

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

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What's News

Business & Finance

Five drugmakers were sued by Ohio, which alleged that the companies fueled an opioid crisis by misrepresenting their painkillers' addictive risks. **A1**

♦ Uber said its head of finance is leaving, as the ride-hailing company reported continued big losses despite increasing revenue. **B1**

♦ JBS's holding company agreed to pay \$3.2 billion in exchange for leniency in corruption investigations by Brazilian prosecutors. **B1**

♦ Emerging markets are the calmest they have been in nearly three years, helping to draw a surge of funds and boosting returns. **B1**

♦ China's central bank on Thursday guided the yuan to its biggest one-day jump in roughly five months. **B1**

♦ Economic growth slowed across parts of the U.S. in recent weeks, according to the Fed's latest beige book. **A2**

♦ Exxon shareholders called for the firm to share more information about how climate change and regulations could affect operations. **B3**

♦ Executives at J.P. Morgan and BofA signaled that second-quarter trading is weakening, bringing a halt to a string of strong quarters. **B10**

♦ U.S. stocks fell, with the Dow losing 20.82 points to 21008.65. But major indexes posted gains for the month, aided by a tech rally. **B11**

♦ China's new cybersecurity law is going into force amid confusion among some foreign tech companies about how it will affect them. **B4**

World-Wide

♦ A truck bomb detonated in the heart of Kabul, killing at least 90 people, as Afghanistan reels from an escalating militant campaign. **A1**

♦ The House intelligence panel issued seven subpoenas, in a sign that its Russia investigation is advancing in scope and intensity. **A1**

♦ Former FBI head Comey is expected to testify as early as next week that Trump asked him to back off the Flynn investigation. **A4**

♦ Trump plans an announcement Thursday on the Paris climate treaty, and officials said he is expected to withdraw from the accord. **A4**

♦ Trump has granted waivers to at least 16 White House officials to allow them to work on issues they handled in their private-sector jobs. **A4**

♦ Russia said it launched four cruise missiles at Islamic State targets in Syria from a warship and submarine in the Mediterranean. **A7**

♦ South Korea's defense minister withheld from the nation's president information about a U.S. missile-defense system, Moon's office said. **A8**

♦ Turkey is expanding efforts abroad to capture Erdogan opponents by canceling passports and nearly netted an NBA player. **A6**

♦ A Russian court ordered an opposition leader to delete portions of an investigative video that helped spark street protests. **A9**

♦ NASA announced that it will launch an unprecedented mission to fly directly into the sun's atmosphere. **A2**

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U.S. NEWS

State's Bar Put to the Test

In California, the famously tough exam has some law schools pushing for change

BY SARA RANDAZZO

LOS ANGELES—California's notoriously difficult bar exam has long been a point of pride among the state's lawyers. Now it is prompting blowback.

With passing rates hitting historic lows, the state's law schools are pushing for a controversial change: lowering the score required to pass.

The educators argue that California holds graduates to an unreasonably high standard that no longer can be justified, especially as the price of law school skyrockets.

Others say lowering the bar would pander to a recent cohort of law students with weak credentials, and that law schools should either raise their own standards or shut their doors.

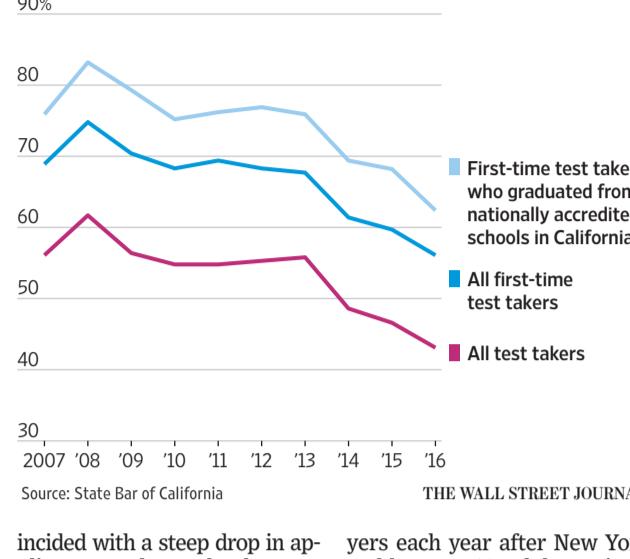
The issue came to a head after the announcement that just 35% of takers passed the most-recent California exam, given in February. Only 43% passed last July's test, the lowest mark for the summer exam in more than three decades.

Bar-passage rates nationally have trended downward since 2014. While some states have begun to see rebounds, others haven't. Florida, for instance, continued a four-year downward slide on July's test, to 68% passing, down from a recent high of 80% in July 2012.

The declining rates have co-

Failing Grades

California's bar exam has had historically low pass-rates in recent years. Passing rates on the state's exam offered in July:



Source: State Bar of California THE WALL STREET JOURNAL.

incided with a steep drop in applicants to law school. From 2010 to 2016, first-year enrollment at American Bar Association-accredited schools nationwide fell nearly 29%.

One camp of law-industry watchers blames the drop in passing rates on the declining credentials of incoming classes. Others point to changing study habits of millennials, who grew up with the ability to find information at their fingertips and aren't accustomed to the intensive memorization and writing skills needed to pass a bar exam. Law schools point to the test's required score as the problem. The issue has been acute in California, which licenses the second-largest number of law-

yers each year after New York and houses 10% of the nation's ABA-accredited law schools.

Deans of 20 of California's nationally accredited law schools earlier this year unsuccessfully tried to persuade the California Supreme Court, which oversees the state bar and regulates the exam, to temporarily lower the level for passing.

Now, the State Bar of California is racing to answer a series of questions: Is the stringent test—with a passing standard higher than all states but one—serving the public interest? And does the exam even test what incoming lawyers need to know?

Each state sets its own passing score on a common

multiple-choice section of the bar developed by a national organization. Since 1984, California's so-called cut score has been 144, higher than every state but Delaware. New York uses 133; 16 other states set it at 135.

If California used the same passing score as New York on last July's test, 87% of graduates from nationally accredited schools in the state would have passed, compared with the 62% who passed, according to an analysis commissioned by the state bar.

"Does California know something the rest of the country doesn't?" asked David Faigman, dean of the University of California Hastings College of the Law in San Francisco. Mr. Faigman and other deans argue there is no reason passing the exam ever had to be so hard.

Some lawyers say the problem isn't the difficulty of the test but that there are too many law schools churning out graduates with little chance of finding decent employment.

"The focus should not be on dumbing down the ability to pass the bar," said Jeremy Rosen, a partner at California appellate firm Horvitz & Levy. Rather, Mr. Rosen said, "a lot of people shouldn't be in law school."

"We intend to let the results of these studies guide the direction we take and the recommendations we make," said Leah Wilson, the chief operating officer of the state bar, who added that the agency is concerned about the falling passage rates.



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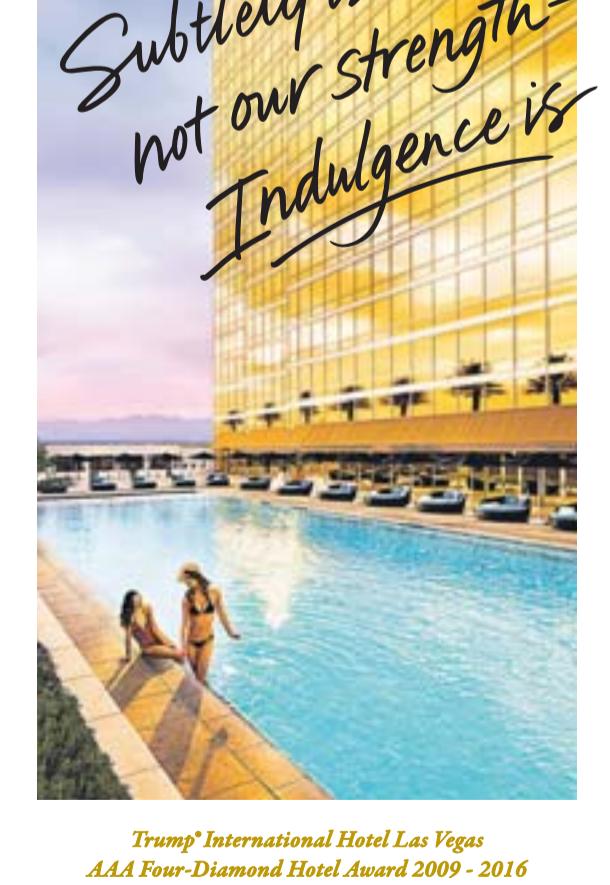


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Debt, Regrets Mar College for Many

BY DOUGLAS BELKIN

U.S. policy makers have long pushed more high-school students to go to college, citing data showing that college graduates earn more money over their lifetime, pay more taxes, enjoy better health and are more likely to vote.

But in reality, students who rush into college, incur debt and drop out without a degree can be worse off than those who didn't go at all—fueling an increasing backlash to the one-size-fits-all push for students to go straight from high school to the college quad.

A new Gallup report released Thursday highlights the amount of buyers' remorse many people feel about their college experience.

More than half of nearly 90,000 people surveyed between June 2016 and March 2017 said they would change at least one decision they made about their education if they had to do it all over again: 36% would choose a different major; 28% would

Rethinking College

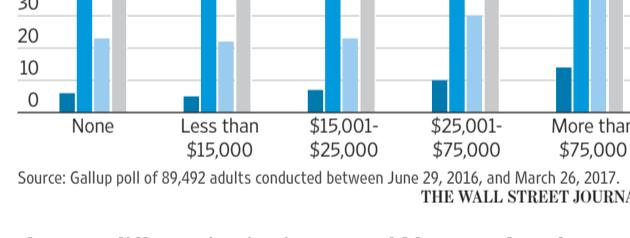
Adults with the most student debt have the most qualms about their higher-education choices, according to a Gallup poll.

Percentage who would change these education decisions

■ Obtain a different degree ■ Study a different major

■ Attend a different institution ■ Make one or more decisions differently

By amount of student loan debt



Source: Gallup poll of 89,492 adults conducted between June 29, 2016, and March 26, 2017. THE WALL STREET JOURNAL.

choose a different institution, and 12% would pursue a different degree.

The people with the most misgivings are liberal-arts majors who earned bachelor's degrees; 48% of them said they would have chosen a different major; and 57% said they

would have made at least one decision differently.

The random-sample survey was funded by the Strada Education Network, a nonprofit in Indiana dedicated to helping young people complete college and launch their careers.

"The voice of the consumer

is absent in higher education," said Carol D'Amico, an executive vice president with Strada and a former assistant secretary for adult and vocational education in the George W. Bush administration. "We've gotten the message out that many good-paying jobs require credentials after high school; what's less clear is the options open to them to follow their passion."

Those who expressed the least regret were best able to align their education with a career. Those who studied a trade or attended graduate school had fewer qualms than those who earned an associate's or undergraduate degree. The people who were most unhappy dropped out of college. And those undergraduates who studied science, technology, engineering or math had fewer misgivings than those who studied liberal arts.

People who graduated after the age of 30 were more satisfied with their educational decisions than their younger counterparts.

Oakland to Pay Victim Of Alleged Sex Abuse

BY ZUSHA ELINSON

Oakland, Calif. will pay the victim of alleged sexual abuse at the hands of several of the city's police officers nearly a million dollars to settle allegations that threw the police department into turmoil last year.

The now 19-year-old woman, who worked as a prostitute, accused police officers from Oakland and other police departments around the

former and current officers from the Oakland Police Department, the Contra Costa Sheriff's Department and the Livermore Police Department with crimes including sexual acts with a minor and exchanging compensation for sex. Two have pleaded guilty since then, and the rest are fighting the charges.

"This has brought a lot of emotional pain to her," said John Burris, the woman's attorney. "This brings her some closure."

A spokeswoman for the police department referred questions to the city attorney's office, which didn't respond to requests for comment.

The settlement was made in response to a claim filed against the city, a precursor to a lawsuit. Mr. Burris said that claims have been filed against other cities in the Bay Area as well.

The sex abuse scandal was a setback for the Oakland Police Department, which had been making progress in getting out from under more than a decade of federal oversight brought on by a rogue group of officers who were accused of planting drugs and beating residents. In January, Oakland Mayor Libby Schaaf hired Anne Kirkpatrick, a former Spokane, Wash., police chief, to lead the department.

Last fall, the Alameda County District Attorney announced plans to charge seven

Bay Area of sexually exploiting her, including some instances when she was under the age of 18.

The allegations of sexual misconduct rocked the Oakland Police Department. After the scandal surfaced last spring, Sean Whent, Oakland's police chief at the time, resigned and two of his replacements also left in quick succession in June.

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U.S. NEWS

Trump Likely to End Climate Deal

President weighs
outright withdrawal or
fewer emissions cuts;
lobbying intensifies

BY ELI STOKOLS
AND BRADLEY OLSON

President Donald Trump said he would make an announcement Thursday on the Paris climate treaty, with three White House officials saying he is expected to withdraw from the accord, although they cautioned that the situation may yet change.

The president said on Twitter late Wednesday that he will announce his decision Thursday afternoon at the White House Rose Garden.

Under the accord, 190 countries committed to cutting greenhouse-gas emissions, in an effort to combat climate change. The agreement aims to keep average global temperatures from rising more than 2 degrees Celsius, or 3.6 degrees Fahrenheit, above preindustrial levels.

Under the agreement, each country determines its own set of emissions targets and a plan to reach them.

The U.S. had pledged to cut greenhouse-gas emissions by 26% to 28% from 2005 levels by 2025. The U.S. is the world's second-largest emitter of carbon, behind China, which has reaffirmed its own commitment to meeting its targets under the Paris accord.

According to several administration officials, Mr. Trump had been weighing how far to go in fulfilling a campaign promise that he would pull the U.S. from the accord.

Mr. Trump has also heard from business leaders and senior aides who are urging him not to completely withdraw.

Because the Paris agreement is nonbinding, Mr. Trump has the option of lowering the emissions targets for the U.S. without withdrawing completely, which could take three years under the original agreement.

The president met Wednesday with Secretary of State Rex Tillerson, who has advo-



U.S. carbon dioxide emissions have fallen as cheaper natural gas has been replacing coal to generate the nation's electricity.

Leaders Defend Global Agreement

World powers are locking arms to defend the 2015 Paris climate accord should President Donald Trump decide to pull the U.S. from the deal.

From Brussels to Beijing, leaders say they are ready to move ahead without Mr. Trump and implement the agreement.

cated remaining in the deal. A day earlier, Mr. Trump met with a leading voice for complete withdrawal, Environmental Protection Agency Administrator Scott Pruitt.

Messrs. Pruitt and Trump have both expressed skepticism about the role of human activity as a leading factor in climate change.

Dozens of Fortune 500 companies have lobbied the administration to remain in the

In some cases, nations have agreed to accelerate their adoption of the Paris deal.

The European Union and China are due Friday to sign a statement at a summit in Brussels that calls for "stepping up action" in the shift from fossil fuels to renewable energy, according to a draft of the document viewed by The Wall Street Journal.

"The EU and China underline their highest political commit-

ment to the effective implementation of the Paris Agreement," the draft states. "They call on all parties to uphold the Paris Agreement."

The push to rally international support for the Paris deal reflects determination to prevent a decadelong diplomatic effort from unraveling without the involvement of the world's leading economy. It is also a sign of flexibility built into the deal that was needed to win

backing from more than 190 nations: The agreement prescribes no target for emissions reductions, only that governments prepare plans to limit carbon dioxide and other greenhouse gases.

A U.S. withdrawal, however, risks fostering long-term ill will among America's negotiating partners, particularly in the developed world.

—Matthew Dalton in Paris and Emre Peker in Brussels

agreement, expressing their collective support in a public advertising campaign and privately in smaller meetings and phone calls with the president.

Large companies say the accord provides a predictable and practical framework for reducing emissions and can serve to boost competitiveness and job creation while minimizing business risks from climate change. One of Mr. Trump's closest business al-

lies, Dow Chemical Co. Chief Executive Andrew Liveris, has been seeking an Oval Office meeting this week to make his case, a person familiar with the matter said.

Following reports Wednesday morning that a withdrawal might be imminent, Apple Inc. CEO Tim Cook and Tesla Inc. CEO Elon Musk were among the business leaders placing calls to the White House in a last-minute effort to persuade

the president to reconsider, say people familiar with the calls.

At last week's summit of the Group of Seven leading nations in Sicily, European leaders also focused their conversations with Mr. Trump on convincing him of the importance of U.S. leadership when it comes to combating climate change.

◆ Shareholders press Exxon for climate 'stress test' B3

Comey to Testify on President's Alleged Request

BY DEL QUENTIN WILBER

Former Federal Bureau of Investigation Director James Comey is expected to testify before a Senate committee as early as next week that President Donald Trump asked him to back off the investigation of former national security adviser Mike Flynn, according to a person familiar with the matter.

The testimony before the Senate Intelligence Committee would be Mr. Comey's first

time speaking in public following his unexpected firing on May 9 by Mr. Trump.

Mr. Comey wrote in a memo after a February meeting with Mr. Trump in the Oval Office that the president said to him, "I hope you can let this go," referring to the FBI's investigation of Mr. Flynn, according to people who have seen the memo. Mr. Trump has denied

asking Mr. Comey to drop the investigation of Mr. Flynn.

The Oval Office conversation

took place shortly after Mr. Flynn resigned under pressure for having misled Vice President Mike Pence about the nature of his phone conversations with a Russian diplomat.

Mr. Flynn is also being investigated by federal authorities for potential violations of a law regarding the disclosure of work for a foreign power.

In early March, Mr. Flynn filed a retroactive disclosure form with the Justice Department detailing how his firm

received \$530,000 in 2016 from a Turkish businessman through a Dutch company called Inovo BV.

The Senate Intelligence Committee, along with several other congressional panels, is investigating possible collusion by members of the Trump campaign with Russia regarding the 2016 elections.

Mr. Comey was spearheading the FBI's probe into Moscow's interference when he was fired by Mr. Trump. Mr. Trump

has said there was no collusion with Russia and called the investigation a witch hunt. Russia has denied the allegations.

Following the firing, Deputy Attorney General Rod Rosenstein appointed a special counsel, former FBI Director Robert Mueller, to lead the federal inquiry. Mr. Comey has spoken to Mr. Mueller's team to ensure his testimony won't hurt the special counsel's investigation, according to the person familiar with the matter.

◆ Shareholders press Exxon for climate 'stress test' B3

PROBE

Continued from Page One
from former FBI Director James Comey, who was overseeing the agency's Russia investigation until Mr. Trump fired him on May 9. Russia has denied interfering with the election and Mr. Trump has denied that his associates colluded with the Russian government.

Mr. Comey is expected to testify that Mr. Trump asked him to back off the investigation of Mr. Flynn, according to a person familiar with the matter. The panel's request for Mr. Comey's testimony was sparked by his abrupt dismissal by Mr. Trump and allegations that Mr. Trump may have been trying to interfere in the probe. The president has denied the allegations. Mr. Flynn was forced to resign in February after misleading senior White House officials about his conversations in December with the Russian ambassador.

The probe by the Federal Bureau of Investigation is now headed by former director Robert Mueller, who was tapped by the Justice Department to serve as a special counsel.

The House investigation suffered a setback when the committee's Republican chairman Devin Nunes was forced to step aside in April after an ethics complaint was filed over his handling of classified materials. Mr. Nunes remains the chairman of the committee but recused himself from the Russia inquiry.

Mr. Nunes signed all seven subpoenas despite his recusal,



Former national security adviser Mike Flynn and Michael Cohen, the president's personal attorney.

according to people familiar with the matter. A GOP congressional aide said the unmasking investigation was now considered separate from the Russia probe, allowing Mr. Nunes to act on his own authority even while recused.

Democrats on the committee criticized the move, saying they didn't consent to the unmasking subpoenas. "This action would have been taken without the minority's agreement. Any prior requests for information would have been undertaken without the minority's knowledge," said a senior Democratic committee aide.

Democrats are seeking an

aggressive probe of Mr. Trump and his associates, including whether they had any contact with Russian agents.

Republicans are pushing for an investigation of how the names of Trump campaign officials became exposed in classified intelligence reports based off intelligence community intercepts, as well as how classified information about Trump associates was given to the media. Mr. Nunes first raised the issue of unmasking in March based on information he received from the White House.

Typically, information about Americans intercepted in foreign surveillance is redacted,

even in classified reports distributed within the government, unless a compelling need exists to reveal or "unmask" them. Unmasking requests aren't uncommon by top intelligence community officials but Republicans want to know whether any of the unmaskings of Trump campaign officials during the transition were politically motivated.

The most recent subpoenas to the intelligence agencies seek information on any requests made by former national security adviser Susan Rice, former CIA Director John Brennan and former United Nations Ambassador Samantha Power for names to be unmasked in

classified material. The three didn't personally receive subpoenas, the people familiar with the matter said.

Mr. Brennan, Ms. Rice and Ms. Power didn't respond to requests for comment. Ms. Rice in April told CNN she never did anything "untoward" with intelligence collected on American citizens, including Trump aides working on the transition.

Ms. Power hasn't previously been reported as a potential witness in the probe so her inclusion in the subpoenas may mean Republicans are broadening their areas of investigation.

Unmasking is typically restricted to high-level officials to safeguard the privacy of Americans caught up in U.S. government spy operations directed at foreign targets.

Officials have acknowledged that the names of some Trump aides were revealed in the classified documents, and Republicans have questioned whether it might have been improper.

The four subpoenas related to the Russia probe are aimed at Mr. Flynn and his business Flynn Intel Group LLC, as well as Mr. Cohen, a former Trump Organization attorney, and his law firm. "If subpoenaed, I will work with my lawyers to cooperate with the various investigations," Mr. Cohen said. An attorney for Mr. Flynn didn't respond to a request for comment.

Both have declined to voluntarily cooperate with the probe but Mr. Flynn is complying with a Senate subpoena for his business records.

—Carol E. Lee contributed to this article.

White House Aides Get Waivers

BY REBECCA BALLHAUS

President Donald Trump has granted waivers to at least 16 White House officials to allow them to work on issues they handled in their private-sector jobs, according to disclosures released by the White House late Wednesday.

The number of waivers granted to White House staff in the first four months of the Trump administration—the same number former President Barack Obama gave out during his eight years in office—calls further into question Mr. Trump's campaign pledge to rid Washington of special interests and "drain the swamp." The waivers allow officials who spent recent years lobbying the government on behalf of corporate clients to now weigh in on those same issues.

Mr. Trump has so far granted waivers to four former registered lobbyists, including Michael Catanzaro, special assistant to the president for domestic energy and environmental policy who has spent years representing oil-and-gas companies. Under his waiver, Mr. Catanzaro can work on some of those same issues.

Andrew Olmem, a former registered lobbyist at Venable LLP who represented MetLife Inc., American Express Co. and other financial companies, now serves as a special assistant to the president for financial policy. Under the terms of his waiver, he can interact with his former clients on policy matters.

Shahira Knight, a special assistant for tax and retirement policy, is a former lobbyist for Fidelity Investments. She can participate in policy discussions on that subject, her waiver says.

Chief of staff Reince Priebus and senior counselor Kellyanne Conway were granted waivers related to their past work for the Republican National Committee and other political organizations.

WASHINGTON WIRE

TWITTER TUMULT

President's 'Covfefe' Remains a Mystery

The White House is keeping the U.S. and the world guessing about the meaning—if there is any—of President Donald Trump's enigmatic tweet about "covfefe" that immediately shot to meme stardom.

Reporters asked White House press secretary Sean Spicer on Wednesday about the meaning of the president's tweet. "The president and a small group of people know exactly what he meant," Mr. Spicer said.

The tweet—which read "Despite the constant negative press covfefe"—was posted after midnight Wednesday, not a typical time for a presidential tweet.

The tweet wasn't immediately deleted and went viral, fueling a wave of Twitter jokes and offerings of covfefe T-shirts and mugs on Amazon.com. Mr. Trump acknowledged the kerfuffle, tweeting: "Who can figure out the true meaning of 'covfefe' ?? Enjoy!"

—Joshua Jamerson

OBAMACARE

Poll Finds Low Spirits On GOP Health Plan

Five months into the effort by President Donald Trump and GOP lawmakers to make good on their promise to repeal and replace Obamacare, Americans are pessimistic about how the House Republicans' plan would affect them personally, according to a poll released Wednesday.

According to the nonpartisan Kaiser Family Foundation, 45% believe their costs would rise under the GOP health plan, compared with 28% who said the same in December of the expected plan.

As the Senate weighs a rewrite of the House's bill, a majority of Americans, 55%, would like to see senators introduce major changes to the legislation or not pass it at all. The poll found 76% of Americans said the House plan fulfills few or none of Mr. Trump's promises to improve health care.

—Michelle Hackman

U.S. WATCH

CRIME

Sentence Is Upheld For Silk Road Founder

A federal appeals court affirmed the conviction and life sentence of Ross Ulbricht, the mastermind behind Silk Road, an online drug bazaar once described by the government as the most sophisticated criminal marketplace on the internet.

A three-judge panel of the Second U.S. Circuit Court of Appeals in Manhattan upheld a lower court's sentencing of Mr. Ulbricht, now 33 years old. A federal jury found him guilty in 2015 of seven criminal charges related to Silk Road, including conspiracies to sell drugs and launder money.

The life sentence, which Mr. Ulbricht's lawyers said is rare for a drug defendant with no criminal history, was imposed by U.S. District Judge Katherine Forrest in May 2015.

The appeals-court judges pointed in particular to five attempted murders Mr. Ulbricht allegedly committed to protect the anonymity of Silk Road, which operated on a hidden part of the internet.

A lawyer for Mr. Ulbricht and a spokesman for the Manhattan U.S. attorney's office each declined to comment.

—Nicole Hong

VETERANS AFFAIRS

Marijuana May Be Helpful, Chief Says

Dr. David Shulkin, the secretary of the U.S. Department of Veterans Affairs, said medical marijuana may benefit veterans dealing with post-traumatic stress disorder and encouraged lawmakers to debate the issue.

"There may be some evidence that this is beginning to be helpful, and we're interested in looking at that," Dr. Shulkin told reporters at the White House when asked about medical marijuana.

Federal law prohibits the

agency's doctors from prescribing medical marijuana, he said. Top officials from the American Legion, an advocacy group for veterans, urged the Trump administration last week to reclassify marijuana and allow research into whether cannabis could reduce suicides among troops and help veterans dealing with PTSD.

The first nonveteran to head the department, Dr. Shulkin spoke to reporters in what he called his first "state of the VA." He said his top clinical priority is preventing veteran suicides, which average about 20 a day.

—Michael C. Bender

MICHIGAN

Farmer, a Foe of Gay Marriage, Sues City

A Catholic farmer is suing the city of East Lansing, claiming his company has been excluded from a city-run market because he expressed views opposing gay marriage. Steve Tennes, the owner of Country Mill Farms, had sold apples and cider at the East Lansing farmers market since 2010.

This year, Mr. Tennes's application to be a vendor was denied following Facebook posts saying that, because of his Catholic faith, he wouldn't host a gay wedding at his farm in a nearby town.

"Being a Christian, Jew or a Muslim farmer should not disqualify you from selling your produce," said Mr. Tennes, who filed the suit on Wednesday.

In response, East Lansing issued a statement saying Country Mill Farms' policy—not Mr. Tennes's speech—violated city ordinances.

"The Country Mill has advertised that their business practice is to prohibit same-sex couples from holding weddings at their orchard," the statement said. "Their business practices violate the City of East Lansing's long-standing ordinance that protects sexual orientation."

—Ian Lovett

At Spelling Competition, Waiting Isn't the Bee's Knees



RACKING THEIR BRAINS: Avril Regis, center, watched competitors during the 2017 Scripps National Spelling Bee at National Harbor in Oxon Hill, Md., on Wednesday. The 14-year-old hails from Pago Pago, American Samoa, in the Pacific Ocean.

JOSHUA ROBERTS/REUTERS

Maine Releases Inmates for Jobs

BY JENNIFER LEVITZ

Ahead of peak tourism season, Maine's Republican governor is pursuing an unconventional strategy to help ease the state's labor shortage: releasing nonviolent offenders from prison early to get them back to work.

The program by Gov. Paul LePage's administration is starting small. The sentences of 17 male inmates who committed low-level offenses were commuted in recent days. The administration is now contemplating a similar move among

the female prison population, and is also eyeing possible commutations in county jails.

"We are looking at every corner of the state to try to put people back to work," Mr. LePage said in a Tuesday interview on WVOM radio station in Maine. "That's what the commutation program is all about, and we're being very, very cautious."

Visitors flock to quaint towns along Maine's rocky coast each summer, but employers say they are struggling to staff up because of an aging population, fewer visas for

temporary foreign workers and the state's 3% unemployment rate, which is the lowest in more than 40 years.

Mr. LePage's administration says it is releasing only offenders deemed to be at low risk to the public. The recent 17 chosen for commutations were selected from a review of about 100 offenders, said Maine Department of Corrections Commissioner Joseph Fitzpatrick.

Mr. Fitzpatrick said his corrections staff will work with the state's Department of Labor to "market the offenders

that are out to the workforce."

Eliminated from consideration are drug traffickers, sexual offenders, domestic abusers or others involved in violence. Repeat parole violators are also not likely to qualify, state officials said.

In addition, the commutations are conditional, with the offenders required to report to probation officers, pursue jobs or education, and abide by a range of rules, including a curfew when not working, according to the governor's office.

Maine's tourism sector applauded the move.

DRUG

Continued from Page One

ference that the companies were dishonest with doctors and the public about their painkillers' risks.

"The evidence is going to show they knew what they were saying was not true and they did it to increase sales," he said.

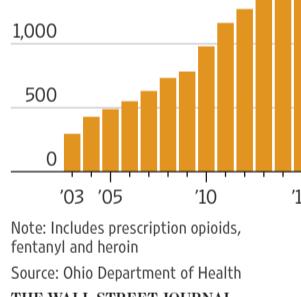
In an interview, Mr. DeWine said opioid addiction has taken an extraordinary human and financial toll on Ohio, which has one of the highest opioid overdose death rates of any state. He said the addiction crisis has placed great financial burdens on the state, including the Medicaid program, which provides substance-abuse treatment, and foster-care programs, which are grappling with a big rise in children taken out of parental care because of addiction.

"You have so many people today who can't pass a drug test, who can't work in a factory, who can't be employed to drive a car or work around machinery or be store manager at McDonald's because they can't pass a drug test," Mr. DeWine said.

States and the federal government have previously pursued legal action against Purdue, alleging improper marketing of the painkiller OxyContin, and won settlements from the company. And

Fatal Addiction

Number of unintentional opioid overdose deaths of Ohio residents



Note: Includes prescription opioids, fentanyl and heroin
Source: Ohio Department of Health

THE WALL STREET JOURNAL.

some cities and counties have pursued lawsuits against broader groups of opioid painkiller makers.

Mr. DeWine said Ohio's lawsuit is among the most comprehensive taken by any state against a broad group of opioid painkiller makers. He said the only other similar lawsuit was filed by Mississippi in state court in December 2015, alleging similar wrongdoing against the same five companies. That suit is pending.

One lawyer in private practice in Mississippi, John Davidson, is listed as outside counsel for the plaintiffs in both the Ohio and Mississippi cases.

Another lawyer listed as outside counsel for the state on the Ohio case, Mike Moore of Flowood, Miss., was Mississippi's attorney general in 1994 when the state filed the first state lawsuit against the tobacco industry, alleging companies misrepresented the health risks of their products. His suit touched off a flurry of litigation by states against the industry that ultimately concluded with a \$206 billion settlement.

In an email, Mr. Moore said he sees "parallels" between the tobacco and opioid litigation, including the "misleading marketing."

In a statement about the Ohio case, Johnson & Johnson, parent of Janssen Pharmaceuticals, which sells Duragesic, said: "We firmly believe the allegations in this lawsuit are both legally and factually unfounded."

"Janssen has acted appropriately, responsibly and in the best interests of patients regarding our opioid pain medications, which are FDA-approved and carry FDA-mandated warnings about the known risks of the medications on every product label," said the company, referring to the U.S. Food and Drug Administration.

Teva said it is reviewing the complaint and didn't have a comment. Teva and its Cephalon Inc. unit sell the painkillers Actiq and Fentora.

Purdue said: "We share the

attorney general's concerns about the opioid crisis and we are committed to working collaboratively to find solutions."

Allergan and Endo declined to comment. Allergan sells Kyndall and Norco. Endo makes the painkiller Opana.

One of the biggest legal hits to a painkiller company came in 2007, when Purdue Frederick Co., an affiliate of Purdue Pharma, and three of its executives pleaded guilty in federal court to criminal charges of misleading the public about the addictive qualities of OxyContin. The company and executives agreed to pay the federal government and a group of states \$634.5 million in fines.

That settlement grew out of a multistate investigation and a federal probe. In 2015, Kentucky reached a separate \$24 million settlement with Purdue over its OxyContin marketing.

Elizabeth Burch, a law pro-

fessor at the University of Georgia, said the Ohio suit is unsurprising, given that Purdue has paid settlements in the past.

"A lot of states are looking for money to subsidize substance-abuse programs. As they do that and as previous states reach settlements, there is blood in the water at this point," she said.

Ohio has been among the states hardest hit by opioid addiction, which has played a part in driving U.S. overdose deaths to all-time highs. Many people became addicted by taking powerful opioid painkillers and often progressed to heroin if they couldn't get access to pills. Public-health officials have long blamed aggressive company marketing and lax prescribing for sparking the crisis.

The Ohio case comes at a time when politicians are in-

creasingly citing the addiction epidemic as a major policy priority.

President Donald Trump has pledged to address the opioid crisis and formed a task force earlier this year to study addiction, with New Jersey Gov. Chris Christie, a fellow Republican, as chairman. But critics have said the president's proposed budget for the fiscal year beginning Oct. 1 would slash funding for the Office of National Drug Control Policy and that the GOP's legislation to overhaul the Affordable Care Act envisions cuts to Medicaid, which pays for significant amounts of addiction treatment.

Ohio is seeking an injunction to stop the companies from their "misrepresentations" of the drugs' risks, and civil penalties to compensate the state for the costs tied to the addiction crisis.

Ohio Suit Echoes Tobacco Cases

It is a lawsuit taking aim at the industry's largest players, alleging a deadly coverup of the dangers of an addictive drug used by millions of Americans.

In some ways, Ohio's move Wednesday to sue several opioid makers harks back to the 1990s, when states took the tobacco industry to court and ultimately came away with a historic \$206 billion settlement.

Ohio Attorney General Mike DeWine's lawsuit tries to make the tobacco parallel explicit.

"Like the tobacco compa-

nies," it states, "defendants used third parties that they funded, directed, and controlled to carry out and conceal their scheme to deceive doctors and patients about the risks and benefits of long-term opioid use for chronic pain."

Other similarities exist as

well. The legal fight concerning tobacco began with a handful of states suing cigarette companies more than 20 years ago. The suits alleged the industry badly misled consumers about the harms of cigarettes.

At the time, the industry was besieged by reports of leaked internal corporate documents suggesting the defendants concealed information about the dangers of smoking.

Ohio's suit alleges the drugmakers helped fuel the opioid addiction crisis by misrepresenting the addictive risks of their painkillers.

But beyond some obvious

parallels, legal experts say litiga-

tion against the drugmakers and tobacco companies may be a case of apples and oranges.

"Opioids aren't tobacco,"

said James Tierney, a former

Maine attorney general who

was a consultant to the states

suing the tobacco industry and

helped coordinate their legal

and press strategy.

Opioid makers argue that they shouldn't be held responsible for the misuse of Food and Drug Administration-approved drugs with FDA-mandated warnings. Some makers argue they have helped develop abuse-deterrent properties that make it harder to crush or dissolve the drugs.

Prescribed painkillers and cigarettes themselves have obvious differences, said Mr. Tierney. While cigarette makers were accused of misleading the public about the dangers of smoking, their product's links to lung cancer and other diseases weren't in dispute.

Opioids, when used medically to relieve pain, can have significant health benefits. "Opioids aren't an inherently evil product," said Mr. Tierney. "Tobacco companies could never come in and say tobacco products are good for you. There are legitimate purposes for opioids."

Jacob Gershman

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WORLD NEWS

NBA Star Dodges a Turkish Crackdown

'It's crazy,' Thunder's Kanter says of effort to round up foes of President Erdogan

By MARGARET COKER

ISTANBUL—Turkey is expanding efforts abroad to capture opponents by canceling their passports to force foreign governments to send them back, Turkish officials said, describing a strategy that nearly netted an NBA player in May.

The efforts accelerated this spring in what one of the officials said is part of a counter-terrorism campaign focused on Turkish followers of U.S.-based cleric Fethullah Gulen, a critic of President Recep Tayyip Erdogan whose network Turkey classifies as a terrorist group.

Oklahoma City Thunder center Enes Kanter told The Wall Street Journal he narrowly escaped a government attempt to force him back to Turkey after his passport was abruptly invalidated during a multinational charity tour that included stops at schools affiliated with Mr. Gulen's movement.

The National Basketball As-



Enes Kanter, above, escaped a bid to force him back to Turkey. At right, men beat people protesting President Erdogan in Washington in May.



YONATAN SINDEL/FLASH90; EDUARDO MUNOZ ALVAREZ/GETTY IMAGES (LEFT)

sociation player, a 25-year-old legal U.S. resident, has been outspoken in his support for Mr. Gulen and criticism of Mr. Erdogan. Mr. Kanter was allowed to return following the intervention of U.S. and NBA officials. "It's crazy," Mr. Kanter said. "The government is going after anyone who speaks up for democracy and against [Mr. Erdogan]."

Turkey seeks Mr. Kanter's arrest on charges of glorifying

terror related to his links to Mr. Gulen, one of the Turkish officials said on Friday. The official described Mr. Kanter as a dangerous individual and said governments have an obligation to hold or deport people who don't have valid travel documents.

Turkish officials accuse Mr. Gulen of masterminding a failed July coup attempt and consider his religious network a national security threat. Mr. Gulen and his supporters dismiss

the accusations and he has denied any role in the coup.

Mr. Erdogan on Tuesday warned international allies that Turkey wouldn't release their wanted suspects or citizens from Turkish jails unless those countries sent so-called Gulenists back to Turkey.

"The fight against terror is not local, it's rather international. If we are struggling against terror all together, then you should extradite

these people to us," he said.

Turkey has formally requested Mr. Gulen's extradition from the U.S., where he is a legal resident, but U.S. officials say purported evidence compiled by Ankara doesn't meet American legal standards.

After the Thunder were eliminated from the NBA playoffs in April, he and his manager set off on a global tour. Mr. Kanter traveled on his Turkish passport to seven Asian

countries without any problem. After arriving in Jakarta, Mr. Kanter said he traveled on May 19 to publicity events. He coached a children's basketball camp at a private school run by a Gulenist foundation.

Around 2 a.m., his manager got a call from a school administrator warning them that Indonesian authorities were there looking for Mr. Kanter.

Indonesia's immigration spokesman, Agung Sampurno, said there was no written request from Turkey or Indonesian institutions to cancel Mr. Kanter's passport or deport him. Jakarta police said they had no information on the matter.

Mr. Kanter and his manager, also a Turkish citizen, bought tickets on a 5:30 a.m. flight to Singapore. Indonesian authorities didn't question them at the airport. Around 12 hours later, upon arrival in Bucharest authorities said his passport had been canceled. It took several hours to get Romanian and U.S. clearance to fly back to America.

Five days later, after Mr. Kanter was back in the U.S., Turkish authorities confirmed there was a criminal probe against him and they had canceled his passport.

Manchester Bomber Lived Between Two Worlds

MANCHESTER, England—Young Libyans torn between ordinary life in Britain and violence in the chaotic North African nation are often known here as "double shafras," after the Arabic word for SIM cards.

Salman Abedi, who killed 22 people last week when he detonated a bomb strapped to his back outside an Ariana Grande



name. "They weren't scared of anything—even knives, hammers."

British authorities have 11 people in custody in connection with the attack. Abedi's father and brother, Hashem, are being held in Libya, Abedi's sister said. The U.K. is working to determine if Abedi had any links with Islamic State, a Western security official said.

Salman Abedi spent his spare time with other young men from a strict Muslim background, a former schoolmate said.

"Salman was always seen with these people," he said. When the schoolmate acknowledged supporting Gadhafi, Salman became agitated, telling him: "You can't be a Muslim if you're supporting Gadhafi."

Another of Abedi's schoolmates, Abdalraouf Abdallah, who fought in Libya, was sentenced last year to more than five years in prison for terrorism-related offenses.

Double shafras "spend all their time in Manchester...feeling like they don't belong here, they belong somewhere else," Mr. Ben Ghalbon said. "And when they went somewhere else, they didn't belong there either. They look different, they behave different, they speak different."

—Joshua Robinson contributed to this article.

Salman Abedi left Manchester at 16 years old when his father went to fight to overthrow Libya's Col. Moammar Gadhafi.

prayers and fasting and more withdrawn, she said.

"He didn't have friends or people too close to him. He would pray and come home," she said.

The brutality of the front lines was a shock for some

young Libyans from Manchester native and longtime resident. But trying to reintegrate Manchester resident who used after months in Libya was often a bigger shock.

"When they went there, adrenaline, they got hooked." they smelled blood and heard rattles of the Kalashnikovs," hamed, one of Abedi's friends said Hisham Ben Ghalbon, a from college, said some con-

temporaries who returned to south Manchester after taking up arms in Libya "came back a bit crazy."

"You could tell by the fights they were having on the street," said Mohamed, who wanted to use only his first

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WORLD NEWS

Russian Cruise Missiles Strike ISIS Sites in Syria

Russia launched four cruise missiles at Islamic State targets in Syria from a warship and submarine in the Mediterranean, the Russian Defense Ministry said.

By James Marson
in Moscow and Raja
Abdulrahim in Beirut

The launches hit sites to the west of Palmyra, which Russian-backed Syrian regime forces and Iranian-backed militias recaptured from Islamic State in March.

Wednesday's strike destroyed all targets, which included heavy weapons and fighters that had been de-

ployed there from Islamic State's stronghold of Raqa, the Defense Ministry said.

The ministry said U.S., Turkish and Israeli military commanders had been informed about the launches "at the appropriate time."

"We are aware of the reports of Russian cruise missiles, but have no further information to provide," Col. Ryan Dillon, spokesman for the U.S.-led coalition.

The Syrian regime had lost control of the ancient city of Palmyra to the extremist militants for a second time in December as its forces and allies were focused on battling antigovernment rebels

in the northern city of Aleppo.

Since regaining control of Palmyra, Syrian forces have continued to advance eastward through the desert controlled by Islamic State.

The push toward the Iraqi border has put the regime and Iranian-backed forces on a collision course with U.S.-backed rebels who are also battling against Islamic State.

In May, the U.S.-led coalition launched airstrikes on those pro-regime forces as they neared the rebels in al-Tanf, near the borders with Iraq and Jordan.

It was only the second



Russia launched cruise missiles from a warship, above, and a submarine at targets west of Palmyra.

time the U.S. launched a deliberate strike against the Syrian regime and came after the coalition said it had warned the pro-regime forces to stop their advance.

The regime has lost most

of its territorial control in eastern Syria, maintaining a foothold in only a few large cities.

As the regime has continued to rack up victories against rebels, it has turned

more attention to fighting Islamic State, in part as a bid to underscore its long-held narrative that it is fighting terrorism.

—Ben Kesling in Erbil, Iraq, contributed to this article.

WORLD WATCH

INDIA

Economic Growth Weakest Since 2015

The economy grew 6.1% in the first quarter from a year earlier, the weakest expansion the country has reported in more than two years.

The slowdown suggested that Prime Minister Narendra Modi's move last year to void all high-value bank notes continued to choke demand, even as cash was starting to make its way back into Indians' pockets.

The latest quarter's numbers also imply India lost the mantle of the fastest-growing large economy to China, whose era-defining expansion has cooled in recent years.

—Raymond Zhong

PHILIPPINES

Video Shows Priest Pleading for His Life

A Catholic priest was shown pleading for his life and that of 200 other hostages in a widely circulated video Wednesday as the southern Philippines city of

Marawi reeled under aerial bombardment and fighting raged between government troops and Islamic State-linked militants on the island of Mindanao.

In the five-minute video that appeared to have been coerced, according to the Philippines military, Rev. Teresito Siganob, the Christian vicar-general of Marawi, said he was "taken as a prisoner of war" by militants, who also had captured other residents, including children.

Father Siganob, speaking during daylight hours on a deserted street covered in debris, pleaded with Philippines President Rodrigo Duterte to stop airstrikes and withdraw government forces from the area.

The Wall Street Journal wasn't able to independently confirm the video's authenticity.

—Jake Maxwell Watts

AUSTRALIA

Spy Chief Defends Muslim Refugees

The domestic spy chief made a rare public appearance to dismiss claims that Muslim refugees and their children are to

blame for a rising number of terrorist incidents.

Duncan Lewis, director-general of the Australian Security Intelligence Organization, on Wednesday rejected claims

made by Pauline Hanson, a far-right senator and party leader, that Muslim refugees and their children are responsible for "terrorist attacks and problems that are happening on our

streets."

"I am not here to vilify the Islamic community, I am here to keep the Australian community safe," said Mr. Lewis, a former national security adviser and

commander of the nation's elite special forces.

"The refugee program is not the source of terrorism in Australia," he told national radio.

—Rob Taylor

BRAZIL

Central Bank Cuts Benchmark Rate

Brazil's central bank continued its cycle of rate cuts as a political crisis threatens to cripple a budding economic recovery.

The bank cut its benchmark Selic rate to 10.25% from 11.25%. The move was spurred by the country's struggling economy and below-target inflation, according to the central bank's statement announcing the cut.

The bank said the trend for inflation remains favorable, and recent economic indicators point to a gradual economic recovery this year.

Uncertainty over the progress of economic reforms proposed by President Michel Temer could nevertheless have negative effects on growth, the statement said.

—Paulo Trevisani and Jeffrey T. Lewis



KOEN VAN WEEL/EUROPEAN PRESSPHOTO AGENCY
FAR FROM HOME: A visitor watches a giant panda eating in its enclosure at the Ouwehand Zoo in Rhenen, the Netherlands. Pandas Wu Wen and Xing Ya come from Sichuan province in western China.

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WORLD NEWS

South Korea Military Kept Leader in Dark

President's office said defense minister withheld information on U.S. missile system

BY JONATHAN CHENG

SEOUL—The South Korean defense minister deliberately withheld from a report to President Moon Jae-in the fact that additional components of a controversial U.S. missile-defense system had arrived in the country, the president's office said.

The conclusion is likely to add fuel to a months-long controversy over the U.S. missile system, called Terminal High-Altitude Area Defense, or Thaad, at a time when Washington and Seoul are looking for ways to respond to North Korea's growing nuclear-missile threat. It suggests a split in opinion in South Korea about the system reaches the top levels of government.

The U.S. on Tuesday claimed success in shooting down a mock intercontinental ballistic missile that is similar to the capabilities that North Korea is believed to be working toward.

The apparent effort to exclude South Korea's president from the planning underscores the uncertainties swirling around the nascent Moon administration ahead of a planned meeting with President Donald Trump scheduled for late June in Washington. Mr. Moon still doesn't have a cabinet in place, and is relying on holdovers from his predecessor's conservative government, including the de-



Moon Jae-in, above. His office said Wednesday that the country's defense minister intentionally withheld information about a U.S. missile-defense system. At right, a 2015 Thaad test, seen in a U.S. handout photo.



BEN LISTERMAN/AGENCE FRANCE PRESSE/GETTY IMAGES

fense minister.

Yoon Young-chan, a spokesman for the presidential Blue House in Seoul, said Wednesday that an investigation had confirmed the Ministry of National Defense had "intentionally dropped mention" of the additional Thaad components in a report to the president. Mr. Moon said he was "shocked" by the discovery, Mr. Yoon said.

An earlier draft went into detail about the number of Thaad launchers, but the final version sent to Mr. Moon omitted that detail in favor of a vague reference to Thaad, Mr. Yoon said.

Defense officials in Washington dismissed the idea that the

U.S. secretly colluded with the South Korean military to accelerate plans for the missile-defense system and suggested the problem appeared to be between the South Korean military and the president.

"If there's a breakdown in communication it's one internal to the Korean government," one defense official said. "We're not sneaking stuff in there."

Mr. Moon, the country's first left-leaning president in nearly a decade, took power three weeks ago in a snap election after campaigning in part to halt the missile battery's deployment.

As a candidate, Mr. Moon criticized the decision-making process by his predecessor, the

conservative President Park Geun-hye, to deploy Thaad, which he says was conducted in a nontransparent fashion. He said that as president he would review that process.

China opposes the missile-defense system in South Korea, calling it a threat to its security. China's Foreign Ministry expressed its concern Wednesday, saying the system "will not be conducive to denuclearization and regional peace and stability."

The U.S. says Thaad is defensive, and a bulwark against North Korean threats. Pyongyang has conducted three missile tests since Mr. Moon was elected, most recently Monday.

The hitherto-undisclosed ar-

rival of the additional Thaad components is likely to strengthen perceptions among the South Korean public that the U.S. and South Korean militaries are rushing to deploy Thaad before it can be halted.

In March, after the country's National Assembly voted to remove Ms. Park, the U.S. military brought the first Thaad components into South Korea in an overnight operation.

The U.S. military moved those components onto a golf course in southern South Korea during another overnight operation, and declared the system operational one week before the May 9 presidential election.

A Thaad battery typically

contains six launchers, but the original deployment in South Korea only included two. It is unclear when the four additional launchers arrived.

A spokesman for South Korea's Ministry of National Defense confirmed the four launchers had arrived, but declined to comment on the timing or whether they were at the golf course. He didn't address the accusation that the Defense Ministry purposefully withheld information on the launchers.

Capt. Jeff Davis, a Pentagon spokesman, said Tuesday that the Thaad deployment process had been "very transparent."

—Dion Nissenbaum contributed to this article.

Vietnam Weighs Its Trade Options With U.S.

When President Donald Trump pulled out of a 12-country free-trade accord in January, it upended the plans of banker-turned-entrepreneur Rose Tran in Vietnam.

By John Lyons,
Jacob M. Schlesinger
and William Mauldin

Ms. Tran had raised \$50 million to set up a suit factory in Ho Chi Minh City, betting on the increased access to markets like the U.S. that the Trans-Pacific Partnership was supposed to bring. "We were disappointed to say the least," said Ms. Tran, who is scrambling to remake her strategy and repay her debts.

Nearly five months later, trade experts were watching a Wednesday meeting between Mr. Trump and Vietnamese Prime Minister Nguyen Xuan Phuc for hints on how the new administration would deal with countries like Vietnam, which is counting on exports from businesses like Ms. Tran's to help it build wealth and develop its economy.



President Trump met with Premier Nguyen Xuan Phuc Wednesday.

lion," including General Electric Co. energy and aviation agreements worth sales to Vietnam of nearly \$6 billion.

"They just made a very large order in the United States and we appreciate that for many billions of dollars, which means jobs for the United States and great, great equipment for Vietnam," Mr. Trump said.

Shaking the president's hand, Mr. Phuc said he thought the meetings "will be fruitful to set out major direction for our enhanced Vietnam-U.S. cooperation."

Some economists argue that even if the U.S. curbs imports from countries like Vietnam, it is unlikely that much manufacturing will shift back to higher-cost American factories.

And engaging with Vietnam on trade could carry security benefits for the U.S., foreign-policy experts say. Both nations are skeptical about the rise of China, which has fought multiple wars with neighboring Vietnam. Vietnam's relations with the U.S.—long chilly following the Vietnam War—have warmed.

Contact Lost With Monitors At Trump China Site

By Eva Dou
AND TE-PING CHEN

BEIJING—A labor-rights group said it has lost contact with three undercover investigators who worked at Chinese factories making Ivanka Trump-brand shoes, and at least one of them has been detained.

New York-based China Labor Watch was investigating the factories—which also produce other U.S. brand-name items—in hopes of drawing Ms. Trump's support for better working conditions, said the group's founder, Li Qiang.

Investigator Hua Haifeng was detained on suspicion of illegal eavesdropping, his wife said, citing a call Tuesday from police in Jiangxi province. Under Chinese law, that refers to the use of listening equipment in a way that causes "serious consequences."

The status of the other two investigators was unclear, Mr. Li said, after he lost touch with them over the weekend.

A spokeswoman for the Ivanka Trump brand declined to comment. The White House, where Ms. Trump holds an advisory position, didn't respond to a request to comment. Police in Jiangxi, and in Dongguan, where Mr. Hua and another missing investigator were working, didn't answer phone calls on Wednesday.

Ivanka Trump shoe-brand licensee Marc Fisher Footwear, a middleman between the brand and Chinese factories, said it had been unaware of the situation and would look into it immediately.

Mr. Li said this was the first formal detention of an investigator he could recall in the group's 17-year history.

China Labor Watch often investigates factories supplying prominent companies such as Apple Inc. and Samsung Electronics Co., with the aim of using the brands' star power to bring broad attention to Chinese labor conditions.

China Labor Watch began investigating Chinese factories linked to the Trump family last summer. The group suspended the project following Mr. Trump's election to evaluate the political risks, then reopened the investigation in March, Mr. Li said.

—Yang Jie contributed to this article.

BLAST

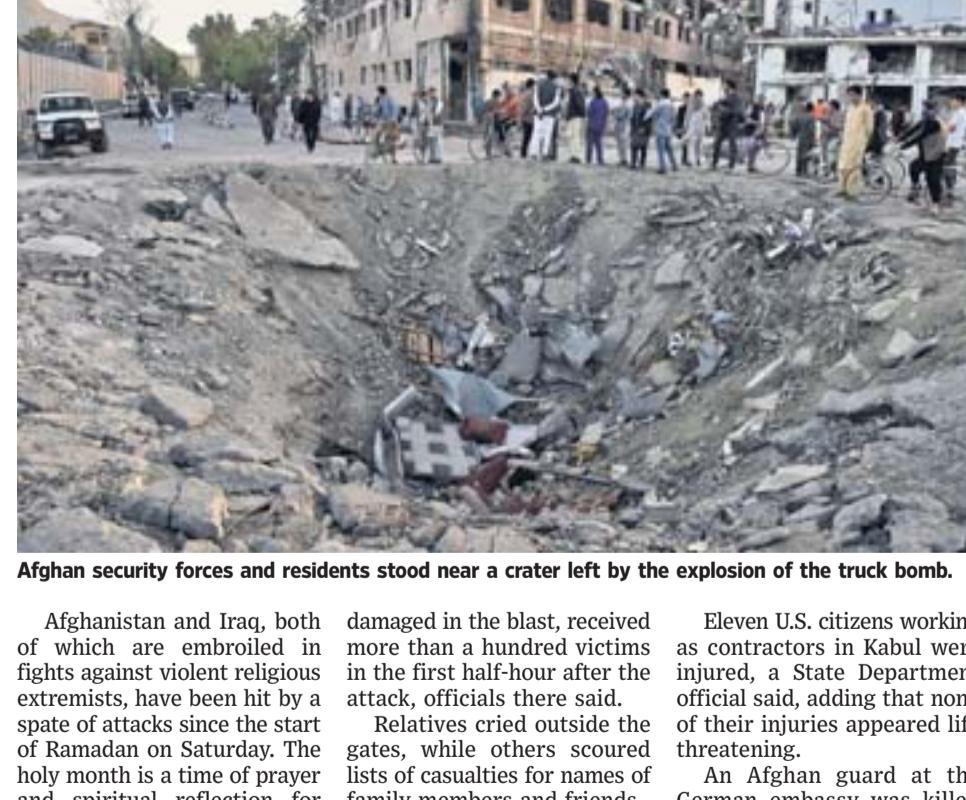
Continued from Page One
on Wednesday to express his condolences, White House spokesman Sean Spicer said.

The Taliban, which has waged war against the U.S.-backed government for 16 years, has carried out increasingly devastating attacks in the capital since most foreign troops withdrew in 2014, with the goal of turning Afghans against the government by creating an impression of unmanageable chaos and instability.

The group has also taken advantage of the vacuum left by foreign troops to seize swaths of territory and threaten at least half a dozen major cities.

The Pentagon fears that territorial losses by the Afghan government could allow foreign terrorists to use Afghanistan as a haven, as it did when the Taliban government hosted late former al Qaeda chief Osama bin Laden, blamed for the Sept. 11 attacks in the U.S.

There was no immediate response to the attack from the Taliban's Islamist rival, the local branch of Islamic State, which in the past year has expanded its operations beyond its stronghold in eastern Nangarhar province and carried out large attacks in Kabul. Islamic State cooperates with the Taliban in some parts of Afghanistan but has clashed with them in others, as they compete for territory.



Afghan security forces and residents stood near a crater left by the explosion of the truck bomb.

Afghanistan and Iraq, both of which are embroiled in fights against violent religious extremists, have been hit by a spate of attacks since the start of Ramadan on Saturday. The holy month is a time of prayer and spiritual reflection for many Muslims, who fast during daylight hours. But some extremist groups such as Islamic State claim killing enemies is a noble act during the period.

With the Taliban and Islamic State turning increasingly to vehicle-borne bombs, Afghan and foreign officials have been bracing for the possibility of a large assault on Kabul's busy center.

Emergency Hospital, itself

damaged in the blast, received more than a hundred victims in the first half-hour after the attack, officials there said.

Relatives cried outside the gates, while others scoured lists of casualties for names of family members and friends.

Afghans working for government agencies, media organizations and foreign embassies were among the dead in the rush-hour explosion. They included 10 Afghan security personnel working for the U.S. government, according to an internal U.S. State Department update. A driver for the Afghan service of the British Broadcasting Corp. was also killed.

Emergency Hospital, itself

Eleven U.S. citizens working as contractors in Kabul were injured, a State Department official said, adding that none of their injuries appeared life threatening.

An Afghan guard at the German embassy was killed and German diplomatic staff were injured in the explosion, German Foreign Minister Sigmar Gabriel said. The blast destroyed the outer walls of the compound and caused severe damage to the buildings inside.

"I was in the makeup room preparing for my morning show. A huge boom shook the room and everything collapsed. It was terrible," said

Eleven U.S. citizens working as contractors in Kabul were injured, a State Department official said, adding that none of their injuries appeared life threatening.

There are currently 8,500 U.S. troops in the country, along with 6,500 troops representing members of the North Atlantic Treaty Organization.

—Andrea Thomas, Maria

Abi-Habib, Carol E. Lee and

Habib Khan Totakil contributed to this article.

—Yang Jie contributed to this article.

WORLD NEWS

Putin Rival Told To Amend Video

BY NATHAN HODGE

MOSCOW—A Moscow court ordered Russian opposition leader Alexei Navalny to delete portions of an investigative video that drew millions of viewers and helped spark unusually large street demonstrations across Russia.

Alisher Usmanov, a billionaire who ranks fifth on the Forbes list of richest Russian businessmen, filed suit in April against Mr. Navalny for defamation, after Mr. Navalny and a team of investigators from his Anti-Corruption Foundation released a video alleging the businessman gave property to a foundation linked to Russian Prime Minister Dmitry Medvedev. Mr. Usmanov said the opposition leader was engaged in a smear campaign.

The Lyublino district court in Moscow ruled Wednesday in favor of Mr. Usmanov, Russia's official court-reporting agency said. News agency RIA-Novosti said Judge Marina Vasina said allegations made by Mr. Navalny in his investigation were "untrue and discrediting the honor, dignity and business reputation" of Mr. Usmanov.

Vladimir Usenko, an attorney for Mr. Usmanov, said his legal team sought to remove any references to Mr. Usmanov

from the video and online publications. "We are satisfied with today's decision," he said.

Mr. Navalny said he would appeal the court's decision.

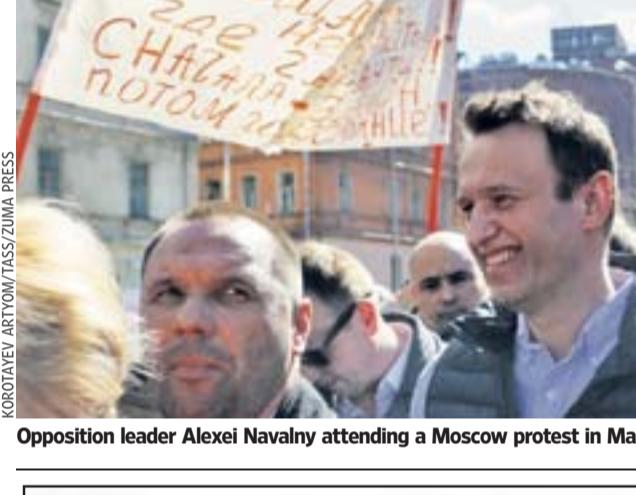
"The court ordered me to remove the investigation," Mr. Navalny said on Twitter. "That absolutely won't happen."

The investigative video has been an online sensation. In late March, the Russian opposition leader mobilized thousands of demonstrators across Russia to protest official corruption. The marches presented an unexpected challenge to President Vladimir Putin's political rule.

Mr. Medvedev has dismissed the video as a "compte" of unsubstantiated allegations. Mr. Usmanov, contacted through his representatives, didn't respond to a request to comment.

Mr. Navalny has grown in stature as Russia's top opposition figure, even as other opponents to the Kremlin have been marginalized. He has also come under intense pressure.

Earlier this year, he was found guilty of embezzlement by a court in Kirov, a verdict he says was meant to exclude him from running in next year's presidential election. In late April, an assailant splashed him with a green antiseptic dye, an attack that left him largely blind in one eye.



Opposition leader Alexei Navalny attending a Moscow protest in May.

Possible Early Vote in Italy

BY GIOVANNI LEGORANO

ROME—A tentative agreement by Italy's main parties on a new law that could pave the way for snap elections as soon as September is reviving the prospect of political instability in a country seen as among the weakest in the eurozone.

Matteo Renzi, the former Italian prime minister and head of the governing center-left Democratic Party, said late Tuesday that Italy's main parties have agreed on new electoral rules that would allow a snap election far sooner than the 2018 timetable many had expected.

Investors were reassured after the defeat of populist parties in the Netherlands and France. The prospect of snap elections in Italy—where an antiestablishment movement is high in the polls—in the fall is likely to unnerve markets.

Milan's FTSE MIB index ended down 2% on Monday, with banks taking a big hit, as prospects of an early election flared up, though they were calmer on Wednesday.

The new law still faces big hurdles, but even if Italians



Former Italian Prime Minister Matteo Renzi, pictured in May.

don't vote in September, there will be speculation that could leave investors on edge.

Since Mr. Renzi's resignation in December, Italy has been in political limbo, with a number of parties pushing for snap elections and a new government led by Prime Minister Paolo Gentiloni regarded as little more than a caretaker administration.

A major obstacle to snap elections has been the need for a new electoral law following a court ruling early this year that ordered changes to

EU Executive Floats Idea of Even Closer Union for the Bloc

BRUSSELS—The eurozone may need to set up a common budget, treasury and borrowing capacity to secure its stability, the European Union's executive arm said Wednesday.

In a report on the future of the eurozone, the European Commission outlined a process that by 2025 could include a greater pooling of resources

and eventually lead to a fully fledged eurozone budget overseen by a common treasury.

The ideas come as new French President Emmanuel Macron is seeking to prod the German government into advancing longstanding ideas for deepening the bloc's economic and monetary union.

Berlin and other capitals have responded that some ideas for integrating the eurozone are possible over time, but France must first implement challenging structural reforms. —Laurence Norman

currently due before May 2018. Mr. Renzi said the new electoral law could win parliamentary approval by early July, which would allow for Parliament to be dissolved and a new election to be held between 45 and 70 days later.

When Italians finally do go to vote, the fragmentation of Italy's electorate in recent years could produce a hung Parliament, reigniting fears that political instability will paralyze a country that has yet to come to grips with its deep economic problems.

Canadian GDP Growth Led G-7 in 1st Quarter

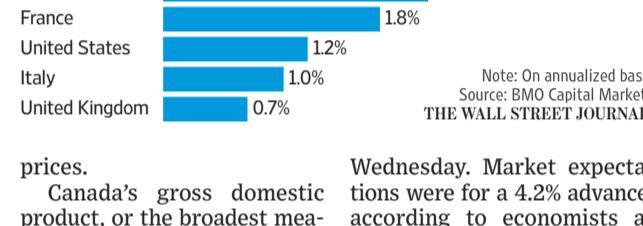
BY PAUL VIEIRA

OTTAWA—Canadian economic output advanced at a robust pace in the first quarter, making Canada the best-performing economy among Group of Seven countries in early 2017 on the strength of consumer spending and a long-awaited rebound in business investment.

Growth in the first quarter, while strong, fell short of bullish market expectations, but largely in line with the Bank of Canada's forecast. Regardless, it will reinforce a belief that Canada's economy is on a roll and has entered a new stage after shaking off the negative fallout from lower commodity

Ahead of the G-7 Pack

Growth in Canada led developed economies in first quarter



Note: On annualized basis
Source: BMO Capital Markets

prices.

Canada's gross domestic product, or the broadest measure of goods and services produced in an economy, rose at a 3.7% annualized rate in the first quarter, to 1.81 trillion Canadian dollars (US\$1.35 trillion), Statistics Canada said

Wednesday. Market expectations were for a 4.2% advance, according to economists at Royal Bank of Canada.

The economy got a boost from business investment, which had faltered amid the swoon in commodity prices that began in earnest in

mid-2014. Capital spending by firms rose 2.9% on a nonannualized basis in the first quarter, or the biggest gain since the start of the decade. Central-bank officials are closely watching capital-spending data for signs that the economy is close to reaching full potential.

"These are big gains in business investment and they are a long time coming given the underperformance during the oil-price shock," said Eric Lascelles, chief economist at RBC Global Asset Management. Mr. Lascelles added that leading indicators remain strong in Canada and that "this is an economy that's genuinely moving well."

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IN DEPTH

How Molina Healthcare Axed the Molinas

Investors were rankled by uneven results as the ACA unsettled the insurance industry

BY ANNA WILDE MATHEWS

On May 2, J. Mario Molina walked into the boardroom of **Molina Healthcare Inc.**, the company founded by his father, which he had run for more than two decades, ready for a routine meeting.

The first shock came quickly. A board member made a motion to remove Dr. Molina as chairman. The rest of the board, except Dr. Molina and his brother, John Molina, agreed, and the vote passed.

They weren't finished. Next came a motion to fire Dr. Molina as CEO of the health insurer, one of the country's biggest players on the ACA marketplaces. And then, to dump John Molina as CFO. Both motions carried, with only the Molinas opposed.

Dr. Molina, 59, who described the scene, said he stood there stunned. "I had no clue."

The Molinas left the room to overcome their emotions, he said. By the time Dr. Molina came back, the meeting was adjourning. For the first time in its 37-year history, Molina Healthcare wasn't led by a Molina.

In what would be a nightmare for any family business, the founding clan had lost control against its will. Dr. Molina, an endocrinologist, called his removal a "palace coup." He had known some of the board members for decades.

Investors and people familiar with the company, however, said there were clear signs of dissatisfaction with the Molinas' performance, even if Dr. Molina played down or missed them. Irritation with mixed results had been festering for years among investors and was inflamed by earnings missteps in the past year. Dr. Molina acknowledged in an interview the volume of criticism from investors and the board was growing.

The management stumbles were compounded by a health-care landscape unsettled by the Affordable Care Act and its uncertain future. The company benefited from the law's expansion of Medicaid eligibility and a big presence on the ACA's marketplaces, which fueled growth—by this year's first quarter, 34% of Molina's premium revenue came from ACA policies and enrollment in Medicaid expansion.

The company also took on risk with the new business. Many insurers lost money on ACA plans due to higher-than-expected costs and the complicated, evolving rules under the law. Molina's smaller size and thinner margins compared with rivals left it exposed when it ran into problems, analysts said.

A spokesman for Molina Healthcare declined to comment in response to detailed questions.

Molina Healthcare was founded in 1980 as a single clinic in Long Beach, Calif., by the Molina brothers' father, C. David Molina, an emergency-room physician. Molina family members pitched in on every-

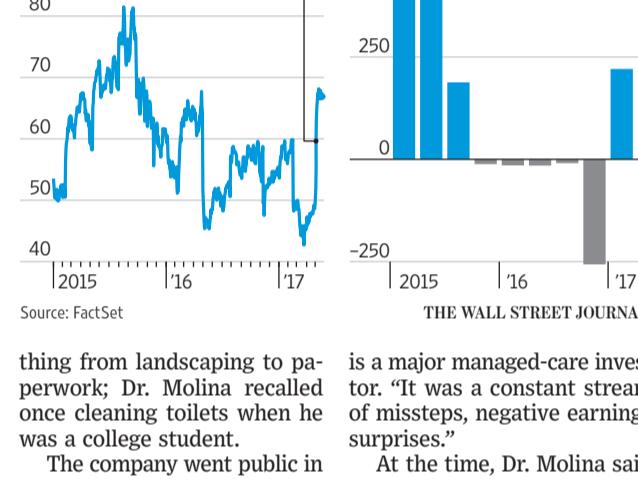


BRYANT MURRAY/LONG BEACH PRESS-TELEGRAM

Mario Molina and John Molina with a portrait of their father, C. David Molina, the company founder.

Change at the Top

Earnings missteps last year hit Molina Healthcare's stock price, but shares shot up after CEO J. Mario Molina and his brother were removed from management and first-quarter results came out on May 2.



thing from landscaping to paperwork; Dr. Molina recalled once cleaning toilets when he was a college student.

The company went public in 2003, with the family initially controlling 70% of the shares. They held no special class of stock—the family was told by advisers it was fairer to allow other shareholders equal say in the company's direction, Dr. Molina said.

He now calls that decision naive. Over the years, the percentage of company shares owned by the family slipped to about 25%.

Today, after acquisitions and expansions, Molina has health plans in 12 states and Puerto Rico, and about 4.8 million members. About one million of those come from ACA marketplaces, representing around 9% of all exchange enrollees, according to the company. Around 680,000 of those covered by Molina are enrolled through the ACA's Medicaid expansion.

First-quarter earnings last year fell about 14% from the year-earlier period, sparking a 19% drop in shares. Molina said the decline was tied to operational problems with its Medicaid plans in Ohio and Texas. A large batch of new hires in Ohio, for example, needed to be trained.

"We haven't owned it in large part because of the management," says Rouven Wool-Lewis, a buy-side analyst with T. Rowe Price Group Inc., which

is a major managed-care investor. "It was a constant stream of missteps, negative earnings surprises."

At the time, Dr. Molina said the issues were exacerbated by far-larger ACA enrollment than expected. "The growing pains strained our ability to manage a lot of our members," he told analysts. Molina's ACA enrollment had more than tripled since the end of 2015. Even so, he told analysts the company was confident about the business and would "stay the course."

Second- and third-quarter earnings were also down from year-earlier quarters, and the fourth-quarter results, announced Feb. 15, showed a steep loss of \$91 million, far off analysts' forecasts.

In March, the company revised the figure, saying Molina hadn't included the impact of an amendment to a contract with the state of California, changing it to a loss of \$47 million. The number improved, but the inconsistency, which the company attributed to "an oversight," raised eyebrows among already skeptical investors. Peter Costa, an analyst at Wells Fargo, wrote at the time that the adjustment "highlights the weak systems at Molina."

Dr. Molina said in the interview that the quarter's loss overall was driven primarily by a complex ACA program that required company to pay much more than it had forecast to its competitors. The program was

designed to encourage enrollment in the ACA marketplaces.

"My dad has the [political]

experience, but my stepmom has worked in health care for 25 years, she's been an executive," he said, noting that he hasn't endorsed either parent. "I will say that Christmas is going to be good for me this year," he joked. "I think I could really leverage a pretty fantastic gift at this point."

His sister, Ellie, 30, said she

was initially skeptical about her stepmother's foray into politics.

"When she first told me about it, I said, 'to be honest, I don't think that's a good idea,'" she said, worried that Mrs. Ashford would be perceived as trying to ride her husband's coattails. But her thoughts evolved as she increasingly believed Mrs. Ashford could successfully run as a political outsider with deep business experience, as well as a woman and mother.

"I would say Ann is the rock in our family and my dad is the dreamer—that's their dynamic," Ellie Ashford said.

The couple met in 1991, when Mrs. Ashford joined the downtown Omaha Rotary club and was assigned to be a greeter with Mr. Ashford's running partner, who set them up on a blind date. "We met for brunch on a Sunday. We ended up getting married," in 1993, Mrs. Ashford said. They also have a son, Tom, who is 19.

Politics for the Ashfords has long been a family affair, with the occasional respite from policy discussions demanded by



Brad Ashford with his wife, Ann Felic Ashford, in 2014.

driver was always the care of the patient," said Chuck Coonradt, a former Molina executive. "Dr. Mario continued that mind-set, often at less-than-optimum profitability."

Dr. Molina said, when a medical director suggested setting targets for rejecting a certain share of enrollees' requested hospital stays, a move that could save the company money, he rejected the idea.

Investors also raised questions about the Molinas' grasp of some operational details.

In 2016, Molina agreed to acquire some of the assets of Aetna Inc. and Humana Inc. as part of their planned merger, but the assets consisted mostly of PPO health plans, a setup that Molina Healthcare doesn't typically offer.

"[H]ow did we miss this?!" wrote John Molina in an internal email, which emerged in an antitrust trial over the Aetna-Humana planned deal. In the end, the merger was blocked, so Molina Healthcare didn't acquire the divested plans and received a fee.

Dr. Molina said the overall deal agreed to by Molina was favorable. John Molina said the email was "blown way out of proportion," and the PPOs in question were set up in a way that was somewhat similar to Molina's traditional plans.

Alan Lafer, a senior vice president at investment firm **Neuberger Berman**, said he wanted reassurances that Mo-

linas would completely leave the ACA marketplaces. "They couldn't manage their own business," he said.

Dr. Molina has been a high-profile voice in the debate over the ACA, warning about Republican proposals that would cut Medicaid. He sent a letter to congressional leaders in April, warning Molina would leave the exchanges if insurers weren't guaranteed certain federal payments that help with low-income customers' costs.

Dr. Molina said the board hadn't directly criticized his political role, but that board member Richard Schapiro remarked to him that he might have a better grasp of the financial situation of the company if he were traveling less.

Mr. Schapiro declined to comment.

On a call with analysts the day of the firing, board member Dale Wolf, who was named to succeed Dr. Molina as chairman, said, "The board determined that a change in leadership was necessary in order to drive profitability through operational improvements and other initiatives."

Mr. Wolf, the former chief executive of Coventry Health Care Inc. who joined the board in 2013, declined to comment.

Since the change was announced, the company's shares have surged close to 30%, partly on speculation that it is now more likely to be acquired without the founding family in management.

Dr. Molina said the company hadn't been approached recently by potential acquirers, and that he had always informed the board of any interest.

At the annual shareholder's meeting, which was originally scheduled for May 3 but was delayed a week after the Molinas were fired, Dr. Molina was re-elected to the board, with 83% of the vote.

Capital Group, Molina's biggest institutional shareholder, which holds nearly 10%, had indicated before the management change that it didn't plan to support Dr. Molina's re-election, according to a person with knowledge of the matter. A spokeswoman for Capital Group said its policy is not to comment on company holdings.

A spokesman for Neuberger Berman, which owns about 1% of the company's shares, said the firm voted against all three directors who were up for a vote.

Dr. Molina is the company's biggest single shareholder, with about 3% of its shares, and is the beneficiary of approximately another 3% through a family trust, he said.

He received approximately \$9.5 million in compensation in 2015, including stock awards and bonuses, according to the company's proxy statement. Last year, he made around \$5.6 million, due to lower performance-based awards.

In the weeks before the board vote to remove him as CEO, Dr. Molina said, he had picked up hints that something might be afoot, but he never thought it could be his firing. Yet, in the days immediately before the meeting, he said board members weren't returning his calls.

Several members of the board had longstanding ties to the family, according to Dr. Molina. Ronna Romney, a former Republican candidate for Senate in Michigan, was appointed by Dr. Molina's mother in 1999. She was almost "like a second mother to me," the former CEO said. Charles Fedak was married to one of the Molina sisters' elementary-school teachers. Mr. Schapiro was a broker who worked on the company's IPO.

After the firing, Dr. Molina said he hugged Mr. Schapiro and Ms. Romney, with tears in his eyes, and asked: "How did this happen?"

Ms. Romney couldn't be reached for comment, and Messrs. Fedak and Schapiro declined to comment.

The day after he was fired, Dr. Molina had to get someone to let him into the headquarters in Long Beach to clean out his office. He no longer had access to the building.

He choked up repeatedly during a conversation with a reporter held while he emptied out his desk. It had also been his father's, and he found keepsakes such as an ashtray, a calendar and a watch used by the founder, who died in 1996.

The company's culture and branding has long been closely tied to the founding family. The annual company picnics started by C. David Molina have been held each year, and portraits of the founder can be found in all Molina offices—including the room where the board continues to meet.

More commonly, the first wave of women elected to Congress often took over seats vacated by their husbands' deaths. Between 1917 and 1976, roughly a third of the 95 women who served in the House or Senate were elected or appointed to succeed their husbands.

"I haven't done that yet," Mr. Ashford quipped about his own demise. "That would make the decision so much easier."

Earlier this year, Rep. Denny Heck (D, Wash.) went to dinner at Clyde's, a Washington restaurant, with both Ashfords and Ellie to deliver his opinion.

"I weighed in very strongly," said Mr. Heck, a friend of the family. "I looked them in the eye. I said, 'Work. This. Out.'"

Mr. Ashford said the couple is leaning toward having him run and will make a final decision in the next couple of weeks.

"We said it would be an Ashford," said his son John. "We do have our dog, Sasha, and she's still in the running as well."

Reid J. Epstein contributed to this article.

GREATER NEW YORK

NYPD Sergeant Charged With Murder

Officer pleads not guilty in shooting of mentally ill woman in her Bronx home

BY ZOLAN KANNO-YOUNGS

A New York Police Department sergeant who fatally shot a 66-year-old mentally ill woman in the Bronx was indicted Wednesday on second-degree murder and manslaughter charges.

It is unusual for police to face murder charges in civilian deaths. But officials have questioned whether Sgt. Hugh Barry could have handled a call to subdue a disturbance at an apartment in the Castle Hill section of the Bronx without killing Deborah Danner.

The day after the Oct. 18 shooting, Commissioner James O'Neill and Mayor Bill de Blasio condemned the shooting. In this instance, Mr. O'Neill said, "we failed."

The 31-year-old sergeant, who pleaded not guilty, also was charged in Bronx Supreme Court with criminally negligent homicide. He was released on

\$100,000 bail.

Sgt. Barry, an eight-year veteran of the force, was suspended from the department Wednesday without pay, an NYPD official said.

Outside the courthouse, Ed Mullins, president of the Sergeants Benevolent Association, said he believed Sgt. Barry would be acquitted and that the commissioner and mayor were too quick to pass judgment.

"Sometimes people die, things happen, police officers die," Mr. Mullins said. Emotionally disturbed persons "are probably one of the most unpredictable aspects of our job. There is no way of telling what a person with a mental illness is going to do."

Last fall, Sgt. Barry, along with several other officers and emergency medical technicians, were summoned to Ms. Danner's apartment in response to a report of an emotionally disturbed person screaming in the hall, the Bronx district attorney's office said.

Ms. Danner, a paranoid schizophrenic who had lived alone for more than 30 years, was off her medication that day, Wanda Perez-Maldonado,

the prosecutor in the case, said in court on Wednesday.

Ms. Danner was alone wearing a nightgown when police arrived, she said.

Sgt. Barry persuaded Ms. Danner to drop the scissors she was holding, but then she picked up a baseball bat and began swinging it at him, according to police. Sgt. Barry fired his gun, striking her twice in the chest. He was carrying a stun gun but didn't use it, police have said.

Police had visited Ms. Danner before the shooting in response to similar reports of an emotionally disturbed person and brought her to the hospital for psychological evaluations, Ms. Perez-Maldonado told Judge Robert Neary. She said Sgt. Barry "failed to seek critical background on Ms. Danner's behavior."

"Ms. Danner did not want the police in her home. She did not want to go to the hospital," Ms. Perez-Maldonado said.

Andrew Quinn, lead attorney for the Sergeants Benevolent Association and Sgt. Barry's lawyer, said the indictment is "stunning."

"We believe we have excep-



NYPD Sgt. Hugh Barry, center, was arraigned in Bronx Supreme Court on Wednesday.

tional, in fact, extraordinary evidence in this case," Mr. Quinn told the judge.

The shooting of Ms. Danner, an African-American woman, came at a time of heightened tension nationally between police and communities of color.

Hawk Newsome, president

of Black Lives Matter of Greater New York, said the indictment felt like a victory. "This is the power of a prosecutor's office working with the people," he said. "And not with the police."

A crucial factor in the investigation was whether Sgt.

Barry could have retreated when Ms. Danner swung the bat, a senior law-enforcement official said at the time of the incident. Bullet casings were found in the threshold of the doorway, indicating he was there or just inside the room, the official said.

Feel Like You're Living in a Fishbowl?



AQUARIUM ART: Annie Saunders performed 'Cleaning' inside a tank in Times Square on Wednesday. The piece was part of 'Holoscenes,' a three-day exhibition linking everyday tasks to climate change, taking place during the Science in the Square festival.

Aetna Plans to Leave Connecticut Home

BY JOSEPH DE AVILA
AND KEIKO MORRIS

continue to operate as a Connecticut regulated insurer. Aetna had 49,500 employees at the end of last year.

"We remain committed to our Connecticut-based employees and the Hartford campus, and hope to have a final resolution by early summer," an Aetna spokesman said.

Aetna has been scouting Manhattan for about 200,000 square feet of space, a person with knowledge of the matter said. The potential departure is a loss for Connecticut, which is facing a \$5.1 billion deficit over the next two fiscal years and which has struggled to rehabilitate its image as a

6,000

Number of employees in Aetna's Connecticut workforce

Reputed Mafia Bosses Indicted in Crackdown

BY CORINNE RAMEY

Nineteen alleged members of a New York-area organized-crime family, including its top bosses, were charged with murder, racketeering and other crimes in an indictment unsealed Wednesday by federal prosecutors.

The men, who range in age from 33 to 83 years old, were all part of the Mafia, also known as La Cosa Nostra, and most were members of the Lucchese crime family, according to the indictment.

Fifteen were arrested by federal agents Wednesday morning and four are currently in prison, the authorities said.

"As today's charges demonstrate, La Cosa Nostra remains alive and active in New York City, but so does our commitment to eradicate the mob's parasitic presence," Joon Kim, acting U.S. attorney for the Southern District of New York, said in a statement.

Most of the men face up to life in prison if convicted. An



Matthew Madonna and Joseph DiNapoli, both 81, were charged.

attorney representing Steven Crea Sr. and Joseph DiNapoli said he was certain his clients would be vindicated. Other lawyers couldn't be reached, declined to comment or didn't return requests for comment.

The indictment described a hierarchically organized family, with groups called "crews" and "regimes" largely based in New York City.

Among those indicted were some of the Lucchese crime family's top leadership, including Matthew Madonna, 81, the

Enterprise and its leaders" by identifying with the Mafia and causing physical violence and economic harm.

Among the crimes mentioned in the indictment was the murder of Michael Meldish, an organized-crime leader, on Nov. 15, 2013, in the Bronx.

Family members also committed mail and wire fraud "in connection with various public building projects, including a \$25 million expansion of a major New York City hospital," the indictment said. The indictment didn't identify the hospital.

Organized-crime families like the Luccheses gradually are dying off, said David Shapiro, a professor at John Jay College of Criminal Justice. But the charges in the indictment, particularly the October 2016 attempted murder of a witness who had provided information to law enforcement, show that feuds continue, he said.

"Even though it may be a shrinking enterprise in many respects, it's still very dangerous," Mr. Shapiro said.

To keep Aetna in Connecticut, Mr. Malloy said his administration has offered to match any financial incentives from other states. He also said he offered to improve transportation in the region, beef up workforce development and provide more assistance to the struggling city of Hartford.

Mr. Malloy said he believes the vast majority of Aetna's 6,000 Connecticut employees will remain in the state and the company could choose to

City of Hartford At a Crossroads

Aetna's exit would be a major setback for a city once dubbed the insurance capital of the world, but Hartford's leaders weren't surprised by the news.

Mayor Luke Bronin said Aetna's senior leadership indicated in multiple conversations that the company had decided some time ago to move out of Connecticut.

"Across the country, compa-

nies are locating in places where they can recruit top talent," Mr. Bronin said in a statement. "We don't have to be New York or Boston to be competitive, but we have to recognize that strong, fiscally sound, culturally vibrant metropolitan areas are key to economic growth."

The city has solicited attorneys in case it has to file for bankruptcy. Aetna and other insurers based there have promised millions of dollars to help the city avoid such a move.

—Joseph De Avila

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GREATER NEW YORK

Connecticut Mansion Market Stalls

By JOSH BARBANEL

suburban mansion in Connecticut is losing ground to a trophy Manhattan apartment.

At play also is the rising state income tax burden on the very rich that makes Connecticut less of a tax haven than it used to be compared with New York, brokers said. Connecticut raised its top tax rate twice in the last decade, in 2011 and 2015, to the current 6.99%.

"For the longest time we were definitely benefiting from very low state taxes," said Tamar Lurie, an agent at Coldwell Banker Real Estate in Greenwich. "We are inching higher and of course it impacts buyers."

Ms. Lurie is listing the \$25.5 million waterfront mansion owned by Bob Weinstein, the former co-chairman of Miramax Films. The gated property has 440 feet of shoreline, a beach, and 12,788 square feet of renovated space, including six bedrooms and nine fireplaces. It was on the market for \$32 million in 2013, according to the Coldwell Banker listing, and the price was cut three times in May.

Connecticut's highest income tax rate is below New York's for top earners. Ms. Lurie said that while taxes are a consideration for anyone who

In all, there are 38 properties listed at \$10 million or higher in and around Greenwich, meaning it would take at least seven years to sell them all at the current pace.

Although brokers say showings have picked up this spring, some worry that among the wealthiest buyers a



Ronald Stuart listed this Greenwich home for \$14.5 million in 2015. He is now asking \$12.45 million.

purchases real estate, buyers come to places such as Greenwich for other reasons as well.

"The main motivation is young successful families that are looking to have more than 3,000 square feet, the maximum they would get in Manhattan," she said. "They come to Greenwich with beautiful big homes, a lot of land around, the best schools and so many activities for kids."

At the same time, sales have been sizzling at lower-price points in nearby areas. Across Fairfield County, sales surged last year to the highest level in at least a decade, according to figures from Halstead Property, though prices haven't recovered from housing-boom levels. The median price of \$440,000 so far in 2017 remained 21% below the 2007 figure.

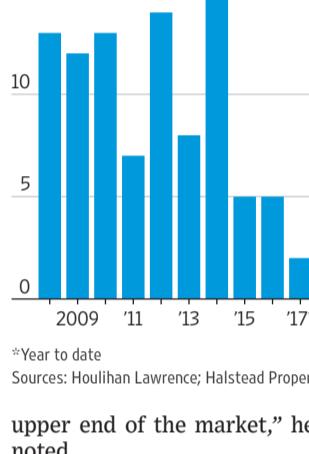
Jonathan Miller, an appraiser and president of Miller Samuel Inc., said many sellers have priced their properties too high, based on rising prices in the Manhattan market, at a time when tastes are changing.

"The high-end city property owner is generally staying in the city and we are not seeing the flight to the suburbs at the

Luxury Laggards

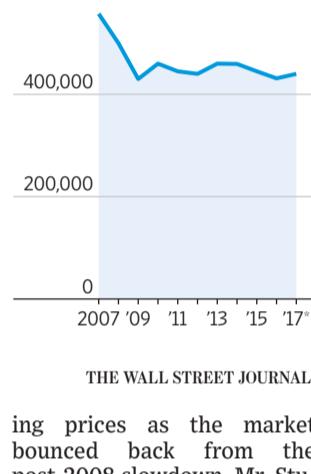
Sales of Greenwich, Conn., homes listed for \$10 million and up have slumped in recent years, while median home prices have been flat.

Sales of Greater Greenwich-area homes listed \$10 million or more



*Year to date
Sources: Houlihan Lawrence; Halstead Property

Median sale prices in Fairfield County, Conn.



THE WALL STREET JOURNAL.

upper end of the market," he noted.

A few miles across town from Mr. Weinstein's home, Ronald Stuart in 2015 listed his five-bedroom waterfront home for \$14.5 million. It has 7,247 square feet of space overlooking a beach.

The house was put up for sale after several years of ris-

ing prices as the market bounced back from the post-2008 slowdown, Mr. Stuart said. But then the recovery stalled, and he cut the price three times, to \$12.45 million.

Mr. Stuart's broker, John Bates of Houlihan Lawrence, said showings of the home and other high-end properties have picked up.

PROPERTY WATCH

NEW YORK CITY

NYCHA Wants More Units on Its Properties

Plans to transform two parking lots, a trash compactor, and a lawn into rental buildings on the grounds of four New York City Housing Authority developments are moving forward.

The authority has released a request for proposals looking for developers to build up to 850 units, all of them affordable to people on limited incomes, on the four sites.

These include one site in Midtown Manhattan at the Harborview Terrace, a development with 375 apartments on West 55th Street off 10th Avenue. A parking lot with 44 spaces there will be replaced by a new building with 200 to 250 apartments, as well as a community facility on the ground floor. The parking spaces will be replaced.

The new housing is part of a plan known as NextGeneration NYCHA to develop 10,000 affordable apartments over 10 years on Housing Authority property. Many Housing Authority developments built decades ago were on large campuslike spaces, some with tall towers, creating room for additional development.

The other sites were at Sumner Houses in the Bedford-Stuyvesant section of Brooklyn, and two in the Bronx, Twin Parks West in Fordham Heights, and Morrisania Air Rights, a project built in the 1970s over railroad tracks, in Morrisania.

Each of the projects will include only affordable housing and either a community facility on the ground floor or retail space. The Housing Authority has more than 1,300 affordable apartments under development in this program.

Two other large mixed-income developments, at Holmes Towers on the Upper East Side and at Wyckoff Gardens in Brooklyn are in the predevelopment process.

Local elected officials have questioned the plans to build a 47-story tower on a playground at Holmes Towers, though Housing Authority spokesmen said two other playgrounds and a community center with a rooftop playing field are planned.

The latest plans were developed after a series of meetings and community workshops where public-housing residents were asked to identify their top priorities, and even suggest the look and feel of the new building.

"Our 100% affordable housing program brings residents and community partners together to keep our city diverse and affordable," said Shola Olatoye, the chair and chief executive of the housing authority.

BROOKLYN

New Rental Towers See Robust Leasing

Despite, or because of, intense competition, new high-rise rental developments in and around Downtown Brooklyn are reporting strong leasing activity this spring.

Four buildings with about 2,000 affordable and market-rate apartments began leasing toward the second half of last year. Now two of those buildings—300 Ashland across from the Brooklyn Academy of Music, and The Ashland, a few blocks away—are reporting that they have leased more than 60% of their market-rate apartments.

A third, at 461 Dean St., has seen more than half of the market-rate units leased, said Ashley Cotton, an executive vice president at Forest City Ratner Cos., despite a series of rent increases.

At first, buildings in the area offered concessions of at least two months free rent on a one-year lease. But as the market has strengthened, they cut it down to one month free rent typically.

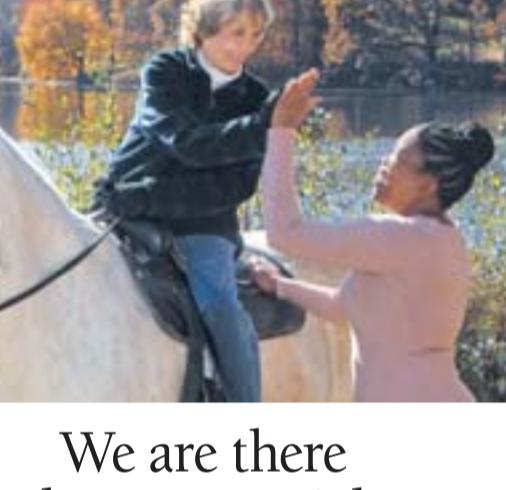
The proximity of the new buildings actually helped speed rentals, said Christopher Jaskiewicz, chief operating officer of the Gotham Organization Inc., which built The Ashland, by bringing in people who looked at several buildings at the same time.

"The fact that we were all there, we helped each other," he said.

At 300 Ashland, Rebecca Epstein, director of residential leasing at Two Trees Management Co., which built the 35-story tower, said she expected to lease out the entire building by the fall.

"The pace has exceeded our expectation," she said.

—Josh Barbanel



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LIFE & ARTS

ART

Antiquities Dealers Probed

Ali and Hicham Aboutaam are under scrutiny as authorities in multiple countries look into looting by Islamic State



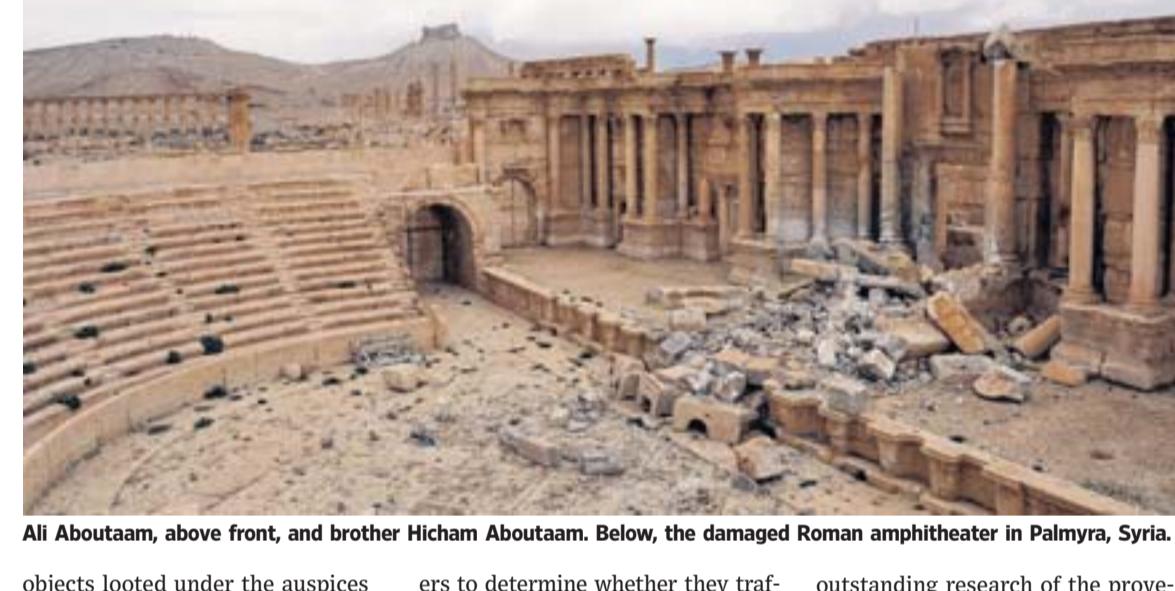
BY BENOIT FAUCON
AND GEORGI KANTCHEV

IN EARLY MARCH, Swiss law-enforcement officials pulled over a vehicle on a Geneva road and, after a search, discovered an ancient oil lamp, people familiar with the matter say. When the driver failed to provide documentation proving the object's provenance to the officers' satisfaction, he was arrested on suspicion of evading value-added taxes, these people say.

The arrest accelerated an investigation that authorities hope can shed light on one of the art world's best-kept secrets: how ancient objects plundered in the battle zones of the Middle East end up in posh art collections thousands of miles away.

The driver, who hasn't been identified publicly or charged, works for Ali Aboutaam, the elder brother of one of the most storied families in the international antiquities business, which owns galleries off New York's Madison Avenue and in Geneva, according to Swiss authorities.

The Swiss say they already had the driver under surveillance when they made the stop, and that it was merely a step in a broader investigation of Mr. Aboutaam and his brother Hicham into whether they have handled Syrian and Iraqi



Ali Aboutaam, above front, and brother Hicham Aboutaam. Below, the damaged Roman amphitheater in Palmyra, Syria.

objects looted under the auspices of the extremist group Islamic State, or ISIS.

In separate investigations, law enforcement in Belgium and security services in France are also looking at the brothers in connection with the ISIS looting, officials in these countries say.

The U.S. Immigration and Customs Enforcement, or ICE, is scrutinizing the Aboutaam brothers as part of an investigation into a number of U.S.-based antiquities deal-

ers to determine whether they trafficked in looted material, according to people familiar with the matter.

Neither of the Aboutaam brothers has been charged with any wrongdoing related to these investigations. A lawyer representing the family company, Phoenix Ancient Art SA, said it "has never knowingly purchased or sold any looted items, let alone items looted by ISIS."

The lawyer, Jeremy H. Temkin, added: "Phoenix prides itself on its

outstanding research of the provenance of items it buys and sells, its extensive due diligence, and its efforts to enhance transparency in the market."

The illegal trade in ancient coins, statues and relics has long been a vital source of funds for Islamic State, security officials say.

In December 2016, the Justice Department for the first time filed a civil complaint seeking the forfeiture of objects associated with ISIS, alleging that the group mar-



This ancient gold ring, allegedly looted by Islamic State, has gone missing. No dealers were implicated.

kets and sells antiquities to finance its terror operations.

The items, which include a gold ring with a gemstone and a carved Neo-Assyrian stone depicting a eunuch, are believed to be worth hundreds of thousands of dollars, the Justice Department said. Photographs of the items were discovered during a raid of a top ISIS official's home near Deir Ezzour, Syria, in 2015 according to the complaint, filed in Washington federal court. As is typical of a civil forfeiture case, the lawsuit named the pieces themselves as defendants, and it isn't known who currently possesses them. No dealers have been implicated in the case.

The U.S., and particularly New York, is a major destination for stolen antiquities, American and European investigators say. More than 40% of the world's art is traded in the U.S., according to Arts Economics, a leading consultancy on art markets.

"It's still surprisingly easy to smuggle stolen objects here," said Domenic DiGiovanni, who handled more than 60 antiquities seizures as a customs officer in New York before retiring in 2014.

A 1970 United Nations convention banned all trade in antiquities taken without proper disclosure to the country in which they were found. In 2015, amid reports of widespread looting by Islamic State, the UN Security Council banned all trade in Syrian antiquities and reaffirmed a 1990s ban on sales of Iraqi artifacts.

Authorities in Switzerland were interested in the Aboutaam family even before the driver's arrest in March, and had already placed Ali Aboutaam's wife under surveillance, people familiar with the matter said. After the March car search, law-enforcement officials secretly watched as the wife, Biliana Voden Aboutaam, moved antiquities out of storage at the Geneva free ports—a maze of armored warehouses in the city's industrial zone where people can legitimately store high-value items without having to pay tax on them, these people said.

Ms. Aboutaam was detained in early March for around two weeks
Please see ART page A13

BOOKS

HARRY POTTER FANS LIFT THEIR GOBLETS

BY CECILIE ROHWEDDER

THE HARRY POTTER SERIES is hitting a milestone this month with the 20th anniversary of the first Potter book's publication in Britain.

U.K. publisher Bloomsbury is coming out with a special edition of "Harry Potter and the Philosopher's Stone"—the volume's title in Britain. To mark the June 26 anniversary, Bloomsbury is offering party packs with puzzles, games and a display of the three main characters that bookstores and libraries can download free. The publisher also is working on events such as "Harry Potter: A History of Magic," an exhibit at the British Library, set to open in October.

The books have sold 450 million copies worldwide, 167 million of them in the U.S., according to Scholastic Corp., their American publisher. "Harry Potter and the Deathly Hallows," the final volume, has been the top-selling print book

in the U.S. since 2004, according to NPD Books, outselling hits such as "Fifty Shades of Grey" and "Twilight." The orphaned boy's adventures at Hogwarts School of Witchcraft and Wizardry have spawned merchandise, theme parks and \$7.7 billion in global box-office receipts, according to Time Warner Inc.'s Warner Bros.

In the U.S., where the first Harry Potter book was published in 1998, Scholastic is gearing up for the anniversary in 2018. The publisher is working with retailers on an annual book night dedicated to Harry Potter at the end of July, the time of Harry's fictitious birthday, but is keeping plans under wraps, says Ellie Berger, president of Scholastic Trade Publishing.

The series's original readers, now in their twenties and early thirties, are finding adult ways to celebrate. Elsa O'Callaghan has a tattoo of Harry Potter's famous scar and round glasses. Rather than listening to music at work, she plays Harry Potter audio books.



Daniel Radcliffe as Harry Potter. The first book in the series was published 20 years ago in the U.K.

"Harry Potter is comforting," says Ms. O'Callaghan, a digital-marketing consultant in Takoma Park, Md., who discovered the series as a 10-year-old in Benson, Ariz. Ms. O'Callaghan, 28, plans to mark the anniversary with a visit, later this year, to the studios outside London where the films based on the series were made.

Many Harry Potter fans are getting together to observe the anniversary. Katy Ann Colella, a 33-year-old librarian, plans to visit her 27-year-old sister Emily in North Carolina, where they will gather with fellow Potterheads. They will toast Harry with Butterbeer and Firewhiskey—both part of the

Please see POTTER page A12

LIFE & ARTS



MICHAEL WITTE

POTTER

Continued from page A11
books, play a self-made trivia game and watch a marathon of Potter movies.

When Ms. Colella graduated recently from a Masters of Library and Information Studies program, she decorated her mortar board with Potter themes. She re-reads the entire series every time she moves, "to start a new adventure in a new place with old friends," she says. Ms. Colella will read the books again soon. She and her husband, Max Colella, who is in the Army, are moving—the couple's ninth relocation—to West Point, N.Y., from Washington, D.C.

Liz Hosmer, a political consultant in Los Angeles, discovered Harry Potter as an 11-year-old at the recommendation of her sixth-grade teacher. Ms. Hosmer, 28, wept with joy last year when she and her boyfriend went to the "Wizarding World of Harry Potter" theme park at Universal Studios Hollywood. This summer, she will head to the Hollywood Bowl for the Harry Potter Film Concert Series, where the Los Angeles Philharmonic will play the score of a Potter movie while the film runs on a 40-foot, high-definition screen.

"It is about something like nostalgia for us—like a theme party in high school with eighties music or nineties music," says Ms. Hosmer. "It's about being able to escape the reality of being an adult and going back to something that's comforting and fun."

As Harry's first fans start to have children of their own, they are passing down their love of the books. Kylie Ferguson, a 27-year-old from Nashville, Tenn., and her husband, Matthew, plan to create a Harry Potter room in their basement for their three-month-old daughter, Stevie.

"I can't wait to show it to her and to tell her how exciting it's going to be," says Ms. Ferguson, an account manager at a computer firm. Reading Harry Potter is like being a kid again, she says, returning "to when life was so much simpler."

YOUR WORST FEARS about breathing bad air on planes are probably unfounded.

A recent European study that monitored air on 69 flights found cabin air quality was less polluted than that of office buildings, schools and residences. Contaminants that were found were "detected at levels considered not unusual for indoor air environments," the study commissioned by the **European Aviation Safety Agency** said.

That's good news for travelers, but unlikely to eliminate fears some hold, particularly in Europe, that oil fumes in airplanes are a toxic health problem.

Airlines and aircraft manufacturers have struggled for decades to eliminate contamination from "bleed air" systems that compress air just inside the engine, before that air comes in contact with burning fuel. The fresh, compressed air mixes with filtered air recirculated within the cabin. Problems, such as leaky seals or overfilling the oil in the engine during maintenance, can arise. That can lead to pumping chemicals from hot oil to passengers.

"There's nothing between the engine and the people breathing that air," says Judith Anderson, an industrial hygienist who works on health and safety issues for the Association of Flight Attendants. The organization has researched this issue for decades and pushed for im-

provements of aircrafts and airline procedures.

Still, such events are rare. The flight attendants union says it gets two or three reports a week out of tens of thousands of flights. The lead author on the European study, Sven Schuchardt of the **Fraunhofer Institute for Toxicology and Experimental Medicine** in Germany, says research that distinguishes between minor "smell events" and more-serious "fume events" show fume events happen only a few times per one million takeoffs. Oil-related toxins "can enter the cabin more often than you think, but in amounts that are not worth mentioning," Dr. Schuchardt says.

The study, funded by EASA, the European equivalent of the U.S. Federal Aviation Administration, measured air on 69 flights and recorded no fume events. Still, Dr. Schuchardt says in an interview that the research team calculated the maximum concentrations in a

fume event and concluded there's not enough oil in an engine to be harmful. Being behind exhaust from a stinky car or truck in traffic would be worse.

"Our opinion is: OK, it's not nice to have a fume event, because it's oily mist in the cabin air. But if this occurs, it's only for a few minutes, maximum three to five minutes, and the amount of toxic compounds is never critical. No way," he says.

The aviation world doesn't dispute that fume events happen, but there is disagreement over whether they are harmful. In some cases, some scientists believe, exposure can cause neurological issues such as loss of memory or balance, and onset of problems is often delayed. Crew members may be more susceptible to getting sick right away, because repeated exposure weakens resistance.

Boeing, Airbus and the airline industry have long maintained that their systems are safe and

onboard air is clean, as the EASA study found.

Boeing's newest design, the 787 Dreamliner, is made without a bleed air system, using an electric system for heating and compressing fresh air. The EASA study included eight 787 flights and found slightly lower levels of chemical vapors. The European study detected TCP on three of its 69 flights. All three were on aircraft with bleed air systems.

Crews didn't smell anything unusual on those flights, the study said, and the levels weren't considered high enough to be a risk.

The FAA plans to release a report later this year on research that began a number of years ago collecting air samples aboard 100 airplanes. Results have been delayed because researchers involved have changed jobs.

AFA's Ms. Anderson thinks progress is being made, since several companies are trying to develop bleed air filters and sensors. And some airlines have taken a more active approach to prevention. She credits Spirit Airlines with making improvements after some serious fume events several years ago.

Preventing fume events can be a cost-savings measure for airlines, reducing unscheduled emergency landings, bad publicity, workers comp claims and maintenance and ground time. "There are some changes. It's slow," she says.

THE MIDDLE SEAT | By Scott McCartney

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LIFE & ARTS

ART REVIEW

A Passionate Advocate

BY RICHARD B. WOODWARD

Chicago

THE CURATOR Hugh Edwards (1904-1986) left behind so sparse a paper trail that no one should be ashamed if his name draws a blank. He never published a book, or even a lengthy essay that anyone has found. His (uncollected) writings consist mainly of letters to artists, scattered reviews, and wall texts to the 75 exhibitions he mounted at the Art Institute of Chicago between 1959 and 1970.

Edwards was nonetheless among a handful of figures whose eye and principles steered the course of art photography in the mid-20th century, encouraging photographers to forswear commercial or journalistic agendas and to capture unvarnished images of the world that reflected personal intuition. Among the many beneficiaries of his passionate advocacy were Robert Frank, Danny Lyon and Ray Metzker, all of whom had their first major one-person shows under his sponsorship.

The scope of his discernment is splendidly documented in "The Photographer's Curator: Hugh Edwards at the Art Institute of Chicago." Roughly 200 prints of the more than 3,000 he collected for the department are spread around the basement galleries, works by more than 70 artists that span the history of photography, from the daguerreotype to the 1960s.

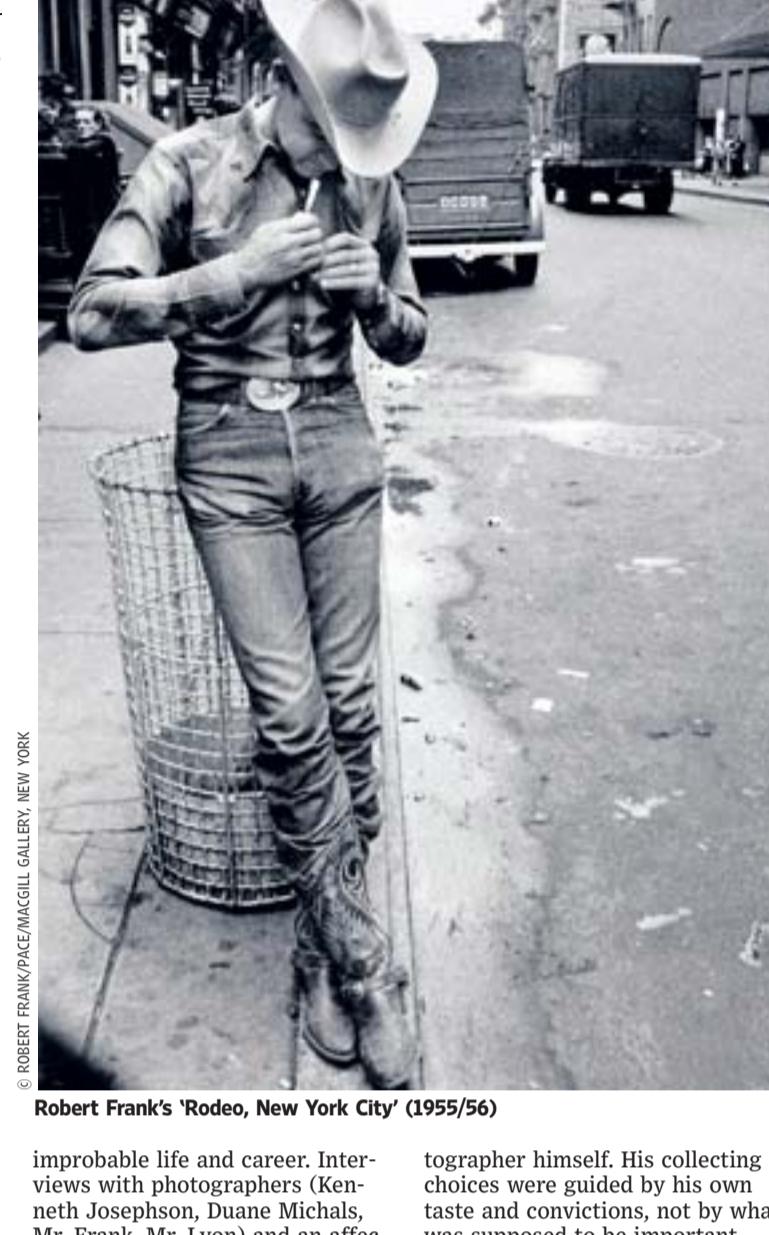
The range of his enthusiasms was wide and unorthodox. In his first five years on the job, he had shows on Alexander Gardner's "Photographic Sketch Book of the War," Lewis Hine's delicate portraits of America's working poor from the early 20th century, and Robert Riger's brutal, thrilling pictures of pro football and horse racing.

When group shows were the norm, Edwards devoted solo ones to Edward Weston, George Platt Lynes, Minor White, Dorothea Lange and Pirkle Jones, Imogen Cunningham, Frederick Sommer, Walker Evans, Eugène Atget and Thomas Eakins, among others.

Most important of all, he identified nascent talent. Many of these young photographers later had substantial careers: Metzker, Bruce Davidson, Dennis Stock, Charles Harbutt, Marc Riboud, Art Sinsabaugh, Keith Smith, Mr. Frank, and Mr. Lyon.

If Edwards favored expressive black-and-white prints, such as those by David Vestal and his wife, Ann Treer, he also showcased early color by Eliot Porter, Charles Swedlund and Marie Cosindas.

As well as organizing this exhibition, Elizabeth Siegel, a curator in the AIC Department of Photographs, has also overseen a website where documents by and about Edwards throw light on his



Robert Frank's 'Rodeo, New York City' (1955/56)

improbable life and career. Interviews with photographers (Kenneth Josephson, Duane Michals, Mr. Frank, Mr. Lyon) and an affectionate essay by his successor, David Travis, are illuminating.

Born in Paducah, Ky., Edwards never earned more than a high-school diploma. Arriving in Chicago to study classical piano, he instead took a job in the AIC library, in 1929. Stricken with a bone and muscle disease in childhood, he walked on crutches.

He also seems to have been gay—a professional handicap in those years. (The issue is treated coyly in the show.) He worked for 30 years at the AIC, in the library, then in the Department of Prints and Drawings, before being named associate curator of photographs in 1959.

Despite his limited education, he was well-read in American, English and French literature. He was a good friend of Duke Ellington and had a massive collection of his records. (In a 1961 letter on the website, he asks "Duke" to "remember me to Billy Strayhorn," with whom he had discussed Baudelaire on a recent visit to Chicago.)

Like so many other photography curators, Edwards was a photog-

tographer himself. His collecting choices were guided by his own taste and convictions, not by what was supposed to be important.

Edwards exhibited Mr. Frank's work in 1961 when the Swiss émigré was still widely attacked as an ingrate for his 1959 book, "The Americans," which portrayed '50s America in a bleak, grainy light. A vitrine holds a copy of the book on its reissue in 1969. On a blank page, Mr. Frank wrote: "For Hugh Edwards, First with gratitude and respect to help and encourage when it mattered (1958) and now with regrets not to see in print yr thoughts long before they became fashionable. Your friend, Robert."

I'm not sure that photography has ever been examined before through the eyes of one influential curator. If it can be done as instructively and artfully as it is here, I don't see why this experiment shouldn't be repeated at many museums.

The Photographer's Curator:
Hugh Edwards at the Art Institute of Chicago

Art Institute of Chicago, through Oct. 29

Mr. Woodward is an arts critic in New York.



This photo of a gold coin, believed to date to approximately 138-161 A.D., was discovered during a raid on a top Islamic State official's house in Syria in 2015. U.S. ATTORNEY'S OFFICE

ART

Continued from page A11

after also failing to produce the proper documentation of ownership and origin for some objects. She was ultimately released without being charged.

After his arrest in Geneva, the driver told investigators that he had traveled several times to New York's John F. Kennedy International Airport, carrying small antiquities in his hand luggage, and that a person working with the Aboutaams was there to greet him, according to the people familiar with the probe.

"The situation involving Ali Aboutaam's driver and wife pertains to the local VAT and is unrelated to any matters relating to alleged looting," their lawyer, Mr. Temkin, said.

A spokesman for the Geneva free ports said he wasn't aware of the investigation into the Aboutaams and said the facility has tightened control of antiquities entering its storage space.

The Aboutaams' father, Sleiman, founded the family trading business, Phoenix Ancient Art, in Beirut in the 1960s. The brothers, Lebanese nationals with Canadian citizenship, inherited the business when their parents died in a plane crash in 1998.

Hicham and Ali Aboutaam have attracted attention from authorities in the past. A 2003 ICE investigation found they were "allegedly trafficking in illegally obtained art and antiquities," according to the U.S. agency's website. The following year, Hicham Aboutaam was fined \$5,000 in New York federal court after pleading guilty to falsifying a customs declaration that declared a drinking vessel Syrian when it was alleged to have originated from a plundered Iranian cave, according to court records.

A spokesman for the Aboutaams said the artwork was purchased in good faith and there is no evidence it was stolen or illegally excavated. The incorrect description was the result of a clerical error, he added.

In 2004, an Egyptian court sentenced Ali Aboutaam in absentia to 15 years in prison after he was accused of smuggling artifacts from Egypt to Switzerland. In a news release, Phoenix said Mr. Aboutaam was never invited to participate in the proceedings and learned about his conviction from the press.

According to written statements by Bulgarian authorities, the Egyptian conviction led to his arrest in Sofia, Bulgaria, under an interna-

tional warrant in 2008. A spokesman for Phoenix said a ruling that year in the Sofia High Court had exonerated Ali Aboutaam and deemed the Egyptian accusations as "false."

Egypt's antiquities authority didn't respond to a request for comment.

Last January, customs officials in Belgium seized Syrian objects that had been sent from the Aboutaams' Geneva gallery, according to a Belgian official and the spokesman of the Brussels Antiques & Fine Art Fair, where the art was heading.

The Belgian official said authorities are investigating whether they were excavated after the outbreak of Syria's civil war rather than in 1956, as the art dealer's documents claim.

In an email, Ali Aboutaam said the seizure was due to "malicious information" from a jealous Parisian art dealer and that both artifacts were traded before the war.

The Aboutaams inherited the family business when their parents died in a plane crash.

The Aboutaams are on a list of 15 dealers, including three based in the U.S., that French security officials are focusing on in connection with possible trading in antiquities looted by ISIS, according to a document seen by the Journal and to two people familiar with the probes.

French authorities are gathering information on what artifacts the Aboutaams and others sell, as well as on their suppliers, clients and international banking transactions, officials say.

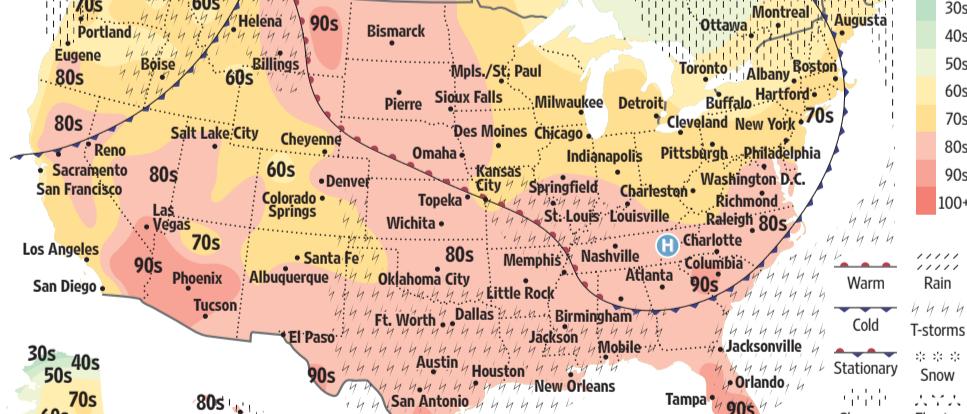
The Aboutaams' U.S. gallery is located on a street off Madison Avenue. Visitors are buzzed into a discreetly lit stone-floored room where around 24 unlabeled objects are displayed with prices that are in the hundreds of thousands of dollars.

The brothers say they have sold pieces to some of the world's biggest museums, including the Metropolitan Museum of Art in New York and the J. Paul Getty Museum in Los Angeles. The Met declined to comment. The Getty Museum said it "acquired one object in its collection from Phoenix Ancient Art, more than 20 years ago."

—Thomas MacMillan,
Valentina Pop and Kelly Crow
contributed to this article.

Weather

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



U.S. Forecasts

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

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

Today Tomorrow

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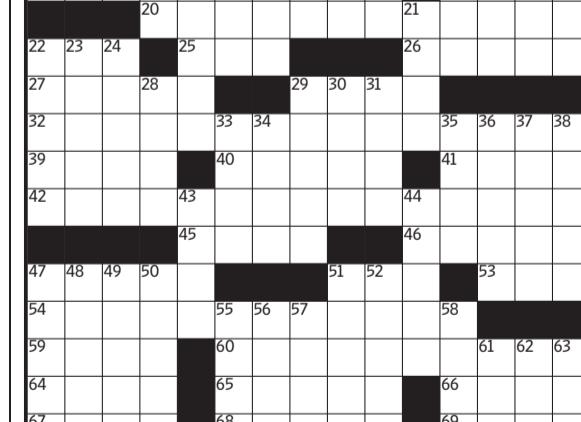
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AccuWeather.com

The WSJ Daily Crossword | Edited by Mike Shenk



IN A PINCH | By Adam T. Cobb

Across

- 1 It means nothing
5 The "band" in
"The Adventure of the Speckled Band"
10 Olympus Mons location
14 Like balsamic vinegar
15 Line of work
16 MBA prerequisite
17 Like Nobel Prize medals
19 Show shifter
20 *Justice with a shredded side?
22 Test setting
25 Digital communication method: Abbr.

Down

- 26 Rap entourage
27 Expect
29 Bro
32 *Spaghetti-grammatically speaking?
39 On
40 Village leader
41 Boxer biter
42 *Baroque masterpiece inspired by rye and semolina?
45 Bob Dylan's "The Man ___"
46 Patient's portion
47 "The Thunderer" composer
51 Place for mil. mail
53 Issuer of double-dashed IDs

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

3 Rev's bailiwick
4 Track figures
5 Calypso's father
6 Huckleberry Hound attribute
7 Computational fodder
8 Prime minister between Churchill and Macmillan
9 Funny Foxx
10 One way to reach the Pentagon
11 Base balancers
12 Yields to wanderlust
13 Tedious doings
18 Metal in Montana's motto
21 Kuwait was one of its founding members
22 Rhythmically splash against
23 Teeming
24 Moisten, in a way
28 "What business is ___ yours?"
29 Musician behind Beats headphones
30 Versatile vehicles, for short
31 Urgent
33 Drudgery doer
34 Many a campus visitor
35 "In that case..."
36 Lands like heavy rain
37 Dunham and Headley
38 GPA booster
43 "You made that up!"
44 Tannin-rich nut
47 Big stories
48 With a lot to lose
49 Bolt on the track
50 Valued strings
51 Suffered a humiliating defeat
52 Italian prime minister Gentiloni
55 Cries of discovery
56 Bubbly from Catalonia
57 Show stopper, of a sort
58 What you're looking at
61 Orthodontist's org.
62 See 1-Across
63 Banned spray

Previous Puzzle's Solution



U.S. Forecasts

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

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

Today Tomorrow

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SPORTS

NBA FINALS

An Epic Rivalry Rooted in Lucky Breaks

BY BEN COHEN

Oakland, Calif.

THE GOLDEN STATE Warriors and Cleveland Cavaliers are the two best teams in the NBA. They're better than when they beat each other for the 2015 and 2016 championships. Now they're back in the NBA Finals for a third straight year—something that has never happened in the history of the league.

The obvious explanation for their unprecedented dominance is their stars. The Warriors and Cavaliers have Stephen Curry, Kevin Durant, LeBron James, Kyrie Irving and so much other talent that putting it all in the same paragraph would make other NBA teams want to secede.

But there's another overlooked reason the Warriors and Cavaliers are playing in Game 1 on Thursday night. The truth is their rivalry was born from events out of their control. They are once again in the Finals because of their luck.

While the Warriors and Cavaliers were the results of careful planning over many years, they also benefited from hundreds of little things and several big things breaking their way, and it's worth reconsidering those events now because of everything that's happened since. They learned how valuable luck can be in the NBA. All they could do is exactly what they did: put themselves in position to take advantage.

LeBron James wearing a Cavaliers uniform again, required some remarkable twists. Few could have expected him to consider returning his talents to Cleveland only four years after he took them to Miami—especially when the Cavs lost enough in their first season without him to have a good chance of winning the NBA draft lottery.

But they didn't hit the jackpot because they were bad. They got the No. 1 pick because they were lucky.

The winning combination of lottery balls in the 2011 draft actually



TONY DEJAK/ASSOCIATED PRESS

belonged to the Los Angeles Clippers—which meant it belonged to the Cavs, who had traded for the Clippers' pick months earlier. Cleveland had a 19.9% shot at winning the lottery itself and wound up with the fourth pick. But the probability of the Cavs inheriting the first overall pick through the Clippers was only 2.8%.

The Cavs spent their good fortune on Irving, and by the time James was thinking about coming back to Cleveland, the Cavs represented his best chance to win more championships because Irving had become one of the NBA's premier young point guards. That was the hidden genius of James's

decision: It was strategic as much as it was sentimental.

But he might not have chosen to play with Irving if Cleveland hadn't won the lottery again that spring. This time it was even more improbable: The Cavs' odds of winning had been 1.7%. "I think it's just a really defining moment for us," Cavs general manager David Griffin said that night.

It was. Cleveland turned that pick into Andrew Wiggins and later traded him for Kevin Love. The Cavs had turned their black-swan events into the best team in the East.

The construction of Golden State's roster was a more calculated gamble. If the Cavs played

roulette and won betting on a single number—twice—the Warriors played roulette and won betting on red. The difference was the stakes.

Curry wasn't the NBA's reigning most valuable player when he entered contract-extension talks with the Warriors in 2012. He wasn't even an All-Star. Curry had missed most of the previous season because of a bum ankle, and it was right after he sprained that ankle in a pre-season game that he agreed to Golden State's offer: \$44 million over four years. That's all it took to take Curry off the market.

"I thought the deal was too good to pass up right now," Curry said then.

The health of Curry's ankles since that contract is the single biggest reason the Warriors are the Warriors. Curry is paid less than 80 players in the league and eight players in the Finals alone. That incredible bargain is what saved Golden State the salary-cap space for stars like Draymond Green and Klay Thompson.

Then they got lucky again. The Warriors had money for a fourth player who makes them the favorite over the Cavaliers because of the timing of an event they had nothing to do with.

The NBA agreed to a lucrative media deal in 2014, and when the revenue kicked in before this season, each team's salary cap ballooned. The league planned to smooth that spike by slowly incorporating the money over several years. The players' union rejected that proposal. Which is why the salary cap skyrocketed from \$70 million to \$94 million in one summer alone.

The sudden explosion gave every team a pile of cash to spend however it wanted. What the Warriors wanted was a player who could help them get back to the Finals after blowing a 3-1 lead and losing to the Cavs in Game 7 last year. They wanted Kevin Durant.

Golden State had carefully planned for the possibility of adding Durant, but they wouldn't have been able to afford him in any other year. Durant happened to be an unrestricted free agent at the exact same time the salary cap happened to expand.

The way the Warriors and Cavaliers capitalized on their opportunities created by lucky circumstances have made them unbeatable in the last three years—and it's hard to imagine any team beating them next year, either. To avoid the same Finals showdown for the fourth straight season, other teams will have to be patient and strategic, but even that may not be enough.

They're also going to have to get lucky.

CHAMPIONS LEAGUE

'OLD' JUVENTUS TAKES ANOTHER STAB AT CUP

BY JOSHUA ROBINSON

TURIN, Italy—Even Gianluigi Buffon, the Juventus and Italy goalkeeper who speaks like he's never doubted a thing in his life, didn't believe he had another Champions League final in him. As he trudged off the field in Berlin two years ago, he was sure the trophy had eluded him for good.

But Buffon, one of the most decorated players in soccer, stuck around for more. He kept getting older without going anywhere.

That's what Italian monuments do.

Now, 39 and eating slightly less pasta than he used to, Buffon will have another shot at the Champions League when Juventus takes on Real Madrid in Saturday's final in Cardiff, Wales.

"It would be the greatest joy of my career, together with winning

the World Cup," he said. "The end of a very difficult road paved by bravery, stubbornness and hard work."

Buffon is the only man to tell the story of Juventus in the Champions League this century. And, like the best Italian operas, it's mostly about heartbreak. In the 2003 final, he shut out AC Milan for 120 minutes before saving two shots in a penalty shootout and still lost. Then, in 2015, he was helpless against the Barcelona steamroller in Berlin.

European soccer moves so fast that the entire Juventus squad has only seven survivors from that night in Germany. But, crucially, they include three other immovable objects of Italian soccer: Andrea Barzagli, Leonardo Bonucci, and Giorgio Chiellini, three more men you could cast as centurions in a Roman Empire epic.

Those three plus Buffon have a



JOSEP LAGO/AGENCE FRANCE PRESSE/GETTY IMAGES

combined age of 137. They are so ancient they may as well be made of marble. But Juve manager Massimiliano Allegri knows better than to move a supporting column. Juve's defense has conceded only one goal in the Champions League since last November, at one point

racking up 689 consecutive minutes of shutout soccer.

"I can't even remember what it's like not to have him behind me making the hardest saves look easy," said Chiellini, who joined Juve in 2005.

There is no doubt that Real's strikeforce will present Juve's stern-

est test. Cristiano Ronaldo alone punished Bayern Munich and Atlético Madrid with a hat-trick each on his way to a third final in four years.

But there is an urgency about this Juventus team. The old men playing for the Old Lady, as the club is known, worry they might not keep the years at bay for much longer.

Avoiding another night like Berlin has been on their mind for two years.

"This road started a long time ago," Allegri said after brushing aside Monaco in the semifinals. "It's the growth of the club, the players and myself."

Even by Juve's standards, the club's dominance of Italian soccer this season has been exceptional. In the past three weeks, it clinched a sixth straight league title and lifted the Italian Cup. But those were familiar business for Buffon. He has finished top of Serie A 10 times and won the cup on four occasions, not to mention being a world champion in 2006. Only one major gap remains in résumé, perhaps only until Saturday.

"Two years ago, everyone thought it was my last final," he said ahead. "Life is more beautiful because of this."

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SUN 12:00PM

CBS SPORTS

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OPINION

Trump's Tweets vs. the World



WONDER LAND
By Daniel Henninger

Rumor has it—rumor being the lingua franca in Washington these days—that the dumping of White House communications director Mike Dubke is the first step in a White House reorganization. The goal is to elevate the administration's accomplishments, which the president believes, and rightly so, are being smothered in their cribs by a hostile media.

Against this relentless opposition, the president on Wednesday morning deployed a tweet about his agenda: "Hopefully Republican Senators, good people all, can quickly get together and pass a new (repeal & replace) HEALTHCARE bill. Add some \$'s."

The Trump presidency is on three parallel tracks: the Trump tweet track, the Trump-Russia track and the Trump policy track. What lies beyond the horizon is either a successful presidency or a train wreck. As always, the choice of which track is in the hands of Engineer Trump.

Despite their often harsh content, I've come to discover an endearing political innocence in Mr. Trump's tweets. Underappreciated by the person behind @realDonaldTrump is how these new media formats have transformed the world of American politics in a way that is beyond the reach of

The President Is Home, but Not Home Free

By Karl Rove

After a comparatively good week abroad, President Trump has returned home to deteriorating poll numbers, even among the Republicans and independents vital to his standing. To turn the situation around, Mr. Trump must learn from his foreign trip's successes and get his promised White House shake-up right.

In the Feb. 13 Fox News poll, 48% of voters approved of the president's job performance, and 47% disapproved. By May 23 he had slipped to 40% approval, 53% disapproval. Voters who strongly approved dropped from 35% in February to 28% in May, while those who strongly disapproved rose from 41% to 46%. Mr. Trump's approval declined from 86% to 81% among Republicans during the same period and, alarmingly, from 52% to 34% among independents.

One thing Mr. Trump did right while overseas was to stay on message. During his trip the president had one powerful theme a day. He stuck to prepared remarks and generally did not create controversies or send tweets that would overshadow his agenda. Take his stop in Saudi Arabia. There the president called on leaders of Muslim nations to "drive out" Islamist terrorists in their midst.

Mr. Trump's tone abroad was often "presidential," a quality that's difficult to describe but that you know when you see it.

Trump stayed on message during his trip abroad. Now if only he can keep it up.

omission as weakness. A tough private lecture to NATO allies followed by a public explanation might have been better. Then when German Chancellor Angela Merkel took a swipe at Mr. Trump after he had departed, he responded with a petulant tweet.

Meanwhile, the talk of a West Wing shake-up continues. Communications director Mike Dubke has already resigned, and more departures are rumored. So is the establishment of a "war room" to deal with FBI and congressional investigations of Russian meddling in last year's election. Whether such an operation would be dominated by lawyers or communicators is unclear. But that choice could

determine if the controversy is compartmentalized and allowed to fade or inflamed to dominate all else.

Attorneys are typically cautious. They would express confidence in ultimate exoneration, while making certain White House aides didn't create problems with false or explosive statements. If communicators are in charge—especially the "killers" Mr. Trump admires—then scorched-earth tactics could prevail. It may make for great TV but would destroy the president's ability to rally public support for his agenda.

There's talk of setting up this operation outside the White House, but that could violate the Antideficiency Act and other laws that bar government workers from controlling or directing private groups in support of official duties.

There are also rumors that the daily White House press briefing may be canceled, leaving Mr. Trump's voice the only one heard from 1600 Pennsylvania Ave. That would be risky. Mr. Trump is volatile and prone to saying outrageous things. The press corps will keep reporting, whether it's given the administration's side of the story or not. The only thing canceling the daily briefing would accomplish is to further antagonize Mr. Trump's relations with the media.

Holding more campaign-style rallies is a bad idea. Without a pending election, it would make Mr. Trump look like an office-seeker and not the Oval Office-holder. The public is

tired of the perpetual campaign. It wants results.

Better for Team Trump to create events that show the president tackling problems people care about. One example: His policies have increased deportations of violent illegal immigrants. Why not showcase this by visiting Border Patrol agents and victims of the MS-13 gang?

And maybe the president should stop watching so many cable news shows. Obsessing over his coverage helps neither his state of mind nor West Wing morale. Remember what such habits did to Presidents Johnson and Nixon.

Nurturing a siege mentality, especially so early in a presidency, is a huge mistake. Mr. Trump may blame his poor standing on "fake news" and leaks by the "deep state," but he has been weakened principally by his self-destructive habits.

His overseas trip showed that dysfunction and ineptness need not characterize the whole of his presidency. But it still dominates far too much. If that doesn't change, Mr. Trump's approval ratings will drop even lower and take down his governing agenda, too. Like so many of his predecessors, he must now demonstrate he can grow in office.

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

New York's Mayor Junks Due Process

By Jonathan Lippman

As a former judge, I know firsthand the importance of having an attorney in court proceedings. Nonlawyers are rarely able to protect properly their own legal rights.

Immigration proceedings are no less important or complicated than criminal ones. Yet immigrants who cannot afford an attorney are not provided one. New York City has sought to remedy this injustice through the New York Immigrant Family Unity Project, which provides legal representation to those facing deportation through organizations such as the Legal Aid Society, Brooklyn Defender Services and the Bronx Defenders.

I applauded Mayor Bill de Blasio's April announcement of \$16 million in city funding to bolster NYIFUP. But since then he's announced plans to deny a lawyer to those with a criminal conviction for any of 170 different offenses. This would

create, for the first time in our legal system, a second-tier class of persons in cases where lives may be changed forever. It threatens due process.

The offenses on the mayor's list are not always as dramatic as they sound. The providers'

Immigrants facing deportation will get lawyers—maybe.

clients—who would no longer receive attorneys under Mr. de Blasio's plan—have included a homeless man who entered a building lobby and removed a trash bag (second-degree burglary); a youth who engaged in an after-school fight, then picked up another participant's cellphone after it fell (second-degree robbery); and a man who ran away from a plainclothes officer who subsequently fell and injured his knee (second-degree assault).

These criminal acts were appropriately handled by New York's courts. They should not mean virtually automatic deportation—which is what happens when a detained immigrant has no lawyer. Some of those facing deportation are lawful permanent residents who have been productive members of the community for decades. Their families are often blameless.

The mayor's proposal seems to overlook that the project's lawyers have repeatedly succeeded in preventing deportation. In several cases they were able to prove that the individual facing removal actually was a U.S. citizen but did not realize it and should have never been in deportation proceedings.

Mr. de Blasio's proposal would also deny legal representation in cases when a prior conviction was unlawfully obtained or was based on unreliable evidence. Removal proceedings have been terminated

in such cases. In other cases, lawyers have marshalled a record of mitigating circumstances with the same favorable results. In still other cases, counsel has shown that the individuals facing deportation would face torture upon return to their native countries, and courts have agreed and spared them this horrible fate.

"Any person haled into court, who is too poor to hire a lawyer, cannot be assured a fair trial unless counsel is provided for him," as Justice Hugo Black put it in the landmark due process case *Gideon v. Wainwright*. "This seems to us to be an obvious truth."

That "obvious truth" is no less a truth for our immigrants facing banishment and exile.

Mr. Lippman is a former chief judge of the New York State Court of Appeals, the state's highest court, and of counsel at Latham & Watkins LLP.

Supreme Court decided *Bush v. Gore* in 2000. They're giving him what they gave George Bush, which is credit for nothing. It is not new.

The danger for Donald Trump is that unless he reorients his energies—away from the fake-news obsession and toward executing his agenda—he becomes marginalized.

Swaths of the media do have a credibility problem with much of the public. But that no longer matters, because many media platforms have decided to set aside nominal standards of objectivity and turn partisanship and resistance into a business model, pitching their coverage to half the electorate and ignoring the rest as commercially irrelevant.

Mr. Trump keeps saying they should thank him because he's building their audiences. This misapprehends what is taking place now. They are turning the angry Trump tweets and indeed Robert Mueller's Russia investigation into pure political entertainment for their customers. They will make Donald Trump their tweeting dancing bear, if he lets them.

If the goal of any conceivable White House reorganization is to defeat these forces on their own terms, that is not going to happen. This presidency will win on policy success or fall on wretched political excess. A rightly organized Trump White House would keep or hire people who understand the difference, and toss out the rest.

Write henninger@wsj.com.

BOOKSHELF | By Kathleen DuVal

A Nation Forged In Discord

A Sovereign People

By Carol Berkin
(Basic, 307 pages, \$30)

Nationalism has a lot to answer for. In the 20th century, its ethnocentrism and propensity to define certain people within a nation as outsiders brought us Adolf Hitler, Benito Mussolini and Francisco Franco, and we continue to see its violent, nasty side in the 21st. In "A Sovereign People," Carol Berkin asks us to take another look at nationalism, at least the early American version. The American nationalism born in the 1790s was the good kind, argues Ms. Berkin, an emerita professor at Baruch College and the Graduate Center, CUNY. The men who fought the British Empire and spent another two decades establishing a more representative government, she suggests, might have some harsh words for those who have built political careers on distrust of democratic institutions.

The Declaration of Independence claimed that the purpose of government was to secure the rights of life, liberty and the pursuit of happiness, and the Founding Fathers needed Americans to believe that the U.S. government was up to the task. George Washington, Alexander Hamilton and John Adams persuaded the

American public that a centralized, active federal government was in its interest. In doing so, they "ensured the survival of the young Republic," Ms. Berkin writes, and she argues that Americans would do well to return to this kind of positive, patriotic nationalism.

The book centers on four crises of the federal government's legitimacy in the 1790s. To many readers, the Whiskey Rebellion, the Edmond Genêt Affair, the XYZ Affair and the Alien and Sedition Acts will raise vague memories from their high-school history classes. Ms. Berkin tells these tales anew to show how and why early Americans rejected chaos and extreme localism in favor of a federal government that could promote their security, stability and economic well-being. As imperfect as the system of representative government was, it had a more legitimate right to rule, as an elected republic, than a monarch.

Americans essentially reversed their opinion on national government in the 1790s, Ms. Berkin suggests. In 1787, delegates to the Constitutional Convention had conducted their controversial proceedings in secret, and the ratification process involved flowing madeira and hasty votes taken while opponents were at lunch. Love of George Washington may have been the only reason Americans agreed to a president at all. Yet by the end of the 1790s "Americans came to acknowledge that the federal government was the best-equipped institution to deal with critical domestic and foreign problems."

Because of the Bill of Rights, people who feared overreaching federal power began to evoke the Constitution every bit as fervently as advocates of federal authority did. When the 1798 Sedition Act—passed by a Federalist Congress and signed into law by President John Adams—

The new Bill of Rights led those who feared centralized power to support the Constitution just as fervently as Federalists once had.

outlawed the publication of "false, scandalous and malicious writing or writings against the government of the United States," critics labeled it "unconstitutional." In sanctifying the First Amendment's right to a free press, anti-Federalists had inadvertently heightened the importance of the Constitution and the national government it created.

Ms. Berkin cites histories of particular crises, mostly written in the 1970s, but she seems to have missed the broader recent scholarship that could have deepened the analysis of "A Sovereign People." Her book occasionally vaguely refers to "previous accounts" by historians, though usually without a citation: We read, for instance, that "in previous accounts of the Whiskey Rebellion, the focus has often been on whether these rebels were heroes or villains," but the note that accompanies this passage includes only primary sources. In fact, historians have long realized that Hamilton and Washington truly feared for the survival of the republic when citizens in western Pennsylvania rebelled against a new federal tax on whiskey—even as the rebels were fighting for their version of American independence.

Indeed, recent work on the political and diplomatic history of the early republic richly explores how the nation set us on the paths we have followed ever since. Readers who want a deeper understanding of this era's fascinating tensions and accomplishments could turn to Eliza H. Gould's "Among the Powers of the Earth: The American Revolution and the Making of a New World Empire" (2012) and Max M. Edling's "A Revolution in Favor of Government: Origins of the U.S. Constitution and the Making of the American State" (2003), among other books.

Ms. Berkin's fairly rosy picture of early American nationalism also understates the degree to which it was itself exclusionary. The expanding republic ignored the sovereignty of American Indian nations and forced them from their lands. Americans' understandable desire for neutrality in world affairs would also help feed an anti-immigrant strain of American thought. Race-based slavery grew and spread and would soon tear the nation in half. Again, David Andrew Nichols's 2008 "Red Gentlemen and White Savages: Indians, Federalists, and the Search for Order on the American Frontier" brilliantly shows how both white American and Native American leaders struggled with questions of nationalism and the governing of an unruly populace in the 1790s.

Remarkably, the author even ignores an argument presented in her own fine book "Revolutionary Mothers: Women in the Struggle for America's Independence" (2005): that the Revolution entrenched the legal system of coverture, under which married women had no legal identity and therefore no right to own property or be party to a contract. As Americans came to define citizenship as the right of all white men, nonwhite men and all women were explicitly excluded. "A Sovereign People" is right that Americans—against the odds—forged a strong and lasting nationalism in the 1790s. What it meant, though, and whom it included and whom it did not were bitterly contested, then as now.

Ms. DuVal, a professor at the University of North Carolina at Chapel Hill, is the author of "Independence Lost: Lives on the Edge of the American Revolution."

OPINION

REVIEW & OUTLOOK

Paris Climate Discord

President Trump and his advisers are debating whether to withdraw the U.S. from the Paris climate accord, and if he does the fury will be apocalyptic—start building arks for the catastrophic flood. The reality is that withdrawing is in America's economic interest and won't matter much to the climate.

President Obama signed the agreement last September, albeit by ducking the two-thirds majority vote in the Senate required under the Constitution for such national commitments. The pact includes a three-year process for withdrawal, which Mr. Trump could short-circuit by also pulling out of the United Nations Framework Convention on Climate Change.

Paris was supposed to address the failures of the 1997 Kyoto protocol, which Bill Clinton signed but George W. Bush refused to implement amid similar outrage. The Kyoto episode is instructive because the U.S. has since reduced emissions faster than much of Europe thanks to business innovation—namely, hydraulic fracturing that is replacing coal with natural gas.

While legally binding, Kyoto's CO₂ emissions targets weren't strictly enforced. European countries that pursued aggressive reductions were engaging in economic masochism. According to a 2014 Manhattan Institute study, the average cost of residential electricity in 2012 was 12 cents per kilowatt hour in the U.S. but an average 26 cents in the European Union and 35 cents in Germany. The average price of electricity in the EU soared 55% from 2005 to 2013.

Yet Germany's emissions have increased in the last two years as more coal is burned to compensate for reduced nuclear energy and unreliable solar and wind power. Last year coal made up 40% of Germany's power generation compared to 30% for renewables, while state subsidies to stabilize the electric grid have grown five-fold since 2012.

But the climate believers tried again in Paris, this time with goals that are supposedly voluntary. China and India offered benchmarks pegged to GDP growth, which means they can continue their current energy plans. China won't even begin reducing emissions until 2030 and in the next five years it will use more coal.

President Obama, meanwhile, committed the U.S. to reducing emissions by between 26% and 28% below 2005 levels by 2025. This would require extreme changes in energy use. Even Mr. Obama's bevy of anti-carbon regulations would get the U.S. to a mere 45% of its target.

Meeting the goals would require the Environmental Protection Agency to impose stringent emissions controls on vast stretches of the economy including steel production, farm soil management and enteric fermentation (i.e., cow

flatulence). Don't laugh—California's Air Resources Board is issuing regulations to curb bovine burping to meet its climate goals.

U.S. emissions targets could trap Trump if he stays in the accord.

the U.S. targets.

But Article 4, paragraph 11 of the accord says "a party may at any time adjust its existing nationally determined contribution with a view to enhancing its level of ambition." There is no comparable language permitting a reduction in national targets.

Rest assured that the Sierra Club and other greens will sue under the Section 115 "international air pollution" provision of the Clean Air Act to force the Trump Administration to enforce the Paris standards. The "voluntary" talk will vanish amid the hunt for judges to rule that Section 115 commands the U.S. to reduce emissions that "endanger" foreign countries if those countries reciprocate under Paris. After his experience with the travel ban, Mr. Trump should understand that legal danger.

* * *

The Big Con at the heart of Paris is that even its supporters concede that meeting all of its commitments won't prevent more than a 0.17 degree Celsius increase in global temperatures by 2100, far less than the two degrees that is supposedly needed to avert climate doom.

It's also rich for Europeans to complain about the U.S. abdicating climate leadership after their regulators looked the other way as auto makers, notably Volkswagen, cheated on emissions tests. This allowed Europeans to claim they were meeting their green goals without harming the competitiveness of their auto makers. The EPA had to shame the EU into investigating the subterfuge.

The U.S. legal culture will insist on carbon compliance even if Europe and China cheat. Even if Mr. Trump would succeed in rewriting U.S. emissions targets, his predecessor could ratchet them back up. That possibility might deter some companies from investing in long-term fossil-fuel production.

The simplest decision is to make a clean break from Paris. But if Mr. Trump doesn't want to take the political heat for withdrawing on his own, here's a compromise: Atoe for Mr. Obama's dereliction and submit Paris to the Senate for approval as a treaty. Then we can see whether anticarbon virtue-signaling beats real-world economic costs for Democrats from energy states like Heidi Heitkamp (North Dakota), Joe Manchin (West Virginia) and Joe Donnelly (Indiana).

The Assault on Kabul

No doubt the truck bomb that killed at least 90 people and wounded more than 400 in the diplomatic quarter in Kabul on Wednesday has already achieved part of its purpose: to cause Americans to think twice about continuing to help Afghanistan. After 16 years it's a reasonable question.

Yet the situation is not as dire as the headlines seem. After a visit to Afghanistan in April in which he said 2017 would be another tough year for Afghan forces, Defense Secretary James Mattis noted at a meeting in Denmark that Islamic State "has lost about two thirds of its strength" in Afghanistan. The Afghans are undertaking the bulk of their own defense and taking horrific casualties to fight against the Taliban, al Qaeda and Islamic State.

An attack timed to influence Trump's decision on U.S. troops.

Barack Obama's main goal in Afghanistan was getting out, but even he came around to seeing that U.S. withdrawal might let the Taliban win. A terrorist triumph in Afghanistan would provide a new safe haven for jihadists in the region, without bases for the U.S. forces on the ground to counter it. At the very least a decision on U.S. troops should be made mindful of the large strategic stakes, not as an overreaction to a single truck bomb.

Samantha Power Unmasked

Barack Obama in 2014 made a large to-do about his reforms of U.S. surveillance programs to "protect the privacy" of Americans. We may soon learn how that squares with his Administration's unmasking of political opponents.

The House Intelligence Committee Wednesday issued seven subpoenas as part of its Russia probe. But the three most notable demanded that the National Security Agency, the Central Intelligence Agency and Federal Bureau of Investigation turn over records related to the Obama Administration's "unmasking" of Trump transition members.

We know that U.S. intelligence agencies routinely eavesdropped on foreign officials who were talking about or meeting with Trump aides. Much less routine is for political appointees to override privacy protections to "unmask," or learn the identity of, U.S. citizens listed in a resulting intelligence report.

The new subpoenas seek details of all unmasking requests in 2016 by three people: former National Security Adviser Susan Rice, former CIA Director John Brennan, and former U.S. ambassador to the United Nations Samantha Power. Democrats claim Ms. Rice needed to unmask names to do her job, though this is questionable given that she wasn't running counter-intelligence investigations. They have a better claim with Mr. Brennan.

But Ms. Power's job was diplomacy. Unmaskings are supposed to be rare, and if the mere ambassador to the U.N. could demand them, what

privacy protection was the Obama White House really offering U.S. citizens? The House subpoenas should provide fascinating details about how often Ms. Power and her mates requested unmaskings, on which Trump officials, and with what justification. The public deserves to know given that unmasked details have been leaked to the press in violation of the law and privacy.

Meantime, we learned from Circa News last week of a declassified document from the Foreign Intelligence Surveillance Court, which excoriated the National Security Agency for an "institutional lack of candor." The court explained that Obama officials had often violated U.S. privacy protections while looking at foreign intelligence but did not disclose these incidents until the waning days of Mr. Obama's tenure.

"The Oct. 26, 2016 notice [by the Obama administration] informed the Court that NSA analysts had been conducting [queries that identified U.S. citizens] in violation of [prohibitions] with much greater frequency than had been previously disclosed to the Court," read the unsealed document, dated April 26, 2017.

All of this matters because Congress will be asked by the end of this year to reauthorize programs such as Section 702 of the Foreign Intelligence Surveillance Act, which allows for spying on bad guys and is a vital terror-fighting tool. Even Mr. Obama endorsed 702's necessity. Congress needs to keep the program going, but it has every right to know first if Team Obama eavesdropped on political opponents.

Why would a diplomat need to know the names of Trump officials?

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

LETTERS TO THE EDITOR

Why Always Having Paris Is Good for the U.S.

Regarding Cliff Forrest's "The 'Business Case' for Paris Is Bunk" (op-ed, May 30): I contributed to global warming by printing the Paris Agreement on climate change. It's only 25 pages of text but stuffed with loopholes big enough to drive a gas-guzzler through. It was obviously written by diplomats, not scientists. It's stunningly vague. It has only two specific goals: to "hold the increase in the average temperature to below 2° C above preindustrial levels" and "achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century." Who picked these goals? Are they sufficient to save the planet and humanity? Are they technically possible? And why do this in the second half of the century? The way it reads, if we succeed by 2099, we win. Spoiler alert: We're all toast before then.

The agreement has no teeth. No goals for individual countries, no due dates in this century, no penalties. Lots of fuzzy empty words like aim, equity, context, enhancing, encouraged, strive, robust, promote, incentivize, facilitate, enable, sharing, strengthening, assisting and mobilizing. I guess we all should hold hands and sing "Kumbaya."

It's certain to have many countries pointing fingers at each other and

squabbling about "fair share" and other baloney while the planet cooks.

The signers could make it tougher, set goals for each signer and say something about the science. But given the enormous costs of combatting climate change and our world-wide addictions to oil and coal, it's unlikely that many of them will make big sacrifices. I wish our species were wiser.

KERRY SMITH
Woodbury, Minn.

The "American case" should be a fully underwritten evaluation of the pros and cons of the Paris agreement for the U.S. If Arthur Cecil Pigou were alive today, he would likely argue that climate change is the perfect and ultimate negative externality. Who is benefiting from the activity and who will be hurt by it? If science has it right, the costs to Florida, New Jersey, Southern California and other coastal states over the next 50-75 years will likely be in the trillions of dollars.

Like Mr. Forrest, I'm a stakeholder in the U.S. energy economy. While it may be true that near-term financial statements would support the notion of a bad business case for Paris, all of us need to be focused on the American case in the long run.

DAVID OLINER
Montclair, N.J.

You Thought Burning Heretics Was Obsolete?

I'm conflicted by Peter Berkowitz's "A Heretic at Duke Divinity School" (op-ed, May 22). I am a 72-year-old white guy, a Christian, conservative (but becoming less so), a Duke graduate and a 50-year subscriber to the Journal. The inability of conservatives to speak out on college campuses is indeed intolerable.

But last month I had the opportunity to attend a two-day workshop put on by the Racial Equity Institute. For someone white growing up in the South in the 1950s, the training was life changing. As a flag-waving American, I now understand why Colin Kaepernick decided to kneel during the playing of our national anthem. I wholeheartedly disagree with his actions, but I now understand them.

CHARLES LARSEN
Johns Island, S.C.

One would think Duke University's mishandling of the false criminal allegations against its lacrosse team would have instilled caution against ideological bias and heavy-handedness in responding to politicized debate by school administrators. But, alas, that apparently isn't the case.

ROY LIDDELL
Ridgeland, Miss.

Diversity is the last thing the privileged, upper-middle-class faculty and administrators who enforce these new orthodoxies are really invested in. As a student in Czechoslovakia in the late 1970s and early '80s, I saw with my own eyes how these types of people operate. Substitute "Marxist-Leninist indoctrination" for "diversity training," and you will see how George Orwell's insight in his great novel "1984"—that totalitarianism can proceed from the far left as much as the far right—is as relevant today as it was during the Cold War.

PROF. ALFRED THOMAS
University of Illinois at Chicago

From anti-Semitism to overt racial prejudice, our sinful natures are constantly on display. As for the Journal turning Paul Griffiths into a martyr, why does a paper that supports the party of Lincoln want to deny the appropriate study of race and racism? It is so unwise and unnecessary for the right to surrender this issue to the left. Surely the right wants to challenge racism as much as the left does.

THE VERY REV. DR. IAN S. MARKHAM
Dean and President
Virginia Theological Seminary
Alexandria, Va.

Young companies are less reliant today on public markets. The number of private-equity firms has exploded and they, along with venture-capital firms, are pouring money into new companies. Historically low interest rates have made borrowing attractive to startups. Robust private markets aren't a cause for hand-wringing—though they do cut into Nasdaq's bottom line. What's more, today's fewer IPOs are more stable and raise far more capital than those of the 1990s, as an EY report details. At the 1996 peak, 624 IPOs raised \$38 billion; in 2014, when IPOs last spiked to 291, they raised \$96 billion. The U.S. is still the preferred market for cross-border IPOs, and U.S. companies rarely list elsewhere. Let's not forget that many of the IPOs of the 1990s weren't sustainable; many flopped, harming investors and markets.

In short, there are many reasons for the drop in U.S. IPOs, but they are not necessarily bad, and red tape isn't one of them.

KEN BERTSCH
Executive Director
Council of Institutional Investors
Washington

Many Reasons for Decline in IPO Numbers

Regarding Adena Friedman's "Nasdaq's Blueprint for a New Era of Trading" (op-ed, May 4): The number of U.S. IPOs has little to do with overregulation, and the U.S. capital market for emerging companies is vibrant. The number of IPOs began falling in 1996, years before Sarbanes-Oxley (2002) and Dodd-Frank (2010) reset regulations. The JOBS Act (2012), meanwhile, made it easier for young companies to raise money privately. Moreover, shareholder proposals aren't a deterrent to startups. Large companies like Wells Fargo get most

The Russians Must Have Thought Clinton Would Win

"CIA Eyed Russian Links to Trump Campaign" (page one, May 24) reports that former CIA Director John Brennan testified on May 23 that in 2016 the Obama Central Intelligence Agency asked the Obama Federal Bureau of Investigation to investigate people close to the Trump campaign because Russian personnel were contacting Trump associates. The CIA reportedly was worried that Russia might be compromising those associates to the detriment of U.S. security. In the summer of 2016, Hillary Clinton was widely expected to win the Nov. 8 presidential election. If Russia was making efforts to curry favor with or compromise Trump campaign associates, would it not have been at least as interested in Clinton campaign associates?

JACK DAVID
New Hartford, Conn.

Mr. David was a deputy assistant secretary of defense 2004-06.

John Brennan and other Obama administration officials continue to conflate contact with collusion.

RICHARD A. CRANE
Chicago

Pepper ... And Salt

THE WALL STREET JOURNAL



"Wherever do you get your ideas?"

OPINION

The MacArthur Model for Afghanistan

By Erik D. Prince

Afghanistan is an expensive disaster for America. The Pentagon has already consumed \$828 billion on the war, and taxpayers will be liable for trillions more in veterans' health-care costs for decades to come. More than 2,000 American soldiers have died there, with more than 20,000 wounded in action. For all that effort, Afghanistan is failing. The terrorist cohort consistently gains control of more territory, including key economic arteries. It's time for President Trump to fix our approach to Afghanistan in five ways.

Consolidate authority into one person: an American viceroy who'd lead all coalition efforts.

First, he should consolidate authority in Afghanistan with *one* person: an American viceroy who would lead all U.S. government and coalition efforts—including command, budget, policy, promotion and contracting—and report directly to the president. As it is, there are too many cooks in the kitchen—and the cooks change shift annually. The coalition has had 17 different military commanders in the past 15 years, which means none of them had time to develop or be held responsible for a coherent strategy.

A better approach would resemble Gen. Douglas MacArthur's leadership of postwar Japan. Given clear multi-year authority, MacArthur made bold moves like repealing restrictive speech laws and granting property rights. Those directives moved Japan ahead by centuries. In Afghanistan, the viceroy approach would reduce rampant fraud by focusing spending on initiatives that further the central strategy, rather than handing cash to every outstretched hand from a U.S. system bereft of institutional memory.

Second, Mr. Trump should authorize his viceroy to set rules of engagement in collaboration with the elected Afghan government to make better decisions, faster. Troops fighting for their lives should not have to ask a lawyer sitting in air conditioning 500 miles away for permission to



Gen. Douglas MacArthur in occupied Japan, August 1945.

would have complete decision-making authority in the country so no time is wasted waiting for Washington to send instructions. A nimble special-ops and contracted force like this would cost less than \$10 billion per year, as opposed to the \$45 billion we expect to spend in Afghanistan in 2017.

Fourth, Mr. Trump needs to abandon the flawed population-centric theory of warfare in Afghanistan. The military default in a conventional war is to control terrain, neglecting the long-term financial arteries that fund the fight, and handicaps long-term economic potential.

The Taliban understand this concept well. They control most of Afghanistan's economic resources—including lapis, marble, gold, pistachios, hashish and opium—and use profits to spread their influence and perpetuate the insurgency. Our strategy needs to target those resources by placing combat power to cover Afghanistan's economic arteries.

We need to encourage the growth of legitimate industries to raise tax revenue while choking off the Taliban's sources of income. It's absurd that Afghanistan—which holds an estimated \$1 trillion worth of mineral resources—still doesn't have a mining law, after 15 years of American presence and “advice.” Our failed population-centric approach to Afghanistan has only led to missed opportunities, which is why Afghanistan depends on donors for 90% of government revenues. A smarter, trade-centric approach will boost Afghanistan's long-run viability by weaning it off donor welfare dependency.

Finally, Mr. Trump must not lose sight of the reason we became involved in Afghanistan: to deny sanctuary to those who want to destroy our way of life. The largest attack in U.S. history originated in Afghanistan. The terrorists killed 3,000 that day because they lacked the means to kill three million. The U.S. should adjust course from the past 15-plus years of nation building and focus on pounding the Taliban and other terrorists so hard that they plead for negotiation. Until they feel real pressure and know the U.S. has staying power, they will win.

Mr. Prince is a former U.S. Navy SEAL and the founder of Blackwater.

Why Do the Young Reject Capitalism?

By Warren A. Stephens

When did capitalism become anathema to young people—and why? About a year ago the Institute of Politics at Harvard released survey results showing that more than half of respondents between 18 and 29 do not support capitalism, the free-market system that underpins our economy. An astonishing one-third said they support socialism.

Clearly the tenets of capitalism are deeply and fundamentally misunderstood. No system has done a better job addressing the very issues that its critics think are important. Capitalism has stabilized our communities, created jobs, lifted people out of poverty, and empowered them to fulfill their dreams.

At the same time, they celebrate entrepreneurs and free enterprise. It's a curious disconnect.

Consequently, the merits of America's free-market system are inspiring economies around the world. According to the Pew Research Center's Global Attitudes and Trends study, a global median of 66%, from developing and advanced countries, believe people are better off under capitalism. This view is particularly prevalent in emerging economies like Kenya, Nigeria and Vietnam, where growth has been ignited by expansion of the free market. Yet here at home capitalism is now condemned as an elitist system that enriches a few at the expense of the many.

At the same time that young people are rejecting capitalism and free markets, they celebrate entrepreneurs and free enterprise. This disconnect is at best confusing; at worst it's troubling. Without access to capital, budding entrepreneurs see their ideas wither; without capital, there is nothing to fuel innovation. Capital is the lifeblood of our economy. It must flow freely to ensure the economy's vitality and health.

I recognize that young people have come of age during some troubled economic times. I suspect this contributes to their discontent and their misguided belief that government interference is the answer. In truth, government meddling is a large part of the problem. The Dodd-Frank Wall Street Reform and Consumer Protection Act, passed in 2010, has made it harder for firms to lend money and for small and mid-cap companies in particular to access the capital markets. The 2012 JOBS Act tried to make it easier for smaller companies to issue equity in the public markets, but it is not enough. My father, Jack Stephens, used to say, "A great idea never fails for lack of capital, because capital will always find it." Sadly, I'm not sure that's true today.

For proof, we need look no further than the growth of private equity, a direct result of the limitations placed on the public markets. Yes, private equity should be an option both for those seeking money and for those who wish to invest it. But we cannot ignore that private equity is a vehicle that excludes most investors. The result: Access to capital and the benefits of capitalism have been concentrated among too small a group, restricting opportunity on both sides. The very individuals and businesses the government purports to help have virtually no chance to participate in and benefit from the creation of great companies.

As we have seen from the stifling effects of increased regulation around capital markets, bigger and more powerful government is not the answer. The appropriate role of government is to provide the framework that allows capital to flow freely, in accord with the law of supply and demand. That is how jobs, businesses and wealth are created. The government would have no money to distribute or spend without the tax revenue generated from the jobs and businesses that are the fruit of our capitalist system.

By virtue of living in the United States, we are all capitalists. Every-day transactions—putting gas in our cars, buying groceries—are just as much a part of capitalism as financing growing companies and investing in ideas. I hope for a day when young people no longer reject that concept but revel in it. As a country, we need to reclaim our pride in capitalism and remember that the markets have the greatest power when they are free, and that free markets empower one and all, not just the few and the select.

Mr. Stephens is president and CEO of Stephens Inc.

Godzilla (the Fiduciary Rule) Ate the Rule of Law

By Eugene Scalia

Labor Secretary Alexander Acosta announced last week that he would let the controversial “fiduciary” rule take effect June 9. Respect for the rule of law, he explained, made further delay impossible without a new round of rule-making.

Although I disagree with Mr. Acosta's legal analysis, he is a serious lawyer whose commitment to the rule of law is to be admired. That commitment will face an even greater test in July, when Mr. Acosta and the Justice Department, under Attorney General Jeff Sessions, are due to make their first significant court filing defending the fiduciary rule.

Adopted by the Obama administration last year, the rule radically alters the responsibilities of brokers and insurance agents who service individual retirement accounts. Critics of the rule focus on how it will disrupt the financial-services and insurance industries, raising costs and reducing investors' options.

To a lawyer, though, what's most striking about the rule is that it's a regulatory Godzilla—an extraordinary example of disregard for limitations imposed by Congress and the Constitution.

To start, although the rule will transform the market for IRAs, the Labor Department has no authority to regulate IRAs. How, you might ask, is it regulating something that by law it may not?

Well, Labor has *deregulatory* authority with respect to IRAs—it can

lift restrictions that otherwise apply. So the Labor Department first adopted an overbroad definition of who is a fiduciary, essentially capturing all insurance agents and brokers who deal with IRAs. They automatically became subject to the restrictions Congress places on fiduciaries, effectively barring the receipt of commissions.

In its zeal to regulate IRAs, Obama's Labor Department creatively disregarded legal limits.

Then the department used its deregulatory authority to make insurance agents and brokers an offer they couldn't refuse: They could get commissions after all, if they complied with a raft of new requirements designed for IRAs. In this way the Labor Department made itself—not the Securities and Exchange Commission and not state insurance agencies—the principal regulator of financial professionals who service IRAs.

This is similar to a ploy the Environmental Protection Agency recently tried with greenhouse-gas emissions. The Supreme Court threw out the EPA's rule, remarking that an agency may not regulate based on “its own sense of how the statute should operate”—an apt description of what Labor did here. For those committed to the rule of

law, defending this sort of regulatory self-aggrandizement should be a very bitter pill.

As should this: A key issue in the fiduciary litigation is the Constitution's restriction on federal agencies' ability to create new grounds for people to sue. The Supreme Court held in 2001 that only Congress may create these private rights of action. “Agencies may play the sorcerer's apprentice,” Justice Antonin Scalia wrote, “but not the sorcerer himself.”

Congress created no private right of action in the statute governing IRAs. But the Labor Department devised a workaround: As a condition for the “deregulatory” relief that allows the receipt of commissions, firms must enter into contracts with customers in which they agree to be subject to class-action lawsuits. Presto—now, there's a private right of action.

In adopting the rule, the Labor Department justified this provision on the ground that the contract, not the regulation, contains the right to sue. But if that sleight of hand is allowed, federal agencies can create private rights of action at will simply by forcing businesses to sign customer contracts opening themselves to class-action liability and even punitive damages.

The fiduciary rule also attacks arbitration. The Federal Arbitration Act generally prohibits federal agencies and states from restricting the use of arbitration. But again the Labor Department used its contract requirement to flout Supreme Court precedent: Under the new rule, the contracts financial firms must enter with customers can't allow arbitration

of claims that could be brought as class-action lawsuits.

Arbitration restrictions like this ordinarily are anathema to Republicans—and to Mr. Sessions. In 2008 he joined a Senate report that said one antiarbitration bill would expose American businesses to “a rapacious trial bar.”

But now, in defending the fiduciary rule, the Labor and Justice departments may be paving the way for agencies to outlaw arbitration. A government agency that wants to ban arbitration could simply condition a license, or participation in a government program, on businesses' signing contracts with customers that invite class-action lawsuits that cannot be arbitrated.

This ploy wouldn't be limited to federal agencies. Under the Labor Department's theory, a state or local government could do away with arbitration tomorrow by making government permits or benefits contingent on forswearing arbitration with customers.

One of the biggest challenges for any new administration is contending with its predecessor's priorities and beginning to advance its own. This requires resolve and the dedication to principle that Mr. Acosta rightly extolled. In the weeks ahead, the Labor and Justice departments must give careful

thought to how, in defending the fiduciary rule, they could inadvertently be advancing a sweeping assault on the rule of law.

Mr. Scalia, a former solicitor of the Labor Department, is a lawyer representing clients in a legal challenge to the fiduciary rule.

Notable & Quotable: Hippo Crit

The abstract of “Ego Hippo,” a paper published in the academic journal Angelaki: Journal of the Theoretical Humanities, May 17:

This article explores the formation of a trinimal, hippopotamus alter-ego. Confronting transgender with transpecies, the author claims that his hippopotamus “identity” allowed him to (verbally) escape, all at once, several sets of categorization that govern human bodies (“gender,” “sexuality,” age). He starts with an account of how his metaphorical hippo-self is collectively produced and performed, distinguishing the subjective, the intersubjective and the social. The article

then investigates the politics of equating transgender and transpecies, critically examining the question of the inclusion of “xenogenders” in the trans political movement. Finally, the author returns to the magical power of metaphors, arguing that metaphors do materialize insofar as the flesh does not remain unchanged by them. Analogizing his hippo-self to a “cut” as theorized by Eva Hayward—a regeneration of the boundaries of the self—he offers a final crossing to the world of fiction by showing how the *His Dark Materials* trilogy outlines an aesthetics of porosity, which suggests that the self is, as much as a novel, a work of fiction.

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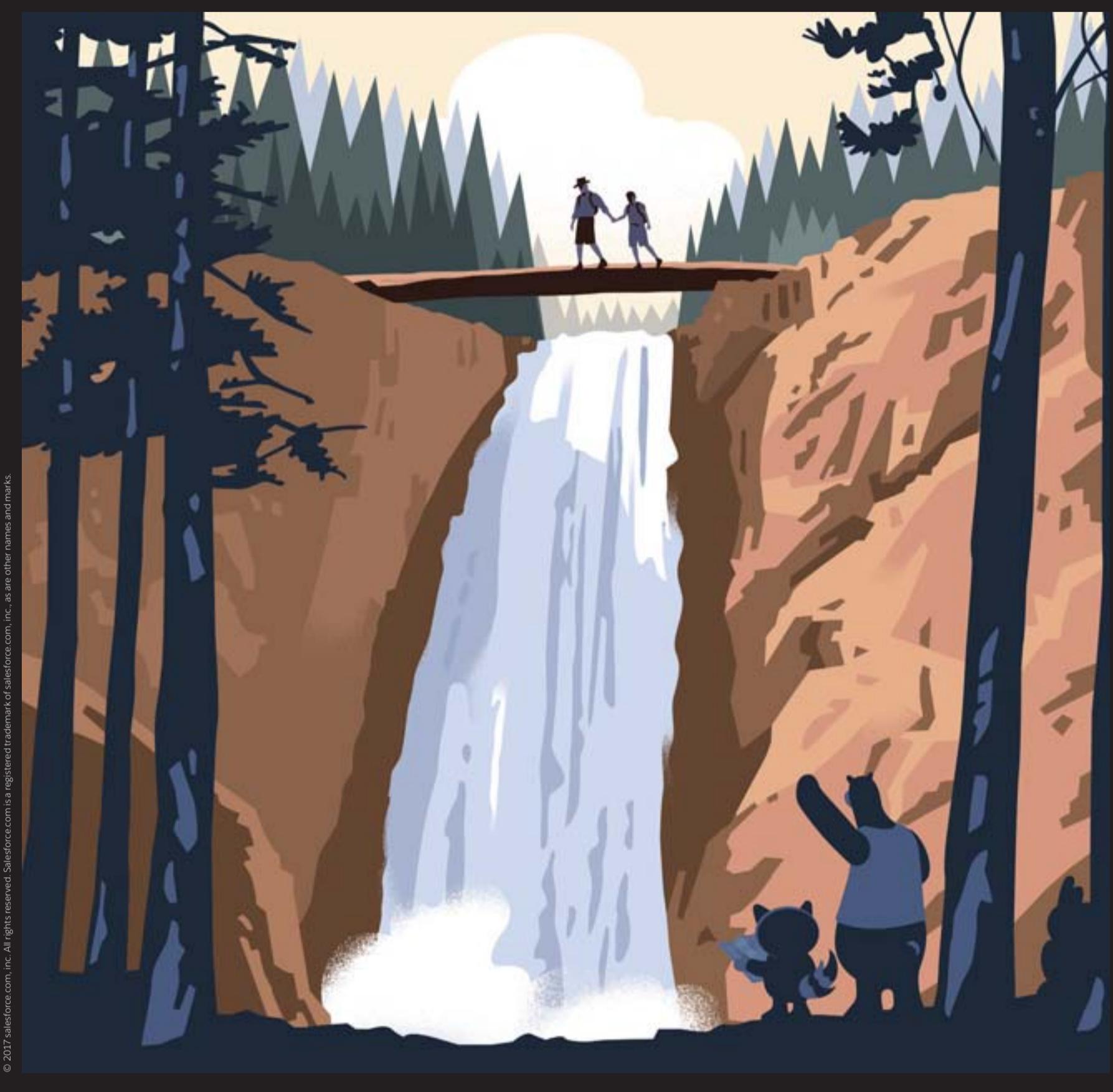
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Uber Loses Finance Head

By GREG BENINGER

Uber Technologies Inc. said its head of finance is leaving as the ride-hailing company reported continued big losses despite increasing revenue, adding to an exodus of top officials and setting the stage for a second major executive search.

The ride-hailing company on Wednesday told The Wall Street Journal that first-quarter revenue was \$3.4 billion, up 18% from the fourth quarter. Its loss, excluding employee stock compensation and other items, was \$708 million,

narrower than the \$991 million reported three months earlier.

The company, which has raised some \$15 billion in equity and debt funding, said it still has \$7.2 billion of cash left on hand, about the same as it had at the end of last year.

Uber is privately held so it isn't required to release financial results, but since April has begun offering a glimpse as it considers an eventual initial public offering. It didn't release year-earlier results. "The narrowing of our losses in the first quarter puts us on a good trajectory towards profitability," an Uber spokesman said.

Uber said its head of finance, Gautam Gupta, 37 years old, is leaving the company in July to join another startup in San Francisco. The company declined to disclose the name of the startup. Uber has begun a search for a chief financial officer with public-company experience as it looks toward an IPO, an executive familiar with the matter said.

"During my time here, I have been incredibly inspired by Uber's deep operational excellence—so much so that I have decided to give it a try myself," Mr. Gupta wrote to his finance team in an email re-

viewed by The Wall Street Journal. Chief Executive Travis Kalanick, in his own note to employees, thanked Mr. Gupta for his work at Uber.

Since 2015, Uber has been without a chief financial officer after Brent Callinicos took on an advisory role and left to join transportation startup Hyperloop One the following year. Mr. Gupta, who joined Uber in 2013, served under Mr. Callinicos as head of finance but wasn't elevated to the financial chief position.

Uber is now in the delicate position of hiring two top dep-

Please see UBER page B2

Paytm Soars, as India Shuns Plastic



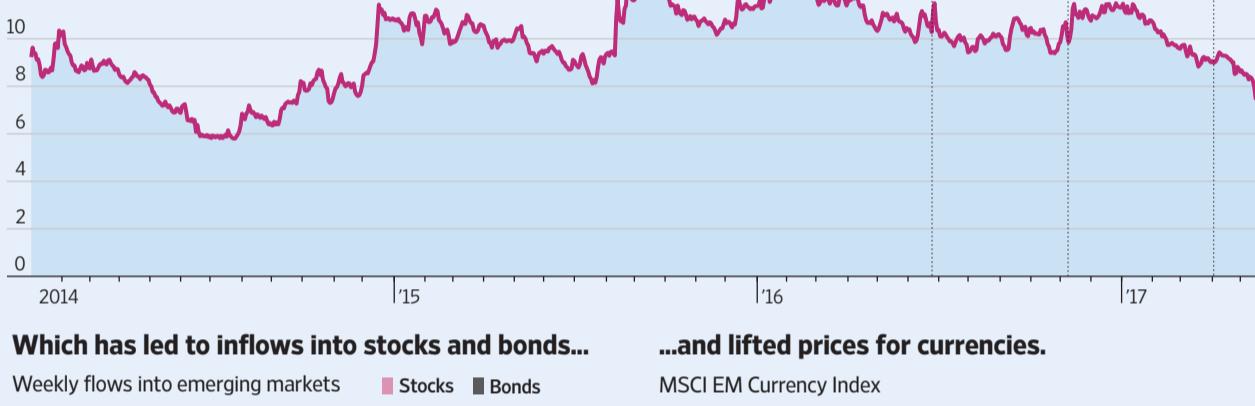
DHRUV SINGH/BLOOMBERG NEWS

UPWARDLY MOBILE: The mobile-payments app Paytm has left credit cards in the dust and is now taking on cash in India. B10

Coming Back

Volatility in emerging market currencies is near its lowest level in three years

J.P. Morgan Emerging Market FX Index



Which has led to inflows into stocks and bonds...



Sources: Thomson Reuters (FX index); The Institute of International Finance, EPFR (flows); MSCI (currency index)

...and lifted prices for currencies.



JBS Parent to Pay \$3.2 Billion Penalty

By LUCIANA MAGALHAES AND PAUL KIERNAN

SÃO PAULO—The holding company of JBS SA, the world's largest meatpacker, has agreed to pay what could be a record-setting penalty in exchange for leniency in sweeping corruption investigations by Brazilian prosecutors.

J&F Investimentos, which controls JBS and a host of other Brazilian businesses, said it would pay 10.3 billion reais (\$3.2 billion) over 25 years after admitting to paying roughly \$150 million—mostly in bribes—to politicians.

Among other favors, the graft guaranteed JBS access to billions of dollars in financing that funded an acquisition spree in the U.S. and other countries. J&F became the second Brazilian company in less than six months to reach a record-breaking corruption settlement, a fact that highlights both the rampant graft in Latin America's biggest economy and the vast scope of recent investigations to unmask it.

Construction giant **Odebrecht** SA agreed in December to pay \$2.5 billion to prosecutors in Brazil, the U.S. and Switzerland, in what the U.S. Justice Department then called "the largest foreign bribery case in history."

"This is an unprecedented

deal for Brazil and for the world—it shows the country is at a tipping point," said Rafael Alcadipani, a business professor at the Getulio Vargas Foundation, a higher educational institution.

JBS's shares rallied more than 9% on São Paulo's stock exchange Wednesday. While the two sides have yet to agree on a payment calendar, the settlement amounts to an average of 400 million reais a year, a fraction of the 170.4 billion reais in revenue that JBS reported in 2016. Celson Plácido, chief strategist at São Paulo investment firm XP Investimentos, said the lengthy payment term would minimize the impact on J&F's cash flow.

In exchange for cooperating with prosecutors, former JBS Chairman Joesley Batista and his older brother, Chief Executive Wesley Batista, skirted jail time, Brazilian prosecutors said. After details of the plea bargain became public, the younger Mr. Batista left Brazil for the U.S. on JBS's corporate jet, the company said.

Prosecutors said the brothers cooperated, handing over evidence that is being used to investigate Brazilian President Michel Temer, his predecessor Dilma Rousseff, and her predecessor Luiz Inácio Lula da Silva. The three leaders deny taking bribes from JBS.

PERSONAL TECHNOLOGY

By Geoffrey A. Fowler

How Not to Expose Yourself on the Web



You wouldn't walk naked through Times Square. Stop being naked online.

Your laptop and that smartphone grafted to your hand are double agents. What you look at, where you go and even what you say can be used to paint a portrait of you leaving you as exposed as the day you were born. Much of Silicon Valley wants you to think the price of using the internet is letting them data-mine your life.

This is a beginner's guide

to fighting back. It starts with a golden rule: When the product is free, that means you are the product. Your privacy is the cost of a free social network, free tax prep or free photo storage.

Defending your privacy doesn't have to mean throwing away your phone, quitting Facebook or wearing a tin foil hat. It is about making informed choices on what you share with whom—and blocking or lying when you feel they want too much.

Start by dedicating an hour to work through this

Please see FOWLER page B4

Diners Lose Taste for Pricey Burgers

As meals climb to \$13, some customers rethink appetite for fanciest toppings

By JULIE JARGON

The once-humble hamburger has become too fancy for its own good.

As the number of outlets serving "better" burgers—featuring nontraditional toppings and artisan buns—has skyrocketed over the past decade, so has the average burger tab, turning some customers off.

Brian Cockerline, a 20-year-old Rutgers University student, used to go to Five Guys for a burger once a week in South Plainfield, N.J. With fries and a drink, his tab was about \$13.

Now, he is cooking burgers at home instead.

"I like Five Guys, but I can buy ground beef and one onion and get pretty close to the same burger for half the cost," said Mr. Cockerline, who rarely goes to Five Guys anymore. "A hamburger, to me, is not a luxury," he said.

Five Guys declined to

comment.

Lunch traffic to quick-serve hamburger restaurants fell 5% last year—the biggest year-to-year decline that market-research firm NPD Group Inc. has recorded.

"It's not sustainable for them to expect people to show up and spend \$13 on a burger on a consistent basis," said Kurt Kane, chief concept and marketing officer at Wendy's Co., which is among the fast-food burger chains engaged in a price war to attract and keep their core, budget-conscious customers. Wendy's has a deal of four items for \$4.

Mr. Cockerline now mostly goes to Wendy's when he is too busy to cook—because he can't make a meal for any cheaper than \$4, he said.

The average lunch burger check—including fries and a beverage—has risen 22% since the financial crisis to \$5.83, with a 4% increase last year alone, NPD says.

Choices used to be limited to fast-food chains such as McDonald's Corp. and Res-

taurant Brands International Inc.'s Burger King, diners, or sit-down chains that served a range of other menu items.

In the 2000s, quick-serve restaurants such as Shake Shack Inc., Smashburger Master LLC and BurgerFi International LLC, specializing in making bigger burgers with fresh ingredients, began popping up.

The number of such outlets has nearly quadrupled in the U.S. since 2005 to more than 2,700, according to restaurant consultancy Technomic Inc.

Today, the fast-food and fast-casual burger business is estimated at \$82 billion in sales, says Technomic.

With so much competition and only so many ways to differentiate a burger, upstarts have been coming out with evermore gourmet ingredients, such as Wagyu beef, roasted garlic aioli and truffled arugula, which have raised the bar for burgers overall—and their price tag.

All restaurant tabs have

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INSIDE



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BEIJING STEERS YUAN'S BIG RALLY

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Source: Plate IQ
THE WALL STREET JOURNAL

Total burger cost = \$1.86
Average restaurant cost = \$9.00

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BURGER

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climbed in recent years as labor costs have risen largely because of state and local minimum-wage increases. The cost of eating out—especially when cooking at home has become cheaper—is a significant reason hamburger chains are seeing less foot traffic, NPD restaurant analyst Bonnie Riggs said.

Many burger places also have been placing a premium on their food. Those places have found they can beef up profits by charging extra for additional toppings.

"We've had a good 10% increase in average check over the last couple of years," said Andrew Wiederhorn, chief executive of **Fatburger North America** Inc. "Menu price increases are a piece of that, but 60% of it is from premium offerings we've added to the menu, like fried egg or guacamole."

A basic hamburger at the Los Angeles-based chain starts at \$5.94, but after adding bacon and chili, it is \$8.14. With fries and a drink, the combo totals \$13.37.

The Habit Restaurants Inc. has raised overall prices in response to rising labor costs and has added higher-priced items such as a Portabella

Charburger, which at \$4.75 costs \$1.40 more than the original Charburger. With fries and a medium drink, it comes to \$8.75.

Some traditional fast-food chains have struggled to attract customers who have migrated to places serving more gourmet food. McDonald's recently adopted a back-to-basics approach after years of chasing health-minded customers with products such as salads and fruit smoothies. It had neglected its burgers and recently found that only one in five millennials had ever tried its signature Big Mac.

The burger giant has been trying to improve its burgers by adjusting temperatures and cook times to deliver hotter, fresher burgers. Next year, it plans to make its Quarter Pounders with fresh, instead of frozen, beef. It is also rolling out customizable burgers from a "Signature Crafted" menu to compete with the "better" burger places, but at a lower price.

Burger King's deals include two cheeseburgers, a small order of fries and a small drink for \$3.29 at participating restaurants. McDonald's has experimented with value meals, such as two items for \$5. Wendy's created its four-for-\$4 menu because it found that, on average, people only have \$4 to \$6 to spend on lunch each day.

Top of the Bun

The smaller burger chains have been growing fast, but the major fast-food burger chains still boast the most sales.

BURGER CHAIN U.S. RESTAURANT SALES (2016)

	\$36.4 billion
McDonald's	
Burger King	9.4
Wendy's	8.9
SONIC Drive-In	4.5
Jack in the Box	3.5

Source: Technomic

THE WALL STREET JOURNAL.

RISK

Continued from the prior page
cal economic reforms.

Sudden market downturns in Turkey, South Africa and Mexico earlier this year sent those nations' currencies reeling, but in each instance investors returned to these markets not long afterward.

One draw for developing economies has been the carry trade—the practice of borrowing money in the currencies of nations with low bond yields and then buying currencies of nations with high ones to pocket the difference. The tactic thrives when currency price movements are low because a trader is less likely to be forced out of a position due to big fluctuations.

In one popular version of the carry trade, investors borrow in dollars and use the proceeds to buy Mexican pesos or

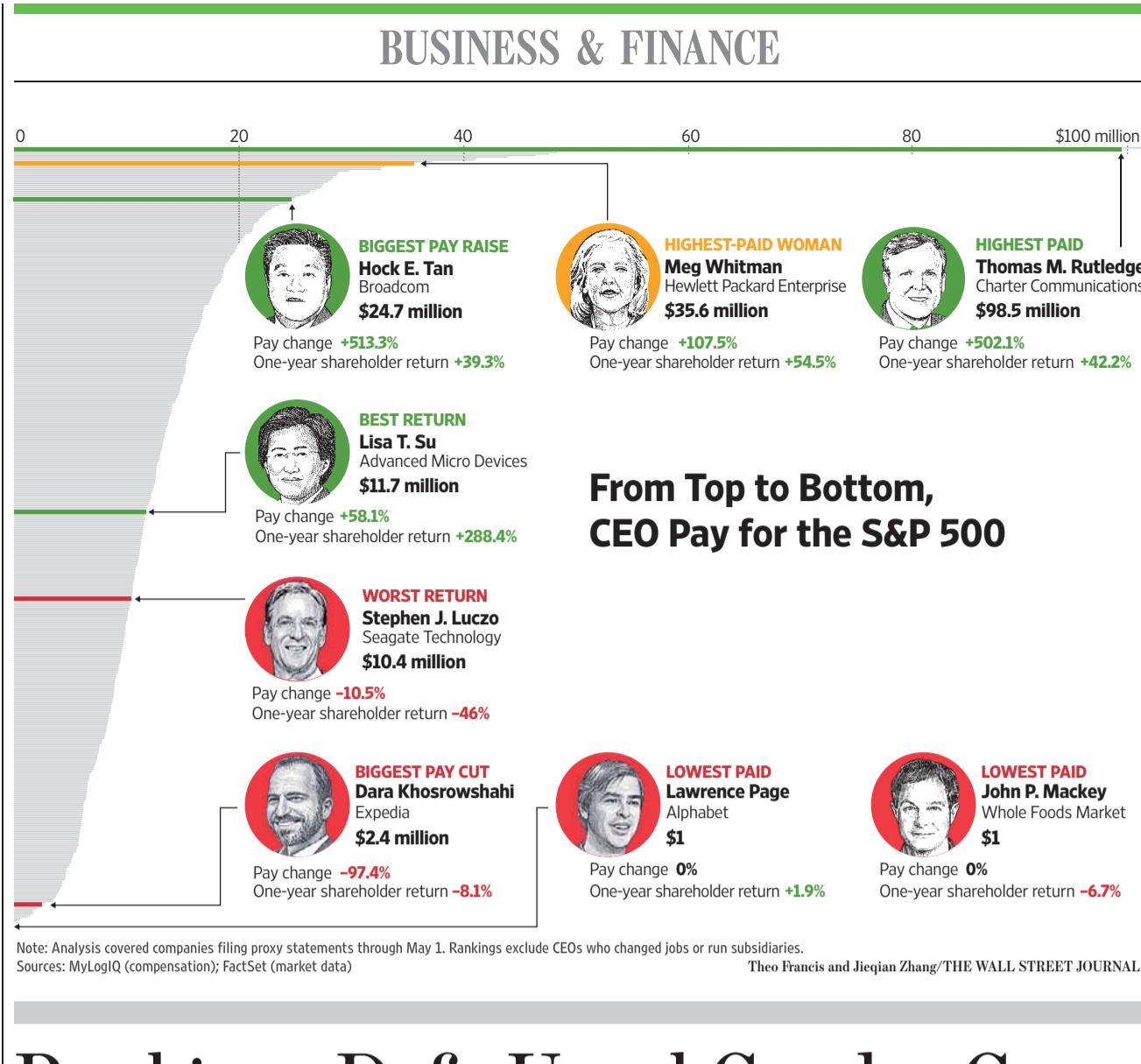
Brazilian reais. If the exchange rate between the dollar and peso or real remains stable, investors can profit from the difference between lower U.S. and higher Mexican or Brazilian yields.

But a plunge in the currency of the higher-yielding nation can hammer carry traders, who often use leverage to amplify returns. The real fell 7% on May 18, potentially wiping away many months of profits.

Some investors say even if they are hesitant to pile back into a developing market during a period of political uncertainty, they are less worried than before that declines in one market will spark a broader sell-off. In the past, investors have tended to sell emerging markets as a group during times of political or economic uncertainty.

"You get shocks, but they're not persistent, and they're not contagious," said Kit Juckles, a strategist at Société Générale.

Continued from the prior page



From Top to Bottom, CEO Pay for the S&P 500

Rankings Defy Usual Gender Gap

BY JOANN S. LUBLIN

Women in command of America's biggest businesses are reaping rich rewards.

In an unusual reversal of the gender pay gap, female chief executives at some of the largest U.S. companies repeatedly outearn their male counterparts. Last year, 21 female CEOs received a median compensation package of \$13.8 million, compared with the \$11.6 million median for 382 male chiefs, according to a Wall Street Journal analysis of S&P 500 leaders who held the job a full year.

Women in the corner office of the biggest U.S. firms made more money than men in six of the last seven years, though the gap has narrowed since 2014. The disparity reflects strong performances at businesses run by women—plus the fact that superstar women tend to land the top job, according to executive pay and leadership experts.

"Boards don't want to shortchange their female CEO in today's environment, when pay equality is such an issue," said Robin Ferracone, head of Fariant Advisors LLC, which advises board compensation committees.

The total number of women running S&P 500 companies was 28, including seven women who retired or held the job less than a year. The number was the same as the preceding year,

and remains at roughly 5% of CEO ranks overall. Most of the 21 female leaders ascended within their company rather than getting recruited.

Three of the 10 highest-paid executives in the overall sample are women, a new high in the Journal study's 28-year history. They are Meg Whitman at **Hewlett Packard Enterprise** Co., Virginia "Ginni" Rometty at **International Business Machines** Corp. and Indra Nooyi at **PepsiCo** Inc.

S&P 500 businesses now run by women generated a median total shareholder return of 18.4% in 2016, compared with 15.7% for those commanded by men. Returns at female-led firms outperformed male-run companies in three of the previous five years. Total shareholder return measures changes in a company's stock price and dividend payments.

"The board of a company with excellent shareholder returns and operational results likely will reward the CEO more, regardless of gender," said Irv Becker, an executive-pay specialist for Hay Group, a unit of recruiters Korn/Ferry International.

At **HP Enterprise**, which posted a total return of about 55%, Ms. Whitman earned \$35.6 million during the year ended Oct. 31. The technology giant emerged from **Hewlett-Packard** Co.'s 2015 split into two businesses. The CEO made double the \$17.1 million she

earned a year earlier while running the combined firm.

Ms. Whitman's latest package included a special equity grant tied to the debut of HP Enterprise. Aside from such one-time items, "Meg's target compensation has remained unchanged over the past three years," a company spokeswoman said, describing part of her package.

Mylan NV had the lowest one-year return among women-led concerns, posting

Female CEOs at the biggest U.S. firms are outearning their male counterparts.

-29%. The drugmaker faced a furor over hefty price increases for its lifesaving EpiPen. Longtime CEO Heather Bresch received \$13.8 million last year, down from \$18.9 million the previous year.

"We place a clear emphasis on variable, performance-based compensation," with about two-thirds of Ms. Bresch's 2016 annual target compensation tied to performance, Mylan's proxy statement said. Mylan declined to comment further.

Certain female chiefs earned hefty pay packages because they're trying to transform their employers. "Turn-

around CEOs always get a premium because a turnaround is hard," said Jan Koors, a senior managing director for Pearl Meyer, a compensation consultancy.

As their pay packages reach the highest tier, some female CEOs are coming under additional shareholder scrutiny. Consider Ms. Rometty. IBM's leader is trying to offset waning older businesses with younger ones such as cloud computing, but revenue fell for the 20th consecutive quarter during this year's first three months.

IBM paid Ms. Rometty \$32.7 million last year, up from \$19.8 million a year earlier. Her 2016 package included 1.5 million stock options, which she can't fully exercise unless IBM's stock price increases as much as 25%, according to its proxy.

But Ms. Rometty can keep those options for 10 years. "There's very little downside risk," said Aeisha Mastagni, a portfolio manager for California State Teachers' Retirement System, which owns 2.2 million IBM shares. "It's not like she has been underpaid under her tenure as CEO."

Many IBM shareholders consider Ms. Rometty overpaid. About 46% of votes cast at this spring's annual meeting opposed the firm's executive pay practices. Directors will review results of the 2017 shareholder votes "as they do every year," an IBM spokesman said.

leased next week.
The company is also contesting a lawsuit by Google parent Alphabet Inc. over alleged trade-secret theft that led to the firing of the former head of its self-driving car division, Anthony Levandowski. Mr. Levandowski hasn't responded to requests for comment about his case or his firing.

At the same time, Uber faces a federal probe into the use of a software tool it designed to thwart regulators from cracking down on drivers, and in recent weeks it said it had shortchanged drivers in both Philadelphia and New York City by a combined tens of millions of dollars because of faulty accounting. Uber has declined to comment on the federal probe.

Beyond putting to rest the controversies, Uber will likely need to iron out a business model that led to at least \$2.8 billion in losses last year, equivalent to nearly half its reported \$6.5 billion in sales.

The loss figure excluded a series of items including results from Uber's business in China, which was losing about \$1 billion a year and which it agreed to sell last summer to rival Didi Chuxing Technology Co.

Uber generates revenue by taking a cut—generally 25%—of a driver's fares. Its gross bookings, which include the ride-hailing business, UberEats food delivery and Uber Freight, a new trucking division, rose 8.7% to \$7.5 billion in the quarter ended March 31.

Uber's revenue growth rate, however, fell between quarters to 18% from 74% in the fourth quarter. Uber says the final three months of the year are its busiest.

Some investors say even if they are hesitant to pile back into a developing market during a period of political uncertainty, they are less worried than before that declines in one market will spark a broader sell-off. In the past, investors have tended to sell emerging markets as a group during times of political or economic uncertainty.

So far this year more than a dozen executives and top managers, many reporting to Mr.

BUSINESS NEWS

Investors to Exxon: Heed Climate

Shareholder vote backs 'stress test' of oil assets amid tough environmental rules

BY BRADLEY OLSON

DALLAS—**Exxon Mobil** Corp. shareholders delivered a significant rebuke to the oil giant Wednesday, calling for the company to share more information about how climate change and regulations could affect its operations.

The climate proposal won the support of 62% of shareholders who cast ballots at Exxon's annual meeting, evidence that investors see climate change as a major risk that warrants greater transparency from oil-and-gas companies.

Vanguard Group and **BlackRock** Inc., Exxon's two largest shareholders, supported the measure, people familiar with the votes said. The proposal pushes Exxon to conduct a climate "stress test" to measure how regulations to reduce greenhouse gases and new energy technologies could impact the value of its oil assets.

The Exxon vote came amid reports that President Donald Trump was leaning toward pulling out of the 2015 Paris accord to restrict carbon emissions and counter rising temperature. The president said on Twitter Wednesday morning that he would make his determination "over the next few days."

Exxon has stepped up its climate disclosures in recent



Exxon-operated oil facilities in Fawley, U.K. The company's CEO expressed confidence in the 'commercial viability of our portfolio.'

years, stated its commitment to the Paris climate pact, named an environmental expert to its board and worked to cut emissions in its operations.

The company, which recommended shareholders vote against the proposal, met with about 25% of its shareholders prior to the meeting to discuss their concerns, which included climate vulnerabilities.

"We're confident in the commercial viability of our portfolio," Exxon Chairman

and Chief Executive Darren Woods said Wednesday. Mr. Woods said the company would "step back and reflect on the vote" and how it could better express its position.

"This is a turning point," said Anne Simpson, the investment director for sustainability at the California Public Employees' Retirement System, the nation's largest pension fund, which supported the proposal. She said the vote "demonstrates that investors are

seeking strong reporting and scenario analysis to better understand the risks and opportunities of climate change."

In 2014, Exxon produced a climate-related report saying that none of its assets were at risk of being stranded or left untapped due to climate change. The company has consistently said that energy demand will rise through 2040 as people around the world, particularly in emerging nations, join the middle class.

At the annual meeting, an estimated 68% of investors voted for the company's pay practices, a decline from about 90% in previous years. Proxy-advisory firm Institutional Shareholder Services said the company's goals aren't specific enough and grants to executives lack performance criteria.

Both votes on Wednesday are nonbinding, and the tallies are preliminary.

—Sarah Krouse contributed to this article.

CNN Fires Kathy Griffin Over Photo

BY MARIA ARMENTAL

CNN fired comedian Kathy Griffin from its New Year's Eve program Wednesday amid backlash after she appeared in a photo holding a faux bloody severed head of President Donald Trump.

Ms. Griffin has co-hosted the show with Anderson Cooper since 2007, CNN said. She initially defended the photo shoot, tweeting that she didn't condone violence and was "merely mocking the Mocker in Chief." But Ms. Griffin changed her stance as criticism mounted across the political spectrum.

"I went way too far," Ms. Griffin said in a video Tuesday afternoon. "The image is too disturbing...I was wrong." She wasn't immediately available for comment Wednesday.

CNN said Wednesday that it had terminated Ms. Griffin's agreement to appear on the New Year's Eve show. Mr. Cooper denounced Ms. Griffin's photos, tweeting that he was "appalled by the photo shoot Kathy Griffin took part in. It is clearly disgusting and completely inappropriate."

In response to the photos, Mr. Trump tweeted that "Kathy Griffin should be ashamed of herself. My children, especially my 11 year old son, Barron, are having a hard time with this."

New Megyn Kelly Show to Offer Mix



BY JOE FLINT

Megyn Kelly wants a more balanced diet.

With her new NBC News magazine show "Sunday Night with Megyn Kelly," the former Fox News prime-time anchor is looking to expand beyond the latest political battlegrounds and constant scrutiny of the Trump administration.

"One of the things I didn't like about my old job was it was all politics," Ms. Kelly said in an interview. Her NBC program, which makes its debut at 7 p.m. this Sunday, won't be "all red meat" and will have "more balance" on the plate, she said.

The show, which will run in the summer until NBC's Sunday night football coverage kicks off, will be a mix of personality profiles as well as news that goes beyond the Beltway. It will run for 10 episodes and return next year, most likely in March after the network finishes its Winter Olympics coverage.

David Corvo, senior executive producer of Ms. Kelly's show, said the program will mostly steer clear of politics as well as true crime, which is a staple of NBC's "Dateline" and CBS's "48 Hours."

"Megyn is a fantastic interviewer," Mr. Corvo said. "You will see a show that has her spirit."

Among the stories in the works are profiles of J.D. Vance, author of the memoir "Hillbilly Elegy," and sports-caster Erin Andrews.

The shift away from politics is a notable one for Ms. Kelly, who was one of the most-watched personalities for her 12 years on Fox News until her exit in January. She became known even more widely after she challenged Donald Trump on his treatment of women at a Republican presidential debate in 2015.

In an interview, Ms. Kelly said she didn't miss focusing on the Trump White House every night. The media, she said, is often "overreacting to everything he does," adding, "if everything is catastrophic then nothing is catastrophic."

Ms. Kelly will host each show, and Mr. Corvo hopes she will have a piece in every episode. Other correspondents on the show will include Cynthia McFadden, Harry Smith and Keith Morrison.

Boeing Seals Deal For Funds From Italy

BY DOUG CAMERON

Boeing Co. has sealed a deal for Italy's export credit agency to provide an initial \$1.25 billion a year in guarantees for jetliner sales, partly to fill the void left by the **U.S. Export-Import Bank**.

Airlines use guarantees from export credit agencies to secure cheaper commercial funding, but the U.S. Ex-Im has been closed to deals valued at more than \$10 million since July 2015 as some lawmakers blocked the appointment of a new board.

During the height of the financial crisis, export-credit agencies supported as much as 30% of commercial aircraft deliveries. The total has fallen to less than 5% as Ex-Im remained on the sidelines and agencies in the U.K., Germany and France that back **Airbus** SE deals also halted new business because of a probe into alleged corruption.

While President Donald Trump has in recent weeks reversed his prior opposition to the Ex-Im, sales supported by overseas agencies would provide additional options for Boeing customers that find it tough to secure commercial finance.

The new pact with Italy's **Sace** SpA is the first between Boeing and an overseas export credit agency and provides a template for the company to secure similar deals with other countries that supply large parts of its jetliners, said Jon Byron, an aviation financier at Apple Bank.

Sace's involvement reflects the role of Italian companies such as Leonardo SpA in providing parts for Boeing jets,

\$1.25B

How much Italy will provide a year in guarantees for jetliner sales.

which Sace said supported 12,000 jobs in the country. It sealed its first deal in May with guarantees for three 737-800 planes acquired by Turkey-based SunExpress. Boeing's best-selling jet has a list price of \$98 million, though airlines typically secure large discounts.

U.K. Export Finance, Britain's state-owned export agency that has long backed sales of Boeing jets powered by Rolls-Royce Holdings PLC engines, is expanding its offerings. Other countries with large Boeing suppliers—such as Japan and South Korea—are expected to follow the path taken by Italy, said bankers.

Boeing declined to comment on any pending agreements with other agencies but said the Sace deal provided an alternative for some customers, even as the company continues to push for Ex-Im to be reopened for large deals.

INVEST IN THE FUTURE OF SECURITY

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FOWLER

Continued from page B1
checklist. You'll find Quick Fixes below, but for Deeper Dives and handy links, read this column at wsj.com/tech.

Share less

Why It Matters: Take a lesson from Kim Kardashian, who was robbed in Paris last year after posting her whereabouts on social media: The less you put out there, the fewer chances it might be used against you. Don't simply accept the defaults for sharing your information with people—or advertisers.

Quick Fix: Besides posting less needlessly revealing information, you should locate Facebook and Google's "privacy checkup" tools. Facebook's lets you adjust post visibility, app activity (some of which you might want to delete) and basic personal details. Google's My Account checkup lets you manage what you share on YouTube and the Photos app, and whether Google saves your web activity, voice commands and locations.

Quick Fix: Most smartphones don't have simple privacy checkups. (Get on it, Apple and Android!) So do it yourself by deleting apps you no longer use, then looking through your phone's privacy settings. Some apps have unnecessary access to sensitive information such as contacts and location. Uber, for one, overreaches by asking to track your whereabouts at all times.

Block your browser

Why It Matters: Web browsers not only download your favorite cat videos and tech columns, but also invisible trackers. (Trackers are common across many sites, including wsj.com.)

Quick Fix: Use a tracker-blocking browser plug in. They look inside the code on webpages for known tracking or snoopy behavior. These aren't necessarily about



RICHARD BORGE

blocking ads, just stopping tracking you didn't consent to.

I use a free one for Chrome and Firefox called Privacy Badger, built by the nonprofit Electronic Frontier Foundation. If Privacy Badger breaks websites you use often (by blocking essential elements along with ad trackers), consider the free Disconnect.Me or Abine Blur, which mess up websites less frequently, but nudge you toward premium subscriptions.

Ask to remove data

Why It Matters: A privacy census like I described in last week's column might reveal there is already a lot of information about you on people-search, data-broker and social-media sites. The tricky part is, websites are often protected by the freedom of speech, so you have to ask to get your information taken down.

Quick Fix: Photos of you posted by Facebook friends are one of the social network's biggest privacy loopholes. But you have the power to remove your name from a photo posted by somebody else. Pull up the photo, tap the menu then

"remove tag." Tap "I don't like this photo" to request it be taken down entirely.

Quick Fix: Opt out of people search and data brokers. Many, including FamilyTreeNow.com and Spokeo, will remove records if you ask. Just don't reveal more info than you have to when requesting data removal. (Aboutthe-data.com, from major data broker Axiom, requires the last four digits of your Social Security number, but the company is legitimate.) And if any of these sites have incorrect data about you, don't correct it.

Use pseudonyms

Why It Matters: Many sites and services don't actually need your real name, birth date or email address—so don't give it to them.

Quick Fix: Security pros I know list their birthdays as Jan. 1. Make an email address or two you use just for junkie websites. Or make up a pseudonym, particularly if you want to comment on politics and don't want it traced back to your employer. (It worked for Alexander Hamilton.) Many parents also use code names for their children in social-media posts.

Cloak yourself

Why It Matters: Someone with access to your internet connection could spy on you.

Quick Fix: Your biggest risk is at a public Wi-Fi hot spot, like at the airport, where hackers might lurk. A virtual private network (VPN) encrypts and reroutes all your laptop or phone traffic, making it harder for snoops. Many employers provide VPNs, so start there. Be careful with VPNs marketed to consumers. You have to trust them to protect your data and fend off hackers. Security and privacy advocates I know like F-Secure Freedome, the pricey but easy-to-use VyprVPN by GoldenFrog and London Trust Media's Private Internet Access.

You may even want to use a VPN at home. The Federal Communications Commission raised ire recently by changing its rules to allow your internet service provider to track you and make money from the data, like Facebook. But I don't recommend using a VPN at home yet, because it can slow down your connection and may not play well with streaming services like Netflix.

China Rolls Out Cybersecurity Law

By ALYSSA ABKOWITZ

In the weeks leading up to June 1, Chinese authorities also introduced new provisions, such as the implementation of criminal sanctions if companies breach or ignore data-protection laws, and a requirement that firms gain consent before using cookies in China, according to law firm DLA Piper.

As a result, some companies in China aren't sure how they are supposed to implement the law.

"Some requirements are new and so far stipulated in vague terms that likely will be supplemented over time," said Paul McKenzie, managing partner at the Beijing office of law firm Morrison Foerster LLP.

Some companies are having a hard time assessing the impact because Chinese authorities are still working on regulations to implement the law, which is written vaguely.

For example, measures to comply with the law's mandates for data storage and the protection of user information are still being "perfected," a Cyberspace Administration of China spokesperson said during a news conference, a transcript of which is posted on its website Wednesday.

—Eva Dou contributed to this article

Toshiba Acts to Speed Sale

TOKYO—Fighting to survive, **Toshiba** Corp. made a legal concession to **Western Digital** Corp. in a bid to accelerate the sale of the Japanese technology company's lucrative memory-chip unit.

Toshiba, whose flash-memory clients include **Apple** Inc. and **Nintendo** Co., said it would keep part of the unit's assets in house, which it said would prevent Western Digital from carrying out its threat to block a sale of the unit to a third party.

Such claims "are now moot," Toshiba's lawyers said in a letter dated Wednesday to Western Digital's lawyers.

A Western Digital spokesman said he couldn't immediately comment.

The sale could bring in \$20 billion or more, analysts have said. That would cover losses at Toshiba's nuclear affiliate, **Westinghouse Electric** Co., which filed for chapter 11 bankruptcy protection in March.

Toshiba's chip business includes a venture originally concluded with SanDisk Corp. Western Digital took over SanDisk's stake when it acquired SanDisk last year. It says it has the right to block any effort by Toshiba to sell its chip unit.

Toshiba said that even if those rights exist—a point it disputes—they would be triggered only by a sale of the assets that Toshiba now says it will hold onto.

—Mayumi Negishi

The Wrong School Could Cost You a Lot More Than Money

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6/7/2017 | NYU Law School

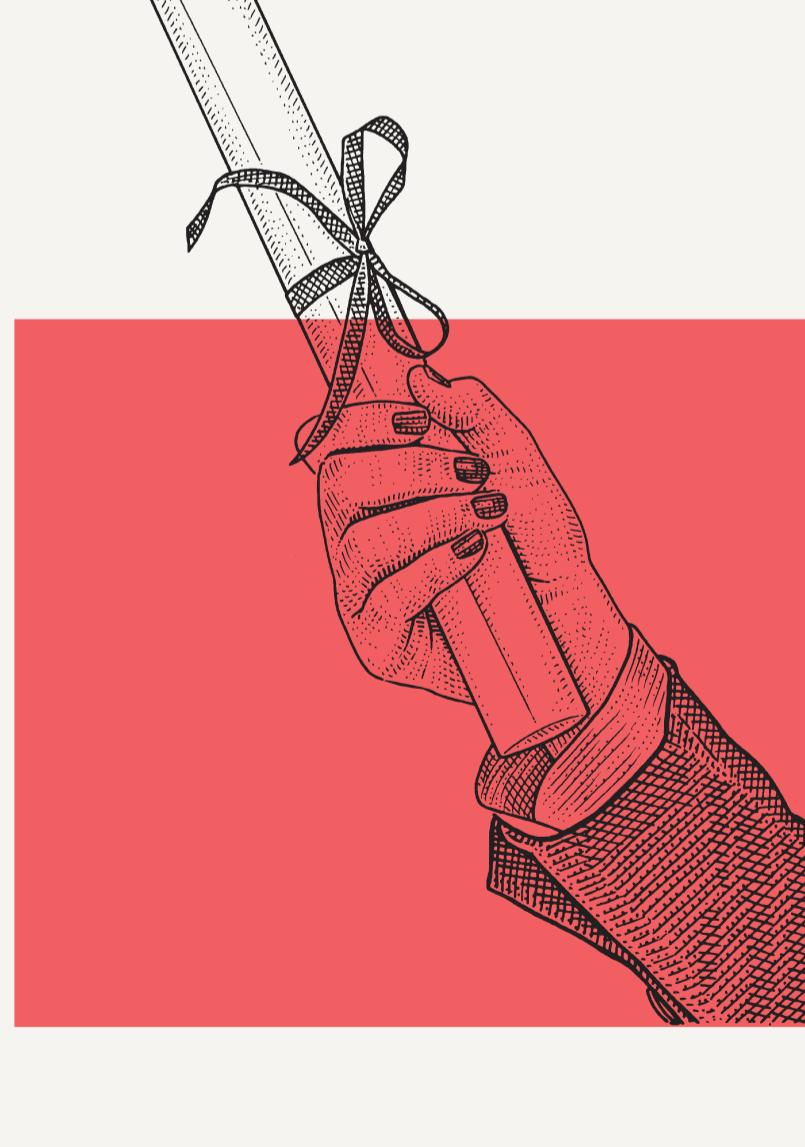
With so many schools to choose from and so many factors to consider, learn how to narrow the field with tips on researching schools effectively and identifying what really matters. We'll also explore how to impress admissions officers and how to navigate financial aid, scholarships and loans.

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BUSINESS NEWS

You're Getting a Master's in What?

From fashion to church management, schools expand their range of graduate offerings

BY KELSEY GEE

To court a generation of M.B.A.-skeptics, business schools are creating narrowly tailored degree programs designed to help young professionals hone their skills for specific industries and job functions.

At Villanova University, students can earn a master's in church management. An M.B.A. program at the University of

BUSINESS EDUCATION Minnesota's Carlson School of Management is restricted to current and former congressional staffers.

At Indiana University's Kelley School of Business, National Football League players can enroll in a program designed to help them transition to new careers. And starting next spring, students at New York University's Stern School of Business will embark on a one-year program in fashion and luxury goods management.

As enrollment in general management programs across the U.S. declines, universities have augmented their graduate offerings with shorter, more specialized courses, while making the traditional M.B.A. more flexible for students with full-time jobs. Enrollment in specialized graduate business programs doubled from 2006 to 2016, according to a survey of 334 schools by the Association to Advance Collegiate Schools of Business, which oversees hundreds of such programs to ensure they meet educational standards.

"The traditional, two-year M.B.A. is a loss leader now for most business schools," said Brian Cameron, the associate dean for professional master's programs at Pennsylvania State University's Smeal College of Business. He estimates that a



Kim Corfman is a professor of marketing and academic director of a fashion-focused program at New York University's Stern School of Business.

new degree can cost the university around \$500,000 to design and implement, even for programs that run exclusively online. Specialized programs like supply-chain management and marketing analytics are now a significant source of the business school's income, he said.

"With freezes on further increases in tuition, these specialized programs are the only mechanism that universities have to generate incremental revenue," he said. While tuition costs across graduate-degree programs have steadily increased in the past decade, some schools like Smeal have worked to hold prices steady, and others like Arizona State University's W.P. Carey School have experimented with offering their M.B.A. free of charge.

While the most popular specialty programs offer degrees in areas like finance, accounting

and marketing, deans say the trend toward greater specialization will persist, driven by demand from young professionals for skill-based education and growing competition from for-profit online schools and computer-coding boot camps.

Andy Rudd, a 28-year-old former product manager at New York City-based startup Dataminr, decided to enroll in the one-year technology-focused M.B.A. at Cornell University's SC Johnson College of Business this spring.

Mr. Rudd will attend classes on Cornell's new technology campus, a two-million-square-foot site on Roosevelt Island in New York City slated to open Aug. 1. His courses will cover topics such as startup finance and digital marketing, some of which are also available to students in the school's graduate programs in engineering and

law. The collaboration across disciplines was part of the program's allure for the aspiring entrepreneur.

Villanova University's business school never offered a full-time M.B.A., but strategic partnerships with the Archdiocese of New York and other cities and strong student demand have helped its master's in church management program balloon from seven students to 64 in the past four years. Tuition for the two-year program is \$28,800.

Kim Corfman, a professor of marketing and academic director of NYU Stern's new fashion-focused program, says the new degree is a good fit for the school, given classes like "Luxury Marketing" and "Next Generation Fashion" that the school already offered to M.B.A. students. At roughly \$96,000 for tuition and fees, the pro-

gram is a less costly investment for students than Stern's \$138,000 two-year M.B.A. Ms. Corfman says the coursework attempts to strike a "delicate balance" between teaching theory and providing the kind of real-life experience that students can gain less expensively on the job.

Even as the experimentation helps to fill lecture halls, some deans caution that introducing new master's programs could backfire, if it creates a glut of specialized programs.

"In what other industry would you handle the problem of shrinking demand for your product by growing the supply?" said Andrew Ainslie, dean of the University of Rochester Simon Business School in N.Y., which offers four specialized master's programs and multiple part-time programs, in addition to a full-time M.B.A.

BUSINESS WATCH

FRONTLINE

Tanker Fleet Talking To Gener8 Maritime

Frontline Ltd., the tanker company owned by Norwegian billionaire John Fredriksen, is in talks to buy or merge with U.S.-listed **Gener8 Maritime** Inc., people with knowledge of the matter said.

The deal would create the world's biggest tanker fleet, with 43 very large crude carriers in operation. One person familiar with the matter said talks were progressing, but there was no guarantee a deal would be reached.

Mr. Fredriksen told The Wall Street Journal on Tuesday that the company would likely drop a campaign to buy Oslo-based rival **DHT Holdings** Inc. after an improved offer of \$765 million was rejected. He said he was looking instead at buying another operator that ran at least 20 very large crude carriers, known as VLCCs. Gener8 operates 23 such vessels.

Gener8 has a market capitalization of \$407 million. Frontline has a market value of about \$950 million.

—Costas Paris

MICHAEL KORS HOLDINGS

Discounting Pinches Full-Price Stores

Michael Kors Holdings Ltd. said Wednesday that it would close 100 to 125 of its full-price retail stores amid increasing pressure from deep discounting

across the industry.

The luxury-handbag seller said the closures would occur over the next two years and that it expects to record a \$125 million charge.

Michael Kors said it had 614 full-price stores as of April 1.

The London-based company said the closures would "right-size" its fleet and produce \$60 million in annual savings. But it doesn't expect sales to grow in 2018.

—Imani Moise

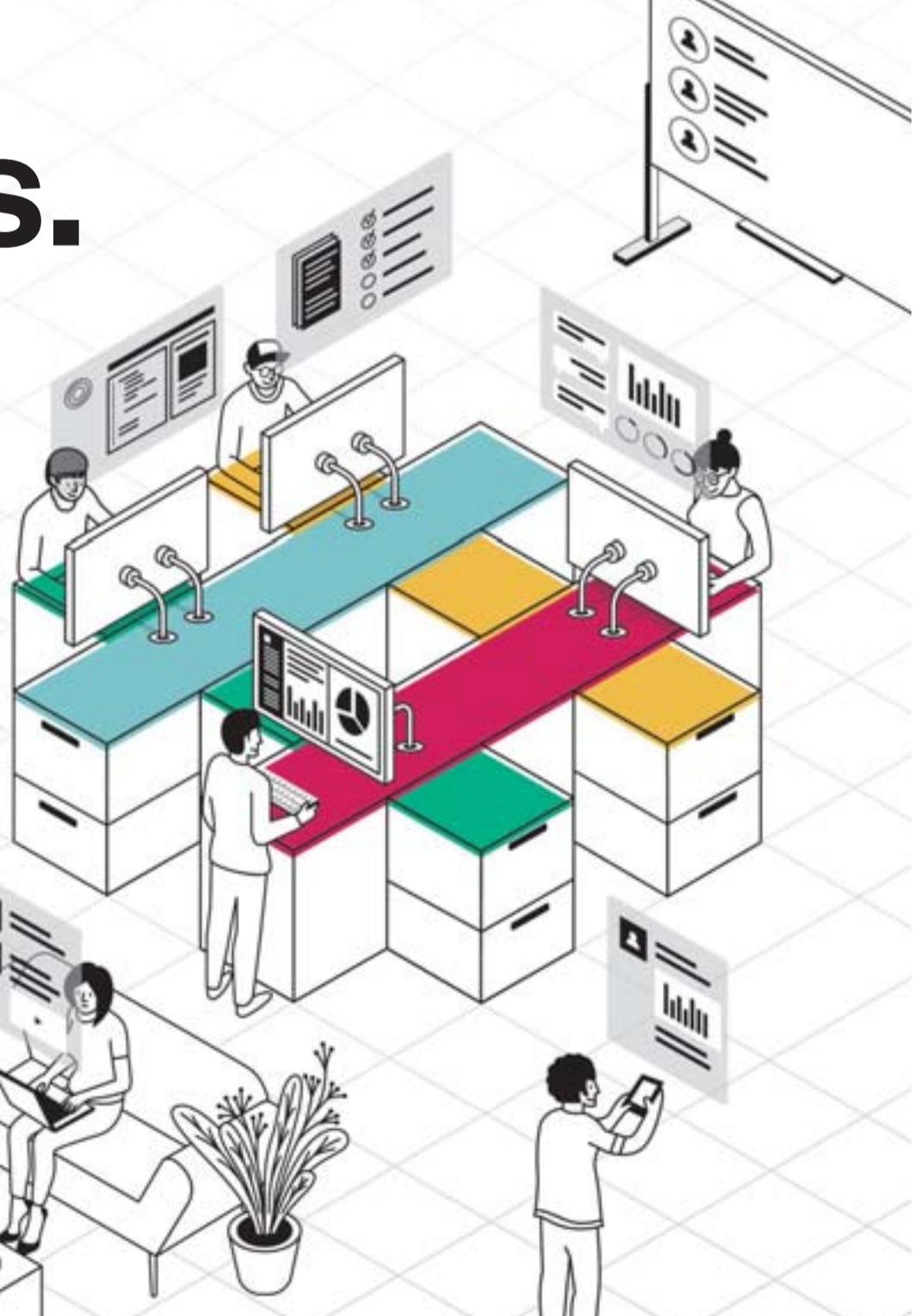
and Suzanne Kapner

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COMMODITIES

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Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.							
June	2.5675	2.5815	2.5545	2.5770	.0160	2,321	
July	2.5700	2.5875	2.5540	2.5800	.0160	113,575	
Gold (CMX) -100 troy oz.; \$ per troy oz.	126.40	127.20	125.50	127.00	.90	6,414	
Aug	126.50	127.80	126.00	127.50	.90	309,897	
Oct	126.80	128.00	126.00	127.00	.90	9,953	
Dec	127.20	128.70	126.10	128.50	.90	77,085	
Feb'18	1274.00	1286.60	1254.00	1285.00	.90	9,615	
June	128.00	129.40	128.00	129.20	.90	6,4705	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	806.00	822.80	806.50	819.85	13.65	693	
July	805.60	820.30	805.00	819.00	13.65	29	
Sept	802.95	819.55	801.55	815.95	13.30	28,845	
Dec	802.85	817.10	802.85	815.15	13.10	354	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	961.30	961.30	939.00	948.50	9.20	62	
July	940.70	953.20	938.60	950.30	9.20	58,521	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	17.210	17.340	17.210	17.368	-.020	396	
July	17.385	17.420	17.225	17.406	-.021	139,036	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	49.65	49.71	47.73	48.32	-.14	569,166	
Aug	49.88	49.95	47.98	48.56	-.135	202,789	
Sept	50.09	50.14	48.18	48.74	-.136	200,787	
Dec	50.45	50.50	48.61	49.12	-.136	318,214	
June'18	50.45	50.45	48.68	49.13	-.128	120,084	
Dec	50.14	50.14	48.50	48.93	-.125	155,295	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	1,5523	1,5525	1,4990	1,5153	-.0341	5,524	
July	1,5561	1,5583	1,5027	1,5179	-.0356	125,450	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1,6400	1,6402	1,5890	1,6122	-.0267	5,461	
July	1,6263	1,6263	1,5743	1,5965	-.0278	140,571	
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.	3.146	3.172	3.061	3.071	-.074	309,712	
Aug	3.190	3.205	3.100	3.109	-.072	149,627	
Sept	3.167	3.186	3.086	3.095	-.072	154,375	
Oct	3.191	3.207	3.112	3.120	-.071	193,463	
Jan'18	3.457	3.473	3.391	3.400	-.060	101,910	
April	2.906	2.918	2.881	2.884	-.025	96,474	

Agriculture Futures

	Contract						
	Open	High	Low	Settle	Chg	Open interest	
Corn (CBT) -5,000 bu.; cents per bu.							
July	370.25	376.50	369.00	372.00	5.00	699,581	
Dec	388.50	394.75	388.00	391.00	5.25	293,592	
Oats (CBT) -5,000 bu.; cents per bu.	242.50	249.50	241.50	247.50	5.25	4,914	
Dec	229.00	230.00	227.75	229.50	1.25	1,165	
Soybeans (CBT) -5,000 bu.; cents per bu.	915.25	920.50	909.50	916.00	3.25	363,226	
Nov	922.25	925.25	915.50	915.25	-.150	196,836	
Soybean Meal (CBT) -100 tons; \$ per ton.	298.40	299.80	296.60	298.10	.50	201,323	
Dec	304.00	305.40	302.30	303.00	-.40	89,815	
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	31.42	31.58	31.20	31.34	-.08	197,600	
Dec	31.97	32.10	31.72	31.91	-.04	102,158	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	1117.50	1124.50	1110.00	1113.00	-.50	7,669	
Sept	1142.00	1149.00	1139.50	1138.50	-.45	1,167	
Wheat (CBT) -5,000 bu.; cents per bu.	433.50	436.25	428.25	429.25	-.25	269,230	
Sept	447.75	450.75	443.25	443.75	-.25	83,628	
Wheat (kc) -5,000 bu.; cents per bu.	438.25	440.25	431.25	431.75	-.150	153,821	

Cash Prices | WSJ.com/commodities

Wednesday, May 31, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Wednesday	Wednesday	Wednesday	
	(U.S.\$ equivalent)	17,3100	8,8800	
Energy				
Propane,tet,Mont Belvieu-g	0.6389			
Butane,normal,Mont Belvieu-g	0.7525			
Natural Gas,HenryHub-i	3.000			
NaturalGas,TransCoZone3-i	2.910			
NaturalGas,TranscoZone6NY-i	2.580			
NaturalGas,HandelEast-i	2.600			
NaturalGas,Opal-i	2.670			
NaturalGas,MarcellusNE PA-i	2.190			
NaturalGas,HaynesvilleLA-i	2.890			
Coal,CApcl,1,250,000Btu,1,250,2-r,w	52,550			
Coal,PwdrRvrBsn,880,000Btu,0.8520-r,w	11,550			
Metals				
Gold, per troy oz.	1,73500			
Engelhard industrial	1,668.30			
Engelhard fabricated	1,633.42			
Handy & Harman base	1,626.20			
Handy & Harman fabricated	1,605.48			
LBMA Gold Price AM	*1,626.80			
LBMA Gold Price PM	*1,627.70			
Krugerrand,wholesale-e	1,342.04			
Maple Leaf-e	1,336.76			
American Eagle-e	1,336.76			
Mexican peso-e	1,542.98			
Austria crown-e	1,520.89			
Austria phil-e	1,336.76			
Silver, troy oz.	17,3500			
Engelhard industrial	20,8200			
Engelhard fabricated	21,688.00			
Handy & Harman base	21,688.00			
Handy & Harman fabricated	21,688.00			
LBMA spot price	£13,4845			
Fibers and Textiles				
Burlap,10,oz,-40-inch NY yd-w,n	0.5900			
Cotton,1/16 std lw-mdMphs-u	0.7548 </td			

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21008.65 ▼20.82, or 0.10%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 20.44 18.99
P/E estimate * 17.85 17.06
Dividend yield 2.38 2.57
All-time high 21115.55, 03/01/17

Current divisor 0.14602128057775

21400
21000
20600
20200
19800
19400

Session high
DOWN UP Close
Close Open
Session low

65-day moving average

Bars measure the point change from session's open

Feb. Mar. Apr. May 19000

Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

S&P 500 Index

2411.80 ▼1.11, or 0.05%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.94 24.04
P/E estimate * 19.15 17.75
Dividend yield 1.95 2.19
All-time high: 2415.82, 05/26/17

2430
2400
2370
2340
2310
2280

65-day moving average

Session high
DOWN UP Close
Close Open
Session low

65-day moving average

Feb. Mar. Apr. May 2250

Nasdaq Composite Index

6198.52 ▼4.67, or 0.08%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.75 22.15
P/E estimate * 21.09 18.75
Dividend yield 1.10 1.30
All-time high: 6210.19, 05/26/17

6120
6000
5880
5760
5640
5520

65-day moving average

Session high
DOWN UP Close
Close Open
Session low

65-day moving average

Feb. Mar. Apr. May 5400

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	21051.70	20942.57	21008.65	-20.82	-0.10	21115.55	17140.24	17.5	6.3	7.9
Transportation Avg	9184.52	9087.95	9163.90	0.24	0.003	9593.95	7093.40	17.9	1.3	4.2
Utility Average	728.98	722.35	726.62	3.89	0.54	726.62	625.44	10.7	10.2	10.1
Total Stock Market	24974.07	24821.63	24933.08	-6.60	-0.03	24990.29	20583.16	15.1	7.1	7.5
Barron's 400	636.95	629.84	635.71	0.51	0.08	643.82	491.89	19.9	5.7	7.1

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Nasdaq Stock Market										
Nasdaq Composite	6221.99	6164.07	6198.52	-4.67	-0.08	6210.19	4594.44	25.2	15.1	13.5
Nasdaq 100	5813.26	5762.56	5788.80	-5.83	-0.10	5794.63	4201.05	28.1	19.0	15.7

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Standard & Poor's										
500 Index	2415.99	2403.59	2411.80	-1.11	-0.05	2415.82	2000.54	14.9	7.7	7.8
MidCap 400	1724.68	1704.94	1721.69	0.60	0.03	1758.27	1416.66	14.9	3.7	7.7
SmallCap 600	834.21	822.45	832.17	-0.32	-0.04	863.08	670.90	17.2	-0.7	8.4

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Other Indexes										
Russell 2000	1374.43	1354.85	1370.21	-0.99	-0.07	1419.43	1089.65	17.8	1.0	6.5
NYSE Composite	11613.11	11554.86	11598.03	-3.28	-0.03	11661.22	9973.54	10.9	4.9	2.5
Value Line	516.85	511.45	515.97	-0.23	-0.04	529.13	435.06	11.4	1.9	1.9
NYSE Arca Biotech	3544.86	3483.72	3541.42	33.78	0.96	3690.00	2818.70	9.1	15.2	11.0
NYSE Arca Pharma	525.27	522.03	524.00	4.99	0.96	554.66	463.78	0.6	8.8	0.8
KBW Bank	90.01	88.02	88.87	-1.07	-1.19	99.33	60.27	24.9	-3.2	8.8
PHLX® Gold/Silver	83.92	82.30	83.39	-0.07	-0.08	112.86	73.03	3.7	5.7	-0.7
PHLX® Oil Service	138.94	135.72	138.66	-0.36	-0.26	192.66	138.66	-15.3	-24.6	-21.9
PHLX® Semiconductor	1101.76	1086.26	1091.42	-0.03	-0.003	1091.45	648.32	55.2	20.4	22.1
CBOE Volatility	11.30	9.93	10.41	0.03	0.29	25.76	9.77	-26.7	-25.9	-3.0

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	23,169.5	241.64	0.20	0.08	241.84	241.21	
Rite Aid	RAD	8,357.7	3.41	...	unch.	3.43	3.38	
iShares MSCI Emg Markets	EEM	6,017.6	41.20	...	unch.	41.43	41.15	
Southwestern Energy	SWN	4,938.8	6.10	0.04	0.66	6.14	6.05	
Bank of America	BAC	4,546.7	22.41	...	unch.	22.46	22.26	
Calpine	CPN	4,241.4	12.85	...	unch.	12.86	12.84	
PwrShrs QQQ Tr Series 1	QQQ	4,068.5	141.50	0.21	0.15	141.60	141.22	
Steel Dynamics	STLD	3,824.1	33.67	-0.32	-0.94	34.16	33.67	

Percentage gainers...

Company	Symbol	Volume	132.97	14.38	**12.13**	135.00	118.29

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BANKING & FINANCE

In India, Paytm Hits Mobile Pay Dirt

App picks up users and merchants as consumers seek cashless alternatives

BY CORINNE ABRAMS
AND NEWLEY PURNELL

MUMBAI—India's second-most-valuable startup, the mobile-payments app **Paytm**, has a new target after proving itself more popular than credit cards.

"We're competing with cash," said Madhur Deora, Paytm's chief financial officer. "In India, we're not competing with cards."

The company's boast isn't a stretch, given India's crackdown on cash over the past six months has left citizens and merchants searching for cashless payment alternatives. Paytm has seized the opportunity and become the market leader through timely partnerships, simplifying the app's process and dispatching an army of up to 10,000 trainers to reach out to the tiny shops that dominate the Indian economy.

The results have been impressive. Five million merchants in India accept payments using Paytm, five times the number that accept credit cards, Mr. Deora said. In addition, Paytm has 225 million mobile wallet customers, more than Snapchat's 166 million daily active users world-wide and four times as many as rival mobile-payment competitors MobiKwik and FreeCharge, which each have 55 million users.

While Paytm is the market leader now, challenges exist. Samsung Pay has launched in India, and the messenger service WhatsApp is exploring adding a payment option for its



Paytm's finance chief says five million merchants in India accept the mobile-payment app, like this vegetable stand in Mumbai.

200 million users in India. The government also has created a mobile-payments system, which allows users to transfer money easily between bank accounts. Plus, Paytm's recent growth could flatten as India's monetary system stabilizes.

Nonetheless, Paytm's rapid rise has attracted investors. In May, the company received a \$1.4 billion investment from SoftBank Group Corp., one of the first investments by the Japanese company's \$100 billion Vision Fund, the world's largest tech fund. The funding boosted the app's valuation to

behind only online retailer Flipkart, valued at \$11.6 billion in April, among startups in India.

Paytm's previous investors included Chinese e-commerce company Alibaba Group Holding Ltd., which shared lessons on how to deal with a billion-person market, like how to engineer an app so it can withstand an avalanche of new users. Other early backers were Intel Corp.'s Intel Capital and Taiwanese chip-design company MediaTek Inc.

The company's success has garnered popularity for its founder, Vijay Shekhar

Sharma, a charismatic 38-year-old who has been building businesses since he was in college and was listed this year as India's youngest billionaire by Forbes India magazine.

He has put a priority on flexibility and speed, even avoiding giving top executives specific job titles so they can be moved from one part of the business to another easily.

Though he has been good at getting capital and expertise out of his investors, he has kept tight control of his company, said Satish Meena, senior forecast analyst at Forrester Re-

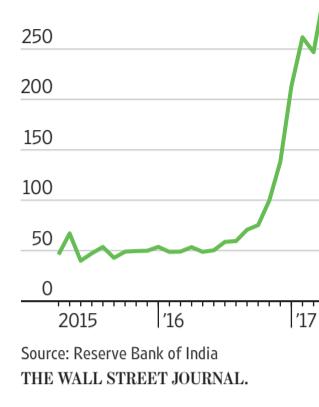
search. "He decides what direction [the company] will take," not its investors, he said.

Paytm, launched by One97 Communications in 2010, started as a mobile-recharge and bill payments service and expanded to cover everything from paying electricity bills to buying movie tickets and groceries or transferring money owed to a friend.

The company began to separate from its competitors when Uber Technologies Inc. arrived in India. As the ride-hailing company was beginning to expand in 2014, India's central bank put restrictions

Onward, Upward

Number of transactions made through mobile wallets in India



Source: Reserve Bank of India

THE WALL STREET JOURNAL.

on how it could accept credit-card payments. Paytm offered Uber a solution: Use the Paytm mobile wallet to get around the problem. By joining forces with Uber, the company reached a new group of tech-savvy consumers.

Paytm doesn't disclose revenue figures but has said it isn't profitable at this point, choosing to continue to invest in expansion. The company has invested close to \$600 million over the past two years to acquire new vendors, a move that has set it apart from competitors such as MobiKwik and FreeCharge, analysts said.

A big break came late last year when India canceled 86% of currency in circulation in an effort to cut corruption and bring more people into the tax net by forcing them to use less cash.

The day after Prime Minister Narendra Modi made the surprise announcement, Paytm took out full-page newspaper ads congratulating him on "the boldest decision in the financial history of independent India!"

—Debiprasad Nayak contributed to this article.

EU Guidelines Target Rivalry for Relocations

BY JULIA-AMBRA VERLAINE

BRUSSELS—The European Union's securities watchdog is moving to prevent national governments from using differences in regulations across the bloc to lure businesses forced to relocate from London because of Brexit.

The Paris-based European Securities and Markets Authority on Wednesday released nonbinding guidelines for national regulators on handling financial firms moving from the U.K. to stay in the EU's single market.

The guidelines address a growing conflict: competition among the remaining 27 EU countries to lure banks, asset managers and insurers to bolster local economies and amplify national prestige.

"The EU 27 have a shared interest in building a common approach to dealing with relocating firms," said ESMA Chairman Steven Maijor. He said firms moving from the City of London need to be subject to the same standards of supervision across the bloc to prevent regulatory competition among remaining member states.



The bidding war among countries to host the London-based European Banking Authority, the bloc's top financial regulator, is one example of continental competition for the spoils of Brexit.

EU officials said they have heard criticisms from some EU countries that others were offering lax enforcement of rules to make their jurisdictions more attractive to banks and financial institutions looking to stay in the bloc.

In response, ESMA warned national authorities against handing out licenses "where the activity carried out indicates clearly that the entity has opted for the legal system of a member state for the purpose of evading the stricter standards in force in another member state."

While the guidelines are nonbinding and not enforceable, ESMA said it would undertake peer reviews of national authorities and initiate investigations of possible breaches.

The watchdog also plans to create a forum where national authorities share information on businesses looking to move to the bloc.

Barclays To Reduce Africa Unit Holdings

BY MAX COLCHESTER

Barclays PLC said it would sell a large chunk of its African unit after regulators signed off on the long-awaited deal.

The U.K.-based bank said Wednesday that it would cut its stake in Barclays Africa Group Ltd. to about 28% from 50.1%. The share sale is expected to generate £1.6 billion (\$2.1 billion), which should ease capital concerns swirling around the lender. South African pension fund Public Investment Corp. (SOC) Ltd. will be an anchor investor in the sale, which is under way, the bank said.

In 2016, Chief Executive Jes Staley pledged to end Barclays's centurylong presence in Africa to drum up funds that could be redeployed to other parts of the franchise. The bank spent the past few months locked in negotiations with regulators to get approval to shed part of its African stake. The bank said it was now targeting holding a 15% stake in Barclays Africa.

The sale offers some reprieve for Mr. Staley, who is being probed by U.K. regulators over his attempts to silence a Barclays whistleblower. Barclays is expected to announce in June that it will close its noncore division, which houses the bank's unwanted assets, a move the executive says shows that the turnaround at Barclays is nearly complete.

Mr. Staley decided to shed Barclays's African business in part because regulators make the large bank hold extra capital against the unit. A smaller, less-risky bank wouldn't have to do this. Barclays also estimates that a U.K. tax on bank balance sheets means it would pay an extra £200 million in levies by 2021 to keep its African unit on its books.

Once Barclays is a minority owner of Barclays Africa it can deconsolidate the unit from its accounts and get regulatory clearance not to hold capital against it. Outside its 12-country Africa unit, Barclays also owned a lender in Egypt, which it sold.

FINANCE WATCH

CREDIT MARKETS

Nomura Bought Venezuela Bonds

Japanese investment bank **Nomura Securities** bought about \$100 million worth of Venezuelan government bonds last week as part of the same transaction that has landed **Goldman Sachs Group** Inc. in the thick of a political controversy.

Nomura's trading arm paid about \$30 million for the debt, a steep discount to where the troubled country's bonds trade in the market, according to people familiar with the matter.

Those are roughly the same terms on which Goldman's asset-management arm bought \$2.8 billion worth of the same bonds in a transaction brokered by an intermediary, The Wall Street Journal reported this week. Nomura was approached by the same intermediary, the London subsidiary of a small broker, **Dinosaur Merchant Bank** Ltd., some of the people said.

—Anatoly Kurmanov,

Liz Hoffman

INVESTMENTS

China Fund Nears Blackstone Deal

China's sovereign-wealth fund is in advanced talks to purchase a European warehouse company from **Blackstone Group** LP in a €12 billion (\$13.49 billion) deal that would underscore the strength of the industrial real estate sector.

China Investment Corp. could complete the deal to buy **Logicor** from the private-equity giant within days, according to people familiar with the matter. Nothing has been signed, and the deal could still fall apart, people said.

Blackstone has been marketing Logicor this year while gearing up to sell the company in an initial public offering if it couldn't get its price in a private deal. Other private bidders for Logicor included three Singapore institutions, according to a person familiar with the matter.

The advanced talks with CIC were reported earlier by Estates Gazette, a real estate trade publication.

—Peter Grant

Trading Slumps at Big Banks

BY CHRISTINA REXRODE
AND EMILY GLAZER

Executives at the two biggest U.S. banks signaled that second-quarter trading is weakening, bringing to a halt a string of strong quarters that have boosted bank results.

J.P. Morgan Chase & Co. Chief Financial Officer Marianne Lake said at an industry conference on Wednesday that the bank's second-quarter trading is down about 15% compared with a year ago.

Bank of America Corp. Chief Executive Brian Moynihan, speaking at a separate conference, said his bank's second-quarter trading revenue will be down slightly from a year ago. Neither gave specific predictions for the second quarter.

Bank stocks fell following the comments. Shares of J.P. Morgan and Bank of America dropped 2.1% and 1.9%, respectively. Stock in **Goldman Sachs Group** Inc., which is more dependent on trading,

declined 3.3%. Goldman, too, in recent days has faced criticism over the purchase by its asset-management arm of Venezuelan bonds, leading critics of the government to charge the firm was propping up President Nicolás Maduro. Goldman doesn't generally give intraquarter business up-

dates, and co-President David Solomon declined to do so when he presented at an industry conference Wednesday. He did say "volatility and client activities, which were more subdued in the first quarter, have continued in comparable fashion in the second quarter."

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Bank of America CEO Brian Moynihan says trading revenue will be down slightly.

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trading result. Last year's trading results across the industry were unusual. The year started with a slow first quarter, which is typically the most active, then picked up steam. That was because of unexpected political developments, including the U.K.'s vote to exit from the European Union in June and the U.S. presidential election in November.

Brisker trading continued through subsequent quarters into the first three months of 2017. That turnaround helped stop a yearslong decline in fixed-income trading activity, buoying hopes that the worst had finally passed for big, Wall Street banks.

Executives aren't sounding alarms, though, that the second quarter will herald a reversal of that progress. Ms. Lake noted it is normal for second-quarter trading revenue to decline after the typical, seasonal first-quarter surge.

—Liz Hoffman
contributed to this article.

MARKETS

Yuan Scores Biggest Jump in 5 Months

BY SAUMYA VAISHAMPAYAN
AND SHEN HONG

China's central bank guided the yuan to its biggest one-day jump in roughly five months Thursday, the latest sign that authorities are seeking to bolster the yuan in the wake of **CURRENCIES** the downgrade of the country's sovereign debt by Moody's Investors Service last week.

The yuan fix was 0.8% stronger than Wednesday's, as China set the dollar's daily midpoint for trading at 6.8090 yuan, compared with 6.8633 yuan. It was the yuan's strongest level since Nov. 10.

The jump wasn't entirely surprising, traders said: The yuan ended onshore trading Wednesday at 6.8210 to the dollar, its strongest point since Nov. 11, after a 0.6% surge that day.

Commerzbank's model had predicted the fix would set the dollar at 6.8136 yuan, while a Shanghai-based senior trader with a domestic bank said his own model expected a fix of about 6.8100. In setting the daily fix, the People's Bank of China considers where the yuan ended

against the dollar in the previous day's onshore trading, the overnight movement of a basket of currencies and a "countercyclical" factor that was unveiled last week.

Within China, the yuan trades in a tight band around that fix. In theory, it trades freely offshore, in major hubs like Hong Kong.

The central bank has intervened in the onshore market in recent days, traders say, directing state-owned banks to buy yuan and sell dollars. Without that, the yuan wouldn't have become so strong, said the Shanghai-based trader.

"The key question for everyone now is when the PBOC will let this round of appreciation end," the trader said. "These are quite uncertain times for yuan traders."

As to why the PBOC is dropping up the yuan, analysts say there are several theories. It could be meant to deter investors from betting the yen will decline following the Moody's downgrade. Or it could be to help make China's domestic bonds more attractive to foreign investors. The central bank has approved a bond-connect program between the mainland and Hong Kong.

In the offshore market, the

Don't Bet Against It

How many yuan one dollar buys in offshore markets*



*Outside mainland China
Source: WSJ Market Data Group

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yuan advanced 0.2% to 6.7309 against the dollar on Thursday, following a sharp rise the day before. Market participants say the Chinese central bank has likely been behind a surge in short-term borrowing costs for the yuan in Hong Kong, which has pushed the yuan sharply higher in recent days.

The cost for banks to borrow yuan from each other overnight in Hong Kong rose to 42.82% on Thursday from 21.08% on Wednesday. The Chinese authorities have



The central bank has intervened in the onshore market in recent days, according to traders.

pushed up these rates in the past 18 months to squeeze investors out of bearish bets on the yuan, analysts say.

While investors in the options markets are now paying up for contracts that protect against a rise in the offshore yuan in the next month, they still expect a decline over the longer run.

"With the cyclical peak in growth in the rear mirror, it is just a matter of time until the authorities need to get back to facilitating depreciation in the trade weighted

currency," Jason Daw, head of emerging markets foreign exchange strategy at Société Générale, wrote in a note.

The suspected intervention by the Chinese central bank in the offshore market in recent days comes after Moody's downgraded China's credit rating and warned about the country's high levels of debt.

China has shifted to targeting stability in the yuan against the dollar this year, which had already helped curb investors' expectations

for how much the yuan might fall in the coming months. The likely intervention in Hong Kong markets in recent days suggests China still felt the need to deter investors overseas from viewing the Moody's downgrade as a reason to turn bearish.

"It is a bit of an overreaction, but I wouldn't necessarily put it past them," Alex Wolf, senior emerging-markets economist at Standard Life Investments in Hong Kong, said, referring to Chinese authorities.

Mostly Quiet

Stocks' moves were muted in May, except for some political turbulence midmonth.



Source: WSJ Market Data Group

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Tech Rally Led U.S. Stocks Higher in May

BY AKANE OTANI

U.S. stocks slipped Wednesday, but major indexes posted monthly gains as technology shares extended their advance.

The Dow Jones Industrial Average fell 20.82 **EQUITIES** points, or 0.1%, to 21008.65 on Wednesday. The S&P 500 declined 1.11 points, or less than 0.1%, to 2411.80, and the Nasdaq Composite edged down 4.67 points, or less than 0.1%, to 6198.52.

Declines in bank stocks pressured major indexes as executives at **J.P. Morgan Chase** and **Bank of America** signaled that second-quarter trading was weakening after a series of

ability is unsustainably low," said Joe Tania, a principal and investment strategist at Bessemer Trust. "At some point, we're expecting it to pick up again."

One notable exception
U.S. stock indexes posted their biggest losses of the year on May 17 after reports that President Donald Trump asked former FBI Director James Comey to back off an investigation into former national security adviser Mike Flynn. That renewed investors' anxiety over the future of the administration's legislative agenda, including tax cuts, deregulation and fiscal stimulus.

The Dow industrials shed 373 points, or 1.8%, the ICE U.S. Dollar Index wiped out its post-election gains and the VIX jumped 46% that day.

Technology stocks jump

A surge in tech shares helped the Nasdaq Composite outpace the monthly gains of the Dow industrials and the S&P 500, the latest indication that investors are trimming bets on potential policy changes from the Trump administration.

The tech-heavy Nasdaq rose 2.5% for the month, while the Dow—where banks including Goldman Sachs Group helped lead the stock rally immediately after the election—added 0.3%. The S&P 500 rose 1.2% in May. It was the second consecutive monthly climb for the Dow and the S&P, and the seventh straight for the Nasdaq.

Financials flag

Shares of financial companies, which jumped after Election Day as investors bet on faster economic growth, higher rates and looser regulations, retreated 1.4% in the S&P 500 in May.

The move coincides with a pullback in the yield on the 10-year U.S. Treasury note, which fell to 2.198%, from 2.282% at the end of April. Yields fall as bond prices rise.

2.5%

Monthly gain by the Nasdaq Composite, its seventh in a row

strong quarters. The KBW Nasdaq Bank Index of large U.S. commercial lenders shed 1.2%.

Overall, U.S. stocks climbed in May as upbeat first-quarter corporate earnings and signs of a steady global economy helped offset sliding commodities prices and political turbulence in Washington. Here are some highlights from May:

Low volatility

Major U.S. stock indexes have been relatively placid in recent weeks. The CBOE Volatility Index, which measures investors' expectations for swings in the S&P 500 over the next 30 days, has posted an average close of 10.86 in May, for its second-lowest monthly average in history. It stood at 10.41 Wednesday.

Some investors and analysts view the low VIX as a sign of complacency. "I'd caution not to get used to this—I do think vol-

Oil Loses Its Pull on Other Assets

BY RIVA GOLD

Stocks and currencies are ignoring the oil price after previous periods of moving in lockstep.

Crude prices took a sharp turn lower last week amid disappointment at the outcome of a meeting of the Organization of the Petroleum Exporting Countries, but stocks continued to reach records. Even commodity-sensitive currencies like the Russian ruble did fine.

Oil and stocks at times in recent years have moved in tandem, but the link between the S&P 500 and West Texas Intermediate futures prices, the U.S. oil price benchmark, has continued to weaken over the past two months, according to strategists at Brown Brothers Harriman.

The correlation between the S&P 500 and the price of oil has fallen from nearly 0.6 in early 2016 to 0.18 now, and even briefly dipped into negative territory in February, according to Brown Brothers Harriman. A correlation of 1 would mean oil and stock prices move by the same proportion in the same direction, while a correlation of minus 1 would mean they move proportionally in opposite directions.

The correlation began diminishing last year as investors became more sanguine about the global economy, but the recent fall says more about the actual oil price, which has traded in a range throughout the year. That price stability has allowed investors to focus on other market influences outside of crude.

The energy sector comprises only about 6% of the S&P 500, according to FactSet, but oil prices have in the past had an outsized impact on the daily performance of the index due to their influence on how investors view global growth, infla-

tion and wider risk sentiment.

Steep plunges in oil prices in January and February of 2016 sparked fears that lower demand for oil was signaling a weaker global economy, sending the correlation between Brent and the S&P 500 up to levels not seen since 1990.

Now, "people spend most of their time talking about the supply side and OPEC" rather than considering what it all says about demand, said Charles de Boissezon, deputy

head of global asset allocation at Société Générale SA.

Last week, OPEC members and other large oil producers agreed to extend an agreement to cut supply, but to a level that disappointed some investors. OPEC's cuts have boosted the price but encouraged nimble U.S. shale producers to increase production, capping the price rise. Many investors believe crude prices are locked in a range this year, but that this is something of a sweet

spot for the global economy. Prices aren't too low to crush oil-dependent economies or trigger more defaults in the energy sector, nor too high to pressure consumers.

"Nobody worries too much about the cost of oil," said Sam Stovall, chief investment strategist at CFRA Research. "People would just prefer more stable oil prices in a \$50-\$60 range," he said.

Still, the influence of the price of oil on the performance of oil-related currencies has diminished over the past year, as other more fundamental drivers have proved more influential, said Lee Hardman, currency analyst at Mitsubishi UFJ Financial Group Inc.

The Canadian dollar and Russian ruble, which have in the past shown close ties to oil prices, showed little reaction to the 2.7% drop in Brent crude last week. For Canada, investors are more focused on relations with the U.S., its largest trading partner and any changes that may be made to the North American Free Trade Agreement, said Mr. Hardman.

The Russian ruble, meanwhile, has benefited from its comparatively high yield, Mr. Hardman said.

Out of Sync

Daily moves in oil prices have become less important for stocks and currencies

WTI crude futures



Source: WSJ Market Data Group

S&P 500



Source: WSJ Market Data Group

Crude Prices Drop To a 3-Week Low

Brent declined 2.7% in May, its fifth straight month of losses, and is down 11% this year.

Nymex crude ended the month down 2% and has dropped 10% in 2017.

The sharp downturn follows last week's decision by the Organization of the Petroleum Exporting Countries and other big producers to extend a joint supply cut through March 2018.

While that move was widely anticipated, many investors had bet they would be more aggressive in an effort to work off a glut that has weighed on the market for

nearly three years.

Investors had bet heavily on rising oil prices heading into OPEC's meeting last week.

Money managers increased their net bullish position on U.S. oil prices by nearly 20%, according to data from the Commodity Futures Trading Commission.

Many investors had begun to expect OPEC would agree to even deeper reductions in output and are now unwinding those bets, said Donald Morton, senior vice president of Herbert J. Sims & Co., who oversees an energy trading desk.

—Alison Sider

Month-End Demand Bolsters Treasurys

BY SAM GOLDFARB

U.S. government bonds strengthened again as month-end buying added to demand that has been building along with declining inflation expectations.

CREDIT MARKETS The yield on the 10-year Treasury note fell to settle at 2.198%

on Wednesday, compared with 2.217% Tuesday. Yields fall when bond prices rise.

In recent weeks, bond investors have become confident that there won't be a big increase in inflation in coming months. That has made bonds

more attractive because inflation chips away their fixed returns over time and can spur the Federal Reserve to raise interest rates.

A report Tuesday showed the Fed's preferred gauge of inflation rose in April from the previous month, but on an annual basis remained below the central bank's 2% target.

Events in Washington also have helped to lower inflation expectations. Investors began the year expecting Congress to pass fiscal stimulus that could boost economic growth and inflation. But they have become more skeptical as Congress has struggled to pass major legis-

lation, and President Donald Trump has been hit by a series of negative reports related to his firing of former Federal Bureau of Investigation Director James Comey and probes into Russian interference in the 2016 election.

Bonds got an extra boost Wednesday from month-end buying. During the last trading session of a month, newly minted bonds replace maturing debt in some bond indexes, and fund and portfolio managers who track the indexes need to replicate the move by buying Treasurys.

The 10-year yield's lowest close this year was 2.177% on

April 18. The yield climbed to 2.4% in early May but quickly declined again.

One factor preventing yields from falling further is the strong consensus among investors that the Fed will raise rates in June and start unwinding its balance sheet later this year in an effort to return monetary policy to a more normal footing.

Analysts say that investors should get a better sense for the Fed's plans after its next policy meeting concludes on June 14, the same day that data are released on the consumer-price index and retail sales.

MARKETS

Doubts About Junk Bonds Are Piling Up

Despite nervousness, a global search for returns continues to push up valuations

By MATT WIRZ

Unease is starting to grip the junk-bond market: Even as yield-hungry investors buy in, many traditional buyers are selling out.

Almost 20% of high-yield investors said in May that they hold below-average positions in junk debt, the highest such response since June 2008, according to a Bank of America Corp. survey.

Meanwhile, the bonds have returned 4.8% this year through Tuesday. The average yield of high-yield debt was 5.5% on Tuesday, compared with a 10-year average of 8.3%, according to data from Bloomberg Barclays Index Group. Yields fall as bond prices rise.

The dissonance between investor sentiment and market performance is a result of widespread worries caused by geopolitical uncertainty at a time when a global reach for yield continues to push valuations higher.

"No one is really comfortable with current valuations, but you have a fear of selling a bond because you may not be able to buy it back tomorrow," said Michael Contopoulos, a high-yield strategist at Bank of America. A moderate downturn in junk debt is likely this summer, simply because prices have risen too far, Mr. Contopoulos said.

"Broadly speaking, nothing is cheap, everything is overvalued and it's very hard to find good opportunities," said Kathleen Gaffney, manager of the **Eaton Vance Multisector Income Fund**, which can invest in a mix of corporate and government debt as well as stocks.

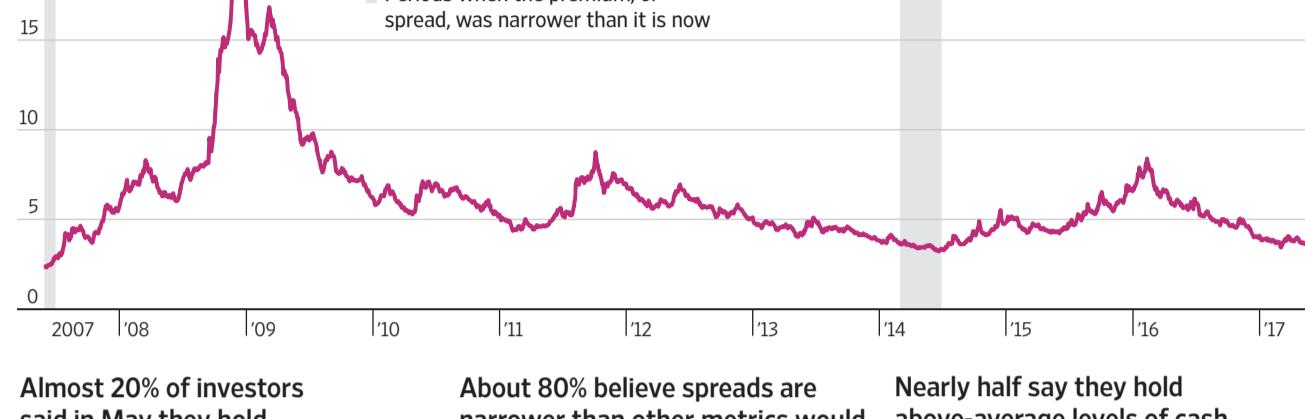
Last year, Ms. Gaffney invested about one-quarter of

Signs of Skittishness

Junk-bond prices have continued to rise, pushing yields down to their lowest level in years and raising concerns among some investors that a longstanding rally may have gone too far, potentially making the debt vulnerable to a selloff.

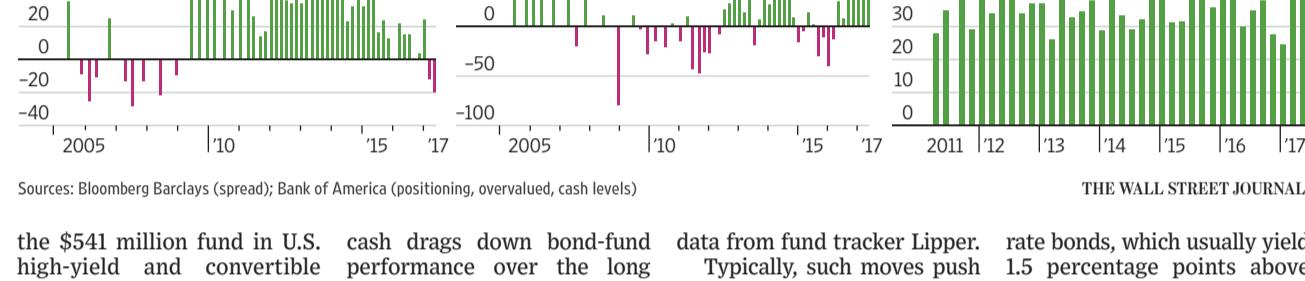
Yield premium, high-yield bonds vs. comparable U.S. Treasurys

20 percentage points



Almost 20% of investors said in May they hold below-average positions.

High-yield investors' net positioning



Sources: Bloomberg Barclays (spread); Bank of America (positioning, overvalued, cash levels)

the \$541 million fund in U.S. high-yield and convertible bonds, which rebounded along with commodities prices. Now she has reduced that exposure to 15% and increased her cash allocation to 15% from about 5% a year ago.

Nearly half of the investors surveyed in the Bank of America poll reported holding above-average amounts of cash, the highest since March 2016, just after falling oil prices triggered a wave of defaults and a junk-market crash.

Keeping large sums idle in

cash drags down bond-fund performance over the long term but gives portfolio managers ballast in sharp downturns, as well as dry powder to buy with when prices fall back to bargain levels. The urge to raise cash is especially strong now, Ms. Gaffney said, because most debt and stock markets are trading at or close to records, making them ripe for a fall.

Investors, most of them individuals, pulled about \$9 billion from high-yield mutual funds so far this year, the largest outflow since 2015, according to

data from fund tracker Lipper. Typically, such moves push bond prices down and yields up. But investors and analysts say the low level of yields around the world is underpinning demand for high-yield debt.

International investors, in particular, are hungry for U.S. junk bonds. "When you talk to people in Europe and Asia, they see 5.5% in U.S. high yield, and there's no way for them to obtain that at home," said Oleg Melentyev, head of U.S. credit strategy for Deutsche Bank AG.

Even emerging-market corpo-

rate bonds, which usually yield 1.5 percentage points above U.S. junk bonds, now yield a premium of only half a percentage point, he said.

And some investors are still bullish on junk bonds since the biggest risk to high-yield bondholders—a rise in corporate defaults—seems far off.

Junk bonds are "still very attractive," said Joanna Bewick, co-manager of an \$8.4 billion fund for Fidelity Investments that buys a mix of high-yield debt and government bonds with investment-grade

credit ratings. The fund is about 47% invested in junk-rated bonds and loans, slightly more than average for the fund, she said.

Some fund managers also aren't selling to meet redemptions or reduce exposure, portfolio managers and analysts said. Instead, they are opting not to reinvest interest and principal payments received from bonds they hold and using the money to pay redemptions or build cash buffers.

But corporate-bond sell-offs become more likely when yields draw closer to interest rates of Treasury bonds, the so-called risk-free rate, making bonds of companies less attractive compared with government debt. The "spread" between yields on junk bonds and Treasurys has fallen by 2.38 percentage points over the past 12 months to 3.63 percentage points, according to data from Bloomberg Barclays Index Group.

The spread has been that narrow only twice in the past decade—in the summer of 2014 before oil tumbled and in the summer of 2007 before the financial crisis.

If President Donald Trump fails to deliver comprehensive reform before the August recess in Congress, stocks are likely to fall, triggering a decline in junk bonds, Bank of America's Mr. Contopoulos said.

Elaine Stokes, co-manager of the \$14 billion **Loomis Sayles Bond Fund**, cut the fund's exposure to stocks in anticipation of further volatility. Though its 24% allocation to high yield is about average, the fund has sold out of some corporate bonds with the lowest credit ratings and boosted cash holdings to about 20%, she said.

"The main concern today is Trump," said Ms. Stokes. To understand what changes to regulation and legislation are most likely to pass and when, "we're spending a lot more time talking to political types," she said.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Email: heard@wsj.com

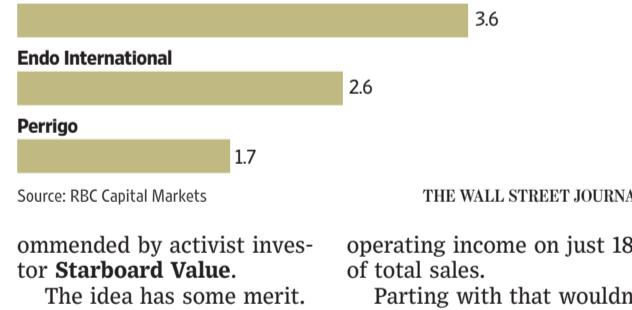
Perrigo Miracle Cure a Long Shot

OVERHEARD

Size Matters Once Again For Banks

Under Pressure

Average number of competitors to each of top 10 generic drugs within portfolio



Source: RBC Capital Markets

surate discount.

Expected policy changes at the Food and Drug Administration also could pose a problem for a would-be buyer. New commissioner Scott Gottlieb has vowed to quicken the pace of generic drug approvals. That is likely to increase competition and further pressure pricing.

According to analysts at RBC Capital Markets, Perrigo's drugs portfolio is particularly exposed to new entrants. Its top 10 best-selling drugs have 1.7 competitors on average. By contrast,

Teva Pharmaceutical Industries and **Mylan** average 4.8 and 3.6 competitors, respectively.

That means that each new approval for a product that Perrigo offers is likely to have a higher impact on pricing at the margin.

All that suggests that Perrigo will have a hard time finding a taker for its generics business at a fair price. Once that grim reality sinks in, the stock will struggle to make up more lost ground.

—Charley Grant

Some 12 years after **Thomas Friedman**'s tome on globalization, "The World Is Flat," became an international best seller, the proof couldn't be stronger. It comes, ironically, courtesy of President Donald Trump.

While he may be the least globalist and trade-friendly occupant of the White House in postwar history, his garbled tweet early Thursday morning is exhibit A of how "content" can shoot around the world to become mostly imported products in record time.

On **Amazon.com** alone, one can order shirts and bags with images of the president's since-deleted tweet or "The nuclear code is covfefe." Or perhaps a "Make America Covfefe Again" mug—not dishwasher safe—is more your speed?

There is even an app for Alexa to "unravel the mystery of covfefe" so that the buyer "need not worry about looking like a total LOSER" in front of his or her friends and relatives.

Bank investors are fretting over the recent decline in long-term interest rates, but not all banks are equally exposed. The current rate environment strongly favors the biggest lenders.

Waning economic optimism has brought the 10-year Treasury yield down by about 0.40 percentage point since mid-March to 2.2%. The 30-year yield has fallen by roughly 0.35 point over the same period. Yet the Federal Reserve raised short-term rates in March and appears set to do so again in June.

The result is a flattening yield curve, which augurs poorly for banks with more long-term loans. But those with shorter-term loans still stand to benefit from Fed tightening.

The Federal Deposit Insurance Corp. calculates that net interest margins for banks overall improved to 3.19% in the first quarter of 2017 from 3.10% a year earlier. But it notes that much of this improvement occurred at large banks, which hold more short-term loans. Smaller banks mostly haven't benefited.

The biggest four lenders in the U.S. have long-term loans valued at an average of 13% of total assets, according to Keefe, Bruyette & Woods. Among the big four, mortgage-heavy Wells Fargo looks most like a regional bank, with long-term loans accounting for 21% of assets.

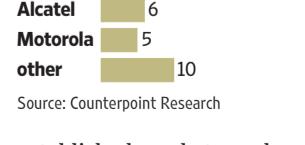
All this indicates that the three universal megabanks—J.P. Morgan Chase, Bank of America and Citigroup—will be among the biggest beneficiaries of recent interest-rate trends. If the yield curve keeps flattening, investors should stick with the big boys.

—Aaron Back

Challenger to Smartphone Giants Won't Have Easy Time

Call Box

U.S. smartphone market share for first quarter of 2017



Source: Counterpoint Research

search. Smartphone maker LG picked up some market share during the first quarter, but that was due to stronger sales of cheaper devices for prepaid services, according to Counterpoint analyst Jeff Fieldhak.

So there is a difficult road ahead for Andy Rubin, the widely credited "father" of the Android operating system, now owned by Google, who has re-emerged at the helm of a startup selling a flashy new phone called Essential. That device, featuring an edge-to-edge display built on a titanium frame, is planned for launch in the U.S. by the end of June. Its starting price tag of \$700

puts the Essential into premium territory, though a little below comparably equipped devices from Apple and Samsung.

But a small price discount alone won't be enough. Distribution is key to gaining wide access to the U.S. market, which means securing deals with wireless carriers. Mr. Rubin said Tuesday that the Essential will be sold directly to consumers, at least at first. Cliff Maldonado of BayStreet Research says only about 7% to 8% of phones sold in the U.S. aren't affiliated with a carrier. Nearly three-quarters of U.S. smartphones sold in the first quarter came through the retail

channels of the four largest carriers—Verizon Communications, AT&T, Sprint and T-Mobile US, according to Counterpoint.

Mr. Rubin will be competing directly against his former employer, which has far greater resources and distribution muscle. It is also worth noting that while Google's high-end Pixel has garnered strong reviews and a key partnership with Verizon, its sales still have been well below 1% of the global market since its launch in October, according to IDC's estimates. Cracking the smartphone market, in other words, is hardly a one-man job.

—Dan Gallagher

The position of the big two actually is stronger in