

# THE WALL STREET JOURNAL.

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WSJ.com EUROPE EDITION

DJIA 21206.29 ▲ 0.29%

NASDAQ 6305.80 ▲ 0.94%

NIKKEI 20177.28 ▲ 1.60%

STOXX 600 392.55 ▲ 0.23%

BRENT 49.95 ▼ 1.34%

GOLD 1276.80 ▲ 0.77%

EURO 1.1272 ▲ 0.54%

## What's News

### Business & Finance

China's crackdown on debt is driving some companies to loosely regulated trust firms, which raise funds to plow into riskier areas of the economy. **A1**

◆ Tencent has become China's top corporate investor in Silicon Valley, with stakes in a wide range of tech ventures. **B1**

◆ GM's chief faces shareholders this week, under pressure from hedge fund Greenlight and scrutiny after Ford's CEO was ousted. **B1**

◆ Seats are still unfilled on U.S. regulatory commissions, including the FTC and SEC, and could remain empty for months. **B1**

◆ An Ivanka Trump firm applied for 14 new trademarks in China in March, a day before she was named a White House adviser. **B2**

◆ SpaceX launched for the first time a cargo capsule that had been used on previous missions. **B3**

◆ Rickmers Holding, Germany's third-largest shipping company, filed for insolvency. **B3**

◆ Emerging-market currencies have surged this year, bolstered by an inflow of foreign cash. **B7**

◆ Oil analysts cut their price forecasts amid doubts that a deal by major producers will clear a global glut of crude. **B7**

◆ "Wonder Woman" led the weekend box office, with an estimated \$100.5 million U.S. debut for the Warner Bros. release. **B3**

### World-Wide

◆ Terrorists struck Britain for the third time in three months, as three knife-wielding men killed seven people and injured dozens in a London rampage. **A1**

◆ The U.K. election campaign was thrown into further uncertainty by the attack, with terrorism eclipsing Brexit as the key issue. **A4**

◆ Trump suggested that London's mayor was playing down the threat of terror, triggering rebukes. **A4**

◆ U.K. leaders called for global rules to hinder extremists who use cyberspace to spread their message. **A5**

◆ Afghan authorities arrested over a dozen people in connection with a triple suicide bombing at a funeral that killed and wounded more than a hundred. **A3**

◆ Philippine police said the gunman who went on a deadly rampage Friday was a gambling addict who had been barred from casinos. **A3**

◆ Republican leaders in Congress are scrambling to show some progress on Trump's legislative goals before their August recess. **A7**

◆ Trump's aides defended his decision to quit the Paris climate accord, but offered differing views on his beliefs about the environment. **A7**

◆ The World Bank forecast global growth will hit 2.9% in 2018, up from 2.7% this year, but warned of risks that threaten a recovery. **A3**

◆ Real Madrid won a record 12th Champions League soccer title with a 4-1 victory over Juventus. **A3**

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## U.K. Calls for Tougher Terror Stance

Seven killed in attack; prime minister says more must be done to stop radicalization

By JASON DOUGLAS  
AND JENNY GROSS

LONDON—Terrorists struck Britain for the third time in three months, again interrupting a national election campaign and laying bare a growing challenge to the country's police and intelligence agencies.

Seven people were killed and dozens were injured, 21 of them hospitalized in critical condition, by three knife-wielding men who carried out a deadly rampage in the capital Saturday night, plowing a rented white van into pedestrians on London Bridge and then indiscriminately stabbing people in a lively area of pubs and restaurants nearby.

Police ended the violence by shooting dead the three assailants just eight minutes after they received the first reports of the bridge incident on a balmy night. No group immediately claimed responsibility, and police haven't released the identities of the three men.

At least one of the men was born in Pakistan, a Western security official said. It wasn't clear when the man came to Britain or whether he had acquired British citizenship.

Twelve people were arrested Sunday in Barking, East London, in connection with



A woman reacts after asking an officer to lay flowers near London Bridge to honor the victims of Saturday night's attack.

the attacks and authorities were carrying out raids in a nearby neighborhood. Police didn't give details, but I.J. Johnson, a neighbor who lives across the street from an apartment building in Barking that was raided, said he saw a white van rushing out of the complex around 9 p.m. on Saturday night.

The attack brought to 34 the number of people killed in three terrorist incidents in the U.K. since March 22, when a car driver killed five people on Westminster Bridge and then stabbed a policeman to death. In May, 22 people were killed and more than 100 injured by a lone suicide bomber at a pop concert in Manchester.

The assault suggests a growing tempo of attacks that represents a particular challenge to authorities: relatively unsophisticated plots using easily obtainable materials by small groups or individuals. They can be very difficult for the authorities to track because they often have few

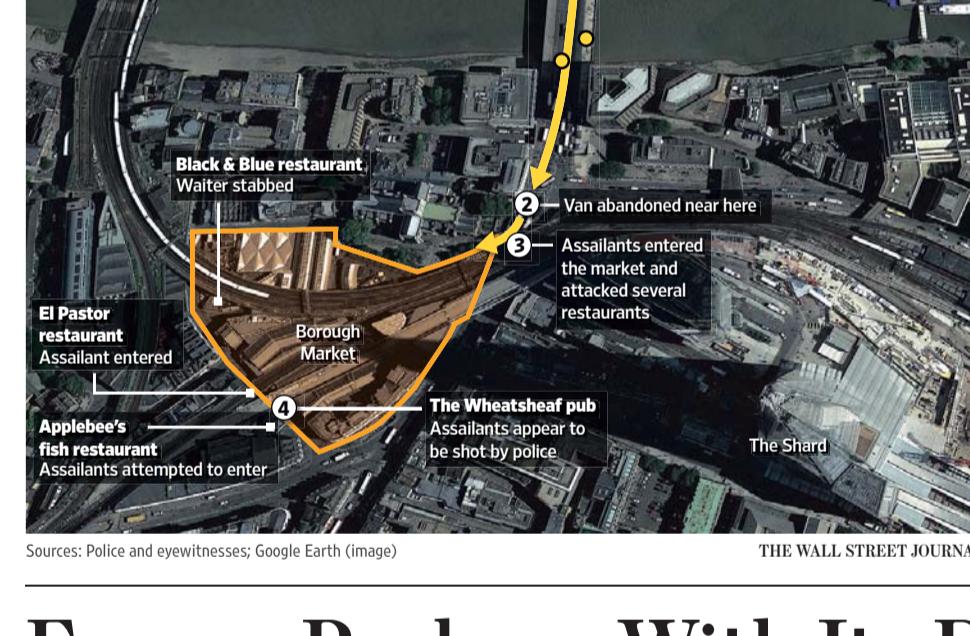
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### Terror in London

- ◆ Trump tweaks London's mayor ..... A4
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### The Killers' Path

In a matter of minutes, the three suspects mowed down pedestrians on London Bridge, and then stabbed more victims nearby.



Sources: Police and eyewitnesses; Google Earth (image)

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## Assault Shatters Evening Revelry

LONDON—It all happened in eight minutes.

The evening was warm, and Borough Market was buzzing. The fruit and vegetable stalls, along with the butchers and

the fish and cheese mongers, were closed for the day, but the pubs, wine bars and restaurants that dot the market were filled with customers cheered by the summery weather.

A short walk away, Londoners and tourists strolled along London Bridge across the River Thames. During the workweek, the span is clogged with pedestrian and vehicle traffic bound for London's financial district. On weekend

evenings, though, the same stretch is less hurried and cluttered, offering bystanders more time to savor views of Tower Bridge down river and the Shard, the spiky glass skyscraper, towering above.

That tranquility was shattered just a few minutes after 10 p.m. on Saturday when three men in what witnesses described as a white delivery van careened across the bridge at high speed, heading toward Borough Market.

The van slammed into pedestrians on the sidewalk near the bridge's south end, then three men raced away from the vehicle wielding knives and wearing what police said later were fake explosive vests.

Police said they received

Please see SCENE page A5

## Europe Reckons With Its Depleted Armies

Soldiers in Germany's Light Infantry Battalion 413 near the Baltic Sea coast complained last year that they didn't have

By Julian E. Barnes  
in Brussels,  
Anton Troianovski in  
Berlin and Robert Wall  
in London

enough sniper rifles or anti-tank weapons or the right kind of vehicles.

During exercises, they told

a parliamentary ombudsman, their unit didn't have the munitions to simulate battle. Instead, they were told to imagine the bangs.

Across Europe, similar shortfalls riddle land, sea, air and cyber forces following years of defense cutbacks.

President Donald Trump last month irked European leaders when he berated them at the North Atlantic Treaty Organization's headquarters for insufficient defense spending and what

he called unpaid military bills.

Current and former European officials were quick to point out that NATO members don't owe dues to the U.S., but they acknowledged Mr. Trump wasn't wrong: Europe lacks the capabilities to defend itself.

"To an extent, he has a point," Dutch Prime Minister Mark Rutte said after the meeting.

"Trump won't have made many friends during his trip to Brussels," said Richard

Shirreff, a retired British four-star general and a former senior NATO commander. "However, Trump is dead right that European nations do not spend enough on defense."

When Belgium put hundreds of soldiers on street patrols in Brussels after the Paris terror attacks in 2015, it had to request a thousand armor sets from the U.S. Army. Britain's Royal Navy has 19 destroyers and frigates. In 1982, during the Falklands War, it had 55.

Fighting wars—and preventing them—doesn't entail just bullets and bombs. Troops and heavy weapons must be moved to the front, requiring fleets of planes, helicopters and trucks. Arsenals must be ready to reload weapons, necessitating stockpiles of munitions. Armies must be ready to defend themselves and to counterattack, which requires specialized systems. In Europe, all are in short supply.

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Please see ARMIES page A2

## China's Debt Fight Boosts Trust Loans

BY CHAO DENG  
AND LINGLING WEI

BEIJING—China's crackdown on debt is driving some companies to a murkier form of financing as it gets harder to secure bank loans or tap the bond market.

New loans from so-called trusts, firms that raise money from individuals and corporations to plow into riskier areas of the economy, reached 882.3 billion yuan (\$129.5 billion) in the first four months of this year, according to data from the People's Bank of China, nearly five times as much as the same period in 2016.

Trust firms, which often

charge borrowers higher rates than banks, occupy a middle ground between banking and asset management. They are licensed and loosely regulated by China's banking watchdog, but they lack some of banks' protections, such as government deposit insurance, and they have more flexibility to invest in risky areas than banks do.

For companies, trusts represent the next best thing as bank loans or bond financing dry up or become more expensive.

Government-owned Qingzhou City Construction & Investment Co., in the eastern city of Qingzhou, received permission to issue bonds last

Please see CHINA page A2

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Please see CHINA page A2

## Now Managing His Money: Strangers on the Internet

\* \* \*

Tech engineer's game lets people pick stocks in his \$50,000 portfolio

BY BEN EISEN

a move every five minutes.

Online trolls got to work swiftly Tuesday, electing over and over again to buy shares of Seaboard Corp., the second-most expensive U.S.-listed stock. His \$50,000 would buy just 12 full shares in the agribusiness and transportation company.

Mr. Roberts grew convinced that troublemakers were trying to undermine him. "This is exactly the sort of disaster I was hoping would not happen," he recalls thinking.

If the account fell below \$25,000, the minimum a day-trader needs to continue trad-

ing under regulatory guidelines, he'd have to call it quits.

Such is life behind the scenes of what appears to be the world's first virtual stock-market video-game that puts actual money on the line. Mr. Roberts calls his game StockStream and broadcasts it on Twitch, an Amazon-owned website best known for operating a crowd-controlled game of Pokémon. In its first week of operation, the live feed on Twitch had more than 400,000 visits.

"I wanted to have something where people can influ-

Please see STOCK page A7

Mike Roberts

## WORLD NEWS

THE OUTLOOK | By Tom Fairless

## For ECB, Ending Easy Money Is Complicated



**FRANKFURT**—As the eurozone economy gathers pace, European

Central Bank officials are plotting a route back to normality from an era of exceptionally easy money policies.

It could be a complicated path.

The ECB has indicated it will follow the U.S. Federal Reserve's game plan for unwinding its policies, first by phasing out a €60 billion-a-month bond-purchase program known as quantitative easing and then turning to increase short-term interest rates, which have been negative since 2014.

But a debate has broken out inside the central bank about whether that sequence is right. Some officials suggested at their March meeting starting to raise rates first, to get them out of negative territory, before ending bond purchases, a person familiar with the matter said.

Other officials, notably the bank's chief economist, Peter Praet, believe the Fed's sequence has a strong logic and are wary of shifting from that approach.

It might sound esoteric, but the path the central bank chooses could have big consequences for bank stocks and lending, market volatility and the outlook for the

euro. The two policies are different in part because they affect different kinds of interest rates. The negative rate policies impact short-term rates, while bond purchases hit long-term rates.

The distinction matters in markets. The euro jumped and eurozone bonds tumbled in March on reports that ECB policy makers had considered raising interest rates before ending the bond purchases.

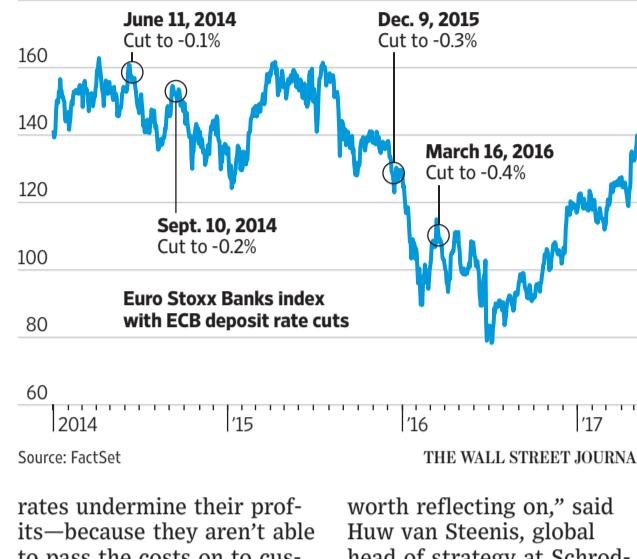
ECB officials will meet in Estonia on Wednesday and Thursday to consider their next moves. Mario Draghi, the bank's president, is expected to express greater confidence in the economy after the meeting. He could announce a review into different exit strategies.

Officials meet amid signs of an economic pickup. Growth in the 19-nation bloc outpaced that in the U.S. in the first quarter, unemployment has fallen to an eight-year low of 9.3%, and inflation has risen from less than zero to 1.4% over the past 12 months, approaching the ECB's target of just below 2%.

Some eurozone bank executives have chafed under negative interest rates and would like the ECB to end its policy of negative interest rates as soon as possible, even before bond purchases end. They complain negative

## Negative Equity

Bank stocks slumped as the ECB pushed interest rates below zero, but they recently staged a rebound as the eurozone economy picked up.



Source: FactSet

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rates undermine their profits—because they aren't able to pass the costs on to customers in the form of deposit fees—and thus also curb their ability to lend.

That is crucial in an economy where businesses depend on banks for around 80% of their borrowing, compared with just 20% in the U.S. Some economists suggest negative rates also encourage people to save money rather than spending it, thereby stunting economic growth.

"I think the damage being done by negative rates is

worth reflecting on," said Huw van Steenis, global head of strategy at Schroders in London.

ECB officials are weighing mixed evidence as they consider whether to raise rates first. Despite bank complaints about the impact of negative rates, bank lending to eurozone companies grew at the fastest pace in almost eight years in April, rising by 2.4% year-to-year.

Still, some officials worry about the longer-running effects. "We see the negative impact being accumulated over time...in terms of reduc-

ing the interest margin of banks," ECB board member Benoit Coeuré said in New York in April.

In Germany, negative rates have become an object of scorn in some political and media circles, which refer to them as "Strafzinsen," or "penalty rates."

"Removing negative rates would be a good, cheap way to improve the ECB's public image," said Frederik Ducretz, an economist with Pictet in Geneva.

Crucially, though, Germany's influential central bank takes a different view. The Bundesbank is much less worried by negative rates than by bond purchases, which it argues reduce pressure on eurozone governments to carry out economic reforms.

To compensate for an early rate increase, the ECB might decide to extend its bond purchases. That would likely win favor among central-bank governors from southern Europe because the ECB's purchases of government debt hold down their borrowing costs. But it would displease Bundesbank President Jens Weidmann, who voted in favor of cutting rates below zero in June 2014, but has never voted for government bond purchases.

Nor is it clear how much longer the ECB can continue

bond purchases, under which it has already amassed around €2 trillion of bonds. The bond program is due to run through at least December, but constraints on its design mean the ECB could struggle to find enough bonds to buy next year, particularly German bunds.

Within the ECB, the debate is likely to hinge on the overall impact of negative rates on the economy.

Late last year, top ECB officials appeared to cool toward the policy, warning that it could, over time, cause banks to reduce lending.

More recently, though, ECB officials have appeared to change tack, arguing that the effects of negative rates have been mostly positive.

The change in tone coincides with a recovery in eurozone bank stocks, which have risen by about 40% since October.

"We've seen the initial impact of our negative-rate policy being clearly positive," Mr. Coeuré said. The policy anchors short-term borrowing costs at low levels, stabilizes financial conditions and encourages banks to lend rather than leave excess funds at the central bank, he said.

"At some point we might change our conclusion," Mr. Coeuré said. "We're not there."

2024. But Washington increasingly treats it as a requirement.

German officials have vowed to rebuild their force—a decision they stress was made before Mr. Trump's election. Chancellor Angela Merkel pushed through a military budget increase of 8% for this year, to €37 billion (\$42 billion). According to the government, that represents 1.2% of the country's gross domestic product. Ms. Merkel says she is committed to NATO's 2% goal.

Transportation remains the most critical need, U.S. and NATO officials say. The U.S. has been urging allies to extend rail lines to training bases, since its transport trailers can't legally carry tanks on European roads due to weight limits.

Cargo planes and helicopters are also a big capability gap, officials say. If tensions with Russia flare on NATO's borders, war plans call for reinforcements of front lines with NATO rapid-reaction forces. But deploying those forces quickly would likely depend on American equipment.

NATO says members are beginning to turn a corner. This month, the alliance will approve a new defense plan that boosts heavy equipment but also calls for additional surveillance planes, air refueling tankers and strategic airlift, according to a senior NATO official.

In the short term, the U.S. is filling the gap in European defenses. Last month, the U.S. announced plans for \$4.8 billion in new military spending in Europe, an increase of \$1.4 billion over last year.

—Emre Peker in Brussels contributed to this article.

## ECONOMIC CALENDAR

## ARMIES

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**MONDAY:** The Labor Department releases revised U.S. first-quarter productivity figures. Economists surveyed by The Wall Street Journal expect the figure to be revised up to 0% from a 0.6% decline, still reflecting softness.

**TUESDAY:**

An electoral court in a three-day session starting Tuesday could indirectly decide the fate of Brazil's pension-overhaul bill, which aims to defuse a budget time bomb and pave the way for sustainable growth. The court will decide whether the winning ticket in the 2014 election used illegal funding.

**THURSDAY:**

Beijing will release its May export data, which is expected to decelerate to around 6% year-over-year growth from April's 8% level.

The European Central Bank is expected to leave its stimulus measures in place when policy makers meet in Estonia. However, the governing council could change its forward guidance by removing language that suggests rates could be cut again and the size of its bond-buying program increased.

Japan will release revised gross domestic product figures for January through March. Economists expect GDP to have grown 2.4% from the previous quarter on an annualized basis, higher than the preliminary estimate's 2.2%.

**FRIDAY:**

China is set to release May inflation data as economists forecast consumer inflation rose modestly to around 1.5% year on year from April's 1.2% level, driven by higher nonfood prices.

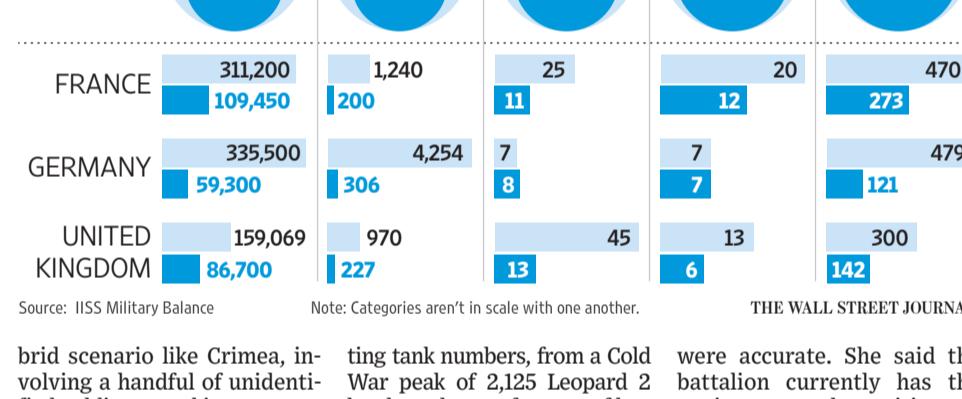
Europeans have tried for decades to more efficiently build hardware and organize troops. That effort is littered with failures, delays and compromises. Today European allies spend roughly half as much as the U.S. on defense yet have less than one-sixth of its combat power, European officials acknowledge.

The real wake-up call, allied officials say, was Russia's 2014 annexation of Crimea, followed by Moscow's intervention in Syria. Both displayed new Russian weaponry. Suddenly long-ignored weapons of the Cold War became relevant again.

For decades, NATO's nuclear forces kept the peace, offsetting any imbalance in conventional forces. Russia wouldn't risk annihilating the planet by invading a NATO country, the thinking went. But in view of the risks of nuclear war, the West would only consider pushing the button against an all-out attack. A so-called hy-

## Lower Deterrence

Since the Cold War, as the U.S. has spent more on globally oriented materiel, European NATO countries have reduced their military strength in categories considered vital to defending the continent.



Source: IISS Military Balance

Note: Categories aren't in scale with one another.

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brid scenario like Crimea, involving a handful of unidentified soldiers sneaking across a border to foment unrest, is impervious to nuclear deterrence.

That is where conventional weapons fit in. The best way to prevent Moscow from stirring up trouble on NATO's borders has been to ensure the world knew NATO had the firepower to win any kind of conflict, U.S. and allied officials say.

NATO's challenges in achieving such deterrence today are exemplified in the decline in stocks of tanks.

During the Cold War, the Netherlands had 445 battle tanks. In 2015, the country put up for sale its last 60 tanks and its transport helicopters and many of its naval minesweepers. Instead, the Dutch sent soldiers to operate German tanks.

But Germany was also cut-

ting tank numbers, from a Cold War peak of 2,125 Leopard 2 battle tanks to a force as of last fall of 244, of which just over half were ready for action.

The dearth extends beyond tanks. Last year, around nine of Germany's 48 NH-90 transport helicopters and 40 of its 123 Eurofighter jets were usable at any given time.

Hans-Peter Bartels, the German parliament's armed forces commissioner who functions as a military ombudsman, said in a report this year that efforts to improve equipment and replenish munitions stores were taking too long. At Light Infantry Battalion 413 the battalion near the Baltic Sea, he said, materiel shortfalls led to "discontent and frustration" among the troops.

A German army spokeswoman declined to comment on whether the complaints

were accurate. She said the battalion currently has the equipment and munitions it needs to carry out its duties.

Stories of shortages abound. Britain's storied Royal Navy is without a single battleship or aircraft carrier while it awaits the delivery of two carriers. When the HMS Queen Elizabeth sets sail in 2021, it may initially carry U.S. Marine Corps F-35B fighter planes while Britain builds up its own fleet.

Britain and France—Europe's biggest defense spenders—and Germany, its biggest economy, have all pledged to rebuild their militaries. In 2016, non-U.S. NATO military spending ticked up by \$10 billion, an increase of 3.8% over 2015 outlays.

NATO's goal that member countries spend 2% of economic output on defense is a loose target meant to be reached by

2024. But Washington increasingly treats it as a requirement.

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—Emre Peker in Brussels contributed to this article.

## CHINA

Continued from Page One

The firm would pay Daye a rate of about 8%, which is still less than it was expecting to pay for bonds, these people say. Qingzhou City Construction intends to use the proceeds to finance a water-treatment project.

One area of concern for authorities as they tackle soaring Chinese debt—a factor in Moody's Investors Service's downgrade of China's sovereign debt last month—is loans that banks disguise as investments. A shift to trust lending

would make it even harder to gauge the true extent of credit in the system.

"Regulation of the trust sector has been much more ad hoc" compared with that of the formal banking sector, says George Xu, a Moody's credit analyst. As a result, "trust firms can hide what they're investing."

China's banking regulator declined to comment on the rise in trust loans.

Actions by China's central bank and banking regulator to

raise short-term funding costs and rein in banks' hidden loans have made banks increasingly reluctant to lend.

China Zheshang Bank Co., a midsize lender that had grown with the help of off-book loans and aggressive lending tactics, said that it would step up scrutiny of borrowers, turning down property developers in cities with unsold housing and businesses in "outdated industries."

The regulatory storm has roiled Chinese markets, sending bond yields to the highest levels in two years, as banks sell down their bondholdings to boost liquidity. Yields rise as bond prices fall. Higher yields are a burden for companies, many of which have canceled bond-issuance plans.

The market stress has made Beijing wary that it is moving too fast. According to people familiar with the matter, the central bank and the banking, securities and insurance watchdogs have held meetings in recent days to discuss how to tackle the debt problem at a more measured pace.

Authorities continue to give trusts more leeway than banks to invest in risky projects, in-

cluding property and steel, where authorities have tried to dial back borrowing.

Trust loans have surged at times in the past, amid regulator tolerance and high demand for credit from companies when the economy was booming. A record surge in the first four months of 2013 led regulators to crack down on the sector. Two years later, trusts helped investors leverage bets to buy stocks, which contributed to a flood of borrowing that culminated in a market crash that summer.

At the end of 2016, trust loans made up 10% of China's total so-called shadow-banking system, or lending outside regular bank loans and bond markets, according to Moody's.

Trust loans accounted for 15% of total shadow banking as of the end of 2013. Moody's says the decline in share was

mainly because high-yielding investment products from banks, another kind of shadow lending, grew faster.

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## WORLD NEWS

## Deadly Bombing Spurs Kabul Crackdown

Mass arrests follow suicide attack at funeral, capping violent week in capital

BY JESSICA DONATI  
AND EHSANULLAH AMIRI

**KABUL**—Afghan authorities on Sunday arrested more than a dozen people in connection with a triple suicide bombing at a funeral the day before that killed and wounded more than a hundred people, capping one of the most violent weeks in the capital in years.

The funeral was held for the son of the deputy speaker of the Senate, who was shot in clashes with police at a protest against the government over its failure to prevent a massive truck bombing on Wednesday. That bombing killed at least 90 people and injured more than 400.

The spate of violence has left more than 600 people dead or wounded in recent days and prompted President Ashraf Ghani to appeal for unity in a televised address on Saturday evening.

Over the weekend, the United Nations and U.S. embassies issued statements urging calm. Several embassies, including the German, United Arab Emirates and British, withdrew staff from Afghanistan after the truck bomb damaged their premises.

The collateral damage extended into international diplomacy. It wasn't immediately clear whether an international peace conference to be hosted by the Afghan government in the week ahead would take place as scheduled.



People in Kabul on Saturday ran from a suicide blast at a funeral for the son of the deputy speaker of the Senate, who was shot in clashes with police the day before.

The more immediate concern in the capital were fears of renewed ethnic violence in a city that was reduced to rubble during a civil war in the 1990s. Many top government officials at the funeral belonged to the country's Tajik-led Jamiat-e Islami political party, and some accused the Pashtun-led government of a plot against the group.

The Afghan government said the attackers had been

trained in Pakistan, which it accuses of using the Taliban as a proxy force to destabilize the country. Islamabad denies the charge. The U.S. last year cut aid to Pakistan, demanding the country do more to fight terrorism on its soil.

Those angry with the government included the powerful Tajik governor of northern Balkh province, Atta Mohammad Noor, who said on Sunday that the Jamiat-e Islami party,

in which he is a senior member, had declined to meet with the president to discuss the attacks.

In a Facebook post, Mr. Noor said the party had instead sent a delegation of 10 people to talk to Chief Executive Abdullah Abdullah, whose role is similar to that of a prime minister and is seen to represent Tajik interests. Mr. Abdullah has urged people to unite against terrorism, and let the government continue its work.

Mr. Abdullah is part of a unity government formed with Mr. Ghani, who belongs to the majority Pashtun ethnic group, in late 2014 after conceding defeat in a bitterly disputed presidential election.

Rivalry and infighting has crippled their partnership and hampered efforts to fight corruption in the country.

In his televised address late on Saturday, Mr. Ghani vowed to deliver long-promised secu-

rity-sector overhauls.

The country's armed forces remain in disarray following the resignation of top officials after a devastating attack on the army's northern headquarters in April. More than 170 people died when Taliban fighters infiltrated the heavily fortified base with heavy weapons and massacred soldiers at rest for lunch and afternoon prayers.

—Habib Khan Totakil contributed to this article.

## Terror Ruled Out in Manila Attack

BY BEN OTTO  
AND JAKE MAXWELL WATTS

**MANILA**—The gunman who went on a deadly rampage at a metro Manila gaming complex was a Filipino gambling addict who had been recently barred from the country's casinos, Philippine police said.

On Sunday, police identified Jessie Carlos as the assailant in an early Friday gun-and-arson attack at Resorts World Manila that left at least 36 casino guests and employees dead of suffocation from smoke.

Philippine President Rodrigo Duterte said Saturday the tragedy didn't resemble a terrorist attack by Islamic State, which has claimed the gunman was one of its fighters. Militants allied with Islamic State have been fighting Philippine troops in the country's south for nearly two weeks, leaving more than 100 people dead.

Also Saturday, dramatic security video footage of the attack was released to the public.

Manila Police Chief Oscar Albayalde, who spoke to the media Sunday alongside Mr. Carlos's family at a hotel next to the casino, said the attacker had a gambling addiction and was deep in debt.

Police said the government-owned **Philippine Amusement and Gaming Corp.** banned Mr. Carlos from casinos in April at the request of Mr. Carlos's family. Mr. Carlos, who was in his early 40s, was a father of three who lived with his wife in Manila, police said.

"This could have probably triggered him," Mr. Albayalde



Philippine President Rodrigo Duterte attended a wake Saturday for victims of the casino attack.

said, describing Mr. Carlos as a high roller who typically played with a minimum bet of 40,000 Philippine pesos (\$808). Mr. Albayalde said Mr. Carlos had been addicted to gambling for several years and had sold property to try to settle his debts.

The security failures that allowed Mr. Carlos to rampage through the casino tarnish the Philippines' hopes of building a gaming industry on a swath of reclaimed land to rival Asia's biggest gambling centers in Macau and Singapore.

Mr. Carlos was able to walk past a metal detector at an entrance, which was staffed by a single guard, a video of the incident shows. Police only caught up to him once he had taken his own life.

The attack has generated "a thick fog of uncertainty, which will likely have a negative impact on investment confidence and hit the tourism and budding casino sector," said Richard Heydarian, security and political analyst at De La Salle University in Manila.

Police said they are still investigating how Mr. Carlos was able to carry out the attack and will meet this week with the heads of security of all the major casinos to review security protocols.

Mr. Carlos was a former employee of the government's Finance Department who had been fired, police said. Local media said his departure was related to discrepancies in his personal statement of assets and liabilities.

Fernando Carlos, his father, said his son wasn't mentally ill. He said he didn't know where his son got the M4 assault rifle used in the attack.

Police said they traced Mr. Carlos's movements ahead of the casino attack by reviewing CCTV footage of him.

"I think this already dispels all the notions, all the speculations of terrorism," Mr. Albayalde said. "You are no longer in your right mind when you are addicted. It's like being addicted to drugs."

Presidential spokesman Ernesto Abella said separately Sunday that "this is the action of one person." He said Mr. Carlos's attack was "a criminal act perpetrated by an emotionally disturbed individual."

## GLOBAL ECONOMY

## World Bank Warns Of Risks to Growth

A rebound in trade growth from postcrisis lows should help perk up the global economy next year to its fastest pace in nearly seven years, the World Bank said.

But a host of risks threaten a recovery in major emerging markets and an accelerating expansion in rich economies, the bank said in its flagship report.

The institution forecasts global growth will hit 2.9% in 2018, up from 2.7% this year. Stabilized commodity prices are expected to allow Brazil, Russia, Nigeria and other major emerging markets to pull out of a two-year funk. Growth in the U.S. and Europe is picking up as many of the most powerful economies show signs of escaping the financial crisis.

Healthier industrial activity, investment and commodity prices fueled a revival in trade growth to 4% this year, up from 2.5% last year, the bank said.

But it cautioned that downside risks dominate the outlook.

A buildup of emerging-market debt, notably in China, the world's second-largest economy, risks jeopardizing growth around the globe. The problem is particularly acute in the corporate sector. But it could quickly hit the financial sector and state balance sheets, trigger a plunge in cross-border orders and spur capital flight, the bank warns.

—Ian Talley

## IRELAND

## Country Set for First Gay Prime Minister

The ruling Fine Gael party elected Leo Varadkar as its new leader, paving the way for him to become Ireland's first openly

gay prime minister.

The 38-year-old's likely rise to the highest office points to Ireland's transformation from one of the most socially conservative countries in Europe. Until 1993, same-sex sexual activity was a criminal offense, but by 2015 attitudes had changed to the extent that Ireland became the first to legalize same-sex marriage through a popular vote.

"If this election has shown anything, it is that prejudice has no place in this Republic," he said Friday, after defeating fellow minister Simon Coveney.

—Paul Hannon

## MEXICO

## State Vote Seen as National Litmus Test

Voters in the State of Mexico, the country's most populous, cast ballots Sunday to choose a new governor in a contest that is seen as a litmus test for Mexico's presidential election next year.

Polls show a tight race between Alfredo del Mazo, the candidate of President Enrique Peña Nieto's ruling Institutional Revolutionary Party, or PRI, and Delfina Gómez of the National Regeneration Movement that was created by leftist leader Andrés Manuel López Obrador three years ago.

The State of Mexico, which the PRI has controlled since 1929, is the party's most important bastion. Analysts say a defeat there would doom the scandal-dogged PRI next year and give an added boost to the presidential ambitions of the fiery Mr. López Obrador, who is considered the front-runner.

A poll published by Reforma newspaper Wednesday showed Ms. Gómez had the support of 31.9% of voters, while Mr. del Mazo trailed her with 30.7%.

—Juan Montes

## Real Madrid Wins Champions League Title

BY JOSHUA ROBINSON

**CARDIFF**, Wales—No club in world soccer obsesses over history books like Real Madrid. Everything must be ranked and counted and Los Blancos must always be first—especially when it comes to European titles. And on that front, Real is untouchable.

With a 4-1 victory over Juventus on Saturday, the club won its third Champions League trophy in four years and a record 12th overall. Real also became the first side in nearly 30 years to lift the trophy in back-to-back seasons.

Over the past four seasons,

Real never hit the stylistic highs of a Barcelona or a Bayern Munich at their best. Nor was it as consistently in control as Juve was in this year's Champions League. But when push comes to shove, Real becomes the ultimate club for the major occasion.

"I didn't think it was possible to defend this title, it is so difficult to win it once," Real midfielder Toni Kroos said.

Real waited 12 years between its ninth and 10th European titles. The longer the club took to win it, the more it believed that its greatest modern star, Cristiano Ronaldo, might come and go without collecting a Champions League. That

changed with the 2014 final against Atlético Madrid.

With the way Juventus started the night, Real's march toward history nearly went astray. The Italian champions were more menacing for 20 minutes until they were cold-cocked by Ronaldo. And his sweeping finish from the edge of the box came with its own nuggets of history: He became the first player to score in three finals in the Champions League era, which dates back to 1992.

Juventus responded with one of the most spectacular goals a Champions League final had ever seen. Leonardo Bonucci clipped a ball from the

center circle into the Real Madrid box, where it was knocked across twice and finally into the goal with a Mario Mandzukic bicycle kick.

Three Juventus players took a total of five touches in the Real Madrid box in the buildup.

At no point did the ball hit the ground until it was in the net.

After the break, the tide turned. The defensive trio of Leonardo Bonucci, Giorgio Chiellini and Andrea Barzagli, backed up by goalkeeper Gianluigi Buffon, had only conceded three goals over 12 games on the road to Cardiff.

They conceded that many again in the space of 30 minutes.



Cristiano Ronaldo of Real Madrid celebrates his team's victory.

## LONDON TERROR ATTACK



U.K. Prime Minister Theresa May, speaking outside 10 Downing Street a day after Saturday's deadly attacks, insisted Thursday's election will proceed as planned.

## Trump Tweaks London's Mayor

BY PETER NICHOLAS

President Donald Trump suggested Sunday that the mayor of London was playing down the threat of terror, triggering rebukes from the office of Mayor Sadiq Khan and others who said the comment was mistaken and ill-timed following a deadly attack in the city.

Mr. Trump's comment revived a feud that started in the 2016 presidential campaign, with other people in Mr. Trump's world directing criticism at Mr. Khan.

Taking to Twitter, Mr. Trump chided Mr. Khan on Sunday over a television interview in which the mayor laid out how the city would respond to the attack Saturday night, which left seven people dead and 48 injured.

Mr. Khan 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."

In a tweet Sunday, Mr. Trump focused on a portion of the mayor's response: the phrase, "no reason to be alarmed."

"At least 7 dead and 48 wounded in terror attack and Mayor of London says there is 'no reason to be alarmed!'" Mr. Trump wrote.

In other tweets over the weekend, Trump voiced solidarity with Britain and made a case for some of his policies, including an order restricting

## Uncertainty Hits Leadership Race

**Terrorism pushes Brexit, other issues to background of tightly fought campaign**

By JASON DOUGLAS

LONDON—Britain's already tightly fought general election campaign was thrown into further uncertainty by the weekend terrorist attack in London, the second such assault to hit the country in less than two weeks.

The issues of security and leadership were at the forefront of the campaign, thrust there by the suicide bombing in Manchester last month that left 22 dead and dozens of others injured. Until then, debate had focused mostly on Brexit, as well as perennial British concerns such as funding the National Health Service.

Polling shows voters prefer U.K. Prime Minister Theresa May and the ruling Conserva-

tives over Labour and its leader, Jeremy Corbyn, when it comes to leadership and security, but that doesn't appear to have translated into any significant electoral advantage. Mrs. May spent six years in charge of Britain's Home Office, the government department responsible for counterterrorism.

How Saturday's van-and-knife attack will alter the race as it heads into its final days before Thursday's vote wasn't yet clear. It was the third terrorist assault in the U.K. this year and the second since campaigning began.

In March, five people were killed when 52-year-old Khalid Masood drove his car into pedestrians on Westminster Bridge in London before stabbing a policeman at Parliament.

The May 22 bombing in Manchester at a pop concert came days after the country's two main parties unveiled their election platforms. Officials halted campaigning while

police scrambled to investigate the killer, 22-year-old Salman Abedi, and whether he had any help.

While controversy in Spain over the government's handling of train bombings in Madrid in 2004 contributed to the incumbent administration's defeat, John Curtice, a polling expert at the University of Strathclyde in Scotland, said he didn't think the attack would have a big effect. There has been little evidence that the Manchester bombing caused any shift in opinion polls, he said.

"I don't see any reason why this should make any significant difference, although we will never know the counterfactual," he said.

Lena Komileva, chief economist at G-Economics, said she thinks the attack may raise the importance of security in the final days of campaigning and that "would favor the incumbent prime minister."

Yet Mrs. May faces trouble

on other issues. The Conservatives' lead over Labour has narrowed dramatically since campaigning began, a slide that pollsters say primarily reflects stumbles by Mrs. May's party on issues including elderly care and a well-received Labour manifesto that pledged to nationalize railways and pick up the tab for college tuition.

No poll has suggested Labour will win the election on Thursday, though a group of surveys published on Saturday, before the London Bridge attack, showed a wide variation in the extent of the Conservative lead.

A poll by Survation put the Conservatives with 40% of the vote and Labour with 39%, once those unlikely to vote were excluded. The remainder said they plan to vote for smaller parties.

By contrast, a poll by ComRes gave the Conservatives a 12-point lead over Labour, with 47% of the vote against Labour's 35%. The dis-

crepancy in part reflects pollsters' different methods for assessing the likelihood of eligible voters to cast ballots.

Most political parties suspended their campaigning for the day because of the weekend attack. But British politicians, led by Mrs. May, insisted on Sunday that Thursday's election will go ahead.

The last time a British election was postponed was in 2001, when rural communities were hit by an outbreak of foot-and-mouth disease among livestock.

Conservative David Davis, Brexit secretary, said in an interview with the British Broadcasting Corp. that it isn't clear whether one of the attackers' goals was to disrupt the poll.

"It may well be. All the more reason not to defer, not to deflect," Mr. Davis said.

Following the attack, Mr. Corbyn said it was important to send a message that "democracy must prevail."

*The U.S. president is rebuked after his tweets following the deadly terror attack.*

travel from six Muslim-majority countries, which he says is needed to safeguard the U.S. from terrorist attacks.

Separately, Mr. Trump spoke to British Prime Minister Theresa May on Saturday night to convey his condolences.

Shortly after, he said he saw another man, around the same age, with a shaved head and a beard, and dressed in a white robe, dragged out in handcuffs.

Britain's Conservative and Labor parties and other parties temporarily suspended campaigning for the nation's general election on Thursday—as they did after the Manchester attack. Mrs. May said the vote would go on as planned.

President Donald Trump spoke to Mrs. May, offering "the full support of the United States government in investigating and bringing those responsible for these heinous acts to justice." He also tweeted that U.S. courts should unblock his proposed travel restrictions to provide greater safety to Americans. "We need to be smart, vigilant and tough," Mr. Trump tweeted.

Islamic State militants have called on their supporters to use vehicles as weapons. Berlin, Stockholm and Nice, France, have also fallen victim to vehicular attacks in the past year.

The attacks illustrate the challenges for U.K. security officials in monitoring and prioritizing the risks posed by a growing list of potentially dangerous Islamist extremists.

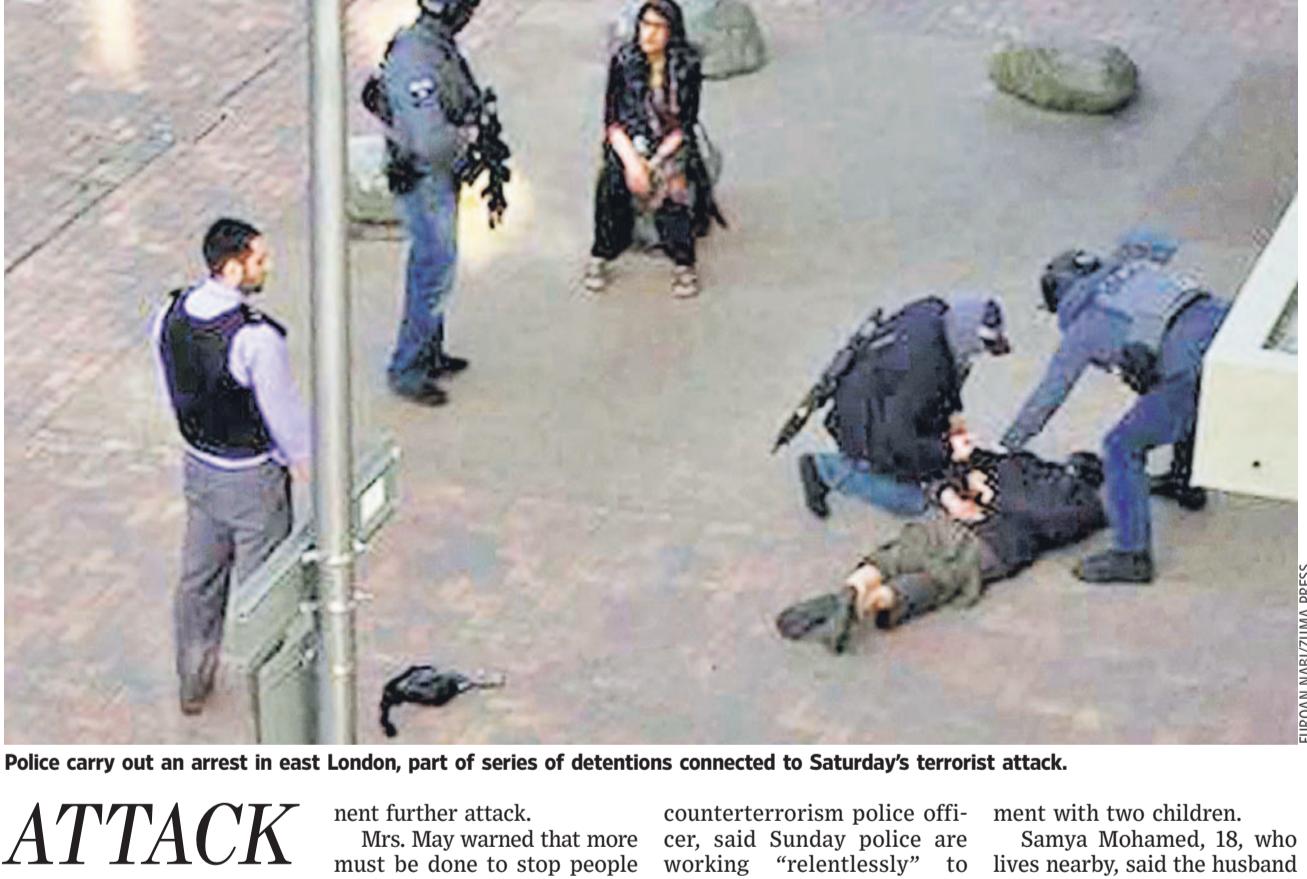
In the Westminster and Manchester attacks, the suspects were known to security officials, but they had appeared to be on the periphery of investigations.

The scale of the threat is unprecedented and evolving, security officials say. The number of known Islamist extremists in Britain has risen to more than 3,000, a British intelligence official said, almost doubling from a decade ago. Only a small percentage are tracked full time, given limited resources.

—Benoit Faucon, Max Colchester, Riva Gold, Laurence Fletcher, Margot Patrick, Georgi Kantchev, Philip Georgiadis and Robert Wall contributed to this article.

"You have to be kidding me!" Donald Trump Jr. tweeted.

That tweet, too, drew complaints that the quote had been taken out of context.



Police carry out an arrest in east London, part of series of detentions connected to Saturday's terrorist attack.

## ATTACK

**Continued from Page One**  
links with known suspects. Prime Minister Theresa May said Sunday that since the Westminster attack, the security services had uncovered five other credible plots.

"In terms of their planning and execution, the recent attacks are not connected. But we believe we are experiencing a new trend in the threat we face, as terrorism breeds terrorism," she said following an emergency meeting with senior officials Sunday morning.

Her comments suggested the authorities know the identities of the attackers, and police said they believed the three were the only ones directly involved. The government left the country's terrorism threat rating at severe—the third rung of four—implying investigators didn't see a threat of an immi-

nent further attack.

Mrs. May warned that more must be done to stop people becoming radicalized, pointing out that attackers have been inspired by those that have come before, often using unsophisticated means.

She added that in the U.K. there is "too much tolerance" of extremism and more must be done to stamp it out, saying the government will consider lengthier prison sentences for extremist-related offenses.

She took aim at internet companies for what she said was allowing extremism—a "perversion" of the Islamic faith—to flourish online.

"We cannot allow this ideology the safe space it needs to breed. Yet that is precisely what the internet and the big companies that provide internet based services provide," Mrs. May said.

Assistant Commissioner Mark Rowley, the U.K.'s top

counterterrorism police officer, said Sunday police are working "relentlessly" to piece together exactly what happened and have already made progress.

He said eight firearms officers confronted the three assailants in the Borough Market area and fired around 50 rounds to kill them, believing they were equipped with suicide vests. Police have since said the vests were hoaxes.

He said one civilian suffered a gunshot wound when police opened fire and is in the hospital, though the injuries weren't believed to be critical.

In Barking, neighbors said they heard bangs and then saw a phalanx of police vehicles during the early Sunday raid at an apartment complex. They said it appeared a woman who wore a niqab veil was among those arrested, and that she and her husband lived in a lower-floor apart-

ment with two children.

Samya Mohamed, 18, who lives nearby, said the husband was a family man who kept to himself. Another neighbor said she saw three people detained, among them a man she believed worked out at a local gym. That man also had a wife and small child, she said.

Later Sunday, police descended on East Ham, another east London neighborhood. One witness, who works at a chicken shop, said she saw a half-dozen people being arrested, including some who were customers at the shop and used to regularly order wings.

Malik Rouf was shopping on the busy street when he saw police descending on the Paddy Power betting shop. He saw one man, whom he described as around 30 years old, wearing a gray vest and blue jeans, trying to escape through a window above the shop.

"Police with rifles shouted at him 'get back in, get back

## LONDON TERROR ATTACK

# U.K. Wants Tech Firms To Do More

LONDON—Hours after the third terrorist attack in the U.K. in three months, British leaders on Sunday escalated their criticism of Silicon Valley, calling for international regulations to hinder extremists who use cyberspace to spread their message and recruit supporters.

*By Robert Wall,  
Sam Schechner  
and Stu Woo*

"We cannot allow this ideology the safe space it needs to breed," British Prime Minister Theresa May said Sunday, the morning after a London attack killed at least seven people and injured scores more. "Yet that is precisely what the internet and the big companies that provide internet-based services provide."

Mrs. May said Sunday that Britain must work with other democracies to "reach international agreements" to regulate cyberspace to prevent terrorism planning. Her statement ratcheted up already critical remarks her cabinet members made in the wake of a March attack, also in London, that killed five people near Parliament. Saturday's London attack came 12 days after a suicide bomber killed 22 people outside a concert in Manchester, England.

In lambasting internet giants such as Facebook Inc. and Twitter Inc., the U.K. government joined Washington and other capitals that have said

they don't do enough to battle extremists.

Mark Mitchell, New Zealand's defense minister, Sunday called the ability of terrorists to use social media and the internet to rally supporters a "clear and present security threat to us all." That view was driven home by the attacks in London, he said in Singapore at the International Institute for Strategic Studies' annual Shangri-La Dialogue. New Zealand is part of a close intelligence-sharing partnership with the U.K., U.S., Australia and Canada.

Technology giants have struggled for two decades over how—and how much—to curb the spread of undesirable content, from pirated music in the 2000s to false news reports in recent months. Governments ramped up pressure on them to crack down on online terrorist propaganda in the wake of terrorist attacks in Europe and the U.S. in 2015.

In each instance, the challenge remained the same: Tech executives must balance their desire to help fight a common enemy—like terrorists—with Silicon Valley's libertarian values in protecting free-speech and privacy rights of most internet users.

Apple Inc. resisted U.S. authorities' request for help to unlock an iPhone owned by Syed Rizwan Farook, the gunman who with his wife killed 14 people in San Bernardino, Calif., in December 2015. Authori-



Investigators removed the rental van used by three men to mow down civilians in Saturday's terrorist attack from the London Bridge.

ties unlocked the phone without the company's assistance.

Many tech companies say they already work hard to police their platforms for terrorist content, and cooperate with judicial and police investigations. When it comes to propaganda, Alphabet Inc.'s YouTube, Facebook, Twitter and Microsoft Corp. all agreed last year to create a common database of identifiers of terrorist images to speed up flagging and removal of propaganda videos.

Twitter said it suspended 376,890 accounts in the second half of 2017 for promoting terrorism. Twitter said it identified almost two-thirds of those itself, with less than 2% of accounts shut down because of government requests.

Last week, the European Union's executive arm cheered

such efforts, saying that each of the companies had boosted removal of illegal content, including terrorist propaganda, 59% of the time when it was flagged for review, up from a rate of 28% six months ago.

Tech firms have also started using tools born in internet advertising to try to nudge internet users at risk of radicalization away from becoming terrorists. They have funded efforts to buy ads that target potential radical recruits, directing them to content that shows horrors of life under Islamic State, or other messages from the Muslim community disputing the terrorist exhortations from Islamic radicals.

A spokesman for Alphabet Inc.'s Google said: "Our thoughts are with the victims of this shocking attack, and

with the families of those caught up in it. We are committed to working in partnership with the government and NGOs to tackle these challenging and complex problems."

Twitter's U.K. head of public policy, Nick Pickles, said "we continue to expand the use of technology as part of a systematic approach to removing this type of content."

"Using a combination of technology and human review, we work aggressively to remove terrorist content from our platform as soon as we become aware of it—and if we become aware of an emergency involving imminent harm to someone's safety, we notify law enforcement," Simon Milner, director of policy at Facebook, said in a statement.

British leaders say the internet companies can do more.

"Companies should be fined if they are not taking down jihadi propaganda or extremist propaganda, which should be removed because it is illegal," Yvette Cooper, a Labour politician who headed the Home Affairs Select Committee, told the BBC on Sunday.

Pete Burnap, director at Cardiff University's Social Data Science Lab, said "there are difficult conversations to be had around what is and is not acceptable in different countries—where is the line between free speech and remarks that are likely to divide communities and isolate individuals?" While technology companies have taken steps to crack down on extremist accounts, he said more effort needs to be placed on understanding their impact on communities.

# Islamic State Used Social Media to Spur Supporters

Days before knife-wielding assailants carried out a deadly rampage in central London, Islamic State urged its followers to step up attacks in the U.S. and Europe during the Muslim holy month of Ramadan.

*By Nour Alakraa in Berlin and Margherita Stancati in Beirut*

Islamic State have been disseminating online posters calling for attacks on Western civilians. One poster, published on a Telegram channel linked to the group and titled "benefit from Ramadan," depicts a truck, knife and handgun and says: "Kill the civilians of the Crusaders and use vehicles to run them over."

Islamic State made similar calls to action during last year's Ramadan but the results this year have been bloodier, as the extremist group's territory in Syria and Iraq continues to shrink and it focuses more on carrying out terrorist attacks elsewhere.

The group has come under intense pressure from U.S.-backed forces trying to seize its two major strongholds, Mosul in Iraq and Raqa in Syria. That has prompted Islamic State calls for its supporters in



Members of London's Muslim community place flowers near the site of the attack to express their sympathy for the victims.

the West to carry out attacks in their home countries instead of traveling to the group's self-proclaimed caliphate.

Islamic State has claimed responsibility for other attacks in which cars and other vehicles were used to mow down pedestrians, including a truck attack in Nice that left 84 people dead in July and the attack on a crowded bridge in London in March that left four dead and around 50 injured.

Islamic State also claimed responsibility for a suicide bomber who killed 22 people at a Manchester concert, the deadliest attack in Britain in more than a decade.

On Sunday, Islamic State supporters celebrated the latest attack in London. "As we promised, we attacked again! And what comes next will be more severe, by Allah's permission," one of them said in a group chat on Telegram. Another replied: "By Allah's permission, Ramadan will be hell on the infidels."

A former member of Islamic State's intelligence unit, who defected from the group earlier this year, said Islamic State was planning to carry out more attacks in the West during Ramadan to mark "the holy month's history," according to an interview with The Wall Street Journal last month.

Observant Muslims all over the world celebrate Ramadan with daytime fasting and ritual prayers. Historically, the month coincided with some of Prophet Muhammad's earliest battlefield victories and territorial conquests.

An audio clip featuring two speeches made last year by Islamic State leaders and calling for attacks in the West are also circulating widely. One of them, by the group's late spokesman, Abu Mohammed al-Adnani, specifically urges Islamic State followers to intensify efforts "to kill the crusaders day and night" in their home countries during Ramadan. He said civilians in particular should be targeted.

Last month—on the day before the start of Ramadan—Islamic State gunmen opened fire on a bus carrying Coptic Christians in Egypt, killing 29.

# SCENE

*Continued from Page One*

the first reports of an incident at London Bridge at 10:08 p.m. Squad cars, ambulances and specially armed and helmeted police rushed to the scene. Social media lighted up.

After leaving the van, the three men ran along the bridge toward the market, which is nestled next to the span and under a railroad trestle. They encountered a British Transport Police officer, one of the first responders. At least one of the men stabbed the officer, causing serious but not life threatening wounds, police said.

At the bridge's south end, the three men plunged down a steep, narrow flight of stairs into the market and among the crowded outdoor tables of Cafe Brood, a grill-and-tapas restaurant. In the bustle, the men seemed to be taken aback, at least at first, said Mark Stemberger, the restaurant's owner.

The three were brandishing long knives, Mr. Stemberger said, and as soon as his staff saw the men, they began herding as many customers as they could into the restaurant's indoor section. The men "seemed to hesitate and then moved on to another pub," he said.

Jack Applebee said he was having a vape with friends outside the door of the seafood restaurant near Cafe Brood that bears the family's name when a young woman ran by

screaming, "Someone's running around stabbing people!"

Mr. Applebee said he ran inside the restaurant and told about 50 customers to move quickly to the rear of the dining room. About a minute later, the three men were standing in front of the restaurant's wall-to-wall windows, gazing inside. One held what Mr. Applebee described as a machete.

"They looked to come in, and for some reason turned to carry on down the street," Mr. Applebee said.

Mr. Applebee and one of his employees then ran outside and lowered the facade's metal shutters, leaving about two feet of space at the bottom so they could crawl back inside.

They barricaded the space with chairs, and diners were moved to the second floor of the restaurant. Mr. Applebee said he warned diners to stay away from the windows and served them water.

Apparently deterred from entering restaurants, the three men targeted individuals instead. A few fought back, throwing wine bottles and glasses.

Gerard Vowles said he saw three men dashing down one of the winding lanes inside the market. "All they wanted to do was kill people," he said, adding that he heard one of the men say, "This is for Allah."

One of the attackers repeatedly stabbed a woman. "It's the hardest thing I've ever seen"

said Mr. Vowles, who said he hurled bottles and glasses at the men then ran away after one of the attackers rushed at him.

Jag Sandhu said he was having drinks with friends at the Black & Blue restaurant, down the street from Applebee's, when he heard what he thought was a fight outside. He looked out and saw three men throwing chairs into some of the market's open-air restaurants.

Moments later, a man entered Black & Blue, walked over to a waiter and stabbed the waiter in the back, Mr. Sandhu said. As diners scrambled for cover under tables, Mr. Sandhu and his friends sprinted toward the restaurant door.

Once outside they saw the

three attackers about 50 feet away. Two held kitchen knives, they said, one pink-handled, with a pink serrated blade.

Alex Martinez was waiting tables at the nearby El Pastor restaurant when he saw one of the men enter the restaurant holding a knife. "Everybody started screaming," recalled Mr. Martinez, adding that he ran out the back door and jumped into a garbage bin to hide.

Already, armed police were closing in. Far above the market, inside one of the restaurants in the Shard, the tallest building in the European Union, Gemma Martinez and Karl Reed were sitting down to their window table for dinner when they saw hordes of

police vehicles and ambulances converging on the market, and spotted police vessels on the Thames scurrying to the base of London Bridge.

They saw flashes of gunfire. According to London's Metropolitan police, armed officers confronted the three men and shot them dead at 10:16 p.m.

"We must have heard about 50 gunshots," Mr. Applebee said. "A couple minutes break. Bang bang, more gunshots." Mr. Martinez, still hiding in the garbage bin, said he heard them, too.

When calm settled in hours later, an Applebee's employee shared with The Wall Street Journal a video that showed three inert bodies in front of the Wheatsheaf pub, just next door to Applebee's, with black canisters strapped around their upper bodies and several green laser pointers trained on them.

After hearing gunfire and seeing "dozens of people sprinting past my building" from her balcony, Meghan Feeks, an American, took to Twitter. She lives near the apartment where the "Bridget Jones" movies were filmed.

She offered "emergency supplies, tea or a quiet place to wait things out," a post that was retweeted more than 4,500 times. She was one of dozens who took to social media to offer shelter, food and taxi rides to those in need. Soon, the hashtag #SofaForLondon started trending on Twitter.

—Ben Dummert, Jenny Strasburg and Mike Bird contributed to this article.



Police rush toward London Bridge during Saturday's attack. The incident unfolded in eight minutes from the time they were contacted.

HANNAH MCCLAY/REUTERS

## IN DEPTH

# Mayo's Tricky Task: Revamp What Works

The elite clinic, renowned for success in treating complex cases, is tackling cost pressures by rethinking most aspects of its system

BY RON WINSLOW

**ROCHESTER,** Minn.—Change is hard. It is especially hard when the organization in question is among the top in its field.

Doctors at the **Mayo Clinic**, the 153-year-old institution that pioneered the concept of patient-centered care, considered it an ideal place to practice, one that wasn't in much need of fixing. It is renowned for diagnosing and treating medicine's most complex patients.

Dr. John Noseworthy, Mayo's chief executive officer, had a different view about the need for change. He saw declining revenue, he says, from accelerating efforts by government health programs, private insurers and employers to rein in health-care costs as a looming threat to the clinic's health.

So when surgeons asked for two more operating rooms to meet demand for open-heart surgery, one of the clinic's major revenue sources, Dr. Noseworthy not only said no, he says, he also pushed them to redesign all facets of heart-surgery care and cut costs 20%.

The initial request, made eight years ago, sparked a yearslong revamp—part of a wrenching overhaul spearheaded by Mayo's CEO that has tested nearly every aspect of the institution's renowned system and that continues to this day. The heart-surgery department was approved to hire one additional surgeon, who started in March. And in January, it got one new operating room.

"Turning around a successful organization is not that easy," Dr. Noseworthy says. Hundreds of Mayo doctors "who assumed life was great weren't immediately eager to change how they work."

Each year, some 1.3 million patients from all 50 states and 140 countries come to Mayo. Scores of doctors, hospital administrators, politicians and health researchers visit each month in hopes of emulating it.

To maintain its approach, it must adapt to new payment policies from Medicare, high-deductible health plans and insurers' restrictions on out-of-network care that are putting pressure on hospital revenue across the U.S. And while the Medicaid expansion under the Affordable Care Act extended coverage in many states, efforts by President Donald Trump and his Republican Party to repeal it could change that.

Mayo, long insulated from many such forces, is no longer immune, says Dr. Noseworthy. "We're going to be paid a lot less for the work we do."

The overhaul, called the Mayo Clinic 2020 Initiative, is well past the halfway point, and officials are seeing results of more than 400 projects aimed at squeezing costs and improving quality in services ranging from heart surgery to emergency-room waiting time. Dr. Noseworthy says dozens of major re-engineering projects have helped cut an accumulated \$900 million in costs in the past five years.

The clinic is also seeking new areas for growth. Mayo took the lead—including committing \$3 billion of its own capital—on a \$5.6 billion urban-development project now under way to transform its headquarters city of Rochester into a destination medical center to better compete with rival institutions in Cleveland, Baltimore, Boston and Los Angeles.

Other top hospitals are also facing cost pressures, including **Cleveland Clinic**, which despite reducing costs by some \$800 million over the last four years reported a 71% drop in operating income in 2016 to \$139.3 million, citing reimbursement pressure, higher drug costs and pension-plan adjustments. In May, Partners HealthCare, a Boston-based system founded by Harvard-affiliated **Brigham and Women's Hospital** and Massachusetts General Hospital, said it



When Mayo heart surgeons asked for more operating rooms, CEO Dr. John Noseworthy (below) said no, pushing them to cut costs 20%. Above, a Mayo heart surgery.

plans to cut \$600 million of costs over the next three years to better compete "in a challenging new regulatory, legislative and consumer-driven environment."

While Mayo is "an American treasure," says Donald M. Berwick, former acting administrator of the **Centers for Medicare and Medicaid Services**, the clinic, as with most of the U.S. health-care system, is "too expensive and they need to find ways to deliver the same or better care at a lower cost."

Mayo, with major facilities in Florida and Arizona and a community-based health system of 19 hospitals and 44 clinics within 125 miles of Rochester, has 64,000 employees. It reported \$11.0 billion in revenue last year, up 6% from 2015.

Mayo was founded as a surgical practice in Rochester in 1864 by William W. Mayo, a Union Army examining officer. The clinic's reputation for "patient-centered care" was embedded in its approach long before the term became a marketing buzzword. For Mayo, the concept includes bringing a team of specialists together to focus on the needs of patients with a complex problem and typically providing a schedule of appointments within hours of their arrival at the clinic. Patients don't have to make each appointment themselves or travel to specialists in different organizations. Mayo patients are welcomed by volunteers who escort them to their appointments.

"What made it jell was a common medical record," says Chet Rihal, head of cardiovascular medicine. Instead of each doctor's keeping a private record for each patient, one record followed the patient.

Today, nearly one in five surgeries involves multiple teams. "It's nobody's case. It's Mayo's case," Dr. Noseworthy says. "That is hard to do at other places where people work in isolation."

Mayo physicians are salaried, so there isn't competition over fees or any incentives to order tests and procedures a patient doesn't need, in contrast to the much more common fee-for-service medicine.

Dr. Noseworthy, a Canadian-educated neurologist, led an inquiry into the institution's readiness to face the future a year before he became CEO in 2009. It identified a "perfect storm of reduced revenue and increased costs" due to an aging population with chronic diseases and the emergence of "disruptive technologies" such as DNA sequencing.

The report was presented to Mayo's board of trustees in August 2008. Six weeks later, Dr. Noseworthy says, "Lehman Brothers disappeared." It was a stark re-

minder, he says, of the vulnerability of iconic institutions.

Mayo launched into its 2020 program the following year. Retooling projects included restructuring care for children with complex feeding, breathing and swallowing disorders. The effort reduced average time to diagnosis to four days from 210 days and cut the use of anesthesia and imaging tests by nearly half.

Expanding the role of nurses in the care of epilepsy patients shaved an average of 17 minutes off the time doctors spent on a visit, increasing slots for new patients. Adding more clinicians to the emergency room during the afternoon reduced patient waiting times during high-demand evening hours.

Doctors have bristled at some changes to their routines, Dr. Noseworthy and some other Mayo physicians say, including an initiative dubbed "eliminate white space" intended to optimize physician calendars. One goal

isng away from your calendar, that is a huge disconnect."

The administration soon realized the idea wasn't working and let departments devise their own ways to increase new-patient visits. It was a lesson that surfaced throughout the broader initiative, Dr. Noseworthy says. "Departments and divisions needed to have more local control of this work."

The heart-surgery project began just as Mayo's revamp did, in 2009. That year, the surgeons asked for the two new operating rooms to meet demand for surgery they thought would outstrip capacity. Even for high-revenue-producing departments, high-cost proposals generally trigger an intense review.

In denying the request, Dr. Noseworthy went a step further. With the ink barely dry on the 2020 Initiative report, which described challenges neither the surgeons nor the clinic had to seriously consider before, he asked them to cut their costs 20%.

Surgeons were initially



ACERMAN + GRUBER FOR THE WALL STREET JOURNAL (2)

**Doctors at Mayo considered it a place that wasn't in much need of fixing.**

was to schedule more time for new, complicated patients while booking shorter, 30-minute follow-ups for "established" patients.

Unhurried visits are a hallmark of the clinic. When one of her patients flew from Washington state for a follow-up, cardiologist Sharronne N. Hayes quickly realized 30 minutes wasn't sufficient. The patient had suffered two heart attacks since her last visit and the two needed more time.

It turned out the patient was assigned a 30-minute visit by mistake, and despite a full calendar, Dr. Hayes continued the visit into her lunch hour. "I know they have the best intent and want to preserve the culture," Dr. Hayes says, but "when you see that time go-

"disappointed," says Joseph A. Dearani, chief of cardiovascular surgery, but "ultimately everybody stepped up and did what was asked."

Cardiac surgery was ripe for overhaul. An initial analysis showed as much as a twofold variation in surgeons' average cost per case—from \$55,000 to about \$110,000 in one procedure. That is "too much variability," says Dr. Dearani.

The operating-room teams competed in contests to reduce the time from "wheels out"—when one patient's surgery was over—to when the room was set up for the next patient. Results for each surgeon's room were posted, and staff met to discuss what worked and what didn't. No team was declared a winner, but the exercise

trimmed average turnover times about 50% to between 20 and 30 minutes, Dr. Dearani says.

The overall effort revealed two main cost drivers: a patient's length of stay and the surgeons' use of mechanical heart valves. So many valve brands were on the shelf, Dr. Dearani says, "it was like going into a shoe store."

The clinic, one of America's largest users of such valves, decided to use its purchasing power to negotiate lower prices and limit surgeons to models from two vendors. It took nearly two years for surgeons to agree on which ones, Dr. Dearani says. "Everybody eventually came around, but it really ticked off a lot of people."

Doctors also began discharging out-of-town patients to a hotel a day or two before their flight home, then seeing them for an outpatient visit. Previously, many patients remained in the hospital until just before their flights.

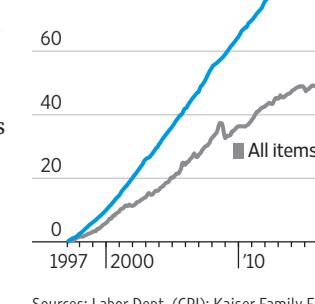
In the hospital, patients are exposed to infection or remain sedentary. "When you get out, your activity level improves and your appetite gets better," Dr. Dearani says.

Scheduling changed significantly. Surgeons accustomed to operating every other day began doing surgery daily. New physician-developed protocols empowered nurses to streamline

## Cost of Care

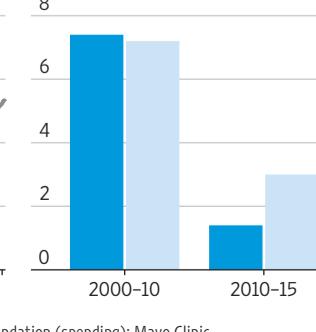
As U.S. medical costs outstrip inflation...

Consumer-price index, change since 1997



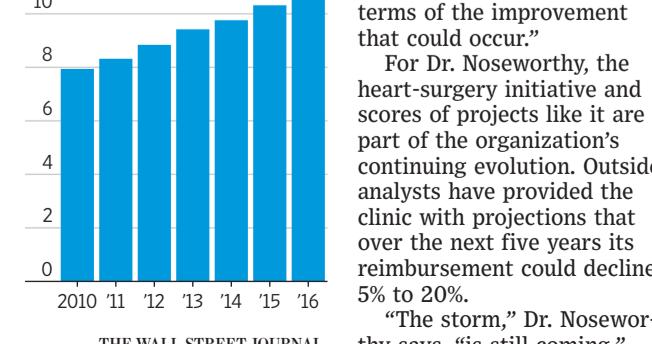
...and insurance-spending growth rates decline...

Average annual growth in per-capita spending, 2000-15



...Mayo Clinic is revamping even as its revenues grow steadily.

Total revenue



## U.S. NEWS

## GOP Pushes to Secure a Legislative Win

With summer recess seven weeks away, Republicans weigh health, debt and taxes

By SIOBHAN HUGHES

**WASHINGTON**—Congressional Republican leadership, concerned that President Donald Trump's first year in office could end without a major legislative accomplishment, are scrambling to make the most of the two months before their August recess to show some progress.

Returning from a Memorial Day break this week, Senate Majority Leader Mitch McConnell (R., Ky.) will mount a final effort to advance a plan to rewrite the Affordable Care Act, the Obama-era health law. Mr. McConnell said last month he wasn't sure how he would come up with enough votes to pass a bill given that no Democrats support the effort.

The outlook for such a health measure didn't appear to improve over last week's break. "It's unlikely that we will get a health-care deal," Sen. Richard Burr (R., N.C.) told a North Carolina television station in a blunt assessment of the prospects for repealing and replacing the law often called Obamacare.

If the GOP health push fails,

Congress would likely next put its energy into a tax overhaul, while also taking up other measures along the way, in part to project an image of accomplishment amid the current turmoil surrounding the White House, which is in the spotlight as a former intelligence agency chief who was abruptly fired by Mr. Trump prepares his public testimony. Among the bills potentially in the mix is one imposing sanctions on Iran, which cleared the Senate Foreign Relations Committee last month.

The House and Senate plan to leave for a five-week recess starting July 28, though that could be delayed. The pressure on lawmakers ahead of that break has intensified, with the Treasury Department urging Congress to raise the government's debt limit before departing.

This isn't the first time a party has faced pressure to produce after winning control of the White House and Congress and found expectations colliding with political realities.

One challenge is that Congress and the White House operate on different clocks, and the window of opportunity that opens in the early months of a presidency can narrow rapidly, as lawmakers turn their attention to midterm elections.

When President Barack

Obama led a Democratic take-



Senate Majority Leader Mitch McConnell, shown here on May 16, is working on a new health bill.

over in 2008, Democrats managed to enact a health law, a stimulus package and the Dodd-Frank banking measure in the early going. But they failed in other goals, such as passing an ambitious energy bill, and some of what they did pass had to be significantly reined in—and prompted a backlash at the polls.

The Republican playbook for confronting these challenges consists of a series of interlocking steps. In the Senate, Republicans are expected to unveil their health plan as early as this week, then wait for the Congressional Budget Office to provide cost and cov-

erage estimates before holding a vote. A CBO analysis can take a couple of weeks.

Sen. John Cornyn of Texas, the second-ranking Senate Republican, said recently the health-care debate would be wrapped up by the end of July. If the Senate does pass a bill, it would mark a major legislative victory for Mr. Trump and Republican leaders, and could lend momentum to other GOP initiatives.

The measure would have to be reconciled with the House version to become law. That could take months, or not happen at all during this congressional session.

Defeat of a GOP health plan in the Senate would leave Republicans with one more significant card to play: a tax overhaul.

Republicans from Congress to the White House are planning to lay the groundwork for a tax rewrite during this seven-week legislative period. Mr. Trump is expected to campaign during July and August for a tax overhaul with an official plan released after Labor Day, according to a senior White House official.

To clear a path for that bill, House Republicans are expected by mid-June to start a legislative process that would

allow the Senate to rewrite the tax code with a simple majority. That is important because Senate Republicans hold only 52 of the chamber's 100 seats and can expect little support from Democrats, yet they need 60 votes to pass most bills.

The special procedure would come in the form of a budget resolution for the 2018 fiscal year that would include instructions to write tax legislation that can skirt the Senate's traditional obstacles.

The turbulence surrounding the White House has proven a distraction for congressional Republicans, and this week will bring more drama as former Federal Bureau of Investigation director James Comey is expected to tell a Senate committee that Mr. Trump asked him to back off an investigation of former national-security adviser Michael Flynn.

And the Trump administration recently issued a surprise warning that tax revenues are falling short of expectations, prompting Treasury Secretary Steven Mnuchin to urge Congress to raise the country's borrowing limit before it adjourns for an August recess. The timing is earlier than estimates independent fiscal analysts have cited and caught lawmakers by surprise.

—Peter Nicholas  
and Nick Timiraos  
contributed to this article.

## Cosby Sexual Assault Trial to Start

By KRIS MAHER

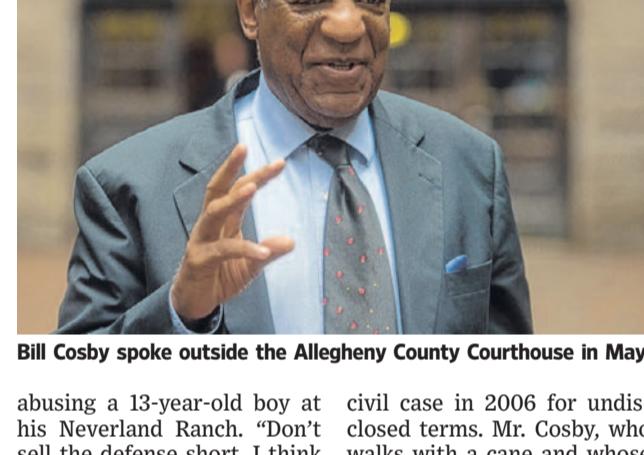
Comedian Bill Cosby has been accused of sexual assault by dozens of women over the past several years, but his coming trial outside Philadelphia could be the only time he will have to defend himself against criminal charges in court.

The legal reckoning represents an astonishing fall for an iconic entertainer, a once-beloved figure who shattered racial barriers with roles in television shows like "I Spy" in the 1960s and "The Cosby Show" in the 1980s.

The Montgomery County district attorney charged Mr. Cosby with three counts of aggravated indecent sexual assault, alleging he first drugged the woman at his home in 2004.

Mr. Cosby, 79 years old, has said he won't testify—which legal experts said could make humanizing him for a jury more difficult. But despite months of punishing publicity for Mr. Cosby, defense attorneys and others say the prosecution's case may be tougher than it first appears and that the defense has several strategies to pursue.

"The defense needs to challenge this jury to rise above media invective and follow the law as presented to them by the trial judge," said Thomas Mesereau, who successfully defended the late Michael Jackson in 2005 against charges of



Bill Cosby spoke outside the Allegheny County Courthouse in May.

abusing a 13-year-old boy at his Neverland Ranch. "Don't sell the defense short. I think they have a lot to work with," Mr. Mesereau added.

Legal experts expect the defense in its opening statement Monday to focus on attacking the credibility of Andrea Constand, who said Mr. Cosby assaulted her after inviting her to his home in Cheltenham, Pa., near Philadelphia, to discuss her career.

Ms. Constand, a former Temple University employee, said in a criminal complaint that she had been drained and "emotionally occupied," and that Mr. Cosby gave her wine and pills to relax. She said he helped her to a couch where he sexually assaulted her.

Mr. Cosby has said Ms. Constand consented to his sexual advances. The parties settled a

civil case in 2006 for undisclosed terms. Mr. Cosby, who walks with a cane and whose vision is impaired, now faces up to 10 years in prison if convicted in the criminal case.

Stuart Slotnick, a New York defense attorney who isn't affiliated with the Cosby case, said he expects defense lawyers on Monday to seize on statements Ms. Constand made in the criminal complaint, including that she had rebuffed Mr. Cosby's sexual overtures two times before she agreed to go to his home in 2004.

"She says she trusted him even after all these unwanted sexual advances. The question is can you believe that for one second?" Mr. Slotnick said. "The complaint that she signed is a treasure trove for cross-examination material for the defense."

Prosecutors, meanwhile, are expected to hammer on comments Mr. Cosby made in a 2005 deposition in the civil case brought by Ms. Constand, in which he said under oath that he got prescriptions for Quaaludes to give the sedatives to women he wanted to have sex with.

Mr. Slotnick said the defense will have to stress that Mr. Cosby has never said he gave the pills to women without their knowledge.

In a pretrial victory for prosecutors, Judge Steven O'Neill ruled in February that another woman who has alleged that Mr. Cosby assaulted her after giving her pills can testify at the trial. Prosecutors hope to strengthen their case against Mr. Cosby using her testimony to establish a pattern of behavior.

Experts, however, said the defense is likely to portray the inclusion of another accuser as a sign of weakness, arguing that prosecutors couldn't prove the case involving Ms. Constand on its own merits.

The 12-member jury was selected in Pittsburgh and bused to the trial in Montgomery County Court in Norristown, Pa., after Mr. Cosby's lawyers argued that he couldn't get a fair hearing from people in the Philadelphia area.

Mr. Cosby's celebrity has been widely seen as hurting him, because the tide of pretrial publicity has been overwhelmingly negative.

## Aides Defend Trump On Accord, Climate

By REID J. EPSTEIN

the efficacy of the agreement," Mr. Pruitt said.

President Donald Trump's aides on Sunday defended his decision to quit the Paris climate accord, but offered differing views on the president's beliefs about the environment.

Scott Pruitt, the Environmental Protection Agency administrator, and Nikki Haley, the U.S. ambassador to the United Nations, differed over whether the president believes climate change is man-made. Mr. Trump has said repeatedly that climate change is a "hoax" and suggested it was "created by and for the Chinese in order to make U.S. manufacturing non-competitive."

Mr. Pruitt suggested in a series of television interviews Sunday that what the president believes specifically about climate change is irrelevant to his policy decision on the Paris accord.

"I think the whole question is an effort to get it off the point and the issue of whether Paris is good for this country or not," Mr. Pruitt said on ABC. "The president has indicated the climate changes."

Asked by ABC host George Stephanopoulos if Mr. Trump still believes climate change is a hoax, Mr. Pruitt said he hadn't discussed it with the president.

"Our discussion, George, has been about the agreement,



U.S. envoy to the U.N. Nikki Haley

## STOCK

*Continued from Page One*  
ence the real-life outcome," Mr. Roberts said. "I know the stock market is sort of virtual as well, but it has real-life consequences."

For years, people have used online tools to simulate stock portfolios. But none seem to have backed up their bets with hard currency. Once he came up with the idea, Mr. Roberts said he got carried away piecing it together. The decision to use his own money was a secondary concern. "I just wanted to be the first person to do it," he said.

As Tuesday rolled on, a crowd of anti-Seaboard players entered the fray, voting to sell down the stock. These more-thoughtful players discussed other stocks and began mapping out strategies for diversification. Mr. Roberts finished Tuesday feeling optimistic, though the excitement left him with a bit of difficulty sleeping. And some nausea.

It was still dark outside on Wednesday when Mr. Roberts sat down at his computer to watch day two of his experiment unfold. The buying and selling happened automatically.

Mr. Roberts was on vaca-



Mr. Roberts in Seattle watches the StockStream game he created.

tion from his Amazon job because his parents were due to visit, but so far he had spent his downtime watching the action in his brokerage account on his computer and a 65-inch television hooked up to it.

With its pixelated screen, StockStream is reminiscent of the earliest days of video-games. The scrolling feed of user stocks picks, interspersed with emojis and typo-heavy comments, was getting so many entries that the feed often flowed too quickly for viewers to keep up.

The number of concurrent viewers watching his account on Wednesday afternoon was

more than 3,000.

In less than a week, a community of amateur stock pickers materialized around Mr. Roberts's game to battle over whether to buy or sell Tesla Inc., and to weigh in on which semiconductor stocks are hot-test. Their deliberations mirrored the actual market in many ways—veering between fear and greed, caution and euphoria.

Just before noon on a recent morning, after the account had suffered some losses along with the broader market, it managed to claw back to a profit of more than \$100. "We're up boys," said a

message-board post from a user named Ahhhmong.

As the game went on, the users started to get more sophisticated. Netflix Inc., Tesla, Advanced Micro Devices Inc. and other momentum-driven stocks proved popular on day two. On day three, some blue chips like Boeing Co. were in the mix.

With about half the \$50,000 still uninvested at the end of the second day, user Phreadj chimed in, echoing the age-old conundrum of how much money to keep on the sidelines. Others homed in on the benefits of diversification.

One hot stock not being bought and sold: Amazon. Restrictions on trading shares of the company where he works pushed Mr. Roberts to write language into StockStream's code so it wouldn't recognize the stock.

The account added more than \$700 in value in its first week. At the moment, Mr. Roberts plans to pocket profits from the project, if there are any. Before launching StockStream, he ran extensive simulations with fake money that suggested the game could last six months or more on its own.

But he does have one obstacle coming up: He had to go back to work on Monday.

In court documents, Beef

Products has referred to ABC's

## U.S. WATCH

## LAW

## 'Pink Slime' Libel Case Set to Begin

Opening statements in what could be the largest defamation case in U.S. history are set to begin Monday in South Dakota.

In suing ABC News for its coverage of a widely used processed-meat product that the news organization and others have branded "pink slime," Beef Products Inc. claims it was a victim of a journalistic hit job. The family-owned South Dakota meat processor claims the reporting reduced its revenue.

Raising the stakes is a state food-disparagement law that allows prevailing plaintiffs to triple actual damages. Beef Products has alleged \$1.9 billion in damages. That means, in theory, ABC could be hit with a nearly \$6 billion judgment, not including any potential punitive damages awarded if it loses.

ABC's first segment on the product aired March 7, 2012. In the report, correspondent Jim Avila, a defendant in the case, described the company's meat product as pink slime made from "beef trimmings...once used only in dog food" and "sprayed with ammonia to make them safe to eat and then added to most ground beef as a cheaper filler."

The company filed suit that year, accusing ABC of creating a false impression "that BPI's product was not beef or meat...and was not safe to eat."

Beef Products says the product, called lean finely textured beef or LFTB, is merely the result of discovering how to extract more lean beef from cows. It was approved by the U.S. Department of Agriculture in 1993.

—Jacob Gershman  
and Lukas I. Alpert

# LIFE & ARTS

## HEALTH

# Making a Tough Medical Call

Cancer-fighting treatments that can damage the heart put some patients into an agonizing quandary



FROM TOP: NICOLE CRANE FOR THE WALL STREET JOURNAL; REED HUTCHINSON/UCLA

BY LUCETTE LAGNADO

**AFTER FIGHTING** breast cancer with lots of chemotherapy and surgery, Jennine Elkins rejoiced last month, believing she was through the worst.

Then the 38-year-old math teacher from Staten Island, N.Y., got some bad news. Her heart was getting weaker—and doctors felt it was due to Herceptin, a potentially life-saving drug she was on to prevent the cancer from returning. The hospital stopped the drug.

Now Ms. Elkins is waiting to see if her heart will get better so she can resume Herceptin, which is given intravenously and can stave off even some aggressive breast cancers. It could damage her heart all over again, so Ms. Elkins must decide if she wants to take that risk. Fighting cancer or heart failure "is like a coin toss," she says. "Which one do you choose?"

Thousands of cancer patients are confronting similar dilemmas because their treatment may also cause heart problems, either immediately or down the road. Women like Ms. Elkins face a tough choice: Stay on a miracle drug that might damage their heart or stop the drug and risk having the cancer spread.

"It is a balancing act," says Richard Steingart, chief of cardiology at Memorial Sloan Kettering Cancer Center, who is monitoring Ms. Elkins's heart while cancer specialists follow her cancer. He—and Ms. Elkins—hope she can resume taking Herceptin and be watched closely to avoid heart failure.

Genentech, the maker of Herceptin, said the drug has become "the standard of care" for certain aggressive breast cancers that once had a very poor prognosis, and it has improved survival rates among many women who have been treated with it in addition to chemotherapy. Cardiac risks are included in the prescribing information, the company said, and physicians "are familiar with this risk."

Herceptin often is used against breast cancer in tandem with or after other therapies. Among women treated with Herceptin, 10% to 15% develop heart problems, Dr. Steingart says. But he points out that with Herceptin, 72% of women with a certain type of early-stage breast cancer enjoy disease-free survival for 10 years. "It is a remarkably effective drug," he says, despite the cardiac-toxicity, which he believes is "manageable."

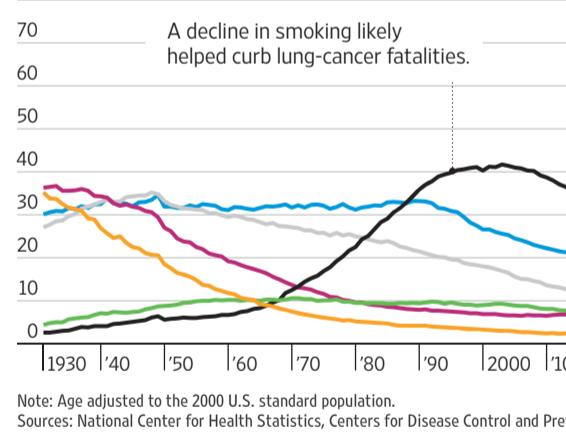
Men and women on some kidney-cancer and lung-cancer drugs

## Hopeful Signs

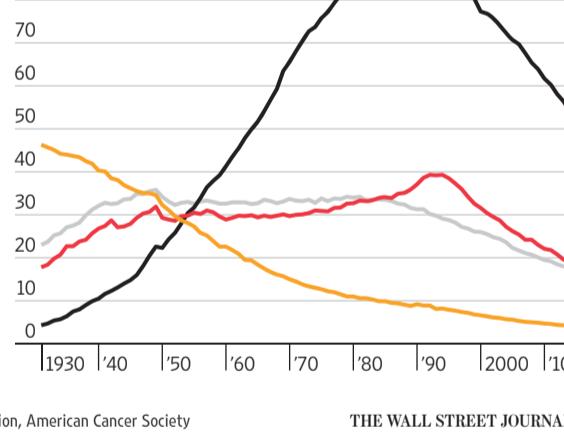
Cancer death rates declined overall by 25% in the past two and a half decades, but barely budged for some types.

■ Lung and bronchus ■ Breast ■ Colorectum ■ Ovary ■ Uterus ■ Stomach ■ Prostate

### Cancer death rates per 100,000 women



### Cancer death rates per 100,000 men



Jennine Elkins, at her home in Staten Island, N.Y., stopped a treatment to keep her breast cancer from returning because doctors thought the drug was damaging her heart.

Many cancer patients are vigilant about getting checked for cancer, but ignore potentially greater risks they face with their heart, says Dr. Agarwal, a cardiologist with an interest in the emerging subspecialty of onco-cardiology, also called cardio-oncology.

"Every one of those survivors, they go back to their oncologists; [the female patients] get screening mammograms, they get routine colonoscopies, their doctors reiterate the importance of wearing sunscreen to prevent melanoma," she says. "But once you cross 10, 12 years, [cancer] isn't your main issue: What you should be concerned about is heart disease, and everyone forgets that."

Sometimes the risk to the heart is worth taking. Last year, John Cheek, an 86-year-old retiree from Idaho, moved in with his daughter in Oak View, Calif., after he was diagnosed with Stage 4 lung cancer and given three months to live. He had treatment at UCLA Health Hematology-Oncology and seemed to be beating the odds. Then he started feeling poorly. "My breathing was so bad I could hardly carry on a conversation," he says.

The problem turned out to be his heart, Dr. Agarwal says. She believes the cancer therapy was the source of his problems, even as it was saving his life. His daughter, Lynette Cheek, a nurse, is philosophical. "I know there are risks and benefits," she says. "I can't help thinking that without the cancer treatment he wouldn't be here. He is still walking."

Some patients beset by cancer and heart issues manage to survive both.

That has been the case for Emeline McAndrew, a patient of Dr. Steingart for 20 years. She consulted him for a serious heart problem in 1998 when he was practicing cardiology in Long Island, N.Y. Ms. McAndrew was diagnosed with Stage 3 breast cancer in 2005. Following chemotherapy and radiation, she started Herceptin, but after a month, developed heart problems.

Doctors told her that if they continued "you will be cancer-free but you will also be gone," the 59-year-old accountant recalls. They stopped the drug. Twelve years later, she is cancer-free and her heart has been stable. She has annual check-ups for breast cancer. Every six months, Dr. Steingart monitors her heart. Ms. McAndrew says she also has simply been "lucky."



John Cheek in the center where patients have chemotherapy at UCLA Health Hematology-Oncology.

ceived recently or long ago.

Rae Harris, a nurse in Santa Barbara, Calif., developed Hodgkin's lymphoma, a cancer of the lymph-node system, in the late '70s when she was 26. She was treated aggressively with radiation and had more radiation along with chemotherapy after she relapsed.

"Clinical suspicion for cardiac disease should be high and threshold for cardiac evaluation should be low in any survivor who has received potentially cardiotoxic therapy," the guidelines state. They call for monitoring and testing patients deemed at risk of heart problems because of cancer treatments re-

out that radiation could cause serious side effects, including other forms of cancer, but Ms. Harris doesn't recall warnings about heart problems. "I didn't see it coming," she said.

Her cardiologist, Megha Agarwal, at UCLA Health Specialty Practice in Ventura, Calif., says Ms. Harris's heart problems are the result of the radiation she received nearly 40 years ago. That radiation caused scar tissue to form over the heart valves, making them rigid and no longer functioning adequately. She wishes that a cardiologist had monitored Ms. Harris through the years.

Decades ago, doctors pointed

## LIFE &amp; ARTS

WHAT'S YOUR WORKOUT? || By Jen Murphy

# 'Contact Combat' Before Work

PayPal chief executive Dan Schulman swears by Krav Maga, the intense Israeli self-defense practice; a tool for conflict resolution

**MOST CEOs** start their day strategizing bottom lines or growth strategies over email. Dan Schulman starts his day at the gym, figuring out how to disarm someone with a knife. He credits his daily Krav Maga (pronounced krahv mah-GAH) training with developing leadership skills he has put to use in roles at American Express, Virgin Mobile, Priceline, AT&T and in his current position as president and CEO of PayPal Holdings Inc. "They say leadership is defined in times of stress, and I think Krav Maga trains you for those moments," he says.

Krav Maga, or "contact combat" in Hebrew, is a self-defense and fighting system that combines techniques from judo, boxing, wrestling and aikido. It was originally taught to the Israeli army. Today, the practice has been embraced by law-enforcement agencies, as well as gyms, where a faster-paced version has become an increasingly popular workout.

Mr. Schulman, 59, was introduced to the practice when he was 13 and visiting Israel. "I was living on a kibbutz and was put into youth military training," he recalls. "I was a skinny little kid and it was incredibly intense, but also extraordinarily practical and useful in stressful situations involving conflict."

In Krav Maga, all elements of the body—legs, knees, elbows, hands, feet—are used as tools to strike and defend. "People complain about having less resources, but having too many tools often starves you from being as creative as you might be," Mr. Schulman says. He rediscovered Krav Maga after college and now practices daily. He splits his time with his wife between Silicon Valley and the New York City area. (The couple has two college-aged children.)

He trains at **Tactica Krav Maga Institute** in Santa Clara, Calif. At Gotham Gym in New York he boxes and slips in some Krav Maga kicks.

"Part of the Krav Maga philosophy is that the best way to win a fight is not to get into a fight. So we spend a lot of time figuring out how do you de-escalate situations and win through avoidance of conflict," he says.

When conflict is unavoidable,



PayPal CEO Dan Schulman, above and top right, during a Krav Maga self-defense workout with his coach, Danny Zelig.

Krav Maga teaches how to use everything at your disposal to neutralize a threat while remaining calm under pressure. "My teacher always says, 'Standing still is asking to be hit.' That's a valuable lesson in business," he says. "If you stand still as a business just because things are going well and you don't challenge yourself, inevitably your competition catches up with you."

#### The Workout

Mr. Schulman trains for a minimum of one hour daily during the week and up to three hours on Saturdays and Sundays. He warms up on the speed bag or heavy bag, sometimes challenging his core by balancing each foot on a skateboard, and will then do footwork

drills, like various kicks, to loosen up. The next phase involves working on technique, like a particular combination of kicking and striking, or escaping from a headlock, followed by 15 to 20 minutes of sparring. He might have to disarm someone with a knife, stick or gun.

Once he's worn out from sparring, he finishes the workout with a set of drills. He might bear-crawl around the perimeter of the room, stopping in each corner to perform push-ups, then reverse and go the opposite direction. "I might end up doing 150 push-ups in that exercise," he says. "It requires incredible focus to get through it when your body is already at its limit."

Mr. Schulman typically works one-on-one with a coach or spar-

ring partner, but says it's also important to train with groups. "Often in fights, there are multiple attackers," he says.

#### The Diet

Mr. Schulman has half of a cup of coffee pre-workout. "That's just enough to get the body going without having coffee sloshing around in my stomach during a workout," he says. Post-workout he has yogurt and fruit. Lunch is usually a salad, and dinner is a protein, steak or fish, with a vegetable or salad. Two to three times a week he must attend a work lunch or dinner. "I'll have one or two sips of wine to be social, because people don't want to drink alone," he says.

#### The Krav Maga Mentality at Work



Krav Maga might look like something out of "Fight Club," but proponents say the philosophy of the fighting system develops skills that translate to the office. "Krav Maga training develops an individual's ability to effectively deal with confrontation," says Danny Zelig, founder of the Tactica Krav Maga Institute, based in San Francisco. "People learn to maintain confidence and mental function without shying away from conflict due to fear of confrontation."

"Making decisions under stress boosts mental strength and teaches students to focus their efforts and energy on the most important, immediate needs," he says. Krav Maga develops heightened negotiation and improvisation skills through situational awareness, he says.

"An individual learns to take cues from others during their attempts to de-escalate and negotiate with an aggressor during dangerous situations," Mr. Zelig says. "A heightened sense of awareness allows leaders to understand their peers, co-workers and upper management and to be in tune and aware of their co-workers' current mental states by the cues they give."

#### The Gear & Cost

Mr. Schulman spars barefoot. His uniform consists of Nike Pro Combat compression shorts, a T-shirt, a mouth guard and Revgear MMA gloves, which retail between \$30 and \$60. "If we're really going at it, I wear shin guards," he says. "I have scars on my legs from not wearing them."

## MUSIC

## THE BENEFITS OF HIRING OLD-TIMERS

BY JOHN JURGENSEN

**DAN AUERBACH'S** new album "Waiting On a Song" is billed as a solo project because it doesn't feature his famous rock band the Black Keys. In fact, his "solo" album resulted from top-to-bottom collaboration with some of the best songwriters and session musicians in Nashville.

Mr. Auerbach didn't seek out hot, young talent. Instead, he surrounded himself with seasoned veterans—most of whom are about twice the age of the 38-year-old singer and guitarist.

"They have this magic that transcends age," Mr. Auerbach says of his writing and recording team, including John Prine, age 70, keyboardist Bobby Wood, 76, and guitarist Duane Eddy, 79.

Unlike the slash-and-burn style that made early Black Keys recordings stand out, "Waiting On a Song," out June 2, has a precise, multi-layered sound that pays respect to the bright pop of the 1960s and '70s.

By working daily with musicians who helped create hits of that era, Mr. Auerbach says he learned how to collaborate across generations. Some of his takeaways:

#### Seek out introductions

After the Black Keys moved to Nashville in 2010 from their hometown of Akron, Ohio, Mr. Auerbach became fast friends with David Ferguson, a sound engineer who worked with Johnny Cash, among many other artists. "Fergie" would go on to introduce Mr. Auerbach to most everyone who contributed to "Waiting For a Song," including Mr. Prine and his longtime mandolin player Pat McLaughlin, who co-wrote most of the songs.

#### Do the work

Songwriting sessions typically began at 9 a.m. when Mr. Ferguson and Mr. McLaughlin arrived at Mr. Auerbach's house. At quitting time, about eight hours later, they would emerge with two or three new songs. In total, Mr. Auerbach wrote about 200 songs with various collaborators, though only 10 made it onto the album.

"That's the thing about songwriting in Nashville, you don't get paid for your job directly. You have to work a lot of hours to possibly get a song used [by a recording art-



Dan Auerbach collaborated with some of the best songwriters in Nashville for 'Waiting On a Song.'



ist]. So songwriters are used to writing just to write, and you end up sharpening your blade."

**Don't get lost in nostalgia** Despite being surrounded by musicians who worked side by side with legends such as Elvis Presley (as Mr. Wood did), Mr. Auerbach says nobody wasted time on nostalgia.

"I like to hear a story every now and then, but I don't hang out with these guys for the work they did. I hang out with them for what they might do, right now," Mr. Auerbach says. "And they are as addicted and in love with making music as they ever were."

#### Create the right setting

The album was recorded in Mr. Auerbach's Easy Eye Sound, which he built to function in the way that legendary studios like Stax and Motown did—with musicians playing live together in one room. "Then I meet these guys, who spent their entire lives recording just like that," Mr. Auerbach says. "Immediately they felt at home and they knew exactly what to do."

#### Don't get stuck on pecking order

As the one whose name and image is on the album cover, Mr. Auerbach says he wasn't timid about guiding colleagues with decades more experience: "It doesn't mat-

ter how old you are or what you've done before. All that goes out the window in the studio. Whoever makes the magic is what matters."

#### Soak up the expertise

By spending days at a time with his collaborators, Mr. Auerbach absorbed their quirks—such as Mr. Prine's knowledge of meatloaf specials across Nashville restaurants—and advice. In addition to helping him learn "not to overthink things," Mr. Auerbach says, "those guys taught me that to really be a someone in Nashville, you've got to drive a Cadillac."

He adds, "I definitely got that Cadillac. It's working already."

## OPINION

## REVIEW &amp; OUTLOOK

## Jihad Returns to Britain

**S**aturday's terror attack in the heart of London, Britain's third murderous assault in 72 days, poses a difficult choice for free societies: Do more to contain this internal Islamist insurgency now, or risk a political backlash that will result in even more draconian limits on civil liberties.

No group had taken responsibility as we went to press, but the operation that killed seven and wounded 48 bore the hallmarks of recent jihadist atrocities. The London Bridge area and nearby Borough Market are packed with bars popular with tourists and young people. The three alleged perpetrators rammed a van into pedestrians, then began stabbing people before police shot them.

Prime Minister Theresa May said Saturday's attack wasn't directly linked to the suicide bombing committed by Salman Abedi at a pop concert in Manchester last month. But the three attacks in succession show why governments must target the threat at its roots, in self-isolating Muslim communities that reject mainstream values and create homegrown or Islamic State-inspired radicals like Abedi.

On this front, Mrs. May is well ahead of many of her European counterparts. The Prime Minister in a speech Sunday morning outlined a new counterterrorism strategy that puts ideology and Muslim integration at the forefront. The trio of recent attacks in Britain, she said, were "bound together by the single evil ideology of Islamist extremism."

Mrs. May went on to call for a battle of ideas against Islamism and tough love for British Muslims who have failed to confront radicals in their mosques and community centers. Said the Prime Minister: "We need to live our lives not in a series of separated, segregated communities, but as one truly United Kingdom."

Mrs. May suggested this would involve "diffi-

cult and often embarrassing conversations" with the Muslim community, and she is right. This has to include an end to political coddling of so-called soft Islamist groups and imams who treat candor about the Islamist threat as anti-Muslim or refuse to identify radicals in their midst.

The one misstep in an otherwise clear-eyed speech is Mrs. May's suggestion to outsource surveillance of jihadist online speech to social-media platforms. This line is popular among Western leaders because it provides an excuse for their failure to defend the need for Big Data surveillance and threat analysis following Edward Snowden's National Security Agency thefts.

Silicon Valley companies such as Facebook and Google bear some of the blame because they joined the fashionable campaign against the NSA's metadata collection. And by all means Facebook, Twitter and other social media need to police their sites against the promotion of violence and jihad. If they refuse, politicians will eventually do it for them because Western publics will not allow mass murder to become a new normal.

But that's all the more reason for governments to revive the use of Big Data and surveillance to prevent attacks to avoid even worse intrusions on civil liberties. As attacks continue, so will political pressure for measures such as quarantines and mass preventive arrests of people on terror watch lists.

On that score the U.S. is no exception. President Trump played off the London attack in a typically heavy-handed way with a tweet urging "the courts" to restore his travel ban. But the anti-antiterror left needs to realize that hostility to surveillance and honest debate about jihad will make such bans inevitable if attacks continue—and Mr. Trump won't be the only politician pushing them.

## The Trump Jerusalem Waiver

**W**ay back in 1995, Congress passed a law requiring the U.S. State Department to move the American Embassy in Israel to Jerusalem from Tel Aviv. On Thursday Donald Trump became the latest in a long line of Presidents to issue a waiver to put off the move.

Moving the embassy to the actual capital of the Jewish State isn't the most important U.S. priority in the region. But because Mr. Trump made such a point of it in the campaign—vowing that he would make good where others had backed down—the waiver damages American credibility. As President Obama's infamous red line in Syria illustrated, the world is more dangerous when Presidents show they don't mean what they say.

In a statement explaining the waiver, the White House said that "the question is not if that move happens, but only when." The statement

further claims the embassy waiver was given in hopes of boosting chances for an Israeli-Palestinian peace accord.

Here lies the bigger problem, which is less that the embassy is staying in Tel Aviv than that the Trump White House has concluded it should spend scarce political capital on a Palestinian-Israeli peace that has eluded Presidents for decades. That peace will only have a chance when the two parties are prepared to negotiate seriously, and the Palestinians now are not. They won't be any more likely to deal because Mr. Trump backed down on the embassy.

No one forced Mr. Trump to make his pledge. He chose to make it a campaign issue. The Israelis will be disappointed but are still delighted to have a President who is friendlier than his predecessor. The Palestinians will pocket this concession and hold out for more.

## Trump Bids Paris Adieu

**P**resident Trump announced Thursday that the U.S. will withdraw from the Paris climate agreement, to the horror of green elites world-wide. If the decision shows he is more mindful of American economic interests than they are, the other virtue of pulling out is to expose the fraudulence of this Potemkin village.

In a Rose Garden ceremony, Mr. Trump broke with the 2015 agreement, starting the formal four-year withdrawal process: "We're getting out. And we will start to renegotiate and we'll see if there's a better deal. If we can, great. If we can't, that's fine."

This nonchalance inspired a predictable political meltdown, with the antarbon lobby invoking death, planetary disaster and a permanent historical stain. Billionaire Democratic donor Tom Steyer called it "a traitorous act of war against the American people," while Barack Obama accused his successor of joining "a small handful of nations that reject the future," whatever that means. Get ready for another march on the White House.

But amid the outrage, the aggrieved still haven't gotten around to resolving the central Paris contradiction, which is that it promises to be Earth-saving but fails on its own terms. It is a pledge of phony progress.

The 195 signatory nations volunteered their own carbon emission-reduction pledges, known as "intended nationally determined contributions," or INDCs. China and the other developing nations account for 63% of annual global CO<sub>2</sub> emissions, and their share is rising. They submitted INDCs that pledged to peak the carbon status quo "around" 2030, and maybe later, or never, since Paris included no enforcement mechanisms to prevent cheating.

Meanwhile, the developed OECD nations—responsible for 55% of world CO<sub>2</sub> as recently as 2000—made unrealistic assurances that even they knew they couldn't achieve. As central-planning prone as the Obama Administration was, it never identified a tax-and-regulation program that came close to meeting its own emissions pledge of 26% to 28% reductions from 2005 levels by 2025.

Paris is thus an exercise in moral and social signaling that is likely to exert little if any influence on atmospheric CO<sub>2</sub>, much less on global temperatures. The Paris target was to limit the surface temperature increase to "well below" 2 degrees Celsius from the preindustrial level by

2100. Researchers at the Massachusetts Institute of Technology's Joint Program conclude that even if every INDC is fulfilled to the letter, the temperature increase will be in the range of 1.9–2.6 degrees Celsius by 2050, and 3.1–5.2 degrees Celsius by 2100.

Such forecasts are highly uncertain, which is inherent when scientists attempt to predict the future behavior of a system as complex as global climate. The best form of climate-change insurance is a large and growing economy so that future generations can afford to adapt to whatever they may confront.

A more prosperous society a century or more from now is a more important goal than asking the world to accept a lower standard of living today in exchange for symbolic benefits. Poorer nations in a world where 1.35 billion live without electricity will never accept such a trade in any case, while Mr. Trump is right to decline to lock in U.S. promises that make U.S. industries less competitive.

The surest way to "reject the future" is to burden the economy with new political controls today, because economic growth underwrites technological progress and human ingenuity. These are the major drivers of energy transitions that allow people to generate more wealth with fewer resources. Energy intensity—the amount of energy necessary to create a dollar of GDP—has plunged 58% in the U.S. since 1990, according to the U.S. Energy Information Administration.

Over the same period, intensity declined merely 37% in OECD Europe, 22% in Mexico, 20% in Japan and 7% in Korea. China dropped by 133%, but working off a far more wasteful initial base. Superior efficiency helps explain why U.S. carbon emissions fell by 145 million tons in 2016 compared to 2015, more than any other country. Russia was second, at minus-64 million tons.

Over the past five years U.S. emissions have fallen by 270 million tons, while China—the No. 1 CO<sub>2</sub> emitter—added 1.1 billion tons.

All of which make the claims that the U.S. is abdicating global leadership so overwrought. Leadership isn't defined as the U.S. endorsing whatever other world leaders have already decided they want to do, and the U.S. is providing a better model in any case. Private economies that can innovate and provide cost-effective energy alternatives will always beat meaningless international agreements. To the extent Paris damages economic growth, the irony is that it would leave the world less prepared for climate change.

## The News You Aren't Hearing About America

POTOMAC WATCH  
By Kimberly A. Strassel

Here is what Americans are being told counts as "news": Jared Kushner's past meetings. Russians. James Comey's upcoming testimony. Russians. Hillary Clinton's latest conspiracy theories. Russians. Bob Mueller's as-yet-non-existent investigation (into Russians). Kathy Griffin, Mr. Met and, of course, "covfefe." Total words printed on these subjects? At least a duodecillion.

Here's what actually happened last week, the "news" that holds real consequences for real Americans:

- Interior Secretary Ryan Zinke signed an order to begin reopening Alaska's National Petroleum Reserve to oil and gas exploration, reversing the Obama administration's ideologically driven 2013 shutdown. The order even aims at opening the Arctic National Wildlife Refuge to production—a move that is decades overdue. This could not only buck up the listless Alaskan economy but cement the U.S. as an oil and gas powerhouse.

- In related news, the Dakota Access Pipeline finally went live.

- The U.S. Fish and Wildlife Service took steps that may stop the Obama administration's last-minute endangered-species listing for the Texas Hornshell, a freshwater mussel. That listing, based on outdated science, threatens significant harm to the Texas economy and was done over the protest of state officials and local industry.

- Commerce Secretary Wilbur Ross surprisingly said that he was open to completing the Transatlantic Trade and Investment Partnership, or TTIP, a far-reaching trade agreement being negotiated with the European Union.

- Sen. John Thune, the upper chamber's third-ranking Republican, said his caucus had moved beyond meetings and on to "drafting" the base language of an ObamaCare replacement. The No. 2 Republican, John Cornyn, vowed the Senate would "absolutely" have a bill by "the end of July at the latest."

And on and on. The Environmental Protection Agency stayed crushing regulations. The U.S. tested the first ground-based system for intercepting ballistic missiles. New numbers showed the private economy adding a rip-roaring 253,000 jobs in May.

Who is to blame for this real-news blackout? The press, obviously. But the co-culprit: Donald Trump.

Americans know that much of the mainstream media is biased in how it presents stories. The dirty little secret is that journalists' far greater power rests in what they choose to—or not to—report. The country is no better informed about exactly how Russia interfered in the election than it was in October, when intelligence agencies issued a statement expressing their belief that Moscow had helped hack emails. Not a single use-

ful fact has since been added, nor a single investigation completed, nor a single official report produced. Until those inquiries are completed, we will have no new real facts. Yet every day, a new Russia story.

Few expect better from today's ratings-obsessed media. Especially given its new mission of working with Democrats and Never Trumpers to take down a presidency. That means spewing strategic leaks and suppositions, which create new controversies, which are spun into yet more distant scandals.

We are these days reading exposés about former national security adviser Mike Flynn's work for a Turkish businessman, which is utterly removed from the original question of Russian "collusion."

## Reporters only want to talk about Russia, instead of what Team Trump is getting done.

The result is a surreal situation in which the near-hysterical press coverage of Trump the man (and potential Russian operative) is utterly divorced from the substantive actions his administration takes or the progress it makes. Mr. Trump's cabinet, which includes some of the best reformers in the conservative world, is methodically implementing a far-reaching deregulatory agenda. Congress is moving ahead on important promises.

Thus Mr. Trump's culpability. The president knows better than most the ills of the media; he rails about them constantly. Yet he continues to be the indulger in chief. He daily provides new, explosive tweets that give reporters every excuse to keep up their obsessions about Russia, Mr. Comey, Hillary, Carter Page.

Mr. Trump's Twitter feed may be the most powerful communications tool on the planet. He has the awesome ability, unlike any president in history, to force the press to focus on his agenda by putting it out into the world every morning (or late at night, as it may be). He could use that tool to set the daily discussion. Instead, he's using it to undermine his own administration.

Mr. Trump also has at his disposal an array of famous surrogates who could spread his message. He has all the free media he could ever hope for, if only he used it in a strategic fashion. He has activist groups to help push for his reforms, but they can't compete amid the crazy headlines.

Team Trump owes it to voters to get the real news out about its agenda and successes. But that will require doing more than complaining about the press. This White House needs to set and define the daily debate. It's that, or Russia headlines through 2018.

*Write to kim@wsj.com.*

## Winston Churchill, Hollywood Movie Star

By Lee Pollock

**H**e is just like an actor. He loves the limelight and the approbation of the pit."

That biting appraisal was bestowed in 1907 by one future British prime minister, David Lloyd George, on another: the rising, still-young Winston Churchill. Although he never appeared on camera professionally, Churchill was a film buff who regularly tearing up watching his favorite, the 1941 classic "That Hamilton Woman." He even discussed writing a script for a Charlie Chaplin film about Napoleon.

Fifty-two years after Churchill's death, he has become an irresistible movie character himself. Last year brought "Churchill's Secret," a well-crafted ITV depiction of the aging lion's recovery from a stroke in 1953, while he was prime minister.

At the same time the highlight of Netflix's hit series "The Crown" was John Lithgow's Golden Globe-winning Churchill portrayal. The 6-foot-4 Mr. Lithgow had to stoop to depict his 5-foot-7 subject, and the script took predictable liberties. Churchill was not as grumpy as shown, and the presentation of his marriage is overwrought. Still, the characterization worked.

A less fortunate treatment is "Churchill"—which opened Friday in the U.S. and will be released in the U.K. later this month—and set in the four days before D-Day. The veteran Scottish actor Brian Cox is well-cast as Churchill but sabotaged by a historically absurd story line in which he pathologically opposes the Normandy landings, even ludicrously praying on his knees for a Shakespearean tempest to stop the whole undertaking.

The real Churchill wasn't much given to prayer, and he completely supported the enormously well-prepared Allied invasion.

Historical dramas always distort at the edges and add fictional characters—in Churchill films, usually a devoted nurse or secretary. But good films center on a core truth. Without that, "Churchill" collapses into a heap of comic-book characters, histriónically shouted insults unfound in the historical record, and slipshod errors.

## Thumbs down to the latest film, but a good one may be coming.

For instance, Gen. Dwight Eisenhower sports British medals. Particularly disappointing is watching Churchill spout wobbly phrases such as: "The most important thing in a war is for people to feel truly unified." The film's reported \$10 million budget apparently lacked room to license the actual, glorious words of the real Winston.

"Churchill" is billed as the "untold fascinating true story of D-Day" but it includes so much distortion and fabrication that the historian Andrew Roberts called the film "a depiction with which Dr. Goebbels would have been delighted."

With any luck, a better Churchill will be on the way shortly. "Darkest Hour," centered on the dramatic first months of Churchill's wartime leadership, with Gary Oldman in the leading role, will open around the new year. The scriptwriter, Anthony McCarten, while not a professional historian, may produce this year's surest, most accurate depiction of the 20th century's greatest leader. Any Churchill filmmaker certainly begins with a fabulous subject.

*Mr. Pollock is a trustee and adviser to the board of the International Churchill Society.*

## OPINION

# Hillary Lacks Remorse of Conscience

**DECLARATIONS**  
By Peggy Noonan

I don't want to beat up on Hillary Clinton. She thought she'd win and she lost, embarrassingly, to a man she considered deeply unworthy. At the same time she won the popular vote by 2.9 million. It would take anyone time to absorb these things emotionally and psychologically.

But wow. Her public statements since defeat have been malignant little masterpieces of victimhood-claiming, blame-shifting and unhelpful accusations. They deserve censure.

Last month she was the commencement speaker at her alma mater, Wellesley, where she insulted the man who beat her. On Wednes-

**She seems completely sincere, as if she believes the alternative facts she's peddling.**

day she was at the 2017 Code Conference, hosted by the Recode website, where she was interviewed by friendly journalists Walt Mossberg and Kara Swisher. She eagerly offered a comprehensive list of the reasons she lost the 2016 presidential election.

She lost because America is a hopelessly reactionary country in which dark forces fight a constant "rearguard action" to "turn back the clock." She lost because Republicans are both technologically advanced and underhanded.

Democrats, for instance, use data and analytics to target and rouse voters—"better messaging." Republicans, on the other hand, use "con-

tent farms" and make "an enormous investment in falsehoods, fake news, call it what you will." Democrats "did not engage in false content." She lost because of the Russians: "Who were they coordinating with, or colluding with?"

She lost because of "voter suppression" and "unaccountable money flowing in against me." She lost because the Democratic National Committee didn't help her. "I inherit nothing from the Democratic Party. I mean it was bankrupt.... Its data was mediocre to poor, nonexistent, wrong. I had to inject money into it."

She lost because FBI Director James Comey told Congress the investigation regarding her email server had been reopened. "So for whatever reason... and I can't look inside the guy's mind, you know, he dumps that on me on Oct. 28, and I immediately start falling."

She lost because she was "swimming against a historic tide. It's very difficult historically to succeed a two-term president of your own party." She lost because she was "the victim of a very broad assumption that I was going to win." She lost because the news media ignored her policy positions.

And then there was sexism. "It sort of bleeds into misogyny. And let's just be honest, you know, people who have... a set of expectations about who should be president and what a president looks like, you know, they're going to be much more skeptical and critical of somebody who doesn't look like and talk like and sound like everybody else who's been president. Any you know, President Obama broke that racial barrier, but you know, he's a very attractive, good-looking man."

Oh my goodness, how she thinks. Oddly, she seemed completely sincere, as if she believes her own story. It tells you something about our own power to hypnotize ourselves, to invent reasons that avoid the real reasons. It is a tribute to the power of human denial. And at first



GETTY IMAGES

Mrs. Clinton in New York on May 2.

you think: I hope it was cathartic. Maybe these are just stories she tells herself to feel better.

But none of this, in truth, is without point. It is purposeful. It isn't mere narrative-spinning. It is insisting on alternative facts so that journalists and historians will have to take them into account. It is a monotonous repetition of a certain version of events, which will be amplified, picked up and repeated into the future.

And it's not true.

The truth is Bernie Sanders destroyed Mrs. Clinton's chance of winning by almost knocking her off, and in the process revealing her party's base had changed. Her plodding, charmless, insincere style of campaigning defeated her.

Bad decisions in her campaign approach to the battleground states did it; a long history of personal scandals did it; fat Wall Street speeches did it; the Clinton Foundation's bloat and chicanery did it—and most of all the sense that she ultimately stands for nothing but Hillary did it.

In the campaign book "Shattered," journalists Jonathan Allen and Amie Parnes report they were surprised "when Clintonworld sources started telling us in 2015

that it is one thing to say, "I take responsibility," and follow that up with a list of things you believe you got wrong. It's another thing to say, "I take responsibility," and then immediately pivot to arguments as to why other people are to blame. "I take responsibility for everything I got wrong, but that's not why I lost," is literally what she said Wednesday.

Mr. Mossberg asked her about her misjudgments. What about Goldman Sachs? You were running for president, he said, why did you do those high-priced speeches?

"Why do you have Goldman Sachs [at this conference]?" Mrs. Clinton countered.

Mr. Mossberg: "Because they pay us."

Mrs. Clinton: "They paid me."

Mr. Mossberg noted they paid her a lot. Mrs. Clinton replied she speaks to many groups, she had been elected in New York, which includes Wall Street. Then: "Men got paid for the speeches they made. I got paid for the speeches I made."

The worst part is that she insulted her own country by both stating and implying that America is full of knuckle-dragging, deplorable oafs who are averse to powerful women and would never elect one president. Has she not learned anything? Does she never think Britain had Margaret Thatcher in 1979 and Theresa May now, that Germany has had as its leader Angela Merkel since 2005? Is America really more backward, narrow and hate-filled toward women than those countries? Or was Mrs. Clinton simply the wrong woman, and the wrong candidate?

It would have been helpful if she'd spoken at least of those who'd voted for her and supported her and donated to her campaign precisely because she was a woman.

You should never slander a country that rejected you. Maybe it had its reasons. Maybe her most constructive act now would be to quietly reflect on what they might be.

boldly while his bosses hedged, gave his outgunned Navy the first shot. His sailors and pilots made it count.

Three weeks later, flying to San Francisco to confer with his Washington superior, Nimitz was shaken but uninjured when his seaplane, while landing, struck floating debris and flipped over. As the capsized plane sank, he stepped aboard a small crash boat, where he stood watching rescue operations.

"Sit down, you!" the coxswain barked—before noticing, with horror, his faux pas. He stumbled out apologies.

Nimitz sat down. "Stick to your guns, sailor," he said. "You were quite right."

*Mr. Garnett is a professor of English literature at Gettysburg College.*

## The American Guts and Grit That Sank Japan at Midway

By Robert R. Garnett

Seventy-five years ago Sunday, some 150 Japanese warships, 250 warplanes and 25 admirals were steaming toward a small atoll 1,300 miles northwest of Oahu. Imminent was the most crucial naval battle of World War II—Midway.

Aboard the Yamato, the world's largest battleship, Adm. Isoroku Yamamoto retired to his quarters each

**When his bosses hedged, Adm. Chester Nimitz took a chance on a codebreaker—and surprised the enemy.**

evening to play chess. He had spent his final nights in port with his geisha, Kawai Chiyo. Departing, he sent her verses: "Today too I ache for you / Calling your name / Again and again / And pressing kisses / Upon your picture."

His present concerns were less sentimental. For six months, Japan's navy had battered Allied forces across 8,000 miles of ocean, from Pearl Harbor to Ceylon (modern-day Sri Lanka). Still, Yamamoto worried that the American fleet was wounded but still dangerous. "We have scorched the snake," as Macbeth had put it, "not killed it."

His American counterpart, Adm. Chester Nimitz, relaxed by pitching horseshoes. Steady, calm, old-school—his most violent oath was "Now see here!"—Nimitz marshaled his forces for battle, waiting for the unsuspecting Japanese.

Weeks earlier, with strikes expected toward Australia, Washington had ordered Nimitz's aircraft carriers to the far South Pacific. Others feared assaults on Hawaii, perhaps San Francisco or San Diego. Or the Panama Canal, Alaska, even Siberia.

But in a windowless basement near the fleet's Pearl Harbor headquarters, codebreakers under Cmdr. Joe Rochefort pored over intercepted Japanese radio traffic. Independent, impolitic, single-minded, Rochefort "left the basement only to bathe, change clothes, or get an occasional meal to supplement a steady diet of coffee and sandwiches," one officer recalled. "For weeks the only sleep he got was on a field cot pushed into a crowded corner."

Rochefort's team could decode about one-eighth of an average message, filling in the gaps by educated intuition. For example, the messages called the proximate Japanese objective "AF." But where was "AF"? Midway, Rochefort concluded. The authorities in Washington scoffed. Why would Japan dispatch a massive armada to seize a tiny atoll?

Nimitz, responsible for millions of square miles of ocean, had scant means to repel the Japanese anywhere, let alone everywhere. With his fleet, and perhaps the entire Pacific war, at stake, "I had to do a bit of hard thinking," he would recall.

As the Navy's heavyweights vacillated, Nimitz decided to gamble on the out-of-step Rochefort. He recalled his three carriers from the South Pacific to defend Midway. Time was short. The USS Yorktown had been damaged in the Battle of the Coral Sea and had recently returned to Pearl Harbor trailing a 10-mile oil slick. Repair estimates ranged up to three months.

Three days, ordered Nimitz. Fourteen hundred welders and shipfitters swarmed aboard. Three days later, the Yorktown sailed for Midway.

When the Japanese approached on June 4, Nimitz's forces were waiting. Yet the battle began badly. Agile Japanese fighter planes—Zeros—annihilated the Navy's obsolete torpedo bombers. American dive bombers struggled even to find the enemy carriers.

But then came another lucky break. Hunting for the Japanese carriers, his fuel running low, Wade McClusky, a dive-bomber group leader, spotted a lone Japanese destroyer making speed. Guessing that it was hurrying toward carriers, he followed. His hunch was correct. McClusky's bombers dropped out of the blue on two Japanese carriers just as another squadron arrived to attack a third. Within minutes, all three were flaming wrecks.

Searching for a fourth, Navy pilot Sam Adams sighted the Hiryu and her escorts. "One carrier, two battleships, three heavy cruisers, four destroyers," he dictated to his radio man and gunner, Joseph Karrol, to transmit in dots and dashes to the American fleet. "Course north, speed 20 knots."

"Mr. Adams," Karrol interrupted,

"would you mind waiting a minute? There's a Zero on our tail." After shaking the enemy, Karrol finished keying the report. Soon the Hiryu, too, was ablaze and sinking.

Neither man, however, made it home. Adams and Karrol would die on another mission the following day. The patched-together Yorktown would be bombed, torpedoed and sunk. Still, Japan's six-month Pacific blitzkrieg had been stunningly halted, never to be resumed.

Book titles proclaim it the Miracle at Midway and an Incredible Victory. Perhaps. But providence and chance work mysteriously, judgment and daring more plainly.

"The enemy lacks the will to fight," Japan's overconfident admirals had judged, disastrously. Nimitz, acting

boldly while his bosses hedged, gave his outgunned Navy the first shot. His sailors and pilots made it count.

Three weeks later, flying to San Francisco to confer with his Washington superior, Nimitz was shaken but uninjured when his seaplane, while landing, struck floating debris and flipped over. As the capsized plane sank, he stepped aboard a small crash boat, where he stood watching rescue operations.

"Sit down, you!" the coxswain barked—before noticing, with horror, his faux pas. He stumbled out apologies.

Nimitz sat down. "Stick to your guns, sailor," he said. "You were quite right."

*Mr. Garnett is a professor of English literature at Gettysburg College.*

## Donald Trump Skips Climate Church

**BUSINESS WORLD**  
By Holman W. Jenkins, Jr.

The business case for the Paris agreement has nothing to do with climate change. It goes like this: It is better to be part of any confab than outside of it. Like saluting the flag or bowing your head in church, there is no cost to

being insincere, but there is a cost to not going along.

Let us understand something: One hundred and ninety five countries will not be dragged kicking and screaming to sign any agreement that imposes a cost on them. Such deals exist only because they provide an international imprimatur to what politicians were going to do anyway.

The oil countries like Saudi Arabia and Norway signed. They plan to keep producing oil. India and China plan to grow energy consumption until it is similar to the per capita consumption of the developed countries, at which point it will level off.

The U.S. and Europe intend to keep subsidizing green energy as long as domestic voters give them permission to do so, because the whole point of being in office is to redirect resources to interest groups best able to reward politicians for doling out the goodies.

The Paris countries agreed to meet certain emissions targets, and claimed an intent to hold a planetary temperature increase to less than 2 degrees Celsius.

Not only are the emission targets unenforceable, they have no intelligible relation to the temperature goal according to the very iffy science. By the shot-in-the-dark estimates of the Intergovernmental Panel on Climate Change, it's even possible the rest of the century will bring little warming anyway.

And that's good. Because the un-

enforceable cuts agreed to in Paris would be a rounding error even if carried out.

In the 30 years since global warming became a daily concern of the newspapers, one lesson has been reliably demonstrated for policy participants: There is no appetite in the body politic for the kinds of energy taxes and prohibitions needed to make a meaningful change in atmospheric CO<sub>2</sub>.

**Paris exists to provide an imprimatur to what pols would do anyway.**

We won't dwell on the media hysteria since the Trump decision, or why many of you, dear readers, in defiance of your own reason, will participate in the hysteria even when you know better. Human beings are social animals. When a mob is forming, we experience high anxiety if we're not part of it.

Agreements like Paris arguably aim at the wrong target anyway. Only when technology can meet mankind's energy demand at competitive cost will low-carbon energy prevail. Governments would be wise to invest in basic energy research rather than throwing money at energy technologies that are viable only as long as the subsidies keep flowing. But the latter is what brings in the political bacon.

Oh well. Hypocrisy is the universal solvent of social relations. This also explains the other big climate story of the day, the significance of which reporters have given themselves hypoxia trying to inflate. We're referring to the vote by 62% of Exxon shareholders, led by giant funds Vanguard, Fidelity and BlackRock, to ask the company to explain how the Paris temperature target

would affect its business.

For 30 years there has been push-and-pull in politics over climate change. During every nanosecond of that time, at least while markets were open, investors were repricing energy shares in light of the possibility of climate-change legislation.

Exxon has nothing new or useful to tell investors in this regard. Would a carbon tax be good for bad for the company? It would accelerate the displacement of coal by natural gas, which Exxon produces. Is an electric-car battery in the offing that would go 300 miles and be rechargeable in a five-minute stop at a charging station? Probably not. In which case, even a sizable carbon tax would be unlikely to make much dent in the 8% of global emissions caused by passenger cars.

Americans bought 143 billion gallons of gas last year when the price was \$2.25; they bought 133 billion gallons in 2012 when the price was \$3.64.

"Our patience is not infinite," huffed a statement by BlackRock, the \$5.4 trillion Wall Street fund, as it voted for Exxon's climate penance.

This gesture, of surpassing meaninglessness, is a case of one prominent institution trying to buff up its reputation for church attendance at the expense of another.

And yet, regardless of Mr. Trump's Paris decision, only one large national economy has been reporting sizable emissions declines, thanks to fracking. The same economy may soon also be able to take credit for slowing China's prodigious emissions growth thanks to natural gas exports to displace Chinese coal. That country is the U.S. under the unthinkable monster Donald Trump.

Whatever evolution toward a lower-carbon energy system takes place in the future, it will also certainly be driven overwhelmingly by technology and markets, not policy.

## THE WALL STREET JOURNAL.

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## LIFE &amp; ARTS

## FOOD &amp; DRINK

# Office Baristas Take Your Order

U.S. companies take a page from tech and startup cultures by installing coffee bars to keep employees at work

BY ALINA DIZIK

**FORGET THE SLUDGE** in the break room. The latest corporate perk is a barista who knows how to pour.

Companies are opening on-premise coffee shops that wouldn't look out of place on Instagram. There is cold brew on tap and expertly pulled espresso shots keep employees from stepping out.

It is an uphill battle. Daily coffee drinkers spend more than 62 hours a year purchasing coffee away from the office with 75% of full-time employees also drinking coffee at work, according to a 2015 research report from Packaged Facts, a market research firm.

The shift follows technology companies, which learned decades ago that stocking premium snacks and providing hip areas for lounging can improve the office atmosphere, keep long days more enticing and encourage employees to stay at their desks. Now the idea is reaching the mainstream, including at manufacturers and real-estate investment firms, as they look for ways to revamp more traditional offices and recruit young talent.

Employees typically pay for the coffee drinks, but prices are passed on to employees without a markup. Costs can be as much as 50% less in-house. A 16-ounce Stumptown cafe latte costs around \$4.25 at their cafes, but only \$2.50 in offices.

Companies outsource daily operations, staffing and build-out of the cafes. Coffee revenues go directly to the company, but the firms pay \$18,000 to \$100,000 monthly per space, says Michael Schultz, founder of Infuse, a year-old Chicago based firm that works with companies and hotels to create cafe spaces and menus from independent roasters. Most firms end up breaking even on the running of the cafes, he says. Mr. Schultz



Jones Lang LaSalle's coffee shop is run by Chicago's Infuse. Barista George Fero, Jr. makes a green tea matcha latte.

works with brands including Irving Farm Coffee Roasters, Ritual Coffee Roasters and Metric Coffee and uses the same kind of commercial espresso machines that are used by the roasters.

At Jones Lang LaSalle's Chicago headquarters, the "Club," a seating area with a long coffee bar, draws younger employees, who don't want to spend the day in a traditional cubicle, says Ed Nolan, managing director of workplace strat-

egy. The company built out the space to feel like an "internal co-working space," but it has become so popular that it's now a spot for external meetings, Mr. Nolan says. Unlike in nearby cafes, "they are free to loiter," he adds.

Employees can plug in laptops along the bar area while sipping traditional espresso-based drinks, pour-over offerings from local roasters, sparkling teas and green tea matcha lattes. Cold brew is of-

fered on tap. "I keep it pretty legit," says George Fero, Jr., the lead barista at Jones Lang LaSalle who often uses ceramic cups in lieu of paper. Recently, Mr. Fero who works for Infuse, introduced some employees to a traditional macchiato, an espresso with a dash of milk.

Piercings, tattoos and casual clothing are allowed—and, at times, encouraged. "They are not walking in in a suit and tie and serving up coffee like it's the Ad-

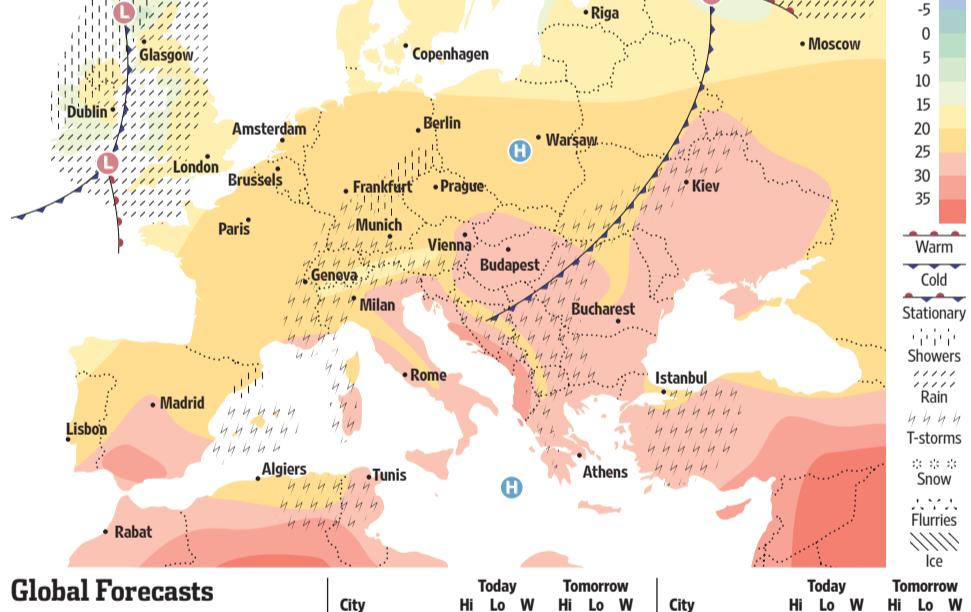
miral's Lounge," Mr. Schultz says. Corporate food-service company, Compass Group's Bon Appétit subsidiary, is also working to mimic in offices what employees are purchasing off premises, says Maisie Ganzler, chief strategy and brand officer. Three years ago, the company started hiring coffee managers, who are professionally trained baristas that can "discuss coffee at length" and host regular tastings with employees, says Ms. Ganzler. Companies are more demanding when it comes to beverage offerings, she says. "Fifteen years ago, it was just coffee," she says.

Most weekdays, ConAgra Brands attorney Megan Agnew orders her regular—a latte with cinnamon—and stays for the chitchat. At the one-year-old cafe, which is run by Infuse, baristas keep regulars' mugs behind the bar and offer Kombucha, a fermented tea beverage, on tap. The cafe also serves breakfast tacos and chia seed pudding. "These are my besties at work," says Ms. Agnew who often shares photos of her children with the baristas.

At Mastercard's Union Square office in New York, people often sit for meetings in nooks surrounding the cafe where a barista pours drinks from Portland roaster, Stumptown. Employees are less likely "go out hunting New York City for this kind of experience," says John Sheldon, a senior vice president at Mastercard.

At some companies, coffee lounges are replacing the corporate cafeteria. In 2010, office furniture maker Steelcase turned an under-utilized cafeteria into what the company bills the Workcafe in their Grand Rapids, Mich., headquarters. They've replicated it for some clients. In addition to a barista, employees get access to a full kitchen and a "nourishment bar." It is open from 7 a.m. to 7 p.m. with an atmosphere that resembles a cafe, says Ms. Johnson: "We purposely offer the best coffee—and it's not self service."

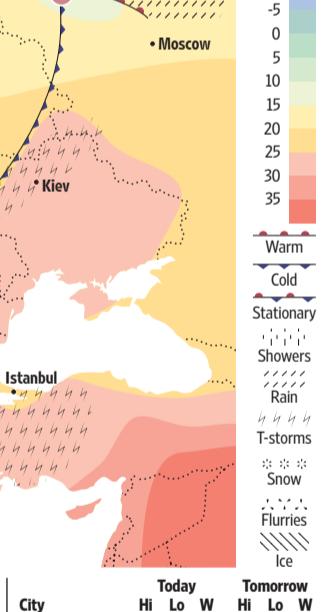
## Weather



## Global Forecasts

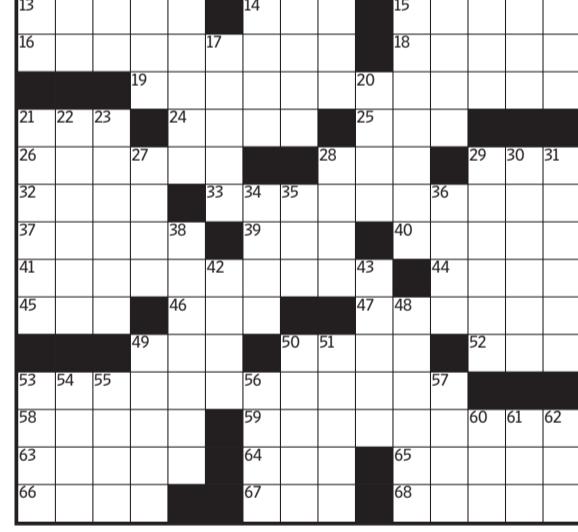
| City         | Today |    |    | Tomorrow |    |    |
|--------------|-------|----|----|----------|----|----|
|              | Hi    | Lo | W  | Hi       | Lo | W  |
| Amsterdam    | 21    | 14 | pc | 17       | 12 | pc |
| Anchorage    | 14    | 8  | sh | 16       | 9  | sh |
| Athens       | 29    | 19 | s  | 29       | 19 | s  |
| Atlanta      | 27    | 20 | c  | 26       | 18 | c  |
| Bahrain      | 43    | 25 | s  | 45       | 27 | s  |
| Baltimore    | 24    | 15 | r  | 23       | 12 | c  |
| Bangkok      | 33    | 25 | t  | 33       | 25 | t  |
| Beijing      | 31    | 15 | c  | 19       | 14 | c  |
| Berlin       | 21    | 12 | pc | 23       | 11 | t  |
| Bogota       | 20    | 9  | pc | 20       | 10 | pc |
| Boise        | 25    | 11 | pc | 30       | 16 | s  |
| Boston       | 14    | 10 | r  | 13       | 10 | sh |
| Brussels     | 22    | 13 | pc | 16       | 10 | s  |
| Buenos Aires | 14    | 1  | s  | 15       | 3  | s  |
| Cairo        | 37    | 26 | s  | 40       | 26 | s  |
| Calgary      | 18    | 8  | pc | 22       | 9  | c  |
| Caracas      | 32    | 26 | pc | 32       | 27 | pc |
| Charlotte    | 28    | 20 | t  | 27       | 16 | c  |
| Chicago      | 21    | 12 | s  | 22       | 12 | s  |
| Dallas       | 30    | 21 | t  | 32       | 20 | pc |
| Denver       | 30    | 12 | pc | 24       | 11 | t  |
| Detroit      | 22    | 12 | pc | 19       | 12 | pc |
| Dubai        | 38    | 29 | s  | 42       | 30 | s  |
| Dublin       | 16    | 8  | r  | 16       | 8  | t  |
| Edinburgh    | 17    | 9  | r  | 15       | 9  | r  |
| Frankfurt    | 23    | 13 | sh | 18       | 11 | t  |

## AccuWeather.com



| City             | Today |    |    | Tomorrow |    |    |
|------------------|-------|----|----|----------|----|----|
|                  | Hi    | Lo | W  | Hi       | Lo | W  |
| Geneva           | 21    | 13 | t  | 17       | 9  | t  |
| Hanoi            | 40    | 29 | s  | 35       | 27 | t  |
| Havana           | 30    | 24 | pc | 30       | 24 | pc |
| Hong Kong        | 32    | 28 | t  | 32       | 27 | sh |
| Honolulu         | 30    | 23 | pc | 31       | 23 | pc |
| Houston          | 30    | 22 | t  | 32       | 21 | t  |
| Istanbul         | 24    | 19 | p  | 25       | 18 | s  |
| Jakarta          | 32    | 24 | sh | 32       | 24 | pc |
| Johannesburg     | 20    | 4  | s  | 18       | 5  | s  |
| Kansas City      | 32    | 17 | s  | 27       | 13 | s  |
| Las Vegas        | 40    | 26 | s  | 41       | 24 | t  |
| Lima             | 22    | 17 | s  | 22       | 17 | pc |
| London           | 18    | 11 | r  | 16       | 10 | t  |
| Los Angeles      | 27    | 16 | pc | 25       | 16 | pc |
| Madrid           | 27    | 14 | s  | 28       | 13 | s  |
| Manila           | 32    | 26 | t  | 34       | 26 | s  |
| Melbourne        | 15    | 8  | sh | 12       | 7  | sh |
| Mexico City      | 27    | 14 | pc | 27       | 14 | pc |
| Miami            | 32    | 25 | t  | 31       | 26 | t  |
| Milan            | 24    | 16 | t  | 23       | 12 | t  |
| Minneapolis      | 26    | 13 | s  | 27       | 14 | s  |
| Monterrey        | 37    | 21 | pc | 36       | 20 | pc |
| Montreal         | 18    | 10 | r  | 19       | 9  | r  |
| Moscow           | 15    | 8  | r  | 17       | 8  | c  |
| Mumbai           | 32    | 29 | t  | 32       | 29 | t  |
| Nashville        | 26    | 19 | t  | 28       | 14 | s  |
| New Delhi        | 44    | 32 | pc | 41       | 28 | s  |
| New Orleans      | 28    | 22 | c  | 28       | 22 | t  |
| New York City    | 22    | 14 | t  | 17       | 12 | sh |
| Washington, D.C. | 23    | 18 | r  | 25       | 15 | pc |
| Zurich           | 20    | 11 | t  | 16       | 9  | t  |

## The WSJ Daily Crossword | Edited by Mike Shenk



## CHANCES ARE | By Daniel Hamm

| Across | 26                                | "The Mikado" town | 49  | List-shortening abbr. |
|--------|-----------------------------------|-------------------|---|-----------------------|
| 1      | Donna Summer's music              | 15                | Hit's opposite                                    |                       |
| 6      | Tack on                           | 17                | Explosive letters                                 |                       |
| 9      | Stress-relieving resorts          | 20                | *Physical location?                               |                       |
| 13     | From Brunei, Bhutan or Bangladesh | 24                | 58 Banish   |                       |
| 14     | "...man mouse?"                   | 25                | 59 Might succeed, and what the starred answers do |                       |
| 15     | Conduct a census                  | 27                | 60 No longer bright                               |                       |
| 16     | *Stool occupant, perhaps          | 28                | 64 Mamie's husband                                |                       |
| 18     | "__ la vista!"                    | 30                | 65 Pageant winner's headgear                      |                       |
| 19     | *Person who gets the picture      | 32                | 66 Eliot Ness, notably                            |                       |
| 21     | Conditions                        | 33                | 67 For every                                      |                       |
| 24     | Semitransparent gem               | 34                | 68 County northeast of London                     |                       |
| 25     | Bond, for one                     | 35                | 47 Focus (on)                                     |                       |

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](#).

- Down**
- 1 Bit of ointment
  - 2 "A Dream \_\_\_ Wish Your Heart Makes"
  - 3 Army address
  - 4 "Li'l Abner" creator
  - 5 How some ground balls are fielded
  - 6 Major artery
  - 7 Bib moistener
  - 8 "Rats!"
  - 9 Melodramatic
  - 10 Promote the sale of
  - 11 Cost for a hand
  - 12 Feature of the Texan flag
  - 15 Wedding settings
  - 17 Convertible driver's option
  - 20 Answer an invitation
  - 21 "We're on!"
  - 22 Get gas
  - 23 Challenges for dry cleaners
  - 27 \_\_ corny as Kansas in August ("South Pacific" lyric)
  - 28 Different
  - 29 Hole for a lace
  - 30 Does an usher's job
  - 31 Straying from the proper course
  - 34 Sound from a sty
  - 35 Assn.'s kin
  - 36 "Pardon me..."
  - 38 Like some revealing skirts
  - 42 Ruler division
  - 43 River through Lyon
  - 48 Addictive drug
  - 49 TV's DeGeneres
  - 50 Bit of snow
  - 51 Gallbladder's neighbor
  - 53 Test the weight of
  - 54 Grade determiner, often
  - 55 1871 Verdi opera
  - 56 Intel product
  - 57 Settings of four series in a CBS franchise
  - 60 Laugh sounds
  - 61 Mine output
  - 62 39-Across collection



The contest answer is DEPOSIT. The X's in the grid are the "checks," and they are balanced in the grid symmetrically (as suggested by the clue at 49-Down) by letters that spell the contest answer.

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</div

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, June 5, 2017 | B1

Euro vs. Dollar 1.1272 ▲ 0.54%

FTSE 100 7547.63 ▲ 0.05%

Gold 1276.80 ▲ 0.77%

WTI crude 47.66 ▼ 1.45%

German Bund yield 0.276%

10-Year Treasury yield 2.159%

## Tencent Pours Funds Into U.S. Tech

By DAN STRUMPF

HONG KONG—In its quest to expand its global reach, **Tencent Holdings** Ltd. has quietly become China's top corporate investor in Silicon Valley, pouring money into everything from electric cars to moonshot ventures such as space tourism and asteroid mining.

Tencent's best-known investments are gaming companies, including "Clash of Clans" maker **Supercell** Oy of Finland and "League of Legends" maker **Riot Games** Inc. But the internet giant hasn't stopped there.

People close to Tencent, China's most valuable listed company with a market capi-



Tencent's booth at the Global Mobile Internet Conference in Beijing.

talization of \$328 billion, say the approach reflects the company's desire to remain abreast of even the most far-fetched

ideas and products out of Silicon Valley—and its fear of missing out on the next big thing. While several Chinese

firms have jumped into hot areas such as artificial intelligence and driverless vehicles, Tencent hopes an active investment arm will offer a window into even more outside-the-box developments in Silicon Valley, people familiar with the company said.

The strategy underscores Tencent's broader ambitions after rising to dominance at home with its ubiquitous WeChat app—which hasn't gained much traction overseas amid competition from the likes of Facebook Inc.

The WeChat social-media platform boasted 938 million monthly active users in the first quarter, 23% more than

a year earlier.

"If you want to be a top-10 corporation on a global scale—and Tencent is already a top 10-type of corporation—I don't think there is any aspect of technology that you should leave behind," said Sinovation Ventures's Chris Evdemon, of Tencent's U.S. approach. Mr. Evdemon is a partner at the venture-capital firm, which has made investments alongside Tencent.

Tencent's top U.S. executive, David Wallerstein, said the active U.S. investing presence is aimed at finding companies tackling big-picture problems.

"I deliberately seek to push out  
Please see INVEST page B2

## GM Faces Showdown Over Stock Proposal

By MIKE COLIAS

**General Motors** Co. Chief Executive Mary Barra faces shareholders this week, under pressure from a hedge-fund investor and fresh scrutiny following the ouster of her counterpart at a crosstown rival.

Shareholders have generally been patient with GM's 55-year-old boss even as the stock trades near the \$33 initial public offering price set in 2010. Ms. Barra emerged victorious in a standoff two years ago against a group of investors demanding share buybacks, and she now opposes a new proposal from **Greenlight Capital**'s David Einhorn to split GM's shares into two classes.

GM investors will vote Tuesday on Greenlight's proposal to divide GM stock into a security that pays dividends and a "capital-appreciation" stock that would entitle holders to all additional earnings. The idea has garnered little support from other investors, and follows a string of record profits, stock buybacks and consistent dividends.

**GM investors will vote Tuesday on Greenlight's proposal to split GM stock.**

"I trust Mary Barra and we back her," said Robert Olstein, chairman of the Olstein Capital Management, a value-oriented investment firm that owns about 265,000 GM shares. Even so, Mr. Olstein said he is open to more-drastic steps to unlock GM's value, though he doesn't think Mr. Einhorn's plan is the right one.

"I understand he's frustrated. I am too," Mr. Olstein said. "But I'm not willing to gamble on his strategy."

Mr. Einhorn's strategy has already been rejected by the board, but will be debated in a GM annual meeting taking place about two weeks after the ouster of Ford Motor Co. CEO Mark Fields. Like Ms. Barra, Mr. Fields led the company during an era of stock-price malaise—**Tesla** Inc., an electric-vehicle startup selling a fraction of Detroit's volumes, passed both companies in market valuation earlier this year.

Mr. Einhorn has made comments skeptical of Tesla, saying he shorts the stock because he believes its value is overrated.

Tesla officials couldn't immediately be reached for comment.

Meanwhile, Mr. Einhorn argues GM is underappreciated, and says dividing shares would attract more interest from both value and growth-hungry investors and sees it lifting the company's value by more than 50%.

GM disagrees, saying the dividend shares could weigh down the company with future payment obligations and

Please see BARRA page B2

## INSIDE



A DISCIPLINED TAKE ON VALUE INVESTING

FINANCE & MARKETS, B4



Doctors protesting last month against the shortage of medicine in Venezuela. The country's government this year likely will spend as much money servicing foreign debt to investors as it does importing food and medicine, according to estimates by Nomura Securities.

## Venezuela Bonds Pose Quandary

Investors have reaped big profits as South American nation grapples with deep economic crisis

By JULIE WERNAU AND KEJAL VYAS

As managing director at hedge-fund manager Knossos Asset Management, Francisco Gherzi buys and sells Venezuelan debt for a living. But as a Venezuelan, he is also hoping for the day when his country puts rebuilding over repaying him.

"If a new government stepped in and said it couldn't pay me for five years because it had a plan to resolve the problems in Venezuela, I would say, OK," he said.

About 23.4% of the country's outstanding debt is held by individuals and institutions inside Venezuela, according to investment bank **Torino Capital**. That doesn't include bonds held by the millions of expats who have fled in recent years.

Despite these moves by big companies, data indicates that the remote-work trend in the U.S. labor force is inexorable, aided by ever-better tools for getting work done anywhere. Surveys done by Gallup indicate that in 2016, the proportion of Americans who did some or all of their work from home was 43%, up from 39% in 2012. Over the same period, the proportion who only work remotely went to 20% from 15%. Amazon.com, American Express, UnitedHealth Group, and Salesforce.com allow employees to work remotely at least some of the time.

IBM has said it hasn't found remote work saves money. It also said the shift away from remote work isn't aimed at cutting costs—though inevitably some employees leave as a result.

Other companies, though, cite saving on rent among a variety of reasons for letting employees work remotely.

They say it also improves employee satisfaction, helping retention and recruiting.

The larger truth is that nearly every company that employs knowledge workers is still learning which jobs can best be done remotely, as the tools to accomplish remote work become increasingly powerful.

Making the transition in a big company isn't easy, Dell's Mr. Price says. What is absolutely essential is getting everyone the right tools. This can be expensive and time-consuming, even for companies whose primary purpose is building those tools.

To understand the issues,

Please see MIMS page B3

"If you took out the Venezuelan demand for these bonds, I would suspect that half the transactions would not occur," said Juan I. Sosa, co-chairman of **Portfolio Resources Group**, Inc. in Miami. Mr. Sosa, also a Venezuelan, estimates that 40% of the 3,800 accounts he manages belong to Venezuelans, most of whom own Venezuelan debt.

Many of the Venezuelan investors profit from their country's bonds, which have posted returns of about 55% over the past year, the best in emerging markets. But the investors are also acutely aware of the country's plight. Venezuela is gripped by an economic crisis so deep that some of its citizens, including children, are starving.

This year, the country's Socialist government likely will

spend as much money servicing foreign debt to investors as it does importing food and medicine for its people, according to estimates by Nomura Securities.

Goldman Sachs's recent purchase, through an intermediary, of Venezuelan bonds that had been held by the country's central bank sparked an angry reaction from opposition groups. They said the transaction provided fresh funds for the embattled administration of President Nicolás Maduro as it faces rising unrest over food and medicine shortages.

Alejandro Grisanti, a Venezuelan economist, said he has no moral qualms about Venezuelans who bought bonds years ago or snapped them up on the secondary market as long as the transactions don't provide new capital for the

government, which he said might use the money on tear gas against protesters.

Many Venezuelan investors say they feel that by holding the bonds, they are helping to keep the country's wealth abroad.

Others believe that if Venezuela were to default, the money that would have gone to bondholders would simply be stolen rather than put toward food and medicine.

"I'd rather that they pay interest and principal rather than put more money in their pockets," said Mr. Sosa, who travels frequently to Venezuela to see family and even recently joined a street protest.

"Investors are out there marching against the regime and buying bonds," he said. "It's a little eerie. But it's a reality."

On a recent sunny day, be  
Please see BONDS page B2

## Seats Go Unfilled on Federal Commissions

By BRENT KENDALL

WASHINGTON—When the **Federal Trade Commission** leveled deceptive-advertising allegations against DirecTV in 2015, all five FTC commissioners were on the job. There were four when **Walgreens Boots Alliance** Inc. and **Rite Aid** Corp. began trying to win antitrust clearance for a proposed merger later that year. And when the FTC sued **Qualcomm** Inc. early this year, there were three.

Now just two commissioners remain. It is a predicament never before seen in the agency's 102-year history, one making life more complicated for these companies and others with delicate business before the FTC.

Similar stories are unfolding across official Washington, as the unexpected election vic-

tory by President Donald Trump and a slow transition process added to the usual disruption triggered when power changes hands. Commission and board slots could remain empty for months, making 2017 a year of prolonged uncertainty for businesses eager for clarity.

DirecTV, Walgreens, Rite Aid and Qualcomm all declined to comment about the situation at the FTC.

The Federal Energy Regulatory Commission has lacked a quorum since February because its rules require at least three commissioners, and it has only two. The commission can't hold its monthly meetings or vote on matters like approving new pipelines. Mr. Trump announced two FERC nominees last month, and they appeared before a Senate committee on May 25.

The Commodity Futures Trading Commission also is operating with depleted ranks, having slipped to two members in February when a commissioner left. The effect has been to sideline for now most of the plans of its acting Republican chairman, J. Christopher Giancarlo, who wants to ease rules adopted after the financial crisis. The other commissioner is Sharon Bowen, a

Please see PANELS page B2

SUSAN WALSH/ASSOCIATED PRESS  
Maureen Ohlhausen is one of just two commissioners at the FTC.

Maureen Ohlhausen is one of just two commissioners at the FTC.

SUSAN WALSH/ASSOCIATED PRESS

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## PANELS

*Continued from the prior page*  
Democrat who generally opposes the rollback. The White House has nominated a former House aide to fill one vacancy but hasn't tapped anyone for the two others. The commission has operated at less than full strength for nearly two years.

On the National Labor Relations Board, Mr. Trump hasn't nominated any candidates for two open seats, and Democrats still hold a 2-1 majority. The board has had three members since August. The president did elevate Republican Philip Miscimarra to chairman, so he can stall decisions he disagrees with. But many businesses are anxious for Mr. Trump to appoint Republicans to reverse Obama-era rulings.

The Securities and Exchange Commission is operating with three members (including one who arrived last month) and two vacancies (which have been open for more than a year). The situation effectively grants every commissioner a veto because agency rules require that at least three commissioners be present for a vote on new rules.

The challenges are most pronounced at panels with only two sitting members like the FTC, which enforces anti-trust and consumer-protection laws. The commission can't challenge a merger or a questionable business practice, or approve a settlement, unless Republican Maureen Ohlhausen, the acting chairwoman, and Democratic Commissioner Terrell McSweeney agree.

The situation was on display recently in the DirecTV case. When FTC lawyers and

DirecTV told a judge they had reached a tentative settlement agreement, Ms. McSweeney wrote the court that there was no deal without her and she didn't think the settlement terms did enough to protect consumers.

As with many open slots, the Trump administration hasn't settled on who should fill the FTC's vacancies.

"The design of the FTC doesn't contemplate three vacancies," said Jon Leibowitz, a former FTC chairman who is now a partner with Davis Polk & Wardwell LLP. "A lot of companies are trying to sort through how to deal with a two-person commission."

A White House spokesman Saturday wouldn't discuss the vacancies, saying the administration doesn't comment on personnel issues.

In separate interviews, the two remaining FTC commissioners said they often agree on the agency's course even as they acknowledged disagreements on some matters.

"On the day-to-day business of the commission, it's getting done. It's not gridlock," Ms. Ohlhausen said in an interview. Said Ms. McSweeney: "The truth is, we're an awfully functional agency."

The two commissioners declined to comment on specific cases, but each said generally they wouldn't abandon their views on any particular matter because there was no one at the FTC to break a tie.

"I'm going to vote the way I think is right," Ms. Ohlhausen said. "I'm not going to support a case I don't believe in purely to avoid a conflict. And I'm not going to do the reverse either."

"I agree with that 100%," Ms. McSweeney said.

—Andrew Ackerman, Dave Michaels, Eric Morath contributed to this article.

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## Legal Notices

### BANKRUPTCIES

#### THE COMPANIES LAW NOTICE OF APPOINTMENT OF OFFICIAL LIQUIDATOR

CHC Group Ltd. (In Official Liquidation)  
Take notice that by order of the Grand Court made on 28 May 2017, CHC Group Ltd., registration number 213521, whose registered office is situated at Deloitte & Touche P.O. Box 1787, Grand Cayman, KY1-1109, Cayman Islands, was ordered to be wound up in accordance with the Companies Law (2016 Revision).

AND FURTHER TAKE NOTICE that Stuart Sybersma of Deloitte & Touche at P.O. Box 1787, Grand Cayman, KY1-1109, Cayman Islands, and Neville Kahn of Deloitte LLP, Athene Place, 66 Shoe Lane, London, UK, EC4A 3BQ, have been appointed as Joint Official Liquidators of the Company.

AND FURTHER TAKE NOTICE that pursuant to Order 8, Rule 2 of the Companies Winding Up Rules 2008 (as amended), the first meeting of any creditors of the Company will be held at the offices of Deloitte & Touche, 4th Floor, Citrus Grove Building, Goring Avenue, KY1-1109, Cayman Islands, on 4 July 2017 at 10:00am local time.

ANY PERSONS CLAIMING TO BE CREDITORS OF THE COMPANY ARE TO PROVE THEIR DEBTS OR CLAIMS ON OR BEFORE 28 JUNE 2017 AND TO ESTABLISH ANY TITLE THEY MAY HAVE UNDER THE COMPANIES LAW (2016 REVISION) OR ARE TO BE EXCLUDED FROM THE BENEFIT OF ANY DISTRIBUTION MADE BEFORE THE DEBTS ARE PROVED OR FROM OBJECTING TO THE DISTRIBUTION.

Dated this 26th day of May 2017

Stuart Sybersma, Joint Official Liquidator

Contact for enquiries: Michael Green, Deloitte & Touche, P.O. Box 1787, Grand Cayman, KY1-1109, Cayman Islands, Telephone: +1 (345) 814 2223, Facsimile: +1 (345) 949 8258, Email: michaelgreen@deloitte.com

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## BUSINESS & FINANCE

# Ivanka Trump Trademarks Eyed

By Eva Dou

BEIJING—One of Ivanka Trump's companies applied for a wide range of new trademarks in China in March, a day before she was named a White House adviser, according to previously unreported Chinese filings.

The 14 trademark applications cover sectors ranging from construction to legal services to alcoholic beverages except beer. If approved, they would allow Ms. Trump to widely expand her business in the world's second-largest economy—or guard against opportunistic local companies seeking to use her name.

Ms. Trump's China trademarks came under scrutiny in April, when China granted preliminary approval for spa and handbag trademark applications the same day Chinese President Xi Jinping held a summit in Florida with Ms. Trump's father, President Donald Trump. Those approvals, first reported by the Associated Press, came in response to applications filed before Mr. Trump's election.

These 14 still-unreviewed applications appear to be the first ones filed by Ms. Trump's company in China after her father's election. Ms. Trump's



One of Ms. Trump's companies filed new applications in China.

company applied for 36 trademarks in China in January through July 2016, then submitted 14 on March 28, according to the filing records.

The applications also cover telecoms, education, carpets, insurance and videogame equipment.

China's State Administration of Industry and Commerce, the agency that handles trademark approvals, didn't respond to a request for comment. Filing a trademark application doesn't mean a company will actually sell products in that sector. Businesses often apply protec-

tively for trademarks to ward off brand "squatters" who try to grab Chinese versions of well-known foreign companies and products, usually to try to extract payment to relinquish their claim.

Abigail Klem, president of Ms. Trump's company, Ivanka Trump, said the applications were made as part of routine business operations. "The brand has filed, updated, and rigorously protected its international trademarks over the past several years in the normal course of business, especially in regions where trademark infringement is

rampant," Ms. Klem said.

The White House declined to comment, referring questions to Ms. Trump's company.

The global business interests of President Trump and his family have generated criticism in the U.S. over the potential for conflicts of interest. Mr. Trump has said his company, the Trump Organization, will be run by his sons and won't strike new foreign deals. He said he would have no contact with it under the terms of a private trust. Ms. Trump is no longer involved in the management of her brand company, but retains ownership through a trust.

Questions have swirled among U.S.-based ethics watchdogs about whether Beijing is seeking to build influence with the Trump administration, either by granting trademark approvals or via corporate proxies. Kushner Cos., the developer owned by the family of Ms. Trump's husband and White House adviser, Jared Kushner, saw a deal for a \$1.25 billion investment in a New York skyscraper by China's Anbang Insurance Group collapse in March amid an outcry over its propriety.

—Yang Jie and Suzanne Kapner contributed to this article.

## INVEST

*Continued from the prior page*  
on the frontier a little further than the other teams" in Tencent, he said.

Based in the technology hub of Shenzhen, Tencent competes on many fronts with China's two other tech giants, Alibaba Group Holding Ltd. and Baidu Inc. Each has ventured overseas as part of their appetite for growth outside China, though none has invested as aggressively in the U.S. as Tencent.

Since 2011, Tencent has invested in 41 tech startups in the U.S., joining fundraising rounds worth \$3.5 billion. The figure excludes investments in public companies. That makes it the second-biggest foreign investor in the sector—behind only Korea's Samsung Group—and tied for 11th biggest corporate investor overall, up from 18th four years ago, according to research firm CB Insights.

Google parent Alphabet Inc. is at the top of the list. In May Tencent reported a 58% rise in first-quarter profit and a cash pile of \$4 billion.

Mr. Wallerstein, whose official title is "chief exploration officer," is a key figure in the company's overseas push. The California native joined Tencent in 2001 and spent more than a decade shuttling between China and the U.S. before settling full time at the company's U.S. headquarters in

### Palo Alto, Calif.

People close to Tencent said Mr. Wallerstein and his team of roughly half a dozen executives take a hands-off approach after buying a stake, investing just a few million dollars at a time or less, typically alongside other big companies or well-known Silicon Valley investors.

"We get behind the founder and the executive team and help the company become the best company they can become," he said. "We will work with the company to bring their technology to China when they're ready, but we do not push the company."

These investments differ from the handful of big-ticket stakes that Tencent has taken in the U.S. Those deals have been led by the company's China-based deals team, people familiar with the company said, and include its acquisition of Los Angeles-based Riot Games as well as its \$1.8 billion investment in Tesla Inc.

"Chinese companies are now wanting to go global more than ever before," said Connie Chan, partner at the Menlo Park, Calif., venture-capital firm Andreessen Horowitz.

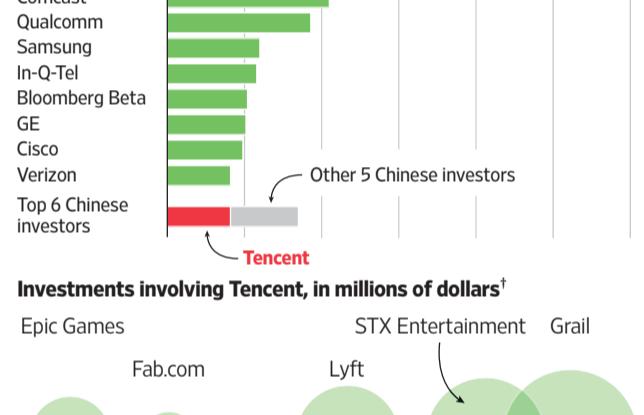
Among recent investments, Tencent led a \$10 million investment round in Academia.edu, a San Francisco-based company that operates a platform for scientists and academics to publish and review papers online.

Other smaller stakes include: a \$3 million investment in

### Start Me Up

Tencent is the largest Chinese corporate investor in the U.S. tech sector.

#### Largest investors in U.S. tech companies, by number of companies\*



\*From 2011 to April 2017 †Size of funding round Source: CB Insights

disclosed earlier this year in Innovega Inc., a Bellevue, Wash.-based company building an "augmented reality" device into a contact lens.

Some of Tencent's early investments paid off big, like its investment in Snap Inc. in 2013, four years before the Snapchat parent went public. But not every investment has

taken off.

Since 2014 the company has participated in \$25 million worth of fundraising by Kamcord, a San Francisco social-media company. Kamcord has had ambitions to expand in Asia, but last year discontinued its live video-streaming service. Kamcord wasn't available for comment.

Among recent investments, Tencent led a \$10 million investment round in Academia.edu, a San Francisco-based company that operates a platform for scientists and academics to publish and review papers online.

Detroit's chiefs, including Mr. Fields's successor Jim Hackett, must show they can cash in on budding technologies like self-driving cars

## TECHNOLOGY

WSJ.com/Tech

# SpaceX Notches One More Success

By ANDY PASZTOR

Elon Musk's **SpaceX** for the first time launched a refurbished cargo capsule that had been used on a previous mission, a major stride toward eventually reusing spacecraft carrying astronauts.

Saturday's blastoff of the Falcon 9 rocket carrying the unmanned Dragon capsule went off like clockwork, rising from Florida's **Kennedy Space Center** on schedule at 5:07 p.m. local time. Neither the rocket nor the previously flown capsule, filled with roughly three tons of supplies and experiments destined for the international space station, experienced any technical problems.

The capsule initially flew and came back from the orbiting laboratory in 2014.

The latest feat by Southern California-based **Space Exploration Technologies** Corp. followed by two months the closely held company's historic accomplishment of launching, returning and vertically landing the major portion of a used booster to cap off two separate trips to space.

Slightly more than five years ago, SpaceX became the first corporate entity to link up a spacecraft with the orbiting space station.

Ultimately, Mr. Musk and many other space experts consider reusable rockets and spacecraft key to slashing the



**Saturday's blastoff of the Falcon 9 rocket carrying an unmanned Dragon capsule went smoothly.**

cost of access to space and stepping up launch tempos.

Over the years, a major challenge confronting SpaceX was ensuring that water didn't leak into returning Dragons as parachutes guided them to gentle splashdowns. A still unanswered question is how many times a capsule's heat shield—attached to the bottom of the pear-shaped vehicle and designed to withstand fiery returns through the atmosphere—can be re-flown safely.

The recycled Dragon featured a new heat shield and

replacement parachutes.

Three minutes after liftoff, the main engines stopped firing as planned, the first stage separated and then the engine powering the second stage ignited. Less than eight minutes after blastoff, the Falcon 9's first stage touched down vertically at its landing site near the launchpad. The capsule is scheduled to arrive at the space station on Monday.

The launch had been scrubbed Thursday due to weather. Scientific cargo on board includes mice that are part of an effort to study loss

of bone density in space, along with hundreds of fruit flies for biological experiments, and seeds intended to grow in microgravity. Another experiment aims to test a new, flexible type of solar array that is supposed to unfurl like a mat.

Saturday's blastoff also moves SpaceX closer to shifting management and worker resources to producing just a single variant of the Dragon capsule—intended to routinely start carrying humans into orbit before the end of the decade.

The same generation of

spacecraft will be used in the future to also ferry cargo into orbit. Building, testing and reflying identical versions of the spacecraft should reduce factory time and expenses for SpaceX, though it isn't clear at what point federal space officials will sign off on recycling Dragons that carry astronauts. In the long run, company officials have said, they foresee potentially dozens of such repeat missions.

Company engineers continue to modify Falcon 9 rockets to increase their load capabilities and make them easier to reuse. Dragon capsules also have been optimized for reuse. Company officials hope to reduce refurbishment time, including cutting down on structural inspections, as they become more proficient at flying used spacecraft.

The blastoff marked SpaceX's 11th successful cargo launch, and it is likely to give the company and the **National Aeronautics and Space Administration** a boost as both sides ramp up efforts to certify Dragons for human space flights. NASA's now-retired space shuttle fleet also was designed to launch repeatedly, though refurbishing the shuttles between missions proved substantially more complex, expensive and time-consuming than envisioned.

## Sony Prepares New Game For Phones

By TAKASHI MOCHIZUKI

TOKYO—**Sony** Corp. is releasing the first title from a new unit focusing on smartphone games, initially targeting Japan where its PlayStation 4 console is flagging.

The company said users could start signing up for a mobile version of "Everybody's Golf," a popular game that has been available since 1997 mainly for PlayStation platforms. It said the phone app would be available soon and free to download for Apple Inc.'s iPhones and handsets running the Android operating system from Google parent **Alphabet** Inc.

As with many other smartphone games, Sony plans to earn money from small in-app purchases, such as costumes to dress up players' characters.

A smartphone version of the golf game was previously released for **NTT DoCoMo** Inc., Japan's largest wireless carrier, but the latest version is optimized for smart devices such that users can play with one hand.

Sony's PlayStation console is popular in the U.S. and Europe, especially among hardcore fans of so-called shooter games. In Japan, where many gamers have migrated to smartphones, PlayStation's presence is smaller. Japan accounts for less than 10% of the more than 53 million PlayStation 4 units sold globally since November 2013, according to data from Sony and Japanese videogame magazine Famitsu.

The smartphone-game market in Japan is more than twice as big as that for consoles, according to Computer Entertainment Supplier's Association data. Sony hasn't made major inroads in the market with the exception of a game called "Fate/Grand Order" developed by a different Sony unit.

ForwardWorks plans to release four or five additional smartphone games in Japan by March 2018, company officials said. The company hasn't announced any plans for expanding beyond Asia.

Sony rival **Nintendo** Co. has been offering smartphone games since last year. Nintendo says it hopes those games will pull in casual users who may later trade up to a Nintendo device such as its new Switch machine.

## MIMS

Continued from page B1

it is helpful to look at a company that has always been almost entirely remote. Automatic, maker of WordPress, the content-management system that powers 28% of all websites, has 558 employees spread across more than 50 countries, up from 302 in December 2014.

Despite its growth, the company is getting rid of its custom-designed, light-filled, 14,250-square-foot office in a hip San Francisco neighborhood. On an average day, maybe five workers will show up, dwarfed by the cavernous space and nearly outnumbered by the Ping-Pong and foosball tables that mostly sit idle.

With teams that may be spread across a dozen time zones, Automatic relies on Slack for synchronous communication, Zoom for weekly videoconferences and its own internal system of threaded conversations for document-

ing everyone's work and for major decisions.

When everyone is forced to communicate through these tools, no one is left out, says Mark Armstrong, whose site, Longreads, was acquired by Automatic in 2014. "Everyone knows that feeling where you're the one on the conference call and everyone else is in the room together," he says.

A distributed workforce can have other benefits, says Julia Amosova, a "happiness engineer" at Automatic. The online communication required allows for radical transparency, since anyone in the company can search across all internal communications. "Most of the meetings were held behind closed doors at other places I worked at," she says. "I didn't have the same feeling of unity and inclusion."

Unless you're a pure software company like Automatic, being 100% remote probably isn't an option. Dell isn't planning to get any more of its employees working remotely, Mr. Price says. "Engi-



**Automatic's Julia Amosova**

neering, leadership, R&D, sales and customer support—those are roles that don't lend themselves very well to remote work. Not everybody gets to do it." Roles where it does work include HR, legal, marketing, analytics, data science and other support functions, he adds.

For workers in an office, collaboration occurs naturally, says Jason Owen-Smith, a professor of sociology at the University of Michigan who has studied collaboration and innovation at academic research institutions. His re-

search indicates that for every 100 feet of overlap between the typical daily walking paths of people in a building, there is a 17% increase in the likelihood two researchers who have not previously worked together will collaborate on a new project—and a 20% increase in the likelihood they will get their project funded.

In one building Dr. Owen-Smith and his team studied, the men's and women's restrooms were at opposite ends of the facility: Same-gender collaborations went up and mixed-gender collaborations were suppressed. Famously, at Pixar, Steve Jobs put the bathrooms in the center of the building, to force people to cross paths multiple times a day.

For remote workers, the communications tools they use daily are the equivalent of these common spaces. The canonical example, owing to its explosive growth and creeping ubiquity, is the group-chat service Slack. It is designed to make it easy for employees to communicate in ways that aren't much differ-

ent from the way they would around a water cooler or a conference table. Slack's playful features, like on-demand animated GIFs, make it good for collegial interaction, while its library of chatbots and integrations with other enterprise software make it useful as a hub for communicating about and controlling many aspects of a business.

What matters even more than the tools is the process that underlies them, says Jason Fried, co-founder and chief executive of Basecamp, which makes digital project-management and collaboration tools, and the author of "Remote," a book about working remotely. Everyone on a team, remote or not, has to be willing to participate in that process, or else someone will miss out on key information and decisions.

"You have to be committed to this digital transformation, and be ready to invest to do this well," says Dell's Mr. Price. "Otherwise you have a lot of morale issues, engagement issues and a bad cultural response."



**'Wonder Woman,' starring Gal Gadot, had a big opening.**

## 'Wonder Woman' Reigns at Box Office

By ERICH SCHWARTZEL

"Wonder Woman," the first major comic-book adaptation to put a super heroine front and center in more than a decade, powered to the top of the box office over the weekend with an estimated \$100.5 million debut.

The critical acclaim and box-office success of "Wonder Woman" breathes new life into **Warner Bros.**' DC Comics franchise, which has had the performance of recent installments like "Suicide Squad" hurt by withering reviews.

Gal Gadot headlines "Wonder Woman" as Diana, Princess of the Amazons, a warrior who becomes the title character made famous by Lynda Carter on the 1970s television show. When a World War I pilot crashes into her hidden world

of Themyscira, Diana joins him to fight the German army.

"Wonder Woman," directed by Patty Jenkins, is the best opening of all time for a female director. Women made up 52% of the opening-weekend audience; most DC movies sell more than 60% of tickets to men in their first weekends, said Jeff Goldstein, president of domestic distribution at the **Time Warner** Inc.-owned studio.

Overseas returns totaled \$122 million, led by a \$38 million debut in China. "Wonder Woman" has so far opened in countries comprising about 75% of the global marketplace.

The weekend's other new wide release, "Captain Underpants: The First Epic Movie," opened to \$23.5 million in second place, a fine start for the inexpensive animated film.

## Shipping Firm Files for Insolvency

By WILLIAM WILKES AND COSTAS PARIS

FRANKFURT—Germany's third-largest shipping firm filed for insolvency Friday after it was cut loose by one of the country's biggest shipping lenders, a sign Germany's long-simmering shipping crisis has reached a boiling point.

**Rickmers Holding AG** said lender **HSH Nordbank AG** backtracked on an understanding that it would restructure the company's debt, forcing it to file for insolvency.

HSH Nordbank said its board examined the company's business plans carefully before deciding they weren't viable.

"Rickmers is maritime royalty," said Basil Karatzas, chief executive of New-York based Karatzas Marine Advisors and Co. "Seeing them file for bankruptcy is like seeing a king get deposed."

The company's bankruptcy puts an exclamation mark on a dismal 12 months for Germany's shipping firms.

Plunging world freight rates and the bankruptcy of South Korea's Hanjin Shipping last year helped create a perfect storm for the sector, a headache for German banks and investors who own around 21% of the world's container fleet, according to the German Shipowners' Association.

A glut of tonnage in the water brought about a rare wave of industry consolidation over

the past two years, with the world's 20 biggest container operators shrinking to about a dozen with heavy losses.

Despite some signs of recovery with rebounding volumes, freight rates in the benchmark Asia-to-Europe trade route are still around half break-even levels.

This has forced some top players like Denmark's Maersk Line and Germany's Hapag-Lloyd to shed thousands of jobs.

Industry players say the carnage isn't over, with Asian operators like Hong Kong's Orient Overseas Container Lines and Taiwan's Yang Ming now in the crosshairs of the bigger players.

Rickmers, which operates 114 ships, on Wednesday had

said HSH Nordbank "surprisingly denied" a term sheet needed to restructure its debt.

The financial spat between Rickmers and HSH Nordbank is coming at a very critical time for the state-owned lender.

The bank faces liquidation if it can't find a buyer after the European Commission last year ordered its owners, the federal states of Hamburg and Schleswig-Holstein, to sell their combined 85% stake in the bank.

The privatization of the bank, which in March said it had loan loss provisions of €2 billion (\$2.26 billion) because of soured shipping loans, must be completed by February 2018, the European Commission has said.

## BUSINESS NEWS

## Shipping Firm Files for Insolvency

By WILLIAM WILKES AND COSTAS PARIS

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A glut of tonnage in the water brought about a rare wave of industry consolidation over

## VOLVO CAR

### Sales Increase 12% On Strong Demand

Swedish car maker Volvo Car Corp. said sales rose 12% in May, reflecting strong demand across all regions, with China the standout performer.

The company, owned by China's Zhejiang Geely Holding Group Co., said on Friday that it sold 47,247 cars in the month, a 12% rise year-over-year, aided by demand for its new 90-series models but underpinned by its best-selling model, the XC60 sport-utility vehicle.

China was Volvo's biggest market in May, where it posted a 39% increase in sales from a year earlier, helped by locally produced S90, XC60 and S60 models, to 9,779 cars. In the U.S., sales rose 12% to 6,202 cars in May, as the company's XC90 SUV continued to prove popular. Sales in Europe, the Middle East and Africa grew by 5.4% to 26,634 cars.

The XC60 was Volvo's best-selling model globally in May, with 15,639 sold compared with 12,029 in the same period last year.

Sales of the XC90 dropped to 6,647 cars from 6,715 last year.

—Dominic Chopping

## TOYOTA

### Auto Maker Sold Tesla Stake in 2016

Toyota Motor Corp. sold its stake in **Tesla Motors** Inc. some time last year, the company said, formally ending a partnership between the car makers.

A spokesman for the Japanese auto maker on Saturday declined to say when the transaction occurred or how much Toyota made from the sale.

Tesla owned 2.3 million shares in Tesla in March last year, and its stake was valued at \$53.1 billion (\$480 million) at

the time, according to the most recent disclosure from the company.

The two companies teamed up in 2010 to work on electric vehicles. Toyota took a \$50 million stake in the maker of electric cars and sport-utility vehicles. In return, Tesla produced components for the battery-powered version of the RAV4 crossover SUV.

Toyota sold a portion of its Tesla holdings in 2014, after announcing it would stop using Tesla as a supplier for the electric RAV4, which is no longer sold.

—Sean McLain

## FINANCE &amp; MARKETS

INTELLIGENT INVESTOR | By Jason Zweig

## Where Are You Buying? Take a Fresh Look



When U.S. investors send their money outside the country, some of it bounces right back.

In May, U.S. investors added \$23 billion to exchange-traded funds holding international stocks, estimates FactSet, even as they pulled almost \$2 billion out of U.S. stock ETFs. So far in 2017, U.S. investors have poured \$75 billion into foreign-stock ETFs.

But several ETFs specializing in South Korea hold at least 20% of their assets in a single stock, **Samsung Electronics** Co., which derives about a quarter of its revenue from the U.S. and almost none from Korea.

Or take the second-largest holding in many India funds, **Infosys** Ltd., which does more than 60% of its total sales in North America and only 3% in its home country.

And forget about Finland, where **Nokia** Corp., the telecommunications firm, and **Kone** Corp., the maker of elevators and escalators, account for 38% of the total market value of the MSCI Finland index, even though both firms do most of their business outside of Scandinavia.

A new study in the Financial Analysts Journal finds that investors can slightly improve risk and return by shopping for stocks abroad not on the basis of where they are based but, rather, on



along with developed-world management standards, he says.

**Advanced Portfolio Management**, an investment firm in New York, has launched a strategy (for institutional clients only) that will invest in Indian companies catering to consumers there.

"We want a pure play on India's consumers. We think it's going to be the fastest-growing large economy in the world over the next few years," says Robert Kiernan, Advanced Portfolio Management's chief executive.

At heart, diversification works best when it relies on common sense.

Many traders sold British stocks in the wake of last year's surprise Brexit vote, thinking that companies in the U.K. would be hurt by its intent to leave the European Union.

But the top 100 British companies derive roughly 72% of their revenue overseas, according to Paul Marsh, a finance professor at London Business School who studies long-term investment returns around the globe. Even small stocks in the U.K. get about 45% of their sales from abroad, he says.

So the correct, if counter-intuitive, decision was to buy—not sell—British stocks, especially the biggest exporters. Between the vote to exit the EU in June 2016 and the end of the year, domestic-oriented British companies gained 1% on average, says

Prof. Marsh. Those with the greatest overseas exposure gained an average of 30%.

Over long periods, however, the potential extra gain from a basket of local companies around the world isn't likely to be great. And buying nothing but mononational amounts to "the exclusion of broad segments of the market," says Marlene Lee, head of investment research at **Dimensional Fund Advisors** in Austin, Texas. That would result in less diversification, not more.

To see why, imagine owning a mononational U.S. portfolio. S&P Dow Jones Indices estimates that among those companies in the S&P 500 reporting sufficient data, only 42 got less than 15% of revenue from outside the U.S. in 2015. A pure U.S.-only portfolio would have to exclude not just **Amazon.com** Inc. and **Apple** Inc. but even such firms as **Costco Wholesale** Corp. and **Home Depot** Inc., all of which do significant business in other countries.

So the mononational approach makes sense only as a small speculation, says Tadas Viskanta, who blogs about investing at **AbnormalReturns.com** and has written several research papers on global diversification.

Buying purely domestic companies is probably best-suited for trading on geopolitical events or the growth prospects of a specific country. But it's not worth overhauling a whole portfolio for

where they do most of their business.

That research is based on 10 countries, mostly in Europe, and covers a relatively short period, from 1998 to 2012. The authors, finance scholars Cormac Mullen and Jenny Berrill of Trinity College in Dublin, weren't available to comment.

Murray Stahl, chairman of **Horizon Kinetics** LLC, an investment firm in New York that manages about \$5.4 billion, has been pondering what he calls "country misrep-

resentation" for years. "Decades ago, more companies did the bulk of their business within their own national boundaries," Mr. Stahl says.

"But globalization has de-territorialized a lot of companies. Being listed or headquartered in a particular country doesn't mean they give you exposure to that country's economy."

Sensing that, many investors buy global giants like **Coca-Cola** Co., **Procter & Gamble** Co., Swiss-based **Nes-**

**tle SA** or British-based **Unilever PLC** to capture a cut of their sales in emerging markets. Mr. Stahl is more interested in the dozens of local subsidiaries or affiliates of such companies.

Among such domestic versions of global companies are **British American Tobacco** **Malaysia**, **Coca-Cola Em- bonor** SA (Chile), **Guinness Nigeria** PLC, **Hindustan Unilever** Ltd. (India) and **Wal-Mart de Mexico** SAB. They offer targeted access to emerging-market consumers

## FINANCE WATCH

## PRIVATE EQUITY

## KKR Raises Fund Dedicated to Asia

**KKR & Co.** raised a \$9.3 billion fund dedicated to private-equity investments across the Asia-Pacific area, the largest such fund in the region, the U.S. private-equity firm said.

The fund's investors include public pensions, sovereign-wealth funds and family offices, the firm said Friday.

KKR is among a clutch of firms that have been raising funds to cut deals in Asia, including **Carlyle Group** LP and **Warburg Pincus** LLC, amid a rush of private-equity investment in the region in recent years.

KKR had previously raised Asia's largest private-equity fund at \$6 billion in 2013. That fund has netted investors an annual return of 21% after fees as of March 31.

The firm had primarily taken minority stakes in fast-expanding Chinese companies, but re-

cently has been pursuing more deals that involve helping Chinese companies invest abroad.

—Julie Steinberg

## BARCLAYS

## Electronic-Trading Chief to Join Citadel

**Barclays** PLC's head of electronic equities trading is leaving for one of the top jobs at giant electronic market-making firm **Citadel Securities** LLC.

Joseph Mecane will become Citadel's head of execution services, a role in which he will oversee its business in equities, options and exchange-traded funds, Citadel said Friday.

Citadel Securities trades stocks, bonds, options and currencies in markets around the world.

The announcement comes two months after Citadel Securities said it had recruited Stephen Luparello, a former Securities and Exchange Commission regulator, as its general counsel.

—Alexander Osipovich

## CITIGROUP

## Bank Makes a Hire in Quantitative Trading

**Citigroup** Inc. has tapped a quantitative-trading veteran as part of a broader build-up of its equities unit.

Thomas Chippas will join as global head of quantitative execution, the bank said Friday.

Mr. Chippas previously led quant-trading units at **Barclays** PLC and Deutsche Bank AG, before leaving for jobs beyond Wall Street, most recently as chief operating officer of blockchain-technology startup Axoni Inc.

The return to Wall Street for someone who left to work at a tech startup is an indication of the growing importance of the tech-heavy "quant" style of trading.

Banks are trying to keep up with clients who are shifting away from fundamental strategies to ones dictated by data and patterns. Equity desks have struggled with low volatility and a growing emphasis on low-cost passive trading.

—Telis Demos

## Investor Tackles a Demon: The Urge to Limit Losses

BY CHRIS DIETERICH

Wesley Gray's value-focused fund of non-U.S. stocks is beating all its rivals over the past year. For him, it is almost beside the point.

Mr. Gray, chief executive of asset manager **Alpha Architect** LLC outside Philadelphia, says watching short-term market moves doesn't pay off.

Instead, his firm focuses on the benefits of finding and buying a small number of very cheap stocks, and holding them through thick and thin.

Alpha Architect is an up-start active investment manager that tripled its assets last year, a noteworthy performance at a time when traditional stock pickers are struggling with lackluster performance and investors' withdrawals. The firm, with \$522 million in assets, is among a growing crop of money managers using academic financial and behavioral research, and algorithms, to identify stock bets likely to beat the market.

So-called quantitative investment strategies pulled from academic research have been around for years, popularized by the likes of **Dimensional Fund Advisors** and **AQR Capital Management**. Mr. Gray and Alpha Architect aim to deliver potent iterations of those strategies to smaller investors.

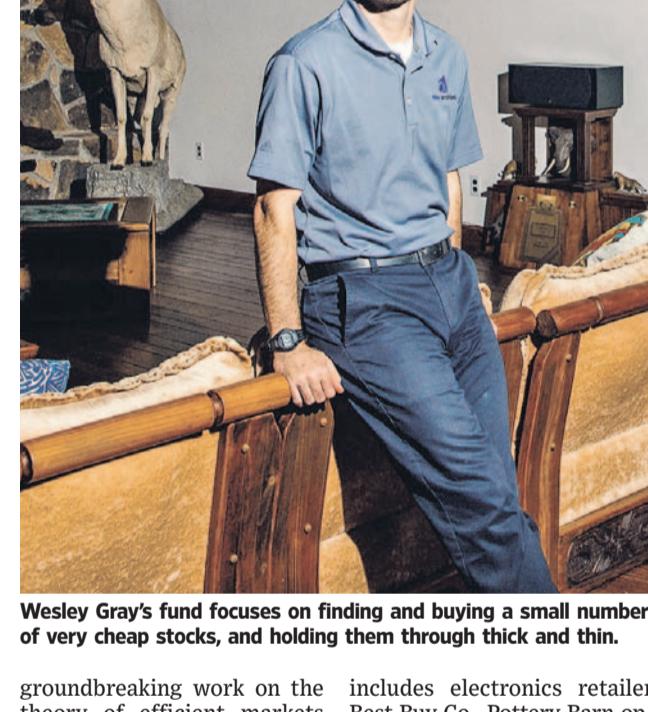
Mr. Gray is a former captain in the U.S. Marine Corps who served a tour in Iraq and later earned a Ph.D. in finance from the University of Chicago Booth School of Business. He says extreme discipline is a crucial component of his concentrated, algorithmic adaptations of classic value investing, popularized by Benjamin Graham and Warren Buffett.

Last year, Mr. Gray put out a report, "Even God Would Get Fired as an Active Investor," concluding that stock-picking foresight alone wouldn't equip investors to conquer perhaps their most formidable foe: the fear-driven urge to cut losses.

"Investors' willingness and ability to deal with grim death and stick with it makes value investing work," he says.

Mr. Gray, who is now 37 years old, spent his earliest years on a cattle ranch in Colorado before moving as a teen to Northern California. He recalls thumbing through copies of Barron's during visits with his grandmother, a Buffett disciple, as a child.

Eugene Fama, a winner of a Nobel Prize for Economics for



Wesley Gray's fund focuses on finding and buying a small number of very cheap stocks, and holding them through thick and thin.

groundbreaking work on the theory of efficient markets and adviser to Mr. Gray during his Ph.D. program, recalls his engaging, unorthodox manner.

"He kind of talked like the kids I grew up with in kind of a tough neighborhood in Boston, not like a normal Ph.D. student," Mr. Fama said.

Two years into graduate school, Mr. Gray took a four-year sabbatical to join the U.S. Marines. Two years later, he was deployed as a ground intelligence officer, alongside Iraqi army units in Anbar province. He learned, he says, the vital importance of building trust and relationships.

Returning to academic life in 2008, Mr. Gray set up a blog to distill the latest academic papers on quantitative investing.

Alpha Architect is a 15-minute drive from the offices of Vanguard Group, the index-fund giant, and Mr. Gray says he is out to turn his firm into a boutique aimed at delivering low-cost "alpha," or market-beating performance. The firm can keep costs down in part by cutting out distributors.

Unlike some investment strategies that use ill-defined signals to guide stock selection, Mr. Gray has co-written three books outlining Alpha's approach, including how its value algorithms seek out the cheapest stocks with little financial distress, high returns on capital and growing margins. The portfolio currently

includes electronics retailer Best Buy Co., Pottery Barn operator Williams-Sonoma Inc. and kitchen-container purveyor Tupperware Brands Corp.

The average expected price/earnings ratio for the 40 stocks in Alpha Architect's **ValueShares U.S. Quantitative Value ETF** is 13.4, far below the 17 forward P/E for the more than 300 stocks in the Vanguard Value ETF, according to Morningstar.

"We don't care about telling people what we do," he says. His approach is so unorthodox that fund managers seeking to replicate it "will get fired."

Of course, the market is littered with winning strategies that lose their potency over time, and smart-sounding theories that fail outright when put into practice. Moreover, success in investing often leaves market-beating managers awash in fund inflows that outstrip their capacity to generate ideas.

Mr. Gray responds that the data upon which his strategies are based have proved their resilience for years, and that they can be explained by investors' behavior. He admits that he has considered the implications of getting too big, a state that he says isn't imminent but could force unhappy changes on his firm.

"We'd have to start shifting the portfolios, start diversifying," he says. "The truth is that you can't jam 10 pounds of stuff into a one-inch hole."

## PRESS RELEASE

**SUBJECT:** Announcement of the publication of the Annual Report 2016 of Crédit Agricole Cariparma S.p.A.

It is hereby announced that - pursuant to Article 113 of the Italian Consolidated Financial Act and to Article 116-ter of the Regulation on Issuers, as well as to Luxembourg Law 11/01/2008, to the Gran Ducal Regulation 11/01/2008 and to Circular CSSF 08/337 – Crédit Agricole Cariparma S.p.A., with Headquarters in Parma (PR), Via Università, 1, in its capacity as issuer having Italy as Member State of origin whose securities are admitted for trading in another EU Member State (Luxembourg) and not in Italy, published its Annual Report 2016, in Italian language and in English language, on the website available to the public [gruppo.credit-agricole.it](http://gruppo.credit-agricole.it)

Parma, the 5<sup>th</sup> of June 2017

## COMUNICATO STAMPA

**OGGETTO:** Comunicazione della pubblicazione del Bilancio 2016 di Crédit Agricole Cariparma S.p.A.

La presente per comunicare - ai sensi dell'art.113 del TUF e dell'art. 116-ter del Regolamento emittenti, nonché della Luxembourg Law 11/01/2008, della Gran Ducal Regulation 11/01/2008 e della Circular CSSF 08/337 - che Crédit Agricole Cariparma S.p.A., con sede in Parma (PR), Via Università, 1, in qualità di emittente avente l'Italia come Stato membro di origine i cui valori mobiliari sono ammessi alla negoziazione in un altro Stato Membro dell'UE (Lussemburgo) e non in Italia, ha reso pubblico il Bilancio 2016 in lingua italiana ed in lingua inglese, attraverso il sito accessibile al pubblico [gruppo.credit-agricole.it](http://gruppo.credit-agricole.it).

Parma, 5 giugno 2017

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## JOURNAL REPORT | INVESTING IN FUNDS &amp; ETFS



## EXCHANGE-TRADED FUNDS

# Europe's ETF Trek Is Speeding Up

Still far behind the U.S., the market hits a 'higher gear'

BY TANZEEL AKHTAR

IT HAS TAKEN nearly a decade for exchange-traded funds to gain traction in the European market, but they finally seem to be catching on.

Propelled by the U.S. market, where investors have been pouring money into passive investments such as ETFs, the appetite for cheaper funds that track European indexes has been slowly increasing.

Fund-tracker **Morningstar** Inc. predicts that by 2020, ETFs listed in Europe will have more than \$1 trillion in assets under management. Currently, there is about \$700 billion invested in European ETFs, according to Jose Garcia-Zarate, associate director of passive-strategies research at Morningstar.

"We've seen the European ETF market shifting to a higher gear," Mr. Garcia-Zarate says. In addition to ETFs that track core indexes, ETF providers are bringing to market products that offer more sophisticated strategies, including smart beta (in which holdings are weighted by something other than market value).

Mr. Garcia-Zarate calls it a natural evolution: "First, one starts with plain-vanilla, straightforward exposures. Then when clients are happy with those and are comfortable with how ETFs operate, they start demanding more-complex exposures and strategies."

## Playing catch-up

At the end of 2016, there was about \$3.4 trillion in ETF assets globally, according to ETFGI LLP, a London-based consulting firm. U.S.-listed funds, which have been around since about 1993, continue to attract the most money, pulling in some 50% of all new ETF investment.

The first ETF listing on the London Stock Exchange came in April 2000. Now, there are some 1,350 exchange-traded products listed on the LSE.

Lida Eslami, manager of listed



Fidelity Investments' international arm has launched two smart-beta ETFs on the London Stock Exchange.

products at the London exchange, says a range of new ETPs have been coming to market in London. In April, she says, Fidelity International listed its first European ETFs in London.

Still, Europe is at least five years, and some would say a decade, behind the U.S. in the adoption of ETFs. What's behind the lag? Mr. Garcia-Zarate says one major reason is that Europe hasn't had the same demand from individual investors as the U.S. has.

"In the U.S. there is a very active participation of the retail community in the uptake of ETFs. This isn't the case in Europe," he says, adding that "distribution channels and regulation are more conducive to reach retail clients in the U.S."

Andrew Craswell, vice president at Brown Brothers Harriman, explains that Europe isn't a homogeneous market (so the way ETFs are distributed can differ from region to region). Still, his firm expects growth to accelerate over the next three to five years as new players bring innovation in terms of the types of products offered and how they are sold.

Regulatory changes such as the Markets in Financial Instruments Directive, a rules package set to take effect across Europe in January 2018, are expected to contribute to

ETF growth in Europe.

MiFid II, as the rules package is known, will create a level playing field for passive funds to compete against active funds, in that it will require all trades, including those over the counter, to be reported, experts say.

"The regulation will improve transparency, liquidity and price discovery for European ETFs," says Mr. Craswell of Brown Brothers. As such, it "has the potential to dramatically increase the ETF market in Europe," he says.

Already, the rise of low-cost index-tracking funds is contributing to an increase in mergers and acquisitions among asset managers.

Recently, two of Scotland's largest asset-management firms, **Standard Life** and **Aberdeen Asset Management**, announced a merger. Both firms, which run actively managed funds, said in their merger document that index funds are gaining ground and that many actively managed funds have had a hard time consistently outperforming their benchmarks, after fees.

## Asia buying

In Asia, meanwhile, the Bank of Japan has been buying ETFs as part of an effort to jump-start the economy. According to Morningstar, the BOJ holds around \$123 billion worth

of ETF shares in Japan. That is more than half of the total \$211 billion in assets under management in ETFs in Japan as of April 2017.

Jackie Choy, director of ETF research at Morningstar Asia, says: "Since late 2010, the BOJ has been using ETF purchases [of funds tracking the Tokyo Price Index or Nikkei 225] as one of the tools under the asset purchase program for the purpose of monetary easing."

The BOJ is benefiting from the liquidity and diversification of ETFs to invest in local companies in support of achieving its inflation targets, says Todd Rosenbluth, director of ETF and mutual-fund research at financial data and analysis provider CFRA.

"By owning the underlying shares of companies through the ETF wrapper they are aiming to encourage and reward risk-taking," he says.

*Ms. Akhtar is a writer in London. She can be reached at reports@wsj.com.*

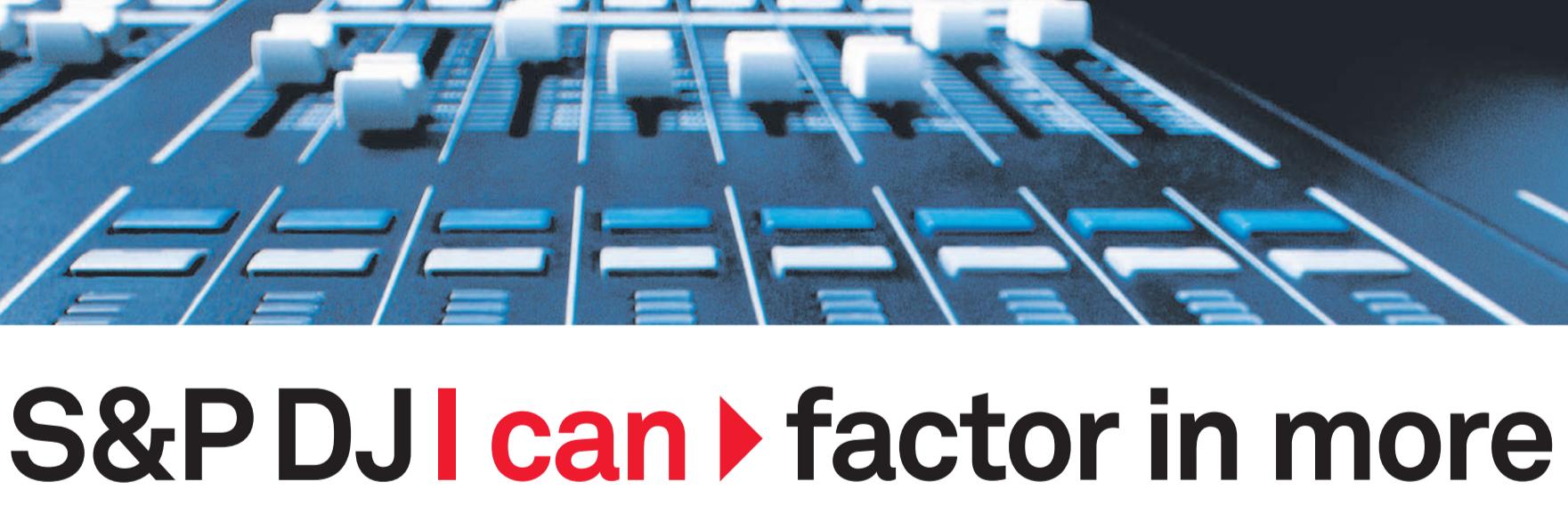
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## FINANCE &amp; MARKETS

# Hands Off as Currencies Surge

By SAUMYA VAISHAMPAYAN

Emerging-market currencies have been on a tear this year. But the central banks that manage them have proven unusually happy to sit on their hands.

The Korean won, new Taiwan dollar, Indian rupee, Russian ruble and Mexican peso have all advanced more than 5% against the U.S. dollar so far in 2017, bolstered by an influx of cash into emerging markets. Foreigners poured an estimated net \$20.5 billion into emerging markets in May—the sixth consecutive month of net inflows—with the bulk of it going to Asian countries, according to the Institute of International Finance.

Friday, the U.S. dollar slid after a disappointing U.S. jobs report added to uncertainty about the path for higher U.S. interest rates. The WSJ Dollar Index, which measures the U.S. currency against 16 others, fell 0.5% to 88.28. The index had been essentially flat before the report.

The rush of funds into emerging markets has pushed some currencies to eye-wattering levels. The Indian ru-

pee was at its most expensive on record at the end of April, according to its real effective exchange rate, which reflects a currency's value against several trading partners, adjusted for inflation. The new Taiwan dollar was at its highest in a decade, while the Korean won recently hit its richest level since 2008, according to the Bank for International Settlements. The

**The gain in the rupee is helping India's central bank control inflation.**

Mexican peso and Russian ruble still look cheap compared with their long-term averages, despite their gains.

While data for May aren't yet available, most of these currencies kept rising against the U.S. dollar last month. The rupee slipped 0.3% against the greenback, but the muted decline likely leaves it at a still-expensive overall level.

Normally, strong currencies are a headache for

emerging-market countries. Export-driven economies like Korea and Taiwan can find that their goods are less competitive globally. Countries like India that normally run current-account deficits can see them widen as imports rise. Rising currencies also hit corporate earnings, as money earned overseas is translated back into the stronger domestic currency.

But so far this year, most emerging-market economies have kept growing.

The IIF recently lifted its 2017 forecast for emerging markets' economic growth to 4.6% from 4.4%, and now expects a rate of 4.9% next year. That is taking the heat off normally trigger-happy central banks.

"So far, I don't think these movements pose a threat to central-bank policies," said Aidan Yao, senior emerging Asia economist at AXA Investment Managers in Hong Kong, referring to currency gains in Asian emerging markets. "If the trend continues and shows a bigger detachment from economic fundamentals, then central banks will have to react."

Besides encouraging economic data, central bankers are having to weigh the side effects of strengthening currencies with the unfavorable optics of currency intervention.

President Donald Trump has frequently leveled accusations of currency manipulation against other countries, though he has yet to take any punitive action.

Both Korea and Taiwan are on the U.S. Treasury Department's watch list for manipulation.

Few central banks have even commented on their currencies recently. Taiwan's central bank acknowledged in March that a stronger new Taiwan dollar "has put domestic financial conditions under strains," and said it would step in if capital flows lead to extreme volatility or

## Shifting Strategy

Asian central banks appear to be stepping back from currency intervention, as shown by smaller year-over-year increases in foreign-exchange reserves.



Source: CEIC (India, Taiwan, Korea); Reserve Bank of India (latest data for India)

THE WALL STREET JOURNAL.

disorderly moves.

Asian central banks have in the past been quite aggressive in intervening to slow currency gains, especially during periods of dollar weakness. That usually entails buying up foreign currencies, which boosts their reserves.

But there is evidence that they are now stepping back: Foreign-exchange reserves in Taiwan rose just 1.2% in April from a year earlier, the smallest increase since November 2015, according to central-bank data.

The pace of year-over-year reserve accumulation has slowed for India and Korea since a recent peak in the summer of 2014, when the dollar had been declining in the preceding months.

There are some advantages to having a stronger currency.

Debt denominated in foreign currencies becomes easier for governments and companies to repay. In India's case, the rise in the rupee is helping the central bank control inflation.

With central banks staying on their hands, and trends such as resilient growth in global trade continuing, analysts say emerging-market currencies' lofty valuations don't necessarily presage a pullback soon.

"For many emerging markets, the currencies can trade away from what the models would suggest as 'fair value' for sustained periods of time," said Sameer Goel, head of Asia macro strategy at Deutsche Bank in Singapore.

## China's Scrutiny of Transactions Rises

ulator said.

The new system is aimed at preventing money laundering and other illegal activities, according to the regulator. Based on data collected, banks will be asked to closely monitor "all kinds of illegal behaviors," the regulator said, without elaborating.

The new rules don't apply to nonbank payment institutions, SAFE said.

Faced with increased capital outflow pressures, Beijing has made it more difficult for individuals and companies to move funds offshore by stepping up compliance checks and banning some investment projects.

—Liyan Qi and Chao Deng

BEIJING—China's foreign-exchange regulator said it will launch a new system to monitor overseas spending using domestic bank cards, the latest move in a broader effort to curb capital outflows.

The system will cover all overseas cash withdrawals and card transactions exceeding 1,000 yuan (\$147), the State Administration of Foreign Exchange said Friday.

Starting in September, banks will be required to report such information on a daily basis, including holidays, the reg-

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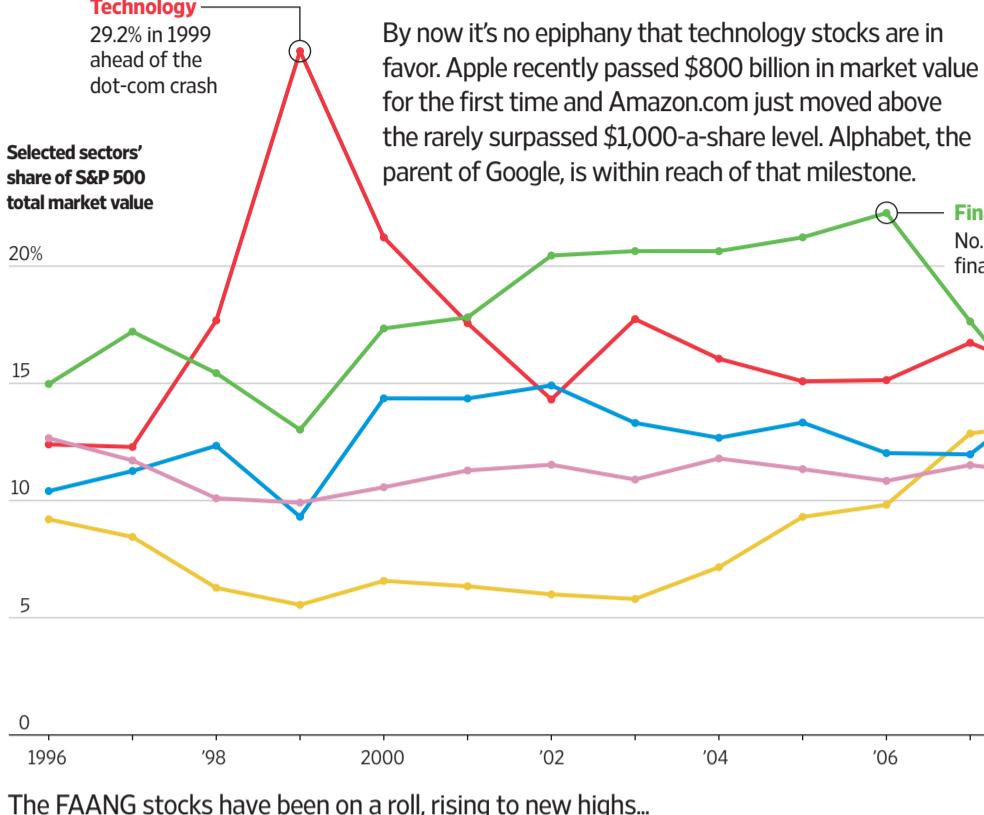
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# MARKETS

THE DAILY SHOT | By Lev Borodovsky, Ben Eisen and Tom Destefano

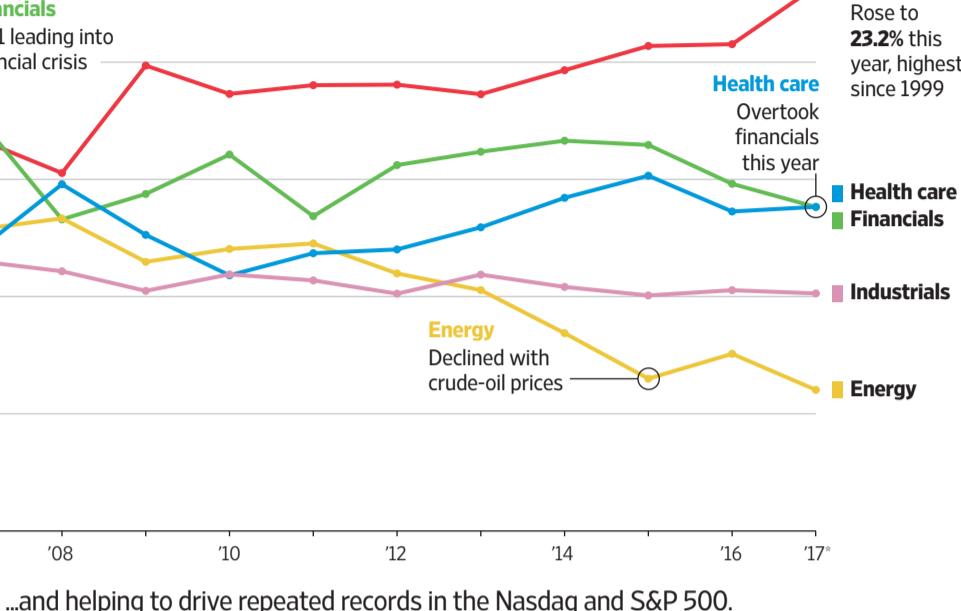
## The Tech Sector Catches Fire

WSJ subscribers can get **The Daily Shot**—a chart-by-chart briefing on markets and economics—sent to their email each morning. Subscribe at [wsj.com/newsletters](http://wsj.com/newsletters)

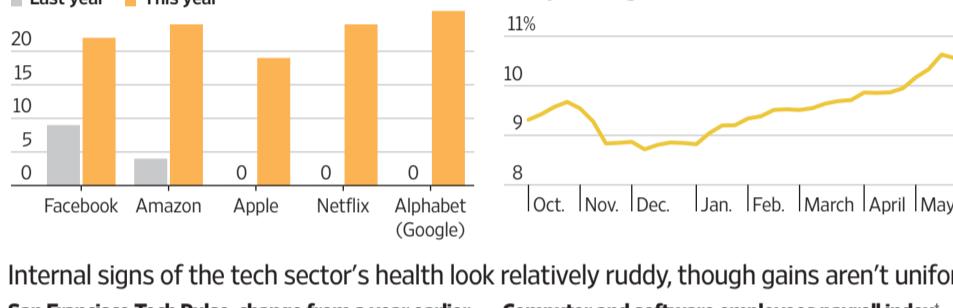


By now it's no epiphany that technology stocks are in favor. Apple recently passed \$800 billion in market value for the first time and Amazon.com just moved above the rarely surpassed \$1,000-a-share level. Alphabet, the parent of Google, is within reach of that milestone.

What you may not know is that by one measure, the 2017 tech-stock rally is already at levels last seen in 2000. The S&P technology sector accounts for nearly a quarter of the S&P 500's market value. The last time that happened was 1999.

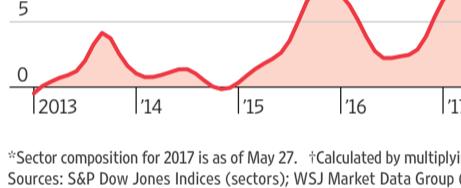


The FAANG stocks have been on a roll, rising to new highs...

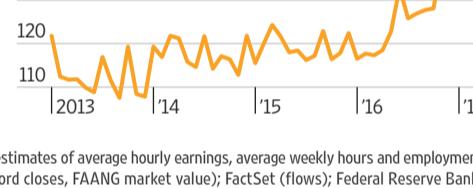


Internal signs of the tech sector's health look relatively ruddy, though gains aren't uniformly shared in the U.S. economy thanks to offshoring and other broader business trends.

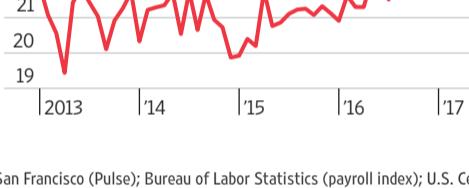
San Francisco Tech Pulse, change from a year earlier



Computer and software employees payroll index\*



Value of manufacturers' new orders for computers and electronic products



Record closes in 2017



\*Sector composition for 2017 is as of May 27. †Calculated by multiplying estimates of average hourly earnings, average weekly hours and employment

Sources: S&P Dow Jones Indices (sectors); WSJ Market Data Group (record closes, FAANG market value); FactSet (flows); Federal Reserve Bank of San Francisco (Pulse); Bureau of Labor Statistics (payroll index); U.S. Census Bureau (new orders); Federal Reserve (industrial production)

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FINANCIAL ANALYSIS & COMMENTARY

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## Eurozone's Positive Lack of Debt

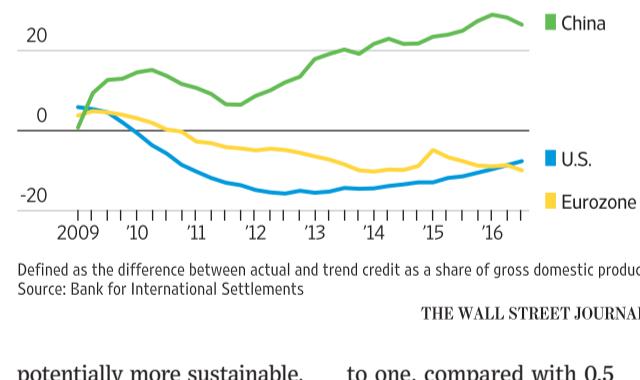
There's something remarkable about Europe's economic recovery: growth without debt.

The eurozone economy has been expanding steadily for four years, the purchasing managers index is at a six-year high and unemployment is falling. But even with ultraloose monetary policy and historically low interest rates, private-sector credit has essentially stagnated since 2009, data from the European Central Bank shows. Corporate lending has only shown some signs of picking up in the past year or so, with loans to nonfinancial corporations expanding 2.4% from a year earlier in April—still well below pre-crisis growth rates.

That, of course, is a consequence of the global financial crisis and the subsequent eurozone sovereign-debt drama, as well as Europe's failure to fix its banking system. Governments have had to take the hit, piling up public-sector debt and creating a worrying overhang. There may be a silver lining, however. The recovery, while relatively gradual and led by consumption, is

### Creditless Growth

Credit gap as a share of gross domestic product



to-GDP gap of 26.3% in the third quarter of 2016, while Europe's credit gap was negative, at minus 10.1%.

Of course, within the eurozone there are differing pictures. Spain has racked up strong growth even as corporate lending has contracted, while France has continued to see rising borrowing. But the key is that the eurozone is positioned earlier in the credit cycle than other economies. Société Générale places the eurozone cycle at the point where investment typically accelerates; that is the missing part of the recovery in the currency bloc.

This isn't a case for expecting that credit growth will turbocharge the eurozone economy. For one thing, that could lead to tighter financial conditions by pushing up market interest rates. Credit provision is still a worry: The banking sector needs reform. But it helps support the idea that in an uncertain world and after years of economic and political strife, the eurozone is in a good place for investors looking for sustainable growth.

—Richard Barley

potentially more sustainable, because companies can generate resources internally to hire and invest rather than relying on credit to do so.

That puts the eurozone on a different footing than other parts of the world where concerns about rampant credit growth are a key worry. The contrast is stark, for instance, with China, notes investment fund Eurizon SLJ Capital. It calculates the ratio of credit needed to produce one unit of increase in output in China to be four

to one, compared with 0.5 for the eurozone and 1.5 for the U.S. China is achieving growth at the cost of piling on more debt. Europe is experiencing a creditless recovery, says Eurizon SLJ.

That is reflected too in measures such as the Bank for International Settlements' credit-gap indicator, where a positive gap indicates private-sector credit being extended at a faster pace than its trend—potentially a red flag for stability. China had a positive credit-

### OVERHEARD

Europe is daring to look forward with renewed optimism.

Recently, the European Commission launched a paper on deeper union that noted support for the euro among the citizens of the currency bloc had risen to 72%, its highest since 2004, and talked of "those who will join the euro area in the future."

But what do they think? Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania and Sweden are formally required to join at some point. A May Eurobarometer survey shows support for joining outweighing opposition in four countries. The Czechs are the most euroskeptic.

None are in a particular rush. Less than a quarter of respondents thought their country was ready. Support to join "as soon as possible" ranges from 37% in Romania to just 8% in Sweden. The eurozone has defied predictions that it would lose members, but it might take a while before it expands again.

### Plenty Can Go Right for Bristol-Myers

Last year's cancer-drug darling is this year's value stock.

At last year's American Society of Clinical Oncology annual meeting, investors mostly considered **Bristol-Myers Squibb** to be the front-runner. That changed when the company announced last August that a key clinical trial in lung cancer for its main immuno-oncology drug, Opdivo, had failed. The news shocked investors, and the stock remains 24% lower over the past twelve months.

Bristol was expected to present new data to investors late on Sunday. They should recognize that falling share prices have the silver lining of lowered expectations. Analysts expect, for instance, Bristol-Myers will book \$20.8 billion in revenue next year, down from nearly \$23 billion a year ago, according to FactSet. Bristol can clear that lower bar.

Opdivo sales still are growing. First-quarter sales of the drug were up 60% from a year earlier.

And while it is early days, there is good reason to suspect that Opdivo will have a lasting commercial presence. More than 240 clinical trials are underway across the industry using Opdivo in combination with another drug, according to research firm EvaluatePharma.

Bristol's shares aren't particularly cheap at about 18 times forward earnings, but this is down from 26 times a year ago. Any larger pharmaceutical company could theoretically buy the company and immediately get a large presence in a lucrative area.

Less than a year removed from a major disappointment, that should reassure investors. —Charley Grant

## Jobs Are Plentiful in U.S., but Wages Stagnate Anyway

U.S. unemployment is low, but it sure took a long time to get there.

The economy added 138,000 jobs in May, the Labor Department reported Friday, and payrolls for March and April were revised lower. That counted as mild disappointment. Still, the unemployment rate kept grinding lower, dropping to 4.3% from 4.4%, reaching its lowest level since May 2001.

That counts as tight and would normally be associated with rapidly rising wages as companies struggled to find workers. So far, it hasn't.

earnings were up 2.5% from a year earlier, the lower end of the range it has been in for about a year.

The weakness in wages has been a mystery. The standard explanation had been that a large number of people had stopped looking for work, so the supply of workers was greater than the unemployment rate's level, but how long it took to get there.

It took a long seven years for the unemployment rate to get to 4.3% from the peak of 10% in October 2009. Because of the sluggish growth, businesses never had to scramble, and pay more, to add workers. And at no point did workers feel

ing-age population working or looking for work—actually fell last month.

Robert Barbera, co-director for the Center for Financial Economics at Johns Hopkins University, suggests it is important to not just look at the unemployment rate's level, but how long it took to get there.

They were awash in opportunity.

ask for higher wages. And plenty of workers have never experienced that kind of environment: The last decade was a bit of a dud outside of housing. Only workers in their 40s and older remember the 1990s boom.

Maybe the U.S. labor market is turning a bit like Japan's, where unemployment has fallen to its lowest level in nearly a quarter-century, but after so many years of disappointment, workers are hesitant to demand higher wages, and employers are hesitant to give them.

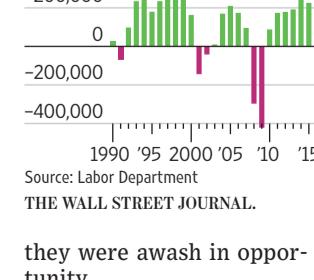
—Justin Lahart

give people confidence to

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### Diminuendo

Average monthly change in jobs by year



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