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What's News

Business & Finance

The oil industry is adapting to lower crude prices, which are down 59% from three years ago, by cutting costs and focusing on more profitable assets. **A1**

◆ **The Fed was urged** to oust a dozen Wells Fargo directors who served during the sales scandal, in a letter from Democratic Sen. Warren. **B1**

◆ **Boeing formally launched** a new version of its single-aisle jetliner with more than $16 billion in deals. **B1**

◆ **GE is expanding** its aircraft-leasing business, ordering 120 more jets and sealing a $2 billion joint venture. **B2**

◆ **Hudson's Bay** is being pushed by an activist investor to consider strategic alternatives, including taking the company private. **B3**

◆ **FTSE Russell** is proposing possible curbs on the inclusion of firms with unequal voting rights in its index. **B1**

◆ **EQT agreed** to pay $6.7 billion for Rice, the latest deal by energy firms hurt by low oil and gas prices. **B3**

◆ **The U.S. Supreme Court** ruled the government can't reject trademarks that some might find offensive. **A6**

◆ **Time Warner's Turner** and Warner Bros. agreed to create as many as 10 shows a year from Snapchat. **B4**

◆ **Paulson joined** Valeant's board, in a sign the hedge-fund billionaire remains bullish on the drugmaker. **B6**

◆ **UPS for the first time** will add a surcharge to the cost of holiday shipments. **B3**

World-Wide

◆ **Britain was struck** by the fourth terror attack since March, as a man plowed a van into a crowd of Muslims in London leaving Ramadan prayers. **A1, A2**

◆ **A car rammed** into a police van in Paris before bursting into flames, in a suspected terrorism attack. **A2**

◆ **Russia promised** to track U.S. and coalition aircraft over Syria with air defense systems and warplanes. **A1**

◆ **The U.K. and EU** started Brexit talks. The two sides have until March 2019 to finish and ratify a deal. **A3**

◆ **The number of dead** and missing from the London high-rise fire rose to 79, and police warned that the death toll may increase. **A3**

◆ **NATO said** its deterrent force is fully in place in the Baltic, a deployment that Russia has criticized. **A4**

◆ **The Philippines,** Indonesia and Malaysia launched joint sea patrols in an effort to stop the spread of Islamic State-linked conflict. **A4**

◆ **The U.S. Supreme Court** agreed to consider whether there are limits to how far lawmakers can go in redistricting for political gain. **A6**

◆ **The justices quashed** a prison-mistreatment case brought by immigrants rounded up after 9/11. **A6**

◆ **U.S. voter data** was left unprotected online, a computer-security firm said. **A6**

◆ **Forest fires** raging through central Portugal killed at least 61 people. **A4**

CONTENTS

Business News...... B3
Capital Journal...... A2
Crossword...... A12
Heard on Street.. B10
Journal Report... R1-8
Life & Arts...... A9,12
Markets...... B10
Markets Digest...... B8
Opinion...... A10-11
Technology...... B4
U.S. News...... A6-7
Weather...... A12
World News...... A2-5

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Cascade of Violence Strikes U.K.

Fourth terror attack since March and a deadly fire leave Britons on edge

By Jenny Gross
And Georgi Kantchev

TIM IRELAND/ASSOCIATED PRESS

Police stand guard near where a driver plowed into a crowd of Muslim worshipers in London. Theresa May called the attack 'sickening.'

LONDON—The thudding of helicopter rotors jolted Halima Ali awake after midnight on Monday morning. Instinctively, she said, she jumped from her bed to check on her 4-year-old daughter.

"I just knew in my bones it was another horror," said Ms. Ali, a 27-year-old university student.

Police had flooded into Ms. Ali's north London neighborhood in response to the fourth terror attack in Britain since March—this time by an assailant who plowed a rented van into a crowd of Muslims leaving Ramadan prayers. One man died and eight others were rushed to the hospital.

It was the latest in a troubling litany of events this year that has exposed divisions in the U.K. along lines of religion, ethnicity and class, fraying a nation, and particularly a capital, that prides itself on keeping calm and carrying on.

"These have been a terrible few weeks for London, unprecedented in recent times," the city's mayor, Sadiq Khan, said Monday, before urging citizens to stay strong.

Monday's violence came days after a fire in a public-housing complex that left 79 people dead and missing, according to the latest official tally. That disaster has focused attention on the wide disparities between London's rich and poor and led to protests by critics who blame government spending cuts and lax enforcement of safety rules for the blaze and the shockingly high death toll.

Earlier in June, three Islamist extremists rammed pedestrians with a van on London Bridge and stabbed others, killing eight people and injuring dozens before they were shot and killed by police. In March, another Islamist terrorist—also using a vehicle and a knife—killed

Please see BRITAIN page A2

Russia Cautions U.S. Over Syria

By Thomas Grove in Moscow and Yaroslav Trofimov in Tehran

Russia escalated tensions with the U.S. on Monday, promising to track U.S. and coalition aircraft over Syria with its air defense systems and warplanes, the Defense Ministry said.

In a statement Monday, the Russian military said it would treat U.S. and coalition aircraft operating west of the Euphrates River as "aerial targets," but stopped short of threatening to shoot them down.

"In regions where the Russian air force is carrying out operations in the skies above Syria, any flying objects—including airplanes and drones of the international coalition—discovered west of the Euphrates River will be treated as aerial targets for tracking by land and air defense systems," the statement said.

U.S. defense officials said they were staying in touch with the Russian military to see what the practical impact of the statement might be on air operations in Syria. Defense officials said there were no immediate steps taken to curtail air operations as a result of the Russian warnings.

Pentagon spokeswoman Dana White reiterated the U.S. position that the military wanted to avoid direct confrontations with Syrian President Bashar al-Assad and his allies so it could focus it firepower on Islamic State, also known as ISIS.

"The U.S. and its coalition partners are not in Syria to fight the Syrian regime or progime forces," she said. "We are there to defeat ISIS. However, we will not hesitate to defend ourselves, the coalition or its partners."

Russia's threat was in response to the U.S. downing of a Syrian government jet over the weekend, the first time a U.S. pilot has shot down a regime aircraft during the six-year conflict.

Please see SYRIA page A4

Start of Brexit Talks Highlights Divisions

ASSOCIATED PRESS

NEGOTIATIONS: Divergent views arose on what the U.K. should pay to leave the EU. **A3**

INSIDE

HIGH COURT TO REVIEW REDISTRICTING

U.S. NEWS, A6

A TRANSLATION OF TRUMP'S TRADE TALK

CAPITAL JOURNAL, A2

To Promote Gorilla Tourism, First You Have to Convince the Gorillas

* * *

A Congo park is the only place in the wild to see them—assuming they don't run away

By Michael M. Phillips

KAHUZI-BIEGA NATIONAL PARK, Congo—It wouldn't be fair to accuse Mpungwe of racism.

But the first time the 500-pound gorilla saw a white man, he did flee into the forest and succumb to an urgent bout of stress-induced diarrhea. And chief gorilla habituator Robert Mulimbi did have to slog through the heavy undergrowth in a makeshift white-guy mask cut from a manila envelope to bring Mpungwe around.

"When we got this idea, it seemed like a joke," giggled one of Mr. Mulimbi's assistants, ranger Sandro Masumbuko.

Mpungwe

"But it got a good result."

Such is the curious life of the man charged with acclimating Kahuzi-Biega's gorillas to tourists. Park officials here are eager to attract well-heeled Europeans and Americans for gorilla trekking vacations, and it is Mr. Mulimbi's job to make sure the gorillas are on board.

Kahuzi-Biega is the wild frontier of gorilla tourism. The eastern edge of the Democratic Republic of Congo has been beset by on-and-off war and roving militias since the Rwandan genocide spilled across the border in the mid-1990s.

The park, however, is the only place in the wild where vis-

Please see GORILLA page A8

FOR AMAZON, NOW COMES THE HARD PART

The web titan joins a crowd with its Whole Foods deal; the 'last mile' puzzle

By Julie Jargon, Annie Gasparro and Heather Haddon

With Amazon.com Inc. wheeling sharply into the grocery aisle, the business of selling food may never be the same.

Food retailing was already struggling with low margins and slow sales growth as shoppers shifted buying patterns. New players have swarmed the crowded market, with grocers ranging from giants Wal-Mart Stores Inc. and Kroger Co. to smaller chains fighting to attract consumers, in large part by slashing prices.

And the industry has been struggling to figure out how to sell fresh food online.

Amazon's agreement to buy Whole Foods Market Inc. could add to the saturated market as it puts more of its own groceries into the distribution system, while putting new pressure on grocers to figure out how to sell fresh food online lest the web giant beat them. The deal is "a seminal moment in the world of eating," said RBC Capital Markets LLC analyst David Palmer.

It isn't at all clear whether the king of e-commerce can do in fresh cabbages what it has done in CDs, books and just about everything else. Amazon and Whole Foods combined still have a small fraction of Wal-Mart's share of groceries. And Amazon faces a "last mile" logistics problem of getting fresh food to doorsteps that it doesn't with other goods.

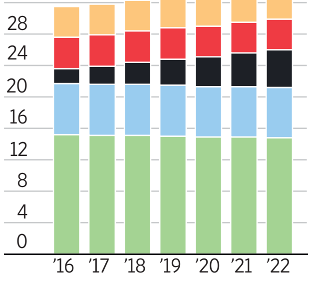
"This is going to be one of the hardest areas for them to get into," said Kent Knudson, a partner at consulting firm Bain & Co., "because of some of the physical challenges of getting food into people's homes."

The challenges for grocers today include a

Please see FOOD page A8

Enter the E-Commerce King

Amazon is expected to increase its share of the U.S. grocery market



Note: All estimates. Data does not factor in the Whole Foods deal.
Source: Cowen
THE WALL STREET JOURNAL.

◆ Heard: Amazon's shopping spreads fear...... B10

Oil Firms Adapt to Lower Price

By Georgi Kantchev, Sarah Kent and Erin Ailworth

Three years after the price of crude began its rapid descent, the oil industry and investors are finally resigned to the idea of lower prices for longer, potentially ending a period of crisis for the sector.

The price of Brent crude, the international benchmark, is down 59% since it hit a closing high of $115.06 a barrel three years ago on Monday. West Texas Intermediate, the U.S. gauge, is also 59% lower than the $107.26 high it hit a day later.

The steep fall sparked a slump in oil company profits, recessions from Russia to Venezuela, and huge job cuts across the world's oil fields.

But now, petrostates, investors and major oil companies are adapting to a world in which they see a range of $50 to $60 a barrel as the new equilibrium. The industry has had little choice but to accept the new reality after the Organization of the Petroleum Exporting Countries and other big producers failed to lift oil prices by capping their production, most recently at a meeting in late May.

Producers have cut costs, focused on more-profitable assets and no longer throw money at costly projects in places like the Arctic. Their ability to profit at lower oil prices has helped steady investors' nerves, and they are starting to fund new projects again, though a debate is still raging over the prospect of a supply crunch down the line.

"Lower for longer has become the new mantra in the industry," said Daniel Yergin, vice chairman of IHS Markit

Please see OIL page A7

A Measured Translation of Trump's Trade Talk

CAPITAL JOURNAL

By Gerald F. Seib

In most administrations, lower-ranking officials make the incendiary comments, while the president rises above to offer the calmer, more soothing explanations of his policies.

In the Trump administration, the opposite is true. That's especially the case on foreign affairs—and in particular on trade policy. President Donald Trump sounds as if he wants to take a wrecking ball to the international trade system; people fear trade wars because his commentary often has a martial air about it. "I don't mind trade wars" when the U.S. is running big trade deficits, he said at one point. His talk of new tariffs should be read as a "threat," he said during the presidential campaign. He once referred to China as "our enemy" because of its trade practices, while Germany is "bad, very bad."

By contrast, his most influential trade adviser, Commerce Secretary Wilbur Ross, gives a more reasoned explanation of Trump policies. He also uses the "trade war" phraseology, but he offers a philosophical context to explain why he thinks that's already the state of affairs. Perhaps most important, he puts the administration's quest for change in the international trade architecture into a historical context—one with which many Democrats would agree.

When Mr. Ross appeared last week at the Journal's CFO Network, he described the international trade regime as a kind of anachronism—one that was founded with the best of intentions amid postwar rubble but that now has fallen out of sync with modern economic realities.

"After World War II, there was a deliberate matter of our public policy to try to help the war-ravaged nations rebuild themselves," Mr. Ross said. At that point, obviously, the U.S. was the world's dominant economic power by far, and its self-interest lay in helping its European allies and Japan pull themselves up economically to ward off the spread of communism. America not only could afford to be generous in trade relations, but had a profound self-interest in doing so.

PAUL MORSE FOR THE WALL STREET JOURNAL

U.S. Commerce Secretary Wilbur Ross in Washington last week.

That attitude, Mr. Ross argued, "morphed" into the alphabet-soup structures that constitute today's international trade architecture—first the Organization for Economic Cooperation and Development, then the General Agreement on Tariffs and Trade, and the World Trade Organization.

Along the way, the world evolved and the allies caught up with the dominant U.S., but, Mr. Ross argued, "our policies didn't really change. And so we now have a terrible structural problem that I think is really inhibiting free trade."

That history, he said, has produced some "oxymoronic" outcomes. For example, the tariff on a European automobile sent into the U.S. is 2.5%, while the tariff on an American auto sent into Europe is 10%, despite the fact that the two markets now are roughly the same size.

Perhaps most important, the international trade structure didn't anticipate the rise of a command-economy giant in China as a trade juggernaut, with the imbalances that has created. Nor, given that the structure was created in an era of fixed exchange rates, did it anticipate the ability of countries to manipulate currency values to give their exports an advantage.

A few caveats are in order. On auto trade with Europe, for example, the European Union doesn't dispute the tariff imbalance. But it also notes that the same is true in reverse on, for example, passenger-train cars, on which the U.S. imposes a 14% duty on European imports, while the EU charges 1.7% on those bought from the U.S. "The EU wants to remove these duties and other barriers to trade, such as lengthy administrative checks, that increase the cost of trade in goods," the EU says in an online explanation of its view.

Still, the broader Ross argument is one that many on the Democratic side in the U.S. would accept. "I think Ross is right," says Jared Bernstein, senior fellow at the Center on Budget and Policy Priorities and onetime adviser to former Vice President Joe Biden. The trade "macro infrastructure" is "problematic," he says. "There are countries that manage trade in such a way as to boost their trade surpluses and essentially import jobs from other countries."

Mr. Bernstein suggests changing international trade agreements to allow a country to offset currency manipulation by a trading partner by buying that partner's currency. More broadly, he advocates establishing a high-level, bipartisan commission to find a consensus approach to such issues—ideally led by investor Warren Buffett.

Ultimately, though, even the hard-line Trump view argues for, not against, negotiated solutions. Douglas Irwin, an economist and trade historian at Dartmouth College, notes that, unlike the U.S., Mexico "doesn't face any tariffs when they export their autos to Europe." Why? "Because they have a free-trade agreement....If we want to get rid of that tariff, we have to have a free-trade agreement with the EU."

U.K. Terror Attack on Muslims Sparks Outcry

LONDON—Prime Minister Theresa May on Monday vowed to crack down on extremism of all kinds, trying to soothe Muslim fears after a driver rammed a van into a crowd of worshipers in what police were treating as the latest in a string of terrorist attacks.

By Wiktor Szary, Jenny Gross and Georgi Kantchev

Witnesses described a scene of mayhem, saying the driver appeared to deliberately steer a white van into the crowd after Ramadan prayers in the Finsbury Park neighborhood not long after midnight. The attack sparked worries about more violence in an already tense country.

"There seems to be no end to this—and now Muslims are also targets," said Huseyin Ali, a 32-year-old charity worker.

"This was an attack on Muslims near their place of worship," Mrs. May said outside Downing Street following a meeting of the country's emergency-security committee. "And like all terrorism, in whatever form, it shares the same fundamental goal. It seeks to drive us apart. We will not let this happen."

One person was dead, but police said it was too early to say if it was a result of the attack outside the Muslim Welfare House. Eight people were rushed to hospitals, several of them with serious injuries.

London's Metropolitan Police said they arrested a 47-year-old man, who they believed to be the sole suspect. Photos from the scene showed a white van with the logo of a Welsh rental company on the side. Police declined to name the alleged attacker.

British media reported that the alleged attacker lived in Wales, and that police searched a property in the suburbs of Cardiff, the Welsh capital.

After the attack, the man jumped out of the van and fled, but was chased down and pinned to the ground as he shouted anti-Muslim obscenities, witnesses said.

The attack unfolded while the man who died was already receiving first aid from the public at the scene, police said. Some witnesses said people were tending to someone who had fainted before the car hit.

"We saw a van was driving very fast, so we thought at the beginning he wanted to catch the traffic light," said Saeed Hashi, 28, who said he saw the attack. "But he didn't."

Mr. Hashi said he and five others restrained the alleged attacker. Some were punching him, but the mosque imam intervened, telling them to stop and wait for police, others said.

"He said, "I've killed the Muslims, kill me please,"" said a 30-year-old man who runs a coffee shop across the street and said he helped apprehend the attacker. "As he was being arrested, he blew us kisses and smiled at us," he added.

—Paul Hannon and Joanna Sugden contributed to this article.

THE WALL STREET JOURNAL.

TOLGA AKMEN/AGENCE FRANCE-PRESSE/GETTY IMAGES

Forensic officers working at the scene in the Finsbury Park area of north London on Monday after a vehicle plowed into pedestrians.

Car Crashes Into Police Van in Paris

Driver dies, no one else injured in suspected terror attack

PARIS—A car rammed into a police van before bursting into flames on the Champs-Élysées Monday afternoon, in an assault authorities are investigating as a possible terror attack.

The driver died at the scene, but no one else was injured, said police.

Fire arms and explosive materials were found in the car, French Interior Minister Gérard Collomb said, without disclosing further details. "This shows that the terror threat remains extremely high in the country," Mr. Collomb said, speaking on national TV.

Prosecutors have opened a terror probe into the attack, a spokeswoman for the Paris prosecutor's office said.

A string of attacks—including the Nov. 13, 2015, assault by Islamic State militants that killed 130 in Paris and the truck attack in Nice that killed 86 people on Bastille Day last July—has put France on edge. The government has declared and renewed a state of emergency, but the crackdown hasn't stopped the drumbeat of periodic attacks.

This is the second attack in less than three months on the Champs Elysées. In April, a gunman opened fire on the famous avenue, killing a police officer and wounding two other people. *—Noemie Bisserbe*

BRITAIN

Continued from Page One

five, including a policeman guarding Parliament.

In between those two attacks, a suicide bomber in May killed 22 people outside a pop concert in the northwestern British city of Manchester.

That string of violence, sustained by Monday's assault on Muslims, raised fears for some of further copycat and revenge attacks. London's police force, already stretched as it provides heightened security in the capital, on Monday said it would step up protection at mosques.

Britain and its government are grappling with all this amid great political uncertainty. Prime Minister Theresa May suffered a serious setback in national elections this month, left weakened after her Conservative Party lost its majority in Parliament.

At the same time, on Monday, formal talks began on Britain's exit from the European Union—a process that will redefine the country's place in the world after decades as a member of the bloc.

Ali Ibrahim, a 23-year-old graduate student who witnessed Monday's attack, said hatred and divisions within society feel palpable after so much violence in such a short period of time.

"If we're united, we can overcome," Mr. Ibrahim said. "But right now, there's a lot of turmoil, with this Brexit, a hung Parliament. We don't know what direction we're heading in, you know? It could possibly be—I don't really want to say it—but London is falling at the moment."

The atmosphere overall in the capital is far from one of crisis. Restaurants are crowded. Tourists throng the city's attractions. And the vast majority of people are going on about their lives as usual. But there is an undercurrent of unease.

Michael Biggs, a University of Oxford sociologist, said the climate today feels different from the frustration that erupted in August 2011, when four nights of rioting led to more than 1,000 arrests and more than $300 million in damages. "I haven't seen anything that really would give an indication" that the recent events would lead to public disorder, he said.

Unlike in 2011, he said, Britons are expressing a shared sense of injustice over the plight of those affected by the apartment-building fire. He likened that event to the 1911 Triangle Shirtwaist fire in New York, which killed 146 immigrant workers and became a watershed moment for workers' rights.

The impact of the latest terror attack was still raw on Monday. Anger mixed with despair as armed police blocked off streets and paramedics gave first aid to the injured. The weather was unusually hot for London, with daytime temperatures in the 80s.

Some witnesses of the crime sat or paced alone. Others loudly voiced frustration with the government and media.

"He's a white terrorist," shouted one man. "Tomorrow they will say he is mentally ill," said another.

Mohamed Abdulle, a 20-year-old who delivers takeaway meals on a motorbike, said he no longer feels safe in London out of fear a similar attack would happen again. He said he was driving just behind the van used in the attack and saw the driver mow down worshipers.

"I don't think I will go to the mosque after what happened last night," said Mr. Abdulle, who moved to London six months ago from Bristol in southwest England. "All religions live in London," he added. "This should not be happening."

London's Metropolitan Police said there had been 182 reported incidents of hate crimes against Muslims in the two weeks after the London Bridge attack, an increase from the average of 50 usually recorded every 14 days in the city.

"There has been a cycle of violence recently. We must break that cycle," Rabbi Mendy Korer of the nearby Chabad synagogue said Monday.

Prime Minister Theresa May tried to assuage Muslims' fears and called for a crackdown on extremism of all kinds, saying Monday's assault was "every bit as sickening" as the ones that came before.

"It was an attack that once again targeted the ordinary and the innocent going about their daily lives—this time British Muslims as they left a Mosque having broken their fast and prayed together at this sacred time of year."

Fearing further backlash against the Muslim community, Ms. Ali, the university student, said she wouldn't be taking her daughter to school for at least two weeks. Other Muslim parents are doing the same, she said.

Even before Monday's attack, the recent incidents across Britain had her on edge, she said.

"I get paranoid when I walk on the street and I see a van or a bigger car approaching," Ms. Ali said. "It's getting scarier and scarier here by the day."

STEFAN ROUSSEAU/PA WIRE/ZUMA PRESS

Prime Minister Theresa May with faith leaders after the attack.

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First Day of Brexit Talks Bares Divisions

The two sides have until March 2019 to complete and ratify a deal on the divorce

By Laurence Norman And Valentina Pop

BRUSSELS—The U.K. and the European Union concluded their first day of negotiations over Britain's departure from the bloc with the EU securing its preferred timetable for the talks and divergent views immediately emerging over a divorce bill the EU is demanding from London.

The talks Monday started almost exactly a year after last June's U.K. referendum vote to quit the EU. The complex talks must be done in time for Britain to leave in March 2019.

In an early concession, 11 days after U.K. elections in which Prime Minister Theresa May's Conservative Party lost its parliamentary majority, British negotiators agreed to focus early talks on the EU's key priorities: settling the future rights of EU citizens in the U.K., discussing past spending pledges the EU wants Britain to fulfill, and avoiding a hard border in Ireland.

The EU has said only once there is "sufficient progress" on these issues can talks begin on the future trade relationship between the two sides. The bloc's chief negotiator, Michel Barnier, said he hopes the two sides can reach that point by October.

In a sign of the tensions that lie ahead, EU officials said U.K. Brexit Secretary David Davis didn't accept the EU's legal case for a British divorce bill—financial commitments made by the U.K. that it hasn't yet fulfilled—saying there were different legal views on the issue. EU officials have said Britain has made spending pledges of at least €60 billion ($67 billion).

At a news conference after the first day of talks, Mr. Davis and Mr. Barnier categorized the talks as positive. Mr. Davis said he hoped for quick progress on agreeing on the rights of EU citizens in the U.K. and British citizens in the EU.

The two sides agreed they would meet for one week a month to conduct the negotiations, with the next talks beginning on July 17. They set up three working groups on citizens' rights issues, on the EU's financial settlement demands and other divorce issues.

They also established a separate dialogue, at a higher political level, to discuss the politically sensitive and technically complex issue of avoiding a hard border between Northern Ireland and the Republic of Ireland. Mr. Davis acknowledged that solutions for Ireland would take longer.

Britain started the negotiations at a time of political volatility at home, with Mrs. May struggling to rebuild her authority after calling early elections that ended with a disastrous result for her party. Since the vote, there have been calls from senior Conservative politicians for Mrs. May to soften Britain's Brexit goals.

After Monday's negotiations, Mr. Davis said there would be no change in the government's intention to leave the EU's single market of goods and services and exit the EU's customs union. "The position hasn't changed," he said. Mr. Barnier said the EU side also was negotiating on that basis.

Negotiations begin in Brussels as Britain finds itself in political turmoil.

German Building Boom Unearths Old Bombs

By Anton Troianovski

ELLENSERDAMMERSIEL, Germany—This country's construction boom has reached such heights that its unexploded-ordnance-removal technicians can barely keep up.

"This really takes it out of you," one of them, Hans Mohr, said one recent Saturday after a 65-hour workweek—not counting this morning's assignment, which was digging up a railway bed. "I can't keep going on like this."

Thanks to low interest rates and a humming economy, new construction activity in Germany is approaching 20-year highs. That building boom is disturbing the thousands of tons of bombs, artillery shells, and hand grenades from two world wars that are still hidden underground.

People have been digging up unexploded ordnance in Germany for decades. But more than 70 years after the end of World War II, statistics from across Germany show that its governmental unexploded-ordnance technicians are now busier than they have been in years.

"We're not going to go extinct," said Karl-Friedrich Schröder, another veteran of the trade, as he locked up a secret bunker filled with recovered bombs in the Westphalian hills. "Interest rates are still low."

British and U.S. airplanes dropped some 1.4 million tons of explosives on German cities and production centers during World War II. The bombs that didn't explode are among the remnants of previous conflicts and land-warfare ordnance, including artillery shells and hand grenades, now buried underground. The country's main construction trade group says that around 100,000 tons of unexploded ordnance still lie in German soil.

Mr. Schröder's office in the intensely bombed Ruhr region has seen its workload increase more than 30% this year. The state of Lower Saxony, where Mr. Mohr is based, disposed of 93 tons of unexploded ordnance last year—the most in at least a decade. In the large German states of North Rhine-Westphalia, Hesse, and Baden-Württemberg, the number of inquiries received by ordnance-removal services is up more than 40% since 2011.

And another challenge looms underwater: a surge in wind-park construction is forcing the country to reckon with the more than one million tons of munitions long hidden under the sea. Last year, officials received 264 reports of ordnance finds off German coasts—compared with 148 in 2013, when nationwide records started being kept.

For construction projects, the impact of unexploded bombs runs deep. In Hannover, the discovery of three British bombs under an apartment-building construction site forced 50,000 people to be evacuated in May.

Germany's unique circumstances and building boom has produced a thriving bomb-disposal trade. On the ground are the *Sprengmeister*, or masters of detonations, who sometimes crisscross the countryside in vans marked *"Kampfmittelbeseitigungsdienst,"* or ordnance-removal service. Supporting them are experts who scan aerial photographs and magnetic readouts for hints of unexploded ordnance, and specialized contractors who are experiencing a business boom of their own.

Bomb disposal is risky. In 2010, three ordnance experts were killed in the Lower Saxon city of Göttingen by a 1,000-pound bomb that was dropped by the Allies. A chemical delayed-action fuse that had failed to detonate within days of impact as it was designed to had left the bomb intact.

It was Mr. Mohr who took over the bomb-disposal unit after its chief was killed in the explosion.

"My colleagues were more difficult to handle than the bombs," Mr. Mohr recalls. "They had seen their colleagues torn to pieces."

The following year, in 2011, Chancellor Angela Merkel decided to phase out nuclear power and boost green energy, touching off a boom in offshore wind parks. Since then, work off the Lower Saxony coast has kept Mr. Mohr increasingly busy.

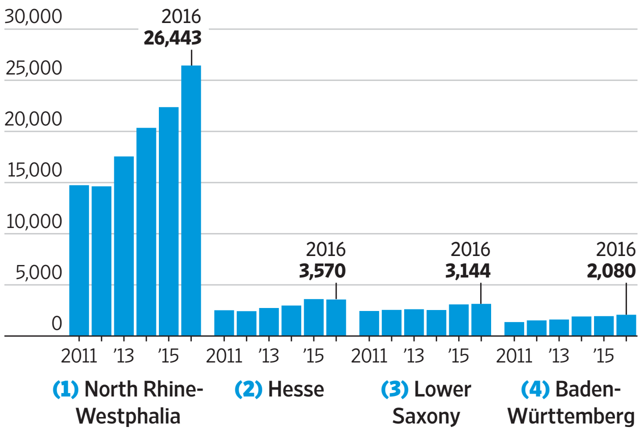
In January, a ship patrolling a new North Sea wind park spotted a floating German World War II sea mine threatening the 42-windmill facility. Mr. Mohr sped in his van, blue light flashing and siren blaring, to a German Navy base.

A Sea King helicopter flew his team to the site and lowered the three in a basket. The seas were too rough to try to detonate the mine on the spot. Instead, Mr. Mohr attached a 450-foot cable to the mine, had a ship drag it 70 miles to a sand bank, waited for low tide and then blew it up.

Unexploded World War II bombs found in Germany's Arnsberg district are stockpiled in a bunker.

A Dangerous Job on the Rise

An increase in construction activity in Germany is spurring a rise in bomb-removal work, including in the states of North Rhine-Westphalia, Hesse, Lower Saxony and Baden-Württemberg.



Note: Most ordnance-removal cases don't result in bomb finds.

Sources: State of North Rhine-Westphalia; Regierungspräsidium Darmstadt (Hesse); State of Lower Saxony Regierungspräsidium Stuttgart (Baden-Württemberg)

THE WALL STREET JOURNAL.

Death Toll From Fire In London Rises to 79

By Matt Surman

LONDON—Police said the number of dead and missing after the London high-rise fire had grown to 79 people.

Police had warned the death toll might rise as search operations continued in the charred shell of the building, which residents had complained for years wasn't fire-safe.

As questions swirl about whether design flaws in the 24-story building were to blame for the devastation, experts have pointed to its newly installed aluminum cladding as a possible culprit.

The cladding used on the high-rise isn't banned in the U.K., the company that supplied the material said, directly contradicting claims made by government officials.

The cladding, called Reynobond PE, was a sandwich of metal panels and a common plastic known as polyethylene, according to **Harley Facades** Ltd., the company that conducted the installation as part of the building's refurbishment last year.

Treasury chief Philip Hammond told the British Broadcasting Corp. on Sunday that the type of cladding used in the 24-story building is banned in the U.K.

But in a statement on the website of **CEP Architectural Facades**, which supplied the cladding material to Harley Facades, the company's managing director, John Cowley, said Reynobond PE isn't banned in the U.K.

Prime Minister Theresa May has ordered an inquiry into the fire and police are conducting a criminal investigation.

WORLD NEWS

NATO Boosts Baltic Force, to Russia's Ire

BY JULIAN E. BARNES

ADAZI, Latvia—The North Atlantic Treaty Organization said its deterrent force is fully in place in the Baltic area with the addition of a Canadian-led battle group in Latvia, enhancing deployments criticized by Russia.

A ceremony on Monday, featuring parading troops from Latvia, Canada, Poland, Italy, Spain, Slovenia and Albania, marked complete deployment of the fourth and final alliance battle group to the Baltic region. In all, NATO has positioned some 4,500 troops in Latvia, Lithuania, Estonia and Poland.

Allied and Russian forces have both been building up in the Baltic region. The deployments have raised the risk of miscalculation, some analysts said, but both sides have said they are necessary defensive initiatives.

The U.S. has deployed a tank brigade to Central and Eastern Europe and is conducting exercises in the Baltic Sea region. This month, the U.S. flew B-2 stealth bombers to Europe for what American military officials called a demonstration of reassurance for allies. The U.S. has also deployed other bombers and Army units for exercises in the Baltic Sea area.

Russia, too, is enlarging its forces. It is creating a larger permanent military presence in the region, including missiles and new army units, moves it says counter the NATO deployments. Russia and Belarus are also preparing for a large military exercise in September.

NATO Secretary-General Jens Stoltenberg said he didn't see any "imminent threat" to NATO forces or the Baltic states. He also said he hoped to convene a meeting between NATO ambassadors and their Russian counterpart so the two sides could brief each other on coming exercises.

"We see increased military presence in this region," Mr. Stoltenberg said in an interview. "The increased military presence underlines the importance of transparency, predictability, and risk reduction."

Russia has said the NATO deployment violates an agreement with Moscow not to permanently station significant combat forces on Russia's borders.

Russian officials have consistently said the NATO force is undermining, not improving, security. Alexander Grushko, the Russian ambassador to NATO, recently said the alliance should focus on fighting terrorism, not defending against Moscow.

Mr. Grushko also said NATO's buildup risked an arms race. "The situation is dangerous," he said. "We know from our previous experience when there is a military dynamic…it will reproduce the logic of having additional assets, additional assets, additional assets."

Mr. Stoltenberg said the alliance hadn't violated agreements with Russia. Canadian Defense Minister Harjit Sajjan said the NATO arrangements were clearly defensive. He said it was Russia that had committed aggression by annexing Crimea, prompting Canada to deploy its largest force to Europe since the Cold War.

"You really have to ask Russia that question: Who is the aggressor here," Mr. Sajjan said in an interview. "We, with NATO, are sending an important message for our alliance, we stand together….This is not an aggressive message."

In recent months, the alliance has had to deal with political sensitivities as U.S. President Donald Trump has said European powers don't spend enough on their militaries, and questions have been raised about whether the U.S. would live up to its commitment to defend allies.

Mr. Trump said in May that current spending was inadequate and raised the prospect of increasing the NATO target from 2% of economic output to 3%, allied officials said.

With most allies spending well below 2%, there is little appetite to raise the target, they said. Mr. Stoltenberg said he has urged countries to abide by the 2014 Wales pledge to move toward spending 2%.

"I know that President Trump has recognized the progress we see across Europe and Canada," Mr. Stoltenberg said. "He has actually said the money is pouring in."


VALDA KALNINA/EUROPEAN PRESSPHOTO AGENCY

Canadian soldiers take part in the inauguration of the NATO Enhanced Forward Presence Battle Group.

WORLD WATCH

PORTUGAL

At Least 61 Killed In Forest Fires

Forest fires raging through central Portugal killed at least 61 people, a death toll that officials said is expected to rise as firefighters battle six major blazes.

At least 47 of those killed had been found dead in their vehicles or alongside a road, engulfed by flames and smoke as they tried to flee their homes, many of which had been consumed by the conflagration, said interior ministry official Jorge Gomes.

Portugal and other Southern European countries such as Spain are often hit by deadly forest fires as summer temperatures rise, parching the land. But the impact of the fires that spread Saturday afternoon into Sunday in Portugal were particularly devastating. Portugal declared three days of mourning.

More than 1,500 firefighters, hundreds of firefighting vehicles and more than a dozen airplanes were battling six major fires and dozens of smaller ones.

Authorities said the cause of the blazes appears to have been lightning strikes on Saturday afternoon.

—Jeannette Neumann

AIR SAFETY

Officials See Risk In Wakes of Big Jets

European aviation authorities will issue a safety warning to airline pilots about turbulence generated by other aircraft at high altitude, according to government and industry officials, an issue becoming more common as jetliners grow ever larger and fly closer together.

The safety-information bulletin, responding to roughly a dozen serious incidents worldwide over the past few years, is slated to remind cockpit crews to follow trajectories slightly offset from official routes, to reduce the impact of wakes from airliners passing overhead. It is expected in the next few weeks.

Wake vortices—high-velocity, whirling airflow spinning off wingtips—spread downward and backward, so offsetting laterally by a mile or two from the planned route typically avoids the brunt of the turbulence. In a January incident that has garnered considerable global attention, a Bombardier Inc. business jet temporarily went out of control and plunged some 9,000 feet over the Arabian Sea after an Airbus A380 superjumbo jet flying in the opposite direction passed 1,000 feet overhead.

—Andy Pasztor


A. ALVAREZ/EUROPEAN PRESSPHOTO AGENCY

OLD BONES: Excavation in a graveyard near Duenas, Spain, discovered 156 graves dating back to the 12th to 14th centuries.

ZABUR KARURU/ANTARA FOTO/REUTERS

Indonesian naval vessels and a helicopter patrolled in the Tarakan Sea, in Tarakan, Indonesia, on Monday as part of joint patrols.

Southeast Asian Sea Patrols Begin

BY BEN OTTO

MANILA, Philippines—Three Southeast Asian nations under threat from Islamic State-linked militants launched joint maritime patrols in an effort to stop a conflict in the southern Philippines from spreading to other parts of the region.

The Philippines, Indonesia and Malaysia plan to police the Sulu and Celebes seas, a vast area prone to piracy and kidnappings.

Security officials in Southeast Asia have long feared that Islamic State's activities in Syria could ignite dormant terrorist cells in Indonesia, the Philippines and Malaysia, nations with combined populations of almost 400 million people. The conflict in the southern Philippines, now entering its fifth week, is raising concerns in Jakarta that militants could flee to neighboring Indonesian islands.

The joint patrols were first agreed to more than a year ago, but were delayed over disputes such as overlapping territorial claims, said Ian Storey, a senior fellow at the Iseas-Yusof Ishak Institute in Singapore. The continuing battle between Philippine troops and Islamic State-linked militants in the southern Philippine town of Marawi pushed officials to move forward with the plan, Mr. Storey said.

"The Marawi siege, and the recognition that terrorism poses a major security threat to all three countries, has concentrated minds and made this breakthrough possible," Mr. Storey said. Still, given the vast area of the waters, "challenges of interoperability and lingering political sensitivities over sovereignty, it remains to be seen how effective these patrols will be."

U.S. Special Forces have been supporting Philippine troops with technical support and intelligence, including providing surveillance planes over Marawi to monitor militant positions. But that support has been limited. U.S. Defense Secretary Jim Mattis last week cited the Marawi conflict in telling Congress that the U.S. had too quickly decided to end a special-operations task force in the southern Philippines three years ago.

The southern Philippines has been under martial law since late May as troops battled local militants in Marawi, a town of about 200,000 people on Mindanao Island, where Philippine extremists have been seeking to create an Islamic caliphate. More than 300 militants, security personnel and civilians have been killed and 180,000 people displaced in a conflict that has included dozens of foreign fighters from Indonesia, Malaysia, Saudi Arabia, Yemen and Morocco, officials have said.

On Monday, Philippine military officials said militant numbers in Marawi had dwindled, but that some fighters have escaped along with evacuees.

Philippine officials also announced the seizure of as much as $5 million worth of crystal methamphetamine from a house in Marawi, along with a cache of advanced firearms.

"They are not ordinary firearms at all but high-powered firearms that can fire from afar," said Brig. Gen. Restituto Padilla, spokesman for the Philippine armed forces. "This is indicative of the length of planning that went to this operation of these rebels."

SYRIA

Continued from page A1

Russia's Defense Ministry also said it would pull out of an agreement between Moscow and Washington to cooperate in the crowded skies above Syria, where U.S. coalition planes operate alongside Syrian and Russian aircraft.

This isn't the first time Russia has escalated its rhetoric over Syria. Earlier this year, Moscow pulled out of the memorandum on military coordination after U.S. President Donald Trump ordered a Tomahawk missile strike at the Shayrat air base in western Syria in early April. Washington and Moscow subsequently confirmed they would resume the agreement.

While the U.S. has stepped up direct military action against Syrian government forces in recent weeks, the Russian government has pushed a narrative that Washington is hampering its efforts to target Islamic State.

In a recent Moscow briefing, Col. Gen. Sergei Surovikin, the commander of Russian forces in Syria, condemned U.S. strikes on Syrian regime forces, saying they were aimed at thwarting the advances of the Syrian government.

The coalition strikes, he said, "blocked the way for government troops that carry out the task of destroying the ISIS groupings," adding that recent actions were a violation of Syrian sovereignty.

"It creates the impression that it is the government forces of Syria, not the terrorists of ISIS, that present the real danger to the coalition," Gen. Surovikin said.

The downing of the aircraft comes amid a shifting situation on the ground in Syria. U.S.-backed Syrian Democratic Forces are battling to capture the Islamic State stronghold of Raqqa. Mr. Assad's forces, backed by the Russians and Iranians, have advanced east from Aleppo province into neighboring Raqqa province, putting them on a collision course similar to the confrontations happening in southeast Syria.

There, the U.S. has fired on pro-regime forces and downed an Iranian drone to stop an advance toward U.S.-backed rebels fighting ISIS near the Jordanian and Iraqi borders.

A spokesman for the U.S.-backed Syrian Democratic Forces said Monday that the regime forces began widespread attacks on them Sunday using warplanes, artillery fire and tanks on areas that the SDF had previously captured from Islamic State around the Tabaqa Dam.

"If the intention of the regime's repeated attacks on our forces is to terminate the liberation of Raqqa city, we stress that continued regime attacks on our forces in Raqqa will compel us to respond in a similar manner," spokesman Talal Silo said.

On Sunday, Iran's Revolutionary Guards force launched missile strikes at Islamic State in one of its last Syrian strongholds, Deir Ezzour province.

Those strikes were retaliation for a June 7 attack on Iran's parliament and a shrine in Tehran claimed by the terror group, and Iranian state television on Monday aired celebratory footage of the strikes, which were launched by mobile systems in the western Iranian provinces of Kermanshah and Kordestan. Iranian state TV also showed the drone-sent footage of the targets being hit.

Iranian officials from across the political spectrum praised the missile attack, including Iranian Foreign Minister Javad Zarif.

"Terrorist supporters should receive Iran's message of power," Mohsen Rezai, secretary of the prominent Expediency Council and former commander of Iran's hard-line Revolutionary Guards force was quoted as saying by state TV.

—Nathan Hodge in Moscow, Raja Abdulrahim in Beirut and Dion Nissenbaum in Washington contributed to this article.


JAKE CANNADY/US DEPARTMENT OF DEFENSE/EUROPEAN PRESSPHOTO AGENCY

An F/A-18E Super Hornet aircraft of the type the U.S. says shot down a Syrian government warplane.

China's Cash Buys Tolerance

Investments in Greece, other strapped nations help blunt criticism of Beijing on human rights

By Nektaria Stamouli And William Wilkes

ATHENS—Greece's recent veto of a European Union statement condemning Chinese human-rights violations shows the return Beijing is getting on its multibillion-dollar investments in the bloc's cash-strapped periphery.

China's acquisition spree in Western Europe last year raised fears about the commercial costs of losing cutting-edge technologies. Less foreseen was the degree to which Beijing's investment in poorer parts of Europe appears to have bought silence on China's human-rights record, according to analysts, diplomats and human-rights organizations.

On Thursday, Greece was alone among the 28 EU members in objecting to criticism of China by the bloc, which sought to challenge Beijing's crackdown on political activists and dissidents.

"Greece's position is that unproductive and in many cases selective criticism against specific countries doesn't facilitate the promotion of human rights in these states, nor the development of their relation with the EU," a Greek foreign ministry official said.

EU officials played down the rift. "The global human-rights agenda is best served when the EU speaks with one voice," said a spokeswoman for EU Foreign Affairs chief Federica Mogherini. "We will continue our work to bring all 28 together."

China has helped fund major infrastructure projects in Europe's south and east, offering billions of euros in finance for railways, power lines, roads and bridges across such economically squeezed countries as Greece, Hungary, Croatia and Portugal.

For Greece, under pressure from its international creditors to slash public spending, Chinese cash has been vital. It helped refurbish Greece's largest port and propped up its wheezing state-owned power-grid operator.

China's investment has bought influence in Athens, human-rights groups said after Greece told fellow EU members it was uneasy about criticism of China's human-rights record before blocking the statement on Thursday.

Chinese President Xi Jinping has called Greece China's "most reliable friend in the EU." Hungary and Croatia have also blocked EU statements chastising Beijing. The three countries last year repeatedly thwarted a statement from the 28 member states taking issue with China's aggressive stance in the South China Sea.

"Those countries are in a weak situation economically and they want those investments," said Nadège Rolland, a senior China analyst at the National Bureau of Asian Research in Washington.

Chinese Foreign Ministry spokesman Geng Shuang said while Beijing didn't know specifics of internal EU discussions on the issue, China wanted to commend "the relevant country" for taking the right position on the matter.

"We oppose politicizing the human-rights issue" and using it to interfere with countries' sovereignty, Mr. Geng said.

DIMITRIOS KARVOUNTZIS/PACIFIC PRESS/ZUMA PRESS

Greece objected to the European Union's criticism of China's crackdown on political activists and dissidents. Here, Greek and Chinese officials settled down to talks in Athens on June 12.

Beef Is on Table Before Trade Talks

BEIJING—Ahead of a high-level U.S.-China security meeting in Washington, Beijing is doing its utmost to show why close trade links with China are a good thing for America, and starting with Iowa beef.

Chinese and U.S. officials are set to kick off an annual security dialogue on Wednesday that will address an impasse over North Korea's missile development and nuclear program.

The same day, the first shipment of American beef in 14 years is scheduled to arrive in Shanghai, after a breakthrough in trade relations. Members of a recent Chinese delegation to the U.S. pointed to this and other moves as a relative bright spot in a fraught relationship.

"The next step is to import a huge volume of agricultural goods," Wei Jianguo, a former Chinese trade official, said in Beijing on Monday, flagging how he said the swelling appetites of Chinese consumers could benefit the U.S. "Ignoring a market this big, how is that going to solve the U.S.'s problems?"

Mr. Wei just returned from a trade-focused trip with current and former government officials to New York City and Des Moines, Iowa. He brought home an upbeat message on the progress of a U.S.-China 100-day plan to reduce trade friction.

The security dialogue that is opening in Washington on Wednesday was proposed by Presidents Donald Trump and Xi Jinping this year. *—Josh Chin*

U.S. Navy Collision Echoes 1985 Crash

By Alastair Gale

TOKYO—In late 1985, a U.S. Navy frigate was sailing in the dark near Yokosuka port in Japan when it was hit by a Philippine-registered freighter, tearing a large gash in its right side.

The collision, which caused only minor injuries, bears a resemblance to the deadly impact in the predawn hours Saturday of the USS Fitzgerald, a destroyer, and a Philippine-flagged cargo vessel 56 nautical miles south of Yokosuka.

Seven U.S. sailors were killed in the weekend disaster.

While the incidents are 32 years apart and may have different causes, they highlight questions over safety in one of Japan's busiest maritime regions. Yokosuka, home to the U.S. Navy's Seventh Fleet, sits at the entrance to Tokyo Bay, home to the major ports of Yokohama and Tokyo.

On Monday, a U.S. Coast Guard team arrived in Japan to begin working on a safety probe into the latest collision. The U.S. Navy is holding a separate investigation into the cause of the incident. Japan's coast guard and Transport Safety Board have launched their own investigations. Officials on both sides declined to provide initial assessments on the cause of the collision.

The cargo ship involved in the weekend accident, the ACX Crystal, finished unloading its cargo of containers on Monday in the port of Yokohama, officials from the ship's owner, Nippon Yusen K.K., said. They added that damage to the front of the vessel would likely be repaired. The U.S. Navy and Nippon Yusen declined to make crew members from either ship available for interviews.

The collision from December 1985 occurred around one mile outside Yokosuka harbor, according to an Associated Press report from the time. The USS Lockwood sustained a hole 25 feet wide in front of the bridge on its right side.

The U.S. Navy didn't immediately respond to an emailed question about the result of the investigation into the 1985 incident.

John Durkin, a former crew member of the USS Lockwood who had been transferred off the ship shortly before the accident, said that the captain was immediately relieved of his position.

"In the Navy it doesn't matter whose fault it is, the captain is responsible," Mr. Durkin said, adding, "There's a very strong culture of responsibility."

—Chieko Tsuneoka contributed to this article.

EUGENE HOSHIKO/ASSOCIATED PRESS

A tugboat towed the USS Fitzgerald on Saturday near the U.S. Naval base in Yokosuka, Japan, home to the Navy's Seventh Fleet.

Justices to Review Redistricting

Supreme Court will look at the rejection of a GOP plan to redraw a Wisconsin map

BY BRENT KENDALL

WASHINGTON—The Supreme Court agreed to consider whether there are constitutional limits to how far lawmakers can go in drawing electoral districts to maximize partisan political advantage, a case that could have profound implications for U.S. elections.

The justices in a brief written order said Monday they would review a redistricting case from Wisconsin, where a three-judge lower court last year invalidated a redistricting plan enacted by the Republican-controlled Wisconsin legislature in 2011.

In a hint of the potential divisiveness of the issue, the high court on a 5-4 vote stayed the effect of the lower court ruling while it hears the case. That means Wisconsin officials for now won't have to put a remedial redistricting map in place. The court's four liberal justices would have denied the stay and left in place a lower court order requiring a new map by Nov. 1.

The lower court said Wisconsin lawmakers redrew legislative districts after the 2010 census to unlawfully maximize the number of Republicans elected and dilute the power of Democratic voters.

Election results since then have shown the redistricting had its intended effect, with the GOP winning a larger majority in the state assembly even as the statewide tally of votes was nearly even between Republicans and Democrats, the lower court said.

Both political parties have been accused of engaging in partisan gerrymandering in states where they hold power and other cases are pending in court, including one challenging Democrats' map-drawing in Maryland. Critics say extreme partisan line-drawing creates too many uncontested elections and makes lawmakers too removed from the will of voters.

Some Supreme Court justices have previously expressed concern about partisan gerrymandering, but a majority of the court has been hesitant to intervene so directly in the American political process and say how much partisanship is too much.

On the other hand, gerrymandering that discriminates against minority voters long has been held unconstitutional, and both the Supreme Court and lower courts frequently have invalidated such maps. Critics, including retired Justice John Paul Stevens, have argued that racial gerrymandering is in essence a proxy for partisan motives, and that similar principles should apply in evaluating legislative maps.

The court took up a major case on partisan gerrymandering 13 years ago involving a challenge by Democratic voters to a Republican drawing of Pennsylvania's congressional districts. The ruling produced a 5-4 vote that threw out the lawsuit, but the court's reasoning was splintered and left the issue unsettled.

Four conservative justices in that case said courts couldn't referee partisan gerrymandering claims because there was no workable standard for deciding when partisan line-drawing crossed a constitutional line, and because there wasn't a good way for a court to fix a violation if one did exist.

The court's fifth conservative, Anthony Kennedy, agreed that the specific Pennsylvania lawsuit should be thrown out, but he left open the possibility that the court in a future case could declare that the use of partisan favoritism in drawing districts was unconstitutional.

Justice Kennedy's position in the 2004 case makes him a focal point this time around. Moreover, one of the justices who upheld partisan gerrymandering, Antonin Scalia, has since died and his successor, Neil Gorsuch, hasn't weighed in on the topic.

In the Wisconsin case, a special three-judge court, in a 2-1 ruling, said state Republicans drew district lines "to make it more difficult for Democrats, compared with Republicans, to translate their votes into seats." For example, Wisconsin Democrats in 2012 received 51.4% of the statewide vote, but only 39 of 99 state assembly seats, according to the court opinion.

A dissenting judge said Wisconsin's map complied with traditional redistricting principles, adding that Republicans likely would have won control of the state legislature in 2012 and 2014 even without the alleged gerrymandering.

State officials appealed the case to the Supreme Court, saying the lower-court ruling was erroneous and unprecedented. Wisconsin said recent election results were similar to those before the Republican-drawn map, citing among other things the advantages enjoyed by incumbents.

Democratic challengers argued that the state's Republican majority had an "obsessive focus on partisan advantage" when it drew the state map.

The court will hear arguments in the case, Gill v. Whitford, during its new term, which begins in October.

—Jess Bravin contributed to this article.

CHUCK MYERS/ZUMA PRESS

The Supreme Court stayed the effect of the lower panel's ruling, apparently sensitive to the political divisions the issue could raise.

Muslim Roundup Lawsuit Is Tossed

BY JESS BRAVIN

WASHINGTON—The Supreme Court on Monday quashed a prison-mistreatment case, filed by immigrants rounded up after the Sept. 11 attacks in 2001, against former Attorney General John Ashcroft and other officials.

"High officers who face personal liability for damages might refrain from taking urgent and lawful actions in a time of crisis" if they fear possible lawsuits, Justice Anthony Kennedy wrote for the majority of the court.

Federal authorities rounded up hundreds of predominantly Muslim and Arab men following the Sept. 11 attacks and, under a policy to detain them even on minor pretexts while terrorism investigations proceeded, held them for immigration violations.

Six Arab and South Asian men jailed at the Metropolitan Correctional Center in New York City sued, alleging their rights had been violated by their unjustified detention under the strictest conditions permitted by federal regulations, which included sleep deprivation, solitary confinement and frequent strip searches, as well as unauthorized verbal and physical abuse, including broken bones.

If the allegations are true, "what happened to respondents in the days following Sept. 11 was tragic," Justice Kennedy wrote, joined in whole or in part by Chief Justice John Roberts and Justices Clarence Thomas and Samuel Alito.

But while federal law would permit inmate lawsuits against state officials over similar allegations in state prisons, Congress had provided no such remedy for those in federal custody, he wrote.

In a 1971 case known as Bivens, the Supreme Court implied that there is a right to sue federal officials for violating certain rights, and Congress has never acted to alter that. The Supreme Court, however, has been reluctant to extend the Bivens doctrine to additional abuses by officials.

The majority concluded that permitting the suit against Mr. Ashcroft, former Federal Bureau of Investigation Director Robert Mueller and others to go forward would entail extending the Bivens doctrine.

In dissent, Justice Stephen Breyer said the allegations fell well within the scope authorized by the Bivens doctrine.

"History tells us of far too many instances where the executive or legislative branch took actions during time of war that, on later examination, turned out unnecessarily and unreasonably to have deprived American citizens of basic constitutional rights," Justice Breyer wrote, joined by Justice Ruth Bader Ginsburg.

Justice Breyer read his dissent from the bench, a signal at the Supreme Court of deep distress among the minority over a case's disposition. It was the first time any justice had taken the step during the current term.

The case was returned to the Second U.S. Circuit Court of Appeals in New York, which had authorized the lawsuit to proceed, to address some relatively minor claims the Supreme Court didn't decide on Monday.

ERIC THAYER/GETTY IMAGES

Justice Anthony Kennedy wrote the majority decision.

Court Cites Free Speech in Trademarks Case

BY BRENT KENDALL

WASHINGTON—The Supreme Court, citing free-speech protections, ruled Monday that the government can't reject trademarks that some people might find disparaging or offensive.

The justices sided with the Asian-American rock band The Slants and invalidated a 70-year-old provision in federal trademark law that prohibited the registration of disparaging trademarks.

Among the immediate beneficiaries could be the Washington Redskins football team, which has been fighting a legal battle to save its trademarks after the U.S. Patent and Trademark Office canceled them in 2014 after finding that Native Americans believed the team's name to be disparaging.

The Patent and Trademark Office declined to register a trademark for The Slants after finding that people of Asian descent would likely find the band's name derogatory.

Band leader Simon Tam argued the government's refusal to register certain trademarks because of their content infringed on the free speech of those expressing disfavored or negative viewpoints.

The Supreme Court agreed, in an opinion written by Justice Samuel Alito.

"This provision violates the Free Speech Clause of the First Amendment. It offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend," Justice Alito wrote.

The justices were unanimous in ruling against the government, though two different groups of justices wrote opinions offering their views on why the Patent Office should lose.

The court's new justice, Neil Gorsuch, didn't participate in the case, which was argued before he joined the court.

Mr. Tam said his band was fighting racial stereotypes, with the name following a tradition in which members of minority groups have reclaimed derogatory terms and turned them into badges of pride.

"The Supreme Court has vindicated First Amendment rights not only for our The Slants, but all Americans who are fighting against paternal government policies that ultimately lead to viewpoint discrimination," Mr. Tam said in a statement posted on his Facebook page.

Lisa Blatt, a lawyer for the Redskins football club, said the team was "thrilled" with the ruling, "as it resolves the Redskins' longstanding dispute with the government. The Supreme Court vindicated the team's position that the First Amendment blocks the government from denying or canceling a trademark registration based on the government's opinion."

The Patent Office had warned a win for The Slants would clear the way for the registration of trademarks on even vile racial epithets.

A federal appeals court acknowledged as much when it ruled for The Slants in 2015 but said that the First Amendment protected speech even when it inflicted great pain on others.

"We plan to issue further guidance following a careful review of the Court's decision," a Patent Office spokesman said.

Sex Offenders Can Go on Social Media

WASHINGTON—The Supreme Court unanimously struck down a North Carolina law that made it a crime for sex offenders to visit social media sites, ruling Monday it is an unconstitutional infringement on free speech.

The court, in an opinion by Justice Anthony Kennedy, said the state couldn't bar offenders from sites such as **Facebook** and **Twitter** altogether—and under the threat of criminal penalties—given that the platforms have become central mechanisms for communication and access to information.

"By prohibiting sex offenders from using those websites, North Carolina with one broad stroke bars access to what for many are the principal sources for knowing current events, checking ads for employment, speaking and listening in the modern public square and otherwise exploring the vast realms of human thought and knowledge," Justice Kennedy wrote.

North Carolina enacted the law in 2008, making it a felony for a sex offender to visit social-media sites where the offender knows minors are allowed to become members. The state, citing concerns about recidivism, argued the law was a sensible measure to prevent offenders from anonymously gathering information about minors on social media that could be used to target victims.

The Supreme Court's ruling recognized the central role in American life now played by social-media sites. The justices sided with Lester Packingham, who pleaded guilty in 2002 to taking indecent liberties with a 13-year-old when he was age 21. In 2010, a Durham, N.C., police officer found Mr. Packingham had written a post on Facebook to celebrate a dismissed traffic ticket.

The state brought charges, and Mr. Packingham was convicted at trial in 2012.

—Brent Kendall

Voter Data Set Left Unprotected Online, Firm Says

BY SHANE HARRIS AND KATE FAZZINI

A computer-security company said that a proprietary data set containing personal information on nearly 200 million American voters and their predicted voting behavior was left unprotected online, in a large cache of spreadsheets and other electronic files.

According to security company UpGuard, the information, which was available on a public server accessible by anyone via the internet, was compiled by consulting firm Deep Root Analytics, which helps Republican campaigns choose which voters to target with TV advertising.

The voter records, which are public information, were augmented with proprietary analysis about voter behavior by Deep Root, which tries to predict voters' policy preferences and how likely they are to choose a particular candidate.

Beyond paying customers, that kind of information could be valuable to rival campaigns or even foreign entities trying to determine how to persuade American voters, according to elections experts.

The information was found on a publicly accessible cloud server, said Chris Vickery, an analyst with cybersecurity company UpGuard. He said he discovered the information June 12 after trying different combinations of letters for web addresses that he thought might point to the information. Mr. Vickery is a specialist in searching for exposed information using this technique, known as "cloud fuzzing," to help secure sensitive information.

The voter information, portions of which were reviewed by The Wall Street Journal, includes the names and other personally identifying information of about 198 million registered voters, which would appear to be nearly all of the estimated registered voters in the U.S., the company found. The information includes dates of birth, mailing addresses and party affiliation, as well as self-reported racial demographics, according to Mr. Vickery, but didn't include Social Security numbers or financial information.

In a statement, Deep Root Analytics acknowledged the exposure. The company "has become aware that a number of files within our online storage system were accessed without our knowledge," the statement said. The company added, "Since this event has come to our attention, we have updated the access settings and put protocols in place to prevent further access. We take full responsibility for this situation."

MICHAEL REAVES/GETTY IMAGES

Voters in New York casting their ballots in the November election.

Coal's Decline Spreads Beyond Appalachia

By Jon Kamp
And Kris Maher

SOMERSET, Mass.—Far from the mines of Appalachia, the decline of coal is hitting communities that relied on coal-fired power plants for jobs and income.

During the past five years, roughly 350 coal-fired generating units shut down across the U.S., ranging from small units at factories to huge power plants, according to data from the Energy Information Administration. A single power plant could have one or several units.

Many of these plants were built near the source in Appalachia and Western states. But generators built in faraway places like New England have also been turned off.

The shutdowns can cost communities both high-paying jobs and important sources of tax revenue. Natural-gas-fired plants have quickly mushroomed up across the U.S. to replace the retiring coal generators, but those plants need far fewer workers—one for every five that worked at a coal plant, by some estimates.

A 54-year-old coal-fired plant here stopped operating three weeks ago, and local officials started raising property taxes several years back to compensate for lower revenue from the town's largest taxpayer as production slowed.

In Adams County, Ohio, where Dayton Power & Light has said it will shut two coal-fired plants, county auditor David Gifford sees a host of knock-on effects including layoffs for public employees, program cuts for seniors, libraries and schools, as well as a steep rise in property taxes. The plants contributed more than 30% of the county's $27 million in total tax revenue.

"If the power company shuts their doors, then John Doe on the street is going to have to pay for it," Mr. Gifford said.

A DP&L spokeswoman said the company decided the plants wouldn't be economically viable beyond mid-2018, and "we faced an important and difficult outcome."

It is a scenario being played out elsewhere as more coal-fired power plants retire, squeezed out in part by new, cheaper-to-run natural gas-fired plants.

Two entire plants in New Jersey also closed in June, and more coal units are scheduled to close in places like Tennessee and Michigan. Carbon County, Utah, is still smarting from the loss of a small coal-fired plant two years ago, said Seth Oveson, the county clerk and auditor.

Cassville, Wis., lost 55% of its tax revenue when two former coal plants on either side of town, including one that was converted to burning biomass, shut within four months of each other in 2015, said Keevin Williams, president of the village of 950 people.

Mr. Williams himself worked at one plant for 31 years before retiring. Others moved away to find work. The village on the Mississippi River has cut staff and put off projects, he said.

Last year, natural gas surpassed coal for the first time in U.S. electricity generation, providing 34% of the nation's power, versus 30% for coal, according to the EIA. As recently as 2011, coal provided roughly 43% of generation.

In Somerset, Brayton Point was the last coal-fired power plant in Massachusetts, and one of just four left in New England. Prior plant owner Energy Capital Partners decided in 2014 to shut the plant due to competition from cheap gas, and current owner Dynegy Inc. followed through.

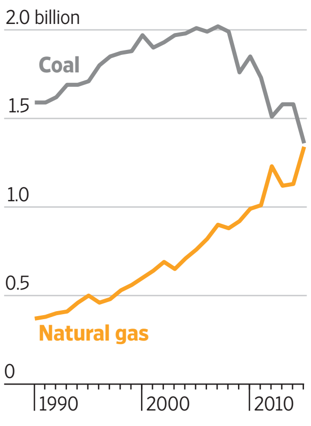
The plant paid more than $13 million in taxes as recently as five years ago, but payments have declined alongside power production since then, and the town of about 18,000 people has had to shift the burden to other taxpayers, town Finance Director Joe Bolton said.

Electrician David Kutz, a 32-year Brayton Point veteran and area homeowner, will receive severance, but said he plans to find new work to help cover medical insurance. "This plant put so many kids through college, bought so many houses, paid so many taxes," said Mr. Kutz, who is 59 years old. "It's hard now seeing people go."

Power Shift

The shift to natural gas for electricity is impacting communities that rely on coal-fired power plants.

Electricity generation by source
In megawatt hours



Source: Energy Department
THE WALL STREET JOURNAL.

Brayton Point, the last coal-fired power plant in Massachusetts, stopped operating three weeks ago.

Closures Underscore Challenge for Trump

The reduction in coal-fired power underscores the challenge for President Donald Trump in fulfilling his promise to aid a flagging coal-mining industry because power plants are by far the main consumers of American coal.

Mr. Trump's moves to undo environmental regulations, and the recent withdrawal from the Paris climate accord, are unlikely to reverse the closure of coal-fired plants, according to Adele Morris, policy director for the Climate and Energy Economics Project at the Brookings Institution. Ms. Morris said their closure is driven mainly by cheap gas and a federal rule limiting mercury and other pollutants.

"There's an increasing awareness that coal will not return to its former glory," said Charles Patton, head of external affairs at American Electric Power Co., a Columbus, Ohio, utility that has shut nine coal-fired power plants since 2011.

Neither the EIA nor the Bureau of Labor Statistics track how this shift has affected coal-fired-plant workers. Coal-fired plants require more staff than typically newer and simpler gas-fired units, according to workers and utilities. A spokesman for the Tennessee Valley Authority, which has also been retiring coal units, said a coal plant could employ roughly 150 to 250 while a new gas plant might need 35 workers.

In Ohio's Adams County, where 25% of the 28,000 residents live below the poverty line, the prospect of losing the two plants is devastating.

David Gifford, the auditor for the county, said that if the power plants close, the county could be forced to raise the property-tax rate at least 500% in order to maintain school-district debt payments. The Utility Workers Union of America, which represents workers at the plants, is trying to find investors to buy them, according to the union.

—Jon Kamp and Kris Maher

Plan to Track Foreigners Hits Snag

By Laura Meckler
And Susan Carey

After years of delay, the federal government says it has developed a way to reliably track foreigners when they depart the U.S., at least by airplane, and plans to install cameras that would photograph all passengers just before they board international flights.

But there's a big hitch: The government wants airlines to operate the cameras, saying the cost would be "astronomical" if border agents had to staff every international departure gate. Airline officials argue this is a national-security function that should be shouldered by the government, not private companies.

"Right now, there is no benefit to us. We're not interested in adding another 10 minutes to the boarding process," one airline official said.

Disputes such as this one help explain why it has taken more than two decades for the federal government to create a system to track and eventually catch people who enter the U.S. legally and then stay past their dates of departure.

Congress repeatedly has ordered an exit-tracking system, and President Donald Trump included a fresh mandate to get the system running in an executive order.

It is a rare immigration initiative with bipartisan support. A biometric system would serve as a defense against terrorism, making it more difficult for someone to leave or remain in the country without detection. It also draws attention to people who have overstayed their visas.

"We're out of time and we're out of excuses," John Wagner, who runs the program for the Department of Homeland Security's Customs and Border Protection agency, told a House committee last month. "I understand your frustration with this."

The idea for a tracking system took on urgency after the 2001 terror attacks, when it was discovered that several of the terrorists were living in the U.S. on expired visas. Since 2004, Congress has directed use of biometric data—unique physical identifiers such as fingerprints or photos—to ensure people are who they say they are.

The government succeeded in creating a biometric system for people entering the U.S., with foreigners fingerprinted and photographed upon entry. The exit part has proved much tougher.

DHS ran several pilot programs at large airports. A breakthrough occurred when the agency realized it could use a small, mounted camera to scan people's faces quickly at the boarding gate, Mr. Wagner said. Those images are then compared with photos in a database of travelers airlines expect to be on a given flight. If there's a match, the government can be confident that person has left the U.S.

Major carriers say they support the agency's commitment to technology and innovation and are participating in test programs for the new cameras this summer. Some carriers, particularly Delta Air Lines Inc., are experimenting with their own biometric solutions to ease passengers' gauntlet of check-in steps.

American Airlines Group Inc., plans a test at one gate at O'Hare International Airport in Chicago. Delta has been running a pilot program for more than a year in Atlanta and recently launched another at New York's John F. Kennedy International Airport. United Continental Holdings Inc. is expected to run a pilot program at one of its hubs as well.

A worker directs passengers at a Hartsfield-Jackson Atlanta International Airport security checkpoint.

U.S. WATCH

SOUTH CAROLINA

Democrats Seek Upset in Special Vote

While Georgia's House special election Tuesday is a test of whether Republicans will cross party lines to support a Democrat, another contest the same day in South Carolina aims to measure a different proposition: Can a white Democrat drive enough black voter turnout to score an upset.

The race is to succeed former Rep. Mick Mulvaney, whom President Donald Trump picked to serve as his budget director. Archie Parnell, a former Goldman Sachs executive, is running on the Democratic ticket against Republican Ralph Norman, who narrowly advanced from a GOP primary race.

With Mr. Trump's approval ratings at historic lows and Democrats showing double-digit gains in turnout during two prior unsuccessful House special elections, South Carolina Democrats have spent recent weeks trying to build a machine to turn out the district's African-American voters.

Black voters represent 28% of the district but typically are a far smaller percentage of the electorate. To win, former South Carolina Democratic Party Chairman Jaime Harrison said, black turnout Tuesday must be 35% or more of the electorate. "We know how loyal this community is to the Democratic Party," Mr. Harrison said. "The question is: How do you get people interested enough to vote?"

South Carolina's is the first post-Trump congressional election with a large bloc of black voters. Few African-Americans live in Montana or Kansas, and just 12% of voters in the Georgia district that votes Tuesday are black.

—Reid J. Epstein

SENATE

GOP Leaders Push to Advance Health Law

Senate GOP leaders are aiming to hold a vote next week on legislation to repeal large chunks of the Affordable Care Act, even though they don't yet appear to have secured enough support to pass it.

Senate Majority Leader Mitch McConnell (R., Ky.) is intent on keeping pressure on Senate Republicans to move quickly on the bill rolling back and replacing much of the 2010 health-care law, lawmakers and GOP aides said. "I believe we're going to vote before the Fourth of July recess on a health-care plan," Sen. John Barrasso of Wyoming, a member of Senate GOP leadership, said Monday on Fox News, though he noted Senate Republicans had not yet reached a consensus.

The strategy of pushing for a rapid-fire vote could backfire, however, since some conservative and centrist Republicans have expressed concern about changes to the bill. And Mr. McConnell could pull back if he calculates that a little extra time could get him the votes needed to cross the finish line. He can lose no more than two GOP votes for the bill to pass.

—Stephanie Armour and Kristina Peterson

OIL

Continued from Page One

and a longtime oil-market watcher. "People are regearing themselves to a new price level and $50 to $60 seems acceptable to most."

To be sure, this new range is far from comfortable for some countries and companies, particularly in the services sector, which continue to struggle. Venezuela and its oil-fueled economy have collapsed, and others, like Iraq, are still facing economic challenges.

On Monday, oil prices edged lower, with Brent down 1%, to $46.91 a barrel, and U.S. crude off 1.2%, to $44.20.

But for others the new level is a relief after a combination of booming U.S. shale output and Saudi Arabia's continued pumping sank crude to decade-low levels of under $30 early last year.

Those U.S. drillers have led the way in adapting to the lower price.

Before the bust, producers often needed oil at $80 to $85 a barrel to break even, compared with as low as $40 for some drillers today.

When the oil price began to fall, Bryan Sheffield, chief executive of **Parsley Energy** Inc. doubted his Austin, Texas-based company would pull through.

"In year one, I wasn't sure we were going to survive. We went from $17 to $11 in like three days," he said of a decline in share price at one point in 2014.

Since the start of 2015, in the U.S., 105 producers and 120 oil-field-service companies have filed for bankruptcy, according to Haynes & Boone LLP. In a calmer environment, there might be one or two bankruptcies of note among oil and gas producers a year and a few more among smaller services companies.

U.S. shale drillers persevered by focusing on their best acreage and making technological improvements, such as drilling supersize wells with more sand to gain savings via economies of scale.

Parsley repeatedly sold shares to raise cash, bolstering its balance sheet and allowing it to make acquisitions in the Permian Basin, a drilling field in West Texas that has become one of the most economic places in the U.S. to operate, where producers can make money on wells even at low oil prices.

Now, Mr. Sheffield said Parsley can continue to expand even if oil drops down to $40 a barrel.

Big oil, too, is settling in for an extended period of cheap crude.

Chevron Corp., **Royal Dutch Shell** PLC, **Exxon Mobil** Corp. and **BP** PLC have all indicated they will be able to generate enough cash at $60 a barrel to cover spending and shareholder payouts this year, a major focus for investors worried about the safety of dividends. At $50 a barrel, the picture is more mixed. But the companies say they are focused on living within their means at even this price.

In the first quarter of 2017, many big oil companies posted their highest profit in over a year, and investments are picking up again as cost-cutting efforts begin to pay off.

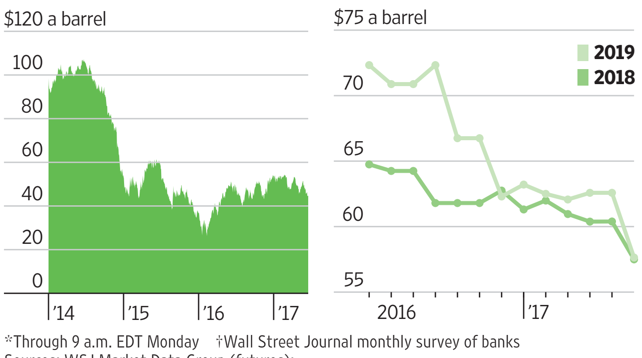
BP spent most of this decade retrenching in the wake of its fatal blowout in the Gulf of Mexico in 2010 and as the oil price skidded lower, but despite weaker crude prices the U.K.-based company is now preparing for a period of strong growth. It is planning to add 800,000 barrels a day of new production by 2020. Last week, BP said it plans to spend $6 billion with partner **Reliance Industries** Ltd. to develop gas projects offshore India.

"Across the business we are firing on all cylinders," BP Chief Executive Bob Dudley told investors at the company's annual meeting last month.

—Sarah McFarlane contributed to this article.

No Quick Recovery

Oil prices are slipping, and predictions for prices are declining.



*Through 9 a.m. EDT Monday †Wall Street Journal monthly survey of banks
Sources: WSJ Market Data Group (futures); the banks (forecasts)
THE WALL STREET JOURNAL.

GORILLA

Continued from Page One

itors can see the world's largest gorillas, the Grauer's subspecies, and Congo's park service hopes a period of relative peace will put Kahuzi-Biega on the bucket lists of the adventuresome. Gorilla tourism, they say, serves two purposes: It brings in revenue to protect the park and its wildlife, and it generates income for nearby villagers who might otherwise consider the animals fair game for dinner.

There were some 17,000 Grauer's gorillas—also known as eastern lowland gorillas—in Congo in 1995. Some 77% of them were slaughtered during the fighting and the subspecies is now listed as critically endangered, according to the U.S.-based Wildlife Conservation Society. Among those killed were virtually every member of five families habituated to human presence in the 1.5 million-acre Kahuzi-Biega park, which is a Unesco World Heritage site.

When the poachers approached, the gorillas didn't sense the danger, Mr. Mulimbi said. "They thought they were tourists who had come to see them, so they were killed," he said.

With the fighting subsided, park officials believe they can now market Kahuzi-Biega as the best-kept wildlife secret since the mythical elephant graveyard. High-season mountain gorilla-viewing permits go for $600 per person, per day in Uganda's Bwindi Impenetrable National Park. Rwanda recently doubled the price of its mountain-gorilla passes in Volcanoes National Park, to $1,500.

Kahuzi-Biega charges $400 to visit the Grauer's gorillas, a per-pound bargain.

"I don't know if their gorillas are better than ours or what," said Juvenal Munganga, who is in charge of visits to Kahuzi-Biega. The park logged 1,124 visitors last year, but many of those were aid workers, U.N. peacekeepers and others in Congo because of—not in spite of—its instability and poverty. Foreigners who live in Congo get a discount.

Park authorities are habituating enough gorillas to attract more ecotourists, while exposing as few animals as necessary to the dangers habituation can entail. Some 200 rangers, armed with AK-47 rifles, defend the park from poachers.

Chimanuka was one of the few habituated gorillas who survived the onslaught of militia fighters, poachers and desperate civilians who occupied the park during the war. Now a full-grown silverback, he, his three wives and 15 children are the park's stars. The adults are largely indifferent to visitors of any race, placidly stripping leaves from vines and loudly passing gas while young gorillas engage in horseplay.

Mpungwe is another story, still tentative in his embrace of the tourism industry. Even when Mr. Mulimbi approaches, Mpungwe keeps to the shadows, glaring at the rangers through branches, then stages dramatic charges to declare his dominance and test the threat level to his seven wives and 12 children.

Mr. Mulimbi, now 52 years old, was giving tours at a local tea plantation when his English skills caught the attention of park officials. He soon found he had a knack for cozying up to gorillas.

Essentially, habituators trail gorillas through the forest until the animals conclude the rangers may be boorish, but they're not a threat. "It's a matter of following these animals until they get tired of running away from you," said world-renowned lemurologist Russ Mittermeier.

MICHAEL M. PHILLIPS/THE WALL STREET JOURNAL

Gorilla habituators check their GPS position while searching for Mpungwe the silverback.

Each day around 6 p.m., the silverback will beat his chest to signal it is time for the family to make camp for the night. Adults gather leaves and branches to create nests on the ground. Youngsters build theirs in the trees to keep watch.

In the morning, each Grauer's gorilla defecates next to the nest—mountain gorillas defecate in their nests—and the family sets off in search of a nice place to spend the day eating bamboo, leaves or sweet myrianthus fruit. A big male, who can stand about 5 feet tall, consumes 70 pounds of food a day.

Trackers, many of them pygmies born to the forest, machete their way through the dense undergrowth, searching for gorilla nests, dung and trails amid the wild celery stalks. They read dung for size and freshness to determine who was where when.

"The gorillas put my children in university," said pygmy tracker Antoine Bakongo Lushombo, dressed in the standard ranger uniform of green beret, faded fatigues and colorful Wellington boots.

When he locates the gorilla family, Mr. Mulimbi pays homage to the silverback. A tip: Don't surprise a gorilla. He won't like it. Mr. Mulimbi routinely coughs or emits a low growl to signal his friendly approach. If the big male is at ease, so are the others.

Mpungwe, however, frequently charges screaming through the underbrush, tearing at the branches before pulling up just short of actual gorilla-human contact.

Mr. Mulimbi believes these mock attacks give him a chance to show Mpungwe he isn't a threat. When Mpungwe rushes the rangers, Mr. Mulimbi steps slowly aside and murmurs, "Calm, calm."

Rwandan authorities urge visitors not to make eye contact with a charging gorilla. In Kahuzi-Biega, however, rangers meet the silverback's gaze. Nobody recommends running away. Another tip: Don't let the silverback get the uphill position. He will use it to his advantage.

"It's like a man," said Mr. Mulimbi. "Sometimes he can be angry. Sometimes he can be good."

The bad moments are hard to forget.

One time, a silverback named Mubalala grabbed Mr. Mulimbi, squeezed the breath out of him and carried him 15 feet before dropping him unconscious to the ground. Mr. Mulimbi remembers nothing of the incident after the initial contact.

Despite that run-in, Mr. Mulimbi wept when Mubalala was killed during the war.

Famed primate researcher Dian Fossey tried to keep the mountain gorillas she studied in Rwanda wary of Africans. Her theory was that whites were unlikely to be poachers, according to Mr. Mittermeier, who visited Ms. Fossey's research station in 1984, the year before she was murdered by an unknown assailant.

When the race issue surfaced in Kahuzi-Biega, Mr. Mulimbi had been following Mpungwe for a year, hacking his way through steep mountainsides thick with vines and gradually moving closer to the silverback and his family. After he won Mpungwe's grudging trust, he asked park headquarters to dispatch a couple of test tourists to confirm the gorilla was ready for paying visitors.

Mpungwe's reaction—escape and incontinence—was not the stuff of tourist brochures.

"When he saw just at the beginning, he saw the white color, he thought maybe it was dangerous for him," said Mr. Mulimbi.

Not to be deterred, Mr. Mulimbi cut eye, mouth and nostril holes in a large manila envelope and tied it on with stringy fibers peeled from a green stick. The result was something akin to a last-minute Halloween costume.

Then he started the habituation process anew.

The Congolese rangers laugh at the absurdity of the envelope masquerade, rendered even more ridiculous because they're required to wear a surgical mask over the envelope to avoid transmitting human diseases to the apes.

"This envelope is like a white man," said Mr. Mulimbi. "If you can use this every time you come across gorillas, maybe Mpungwe will enjoy to see white people."

Indeed, after several months tracking Mpungwe in manila-face, Mr. Mulimbi decided he had made enough progress to ask headquarters to send him more white tourists. This time Mpungwe took them in stride.

FOOD

Continued from Page One

new reality: The days of shoppers filling carts during a big weekly trip to their neighborhood supermarket appear over for now. Consumers are more targeted in their shopping habits. They are less loyal to retailers and more willing to buy groceries online. And they are buying more from stores at two poles: ones with cheap prices, and ones that offer high-quality fresh food, often at a premium.

Grocery sales last year barely budged from 2015 levels, after rising a bit more than 2% in each of the previous three years, according to market-research firm Nielsen. Kroger ended a 13-year streak of rising quarterly same-store sales this year, while Wal-Mart, which gets more than half its sales from groceries, and Target Corp., have struggled, too.

Consumers want "convenience, selection and the right price and they want it now," said Natalie Kotlyar, head of the consumer business practice at consulting firm BDO USA. "Everyone is trying to meld those concepts to create the perfect shopping experience."

Amazon, which has revolutionized the way people shop, is betting it can learn the business and solve at least part of the puzzle. It has shown a willingness to forgo profits for years to build market share in an industry. It has cash to burn, deep experience in logistics and a record of relentlessly driving down supplier costs. And its big push into fresh groceries will likely force other food retailers to accelerate efforts at making e-commerce work if they are to remain competitive.

E-commerce has been tough to crack for the more-than-$700 billion grocery sector because selling food online is inherently complex. Last year, online shopping accounted for 2% of the sector's sales, according to consulting firm Kantar Retail.

People want to squeeze their produce, pick out their vegetables and inspect their meat. Making sure fresh groceries stay that way through transit is challenging yet crucial for attracting shoppers. "It's really the fresh categories such as produce and meat that are driving people's decision of where to shop," said Bain's Mr. Knudson.

Wal-Mart, Peapod LLC and FreshDirect LLC have been competing to deliver groceries faster and more cheaply. But fresh-food delivery is typically unprofitable, analysts and some companies said.

"Amazon has obviously reinvented supply chain and logistics in a way nobody has," said Doug Ehrenkranz, a 25-year food industry veteran who is now a recruiter at Boyden Global Executive Search. Now, the more-than-460 Whole Foods stores across the country give Amazon access to the kind of refrigerated distribution system its regular fulfillment network lacks, all while tapping into the upmarket natural and organic foods market that it has barely touched.

"Wal-Mart and Kroger will feel pain for a while and the regional players that can't move fast enough will disappear," said Diana Sheehan, director of retail insights at Kantar Retail. "The bigger concern becomes, what does Amazon do next? Once they've navigated the Whole Foods space, they'll learn how to play in mainstream grocery, too."

Amazon and Whole Foods declined to comment for this article.

A Kroger spokesman said: "We're in the middle of a transition today both because of the operating environment and the competitive landscape. We will continue to evolve." Target said grocery is a key business for the company.

A spokeswoman for Peapod said it is profitable in its mature, established markets. "The grocery industry is a low-margin business and last mile logistics make margins even more challenging," she said. Wal-Mart said: "We feel great about our position."

While Amazon could put pressure on others to step up their e-commerce game, it has struggled for years with a logistical challenge in fresh food that it doesn't in books and electronics. A Cowen & Co. report points out: "The entire fulfillment process is more complex and time consuming from the moment a 'grocery' shipment arrives" at a fulfillment center until it is shipped, what with the need for refrigeration and attention to factors such as "expiration dates, smell, and color, among others."

The Amazon-Whole Foods deal came together relatively quickly, according to people familiar with the matter, indicating Amazon may not yet have a fully formed strategy for Whole Foods.

Amazon will try to expand the appeal of Whole Foods by using its efficiencies to lower prices, which would bring a fresh wave of pressure to the beleaguered sector, said Chris Baker, a retail and consumer-goods expert at management consulting firm Oliver Wyman.

The supermarket business has always been tough, in part because American consumers have grown accustomed to cheap food. Supermarkets arose out of the Depression, as the efficiency and scale of larger stores made food more affordable for consumers than shopping at local cheese and meat markets, said food historian Andrew F. Smith. As suburbs developed after World War II, grocery chains expanded and found that stocking more inventory provided greater economies of scale.

By the 1970s, there was saturation in the supermarket industry, according to Mr. Smith, and a national recession led to the creation of discount warehouse stores. Competition from fast-food chains and price wars in the grocery sector fueled a wave of consolidation in the 1980s.

A seismic change hit the industry in the 1990s when Wal-Mart began selling low-price food and within a decade became the nation's largest grocer. Ever since, traditional grocery chains have been scrambling to compete. In recent years, price competition has become even more fierce as the number of retailers has grown.

There were more than 262,800 stores selling groceries in 2015, up 17% from a decade earlier, according to an analysis by the Willard Bishop grocery consultancy. "There are so many places to food shop and there's not an infinite number of consumers," BDO's Ms. Kotlyar said. "All of these different stores are just splitting up the shoppers among themselves."

Recent commodities deflation has forced grocery stores to slash prices on such staples as milk, beef and eggs. Labor costs have risen, applying further pressure to profit margins.

Other changes have taken root in recent years. Consumers are far more curious and educated about the source and content of their food, thanks to books and documentaries about the food industry and the rise of television cooking shows. More upscale organic-food stores have opened in response, eating into grocers' market share while simultaneous demand for convenience has fueled the rise of meal-kit services such as Blue Apron Holdings Inc.

Grocery executives say they are willing to lower prices at the expense of profits if that's what it takes to keep shoppers from turning to online and discount stores. Even Whole Foods has taken a hit to its margins by lowering prices in an effort to win back customers.

"We are not trying to lead the market down on price," Kroger CEO Rodney McMullen said in an interview last week. "But we want to make sure we won't lose a customer based on price."

Meanwhile, new discounters are still entering the U.S. market. German grocery chain Aldi said this month it planned to invest $5 billion over five years to open nearly 900 stores in the U.S. and remodel hundreds more. Rival Lidl, another German discounter, entered the U.S. market with 10 stores this month—another "body blow" to the traditional U.S. industry, said Craig Johnson of Customer Growth Partners, a retail research and strategy group.

'This is going to be one of the hardest areas for them to get into.'

Aldi and Lidl have disrupted European grocery markets by offering low prices, and company officials have said they believe they can aggressively compete in the U.S. market as well.

Driving downward pressure on prices are frugal shoppers such as Meg Meyers, a 35-year-old psychotherapist and married mother of two in St. Louis, Mo. She said she buys food exclusively at Aldi to help stretch her household's $79,000 annual income, which also goes toward student loans. "We have no disposable income," she said, adding that she limits her purchases to about $100 a week using a meal-planning app that enables her to buy only what she needs.

Amazon, which first entered the food sector several years ago with dry groceries via its website, has slowly built its Fresh grocery-delivery business over years by targeting cities where it already owns large warehouses, in part to avoid the need for refrigerated trucks. Still, Amazon has faced the same problem others have: Many consumers have been slow to buy produce and fresh items online.

Amazon has tiptoed into the brick-and-mortar grocery-store business this year, opening two Fresh Pickup stores in its hometown of Seattle, and has explored various ideas for other types of grocery stores.

But Amazon's deal to buy Whole Foods may help close a gap in its offerings. "Amazon can't compete in grocery without bricks and mortar," said Ms. Sheehan of Kantar Retail. "Fresh food is at the heart of what grocery is. Shoppers trust their grocery store for fresh meats, seafood, produce and dairy and Amazon has struggled to convince shoppers that they should be the store people go to for fresh food."

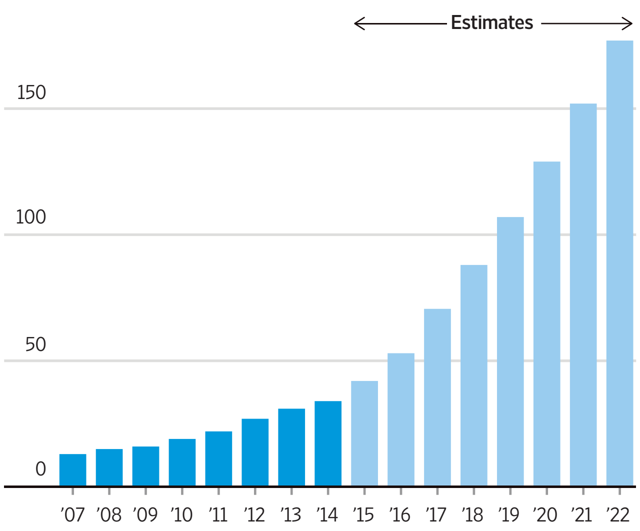
—David Benoit and Laura Stevens contributed to this article.

DAVID RYDER/BLOOMBERG NEWS

An AmazonFresh Pickup location in Seattle.

From Cart to Click

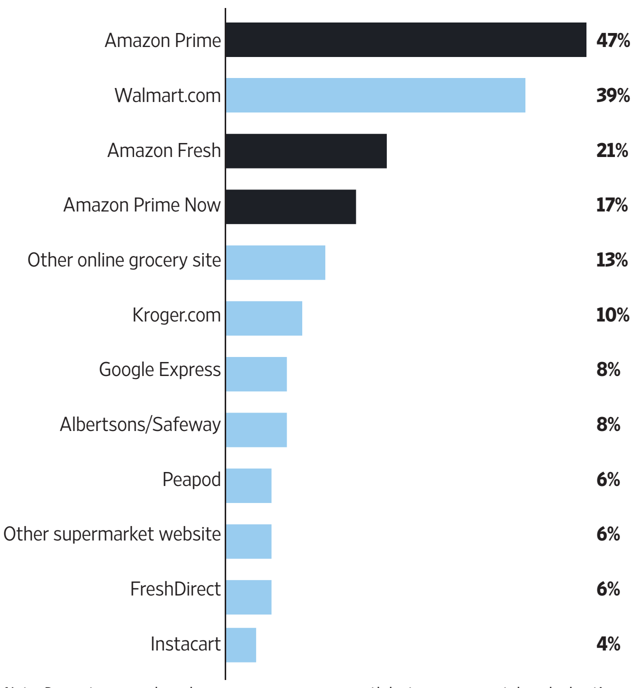
U.S. Online grocery shopping is expected to take off in the next few years



Source: Cowen THE WALL STREET JOURNAL.

The Web Aisle

Most Americans shopping online for groceries are already buying them from Amazon



Note: Percentages are based on average usage per month last year; survey takers had option to name more than one online shopping platform.

Source: Cowen THE WALL STREET JOURNAL.

YOUR HEALTH | By Sumathi Reddy

A Tug-of-War of Cholesterol Drugs

Patients struggle to obtain PCSK9 inhibitors, a powerful class of drugs that lower bad cholesterol when statins don't work

SLIM AND ATHLETIC, Carlyn Cirrincione doesn't look like someone who should be worried about having a heart attack.

But the 22-year-old CrossFit enthusiast and avid runner has to think about the health of her heart and cholesterol levels all the time. No bacon for her. No egg yolks. Ice cream, a once-loved treat, is on the blacklist.

What she does need, according to her doctor, is powerful new drugs known as PCSK9 inhibitors that can dramatically lower LDL, or bad cholesterol levels when other drugs, known as statins, can't do the job.

There is just one problem: the price tag. Nearly two years after the drugs were approved by the U.S. Food and Drug Administration, doctors and patients say getting insurance to pay for the drugs, which list for more than $14,000 a year before rebates or discounts, is a battle that requires countless hours, applications and appeals. Even then, the battle for insurance approval of PCSK9 inhibitors is successful less than half the time, according to several recent studies.

Ms. Cirrincione hasn't yet been approved despite her and her doctor's numerous applications and efforts. She was diagnosed four years ago with familial hypercholesterolemia (FH), a genetic disorder that causes high cholesterol because the liver is unable to remove excess LDL. Her cholesterol at the time of her diagnosis was off the charts, with a total of 387 mg/dL and an LDL level more than four times what doctors recommend for FH patients, at 297 mg/dL.

High levels of cholesterol, a fat-like substance, can build up in the arteries and slow down or block blood flow to the heart, causing heart disease and heart attacks, and to the brain, causing strokes. Doctors typically recommend LDL levels no higher than 100 mg/dL for healthy individuals and less than 70 mg/dL for those with heart disease.

Most people with high cholesterol try to bring it down with a combination of healthy diet, exercise and drugs known as statins, such as atorvastatin (brand name Lipitor) and rosuvastatin (Crestor). But these drugs can't always get LDL levels low enough for FH patients. And for some, like Ms. Cirrincione, statins aren't an option because they cause severe muscular aches.

Some doctors believe PCSK9 inhibitors could be a lifesaving solution for millions of heart disease patients and could transform treatment for the most difficult cases—patients with FH, as well as those with a history of heart disease or stroke for whom statins and other therapies are inadequate. Drug companies estimated the target population to be 11 million patients.

But other doctors say that until drug companies can prove PCSK9 inhibitors reduce the number of deaths caused by heart disease, not just their ability to reduce heart attacks and strokes, the drugs aren't worth the high price.

The two PCSK9 inhibitors currently on the market were approved in 2015. Amgen Inc. makes the drug Repatha (evolocumab), which has a list price of about $14,536 a year. Sanofi SA and Regeneron Pharmaceuticals Inc. makes Praluent (alirocumab),

Everyone in the Cirrincione family but the mother has high levels of LDL, or bad cholesterol. From left, Calvin John, 18, Vince, 57, Tracey, 45, Carlyn, 22, and Garrett Vincent, 20.

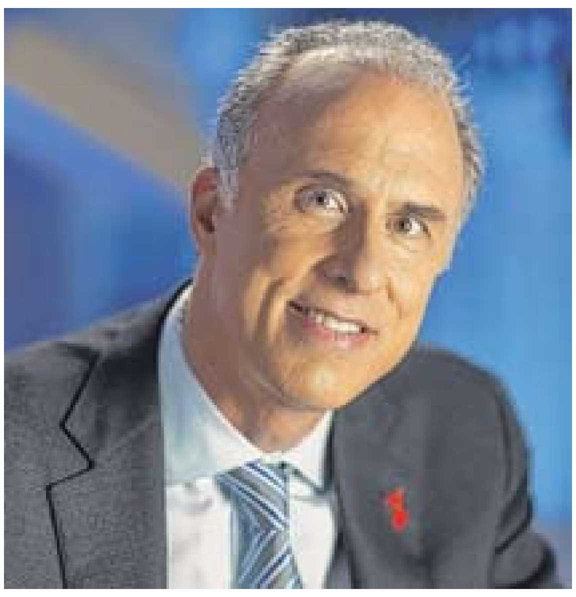
which has a list price of $14,600 a year. The medicines are new entrants in a group of extremely costly drugs that have cropped up in recent years.

Doctors, consumers and lawmakers have spoken out against escalating drug prices. The criticism has triggered hearings in Congress. A public furor over the high cost of EpiPen allergic-reaction treatments also led manufacturer, Mylan NV, to began selling a generic version of the devices that sells for half the $609 list price.

Doctors and researchers say part of the reason PCSK9 inhibitors are priced so high is because they are a fully human monoclonal antibody, which is harder to manufacture than a normal pill. Patients inject them into their bodies every two- to four- weeks.

Sanofi and Regeneron remain concerned about restrictive access to PCSK9 inhibitors but are starting to see more approvals for Praluent and more confidence from prescribers in preparing the necessary documentation, said Ashleigh Koss, a Sanofi spokeswoman. Kristen Neese, a spokeswoman for Amgen, said while Repatha isn't a replacement for statins, "many patients are not adequately treated by statins and are at high risk for cardiovascular events like heart attack or stroke." She noted that payers don't pay the list price for the drug, and the price is supported by "robust" data from its clinical trial. The company is offering support, such as a $5 copay card for eligible patients.

For people who are approved by their insurers, high copays can pose an additional barrier to obtaining the drugs. One recent analysis of all PCSK9 inhibitor prescription claims in the first year the drugs were approved found that 27% of claims had a monthly copay of more than $400. The mean copay amount was $107 for patients with commercial insurance plans and $213 for those with government-funded Medicare. Another recent analysis from Duke researchers found that 35% of approved patients never picked up the medication.



Seth Baum, left, president of the American Society for Preventive Cardiology, advocates for better access to PCSK9 inhibitors. Sanjay Kaul, a cardiologist at Cedars-Sinai Medical Center in Los Angeles, says the drugs may not be worth the price.

FROM LEFT: ROSS MANTLE FOR THE WALL STREET JOURNAL (2); EXCEL MEDICAL CLINICAL TRIALS, LLC; CEDARS-SINAI MEDICAL CENTER

"We've been waiting for this kind of advance for quite a long time," said Seth Baum, president of the American Society for Preventive Cardiology. "We finally have it, and now we need to be able to use it."

Health insurers and their consultants say PCSK9 inhibitors have less-expensive alternatives in statin drugs. They also say that the PCSK9 drugs are a lifelong prescription at a high cost.

Insurance companies are also mindful of setting a precedent, said Helen Leis, a partner in the health and life sciences practice of consulting firm Oliver Wyman, a division of Marsh & McLennan Cos. Approving one set of pricey drugs could set a precedent when it comes to other expensive drugs that treat a larger population, such as cancer drugs.

In 2016, 88.4% of patients with a commercial insurance plan were rejected when trying to get a new prescription for a PCSK9 inhibitor, according to data from Symphony Health Solutions. That number declined to 72.8% after 14 days, likely due to patient appeals.

Doctors have had mixed reactions to results of Amgen's clinical trial for its drug, Repatha, announced in March. The study followed 27,564 patients over 2.2 years and found that Repatha reduced the risk of heart attacks and strokes by 20% compared with the standard treatment with statins.

For Dr. Baum, the trial was proof that that PCSK9 inhibitors are effective, showing they could lower LDL by 60%. "We do know unequivocally that a lower LDL equals a lower risk of heart attack, stroke and death," said Dr. Baum, who has been paid as a consultant and scientific board member for Amgen and Sanofi/Regeneron.

But some doctors say the study would have been more convincing if the drug had lowered the heart attack risk more and caused a decline in deaths. The lower LDL "didn't translate into a mortality benefit," said Sanjay Kaul, a cardiologist at **Cedars-Sinai** Medical Center in Los Angeles.

The approval process for PCSK9 inhibitors, which requires different criteria depending on the insurer, has become so cumbersome and time-consuming that some doctors have completely stopped or cut back on even prescribing them even though the doctors fully believe in their potential.

Andres Ruiz, an interventional cardiologist in Florida, is one.

"At the end of the day, you would like to do what is best for the patient. But you really don't have the time to play the insurance games," he said.

Doctors say many rejections affect patients with heart disease and FH patients, such as Carlyn Cirrincione, who stopped taking statins because of side effects.

Her mom, Tracey, had never heard of FH until four years ago when the 45-year-old Gibsonia, Pa., resident learned that all three of her children have the genetic disorder. Her husband also has FH.

Mrs. Cirrincione's sons—now 18 and 20—take statins, which have also been effective for her husband. But Carlyn, who recently graduated from **Clarion University** with a graduate degree in speech pathology, can't take statins, which after several tries caused debilitating muscular pain.

In 2015 her cardiologist told the family that PCSK9 inhibitors were approved for FH, and Carlyn started samples of Repatha. By April of last year her LDL was down to 82 mg/dL.

Ms. Cirrincione's cardiologist has now filed three applications for Repatha. All have been denied.

A spokeswoman for UPMC Health Plan, the family's current insurance plan, said it doesn't discuss individual members' cases.

While the most recent application is on appeal, Ms. Cirrincione continues to receive samples of Repatha from her cardiologist. "The samples will run out. Then what do I do?" she said.

For Nancy Harris, a 66-year-old resident of Pataskala, Ohio, it took 18 months and half-a-dozen applications and appeals to get Cigna, to finally cover a PCSK9 inhibitor last month.

Her doctor, Scott Merryman at Ohio Health in Columbus, diagnosed her with FH in June, 2016 after she'd been on and off statins for years. His office applied for coverage of Repatha with Cigna even though she had been rejected when a previous doctor had applied. Cigna rejected the request initially and then again on appeal.

Dr. Merryman applied for coverage again in March. His office received a rejection on March 22 and he sent in another appeal. On May 23, four days after a Wall Street Journal reporter had submitted a request to discuss denials of Ms. Harris's applications, Cigna approved coverage for her.

Cigna's repeated rejections of applications for Ms. Harris were because it didn't have documentation of an FH diagnosis and unsuccessful prior treatment with statins, said Mark Slitt, a spokesman. Mr. Slitt noted that Cigna's coverage denial was upheld by an external reviewer. On May 23, Cigna received the additional requested information, said Mr. Slitt.

Dr. Merryman said he had previously provided that information.

Ms. Harris said she's relieved to finally have been approved, but worried about the renewal process.

"I am a little worried," she said. "Are we going to have to go through this every year?"

The PCSK9 inhibitor Repatha. It and other PCSK9 inhibitors are fully human monoclonal antibodies. Patients inject them every two- to four- weeks.

REVIEW & OUTLOOK

France's Macron Moment

France has for years been the sick democracy of Europe that can't reform itself. But suddenly the French have surprised the world, and maybe themselves, by handing new President Emmanuel Macron a legislative majority and a mandate to restore Gallic vitality.

> The country has its best chance in a generation for economic revival.

In Sunday's runoff election for the National Assembly, Mr. Macron's La République en Marche party and its centrist ally Modem clinched 350 of 577 seats. A 60% majority in the Assembly looked impossible a few weeks ago, and the smart money thought Mr. Macron would be forced to cobble a legislative coalition with the center-right Republicans or the center-left Socialists.

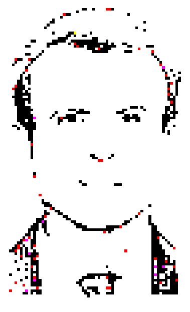
Instead voters handed the new President and his upstart party a decisive mandate to act alone. The Republicans and their center-right allies won 137 seats, down 88 from the previous Assembly. The previously ruling Socialists were humiliated with 45 seats, down 283. The party of Léon Blum and François Mitterrand is now a minor opposition group. The hard-right National Front secured eight seats, short of the 15 that would have allowed Marine Le Pen to shape some of the legislative agenda.

Credit Mr. Macron for seizing the political moment and pursuing the unorthodox strategy of recruiting newcomers and political outsiders as En Marche candidates. They arrive unburdened by a voting history, which means they can be more flexible than traditional politicians. On the other hand, they presumably don't have firm convictions beyond loyalties to Mr. Macron's call to revive French confidence and economic growth.

How will the 39-year-old use this malleable majority? European Union grandees are patting themselves on the back for checking the growth of insurgent political movements on the Continent. They see Mr. Macron as putting a fresh face on the familiar European "social model" of burdensome regulation, high taxes and bureaucratic hauteur. German Chancellor Angela Merkel exemplified this attitude when she congratulated Mr. Macron for defeating "populism."

If Mr. Macron takes that advice, he'll fail like the last three French Presidents did. At its best Mr. Macron marshaled his own version of populism and even nationalism. This wasn't cramped or ethnocentric nationalism à la Ms. Le Pen. Instead it emphasized inclusive French pride. Married to a reform agenda, Mr. Macron's mode of populism could see France take its rightful place next to Germany and revive French influence in Europe.

Mr. Macron says he wants to start by loosening the 35-hour workweek, which will be a crucial test of his political will, but there's much more to do. As Economy Minister in the Socialist government, Mr. Macron tried limited privatization, but now he can make the case that taxpayers shouldn't have to subsidize bloated state-run enterprises.



Emmanuel Macron

His proposal to cut corporate taxes to 25% from 33% is welcome, but French workers should get a tax cut, too, and the wealth tax that has been the terror of entrepreneurs should be scrapped. As a candidate he shied away from pension reform, but it's hard to see how France can prosper long-term with a current retirement age of 60. Some want to diminish the reform mandate because voter turnout fell to 43%. But Mr. Macron's duty is to those who showed their reform hope by voting.

Mr. Macron's big test will come when labor unions and the left hit the streets to paralyze the country as he moves his reform agenda in the assembly. Recent Presidents have wilted under that assault, and if Mr. Macron does the same he will fail too. Reform opportunities like Mr. Macron's come once in a generation. This one would be a terrible thing to waste.

Is Malaysia a Kleptocracy?

The U.S. Justice Department filed civil lawsuits late last week to seize a second trove of assets allegedly purchased with funds embezzled from the Malaysian state-run investment fund 1MDB. Last July the Feds went after more than $1 billion in financial assets, real estate, artwork, film rights and a private jet. Now the Kleptocracy Asset Recovery Initiative, as Justice calls it, is targeting $540 million in assets owned by relatives and associates of Prime Minister Najib Razak.

> The U.S. Justice Department targets missing 1MDB assets.

The most striking item on the list is a necklace worth $27.3 million featuring a 22-carat pink diamond. The lawsuit alleges that 1MDB funds were used to buy it and other jewelry for the wife of "Malaysian Official No. 1." U.S. officials told the Journal that Official No. 1 is Mr. Najib.

The 1MDB fund denies that money is missing, Mr. Najib denies any wrongdoing, and Attorney General Mohamed Apandi Ali cleared Mr. Najib in January 2016. Mr. Apandi Ali said in a statement Friday, "We also note that there has been no evidence from any investigation conducted by any law enforcement agencies in various jurisdictions that shows that money has been misappropriated from 1MDB."

Yet the U.S. Justice Department has provided considerable evidence that $3.5 billion went missing, while the Swiss Attorney General puts the figure at $4 billion. Singapore and Switzerland have already punished financial institutions for breaking money-laundering rules in moving 1MDB funds.

Justice last week released new information allegedly showing that about $850 million that Deutsche Bank loaned to 1MDB was diverted to accounts controlled by Mr. Najib and his associates. One lawsuit alleges that proceeds from a $3 billion 1MDB bond offering in 2013 were diverted to help purchase Coastal Energy, a Houston-based oil firm. The Abu Dhabi sovereign-wealth fund International Petroleum Investment Co. says that 1MDB owes it about $6.5 billion for defaulted debt that IPIC guaranteed.

The Malaysian government accuses the U.S. of pursuing a political vendetta. But Barack Obama pursued closer ties with Mr. Najib, even inviting him to play golf in Hawaii in December 2014, right up to when the Journal broke the 1MDB story in July 2015.

Defense Minister Hishammuddin Hussein, who is Mr. Najib's cousin, on Sunday urged the U.S. to press criminal charges so the accused can clear their names. The Journal has reported that U.S. investigators are preparing to charge at least one of Mr. Najib's associates. Since Malaysian authorities have concluded that there's nothing worth investigating in the 1MDB matter, civil and criminal cases in other jurisdictions are the best hope Malaysians have of finding out whether their country has become a kleptocracy.

A Terrorist's Guide to New York City

The New York City Council is the distilled political essence of modern progressivism, which means it can be dangerous to public health and safety. This summer tourists can see more New Yorkers relieving their bladders in public thanks to the council's reduction in penalties for crimes against public order, and now the council wants to expose the city's antiterror secrets.

> The left would show jihadists how the cops prevent attacks.

A new bill would require the New York Police Department to disclose and describe all "surveillance technology," which it defines as "equipment, software, or system capable of, or used or designed for, collecting, retaining, processing, or sharing audio, video, location, thermal, biometric, or similar information." The cops would have to post this information online annually and respond to public comments.

The effort is backed by such anti-antiterror stalwarts as the New York Civil Liberties Union and the Brennan Center. Manhattan Democrat Daniel Garodnick, a co-sponsor, says the measure would enhance public trust by giving citizens more knowledge about policing techniques.

We'll see how long that trust lasts if the bill makes it easier for terrorists to thwart or evade the NYPD's antiterror methods. That's the legitimate worry of police who rely on technology and surveillance to prevent mass murder. A jihadist bombed Manhattan's Chelsea neighborhood as recently as September and the department maintains on average three or four active terrorist investigations at any one time. John Miller, the NYPD's counterterror chief, says police have foiled at least 25 major terror attacks since 9/11.

New York's cops are as respectful of privacy as any in the country, and they need a court order to conduct searches or track a cellphone. They also comply with the court-ordered Handschu guidelines that impose additional due-process burdens.

An NYPD internal committee reviews these cases along with an external, civilian representative, who is currently former federal Judge Stephen Robinson. As if this weren't enough, in 2014 the city council established an inspector general for the NYPD. The miracle is that the cops have been able to keep America safe despite all of this bureaucratic oversight and political second-guessing.

New York remains a pre-eminent terror target because of its size and importance as a symbol of American culture and commerce. The recent attacks in Britain and France show the jihadist threat to open societies hasn't abated, and democracies need tools to defend themselves without offering terrorists a road map to thwart them.

Mark Zuckerberg's Opiate for the Masses

By Andy Kessler

At Harvard's commencement last month, dropout Mark Zuckerberg told eager graduates to create a new social contract for their generation: "We should have a society that measures progress not just by economic metrics like GDP, but by how many of us have a role we find meaningful." He then said to applause: "We should explore ideas like universal basic income to give everyone a cushion to try new things." Who wouldn't like three grand a month?

Having the government provide citizens with a universal basic income is the most bankrupt idea since socialism, but others in Silicon Valley still have been proselytizing money for nothing. "There will be fewer and fewer jobs that a robot cannot do better," Tesla CEO Elon Musk said at the World Government Summit in Dubai earlier this year. "I think some kind of universal basic income is going to be necessary."

Robert Reich, President Clinton's labor secretary, summed up the wrong-headed thinking a few months ago: "We will get to a point, all our societies, where technology is displacing so many jobs, not just menial jobs but also professional jobs, that we're going to have to take seriously the notion of a universal basic income."

This is a false premise. All through history, automation has created more jobs than it destroyed. Washboards and wringers were replaced by increasingly inexpensive washing machines, while more women entered the workforce. Automated manufacturing and one-click buying has upended retail, yet throughout the U.S. millions of jobs go unfilled.

With Amazon's proposed purchase of Whole Foods, the online giant is primed finally to bring efficiency to the last mile of grocery shopping—but don't count on all grocery jobs to disappear.

The economics, which they apparently stopped teaching at Harvard, are straightforward: Lowering the cost of goods and services through automation allows capital—financial and human—to attack even harder problems. Wake me up when we run out of problems.

These kinds of predictions aren't new, and they've been wrong almost always. In 1930 John Maynard Keynes envisioned that his grandchildren would have a 15-hour workweek. Sam Altman, who runs the startup incubator Y Combinator, dabbles in similarly bold but meaningless statements. "We think everyone should have enough money to meet their basic needs—no matter what, especially if there are enough resources to make it possible," he wrote last year, while admitting he has no idea "how it should look or how to pay for it."

Where to begin? First, the cost of a universal basic income would make free college for everyone look like austerity. The cost of anything the government touches tends to increase well faster than inflation—education, health care, housing. Price signals get distorted, but since Uncle Sam is paying, no one seems to care. Anyway, why stop at $3,000 a month? Why not $4,000 a month or $40,000? Everyone deserves a MacArthur genius grant!

If last year's U.S. presidential election proved anything, it's that people want jobs, not handouts. America's education system needs reform, but there are already two billion mobile classrooms built into smartphones world-wide. Paying people not to work means you'll never get them back into the workforce. Why would you want to work when you can bang on a drum all day?

> If we get 'universal basic income,' the millennials will never leave our basements.

The U.S. is already turning European—I really think so. Remember the Obama administration's "Life of Julia," which glorified the nanny state? Every year more Democrats push single-payer health care because competition is deemed too messy. The safety net now has a safety net. These are all on the riverbank of paying people not to work. Universal basic income would be the final drowning of capitalism.

Many Americans really do need help, and no one should be dying in the streets. But why create an entire class of freeloaders out of people who otherwise wouldn't have sought handouts?

The bigger question is why all these Silicon Valley bigwigs are intent on giving away other people's money. Perhaps it's a misplaced sense of shame for their riches. Worse, some believe they are chosen to carry society on their backs while the teeming masses can be paid to idle along. Well, as long as they download the latest apps and are given enough to pay for wireless internet and an iPhone upgrade every few years. Facebook and videogames are already huge mind sinks. Add Mr. Musk's Neuralink direct brain interface and no one will ever get off the couch.

Most millennials are hardworking and motivated, but have you noticed that the talk of universal basic income comes just as marijuana legalization is making more gains than ever? It's already been legalized for recreational use in eight states and for medicinal purposes in 29. Universal basic income, combined with legal weed, could ruin an entire generation. We'll never get them out of our collective basements. Thanks, Zuck.

Mr. Kessler writes on technology and markets for the Journal.

Germany's Apprenticeships Simply Can't Be Replicated

By Eric A. Hanushek

Say the words "apprenticeship program," as the Trump administration has been doing recently, and maybe you imagine a win-win: Young people welcomed by companies that want to train them to become skilled workers.

Some American policy makers have begun to see Germany's approach—credited with helping it navigate the 2008 recession while keeping youth unemployment in the single digits—as the magic formula. But adapting the German system for the U.S. is little more than a dream.

More than half of young Germans enter apprenticeships, which can lead to certification in more than 300 different careers. Many are blue-collar jobs ranging from construction to baking, but apprenticeships also cover white-collar fields such as information technology and engineering.

An apprenticeship generally involves two to three years of work and study after secondary school. In Germany's "dual system," apprentices work on the job for three or four days a week and spend the rest of the time in academic instruction paid for by the government. This setup has been shown to ease a student's transition into work. Openings in apprenticeships are based on employers' demands for workers, and youths who've earned a vocational certificate are readily hirable.

But this comes at a cost. Workers enter the job market with skills that often become obsolete as industries change. The early-career advantage is offset by disadvantages later in life. Research shows that after age 50 German workers with general education do better than vocationally trained ones, many of whom leave the workforce.

Germany and the European Union recognize the need to retrain people whose earlier skills become obsolete. There are continuous calls for "lifelong learning." Unfortunately, governments haven't figured out effective ways to retrain older workers, and companies often don't see the advantage of doing so. Training over the course of a career is significantly more prevalent among workers with a general education.

Moreover, the U.S. cannot quickly replicate Germany's deep history of apprenticeships. The German system builds on a half-century of employer experience, on national standards and on a relatively rigid labor market that relies on certification as a hiring credential.

By contrast the U.S. has retreated from vocational education. In high schools, it has morphed into an alternative way to teach basic skills such as math and reading and to motivate students not doing well in the general curriculum. The move toward broad standards and accountability via test scores hasn't helped vocational education either.

Community colleges might provide something like the mixture of education and training found in the German system, but they haven't developed serious relationships with industry. The construction trades have found some success with apprenticeships, but this hasn't been replicated for white-collar jobs. And skill certification is much less important in the U.S. labor market than in the German market.

Even if the U.S. succeeded in expanding apprenticeships, the problem of skill obsolescence remains. The American model of providing vocational training to those who don't like or don't do well in the general curriculum doesn't augur well for adaptation when new skills are required.

Employers like the idea of vocational training because it could reduce the demands on them to train new workers. But when the skills they need change, they also may find it easier simply to return to the entry-level market rather than retrain their existing workforce.

The largest problem of skills in the U.S. today isn't a shortage of young workers with specific competencies. Instead it is a need for more general cognitive skills that give workers the ability to adapt to new circumstances and new jobs. In that area, American schools aren't competitive with their international competitors—and more apprenticeships won't help.

Mr. Hanushek is a senior fellow at the Hoover Institution of Stanford University.

Only Congress Can Undo Its Regulatory Mess

By David Schoenbrod

Candidate Donald Trump vowed to spur economic growth by freeing businesses from burdensome regulation. President Trump has fallen short on this pledge, despite strong rhetoric and some excellent appointments. If he wants lasting reforms of the regulatory state, he'll have to work with Congress to make elected officials accountable again.

"We're cutting regulations massively," Mr. Trump said at the Jan. 30 signing ceremony for an executive order commanding agencies to repeal two regulations for every new one. Conservatives may see this as a move in the right direction, but it won't work: The agencies might have been able to comply before the late 1960s, when they had a freer hand, but not now.

U.S. lawmakers seek credit for benefits while evading blame for burdens. Change will require them to act.

In 1970 Congress passed the Clean Air Act. It was one of the first in a long series of statutes that give citizens the right to regulatory protection, command agencies to do what is necessary to protect those rights, and direct courts to enforce the commands.

This type of legislation allowed elected officials to claim credit for the benefits of regulations while shifting blame to agencies for the burdens. The system became so politically profitable that politicians from both parties showed practically limitless enthusiasm for giving citizens rights to protection. The Clean Air Act contained 940 detailed commands for the Environmental Protection Agency, some of which require it to issue dozens of separate regulations binding businesses.

With so many judicially enforceable commands requiring agencies to regulate, Mr. Trump's executive order can keep the feds from issuing new regulations only until courts require compliance with the statutes. The order will postpone new regulations—but at the price of exposing businesses to growth-killing uncertainty.

Agencies have some wiggle room to reduce the burdens imposed under existing regulations, but doing so requires time-consuming work to demonstrate compliance with each statute's detailed requirements. Even if the burden-reducing changes survive judicial review, the process takes years.

An even more daunting obstacle is the demand for regulatory protection, which gives rise to the laws themselves. At its start, the Reagan administration seemed unresponsive to Americans' demand for more environmental protection. Membership in green organizations surged, the president's popularity took a hit, and in 1983 he was forced to give a free hand to a new EPA administrator with strong environmental credentials.

If Mr. Trump wants to reduce regulatory burdens without suffering a similar fate, he needs to find smart ways to reconcile Americans' desire for regulatory protection with their distaste for its burdens.

Making the task even more difficult, the regulatory statutes are ridiculously obsolete. The major environmental laws took shape in the 1970s, and most haven't been revised since the 1980s. They fail to take advantage

DAVID KLEIN

of newer, better ways to produce more protection for the regulatory buck.

I co-wrote a 2009 study that took ideas from environmental experts of all political stripes to propose smarter statutes, "Breaking the Logjam: Environmental Reform for the New Congress and Administration." We showed that the country could get more protection with less cost by having the EPA deal with the most dangerous interstate air-quality problems through a national market-based approach.

In early 2009 I joined other leaders of the project to discuss these proposals with Democrats and Republicans in Congress. They told us they wished the proposals were already on the books because their colleagues wouldn't shoulder the responsibility necessary for reform. Lawmakers didn't want to tamper with a status quo that is perfect for them and bad for constituents.

Americans can get regulatory statutes that give them more protection with less burden only if members of Congress bear personal responsibility for the consequences of the laws they enact. This can be achieved by requiring Congress to vote to approve or to disapprove all major regulations issued by federal agencies. This would create a powerful incentive to revise statutes so they are more balanced.

This idea isn't new. James Landis, a New Deal expert on regulation and later dean of Harvard Law School, proposed it nearly 80 years ago. Before he joined the Supreme Court, Stephen Breyer wrote a 1984 law review article about how it could work in practice.

Earlier in this Congress, House Republicans passed the Regulations from the Executive in Need of Scrutiny Act, or Reins Act. Republicans on the Judiciary Committee wrote in a statement that Congress would have to vote on agency actions "that cost the economy $100 million or more."

They say nothing about actions that *reduce* regulatory protection. The Reins Act thus looks more like a poke in the eye to Democrats than a serious reform—guaranteeing it won't get the 60 Senate votes to overcome a filibuster.

Again, lawmakers claim credit while shifting blame: Supporters of the Reins Act can assert they fought burdensome regulations while avoiding responsibility for votes on specific regulatory protections that many constituents want.

Members of Congress willing to shoulder responsibility should change the bill's title to the Responsibility for Regulation Act and make substantive changes so the bill is pro-responsibility rather than antiregulation. To start, the statute should apply to major regulations that reduce protection as well as to those that add costs.

As a candidate, Mr. Trump said he supported the Reins Act. As president, he told Congress he wants to reform regulation and work with Democrats. If he reaches across the aisle for an alternative to the Reins Act, he might be able to keep his promise.

Mr. Schoenbrod, a professor at New York Law School, is the author of "DC Confidential: Inside the Five Tricks of Washington" (Encounter, 2017).

Europe's Elites Seem Determined to Commit Suicide by 'Diversity'

By Douglas Murray

Europe in 2017 is racked with uncertainty—the eurozone crises, the endless challenges of the European Union, national elections that resemble endless rounds of bullet-dodging. Yet even these events are insignificant compared with the deep tectonic shifts beneath the Continent's politics, shifts that Europeans—and their allies—ignore at our peril.

Throughout the migration crisis of recent years I traveled across the Continent, from the reception islands into which migrants arrive to the suburbs in which they end up and the chancelleries which encouraged them to come. For decades Europe had encouraged guest workers, and then their families, to come. As Germany's Chancellor Angela Merkel once admitted, nobody expected them to stay.

Yet stay they did, with their numbers swelling even when there were no jobs. Waking up to the results of their policy, European societies rebranded themselves "multicultural" societies, only to begin wondering what that meant. Could a multicultural society make any demands of its newcomers? Or would that be "racist"?

From the 2000s legal and illegal immigration picked up. Boats regularly set out from Turkey and North Africa to enter Europe illegally. Syrians fleeing civil war pushed into the Continent, soon joined by people from across sub-Saharan Africa, North Africa, the Middle East and Far East.

Today the great migration is off the front pages. Yet it goes on. On an average weekend nearly 10,000 people arrive on Italian reception islands alone. Where do they go? What do they expect? And what do we expect of them?

To find the answer to these and other questions it is necessary to ask deeper questions. Why did Europe decide it could take in the poor and dispossessed of the world? Why did we decide that anybody in the world fleeing war, or just seeking a better life, could come to Europe and call it home?

The reasons lie partly in our history, not least in the overwhelming German guilt, which has spread across the Continent and affected even our cultural cousins in America and Australia. Egged on by those who wish us ill, we have fallen for the idea that we are uniquely guilty, uniquely to be punished, and uniquely in need of having our societies changed as a result.

Politicians say with fury that their migration policies 'must' work. What if they don't?

There is also, for Europe, the sense of what I call tiredness—the feeling that the story might have run out: that we have tried religion, all imaginable forms of politics, and that each has, one after another, led us to disaster. When we taint every idea we touch, perhaps a change is as good as a rest.

It is often argued that our societies are old, with a graying population, and so we need immigrants. When these theories are challenged—by asking, for instance, why the next generation of Germany's workforce might not come from unemployed Greece rather than Eritrea—we are told that we need low-skilled workers who don't speak our languages because it makes Europe more culturally interesting. It is as though some great hole lies at the heart of the culture of Bach, Dante and Wren.

When people point out the downsides of this approach—not least that more immigration from Muslim countries produces many problems, including terrorism—we get the final explanation. It doesn't matter, we are told: Because of globalization this is inevitable and we can't stop it anyway.

All these instincts, when put together, are the stuff of suicide. They spell out the self-annihilation of a culture as well as a continent.

Conversations with European policy makers and politicians have made this abundantly clear to me. They tell me with fury that it "must" work. I suggest that with population change of this kind, at this speed, it may not work at all.

Yet still it is possible that the publics won't go along with the instincts of their leaders. Earlier this year, a poll of European attitudes was published in which citizens of 10 countries were asked a tough question: whether they agreed that there should be no more Muslim migration into their countries. Majorities in eight out of the 10 countries, including France and Germany, said they wanted no more Muslim immigrants.

Over recent decades Europe has made a hasty effort to redefine itself. As the world came in, we became wedded to "diversity." As terrorism grew and more migrants arrived, public opinion in Europe began to harden. Today "more diversity" remains the cry of the elites, who insist that if the public doesn't like it yet, it is because they haven't had enough of it.

The migration policies of the political and other elites of Europe suggest that they are suicidal. The interesting thing to watch in the years ahead will be whether the publics join them in that pact. I wouldn't bet on it.

Mr. Murray is author of "The Strange Death of Europe: Immigration, Identity, Islam," out this week from Bloomsbury Continuum.

Iran Has Squandered Its Chance to Avoid Sanctions

By Joseph I. Lieberman And Mark S. Kirk

As the Financial Action Task Force convenes for its annual meeting this week in Spain, it's an opportunity for the international governing body on combating money laundering and terrorism financing to call for a reinstatement of sanctions against Iran.

This year's meeting marks a critical moment for Iran, which along with North Korea are the only two countries in the world identified by the FATF as serious risks to global financial security. Iran received a 12-month reprieve from sanctions at last year's FATF meeting following the nuclear deal. It was an opportunity for Tehran to prove its commitments to fiscal propriety and to distance itself from funding acts of terror.

That reprieve has been for naught. One year later, Iran remains the world's leading state-sponsor of terrorism. It has done little to enact the anti-money laundering policies requested by the FATF. With no proof of tangible results, the FATF must call on its members to bring back the sanctions against Iran.

Iran's duplicity stems from the power dynamic between President Hassan Rouhani and the Supreme Leader Ali Khamenei. Politics and policy are controlled by Ayatollah Khamenei and enforced via the Islamic Revolutionary Guard Corps. Mr. Rouhani doesn't have much of an independent policy legacy to speak of, despite his efforts to project a moderate and more democratic veneer. Even agreeing to the nuclear deal was ultimately Mr. Khamenei's decision.

The powers in control in Tehran loathe what it considers to be the West's meddling in its domestic affairs, and often lashes out in response to external pressure. We see this with every joint Iranian-North Korean missile test that violates United Nations Resolution 2231. And it has been much the same for the FATF, with no change in either Iran's money-laundering policies or in winding down its terror funding over the past year.

Some countries still wish to give Iran a free pass, even though the FATF recommends that "countries should criminalise terrorist financing on the basis of the Terrorist Financing Convention, and should criminalise not only the financing of terrorist acts but also the financing of terrorist organisations and individual terrorists even in the absence of a link to a specific terrorist act or acts."

Over the past year, Iran has continued to provide money, weapons, training and troops to the cause of

Tehran was given 12 months of relief to distance itself from money laundering and sponsoring terror. That year is up.

terrorism throughout the Middle East. From the Houthis in Yemen to propping up Bashar Assad's forces in Syria, Hezbollah in Lebanon and supporting Shiite militias in Iraq, there's no shortage of examples of Iranian influence over some of the most violent groups in the world.

When it comes to its role in funding terrorism, Iran has gone so far as to dub organizations such as Hezbollah a "liberation movement" to create a loophole in its 2015 terrorist-financing legislation. This is unacceptable. The FATF should reinstate sanctions against Tehran until it adopts a credible legal architecture to combat the financing of terrorism. Reinstating this global label would warn the financial community to avoid business with Iran.

Money laundering poses its own business risks and is a threat to the safety and soundness of Western financial institutions. The Iranian regime uses its network of ostensibly legitimate business supporters to conceal the origins of illegally obtained money. This potentially makes financial institutions unwitting participants in a money-laundering operation, tarnishing their reputation and increasing their liability for massive fines and penalties.

The FATF is primed to provide a thorough and just assessment of Iran's efforts in the past year. We hope it does so. The nuclear deal provided the space and opportunity for Iran to demonstrate its commitment to stopping the flow of funds to terror groups and rolling back its money-laundering operations. But Iran squandered this opportunity.

We encourage the FATF to not only call on its members to reinstate sanctions against Iran, but that they implement more-stringent measures as the organization itself recommends for every jurisdiction that poses a threat to the global financial system.

Mr. Lieberman, the former U.S. senator from Connecticut and 2000 Democratic vice-presidential nominee, is chairman of United Against Nuclear Iran. Mr. Kirk, the former U.S. senator from Illinois, is senior advisor at UANI.

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Notable & Quotable: Rules

From "Free Speech, the Goose, and the Gander" by lawyer Ken White on his Popehat blog, June 17:

Last night a popular alt-right troll disrupted a controversial modern production of Julius Caesar staged with a Trumplike figure in the lead role. . . .

The "eye for an eye" theory of respecting free speech is particularly pernicious because it represents the worst sort of collectivism, something the principled Right ought reject. Note that people who say "apply the Liberals' own rules to the Liberals" aren't disrupting, say, an Antifa rally or the meeting of some Berkeley student group that advocated shutting down a conservative speaker. They're disrupting *other people entirely*, on the theory that everyone they deem part of the nebulous collective "Liberal" deserves to be silenced because someone else in that nebulous collective engaged in silencing behavior. . . .

And yet, the "we're just applying their rules to them" theory has *some* heft. . . . The bit of plausibility comes from the reaction of people in authority, people who ought to know better, people whose conduct is somewhat more fairly attributed to a larger political group. A few hysterically censorious kids screaming for a professor's termination for crimethink do not threaten the foundations of free speech, but Yale lauding them does.

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

Can Bunny Photos Help Your Relationship?

People grow fonder of a partner after looking at slideshows of happy images like cute animals mixed with ones of their beloved

ISTOCK (6)

ASK HAPPY COUPLES what the secret to a long-term relationship is and they'll probably say communication, space or sex.

New research suggests it might just be bunny photos.

In a study published online last month in the journal "Psychological Science," researchers at Florida State University, the University of Tennessee and the University of Minnesota found that people who viewed pictures of their spouse interspersed with photos of baby animals, beaches or sunsets, saw a significant boost in their relationship satisfaction.

Social psychologists call this evaluative conditioning. It's what happens when our mind learns to associate an object or person with a feeling—good or bad—that we had when we were previously around that object or person. Have you ever gotten sick after eating something and forever hated that food? Do you have a song that reminds you of your first love? You've experienced it.

The new research on evaluative conditioning was funded by the **U.S. Department of Defense** as part of the Military Suicide Research Consortium, an effort to stem the suicide rate of active military members and veterans. The goal is to find ways to strengthen soldiers' marriages and, therefore, their support systems.

The researchers brought into their lab 120 couples married for three to four years and assessed their implicit, or gut-level, feelings toward their partner—the ones they may not want to acknowledge or even know they have. They did this by showing participants pictures of their partner followed by negative and positive words, timing how quickly they could identify the words. They also asked participants how they felt about their spouse.

They then showed the participants a slideshow once every three days for six weeks. Half viewed one that intermittently included photos of their spouse paired on a split screen with positive images (of puppies, bunnies and sunsets) and positive words ("incredible," "terrific," "amazing"). Half viewed one with photos of their partner intermittently paired with neutral images (of a chair, a shed, gravel) and neutral words ("If," "like," "when"). Researchers measured the participants' implicit attitudes toward their partner every two weeks for eight weeks, and again asked them how they felt about their spouse.

The people who viewed the bunnies and puppies images became happier in their relationship. Their implicit feelings improved, and they also reported that they felt better about their partner. "It was like they went on 13 artificial good dates," says Jim McNulty, a professor in the psychology department at Florida State, and the lead researcher on the study.

The researchers haven't designed a way to intervene with soldiers and their spouses yet, they say. They believe they first need to figure out how many sessions of the slideshow and which photos will work best.

Dr. McNulty believes that evaluative conditioning can be used to improve other types of relationships in addition to romantic ones. We might be able to prime ourselves to like our difficult siblings, co-workers or in-laws more by actively trying to associate them with something positive. Imagine viewing a photo of your crabby boss alongside a picture of a duckling or a baby elephant.

People will need to be careful, though, because evaluative conditioning cuts both ways. Just as the positive thoughts or experiences we associate with a person can make us like him or her more, negative ones can make us like that person less.

Dr. McNulty's tips for using evaluative conditioning to improve your relationship:

Boost the positive. Do more activities together that you both enjoy and aim for new experiences. Research shows that when romantic partners try something new together they feel more attracted to each other. They come to associate the excitement of the new activity with their partner.

Minimize the negative. When you are together, try to put your bad mood aside because you will come to automatically associate complaining with your partner. If you are in a bad mood, it might be better not to hang out with your partner until you feel better, Dr. McNulty says.

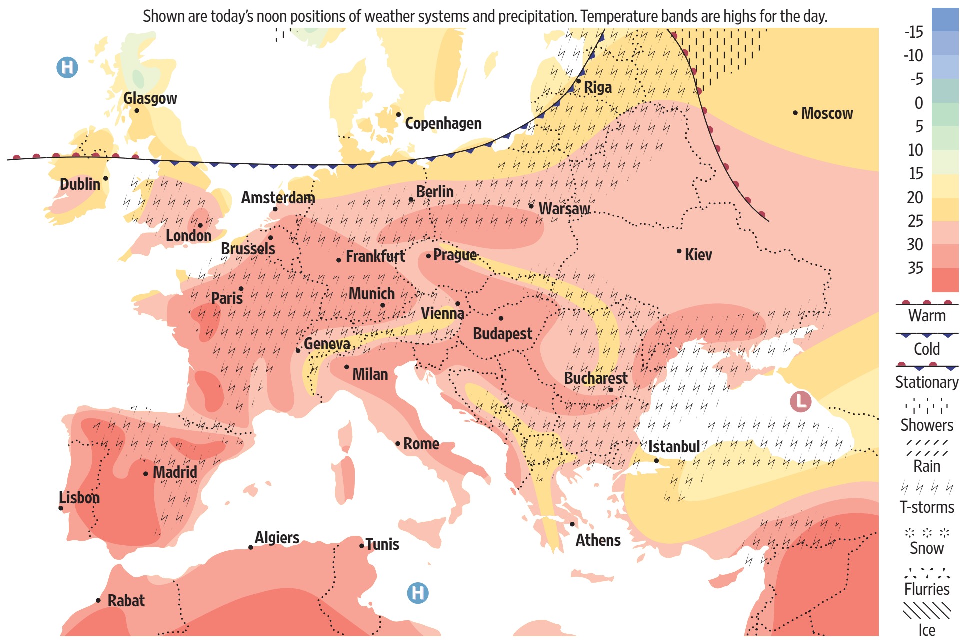
Always weave in something happy. When you want to be with your partner after you've had a bad day, try to include some positive emotions. Hug or cuddle. Share a good meal or a bottle of wine. Make sure the conversation includes something happy.

Have sex. It is one of the most enjoyable experiences you can have with a partner. Sex releases feel-good chemicals in the brain, always a positive. And research shows that people who have more sex with their partner have more positive implicit feelings toward him or her, meaning they are happier in the relationship.

Weather

AccuWeather.com

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

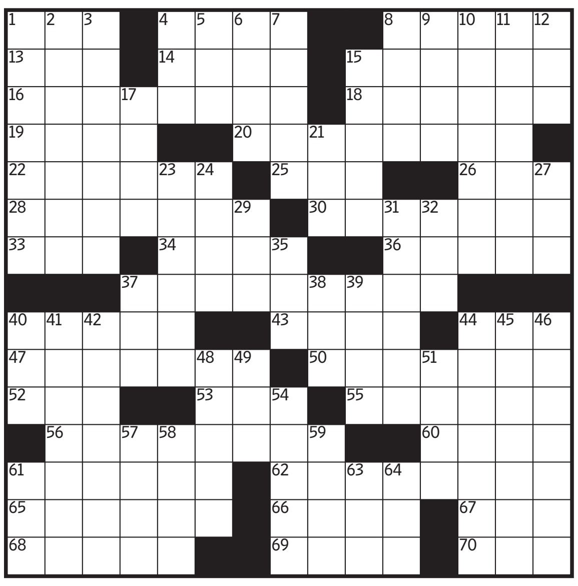


Global Forecasts

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

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	27	12	t	25	16	pc
Anchorage	13	8	r	15	11	c
Athens	28	20	pc	29	20	s
Atlanta	25	20	sh	26	22	s
Baghdad	42	26	s	40	25	s
Baltimore	30	18	s	29	17	pc
Bangkok	35	27	t	34	26	pc
Beijing	35	21	s	33	21	t
Berlin	28	12	t	22	12	pc
Bogota	17	9	r	18	9	c
Boise	35	16	s	30	13	s
Boston	28	18	pc	27	17	pc
Brussels	31	15	pc	29	18	t
Buenos Aires	12	5	pc	15	10	s
Cairo	34	23	s	33	22	s
Calgary	24	8	sh	17	5	t
Caracas	31	25	pc	31	26	pc
Charlotte	26	19	pc	29	20	pc
Chicago	25	14	pc	27	20	pc
Dallas	35	23	s	34	23	s
Denver	35	18	s	34	17	pc
Detroit	24	13	pc	26	18	pc
Dubai	41	31	s	41	32	s
Dublin	18	14	pc	24	13	pc
Edinburgh	18	12	pc	21	13	t
Frankfurt	32	18	t	30	17	t
Geneva	31	19	t	30	18	t
Hanoi	32	26	t	33	27	pc
Havana	30	24	t	31	23	pc
Hong Kong	31	27	t	32	29	t
Honolulu	29	23	sh	30	23	pc
Houston	35	24	pc	33	23	pc
Istanbul	26	19	t	26	21	s
Jakarta	32	23	pc	32	24	t
Johannesburg	19	5	s	18	5	s
Kansas City	32	20	s	33	22	s
Las Vegas	47	31	s	47	31	s
Lima	22	17	pc	22	17	pc
London	30	16	pc	30	17	pc
Los Angeles	34	19	s	34	19	s
Madrid	35	21	pc	37	22	pc
Manila	34	26	t	33	26	t
Melbourne	16	8	pc	13	5	c
Mexico City	26	10	pc	26	12	pc
Miami	32	27	t	33	26	t
Milan	33	20	pc	34	21	pc
Minneapolis	25	15	pc	26	17	t
Monterrey	35	21	pc	36	20	pc
Montreal	24	15	sh	22	13	pc
Moscow	22	12	pc	19	10	pc
Mumbai	32	28	r	32	28	t
Nashville	31	18	s	32	20	s
New Delhi	37	26	t	34	25	t
New Orleans	27	24	r	28	25	r
New York City	29	19	s	28	18	pc
Omaha	31	18	s	34	21	t
Orlando	30	23	c	31	23	t
Ottawa	22	13	sh	22	12	c
Paris	34	21	t	34	20	t
Philadelphia	30	20	s	28	18	pc
Phoenix	49	33	s	48	32	s
Pittsburgh	24	15	pc	25	15	pc
Port-au-Prince	35	24	pc	36	24	pc
Portland, Ore.	24	10	pc	24	11	pc
Rio de Janeiro	24	20	pc	25	19	r
Riyadh	44	28	s	43	27	s
Rome	29	19	s	29	19	pc
Salt Lake City	37	21	s	36	19	pc
San Diego	25	19	pc	26	19	pc
San Francisco	22	13	s	24	15	s
San Juan	31	26	sh	31	26	sh
Santiago	15	5	c	13	7	c
Santo Domingo	33	24	pc	33	23	pc
Sao Paulo	17	14	c	18	14	sh
Seattle	22	11	c	22	10	pc
Seoul	31	20	pc	30	19	s
Shanghai	28	23	sh	29	23	pc
Singapore	31	27	t	31	27	t
Stockholm	19	9	pc	19	9	c
Sydney	19	9	c	18	12	pc
Taipei	33	25	sh	33	25	c
Tehran	38	25	s	39	25	s
Tel Aviv	28	22	s	27	22	pc
Tokyo	27	20	pc	23	21	r
Toronto	22	12	sh	23	12	c
Vancouver	20	10	pc	19	10	s
Washington, D.C.	30	21	pc	29	20	pc
Zurich	32	17	t	31	16	t

The WSJ Daily Crossword | Edited by Mike Shenk



LOONY TOONS | By John Lampkin

Across

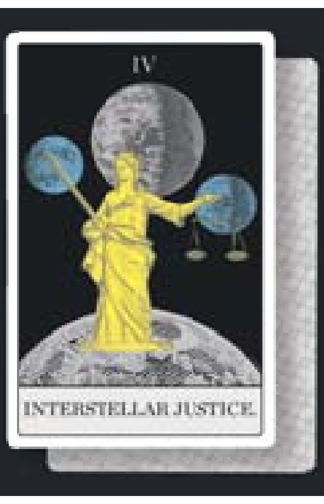
1 Brewery sight
4 Formal accord
8 Beachcomber's find
13 Savings for senior yrs.
14 Sandy shade
15 Colorful phenomenon caused by charged solar particles
16 Porky's lingo?
18 Became more appealing over time
19 Rose on a diamond
20 Yogi's pillow stuffing?
22 Relaxed
25 Lose power
26 "Imagine that!"
28 Catch off guard
30 Go off course
33 Texan hero Houston
34 Wetlands plant
36 Affectedly highbrow
37 Donald's hooch?
40 "___ where they ain't" (advice from baseball's Willie Keeler)
43 Banks on the runway
44 "Wham!"
47 Like a bread dough failure, perhaps
50 Interlace
52 Nixon met with him in 1972
53 Bloodwork setting
55 Like Whistler's mother
56 Bugs's motion?
60 Surrealist Salvador
61 Bad jokes may elicit them
62 Mickey's domicile?
65 As a plan B
66 Audio giant
67 Singer DiFranco
68 Brainstorming output
69 Killed, biblically
70 Vietnamese celebration

Down

1 It might give you backstage access
2 Short operatic piece
3 Pro wrestling duo
4 Pod sphere
5 False front
6 Baby or corn container
7 Ready for playing, in a way
8 Morsel for Miss Muffet
9 Twistable treat
10 "Trouble again?!"
11 Trendy bakery hybrids
12 Solo in a spaceship
15 Concur
17 King with three daughters
21 Lend a hand
23 Plays a zither, say
24 Util. bill portion
27 Alternative to "Psst!"
29 "A rodent!"
31 Clear out of
32 Rage
35 "Spring forward" inits.
37 "Agnus ___"
38 Pirate's assent
39 Caterers' coffee holders
40 Refrigerator noise
41 Seriously stuck
42 Give a shellacking
44 Stereotypical love-at-first-sight sound
45 Construction zone feature, sometimes
46 "Go, us!"
48 "Family Ties" mom
49 "Don't wanna"
51 Ford a stream, say
54 Fails utterly
57 March Madness org.
58 Capone's nemesis
59 Summer hangout
61 Xbox 360 rival
63 Customary practice
64 Stitch

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

Previous Puzzle's Solution



TECHNOLOGY: SNAPCHAT PARENT TURNS TO HOLLYWOOD B4

Euro vs. Dollar 1.1161 ▼ 0.33% | **FTSE 100** 7523.81 ▲ 0.81% | **Gold** 1244.20 ▼ 0.78% | **WTI crude** 44.20 ▼ 1.21% | **German Bund** yield 0.282% | **10-Year Treasury** yield 2.188%

Fed Urged to Oust Wells Directors

By Emily Glazer

Sen. Elizabeth Warren is urging the Federal Reserve to remove a dozen **Wells Fargo** & Co. board directors who served during the bank's sales-practices scandal, according to a letter reviewed by The Wall Street Journal.

In the letter sent to Federal Reserve Chairwoman Janet Yellen on Monday, the Massachusetts Democrat urged the Fed to invoke its authority under a rule that allows it to remove certain people associated with depository institutions under specific circumstances.

Sen. Warren pointed to 12 directors who served on the San Francisco bank's board between May 2011 and July 2015, a period in which Wells Fargo fired 5,300 employees for the bad behavior. The bank settled with two regulators and a city official in September for $185 million over the practices. Its chief executive later abruptly retired, and the bank continues to face state and federal investigations, with which it has said it is cooperating.

A Wells Fargo spokeswoman said the board and its management team have "taken many actions in response to its retail-sales practices issues, including changes in senior leadership, executive accountability structures and numerous steps to ensure we make things right with any customer affected by unacceptable sales practices." She added that the work is continuing.

CAROLYN KASTER/ASSOCIATED PRESS

Sen. Warren wants the regulator to remove 12 board members.

The bank's board has also endured harsh criticism and faced opposition during a contentious shareholder meeting in late April. Several directors were re-elected by just a slim margin.

Sen. Warren has been a sharp critic of Wells Fargo's management and handling of the sales-practices scandal. When former CEO John Stumpf appeared before the Senate Banking Committee to explain the problems, Sen. Warren lambasted him and said he should resign and be criminally investigated.

In her eight-page letter to the Fed, Sen. Warren wrote that the sales-practices scandal "revealed severe problems with the bank's risk management practices—problems that justify the Federal Reserve's removal of all responsible Board members."

In the wake of the scandal, Wells Fargo's board conducted an investigation of the bank, but largely didn't fault directors. On a call with the media after the report was disclosed in April, Chairman Stephen Sanger said "the findings of the investigation showed the board took the appropriate actions with the information it had, when it had it" and that it hired a law firm to do the investigation to get "an independent and objective assessment of our performance."

Sen. Warren's letter cited

Please see BANK page B2

Big Test Looms For CEO Of Astra

By Denise Roland

LONDON—**AstraZeneca** PLC Chief Executive Pascal Soriot made a promise to investors three years ago as the Anglo-Swedish drugmaker was fending off takeover advances from **Pfizer** Inc.: If left alone, AstraZeneca would nearly double its revenue within a decade.

Three years into that commitment, Dr. Soriot still has a long way to go to convince investors that walking away from Pfizer was the right call. A series of drug-test successes have lifted AstraZeneca shares this year, bringing them within range of Pfizer's 2014 offer price. But AstraZeneca has hit some headwinds, including unfavorable currency rates and disappointing results of an attempt to widen the use of one of its new drugs.

Dr. Soriot faces his biggest test in coming weeks. Early results for a new lung-cancer treatment could shore up investor confidence in AstraZeneca's go-it-alone approach—or sow fresh worry. The drugs involved are part of a new breed of cancer medicine called immunotherapies, which boost the immune system's ability to fight tumors.

The trial, dubbed Mystic, "will be a critical transition point for the company," said Jamie Freedman, who heads the company's cancer division. "Very soon we're going to see how that plays out."

The stakes in such trials are higher for AstraZeneca than most of its peers: It never diversified into fields outside the high risk-reward business of creating new drugs, which succeed or fail after costly development and clinical trials with uncertain outcomes. Drugs that become blockbusters eventually fizzle out when they lose patent protection and face competition from low-cost copycats.

Slower but steadier businesses—over-the-counter medicines or personal-care products such as toothpaste—have provided a cushion for many of AstraZeneca's competitors. GlaxoSmithKline PLC completed a $20 billion deal with Novartis AG in 2015 that expanded its vaccines and drugstore-staples businesses while slimming down its prescription-drug arm.

When Dr. Soriot came aboard in 2012, AstraZeneca had a near-empty new-drug pipeline and a series of patent expirations that have pressured profit. Last year, annual earnings per share came in at $2.77, down from $7.33 in 2011.

Instead of diversifying, Dr. Soriot doubled down on prescription drugs. He prioritized the development of cancer immunotherapies in particular and embarked on a deal-making spree to stoke the pipeline in oncology treatments and a handful of other disease areas.

Earlier this year, Dr. Soriot

Please see CEO page B2

STREETWISE

By James Mackintosh

Your ETF Isn't What You Might Think It Is

Much of the point of passive investing is to take away the effort and stress required in making investment decisions. It isn't working, at least when it comes to the world's second-biggest equity market, China.

MSCI will decide on Tuesday whether to include Chinese domestic stocks in the benchmark emerging-markets index, a decision that could lead to hundreds of billions of dollars eventually being invested there.

It might seem obvious that the $7.8 trillion of A shares in China ought to be in the benchmark, given they make up more than 10% of the value of the world's stocks and more than 60% of the value of emerging markets.

The difficulty of the decision is due to the conflicting nature of modern indexes as both measures of performance and the basis for investment. A measure of stock prices that excludes China is obviously flawed. Yet, tracking an index that includes China exposes investors to strict capital controls and arbitrary suspensions.

Investors in mutual and exchange-traded funds tracking indexes often think they are making a simple decision to follow what the market is doing. In reality the indexes have mutated from measures of the market into primitive investing algorithms, with sometimes odd effects.

Consider the latest plan by MSCI for China, watered down to cater to the needs of index trackers. China's $7.8 trillion of domestically listed A shares are bigger than London and Frankfurt combined. But MSCI has suggested adding only 169 of China's 3,261 A shares, giving them a weight of just 0.5% of the EM index, in line with the ability of investors to get money in and out of China via Hong Kong's Stock Connect mechanism.

For an investing algo, this makes perfect sense. Computer-driven investing has to follow rules, and has to have some chance of being able to follow the rules. If it is difficult to invest more in China, there is no point in giving China a higher weight, however big the Chinese market may be.

However, the result is that the supposed benchmark is neither a sensible measure of what is happening in emerging markets, because China's

Please see STREET page B2

LYSTSEVA MARINA/TASS/ZUMA PRESS

Aircraft on display as the Paris Air Show opened on Monday. Boeing announced 135 deals for the 737 Max 10, a single-aisle jet.

Boeing Adds New Single-Aisle Jet

By Robert Wall

LE BOURGET, France—**Boeing** Co. on Monday formally launched a new version of its single-aisle jetliner with more than $16 billion in deals to regain market share lost to rival **Airbus** SE.

The plane, called the 737 Max 10, is the largest of Boeing's new narrow-body planes that represent the backbone of global air travel. "Our customers told us to build it bigger," said Kevin McAllister, president of Boeing Commercial Airplanes.

Mr. McAllister said more than 10 customers have already committed to buying the plane. The deals, to be unveiled this week at the Paris Air Show, would be for more than 240 aircraft.

The plane carries a price tag of $124.7 million each, though buyers get discounts. It is expected to enter service in 2020.

Boeing began the Paris Air Show announcing 135 deals for the 737 Max 10, though some buyers have switched from commitments previously made to other models. At list price, the value of the announced Max 10 deals tops $16 billion.

Chicago-based Boeing lined up a list of plane-leasing companies to underpin interest in the new jetliner. Lessors have become increasingly important customers for plane makers.

Among them are General Electric Co.'s plane-leasing arm, known as Gecas, which signed an order for 20 of the planes. **BOC Aviation**, another plane-leasing firm, signed a memorandum of understanding to take 10. **AerCap Holdings** NV, the largest independent lessor, said it was in talks with Boeing about the plane, though didn't buy any.

Indonesia's **Lion Air** placed the biggest commitment, agreeing to buy 50 of Boeing's new plane. The carrier is a large customer for Airbus and Boeing narrowbodies.

India's **SpiceJet** Ltd., another big narrow-body buyer, signed for 20 of the planes.

Not everyone is on board, though: **Qatar Airways** Chief Executive Akbar Al Baker said that he wouldn't buy the plane and would stick with the Airbus A321neo planes already ordered.

The 737 Max 10, with $16 billion in deals, tries to claw back market share lost to Airbus.

Big single-aisle planes have become a sweet spot for buyers. They cost far less than larger widebody planes and can fly attractive routes such as coast-to-coast in the U.S., or even some shorter trans-Atlantic hops.

Airbus has had a lead on Boeing in this growing and increasingly important plane segment. About 65% of the European aircraft maker's single-aisle deals last year were for the largest version. Airbus began to deliver its rival A321neo planes to airline customers in April and has won 1,416 orders through May for its model.

Airbus plane boss Fabrice Brégier said Monday the company's biggest single-aisle aircraft would likely represent half of all narrow-body deliveries. The plane maker announced its own Gecas deal for 100 single-aisle planes.

Big narrowbodies are particularly important for future profits. Boeing and Airbus can charge a premium for the planes that are slightly larger and can hold more passengers.

Boeing's Max 10 can seat as many as 230 passengers. The Airbus plane can fit 240 passengers.

◆ GE to expand jet-leasing business, seek Asia deals... B2

Indexer Considers Dumping Unequal Voting Shares

By Richard Teitelbaum

A proposal being floated by a large index firm could force finance chiefs at companies such as **Alphabet** Inc., **Facebook** Inc. and **Ford Motor** Co. to choose between keeping their places in broad stock benchmarks or changing their share class structures.

FTSE Russell is proposing possible restrictions on the inclusion of companies with unequal voting rights in its indexes, but the firm will weigh input from clients and investors before working out specifics.

The proposal calls for setting a minimum threshold for the percentage of voting control attached to company shares in an index. For example, a company whose Class A shares in an index control 40% of the total votes might be excluded from FTSE Russell's main indexes, like the Russell 3000 or Russell 2000, if the threshold were higher than that.

FTSE Russell gave until Friday to respond to its proposal. A spokesman said it expects to release a decision sometime in July.

The firm asked for feedback on what the threshold might be. It also said it might ultimately decide not to change FTSE Russell rules at all.

Nevertheless, the proposal is addressing a corporate governance issue viewed as important to some key investors. "The future of the markets are at stake," said James Andrus, an investment manager at the

NOAH BERGER/ASSOCIATED PRESS

Facebook's share-class structure includes unequal voting rights.

California Public Employees' Retirement System.

Many institutional investors have grown increasingly critical of unequal voting rights. For example, organizations including the Council of Institutional Investors, an advocacy group, have called for nonvoting shares to be banned from indexes.

Whether barring companies with unequal voting rights from indexes would prompt them to opt for a different share class structure when going public is uncertain. "The answer would depend on how restrictive [the ban is], that is how many indexes we were excluded from," said **Fitbit** Inc. Chief Financial Officer Bill Zerella in an email. "We would have to weigh that with the benefits of a dual class."

Fitbit went public in 2015 with Class A shares entitled to one vote and Class B shares entitled to 10 votes.

All things being equal, companies that are shifted from popular indexes are likely to see their share prices fall be-

Please see INDEX page B2

INDEX TO BUSINESSES

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

A - B
AerCap Holdings....B1,B2
Airbus....B1,B2
Alibaba Group..B4,R1,R4
Alphabet....B1,R1,R6
Amazon.com....A1,B4,B10,R1
AOL....R1
Apple....B4
AstraZeneca....B1
AT&T....B4,R1
Baidu....R1,R4
Belkin International...R1
BlackRock....B2
BOC Aviation....B1
Boeing....B1,B2
Bohai Financial Investment Holding.B2
BP....A1,A7
Breitbart News Network....R1
Brookdale Senior Living....B3

C
CBS....B4
CEP Architectural Facades....A3
Chevron....A1,A7
Citigroup....B6
Clovis Oncology....B10
Comcast....B4

D - F
DraftKings....B4
eBay....B4
EQT....B3
Exxon Mobil....A1,A7
Facebook....B1,R4
FanDuel....B4
FedEx....B3
Fitbit....B1
Ford Motor....B1
Forest City Realty Trust....B3

G - K
Galeria Kaufhof....B3
General Electric....B2
Goldman Sachs Group B6
Harley Facades....A3
Hudson's Bay....B3
JD.com....B4
J.P. Morgan Chase....B6
Koninklijke Ahold Delhaize....B10

L - M
Land & Buildings Investment Management....B3
Leerink Partners....B10
Lion Air....B1
London Stock Exchange Group....B2
Macy's....B3
MedStar Health....B3
Morgan Stanley....B6
MSCI....B1,B2

N - P
National Realty & Development....B3
Neiman Marcus Group....B3
Nestle....R6
New Enterprise Associates....B6
Ocado Group....B10
Parsley Energy....A1,A7
Paulson....B6
PepsiCo....R3
Pershing Square Capital Management....B6
Pfizer....B1
Publicis Groupe....R6

Q - S
Qatar Airways....B1
Reliance Industries....A1,A7
Rice Energy....B3
Royal Dutch Shell.A1,A7
Saks Fifth Avenue....B3
Simulmedia....R7
Snap....B2,B4,R1
SpiceJet....B1
SunTrust Banks....B9
SVRN Asset Management....B9

T - V
Taubman Centers....B3
Tencent Holdings....B4,R1,R4
Tesaro....B10
Tesco....B10
Time Warner....B4
United Parcel Service.B3
Valeant Pharmaceuticals International....B6
Vice Media....B4

W - Y
Wal-Mart....A1,B4,B10
Warner Bros....B4
Wells Fargo....B1
Whole Foods Market B10
Wm Morrison Supermarkets....B10
Woolworths....B10
Yahoo....R1

INDEX TO PEOPLE

A - C
Abney, David....B3
Al Baker, Akbar....B1
Andrus, James....B1
Baker, John D....B2
Baker, Richard....B3
Burger, Alec....B2
Cavender, Ben....B4
Chen, John S....B2
Clark, Duncan....B4
Corbat, Michael....B6

D - F
Dean, Lloyd H....B2
Dudley, Bob....A7
Duke, Elizabeth A....B2
Emanuel, Julian....B9
Evans, Michael....B4
Feroli, Michael....B10
Gershenhorn, Alan....B3
Ginsberg, Gary....B4

H - K
Hannon, Kieran....R1
Hernandez, Enrique....B2
Hou, Tian....B4
James, Donald M....B2
Janet Yellen....B10
Jindel, Satish....B3
Katz, Ian....B6
Khan, Imran....B4

L - Q
Lee, Samuel....B9
Litt, Jonathan....B3
Ma, Jack....B4
Mastagni, Aeisha....B2
Milligan, Cynthia H....B2
Paulson, John....B6
Pena, Federico F....B2
Pick, Ted....B6
Quigley, James H....B2

S - T
Sabia, Michael....B2
Sanger, Stephen....B1
Schlotterbeck, Steve..B3
Schneiderman, Eric...B10
Soriot, Pascal....B1
Stewart, Martha....B4
Swenson, Susan G....B2
Tolstedt, Carrie....B2

V - Z
Varon, Lily....B4
Vautrinot, Suzanne M B2
Vernon, David....B3
William Dudley....B9
Zerella, Bill....B1
Zlotow, Cyndi....B4

BUSINESS & FINANCE

GE Gives Push to Jet Unit

Planes are ordered for leasing business, and joint venture aims for airline deals in Asia

BALINT PORNECZI/BLOOMBERG NEWS

GE Capital Aviation Services agreed to buy 120 jets, adding to its fleet of 1,270 owned aircraft.

By Doug Cameron

General Electric Co. plans to resume expanding its big aircraft-leasing business, ordering more jets and sealing a $2 billion joint venture that will allow it to do additional business with fast-growing airlines in Asia.

The company's GE Capital Aviation Services unit on Monday agreed to buy 120 more **Airbus** SE and **Boeing** Co. jets at the opening of the Paris Air Show to add to its fleet of 1,270 owned aircraft. It also agreed to form a partnership with Canada's Caisse de dépôt & placement du Québec in a new venture to acquire narrow-body jets for renting to airlines.

Gecas, as the business is known, is the world's largest jet lessor but has shrunk over the past two years by selling aircraft just as rivals including **AerCap Holdings** NV and China's **Bohai Leasing** have significantly expanded their operations.

Rising aircraft-delivery rates have attracted new investors to the industry, notably from Asia, but Gecas Chief Executive Alec Burger said there is now an opportunity for the unit to target "modest growth" and expand its previous order book of 318 aircraft.

"We're in an industry where there's more capital and planes than management teams" to handle them, Mr. Burger said in an interview on the eve of the air show. "Our order book is going to go up to historical levels."

On Monday, Gecas announced a deal for 100 more Airbus A320neo jets and 20 of the new Boeing 737 Max 10 aircraft formally launched at the Paris show.

While Gecas has shrunk its assets to about $41 billion, it is also increasingly important for GE's cash flow because the conglomerate has sold finance assets such as banks and consumer-lending operations after the financial crisis. The venture attracts increased scrutiny from mainstream investors now.

"In our conversations with investors, we find Gecas is generally misunderstood and underappreciated," said Barclays analysts in a note to clients last week.

Mr. Burger, a GE veteran, previously oversaw the reduction of the company's real-estate portfolio, prompting speculation he would then shrink the aircraft business. Gecas promptly sold dozens of aircraft and slowed new orders, but Mr. Burger said these decisions reflected attractive sale prices and regulatory constraints as GE reduced its finance portfolio.

The unit is now the largest in GE Capital and supports the company's larger aircraft-engine and services portfolio. Some 85% of its aircraft fleet is powered by GE engines—including planes ordered on Monday—with much of the repair work steered back to the company.

Caisse de dépôt, an infrastructure specialist, has been examining a move into aircraft leasing for several years because of the attractive yields on offer, said Chief Executive Michael Sabia.

The surge of new money entering the industry has since intensified competition for deals such as sale leasebacks, where lessors acquire aircraft from airlines and then rent them back to the carrier.

"Short-term pressures are probably there," said Mr. Sabia, who added that the Canadian company was entering the business for the long haul.

The planned joint venture would acquire narrow-body aircraft, the most popular segment of the market, and some deals could be split with existing Gecas operations.

Mr. Burger said this would allow Gecas to take advantage of opportunities in China, India and elsewhere in Asia without breaching existing airline and country risk limits.

BANK

Continued from the prior page
the Fed's ability to remove board members, including if they "engaged or participated in any unsafe or unsound practice" that caused certain depository institutions to "suffer financial loss" and that demonstrated "continuing disregard...for the safety and soundness" of the institution.

"I urge the Federal Reserve to use the tools Congress has given it to remove the responsible Board members and protect the continued safety and soundness of one of the country's largest banks," the senator's letter said.

The 12 board directors mentioned in the letter are: John D. Baker II, John S. Chen, Lloyd H. Dean, Elizabeth A. Duke, Enrique Hernandez Jr., Donald M. James, Cynthia H. Milligan, Federico F. Pena, James H. Quigley, Mr. Sanger, Susan G. Swenson and Suzanne M. Vautrinot.

Among those directors, Ms. Duke, who is now the board's vice chairman, is a former Fed governor.

Sen. Warren wrote to the Fed that the board "failed to create an adequate risk management framework that would have alerted it to systemic problems with retail sales practices. It also caused long-lasting reputational damage to the bank that has eroded the bank's customer base."

The board's own report about the sales scandal, according to the letter, showed its "continuing disregard" for the bank's safety and soundness and failure to seriously address the sales-practices issues despite years of concerns.

The board's April report largely placed blame on Mr. Stumpf and former retail-banking head Carrie Tolstedt. The board clawed back an additional $75 million in compensation from them both.

The company was slow to stamp out the issues, the report said, in part because its decentralized structure gave Ms. Tolstedt too much power, and officials from other units, such as risk management, human resources and legal, either couldn't connect the dots on problems or weren't powerful enough to do anything about it.

In late 2015, board members, including then-lead independent director Mr. Sanger, pushed Mr. Stumpf to remove Ms. Tolstedt from her role. But Mr. Stumpf declined, the report said.

STREET

Continued from the prior page
weight is too small, nor a useful tool for big investors who have secured preferential access to the market.

Other algos can follow different rules. Vanguard runs $70 billion in the biggest EM ETF following a FTSE index that includes almost 5% in Chinese A shares, 10 times what MSCI is proposing, based on quotas allocated to large foreign investors. They may be simpler than the usual computer-driven trader, but the big decisions still matter: Vanguard's EM ETF is up 14.1% this year against 17.7% for **BlackRock**'s iShares MSCI-driven ETF because of weak A-share performance and MSCI's inclusion of star performer South Korea in EM. Active fund managers often have narrower gaps in performance.

The index's role as an investment tool means something ostensibly designed as a measure can end up with a big influence on the market itself. Goldman Sachs analysts think including China could prompt $210 billion of index money to flow into the country in the next five years as MSCI increases lifts China's weighting. Such big money flows can lead to strange price outcomes, as Pakistan experienced last month. Its promotion to the EM index led shares to soar, then plummet, as traders bought stocks in the hope of selling them on to index funds forced to buy at any price.

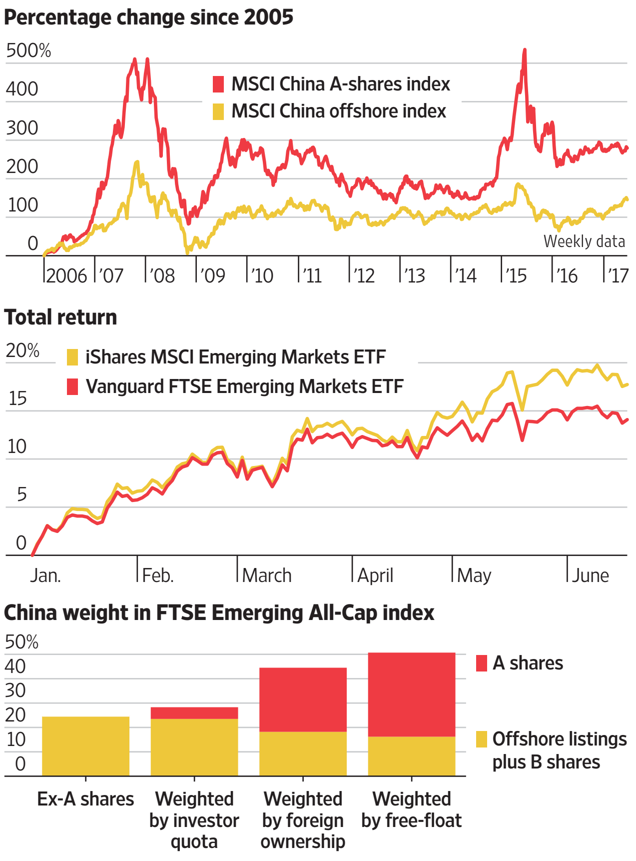
In theory, index investing has three big advantages: It is cheap, it takes away the need to assess the skills of active managers and it is simple, just buying everything in proportion to its value.

In practice, index investing is indeed very cheap, with the iShares Core S&P 500 ETF charging only 0.04% a year. But the plethora of options means investors now need to assess the skills of index designers, while increasingly complex rules take most indexes well away from a simple weighting by market capitalization.

Investors who just want to buy the entire market, or try to measure what is going on with stocks, shouldn't be fooled into thinking these index algos are truly passive.

China Weighting

China's domestic A shares aren't included in the benchmark MSCI Emerging Markets index, but are in the FTSE index used by Vanguard's ETF. The choice of index has affected performance this year, as onshore and offshore stocks diverged.



Source: Thomson Reuters (performance); FTSE Russell (weighting)

THE WALL STREET JOURNAL.

INDEX

Continued from the prior page
cause investors who track the benchmark are no longer required to hold the stock in question. "There are some studies that show it could make a 15% difference," Mr. Andrus said.

FTSE Russell and two rivals began considering the issue of nonvoting share classes after the March initial public offering of **Snap** Inc., whose Class A shares carry no voting rights. The new FTSE Russell proposal broadens that to other kinds of unequal voting shares.

And the fact that FTSE Russell described a system using thresholds to limit the inclusion of shares with unequal voting rights suggests the firm is likely to do something.

"I do think there's a high likelihood that one of these thresholds will be implemented," said Aeisha Mastagni, a portfolio manager at the California State Teachers' Retirement System. "The question is what the threshold will be."

FTSE Russell estimated the percentage of voting power held by the public of selected companies that have shares with unequal voting rights. By the firm's estimates, 38.64% of Alphabet's voting power is represented by the shares included in its main indexes.

For Facebook, 30.27% of total votes are represented by the shares in its main indexes and 59.64% for Ford Motor.

Alphabet and Facebook didn't respond to emails seeking comment on the proposal or FTSE Russell's estimates.

A Ford spokesman referred to a section of the company's 2017 proxy statement that says, "Our ownership structure has helped insulate our Company from business cycles and related short-term pressures."

FTSE Russell, which is owned by **London Stock Exchange Group** PLC, solicited suggestions on what kinds of restrictions should be applied to companies that fail to meet the threshold. All of a company's securities might be excluded or just nonvoting shares, for example.

Rival index firms **S&P Dow Jones Indices** and **MSCI** Inc. also have launched reviews concerning the inclusion of companies with nonvoting shares in their indexes.

A spokeswoman for S&P said that the index firm would complete its consultations with market participants on June 30 and announce its decision soon after.

An MSCI spokeswoman didn't return requests for comment.

CEO

Continued from the prior page
backtracked a bit from the long-term revenue forecast he made in the heat of the Pfizer approach. Blaming currency fluctuations, he said sales should come in at about $40 billion by 2023, about $5 billion below his earlier promise.

Even so, revenue has fallen since that adjusted forecast. Dr. Soriot has long said he expected 2017 to be the year when sales bottomed out—but the decline makes the road to his 10-year target look even steeper.

In his 2014 presentation, Dr. Soriot said drugs for respiratory diseases would generate $8 billion in 2023, compared with $4.75 billion generated in 2016. He said he expects AstraZeneca's diabetes franchise to bring in $8 billion in 2023, versus $2.39 billion last year.


BEN STANSALL/AFP/GETTY IMAGES

Astra CEO Pascal Soriot, in 2014.

Dr. Soriot has tried to position AstraZeneca as an industry leader in cancer treatment. AstraZeneca brought in $3.38 billion last year in that field, compared with $11.5 billion that he estimated such drugs could generate at their peak.

There have been some disappointments. The blood-thinning drug Brilinta failed to show positive results in treating peripheral artery disease, making it unlikely the drug would hit its $3.5 billion sales target by 2023, the company said.

A spokeswoman said AstraZeneca's internal revenue forecasts have evolved to reflect clinical-trial successes and setbacks since 2014, and the contribution from each disease area is likely to differ slightly from the forecasts Dr. Soriot laid out when fending off Pfizer.

The company declined to disclose the forecast adjustments. Executives have said they remain confident in delivering broadly on 10-year targets, and so far investors remain optimistic, too.

AstraZeneca shares are up 19% this year, trading just under £53, or around $68, just below the premium-rich £55, or roughly $70, share price Pfizer offered back in 2014.

Ransomware Is Often Unreported

Critics urge closing loophole that leaves hospitals vulnerable, but liability is concern

By Melanie Evans

JEFFREY GREENBERG/GETTY IMAGES

HHS rules say that hospitals need only report attacks that result in the exposure of private medical or financial information.

A cyberattack last year paralyzed **MedStar Health** computers, forcing the Maryland operator of 10 hospitals and more than 300 outpatient centers to shut down its entire electronic-record system. Doctors logged patient details with pen and paper. Laboratory staff faced delays delivering test results.

"It was three weeks before we got most of everything that was important to us on a daily basis back and operational," Craig DeAtley, director of the MedStar Institute for Public Health Emergency Readiness, said during a panel organized by federal health officials last year to address cyberthreats.

Yet the attack—and others last year at hospitals in California and Kentucky—don't appear on the U.S. Department of Health and Human Services public list of data breaches. The attacks involved ransomware, a type of software that locks away data until victims pay a ransom. HHS rules say hospitals need only report attacks that result in the exposure of private medical or financial information, such as malware that steals data. When ransomware's data encryption meets that threshold is a gray area.

Proponents for more mandatory reporting say this regulatory gap limits the health-care system's ability to fight cybercriminals. Hospitals left in the dark about attacks hitting their rivals are less likely to be ready to defend themselves, they say.

Regulators can't protect patient safety if they are unaware when hospital medical records are held for ransom, said Rep. Ted Lieu, a California Democrat who along with Rep. Will Hurd, a Texas Republican, is pushing HHS to require hospitals to report ransomware attacks.

"I view it as a loophole that ransomware does not have to be reported," Mr. Lieu said in an interview.

Opponents say HHS reporting comes with a harsh spotlight, potential penalties and liability risks.

Spokeswomen for HHS didn't respond to a request to clarify the agency's position on the issue. In a report to Congress this month, an HHS-led task force of industry and public officials stopped short of calling for required disclosure of ransomware attacks. The report called for a "flexible approach" to sharing cybersecurity information and recommended the industry build on voluntary efforts already under way.

The dilemma has grown more acute as ransomware proliferates. Two large, multistate hospital operators "face significant challenges to operations" from a global ransomware assault in May called WannaCry, HHS disclosed in an email to health-care executives and officials this month.

The attack also halted surgeries at British hospitals, shut European auto plants and affected some U.S. medical devices.

WannaCry "highlighted the disturbing reality that the true state of cybersecurity risk in this sector is underreported by orders of magnitude," Leo Scanlon, deputy chief information security officer for HHS, said during a U.S. House hearing on cybersecurity this month.

MedStar spokeswoman Ann Nickels declined to say whether MedStar reported the 2016 ransomware attack to HHS, and declined to specify how many patients' data were affected. HHS publicly reports breaches that expose confidential data for at least 500 people. HHS declined to comment on the attack, saying it "does not release information about current or potential investigations."

MedStar "shared insights privately" with other hospital operators about the attack, Ms. Nickels said. "Our position all along has been that we are not making public statements about lessons learned and the specific circumstances of the malware event we handled a year ago," she said in a written statement.

On a Friday evening in February 2016, ransomware swiftly spread throughout Hollywood Presbyterian Medical Center in Los Angeles, locking doctors and nurses out of computers, Steve Giles, the hospital's chief information officer, told a California senate hearing a few months later.

Hollywood at first tried unsuccessfully to unlock the computers, before paying $17,000 in ransom in bitcoin. They were so unfamiliar with the digital currency they first googled "how to get bitcoin," then hunted down an ATM in a vape shop to convert cash to the digital currency, he said. Criminals released 900 separate decryption codes to unlock the hospital's computers, Mr. Giles said.

The attack doesn't appear on HHS's public list. The hospital didn't report it to HHS, but media reports prompted HHS to inquire about the breach, Mr. Giles said. HHS ultimately didn't require the hospital to report the attack after Hollywood officials offered evidence the ransomware didn't expose patient data, he said.

Activist Investor Prods the Parent of Saks

By Suzanne Kapner And David Benoit

BEN NELMS/BLOOMBERG NEWS

Hudson's Bay on Monday said it would respond to Land & Buildings Investment in due course.

An activist investor is pushing the parent of **Saks Fifth Avenue** to consider strategic alternatives, including possibly taking the company private or redeveloping its vast real estate holdings, in the latest sign of the challenges facing the department-store industry.

Land & Buildings Investment Management LLC, which has accumulated a stake of roughly 4.3% in **Hudson's Bay** Co., said in a letter delivered to the company's board Monday that its real estate is worth four times the stock price. The Wall Street Journal viewed a copy of the letter.

The multiple Land & Buildings cited in its letter was before the shares of Hudson's Bay rose 15% in midafternoon trading Monday in Toronto to 10.24 Canadian dollars (US$7.75).

"This drastic public markets mispricing is why Hudson's Bay should evaluate all strategic options to maximize value for shareholders," Jonathan Litt, founder and chief investment officer of Land & Buildings, wrote in the letter.

He noted that over the past several months, as Hudson's Bay has taken abortive looks at acquiring **Macy's** Inc. and then at **Neiman Marcus Group**—as reported by the Journal, the company's stock has fallen 25%.

The Macy's talks were preliminary and never progressed far, and the discussions with Neiman Marcus fell apart over price, people familiar with the situation have said. Last week, Neiman Marcus confirmed that any conversations it had been having about selling itself had terminated and it planned to remain independent.

Hudson's Bay on Monday confirmed receipt of the letter Land & Buildings sent its board, and said it would respond in due course.

Land & Buildings could face an uphill battle since insiders own a large chunk of the company's stock, possibly making it difficult to force their hand.

This month, Mr. Litt lost a shareholder vote to force change at mall owner **Taubman Centers** Inc.—largely because of the controlling family's large voting bloc. He continues to push for change there. Mr. Litt has also been urging change at real-estate empire **Forest City Realty Trust** Inc. and **Brookdale Senior Living** Inc.

Either way, the campaign is the latest sign of the upheaval roiling the department-store and broader retail industry as shopping habits evolve.

Hudson's Bay Chairman Richard Baker is a real-estate executive who grew up building shopping centers with his father Robert, founder of **National Realty & Development** Corp.

He began stitching together a department-store conglomerate a decade ago with the acquisition of Lord & Taylor, followed by Saks Fifth Avenue in 2013. The company also owns the Hudson's Bay chain in Canada, and **Galeria Kaufhof** in Germany.

To highlight the value of Hudson's Bay's real estate, Mr. Baker has formed joint ventures with several mall owners and obtained an independent appraisal of the Saks Fifth Avenue flagship in Manhattan that values the store at more than the $2.9 billion Hudson's Bay paid for the whole company.

UPS Plans to Add Surcharge To Cost of Holiday Shipments

By Paul Ziobro

Holiday shopping is about to get more expensive.

United Parcel Service Inc. for the first time will tack a surcharge onto most online orders shipping around the Black Friday shopping weekend in the U.S. and the week before Christmas. It is the latest attempt by the delivery company to recoup the sizable increase in hiring and reserving extra trucks and planes during the busiest times.

The changes have retailers, which are struggling to adapt to a world where more people shop online, facing the prospect of either eating the higher charge or trying to recoup it by raising prices.

UPS said Monday that the surcharge will be 27 cents a package for all ground shipments to homes sent between Nov. 19 and Dec. 2, which includes some of the busiest online shopping days. Ground orders typically arrive within five days and are a heavily used shipping option during that time because shoppers don't necessarily need the items quickly.

The peak surcharges won't be in effect for the following two weeks, when shoppers typically take a pause, but they will return for the final holiday rush. From Dec. 17-23, UPS intends to charge an extra 27 cents for each ground shipment, 81 cents for next-day air and 97 cents for two- or three-day delivery.

The charges apply only to residential deliveries, so retailers and shoppers might be able to avoid the charges by getting orders shipped to stores, an option retailers have been pushing for the past few years.

UPS's main rival, **FedEx** Corp., doesn't have a surcharge during the holidays, although the two carriers often match each other on pricing moves. A spokesman for FedEx, which is scheduled to report earnings Tuesday, declined to comment.

Chief Commercial Officer Alan Gershenhorn said the per-package cost would just "marginally increase" during this time. As an example, UPS said that a five-pound, next-day air package from Atlanta to Philadelphia would cost 1% more to ship.

MARK LENNIHAN/ASSOCIATED PRESS

The surcharge applies to residential deliveries. UPS daily volume rises to 30 million, from 19 million, in the weeks before Christmas.

The surcharge, however, will provide a big haul to UPS, whose daily volume swells to more than 30 million in the weeks before Christmas versus more than 19 million on a normal day. Citi Research estimates the new surcharges will add $50 million in revenue and profit at UPS this year.

The carrier declined to provide a projection on the revenue impact from the surcharges.

EQT Deal For Rice Valued at $6.7 Billion

By Dana Mattioli And Erin Ailworth

EQT Corp. agreed to buy **Rice Energy** Inc. for $6.7 billion in the latest proposed tie-up between energy producers suffering from low oil and gas prices.

EQT said the deal was driven by the opportunity to drill longer horizontal wells by adding Rice's acreage to its own footprint. Rice's pipeline assets will also allow EQT to get more of its natural gas to markets including the Gulf, and to benefit from benchmark pricing at Henry Hub in Louisiana.

Rice shares were up 26% to $24.73 in midafternoon trading Monday, while EQT's stock fell around 8.5% to below $54. Rice shares had closed Friday at $19.69; they had highs above $33 during a big discovery in 2014.

As of Monday morning, Rice had a market value of $4 billion and EQT had a $10.4 billion value. Both have significant amounts of debt and have suffered from the glut of natural gas that has caused gas prices to fall 60% from June 2014.

EQT Chief Executive Steve Schlotterbeck told an analyst call Monday morning that the deal will create the country's biggest natural-gas producer. Tim Rezvan, a managing director at Mizuho Securities, said the combined output would top 3.5 billion cubic feet a day of natural gas.

Both firms have suffered from the glut of natural gas that has caused prices to fall.

Rice shareholders are to receive slightly more than one-third of a share of EQT stock and $5.30 a share in cash, the companies said. The deal is expected to close toward the end of the year.

Rice, which focused on the Marcellus Shale in southwestern Pennsylvania and the Utica Shale just across the border in Ohio, drilled a 2014 gas well called Bigfoot 9H that by one measure ranks among the most successful in U.S. history. It hit an initial production of 41.7 million cubic feet a day, enough to power every home in Pittsburgh for 36 hours.

Even after a year of other gushers in the Utica Shale, Bigfoot still ranked fifth among the most successful in that area at the end of 2015, putting it among the biggest onshore gushers in U.S. history at the time, according to Morgan Stanley.

But both Rice and EQT at times have been victims of their own success. The monster wells and rich reserves they have found in both the Utica and the overlapping Marcellus added to a glut that was already severe, helping push prices to record lows as recently as last year.

EQT is based in Pittsburgh and focused on Appalachian-area natural-gas production, gathering, and transmission, but it hasn't been able to move all the gas produced there for lack of pipeline capacity, and it has struggled with low prices for that output.

Rice's network will enable EQT to ship gas to markets in the Midwest and the Gulf, where it can fetch better prices.

Rice made its stock-market debut in January 2014 in an initial public offering that valued the stake of its controlling Rice family at $900 million.

The stock's strong start fizzled that summer when oil prices began to fall, prompting a broad selloff in energy stocks, including those of U.S. gas producers.

Chief Executive Daniel Rice IV runs the company alongside younger brothers Toby and Derek, the company's chief operating officer and exploration head, respectively. A fourth brother, Ryan, joined in 2014 as a petroleum engineer.

—Timothy Puko contributed to this article.

Snap Turns to Hollywood

By Shalini Ramachandran and Georgia Wells

New shows featuring the likes of Ellen DeGeneres, Samantha Bee and Wonder Woman might soon be coming to Snapchat.

In a wide-ranging deal with **Snap** Inc., **Time Warner** Inc.'s Turner cable channels and the **Warner Bros.** studio will create as many as 10 original shows a year for the ephemeral messaging app in genres including scripted drama and comedy, the companies said.

The deal also includes a path for Time Warner's premium network HBO to develop shows for the app.

JUSTIN LANE/EUROPEAN PRESSPHOTO AGENCY

A $100 million Time Warner deal will provide up to 10 shows a year to messaging app Snapchat.

Snap's shows tend to run just three to five minutes, so traditional television companies, which are eager to reach Snapchat's young user base, don't view its efforts as a threat to their core pay-TV businesses.

"You can envision a lot of really compelling marketing and programming that will drive viewership to our television and film content and new users for our emerging direct-to-consumer services," said Gary Ginsberg, Time Warner's executive vice president of corporate marketing and communications, in an interview.

The two-year deal marks one of the largest show-development deals Snap has landed to date and shows how Snap is attempting to reinvent television for young, mobile users. In a video for the company's roadshow before its public offering, Snap's chief strategist, Imran Khan, framed Snap's opportunity by highlighting how young people ages 18 to 24 have shifted their attention to mobile phones from traditional TV.

"These users represent a big opportunity for us because they are harder to reach on traditional media, and they are often highly sought after by advertisers," Mr. Khan said in the video.

The $100 million deal encompasses Time Warner's show investment for the app as well as an advertising commitment from HBO, Warner Bros. and its Turner networks. Time Warner's sale to **AT&T** Inc. is pending with regulators.

Snap will keep 50% of the ad revenue from shows, while its media partners will keep the other half, The Wall Street Journal has previously reported. It is a less attractive split than what Snap offered earlier on for its "Discover" publisher platform, where at least some partners were allowed to keep 70% of the ad revenue if they sold the ads.

Time Warner's commitment is a vote of confidence for the young company as it seeks to persuade investors its new advertising form will grow. Snap disappointed investors in May when its revenue, which comes almost entirely from advertising, surged from a year earlier, but declined sequentially for the first time.

Still, the app has become a darling for traditional media executives who are eager to reach younger viewers as traditional pay-TV cord-cutting accelerates. Snap has already signed up big media companies such as **Comcast** Corp.'s NBCUniversal and **CBS** Corp. to create shows for its app, and its executives have taken a hands-on approach to curating its originals, advising traditional network executives on everything from plotlines to shooting angles.

Media executives say early viewership metrics from Snap are promising. For example, Snap said that NBC's "The Voice" on Snapchat is up 45% in viewership in its second season.

The app aims to air three shows a day by the end of the year, up from one currently.

Alibaba Pursues Western Sellers Amid Jobs Pledge

American homes are brimming with products made in China. This week, **Alibaba Group Holding** chairman Jack Ma will put on a show to help U.S. entrepreneurs flip the script.

*By **Liza Lin** in Shanghai and **Laura Stevens** in San Francisco*

In a two-day event starting Tuesday in Detroit, the e-commerce giant will offer an expected 3,000 U.S. small-business owners tips on how to market and ship their wares to Chinese consumers. There is also a "fireside chat" with Martha Stewart, and Mr. Ma will be interviewed by TV news personality Charlie Rose.

The event, to be held at Detroit's Cobo Center, is being staged partly to show that Mr. Ma is making good on his pledge to President Donald Trump to help create one million new American jobs. But Alibaba, which is credited with starting China's online shopping binge, could use some new Western goods to sell, analysts say.

Chinese rival **JD.com** Inc. said Monday that it generated $17.7 billion in sales during its "618" sales event in China this month, buoyed by tie-ups with U.S. retailer **Wal-Mart** Inc. and Chinese social-media giant **Tencent Holdings**. Niche e-commerce providers are also starting to lure buyers away from the big sites.

"Expanding U.S. connections will help Alibaba attract more merchants and more products to its platform," said Tian Hou, founder of equity research firm TH Capital in Beijing.

Alibaba President Michael Evans says China's swelling ranks of middle-class consumers are looking for Western brands, "which the consumers in China find enormously appealing."

Still, merchants and industry consultants say Mr. Ma has work to do.

One continuing issue is the presence of counterfeits on Alibaba's Taobao site, which features products primarily sold by small businesses. Its other shopping site, Tmall, is used by brands themselves.

The U.S. Trade Representative's Office reinstated Taobao on a list of "notorious" marketplaces for fakes last year, citing "the challenges right holders experience in removing and preventing illicit sales and offers of such goods."

Cyndi Zlotow has been selling women's and men's fashion on **eBay** Inc. for 15 years. She says she will continue to sell there, and on **Amazon.com**, partly out of fear that if she sells on other channels, knockoffs will quickly show up and undercut her on price.

"If Alibaba was this great marketplace where I could sell my products at the prices I need to be at, yeah, I would sell on it," said Ms. Zlotow, who lives in the Chicago area. "But we can't sell against the fake products, and the price still matters. Even in middle-class China."

Alibaba executives say they have worked tirelessly to police their site, and Mr. Evans said Alibaba will have experts on hand in Detroit to help merchants learn how to protect their goods from counterfeiters.

Even without the threat of fake goods, however, China has emerged as an online retailing behemoth. China will post an estimated $771 billion in annual online retail sales this year, compared with $446 billion in the U.S.

"U.S. brands aren't blind to the fact that China has surpassed the U.S. to become the largest e-commerce marketplace globally," said Lily Varon, a Cambridge, Massachusetts-based analyst with Forrester, adding that they are also familiar with stories of brands that have tried and failed to crack China.

Some question whether Mr. Ma's initiative, should it succeed, actually would create new jobs since the sellers are already marketing their products on Amazon.com and eBay.com.

Selling on Alibaba "will merely extend the range of what sellers are doing," said Ben Cavender, an analyst at China Market Research Group in Shanghai. "Realistically this is not going to result in a lot of job creation as most of the increased labor needs are going into logistics or manufacturing—that are already highly automated."

Alibaba can't hope to put all those concerns to rest in a two-day conference, said Duncan Clark, author of the book "Alibaba: The House that Jack Ma Built." Its goals are likely more modest, he said.


RUBEN SPRICH/REUTERS

Alibaba's Jack Ma is holding a two-day event in Detroit this week.

Vice Media Wins TPG Investment

By Lukas I. Alpert and Shalini Ramachandran

Vice Media has secured a $450 million investment from private-equity firm TPG, as the youth-focused digital media company looks to step up its spending on scripted programming and plans a direct-to-consumer service.

The deal would give Vice a valuation of about $5.7 billion, including the new investment, people familiar with the situation say.

Media giant Walt Disney Co., which has pumped $400 million into Vice and owns an 18% stake, didn't participate in the funding round. Disney's stake will be diluted along with those of other existing shareholders, according to the people.

Last summer, there was speculation Disney could purchase all of Vice, in part because it already had placed a significant bet on the company. Neither side denied the merits of a potential union. But after an initial storybook romance, a Disney takeover looks unlikely at this stage, the people familiar with the situation say.

Vice will use some of the new money to create a subscription service based on something similar it offers in Japan for mobile phones. The company also will invest in scripted programming for its fledgling Viceland cable channel and mobile and digital platforms, and expand its international footprint.


VICELAND/EVERETT COLLECTION

The fledgling Viceland cable channel airs shows such as 'Balls Deep,' about a journalist who immerses himself in others' lives.

Viceland, a joint venture with A+E Networks, airs shows such as "Bong Appetit," which is about chefs who make cannabis-infused food, and "Balls Deep," about a journalist who immerses himself in others' lives.

It has struggled to build an audience, averaging just 96,000 viewers in prime-time since September including live plus same-day recorded viewing, according to Nielsen.

Vice executives are optimistic and point to the example of Discovery Communications Inc.'s Oprah Winfrey Network, which also got off to a slow start in the ratings before gaining traction after a few years. They also note that Viceland is attracting younger viewers than H2, the A+E channel it replaced.

Vice executives contend that part of the challenge has been creating enough programming to fill 24 hours from scratch, as the company mostly develops its own shows in-house.

The move into scripted programming—such as the recently announced show "What Would Diplo Do?," a parody program in which "Dawson's Creek" star James Van Der Beek portrays the DJ and music producer Diplo—is expected to help.

The turbulence in the pay-TV world has affected Disney as much as anyone. Indeed, one reason its executives are less focused on Vice, people familiar with the matter say, is that their attention has been drawn to righting the ship at ESPN, which has begun to suffer the financial effects of losing cable subscribers in recent years.

Disney has been trying to figure out where ESPN will fit in the streaming-media landscape. Disney last August plunked down $1 billion to buy 33% of BAMTech, **Major League Baseball**'s streaming-media unit, and has since said it plans to offer streaming services targeted at specific teams, regions and sports.

Disney remains committed to Vice and is optimistic about its potential, a person familiar with the situation said.

Vice, like BuzzFeed, Vox and other digital media outfits, looked especially attractive to traditional media companies a few years ago. All those companies were able to build large audiences of young people online at a time when cable TV was struggling to retain viewers under 35.

But sustaining fast-paced growth has been difficult across-the-board for digital media companies, and traditional media giants now evaluate their investments with even more scrutiny than they did before.

Disney's dance with Vice began in 2014, when A+E Networks—Disney's joint venture with Hearst—invested $250 million in the digital media outlet. In late 2015, Disney invested an additional $400 million over two separate rounds, valuing the company at between $4 billion and $4.5 billion.

Last August, shortly after a Wall Street Journal article about the prospects for a Disney-Vice tie-up and interest in the idea on both sides, Vice Chief Executive Shane Smith told the Hollywood Reporter that such a deal "makes sense for them and it makes sense for us."

One person familiar with the matter says Mr. Smith has eyed a $6 billion-to-$7 billion price tag for the whole company.

In January, Mr. Smith brought a plan to the board laying out a road map for an initial public offering, but the company determined that the time wasn't right, people familiar with the situation said.

A person familiar with the matter said Vice, sensing that an acquisition by a strategic player like Disney wasn't in the offing, decided to bring in financial investors and pursued the private-equity deal.

—Ben Fritz contributed to this article.

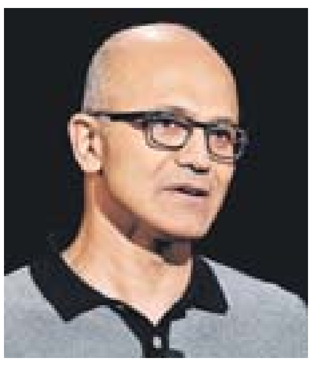
Tech Chiefs Gather to Brainstorm With Trump

By Peter Nicholas

Top executives from the tech industry were scheduled for meetings with the White House on Monday aimed at updating U.S. computer systems, part of a push to save money, guard against cyberattacks and make government websites easier to use.

Executives including **Amazon.com** Inc. Chief Executive Jeff Bezos, **Apple** Inc. chief Tim Cook and Microsoft Corp. CEO Satya Nadella were expected to attend and spend hours in small working groups before meeting with President Donald Trump to talk about their conclusions.

Discussing the conference with reporters last week, White House officials said one goal is to give people who use government services a more satisfying experience rivaling that of private-sector companies such as Amazon.


DREW ANGERER/GETTY IMAGES

Microsoft's Satya Nadella was due to attend the meetings.

A memo sent to the executives before the meeting mentioned that applying for government benefits should be as easy as depositing "a check on your phone."

Other companies sending top executives to the White House include Oracle Corp., Mastercard Inc., Google parent Alphabet Inc. and International Business Machines Corp.

Modernizing government technology could save as much as $1 trillion, in part by replacing balky and outmoded systems that are difficult to maintain, officials said.

The concerns aren't new, nor are efforts to address them. Former President Barack Obama also sought to upgrade computer systems, warning that outdated technology raised the risk of cyberattack.

A report last year from the U.S. Government Accountability Office said some agencies are relying on "obsolete" parts and programming language that dates back to the 1950s. The Defense Department was using 8-inch floppy disks in a system that coordinates operations of U.S. nuclear forces, the report said.

The conference kicks off a week that White House officials said will emphasize technology. Hoping to keep a spotlight on its agenda, the White House of late has been setting weekly themes built around specific policy goals.

FTC Aims to Block Fantasy Sports Merger

By Brent Kendall

The Federal Trade Commission on Monday said it would file an antitrust lawsuit that seeks to block the proposed merger of fantasy sports companies **DraftKings** Inc. and **FanDuel** Inc., alleging the deal would harm consumers who play daily fantasy contests.

The rival companies each offer daily games in which consumers pay to assemble virtual sports teams made up of real athletes that do battle against other virtual teams. The "managers" of winning teams that amass the best statistics take home cash prizes. The companies make money through entry fees.

The five-member FTC is currently short-handed, with only two sitting commissioners, one Republican and one Democrat. Both supported the lawsuit. The state of California and the District of Columbia are joining with the FTC to challenge the merger.

The commission argues the merger would deprive customers of substantial benefits that are produced by DraftKings and FanDuel competing against one another for business.

"We are disappointed by this decision and continue to believe that a merger is in the best interests of our players, our companies, our employees and the fantasy sports industry," the companies said in a joint statement. "We are considering all our options at this time."

When they announced the merger in November, the CEOs of the two privately held companies, DraftKings' Jason Robins and FanDuel's Nigel Eccles, said combining the companies would allow them to innovate more by freeing up money.

—Alexandra Berzon and Rebecca Davis O'Brien contributed to this article.

Morgan Stanley's Secret Weapon

By Liz Hoffman

When **Morgan Stanley** trading chief Ted Pick dialed into a conference call in April with about 300 of his top reports, a little chest-thumping was in order.

The firm's bond-trading division, long the runt of Wall Street, had just reported its best quarter in years, accumulating more revenue than rival **Goldman Sachs Group** Inc. for only the second time since the financial crisis.

But Mr. Pick struck a cautious note: The business was showing "green shoots," but there was no rush, he told his troops, advocating what he called "defensive offense."

His wariness is understandable. A decade of failed reboots and trading blowups has left Morgan Stanley's fixed-income desk well behind rivals including Goldman and **J.P. Morgan Chase** & Co. Other turnarounds have shown promise only to crumble.

This one is marked by four quarters of fixed-income revenue above $1 billion, Morgan Stanley's longest streak since 2010. Its market share among the five big U.S. firms has doubled since Mr. Pick was elevated in late 2015 to oversee both stock and debt trading.

As the second quarter winds down, Mr. Pick and Morgan Stanley are looking to extend their luck in a tougher environment. Trading revenue across Wall Street is expected to weaken from a year ago, when the U.K. Brexit vote spurred client activity.

Morgan Stanley is being careful not to overpromise. Mr. Pick has been telling associates in recent weeks that the division is operating with "omentum"—that is, momentum with an "m" so small it is invisible.

"We are modest in our aspirations, but we have proven this dog can hunt," Chief Executive James Gorman said at a conference Wednesday.

A Morgan Stanley lifer with a contrarian streak, Mr. Pick spent seven years running the bank's stock-trading arm, where he helped rebuild relationships frayed by the firm's near-collapse during the financial crisis. On his watch, it surpassed Goldman as Wall Street's biggest by revenue.

Currently overseeing 6,000 employees who generate about one-third of the firm's revenue, the 48-year-old New York City native has emerged as a leading contender to succeed Mr. Gorman, who has hinted he would like to remain at least a few more years.

In his rise up the ranks, Mr. Pick won over senior executives for resisting the urge to sugarcoat bad news. As a young equities trader, he became an expert in the firm's own stock. In the depths of the financial crisis, he would regularly ride the elevator up to the 40th floor at 4 p.m. and update John Mack, then CEO, about how shares were trading.

Mr. Mack liked to tease Mr. Pick about his penchant for profanity, once playing a trick by having the firm's compliance department tell Mr. Pick his emails had been flagged for excessive use of expletives, according to people familiar with the episode.

He is a newcomer to fixed income, a more varied and fickle business than stock trading. Ranging from government bonds to complex derivatives contracts, it is one of the biggest fee pots on Wall Street and has been reshaped more than any other business by postcrisis regulations.

It has also been a persistent problem child at Morgan Stanley. In 2007, the firm sought emergency financing after a $9 billion losing bet on subprime mortgages. In 2011, it stumbled on Treasurys. Four years later, the culprit was distressed bonds.

The firm churned through five fixed-income chiefs in seven years. Some investors urged Mr. Gorman to get out of the business altogether, especially as the CEO's big push into wealth management—its multiyear purchase of Smith Barney—began to show signs of working.

By late 2015, the fixed-income division hit what Colm Kelleher, Morgan Stanley's president, called "a WTF moment." Morgan Stanley hadn't found its groove, and globally across banks, fixed-income trading fees were in a tailspin.

The firm did a top-to-bottom review of the unit. For an extra set of eyes, it hired consulting firm McKinsey & Co. The consensus: The division was far too big and soaked up too much of Morgan Stanley's capital, a precious resource since the crisis.

In late 2015, the firm promoted Mr. Pick to oversee the combined sales and trading operation. He brought along Sam Kellie-Smith, a British options trader who had been his deputy in equities, to run the fixed-income group.

The pair swiftly fired 25% of the unit's traders, cutting deep in European credit trading, where activity had slowed, and foreign exchange, where electronic trading had gutted fees. They preserved more staffing in interest rates and U.S. credit, and combined equities and fixed-income sales teams to squeeze more business out of hedge-fund clients.

Tighter risk-management also improved returns. Risk-weighted assets in the unit have fallen since late 2015 by about 30%. Executives have also reduced "slippage" on bond trades, which refers to price moves between when an order is placed and when it is executed.

The firm did get some outside help too, specifically "when the markets started to kick up a little bit" and some European rivals pulled back from debt trading, Mr. Gorman said. "I'm not going to get excited until it really happens over a couple-of-year period."

RICHARD B. LEVINE/LEVINE ROBERTS/NEWSCOM/ZUMA PRESS

Morgan Stanley, long a bond-trading runt, has made gains in the business. Above, New York offices.

Paulson Joins the Board of Valeant

By Imani Moise

Hedge-fund billionaire John Paulson has joined the board of **Valeant Pharmaceuticals International** Inc., a sign that the investor remains bullish on the drugmaker's prospects despite accruing steep losses on investments in the firm.

Mr. Paulson has been one of the largest shareholders in the company for several years, betting early that consolidation in the pharmaceutical industry would accelerate. But a series of scandals at Valeant over its accounting practices and drug pricing have battered the company's stock, causing the value of Mr. Paulson's stake to plunge 81% to $245 million at the end of last year from $1.3 billion in 2015. Mr. Paulson's hedge fund, **Paulson** & Co., had a 5.6% stake in Valeant as of Dec. 31.

Mr. Paulson has doubled down on his investment even as other large shareholders have bailed.

William Ackman's **Pershing Square Capital Management** LP sold its 8% stake in Valeant at a roughly $4 billion loss after Mr. Ackman determined the investment required too many resources for too little return.

Valeant, once a darling of Wall Street trading as high as $262 a share, is looking to bounce back from its crises. The company has been shedding assets to shore up its balance sheet and refocus on its core treatment areas and geographies.

Filings show Valeant had $28.2 billion in long-term debt as of Dec. 31.

Mr. Paulson is widely known for his bearish bets against housing ahead of the financial crisis, but he has struggled in recent years with client defections and poor performance.

The billionaire has expressed support for the current leadership and turnaround plan.

GOP Staffer Is Favorite To Run FDIC

By Ryan Tracy

The White House announced President Donald Trump's intent to nominate a longtime Republican congressional staffer to be chairman of the Federal Deposit Insurance Corp., lining up another pick for a key regulatory post.

James Clinger, who has been the chief counsel for the House Financial Services Committee, could start serving on the FDIC board as soon as he is confirmed by the Senate and would take over as chairman in late November, when current FDIC Chairman Martin Gruenberg's term ends.

Mr. Clinger has been a staffer on the House panel since 1995, with a break from 2005 to 2007, when he served as deputy assistant attorney general at the Justice Department, according to the White House. At the FDIC, he would be in charge of regulating many small, locally focused community banks as well as evaluating whether large banks have credible "living will" plans for failing without a taxpayer bailout.

"The FDIC has arguably been the toughest regulator on banks in recent years," Ian Katz, an analyst at Capital Alpha Partners, wrote of the nomination in a note to clients. "Under Clinger, we believe the agency would be more sympathetic than at any time since the financial crisis."

JASON REED/REUTERS

The term of Chairman Martin Gruenberg ends in November.

DREW ANGERER/BLOOMBERG NEWS

Investors want CEO Michael Corbat to generate more profit on lagging businesses like the consumer-lending and retail-banking arm.

Citigroup Looks to Go on Offense

By Telis Demos

It is time for Michael Corbat to change the narrative at **Citigroup** Inc.

Since taking the bank's helm in October 2012, Mr. Corbat's Citigroup has played defense. It has scaled back businesses, shrunk the firm's global retail-banking footprint and wound down crisis-era assets that dragged on returns.

For shareholders, it has been a slog. Citigroup's total return has underperformed those of its biggest rivals, save for **Wells Fargo** & Co., since Mr. Corbat arrived on the scene. The bank has yet to show it can consistently generate returns that exceed its cost of capital; in the first quarter the bank's return on common equity was a tepid 7.4%. And the stock trades at just 85% of book value, the lowest valuation of the big U.S. banks.

Now, investors, analysts and even top executives within the bank acknowledge it is time for Mr. Corbat, a former Harvard football star, to shift to offense. That means boosting growth and profitability in areas such as credit cards, Wall Street stock trading and retail banking.

"What investors want now is to understand what's next in the story," said Conor Muldoon, fundamental portfolio manager at Causeway Capital Management LLC. "What can you do to make the valuation better over time?"

Citigroup is among the largest holdings in the firm's Global Value fund.

The first test comes this week and next with the Federal Reserve's annual bank stress tests. A key indicator will be the bank's so-called payout ratio under the tests, a measure of whether it is given a green light to return more capital to shareholders than it is expected to earn in coming quarters.

Citigroup shareholders want to see the payout ratio top 100%, meaning the bank would begin drawing down its capital pile rather than continue adding to it. If it can't do this, gains in its business won't accrue to shareholders.

Assuming that won't be the case, investors want Mr. Corbat to boost returns over the long term by generating more profit on lagging businesses, notably the bank's consumer-lending and retail-banking arm.

In anticipation of this, Mr. Corbat has been honing the bank's focus, a notable change for a firm that was once a sprawling global behemoth. He and his veteran management team have done things like exit more than a dozen retail markets globally and slash the number of corporate clients to 14,000 from 30,000.

The idea is to emphasize areas with the strongest growth prospects, particularly ones in which Citigroup has a dominant share with multinational consumers and corporations. In this vein, the bank has already said it would invest a further $1 billion to upgrade its Mexican retail bank.

The biggest recent bet, though, is on credit cards, particularly for U.S. shoppers. Over the past two years, Citigroup has taken on more than $10 billion in card loans for Costco Wholesale Corp., and made other investments, such as in Citigroup's proprietary reward-card offerings.

As a result, Citigroup has the biggest global card lending portfolio of any U.S. bank. Card lending now makes up 24% of Citigroup's total loans, nearly double that of rivals such as Bank of America Corp. and J.P. Morgan Chase & Co., according to analysts at Sanford Bernstein.

Underscoring the importance of cards and the Costco business, which the bank took over from American Express Corp., Mr. Corbat personally made surprise trips in December to call centers in Florence, Ky., Jacksonville, Fla., and Tucson, Ariz., according to people familiar with the trips.

A key point was to emphasize how critical customer service will be to get new Costco-card customers, who in many cases were offered introductory rates that would expire, to become loyal users of their cards.

Those rates and other investment in cards were a drag on the bank's retail performance of late. While corporate and investment banking was at or near return targets last year, consumer banking generated a roughly 13% return against a 20% target, Mr. Corbat said recently.

Citigroup is counting on the profitability of the card business to pick up meaningfully in the second half of this year as the initial investment period winds down.

Mr. Corbat and other executives are expected to provide greater detail for these plans when the bank in July holds an investor day—its first in nearly a decade. At this, he also will have to fight the view among some investors and analysts that Citigroup lacks a unifying strategy.

The bank's consumer and corporate businesses are like "two boats floating in the ocean, not tied to each other," said KBW analyst Brian Kleinhanzl. In the past, he has called for the bank's breakup, though Mr. Kleinhanzl says he is now waiting to see how Citigroup fares amid rising interest rates.

The investor day will give Mr. Corbat "the chance to lay out the new strategy," he added.

FINANCE WATCH

VENTURE CAPITAL

New Enterprise Raises $3.3 Billion

New Enterprise Associates has closed its latest fund with $3.3 billion, making it the largest venture fund raised to date, according to Dow Jones VentureSource.

The new fund is just larger than NEA's last pool of $3.15 billion in 2015, which included a $2.85 billion main fund and a $350 million opportunity fund for investing in growth-stage companies.

Venture-capital fundraising totaled $44 billion last year, an amount not seen since the dot-com era.

—Tomio Geron

CHINA

Home-Price Gains Slowed in May

The growth of home prices in China slowed slightly in May after more cities rolled out stricter measures to curb demand.

The average price of new homes in 70 cities rose 0.7% in May from April, excluding government-subsidized housing, according to calculations by The Wall Street Journal based on data released Monday by the National Bureau of Statistics.

On a year-over-year basis, average new-home prices rose 9.7% in May, compared with a 9.9% increase in April.

The pace of home-price growth moderated following stricter home-purchase policy restrictions in many cities.

Momentum slowed in big cities but picked up in smaller cities, underscoring a widening divergence in the market.

Home prices rose 3.4% in Bengbu, a midsize inland city, and advanced 2.6% in southern Zhanjiang in May from April.

Among the big cities, Guangzhou home prices rose 0.9% for the same period. Beijing and Shanghai were flat.

—Dominique Fong

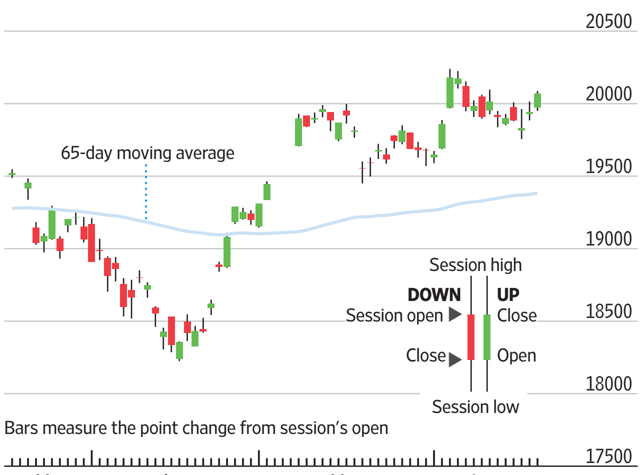
MARKETS DIGEST

Nikkei 225 Index

20067.75 ▲124.49, or 0.62%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲ 4.99%
52-wk high/low	20177.28	14952.02
All-time high	38915.87	12/29/89



Bars measure the point change from session's open

STOXX 600 Index

391.94 ▲3.34, or 0.86%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲ 8.44%
52-wk high/low	396.45	308.75
All-time high	414.06	4/15/15

S&P 500 Index

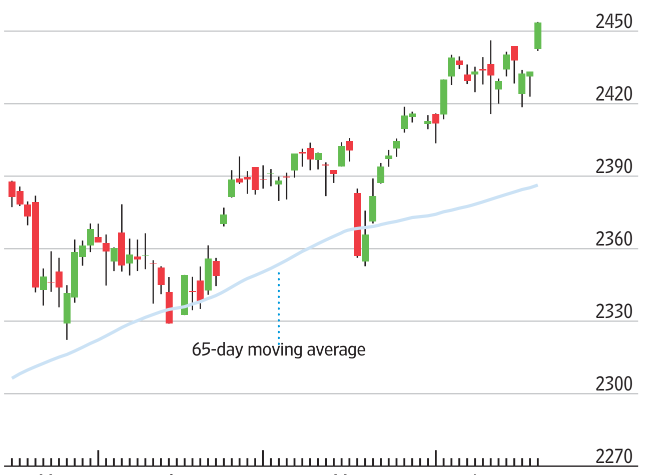
Data as of 4 p.m. New York time

2453.46 ▲20.31, or 0.83%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.09	23.85
P/E estimate *	18.75	17.87
Dividend yield	1.95	2.19
All-time high:	2453.46, 06/19/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 4 p.m. New York time

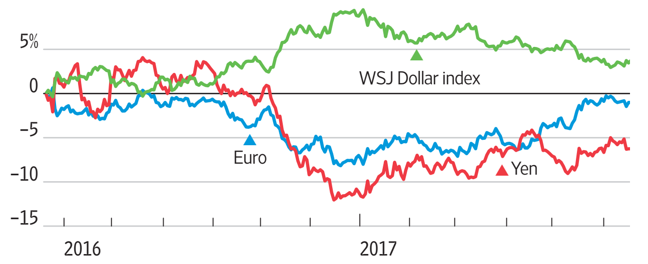
Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range Close	52-Week Range High	YTD % chg
World	**The Global Dow**	2783.06	17.73	0.64	2193.75		2791.48	10.1
	MSCI EAFE	1898.50	5.57	0.29	1471.88		1956.39	10.6
	MSCI EM USD	1011.45	8.33	0.83	691.21		1044.05	27.4
Americas	**DJ Americas**	588.42	4.66	0.80	480.90		588.61	8.9
Brazil	**Sao Paulo Bovespa**	62029.45	403.03	0.65	48954.41		69487.58	3.0
Canada	**S&P/TSX Comp**	15267.72	75.18	0.49	13609.58		15943.09	–0.1
Mexico	**IPC All-Share**	49165.75	–55.28	–0.11	43902.25		50154.33	7.7
Chile	**Santiago IPSA**	3669.53	–4.87	–0.13	3061.18		3786.05	13.8
U.S.	**DJIA**	21528.99	144.71	0.68	17063.08		21528.99	8.9
	Nasdaq Composite	6239.01	87.25	1.42	4574.25		6341.70	15.9
	S&P 500	2453.46	20.31	0.83	1991.68		2453.82	9.6
	CBOE Volatility	10.22	–0.16	–1.54	9.37		26.72	–27.2
EMEA	**Stoxx Europe 600**	391.94	3.34	0.86	308.75		396.45	8.4
	Stoxx Europe 50	3223.09	30.20	0.95	2626.52		3279.71	7.1
Austria	**ATX**	3151.66	49.47	1.59	1981.93		3212.50	20.4
Belgium	**Bel-20**	3935.27	26.84	0.69	3127.94		4055.96	9.1
France	**CAC 40**	5310.72	47.41	0.90	3955.98		5442.10	9.2
Germany	**DAX**	12888.95	136.22	1.07	9214.10		12921.17	12.3
Greece	**ATG**	821.22	15.10	1.87	517.10		823.33	27.6
Hungary	**BUX**	35948.41	435.94	1.23	25126.36		36097.48	12.3
Israel	**Tel Aviv**	1439.54	14.23	1.00	1372.23		1490.23	–2.1
Italy	**FTSE MIB**	21014.25	73.52	0.35	15017.42		21828.77	9.3
Netherlands	**AEX**	525.87	5.20	1.00	409.23		537.84	8.8
Poland	**WIG**	61048.15	567.08	0.94	42812.99		62666.49	18.0
Russia	**RTS Index**	998.34	3.96	0.40	885.22		1196.99	–13.4
Spain	**IBEX 35**	10848.90	89.50	0.83	7579.80		11184.40	16.0
Sweden	**SX All Share**	596.72	4.81	0.81	443.66		598.08	11.6
Switzerland	**Swiss Market**	9030.30	67.01	0.75	7475.54		9136.95	9.9
South Africa	**Johannesburg All Share**	51615.90	784.01	1.54	48935.90		54716.53	1.9
Turkey	**BIST 100**	99332.13	1139.58	1.16	70426.16		100000.79	27.1
U.K.	**FTSE 100**	7523.81	60.27	0.81	5788.74		7598.99	5.3
Asia-Pacific	**DJ Asia-Pacific TSM**	1629.35	5.76	0.35	1308.52		1643.59	14.5
Australia	**S&P/ASX 200**	5805.20	31.20	0.54	5103.30		5956.50	2.5
China	**Shanghai Composite**	3144.37	21.21	0.68	2854.29		3288.97	1.3
Hong Kong	**Hang Seng**	25924.55	298.06	1.16	20172.46		26063.06	17.8
India	**S&P BSE Sensex**	31311.57	255.17	0.82	25765.14		31311.57	17.6
Japan	**Nikkei Stock Avg**	20067.75	124.49	0.62	14952.02		20177.28	5.0
Singapore	**Straits Times**	3247.18	15.74	0.49	2729.85		3271.11	12.7
South Korea	**Kospi**	2370.90	9.07	0.38	1925.24		2381.69	17.0
Taiwan	**Weighted**	10250.60	93.87	0.92	8458.87		10250.60	10.8

Source: SIX Financial Information;WSJ Market Data Group

Currencies

London close on June 19

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Mon in US$	Mon per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0622	16.0757	**1.3**
Brazil real	0.3037	3.2930	**1.2**
Canada dollar	0.7571	1.3208	**–1.7**
Chile peso	0.001513	661.10	**–1.3**
Colombia peso	0.0003361	2975.31	**–0.9**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0558	17.9371	**–13.5**
Peru sol	0.3060	3.2685	**–2.5**
Uruguay peso-e	0.0353	28.310	**–3.5**
Venezuela bolivar	0.100150	9.99	**–0.1**
Asia-Pacific			
Australia dollar	0.7604	1.3151	**–5.3**
China yuan	0.1466	6.8195	**–1.8**
Hong Kong dollar	0.1282	7.8004	**0.6**
India rupee	0.0155	64.4450	**–5.2**
Indonesia rupiah	0.0000752	13290	**–1.7**
Japan yen	0.008979	111.37	**–4.8**
Kazakhstan tenge	0.003124	320.08	**–4.1**
Macau pataca	0.1245	8.0304	**1.4**
Malaysia ringgit-c	0.2338	4.2775	**–4.6**
New Zealand dollar	0.7244	1.3805	**–4.4**
Pakistan rupee	0.0095	104.850	**0.5**
Philippines peso	0.0200	50.030	**0.9**
Singapore dollar	0.7215	1.3860	**–4.2**
South Korea won	0.0008803	1136.02	**–6.0**
Sri Lanka rupee	0.0065364	152.99	**3.1**
Taiwan dollar	0.03291	30.385	**–6.4**
Thailand baht	0.02946	33.950	**–5.2**
Europe			
Bulgaria lev	0.5706	1.7524	**–5.7**
Croatia kuna	0.1505	6.645	**–7.4**
Euro zone euro	1.1161	0.8960	**–5.7**
Czech Rep. koruna-b	0.0426	23.463	**–8.7**
Denmark krone	0.1500	6.6655	**–5.7**
Hungary forint	0.003623	276.02	**–6.2**
Iceland krona	0.009734	102.73	**–9.1**
Norway krone	0.1179	8.4812	**–1.9**
Poland zloty	0.2647	3.7783	**–9.8**
Russia ruble-d	0.01714	58.356	**–4.8**
Sweden krona	0.1144	8.7389	**–4.0**
Switzerland franc	1.0260	0.9747	**–4.3**
Turkey lira	0.2842	3.5186	**–0.1**
Ukraine hryvnia	0.0385	25.9645	**–4.1**
U.K. pound	1.2736	0.7852	**–3.1**
Middle East/Africa			
Bahrain dinar	2.6515	0.3771	**–0.01**
Egypt pound-a	0.0555	18.0040	**–0.7**
Israel shekel	0.2835	3.5274	**–8.3**
Kuwait dinar	3.2941	0.3036	**–0.7**
Oman sul rial	2.5976	0.3850	**unch**
Qatar rial	0.2725	3.670	**0.8**
Saudi Arabia riyal	0.2666	3.7503	**–0.01**
South Africa rand	0.0771	12.9694	**–5.3**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	88.67	0.27	0.30	**–4.59**

Sources: Tullett Prebon, WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points Latest	Previous	Month Ago	Year ago	Yield Previous	Month ago	Year ago
5.250	**Australia** 2	**1.686**	**32.6**	35.0	34.8	**88.3**	**1.681**	1.623	**1.565**
4.750	10	**2.417**	**22.9**	26.2	25.6	**45.3**	**2.417**	2.492	**2.014**
3.000	**Belgium** 2	**-0.563**	**-192.3**	-189.5	-180.4	**-118.3**	**-0.563**	-0.530	**-0.501**
0.800	10	**0.605**	**-158.3**	-154.6	-148.5	**-126.4**	**0.608**	0.752	**0.297**
0.000	**France** 2	**-0.481**	**-184.1**	-181.3	-172.6	**-113.7**	**-0.482**	-0.452	**-0.456**
1.000	10	**0.633**	**-155.5**	-151.5	-142.8	**-116.0**	**0.639**	0.809	**0.401**
0.000	**Germany** 2	**-0.672**	**-203.2**	-199.6	-196.4	**-128.6**	**-0.665**	-0.690	**-0.605**
0.250	10	**0.282**	**-190.6**	-187.9	-186.7	**-158.5**	**0.276**	0.369	**-0.024**
0.300	**Italy** 2	**-0.308**	**-166.8**	-163.0	-152.9	**-60.0**	**-0.298**	-0.254	**0.082**
2.200	10	**1.954**	**-23.5**	-17.8	-10.5	**-7.1**	**1.976**	2.131	**1.490**
0.100	**Japan** 2	**-0.117**	**-147.7**	-144.6	-143.2	**-95.7**	**-0.115**	-0.157	**-0.276**
0.100	10	**0.056**	**-213.2**	-209.9	-219.5	**-175.7**	**0.055**	0.042	**-0.196**
4.000	**Netherlands** 2	**-0.638**	**-199.8**	-198.3	-188.8	**-124.4**	**-0.652**	-0.613	**-0.563**
0.750	10	**0.486**	**-170.3**	-167.2	-166.6	**-143.6**	**0.482**	0.571	**0.125**
4.750	**Portugal** 2	**-0.001**	**-136.1**	-128.4	-99.9	**-21.4**	**0.047**	0.275	**0.468**
4.125	10	**2.853**	**66.5**	75.0	93.6	**186.0**	**2.904**	3.173	**3.421**
2.750	**Spain** 2	**-0.315**	**-167.5**	-162.7	-157.5	**-61.4**	**-0.296**	-0.300	**0.067**
1.500	10	**1.443**	**-74.5**	-69.9	-67.8	**4.0**	**1.456**	1.559	**1.601**
4.250	**Sweden** 2	**-0.711**	**-207.1**	-203.8	-197.2	**-129.7**	**-0.707**	-0.698	**-0.616**
1.000	10	**0.458**	**-173.0**	-169.1	-172.6	**-111.6**	**0.463**	0.511	**0.445**
1.750	**U.K.** 2	**0.182**	**-117.9**	-117.2	-115.7	**-33.0**	**0.159**	0.117	**0.351**
4.250	10	**1.033**	**-115.5**	-113.6	-114.2	**-44.9**	**1.018**	1.095	**1.112**
1.250	**U.S.** 2	**1.360**	...	...	...	...	**1.331**	1.274	**0.681**
2.375	10	**2.188**	...	...	...	...	**2.154**	2.236	**1.561**

Commodities

Prices of futures contracts with the most open interest — 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 6/18/2017

Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	383.25	-8.75	-2.23%	399.25	368.25
Soybeans (cents/bu.)	CBOT	948.50	-1.50	-0.16	1,034.50	915.50
Wheat (cents/bu.)	CBOT	480.00	-1.50	-0.31	502.00	430.75
Live cattle (cents/lb.)	CME	116.425	-1.750	-1.48	127.650	99.400
Cocoa ($/ton)	ICE-US	1,927	-101	-4.98	2,281	1,767
Coffee (cents/lb.)	ICE-US	126.40	0.45	0.36%	163.75	125.35
Sugar (cents/lb.)	ICE-US	13.73	0.10	0.73	20.50	13.50
Cotton (cents/lb.)	ICE-US	68.91	-0.45	-0.65	75.72	68.58
Robusta coffee ($/ton)	ICE-EU	2104.00	-21.00	-0.99	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.6060	0.0270	1.05	2.8495	2.4850
Gold ($/troy oz.)	COMEX	1246.10	-10.40	-0.83	1,300.30	1,155.00
Silver ($/troy oz.)	COMEX	16.470	-0.191	-1.15	18.725	16.060
Aluminum ($/mt)*	LME	1,871.50	-3.50	-0.19	1,972.00	1,688.50
Tin ($/mt)*	LME	19,410.00	180.00	0.94	21,225.00	18,760.00
Copper ($/mt)*	LME	5,679.00	12.00	0.21	6,156.00	5,491.00
Lead ($/mt)*	LME	2,107.00	12.00	0.57	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,529.00	15.00	0.60	2,958.50	2,450.50
Nickel ($/mt)*	LME	8,975.00	90.00	1.01	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	195.20	-5.80	-2.89	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2484.00	unch.	unch.	2966.00	2390.00
Crude oil ($/bbl.)	NYMEX	44.43	-0.54	-1.20	58.30	44.32
NY Harbor ULSD ($/gal.)	NYMEX	1.4202	-0.0138	-0.96	1.7930	1.3922
RBOB gasoline ($/gal.)	NYMEX	1.4433	-0.0068	-0.47	1.8561	1.4125
Natural gas ($/mmBtu)	NYMEX	2.919	-0.141	-4.61	3.5750	2.9020
Brent crude ($/bbl.)	ICE-EU	47.18	-0.45	-0.94	60.18	46.98
Gas oil ($/ton)	ICE-EU	421.00	-2.00	-0.47	529.00	415.75

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Jun 19

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3151	1.6750	1.3493	0.0118	0.1686	1.4674	0.9959	...
Canada	1.3208	1.6819	1.3552	0.0119	0.1693	1.4735	...	1.0042
Euro	0.8960	1.1413	0.9195	0.0080	0.1149	...	0.6786	0.6815
Hong Kong	7.8004	9.9336	8.0027	0.0700	...	8.7039	5.9069	5.9313
Japan	111.3650	141.8300	114.2700	...	14.2770	124.2600	84.3300	84.6700
Switzerland	0.9747	1.2412	...	0.0088	0.1250	1.0876	0.7379	0.7411
U.K.	0.7852	...	0.8057	0.0071	0.1007	0.8761	0.5946	0.5971
U.S.	...	1.2736	1.0260	0.0090	0.1282	1.1161	0.7571	0.7604

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.21389%**	0.44805%
Three month	**1.28022**	0.64650
Six month	**1.43322**	0.93065
One year	**1.72844**	1.25150
Euro Libor		
One month	**-0.40500%**	-0.35843%
Three month	**-0.37286**	-0.28357
Six month	**-0.29500**	-0.16600
One year	**-0.17971**	-0.03571
Euribor		
One month	**-0.37400%**	-0.35800%
Three month	**-0.32900**	-0.26600
Six month	**-0.27100**	-0.15900
One year	**-0.15600**	-0.02800
Yen Libor		
One month	**-0.03607%**	-0.07471%
Three month	**-0.00807**	-0.03086
Six month	**0.01886**	-0.00971
One year	**0.12829**	0.08471
	Offer	Bid
Eurodollars		
One month	**1.1000%**	1.0000%
Three month	**1.2000**	1.1000
Six month	**1.3500**	1.2500
One year	**1.6000**	1.5000
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.21%**	0.47%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

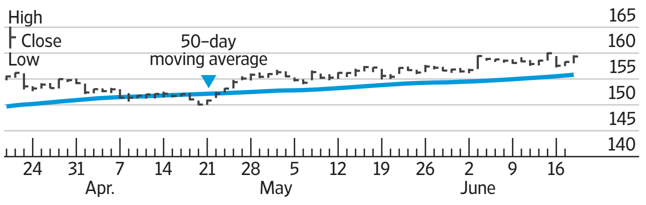
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	**1299**	57.05	2.06	30.40
¥	AstellasPharma	**4503**	1383.50	1.02	-14.78
AU$	AustNZBk	**ANZ**	28.38	0.92	-6.71
AU$	BHP	**BHP**	23.00	0.04	-8.22
HK$	BankofChina	**3988**	3.84	0.79	11.63
HK$	CKHutchison	**0001**	98.70	0.71	12.29
HK$	CNOOC	**0883**	8.64	0.12	-10.93
AU$	CSL	**CSL**	139.62	0.45	39.05
¥	Canon	**7751**	3947.00	1.00	19.79
¥	CentralJapanRwy	**9022**	18455	0.57	-4.03
HK$	ChinaConstructnBk	**0939**	6.46	1.10	8.21
HK$	ChinaLifeInsurance	**2628**	24.30	1.25	20.30
HK$	ChinaMobile	**0941**	84.05	-0.12	2.25
HK$	ChinaPetro&Chem	**0386**	6.36	0.95	15.64
AU$	CmwlthBkAust	**CBA**	82.79	1.14	0.46
¥	EastJapanRailway	**9020**	11220	1.04	11.09
¥	Fanuc	**6954**	21560	1.27	8.81
¥	Hitachi	**6501**	669.00	0.34	5.85
TW$	Hon Hai Precisn	**2317**	109.50	4.29	30.05
¥	HondaMotor	**7267**	3066.00	-0.36	-10.22
KRW	HyundaiMtr	**005380**	167000	1.21	14.38
HK$	Ind&Comml	**1398**	5.23	0.77	12.47
¥	JapanTobacco	**2914**	4109.00	-0.22	6.89
¥	KDDI	**9433**	3078.00	0.79	4.00
¥	Mitsubishi	**8058**	2262.00	-0.11	-9.16
¥	MitsubishiElectric	**6503**	1592.00	0.03	-2.30
¥	MitsubishiUFJFin	**8306**	725.20	0.36	0.69
¥	Mitsui	**8031**	1540.50	-0.39	-4.14
¥	Mizuho Fin	**8411**	197.70	-0.25	-5.77
¥	NTTDoCoMo	**9437**	2738.50	0.31	2.84
AU$	NatAustBnk	**NAB**	30.27	1.48	-1.30
¥	NipponTeleg	**9432**	5391.00	-0.52	9.75
¥	NissanMotor	**7201**	1072.00	-0.88	-8.80
¥	Panasonic	**6752**	1479.00	-0.40	24.34
HK$	PingAnInsofChina	**2318**	52.15	3.99	34.41
$	RelianceIndsGDR	**RIGD**	43.70	1.63	38.51
KRW	SamsungElectronics	**005930**	2328000	2.15	29.19
¥	Seven&I Hldgs	**3382**	4748.00	-0.71	6.62
¥	SoftBankGroup	**9984**	9217.00	1.12	18.70
¥	Sony	**6758**	4290.00	3.70	30.99
¥	Sumitomo Mitsui	**8316**	4225.00	-0.14	-5.27
HK$	SunHngKaiPrp	**0016**	118.00	...	20.41
TW$	TaiwanSemiMfg	**2330**	213.00	0.71	17.36
¥	TakedaPharm	**4502**	5681.00	0.74	17.50
HK$	TencentHoldings	**0700**	278.80	2.27	46.97
¥	TokioMarineHldg	**8766**	4845.00	-0.04	1.02
¥	ToyotaMtr	**7203**	5787.00	-0.12	-15.86
AU$	Wesfarmers	**WES**	40.61	-0.22	-3.63
AU$	WestpacBanking	**WBC**	30.88	1.15	-5.28
AU$	Woolworths	**WOW**	25.33	-3.50	5.10
	Stoxx 50				
CHF	ABB	**ABBN**	24.77	1.10	15.32
€	ASMLHolding	**ASML**	117.45	1.25	10.13
€	AXA	**CS**	24.30	0.29	1.29
€	AirLiquide	**AI**	112.50	2.46	6.48
€	Allianz	**ALV**	176.20	1.00	12.23
€	AB InBev	**ABI**	102.15	0.54	1.59
£	AstraZeneca	**AZN**	5344.00	1.14	20.43
€	BASF	**BAS**	87.12	2.46	-1.35
€	BNP Paribas	**BNP**	63.06	1.63	4.15
£	BT Group	**BT.A**	289.70	-0.48	-21.04
€	BancoBilVizAr	**BBVA**	7.41	1.35	16.68
€	BancoSantander	**SAN**	5.93	1.23	19.50
£	Barclays	**BARC**	206.75	1.72	-7.47
€	Bayer	**BAYN**	123.30	0.41	24.38
£	BP	**BP.**	472.65	1.29	-7.25
£	BritishAmTob	**BATS**	5567.00	1.24	20.46
€	Daimler	**DAI**	65.71	0.78	-7.08
€	DeutscheTelekom	**DTE**	16.80	0.69	2.75
£	Diageo	**DGE**	2374.50	1.41	12.54
€	ENI	**ENI**	13.91	0.43	-10.08
£	GlaxoSmithKline	**GSK**	1695.50	0.62	8.55
£	Glencore	**GLEN**	287.95	2.93	3.82
£	HSBC Hldgs	**HSBA**	691.60	0.64	5.28
€	INGGroep	**INGA**	15.28	0.89	14.25
£	ImperialBrands	**IMB**	3583.00	0.93	1.14
€	IntesaSanpaolo	**ISP**	2.54	-0.47	4.86
€	LVMHMoetHennessy	**MC**	232.80	0.91	28.34
£	LloydsBankingGroup	**LLOY**	68.70	0.23	9.90
€	LOreal	**OR**	190.90	-0.05	10.09
£	NationalGrid	**NG.**	1020.50	0.25	-1.70
CHF	Nestle	**NESN**	83.45	...	14.24
CHF	Novartis	**NOVN**	79.20	1.41	6.88
DKK	NovoNordiskB	**NOVO-B**	290.80	2.04	14.17
£	Prudential	**PRU**	1809.50	0.95	11.18
£	ReckittBenckiser	**RB.**	7982.00	0.72	15.92
£	RioTinto	**RIO**	3088.00	1.45	-2.23
CHF	RocheHldgctf	**ROG**	255.50	0.51	9.85
£	RoyDtchShell A	**RDSA**	2130.50	0.73	-4.99
€	SAP	**SAP**	95.46	1.12	15.28
€	Sanofi	**SAN**	86.70	1.93	12.74
€	SchneiderElectric	**SU**	69.20	2.44	4.67
€	Siemens	**SIE**	126.50	1.57	8.30
€	Telefonica	**TEF**	9.71	0.86	10.07
€	Total	**FP**	45.15	0.76	-5.46
CHF	UBSGroup	**UBSG**	15.85	0.44	-0.63
€	Unilever	**UNA**	50.20	0.78	28.34
£	Unilever	**ULVR**	4311.00	0.81	30.93
€	Vinci	**DG**	79.80	0.26	23.34
£	VodafoneGroup	**VOD**	222.80	0.11	11.48
CHF	ZurichInsurance	**ZURN**	292.00	0.83	4.14
	DJIA				
$	AmericanExpress	**AXP**	81.88	0.53	10.53
$	Apple	**AAPL**	146.34	2.86	26.35
$	Boeing	**BA**	198.97	1.29	27.81
$	Caterpillar	**CAT**	107.52	-0.07	15.94
$	Chevron	**CVX**	107.49	-0.79	-8.67
$	CiscoSystems	**CSCO**	31.99	1.14	5.86
$	Coca-Cola	**KO**	45.37	0.13	9.43
$	Disney	**DIS**	105.32	-0.18	1.06
$	DuPont	**DD**	83.53	1.29	13.81
$	ExxonMobil	**XOM**	82.74	-0.90	-8.33
$	GeneralElec	**GE**	28.79	-0.72	-8.89
$	GoldmanSachs	**GS**	226.17	1.97	-5.55
$	HomeDepot	**HD**	158.72	1.33	18.38
$	Intel	**INTC**	35.51	0.85	-2.10
$	IBM	**IBM**	154.82	-0.36	-6.73
$	JPMorganChase	**JPM**	88.00	2.11	1.98
$	J&J	**JNJ**	134.04	-0.23	16.34
$	McDonalds	**MCD**	153.09	0.72	25.77
$	Merck	**MRK**	63.67	1.11	8.15
$	Microsoft	**MSFT**	70.87	1.24	14.05
$	Nike	**NKE**	52.00	1.76	2.30
$	Pfizer	**PFE**	33.20	0.70	2.22
$	Procter&Gamble	**PG**	89.84	0.20	6.85
$	3M	**MMM**	213.35	0.05	19.48
$	Travelers	**TRV**	128.26	-0.91	4.77
$	UnitedTech	**UTX**	121.82	1.15	11.13
$	UnitedHealth	**UNH**	182.99	0.75	14.34
$	Visa	**V**	94.75	0.62	21.44
$	Verizon	**VZ**	46.56	-0.15	-12.78
$	Wal-Mart	**WMT**	75.50	0.35	9.23

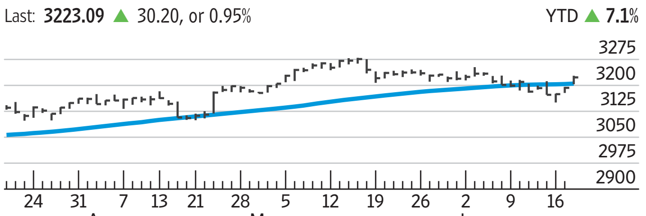
Asia Titans 50

Last: **159.35** ▲ 1.05, or 0.66% — YTD ▲ **13.0%**



Stoxx 50

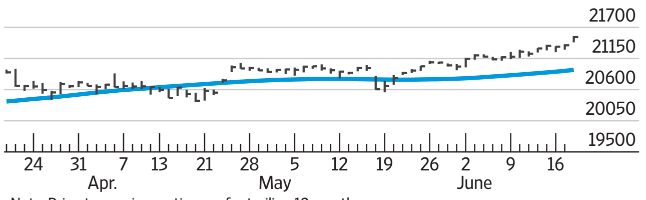
Last: **3223.09** ▲ 30.20, or 0.95% — YTD ▲ **7.1%**



Dow Jones Industrial Average

P/E: 21

Last: **21528.99** ▲ 144.71, or 0.68% — YTD ▲ **8.9%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

INTELLIGENT INVESTOR | By Jason Zweig

How to Stay Sane With a Risky Bet

When the asset that makes up more than two-thirds of his net worth lost almost 25% in a few hours this past week, Samuel Lee did the obvious thing: He took a nap.

Mr. Lee, 31 years old, runs **SVRN Asset Management**, a small investment-advisory firm in Chicago. In his own portfolio, but not for any of his clients, he holds more than 1,000 units of ethereum, the cryptocurrency that is one of the most explosively volatile assets in the world right now.

Can a rational investor enter a wild market without losing his mind? A former exchange-traded-fund strategist at Morningstar Inc., the investment-research firm, Mr. Lee is a respected blogger and commentator on financial markets who says he insists on building prudent, long-term portfolios for his clients, without a whiff of speculation.

I would never emulate Mr. Lee's bet, and you shouldn't either. But for people who feel they must speculate—in ethereum or in any other wildly risky asset—Mr. Lee's experience offers a road map of how to go about it.

Almost 70 years ago, the great investing analyst Benjamin Graham set out the biggest dangers in taking a flier on a hot asset: "(1) speculating when you think you are investing; (2) speculating seriously instead of as a pastime, when you lack proper knowledge and skill for it; and (3) risking more money in speculation than you can afford to lose." Mr. Graham added: "If you want to try your luck at it, put aside a portion—the smaller the better—of your capital in a separate fund for this purpose.... Never mingle your speculative and investment operations in the same account, nor in any part of your thinking."

CHRISTOPHE VORLET

Mr. Lee knows that passage almost by heart, and he fits it almost to a T.

He put only a "low single-digit percentage" of his net worth into ethereum and expects to lose most or all of it. He paid an average of just over $25 for ethereum tokens that are now valued at more than $350 apiece and, at their peak earlier this past week, brushed $400. Ask Mr. Lee whether ethereum is a bubble, and he will say yes. Ask him if he knows what it is worth, how long he will own it or exactly what will make him sell it, and he will tell you he doesn't know.

But he also thinks there's a remote chance that ethereum will go up by a lot more than the roughly 1,500% it has already gained since he bought a year ago. He puts those chances at about 5%.

There are already hundreds of competing cryptocurrencies, forms of digital money that may replace cash for some purposes, enabling confidential payments without cost or delay. Which, if any, will take off is almost impossible to predict.

Launched in 2014 by a Swiss nonprofit, ethereum is based on a global network with a built-in programming language allowing any user to write contracts for ownership and transactions. Units of its common currency, or "ether," are exchanged over the network.

"If I went by what common sense told me, I would have gotten out a long time ago," says Mr. Lee. "I had to train myself into thinking, 'If this is a bubble, then the valuation will exceed what I think is reasonable by an incomprehensible amount.' "

And so it has. Ethereum's total market value topped $30 billion this past week, making it worth about 15% more than **SunTrust Banks** Inc., a regional-banking giant that generated more than $1.8 billion in net income last year.

Ethereum's potential may be huge, but how do you value it? Merely a medium of exchange, it doesn't produce any income. A rival cryptocurrency, bitcoin, which this past week fell more than 25% from its recent high, may be falling out of favor; that could happen to ethereum, too.

In fact, says Mr. Lee, " 'Ethereum' is the perfect thing to call a bubble. It's nothing, it's just made out of ether." He wouldn't touch it at these prices. "You want to buy when everybody thinks it's insane," he says, "not when it's become sexy."

But Mr. Lee isn't ready to sell yet. History shows, he says, that bubbles last longer and inflate further than most people expect, tending not to burst until they get much more popular than ethereum has so far become.

So, Mr. Lee is patiently holding an asset that most speculators trade in and out of at a ferocious pace. "When a speculative asset displays momentum," he says, "it's better not to cut it too soon."

Of course, he isn't the first person to take a ride on a rocket and be convinced he will know when to jump off.

As long ago as 1720, during the bubble in stock of the South Sea Co. on the London Stock Exchange, the archbishop of Dublin warned that investors were "well aware" the company wouldn't succeed, "but hope to sell before the price fall[s]." Almost all who had bought, including none other than Sir Isaac Newton, were wiped out.

Putting only a tiny amount of his initial wealth at risk, and regarding the entire venture as an all but certain loss, have enabled Mr. Lee to keep greed from clouding his judgment—so far. "I've lost six figures in a matter of hours, several times," he says. "I never lost sleep over it."

Mr. Lee hopes he can avoid the "addictive" behavior that prevents most speculators from getting out of a bubble before it's too late. Perhaps the best sign that he can is his uncertainty that he will. Investing intelligently is hard. Speculating intelligently is way harder.

Argentina's Government Offers Investors an Ultralong-Term Bet

MARCOS BRINDICCI/REUTERS

BACK IN ACTION: Argentina is preparing to sell 100-year bonds with a yield of 8.25%, according to people familiar with the matter, marking another step in Argentina's turnaround.

Before last year, the country largely was locked out of international capital markets after defaulting in 2001 on about $80 billion in debt. At the time, it was the largest default on sovereign debt in history.

The Argentine government, which has faced opposition over its economic policies, including the June 14 protest shown at left, is looking to raise about $2.4 billion from the bond sale, say people familiar with the offering. Proceeds will go toward the budget and refinancing existing borrowings.

There is expected to be robust local demand for the bonds after the country enacted new tax amnesty laws to encourage repatriation of funds stashed abroad, people close to the deal said.

The offering is led by Citigroup Inc. and HSBC Holdings PLC, with Nomura Securities Co. and Banco Santander as co-managers.

With this deal, Argentina would join a small club of countries that have sold so-called century bonds, including Mexico, Ireland and the U.K.

Financial Stocks Buck Yield Curve

By Ben Eisen

EQUITIES

Financial stocks are getting their groove back—and they are doing it without help from the bond market.

S&P 500 financials were up 5.7% this month as of intraday trading Monday, on pace to be the best performer among the benchmark's 11 sectors.

If that holds through the end of June, it would be the best month for the sector since November, when the presidential election stirred hopes for an economic boom fueled by tax cuts and deregulation.

The KBW Nasdaq Bank index was up 6.4% this month through Monday at midday, while Goldman Sachs Group had risen 6.9% and Morgan Stanley was up 9%.

The stocks of banks, insurers, and other financial institutions typically climb when the differential between short-term rates and long-term rates is rising, a development that is known as a steepening yield curve.

That is often thought to boost the net interest margins that banks harvest from borrowing at low short-term rates and lending at higher long-term rates.

But what is remarkable is that financials have rallied while the yield curve has been moving in the opposite direction.

The differential between the two-year Treasury note yield and 10-year yield was at 0.81 percentage point on Monday, near its smallest since 2007, according to Tradeweb. That is down from 0.92 percentage point at the end of last month.

The nascent rally in financial stocks is at the center of diverging outlooks on the economy.

Major stock indexes, and sectors like financials that are sensitive to the economic outlook, have been gaining steam in recent sessions. At the same time, bond yields have been falling, signaling a less robust outlook for growth and inflation.

"As much as the bond-market vigilantes like to think they are right, it's not always the case," said Julian Emanuel, an equity and derivatives strategist at UBS. "Price is a very powerful signaling mechanism and the fact that the financials have outperformed while the yield curve is flattening leads us to believe there is a distinct possibility that the yield curve will stop flattening."

Oil Prices Drop as Market Discounts Saudi Cutbacks

By Christopher Alessi and Alison Sider

COMMODITY MARKETS

Oil prices fell Monday, even as Saudi Arabia's energy minister, Khalid al-Falih, said that the oil market is on pace to balance by the fourth quarter.

Figures indicating that Saudi Arabia's exports are declining "are a reminder that the Saudis are continuing to work at it. They're doing everything they can to reduce the supply glut," said John Kilduff, founding partner at Again Capital. "Unfortunately, they find themselves at it almost alone."

U.S. crude futures fell 54 cents a barrel, or 1.2%, to $44.20 on the New York Mercantile Exchange. Brent, the global benchmark, fell 46 cents, or 1%, to $46.91 a barrel on ICE Futures Europe.

Even though major producers in the Organization of the Petroleum Exporting Countries and Russia have cut output since January, fading faith in their agreement's effectiveness has sent U.S. crude prices down 18% this year, reversing the gains seen when they initially agreed to reduce output in late 2016.

U.S. producers have ramped up more quickly than most were anticipating, undermining some of OPEC's efforts. U.S. data Friday showed the U.S. oil rig count increased for a 22nd consecutive week, with operators adding another six oil rigs last week.

Yields Surge on Two-Year Treasurys

By Min Zeng

CREDIT MARKETS

The yield on the two-year Treasury note rose to the highest level in more than three months and approached its 2017 record after a top Federal Reserve official suggested that a third rate increase this year remains on the table.

Yields on short-term Treasury debt are highly sensitive to the Fed's rate-policy outlook. The yield on the two-year Treasury note settled at 1.364%, compared with 1.319% Friday. The yield marked the highest close since March 14, when it settled at 1.380%, the highest close since June 2009.

Yields rise as prices fall.

The yield on the benchmark 10-year note was 2.188%, compared with 2.157% on Friday.

Investors sold Treasury debt after New York Federal Reserve President William Dudley offered an upbeat assessment of the economy, suggesting that reports of slowing inflation haven't raised concerns. Mr. Dudley said he was "very confident" that there is "quite a long ways to go" in the current economic expansion, already the third-longest in U.S. history.

His remarks followed the Fed's decision last week to raise short-term interest rates. Fed officials stuck to their projections of an additional rate increase in 2017 and three more in 2018, even as some investors expect slowing inflation to derail the Fed's plan.

"Dudley's message to the bond market is that the Fed sticks to its rate-hike plan," said Edward Fitzpatrick, portfolio manager at J.P. Morgan Asset Management.

Mr. Fitzpatrick said he expects the two-year yield to rise to between 1.625% and 2% at the end of this year if the Fed raises rates again later this year.

In years past, Mr. Dudley and Fed Chairwoman Janet Yellen were leading advocates of the idea that the U.S. economy needed the support of ultraloose monetary stimulus. Their stance now appears to be less dovish than before.

Bond prices tend to decline when investors expect rates to rise, but the selling pressure that following last week's Fed meeting has been mild. The 10-year yield remains near its 2017 closing low of 2.138%, set last Wednesday. For the year, the yield has declined from 2.446% at the end of 2016.

The decline in long-term bond yields—the premium on that debt relative to the two-year note fell last week to the lowest since last September—reflects some investors' concerns that the Fed's pace of rate increases may harm economic growth. Anxiety has been rising lately whether the Fed may make an error by tightening policy with inflation readings falling back below its target of 2%.

Derivatives markets are showing skepticism toward the Fed. Fed-fund futures, often used to bet on the outlook for Fed policy, suggested 46% odds that the Fed would raise rates again by its December meeting, according to CME Group. The probability was 41% on Friday.

Some investors say the Fed may be forced to stand pat later this year if further data show disappointing growth or more deceleration in inflation. Ms. Yellen said last week that monetary policy isn't on a preset course, signaling her flexibility in the tightening plan.

KHOLOOD EID/BLOOMBERG NEWS

New York Federal Reserve President William Dudley

MARKETS

Calm in Markets Is Global

Asian shares' volatility is near lowest since 2000 amid improved profits, stable growth

BY STEVEN RUSSOLILLO

The calm that has descended on U.S. financial markets is stretching around the world.

Based on one commonly used measure, Asian stocks are near their least volatile this century, a byproduct of improving corporate earnings, stabilizing economic growth and the diminishing impact of geopolitical events on markets.

In the U.S., Wall Street's “fear gauge” is near record lows, and in Europe, volatility has also largely subsided.

“This is a global dynamic,” said Michael Parker, head of strategy, Asia-Pacific at Bernstein Research in Hong Kong. “You see low volatility everywhere.”

By contrast, sharp gyrations in Chinese markets early last year caused a spike in volatility around the globe.

In Asia, Mr. Parker cites the MSCI Asia ex-Japan stock index, a broad measure of regional performance—weighted most heavily to China, South Korea, Taiwan, Hong Kong and India—that has risen 19% this year. The index's 90-day realized volatility, a measure of historical moves over that period, has fallen to 8.2%, near its lowest since at least 2000, according to Mr. Parker, and down by nearly half from a year ago. Only in summer 2014 was this volatility gauge lower.

Realized volatility is a measure of how much share prices move around. At this percentage, it shows that the market has moved by about 0.5% a day on average over the measured time frame.

Another sign of calm is the lack of major daily declines: Since January 2016, the index has fallen more than 3% in one day just once. By comparison, in the prior two bull markets—from September 2001 to October 2007 and from March 2009 to May 2011—there were 3% daily declines on average every two to three months.

Mr. Parker reckons that investors haven't had to contend with as many “binary events,” such as China's surprise devaluation of August 2015, which sent shock waves through global markets. Signs of healthier consumer demand and strengthening industrial profits regionally have helped bolster stocks. “Broad fears around China imploding and capital fleeing have abated,” he said.

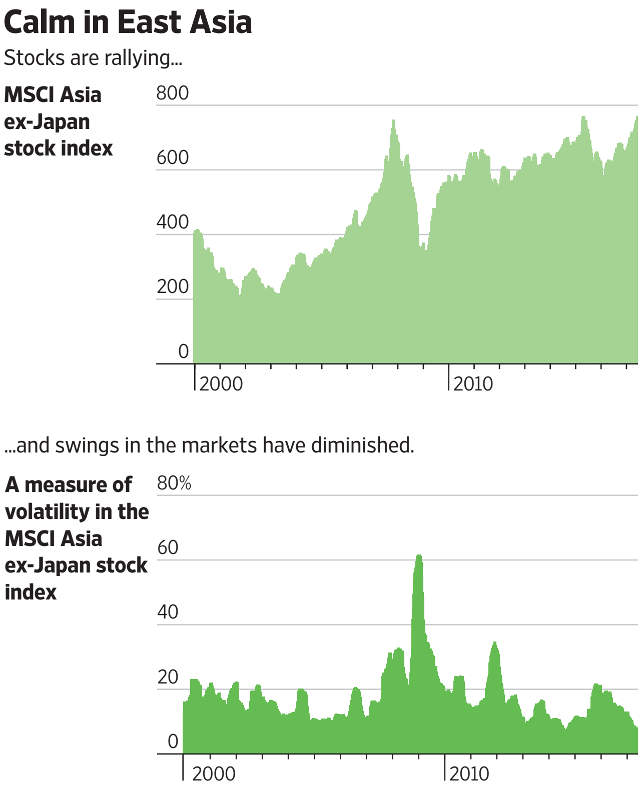
Global index provider MSCI Inc. is expected to decide this week whether to include China's domestically traded A-shares in its indexes. In prior years, MSCI said mainland stocks weren't accessible or transparent enough to warrant inclusion. A different decision this time would increase the China exposure of the many global investors who invest based on MSCI indexes.

Low volatility has swept across asset classes globally. In the U.S., the CBOE Volatility Index, or VIX, closed Friday at 10.38, near its lowest level since 1993. The VSTOXX index of eurozone stock volatility, a European variation of the VIX, was also near a record low.

For now, few see any reason for the low volatility to end.

Investors will likely continue to watch China closely, analysts at Goldman Sachs Group Inc. said in a note last week. Policy makers there have recently been trying to tamp down leverage in the country's financial system, and any “over-tightening…could exacerbate the mild growth slowdown,” Goldman said.

As for U.S. prospects, the Federal Reserve's failure to raise rates as fast as it earlier forecast has made investors skeptical about the pace of increases it forecasts now. That could leave markets open to “hawkish surprises” later this year if U.S. growth doesn't disappoint, Goldman said.



Sources: FactSet (index); Bernstein Research (volatility) THE WALL STREET JOURNAL.

Retail Rebound, French Vote Lift European Stocks

BY MIKE BIRD AND ESE ERHERIENE

MONDAY'S MARKETS

European stocks powered ahead Monday, driven by a rebound in shares of retailers and news of an election victory for French President Emmanuel Macron, while gains in technology shares propelled U.S. stocks higher, sending two major stock indexes to new records.

The Stoxx Europe 600 rose 0.9% to 391.94, and Germany's DAX gained 1.1% to 12888.95, a record close. The CAC 40 advanced 0.9% and London's FTSE 100 added 0.8%.

Analysts say the French legislative elections on Sunday that gave Mr. Macron's centrist party an outright majority in the country's parliament gives him a stronger mandate to implement his policies, while offering a further sign of the receding tide of populist European politics that concerned investors.

“There is a new political wind blowing through Europe,” said Vincent Juvyns, global market strategist at J.P. Morgan Asset Management. “Macron can now more or less freely implement his program.”

“We expect [Macron] to begin with the least popular reforms in the next 100 days to show Europe that France is back,” wrote ING economist Julien Manceaux. “This should continue to support business confidence and help GDP growth to accelerate in the second half of the year to reach 1.7% in 2018 after a still weak (1.3%) 2017.”


JASON ALDEN/BLOOMBERG NEWS

J Sainsbury's shares were among retail stocks jumping Monday.

Shares of retailers bounced back after declining Friday in response to news that Amazon.com is buying Whole Foods Markets, a development seen as a threat to other operators of grocery markets. On Monday, the U.K.'s **Ocado** Group, an online grocer, rose 11% as investors speculated that it could be a target for a takeover. Also, **J Sainsbury** added 2.3% and **Marks & Spencer Group** rose 1.6% after Friday's selloff among food retailers.

In U.S. trading, the Dow Jones Industrial Average added 144.71 points, or 0.7%, to 21528.99 and the S&P 500 rose 20.31, or 0.8%, to 2453.46, both records. The Nasdaq Composite added 1.4%.

Apple was the biggest gainer in Dow industrials, climbing 2.9% by late afternoon after falling in six of the past seven sessions. Shares of tech companies in the S&P 500 were headed toward their biggest one-day advance since December. Some analysts said investors were hunting for value after three sessions of declines.

“Now you're buying Apple at a discount,” said Mike Bailey, director of research at FBB Capital Partners.

U.S. government bonds weakened, with the yield on the two-year Treasury note settling at 1.364%, its highest close since March, after a top Federal Reserve official suggested a third interest-rate increase this year remains on the table. The yield on the benchmark 10-year Treasury note rose to 2.188%, from 2.157% Friday. Yields rise as prices fall.

In Asia, the Nikkei Stock Average closed 0.6% higher as weakness in the yen boosted shares of exporters. Australia's S&P/ASX 200 added 0.5%, South Korea's Kospi rose 0.4%.

Hong Kong's Hang Seng Index rose 1.2% and the Shanghai Composite rose 0.7%, aided by property stocks after figures indicated Chinese housing prices remain resilient.

—Gunjan Banerji contributed to this article.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY **WSJ.com/Heard**

The Fed's Poor Record on Soft Landings

There are two things investors should keep in mind about the Federal Reserve: One, it is in a tightening cycle. Two, tightening cycles almost always end badly.

The Fed raised rates for a third time in six months last week, and signaled there are more rises to come. After all the fits and starts of the past several years, the Fed is finally, unambiguously in a tightening cycle—a fact underscored by its plans to start reducing the amount of bonds it holds on its balance sheet, a legacy of its efforts to restart the economy after the financial crisis “relatively soon,” according to Chairwoman Janet Yellen.

The Fed's aim here is to guide the economy to a soft landing. To do that, it foresees continuing to raise rates in order to slow growth, ease the pace of hiring and nudge the unemployment rate a little higher. That way, it reckons it will be able to prevent the job market from overheating while getting the inflation rate to settle at 2%.

But executing a soft landing is notoriously difficult to pull off. The Fed can only guess at what the economy's just-right levels of growth and employment are, and at what level of interest rates is consistent with hitting those marks. The process of running down its balance sheet introduces new complications, points out J.P. Morgan economist Michael Feroli, as does a likely change in leadership at the Fed.

Moreover, the Fed's track record with soft landings is incredibly poor. It has had, with the benefit of hindsight, a tendency to overtighten in its efforts to tame inflation and other excesses. Rates suddenly go from looking as if they are too low to too high, and the economy suffers as a result.

By the time it stopped raising rates in 2006, for example, the housing bust that would drag the economy into recession and set off the financial crisis was under way.

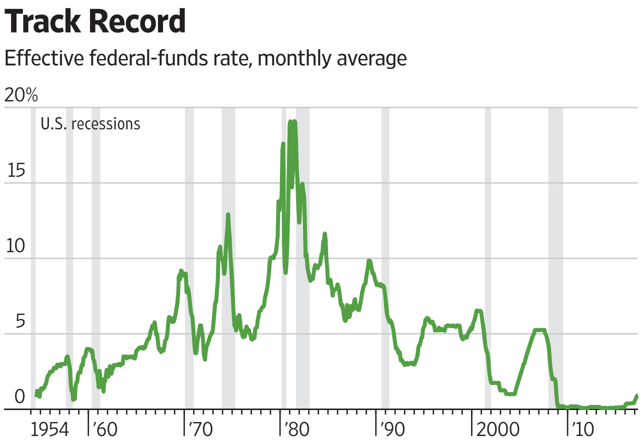
The only time the Fed really succeeded in executing a soft landing, according to most economists, was when it raised rates through 1994. In the mid-1960s and mid-1980s it had a couple of qualified successes. Its other tightening cycles over the past 60 years were followed by recessions, though in some cases a recession was necessary to wipe out inflation.

A recession seems far from imminent at the moment. Hiring appears to have slowed, but is still running fast to keep the unemployment rate slipping. Inflation has been stubbornly low, allowing the Fed to raise rates slowly, which might prevent the bank from tightening too much.

And while stock valuations are running high, the types of financial market excess that got the economy in trouble during the dot-com and housing bubbles haven't presented themselves.

Still, with the Fed trying to pull off a maneuver it has had little success with, investors should pay attention. And be a little nervous.

—Justin Lahart



Sources: Federal Reserve; Reuters (photo) THE WALL STREET JOURNAL.


Federal Reserve Chairwoman Janet Yellen

Amazon's Shopping Spreads Fear Globally

Amazon.com is coming to get you no matter where you are. From London to Sydney, investors have interpreted the technology giant's $13.7 billion acquisition of **Whole Foods Market** as a warning shot to local grocers. Yet a more bullish interpretation is also possible: Amazon is coming to buy you.

For a deal centered on 430-some stores based mostly in the U.S., Amazon's bid for Whole Foods has spread collateral damage surprisingly far. Shares of Australia's **Woolworths** fell 3.5% Monday—the first day investors had to respond to Friday's news. In Europe, shares of Amsterdam-listed **Ahold Delhaize** plunged almost 10% Friday afternoon while **Tesco**'s stock fell 5%.

The Whole Foods deal also flags the difficulty of making e-commerce work in food without a store base. If Amazon wants to roll its U.S. strategy out in Europe or Australia, it could buy a local grocer.

Admittedly, market leaders like Tesco or Woolworths seem less likely targets than niche players like London-listed **Morrison**, which already supplies Amazon's U.K. grocery arm. Morrison shares have risen since the Whole Foods deal broke.

Investors have overreacted to this kind of news before. As Morgan Stanley points out, Tesco's shares fell 15% over the two weeks following **Wal-Mart Stores**' 1999 announcement that it was buying U.K. chain Asda. The fears proved unfounded, and Tesco shares went on to double over the following half decade or so.

Ocado—an internet grocer active in the U.K.—best illustrates the difficulty of interpreting Amazon's move. Having fallen on the news, its shares rose 11% Monday. Some may argue that Amazon could now be more interested in Ocado's logistics; or you could say it showed Ocado's pure online model didn't work.

Amazon remains coy about its ambitions for Whole Foods. Investors can expect a reassessment as a clearer strategy emerges.

—Stephen Wilmot

OVERHEARD

For a show about nothing, “Seinfeld” resides deep in the public consciousness nearly two decades after going off the air. A common theme involved the characters making up lies about themselves and then seeing their ploys backfire badly.

New York Attorney General **Eric Schneiderman** clearly was a fan of the show. According to a news release from his office, a man with the surname Newman pleaded guilty to posing as an architect for several years and is headed to state prison. Mr. Schneiderman dubbed the scheme “Operation Vandelay Industries.”

As he probably knows, though, the character named Newman was Jerry's archenemy and a mailman, not an architect. The character who pretended to be, among other things, a marine biologist and an employee of Vandelay Industries was George Costanza. He stated in the show that he always wanted to be an architect or at least “pretend to be an architect.” In one episode, he claims to have designed part of the Guggenheim Museum.

The real fake architect now headed for the slammer, **Paul J. Newman**, drew designs for over 100 commercial buildings, collecting nearly $200,000 for his services. There was no word on whether he also claimed to be driving Jon Voight's car.

Dark Side of Good News In Biotech

Deal making is a staple of the biotech industry, but betting on mergers and acquisitions is much harder than it looks for investors.

Fresh cancer data from **Clovis Oncology** illustrate this point. The company announced Monday that its late-stage clinical trial for cancer treatment Rubraca was a success in patients with ovarian cancer. Shares ripped nearly 50% higher Monday afternoon.

That celebratory mood didn't spread to every corner of the industry, however. Cancer-drug rival **Tesaro**, which received Food and Drug Administration approval in March for a rival treatment, initially sold off on the news, since a fresh competitor lowers its drug's scarcity value. Tesaro's drug Zejula has “broadly similar” efficacy to Rubraca, analysts at **Leerink Partners** said Monday.

Tesaro shares reached an all-time high this past winter amid rumors the company could be a buyout target but have dropped by roughly 25% since then. The Wall Street Journal reported last month that Tesaro was indeed exploring a sale, but that it had attracted lukewarm interest in preliminary stages.

Beyond the clinical data, looming policy uncertainty complicates the outlook for biotech deals. Shifting corporate tax rates, health-care policy and the outlook for high prescription-drug prices all should give acquirers pause before doing a splashy acquisition.

It remains possible that both Clovis and Tesaro will be acquired at the prices investors hope for. But for investors, banking on that possibility is no guarantee of future riches.*—Charley Grant*

THE AD MAZE

 THE WALL STREET JOURNAL. Tuesday, June 20, 2017 | R1

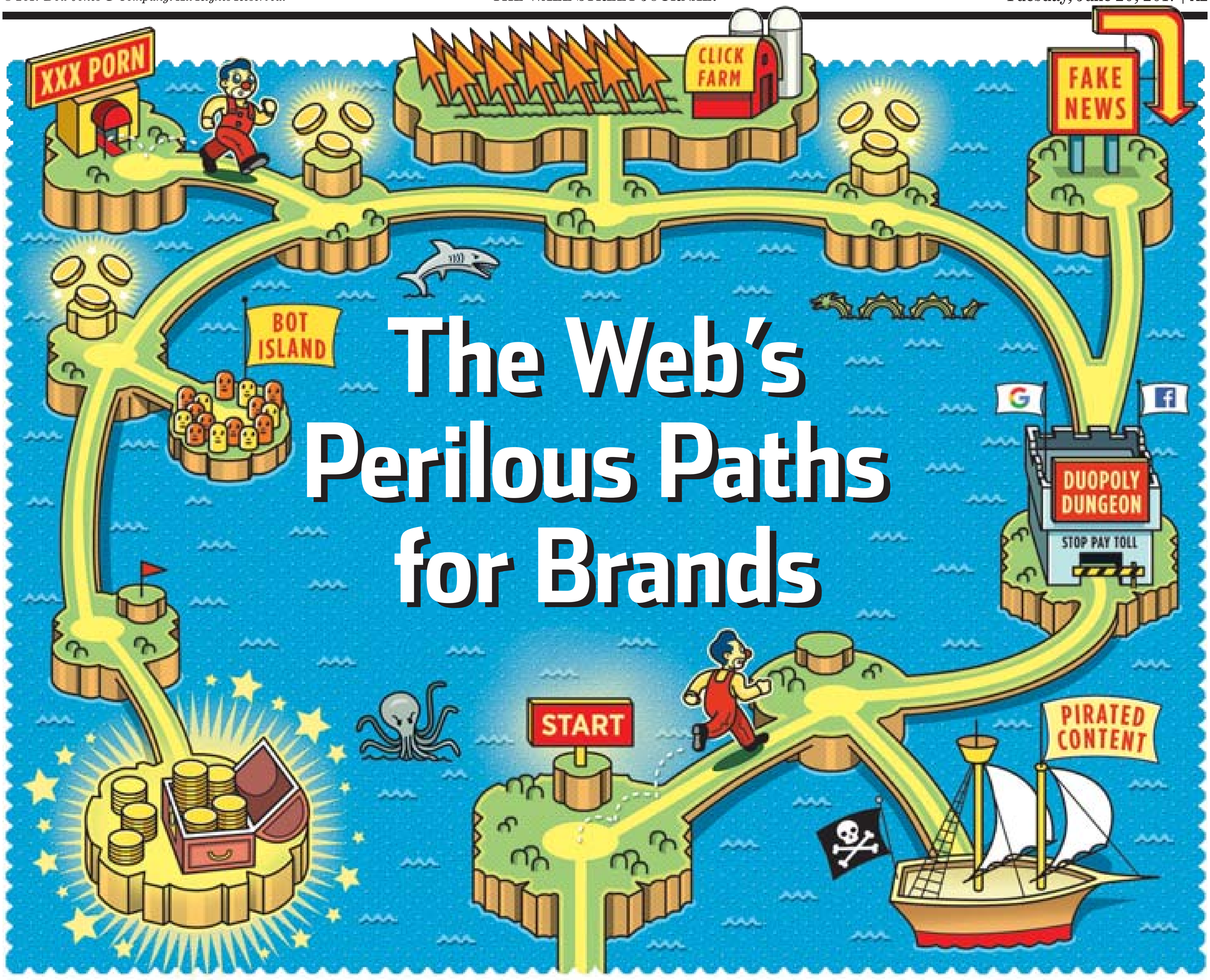


ILLUSTRATION BY PETER AND MARIA HOEY

The Web's Perilous Paths for Brands

Advertisers are increasingly wary of objectionable content and fraudulent traffic, as they seek their goal: the attention of audiences who will buy their products

By Suzanne Vranica

In February, Kieran Hannon, chief marketing officer of **Belkin International** Inc., noticed an odd tweet asking the electronics maker why it was advertising on **Breitbart News Network**, a right-wing website known for scorched-earth populism.

A banner ad promoting the company's new Linksys mesh router had appeared on the site, even though Breitbart wasn't among the roughly 200 sites Belkin had preapproved for its ads.

Mr. Hannon called his ad agency, which couldn't explain the mix-up.

"We still don't know how that happened," he said.

Such headaches are becoming all too familiar for marketing executives, as they come to grips with the trade-offs inherent in automated advertising. Known as "programmatic" ad buying, it is now the way the vast majority of digital display ads are sold.

Programmatic advertising allows the buyer to target consumers across thousands of sites, based on their browsing history or shopping habits or demographics. Doing so is more cost-effective than buying more expensive ads on a handful of well-known sites.

But marketers don't fully control whether their ads will show up in places they would rather avoid: sites featuring pornography, pirated content, fake news, videos supporting terrorists, or outlets whose traffic is artificially generated by computer programs.

The confusion stems from the convoluted infrastructure of the ad-technology world: a maze of agencies, ad networks, exchanges, publisher platforms and vendors. Instead of buying space on websites, brands can buy audiences—categories of people—and their ads are placed on sites those people visit.

The problems arise when those people are on sites where brands don't wish to appear.

As the issues pile up, marketers are taking action, with the help of companies that independently verify that their ads aren't going to toxic locations. Brands are cutting down their purchase of ads through open exchanges—public pools of ad space from hundreds of thousands of sites—opting instead for methods that give them more visibility into where ads are appearing.

On open exchanges, it "just becomes harder and harder to figure out if your ad is showing up in a legitimate ad experience," said Kristi Argyilan, senior vice president of marketing at retailer Target Corp.

Marketers have been dealing with these issues for years. But the "brand safety" risks in digital advertising have hit home with multiple high-profile episodes in recent months.

In March, a number of big brands including PepsiCo Inc., Wal-Mart Stores Inc. L'Oréal SA and AT&T Inc. pulled their ads from YouTube and the Google Display Network, a network of third-party websites, after revelations that ads ran alongside objectionable content, including videos promoting anti-Semitism and terrorism.

Google, a unit of Alphabet Inc., promised to better police its content and give marketers more information about where their ads appear on YouTube. It also said it would bolster its technology that automatically screens vid-

Please see BRANDS page R2

Race Is On to Challenge Digital 'Duopoly'

By Lara O'Reilly

Facebook Inc. and **Alphabet** Inc.'s Google tower so far above the rest of the digital advertising world that no company can claim the mantle of No. 3. But many are trying.

Snapchat parent **Snap** Inc. believes it has the young eyeballs advertisers crave. **Amazon.com** Inc., ever the disrupter, has the ability to upend the whole business with its extensive data. Verizon Communications Inc. is betting on its blend of web content, location data and ad technology following the purchases of **AOL** and **Yahoo**, while **AT&T** Inc. thinks buying Time Warner Inc. will give it an edge.

With the exception of Chinese internet giants **Alibaba Group Holding** Ltd., **Baidu** Inc. and **Tencent Holdings** Ltd., which dominate their home market—where their Western rivals are restricted—none of the would-be challengers to the Google-Facebook "duopoly" even cracks a 3% share of global digital advertising.

Google and Facebook together collect nearly half of global spending. Last year, the U.S. online ad market expanded by nearly $12 billion and the two firms accounted for over 77% of that spending growth, according to eMarketer.

Advertisers are hoping for the emergence of a legitimate third player to provide competition that can give them more leverage and help keep prices in check. For ad agencies, the matter is existential: Google and Facebook have the resources to deploy entire teams to work with marketers directly, cutting out the middleman.

Wenda Harris Millard, vice chairman at advertising and media consulting firm MediaLink, said that to compete with Google and Facebook, other players will need to create premium content that appeals to advertisers or use new technologies that aren't yet mainstream.

"Maybe the third player competes on different grounds," Ms. Millard said.

Many ad executives believe Amazon, which has expanded successfully beyond its core retail business into areas like streaming video and artificial intelligence, has the greatest chance of taking on the "duopoly."

Amazon already allows marketers to place search ads on its website, as well as display ads on all its platforms. The company also built a tool that lets companies tap the e-commerce giant's data on its consumers' shopping habits in order to more efficiently place ads elsewhere on the web. And Amazon is helping publishers make more money from the ads on their sites with a so-called "header bidding" product that gives multiple buyers a chance to bid on their ads at the same time.

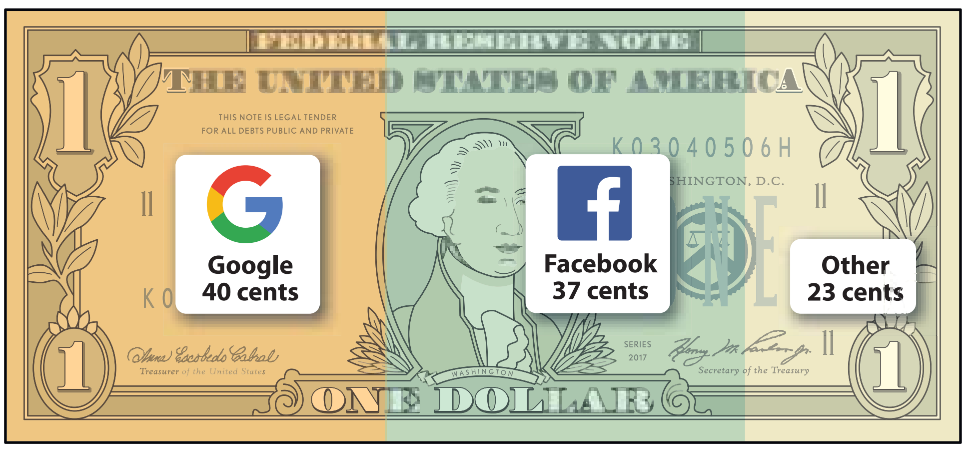
EMarketer predicts Amazon will generate $1.81 billion in ad revenue world-wide in 2017, a tiny fraction of Google's $74 billion. Amazon declined to comment.

"Amazon is going to be an increasingly important force and one we have to better understand and link with effectively for our clients," Martin Sorrell, the chief executive of ad holding giant WPP PLC said at the company's annual meeting earlier this month. He said the company was "highly disruptive in many ways."

On Amazon's first-quarter earnings call in April, Chief Financial Officer Brian Olsavsky said the company was "very happy" with the growth of its ad business.

Snap is the newest contender for the third-place rosette. In 5½ years, Snapchat has grown to 166 million active users—a mere blip compared with Facebook's 1.24 billion daily active users, though the gap is much

Please see DUOPOLY page R4



PETER AND MARIA HOEY

The U.S. digital advertising market grew by nearly $12 billion last year, with Google and Facebook collecting 77 cents of each new dollar spent, according to eMarketer, a research firm.

INSIDE

'FEARLESS GIRL' IS A PUBLICITY COUP FOR STATE STREET
PAGE R6

ADVERTISING MISSTEPS RISK SPARKING VIRAL BACKLASH
PAGE R3

TV LOOKS TO TARGET SPECIFIC VIEWERS BY USING DATA, SOFTWARE
PAGE R7

A Landscape Full of Dangers, Opportunities

Gerard Baker, the Journal's editor in chief, introduces our report on an advertising world disrupted by technology and political change

Creative folk from the worlds of advertising, media and marketing like to consider themselves as sharp as anyone in identifying and reacting to the big social, economic and cultural change. They are, after all, not just supposed to be communications specialists. They are in some ways the diviners and even originators of consumer tastes, moods and attitudes.

But lately it seems the dizzying pace of change has caught even our data-heavy, tech-savvy media tribunes off guard. Political convulsions in the past year: populism, nationalism, Brexit, Trump—and the deeper cultural and economic trends that have given rise to them—crept up almost by stealth, rendering much of the received wisdom about popular attitudes uncertain. And even as companies have been rapidly adjusting to the new world of digital hegemony of the likes of Facebook and Google as the primary channels for advertising and marketing, new challenges have arisen. The proliferation of so-called "fake news" sources and the discovery that advertising material can appear alongside some of the most objectionable content the web has to offer have fostered further depreciation in trust, accuracy and even in the very value of truth itself.

For the media crowd that will gather on the beaches, in the conference halls and in the bars of the Cannes Lions advertising festival this week, these disruptive discoveries have created new sets of challenges. Marketers are seeking to understand better the audiences they reach; advertisers are becoming increasingly nervous about where their material appears; the media companies are dealing with all these challenges and the continuing migration of ad dollars to the digital field. And of course, all this takes place against a backdrop of the continuing digital revolution—as companies get access to better and more data, as new technologies such as virtual reality and augmented reality offer exciting new content possibilities, and as mobile-device ubiquity further shrinks distances and renders old distribution channels obsolete.

In this special report to mark the start of the Cannes festival, The Journal's team of advertising reporters explores these and the other pressing issues that confront modern corporate communications specialists.

Suzanne Vranica examines how marketers are re-evaluating their approach to buying automated ads, with more emphasis on "private" marketplaces that are safer for brands, and how they are demanding more accountability and transparency from the companies that sell them digital ads.

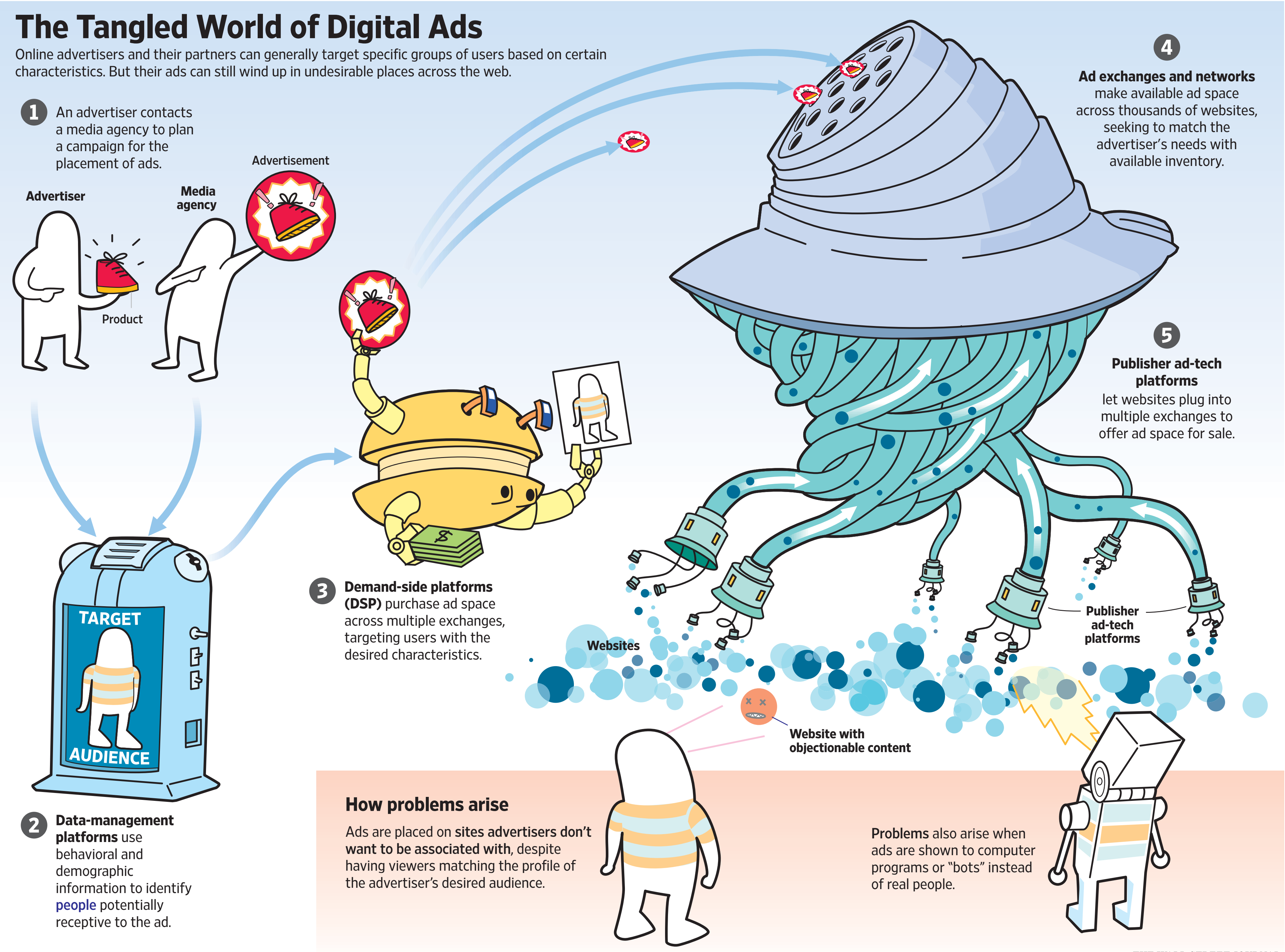
Lara O'Reilly explains why many ad executives believe Amazon may be the company with the best chance to challenge Facebook and Google for online ad supremacy. And Jack Marshall takes a look at China's "triopoly" of ad giants, which dominate terrain that is unwelcome to their Western rivals.

We also explore the massive buzz generated by State Street's "Fearless Girl" statue—showing that there is no substitute for creative ingenuity, even in an era when technological advances get all the attention.

Throughout the week at the festival, The Journal will be hosting a series of events at which leading business figures will address these developments. Be sure to follow our coverage for the latest news and trends throughout the week.

The Tangled World of Digital Ads

Online advertisers and their partners can generally target specific groups of users based on certain characteristics. But their ads can still wind up in undesirable places across the web.



THE WALL STREET JOURNAL.

BRANDS

Continued from the prior page

eos, and it set a 10,000-view threshold for a video channel to reach before it can make money from ads.

Some advertisers, satisfied with Google's efforts, have begun spending again, while others, including big marketers such as SC Johnson & Son Inc., Procter & Gamble Co. and J.P. Morgan Chase & Co., haven't returned, according to people familiar with the matter.

J.P. Morgan is working with Google to get its ads back on "safe YouTube channels" and expects to return soon, one of the people said.

P&G is working closely with YouTube to test the safeguards it has put in place since the problems arose, a spokeswoman for the company said. A spokeswoman for SC Johnson declined to comment.

"Many advertisers never left and many have decided to come back," Google said in a statement. "While they know that no system can be perfect, they appreciate the actions we've taken and know we are taking this seriously and are committed to getting better and better."

Though the number of ordinary web users who saw an ad in an offensive YouTube video was likely small, the combination of the public-relations damage from the revelations and the potential for more widespread exposure down the road led marketers to act.

Breitbart, which is popular with the "alt-right"—a loose conglomeration of groups, some of which embrace white supremacy and view multiculturalism as a threat—became a controversial landing spot for advertisers in the wake of the 2016 presidential election. Brands that have pulled out of Breitbart include Kellogg Co., eyewear company Warby Parker and insurer Allstate Corp.

A spokesman for Breitbart declined to comment.

The recurring issues have caused brands to adjust their overall approach to automated ad buying.

Colgate-Palmolive Co. is adding language to the contract it has with its ad-buying firm, which requires it to maintain blacklists of sites the company doesn't want to have its ads appear on, according to people familiar with the matter. Colgate didn't respond to requests for comment.

Advertisers are doubling down on using online ad verification services such as Integral Ad Science Inc. and White Ops Inc.

OpenSlate, which helps advertisers vet YouTube channels, currently works with roughly 230 advertisers, more than twice as many as last year. "The interest in finding out where your ads are running and who saw your ad has skyrocketed over the past three months," said OpenSlate CEO Mike Henry.

More marketers are purchasing ads through "programmatic direct" deals, in which a publisher uses technology to sell directly to advertisers, and "private programmatic marketplaces," in which a publisher or a select group of publishers can sell to a select group of advertisers, in real time. Automation is involved in both, but the risks are far lower than with open exchanges.

Display-ad spending on programmatic direct deals in the U.S. is expected to grow by 35% this year to \$18.2 billion, while spending on private marketplaces will increase 39% to about \$6 billion, according to eMarketer. By contrast, spending on open exchanges is forecast to grow by 8.4% this year to \$8.3 billion.

Target pulled back from buying via open exchanges at the end of 2015 and now uses private marketplaces to buy ads from about 160 different publishers.

Hewlett Packard Enterprise, which spun out from Hewlett-Packard Co. in 2015, set up private marketplaces with about 15 publishers including Forbes and CNN about a year ago.

"We needed to make sure our ads are showing up where our ads make contextual sense," said Chris Drago, the company's senior director of global media. "I don't want to be on Victoria's Secret because someone is there buying bras for his wife."

While lower prices and the ability to better target customers often trumped marketers' desire to appear alongside specific content, ad executives said things are beginning to change.

"We focus on quality," rather than on price, said Mr. Hannon at Belkin, which has reduced its reliance on programmatic buying over the past few years.

What industry executives and marketing chiefs are saying about brand safety in the digital age


BLOOMBERG NEWS

"Brands and agencies understand how hard we work to create the safest possible environment."

Sundar Pichai, Google CEO


ZUMA PRESS

"You [Google] have to take responsibility for this as a media company."

Martin Sorrell, WPP CEO, on ads appearing alongside extremist content on YouTube


LYFT

"[We need places] where we feel we can run ads without needing to audit that at all times."

Melissa Waters, Lyft chief marketing officer


ANA

"A dearth of trust and a need for verification lie at the heart of [brand-safety issues]."

Bob Liodice, Association of National Advertisers CEO


BLOOMBERG NEWS

"We have a media supply chain that is murky at best and fraudulent at worst."

Marc Pritchard, Procter & Gamble's chief brand officer

Marketing Backlash Erupts Faster Than Ever

Consumers and activists on social media step up pressure on companies to pull ads they object to

By Jack Marshall

When Pepsi in April introduced a new ad in which Kendall Jenner offers a soda to a police officer in riot gear to the cheers of protesters, the outrage machine took no time kicking into high gear.

Before the ad even aired on television, **PepsiCo** Inc. was taken to task across social media for trivializing the Black Lives Matter movement. About 59% of the 2.7 million tweets that included the word "Pepsi" expressed negative sentiment during the week of April 3, according to data from Salesforce Marketing Cloud. Pepsi pulled the commercial only a day after it was posted online—and it never aired on TV.

Ads perceived as offensive can backfire, such as this Pepsi commercial that was criticized for trivializing the Black Lives Matter movement. A post on Twitter by Bernice King, the daughter of civil-rights leader Martin Luther King Jr., was picked up by media outlets.

PEPSI

Advertisers don't always hit the mark, whether it is with tone-deaf attempts at socially conscious ads or marketing messages that end up appearing alongside objectionable content.

But the backlash has reached new speeds and levels of intensity recently. Consumers' criticisms and calls for boycotts can quickly go viral, pressuring companies to take decisive action or risk further brand damage.

As Pepsi, Anheuser-Busch InBev NV's Budweiser, Daimler AG's Mercedes-Benz and many others have learned the hard way, a perceived misstep can quickly blow up into a public-relations nightmare.

"Ad buys are no longer just an asset; there's now maybe an equal chance they could become a liability," said Steve Rubel, chief content strategist at public relations and marketing firm Edelman.

Diving into the political fray has become riskier than ever in the polarized environment. Budweiser's Super Bowl ad highlighting its co-founder's journey from Germany to the U.S. prompted short-lived calls for boycotts of the beer at a time when President Donald Trump's attempt to temporarily ban travel to the U.S. for people from several Muslim-majority countries was fiercely contested. Audi AG's big game spot promoting pay equity for women also drew blowback—some called it antimale propaganda while others said the auto maker, with an all-male board, was being hypocritical. Audi said it supported "pay equality, inclusivity, and the growth and development of all employees."

The rise of social media and mobile technologies has given consumers a louder megaphone, Mr. Rubel said. "The action is swifter now," he said. "Five years ago, you may have been able to contain these types of reactions but now it's much harder to do."

For example, soon after Pepsi's protest ad appeared online, Bernice King, the daughter of civil-rights leader Martin Luther King Jr., posted on Twitter: "If only Daddy would have known about the power of #Pepsi." The tweet quickly spread, racking up over 150,000 retweets, and was picked up by numerous media outlets.

Watchdogs and activists now have an effective playbook to pressure advertisers: 1) Shame the brand publicly on social media; 2) Organize calls for a boycott that will inflict financial damage; 3) Demand the company withdraw the ad or prevent it from appearing on a specific site or program.

Perhaps no campaign has proven more effective at pressuring advertisers recently than the anonymous "Sleeping Giants" Twitter account, which has been systematically questioning companies about their relationship with the Breitbart News website and encouraging other Twitter users to do the same by posting screenshots of ads that appear on the site.

Breitbart became a particularly controversial site for advertisers as its influence and visibility grew with the 2016 presidential election. It is popular with the "alt-right"—some of whom embrace white supremacy and view multiculturalism as a threat—and was previously run by now-White House chief strategist Steve Bannon.

Many of the advertisers targeted by Sleeping Giants said they didn't intentionally place ads on Breitbart or were unaware their ads might appear there when they set up their online ad campaigns. That highlights the potential risks of advertisers increasingly relying on automated ad-targeting technologies and ad networks to help them place ads across thousands of websites simultaneously.

Since it was formed in November to try "to stop racist and sexist media by stopping its ad dollars," Sleeping Giants has attracted 94,000 Twitter followers and says it has helped drive more than 2,200 companies, including Kellogg Co., **Nestlé** SA and Uber Technologies Inc., to pull ads from Breitbart.

A Breitbart spokesman declined to comment.

Reached via Twitter, a representative for Sleeping Giants, who wouldn't identify himself, said the group uses Twitter because it is public and companies are typically more responsive on social media than through other channels.

"Oddly as it's gotten bigger, it's actually gotten more manageable. In a way it's become a self-policing community of its own," the person said, in reference to the social media activity the account has helped stimulate.

A similar story played out with Bill O'Reilly after reports that the Fox News star was accused of sexual harassment by multiple women. Companies including Mercedes-Benz and **Hyundai** quickly stopped advertising on Mr. O'Reilly's top-rated show after social-media users questioned their association with him. In less than two weeks, the network had parted ways with Mr. O'Reilly, who denied the harassment allegations.

Brands can easily end up with an advertising message—or an advertising placement—that can be seen as offensive, particularly through a partisan lens.

Edelman's Mr. Rubel suggests the best course of action is for advertisers to better plan ahead for potential backlash to their advertising and to carefully monitor social media to spot the situation as early as possible.

"If you're buying advertising, it's not something that's happening to you," he said. "It's entirely inside of your control."

Advertising World Braces For Europe's New Data Rules

By Nick Kostov

PARIS—Advertising executives love to talk up how they use mountains of data to target consumers. But gathering that data is about to become more of a headache, at least in Europe.

New European Union legislation that goes into effect next May will restrict how companies can collect and use personal information about web users in Europe, requiring that they obtain "unambiguous" consent from those users.

The move contrasts with the U.S., where lawmakers recently voted to overturn privacy rules that would have required telecom companies to get consumers' permission before sharing their web-browsing and app usage with third parties.

Privacy activists say the European rules are aimed at helping individuals take back control of their information. But they could hit the advertising sector hard, striking ad-tech companies, ad-buying arms of big agencies and web publishers, experts say.

Once the new rules are in effect, European users browsing the internet will have to provide their consent every time they enter a new website to allow that site's publisher to share their personal information with other companies, which may have to be named as part of the consent form.

Lobbyists say this could lead to more intrusive pop-ups upon entering websites.

"Anything that creates a higher bar to entry will affect both publishers and marketers," said Simon Morrissey, head of data and privacy at Lewis Silkin LLP in London. "If you can't get the consent that you need then you can't obtain the data that you want."

A group representing the EU's national data-protection regulators is still clarifying its guidance on exactly where it thinks the bar should stand for user consent.

In most cases, companies can no longer demand that users consent to the sharing of their personal information with third parties as a requirement for access to an online service, said Jan Philipp Albrecht, a member of European Parliament who participated in the drafting of the rules.

Mr. Albrecht also said that marketing practices like pre-ticked boxes and consent forms that can be long and complicated will run afoul of the rules.

The rules also say companies can't collect data for one part of their business and use it for another. Finally, consent must be as easy to take away as it is to give. Citizens can also ask to have their data erased.

In Europe, companies that violate these rules could be fined as much as 4% of the firm's annual world-wide revenue, or €20 million ($22.4 million), whichever is greater.

The new rules also apply to tech juggernauts like Alphabet Inc.'s Google and Facebook Inc., though they may be in a relatively stronger position because they have direct relationships with large numbers of consumers and the ability to mine their own data.

Most vulnerable are ad-tech firms that use data to target ads across the internet without any explicit consumer relationship, according to Townsend Feehan, chief executive of the European unit of the Interactive Advertising Bureau, an online advertising trade group. Data-warehouse firms that buy data that may have been collected for different purposes also would be affected.

"The ad-tech companies are in a particularly difficult position," Ms. Feehan said. "They are going to be dependent on the publishers to get that consent for them."

Lawyers and lobbyists say there could be court battles to determine how strictly the new rules should be interpreted by the regulator.

GroupM, the media-buying giant owned by **WPP** PLC, has formed a working group that includes lawyers, privacy experts, product leaders, information officers, data architects and compliance professionals to make sure that its agencies comply with the regulations.

Ad-tech provider AppNexus is planning to invest in its European data-center infrastructure to ensure that data originating in Europe stays in Europe, said Julia Shullman, deputy general counsel of commercial and privacy at the company.

Acxiom, a marketing-services company that collects data like how many times consumers shopped online over the past year with a particular brand, their household income, and whether they are interested in golf or art, has increased its privacy budget by about 30% to comply with the new rules, according to its privacy officer in Europe, Sachiko Scheuing.

Ms. Scheuing has documented what data Acxiom holds on its customers, where it is held, whether it has permission to do so, whether it is stored safely, and how it can be extracted or deleted if requested.

"The key is really to show that you take accountability very seriously," she said.

The Dos and Don'ts Of the New Rules

- Consent must be 'freely given, specific, informed and unambiguous'
- Consent can't be bundled with other written agreements
- Consent must be active; can't be gained through inactivity or preticked boxes
- Users can withdraw consent at any time and ask to have their data erased
- Users can't be asked for consent to gain access to a service, in most cases

THE AD MAZE

DAMIR SAGOLJ/REUTERS

The Chinese digital-ad market is surging as mobile-device usage proliferates.

China's Walled-Off Promise

By Jack Marshall

China is home to some of the world's largest digital-ad players, mostly because they have a stranglehold on the world's second-biggest market, where their Western rivals are pretty much absent.

Baidu Inc., **Alibaba Group Holding** Ltd. and **Tencent Holdings** Ltd. are forecast to attract a healthy 15% of the global market this year, according to eMarketer, even as their digital-ad revenue comes almost exclusively from within China.

Only the industry's two behemoths, Alphabet Inc.'s Google and **Facebook** Inc., do better world-wide: eMarketer expects them to capture 49% of global digital-ad spending this year, despite their lack of presence in China.

China represents an attractive ad market that foreign companies can't easily access, largely because of restrictions placed on them by the Chinese government. Regulators blocked access to Facebook in 2009, and Google all but abandoned its China operations in 2010 over hacking and censorship concerns, although it has since attempted to slowly work its way back in.

Alibaba, Tencent and Baidu are expected to attract over 62% of the $50 billion digital-ad market in China this year, eMarketer said, and command a predicted 70% of a $76 billion market by 2019.

Each of the three Chinese ad giants has a different focus.

Alibaba operates the nation's largest e-commerce platforms Tmall and Taobao, where it collects vast amounts of data and makes most of its money by charging shops for advertising.

Tencent owns WeChat, the messaging app with more than 900 million users that has evolved to also offer mobile games, mobile payments and a social-media-style timeline.

Baidu runs the dominant search engine, accounting for nearly 80% of mobile searches in China in the first quarter.

"These three guys are pretty much dominant in the subsectors they operate in," said Michael Levine, a global technology and media investor and analyst.

The Chinese digital-ad market is growing rapidly, as mobile-device usage proliferates and ad formats and data-driven targeting capabilities continue to evolve. As that market expands, the dominance of the three is only expected to increase.

"Ad spending in China continues to shift rapidly toward digital formats, fueled by rising time spent online and greater advertiser spending on mobile formats," said eMarketer forecasting analyst Cindy Liu.

While Alibaba and Tencent's presence is projected to quickly expand in China, Baidu's roughly one-fifth share of the digital-ad market there is expected to erode, with e-commerce ad revenue growth outpacing search-engine ads.

Still, a lack of significant product overlap and competition between the three companies has made it difficult for other Chinese companies to wrestle away market share, Mr. Levine said.

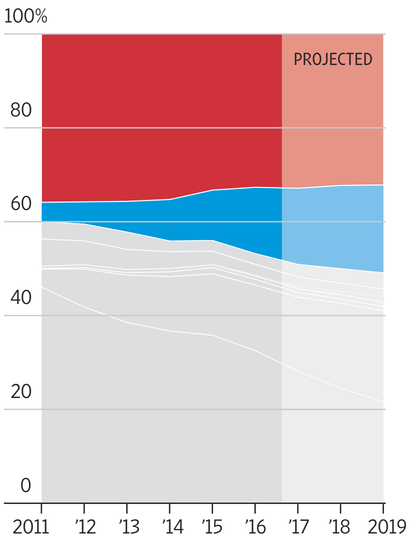
That could also help explain why other Chinese companies and bankers are choosing to invest in online ad firms outside of China, including in the U.S.

A group of Chinese investors led by the chairman of tech conglomerate Miteno Communication Technology Co. last year paid $900 million to acquire Media.net, a Dubai-based online ad broker that gets 90% of its revenue from the U.S.

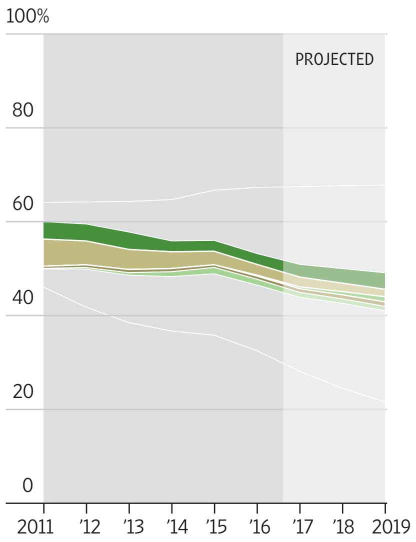
Two Goliaths and Not a Slingshot in Sight

World-wide digital ad revenue market share for 2011-2019

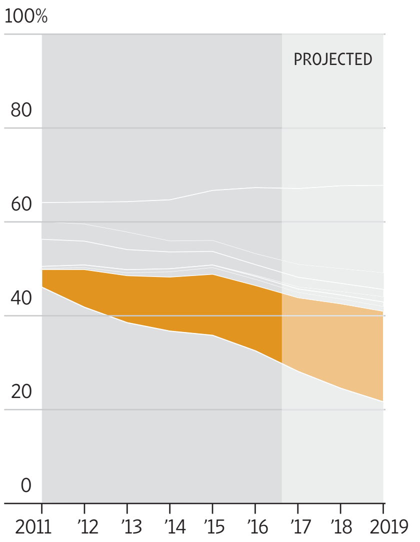
Google and Facebook will soon account for more than half the market. Facebook's share is expanding, while Google's is contracting slightly.



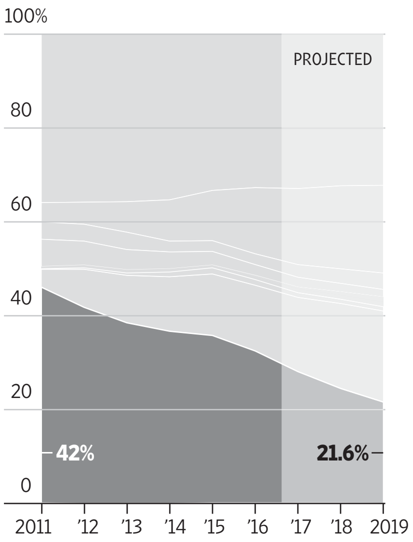
Outside of China, Microsoft, Verizon, Snapchat, Amazon and Twitter are all in a race for a distant third place. Their projected combined share for 2017 is 7%, world-wide.



Globally, Chinese companies, including Alibaba, Tencent, Baidu, Sina and Sohu, are collectively almost as big as Facebook because of their dominance in China.

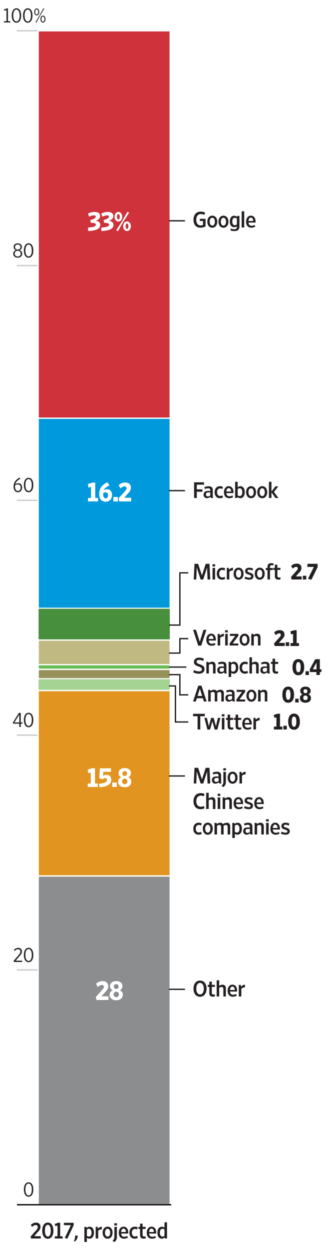


As Google, Facebook and major Chinese companies grab the majority of ad revenue growth, smaller players continue to get squeezed.



2017 digital ad revenue

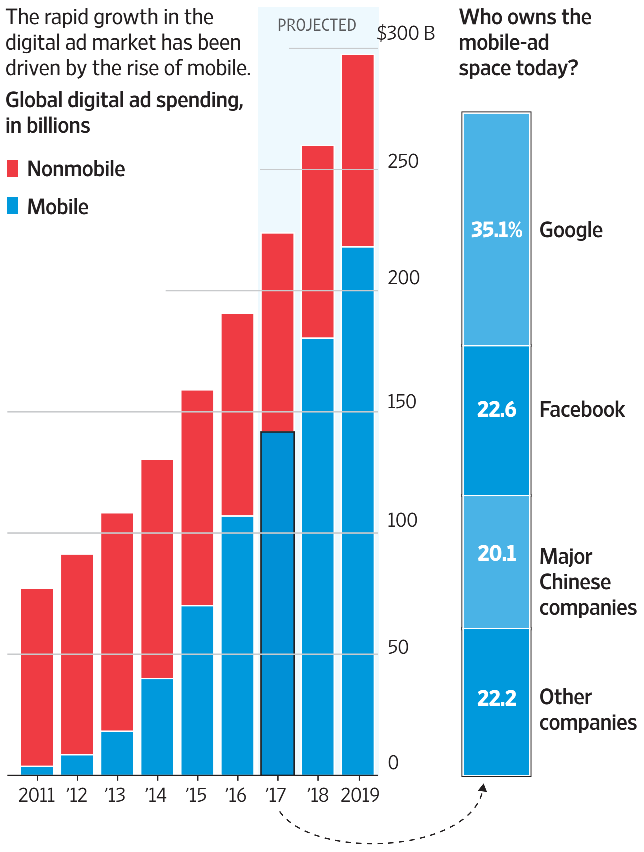
The 'duopoly' of Google and Facebook controls nearly half the market.



Mobile's march

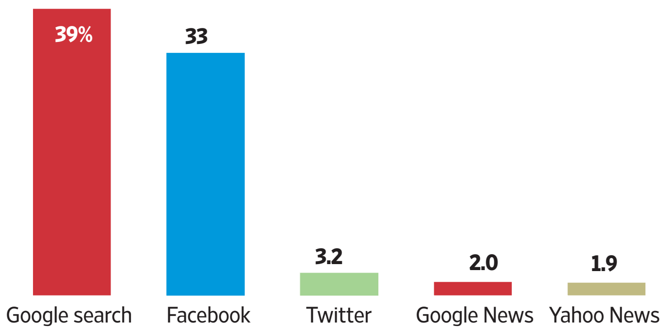
The rapid growth in the digital ad market has been driven by the rise of mobile.

Global digital ad spending, in billions



Media companies rely on the 'duopoly'

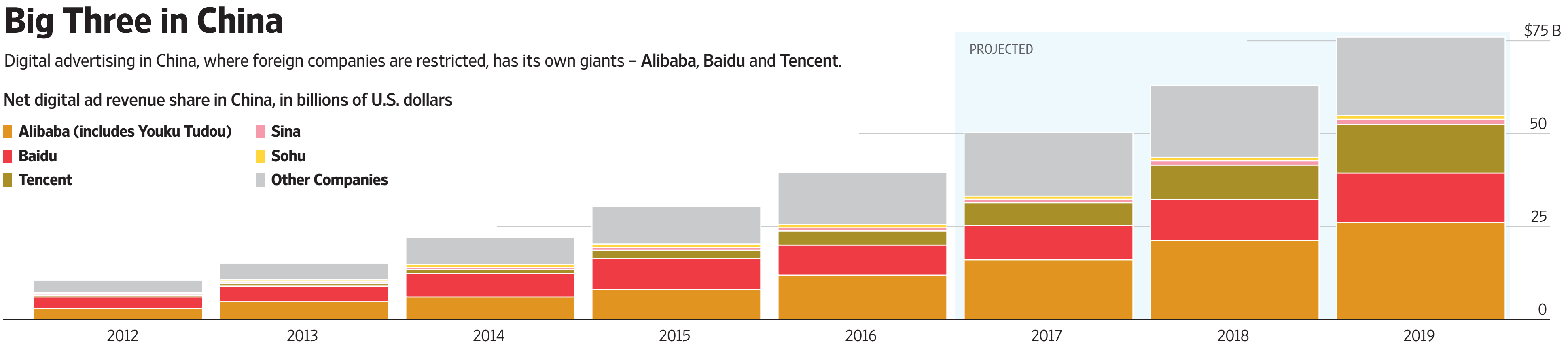
Google and Facebook are the dominant outside sources driving traffic to publishers' websites.



Big Three in China

Digital advertising in China, where foreign companies are restricted, has its own giants – Alibaba, Baidu and Tencent.

Net digital ad revenue share in China, in billions of U.S. dollars



Notes: Microsoft includes LinkedIn for all years. Verizon includes AOL, Millennial Media and Yahoo for all years.
Sources: eMarketer (digital ad sales); Chartbeat (traffic referrals)

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DUOPOLY

Continued from page R1

narrower in strong ad markets like the U.S. and Canada.

Snapchat's advantage is that its audience is mostly made up of the 18- to 34-year-old segment. On average, each Snapchatter spends more than 30 minutes daily in the app, giving advertisers lots of opportunities to target them. Snapchat has also brought on board several TV companies and publishers for the app's "Discover" section, offering marketers the opportunity to position their ads next to curated content.

Snap's ad business still has some catching up to do: Its average revenue per user in North America in its first quarter was $1.81, while Facebook clocked $16.56 per user in the U.S. and Canada.

Snap declined to comment.

Verizon also is emerging as a "new" player, having just merged AOL and Yahoo to form an advertising and content unit of the company called "Oath."

"There are only three companies in the world that touch one billion consumers digitally—Facebook, Google, and Oath," said former AOL boss Tim Armstrong—now the CEO of Oath—in an interview.

Mr. Armstrong believes the company can expand its reach to two billion people world-wide and ratchet up revenue to between $10 billion and $20 billion by around 2020. The recipe: ad technology it has spent years investing in, location data and well-known web brands including HuffPost and Yahoo Sports.

The Contenders For Third Place

SNAPCHAT
Strengths: High user engagement
Weaknesses: Slowing user-growth rate

VERIZON and AT&T
Strengths: First-party and location-based data
Weaknesses: Mergers and privacy issues are complicated

AMAZON
Strengths: World's best data on what we buy
Weaknesses: Limited brand-advertising opportunities

TENCENT and ALIBABA
Strengths: Dominance in Asia
Weaknesses: Lesser known elsewhere

APPNEXUS and other ad-tech participants
Strengths: Access to the wider open web
Weaknesses: Limited first-party data

He said rivals to Google and Facebook can zero in on "white spaces" with no dominant player: promoting brands instead of specific products, and using newer technologies such as augmented reality and virtual reality, for example.

Verizon's chief rival, AT&T, has its own lofty ambitions. AT&T CEO Randall Stephenson said at a conference in May that the Time Warner acquisition would create an entity that delivers nearly "one trillion" ad impressions a year. Mr. Stephenson said his company will be able to make money from Warner Bros. and Turner shows at a higher rate because it has data on AT&T subscribers' internet usage that can help marketers more accurately target their intended audiences.

For the foreseeable future, Madison Avenue will have to get used to dealing with two dominant players, a dynamic that isn't totally alien in the ad business.

"From a small-business perspective it's not much different than when Yellow Pages was the only game in town," said Pivotal Research analyst Brian Weiser. "For large brands, it's not that different than the era where there were three [TV] networks."

THE AD MAZE

‘Fearless Girl’ Steals the Conversation

Placement of statue near Wall Street bull turns talk about gender equality into publicity win for State Street

By Suzanne Vranica

It appeared overnight—a bronze statue of a young girl, hands on her hips, defiantly staring down the iconic charging bull on Wall Street.

Installed on the eve of International Women's Day in early March, the “Fearless Girl” statue was quickly embraced as a symbol of female empowerment and gender equality.

State Street Global Advisors, the investment arm of Boston-based State Street Corp., was responsible for commissioning and placing the work, and the result was a public-relations boon for the manager of index-tracking funds that is generally thought of as one of the most passive investors.

The 50-inch statue became a viral sensation, garnering plenty of attention from media outlets around the globe and trending on social-media sites such as Twitter with the hashtag #FearlessGirl. Legions of New Yorkers, tourists, politicians like Sen. Elizabeth Warren and celebrities including singer Cyndi Lauper have made the pilgrimage to lower Manhattan to take a picture of the sculpture or pose with it.

The stealth placement of the statue, a campaign crafted by Interpublic Group of Co.'s McCann New York, was intended to pressure the public companies in which State Street invests to add more women to their boards. It also promoted State Street's SHE fund, which invests in companies with women in top executive roles.

“Fearless Girl” is among the marketing efforts expected to rake up awards when Madison Avenue descends on the French Riviera for the annual Cannes Lions advertising festival this week, according to ad firm Leo Burnett Worldwide, the Publicis Groupe SA agency that has been predicting Cannes award winners for 30 years.

“It's a really interesting piece of work. It transcends how we think about work,” said Mark Tutssel, Leo Burnett's global chief creative officer. “It's become part of the society” and “created conversations,” he added.

Fearless Girl spawned almost one million tweets and plenty of free publicity for State Street, including thousands of mentions on news and entertainment TV programs and hundreds of articles in major papers around the country. State Street estimates the brand generated with “Fearless Girl” is valued at between $27 million and $38 million.


SHANNON STAPLETON/REUTERS

It isn't a bad outcome for a relatively cheap marketing effort. The company spent roughly $250,000 on Fearless Girl, according to a person familiar with the matter. State Street declined to confirm how much it spent.

State Street is the latest company touching on social issues in their marketing, hoping to endear customers to their brands and drum up good publicity.

The Super Bowl was a good indicator of the trend, with an Airbnb Inc. commercial that highlighted unity and diversity and Audi AG promoting gender-pay equality. Still, some of the ads such as Audi's took some heat on social media.

The Academy Awards brought more of the same, as Hyatt Hotels Corp. promoted unity with an ad that used a cover of the song “What the World Needs Now Is Love.”

Richard Edelman, chief executive of PR giant Edelman, said it is harder to reach people through regular advertising nowadays—so brands have to be part of the “cultural discussions that are taking place on social media.”

Still, the approach can backfire, particularly in the charged political environment. About 57% of consumers are buying or boycotting one or more brands based on the company's position on a social or political issue, according to a recent online survey of 14,000 people from 14 countries that Edelman conducted in the spring.

Fearless Girl had its share of detractors, who criticized State Street's own diversity issues or called Fearless Girl a publicity stunt, hollow feminist marketing tool or defamatory to the longstanding 7,000-pound bull.

“Equal? Bull! Bankers behind ‘Girl’ count few women as execs,” read one headline from the New York Daily News. State Street said it addressed some of the criticism by releasing its gender-equality statistics.

The “Charging Bull” sculptor has accused Fearless Girl of distorting the meaning of his art with what amounts to an ad campaign, and another sculptor created a small statue of a urinating dog that was briefly placed next to Fearless Girl.

Stephen Tisdalle, chief marketing officer of State Street Global Advisors, said the company did have some reservations when it set out to craft the effort. But it was careful to make sure the sculpture and messaging were done in a meaningful way and not tied to a political movement.

The risk has paid off. “This put us on the map,” he said. It's a “global phenomenon.”

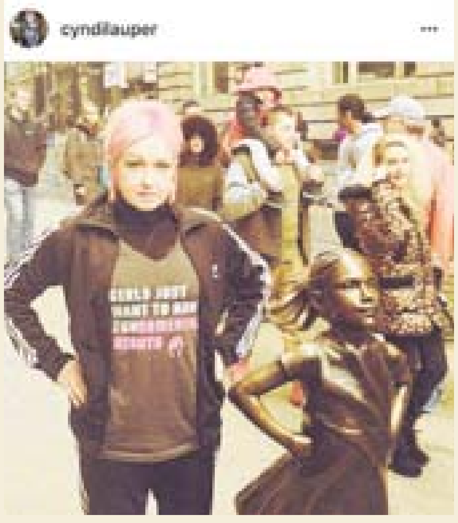
The publicity from Fearless Girl will likely help State Street increase its overall brand awareness.

The firm's SHE fund saw its average daily trading volume increase 384% in the days following the release of Fearless Girl, and the fund had $315 million in assets as of May 22, up 8% from March 6. The company said that inbound calls from prospective institutional investors rose 15-fold in the four weeks after the company placed the statue, compared with the two weeks prior.

Free Media

958,923 tweets
4,122 TV segments
2,400 news articles
215,163 Instagram posts
Source: McCann, March 2017


MARK LENNIHAN/ASSOCIATED PRESS



CYNDI LAUPER

ELIZABETH WARREN

SARA BLAKELY

New Publicis Chief Takes On a Turbulent Era

By Suzanne Vranica

Madison Avenue has a new power player: Arthur Sadoun.

Mr. Sadoun was installed earlier this month as the new chief executive of advertising giant **Publicis Groupe** SA. The 46-year-old is only the third chief executive to lead the storied ad conglomerate in its 91-year history.

Known for his client-handling skills, Mr. Sadoun has big shoes to fill. He takes over from Maurice Lévy, the widely respected ad chief who led the Paris-based firm for almost 30 years and was named chairman of the supervisory board. Mr. Lévy transformed Publicis into the third-largest ad holding company in the world, with €9.73 billion ($11 billion) in revenue last year and 80,000 employees crafting marketing for brands such as **Nestlé** SA, Samsung Electronics Co. and Citigroup Inc.

Mr. Sadoun is charged with navigating the company through the most turbulent time in marketing. Technology now enables consumers to more easily avoid ads, the dominance of Facebook Inc. and **Alphabet** Inc.'s Google continues to grow, and the trust between agencies and marketers in the $529 billion global ad business has been damaged by a report that was released last year that said the U.S. ad industry is full of nontransparent business practices.

Mr. Sadoun will need to help the company get back on track after losing significant assignments from a rash of companies such as Procter & Gamble Co. Its bold acquisition of Sapient has also failed to live up to expectations.

The Wall Street Journal caught up with the newly installed ad czar to discuss the brewing tensions between advertisers and tech giants, the challenges ad companies face, and how rising populism is affecting marketing.

Edited excerpts:

WSJ: What is the biggest threat to ad companies?

Mr. Sadoun: If the industry does not bring back growth to our clients' business, we will be in danger. We have to overcome the fragmentation that now makes marketing splintered. We must be delivering expertise in technology and data and think very broadly about creativity.

WSJ: Have Google and Facebook done enough to calm the concerns marketers have about brand safety and measurement?

Mr. Sadoun: We've been pleased to see Google and Facebook's recent efforts in this area. But there is a lot more they will need to do. Clients are worried by the lack of transparency on how and where their marketing messages are distributed and/or seen, how the algorithms work and the ‘just trust us’ approach. Today, leveraging data is key to marketing, but the limited amount of data clients get back about their [marketing] programs and the lack of a true ability to work across platforms, like they can do on the open internet, is a problem. It's the clients' money and data after all. We need a lot more access.

WSJ: Publicis recently wrote down the value of Sapient, a digital-technology company. What's been the biggest challenge?

Mr. Sadoun: The premium we paid for Sapient was not completely justified due to slower growth than we had anticipated. So we reflected this slower growth by taking this noncash charge. The struggles for growth, partly, came from us underestimating how difficult it is to get technologists and marketing working together. They are different cultures. We have been winning business and seeing momentum globally.

WSJ: There is a real lack of trust between agencies and marketers following the Association of National Advertisers' probe that discovered a lack of transparency in the way agencies conduct business. How can ad companies repair the relationships?

Mr. Sadoun: At Publicis, we believe any areas of conflict of interest must be eliminated right away and clients should never feel that there is any part of the process that they do not have transparency into. While we have passed all the audits to date, we remain committed to reaffirming a trusted and principled relationship.

WSJ: There has been a huge rise in populism around the world. What does that mean for marketers?

Mr. Sadoun: We have to acknowledge that there is almost everywhere in the world a middle class that is really in pain. This is something that we need to take into account at the political level, but also in the way we communicate. It has never been so important to make sure that whatever you do, you make people understand what you bring into their day-to-day life. This is what we are trying to do with our clients. A brand that is strong is a brand that is playing a concrete role in people's life.

WSJ: Where will ad companies be in five years?

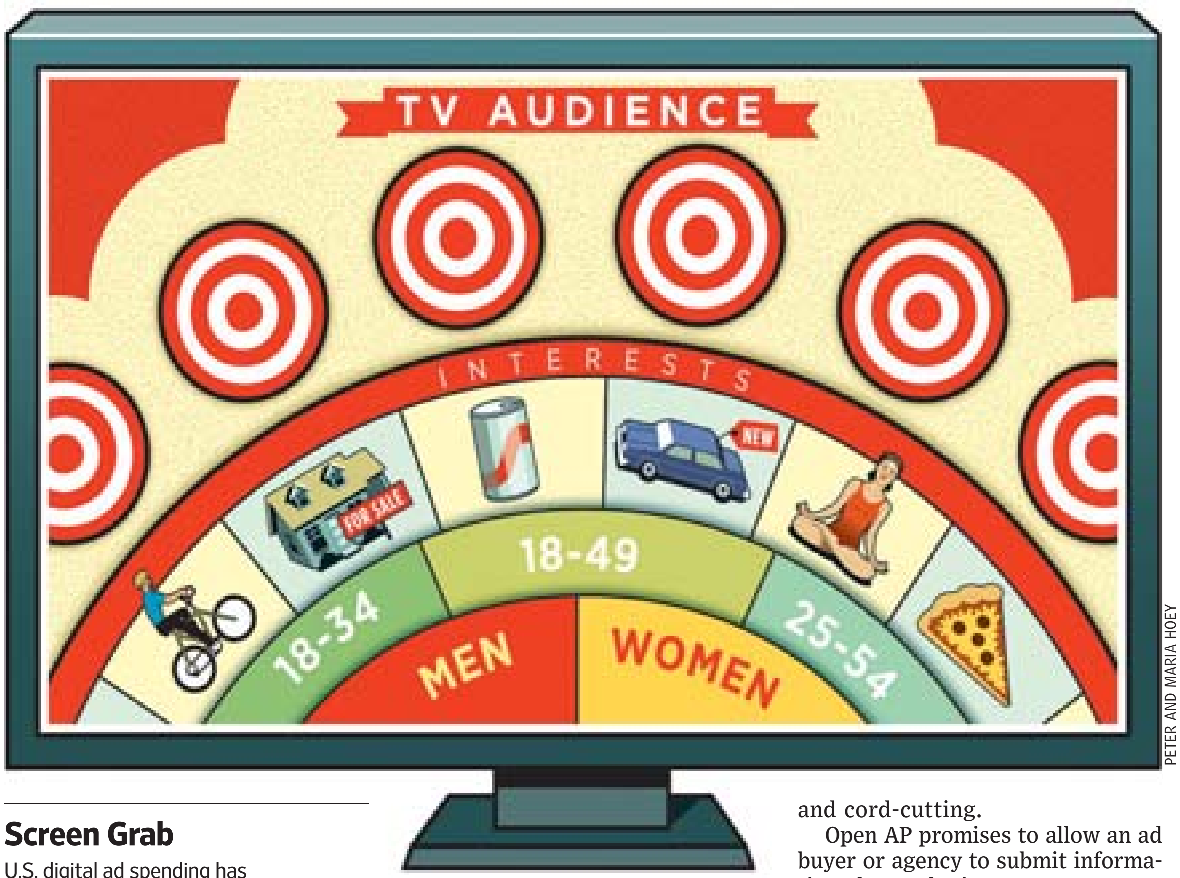
Mr. Sadoun: The one prediction I will make is that there is likely to be more changes in our industry in the next five years than in the past 20.


ARTHUR DELLOYE

Don't Touch That Dial, We're Talking to You

Television networks look to target advertising to more specific audiences by using data, software

BY ALEXANDRA BRUELL



PETER AND MARIA HOEY

In the past two years, the cold and allergy relief brand Zicam has shifted its TV ad-buying strategy markedly. Instead of just buying ads aimed at gender and age groupings—the traditional currency of TV—the company chose to target audience segments most receptive to cold-medicine pitches.

Zicam began giving big chunks of its media-buying budget to **Simulmedia**, whose software helps find TV audiences representing more specific groups of people. Zicam found more than 45 networks and shows that would be a good fit. In the cold season ending early last year, Zicam put 60% of its TV budget into Simulmedia and said it enjoyed an 8% lift in sales.

Across the board, marketers are clamoring for these sorts of targeting opportunities in television, and the industry is racing to cater to their desires. Digital advertising has trained a generation of marketing executives to expect the ability to reach very fine audience segments, and TV's setup has looked hopelessly unsophisticated in comparison.

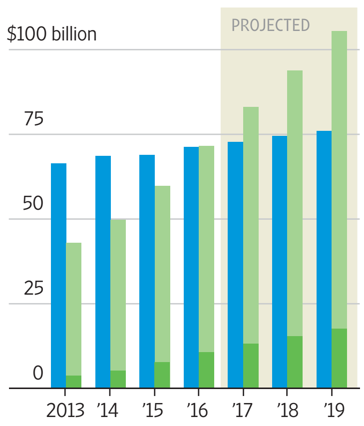
"TV has been limping around conducting business on a currency that doesn't reflect consumer behavior for decades," said Linda Yaccarino, head of ad sales for NBCUniversal.

Networks are doing everything they can to change that—whether it means joining with vendors like Simulmedia or developing their own proprietary ad-targeting systems, or both.

Viacom Inc., 21st Century Fox Inc. and Time Warner Inc.'s Turner joined forces a few months ago to start building Open AP, a system intended to standardize the precise categories ad buyers can purchase in TV. That way an advertiser who wants to reach soda drinkers or people in the market for a minivan doesn't have to deal with different data approaches at different networks.

Screen Grab

U.S. digital ad spending has surpassed TV ad spending.



Source: eMarketer
THE WALL STREET JOURNAL.

NBCUniversal also has announced that it would set aside $1 billion in ad inventory in 2017 to sell against highly specific audience segments. Other networks have similar initiatives.

The word "programmatic" is often used to describe this activity in TV—in an effort to tie it to the use of automated or "programmatic" systems in digital advertising, in which buyers bid in real-time for available inventory.

But TV's targeting efforts are a far cry from what has happened in the digital ad world. The targeting opportunities still aren't anywhere near as granular. The nature of cable and broadcast TV means that selling and inserting ads in real time isn't possible, or even advisable. But that could all change when more households have internet-enabled TV systems and more programming is delivered on-demand rather than in a continuous, "linear" stream.

Credit Suisse predicts that targeted linear TV products will open up a revenue opportunity of more than $100 billion for TV networks, according to its Future of Advertising report from April. Other analysts predict there will be increasing turbulence in TV advertising from the growth of online video and cord-cutting.

Open AP promises to allow an ad buyer or agency to submit information about who it wants to target—people who buy yogurt, for example—and use various data sources to drill down. Perhaps, for example, they know yogurt buyers tend to be women in their 20s who like to do yoga, and from anonymized data they know where those people live. The networks will cross-reference that information with data on what similar households tend to watch. Ads can then be purchased on shows with viewers that fit that profile. Deals will then be hammered out with the networks one-by-one.

Targeting efforts by networks are a far cry from what has happened in the digital ad world.

The real benefit is getting three big media companies on the same page. "By organizing this across publishers, marketers can have a single view of how their money is working," said Michael Strober, executive vice president of client strategy and ad innovation at Turner.

The Open AP media company participants are in talks with other networks about joining, according to people familiar with the matter. Some ad executives say the initiative needs more scale to be more relevant.

L'Oréal SA began selecting TV commercial space through advertising technology firm TubeMogul in 2015 to target certain consumers. By using detailed sets of first- and third-party data—loyalty program and purchase data, for example—L'Oréal is able to find audiences at levels as granular as women who bought lipstick from specific retailers over the past 30 days.

TubeMogul, which was acquired by Adobe Systems Inc. last year, uses TV viewing data to help L'Oréal buy inventory targeting similar households more broadly. After buying TV ads through TubeMogul, L'Oréal says it has seen a lift in product sales.

To group all consumers into a broad audience and expect the same desired action is "not the way of the future," said Nadine McHugh, a senior marketing executive at L'Oréal. "We understand the power of TV content, but how do we leverage our investment for optimal results out of our dollars in that environment?"

Advertisers can define their budgets and target audiences through TubeMogul's system. The software then sends recommendations for available TV inventory, along with specified pricing. If the advertiser chooses to buy the inventory, TubeMogul or the advertisers then need to deal with the relevant networks, which then check for availability.

From there, the old-school negotiation and transaction commence—a sign that while targeting of ads on TV may be getting more "programmatic," booking of ad slots hasn't really changed.

"That's a limitation of the TV ecosystem," said Denise Colella, senior vice president of advanced advertising products and strategy at NBCUniversal. It's "programmanual."