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DJIA 21184.04 ▼ 22.25 0.1% NASDAQ 6295.68 ▼ 0.2% STOXX 600 392.04 ▼ 0.1% 10-YR. TREAS. ▼ 7/32, yield 2.182% OIL \$47.40 ▼ \$0.26 GOLD \$1,279.30 ▲ \$2.50 EURO \$1.1256 YEN 110.46

What's News

Business & Finance

Apple announced a voice-activated speaker and upgrades to its Mac computers and iPads in a bid to bolster its product lines amid rising competition. **A1**
◆ The Dow edged down 22.25 points to 21184.04, led by declines in Apple shares. The S&P 500 and Nasdaq also eased. **B1**

◆ J.Crew named West Elm President Brett to succeed Drexler as CEO as the retailer struggles with a sales slump and hefty debt load. **B1**

◆ Venezuela is trying to resell at a deep discount \$5 billion of bonds it issued in December. **B1**

◆ The Supreme Court ruled that the SEC has a five-year time limit to claw back ill-gotten gains after a fraud. **B3**

◆ CSX's chief reassured shareholders he is able to lead a turnaround at the railroad despite an undisclosed medical condition. **B3**

◆ Economic activity across the service sector slowed in May but continued to expand at a solid pace. **A2**

◆ U.S. worker productivity was flat in the first quarter, an upward revision from the previous estimate. **A2**

◆ Mueller stepped back from his post overseeing compensation for Takata air-bag victims after he was named special counsel. **B2**

◆ A new study of a Roche cancer drug is stirring debate over whether multidrug therapy is worth the cost. **B3**

◆ Trump Hotels will launch two new brands targeting a relatively modest segment of the hospitality market. **B3**

World-Wide

◆ U.K. authorities said one of the three assailants in Saturday's London terror attack was known to security services but said they had no intelligence he was plotting violence. **A1**

◆ Prime Minister May fended off Labour Party criticism of her decision as home secretary to reduce police numbers. **A6, A7**

◆ Arab powers severed ties with Qatar, accusing the emirate of aiding extremists and exposing rights among U.S. allies. **A1, A8**

◆ Trump won't seek to invoke executive privilege to block former FBI director Comey from testifying before Congress this week. **A4**

◆ The president blamed his Justice Department for softening his travel ban in tweets that could undercut a defense of the revised order. **A5**

◆ Trump endorsed a plan to transfer authority over the air-traffic control system to a private nonprofit. **A4**

◆ The Supreme Court agreed to consider whether authorities need search warrants to obtain cellphone-tracking data. **A3**

◆ The justices upheld findings that North Carolina lawmakers drew legislative districts that discriminate against black voters. **A3**

◆ A government contractor was charged with leaking an NSA report that described some of Russia's alleged election-hacking. **A4**

◆ A disgruntled ex-worker shot and killed five people at a business near Orlando before killing himself. **A3**

CONTENTS
Opinion A15-17
Business News B3-6 Sports A14
Capital Journal A12 Streetwise B1
Crossword A12 Technology B4
Head on Street. B12 U.S. News A2-5
Life & Arts A11-13 Weather A12
Markets B12 World News A6-9

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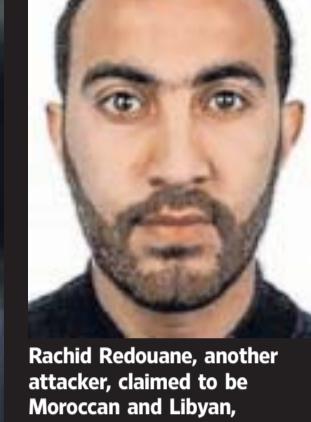
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Attacker Was Known to U.K. Police

One Assailant Appeared in Documentary 'The Jihadis Next Door'



Pakistani-born British citizen Khuram Shazad Butt, one of three attackers killed by police in London on Saturday, shown above in a 2016 television film about Islamic extremism in the U.K.



Rachid Redouane, another attacker, claimed to be Moroccan and Libyan, police said.

Terror's Fallout

- ◆ U.K. election's focus shifts to security A6
- ◆ Victims were wide mix of nationalities A6
- ◆ Trump, London mayor continue to spar A7
- ◆ Attacks force strategic review A7
- ◆ James Mackintosh: Markets weigh risk B1

but wasn't deemed threatening enough to be closely monitored or detained before they struck.

"We cannot go on as we are," British Prime Minister Theresa May said Monday, pledging to take tough new steps against Islamist extrem-

ism. She vowed to crack down on online radicalism and said she would consider expanding the powers of the police.

London's police chief, Cressida Dick, named one thing she didn't think should be considered: arming regular offi-

cers. "I don't think the public in this country want to live in a place where we are all armed to the teeth," she told the British Broadcasting Corp. on Monday.

With national elections set for Thursday, Mrs. May's politi-

cal opponents have gone after her on security issues. Her main rival, Labour Party leader Jeremy Corbyn, criticized her Monday for cuts made to the police forces in her six-year stint heading the Home Office. Please see LONDON page A7

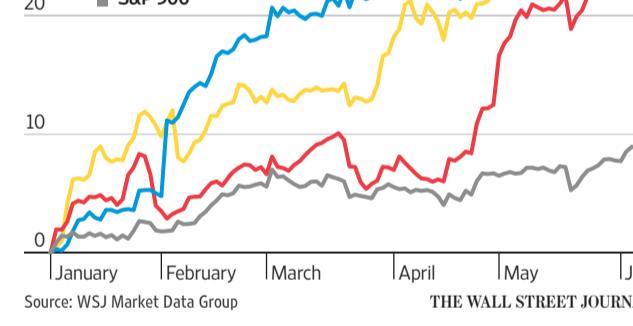
Apple Seeks Home Advantage

By TRIPP MICKLE

Heating Up

A tech-stock rally has given Amazon.com and Alphabet their first \$1,000-a-share closes this month, while Apple has also advanced.

Year-to-date performance



Conference, will cost \$349, nearly double the cost of Amazon's \$180 Echo speaker. The 7-inch cylindrical speaker will be available in December.

Amazon is estimated to have sold about \$1 billion in

speakers in about two years in the U.S., and the category is still growing, according to Michael R. Levin, co-founder of Consumer Intelligence Research Partners. "There's a

Please see APPLE page A2

New Rift in Mideast Poses Risks for U.S.

Arab powers severed ties with one of their own on Monday, exposing deep divisions among U.S. allies who provide crucial aid to Washington's campaign against Islamic State.

By Asa Fitch and Nicolas Parasie in Dubai and Margherita Stancati in Beirut

Saudi Arabia blamed the tiny Persian Gulf emirate of Qatar for "financing, adopting and sheltering extremists," singling out its alleged links to groups ranging from the Muslim Brotherhood and Islamic State to the Iran-backed Houthi rebels Saudi Arabia is fighting in Yemen.

Egypt, the United Arab Emirates and Bahrain joined Saudi Arabia in breaking diplomatic and some commercial ties with Qatar, as did Yemen's Saudi-backed government.

Qatar called the measures unjustified and said they were based on false allegations. It denied interfering in the domestic affairs of other members of the six-member Gulf Cooperation Council.

The spat among U.S. allies in the Middle East carries high stakes for the Trump administration, coming two weeks after President Donald Trump tried during a visit to Riyadh to rally Arab allies around fighting terrorism and countering Iran's influence in the Middle East.

The command center overseeing the U.S.-led air war against the extremist group Islamic State is located at a U.S. military base in Qatar, America's largest military facility in

Please see QATAR page A8

- ◆ Gulf states' dispute hits flag carrier A8
- ◆ Natural-gas traders warily eye Qatar B10

MANY COLLEGES FAIL IN TEACHING HOW TO THINK

A test finds students often gain little ability to assess evidence, make a cohesive argument

By DOUGLAS BELKIN

Freshmen and seniors at about 200 colleges across the U.S. take a little-known test every year to measure how much better they get at learning to think. The results are discouraging.

At more than half of schools, at least a third of seniors were unable to make a cohesive argument, assess the quality of evidence in a document or interpret data in a table, The Wall Street Journal found after reviewing the latest results from dozens of public colleges and universities that gave the exam between 2013 and 2016.

At some of the most prestigious flagship universities, test results indicate the average graduate shows little or no improvement in critical thinking over four years.

Some of the biggest gains occur at smaller colleges where students are less accomplished at arrival but

A survey by PayScale Inc., Please see THINK page A10

soak up a rigorous, interdisciplinary curriculum.

For prospective students and their parents looking to pick a college, it is almost impossible to figure out which schools help students learn critical thinking, because full results of the standardized test, called the College Learning Assessment Plus, or CLA+, are seldom disclosed to the public. This is true, too, of similar tests.

Some academic experts, education researchers and employers say the Journal's findings are a sign of the failure of America's higher-education system to arm graduates with analytical reasoning and problem-solving skills needed to thrive in a fast-changing, increasingly global job market. In addition, rising tuition, student debt and loan defaults are putting colleges and universities under pressure to prove their value.

A survey by PayScale Inc., Please see THINK page A10

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AGASSI IN DJOKOVIC'S COURT

SPORTS, A14

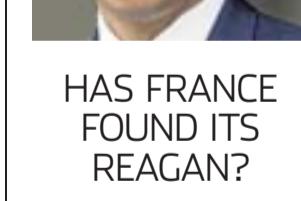


INSIDE



THE TRUTH ABOUT WHITE LIES

LIFE & ARTS, A11



HAS FRANCE FOUND ITS REAGAN?

OPINION, A15

First Rule of Saving the Rhinos: Don't Get Squashed

* * *

Zookeepers try implanting embryos in surrogates; 'a little prickly'

By JIM CARLTON

ESCONDIDO, Calif.—Amani has deep-set eyes and shiny skin. Her name is Swahili for "peace," and she has a youthful vigor that makes her an ideal candidate for motherhood.

She also weighs 4,400 pounds, has a dagger-shaped horn and sports a tail that lashes like a whip. She can charge at 30 miles an hour.

It's Barbara Durrant's job to get the rhinoceros pregnant.

How do you turn a two-ton rhino into a mom? Start with a treat of her favorite grass, perhaps a little cooling and maybe a tummy scratch.

Dr. Durrant, reproductive-sci-

ences director at San Diego Zoo Global, which runs San Diego Zoo and the safari park here, is in a race to prevent extinction of the northern white rhinoceros. For help, she's turning to Amani and five other southern

white rhinoceroses to serve as surrogate mothers.

The last three known northern whites, in Kenya, can't breed because of age and other factors.

That leaves vials of frozen sperm and eggs collected from other northern whites before they died. "It kind of gives me chills," Dr. Durrant said, holding a vial of rhino sperm, "to even hold this vial in my hand."

The zoo wants to create northern white rhino embryos and plant them in wombs of southern whites, which are more numerous. The first trick is getting a creature weighing as much as a Ford F-150 pickup to step into a holding chute.

Please see RHINOS page A5

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Please see RHINOS page A5

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Please see RHINOS page A5

U.S. NEWS

Senators to Quiz Trump Economist

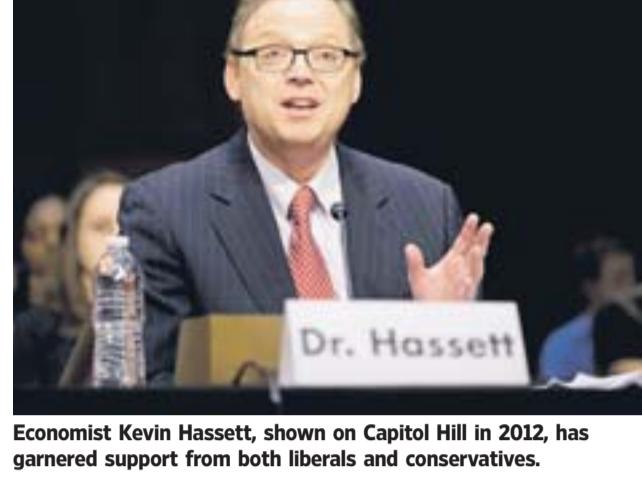
BY JOSH ZUMBRUN

The Trump administration will take a step on Tuesday toward stocking the White House with a senior economist, when the Senate Banking Committee considers the nomination of Kevin Hassett as chairman of the Council of Economic Advisers.

The White House has been operating without someone in the senior-most economics post since President Donald Trump's inauguration in January.

Mr. Hassett, an expert in tax policy, is director of research for domestic policy at the American Enterprise Institute, a conservative Washington think tank. His nomination has won support from both liberal and conservative economists.

On Monday, a group of leading academic economists wrote a letter to the Senate Banking Committee in support



Economist Kevin Hassett, shown on Capitol Hill in 2012, has garnered support from both liberals and conservatives.

of Mr. Hassett's nomination. Signatories to the letter included all four of the people who chaired the Council of Economic Advisers for former President Barack Obama.

They wrote that Mr. Hassett has "a record of serious scholarship on a wide range of top-

ics, including tax policy, business investment and energy," and that he has "consistently made an effort to reach out to a wide range of people from across the ideological spectrum both to promote economic dialogue and to collaborate on research and public

policy proposals."

It hasn't always been clear how much regard Mr. Trump holds for economic analysis. During the presidential campaign, his economic advisory council included only one economist with a Ph.D., and Mr. Trump's administration decided early on that the CEA chairman wouldn't be a member of his initial cabinet, as was the case in Mr. Obama's administration.

No former CEA member publicly supported Mr. Trump's campaign.

Mr. Hassett joined the American Enterprise Institute 20 years ago and has served as an adviser to the previous three Republican presidential nominees: Mitt Romney, John McCain and George W. Bush. He previously worked as an assistant professor at Columbia University and an economist at the Federal Reserve.

The White House has at times struggled to explain its

economic messages. Treasury Secretary Steven Mnuchin and budget director Mick Mulvaney in one instance last month offered conflicting explanations of how the accounting worked in Mr. Trump's budget.

One typical responsibility of the chairman of the CEA is to develop and defend the economic forecasts that are included in the president's budget.

The economic forecasts contained in Mr. Trump's initial White House budget were significantly more optimistic than those of private-sector forecasters, and more optimistic than forecasts produced by the Fed and the Congressional Budget Office. Mr. Hassett will shoulder the challenge of defending those forecasts to skeptics.

As an expert on the effects of taxes, Mr. Hassett could also help shape and explain the administration's plans for an overhaul of the tax code.

Service Sector Grows, but Pace Slows

BY BEN LEUBSDORF

Economic activity across the U.S. service sector decelerated in May but continued to expand at a solid pace.

The Institute for Supply Management on Monday said its index of nonmanufacturing activity—which tracks a range of industries including retailing, health care, finance and mining—fell to 56.9 in May from 57.5 in April.

A number above 50 indicates expansion while a reading under 50 indicates contraction.

The report "suggests that, despite the weaker payrolls data for May released last week, the economy remains on course to recover from the disappointing start to the year," said Andrew Hunter, U.S. economist at Capital Economics, in a note to clients.

The modest pullback after a strong April reading was "nothing to be concerned about," said Anthony Nieves, who oversees the ISM survey. The economy, he said, is "on solid ground right now."

The key details in Monday's report were mixed. The business activity and production index fell to 60.7 in May from 62.4 the prior month, and the new-orders index was down to 57.7 from 63.2 in April. But the index tracking employment jumped to 57.8 last month from 51.4 in April, hitting its highest level since July 2015.

"The employment subcomponent points to stronger hiring in the services sector for June payrolls," Barclays chief U.S. economist Michael Gapen said in a note to clients.

The prices index fell to 49.2 in May, signaling decline after 13 consecutive months of businesses reporting rising prices for materials and services.

"I'd like to see how things trend out" on prices in the coming months, Mr. Nieves said. But, he added, "All indications are there is no true pricing power out there right now."

Some 17 sectors reported growth during May, led by real estate and construction, while just one industry—educational services—reported contraction last month. Overall, the gauge has signaled continuous non-manufacturing economic growth since the beginning of 2010. The U.S. recession ended in mid-2009.

The broader U.S. economic expansion has remained on track so far in 2017.

Unemployment in May fell to 4.3%, its lowest level in 16 years, though the pace of hiring slowed, the Labor Department said last week. Gross domestic product expanded at a modest 1.2% rate in the first quarter but has picked up in the current quarter.



Worker productivity gains in the past decade have been far weaker than in the early 2000s.

Productivity Remains Flat

BY SARAH CHANEY
AND ERIC MORATH

WASHINGTON—U.S. worker productivity was flat in the first quarter, an upward revision from the previous estimate, but still another sign of sluggishness during the eight-year-old expansion.

Nonfarm business productivity, measured as the goods and services produced by American workers per hour, was unchanged in the first quarter, the Labor Department said Monday, matching expectations of economists surveyed by The Wall Street Journal.

The government agency had earlier estimated that productivity fell at a 0.6% annual rate in the first quarter.

Compared with a year earlier, productivity rose 1.2% in

the first quarter, matching the average annual rate of growth over the past decade, but well below the 2.6% growth rate seen in the early 2000s.

Unit labor costs at nonfarm businesses rose at a 2.2% an-

nual rate in the first quarter, revised down from an initial estimate of 3%. Economists surveyed by The Wall Street Journal had expected a 2.4% revised pace.

The changes in productivity are a critical element in

determining the rate of growth for worker pay, consumer prices and the economy as a whole.

The robust efficiency gains of the late 1990s and early 2000s, when U.S. firms adopted new advances in information technology, have faded, and productivity growth has downshifted over the past decade.

Some economists say that weak productivity gains make it difficult for businesses to raise wages. Annual wage gains have stayed stuck near 2.5% since late 2015, even though the nation's unemployment rate fell to the lowest level in 16 years in May.

A tighter labor market would be expected to put upward pressure on wage growth.

2.2%

First-quarter annual rate rise in unit labor costs at nonfarm businesses



STEPHEN LAW/REUTERS

Apple's HomePod 7-inch cylindrical speaker will be available in December.

which has more than 12,000 voice-activated apps that allow users to play trivia games like "Jeopardy" on command or order pizza from restaurants that partner with Amazon.

Apple is "at risk of losing the lead by underestimating the value of third-party apps," said Gary Morgenthaler, a venture capitalist and Apple shareholder who invested in Siri before Apple acquired it in 2010. "That's surprising because Apple invented the App Store."

In unveiling the HomePod,

Apple said little about how the device would work in running the home. It didn't, for example, say whether the gadget would work with Apple TV, the company's streaming video box, or whether it understands the distinct voices of different members of the family, who might be using different digital calendars.

Jan Dawson, chief analyst for Jackdaw Research, expects the HomePod to do well with Apple's loyal consumers but struggle to grab a significant chunk of the market because of its premium price.

On Monday, Apple also announced an updated iPad Pro that it hopes can end a three-year slide in its tablet sales. By thinning the device's bezel, Apple said it increased screen size by about 20% to 10.5 inches. It also said it improved refresh rates to make playing videos smoother and crisper.

On the software front, Apple Pay is being updated to allow users to send money to friends and family within iMessage. Apple also showed its growing interest in augmented reality with a developer platform called ARKit that allows app makers to develop games and features for the iOS 11, its new mobile software.

APPLE

Continued from Page One
reason Apple's diving into it. Apple's trying to sell more hardware because its iPhone sales at least in the U.S. have started to plateau," he said.

Amazon's Echo, introduced in late 2014, helped turn stand-alone speakers into

gadgets that could double as a command station for the home. Alphabet followed with Google Home in 2016, and others are crowding into the space, including Microsoft Corp.'s Cortana assistant, which will be used in a forthcoming speaker from Harman International Industries Inc.

About 36 million Americans will use a voice-enabled speaker at least once a month

this year—more than twice as many as a year ago—according to eMarketer, a market-research firm.

The virtual assistants that power those speakers are increasingly being linked to everything from refrigerators to thermostats—devices that aren't part of Apple's ecosystem.

More than 4 billion consumer devices by the end of 2017 will make use of some kind of digital assistant, according to IHS Markit.

As the category grew, Apple continued to emphasize its iPhone, noting that unlike a speaker gadget, its smartphone travels with users and is capable of using Siri to perform many of the same tasks.

Still, the category posed a risk to Apple, giving people who may not want to be tethered to their phone at all times a reason to potentially shift to a rival's speaker.

With the HomePod, Apple is taking a different approach than its peers, emphasizing its sound quality and ability to play music over its ability to perform tasks.

The HomePod's introduction Monday capped a two-hour-plus keynote event headlined by Chief Executive Tim Cook. Apple also used the gathering in San Jose, Calif., to show a new screen design for its iPad Pro and a series of

upgrades to its line of Mac computers.

As it has in past product announcements, Apple stressed privacy as a hallmark of the device. It said communication with the HomePod and Siri will be encrypted and disassociated from the user after six months to protect privacy—an aspect it hopes differentiates HomePod from Amazon's Echo and Alexa, which keep voice interactions until asked to discard them.

Siri will serve as the operating system for the HomePod, playing requested songs and controlling home products like lamps programmed to work with Apple devices until asked to discard them.

Siri is both an asset and a liability for Apple. The assistant is available in 21 languages and 36 countries, making it possible for Apple to quickly expand HomePod beyond its initial markets—the U.S., the U.K. and Australia—and into countries like South Korea, the Netherlands and Russia. Google Assistant is available in seven languages, and Amazon's Alexa currently speaks English and German.

However, Apple has been slow to open Siri to outside developers. Last year, it made Siri available to about a half dozen types of apps such as ride-hailing and payment services—a contrast to Alexa,

which has more than 12,000 voice-activated apps that allow users to play trivia games like "Jeopardy" on command or order pizza from restaurants that partner with Amazon.

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CORRECTIONS & AMPLIFICATIONS

In the second half of 2016, Twitter Inc. suspended 376,890 accounts for promoting terrorism. A World News article on Monday about British leaders' criticism of Silicon Valley after the weekend's terror attack in London incorrectly said it was in the second half of 2017.

Emmett Till of Chicago was visiting relatives in Mississippi when he was killed in 1955. In some editions Friday, a Sports article about LeBron James incorrectly said Till was from Mississippi.

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

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U.S. NEWS

Against Cold and Wind, Survivors Attend Midway's 75th Anniversary



WORLD WAR II TURNING POINT: Veterans of the Battle of Midway, bundled up for the weather, marked the anniversary in San Diego on Monday. They were aboard a retired U.S. Navy aircraft carrier named for the epic battle. One Midway veteran came from hospice care.

Court to Hear Privacy Case

Nation's top justices to decide whether officials need warrants to obtain cellphone tracking data

BY BRENT KENDALL
AND JESS BRAVIN

WASHINGTON—The Supreme Court agreed Monday to consider whether authorities need search warrants to obtain data about the location of cellphone users, a long-brewing issue that could help clarify privacy rights in the digital age.

The high court said it would hear an appeal by a defendant who was convicted in part based on evidence pro-

cutors obtained without a warrant from wireless-service providers about the whereabouts of his cellphone at particular times.

Timothy Carpenter was convicted of armed robberies in Michigan and Ohio, in part based on cell-site location information provided by MetroPCS and Sprint that placed his phone in the vicinity of several robberies around the time the crimes took place.

Rather than obtain a search warrant from a judge, authorities sought the data under the less-stringent standards of the Stored Communications Act. Under that law, investigators need only assert that they have "reasonable grounds" for believing the data is relevant

to a criminal investigation, a weaker test than persuading a magistrate there is "probable cause" to believe that the information sought provides evidence of a crime.

Mr. Carpenter sought to suppress the evidence, arguing it was obtained in violation of his Fourth Amendment right to be free from unreasonable government searches.

In a 1967 case, Katz v. U.S., the Supreme Court ruled that the Fourth Amendment's protections extended beyond physical property, protecting the content of a call from a phone booth from a government wiretap. The Fourth Amendment is tied to a reasonable "expectation of privacy," according to a concur-

ring opinion in the case.

Mr. Carpenter lost at a federal appeals court, which relied on Smith v. Maryland, a 1979 Supreme Court decision approving the warrantless use of pen registers, a device that records the telephone numbers that are dialed from a particular line but not the content of the conversations themselves.

The 1979 court reasoned that private citizens have no expectation of privacy in the numbers they dial because when they choose to make a phone call they voluntarily disclose the information to operators who must connect the lines.

The court is planning to hear oral arguments in the Carpenter case during its next term, which begins in October.

State Loses Redistricting Appeal

BY JESS BRAVIN

WASHINGTON—The Supreme Court on Monday upheld findings that North Carolina lawmakers drew state legislative districts that discriminate against black voters.

The decision marked another defeat for a Republican-controlled General Assembly whose election laws repeatedly have been invalidated for reducing minority political power.

The justices without comment let stand a lower court decision saying lawmakers created 28 majority-black districts without adequate justification. By packing African-Americans into a relative handful of 170 state Senate

and House districts, the legislature diminished those voters' ability to influence outcomes for other seats.

In an unsigned opinion, however, the justices directed

North Carolina has seen several election laws invalidated by the courts.

the special three-judge federal district court that heard the case to reconsider its order requiring special elections in newly redrawn districts later this year.

The justices previously had put on hold that election, which in effect would cut legislators' terms in half to only one year. Monday's order said the lower court hadn't adequately weighed whether the harm voters suffered from "unconstitutional racial gerrymanders" justified burdening the state with the costs of an off-year election.

Monday's decision in North Carolina v. Covington "sends a clear message that racial gerrymandering will be overturned by the highest court in the land, whether it happens at the federal or state level," said former Attorney General Eric Holder, chairman of the National Democratic Redistricting Committee.

North Carolina Republicans took solace in the possibility that the special election ultimately could be canceled.

In recent weeks, the Supreme Court has found that two North Carolina congressional districts were racial gerrymanders and, in light of that decision, ordered the state's high court to reconsider its own decision upholding the election maps drawn by the General Assembly.

In a separate case, the Supreme Court let stand an appellate court decision invalidating a North Carolina law that imposed voter identification requirements, reduced early voting and eliminated other provisions that had disproportionately aided minority voters.

Ex-Worker Kills Five At a Florida Business

BY CAMERON MCWHIRTER

A disgruntled former employee shot and killed five people Monday morning at a business just outside Winter Park, Fla., near Orlando, before killing himself, Orange County Sheriff Jerry Demings said.

There was no indication that the gunman had ties to any terrorist or subversive organizations, Mr. Demings said.

The shooting happened around 8 a.m. in an industrial area at the office of Fiamma Inc., which makes awnings and other accessories for recreational vehicles, the sheriff said.

Four of the victims died at the scene and another died later at a hospital, he said, adding there were eight survivors, none of whom were shot or hurt.

"He was certainly singling out the individuals he shot," the sheriff said.

Mr. Demings said the shooter, whom he identified as John Robert Neumann Jr., was a 45-year-old former employee at the company who was terminated in April. Mr. Neumann died from a self-inflicted gunshot and was armed with a semiautomatic handgun and a hunting knife, the sheriff said.

The gunman lived alone,

doesn't have family in the area and he was a veteran of the U.S. Army discharged honorably in 1999, Mr. Demings said.

Mr. Neumann had a criminal history that was "minor in nature," including driving while under the influence, marijuana possession and misdemeanor battery, the sheriff said.

Deputies were called to the business in 2014 for a "workplace violence" incident involving Mr. Neumann, but no charges were filed, the sheriff said.

"This is a sad day once again for us in Orange County," Mr. Demings said at a news briefing with the county mayor and agents from the Federal Bureau of Investigation.

The shooting in the Orlando area comes almost a year after the mass shooting at Pulse, a gay nightclub in the city, on June 12, 2016. In that shooting, Omar Mateen shot and killed 49 people and wounded another 53 in the deadliest terrorist attack in the U.S. since Sept. 11, 2001.

"Over the past year, the Orlando community has been challenged like never before," Florida Gov. Rick Scott said Monday. "I ask all Floridians to pray for the families impacted by this senseless act of violence."

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U.S. NEWS

On International Stage, the Disruptor-in-Chief



CAPITAL JOURNAL

By Gerald F. Seib

Richard Haass, a senior national-security official in the last two Republican administrations, uses an interesting word to summarize President Donald Trump's foreign policy: disruption.

"He tends to see the world as costing us more than benefiting us," says Mr.

Haass, president of the Council on Foreign Relations. "And he tends to see every issue in isolation." As a result, "increasingly he will disrupt longstanding arrangements."

Disruptor-in-chief is a title Mr. Trump likely would accept, with pride. Disrupting the status quo is what he does. He set out to disrupt the Republican Party, then the presidential-election process, and, ultimately, Washington. He has done it all.

Less expected, though, are emerging signs that Mr. Trump's disruptive force may turn out to be greater

on international affairs than on domestic policy. Like every president, he is constrained at home by Congress, the courts, the opposition party and public opinion. Like every president, he is finding his latitude greater abroad.

But what he wants to do with that latitude remains a mystery and a concern to a world community trying to figure out whether there is a Trump Doctrine.

After four months, this much seems clear: Trump foreign policy is defined by making U.S. economic concerns a higher priority than anything else; by a view that shared interests top shared values in international relations; by a refusal to accept continuity for its own sake; and by a belief he can cut a better deal than his predecessors did.

Together, those tendencies do produce what Mr. Haass calls "a bias toward disruption." The latest evidence came in Mr. Trump's decision last week to ditch the Paris accords on climate change, followed by his tweet that, within hours of the terrorist attack in London, scolded that city's mayor for not taking the terror threat seriously enough.

The European reaction to the climate-change decision may have been best captured by a strikingly harsh weekend account in the German



President Trump in Riyadh, Saudi Arabia, in May. He seeks Saudi Arabia's help in deterring Islamic State.

EVAN VUCCI/ASSOCIATED PRESS

magazine *Der Spiegel*. It said Mr. Trump announced his decision in a White House speech "of the most imbecilic variety" that "provided only the most recent proof that discord between the U.S. and Europe is deeper now than at any time since the end of World War II."

That may be hyperbole; strains were pretty deep in the early 1980s, at least with the European public, when hundreds of thousands protested in cities across Western Europe over the deployment of American intermediate-range missiles there.

Still, as Mr. Trump traveled in the Middle East and Europe two weeks ago, his White House didn't play down the extent to which he was seeking to shake things up. One White House trip summary, for example, referred to a "titanic shift" in policy and a "radical shift" in rhetoric.

In one speech, Mr. Trump referred to his approach as "principled realism." That seems to mean, among other things, placing shared interests above shared values in dealing with other nations.

"At every stop in our jour-

ney, we delivered a clear message to our friends and partners: Where our interests align, we are open to working together to solve problems and explore opportunities," national security adviser H.R. McMaster and national economic council director Gary Cohn wrote in an op-ed article for The Wall Street Journal at the conclusion of that trip.

Thus, Mr. Trump has built a strong bond with the leaders of Saudi Arabia because of a shared interest in confronting Islamic State and Iran, despite concerns about

the Saudi record on human rights and women's rights. And he has, unexpectedly, developed a good relationship with Chinese President Xi Jinping because he can help address the U.S. interest in curbing North Korea's nuclear weapons program.

Meantime, shared democratic values with European nations aren't enough to offset concerns that existing agreements on trade and the climate accords cut against U.S. economic interests.

In fact, Nicholas Burns, who served as undersecretary of state in the George W. Bush administration, says Mr. Trump's policies are colored by economic concerns above all. "He sees the world as a place of unbridled economic competitors," he says.

Aaron David Miller, a longtime Middle East negotiator, sees another factor at work: Mr. Trump's personality. While he has stuck by some campaign promises on trade deals, Mr. Miller notes, the president has backed away from a pledge to move the U.S. embassy in Israel to Jerusalem from Tel Aviv.

Why? Because the Arab backlash would have interfered with the desire of Mr. Trump, a deal-maker, to make "the ultimate deal" by brokering peace between Israel and the Palestinians.

WASHINGTON WIRE

LEGISLATIVE AGENDA

President to Push Health Care, Tax Plan

President Donald Trump will meet with House and Senate leadership at the White House Tuesday afternoon to plot a path forward on health care and tax overhaul—two of the administration's top legislative priorities that have stalled amid a growing investigation into Trump associates' ties to Russia.

Speaking to reporters Monday evening, White House Director of Legislative Affairs Marc Short acknowledged the continuing probes are distracting but said the administration expected to see health care and tax overhaul pass Congress by the end of the year.

"There's no doubt that keeping members focused on investigations detracts from our legislative agenda, detracts from what we're trying to do," Mr. Short said.

Mr. Trump has denied any collusion with Russia and has called the investigation a "witch hunt." Russia denies meddling in the U.S. election.

Republican lawmakers in recent weeks have begun expressing skepticism that the GOP-controlled Senate will reach a deal to repeal and replace the Affordable Care Act this year, as the House did earlier this year. Meanwhile, the party is starkly divided on several major issues surrounding overhauling the tax code.

—Rebecca Ballhaus

AMBASSADORS

Trump Criticizes Slow Pace of Confirmations

President Donald Trump lashed out at Senate Democrats on Monday, accusing them of slowing the approvals of his ambassadors. But for most of the vacant posts, the White House hasn't formally put forward a name, leaving the Senate nothing to act on.

"Dems are taking forever to approve my people, including Ambassadors. They are nothing but OBSTRUCTIONISTS! Want approvals," the GOP president wrote on Twitter.

Only a handful of ambassadors have been confirmed in the new administration. A review of those picks shows Democrats forced time-consuming procedural votes on some nominees, but most of the empty posts are due to the lack of nominations being sent to the Senate.

Typically, about 30% of ambassadorships go to political nominees and 70% go to career foreign service officers, who have to be nominated and confirmed but aren't seen as political picks. To date, Mr. Trump has formally nominated six people to overseas ambassadorships that are held by political appointees: the Bahamas, Vatican, Japan, New Zealand, Israel and China.

—Felicia Schwartz

Trump Won't Seek to Block Comey Testimony

By BYRON TAU
AND ERICA ORDEN

WASHINGTON—President Donald Trump won't seek to invoke executive privilege to block former FBI director James Comey from testifying before Congress later this week.

The announcement, by White House deputy press secretary Sarah Huckabee Sanders on Monday, paves the way for Mr. Comey to face questions from lawmakers that are expected to focus on whether he felt the president tried to influence the FBI's investigation into alleged Russian meddling in the election.

Ms. Sanders said Mr. Trump has the ability to assert executive privilege, but "to facilitate a swift and thorough examination of the facts," the president wouldn't do so.

Some legal experts said Mr. Trump likely couldn't enforce such an action since Mr. Comey no longer works for the administration and the president has publicly commented on some of their private conversations.

Mr. Comey is scheduled to appear Thursday before the Senate Intelligence Committee, his first public appearance since his dismissal.

Russia has denied meddling in the election, and Mr. Trump has called the investigations a "witch hunt."

In a private dinner in January, Mr. Trump allegedly asked Mr. Comey for a loyalty pledge and an update on the FBI investigation, according to the



James Comey is scheduled to appear Thursday before the Senate Intelligence Committee, his first public appearance since his dismissal.

ex-director's associates, who said he refused to do so. Mr. Trump on another occasion allegedly asked Mr. Comey to go easy on Mike Flynn, the former national security adviser whose activities are part of the probe, associates of Mr. Comey said, adding that he kept memos of the interactions.

Mr. Trump has denied any attempt to intervene in the probe or asking for a loyalty pledge. He has said he fired Mr. Comey because he was doing a bad job and considered him a "showboat."

Republicans on the Senate committee are planning to contrast the description of Mr. Comey's interactions with Mr. Trump with testimony by acting FBI Director Andrew Mc-

Cabe, who told the same committee, just after Mr. Comey was dismissed, that "There has been no effort to impede our investigation to date."

"The acting director of the FBI also said that there has not been an attempt to influence the investigation. And yet we hear about these memos to the file, all of these dinners and meetings between President Trump and the FBI, the former FBI director," said Sen. Susan Collins, a Maine Republican and committee member, on CBS on Sunday. "So, we need hear directly from Mr. Comey on these important issues."

Democrats, too, will use the hearing to ask questions about whether Mr. Comey felt pressurized.

"We have known since Watergate that rules of the road were a president shouldn't interfere in an ongoing investigation," Sen. Mark Warner of Virginia, the top Democrat on the committee, told CBS News.

More broadly, other Democrats and a few Republicans on Capitol Hill contend that the president's actions should be considered possible obstruction of justice. They point to reports of Mr. Trump's alleged requests to director of national intelligence Dan Coats and National Security Agency director Mike Rogers to make public statements exonerating his campaign of collusion with Russia, according to people familiar with those requests.

Mr. Coats, in Senate testi-

mony, declined to comment on the reports. Mr. Rogers also hasn't commented.

"These reports paint a deeply disturbing picture of possible obstruction, a mosaic pieced together by facts that show not only events and conversations, but also motive," said Sen. Richard Blumenthal, a Connecticut Democrat on the Senate floor last month.

Many Republicans, however, say the controversy has been blown out of proportion.

"I remain completely convinced that this president has acted in what he thought was in the best interests of the country," said Rep. Trent Franks (R., Ariz.).

—Rebecca Ballhaus

contribute to this article.

Contractor Charged in Leak

BY DEL QUENTIN WILBER
AND LUKAS I. ALPERT

A 25-year-old government contractor was arrested over the weekend and charged with leaking to a news organization a secret report that described some of Russia's election-related hacking activities, according to court papers and U.S. officials briefed on the case.

Reality Leigh Winner of Augusta, Ga., was charged with removing classified information from her secure workplace and mailing it to the news organization.

The Justice Department didn't identify the news organization in court papers, but a U.S. official confirmed it was the Intercept, which on Monday afternoon posted online a document that it said was produced by the National Security Agency and which concluded Russian

spies hacked computers of a U.S. company "to obtain information on elections-related software and hardware solutions."

Ms. Winner is being held in federal custody until a detention hearing later this week, said her attorney, Titus Nichols. "She has no criminal history," Mr. Nichols said. "She is holding up very well and trying to remain in good spirits. We are working to resolve this and put it behind her."

Ms. Winner is a contractor with Pluribus International Corp. and is assigned to a government facility in Georgia, the Justice Department said. Calls to Pluribus weren't answered.

The U.S. government learned about the alleged leak on May 30 when a news organization provided it with a copy of the secret document in an apparent effort to verify its authenticity, according to an affidavit filed by the

Federal Bureau of Investigation.

In the court papers, the FBI said government experts examined the copy of the report and concluded it had been folded or creased, suggesting it "had been printed and hand-carried out of a secured space."

The government investigated who had access to the document and determined that six people, including Ms. Winner, had printed copies of it. An audit of her desk computer revealed she had an "e-mail contact with" the news organization, the affidavit says.

Ms. Winner was questioned Saturday by an FBI agent and admitted printing the report and then mailing it to a news organization, the affidavit alleged. Her lawyer declined to comment on the allegations.

Russia has denied any government effort to meddle in last year's election.

GOP Senators to Hear ACA Repeal Options

By STEPHANIE ARMOUR
AND KRISTINA PETERSON

WASHINGTON—GOP leaders are planning to present to Senate Republicans options for the major policy decisions shaping their health-care bill during a closed-door lunch Tuesday, Senate GOP lawmakers and aides said Monday.

The proposals are expected to include a prolonged phase-out of the Affordable Care Act's Medicaid expansion. There is also growing interest in possible steps to shore up fragile individual insurance markets, according to people familiar with the discussions.

"There's been a lot of work done at the staff level, but we're getting to the point where we need to make decisions," Sen. John Cornyn (R.,

Texas) told reporters Monday.

Senate Republicans have yet to coalesce around solutions to the thorniest policy issues complicating their effort to unwind the Affordable Care Act and replace it with a new health-care system. But with only seven weeks in session before Congress's August recess, Senate Republicans are pressing to find enough agreement to start writing their version of a health-care bill.

There are no guarantees that any bill would be able to pass the Senate, where Majority Leader Mitch McConnell (R., Ky.) can lose no more than two GOP votes.

The Republicans' goal is to vote on the legislation before July 4, according to a person familiar with the discussion.

"Dems are taking forever to approve my people, including Ambassadors. They are nothing but OBSTRUCTIONISTS! Want approvals," the GOP president wrote on Twitter.

Only a handful of ambassadors have been confirmed in the new administration. A review of those picks shows Democrats forced time-consuming procedural votes on some nominees, but most of the empty posts are due to the lack of nominations being sent to the Senate.

Typically, about 30% of ambassadorships go to political nominees and 70% go to career foreign service officers, who have to be nominated and confirmed but aren't seen as political picks. To date, Mr. Trump has formally nominated six people to overseas ambassadorships that are held by political appointees: the Bahamas, Vatican, Japan, New Zealand, Israel and China.

—Felicia Schwartz

U.S. NEWS

Plan Urged To Privatize Air-Traffic Control

BY MICHAEL C. BENDER

WASHINGTON—Promising fewer delays on the tarmac and cheaper fares for airline passengers, President Donald Trump endorsed a plan Monday to transfer control of the nation's air-traffic control system to a private nonprofit.

The idea is a longstanding goal of some Republican lawmakers and one that the White House hopes will spark a broader plan for \$1 trillion in new infrastructure spending.

"Our plan will get you where you need to go more quickly, more reliably more affordably and yes, for the first time in a long time, on time," the GOP president said.

The plan, which requires congressional approval, would include the privatization of some 30,000 workers now overseen by the Federal Aviation Administration. The FAA would maintain its role in aviation safety, while the new nonprofit would manage route efficiency, Mr. Trump said.

The proposal would end the need for some federal taxes that would likely be replaced by user fees to pay for the new system, which would include updated GPS technology. Supporters, including many GOP lawmakers, said more than 50 countries have implemented similar systems, which may mean more efficient landing patterns and routes for planes and could allow controllers to move more planes an hour through busy air corridors.

Some lawmakers and aviation officials are wary of privatization, including those from rural states who worry that a private system would neglect less-populated areas.

Senate Committee on Commerce, Science and Transportation Chairman John Thune, (R, S.D.) said the FAA's effort to modernize the air-traffic control system "has been hindered by bureaucratic obstacles and poor planning."

Sen. Bill Nelson of Florida, the top Democrat on the same panel, said that the safety of the flying public shouldn't be for sale. "Handing air-traffic control over to a private entity partly governed by the airlines is both a risk and a liability we can't afford to take," he said.



Demonstrators protested in Seattle as the Ninth Circuit Court of Appeals heard arguments on the revised travel ban on May 15.

How They Rank

Compared with other nations, the seven countries in President Donald Trump's original travel ban have been the source of fewer people who committed terrorist attacks in the U.S. or were arrested for crimes related to plotting attacks since Sept. 11, 2001.

U.S.	81
Saudi Arabia	18
Pakistan	10
Somalia	5
Fmr. Yugoslavia	5
Afghanistan	4
Egypt	4
Iraq	3
Bangladesh	3
Jordan	3
Guyana	3
Morocco	3
U.K.	2
Trinidad	2
Haiti	2
Yemen	2
Cuba	2
Lebanon	2
U.A.E.	2
Iran	1
Libya	0
Sudan	0
Syria	0

Note: List limited to banned countries and those where two or more attackers came from. Origins of 10 attackers unknown. Sources: WSJ analysis of New America Foundation compilation of U.S. records
THE WALL STREET JOURNAL.

Trump Frustrated Over Travel Ban

Justice Department is blamed for softening first order; tweets may undercut court case

BY BRENT KENDALL
AND REBECCA BALLHAUS

WASHINGTON—President Donald Trump on Monday expressed frustration at the revision of his executive order temporarily banning travelers from several majority-Muslim countries from entering the U.S., seeking to blame the revised order, which he signed, on the Justice Department.

His comments, in a series of early-morning tweets, come at a delicate time for the president and the department, which is attempting to persuade the Supreme Court to revive the revised travel ban after lower courts blocked it on the grounds that Mr. Trump likely targeted Muslims in an unlawful way.

Mr. Trump has said his original executive order, which he signed Jan. 27, and the revised version, signed March 6, were intended to prevent potential terrorists from reaching U.S. soil.

"The Justice Dept. should have stayed with the original

Travel Ban, not the watered down, politically correct version they submitted to [the Supreme Court]," Mr. Trump tweeted Monday. "The Justice Dept. should ask for an expedited hearing of the watered down Travel Ban before the Supreme Court - & seek much tougher version!"

In another comment on Twitter Monday night the president said: "That's right, we need a TRAVEL BAN for certain DANGEROUS countries, not some politically correct term that won't help us protect our people!"

The president's tweets could complicate the Justice Department's defense of the revised order. His remarks were welcomed by lawyers challenging the travel ban, while some of Mr. Trump's

supporters expressed worry.

Legal challengers—including states, immigrant groups and individual U.S. residents—have argued the orders were less about national security and more about making good on a campaign pledge to ban Muslim entry into the U.S.

Mr. Trump's tweets also signaled the president's intention to drive a debate about national security in light of a string of terrorist incidents around the world, including Saturday's attack in London that killed seven people and was claimed by Islamic State.

While Mr. Trump may have received advice from the Justice Department on how to reward his original order, only the president is empowered to issue ex-

ecutive orders. Mr. Trump could still reverse course and reissue the first order, should he choose. That decision would be up to the White House, not the Justice Department.

The key court rulings that blocked the original order sidestepped questions of religious discrimination. Instead, judges said it denied constitutional due process to travelers because there was no advance notice of the policy, and it didn't provide a means for those affected to challenge a denial of U.S. entry.

The administration hoped the revised plan would pass muster by providing advance notice and omitting some of the more far-reaching elements of the original order, which caused widespread disruptions at U.S. and international airports.

The revised ban, which never went into effect, would put a 90-day halt on the entry of individuals from Iran, Libya, Somalia, Sudan, Syria and Yemen. The earlier order also included Iraq.

The revised order, too, was quickly blocked by courts, this time on grounds Mr. Trump likely violated the Constitution by singling out Muslims for disfavored treatment. The Fourth Circuit Court of Appeals said the travel ban "drips with religious intolerance, animus and discrimination."

Mr. Trump also said on Monday: "People, the lawyers and the courts can call it whatever they want, but I am calling it what we need and what it is, a TRAVEL BAN!" When the executive order was first rolled out, the administration said repeatedly the measure didn't amount to a travel ban.

The Justice Department last Thursday asked the Supreme Court to lift the lower courts' suspension of the revised order. Monday's tweets run counter to parts of the legal narrative the department has been building.

The department has characterized the restrictions as a temporary pause on travel, rather than a "ban" as described by Mr. Trump.

The President's Morning Tweets

"People, the lawyers and the courts can call it whatever they want, but I am calling it what we need and what it is, a TRAVEL BAN!"

"The Justice Dept. should have stayed with the original Travel Ban, not the watered down, po-

litically correct version they submitted to S.C."

"The Justice Dept. should ask for an expedited hearing of the watered down Travel Ban before the Supreme Court - & seek much tougher version!"

"In any event we are EXTREME VETTING people coming into the U.S. in order to help keep our country safe. The courts

are slow and political!"

"@foxandfriends Dems are taking forever to approve my people, including Ambassadors. They are nothing but OBSTRUCTIONISTS! Want approvals."

"Pathetic excuse by London Mayor Sadiq Khan who had to think fast on his "no reason to be alarmed" statement. MSM is working hard to sell it!"

Trump Hotel Profited From Saudi Lobbying Effort

BY BYRON TAU
AND REBECCA BALLHAUS

WASHINGTON—President Donald Trump's Washington hotel received roughly \$270,000 in payments linked to Saudi Arabia as part of a lobbying campaign by the Gulf kingdom against controversial terrorism legislation last year.

The payments were disclosed by the public relations firm MSLGroup last week in paperwork filed with the Just-

ice Department documenting foreign lobbying work on behalf of Saudi Arabia and other clients.

As part of a lobbying effort

against the bipartisan Justice Against Sponsors of Terrorism Act, or JASTA, Saudi Arabia's lobbyists and consultants spent about \$190,000 on lodging, \$78,000 on catering, and \$1,600 on parking at the Trump International Hotel.

The Daily Caller website first reported on the payments.

Mr. Trump last month made Saudi Arabia the first stop of his first international trip as president, and described the country as a key ally in the war on terror.

Saudi Arabia has been lob-

bying against JASTA, a law

passed by Congress over former President Barack Obama's veto.

It allows Americans to sue foreign governments over

terrorists attacks.

The payments to the Trump

Hotel were made by one of

MSLGroup's subcontractors and reimbursed by the Saudi government, according to Michael Petruzzello, an MSLGroup executive.

All the hotel spending took place between Nov. 2016 and Feb. 2017, according to Mr. Petruzzello. Most of the payments to the hotel were made before Mr. Trump was officially sworn in, but some were made after he became president.

Survivors and families of

victims of the Sept. 11, 2001,

terrorist attacks have been pushing for the law so that a lawsuit can proceed against Saudi Arabia for any alleged role in the attacks. The kingdom has denied any involvement and U.S. officials have backed that position.

Ethics officials have raised questions about foreign government payments to the Trump Organization. Watchdog groups say the Trump Organization's business with foreign entities risks violating a

constitutional provision that bars federal officers from accepting payments or gifts from foreign countries without Congress's consent.

The White House referred questions about the payments to the Trump Organization. A spokeswoman for the company said it would donate the "profits of this transaction" at the end of the year, but didn't immediately respond to a question about how it would publicly disclose that transfer.

FROM PAGE ONE

RHINOS

Continued from Page One

A trainer assisting Dr. Durrant lured one of the rhinos on a recent day with an irresistible bouquet of goodies including orchardgrass, a tall-growing plant sometimes used in pastures for farm animals and a rhino favorite. Dr. Durrant reached through a metal barrier, and recoiled. "Ouch! She pinched me a little," she said, after her arm got caught between the rhino and the bar of the enclosure.

These rhinos don't mean ill, their handlers say, but they can injure someone by making sudden movements. Trainers practice "protected contact," staying behind steel gates and reaching in to do their work.

That work sometimes is simply warming up Amani and the five other females—Helene, Livia, Nikita, Victoria and Wallis—that arrived at the San Diego Zoo Safari Park two years ago from private reserves in South Africa.

The rhinos' handlers pamper them with a temperature-controlled barn, an outdoor "mater-

nity yard" and 3.5 acres of hills and lagoons. The animals spend their free time browsing, rolling in mud, playing with balls and generally just standing around.

Trainers offer them treats—bananas, celery, cucumbers—and give them caresses to put them in the mood. "Sometimes our training session is 'Go pet rhinos,'" said zookeeper Jill Van Kempen. Rhinos tend to bond with individual trainers. "We think they know who we are," said Ms. Van Kempen.

Rhinos are endangered because poachers hunt them for their horns, prized in Asia for supposed medicinal qualities biologists say don't exist. Rhino horn contains keratin, the protein in fingernails.

The northern white is one of 1,000 species whose cell material the safari park preserves at about minus 320 degrees Fahrenheit in a locked room called the Frozen Zoo. Along with the rhino genetics are vials from animals such as the California condor, black-footed ferret, Przewalski horse, Somali wild ass and po'ouli, a bird that went extinct in Hawaii about a decade ago.

Dr. Durrant, who oversees the zoo's artificial-insemination pro-

gram, over her career has helped impregnate everything from turtles and pheasants to giant pandas at home and abroad.

This will be her first rhino attempt. The zoo hopes to start inseminations this year with southern rhino sperm to test out procedures, Dr. Durrant said. After that, it plans to try in vitro fertilization of northern whites, transferring embryos into the rhinos' wombs.

On the recent day, Helene ambled into a holding pen for an ul-

trasound test to check whether she was ready to be a surrogate rhino. Trainer Marco Zeno piled orchardgrass on the ground and cooed "good girl." Two researchers patted her through the barrier as they approached her reproductive end.

Rhinos are misunderstood, their handlers say. While they sometimes do charge at vehicles in the wild, they do so only when they feel threatened, said Lee Kirchhevel, who leads caravan tours of rhino habitats at the sa-

fari park. Helene grunted contentedly as assistant Parker Pennington nonchalantly reached up to her armpit into the rhino's rectum, holding an ultrasound probe to examine the animal's ovaries to gauge the growth of follicles containing eggs. The manual-insertion procedure, Dr. Durrant said, "puts our arms to sleep sometimes."

Getting the rhino to this point took months. Handlers first prodded her with a ballpoint pen as she ate, to get her used to the handling and poking from behind. The 20-minute procedure went smoothly, as Helene remained focused on the orchardgrass. "If they stop eating, you know something is wrong," said Dr. Pennington, a postdoctoral associate in reproductive sciences. "Fight or flight could start to kick in, and you don't want either."

The rhinos have different personalities. "Livia is the one more sensitive; Victoria is cautious around strangers," Dr. Durrant said. Next up was Amani, the largest. She devoured the treats but started shifting in the chute and wagging her tail—prompting a call for help from Dr. Pennington, who was arm-deep in

the rhino.

Tail-wagging can suggest restlessness, indicating the animal may want to move, shift weight or go do something else with its mass that would be wise for a human to avoid. "She's getting a little prickly back here. Get her tail," Dr. Pennington said, as Dr. Durrant reached to hold the potentially hazardous appendage to one side.

Zookeeper Weston Popichak hurried to the rhino's side, patting and scratching her stomach through the barrier. That seemed to calm her down.

"These are big animals," he said, "and they may not realize how big they are."



Wallis, a southern white rhino at the San Diego Zoo Safari Park.

JAKE NICOL/THE WALL STREET JOURNAL



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WORLD NEWS

U.K. Election's Focus Shifts to Security

Prime minister, Labour leader wrangle over public safety days before Thursday vote

By JENNY GROSS

LONDON—Prime Minister Theresa May sought on Monday to fend off accusations that a decision years ago to cut police numbers showed bad judgment, after the deadly rampage at London Bridge put security at the center of Thursday's general election.

The initially restrained political response to Saturday's attack—Britain's third in as many months—has quickly given way to wrangling between the two main parties about their records on public safety.

The main opposition Labour Party criticized Mrs. May for presiding over a decision to cut the number of police officers when she was home secretary, a decision it said put Britain at risk.

The attacks in Britain have shifted dynamics ahead of the election. Pollsters and analysts still expect Mrs. May to win, but her party's 20-percentage-point lead in mid-April had shrunk to single digits before the latest attack on Saturday.

Jeremy Corbyn, leader of



Theresa May spoke on Monday at the Royal United Services Institute, a think tank, in London.

"The question of leadership has always been at the heart of this campaign—and it is absolutely crucial we get the answer right," she said, citing "the ability to say the courageous thing and do the difficult thing."

Tony Travers, politics professor at the London School of Economics, said it was notable that both Mrs. May and Mr. Corbyn have so quickly used the attack to score points.

"It has been turned into a matter of political dispute, immediately. That is unusual and slightly against the rules of the game," Mr. Travers said.

Mrs. May defended herself against criticism about police cuts, saying the budget for counterterrorism policing and the resources available to the security and intelligence agencies had increased under her watch. She also said Mr. Corbyn had opposed efforts to give more powers to the security forces to deal with terrorism.

Home Office figures show the number of police officers fell in each of the seven years to 2016. In the year to September 2016, the total police workforce declined by 3%, with a 2.2% reduction in police-officer numbers, according to the Home Office.

At a campaign event in central London, Mrs. May said she could provide the leadership that would keep the U.K. safe.

protect and monitor signs of possible radicalization.

Polls suggest Mrs. May's center-right Conservatives will increase their majority in Thursday's vote, but also that the win will likely be narrower than earlier predicted. Recent polls have signaled she may only be able to increase her lead by a handful of seats.

The three terror attacks—one near Parliament in March, one outside a concert in Manchester last month, and Saturday's rampage—may not give either party a big advantage, said Tim Bale, politics professor at Queen Mary University of London. "I'm not sure there will be an obvious flight to the incumbent government because there are legitimate criticisms, but I do think people worry about Jeremy Corbyn's ability to cope with a crisis situation," he said, referring to the Labour leader's record of voting against anti-terror legislation.

Mr. Travers said terror attacks don't typically have significant effects on British elections. "The electorate sees these as issues that are outside the norm of politics and doesn't relate them to judgments about the election," he said.

—Joanna Sugden and Stephen Fidler contributed to this article.



JUSTIN TALLIS/AGENCE FRANCE PRESSE/GETTY IMAGES

A woman left a bouquet near Borough Market on Monday.

Victims Were a Wide Mix of Nationalities

Christine Archibald moved to the Netherlands recently to live with the man she was to marry. On Saturday night, the 30-

By Sarah Kent,
Saabira Chaudhuri
and Sam Schechner

year-old Canadian social worker was with her fiancé Tyler Ferguson on a weekend visit to London when she was struck down by a van that tore through a crowd of pedestrians on busy London Bridge, according to Mr.

Ferguson's family. "They tried everything but weren't able to save her," Mark Ferguson, Mr. Ferguson's brother, said in a Facebook post.

Ms. Archibald was among seven people killed on Saturday when three men drove into pedestrians and then went on a stabbing spree through a trendy bar and restaurant district in Central London called Borough Market. Other fatal victims include a 27-year-old Frenchman named Alexandre, a French police official said, and 32-year-old

James McMullan, who lived in east London and whose sister said his body would be formally identified on Tuesday.

The three attackers were shot and killed by police. Islamic State claimed responsibility.

At least 48 victims were hospitalized, many of whom remained in critical care with injuries that could take weeks to recover from, officials said. Concern also is spreading about the people who have gone missing since the attack.

Thousands gathered in the

rain along the River Thames to remember with a moment of silence the victims of Saturday's attack, lining up near Tower Bridge to lay flowers in front of London's City Hall.

The dead, injured and missing are a hodgepodge of nationalities in a city that receives 19 million foreign visitors a year and where one-third of the population is foreign born. In addition to the U.K., the victims come from France, Australia, New Zealand, Spain and Canada.

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WORLD NEWS

Attacks Force Strategic Review Of Security Plans

BY JASON DOUGLAS
AND STEPHEN FIDLER

LONDON—British counterterrorism authorities are engaged in soul-searching. After 12 years in which the country avoided mass-casualty terrorism attacks, three have taken place since March.

In the weeks since the first attack—on London's Westminster Bridge on March 22—officials say five credible plots were also thwarted. That compares with 13 the authorities say were foiled between June 2013 and the Westminster attack.

British Prime Minister Theresa May has promised a review of counterterrorism strategy.

London's Metropolitan Police Commissioner Cressida Dick said on Monday that the terror threat's "center of gravity" has shifted to the domestic arena from foreign-directed plots.

One of the London Bridge attackers was identified Monday by police as Khuram Shazad Butt, a 27-year-old British citizen born in Pakistan, and second as Rachid Redouane, 30, who police say claimed to be Moroccan and Libyan. Police said one of them had been known to security services but no prior intelligence suggested he was planning an attack.

Ms. Dick said a review was needed of the counterterrorism strategy, tactics and resources—and of the relationship between the security services and local Muslim communities.

Islamic State, which claimed Saturday's attack, has been exhorting its followers to strike with vehicles and whatever materials come to hand, a tactic harder for the authorities to detect. Mrs. May suggested on Sunday that a copycat factor was involved.

In each attack, individuals responsible were born or grew up in the U.K. and were known to the authorities. But they weren't deemed a sufficient threat to trigger action. Those assessments will be examined, though officials say they can't follow every one of the 20,000 extremists that have been in their sights over the years.

The attacks varied in tactics and sophistication. Khalid Masood mowed down pedestrians on Westminster Bridge and stabbed a policeman before being shot and killed. The three terrorists on Saturday also used a vehicle to target pedestrians but then went after revelers in the bars near London Bridge. Salman Abedi, 23 years old, blew himself up May 22 outside a pop concert in Manchester.

Tim Wilson, a terrorism expert at the University of St. Andrews in Scotland, said the attacks shared at least one common feature that underscores the challenge before the authorities: "All five of the attackers went out, apparently, with a firm death wish and absolutely no intention of coming back."

Counterterrorism experts



Police forensic officers were at a home on Monday in east London as the probe continued following Saturday's attack at London Bridge.

say the renewed effort in the U.K. should focus on strengthening the security services' ability to pinpoint and monitor would-be assailants rather than reviving controversial policies—such as internment—Britain has tried in the past.

"We have a very full arsenal of counterterrorism laws in the U.K.," said David Anderson, who until late 2016 was the U.K.'s reviewer of counterterrorism legislation, an independent official who scrutinizes government policy. "It is absolutely right to keep these powers under review in light of changing circumstances."

Responding to the terror threat has become a leading is-

sue in a national election scheduled for Thursday. Mrs. May has outlined proposals including lengthier jail terms for extremist offenses and the creation of an advisory commission on countering extremism. She also pledged to crack down on online recruitment by jihadist groups and to lead an international effort to rid the internet of extremist propaganda.

The main opposition Labour Party has said it would hire thousands of extra police officers and engage in "difficult conversations" with Middle East allies over the alleged funding of terror groups.

The small, right-wing UK Independence Party has said it

wouldn't rule out introducing internment, or detention without trial, for terror suspects. The policy, deployed in World War II, became controversial when it was briefly revived in Northern Ireland during the early 1970s in response to Irish republican violence. The party has suggested prosecuting British-born terrorists for treason.

Thursday's election has led to increased scrutiny on changes in counterterrorism policy under Mrs. May's Conservative Party, in power since 2010. Analysts say a future government could seek to reverse those policies.

Current laws allow police to hold for questioning without

charge terror suspects for up to 14 days but the government could seek to extend that limit; it was 28 days until 2011, when Mrs. May as Home Secretary agreed to reduce it.

The government could also revisit so-called control orders that, when initially introduced in 2005, allowed the state to detain those deemed a risk to the public indefinitely, but have since been watered down.

Analysts also say there is a need for effective programs to counter radicalization. "Terrorism is driven by violent ideology," said Otso Iho, senior analyst at Jane's Terrorism and Insurgency Centre. "We have to combat that ideology head on."

he went, he was preaching."

Another person who lived nearby, Regina Khan, said, "He mostly hung around with the teenage boys round here."

"We didn't find it comfortable, we found it scary," she said. "I used to tell my daughter there's something wrong with this guy, his aggression."

Michael Demitir, 33, said Butt once asked if he and his family watched TV. When Mr. Demitir said yes, he said Butt replied: "TV is the devil. I don't watch TV. I only watch Allah."

About two months ago, Butt asked Mr. Demitir if he could take his 10-year-old son for a car ride. "I said, 'Oh, are you crazy, why do you want my kid, man? Stay away,'" Mr. Demitir said. "He raised his hands, smiled and walked away."

Ramana Huczko said she had been to the park with Butt and her children. "He would be playing with the kids and would sometimes get down to pray," she said, adding that he was "very religious."

"He loved kids," she added.

But Ms. Huczko said she had refused a request from Butt to take her children, aged between 10 and 16, to McDonald's. "I said no, I'm not happy with this."

Said Mohammed, who helps run a nearby mosque, said Butt's religious practices were a mystery.

"I always asked everybody where he prayed and no one knew," the 52-year-old repairman said. He said he had seen Butt pray in a few local mosques, but not regularly.

"He wasn't much of a Muslim," he said.

—Margot Patrick,

Max Colchester and

Laurence Fletcher

contributed to this article.

Trump, Mayor Continue To Spar

BY REBECCA BALLHAUS

President Donald Trump on Monday continued his tense back-and-forth with London Mayor Sadiq Khan, a day after suggesting the mayor was playing down the threat of terror.

Mr. Khan in a television interview Sunday said that "Londoners will see an increased police presence today and over the course of the next few days." That, he said, is "no reason to be alarmed," adding that "one of the things the police and all of us need to do is make sure we're as safe as we possibly can be."

On Sunday, Mr. Trump criticized that statement, tweeting: "At least 7 dead and 48 wounded in terror attack and Mayor of London says there is 'no reason to be alarmed!'"

In response, a representative for Mr. Khan's office said the mayor "has more important things to do than respond to Donald Trump's ill-informed tweet that deliberately takes out of context his remarks urging Londoners not to be alarmed when they saw more police—including armed officers—on the streets."

On Monday, Mr. Trump fired back on Twitter. "Pathetic excuse by London Mayor Sadiq Khan who had to think fast on his 'no reason to be alarmed' statement," he wrote. "MSM [mainstream media] is working hard to sell it!"

LONDON

Continued from Page One
which oversees policing.

Meanwhile, authorities said that by Monday evening, all 12 people arrested in the wake of the attack had been released from custody.

The three assailants plowed into pedestrians with a van before leaping out and going on an eight-minute spree of slashing and stabbing before they were shot dead by police. In that time they wounded dozens of people, 18 of whom were still in critical condition on Monday, authorities said.

Islamic State on Sunday said on its official Amaq news agency that a "covert unit" had carried out the attack, but the extent of its possible involvement in inspiring or carrying out the attack wasn't clear.

Neighbors of Butt in Barking, a district of east London, described him as a father of two who spent time proselytizing in a way that made them feel uneasy, sometimes seeking out children in a local park and offering them sweets while lecturing them on religion.

"He said very Islamic things. He said he was a soldier," said one man. "My partner reported him for his extremism" but the authorities "never came back to us," the man said. "Nothing ever happened."

The suicide bomber who killed 22 people outside a pop concert in the northwestern city of Manchester last month had also been reported to the police by activists who feared he was veering into extremism, community leaders said.

That man, 22-year-old Salman Abedi, was the British-born son of Libyan immigrants



Mayor Sadiq Khan, center, and Police Commissioner Cressida Dick visit the scene of Saturday's attack.

PETER NICHOLS/REUTERS

who fought as a teenager alongside rebels battling to oust Libyan dictator Moammar Gadhafi. Home Secretary Amber Rudd described him as having been known to security agencies "up to a point."

After that attack, Britain's MI5 security service launched an internal probe into how it handled intelligence about Abedi, a U.K. security official said last week. Abedi was one of 20,000 suspected extremists MI5 has tracked in the past, but not among 3,000 under active investigation by the agency at the time of the bombing, the official said.

"We're looking back and want to learn lessons," the official said.

Butt's connections to Islamist extremism appear to have been more evident.

Shown still photos from a 2016 TV documentary, "The Jihadis Next Door," several neighbors said Butt was one of

the men filmed taking part in a group prayer session in a London park behind a black flag. It was led by extremist preacher Mohammed Shamsuddin.

The 46-minute documentary by Jamie Roberts also included Siddhartha Dhar and Abu Hal-

the men filmed taking part in a group prayer session in a London park behind a black flag. It was led by extremist preacher Mohammed Shamsuddin.

The 46-minute documentary by Jamie Roberts also included Siddhartha Dhar and Abu Hal-

eema. British media dubbed Mr. Dhar "Jihadi Sid" after a man believed to be Mr. Dhar appeared in Islamic State videos making threats against the U.K. Mr. Haleema, who is shown alongside Butt in one scene, said in the film he had been in regular contact with a teenager convicted of plotting

to kill police officers.

Mr. Haleema and Mr. Shamsuddin were reviled in the British press when the documentary aired. In one scene, the two men are shown laughing and snacking as they watch an Islamic State execution video.

A spokeswoman for Channel 4, which aired the documentary in January 2016, declined to comment. Netflix said it had removed the film from its services globally at the request of the distributor.

Mr. Roberts didn't immediately respond to requests for comment. Mr. Dhar has been reported to have left for Syria. The whereabouts of Messrs. Haleema and Shamsuddin couldn't be determined.

Around the apartment complex where Butt lived in Barking, he was seen as sometimes menacing and focused on religion, neighbors said. One, Jean Morrison, said, "Everywhere

he went, he was preaching."

Another person who lived nearby, Regina Khan, said, "He mostly hung around with the teenage boys round here."

"We didn't find it comfortable, we found it scary," she said. "I used to tell my daughter there's something wrong with this guy, his aggression."

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—Margot Patrick,

Max Colchester and

Laurence Fletcher

contributed to this article.

Big Tech Companies Struggle to Eliminate Online Terrorist Propaganda



NIKLAS HALLE'N/AGENCE FRANCE PRESSE/GETTY IMAGES

People gather for a vigil to remember the London attack victims.

Terrorists are still using the internet to communicate with and recruit followers, despite progress by big tech companies in cracking down on the activity in recent years.

By Jack Nicas,
Sam Schechner
and Deepa
Seetharaman

Online terrorist propaganda is attracting fresh criticism in the wake of Saturday's deadly attack in London. Prime Minister Theresa May and others have singled out Silicon Valley for criticism, saying Facebook Inc., Twitter Inc., Alphabet Inc.'s Google and others need to do a better job policing content. It is unclear if the U.K.

government has determined any link between online extremist content and the attack.

The challenge for tech companies is daunting: A stream of social-media accounts, web videos and blog pages are constantly popping up and spewing questionable content, while new accounts and sites are replacing deleted ones by the hour, researchers say. Much of the activity, like radical sermons or videos that use coded language, falls in a gray area that makes it difficult to track or is possibly covered by the companies' aim to protect free speech.

As Facebook, Twitter and Google's YouTube have improved in removing explicit terrorist content, much of that material has migrated to

lesser-known platforms like chat app Telegram and text-sharing site PasteBin. Terrorists still use the major platforms—because that is where users are—but mainly to identify potential recruits and make contact, before moving conversations toward radicalization on encrypted messaging services, researchers say.

"You get the sense that no

matter how much [tech companies] speed up, the perception remains that they're not doing enough," said Indiana University law professor David Fidler. "I actually have a lot of sympathy for the social media companies."

PasteBin didn't respond to a request for comment.

Tech firms' response to questionable content is largely to remove it after it has been flagged by users. So hundreds, if not thousands, of people could see the content before it gets pulled, researchers say. A 26-second YouTube video explaining how to carry out a truck attack was viewed more than 360 times by Monday evening since it was posted Sunday.

Rick Eaton, a researcher at the Simon Wiesenthal Center,

which tracks hateful online content, said he flagged it to YouTube twice. The video was pulled minutes after The Wall Street Journal asked YouTube about it. YouTube said it bars videos that aim to recruit terrorists or incite violence, and that it acts quickly to remove content flagged for violating those policies.

Twitter said it is expanding its use of technology to combat terrorist content. Facebook has created a team dedicated to removing such material. Telegram's chief executive, Pavel Durov, said in Telegram messages Monday that his service is constantly adding moderators "to deal with these threats."

—Stu Woo

contributed to this article.

WORLD NEWS

Syrian Assault Pushes Rebels Into Corner

Regime's offensive intensifies despite international efforts; thousands flee to Idlib

BY RAJA ABDULRAHIM

Busloads of forcibly displaced Syrians arrive almost weekly to an increasingly crowded corner of northwest Syria, doubling the local population of Idlib province as the regime systematically empties the opposition from its former strongholds elsewhere.

Syrian warplanes pressed forward with airstrikes and bombardments despite an April 7 attack the U.S. launched on regime targets in retaliation for its use of sarin gas in Idlib, targeting hospitals, markets and rescue centers and killing hundreds more civilians, according to opposition activists and human rights groups. The regime's offensive slowed somewhat after an internationally brokered deal to create de-escalation zones in early May, but strikes have persisted, even in the wake of a second U.S. attack on regime forces later that month.

Syrian President Bashar al-Assad appears emboldened in his efforts to eliminate his opponents. His main international backers, Russia and Iran, haven't wavered in their support despite U.S. and Western allegations of atrocities.

"Idlib has become like the



Thousands of Syrians displaced by conflict live in refugee camps like this one near the country's northwestern border with Turkey.

OMAR HAJ KADOUR FOR THE WALL STREET JOURNAL

Gaza Strip. Turkey has closed its borders and it has become an open-air prison," said Muhammad Jaffa, a volunteer who helps displaced people in the northern province, which borders Turkey and is largely surrounded on the other sides by Syrian forces and their allies.

"People are living in a constant state of fear."

Leaders of the opposition fighting the Assad regime initially hoped the U.S. attacks

showed greater willingness in Washington to confront it.

But U.S. defense officials said President Donald Trump only meant for an April strike on a Syrian airfield to deter Mr. Assad from using chemical weapons again, not to signal the beginning of a campaign against the Syrian military.

"And, thus far, I think we've been successful in deterring him from using chemical weapons again," one U.S. de-

fense official said.

Since the April gas attack on the Idlib town of Khan Sheikoun, airstrikes by the regime and its Russian allies have killed nearly 400 civilians in Idlib province alone, including more than 160 women and children, according to the pro-opposition Syrian Network for Human Rights—though the attacks have eased somewhat since Russia and Iran, both regime allies, agreed with Turkey to set

up four de-escalation zones.

In April, the regime attacked 29 medical facilities in opposition-held territory—14 of them in Idlib—according to the World Health Organization.

The regime has also continued to besiege many areas held by the opposition—sieges that have often ended in deals to transfer rebels and residents to Idlib. In May, the last of 12 convoys of buses left the remaining opposition-held

foothold in the city of Homs—once called the "capital of the revolution" by the opposition—and some 17,000 people were moved to Idlib and another rebel-controlled pocket in Aleppo province.

Rebels have also used siege tactics. Pro-regime fighters and civilians began leaving two besieged Idlib towns in April for the city of Aleppo, which the regime recaptured last year.

Over the past year, at least 13 opposition-held towns and neighborhoods have been forced to surrender to the regime after months or years of siege and bombardment.

On Tuesday, the U.N. under-secretary-general for humanitarian affairs, Stephen O'Brien, told the U.N. Security Council there needed to be accountability for the regime's use of "starve-and-surrender tactics" to force evacuations.

"The tactics are all too obvious: make life intolerable and make death likely; push people to choose between starvation and death or fleeing on green buses to locations that are just as unsafe," he said.

Idlib and small parts of three adjacent provinces are now home to many of the displaced Syrians.

"Everyone is asking: 'Why are they putting us all in this corner?'" said Yakzan Shishakly, director of Maram Foundation, which runs three transit centers for newly displaced people in Idlib.



FREDERIC J. BROWN/AGENCE FRANCE PRESSE/GETTY IMAGES

Qatar Airways relies on shuttling passengers from nearby nations.

Flying Bind: Gulf Rift Hits Flag Carrier

BY NICOLAS PARASIE AND ROBERT WALL

DUBAI—Qatar's rift with its Arab neighbors threatens to hit one of the tiny Gulf state's economic arteries: air transport.

Airlines from the United Arab Emirates—including heavyweights **Emirates Airline** and **Eithad Airways**—Saudi Arabia, Bahrain and Egypt suspended flights to Doha on Monday, hours after their countries announced they were cutting diplomatic, air and maritime links to Qatar. The step marks an escal-

ation in a dispute over Qatar's alleged support for Islamist groups in the region.

Qatar has said its neighbors' moves are founded on "baseless and unfounded allegations" and has vowed to ensure they won't harm the economy.

However, the flight suspensions are a major blow for state-owned, flag carrier **Qatar Airways**, which relies on shuttling passengers from larger nearby countries like Saudi Arabia across its network of more than 150 destinations. The airline carries millions of passengers every

year, many of whom stop over in Doha, helping boost tourism and business, which are vital to Qatar's plan to reshape its energy-dependent economy.

Qatar Airways responded by immediately suspending flights to Saudi Arabia. Later in the day, it canceled flights to the U.A.E., Bahrain and Egypt from Tuesday "until further notice."

"As a hub carrier with a small domestic market, feed traffic is their bread and butter," airline consultant John Strickland said.

The loss of that traffic will

hurt, Mr. Strickland added. Qatar Airways declined to comment.

Qatar Airways flights to and from U.S. locations such as New York, Atlanta, and Los Angeles, or European destinations including London, Paris or Geneva, should be largely unaffected.

Some eastbound flights from Doha to Asia could also take more time if Qatar Airways has to fly around airspace its neighbors no longer will allow it to traverse. Only Saudi Arabia has so far said publicly it would block such flights.

A Timeline of the Tear in Relations

◆ **2011:** Arab Spring unrest erupts across the region, with Qatar supporting—and Saudi Arabia and its allies opposing—movements pressing for sweeping political change.

◆ **Nov. 23, 2013:** The Gulf Cooperation Council signs a mutual security pact that no member shall interfere in the internal affairs of another.

◆ **March 5, 2014:** Saudi Arabia, the U.A.E. and Bahrain withdraw their ambassadors from Qatar, saying it violated their security pact by supporting the Muslim Brotherhood.

◆ **Nov. 17, 2014:** The three countries say they will return their envoys to Qatar, having overcome their differences.

◆ **May 24, 2017:** Comments attributed to Qatar's emir that praise Iran and describe Hamas as the legitimate representative of the Palestinians are posted online by Qatar's state news agency. Doha says the agency was hacked. Saudi Arabia and other GCC countries block access to Al Jazeera and other Qatari news sites.

◆ **June 5, 2017:** Saudi Arabia, the U.A.E., Bahrain and Egypt sever diplomatic and some commercial ties with Qatar.

Arabia, Bahrain and Egypt. Qatar Airways responded by immediately suspending flights to Saudi Arabia, and later cancelled flights to the U.A.E., Bahrain and Egypt from Tuesday "until further notice."

Like many of its Gulf Arab neighbors, Qatar has spent tens of billions of dollars on American and European arms in recent years, and it has been part of a U.S.-led coalition carrying out strikes against Islamic State since 2014.

A Pentagon spokesman indicated that U.S. warplanes continued to conduct missions from Qatar to Iraq, Syria and Afghanistan despite the break in ties. "We have no plans to change our posture in Qatar," said the

spokesman, Maj. Adrian Rankine-Galloway. "We encourage all our partners in the region to reduce tensions and work towards common solutions that

enable regional security."

At a news conference Monday in Sydney, Australia, U.S. Secretary of State Rex Tillerson played down the rift, saying he hoped it would be re-

solved diplomatically and offering to mediate. Defense Secretary Jim Mattis, who appeared with Mr. Tillerson, said he doubted the diplomatic rift would have an impact on the fight against terrorism.

Before last month's summit in Saudi Arabia, Saudi and Emirati officials discussed their concerns about Qatar with the Trump administration, according to senior Arab officials. These officials believed Mr. Trump understood the importance of pushing back on Qatar, given the president's efforts to contain Islamic State and Iran, they said.

Trump administration officials didn't respond to questions about the contacts, but

have expressed frustration with Qatar's actions, as did officials during the Obama administration.

It wasn't clear whether Qatar's change in relations with Saudi Arabia, the U.A.E. and Bahrain—also members of the coalition—would affect Qatar's participation in the anti-Islamic State campaign.

The Trump administration has tried to build a regional consensus around containing Iran and a shared disdain for the landmark nuclear deal the Obama administration negotiated with Iran. The 2015 deal offered Iran relief from sanctions in exchange for curbs on its nuclear program.

Some observers saw a link between Monday's diplomatic break and Mr. Trump's visit to Riyadh, during which he announced arms sales worth almost \$110 billion and pledged close cooperation with Saudi Arabia on counterterrorism.

"The Saudis and Emiratis feel emboldened by the alignment of their regional interests—toward Iran and Islamism—with the Trump administration," said Kristian Ulrichsen, a fellow at Rice University's Baker Institute for Public Policy.

The official Saudi Press Agency said on Monday that Doha had been expelled from the Saudi-led, anti-Houthi coalition fighting in Yemen.

Saudi Arabia also shut the Riyadh offices of Al Jazeera, which is based in Qatar.

—Dahlia Khaleif, Maria Abi-Habib and Jay Solomon contributed to this article.



DOHA NEWS/ASSOCIATED PRESS

Shoppers stocked up on supplies at a Doha supermarket on Monday, following the diplomatic rupture.

QATAR

Continued from Page One
the Middle East. On Saudi Arabia's side of the dispute is Bahrain, which hosts the Fifth Fleet, one of the U.S.'s largest naval fleets.

Tensions among the Arab countries rose late last month when Qatar's official news agency posted comments, purportedly by its emir, that praised Iran, which led Saudi Arabia and others in the region to block websites of Qatari news outlets. Qatar said the news agency had been hacked and denied the emir had made the comments.

Monday's sudden diplomatic rupture led to a rush on supermarkets in the Qatari capital, Doha, as residents worried about the closing of the country's only land border, with Saudi Arabia, from which Qatar imports large amounts of food.

In addition to breaking relations, Qatar's Gulf Arab neighbors said they would close off their air, sea and land routes to Qatar and bar its aircraft and vessels from using their airspace and territorial waters, though they didn't indicate they would in any way restrict Qatar's shipping or air links to other countries. Qatar is the world's largest exporter of liquefied natural gas.

The rift disrupted international air travel as U.A.E.-based Emirates Airline and Etihad Airways suspended flights to Doha, as did airlines in Saudi

Mazo, from the Institutional Revolutionary Party, or PRI, had 33.7%, compared with 30.8% for Delfina Gómez of the National Regeneration Movement, or Morena, the party Mr. López Obrador founded.

Mr. López Obrador, in a message on Facebook, said his party would challenge the results, citing heavy pre-election spending by the federal government and what he called an "irregular" vote count. But he fell short of calling for wide-

spread protests, as he did in 2006 when he lost his first bid for Mexico's presidency.

The peso closed up 1.9% to around 18.34 against the dollar in Mexico City, its highest level since early September, as investors interpreted the PRI victory as diminishing the chances of Mr. López Obrador winning the presidency. His policies are seen as not being market-friendly.

The Sunday vote was viewed as a crucial test of power for the PRI, which has

governed the State of Mexico since 1929, but has faced growing opposition amid corruption scandals and rising violence across the country. Mr. Peña Nieto, who is from the state, is the least-popular president since polling on the issue began in the early 1990s, garnering an approval rating between 15% and 20% in most surveys.

But the PRI benefited from a divided opposition field. A second leftist party, the Party of the Democratic Revolution,

or PRD, got 18% of the votes, while the conservative National Action Party, which governed Mexico between 2000 and 2012, got just 11%.

"The PRI is in a good position to fight for the presidency in 2018," said Jesús Silva Herzog, a political scientist. "The erosion of the PRI and the disillusionment with the government could not be capitalized by any party because the opposition is very fragmented."

Mr. Peña Nieto is barred by

the constitution from re-election.

Mr. del Mazo, the son and grandson of former state governors, fought hard to hold on to the governorship for the PRI in the face of a wave of popular anger against corruption that has dogged the party.

For Mr. López Obrador, his party's narrow defeat in a PRI stronghold is a setback but still shows that Morena is building a large following in a short time, analysts said.

Mexico's Ruling Party Retains Power in Nation's Most-Populous State

By JUAN MONTES

MEXICO CITY—The country's ruling party retained power in a widely watched gubernatorial vote in the country's most-populous state, results showed on Monday, marking a boost for President Enrique Peña Nieto and a setback for leftist nationalist Andrés Manuel López Obrador ahead of next year's presidential election.

With close to 98% of the votes counted, Alfredo del

WORLD NEWS

Tillerson Courts, Leans on Beijing

BY GORDON LUBOLD
AND ROB TAYLOR

SYDNEY—Secretary of State Rex Tillerson forcefully called on China to stop militarizing islands in the South China Sea, to pressure North Korea and broadly to assume a more responsible role in Asia-Pacific stability.

Mr. Tillerson, speaking here on Monday amid annual talks between Australia and the U.S., echoed remarks made by Defense Secretary Jim Mattis last week as the U.S. leans heavily on Beijing to persuade North Korea to stop its ballistic-missile and nuclear programs.

But the U.S.-China relationship is also strained by a host of other diplomatic and economic issues, including over the South China Sea, where the U.S. has been needling Beijing with so-called freedom of navigation patrols. China claims sovereignty over islands in the South China Sea islands and adjacent waters but denies it is militarizing them.

WORLD WATCH

AUSTRALIA

ISIS Claims Attack In Melbourne Suburb

Authorities said they are treating a deadly siege in a Melbourne suburb as an act of terrorism, though they haven't found direct links between the perpetrator and Islamic State, which claimed responsibility.

The gunman, identified as 29-year-old Yacqub Khayre, killed a man and held a woman hostage in an apartment building Monday before he was shot and killed by police. The woman wasn't hurt.

Police said the gunman, an Australian citizen originally from Somalia, was on parole after serving seven years in prison for reckless intent to cause harm.

—David Winning

Mr. Tillerson's latest comments were some of the most forceful to date at a time when the U.S. also wants China's help on North Korea.

"China is a significant economic and trading power, and we desire a productive relationship, but we cannot allow China to use its economic power to buy its way out of other problems, whether it is militarizing islands in the South China Sea or its failure to put appropriate pressure on North Korea," Mr. Tillerson said at a news conference here. "They must recognize that with a role as a growing economic and trading power come security responsibilities as well."

Asked about Mr. Tillerson's comments, a Chinese Foreign Ministry spokeswoman said China's efforts for peaceful resolutions on the nuclear issue and in the South China Sea were "there for all to see" and that she hoped "relevant countries could fully respect and support efforts made by countries in the region."

INDIA

Launch of Rocket Deemed Successful

India successfully launched its heaviest-yet rocket, which it hopes will eventually be able to carry astronauts into space, a feat that only Russia, the U.S. and China have achieved, its space agency said.

The Geosynchronous Satellite Launch Vehicle Mk III rocket lifted off from Sriharikota, an island off the coast of Andhra Pradesh state, and placed a communication satellite into orbit, the Indian Space Research Organization said. In the past, India has used French rockets to launch its heavier communication satellites.

—Associated Press

Turkey Presses Expatriates

BY NED LEVIN

ISTANBUL—The Turkish government threatened to strip citizenship from U.S.-based cleric Fethullah Gulen and 129 other individuals if they don't return to Turkey within three months to face criminal investigations or prosecutions related to last year's failed military coup.

The development is the latest escalation in what Turkish officials have characterized as a counterterrorism campaign to repatriate hundreds of so-called Gulenists who, in many cases, fled the country after last July amid what they say is a witch hunt against their organization and other political opponents of President Recep Tayyip Erdogan.

Turkish officials accuse Mr. Gulen, a one-time ally of the Turkish leader, of masterminding the coup attempt last July, in which roughly 270 people were killed. Mr. Gulen, who has lived in the U.S. since 1999, has denied any role in the coup, saying he rejects violence.

A spokesman for Mr. Gulen didn't immediately respond to requests to comment about the latest move.

Turkish officials, who have requested that U.S. authorities extradite Mr. Gulen to face charges including terrorism and treason, have been increasingly frustrated with the lengthy and complex nature of that process.



Ankara has threatened to strip the citizenship of Fethullah Gulen, seen above in July, and of 129 others.

U.S. officials say privately that the evidence provided by Turkey doesn't meet American standards.

Since this spring, Turkey has moved more aggressively against suspected Gulenists by canceling passports of dozens of citizens abroad, an effort officials say is meant to force foreign governments to deport them.

Rights campaigners have criticized the Turkish moves, calling them part of Mr. Erdogan's effort to eliminate all political opponents. In the wake of the failed coup, Turkey has arrested roughly 50,000 people and purged around 140,000 others from the civil service, accusing most of links to Mr. Erdogan.

On Monday, Turkey published the names of 130 people in its official government gazette, including their ID numbers, dates of birth, parents' names and birthplaces.

The announcement cited Turkey's citizenship law, which was amended in January. The amendment states that individuals being investigated or prosecuted for crimes including armed rebellion against the government and membership in an armed terror organization can be stripped of citizenship if they don't return within three months of a public summons from the Ministry of Justice.

The list didn't include information on which suspects were wanted for questioning and which already had been charged.

Ankara and Berlin Face Mounting Tensions

BY ZEKE TURNER

BERLIN—A German diplomatic mission to Turkey on Monday aimed at forcing an end to an almost yearlong standoff between the two allies ended with Germany on the brink of pulling troops out of the country.

Germany's Foreign Minister Sigmar Gabriel suggested withdrawing soldiers stationed at Incirlik Air Base in southern

Turkey after the host country continued to forbid German lawmakers from visiting.

"It's regrettable, but I ask for understanding: For internal reasons we will have to relocate the soldiers," he said.

Mr. Gabriel arrived in Ankara on a mission to address tensions around the base, where about 250 German troops are stationed to fly reconnaissance missions as part of a coalition fighting Islamic State.

Turkey's Foreign Minister Mevlut Cavusoglu stood firm on barring German lawmakers from visiting.

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This spring, Turkish President Recep Tayyip Erdogan's constitutional referendum spilled onto German soil, host to the largest Turkish diaspora in the world, with Germany trying to block Turkish politicians from campaigning here.

Since winter, Turkey has been holding a correspondent for the German newspaper Die Welt in prison on terrorism-related charges Germany says are trumped up.

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IN DEPTH

Aging Pipes, Leaky Roofs Plague Colleges

As maintenance bills swell, U.S. universities struggle to repair aging infrastructure

BY MELISSA KORN

Lurking inside the ivy-covered gothic towers and brutalist concrete blocks on college campuses are moldy ceilings, failing plumbing and antique boilers whose replacement parts are available only on eBay.

Still reeling from state funding cuts and battered endowments in the wake of the financial crisis, U.S. universities have been putting precious money toward financial aid, academic programs and gleaming buildings that might attract new students—neglecting aging electrical systems and leaky roofs. As a result, schools are staring down a deferred maintenance backlog that has topped \$40 billion, by some estimates, more than the federal government spends on Pell Grants for needy college students each year.

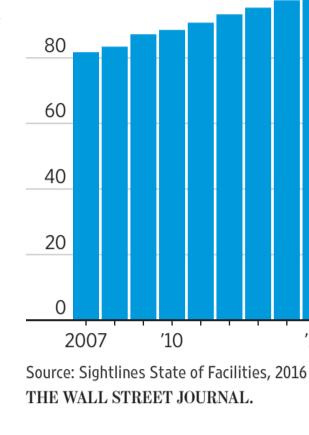
Despite adding student fees for facilities and even demolishing buildings that are beyond repair, the campus to-do lists continue to grow as buildings push 60 years old. For schools already under financial pressure, a burst pipe could spell disaster.

The tab for deferred maintenance at the California State University System's 44 million square feet of academic buildings is \$2.6 billion, while the City University of New York has earmarked upward of \$3 billion in "critical" maintenance needs over the next five years. Small private schools like New England College in New Hampshire peg their repair backlog at roughly the same size as their endowments.

When ticking off the issues that keep them awake at night, school presidents regularly include upkeep of aging facilities alongside concerns about regulatory compliance and program affordability. For David Anderson at St. Olaf College in Minnesota, it is about fulfilling a fiduciary responsibility because the campus's physical

Putting Off Repairs

Deferred maintenance backlog at U.S. private and public colleges and universities continues to grow



Source: Sightlines State of Facilities, 2016

THE WALL STREET JOURNAL.

assets are worth nearly a quarter-billion dollars. Les Wong at San Francisco State University has buildings averaging 50 years old, in an earthquake-vulnerable region.

"It's like Whac-A-Mole," said Gregg Goldman, chief financial officer at the University of Arizona, using the arcade mallet

Plumbing Isn't Sexy for Donors

Private schools are suffering with a maintenance backlog, in part because donors are more likely to open their wallets for a new building than for upgraded plumbing.

A basement office for roughly a dozen Ph.D. students at New York University has fresh carpets and cheery yellow-green walls. It also has a tarp protecting an electrical closet from incessant leaks and ceiling tiles that have turned brown from water damage.

A school spokesman said

that NYU doesn't own all the buildings it occupies, and has to work with landlords for repairs. He noted that the school has trimmed its deferred-maintenance backlog by \$200 million between 2013 and 2016.

The median capital spending ratio at private colleges and universities nationwide was 1.29 in fiscal 2015, meaning that schools invested enough money to cover depreciation on existing facilities plus about 30% more. That is the lowest in at least a decade, according to Moody's Investors Service, and schools with weak credit ratings put in only 83 cents for every dollar of depreciation.

—Melissa Korn

the backlog a "ticking time bomb" at a November Board of Regents meeting.

Last summer, a transformer in a 50-year-old research building failed; another caught fire as maintenance staff looked into the problem, forcing employees there and patients at an attached hospital to evacuate

ate. The school found a replacement fuse on eBay.

The University of Illinois at Urbana-Champaign has resorted to using bricks to weigh down rubber and plastic membranes that wick water from the roof, said Doris Reeser, assistant director of capital programs. While building tops aren't "flapping in the wind" that way, Ms. Reeser said, rain may still get on some research, like at the National Soybean Research Laboratory, where parts of the building also have no ventilation or chilled water.

To chip away at its half-billion-dollar mountain of repairs, the University of North Dakota is raising tuition next year, with roughly \$1 million a year directed to a new capital pool. Other schools have instituted student fees for maintenance.

Meanwhile, the University of Arizona may have defused its time bomb—for now. Gov. Doug Ducey approved a budget last month that lets the university issue \$200 million in debt for repairs, and almost as much for the construction of new research facilities.

THINK

Continued from Page One
an online pay and benefits researcher, showed 50% of employers complain that college graduates they hire aren't ready for the workplace. Their No. 1 complaint? Poor critical-thinking skills.

"At most schools in this country, students basically spend four years in college, and they don't necessarily become better thinkers and problem solvers," said Josipa Roksa, a University of Virginia sociology professor who co-wrote a book in 2011 about the CLA+ test. "Employers are going to hire the best they can get, and if we don't have that, then what is at stake in the long run is our ability to compete."

International rankings show U.S. college graduates are in the middle of the pack when it comes to numeracy and literacy and near the bottom when it comes to problem solving.

The CLA+ test raises questions about the purpose of a college degree and taps into a longstanding debate about the role of colleges: Are they designed to raise students' intellectual abilities or to sort high-school graduates so they can find the niche for which they are best suited?

The role of a diploma as signal of ability has been in the ascendance recently, given how having a degree is closely related to graduates' lifetime earnings. The test data, by contrast, show that many students earn their degrees without improving their ability to think critically or solve problems.

Tests such as the CLA+ can be used to fulfill a mandate by accreditors for schools to show that they are trying to assess and improve the education they provide.

The CLA+ measures critical thinking, analytical reasoning, problem solving and writing because it demands students manipulate information and data in real-world circumstances that require different abilities. It has been lauded by a federal commission that studied higher education.

The test has detractors. It is hard to completely untangle cause and effect in something as complicated as improving critical-thinking skills and as broad as a college education. And students don't always try their hardest when they take the exam, since there is little at stake for them.

Smart already

Colleges where students perform poorly say it is unfair to draw sweeping conclusions from a single test. They argue that students from different colleges shouldn't be compared because freshmen have widely varying abilities. Some prestigious schools say their schools don't show much improvement between the first and fourth years because their students are so accomplished when they arrive that they have little room to improve.

Colleges where students perform well on the test say it is an accurate gauge of their academic programs.

The CLA+ requires students

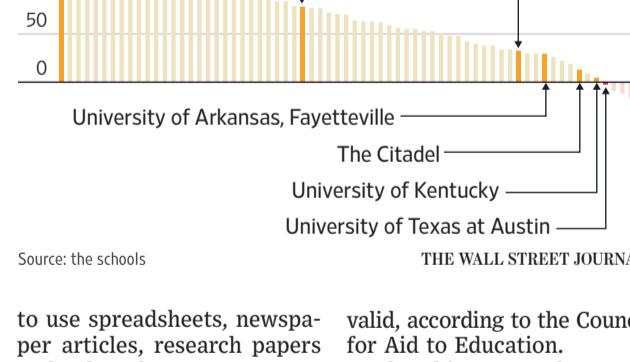


Students at New Hampshire's Plymouth State University get better at critical thinking over four years, a test called the CLA+ shows. Above, sophomore Kate Frederick.

Independent Study

The results of the CLA+ test of critical-thinking skills at dozens of colleges show a wide range of improvement over four years.

Average point difference in CLA+ score for freshmen and seniors:



Source: the schools

exam until they realize how much they've learned," said Ms. Sanders. "We don't hand the students anything. I ask them to really think and discover what principle they will live their lives by."

Adam Civinskas, a Plymouth State graduate heading to law school, said he and his classmates in a technical-writing class were assigned to devise a new class that would help them learn to write resumes and cover letters. He said they received almost no instructions on how to tackle this task.

His group interviewed other students and department heads, then built the class proposal from the research. "They gave us just enough information to make us ask ourselves the right questions," said Mr. Civinskas. "That's kind of the way everything works here."

Overall, a majority of students at colleges that took the CLA+ made measurable progress in critical thinking, the Journal found. Colleges that added the most value aren't necessarily highly ranked in areas that more often build a college's reputation, such as faculty research, graduate programs, on-campus amenities, sports programs and the selectivity of the freshmen class.

Clueless on quality

"When it comes to how students select a college, we are clueless about quality," said Tony Carnevale, director of the Georgetown University Center on Education and the Workforce. "The proxy we use is reputation."

Flagship institutions such as the University of Kentucky and the University of Texas at Austin attract some of the brightest students in the country. Their students

showed little improvement in CLA+ performance. Their value-added score put their ranking in the bottom third of schools that gave the test in the same year.

Kentucky and UT Austin officials criticized the test and said they no longer use it.

At the University of Louisiana at Lafayette, three-quarters of seniors had "basic" or "below basic" levels of mastery, the two lowest ratings out of five used in the CLA+.

It's hard to find out how good a college is at teaching the skill of critical thinking.

"I wasn't as focused as I should have been, but in a lot of classes, we just watched videos and documentaries, and then we would talk about them. It wasn't all that challenging," said Jeremy Daigle, who graduated in 2011 and now works in a coffee shop in Lafayette.

The college said the test results don't "reflect the rigor of our academic programs." UL Lafayette said it no longer uses the CLA+.

Seniors who scored basic or below basic might not be able to "distinguish the validity of evidence and its purpose" or "determine the truth and validity of an argument," according to the Council for Aid to Education. At least half of the seniors at a quarter of the schools reviewed by the Journal fell into those categories.

By contrast, more than 90% of seniors at California Polytechnic State University, San Luis Obispo; Miami University of Ohio; Ohio State University

and the University of Georgia graduated with critical-thinking abilities rated as "proficient" or better. The two highest levels are "accomplished" and "advanced."

Roger Benjamin, president of the Council for Aid to Education, said the test provides a sound assessment of the intellectual capital and capacity for innovation needed to succeed in the modern world. "That's why measuring performance and working toward improvement are so critical," he said.

At the Citadel in Charleston, S.C., 65% of seniors who took the test in 2016 were rated basic or below. The value added was in the low 2nd percentile among all the schools where students took the exam in 2016.

Beowulf ballot

The Citadel, like many schools, enshrines the importance of critical thinking in its mission statement, pledging to make sure graduates "are capable of both critical and creative thinking...and possess the methodological skills needed to gather and analyze information."

As officials grapple with the lackluster test results, Citadel English professor Jenna Adair has begun incorporating lessons on critical reasoning into her classes. She asks sophomores to read "Beowulf" and pretend they are journalists covering a presidential race between three characters in the millennium-old epic poem. The students must generate criteria to evaluate the candidates, which pushes them to dissect the concept of leadership. Many struggle.

"A lot of students beg me to give them the answer," she said.

to use spreadsheets, newspaper articles, research papers and other documents to answer questions, make a point or critique an argument. Colleges pay about \$35 a student to the test's creator and administrator, the Council for Aid to Education, a nonprofit group in New York.

At each college, the roughly 90-minute test is given to one group of freshmen in the fall of their freshman year and to a separate group of seniors in the spring of the same academic year. A statistical analysis of the difference between the average scores of the two groups is considered a valid way to reflect the value added during four years of college.

The Journal filed public-records requests with more than 100 public institutions where students took the CLA+ between 2013 and 2016. Sixty-eight of those colleges had at least 75 freshmen and seniors to take the test in the same academic year, making the results for those schools statistically

valid, according to the Council for Aid to Education.

The biggest point gain came at Plymouth State University, a college in New Hampshire with about 3,600 undergraduate students. Plymouth State seniors in 2014 had an average CLA+ score of 1,185 points, which was 178 points higher than the average freshman score at Plymouth of 1,007. The school's total count, or "value-added score"—which includes factors such as graduation rates—put Plymouth near the top in the 95th percentile of schools that took the test in 2014.

Maria Sanders, an assistant philosophy professor at Plymouth State, says she isn't surprised by its strong CLA+ results because her classes emphasize critical reasoning. In her philosophy of law class, students hold a mock trial of Lizzie Borden, the Sunday-school teacher accused in 1892 of hacking her stepmother and wealthy father to death.

"It's not until the final

exam until they realize how much they've learned," said Ms. Sanders. "We don't hand the students anything. I ask them to really think and discover what principle they will live their lives by."

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GREATER NEW YORK

Cuomo Hits Insurers That Exit Exchange

Emergency regulations bar companies from Medicaid if they bail on health marketplace

BY MIKE VILENSKY
AND ANNA WILDE MATHEWS

New York Gov. Andrew Cuomo on Monday issued emergency regulations aimed at deterring insurers from leaving the state's Affordable Care Act exchange market as Congress weighs repealing former President Barack Obama's signature health-insurance law.

The ACA, often dubbed "Obamacare," set up market-

places where consumers can buy coverage from different insurers and obtain federal subsidies to help with the cost. But the House of Representatives has passed legislation that would bring huge changes to the current exchange markets. The Senate is working on its own version of the bill.

Mr. Cuomo, a Democrat, ordered the state health department to bar health insurers that withdraw from the New York exchange market from participating in other state programs including Medicaid, an action that could pose a financial threat to some companies.

He also directed the state's Department of Financial Ser-

vices to require insurers in New York to continue covering medical services required under Mr. Obama's law. It isn't clear if a replacement for the ACA would ultimately mandate those coverage areas.

"These aggressive actions will make certain that no matter what happens in Congress, the people of New York will not have to worry about losing access to the quality medical care they need and deserve," Mr. Cuomo said.

The state's move comes as insurers around the country have warned about pulling back from the exchanges after taking financial losses and amid uncertainty in Washington about

the future of the ACA.

Humana Inc. in February announced it would exit all the health-law marketplaces next year. Aetna Inc. has also said it is pulling out of the exchanges where it currently offers plans.

Anthem Inc., a major insurer in New York, has said it is weighing the future of its exchange business nationwide and may pull back in at least some areas.

Alphonso David, Mr. Cuomo's counsel, said in an interview Monday that insurers who leave the market will face "aggressive action" from the state.

Thomas Carroll, an analyst with Stifel Financial Corp., said

that given the size of New York's Medicaid business, the state's move could have a significant impact on insurers' decision-making. Mr. Carroll said the action is likely to be imitated by other states looking to prop up their ACA marketplaces.

"The potential for Medicaid contracts now and in the future creates strong leverage," he said.

Nevada has also moved to keep insurers in its exchange. Heather Korbulic, executive director of Nevada's health-insurance marketplace, said Aetna has filed materials indicating it will offer plans there next year. She said Aetna

agreed to enter the exchange as part of a contract to manage Medicaid plans in the state.

An Aetna spokesman declined to comment on its plans there.

Bill Hammond, a health-care analyst at the Empire Center, a conservative-leaning New York think tank, said that while Nevada offered "a carrot" to an insurer to stay, Mr. Cuomo was offering "a stick" for leaving.

Mr. Cuomo's regulatory approach bypasses the state Legislature, but could be undone by another governor. The Democratic-led Assembly and GOP-led Senate didn't comment Monday on the new regulations.

Degrees Earned, Future Awaits



CLASS ACT: Graduates of CUNY's Baruch College at their commencement ceremony on Monday at Barclays Center in Brooklyn.

N.J. Voters Head to the Polls Amid Tax and Transit Woes

BY KATE KING

New Jersey voters will cast ballots in the primary on Tuesday to select nominees for governor of a state dogged by high property taxes, a looming public-pension crisis and increasingly unreliable transit infrastructure.

Polls show the Democratic contest is being led by Phil Murphy, a former Goldman Sachs executive who has never held elected office, and Assemblyman John Wisniewski. Both are offering progressive platforms that include the legalization of marijuana and a \$15 minimum wage.

Right-of-center conservatives are dominating the Republican field with Lt. Gov. Kim Guadagno and Assemblyman Jack Ciattarelli leading in the polls. Both have expressed a desire to revamp the state's school-funding formula, and concern about how the president's health-care agenda will affect Medicaid coverage in New Jersey.

Tom Agnew, a 68-year-old insurance broker from Glen Ridge, said the state's financial woes are his biggest worry. "The pension fund, the debt—

they have to really come to grips with the finances or it's going to hold them back on just about everything else," he said.

New Jersey is facing a massive unfunded public pension liability, which Moody's Investors Service forecasts will lead to a \$3.6 billion annual budget deficit within six years. The credit ratings for New Jersey's general-obligation bonds have been downgraded 11 times by three different firms during Gov. Chris Christie's tenure.

2.4M
New Jersey voters unaffiliated with a political party

Mr. Christie, a Republican who can't run for a third term, has sought to burnish his economic legacy in recent months. The state's unemployment rate has fallen to its lowest level since 2001, and stands at 4.1%, compared with 9.8% when he took office in 2010. The governor has also

pointed to a deal reached last year with the Democratic-controlled state Legislature to phase out the state estate tax as key to making New Jersey more competitive.

Turnout in the Tuesday election is expected to be low, and a May poll by Stockton University found that nearly a third of likely primary voters were still undecided on the candidates.

Mary Mowder, a 51-year-old registered Republican from Freehold, said she usually votes in the general election but isn't planning to cast a ballot in Tuesday's primary. "To be honest with you I didn't even realize it was tomorrow," she said, adding that she hopes fixing the delays and train breakdowns on NJ Transit is a priority for the next governor.

New Jersey has closed primary elections, meaning more than 40% of the electorate—including the state's nearly 2.4 million unaffiliated and roughly 26,000 third-party voters—can't cast ballots Tuesday. There are more than two million registered Democrats in New Jersey and about 1.2 million Republicans.

Boy, 5, Is Shot In Head

BY ZOLAN KANNO-YOUNGS

A 5-year-old boy was struck in the head by a stray bullet Monday as he stood with his father on a Bronx street, the New York Police Department said.

The child had just finished visiting his father at an apartment on Washington Avenue in the Morrisania neighborhood when the incident occurred around 5 p.m., Assistant Chief Larry Nikunen said.

While the father walked his son to a car in front of the apartment building, a man on the street fired four shots at another man.

"One of those shots struck the child," said Chief Nikunen, the commanding officer of the NYPD's Patrol Borough Bronx.

The boy was taken to St. Barnabas Hospital in a private vehicle and then transferred to Columbia-Presbyterian Medical Center, law-enforcement officials said. He is in "grave condition," Chief Nikunen said.

He said police didn't know what prompted the shooting. Investigators were searching for surveillance video and witnesses to identify the two men.

Buffalo Schools Find Way to Get Back on Track

BY LESLIE BRODY

BUFFALO—Five years ago this Rust Belt district had a 48% graduation rate, short school days and spotty after-school programs, while its teachers' contract offered free tummy tucks, face-lifts, and nose jobs.

The picture is changing. The district's four-year graduation rate climbed to 64% last year, attendance has ticked up, and 10 of its most troubled schools improved enough to get off the state's list of those at risk of closure or takeover by an outside receiver. Teachers now work under a tougher new contract that doesn't pay for cosmetic surgery.

This city of about 260,000 in western New York shows what can happen when a community gets so fed up with its school system that influential civic leaders look past their differences and work to fix it. With more than 31,000 children in kindergarten through 12th grade, the high-poverty district still struggles, but it has lengthened the school day from 6 hours, 50 minutes to 7 hours, 15 minutes, and added social services.

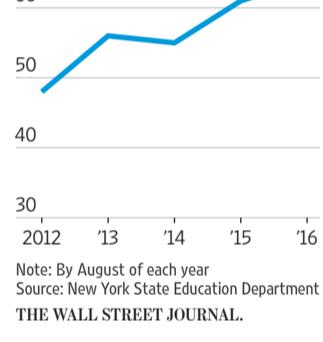
City leaders turned to a Manhattan-based source for help: Say Yes to Education, a national nonprofit that uses the promise of college scholarships as a carrot for systemic change. Supporters say it provided stability in a district that had seven superintendents in seven years.

"That was a game-changer," said Samuel Radford III, a parent leader. "A culture shift happened because you had a larger table of people paying attention to education."

Say Yes came to town in 2011 after a long campaign by Clotilde Perez-Bode Dedecker, president of the Community Foundation for Greater Buffalo, a charity that benefits western New York.

Making Progress

Four-year graduation rate from Buffalo public high schools:



Note: By August of each year
Source: New York State Education Department
THE WALL STREET JOURNAL

In hopes of restoring the city's glory after decades of decline from lost manufacturing jobs, she recruited city leaders to join her pitch to be a Say Yes site.

Say Yes pledged \$15 million and technical assistance to seed a system of support services. In turn, local donors were required to commit \$15 million for scholarships.

A 16-member operating committee has been meeting every two or three weeks. It includes the district superintendent, mayor, union chiefs, business leaders, foundation heads and elected parent representatives. Ms. Dedecker calls such collaboration "unnatural behavior performed by consulting adults."

Some relationships, however, were rocky. Mr. Radford, one of the parent leaders, often criticized the teachers union, saying it cared more about staff pay than students. The union president would fire back that faculty worked hard under difficult conditions.

"I would read the morning paper and any one of the stakeholders on the operating Please see GAINS page A10B



Students leaving Buffalo's South Park High School in May.

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GREATER NEW YORK

Some Urban Farmers Are Going Vertical

BY THOMAS MACMILLAN

In a factory parking lot in Brooklyn, a crowd of about 100 people gasped and murmured as Tobias Peggs cracked open the heavy metal doors of a white shipping container, allowing pink light to spill out from within.

The interior of the container looked like a dance club, or a space station: Strips of dangling LED lights glowed red and blue, illuminating white plastic panels. Leafy green vegetables grew from the walls.

Messrs. Musk and Peggs have a grand vision: A network of Square Roots farms in urban centers across the U.S., each supplying locally grown produce to city-dwellers, while transforming mostly young people into urban farmers and food entrepreneurs. While there is no age limit, the farmers in the first group range from 22 to 30 years old, Mr. Peggs said.

Growing vegetables inside windowless metal boxes, however, has its difficulties. Critics of vertical farming point to extreme energy use, high price points of the final product, and the limited selection of vegetables that can be grown this way. Mr. Peggs acknowledges these challenges but says they can be overcome with rapidly improving technology. LED lights are quickly becoming more efficient, for instance, and the addition of solar panels could take the containers entirely off the grid in coming years, he noted.

Square Roots started last summer with \$3.4 million raised from a first round of investors, Mr. Peggs said. The company spent more than \$1 million building the farm—buying and setting up 10 shipping containers for more than \$80,000 each.

Farming began in November. Each entrepreneur selected was required to invest several thousand dollars in his

to cultivate a network of food entrepreneurs by operating a kind of apprenticeship program. Each of its 10 shipping-container farms is run by a different entrepreneur.

Mr. Peggs, 45 years old, chief executive of a new company called Square Roots, recently was leading a farm tour of his new urban agriculture operation in the Bedford-Stuyvesant neighborhood of Brooklyn. The shipping container was a vertical farm, one of the company's 10 located in the parking lot, each capable of growing the equivalent of 2 acres of crops, he said.

Square Roots, which uses hydroponic technology to raise a variety of herbs and greens, is one of the latest companies to join the expanding industry of high-tech indoor farming. Proponents of vertical farming say it is designed to meet the increasing demand for locally grown food—fueled by distrust of large-scale industrial agriculture—at a time when more people are moving into cities.

Square Roots, co-founded by Kimbal Musk, brother of famed inventor and businessman Elon Musk, isn't only growing vegetables. The company is trying



Erik Groszyk says his farm is just becoming profitable. Below left, he showed the roots of a seedling plant. Items for sale at the farm.



MARK KAULZLICH FOR THE WALL STREET JOURNAL (3)

or her farm, refundable at the end of the year, Mr. Peggs said. Nine of the farmers received microloans from the U.S. Department of Agriculture. The new farmers took a course, learning how to cultivate hydroponic crops, and then decided what vegetables to grow and how to sell them.

Square Roots plans to make money through a revenue-sharing model, taking a cut of whatever income the 10 farmers generate. Along the way, each entrepreneur is given mentoring and guidance on farming, as well as branding and marketing, Mr. Peggs said.

The company is generating

revenue, but is deliberately not running at a profit, to establish the platform, he said. Mr. Peggs declined to detail the profit share with farmers.

One of the farmers, Erik Groszyk, said recently that he had only just started making money from his farm. He raises arugula, mustard

greens, and tatsoi, fueled by a \$12,000 microloan from the USDA. He said he sells his produce directly to restaurants and is part of a companywide sales program called Farm-To-Local, a subscription service that delivers bagged greens to office workers at their desks around New York City.

Philanthropist Gives Students Hope

BY LESLIE BRODY

When money manager George Weiss made a promise 30 years ago to 112 poor sixth-graders in Philadelphia that he would pay their college tuition, he launched an unusually hands-on philanthropic mission.

He took them to football games. When he learned that some were dealing drugs, he went to their homes to "get in their faces." Although he never dreamed it would be necessary, he gave six of them eulogies.

Back then, Mr. Weiss faced heat from some critics who thought it was unfair and arbitrary to shower largess on one grade at one school, rather than rewarding the most diligent. But he stood by his choice and sought to do more. The national nonprofit he founded, Say Yes to Education, says it has raised more than \$280 million over the years, and most came from his gifts and their investment returns.

At a time when many wealthy donors attempt to fix U.S. education by funding charter schools, advocacy and political candidates, Mr. Weiss, who is 74 years old, seeks change in the regular public system. His takeaways: Start social services as early as possible. Get local civic leaders to work together. Persist. "Would you give up on your kids?" he asks.

Sitting on the coffee table in his Park Avenue office is a photo of Walter Brown, one of



George Weiss founded Say Yes to Education, a group that helps students get to and through college.

the original 112. Walter, who had been abused and lived in a group home, was a "wonderful young man" who tried to give him dating tips during his divorce, Mr. Weiss says.

One night, Mr. Weiss got a call that Walter had been killed. Not yet 16 years old, he was a passenger in a stolen car while the driver played a deadly game of chicken. "I cried like a baby when he passed," Mr. Weiss recalls.

Raised by Jewish parents who fled Austria in the late 1930s, Mr. Weiss grew up outside Boston and started busying tables at age 11. He

worked his way through the University of Pennsylvania and kept in touch with a group of disadvantaged teenagers he met at a Christmas party hosted by his fraternity.

"One said, 'George, we couldn't look you in the eye if we dropped out,'" he remembers. "I made a pact with God that if I ever had the where-withal I would do some form of education philanthropy."

After Mr. Weiss's initial promise to Philadelphia students in 1987, Say Yes went on to provide more scholarships and support services there and to groups of 50 to 300 chil-

dren each in chapters in Cambridge, Mass., Hartford and New York City.

Say Yes scaled up to cover entire communities that would agree to invest in social services in schools and raise local funds for postsecondary scholarships. In 2008, Syracuse made such a deal, followed by Buffalo and Guilford County, N.C., Cleveland is applying to be the next site.

Say Yes says that with its partners, it provides access to support services and scholarships to more than 130,000 public-school students. Mr. Weiss says he hopes to reach one million someday.

starting times at some schools.

By the count of Say Yes officials, about 4,000 Buffalo children have used its scholarships to move on to higher education. Local donors have contributed \$24.5 million to this mission so far, in addition to \$10 million toward a goal of a \$100-million endowment. Supporters hope the community will sustain the services long-term after Say Yes's investment ends.

Students say the prospect of college aid gives them hope. That includes Jontá Daniels, 19 years old, who was raised by her grandmother. Ms. Daniels failed two courses and got pregnant, but the vision of a college degree brought her back to high school.

Recently, she learned that she could graduate. She has enrolled in Erie Community College for 2018. "You can't support a child without a diploma," she says.

NYPD: Teenager Will Face Charges

BY ZOLAN KANNO-YOUNGS

Monday that Officer Veve was still "fighting for his life."

Two other passengers in the car, Ebioni Clinton, 19 years old, and Jeronda Oliver, 18, were charged with hindering prosecution, a law-enforcement official said. They weren't arraigned on Monday, and it wasn't clear if they had attorneys. The fourth passenger, a 17-year-old male, is cooperating with police and wasn't charged. Police said the car was stolen from Long Island.

Chief Boyce also confirmed that the 15-year-old suspect was arrested last month and was on probation when the incident occurred on Saturday. It is unknown why he was on probation.

The incident comes as New York prepares to prosecute more minors in family court instead of criminal court. NYPD Commissioner James O'Neill noted on Monday that violent offenders would still be prosecuted in criminal court.

Mr. O'Neill said he visited the family of Officer Veve in the hospital over the weekend and was "awe-struck" by its strength. The police officer, who is married and has a 2-year-old daughter, had surgery on Sunday. "We're not sure what's going to happen yet," Mr. O'Neill said of the officer, who is in critical condition at Kings County Hospital Center.

GREATER NEW YORK WATCH

NEW YORK CITY

Doctor Is Charged Over Prescriptions

A Manhattan doctor was arrested Monday for allegedly writing thousands of prescriptions for oxycodone without a legitimate medical purpose.

Federal prosecutors in Brooklyn charged Martin Tesher, 81, with illegally distributing a controlled substance. From June 2012 through January 2017, Dr. Tesher wrote more than 14,000 oxycodone prescriptions, prosecutors said.

An attorney for Dr. Tesher said he would never prejudge the strength of the prosecution without getting a chance to review the evidence first. Dr. Tesher faces up to 20 years in prison if convicted.

—Corinne Ramey

CONNECTICUT

Diocese Settles Suits That Alleged Abuse

The Roman Catholic Diocese of Bridgeport has settled lawsuits by five men who alleged they were sexually abused by four priests when they were boys in the 1970s and 1980s.

Terms of the settlements weren't disclosed. Court documents show the diocese and the five men reached agreements in mediation.

Two lawsuits were withdrawn Monday, and the others were dropped in March and April.

Lawyers in the case and diocese officials didn't immediately return messages seeking comment Monday.

—Associated Press

GAINS

Continued from page A10A committee would be on the front page attacking each other," said Ms. Dedecker. "The scholarship was a huge incentive for people to focus."

Using a mix of public funds and philanthropy, Say Yes and district officials worked to set up mental-health counselors and medical clinics in schools. Now, all elementary and middle schools offer after-school programs. Say Yes hired a Family Support Specialist for every school to boost attendance by helping the most troubled families find housing, food and other assistance in a district where 82% of students are poor.

One such specialist, Alex Brady, talks of a seventh-grader who was absent for weeks after

his brother was killed by gunfire. The boy's mother relied on him to help with her younger children and was afraid to let him leave the house. Mr. Brady arranged counseling and helped them delineate appropriate responsibilities. "When all those worries were off his plate, he came to school every day," Mr. Brady said.

More change came in 2015, when Buffalo's school board hired the district's current superintendent, Kriner Cash.

When Dr. Cash arrived, 25 of Buffalo's 55 schools were performing so poorly that the state warned they would be put in the hands of an outside receiver or closed if they didn't improve quickly. Empowered by a new state law that allows some superintendents to override some union rules at failing schools, Dr. Cash made staff at some sites work longer days,

replaced some principals and provided extra staff training. Ten of the 25 schools have gotten out of receivership.

Dr. Cash hammered out a new teachers' contract that extended instructional time for all schools and promoted what he calls a "New Education Bargain." Parents must make sure children go to school and do their homework. In return, the district pledges to replace "dropout factories" with new high schools tied to emerging industries, reduce class sizes in early grades and open more "community" schools with services for families, among other things.

Philip Rumore, president of the Buffalo Teachers Federation, called Dr. Cash's plan "a very promising vision." Even so, the union has clashed with him on some details, such as the district's effort to change the

starting times at some schools.

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LIFE & ARTS

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

A Guide to Little White Lies



I BET YOU'VE LIED RECENTLY.

"I loved your presentation."
"That tofu lasagna was delicious."

"I can't believe she dumped you."

"No, your butt does not look big in those jeans."

Researchers call lies such as these, meant to benefit others, "prosocial deception." Studies show we tell these lies several times a day, often to those closest to us—our partners, friends and children. White lies, which are thought to be of little consequence, are an example.

They are social grease. These lies smooth our interactions with others. When we tell one, we're usually trying to reassure someone or not hurt his or her feelings. If we were brutally honest all the time, our relationships would implode.

But sometimes we tell white lies for selfish reasons—to avoid an argument or the discomfort of hurting or embarrassing someone. Or even to manipulate. This can damage our relationships, especially if the recipient knows we are lying. And even a lie thought to be inconsequential can cause serious harm. Consider the wife who as-

sures her husband he still looks great as he continues to pack on pounds and eventually develops diabetes.

New research, published last month in the "Journal of Experimental Psychology: General," shows that compassionate people lie more than others. In a series of three studies, researchers at the University of California, San Diego, and the Queen Mary University of London primed participants to feel compassionate. Then they examined whether that influenced them to tell two types of prosocial lies: ones that aim to prevent emotional harm and ones that promote positive outcomes for others.

In the first study, researchers told participants they would be paired with another person and would need to evaluate an essay that person wrote. (In reality, everyone received the same essay, written by the researchers.) After the participants evaluated the essay, they were told personal information about the writer. Half were told the supposed essay writer had a family member who recently died and was going through an emotional time. The other half were told about a re-

cent shopping experience the writer had. Researchers then asked participants to evaluate the essay again and that their remarks would be shared with the writer.

In the second study, participants took a test to measure their innate level of compassion. Then they evaluated the essay, first privately and then again believing their response would be shared with the essay writer. In the third study, researchers showed half of the participants photos of homeless people and a film on child malnutrition and half photos of chairs and utensils, plus a clip of two men talking in court. All were then shown a series of dots on a screen and quizzed afterward on how they were arranged. Researchers told participants they would be given money to donate to charity. They would be paid more if they reported that the dots were arranged on the right, thus giving them a reason to distort their answer.

The results of all three studies were the same: "People who feel compassionate are lying more," says Matthew Lupoli, a doctoral candidate in management at the University of California, San Diego.

When researchers asked the participants who inflated their ratings on the essays why they did so, they said were trying to not to hurt the writer's feelings.

Here's why compassionate lies can sometimes harm people: "If I tell you that I enjoyed your presentation, I may give you false confidence," says Maurice Schweitzer, a professor of operations and information management at the University of Pennsylvania's Wharton School of Business, who studies prosocial lying. "If you subsequently volunteer to give that presentation again or advocate for key ideas in the presentation guided by my lie, you may be much worse off."

How do we know when a little white lie is appropriate and when it is not? Here are some guidelines:

Err on the side of kindness

Selfish honesty—"When I told John his report was terrible I was just being honest"—can do far more harm than a little white lie, says Dr. Schweitzer. He says to go for the well-intended lie when there are no long-term consequences.

Consider the timing

Dr. Schweitzer also suggests avoid-

ing the harsh truth when there is little the target can do to change in the moment.

Lie if the person wants reassurance

Often when people ask questions such as, "Do I look bad in this dress?" they aren't looking for honest answers. They're looking for help in not feeling worse.

Ask the person if he or she generally prefers the truth

Some people do. But ask this question well in advance of an actually lying situation. Learn a person's general preference, possibly over a conversation that includes wine. ("Honey, when you ask me if those pants make you look big...")

Question whether you are being manipulative

"Be aware of what role your selfish motivation plays," says Sean Horan, associate professor of communication at Texas State University in San Marcos, Texas. Do you really want the person to feel better? Or are do you want them to give you something, like affection or a gift?

Don't lie if the person is likely to find out the truth

Especially if it is from someone else. "There's nothing worse than you saying 'Oh, yeah, I love your proposal,' then four others on the team at work give constructive criticism with authentic feedback that takes the document up a notch," says Shawne Duperon, a communications consultant in Detroit.

Be truthful if you want someone to change

"It's better not to tell a white lie if you're paying too high a price for it in the relationship or you believe the target will pay too high a price," says Joshua Coleman, a psychologist and senior fellow at the Council on Contemporary Families, a nonprofit organization based at the University of Texas at Austin that distributes research about American families. If a person truly needs help—maybe his or her excess at a party was due to substance abuse—it may better to directly address that rather than to try to avoid his or her embarrassment or an argument, Dr. Coleman says.

Remember the Golden Rule

Ask yourself if you'd like to be told the same lie, says William Doherty, a marriage and family therapist in St. Paul, Minn., and a professor of family social science at the University of Minnesota. "A lie is a form of power over someone—it is deceiving the other person in some way—and it can be useful to ask oneself if you would want someone else to deceive you in the same situation," he says.

Write to Elizabeth Bernstein at elizabeth.bernstein@wsj.com or follow her on Facebook, Twitter or Instagram at EBernsteinWSJ.

PARTY PLANNING

EVEN BALLOONS ARE ARTISANAL NOW

The staple of children's birthday parties is on a creative hot streak incorporating confetti, flowers, unicorn kits and more

BY ERIN GEIGER SMITH

WHEN LACEY Carver's daughter Sally turned 2 last month, the Houston mom went all in on birthday balloons.

They were clear. They were filled with confetti in shades of pink and blue. Their strings were covered in matching tissue-paper tassels. They were as big as Sally.

The confetti's shades were selected to match the train-themed invitation, but it was just luck the confetti was a spot-on match for the colors of Sally's party dress. "The only decorations I do at a birthday party are balloons," says Ms. Carver, an oil and gas attorney.

Long gone are the days of a simple, primary-colored balloon tied to the back of a chair. Whether or not the birthday party staple needed reinventing, we now live in a golden age of balloon innovation. Decorators are lining doorways with balloon garlands and filling ceilings with black, marbled balloons for black-tie weddings, all to meet customer demand for Pinterest-worthy parties and settings worthy of Instagram likes.

"Like cupcakes, they just got reinvented. Because they're big and they're showy and they're wonderful and they hadn't been



NORTHSTAR BALLOONS

touched in a while," Meredith Stuart-Smith, the U.K.-based president of home goods and party supply company Meri Meri, says of the balloon craze. "A staggering percentage of our business is balloons."

Meri Meri's products are sold online and in boutiques world-wide. One of its most popular items is a kit that includes a paper cone and gold fringe to turn teal and pink balloons into unicorns. The kit, which makes

Word balloons are in high demand. Newer offerings like this one from Northstar Balloons in Minnesota include words in script writing.

four and is available at Amazon and Land of Nod, works both as a party activity and party favor, Ms. Stuart-Smith says.

Nico Wyrobek and her sister Nina Kieves grew up in the balloon business—their father owned a large balloon company he sold in 1998—but wanted to attract a new customer base when they launched Minnesota-based Northstar Balloons. They entered the market in 2012, hoping their 34-inch letter balloons, painstakingly developed to be of uniform size, would differentiate themselves from similar products. "We went after that 20-something who was going to make a statement on their wall and leave it there," Ms. Wyrobek says.

Lately, they've upped the ante on balloon communication, offering single-balloon words in cursive writing, like a rose gold "hello" and bright yellow "fun." Many Northstar balloons are also notable in

that users blow them up with their own breath and a straw. No sealing is required, and they can last for weeks. (The fact that the balloons don't need helium is also a selling point.)

Please see BALLOONS page A13

LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

Avoiding a Sophomore Slump

Benjamin Booker and Royal Blood hope to follow hit debuts with albums that are just as successful

WRITING AND RECORDING a follow-up album to a successful rock-and-pop debut can be tricky business. Stick too close to form and you run the risk of stagnation. Go too far afield from what worked and you might alienate a budding fan base. On their new discs, both successors to unexpected hit debuts, Benjamin Booker, based in Los Angeles, and the duo Royal Blood, from Brighton, England, avoid the traps. One does so with more certainty than the other.

On "Witness" (ATO), out now, Mr. Booker veers away from the raw, rattling rock, full-tilt boogie and bluesy ballads of his 2014 self-titled debut. Here he tries new approaches—expanding his in-studio supporting cast, adding strings and three backing vocalists. Gone is drummer Max Norton, who enriched some tunes on "Benjamin Booker" with a facsimile of second-line percussion that wouldn't have been out of place on a Fats Domino track from the late 1950s. Now three different percussionists provide a functional engine.

The update isn't always for the best. When steeped in rock 'n' roll, Mr. Booker continues to burn hot. "Off the Ground" explodes with punk-like fury while "The Slow Drag Under" is a snaky down-tempo boogie. High-energy tracks bookend the album: "Right on You," with its pleasingly abrasive electric guitar, and "All Was Well," a rave that was culled from a 19-



Benjamin Booker's new album, out now, is 'Witness'

minute impromptu jam session. It turns out Mr. Booker is a persuasive singer of gospel music, which he bypassed on his debut. He holds his own alongside Mavis Staples, who joins him on the rousing title track. But on several folk-based numbers with a hint of the blues, Mr. Booker comes on as a too-close facsimile of Ben Harper or Clarence Greenwood, who performs as Citizen Cope.

As it shifts among styles with varying levels of certainty, "Witness" feels like a recording by an artist in transition. This can happen with second albums: What's done is done and a new way is sought but not yet found. Mr. Booker knows what he does well and seems to be groping to find what's next.

On "How Did We Get So Dark?" (Warner Bros.), which arrives on



FROM TOP: SCOTT DUERSON/GETTY IMAGES; CHARLES SYKES/INVISION/ASSOCIATED PRESS

June 16, Royal Blood is on sure footing. Bassist-vocalist Mike Kerr and drummer Ben Thatcher preserve the muscled-up sound of their 2014 debut—post-Zepplin by way of Jack White—but not slavishly so. Preservation is a wise choice given that "Royal Blood"

topped the U.K. album charts and received a nomination for the Mercury Prize for best album by a British or Irish artist. (The hip-hop trio Young Fathers won the award that year.)

Royal Blood gets its distinctive roar from Mr. Thatcher's mighty drumming, pushed up to cannon-fire volume here, and Mr. Kerr's short-scale bass that, with its smaller neck, he can play like an electric guitar in the duo mix. The bassist also uses a variety of pedals and tunings to give the music different colors, thus avoiding the threat of monotony that can confront a two-player lineup.

New elements strengthen the band's power core. When we spoke by phone Friday following soundcheck for the opening of their U.S. tour in Boston, Mr. Kerr

Mike Kerr from Royal Blood; 'How Did We Get So Dark?' is the duo's new album



said he and his partner wanted to go beyond the sound of heritage bands, though he conceded a bit of T. Rex is now in their mix.

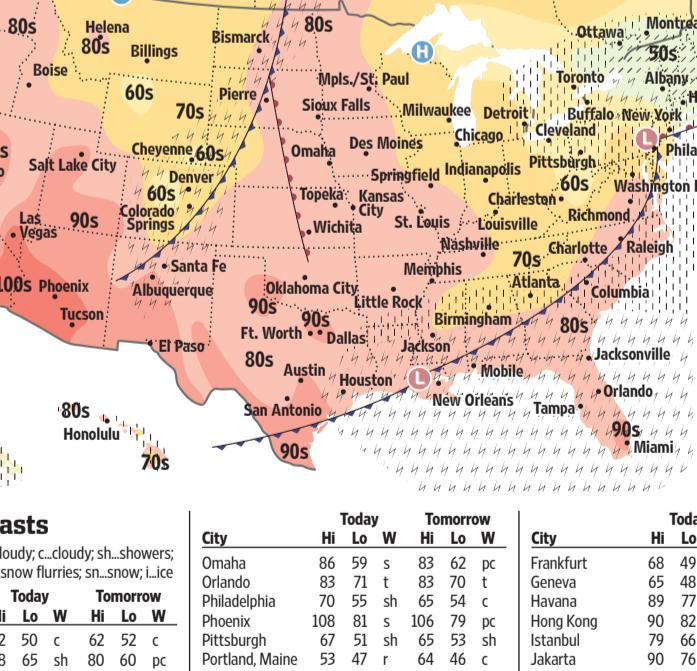
"Don't Tell" thunders like heavy metal, then settles in a stalking groove, and "Sleep" is a nice change in tempo without sacrificing authority and thus a suggestion that the band doesn't have to rely on blasts to make its points. Mr. Thatcher taps into R&B and hip-hop to switch up his playing, and an electric keyboard introduces and provides the spine in "Hole in Your Heart." As a vocalist, Mr. Kerr can bring to mind Alex Turner of Arctic Monkeys and I was surprised when he said he had never heard of 1980s hitmaker Billy Squier of "The Stroke" fame. As it is at times with Mr. Booker, it's a less-than-desired outcome when a song immediately reminds listeners of someone else.

But nuanced singing isn't the point of Royal Blood. Raw power via blues-based rock is, and on "How Did We Get So Dark?" the duo does it very well. If it's not an entirely new adventure, the recording engages its bluntness with confidence while hinting at possible future avenues of explorations—all of which adds up to a fine achievement for a second album.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.



Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; L...ice

Today Hi Lo W **Tomorrow** Hi Lo W

City Anchorage 62 50 c 62 52 c

Atlanta 78 65 sh 80 60 pc

Austin 91 67 t 92 66 s

Baltimore 76 56 c 68 54 sh

Boise 86 61 s 96 66 s

Boston 52 50 r 58 50 c

Burlington 56 50 r 69 51 pc

Charlotte 80 61 sh 80 60 pc

Chicago 75 53 s 75 52 s

Cleveland 66 54 sh 65 53 sh

Dallas 90 68 pc 87 67 pc

Denver 75 53 t 77 54 t

Detroit 69 53 pc 69 51 pc

Honolulu 87 73 pc 87 73 pc

Houston 88 70 t 91 66 s

Indianapolis 76 54 s 69 52 c

Kansas City 81 56 s 79 58 s

Las Vegas 105 77 s 103 76 pc

Little Rock 85 61 pc 81 59 s

Los Angeles 77 60 pc 75 59 pc

Miami 90 78 t 87 78 t

Milwaukee 70 53 s 72 55 s

Minneapolis 82 59 s 83 63 s

Nashville 82 58 pc 79 56 pc

New Orleans 82 71 t 86 69 pc

New York City 60 53 sh 62 54 c

Oklahoma City 88 60 s 81 58 s

Today Hi Lo W **Tomorrow** Hi Lo W

City Anchorage 62 50 c 62 52 c

Atlanta 78 65 sh 80 60 pc

Austin 91 67 t 92 66 s

Baltimore 76 56 c 68 54 sh

Boise 86 61 s 96 66 s

Boston 52 50 r 58 50 c

Burlington 56 50 r 69 51 pc

Charlotte 80 61 sh 80 60 pc

Chicago 75 53 s 75 52 s

Cleveland 66 54 sh 65 53 sh

Dallas 90 68 pc 87 67 pc

Denver 75 53 t 77 54 t

Detroit 69 53 pc 69 51 pc

Honolulu 87 73 pc 87 73 pc

Houston 88 70 t 91 66 s

Indianapolis 76 54 s 69 52 c

Kansas City 81 56 s 79 58 s

Las Vegas 105 77 s 103 76 pc

Little Rock 85 61 pc 81 59 s

Los Angeles 77 60 pc 75 59 pc

Miami 90 78 t 87 78 t

Milwaukee 70 53 s 72 55 s

Minneapolis 82 59 s 83 63 s

Nashville 82 58 pc 79 56 pc

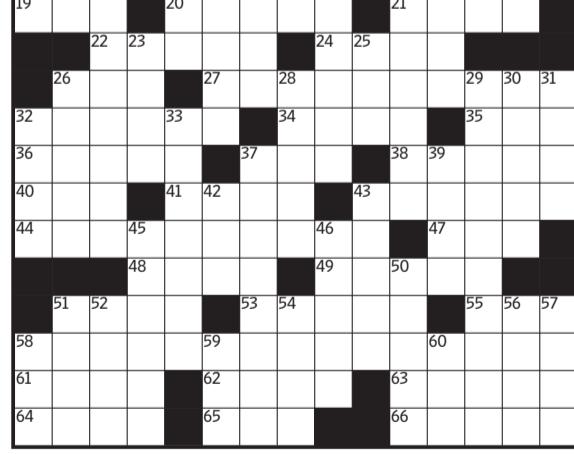
New Orleans 82 71 t 86 69 pc

New York City 60 53 sh 62 54 c

Oklahoma City 88 60 s 81 58 s

AccuWeather.com

The WSJ Daily Crossword | Edited by Mike Shenk



IN PAIRS | By Zhouqin Burnikel

Across		
1 Site of the Luxor	24 Predatory mammal	48 Heist haul
6 "The Muppet Show" eagle	26 MLB team honchos	49 Promotion result
9 Fix, in a way	27 Nude-colored acrobatic wear?	51 Decision-making aid, at times
13 Squirrel's treat	32 Pop's pop	53 Buzzing cloud
14 Pandora offering	34 Enchilada filler	55 Arthur of "The Golden Girls"
15 Strauss's _____ Nacht in Venedig	36 Narcotics unit	58 Tennis garb worn in four Grand Slam tournaments?
16 "Get your pants off the floor!"	38 Bugs bugs him	61 Image on Utah license plates
19 What a toady strokes	40 Acted as a guide	62 Tip jar bills
20 Witch craft	41 Cracker with seven holes	63 Fit to be tied
21 "That can't be good"	43 "Survivor" groups	64 Root veggie
22 Pandora offering	44 Gym wear that sells poorly?	65 Portal with a butterfly logo
	47 Two-time British Open champion	66 Yank

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

29 Claim that your biggest weakness is being a perfectionist, e.g.

30 Arboretum sights

31 McCartney and McKellen, for two

32 Links activity

33 Individuals

37 Cowboy hats

39 Alternative facts

42 "Letters From Jima"

43 Pre-October Revolution rulers

45 Sorry state

46 Cafeteria stack

50 Battlefield yell

51 Hard pineapple part

52 Just a single time

54 Birdhouse occupant

56 Blues great James

57 Play (perform with the band)

58 Trial venue?

59 Cat in an alley

60 Tulsa sch. founded by an evangelist



LIFE & ARTS



KAGAN MCLEOD

YOUR HEALTH | By Sumathi Reddy

When Doctors Fire Patients

Some medical practices dismiss no-shows, serial postponers and disruptive individuals

YOU'RE FIRED!

It is something nine out of 10 primary-care practices have said to at least one patient in the past two years, albeit more politely. According to research published last month in the journal *JAMA Internal Medicine*, 67% of nearly 800 practices reported dismissing one to 20 patients over two years while 15% reported dismissing 21 to 50 patients. About 10% reported dismissing no patients over the course of two years and 8% said they dismissed 51 or more patients.

The study was inspired by worries that patient dismissals may rise because some insurers are starting to reimburse doctors for health outcomes rather than services provided. That shift has been in the works since before the Affordable Care Act became law in 2010.

"The good news is in our study we found that no, it did not have an impact," said Ann O'Malley, the first author on the study and a senior fellow at **Mathematica Policy Research**, a Princeton, N.J., policy-research organization. "The providers stuck with their patients. They did not seem to be worried that just be-

cause they were in this initiative and being measured on some sort of quality metric that they needed to cherry-pick their patients."

Researchers sent surveys to 794 primary-care offices: 443 of the practices are participating in the federal Comprehensive Primary Care initiative, which is testing an approach to payment and delivery of primary care; 351 were a control group for comparison purposes.

The number of patients dismissed was proportional to the size of the practice, Dr. O'Malley said.

Patients who were extremely disruptive or behaved inappropriately with staff or clinicians were the biggest problem, with 81% of practices saying they dismissed at least one such patient in the past two years.

About 78% of practices said they had fired patients for violating chronic pain and controlled-substance abuse policies while 74% cited repeatedly missing appointments as a reason for patient dismissals. About 45% of practices said they had dismissed one or more patients for not following medical recommendations; 39% said they had dismissed one or more pa-

tients who didn't pay bills on time. In the survey, doctors' offices could identify multiple reasons for dismissing patients.

Though the study didn't show any impact on practices as insurers shift payment from volume to value, some doctors predict that eventually it will have an effect. "I think it will become increasingly common with patients who don't follow our instructions," said Jesse Hackell, a pediatrician, vice president and chief operating officer of Pomona Pediatrics in Pomona, N.Y. "We are going to be responsible for outcome measures that we have no control over, such as whether patients follow our instructions or take medications."

Dr. Hackell said his practice doesn't dismiss patients all that often. Once a patient's bills are sent to a collection agency they will be dismissed, and that is after many chances, he said.

Another reason that is starting to pop up more—though still just a few times a year—is patients who regularly go to the emergency room, urgent care or retail-based clinics for health-care needs. "We will call them and tell them we

can't be responsible for your child's overall health if you continue to utilize these services," Dr. Hackell said.

In the JAMA study, making frequent visits to the ER and self-referring to specialists accounted for just 6% of patient dismissals.

Pediatricians may dismiss patients when parents refuse to have their children vaccinated in a timely manner. Dr. Hackell was co-author of a 2016 report in the journal *Pediatrics* on "Countering Vaccine Hesitancy," which includes a brief statement that dismissing such patients is acceptable as a last alternative.

Most doctors' practices have a procedure for dismissing patients. They will mail them a certified letter outlining the reasons for dismissal and offer them emergency medical needs for 30 days during which time they are asked to find another physician.

Gary LeRoy, a family physician in Dayton, Ohio, says the most common reason for patient dismissals in the federally qualified health center where he works is no-shows. About once every three to four months a patient is dismissed for

not showing up for a scheduled appointment three or more times over the course of a year. For some of his partners, it might happen every month, he said.

"We send a letter for no-shows," Dr. LeRoy said. "A patient has what we call, 'a no-show meeting' to talk about the importance of showing up for appointments and then sign something agreeing not to do this anymore. If they do it again, then they are dismissed. It happens more than I'd like."

Mahesh Prakriya was dismissed from his longtime general internist for being a no-show for appointments. The Microsoft program manager remembers a particularly busy time at work about three years ago when he had to cancel or reschedule three appointments in a row.

"I was having a crazy, crazy year at Microsoft," said Mr. Prakriya, who lives in Redmond, Wash. "Every time I had a good excuse as to why I canceled or rescheduled and it was for general checkups, nothing urgent."

Mr. Prakriya got a call from the nurse who said the relationship didn't seem to be working out. Mr. Prakriya asked to speak to the doctor to apologize and plead his case. "He's got a file on me for 17 years and that is hard to recreate," he said.

He recalled the doctor telling him that perhaps it would be better to switch to a closer physician, as he was 30 minutes away. "I wasn't mad," said Mr. Prakriya. "It's really difficult for them, as well. I completely understand."

Robert Wergin said being a family physician in a rural area—Mildford, Neb.—might mean fewer patient dismissals because relationships are especially tight and people have fewer options.

When he's had to dismiss a patient, it is usually for not complying with a treatment plan, such as for pain management.

Some people will seek prescriptions from many doctors or pharmacies. A new state prescription-monitoring program makes it easy to identify those patients.

Most patients taking opioids or similar substances sign a pain-management contract, he said, agreeing to get their prescriptions from one doctor or risk being dismissed.

Kelly O'Neill Young said a number of years ago she was dismissed by her rheumatologist when she asked the doctor to get a second opinion on a nuclear bone scan.

"I asked the hospital for a second opinion and they said it can only be requested by a doctor," recalled Ms. Young, 52, who lives in Orlando and writes and speaks about health-related topics, including her condition, rheumatoid arthritis. "I very politely wrote my doctor, whom I adored, to ask for another radiologist to have a look at the scan."

Shortly after the request, she said, she received a certified letter in late 2012 saying she was being dismissed.

"The letter was not clear about why but it seemed like it was in reaction to what I did," she said. Upset, she said she called the office manager and asked if the doctor would reconsider only to hear that she wouldn't. "I was completely shocked," she said.

BALLOONS

Continued from page A11
point, as concerns over rising helium prices and fear of a helium shortage, overblown or not, is a buzz topic in the balloon industry.)

That convenience factor led the founders of event planning company Little Miss Party to include them in several of their party-in-a-box offerings for anyone celebrating weddings, births or birthdays.

Los Angeles party store Bonjour Fête, also sells a wide variety of specialty balloons, from the ubiquitous metallic letters (\$2.50) to ones with rainbow marble prints (\$6.95 for 8) or sketches of guava tropical leaves (\$6). But what's keeping owner Rachel Huntington busy lately is balloon garlands—balloons, often in solid colors, tied together in an overflowing cluster to line a fireplace, frame a doorway or cover an entire wall. People want something custom, she says, "a handmade, labor-of-love thing."

She'll often insert one balloon inside another to make them more opaque, or put a metallic balloon inside a standard one. "It elevates the traditional balloon and makes it look high-end," Ms. Huntington says. Another frill she says is growing in popularity: intertwining real flowers or greenery with the balloons.

At the most extravagant end of balloon garlands are those created by artist Jihan



Zencirli of Los Angeles-based Geronimo Balloons, whose massive installations have included a cascading balloon waterfall into The Hollywood Roosevelt Hotel and an orange arrangement behind the San Francisco Giants' home plate. For those who don't need to cover an entire building, kits to make balloon garlands at home are available for around \$50.

Many do-it-yourself options are available. The party



Rachel Huntington, left, of Bonjour Fête, creates balloon garlands. Confetti balloons from Meri Meri, above.

by painting the letters or highlighting of-the-moment phrases. (One last week, played off a tweet by President Trump: But first covfefe.)

Ms. Ferney also suspected that confetti balloons were played out when she posted a tutorial of how to make them on Facebook in the fall. She posted it, she says, thinking, "Oh, people have seen this, but it's an easy tutorial." It has 22 million views.

Confetti balloons earned even more new fans by playing a starring role at the birthday party of Marie-Noelle Pierce's 4-year-old twin daughters this spring. Among the decorations of unicorn balloons and balloons-within-balloons were giant confetti balloons. The party ended with Ms. Pierce, the Manhattan skyline at her back, purposefully popping them, letting pink and white confetti rain down on the delighted preschool attendees.

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SPORTS

FRENCH OPEN

Agassi Tries to Bust Djokovic's Slump

The tennis legend hasn't spent retirement obsessing over tactics but thinks the world's former No. 1 can regain his form

BY TOM PERROTTA

SIX YEARS AGO, when Novak Djokovic was all but indestructible, tennis legend Andre Agassi couldn't stop talking about him. He called Djokovic's return of serves "incredible." He moved with absurd quickness and could anticipate his opponent's moves with eerie efficiency. Agassi said Djokovic outdid him in every aspect of the sport.

"He is a much more versatile player than I was and he is also much more athletic," Agassi said at the time.

Today, Agassi has a chance to help end the slump that has left Djokovic without a major title since last year's French Open and dropped him from No. 1 to No. 2 in the world. Agassi is now a rookie tennis coach who has navigated his first client, Novak Djokovic, to the quarterfinals at Roland Garros.

"This is exactly what I need at this moment, a person like him that understands the transitions as a tennis player and, you know, as a person as well," Djokovic said after his first-round victory last week.

"He has a lot to share with me outside and inside of the tennis lines. I'm really enjoying it so far."

The job of coaching Djokovic is only open because the frustrated Serbian star carried out a dramatic housecleaning in early May, less than a month before the French Open. Djokovic abruptly fired his three long-time coaches, Marian Vajda, fitness coach Gebhard Phil-Gritsch and physiotherapist Miljan Amanovic. That came close on the heels of ending his coaching relationship with former champion Boris Becker late last year.

Djokovic and Agassi soon connected by phone. At first Agassi said no. He's 47 years old and married to Steffi Graf with two children, one of whom is a standout baseball player. Agassi spends most of his energy building schools, rather than obsessing over tennis tactics. But Graf was intrigued by Djokovic's request and thought Agassi could help.

"What I know, with certainty, is that he can be even better than yesterday," Agassi said recently. "I think he can only improve, because he understands how strong he is."

Djokovic's decline has baffled those following the sport. At last year's French Open he finally won the title, his first. The victory made



Andre Agassi, right, is now a rookie tennis coach who has navigated his first client, Novak Djokovic, to the quarterfinals at Roland Garros.

him the champion of all four Grand Slams at once, a historic feat. Djokovic looked as proud and as relaxed as he could be. The future, it seemed, would lead to even more titles, now that he no longer had to struggle chasing the French Open.

Instead, Djokovic was upset by low-ranked American Sam Querrey at Wimbledon. He lost in the opening round of the Olympic singles game and cried. At the U.S. Open, he won the first set of the final against Stan Wawrinka, who then promptly punished Djokovic in the final three. Andy Murray beat him in the ATP Finals, leaving Djokovic with one title, on a hard court, since the French Open.

Djokovic won an event in Qatar to start this year, but then suffered a dismal defeat in the second round of the Australian Open to a player ranked No. 117. He has won that title six times.

Djokovic's service game has declined markedly. Since he began to

dominate the sport in 2011, he won no fewer than 86% of his service games in a season and as high as 89%. So far this year he has dipped to 82%. Before he dominated, Djokovic's serve was a weakness. He improved it to a dangerous weapon, including one, in 2014, with 428 aces and just 105 double faults. In recent years, though, aces are declining and double faults increasing.

"When he was not at his best, it was always his serve, especially his second serve, and his forehand," said Pam Shriver, the ESPN commentator. "I feel like when he's not confident, I look at those two shots. They're the barometer. I don't think they are anywhere near as good in recent months or the last 11 months as they were when he dominated."

Unlike the struggling Djokovic, Agassi reacted with purpose and conviction when he won the French Open for the first time in 1999. He

was 29 years old and, against all odds, won the final after losing the first two sets against Andrei Medvedev, 1-6, 2-6, 6-4, 6-3, 6-4. The victory gave him at least one title among each of the four majors, a rare achievement that has since been copied by Roger Federer, Rafael Nadal and Djokovic.

"This is certainly the greatest feeling I've ever had on a tennis court, and I don't think it's even sunk in yet," Agassi said at the time.

Instead of taking a vacation or losing concentration after the victory, Agassi blossomed. He won the U.S. Open that year and the Australian Open in the years 2000, 2001 and 2003. He even reached an Open final in 2005, when he lost to Federer at the age of 35.

Brad Gilbert coached Agassi at the time he won in Paris in 1999. He said Djokovic is as close to a copy of Agassi as anyone who has ever played the game.

"A lot of times when I'm watch-

ing Djokovic, when he's playing at his best, nobody plays closer to the style that Andre played," Gilbert said. "He hits the ball big, I call it big safe margins in the court. When Djoker is playing his best, he doesn't hit a lot of winners, but [makes] very few unforced errors."

Djokovic's ride in Paris hasn't been easy. He has struggled at times, including a comeback from two-sets-to-one down in the third round. His forehand and serve don't look as deadly as usual, but his movement seems fairly strong. His next match will be against Dominic Thiem and he could face Nadal, whose technique currently looks superb, in the semifinals. Djokovic said he's close to being strong enough.

"I feel that the game that I have has gotten me to where I am for a reason, and [Agassi] feels that my game is very much at a good place," Djokovic said. "It's just matter of fine-tuning it in the right way."

WORLD CUP

U.S. SOCCER HEADS INTO THIN AIR

BY MATTHEW FUTTERMAN

THE LATEST World Cup puzzle for the U.S. men's soccer team doesn't involve tactics or its aging core players: The squad must first figure out how to beat Trinidad and Tobago in Denver on Thursday, then three days later endure the even thinner air in Mexico City's Azteca Stadium, which sits at 7,300 feet above sea level.

Ahead of those crucial World Cup qualifiers, the U.S. team took the risky step of sending the players to train at elevation only 10 days before the first game and 13 days before the matchup against archrival Mexico in even tougher conditions. That is on the low end of what many researchers recommend for training at altitude, and some think the schedule could do the players more harm than good.

"We're trying to get acclimated as quickly as we can," said striker Clint Dempsey after training last week near Denver.

Alas, these things can't be rushed. With the exception of people who are born and live their lives at altitude, the human body isn't built for high-elevation exertion. In thinner air, the lungs instinctively breathe harder and the heart beats faster to get the same amount of oxygen, but the heavier breathing forces the body to release too much carbon dioxide. That causes the acidity level in the blood to drop, producing the symptoms of altitude sickness, such as dizziness and nausea.

Figuring out how to perform well at high elevation is an age-old problem for athletes in every endurance sport, and even for soldiers.

The U.S. military has dedicated significant resources of late to fig-

uring out how to improve performance very close to the altitude where the U.S. team will play. "That is an area of missions, an area where bad guys hang out," said Dr. Robert Kenefick, leader of the altitude research group at the U.S. Army Research Institute of Environmental Medicine.

The challenge is to find a balance between training at altitude so bodies get used to the thinner air, but

Some researchers think the U.S. altitude-training schedule could do more harm than good.

also not overdoing it, since exertion at elevation is exhausting and far more difficult to recover from.

This all takes a while. Kenefick said last summer the Army tested the pace of a group of subjects on a series of two-mile runs, first at sea level and later at altitude.

Their performance was horrible on the first day at altitude and wasn't much better 10 days in. A measurable change in performance didn't begin for at least two weeks.

That tracks with the findings of Jim Stray-Gundersen, a cardiologist and former competitive cross-country skier who is considered by many to be the world's leading expert on the effects of altitude on sports performance. Though U.S. soccer officials consulted him, they didn't fully adopt his recommendations.

"Their schedule is not designed to take advantage" of what is known about altitude physiology,

Stray-Gundersen said, though the players' breathing patterns may



U.S. national team players take part in a training session in Mexico City's Azteca Stadium before a game in 2013.

adjust somewhat to the thinner air.

Among other innovations, Stray-Gundersen developed the concept in which athletes live at high altitude—helping to increase the production of red blood cell and hemoglobin levels—and then move to lower elevations to train at maximum intensity. He advised the U.S. team to deploy that technique for up to four weeks. Alternatively, he said, they could train completely at sea level, and then fly into Mexico City the day before at full strength.

Instead, U.S. Soccer opted for something in between. The organization asked players to report to training May 28. They played to a 1-1 tie in a friendly against Venezuela in Sandy, Utah, (elev. 4,450 feet) on Saturday and face Trinidad and Tobago in a qualifying match in Denver on Thursday.

A representative of U.S. Soccer said its performance experts understood the team couldn't fully acclimate to high elevation in that pe-

riod, but that the organization had little choice given the commitments of players to their club teams. They decided to get whatever improvement they could by training at altitude for almost two weeks, as well as any psychological value players might receive from knowing they have spent some time at elevation. The team also slept for two nights in Park City at 7,000 feet ahead of Saturday's match, to get a spritz of Stray-Gundersen's live-high, train-low recipe.

Altitude science is the last thing the U.S. team wants to be worrying about right now. After two ugly losses in November that cost Jurgen Klinsmann his job, including a 2-1 heartbreaker against Mexico at home, the team sits in fourth place in its region's final qualifying tournament for next year's World Cup in Russia. Mexico is in first place with 10 points and only the top three teams qualify automatically.

Mexico City's Azteca Stadium is

always a hostile environment, with deafening noise and the occasional bag of urine tossed from the crowd adding to the difficulties. The U.S. hasn't won in Mexico City in five previous visits, despite trying a variety of different strategies for dealing with the altitude.

Alexi Lalas, the former U.S. defender, said playing at Azteca has gotten easier as Mexico City's air quality has improved. He has a vivid memory of teammate Cobi Jones during one Azteca halftime coughing up the kind of soot that made him seem like a coal worker.

He said the U.S. is betting their current strategy provides a modicum of physical advantage and "maybe there is some psychological benefit" so no one panics when they first become winded, Lalas said.

Ultimately, all the altitude training in the world may not make a difference. "The bigger problem is Mexico is a really good team right now," Lalas said.

OPINION

Why Elites Hate

Nine years after Barack Obama accused small-towners of clinging to guns or religion, nearly three years after Jonathan Gruber was shown to have attributed ObamaCare's passage to the stupidity of the American voter, and eight months after Hillary Clinton pronounced half of Donald Trump's voters "irredeemable," Democrats are now getting some sophisticated advice: You don't win votes by showing contempt for voters.

In the last week or so a flurry of articles have appeared arguing for toning down the looking-down. In the *New Republic* Michael Tomasky writes under the heading "Elitism Is Liberalism's Biggest Problem." Over at the *New York Times*, Joan C. Williams weighs in with "The Dumb Politics of Elite Condescension." *Slate* goes with a Q&A on "advice on how to talk to the white working class without insulting them." Stanley Greenberg at the *American Prospect* writes on "The Democrats' Working-Class Problem," and Kevin Drum at *Mother Jones* asks for "Less Liberal Contempt, Please."

None of these pieces are directed at Trump Nation. To the contrary, they are pitched to progressives still having a hard time coming to grips with The Donald's victory last November. Much of what

these authors write is sensible. But it can also be hilarious, particularly when the effort to explain ordinary Americans to progressive elites reads like a Margaret Mead entry on the exotic habits of the Samoans.

Mr. Tomasky, for example, informs progressives that middle Americans—wait for it—"go to church." They have friends ("and sometimes even spouses") "who are Republicans." "They don't feel self-conscious saluting the flag." Who knew?

Most of these writers allow that there is at least some fraction of Trump voters who are *not* deplorable. What they do not appreciate is how condescending they can be while advising their fellow Democrats to be less condescending. Exhibit A: Mr. Drum's recommendation that Democrats can "broaden [their] appeal" because these are "persuadable, low information folks."

Still, Mr. Drum comes across as Gandhi when set against the writer at *Slate* who interviews Ms. Williams. The following question conveys the tone: "What attitude should we be taking toward people who voted for a racist buffoon who is scamming them?"

Ms. Williams, a University of California law professor who has written a new book on the white working class, generously avoids telling her interviewer he is a perfect instance of the problem. But the larger progressive dilemma here is that contempt is baked into the identity politics that

defines today's Democratic Party.

When Mrs. Clinton labeled Trump voters deplorable ("racist, sexist, homophobic, xenophobic, Islamophobic, you name it") she was simply following identity politics to its logical conclusion. Because identity politics transforms those on the other side of the argument—i.e., Americans who are pro-life, who respect the

The liberal contempt for middle America is baked into the idea of identity politics.

military, who may work in the coal industry—from political opponents into oppressors.

Which is precisely how they are treated: as bigots whose retrograde views mean they have no rights. So when the Supreme Court unilaterally imposes gay marriage on the entire nation, a baker who doesn't want to cater a gay reception must be financially ruined. Ditto for two Portland women who ran a burrito stand that they shut down after accusations of cultural appropriation regarding their recipes.

No small part of the attraction of identity politics is its usefulness in silencing those who do not hew to progressive orthodoxy. This dynamic is most visible on campuses, where identity politics is also most virulent. It's no accident, in other words, that the mob

at Middlebury resorted to violence to try to keep Charles Murray; after all, he's been called a "white nationalist." In much the same way identity politics has led Democrats to regard themselves as the "resistance" rather than the loyal opposition.

The great irony here is that this has left Democrats increasingly choosing undemocratic means to get what they want. From President Obama's boast that he would use his pen and phone to bypass Congress to the progressive use of the Supreme Court as its preferred legislature to the Iran and climate deals that made end runs around the Constitution, it all underscores one thing: The modern American progressive has no faith in the democratic process because he has no trust in the American people.

Here it helps to remember the tail end of Mr. Obama's snipe about guns and religion: it was a crack about voters clinging to "antipathy toward people who aren't like them." Sounds like a pretty accurate indictment of contemporary American liberalism, judging by all these articles begging progressives to be a little more broad-minded.

So good luck with the idea that the Democratic Party can restore its relationship with Middle America without addressing the identity politics that fuels it. Especially when it starts from the premise that the Americans they are condescending to will remain too stupid to figure it out.

Write to mcgurn@wsj.com.

BOOKSHELF | By David A. Price

Cold, Doomed, Hungry

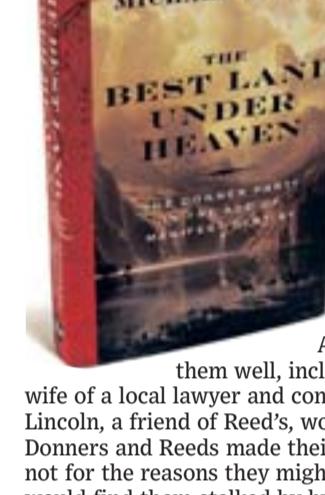
The Best Land Under Heaven

By Michael Wallis

(Liveright, 453 pages, \$27.95)

According to a guidebook published in 1845, the vast region then called Alta California was a "paradise." The western part of this Mexican territory—it would not become the U.S. state of California for another five years—had a climate of "perpetual spring." Its fertile soil was perfect for growing a long list of fruits and vegetables. Its coastal areas, with their sea breezes, were "one of the most healthy portions of the world."

Thus the popular "Emigrants' Guide to Oregon and California" spread California's reputation throughout the United States, helping to motivate thousands of Americans to head west. The emigrants would usually begin their journey at Independence, Mo., the starting point of the western trails. The vast majority made the passage safely and started new lives on the other side.



Among such hopefuls were brothers George and Jacob Donner, Illinois farmers, and James Reed, an Illinois businessman. When they and their families—along with teamsters and hired hands—left Springfield in mid-April 1846 for Independence, they had seemingly insulated themselves from misfortune: the Reeds with a palatial two-story wagon fitted with a stove and accoutrements of comfort, the Donners with thousands of dollars in hidden cash.

An assembly of friends wished them well, including Mary Todd Lincoln, the wife of a local lawyer and congressional candidate. Abraham Lincoln, a friend of Reed's, won his election that year. The Donners and Reeds made their way into history, too, though not for the reasons they might have wished. The journey would find them stalked by hypothermia, madness and starvation—the last, famously, driving them to cannibalism.

The story of the Donner Party has been told many times, notably by Bernard DeVoto in "The Year of Decision 1846" (1942). The latest chronicler is Michael Wallis, the author of numerous books on the American West. (If Mr. Wallis's name isn't familiar, his voice might be; he's the actor behind the sheriff character in Pixar's "Cars" movies.) In "The Best Land Under Heaven," he offers a slow-paced but still engaging account of the doomed journey, highlighting what he sees as its link to the ideology behind westward expansion.

A little more than a month after their May 12, 1846, departure from Independence, Tamzene Donner, George's wife, was buoyant. "I never could have believed we could have travelled so far with so little difficulty," she wrote to a friend. A week later, they would join a much larger wagon train; there was security in numbers. But they had been a trifle tardy in leaving Independence. The advice to emigrants was to leave no later than May 1, to be sure of avoiding the brutal snowstorms of the Sierra Nevada mountains. And their pace on the trail had been unduly relaxed.

The Donner Party spurned the advice of a mountain man they met, who told them to stick to the trail west and avoid an alternative route.

The greatest mistake, however, of the Donners and Reeds—specifically, the Donner and Reed men—was to ignore the counsel of a mountain man, James Clyman, whom they encountered on the trail as he was heading east. The emigrants were planning to veer onto a newly revealed alternate route, a shortcut that had been presented in the "Emigrants' Guide to Oregon and California." In truth, the guidebook's author, Lansford Hastings, had never taken the route himself, although the book was cleverly worded to imply that he had. Clyman had met Hastings and considered his touted cutoff to be bunk. He told the men of the party in no uncertain terms to keep to the proven path.

But many were unconvinced by Clyman, including George and Jacob Donner and James Reed. After all, the Hastings cutoff was in a book. How many books had James Clyman written? None, that's how many. Thus, to the dismay of Tamzene Donner, who thought the plan foolish, the Donners and Reeds, together with many others in the caravan, would follow Hastings's recommendation. In all, some 74 adults and children in 19 wagons made up the newly formed Donner Party; the other emigrants would proceed on the standard trails to California or Oregon—and to safety.

Unknown to the Donner Party, they would have to cross an 83-mile stretch of arid salt flats, a journey that would lead to a massive loss of livestock. And the travelers' miseries were only beginning; the winter storms ahead would deliver the real hardships.

It was at the foot of the Sierra Nevadas that the snow and cold stalled the emigrants in early November. To spare the grisly details, suffice it to say that when relief parties began to arrive in February 1847, 32 travelers had died. Of these, the bodies of 19 were scattered in varying states of incompleteness. Two Indians had been killed for food, though not by the Donners or Reeds; otherwise, all the victims of cannibalism had died of natural causes. Another nine of the emigrants, weakened by their ordeal, died after the relief parties started evacuating the camps.

Mr. Wallis tells the story well and paints interesting portraits of the characters to the extent allowed by the historical record. One minor problem is the book's occasional purple prose: "Like the cunning thief, death found a home in darkness and turned dreams into nightmares." A more troubling matter stems from Mr. Wallis's effort to give the book a Big Historical Idea—a tricky task, since the disaster had no discernible effect on history, least of all on California migration. The idea he settles on is a tortured parallel between the Donner Party and Manifest Destiny: The party was like the United States, which, "while busily consuming other nations . . . had the potential to consume itself."

If Mr. Wallis is saying that the intentions of the Donners and Reeds mirrored those of Uncle Sam in conquering Mexican territory, it's unfair to the emigrants: They simply hoped to buy land under Mexican law and grow crops. Tamzene Donner wanted to start a school for young women. They make poor metaphors for the sins of 19th-century U.S. foreign policy, and they've suffered enough as it is.

Mr. Price is the author of "Love and Hate in Jamestown: John Smith, Pocahontas, and the Start of a New Nation."

By Walter Russell Mead

Paris S urgeing though France this month is an unfamiliar feeling: hope. François Hollande, a president with the charisma of boiled cabbage, is gone. After years of stagnation at home and frustration abroad, the French now place their hopes in Mr. Hollande's young and energetic successor, Emmanuel Macron.

The new leader is more centrist than conservative, but he is approaching the job like a French Ronald Reagan. In 1980 Americans were weary of President Carter's deliberately uncharismatic style. Sensing this, Reagan presented himself as a heroic and transformational leader. This is what Mr. Macron has been doing.

The French presidency as it exists today was invented by Charles de Gaulle, who believed a powerful executive could bring glamour and glory to politics. France's Constitution gives the office sweeping powers, and French presidents like de Gaulle, Valéry Giscard d'Estaing and François Mitterrand cultivated a certain mystique.

As Mr. Macron's people tell it, the past two French presidents never quite lived up to the role. Nicolas Sarkozy was too hotheaded and frantic. The cold Mr. Hollande never projected the requisite grandeur. Mr. Macron, in contrast, wants

to be strong and decisive, to wrap himself in a dignity and prestige that evokes France's heroic past.

What the French want most

in a president is someone who will cut a powerful figure in the world. Since his inauguration last month, Mr. Macron's performance on the international stage has electrified the electorate. First he refused to let go during a white-knuckle handshake with Donald Trump. Then he used a joint appearance with Vladimir Putin to denounce Russian propaganda and disinformation. Trolling Messrs. Trump and Putin will not turn France into a superpower, but Mr. Macron is already making his compatriots feel great again.

The strategy seems to be working. As France heads toward legislative elections later this month, Mr. Macron's newly created En Marche! party, founded last year, is favored to win 400 or more of the 577 National Assembly seats—an outcome that seemed impossible only a month ago. If so, the president will have the chance to put his ideas to the test, and he alone will be held responsible for the results.

Aside from the usual scandals already swirling around the new administration, two issues will make or break Mr. Macron: fixing France's economy and relaunching the European Union. To get the economy moving he must take on

powerful interests—unions, students, greens, lawyers and more—that have blocked change for decades. To lift Europe he must deal with the euro's problems, which means taking on Germany.

Emmanuel Macron will have to take on a reform-resistant French economy.

There is little point in pressing Berlin until after Germany's September elections. In campaign mode, Angela Merkel's Christian Democrats will proclaim their undying opposition to clever French schemes that force German taxpayers to bail out lesser economies. If Mr. Macron instead uses the summer to pass legislation reforming domestic labor markets and taxes, he can show Germany his seriousness.

The rub is that he'll need to do it without setting off the street protests and strikes that doomed past efforts.

This will be a risky operation, but assuming Mr. Macron navigates the difficulty, it will be Germany's turn to act in the fall.

With elections in the rearview mirror, the German chancellor—almost certainly Mrs. Merkel—will sit down with Mr. Macron for the most important negotiations in Europe since

the end of the Cold War. They will need to simplify the ungovernable EU's institutions and procedures and find ways to bridge internal divisions before external enemies can exploit them further.

This comes at a difficult time for the Germans. Mr. Putin is hostile, and Mr. Trump is bizarre.

Britain is leaving Europe, while Turkey is abandoning the West. The European Union is weaker and more divided than ever.

Germany's best, perhaps only, option to stabilize the situation is to relaunch its partnership with France.

Berlin's problems create a unique opportunity for Mr. Macron. Germany may be richer than France, and it may have more power in the EU, but it badly needs French support if Europe is to recover. For the first time since German unification after the Cold War, France can bargain with Germany over Europe's future on something like a level playing field. An opportunity like this may not come again.

If Mr. Macron can push through real reforms in France and forge an agreement with Germany on a set of realistic policies for the euro and the EU, he could well be remembered as the greatest French president since de Gaulle.

The rub is that he'll need to do it without setting off the street protests and strikes that doomed past efforts.

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With elections in the rearview mirror, the German chancellor—almost certainly Mrs. Merkel—will sit down with Mr. Macron for the most important negotiations in Europe since

By Allyssia Finley

Nine-term Rep. Darrell Issa spent his four years as head of the House Oversight Committee tormenting the Obama administration. Liberals aim to spend the next two years reciprocating. Mr. Issa was barely re-elected last year, winning by fewer than 1,700 votes, and Democrats have made him a top target of their campaign to reclaim a House majority in 2018.

On Saturday hundreds of protesters—many in Planned Parenthood and SEIU T-shirts—gathered outside Mr. Issa's town-hall meeting at San Juan Hills High School, waving signs such as "Repeal and Replace Issa." A woman with a bullhorn led a series of chants: "Hey hey, ho, ho, Darrell Issa's got to go." But once she walked into the school auditorium, the throng outside quickly dissipated.

This Potemkin protest was orchestrated by the progressive group Indivisible, which for the past several Tuesdays

has been staging demonstrations outside Mr. Issa's office in Vista, 30 miles north of San Diego. The goal, plain and simple, is to intimidate him.

Mr. Issa represents one of the 23 GOP-controlled districts that voted for Hillary Clinton.

Rep. Issa bets that early engagement will keep him in Congress.

Liberals hope to make these potentially vulnerable Republicans skittish about repealing and replacing ObamaCare or supporting President Trump's agenda.

Some Republicans are ducking confrontation, but Mr. Issa was criticized during his last campaign for ignoring voters. So he's chosen to engage. During the town hall, some irate attendees asked tendentious questions that seemed aimed at getting a rise out of Mr. Issa. Why, for example, had he referred to demonstrators outside

his office as paid protesters? The congressman groused that the same 500 or so people keep showing up at his meetings, but for the most part he kept his cool. He also sought to draw distinctions between his positions and Mr. Trump's, particularly on immigration and the budget.

This tap dance can't come easy. Until last year Mr. Issa never had to sweat re-election. His affluent, traditionally Republican district hugs the California coastline from the southern tip of Orange County down to Del Mar, where horse races are held every summer. It also includes Camp Pendleton, the Marine Corps' major West Coast training base.

In 2012 Mr. Issa defeated his Democratic opponent by 16 points, and two years later he won by 20. But since then the GOP's voter-registration advantage has shrunk by half, to about six points, as Democrats have rushed to sign up Hispanics in inland cities like Vista. Meanwhile, the district's country-club Republicans are

lukewarm on Mr. Trump. Most probably were rooting for Marco Rubio or John Kasich.

All that made last year Mr. Issa's toughest campaign. His Democratic opponent, Doug Applegate, was a retired Marine colonel. Hostility toward Mr. Trump, particularly among Hispanics, lifted Democratic turnout. Mrs. Clinton carried the district by seven points, and although Mr. Issa received 20,000 more votes than President Trump, it almost wasn't enough.

Mr. Applegate already has announced plans to run again.

Liberals hope that fear of losing re-election will paralyze Mr. Issa—along with similarly situated Republicans—and upset the GOP's priorities in Congress.

But perhaps the bigger danger

is the opposite: If Republican majorities fail to move quickly on a reform agenda, GOP voters may be so demoralized that they stay home the next time Mr. Issa is on the ballot.

Ms. Finley is an editorial writer for the Journal.

OPINION

REVIEW & OUTLOOK

The Buck Stops Everywhere Else

Some people with a propensity for self-destructive behavior can't seem to help themselves, President Trump apparently among them. Over the weekend and into Monday he indulged in another cycle of Twitter outbursts and pointless personal feuding that may damage his agenda and the powers of the Presidency.

Mr. Trump first expressed solidarity with the British people after the London terror attack, before managing to convert the mass murder into a referendum on his favorite subject, Donald J. Trump. He assailed London Mayor Sadiq Khan for supposedly minimizing the threat, though what Mr. Khan said was that there was no reason to be alarmed by an enlarged police presence after the rampage. "Pathetic excuse," Mr. Trump called it.

World leaders who stoop to attack municipal politicians in foreign cities look small, not that we can recall a precedent. If Theresa May has an opinion about Bill de Blasio she's kept it to herself, though the Prime Minister was compelled to say Mr. Khan is "doing a good job. It's wrong to say anything else."

In a humiliating coup de grace, the mayor's office put out a statement saying he "has more important things to do than respond" to Mr. Trump's social-media insults. The U.S. Commander in Chief also has better uses of his time than making himself look foolish.

Mr. Trump's more consequential eruption was against Mr. Trump's Justice Department. He was evidently responding to a segment on MSNBC's "Morning Joe" about his executive order temporarily suspending immigration entry from six countries with a history of terrorism.

"People, the lawyers and the courts can call it whatever they want," Mr. Trump wrote. "I am calling it what we need and what it is, a TRAVEL BAN!" Mr. Trump added that "The Justice Dept. should have stayed with the original Travel Ban, not the watered down, politically correct version they submitted to S.C."

These comments are reckless on multiple levels. The original blunderbuss order was rolled out on the Friday night of Mr. Trump's first week as President with zero public explanation and little internal vetting. White House staffers from the Steve Bannon wing preferred the stun-grenade approach, but Mr. Trump's legal team convinced him to sign a legally bullet-proof revision in March because they preferred to win in court.

The new order wasn't "watered down" on

Trump undermines his own travel ban and Justice Department.

substance but did make pragmatic exceptions for, say, permanent residents with green cards and military translators. Had the White House done such legal due diligence in the first place, the travel ban might not have become a political bonfire—not least because the President enjoys wide constitutional and statutory discretion over immigration and national security.

If Mr. Trump's action is legal on the merits, he seems to be angry that his lawyers are trying to vindicate the rule of law. Attorney General Jeff Sessions would be justified if he resigned, and this is merely the latest incident in which Mr. Trump popping off undermined his own lawyers. The White House spent days explaining that the President fired James Comey on the counsel of Deputy AG Rod Rosenstein, only for Mr. Trump to tell an interviewer that he planned to dismiss the FBI director in any case. Homeland Security John Kelly has also suggested that the temporary visa shutdown is not an "immigration ban."

If this pattern continues, Mr. Trump may find himself running an Administration with no one but his family and the Breitbart staff. People of talent and integrity won't work for a boss who undermines them in public without thinking about the consequences. And whatever happened to the buck stops here?

Mr. Trump is also sabotaging the legitimate legal basis for the travel ban, and the stakes are bigger than the ban itself, which we think is counterproductive and unnecessary. He is exercising core presidential powers over foreign affairs that the courts may restrict if Mr. Trump keeps daring them to do so.

Two appellate courts have ignored the order's text and cited legally irrelevant campaign statements to rule that the ban is really intended to discriminate against Muslims. And now President Trump has given liberal judges Twitter evidence to conclude that his motives may be suspect. At the very least he is making it harder to corral a Supreme Court majority.

In other words, in 140-character increments, Mr. Trump diminished his own standing by causing a minor international incident, demonstrated that the loyalty he demands of the people who work for him isn't reciprocal, set back his policy goals and wasted time that he could have devoted to health care, tax reform or "infrastructure week." Mark it all down as further evidence that the most effective opponent of the Trump Presidency is Donald J. Trump.

the State, for a crime or offense[s] against its laws," she wrote. Disgorgement "bears all the hallmarks of a penalty: It is imposed as a consequence of violating a public law and is intended to deter, not to compensate." That's a welcome rebuke to the SEC, which has used disgorgement aggressively to extract settlements, including some \$2.8 billion in 2016.

Justice Sotomayor's opinion also raised legal eyebrows for a footnote in which she said the ruling should not be interpreted as "an opinion on whether courts possess authority to order disgorgement in SEC enforcement proceedings or on whether courts have properly applied disgorgement principles in this context." That almost sounds like an invitation for a future suit to pose the question. Please do.

Supreme Court Disgorges the SEC

Critics of the Supreme Court often forget how many of its rulings are unanimous, notably on abuses of government power.

The agency takes a unanimous beating for an enforcement abuse.

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FAA regulates itself, so a separation would end this conflict-of-interest and allow the agency to focus on safety and certification. This reform is endorsed by the International Civil Aviation Organization, and only the most cynical on the left could claim a spinoff threatens passenger safety. Democrats will say Mr. Trump is auctioning off air traffic to big business, but the principles are explicit that the entity must be a nonprofit. The outline gives airlines only two seats on the 13-member board.

Some on the right may also torpedo the plan. Among the complaints: The nonprofit would be given the air-traffic control assets at no cost, though no company would buy the equipment in this scrapyard. Another is the suspicion that anything supported by the air-traffic controller union must be unacceptable. Both the Shuster plan and the Trump principles say that current union contracts would be honored, which is hardly a major victory for labor.

Still, the more remarkable feat is how many in the industry agree on the basics: The airline trade group supports a spinoff, and last year so did the air-traffic controller's union, which said it will evaluate the specifics of any bill. Former FAA chief officers and Transportation Secretaries also signed on. That's a testament to how inefficient the current system is. And perhaps the traveling public can relate to Mr. Trump's venting on Monday about having "to circle for hours and hours" over an airport.

In May the Transportation Department In-

An evening stranded on an O'Hare airport runway is enough to make anyone mad, and on Monday Donald Trump responded with a plan for improving American air travel.

The President endorsed spinning off air-traffic control from the Federal Aviation Administration, a decades-old idea that would improve passenger experience and safety.

Mr. Trump announced principles for converting air-traffic control into a nonprofit. The new entity would be governed by a board of directors, including representatives for airlines, unions, airports and others. Instead of taxes, the outfit would be funded by user fees, which is how Canada has financed air-traffic services since 1996. The outline makes small tweaks to House Transportation Chairman Bill Shuster's proposal that stalled last year.

The proposal is being dismissed as one of Mr. Trump's eccentric obsessions, though Al Gore supported a version in the 1990s. President Trump is right that while "every passenger has GPS technology in their pockets, our air-traffic control system still runs on radar," circa 1945. The FAA's modernization program known as NextGen is expected to crash through its 2025 deadline by as much as a decade.

One illustration is electronic flight strips. U.S. towers use pieces of paper to monitor a flight's progress, even as FAA has promised to transition to digital slips, among other technology updates. How's that going? The product will be rolled out somewhere between 2020 and 2028—to only 89 of the busiest towers, as the Reason Foundation's Robert Poole has detailed. Canada's air-traffic system NavCanada deployed electronic strips a dozen years ago.

spector General offered some reasons why the FAA so routinely fails to deliver new technology: "overambitious plans, unreliable cost and schedule estimates, unstable requirements, software development problems, poorly defined benefits, and ineffective contract and program management." Is that all?

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Trump's air-traffic spinoff would be a great flight forward.

LETTERS TO THE EDITOR

California Dreaming: Is Single-Payer Right?

Regarding your editorial "California Single-Payer Dreaming" (May 27): Single-payer programs provide publicly financed health care, not "free care." The residents of California currently pay for all of their care, and this will persist. Seventy percent of California's health-care expenditure is now paid from public funds, and the remaining \$150 billion (approximately) comes from premiums and out-of-pocket payments. The "tax hike" you cite would simply replace current premiums and out-of-pocket contributions dollar for dollar; thus, the net effect would be no increased cost to taxpayers except perhaps those who are ultrawealthy.

By neglecting to account for the substantial cost savings resulting from single-payer's low administrative overhead and provisions explicitly designed to lower prices, the Senate staff report gives a highly misleading impression about financing the proposed program. Your contention that there would be no restraint on health-care utilization and costs echoes that error, but is unwarranted.

HENRY L. ABRONS, M.D., MPH
Berkeley, Calif.

Under California's proposed solution to the failure of ObamaCare all medical care will be covered for citizens and noncitizens alike, paid for by an increase in payroll tax. Great idea, except you don't have to be a genius to predict that there will be an exodus of taxpayers from California and a flood of people from other states and countries into California. Of course, there will not be enough doctors who are willing to care for everyone who is seeking this free care. This is doomed to fail.

BARBARA FOTINE ATKINS
North Las Vegas, Nev.

You are premature in suggesting that this bill has a hope of passing a statewide vote, even in liberal California. The current version has a new 15% payroll tax to get through the legislature, something that nearly every Democrat would need to support. It is worth noting that this unanimity was barely accomplished for a 12-cent gas-tax hike.

Colorado could only muster 20%

for a similarly crafted attempt at a single-payer "solution" as recently as 2016. There are other more mundane reasons that Californians will not support this, should it make it to the ballot. For one, seniors will not forgo Medicare to stand in line with everyone else. Also, the present health-care plan of the California Teachers Association is a far better plan than members would find in the "common pot" of single-payer. The present employer-based plans of many nonsenior voters will always be preferred to a single-payer system, one that can best be described as a mixture of the U.S. Postal Service, the Department of Motor Vehicles and a TSA security check.

BOB SPEAR, M.D.
Coronado, Calif.

It remains an immutable fact that the burden of excessive health-care costs is the single largest economic challenge in the U.S., which spends a much greater proportion of its GNP on health care than any other developed nation. If we could just match Sweden, that would free up roughly \$1.2 trillion of annual cost in the U.S. To put that in perspective, that would be enough to totally eliminate the hated corporate income tax four times over.

It is time for intelligent conservatives to realize that the vested interests of our current health-care system (insurers, drug companies and lawyers) are selling us down the river. They claim single-payer is socialism. In fact, it could be the single biggest contributor to economic growth in the U.S. since the Reagan tax cuts.

CLAY CREASEY
San Francisco

For years I have believed that the best answer to our health-care problem is an expansion of Medicare, a single-payer system. Now California is showing us the way.

Is a 15% payroll tax a problem? The average family health-care premium in 2016 was \$18,000. The average household family income is \$57,000. Health-care premiums amount to about 30% of household income. All of a sudden, 15% does not seem so bad.

EDWARD G. KEMMERLING
Brighton, Mich.

Bret Weinstein's "The Campus Mob Came for Me—and You, Professor, Could Be Next" (op-ed, May 31) is inaccurate. There has never been, and never will be, "coercive segregation by race" at the Evergreen State College. The optional campus activity he cites gave those who chose to join a chance to meet in groups to discuss racism and differences. Mr. Weinstein's right to speak and to feel safe on campus is essential. The tenor of public discourse, as seen across the U.S., is a challenge for all educators.

At Evergreen, we understand that diversity should be fully compatible with empathy, dignity and respect.

GEORGE S. BRIDGES
President
The Evergreen State College
Olympia, Wash.

Mr. Weinstein writes of the tension between two incompatible worldviews: the fact-based hard sciences and the "perception-based relatives" of postmodernism, critical theory, etc.

One is based on facts, whether one likes these facts or not, while the other rests on the shifting sands of opinion and belief, unfortunately all generally left-leaning. We will continue to see unending conflict until these other fields embrace the fact-based paradigm that ignited the sci-

entific revolution. Progress isn't possible as long as leftists remain mired in the fantasy that their individual beliefs can somehow shape reality.

JOHN CONLIN
Littleton, Colo.

I am struck by Prof. Weinstein's admission that a tension "has existed throughout the entire American academy for decades: The button-down empirical and deductive fields, including the hard sciences, have lived side by side with 'critical theory,' postmodernism and its perception-based relatives."

I graduated with a degree in engineering. In that world 2+2 always equaled four. And there was very little time to do much except keep up with the fast-paced subject matter. Today, it seems, for many on the other side of Prof. Weinstein's academic wall, black can equal white, white can equal black and 2+2 no longer has to equal four. Plus those on that side of the wall insist to the point of violence that they are right. Something obviously has to give.

STEVEN SCHOENFELDT
Grand Rapids, Mich.

The left eats its own.

GERRY DENOTTO
Mount Prospect, Ill.

CORRECTION

Due to an editing error, the first paragraph in the printed edition of Kevin Ring's letter of June 3 was a paragraph belonging to another letter. Mr. Ring has never been convicted of a drug offense.

Pepper ... And Salt

THE WALL STREET JOURNAL



"What can I say? I went to the market, and it paid off."

OPINION

Terror and the Teddy Bear Society

By Theodore Dalrymple

The only man I ever met whose ambition was to be a suicide bomber was an inmate at the British prison where I worked as a doctor in the 1990s and 2000s. He was a career criminal of very nasty propensities whose father was Arab and mother English. He had reached his 30s, the age at which criminals usually turn away from crime in favor of something better—in his case the killing of as many infidels as possible, along with himself.

Even the arrests after each attack give comfort to the enemy, which can act with impunity even if known.

Coming to religion is one reason, or pretext, for abandoning crime. In the prison there was much more Islamic evangelism than Christian. I would find Qurans and Islamic pamphlets in drawers, insinuated there by I knew not whom, but never Bibles or Christian pamphlets.

I interpreted religion as the means prisoners used to rationalize giving up common crime while at the same time not feeling defeated by, or having surrendered to, the society around them—for they knew

conversion to Islam gave that society the shudders.

The problem for the security services, however, is that there is no invariable profile, social or psychological, of the Muslim terrorist. Nor is there a kind of economic lever that can be pulled so that, with better material prospects, young Muslims will be less attracted to terrorism. There have, it is true, been no-hoppers among the terrorists, but there have also been medical students and doctors. There was nothing (except himself) impeding the recent Manchester bomber from having a normal or even a highly successful career. As Prime Minister Theresa May rightly said after the most recent atrocities in London, what the terrorists have in common is an ideology. She rightly called it evil, but it is also stupid: It makes the Baader-Meinhof Gang look like Aristotle.

An ideology, however stupid, is not easy to destroy; believing six impossible things before breakfast is almost par for the human course. One obvious thing to do would be to strangle the foreign funding of so much Islamist activity in Britain. That is no doubt complicated in many ways, but no British government, solicitous of trade relations, has dared even try. The British economy is precarious, and it is difficult to be strong when your economy is weak.

Instead, we have gone in for what a Dutch friend of mine calls “creative appeasement.” Authorities make



AFP/GETTY IMAGES

At the site of the London Bridge attacks, June 5.

concessions even before, one suspects, there have been any demands for them. Thus, a public library in Birmingham, one of the largest known to me, has installed women-only tables, a euphemism for Muslim women only. Whether there was ever a request or demand for sex-segregated seating from Muslims is probably undiscoverable; truth seldom emerges from a public authority. But the justification would almost certainly be that without such tables, Muslim women would not be able to use the library at all.

The Birmingham airport has set aside a room for *wudu*, the Muslim ablutions before prayer. No other

religion is catered for in this fashion (nor should they be, in my opinion), so the impression is inevitably given that Islam is in some way favored or privileged. Again, it would be difficult to find out whether they received requests or demands for such a room or merely anticipated them; in either case, weakness is advertised.

This is not a local problem alone. Many European airports now set aside a room for “meditation.” The icon used to indicate it almost always carries more of an Islamic connotation than any other. A friend told me that when she went into one such room, she was told by a Muslim to

remove her shoes, ecumenism being, of course, a one-way street.

My female Muslim patients who had grown up in Britain told me that the school inspectors had never intervened when their parents prevented them from attending school, often for years. On the other hand, white working-class parents were bullied by those inspectors when their refractory 15-year-old daughters refused to go. A few years ago it came to light that police in Rotherham had for decades systematically turned a blind eye to the mass sexual abuse of children—at least 1,400 victims—by Muslim men. This type of willful neglect by the authorities came as no surprise to me. On the contrary, it is precisely what I would have expected.

From all this the terrorists surely draw a great deal of comfort. It gives them the impression of living in a weak society that will be easy to destroy, so that their acts are not in the least nihilistic or pointless, as is often claimed. They perceive ours as a candle-and-teddy-bear society (albeit mysteriously endowed with technological prowess): We kill, you light candles. The other day I passed a teddy-bear shop, that is to say a shop that sold nothing but teddy bears. I am sure that terrorism is good for business, but the teddy bears are more reassuring for the terrorists than for those who buy them to place on the site of the latest outrage.

Another source of comfort for terrorists is that after every new atrocity, the police are able to arrest multiple suspected accomplices. That suggests the police knew the attackers' identities in advance but did nothing—in other words, that most of the time terrorists can act with impunity *even if known*. Here, then, is further evidence of a society that will not defend itself seriously. This is not just a British problem. The April murder of a policeman on the Champs Elysées in Paris was committed by a man who had already tried to kill three policemen, who was known to have become fanatized, and who was found with vicious weapons in his home. The authorities waited patiently until he struck.

Theodore Dalrymple is the pen name of Anthony Daniels, a British physician.

Index Funds Still Beat ‘Active’ Portfolio Management

By Burton G. Malkiel

A recent report from Standard & Poor's adds impressive support to the large body of evidence suggesting the superiority of simple index investment strategies over traditional stock picking. At the start of every year, “active” portfolio managers declare that the current year will be the “year of the stock picker.” But the results consistently fail to support that view.

There is no better way for individuals to invest in the stock market and save for retirement.

For years S&P has served as the de facto scorekeeper demonstrating the dismal record of “active” portfolio managers. During 2016, two-thirds of active managers of large-capitalization U.S. stocks underperformed the S&P 500 large-capital index. Nor were managers any better in the supposedly less efficient small-capitalization universe. Over 85% of small-cap managers underperformed the S&P Small-Cap Index.

When S&P measured performance over a longer period, the results got worse. More than 90% of active managers underperformed their benchmark indexes over a 15-year period. Equity mutual funds do beat the market sometimes, but seldom can they do it consistently, year over year.

The same findings have been documented in international markets. Since 2001, 89% of actively managed international funds had inferior performance. Even in less efficient emerging markets, index funds outperformed 90% of active funds. Indexing has proved its merit in various bond markets as well.

The logic behind the empirical results is irrefutable. In any national market, all the securities are held by someone. Thus if some investors are holding securities that do better than average, it must follow that other investors do worse than average. Investing has to be a zero-sum game. For every winner there will be a loser.

But in the presence of costs, the game becomes negative-sum. The index investor will achieve the market

return with close to zero cost. Actively managed funds charge management fees of about 1% a year. Thus, as a group, actively managed funds must underperform index funds by their difference in costs. And empirical evidence suggests that active funds underperform index funds by approximately the difference in their costs. Moreover, actively managed funds tend to realize taxable capital gains each year. Passive index funds are more tax-efficient, making the after-tax gap even larger.

In 2016 investors pulled \$340 billion out of actively managed funds and invested more than \$500 billion in index funds. The same trends continued in 2017, and index funds now account for about 35% of total equity fund investments. Now a new critique has emerged: Index funds pose a grave danger both to the stock market and to the general economy.

In 2016 an AB Bernstein research team led by analyst Inigo Fraser-Jenkins published a report with the provocative title “The Silent Road to Serfdom: Why Passive Investment Is Worse than Marxism.” The report argued that a market system in which investors invest passively in index funds is even worse than an economy in which government directs all capital investment. The report alleges that indexing causes money to pour into a set of investments without regard to considerations such as profitability and growth opportunities. Detractors also accuse index funds of producing a concentration of ownership not seen since the days of the Rockefeller Trust.

What would happen if everyone began investing in index funds? The possibility exists that they could grow to such a size that they would distort the prices of individual stocks. The paradox of index investing is that the stock market needs some active traders to make markets efficient and liquid.

But the substantial management fees that active managers charge give them an incentive to perform this function. They will continue to market their services with the claim that they have above-average insights that enable them to beat the market, even though they cannot all achieve above-average market returns. And even if the proportion of active managers shrinks to a tiny percentage of the total, there will still be more than enough of

them to make prices reflect information.

Americans have far too much active management today, not too little. The S&P report reveals that ever-increasing percentages of active managers have been outperformed by the index. If anything, the stock market is becoming more efficient—not less so—despite the growth of indexing.

It is true that there will be a growing concentration of ownership among the index providers, and they will have increased influence in proxy voting. The possibility of excessive market power needs to be monitored by antitrust authorities, but index funds don’t

have an incentive to use their votes to encourage anticompetitive behavior.

Index funds have been of enormous benefit for individual investors. Competition has driven the cost of broad-based index funds nearly to zero. Individuals can now save for retirement far more efficiently than before by assembling a diversified portfolio of index funds. There is no better way to preserve and grow one’s savings.

Mr. Malkiel, chief investment officer of Wealthfront, is the author of “A Random Walk Down Wall Street” (W.W. Norton), now in its 11th edition.

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Saudi Cash Stirs Up Buyout Game

Sovereign fund stands to be world's largest, fueled by Aramco; new winners are likely

BY MAUREEN FARRELL

With less than two weeks' notice last month, more than a dozen of the top global money managers accepted a dinner invitation halfway around the world. The host: Yasir al-Rumayyan, head of Saudi Arabia's Public Investment Fund, which is set to become the world's largest sovereign-wealth fund in coming years—and potentially their biggest benefactor, if the kingdom's state-owned

oil company goes public as planned.

The guests, which included **Blackstone Group** LP Chief Executive Stephen Schwarzman, **Carlyle Group** LP's David Rubenstein, **SoftBank Group** Corp.'s Masayoshi Son and Robert Smith of **Vista Equity Partners**, mingled over nonalcoholic drinks in a large indoor courtyard lined with palm trees at Mr. al-Rumayyan's Riyadh home.

At dinner, the private-equity potentates sat at small round tables with Saudi financiers, executives and government officials.

The meeting, which came a day ahead of President Donald Trump's visit to Saudi Arabia

in late May, shows the potential of PIF to reshape the private-equity industry and create the next round of winners and losers in its continuous quest for assets.

PIF could be the single biggest source of cash for buyout firms in coming years, private-equity officials say.

"This was a coming-out party for the PIF," said Bill Ford, chief executive officer of private-equity firm **General Atlantic**, who attended the dinner and a subsequent round table. "Every global investor should have a relationship with Mr. al-Rumayyan," who was previously best known for being CEO of a Saudi affiliate of

Please see SAUDI page B2

Wealth of Nations

The largest sovereign-wealth funds by assets under management.* Saudi Arabia's Public Investment Fund is set to become the largest when it absorbs oil giant Aramco, as planned.

COUNTRY: FUND (INCEPTION)	ASSETS
Norway: Government Pension Fund – Global (1990)	\$922 billion
United Arab Emirates: Abu Dhabi Investment Authority (1976)	\$828
China: China Investment Corporation (2007)	\$814
Kuwait: Kuwait Investment Authority (1953)	\$524
Singapore: Government of Singapore Investment Corporation (1981)	\$350
Saudi Arabia: Public Investment Fund (2008)*	\$183

*Excludes entities focused on central-banking functions

Source: Sovereign Wealth Fund Institute

Note: Data through May 2016

THE WALL STREET JOURNAL.

J.Crew's Drexler Gives Up CEO Role

BY KHADEEJA SAFDAR

J.Crew Group Inc. said its longtime leader Mickey Drexler will step aside as chief executive and hand over those duties to an outsider, as the seller of preppy clothes struggles with a prolonged sales slump and hefty debt load.

The closely held company on Monday named James Brett, president of furniture retailer West Elm, as CEO starting next month. Mr. Drexler, who is 72 years old and has been CEO since 2003, will continue to serve as board chairman.

The change comes at a time that Mr. Drexler is scrambling to keep the company he took private in a leveraged buyout from ending up in bankruptcy. Sales at stores open at least a year have fallen for the past 10 quarters.

Mr. Drexler told J.Crew's board about his plans to step down last year, according to people familiar with the matter. A search for a CEO has been under way for several months and the company made the decision to hire Mr. Brett shortly after identifying him, one person said.

In an interview with The Wall Street Journal last month, Mr. Drexler said "at some point" he would hire another CEO to run the company but gave no indication that a transition was imminent. He had recently parted ways with J.Crew's longtime creative chief, Jenna Lyons, and reorganized the company's leadership team.

Asked why he continued to serve as CEO, Mr. Drexler said last month, "Frankly, it's not a fun time in the retail world. I feel a strong drive to be successful always, and to make the business work, and there's a big responsibility doing what I do."

Mr. Drexler, who redefined

Please see CEO page B2

Virtual Reality Unites Training and Real World



REACH OUT AND TOUCH SOMEONE: Haptic technology, which re-creates the sense of touch, being tested on a dental-training device at a U.K. conference in April. B4

Venezuela Discounts \$5 Billion in Bonds

Venezuela is attempting to resell at a deep discount \$5 billion of bonds it originally issued in December through a Chinese brokerage as it struggles to squeeze through a tightening cash crunch, according to investors who were offered the bonds.

By Matt Wirz, Kajal Vyas and Carolyn Cui

The move is the country's latest extraordinary step to raise funds after being shut out of the international debt market in recent years as its oil-rich socialist economy crumbles. But even bond funds that specialize in distressed debt are hesitating to buy in because of concerns about the irregularities surrounding the

deal and questions from opposition lawmakers about its legality.

While much of Wall Street sees default as a matter of time, the offer could appeal to investors willing to take on the risk in exchange for potentially significant returns. **Goldman Sachs Group** Inc. recently paid \$865 million for \$2.8 billion in Venezuelan bonds in a transaction that drew widespread condemnation from rivals of embattled President Nicolas Maduro, who accused the New York bank of helping finance his increasingly authoritarian and isolated administration.

"It's like they're having a going-out-of-business sale," said Russ Dallen, partner at the brokerage Caracas Capital

Please see DEBT page B2

Today is one of those times a sensible assessment of risk looks more coldhearted than clear-eyed. Thousands of City traders and bankers walk across London Bridge every day, and Borough Market hosts restaurants popular with fund managers and financial journalists, myself included.

Yet, investors were unflustered by Saturday night's brutal attack. The pound initially fell against both the dollar and euro, but by the time London opened, sterling was above where it stood Friday, if rather more volatile.

There was no sign traders thought the attack would affect Thursday's election result, with shares in most companies the opposition Labour Party has promised to nationalize rising, notably **National Grid PLC** and **Royal Mail PLC**. Investors continue to think the governing Conservatives will romp home.

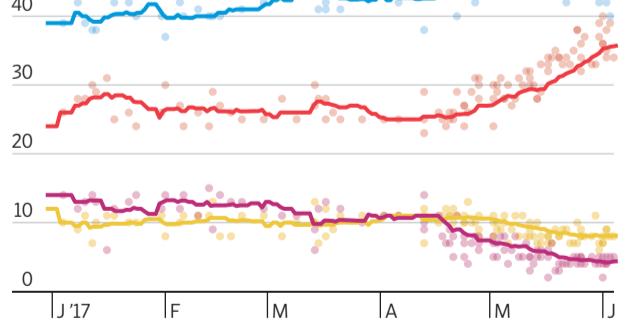
On one level, this looks sensible, as London has weathered many attacks from religious and nationalist extremists over the years.

On another level, investor confidence in the election outcome looks overdone. The betting markets are a decent proxy for investor certainty and give Theresa May a better-than-80% chance of staying as prime minister. It is unthinkable for many in finance that bearded socialist Jeremy Corbyn and his divided Labour Party could win, even as Mrs. May's poll

Labour's Polls Pound Sterling

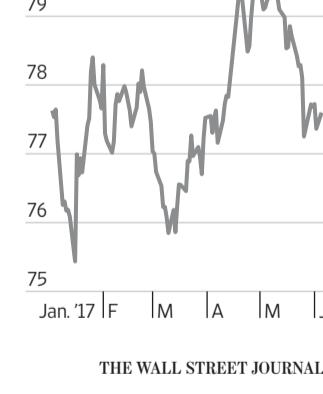
As the U.K.'s Labour party narrowed the polling gap with the ruling Conservatives, the pound took a beating. Sterling shrugged off the London terror attack and rose on Monday.

Party support, 14-day moving average (—) and each poll (•)



Sources: WSJ average of opinion polls from BMG, ComRes, GfK, ICM, Ipsos Mori, Kantar TNS, ORB, Opinium, Panelbase, Survation and YouGov; Bank of England, Thomson Reuters (sterling)

Sterling, trade-weighted index



THE WALL STREET JOURNAL.

INSIDE



APPLE TELLS SIRI TO WISE UP NEW HOMEPOD

PERSONAL TECHNOLOGY, B4

lead narrows.

The confidence is particularly odd when investors are acting on far less information than usual. Polling methods have been revised after their failure in the latest election and the Brexit vote, but the new techniques are untested.

On Friday, a poll under the old methodology gave the Conservatives a mere one-point lead, while last week's polls with bigger tweaks to assumptions about low turnout by young voters gave them a much bigger lead.

Like the markets, I find it hard to believe voters will really cast a ballot for the student politics of Mr. Corbyn. Yet, Mrs. May's U-turns have undermined a campaign based on her supposed

strength, and the thumping win she originally hoped for now seems unlikely.

On top of the polling uncertainty is the big unknown of how, if at all, voters will react to the political debate about terror. As usual, politicians were quick to push their already-favored policies, and as usual they focused on only one part of the risk assessment: that of how to reduce the risk.

Mrs. May repeated her demand for a clampdown on the internet, without suggesting there was a direct link to the attack. Mr. Corbyn repeated his call for an end to cuts to police numbers overseen by Mrs. May for the past few years, even though there was clearly no shortage of police Saturday

and armed police killed the attackers in eight minutes.

Risk appraisal isn't always about reducing risk, though, and that is where it can seem coldhearted: Sometimes we just have to accept the risk, as the costs of reducing it—in freedom, foreign policy or simply money—are too high.

In the aftermath of an attack, politicians assume voters care only about reducing terror risk, not about the costs, and they are probably right. Investors assume that none of this matters to the election. But if they turn out to be wrong, the costs, in the form of falling utility shares and the pound, would hurt—but the losses would be measured merely in money, not in blood.

INDEX TO BUSINESSES

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

A

AirAsia	B6
Air China	B6
Alphabet	A7,B4,B5,B12
Amazon.com	B4,B5,B12
Anheuser-Busch	B11
Apple	B4,B5,B12
AstraZeneca	B3

B

Banca Monte dei Paschi di Siena	B10
Banca Popolare di Vicenza	B10
Banco Espírito Santo	B10
Banco Popular Español	B10
Bank of America	B10
Blackstone Group	B1

C

Carlyle Group	B1
China Eastern Airlines	B6
China Huishan Dairy Holdings	B3
China Southern Airlines	B6
Citadel	A10
Citigroup	B10
Crédit Agricole	B2
CSX	B3

D - E

Daimler	B12
Dinosaur Group	B2
Emirates Airline	A8

H

H	B2
---	----

I

I	B5
---	----

J

J	B1
---	----

K

K	B12
---	-----

L

L	B10
---	-----

M

M	B3
---	----

N

N	B1
---	----

O

O	B12
---	-----

P

P	B10
---	-----

R

R	B12
---	-----

S

S	B10
---	-----

T

T	B12
---	-----

V

V	B12
---	-----

W

W	B12
---	-----

X

X	B12
---	-----

Y

Y	B12
---	-----

Z

Z	B12
---	-----

INDEX TO PEOPLE

G	B12
---	-----

E

E	B12
---	-----

F

F	B12
---	-----

G - L

G - L	B12
-------	-----

M

M	B12
---	-----

N - P

N - P	B12
-------	-----

R

R	B12
---	-----

S

S	B12
---	-----

T

T	B12
---	-----

U - Y

U - Y	B12
-------	-----

Z

Z	B12
---	-----

A

A	B12
---	-----

C

C	B12
---	-----

E

E	B12
---	-----

F

F	B12
---	-----

G - L

G - L	B12
-------	-----

M

M	B12
---	-----

N - P

N - P	B12
-------	-----

R

R	B12
---	-----

S

S	B12
---	-----

T

T	B12
---	-----

U - Y

U - Y	B12

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BUSINESS NEWS

CSX Assures About CEO's Health

Shareholders approve \$84 million payment to driver of turnaround at the railroad

BY PAUL ZIOBRO

RICHMOND, Va.—CSX Corp. Chief Executive Hunter Harrison addressed the railroad's shareholders on Monday and reassured them that he is able to lead a turnaround despite an undisclosed medical condition that requires supplemental oxygen.

Mr. Harrison walked through the lobby of the historic Jefferson Hotel here using an oxygen machine and was connected to the device on stage at the annual shareholder meeting. He told the audience that the board is "fully apprised with my medical condition" and that his doctor has cleared him to work.

The 72-year-old hasn't disclosed details of his condition, but shareholders overwhelmingly voted to approve an \$84 million payment tied to his decision to join CSX earlier this



CEO Hunter Harrison at the CSX annual meeting on Monday.

agreement with Mr. Harrison and then asked CSX to reimburse the expense.

Mr. Harrison, who became CEO in early March, had said he would resign from CSX if the reimbursement wasn't paid. CSX shares have surged more than 50% this year, boosted by the recruitment of Mr. Harrison. The stock fell nearly 1% to \$54.03 on Monday.

Proxy advisory firms Glass,

Lewis & Co. and Institutional Shareholder Services Inc. had recommended that shareholders vote for the reimbursement, despite some reservations. One issue has been Mr. Harrison's health. The executive took a medical leave in 2015 after leg surgery and a bout of pneumonia. He now frequently works from home instead of the railroad's Jacksonville, Fla., headquarters.

In a few months at the helm, Mr. Harrison has already made big changes at CSX, one of two major railroads in the Eastern U.S. In recent weeks, CSX has changed the way it sorts long trains at about half of its yards, and changed the routes and schedules for many of its

trains.

As a result, trains are spending less time idling at yards and have a better on-time performance. Still, there are pockets of the railway that are resisting changes in the way of doing business, Mr. Harrison said. "There are going to be some people that don't like change," he said in the interview. "That's human nature."

Mr. Harrison is making changes using a so-called precision railroading strategy that at its core involves better utilization of assets and running trains on a tighter schedule. He executed the plan at past stops leading Canadian Pacific and, before that, Canadian National Railway Co.

While advocates for Mr. Harrison insist his presence is necessary to turn CSX around, some people have questioned his appointment. "He wrote the book on precision railroading but I'm not sure you need to hire the author to execute the plan," said Renny Ponvert, chief executive of Management CV Inc., which analyzes top hires for money managers.

Justices Set Back SEC Over Clawbacks

BY DAVE MICHAELS AND BRENT KENDALL

WASHINGTON—Wall Street's top cop will have to make quicker work of finding fraud after the nation's highest court ruled on Monday to limit its power to claw back ill-gotten gains.

The Supreme Court, in a unanimous opinion written by Justice Sonia Sotomayor, said the Securities and Exchange Commission has five years to sue suspected wrongdoers after the fraud occurs. The case, Kokesh v. SEC, centered on a 2009 SEC lawsuit against Charles Kokesh, an executive accused of stealing money from thousands of small investors who put cash into funds that he managed during the 1990s and early 2000s.

The decision marked a new defeat for the SEC, which flexed its muscle in recent years as criticism of Wall Street misconduct reached a fever pitch. The opinion could deter the SEC from clawing back tens of millions from the heirs of deceased Texas entrepreneur Charles Wyly, who was the target of a decadelong probe and legal fight alleging that he and his brother concealed trading profits.

"There are a number of cases as well as negotiations in which the SEC's efforts to seek long-ago disgorgements will be thwarted," said Adam Unikowsky, a partner at Jenner & Block LLP who represented Mr. Kokesh before the Supreme Court. "That will have an effect, I think. A considerable one."

An SEC spokeswoman declined to comment on the court's opinion or its impact on other cases.

The decision expands on a setback the Supreme Court dealt the SEC in 2013. In a case involving Gabelli Funds LLC, the justices unanimously ruled the SEC's ability to levy civil monetary penalties, the other key source of the agency's punitive powers, was limited by the same five-year time limit.

The SEC had argued that profit forfeiture is different because the payments are regularly used to compensate fraud victims, and so shouldn't be subject to the five-year statute of limitations. The Supreme Court rejected that argument.

Justice Sotomayor said disgorgement was obviously a penalty because it sends a message meant to deter future wrongdoing. She also wrote that, since disgorged funds sometimes go to the government because regulators can't identify harmed investors, the SEC could not legitimately argue that it was purely restitution.

The biggest beneficiary in the near term could be Mr. Wyly's heirs, who weighed in on the Kokesh case in a legal brief, hoping for a decision that would boost their appeal of a judgment against the deceased businessman.

As for Mr. Kokesh, the SEC sued him in October 2009, claiming he looted tens of millions from 1995 to 2007 to pay salaries and bonuses and to fund office rent.

Cash Goes Missing at Giant Chinese Dairy



CHANG ZHONGZHENG/ASSOCIATED PRESS

BEIJING—One of China's largest dairies said it is missing most of its cash and has fallen more deeply in debt, further clouding its future following the disappearance of its treasurer and the departure of nine of its 10 board members.

China Huishan Dairy Holdings Co., which says it operates the largest number of dairy

farms in China, said Monday in a regulatory filing to the Hong Kong stock exchange that it should have had about 2.9 billion yuan (\$426 million) in cash and cash equivalents as of March 31. Instead, the company said that as of May 31 it could locate only about 467 million yuan, most of which is tied up in restricted bank deposits.

"This significant discrepancy is subject to further clarification," Huishan said, adding that it has "encountered tremendous difficulties" in preparing its financial statements due to the "resignations of key personnel in the group's treasury department."

Huishan said it would hire a forensic accountant to investigate the matter.

Huishan also said it was 26.73 billion yuan in debt at the end of March, up from about 16.04 billion yuan just six months prior.

Efforts to contact Huishan's investor-relations offices in Shenyang and Hong Kong on Monday were unsuccessful. Huishan employs more than 12,000 people in China and Hong Kong.

—Wayne Ma

Cost of Cancer Treatments Questioned

BY PETER LOFTUS

CHICAGO—A new study is stirring debate about whether the benefits of cancer drugs are worth their cost, particularly as drugmakers develop treatments that combine multiple pricey drugs.

The study of about 4,800 women with an aggressive type of breast cancer found that adding Roche Holding AG's drug Perjeta to the company's older treatment Herceptin conferred a slight benefit versus Herceptin alone, after the women had undergone surgery to remove tumors.

Some 94.1% of women receiving the combination in the study stayed free of invasive breast cancer three years after the start of treatment, versus 93.2% of those who received Herceptin alone—a difference of less than a percentage point.

That modest benefit comes at a high price: more than doubling the one-year

treatment cost to \$158,000 a patient from \$74,500. The combination also had higher rates of certain side effects than Herceptin alone, including severe diarrhea.

"The marginal improvement of adding Perjeta is tiny for the average person, but the incremental cost is going to be substantial," said Richard Schilsky, chief medical officer of the American Society of Clinical Oncology, which is hosting a conference where the study results were released Monday. He wasn't involved in the study.

Dr. Kathy D. Miller, an oncologist at Indiana University Melvin and Bren Simon Cancer Center in Indianapolis, wrote a critical editorial in the New England Journal of Medicine, published online along with the study results Monday. "The toxic effects (and cost) are too great for too many to benefit too few," she wrote.

Roche said the benefit of Perjeta and Herceptin in the

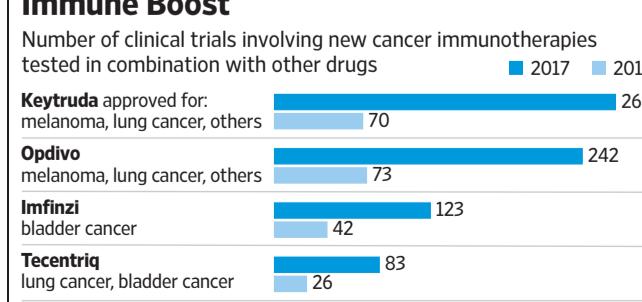
new study could mean the difference between relapse and staying disease-free for many women. "We see this as a very meaningful benefit," Daniel O'Day, CEO of Roche's pharmaceutical unit, said in an interview. The company plans to file for regulatory approval to market the combination for patients after

breast-cancer surgery, also known as adjuvant treatment.

The finding comes as many drug companies including Roche, Merck & Co. and AstraZeneca PLC race to test whether new combinations of cancer drugs can improve outcomes versus single-drug therapy or older treatments.

Immune Boost

Number of clinical trials involving new cancer immunotherapies tested in combination with other drugs



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PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

Hey Siri, What Took HomePod So Long?



SAN JOSE,
Calif.—Apple
is acknowledg-
ing there's
life beyond
the iPhone.

The big reveal at the company's Worldwide Developers Conference on Monday was the HomePod, a \$350 voice-controlled speaker.

Apple Inc. is touting this squat 7-inch cylinder as a way to fill a room with sonic bliss—and in a brief listen I got, it sounded great. But the HomePod's real purpose isn't just music: Inside, it has got the same brain as an iPhone 6, an array of six microphones to pick up your voice and its own connection to Siri, Apple's AI assistant. The HomePod isn't an accessory—it's a computer for your home.

Or it better be, for Apple's sake. The HomePod, due to start shipping in December, has to make up ground that Apple lost to the Echo, Amazon.com Inc.'s talking Alexa AI speaker first unveiled in 2014. It is also trailing Google's Home, which came out last year featuring Google's even smarter AI, the Assistant. Talking tech has given us easy access to the abundance of the internet without having to be tied to our smartphones. In many homes, a talking speaker is a trivia companion, a shopping helper, a master control for your lights.

Apple's key to catching up is Siri. A part of the iPhone since 2011, right now she is less like a cherished member of the household and more like that awkward cousin. But at its presentation to app



developers on Monday, Apple highlighted its updated AI capabilities. Siri will understand more context, even across multiple Apple devices. Apple says the Home-

Pod doesn't need special lingo to work; you can say "Hey Siri, I like this song," or even just "more like this."

Apple has some potential advantages over its rivals in making AI that is actually intelligent. The iPhone certainly knows more about my life than Amazon does. And Apple's Home app is more capable than either Amazon or **Alpha-
bet** Inc.'s Google at automating my smart-home gadgets and

making them work together.

Apple also may have an easier time convincing millions to put microphones in their homes. Not long ago, that idea would have creeped out most people. Apple has a strong reputation for protecting privacy, and its executives underscored that the HomePod sends requests to its servers in an anonymized way.

But Apple is behind in some key areas. A home is a

shared space, and Apple's devices are often designed to be used by only one person at a time. It made no mention on Monday whether Siri would be able to understand, based on voices, that you are a different person than your husband—with different calendar events, not to mention different tastes in music. But Google's Home recently added the ability to differentiate between people.

Apple was also mum about whether HomePod works with Apple TV. Google's Home lets you say, "Play 'Unbreakable Kimmy Schmidt' on Chromecast" and tada, there Netflix's most hilarious show. Amazon has learned that some answers can't be delivered via voice, and its next Alexa-powered device, called the Echo Show, has a screen built on top.

Much of Apple's sales pitch for the HomePod is audio quality. In my listen, a single HomePod filled a small room with sound that made a more coherent distinction between the singer and the backup band on pop and rock, while also providing more womp womp on the bass than either a Sonos Play:3 or Amazon Echo. But I'll reserve judgment for a test in my real home.

Apple says the HomePod has spatial awareness to tune sound to the room it is in, plus custom woofers and "beam-forming" tweeters.

Speaker mumbo jumbo may help rationalize the HomePod's elevated price tag. But what's most important is usefulness. Can the HomePod really pick up your voice across the room while you are blasting Beyoncé? If you call out to one in the living room, will the one in the kitchen answer, too? Nobody wants a house full of kids named Siri.

Apple has six months to work out answers to the questions—during which we'll get new Alexa speakers...and countless other talking devices.



DAVID PAUL MORRIS/REUTERS/CORBIS NEWS (2)

Real World Is Finding New Uses for Virtual Reality

BY BETSY MORRIS

launches last year of headsets from Facebook Inc.'s Oculus unit and Taiwan's **HTC** Corp.

But businesses are taking to it for training in industries from construction to medicine to sports. Executives say customized software that works like 360-degree videogames can help teach employees more effectively, less expensively, and often more safely than traditional methods.

Wal-Mart Stores Inc., for example, last week said it would expand VR training to all of its 200 employee training centers this year, after testing it in 31 centers. It plans to make the technology an integral part of training for 140,000 employees annually, says Tom Ward, a Wal-Mart vice president.

"I can figure out how best to approach a tumor and practice it so that when I get into the operation, it's as if I've been there before," Dr. Steinberg says. "It makes surgeries safer. Outcomes are better."

Virtual Reality has been slow to catch on with consumers, despite the high-profile



Wal-Mart Stores is one of many companies that are using VR training.

sells for about \$800.

Research firm International Data Corp. estimates total shipments of headsets for VR and augmented reality—a related technology that superim-

poses digital content onto a user's view of the real world—will grow at a compounded annual rate of 58% over the next five years. Business demand will be the main driver, with

shipments of headsets for commercial uses growing 80% a year, versus 50% for headsets for consumers, says IDC.

VR training is so new that there has been limited ability to measure its effectiveness as a business tool, and it has shortcomings. Some people feel awkward putting on the headsets, and some experience motion sickness. VR doesn't lend itself to training for jobs that require manual dexterity, for example—in the virtual world, you're rarely able to see your hands.

Still, United Rentals Inc. is a believer. The company, which rents generators, backhoes and thousands of other types of equipment, has been testing VR training since December for new sales staff. Instead of giving lectures and showing pictures of construction sites, "we bring the job site into the classroom," says Patrick Bar-

rett, director of training and development.

In its VR training, employees stand on the edge of a virtual construction site, with two minutes to observe and determine what equipment is missing before an avatar of a construction boss approaches and they have to begin their pitch.

"Do they see that excavation—a hole in the ground, filled with water; do they see that opportunity to rent that customer a pump?" asks Mr. Barrett. He predicts it will shorten his weeklong training program by half, and is planning to expand the VR training beyond the new hires.

At Wal-Mart, trainees scan VR produce and deli sections to spot problems. They also get a virtual preview of a Wal-Mart on one of its busiest holiday shopping days when crowds flood the stores looking for deals.

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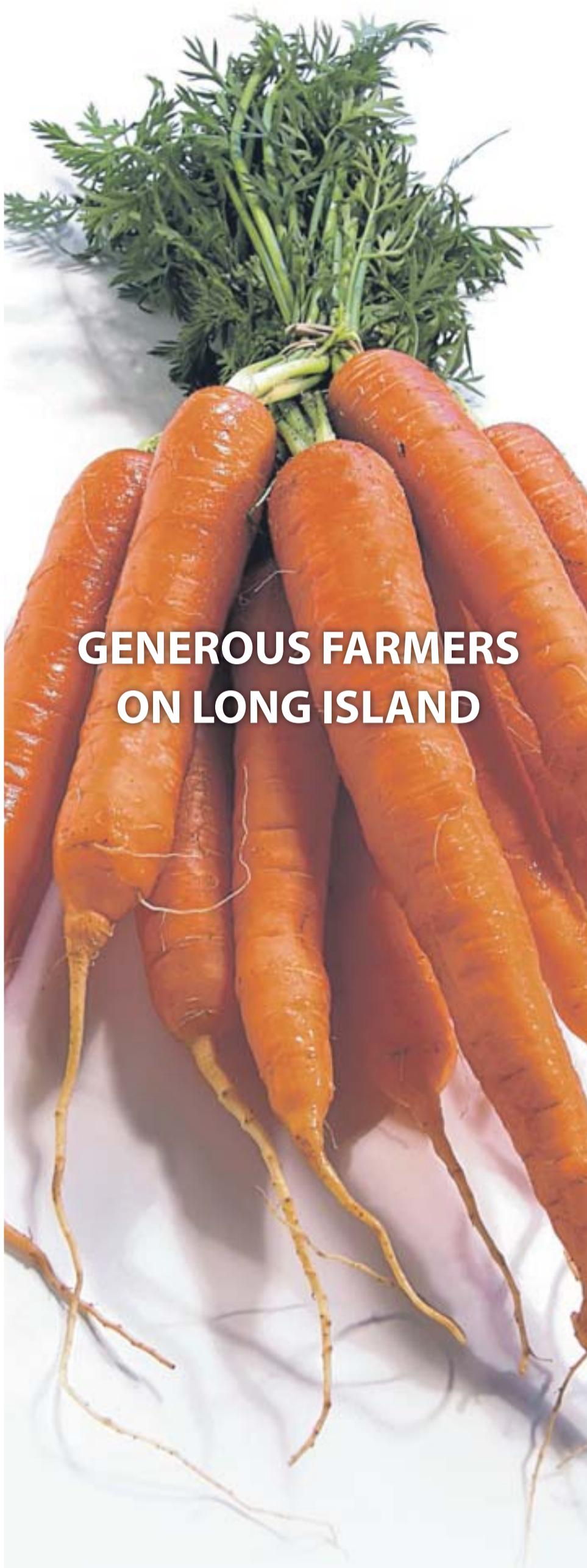
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TECHNOLOGY

Demand Slows for H-1Bs

Indian outsourcers cut number of workers brought to the U.S. under visa program

BY LAURA MECKLER
AND NEWLEY PURNELL

WASHINGTON—President Donald Trump has suggested he might find a way to cut the number of coveted H-1B visas awarded to outsourcing firms. But the companies appear to be heading in that direction on their own, amid technological changes.

Outsourcers' use of H-1B visas, which are reserved for highly skilled foreign workers, fell last year, before Mr. Trump won the Republican presidential nomination, new data show. The slide occurred alongside increasing criticism of the firms' business model.

Mr. Trump has criticized the lottery that is now used, in which companies all have equal chances at the scarce U.S. visas, and signed an executive order directing a review of the program. The order called for changes that would ensure visas are awarded to "the most skilled and the highest paid" applicants to avoid crowding out American workers.

Six of the seven prominent India-based outsourcing companies that do work in the U.S. received fewer H-1B visas in 2016 than they did in 2015, and as a group their numbers dropped 37%, according to a new analysis by the National Foundation for American Policy, a think tank that backs increasing the total number of H-1B visas available. Most outsourcing based in the U.S. and elsewhere also saw declines.

For instance, H-1B visas awarded to India's biggest outsourcing by revenue, **Tata Consultancy Services** Ltd., plummeted by 56% to 2,040 last year from 4,674 in 2015. For **Wipro** Ltd., another major Indian firm, the number also dropped by more than half to 1,474 from 3,079 in 2015.



Wipro and other Indian firms were using fewer H-1B visas even before Donald Trump's election.

Other research from previous years shows that the use of H-1Bs by individual outsourcing companies peaked in 2012 and 2013, sliding ever since. Many expect that the number of visas given to outsourcing will decline again for 2017, but those numbers aren't yet available.

Meanwhile, the number of visas awarded to some large U.S. technology firms, which have a different business model and compete with outsourcing for visas, increased last year. **Amazon.com** Inc., **Microsoft** Corp., **Alphabet** Inc.'s Google and **Apple** Inc. all received more visas than they did in 2015, the new data show. Such companies typically use the visas to recruit employees with rare skills that command higher wages compared with staff employed by outsourcing. Such use has come under less criticism.

Each year, 85,000 H-1B visas are available, and for the past several years they have been awarded by a lottery conducted in April because of overwhelming demand.

Following this year's lottery, Mr. Trump criticized the process and suggested more visas should go to highly paid jobs as opposed to a lottery in which each application has equal chance. Because many outsourcing jobs are paid the minimum required to comply with certain rules—around \$60,000 a year—many interpreted Mr. Trump's comments as a warning to the outsourcing and a possible boon to big tech companies that pay high salaries.

Outsourcing firms have drawn scrutiny for importing foreign workers to do work once performed by Americans. The companies say they are adhering to the program's

rules and only hire foreigners because they can't find Americans for the jobs.

Some Indian firms also say they are boosting their hiring of people in the U.S. **Infosys** Ltd. last month said it plans to hire some 10,000 American workers locally over the next two years.

The falling numbers reflect changes in the industry. In past years, IT firms thrived by offering inexpensive solutions for relatively simple work, deploying armies of tech workers to undertake tasks like maintaining servers and updating software for clients. But demand for such work has been falling for some time. One factor is the rise of cloud computing, which allows firms to do many technological tasks more easily in-house. Another factor is automation, which allows computers to undertake such work with little human assistance.

New Revenue Rule Gives IT a Headache

BY VIPAL MONGA

A major accounting rule change is stressing finance staff and creating headaches for technology departments at some of the world's largest businesses.

Public companies like **Verizon Communications** Inc. and **Workday** Inc.

are facing higher costs as they spend months seeking to comply with a new rule that will change how they book revenues.

For large corporations, the task is arduous and complicated: Accountants are scouring thousands of bills and contracts to determine if they must change how they book the sales for fiscal years beginning after Dec. 15.

Meanwhile, tech departments are writing new code, upgrading their systems and investing in expensive new software as they work to ensure their increasingly automated finance operations can keep up.

It isn't clear all of them can.

Almost a third of 300 finance and technology executives surveyed in March by **Ernst & Young** LLP said they are at risk of lagging behind in their rush to comply with the new revenue recognition rules. More than a fifth were concerned their finance and tech upgrades wouldn't be complete by the end of the year, leaving only a partially functioning system in place, requiring manual workarounds.

"Companies are finding it is very difficult to translate accounting rules from the new standard into usable business requirements," said John McGaw, a partner with Ernst & Young.

The U.S. Financial Accounting Standards Board, known as FASB, imposed the rule because it wanted financial statements to more accurately depict the timing, uncertainty and volatility of doing business. The rule

will align a company's booking of revenue with the sales of products and services that generate it. In theory, the new standard will allow investors to more easily compare revenue bookings between companies.

Corporations have been wrestling with the implications; many are still assessing how to apply the rules.

Verizon sells wireless service and handsets to more than 100 million customers, among its many businesses. The company has long relied on software that automatically logs the information for each contract on its financial statements.

After the accounting change, Verizon will credit more of its revenue to equipment sales and recognize it earlier. In effect, the company will account for revenue from many contracts differently from the way it bills customers, forcing it to reprogram its accounting software.

"It starts as an accounting exercise and ends up as an IT project," said Tony Skidas, controller for the company.

Big firms face higher costs as they attempt to change how they book revenues.

Verizon began the work three years ago, he said. As the finance staff determined how the accounting needed to change, Verizon's software programmers wrote new code from the contracts to the financials.

Finance and human-resources software developer Workday employed a team of five full-time accountants to review more than 6,000 contracts as it prepared for the new rule. The company adopted the new standard early and changed its accounting on Feb. 1.

—Tatyana Shumsky contributed to this article.

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BUSINESS NEWS

No-Frills Airline Targets China's Market

Malaysia's AirAsia exports budget model for swelling ranks of middle class

BY TREFOR MOSS

SHANGHAI—China's growing ranks of middle-class consumers love to fly, putting the nation on track to surpass the U.S. as the world's biggest airline market within the next decade.

But they won't find many bargains. Budget airlines carry just 7% of domestic fliers in China, according to CAPA Centre for Aviation, an aviation-intelligence company, compared with two-thirds in neighboring India and Thailand.

Budget airline **AirAsia** Bhd aims to change that, hoping to shake up China's aviation sector by exporting its no-frills model to the region's biggest air-travel market.

In a regulatory filing last month, it said it plans to open a unit in Zhengzhou, the capital of Henan province.

But the Malaysia-based carrier could experience a bumpy landing in China, as the country's big state-run airlines—**Air China**, **China Eastern Airlines** and **China Southern Airlines**—enjoy a stranglehold that limits the opportunities of low-cost competitors.

The incumbents command



AirAsia workers at Kuala Lumpur International Airport. The carrier could have a bumpy landing in China.

all the best landing slots and lobby against the awarding of operating licenses and slots to low-cost rivals, said Will Horton, a senior analyst at CAPA.

The government also tightly regulates aircraft purchases, limiting the expansion of potential rivals, he said, and airlines are barred from hiring pilots away from competitors to help them grow.

"It will take AirAsia a long time to build up and achieve its goals" in China, Mr. Horton

said. China's aviation authority didn't respond to questions.

Elsewhere in Asia, budget airlines are thriving. Low-cost carriers such as Indonesia's Lion Air, India's IndiGo and AirAsia have zoomed past full-service incumbents when it comes to securing domestic and regional market share.

Low-cost carriers typically drive down prices by stripping out services provided by full-service airlines, such as in-

flight meals and entertainment, check-in baggage and airport lounges.

For example, Chinese budget carrier **Spring Airlines** is offering a \$186 round-trip fare from Shanghai to Hong Kong in July, whereas full-service rival China Eastern Airlines charges \$258 for the same route on the same dates.

But while Spring Airlines

and several other Chinese low-cost carriers have emerged, regulations restricting both fleet expansion and the acquisition of good landing slots are holding them back. No foreign airline, low-cost or otherwise, has ever managed to establish a Chinese base.

In its regulatory filing, AirAsia said it had signed a memorandum of understanding with local partners China Everbright Group, a state-run financial-services company, and the Henan government. The parties have a year to strike a deal.

The Malaysian carrier already flies to 15 destinations in mainland China, but setting up a local base would help spur a boom in budget air travel, it said in the filing, and enable AirAsia to capitalize on surging Chinese demand. It didn't respond to requests for comment.

Demand for air travel in China is growing strongly: Chinese people will take 1.3 billion flights in 2035, up from 483 million in 2015, the International Air Transport Association predicts, and China will eclipse the U.S. as the world's biggest aviation market by around 2024.

Budget airlines are slowly gaining traction in China, said Andrew Cowan, chief executive of U-Fly Alliance, a group

of low-cost carriers in China, Hong Kong and South Korea, following 2014 changes designed to encourage budget air travel.

Those changes removed minimum-pricing rules, enabling low-cost carriers to undercut full-service competitors, Mr. Cowan said. The new rules also cut airport fees in provincial cities like Zhengzhou where budget airlines typically operate, and raised fleet-size caps.

Even so, AirAsia's strategy of establishing a local unit is risky, Mr. Cowan said. U-Fly Alliance was established to enable non-Chinese members to use Chinese partner networks without the need to risk investing in a Chinese base, he said.

Although the budget carriers could dent the business of the state-owned airlines, Mr. Cowan said Beijing has at least one good reason to support budget airlines' expansion. The government is investing heavily in dozens of new regional airports across China, he said; unless it wants them to sit empty, it will need low-cost airlines to move in and start using them.

—Yantoulou Ngui in Kuala Lumpur, Junya Qian in Shanghai and Gaurav Raghuvanshi in Singapore contributed to this article.

Dividend Changes

Dividend announcements from June 5.

Company	Symbol	Yld%	Amount	Payable / Record
Company	Symbol	Yld%	Amount	Payable / Record
Increased				
Lowe's Cos	LOW	2.1	41.35	Q Aug09/Jul26
STRATS Sers 2006-1P&G	GJR	2.0	0.347/0.3166	M Jun15/Jun14
Funds and investment companies				
AllianzGI Equity & Conv	NIE	7.6	.38	Q Jun23/Jun12
AllnZGI NFJ Div Interest	NFJ	9.0	.30	Q Jun23/Jun12
Brookfield Real Assets	RA	10.1	.199	M Jun22/Jun15
Dreyfus Mun Bd Infra Fd	DMB	4.8	.053	M Jul03/Jun16
Eagle Point Credit	ECC	11.7	.20	M Jun30/Jun12
Eagle Point Credit	ECC	11.7	.20	M Jul31/Jul13
Eagle Point Credit	ECC	11.7	.20	M Aug31/Aug11
Eagle Point Credit	ECC	11.7	.20	M Sep29/Sep12
PennantPark Flotag Rt Cap	PFLT	.81	.095	M Jul03/Jun21
Pioneer Divers Hl Incm Tr	HNW	8.3	.115	M Jun30/Jun15
Pioneer Floating Rate Tr	PHD	.61	.06	M Jun30/Jun15

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual;

S2: stock split and ratio; SO: spin-off.

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Largest 100 exchange-traded funds, latest session

Monday, June 5, 2017	ETF	Symbol	Closing Price	Chg (%)	YTD (%)
	SPDR DJIA Tr	DIA	211.86	-0.02	7.3
	SPDR GldTr	GLD	121.73	0.10	11.1
	SPDR S&P MdcCpTr	MDY	317.44	-0.41	5.2
	SPDR S&P 500	SPY	243.99	-0.07	9.2
	SPDR S&P Div	SDY	89.49	-0.37	4.6
	TechSelectSector	XLK	57.24	-0.09	18.4
	UtilitiesSelSector	XLU	54.11	-0.31	11.4
	VanEckGoldMiner	GDX	22.74	-0.09	8.7
	VanguardGold	VGT	147.12	0.11	21.1
	VanguardS&P500	VBR	122.00	-0.05	0.5
	VanguardDevMk	VIG	93.92	-0.18	10.3
	VanguardITechnology	VTEA	42.04	-0.43	15.1
	VanguardFTSE Europe	VVO	41.17	-0.08	15.1
	VanguardFTSE World	VUG	56.59	-0.67	18.0
	VanguardFTSE WxWuX	VEU	50.67	-0.33	15.3
	VanguardFTSE Europe	VUG	129.57	-0.08	16.2
	VanguardHldCr	VHT	143.16	-0.37	12.9
	VanguardHldDiv	VYM	78.60	-0.04	3.7
	VanguardIntmBd	BIV	84.88	-0.11	2.2
	VanguardIntrCorpBd	VCT	87.78	-0.06	2.4
	VanguardC	VV	111.99	-0.06	9.4
	VanguardC	VO	143.56	-0.30	9.1
	VanguardC	VOE	103.05	-0.41	6.0
	VanguardREIT	VNQ	83.11	-0.43	0.7
	VanguardP&G	VOO	223.95	-0.07	9.1
	VanguardST Bond	BSV	79.92	-0.04	0.6
	VanguardCpBd	VCH	80.01	-0.07	0.8
	VanguardCpBd	VB	134.88	-0.47	4.6
	VanguardTotalBd	BND	81.95	-0.16	1.4
	VanguardTotalBd	BNX	54.58	-0.02	0.5
	VanguardTotalStk	VXUS	52.83	-0.04	15.1
	VanguardTotalStk	VFI	125.25	-0.13	8.6
	VanguardTotalWrd	VT	68.33	-0.22	12.0
	VanguardValue	VTY	96.27	-0.02	3.5
	WisdomTreeEuropeHdg	HEDJ	66.00	-0.45	15.0
	WisdomTreeJapanHdg	DXJ	52.24	-0.53	2.4

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How to Read the Stock Tables		Footnotes:	
The following explanations apply to 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 (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS.		I-New 52-week high. I-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. If-Late filing q-Temporary exemption from Nasdaq requirements. t-NYSE bankruptcy. v-Trading halted on primary market. WJ-in bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.	
The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.		Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.	
Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.			

Monday, June 5, 2017

NYSE				Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
ABB	ABB	25.53	-0.27	BCE	BCE	45.28	0.01	Centene	CNC	75.60	0.41	Moody's	MCO	118.86	0.04	RailwayCanada	RY	69.42	-0.10	Unilever	UL	56.44	0.03	CDK Global	CDK	62.03	-0.59
AES	AES	11.17	-0.20	BHP	BHP	35.07	-0.40	CenterPoint Energy	CNP	77.58	-0.33	MarkM&Stanley	MSS	42.89	-0.37	RoyalScotland	RBS	6.72	-0.02	CDW	CDW	61.24	...				
Aflac	AFL	75.76	-0.12	BHPB	BHPB	30.18	-0.46	Emerson	EMR	59.07	-0.27	ING Groep	ING	16.84	-0.06	RoyalCaribbean	RCL	112.06	-1.32	MonroeTech	MONTECH	51.21	0.11				
AT&T	AT&T	38.81	-0.06	BIG	BIG	16.81	-0.29	Enbridge	EPB	16.81	-0.10	Invesco	IVZ	33.34	0.41	UnitedContinent	UAL	81.67	-0.36	Microsem	MSCC	50.11	-0.13				
AT&T Capital	ATX	65.57	-0.36	BIG	BIG	16.81	-0.29	Embraer	EMB	38.28	-0.08	IDEX	IDEX	109.84	-0.28	RoyalDutch	RDS/A	54.23	0.26	Middleby	MIDD	72.28	0.52				
AbbottLabs	ABBV	46.62	0.12	BIG	BIG	16.81	-0.29	Energizer	ENR	18.31	-0.11	INFOBAR	INFO	157.25	-0.05	SAC	SAP	108.24	-0.36	Momco	MOMO	40.08	2.01				
AbbVie	ABBV	67.51	-0.24	BIG	BIG	16.81	-0.29	Entergy	ETE	16.77	-0.09	Int'lFlavors	IFF	130.40	-0.21	SAIC	SAPG	144.40	0.24	Montelez	MDLZ	47.00	-0.19				
Accenture	ACN	126.58	0.84	BIG	BIG	16.81	-0.29	EnterprisePr	ETP	80.40	-0.10	Interpublic	IP	25.06	-0.15	CadenceDesign	CNS	35.52	-0.25	Mercadolibre	MELI	278.89	-1.61				
Accurint	AVT	166.18	-0.48	BIG	BIG	16.81	-0.29	EsteeLauder	ELA	96.30	-0.11	Intl'lRand	IRL	89.35	-0.13	Carlyle	CG	17.55	-0.04	Microchip	MCHP	84.11	0.17				
Adient	ADNT	69.90	-0.10	BIG	BIG	16.81	-0.29	ExxonMobil	XOM	85.20	-0.10	NationalGrid	NGG	57.61	-0.09	Monstarle	MONS	67.91	0.49	MonsterBeverage	MNB	151.22	0.01				
Advantek	ADT	135.77	-2.23	BIG	BIG	16.81	-0.29	Fidelity	FHC	55.42	-0.31	NetApp	NET	32.93	0.04	Netgear	NTGR	34.05	-0.14	Monstarle	MONS	67.91	0.49				
Advantek	ADT	65.57	-0.36	BIG	BIG	16.81	-0.29	FidelityHldr	FHC	55.42	-0.31	Invitae	INV	24.50	-0.45	NewSteel	NSI	55.28	-0.89	Monstarle	MONS	67.91	0.49				
Advantek	ADT	65.57	-0.36	BIG	BIG	16.81	-0.29	FidelityHldr	FHC	55.42	-0.31	Invitae	INV	24.50	-0.45	Netgear	NTGR	34.05	-0.14	Monstarle	MONS	67.91	0.49				
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Advantek	ADT	65.57	-0.36	BIG	BIG	16.81	-0																				

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract				Open interest	
	Open	High	Low	Settle	Chg	Interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.						
June	2.5565	2.5575	2.5500	2.5545	-0.0170	1,689
July	2.5750	2.5755	2.5405	2.5575	-0.0170	110,509
Gold (CMX) -100 troy oz.; \$ per troy oz.						
June	127.20	128.00	127.00	127.90	2.50	2,792
Aug	128.20	128.60	128.20	128.70	2.50	340,227
Oct	128.60	128.90	128.00	128.30	2.50	10,958
Dec	129.00	129.70	128.70	128.90	2.50	77,934
Feb'18	129.70	129.10	129.10	129.30	2.50	9,756
Dec	131.70	131.90	131.70	131.20	2.50	5,909
Palladium (NYM) -50 troy oz.; \$ per troy oz.						
June	842.35	846.35	838.35	845.75	7.80	255
July	840.55	845.40	839.30	843.00	7.80	30
Sept	839.35	844.70	833.60	841.85	7.80	32,619
Dec	834.00	841.55	832.00	838.85	7.00	586
Platinum (NYM) -50 troy oz.; \$ per troy oz.						
June	954.60	954.60	954.10	956.30	4.60	5
July	957.40	963.50	950.70	957.60	4.20	56,142
Silver (CMX) -5,000 troy oz.; \$ per troy oz.						
June	17.545	17.600	17.545	17.547	0.060	241
July	17.550	17.650	17.495	17.581	0.056	134,726
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.						
July	47.71	48.42	46.86	47.40	-0.26	545,587
Aug	47.94	48.62	47.06	47.58	-0.29	212,832
Sept	48.09	48.80	47.24	47.75	-0.30	201,487
Dec	48.56	49.24	47.72	48.22	-0.29	319,964
June'18	48.74	49.22	48.00	48.50	-0.14	128,371
Dec	48.59	49.11	47.90	48.39	-0.07	161,380
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.						
July	1.4835	1.5031	1.4527	1.4593	-0.0255	112,997
Dec	1.5392	1.5550	1.5100	1.5175	-0.0217	57,515
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.						
July	1.5770	1.5905	1.5357	1.5381	-0.0390	138,006
Sept	1.5462	1.5625	1.5160	1.5201	-0.0288	55,311
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.						
July	3.026	3.047	2.935	2.982	-0.017	324,883
Aug	3.057	3.087	2.980	3.024	-0.017	160,249
Sept	3.057	3.073	2.972	3.014	-0.016	184,698
Oct	3.080	3.095	3.001	3.036	-0.017	184,698
Jan'18	3.368	3.379	3.298	3.321	-0.022	112,191
April	2.884	2.887	2.859	2.864	-0.014	92,699

Agriculture Futures

	Corn (CBT)		Wheat (CBT)		Soybeans (CBT)		Cattle-Feeder (CME)		Cattle-Live (CME)		Hogs-Lean (CME)		Hogs-Clean (CME)	
	5,000 bu.	cents per bu.	5,000 bu.	cents per bu.	5,000 bu.	cents per bu.	50,000 lbs.	cents per lb.	40,000 lbs.	cents per lb.	40,000 lbs.	cents per lb.	40,000 lbs.	cents per lb.
July	373.75	.37550	372.00	.37300	.25	.665,083								

Cash Prices | WSJ.com/commodities

Monday, June 05, 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.

	Monday		Monday		Monday	
	Energy	Other metals	Food	Grains and Feeds	Fibers and Textiles	Fats and Oils
Energy						
Propane,tet,Mont Belvieu-g	0.6082					
Butane,normal,Mont Belvieu-g	0.7144					
NaturalGas,HenryHub-g	2.910					
NaturalGas,TranscoZone3-i	2.870					
NaturalGas,TranscoZone6-NY-i	2.100					
NaturalGas,PanhandleEast-i	2.590					
NaturalGas,Opal-i	2.610					
NaturalGas,MarcellusNE PA-i	1.970					
NaturalGas,HaynesvilleLA-i	n.a.					
Coal,Caplc,1.2500Btu12502-rw	52.550					
CoalPwrRvrBsn,880Btu0.8502-rw	11.550					
Metals						
Gold,per troy oz.	1285.83					
Engelhard industrial	1382.27					
Handy & Harman base	1279.95					
Handy & Harman fabricated	1420.74					
LBMA Gold Price AM	1260.95					
LBMA Gold Price PM	1274.95					
Krugerrand,wholesale-e	1331.72					
Maple Leaf-e	1344.53					
American Eagle-e	1344.53					
Mexican peso-e	1551.90					
Austria crown-e	1528.15					
Austria phil-e	1344.53					
Silver, troy oz.						
Engelhard industrial	17.5700					
Engelhard fabricated	21.0840					
Handy & Harman base	17.5450					
Handy & Harman fabricated	21.9210					
LBMA spot price (U.S. equivalent)	13.5772					
17.5200						
Other metals						
LBM Platinum Price PM	932.0					
Platinum,Engelhard Industrial	953.0					
Platinum,Engelhard fabricated	1053.0					
Palladium,Engelhard industrial	849.0					
Palladium,Engelhard fabricated	949.0					
Aluminum,LME,- \$ per metric ton	1916.5					
Copper,Comex spot	2.5545					
Iron,Ore,62% Fe Crf China-s	55.7					
Shredded Scrap,US Midwest,s-w	307					
Steel,HRC USA,FOB Midwest Mill-s	598					
Food						
Beef,carcass equiv.index choice 1-3,600-900 lbs.-u	221.40					
select 1-3,600-900 lbs.-u	194.64					
Broilers,dressed A'-u	n.a.					
Broilers,National comp wghtd,u,w	11562					
Butter,AA Chicago	2.5150					
Cheddar cheese,blk,Chicago	145.75					
Cheddar cheese,blk,Chicago	166.50					
Milk,Nonfat dry,Chicago lb.	94.50					
Cocoa,Ivory Coast-w	227					
Coffee,Brazilian,Comp	1.2619					
Coffee,Colombian, NY	1.4692					
Eggs,large white,Chicago-u	0.6350					

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21184.04 ▼22.25, or 0.10%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 20.62 19.13
P/E estimate * 17.92 16.99
Dividend yield 2.34 2.57
All-time high 21206.29, 06/02/17

Current divisor 0.14602128057775 21400

65-day moving average 20200

Session high DOWN UP Close 20000

Session open ► Close Open 19800

Session low 19400

Bars measure the point change from session's open 19000

Mar. Apr. May

Weekly P/E data based on as-reported earnings from Birinvi Associates Inc.

S&P 500 Index

2436.10 ▼2.97, or 0.12%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.08 24.22
P/E estimate * 19.01 17.81
Dividend yield 1.95 2.18
All-time high: 2439.07, 06/02/17

2430

2400

2370

2340

2310

2280

2250

Mar. Apr. May

65-day moving average

Session high DOWN UP Close 20000

Session open ► Close Open 19800

Session low 19400

Bars measure the point change from session's open 19000

Mar. Apr. May

Nasdaq Composite Index

6295.68 ▼10.11, or 0.16%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.65 22.35
P/E estimate * 21.42 19.01
Dividend yield 1.09 1.28
All-time high: 6305.80, 06/02/17

6220

6100

5980

5860

5740

5620

5500

Mar. Apr. May

65-day moving average

Session high DOWN UP Close 20000

Session open ► Close Open 19800

Session low 19400

Bars measure the point change from session's open 19000

Mar. Apr. May

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	21224.41	21168.69	21184.04	-22.25	-0.10	21206.29	17140.24	18.2	7.2	8.0
Transportation Avg	9352.02	9290.65	9307.17	-24.55	-0.26	9593.95	7093.40	19.7	2.9	4.6
Utility Average	732.36	729.01	729.26	-3.37	-0.46	732.63	625.44	8.7	10.6	9.8
Total Stock Market	25257.37	25201.91	25209.05	-48.32	-0.19	25257.37	20583.16	15.7	8.3	7.5
Barron's 400	647.57	644.55	644.94	-2.71	-0.42	647.66	491.89	21.2	7.2	7.1
Nasdaq Stock Market										
Nasdaq Composite	6310.62	6292.14	6295.68	-10.11	-0.16	6305.80	4594.44	26.7	17.0	13.6
Nasdaq 100	5888.92	5871.09	5878.12	-3.34	-0.06	5881.46	4201.05	29.9	20.9	15.9
Standard & Poor's										
500 Index	2439.55	2434.32	2436.10	-2.97	-0.12	2439.07	2000.54	15.5	8.8	7.9
MidCap 400	1752.61	1743.29	1743.62	-7.49	-0.43	1758.27	1416.66	15.3	5.0	7.5
SmallCap 600	851.24	845.83	846.01	-5.90	-0.69	863.08	670.90	17.9	1.0	8.3
Other Indexes										
Russell 2000	1405.14	1396.44	1396.45	-8.94	-0.64	1419.43	1089.65	18.7	2.9	6.6
NYSE Composite	11711.58	11683.14	11693.65	-25.04	-0.21	11718.70	9973.54	10.8	5.8	2.5
Value Line	524.58	522.00	522.35	-2.23	-0.43	529.13	435.06	11.3	3.2	1.9
NYSE Arca Biotech	3701.46	3612.04	3641.87	-48.18	-1.31	3690.05	2818.70	9.1	18.4	11.0
NYSE Arca Pharma	529.23	525.71	527.58	-2.69	-0.51	554.66	463.78	-0.2	9.6	1.0
KBW Bank	90.35	89.46	89.51	0.13	0.14	99.33	60.27	26.6	-2.5	8.4
PHLX® Gold/Silver	83.72	82.15	83.12	-0.10	-0.12	112.86	73.03	-7.5	5.4	-1.4
PHLX® Oil Service	139.69	137.37	138.96	0.61	0.44	192.66	138.35	-20.5	-24.4	-22.1
PHLX® Semiconductor	1112.07	1102.48	1106.22	2.82	0.26	1106.22	648.32	57.2	22.0	21.7
CBOE Volatility	10.28	9.60	10.07	0.32	0.32	25.76	9.75	-26.2	-28.3	-4.8

\$Philadelphia Stock Exchange

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	10,836.6	243.83	-0.16	-0.07	244.21	243.82
Cnsmr Staples Sel Sector	XLP	5,854.8	57.33	...	unch.	57.35	57.27
Ford Motor	F	4,728.5	11.25	...	unch.	11.27	10.88
Microsoft	MSFT	4,506.0	72.30	0.02	0.03	72.72	72.25
Industrial Select Sector	XLI	4,239.0	67.97	...	unch.	68.00	67.93
Finl Select Sector SPDR	XLF	3,646.1	23.45	-0.04	-0.17	23.49	23.44
Bank of America	BAC	3,337.6	22.38	-0.03	-0.13	22.63	22.37
iShares MSCI Emg Markets	EEM	2,629.7	41.68	-0.03	-0.07	41.74	41.68

Percentage gainers...

Thor Industries	THO	385.4	105.40	10.71	11.31	106.66	94.45
Covisint Corp.	COVS	8.5	2.40	0.20	9.09	2.45	2.40
Acorda Therapeutics	ACOR	640.6	16.65	1.35	8.82	19.90	14.95
Qiagen	QGEN	6.4	37.15	2.98	8.72	37.15	34.17
DineEquity	DIN	23.5	49.27	3.06	6.62	49.27	46.21

...And losers

Silvercorp Metals	SVM	27.9	2.92	-0.33	-10.17	2.92	2.92

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MARKETS & FINANCE

Natural-Gas Traders Are Wary on Qatar

Nation is world's top LNG exporter, but few signs have emerged of trouble in the market

BY JENNY W. HSU

Any political tension between major Middle Eastern energy-producing nations usually leads to a spike in global oil prices. But as the spat between Qatar and neighboring countries **COMMODITIES** escalates, traders in the world's natural-gas markets will be on high alert, too.

On Monday, Saudi Arabia, Bahrain, United Arab Emirates and Egypt broke diplomatic ties with Qatar, accusing the country of backing terrorism activities. Qatar has denied the allegations.

Oil prices fell to near one-month lows, erasing earlier gains that were spurred by the diplomatic dispute, before investors refocused on the supply glut.

Crude for July delivery fell 26 cents, or 0.5%, to \$47.40 a barrel on the New York Mercantile Exchange, dropping to



OPEC member Qatar is a much more significant player in the natural-gas market than it is in the oil market.

its lowest settlement level since May 10. Brent, the global benchmark, declined for a fifth straight session, falling 48 cents, or 1%, to \$49.47 a barrel on ICE Futures Europe.

Natural gas for July delivery fell 0.6% to \$2.9820 a million British thermal units on Nymex. The market response reflects the fact that Qatar, a member of the Organization of the Petroleum Exporting Countries, isn't actually a major petroleum

producer. It accounts for about 2% of the group's output, or 618,000 barrels a day in April.

By contrast, the small nation, which lies on the eastern side of the Arabian peninsula, is a vital player in natural-gas markets, as the world's largest exporter of liquefied natural gas.

In 2016, it shipped roughly 77.2 million tons of the super-chilled gas, equivalent to about one-third of global supply, according to International Gas

LNG Suppliers

Qatar is the world's largest exporter of liquefied natural gas with a market share of nearly one-third.

	EXPORT VOLUME, IN MILLIONS OF METRIC TONS IN 2016	MARKET SHARE
Qatar	77.2	30.0%
Australia	44.3	17.2
Malaysia	25.0	9.7
Nigeria	18.6	7.2
Indonesia	16.6	6.4
Algeria	11.5	4.5
Russia	10.8	4.2
Trinidad	10.6	4.1
Oman	8.1	3.2
Papua New Guinea	7.4	2.9
Rest of the world	27.8	11.0

Source: International Gas Union

THE WALL STREET JOURNAL.

Union. Most of Qatar's gas is located in its offshore North Field. Only Russia and Iran have more proven gas reserves, according to BP PLC's Statistical Review of World Energy.

To date, there is no indication that Qatar's gas exports will be affected by the dispute.

Major customers for Qatar's gas are based in Asia; Japan sources about 15% of its gas from Qatar, while China and India are also big customers.

Middle Eastern buyers account for less than 5% of Qatar's total exports.

Japan's **Jera** Co., the world's top LNG importer, said it has received assurances from Qatargas that shipments will continue as scheduled.

"We see no impact on LNG supply, but will continue to monitor geopolitical risks going forward," said a **Jera** spokesman.

Prices for LNG are often set

according to long-term contracts between suppliers and consumers, and are often based on a formula linked to oil prices. However, in recent years a spot market has developed as global gas supplies, from the U.S. to Australia, have increased.

For now, analysts say the latest diplomatic fracas won't yield any immediate impact on the appetite of big consumers. But if tensions worsen, oil prices could rise, which in turn could affect gas prices.

"As most of Asia's [gas] long-term contracts are still oil-indexed, this may increase contracted LNG prices and thus spot prices," said Kelvin Li, who works at consulting firm Lantau Group.

Even though Qatar isn't a leading oil producer, there is concern that its political rift with Saudi Arabia could prompt it to back out of OPEC's plans to cut crude output. Last year, OPEC agreed to cut its oil production by 1.2 million barrels a day to reduce a supply glut. It agreed to extend those production cuts to March next year at its latest meeting last month.

—Mayumi Negishi contributed to this article

Sugar Bounces Back Amid Hopes for an End to U.S.-Mexico Trade Dispute



Sugar prices rebounded Monday from eight consecutive sessions of drops, buoyed by expectations that the U.S. and Mexico would soon reach an agreement on sugar exports.

Raw sugar futures for July delivery advanced 1.1% to settle at 13.89 cents a pound on the ICE Futures U.S. exchange. The July contract had fallen every session since May 23, and it lost 8.7% just over last week, reaching its lowest level in 15 months.

The U.S. government on Mon-

day extended by 24 hours the deadline for reaching a deal with Mexico in a prolonged sugar trade dispute.

"The two sides have come together in quite meaningful ways, but there remain a few technical details to work out," said Wilbur Ross, the U.S. commerce secretary, in a statement. "We are quite optimistic that our two nations are on the precipice of an agreement we can all support."

The latest extension gave

hope to sugar traders that the

two sides would come to an accord on Tuesday. "Potentially, if they didn't come to an agreement, that sugar would have to be dumped in the international market," said Michael McDougall, director of commodities agency at Société Générale SA.

If no deal is reached, the department will begin antidumping and countervailing duties that could top a combined 80%, while Mexico will likely retaliate against U.S. high-fructose corn syrup and other sweetener exports. Above

is a sugar-cane field in Mexico.

The beaten-down sugar market was also lifted by news that a seasonal winter frost hit some sugar-growing regions in Brazil, which could potentially affect sugar output in the world's largest sugar-exporting country.

"After losing so many days, it doesn't take much to spark some short-covering," Mr. McDougall said. Many traders were betting on sugar prices to fall, and any positive news on the fundamentals could prompt

them to buy back the short positions, causing prices to rise.

Sugar prices had fallen 35% since the year's high in early February, as global supply was expected to outstrip demand in the next season after a two-year deficit.

Strong production in countries such as Brazil and Thailand is expected to drive up world output to a record 187.7 million tons, outstripping consumption that is set to expand by 1% next year, according to S&P Global Platts.

—Carolyn Cui

Trump Set To Nominate Otting for Comptroller

BY RYAN TRACY

WASHINGTON—President Donald Trump will nominate **Joseph Otting** as comptroller of the currency, a post overseeing federally chartered banks, the White House said Monday.

The move, if approved by the Senate, would place a former banker in a key role as the Trump team reviews financial regulatory policies.

The confirmation process could take months. Mr. Otting had previously been reported as a candidate for the job and would replace Keith Noreika, the acting comptroller. The Trump administration installed Mr. Noreika about a month ago to replace former President Barack Obama's comptroller.

Not much is known about Mr. Otting's regulatory views. But he is expected to adopt a similar tone to other Trump administration officials, who have called for a review of banking rules they say went too far under Mr. Obama and are curbing legitimate lending.

The comptroller oversees most of the largest federally chartered U.S. banks, including **Citigroup** Inc., **Bank of America** Corp. and **J.P. Morgan Chase & Co.**

Pimco Threatens to Stop Sale of Portugal's Novo Banco

BY MARGOT PATRICK
AND PATRICIA KOWSMANN

Pacific Investment Management Co., or Pimco, and other bondholders in the troubled Portuguese lender **Novo Banco** SA are threatening to derail a sale of the bank to private-equity group **Lone Star Funds**, saying they would rather buy it themselves.

Lone Star agreed in March to inject €1 billion (\$1.1 billion) for a 75% stake in Novo Banco, with the current owner, a resolution fund run by the Bank of Portugal, keeping 25%.

A condition of the sale is that bondholders must stump up another €500 million by swapping €3 billion in senior bonds for new notes, creating a pad for the new equity Lone Star is putting in and for the resolution fund's remaining stake.

That is unacceptable to Pimco and other members of a bondholders' group. They wrote a letter to the Portuguese central bank late last month with their own offer: skip the bond swap and discuss selling the bank to them instead.

It is yet another twist in a tumultuous chapter for Portugal that began when **Banco Espírito Santo** collapsed in August 2014. Novo Banco, a so-called good bank, was

Ailing European Banks Seek Fixes

Problems at several long-suffering lenders in southern Europe are coming to a head, a reminder of weak links remaining in the region's banking system despite progress made by many larger lenders to repair their balance sheets.

Concerns about the future of Spain's **Banco Popular Español** SA have driven down the bank's share price by 49% since May 26. Investors worry the lender could need around €5 billion (\$5.6 billion) of capital to cover potential provisions on €37 billion in soured loans, foreclosures and other nonperforming assets left over from the

country's property bust.

Meanwhile, as the Italian government prepares to take control of **Banca Monte dei Paschi di Siena** SpA, a state bailout looms over two other troubled lenders in Italy.

Spain's Banco Popular has been working for weeks to accelerate asset sales, negotiate a takeover by a competitor or raise capital. But each alternative faces major hurdles, leaving the bank looking like a forced seller to some investors. Its market value has plunged to less than €1.4 billion as investors flee on concerns that a potential resolution could involve losses on shareholders and other bondholders.

"We see risks building further at Popular, which alongside appearing a distressed seller,

has increasingly limited options available to resolve a crisis in confidence and capital," Barclays analysts said in a report Monday.

In Italy, Rome is poised this summer to take control of Monte dei Paschi di Siena, a perennial trouble spot in Europe's banking system. Last week, the European Commission cleared the way for an €8.8 billion government rescue of the lender.

The fresh funds come with a painful new restructuring plan.

Rome will also have to bail out **Banca Popolare di Vicenza** SpA and **Veneto Banca** SpA.

However, drawn-out talks about a new business plan for the banks after the bailouts are straining their finances.

—Jeannette Neumann and Giovanni Legorano

could be a tactic to pressure Lisbon to cut a better deal, the people said, although not all of the bondholders in the group offering to buy Novo Banco hold the transferred bonds, according to people familiar with the group's composition.

The letter-writing bondholder group, represented by advisory firm PJT Partners, believes the resolution fund should lose its equity before the bondholders are forced to

accept losses, the people familiar with the effort said.

The group wants access to Novo Banco's books so that it can conduct due diligence before making a formal offer, the people said.

Pimco isn't in the habit of buying banks outright, but it is a common feature of bank and company restructurings for bondholders to become the owners. That way, they still stand to gain as a company returns to health.

Emilio Saracho, chairman of Spain's Banco Popular Español

carved out of the failed lender with a €4.9 billion lifeline from the resolution fund.

Novo Banco quickly burned through much of the capital as Portugal's weakened economy produced more bad loans.

Without Lone Star's equity, Novo Banco could ultimately be forced into liquidation. The European Commission had set an August deadline for the sale and, without a buyer, Novo Banco faced potential liquidation.

Lone Star and Novo Banco, which is currently working on the terms of the bond-swap offer, declined to comment.

For Portugal, there is more at stake than the sale of the country's third-largest bank. Pimco, an investing behemoth with \$1.5 trillion under management, is already at odds with the country over a 2015 decision by the central bank to transfer €2 billion in bonds held by Pimco, BlackRock Inc. and others out of the bank.

The funds sued over the move, which the Bank of Portugal said was in the public interest.

Pimco has boycotted the country's sovereign bond sales and other investments in the country ever since. That legal action is ongoing.

The Portuguese government is in talks with the two fund giants and others to settle the conflict over the 2015 bond transfer, people familiar with the matter said. The letter

could be a tactic to pressure Lisbon to cut a better deal, the people said, although not all of the bondholders in the group offering to buy Novo Banco hold the transferred bonds, according to people familiar with the group's composition.

The letter-writing bondholder group, represented by advisory firm PJT Partners, believes the resolution fund should lose its equity before the bondholders are forced to

MARKETS

Treasurys Falter as Jobs Rally Dissipates

BY MIN ZENG

The U.S. bond market pulled back Monday, pushing up the yield on the benchmark 10-year Treasury note from its lowest level in more than six months.

Some investors sold bonds to book profit following last Friday's rally driven by a disappointing U.S. employment report.

CREDIT MARKETS The bond market pared its price decline Monday after a report showed the monthly gauge of the U.S. service industry softened last month. The release adds to a growing debate whether U.S. growth momentum may be less robust than many investors expected.

The yield on the benchmark 10-year Treasury note settled at 2.182%, compared with 2.159% Friday, which was the lowest close since Nov. 10. Yields rise as bond prices fall.

The subdued move in the

2.182%

Yield at which the 10-year U.S. Treasury note settled on Monday

bond market also reflects investors' hesitance to place large bets before some events later this week that may affect global markets. The highlights will take place Thursday when the European Central Bank holds its latest monetary-policy meeting, a snap election is held in the U.K. and former Federal Bureau of Investigation Director James B. Comey testifies before Congress.

Many investors expect the ECB to keep its bond-buying program steady. Stan Shipley, senior managing director of fixed-income strategy at Evercore ISI, said the ECB is likely to wait until after the German elections this year before deciding on tapering buying.

The ECB's bond-buying program has played a big role in keeping global government-bond yields very low. Lower government bond yields in Germany have been making U.S. Treasury debt more appealing. This has kept a lid on U.S. yields and frustrated bond bears betting on higher Treasury yields.

"Any shock from the ECB, such as signaling an early exit" would rattle government bond markets in the eurozone and ripple into the U.S., said Jason Evans, co-founder of hedge fund NineAlpha Capital LP.

In a sign of U.S. bonds' appeal, the yield premium investors demanded Monday to own the 30-year Treasury bond relative to 30-year German government debt fell to its smallest since April 2016, according to Tradeweb.

A lower premium means some investors sold the German bond to buy its U.S. counterpart. The shrinkage also reflects anxiety toward the ECB's bond-buying policy outlook because long-term bonds are the most vulnerable to the central bank's reduced stimulus.

The 10-year Treasury yield fell 0.06 percentage point Friday after the nonfarm payrolls report for May showed smaller-than-forecast job gains and subdued wage inflation, even as the unemployment rate fell to its lowest since 2001. Analysts say the data are unlikely to stop the Federal Reserve from raising short-term interest rates next week but raise the possibility the central bank could stand pat for the rest of the year.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Accepted bids	\$127,865,528,900	\$110,433,470,000
* noncomp.	\$39,000,098,900	\$31,000,000,000
* foreign noncomp.	\$494,842,900	\$345,892,000
Auction price (rate)	99.752278	99.459056
(0.980%)	(1.070%)	
Coupon equivalent	0.996%	1.091%
Bids at clearing yield/accepted	27.70%	78.75%
Cusip number	912796L14	912796L83

Both issues are dated June 8, 2017. The 13-week bills mature on Sept. 7, 2017; the 26-week bills mature on Dec. 7, 2017.

Sterling Bond Market in Revival

Bank of England's buying of high-grade corporate debt gives sector a welcome jolt

BY CHRISTOPHER WHITTALL

Investment-grade companies are on track this year to issue the largest amount of sterling debt since 2012, as the sterling corporate-bond market makes a comeback following years of steady declines.

Many investors and bankers have credited the Bank of England's £10 billion (\$12.9 billion) of purchases of high-grade corporate bonds with reinvigorating the market. That buying, which formed part of a larger stimulus package that the BOE announced last August following the U.K.'s Brexit vote, helped lower sterling borrowing costs and lure borrowers back to the market, they say.

Companies have sold £14.2 billion of sterling investment-grade debt through June 1 this year, according to Dealogic, up from £5.4 billion over the same period in 2016.

The question now is whether this year's boost will prove to be a brief stimulus-driven reprieve or if it marks a real turnaround for the market.

Several large international companies have tapped sterling credit markets in recent months. Brewer Anheuser-Busch InBev SA sold £2.25 billion of debt in mid-May, following deals from U.S. consumer-goods conglomerate Procter & Gamble Co. and the financing arm of German car maker Volkswagen AG in April.

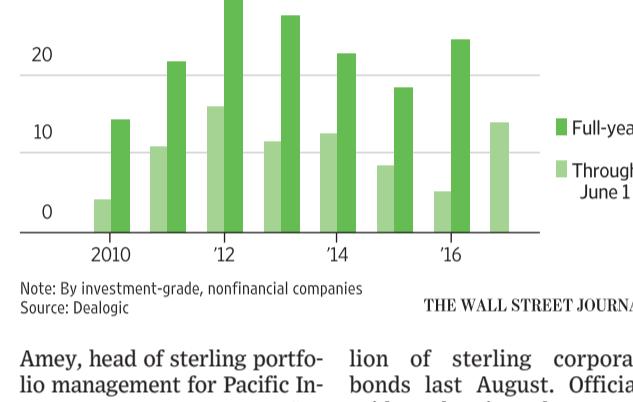
"The sterling market at one stage looked like it was shrinking to the point of being a problem. That risk has been diminished," said Mike



Brewer Anheuser-Busch InBev is one of several large international companies to tap sterling credit markets in recent months.

Bouncing Back

Sales of sterling-denominated corporate bonds



Note: By investment-grade, nonfinancial companies
Source: Dealogic

ulus, policy makers also seemed to acknowledge that the BOE's presence could boost the market, noting that "purchases could stimulate issuance in sterling corporate bond[s]" in a statement accompanying the announcement.

BOE officials had been aware of the shrinking sterling credit market and the challenges that posed for U.K. companies. In an April 2016 post on the BOE's Bank Underground blog, officials said that smaller, U.K.-focused firms—or those with a lower credit rating—may face higher borrowing costs as a result of the market's decline.

Sterling borrowing costs immediately fell after the BOE announced the program. The average gap in yield between sterling corporate bonds and ultra-safe government debt is now 1.3 percentage points, compared with 1.6 percentage points before the program was

announced, according to Bloomberg Barclays bond indexes.

The BOE said in a report last year that participants in financial markets attributed the fall in funding costs to the bank's stimulus measures. They also noted strong inflows to sterling corporate-bond funds following the announcement and a sharp rise in bond issuance.

Even with the recent increase, sterling remains very much a niche funding currency. By way of comparison, there has been \$411.6 billion of investment-grade corporate debt sold in dollars through June 1 and €146.9 billion (\$165.7 billion) sold in euros.

It also remains to be seen whether the BOE has halted the decline in the market or merely provided a temporary reprieve. The BOE reached its £10 billion buying target earlier in May, several months ahead of schedule.

China Allows Bitcoin Withdrawals

BY CHAO DENG

BEIJING—Bitcoin exchanges in China are again allowing withdrawals of the virtual currency, having upgraded their systems in response to heightened government scrutiny.

It ends a three-month moratorium that began shortly after regulators launched an investigation into the exchanges and as they threatened to shut down ones that skirt the rules. Authorities were con-

cerned bitcoin could be used to bet on a decline in the yuan as well as to move money out of the country, evading controls on capital outflows.

China's three major bitcoin exchanges, Huobi and OKCoin of Beijing and BTCC of Shanghai, said they began allowing customer withdrawals last week.

Huobi and BTCC said they have updated their systems to verify client identities and guard against money laundering; OKCoin said it is continu-

ing to "focus on" those issues to satisfy regulators.

Those were among the requirements in draft guidelines circulated to exchanges by the People's Bank of China this spring. The central bank is likely to circulate a more comprehensive set of regulations, according to people familiar with the matter. People at the exchanges said they had yet to receive formalized rules.

The three exchanges are China's largest, although yuan-denominated trading altogether

accounts for only 6% of global volume. China accounted for the majority when trading volume was at its zenith.

The plunge in Chinese demand hasn't stopped the price of bitcoin from rocketing to records.

Demand in Japan has soared since rules there established the virtual currency as a legitimate payment method. One bitcoin was worth \$2,674.47 Monday afternoon, according to CoinDesk.

Dollar Steady Ahead Of ECB

BY IRA JOSEBASHVILI

The dollar edged higher against the euro Monday as investors awaited the European Central Bank's monetary-policy meeting later this week.

But a dollar index was little changed as traders awaited several events scheduled in the next several days.

The euro fell 0.2% against the dollar to \$1.1256 late Monday in New York.

Investors are looking toward the conclusion of the ECB's meeting on Thursday for clues on how quickly the central bank plans to unwind monetary-policy stimulus. Some investors expect ECB officials to nudge their forward guidance in a less-dovish direction, acknowledging a run of strong economic data and dissipating political risks.

On the same day, the former director of the Federal Bureau of Investigation, James Comey, is expected to testify before a Senate committee that President Donald Trump had asked him to back off the investigation of former national security adviser Michael Flynn.

"Risk is elevated into Thursday," analysts at ScotiaBank said in a note to clients.

The Wall Street Journal Dollar Index, which measures the U.S. currency against a basket of 16 others, was nearly flat at 88.29. The measure has drifted lower this year and on Friday closed at its lowest level since November, pressured by doubts that the White House will be able to push through pledged fiscal policies in the near term.

However, the dollar fell 1.8% against the Mexican peso on Monday, to 18.34 pesos in late New York trading as the country's ruling party retained power in a widely watched gubernatorial vote. The victory marks a boost for President Enrique Peña Nieto ahead of next year's presidential election.

Stocks Start Week With Slight Retreat

BY CHRISTOPHER WHITTALL

AND GUNJAN BANERJI

The Dow Jones Industrial Average edged lower, led by declines in shares of Apple.

The iPhone maker's slip shaved roughly 10 points from the blue-chip index, which snapped a two-day win streak. The S&P 500's modest retreat was its biggest drop since May 17, a sign of how buoyant stocks have been recently.

Some investors and analysts said signs of a robust global economy and corporate earnings growth have lifted global indexes in recent sessions, even amid geopolitical tensions.

"The equity market remains remarkably resilient," said Terry Sandven, chief equity strategist at U.S. Bank Wealth Management.

On Monday, the Dow Jones Industrial Average lost 22.25 points, or 0.1%, to 21184.04. The S&P 500 shed 2.97 points, or 0.1%, to 2436.10. The Nasdaq Composite slipped 10.11 points, or 0.2%, to 6295.68.

Apple fell \$1.52, or 1%, to \$153.93. Analysts at Pacific Crest Securities cut their rating on Apple on Sunday, saying high expectations for the company "leave limited room for upside."

Separately, Apple on Monday announced a voice-activated speaker called HomePod and a series of upgrades to its line of Mac computers and iPads at its annual Worldwide Developers Conference.

Google parent Alphabet's stock price breached \$1,000



Travel shares pulled back in the wake of the U.K. terrorist attack. Above, a cruise ship in Havana.

shortly after the opening bell, following Amazon.com's first close above that threshold Friday.

Alphabet rose 7.76, or 0.8%, to 1,003.88. The technology sector in the S&P 500 rose less than 0.1%.

Financial markets around the world were broadly stable after a weekend attack in the U.K. that left seven dead, though travel and leisure shares lost ground in the U.S. and Europe.

The Stoxx Europe 600 fell 0.1%, with the travel and leisure subindex falling 0.8%. EasyJet dropped 3.2% in London while British Airways par-

ent International Consolidated Airlines Group fell 2.6%. The U.K.'s FTSE 100 lost 0.3%, while the British pound recovered from earlier losses Monday to trade up slightly on the day.

In the U.S., Royal Caribbean Cruises lost 1.32, or 1.2%, to 112.06, and Wynn Resorts fell 1.40, or 1%, to 133.28. The PowerShares Dynamic Leisure & Entertainment Portfolio exchange-traded fund dropped 0.6%.

U.S. crude oil fell 0.5% to \$47.40 a barrel after Saudi Arabia, Bahrain, Egypt and the United Arab Emirates cut diplomatic ties with Qatar, accus-

ing their neighbor of meddling in their internal affairs and backing terrorism. Qatar called the allegations false.

The Qatar stock market shed 7.3% to its lowest close since January 2016.

Investors and analysts this week are also looking ahead to public testimony from former Federal Bureau of Investigation Director James Comey, a European Central Bank meeting and the U.K.'s general election on Thursday.

Early Tuesday, Australia's S&P ASX 200 was down 0.8%, Japan's Nikkei 225 was off 0.5%, but Hong Kong's Hang Seng Index was up 0.2%.

MARKETS

This Rally Has Legs, and Broad Reach, Too

Gains in the S&P 500 show advances across the board, not just in large tech companies

By BEN EISEN

Technology giants may grab all the headlines, but the market rally of 2017 has been spread across a wide range of stocks.

Gauges of how broad-based the rally has been, known in technical lingo as breadth, show that stocks are gaining across the board this year. More than 70% of the shares in the S&P 500 were trading above their respective 200-day moving averages at Monday's close. Surpassing such a measure is typically a sign of increasing momentum.

Nearly half of the index's 505 stocks were beating the benchmark's 8.8% gain this year, according to WSJ Market Data Group.

Investors had been becoming concerned about the dominance of a few highflying names. Facebook Inc., Amazon.com Inc., Netflix Inc., and Apple Inc. are all up by more than 30% this year, leading to questions about whether a reversal in their shares would drag the market down.

Meanwhile, the Class A shares of Google parent Alphabet Inc. on Monday closed above \$1,000 for the first time since the company split its shares in 2014, at \$1,003.88. Amazon finished above \$1,000 on Friday and ended at \$1,011.34 on Monday.

The S&P 500 is weighted by market capitalization, which means the biggest companies exert the most pull, with firms like Apple and Amazon contributing disproportionately to the rise in the index. But in a sign that the rally hasn't left smaller companies behind, an equally weighted version of the index is up nearly as

much. Healthy measures of breadth are reassuring some investors, who view the participation of a wide range of companies as a sign stocks can continue to rally.

"We think that breadth of market performance has been sufficiently diffuse to allay investor fears of narrow performance," said equity strategists at Morgan Stanley, led by Michael Wilson, in a note to clients on Monday.

Deteriorating breadth can indicate trouble is brewing below the market's surface. The advance-decline line, a measure of the cumulative number of New York Stock Exchange companies whose shares are rising relative to those that are falling, turned sharply lower ahead of the last two big market crashes.

This year, it has continued to hit fresh records, according to WSJ Market Data Group numbers going back to 1998. New highs in that measure tend to extend "the life expectancy of the bull market," said Doug Ramsey, chief investment officer of Leuthold Group in Minneapolis.

Different corners of the market are all up this year, including the Russell 2000 index of small-cap stocks and the utilities sector of the S&P 500. It is unlikely the eight-year-old bull market will end when a diverse array of sectors are hitting new highs, Mr. Ramsey said.

Still, the biggest firms do make up an ever larger share of the total value of major indexes. The 10 biggest stocks in the S&P 500 account for nearly one-fifth of the index, according to Goldman Sachs Group Inc.

But Goldman's research analysts find that breadth is still in line with its average from recent years.

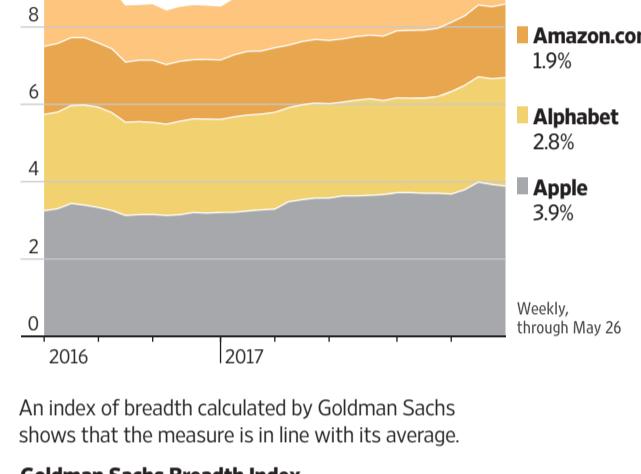
—Ken Jimenez
and Tom DeStefano
contributed to this article.

Signs of Strength

A surge in tech stocks has spurred some analysts to question the staying power of a record run by U.S. major indexes. But numerous broad measures of underlying sentiment and investor enthusiasm are rising, likely pointing to further gains for the Dow, S&P 500 and Nasdaq.

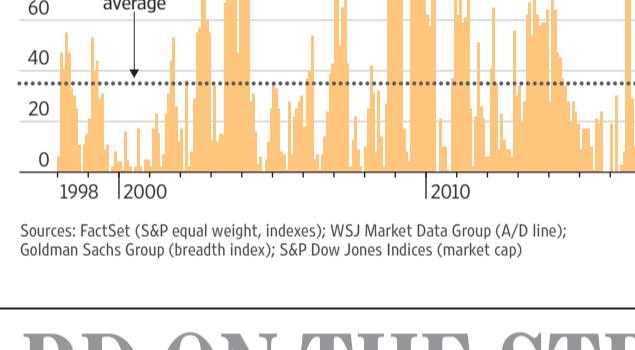
Tech stalwarts have recently become more heavily weighted in the S&P 500 index.

Share of total S&P 500 market capitalization



An index of breadth calculated by Goldman Sachs shows that the measure is in line with its average.

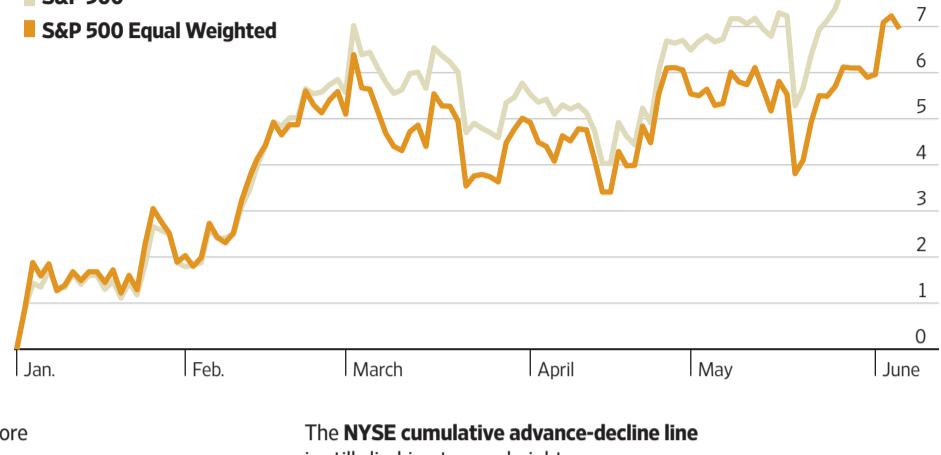
Goldman Sachs Breadth Index



Sources: FactSet (S&P equal weight, indexes); WSJ Market Data Group (A/D line); Goldman Sachs Group (breadth index); S&P Dow Jones Indices (market cap)

An equal-weighted measure of the S&P 500 has gained nearly as much as the market-cap-weighted version this year.

S&P 500
S&P 500 Equal Weighted



The NYSE cumulative advance-decline line is still climbing to new heights.

400,000

300,000

200,000

100,000

0

-100,000

January 2000 AOL and Time Warner announce merger

September 2008 Lehman Brothers files bankruptcy

February 2016 Stocks hit lowest of the year

Monthly tally

Small-caps, transportation stocks and utility shares are all up this year, one sign of broad-based market gains.

10%

8

6

4

2

0

-2

-4

Jan. Feb. Mar. Apr. May June

S&P 500 Utilities Sector

Russell 2000

Dow Jones Transportation Average

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A Value Play Lurks in Big Trucks

Hidden Cargo

Forward price/earnings ratios

20 times



to be rebounding after a difficult 2016. Volvo's shares have been on a tear this year, particularly since first-quarter results in April that showed an 11% increase in orders.

Taxed and capitalized at group rates, the profit of Daimler Trucks gives it an equity value of roughly €10 billion (\$11.28 billion). That rises to €21 billion using Volvo's earnings multiple. Volkswagen is another auto

maker with truck gems hidden away. The company's market value is €70 billion. Brokerage Evercore ISI calculates that spinning off the trucks business and other moves would, theoretically, almost double the valuation.

This kind of analysis hasn't historically played well on Germany's notoriously conservative corporate scene. But there are tantalizing signs of change in Germany Inc. Ownership of the

country's stock market has globalized. Activist investor Cevian Capital has won a board seat at steel giant Thyssenkrupp. Most revealingly, Joe Kaeser, boss of German engineering titan Siemens, has advocated once unheard-of maneuvers, such as a partial spinoff of minority stakes in the company's health-care unit and possibly even its core factory-automation business.

It is also hard for automotive executives to ignore Sergio Marchionne's breakup success at Fiat Chrysler.

Ferrari's stock has almost doubled since being spun out of the embattled parent company last year. It is now valued as a luxury-goods brand rather than a car maker.

Evercore ISI puts the chances of a truck spinoff within 12 to 18 months at 30% for Daimler and more than 50% for Volkswagen.

The potential for change within Germany's automotive industry shouldn't be overstated, but it is greater than investors may assume.

—Stephen Wilmot

OVERHEARD

As the summer movie season starts moving into high gear, accounting standards are getting a moment in the sun.

"The Importance of GAAP," a new video produced by the Financial Accounting Foundation extols the virtues of Generally Accepted Accounting Principles.

"Imagine a world of streets without signs," the video's narrator implores the audience. "Or scales without numbers. Or ballets without choreography. The result would be confusion, chaos or worse. Rules help the world run more smoothly. The same is true for financial information."

Just imagine a world without GAAP.

It is possible the two-minute, 45-second video, currently available on YouTube, will be the summer's surprise hit.

If so, it might be a late bloomer—the online video clip has attracted about 200 views in a little more than two weeks.

Apple's New Device Isn't An Easy Sell

Apple Inc. has arguably perfected the art of the up-sell. That is good, as its new home-speaker offering will test that ability.

Called the HomePod, Apple's entry into the burgeoning market for voice-activated home speakers was announced at its Worldwide Developers Conference on Monday. The device uses the company's Siri personal digital assistant found on its other devices and incorporates its Apple Music service and home-automation tool called HomeKit. It is set to go on sale in December at a price of \$349.

That is nearly twice the price of Amazon.com's Echo, which will have had a three-year head start on the HomePod by the time it hits the market. Neither handicap is necessarily fatal. Apple typically hasn't been the first to market with new classes of devices and the company has a long-established ability to command premium prices.

It also has an enormous base of customers. More than 500 million combined units of the iPhone, iPad and Mac computers have sold in the past two years alone. By contrast, analysts estimate that Amazon has sold about 11 million units of its Echo lineup to date. About four million of those Echo owners also own an iPhone, according to Consumer Intelligence Research Partners.

That means Apple has plenty of opportunity in a burgeoning market. But that opportunity will be limited by both the size of its Apple Music base, which now numbers about 27 million subscribers, and the high price tag those users will need to meet in order to plug in.

—Dan Gallagher

Are London's Markets Too Calm as Election Approaches?

Slipping

Yield on 10-year U.K. gilts

16%

14%

12%

10%

8%

6%

4%

2%

0%

2016 17

Source: Tradeweb

bour Party gaining support.

The Manchester and London attacks have placed attention on Mrs. May's role as home secretary before she took the top job last year and on her election mantra of providing

"strong and stable" leadership.

And the economic backdrop isn't a particularly supportive one for the incumbent government. Growth slowed to 0.2% in the first quarter. Inflation is squeezing real incomes, and consumer confidence is lower than in the previous election in 2015.

Bond markets signal a whiff of caution. The 10-year U.K. gilt yield last week fell to 1%, its lowest since October, and the yield curve has flattened. U.K. stocks have rallied along with global markets, although the FTSE 100 is up less than its European and U.S. peers.

U.K. markets initially welcomed the election, figuring a big win for Mrs. May would help her to negotiate a less disruptive Brexit. But as uncertainty has risen, the pound has halted its upward march against the dollar and is being outpaced by the euro, though it remains stronger than it was before the vote was called.

A surprise outcome in Thursday's vote can't be ruled out. An indecisive result, with no party gaining a clear majority, would cast a deep shadow over the negotiations on the U.K.'s exit from the European Union starting in mid-June. A shock win for Labour would mean a

radical reassessment for fiscal policy, with more deficit spending that could upset the quiescent path of U.K. interest rates.

Most important for stocks, Labour has promised higher corporate taxes.

If the election doesn't follow the script of a big win for the Conservatives, then it could be the pound and gilts that suffer: Higher uncertainty over both Brexit and the economic outlook could lead to a steeper curve.

There won't be much time for investors to draw breath.

Once the election is over, the focus will move swiftly to the product of the last U.K. vote shocker: Brexit.

—Richard Barley

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BARRON'S

JUNE 6, 2017

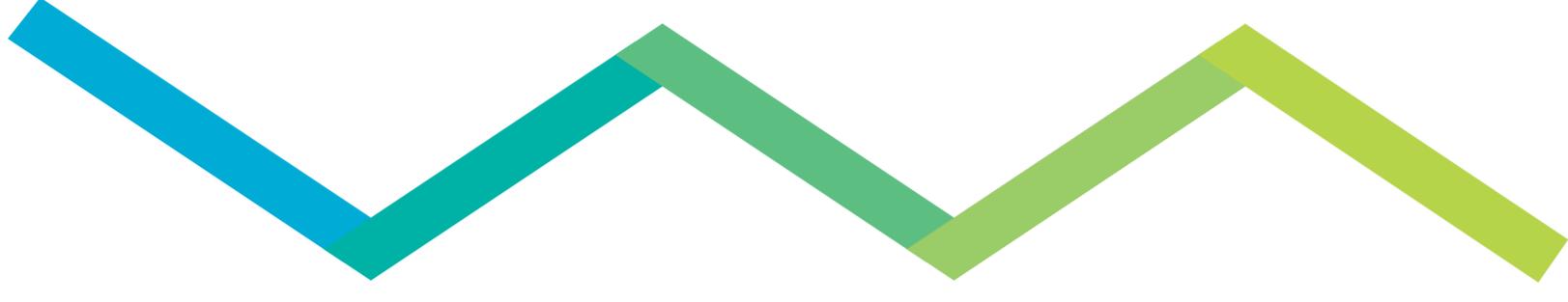
THE TOP 100 WOMEN FINANCIAL ADVISORS

How the best got there, and what
they're telling clients to do now



Brian Stauffer for Barron's

Reprinted from the June 5, 2017, issue of Barron's.
The Wall Street Journal news organization was not involved in the creation of this content.



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BARRON'S • SPECIAL SUPPLEMENT

SPECIAL REPORT

An annual ranking by *Barron's* of the best women advisors in the investment business.

TOP 100 WOMEN ADVISORS

This year's ranking features 17 new names. What the leaders recommend now.

By Steven Garmhausen With the stock market richly valued, Cheryl Holland is being frank with the families she advises about the possibility of a dip.●“We’re preparing clients for some uncomfortable headwinds,” says Holland, the 52nd-ranked advisor in the Barron’s annual Top 100 Women Advisors ranking.●Like all great advisors, Holland, with Abacus Planning Group in Columbia, S.C., is honest with her clients, while at the same time ensuring their portfolios and financial plans are positioned to help achieve their long-term goals.●Holland’s views about the market aren’t uniformly shared by her peers on our list. Maureen Raihle, for instance, says strong corporate earnings and tidy balance sheets could help prolong the

Brian Stauffer for Barron's

BARRON'S • SPECIAL SUPPLEMENT

eight-year bull market. Raihle, with Merrill Lynch in Chicago, is ranked 18th on this year's list. Topping the list is Karen McDonald, at Morgan Stanley, who jumped six places from last year. She and her team in Palo Alto managed a whopping \$41 billion for their clients. Colleen O'Callaghan, with Morgan Stanley in New York, is second on the list, having leaped from the sixth position last year.

A bit further down the ranking, Faith Read Xenos, with Singer Xenos Wealth Management in Coral Gables, Fla., made an impressive jump to 54 this year from 86 in 2016. And 17 advisors joined our annual ranking for the first time.

Overall, the women on this year's list have a wealth of experience. Their average length of tenure in the industry is 29.4 years, and they've been with their current firms for an average of more than 21 years. In part because of the long bull market, and partly because of the growth in the size of advisors' teams—the average team is now nearly 13 people—the typical practice manages \$3.1 billion, compared with \$2.8 billion back in 2012.

These women serve some very wealthy clients indeed: Their average account size is a staggering \$55.5 million, and their clients' typical net worth is about \$98 million.

Meanwhile, 78% of their revenue is annitized, meaning they're charging fees based on assets in an account, rather than commissions for trading securities. Fees made up just 67% of revenue in 2012.

Our ranking reflects assets under management, revenue the advisors generate for their firms, and the quality of their practices. Investment performance isn't an explicit criterion because the advisors' clients pursue a wide range of goals. In many instances, asset preservation is the primary goal.

Advisors with very wealthy clients tend to see job No. 1 as keeping those clients rich. That's why many rely on decidedly unsexy investments like dividend-producing stocks and municipal bonds.

At the same time, many ultrahigh-net-worth investors enjoy the ability to lock up money for longer terms in hopes of outperforming publicly traded stocks and bonds.

Clients of Deborah Montaperto, at Morgan Stanley in New York, typically allocate 30% of their portfolios to alternative investments—namely hedge funds and private market investments.

For more about some of our top women advisors, and to learn how they're helping their clients, read on.

Jennifer Marcontell

Edward Jones

Location: Baytown, Texas

Assets: \$929 million

Rank: 73

Marcontell was a chemistry student at the University of Texas at Austin, on the path to becoming a doctor, when her skeptical father made her volunteer at a hospital. "Although I admire people with a passion for [medicine], I found I didn't have the stomach for it," says Marcontell, an Edward Jones financial advisor based outside of Houston. "So I started picking up finance courses."

That turned out to be a shrewd move. Marcontell, now 45, works to improve on her clients' financial health. She and her team of five serve 380 households; they're the top Edward Jones branch in client-asset acquisition, having brought in \$100 million in new client assets in each of the past five years.

Throughout her 17-year career, Marcontell has served investors in a region that's highly dependent on the volatile petrochemical industry. The past two years, in particular, have



Jennifer Marcontell

Todd Spoth for Barron's

reinforced the necessity of financial planning for her clientele.

Marcontell grew up north of Dallas and was influenced by her mother's caring for others. She remembers employees from her mother's nail salon joining the family for Thanksgiving. "I was raised accepting people," she says.

After graduating from the university, she took a job at a local investment bank, working in the accounting department. Though she liked the industry, she had a young son and needed greater flexibility. On an airplane in 1999, she read an article about an Edward Jones advisor who was raising twins and enjoying a good work-life balance. Not only did the flexibility sound appealing, but the work did, too, she says.

"I felt that people invested for a reason," she says. "Achieving long-term goals is really important."

By 2000, Marcontell was an Edward Jones advisor. She was determined to be inclusive—having experienced firsthand what it feels like to be ignored. "A couple of years earlier, my husband and I went to an advisor at a well-known company," she remembers. "Even though I had lots of questions, he talked to my husband the whole time. I was so disillusioned."

These days, Marcontell tells her clients—including spouses—that large-cap value stocks look relatively cheap. Though she uses funds, she often buys individual securities, in part be-

cause clients are more attentive to investments when they know the specific companies they own.

These days, however, investing isn't the only thing on her clients' minds. Increasingly, they're concerned about skyrocketing healthcare costs. "As they've moved their parents to nursing homes, they've learned that the cost of care has gotten high, and the level of care has gotten low," she says. "This is a major concern, for female investors especially."

The most effective step that clients can take is to estimate future health-care costs and save appropriately, she says.

In her free time, Marcontell likes to volunteer in the community. She's on the board of her local chamber of commerce, and she's involved with Pilot International, a national women's organization that, among other goals, works to encourage brain safety and health.

— Steve Garmhausen

Maureen Raihle

Merrill Lynch Private Banking and Investment Group

Location: Chicago

Assets: \$5.80 billion

Rank: 18

Raihle learned at a young age to work hard and read voraciously, habits that have served her well in her more than three decades in finance. Raised in a Chicago family of modest means, the advisor recalls her father holding down two jobs at the same time. On summer weekends, her mother would send Raihle and a sibling several miles to the library with a red wagon, telling them to bring back 10 books.

Raihle, now 54, says she still reads "so much every day. You have to, to keep up with changes in taxes and estate planning."

With a team of seven, she advises 85 wealthy households with a typical net worth of \$40 million. Some clients have been with the team for more than a quarter of a century, so these days Raihle finds herself offering guidance to their grandchildren—via text message. "We're also starting something called the Kid's Academy," she says. "We'll bring in a certain age group for a financial boot camp during summer and winter breaks."

After earning a bachelor's degree in finance and economics, Raihle did stints as a floor runner at the Chicago Board Options Exchange and as a personal banker before joining Merrill Lynch in 1987. There, she began advising clients jointly with John Ver Bockel, and the two established an official partnership in the mid-1990s.

The team eschews questionnaires assessing clients' risk tolerances, opting instead for in-depth conversations about their cash-flow needs. "Most have annual spending that they must keep up to maintain their lifestyles," Raihle says. "We start there, and we set up portfolios to make sure they meet those needs."

That can mean devoting part of the stock portion of a portfolio to strategies relying on income stocks with strong track records of annual dividend increases. These stocks generate steadily increasing income that offsets inflation. Other equity strategies in the portfolio can be more "aspirational," including, for example, technology growth stocks.

This approach gives clients peace of mind, Raihle says. During corrections, the dividend stocks continue to provide income, so clients don't feel pressure to jettison holdings at distressed prices.

The advisor sees opportunities in European equities: "Europe is three or four years behind us in emerging from the financial crisis, and its valuations are a lot lower than ours." That doesn't mean she's giving up on the eight-year

bull market in U.S. stocks. Corporate earnings are strong, and balance sheets are in great shape, boding well for further market gains, she says.

Lately, some clients have expressed concern about the scandals that are rocking Washington, and what an impeachment might mean for the stock market.

"I try to get it away from emotional conversations about whether you like or don't like Donald Trump," Raihle says. "I'll tell them, 'Whatever you think of him, if he achieves only a part of his goal for lower taxes and less regulation, these are pro-growth policies. Any progress on some of what he ran on will be positive for the market.'"

— Ross Snel

Anne Golden

First Republic Investment Management

Location: San Francisco

Assets: \$3.7 billion

Rank: 97

Golden's investing education started in her teenage years, when her dad insisted that she and her siblings regularly read the local newspaper, the Cincinnati Enquirer. "He made us read the front, sports, and business pages, and follow the stocks the family owned," says Golden, now 74 and the senior managing director and wealth manager with First Republic Investment Management in San Francisco.

A four-decade-plus veteran of the financial-services industry, Golden and her team of five manage \$3.7 billion for 168 households. Of those clients, 44% have at least \$10 million invested.

At a time when many advisors are shifting toward foreign stocks, Golden sees a fair amount of additional growth potential in domestic equities. "We're cautiously optimistic about the U.S. economy," she says. "Even prior to November, corporate earnings and revenue were increasing—and multinationals have been benefiting from Europe."

Golden was raised in Cincinnati, but pined to explore more of the U.S. She headed to the University of Colorado in Boulder, where she earned a degree in Asian studies and learned Mandarin Chinese. The skill wasn't as lucrative then as it is now, she jokes. After graduation, she moved to San Francisco, where she wound up as the assistant to a partner in merchant bank L.F. Rothschild. By 1974, she was a licensed broker selling stocks and municipal bonds.

While at the firm, she took a class in personal finance for women and felt a calling. She went on to spend five years giving classes at women's investing groups throughout the Bay Area.

"It was an eye-opening experience for me," she says. "I love to see the light bulbs go off in women's eyes."

Golden moved to the advisory firm Bailard Biehl & Kaiser in 1983, drawn by its embrace of broad diversification. At a time when most firms stuck with domestic stocks and bonds, BB&K's client portfolios included international issues, real estate, and precious metals.

In 1995, she joined Montgomery Asset Management in San Francisco to help build its private-client division. And when Montgomery was sold to Wells Fargo in 2003, she and several members of her team jumped to First Republic. Over the past 14 years, they have quadrupled assets, to \$3.7 billion.

— S.G.

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— Deborah Montaperto

Cheryl Holland

Abacus Planning Group

Location: Columbia, S.C.

Assets: \$921 million

Rank: 52

Holland's best financial advisors are superb communicators, and Holland can communicate even when she doesn't speak the language. She has traveled to remote corners of Bolivia and Ecuador, and last year she became the first Caucasian to visit a tiny village in China's Yunnan province.

"Even when there's a language barrier, you can communicate through human warmth. You can figure most things out," says Holland, 59, the owner of Abacus Planning Group in Columbia, S.C.

A balance of communication and analytical skills has helped the Columbia native build a clientele of 204 households, which have entrusted her with nearly \$900 million in investment assets. Most of Holland's clients are owners of closely held businesses and entrepreneurs.

These days, some of her clients are energized by the political environment, while



Saverio Truglia for Barron's

Maureen Raihle

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others find themselves unsettled by it. Holland says the focus really belongs on market fundamentals. In that vein, she says her 25-person team is preparing clients for some unfavorable times to come. She points to the stock market's uniformly high valuations. "There isn't a lot of room to go up," she says. "There's no place to go but down."

Longer term, though, Holland and her colleagues see a period of slow growth. They're particularly positive about the strengthening economies of Japan and the euro zone.

In the fixed-income arena, Holland likes municipal bonds—and isn't too concerned that tax cuts would hurt the asset class. She also allocates a small portion of client assets to total-return bond funds.

Holland earned an economics degree from Bryn Mawr College outside of Philadelphia, and after graduation initially took a job at an econometrics firm. "I decided I didn't want to be doing policy research in a room by myself," she says. By the early 1980s, she was working as a broker with Merrill Lynch. But when she learned at a financial-planning conference about the emerging field of fee-based advice, "a light bulb went off in my head, and I said, 'That's what I want to do,'" Holland says.

She then quit the brokerage and spent three years working as a secretary at an accounting firm, and later as a paralegal at a law firm while studying financial planning. Working at those firms, she says, taught her how to be a professional. "Things like client confidentiality and being organized," she says. "No matter what you do, you learn something from it for your future success."

Now 26 years into her career as an independent planner, Holland is especially jazzed about helping clients take advantage of financial maneuvers they wouldn't necessarily have known about on their own. Examples: doing Roth individual-retirement-account conversions, which can limit future tax liabilities, or using 529 college savings plans to earn a hefty state income-tax deduction.

"For someone who likes to use the left and right side of their brain—EQ and IQ—being an advisor is a wonderful profession," says Holland.

—S.G.



Martin Klimek for Barron's

Anne Golden

Deborah Montaperto

Morgan Stanley Private

Wealth Management

Location: New York

Team Assets: \$11.9 billion

Rank: 8

Montaperto relishes tough, complex challenges.

She set off for Italy to earn a master's degree knowing zero Italian, worked her

way up from secretary to managing director in investment banking, and then made a successful midcareer switch to the advisory field. "If there's an easy way and a hard way, I'll always pick the hard way," jokes Montaperto, now 57.

For the past nine years, she has thrived by helping ultrahigh-net-worth families meet their multifaceted goals. With a team of 18 at Morgan Stanley Private Wealth Management, Montaperto advises 200 households with an average net worth of about \$50 million.

However, her path to Wall Street was far from straightforward. After studying art history and social sciences at Tufts University,

Montaperto earned a master's in art history from Villa Schifanoia, in Florence.

While managing a gallery in Manhattan, Montaperto realized the art world "wasn't a place to make a living." An argument with her boss about her lack of typing skills prompted her to enroll at the Katharine Gibbs School. There, she saw a listing for a secretarial job at Dean Witter that paid more than the gallery gig. After only six months at the brokerage, she was managing investor relations for some of Dean Witter's funds.

In 1997, Montaperto joined Smith Barney, which soon became part of Citigroup. She fo-

cused on cross-marketing services from across the firm to its investment banking clients.

"During my tenure at Citi, I worked with more than 400 CEOs, developing a great Rolodex," she recalls.

Montaperto lost her job amid massive layoffs at Citi in 2008, but her network of contacts quickly led to multiple offers. She chose Lyon Polk's wealth management team, which was then at Smith Barney, and is now at Morgan Stanley.

Today, a typical client portfolio consists of 45% equities, 25% fixed income, and 30% alternative investments.

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THE TOP 100 WOMEN FINANCIAL ADVISORS

Here are America's top financial advisors, as identified by Barron's. The ranking reflects the volume of assets overseen by the advisors and their teams, revenue generated for the firms, and the quality of the advisors' practices. The scoring system assigns a top score of 100, and rates the rest by comparing them with the top-ranked advisor. A ranking of "N" indicates that the advisor was not ranked in the specified year.

RANK '17 '16	Name	Firm	Location	Retail (Up to \$1 mil)	High Net Worth (\$1-10 mil)	Ultra High Net Worth (\$10 mil+)	Foundations	Endowments	Institutional	Team Total Assets (\$mil)	Typical Account Size (\$mil)	Typical Net Worth (\$mil)	Score
1. 7.	Karen McDonald	Morgan Stanley Wealth Mgmt	Palo Alto	•	•	•			•	\$41,164	\$3	\$10	100.000
2. 6.	Colleen O'Callaghan	Morgan Stanley PWM	New York		•	•	•	•		3,128	75	100	99.907
3. 1.	Kimberlee Orth	Ameriprise Financial	Wilmington, Del.	•	•	•				1,617	4.18	10.96	99.880
4. 4.	Valerie Newell	RiverPoint Capital Mgmt	Cincinnati	•	•	•				2,442	4	8	99.746
5. 3.	Stephanie J. Stiefel	Neuberger Berman	New York		•	•			•	1,851	15	45	99.641
6. 2.	Shannon Eusey	Beacon Pointe Advisors	Newport Beach, Calif.	•	•	•	•	•		6,224	8	15	99.204
7. 5.	Susan Kaplan	Kaplan Financial Services	Newton, Mass.		•	•				1,700	3.5	10	98.854
8. 15.	Deborah Montaperto	Morgan Stanley PWM	New York		•	•	•	•		11,878	25	50	98.372
9. 12.	Holly Newman Kroft	Neuberger Berman	New York		•	•	•	•		1,400	7	12	97.884
10. 8.	Laila Pence	Pence Wealth Mgmt	Newport Beach, Calif.	•	•	•				1,487	2	5	97.691
11. 10.	Mary Deatherage	Morgan Stanley PWM	Little Falls, N.J.		•	•				2,079	10	25	97.515
12. 11.	Jane Williams	Sand Hill Global Advisors	Palo Alto, Calif.		•	•	•			1,963	7	15	97.364
13. 16.	Virginia Guy	Neuberger Berman	New York		•	•			•	1,194	5	15	97.292
14. 17.	Shawn Parker	Ameriprise Financial	Schaumburg, Ill.	•	•	•				1,825	2.5	5	97.027
15. 18.	Valerie Garcia Houts	Merrill Lynch Wealth Mgmt	San Francisco		•	•	•	•	•	21,712	75	500	96.713
16. N.	Dagny Maidman	First Republic Inv Mgmt	San Francisco		•	•		•		1,467	30	60	96.666
17. 14.	Pamela Rosenau	HighTower	Los Angeles	•	•	•				1,053	7	25	95.811
18. 13.	Maureen Raihle	Merrill Lynch PBIG	Chicago		•	•				5,803	25	40	95.472
19. 21.	Debra Wetherby	Wetherby Asset Mgmt	San Francisco		•	•				4,541	25	40	94.800
20. 25.	Dalal Salomon	Wells Fargo Adv Fin Network	Richmond, Va.	•	•	•				998	5	15	94.685
21. N.	Elaine Meyers	J.P. Morgan Securities	San Francisco		•	•				2,200	45	100	94.136
22. N.	Sonia Attkiss	UBS PWM	New York		•	•	•			5,800	40	60	94.132
23. N.	Anna Winderbaum	Morgan Stanley PWM	New York		•	•	•			2,216	20	40	94.113
24. 20.	Sharon Oberlander	Merrill Lynch Wealth Mgmt	Chicago		•	•				1,129	5.2	12	94.017
25. N.	Gillian Yu	Morgan Stanley PWM	San Francisco		•	•	•			3,184	20	50	93.817
26. 32.	Margaret Starner	Raymond James	Coral Gables, Fla.	•	•	•				1,056	4	10	93.660
27. 29.	Jeanie Wyatt	South Texas Money Mgmt	San Antonio, Texas	•	•	•	•		•	3,104	1.02	7.5	93.294
28. N.	Barbara Bruser	First Republic Inv Mgmt	Los Angeles		•	•				934	2	5	93.010
29. N.	Emily Rubin	UBS Financial Services	New York		•	•	•			1,430	10	15	92.965
30. 22.	Debbie Jorgensen	Merrill Lynch Wealth Mgmt	San Francisco		•	•	•	•	•	1,395	30	65	92.462
31. 48.	Mary Mullin	Merrill Lynch Wealth Mgmt	Boston		•	•				1,353	5	15	92.260
32. 23.	Gerri Pell	Ameriprise Financial	Rye Brook, N.Y.	•	•	•				1,203	2.56	3.95	92.111
33. 27.	Christina Boyd	Merrill Lynch Wealth Mgmt	Wayzata, Minn.		•	•			•	1,233	6	15	91.662
34. N.	Kristina Van Liew	Graystone Consulting	Chicago		•	•	•	•	•	5,100	120	100	91.629
35. N.	Linda Stephans	Graystone Consulting	Chicago		•	•	•	•	•	5,100	120	100	91.549
36. 28.	Jacqueline Willens	UBS Financial Services	New York	•	•	•				856	5	10	91.451
37. N.	Deborah Howard	Merrill Lynch Wealth Mgmt	Atlanta		•	•	•	•	•	69,202	4210	7000	91.433
38. 35.	Louise Gunderson	UBS Financial Services	New York		•	•				751	8.7	22	91.130
39. 44.	Cheryl Young	Morgan Stanley Wealth Mgmt	Los Gatos, Calif.	•	•	•				1,225	8	17	90.967
40. 46.	Emily Van Hoorickx	UBS Financial Services	San Jose, Calif.	•	•	•				4,788	2	7	90.796
41. 19.	Shari Burns	United Capital Seattle	Seattle		•	•	•	•		1,604	5.74	8	90.690
42. 53.	Kathleen Roeser	Morgan Stanley Wealth Mgmt	Chicago		•	•	•	•	•	1,013	8	15	90.505
43. 31.	Inna Kelly	Morgan Stanley Wealth Mgmt	San Francisco	•	•	•				1,174	5	10	90.410
44. 33.	Audree L. Begay	Ameriprise Financial	Houston	•	•	•				986	1.1	2.5	90.334
45. 45.	Debra Brede	D.K. Brede Inv Mgmt	Needham, Mass.		•	•				807	2	3.5	90.175
46. 42.	Patricia C. Brennan	Key Financial	West Chester, Pa.	•	•					740	1.8	3	90.129
47. 36.	Susan Kingsolver	Morgan Stanley PWM	New York		•	•				1,125	20	75	90.030
48. 66.	Erna Morgan McReynolds	Morgan Stanley Wealth Mgmt	Oneonta, N.Y.	•	•	•	•	•	•	868	3.5	8	85.814
49. 24.	Erin Botsford	Botsford Financial Group	Frisco, Texas	•	•	•	•	•		1,020	5	10	85.747
50. 37.	Trudy Haussmann	Securities America	Lake Forest, Calif.	•	•					1,000	0.65	1.2	85.714
51. 41.	Alyssa Moeder	Merrill Lynch PBIG	New York		•	•				5,761	25	150	85.569
52. 30.	Cheryl Holland	Abacus Planning Group	Columbia, S.C.	•	•	•				921	4.1	6.32	85.466
53. 38.	Soo Kim	Ameriprise Financial	Vienna, Va.		•	•				1,231	1	2	85.435
54. 86.	Faith Read Xenos	Singer Xenos Wealth Mgmt	Coral Gables, Fla.	•	•	•	•	•	•	1,380	2.6	8	85.398
55. N.	Deborah Moses	Morgan Stanley Wealth Mgmt	Boston			•				1,076	36	46	85.355
56. 50.	Robin Reich	Merrill Lynch Wealth Mgmt	New York	•	•	•			•	1,193	2	5	85.210
57. 57.	Linnell Sullivan	Merrill Lynch Wealth Mgmt	Cincinnati		•	•				1,419	6	10	85.052
58. 70.	Anouchka Balog	Morgan Stanley Wealth Mgmt	Laguna Niguel, Calif.	•	•	•				562	5	10	85.049
59. 69.	Donna Di Ianni	Merrill Lynch Wealth Mgmt	Aspen, Colo.		•	•	•	•		784	10	20	85.020
60. 52.	Gail Reid	Ameriprise Financial	Glendale, Calif.	•	•	•		•		1,157	2.5	4	84.955
61. 79.	Judy Fredrickson	UBS PWM	Minneapolis		•	•				1,294	25	40	84.934
62. 55.	Ann Marie Etergino	RBC Wealth Mgmt	Chevy Chase, Md.	•	•	•	•	•	•	920	7	15	84.930
63. 54.	Susan Heuer	Merrill Lynch Wealth Mgmt	Houston	•	•	•			•	2,898	0.2	4	84.905
64. 51.	Marie Vanerian	Merrill Lynch Wealth Mgmt	Troy, Mich.		•	•	•	•	•	1,819	10	10	84.900
65. 62.													

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Cheryl Holland

Evan Kafka for Barron's

Much of the fixed-income piece is focused on laddered municipal-bond portfolios. About two-thirds of the alternatives are hedge funds, while the rest is private-market investments. "The illiquid markets are where we make outsize returns," Montaperto says. The team is now overweight developed international equities and emerging market stocks.

Successfully advising wealthy families entails a lot more than constructing a portfolio with good returns, according to

Montaperto: "Their lives are by definition much more complex. The concerns we hear again and again are about how do they organize things."

One common question for wealthy families concerns how much of their investing they should do in-house. "Even if you have a sizable family office with six or seven people doing investments, that doesn't compare with the resources of Morgan Stanley," she says.

More clients are deciding to rely on Monta-



Deborah Montaperto

Matt Furman for Barron's

perto's team as an outsourced chief investment officer, including three multibillion-dollar families, she says.

Another big concern is guidance for adult children. When a new client came to the team about six years ago, Montaperto expected him to focus on returns and fees. "Instead, he sat down and asked us if we could help in figuring out how not to screw up his kids," she says.

- R.S.

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The hubbub over the Department of Labor rule that advisors act in their clients' best interest has made widespread adoption a virtual certainty.

At Long Last, the Fiduciary Rule Goes Live

by Cheryl Winokur Munk

A few years ago, the fiduciary concept was virtually unknown among many investors. Now, however, it has taken center stage, and many industry watchers believe there's no turning back—especially with the Department of Labor's fiduciary rule set to go live June 9.

"Investors are going to demand working with a fiduciary. That's where they are going to put their capital. That's where the advisors are going to want to be, and the brokerage firms will need to change. It has already started to happen," says Paul Pagnato, the chief executive of registered investment advisor PagnatoKarp.

Pagnato believes the DOL initiatives are propelling the industry toward a uniform standard that advisors act in a clients' best interests. Over time, more clients and advisors will insist on a fiduciary standard of care for all accounts.

"The financial firms that persist in wavering will continue to lose the confidence of their advisors and clients," he says.

Despite significant opposition, new Labor Secretary Alexander Acosta announced in a May 22 Wall Street Journal op-ed that there would be no further delay in the rule. Implementation had been postponed from April 10 after President Donald Trump directed the DOL to re-evaluate the rule developed in the Obama administration.

Although industry participants disagreed about the DOL's approach, many firms invested time and money to comply. Other firms, too, will have to press forward, given the changes required, says Steven Rabitz, a partner in the employee-benefits and executive-compensation practice group of Stroock & Stroock & Lavan.

Starting on June 9, firms must comply with the fiduciary definition, as well as provisions concerning conflicts of interest and impartial conduct. They have until Jan. 1, 2018, to comply with the rest, which includes written disclosure requirements.

"There will likely be no rest for the weary, even with the staggered implementation," Rabitz says.

Between now and January, many expect the DOL to attempt to overturn or modify the current rule. Even so, broader change may be inevitable. "The train has left the station, but it's going to take time for broader adoption," Pagnato says, predicting that, in three to five years, all advisors will be fiduciaries for both retirement and nonretirement accounts.

"The industry is marching forward—albeit with baby steps—toward a broader uniform fiduciary standard," says Jason Schwarz, president of Wilshire Funds Management. "How and



Brian Stauffer for Barron's

under what certain circumstances we will end up with a uniform standard is a little unclear at this point."

Schwarz expects pressure on fees to continue. Also, large brokers will continue to narrow product lists to make it easier to perform a higher level of due diligence and performance monitoring. And firms will continue to try to eliminate obvious conflicts such as proprietary investments. Competitive factors will drive others to adopt similar measures, he says.

Many believe that consumer sentiment will continue to force change. Investors have grown more distrustful of advisors, according to a recent study of more than 2,000 U.S. adults commissioned by Personal Capital Advisors. Some 70% of those polled said recent events have made them question the trustworthiness of financial professionals. "It is good business to put your clients' interests ahead of your own, and I think it's what most consumers would expect," says Charles Field, co-chair of the financial ser-

vices litigation practice at law firm Sanford Heisler Sharp.

"It's a natural evolution," says Johan Joseph, a partner in the financial-services practice at Grant Thornton.

True, the pace of change would be slower if the DOL's fiduciary rule had stalled, adds Charles Abraham, financial-services practice leader at audit, tax, and consulting firm Mazars USA. "If companies had to make changes on their own, there would be a greater chance of inertia taking over," he says.

There are significant costs associated with a fiduciary shift. A 2016 study by A.T. Kearney predicts complying will lead to as much as \$20 billion in lost revenue through 2020, and up to \$2 trillion in assets shifting among different players.

Ultimately, however, firms that make investor-friendly changes could be better off. "The financial stability of these wirehouses could be stronger five years from now, based on reoc-

curing income versus transactions fees," says John Anderson, managing director of practice management solutions at SEI Advisor Network.

He recommends brokers move toward a fee-based model, even if their firms haven't gotten there yet. "It's always best to be in front of that fee-based conversation, rather than being forced into it or being asked to by your client," he says.

There will be holdouts. "By and large, absent a government mandate, you'll find firms holding strong and trying not to deliver advice under a fiduciary standard," predicts Brian Hamburger, president and CEO of MarketCounsel, a business and regulatory consulting firm for investment advisors. He believes most firms will stick to the status quo unless forced to change, because the old ways are more profitable.

Nathan Garcia, the managing director of Westbourne Investments, also points out that despite growing awareness, a good percentage of customers—especially wealthy ones—are not overly concerned about whether their advisor is a fiduciary.

In fact, research suggests many clients are fine with the status quo. A J.D. Power survey of more than 1,000 full-service investors in February found most clients investing through commission-based accounts would consider changing firms if forced into a fee-only model. The study also found that investors with \$1 million or more of investable assets are more resistant to change—and fee levels—than others.

Still, Pagnato says his firm has brought in hundreds of millions of dollars in each of the past two years from clients who say they want a fiduciary relationship. "They've told us that's why they're working with us."

Of course, investors still have to be careful, even when working with fiduciaries; simply complying with the standard doesn't make someone a good advisor. "Even among registered investment advisors, there is a difference in the level of sophistication that they provide in investment management and financial planning," says Tony D'Amico, CEO and senior advisor at Fidato Wealth. "If everyone is considered a fiduciary, I think we'll see that they're not all created equal," he says.

Meanwhile, some hope the Securities and Exchange Commission ultimately takes action to make a uniform standard a reality. So far, the SEC hasn't been in any hurry to do so.

"Without a harmonized standard for retirement and nonretirement accounts, investment advisors and brokers, there's no chance we're going to see the best investor protection possible," says Charles G. Goldman, CEO of AssetMark, a provider of portfolios and technology for independent financial advisors. ■

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The performance figures presented reflect the total return performance and reflect changes in share price and reinvestment of dividend and capital gain distributions. All periods longer than one year are annualized. Differences in the Fund's performance versus the index, and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the pricing methodologies used by the Fund and the index. Although the Fund may seek to maintain stable distributions, the Fund's distribution rates may be affected by numerous factors, including but not limited to changes in realized and projected market returns, fluctuations in market interest rates, Fund performance, and other factors. There can be no assurance that a change in market conditions or other factors will not result in a change in the Fund's distribution rate or that the rate will be sustainable in the future. For instance, during periods of low or declining interest rates, the Fund's distributable income and dividend levels may decline for many reasons. For example, the Fund may have to deploy uninvested assets (whether from purchases of Fund shares, proceeds from matured, traded or called debt obligations or other sources) in new, lower yielding instruments. Additionally, payments from certain instruments that may be held by the Fund (such as variable and floating rate securities) may be negatively impacted by declining interest rates, which may also lead to a decline in the Fund's distributable income and dividend levels.

A word about risk: All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies is impacted by changes in interest rates. Investors should consult their investment professional prior to making an investment decision. **Management risk** is the risk that the investment techniques and risk analyses applied by the active manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing the strategy. The Fund has issued a dividend distribution for each month since inception. No guarantee is being made that a future dividend will be issued. The minimum initial investment for the Institutional class shares is \$1 million; however, it may be modified for certain financial intermediaries who submit trades on behalf of eligible investors. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. PIMCO Investments LLC, distributor. ©2017 PIMCO.

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