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THE WALL STREET JOURNAL.

DOW JONES | News Corp

THURSDAY, JUNE 29, 2017 ~ VOL. XXXV NO. 104

WSJ.com

EUROPE EDITION

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U.S. Military (Eur.) $2.20

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Venezuelan Leader's Claims of Helicopter Attack Contested

REUTERS

INTRIGUE: Police commando Oscar Perez, center, appeared in a video on his social-media account Tuesday, before officials said he flew around Caracas dropping explosives. Opponents called it a diversion by Nicolás Maduro's government to deflect from its tightening grip. A4

ETF Buyers Propel Stocks

Demand for passive funds helps keep U.S. rally going, even as shares look expensive

BY CHRIS DIETERICH

Booming demand for passive investments is making exchange-traded funds an increasingly crucial driver of share prices, helping to extend the long U.S. stock rally even as valuations become richer and other big buyers pare back.

ETFs bought $98 billion in U.S. stocks during the first three months of this year, on pace to surpass their total purchases for 2015 and 2016 combined, according to the Federal Reserve Board's most recent quarterly tally of U.S. financial accounts. These funds owned nearly 6% of the U.S. stock market in the first quarter—their highest level on record—according to an analysis of Fed data by Goldman Sachs Group Inc.

Surging demand for ETFs this year has to an unprecedented extent helped fuel the latest leg higher for the eight-year stock-market rally. The Dow Jones Industrial Average and S&P 500 are on pace for their strongest first six months of any year since 2013. The Nasdaq Composite Index is on track for its best first half since 2003.

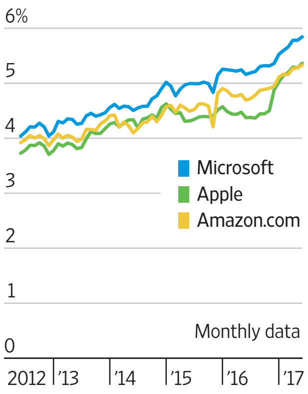
These gains have come despite stock-market valuations hovering just below their highest levels in 13 years, based on analyst expectations for S&P 500 earnings over the next year.

The market rally also has shrugged off many middling economic readings and the diminished expectations of the Trump administration delivering economy-boosting policies. Some fear that stocks and other risky investments will come under selling pressure as the Federal Reserve continues to raise interest rates from historically low levels.

Please see ETF page A2

Passive Power

Percentage of shares held in ETFs



Source: XTF
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Central Bankers Raise Doubts On Policy

BY CHRISTOPHER WHITTALL

Global government bonds and the euro whipsawed as investors struggled to parse signals from central banks on when the huge stimulus programs that have underpinned markets will end.

Top European Central Bank officials left investors with mixed impressions about when the ECB would reel in its €2.3 trillion ($2.6 trillion) bond-buying program, and the chiefs of the Bank of England and the Bank of Canada both suggested they would be reducing stimulus.

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

When and how much Western central banks pull back from their run of ultralow interest rates and quantitative easing are the foremost questions for global investors.

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

The prospect of an end to stimulus has lurked in the background for months but has zoomed to the fore now that signs of an economic recovery are beginning to appear in regions that have long struggled to shake off the aftereffects of the global finan-

Please see TAPER page A2

Activists Arrested Ahead of Xi Visit

DAMIR SAGOLJ/REUTERS

PROTEST: Police detained Hong Kong democracy activists, including Joshua Wong, above, before a visit by China's Xi Jinping. The trip will mark the 20th anniversary of the former British colony's return.

NIKE FINALLY JOINS AMAZON BANDWAGON

Resisting for years, sneaker giant sought more control of pricing and display

BY LAURA STEVENS AND SARA GERMANO

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

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

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

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

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

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

"It's a Whac-A-Mole situation," said Robert

Please see AMAZON page A6

France Opens Bid to Recast Entrenched Labor Rules

BY WILLIAM HOROBIN AND MARCUS WALKER

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

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

"The world is changing and it's changing fast," said Labor Minister Muriel Pénicaud, who used to head human resources

Please see FRANCE page A3

A Teeny Tiny Booze Battle Has Erupted in Maine

* * *

Lawmakers put a deposit on tiny liquor bottles; now governor wants to ban them

BY JENNIFER LEVITZ

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

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

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

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

She lugged her bounty this year to a State House hearing (except the milk cartons, which "were a little raunchy," she said). Ms. Meunier presented the evidence to lawmakers and spoke in favor of a plan to slap a deposit on the bottles to inspire consumers to return them for refunds. A bill requiring a five-cent deposit was passed in May by Maine's Democratic-controlled House

Please see BOTTLE page A6

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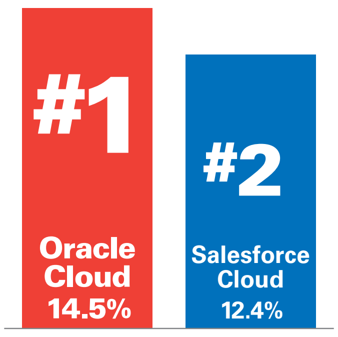

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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering,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

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CAPITAL ACCOUNT | By Greg Ip

Health Bill Draws Line Between Old and Poor

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

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

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

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

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

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

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

The electoral dividend: the elderly are a growing and highly motivated part of the electorate. Indeed, the ACA was unpopular in part because former President Barack Obama curbed Medicare hospital fees and some Medicare insurance plans to help pay for it. Most workers pay Medicare taxes, and everyone regardless of income becomes eligible at age 65. Thus, most Americans feel entitled to Medicare, creating a bond that transcends party affiliation and background.

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

Still, while singling out the poor and walling off old-age entitlements may be politically shrewd, it is economically blinkered. Entitlements for the poor such as food stamps and tax credits are hardly out of control. As a share of gross domestic product, their cost has remained broadly stable. Exceptions are disability benefits which have trended higher and Medicaid, which I'll come back to.

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

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

The federal government funds about 60% of Medicaid by matching state spending. Republicans note this reduces the incentive to control costs, since a state shoulders only 40 cents of each dollar of spending. Both the House and Senate health bills would replace the matching formula with either a block or a per-enrollee grant. The financial impact, however, depends on how the grant is determined.

Starting in 2025 the Senate would index per-enrollee payments to the overall inflation rate, a tougher cap than either Mr. Romney or the House contemplated. If the cap held, federal Medicaid spending in 2047 would fall to 1.4% of GDP, according to the CRFB.

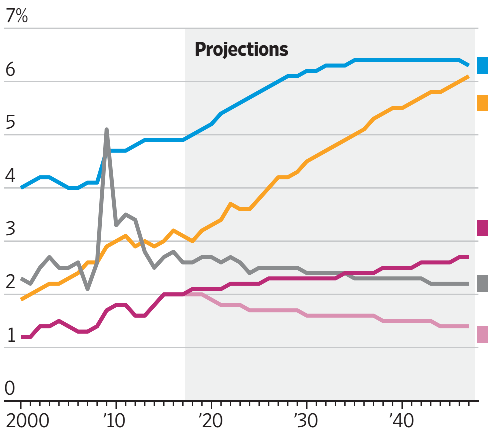
Advocates argue this will encourage states to find more efficient ways to deliver care. Those opportunities, however, are limited. States will either have to replace the missing federal money themselves, or reduce benefits, restrict eligibility, cut fees to providers, or some combination thereof.

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

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

Where the Costs Are

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



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

TAPER

Continued from Page One

cial crisis a decade ago.

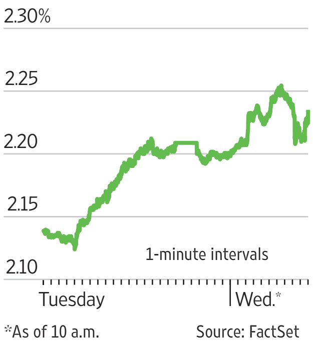
Owing to aggressive bank lending and bond buying, the ECB has the largest balance sheet of any central bank.

Global bond markets have been strongly interconnected, and U.S. government bonds closely tracked moves in Europe on Wednesday. The yield on the benchmark 10-year Treasury note rose to 2.223%, from 2.198% Tuesday. Higher yields on European government bonds make U.S. government bonds less attractive to overseas investors, who have been buying up Treasurys in search of better returns than they can get at home.

Investors had been selling government bonds and buying the euro since Tuesday, when ECB President Mario Draghi's comments on a "strengthening and broadening" economic recovery were interpreted as a sign the bank was preparing to trim its bond buying.

Shakeup

Yield on 10-year U.S. Treasury note



*As of 10 a.m. Source: FactSet
THE WALL STREET JOURNAL.

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

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

Meanwhile, Bank of England Gov. Mark Carney said on Wednesday that the removal of stimulus in Britain may become necessary if the economy improves. That surprised investors, who have been counting on a very gradual withdrawal. The pound rose 1% against the dollar to $1.2937. U.K. government-bond yields moved sharply higher. Yields rise as prices fall.

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

Speaking at the same conference as Mr. Carney, Bank of Canada Governor Stephen Poloz said that the central bank might raise interest rates next month, sending the Canadian dollar 1.2% higher against the U.S. currency and pushing up government-bond yields.

The volatile trading highlights the sway that central banks still hold in markets.

"The central banks are the near-term likely candidates for triggering more volatility," said Mr. Jonsson, who expects yields to continue to rise.

In the eurozone, a run of strong economic data has put investors on alert that the ECB will soon start to withdraw its stimulus. Most investors believe that this will start happening in 2018, but they say the ECB could signal that as soon as this September.

Frederik Ducrozet, senior European economist at Pictet Wealth Management, said that he had received an unusually large number of questions about Mr. Draghi's speech on Tuesday. But he believed the market reaction that followed was largely unjustified.

"It should be no surprise that Draghi sounded increasingly confident over the growth outlook," he said. The eurozone economy grew 1.8% in the first quarter of the year over the same period in 2016, compared with 1.2% in the U.S.

This week's moves reminded investors of other so-called taper tantrums, when markets have tried to preempt central banks' scaling back their stimulus measures by selling bonds.

In 2013, the yield on the 10-year Treasury note rose sharply and emerging markets fell after the Federal Reserve raised the prospect of slowing its bond purchases. It is also not the first time that investors have sold off European bonds in recent years as investors anticipated an end to the stimulus.

But others have cast doubt on how far yields can rise given continued appetite for fixed income from funds. Mike Bell, global market strategist at J.P. Morgan Asset Management, said he believed that German 10-year bond yields could climb 0.2 to 0.3 percentage point by year-end, while the euro could rise to $1.15. The 10-year bund yield traded at 0.363% on Wednesday, up from 0.247% at Monday's close.

Olivier de Larouzière, head of interest rates at Natixis Asset Management, said yield-hungry institutional investors had seen the selloff in eurozone bonds as a buying opportunity. He said his trading desk had seen flows of money from Japanese and French insurance companies scooping up long-dated French government bonds on Wednesday.

"As soon as you get a yield pickup, you get buyers, because investors are desperate for yield," said Mr. de Larouzière.

—Tom Fairless, Sam Goldfarb and Paul Vieira contributed to this article.

Monsoon Season Takes Off in India

RAJANISH KAKADE/ASSOCIATED PRESS

DRENCHED: People get soaked as pigeons fly during a monsoon-season high tide in Mumbai. Monsoon season runs from June to October.

ETF

Continued from Page One

Some also worry that investors are likely to dump ETFs if the market reverses course, and they note that this already has happened in a few instances.

On June 9, for example, when strong-performing technology stocks abruptly suffered their worst declines in nearly a year, trading volume in the PowerShares QQQ ETF—which tracks the Nasdaq-100 Index—surpassed $15 billion and the ETF fell 2.5%. A day later, the ETF suffered an outflow of $1.9 billion. Both the trading volume and withdrawal were the biggest moves in nearly a decade, according to FactSet.

ETFs haven't been the only factor pushing share prices higher, but Fed data show that ETFs are taking on a more prominent role as other buyers are showing signs of fading. A surge in corporate share repurchases helped lift the S&P 500 in recent years, analysts say, as many companies used buybacks as a way to boost per share earnings even when profits weren't rising.

But U.S. corporate demand for stocks in the first quarter was the smallest in a year and a half, at $136 billion, according to Goldman. A separate reading showed that S&P 500 companies repurchased $133.1 billion of their own shares in the first three months of the year, down 18% from the year-earlier period, according to S&P Dow Jones Indices.

There are more than 1,800 U.S.-listed ETFs with nearly $3 trillion in assets under management, offering push-button exposure to everything from 3-D-printing stocks to bonds issued by governments in emerging markets, according to data provider XTF. More than 1,300 funds and $2.3 trillion are linked to stocks, while an additional 302 funds and $500 billion are tied to bonds.

Actively managed mutual funds, run by stock pickers who choose shares based on business prospects and valuations, have become sellers recently to meet redemption requests. These funds suffered $985 billion in withdrawals since the start of 2009 through May, according to Morningstar. Mutual-fund ownership of the U.S. equity market in the first quarter fell to 24%, the lowest since 2004, according to Goldman.

The rising popularity of funds that track indexes is providing a broad-based support for the market this year. Investors' preference for ETFs is steadily boosting how much these funds control big U.S. companies. U.S. ETFs held 5.4% of **Apple** Inc.'s shares as of May, compared with 3.7% five years ago, according to XTF data. They hold 5.8% of **Microsoft** Corp.'s shares, up from 4%.

The ETFs' rise might separate the market from underlying fundamentals.

"There's this rising tide of buying that tends to drive the day-to-day action," said Michael O'Rourke, chief market strategist at JonesTrading Institutional Services LLC. "The market structure has definitely changed."

The rise of passive, index-tracking funds has been decades in the making, bolstered by evidence that active stock pickers struggle to beat broad market funds consistently.

Still, some analysts warn that the rise of ETFs threatens to separate the market from underlying fundamentals because these passive investments buy an index, rather than focusing on stocks that are undervalued or benefiting from faster growth, as active managers do.

"As people pile in, it's make that entire market expensive," said Lance Humphrey, a portfolio manager at USAA Asset Management Co., who has accumulated about $5.5 billion in ETFs in recent years.

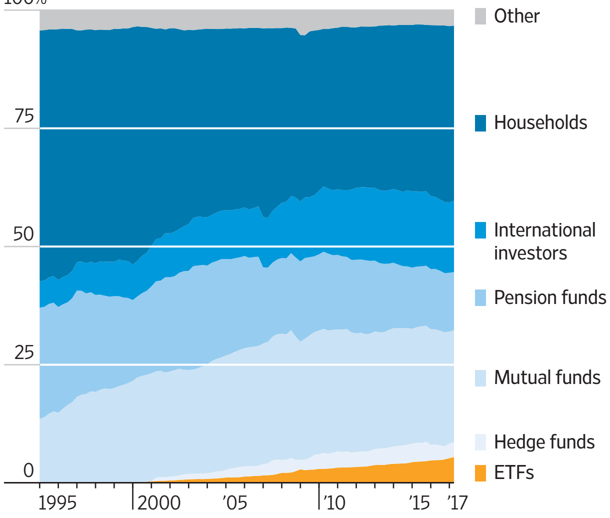
Most investors say the test will come once multiple central banks pare back their stimulus efforts, which have suppressed interest rates to near historic lows and made stocks more appealing. The worry is policy shifts could trigger bouts of volatility and prompt investors to take money out of ETFs.

The Fed has raised rates twice in 2017 and said in its policy meeting this month that it expects to boost rates again by year-end. It also plans to unwind its $4.5 trillion balance sheet, which has helped push investors into risk assets. European Central Bank President Mario Draghi hinted on Tuesday that it could also begin to dismantle its stimulus efforts.

"By next year, investors might not have monetary policy on their side," said Mr. O'Rourke. "The risk is blind buyers turn to blind sellers."

Increasing Influence

How ETFs are gaining more U.S. equity market ownership



Source: Federal Reserve via Goldman Sachs
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THE WALL STREET JOURNAL.
Europe Edition ISSN 0921-99
The News Building, 1 London Bridge Street, London, SE1 9GF

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Printers: France: POP La Courneuve; Germany: Dogan Media Group/Hürriyet A.S. Branch; Italy: Qualiprinters s.r.l.; United Kingdom: Newsprinters (Broxbourne) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY

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NATO Spending to Rise Further in 2017

Allied nations increase their military budgets for the third year in a row, led by Germany

BY JULIAN E. BARNES

GARMISCH-PARTENKIRCHEN, Germany—Allied military spending will increase about $12 billion this year, the North Atlantic Treaty Organization said, moving in a direction pushed by President Donald Trump.

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

“We have shifted gears, the trend is up, and we intend to keep it up,” Mr. Stoltenberg said Wednesday in Brussels.

The Trump administration has pushed for increased spending as a central part of its agenda, arguing that U.S. allies aren't paying their fair share, though it isn't clear to what degree the pressure has persuaded Europeans.

Roughly a quarter of the increase this year is due to an 8% increase in military spending by Germany. Berlin announced its budget boost well before Mr. Trump's election, and German officials have said the increase isn't because of the current administration's demands.

Still, other allied pledges for more spending have come since Mr. Trump's call, and the 2017 increase is greater than last year's. In 2016, before Mr. Trump's election but under pressure from the Obama administration, European and Canadian military spending rose by $10 billion, or 3.8%, from the previous year.

FRANÇOIS LENOIR/REUTERS

NATO Secretary-General Jens Stoltenberg.

Bruno Lété, a defense expert at the Brussels office of the German Marshall Fund, said Europe's defense budgets have been rising in the years after the allies made a 2014 pledge to reverse cuts in military spending.

Mr. Lété noted that as European governments try to boost spending that is below the NATO goal of 2% of gross domestic product, budgets should rise more quickly.

While the spending agreements were made under the Obama administration, Mr. Lété said the additional spending was “a nice win for Trump.”

“Let's say that Trump perhaps has added a sense of urgency to the whole exercise,” Mr. Lété said.

NATO officials have been delivering the message that the U.S. is serious about the need for increased military spending in Europe.

“I welcome the strong focus of President Trump on defense spending,” Mr. Stoltenberg said. “It is important we deliver.”

Speaking in Germany, U.S. Defense Secretary Jim Mattis said allies would discuss new national spending plans in Brussels on Thursday.

Mr. Mattis delivered a speech commemorating the 70th anniversary of the Marshall Plan, a package of U.S. financial support for Europe after the end of World War II that helped rebuild the continent.

Mr. Mattis said the U.S. commitment to defending Europe was ironclad, noting that Mr. Trump had this month endorsed a core NATO policy that an attack on one member is an attack on all—a tenet he had previously refrained from publicly supporting.

Evoking George Marshall, who was secretary of state under President Harry Truman as the U.S. helped Europe recover from the war, Mr. Mattis used the history lesson to indirectly deliver a message that Europe must help pay for its defense.

“Europe transformed from a security consumer into a security provider, something Marshall ardently desired, for he never envisioned that America would carry this burden alone. He knew from experience it had to be shared, both its benefits and its burdens,” Mr. Mattis said.

Mattis Says U.S. Warning Deterred Chemical Attack

BY JULIAN E. BARNES

BRUSSELS—U.S. Secretary of Defense Jim Mattis said the Trump administration's warning to Syrian President Bashar al-Assad's government against using chemical weapons appears to have worked, at least for now.

Mr. Mattis said that President Donald Trump's warning issued Monday showed how seriously the U.S. took the threat of a possible chemical attack in Syria.

“They took the warning seriously,” Mr. Mattis said Wednesday, speaking to reporters aboard a plane flying to Brussels for a North Atlantic Treaty Organization meeting. “They didn't do it.”

On Tuesday, the Pentagon said it had seen activity at Shayrat airfield indicating active preparations to use chemical weapons. The U.S. previously launched airstrikes against the airfield in April, after Mr. Assad's forces were accused of launching an attack with sarin gas.

Mr. Mattis was also asked if Syrian forces could restart their preparations for a chemical attack. Mr. Mattis said: “You better ask Assad about that.” He declined to say how confident he was that another attack could come, but said the U.S. would continue to monitor the Syrians' activity.

“I am not paid to have confidence in this sort of thing,” Mr. Mattis said. “I am paid to be one of the sentinels, one of the watchers.”

Displaced Young Survivors of Conflict in Syria Find a Moment's Cheer

AMER ALMOHIBANY/AGENCE FRANCE-PRESSE/GETTY IMAGES

RESPITE FROM WAR: Children whose families fled conflict in their hometown of al-Marj play in the debris of buildings of al-Nashabiyah, a rebel-held town east of the Syrian capital, Damascus. The United Nations says hundreds of children have been killed and many hundreds more have been recruited to fight in the six-year conflict.

FRANCE

Continued from Page One

at French dairy company Danone SA. “We are obliged to change our social model.”

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

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

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

The country suffers from a litany of problems that most other continental European countries have tackled with greater determination in recent years. French unemployment has been stubbornly high since the 1980s. Rigid labor regulations and high payroll taxes have deterred business from hiring workers on indefinite contracts with full benefits, leaving younger workers in particular stranded in insecure temporary jobs. A costly, poorly targeted welfare state strains the public finances.

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

One lesson emerged from European experience: No single reform is usually decisive in unleashing stronger growth. In Germany, the combination of changes by government and a parallel wave of overhauls at German companies put the country in a position to benefit from global export opportunities and led to a lasting improvement in job creation.

In Italy, in contrast, a recent labor reform with aims similar to Mr. Macron's appears to have had little lasting impact on companies' willingness to hire.

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

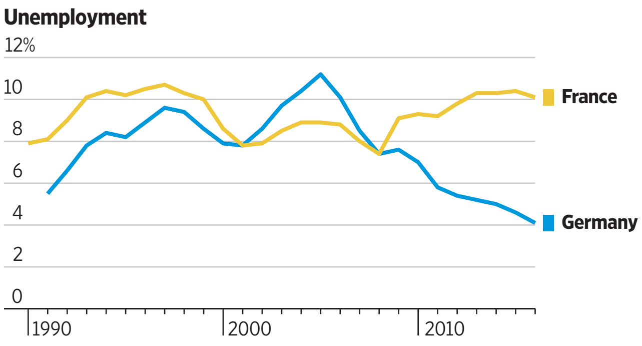
The current economic climate favors Mr. Macron. The Bank of France recently raised its economic forecasts, saying it expects a rebalancing of the domestic economy with more foreign demand. And the consumer confidence reading jumped in June to its highest level in a decade.

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

Lagging Labor Market

French President Emmanuel Macron is proposing changes to labor laws to close the jobs gap behind Germany and other European countries.

Unemployment



Source: Eurostat

THE WALL STREET JOURNAL.

A crucial aspect: Mr. Macron wants to let companies negotiate some working conditions with their employees, in ways that depart from sector-wide agreements between unions and employers' federations.

But some economists warn that small French companies, which the government says hold the key to stronger growth and lower unemployment, may lack the size and institutional know-how to embark on negotiations with their employees. Olivier Passet, economist at French business consultancy Xerfi, notes that big companies used a 2003 law to negotiate overtime pay with employees and drive down costs, while small companies typically pay more because they stick to sector-wide scales.

“It's not clear that changing the law in France is the most effective way of rebalancing big and small companies,” Mr. Passet said.

Other proposed measures include capping the cost for companies of legal settlements when laid-off workers go to court. Business lobbies in France and elsewhere in Europe have long complained that the time and unpredictable expense of laying off workers is a strong deterrent to hiring staff on indefinite contracts and leads to the heavy use of temporary jobs. Mr. Macron already tried—and failed—to introduce such caps when he was France's economy minister.

The French leader says the changes to employment regulations are needed to stir the economy after years of high unemployment and low growth, and to restore France's credibility in Europe. Mr. Macron says that unless the country brings its labor laws more in line with its European peers, he will struggle to push Germany and the eurozone's richest members to provide a larger financial backstop for the bloc to cushion against future shocks.

German Chancellor Angela Merkel signaled last week she is open to talking about some of Mr. Macron's more ambitious demands, such as a eurozone budget and eurozone finance minister. But officials in Berlin still want to see evidence the youngest ever French president is making progress on labor reform.

Making deep changes to French labor laws proved too great a challenge for many of Mr. Macron's predecessor's. The government of Socialist leader François Hollande, in which Mr. Macron served as economy minister, repeatedly scaled back attempts to change labor laws when faced with organized opposition.

To overcome the opposition, Mr. Macron is moving quickly to capitalize on his popularity among French voters. The National Assembly, where he won a commanding majority in elections earlier this month, is expected next month to give the government the power to change employment regulations by decree, a procedure that reduces the risk of lengthy and divisive parliamentary tussles. The government will then negotiate the details of the decrees with unions over the remainder of the summer, a period during which unions traditionally struggle to organize large strikes or demonstrations.

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

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

BERTRAND GUAY/AGENCE FRANCE-PRESSE/GETTY IMAGES

Emmanuel Macron waited at the Élysée Palace for the arrival of the leader of Madagascar.

Paris Will Welcome Trump on July 14

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

Mr. Trump has already met Mr. Macron twice since the French president took office last month, in encounters notable for awkward handshakes and skirmishes over climate-change policy.

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

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

Messrs. Trump and Macron exchanged a white-knuckled handshake for the cameras at a North Atlantic Treaty Organization summit in Brussels last month.

They also talked for hours at a meeting of the Group of Seven nations in Sicily, where Mr. Macron and other leaders pressed Mr. Trump not to withdraw the U.S. from the Paris climate accord.

—Matthew Dalton

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Buzzing Helicopter Mystifies Venezuelans

Government declares 'terror attack' after police officer's foray over capital Caracas

BY ANATOLY KURMANAEV AND KEJAL VYAS


MIRAFLORES PALACE/REUTERS
President Nicolás Maduro addressed backers in Caracas on Wednesday, a day after the high court granted his ally investigative powers.

CARACAS, Venezuela—The government's account sounded like an action-movie plot: Police commando Oscar Pérez hijacks a police chopper, flies around the capital promoting rebellion and dropping explosives, then lands and disappears into thin air.

The narrative would be fitting for Mr. Pérez, who happens to be a part-time action actor.

Caracas residents woke up on Wednesday wondering what to believe about the bizarre events of the night before. President Nicolás Maduro said they had amounted to a "terror attack" aimed at destabilizing the government, and Mr. Pérez suddenly became the country's most-wanted man.

No one was killed or injured in the incident that unfolded late Tuesday after a dramatic day in Venezuela, in which soldiers clashed with lawmakers and the Supreme Court granted broad investigative powers to a close ally to Mr. Maduro. There are growing suspicions among his opponents and ordinary Venezuelans that Mr. Pérez's flight, which produced minimal damage and no arrests, was a self-serving stunt staged by an unpopular government hungry to consolidate its authority.

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

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

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

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

Mr. Pérez trained for two weeks as an actor before starring in the movie, said the director of the film, Oscar Rivas.

"He's a pilot, he dives, he's very talented. He is splendid," Mr. Rivas said.

His Instagram profile brings to mind spoofs like "Zoolander" or the latest hit from Dwayne "The Rock" Johnson, mixing photos of daring action exploits with amateur modeling poses. In some 900 photos and videos posted, Mr. Pérez is often featured in fatigues and holding a rifle posing next to the logo of his employer, CICPC, Venezuela's FBI.

In one post he fires a handgun over his shoulder at a mannequin behind him, aiming with a hand-held mirror. In another he is scuba diving and testing a gun underwater. One features him skydiving with a German shepherd strapped to him.

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

Gen. Rodriguez Torres dismissed the attack as "a stupid montage."

They "attack with grenades, and none explode; attack with bullets and no one is injured," he wrote in a text message in response to The Wall Street Journal's questions.

Gen. Rodriguez Torres, who headed Venezuela's intelligence agency for 12 years, also questioned how a hostile helicopter could buzz around the city freely without encountering any resistance for more than half an hour. He said the Venezuelan military's Sukhoi jets frequently patrol over the capital and attack helicopters are permanently on duty to respond within minutes to any attack.

Mr. Maduro and his predecessor spent billions of dollars on Russian jet fighters and antiaircraft missiles.

Just hours before Tuesday's incident, jet fighters flew over the capital in preparation for a military parade planned for July.

Many Venezuelans are also wondering how Mr. Pérez could remain at large after apparently landing on a residential apartment building in daylight.

Vice President Tareck El Aissami later said the empty helicopter was found in the jungle about 20 miles east of Caracas.

Members of Venezuela's opposition have publicly played down the incident. In private, opposition leaders say they fear Mr. Maduro will use the alleged chopper attack to further crack down on dissent.

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

Mr. Pérez's alleged hijacking late Tuesday came just as the government-controlled court published a decision granting investigative powers to the human-rights ombudsman, a close ally of the president.

Canada Bank Chief Hints at Rate Rise

BY PAUL VIEIRA

Bank of Canada Gov. Stephen Poloz reignited expectations for a rate increase in July by saying excess slack in the Canadian economy is now being absorbed "steadily" at the current pace of growth.

His comments in Portugal, during an interview with CNBC Europe that aired on Wednesday, drove the Canadian dollar to a four-month high and pushed up yields on government of Canada bonds. The remarks came as central bankers in Europe and the U.K. also signal their intent to remove stimulus from their economies.

Mr. Poloz said growth in Canada would decelerate following a strong 3.7% annualized gain in the first quarter, top among the Group of Seven leading nations. But he said he doesn't envisage a dramatic slowdown.

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

When pressed on how that would affect the central bank's policy-rate decision next month, Mr. Poloz said officials "need to be at least considering that whole situation now that the excess capacity is being used up steadily."

BMO Capital Markets altered its rate outlook following Mr. Poloz's comments, and said it expects the central bank to raise its policy rate, currently at 0.5%, in July. The firm previously forecast a rate increase in January 2018. It said messaging in recent weeks indicates the central bank wants to begin unwinding the rate cuts it delivered in 2015 to help the economy deal with a sudden drop in commodity prices.

Jimmy Jean, economist at Desjardins Capital Markets, said in an interview he has a "strong bias" toward a July rate increase, saying Mr. Poloz didn't mention in his interview any concerns related to soft inflationary pressure.

India Braces for Rollout of New Tax System

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

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


RUPAK DE CHOWDHURI/REUTERS
Textile merchants and workers in Kolkata on Wednesday protested the new goods-and-services tax.

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

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

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

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

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

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

While the long-delayed implementation of the goods-and-services tax—which different governments have been trying to pass for more than a decade—is seen as a positive step for the economy and a watershed moment for Mr. Modi, how smoothly it goes in the coming months could affect the prime minister's popularity as well as India's position as the world's fastest-growing large economy.

"It seems like a well-formed concept, but there could be lots of problems in implementation," said Bill Adams, an economist at PNC Financial Services Group.

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

The government says businesses need to adjust because it plans to go through with the new tax system, which is expected to draw in millions of new taxpayers and provide vital funds for infrastructure, sanitation, education and health.

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

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

The government's crackdown on cash in November contributed to a slowdown last quarter, putting India's growth behind China's for the first time in two years.

Growth decelerated sharply to 6.1% in the three months through March, from 7% in the preceding three months. China's economy grew 6.9% last quarter.

The coming quarters could see a similar hit from GST, economists said.

Companies say they will be buying and investing less as they adjust to the new system that will require India Inc. to file billions of documents each month.

WORLD WATCH

SOUTHEAST ASIA

U.S. Admiral Warns Of Islamist Threat

The onslaught by Islamic State-aligned militants in the southern Philippines should be a wake-up call to Asia that battle-hardened jihadists returning from the Middle East are seeking to open new fronts in the region, the commander of U.S. Pacific forces said.

Adm. Harry Harris, in a speech to the Australian Strategic Policy Institute, said Islamic State was a "nemesis to humanity" that threatened to spread as it loses ground in Syria and Iraq.

Philippine troops have been battling insurgents linked to Islamic State for a month in Marawi city on the southern island of Mindanao. The insurgents have been seeking to create a caliphate, and governments across Southeast Asia and Australia have been watching with concern as militants from Indonesia, Malaysia, Yemen and Saudi Arabia join the fight.

Having traveled to Mindanao from Syria and Iraq, these militants are passing resources and ideology to homegrown radicals, Adm. Harris said. He called for closer cooperation among nations, including those with large Muslim populations, to confront the threat.

—Rob Taylor


ROGAN WARD/REUTERS
HELP WANTED: Unemployed men in Pietermaritzburg, South Africa

CHINA

New U.S. Envoy Plays Up Trade Ties

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

This month, David Rank, who had headed the embassy's work as chargé d'affaires since the departure of former Ambassador Max Baucus, resigned over the Trump administration's withdrawal from the Paris climate accord. Before that, staffers had complained of a lack of communication from Washington they said made it difficult to do their jobs.

U.S. diplomats have said they hoped Mr. Branstad's arrival would steady the ship. The former six-term Iowa governor, who endorsed Donald Trump in the election, is one of a relatively small number of ambassadors to be formally nominated and approved under the new president.

Appearing with family members at the ambassador's residence on Wednesday, Mr. Branstad struck an optimistic tone, saying he hoped to work with China on issues like North Korea and trade.

—Josh Chin

COLOMBIA

Rebel Group Gives Up Last of Its Weapons

The FARC rebel force relinquished the last of its weapons of war to United Nations monitors, ending its half-century of armed struggle even as many Colombians remained concerned about the implementation of a complex peace pact.

The Revolutionary Armed Forces of Colombia, or FARC, on Tuesday turned over the final tranche of the 7,132 weapons they agreed to give up under terms of a deal signed last year with President Juan Manuel Santos's government. The group's leader said the FARC would now become a political party.

"Goodbye to weapons, goodbye to war, hello peace," Rodrigo Londoño said on a stage before government officials and diplomats gathered to mark the disarmament's completion.

—Kejal Vyas

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AMAZON

Continued from Page One

Payne, an attorney who works with companies on the issue.

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

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

Nike and Amazon declined to comment.

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

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

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

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

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

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

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

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

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

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

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

RICHARD GRAY/PA WIRE/ZUMA PRESS

For years, Nike executives opposed selling on Amazon, preferring to sell through its own stores, website and existing partners.

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

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

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

Nike, after some experimentation, "ended up deciding that direct-to-consumer was stronger than using a third-party entity" for online sales because it allowed it to better differentiate its offerings and was more profitable, said Vada Manager, a former Nike executive who worked on developing the company's online strategy and left in 2009.

"That was the right decision" at the time, the now-consultant said, allowing Nike to sell online at higher margins while keeping its traditional, brick-and-mortar retail partners.

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

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

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

Most-Purchased Apparel Brands on Amazon.com

Sold directly by Amazon?

	NO	YES
1. Nike*	●	
2. Adidas		●
3. Hanes		●
4. Under Armour		●
5. Calvin Klein		●
6. Tommy Hilfiger		●
7. The North Face	●	
8. Columbia		●
9. Children's Place		●
10. Nautica		●

*Direct-selling deal struck recently
Note: Brand rankings as of April
Source: Morgan Stanley

THE WALL STREET JOURNAL.

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

These companies typically expect control over everything from the arrangement of a product display on the wall to the way brands are marketed and described online.

73,000

The number of Nike products being sold via third-party resellers on Amazon during a recent search

Nike held firm year after year when Amazon executives returned to Beaverton. Amazon hosted Nike executives in Seattle around the turn of the decade, shortly after Amazon bought online retailer Zappos.com, which had a selling relationship with Nike.

While the meetings were friendly, Nike was clear: It had no plans to add the online retail giant as a distribution partner, according to another former Nike executive. It wanted to maintain its branding and sell through its own stores, website and existing partners.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BOTTLE

Continued from Page One

and Republican-led Senate.

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

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

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

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

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

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

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

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

Maine is one of 17 states that directly controls the supply of liquor, selling wholesale. Maine sold 9.8 million mini bottles to retail establishments in the 12 months ended in late May, up 52% from the previous 12 months.

These kinds of sales would offset costs off a deposit program, proponents say.

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

A ban on tiny bottles in Maine would mean hotels could no longer stock them in minibars, according to the state. (Enterprising guests could still bring them in from out of Maine.)

Little liquor bottles are surging as a low-cost way to sample alcohol.

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

After Santa Fe, N.M., outlawed small bottles of alcohol in 2015, a judge overturned that decision, saying it conflicted with state law.

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

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

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

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

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

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

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

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

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U.S. NEWS

Consensus Marks High Court Term

By Jess Bravin
And Brent Kendall

WASHINGTON—The Supreme Court term that ended this week was marked by caution emanating from the court's center, a dynamic that saw the justices move in a relatively modest manner as they sought consensus on high-profile cases.

The court's conservatives prevailed in most of the cases during the term, but their liberal colleagues—who lost the chance to direct the court's long-term trajectory following President Donald Trump's election—gave up more ground than they might have preferred, winning some influence over outcomes.

This move toward consensus could be seen in the term's two final opinions, which Chief Justice John Roberts steered in a way that produced decisions viewed as measured, forgoing rulings that conservatives would have championed as total wins.

This week, there were seven votes to open a state grant program to church-run schools on the same terms as public and private schools; two of the most liberal justices, Ruth Bader Ginsburg and Sonia Sotomayor, dissented, but two other left-leaning justices joined the majority opinion.

There also were seven votes—and not the same seven—to confine that decision narrowly to programs similar to the playground-resurfacing fund in dispute in the case. The justices left the "religious uses of funding or other forms of discrimination" for another day. Two deeply conservative justices, Clarence Thomas and Neil Gorsuch, dissented from that part, but other conservatives signed the majority opinion.

The same dynamic could be seen in the court's decision on Mr. Trump's temporary travel ban on residents of six predominantly Muslim countries.

Ahead of arguments next term over the ban's legality, the court allowed Mr. Trump to temporarily exclude "foreign nationals who lack any bona fide relationship with a person or entity in the United States." But it left intact lower-court orders blocking the president from categorically banning other foreign citizens with qualifying relationships, such as those who have relatives, job offers or invitations to study in the U.S.

The majority opinion was unsigned. Justices Thomas, Gorsuch and Samuel Alito stated they would let Mr. Trump's administration implement the full ban, making it clear that six other justices chose compromise.

The court's search for consensus on decisions intensified after Justice Antonin Scalia's death in February 2016. That left the justices divided into four-member conservative and liberal camps for an extended period when Senate Republicans declined to consider then-President Barack Obama's court nominee.

Several justices have publicly said that a 14-month span with no natural majority on divisive issues forced them to search for common—and therefore, narrower—ground on which five or more of the eight could comfortably stand.

The court did find agreement on some rulings that could have a considerable impact on the law, including in a unanimous decision that bolstered the rights of disabled students to expect more than a bare-bones education from public schools.

It also endorsed robust protections for free speech, notably in a case that found the government couldn't refuse to register trademarks that some may deem offensive.

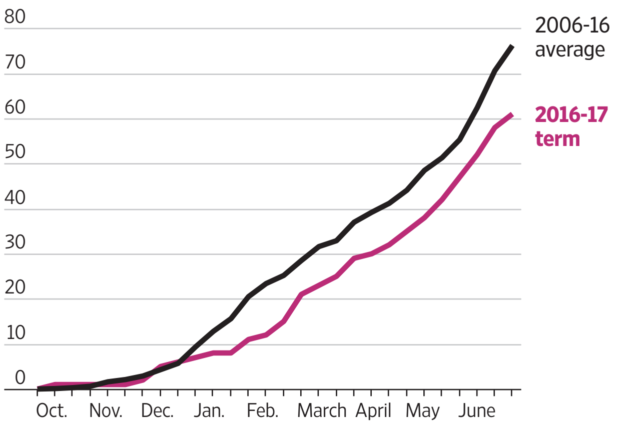
On the court's business docket, the justices in several cases tightened rules for where lawsuits can be filed against corporations, with little dissent.

It is unclear, however, whether the court's recent comity will continue when the justices reconvene in October. Mr. Trump's advisers said the president selected Justice Gorsuch because he believed his nominee would stake out sharply conservative positions rather than seek consensus.

Moreover, as conservatives grow more comfortable in their restored majority, the impulse to compromise on defining issues may fade.

Behind the Curve

Number of Supreme Court opinions issued



Note: Based on meeting at which opinion was decided.
Source: SCOTUSblog

THE WALL STREET JOURNAL

U.S. WATCH

WASHINGTON, D.C.

Two Rail Workers Killed by Amtrak Train

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

The two men stepped off the CSX freight train shortly before 11:30 p.m. local time to check its wheels, National Transportation Safety Board member Earl Weener said Wednesday.

The men were on the adjacent track when they were struck by an Amtrak train that was carrying 121 passengers, he said. Amtrak said no one on that train was injured. Names of the two CSX crew members haven't been released.

Mr. Weener said investigators will explore whether CSX notified Amtrak of the wheel check before the incident. Officials from CSX and Amtrak declined to comment on details of the incident, but CSX said it was "deeply saddened" by the deaths.

—Scott Calvert and Ted Mann

THE WEST

Crews Fight Wildfires Across Several States

A wildfire burning through an Arizona forest forced hundreds of people from their homes, closed a major road and created a plume of smoke over the same area devastated by a blaze that killed 19 firefighters four years ago.

The fire near Prescott, fanned by 35 mile-per-hour winds, has charred more than 28 square miles. More than 500 firefighters were battling the blaze.

Elsewhere across the Western U.S., Utah firefighters braced Wednesday for more high winds as they try to slow a wildfire that has burned 13 homes and forced the evacuation of 1,500 people from a ski-resort town.

The Arizona fire forced the evacuation of the town of Mayer and several other mountain communities, and one of the main roads into Prescott was closed. Mayer has about 1,400 residents.

In California, crews were making gains against two new fires. Firefighters in Idaho battled five lightning-sparked wildfires.

—Associated Press

ALEX WONG/GETTY IMAGES

President Donald Trump, center, met with Senate Republicans in the White House on Tuesday after their health bill hit a snag.

Intraparty Disputes Stall The Republicans' Agenda

By Kristina Peterson
And Richard Rubin

WASHINGTON—The Republican-controlled Congress is struggling to overcome intraparty fissures that have been expanding since the rise of the tea party in 2010, threatening to derail their legislative ambitions this year.

On Tuesday, Senate GOP leaders opted to delay a vote on their bill that would dismantle and replace much of former President Barack Obama's Affordable Care Act in the face of resistance among Senate Republicans over the bill's policy planks.

Just hours earlier, across the Capitol, House Republicans decided to punt until after the July 4 recess on unveiling their budget for fiscal 2018—a necessary prerequisite for their push to overhaul the tax code without Democratic votes—to iron out their own differences.

The delays bogging down marquee elements of the GOP agenda left Republicans and President Donald Trump with little legislative achievements after nearly six months in power. Republicans, who control the executive and legislative branches for the first time since early 2007, have dwindling time to make significant policy changes before the 2018 midterm-election politics overwhelm the Capitol.

"It's almost like we're serving in the minority right now. We just simply don't know how to govern," said Rep. Steve Womack (R., Ark.). "How we've been given this opportunity to govern and we are finding every reason in the world not to is absolutely incredible to me."

Democrats, who are united in opposition to GOP plans, said Republicans' stalled agenda reflected GOP leaders' inability to wrest compromise from the dueling factions of their party. "There's virtually nothing to show for six months of so-called Republican leadership" said Sen. Dick Durbin (D., Ill.).

The biggest setback Tuesday came in the Senate, where Majority Leader Mitch McConnell (R., Ky.) said he would move a vote expected this week on the GOP health-care bill until after next week's recess in the face of continued opposition from both centrist and conservative Republicans.

Lawmakers will now have to face energized opponents of their bill at home next week, compounding the challenge of securing the support of 50 GOP senators to pass the bill. After its own fits-and-starts, the House passed its version of the bill last month.

Asked about the possibility that members could bolt over recess under pressure from activists at town halls, Mr. McConnell, emerging from a hastily called meeting at the White House with Senate Republicans, all but shrugged. "Some members have town halls and some don't, we'll see what happens," he said.

Mr. McConnell has aimed to pass the bill with only Republican votes. Senate Democrats support the ACA and argue Congress should fix its glitches. On Tuesday, he warned his colleagues that voting against this plan will give Democrats more sway in future legislative efforts.

Delays over health bill and budget could push tax plan closer to midterm elections.

Pushing the Senate health-care vote into July likely moves action on all of the GOP's other legislative priorities to later in the year. Most notably, the effort to revamp the U.S. tax system may slow as a result, despite Republicans' insistence they can complete a major tax bill this year.

To get to a tax bill that can also pass on a party-line vote, Republicans have to finish the health bill, one way or the other, and then complete a budget resolution that unlocks the speedier procedures known as reconciliation for the tax bill.

Senate Finance Committee Chairman Orrin Hatch (R., Utah) said the longer the health debate, "the more difficult it is going to be to do true tax reform."

One other roadblock in the tax effort is the intraparty dispute slowing the progress of the House GOP budget.

Although House Republicans have agreed on the overall spending levels for military and nonmilitary spending for fiscal 2018, they remain divided over how big a cut to include for mandatory spending, the federal government's spending on big safety-net programs such as Medicaid, food stamps and welfare.

Republicans said they were confident they would resolve the budget dispute early next month.

With Congress in session only three weeks in July, lawmakers will face a crush of major policy deadlines before their August recess.

"It's frustrating," said Rep. Roger Williams (R., Texas). "We've got to begin to get things done."

—Siobhan Hughes and Natalie Andrews contributed to this article.

Maine Battles Over Tax on the Wealthy

By Jon Kamp

Maine lawmakers are battling over whether to keep a new tax on high-income earners that voters backed seven months ago.

If lawmakers can't hash out a deal during budget negotiations before the fiscal year ends Friday night, the state known as "Vacationland" risks a government shutdown just ahead of Independence Day.

So lawmakers in Maine, where the Legislature is closely split between Democrats and Republicans, will have to decide soon what to do with a 3% additional tax on household income topping $200,000 that voters endorsed in November to help pay for education. The tax went into effect Jan. 1.

State House and Senate Republicans, as well as Republican Gov. Paul LePage, want to eliminate the tax, while Democrats want to retain it but have offered to lower the rate.

Mr. LePage said Tuesday he was willing to risk a shutdown to avoid passing a two-year budget he believes would cause lasting damage. In his weekly message Tuesday, Mr. LePage called it a "job-killing surtax" that he said was already affecting small businesses. "I believe we're going to shut down Friday night," he said on a radio show.

"We're in a very precarious place right now," said Sara Gideon, the Democratic speaker of the Maine House. "We still haven't been able to land on an agreement."

The debate over taxing the wealthy is also percolating in other states. In Massachusetts, lawmakers recently voted to put a proposed surtax on income over $1 million on the 2018 ballot. Meanwhile, in Connecticut, Democratic Gov. Dannel Malloy has backed off from additional taxes on higher income earners because previous increases haven't solved the state's persistent fiscal problems.

In Maine, the conflict goes back to a ballot referendum last November in which voters endorsed adding the high-income tax with the goal of raising $320 million for education funding over two years.

Detractors of the tax, including the Maine State Chamber of Commerce, which urges an outright repeal, say the tax will hurt small businesses. The tax pushed Maine's top marginal individual income-tax rate to 10.15%, the second highest state rate after California, according to the conservative-leaning Tax Foundation.

"This tax gives our competition in other states an edge in recruiting," said Melissa Smith, chief executive at Wex Inc., a payment-processing firm in South Portland, Maine.

Supporters, meanwhile, argued it would force Maine to finally live up to another voter-backed measure from 2004 that the state keeps missing: a requirement that state government cover 55% of the tab for education.

Proposals to scrap the tax irk supporters who say this violates the will of Mainers who went to the voting booth.

—Richard Rubin contributed to this article.

ROBERT F. BUKATY/ASSOCIATED PRESS

Republican Gov. Paul LePage opposes the tax to fund education that voters backed in 2016.

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LIFE & ARTS

FOOD & DRINK

A New Eye-Opener: Beer for Brunch

Brewers try to break into the brunch game by offering new beer cocktails and flavored drinks; brewmosas and micheladas.

BY ELLEN BYRON

BEER AND BELGIAN waffles could be a delicious pair. So could ale and eggs.

So says Anheuser-Busch InBev NV, Harpoon Brewery, Dogfish Head Craft Brewery, Founders Brewery Co. and other brewers, who are rolling out morning-friendly beers and hosting brunches to entice people to consider beer at a new time of day.

Restaurants are finding that beer on morning cocktail menus appeals to diners who crave new flavor pairings or a lower-octane alcoholic beverage early in the day compared with traditional vodka or Champagne-based drinks. Around six in 10 Americans are likely to drink alcohol with their weekend brunch, and 21% say they drink beer at brunch, according to Nielsen CGA.

Pairing beer with food is on the rise, helped by new beer flavors, including fruits, spicy or tart notes and beers blended with juice, tea and soft drinks. In 2017, 26% of total U.S. beer launches were flavored beers, up 31% since 2013, according to Mintel.

"We're looking for occasions that beer isn't already a part of," says Christina Perozzi, education director for Goose Island Beer Co., owned by Anheuser-Busch.

The brewers' efforts to capture new beer drinking moments come as beer volumes are slipping in the U.S. and globally. Beer volumes, measured in 9 liter cases, fell 1.8% around the world last year, according to industry tracker IWSR.

Ms. Perozzi runs a training program with wholesalers to get them to persuade restaurants to offer beer at meals. She hosts a brunch of smoked salmon Benedict, orange French toast, and Greek yogurt with Goose Island's Sofie, a wine-barrel aged beer with orange peel and spicy white-pepper notes.

After biting into an eggs Benedict at a recent breakfast in New York, Ms. Perozzi sipped Sofie from a short stemmed glass. "The tannins of Sofie cleanse the creamy coating on your tongue," she says. "The saltiness of the hollandaise sauce pairs well, too." Ms. Perozzi acknowledges that brunch sweets, like maple syrup or whipped cream, can be challenging flavors to match with Sofie, but other fruit-flavored beers would work well.

Six in 10 Americans are likely to drink alcohol with their weekend brunch. A recent brunch at Harpoon Brewery, above.

"It's interesting that people ask how can beer pair with breakfast when really the Bloody Mary only pairs well with pulled-pork shoulder," she says.

Felipe Szpigel, president of Anheuser-Busch's High End business unit, which includes Goose Island and Stella Artois says: "We want to make beer more sophisticated."

Jeanine Chan, a 45-year-old university program representative in San Diego, goes out for brunch about twice a month, and in recent months started ordering beer instead of a mimosa. "I tend to go more savory with breakfast these days, and beer pairs better," she says. It goes particularly well with her latest favorite dish, chilaquiles, which includes corn tortillas, salsa, eggs, queso fresco, beans and Mexican rice. But beer with waffles, pancakes or cinnamon rolls? "No way," she says. "I would order a mimosa."

Nielsen CGA research shows that 45% of brunch drinkers would often order mimosa; 36% a Bloody Mary and 27% a champagne cocktail.

Andy Husbands, chef and owner of Tremont 647 in Boston, started promoting beer with brunch about four years ago, including a Harpoon IPA with a squeeze of fresh grapefruit juice. His latest cookbook includes a recipe for a michelada. "It's a Bloody Mary with beer," he says. "It's nice, light and refreshing."

Mr. Husbands says his restaurant's beer sales at brunch are on the rise in part because customers appreciate beer's lower alcohol content compared with cocktails made with spirits. "I'm a 47-year-old man—you give me two Bloody Marys and I'm taking a nap," he says. "You can have a beer and still accomplish the honey-do list."

Last Sunday at 10 a.m., Harpoon Brewery in Boston hosted 130 attendees at a brunch of eggs, home-fries, huckleberry-candied bacon, pretzel bagels, fruit salad and its UFO Huckleberry beer. "You know it's the perfect brunch-time beer," the company says in its promotion for the $40 ticket.

"I don't think that enough brewers have paid attention to the fact that brunch is now a significant drinking occasion," says Harpoon CEO Dan Kenary. "It's become a ritual where people sit at a table for extended periods, and a flavored beer really complements those brunch foods."

Dogfish Head Craft Brewery in Milton, Del., this year started offering brunch at its Rehoboth Beach pub every weekend after doing so occasionally for the last decade or so. Dogfish Head, long known for culinary-inspired beers, makes several breakfast-inspired versions, including its Beer for Breakfast stout, named after The Replacements song and brewed with maple syrup, roast coffee, and scrapple, a pork-and-spice mash. "That's the pièce de résistance," says Sam Calagione, Dogfish Head's founder and chief executive.

On Thursday, Snooze an A.M. Eatery, a 20-restaurant brunch chain based in Denver, plans to introduce the Snooze Shandy, a cocktail of Belgian-style beer, lemonade, lime juice and spicy Ancho Reyes liqueur. The shandy joins beer cocktails including brewmosas and micheladas on Snooze's extensive "morning cocktails" list.

Founders Brewery Co. in Grand Rapids, Mich., makes breakfast stouts including a Kentucky breakfast stout, called KBS, which is brewed with coffee and chocolates and then cave-aged in oak bourbon barrels for a year. The brewery has hosted brunches featuring its breakfast stouts, but Dave Engbers, cofounder and president of Founders, says the beer drinks well any time of day.

"I'd say the vast majority of the beer probably isn't drunk at breakfast," says Mr. Engbers. "If it was, we wouldn't get a whole hell of a lot done in the day."

FROM TOP: F. MARTIN RAMIN/THE WALL STREET JOURNAL (4); SIMON SIMARD FOR THE WALL STREET JOURNAL

FILM

THE CURIOUS CASE OF SPIDER-MAN'S AUNT MAY

BY MICHAEL SALFINO

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

His Aunt May? That's another story.

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

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

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

Marisa Tomei and Tom Holland in 'Spider-Man: Homecoming'.

SONY PICTURES

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

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

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

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

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

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

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

—Ben Fritz contributed to this article.

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THE MIDDLE SEAT | By Scott McCartney

Which Airlines Pad Their Schedules the Most?

U.S. carriers have added more cushion to account for weather delays—and to climb DOT rankings for on-time arrivals

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

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

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

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

ILLUSTRATION BY MIKE GORMAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

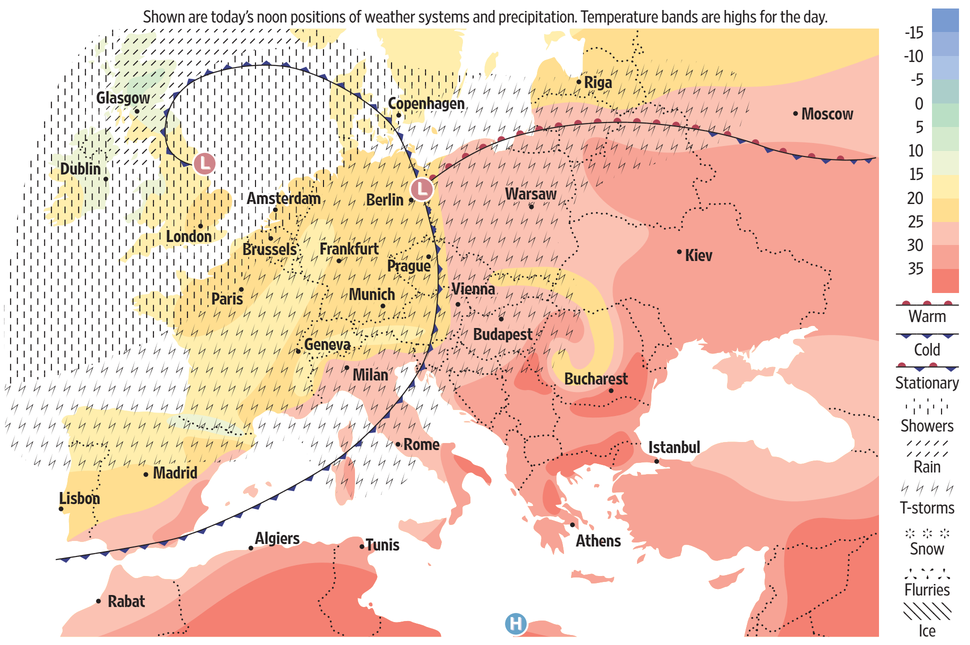
American says it has been working to reduce delays and run more on time, but has resisted the temptation simply to add minutes to its schedule. American internally focuses on on-time departures more than arrivals.

"The schedule should be an accurate reflection of what it's going to take to operate that flight," spokesman Josh Freed says.

Weather

AccuWeather.com

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



Global Forecasts

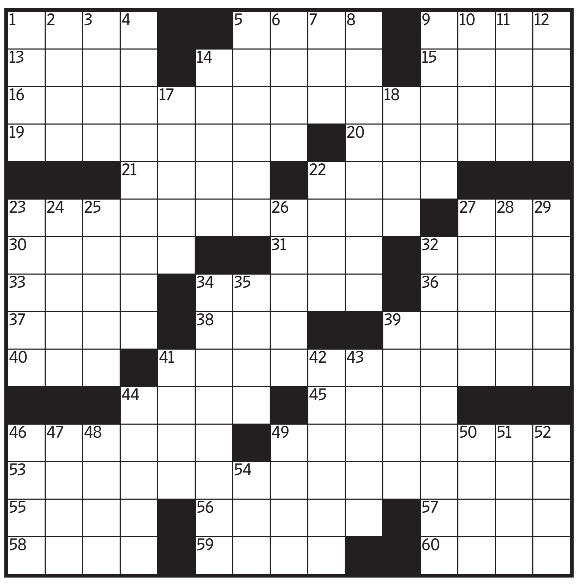
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	20	15	sh	19	14	sh
Anchorage	14	10	r	16	11	c
Athens	36	25	s	39	27	s
Atlanta	26	21	t	28	22	t
Baghdad	46	28	s	46	29	s
Baltimore	33	22	s	34	23	pc
Bangkok	34	27	t	34	26	t
Beijing	35	23	pc	37	24	s
Berlin	22	16	t	20	14	sh
Bogota	19	10	r	19	10	c
Boise	30	15	s	32	16	s
Boston	27	20	pc	30	21	pc
Brussels	21	13	sh	20	13	sh
Buenos Aires	17	6	s	17	5	pc
Cairo	38	24	s	39	25	s
Calgary	21	10	c	24	12	pc
Caracas	30	25	pc	31	25	pc
Charlotte	30	20	pc	30	21	t
Chicago	29	20	t	27	18	r
Dallas	35	26	pc	36	25	pc
Denver	28	10	pc	26	11	pc
Detroit	29	20	t	29	21	t
Dubai	45	33	s	44	32	s
Dublin	14	10	r	17	8	pc
Edinburgh	15	11	r	17	9	c
Frankfurt	22	14	r	23	14	sh

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Geneva	18	12	t	21	13	t
Hanoi	31	27	t	31	26	t
Havana	32	23	pc	32	24	pc
Hong Kong	33	28	pc	32	28	sh
Honolulu	30	23	s	29	23	pc
Houston	31	26	t	33	26	t
Istanbul	32	25	s	34	24	s
Jakarta	32	24	pc	31	24	t
Johannesburg	18	3	s	17	4	s
Kansas City	30	20	t	28	15	pc
Las Vegas	42	27	s	42	28	s
Lima	22	17	pc	21	17	pc
London	20	13	c	21	13	r
Los Angeles	25	16	pc	27	17	pc
Madrid	24	11	s	23	12	pc
Manila	33	26	t	34	26	t
Melbourne	13	7	sh	12	2	pc
Mexico City	22	15	t	22	14	t
Miami	32	26	t	33	27	pc
Milan	25	14	t	25	15	pc
Minneapolis	28	18	c	23	16	r
Monterrey	38	21	pc	38	22	pc
Montreal	20	16	r	24	18	sh
Moscow	22	15	pc	27	17	r
Mumbai	31	28	r	30	27	r
Nashville	30	22	t	30	22	t
New Delhi	32	26	t	32	26	t
New Orleans	28	24	t	31	24	t
New York City	29	22	pc	31	24	pc
Omaha	31	18	t	28	15	pc
Orlando	31	23	t	31	23	t

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Ottawa	19	15	r	25	17	c
Paris	21	14	pc	21	13	sh
Philadelphia	31	23	s	33	23	pc
Phoenix	42	28	s	42	27	s
Pittsburgh	30	21	c	31	21	pc
Port-au-Prince	35	23	pc	34	24	pc
Portland, Ore.	28	15	pc	29	13	pc
Rio de Janeiro	26	18	s	27	19	s
Riyadh	46	29	s	45	27	s
Rome	29	20	s	29	19	pc
Salt Lake City	30	15	s	32	18	s
San Diego	22	17	pc	22	17	pc
San Francisco	21	13	pc	21	13	pc
San Juan	31	26	sh	31	26	pc
Santiago	16	3	s	17	6	s
Santo Domingo	33	23	pc	31	23	t
Sao Paulo	24	13	s	24	13	s
Seattle	26	14	pc	28	14	pc
Seoul	29	21	c	29	22	s
Shanghai	29	25	c	31	25	pc
Singapore	31	26	c	31	25	t
Stockholm	19	13	pc	18	13	sh
Sydney	16	9	pc	14	7	s
Taipei	34	25	pc	33	25	pc
Tehran	39	24	s	39	25	s
Tel Aviv	30	23	s	31	24	s
Tokyo	27	23	pc	27	23	r
Toronto	26	19	t	28	20	c
Vancouver	22	13	pc	22	14	pc
Washington, D.C.	32	23	s	34	25	pc
Zurich	21	12	t	22	12	t

The WSJ Daily Crossword | Edited by Mike Shenk



MIXED DRINKS | By Nancy Cole Stuart

Across

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

Down

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

Previous Puzzle's Solution

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

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REVIEW & OUTLOOK

The GOP's Schumer Option

The 'bipartisanship' to expect if Senate Republicans fail.

Senate Republicans on Tuesday delayed a vote on their health-care bill until after the July 4 recess, and the timidity and opportunism of too many Senators suggest they may never get 50 GOP votes. We hope they understand that if they fail, Republicans will be entrusting their political health-care future to the brutal generosity of Democratic Leader Chuck Schumer.

The idea persists in some media and GOP ranks that if the Senate bill dies, this will produce a blossoming of bipartisanship. The left will have been repudiated by ObamaCare's woes, and the right by the GOP Congress's failure. Everyone can then sit down in the glorious middle and work out a compromise. It's a lovely thought—like peace on Earth and the end of original sin. It is also a fantasy.

If Republicans fail, Democrats will have zero political incentive to cooperate except on their policy terms. Americans know that Republicans run Congress and the White House, and that they promised to do something about the problems of ObamaCare. Do Republicans really believe voters in 2018 will blame GOP failure on the President who left town two years ago? Democrats can tell you how well that strategy worked in 2010.

Then there's who Republicans would negotiate with—and over what. Last week Governors John Kasich (R., Ohio) and John Hickenlooper (D., Colo.) offered a five-point bipartisan reform outline that was laughable in its lazy generalities: "Improve affordability. . . . Restore stability to insurance markets."

Well, sure, but how? Reaching these goals requires hard policy choices on which the parties are philosophically divided. Democrats want to stabilize markets with more taxpayer money and federal rules. Republicans want to deregulate markets and let insurers offer more plans that better suit the variety of insurance consumers. Democrats want to expand Medicaid to cover ever-more Americans. Republicans, or at least most of them, want to put Medicaid on a budget to provide better coverage to the neediest.

When Senate Republicans reached out to Heidi Heitkamp this spring to negotiate on health care, the North Dakota Democrat told Politico she had these demands: No per capita Medicaid block grants to the states and no rollback in ObamaCare's Medicaid expansion. And that was merely "the price of admission for me sitting down." Ms. Heitkamp is the second most *conservative* Senate Democrat after West Virginia's Joe Manchin.

Ms. Heitkamp would never get a real chance to negotiate in any case. If their current effort fails, Republicans would then need 60 Senate votes to pass anything, and that gives Mr. Schumer the whip hand. His price for cooperating would include the Medicaid status quo; preserving the individual and employer mandates; tens of billions in higher subsidies to lure insurers back into the failing exchanges; and probably a limit on the policy flexibility the Trump Administration could allow states.

Does that sound like something Rand Paul might support? Or Mike Lee? The more conservative Republicans who defect, the more Mr. Schumer would demand in return for more Democratic votes. Majority Leader Mitch McConnell would have to scramble to find even 15 Republicans to vote with Democrats as the GOP majority splinters.

This is the Senate reality, not some Kasich Kumbaya circle. Republicans can either set aside their narrow self-interest and fix ObamaCare on their terms, or they can collapse in disarray and bail it out on Mr. Schumer's. In 2018 they can defend an accomplishment or try to explain away a failure. Americans will know the difference.

Supreme Court Religious Bonus

The U.S. Justices extend their Blaine ruling to school vouchers.

Good news: Monday's U.S. Supreme Court ruling on religious liberty was even better than we thought. The Justices ruled 7-2 that a church could not be banned from a public benefit program merely because it is a church. On Tuesday the Justices extended that principle by overturning a ruling that struck down Colorado's school-voucher program on religious grounds.

In 2011, Colorado's Douglas County adopted a Choice Scholarship Program to let 500 students attend a local private school. But groups including the American Civil Liberties Union sued. The Colorado Supreme Court killed the program citing the state's version of the Blaine Amendment, one of many state anti-Catholic laws from the 1800s to prevent public money from funding religious schools (*Doyle v. Taxpayers for Public Education).*

The Douglas County School District and the Institute for Justice, which represents three families in Colorado, appealed to the Supreme Court in 2015, but the Justices held the petition pending the resolution of *Trinity Lutheran v. Comer* on Monday. On Tuesday the Court vacated and remanded *Doyle* to the lower court for reconsideration in keeping with *Trinity Lutheran's* holding that Missouri's application of the Blaine Amendment violated the First Amendment's Free Exercise Clause.

The High Court typically vacates and remands only when the Justices think there is a "reasonable probability" that the lower court got it wrong. Colorado's do-over is a warning to other states that might use Blaine Amendments to derail school choice programs that threaten teachers unions and the public school monopoly.

The win comes at a good time for school-choice advocates who have been building momentum in the states. In May three families successfully challenged a Montana rule that prevented a voucher program from being used at religious schools. On Monday the Georgia Supreme Court unanimously upheld a program of tax credits for scholarships to some 13,000 students to attend private schools.

School choice is spreading because parents want the chance to get their child a better education than they receive in local public schools. Sometimes that enhanced opportunity is offered by religious schools, and the First Amendment doesn't allow the state to discriminate on the basis of religion.

Judicial liberals have interpreted Monday's *Trinity Lutheran* ruling as applying only to school playgrounds. But in his concurrence Justice Neil Gorsuch wrote that the Court's playground decision should be understood broadly because jurisprudence must be governed by general principles. "The general principles here do not permit discrimination against religious exercise," he wrote, "whether on the playground or anywhere else."

An American Insurance Shakedown

A U.S. Governor ramps up his cash raid on a state health nonprofit.

New Jersey Governor Chris Christie made his reputation prosecuting political corruption, but he now sees nothing unseemly about shaking down the state's largest health insurer to backfill the budget and fund new anti-opioid spending.

The lame-duck Governor has given up fixing New Jersey's tax-and-spend culture, but he still hopes to achieve some success rehabilitating drug addicts. That's laudable. But since the state is short on cash, he's bludgeoning the not-for-profit Horizon Blue Cross Blue Shield to pay the bill.

Horizon is the state's sole health-services corporation, meaning it pays state and federal taxes—$543 million last year—but doesn't make distributions to shareholders. The insurer covers about 3.8 million Garden State residents, including 900,000 Medicaid recipients and controls about 55% of the individual market.

In February Mr. Christie demanded that Horizon hand over $300 million annually of its $2.4 billion reserve to expand addiction treatment. Many states are expanding rehab programs with Medicaid funds and taxpayer dollars, and the Republican U.S. Senate health-care reform includes an additional $2 billion for opioid treatment.

Mr. Christie accuses Horizon of maintaining an excessive surplus—in New Jersey, any surplus appears excessive—but Horizon's reserve hews to industry standards and is smaller on a risk-adjusted basis than those maintained by most state Blue Cross Blue Shield affiliates.

A healthy cushion is particularly critical amid ObamaCare uncertainty. If the federal individual mandate is lifted while New Jersey maintains a guaranteed-coverage requirement, the reserve could prevent premiums from soaring.

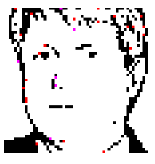
When Horizon undershot the Governor's bid by offering $135 million, Mr. Christie began targeting the insurer in terms that recall Barack Obama's tirade against Wellpoint for raising premiums after ObamaCare passed. Last week the state Department of Human Services, which answers to the Governor, slapped Horizon with a $15.5 million fine for mishandling Medicaid claims and misreporting its finances. Horizon disputes the charges.

Now Mr. Christie is offering schools a $125 million boost if Democrats turn Horizon into a public charity. The state Senate this week is debating legislation that would give the Department of Banking and Insurance wide latitude to determine if Horizon has breached its "charitable commitment." If the state insurance commissioner deems that its reserve is "inefficient," Horizon would be required to produce a plan to "improve the overall health status of all New Jersey residents" that would include "responding to emerging health care issues in New Jersey" like substance abuse.

To add injury to insult, Democrats are also proposing to deem Horizon "an insurer of last resort." The designation would require the insurer to cover the state's sickest patients without compensation from other insurers or the state. Horizon would have no choice but to increase premiums to comply.

Mr. Christie's raid is a tax and regulatory mugging masked as public charity. If this succeeds, is any business or nonprofit—perhaps Princeton's $22 billion endowment is also excessive—safe in New Jersey?

The James Comey Coverup



BUSINESS WORLD
By Holman W. Jenkins, Jr.

In the Sunday Washington Post's account of what President Obama knew about Russian election meddling and what he did about it, one absence is notable. Nowhere in the Post's lengthy tick-tock is Mr. Obama presented with evidence of, or described as worried about, Trump collusion with Russia.

Moscow intervened in the election eight ways from Sunday, but it's clearer than ever that what's occupied Americans for the past six months are baseless accusations about the Trump campaign.

Among the evidence on Mr. Obama's desk was proof that Vladimir Putin was personally directing the Russian espionage effort. For a variety of sensible reasons, though, the White House and U.S. intelligence also concluded that Russia's meddling was "unlikely to materially affect the outcome of the election."

Mr. Obama made at least one inevitably political calculation: Hillary Clinton was going to win, so he would keep relatively mum on Russian interference to avoid provoking "escalation from Putin" or "potentially contaminating the expected Clinton triumph," in the Post's words.

Strangely missing from the Post account, however, is one Russian intervention, revealed by the paper's own earlier reporting, that may really have, in farcical fashion, elected Donald Trump.

This was FBI Director James Comey's ill-fated decision to clear Hillary Clinton publicly on intelligence-mishandling charges. His choice, it now appears, was partly shaped by a false intelligence document referring to a nonexistent Democratic email purporting to confirm that then-Attorney General Loretta Lynch had vowed to quash any Hillary charges.

On April 23, the New York Times first alluded to the document's existence in an 8,000-word story about Mr. Comey's intervention.

On May 24, the Post provided a detailed description of the document and revealed that many in the FBI considered it "bad intelligence," possibly a Russian plant.

On May 26, CNN adumbrated that Mr. Comey "knew that a critical piece of information relating to the investigation into Hillary Clinton's email was fake—created by Russian intelligence—but he feared that if it became public it would undermine the probe and the Justice Department itself."

"In at least one classified session [before Congress]," CNN added, "Comey cited that intelligence as the primary reason he took the unusual step of publicly announcing the end of the Clinton email probe. . . . Comey did not even mention the other reason he gave in public testimony for acting independently of the Justice Department—that Lynch was compromised because Bill Clinton boarded her plane and spoke to her during the investigation."

Why has this apparently well-documented, and eminently documentable, episode fallen down the memory hole, in favor of a theory for which there is no evidence, of collusion by the outsider Mr. Trump?

The alternative history is incalculable, but consider: If Mr. Comey had followed established practice, the Hillary investigation would have been closed without an announcement, or the conflicted Ms. Lynch or an underling would have cleared Mrs. Clinton. How would this have played with voters and the media? Would the investigation's reopening in the race's final days, with discovery of the Weiner laptop, have taken place? Would the reopening have become public knowledge?

Russia may have indeed affected the election, but not in a way anyone wants to discuss.

The noisy, obnoxious ways Russia meddled amounted to nothing. The public was able to discount them. It was only through a bumptious act of America's own law-enforcement community, in a way the public didn't know at the time may have been influenced by planted Russian intelligence, that the Kremlin conceivably really may have affected an extraordinarily close race in the Electoral College.

What also emerges from the Post's tick-tock, as well as from public testimony by U.S. intelligence chiefs, is that Russia didn't seek to hide its meddling. The Russian goal was to sow confusion and bring disrepute on the U.S. leadership class. If so, any investigation of Russian meddling that fails to focus on the Comey actions will amount to a coverup.

Expect a coverup: The truth is absolutely unacceptable to the establishment that Special Counsel Robert Mueller represents. There is no appetite for the truth among Democrats: They cling to Mr. Comey's legal exoneration of Mrs. Clinton in the server matter.

There is no appetite among Republicans: Messrs. Comey and Mueller are Republicans, promoted in their careers by Republican presidents. There is no appetite in the Trump White House, which doesn't want its win tainted in history by a Russian dirty trick.

There is no appetite in the Kremlin: Mr. Putin knows that relations with the American superpower are slipping toward an all-out hostility that he can't afford.

In the U.S., to acknowledge the truth would be to complete the task Russia set itself in discrediting the U.S. leadership class.

A coverup is the only way to go.

LETTERS TO THE EDITOR

Targeting 2% Inflation Could Hurt Growth

Glenn Hubbard discusses past "false model" failures of Federal Reserve policy and advocates a "healthy skepticism about prevailing models," yet he doesn't question the Fed's current obsession with its 2% inflation target ("How to Keep the Fed From Following Its Models off a Cliff," op-ed, June 16).

Some inflationary pressures due to strong demand are desirable. But the Fed fails to recognize that favorable supply-side forces can keep inflation below its sacrosanct 2% target: forces such as increased retail competition, increased commodity supplies (particularly energy) and productivity increases. All these are good for economic growth, and they increase real incomes by keeping prices lower than otherwise.

However, from the Fed's 2% viewpoint, they can be used as an excuse to delay interest-rate normalization, even though the economy is strengthening and can withstand an interest-rate increase.

Conversely, adverse supply-side trends do the opposite. They push up prices, restrain real incomes and weaken the economy. But higher inflation rates could encourage Fed rate increases even when a weaker economy is on the horizon.

This failure to recognize the underlying causes of inflation and disinflation has the potential to drive monetary policy off a cliff by encouraging the wrong policy at the wrong time.

EM. PROF. ROBERT F. STAUFFER
Roanoke College
Salem, Va.

Mr. Hubbard may be correct that the Federal Reserve's independence doesn't guarantee sound monetary policy, but his historical examples aren't well chosen. Mr. Hubbard cites three periods in which the Fed made unwise policy, despite the fact that it had "substantial independence": the 1930s, 1965-1979 and the early 2000s.

Since the era of an independent Fed really didn't begin until the Fed-Treasury accord of 1951, the example of Fed policy in the depression era is surely irrelevant.

The next period cited by Mr. Hubbard—1965 to 1979—encompassed the tenure of Arthur Burns, who had been notoriously bullied by President Richard Nixon into implementing overly accommodative monetary policy for Mr. Nixon's political ends.

As for the third period in the early 2000s: While the Fed was reasonably free of external political pressure, it had by then developed some dangerous habits of playing politics on its own. The "Greenspan put" may have kept other politicians at bay, but the consequences were ultimately disastrous.

STEVE STEIN
Larkspur, Calif.

Trump Is Offering Europe A Message It Needs to Hear

Josef Joffe's "How Trump Is Like Obama" (op-ed, June 15) is an incomplete review of the U.S. role in modern Europe. Comparing the Marshall Plan to NATO funding is patently ridiculous.

After World War II, the U.S. spent billions in Europe to prevent the rise of destabilizing ideologies, thus giving France, Germany and the rest of Europe time to build or stabilize functional democracies. The intent never was for U.S. taxpayers to provide the entire European defense network.

The Journal previously reported that the Netherlands is selling its remaining main battle tanks. Germany cannot field a complete armored division in its own defense nor provide more than a squadron of attack helicopters to keep Russian tanks at bay.

The U.S. is willing to pay more for European defense—just not for all of it.

JONATHAN BASTIAN
Lexington, Ky.

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OPINION

What's Next for Hong Kong

By Fred Hu

As Hong Kong marks the 20th anniversary of its handover to China, a pessimistic mood hangs over the city. Some critics claim that the "one country, two systems" experiment has failed and as a Chinese territory Hong Kong has lost its competitiveness and economic vitality. Nothing could be further from the truth.

While its enormous economic lead over its sister cities in mainland China has narrowed, Hong Kong's global position has improved significantly since the handover. Its economy has matched or outperformed nearly all its traditional peers internationally.

Twenty years after the handover to China, the territory is faring better than critics will admit. But its biggest challenges are still to come.

Hong Kong achieved an annual real growth rate of 3.4% from 1997 to 2016, outperforming the average of 2% among advanced economies. Austria and Switzerland, comparable in population, grew 1.7% and 1.9%, respectively, during the same period. Only Singapore recorded a slightly better performance.

Hong Kong's feat is all the more remarkable considering it faced a series of shocks over the past two decades—starting with the Asian financial crisis, ignited by the devaluation of Thai baht on July 2, 1997, only a day after Hong Kong's handover.

That was followed by the SARS epidemic, severe deflationary pressures under the pegged exchange-rate system and the shocks of the global financial crisis in 2008-09. Time and again, Hong Kong demonstrated its stability and resilience.

As for the stunning development of mainland cities such as Shanghai and Shenzhen, Hong Kong should rightfully deserve some of the credit. It was the role model for Chinese cities since the start of the reform era.

Hong Kong's success story of achieving fabulous wealth and prosperity through a free-market economic system inspired mainland policy makers and entrepreneurs. Through its unique role in trade, direct investment and sophisticated services, Hong Kong has made crucial contributions to China's rise as a global economic powerhouse.

In return, Hong Kong has cemented its status as a leading international financial center. Among Hong Kong's salient advantages is a strong banking system, which has proved to be one of the best-managed, most-resilient, and most-profitable in the world.

Perhaps the most notable development since the handover is the rapid expansion of Hong Kong's stock market. The number of publicly listed companies on the exchange has increased three times since 1997 to just under 2,000, and market capitalization reached $3.2 trillion by 2016, five times that of Singapore's market.

Hong Kong leads New York and London in initial public offerings. In terms of scale and importance in global capital markets, Hong Kong has left its chief regional rival Singapore in the dust.

But Hong Kong does face challenges. First and foremost is preserving the autonomy of Hong Kong with unfettered freedom, a strong rule of law and complete openness.

Under the "one country, two systems" formula designed by Deng Xiaoping, the city retains its free-wheeling capitalist system with an independent judiciary and guaranteed individual rights.


AFP/GETTY IMAGES

Hong Kong's handover ceremony, June 30, 1997.

While Hong Kong has benefited tremendously from the "one country" part over the past two decades, the "two systems" feature remains the crucial differentiator and cornerstone of its identity. That's mainly because political and legal developments on the mainland haven't kept pace with the remarkable economic progress there.

Worries about the gradual erosion of liberty in Hong Kong have increased in recent years. As Deng recognized, the freer Hong Kong remains, the more prosperous and dynamic it will be, and the more valuable a role it can play in China's modernization.

It is as vital as ever to uphold the "one country, two system" principle enshrined in Hong Kong's Basic Law. Beijing should cherish Hong Kong's uniqueness, and the local government should avoid becoming just another Chinese city. It is in Hong Kong's and China's best interest for Hong Kong to be a true global city under Chinese sovereignty.

Second, like other high-income societies, Hong Kong faces the challenge of widening inequality. The local housing market is the most expensive in the world, making affordability a hot-button issue for the low-income population and fueling discontent.

The city doesn't need a European-style social-welfare state, but it sorely needs a better housing policy to maintain social stability. That could be achieved mainly through increased supply of land for residential development and expansion of the existing public-housing program.

Third, Hong Kong must diversify its economy by nurturing new growth sectors. Today Hong Kong relies on finance, real estate, trade and other services exactly as it did 20 years ago, with few new industries in sight. Meanwhile its neighbor Shenzhen successfully transitioned from a labor-intensive manufacturing hub to a tech powerhouse, where global leaders such as DJI, Foxconn, Huawei, Ping An, Tencent and ZTE are based.

Hong Kong possesses many of the requisite factors for technological leadership, including world-class universities with top scientists in fields such as biotech and robotics. Yet it has failed to create a vibrant startup ecosystem. Beijing and Shanghai are in the top 10 of global startup rankings, while Hong Kong isn't even in the top 20.

Hong Kong spends just 0.7% of its gross domestic product on research and development, compared to 2% in Singapore, 3.1% in Taiwan and more than 4% in Israel and South Korea. The city enjoys a large budget surplus, and its medium-term fiscal outlook appears positive. It has the resources to rapidly close the R&D gap if it chooses to.

Hong Kong needs a strategic vision and strong action to transform the city into a 21st-century innovation leader. Building a startup ecosystem with rekindled entrepreneurial spirit holds the key to the city's future.

As new startups proliferate, more opportunities beyond traditional industries will become available to the younger generation, enhancing their prospects of finding jobs with avenues of advancement.

Despite missed opportunities and significant challenges, Hong Kong has been an unqualified success since its handover 20 years ago. Provided politics doesn't get in the way, the city is capable of reinventing itself and thriving.

Mr. Hu is chairman of Primavera Capital Group.

U.S. Supreme Court Justices Lay Down the Law

By David B. Rivkin Jr. And Lee A. Casey

In one of the last decisions of its term, the U.S. Supreme Court dealt a clear rebuke to politicized lower courts. The justices' unanimous ruling in *Trump v. International Refugee Assistance Project* upholds both the integrity of the judiciary and the Supreme Court's own authority.

The case came to the justices from two federal appellate courts. They had upheld trial judges' orders halting enforcement of President Trump's "travel ban" executive order, which temporarily limits entry to the U.S. by nationals from six countries. The court will hear the appeal on the merits in October. On Tuesday it held unanimously that the executive order can be immediately enforced, with narrow exceptions, until they address the merits of these cases in the fall.

The challenges to the order claimed it violated the First Amendment's protection of religious freedom and exceeded the president's authority under immigration law.

Both the substance and tone of these decisions created an unmistakable impression that a portion of the judiciary has joined the anti-Trump "resistance." Not only did the lower-court judges defy clear and binding Supreme Court precedent, they based much of their legal analysis, incredibly, on Candidate Trump's campaign rhetoric.

The high court didn't rule entirely in the administration's favor. By a 6-3 vote, with Justices Clarence Thomas, Samuel Alito and Neil Gorsuch dissenting, it held that the individuals who originally challenged the order could continue to do so, as could a carefully defined class of "similarly situated" persons with "close familial" relationships to individuals in the United States, along with institutions that can show a "formal, documented, and formed in the ordinary course" relationship to a U.S. entity.

That, the court specifically cautioned, isn't an invitation for evasion by immigration advocates: "For example, a nonprofit group devoted to immigration issues may not contact foreign nationals from the designated countries, add them to client lists, and then secure their entry by claiming injury from their exclusion."

In the travel-ban case, a high-court 'compromise' delivers a unanimous rebuke to political judges.

That exception, Justice Thomas noted for the dissenters, was a "compromise"—most likely the product of Chief Justice John Roberts's effort to achieve a unanimous decision.

Given the circumstances, this was a good outcome. It lends the imprimatur of the full court to the rebuke of the lower courts, and avoids the kind of partisan split that prevailed in both the Fourth and Ninth Circuit Courts of Appeals. All nine justices are also now on record supporting the proposition that the vast majority of foreign nationals cannot claim a constitutional right to enter the United States.

When the court reviews the merits of the case in the fall, however, such considerations will be out of place. While courts can adjudicate cases involving immigration and other foreign-affairs issues, judicial engagement in this space is fundamentally different than in domestic affairs.

In an area of decision-making that involves both institutional knowledge of international affairs and continuous access to classified information, great deference is in order from the courts. If the courts wade into this area, they would undermine both national security and respect for the judiciary.

The perception that judging is swayed by political or ideological considerations would be particularly calamitous in this area. Better a 5-4 decision articulating this view clearly than a unanimous but equivocal one.

The odds of a clear outcome are good. As Justice Thomas pointed out, his colleagues' "implicit conclusion" is that the administration is likely to prevail on the merits.

The high court's own precedent in this area is clear. Nonresident aliens have no constitutional right to enter the U.S. When denying entry, the president need only provide a "facially legitimate and bona fide" justification. As the court held in *Kleindienst v. Mandel* (1972), once that justification is established, there is no further inquiry or balancing for the courts to make.

Any other decision would be both inconsistent with the court's precedent and injurious to the Constitution's separation of powers. It would also compromise the president's ability to defend the nation at home and abroad and cause grave harm to the judicial branch in maintaining its own critical constitutional role.

Messrs. Rivkin and Casey practice appellate and constitutional law in Washington.

Tear Up the GOP Health Bill and Start Over

POLITICS & IDEAS

By William A. Galston

The fate of America's Affordable Care Act may be determined this week, and no one can claim ignorance of the stakes.

Republican leaders in the Senate drafted their proposed replacement, the Better Care Reconciliation Act, behind closed doors without hearings or committee consideration. But the Congressional Budget Office has pierced the Orwellian packaging to make clear the consequences of the coming vote. Senators cannot say they weren't warned, and neither can the American people. Here are the highlights:

If the BCRA becomes law, 22 million fewer people will be insured by 2026 relative to current law—about the same reduction as the American Health Care Act passed by the House—increasing the uninsured total by about 75%.

The BCRA does more than repeal the ACA's Medicaid expansion; it changes the structure and funding of the entire program. Spending on Medicaid would be reduced by $772 billion—26%—below the current baseline over the next decade.

As a result, 15 million would lose their coverage under Medicaid, which is the main safety net for poor and near-poor Americans as well as for the elderly in nursing homes.

Subsidies for health insurance purchased on the individual market would be cut by $408 billion, reducing participation by a projected seven million.

The benchmark insurance plan under the BCRA would cover, on average, 58% of health-care costs, down from 70%. This means much higher deductibles. Because the BCRA allows insurance companies to charge older Americans five times as much as young adults, up from only three times as much under current law, people 50 to 64 would be hit especially hard. For those in this age bracket making $30,000 a year or less, the share without insurance coverage would more than double, from about 12% to 26%.

The Republican mantras of "flexibility" and "choice" can no longer conceal the underlying reality: Cutting public support for health care by $1.2 trillion over the next decade means depriving vast numbers of Americans of health security.

These people would be forced to rely on the kindness of strangers. They would turn to small-town and rural hospitals that already run on thin margins. Hospitals that cannot absorb the costs of uncompensated care will shut down, worsening the already serious shortage of health care in sparsely populated regions, which voted overwhelmingly for Donald Trump in 2016.

Twenty-one Republican senators represent 14 states that have expanded Medicaid under the ACA. This June, the Urban Institute estimated the effects of the AHCA, which BCRA closely resembles, on insurance coverage. To help these senators' hard-pressed staffs, let me summarize the Urban Institute's findings:

The Senate plan increases the number of uninsured 75%. There's a better way.

Alaska's Dan Sullivan and Lisa Murkowski: 18,000 of your state's residents would lose health coverage. Arizona's Jeff Flake and John McCain: 464,000. Arkansas's Tom Cotton and John Boozman: 313,000. Colorado's Cory Gardner: 444,000. Indiana's Todd Young: 443,000. Iowa's Joni Ernst and Chuck Grassley: 191,000. Kentucky's Rand Paul and Mitch McConnell: 535,000. Louisiana's John Kennedy and Bill Cassidy: 387,000. Montana's Steve Daines: 87,000. Nevada's Dean Heller: 257,000. North Dakota's John Hoeven: 32,000. Ohio's Rob Portman: 815,000. Pennsylvania's Pat Toomey: 613,000. West Virginia's Shelley Moore Capito: 195,000.

Some Republican voters may like that the BCRA lowers taxes on manufacturers and high-income people by $541 billion over a decade. But I wonder how many GOP senators will present this spreadsheet, showing massive reductions in coverage, to their constituents during the July 4 break.

As Speaker Paul Ryan might say, there is a better way: scrap this entire approach and write a new bipartisan bill. Last week Republican Gov. John Kasich of Ohio and Democratic Gov. John Hickenlooper of Colorado offered a roadmap. "As governors from opposite sides of the political aisle, we feel that true and lasting reforms are best approached by finding common ground," they wrote. "All Americans will come out on the losing end if we simply replace one divisive plan with another."

This week a bipartisan group of health-care experts, represented by Lanhee Chen of the conservative Hoover Institution and Ron Pollack of the liberal Families USA, presented their consensus in an op-ed, available on WSJ.com. Messrs. Chen and Pollack suggested means-tested subsidies for low-income Americans, "reasonable limits" on the tax-exclusion for employer-sponsored insurance, "carefully developed state testing" as a "primary engine" for Medicaid reform, and increased flexibility for states, subject to "safeguards" to prevent funds intended to help the poor from being diverted up the income scale or for other purposes. Overall, they wrote that these "incremental policies" would "help families of limited means secure the care they need."

If Republicans are serious about improving health care rather than scoring ideological points at their constituents' expense, this is the path they will pursue.

THE WALL STREET JOURNAL.
PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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TECHNOLOGY: A REVIEW OF AMAZON ECHO SHOW B4

BUSINESS & FINANCE

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Euro vs. Dollar 1.1374 ▲ 0.30% **FTSE 100** 7387.80 ▼ 0.63% **Gold** 1248.00 ▲ 0.13% **WTI crude** 44.74 ▲ 1.13% **German Bund** yield 0.371% **10-Year Treasury** yield 2.223%

Nestlé Tidies Up Food Cupboard

New strategy hints at divestitures of some packaged goods to focus on faster growth

By Brian Blackstone

ZURICH—The world's biggest packaged-food company may be cutting back on packaged food.

Nestlé SA outlined a far-reaching strategic shift this week, days after activist investor Daniel Loeb, who has accumulated a 1.25% stake, asked for big changes. Nestlé promised new investment in its high-growth businesses like bottled water, coffee, infant nutrition and pet care. It also signaled it would consider consumer health-care acquisitions.

What Nestlé didn't mention in its new strategy: "prepared" food, a core Nestlé sector that includes household names like Lean Cuisine, DiGiorno pizza and Herta processed meats, a brand popular in Europe. That, coupled with a number of high-profile food sales in recent months, has analysts and investors expecting more divestitures, though it may take awhile.

Earlier this month, Nestlé's new chief executive, Mark Schneider, put on the block its U.S. confectionery business, which includes the Butterfinger, Baby Ruth and Crunch candy bars. Last month, Nestlé agreed to sell three of its frozen-food brands in Italy.

A Nestlé spokeswoman declined to comment on its prepared-foods business.

"It's a small revolution that's taking place," said Jean-Philippe Bertschy, analyst at **Vontobel Research**. "Nestlé's frozen foods, ice cream and pizza businesses are areas for possible disposals" over the next three to four years, he said. Jon Cox, head of Swiss equities at Kepler Cheuvreux, said he expects additional disposals in confectionery, frozen foods and cereals in the coming years.

The cheap, ready-to-eat brands have fallen out of favor amid healthier options.

Nestlé hasn't signaled any specific new divestitures. On Tuesday, it said only that it "will continue to adjust its portfolio in line with its strategy and growth objectives."

Few analysts expect a full buffet of food-brand sales from Nestlé. The company has been investing heavily in some of its brands, including ice cream and Lean Cuisine, which it says it has successfully turned around in recent years.

But the company said it is targeting acquisitions and investment at faster-growing segments far from its traditional base in prepared food. The cheap, ready-to-eat brands were staples of supermarket shelves for decades but have fallen out of favor amid competition from healthier options.

Nestlé Chairman Paul Bulcke has said Nestlé, like other consumer-goods companies, has been slow to respond to rapidly changing consumer tastes. In an interview late last year, when he was still chief executive, he cited its reliance on the word "lean," which is on all of its packages of Lean Cuisine meals.

"'Lean,' that was so in: diet; lean. All these arguments all of a sudden were not valid anymore because 'lean' is linked with sacrifice," Mr. Bulcke said. Not having seen this change coming "is somewhat a frustration, but then we re-

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Google Rivals Take Heart

By Natalia Drozdiak

BRUSSELS—Google's smaller rivals see a lifeline in the European Union's decision to fine the **Alphabet** Inc. company €2.4 billion ($2.7 billion) and order the search giant to remake its shopping service.

Companies such as British comparison-shopping website **Foundem.co.uk** blame Google for lost business, and they cheered the EU's ruling Tuesday that followed more than seven years of investigations.

Foundem in 2009 lodged the first formal complaint to the EU about Google's behavior. In December it suspended operations because of plunging traffic. Other smaller websites have consolidated to survive after losing hundreds of employees.

The EU decision said Google manipulates its search results to favor its own services and penalize those of rivals. Competitors including Foundem and Kelkoo.com Ltd., which rely on traffic from Google, say the manipulation caused catastrophic web-traffic losses.

Analysis by the EU found that Google's actions, some starting in 2004, led to what the EU said was a 45-fold traffic increase for Google in the U.K. and a 35-fold increase in Germany, while certain rivals experienced sudden drops in traffic of 85% in the U.K. and up to 92% in Germany.

Google promotes its comparison-shopping service in a box atop broader search results, a practice the EU said was self-serving.

Google disputed the EU's conclusions. Google General Counsel Kent Walker said in a blog post Tuesday that its research shows people prefer links that bring them directly to the products they are looking for, instead of having to repeat searches on another comparison-shopping website. Google has also previously said some of the algorithm changes that might have hurt competitors were introduced to target spam and websites with unoriginal content.

Still, the EU gave Google 90 days to end any discriminatory conduct and explain how it would implement the decision, or face additional penalties of as much as 5% of average daily global revenue.

Competitors say they are confident changes to Google's behavior will help shore up business. Google declined to comment for this article.

"At the point where the commission's interventions restore a level playing field, we are intending to relaunch our service," said Foundem Chief Executive Shivaun Raff.

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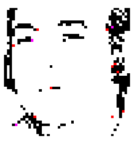
HEARD ON THE STREET

By Richard Barley

Tranquil Markets Get a Shock



Sometimes financial markets are surprisingly bad at connecting the dots—until they can't ignore the picture forming before their eyes. The screeching U-turn in bond markets is a good example. The world's central banks are sending out a message that loose monetary policy can't last forever.

The shift is mainly rhetorical, and action may yet be some way off. But expectations matter, as they did when the Federal Reserve indicated in 2013 that its quantitative-easing program could be wound down.

Ten-year German bund yields started Tuesday just below 0.25%, but by Wednesday afternoon stood at 0.363%. That helped lift bond yields elsewhere, since low German yields have been acting as an anchor. The selloff in the bund Tuesday was the worst in 22 months, according to Deutsche Bank.

The immediate trigger was a speech from European Central Bank President Mario Draghi arguing that as the eurozone recovery progresses, keeping policy unchanged would be a form of monetary loosening. Instead, the central bank could "adjust the parameters of its policy instruments."

What is surprising is that markets are surprised by this shift. The tone from central banks has been growing steadily more confident. The Fed has raised rates and is talking about shrinking its balance sheet.

The ECB has sounded more encouraged by a broadening eurozone recovery, and there has been a good deal of debate about its exit strategy. And the design of the ECB's bond-purchase program, which includes limits on the amount of government securities it can buy, means it is hard to avoid winding down stimulus.

Meanwhile, the Bank of England has shifted toward tightening policy, too. Gov. Mark Carney added volatility to markets Wednesday by hinting that a rate rise may become necessary if the economy keeps growing, and in particular if investment picks up. The pound and gilt yields jumped in response.

This could be a significant moment for markets. In the first half of 2017, worries about complacency have grown, with bonds and stocks putting in good performances. That doesn't appear to be sustainable. If central banks stick to the message they have been sending, then the second half of the year may not be such a smooth ride.

The Port of Rotterdam said Wednesday that two container terminals operated by Maersk's APM Terminals had stopped activities.

JASPER JUINEN/BLOOMBERG NEWS

Computer Hack's Impact Lingers

By Nick Kostov And Costas Paris

Global firms scrambled to cope with fallout from a cyberattack that disrupted computers across Europe and the U.S.

A.P. Moeller-Maersk AS, the world's biggest container-ship operator, has shuttered many of its ports around the world. French construction giant **Saint Gobain** resorted to manually operating some factory gear.

The origins of the virus were still unknown early Wednesday. Security experts described the computer disruption as a cyberattack and said the virus—dubbed Petya—appeared to stem in part from an obscure Ukrainian tax software product. A type of "ransomware," the bug locks data, asks for ransom and spreads quickly from computer system to system—in this case across Ukraine, Russia, Europe and the U.S. There were few reports from Asia of disruptions.

The ransomware was designed to spread within corporate networks running **Microsoft** Corp.'s Windows operating system, but didn't appear to be affecting consumers, security experts said. A Microsoft spokeswoman on Tuesday said that the company was investigating the outbreak.

Companies that reported disruptions included U.S. pharmaceuticals firm **Merck** & Co., British advertising giant **WPP Group** PLC and Russian oil producer PAO **Rosneft**.

Mondelez International Inc. confirmed Wednesday that it was also a victim, a day after it said it was investigating an outage of its global IT network. A spokesman said the cause was determined to be a virus, which had been isolated, though the company's systems remain down. The maker of Oreo cookies and Trident gum is working with outside specialists and global security agencies, aiming to minimize any impact on deliveries of its food to retailers.

Many firms hit by the attack said their day-to-day operations hadn't been significantly affected or that they were still assessing the situation. Rosneft, for instance, said on Twitter Wednesday that the virus hadn't affected production, but added that "it is premature to evaluate the cyber attack impact."

In Ukraine, the country that appeared most affected by the attack, the government said it had halted the spread of the virus and that key government and business systems were stable. But others were still struggling Wednesday to restore critical operations. One of those most severely affected: Maersk, a key cog in the world's global supply chain.

Maersk said early Wednesday that widespread computer outages at its APM Terminals subsidiary were preventing it from taking new bookings or offering quotes at affected terminals. Later in the day, the company said it was accepting

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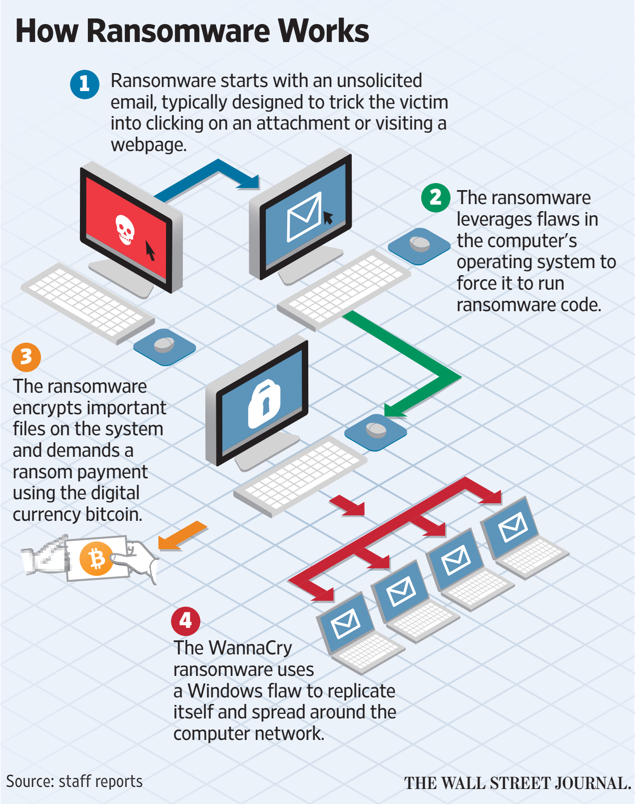

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Banks Sail Through Fed Tests

By Liz Hoffman And Ryan Tracy

Big U.S. banks won approval from the Federal Reserve to return money to shareholders, suggesting regulators believe they are healthy enough to stop stockpiling capital—and, in some cases, start giving it back to investors.

All 34 firms tested by the Federal Reserve got approval for their capital-return plans in the second part of the annual "stress tests" designed to gauge the soundness of the nation's financial system.

The companies—which include big banks such as J.P. Morgan Chase & Co., midsize lenders such as Regions Financial Corp. and credit-card companies including American Express Co.—hold more than 75% of the total assets of U.S. financial companies.

Wednesday's results mark the first time since the annual tests began in 2011 that all firms passed. That reflects a turning point and could herald a return to precrisis days when banks were reliable dividend payers and shareholders flocked to them.

On average, the companies requested payouts that are near 100% of their expected earnings over the next year, up from 65% last year, senior Fed officials said.

Analysts expect several banks, including Citigroup Inc., to seek Fed approval to pay out more than they earn over the 12 months ending June 30, 2018. That would reduce capital levels, which executives say have discouraged lending and crimped profitability.

Many banks will announce their new dividends and buyback targets following the release of the test results.

These suggest that banks have gotten better at cracking the Fed's methodology and tailoring their requests aggressively to meet them. Morgan Stanley, Goldman Sachs Group Inc. and State Street Corp. skated just above one of the Fed's minimum capital ratios; a few tenths of a percentage point the other way and they would have flunked.

Such signs indicate the industry is emboldened to seek higher payouts—and that the Fed is inclined to approve them. That likely provides a durable pillar of support for higher bank-stock prices.

Bank stocks soared after President Donald Trump's victory in November but have treaded water so far in 2017 amid lackluster economic indicators and political defeats for

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

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BUSINESS & FINANCE

Samsung to Add U.S. Plant

By Timothy W. Martin

SIPHIWE SIBEKO/REUTERS

Samsung announced plans to invest $380 million to expand home-appliance manufacturing in the U.S.

SEOUL—**Samsung Electronics** Co. said Wednesday that it will invest $380 million at a site in Newberry, S.C., to expand its U.S. home-appliance manufacturing.

The announcement came as South Korean President Moon Jae-in was set to arrive in Washington for a summit meeting with U.S. President Donald Trump.

Samsung said its South Carolina investment will generate 954 local jobs, including engineers and craftsmen, by 2020. The facility will begin producing home appliances later this year, with the company saying it aims eventually to make the Newberry factory its U.S. manufacturing hub.

The Wall Street Journal, citing people familiar with the matter, reported last week that Samsung planned to invest in an existing factory to be vacated by **Caterpillar** Inc.

South Carolina officials had been courting Samsung for months and made a visit to South Korea in recent weeks, the Journal reported.

Samsung said contact with South Carolina officials started last fall.

"This new investment will enable Samsung to increase the speed with which we can deliver premium home appliances," Samsung Electronics co-Chief Executive Officer B.K. Yoon said in a statement.

"Samsung's investment is great news for South Carolina and the United States, and it is a direct reflection of the fact that America is becoming an even stronger destination for global businesses looking to grow," U.S. Commerce Secretary Wilbur Ross said in a statement.

Mr. Trump has called for a revival of manufacturing in the U.S.

Samsung said the $380 million investment in South Carolina was an initial one, "with plans to grow from there."

The Suwon, South Korea-based firm said it has made more than $10 billion in U.S. investments over the past 18 months, including its $8 billion acquisition of automotive technology manufacturer Harman International Inc., which was announced last year.

Samsung said it chose the Newberry site for its workforce, supply chain and access to transportation. Newberry is about 150 miles northwest of the port of Charleston.

STRESS

Continued from the prior page

the White House.

"The absolute minimum is there won't be increased capital in these businesses," Morgan Stanley Chief Executive James Gorman said earlier this month. "There shouldn't be and there won't be. Now it's a question of how quickly and how it gets peeled back."

This is the second set of stress-test results released by the Fed over the past week, assessing whether officials believe the biggest banks could continue to lend even during a deep recession.

Last week, the largest U.S. banks breezed through the first round of tests with capital ratios well above the Fed's set minimum, even when put through a hypothetical recession that included severe stress in commercial real-estate markets, 10% unemployment and recessions in Europe and Japan.

"I'm pleased that the...process has motivated all of the largest banks to achieve healthy capital levels and most to substantially improve their capital planning processes," Fed governor Jerome Powell said Wednesday.

One caveat was in credit cards. Two of the largest stand-alone issuers, Capital One Financial Corp. and American Express, revised their capital-return requests downward after receiving results from the first part of the stress tests last week.

American Express's original request would have dropped it below one of the Fed's minimum capital ratios.

Capital One's wouldn't have; it wasn't immediately clear why the firm took the so-called mulligan. The Fed's approval for Capital One's plan is contingent on the firm resubmitting within six months to address what the regulator called "material weaknesses."

Created in 2009 during the financial meltdown, the stress tests have come to consume bankers' and investors' attention each year. Executives manage with the tests in mind and have collectively spent billions of dollars to develop risk-management systems to meet the Fed's expectations.

HACK

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cargo bookings through a third-party platform for existing accounts, though booking confirmations would take longer than usual. "We are still working on resuming normal operation," the company said on Twitter.

Ports in the U.S., Europe and India reported Maersk-run container terminals weren't taking ships. Whether those APM port closures ricochet more broadly will depend on how quickly Maersk restores systems, shipping experts said.

Coordinating ship arrivals, unloading containers and then scheduling storage and trucks to move products out of ports requires a high degree of coordination and efficiency.

A big bottleneck in a single port can reverberate widely and quickly.

The Indian government said Wednesday that an APM terminal at the Jawaharlal Nehru Port, India's largest port on the outskirts of Mumbai, was experiencing trouble. It warned of delays to inbound and outbound vessels at the terminal, one of four at the port.

The government said it was taking steps to "ensure minimum disturbance to trade, transporters and more importantly local citizens." The port has opened up a nearby parking lot where shippers can store cargo delayed at the port.

Lars Jensen, chief executive of CyberKeel, a Copenhagen advisory firm in maritime cyber security, said if Maersk manages to restore its computer systems soon, operations could return to normal without major problems.

"The longer it drags on the more the entire logistics chain will be disrupted," Mr. Jensen said. "The ships can be operated manually but if you don't have access to your operational and commercial databases you won't know where your containers are."

Maersk Line vessels are maneuverable, able to communicate and crews are safe, Maersk said.

APM terminals in New Jersey and Los Angeles were closed Wednesday. The Dutch port of Rotterdam, one of Europe's biggest, said Wednesday that two container terminals operated by Maersk's APM had stopped activities.

"The port is still running at three-quarters of its capacity," said Martijn Pols, a spokesman with the Port of Rotterdam.

In Spain, Maersk's APM terminal at the port in Barcelona was closed, according to an official. In a tweet, the Barcelona port said the APM terminal "has been affected by the Petya cyberattack and is working to resolve" the problem.

Several Saint Gobain factories were recovering Wednesday, including a plant in Amboise, France, that produces abrasive wheels, used to cut metal.

"At first there was panic on board," said one Saint Gobain employee. "Today, we're producing the smallest wheels and what is most urgent. We're having to operate some of the machines manually because the machines have infected some of our IT systems."

At the company's plant in Conflans, IT workers were going from computer to computer and implementing software patches to machines not already affected. A worker at the plant said a few machines were down but production was proceeding mostly as normal.

"A lot of clients can't make orders since they use intranet-style systems, and we don't want to infect them," said the worker. "Everything has been locked down to stop the spread."

The French company was also affected in Finland, where it produces plaster boards, insulation and industrial mortars. Olli Nikula, the managing director for Saint Gobain in Finland, said employees in sales still didn't have access to desk phones or email on Wednesday. "Everything is just slower," he said. "Communication is challenging since we are relying on mobiles and social media."

A spokeswoman for Saint-Gobain said it had been affected by the virus and had isolated computer systems to protect data. "Our production lines are still operational and we continue to serve our clients," she said, adding that the company was doing everything possible to resolve the issues quickly.

—Jennifer Smith in New York, Valentina Pop in Brussels, Pietro Lombardi in Rome and Anant Kala in New Delhi contributed to this article.

Sycamore Pursues Deal for Staples

By Dana Mattioli And Drew FitzGerald

Private-equity firm **Sycamore Partners** is nearing a deal to buy the office-supply retailer **Staples** Inc. for more than $6.5 billion, a bold bet on a company whose sales have been shrinking in recent years.

Sycamore is expected to pay more than $10 per share for Staples, according to people familiar with the matter.

The exact price couldn't be learned.

A price of more than $10 a share would be a premium to the $9.22 that the retailer's shares traded at on Wednesday afternoon.

In early April, just before The Wall Street Journal reported that Staples was exploring a sale, the shares were trading at around $8.66.

The deal would be the biggest leveraged buyout this year. It comes at a time of turmoil for retailers of all stripes as consumers increasingly shop online. It would value Staples at a deep discount to where the company was trading just a few years ago—and to its annual revenue, which came in at $18.2 billion in the fiscal year ended in January.

NESTLÉ

Continued from the prior page

acted then pretty fast when we saw it."

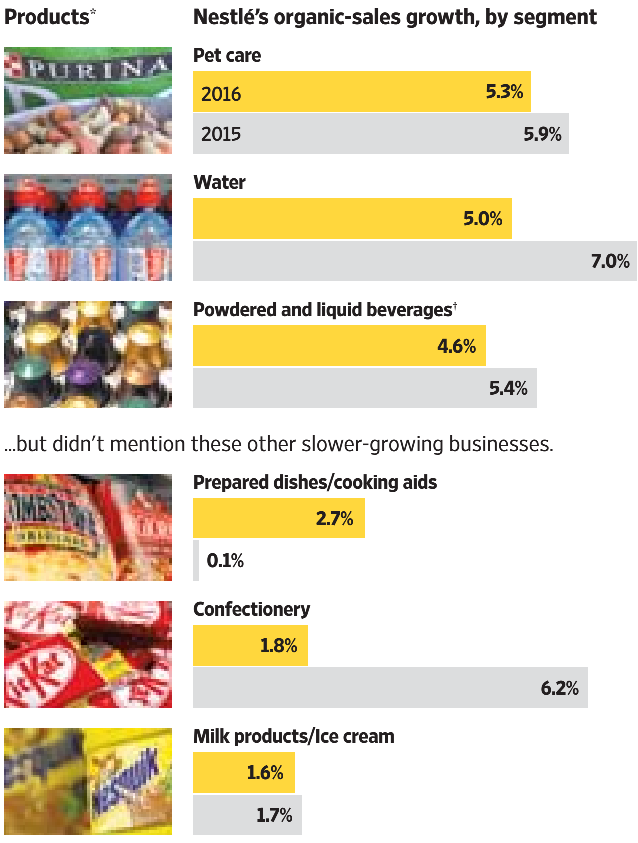
Nestlé breaks out its products in broad categories. Its prepared dishes and cooking-aid business brought in 12.15 billion Swiss francs ($12.6 billion) in sales last year, or about 13.6% of overall sales. But sales have lagged behind in other segments, delivering just 2.7% growth, excluding factors like acquisitions and divestitures. Organic sales at Nestlé grew as a whole 3.2% last year.

Still, the businesses are among the company's biggest revenue generator. Adding in various slower-growing brands in other food-oriented units—those units include confectionery, milk products and ice cream and powdered and liquid beverages—these businesses make up a big chunk of Nestlé sales, particularly in the U.S.

The packaged-food business is also a bit of a buyer's market recently. Unilever PLC put its spreads business, including margarine but not mayonnaise, up for sale earlier this year. Reckitt Benckiser Group PLC is selling its French's mustard.

Packaged Up

Nestlé's portfolio includes frozen food, processed meat, chocolate, coffee and water. Nestlé said Tuesday it would invest in these fast-growing businesses...



*Products shown don't represent whole segment
†Nestlé cited coffee, which is part of that broader segment
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2. The Pre Proposal conference will be held on 04.07.2017 (15:00 Hrs.) at MSRDC office Bandra, Mumbai.
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Toshiba Sues to Proceed With Unit Sale

Western Digital stands in the way of the group's effort to unload chip business

By Takashi Mochizuki

TOKYO—**Toshiba** Corp.'s future turned even more uncertain as it filed suit to stop a business partner from blocking the sale of its semiconductor business, meant to plug a gaping financial hole.

The struggling conglomerate is racing to raise about $20 billion from the sale to a Japanese-government-led consortium—against the opposition of **Western Digital** Corp., which has a stake in the business. Toshiba had aimed to announce a deal by Wednesday with the consortium, which includes South Korean chip maker **SK Hynix** Inc., a Western Digital competitor.

Instead of announcing the deal agreement, Toshiba asked the Tokyo District Court to suspend a legal motion filed by Western Digital to halt the sale, and to award it ¥120 billion ($1.06 billion) in damages. Western Digital, which argues that its joint-venture contract with Toshiba gives it veto power over any sale, had filed the motion with a state court in California earlier this month.

Western Digital submitted a new proposal to buy the operation itself on Tuesday, with U.S.-based private-equity firm KKR & Co.

A deal is critical for Toshiba because it has negative shareholder equity of ¥581.6 billion following the chapter 11 bankruptcy filing by its Westinghouse Electric Co. subsidiary. The conglomerate will be removed from the Tokyo Stock Exchange if it fails to repair its financial standing by next March.

Some analysts said Toshiba's legal action could backfire by prolonging the dispute and slowing the sale. It might have been quicker to seek a settlement, they say.

"This means a war which Toshiba looks likely to lose," said Amir Anvarzadeh, the head of Japanese equity sales at BGC Partners, a brokerage. "Toshiba is running out of time."

At a shareholders meeting Wednesday, Toshiba Chief Executive Officer Satoshi Tsunakawa said that Western Digital is "unreasonably interfering."

A Western Digital spokeswoman declined to comment.

Toshiba had initially aimed to pick a buyer for the chip unit by March. After postponing a decision several times, it missed its latest self-imposed deadline: the shareholders meeting. Toshiba executives apologized at the meeting for the delay, and said they would confirm a sale as soon as possible. They didn't name a new target date.

Taiwan's Foxconn Technology Group and Broadcom Ltd. of the U.S. were among other bidders for Toshiba's NAND flash-memory operation, enjoying a boom thanks to demand for the memory for smartphones and computer servers.

The company is racing to raise about $20 billion to plug a gaping financial hole.

But Toshiba selected as its preferred bidder a group led by state-backed fund Innovation Network Corp. of Japan and 100% government-owned Development Bank of Japan, joined by U.S. private-equity firm Bain Capital and SK Hynix. It called the group's proposal the best "not only in terms of valuation, but also in respect to certainty of closing, retention of employees, and maintenance of sensitive technology within Japan."

The selection of a Japanese-government-led group angered some, including Terry Gou, chairman of iPhone assembler Foxconn, formally known as Hon Hai Precision Industry Co. Hiroshige Seko, Japan's economy minister, said the administration hadn't intervened.

Western Digital made several proposals to buy the operation, including one to join the government-led group. Toshiba's Mr. Tsunakawa said it didn't pick the U.S. partner because Western Digital hadn't participated in the formal bidding process.

Analysts say that unless Toshiba can reach a settlement with Western Digital, the U.S. company is likely to employ every possible step to slow the deal process.

"If a consortium with the Japanese government was a must, Toshiba should have made more effort to pull in Western Digital, not its competitor SK Hynix," Waseda Business School professor Atsushi Osanai said.

The Toshiba-Western Digital relationship now looks irretrievably broken.

Toshiba said that in addition to filing suit, it had cut off Western Digital's access to their joint-venture database to protect Toshiba's intellectual property.

Analysts say the only winner from the dispute is Samsung Electric Co., which holds top share in the NAND flash-memory market, according to IHS Markit.

As the legal battle between Toshiba and Western Digital drags on and makes business planning harder, Samsung has the opportunity to boost chip investment.

In Health Nod, CVS Hides Candy

By Sharon Terlep

RJ SANGOSTI/GETTY IMAGES

New CVS pharmacies focus on health-care goods and services. Walgreens has also made changes.

Kevin Heath was wandering around his local CVS pharmacy in search of licorice for his wife, stymied that the candy display was no longer in its usual spot at the front of the store.

With help from a store employee, he found the treats in a section farther back. "Eh, I'm retired. I can take a little extra time," said the 66-year-old from North Arlington, N.J.

Meet the new **CVS Health** Corp. Three years after eliminating tobacco products from its shelves and adding "health" to its name, the company is taking more steps and moving most junk food away from the storefront, banning sales of low-protection sunscreens and eliminating foods containing artificial trans-fats.

The changes are part of CVS's effort to stand apart from rivals by focusing on health-care goods and services, said Helena Foulkes, who runs the company's retail business. It puts the company on a different path than its main competitor.

Walgreens Boots Alliance Inc. says it isn't a retailer's job to keep shoppers from their vices and that consumers should be able to make unhealthy choices if they want to. But like CVS, Walgreens is trying to boost sales by appealing to a more health-conscious shopper.

Walgreens sells cigarettes but offers smoking-cessation help in the form of specially trained pharmacists and quitting aids. It is keeping candy up front but has added fresh fruit and vegetables in other parts of the store. It also has a loyalty program that rewards shoppers with points for exercise and health monitoring that can be used on purchases.

"How do you still give customers the choice and not tell them what is good for them, but help them make healthier choices?" Walgreens Boots co-operating chief Alex Gourlay said in an interview. "There's a level of making things available so it's the customer's choice, and there's a level of incentivizing the customer."

Drugstores are becoming an ever-larger piece of the health-care supply chain as a result of deals with the biggest pharmacy-benefits managers in the U.S. And Walgreens is seeking antitrust approval to buy No. 3 competitor **Rite Aid** Corp.

CVS's latest moves are subtle. It will still sell candy bars at the front register but is moving the main snack aisle, with its bags of candies, sweets, chips and other munchies, to the middle of the store. Candy accounts for roughly 5% of overall drugstore revenue, according to Nielsen.

CVS has stopped selling tanning oils and sunscreens with SPF lower than 15, which the Food and Drug Administration says don't help prevent cancer. This month, the company will quit shipping foods with artificial trans-fats, more than a year before an FDA ban on the products takes effect.

"We make a distinction between indulgent products and damaging products," said Judy Sansone, CVS's chief merchant. "We are giving more healthy-choice options and making sure the customer can find them."

The modifications aren't expected to dent sales as did the tobacco ban, which the company said cost it $2 billion in annual revenue.

Retail sales account for a shrinking share of overall revenue for both CVS and Walgreens as both chains have more quickly expanded their pharmacy and health-care businesses.

A nudge toward healthier behavior can appeal to some shoppers but can also backfire, said Phil Rubin, CEO of marketing firm rDialogue, which focuses on customer loyalty. "A big part of visiting a drugstore is habit, and you can risk alienating customers if you change things up and disrupt that habit."

CVS says that it thinks consumers largely are seeking healthier options and won't be deterred by the changes. It is gradually rolling out its new format; just four U.S. stores, including the one in North Arlington, have received the makeover so far.

CVS plans to put the new format in several hundred of its 9,700 stores by 2018.

Gary Mocik, a retired police officer in North Arlington, likes that his local CVS no longer sells tobacco products because the store attracts children from an area school.

He isn't so sure about the other changes. "We're adults. We can make our own decisions," he said.

Monsanto's Profit Gets Boost From New Soybean Seeds

By Jacob Bunge

Increased soybean plantings in the U.S. this spring boosted biotech seed giant **Monsanto** Co.'s quarterly profit, despite the broader slump in agricultural commodity prices.

Farmers this year have dedicated more acres to soybeans after a string of record-breaking harvests eroded the price of corn and wheat. Soybean prices had fared better due to strong demand from China and elsewhere, though prices have declined as farmers ramped up planting. Heavy rain this spring also forced some farmers to switch some corn fields to soybeans, which typically can be planted later.

That trend coincided with Monsanto's introduction of new soybean varieties that are genetically engineered to resist a more powerful combination of herbicides. About 20 million U.S. acres were sown with the new seeds, executives said Wednesday.

"For soybeans, the momentum continues to be tremendous," Monsanto President Brett Begemann said, as the St. Louis-based company reported better-than-expected profit for the period.

Chief Executive Hugh Grant said Monsanto's sale to German chemical conglomerate Bayer AG was progressing through antitrust reviews around the world. The $57 billion deal to create the world's largest supplier of pesticides, seeds and crop genes is expected to close this year, he said.

Some jurisdictions already have cleared the deal. As a condition of the deal, South Africa required Bayer to sell a herbicide and crop-gene franchise that competes with Monsanto's "Roundup Ready" suite of crops and weed killers.

A 29% increase in quarterly sales for soybean seeds and crop genes prompted Monsanto on Wednesday to maintain its forecast earnings of $4.09 to $4.55 a share for its fiscal year, which wraps up Aug. 31.

Monsanto shares were ahead 1.1% at $118.56 in afternoon trading on Wednesday.

Monsanto's new soybean variety, engineered to resist the herbicide dicamba as well as glyphosate, has been linked to crop damage in some Southern parts of the U.S.

A growing number of farmers in Arkansas, Missouri, Mississippi and Tennessee have reported crop damage allegedly caused by dicamba drifting from neighboring fields. Some farmers have sued Monsanto.

The company has said it advises farmers on how to use the spray safely and will fight the lawsuits.

For its latest quarter, Monsanto reported a profit of $843 million, or $1.90 a share, up from $717 million, or $1.63 a share, a year earlier. Revenue from seeds and genomics, Monsanto's biggest business, fell 2.3% to $3.1 billion despite strong results from the soybean seed segment.

—Ezequiel Minaya contributed to this article.

BUSINESS WATCH

GENERAL MILLS

New CEO Plans To Refocus on Yogurt

General Mills Inc.'s new chief executive said he would invest in turning around declining sales as the company's yogurt business weighs on results.

General Mills said revenue fell short of its standards as sales declined for the eighth straight quarter.

On an earnings call with investors, CEO Jeff Harmening said much of General Mills' struggles in the past year were "self-inflicted," through missteps such as a lack of innovation in yogurt.

In all, for the quarter that ended May 28, General Mills posted net income of $408.9 million, or 69 cents a share, up 7.7% from $379.6 million, or 62 cents a share, in the year-earlier period. Revenue declined 3.1% to $3.81 billion.

—Austen Hufford

TESCO

Supermarket Chain To Cut 1,200 Jobs

Tesco PLC is cutting 1,200 jobs at its head office, the latest round of cuts as the supermarket chain works to turn around its performance under Chief Executive Dave Lewis.

"This new service model will simplify the way we organize ourselves, reduce duplication and cost but also, very importantly, allow us to invest in serving shoppers better," a company spokesman said.

The 1,200 cuts are just the latest in a string of changes Tesco has pushed through since Mr. Lewis took over. Britain's largest grocer said earlier this month that it would close its call center in Cardiff, Wales, affecting as many as 1,100 jobs. In April the company said it was cutting night-shift roles.

—Saabira Chaudhuri

BEN STANSALL/AGENCE FRANCE-PRESSE/GETTY IMAGES

A Tesco store near London earlier this year. The U.K.'s largest grocer is cutting jobs at its head office.

FORD MOTOR

Fix for Van Defect To Cost $142 Million

Ford Motor Co. will book a $142 million expense for recall costs related to Transit vans, the latest in a series of quality-related expenses dinging the auto maker's bottom line.

The No. 2 U.S. car maker by sales said the costs, booked in the second quarter, will cover three new recalls in North America, including a campaign to fix roughly 400,000 model-year 2015-2017 Transit vans. The defect can cause the drive shaft to separate, resulting in a loss of power or unintended vehicle movement.

Ford disclosed the additional expense Wednesday in a regulatory filing. This is the second time this year a hefty recall charge has hurt Ford's earnings, illustrating the disproportionate effect quality problems can have on Ford's efforts to keep profits growing in a slowing U.S. car market.

In March, Ford said it would take a $295 million charge for recalls covering vehicles with fire risks and faulty door latches, forcing the auto maker to lower its first-quarter guidance.

The latest recall also affects a handful of 2017 Police Interceptors and 2016 Ford Escapes.

Ford said that it isn't aware of any accidents or injuries related to vehicles covered by the recalls.

The campaigns come even as Ford has improved its standing in the J.D. Power influential Initial Quality Study, a report that ranks brands according to the frequency of problems occurring in their vehicles. In this year's report, Ford received its highest mark since the study started 31 years ago, slotting in as the No. 2 nonpremium brand with the fewest problems.

—Christina Rogers

GAWKER MEDIA

Judge Allows Subpoena of Thiel

A bankruptcy judge gave **Gawker Media** permission to subpoena Peter Thiel about his relationship with the lawyer who represented Hulk Hogan in the lawsuit that proved to be the publisher's undoing.

Judge Stuart Bernstein of the U.S. Bankruptcy Court in Manhattan ruled Tuesday that Gawker has established cause for examining Mr. Thiel's relationship with the lawyer, Charles Harder. Gawker seeks evidence, if any exists, that Mr. Thiel conspired with Mr. Harder to destroy the media company.

Gawker's inquiry will be limited by the settlement the company signed last year with Terry Bollea, Mr. Hogan's real name. The agreement prohibits discovery by Gawker into Mr. Bollea's lawsuit.

—Jonathan Randles

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AMAZON/ASSOCIATED PRESS

Amazon's $230 Echo Show, with a 7-inch touch screen and camera, is part phone booth, part hands-free tablet and part countertop TV.

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

Alexa Grows More Intrusive

Amazon.com Inc. is masterful at changing our habits.

Not long ago, it seemed unthinkable to buy clothes online. Or buy anything on your phone. Or talk to a speaker (also, mind you, a way to buy things).

The $230 Echo Show is Amazon's most audacious product yet. Now it wants to colonize your countertop with a 7-inch touch screen and a camera. You can even use it to randomly peer through the always-on camera of loved ones' Shows and into their homes, if they list you as persona grata.

Amazon is onto a good idea: the casual kitchen computer that doesn't require a mouse, keyboard or even meatloaf-kneading fingers to operate. But there is still work ahead to make the Show a welcome addition to most homes. This first version has limited skills that take advantage of the new screen—yet it is so intrusive, I was ready to yank the plug after a week.

The Show, which ships Wednesday, has all the functions of Amazon's original Echo speaker, the first home appliance to popularize internet-connected microphones. You call out the wake word "Alexa," then command Amazon's AI assistant to play Beyoncé, turn on the lights or tell a joke. The Show's boxy design and wide bezels aren't as cool as the cylindrical Echo. But it could hear me just as well as the original, and its speaker sounded slightly better (but still not great).

In some important ways, the Show is unlike anything we've seen before, whether the original Echo or its competitors Google Home and Apple HomePod. The Show is part phone booth, part hands-free tablet, part countertop TV.

So what can the Show show? In its first week, the screen "skills"—Alexa's term for apps—suggest where things are headed:

It's a **senior-friendly video-call station** to use with people who also have a Show or the Alexa smartphone app.

It can **pull up recipes** or **scan items to buy** from Amazon.com.

It **plays Amazon and** YouTube **videos**. (There are no TV channels yet, but "Jeopardy" live streams surely can't be far off.)

It **shows lyrics** while playing music, prompting spontaneous singalongs.

I wouldn't bet against the Show getting more screen skills fast: Amazon has proven far more successful at lining up partners for Alexa than either Apple Inc. or Alphabet Inc.'s Google have for their talking assistants. One of the Show's first partnerships pairs it with the Ring video doorbell, one of my favorite smart-home devices. Just say, "Alexa, show me the front door." It'll also work with cameras from Nest, August and others.

As a gadget pioneer, I'm willing to wait for more skills. My problem is more fundamental: Living with a Show is too often perturbing—and occasionally creepy.

The first time I turned the Show on, the screen asked me if I'd like to subscribe to Amazon's Audible service. I couldn't proceed until I'd replied. ("No.") It was my first reminder that the Echo Show is as much an Amazon sales kiosk as a kitchen helper.

Once up and running, the Show started flashing a series of calendar events, headlines and usage tips. One read: "Video: Baseball Mascot Outruns Fan. Try 'Alexa, play the mascot video.' " That's one way to teach owners about Alexa's ever-growing capabilities. I assumed the tips would eventually fade.

But they didn't. They keep refreshing every seven seconds. In the span of one minute, the Show nagged me to play Katy Perry and told me about a Batman-costumed policeman. It felt like one of those elevator displays took up residence next to my toaster.

This much is a relief: An Amazon spokeswoman tells me the company has "no plans or future intentions to advertise products on Echo Show."

Eventually I found some settings that let me remove the "trending topics" messages, but not the tips. A Do Not Disturb mode stops incoming calls and dims the screen. Using another setting, for the clock, you can turn off the screen completely in Do Not Disturb mode, until you call Alexa. This should be the default, not hidden in settings.

Bringing home an always-on screen can disrupt family life in other ways. For one, it's catnip for children. Unlike a regular TV, they can operate it whenever they want, without a remote. It's cute when tykes ask Alexa for songs, weather and information but grating when they beg for videos. Now that Alexa can do so much, it's urgent for her to gain the ability to recognize the voices—or faces—of family members.

The biggest head scratcher is that 5-megapixel camera. True, Amazon got millions of us to live with microphones, but cameras are a different beast.

One of the Show's headline features requires a very high level of comfort with being watched: "Drop in" mode lets approved friends turn on your camera and say hi, without requiring you to pick up the call. The nominal privacy protection is a 10-second countdown, in which the view into Lord-knows-what happening in your house is obscured by digital frosting. During that time, you can disable the camera or reject the call.

That function is optional, but another one isn't: To figure out when to activate the screen, the camera remains on, watching for people in the room. Amazon says it isn't storing or sending that video over the internet, yet it feels like a needless risk, since so few functions actually require the camera. You can cut off the camera with Do Not Disturb or with the same button that cuts off the Show's microphone—but using the button means the whole thing stops working.

The Show is a promising talking home computer and may appeal to people already heavily invested in Alexa's world. But it's a shame Amazon's strange design choices muddy its potential. Walking the line between futuristic and creepy, the Show landed in the worst place of all: annoying.

Apple's Next iPhone Iteration Poses Big Risks

By Tripp Mickle

For the iPhone's 10th birthday, **Apple** Inc. is giving itself a big, new challenge.

Maintaining its usual secrecy about product plans, Apple is widely expected later this year to announce three iPhones instead of the usual two—updated versions of the current iPhone 7 and 7 Plus as well as a 10th-anniversary iPhone with a different display and new features like wireless charging and facial-recognition technology.

Such devices would make an attractive purchase for customers disappointed with the relatively incremental improvements of recent smartphones. But analysts say that such a plan also has big risks for Apple, including the possibility of a higher price tag that could damp demand, trickier manufacturing requirements and the added complexity of forecasting and marketing a third model.

Apple co-founder Steve Jobs engineered Apple's revival in the early 2000s in part by slashing the number of Apple products sold, adopting the philosophy that making fewer but better devices would increase sales. The iPhone's popularity has tested that philosophy. Though Apple produces fewer handset models than many of its rivals, it has increased the number of colors from one to six in the past decade and expanded from a single model annually to five models last year, including the iPhone 6, iPhone 6 Plus and iPhone SE. Apple also makes the iPad in four models, the Apple Watch in two versions with countless variations, 11 Macs, the Apple TV and a host of accessories.

Most product expansions have come off without trouble under Apple Chief Executive Tim Cook, whose operational prowess helped turn Apple into the world's most valuable listed company. The company did run into trouble, though, as its newest device, the AirPod headphones, were delayed several weeks by production challenges and remain back-ordered. It also missed out on sales of the iPhone 7 Plus, its highest-priced handset, during the December quarter because of what Mr. Cook has acknowledged were mistakes in forecasting demand and supply.

Anticipation of the new iPhone has helped push up Apple's stock price to a record this year, although it has recently lost some of those gains.

Challenges with some upcoming iPhone hardware features have stoked concerns about the potential for delays this year, specifically for the 10th-anniversary handset. Several analysts say they expect it to be several weeks late because of challenges related to a new type of fingerprint-verification technology. Apple also is running into problems

Analysts say a higher price tag for the next generation of phones could damp demand.

with a lamination process during the device's assembly, multiple analysts have reported.

Apple previously ran into production delays in 2012 with the iPhone 5, which featured a new coating material that was more susceptible to scratches.

Broadcom Ltd., which supplies chips to Apple for the iPhone, fueled expectations of a delay during a June 1 analysts call, saying initial production of a next-generation handset from a large North American customer has been "slower this year compared to prior years."

Broadcomm didn't respond to requests for comment. Apple declined to comment.

Apple's primary iPhone manufacturer, **Foxconn Technology Group**, has time to improve production processes. Still, supply-chain experts said the anticipated risk of delay is greater with the anniversary phone because it is expected to be Apple's first with an organic light-emitting diode, or OLED, screen.

OLED technology could enable a thinner iPhone with better battery performance and a screen that bends around the phone's curved edges, according to display technology executives. But it also puts Apple at the mercy of its biggest competitor, Samsung Electronics Co., which has a 97% share of manufactured mobile displays in the OLED market, according to the OLED Association.

Samsung's Galaxy S8 phone also features an OLED screen.

—*Takashi Mochizuki contributed to this article.*

ZHANG PENG/LIGHTROCKET/GETTY IMAGES

Apple is expected to release three new versions of the iPhone.

Alibaba Lifts Bet on Web Retailer

Alibaba Group Holding Ltd. is raising its bet on populous Southeast Asia, a region that is home to more than 600 million consumers.

By Liza Lin in Shanghai and Newley Purnell in New Delhi

The Chinese internet giant said Wednesday it is plowing an additional $1 billion into Southeast Asian e-commerce firm **Lazada Group**, raising its stake to 83% from 51%.

Alibaba had paid $1 billion for a controlling stake in the internet shopping platform last year. Based in Singapore, Lazada operates in six markets including Indonesia and the Philippines.

Alibaba, the owner of China's two most popular online retail sites, Taobao and Tmall, has made globalization a focus of the firm's expansion plans as competition at home intensifies. Company founder and Chinese billionaire Jack Ma recently traveled to Detroit to make a pitch alongside celebrities such as Martha Stewart, to attract U.S. businesses to sell on its platforms.

Launched in 2012 as an online platform buying products, warehousing them and selling the goods directly to consumers, Lazada accelerated its shift to a model similar to Alibaba's Tmall after the Chinese company's acquisition last year. Lazada now runs online storefronts for small regional merchants and international brands including Samsung Electronics Co. and L'Oréal SA.

The region holds promise as incomes are rising and consumers are increasingly getting online via low-cost smartphones. Southeast Asia is poised to become one of the world's fastest-growing regions for e-commerce revenues, exceeding $25 billion by 2020, according to industry researcher Frost & Sullivan.

The area has also attracted interest from Chinese rivals, with JD.com Inc. announcing this month it plans to enter new markets in the region. Still, challenges include difficult logistics, a lack of digital-payment systems and many consumers' unfamiliarity with online transactions.

A Lazada spokesman said the deal values Lazada at $3.15 billion, up from a $1.5 billion valuation in 2016's deal, and that Alibaba bought out stakes from previous investors such as Swedish investment firm Kinnevik AB and German technology incubator Rocket Internet.

The companies said that the injection shows the "continued success of Lazada's business." A Lazada spokesman declined to say whether the startup is profitable or nearing profitability, adding that Lazada's focus "is on building the leading customer experience and growing our user base."

GOOGLE

Continued from page B1

Ms. Raff has faced criticism that she benefited financially from the Google antitrust case. She was previously paid as a special adviser to the anti-Google lobby group Icomp, which until recently had strong links to **Microsoft** Corp. Both Foundem and Microsoft are no longer members of Icomp. Microsoft last year ceased active involvement in the fight against Google in Brussels after reaching an agreement with the search giant to end their regulatory disputes.

Google's Mr. Walker questioned his company's liability for rivals' fates. While some sites have shrunk over the examined period, "many sites...have grown in this period—including platforms like Amazon and eBay," he said in the blog post on Tuesday.

For several months after Foundem's 2009 complaint, the site was alone in alleging anticompetitive conduct by Google, Ms. Raff said. Dozens of companies have since complained to the EU, both formally and informally.

At a meeting in December 2014 with newly installed EU antitrust commissioner Margrethe Vestager, Olivier Sichel, chief executive of French comparison-shopping company **LeGuide Group**, presented data showing a decline of roughly 90% in "visibility" of unpaid search results in France since 2011 for eight rival comparison-shopping sites.

"The company I run, LeGuide.com, may have taken wrong directions as regards consumers' expectations, and thus be penalized by Google, but how can you explain all our competitors suffered from the same demotion?" Mr. Sichel said he asked Ms. Vestager at the time. Kelkoo bought LeGuide last year.

On Tuesday, the EU said the sudden drops in traffic to the rival websites it cited couldn't be explained by other factors. The EU said it based its decision on documents from Google and other market players, as well as on real-world data of Google search results, traffic data and market surveys.

It remains unclear how Google will implement the order and whether a redesign will return traffic—and business—to its rivals.

Google could opt to scrap its shopping ads in Europe. More likely, analysts said, Google will propose rebuilding the service. EU regulators may require Google to retool the system to let results from competing comparison-shopping sites be mixed with its own and be as easy to click through as Google-hosted ads.

"How they fix that is crucial," said Kelkoo CEO Richard Stables. The right remedies "would transform our business...I would stop spending all my time trying to survive, cut costs and [instead] try to innovate."

But Nicolas Petit, an antitrust professor at the University of Liege, said consumers would lose out if Google simply dropped image-rich search results.

Google's other search services, such as travel, maps and local search, are also under the commission's scrutiny. Ms. Vestager said Tuesday the shopping decision could serve as a precedent in the other cases.

News Corp, owner of The Wall Street Journal, is an interested third party in the shopping case, meaning that it can participate in the investigation.

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U.K. Regulator Urges Shake-Up

FCA sets out a long list of remedies for the financial industry to better aid investors

By Philip Georgiadis

JASON ALDEN/BLOOMBERG NEWS

The Financial Conduct Authority, under CEO Andrew Bailey, wants to increase competition.

LONDON—The U.K.'s Financial Conduct Authority issued a damning critique of the country's $7 trillion asset-management industry, condemning weak price competition and performance in a sector it says needs a substantial overhaul.

The regulator on Wednesday set out an extensive range of remedies to drive competition and transparency, including introducing a single "all-in fee" and an increased duty on fund managers to act in the best interest of investors.

The report stops short of the industry's worst-case scenario—referring the entire sector to competition authorities—but fund managers will have to grapple with a call for major changes.

It comes as London's financial district faces competition from other financial centers following 2016's vote to leave the European Union and as it gears up to implement significant regulatory changes, including Europewide modifications to rules governing financial firms in January 2018.

Scrutiny of fees and transparency in the world's second-largest investment market is likely to reignite an industry-wide debate on pricing and the benefits of active or passive investing, industry participants said.

"I think regulators in every jurisdiction are going to be looking at this report," said Dan Brocklebank, head of U.K. operations for investment manager **Orbis Investment Management** Ltd. "All regulators are confronted with the same problem: They have to protect consumers in the market who are faced with an overcomplex, opaque product," Mr. Brocklebank said.

Richard Withers, head of policy for Europe at U.S. fund company **Vanguard Group**, said European regulators would be closely watching the U.K.'s actions. "There is very significant interest at an EU level as to what is happening in the U.K. I think the U.K. is influencing the direction of travel," Mr. Withers said.

Key Points Made In the Report

- ◆ Investment firms typically didn't compete on price.
- ◆ Considerable price clustering exists in some parts of the market.
- ◆ Investment firms tended not to lower their prices to win new business.
- ◆ Investors' awareness of charge structures was often poor.

The FCA's action is also likely to increase the pressure on money managers who actively manage funds. Active fund managers are facing competition from cheaper passive funds, which are snatching market share by offering lower fees in exchange for attempting to match an index, rather than trying to beat it. While the FCA was clear it doesn't favor either strategy, it said some actively managed funds were found to offer similar exposure to passive funds, while charging significantly more.

The regulator's analysis showed £109 billion ($139.7 billion) is invested in actively managed funds that are more expensive than passive funds but offer little discernible benefit as they also closely mirror the market. It added both actively and passively managed funds didn't usually outperform their own benchmarks after fees.

Among its most harsh findings, the FCA outlined widespread concerns about the value investors receive and the relationship between price and performance throughout the industry. It said investment firms didn't typically compete on price and tended not to lower them to win new business. The regulator also said there is considerable price clustering in some parts of the market.

The FCA said it would push for a single all-in fee for investors, which the industry has previously lobbied against, a move that could hit profitability. An all-in fee would include asset-management charges and trading costs.

Wednesday's report said the regulator would make a final decision in September on whether to request competition authorities review the industry. The FCA has also requested the U.K. Treasury be given oversight of investment consultants.

The report follows an 18-month investigation, which included meetings with 135 organizations. The regulator said improvements in getting good value for investments could have a significant positive impact on U.K. pension systems and savings.

—This story is from WSJ City -- fast, fact-packed intelligence from London https://city.wsj.com/articles/

Wall Street Presses SEC Over EU Law

By Dave Michaels

WASHINGTON—The Securities and Exchange Commission is weighing how to alleviate the harshest side effects of a European Union law that could have U.S. repercussions for banks trying to comply with it.

The EU law, which goes into effect in January, will require investors to pay directly for investment research provided by banks' brokerage arms. The EU measure aims to make research costs more transparent for end investors by breaking them out separately from the trading commissions that investment firms pay.

U.S. law discourages paying for research directly by imposing stricter legal obligations on brokers that accept separate payment for research. U.S. rules have for many years accommodated the current arrangement, which dates to an era when commissions were fixed by exchange rules and brokers competed by offering extra services such as research reports. The extra responsibilities would entail higher legal costs and complicate brokers' roles as sellers of stocks and bonds, according to industry officials.

Wall Street wants to avoid that outcome, and two Republican lawmakers took up their cause on Tuesday at a Senate budget hearing by urging SEC Chairman Jay Clayton to find a solution.

Sens. Jerry Moran (R., Kan.) and John Boozman (R., Ark.) asked Mr. Clayton to help U.S. firms avert the worst outcome—brokers withholding research from European clients to avoid the repercussions of the European regime, known as Mifid II, for Markets in Financial Instruments Directive.

The extra duties would complicate brokers' roles as sellers of stocks and bonds.

"I am not certain that the power we have will be able to facilitate all relief that people might want, but this is something that the staff is very much looking to do," Mr. Clayton said, adding that the SEC needs the cooperation of European regulators to fully ease the impact on U.S. firms.

"We are looking to ensure the fear that people have—that research becomes restricted—does not occur," said Mr. Clayton, who didn't give details on how the SEC might provide the relief.

The rules targeting how research is financed are one of the most controversial aspects of Mifid II. Industry officials say it is especially murky how Mifid II's rules would apply to global asset managers that have significant operations in Europe but also invest in the U.S. and Asia.

One likely outcome of the proposed rules will be a significant scaling down of banks' investment-research divisions as they struggle to find customers willing to pay for research directly. Some banks and brokers already are taking a hard look at their less used analyst and research teams, according to industry officials.

The Securities Industry and Financial Markets Association, the biggest trade group of U.S. broker-dealers, wants the SEC to clarify that complying with the European rules won't trigger stricter obligations in the U.S., such as restricting their ability to trade with customers who buy their research.

AIG's New Chief: Let's Make a Deal

By Leslie Scism

American International Group Inc.'s new chief executive, Brian Duperreault, said he is open to slowing down the firm's share buybacks and instead using the capital for acquisitions.

"Shareholders want to see value creation," he said following the company's annual meeting Wednesday. "If I can present them something that is better value creation than a share buyback, I won't get a hard time."

Mr. Duperreault, a onetime lieutenant to former AIG CEO Maurice R. "Hank" Greenberg, was named CEO in May. His predecessor, Peter Hancock, agreed to depart following pressure from the board.

Mr. Duperreault's task is to improve AIG's profit margins after years in which it has trailed many peers. Many of its woes stem from its near collapse in the 2008 global financial crisis. A U.S. government bailout required it to sell off some prized businesses to fully repay nearly $185 billion provided by taxpayers.

Some activist investors—including Carl Icahn, who has a representative on AIG's board—last year called for the insurance conglomerate to improve its results by splitting itself apart. But those same investors have since given AIG some leeway to improve returns using other methods. Mr. Duperreault has promised investors he wouldn't split up AIG and instead would "grow it."

The prior CEO, Mr. Hancock, pledged to complete at least $25 billion in share buybacks and dividends over the two years ending Dec. 31. Through early May, AIG had made good on $18 billion of that pledge.

But Mr. Duperreault said Wednesday he will be more receptive to other uses of the cash generated by its businesses.

"I prefer to apply the capital to grow the company and create some strategic moves that ultimately benefit the shareholder," he said.

"The likelihood we would continue the [buyback] pace we've been on is low, because I think there are other things that I can use the money for," he added.

The new CEO said he didn't arrive at AIG with a specific acquisition plan, or list of deals, in mind. "But I'm open for business," he added.

Bondholders Bail Out Co-op Bank

By Margot Patrick

LONDON—U.S. hedge funds are bailing out Britain's **Co-operative Bank** PLC again.

The bank on Wednesday said bondholders, including some U.S. funds that saved the bank from failure in 2013, will inject £250 million ($320 million) in new equity and raise around another £443 million for the bank through a debt swap.

The announcement ends months of uncertainty at the bank, and is the latest round of life support for the lender following bailouts by its bondholders in 2013 and 2014. Without a deal, the Bank of England could have been forced to take over and move Co-op Bank's depositors to another lender, mirroring recent bank "resolutions" in Spain and Italy.

That process could have wiped out the bank's equity and debt. Instead, investors including **Silver Point Capital**, Goldentree Asset Management, **BlueMountain Capital Management** and Cyrus Capital Partners opted to put up more cash and preserve the Co-op Bank brand.

The bank put itself up for sale in February but abandoned the process earlier this week.

For decades, backed by one of the U.K.'s oldest mutuals, Co-op Bank was seen as a powerful challenger to the country's big five incumbent banks. Then a failed takeover in 2013 exposed deep fractures in the bank's finances and governance. The bank's current 20% shareholder, retailer and funeral homes mutual Co-operative Group Ltd., will retain a 1% stake under the planned restructuring.

Co-op Bank's problems started in 2009 when it combined with a mutual lender stuffed with risky loans. By early 2013, the bank's capital base was razor thin and it had to cancel a plan to triple its size by buying 600 bank branches. Later that year, former Co-op Bank Chairman Paul Flowers was arrested on drug charges, days after being questioned by lawmakers over his qualifications for overseeing a bank. He pleaded guilty to possessing illegal drugs and paid a fine in 2014.

In 2016, the bank's former chief executive and the head of its corporate division were banned from holding top jobs in finance for not safeguarding the bank in the lead up to the 2013 bailout.

The bank's biggest asset has been its goodwill with depositors and borrowers, who rate the bank highly in surveys for the values it promotes. Co-op Bank bills itself as an ethical lender by supporting human rights and charities, and doesn't lend in areas involving animal testing or fossil-fuels extraction.

But even after cash injections in 2013 and 2014, it struggled to stem a capital drain from a costly technology upgrade, narrow margins and regulatory fines. Some hedge-fund owners sold their stakes to others when it became clear there wouldn't be a quick recovery.

But crystallizing a loss and losing any potential upside was unacceptable to some investors. Privately, some of the hedge funds have said they felt the Bank of England owed them a favor for having kept the bank going for so long.

KIRSTY O'CONNOR/PA WIRE/ZUMA PRESS

Bondholders will inject $320 million into Co-operative Bank.

FINANCE WATCH

J.P. MORGAN CHASE

Bank Hires GE To Cut Power Use

J.P. Morgan Chase & Co. and **General Electric** Co. agreed that the industrial giant will help install new energy management and lighting technologies for about 4,500 branches at the U.S.'s largest bank.

The savings, according to a bank official, could add up to a couple of hundred million dollars over the next decade.

The changes come as banks continue working to cut costs. Relatively low interest rates have pressured profits, while trading and lending have hit weak spots in recent quarters.

J.P. Morgan will use the GE unit Current's energy-management system of sensors, software and lighting controls to reduce electric and gas consumption by 15% and water consumption from irrigation systems by 20% in 4,500 of the bank's roughly 5,300 branches.

The bank is piloting the changes in 10 branches in the New York area, with plans to roll it out nationwide in the second half of 2018, said David Owen, J.P. Morgan's chief administrative officer.

—Emily Glazer

GOLDMAN SACHS GROUP

A Top M&A Banker Is Leaving Firm

One of **Goldman Sachs Group** Inc.'s top U.S. mergers and acquisitions bankers is leaving.

Stephan Feldgoise, co-head of Goldman's M&A group in the Americas, is retiring at age 46, according to people familiar with the matter. He will remain an advisory director, the people said, a title often given to departing executives who aren't heading to a competitor.

—Liz Hoffman

CROESUS RETAIL TRUST

Blackstone Bids For Japan Landlord

Private-equity firm **Blackstone Group** LP offered to buy Singapore-listed **Croesus Retail Trust** in a deal that values the company at 901 million Singapore dollars (US$650 million).

Blackstone offered to pay S$1.17 for each unit of Croesus Retail Trust, a company that operates retail properties in Japan. The offer is at a 38% premium over its average price of S$0.85 for the past 12 months, the companies said. *—P.R. Venkat*

Blue Apron Chops IPO Price

By Corrie Driebusch

Blue Apron Holdings Inc. is struggling to win over investors in its initial public offering, and now expects to sell shares at a lower price than originally targeted.

A weak pricing of a well-known startup would be a disappointing development for the IPO market, which after a dismal 2016 has been on the rebound in the first half of 2017.

The meal-kit maker filed Wednesday to lower the expected price range for its shares to $10 to $11 apiece, below the $15 to $17 it sought earlier, according to regulatory filings.

The company was set to price its IPO later Wednesday, according to people familiar with the offering, and start trading Thursday.

If the company prices shares at $10, the company would be valued below the $2 billion it was valued at in a 2015 fundraising round by investors such as **Bessemer Venture Partners** and **Fidelity Investments**.

Several investors who typically seek shares of newly listed companies are choosing to steer clear of the IPO, according to interviews with fund managers and analysts. Chief among their concerns: The cost to attract new customers is climbing, and the company appears to be churning through subscribers.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
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Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	OT	OT	MUS	06/23	USD	305672.42	1.2	7.3	-1.8

Data as shown is for information purposes only. No offer is being made by Morningstar, Ltd. or this publication. Funds shown aren't registered with the U.S. Securities and Exchange Commission and aren't available for sale to United States citizens and/or residents except as noted. Prices are in local currencies. All performance figures are calculated using the most recent prices available.

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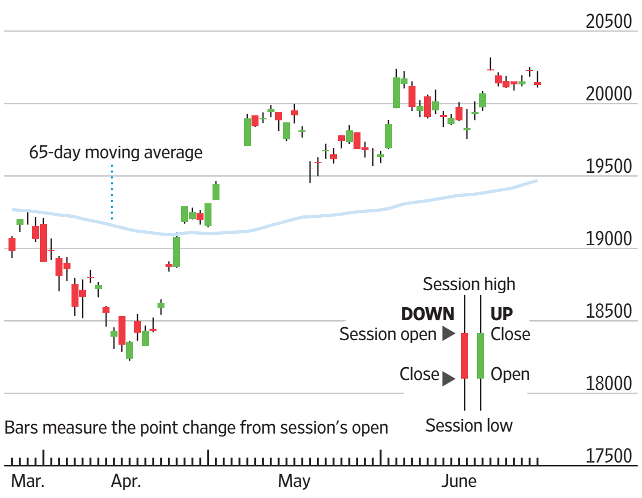
MARKETS DIGEST

Nikkei 225 Index

20130.41 ▼94.68, or 0.47%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲ 5.32%	
52-wk high/low	20230.41	15106.98
All-time high	38915.87	12/29/89



STOXX 600 Index

385.82 ▼0.16, or 0.04%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲ 6.75%	
52-wk high/low	396.45	318.76
All-time high	414.06	4/15/15

S&P 500 Index

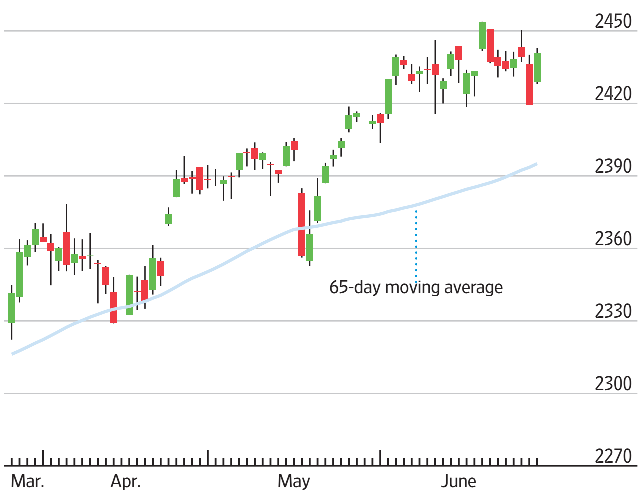
Data as of 4 p.m. New York time

2440.69 ▲21.31, or 0.88%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.09	24.22
P/E estimate *	18.76	17.93
Dividend yield	1.95	2.17
All-time high:	2453.46, 06/19/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 4 p.m. New York time

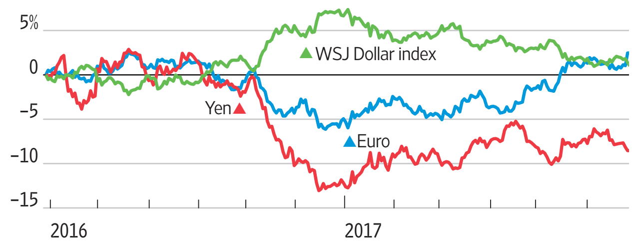
Region/Country	Index	Latest Close	NetChg	% chg	52-Week Range Low	Close	High	YTD % chg
World	**The Global Dow**	2788.59	20.56	0.74	2285.55		2791.48	10.3
	MSCI EAFE	1902.26	9.38	0.50	1471.88		1956.39	10.8
	MSCI EM USD	1013.89	–2.79	–0.27	691.21		1044.05	27.7
Americas	**DJ Americas**	586.64	5.55	0.96	498.56		588.61	8.6
Brazil	**Sao Paulo Bovespa**	62001.45	325.99	0.53	50009.45		69487.58	2.9
Canada	**S&P/TSX Comp**	15351.50	70.28	0.46	13928.71		15943.09	0.4
Mexico	**IPC All-Share**	49328.93	241.19	0.49	43998.98		50154.33	8.1
Chile	**Santiago IPSA**	3607.08	–9.17	–0.25	3067.58		3786.05	11.9
U.S.	**DJIA**	21454.61	143.95	0.68	17456.02		21535.03	8.6
	Nasdaq Composite	6234.41	87.79	1.43	4732.34		6341.70	15.8
	S&P 500	2440.69	21.31	0.88	2042.69		2453.82	9.0
	CBOE Volatility	9.99	–1.07	–9.67	9.37		23.01	–28.8
EMEA	**Stoxx Europe 600**	385.82	–0.16	–0.04	318.76		396.45	6.8
	Stoxx Europe 50	3186.65	–4.88	–0.15	2705.79		3279.71	5.8
Austria	**ATX**	3095.11	–1.74	–0.06	1997.21		3212.50	18.2
Belgium	**Bel-20**	3839.51	–0.34	–0.01	3211.08		4055.96	6.5
France	**CAC 40**	5252.90	–5.68	–0.11	4062.07		5442.10	8.0
Germany	**DAX**	12647.27	–23.75	–0.19	9304.01		12951.54	10.2
Greece	**ATG**	822.62	–0.15	–0.02	520.40		828.32	27.8
Hungary	**BUX**	35455.97	–189.80	–0.53	26133.23		36168.63	10.8
Israel	**Tel Aviv**	1436.23	–2.36	–0.16	1372.23		1490.23	–2.3
Italy	**FTSE MIB**	21047.80	256.94	1.24	15293.10		21828.77	9.4
Netherlands	**AEX**	516.39	–2.34	–0.45	419.45		537.84	6.9
Poland	**WIG**	61411.73	–503.36	–0.81	43534.02		62666.49	18.7
Russia	**RTS Index**	1002.83	–0.96	–0.10	898.05		1196.99	–13.0
Spain	**IBEX 35**	10702.70	54.80	0.51	7857.80		11184.40	14.4
Sweden	**SX All Share**	586.67	–0.40	–0.07	456.66		598.42	9.7
Switzerland	**Swiss Market**	9076.73	3.81	0.04	7585.56		9148.61	10.4
South Africa	**Johannesburg All Share**	51596.84	164.60	0.32	48935.90		54716.53	1.9
Turkey	**BIST 100**	100617.69	979.04	0.98	70426.16		100617.6 9	28.8
U.K.	**FTSE 100**	7387.80	–46.56	–0.63	6140.39		7598.99	3.4
Asia-Pacific	**DJ Asia-Pacific TSM**	1627.16	–3.73	–0.23	1351.93		1643.59	14.4
Australia	**S&P/ASX 200**	5755.70	41.50	0.73	5142.40		5956.50	1.6
China	**Shanghai Composite**	3173.20	–18.00	–0.56	2929.61		3288.97	2.2
Hong Kong	**Hang Seng**	25683.50	–156.49	–0.61	20436.12		26063.06	16.7
India	**S&P BSE Sensex**	30834.32	–123.93	–0.40	25765.14		31311.57	15.8
Japan	**Nikkei Stock Avg**	20130.41	–94.68	–0.47	15106.98		20230.41	5.3
Singapore	**Straits Times**	3215.70	–3.83	–0.12	2787.27		3271.11	11.6
South Korea	**Kospi**	2382.56	–9.39	–0.39	1953.12		2391.95	17.6
Taiwan	**Weighted**	10390.55	–121.51	–1.16	8575.75		10513.96	12.3

Source: SIX Financial Information;WSJ Market Data Group

Currencies

London close on June 28

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0611	16.3724	**3.2**
Brazil real	0.3032	3.2984	**1.3**
Canada dollar	0.7668	1.3041	**–3.0**
Chile peso	0.001509	662.80	**–1.0**
Colombia peso	0.0003315	3016.88	**0.5**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0560	17.8721	**–13.8**
Peru sol	0.3075	3.2518	**–3.0**
Uruguay peso-e	0.0352	28.380	**–3.3**
Venezuela bolivar	0.099604	10.04	**0.4**
Asia-Pacific			
Australia dollar	0.7639	1.3091	**–5.7**
China yuan	0.1471	6.8002	**–2.1**
Hong Kong dollar	0.1281	7.8039	**0.6**
India rupee	0.0155	64.5030	**–5.1**
Indonesia rupiah	0.0000751	13315	**–1.6**
Japan yen	0.008917	112.15	**–4.2**
Kazakhstan tenge	0.003085	324.14	**–2.9**
Macau pataca	0.1253	7.9817	**0.8**
Malaysia ringgit-c	0.2326	4.2991	**–4.2**
New Zealand dollar	0.7306	1.3687	**–5.2**
Pakistan rupee	0.0095	104.725	**0.3**
Philippines peso	0.0198	50.600	**2.0**
Singapore dollar	0.7238	1.3816	**–4.5**
South Korea won	0.0008756	1142.13	**–5.4**
Sri Lanka rupee	0.0065215	153.34	**3.3**
Taiwan dollar	0.03287	30.420	**–6.3**
Thailand baht	0.02944	33.970	**–5.1**
Europe			
Bulgaria lev	0.5810	1.7211	**–7.4**
Croatia kuna	0.1534	6.520	**–9.1**
Euro zone euro	1.1374	0.8792	**–7.5**
Czech Rep. koruna-b	0.0433	23.109	**–10.0**
Denmark krone	0.1529	6.5395	**–7.5**
Hungary forint	0.003671	272.37	**–7.4**
Iceland krona	0.009642	103.71	**–8.2**
Norway krone	0.1184	8.4458	**–2.3**
Poland zloty	0.2687	3.7211	**–11.1**
Russia ruble-d	0.01684	59.372	**–3.1**
Sweden krona	0.1169	8.5554	**–6.1**
Switzerland franc	1.0417	0.9600	**–5.8**
Turkey lira	0.2845	3.5144	**–0.3**
Ukraine hryvnia	0.0384	26.0650	**–3.8**
U.K. pound	1.2943	0.7726	**–4.6**
Middle East/Africa			
Bahrain dinar	2.6511	0.3772	**0.01**
Egypt pound-a	0.0553	18.0953	**–0.2**
Israel shekel	0.2857	3.5006	**–9.0**
Kuwait dinar	3.3015	0.3029	**–0.9**
Oman sul rial	2.5939	0.3855	**0.1**
Qatar rial	0.2685	3.725	**2.3**
Saudi Arabia riyal	0.2666	3.7507	**unch**
South Africa rand	0.0771	12.9645	**–5.3**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	87.98	–0.37	–0.42	**–5.34**

Sources: Tullett Prebon, WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	**1.687**	**34.1**	28.0	28.1	**95.6**	**1.653**	1.582	**1.573**
4.750	10	**2.473**	**25.3**	15.4	17.3	**53.3**	**2.364**	2.421	**1.998**
3.000	**Belgium** 2	**-0.538**	**-188.3**	-187.6	-187.9	**-118.3**	**-0.504**	-0.578	**-0.566**
0.800	10	**0.685**	**-153.5**	-150.8	-156.2	**-132.8**	**0.702**	0.686	**0.138**
0.000	**France** 2	**-0.436**	**-178.2**	-176.7	-179.5	**-112.2**	**-0.395**	-0.493	**-0.505**
1.000	10	**0.711**	**-150.9**	-148.6	-148.5	**-122.2**	**0.724**	0.763	**0.243**
0.000	**Germany** 2	**-0.625**	**-197.0**	-196.2	-200.0	**-126.6**	**-0.589**	-0.698	**-0.649**
0.250	10	**0.371**	**-184.9**	-183.7	-191.6	**-157.5**	**0.373**	0.332	**-0.109**
0.300	**Italy** 2	**-0.351**	**-169.7**	-169.7	-151.3	**-66.6**	**-0.325**	-0.212	**-0.049**
2.200	10	**2.015**	**-20.5**	-18.3	-15.0	**-13.8**	**2.026**	2.098	**1.327**
0.100	**Japan** 2	**-0.118**	**-146.3**	-149.0	-147.2	**-91.2**	**-0.117**	-0.171	**-0.295**
0.100	10	**0.060**	**-216.0**	-215.9	-221.1	**-169.3**	**0.050**	0.037	**-0.228**
4.000	**Netherlands** 2	**-0.592**	**-193.7**	-191.7	-193.9	**-122.2**	**-0.544**	-0.638	**-0.605**
0.750	10	**0.560**	**-166.0**	-165.0	-170.9	**-146.9**	**0.560**	0.539	**-0.004**
4.750	**Portugal** 2	**0.140**	**-120.5**	-120.1	-110.4	**-12.4**	**0.172**	0.198	**0.493**
4.125	10	**2.956**	**73.6**	83.5	88.4	**168.5**	**3.045**	3.132	**3.151**
2.750	**Spain** 2	**-0.279**	**-162.5**	-164.1	-160.0	**-71.0**	**-0.268**	-0.298	**-0.093**
1.500	10	**1.416**	**-80.4**	-76.1	-71.7	**-13.3**	**1.449**	1.531	**1.333**
4.250	**Sweden** 2	**-0.652**	**-199.7**	-203.9	-200.4	**-127.4**	**-0.666**	-0.702	**-0.657**
1.000	10	**0.552**	**-166.8**	-171.4	-173.7	**-110.6**	**0.496**	0.512	**0.360**
1.750	**U.K.** 2	**0.295**	**-105.0**	-110.2	-121.9	**-43.0**	**0.271**	0.083	**0.187**
4.250	10	**1.158**	**-106.2**	-111.6	-123.4	**-50.2**	**1.093**	1.014	**0.963**
1.250	**U.S.** 2	**1.345**	...	...	...	...	**1.373**	1.302	**0.617**
2.375	10	**2.220**	...	...	...	...	**2.210**	2.248	**1.466**

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 6/27/2017

Commodity	Exchange	Last price	One-Day Change Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	366.50	-1.25	-0.34%	399.25	364.50
Soybeans (cents/bu.)	CBOT	920.75	3.25	0.35%	1,034.50	907.00
Wheat (cents/bu.)	CBOT	472.75	3.75	0.80	502.00	430.75
Live cattle (cents/lb.)	CME	115.800	0.775	0.67	127.650	99.400
Cocoa ($/ton)	ICE-US	1,879	16	0.86	2,281	1,767
Coffee (cents/lb.)	ICE-US	125.10	-0.20	-0.16	163.75	115.50
Sugar (cents/lb.)	ICE-US	12.76	-0.13	-1.01	20.50	12.74
Cotton (cents/lb.)	ICE-US	67.65	-0.06	-0.09	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2092.00	6.00	0.29	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.6755	0.0140	0.53	2.8495	2.4850
Gold ($/troy oz.)	COMEX	1249.90	3.00	0.24	1,300.30	1,155.00
Silver ($/troy oz.)	COMEX	16.850	0.199	1.20	18.780	16.125
Aluminum ($/mt)*	LME	1,872.00	9.00	0.48	1,972.00	1,688.50
Tin ($/mt)*	LME	19,250.00	-25.00	-0.13	21,225.00	18,760.00
Copper ($/mt)*	LME	5,812.00	17.00	0.29	6,156.00	5,491.00
Lead ($/mt)*	LME	2,269.00	15.50	0.69	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,732.50	7.50	0.28	2,958.50	2,450.50
Nickel ($/mt)*	LME	9,120.00	20.00	0.22	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	199.20	5.60	2.89	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2439.00	-3.00	-0.12	2966.00	2390.00
Crude oil ($/bbl.)	NYMEX	44.74	0.50	1.13	58.30	42.06
NY Harbor ULSD ($/gal.)	NYMEX	1.4404	0.0211	1.49	1.7930	1.3609
RBOB gasoline ($/gal.)	NYMEX	1.4740	0.0223	1.54	1.8561	1.3902
Natural gas ($/mmBtu)	NYMEX	3.087	0.023	0.75	3.5750	2.8750
Brent crude ($/bbl.)	ICE-EU	47.55	0.63	1.34	60.18	44.60
Gas oil ($/ton)	ICE-EU	429.50	6.00	1.42	530.25	403.50

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Jun 28

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3091	1.6943	1.3635	0.0117	0.1677	1.4887	1.0041	...
Canada	1.3041	1.6877	1.3583	0.0116	0.1671	1.4830	...	0.9962
Euro	0.8792	1.1381	0.9159	0.0078	0.1127	...	0.6743	0.6716
Hong Kong	7.8039	10.1004	8.1289	0.0696	...	8.8748	5.9843	5.9605
Japan	112.1470	145.1500	116.8300	...	14.3710	127.5400	86.0100	85.6800
Switzerland	0.9600	1.2425	...	0.0086	0.1230	1.0919	0.7362	0.7334
U.K.	0.7726	...	0.8048	0.0069	0.0990	0.8788	0.5925	0.5901
U.S.	...	1.2943	1.0417	0.0089	0.1281	1.1374	0.7668	0.7639

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.22611%**	0.46655%
Three month	**1.29639**	0.64610
Six month	**1.44656**	0.91365
One year	**1.73678**	1.21625
Euro Libor		
One month	**-0.40071%**	-0.35886%
Three month	**-0.37286**	-0.29357
Six month	**-0.30171**	-0.18629
One year	**-0.18329**	-0.05943
Euribor		
One month	**-0.37200%**	-0.36400%
Three month	**-0.33100**	-0.28200
Six month	**-0.27100**	-0.17800
One year	**-0.15800**	-0.05100
Yen Libor		
One month	**-0.01357%**	-0.05400%
Three month	**0.00729**	-0.02679
Six month	**0.02329**	-0.01850
One year	**0.12586**	0.07221
	Offer	Bid
Eurodollars		
One month	**1.2800%**	1.1800%
Three month	**1.2800**	1.1800
Six month	**1.5000**	1.4000
One year	**1.6700**	1.5700
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.13%**	0.53%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

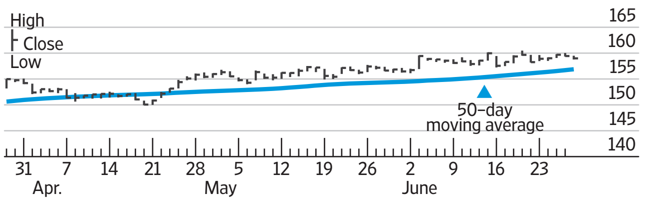
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	57.25	-1.12	30.86
¥	AstellasPharma	4503	1374.00	-0.43	-15.37
AU$	AustNZBk	ANZ	28.35	1.14	-6.80
AU$	BHP	BHP	22.89	1.91	-8.66
HK$	BankofChina	3988	3.82	-0.26	11.05
HK$	CKHutchison	0001	98.85	0.51	12.46
HK$	CNOOC	0883	8.53	0.35	-12.06
AU$	CSL	CSL	140.46	-0.24	39.89
¥	Canon	7751	3811.00	-1.30	15.66
¥	CentralJapanRwy	9022	18340	0.14	-4.63
HK$	ChinaConstructnBk	0939	6.06	-0.98	1.51
HK$	ChinaLifeInsurance	2628	23.95	-0.62	18.56
HK$	ChinaMobile	0941	82.90	-0.12	0.85
HK$	ChinaPetro&Chem	0386	6.08	-0.98	10.55
AU$	CmwlthBkAust	CBA	82.71	0.77	0.36
¥	EastJapanRailway	9020	10990	0.27	8.81
¥	Fanuc	6954	21785	-0.77	9.94
¥	Hitachi	6501	681.00	-0.82	7.75
TW$	Hon Hai Precisn	2317	118.00	-2.88	40.14
¥	HondaMotor	7267	3073.00	0.75	-10.01
KRW	HyundaiMtr	005380	160000	-0.31	9.59
HK$	Ind&Comml	1398	5.20	-0.38	11.83
¥	JapanTobacco	2914	4065.00	0.17	5.75
¥	KDDI	9433	2990.00	-0.08	1.03
¥	Mitsubishi	8058	2334.50	1.83	-6.24
¥	MitsubishiElectric	6503	1602.50	-1.02	-1.66
¥	MitsubishiUFJFin	8306	747.20	2.60	3.75
¥	Mitsui	8031	1569.00	2.28	-2.36
¥	Mizuho Fin	8411	204.00	3.03	-2.76
¥	NTTDoCoMo	9437	2715.50	-0.18	1.97
AU$	NatAustBnk	NAB	29.27	0.41	-4.56
¥	NipponTeleg	9432	5428.00	-1.13	10.50
¥	NissanMotor	7201	1100.50	1.43	-6.38
¥	Panasonic	6752	1562.50	0.19	31.36
HK$	PingAnInsofChina	2318	52.00	-1.79	34.02
$	RelianceIndsGDR	RIGD	42.95	-2.28	36.13
KRW	SamsungElectronics	005930	2385000	-1.24	32.35
¥	Seven&I Hldgs	3382	4701.00	-0.91	5.57
¥	SoftBankGroup	9984	9193.00	-0.58	18.39
¥	Sony	6758	4328.00	-0.48	32.15
¥	Sumitomo Mitsui	8316	4314.00	2.18	-3.27
HK$	SunHngKaiPrp	0016	114.00	-1.47	16.33
TW$	TaiwanSemiMfg	2330	208.50	-1.42	14.88
¥	TakedaPharm	4502	5765.00	-0.81	19.23
HK$	TencentHoldings	0700	282.80	-1.81	49.08
¥	TokioMarineHldg	8766	4656.00	-0.09	-2.92
¥	ToyotaMtr	7203	5904.00	0.48	-14.16
AU$	Wesfarmers	WES	40.77	0.47	-3.25
AU$	WestpacBanking	WBC	30.35	0.86	-6.90
AU$	Woolworths	WOW	25.67	0.39	6.51
	Stoxx 50				
CHF	ABB	ABBN	24.07	-1.35	12.06
€	ASMLHolding	ASML	117.95	-0.55	10.60
€	AXA	CS	24.17	1.19	0.77
€	AirLiquide	AI	110.45	-0.54	4.54
€	Allianz	ALV	174.35	...	11.05
€	AB InBev	ABI	100.25	-0.59	-0.30
£	AstraZeneca	AZN	5240.00	-2.00	18.08
€	BASF	BAS	83.92	-0.56	-4.97
€	BNP Paribas	BNP	64.33	2.68	6.24
£	BT Group	BT.A	294.10	1.94	-19.84
€	BancoBilVizAr	BBVA	7.48	1.41	17.75
€	BancoSantander	SAN	6.00	1.94	20.97
£	Barclays	BARC	203.45	0.32	-8.95
€	Bayer	BAYN	121.70	-0.04	22.77
£	BP	BP.	455.30	-1.09	-10.66
£	BritishAmTob	BATS	5351.00	-1.42	15.78
€	Daimler	DAI	64.90	-0.28	-8.23
€	DeutscheTelekom	DTE	16.25	0.03	0.32
£	Diageo	DGE	2311.50	-0.84	9.55
€	ENI	ENI	13.56	0.30	-12.35
£	GlaxoSmithKline	GSK	1663.50	-2.00	6.50
£	Glencore	GLEN	284.05	-1.25	2.42
£	HSBC Hldgs	HSBA	686.40	-0.51	4.49
€	INGGroep	INGA	15.23	0.63	13.95
£	ImperialBrands	IMB	3530.00	-1.27	-0.35
€	IntesaSanpaolo	ISP	2.81	2.03	15.91
€	LVMHMoetHennessy	MC	226.65	-1.37	24.94
£	LloydsBankingGroup	LLOY	66.60	-0.18	6.54
€	LOreal	OR	190.20	-0.52	9.69
£	NationalGrid	NG.	971.40	-1.34	-6.43
CHF	Nestle	NESN	85.40	1.30	16.91
CHF	Novartis	NOVN	82.00	-0.97	10.66
DKK	NovoNordiskB	NOVO-B	283.90	-1.39	11.46
£	Prudential	PRU	1792.50	-0.36	10.14
£	ReckittBenckiser	RB.	7837.00	-0.60	13.81
£	RioTinto	RIO	3155.50	-0.05	-0.09
CHF	RocheHldgctf	ROG	251.20	-0.32	8.00
£	RoyDtchShell A	RDSA	2074.00	-0.69	-7.51
€	SAP	SAP	93.50	-0.90	12.91
€	Sanofi	SAN	86.70	-1.06	12.74
€	SchneiderElectric	SU	69.00	-0.25	4.37
€	Siemens	SIE	123.20	-0.73	5.48
€	Telefonica	TEF	9.21	-2.06	4.46
€	Total	FP	44.44	0.08	-6.96
CHF	UBSGroup	UBSG	16.29	1.81	2.13
€	Unilever	UNA	49.66	-0.41	26.95
£	Unilever	ULVR	4272.50	-0.67	29.76
€	Vinci	DG	77.36	-0.44	19.57
£	VodafoneGroup	VOD	219.70	-0.86	9.93
CHF	ZurichInsurance	ZURN	278.00	-1.31	-0.86
	DJIA				
$	AmericanExpress	AXP	83.97	1.07	13.35
$	Apple	AAPL	145.83	1.46	25.91
$	Boeing	BA	199.62	0.37	28.22
$	Caterpillar	CAT	106.39	2.37	14.72
$	Chevron	CVX	104.28	0.20	-11.40
$	CiscoSystems	CSCO	32.08	1.01	6.15
$	Coca-Cola	KO	45.31	0.58	9.29
$	Disney	DIS	106.81	1.33	2.49
$	DuPont	DD	81.25	0.69	10.69
$	ExxonMobil	XOM	81.53	0.52	-9.67
$	GeneralElec	GE	27.08	-0.48	-14.30
$	GoldmanSachs	GS	223.44	1.43	-6.69
$	HomeDepot	HD	153.07	0.55	14.16
$	Intel	INTC	34.20	1.63	-5.71
$	IBM	IBM	155.31	0.36	-6.43
$	JPMorganChase	JPM	89.81	2.00	4.08
$	J&J	JNJ	133.80	-0.90	16.14
$	McDonalds	MCD	154.30	0.38	26.77
$	Merck	MRK	65.17	-0.56	10.71
$	Microsoft	MSFT	69.80	0.85	12.33
$	Nike	NKE	53.35	0.76	4.96
$	Pfizer	PFE	33.75	-0.06	3.91
$	Procter&Gamble	PG	88.36	-0.28	5.09
$	3M	MMM	210.55	0.37	17.91
$	Travelers	TRV	127.78	0.31	4.38
$	UnitedTech	UTX	122.46	0.72	11.71
$	UnitedHealth	UNH	185.68	0.59	16.02
$	Visa	V	96.23	1.40	23.34
$	Verizon	VZ	44.84	...	-16.00
$	Wal-Mart	WMT	76.51	0.66	10.69

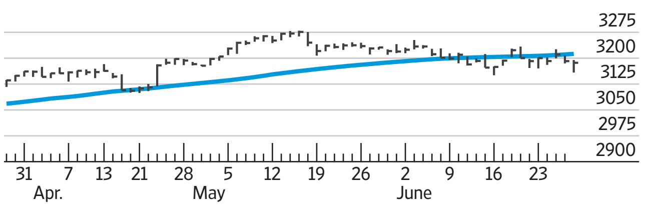
Asia Titans 50

Last: 158.99 ▼ 0.45, or 0.28% YTD ▲ 12.8%



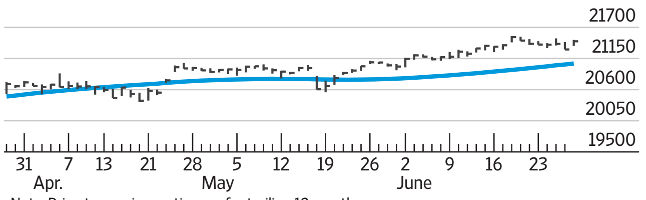
Stoxx 50

Last: 3186.65 ▼ 4.88, or 0.15% YTD ▲ 5.8%



Dow Jones Industrial Average

Last: 21454.61 ▲ 143.95, or 0.68% P/E: 21 YTD ▲ 8.6%



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

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Hong Kong Stock Plunge Proves Puzzling

By Ese Erheriene
And Gregor Hunter

A collapse in more than a dozen small-cap companies' shares in Hong Kong this week has wiped billions of dollars off their value, and shone a light on the murky underbelly of the city's stock market just as it gears up to mark 20 years since the former British colony returned to Chinese rule.

Market participants remain stumped over what, or who, triggered the declines of as much as 90% for a number of stocks listed on Hong Kong's Growth and Enterprise Market, home to a number of penny stocks that trade for less than one Hong Kong dollar (13 U.S. cents) each.

That includes the man who last month raised questions about the network of cross-shareholdings that appears to link the firms that were part of the plunge.

In a report titled "The Enigma Network: 50 Stocks Not To Own," Hong Kong-based activist investor David Webb highlighted several companies with high valuations that appear to be tied by their ownership of each other's shares, a network Mr. Webb illustrated with an intricate diagram. The companies included umbrella maker **China Jicheng Holdings** Ltd., consulting firm GreaterChina Professional Services Ltd. and **AMCO United Holding** Ltd., whose businesses include manufacturing, lending and securities investing.

Investors initially shrugged off Mr. Webb's missive. But on Tuesday the trio were among the leading decliners, tumbling 94%, 93% and 70%, respectively. AMCO fell a further 49% Wednesday while GreaterChina lost 34% of its remaining value. China Jicheng rose 6.3%.

With other stocks named in Mr. Webb's report tumbling, the S&P/HKEX Growth Enterprise Market Index, made up of more than 70 small-cap companies, declined 9.6% on Tuesday, its biggest drop since mid-2015, and a further 0.8% Wednesday, a fourth straight decline that put cumulative lost market value at some $3 billion, according to Reuters data. Hong Kong's Hang Seng Index, its main benchmark, fell 0.6% on Wednesday.

AMCO United declined to comment. China Jicheng and GreaterChina Professional Services couldn't be reached for comment.

Other major financial centers have markets for small and medium-size companies, including London's Alternative Investment Market and Tokyo's "Mothers" market. Such markets offer investors the chance to buy companies that often have strong growth prospects. But they are also often associated with loose regulation, and several have been tarnished by intermittent scandal. Hong Kong's Growth Enterprise Market carries the slogan "A 'Buyers Beware' Market for Informed Investors" atop its website.

In Hong Kong's case, the timing of the sudden selloff is embarrassing, given the international spotlight on the city this week. Chinese President Xi Jinping is due to visit Hong Kong on Thursday as part of the celebrations marking two decades since China regained sovereignty.

Hong Kong has long been viewed by global investors as a more predictable market than those in mainland China.

But some argue the city's relatively loose approach to regulation has led to a casino-like environment for some stocks. Companies listed on the Growth Enterprise Market, known as GEM, traded at an average price/earnings ratio of 46.7 at the end of May, according to exchange data. That compares with a multiple of 34 for the Shenzhen market, home to many of China's fastest-expanding companies.

Mr. Webb said the plunge was indicative of poor oversight of markets by the city's authorities, including exchange operator Hong Kong Exchanges & Clearing Ltd., known as HKEx, which owns the market.

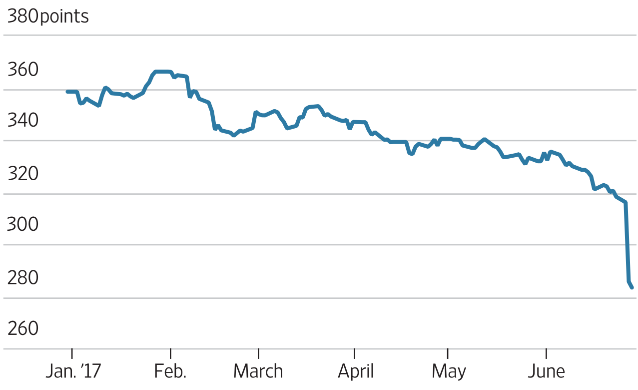
"The bigger picture here is that there's been a structural failing in financial stock-market regulation, and these problems have been allowed to build up by HKEx," said Mr. Webb.

A spokesman for HKEx disputed Mr. Webb's accusations of regulatory laxity. "We have rules and we enforce them," he said.

A spokesman for Hong Kong's market regulator, the Securities and Futures Commission, declined to confirm whether the regulator has been, or will be, pursuing investigations. He said common features of the stocks that plunged included concentrated ownership among few investors, small floats and thin trading volume.

All That Glitters Is Not Gold

The S&P/HKEX Growth Enterprise Market Index, which tracks small-cap stocks listed on Hong Kong's GEM board, lost $3.2 billion in market capitalization in the past few days.



Source: FactSet

THE WALL STREET JOURNAL.

Pound's Gain Weighs on FTSE 100

By Amrith Ramkumar
and Riva Gold

U.K. stocks dropped Wednesday as the pound soared after Bank of England Gov. Mark Carney said interest rates in the U.K. may need to rise if the economy keeps improving.

WEDNESDAY'S MARKETS

The pound jumped 0.9% to $1.2932, weighing on the export-heavy FTSE 100, which fell 0.6% to 7387.80. The Stoxx Europe 600 fell less than 0.1% to 385.82.

In the U.S., shares of financial companies led stocks higher, as major indexes rebounded from their worst session in weeks.

The Dow Jones Industrial Average rose 143.95 points, or 0.7%, to 21454.61, as gains in J.P. Morgan Chase, Caterpillar and Goldman Sachs Group boosted the blue-chip index. The S&P 500 rose 0.9%, and the Nasdaq Composite climbed 1.4%.

A day earlier, the Dow industrials and S&P 500 posted their biggest declines in more than a month. Some investors and analysts said Senate Republicans' decision Tuesday to postpone a vote on their health-care bill cast doubt on the chances for tax cuts and infrastructure spending, weighing on the market.

However, some said the pullback was a chance to snap up stocks, which have been rising this year with help from improved corporate earnings.

Wednesday's rally was broad. Technology shares rebounded and were up 1.4% in the S&P 500. Tech has been the index's best-performing sector this year, but is down this month.

"Everybody remembers the [year] 2000 slipping of the tech sector," said Jae Yoon, chief investment officer at New York Life Investment Management. "But I have no concerns about tech valuations," he said, noting that in terms of price-to-earnings metrics, the sector is trading much closer in line to the S&P 500 than it did at its peak.

Financial stocks rose 1.6% in the S&P 500, with Bank of America adding 2.6% in late trading. The bank was expected to get a stress-test result from the Federal Reserve that would let it increase its dividend and make Warren Buffett's Berkshire Hathaway its biggest shareholder. Wells Fargo and J.P. Morgan were also up more than 2%.

Financial shares have also been supported recently by higher bond yields, which should help banks' net-interest margins, a key measure of lending profitability.

In Europe, ABN Amro Group fell 1.3% in Amsterdam after the Dutch government cut its stake in the bank to 63% from 70%.

The yield on the 10-year Treasury note rose to 2.223%, according to Tradeweb, compared with 2.198% Tuesday. Yields rise as prices fall.

The bond market was choppy as investors tried to parse the outlook for eurozone monetary policy after a Tuesday speech by European Central Bank President Mario Draghi that many interpreted as suggesting that the bank might start winding down its stimulus program.

OBIN VAN LONKHUIJSEN/EUROPEAN PRESSPHOTO AGENCY

Shares of ABN Amro Group fell 1.3% after the Dutch government cut its stake in the bank to 63% from 70%.

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MARKETS

Investors: Beijing Gave Banks an Edge

By Chao Deng

BEIJING—By asking banks to examine the borrowings of a few high-profile conglomerates earlier this month, Beijing flagged its worries about these companies' overseas outreach, giving banks information the rest of the market didn't have.

The instructions were given to a group of banks including the four largest and some midsize ones on June 6, people familiar with the matter told The Wall Street Journal. But they only became known on June 22 after a morning of markets reacting to rumors centered on one of the companies, property and entertainment giant **Dalian Wanda Group**. Before noon that day, Shenzhen-listed shares of Wanda Film Co., the main listed unit of the group, fell nearly 10% before trading was halted. A Wanda-related bond also fell.

The Journal and local media reported in the afternoon that Chinese banks had started a broad risk assessment that went beyond Wanda's borrowings. Once that became clear, the value of the bond started recovering. Wanda Film shares regained some ground after trading resumed Friday.

The way the order was communicated quickly drew complaints from investors and academics, who said it enabled unfair trading as banks were in a position to pare holdings of Wanda and the other four groups—Anbang Insurance Group, HNA Group Co., Fosun International Ltd. as well as Rossoneri Sports Investment Management Changxing Ltd., the buyer of the AC Milan soccer club—before the rest of the market knew their loans were under scrutiny. It's unclear if the regulator also addressed the potential for trading by the banks.

The review order from China's banking regulator came as Beijing tries to get a grip on runaway debt. On Monday, a top-level Communist Party meeting chaired by President Xi Jinping stressed the need to strengthen monitoring of Chinese firms' overseas investments and operations, according to the official Xinhua News Agency.

An analyst at Bank of China Ltd., Wang Youxin, said on Wednesday that the banking regulator wants to make sure overseas investments are "rational," with valuations of targets like hotels and football clubs highly fluctuating. He said the regulator also wants to clamp down on firms buying in order to move money abroad. China has suffered waves of capital outflows that threaten the stability of its financial system.

One institutional investor who had a big bet on Wanda bonds watched his investment turn from a profit to a loss as rumors swirled on Chinese social media last Thursday, some of which said banks were dumping Wanda bonds because of "political risks."

The investor said that given the extent of losses in the market, the regulator should have come out to offer an explanation. The banking commission didn't respond to a request for comment.

It wasn't clear whether or to what extent banks had reacted to the directive by selling assets related to the companies mentioned. Bank of China began scaling back its holdings of Wanda bonds in early June, tagging those bonds as "risky," according to a person familiar with the situation. Bank of China's news department didn't respond to requests for comment.

China Construction Bank, the focus of one rumor, denied that it had sold Wanda holdings.

In a public letter to the head of China's banking commission, Liu Jipeng, a capital-markets professor at China University of Political Science and Law, said the regulator failed to anticipate how its communication to banks would play out in the market.

He suggested the market action showed that financial institutions, whether or not they had undertaken a review, had sold off bonds in a way that wasn't fair to Wanda or other investors.

"Isn't this the banking commission relying on financial institutions to lead the way in disrupting financial order and destroying the stability of capital markets?" he wrote. Mr. Liu declined to comment beyond his letter. Wanda Chairman Wang Jianlin is a director at the school where Mr. Liu teaches.

It wasn't the first time Chinese regulators came under criticism over market turmoil that followed measures intended to reduce risk. Chinese stocks and bonds took a hit earlier this year after Beijing's efforts to contain new borrowing left both banks and companies scrambling for funds.

Officials have turned more cautious in their approach, but companies and investors that feel blindsided by regulators' intentions have few ways to complain.

The China Banking Regulatory Commission "has placed a heavy focus on how to make sure the banks are running in a healthy way," said Tiecheng Yang, a lawyer in charge of financial regulation at Clifford Chance LLP in Beijing. The commission may be less committed to protecting retail investors, he said.

The protection of stock and bond investors is the responsibility of China's central bank and securities regulator, a task that sometimes collides with regulators' mandate to carry out the directives of the Communist Party leadership.

Some analysts say that if the regulator had publicly declared a probe of risks associated with some major Chinese companies' overseas expansion publicly, broader market turmoil would have ensued.

"They are not aiming to increase capital-market volatility," said David Millhouse, head of China research at brokerage Forsyth Barr Asia in Hong Kong.

As investors learned about the regulatory message to banks on Thursday afternoon, Hong Kong-listed HNA Holding Group Co., a unit of HNA Group, fell 6%, while Fosun International Ltd. closed down 5.8%. Anbang doesn't have any listed units.

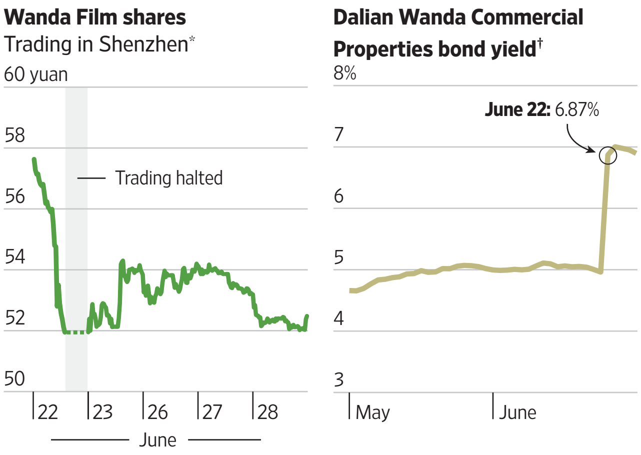
Wanda said in a statement on Friday that more than 6 billion yuan ($880 million) of market value from its film subsidiary had been wiped out due to "rumors and slander" and that investors had gotten hurt. It stopped short of blaming the regulator's order for the turmoil, and said regulators hadn't yet made an assessment of the risk related to any of its borrowing.

Wanda declined to comment further.

—Grace Zhu, Lingling Wei and Gregor Stuart Hunter contributed to this article.

Warning Signs

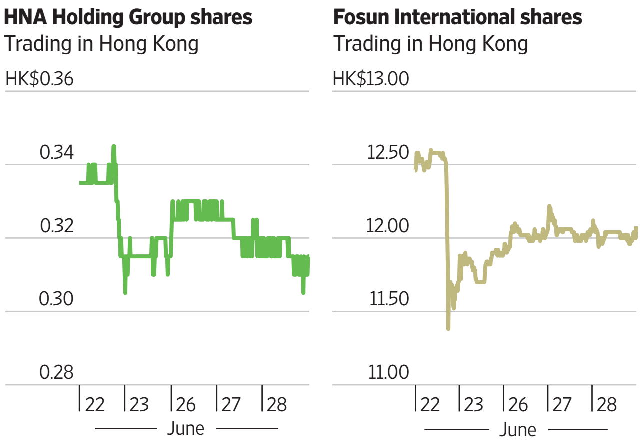
Sudden plunges in Wanda stocks and bonds last week had investors guessing.



*Trading in five-minute intervals †Yields move inversely to prices
Source: Factiva
THE WALL STREET JOURNAL.

News Flash

A new wave of rumors about a regulatory probe sparked losses in more companies.



Note: Trading in five-minute intervals
Source: FactSet
THE WALL STREET JOURNAL.

MARCO LUZZANI/GETTY IMAGES

Rossoneri Sports Investment Management, buyer of AC Milan, was among the firms under scrutiny.

HEARD ON THE STREET

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Auto Industry Feels Takata's Pain

One of the world's largest air-bag makers, **Takata** Corp., has finally filed for bankruptcy after a drawn-out scandal involving faulty products that caused multiple deaths. The question now is how much wind this will take out of its big auto maker customers.

The likes of **Toyota** and **Honda** say they have paid and provisioned a total of around $5 billion to cover potential losses as they recall cars and replace their air bags.

The concern for investors is that they and other auto makers face an open-ended commitment to Takata that could prove yet more costly. The U.S. court ruling on Takata's bankruptcy on Tuesday has confirmed that its big customers, which also include **Ford** and **General Motors**, will have to step up to ensure Takata's U.S. units stay in business, at least until the bulk of the business is sold to a Chinese company for $1.6 billion, expected in the first quarter of next year.

In truth, these companies have little option. They need to replace dysfunctional air bags to ensure their customers' safety. Finding alternative suppliers is harder than it sounds. To start with, it isn't clear there is enough capacity in the air-bag industry to make up for the Japanese company's demise.

Meanwhile, Takata's position is still deteriorating. Its own suppliers are refusing to ship products to it and demanding cash on delivery. That is adding to Takata's manufacturing difficulties and its cash drain, which has dwindled by $31 million in the past year.

Already, the pace of installing new air bags has been slow, even as the number of recalls rises: An estimated 54 million air bags still need to be replaced in the U.S., Takata's largest market by sales. Mercedes has substituted only 2% of its air bags, while even the more advanced companies have replaced around 20% to 30%. All told, the industry could collectively face a further $10 billion in costs, brokerage Jefferies estimates.

This all goes without mentioning the $850 million fine Takata must pay for claims to the U.S. Department of Justice by February and the fact that the deal to sell the business to **Key Safety Systems** Inc. isn't completed.

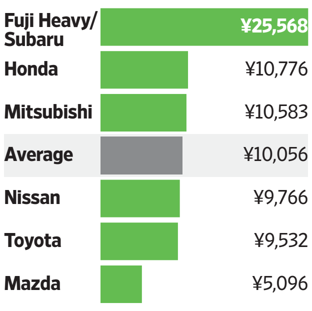
An estimated 54 million air bags still need to be replaced in the U.S.

Takata's unsecured yen bonds fell into default after trading down to 20 cents on the dollar earlier this week, a reflection of the markets' lack of expectation for payment of unsecured claims. Far from an ending, Takata's official bankruptcy looks like just the start of the auto industry's problems.

—Anjani Trivedi

Cost of Air

Average recall cost per air-bag set



Note: $1 = ¥112.35
Sources: Jefferies estimate; Bloomberg (photo)
THE WALL STREET JOURNAL.

Subaru vehicles during a test drive in Japan

OVERHEARD

Are young people getting lazier?

The millennial generation of people born after 1980 gets a lot of bad press, but data from the Labor Department's annual American Time Use Survey don't entirely support the negative stereotypes.

True, people between the ages of 25 and 34 worked less in 2016 than people the same age did 10 years prior. Among those employed, they worked an average 14 minutes less a day, according to survey results released Tuesday.

They also spent an average eight minutes more a day sleeping.

Compared with 2006, young people last year spent 15 minutes less a day watching television and seven minutes less a day purchasing goods and services, both arguably due to smartphones.

Millennials don't seem so bad. The real slackers may be the Labor Department, which still tracks time spent gardening, but not smartphone use.

Time for Toshiba to Talk to Western Digital

Toshiba needs to sell its memory-chip business in an expeditious way. Amping up a legal fight with its longtime joint-venture partner seems an odd way to get things done.

At stake is Toshiba's massively valuable chip business, worth upward of $18 billion, which it is selling to plug a financial hole created by accounting scandals and deep losses in the company's nuclear business. Toshiba's preferred bidder is a consortium led by **Bain Capital**, a Japanese government-backed fund, a state bank and financing from rival Korean chip maker **SK Hynix**.

But **Western Digital** stands in Toshiba's way. It inherited a chip joint-venture with Toshiba when it acquired SanDisk and is backing a rival bid led by KKR to acquire Toshiba's chip business. Western Digital last month filed a suit to stymie the memory-unit sale. It insists that Toshiba has to get Western Digital's nod first.

Toshiba upped the ante by countersuing Western Digital Wednesday in Tokyo, asking the court to stop Western Digital's interference and demanding $1 billion in damages. It also stopped the U.S. chip maker from accessing information in their joint venture.

A drawn-out legal battle will be costly. Toshiba has to complete the sale of its chip business to bring its net assets back to positive territory by next March. Otherwise, it could be delisted by the Tokyo Stock Exchange, according to Travis Lundy, an independent analyst on the Smartkarma research platform.

It would be smarter if Toshiba engaged with Western Digital, which seems the better mate in terms of scale. Combined, the two would have a similar market in the NAND flash memory chip market as industry leader Samsung. And they would together be better able to afford the substantial investments required for the field's next technology, 3D-NAND.

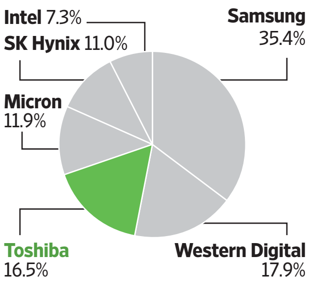
Western Digital seems willing to entertain Toshiba's concerns about the joint venture, which, according to Toshiba, sits outside the sales process. Western Digital submitted a new bid Monday with private-equity firm KKR to buy Toshiba's memory business, in which it will only provide debt financing. This could probably alleviate Toshiba's worry that it may lose control of the venture, in which it holds 50.1%.

Toshiba management should take a clue from its share price, which has slipped of late as the once-promising chip sale got bogged down. Whatever the legal bad blood, Western Digital is worth talking to.

—Jacky Wong

Memory Bank

Share of market for NAND flash-memory chips



Source: DRAMeXchange
THE WALL STREET JOURNAL.

Buyback at Nestlé Isn't So Sweet

Investors increasingly seem to expect the same sugar rush from **Nestlé** that they have got this year from **Unilever**. But the comparison between two of the world's biggest consumer groups shouldn't be pushed too far.

Shares in the maker of Nescafé instant coffee and Purina pet foods rose again Wednesday, following news of a $21 billion share buyback program. They already jumped 4% Monday after Dan Loeb of hedge fund Third Point unveiled a $3.5 billion investment and a shopping list of demands, including share buybacks. The stock was up 17% this year as of Wednesday afternoon in Europe, and trades at a premium to peers.

Following an abortive takeover approach in February from U.S. food group and cost-cutting expert **Kraft Heinz**, Unilever announced a review in April that included an uplift in dividends, buybacks, and a 20% margin target.

But even after Third Point's appearance on the share register, the Swiss company is under less pressure than Unilever to shower shareholders with short-term gains. It faces an activist with a roughly 1% stake.

That is apparent from Nestlé's buyback announcement. Nestlé is effectively saying it will buy back stock in 2019 and 2020 if it doesn't come across a major acquisition target first. It expects net debt to finish the decade at 1.5 times earnings before interest, taxes, depreciation and amortization—roughly double the latest count but a step lower than Unilever's new target of two times.

Change at Nestlé won't come fast. Investors should contain their excitement.

—Stephen Wilmot