paid bribes to politicians.

Mr. Temer has denied any wrongdoing.


JOEDSON ALVES/EUROPEAN PRESSPHOTO AGENCY

Brazil's President Michel Temer faces corruption charges.

COPTER

Continued from Page One

Guard to deploy around the Supreme Court building and other sensitive sites. In a late-night televised address to the nation, he called the flight a "terror attack" aimed at destabilizing the government. "The person who took that aircraft launched a coup and took up arms against the republic," Mr. Maduro said.

No one was killed or injured in the incident that capped a dramatic day in Venezuela, in which Mr. Maduro threatened civil war, congress was overrun by national guards, and the attorney general, who has become a fierce critic of Mr. Maduro, was shorn of more of her powers.

The president's fiery speech and rapid military response only fueled suspicions among the president's opponents and ordinary Venezuelans that Mr. Pérez's flight was no act of resistance, but rather a stunt staged by the unpopular government to justify further consolidating its authority.


REUTERS

Police commando Oscar Pérez appeared in a video on social media.

"What happened doesn't make much sense," said Luis Manuel Esculpi, a retired lawmaker and defense expert who said he was puzzled by how a rogue helicopter could fly over the nation's capital without setting off its air-defense system.

Efforts to reach Mr. Pérez for comment were unsuccessful.

Shortly before taking off on Tuesday evening from a military air base in the capital, Mr. Pérez announced a rebellion against Mr. Maduro's "tyranny" in videos published on his social-media account.

"This fight is against the hunger, against lack of health care," he said, as four men with balaclavas and automatic weapons stood behind him. "We have to reconnect with our armed forces so that together we can recover our Venezuela."

It wasn't the first time Mr. Pérez fixed his penetrating blue eyes on an audience to deliver a dramatic speech. In 2015 he starred in a Venezuelan action movie, "Suspended Death," in which he pilots police helicopters, jumps out with a parachute and shoots down Colombian gangsters.

The government said Mr. Pérez's plot this week was a real one, hatched by the U.S. Central Intelligence Agency with the help of retired Gen. Miguel Rodríguez Torres, a former top ruling-party official who broke with Mr. Maduro earlier this year. Officials didn't provide any evidence. The U.S. has called Mr. Maduro's frequent assertions of American involvement in antigovernment plots absurd and false.

Gen. Rodríguez Torres dismissed the attack as "a stupid montage." They "attack with grenades, and none explode; attack with bullets and no one is injured," he wrote in response to questions.

Gen. Rodríguez Torres, who headed Venezuela's intelligence agency for 12 years, also said the Venezuelan military's Sukhoi jets frequently patrol over the capital and that helicopters are permanently on duty to respond within minutes to any attack.

Many Venezuelans are also wondering how Mr. Pérez could remain at large after apparently landing on a residential apartment building in daylight. The country's vice president said on Wednesday the missing helicopter had been found in the jungle about 20 miles east of Caracas.

Members of Venezuela's opposition have publicly played down the incident, saying they need to know more before commenting. In private, opposition leaders say they fear Mr. Maduro will use the alleged chopper attack to further crack down on dissent. More than 80 people have died in the last three months in clashes between protesters and security forces.

Hours before Mr. Pérez took off from the air base, soldiers carried boxes of unidentified equipment into the opposition-controlled congress, an action that engendered clashes with lawmakers. Congressmen say the move was a prelude to a government takeover of the building ahead of Mr. Maduro's plan to rewrite the constitution in August.

Mr. Pérez's alleged hijacking came as the government-controlled court published a decision granting investigative powers to the human-rights ombudsman, a close ally of the president. The court on Wednesday barred Attorney General Luisa Ortega from leaving the country and froze her bank account.

—Mayela Armas contributed to this article.

WORLD WATCH

FRANCE

Paris to Host Trump On Bastille Day

President Donald Trump accepted an invitation from French President Emmanuel Macron to attend the Bastille Day parade in Paris next month in a move meant to show solidarity after a bumpy start to their relationship.

Mr. Trump has already met Mr. Macron twice since the French president took office last month, in encounters notable for awkward handshakes in Brussels and skirmishes over climate-change at a Group of Seven meeting in Sicily.

The U.S. president's visit for the July 14 event marks an effort to mend ties between the U.S. and France, a senior U.S. official said. When Mr. Macron extended the invitation, he told Mr. Trump that his presence at the event would send a strong signal to the world, the U.S. official said.

"The implication was people think we don't like each other or that the U.S. and France don't get along, and if you were there it would be a good symbol," the official said, and Mr. Trump agreed.

—Matthew Dalton and Carol E. Lee

NATO

Military Outlays Set To Rise Again in '17

Allied military spending will increase by about $12 billion this year, the North Atlantic Treaty Organization said.

After years of decline, allied spending, excluding the U.S., began to increase slightly in 2015, with a more-substantial gain last year. The latest rise amounts to a 4.3% increase from last year, and military spending is up by $45.8 billion since 2015, NATO Secretary-General Jens Stoltenberg said.

"The trend is up, and we intend to keep it up," he said Wednesday in Brussels.

Roughly a quarter of the increase this year is due to an 8% increase in military spending by Germany. *—Julian E. Barnes*

FROM PAGE ONE

BANK

Continued from Page One

the Bank of England and the Bank of Canada both suggested they'd be reducing stimulus.

The euro plunged against the dollar on Wednesday, then recovered. The pound and the Canadian dollar leapt. Yields on U.K. government bonds shot up. Yields on Treasurys and other bonds also moved higher.

When and how much Western central banks pull back from their unprecedented run of ultralow interest rates and large-scale asset purchase programs, known as quantitative easing, are the foremost questions for global investors.

The prospect of an end to stimulus has lurked in the background for months but has zoomed to the fore now that signs of an economic recovery are beginning to appear in regions, especially Europe, that have struggled to shake off the aftereffects of the global financial crisis.

An end to the ECB's bond buying "is probably the most important supply-demand change that we can foresee in bond markets," said Tim Haywood, investment director for fixed income at Swiss money manager GAM.

Global bond markets have been strongly interconnected, and U.S. government bonds closely tracked moves in European ones on Wednesday. The yield on the 10-year Treasury note rose to 2.223%. Higher yields on European government bonds make U.S. government bonds less attractive to overseas investors, who have been buying up Treasurys in search of better returns than what they can get at home.

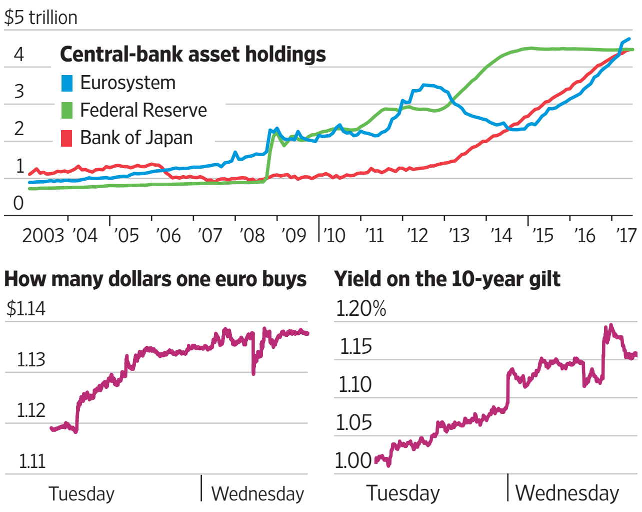
Investors had been selling government bonds and buying the euro since Tuesday, when ECB President Mario Draghi's comments, delivered at an ECB conference in Sintra, Portugal, on a "strengthening and broadening" recovery were interpreted as a sign the central bank was preparing to trim its massive bond buying.

But those moves briefly reversed on Wednesday. In an interview on CNBC, Vítor Constâncio, the ECB's vice president, suggested investors might have overreacted to Mr. Draghi's comments. An ECB spokesman declined to comment. The euro, which had neared $1.14 earlier in the day, dropped below $1.13.

Then Mr. Draghi, speaking again at the ECB conference, repeated his positive outlook for the eurozone economy. By the early evening in London, the euro was at $1.1375, up 0.3% on the day.

Biggest Buyers in Town

Global government bonds and currencies have fluctuated this week as investors parse signals from central banks about when they could scale back stimulus measures.



Note: Charts are in EDT. Bond yields rise as prices fall.
Sources: Federal Reserve; European Central Bank; Bank of Japan (assets); Thomson Reuters (currency, yield)

THE WALL STREET JOURNAL.

"Central banks are stumbling here and losing a bit of credibility with mixed communications, whether that's in Europe or the U.K.," said Jon Jonsson, a senior portfolio manager at Neuberger Berman.

Bank of Canada Gov. Stephen Poloz joined the fray Wednesday, noting in a television interview in Portugal that excess slack in the Canadian economy is being absorbed "steadily" at the current pace of growth, a comment investors took as evidence the Canadian central bank could raise short-term interest rates as early as next month.

Together, the policy makers' comments highlight a readiness to start moving away from the extraordinary measures—including interest rates pushed to zero and below and large-scale asset-buying programs—employed since the crisis to revive their battered economies.

At the same time, many central bankers face a policy dilemma. Falling unemployment normally justifies higher interest rates to prevent their economies and asset prices from overheating, but still-muted inflation calls for continued stimulus measures to ensure it doesn't drift lower.

Officials at the Fed, the ECB and BOE are actively debating whether they might be withdrawing support too soon, or too late.

A range of factors are suggesting a shift away from easy money may be in the offing. As financial crises recede and economic growth proceeds steadily, central bankers see slack in their economies disappearing. That raises the potential for inflation to pick up after running below target for several recent years.

Mr. Draghi's remarks follow a run of strong eurozone economic data this year. Growth has firmed, unemployment has fallen, and business and consumer confidence is at highs not seen since before the financial crisis. Lending to households in the eurozone accelerated in May while lending to firms held steady, the ECB reported Wednesday.

Mr. Poloz said Canada's growth would proceed at a "more normal pace but still above potential. That's the important thing. That means that we're absorbing excess capacity that was built up in the wake of the crisis and then built up again in the wake of the oil shock two years ago."

This is the Fed's calculation, too. With the U.S. jobless rate down to 4.3%, the Fed is expected to raise short-term rates one more time this year and start shrinking its bond portfolio.

Some government officials in Europe are growing concerned about the side effects of years of easy money. In Germany, Europe's largest economy, senior officials have complained for years that low interest rates harm savers and pensioners. The nation's central bank has warned that house prices may be overvalued by as much as 30%.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

Chinese Immigrants Embrace Hong Kong

Mainlanders adopt the ways of their new city, even as Beijing persists in imposing its will

By John Lyons And Chester Yung

LIAU CHUNG-REN/ZUMA PRESS

Workers set up barriers at the Grand Hyatt hotel in anticipation of protests at the celebration of 20th anniversary of Hong Kong's handover.

HONG KONG—In the two decades since Britain returned Hong Kong to China, a wave of mainland Chinese immigrants has flooded the former colony, deepening fears that local values—from free markets to the Cantonese language and even basic politeness—will get washed away in a tide of "mainlandization."

But in the teeming immigrant enclaves on Hong Kong's outskirts, the process under way can sometimes seem more like the "Hong Kongization" of mainlanders than the other way around. Many Mandarin-speaking newcomers say they relish the freedoms of their new home and are embracing its ways.

"You get influenced by the people around you," said Lucy Pun, a 45-year-old who left China seven years ago for Tin Shui Wai, a dense cluster of apartment towers near Hong Kong's border with China. Ms. Pun, who works at a shopping mall, speaks Cantonese now and uses a Hong Kong-sounding name.

Her experience shows how Hong Kong's identity might persist even as Beijing imposes its will. Preserving values grounded in the rule of law is crucial for the city if it hopes to push back, opposition figures say.

"Hong Kong and China have a divergent history when it comes to culture and values," says Joshua Wong, the 20-year-old activist who helped lead mass pro-democracy protests in 2014. "What makes Hong Kong unique is its rule of law, its Cantonese and other traditions."

Though Hong Kong is technically still a semiautonomous region, China is asserting its sovereignty. A visit by Chinese leader Xi Jinping for the July 1 anniversary of the handover is gearing up to be a celebration of mainland might..

Late Wednesday, police detained Mr. Wong and other activists who had been protesting Mr. Xi's arrival.

Chinese authorities have meddled in elections and use the nation's wealth to influence economic decisions. Chinese agents have secreted Hong Kong residents to mainland detention centers. The pro-democracy movement has been muted by prosecutions.

Hong Kong's incoming leader, Carrie Lam, who takes office during the festivities on Saturday, is under pressure from Beijing to introduce an antisedition law and a pro-China school curriculum—initiatives that were dropped in the past after they sparked protests.

But immigrant families leaving the authoritarian mainland can be more protective of Hong Kong's freer ways.

"Hong Kong people are not going to accept the values of the Chinese government," said Nathan Law, a 23-year-old activist who helped lead the 2014 democracy protests and whose family moved from the mainland when he was a child. Mr. Law was also among the activists arrested late Wednesday.

Many mainland students studying at Hong Kong's universities seek to stay after graduation, students and professors said.

"They arrive in Hong Kong and can't believe the level of freedoms. They see students challenging teachers in the classroom and say 'I want this for myself,'" said Jason Ng, an author who teaches law at Hong Kong University.

About a million Chinese citizens have moved to Hong Kong since the handover—roughly 13% of the 2016 population—and that inflow is regulated by Beijing. At the current rate, the percentage will be closer to 25% by 2041, according to government estimates.

Hong Kong's pro-democracy politicians want this "one-way permit" program ended. They say it smacks of China's use of migrants to dilute ethnic populations in restive regions like Tibet.

The city's government says these immigrants are needed to rejuvenate an aging workforce. Officials say the program is designed to bring together families, often Hong Kong men who have married mainland brides.

Pollsters say Hong Kong's identity is getting stronger, not weaker. About 94% of residents between the ages of 18 and 29 say they are "Hong Kongers" rather than "Chinese," compared with 68% at the time of the handover, a Hong Kong University poll released this month showed.

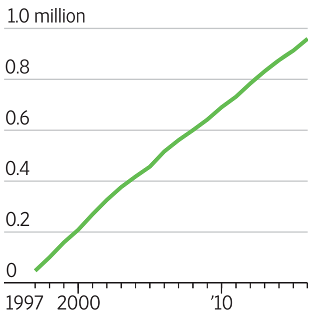
In Tin Shui Wai, a cluster of cramped 40-story apartment buildings, some new arrivals said they were motivated by wanting a better life rather than identity politics.

Fitting in means enjoying the free schools, inexpensive government health care and infrastructure that are often a step up from the places they left in China.

"It's the quality of life," said recent immigrant Bobo Mok, a 42-year-old mother of two.

One-Way Ticket

Cumulative arrivals from mainland China under the one-way permit system in Hong Kong



Note: No data available for one-way permit holders leaving each year
Source: Census and Statistics Department of Hong Kong
THE WALL STREET JOURNAL.

Trump, Moon to Focus on Pyongyang

South Korean President Moon Jae-in and President Donald Trump are set to meet in Washington Thursday for the first time, a highly anticipated summit that will serve as an early test of the new leaders' relationship following several differences over key policies.

By Jonathan Cheng in Seoul and Carol E. Lee in Washington

The discussions between Messrs. Trump and Moon, who will have dinner Thursday night at the White House and meet again on Friday, come amid growing urgency about confronting the threat from North Korea. The two leaders have suggested dramatically different approaches.

Mr. Moon, South Korea's first left-leaning president in nearly a decade, has called for closer ties with North Korea, primarily through economic cooperation, while the Trump administration has called for tougher sanctions, military pressure and diplomatic isolation. White House officials said North Korea is likely to dominate the talks between Messrs. Trump and Moon.

They played down differences in the two leaders' approaches and said Mr. Trump will stress to Mr. Moon the need to coordinate their policies. Mr. Trump's policy is to apply pressure on North Korea "to change their calculus to have substantive talks with us once they show they are willing to reduce the threat," a senior White House official said.

The official said Mr. Trump sees nothing "problematic" with Mr. Moon's positions.

The U.S. administration is seeking to ramp up sanctions on North Korea and apply new diplomatic pressure to Pyongyang, though the White House official said no new sanctions are imminent.

Mr. Trump will host Mr. Moon for cocktails and dinner Thursday night. The two will have an official meeting on Friday at the White House, followed by joint public statements. Mr. Trump's comments about South Korea and U.S. relations, both as a candidate and since taking office in January, have roiled South Korea.

Pro-Democracy Activists Arrested at Protest

By John Lyons

ANTHONY WALLACE/AGENCE FRANCE-PRESSE/GETTY IMAGES

A pro-democracy campaigner was taken away by police in Hong Kong after a protest Wednesday.

HONG KONG—Police detained prominent pro-democracy activists late Wednesday during a sit-in at an iconic monument before the arrival of Chinese President Xi Jinping, who is to mark the 20th anniversary of the former British colony's return to China.

The arrested activists included Joshua Wong and Nathan Law, co-founders of the Demosisto political party, which grew out of student-led protests that rocked Hong Kong in 2014, a party spokeswoman said. Mr. Wong, who has become the face of the opposition movement, was already scheduled to appear in court next week on charges related to the earlier protests, which shut down parts of the city for 79 days.

Under a 1997 handover agreement that saw China regain sovereignty over Hong Kong from Britain, the city was granted semiautonomy until 2047. But in practice, Beijing is flexing its power aggressively, from asserting itself in the city's governance to reinterpreting its effective constitution.

A massive security operation is under way to lock down parts of the city ahead of official events to mark the anniversary, which will include a flag-raising ceremony on Saturday where Wednesday's protest took place.

The opposition has been hindered by prosecutions of its leaders, including Mr. Wong. In a separate case, prosecutors are seeking to remove him from the city's legislative council for failing to properly execute his swearing-in oath.

China's surging economic and military influence has raised alarm bells in this Cantonese-speaking city of seven million, although many have resigned themselves to further encroachment by mainland authorities. A core group of young activists is seeking to keep the protest movement alive. A street rally is set for July 1, the handover anniversary and the day Mr. Xi is scheduled to leave the city.

On Wednesday, the activists staged a sit-in at a monument displaying a golden bauhinia orchid, which was given to Hong Kong by mainland China in 1997 to mark the handover. Around nightfall, police told the protesters they would be arrested if they didn't leave. Mr. Wong and Mr. Law were among those who remained and were led away into police vans, according to witness accounts.

Last week, Mr. Wong said he believed Britain's handover of Hong Kong had violated international norms, since sovereignty should have been returned to the local population, not to China.

In a statement late Wednesday, his party called mainland China's government "authoritarian" and a "brutal regime" that had "perverted Hong Kong people's civil and political rights to free elections and democracy."

—Chester Yung contributed to this article.

Indian Businesses Brace for Rollout of New Tax System

India's ambitious plans to overhaul the complex tax structure are triggering strikes, protests and delays as businesses say they aren't ready for the new system, which is set to start on Saturday.

By Corinne Abrams in Mumbai and Anant Vijay Kala in New Delhi

RUPAK DE CHOWDHURI/REUTERS

Kolkata textile workers on Wednesday protested the new tax.

India has millions of tiny businesses that are going to be caught up in the tax net for the first time under its new goods-and-services tax. Most say they need more help and more time because they don't have the computers, the internet connection or even the basic knowledge of how much they owe.

More than 50,000 textile traders are on strike this week, shutting their shops for three days through Thursday, in Prime Minister Narendra Modi's home state of Gujarat to protest the tax, said Manoj Agarwal, president of the Federation of Surat Textile Traders Association.

"We will spend our time filing the returns instead of doing business," Mr. Agarwal said. "Some of our members even don't know how to operate a computer. How can they even file their returns?"

The Confederation of All India Traders said this week that about a third of the association's 60 million members still don't have a computer to register on the government's tax network. It has asked authorities not to act against traders for lapses in compliance until March.

Another national association of businesses, the All India Manufacturers Organization, urged the government to allow small businesses more time to comply. The government has already relaxed the rules for filing returns for two months after implementation.

"This is going to be creating chaos," said K.E. Raghunathan, president of the association.

While the long-delayed implementation of the goods-and-services tax is seen as a positive step for the economy and a watershed moment for Mr. Modi, how smoothly it goes in the coming months could affect the prime minister's popularity as well as India's position as the world's fastest-growing large economy.

Companies say they will be buying and investing less as they adjust to the new system that will require India Inc. to file billions of documents each month. This will likely hurt growth this year. The extent of damage will be determined by how quickly India's businesses and bureaucrats can adjust.

"It is a mammoth exercise and anybody looking for efficiency gains in the near term is going to be disappointed," said Radhika Rao, India economist at DBS.

Government Hopes To Avoid a Repeat Of Currency Chaos

Prime Minister Narendra Modi needs to avoid the kind of market disruption that came with his previous big economic move, the voiding of close to 90% of the country's currency late last year to fight corruption, counterfeiting and other crimes. It was a painful speed bump for growth and Indian citizens, who had to stand in line for hours to exchange their old notes for new ones.

"The rollout of the Goods and Services Tax on July 1 will, in a single stroke, convert India into a unified, continent-sized market of 1.3 billion people," Mr. Modi wrote in The Wall Street Journal this week.

There is a general consensus among economists, executives and policy makers that the new system will eventually bolster economic expansion, but they warn there will be some short-term pain.

The government's crackdown on cash in November contributed to a slowdown last quarter, putting India's growth behind China's for the first time in two years. The coming quarters could see a similar hit from GST, economists said.

—Corinne Abrams

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

NIKE

Continued from Page One
with the deal.

Amazon told sellers this month that they won't be allowed to sell certain Nike items, including sneakers and apparel, starting July 13.

Nike and Amazon declined to comment.

As traditional stores close and shopping moves online, Amazon's dominance in retailing has grown, leaving even the most powerful brands unable to ignore it. Some companies disdain Amazon's site design, which doesn't conform to the tailored image they want to project, according to lawyers and consultants who work with them. They consider it a site that sells items, not one that builds brands.

One reason for their capitulation is the collapse of a retail distribution network they could better control, as malls flounder and chains like Sports Authority Holdings Inc. shutter.

A company's power to dictate who could sell its products and how, penalizing retailers that step out of line by withholding inventory or other measures, has been a critical tool to preventing unwanted discounting, which damages the ability to sell at full price.

Controlling their distribution "eliminated the exposure and much of the risk of having excess inventory in the market," said Ken Seiff, a venture capitalist at Beanstalk Ventures and a former retail executive.

Amazon, on the other hand, often gives third parties wide leeway on products sold on its site. Its goal is to offer the widest possible assortment of goods and bring down prices.

That has made it the first stop for e-commerce searches. Amazon pulled even with Foot Locker Inc. as the preferred U.S. retailer for buying sneakers in a spring consumer survey, according to retail analysts at Cowen & Co.

And while some retailers offer discounts in certain markets and stores, lower prices on Amazon can be seen by shoppers around the world.

When Julie Wyatt, 32 years old, wanted to buy Nike sneakers recently, she turned straight to Amazon. She filtered the selection by shoe size and color, and knew she would find a low price with free shipping. She ended up purchasing a $50 pair of gray and pink basic running shoes.

"I feel like Amazon is just the go-to," said the Atlanta resident, who estimates she does more than half of her total shopping on the site. "It's just so much more convenient."

Adidas AG added Amazon as a distributor in 2014, part of its strategy to grow in the U.S. Its market share of the U.S. athletic footwear market jumped from 7% to 11% this year through May, according to retail industry tracker NPD Group.

Amazon is where the U.S. consumer is, said Adidas Chief Executive Kasper Rorsted, who estimates that nearly a fifth of the sporting-goods market is now online. "Amazon is the best, without any comparison, transaction platform in the world," he said. "It might not be the best brand-building platform in the world, but that's why we...separate crudely between transaction and brand-building."

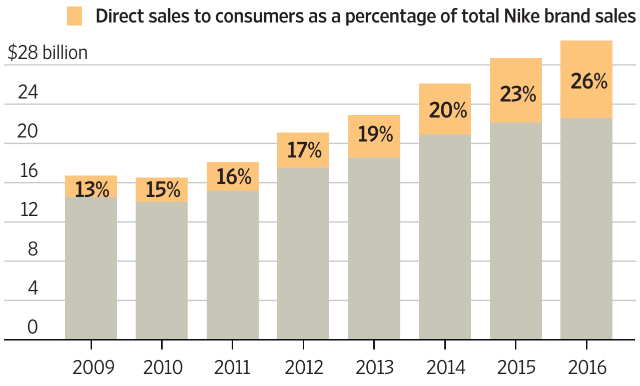
In addition to the merchandise Adidas allocates to Amazon, more Adidas products end up on the marketplace without its permission through third-party sellers. "We can't police that," Mr. Rorsted said, adding that the company tightly controls supply of its most-desired shoes, like Yeezys, to minimize reselling.

Nike's deal with Amazon is aimed at drowning out the flood of third-party sales on the site. Above, Nike goods at a Manchester retailer.

RICHARD GRAY/PA WIRE/ZUMA PRESS

Brand Control

Nike has increased direct sales to consumers through its own website and Nike stores.



Note: Nike brand revenues do not include Converse, Hurley or other subdivisions. Fiscal years ended May 31.

Source: company filings

THE WALL STREET JOURNAL.

Nike stores

In recent years, Nike has focused on bulking up sales via its roughly 1,000 named stores, its apps and its own website.

When the sportswear company first started selling on Nike.com in 1999, it didn't see Amazon—then a 5-year-old Seattle startup still selling mostly CDs, DVDs and books—as a threat.

Nike, after some experimentation, "ended up deciding that direct-to-consumer was stronger than using a third-party entity" for online sales, because it allowed it to better differentiate its offerings and was more profitable, said Vada Manager, a former Nike executive who worked on developing the company's online strategy and left in 2009. "That was the right decision" at the time, the now-consultant said, allowing Nike to sell online at higher margins while keeping its traditional, brick-and-mortar retail partners.

By 2008, Amazon was aggressively selling everything from TVs to diapers to its own Kindle e-reader. It wanted to boost its offerings in apparel.

That year, Jeff Wilke, a top deputy to Chief Executive Jeff Bezos, flew to Nike's headquarters in Beaverton, Ore., to explain the merits of a direct sales relationship with Amazon, according to a former Amazon executive who was briefed on the meeting. Third-party sellers were already selling thousands of Nike items on the site.

Other sports names such as TaylorMade and Under Armour were eager to take advantage of Amazon's rapid growth and were signing on. Baltimore-based Under Armour initially joined as a third-party seller and later became a direct seller to Amazon, which Chief Executive Kevin Plank in an interview called a "great partner."

Nike executives balked, saying the online retail giant was a product pusher that didn't know how to treat premium brands and goods, according to the former Amazon executive.

In 2012, Nike launched a new product, its FuelBand fitness tracking device, and wanted to try a new distribution strategy. In addition to using electronics retailers like Best Buy Co., Nike decided to experiment with selling on Amazon.

The online retailer, it conceded, was a major marketplace for selling electronics, and therefore a necessary partner for the FuelBand, the former Nike executive said.

But while Amazon's distribution was key, Nike wasn't thrilled with its merchandising strategy. Scrolling through the site's "Activity Trackers" page showed row after row of black- and neutral-colored wristbands. Click on one, and the landing page looked the same.

Ultimately, Nike scrapped the FuelBand in 2014, deciding it couldn't make enough headway in the fitness-tracker industry, and instead partnered with Apple Inc. on a smartwatch released last year. Selling FuelBand through Amazon reinforced Nike's opinion it had better options for retail partners.

Around the same time, the sportswear market started to take a turn. Nike's dominance as market leader was under attack as Adidas, Under Armour and Puma all found success with new celebrity endorsers. The athleisure boom took off, giving rise to nontraditional competitors like Fabletics. Traditional retailers were also under pressure, and the liquidation of major U.S. chain Sports Authority last summer sent sportswear companies scrambling for new ways to reach customers.

Amazon pulled even with Foot Locker as the preferred U.S. retailer for sneakers.

Meanwhile, more and more of the sales of Nike and other goods on Amazon's site were by third parties. The growth in the third-party segment had been fueled by rapid adoption by sellers and an offering in which Amazon warehouses and fulfills orders.

Third-party sellers

These days, analysts estimate third-party sales in total have surpassed Amazon's own sales on the site, and the number of sellers has swelled to over two million. Amazon doesn't report the value of sales by third-party sellers, but it confirms that about half of units sold on its site are from third-party sellers.

Third-party sales are generally more profitable to Amazon than its own, because it collects fees from the sellers without having to take on inventory risks. Amazon said its revenue from such sellers jumped 34% in the latest quarter from the previous year to $6.44 billion, nearly a fifth of total revenue.

The third-party sellers typically buy legitimate merchandise from distributors, big box stores and discount retailers such as T.J. Maxx, circumventing the retail networks companies have built up. The sellers then offer the items on Amazon at a slightly higher price than they bought them for, but typically lower than the suggested retail price, undermining companies' control over pricing.

Two years ago, Mike "Reezy" Rezendes II started selling footwear on Amazon. Already a seasoned book reseller, the 33-year-old heard shoes were easy to get and profitable. So he and three full-time employees started scouring Marshall's, Ross, Nike Outlets and even Nike.com.

"Nike is a large focus for us. We just keep sending them in and they keep selling," he said. Nike makes up more than half of his current 2,500 pairs in stock. He said he makes an average of $20 per pair of shoes.

Nike has added controls to try to keep resellers away, limiting the amount a consumer could spend in one go, according to several resellers. Mr. Rezendes found ways around the restrictions. He pays other mall customers $20 apiece to make his transactions, and he places small online orders of about 10 pairs of shoes during sales on Nike.com to get around detection, since large orders are flagged.

The bankruptcy of Sports Authority, one of Nike's biggest wholesale clients, unleashed a flood of Nike products on Amazon. An estimated $400 million worth of merchandise in total was liquidated, according to Edward Stack, chief executive of competitor Dick's Sporting Goods Inc.

Sam Cohen, a New Jersey-based seller, waited for discounts of 80% to 90% to buy roughly $200,000 worth of merchandise, including Nike shoes, hoodies, sports bras and golf equipment. Within a few months, he grossed about $1 million from his Sports Authority bounty, he said.

Nike is his best-selling fashion brand, helped by its lack of direct presence on the website. "That's how I make my money. Amazon is the No. 1 marketplace. Nike is the No. 1 brand," said Mr. Cohen. "If they're not in bed together, that's my opportunity."

Nike noticed. In recent months, Nike realized it was losing negotiating leverage to argue for better brand presentation or eliminate counterfeits as long as Amazon could make money off unsanctioned sales of its product, according to one of the people familiar with the deal. That triggered internal conversations among senior Nike executives about its relationship with Amazon, according to people familiar with the deal.

In recent weeks, Nike and Amazon executives held intensifying talks about cracking down on the proliferation of unsanctioned third-party sales and counterfeit products on the site, according to the people.

In the new deal, Nike will sell a small amount of product to Amazon in exchange for Amazon telling resellers not to sell those products, according to one of the people. The agreement is likely just the first step in a broader partnership, although Nike remains concerned about how its products will look on the site, the person said.

Unique product numbers should immediately identify the blocked items when a seller tries to list one. Last year Amazon also started requiring third parties to provide more information to list certain popular names, including Nike, requiring in some cases proof of permission to sell and a one-time application fee.

On the night of June 13, Amazon seller Mr. Cohen started getting hundreds of automated emails from Amazon informing him that he had 30 days to sell off certain items from his Nike inventory before the products would no longer be allowed.

Mr. Cohen immediately told his staff to stop buying swoosh products for resale. "I have a bad feeling that Nike and Amazon are about to get into bed together," he said.

BOOZE

Continued from Page One
to return them for refunds. A bill requiring a five-cent deposit was passed in May by Maine's Democratic-controlled House and Republican-led Senate.

That's when things got nippy. Gov. Paul LePage, a Republican, vetoed the legislation, initially calling the deposit on minis an "antibusiness vote." Lawmakers overrode his veto, as they often do in Maine.

Now, in a move that has shaken and stirred many Mainers, the governor is trying to boot mini liquor bottles off shelves. He cited increased costs to businesses and the state to expand the existing bottle-recycling program.

Opponents point out a ban would also be unfriendly to businesses, yet Mr. LePage isn't backing down. State regulators said in a report Friday that taking away tiny bottles won't substantially affect state liquor revenue because fans will likely simply "transition to a larger container."

Mr. LePage has also argued the deposit doesn't address the root of the problem—people chugging "the little nips," as the bottles are often dubbed, in cars and then flinging them out windows to get rid of the proof. "There is no possible way any deposit is going to get people to save the evidence," he said in a May interview with WGAN news radio in Maine.

Mr. LePage's office said he had no updated remarks beyond his May public statement and radio interview.

Maine has a history of being on the rocks with booze—it became the first state to officially go dry in 1851, long before the 1920 start of the federal Prohibition, which ended in 1933. Maine wasn't a teetotaler all those years but it was "more dry than wet," said Earle Shettleworth, a historian in Maine. But the latest brawl surprises minibottle fans from imbibers to artists.

"It does seem like a pretty big stretch over such a tiny thing, quite literally," said Whitney Gill, an assistant manager at the Maine Crafts Association. Local artists use pocket-size booze bottles to make funky wreaths, chess sets and salt-and-pepper shakers.

Little liquor bottles once mostly livened flights and hotel stays. These days they are surging as manufacturers market them as a low-cost way to sample alcohol.

Maine is one of 17 states that directly controls the supply of liquor, selling wholesale.

Maine's governor is calling for a ban on mini liquor bottles.

Maine sold 9.8 million minibottles to retail establishments in the 12 months ending in late May, up 52% from the previous 12 months. These kinds of sales would offset costs off a deposit program, proponents say.

Maine's hottest seller is a mini version of Fireball Cinnamon Whisky (Its slogan is "Tastes like heaven, burns like hell"), the director of Maine's liquor bureau testified in a February hearing.

Boosters say the wee servings, which can be had for 99 cents, are convenient and promote responsible portions, while critics say discarded minis blight the landscape.

Currently, proposed Massachusetts legislation titled "An Act Promoting the Proper Disposal of Miniatures" would put a five-cent deposit on little bottles. More than 1,000 supporters signed a petition titled "Nip the Nip."

The Distilled Spirits Council of the United States, a trade association, opposes crackdowns on miniatures in Massachusetts and Maine, saying bottle-deposit laws crimp consumer choice.

Maine Republican State Rep. Susan Austin wore two lapel pins, handmade from teensy bottles she had collected from roadways during one of her daily walks, to the State House hearing, where she supported the deposit bill. Ms. Austin also brought a bag of 40 or so of the miniatures. Each had been washed, laid out by her wood stove to dry, and then categorized by condition, including "roadkill" for the particularly mangled.

"I offer specimen A as evidence," she testified, as she exhibited her inventory. Ms. Austin has since made a necklace out of the little bottles.

State Sen. Thomas Saviello, a Republican, said the castoffs aren't a reason to cease sales of minibottles because people chuck beer cans from windows, too. "Don't just pick on the nips," he said.

On July 11, at the governor's request, the State Liquor & Lottery Commission will hold a public meeting on whether to "delist" 50-milliliter-size spirits currently available for purchase. The commission, whose five members are appointed by the governor and confirmed by the Senate, will make the final decision.

Ms. Meunier, the cyclist who documented the littered roadways, hopes it isn't last call. She backs the bottle deposit and wants the tiny bottles off the road, but not out of Maine.

"I like putting them in my Christmas stockings," she said.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

GREATER NEW YORK

Back for Special Session in Albany

HANS PENNINK/ASSOCIATED PRESS

STILL TRYING: Assembly Speaker Carl Heastie headed to a meeting at the Capitol on Wednesday. Lawmakers returned in hopes of breaking an impasse over mayoral control of New York City schools.

MTA Suspends Supervisors

Duo managed work near derailment site; loose material was stored in track bed.

By Paul Berger

Two Metropolitan Transportation Authority supervisors overseeing repairs to an area of track in Harlem where a subway train derailed on Tuesday have been suspended without pay.

The workers were supervising the installation of a new piece of rail on tracks north of the 125th Street station during the overnight shift that ended Tuesday morning, an MTA spokeswoman said.

Around 9:40 a.m., two cars on a southbound A train approaching the station jumped the tracks and struck a concrete wall, causing minor injuries to 39 passengers.

The MTA suspended the supervisors Wednesday pending a formal review process and an internal investigation. The state's Public Transportation Safety Board also has launched a probe.

Paul Navarro, chairman of the track division of the Transport Workers Union Local 100, said that replacement rail comes in 39-foot pieces. During repairs like the one in Harlem workers cut the rail to size. In this instance, he said workers left behind a 13-foot piece of rail that should have been secured to the track bed to be picked up later.

Beth DeFalco, an MTA spokeswoman, couldn't confirm whether it was that piece of rail or another "spare" part of track that caused the derailment. She said track in the area of the derailment was replaced the night before the incident and that a piece of rail stored in the track bed caused the accident.

The rail shouldn't have been in the track bed and it hadn't been secured, she said.

"There are proper protocols to ensure equipment is fastened and cannot shake loose and that equipment that is too small to be safely stored is never stored in between tracks," Ms. DeFalco said. "Those protocols were not followed, according to our preliminary investigation."

Mike Carrube, leader of the union that represents subway supervisors, said the MTA was "too quick to point the finger" at his members. "We don't know what really transpired," said Mr. Carrube, president of the Subway Surface Supervisors Association. "Was it a vibration that caused the rail to jump up under the train? Was it something hanging under the train that lifted the rail up causing the derailment?"

The derailment comes at a time of rising frustration among subway riders because of increasing delays and disruption caused, in part, by decades-old equipment and infrastructure that is struggling to cope with rising demand.

About 5.7 million people rode the subway on an average weekday in 2016, up from 5.2 million in 2011.

Following Tuesday's derailment, MTA officials sought to allay concerns, saying that subway workers would inspect "every inch of rail to ensure that each and every replacement part is properly stored and secured."

Hartford Tries To Deter Suits Over Tuition

By Katy Stech

Connecticut lawmakers are pushing back against lawsuits that threaten the state's colleges and universities with the loss of hundreds of thousands of dollars in tuition paid by financially struggling parents.

Gov. Dannel Malloy signed a law earlier this month that discourages trustees who handle consumer-bankruptcy cases from suing both public and private institutions to get back tuition money parents paid before filing for bankruptcy protection.

State Attorney General George Jepsen said in testimony this spring that the dozens of lawsuits filed in the state's bankruptcy courts in recent years "had an adverse financial impact on both public and private colleges and universities." His office defends suits filed against public colleges and universities.

The lawsuits arise from federal law that gives trustees the power to recover money that a bankrupt person spent years before filing if the person didn't get value for the expense. Trustees have argued that parents who paid a tuition bill for an adult child didn't get value for that expense, meaning the funds can be recouped to pay other debts.

In testimony to a joint Connecticut legislature judiciary committee in March, Mr. Jepsen took objection to the practice. "Parents and guardians unquestionably receive value for their children's college education," he said. "Our state laws should recognize that value."

Several colleges in other states, including Johnson & Wales University in Providence, R.I., and Skidmore College in Saratoga Springs, N.Y., have hired lawyers to argue that parents who help their children attend college do get some form of value.

When schools return money, other students in effect share more of the institutions' expenses, said representatives for several colleges in testimony to Connecticut lawmakers. They also made it clear that students could also face consequences.

The Connecticut law doesn't eliminate the lawsuits completely. It prohibits trustees from using state law to sue for payments made within four years of filing for bankruptcy. Federal law still permits them to sue for tuition paid within two years of bankruptcy.

Reward Offered for Information on 2016 Central Park Explosion

MARY ALTAFFER/ASSOCIATED PRESS

New York City police announced a $40,000 reward on Wednesday for information on the person responsible for a Central Park explosion last year that seriously injured a Virginia man.

Police believe the person had a chemistry background, and they have extended their search for the bomber throughout the U.S.

Standing in front of the area where then-18-year-old Connor Golden stepped on explosive materials, Chief of Detectives Robert Boyce said the New York Police Department and the Bureau of Alcohol, Tobacco, Firearms and Explosives were jointly offering the reward. "Right now we're still missing a lot of answers," he said.

Mr. Golden was with two friends on July 3, 2016, near Fifth Avenue and East 61st Street scouting a location to slack line, which involves walking along a rope suspended between two points. When Mr. Golden descended a large rock, he stepped on a bag that exploded. Mr. Golden had to have a foot amputated.

Authorities are looking across the U.S. where similar explosive materials have been discovered, Chief Boyce said.

"The explosive material was homemade and extremely dangerous," said Ashan Benedict, special agent in charge of the ATF's New York branch. "At any given time there were multiple people climbing on and around this rock formation."

There is no evidence linking the explosion to terrorism, said John Miller, the NYPD's deputy commissioner of intelligence and counterterrorism.

Mr. Golden has since learned how to walk with a prosthetic leg, said his father, Kevin Golden. "We're just perplexed as to who could've done this," he said, pleading for anyone with information to come forward.

—Zolan Kanno-Youngs

Massey Quits Mayor's Race After Spending $4 Million

By Mara Gay

Republican Paul Massey, who has spent about $4 million running for mayor of New York City, dropped out of the race Wednesday after failing to close the gap with Bill de Blasio.

Mr. Massey, a former real-estate executive, moved to New York City from Westchester County in 2015 and hired scores of staff and political consultants while gaining little momentum.

"We weren't getting the lift that I thought we would need to make the math work," Mr. Massey said Wednesday in a phone interview. "I thought I could beat him."

Earlier on Wednesday Mr. Massey participated in a Republican mayoral forum in Midtown, where he had told the audience at the Yale Club that he was the best person to lead New York City.

BESS ADLER FOR THE WALL STREET JOURNAL

Paul Massey at his campaign office. 'I thought I could beat him,' he said of Mayor Bill de Blasio.

Mr. Massey's exit leaves still less competition for Mr. de Blasio, a Democrat, who is likely to be the clear favorite in November. The most well-known challengers are Republican Assemblywoman Nicole Malliotakis, who represents Staten Island and a small part of southern Brooklyn, and Democrat Sal Albanese, a former city councilman who has criticized the mayor for not riding the subway more often.

Bo Dietl, a former New York Police Department detective, is also running. He initially sought to run as a Republican but was disqualified because of a registration mishap.

A Quinnipiac University Poll released May 17 showed Mr. de Blasio leading both Mr. Massey and Ms. Malliotakis three-to-one.

Kenneth Sherrill, a professor emeritus of political science at CUNY Hunter, said Ms. Malliotakis is a much stronger candidate. Still, her bid to unseat Mr. de Blasio in the heavily Democratic city faces strong headwinds. Ms. Malliotakis has said she voted for President Donald Trump, for example, who is deeply unpopular in New York City.

Mr. Massey said his partners in his real-estate firm had encouraged him to run. He said many people he spoke to in New York City and its suburbs didn't like the mayor.

"The 'anybody but de Blasio' sentiment is everywhere," Mr. Massey said, adding that many people have strong opinions about the mayor, including in Westchester, where "they think they're New Yorkers."

A campaign spokeswoman for Mr. de Blasio said crime was at record lows, job growth was up and the mayor was building affordable housing and "standing up to Trump."

"That is the mayor's strong record, and one that New Yorkers are rallying around," said Monica Klein, the spokeswoman.

Mr. Sherrill said Mr. Massey's failed campaign was the latest in a line of wealthy New Yorkers with little political experience who have unsuccessfully sought to be mayor. That includes grocery store magnate John Catsimatidis, who in 2013 lost the Republican nomination to Joe Lhota, and Ron Lauder, the heir to the Lauder cosmetics fortune.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

GREATER NEW YORK

State Law Drops Bail For Minor Offenses

By Joseph De Avila

Connecticut Gov. Dannel Malloy signed legislation Wednesday that would require suspects in most misdemeanor crimes to be released without bail, joining other states that have overhauled the pretrial justice system.

Mr. Malloy, a Democrat, sought to end the practice of setting bail for minor offenses because, he said, wealth shouldn't determine whether people stay in jail as they await trial. Democrats in the Legislature gave the measure broad support and some Republicans—including state Sen. Len Fasano, the top-ranking GOP member in the Senate—voted in favor of the bill.

"The effect of a few days of detention for people who have been accused of misdemeanors and not released simply because they do not have the ability to pay can be devastating and far reaching," Mr. Malloy said. It could lead "to the loss of employment and housing, which only exacerbates the kind of instability that can lead to a life of crime."

The the bail-bond industry said the law could cause hundreds of people to lose jobs.

The new law also ends "cash-only" bail in which defendants are prohibited from using a bond. Under the law, judges would only be able to set bail for misdemeanors when a defendant is charged with a family violence crime, is likely to fail to appear in court or is a danger to others.

A similar change in New Jersey went into effect this year.

The American Civil Liberties Union of Connecticut rallied behind the state's new law. But the bail-bond industry opposed the legislation and said it could result in hundreds of job losses.

Apartment Prices Hit New Highs

Pent-up demand in Manhattan brings out buyers, but some signs point to a slowdown in pace of sales

By Josh Barbanel

Manhattan apartment sales increased more than 20% in the second quarter compared with the same period last year, while prices rose to records, according to an analysis of property filings by The Wall Street Journal.

PROPERTY

But analysts warn the surge that followed last year's presidential election might already be fading as the number of new contracts signed has slowed in recent months.

Gregory J. Heym, chief economist at Halstead Property and Brown Harris Stevens, said the burst of activity in the current quarter reflected a release of pent-up demand in the postelection period, as more affluent buyers expected tax cuts to fuel continued economic growth. Now, he said, there are a host of new uncertainties, from worries over North Korea to gridlock in Washington, that could spook some buyers.

"People have strong opinions about these things," he said.

Sales were up at all price points, rising 22% from the second quarter of 2016, the best second quarter since 2008. The analysis is based on closed sales filed with the city's Department of Finance as of seven days before the end of each quarter.

At the same time, the median price of a Manhattan apartment set a record of $1.2 million in the quarter, 9% higher than the second quarter in 2016, with strength spread across multiple market segments. The average price was $2.16 million.

Prices were at record levels for co-ops and condominiums, but below the peak for condos in new developments, which set a record last summer following a surge in closings at expensive new buildings.

The median price for co-ops was $815,000, up 5.1%, while the median price for a condominium was $1.82 million, up 17%.

Pamela Liebman, president of the Corcoran Group, said business is good, though it lags behind the frothy years before the collapse of the last housing boom. "It is a healthy, realistic market," she said.

Some new developments were drawing strong attention—including Waterline Square, the last new development on Riverside Boulevard on the West Side, where an opening event to kick off sales attracted 400 people, Ms. Liebman said. But she also cited two potential roadblocks to the market: not enough lower-priced inventory, and sellers with overpriced listings who refuse to reduce prices.

The large increase in median prices reflected a 41% surge in sales of apartments going for more than $4 million compared with the same quarter in 2016. This outpaced the slower 14% sales growth in what passes for lower-priced apartments in Manhattan, those selling for less than $1 million. Sales below $1 million make up about 43% of all Manhattan apartment sales, but inventory has been low.

There are a number of signs of modestly slowing activity. Real-estate data site UrbanDigs.com showed the number of contracts signed in April and May down 8.6% from the same period in 2016, to the second-lowest level in six years.

Among more expensive apartments, those listed for more than $4 million, the number of contracts signed in the second quarter was up 3.9% from the second quarter last year, according to a report from **Olshan Realty** Inc.

Listing inventory was up 7% in June, according to a report by Brown Harris Stevens, while the absorption rate—the number of months it would take to sell all listings at the current sales pace—was up 11% from June 2016, to 6.3 months.

"This shows the pace of sales has slowed," Mr. Heym said.

The sweet spot in the market is apartments listed from $4 million to $6 million, which were priced efficiently, said Donna Olshan, president of Olshan Realty.

"There are too many overpriced properties," she said. "Things move when they are priced efficiently."

For the first time since 2015, the top sale was at an existing apartment rather than in a new condo. Since the first quarter of 2016, condos at 432 Park Ave. topped the list of the most expensive new developments.

But the top sale recorded in the second quarter this year was the $55 million paid for a third-floor co-op facing Central Park at 960 Fifth Ave., owned by the estate of Robert H. Ellsworth, a dealer of Asian art. The buyer was Carlos Alejandro Pérez Dávila, a financier.

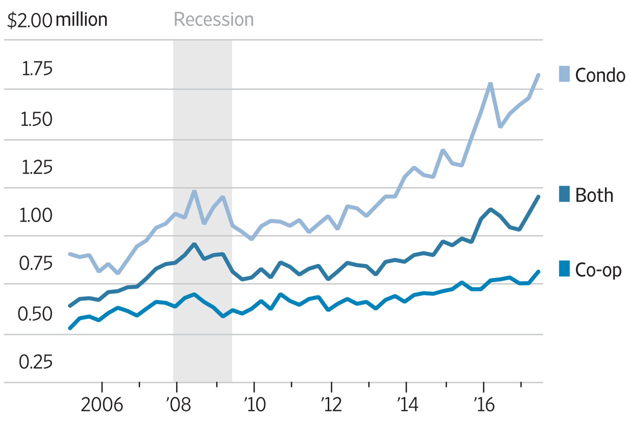
The second-most expensive sale was the resale a four-bedroom penthouse on the 40th floor of 15 Central Park West for $50.55 million. The sale of a $44.6 million condo at 432 Park Ave. ranked fifth.


ALEXANDER COHN/THE WALL STREET JOURNAL

Manhattan's apartment market strengthened in the second quarter. A unit at 960 Fifth Ave. sold for $55 million earlier this year.

Hot Property

Manhattan median apartment prices*



*Sales recorded through June 23
Source: WSJ analysis of city records

THE WALL STREET JOURNAL.

PROPERTY WATCH

GREENPOINT

Waterfront High-Rise Heads to Completion

Brooklyn's Greenpoint section is getting its first waterfront high-rise apartment tower to rival those in neighboring Williamsburg, though with slightly lower prices: High-floor one-bedroom condos are coming on the market starting at just under $1 million.

The glass 40-story tower at 21 India St., known as the Greenpoint, is the first of a number of long-delayed luxury towers to move toward completion in industrial areas in Greenpoint, following a rezoning more than a decade ago to encourage waterfront redevelopment.

The building is located next to a ferry landing and a new 29,000-square-foot waterfront park.

About 20% of the units will be set aside for affordable rental housing.

The apartments are priced below comparable units in Williamsburg, said Richard J. Mack, chief executive of the Mack Real Estate Group. But following an initial surge of interest—including four contracts signed in the first week, and others out for signature—some upward price adjustments are likely, he added.


NEOSCAPE

Rendering of the Greenpoint, the first building of its kind in the area.

BROOKLYN

City-Owned Plaza Opens Near BAM

Downtown Brooklyn's cultural district is getting a new city-owned public plaza, just across from the Brooklyn Academy of Music, where theatergoers and shoppers can go to see and be seen.

After decades as a parking lot, the site opened as a public plaza on Wednesday.

The $6 million, 15,000-square-foot space has an open plaza on street level, with wide and deep granite steps and a terrace suitable for sitting, that can also double as a performance space.

"It has great steps for seating, not unlike those of the Metropolitan Museum of Art," said Regina Myer, president of the Downtown Brooklyn Partnership, a not-for-profit local development corporation that will manage and maintain the plaza.

The plaza was built by Two Trees Management Co. as part of its recently completed 32-story rental building known as 300 Ashland. The plaza and tower are both situated on a prominent triangular site bounded by Flatbush Avenue, a major Brooklyn thoroughfare; Lafayette Avenue; and Ashland Place.

The plaza was included in a plan for the site approved about a decade ago by the City Planning Commission during the administration of Mayor Michael Bloomberg. Two Trees said it would turn the title to the site over to New York City government.

The building includes 379 apartments, with 20% set aside for affordable housing; a Whole Foods grocery store due to open before the end of the year; a branch of the Brooklyn Public Library; three theaters for an expansion of BAM Cinema; a dance studio; and an art museum.

MANHATTAN

Boutique Brokerage Makes a Move

Key-Ventures Inc., a boutique brokerage that has been a fixture on the Upper East Side world of white glove co-ops for more than four decades, is closing its Park Avenue office and moving to Berkshire Hathaway HomeServices's newly established New York operation.

The co-managing principals at Key-Ventures, A. Laurance Kaiser IV and Craig M. Dix will create a Key-Ventures team at Berkshire Hathaway HomeServices New York Properties office on Madison Avenue, which opened last month.

Ellie Johnson, president of Berkshire's New York Properties, said that some of the dozen or so other brokers at Key-Ventures would move over as well. "We are being very selective," she said.

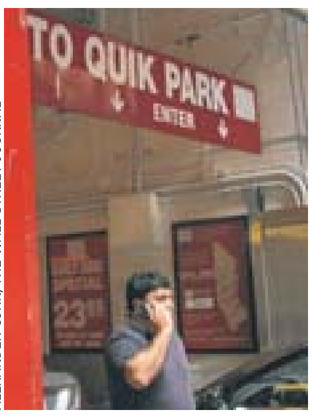
Ms. Johnson and the principals at Key-Ventures declined to discuss the terms of the deal that brought them together. She said "they will continue to operate the same way they have been operating independently."

Mr. Kaiser said he was a founder of the firm about 47 years ago and in recent years it has moved beyond premium buildings on Fifth Avenue, Central Park West and Sutton Place, as the focus of property market expanded to downtown neighborhoods.

Smaller brokerages have been under pressure in recent years, as large firms have been able to leverage corporate advertising and branding as well as technology to capture a greater share of listings.

—Josh Barbanel

New York Parking-Garage Chain to Refund $1.2 Million to Customers



ALEXANDER COHN/THE WALL STREET JOURNAL

A Manhattan Quik Park garage.

By Corinne Ramey

New York City's Department of Consumer Affairs said Wednesday it had settled with a parking-garage chain that charged its monthly customers what it called a $30 "NYC Living Wage Assessment" fee.

The settlement requires Citizens Icon Holdings LLC, the parent company, to refund some 22,000 customers a total of $1.2 million and pay a $100,000 fine. The chain operates more than 300 Icon Parking and Quik Park facilities, mostly in New York City, according to its website.

The Department of Consumer Affairs said that beginning in January, when the state's minimum-wage law went into effect, the garage began charging its monthly customers a $30 monthly fee which it called an NYC Living Wage Assessment.

"A business that misleads customers about what its fees are for is violating our City's Consumer Protection Law," Department of Consumer Affairs Commissioner Lorelei Salas said in a written statement.

The garage chain didn't respond to a request for comment. Under the terms of the settlement, the company didn't admit wrongdoing. Its website says it delivers "affordable parking and prompt and courteous service."

This year, the New York state minimum wage for businesses with at least 11 employees increased to $11 from $9 an hour. The Consumer Protection Law prohibits misleading statements, city officials said. The phrase "NYC Living Wage Assessment" was misleading because the higher wages were apparently due to the increase in the state minimum wage, not because of a city wage, officials said.

City Council Member Helen Rosenthal, a Democrat who represents Manhattan's Upper West Side, said constituents told her about the fee.

"For a company to misleadingly use a minimum-wage increase to disguise an ordinary price hike was a deeply cynical violation of the public trust," she said in a statement.

CORRECTIONS & AMPLIFICATIONS

Michelangelo's "The Last Judgment" fresco adorns a wall in the Sistine Chapel. A headline with a Friday standalone photo of a reproduction of this work displayed at the Oculus at Westfield World Trade Center incorrectly implied that the original fresco is on the ceiling of the Sistine Chapel.

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

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

Your Flight Is On Time—Sort Of

Some U.S. carriers have cushioned schedules to account for delays, but also to climb DOT rankings for on-time arrivals

MIKE GORMAN

TODAY'S POP QUIZ: If Delta and American both have flights from Dallas-Fort Worth to Detroit leaving at 11 a.m., and both flights take 2 hours, 53 minutes to get to the gate in Detroit, which one is late?

The answer: American Flight 43. American schedules that trip at two hours, 38 minutes. Delta Flight 653 is scheduled to make the trip in two hours, 47 minutes, with nine minutes of extra cushion. The same travel time could leave American 15 minutes late—tardy in Transportation Department statistics. Delta, only six minutes overdue, would be on time in the eyes of DOT.

On average, Delta schedules trips with five minutes more padding than American, helping Delta place higher in on-time performance rankings, according to DOT data.

Every airline gives itself extra cushion in its schedule to account for weather delays, mechanical repairs, air-traffic control slowups and a thousand other things that leave planes and passengers stewing. It may not seem this way to casual travelers, but airline schedules are quite precise. They're planned to the minute based on seasonal winds, time of day, aircraft type and historical performance.

Yet airlines disagree on how much cushion feels right. Delta and United add more padding into schedules than American and Southwest, according to DOT data comparing scheduled time with actual gate-to-gate time.

The padding is only one factor in airline performance, but it makes a difference. In 2016, 86.5% of Delta domestic flights arrived on time under the DOT's definition, which is at the gate within 14 minutes of scheduled time. That was best among the four biggest U.S. carriers. United was second at 81.7%, according to DOT. Southwest had an 80.8% on-time arrival rate, American 79.4%.

Among airlines, on-time performance is a competitive battle. Advertising as an on-time leader has benefits: Reliability matters to frequent fliers. Several airlines pay employees bonuses based on on-time arrivals. Some now promise rebates to top corporate clients if they don't beat competitors in punctuality.

DOT data show Delta has increased its schedule cushion every year since 2009. This year through April, the most recent month available, Delta's flights have been scheduled about nine minutes longer than they actually took, on average. That's about a 6% cushion. In 2009, Delta's schedule employed just two minutes of padding, on average, or 1.4%. That year only 78.6% of Delta flights arrived on-time, according to DOT.

Many changes drove Delta's operational turnaround. The airline hasn't only improved on-time performance, but also dramatically reduced cancellations. Better-managing maintenance and employees played a major role.

Delta says a big shift for the airline came in 2011, when it decided to focus on its rate of arrivals at the scheduled minute, not the 14-minute cushion DOT offers. That's a tougher standard, but one that increases reliability, helps customers make connections and prevents traffic jams at big hubs.

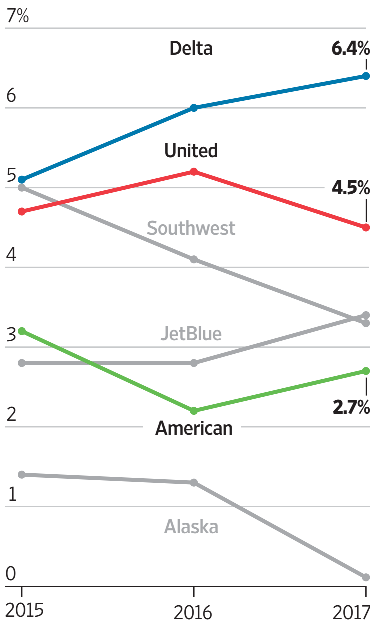
The airline says it increased scheduled time and decreased ground time for planes. Often airlines bolster ground time, so a 10-to-15 minute delay doesn't impact the next flight. Delta chose the opposite approach: increasing scheduled time—what airlines call block time, so 80% or more of its flights arrive exactly on schedule, then shortening ground time between flights.

"We think this is the best combination for Delta Air Lines and our customers," says Dave Holtz, senior vice president operations and customer care. "If higher reliability is a bad thing, someone's got to prove it to me."

Schedule padding has been on the rise overall, but it's not as extreme as many travelers suspect. In 1997 and 2007, scheduled time for domestic flights almost matched the actual time they took. Schedules were within 1% of actual flight times. By 2012, that average for all airlines was up to 3%. Last year, the average scheduled time for domestic flights last year was 145 minutes, but actual gate-to-gate time of 140 minutes. That's a 4% cushion.

Extra Padding

Delta adds the most buffer in its schedules to boost on-time arrivals.



Note: Percentage is average domestic schedule flight time increase over actual gate-to-gate time.
Source: Transportation Department
THE WALL STREET JOURNAL.

Congestion at busy airports has played a role, along with more bad weather. If you study a single flight over a number of days, the difference between the longest and shortest trip has widened, says Tracy Lee, United's vice president of network operations. As airlines have planned for that variance, scheduled trip times have gone up.

"I think everybody is higher than they used to be, and that's because we really don't have a choice," Mr. Lee says.

Every minute added to schedules can increase costs: higher crew pay for trips at many carriers, more planes and gates needed to fly the same number of trips. Adding one minute to every flight costs United $10 million in annual expenses.

The changes Delta made influenced United, Mr. Lee says. United ran its average schedule buffer up to about nine minutes, or 5% padding, in 2015 as it worked to boost on-time performance. Last year, the padding increased more, to an average of 10 minutes per domestic flight. With operations running more reliably, United trimmed 90 seconds off every flight last fall, Mr. Lee says.

Hawaiian, Alaska, Virgin America and Spirit are the stingiest on padding schedule minutes, according to an analysis of DOT data.

American's schedule also runs lean: four minutes, or just over 2.5%, for its average domestic trip.

American says it has been working to reduce delays and run more on time, but has resisted the temptation simply to add minutes to its schedule. American internally focuses on on-time departures more than arrivals.

"The part you can control is when you leave," spokesman Josh Freed says. Padding the schedule to achieve more on-time arrivals "wouldn't fix the problem," he says. "The schedule should be an accurate reflection of what it's going to take to operate that flight."

Southwest says it has gotten more surgical in its planning. As a result, schedules have moved closer to actual trip times. In 2012, Southwest had nearly 6% more time in its schedule than actual trips.

In the first four months of this year, an average Southwest flight had just four minutes of schedule padding, or close to 3%.

Southwest isolated aircraft flying New York-Chicago trips, as well as flights between San Francisco and southern California, says Adam Decaire, managing director for network planning and performance. Instead of flying a New York-Chicago trip, then on to other cities, those planes fly back and forth between the same cities. Delays there don't slow down the rest of Southwest's system.

Southwest studies two years of historical performance when setting block times. "If we have a particularly bad year of weather, then you'll see some increase in block time the next year as a result of that," Mr. Decaire says.

TRISTAR PICTURES

Ansel Elgort as Baby, Jamie Foxx as Bats, Eiza González as Darling and Jon Hamm as Buddy

FILM REVIEW | By Joe Morgenstern

DAZZLING 'DRIVER': GRAND THEFT ENTERTAINMENT

THE BABY-FACED getaway driver in Edgar Wright's sensationally entertaining "Baby Driver" is called Baby, reasonably enough; as played by Ansel Elgort, he's mysteriously self-contained and improbably sweet-spirited. Although Baby wasn't born with earbuds attached to his head, they've become part of his anatomy. He listens to music incessantly and obsessively because he has tinnitus, a ringing in his ears that's masked by whatever playlist he has chosen to play on whichever iPod he's decided to pack while driving at preposterous speeds with prodigious skill. The soundtrack is so loud that you may get tinnitus on your own. But you're also likely to come away with an uptick in your spirits and a grin on your face that won't quit.

When people say there's nothing new under the sun, they're either resistant to originality or stuck in the shade. The elements here are as old as the Hollywood Hills: pop, rock, romance, shiny rides, daring heists, blazing guns, blood in the streets, the lure of the road. Plus charming bits of dance, and movie history—"Baby Driver" is a movie about movies, just as "La La Land" was; it's the latest in a long line of cinema celebrations from such directors as Jacques Demy, David Lynch, Quentin Tarantino and Nicolas Winding Refn, who made the stylized and far more violent "Drive." (Bill Pope did the fluent cinematography. Marcus Rowland designed the production, which ranges from grungy to gorgeous; I can still see a lyrical scene in a laundromat, where rain-

Please see DRIVER page A12

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

FILM

Hold On, You're Spider-Man's Aunt May?

COLUMBIA PICTURES (4)

Marisa Tomei as Aunt May in 'Spider-Man: Homecoming.' Tom Holland as Spider-Man in the movie, bottom right.

BY MICHAEL SALFINO

SPIDER-MAN hardly ages, no matter how many times Hollywood reboots the famed webslinger.

His Aunt May? That's another story.

As "Spider-Man: Homecoming" heads to North American theaters on July 7, Spidey's dear old aunt continues her Benjamin Button-esque reverse-aging process. Fans of the Stan Lee comic book first met the gray-haired woman in the 1960s. She looked much the same in her screen debut, in 2002's "Spider-Man." Actress Rosemary Harris was 74 the day that film opened.

Fast-forward to 2012. The first reboot, "The Amazing Spider-Man," brought audiences Sally Field as Aunt May. She was 65 on opening day.

Which brings us to Reboot No. 2. Now the orphaned young superhero, played by Tom Holland, is looked after by an Aunt May, played by 52-year-old Marisa Tomei. Audiences already have briefly seen this iteration of the character parrying with Robert Downey Jr.'s flirtatious Iron Man during her cameo in the 2016 release "Captain America: Civil War."

The new family dynamic was something producers thought would give Peter Parker a more relatable life. "We wanted to show a new version of Aunt May who is more like a single mom," said Kevin Feige, president of Marvel Studios and a producer on "Homecoming."

That's in keeping with the way Aunt May was portrayed in the Ultimate Spider-Man series in the 2000s, according to Mark Ginocchio, author of a coming Spider-Man book and co-host of Amazing Spider-Talk podcast. The writer of that series, Brian Michael Bendis, patterned a 50-something Aunt May after his mother, according to Mr. Ginocchio. "So this is an updating of his entire universe, versus having Spider-Man worried about getting Aunt May her heart pills."

Sally Field as Aunt May in 'The Amazing Spider-Man' in 2012.

Rosemary Harris as Aunt May in 'Spider-Man 3' in 2007.

The metamorphosis of Aunt May could open the door to accusations of Hollywood ageism. But some close observers have said the current version makes her stronger and less vulnerable.

"In the comics, Peter was always protecting her it was like his second mission, which could supersede his first mission of 'with great power comes great responsibility,'" says Washburn University adjunct sociology instructor Ora McWilliams, who has written about Aunt May.

It makes a lot more sense that Peter Parker's aunt would be in her early 50s, given that Spider-Man is again a high-school student. "She's more like Grandma May as originally conceived," says Harvard Kennedy School lecturer Chris Robichaud, author of a coming book on superheroes and philosophy.

Mr. Robichaud, while cautioning that we won't know how the character is written until the movie is released, anticipates that Aunt May will be more a mother rather than a damsel in distress. "A more modern woman. Headstrong. Not the clueless, fragile character that in the comics made a series of bad romantic choices." (Most notable among these: almost marrying supervillain Dr. Octopus.)

Some fans who were initially skeptical of a younger Aunt May have embraced the idea of the change. "As long as [the filmmakers] get the core relationship between Peter and May right, fans will be happy regardless of her age or appearance," says ComicBookMovie.com editor Josh Wilding.

—Ben Fritz contributed to this article.

TRISTAR PICTURES

Ansel Elgort's Baby with Lily James's Debora, above, Kevin Spacey as Doc, below

DRIVER

Continued from page A11

bow-colored fabrics arc and fall in a row of rotating dryers.)

Yet Mr. Wright, the filmmaker of "Scott Pilgrim vs. the World" and the cult comedy trilogy consisting of "Shaun of the Dead," "Hot Fuzz" and "The World's End," has put these pieces together into a motion picture that moves to familiar beats in new ways, and that catapults him into the ranks of mainstream filmmakers. The music drives the action, the action syncs to the music, and the hypersonic car chases leave you popeyed; this is not the traffic of "La La Land," gridlocked along a freeway on ramp. (The film was shot in Atlanta and its title comes from the Simon & Garfunkel standard, one of many songs in a vast and eclectic soundtrack.) Cutting rhythms are jagged. Narrative structures aren't just contrapuntal, they're orchestral; every scene has been edited within a frame of its life. (The editors were Jonathan Amos and Paul Machliss.)

In its simplest form, this approach gives Baby, a child of his times—though also the adult of the piece—a soundtrack for each segment of his daily adventures, and different iPods for different days and overall moods. In the larger scheme of things, it turns the movie into a time-capsule testament to the primacy of music and movement in contemporary life; the beat is both the medium and the message.

There's a moral dimension as well, though it's sometimes obscured by the firepower of assault weapons; the action can get ugly, and not always whimsically so. At one point Baby is described as "a good kid and a devil behind the wheel" by Doc (Kevin Spacey at the top of his game), the crime boss who runs his gang and a devil who doesn't drive.

He's more than a good kid. Appalled by the slaughter that the members of the gang visit on their enemies, he's our old film-noir friend the knight of honor, a hero with a tragic history and a rock-solid (or pop-solid) sense of right and wrong. In the noir tradition, he dreams of the good life he'll have after one last caper, even though we see that the gang's luck is running out. And he finds the girl of his dreams in a diner. A waitress named Debora, she's played radiantly by Lily James, who made such an appealing Cinderella in the Disney remake a couple of years ago, and who played Lady Rose MacClare in "Downton Abbey."

Until now Mr. Elgort's most memorable role was opposite Shailene Woodley in "The Fault in Our Stars," a hit weeper about two beautiful teens in a cancer support group. His performance here is mesmerizing and, in the midst of the choreographed chaos, quietly astonishing, whether he's surveying his volatile colleagues in crime from behind a pair of shades—they can't abide his quietude—or doing a casually lovely dance down a street suddenly pressed into service for a moment of musical comedy.

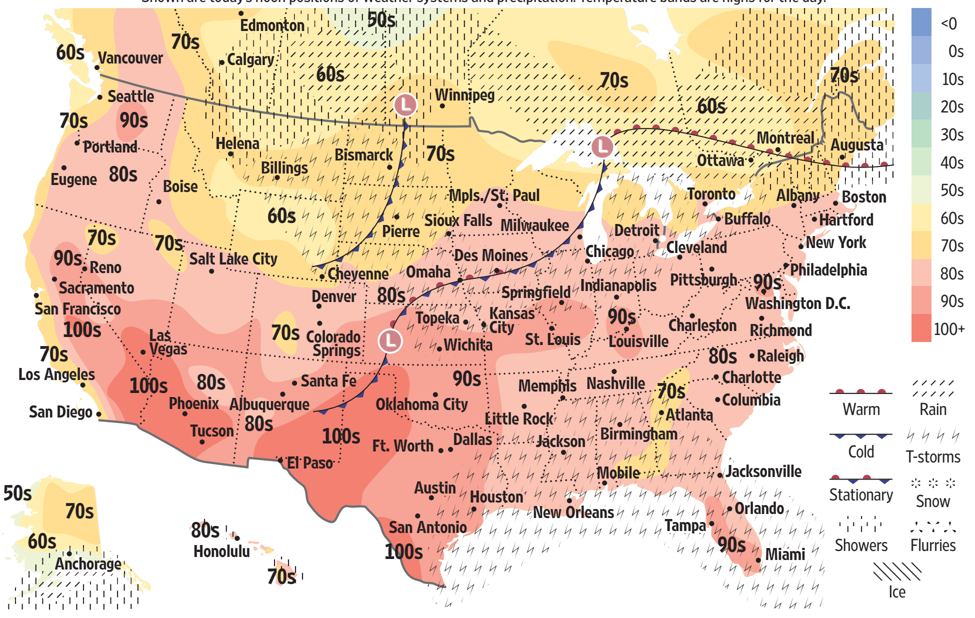
The gang has its own claims to distinction. Jon Hamm is Buddy, formerly a stockbroker on Wall Street. Eiza González is Darling, Buddy's volcanic—i.e. crazy—girlfriend. Jon Bernthal is Griff, a hard case and a funny one. Jamie Foxx is Bats, the polar opposite of Baby—a fast-talking thug who is not at all nice (though he's wildly funny), unencumbered by honor and unswervingly focused on the acquisition of wealth. By his own proud acknowledgment, Bats does drugs to support a robbery habit.

So, in the end, what does all the style and flash add up to? This is not a philosophy of criminology, or a new pathology of antisocial behavior, but it makes for a terrific night at the movies.

Weather

AccuWeather.com

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



U.S. Forecasts

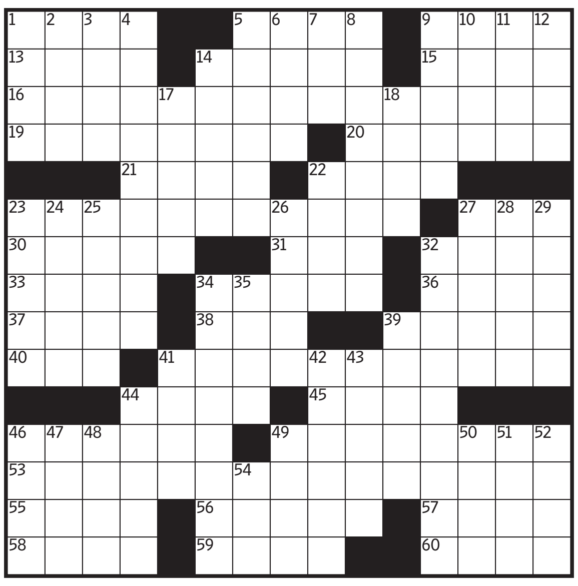
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Anchorage	57	51	r	62	51	c
Atlanta	78	69	t	81	71	t
Austin	96	78	pc	98	78	pc
Baltimore	91	70	s	92	73	pc
Boise	84	58	s	89	62	s
Boston	81	68	pc	88	71	pc
Burlington	71	64	t	82	69	c
Charlotte	87	67	pc	85	70	t
Chicago	84	68	t	81	64	r
Cleveland	89	72	pc	86	72	t
Dallas	96	79	pc	97	78	pc
Denver	83	51	sh	73	53	pc
Detroit	86	69	t	84	69	t
Honolulu	84	75	pc	84	74	pc
Houston	90	79	t	92	78	t
Indianapolis	88	71	pc	84	69	t
Kansas City	88	68	t	81	63	pc
Las Vegas	106	81	s	108	83	s
Little Rock	87	72	pc	90	71	pc
Los Angeles	77	62	pc	80	63	pc
Miami	90	79	t	91	80	pc
Milwaukee	84	65	t	76	63	r
Minneapolis	80	64	c	77	61	r
Nashville	87	72	t	87	71	t
New Orleans	82	76	t	87	76	t
New York City	85	72	pc	88	75	pc
Oklahoma City	95	72	s	94	65	t
Omaha	87	65	t	82	59	pc
Orlando	89	74	t	89	73	t
Philadelphia	88	72	s	92	74	pc
Phoenix	108	82	s	109	83	s
Pittsburgh	85	69	c	84	69	pc
Portland, Maine	74	60	t	81	65	c
Portland, Ore.	82	59	pc	86	58	pc
Sacramento	94	59	s	96	60	s
St. Louis	94	77	pc	90	71	t
Salt Lake City	85	59	s	88	61	s
San Francisco	71	55	pc	71	56	pc
Santa Fe	94	55	s	91	53	s
Seattle	78	57	pc	84	57	pc
Sioux Falls	80	59	t	77	54	pc
Wash., D.C.	91	74	s	93	76	pc

International

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	69	59	sh	67	57	sh
Athens	97	79	s	102	81	s
Baghdad	114	83	s	114	85	s
Bangkok	93	80	t	93	79	t
Beijing	96	73	pc	98	76	s
Berlin	70	59	r	68	57	sh
Brussels	70	56	sh	68	54	sh
Buenos Aires	62	43	s	63	41	c
Dubai	114	91	s	110	89	s
Dublin	58	50	sh	61	45	c
Edinburgh	57	52	r	62	49	c
Frankfurt	71	58	r	73	56	sh
Geneva	64	52	t	69	54	sh
Havana	90	74	pc	90	75	pc
Hong Kong	91	83	pc	90	83	sh
Istanbul	88	77	s	93	76	s
Jakarta	89	76	pc	88	75	t
Jerusalem	87	64	s	88	67	s
Johannesburg	65	37	s	64	37	s
London	68	56	c	72	56	c
Madrid	75	50	s	75	52	pc
Manila	91	79	t	93	78	t
Melbourne	55	45	sh	54	36	pc
Mexico City	73	60	t	71	56	t
Milan	79	58	t	77	58	t
Moscow	72	59	pc	81	62	r
Mumbai	87	82	r	87	80	r
Paris	70	56	pc	67	55	sh
Rio de Janeiro	79	64	s	81	67	s
Riyadh	114	84	s	113	79	s
Rome	83	68	s	83	63	t
San Juan	86	76	sh	88	78	pc
Seoul	85	70	c	84	72	s
Shanghai	84	76	c	87	78	pc
Singapore	87	78	pc	88	80	c
Sydney	60	48	pc	58	44	s
Taipei	92	78	pc	92	77	pc
Tokyo	81	73	pc	81	74	r
Toronto	80	67	t	82	68	c
Vancouver	71	55	pc	73	55	pc
Warsaw	85	60	t	76	58	pc
Zurich	69	52	t	72	53	sh

The WSJ Daily Crossword | Edited by Mike Shenk



MIXED DRINKS | By Nancy Cole Stuart

Across

1 Its name is from the Mongolian for "waterless place"
5 Short-on-the-sides hairstyle
9 Plays for fun
13 "Can you break ___?"
14 Try to buy
15 Detachment
16 Brewed citrus mixed drink?
19 View from the Rock and Roll Hall of Fame
20 Violently stormy
21 Coolidge or Wilson
22 Jane Rochester's maiden name
23 Cherry-peach-flavored mixed drink?
27 James Dean's "East of Eden" role
30 Blessing prompter
31 Wasted
32 Aid for those who wait
33 Stir up
34 Design info
36 Secure
37 Princess Charlotte's great-aunt
38 Cool, in jive talk
39 Gemini neighbor
40 Luxury cashmere company
41 Bubbly coffee-chocolate mixed drink?
44 Flock holders
45 Greedy one's choice
46 Garp's creator
49 Solitaire, in Sussex
53 Rum-and-whiskey-liqueur mixed drink?
55 Gathering of lei people?
56 Stops lying
57 Prune, e.g.
58 Parisian pronoun
59 Fund investor's charge
60 Court area

Down

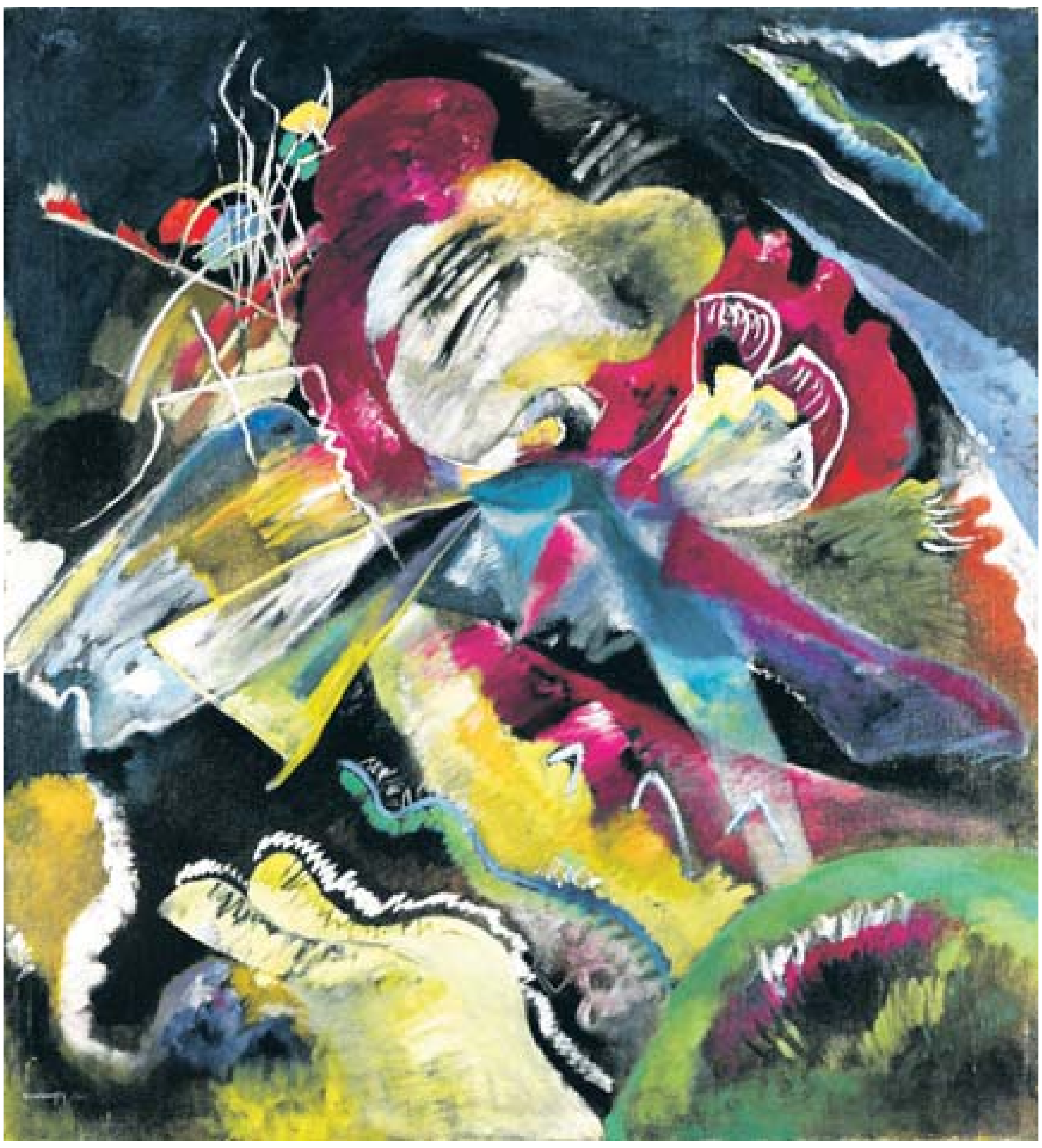
1 Reading room?
2 "¡No ___ vez!" ("Not again!")
3 Nut cracker, at times
4 Bass liner
5 South Pacific islander
6 Together, to Toscanini
7 "Where ___ sign?"
8 Makes unreadable, in a way
9 Ruling party
10 Con
11 Appearance
12 Without accompaniment
14 Slip's kin
17 Company with a spokeslizard
18 Contents of some cribs
22 Way impressive
23 Purity measure
24 Home screen array
25 Cologne divider
26 Beth's predecessor
27 Brosnan's successor
28 Brother of Miriam and Moses
29 ELO frontman Jeff
32 Measure for radiation between microwaves and infrared light
34 Vegas performer
35 Bench-pressing target
39 Microscope part
41 One may be brought to order
42 Cheapened
43 Light circlers
44 Irritated state
46 Run in place
47 Broadway's Esparza
48 Cologne container
49 Site of la Torre Pendente
50 Nephew of Caligula
51 First fratricide
52 Plus-size supermodel
54 Summer Olympics host between London and Tokyo

Previous Puzzle's Solution

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

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

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com



Wassily Kandinsky's 'Painting With White Lines,' left, and 'Murnau—Landscape With Green House,' above, sold for $42 million and $26.4 million, respectively.

◀ Andy Warhol was among American artists who led Sotheby's auction on Wednesday. An early self-portrait produced in 1963 and '64 fetched $7.7 million.

▼ Max Beckmann's 'Birds' Hell,' below, a painting from 1937-38, sold on Tuesday at Christie's in London to dealer Larry Gagosian for $45.8 million.

CLOCKWISE FROM TOP LEFT: SOTHEBY'S (3); CHRISTIE'S IMAGES LTD.

AUCTIONS

LONDON SALES BUOY ART RECOVERY

BY KELLY CROW

OVER THE PAST TWO WEEKS, collectors competing in London's summer auctions largely played it safe, paying premiums for classic works by modern masters like Wassily Kandinsky, Max Beckmann and Andy Warhol. Yet they took home enough to keep the recovering art market on track.

Sotheby's gave the series another boost Wednesday by selling Warhol's 1963-64 self-portrait for $7.7 million, but older artists dominated the round overall.

A trio of paintings by Kandinsky, a Russian modernist who lived from 1866 to 1944, accounted for 43% of the value of Sotheby's $161.3 million evening sale of impressionist and modern art a week earlier—thanks to international collectors who reset the artist's auction record twice in a single night.

Kandinsky's plum-and-black 1913 abstract, "Painting With White Lines," sold to London-based art adviser Hugo Nathan for $42 million after a protracted three-way bidding war with rivals in China and Europe. The work had been expected to sell for up to $35 million, but Mr. Nathan said afterward it was worth more because "Kandinsky is synonymous with the birth of abstraction, which must rank among the most important developments in art history, so the artist has an iconic status." "White Lines" also hailed from a key year in the artist's development, 1913, when Kandinsky began experimenting with using color as a subject matter, rather than employing colors to fill in the lines of something figurative. Other pieces he painted in 1913 now hang in places like St. Petersburg's Hermitage Museum. Mr. Nathan said collectors consider 1913 a "eureka moment" for the artist, a connection that made "White Lines" even more appealing.

Earlier in the same sale, Kandinsky's 1909 German street scene, "Murnau—Landscape With Green House," sold to a German telephone bidder for $26.4 million. A teal-colored tribal scene the artist painted in 1943, "Four Figures on Three Squares," also sold within estimate for $586,003.

Kandinsky has been on a roll during the past year. Last fall, Christie's established a new auction high when it sold his 1935 "Rigid and Curved" for $23.3 million. But other examples of his signature style—roiling lines mingled with patches of color—remain relatively scarce. Sotheby's said his "Green House" got a boost because it had been tucked away in a private collection since the 1920s.

Heading into these sales, Sotheby's had been under more pressure than usual because its lockstep rival, Christie's, decided to forgo conducting its traditional June sale of contemporary art in London but continue with sales of older art, creating a lopsided series. Collectors showed up all the same for the tilted line-up, buying $223 million worth of art at Christie's during the series, including additional sales of British and Irish art. Christie's hits included Max Beckmann's $45.8 million "Birds' Hell" from 1937-38, which was bought Tuesday by New York dealer Larry Gagosian, and Pablo Picasso's "Woman Writing (Marie-Thérèse)," which sold for $44.4 million.

For its part, Sotheby's sold at least $268 million, including Joan Miro's 1940 "Woman and Birds," which sold for $30 million, and Alberto Giacometti's gold-tinged bronze "Grand Figure" of a woman from 1947 that sold for $22.6 million. Besides the Warhol, other hits of its Wednesday contemporary art sale included an untitled Jean-Michel Basquiat from 1983 that sold for $8.4 million and Roy Lichtenstein's 1983 "Two Paintings with Dado," that sold for $4.3 million.

London's sales end Thursday with boutique auctioneer Phillips's sale of contemporary art.

Holiday Update

The Wall Street Journal will not be printed on Tuesday, July 4, in observance of Independence Day

Continue to stay informed with the latest news. Log on to WSJ.com or download the WSJ app on your tablet or smartphone.

Download at: **WSJ.com/mobile**

To contact customer service, please visit: **WSJ.com/customerservice**

THE WALL STREET JOURNAL.
Read ambitiously

© 2017 Dow Jones & Co., Inc. All rights reserved. 2DJ5362

THE DREAM TEAM

TOTAL RELAXATION AND ESCAPE START AT JUST $4299

The World's Best Massage Chair®

Made in Japan. Choose from our three extraordinary massage chair models, each with unique capabilities to massage, stretch, invigorate, soothe and heal your body and mind more effectively and artfully than any other massage chairs in the world.

888-727-2150 | inadausa.com/dream

Free white glove delivery available to 48 contiguous states, AK and HI additional fees apply. Offer valid until July 31, 2017.

FIRST CLASS TRAVEL FOR YOUR FEET

Travel tip: comfortable feet make everything more fun. The Un-Sneaker combines the comfort of a sneaker with the style of a shoe. Travel well!

SAMUELHUBBARD.COM
SHOEMAKERS SINCE 1930

Free shipping and returns. Order online or call 844.482.4800.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

SPORTS

BASKETBALL

A Failure to Adapt to Modern NBA

As the league's best teams played a style built around shooting more 3s, Phil Jackson's 'triangle offense' became obsolete

BY BEN COHEN

THE BEST NBA TEAMS in the last three years have played a thrilling style of basketball embraced by sophisticated front offices and thriving star players who have become more powerful than ever. The New York Knicks were not one of those teams.

For the last three years, the Knicks Knicksed, and much of the most recent Knicksing was a reflection of Phil Jackson, whose tenure as their team president ended Wednesday.

Jackson, the 71-year-old former coach with so many championship rings he can't fit them on two hands, was seen as a savior when he came to New York three years ago. But then he insisted on his antiquated basketball strategy, publicly undermined his best players and tortured fans by threatening to trade the exciting young star who is the future of the team.

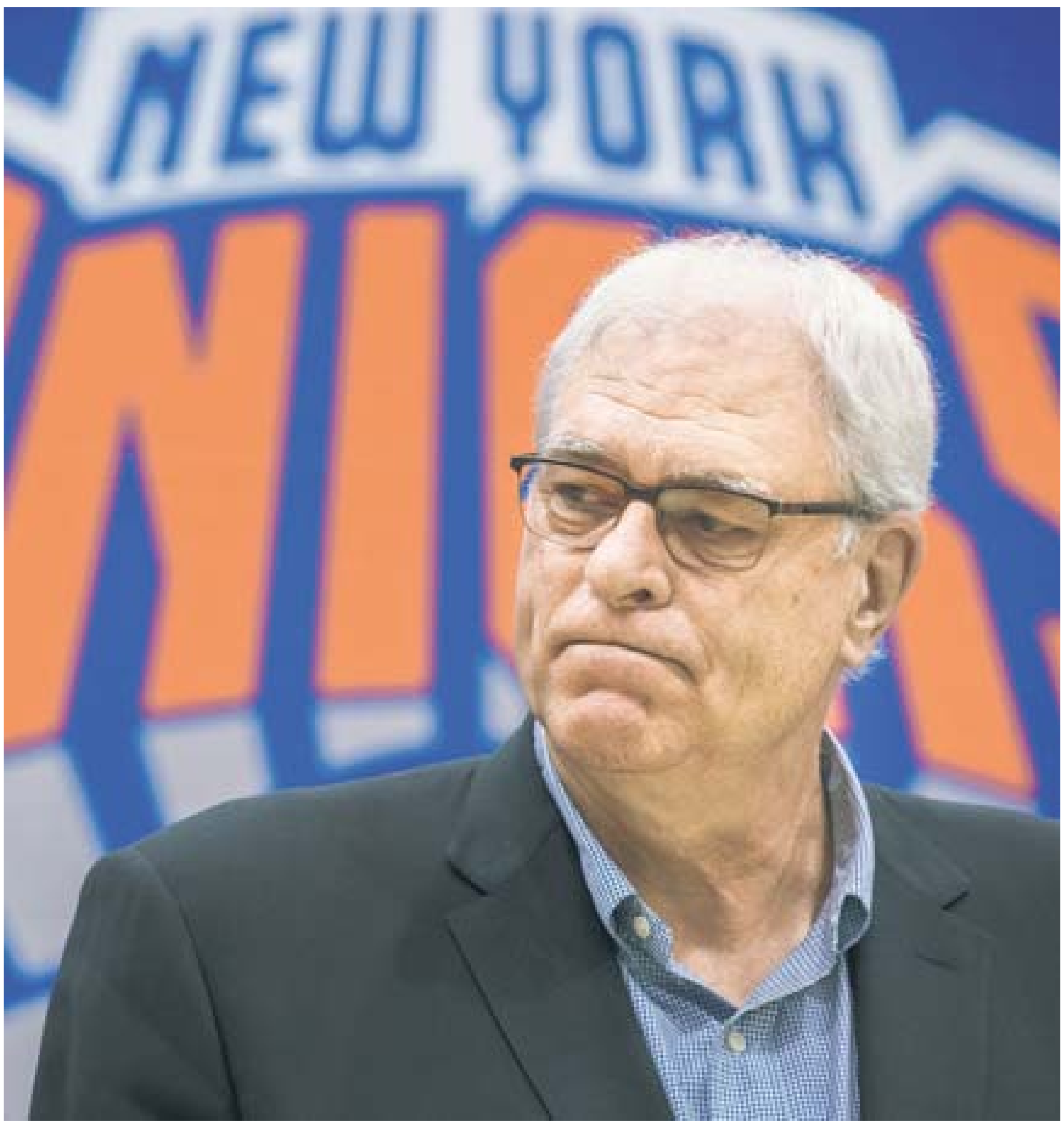
That's why the Knicks had to do another Knicksy thing and part ways with Jackson only hours before the opening of free agency. It was the only way to undo the last three years worth of Knicksing.

"After careful thought and consideration, we mutually agreed that the Knicks will be going in a different direction," Knicks owner Jim Dolan said in a statement.

Jackson, who finishes his five-year, $60 million contract after only three seasons in which the Knicks went 80-166 without making the playoffs, was a risky hire to lead the team's front office. He was a legend for coaching Michael Jordan, Kobe Bryant and Shaquille O'Neal to 11 championships, but had no experience as a general manager or team president.

He started the job at the exact time that job was evolving across the NBA to reflect the growing influence of analytics and the increasing premium on talented players with newfound power. He never adapted.

Jackson's first season with the Knicks came right after the San Antonio Spurs won the title with a flowing, beautiful offense, and it ended with the Golden State Warriors winning the championship with a revolutionary style built around shooting more 3-pointers than anyone thought possible. The modern game was making Jackson's prized "triangle offense" obsolete. He made the Knicks run it anyway. Their offense didn't finish in the top half of the league in any of Jackson's three seasons.



The New York Knicks parted ways on Wednesday with team president Phil Jackson after three seasons.

By now it has become plain to see that 3-point shooting has upended the NBA—which is what made it so bizarre that Jackson was openly antagonistic to the new style of play. "NBA analysts give me some diagnostics on how 3pt oriented teams are faring this playoffs," he famously tweeted in 2015. "Seriously, how's it goink?" The top 3-point shooting teams in the league this season were the Spurs, Cleveland Cavaliers and the reigning NBA champion Warriors. It's goink pretty good.

Jackson was also the rare executive in the NBA today who publicly criticized his best players. He made it clear in recent months that he wanted Carmelo Anthony to leave New York, but Jackson couldn't make Anthony leave because he gifted him a no-trade clause. The only way he could get rid of him was by making the situation uncomfortable. That didn't work. Anthony is still on the Knicks.

Other players around the league have noticed the way Knicks players were treated, though, and New York has become an unpopular destination among free agents. Jackson was famous for playing mind games with his players in the 1990s and 2000s as their coach, but that approach doesn't work anymore. Not winning was one thing. But being trolled by the boss only made the losing worse.

That became clear again last week as Jackson entertained trade offers for a player who is the team's future. Kristaps Porzingis is young, talented and undervalued. He's the anti-Knick. Which makes him the perfect Knick.

Jackson deserved credit for Porzingis. He knew Porzingis would be booed if he drafted him with the No. 4 pick in 2015. He did it anyway. It was one of the best decisions in the club's recent history.

Porzingis is only 21 years old, but he's clearly the player the Knicks should build around. He's a 7-foot-3 star born for the modern NBA. He plays offense like a guard and protects the rim on defense like a center. He was a better 3-point shooter last year than James Harden, and he blocked more shots than DeAndre Jordan.

A player like that isn't supposed to exist. He certainly isn't supposed to be traded.

Jackson said in an interview with Knicks-owned MSG Network last week, though, that his relationship with Porzingis began to sour because of something that happened after this season—or something that didn't happen. Porzingis skipped his exit interview.

Exit interviews are meant for employees after they have decided to leave a company. Only the Knicks could have made exit interviews the reason an employee decides to leave the company.

"I don't think I've ever had a player over 25 years of coaching, maybe 30, not coming to an exit meeting," Jackson said. "It's not happened to me." He added: "We've communicated. Not through voice or anything, although I've tried to call." Jackson's ultimate message to concerned Knicks fans: "I think we know what we're doing."

They didn't. Even he couldn't stop the Knicks from Knicksing. He only made the Knicksing worse.

But that's the irony of Jackson's own exit. As bad as the last three years have been, he's also responsible in a way for Porzingis, and Porzingis allows the Knicks to embrace a style that works in today's NBA. Now all the Knicks have to do is not be so Knicksy about it.

NBA

ROCKETS FIRE AT WARRIORS, TRADE FOR CHRIS PAUL

BY BEN COHEN

THE HOUSTON ROCKETS were one of the best teams in the NBA last season. They hired Mike D'Antoni as their coach and unleashed James Harden as their point guard, and the result was one of the most explosive offenses the league has ever seen. Now the league will never see that exact offense again.

Chris Paul, left, will join James Harden in the Rockets backcourt.

Houston on Wednesday made the first huge move on an NBA free agent even before free agency begins this weekend by trading for another point guard to play alongside Harden: Los Angeles Clippers star Chris Paul.

In return for their franchise player, who could have opted out of his contract this summer to become a free agent, the Clippers are getting Patrick Beverley, Sam Dekker, Lou Williams, Montrezl Harrell, other fringe players on non-guaranteed contracts and a first-round pick.

The sign-and-trade was only possible after the 32-year-old Paul agreed to a one-year player option on his contract. That sounds like semantics, but it amounts to a $50 million difference, because it allows Paul to sign a five-year deal with the Rockets worth about $200 million next summer due to a clause in the league's new collective-bargaining agreement that he helped negotiate as the president of the players' union.

There are two big questions in the aftermath of this trade. What does this mean for the Rockets, and what does this mean for the rest of the NBA?

The one thing that hasn't changed about basketball in recent years is the number of basketballs. There is still only one. Paul and Harden have to learn how to share.

That's a problem. It's a good problem, but it's still a problem. And it's not the only one. The Rockets could fail spectacularly without an experimental, unorthodox solution, and there are few people in the NBA as comfortable with experimental, unorthodox solutions as Houston coach Mike D'Antoni and general manager Daryl Morey.

D'Antoni's system worked so well last year because the Rockets surrounded Harden with shooters, giving him the space to create shots for himself and create even better shots for his teammates. That's why this crazy idea might actually work: Paul, not Harden, could become more of a shooting guard. Paul has made 44.3% of his 325 catch-and-shoot threes since the NBA started tracking such numbers in 2014, and the only players this year with as many shots and a higher percentage were Stephen Curry and J.J. Redick.

Houston's roster isn't anywhere near set, though, and they might even be able to add a third star like Paul George or Carmelo Anthony. The ripple effects of this deal are still unclear.

But what is clear is the reason for their big swing: the Golden State Warriors. The Rockets were good, but they weren't good enough to beat the Warriors last year, and they weren't going to be good enough to beat the Warriors next year.

Golden State is responsible for the escalating arms race across the NBA. One team is making the entire league get better. For the Rockets, getting better meant getting Chris Paul.

THE COUNT

THE FRESHMEN CORRECTION

Aaron Judge

It's been three decades since a rookie led the American League or National League in home runs. But both the Yankees' Aaron Judge and the Dodgers' Cody Bellinger are on pace to do so this season.

Entering Wednesday's play, Judge has 26 home runs while Bellinger has 24 to lead their respective leagues. With a couple of days left in June, only Mark McGwire hit more homers in the season's first three months as a rookie.

But history says a major regression is coming. McGwire, the last rookie to lead the league in home runs, had 28 for the 1987 Athletics entering July. He finished the season with 49. McGwire, however, was a bit of an anomaly, as other big-slugging rookies slipped even further.

More recently, White Sox first baseman Jose Abreu had 25 home runs on July 1, but cleared the fences only 11 more times the rest of the season, while Dodgers outfielder Joc Pederson slowed even more dramatically after a powerful first half of the season in 2015.

Pitchers around the league usually figured out a way to pitch to these budding stars. The average home run regression for the league's top rookie sluggers is hitting only slightly more than half the number of homers they had in the first half.

So if the past is predictive and barring injury, Judge is likely to hit about 16 more blasts, still giving him 42 for the season, while Bellinger should tally 15 additional home runs, for 39. What makes Bellinger's slugging thus far even more impressive is that he didn't even get called up from Triple-A until late April, 21 games into the Dodgers' season.

—Michael Salfino

Rookie's Summer Swoon

Since 1961, the most home runs hit by a rookie through June.

PLAYER	SEASON	HR THRU JUNE	HR REST OF SEASON
Mark McGwire, Oak	1987	28	21
Aaron Judge, NYY*	2017	26	?
Jose Abreu, CWS	2014	25	11
Cody Bellinger, LAD*	2017	24	?
Albert Pujols, StL	2001	21	16
Joc Pederson, LAD	2015	20	6
Jose Canseco, Oak	1986	19	14
Wally Joyner, Cal	1986	19	3

Source: Stats LLC
Note: Trevor Story hit 19 HRs in 2016, but missed most of the second half with injury.
*Entering Wednesday's play

GETTY IMAGES (3)

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

OPINION

Should Trump Abandon the GOP?

WONDER LAND
By Daniel Henninger

In 2016, Donald Trump stood on debate stages and ran against a half-dozen Republicans in the party's presidential primaries. He won. With his presidential victory came Republican control of the House and Senate, in part because of his coattails.

After Senate Republicans this week failed to move a bill to repeal and replace ObamaCare, Mr. Trump must be asking himself: Why do I need these people?

Just now, that's a good question.

If the congressional Republicans can't do ObamaCare reform after years of chanting they would, what chance is there they'll pull off the heavier lift of tax reform?

Mr. Trump has to be wondering whether he would be better off with his version of the Obama presidential model: govern by pen-and-phone executive order through the agencies he controls.

Barack Obama rendered Congress moribund with little outcry from voters. The Obama error was his predictable left-wing overreach with extralegal decrees like the Clean Power Plan, which failed a court challenge before the D.C. Circuit.

To succeed as president, Mr. Trump has to show he can govern, and it looks like that may require separating himself from a Republican Party disabled by a permanent blocking minority with no interest in governing.

At the level of domestic politics, successful presidential governing means not much more than enabling and attaching oneself to an improving economy, as the impeached but popular Bill Clinton proved possible.

The economy is already strengthening, and Mr. Trump can direct Treasury Secretary Steven Mnuchin and White House economics chief Gary Cohn to accelerate their deregulation of financial and energy markets.

Before the Republicans lose seats and maybe control of the House in 2018, Mr. Trump can still extract a few things helpful to himself. Desperate incumbents, such as Nevada's ObamaCare reform opponent Sen. Dean Heller, will be looking for a legislative life raft. Mr. Trump no doubt could get a modest tax-cut bill passed this year. That will support slow but steady upward growth unless he retards even that with a regime of steel tariffs and myriad trade uncertainties.

Real tax reform would liberate the U.S.'s ocean of pent-up capital and produce an economic boom, assuring continued GOP control of Congress. But Republicans like West Virginia's Sen. Shelley Moore Capito see their reason for being as protecting the Medicaid status quo.

Some may say Mr. Trump and the Republicans will now take political ownership of the steady collapse of the ObamaCare exchanges. But he didn't create these things; Congress did, and when voters elected a Congress to reform ObamaCare, it failed.

The press will dump full responsibility for this political nonfeasance on congressional Republicans, and voters will take it out on them in 2018.

The president may separate himself from a party disabled by a blocking minority.

Health and Human Services can tinker with the failing ObamaCare exchanges, as it would have under Hillary Clinton anyway, and Mr. Trump can blame Congress for the residual mess.

As to Mr. Trump's low approval rating, the danger there was always that it would scare away Republicans from his agenda. That looks moot now. The Republicans' approval rating is no doubt already plummeting. Mr. Trump's approval will rise as the economy improves and if he modulates himself by about half, as he's done recently.

Most intriguing of all is the longer term future of Mr. Trump's formal relationship with the Republican Party. After voters in 2018 reorder Congress, Mr. Trump can consolidate his base with a big infrastructure bill co-designed by Democrats and likely approved by independent voters. By then, the Republican opposition that tanked ObamaCare reform will be irrelevant.

And please, hold the faux shock when Mr. Trump, a non-ideological pragmatist, entertains Chuck Schumer's Medicare-for-all as the final health-care fix. In Mr. Trump's world, subcontractors come and go. The GOP shouldn't bother trying to collect for work done.

This disorder could surface the possibility that dare not speak its name until now: a more centrist Trumpian political party of the sort favored by Ivanka Trump. No one thought Emmanuel Macron's party bolt in France could go so far.

Look who's out front undermining Mr. Trump's health-care reform: Ted Cruz, Rob Portman, Rand Paul, Mike Lee and Ohio Gov. John Kasich. The nominal reasons each has given for opposing the reform don't add up. What makes sense is compulsively ambitious Republican politicians positioning themselves to emerge from the rubble and run in 2020 against what they think will be a wounded president. They may end up with nothing but the rubble.

Reasons abound for the GOP's rump opposition to spend the July 4 holiday rethinking what it is doing. But the biggest of all is this: After eight years of rule by progressive presidential decree, they are putting in motion four more years of centralizing power by a Republican president. The opposition may alter American government forever, but this couldn't be further from what they intended.

Write henninger@wsj.com.

Obama's Health-Care Audacity

By Karl Rove

President Obama has been busy since leaving office. In February he was photographed kite surfing with billionaire Richard Branson in the British Virgin Islands. March brought a visit to Hawaii, followed by four weeks in French Polynesia and yachting with David Geffen, Oprah, Tom Hanks and Bruce Springsteen.

May included biking and golfing at a pal's luxury hotel in Tuscany, before speeches in Berlin and Scotland, the latter providing the chance to play 12 holes at St. Andrews. Now the Obamas are in Indonesia for a nostalgic return to what was briefly his childhood home. But before jetting off on Friday, the former president, that champion of the poor and dispossessed, waded into the health-care debate with a lengthy Facebook post.

It was a trite, tone-deaf, partisan and condescending attack on the Senate Republicans' health-care proposal. The comments show that the former president, still prickly and defensive, doesn't understand how flawed ObamaCare really is.

Mr. Obama sold the Affordable Care Act with well-formulated falsehoods. "If you like your plan, you can keep your plan," he said repeatedly, and "if you like your doctor, you can keep your doctor." The law would "cover every American and cut the cost of a typical family's premium by up to $2,500 a year." It would "bend the cost curve" for health care, he said, without adding "one dime to the deficit." None of this was true, and Mr. Obama must have known that.

So did he address these failings in his Facebook post? Of course not. The former president changed his talking points for ObamaCare. "Women can't be charged more for their insurance," he bragged—but the GOP proposal doesn't alter that policy. "Young people can stay on their parents' plan until they turn 26," he said—but Republicans would leave that in place, too. "Contraceptive care and preventive care are now free," Mr. Obama added—except taxpayers actually pay for them with levies on, among other things, hospital stays, medical devices and insurance policies. Meanwhile, Mr. Obama shoved his broken promises down the memory hole.

The ex-president takes a break from vacation to lecture Republicans.

Mr. Obama did repeat the left's canards that the GOP proposal "would raise costs, reduce coverage, roll back protections, and ruin Medicaid." He piously added: "That's not my opinion, but rather the conclusion of all objective analysis," starting with "the nonpartisan Congressional Budget Office."

The CBO, however, did not issue its report on the Senate legislation until four days after Mr. Obama posted on Facebook. And when the CBO report did come out, it didn't back up his indictment. For example, the CBO concluded: "By 2026, average premiums for benchmark plans for single individuals in most of the country under this legislation would be about 20 percent lower than under current law."

One could scour the CBO's report in vain for anything to justify saying the bill would "roll back protections" or "ruin Medicaid." Under the Senate plan, Medicaid outlays would continue to rise, albeit at a slower rate.

Wielding the left's favorite new club, Mr. Obama also claimed that "23 million Americans would lose insurance" if the GOP bill passes. But how can that be, since only 10 million people get coverage through the ObamaCare exchanges? Further, how many of those people want insurance in the first place? The CBO says that "in 2018, 15 million more people would be uninsured under this legislation than under current law—primarily because the penalty for not having insurance would be eliminated."

And that's not the worst of the Democrats' rhetoric. Sen. Bernie Sanders says that if the Republican legislation passes "thousands of people will die." Sen. Elizabeth Warren claims Republicans want to pay for "juicy tax cuts for their rich buddies" with "blood money." The left-wing Center for American Progress pegs the number of Republican-caused deaths over the next decade at a precise 217,000. Hillary Clinton ratcheted it up by tweeting: "If Republicans pass this bill, they're the death party."

These comments demonstrate how intellectually bankrupt Democratic leaders are on health care. ObamaCare is falling apart, with its major promises broken. Democratic leaders have offered no package to fix it because it's structurally unsound and unfixable. All they can do is scream "Disease and death!" and hope Republicans are dissuaded from fixing the mess.

The danger for Republicans lies in not acting, which would allow Democrats to brag about all the imaginary terrible things they prevented from happening. The danger for Democrats comes if Republicans act and then voters see that the dreadful outcomes liberals predicted never come to pass (as happened with welfare reform). Victory will go to the active, not the timid. Your move, Senate Republicans. Don't blow it.

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

Trump Takes Flak From a PR School

By Mary Beth West

Have public-relations professionals joined the anti-Trump "resistance"? The Center for Public Relations at the University of Southern California's Annenberg School would like you to think so. "Over 80 percent of PR professionals polled believe WH spokespeople 'constantly change their views' and 'distort the truth,' " the center declared in a press release last week.

It quoted the center's director, Fred Cook: "It's clear from the results of our survey that the PR industry would prefer to distance itself from the current White House communications team, whose practices are not reflective of the values of the broader industry."

But is it so clear? I heard about the survey while it was still under way, via a tweet from my profession's national association, the Public Relations Society of America (PRSA): "New survey from @USCAnnenberg. Do you believe that the White House is damaging the reputation of our industry?"

That struck me as a leading question, from an organization that is usually nonpartisan. I clicked the link to find the online survey. It asked whether White House communications staffers "work hard to explain the policies of the current administration," "purposefully lie," "do their best under the circumstances" and "act like PR professionals." Survey respondents were asked whether they would hire Sean Spicer, Kellyanne Conway and others for their next jobs.

The USC Annenberg survey uses faulty methodology.

A quick search revealed other tweets and social-media posts from others in the communications field, including the prestigious Arthur W. Page Society, urging public engagement with the survey. Yet the online poll required no validation of PRSA affiliation or other professional credentials. Respondents were merely asked what kind of company they worked for and how long they had been in a PR-related position.

That setup yields what is known as a "convenience sample"—a survey group not necessarily representative of the population, and in this case likely biased by the anti-Trump framing. The 900 participants, according to the press release, were 55.3% liberal, 29.6% moderate and only 15.1% conservative.

As a moderate conservative myself—one who cares about what the presumed spokesmen for my profession are saying—I wrote Mr. Cook June 6 to express my concerns. He responded the same day and acknowledged some of my points. He told me the center was working "with a number of organizations to distribute the survey and we don't control how they do that." He added: "I had not seen the PRSA tweet and did not anticipate they would show any bias. We have been very careful with the language we have used in encouraging people to take the survey."

He assured me that "we aren't really looking for a critique" of the White House and promised "we will try not to display any bias as we report the results." On that score, the press release speaks for itself—but it was also picked up by politically enthusiastic media as an indictment of the administration by the entire public-relations profession.

I'm not a fan of the Trump administration's every message and mode, but such things should be argued on the merits, not with contrived data and sensationalism.

Ms. West runs a public-relations agency in Alcoa, Tenn.

BOOKSHELF | By David Preston

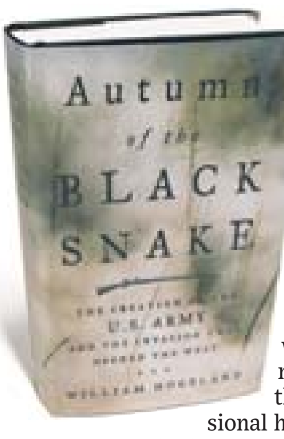
Washington's Indian War

Autumn of the Black Snake

By William Hogeland
(Farrar, Straus & Giroux, 447 pages, $28)

The destiny of the American West was far from manifest in 1791. President George Washington's new administration faced a broiling frontier war in the Ohio Valley and Great Lakes regions, where Indian nations had long been resisting American settlement. Aiming at a sphere of influence in the area, British officials were colluding with the natives, offering moral and material support for their resistance. In November of that fateful year, these forces combined to deliver the greatest victory ever achieved by native peoples against the United States.

Gen. Arthur St. Clair, a Revolutionary War veteran and governor of the newly created Northwest Territory, led an army of about 1,500 regulars and militia to quell native resistance in what is now northwest Ohio. In a gruesome battle along the Wabash River, around 1,000 Indian warriors routed the entire American army, inflicting nearly 70% casualties and killing almost a third of all the nation's troops in the space of three hours. The battle became known as St. Clair's Defeat—a name that allowed Americans to blame their collective humiliation on one man and to diminish the natives' powerful demonstration of military skill.



"Autumn of the Black Snake" explains how, in large measure, the U.S. Army's future existence hinged on the events of this period—particularly the nameless war fought against western Indian nations from 1790 to 1794. While the story is familiar to professional historians, William Hogeland breathes new life into a transformative conflict unknown to most modern Americans but decisive in shaping the future trajectory of the United States.

Mr. Hogeland tells of how, in an era when it was uncertain what capacity and strength a national military force would be permitted—or whether one would exist at all—St. Clair's Defeat tipped the balance in favor of a permanent national army. Debate on the subject refracted the essential issues that had arisen out of the transition from the Articles of Confederation to the Constitution, with Anti-Federalists promoting the militia system under state control and Federalists like Washington and Alexander Hamilton advocating a national army that would bind the union and establish federal sovereignty over the common defense.

Washington's military experience reinforced this preference, as he had developed a distrust of the militias' reliability and effectiveness in the protracted war against Britain's professional army and navy. With political adroitness, Washington and his allies used St. Clair's Defeat to promote legislation expanding the U.S. Army and nearly doubling the federal budget, which narrowly passed the Senate in 1792.

In 1792, President Washington tapped Anthony Wayne to lead a revamped national army. His efforts would open Ohio to American settlement.

The officer whom Washington chose to lead the new national army was his old subordinate Maj. Gen. Anthony Wayne. Though he was a grizzled veteran of the Revolutionary War, by 1792 financial ruin, political scandal and family discord had left Wayne's reputation in tatters. Wayne knew that this was his last chance to achieve redemption. He set about salvaging the remains of St. Clair's force by strengthening its morale, organization and discipline, transforming it into a new combined-arms unit called the Legion of the United States.

With his infantry, cavalry and artillery, Wayne marched north toward Miami country. He exhibited such "maniacal carefulness" that natives took to calling him the "Black Snake"—a general who never slept as he relentlessly constricted their room for maneuver. By late 1793, Wayne had reoccupied the battlefield of St. Clair's Defeat. He buried the bones of St. Clair's men and transformed a place of shame into a tangible symbol of victory: a new outpost named Fort Recovery.

The final blow fell in August 1794, when an Indian army of around 1,000 warriors ambushed Wayne's army at the Battle of Fallen Timbers, near present-day Toledo. The unfazed, disciplined infantry of the Legion countered with a bayonet charge and swept their native adversaries before them. Fleeing Indian warriors sought protection at nearby Fort Miamis only to discover that the British commander had barred the gates shut. Wayne's real triumph, Mr. Hogeland observes, was his demonstration of the "faithlessness of the enemy's so-called British allies." The following year, the British abandoned not only their remaining posts on American soil but also their Indian friends, who would face the United States alone.

Wayne's leadership of the Legion of the United States during the nation's first major war vindicated the expansion of the regular army, and his negotiation of the 1795 Treaty of Greeneville with the defeated Indian coalition opened most of what is now Ohio to American settlement. What was at stake here, according to Mr. Hogeland, was nothing less than the future commercial and industrial development of the United States—the westward expansion that defined American nationhood.

By placing relationships with Native Americans at the center of his narrative, Mr. Hogeland underscores the salient role of Indian peoples in shaping the early republic and its national army. He paints vivid portraits of leaders such as Blue Jacket (Shawnee) and Little Turtle (Miami), who were among the most formidable indigenous adversaries that U.S. forces ever faced. He also shows how, for all its tactical brilliance, the Indian coalition was hindered by internal differences over strategic and tactical priorities—divisions that would ultimately contribute to its military defeat.

While "Autumn of the Black Snake" offers little in the way of new research, it convincingly argues the significance of Washington's decisions during this episode. Mr. Hogeland's portrait of Washington himself is controversial, interpreting the first president's motives as starkly expansionist. Indeed, Mr. Hogeland's work invites reflection on why some of the most important (and darker) legacies of Washington's presidency—establishing federal supremacy over the west and its native inhabitants in a war of unbridled conquest—have also been the most readily forgotten.

Mr. Preston is a professor of history at the Citadel and the author of "Braddock's Defeat: The Battle of the Monongahela and the Road to Revolution."

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

OPINION

REVIEW & OUTLOOK

The Republicaid Party?

With the Senate health-care bill delayed for now, the conservative and more centrist GOP wings need to bridge a philosophical gap to succeed. The outcome of this debate will define what the Republican Party stands for—and whether the problems of America's entitlement state can ever be solved.

The biggest policy divide concerns the future of Medicaid, and here the problem is the moderates who are acting like liberals. Despite their campaign rhetoric, some Senators now want to ratify ObamaCare's Medicaid expansion as an unrepealable and unreformable welfare program.

* * *

Most of the Affordable Care Act's insurance coverage gains have come from opening Medicaid eligibility beyond its original goal of helping the poor and disabled to include prime-age, able-bodied adults. The federal-state program has become the world's single largest insurer by enrollment, covering more people than Medicare or the British National Health Service. Total spending grew 18% in 2015 and 17% in 2016 in the 29 states that expanded, and the nearby chart shows the growth of overall federal Medicaid spending under current law and without reform.

The Senate bill attempts to arrest this unsustainable surge by moving to per capita spending caps from an open-ended entitlement. When states spend more now, they generate an automatic payment from the feds. The goal is to contain costs and give Governors the incentive and flexibility to manage their programs.

Meanwhile, four long years from now, the bill would start to phase-down the state payment formula for old and new Medicaid beneficiaries to equal rates. Governors ought to prioritize the most urgent needs.

This would be the largest entitlement reform ever while still protecting the most vulnerable. The bill is carefully designed to avoid overreach and would save taxpayers $772 billion compared with what Medicaid would otherwise spend under current law, according to the Congressional Budget Office. This does not "cut" spending; it merely slows the rate of increase.

This has nonetheless made some Senators nervous, like West Virginia's Shelley Moore Capito and Ohio's Rob Portman. The growth rate for the block grants would be set at the rate of medical inflation for most beneficiaries at the start and then fall to the consumer price index in 2026, which is more ambitious than the House bill. Some Senators would like to see more generous growth rates, while others favor waiting six or seven years, rather than four, to start the phase-down of the expansion.

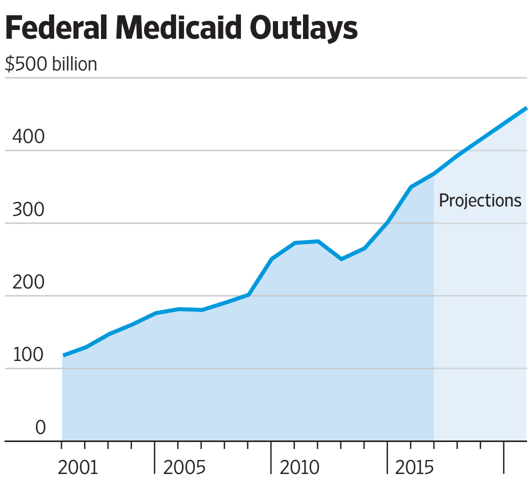
The danger is that both approaches could dilute reform to the point where it's not worth the political trouble and wouldn't improve the federal fisc. Postponing change until after 2020 means waiting a political eternity, and a formula that on paper says the government will cut spending in the future is already uncertain enough fiscal discipline. It certainly doesn't qualify as cruel, barbaric, or any of the other adjectives the bill's critics are abusing.

Some GOP Senators are shrinking from entitlement reform.

More to the political point, Republicans run in every election on cutting federal spending and a smaller, more efficient government. Well, here's their best chance in a generation, and eventually Republicans will have to follow the money.

Some 65% of the federal budget is mandatory spending, meaning Social Security and the health-care entitlements. Interest on the debt is 6% and more than half of the discretionary budget flows to defense. The GOP can't meaningfully reform government or increase defense spending without fixing Medicaid and replacing ObamaCare.

The alternative will be much higher levels of taxation across society, reaching deep into the middle class, or a debt crisis. "To avoid fiscal and economic calamity," as one GOP Senator wrote in a 2014 op-ed on these pages, Washington must "reform Social Security and health entitlements. The CBO estimates that a deal saving $4 trillion over the decade would put the budget on a path to sustainability. . . . The longer we wait to enact reforms, the more abrupt and painful they will be. It is time for everyone to come together and start to erase the red ink."



Source: Congressional Budget Office

That Senator was Mr. Portman, a former White House budget director and member of the "super committee" of 2011 that tried to negotiate entitlement reform with Barack Obama. The Senate bill doesn't save close to $4 trillion but you've got to start somewhere.

Someone should also ask the Governors like John Kasich who are predicting doom a substantive policy question or two. Some 43% of the Ohio all-funds budget goes to Medicaid compared to a mere 14% for K-12 education. The average state all-funds Medicaid share is 28%. Does Mr. Kasich think this is the correct fiscal priority for America's future—skimp on educating the next generation to finance free health care for able-bodied adults?

* * *

If Republicans fail to pass a bill or weaken the Senate bill so much that it won't make a difference, the result will be a calamity of a different kind. GOP Governors who declined to join ObamaCare's new Medicaid will conclude that the expansion is permanent and the political pressure will rise to take the federal bribe. Medicaid costs will soar, and national Republicans will show that they're incapable of doing what voters sent them to Washington to do.

Democrats will conclude that Medicaid is politically untouchable and thus a wedge for single payer. They'll enlarge eligibility to ever-higher income levels and gradually crowd out private insurance. Republicans won't have a plausible argument against the idea if they can't reform Medicaid now.

The Trump Labor Board's List

President Trump is finally filling out the National Labor Relations Board, and not a moment too soon. Repudiating the Obama NLRB's radical rulings will take time, but Congress could lend a hand.

Last week Mr. Trump nominated Marvin Kaplan, counsel at the Occupational Safe and Health Review Commission, to one of two vacancies on the board. And this week the President rounded out the five-member board by naming William Emanuel, an employment lawyer at Littler Mendelson who helped challenge the Obama NLRB ruling that bars class-action waivers in arbitration agreements. The Fifth Circuit Court of Appeals rejected the board's theory, and the Supreme Court has agreed to hear the case.

Both are well-qualified attorneys who will hew to statutory or case law. They are unlikely to get rolled by union-friendly staff who have sometimes been more knowledgable and influential than the board's GOP members.

The nominations will give Republicans their first board majority in a decade, and there's little time to waste. Some 360 cases are pending before the board, many of which present opportunities to correct recent board rulings that depart from longstanding precedent. The Coalition for a Democratic Workplace last year estimated that the Obama NLRB overturned 4,559 years of established law.

One example is the 2015 *Browning-Ferris* decision, which created a new "indirect influence" joint-employer standard that has up-ended contractual relationships as well as the franchise business model. The ruling, which nullified three decades of board and judicial precedent, allows unions to drag companies into labor disputes with subcontractors and franchisees.

Also pivotal is the 2011 *Specialty Healthcare* decision that let unions form micro-bargaining units within a "community of interest" that shares job classifications, functions and skills, among other commonalities. This lets unions use a divide-and-conquer strategy to organize workplaces.

One study says the Obama NLRB overturned 4,559 years of legal precedent.

Last year the board melded *Browning-Ferris* and *Specialty Healthcare* by ruling that employer consent isn't needed for bargaining units that combine jointly employed and solely employed workers. Other Obama NLRB departures include letting university teaching assistants unionize and letting workers defame their company on social media and keep their jobs.

Don't forget how the Obama NLRB rigged union election rules to deny employers due process. One change restricted employers' ability to dispute the eligibility of workers in a bargaining unit before an election. And an expedited election schedule limits employers' opportunity to present their case to employees. While employers can contest the board's decisions in court, President Obama packed the D.C. Circuit Court of Appeals with liberal judges who are inclined to defer to the board's judgment under the *Chevron* standard.

This is why it's important for the GOP Congress to clarify ambiguities in the National Labor Relations Act that unions have exploited to give themselves organizing advantages that Congress never intended. For starters, Congress could codify the direct control joint-employer standard as well as union election procedures that protect employer and worker rights.

Legislation would protect the Trump NLRB's decisions against legal challenges from the left while hemming in future Democratic majorities. Otherwise, employers will have to fight the same battles the next time a Democrat is elected to the White House.

LETTERS TO THE EDITOR

Reality Confronts Europe's Multiculturalists

In "Europe's Elites Seem Determined to Commit Suicide by 'Diversity'" (op-ed, June 19), Douglas Murray leaves out one critical ingredient. Europe's elites, just like those in the U.S., opt out of the multicultural system they advocate for the rest of us. They live in gated communities or doorman-guarded high rises, travel in chauffeured cars, fly in private jets or first class and generally meet and talk to people like themselves. How could they possibly understand the downside of diversity?

Admittedly, the elites are well traveled, so they have seen the cultures immigrants come from, but they never live with them. They look at foreign cultures, skim the top and go back to their bubbles. In the end, their children and grandchildren will be the ones who lose.

Charles H. Gessner
Marblehead, Mass.

Our country was built by immigrants and with them came changes to culture, and even crime. But in the end, immigrants built a country that surpassed Europe, a continent preoccupied with maintaining traditions.

Terrorism must be addressed and taken into account in developing immigration policies, but we also must consider the benefits we Americans have seen that come from immigration.

Joshua Tenzer
Englewood, N.J.

Douglas Murray's statement that "more immigration from Muslim countries produces many problems, including terrorism" is wrong. The data show that migrants and asylum seekers are least likely to commit crimes, let alone violent crimes. Here in the U.S., as well as in Europe, more terrorism is committed by local citizens than by immigrants. But Mr. Murray's view seems not to be anti-immigrant, but anti-Muslim immigration. He joins a long list of people who propagate fear of Muslims by demonizing the whole Muslim community. The recommendation to reduce diversity by keeping Muslims out is racist and narrow-minded.

Khalid Rehman
New York

With respect to the fracture between European and Muslim understanding of justice—this is an opportunity, not a problem. Nothing could be more European than competing definitions of justice, as this debate is the fundamental question of Plato's "The Republic," the essential text of democracy. It might seem more difficult than a moonshot, but Europeans (and all democracies) must accept the challenge. Europeans must choose multiculturalism, not because it is easy, but because it is hard. Multiculturalism will serve to organize and measure the best of European energies and skills.

Davis Sargeant
Williamsburg, Va.

It would behoove the European elites to ask the American Indians about embracing foreign diversity. When immigrants assimilate into a new world, it is a migration; when they don't, it is an invasion.

Stephen Borkowski
Pittsburg, Texas

American Steel Competitive With Fair Imports

"The Outlook: 'Security' Curbs Pose Trade-War Risks" (U.S. News, June 19) fails to acknowledge the widespread negative reverberations that are happening in the steel industry. Negative consequences of the status quo are happening right now to hundreds of companies representing billions of dollars of the U.S. economy. If President Trump curbs imports of steel and steel products in the name of national security, positive impacts are very likely.

The article's illustrations show countries of origin for steel imports to the U.S. Very little raw Chinese steel is imported to the U.S. since tariffs were imposed several years ago. However, millions of tons of Chinese steel are imported every year as pipe, tubing, rebar, structural steel, valves, fittings, car parts, machine parts, etc. None of those items enter the U.S. economy as steel imports even though 50% to 90% of the market value of the goods are comprised of the cost of the steel. Raw Chinese steel is sold to foreign manufacturers of steel products at prices below the combined cost of the commodities that go into making the steel.

The result is that most steel-related businesses in the U.S. have been losing money recently. I don't support one-sided protectionism. The U.S. needs a level playing field and fair trade. We don't need a heavy-handed government to tilt things in our favor. When we engage in free trade at all costs, American citizens always lose in the long run.

John Clark
Stupp Corp.
Houston

Ending Illinois's Steady March Over the Cliff

Regarding "The Illinois Capitulation" (Review & Outlook, June 21): The only reason the tail wags the dog in Illinois is because Illinois House Speaker Michael Madigan and his promise, tax, borrow-and-spend Democrats have a one-party monopoly in Chicago and Cook County. To avoid this ultimate rendezvous with fiscal disaster, every downstate Republican needs to come out and vote for representatives, senators and governors who are willing to change the status quo at any cost to save our state. I hope Gov. Bruce Rauner and the Republicans will continue to run the good race and fight the good fight for the Land of Lincoln.

Edward F. Kensek
La Grange, Ill.

Mr. Madigan doesn't need Gov. Rauner's signature on any bill to pass it because he has the Democratic votes to override any veto. Mr. Madigan let on he was happy that Mr. Rauner won, so the speaker could have someone else to blame for Illinois's mess.

The real issue here is term limits. Gov. Rauner won't sign a budget without it, and Mr. Madigan will destroy Illinois's fiscal future to stop it. With term limits in place, Mr. Madigan and his entrenched colleagues would lose all their power in the course of a few years. Term limits are the key to Illinois's long-term solvency, and Gov. Rauner knows it. I hope the governor sticks to his plan and saves Illinois from the death grip Mr. Madigan has had on Illinois politics since the 1970s.

D. Richardson
Oswego, Ill.

As an Illinois conservative, I am heartbroken. If I could only sell my house, I would leave.

Mike O'Donnell
Aurora, Ill.

Sick Children, Parents Will Suffer From Medicaid Cuts

Regarding "Battle Lines Drawn on Health Care" (page one, June 23): I'm a doctor at a large regional children's hospital. Nobody's there because they "made bad choices." We care for kids who are sick—many critically sick, many chronically sick or disabled—through no fault of their own. A bad roll of the genetic dice. A few unlucky moments around the time of birth. An infection in a bad site, at a bad time.

Forty-three percent of our patients get their insurance through Medicaid. Cuts to Medicaid and changes to insurance regulations, such as annual and lifetime caps and loss of essential health benefits, would mean the children I care for won't be able to receive the care they need to survive and live the best, healthiest lives they can. Such cuts set my patients and their families (and remember, these are babies, toddlers, little kids) up for a lifetime of poverty, lost income (because cuts to disability mean more parents staying home to care for a child instead of going to work) and insurance discrimination.

This bill is wrong for America and especially wrong for the children of America.

Robyn C. Reed, M.D., Ph.D.
Minneapolis

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

Pepper ... And Salt

THE WALL STREET JOURNAL

"I'm afraid the people are starting to live within their means."

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
For reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

OPINION

America Needs a Post-ISIS Strategy

By John Bolton

The headlines out of Syria are eye-catching: There are signs the Assad government may be planning another chemical attack. American pilots have struck forces threatening our allies and shot down a Syrian plane and Iranian-made drones. The probability of direct military confrontation between the U.S. and Russia has risen. Yet the coverage of these incidents and the tactical responses that have been suggested obscure the broader story: The slow-moving campaign against Islamic State is finally nearing its conclusion—yet major, long-range strategic issues remain unresolved.

The U.S. should recognize Iran and Russia as adversaries—and that Iraq isn't a friend.

The real issue isn't tactical. It is instead the lack of American strategic thinking about the Middle East after Islamic State. Its defeat will leave a regional political vacuum that must be filled somehow. Instead of reflexively repeating President Obama's errors, the Trump administration should undertake an "agonizing reappraisal," in the style of John Foster Dulles, to avoid squandering the victory on the ground.

First, the U.S. ought to abandon or substantially reduce its military support for Iraq's current government. Despite retaining a tripartite veneer of Kurds, Sunni Arabs and Shiite Arabs, the capital is dominated by Shiites loyal to Iran. Today Iraq resembles Eastern Europe in the late 1940s, as the Soviet anaconda tightened its hold. Extending Baghdad's political and military control into areas retaken from ISIS simply advances Tehran's power. This cannot be in America's interest.

Iraq's Kurds have de facto independence and are on the verge of declaring it de jure. They fight ISIS to facilitate the creation of a greater Kurdistan. Nonetheless, the Kurds, especially in Syria and Turkey, are hardly monolithic. Not all see the U.S. favorably. In Syria, Kurdish forces fighting ISIS are linked to the Marxist PKK in Turkey. They pose a real threat to Turkey's territorial integrity, even if it may seem less troubling now that President Recep Tayyip Erdogan's plans have turned so profoundly contrary to the secular, Western-oriented vision of Kemal Atatürk.

Second, the U.S. should press Egypt, Jordan and the Gulf monarchies for more troops and material assistance in fighting ISIS. America has carried too much of the burden for too long in trying to forge Syria's opposition into an effective force. Yet even today the opposition could charitably be called "diverse." It includes undeniably terrorist elements that are often hard to distinguish from the "moderates" the U.S. supports. Getting fresh contributions from Arab allies would rebalance the opposition, which is especially critical if the U.S. turns away, as it should, from reliance on the Iraqi forces dominated by Tehran.

Third, the Trump administration must take a clear-eyed view of Russia's intervention. The Syrian mixing bowl is where confrontation between American and Russian forces looms. Why is Russia active in this conflict? Because it is aiding its allies: Syria's President Bashar Assad and Iran's ayatollahs. Undeniably, Russia is on the wrong side. But Mr. Obama, blind to reality, believed Washington and Moscow shared a common interest in easing the Assad regime out of power. The Trump administration's new thinking should be oriented toward a clear objective: pushing back these Iranian and Russian gains.

A defaced Islamic State sign in Ba'aj, Iraq, June 20.

GETTY IMAGES

Start with Iran. Tehran is trying to cement an arc of control from its own territory, through Baghdad-controlled Iraq and Mr. Assad's Syria, to Hezbollah-dominated Lebanon. This would set the stage for the region's next potential conflict: Iran's Shiite coalition versus a Saudi-led Sunni alliance.

The U.S.-led coalition, enhanced as suggested above, needs to thwart Iran's ambitions as ISIS falls. Securing increased forces and financial backing from the regional Arab governments is essential. Their stakes are as high as ours—despite the contretemps between Qatar and Saudi Arabia (and others)—but their participation has lagged. The U.S. has mistakenly filled the gap with Iraqi government forces and Shiite militias.

Washington is kidding itself to think Sunnis will meekly accept rule by Iraq's Shiite-dominated government or Syria's Alawite regime. Simply restoring today's governments in Baghdad and Damascus to their post-World War I boundaries would guarantee renewed support for terrorism and future conflict. I have previously suggested creating a new, secular, demographically Sunni state from territory in western Iraq and eastern Syria. There may well be other solutions, but pining for borders demarcated by Europeans nearly a century ago is not one of them.

At the same time, the U.S. must begin rolling back Russia's renewed presence and influence in the Middle East. Russia has a new air base at Latakia, Syria, is involved in combat operations, and issues diktats about where American warplanes in the region may fly. For all the allegations about Donald Trump and Russia, the president truly in thrall to Moscow seems to have been Mr. Obama.

Russia's interference, particularly its axis with Mr. Assad and Tehran's mullahs, critically threatens the interests of the U.S., Israel and our Arab friends. Mr. Assad almost certainly would have fallen by now without Russia's (and Iran's) assistance. Further, Moscow's support for Tehran shatters any claim of its truly being a partner in fighting radical Islamic terrorism, which got its modern start in Iran's 1979 revolution. Both Iran and the Assad regime remain terror-sponsoring states, only now they are committing their violence under Russia's protective umbrella. There is no reason for the U.S. to pursue a strategy that enhances Russia's influence or that of its surrogates.

As incidents in Syria and Iraq increasingly put American forces at risk, Washington should not get lost in deconfliction negotiations or modest changes in rules of engagement. Instead, the Trump administration should recraft the U.S.-led coalition to ensure that America's interests, rather than Russia's or Iran's, predominate once ISIS is defeated.

Mr. Bolton is a senior fellow at the American Enterprise Institute and author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).

How Myopic Antitrust Policy Helped Amazon Gain Dominance

By Allysia Finley

Amazon's $13.7 billion bid for Whole Foods has stirred speculation among investors, business reporters and consumers. If Amazon CEO Jeff Bezos has a strategy for marrying the online and brick-and-mortar operations, he hasn't explained it—and perhaps for good reason. It's rarely wise to show your cards to competitors or regulators.

A decade ago, the Federal Trade Commission turned Whole Foods CEO John Mackey's statements against him in an antitrust suit that sought to unwind its merger with Wild Oats Markets. Mr. Mackey said Whole Foods's goal was to "eliminate a competitor" that a conventional supermarket might otherwise purchase and use as a "growth platform."

Markets are dynamic—meaning businesses face constant pressure from competitors that offer innovations or lower prices. In 2007, then-Sen. Barack Obama asked Iowa voters, "Anybody gone into Whole Foods lately? See what they charge for arugula?" At the time, Iowa didn't even have a Whole Foods, and Republicans seized on his statement to portray him as an out-of-touch elitist. Now you can buy a box of arugula at a 99-cent store.

The problem is that FTC regulators defined competition so narrowly when evaluating prior mergers that they failed to see the market for the trees. Antitrust enforcement actions that sought to prevent grocery stores from consolidating have helped Amazon, which has been able to expand unencumbered by the FTC. Now supermarkets may be in a weaker position to give Amazon a run for its money.

After Whole Foods proposed the Wild Oats merger in 2007, the FTC accused Whole Foods of trying to corner a distinctive "premium natural and organic" market. The agency argued that Wal-Mart, Safeway and Trader Joe's—all of which are among Whole Foods's top competitors today—drew different clienteles and thus were not direct competitors.

Whole Foods spent two years battling the FTC in court. But the agency's arguments lost weight as Wal-Mart and supermarkets expanded their offerings of organic products and poached price-conscious customers from Whole Foods. In 2009 the government settled, with Whole Foods agreeing to sell 13 of its Wild Oats stores, which accounted for a token 1.3% of the company's sales.

But although the merger strengthened Whole Foods's position in the organic market, its stock price has sagged over the past two years as competition in groceries has escalated. Meanwhile, Wal-Mart and conventional supermarkets, which were booming during the 1980s and '90s, have to fend off competition from warehouse outlets, dollar stores and German low-cost retailers Aldi and Lidl.

Online food retailers like FreshDirect, Amazon and Jet.com (acquired last year by Wal-Mart) are now catering to customers who prize convenience over cost. Silicon Valley startup Instacart promises to deliver groceries from retailers like Whole Foods, Costco and Target within two hours. And meal kit service Blue Apron is pitching an initial public offering.

When Whole Foods and Wild Oats merged, the FTC said Wal-Mart wasn't a competitor.

The result has been a wave of supermarket consolidation. In 2015 Albertsons merged with Safeway to maximize economies of scale and negotiate leverage with suppliers. Yet the FTC complained the deal would significantly reduce competition and potentially increase prices.

The FTC came to this conclusion by narrowly defining the market as consisting of "one-stop shopping" supermarkets and excluding discounters, warehouses, convenience stores and organic retailers. The commission also arbitrarily evaluated geographic competition by examining supermarkets that operated between 0.2 and 10 miles of each other. In the Whole Foods-Wild Oats deal, the FTC defined the relevant geographic market as "an area as small as approximately five or six miles in radius" from each store. With the growth in online shopping, delimiting markets by geography is increasingly absurd.

To get their merger approved, Albertsons and Safeway agreed to sell 146 of their stores to the small Northwest supermarket chain Haggen, which filed for Chapter 11 bankruptcy reorganization within a year.

Government antitrust interventions have a history of backfiring. When rental-car company Hertz sought to buy Dollar Thrifty in 2012, the FTC forced it to divest Advantage Rent A Car. Regulators argued that the merger would have reduced competition in the airport rental market, which was beginning to see disruptions from ride-hailing startups and Zipcar, a rental agency with an innovative business model. One year after its brokered sale, Advantage went bankrupt. In 2013 Avis bought Zipcar for $500 million.

Car-rental companies are continuing to struggle because of competition from Uber and Lyft, but are innovating to keep up. In the past three years, Hertz's stock price has tumbled more than 90%. This week, Hertz and Avis announced self-driving car partnerships with Apple and Waymo.

That story of creative destruction has been repeated across industries throughout history. Wired broadband has replaced dial-up Internet in most of the U.S. but is now being usurped by mobile. Or consider the evolution from pagers and car phones to cell phones and smartphones. A decade ago, BlackBerry led the "personal digital assistant" market, which was tiny compared to the market for flip phones. Regulators can't foresee how innovations will disrupt markets. Antitrust interventions that seek to preserve the status quo will invariably fail—and could cause businesses to fail.

How the Amazon-Whole Foods merger will play out is anyone's guess, but businesses typically have a better record of predicting—and spurring—market revolutions than government. That's something for President Trump to keep in mind as he fills three vacancies on the FTC.

Ms. Finley is an editorial writer for the Journal.

The Answer to the Virginia Shooting Isn't Looser Gun Laws

By Don Beyer

Earlier this month, a man armed with a rifle and handgun targeted members of Congress and their staffs as they practiced for the annual congressional baseball game—a bipartisan tradition dating back decades. Rep. Steve Scalise was wounded, as were two U.S. Capitol Police officers, a congressional staffer, and a former aide. Thankfully all are recovering.

I was horrified. I know well the Alexandria, Va., community where the shooting happened. I represent the people who live there, and that practice field is a mile from my house.

Despite our political differences, my colleagues and I respect each other. We should come together with a shared agenda in such moments. I've been inspired by the bipartisan spirit I've witnessed in the wake of the shooting. I am troubled, however, by the gun lobby's attempt to exploit the tragedy by advancing a dangerous political agenda that would make us less safe.

On the morning of the shooting, Republicans who control the House Committee on Natural Resources were set to hold hearings on a sportsmen's bill called the Share Act. In an attempt to mass market the sale of dangerous firearm silencers as hearing protection, members of that committee had quietly attached to the bill an unrelated measure called the Hearing Protection Act. More accurately, they might have called it the Gun Profits Protection Act.

The measure's sole purpose is to remove gun silencers from the National Firearms Act, the law that for 80 years has regulated the sale of the deadliest weapons and gun accessories. Removing existing safeguards to mass-market silencers would profit gun manufacturers at the expense of public safety, and enable dangerous individuals to buy silencers on the private market without the scrutiny of a background check.

Shortly after the shooting, Republicans on the committee canceled the hearing—for now. I was glad they did. They should shelve this dangerous proposal permanently. The noise from James Hodgkinson's rifle alerted those on the scene in Alexandria to the shooting. Often the sound of gunshots is what causes people to take cover and notify law enforcement.

In the weeks since the shooting, I've also noticed an uptick in calls for concealed-carry reciprocity among my colleagues. Some have proposed legislation to override local laws and allow more guns on the streets of Washington and beyond.

One idea is to force states to accept one another's concealed-carry permits. What could go wrong?

For the National Rifle Association's leadership, which spent $50 million on the 2016 elections, federal concealed-carry reciprocity legislation is agenda item No. 1. They've said it themselves. It's a policy that would enrich gun makers while decimating our public-safety laws and creating chaos for law enforcement.

Concealed-carry reciprocity would force every state in the nation to accept the standards of every other state. It would make the weakest link the de facto law of the land—forcing states to allow concealed carry by people with no gun-safety training, and by many people with recent convictions for violent crimes.

A dozen states have dismantled their concealed-carry permitting requirements altogether. If a federal concealed-carry reciprocity law passes, people with no permits whatever, who have never even passed background checks, would be free to carry guns across the country.

Mass shootings resemble day-to-day gun violence in some ways, but both have a strong statistical likelihood of being committed by people with histories of domestic violence or other abuse. Hodgkinson, who is reported to have had a history of domestic violence, is another deadly data point confirming this trend. With a federal concealed-carry reciprocity law on the books, people who have a record of domestic violence or are experiencing a mental-health crisis could carry hidden, loaded guns in all 50 states.

That's a recipe for disaster, which is why many law enforcement organizations have firmly opposed the idea for years.

Politicians from both parties should focus on the recovery of Hodgkinson's victims and on crafting policies that will make us all safer. What we must not do is allow the gun lobby to exploit this tragedy in pursuit of its own dangerous agenda.

Mr. Beyer, a Democrat, represents Virginia's Eighth Congressional District.

THE WALL STREET JOURNAL.
PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp

Robert Thomson
Chief Executive Officer, News Corp

Gerard Baker
Editor in Chief

William Lewis
Chief Executive Officer and Publisher

Matthew J. Murray
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:
Michael W. Miller, *Senior Deputy;*
Thorold Barker, *Europe;* **Paul Beckett,** *Washington;* **Andrew Dowell,** *Asia;*
Christine Glancey, *Operations;*
Jennifer J. Hicks, *Digital;*
Neal Lipschutz, *Standards;* **Alex Martin,** *News;*
Shazna Nessa, *Visuals;* **Ann Podd,** *Initiatives;*
Matthew Rose, *Enterprise;*
Stephen Wisnefski, *Professional News*

Paul A. Gigot, *Editor of the Editorial Page;*
Daniel Henninger, *Deputy Editor, Editorial Page*

WALL STREET JOURNAL MANAGEMENT:
Suzi Watford, *Marketing and Circulation;*
Joseph B. Vincent, *Operations;*
Larry L. Hoffman, *Production*

DOW JONES MANAGEMENT:
Mark Musgrave, *Chief People Officer;*
Edward Roussel, *Innovation & Communications;*
Anna Sedgley, *Chief Operating Officer & CFO;*
Katie Vanneck-Smith, *President*

OPERATING EXECUTIVES:
Ramin Beheshti, *Product & Technology;*
Jason P. Conti, *General Counsel;*
Frank Filippo, *Print Products & Services;*
Steve Grycuk, *Customer Service;*
Kristin Heitmann, *Transformation;*
Nancy McNeill, *Advertising & Corporate Sales;*
Jonathan Wright, *International*
DJ Media Group:
Almar Latour, *Publisher;*
Kenneth Breen, *Commercial*
Professional Information Business:
Christopher Lloyd, *Head;*
Ingrid Verschuren, *Deputy Head*

EDITORIAL AND CORPORATE HEADQUARTERS:
1211 Avenue of the Americas, New York, N.Y., 10036
Telephone 1-800-DOWJONES

DOW JONES
News Corp

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

WE'RE NOT THE NAME YOU THINK OF WHEN YOU THINK OF SMARTPHONES.

BUT WE ARE THE SMART BEHIND EVERY PHONE YOU CAN THINK OF.

Twenty years ago, Qualcomm connected the phone to the internet. And with that, we built the foundation that unleashed the mobile revolution. As time went by, we invented more and more things that made the smartphone indispensable. Things like blazing fast LTE connectivity, more accurate GPS, camera stabilization and even airplane mode. The fact is, Qualcomm technology is foundational for every modern smartphone. And now, the company that changed everything with the smartphone is going to change everything about everything else.

qualcomm.com/weinvent

QUALCOMM®

Why you love your smartphone.

© 2017 Qualcomm Technologies, Inc. All Rights Reserved. Qualcomm is a trademark of Qualcomm Incorporated, registered in the United States and other countries.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

PERSONAL TECHNOLOGY: GEOFFREY A. FOWLER ON THE ECHO SHOW B4

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved. * * * * * THE WALL STREET JOURNAL. Thursday, June 29, 2017 | B1

S&P 2440.69 ▲ 0.88% S&P FIN ▲ 1.58% S&P IT ▲ 1.32% DJ TRANS ▲ 1.43% WSJ $ IDX ▼ 0.39% LIBOR 3M 1.296 NIKKEI (Midday) 20238.85 ▲ 0.54% See more at WSJMarkets.com

U.K. Lambastes Its Fund Industry

Regulator blasts fees and weak performance, reigniting debate, international scrutiny

By Philip Georgiadis

LONDON—The U.K.'s Financial Conduct Authority issued a damning critique of the country's $7 trillion asset-management industry, condemning weak price competition and performance in a sector it says needs a substantial overhaul.

The regulator on Wednesday set out an extensive range of remedies to drive competition and transparency, including introducing a single "all-in fee" and an increased duty on fund managers to act in the best interest of investors.

The report stops short of the industry's worst-case scenario—referring the entire sector to competition authorities—but fund managers will have to grapple with a call for major changes.

It comes as London's financial district faces competition from other financial centers following 2016's vote to leave the European Union and as it gears up to implement significant regulatory changes, including Europewide modifications to rules governing financial firms in January 2018.

Scrutiny of fees and transparency in the world's second-largest investment market is likely to reignite an industrywide debate on pricing and the benefits of active or passive investing, industry participants said.

"I think regulators in every jurisdiction are going to be looking at this report," said Dan Brocklebank, head of U.K. for investment manager **Orbis Investment Management** Ltd. "All regulators are confronted with the same problem: They have to protect consumers in the market who are faced with an overcomplex, opaque product," Mr. Brocklebank said.

Richard Withers, head of policy for Europe at U.S. fund company **Vanguard Group**, said European regulators would be closely watching the U.K.'s actions. "There is very significant interest at an EU level as to what is happening in the U.K. I think the U.K. is influencing the direction of travel," Mr. Withers said.

The FCA's action is also likely to increase the pressure on money managers who actively manage funds. Active fund managers are facing competition from cheaper passive funds, which are snatching market share by offering lower fees in exchange

Please see FUNDS page B2

Sycamore Agrees to Purchase Staples

By Dana Mattioli And Drew FitzGerald

Private-equity firm **Sycamore Partners** agreed to buy **Staples** Inc. for about $6.9 billion, a bold bet on a company whose sales have been shrinking in recent years.

Sycamore is expected to pay $10.25 a share for Staples, the office-supply retailer confirmed Wednesday.

The price represents a nearly 20% premium to where the shares traded just before The Wall Street Journal reported that Staples was exploring a sale in early April. Staples shares rose 8.4% to close at $9.93 Wednesday after the Journal reported that an announcement was imminent. They edged up further after hours.

The deal would be the biggest leveraged buyout this year, according to Dealogic. Private-equity deal activity has been restrained, in part because many companies have become expensive in the stock-market surge.

But retailers of all stripes have been buffeted by shifting buying patterns as consumers increasingly shop online, and many of their shares have fallen as a result.

The agreement values Staples at a deep discount to where the company traded just a few years ago—and to its annual revenue, which was $18.2 billion in the fiscal year ended in January.

Sycamore prevailed over other private firms in the auction for Staples, which also has a big business supplying corporate and government clients. The company's shares peaked at more than $25 a decade ago, before the financial crisis caused cash-strapped businesses to cut back on purchases of office essentials. By the time the economy recovered, online retailers were increasingly siphoning off Staples' sales.

The digital transformation of workplaces, meanwhile, has dented the market for printer paper, filing cabinets and the like.

After years of sales declines, the Framingham, Mass., company in 2015 mounted a roughly $6 billion bid to merge with rival Office Depot Inc., but a federal judge scuttled the deal a year later over concerns it could raise the prices that big companies pay for office essentials. The failure led to the ouster of Staples' then-Chief Executive Ron Sargent, who had run the company since 2002.

Sycamore often invests in struggling retail brands.

Blue Apron Serves Up Undercooked Offering

By Corrie Driebusch And Eliot Brown

Blue Apron Holdings Inc. stumbled in its initial public offering, a warning to companies seeking to live up to their private valuations in the public markets.

The meal-kit maker sold its shares for $10 apiece in its IPO, according to people familiar with the offering, valuing the company at about $1.9 billion. Blue Apron was valued at $2 billion in a 2015 private fundraising round by investors such as Fidelity Investments.

The outcome is far from what Blue Apron anticipated when the company launched its cross-country pitch to investors. Blue Apron sought to sell shares between $15 and $17 apiece, which would have valued the company at $3 billion at the midpoint of the range. However, the startup struggled to find buyers at those prices. Investors who considered the IPO expressed concern about Blue Apron's marketing costs and customer turnover, according to fund managers and analysts.

"It's hard to see what the bull case is," said Sean Stiefel, portfolio manager at Navy Capital LLC who didn't invest in Blue Apron's IPO. Mr. Stiefel's firm participated in recent IPOs by Snapchat parent Snap Inc. and enterprise software companies Appian Inc. and Okta Inc.

Earlier Wednesday, Blue Apron lowered its expected price range to $10 to $11 a share in a regulatory filing. Such a cut is fairly uncommon: Since the start of 2012, 10% of U.S.-listed IPOs have lowered their ranges, by 34% on average, according to data provider Dealogic.

Blue Apron raised $300 million by selling 30 million shares at $10 apiece, less than the $480 million the company and its underwriters had expected at the midpoint of its earlier target price range.

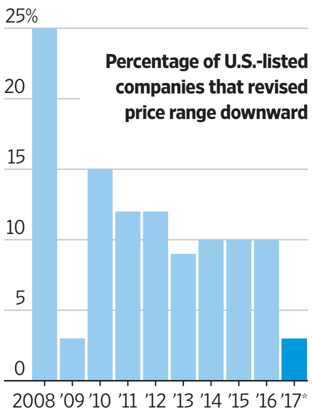
Some investors looking at the IPO said they were worried about Blue Apron's profitability. The company's revenue has been increasing, but it has posted net losses each year since its inception in 2012, and those losses have been rising.

Please see BLUE page B2

◆ Heard on the Street: Amazon takes bite of Blue Apron.. B12

Chopped

It is uncommon for a company to lower its target price range for its initial public offering.



Source: Dealogic *Through June 27
THE WALL STREET JOURNAL.

BRENT LEWIN/BLOOMBERG

Nestlé's ice cream business is seen as ripe for a divestiture, as are its frozen-food and pizza brands. Ice cream is delivered in Thailand.

Nestlé Tidies Up Its Food Cupboard

By Brian Blackstone

ZURICH—The world's biggest packaged-food company may be cutting back on packaged food.

Nestlé SA outlined a far-reaching strategic shift this week, days after activist investor Daniel Loeb, who has accumulated a 1.25% stake, asked for big changes. Nestlé promised new investment in its high-growth businesses like bottled water, coffee, infant nutrition and pet care. It also signaled it would consider consumer health-care acquisitions.

What Nestlé didn't mention in its new strategy: "prepared" food, a core Nestlé sector that includes household names like Lean Cuisine, DiGiorno pizza and Herta processed meats, a brand popular in Europe. That, coupled with a number of high-profile food sales in recent months, has analysts and investors expecting more divestitures, though it may take awhile.

Earlier this month, Nestlé's new chief executive, Mark Schneider, put on the block its U.S. confectionery business, which includes the Butterfinger, Baby Ruth and Crunch candy bars. Last month, Nestlé agreed to sell three of its frozen-food brands in Italy.

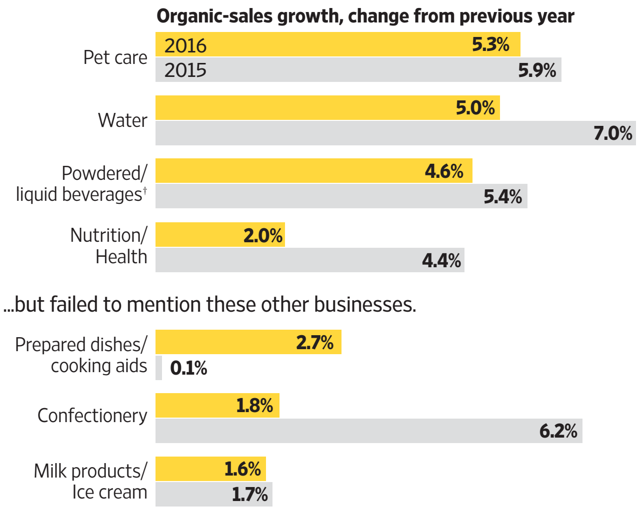
A Nestlé spokeswoman declined to comment on its prepared-foods business.

"It's a small revolution that's taking place," said Jean-Philippe Bertschy, analyst at **Vontobel Research**. "Nestlé's frozen foods, ice cream and pizza businesses are areas for possible disposals" over the

Please see NESTLÉ page B2

Cutting Back

The company announced it will focus on these areas...



†Nestlé cited coffee, which is part of that broader segment
Source: the company
THE WALL STREET JOURNAL.

Apple Tempts Fate With Next iPhone

By Tripp Mickle

For the iPhone's 10th birthday, **Apple** Inc. is giving itself a big, new challenge.

Maintaining its usual secrecy about product plans, Apple is widely expected later this year to announce three iPhones instead of the usual two—updated versions of the current iPhone 7 and 7 Plus as well as a 10th-anniversary iPhone with a different display and new features like wireless charging and facial-recognition technology.

Such devices would make an attractive purchase for customers disappointed with the relatively incremental improvements of recent smartphones. But analysts say that such a plan has big risks for Apple, including the possibility of a higher price tag that could damp demand, trickier manufacturing requirements and the added complexity of forecasting and marketing a third model.

Apple co-founder Steve Jobs engineered Apple's revival in the early 2000s in part by slashing the number of Apple products sold, adopting the philosophy that making fewer but better devices would increase sales. The iPhone's popularity has tested that philosophy. Though Apple produces fewer handset models than many of its rivals, it has increased the number of colors from one to six in the past decade and expanded from a single model annually to five models last year, including the iPhone 6, iPhone 6 Plus and iPhone SE. Apple also makes the iPad in four models, the Apple Watch in two versions with countless variations, 11 Macs, the Apple TV and a host of accessories.

Most product expansions have come off without trouble under Apple Chief Executive Tim Cook, whose operational prowess helped turn Apple into the world's most valuable listed company. The company did run into trouble, though, as its newest device, the AirPod headphones, were delayed several weeks by production challenges and remain back-ordered. It also missed out on sales of the iPhone 7 Plus, its highest-priced handset, during the December quarter because of what Mr. Cook has acknowledged were mistakes in forecasting demand and supply.

Anticipation of the new iPhone has helped boost Apple's stock price to a record this year, although it has recently lost some of those gains.

Challenges with some upcoming iPhone hardware features have stoked concerns about the potential for delays this year, specifically for the 10th-anniversary handset. Several analysts say they expect it to be several weeks late because of challenges related to a new type of fingerprint-verification technology. Apple also is running into problems with a lamination process during the device's assembly, multiple analysts have reported.

"If they lose just one week, that's big numbers in terms of volume and a lot of revenue and a lot of angst," said Dan Panzica, a supply-chain analyst at IHS Markit who follows Apple closely.

Apple previously ran into

Please see IPHONE page B4

PAUL SAKUMA/ASSOCIATED PRESS

Steve Jobs espoused making fewer but better devices to boost sales.

INSIDE

ABC SETTLES LIBEL SUIT ON PINK SLIME

MEDIA, B5

TECH AND BANKS POWER NASDAQ RALLY

EQUITIES, B11

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

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

BUSINESS & FINANCE

Toshiba Sues to Propel Sale

By Takashi Mochizuki

TOKYO—**Toshiba** Corp.'s future turned even more uncertain as it filed suit to stop a business partner from blocking the sale of its semiconductor business, meant to plug a gaping financial hole.

The struggling conglomerate is racing to raise about $20 billion from the sale to a Japanese-government-led consortium—against the opposition of **Western Digital** Corp., which has a stake in the business. Toshiba had aimed to announce a deal by Wednesday with the consortium, which includes South Korean chip maker **SK Hynix** Inc., a Western Digital competitor.

Instead of announcing the deal agreement, Toshiba asked the Tokyo District Court to suspend a legal motion filed by Western Digital to halt the sale and to award it ¥120 billion ($1.06 billion) in damages. Western Digital, which argues that its joint-venture contract with Toshiba gives it veto power over any sale, had filed the motion with a state court in California earlier this month.

Western Digital submitted a new proposal to buy the operation itself Tuesday, with U.S.-based private-equity firm KKR & Co.

A deal is critical for Toshiba because it has negative shareholder equity of ¥581.6 billion following the chapter 11 bankruptcy filing by its Westinghouse Electric Co. subsidiary.

The conglomerate will be removed from the Tokyo Stock Exchange if it fails to repair its financial standing by next March.

Some analysts said Toshiba's legal action could backfire by prolonging the dispute and slowing the sale. It might have been quicker to seek a settlement, they say.

"This means a war which Toshiba looks likely to lose," said Amir Anvarzadeh, the head of Japanese equity sales at BGC Partners, a brokerage. "Toshiba is running out of time."

At a shareholders meeting Wednesday, Toshiba Chief Executive Officer Satoshi Tsunakawa said that Western Digital is "unreasonably interfering."

A Western Digital spokeswoman declined to comment.

Toshiba had initially aimed to pick a buyer for the chip unit by March. After postponing a decision several times, it missed its latest self-imposed deadline: the shareholders meeting.

Toshiba executives apologized at the meeting for the delay, and said they would confirm a sale as soon as possible. They didn't identify a new target date.

Taiwan's Foxconn Technology Group and Broadcom Ltd. of the U.S. were among other bidders for Toshiba's NAND flash-memory operation, enjoying a boom thanks to demand for the memory for smartphones and computer servers.

The company is racing to raise about $20 billion to plug a gaping financial hole.

But Toshiba selected as its preferred bidder a group led by state-backed fund Innovation Network Corp. of Japan and 100% government-owned Development Bank of Japan, joined by U.S. private-equity firm Bain Capital and SK Hynix.

It called the group's proposal the best "not only in terms of valuation, but also in respect to certainty of closing, retention of employees, and maintenance of sensitive technology within Japan."

The selection of a Japanese-government-led group angered some, including Terry Gou, chairman of iPhone assembler Foxconn, formally known as Hon Hai Precision Industry Co.

Hiroshige Seko, Japan's economy minister, said the administration hadn't intervened.

Western Digital made several proposals to buy the operation, including one to join the government-led group. Toshiba's Mr. Tsunakawa said it didn't pick the U.S. partner because Western Digital hadn't participated in the formal bidding process.

Analysts say that unless Toshiba can reach a settlement with Western Digital, the U.S. company is likely to employ every possible step to slow the deal process.

"If a consortium with the Japanese government was a must, Toshiba should have made more effort to pull in Western Digital, not its competitor SK Hynix," Waseda Business School professor Atsushi Osanai said.

The Toshiba-Western Digital relationship now looks irretrievably broken.

Toshiba said that in addition to filing suit, it had cut off Western Digital's access to their joint-venture database to protect Toshiba's intellectual property.

CHRIS RATCLIFFE/BLOOMBERG NEWS

The U.K. regulator's call for industry changes is likely to increase the pressure on asset managers who actively manage funds.

BLUE

Continued from the prior page

Marketing costs as a percentage of revenue have also climbed in recent years. In the first quarter, marketing costs rose to 25% of revenue, up from 15% a year earlier.

Blue Apron's disclosures show its cash on hand is shrinking. It tapped Fidelity for $64 million of additional financing in May at its 2015 share price, an unusual move so close to an IPO.

Peter Lee, a data scientist at Triton Research LLC, which analyzes pre-IPO companies, said Blue Apron would likely impress some investors with its consistent revenue growth, but it was unclear how it would transform itself into a company with strong profit margins given the complexity of food distribution and lack of customer loyalty.

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

Mr. Stiefel said his concerns about Blue Apron deepened after Amazon.com Inc. said this month that it would acquire Whole Foods Market Inc.

Amazon's announcement came days before Blue Apron launched its roadshow to pitch its stock offering to investors. The deal shook shares of grocers and raised the prospect of heightened competition in the online food-delivery market. While startups like Blue Apron were among the first to offer meal-kit services on a subscription basis, conventional grocery stores are launching their own versions to try to keep market share.

Kroger Co. last month launched a series of meal kits at the supermarket chain's Cincinnati stores.

While Blue Apron is smaller than other high-profile private companies Airbnb Inc. and Uber Technologies Inc., it is one of the first well-known startups to test the market since Snap went public in March.

Shares of Snap, the biggest U.S.-listed IPO in years, soared in their first day of trading but have fallen toward their offer price in recent weeks. As of Wednesday's close, Snap shares were trading 76 cents above their $17 IPO price.

Any IPO hiccup could act as a deterrent to still-private companies, some analysts say.

There are dozens of consumer-focused private companies like Blue Apron—often with little connection to the tech sector beyond selling their products online—that are valued at $1 billion or more in the private market.

Overall, the market for IPOs this year has been relatively robust after a rough 2016.

U.S.-listed IPOs have raised about $27 billion this year, dwarfing the $8.1 billion raised by IPOs at this point last year, according to Dealogic data through Tuesday. Technology companies have raised $5.9 billion in 2017, compared with just under $900 million at this point last year.

This year's class of IPOs have performed well after their stock-market debuts, too. Shares of companies that went public in 2017 are up roughly 11% from their IPO prices through Tuesday's close, and tech IPOs are up about 25% in that period, Dealogic data show.

Blue Apron is set to start trading on the New York Stock Exchange under the symbol APRN on Thursday. Goldman Sachs Group Inc. is leading the deal.

—Maureen Farrell and Heather Haddon contributed to this article.

DANIEL ACKER/BLOOMBERG NEWS

Blue Apron was among the first to offer subscription meal-kit services, but grocery stores are ramping up their own versions.

FUNDS

Continued from the prior page

for attempting to match an index, rather than trying to beat it. While the FCA was clear it doesn't favor either strategy, it said some actively managed funds were found to offer similar exposure to passive funds, while charging significantly more.

The regulator's analysis showed £109 billion ($139.7 billion) is invested in actively managed funds that are more expensive than passive funds but offer little discernible benefit as they also closely mirror the market. It added both actively and passively managed funds didn't usually outperform their own benchmarks after fees.

Among its most harsh findings, the FCA outlined widespread concerns about the value investors receive and the relationship between price and performance throughout the industry. It said investment firms didn't typically compete on price and tended not to lower them to win new business. The regulator also said there is considerable price clustering in some parts of the market.

The FCA said it would push for a single all-in fee for investors, which the industry has previously lobbied against, a move that could hit profitability in the sector. An all-in fee would include asset-management charges and trading costs.

In an interim report in November, the FCA said it was considering referring the entire investment-advisory sector to the U.K.'s competition authority.

The sector provides a range of services, from manager-selection advice to managing assets for institutional investors, particularly pension funds.

Wednesday's report said the regulator would make a final decision in September on whether to request competition authorities review the industry. The FCA has also requested the U.K. Treasury be given oversight of investment consultants.

The report follows an 18-month investigation, which included meetings with 135 organizations. The FCA said it had consulted widely on the proposals. The regulator said improvements in getting good value for investments could have a significant positive impact on U.K. pension systems and savings.

Sean Hagerty, managing director for Vanguard Europe, said the report's publication is an important moment.

"Costs matter. Every pound that investors pay in charges is a pound out of their potential returns, reducing their chances of being able to afford a comfortable retirement or save for a mortgage deposit," Mr. Hagerty said.

Vanguard, the world's second-largest money manager by assets, has looked to capitalize on the shifting regulatory landscape in the U.K. and last month launched a low-cost fund aimed at individual investors.

"Fund and platform fees in the U.K. are high. This is about value for money for investors across the board," Mr. Hagerty said.

Martin Gilbert, chief executive of Aberdeen Asset Management, said the FCA's recommendations are constructive and sensible.

"With investment risk increasingly being passed down from governments and employers to individuals, it is crucial that asset management evolves to meet this new world," Mr. Gilbert said.

Many of the proposals will now be put out for further consultation.

NESTLÉ

Continued from the prior page

next three to four years, he said. Jon Cox, head of Swiss equities at Kepler Cheuvreux, said he expects additional disposals in confectionery, frozen foods and cereals in the coming years.

Nestlé hasn't signaled any specific new divestitures. On Tuesday, it said only that it "will continue to adjust its portfolio in line with its strategy and growth objectives."

Few analysts expect a full buffet of food-brand sales from Nestlé. The company has been investing heavily in some of its brands, including ice cream and Lean Cuisine, which it says it has successfully turned around in recent years.

But the company said it is targeting acquisitions and investment at faster-growing segments far from its traditional base in prepared food. The cheap, ready-to-eat brands were staples of supermarket shelves for decades but have fallen out of favor amid competition from healthier options.

Chairman Paul Bulcke has said Nestlé, like other consumer-goods companies, has been slow to respond to rapidly changing consumer tastes. In an interview late last year, when he was still chief executive, he cited its reliance on the word "lean," which is on all of its packages of Lean Cuisine meals. " 'Lean,' that was so in: diet; lean. All these arguments all of a sudden were not valid anymore because 'lean' is linked with sacrifice," he said. Not having seen this change coming "is somewhat a frustration, but then we reacted then pretty fast when we saw it."

Nestlé breaks out its products in broad categories. Its prepared dishes and cooking-aid business brought in 12.15 billion Swiss francs ($12.6 billion) in sales last year, or about 13.6% of overall sales. But sales have lagged behind in other segments, delivering just 2.7% growth, excluding factors like acquisitions and divestitures. Organic sales at Nestlé grew as a whole 3.2% last year.

Still, the businesses are among the company's biggest revenue generator. Adding in various slower-growing brands in other food-oriented units—those units include confectionary, milk products and ice cream and powdered and liquid beverages—these businesses make up a big chunk of Nestlé sales, particularly in the U.S.

"It may not tick many attractiveness boxes, bottom up," said Martin Deboo, consumer goods analyst at **Jefferies International**. "But, top down, it represents 20-25% of sales in their biggest market [in the U.S.] and is making a significant contribution to both central overheads and overall clout with the likes of Wal-Mart," said Mr. Deboo.

The packaged-food business is also a bit of a buyer's market recently. Unilever PLC put its spreads business, including margarine but not mayonnaise, up for sale earlier this year. Reckitt Benckiser Group PLC is selling its French's mustard.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

Cyberattack's Fallout Fuels Scramble

Business disruptions linger from Tuesday; Maersk port facilities are among hardest hit

By Nick Kostov
And Costas Paris

VADIM GHIRDA/ASSOCIATED PRESS

A woman gazing at a monitor at a cybersecurity firm in Bucharest on Wednesday. The computer attack's origin is under investigation.

Global firms scrambled to cope with fallout from a cyberattack that disrupted computers across Europe and the U.S.

A.P. Moeller-Maersk A/S, the world's biggest container-ship operator, has shuttered many of its ports around the world. French construction giant **Saint Gobain** resorted to manually operating some factory gear.

The origins of the virus were still unknown early Wednesday. Security experts described the computer disruption as a cyberattack and said the virus—dubbed Petya—appeared to stem in part from an obscure Ukrainian tax software product.

A type of ransomware, the bug locks data, asks for ransom and spreads quickly from computer system to system—in this case across Ukraine, Russia, Europe and the U.S. There were few reports from Asia of disruptions.

The ransomware was designed to spread within corporate networks running **Microsoft** Corp.'s Windows operating system, but didn't appear to be affecting consumers, security experts said. A Microsoft spokeswoman on Tuesday said that the company was investigating the outbreak.

Companies that reported disruptions included U.S. pharmaceuticals firm **Merck** & Co., British advertising giant **WPP Group** PLC and Russian oil producer PAO **Rosneft**. Rosneft said on Twitter Wednesday that the virus hadn't affected production, but added that "it is premature to evaluate the cyber attack impact."

Mondelez International Inc. confirmed Wednesday that it was also a victim, a day after it said it was investigating an outage of its global IT network. A spokesman said the cause was determined to be a virus, which had been isolated, though the company's systems remain down.

In Ukraine, the country that appeared most affected by the attack, the government said it had halted the spread of the virus and that key government and business systems were stable. But others were still struggling Wednesday to restore critical operations. One of those most severely affected: Maersk, a key cog in the world's global supply chain.

Maersk said early Wednesday that widespread computer outages at its APM Terminals subsidiary were preventing it from taking new bookings or offering quotes at affected terminals. Later in the day, the company said it was accepting cargo bookings through a third-party platform for existing accounts, though booking confirmations would take longer than usual. "We are still working on resuming normal operation," the company said on Twitter.

Ports in the U.S., Europe and India reported some Maersk-run container terminals weren't taking ships. Whether those APM port closures ricochet more broadly will depend on how quickly Maersk restores systems, shipping experts said.

Coordinating ship arrivals, unloading containers and then scheduling storage and trucks to move products out of ports requires a high degree of coordination and efficiency. A big bottleneck in a single port can reverberate widely and quickly.

"The longer it drags on the more the entire logistics chain will be disrupted," said Lars Jensen, chief executive of CyberKeel, a Copenhagen advisory firm in maritime cybersecurity. "The ships can be operated manually but if you don't have access to your operational and commercial databases you won't know where your containers are."

Maersk Line vessels are maneuverable, able to communicate and crews are safe, Maersk said.

APM terminals in New Jersey and Los Angeles were closed Wednesday. The Port of New York and New Jersey said the New Jersey terminal would be closed Thursday as well. The Dutch port of Rotterdam, one of Europe's biggest, said Wednesday that two container terminals operated by Maersk's APM had stopped activities. "The port is still running at three quarters of its capacity," said Martijn Pols, a spokesman with the Port of Rotterdam.

Several Saint Gobain factories were recovering Wednesday. At the company's plant in Conflans, France, IT workers were going from computer to computer and implementing software patches to machines not already affected.

A spokeswoman for Saint-Gobain said it had been affected by the virus and had isolated computer systems to protect data.

—Jennifer Smith in New York, Valentina Pop in Brussels, Pietro Lombardi in Rome and Anant Kala in New Delhi contributed to this article.

Hospital Operator In Pennsylvania Works to Recover

Surgeons canceled some operations for a second day Wednesday at a hospital in Beaver, Pa., after the latest global ransomware attack paralyzed the hospital's computers, a local doctor said.

The cyberattack first froze computers across two hospitals and satellite locations of Heritage Valley Health System early Tuesday. The hospitals and emergency rooms remain open, with staff using paper instead of computers, according to a spokeswoman for the nonprofit hospital operator, who declined to comment further.

Software experts worked Wednesday to restore computers and limit damage. Heritage Valley "is systematically restoring registration, clinical patient and ancillary care systems," the hospital operator said.

Orthopedic surgeons in the Association of Specialty Physicians, an independent medical group in Beaver, canceled more than a dozen elective procedures that were to be performed at Heritage, said Dale Yakish, one of the medical group's surgeons.

The practice's computers used to schedule appointments, send bills and store archived radiology images remained frozen by the ransomware Wednesday, Dr. Yakish said. Doctors can see recent radiology images that have been stored on imaging devices and not yet uploaded to computers, he said. The group still has access to patient medical records, which are on paper. "We've been slow to get rid of our paper records," he said. "After this, we may be a little slower."

—Melanie Evans

Drone Offers Only One Class

QILAI SHEN/BLOOMBERG NEWS

LITTLE LEG ROOM: An attendee exited an EHang Inc. passenger-carrying drone on display at the World Economic Forum Annual Meeting of the New Champions in Dalian, China, on Wednesday.

Google Rivals Take Heart From EU's Antitrust Ruling

By Natalia Drozdiak

BRUSSELS—**Google**'s smaller rivals see a lifeline in the European Union's decision to fine the **Alphabet** Inc. company €2.4 billion ($2.7 billion) and order the search giant to remake its shopping service.

Companies like British comparison-shopping website **Foundem.co.uk** blame Google for lost business, and they cheered the EU's ruling Tuesday that followed more than seven years of investigations.

Foundem in 2009 lodged the first formal complaint to the EU about Google's behavior. In December it suspended operations due to plunging traffic. Other smaller sites have consolidated to survive after losing hundreds of employees.

The EU decision said Google manipulates its search results to favor its own services and penalize those of rivals. Competitors including Foundem and Kelkoo.com Ltd., which rely on traffic from Google, say the manipulation caused catastrophic web-traffic losses.

Google disputed the EU's conclusions. Google General Counsel Kent Walker said in a blog post Tuesday that its research shows people prefer links that bring them directly to the products they are looking for, instead of having to repeat searches on another comparison-shopping website. Google has also previously said some of the algorithm changes that may have hurt competitors were introduced to target spam and websites with unoriginal content.

Competitors say they are confident changes to Google's behavior will help shore up business. Google declined to comment for this article. "At the point where the commission's interventions restore a level playing field, we are intending to relaunch our service," said Foundem Chief Executive Shivaun Raff.

Ms. Raff has faced criticism that she benefited financially from the Google antitrust case. She was previously paid as a special adviser to the anti-Google lobby group Icomp, which until recently had strong links to **Microsoft** Corp. Both Foundem and Microsoft are no longer members of Icomp. Microsoft last year ceased active involvement in the fight against Google in Brussels after reaching an agreement with the search giant to end their regulatory disputes.

It remains unclear how Google will implement the order and whether a redesign will return traffic to its rivals.

Google could opt to scrap its shopping ads in Europe. More likely, analysts said, Google will propose rebuilding the service. "How they fix that is crucial," said Kelkoo CEO Richard Stables. The right remedies "would transform our business...I would stop spending all my time trying to survive, cut costs and [instead] try to innovate."

News Corp, owner of The Wall Street Journal, is an interested third party in the shopping case, meaning it can participate in the probe.

BUSINESS WATCH

FORD MOTOR

Auto Maker Books Expense for Recalls

Ford Motor Co. will book a $142 million expense for recall costs related to Transit vans, the latest in a series of quality-related expenses dinging the auto maker's bottom line.

The U.S. car maker said the costs will cover three new recalls in North America, including a campaign to fix 400,000 model year 2015-2017 Transit vans. The defect can cause the drive shaft to separate, resulting in a loss of power or unintended vehicle movement.

In March, Ford said it would take a $295 million charge for recalls covering vehicles with fire risks and faulty door latches. Ford said it isn't aware of any accidents or injuries related to vehicles covered by the recalls.

—Christina Rogers

GAWKER MEDIA

Permission Granted To Subpoena Thiel

A bankruptcy judge has given **Gawker Media** permission to subpoena venture capitalist Peter Thiel about his relationship with the lawyer who represented Hulk Hogan in the lawsuit that proved to be the publisher's undoing.

Judge Stuart Bernstein of the U.S. Bankruptcy Court in Manhattan ruled Tuesday that Gawker has established cause for examining Mr. Thiel's relationship with the lawyer, Charles Harder. Gawker seeks evidence, if any exists, that Mr. Thiel conspired with Mr. Harder to destroy the media company, which could be used to build a lawsuit against the billionaire venture capitalist.

Gawker's inquiry will be limited significantly by the settlement the company signed last year with Terry Bollea, Hogan's real name. The agreement prohibits discovery by Gawker into litigation involving Mr. Bollea.

—Jonathan Randles

XOMETRY

Online Marketplace Raises $15 Million

Xometry Inc., an online marketplace for custom-manufactured parts, has raised $15 million in a funding round led by **BMW Group**'s venture-capital arm, the startup said Wednesday.

The Gaithersburg, Md.-based firm connects companies that need prototypes and custom parts with a network of domestic manufacturers and machine shops that can swiftly turn those orders around.

Xometry has raised $38 million since its founding in late 2013. The company generates about $20 million in annual revenue, said Randy Altschuler, Xometry's co-founder and chief executive.

—Jennifer Smith

TESCO

Supermarket Chain To Cut 1,200 Jobs

Tesco PLC is cutting 1,200 jobs at its head office, the latest round of cuts as the supermarket chain works to turn around its performance under Chief Executive Dave Lewis.

Grocers in the U.K. have for years battled one another in a fierce price war. After Brexit, and sterling's slump, chains face a further headwind: higher costs that are forcing up prices.

"We have made good progress so far in our turnaround but we have more to do," said a spokesman.

—Saabira Chaudhuri

synchrony BANK

Want Great Rates + Safety? It's a day at the beach.

Soak up this hot CD rate and special term from Synchrony Bank.

SPECIAL OFFER 15-MONTH CD 1.55% APY* $2,000 minimum opening deposit

Visit us at synchronybank.com or call 1-800-753-6870 to get started.

*Annual Percentage Yield (APY) is accurate as of 6/1/17 and subject to change at any time without notice. A minimum of $2,000 is required to open a CD and must be deposited in a single transaction. A penalty may be imposed for early withdrawals. Fees may reduce earnings. After maturity, if you choose to roll over your CD, you will earn the base rate of interest in effect at that time. Visit synchronybank.com for current rates, terms and account requirements. Offer applies to personal accounts only.

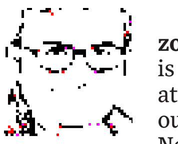
© 2017 Synchrony Bank

Member FDIC

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

Alexa Intrudes With Camera and Touch Screen



Amazon.com Inc. is masterful at changing our habits. Not long ago, it seemed unthinkable to buy clothes online. Or buy anything on your phone. Or talk to a speaker.

The $230 Echo Show is Amazon's most audacious product yet. Now it wants to colonize your countertop with a 7-inch touch screen and a camera. You can even use it to randomly peer through the always-on camera of loved ones' Shows and into their homes, if they list you as persona grata.

Amazon is onto a good idea: the casual kitchen computer that doesn't require a mouse, keyboard or even meatloaf-kneading fingers to operate. This first version has limited skills that take advantage of the new screen—yet it is so intrusive, I was ready to yank the plug after a week.

The Show, which shipped Wednesday, has all the functions of Amazon's original Echo speaker. You call out the wake word "Alexa," then command Amazon's AI assistant to play Beyoncé, turn on the lights or tell a joke. The Show's boxy design and wide bezels aren't as cool as the cylindrical original. But it could hear me just as well, and its speaker sounded slightly better.

In the Show's first week, the screen "skills"—Alexa's term for apps—suggest where things are headed:

It's a **senior-friendly video-call station** to use with people who also have a Show or the Alexa smartphone app.

It **pulls up recipes** and **scans items to buy** from Amazon.com.

It **plays Amazon and** YouTube **videos**. (There are no TV channels yet, but "Jeopardy" live streams surely can't be far off.)

It **shows lyrics** while playing music, prompting spontaneous singalongs.

I wouldn't bet against the Show getting more screen skills fast. One of its first partnerships pairs it with the Ring video doorbell. Just say, "Alexa, show me the front door." It'll also work with cameras from Nest, August and others.

I can wait for more skills. My problem is more fundamental: Living with a Show is often perturbing and occasionally creepy.

The first time I turned the Show on, the screen asked me if I'd like to subscribe to Amazon's Audible service. I couldn't proceed until I'd replied. ("No.") It was my first reminder that the Echo Show is as much an Amazon sales kiosk as a kitchen helper.

AMAZON/ASSOCIATED PRESS

Amazon's Echo Show, with a touch screen and camera, is part hands-free tablet and part countertop TV.

Once up and running, it started flashing calendar events, headlines and usage tips. One read: "Video: Baseball Mascot Outruns Fan. Try 'Alexa, play the mascot video.' " That's one way to teach owners about Alexa's ever-growing capabilities. I assumed the tips would eventually fade.

But they didn't. They keep refreshing every seven seconds. In the span of one minute, the Show nagged me to play Katy Perry and told me about a Batman-costumed policeman. It felt like one of those elevator displays took up residence next to my toaster. An Amazon spokeswoman tells me the company has "no plans or future intentions to advertise products on Echo Show."

Eventually I found settings that let me remove the "trending topics" messages, but not the tips. A Do Not Disturb mode stops incoming calls and dims the screen. Using another setting, for the clock, you can turn off the screen completely in Do Not Disturb mode until you call Alexa. This should be the default, not hidden in settings.

An always-on screen can disrupt family life in other ways. It's catnip for children. Unlike using a regular TV, they can operate it whenever they want without a remote. It's cute when tykes ask Alexa for songs, weather and information but not when they beg for videos. Now that Alexa can do so much, it's urgent for her to be able to recognize voices—or faces—of different family members.

The biggest head scratcher is that 5-megapixel camera. "Drop in" mode lets approved friends turn on your camera and say hi, without requiring you to pick up the call. The nominal privacy protection is a 10-second countdown, in which the view into Lord-knows-what happening in your house is obscured by digital frosting. During that time, you can disable the camera or reject the call.

That function is optional, but another isn't: To figure out when to activate the screen, the Show's camera stays on, watching for people in the room. Amazon says it isn't storing or sending that video over the internet, yet it feels like a needless risk because so few functions actually require the camera. You can cut off the camera using Do Not Disturb or the same button that cuts off the Show's microphone—but that means the whole thing stops working.

I understand that Amazon is doing everything it can to keep the Show from becoming a portal for hackers. So it's unfortunate the Show isn't compatible with the oldest safety trick of all: You can't just put tape over the camera and take it off as needed. When you try that on the Echo Show, it gets confused and dims the screen, becoming unusable.

The Show is a promising talking home computer and may appeal to people already heavily invested in Alexa's world. But it's a shame Amazon's strange design choices muddy its potential. Walking the line between futuristic and creepy, the Show landed in the worst place of all: annoying.

Alibaba Raises Its Bet on Southeast Asia

Alibaba Group Holding Ltd. is raising its bet on populous Southeast Asia, a region that is home to more than 600 million consumers.

*By **Liza Lin** in Shanghai and **Newley Purnell** in New Delhi*

The Chinese internet giant said Wednesday it is plowing an additional $1 billion into Southeast Asian e-commerce firm **Lazada Group**, raising its stake to 83% from 51%.

Alibaba had paid $1 billion for a controlling stake in the internet shopping platform last year. Based in Singapore, Lazada operates in six markets including Indonesia and the Philippines.

Alibaba, the owner of China's two most popular online retail sites, Taobao and Tmall, has made globalization a focus of the firm's expansion plans as competition at home intensifies.

DARREN WHITESIDE/REUTERS

A Lazada warehouse in Jakarta. The Singapore-based e-commerce firm operates in six markets including Indonesia and the Philippines.

Company founder and Chinese billionaire Jack Ma recently traveled to Detroit to make a pitch alongside celebrities such as Martha Stewart, to attract U.S. businesses to sell on its platforms.

Launched in 2012 as an online platform buying products, warehousing them and selling the goods directly to consumers, Lazada accelerated its shift to a model similar to Alibaba's Tmall after the Chinese company's acquisition last year.

Lazada now runs online storefronts for small regional merchants and international brands including Samsung Electronics Co. and L'Oréal SA.

The region holds promise as incomes are rising and consumers are increasingly getting online via low-cost smartphones.

Southeast Asia is poised to become one of the world's fastest-growing regions for e-commerce revenue, exceeding $25 billion by 2020, according to industry researcher Frost & Sullivan.

The area has also attracted interest from Chinese rivals, with JD.com Inc. announcing this month it plans to enter new markets in the region. Still, challenges include difficult logistics, a lack of digital-payment systems and many consumers' unfamiliarity with online transactions.

A Lazada spokesman said the deal values Lazada at $3.15 billion, up from a $1.5 billion valuation in 2016's deal, and that Alibaba bought out stakes from previous investors such as Swedish investment firm Kinnevik AB and German technology incubator Rocket Internet.

A Lazada spokesman declined to say whether the startup is profitable or nearing profitability.

Samsung To Invest In South Carolina

By Timothy W. Martin

SEOUL—**Samsung Electronics** Co. said Wednesday that it will invest $380 million at a site in Newberry, S.C., to expand its U.S. home-appliance manufacturing.

The announcement came as South Korean President Moon Jae-in was set to arrive in Washington for a summit meeting with U.S. President Donald Trump.

Samsung said its South Carolina investment will generate 954 local jobs, including engineers and craftsmen, by 2020. The facility will begin producing home appliances later this year, with the company saying it aims eventually to make the Newberry factory its U.S. manufacturing hub.

The Wall Street Journal, citing people familiar with the matter, reported last week that Samsung planned to invest in an existing factory to be vacated by **Caterpillar** Inc.

Samsung said contact with South Carolina officials started last fall.

"This new investment will enable Samsung to increase the speed with which we can deliver premium home appliances," Samsung Electronics co-Chief Executive Officer B.K. Yoon said in a statement.

"Samsung's investment is great news for South Carolina and the United States, and it is a direct reflection of the fact that America is becoming an even stronger destination for global businesses looking to grow," U.S. Commerce Secretary Wilbur Ross said in a statement.

Mr. Trump has called for a revival of manufacturing in the U.S.

Samsung said it has made more than $10 billion in U.S. investments over the past 18 months, including its $8 billion acquisition of automotive technology manufacturer Harman International Inc. and a California-based maker of high-end appliances. The company also operates a semiconductor plant near Austin, Texas.

The Suwon, South Korea-based firm said it chose the Newberry site for its workforce, supply chain and access to transportation. Newberry is about 150 miles northwest of the port of Charleston.

The company said the $380 million investment in South Carolina was an initial one, "with plans to grow from there."

IPHONE

Continued from page B1

production delays in 2012 with the iPhone 5, which featured a new coating material that was more susceptible to scratches.

Broadcom Ltd., which supplies chips to Apple for the iPhone, fueled expectations of a delay during a June 1 analysts call, saying initial production of a next-generation handset from a large North American customer has been "slower this year compared to prior years."

Broadcom didn't respond to requests for comment. Apple declined to comment.

Apple's primary iPhone manufacturer, **Foxconn Technology Group**, has time to improve production processes. Still, supply-chain experts said the risk of delay is greater with the anniversary phone because it is expected to be Apple's first with an organic light-emitting diode, or OLED, screen. OLED, made by only a few suppliers, is more flexible for phone design than the LCD screens in current iPhones.

OLED technology could enable a thinner iPhone with better battery performance and a screen that bends around the phone's curved edges, according to display technology executives. But it also puts Apple at the mercy of its biggest competitor, Samsung Electronics Co., which has a 97% share of manufactured mobile displays in the OLED market, according to the OLED Association.

Samsung's Galaxy S8 phone, a large-display phone unveiled in March, features an OLED screen, putting Apple in the position of catching up.

OLED technology could mean a thinner iPhone with better battery performance.

With three new phones this year, Apple will be pressed to predict sales, supply-chain consultant John Haber of Spend Management Experts said, and the company will have to react quickly if it misreads demand forecasts for any of the three devices. "You have all these variables and uncertainty," Mr. Haber said.

Analysts project Apple could sell the anniversary iPhone for around $1,000. RBC Capital Markets estimated that price based on an analysis of the higher costs of new materials such as the OLED display, a front-facing camera for facial recognition, increased RAM and storage.

The other two phones, expected to be called the 7s and 7s Plus, will cost around $700 and $800 each, according to Nomura Holdings' Instinet LLC. Apple's current flagship models, the iPhone 7 and 7 Plus, sell for $649 and $769.

The trick for Apple will be making sure the anniversary edition doesn't come so packed with new features that it completely overshadows the iPhone 7s and 7s Plus phones in the eyes of consumers, said Robert Cihra, an analyst with Guggenheim Partners. "You don't want the 7s and 7s Plus to suddenly be considered low-end—because they won't be priced as such," Mr. Cihra said.

—Takashi Mochizuki contributed to this article.

MORE ON MOBILE

WSJ.COM

For in-depth data and analysis on Apple's iPhone decade, go to WSJ.com/Tech.

All Grown Up

iPhone total unit sales have reached 1.2 billion, a number expected to leap as 10th-anniversary phones hit the market this year.

iPhone | iPhone 7 Plus

2007	YEAR	2016
1.4 million	PHONES SOLD	211.9 million
0.51%	PCT. OF APPLE REVENUE	63.39%
Black	COLORS	Rose gold, gold, silver, black, jet black, red
Revolutionary touch screen	MILESTONE	Water resistance; dual camera
3.5" - 150,000 pixels	SCREEN SIZE	5.5" - 2.1 million pixels
8GB	MAX STORAGE	256GB
N/A	APPS IN STORE	1.8 million

Source: the company

THE WALL STREET JOURNAL.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

LANE HICKENBOTTOM/REUTERS

The network was sued by a maker of lean, finely textured beef.

ABC Settles Suit Over 'Pink Slime'

By Patrick Fitzgerald And Jacob Gershman

ABC News has reached a settlement with the maker of a processed-meat product that critics dubbed "pink slime," bringing an end to a defamation lawsuit that threatened the network with billions of dollars in damages.

The settlement, the terms of which weren't announced, comes about halfway through a jury trial that was expected to last about two months. It brings to a close a high-profile legal test of so-called food-libel laws intended to shield the food-production industry from bogus food-safety scares.

Beef Products Inc. sued ABC News, anchor Diane Sawyer and reporter Jim Avila in 2012 for $1.9 billion over a series of stories about its lean, finely textured beef product, claiming it was the victim of a journalistic hit job that harmed its business. A judge dismissed the claims against Ms. Sawyer before the start of the jury trial, which began this month in South Dakota.

Due to a South Dakota food-libel law that provides for triple damages against those found to have knowingly lied about the safety of a food product, ABC News was facing potentially $6 billion in damages.

Beef Products, a family-owned South Dakota meat processor, said Wednesday that the settlement validated that lean, finely textured beef, made from defatted beef trimmings in a process involving ammonium hydroxide, was safe.

"While this has not been an easy road to travel, it was necessary to begin rectifying the harm we suffered as a result of what we believed to be biased and baseless reporting in 2012," Beef Products said. "Through this process, we have again established what we all know to be true about lean finely textured beef: it is beef, and is safe, wholesome, and nutritious."

ABC, a unit of **Walt Disney** Co., denied that it had reported anything about the beef that it knew to be a lie and had contended Beef Products was trying to punish it for making reasonable editorial judgments.

"Throughout this case, we have maintained that our reports accurately presented the facts and views of knowledgeable people about this product," ABC said Wednesday. "Although we have concluded that continued litigation of this case is not in the Company's interests, we remain committed to the vigorous pursuit of truth and the consumer's right to know about the products they purchase."

CVS Hides the Candy, Chips

Rival Walgreens also touts health but says its role isn't to rid shoppers of vices

By Sharon Terlep

CORPORATE FOCUS

Kevin Heath was wandering around his local CVS pharmacy in search of licorice for his wife, stymied that the candy display was no longer in its usual spot at the front of the store.

With help from a store employee, he found the treats in a section farther back. "Eh, I'm retired. I can take a little extra time," said the 66-year-old from North Arlington, N.J.

Meet the new **CVS Health** Corp. Three years after eliminating tobacco products from its shelves and adding "health" to its name, the company is taking more steps and moving most junk food away from the storefront, banning sales of low-protection sunscreens and eliminating foods containing artificial trans-fats.

The changes are part of CVS's effort to stand apart from rivals by focusing on health-care goods and services, said Helena Foulkes, who runs the company's retail business. It puts the company on a different path than its main competitor.

Walgreens Boots Alliance Inc. says it isn't a retailer's job to keep shoppers from their vices and that consumers should be able to make unhealthy choices if they want to. But like CVS, Walgreens is trying to boost sales by appealing to a more health-conscious shopper.

Walgreens sells cigarettes but offers smoking-cessation help in the form of specially trained pharmacists and quitting aids. It is keeping candy up front but has added fresh fruit and vegetables in other parts of the store. It also has a loyalty program that rewards shoppers with points for exercise and health monitoring that can be used on purchases.

"How do you still give customers the choice and not tell them what is good for them, but help them make healthier choices?" Walgreens Boots co-operating chief Alex Gourlay said in an interview. "There's a level of making things available so it's the customer's choice, and there's a level of incentivizing the customer."

RJ SANGOSTI/GETTY IMAGES

New CVS pharmacies focus on health-care goods and services. The chain no longer sells cigarettes.

Drugstores are becoming an ever-larger piece of the health-care supply chain as a result of deals with the biggest pharmacy-benefits managers in the U.S. And Walgreens is seeking antitrust approval to buy No. 3 competitor **Rite Aid** Corp.

CVS's latest moves are subtle. It will still sell candy bars at the front register but is moving the main snack aisle, with its bags of candies, sweets, chips and other munchies, to the middle of the store. Candy accounts for roughly 5% of overall drugstore revenue, according to Nielsen.

CVS has stopped selling tanning oils and sunscreens with SPF lower than 15, which the Food and Drug Administration says don't help prevent cancer. This month, the company will quit shipping foods with artificial trans-fats, more than a year before an FDA ban on the products takes effect.

"We make a distinction between indulgent products and damaging products," said Judy Sansone, CVS's chief merchant. "We are giving more healthy-choice options and making sure the customer can find them."

The modifications aren't expected to dent sales as did the tobacco ban, which the company said cost it $2 billion in annual revenue.

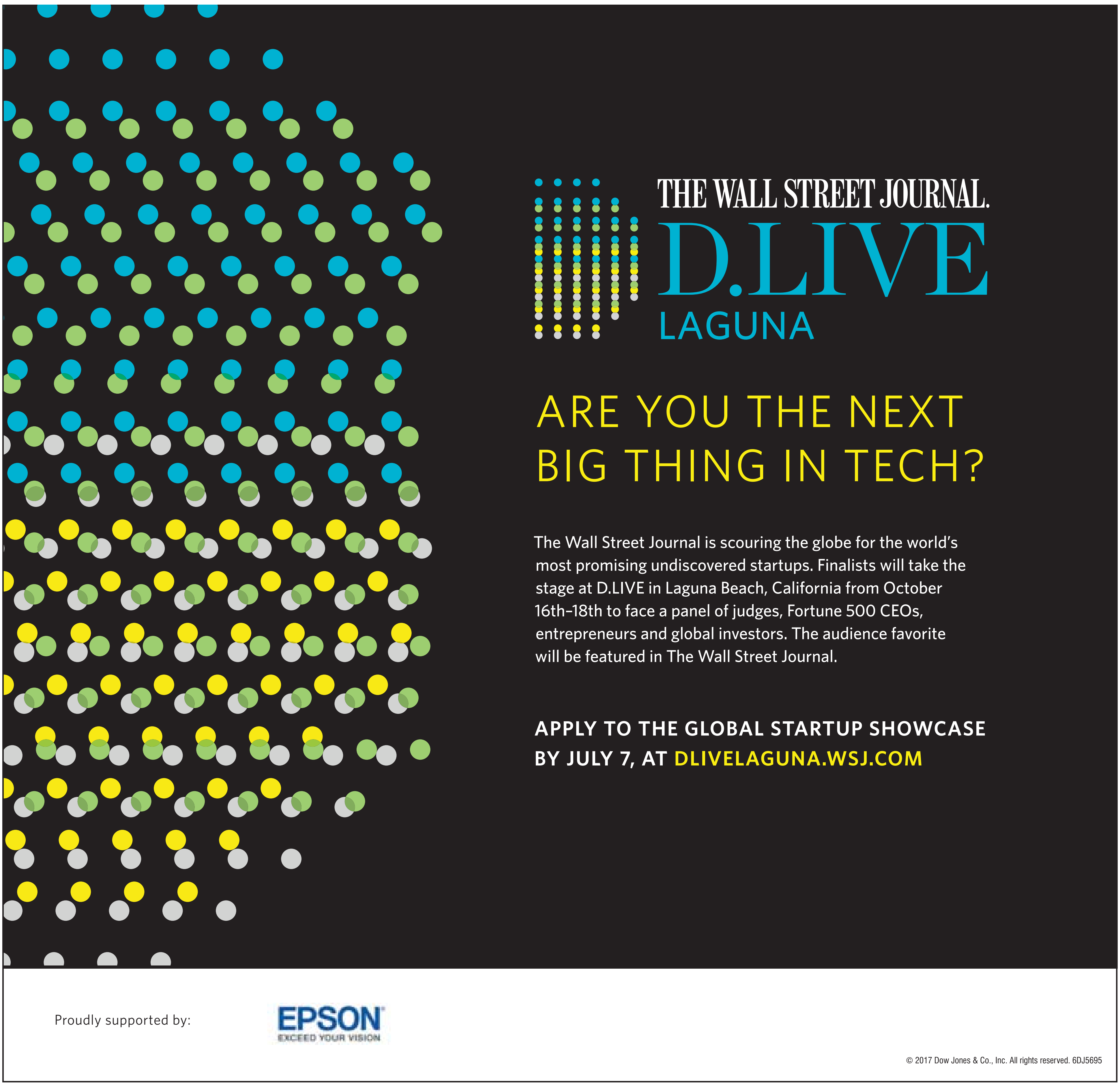
Retail sales account for a shrinking share of overall revenue for both CVS and Walgreens as both chains have more quickly expanded their pharmacy and health-care businesses.

For CVS, retail sales amounted to 46% of total revenue in 2016, down from 52% in 2013. For Walgreens in the U.S., that number fell to 33% last year, from 37% in 2013.

A nudge toward healthier behavior can appeal to some shoppers but can also backfire, said Phil Rubin, CEO of marketing firm rDialogue, which focuses on customer loyalty. "A big part of visiting a drugstore is habit, and you can risk alienating customers if you change things up and disrupt that habit."

CVS says that it thinks consumers largely are seeking healthier options and won't be deterred by the changes. It is gradually rolling out its new format; just four U.S. stores, including the one in North Arlington, have received the makeover so far.

CVS plans to put the new format in several hundred of its 9,700 stores by 2018.



BUSINESS NEWS

Yogurt Helps to Spoil General Mills Sales

New CEO vows to take steps to restore growth; shares rise as results beat expectations

By Austen Hufford

General Mills Inc.'s new chief executive said he would invest in turning around declining sales as the struggling yogurt business continues to weigh on the company.

General Mills said revenue fell short of its standards as sales declined for the eighth consecutive quarter.

On an earnings call with investors, CEO Jeff Harmening said much of General Mills' struggles in the past year were "self-inflicted," through missteps like a lack of innovation in yogurt and pricing its products too high.

"The vast majority of our challenges are correctable, both in the U.S. and other places," he said. The company is working to improve its sales trends.

The Minneapolis-based food giant also acknowledged that margin growth would suffer as it invests in efforts to restore sales growth.

Still, shares rose 1.6% on Wednesday as the company's latest quarterly results beat Wall Street expectations.

Gross margin fell to 34.7% in the quarter from 35.1%, as unfavorable commodity impacts offset cost savings.

The company expects organic net sales, which exclude currencies and deals, to continue to fall in the new fiscal year, declining 1% to 2% in all. Organic sales fell 3% in the company's just-completed fourth quarter.

Mr. Harmening recently took the top job at General Mills after completing a transition plan where he pushed deals that targeted consumers' hunger for fresh and natural foods.

The industry has been working to adapt to consumers who are increasingly looking for healthier and fresher brands.

Lower food costs and other savings helped General Mills and its peers deliver solid earnings on lower revenues for a time. Now sales declines are catching up with them, and falling food prices are sparking price wars on some products.

In the quarter, General Mills' North American retail sales fell 3%, driven by a double-digital fall in yogurt.

General Mills in recent years has made Cheerios gluten-free, removed artificial colors from Trix cereal, bought Annie's Homegrown natural and organic snacks and removed aspartame from Yoplait Light.

The company has said previously that declines in light and Greek yogurt varieties were hurting results, along with a gap in promotional levels between General Mills and its competition. This week the company introduced "French-style" yogurt to try to boost the category.

RICHARD LEVINE/GETTY IMAGES

Revenue declined by 3.1% in the latest quarter to $3.81 billion.

The new, thick yogurt is cultured for eight hours in the small glass jars in which it is sold and doesn't contain any artificial flavors or preservatives.

The company also raised its dividend by 1 cent to 49 cents, the smallest increase since 2010.

In all, for the quarter that ended May 28, General Mills reported net income of $408.9 million, or 69 cents a share, up from $379.6 million, or 62 cents a share, in the year-ago period.

Revenue fell 3.1% to $3.81 billion.

Analysts polled by Thomson Reuters expected per-share profit of 71 cents and revenue of $3.75 billion.

—Annie Gasparro contributed to this article.

Soy Business Lifts Monsanto Profit

By Jacob Bunge

Increased soybean plantings in the U.S. this spring boosted biotech seed giant **Monsanto** Co.'s quarterly profit, despite the broader slump in agricultural commodity prices.

Farmers this year have dedicated more acres to soybeans after a string of record-breaking harvests eroded the price of corn and wheat. Soybean prices had fared better due to strong demand from China and elsewhere, though prices have declined as farmers ramped up planting. Heavy rain this spring also forced some farmers to switch some corn fields to soybeans, which typically can be planted later.

That trend coincided with Monsanto's introduction of new soybean varieties that are genetically engineered to resist a more powerful combination of herbicides. About 20 million U.S. acres were sown with the new seeds, executives said Wednesday.

"For soybeans, the momentum continues to be tremendous," Monsanto President Brett Begemann said, as the St. Louis-based company reported better-than-expected profit for the period.


DANIEL ACKER/BLOOMBERG

Monsanto reported a 29% increase in quarterly sales for soybean seeds and crop genes.

Chief Executive Hugh Grant said Monsanto's sale to German chemical conglomerate Bayer AG is progressing through antitrust reviews and the $57 billion deal to create the world's largest supplier of pesticides, seeds and crop genes is expected to close this year, he said.

A 29% increase in quarterly sales for soybean seeds and crop genes prompted Monsanto on Wednesday to maintain its earnings forecast of $4.09 to $4.55 a share for its fiscal year, which wraps up Aug. 31.

Monsanto's new soybean variety, engineered to resist the herbicide dicamba as well as glyphosate, has been linked to crop damage in some Southern parts of the U.S.

A growing number of farmers in Arkansas, Missouri, Mississippi and Tennessee have reported crop damage allegedly caused by dicamba drifting from neighboring fields. Some farmers have sued Monsanto.

The company has said it advises farmers on how to use the spray safely and will fight the lawsuits.

For its latest quarter, Monsanto reported a profit of $843 million, or $1.90 a share, up from $717 million, or $1.63 a share, in the same period a year earlier. Revenue from seeds and genomics, Monsanto's biggest business, fell 2.3% to $3.1 billion despite strong results from the soybean-seed segment.

—Ezequiel Minaya contributed to this article.

Dividend Changes

Dividend announcements from June 28.

Company	Symbol	Yld %	Amount New/Old	Frq	Payable / Record
Increased					
Citigroup Cap XIII TruPS	CpN	7.5	.4923 / .45277	Q	Jul31 / Jul28
General Mills	GIS	3.5	.49 / .48	Q	Aug01 / Jul10
Funds and investment companies					
Amplify Yield CWP Div	DIVO	4.7	.31126	Q	Jul03 / Jun30
Amplify Yield Prime 5 Div	PFV	4.9	.33623	Q	Jul03 / Jun30
Cambria Gl Asset Alloc	GAA	2.9	.18577	Q	Jul07 / Jun30
Cambria Gl Momentum	GMOM	3.9	.24604	Q	Jul07 / Jun30
Dreyfus Hi Yd Strat Fd	DHF	9.2	.0265	M	Jul26 / Jul12
Fidelity Corporate Bd	FCOR	2.7	.114	M	Jul05 / Jun30
Fidelity Limited Term Bd	FLTB	1.7	.073	M	Jul05 / Jun30
Fidelity Total Bond ETF	FBND	2.6	.107	M	Jul05 / Jun30
Swiss Helvetia Fund	SWZ	0.2	.01	SA	Jul21 / Jul14
Vanguard Glbl ex-U.S. RE	VNQI	2.0	.278	Q	Jul05 / Jun30
Vanguard Intl Div App	VIGI	3.3	.511	Q	Jul05 / Jun30
Vanguard Intl Hi Div Yd	VYMI	5.3	.83	Q	Jul05 / Jun30
Vanguard Russ 1000 Growth	VONG	1.4	.432	Q	Jul05 / Jun30
Vanguard Russ 1000 Value	VONV	2.3	.581	Q	Jul05 / Jun30
Vanguard Russ 2000 Growth	VTWG	0.8	.235	Q	Jul05 / Jun30
Vanguard Russ 2000 Value	VTWV	1.8	.475	Q	Jul05 / Jun30
Vanguard Russell 1000	VONE	1.9	.522	Q	Jul05 / Jun30
Vanguard Russell 2000	VTWO	1.3	.376	Q	Jul05 / Jun30
Vanguard Russell 3000	VTHR	1.8	.505	Q	Jul05 / Jun30
Foreign					
Chunghwa Telecom ADR	CHT	4.6	1.62943	A	Sep01 / Jul21
City Office REIT	CIO	7.4	.235	Q	Jul25 / Jul11
City Office REIT Pfd A	CIOpA	6.5	.41406	Q	Jul25 / Jul11

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2:1: stock split and ratio; SO: spin-off.

IPO Scorecard

Performance of IPOs, most-recent listed first

Company SYMBOL IPO date/Offer price	Wed's close ($)	% Chg From Offer price	% Chg From 1st-day close
Mersana Therspeutics **MRSN** June 28/$15.00	14.00	**–6.7**	...
Avenue Thera **ATXI** June 27/$6.00	7.92	**32.0**	–4.0
Esquire Financial **ESQ** June 27/$14.00	15.15	**8.2**	–0.7
Granite Point Mortgage **GPMT** June 23/$19.50	18.95	**–2.8**	–0.3
Altice USA **ATUS** June 22/$30.00	32.91	**9.7**	0.6
Safety Income and Growth **SAFE** June 22/$20.00	19.25	**–3.8**	1.3
Constellation Alpha Capital **CNACU** June 20/$10.00	10.15	**1.5**	1.4
Boston Omaha **BOMN** June 16/$13.00	13.10	**0.8**	–0.8
Athenex **ATNX** June 14/$11.00	17.40	**58.2**	38.5
Plymouth Industrial REIT **PLYM** June 9/$19.00	18.24	**–4.0**	–0.8

Sources: WSJ Market Data Group; FactSet Research Systems

ADVERTISEMENT

The Mart

To advertise: 800-366-3975 or WSJ.com/classifieds

BUSINESS OPPORTUNITIES

MSRDC

MAHARASHTRA STATE ROAD DEVELOPMENT CORPORATION LTD. (MSRDC)

(A Govt. of Maharashtra Undertaking)

Opp. Bandra Reclamation Bus Depot, Bandra (W), Mumbai–400050, Maharashtra State, INDIA.
Tel. No.: 022-26517938, Fax: 022-26417893, Website: www.msrdc.org,
E-Tender Portal: https://mahatenders.gov.in, e-mail: msrdcnh@gmail.com

(INTERNATIONAL COMPETITIVE BIDDING THROUGH E-TENDERING MODE ONLY)
REQUEST FOR QUALIFICATION (RFQ)
FOR PREPARATION OF SUPPLEMENTARY SHORTLIST

Bid Ref-No.: MSRDC/NMSCEW/03/2017 **Date: 21.06.2017**

MSRDC invites **Request for Qualification (RFQ)** from eligible agencies for Pre-qualification of bidders for Construction of Access-Controlled Nagpur-Mumbai Super Communication Expressway ("Maharashtra Samruddhi Mahamarg") in the State of Maharashtra on EPC mode for 16 (Sixteen) Packages as mentioned below for **preparation of supplementary shortlist**.

Name of Project	Estimated Cost of Work/ Length in km	RFQ Document Fee (Non Refundable) + Processing Fee (Non-refundable)
Construction of Access Controlled Nagpur-Mumbai Super Communication Expressway ("Maharashtra Samruddhi Mahamarg") (Package 1-16)	Package-1 INR 10000million/28.40km Package-2 INR 21500million/60.955km Package-3 INR 26000million/73.367km Package-4 INR 19000million/54.356km Package-5 INR 15000million/42.877km Package-6 INR 13000million/36.100km Package-7 INR 18000million/51.181km Package-8 INR 15000million/42.720km Package-9 INR 18500million/54.400km Package-10 INR 20000million/57.900km Package-11 INR 10500million/29.396km Package-12 INR 15000million/45.650km Package-13 INR 15000million/45.650km Package-14 INR 20000million/13.100km Package-15 INR 15000million/28.000km Package-16 INR 25000million/37.000km	INR Two Hundred Thousand + INR Fifty Thousand only

Details of packages may be seen in detailed RFQ notice hosted on website **https://mahatenders.gov.in**

1. The interested agencies may see the details of NIT/RFQ document on website **https://mahatenders.gov.in**. RFQ document may be downloaded/uploaded from 23.06.2017 11:00 Hrs. to 26.07.2017 up to 15:00 Hrs. on payment of RFQ document fee online on portal.
2. The Pre Proposal conference will be held on 04.07.2017 (15:00 Hrs.) at MSRDC office Bandra, Mumbai.
3. For any queries regarding online submission on E-tendering portal, kindly contact Tel.: 1800 3070 2232, Mobile: +91-7878107985/986.
4. All other details including any proposed due date extension, clarifications, amendments, addenda, corrigendum, etc., will be uploaded on **https://mahatenders.gov.in** and **www.msrdc.org** and will not be published in any newspaper. The prospective bidders are requested to visit the website of MSRDC regularly for any updates.
5. For further details please visit **www.msrdc.org**. Interested agencies can see the detailed information, download and submit the RFQ document from e-tendering portal **https://mahatenders.gov.in**
6. Vice Chairman & Managing Director reserve the rights to cancel the Pre-Qualification process without assigning any reason thereof.

Sd/-
(A.B. Gaikwad)
Chief Engineer
MSRDC, Mumbai

BUSINESS OPPORTUNITY

EARN 11%+
INVESTING IN 1st MORTGAGES
Short Term, High Yield, Low LTV.
Secure & Great Monthly Income.
Call 949-346-1217

TRAVEL

Save Up To 60%
First & Business
INTERNATIONAL
Major Airlines, Corporate Travel
Never Fly Coach Again!
www.cooktravel.net
(800) 435-8776

THE WALL STREET JOURNAL.
THE MART
ADVERTISE TODAY
(800) 366-3975
sales.mart@wsj.com
For more information visit:
wsj.com/classifieds
© 2017 Dow Jones & Company, Inc.
All Rights Reserved.

ADVERTISEMENT

Legal Notices

To advertise: 800-366-3975 or WSJ.com/classifieds

CLASS ACTIONS

STATE OF MICHIGAN
IN THE CIRCUIT COURT FOR THE COUNTY OF OAKLAND
BUSINESS COURT

In re ITC HOLDINGS CORPORATION SHAREHOLDER LITIGATION

Lead Case No. 2016-151852-CB
Hon. James M. Alexander

This Document Relates To:
ALL ACTIONS.

SUMMARY NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

TO: ANY AND ALL RECORD HOLDERS OR BENEFICIAL OWNERS OF ITC HOLDINGS CORP. ("ITC") COMMON STOCK AT ANY TIME BETWEEN AND INCLUDING FEBRUARY 9, 2016 AND THE DATE OF THE CONSUMMATION OF THE MERGER ON OCTOBER 14, 2016 (THE "SETTLEMENT CLASS")[1]

THIS NOTICE WAS AUTHORIZED BY THE COURT. IT IS NOT A LAWYER SOLICITATION. PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.

YOU ARE HEREBY NOTIFIED that a hearing will be held on September 25, 2017, at 8:30 a.m., before the Honorable James M. Alexander at the Circuit Court for the County of Oakland, State of Michigan, located at 1200 North Telegraph Road, Pontiac, MI 48341, to determine whether: (1) the proposed Settlement as set forth in the Stipulation of Settlement (the "Stipulation") to settle Lead Plaintiff's and the Settlement Class' claims in connection with the Merger[2] for $5,000,000 in cash should be approved by the Court as fair, reasonable and adequate; (2) to award Lead Counsel attorneys' fees and expenses out of the Settlement Fund (as defined in the Notice of Pendency and Proposed Settlement of Class Action and Settlement Hearing (the "Notice"), which is discussed below); and (3) the Plan of Allocation should be approved by the Court, as fair, reasonable and adequate.

If you are a Settlement Class Member, in order to share in the distribution of the Net Settlement Fund, you must establish your rights by submitting a Proof of Claim and Release form by mail (postmarked no later than September 20, 2017) or submitted electronically (no later than September 20, 2017). Your failure to submit your Proof of Claim and Release by September 20, 2017, will subject your claim to rejection and preclude your receiving any of the recovery in connection with the settlement of the above-captioned action (the "Litigation"). You will be bound by the Settlement and any judgment and release entered in the Litigation, including, but not limited to, the Judgment, whether or not you submit a Proof of Claim and Release.

If you have not received a copy of the Notice, which more completely describes the Settlement and your rights thereunder, including your right to object to the Settlement, to the Plan of Allocation or Lead Counsel's request for an award of attorneys' fees and expenses, as well as your right to request exclusion from the Settlement Class, and a Proof of Claim and Release form, you may obtain these documents, as well as a copy of the Stipulation (which, among other things, contains definitions for the defined terms used in this Summary Notice) and other Settlement documents, online at www.itcshareholderlitigation.com, or by writing to:

ITC Shareholder Litigation
Claims Administrator
c/o Gilardi & Co. LLC
P.O. Box 404004
Louisville, KY 40233-4004
Phone: 1-866-684-3790

Inquiries should NOT be directed to the Court or the Clerk of the Court. Inquiries may be made to a representative of Lead Counsel:

ROBBINS GELLER RUDMAN
& DOWD LLP
Shareholder Relations
Rick Nelson
655 West Broadway, Suite 1900
San Diego, CA 92101
Phone: 1-800-449-4900

IF YOU ARE A SETTLEMENT CLASS MEMBER, YOU HAVE THE RIGHT TO OBJECT TO THE SETTLEMENT, THE PLAN OF ALLOCATION, AND/OR THE REQUEST BY LEAD COUNSEL FOR AN AWARD OF ATTORNEYS' FEES AND EXPENSES. ANY OBJECTIONS MUST BE FILED WITH THE COURT AND SENT TO COUNSEL IDENTIFIED IN THE NOTICE BY AUGUST 15, 2017, IN THE MANNER AND FORM EXPLAINED IN THE NOTICE.

IF YOU ARE A SETTLEMENT CLASS MEMBER, YOU ALSO HAVE THE RIGHT TO REQUEST EXCLUSION FROM THE SETTLEMENT CLASS. ANY REQUEST FOR EXCLUSION MUST BE SENT TO THE CLAIMS ADMINISTRATOR SUCH THAT IT IS POSTMARKED NO LATER THAN AUGUST 15, 2017, IN THE MANNER AND FORM EXPLAINED IN THE NOTICE.

DATED: June 1, 2017

BY ORDER OF THE COURT
STATE OF MICHIGAN
COUNTY OF OAKLAND
BUSINESS COURT

1 Excluded from the Settlement Class are any and all record holders or beneficial owners of ITC common stock who voted, themselves, by agent, or otherwise whose stock was voted, in favor of the Merger. Further excluded from the Settlement Class are Defendants, their immediate family members, and any entity in which Defendants had a controlling interest during the Settlement Class Period.

2 The transaction whereby Fortis, through its subsidiary FortisUS Inc., and FortisUS Inc.'s subsidiary Element Acquisition Sub Inc., purchased ITC for approximately $11.3 billion in cash and Fortis stock, which was completed on October 14, 2016.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

MARKETS DIGEST

EQUITIES

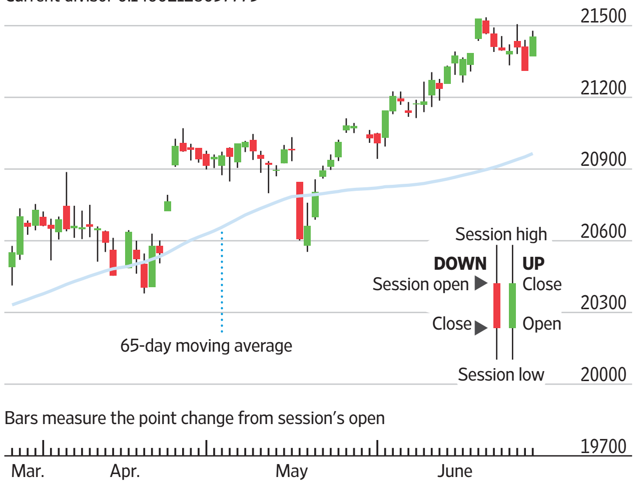
Dow Jones Industrial Average

21454.61 ▲143.95, or 0.68%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	20.88	18.84
P/E estimate *	18.17	17.02
Dividend yield	2.32	2.61
All-time high 21528.99, 06/19/17		

Current divisor 0.14602128057775



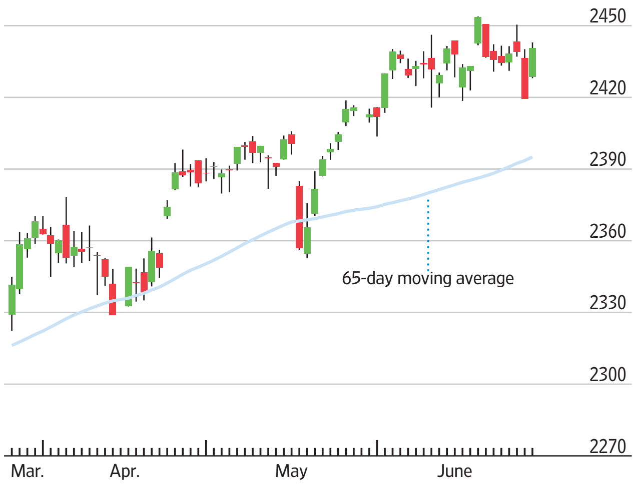
Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2440.69 ▲21.31, or 0.88%

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		



Nasdaq Composite Index

6234.41 ▲87.79, or 1.43%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	*26.15	22.54
P/E estimate *	21.33	19.00
Dividend yield	1.10	1.29
All-time high: 6321.76, 06/08/17		

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	52-Week % chg	YTD % chg	3-yr. ann. % chg
Dow Jones										
Industrial Average	21478.75	21372.36	21454.61	143.95	0.68	21528.99	17694.68	21.2	8.6	8.4
Transportation Avg	9542.48	9438.98	9517.44	133.77	1.43	9593.95	7412.95	28.4	5.2	5.2
Utility Average	723.26	712.67	713.31	-7.35	-1.02	737.51	625.44	1.7	8.1	7.7
Total Stock Market	25324.15	25152.58	25300.86	237.85	0.95	25399.65	21324.51	18.6	8.7	7.2
Barron's 400	650.25	642.73	649.95	9.61	1.50	650.48	511.85	27.0	8.0	6.6
Nasdaq Stock Market										
Nasdaq Composite	6238.29	6144.80	6234.41	87.79	1.43	6321.76	4779.25	30.4	15.8	12.3
Nasdaq 100	5757.23	5660.53	5753.03	81.43	1.44	5885.30	4364.74	31.8	18.3	14.4
Standard & Poor's										
500 Index	2442.97	2428.02	2440.69	21.31	0.88	2453.46	2070.77	17.9	9.0	7.6
MidCap 400	1760.30	1744.55	1755.79	19.21	1.11	1769.34	1468.20	19.6	5.7	7.2
SmallCap 600	861.31	851.32	860.54	12.96	1.53	866.07	693.87	24.0	2.7	8.1
Other Indexes										
Russell 2000	1426.33	1404.46	1425.27	21.75	1.55	1425.98	1131.62	25.9	5.0	6.2
NYSE Composite	11827.50	11771.14	11812.80	95.88	0.82	11833.34	10289.35	14.1	6.8	2.5
Value Line	525.84	518.98	525.10	6.12	1.18	529.13	451.62	16.3	3.7	1.4
NYSE Arca Biotech	3956.13	3858.59	3946.87	94.55	2.45	4016.86	2834.14	31.4	28.4	12.6
NYSE Arca Pharma	546.42	542.51	542.67	-0.97	-0.18	554.66	463.78	3.8	12.7	1.2
KBW Bank	94.66	93.33	94.38	1.55	1.67	99.33	62.34	48.2	2.8	9.8
PHLX§ Gold/Silver	82.49	81.16	82.27	0.49	0.60	112.86	73.03	-14.1	4.3	-6.0
PHLX§ Oil Service	131.04	128.29	129.02	1.05	0.82	192.66	127.17	-22.3	-29.8	-25.2
PHLX§ Semiconductor	1068.20	1044.83	1067.18	18.52	1.77	1138.25	672.51	57.1	17.7	19.3
CBOE Volatility	11.49	9.76	10.03	-1.03	-9.31	22.51	9.75	-39.7	-28.6	-3.8

§Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE MKT and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of $2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	8,763.4	243.97	0.48	0.20	244.05	241.35
Bank of America	BAC	8,667.8	24.19	0.31	1.30	24.48	23.79
Finl Select Sector SPDR	XLF	7,078.9	24.84	0.32	1.31	24.85	24.48
Intel	INTC	4,699.1	34.20		unch.	34.25	33.65
Blackbaud	BLKB	4,497.8	91.66	2.14	2.39	91.66	89.00
Zynga	ZNGA	4,489.8	3.71		unch.	3.72	3.71
Altaba	AABA	3,983.2	55.10	0.15	0.27	55.11	54.50
VanEck Vectors Gold Miner	GDX	3,781.7	22.40	-0.03	-0.13	22.45	22.36

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Bio-Techne	TECH	5.6	125.76	7.00	5.89	125.76	118.69
Progress Software	PRGS	66.3	32.55	1.73	5.61	32.90	30.65
Gemphire Therapeutics	GEMP	63.7	12.93	0.66	5.38	13.70	12.40
Cempra	CEMP	14.9	4.60	0.20	4.43	4.60	4.40
Kulicke Soffa Inds	KLIC	19.8	20.70	0.68	3.40	21.73	19.73

...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
VirnetX Holding	VHC	33.4	4.20	-0.80	-16.00	5.10	4.10
Alio Gold	ALO	7.2	4.97	-0.74	-12.90	5.72	4.97
Pier 1 Imports	PIR	1,112.1	4.85	-0.53	-9.85	5.50	4.26
Bellicum Pharmaceuticals	BLCM	27.8	12.48	-0.84	-6.31	13.32	12.21
Akebia Therapeutics	AKBA	11.9	14.60	-0.90	-5.81	15.50	14.55

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE MKT
Total volume*	853,874,620	8,618,305
Adv. volume*	664,035,639	5,453,112
Decl. volume*	172,454,024	2,914,018
Issues traded	3,103	328
Advances	2,295	190
Declines	713	114
Unchanged	95	24
New highs	111	1
New lows	20	2
Closing tick	272	23
Closing Arms†	0.81	0.65
Block trades*	7,349	113

	Nasdaq	NYSE Arca
Total volume*	2,059,991,148	236,230,512
Adv. volume*	1,567,634,268	195,505,775
Decl. volume*	456,216,854	39,939,058
Issues traded	3,007	1,327
Advances	2,205	1,065
Declines	674	242
Unchanged	128	20
New highs	88	33
New lows	37	13
Closing tick	245	51
Closing Arms†	0.95	0.88
Block trades*	9,886	1,380

* Primary market NYSE, NYSE MKT NYSE Arca only.
† (TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	**The Global Dow**	2787.33	19.30	0.70	10.1
	The Global Dow Euro	2309.73	0.45	0.02	2.2
	DJ Global Index	362.08	2.09	0.58	11.1
World	**DJ Global ex U.S.**	242.46	0.59	0.25	13.3
Americas	**DJ Americas**	586.49	5.41	0.93	8.5
Brazil	**Sao Paulo Bovespa**	62017.97	342.51	0.56	3.0
Canada	**S&P/TSX Comp**	15355.58	74.36	0.49	0.4
Mexico	**IPC All-Share**	49340.11	252.37	0.51	8.1
Chile	**Santiago IPSA**	3606.78	-9.47	-0.26	11.9
Europe	**Stoxx Europe 600**	385.82	-0.16	-0.04	6.8
Euro zone	**Euro Stoxx**	381.40	-0.15	-0.04	8.9
Belgium	**Bel-20**	3839.51	-0.34	-0.01	6.5
France	**CAC 40**	5252.90	-5.68	-0.11	8.0
Germany	**DAX**	12647.27	-23.75	-0.19	10.2
Israel	**Tel Aviv**	1436.23	-2.36	-0.16	-2.3
Italy	**FTSE MIB**	21047.80	256.94	1.24	9.4
Netherlands	**AEX**	516.39	-2.34	-0.45	6.9
Spain	**IBEX 35**	10702.70	54.80	0.51	14.4
Sweden	**SX All Share**	586.67	-0.40	-0.07	9.7
Switzerland	**Swiss Market**	9076.73	3.81	0.04	10.4
U.K.	**FTSE 100**	7387.80	-46.56	-0.63	3.4
Asia-Pacific	**DJ Asia-Pacific TSM**	1626.40	-4.49	-0.28	14.3
Australia	**S&P/ASX 200**	5755.70	41.50	0.73	1.6
China	**Shanghai Composite**	3173.20	-18.00	-0.56	2.2
Hong Kong	**Hang Seng**	25683.50	-156.49	-0.61	16.7
India	**S&P BSE Sensex**	30834.32	-123.93	-0.40	15.8
Japan	**Nikkei Stock Avg**	20130.41	-94.68	-0.47	5.3
Singapore	**Straits Times**	3215.70	-3.83	-0.12	11.6
South Korea	**Kospi**	2382.56	-9.39	-0.39	17.6
Taiwan	**Weighted**	10390.55	-121.51	-1.16	12.3

Sources: SIX Financial Information; WSJ Market Data Group

Percentage Gainers...

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
ADOMANI	ADOM	14.50	3.73	34.63	14.50	6.53	...
Spectranetics	SPNC	38.35	7.95	26.15	38.50	17.76	109.3
Ekso Bionics Holdings	EKSO	2.50	0.49	24.38	6.79	0.99	-42.5
Cascadian Therapeutics	CASC	4.26	0.66	18.33	10.98	3.18	-28.6
Valeritas Holdings	VLRX	6.99	0.99	16.50	52.00	4.51	...
DelMar Pharmaceuticals	DMPI	2.36	0.33	16.31	9.90	1.66	-70.7
USA Truck	USAK	8.47	0.97	12.93	20.17	5.73	-51.0
MoSys	MOSY	2.30	0.26	12.75	8.30	0.55	-41.0
Zion Oil Gas	ZN	3.53	0.39	12.42	3.95	1.07	129.2
Ra Pharmaceuticals	RARX	19.88	2.19	12.38	27.84	12.05	...
Avalon Holdings	AWX	2.75	0.30	12.37	3.41	1.91	22.0
HTG Molecular Diagnostics	HTGM	3.04	0.33	12.18	13.25	1.20	21.1
MDC Partners Cl A	MDCA	10.00	1.05	11.73	18.64	2.75	-44.5
GTx	GTXI	5.47	0.57	11.63	11.19	2.73	-7.0
Overseas Shipholding Cl A	OSG	2.84	0.29	11.37	5.66	2.30	-26.9

Percentage Losers

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Meridian Waste Solutions	MRDN	1.64	-0.81	-33.06	31.00	1.48	-93.4
DryShips	DRYS	1.92	-0.63	-24.71	114240.00	1.92	-99.9
Ezcorp Cl A	EZPW	7.70	-1.40	-15.38	12.00	7.03	4.9
Govt Properties Income Tr	GOV	19.33	-2.57	-11.72	24.61	17.66	-14.0
Destination XL Group	DXLG	2.35	-0.30	-11.32	5.57	1.95	-48.2
Rocket Fuel	FUEL	2.93	-0.33	-10.12	5.90	1.70	30.2
Flex Pharma	FLKS	3.82	-0.43	-10.12	12.76	3.01	-63.6
Global Medical REIT	GMRE	8.85	-0.98	-9.97	11.38	6.73	-11.6
Alder BioPharmaceuticals	ALDR	12.15	-1.33	-9.83	36.48	12.10	-50.1
Acorn International ADR	ATV	10.42	-1.12	-9.71	14.60	5.16	101.2
Omeros Corp	OMER	20.34	-2.13	-9.48	27.09	7.20	92.8
Hebron Technology	HEBT	2.66	-0.26	-8.90	7.02	2.62	...
ShotSpotter	SSTI	12.77	-1.08	-7.80	15.36	11.61	...
NovaBay Pharmaceuticals	NBY	3.55	-0.30	-7.79	5.29	2.12	57.1
Direxion S&P Biotech Bear	LABD	6.39	-0.53	-7.66	39.60	6.09	-82.5

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Bank of America	BAC	109,966	34.5	23.80	2.62	25.80	12.45
Rite Aid	RAD	86,514	272.1	3.93	5.08	8.77	2.90
Advanced Micro Devices	AMD	84,505	12.5	13.23	-1.27	15.55	4.82
Finl Select Sector SPDR	XLF	82,979	10.1	24.52	1.57	25.30	17.98
SPDR S&P 500	SPY	61,199	-15.8	243.49	0.90	245.01	204.72
Delcath Systems	DCTH	56,652	-21.4	0.21	-5.09	6.49	0.02
PwrShrs QQQ Tr Series 1	QQQ	53,892	89.8	140.02	1.44	143.90	105.23
iPath S&P 500 VIX ST Fut	VXX	49,560	-18.3	12.33	-2.68	58.52	12.19
Chicago Bridge Iron	CBI	48,737	1097.5	20.21	0.95	39.71	12.91
Moleculin Biotech	MBRX	34,581	3214.3	3.28	65.66	7.36	0.71

* Volumes of 100,000 shares or more are rounded to the nearest thousand

Volume Movers

Ranked by change from 65-day average*

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Spectranetics	SPNC	32,062	8085	38.35	26.15	38.50	17.76
iSh Interm Govt/Credit Bd	GVI	5,490	7661	111.03	0.00	114.00	109.01
First Potomac Realty Tr	FPO	11,633	5871	11.06	-2.56	11.46	8.01
Highland/iBoxx Sr Loan	SNLN	4,714	3012	18.40	0.05	18.79	18.18
Natl Storage Affiliates	NSA	7,585	1790	24.24	1.00	26.15	18.81
iSh S&P Totl US Stk Mkt	ITOT	12,732	1579	55.80	0.98	56.24	46.53
SPDR Bloomberg Int Cp Bd	ITR	5,645	1442	34.50	0.09	35.02	33.64
Gug Multi Ast Inco	CVY	712	1383	20.96	0.62	21.22	18.63
Fidelity Div Rising Rates	FDRR	586	1379	28.41	0.57	28.66	24.56
Vanguard Lg-Term Govt Bd	VGLT	1,182	1350	77.80	-0.47	87.92	72.09

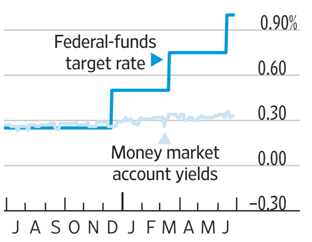
* Common stocks priced at $5 a share or more with an average volume over 65 trading days of at least 5,000 shares †Has traded fewer than 65 days

CREDIT MARKETS & CURRENCIES

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

Money market accounts

Bankrate.com avg†:	0.33%
American Express Bank, FSB	1.05%
New York, NY	866-297-0747
EverBank	1.11%
Jacksonville, FL	866-242-1924
Barclays	1.15%
Wilmington, DE	888-720-8756
CIT Bank	1.15%
Salt Lake City, UT	855-462-2652
My Banking Direct, a service of NY Community Bank	1.15%
New York, NY	866-285-1856

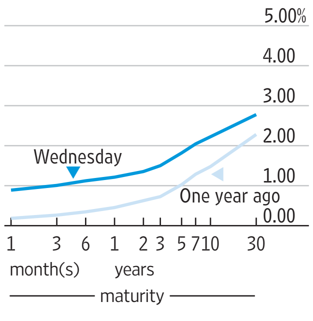
Interest rate	Yield/Rate (%) Last	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	1.00-1.25	1.00-1.25	0.25	1.25	1.00
Prime rate*	4.25	4.25	3.50	4.25	1.00
Libor, 3-month	1.30	1.29	0.65	1.30	1.06
Money market, annual yield	0.33	0.32	0.23	0.36	-0.10
Five-year CD, annual yield	1.38	1.38	1.17	1.38	0.01
30-year mortgage, fixed†	3.97	3.91	3.43	4.33	-0.27
15-year mortgage, fixed†	3.16	3.14	2.70	3.50	-0.17
Jumbo mortgages, $424,100-plus†	4.43	4.42	4.02	4.88	-0.12
Five-year adj mortgage (ARM)†	3.39	3.34	3.02	4.03	-0.55
New-car loan, 48-month	3.08	3.08	2.87	3.36	-0.06
HELOC, $30,000	5.11	5.07	4.57	5.12	0.50

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks. † Excludes closing costs.

Sources: SIX Financial Information; WSJ Market Data Group; Bankrate.com

Treasury yield curve

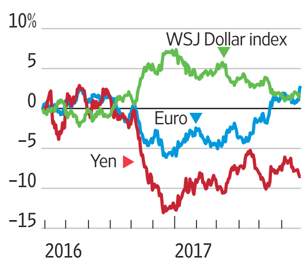
Yield to maturity of current bills, notes and bonds



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Corporate Borrowing Rates and Yields

Bond total return index	Close	Yield (%) Last	Week ago	52-Week High	Low	Total Return (%) 52-wk	3-yr
Treasury, Ryan ALM	1461.880	1.954	1.914	2.237	1.141	-2.803	2.827
10-yr Treasury, Ryan ALM	1740.710	2.223	2.156	2.609	1.366	-0.015	2.938
DJ Corporate	375.483	2.960	2.950	3.390	2.460	1.674	3.945
Aggregate, Barclays Capital	1928.050	2.500	2.470	2.790	1.820	0.007	2.629
High Yield 100, Merrill Lynch	2810.608	5.215	5.220	6.491	5.050	11.731	3.114
Fixed-Rate MBS, Barclays	1972.480	2.800	2.760	3.120	1.930	0.264	2.303
Muni Master, Merrill	516.272	1.925	1.883	2.516	1.307	-0.311	2.873
EMBI Global, J.P. Morgan	787.669	5.502	5.507	6.290	5.134	6.038	4.716

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso	.0609	16.4110	3.4
Brazil real	.3049	3.2798	0.8
Canada dollar	.7669	1.3040	-3.0
Chile peso	.001507	663.50	-0.9
Colombia peso	.0003313	3018.58	0.6
Ecuador US dollar	1	1	unch
Mexico peso	.0560	17.8485	-13.9
Peru new sol	.3076	3.251	-3.0
Uruguay peso	.03524	28.3800	-3.3
Venezuela b. fuerte	.100150	9.9851	-0.1
Asia-Pacific			
Australian dollar	.7639	1.3091	-5.7
China yuan	.1468	6.8118	-1.9
Hong Kong dollar	.1281	7.8041	0.6
India rupee	.01550	64.508	-5.1
Indonesia rupiah	.0000751	13316	-1.5
Japan yen	.008904	112.30	-4.0
Kazakhstan tenge	.003085	324.14	-2.9
Macau pataca	.1253	7.9817	0.8
Malaysia ringgit	.2328	4.2960	-4.2
New Zealand dollar	.7305	1.3689	-5.2
Pakistan rupee	.00955	104.700	0.3
Philippines peso	.0198	50.600	2.0
Singapore dollar	.7235	1.3822	-4.5
South Korea won	.0008780	1138.93	-5.7
Sri Lanka rupee	.0065266	153.22	3.2
Taiwan dollar	.03286	30.430	-6.2
Thailand baht	.02945	33.960	-5.2
Vietnam dong	.00004398	22740	-0.1
Europe			
Czech Rep. koruna	.04327	23.112	-10.0
Denmark krone	.1530	6.5367	-7.5
Euro area euro	1.1379	.8789	-7.5
Hungary forint	.003679	271.83	-7.6
Iceland krona	.009651	103.62	-8.3
Norway krone	.1187	8.4256	-2.5
Poland zloty	.2690	3.7169	-11.2
Russia ruble	.01688	59.252	-3.3
Sweden krona	.1170	8.5448	-6.2
Switzerland franc	1.0421	.9596	-5.8
Turkey lira	.2847	3.5128	-0.3
Ukraine hryvnia	.0384	26.0650	-3.8
UK pound	1.2927	.7736	-4.5
Middle East/Africa			
Bahrain dinar	2.6515	.3771	-0.01
Egypt pound	.0552	18.1230	-0.1
Israel shekel	.2853	3.5045	-8.9
Kuwait dinar	3.2943	.3036	-0.7
Oman sul rial	2.5960	.3852	0.1
Qatar rial	.2675	3.738	2.7
Saudi Arabia riyal	.2666	3.7504	-0.01
South Africa rand	.0773	12.9340	-5.5

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	88.00	-0.35	-0.39	-5.31

Sources: Tullett Prebon, WSJ Market Data Group

COMMODITIES

	Close	Wednesday Net chg	% Chg	52-Week High	Low	% Chg	YTD % chg
DJ Commodity	542.98	2.99	0.55	589.81	506.18	-1.37	-4.28
TR/CC CRB Index	170.98	0.96	0.57	195.14	166.50	-12.16	-11.19
Crude oil, $ per barrel	44.74	0.50	1.13	54.45	39.51	-10.30	-16.72
Natural gas, $/MMBtu	3.067	0.030	0.99	3.93	2.55	7.13	-17.64
Gold, $ per troy oz.	1248.00	1.60	0.13	1364.90	1127.80	-5.73	8.52

WSJ .COM

ONLINE

Real-time U.S. stock quotes are available on WSJ.com. Track most-active stocks, new highs/lows, mutual funds and ETFs. Plus, get deeper money-flows data and email delivery of key stock-market data. All are available free at WSJMarkets.com

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; $ per lb.							
June	2.6505	2.6530		2.6485	**2.6620**	0.0155	314
Sept	2.6565	2.6780		2.6495	**2.6760**	0.0145	124,462
Gold (CMX)-100 troy oz.; $ per troy oz.							
June	1248.50	1248.50		1248.50	**1248.00**	1.60	104
Aug	1247.30	1255.70		1246.70	**1249.10**	2.20	300,996
Oct	1252.10	1258.50		1251.80	**1252.80**	2.20	15,362
Dec	1255.60	1262.90		1255.60	**1256.50**	2.30	101,217
Feb'18	1260.00	1264.40		1258.90	**1260.00**	2.40	12,056
June	1266.20	1271.70		1266.20	**1266.60**	2.30	7,366
Palladium (NYM) - 50 troy oz.; $ per troy oz.							
June	878.95	878.95		878.95	**871.50**	–3.75	2
July	874.75	874.75		855.25	**866.95**	–3.75	29
Sept	855.85	863.70		851.40	**854.60**	–3.75	32,965
Dec	847.40	852.00		844.00	**846.45**	–2.15	2,609
Platinum (NYM)-50 troy oz.; $ per troy oz.							
June	925.40	926.80		925.40	**920.70**	2.90	4
Oct	921.40	929.00		919.10	**924.20**	3.30	61,792
Silver (CMX)-5,000 troy oz.; $ per troy oz.							
June	16.745	16.745		16.685	**16.715**	0.139	2
Sept	16.685	16.890		16.680	**16.791**	0.140	134,564
Crude Oil, Light Sweet (NYM)-1,000 bbls.; $ per bbl.							
Aug	43.70	44.90		43.67	**44.74**	0.50	541,143
Sept	43.89	45.14		43.89	**44.99**	0.50	292,695
Oct	44.22	45.36		44.22	**45.23**	0.50	116,385
Dec	44.80	45.94		44.79	**45.81**	0.50	320,807
June'18	45.99	47.00		45.99	**46.89**	0.51	118,440
Dec	46.89	47.66		46.86	**47.61**	0.50	155,988
NY Harbor ULSD (NYM)-42,000 gal.; $ per gal.							
July	1.4035	1.4383		1.4006	**1.4330**	.0193	16,537
Aug	1.4081	1.4448		1.4057	**1.4390**	.0197	128,128
Gasoline-NY RBOB (NYM)-42,000 gal.; $ per gal.							
July	1.4466	1.4910		1.4409	**1.4833**	.0235	18,260
Aug	1.4378	1.4815		1.4329	**1.4735**	.0218	138,806
Natural Gas (NYM)-10,000 MMBtu.; $ per MMBtu.							
July	3.020	3.080		3.016	**3.067**	.030	7,063
Aug	3.052	3.117		3.047	**3.094**	.030	279,294
Sept	3.047	3.108		3.042	**3.087**	.028	180,784
Oct	3.071	3.132		3.071	**3.115**	.027	177,675
Jan'18	3.371	3.424		3.371	**3.410**	.025	114,512
April	2.871	2.886		2.870	**2.876**	.001	86,941

Agriculture Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.							
July	359.50	360.50		356.75	**356.75**	–2.50	121,651
Sept	368.25	369.00		366.00	**366.25**	–1.50	545,135
Oats (CBT)-5,000 bu.; cents per bu.							
July	247.75	266.50		247.00	**266.50**	20.00	455
Dec	254.00	261.00		254.00	**258.75**	5.00	3,851
Soybeans (CBT)-5,000 bu.; cents per bu.							
July	910.50	917.50		910.50	**914.00**	2.75	58,613
Nov	917.75	923.75		917.00	**921.75**	4.25	373,260
Soybean Meal (CBT)-100 tons; $ per ton.							
July	294.10	295.70		294.00	**294.60**	.60	30,824
Dec	298.10	300.20		297.80	**299.90**	2.10	174,058
Soybean Oil (CBT)-60,000 lbs.; cents per lb.							
July	32.07	32.30		31.86	**32.12**	.04	34,086
Dec	32.51	32.75		32.30	**32.56**	.02	157,699
Rough Rice (CBT)-2,000 cwt.; $ per cwt.							
July	1129.00	1144.50		1125.50	**1142.50**	13.50	1,602
Sept	1161.50	1178.50		1156.00	**1175.00**	16.00	7,210
Wheat (CBT)-5,000 bu.; cents per bu.							
July	453.50	459.25		451.50	**457.25**	4.00	25,008
Sept	469.25	475.00		467.75	**473.00**	4.00	198,969
Wheat (KC)-5,000 bu.; cents per bu.							
July	457.00	464.00		455.50	**461.50**	4.25	26,175
Sept	475.50	482.75		474.00	**480.25**	4.50	118,578
Wheat (MPLS)-5,000 bu.; cents per bu.							
July	690.00	713.00	▲	688.00	**704.75**	23.25	8,622
Sept	687.50	717.50	▲	687.25	**708.00**	22.00	32,555
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.							
Aug	143.775	146.650		142.925	**146.400**	1.525	30,337
Sept	143.650	146.600		142.675	**146.400**	1.875	11,093
Cattle-Live (CME)-40,000 lbs.; cents per lb.							
June	119.200	120.450		118.850	**120.250**	.650	1,978
Aug	114.500	115.950		113.850	**115.625**	.600	170,930
Hogs-Lean (CME)-40,000 lbs.; cents per lb.							
July	86.900	88.000	▲	86.575	**87.925**	1.450	20,978
Aug	78.550	79.900		78.425	**79.475**	.925	93,211
Lumber (CME)-110,000 bd. ft., $ per 1,000 bd. ft.							
July	353.80	360.10		352.60	**358.80**	5.20	1,361
Sept	334.70	344.50		334.60	**342.50**	8.00	2,085
Milk (CME)-200,000 lbs., cents per lb.							
June	16.35	16.36		16.35	**16.44**	.09	5,231
July	15.87	15.92		15.77	**15.82**	–.06	4,845
Cocoa (ICE-US)-10 metric tons; $ per ton.							
July	1,814	1,814		1,814	**1,835**	8	956
Sept	1,867	1,890		1,866	**1,884**	21	137,826
Coffee (ICE-US)-37,500 lbs.; cents per lb.							
July	123.45	123.45		121.90	**122.75**	...	98
Sept	125.65	126.00		123.30	**124.40**	–.90	122,253
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.							
July	12.72	12.83	▼	12.53	**12.55**	–.10	64,526
Oct	12.98	13.06	▼	12.74	**12.76**	–.13	435,604
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.							
Sept	27.51	28.20		27.51	**27.78**	.26	2,182
Nov	27.60	27.60		27.60	**27.43**	...	1,281
Cotton (ICE-US)-50,000 lbs.; cents per lb.							
July	73.90	74.57		73.77	**74.41**	–.03	506
Dec	67.70	67.89		66.84	**67.65**	–.06	159,927
Orange Juice (ICE-US)-15,000 lbs.; cents per lb.							
July	142.60	143.60		136.50	**139.15**	–3.80	443
Sept	140.70	142.40		137.10	**138.40**	–2.85	7,344

Interest Rate Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Treasury Bonds (CBT)-$100,000; pts 32nds of 100%							
Sept	155-170	155-220		154-090	**155-000**	–22.0	750,190
Dec	153-290	154-080		153-160	**153-260**	–22.0	115
Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
Sept	126-080	126-105		125-280	**126-065**	–2.5	3,099,909
Dec	125-270	125-270		125-200	**125-285**	–2.0	2,156
5 Yr. Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
June	118-165	118-215		118-165	**118-220**	2.0	14,938
Sept	118-035	118-067		117-307	**118-057**	1.7	3,098,849
2 Yr. Treasury Notes (CBT)-$200,000; pts 32nds of 100%							
June	108-082	108-095		108-082	**108-087**	.7	3,610
Sept	108-032	108-045		108-025	**108-045**	1.0	1,291,323
30 Day Federal Funds (CBT)-$5,000,000; 100 - daily avg.							
June	98.960	98.960	▼	98.958	**98.960**	...	79,915
July	98.850	98.850	▼	98.845	**98.850**	...	295,277
10 Yr. Del. Int. Rate Swaps (CBT)-$100,000; pts 32nds of 100%							
Sept	102.641	102.891	▼	102.094	**102.281**	–.203	29,906
1 Month Libor (CME)-$3,000,000; pts of 100%							
Aug	98.7750	98.7750	▼	98.7725	**98.7725**	–.0050	2,016
Eurodollar (CME)-$1,000,000; pts of 100%							
July	98.6900	98.6950		98.6875	**98.6950**	.0050	194,713
Sept	98.6500	98.6550		98.6400	**98.6500**	.0050	1,487,783
Dec	98.5450	98.5500		98.5300	**98.5450**	...	1,785,442
Dec'18	98.2600	98.2750		98.2300	**98.2600**	.0050	1,403,021

Currency Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Japanese Yen (CME)-¥12,500,000; $ per 100¥							
July	.8926	.8950		.8904	**.8915**	–.0011	1,007
Sept	.8939	.8974		.8927	**.8939**	–.0011	181,546
Canadian Dollar (CME)-CAD 100,000; $ per CAD							
July	.7615	.7687	▲	.7581	**.7679**	.0073	416
Sept	.7593	.7696		.7588	**.7687**	.0073	138,549
British Pound (CME)-£62,500; $ per £							
July	1.2821	1.2980		1.2804	**1.2944**	.0128	1,376
Sept	1.2848	1.3005		1.2827	**1.2968**	.0128	184,540
Swiss Franc (CME)-CHF 125,000; $ per CHF							
Sept	1.0473	1.0495	▲	1.0419	**1.0482**	.0005	37,104
Dec	1.0535	1.0559	▲	1.0485	**1.0545**	.0005	223
Australian Dollar (CME)-AUD 100,000; $ per AUD							
July	.7598	.7642	▲	.7576	**.7637**	.0044	545
Aug	.7606	.7639	▲	.7574	**.7634**	.0043	321
Sept	.7573	.7638		.7570	**.7631**	.0044	87,864
Dec	.7585	.7629		.7563	**.7623**	.0044	1,195
Mexican Peso (CME)-MXN 500,000; $ per MXN							
July	.05540	.05580	▲	.05520	**.05580**	.00032	96
Euro (CME)-€125,000; $ per €							
July	1.1349	1.1403	▲	1.1304	**1.1393**	.0031	2,247
Sept	1.1389	1.1441	▲	1.1341	**1.1430**	.0032	393,767

Index Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Mini DJ Industrial Average (CBT)-$5 x index							
Sept	21268	21437	▲	21253	**21402**	111	131,120
Dec	21229	21391	▲	21225	**21360**	111	209
S&P 500 Index (CME)-$250 x index							
Sept	2419.00	2442.00		2414.30	**2438.40**	17.80	40,637
Mini S&P 500 (CME)-$50 x index							
Sept	2417.00	2442.50		2413.75	**2438.50**	18.00	2,858,564
Dec	2415.75	2440.50		2412.25	**2436.50**	17.75	16,792
Mini S&P Midcap 400 (CME)-$100 x index							
Sept	1736.40	1761.90		1735.50	**1756.10**	19.30	93,531
Mini Nasdaq 100 (CME)-$20 x index							
Sept	5673.8	5768.8		5632.0	**5763.5**	87.0	284,978
Dec	5681.8	5775.0		5641.3	**5771.8**	87.3	877
Mini Russell 2000 (ICE-US)-$100 x index							
Sept	1404.10	1430.90		1401.00	**1426.80**	21.90	579,718
Dec	1420.00	1425.00		1418.10	**1425.80**	21.90	96
Mini Russell 1000 (ICE-US)-$100 x index							
Sept	1346.00	1353.10		1344.70	**1352.00**	10.20	8,171
U.S. Dollar Index (ICE-US)-$1,000 x index							
Sept	96.18	96.32	▼	95.67	**95.74**	–.35	46,655
Dec	95.93	96.04	▼	95.47	**95.53**	–.34	1,120

Source: SIX Financial Information

Cash Prices

Wednesday, June 28, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Wednesday
Energy	
Propane,tet,Mont Belvieu-g	0.5757
Butane,normal,Mont Belvieu-g	0.7045
NaturalGas,HenryHub-i	3.010
NaturalGas,TranscoZone3-i	2.950
NaturalGas,TranscoZone6NY-i	2.560
NaturalGas,PanhandleEast-i	2.640
NaturalGas,Opal-i	2.630
NaturalGas,MarcellusNE PA-i	1.940
NaturalGas,HaynesvilleN.LA-i	2.850
Coal,C.Aplc.,12500Btu,1.2SO2-r,w	52.550
Coal,PwdrRvrBsn,8800Btu,0.8SO2-r,w	11.550
Metals	
Gold, per troy oz	
Engelhard industrial	1255.08
Engelhard fabricated	1349.21
Handy & Harman base	1248.00
Handy & Harman fabricated	1385.28
LBMA Gold Price AM	*1250.40
LBMA Gold Price PM	*1249.55
Krugerrand,wholesale-e	1298.80
Maple Leaf-e	1311.29
American Eagle-e	1311.29
Mexican peso-e	1513.74
Austria crown-e	1227.12
Austria phil-e	1311.29
Silver, troy oz.	
Engelhard industrial	16.8000
Engelhard fabricated	20.1600
Handy & Harman base	16.8050
Handy & Harman fabricated	21.0060
LBMA spot price	£13.0828
(U.S.$ equivalent)	16.7800
Coins,wholesale $1,000 face-a	12793
Other metals	
LBMA Platinum Price PM	*920.0
Platinum,Engelhard industrial	924.0
Platinum,Engelhard fabricated	1024.0
Palladium,Engelhard industrial	862.0
Palladium,Engelhard fabricated	962.0
Aluminum, LME, $ per metric ton	*1861.5
Copper,Comex spot	2.6620
Iron Ore, 62% Fe CFR China-s	61.5
Shredded Scrap, US Midwest-s,w	296
Steel, HRC USA, FOB Midwest Mill-s	611
Fibers and Textiles	
Burlap,10-oz,40-inch NY yd-n,w	0.5900
Cotton,1 1/16 std lw-mdMphs-u	0.6797
Cotlook 'A' Index-t	*83.20
Hides,hvy native steers piece fob-u	67.000
Wool,64s,staple,Terr del-u,w	n.a.
Grains and Feeds	
Barley,top-quality Mnpls-u	4.70
Bran,wheat middlings, KC-u	65
Corn,No. 2 yellow,Cent IL-bp,u	3.3500
Corn gluten feed,Midwest-u,w	73.1
Corn gluten meal,Midwest-u,w	470.0
Cottonseed meal-u,w	180
Hominy feed,Cent IL-u,w	88
Meat-bonemeal,50% pro Mnpls-u,w	275
Oats,No.2 milling,Mnpls-u	3.0850
Rice, 5% Broken White, Thailand-l,w	437.00
Rice, Long Grain Milled, No. 2 AR-u,w	21.50
Sorghum,(Milo) No.2 Gulf-u	n.a.
SoybeanMeal,Cent IL,rail,ton48%-u	296.60
Soybeans,No.1 yllw IL-bp,u	8.8750
Wheat,Spring14%-pro Mnpls-u	8.2550
Wheat,No.2 soft red,St.Louis-bp,u	4.7050
Wheat - Hard - KC (USDA) $ per bu-u	4.4150
Wheat,No.1soft white,Portld,OR-u	4.9613
Food	
Beef,carcass equiv. index	
choice 1-3,600-900 lbs.-u	200.91
select 1-3,600-900 lbs.-u	178.96
Broilers,dressed 'A'-u	n.a.
Broilers, National comp wghtd-u,w	1.0775
Butter,AA Chicago	2.6400
Cheddar cheese,bbl,Chicago	137.00
Cheddar cheese,blk,Chicago	151.00
Milk,Nonfat dry,Chicago lb.	84.50
Cocoa,Ivory Coast-w	2139
Coffee,Brazilian,Comp	1.2231
Coffee,Colombian, NY	1.4579
Eggs,large white,Chicago-u	0.6350
Flour,hard winter KC	16.15
Hams,17-20 lbs,Mid-US fob-u	0.76
Hogs,Iowa-So. Minnesota-u	88.10
Pork bellies,12-14 lb MidUS-u	n.a.
Pork loins,13-19 lb MidUS-u	1.2333
Steers,Tex.-Okla. Choice-u	n.a.
Steers,feeder,Okla. City-u,w	167.88
Fats and Oils	
Corn oil,crude wet/dry mill-u,w	37.0000
Grease,choice white,Chicago-h	0.3150
Lard,Chicago-u	n.a.
Soybean oil,crude;Centl IL-u	0.3125
Tallow,bleach;Chicago-h	0.3550
Tallow,edible,Chicago-u	0.3625

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra,Tordella & Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; L=liverpriceindex.com; M=midday; N=nominal; n.a.=not quoted or not available; R=SNL Energy; S=The Steel Index; T=Cotlook Limited; U=USDA; W=weekly, Z=not quoted.
*Data as of 6/27

Source: WSJ Market Data Group

Bonds | WSJ.com/bonds

Tracking Bond Benchmarks

Return on investment and spreads over Treasurys and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	Yield (%) Latest	Low	High
Broad Market Bloomberg Barclays					
1928.05	2.6	U.S. Aggregate	2.500	1.820	2.790
U.S. Corporate Indexes Bloomberg Barclays					
2739.88	4.1	U.S. Corporate	3.150	2.750	3.520
2594.89	2.9	Intermediate	2.670	2.190	3.010
3758.82	7.0	Long term	4.200	3.960	4.710
560.64	3.1	Double-A-rated	2.600	1.980	2.870
704.95	4.6	Triple-B-rated	3.450	3.180	3.870
High Yield Bonds Merrill Lynch					
407.47	4.9	High Yield Constrained	5.610	5.456	7.391
404.84	5.3	Triple-C-rated	10.245	9.584	15.470
2810.61	4.7	High Yield 100	5.215	5.050	6.491
369.27	4.9	Global High Yield Constrained	5.265	5.129	7.032
299.16	4.2	Europe High Yield Constrained	2.558	2.537	4.624
U.S Agency Bloomberg Barclays					
1635.19	1.9	U.S Agency	1.790	1.150	1.960
1463.56	1.2	10-20 years	1.610	0.960	1.750
3334.02	6.7	20-plus years	2.900	2.390	3.460
2428.32	3.6	Yankee	2.720	2.320	3.090

Total return close	YTD total return (%)	Index	Yield (%) Latest	Low	High
Mortgage-Backed Bloomberg Barclays					
1972.48	1.6	Mortgage-Backed	2.800	1.930	3.120
1943.64	1.3	Ginnie Mae (GNMA)	2.760	1.850	3.090
1155.75	1.7	Fannie mae (FNMA)	2.810	1.950	3.120
1779.56	1.8	Freddie Mac (FHLMC)	2.820	1.980	3.130
516.27	3.5	Muni Master	1.925	1.307	2.516
361.67	4.1	7-12 year	1.927	1.326	2.618
401.58	4.1	12-22 year	2.467	1.610	3.047
387.50	4.4	22-plus year	2.952	2.027	3.622
Global Government J.P. Morgan†					
542.70	1.1	Global Government	1.360	0.750	1.560
766.19	1.7	Canada	1.740	1.210	2.020
368.69	-0.1	EMU§	1.096	0.512	1.363
707.64	0.2	France	0.850	0.270	1.210
508.35	-1.2	Germany	0.450	-0.100	0.490
287.82	-0.1	Japan	0.390	-0.120	0.460
560.38	-1.0	Netherlands	0.580	0.020	0.680
925.51	1.3	U.K.	1.490	0.960	1.790
787.67	6.6	Emerging Markets **	5.502	5.134	6.290

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds † In local currency § Euro-zone bonds
** EMBI Global Index

Sources: Merrill Lynch; Bloomberg Barclays; J.P.Morgan

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose(▲) or fell (▼) in the latest session

Coupon (%)	Country/ Maturity, in years	Yield (%) Latest	Previous	Month ago	Year ago	Spread Under/Over U.S. Treasurys, in basis points Latest	Prev	Year ago
1.250	U.S. 2	1.345 ▼	1.373	1.302	0.617			
2.375	10	2.220 ▲	2.210	2.248	1.466			
5.250	Australia 2	1.687 ▲	1.653	1.582	1.573	34.1	28.0	95.6
4.750	10	2.473 ▲	2.364	2.421	1.998	25.3	15.4	53.3
0.000	France 2	-0.436 ▼	-0.395	-0.493	-0.505	-178.2	-176.7	-112.2
1.000	10	0.711 ▼	0.724	0.763	0.243	-150.9	-148.6	-122.2
0.000	Germany 2	-0.625 ▼	-0.589	-0.698	-0.649	-197.0	-196.2	-126.6
0.250	10	0.371 ▼	0.373	0.332	-0.109	-184.9	-183.7	-157.5
0.300	Italy 2	-0.351 ▼	-0.325	-0.212	-0.049	-169.7	-169.7	-66.6
2.200	10	2.015 ▼	2.026	2.098	1.327	-20.5	-18.3	-13.8
0.100	Japan 2	-0.118 ▼	-0.117	-0.171	-0.295	-146.3	-149.0	-91.2
0.100	10	0.060 ▲	0.050	0.037	-0.228	-216.0	-215.9	-169.3
2.750	Spain 2	-0.279 ▼	-0.268	-0.298	-0.093	-162.5	-164.1	-71.0
1.500	10	1.416 ▼	1.449	1.531	1.333	-80.4	-76.1	-13.3
1.750	U.K. 2	0.295 ▲	0.271	0.083	0.187	-105.0	-110.2	-43.0
4.250	10	1.158 ▲	1.093	1.014	0.963	-106.2	-111.6	-50.2

Source: Tullett Prebon

Corporate Debt

in that same company's share price.

Investment-grade spreads that tightened the most...

Issuer	Symbol	Coupon (%)	Maturity	Spread*, in basis points Current	One-day change	Last week	Stock Performance Close ($)	% chg
RPM International	RPM	2.250	Dec. 15, '20	144	–26	n.a.	55.06	1.96
Phillips 66	PSX	4.300	April 1, '22	61	–21	n.a.	81.79	1.55
Viacom	VIA	5.875	Feb. 28, '57	195	–15	218	40.05	–0.37
Anadarko Petroleum	APC	6.600	March 15, '46	227	–13	255	43.79	–0.02
Intesa Sanpaolo Spa	ISPIM	5.017	June 26, '24	248	–13	292	...	...
American Express	AXP	3.300	May 3, '27	92	–12	107	83.97	1.07
Citigroup	C	4.000	Aug. 5, '24	115	–12	115	65.18	1.48
Coca–Cola	KO	1.550	Sept. 1, '21	10	–10	17	45.32	0.60

...And spreads that widened the most

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
General Motors Financial	GM	3.150	June 30, '22	123	308	n.a.	...	...
Royal Bank of Scotland	RBS	7.640	Sept. 30, '49	2293	61	n.a.	6.58	1.39
AT&T	T	3.200	March 1, '22	103	22	105	37.94	0.64
Nordstrom	JWN	6.950	March 15, '28	365	20	360	47.68	0.02
Nationwide Building Society	NWIDE	4.000	Sept. 14, '26	183	18	185	...	...
JPMorgan Chase	JPM	7.900	April 30, '49	32	10	47	89.82	2.01
Societe Generale S.A.	SOCGEN	7.875	Dec. 18, '49	315	10	n.a.	...	...
General Electric	GE	4.375	Sept. 16, '20	45	9	48	27.08	–0.48

High-yield issues with the biggest price increases...

Issuer	Symbol	Coupon (%)	Maturity	Bond Price as % of face value Current	One-day change	Last week	Stock Performance Close ($)	% chg
Rite Aid	RAD	7.700	Feb. 15, '27	103.267	2.77	99.625	3.93	5.08
Denbury Resources	DNR	5.500	May 1, '22	56.250	2.75	52.500	1.52	1.33
Tenneco	TEN	5.000	July 15, '26	103.275	2.28	99.939	56.45	2.73
Valeant Pharmaceuticals International	VRXCN	6.125	April 15, '25	84.750	2.25	83.750	...	...
SUPERVALU	SVU	7.750	Nov. 15, '22	97.700	2.01	97.750	3.17	3.93
Monitronics International	MONINT	9.125	April 1, '20	97.500	2.00	n.a.	...	...
Sanchez Energy	SN	7.750	June 15, '21	90.000	2.00	85.500	7.15	–0.56
Weatherford International	WFT	8.250	June 15, '23	100.063	1.94	97.750	3.77	–1.05

...And with the biggest price decreases

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
Embarq	EQ	7.995	June 1, '36	101.500	–2.63	101.500	...	...
MEG Energy	MEGCN	6.375	Jan. 30, '23	76.000	–1.75	72.500	...	...
Diamond Offshore Drilling	DO	4.875	Nov. 1, '43	64.750	–1.30	64.940	10.74	1.61
XPO Logistics	XPO	6.125	Sept. 1, '23	104.375	–1.19	105.500	64.34	5.75
Covey Park Energy	COVPAR	7.500	May 15, '25	100.250	–1.00	101.500	...	...
Rite Aid	RAD	6.125	April 1, '23	97.195	–0.81	n.a.	3.93	5.08
Cooper–Standard Automotive	CPS	5.625	Nov. 15, '26	100.500	–0.74	101.875	...	...
BWAY Holding	BWY	7.250	April 15, '25	101.563	–0.69	101.750	...	...

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread.
Note: Data are for the most active issue of bonds with maturities of two years or more

Sources: MarketAxess Corporate BondTicker; WSJ Market Data Group

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended June 23. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import Natural-gas import and demand data are available monthly only.

Inventories, 000s barrels / **Imports,** 000s barrels per day

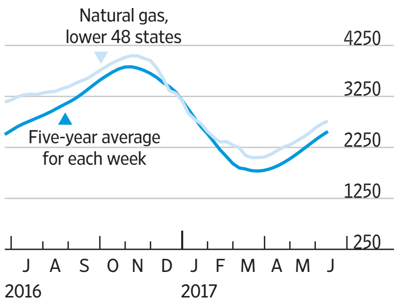
	Inventories Current	Expected change	Previous week	Year ago	4-week avg	5-year avg	Imports Current	Expected change	Previous week	Year ago	4-week avg	5-year avg
Crude oil and petroleum prod	1,352,181	...	1,351	1,372	1,351	1,198	9,832	...	10,142	10,466	10,106	9,825
Crude oil excluding SPR	509,213	-2,400	509	527	511	425	8,016	...	7,876	7,555	8,065	7,823
Gasoline	240,972	...	242	239	241	220	571	...	909	904	710	728
Finished gasoline	22,599	-600	21	25	22	36	54	...	98	167	53	48
Reformulated	37	...	0	0	0	0	0	...	0	0	0	0
Conventional	22,562	...	21	25	22	36	54	...	98	167	53	48
Blend. components	218,373	...	221	214	219	184	516	...	810	737	657	679
Natural gas (bcf)	2,770	...	3	3	3	3	...	...	...	...	...	...
Kerosene-type jet fuel	42,399	...	42	40	43	39	108	...	99	197	95	63
Distillates	152,272	300	152	151	152	131	139	...	87	25	110	97
Heating oil	9,587	...	10	13	10	16	13	...	6	6	28	13
Diesel	142,685	...	143	138	142	115	126	...	81	19	83	84
Residual fuel oil	38,174	...	40	40	40	38	105	...	79	165	189	176
Other oils	288,862	...	289	272	288	256	792	...	999	1,521	849	849
Net crude, petroleum products, incl. SPR	2,034,617	...	2,035	2,067	2,035	1,892	4,233	...	5,245	5,974	4,910	6,227

Weekly Demand, 000s barrels per day

	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg
Total petroleum product	19,646	...	21,067	21,149	19,892	19,264
Finished motor gasoline	9,538	...	9,816	9,709	9,485	9,288
Kerosene-type jet fuel	1,568	...	2,030	1,878	1,763	1,603
Distillates	4,029	...	4,158	3,998	3,934	3,756
Residual fuel oil	521	...	391	254	382	265
Propane/propylene	916	...	986	726	880	...
Other oils	3,075	...	3,687	4,583	3,448	...

Natural gas storage

Billions of cubic feet; weekly totals



Note: Expected changes are provided by Dow Jones Newswires' survey of analysts. Previous and average inventory data are in millions.
Sources: SIX Financial Information via WSJ Market Data Group; U.S. Energy Information Administration; Dow Jones Newswires

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Wednesday, June 28, 2017

ETF	Symbol	Closing Price	Chg (%)	YTD (%)
AlerianMLPETF	AMLP	11.77	1.55	–6.6
CnsmrDiscSelSector	XLY	90.03	1.01	10.6
CnsStapleSelSector	XLP	55.43	0.36	7.2
DBGoldDoubleLgETN	DGP	23.32	0.09	15.9
DBGoldDoubleShrt	DZZ	5.83	–0.02	–15.0
DeutscheXMSCIEAFE	DBEF	30.41	0.56	8.4
EnSelectSectorSPDR	XLE	64.49	0.55	–14.4
FinSelSectorSPDR	XLF	24.52	1.57	5.5
GuggS&P500EW	RSP	93.05	0.78	7.4
HealthCareSelSect	XLV	80.08	0.53	16.2
IndSelSectorSPDR	XLI	68.13	0.90	9.5
iShIntermCredBd	CIU	110.01	0.05	1.7
iSh1-3YCreditBond	CSJ	105.37	0.04	0.4
iSh3-7YTreasuryBd	IEI	123.98	0.06	1.2
iShCoreHiDividend	HDV	83.86	0.26	2.0
iShCoreMSCIEAFEETF	IEFA	61.42	0.77	14.5
iShCoreMSCIEmgMk	IEMG	50.35	0.76	18.6
iShCoreS&P500ETF	IVV	245.10	0.85	8.9
iShCoreS&PMdCp	IJH	174.85	1.13	5.8
iShCoreS&PSmCpETF	IJR	70.59	1.61	2.7
iShS&PTotlUSStkMkt	ITOT	55.80	0.98	8.8
iShCoreUSAggBd	AGG	109.86	0.04	1.7
iShSelectDividend	DVY	92.69	0.39	4.7
iShEdgeMSCIMinEAFE	EFAV	69.80	0.32	14.0
iShEdgeMSCIMinUSA	USMV	49.30	0.37	9.0
iShGoldTr	IAU	12.03	0.08	8.6
iShiBoxx$InvGrCpBd	LQD	120.98	0.11	3.2
iShiBoxx$HYCpBd	HYG	88.40	0.41	2.1
iShJPMUSDEmgBd	EMB	115.04	0.11	4.4
iShMBSETF	MBB	107.07	0.12	0.7
iShMSCIACWIETF	ACWI	65.93	0.78	11.4
iShMSCI EAFE	EFA	65.81	0.87	14.0
iShMSCIEAFESC	SCZ	58.01	0.54	16.4
iShMSCIEmgMarkets	EEM	41.73	0.77	19.2
iShMSCIEurozoneETF	EZU	41.03	1.03	18.6
iShMSCIJapanETF	EWJ	54.01	0.45	10.5
iShNasdaqBiotech	IBB	316.88	1.93	19.4
iShNatlMuniBdETF	MUB	110.57	–0.13	2.2
iShRussell1000Gwth	IWF	120.31	1.03	14.7
iShRussell1000ETF	IWB	136.18	0.87	9.4
iShRussell1000Val	IWD	116.71	0.73	4.2
iShRussell2000Gwth	IWO	170.58	1.72	10.8
iShRussell2000ETF	IWM	141.98	1.53	5.3
iShRussell2000Val	IWN	119.46	1.37	0.4
iShRussell3000ETF	IWV	145.03	0.90	9.1
iShRussellMid-Cap	IWR	193.21	0.91	8.0
iShRussellMCValue	IWS	84.32	0.75	4.8
iShS&PMC400Growth	IJK	197.77	1.09	8.5
iShS&P500Growth	IVW	138.38	0.94	13.6
iShS&P500ValueETF	IVE	105.17	0.80	3.7
iShUSPfdStk	PFF	39.20	0.18	5.3
iShTIPSBondETF	TIP	114.04	0.08	0.8
iSh1-3YTreasuryBd	SHY	84.54	0.05	0.1
iSh7-10YTreasuryBd	IEF	107.26	–0.09	2.3
iSh20+YTreasuryBd	TLT	126.47	–0.33	6.2
iShRussellMCGrowth	IWP	108.97	0.93	11.9
PIMCOEnhShMaturity	MINT	101.73	0.03	0.4
PwrShQQQ1	QQQ	140.02	1.44	18.2
PwrShS&P500LoVol	SPLV	45.07	0.38	8.4
PwrShSrLoanPtf	BKLN	23.10	–0.09	–1.1
SPDRBloomBarcHYBd	JNK	37.19	0.35	2.0
SPDR Gold	GLD	118.90	0.08	8.5
SchwabIntEquity	SCHF	32.05	0.79	15.8
SchwabUS BrdMkt	SCHB	58.89	0.93	8.7
SchwabUS LC	SCHX	58.17	0.92	9.2
SPDR DJIA Tr	DIA	214.24	0.62	8.5
SPDR S&PMdCpTr	MDY	319.49	1.14	5.9
SPDR S&P 500	SPY	243.49	0.90	8.9
SPDR S&P Div	SDY	89.51	0.71	4.6
TechSelectSector	XLK	55.77	1.25	15.3
UtilitiesSelSector	XLU	52.46	–0.96	8.0
VanEckGoldMiner	GDX	22.43	0.76	7.2
VangdInfoTech	VGT	143.57	1.30	18.2
VangdSC Val	VBR	123.44	1.22	2.0
VangdDivApp	VIG	92.91	0.73	9.1
VangdFTSEDevMk	VEA	41.66	0.90	14.0
VangdFTSE EM	VWO	40.97	0.59	14.5
VangdFTSE Europe	VGK	55.74	0.85	16.3
VangdFTSEAWxUS	VEU	50.47	0.88	14.2
VangdGrowth	VUG	128.48	1.05	15.2
VangdHlthCr	VHT	148.90	0.71	17.5
VangdHiDiv	VYM	78.56	0.55	3.7
VangdIntermBd	BIV	84.89	0.01	2.2
VangdIntrCorpBd	VCIT	87.85	0.02	2.5
VangdLC	VV	111.81	0.85	9.2
VangdMC	VO	143.48	0.93	9.0
VangdMC Val	VOE	103.32	0.83	6.3
VangdREIT	VNQ	84.19	0.24	2.0
VangdS&P500	VOO	223.62	0.88	8.9
VangdST Bond	BSV	79.94	0.09	0.6
VangdSTCpBd	VCSH	80.11	0.10	0.9
VangdSC	VB	136.45	1.28	5.8
VangdTotalBd	BND	82.06	...	1.6
VangdTotIntlBd	BNDX	54.63	–0.05	0.6
VangdTotIntlStk	VXUS	52.40	0.96	14.2
VangdTotalStk	VTI	125.28	0.94	8.6
VangdTotlWrld	VT	68.02	0.84	11.5
VangdValue	VTV	96.86	0.78	4.1
WisdTrEuropeHdg	HEDJ	63.86	0.35	11.3
WisdTrJapanHdg	DXJ	52.01	0.79	5.0

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS.

The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was $2 or higher.

Footnotes:
▲-New 52-week high.
▼-New 52-week low.
dd-Indicates loss in the most recent four quarters.
FD-First day of trading.
h-Does not meet continued listing standards
lf-Late filing
q-Temporary exemption from Nasdaq requirements.
t-NYSE bankruptcy
v-Trading halted on primary market.
vj-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, June 28, 2017

Stock	Sym	Close	Net Chg

NYSE

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

June 28, 2017

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation

	May index level	Chg From (%) April '17	May '16
U.S. consumer price index			
All items	**244.733**	0.09	1.9
Core	**251.835**	0.08	1.7

International rates

	Latest	Week ago	52-Week High	52-Week Low
Prime rates				
U.S.	**4.25**	4.25	4.25	3.50
Canada	**2.70**	2.70	2.70	2.70
Japan	**1.475**	1.475	1.475	1.475
Policy Rates				
Euro zone	**0.00**	0.00	0.00	0.00
Switzerland	**0.50**	0.50	0.50	0.50
Britain	**0.25**	0.25	0.50	0.25
Australia	**1.50**	1.50	1.75	1.50
Overnight repurchase				
U.S.	**1.13**	1.06	1.30	0.15

U.S. government rates

	Latest	Week ago	52-Week High	52-Week Low
Discount				
	1.75	1.75	1.75	1.00
Federal funds				
Effective rate	**1.1800**	1.1800	1.2000	0.3300
High	**1.3125**	1.3125	1.3125	0.5000
Low	**1.1500**	1.0000	1.1600	0.2000
Bid	**1.1600**	1.1600	1.1600	0.2000
Offer	**1.1800**	1.1800	1.1900	0.2600

	Latest	Week ago	52-WEEK High	52-WEEK Low
Treasury bill auction				
4 weeks	**0.890**	0.850	0.890	0.160
13 weeks	**1.000**	1.010	1.010	0.250
26 weeks	**1.110**	1.120	1.120	0.340

Secondary market

	Latest	Week ago	52-WEEK High	52-WEEK Low
Fannie Mae				
30-year mortgage yields				
30 days	**3.454**	3.400	3.865	2.806
60 days	**3.480**	3.425	3.899	2.832

Other short-term rates

	Latest	Week ago	52-Week high	52-Week low
Call money				
	3.00	3.00	3.00	2.25
Commercial paper (AA financial)				
90 days	**1.18**	1.19	1.25	0.54
Libor				
One month	**1.22611**	1.21556	1.22611	0.46505
Three month	**1.29639**	1.28944	1.29639	0.64610
Six month	**1.44656**	1.44500	1.44861	0.91365
One year	**1.73678**	1.73539	1.82761	1.21625
Euro Libor				
One month	**-0.401**	-0.405	-0.357	-0.405
Three month	**-0.373**	-0.373	-0.294	-0.373
Six month	**-0.302**	-0.297	-0.185	-0.302
One year	**-0.183**	-0.187	-0.059	-0.187
Euro interbank offered rate (Euribor)				
One month	**-0.372**	-0.373	-0.363	-0.375
Three month	**-0.331**	-0.329	-0.282	-0.332
Six month	**-0.271**	-0.271	-0.178	-0.273
One year	**-0.158**	-0.161	-0.045	-0.163

	Latest	Value Traded	52-Week High	52-Week Low
DTCC GCF Repo Index				
Treasury	**1.123**	37.300	1.312	0.244
MBS	**1.244**	77.480	1.328	0.257

	Settle	Change	Open Interest	Implied Rate
DTCC GCF Repo Index Futures				
Treasury Jun	**98.925**	unch.	13203	1.075
Treasury Jly	**98.820**	0.005	6273	1.180
Treasury Aug	**98.830**	0.005	1471	1.170

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective June 15, 2017. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective June 15, 2017. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Liffe US.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; General Electric Capital Corp.; Tullett Prebon Information, Ltd.

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least $500 million each. **NAV** is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. **NET CHG** is change in NAV from previous trading day. **YTD%RET** is year-to-date return. **3-YR%RET** is trailing three-year return annualized.

e-Ex-distribution. **f**-Previous day's quotation. **g**-Footnotes x and s apply. **j**-Footnotes e and s apply. **k**-Recalculated by Lipper, using updated data. **p**-Distribution costs apply, 12b-1. **r**-Redemption charge may apply. **s**-Stock split or dividend. **t**-Footnotes p and r apply. **v**-Footnotes x and e apply. **x**-Ex-dividend. **z**-Footnote x, e and s apply. **NA**-Not available due to incomplete price, performance or cost data. **NE**-Not released by Lipper; data under review. **NN**-Fund not tracked. **NS**-Fund didn't exist at start of period.

Wednesday, June 28, 2017

New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE MKT and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. **% CHG**-Daily percentage change from the previous trading session.

Wednesday, June 28, 2017

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

MIKE SIMONS/GETTY IMAGES

Insurer's Spinoff Lifts Off

Delaware regulator lets MetLife divest itself of most of its core life business

By Leslie Scism

MetLife Inc. on Wednesday cleared one of the last obstacles to spinning off most of its long-time core business of selling life insurance to U.S. families.

Delaware state insurance regulators approved the company's planned divestiture, which will create a new company called Brighthouse Financial. The spinoff is expected to strip MetLife of its bragging rights as the nation's biggest life insurer by assets, as it slips behind **Prudential Financial** Inc. in size.

The new company will start life with about $223 billion in total assets, about one-quarter of MetLife as of March 31, according to MetLife's regulatory filings. As of March 31, Prudential's assets totaled $797.4 billion.

Brighthouse is expected to be one of the nation's biggest life insurers, with 1.3 million life-insurance policyholders and 1.5 million annuity owners. MetLife disclosed its plan to spin it off in early 2016, filed the registration statement in October of last year and aimed for completion by June 30 of this year. The company declined to comment on exact timing.

Evercore ISI analyst Thomas Gallagher told clients in a June 23 note that the spinoff could come as early as the end of July or early August. "However, we would not be surprised if the spin took place at the end of August or September," he added.

Even with the green light from Delaware, MetLife still needs final approval from the Securities and Exchange Commission before the Brighthouse shares can be issued to MetLife shareholders. MetLife has yet to file some details of the share distribution, but Wall Street stock analysts generally expect a launch-of-trading ceremony at the Nasdaq Stock Market within the next month or two.

Delaware regulates the unit that is at the heart of Brighthouse, and the job of approving MetLife's plan belonged to a new insurance commissioner, Trinidad Navarro, who was elected in November and inherited a backlog of work. He said in a news release Wednesday that the state's internal and external experts analyzed the transaction for the last eight months.

The Delaware department also has had before it a pending application for Chinese investment firm **China Oceanwide Holdings Group** Co. to acquire mortgage- and long-term-care insurer **Genworth Financial** Inc.

In addition to offering life insurance, Brighthouse will be a leading seller of annuities, which are retirement-income products favored by many conservative investors. MetLife will focus on an international network of life-insurance businesses as well as group life-insurance and other benefits sold to employers, and some other products.

By splitting apart, MetLife could avoid being redesignated as a "systemically important financial institution" by a panel of federal regulators, analysts say. Last year, a federal court rescinded the label in a legal challenge brought by MetLife, and the matter is before a federal appellate court.

AIG Considers Making Deals, Cutting Buybacks

By Leslie Scism

American International Group Inc.'s new chief executive, Brian Duperreault, said Wednesday he is open to slowing down the firm's share buybacks and instead using the capital for acquisitions.

"Shareholders want to see value creation," he said to reporters following the company's annual meeting. "If I can present them something that is better value creation than a share buyback, I won't get a hard time. "

Mr. Duperreault, a onetime lieutenant to former AIG CEO Maurice R. "Hank" Greenberg, was named CEO in May. His predecessor, Peter Hancock, agreed to depart following pressure from the board.

Mr. Duperreault's task is to improve AIG's profit margins after years in which it has trailed many peers. Many of its woes stem from its near collapse in the 2008 global financial crisis. A U.S. government bailout required it to sell off some prized businesses to fully repay nearly $185 billion provided by taxpayers.

Some activist investors—including Carl Icahn, who has a representative on AIG's board—last year called for the insurance conglomerate to improve its results by splitting itself apart. But those same investors have since given AIG some leeway to improve returns using other methods. Mr. Duperreault has promised investors he wouldn't split up AIG and instead would "grow it."

The prior CEO, Mr. Hancock, pledged to complete at least $25 billion in share buybacks and dividends over the two years ending Dec. 31. Through early May, AIG had made good on $18 billion of that pledge.

Mr. Duperreault said Wednesday he will be more receptive to other uses of the cash generated by its businesses. "I prefer to apply the capital to grow the company and create some strategic moves that ultimately benefit the shareholder," he said.

"The likelihood we would continue the [buyback] pace we've been on is low, because I think there are other things that I can use the money for," he added.

The new CEO said he didn't arrive at AIG with a specific acquisition plan or list of deals in mind. "But I'm open for business," he added.

AIG sells property and a wide range of liability insurance to businesses globally and is well known for its coverage of multinationals. It also has a large U.S.-based life-insurance and retirement-savings business and is a leading insurer of cars, homes and other property of the wealthy.

'The likelihood we would continue the [buyback] pace we've been on is low.'

Mr. Duperreault spent 21 years at AIG before leaving in 1994 to run three other companies, including consulting and insurance-brokerage firm Marsh & McLennan Cos. and insurer ACE Ltd. Last year, ACE acquired Chubb Corp., one of AIG's biggest rivals, and now is known as Chubb Ltd.

His last stop before rejoining AIG was Bermuda-based **Hamilton Insurance Group** Ltd., which he helped found in 2013 with principals of hedge fund Two Sigma Investments. Hamilton's goal was to apply computing to underwriting and pricing insurance. Since last year, AIG, Hamilton and Two Sigma have had a joint venture to sell insurance online to small businesses, using data analytics. As part of Mr. Duperreault's move to AIG, the three companies announced an expansion of that partnership.

PROPERTY AND EARNER BROS/EVERETT COLLECTION

Property and entertainment company Wanda Film, whose production arm was behind the film `Kong: Skull Island,' was among those hit by the selloff.

Investors Say Beijing Gave Banks an Edge

By Chao Deng

BEIJING—By asking banks to examine the borrowings of a few conglomerates this month, Beijing flagged its worries about these companies' overseas outreach, giving banks information the rest of the market didn't have.

The instructions were given to a group of banks including the four largest and some mid-size ones on June 6, people familiar with the matter told The Wall Street Journal. But they only became known on June 22 after a morning of markets reacting to rumors centered on one of the companies, property and entertainment company **Dalian Wanda Group**. Before noon that day, Shenzhen-listed shares of Wanda Film Co., the main listed unit of the group, fell nearly 10% before trading was halted. A Wanda-related bond also fell.

The Journal and domestic media reported in the afternoon that Chinese banks had started a broad risk assessment that went beyond Wanda's borrowings. Once that became clear, the value of the bond started recovering. Wanda Film shares regained some ground after trading resumed Friday.

The way the order was communicated quickly drew complaints from investors and academics, who said it enabled unfair trading as banks were in a position to pare holdings of Wanda and the other four groups—Anbang Insurance Group Co., HNA Group Co., Fosun International Ltd. as well as Rossoneri Sports Investment Management Changxing Ltd., the buyer of the AC Milan soccer club—before the rest of the market knew their loans were under scrutiny. It's unclear if the regulator also addressed the potential for trading by the banks.

The review order from China's banking regulator came as Beijing tries to get a grip on runaway debt. On Monday, a top-level Communist Party meeting led by President Xi Jinping stressed the need to strengthen monitoring of Chinese firms' overseas investments and operations, according to the state-run Xinhua News Agency.

An analyst at Bank of China Ltd., Wang Youxin, said on Wednesday that the banking regulator wants to make sure overseas investments are rational, with valuations of targets like hotels and football clubs highly fluctuating. He said the regulator also wants to clamp down on firms buying to move money abroad. China has suffered waves of capital outflows that threaten the stability of its financial system.

One institutional investor who had a big bet on Wanda bonds watched his investment turn from a profit to a loss as rumors swirled on Chinese social media last Thursday, some of which said banks were dumping Wanda bonds because of "political risks."

Calls grow for improvement in the way regulators communicate.

The investor said that given the extent of losses in the market, the regulator should have come out to offer an explanation. The banking commission didn't respond to a request for comment.

It wasn't clear whether or to what extent banks had reacted to the directive by selling assets related to the companies mentioned. Bank of China began scaling back its holdings of Wanda bonds in early June, tagging those bonds as risky, according to a person familiar with the situation. Bank of China's news department didn't respond to requests for comment.

China Construction Bank Corp., the focus of one rumor, denied that it had sold Wanda holdings.

In a public letter to the head of China's banking commission, Liu Jipeng, a capital-markets professor at China University of Political Science and Law, said the regulator failed to anticipate how its communication to banks would play out in the market.

He suggested the market action showed that financial institutions, whether or not they had undertaken a review, had sold off bonds in a way that wasn't fair to Wanda or other investors.

"Isn't this the banking commission relying on financial institutions to lead the way in disrupting financial order and destroying the stability of capital markets?" he wrote. Mr. Liu declined to comment beyond his letter. Wanda Chairman Wang Jianlin is a director at the school where Mr. Liu teaches.

It wasn't the first time Chinese regulators came under criticism over market turmoil that followed measures intended to reduce risk.

Chinese stocks and bonds took a hit earlier this year after Beijing's efforts to contain new borrowing left both banks and companies scrambling for funds.

Officials have turned more cautious in their approach, but companies and investors that feel blindsided by regulators' intentions have few ways to complain.

The China Banking Regulatory Commission "has placed a heavy focus on how to make sure the banks are running in a healthy way," said Tiecheng Yang, a lawyer in charge of financial regulation at Clifford Chance LLP in Beijing. The commission may be less committed to protecting individual investors, he said.

The protection of stock and bond investors is the responsibility of China's central bank and securities regulator, a task that sometimes collides with regulators' mandate to carry out the directives of the Communist Party leadership.

—Grace Zhu, Lingling Wei and Gregor Stuart Hunter contributed to this article.

GE Agrees To Help Bank Save On Power

By Emily Glazer

The future of the bank branch may soon get a boost by turning the lights out.

J.P. Morgan Chase & Co. and General Electric Co. announced Wednesday that the industrial giant will help install new energy-management and digital technologies for about 4,500 branches at the nation's largest bank.

The savings, according to a bank official, could add up to a couple of hundred million dollars over the next decade.

The changes are occurring as banks continue pressing to cut costs.

Relatively low interest rates have pressured profits, while both trading and lending have hit weak spots in recent quarters.

New York-based J.P. Morgan will use GE unit Current's energy-management system of sensors, software and lighting controls to reduce electric and gas consumption by 15% and water consumption from irrigation systems by 20% in 4,500 of the bank's roughly 5,300 branches.

The bank is piloting the changes in 10 branches in the New York area, with plans to roll it out nationwide in the second half of 2018, said David Owen, J.P. Morgan's chief administrative officer.

While saving $20 million or so each year wouldn't put much of a dent in a company that projects expenses of $58 billion in 2017, it could help add momentum for branches when they need to justify their costs as more customers turn to mobile-banking apps.

It is also designed as an environmentally friendly move that could appeal to some millennial customers and potential employees.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
To reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

Tightening Signals Hit The Dollar

By Chelsey Dulaney

The U.S. dollar tumbled Wednesday as a string of foreign central bankers hinted they could soon move away from ultraloose monetary policy, sparking big rallies in the euro, British pound and Canadian dollar.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, fell 0.4% to 88. The euro rose 0.3% to $1.1379 while the pound gained 0.9% to $1.2927. The greenback fell 1.2% against the Canadian dollar to C$1.3040.

CURRENCIES

Central bankers from Europe, the U.K. and Canada have hinted this week that they are moving closer to withdrawing the huge stimulus programs that have underpinned markets in recent years.

European Central Bank President Mario Draghi on Tuesday said the ECB's stimulus program will be gradually withdrawn as the eurozone economy continues to improve, sending the euro to its biggest one-day gain against the U.S. dollar in a year.

On Wednesday, ECB Vice President Vítor Constâncio suggested that investors might have overreacted to Mr. Draghi's earlier speech. The euro dipped after his remarks but quickly recovered.

The pound surged after Bank of England Gov. Mark Carney said the case for raising interest rates in the U.K. may strengthen in coming months if the economy keeps motoring despite weak consumer spending.

The Canadian dollar soared after Bank of Canada Governor Stephen Poloz said that the central bank might raise interest rates next month.

Tighter monetary policy from foreign central banks is likely to add to pressure on the U.S. dollar, which has fallen 5.3% so far this year against peers.

"The peak is already in for the dollar," said Mazen Issa, a senior FX strategist at TD Securities. "It's really about what's going on elsewhere now."

—Christopher Whittall contributed to this article.

STEPHEN LAM/REUTERS

Technology shares in the S&P 500 rose 1.3%, lifted by giants such as Google parent Alphabet. Attendees at a Google conference in May participated in a game.

Stocks Spurred by Tech, Banks

By Amrith Ramkumar And Riva Gold

The Nasdaq Composite posted its biggest jump since November, as rallying technology and bank shares led broad gains in U.S. stocks.

It was a turnaround from the previous session, when major U.S. stock indexes posted their biggest daily declines in weeks.

EQUITIES

Some traders and analysts said the pullback allowed investors to snap up stocks that have been rising this year with help from solid corporate earnings. Recent declines in the U.S. stock market have been relatively short-lived; the S&P 500 is up 9% so far this year, on track for its best first half since 2013.

The Dow Jones Industrial Average rose 143.95 points, or 0.7%, to 21454.61 on Wednesday. Gains in **J.P. Morgan Chase**, **Goldman Sachs Group** and **Apple** together added roughly 47 points to the index.

The S&P 500 rose 21.31 points, or 0.9%, to 2440.69—its biggest one-day increase since late April—and the Nasdaq Composite climbed 87.79 points, or 1.4%, to 6234.41.

"Nothing about the economy and the makeup of the market has changed, so people are viewing this as the only opportunity they get to jump in and commit some capital," said Michael Antonelli, equity sales trader at brokerage Robert W. Baird & Co.

Technology shares, up almost 19% this year in the S&P 500, were back among the market's best performers Wednesday, rising 1.3%. Some investors' concerns that the sector had grown too popular has contributed to the sector's 0.8% decline in June.

"Everybody remembers the [year] 2000 slipping of the tech sector," said Jae Yoon, chief investment officer at New York Life Investment Management. "But I have no concerns about tech valuations," he said, noting that in terms of price/earnings metrics, the sector is trading much closer in line with the S&P 500 than it did at its peak.

On Wednesday, highflying tech stocks such as Apple, Google parent **Alphabet**, **Amazon.com** and **Facebook** each gained at least 1%. Semiconductor company **Nvidia** rose $5.17, or 3.5%, to $151.75.

U.S. crude-oil prices rose for a fifth straight session, up 1.1% to $44.74 a barrel, supporting commodity-linked shares.

Financial stocks in the S&P 500 rose 1.6%, with **Bank of America** adding 61 cents, or 2.6%, to $23.88. The bank was expected to get a stress-test result from the Federal Reserve that would let it raise its dividend, an outcome that was confirmed after the stock market closed, when all 34 firms tested by the Fed got approval for their capital-return plans. **Wells Fargo** and J.P. Morgan each rose more than 2%.

Reports that investors might have overestimated the European Central Bank's readiness to reel in its stimulus program "got [Wednesday's] rally going," said Mike O'Rourke, chief market strategist at JonesTrading Institutional Services.

The yield on the 10-year Treasury note rose to 2.223% from 2.198% Tuesday. Yields rise as bond prices fall. Rising long-term bond yields, which tend to boost lending profitability, have supported bank stocks in recent sessions.

Early Thursday, Hong Kong Hang Seng Index was up 0.8% and Australia's S&P ASX 200 was up 0.7%.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

ONE-YEAR, 10-MONTH FRNs

Applications	$42,321,646,200
Accepted bids	$14,580,256,200
" noncompetitively	$4,934,000
Spread	0.070%
Bids at clearing yield accepted	63.30%
Cusip number	912828X54

The floating-rate notes, dated June 30, 2017, mature on April 30, 2019.

SEVEN-YEAR NOTES

Applications	$72,306,510,400
Accepted bids	$31,403,567,900
" noncompetitively	$11,083,600
" foreign noncompetitively	$0
Auction price (rate)	99.636636 (2.056%)
Interest rate	2.000%
Bids at clearing yield accepted	73.19%
Cusip number	912828XX3

The notes, dated June 30, 2017, mature on June 30, 2024.

Some Brazil Sugar Mills Ramp Up

J R RIPPER/LIGHTROCKET/GETTY IMAGES

SÃO PAULO—Brazilian sugar mills in the country's center-south region crushed more cane in the first half of June compared with a year earlier, according to industry group Unica.

Center-south mills crushed 39.4 million metric tons of cane in the period, a rise of 51.7% from the same period a year earlier. They produced 2.4 million tons of sugar, up 97.8%, and made 1.5 billion liters of ethanol, an increase of 39.7%.

The production mix for the first half of June was 49.3% sugar to 50.7% ethanol. A year earlier, the mix was 40.7% sugar and 59.3% ethanol.

Brazil is the world's biggest sugar producer and exporter, and the center-south grows about 90% of the country's cane.

In the season from April 1 through June 16, mills in the region crushed 151.3 million tons of cane, down 9.6% from the same period a year earlier.

Sugar production fell 1.7% to 8.1 million tons, and ethanol output fell 16.2% to 5.8 billion liters.

The production mix for the season through June 16 was 46.3% sugar to 53.7% ethanol. A year earlier, the mix was 42.3% sugar and 57.7% ethanol.

—Jeffrey T. Lewis

In Hong Kong, Small-Cap Share Plunge Is Puzzling

By Ese Erheriene And Gregor Hunter

A collapse in more than a dozen small-cap companies' shares in Hong Kong this week has wiped billions of dollars off their value, and shone a light on the murky underbelly of the city's stock market just as it gears up to mark 20 years since the former British colony returned to Chinese rule.

EQUITIES

Market participants remain stumped over what, or who, triggered the declines of as much as 90% for a number of stocks listed on Hong Kong's Growth and Enterprise Market, home to a number of penny stocks that trade for less than one Hong Kong dollar (13 U.S. cents) each.

That includes the man who last month raised questions about the network of cross-shareholdings that appears to link the firms that were part of the plunge. In a report titled "The Enigma Network: 50 Stocks Not To Own," Hong Kong-based activist investor David Webb highlighted several companies with high valuations that appear to be tied by their ownership of each other's shares.

The companies included umbrella maker **China Jicheng Holdings** Ltd., consulting firm **GreaterChina Professional Services** Ltd. and **AMCO United Holding** Ltd., whose businesses include manufacturing, lending and securities investing.

Investors initially shrugged off Mr. Webb's missive. But on Tuesday, the trio were among the leading decliners, tumbling 94%, 93% and 70%, respectively. AMCO fell a further 49% Wednesday while GreaterChina lost 34% of its remaining value. China Jicheng rose 6.3%.

With other stocks named in Mr. Webb's report tumbling, the S&P/HKEX Growth Enterprise Market Index, made up of more than 70 small-cap companies, declined 9.6% on Tuesday, its biggest drop since mid-2015, and a further 0.8% Wednesday, a fourth straight decline that put cumulative lost market value at some $3 billion, according to Reuters.

AMCO United declined to comment. China Jicheng and GreaterChina Professional Services couldn't be reached.

The timing of the sudden selloff is embarrassing, given the international spotlight on the city this week. Chinese President Xi Jinping is due to visit Hong Kong on Thursday as part of the celebrations marking two decades since China regained sovereignty.

Hong Kong has been viewed by global investors as a more predictable market than those in mainland China. But some argue its relatively loose approach to regulation has led to a casino-like environment.

Mr. Webb said the plunge was indicative of poor oversight of markets by the city's authorities, including exchange operator Hong Kong Exchanges & Clearing Ltd., known as HKEx, which owns the market.

"The bigger picture here is that there's been a structural failing in financial stock-market regulation, and these problems have been allowed to build up by HKEx," said Mr. Webb.

An HKEx spokesman disputed Mr. Webb's accusations of regulatory laxity. "We have rules and we enforce them," he said. Hong Kong's market regulator, the Securities and Futures Commission, declined to confirm whether the regulator has been, or will be, pursuing investigations.

Some market participants said rumors of tighter regulation over the market may have sparked its dive this week.

"The story has been going around the HKEx is trying to force the delisting of some of these smaller caps," said Hao Hong, managing director and head of research at Bank of Communications.

HKEx said it had no plans to forcibly delist companies.

All That Glitters Is Not Gold

The S&P/HKEX Growth Enterprise Market Index, which tracks small-cap stocks listed on Hong Kong's GEM board, lost $3.2 billion in market capitalization in the past few days.

Source: FactSet

THE WALL STREET JOURNAL.

For personal non-commercial use only. Do not edit or alter. Reproductions not permitted.
For reprint or license content, please contact our reprints and licensing department at +1 800-843-0008 or www.djreprints.com

MARKETS

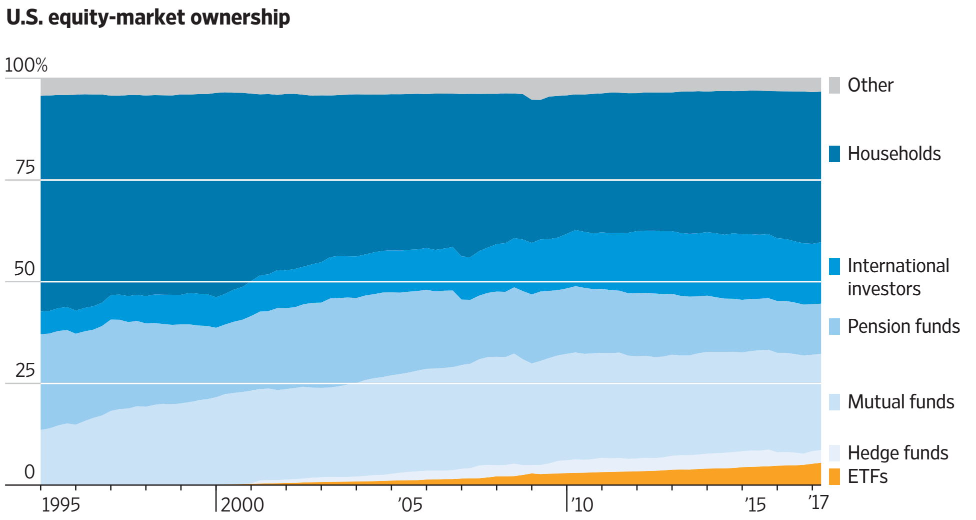
ETF Buyers Propel Stock Market's Surge

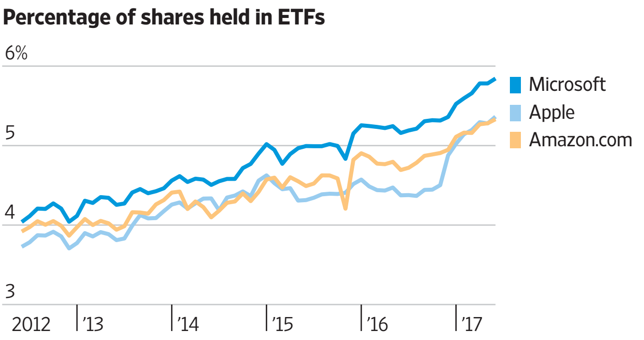
The funds are on pace to top purchases for 2015-2016 combined; some warnings raised

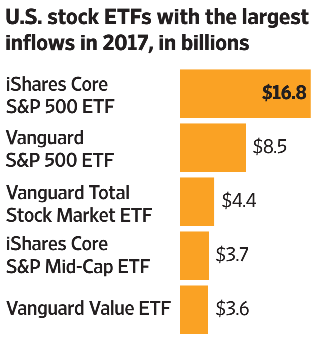
By Chris Dieterich

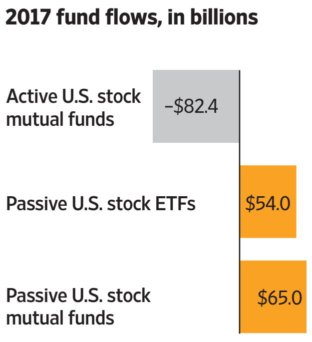
Passive Power

Flows into ETFs this year have to an unprecedented extent helped fuel the latest move higher for the eight-year stock-market rally.









Sources: Federal Reserve via Goldman Sachs (ownership); XTF (shares, fund flows); Morningstar (largest inflows)

THE WALL STREET JOURNAL.

Booming demand for passive investments is making exchange-traded funds an increasingly crucial driver of share prices, helping to extend the long U.S. stock rally even as valuations become richer and other large buyers pare back.

ETFs bought $98 billion in U.S. stocks during the first three months of this year, on pace to surpass their total purchases for 2015 and 2016 combined, according to the Federal Reserve Board's most recent quarterly tally of U.S. financial accounts.

These funds owned nearly 6% of the U.S. stock market in the first quarter—their highest level on record—according to an analysis of Fed data by Goldman Sachs Group Inc.

Surging demand for ETFs this year has to an unprecedented extent helped fuel the latest leg higher for the eight-year stock-market rally. The Dow Jones Industrial Average and S&P 500 are on pace for their strongest first six months of any year since 2013. The Nasdaq Composite Index is on track for its best first half since 2003.

These gains have come despite stock-market valuations hovering just below their highest levels in 13 years, based on analysts' expectations for S&P 500 earnings over the next year.

The market rally also has shrugged off many middling economic readings and the diminished expectations that the Trump administration would be able to deliver economy-boosting policies.

Some fear that stocks and other risky investments will come under selling pressure as the Federal Reserve continues to raise interest rates from historically low levels.

Some also worry that investors are likely to dump their ETFs if the market reverses course, and they note that this already has happened in a few instances.

On June 9, for example, when strong-performing technology stocks abruptly suffered their worst declines in nearly a year, trading volume in the PowerShares QQQ ETF—which tracks the Nasdaq-100 Index—surpassed $15 billion and the ETF fell 2.5%. A day later, the ETF experienced an outflow of $1.9 billion. Both the trading volume and withdrawal were the biggest moves in nearly a decade, according to FactSet.

ETFs haven't been the only factor pushing share prices higher, but Fed data show that ETFs are taking on a more prominent role as other buyers are showing signs of fading. A surge in corporate share repurchases helped lift the S&P 500 in recent years, analysts say, as many companies used buybacks as a way to boost per-share earnings even when profits weren't rising.

But U.S. corporate demand for stocks in the first quarter was the smallest in a year and a half, at $136 billion, according to Goldman. A separate reading showed that S&P 500 companies repurchased $133.1 billion of their own shares in the first three months of the year, down 18% from the year-earlier period, according to S&P Dow Jones Indices.

There are more than 1,800 U.S.-listed ETFs with nearly $3 trillion in assets under management, offering push-button exposure to everything from 3D-printing stocks to bonds issued by governments in emerging markets, according to data provider XTF.

More than 1,300 funds and $2.3 trillion are linked to stocks, while another 302 funds and $500 billion are tied to bonds.

These funds owned nearly 6% of the U.S. stock market, their highest on record.

Actively managed mutual funds, run by stock pickers who choose shares based on business prospects and valuations, have become sellers recently to meet redemption requests. These funds had $985 billion in withdrawals since the start of 2009 through May, according to Morningstar.

Mutual-fund ownership of the U.S. equity market in the first quarter fell to 24%, the lowest since 2004, according to Goldman.

The rising popularity of funds that track indexes is providing a broad-based support for the market this year. Investors' preference for ETFs is steadily boosting how much these funds control big U.S. companies.

U.S. ETFs held 5.4% of **Apple** Inc.'s shares as of May, compared with 3.7% five years ago, according to XTF data. They held 5.8% of **Microsoft** Corp.'s shares, up from 4%.

"There's this rising tide of buying that tends to drive the day-to-day action," said Michael O'Rourke, chief market strategist at JonesTrading Institutional Services LLC. "The market structure has definitely changed."

The rise of passive index-tracking funds has been decades in the making, bolstered by evidence that active stock pickers struggle to consistently beat broad market funds.

Still, some analysts warn that the rise of ETFs threatens to separate the market from underlying fundamentals because these passive investments buy an index, rather than focusing on stocks that are undervalued or benefiting from faster growth, as active managers do.

"As people pile in, it can make that entire market expensive," said Lance Humphrey, a portfolio manager at USAA Asset Management Co., who has accumulated about $5.5 billion in ETFs in recent years.

Many investors say the test will come once multiple central banks pare back their stimulus efforts, which have suppressed interest rates to near historic lows and made stocks more appealing. The worry is that policy shifts could trigger bouts of volatility and prompt investors to take money out of ETFs.

The Federal Reserve has raised interest rates twice so far in 2017 and said in its policy meeting earlier this month that it expects to boost rates again by year-end. The Fed also plans to unwind its $4.5 trillion balance sheet, which has helped push investors into risky assets.

European Central Bank President Mario Draghi hinted on Tuesday that the central bank could also begin to dismantle its stimulus efforts.

"By next year, investors might not have monetary policy on their side," said Mr. O'Rourke. "The risk is blind buyers turn to blind sellers."

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Wake-Up Call Comes for Investors

Sometimes financial markets are surprisingly bad at connecting the dots—until they can't ignore the picture forming before their eyes. The screeching U-turn in bond markets is a good example. The world's central banks are sending out a message that loose monetary policy can't last forever.

The shift is mainly rhetorical, and action may yet be some way off. But expectations matter, as they did when the Federal Reserve indicated in 2013 that its quantitative-easing program could be wound down. That caused global bond yields to surge and sparked extended turmoil in emerging markets.

This time, the bond reversal has been centered on Europe. Ten-year German bund yields started Tuesday just below 0.25%, but by Wednesday afternoon stood at 0.363%. That helped lift bond yields elsewhere, since low German yields have been acting as an anchor. The selloff in the bund Tuesday was the worst in 22 months, according to Deutsche Bank.

Source: FactSet

THE WALL STREET JOURNAL.

The immediate trigger was a speech from European Central Bank President Mario Draghi arguing that as the eurozone recovery progresses, keeping policy unchanged would be a form of monetary loosening. Instead, the central bank could "adjust the parameters of its policy instruments." In more straightforward terms, ultra-stimulative policy measures are set to be reined in, though Mr. Draghi emphasized that this would be a careful, gradual process. If they can, central bankers are likely to want to avoid a rerun of the "taper tantrum."

What is surprising is that markets are surprised by this shift. The tone from global central banks has been growing steadily more confident. The Fed has raised rates and is talking about shrinking its balance sheet, and has shown little sign of stepping back.

The ECB has sounded more encouraged by a broadening eurozone recovery, and there has been a good deal of debate about its exit strategy. And the design of the ECB's bond-purchase program, which includes limits on the amount of government securities it can buy, means it is hard to avoid winding down stimulus.

Meanwhile, the Bank of England has shifted toward tightening policy, too. Gov. Mark Carney added a fresh dash of volatility to markets Wednesday by hinting that a rate rise may become necessary if the economy keeps growing. The pound and gilt yields jumped in response.

This could be a significant moment for markets. In the first half of 2017, worries about complacency have grown, with bonds and stocks putting in good performances. That doesn't appear to be sustainable. If central banks stick to the message they have been sending, then the second half of the year may not be such a smooth ride.

—Richard Barley

OVERHEARD

Everyone knows that China's famous bamboo muncher—the giant panda—is big business and a key, cuddly component in Chinese diplomacy.

Some entrepreneurial Chinese farmers are hoping to make big profits from another bamboo eater, the not-so-elusive bamboo rat.

Xiao Ling, a farmer from Hubei province, recently purchased 117 mating pairs and expects to earn about $9,000 from the rats, which are regarded by some as a pest and are often sold for meat and fur, according to China Daily.

Chinese markets are notoriously bubble prone, and online marketplace Mr. Bamboo Rat shows that Mr. Xiao might be mistaken.

That site has vendors from all over China selling premium quality south China specimens for $40 to $80 a pair.

Still, there aren't many vendors listed from Hubei—Mr. Xiao may be onto something.

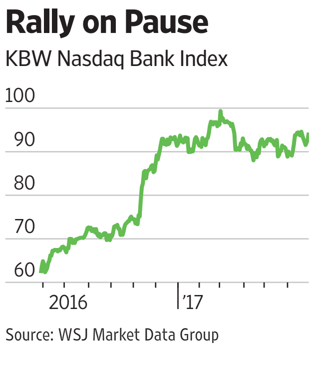
Federal Reserve's Stress Tests Fuel Rally in Bank Shares

The next leg of the banking rally is taking shape.

Bank stocks soared after the November election on expectations that economic growth and interest rates would rise. The rally stalled this year as investors become less optimistic on the economy, and long-term interest rates declined.

Now, factors are aligning again for a new bank rally. Long-term interest rates are rebounding, not only in the U.S. but also sharply in Europe and the U.K. This is significant since ultralow rates abroad had been acting as an anchor on U.S. rates.

Even more important, major banks have now all passed the Federal Reserve's annual stress tests. On Wednesday, the Fed gave the country's biggest lenders a green light to substantially boost dividends and share buybacks.



Source: WSJ Market Data Group

On Wednesday, Citigroup doubled its quarterly dividend and said it would buy back $15.6 billion of stock over the next four quarters, up from $10.4 billion in the previous stress-test cycle. Bank of America and J.P. Morgan Chase also increased their dividends and buybacks.

Analysts raised concerns last week that Goldman Sachs and Morgan Stanley might have to scale back their capital-return ambitions after they came close to hitting regulatory limits on a new measure of overall leverage in the tests. But the two banks received approval for their capital-return plans anyway.

Morgan Stanley boosted its quarterly dividend by 25% and said it would buy back $5 billion of shares over the next four quarters, up from $3.5 billion the previous four.

These payouts are crucial for bank shares. Not only do they go directly into shareholders' pockets, they help the banks whittle down piles of excess capital that weigh on their returns. Particularly for lower-valued banks like Citigroup and Bank of America, reducing this dormant capital is crucial to achieving higher valuations.

The only institutions that had to dial down their payout plans were two consumer lenders—Capital One Financial and American Express. The biggest negative surprise of the Fed's stress tests this year was higher-than-expected losses on credit-card loans in a recession scenario.

This suggests that consumer debt, including credit cards as well as auto and other personal loans, is a potential risk area for the entire sector.

Credit losses are still very low and bank shares have rallied this week on higher rates. The Fed's tests will add to the enthusiasm. After a long pause, the bank rally is back on.

—Aaron Back

Blue Apron IPO Tied Up By Big Tech

Blue Apron Holdings is the latest startup to have a tech giant suck the air out of its public market debut.

The meal-ingredient delivery company priced its initial public offering at $10 a share Wednesday, at the low end of the company's already lowered range. The deal values Blue Apron at $1.9 billion—below the $2 billion where it was valued in a 2015 fund-raising round.

Amazon.com's news June 16 that it was buying **Whole Foods Market** may have turned many of those still on the fence into doubters.

The weak demand for the startup's IPO demonstrates the long shadow that Big Tech has cast over younger companies. Blue Apron's business has low barriers to entry, as evidenced by imitators. But even for a more innovative company like **Snap**, imitative updates from **Facebook**'s **Instagram** led investors to question its ability to continue to grow its user base ahead of its IPO.

Etsy's public beginnings also were overshadowed by Amazon. Just a little more than a month after the seller of artisanal goods priced its IPO in, 2015, news broke that Amazon was preparing to launch a similar marketplace called Handmade. Shares of Etsy have fallen by 50% since their first day of trading and trade below their IPO price of $16 a share.

A number of startups, including Jet.com, ModCloth and Bonobos have opted to sell to **Wal-Mart Stores** instead of pursuing an IPO. Others have sold to Amazon.

Blue Apron is pursuing a different path, despite the competitive concerns. Its experience so far won't inspire other startups to follow.

—Miriam Gottfried