

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

THURSDAY, JUNE 8, 2017 ~ VOL. CCLXIX NO. 132

WSJ.com

★★★★ \$3.00

DJIA 21173.69 ▲ 37.46 0.2% NASDAQ 6297.38 ▲ 0.4% STOXX 600 389.18 ▼ 0.1% 10-YR. TREAS. ▼ 10/32, yield 2.180% OIL \$45.72 ▼ \$2.47 GOLD \$1,290.10 ▼ \$4.30 EURO \$1.1257 YEN 109.82

What's News

Business & Finance

American oil exports are emerging as a disruptive new force in global markets, helping to tamp down crude prices. **B1**
◆ U.S. oil prices fell to their second-lowest level of 2017 after data showed an increase in stockpiles. **B11**

◆ Santander acquired Banco Popular for the nominal amount of 1 euro after the ECB determined the Spanish lender was near collapse. **B1**

◆ Sessions has ordered prosecutors to stop settling corporate-wrongdoing cases by requiring firms to make third-party donations. **A2**

◆ Russia's sale of a stake in state-owned oil firm Rosneft to Qatar and Glencore last year included an unusual buyback provision. **B10**

◆ Uber has fired a top executive who obtained medical records of a woman raped by her Uber driver in India. **B3**

◆ The shipping industry is showing signs of recovery, according to industry executives and analysts. **B2**

◆ A housing study said roughly three million potential first-time buyers have been shut out of the market over the past decade. **A3**

◆ Another wave of advertisers pulled ads from YouTube in the U.K. after they appeared before extremist videos. **B4**

◆ U.S. stocks rose on a rebound in financial shares. The Dow advanced 37.46 points to 21173.69. **B11**

◆ Penguin Random House acquired Out of Print, a maker of literary-themed apparel and knickknacks. **B3**

World-Wide

◆ Comey worried that Trump was seeking to secure his loyalty and wanted the then-FBI director to help "lift the cloud" the probe of possible Russian election interference was casting over the administration, according to prepared testimony Comey is set to deliver in Congress. **A1, A4**

◆ Trump said he intends to nominate Christopher Wray, a criminal defense lawyer and former top federal prosecutor, to lead the FBI. **A4**

◆ Attacks in Tehran by suspected Islamic State gunmen targeted Iran's parliament and the shrine of revolutionary leader Khomeini, killing 13 people. **A1**

◆ The extremist group has claimed responsibility for a flurry of attacks on three continents as its empire in Iraq and Syria crumbles. **A9**

◆ U.K. polls have shown a wide variation in the size of the Conservative Party's lead over Labour ahead of Thursday's election. **A7**

◆ North Korea fired multiple cruise missiles into the waters between Korea and Japan on Thursday. **A8**

◆ Beijing pushed back against a U.S. warning about the Chinese military's growing ambitions outside Asia, calling it "irresponsible." **A8**

◆ Kansas lawmakers called a halt to Gov. Brownback's tax-cut experiment aimed at spurring economic growth. **A6**

◆ Scientists said remains unearthed in Morocco are the oldest known specimens of the human species, dating back about 300,000 years. **A8**

CONTENTS Middle Seat..... A11
Business News... B3-6 Opinion..... A15-17
Capital Account... A2 Sports..... A14
Crossword..... A12 Technology..... B4
Head on Street. B12 U.S. News..... A2-6
Life & Arts.... A11-13 Weather..... A12
Markets..... B11-12 World News..... A7-9

23436>
0 78908 63141 1

Copyright 2017 Dow Jones & Company. All Rights Reserved

Please see LEBRON page A10

Comey Details Pressure From Trump

Ex-FBI chief to testify president wasn't target, but was told at White House 'I need loyalty'

By DEL QUENTIN WILBER AND ARUNA VISWANATHA

Then-FBI Director James Comey worried President Donald Trump was seeking to secure Mr. Comey's loyalty and wanted him to help "lift the cloud" the investigation of possible Russian interference with the U.S. election was casting over his administration, according to prepared testimony Mr.

Comey is set to deliver Thursday to Congress.

In seven pages vividly detailing his interactions with Mr. Trump before he was abruptly fired last month, Mr. Comey described a president determined to clear his own name amid several investigations looking into whether Trump associates colluded with Russia.

The impression painted by Mr. Comey is one of the president seeking to exert control over him and his agency, and a vexed FBI director pushing back—a narrative the White House has rejected.

"At one point, I explained why it was so important that

FBI in Spotlight

- ◆ Former prosecutor tapped to head bureau..... A4
- ◆ Highlights from Comey's written testimony..... A4
- ◆ Go to WSJ.com for live coverage Thursday

the FBI and Department of Justice be independent of the White House," Mr. Comey wrote, describing a dinner with president in January. "I said it was a paradox: Throughout history, some Presidents have decided that because 'problems' come from Justice, they should try to hold the Department

close. But blurring those boundaries ultimately makes the problems worse by undermining public trust in the institutions."

Mr. Comey also confirmed the president's previous statements that the director had repeatedly assured Mr. Trump that the FBI hadn't opened a counterintelligence investigation into him.

The president has denied allegations that he sought to pressure Mr. Comey or influence the Russia investigation in any way. Mr. Trump has dismissed the collusion allegations and called inquiries into alleged Russian meddling a "witch hunt." The Russian government has denied interfering with the election.

Marc Kasowitz, Mr. Trump's personal attorney, said the president "feels completely and totally vindicated."

"The President is pleased that Mr. Comey has finally publicly confirmed his private reports that the President was not under investigation in any Russian probe," Mr. Kasowitz said.

Mr. Comey's version of events was laid out in written testimony to be delivered before the Senate Intelligence Committee, a highly anticipated hearing at which lawmakers will have their first chance to question Mr. Comey about his firing on May 9 and Mr. Trump's alleged

Please see COMEY page A4



Iranian policemen evacuated a child from the parliament building in Tehran on Wednesday during an attack on the complex that was claimed by Islamic State.

ISIS Claims Its First Terror Attacks on Iran

Suspected Islamic State gunmen struck the Iranian capital Tehran on Wednesday, killing 13 people and targeting two symbolic pillars of the regime: the parliament complex and the shrine of the Iranian revolution's founding father, Ayatollah Ruhollah Khomeini.

By Aresu Ebabi in Tehran, Iran, Farnaz Fassihi in New York and Asa Fitch in Dubai

The attacks are the first that Islamic State, a Sunni extremist group, has claimed in predominantly Shiite Iran and they brought a struggle between the two main branches of Islam to the heart of the country for the first time after decades of battles in other Middle Eastern countries. Iran and Sunni-led Saudi Arabia are vying for regional influence.

Islamic State claimed responsibility for the attacks through its official Amag news agency, which published a video purportedly filmed inside the parliament complex during the attack, but the extent of its

involvement—if any—couldn't be immediately verified.

The attacks on two of Iran's most secure sites, if confirmed as the work of Islamic State, would serve as the latest evidence of the group's ability to direct operations against foreign targets despite mounting military pressure on its home bases in Syria and Iraq.

As it loses territory, Islamic State has said recently that it was behind an array of attacks around the world, though it is unclear if it orchestrated the violence, inspired supporters from afar or laid claim to unrelated attacks.

President Donald Trump linked Wednesday's attacks to Tehran's support for terrorism. The U.S. has no diplomatic relations with Iran and has designated Tehran a state sponsor of terrorism.

Please see IRAN page A9

◆ ISIS makes global claims as it loses turf..... A9

◆ Iran's leaders face new challenge on security..... A9

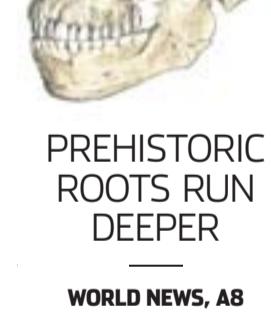
◆ Arab states drawing up list of demands for Qatar..... A9

INSIDE



ELITE FLIERS GET THEIR WINGS CLIPPED

THE MIDDLE SEAT, A11



PREHISTORIC ROOTS RUN DEEPER

WORLD NEWS, A8

LeBron's Latest Move: Sports Media Playmaker

By BEN COHEN

BURBANK, Calif.—The Cleveland Cavaliers and Golden State Warriors are in the third year of an intense rivalry for NBA supremacy. But behind the scenes, players from both sides are teammates in a business venture that could shake up the future of sports media.

The players are united by Uninterrupted, a media startup founded by Cleveland star LeBron James and his business partner Maverick Carter, and backed by more than \$15 million from Time Warner Inc.'s Warner Bros. studio and Turner Sports unit.

Uninterrupted's multimedia offerings include full-length documentaries, web series and a growing podcast network that includes both the popular

Where Do Cuban Tourists Go to Splurge? Moscow's Flea Markets

* * *

They fly 13 hours and bundle up to buy bargain jeans and car parts; 'hola, amigo'

BY ANATOLY KURMANAEV AND SIRANUSH SHAROYAN

MOSCOW—Sometimes the wheels of history turn slowly. The hottest shopping destination for Cubans is not across the water in Miami. It's Moscow, 6,000 miles away.

Tougher U.S. border control and rising remittance income

from relatives abroad have led to a recent surge of Cuban travel to Russia, the only major country that still

doesn't ask islanders for a visa. Cuban shoppers don't take the daily 13-hour Aeroflot flight, a legacy of the Soviet-era alliance, to see the Kremlin or the Red Square. They bring back bags of jeans, haberdashery and car parts to a Communist island

starved of consumer goods.

"The Cubans are flooding in without speaking a word of Russian just to stock up," said Ricardo Trieto, a Russian-educated Cuban engineer who now translates for compatriot shoppers in Moscow's flea markets.

"It's very profitable: Whatever you buy here you can sell it for more at home."

The U.S. trade embargo with Cuba remains in place despite the fact that President Barack Obama loosened

restrictions for Americans to travel to Cuba last year and opened a U.S. Embassy in Havana in 2015 after more than half a century of severed ties. President Donald Trump has said he would roll back Mr. Obama's Cu

Please see CUBA page A10

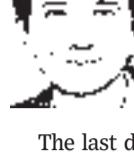
Please see LEON page A10

Please see CUBA page A10

U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Trump Could Use More Advice on Economics



Economists once aspired to be like dentists: dull technocrats the public trusted.

The last decade has been unkind to those hopes. Economists didn't predict the financial crisis or miserable growth that followed. Britons ignored their entreaties to stay in the European Union. And in Donald Trump, the U.S. has a president who routinely says things economists consider flat out wrong: trade deficits are bad, unemployment statistics can't be trusted, the U.S. is the world's highest taxed country.

The low point came last week when Mr. Trump's budget director said the Congressional Budget Office, whose economists provide nonpartisan advice on legislation, had outlived its usefulness. Better, Mick Mulvaney said, for opponents of legislation to supply their studies and advocates to supply their own. "And if it works, they would get re-elected and if it doesn't, they don't."

Mr. Mulvaney's critique would be more convincing if the administration had in fact put forth its own estimates of the economic effects of its

proposals. It hasn't. Its failure to account for the trade-offs of tax cuts (bigger deficits) or reduced subsidies for health care (more uninsured) are one reason Mr. Trump's agenda is moving so slowly.

The bigger problem with his criticism is that it miscasts the role of economists. It isn't to provide pinpoint forecasts. Forecasts will be wrong more often than right. But they provide a benchmark to test proposals based on theory and evidence rather than instinct or unproven ideological priors.

"Informed analysis will sometimes be wrong, but I'd rather bet on informed analysis than ignorant guesses," says Douglas Elmendorf, who ran the CBO from 2009 to 2015 and oversaw its original estimates of the Affordable Care Act.

No good business leader would undertake a major investment having listened only to internal advocates. For similar reasons Congress decided in the 1970s it was too dependent on the president to evaluate legislation. Wanting an independent arbiter, it created the CBO.

Critics often point to times its forecasts went wrong. Yet if this were evidence of systematic bias, the CBO would tend to err in the same direc-

Hits and Misses

The Congressional Budget Office was closer to the mark than others on Obamacare exchange enrollment. It was too optimistic on growth and too pessimistic on revenue after George Bush's 2003 tax cuts.

ACA subsidized exchange enrollment in 2014, as estimated in 2010

	7 million
CBO	7 million
Obama Admin.	13
RAND	9
Lewin	8
Urban Institute	4
Realized enrollment	

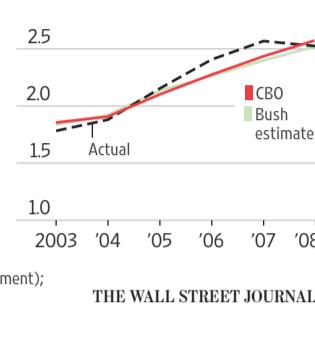
Sources: Commonwealth Fund, Sherry Glied, Anupama Arora & Claudia Solis-Roman (ACA enrollment); Office of Management and Budget, Congressional Budget Office (2003 forecasts, tax revenue)

tion and more than other analysts, and it doesn't. When George W. Bush cut tax rates in 2003, his administration predicted economic growth would average 3.3% through 2008 while the CBO and the private sector both predicted 3.2%. It averaged only 2.3%. Its estimates that year of future federal tax revenue were initially high then low, as were the White House's. While the CBO in 2010 did overestimate how many people would join Obamacare's health insurance exchanges by 2014, the White House and two prominent pri-

vate outfits overestimated by even more, according to a 2015 study commissioned by the Commonwealth Fund, a foundation that promotes health care access.

Y uval Levin, a scholar at the Ethics and Public Policy Center, says the CBO overestimated how many people would be motivated by penalties for lacking health insurance. It also underestimated benefits of competition. But these misses, he notes, stemmed from its conceptual approach, not political bias.

Federal revenue estimates 2003, in trillions of dollars



THE WALL STREET JOURNAL.

ternal research on the economic harms of the deal, but a private study commissioned by two groups critical of greenhouse gas regulation. His budget two weeks ago was noteworthy for both forecasting 3% growth, much faster than what independent analysts think plausible, and the absence of any detailed analysis of how it will be achieved. Administration officials then contradicted each other on whether tax cuts would be financed with other tax rises.

This may reflect the absence of economists in its hallways. That may be changing. The president nominated Kevin Hassett, an economist at the American Enterprise Institute, to chair his CEA. The prospect has heartened economists from both parties, some of whom wrote a glowing letter Monday endorsing his nomination.

His good reputation is no guarantee Mr. Trump will listen to his findings, any more than he would necessarily heed Defense Secretary Jim Mattis, who enjoys similar bipartisan support, on national security. But, says Mr. Elmendorf: "I sleep better knowing James Mattis is defense secretary and I will sleep better if Kevin Hassett is confirmed as CEA chair."

NASA Names a New Crop of Astronauts



OUT OF THIS WORLD: NASA chose 12 new astronauts on Wednesday from its biggest pool of applicants ever, selecting seven men and five women who could one day fly aboard the nation's next generation of spacecraft.

U.S. WATCH

TRUMP ADMINISTRATION

Protections for Bird May Be Modified

Interior Secretary Ryan Zinke said he would order a review of a controversial Obama-era plan to protect a Western bird species, in the latest move by the Trump administration to modify environmental policies established by the previous president.

In a telephone press briefing, Mr. Zinke said an order he plans to issue Thursday will direct an internal team to report back to him in 60 days on ways the plan to protect the greater sage grouse, whose numbers have dropped precipitously, might include more conservation measures suggested at the state and local level.

Whereas the Obama plan adopted in 2015 relied heavily on setting up habitat zones that in

many cases excluded drilling and other land uses, Mr. Zinke said other measures could include better control of grouse predators and West Nile virus that infects the birds. The earlier plans—strongly supported by many environmental groups—have been criticized by ranchers and others as locking up too much land.

At stake in the sage-grouse issue is economic use over a large swath of the West's vast public lands.

—Jim Carlton

EMPLOYMENT

Department Rescinds Obama-Era Guidance

The Labor Department withdrew Obama-era guidance that broadened the definition of when multiple employers could be responsible for the same

worker.

The rollback of 2015 and 2016 informal guidance on joint employment and independent contractors was welcome news for some businesses, particularly franchised brands and those employing contractors on a large scale, that had said the prior guidance had opened them up to additional liability. The nation's largest labor federation called the move "very troubling."

Under the earlier guidance, for example, a company could more easily be found to be jointly responsible for labor-law violations committed by a contracting firm.

The department said Wednesday the removal of the guidance doesn't change the legal responsibilities of employers. Rather, it changes which firms could be considered the legal employer of a worker.

—Eric Morath

PHILANTHROPY

Graduate Pledges \$140 Million to MIT

The Massachusetts Institute of Technology announced that it had received a \$140 million pledge from a graduate of the school—with no name, and no strings attached.

An unrestricted gift of that size is rare in higher education, as donors often want a say in how their dollars are spent.

MIT is in the second year of the public phase of its \$5 billion fundraising campaign.

The largest gift to MIT was pledged in 2000, when International Data Group founder and Chairman Patrick McGovern Jr., and his wife, Lore Harp McGovern, committed \$350 million over 20 years for a brain research institute.

—Melissa Korn

CORRECTIONS & AMPLIFICATIONS

The first name of Peter Meehan, a co-founder of Newman's Own Organics, was incorrectly given as Paul in an article about Paul Newman's Rolex watch in the June/July edition of WSJ. Magazine.

The spreads for a DDR Corp. bond due June 1, 2027, with a coupon of 4.700, and a J.P. Morgan Chase & Co. bond

due March 1, 2025, with a coupon of 3.220, were incorrectly given as 475 basis points and 326 basis points, respectively, in the May 25 Corporate Debt table in the Business & Finance section. The incorrect data from MarketAxess was calculated from trades that were later canceled by the Financial Industry Regulatory Authority.

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

Sessions Orders Settlement Change

BY ARUNA VISWANATHA

Attorney General Jeff Sessions has ordered prosecutors to stop settling corporate-wrongdoing cases by requiring companies to make donations to third-party groups, a feature of some Obama-era bank settlements congressional Republicans had opposed.

In a one-page memo dated Monday and released on Wednesday, Mr. Sessions told Justice Department officials they could no longer include any provision in a civil or criminal settlement "that directs or provides for a payment or loan to any non-governmental person or entity that is not a party to the dispute."

The Justice Department used the practice in several settlements after the financial crisis that resolved allegations that banks misled investors on shoddy mortgage-backed securities, including a \$7 billion accord with Citigroup Inc. and a \$17 billion settlement with Bank of America Corp., both in 2014.

Most of those settlements were in the form of penalties paid to the U.S. Treasury and reduced loan balances for struggling borrowers, but they also included tens of millions of dollars in payments to housing-counseling groups approved by the Department of Housing and Urban Development and to state-based legal-aid groups.

Bank of America, for example, was required to pay \$50

million to community-development funds certified by the Treasury Department, \$30 million to state accounts that helped low-income people with legal issues and \$20 million to housing-counseling groups.

Republicans blasted the arrangement as a "slush fund" that directed money to Democratic interest groups and said the donations undermined congressional budget authority. The House of Representatives approved a bill at the end of the last congressional session in September to limit the practice.

Obama administration officials have defended the third-party donations as consistent with well-established practice and said the recipients were helping victims of the banks' conduct avoid foreclosures.

The new policy only applies to future cases but likely wouldn't have allowed the Justice Department to require Volkswagen AG to invest \$2 billion in a network of U.S. electric-vehicle charging stations, according to a person familiar with the policy.

VW was required to make the investment as part of a settlement reached with civil and criminal authorities in the waning days of the Obama administration, in which the German auto maker admitted to cheating on emissions tests. Some state officials and auto makers have said the VW provision resembles a government-backed windfall more than a penalty.

Treasury Pick Urges America-First Stance

BY IAN TALLEY

WASHINGTON—The Trump administration's nominee to be Washington's top financial diplomat, ex-Bear Stearns chief economist David Malpass, advocated an America-first revision of the world's economic architecture as senators reviewed his nomination Wednesday.

Mr. Malpass, a former senior official in the Ronald Reagan and George H.W. Bush administrations, has long been critical of global trade agreements and multilateral financial institutions that represent the backbone of world economic diplomacy.

As the Treasury's undersecretary for international affairs, Mr. Malpass would act as the administration's key advocate for dealing with sensitive economic diplomacy on issues such as exchange rates and cross-border rifts over financial regulation.

Before a brief Senate Finance Committee nomination hearing, Mr. Malpass said he would endeavor to help "our domestic industries remain competitive while encouraging foreign investment in the U.S. that creates more jobs here."

In public comments over the past two decades, Mr. Malpass has said many trade agreements and financial institutions have failed to deliver on their original mandates, aren't serving American interests and are ripe for a U.S.-led revamping.

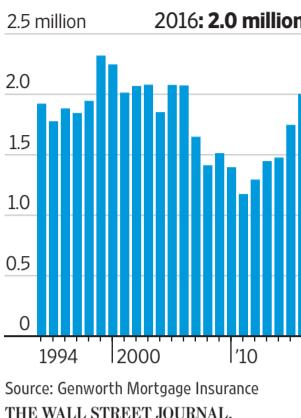
He has called the North American Free Trade Agreement a "monstrously large, managed trade process" that didn't work for small U.S. firms.

Mr. Malpass faced little questioning by the committee Wednesday, signaling his nomination should face scant opposition when lawmakers move to approve him. A vote hasn't yet been scheduled.

U.S. NEWS

Missing Out

First-time home buyers sat on the sidelines after the housing bubble but are now making a comeback.



Source: Genworth Mortgage Insurance
THE WALL STREET JOURNAL.

Millions Shut Out Of Home Purchases

By LAURA KUSISTO

Roughly three million potential first-time home buyers have been shut out of the market over the past decade, according to a new study, suggesting the housing recovery of the past few years could have been stronger.

Tight lending standards and shortages of affordable housing in many markets have lessened the pool of potential buyers, particularly among young people, reducing a key component of housing demand.

First-time buyers are an area of focus for housing economists in part because they drive new demand for housing. They often serve as buyers of starter homes, enabling those homeowners to trade up.

"They provide that greater mobility to the overall housing market. Without first-time buyers, the market becomes much more stagnant and less dynamic," said Lawrence Yun, chief economist at the National Association of Realtors.

The number of first-time U.S. home buyers averaged 1.5 million a year over the past decade, compared with the historical average of 1.8 million, according to a new study to be released Thursday by Genworth Mortgage Insurance that examines mortgage data from Fannie Mae, Freddie Mac, the Federal Housing Administration, Veterans Affairs and other sources. The study looked at data going back to 1994 and defined first-time buyers as anyone who hasn't owned a home in the last three years.

Lackluster demand for homeownership among younger people has been one of the main factors holding back the housing recovery. Many young people have been delaying buying homes because of tight credit, student loans and rising rents that have made it difficult to save for down payments.

"What's been missing is confidence," said Sam Khater, deputy chief economist at CoreLogic Inc.

That is starting to change. So far this year, first-time buyers represented about 38% of the market, greater than the historical average of 35%, according to Genworth. Some two million first-timers purchased homes last year, or 37% of the market.

"We've had a very strong surge in first-time home buyers," said Tian Liu, chief economist at Genworth.

A number of factors are propelling first-time buyers into the market. Many are entering their 30s, marrying and having children, and need more space than they can get by renting.

Credit also appears to be loosening. According to Genworth, about 78% of first-time buyers are using low-down-payment loans, compared with the historical average of 73%.

Economists said a wave of first-time buyers is likely coming over the next decade as a large cohort in their mid-20s begin to buy homes.

"As we're seeing millennials age into homeownership, there's a huge tailwind coming," said Nela Richardson, chief economist at Redfin.

Activity from repeat buyers, meanwhile, is now below historical levels, according to the Genworth survey. About 1.6 million repeat buyers financed home purchases last year, compared with the 22-year average of 2.4 million a year.

—Jeffrey Sparshott contributed to this article.

Police Killers Targeted by GOP

Trump and lawmakers seek new sentences, though many already face stiff punishments

By ZUSHA ELINSON AND BETH REINHARD

After a rise in the number of police officers murdered last year, the Trump administration and some Republicans in Congress are pushing for tougher punishments for those convicted of killing police, including the death penalty.

The Wall Street Journal looked at people charged with or convicted of fatally shooting a police officer from 2012 through 2016. In that five-year period, 6% received the death penalty and 47% face or could face capital punishment, according to the analysis of data from the Officer Down Memorial Page, a nonprofit group that honors fallen officers.

The analysis also found that 29% received a life sentence, 10% face a life sentence and 7% were given less than a life sentence.

President Donald Trump said during his campaign that all those convicted of killing police would get the death penalty under his administration, and one of his earliest executive orders called for harsher punishments for violence against law-enforcement personnel.

Last year, 66 law-enforcement officers were killed in the line of duty, up from 41 in 2015, according to the Federal Bureau of Investigation. In a bloody span in July, five police were gunned down at a protest in Dallas, and three were killed in Baton Rouge, La.

In Congress, bills are moving forward that would make killing or assaulting most officers a federal crime and make it more likely for those convicted of such murders to face the federal death penalty.

Yet even as death sentences have declined sharply nationwide, more than half of those charged with fatally shooting a police officer from 2012 through 2016 are on death row or facing the death penalty, according to the Journal analysis.



A vigil for five slain police officers in Dallas last July. The officers died after an ambush by a gunman during a protest rally.

ysis of data from the Officer Down group.

An additional 38% were sentenced to life in prison or currently face that punishment, the analysis found.

An unusual coalition of state prosecutors and civil rights activists—groups frequently at odds on criminal justice issues—oppose the congressional bills, saying they are unnecessary and include provisions that would limit the filing of civil lawsuits in police brutality cases.

Any prosecutor who doesn't already pursue a police killer to the full extent of the law "wouldn't be a prosecutor for very long," said Bill Fitzpatrick, chairman of the National District Attorneys Association and district attorney in Onondaga County, New York. "There are lots of other things that state and local prosecutors need federal assistance on and this isn't one of

them."

One of the bills, which the House passed last month, would make the murder of a police officer, firefighter or other first responder an "aggravating factor" in federal sentencing decisions.

Another bill, sponsored by the No. 2 Senate Republican, John Cornyn of Texas, would create a new federal crime for murdering a law enforcement officer; a convicted killer would be subject to the death penalty, while assaulting an officer would carry a mandatory-minimum sentence.

Congress has broad power to enact criminal laws, even affecting behavior that isn't federal in nature.

Police unions have applauded these efforts, especially, they say, because the previous administration was too quick to criticize law enforcement.

"When you're killing somebody whose main responsibility is to preserve life and happiness, you are showing a total disregard for humanity," said Chuck Canterbury, national president of the Fraternal Order of Police, which has 330,000 members.

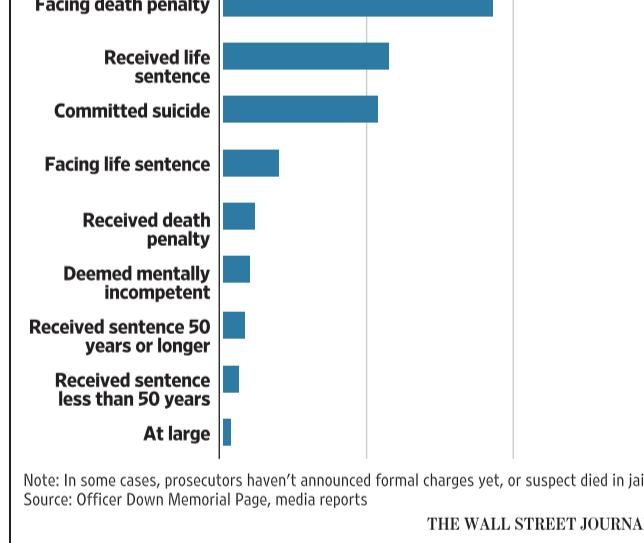
Criminal-justice experts said that ratcheting up penalties won't do anything to prevent violence against police.

The fact that so many gunmen die at the hands of police or by suicide shows that the fear of the death penalty doesn't weigh heavily on their minds, said Michael Radelet, a professor who specializes in capital punishment at University of Colorado Boulder.

The 31 states that have the death penalty also have a higher per capita rate of police killings than states that don't, raising more questions about its impact on deterrence, according to a study by the Death Penalty Information Center, a nonpartisan research organization.

Crime and Punishment

What became of those charged with or convicted of killing police officers from 2012 through 2016. Chart shows number of people.



Note: In some cases, prosecutors haven't announced formal charges yet, or suspect died in jail.
Source: Officer Down Memorial Page, media reports

THE WALL STREET JOURNAL.

MIKIMOTO
The Originator of Cultured Pearls. Since 1893.
730 Fifth Avenue at 57th St. • 212.457.4600
MIKIMOTO.COM

Trump Air-Control Proposal Faces a Tough Sell in Congress

By ANDY PASZTOR AND NATALIE ANDREWS

The Trump administration's bid to privatize the nation's air-traffic control system is facing skepticism, both from a divided industry and on Capitol Hill, where Democrats are widely opposed to the plan and Republicans are concerned about its impact on airports in less populous areas.

Transportation Secretary Elaine Chao tried to rev up support Wednesday by offering assurances that rural communities won't be short-changed, and that airport towers at small airports operated by contractors will be protected from cutbacks under the proposed system. "I'm very concerned about access for rural America," she told the Senate Commerce Committee, but said those areas are "most hurt by the status quo."

Reflecting the extent of op-

position in the Senate, GOP Sen. Roger Wicker of Mississippi said "this is a tough sell" for rural lawmakers.

Sen. Bill Nelson of Florida, the panel's top Democrat, said reviving the debate over traffic-control privatization "distracts from legitimate matters that must be addressed," including additional consumer protections for passengers.

Passage of an air-traffic control revamp would require a dramatic pullback by political forces arrayed against it, according to lawmakers, congressional staffers and industry officials.

Similar legislation was ap-

roved on a partisan vote by the House Transportation Committee last year, though it died before reaching the House floor and was never seriously considered by the Senate.

Unlike in 2016, this year

there is an administration putting its political capital behind the idea. Proponents argue that shifting traffic-control responsibilities to a private, nonprofit corporation would lead to faster and more efficient modernization. The proposed entity would be funded by user fees and could raise capital in the bond market.

Rising impatience with the Federal Aviation Administration's uncertain finances and the slow, troubled modernization has prompted most major U.S. carriers and the Business Roundtable, a group of chief executives, to support the White House proposal.

Also on board are several unions representing airline pilots and a traveler-advocacy group. The union representing some 10,500 controllers, stung by a staffing crisis due in part to erratic FAA appropriations, said it shares the administration's commitment to modernization and will review the legislation.

SAKS FIFTH AVENUE COLLECTION
EXCLUSIVELY AT SAKS. Swim trunks, \$178.
Fifth Avenue and 50th Street. 212.753.4000.
Saks Fifth Avenue Men's Store. 250 Vesey Street. 212.301.2440.

Saks
Fifth
Avenue

saks.com

U.S. NEWS

Former Prosecutor Tapped to Head FBI

President Donald Trump said Wednesday he intends to nominate a criminal defense lawyer and former top federal prosecutor to lead the FBI, a post that has become even more high-profile since the president abruptly fired the former director a month ago.

Mr. Trump made public his selection of Christopher Wray

By Del Quentin Wilber,
Rebecca Ballhaus
and Aruna Viswanatha

on Twitter, saying the former assistant attorney general in the GOP administration of former President George W. Bush had "impeccable credentials" to succeed James Comey, the director he fired last month.

Mr. Comey's dismissal was followed by the appointment of a special counsel to spearhead an investigation into Russia's alleged meddling in the 2016 presidential election, an inquiry Mr. Trump has called a "witch hunt."

The president's announcement came a day before Mr. Comey's highly anticipated testimony before a Senate committee. Mr. Comey is scheduled Thursday to describe publicly for the first time his private interactions with the president.

Mr. Trump's decision to fire Mr. Comey last month—as the Federal Bureau of Investigation probed whether the presi-



LAWRENCE JACKSON/ASSOCIATED PRESS

dent's associates colluded with Moscow—roiled Washington and the FBI. Mr. Trump has denied any collusion, and Russian officials have denied interfering in the U.S. election.

The Justice Department's recent decision to name Robert Mueller as special counsel overseeing the Russia investigation in a sense removed pressure from Mr. Trump's search for a new FBI director because the agency's new leader won't oversee the Russia inquiry as Mr. Comey had.

Mr. Wray's selection capped a month-long search that be-

The FBI handles a wide range of matters from bank fraud to counterterrorism to kidnappings. With 35,000 employees, including 13,000 agents, the bureau has been buffeted in recent months by criticism of the Russia probe and Mr. Comey's handling of an inquiry into former Democratic presidential nominee Hillary Clinton's use of a private email server when she was secretary of state.

Mr. Wray's selection capped a month-long search that be-

FBI Pick Known for Low-Key Approach

FBI Director nominee Christopher Wray and former Director James Comey both went to elite law schools, served as federal prosecutors, and worked at top Southern law firms before taking senior posts in the Bush Justice Department. But that might be where their similarities end.

While Mr. Comey is known as a gregarious figure—President Donald Trump has called him a "showboat"—Mr. Wray, 50 years old, is known for an under-the-radar approach.

In 2003, when Messrs. Comey and Wray, then top Justice Department officials, held a joint press conference to an-

ounce a special counsel to investigate the leak of a CIA employee's identity, Mr. Comey answered all of the 32 questions asked while Mr. Wray stood silently by his side, according to a transcript of the briefing.

Mr. Trump wrote in an early Wednesday tweet he would nominate Mr. Wray to the Federal Bureau of Investigation post, calling him a "man of impeccable credentials."

Mr. Wray, an Atlanta lawyer, has spent the past decade in private practice, representing high-profile clients including New Jersey Gov. Chris Christie, a Republican, and Credit Suisse AG. But he earned his reputation as a hard worker and straight-shooter early on in his career at the Justice Department. Mr. Wray declined to comment for this article.

Hailing from a liberal Man-

hattan family of lawyers, Mr. Wray went to Andover, Yale College and Yale Law School before moving to Atlanta and becoming a federal prosecutor there. He spent four years at the U.S. attorney's office in the Northern District of Georgia, prosecuting crimes from church arson to public corruption.

Mr. Wray moved to Washington to spend two years in the deputy attorney general's office in the aftermath of the Sept. 11 terrorist attacks. In 2003, he was tapped to run the department's criminal division.

"Chris is straight as an arrow," said Andrew Hruska, one of his colleagues at King & Spalding. "He will do everything in an absolutely professional way."

—Aruna Viswanatha
and Del Quentin Wilber

has a strong personality, but he is a quieter type of leader" than Mr. Comey, said Joe Whitley, a former top Justice Department official. "And that might not be bad for the FBI at this time."

Norm Eisen, who served as ethics counsel in the Democratic administration of former President Barack Obama, tweeted that Mr. Wray was a "good choice," writing he was "very fair" in his work on the Justice Department's task force investigating Enron Corp. "I endorse," Mr. Eisen wrote.

A Viewer's Guide to Thursday Hearing

BY NAFTALI BENDAVID

Former Federal Bureau of Investigation Director James Comey's appearance Thursday before the Senate Intelligence Committee is one of the most anticipated congressional hearings in years. It is Mr. Comey's first public appearance since being fired by President Donald Trump on May 9.

The hearing starts at 10 a.m. EDT. In a rare occurrence, major broadcast television networks—NBC, ABC, CBS and Fox—are expected to carry the hearing live. The Wall Street Journal will also have a live video feed, along with instant analysis and updates.

Here's what to watch for:

Was the president improperly trying to exert control over the FBI?

In his prepared testimony released Wednesday, Mr. Comey outlined several instances when he said he worried the president was trying to create a "patronage relationship" with him and demand personal loyalty from him and the FBI. Senators will try to flesh out those accounts and clarify whether Mr. Trump was acting improperly.

Mr. Trump was told he wasn't under investigation

Mr. Comey, in the prepared testimony, confirmed public assertions by Mr. Trump that the then-FBI director told him on several occasions the president wasn't under investigation. Senators of both parties will likely focus on the significance of those assurances.

The Democrats' strategy

Democratic senators are likely to press hard on comments by Mr. Trump, as recounted by Mr. Comey, that they see as improperly trying to influence the probe into alleged Russian election meddling. Beyond whether Mr. Trump obstructed justice, Democrats will seek to depict a president whose reaction to the probe has been improper and unethical.

The Republicans' approach

Republicans are likely to emphasize aspects of Mr. Comey's account that suggest Mr. Trump's actions weren't inappropriate or unlawful. They may also seek to undermine the former director's credibility, since Mr. Comey has in the past been criticized by members of both parties.

The Mueller factor

Special Counsel Robert Mueller won't be at Thursday's hearing, but his presence will hover over it. Look for Mr. Comey to tell senators there are some issues he can't discuss to avoid interfering with Mr. Mueller's investigation.

Comey: I Did Not Say I Would 'Let This Go'

BY TIM HANRAHAN

Here are highlights from the prepared congressional testimony by former FBI Director James Comey about his one-on-one conversations with President Donald Trump:

JAN. 6

in Trump Tower:

Trump Gets Assurance

"I discussed with the FBI's leadership team whether I should be prepared to assure President-elect Trump that we were not investigating him personally.... During our one-on-one meeting at Trump Tower, based on President-elect Trump's reaction to the briefing and without him directly asking the question, I offered that assurance."

JAN. 27

Dinner: 'I Need Loyalty'

"My instincts told me that the one-on-one setting, and the pretense that this was our

first discussion about my [FBI] position, meant the dinner was, at least in part, an effort to have me ask for my job and create some sort of patronage relationship. That concerned me greatly, given the FBI's traditionally independent status in the executive branch.

"Because the setup made me uneasy, I [said] that I was not 'reliable' in the way politicians use that word, but he could always count on me to tell him the truth.... A few moments later, the president said, 'I need loyalty, I expect loyalty.' I didn't move, speak, or change my facial expression in any way during the awkward silence that followed.

"Near the end of our dinner, the president returned to the subject of my job, saying he was very glad I wanted to stay... He then said, 'I need loyalty.' I replied, 'You will always get honesty from me.' He paused and then said, 'That's what I want, honest loyalty.'

see your way clear to letting this go, to letting Flynn go. He is a good guy. I hope you can let this go.' I replied only that 'he is a good guy...' I did not say I would 'let this go.'

FEB. 14
Oval Office Meeting: 'I Want to Talk About Mike Flynn'

"When the door by the grandfather clock closed, and we were alone, the president began by saying, 'I want to talk about Mike Flynn.' Flynn had resigned the previous day. The president began by saying Flynn hadn't done anything wrong in speaking with the Russians, but he had to let him go because he had misled the vice president. He added that he had other concerns about Flynn, which he did not then specify....

"The president then returned to the topic of Mike Flynn, saying, 'He is a good guy and has been through a lot....'

He then said, 'I hope you can

had told those congressional leaders that we were not personally investigating President Trump. I reminded him I had previously told him that. He repeatedly told me, 'We need to get that fact out.'

had told those congressional leaders that we were not personally investigating President Trump. I reminded him I had previously told him that. He repeatedly told me, 'We need to get that fact out.'

APRIL 11
Phone Call: 'I Have Been Very Loyal to You'

"The president called me and asked what I had done about his request that I 'get out' that he is not personally under investigation. I replied that I had passed his request to the acting deputy attorney general, but I had not heard back.... He said that perhaps he would have his people reach out....

"He said he would do that and added, 'Because I have been very loyal to you, very loyal; we had that thing you know.' I did not reply or ask him what he meant by 'that thing.'"

Mr. Comey was fired on May 9.

Vice President Mike Pence about the nature of his conversations with Sergey Kislyak, the Russian ambassador to the U.S., during the transition.

Mr. Trump said Mr. Flynn "hadn't done anything wrong in speaking with the Russians," Mr. Comey wrote. "He is a good guy. I hope you can see your way clear to letting this go."

Mr. Trump has denied that he asked Mr. Comey to end his probe of Mr. Flynn. Asked directly at a news conference in mid-May, Mr. Trump said: "No. No. Next question."

Shortly after the February meeting, Mr. Comey said he "implored" Attorney General Jeff Sessions to "prevent any future direct communication between the President and me."

On March 30, the president called Mr. Comey and complained that the Russia probe was like "a cloud" that was impairing his ability to act on behalf of the country, Mr. Comey said, and asked him what "we could do to 'lift the cloud.'" Mr. Comey said the FBI was working as quickly as possible.

Mr. Trump asked Mr. Comey to tell the country that he wasn't under investigation. Mr. Comey said he was reluctant to make such a statement.

Twelve days later, Mr. Trump called Mr. Comey to see if he had made any progress on his request to "get out" the fact he wasn't under investigation. Mr. Comey encouraged Mr. Trump to have the White House counsel reach out to the acting deputy attorney general, and Mr. Trump said he would do that. Mr. Comey said Mr. Trump told him: "Comey said Mr. Trump told him: 'Because I have been very loyal to you, very loyal.'"

"That was the last time I spoke with President Trump," he said.

—Rebecca Ballhaus
and Kristina Peterson
contributed to this article.

COMEY

Continued from Page One
efforts to influence the Federal Bureau of Investigation's probe.

Democrats on the Senate committee are expected to press Mr. Comey to provide details about the president's actions that raise questions about his motivations for seeking to curtail investigative efforts.

Republicans are expected to poke holes in Mr. Comey's accounts to raise doubts about his veracity.

"Mr. Comey's statement describes behavior by Donald Trump that was at best inappropriate, and at worst illegal," Sen. Edward J. Markey (D, Mass.) said.

Sen. James Lankford (R, Okla.), a member of the Senate Intelligence Committee, said on Fox News Wednesday that he didn't believe the president's comments to Mr. Comey amounted to obstruction of justice. "I would disagree that it rises to that level," Mr. Lankford said.

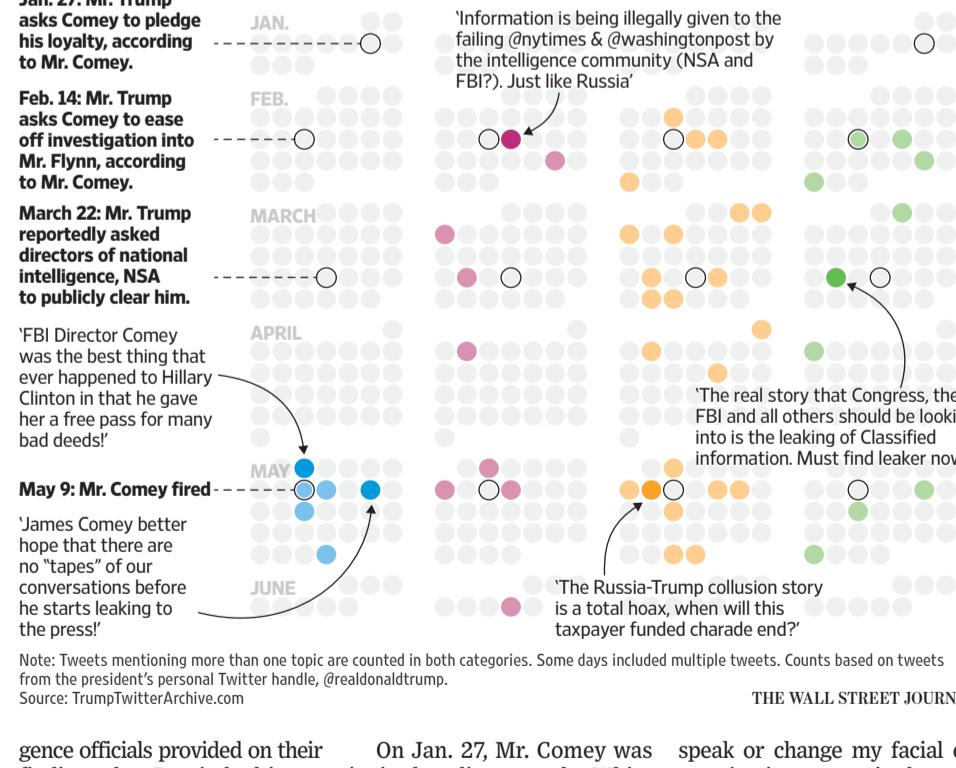
Mr. Comey said in his prepared remarks that he was basing his testimony on detailed notes he took of interactions with Mr. Trump, and that he started writing such memos after his first meeting with the president-elect at Trump Tower on Jan. 6. Mr. Comey remarked that he went on to have nine one-on-one conversations with Mr. Trump in four months compared with the two times he spoke alone with former President Barack Obama in person—once in 2015 and in late 2016 to say goodbye.

Mr. Comey testified that he didn't take such notes after his meetings with Mr. Obama.

Mr. Comey wrote that he met Mr. Trump for the first time at a briefing he and other intelli-

Tweets on Hot Topics

Since taking office, President Donald Trump has tweeted often about the investigation of Russian interference in the election, the Federal Bureau of Investigation, former FBI Director James Comey and former National Security Adviser Michael Flynn.



Note: Tweets mentioning more than one topic are counted in both categories. Some days included multiple tweets. Counts based on tweets from the president's personal Twitter handle, @realdonaldtrump. Source: TrumpTwitterArchive.com

gence officials provided on their findings that Russia had interfered in the 2016 election. As the meeting ended, Mr. Comey remained alone with the president-elect to discuss "personally sensitive" information contained in an unverified dossier of political-opposition research that would soon become public, according to his testimony.

Mr. Comey said he had discussed with his FBI leadership team whether he should be prepared to assure the president-elect that the bureau wasn't investigating him personally. "We agreed that I should tell him if the circumstances warranted," Mr. Comey wrote, adding he indeed offered that assurance.

speak or change my facial expression in any way in the awkward silence that followed."

Later, Mr. Comey promised to offer the president "honesty," and Mr. Trump replied: "That's what I want, honest loyalty."

On Feb. 14, Mr. Comey met again with Mr. Trump and other national-security officials. When the session adjourned, the president asked to speak to the FBI director alone, according to Mr. Comey's account.

The president pressed Mr. Comey to back off the FBI investigation of former national security adviser Mike Flynn, the former director said. Mr. Flynn had resigned a day earlier under pressure for having misled

expressions in any way in the awkward silence that followed."

Later, Mr. Comey promised to offer the president "honesty," and Mr. Trump replied: "That's what I want, honest loyalty."

"That was the last time I spoke with President Trump," he said.

—Rebecca Ballhaus
and Kristina Peterson
contributed to this article.



STARBUCKS®
NARIÑO 70
COLD BREW
— COFFEE —

SUPER-SMOOTH FLAVOR

Featuring beans from Colombia's Nariño region.
© 2017 Starbucks Coffee Company. All rights reserved.



U.S. NEWS



President Donald Trump greeting a family whose insurance premiums rose under the Affordable Care Act on Wednesday in Cincinnati.

Trump Stumps to Kill ACA

President Donald Trump declared the Affordable Care Act a "horrendous" disaster, and called on Republican senators to push through their own health-care legislation, in an Ohio speech Wednesday where he sought to capitalize on the state's insurance market woes.

By Louise Radnofsky,
Stephanie Armour
and Kristina Peterson

"Obamacare is in a total death spiral, and the problems will only get worse if Congress fails to act," Mr. Trump said on landing in Cincinnati, flanked by two families that the White House has called victims of the law.

Mr. Trump's tarmac health-care remarks were added late to his schedule in Ohio, apparently after reports Tuesday that Anthem Inc. was pulling out of the insurance exchange created there by the Affordable Care Act for next year. The move will likely

leave at least 18 Ohio counties with no plans to buy under the health law.

The remarks occurred ahead of a planned speech on infrastructure, in which Mr. Trump repeated some of his health-care themes.

Supporters of the 2010 health law say insurance markets are struggling not because of Obamacare but because Mr. Trump has sabotaged them by creating uncertainty over their future. "If President Trump wants to know who created these victims, he should look in the mirror," said Leslie Dach, campaign director of Protect Our Care and a former Obama administration official.

Mr. Trump's comments came on the heels of lawmakers' return to Washington on Monday, and a White House visit with GOP congressional leaders on Tuesday in which the president said he was confident Senate Majority Leader Mitch McConnell (R., Ky.)

could "get a bill across the finish line this summer" that would overturn much of the 2010 health law and enact Republican measures in its place.

Mr. McConnell took the first procedural step toward bringing health-care legislation to a vote on Wednesday. However, a lunch of Republican senators on Tuesday yielded no immediate consensus on the major sticking point, the future of the Medicaid federal-state health program for the poor that is a particularly divisive issue for Republican-dominated states.

Still, some strategists said they remained optimistic as long as GOP senators hadn't declared an impasse. And lawmakers and lobbyists said they were starting to see signs of consensus among Republicans on other difficult issues, such as whether insurers should be required to sell coverage to everyone at the same price regardless of their medical history.

GOP senators said Wednesday they were coalescing around some key components of their health-care plan. Wary of the backlash House Republicans faced over the implications their bill carried for people with pre-existing conditions, Senate Republicans said they plan to require insurers to cover that group.

"People are demanding that now, even though that's added a tremendous cost to the bill," said Senate Finance Committee Chairman Orrin Hatch (R., Utah). "On the other hand, who wouldn't want to do that if they can?"

But GOP senators said they have embraced part of the House bill that would allow states to give insurers flexibility to opt out of covering some specific benefit categories, known as essential health benefits. "There is support for the House approach on that, which had that flexibility in it" for states, said Sen. John Thune of South Dakota.

Lawmakers End Kansas Tax-Cut Experiment

BY JOE BARRETT
AND RICHARD RUBIN

State legislators in Kansas have called a halt to Gov. Sam Brownback's experiment to create a red-state model of tax cuts that he maintained would spur economic growth.

In a vote Tuesday night, legislators overrode his veto of a bill to raise taxes and close a nearly \$900 million budget gap over the next two years. Though both chambers are controlled by Republicans, the House voted 88-31 and the state Senate voted 27-13 in a harsh rebuke for the governor.

The measure is expected to raise \$1.2 billion over two years and close a projected shortfall of \$889 million over the same period. It will also bring in more money for a court-ordered increase in public-school funding.

The bill ends an exemption on taxation championed by the Republican governor that affects farmers and small-business owners. They will now pay a rate of up to 5.7%. The bill also reinstates a top tax bracket and lifts the rates on the two lower brackets.

In a brief appearance before reporters on Wednesday, Mr. Brownback cited progress in attracting people and businesses to Kansas from surrounding states during the years of the tax cuts, but blamed global forces for holding back the state's growth.

"It's a bad way to go," he said of the new tax increases. "We're going to have long-term negative consequences for the economy and the people of this state."

Tuesday night's vote ends a yearslong tax-policy debate that has been closely watched at the national level as a proxy for supply-side Republican economic philosophy. Mr.

Brownback and his allies were trying to show that cutting tax rates could stimulate economic development and attract investment.

But rapid growth never came to Kansas, and the policy of removing the income tax on so-called pass-through businesses—partnerships, limited liability companies and others that pay business taxes on their owners' individual tax returns—proved to have significant loopholes.

President Donald Trump and Republicans in Congress are attempting a similar—but not identical—idea.

National Democrats pointed to Kansas on Wednesday as a cautionary tale about relying on tax cuts to spur growth.

"I'm pretty elated by the Kansas outcome and really relieved the Legislature did what they had to do. I'm much less confident that D.C. conservatives will learn from Kansas conservatives," said Jared Bernstein, who was an economic adviser to former Vice President Joe Biden. "If substantive evidence could kill the trickle-down mythology, it would have died a long time ago."



Kansas Gov. Sam Brownback

No Tax Rate Answers Yet, But Hatch Upbeat on Deal

BY RICHARD RUBIN

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch said Wednesday he has no set target for tax rates or tax revenue as lawmakers struggle with what breaks to curtail in their rewrite of the tax code.

While the Trump administration seeks a 15% corporate tax rate and House Republicans call for a 20% rate, down from the current 35%, Mr. Hatch remained circumspect. He said only that he wants to get tax rates as low as possible.

"Until we perform the surgery and start eliminating preferences and credits in order to bring down rates—and get official feedback from the Joint Committee on Taxation—we cannot speak definitively on the rate targets," he said in a speech at a conference. "And, of course, we have to see just where our members are going to object to the removal of certain tax provisions because, once again, our mar-

gin of error with regard to the vote total is very slim."

Mr. Hatch, a Utah Republican, said he was optimistic that Republicans would be able to overcome their internal differences and he said lawmakers agreed on about 80% of what they are trying to

accomplish. Republicans, who control the House, Senate and White House, are aiming for the most significant rewrite of the tax system since 1986 and they say they will complete their work this year.

So far, however, the administration has offered a one-page outline and the biggest revenue-raising changes in the House plan are under fierce

political attack.

Mr. Hatch, the Senate's longest-serving Republican, said he thought the administration and House Republicans would move off their rate goals to get a bill signed into law.

"I think we're making some serious headway toward a workable framework," he said.

One of those disagreements is the House proposal to include a border adjustment in the corporate tax, exempting exports and taxing imports. Mr. Hatch said that plan would have a hard time getting through the Senate, citing industries that are "apoplectic" about it and objections from GOP senators.

Massachusetts Rep. Richard Neal, the top Democrat on the House Ways and Means Committee, warned against repeating anything like the tax cuts signed by President George W. Bush in 2001 and 2003.

"Apparently," Mr. Neal said, "deficits only matter when there's a Democratic president."

20%

Corporate tax rate House Republicans are seeking

WASHINGTON WIRE

MONTANA

Gianforte Apologizes To Guardian Reporter

Greg Gianforte, the Montana Republican who won a House special election after body-slamming a reporter, on Wednesday issued a formal apology, admitting full responsibility and saying he would donate \$50,000 to a nonprofit group that promotes press freedom.

The apology was in a letter to the reporter, Ben Jacobs of the *Guardian*, that also retracted his spokesman's suggestion at the time that the reporter had initiated the altercation.

"You did not initiate any physical contact with me and I had no right to assault you," Mr. Gianforte said in the letter, which is part of an agreement with Mr. Jacobs that settles any potential civil claims, the *Guardian* reported.

told lawmakers on Wednesday.

Homeland Security Secretary John Kelly also said that the agency is trying to develop security standards that airports could meet to avoid the ban on laptops, tablets and other electronic devices.

The secretary, who spoke at a House Homeland Security Committee hearing, said foreign terrorists "are trying every day to knock down one of our airplanes coming over here from right now—Europe and the Middle East." He called the threat very serious and constant.

The latest comments on the proposal under consideration by the Trump administration come after the agency previously hinted a ban may be expanded to all inbound flights to the U.S. from Europe. Recently, Mr. Kelly suggested the ban could affect all international flights in and out of the U.S.

—Susan Carey

Officials Mull Airport Security Standards

An expanded ban of carry-on laptops on international flights could extend to flights headed to the U.S. from 71 airports around the world, a top official

The most expensive Mercedes-Benz® ever made.
Rarer than a Stradivarius violin.

Not actual size.
Shown is model in Pearl White finish.
Also available in Ruby Red finish.

How to Park \$11.7 Million on Your Desktop

The 500K Special Roadster is one of the rarest and most-sought after automobiles ever built.

It's hard to deny that one of the signature models of Mercedes-Benz® is the 500 series. So many striking and elegant bodies would grace the stalwart chassis. The 500K's of the 1930s were beautiful, elegant, and exclusive models often outfitted with voluptuous coachwork and sold to the wealthiest of clientele.

The most ravishing model of this species was the two-seater 500K Special Roadster launched in 1936. It was a limited production cabriolet, in total less than 30 were made, adding to its near-mythical qualities. In its day it went for top dollar—over \$106,000. Today, these ultra rare masterpieces are going for millions. In 2012, a Special Roadster fetched more than \$11.7 million at auction at the Pebble Beach Concours d'Elegance.

The masters at Maisto® produced this die-cast metal replica capturing the sexy curves and sumptuous coachwork of the full-size model in striking detail. Just shy of a foot long, and available in pearl white or ruby red. You don't need to spend millions to showcase your impeccable taste. Sold! To the discerning reader for \$99!

Your satisfaction is 100% guaranteed. Test drive the Special Roadster for 30 days. If for any reason you are not completely satisfied, simply return it to us for a full refund of your purchase price. But we're sure that once you park this beauty in your house you'll be sold.

Comes factory sealed in its original packaging in order to retain its status as a highly collectable item.

1936 Mercedes-Benz® 500K Special Roadster

(Pearl White or Ruby Red finish) \$149†

Offer Code Price \$99 + S&P Save \$50

1-800-333-2045

Your Insider Offer Code: MBD327-01

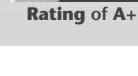
You must use this insider offer code to get our special price.

High-quality 1:18 scale die-cast replica • intricate moving features

• Detailed chassis with separate exhaust systems • Includes display stand

† Special price only for customers using the offer code versus the price on Stauer.com without your offer code.

Stauer® 14101 Southcross Drive W., Dept. MBD327-01
Burnsville, Minnesota 55337 www.stauer.com



Rating of A+

WORLD NEWS

U.K. Vote Puts Pollsters to Latest Test

Firms tweak methods, hoping to avoid repeat of missteps in 2015 and Brexit referendum

Britons go to the polls on Thursday to cast their vote in an uncertain election, with pollsters agreeing only on one thing: that the commanding lead enjoyed by the Conservative Party of Prime Minister Theresa May has shrunk dramatically during the six-week campaign.

By Jason Douglas in London and Jo Craven McGinty in New York

Just as this election has tested Mrs. May's leadership, so it is testing Britain's polling firms. Opinion polls published by a dozen or so firms in the final days before voting have shown a wide variation in the size of the Conservative lead, from as little as 1 percentage point over the main opposition Labour Party to a 12-point gap.

Quirks of Britain's Parliamentary system mean that such discrepancies present an unusual range of possible outcomes at Thursday's election.

Mrs. May could return with the big majority in Parliament she says will strengthen her hand in coming Brexit talks with Brussels. She could limp back into government much diminished. Or the Conservatives could lose enough seats to give other parties the chance to club together and govern instead.

The reason for the variation in the polls: Faulty predictions



MARCO UGOLINI/AGENCE FRANCE PRESSE

The Labour Party of Jeremy Corbyn, left, has eroded a commanding lead enjoyed by the Conservative Party of Prime Minister Theresa May. Both are pictured in the window of a betting shop in London that invites customers to place bets on the result of the election.

ahead of the previous election in 2015 prodded the polling industry in the U.K. to overhaul the arcane methods they employ to divine public opinion.

In the U.K., it is these adjustments that are generating the mixed signals clouding the election result, pollsters say.

"This is an experimental election in many ways for pollsters," said Jon Cohen, chief re-

search officer for SurveyMonkey, which conducts online polls in the U.S. and U.K.

Mrs. May called a snap election April 18 at a time when opinion polls gave her center-right Conservatives an advantage of around 20 percentage points on average over the main opposition Labour Party, led by veteran left winger Jeremy Corbyn.

Her lead has narrowed sharply since the race began, with the average Conservative lead shrinking to around 8 points on Tuesday, according to a Wall Street Journal analysis, an advantage that could lift Mrs. May's working majority in Parliament to around 30 seats or more, from 17 currently. A lead in excess of 20 points could have added 100 to 150

seats to her tally.

Pollsters say the slip reflects a lackluster Conservative campaign and a better-than-expected reception for Labour, which has been more successful than the government at picking up wavering voters.

Terror attacks in Manchester and London shocked the country and colored the parties' campaigns, though they don't

appear to have significantly altered voting intentions.

No poll has yet given Labour an outright lead.

That polling average conceals a wide variation among different pollsters' estimates of Mrs. May's advantage.

Even small differences in party vote shares in the U.K. can have hard-to-predict effects when it comes to forming a new Parliament, thanks to an electoral system that tends to reward big parties at the expense of smaller ones and those with concentrated geographical support at the expense of those with more diffuse backing.

Driving the discrepancy, pollsters say, are differences in how firms predict voter turnout, a response in part to an earlier error exposed by the 2015 election.

Pollsters had been quizzing too many younger political nerds, many of whom lean toward Labour, and too few older and less-engaged voters, who tend to favor the Conservatives, said Patrick Sturgis, a statistics expert at the University of Southampton who led the industry-sponsored review into the 2015 polling fiasco.

The result was that polls in 2015 understated Conservative support. To fix the problem, firms broadly have taken two approaches.

Some made an extra effort to make their panels more representative of the wider population, while others have worked harder to weight their findings to reflect voting patterns among different groups of people.

◆ Some investors are hoping for a Labour win..... B10

Death Toll Increases From London Attack

LONDON—Authorities raised the death toll in the weekend car-and-knife rampage in London to eight on Wednesday after recovering a body from the Thames.

By Michael Amon
Jon Sindreu
and Georgi Kantchev

Police didn't identify the body, but said they informed the next of kin of Xavier Thomas, a 45-year-old French national who disappeared after the attack, of the discovery.

In the Saturday night attack, three men mowed down pedestrians in a van on London Bridge before slashing their way through a nearby area of bars and restaurants. The assailants were shot and killed by police.

Mr. Thomas's family and police had called for information after he went missing the

night of the attack. Witness statements suggested Mr. Thomas may have been struck down by the attackers' van and thrown into the river, police have said.

The discovery came as more information emerged about those who died in Saturday's attack.

Police said the victims included Sara Zelenak, a 21-year-old Australian living and working in London. Family members confirmed the death of Ignacio Echeverría, a 39-year-old Spanish national.

Authorities had been warned about at least two of the attackers but weren't actively monitoring them, raising questions about the country's security gaps.

Police early Wednesday said they had arrested a 30-year-old man as they searched a property in east London as part of their investigation.

German ECB Skeptic Eases Criticism

BY TOM FAIRLESS

FRANKFURT — Jens Weidmann, the German central-bank chief who made his name by loudly attacking the European Central Bank's crisis-fighting efforts, has become a quiet defender of the ECB against its German critics.

The shift has been subtle. Mr. Weidmann still criticizes the bank's radical stimulus measures. But his tone has softened as evidence accumulates that the ECB's policies are working—and as the race to become the institution's next president approaches.

"There is currently no doubt that an expansionary monetary-policy stance is appropriate," Mr. Weidmann said in a speech in late May, while suggesting he might not agree with his colleagues on the details.

Only five years ago, he was boasting of clashes with fellow policy makers, and comparing easy-money policies to drugs



ANDREW MEDICHINI/ASSOCIATED PRESS

Bundesbank chief Jens Weidmann still criticizes some ECB policies.

and alcohol.

As ECB officials gather Wednesday and Thursday in Estonia, what was once a bitter argument over the bank's far-reaching monetary stimulus is expected instead to be a pragmatic discussion about whether to start reducing it.

Mr. Weidmann declined to be interviewed for this article.

ECB President Mario Draghi's term ends in 2019. The

jockeying to succeed him is likely to begin after Germany's national elections in September. The presidency is determined by a vote of eurozone leaders.

Mr. Weidmann has been carefully noncommittal. "I make a point of never taking part in speculation on such issues," he said in an interview in May, responding to whether he might be the next ECB chief.

But German Chancellor An-

gela Merkel and her finance minister, Wolfgang Schäuble, are reportedly prepared to push for him, on the basis that no German has led the ECB, which is based in Frankfurt, in its nearly 20-year history.

Mr. Weidmann has been careful not to alienate his German constituency. While he has cooled his fiery rhetoric, he continues to criticize policies viewed with deep distrust in Germany, such as government-bond purchases.

Mr. Weidmann would have a strong claim for the top job. Germany is the region's anchor economy, and the ECB was modeled on the Bundesbank. Mr. Weidmann's predecessor, Axel Weber, was widely seen as the front-runner before he pulled out of the race. Crucially, only a minority of eurozone governments have required bailouts—or come close. Many others are sympathetic to at least some German concerns.

OMB[♥] SALE.

SAVE

ON TAILORED CLOTHING
DESIGNER COLLECTIONS, SHOES AND MORE

Goodman's
MEN'S STORE
BERGDORF GOODMAN

5TH AVENUE AT 58TH STREET BG.COM/GOODMANS

WORLD NEWS

North Korea Fires Multiple Missiles

By JONATHAN CHENG

SEOUL—North Korea fired multiple cruise missiles into the waters between Korea and Japan on Thursday morning, a day after Seoul said it would suspend any further deployment of a controversial missile-defense system in order to conduct an environmental review.

The cruise missiles, which a spokesman for South Korea's Joint Chiefs of Staff said were believed to be antiship missiles, were fired from near the city of Wonsan on North Korea's east coast, and flew about 125 miles.

The spokesman added that South Korean President Moon Jae-in was briefed on the launch.

The missile launch comes less than a week after the United Nations Security Council passed a new resolution expanding sanctions against North Korea as punishment



A U.S. missile-defense system called Terminal High-Altitude Area Defense, in Seongju, South Korea.

for its missile tests.

It also comes a day after Mr. Moon formally said that he would halt the deployment of a controversial U.S. missile-defense system in South Korea while the government con-

ducts an environmental assessment of the site in southern South Korea.

The Terminal High-Altitude Area Defense, or Thaad, battery currently has two launchers, short of the full array of six

launchers that typically comprises a Thaad battery.

The Moon administration said that those two launchers could remain, but that any further deployment would be subject to the review. The U.S.

says that the battery, with its two existing launchers, is operational and capable of shooting down North Korean missiles.

Officials in Washington have avoided comment on the controversy surrounding the Thaad missile defense battery, saying they regard it up until now as a domestic issue in South Korea. Proponents of the deployment said the system remains critical to efforts to protect South Koreans from Pyongyang's increasingly sophisticated abilities.

"I hope any environmental concerns related to the full deployment of Thaad will be dispelled with a quick and thorough review," said Rep. Ed Royce (R., Calif.), chairman of the House Foreign Affairs Committee. "And we must continue to press China and Russia to play more productive roles, since North Korea's nuclear program endangers us all."

Beijing Criticizes U.S. Study Of Military

By JOSH CHIN

BELJING — China pushed back against a Pentagon warning about the Chinese military's growing ambitions outside Asia, calling the U.S. report "irresponsible" and saying China's defense policy was aimed at safeguarding its sovereignty.

In a new report on the Chinese military published on Tuesday, the U.S. Defense Department said China's military, the People's Liberation Army, was likely to try to expand its operations outside the region, while strengthening its ability to defend expansive territorial claims closer to home.

"China's defense is for safeguarding China's independence, sovereignty and territorial integrity," Chinese Foreign Ministry spokeswoman Hua Chunying said Tuesday. Criticizing the U.S. for maintaining a "Cold War mentality," Ms. Hua said the Pentagon report was written "without regard for the facts."

Chinese Defense Ministry spokesman Wu Qian said Wednesday that the country's military development was reasonable in scope and that criticisms in the report were "based purely on speculation." He said the PLA "isn't pushing for military expansion, and isn't seeking a sphere of influence."

The report, an assessment of China's military capabilities the Pentagon is required to submit to Congress annually, noted the PLA's construction of a military base in Djibouti, its first overseas outpost, and said it expected China to seek to build bases in other friendly countries, including Pakistan.

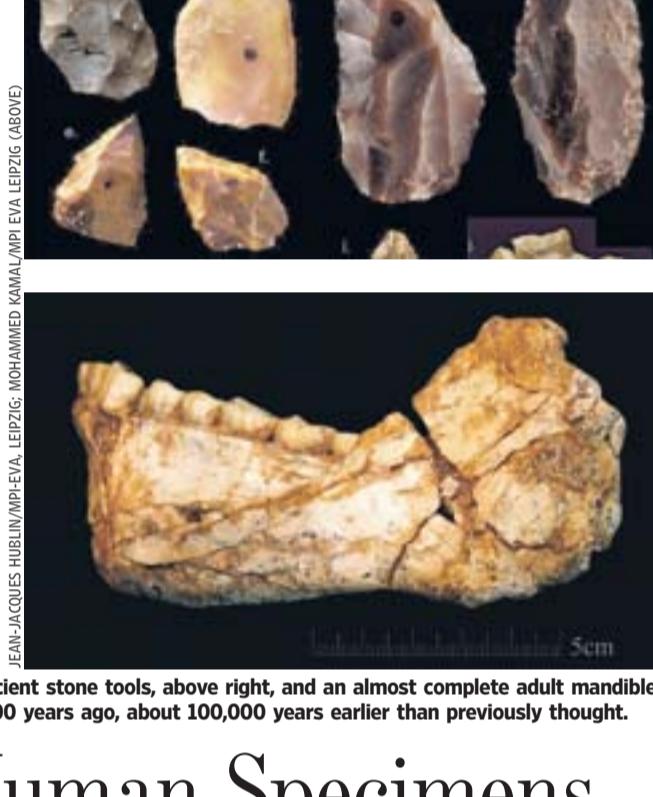
Ms. Hua called the mention of Pakistan as a potential site for a Chinese base speculation. She said China and Pakistan "have been long conducting mutually beneficial cooperation in different fields."

The Pentagon report also for the first time examined China's "maritime militia," a growing civilian fleet staffed by military-trained fishermen that Beijing uses for "low-intensity coercion" in defending its vast maritime claims in nearby seas.

While the militias used to rent boats from companies or fishermen, China now appears to be building a state-owned fleet to patrol the South China Sea, the report says.

"The maritime militia is literally on the front lines of advancing China's sovereignty claims in the South China Sea," said Andrew Erickson, an expert in Chinese maritime strategy at the U.S. Naval War College.

"China is determined to defend the country's sovereignty and security" in the East and South China Seas, Mr. Wu said, blaming reconnaissance activities by U.S. warships for increasing tension in the region.



Jean-Jacques Hublin, above left, points to a skull fragment in Jebel Irhoud near Marrakesh, where ancient stone tools, above right, and an almost complete adult mandible were among the items scientists recovered, pointing to the existence of Homo sapiens around 300,000 years ago, about 100,000 years earlier than previously thought.

Scientists Find Earliest Human Specimens

Bones of ancient hunters unearthed in Morocco are said to be 300,000 years old; 'a big wow'

By ROBERT LEE HOTZ

The bones of ancient hunters unearthed in Morocco are the oldest known specimens of the human species, potentially pushing back the clock on the origin of modern Homo sapiens, scientists said.

Found among stone tools and the ashes of ancient campfires, the remains date from about 300,000 years ago, a time when the Sahara was green and several early human species roamed the world, the scientists said.

That makes them about 100,000 years older than any other fossils of Homo sapiens—the species to which all

people today belong.

"These dates were a big wow," anthropologist Jean-Jacques Hublin said on Wednesday at the Max Planck Institute for Evolutionary Biology in Leipzig, Germany. He led an international team of scientists who reported the discovery in *Nature*. "This material represents the very roots of our species—the very oldest Homo sapiens found in Africa or anywhere."

Until now, most researchers believed that modern humankind emerged gradually from a population centered in East Africa around 200,000 years ago. Previous discoveries of early Homo sa-

piens fossils have been concentrated at sites in Ethiopia.

The fossil discovery at Jebel Irhoud near Marrakesh in North Africa, however, suggests that early humans had already spread across most of Africa by then.

"What's really neat about this discovery is that you now have evidence of modern Homo sapiens across Africa, about as far from sites in East Africa as you can get," said anthropologist Bernard Wood at George Washington University's Center for the Advanced Study of Human Paleobiology, who wasn't involved in the find.

As early experiments in the human form, these an-

cestors had quite modern-looking facial features, but relatively primitive skulls, suggesting that the cognitive capacities of modern brains had yet to take shape, the scientists said.

Their faces were likely so contemporary in appearance that they might pass unnoticed on a crowded city sidewalk, although they might need to wear a hat to disguise their skull's elongated shape, Dr. Hublin said.

Such combinations of traits, though, blur the differences that distinguish one human ancestor from another, making it hard for scholars to classify species accurately. In fact, several

early human species, such as Neanderthals, were so closely related to Homo sapiens that they could all interbreed, modern genetic evidence shows.

But several independent experts said they agreed that the fossils most likely belonged to Homo sapiens.

"It has a modern face and a primitive brain case," said John Fleagle, an expert on primate evolution at Stony Brook School of Medicine, who wasn't part of the research group.

"You would expect it to have a few primitive characteristics even if it is on the main line of our lineage. It shows what is probably an earlier stage of our species."

—Laurence Norman and Julian E. Barnes

WORLD WATCH

BRAZIL

Electoral Court Extends Trial

Brazil's top electoral court agreed to extend a trial that could cancel the results of the 2014 presidential election and oust President Michel Temer to Friday or even into the weekend after a dispute over the admission of recently uncovered evidence.

Mr. Temer and former President Dilma Rousseff, who won the election with Mr. Temer as her running mate, are under investigation for allegedly funding their campaign using proceeds from a corruption scheme at oil company Petrobras. Mr. Temer took over as president in 2016 after Ms. Rousseff was impeached for breaking budget laws. Both have denied wrongdoing.

—Paulo Trevisani

EUROPEAN UNION

Fund Aims to Unify Europe Defense Plans

The European Union announced €500 million (\$563 million) in funding by 2020 for a program to unify its fractured defense market and jointly develop advanced weapons systems. European officials hope the initiative, in the works long before President Donald Trump's call for

allies to increase military spending, will benefit from his push for European governments to spend more on defense.

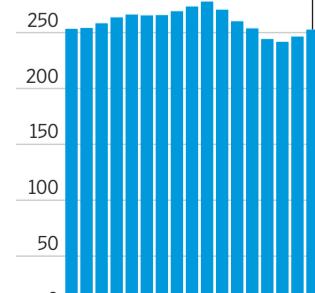
European countries spend relatively little on military research. EU members, excluding the U.K., which is departing, together devote roughly €5 billion annually to military research and development. The Pentagon, in contrast, spends roughly \$80 billion annually to develop new equipment.

—Laurence Norman and Julian E. Barnes

Nudging Up

After years of decline, military spending in European Union countries has begun to increase.

Estimated military expenditures



Note: Constant 2015 prices and exchange rates
Source: SIPRI

JAPAN

Economy Grows At Slower Pace

Japan's economy grew at a slower pace than initially estimated in the first quarter, as weaker household spending and an inventory rundown took some of the shine off its longest economic expansion since 2006.

The nation's gross domestic product, the broadest measure of economic activity, grew at an annualized pace of 1% from the previous three months, according to government data released Thursday.

While the figures confirm that the economy extended its most recent stretch of growth under Prime Minister Shinzo Abe to five quarters, the expansion in the first three months of 2017 proved much slower than first thought. A preliminary estimate put first-quarter growth at 2.2%. In non-annualized terms, the economy expanded 0.3% from the previous quarter, compared with an initial estimate of 0.5%.

The revised figures showed private consumption rose 0.3% from the previous quarter, compared with an initial estimate for a 0.4% gain. The data indicated that the contribution of household spending to overall growth essentially halved. A decline in inventories also weighed on growth.

—Kosaku Narioka



Pope Francis with Russian Orthodox Patriarch Kirill, with whose church he has sought closer ties.

Russian Catholics Seek Pope's Nod

By FRANCIS X. ROCCA

ROME—A group of Russian Catholics is demanding greater recognition from Pope Francis, saying the Vatican apes Moscow and threatens the group's very existence.

Leaders of the Russian Byzantine Catholic Church, with fewer than 30,000 members worldwide, are meeting in Italy this week in their first such synod in a century.

On the agenda is a long-standing request for their own bishop and resources for training their own clergy.

Church leaders say the pope has ignored their appeals as he pursues closer ties with the Russian Orthodox Church, which is dominant in the country.

"The survival of the Russian Catholic Church is what's at stake," said the Rev. Lawrence Cross, a Russian Catholic priest based near Melbourne, Australia. "One of the essential things we need for our survival, like any church or any family, is a father."

Pope Francis has made closer ties with the Russian Orthodox, who represent about two-thirds of the world's 250 million Orthodox Christians, an especially urgent priority in light of increasing persecution of Christians around the world.

Archbishop Cyril Vasil', secretary of the Vatican's Congregation for the Oriental Churches, said his office was

aware of the Russian Catholics' meeting.

The Vatican has sought stronger links with the Eastern Orthodox churches since the 1962-65 Second Vatican Council, working toward ending a schism that dates to the 11th century.

The European Union announced €500 million (\$563 million) in funding by 2020 for a program to unify its fractured defense market and jointly develop advanced weapons systems. European officials hope the initiative, in the works long before President Donald Trump's call for

WORLD NEWS

ISIS Makes Global Claims as It Loses Turf

Terror group, under fire in Syria and Iraq, seeks to rally supporters with multiple attacks abroad

BY MARIA ABI-HABIB
AND RAJA ABDULRAHIM

BEIRUT—As its empire in Iraq and Syria fast crumbles, Islamic State has claimed responsibility for a flurry of attacks on three continents in a bid to project power when its survival as a self-proclaimed caliphate is at stake.

The Sunni extremist group has already said it was behind 12 attacks around the world in the first seven days of June, including Wednesday's assaults on Tehran targeting symbols of the Shiite regime's power.

With real battlefield gains now few and far between, symbolic victories have become critical for Islamic State to remain relevant to supporters around the world, according to Western and Arab diplomats who monitor the group.

Horrific, headline-grabbing attacks still have the power to stir sympathizers, they said,

and project an image of power to seduce new recruits.

"For supporters, they need the organization itself to demonstrate its power so they are inspired to act themselves," said a senior U.S. official monitoring Islamic State.

It is unclear if the carnage has been orchestrated and directed by Islamic State, if the group's propaganda has inspired far-flung supporters to action, or if the group is laying claim to mayhem sown by others.

The spurt of violence over the past few weeks, however, has coincided with Islamic State losing its grip on its main power centers in Syria and Iraq, and a call for action by the group in late May.

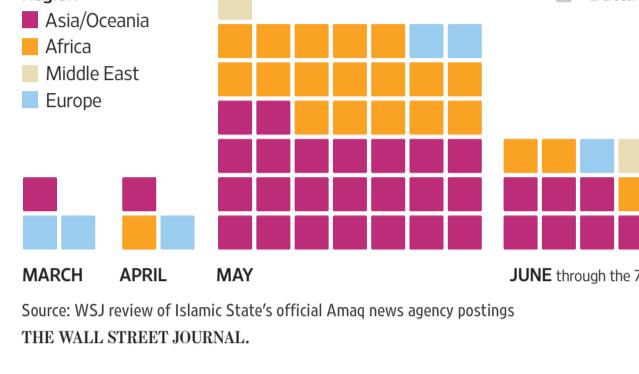
"As the organization is put under more pressure in Raqqah and Mosul, they'll launch more attacks in the West," the senior U.S. official said. "The question is: Do they have the ability and the networks available to them?" the senior U.S. official said. The official said that security forces have made progress unraveling terror networks in Europe.

Wednesday's attack in Iran

Lashing Out

In recent months, as Islamic State has come under siege in Syria and Iraq, it has claimed responsibility for a spate of attacks elsewhere. The most have been in Egypt, with 17, and the Philippines, with 16.

Attacks outside Iraq and Syria claimed by Islamic State



Source: WSJ review of Islamic State's official Amaq news agency postings

THE WALL STREET JOURNAL.

came a day after U.S.-backed forces began an assault to retake Raqqah—the de facto capital of a self-proclaimed caliphate that spanned Syria and Iraq and was once the size of Belgium.

The Pentagon estimates there are fewer than 1,000 Islamic State militants still in Raqqah, which was once the group's main population center and inhabited by Syrian, Iraqi and foreign fighters. At

its peak, ISIS commanded some 25,000 fighters in both countries.

The iron grip with which Islamic State once ruled the city and its residents has loosened as the group's fighters struggle to hold on to territory.

Current and former Raqqah residents have described a leadership in chaos, meting out fewer brutal punishments as residents break more of the

group's strict rules.

A U.S.-backed Iraqi offensive, meanwhile, has been painstakingly routing the militants from Mosul over the past eight months. The militants are now cornered in a narrow strip of the city.

Islamic State has responded to offensives by calling for attacks wherever and however possible, no matter how rudimentary.

In London on Saturday, the attackers used a vehicle to mow down victims—a tactic also used in London in March, in Berlin in December and in the French city of Nice in July 2016. Vehicular attacks allow plotters to move under the radar of security forces. Bombings require more planning but often inflict higher casualties.

At the start of the Muslim holy fasting month of Ramadan in late May, Islamic State called on supporters to launch more attacks. Members and sympathizers posted messages on social media vowing a month of jihad.

Since then, the group has claimed responsibility for attacks by gunmen on a bus carrying Egyptian Christians, a

suicide bombing at an Ariana Grande pop concert in Manchester, and a deadly fire started by a gunman at a Manila casino that Philippine police said was a botched robbery attempt.

Islamic State has also deployed explosive devices, such as the one that ripped through Brussels Airport last year.

But senior American officials say that so far, Islamic State seems unable to build the kind of complicated explosives that al Qaeda in the Arabian Peninsula is known to produce.

The commander of the U.S.-led coalition fighting Islamic State, Lt. Gen. Steve Townsend, said Tuesday that capturing Raqqah would deliver a decisive blow to the idea of Islamic State as a physical caliphate and make it harder for the terrorist group to gain new recruits.

But he said that seizing Raqqah wouldn't destroy the group. "We all saw the heinous attack in Manchester, England," Gen. Townsend said. "ISIS threatens all of our nations, not just Iraq and Syria, but in our own homelands as well."

—Nour Alakraa contributed to this article.

IRAN

Continued from Page One

"We grieve and pray for the innocent victims of the terrorist attacks in Iran, and for the Iranian people, who are going through such challenging times," Mr. Trump said. "We underscore that states that sponsor terrorism risk falling victim to the evil they promote."

For its part, Iran pointed to Mr. Trump's visit to Saudi Arabia and what it said was Riyadh's support for terrorism.

The two attacks on Wednesday unfolded miles apart. Three attackers approached the parliament complex in central Tehran at 10:15 a.m. and pretended to have an appointment with lawmakers, according to Iran's Islamic Revolutionary Guard Corps, an elite military force.

The attackers shot and killed the security guard at the entrance door and opened fire on civilians waiting to see their representatives, the Guard said.

The terrorists then clashed with security forces protecting lawmakers and took up positions on a floor of offices, where they killed employees, said the Guard, which is responsible for parliamentary security.

Witnesses and social media feeds from inside Iran suggested the parliament standoff took several hours to contain. Several witnesses said the attackers were dressed as women, covered in the head-to-toe black chador that is common attire among conservative Iranian women.

Revolutionary Guard special forces entered the parliament and within an hour contained the threat and killed all three terrorists, the Guard said.

The other attack on Wednesday took place at a shrine near Tehran that contains the remains of Iran's 1979 revolutionary leader, state television said.

Two attackers tried to enter the shrine but security forces became suspicious and tried to stop them, said Hossein Zolfaghari, the deputy interior min-

ister for military and security.

One blew himself up in the courtyard of the shrine and the second was killed by security forces, said Mr. Zolfaghari. A worker was killed and three security guards were wounded, state television said.

At least 13 people were killed and 42 wounded in the assaults, according to the Interior Ministry.

The U.S. State Department condemned the attacks. "We express our condolences to the victims and their families and send our thoughts and prayers to the people of Iran," spokeswoman Heather Nauert said. "The depravity of terrorism has no place in a peaceful, civilized world."

Asked to clarify the difference in tone from the White House statement, an administration official said neither is inconsistent with the administration's policy, and that "we as a government, whether at the State Department or the White House, are absolutely willing to call out the Iranian regime."

Sunni countries such as Qatar, the United Arab Emirates, Jordan and Oman also condemned the attacks.

Questions remain about how the attackers were able to plan and carry out a sophisticated attack on two of Iran's most secure sites. Visitors to the parliament are thoroughly searched and typically not allowed to take personal belongings inside, including even a pen. The attackers who entered the parliament had AK-47 rifles, grenades and suicide vests.

The Revolutionary Guard indicated that Saudi Arabia had a hand in the attacks, without providing evidence. "World and Iranian public opinion view this attack as extremely significant given it comes one week after the president of America met with one of the Arab leaders of a regional country that has consistently supported infidel terrorists," the Guard said—an allusion to Saudi Arabia and to Riyadh.

"We will not leave any bloodshed unanswered," the



Iranian forces shown during the attack on the Iranian parliament complex in the center of Tehran on Wednesday.

TASNIM NEWS AGENCY HANDOUT/REUTERS

Regime's Leaders Face New Challenge On Security

Iranians reacted with horror and defiance after the attacks, as the country's leaders confronted new security and political challenges in the wake of the unprecedented violence.

Islamic State claimed responsibility for the twin at-

Guard said.

Saudi Foreign Minister Adel al-Jubeir dismissed the accusation and called Iran "the No. 1 state sponsor of terrorism" and a destabilizing force in the region.

Iran had largely shielded itself from terrorist attacks by Sunni extremist groups like Islamic State—which regards

tacks, which targeted the parliament complex in Tehran and the shrine of Ayatollah Ruhollah Khomeini, Iran's founding figure, killing 13 and wounding dozens.

Supreme Leader Ayatollah Ali Khamenei dismissed the attacks as "fireworks," and said they left Iranians more determined than ever to fight terrorism.

President Hassan Rouhani, a pragmatist who was elected to a second four-year term last month, said Iran was still the saf-

est country in a chaotic region.

Yet the attacks, which included shootings and bombings, sent shock waves through Tehran.

"Everyone is worried, we don't know if this means it's a start of terrorist attacks in Iran," said Mina, a 52-year-old engineer. "We always thought we were shielded here and safe."

After the attacks, security forces were out in force in public squares and metro stations. Teh-

ran residents said military checkpoints were set up across the capital and at entry and exit roads to the city.

Iranian forces have long fought Islamic State extremists on the battlefields of Syria and Iraq, but the Sunni extremist group hadn't successfully carried out any operations within predominantly Shiite Iran until Wednesday.

—Farnaz Fassihi and Asa Fitch

Iranian State has claimed attacks opportunistically in the past, according to Mehdi Khalaji, a fellow at the Washington Institute for Near East Policy, noting the extremists typically strike ordinary people rather than political symbols.

—Carol E. Lee and Bertrand Benoit contributed to this article.

Berlin Plans To Move Base Out of Turkey

BY ZEKE TURNER

BERLIN—Germany said its air force contingent engaged in the campaign against Islamic State would leave Turkey after Ankara refused to allow German lawmakers access to the troops.

Defense Minister Ursula von der Leyen said Chancellor Angela Merkel's cabinet on Wednesday approved her proposal to relocate the more than 250 troops to an air base in Jordan from Incirlik Air Base in southern Turkey, a launchpad used since last year by German forces to fly reconnaissance and refueling missions in support of the U.S.-led coalition fighting Islamic State in Syria and Iraq.

"We have a parliament-led army and it goes without saying lawmakers need to visit the servicemen and women," Ms. von der Leyen said in an interview with German radio.

Arab States Drawing Up List of Demands for Qatar

BY JAY SOLOMON

AND FELICIA SCHWARTZ

WASHINGTON—Leading Arab states are drawing up a list of demands that Qatar must meet to return to normal diplomatic and economic relations, including steps to significantly scale back the Al Jazeera media network, said Arab and U.S. officials involved in the discussions.

Saudi Arabia, the United Arab Emirates, Egypt and their allies are also seeking guarantees that Qatar's government will stop its alleged financing of Middle East extremist groups and sever relations with the Muslim Brotherhood, a global Islamist movement, according to these officials. Some of the brotherhood's leaders, particularly from Egypt, are in exile in Doha, Qatar's capital.

These Arab states severed diplomatic ties with Qatar on Monday and closed their land and air borders, saying the

gas-rich monarchy was destabilizing the Mideast. Saudi and Emirati officials said they are preparing more steps to punish Qatar, including imposing additional economic sanctions.

President Donald Trump spoke by phone with Saudi Arabia's King Salman on Tuesday and with the emir of Qatar, Sheikh Tamim bin Hamad Al-Thani, on Wednesday. Mr. Trump also spoke with Abu Dhabi Crown Prince Mohamed Bin Zayed Al Nahyan, who drives U.A.E. policy.

The White House said Mr. Trump stressed the importance of maintaining unity among Gulf states, but not if doing so compromises efforts to eliminate funding for extremism or to defeat terrorism.

However, Germany and Turkey made a show of support for Qatar on Wednesday, weighing in on a crisis that is beginning to drive a wedge between the U.S. and some of its closest allies.

In a meeting with his Saudi counterpart in Berlin, German

Foreign Minister Sigmar Gabriel called on Saudi Arabia and others to help de-escalate the crisis, saying cooperation is necessary to fight Islamic State.

Like Germany, Turkey has criticized the hard-line stance of Saudi Arabia and other Gulf countries against Qatar.

Senior U.S. officials said Mr. Trump told the Arab monarchs

he is prepared to mediate the dispute between the Arab states, some of whom host major American military installations. But the Trump administration stressed it needed a clear list of grievances to pass on to Qatar's leadership, and that Washington wouldn't necessarily endorse them.

Qatar's ambassador to Wash-

ington, Meshal bin Hamad Al-Thani, said in an interview Wednesday that his government still didn't know the specifics behind these Arab states' decision to sever ties. He stressed that Doha is open to the Trump administration trying to mediate a diplomatic resolution.

"Until now, there have been no clear requests," said Mr. Al-Thani, a fellow of Qatar's ruling family. "We are working toward de-escalation." He denied Qatar knowingly has provided funding to any terrorist organizations. He said Doha is willing to take additional actions.

Al Jazeerah has emerged in recent years as a particular source of tension between Qatar and many of its Arab neighbors. Qatar staunchly supported the political rebellions that spread across the Middle East in 2011. Officials with Al Jazeerah, which is funded by Qatar's government, didn't respond to a request to comment.

—Andrea Thomas contributed to this article.



Saudi Foreign Minister Adel al-Jubeir, left, and German Foreign Minister Sigmar Gabriel meeting in Berlin on Wednesday.

CLEMENS BLAIBERGER/EPA/REUTERS

IN DEPTH

SIRI

Continued from Page One

On Monday Apple announced HomePod, a home speaker powered by Siri that will start selling in December. The device will perform Siri functions such as dimming lights and setting reminders, though Apple touted it mainly as an advanced home-sound system with superior audio quality. It spent years developing it.

Apple also unveiled planned upgrades to Siri for the fall that will enable it to translate English phrases into five languages and to learn from users to deliver personalized suggestions for web surfing, messaging and other apps.

Apple will enter the home-speaker market a distant third, at best. Amazon, which has been selling its Echo speaker for 2½ years, last month unveiled a device, also powered by the Alexa voice assistant, that includes a camera and a display for video calling. And it has partnered with companies to put Alexa into Ford Motor Co. cars, LG Electronics Inc. refrigerators, and General Electric Co. lamps.

Alphabet Inc., which debuted its Google Assistant-based speaker last October, said last month it would make its voice product available through an app on iPhones. Microsoft Corp. in May unveiled a speaker for its voice robot, Cortana, and Samsung Electronics Co. is expected to install its planned Bixby assistant on home appliances.

Siri has remained largely a feature of the iPhone, although it is also available on a handful of other Apple devices, including the Apple Watch. Siri's capabilities have advanced incrementally, with functions matched or exceeded by those of rival systems. Several independent studies have shown Siri is less accurate than Alexa or Google Assistant in responding to user queries.

Some former executives, close observers and even devoted customers say Apple's innovative power appears to be waning, stymied by a lack of urgency and difficulty bringing ideas to fruition. In nearly six years under Chief Executive Tim Cook, Apple's stock has soared but the company has not delivered a breakthrough product on par with the string of hits under late founder Steve Jobs, which included the iPod, iPhone and iPad.

Textbook case

One reason could be the iPhone itself, one of the most successful consumer products in history. It accounts for most of Apple's sales and dominates much of the company's focus, which former executives say has inhibited the company's ability to develop products untethered from the phone, as rivals did with their brand-new voice-activated devices.

"Siri is a textbook of leading on something in tech and then losing an edge despite having all the money and the talent and sitting in Silicon Valley," said Holger Mueller, a principal analyst at Constellation Research, a technology research and advisory firm.

Apple's supporters say it often has entered categories after rivals and assumed a commanding position. And Apple says the pace of its innovation has only accelerated. The company has



Siri

Apple Inc. (Oct. 2011)

Core Devices: iPhone, Apple Watch, Apple TV
Strengths: Sending messages, placing calls, booking calendar appointments
Functions: Added functions for about 10 types of apps in 2016, including ride sharing services like Uber and payment services like Venmo
Ability To Answer Queries: 22%
Accuracy of Answers: 62%
Accuracy With Commands: 72%

Alexa

Amazon.com Inc (Nov. 2014)

Core Devices: Echo speaker
Strengths: Playing music, Ordering products
Functions: 12,000 voice-based skills, that can do everything from order coffee to play National Public Radio
Ability To Answer Queries: 21%
Accuracy of Answers: 87%
Accuracy With Commands: NA

Cortana

Microsoft Corp (April 2014)

Core Devices: Windows PCs
Strengths: Understanding queries
Functions: 61 voice-based apps
Ability To Answer Queries: 57%
Accuracy of Answers: 82%
Accuracy With Commands: 45%

Google Assistant

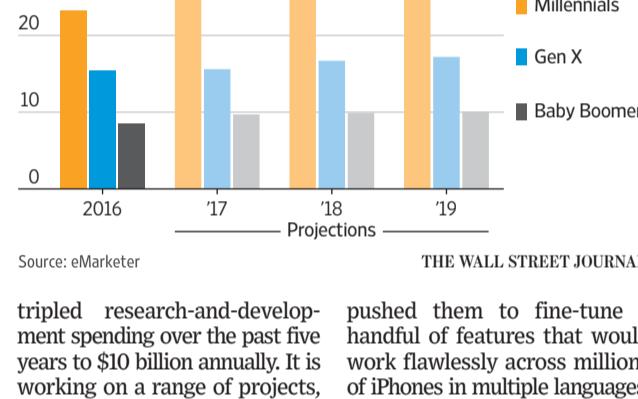
Alphabet Inc. (May 2016)

Core Devices: Android phones, Google Home speaker
Strengths: Navigation and answering questions
Functions: More than 250 Voice Apps, including the Food Network and CNN
Ability To Answer Queries: 68%
Accuracy of Answers: 91%
Accuracy With Commands: 67%

Source: *Stone Temple Consulting Survey With 5,000 Search Queries Such As "What is the Olive Branch Petition?"
**Loup Ventures Survey With 800 Queries, Including Commands Like "Remind Me To Call Mom at 2 p.m."

Helping Hand

Digital-assistant usage by age group

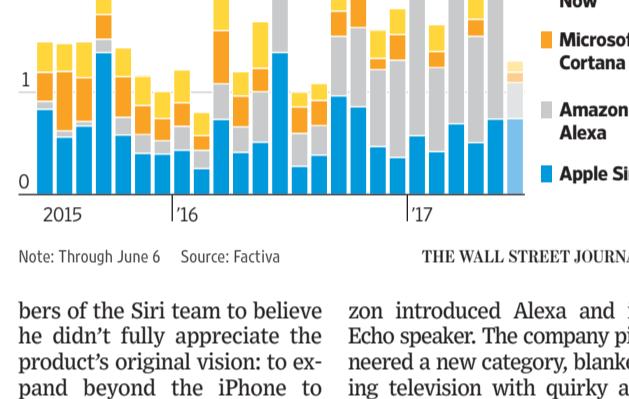


Source: eMarketer

THE WALL STREET JOURNAL.

Talking Points

Mentions of digital assistants in the news



Note: Through June 6

Source: Factiva

THE WALL STREET JOURNAL.

tripled research-and-development spending over the past five years to \$10 billion annually. It is working on a range of projects, including an autonomous driving system, that could become hits if they come to market. Apple notes that Siri, through its presence on the iPhone, is in the pockets of hundreds of millions of users globally—far more than any rival's voice assistant.

"We're very happy with where the company is from an innovation standpoint," Eddy Cue, the Apple senior vice president whose portfolio includes Siri, said in an interview before Monday's announcements, which also included augmented reality for developers and more-powerful Macs. "It's part of our DNA."

The race to develop digital assistants is one of the biggest areas of competition in the tech industry today. Industry executives say these products, powered by increasingly effective artificial-intelligence algorithms, are revolutionizing computing much like the PC and smartphone, leading to a future where computers will converse with humans, recall previous conversations and provide personalized responses without buttons or touchscreens.

Siri was one of Mr. Jobs's last major new products. He became a fan in 2010 when it was launched by a small startup as a digital-assistant app for iPhones. In 30 phone calls over 45 days, he persuaded its founders to sell, according to Gary Mogenthalier, a Siri investor. He then

pushed them to fine-tune a handful of features that would work flawlessly across millions of iPhones in multiple languages.

Touted as "the best feature" of the iPhone 4s in 2011 by Apple marketing chief Phil Schiller, Siri converted words to text and interpreted their meaning to describe the weather or make calendar appointments and helped fuel a 73% increase in iPhone shipments in its first year. A day after the announcement, Mr. Jobs died.

In the years since, former Siri team members say, progress has been slowed by a failure to set ambitious goals,

shifting strategies and a culture that prioritizes user privacy—making it difficult to personalize and improve the product. The project also has suffered from the departures of key team members, some of whom went to competitors.

About a year after Mr. Jobs's death, Apple hired Bill Stasior, an Amazon search executive, to oversee Siri. Mr. Stasior studied artificial intelligence at Massachusetts Institute of Technology, but his expertise was in search rather than speech or language. This led some mem-

bers of the Siri team to believe he didn't fully appreciate the product's original vision: to expand beyond the iPhone to third-party apps.

To make Siri available to additional apps—so users, for instance, could check their bank balance or order a car service—Apple needed to create a platform and coding tools that allows developers to integrate the virtual assistant into apps for the iPad, iPhone or Apple Watch. It did so in 2016.

Apple declined to make Mr. Stasior available for an interview. He didn't respond to emails seeking comment.

Siri co-founders Adam Cheyer and Dag Kittlaus left the team, citing personal reasons. They started a competing company, Viv Labs, to make a voice-based system available to third-party developers. Roughly a half dozen other members of the team followed. Samsung bought Viv last year for about \$215 million.

In 2014, Apple moved Siri to a machine-learning system that used algorithms to improve its performance. Mr. Cue compared the new system to a brain transplant, saying it made Siri more versatile, allowing it to field requests no matter their phrasing. For example, it could answer both "Give me yesterday's Yankees score" and "What was yesterday's Yankees score?"

"The key about things like Siri is to make it not feel like something you have to think about," Mr. Cue said. Apple said Siri's error rate was cut in half.

Around the same time, Amaz-

on introduced Alexa and its Echo speaker. The company pioneered a new category, blanketing television with quirky ads featuring Alec Baldwin. It sold an estimated 11 million home speakers in two years.

The device's popularity caught Apple off guard. It was designed to not only play music and answer questions but also control light switches and other home appliances, a concept Apple had recently introduced through a software system called HomeKit that allows developers to design thermostats and door locks that could be controlled by Siri.

The iPhone, in many ways a huge advantage, was also becoming an impediment. Apple says more than 375 million of its devices access Siri each month across 21 languages, and that Siri fields nearly two billion requests a week. In the U.S. alone, it has 70 million unique users weekly. By comparison, Amazon's Alexa is available only in German and English, and Google Assistant is available only in seven languages.

At the same time, the iPhone—accounting for two thirds of sales—so dominates internal focus that Apple largely abandoned the original Siri team's vision for an assistant that would go beyond calendar appointments and text messaging.

Instead, Apple added languages, added a male voice to Siri's original female voice, and allowed users to verbally create reminders while reading an arti-

cle or viewing something on the iPhone. Apple and other large companies "tend to make improvements at the margin," said Larry Gillick, a former Siri speech scientist who serves as chief technology officer at a startup, Semantic Machines.

Amazon and Google, which introduced its own assistant in 2016, also enjoyed advantages over Siri because they had more data from their robust search engines to train their assistants and less-restrictive privacy policies than Apple, former Siri employees said.

Privacy protection

Apple protects user privacy by randomly tagging Siri searches and keeping the data tagged for only six months, unlike Google and Amazon, which keep data until users ask for it to be discarded. The practice has complicated efforts to improve Siri because Apple relinquished control of data before it could be used to gauge the impact of software tweaks, former Siri engineers said.

"You're hamstrung," said Jason Douglas, a former member of the Siri search team. "The iTunes store has great data but the scale of it is not Google or Amazon."

Mr. Cue said Apple often uses generic data rather than user data to train its systems and has the ability to improve Siri's performance for individual users with information kept on their iPhones.

After Siri's brain transplant, plans to improve Siri's conversational ability stalled. Apple tasked Alex Acero, an expert in language processing, with combining two rival teams: speech recognition and natural language. The first involves adapting software to recognize spoken words, and the second involves interpreting those words. Following an executive-level power struggle, the project was transferred to another leader without expertise in the field, said Chuck Wooters, who was on the speech-recognition team.

The change disillusioned some speech-recognition experts. One left for Google and another for Amazon, said Mr. Wooters, who also departed and joined the Semantic startup, which is developing technology to make virtual assistants more conversational.

Apple declined to comment. Mr. Acero, who still works on Siri, didn't return requests for comment.

Other employees were discouraged by the reluctance to allow third-party apps to employ Siri. Apple added the ability to use Fandango to buy movie tickets in 2013, but Mr. Stasior tabled a plan to extend Siri's abilities to more apps, two former employees said. By the time the project moved forward two years later, Apple had reduced the number of new commands developers would be able to use, a former engineer said.

In June of last year, Apple unveiled about 150 new commands, called intents, for Siri at its annual developer's conference. It opened Siri to about seven types of apps, including payment and ride-sharing apps. By comparison, Amazon's Alexa allows developers to create custom commands, which it calls skills, and some 12,000 have been created, allowing users to order coffee, start a guided meditation or check their bank-account balance.

Cuba

of the business comes from Cuban shoppers. "We would've gone broke without them," said trader Timur Muradian.

On a gray winter morning, a dozen Cubans dressed in ill-fitting beanies hats and gray puffer jackets walked around the market's metal containers filled with rusty car parts. Several extra layers of clothing and skin darker than most locals easily gave them away to traders, who wooed them with shouts of "hola, amigo."

"I can buy anything I want here; it's unbelievable," said Alejandro, who flew from Havana for the first time to buy tractor parts.

Waving hands and typing into calculators with frozen fingers, the Cubans haggled over prices in the thousands of dollars for heaps of what most locals would consider useless scrap. "They buy up everything for Russian cars and tractors by weight, without even looking at what parts and models they are for," said Mr. Muradian. "Whatever it is, they'll be able to sell it at a profit at home."

A typical group of Cubans spends \$3,000 to \$7,000 in the market, stall owners say. These

are astronomical sums for residents of an island where the average wage is \$25 a month.

Back in Cuba, whole villages chip in to send an envoy on shopping trips to Moscow, often using remittances from relatives in Miami or Madrid. Residents of the Rodas village in Cuba's central sugar belt said their cane would rot in the fields without an annual trip to Moscow to buy parts for their 1970s Soviet tractors.

Some of the workers in this cottage trading industry are part of the tens of thousands of Cubans who went to the former Soviet Union as students. They studied engineering, medicine and science and returned to develop their Communist homeland. But when the Soviet Union and its subsidies collapsed in 1991, they often found themselves working as waiters and security guards for minimum wage.

During the low season, translator Mr. Trieto makes money giving Spanish lessons to Azerbaijani and Armenian stall owners. Others make ends meet giving salsa lessons in Moscow night spots such as Old Havana.

Most Cuban shoppers come to Moscow for about a week and spend whole days trawling the city's flea markets to collect the 260 pounds worth of goods they are allowed on the plane for a fee.

They borrow boots and parkas from friends and family and

sleep on double-bunks in cramped Soviet-era apartments owned by Cuban expatriates. "I've never been this cold in my life, but I'm getting used to it," said shopper Abelito. He said his first purchase was the warmest jacket he could find on the entire 150 acres of the Sado-vod flea market.

At the entrance of Lyublino's budget Moskva shopping center is a Cuban canteen adorned with pictures of the island's lush rolling hills and a photo of President Vladimir Putin with the late Cuban leader Fidel Castro. The Cuban cook serves up cheap homemade dishes of rice, beans and shredded pork.

The shopping center offers a translation service and Cuban immigrants work in the center's cheap jewelry stalls. An Azerbaijani stall owner haggled in broken Spanish with a group of Cubans over a stack of jeans on a recent visit.

"They basically live in the bazaar," said taxi driver Mr. Curo of his compatriot shoppers. "They came, they bought up, and they left. In a couple of months, they are back."

Dmitry Filonov contributed to this article.

GREATER NEW YORK

LIRR Rush-Hour Woes the Worst in Years

Penn Station is only part of the problem as the train system struggles to keep up

BY TOM McGINTY
AND PAUL BERGER

Cancellations and delays on the Long Island Rail Road during the evening rush have reached their highest level in 10 years, according to a Wall Street Journal analysis of LIRR data.

Problems at Amtrak-managed Penn Station are to blame for much of this year's misery, but the LIRR's performance during the times commuters need it most has become increasingly unreliable over the past four years.

Drew Candres has lived it. He and his wife moved to Port Washington, N.Y., four years ago, lured by good public schools and a 35-minute ride to Manhattan on the train.

As Mr. Candres, 35 years old, waited at New York Penn Station one recent evening—a

ter, with 89.7% trains reaching their destinations on time, but that still was the third-lowest rate in a decade.

Two derailments at Penn Station this year, one involving an Amtrak train, the other an NJ Transit train, exacerbated longstanding problems caused by an aging rail infrastructure that is struggling to cope with rising ridership.

The Metropolitan Transportation Authority, which operates the LIRR, provided data showing that issues with Amtrak's operations were responsible for 21% of the 10,000 canceled or delayed trains through the first five months of this year.

The LIRR operates on about 3 miles of Amtrak-owned infrastructure into and out of Penn Station. An Amtrak spokeswoman, Christina Leeds, said that while the derailments had caused "unplanned disruptions," extensive repair work this summer would "improve reliability for all customers."

Ms. Leeds added: "Amtrak works closely with LIRR, including making joint decisions on the dispatching of trains, to minimize disruptions and delays to all passengers traveling in and out of New York Penn Station."

Delays have been more acute on particular lines. During the evening peak hours over the first four months of this year, trains on the Babylon and Oyster Bay lines recorded average on-time performance of 80%. Service to Hicksville and Huntington fared worst with on-time performance of 76%.

The LIRR considers a train late if it is canceled or if it arrives at its final destination six minutes after its scheduled time.

LIRR President Pat Nowakowski said the railroad's problems are a function of increased ridership, which grew 10% between 2011 and 2016 to 89 million people a year, its highest level since 1949. Last



Riders lined up for an LIRR train at Penn Station in April. Delays and cancellations during the evening rush are highest in a decade.

year, the LIRR scheduled 247,000 trains, a 7.4% increase from 2011.

A delay on just one of these trains, especially during the peak hours when tracks and tunnels are scheduled to their full capacity, cascades through the system, affecting many other trains. On the day that Mr. Candres was late for work, two trains lost power just outside Penn Station during the morning peak period, delaying more than 100 trains.

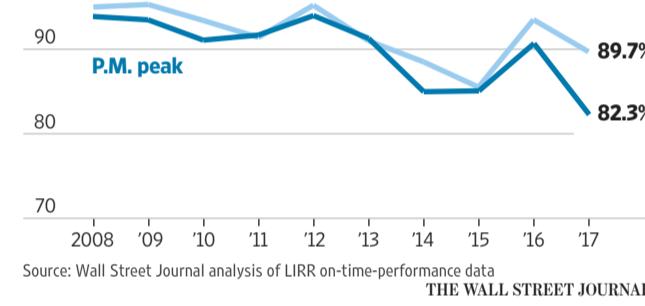
"Because everything is scheduled so precisely and so tightly to flow with one another, when one gets delayed, you have a domino effect," Mr. Nowakowski said.

More commuter pain is expected this July and August when Amtrak, which owns and operates Penn Station, is scheduled to close several tracks to carry out extensive

Less Reliable

On-time performance has dropped throughout the Long Island Rail Road's system.

Percentage of trains on time systemwide, January-April



Source: Wall Street Journal analysis of LIRR on-time-performance data

THE WALL STREET JOURNAL.

repairs following the derailments.

He said that when disruption strikes during peak hours, the railroad switches to a prearranged plan, canceling some services and "strategic" running trains that offer the best alternatives to get commuters to their destination.

"There's no good solution,"

Mr. Nowakowski said.

Passengers Share Part of the Blame

A report by the New York state comptroller in April found that in 2016 Long Island Rail Road blamed 27% of delays on passengers, mostly for boarding or exiting the train too slowly at stations with short platforms or because of overcrowding.

That same year, LIRR took responsibility for 30% of disruptions, mostly because of unscheduled infrastructure repairs and mechanical problems.

In 2016, the LIRR recorded 3,000 delays or cancellations caused by engineering. It is on track to surpass 3,500 engineering-related delays this year.

—Paul Berger

A single train delay, especially during peak hours, cascades through the system.

day on which an Amtrak power failure made him 40 minutes late for work—he said his daily commute has become plagued by disruptions and overcrowded trains. He fears it will only get worse.

"It does make me worried when I think of all the work that is needed going forward," he said.

Over the first four months of this year, 82.3% of the LIRR's evening rush-hour trains managed to reach their destinations on time, according to the Journal analysis. Morning-peak trains fared bet-

David Rockefeller's NYC Townhouse to Hit Market

BY JOSH BARBANEL



\$32M

Asking price for David Rockefeller's townhouse

Rockefeller over many years, said the house on East 65th Street "was perfectly kept and a reflection of his international travels and his taste in fine art."

The home was set up for intimate meetings rather than large parties, she said. "Everything about it was fine and warm, traditional, not cold," Ms. Wynde said.

The house, at 146 E. 65th St., is four stories and has 9,760 square feet of space, according to city records. It was built in 1925 for Adrian Iselin, an investment banker, and remained in his family until 1948.

Jonathan Miller, an appraiser and president of Miller Samuel Inc., said the average width of a Manhattan townhouse is about 18 feet. As a result, a wide house can command a top price even if it isn't in a central location.

"Townhouse values skew higher as you move toward the park," he said, but wide houses are different. "Buyers of a 40-footer aren't also considering a 20-footer," he said. "Once you start getting wider than 25 feet it becomes its own market."

In 2015, Jim Clark, the billionaire founder of Netscape, paid \$37 million, brokers said, for a 40-foot-wide townhouse at 125 E. 70th St. that was one block closer to Central Park, between Lexington and Park avenues.

And in 2009, Madonna paid a total of \$32 million for three adjacent townhouses on East 81st Street between the same avenues that bracket the Rockefeller townhouse, to create a mansion that is 58 feet wide, including a garage.

Mr. Rockefeller isn't the only notable person who lived on the block. Richard M. Nixon bought the adjacent townhouse in 1979, and sold it a few years later to the Syrian government.

the corner on Third Avenue. In its favor: its width. There are only a few dozen single-family townhouses on the Upper East Side that are 40 feet or more wide, according to city tax records, and several are owned by foreign governments.

People who have visited

Mr. Rockefeller's home, where he had lived for decades, say it is genteel, but plain and comfortable rather than extravagant—except for the extraordinary paintings and objects on display.

Brokers said it is in need of considerable updating.

Kathryn Wynde, the presi-

dent and chief executive of

the Partnership for New York,

a business and civic group,

who worked closely with Mr.

Rockefeller over many years, said the house on East 65th Street "was perfectly kept and a reflection of his international travels and his taste in fine art."

The home was set up for intimate meetings rather than large parties, she said. "Everything about it was fine and warm, traditional, not cold," Ms. Wynde said.

The house, at 146 E. 65th St., is four stories and has 9,760 square feet of space, according to city records. It was built in 1925 for Adrian Iselin, an investment banker, and remained in his family until 1948.

Jonathan Miller, an appraiser and president of Miller Samuel Inc., said the average width of a Manhattan townhouse is about 18 feet. As a result, a wide house can command a top price even if it isn't in a central location.

"Townhouse values skew higher as you move toward the park," he said, but wide houses are different. "Buyers of a 40-footer aren't also considering a 20-footer," he said. "Once you start getting wider than 25 feet it becomes its own market."

In 2015, Jim Clark, the billionaire founder of Netscape, paid \$37 million, brokers said, for a 40-foot-wide townhouse at 125 E. 70th St. that was one block closer to Central Park, between Lexington and Park avenues.

And in 2009, Madonna paid a total of \$32 million for three adjacent townhouses on East 81st Street between the same avenues that bracket the Rockefeller townhouse, to create a mansion that is 58 feet wide, including a garage.

Mr. Rockefeller isn't the

only notable person who

lived on the block. Richard M.

Nixon bought the adjacent

townhouse in 1979, and sold

it a few years later to the

Syrian government.

Despite the cachet of the

property's former owner—a

billionaire banker who once

controlled Chase Manhattan

Bank and wielded wide influence

in New York and around the world—the asking price is below the top prices at which Upper East Side townhouses have traded during the last decade because of its location and condition.

The listing will come on

the market at a time when

sales of Manhattan town-

houses and other top-end

properties have been weak,

though brokers said these

luxury sales have picked up

in recent months.

The house was built in a

colonial-revival style with

modest floral decorations

over the arched ground-floor

windows.

It is located in a less-prime

location than many Upper

East Side townhouses, mid-

block between Third and Lex-

ington avenues, far from the

more prestigious addresses

on or near Fifth Avenue and

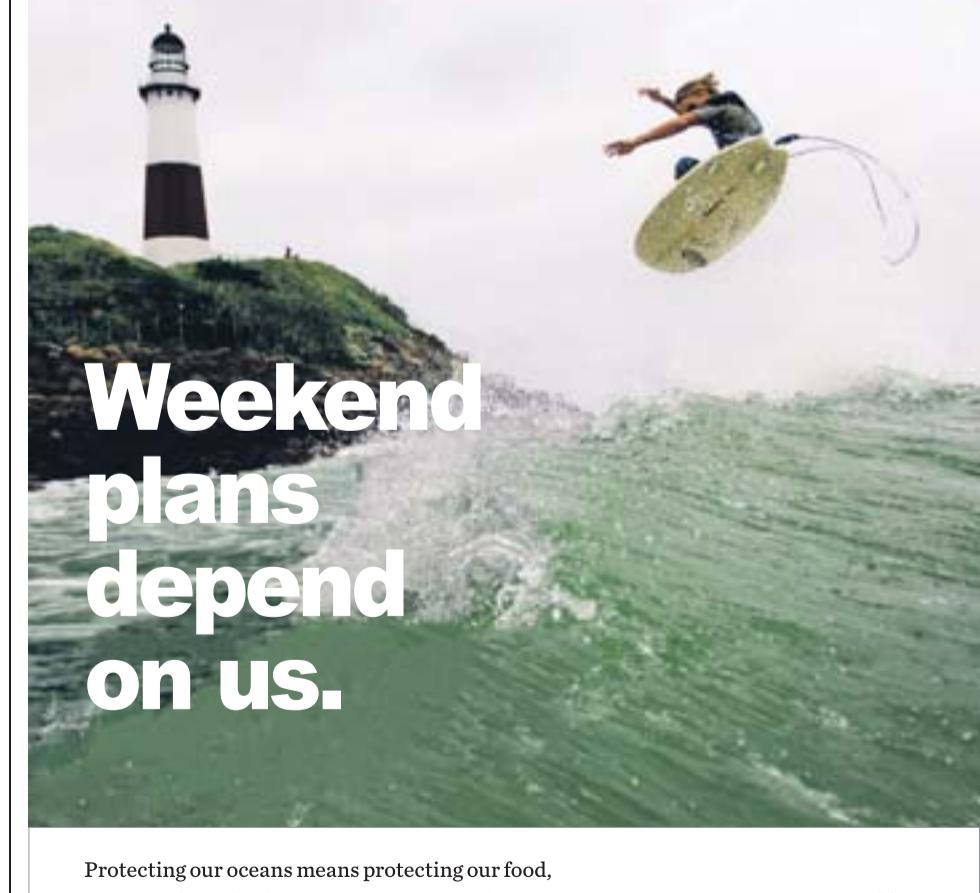
Central Park. It sits on a

quiet block, but towering

apartment buildings loom on



David Rockefeller lived in this East 65th Street townhouse in Manhattan. He died in March.



Weekend
plans
depend
on us.

Protecting our oceans means protecting our food, oxygen, jobs and, of course, great waves. Join us at Nature.org/DependsOnUs

The world we depend on depends on us.

Copyright © 2017 The Nature Conservancy. All rights reserved. Photo by James Katsipis.

The Nature
Conservancy



GREATER NEW YORK

Indian Casino Gets Nod

By JOSEPH DE AVILA

Connecticut lawmakers approved a third Indian casino Wednesday to fend off new competition in Massachusetts from MGM Resorts International.

The legislation allows the two Connecticut tribes who operate the state's existing casinos to open a 200,000-square-foot facility in East Windsor with 2,000 slot machines and up to 150 table games. The facility won't have a hotel or resort amenities.

PROPERTY Legislators who support a third casino say they are worried a planned MGM casino in Springfield, Mass., could lead to less money for Connecticut's coffers.

Connecticut's Office of Fiscal Analysis has said competition from the Massachusetts casino could cost the state \$68 million in annual gambling revenue, and the tribes have said MGM's casino could result in thousands of job losses at Foxwoods Resorts Casino and Mohegan Sun if they can't build a third facility.

"There are families across the state breathing a sigh of relief," said Kevin Brown, chairman of the Mohegan Tribal Council, which operates the Mohegan Sun. The Mohegan Tribe teamed up with the Mashantucket (Western) Pequot Tribal Nation, which runs Foxwoods, to build a casino about 15 miles from Springfield to compete with the Massachusetts development.

The legislation passed Wednesday requires the tribes to pay a 25% tax to the state on revenue from their slot machines and table games. The office said it would depend on when the casino is up and running and the specific number and types of games offered.



Connecticut officials fear competition from a new casino being built in Springfield, Mass.

'Are we chasing after an industry that is an oversaturated marketplace?'

to pay a 25% tax to the state on revenue from their slot machines and table games. The office said it would depend on when the casino is up and running and the specific number and types of games offered.

"This new casino will provide an opportunity for the Connecticut tribes as well as the state to be able to keep some more of the dollars in Connecticut, rather than leaving to go across the border," said Alan Meister, principal economist at Nathan Associates, who monitors the casino industry.

The legislation now heads to Democratic Gov. Dannel Malloy for approval.

"I have been very clear that I will not sign a bill that puts these jobs at risk, and I look forward to reviewing this proposal," Mr. Malloy said Wednesday.

Opponents of expanding Connecticut's casinos say the state risks placing a bet on industry that has struggled in parts of the Northeast.

"Nobody in the Legislature wants to talk about the current state of Atlantic City," said Republican state Sen. Tony Hwang, who voted against the bill. "Are we chasing after an industry that is an oversaturated marketplace?"

MGM supported legislation this year that would have created a competitive process to solicit proposals for a new casino. But that proposal failed.

"We will continue to vigorously advocate in the courts as we seek to protect the constitutional rights of any company hoping to do business in Connecticut," said Uri Clinton, senior vice president and legal counsel with MGM.

Ritz Deal: Penthouse at the Ritz Carlton Goes to Auction at a Reduced \$14.5 Million

How much is a penthouse perched at the top of the Ritz Carlton New York in Battery Park, with vast harbor views, really worth?

After lingering on the market for years, the property is scheduled for an online auction by Concierge Auctions to begin June 28 in Hong Kong.

The owners, who paid just over \$4.78 million for it in 2005, have listed it at eight different prices since 2014, ranging from \$23 million down to the current \$14.495 million, to no avail, said Herbert Chou, an agent at Warburg Realty who has the latest listing.

The 4,293-square-foot duplex condo with a 50-foot terrace and a glass-walled living room jutting out toward the Statue of Liberty was the best apartment in the building, but because the asking price was higher than other listings it was hard to close a deal, Mr. Chou said. "There have been offers on it, but they never came to fruition," he said.

—Josh Barbanel



A view from the terrace of a Ritz Carlton penthouse listed at eight different prices since 2014.



Manhattan median residential rents were up in all categories in May.

PROPERTY WATCH

MANHATTAN

Rents Rose in May To Median \$3,475

Residential rents in Manhattan moved higher in May compared with the same month last year as the peak rental season got under way, according to a market report from Douglas Elliman Real Estate.

Median Manhattan rents rose 2.2% from May 2016, to \$3,475 a month, according to the report. The median rent rose in all categories, from studios to apartments with three or more bedrooms.

The uptick reflects an increasing share of rentals at new buildings that have recently come on the market, typically at higher rents, said Jonathan Miller, an appraiser who prepared the report.

The percentage of leases signed at new developments has risen over the past two years or so. In May, these leases made up 6.1% of the total, compared with 3.5% in May 2016, according to Mr. Miller.

The competition among new developments and the need to rent many units quickly have driven up concessions offered by landlords, such as owner-paid brokerage fees or one or more months of free rent.

These concessions were reported in 22% of new leases signed, compared with 17% in May 2016, according to a report by real-estate broker Citi Habitats. Typically rents rise in the late spring and over the summer, as newly graduated students take jobs in New York and look for apartments.

"We remain in a price-sensitive rental market where incentives remain in play," said Gary Malin, president of Citi Habitats.

Citi Habitats put the vacancy rate in Manhattan buildings at 1.58%, its lowest level since August 2015. In May 2016 the vacancy rate was 1.81%.

After taking into account the value of concessions, Mr. Miller's report put the median rent increase at 0.6%.

ENVIRONMENT

Office Recognized For Green Measures

The bees did it—along with the farm, the outdoor office terraces and the app-based air-monitoring system.

CookFox Architects, a firm that has brought fresh-air delivery systems, rooftop gardens, and natural lighting to its New York apartment-building designs, has won environmental recognition for its own New York City location.

The office, which opened in January on the 17th floor at 250 West 57th St., has been recognized as the first location in New York City to be granted a



COOKFOX

CookFox Architects' terrace.

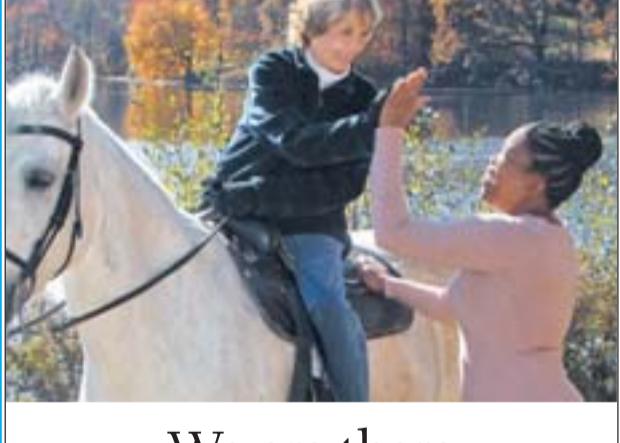
"WELL Gold Certification," a system of certification for promoting human health and well-being established in 2014.

The CookFox office has filtered air and water, lighting systems that emphasize daylight, and potted plants at every workstation, as well as an art installation with terrariums. Three apertures grace its urban garden.

The WELL certification is similar to the U.S. Green Building Council's LEED certifications, which primarily target environmentally sound building design and construction.

The WELL standard focuses on air, light, nourishment (eliminating junk food), water, fitness, mind and comfort, said Rick Fedrizzi, chairman of the International WELL Building Institute.

—Josh Barbanel



We are there
when you can't be

- Trusted
- Skilled
- Experienced
- Guaranteed

LifeWorx®

The Finest Local Elder Care and
Lifestyle Services Provider

LifeWorx.com

New York, NY
212.257.6706

Westport, CT
203.966.3400

Chappaqua, NY
914.458.9933

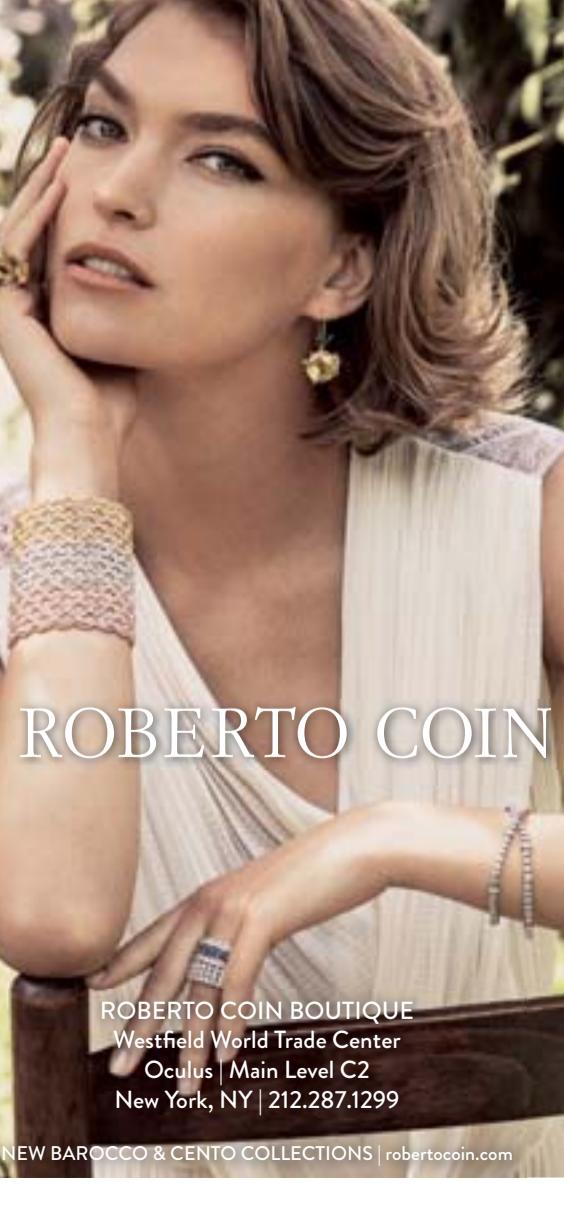
Englewood, NJ
201.793.3154

Long Island
516.501.9152

Insured and Bonded

Since 1988
MANFREDI

jewels



LIFE & ARTS



ROB WILSON

THE DECLINE in airline amenities that has vexed consumers in the back of the plane is now hitting elite frequent fliers, too.

Some of the big carriers' best customers complain that perks have been whittled away. Delta used to give its top-tier frequent fliers free club membership, but now offers that as a choice in a bundle of options. United paid Global Entry fees for top customers three years, but stopped in 2015. And the most important loyalty benefit—an upgrade—has gotten much rarer because airlines are selling more first- and business-class seats, auctioning them off, and in some cases shrinking those cabins and reducing legroom there as well.

"The loyalty is gone," says Peter Boer, a consultant to technology companies who is based in Florida and Virginia. He now buys business-class and first-class tickets on different airlines for his travelers, since he can't get an upgrade from American, where he's a lifetime platinum member.

Even "systemwide upgrades," the golden ticket for travelers that used to let you instantly upgrade any flight, are becoming harder to use, elite-level frequent fliers say. Systemwide upgrades are earned by travelers who spend heavily with airlines and fly more than 100,000 miles a year, or hit a milestone like 2 million lifetime miles. They used to get you confirmed upgrades when you bought your ticket.

With United, you can't buy the cheapest ticket for international trips and use systemwide upgrade certificates. You must spend more for a coach ticket and then wait, not knowing if the upgrade will clear. If it doesn't come through, you paid more for your coach seat than necessary.

On American, the available inventory of seats for systemwide

THE MIDDLE SEAT | By Scott McCartney

Airlines' Elite Fliers Find Fewer Perks

Flying 100,000 miles a year on one carrier won't guarantee regular upgrades to business or first class anymore

upgrades has shrunk. That means often waiting until departure to see if you'll get a cushier seat.

Mark Kovac, a Dallas-based business consultant who is a member of American's highest loyalty tier, invitation-only Concierge Key, bought coach tickets last fall for a family summer trip to London. He was told seats weren't available then to use his systemwide upgrades—the first time that had happened to him.

When he complained, American told him the airline's predictive models are blocking upgrades more often so premium seats are available to sell close to departure. "It is true that until a few years back, systemwide upgrades would, more often than not, get cleared at the time of booking. However, that is not the case now," a customer service representative at American's AAdvantage program wrote.

To Mr. Kovac, that erases a big benefit. "This is probably the biggest, most noticeable thing they've changed," he says. "I used to want to save these for something special. Now I just use them whenever I can."

Mr. Kovac and his family did

get upgraded shortly before the overnight flight to London on Friday, but his children, ages 10, 8 and 6, were spread around the cabin, he says.

American says it has improved its international premium cabins and seen an increase in paid demand. "We continue to refine our systems to reflect the demand for the product while still providing as much availability as possible to our elite members," a spokeswoman says.

Frequent fliers say they understand airlines' desire to sell premium seats rather than give them away, but upgrades used to be considered a necessary investment in loyalty. Frequent travelers essentially paid for those seats in advance by buying expensive tickets trip after trip.

In January, American also chopped how many systemwide upgrades it gave out to 100,000-mile-a-year executive platinum members. Each year executive platinum members used to get eight SWUs. This year that was cut to four, with the opportunity to earn two for reaching 150,000 miles and two more at 200,000 miles.

Gary Leff, co-founder of the frequent-flier community InsideFlyer, says top travelers are complaining a lot about American lately because the airline is making changes after its merger with US Airways. American was considered the most generous for top customers, because Delta and United had already weakened some perks, he says. Now there are few major differences between the three big airlines, Mr. Leff says.

Delta says the percentage of passengers in first class who paid to sit there used to be around 10%, but by next year will hit 70%. Airlines offer more first-class sales and discounted seats and push affordable upgrades by email and kiosk.

To placate their best customers stuck in coach, American and United now give them the small consolation of a free cocktail and food item for sale onboard.

A bigger upgrade issue looms for top-tier travelers: How "premium economy" cabins will impact upgrades on international flights. Premium economy—usually a separate cabin with more legroom, wider seats and upgraded food compared with coach—has been a

big hit on international airlines, priced several hundred dollars above coach tickets but several thousand below business class.

American is rolling out its version now. Delta says its premium economy will launch in the fall. United says it is taking steps toward premium economy, too.

The catch: On many international airlines, upgrades move you up one cabin. So instead of jumping from coach to business, an upgrade from economy moves you to premium economy. To get to business class you have to buy a premium economy ticket. "It reduces the value of the upgrade," Mr. Leff says.

U.S. airlines have yet to say what their upgrade policy will be on flights with premium economy.

Airline mergers swelled membership in the top tiers of loyalty status, so airlines have made it harder to qualify for elite status by adding annual spending requirements.

In January, American created a new elite tier called platinum pro. It's halfway between its platinum, which requires 50,000 miles of travel a year, and 100,000-mile executive platinum. On May 20, the airline started ranking elite-level members on upgrade lists in part by how much they've spent on American tickets the previous year.

An American spokeswoman says changes were made so the best customers have the best access to perks.

Mr. Boer, the consultant, says he understands airlines' desire to generate revenue and isn't angry. But he questions whether they will regret weakening loyalty for so many. "American is now just another airline in the mix," he says. "I'm kind of wondering if our friends at American are shooting themselves in the foot."

EDUCATION

CARPE DIEM: STUDENTS REVIVE LATIN, GREEK

BY NINA SOVICH

LATIN IS A DEAD LANGUAGE, but don't tell that to 12-year-old Faiyaz Khan.

A sixth-grade student at Decatur Classical School, an elementary school on the north side of Chicago, he began taking Latin in kindergarten and is getting pretty good at reading Cicero without a dictionary. He speaks Latin well enough to correct adults on their pronunciation.

"It's Kicker-o," he says of the Roman orator. "People always make the mistake. Like it's French or something."

Latin and Ancient Greek, once the purview of elite private and Catholic schools, are showing up in public school classrooms across the country. From 2000 to 2016, the number of students taking the National Latin Exam, has increased roughly 30% to 142,271 from 110,015, according to Clement Testing Services. Nevada and New Mexico showed the biggest recent growth.

Its popularity is spurred by shifting cultural tastes. Percy Jackson and Harry Potter have made Greek myths and Latinate spells cool. Spoken Latin, once a rarity outside the Vatican, has become all the rage. Students can geek out in Certamen contests, which are fast-paced jeopardy-like competitions about ancient civilizations. Parents are drawn to the rigor of the classical lan-



Students at the Washington Latin Public Charter School in Washington, D.C., recreate Jean-Léon Gérôme's "The Death of Caesar" painting.

"Percy Jackson is the single greatest thing to happen to this profession," she says.

Modern takes on old myths help students tie the past to the present, says Ms. Cohen. As they have for generations, teachers vary the classroom work—they teach Julius Caesar's military diaries, but also the racy love poems of Catullus. History and culture are taught hand-in-hand with verb declensions.

"Rome was just such a powerful thing," says Faiyaz. "But it got to one point in history where it fell apart. I was shocked by that. An empire could just fall apart."

Faiyaz wants to be a scientist when he grows up.

"I am going to be a microbiologist," he says. "The Greeks developed epidemiology."

At Washington Latin, a charter school in Washington, D.C., for grades five through 12 all students must take at least three years of Latin.

"Latin is an equalizer because we all start out from zero," says Bill Clausen, head of the humanities department.

Some parents wonder if Spanish or Mandarin would be more practical because they are spoken in the world today, but middle school Latin has benefits, especially for students from less-advantaged backgrounds, says Mr. Clausen. It gives them a sense of pride, he says.

He says that when students learn Latin,

Please see **LATIN** page A13

guages, where memorization is emphasized, and dissecting grammar and sentence structure can help with standardized tests.

Nava Cohen, Faiyaz's Latin teacher at Decatur, starts kindergartners off with songs. This year she translated "On Top of Spa-

ghetti" into Latin. As she introduces grammar and vocabulary she brings in the classics. In first grade they read simplified versions of the Iliad and Odyssey. In second grade they start the Aeneid. By third grade her students are "mythology experts," she says.

He says that when students learn Latin,

Please see **LATIN** page A13

LIFE & ARTS

MUSIC

Rap's New Powerhouse

Financed by Google, 300 Entertainment is behind some of rap's biggest names including Migos, Young Thug, Fetty Wap



Atlanta rap trio Migos, above left, released the first quarter of 2017's most streamed song, 'Bad and Boujee.' Young Thug, above right. Kevin Liles, CEO of 300 Entertainment, below.



ZUMA PRESS (3)

BY NEIL SHAH

MIGOS, A RAP TRIO from Atlanta's suburbs, is one of the hottest acts in pop music right now. Behind their rise is 300 Entertainment, an independent label financed by Google and several Wall Street investors which is emerging as a new powerhouse as rap dominates the global mainstream.

Launched four years ago by hip-hop mogul Lyor Cohen, his protégé Kevin Liles and music executives Roger Gold and Todd Moscowitz, New York City-based 300 Entertainment has gained recognition as a digitally-focused boutique label and an unusual throwback to the indie labels of hip-hop's late 1980s and early 1990s golden age. By focusing on long-term development of acts, 300 has helped Migos, Atlanta rapper Young Thug and New Jersey emcee Fetty Wap go from local stars to major forces in streaming music.

"Bad and Boujee," Migos's chart-topping hit released last fall featuring rapper Lil Uzi Vert, racked up 465 million on-demand audio and video streams between January and March, making it the first quarter's most streamed song, Nielsen Music says. The 20-something trio performed at the 2017 Met Gala and are among pop's most in-demand guest stars, appearing on tracks by Katy Perry and Calvin Harris.

300 Entertainment's moves come at a time when rap is dominating the pop mainstream, thanks

to its popularity on streaming services, Internet memes and curated playlists like Spotify's "RapCaviar."

"People [once] said rap doesn't travel overseas," says Mr. Liles, 300 Entertainment's CEO. "Now, with the press of a button, it's around the world. If you get on a 'RapCaviar,' it's like being on 100 stations around the world."

In late 2014, Billboard began counting streams on digital-music services towards album-chart rankings. That encouraged rappers to release music officially and commercially instead of on "mixtape" sites such as Datpiff.com—turning hip-hop into a major generator of No. 1 hits, blockbuster albums and streaming royalties, critics say.

Before the late 1990s, record labels used to spend lavishly to develop artist careers, but such outlays became tougher once the music industry was undermined by piracy in the digital era. Instead of grooming artists from the ground up, labels now often sign acts with big social-media followings that can immediately draw fans to albums and live shows.

By contrast, Mr. Liles, 49, known in the business for his radio-promotion prowess, says he gives artists time to build an audi-

ence and a style. 300 Entertainment helps manage and promote musicians, sifting through reams of data from Spotify to more efficiently book tours and allocate marketing dollars.

When promoting acts, Mr. Liles doesn't go straight to big radio stations or Spotify's most popular playlists, such as "RapCaviar," with 6.9 million followers. He says he takes the slow approach, getting songs in clubs and more specialized playlists, to build a compelling narrative for the artist. In addition to running 300 Entertainment, he manages artists, including D'Angelo and Trey Songz.

Migos, Young Thug and Fetty Wap make "trap music," a melodic,

anti-commercial sub-genre of rap from the South that's transforming pop music, critics say. New Jersey, where Fetty Wap is based, isn't a traditional area to spot hip-hop talent, says Tuma Basa, global programming head of hip-hop at Spotify, who oversees "RapCaviar."

"They're keeping their ears to the street," he says.

300 Entertainment has deep pockets in the technology, financial and music industries. Besides Google, the firm has big Wall Street investors such as former hedge fund

manager Noam Gottesman and his investment firm TOMS Capital LLC.

Mr. Cohen, who left 300 Entertainment in December to become global head of music at Google's YouTube, remains 300 Entertainment's biggest individual investor and a powerful ally.

This year, YouTube will add artist and record-label promotional activities to the algorithm it uses to suggest to users which music videos to watch next. Besides 300 Entertainment, Google has invested in Kobalt, a music-services company that is an alternative to major labels.

The music business has long viewed YouTube—the world's biggest de facto music-streaming ser-

vice—as an enemy, accusing it of paying insufficient royalties. Given the iciness between YouTube and major labels, Mr. Cohen's 25-year-long friendship with Mr. Liles gives 300 an undoubted advantage. "I had enough time with them that they understood the blueprint—now they're in execution mode," Mr. Cohen says.

"One of the first things that got jettisoned in the two decades of [music-business] decline was the artist development process," Mr. Cohen says. "We hired artist-development people before we did promotion people."

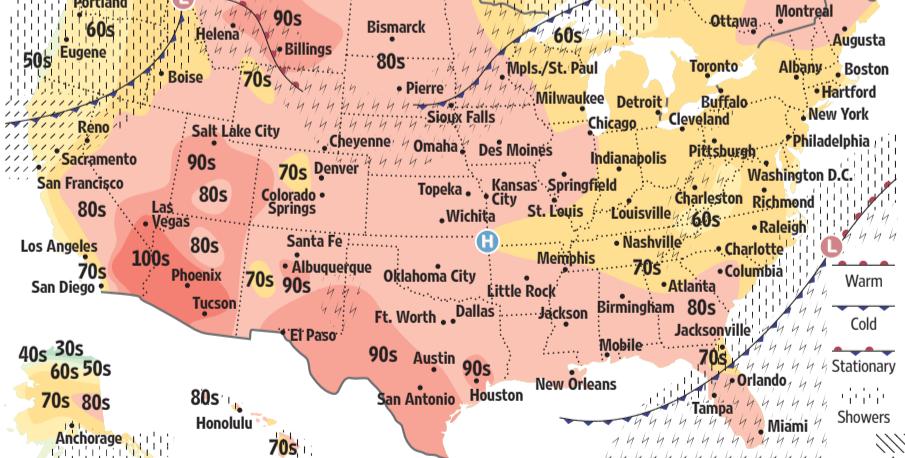
In music, 300 partnered with Quality Control, an influential Atlanta rap label that formed in 2013 and has been cultivating the whimsical Migos and 19-year-old Lil Yachty. For distribution, there's a deal with Warner Music Group, where Mr. Liles previously worked with Mr. Cohen. "We have the mindset of an indie and the muscle of a major," Mr. Liles says.

The rest of 2017 will be busy: Fetty Wap and Young Thug are releasing albums soon and a new Detroit rapper, Tee Grizzley, is gathering steam. 300 Entertainment is also expanding into other genres with artists such as rock band Highly Suspect and dance-pop act Cheat Codes.

"I want to build a story, using playlists, and then use that to translate into terrestrial radio," Mr. Liles says. "When you have art, you have to allow it to make it to the Smithsonian—not just the street corner."



Weather



U.S. Forecasts

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

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

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Today Hi Lo W Today Hi Lo W

LIFE & ARTS



EXHIBITION REVIEW

Atoning for Our 'Original Sin'

BY EDWARD ROTHSTEIN

Montpelier, Va.

IF YOU STAND on an upper-level patio of James Madison's finely restored home at his Virginia plantation, Montpelier, and look westward, you see a sweep of open lawn leading to fields and the Blue Ridge mountains in the distance; one of Madison's visitors noted that the setting sun's rays were cast into the home with great effect.

If, in contrast, you turn toward the mansion's "South Yard," you see something that, for 150 years or so, had all but disappeared into shadow, leaving traces only in an old map and in archaeological relics: modest buildings, now reconstructed, in which once dwelled some of the more than 100 slaves who made Montpelier lovely and profitable for three generations of Madisons.

These quarters reflect a jarring fact, once sidelined but now made central: Many architects of the world's most enduring representative government—the first dedicated to universal liberty—also held vast numbers of slaves. In recent years, that fact has led to exhibitions at George Washington's Mount Vernon and Thomas Jefferson's

son's Monticello. Now Madison's Montpelier (mont-PEEL-yer) offers an exhibition that begins in the home's basement and extends into the imagined interiors of these out-buildings: "The Mere Distinction of Colour."

Madison (1751-1836), who became the nation's fourth president, was aware that something was awry. In the early 1780s, we learn, Madison believed one of his slaves was "thoroughly tainted" by exposure to free blacks in Philadelphia, but Madison affirmed that he would not punish him for "coveting that liberty for which we have paid the price of so much blood, and have proclaimed so often to be the right, & worthy the pursuit, of every human being." That tension would not lessen over time; nor would Madison's irresolute hope to wash away this "original sin."

In this, Madison was, unfortunately, a man of his time. This 5,300-square-foot exhibition—created under the oversight of Christian Cotz, Montpelier's director of education, with designs by Proun Design and Northern Light Productions—begins with reminders of slavery's centrality. In a panel showing American presidents we are asked to push a button to see which presidents owned



slaves. Thirteen of the first 18 light up. George Washington, we are told, owned 318 slaves. Zachary Taylor was "the last president to enslave people while in office." Ulysses S. Grant, who freed his only slave in 1859, was the last president to have ever owned any.

Such elemental facts are wrenching. But the exhibition goes further. The Montpelier Foundation was created in 2000; working with the National Trust for Historic Preservation, it restored the home, eliminating additions made by the duPonts, the last private owners. It also began identifying 300 slaves and locating descendants of five who became the core of a "descendant community" that later expanded. In 2005, the "Gilmore cabin" built by a freed slave across the road was restored, providing a glimpse of slavery's extended shadow.

A \$10 million gift from David M. Rubenstein led to the current exhibi-

bition. By consulting documents and discovering artifacts—a shackle fragment, a shattered wine bottle—Montpelier gives us a sense of enslaved individuals alongside the historical survey. "Dear Mistress," reads an 1843 letter from the enslaved Sarah Stewart to Dolley (Madison's wife and, by then, his widow), "my foote is No better than ite Was when you Lefte heare there has one Bone came oute of ite as Large as a Small Childe finger." The effect is powerful throughout despite overly insistent reiterations of political and therapeutic relevance by descendants and scholars.

A more serious issue is this. At Mount Vernon and Monticello, extraordinary resources are devoted to illuminating Washington and Jefferson. Here, we are given only a summary sense of Madison and it comes only in varied house tours. An exhibition at the visitor center is devoted solely to Dolley

Slave dwellings in the 'South Yard,' left, of Montpelier, above

Madison's appearances in popular culture: songs, dolls, ice cream.

Moreover, Montpelier was deeded by the duPonts with conditions that verged on frivolous vanity, requesting display of family artifacts; an "art deco" room of equestrian trophies is plopped into the visitor center. Judging from exhibitions, the site's 125,000 annual visitors might well assume Madison's distinction was as a slaveholder.

The effect is a bit like dismissing the Magna Carta because it catered to distasteful 13th-century English barons. But Madison is, in many ways, the least understood founder. In his work in the Continental Congress and on the Constitution, he served as philosopher, negotiator, deal-maker. After being thoroughly upset by how his ideas were altered, he remained a passionate advocate of the Constitution. He wrote much of it, along with the Bill of Rights. He nudged and argued and lobbied. He gave in, rebelled, waged war, celebrated democracy and abhorred it. He was, in short, this nation's first brilliant politician.

And he is remembered, surely, not because of the slaves he owned but because of the mechanisms he helped establish that ultimately led to their slow and pained liberation. But we, like Madison, are creatures of our time, so that idea might have to wait.

The Mere Distinction of Colour
James Madison's Montpelier

Mr. Rothstein is the Journal's Critic at Large.



The library at the Washington Latin Public Charter School in Washington, D.C. features a quote from Aristotle.

LATIN

Continued from page A11

they can quickly expand their vocabularies and use it to decipher SAT words and words in other languages. Latin also helps students break down English sentences into their grammatical components, a skill that is not often taught in English classrooms anymore.

Caleb Tucker, in fifth grade at Washington Latin, likes to greet people with a handshake and a rousing 'Salve.' He has been at the school for a year and is astonished by how hard the language is.

"Some nights I have 17 words to memorize," he says. "It's pretty hard, but I like it. I like it because it's hard."

Despite the difficulty, the middle school classrooms at Washington Latin aren't rigid or stressed. Seventh grade teacher Adam LaFleche throws a red ball to students who holler out principal parts of verbs when he or she catches it. "Nolo! Nolle! Nolui!" If a child misses the answer, Mr. LaFleche waits until they find it, and usually they do.

"Some professions, like nursing, require an insane amount of memorization," says Mr. LaFleche. "You have to know how to study for that."

Young children memorize Latin more easily than older children, which can benefit them in high school. Washington Latin has a teacher who will conduct an entire high-school class in Latin.

The memorized ancient prose can come in handy later in life as well. Alexa Hirschfeld, 33, studied Classics at Harvard before going on to co-found online stationery company Paperless Post. She studied Latin and Greek throughout high school in part to give her an edge in college admission, but also because she loves Sappho and Homer.

The rigors of learning Ancient Greek helped prepare her for both entrepreneurship



Faiyaz Khan, above, a sixth-grader at Decatur Classical School in Chicago, enjoys lessons on the Roman Empire. Caleb Tucker, below, says he likes learning Latin because it is hard.



and understanding computer coding languages, she says.

When dealing with a problem, she often thinks of the first book in the *Aeneid*, in which Aeneas is speaking to his followers who are about to be shipwrecked: "Maybe someday you will rejoice to recall even this."

"It's a beautiful thing to think about when you are in a crisis," she says.

EVERY DAY,
99.5%
OF US USE,
PLAY WITH,
WORK ON,
LOOK AT,
SMELL,
OR TASTE
A LEADING
FORTUNE 500
COMPANY.
TREAT YOUR SENSES
AND EXPLORE THIS
YEAR'S LIST AT
FORTUNE.COM.
FORTUNE 500

Source: 2017 Fortune 500 Multi-Year GfK Media

Copyright © 2017 Time Inc. Fortune® and the FORTUNE 500 are trademarks of Time Inc.



SPORTS

FRENCH OPEN

Djokovic at a Loss Over His Downfall

BY TOM PERROTTA

NOVAK DJOKOVIC, who won last year's French Open and held four Grand Slam titles at once, is now empty handed.

Djokovic, 30 years old, suffered a dismal defeat on Wednesday in Paris against 23-year-old Dominic Thiem, 7-6(5), 6-3, 6-0. Djokovic won just eight points in the third set, which lasted a mere 20 minutes. He hadn't been thumped 6-0 in a set at a Grand Slam since the U.S. Open in 2005, when he was 18 years old. Djokovic, who recently teamed up with former champion Andre Agassi for advice, admitted his tennis was nothing like it used to be.

"I obviously always expect a lot from myself, but it's a fact that I'm not playing close to my best, and I know that," Djokovic said. "Obviously more or less all the parts of my game are kind of going up and down."

Since becoming the most dominant player in the world in 2011, Djokovic has never been easy to beat. The last time he lost in straight sets at a major was in 2013, when Andy Murray defeated him in the Wimbledon final. From 2010 to the 2016 French Open, Djokovic lost just one match before the semifinals. Since last year's U.S. Open, he's a mere 5-5 against Top 10 players. Before that last year he had been 18-1.

Djokovic had won all five of his matches against Thiem and lost just one set. He crushed Thiem 6-1, 6-0 in Rome last month, a match that seemed likely to give him confidence in the quarterfinals. Instead, Djokovic lost all his hope early in the second set—an unusual and disturbing collapse for a once relentless champion.



Novak Djokovic reacts during Wednesday's loss.

ARNAUD JOURNOIS/MAXPPP/ZUMA PRESS

Thiem's victory puts him in the French Open semifinals for the second straight year. He lost in straight sets against Djokovic last year. To reach this final, he'll have to beat someone even more difficult: nine-time French Open champion Rafael Nadal. Nadal, 31 years old, advanced to the semifinals after his opponent, Pablo Carreño Busta, withdrew when trailing 6-2, 2-0. Thiem is the only player to beat Nadal on clay this season.

"So far I have always played way worse match the following day if I beat a top guy. So I hope I can improve that," Thiem said. "I

like the conditions. It's a fast clay court which fits my game very well."

Nadal, who also lost to Thiem on clay last year, said he expects a difficult match, but has more confidence than he's had since he last won the French Open in 2014.

"I am in semifinals and with very positive feelings," Nadal said. "Only way to try to be in that final is play my best."

Andy Murray, the top seed in the tournament, isn't playing anything like Nadal. But somehow, he's still around. The 30-year-old Murray beat Kei Nishikori 2-6, 6-1,

7-6(0), 6-1 to advance to the semifinals. Murray, who lost to Djokovic in last year's French Open final, said winning is all that matters, despite his struggles.

"I didn't feel like I played great tennis today," he said. "Anyone can win matches when they are playing well. It's winning when you're not playing your best is more impressive. So I'm happy about that."

Chances are Murray won't remain happy for long unless he lifts his level quite a lot.

In Friday's semifinals he'll face Wawrinka, the 32-year-old from Switzerland who won the title at

Roland Garros in 2015.

Wawrinka is mysterious. He can lose to almost anyone, and earlier in the clay court season he stumbled. But he won a tournament just before the French Open began and so far has not lost a set. He swept Marin Cilic, seeded No. 7, 6-3, 6-3, 6-1 on Wednesday. Wawrinka has played Murray 17 times and lost 10, including last year's French Open semifinal. This year looks different.

"I was confident with what I was doing since the beginning of the tournament," Wawrinka said. "I'm playing better than last year."

LEBRON

Continued from Page One

Cavaliers' podcast, Road Trippin', and Golden State star Draymond Green's show, Dray Day.

Some of Uninterrupted's shows have been licensed by traditional media outlets such as Fox Sports, which broadcast an Uninterrupted documentary about a mixed martial-arts fighter. Shows also appear on YouTube, Instagram and Uninterrupted's own website.

The players are no less competitive in their media venture than they are on the court, where the Warriors had a 2-0 lead heading into Game 3 of the Finals Wednesday night.

Cavaliers forward Richard Jefferson recently received a text message from a number he didn't recognize. "I'm going to f---ing kill your podcast!!!" it read.

The sender was the Warriors' Green, who had just found out that Jefferson's show was more popular than his own podcast. "I'm going to destroy you bro," Green wrote. "Bad!"

But that is where their competition ends and their role in turning the sports business upside down begins. Uninterrupted is the latest evolution of a movement in which athletes and celebrities are using social media and other technology to control their images and communicate directly with the public. In the process, they are loosening traditional media's grip on the way sports is delivered and consumed. James, Carter and their partners are betting some of the most compelling sports content in the shifting entertainment landscape will be created by the athletes themselves.

"This is their media company,"



LeBron James, left, and Maverick Carter, in 2016.

even if he could bypass them and reach millions of people himself.

Such platforms are attracting investors' attention. The Players' Tribune, a website founded by retired Yankee Derek Jeter, said in January that it had completed a \$40 million fundraising round, bringing its total funding to \$60 million.

Uninterrupted was conceived in the immediate aftermath of James's decision to come back to Cleveland in 2014. He announced his move to the Miami Heat in 2010 with an ESPN special called "The Decision" that was criticized for its insensitivity to the fans he was leaving behind. But his return to Cleveland was better received in part because it was unveiled more thoughtfully in an essay co-written by Sports Illustrated writer Lee Jenkins.

Only hours later, on a private jet bound for the soccer World Cup in Brazil, James and Carter started talking about the potential for a company based on that process.

The product of that conversation was Uninterrupted.

Athletes who develop shows through Uninterrupted get access to resources to produce, promote and distribute them. The company also gives athletes a cut of any revenue from sponsorships or licensing deals, though terms vary.

Uninterrupted was born right before the Warriors and Cavaliers became the NBA's best teams.

Their rivalry is the biggest story in basketball, and Uninterrupted is represented on both sides.

It rolled out "Trophies," a behind-the-scenes look at James and Green preparing for the playoffs, before their Finals showdown in 2015, and this year marks the third season.

Their third consecutive showdown was a fortunate break for Uninterrupted. The elimination of either player's team would have

meant fewer episodes. "It'd be like if Tony Soprano were killed in Season 3," Carter said.

James and Green were featured in another Uninterrupted series, "Kneading Dough," about personal finance hosted by Carter and sponsored by J.P. Morgan Chase. Kristin Lemkau, the bank's chief marketing officer, said the idea of famous athletes sitting down and talking frankly about their financial decisions was an easy sell.

Uninterrupted's buzziest release, though, is a podcast that costs little to produce. The Cavaliers' show, Road Trippin', began independently and could have picked other podcast networks after its first episodes found an instant audience. Jefferson says he chose Uninterrupted in part because of his relationship with James. "He didn't have to pitch," he said.

The show is hosted by Jefferson and teammate Channing Frye, and Fox Sports Ohio sideline reporter Allie Clifton. James and Kyrie Irving are frequent guests, while most of their teammates have made appearances. "Is that not the coolest, best thing?" said Cavaliers owner Dan Gilbert.

The players record on the team plane or while they're huddled in hotel rooms. And they speak candidly about topics they would rarely discuss otherwise.

Now other athletes are approaching Uninterrupted with their own ideas.

Los Angeles Clippers guard J.J. Redick was the first active NBA player with his own podcast. When he stopped recording earlier this season, he was often asked when the podcast was coming back. The answer is this summer—and he's moving it to Uninterrupted.

—Sara Germano contributed to this article.

THE COUNT

PENGUINS CONSIDER A GOALIE SWITCH: SMART OR CRAZY?

Between the Pipes

How Pittsburgh's goaltenders, Matt Murray and Marc-Andre Fleury, compare.

MURRAY	FLEURY
32-10 (5-3)	18-10 (9-6)
.923 (.925)	.909 (.924)
4 (1)	1 (2)

Note: Postseason stats in parenthesis

Source: Hockey-Reference

WSJ

preceded in recent history: No goalie has started Game 5 or later in the Finals after not having started any of the first four since at least 1990, according to Stats LLC.

But such a switch would be un-

The only reason the Penguins are in this position is because of their absurd depth at the position. They have one of the top young talents in Murray, who leapfrogged Fleury a year ago to lead the team to the title as a rookie. And Fleury, a two-time All-Star who was in net when the team won in 2009, has already been the team's savior this postseason, highlighted by a shutout in Game 7 of the Eastern Conference semifinals.

This decision—or non-decision—is made even more difficult by the fact that their performances have been so indistinguishable this postseason. Murray, despite his recent struggles, has a .925 save percentage this postseason. That's one thousandth of a point higher

than Fleury's .924. Murray, meanwhile, is 5-3 as a starter during the playoffs compared with Fleury's 9-6 record.

But to realize why the switch may be rash, Pittsburgh has to look no further than its opponent. Amid doubts

about Pekka Rinne's performance in net to start the series, Nashville coach Peter Laviolette made the smartest move of the series by doing absolutely nothing. Now the series is tied because of that. —Andrew Beaton



Viktor Arvidsson, right, scores a goal against Matt Murray in Game 4.

BRUCE BENNETT/GETTY IMAGES

OPINION

Can Trump Govern?



The answer to the question—can President Trump govern?—is yes, but the window is closing.

In recent days, events outside and inside the White House have combined to produce an environment toxic to governing. The Comey circus, the internal tensions created by Mr. Trump's tweets on the travel ban and Qatar, and Attorney General Jeff Sessions's reported offer to resign: All this turbulence is pounding a ship of state that needs calmer waters if it's going to get home in one piece.

This column raised the question in February of whether the Russia story was becoming Mr. Trump's Watergate. Forever Trumpers objected to the analogy, arguing correctly that the legal particulars of the two events were not the same. The point, however, was not about the law or facts but about politics, which respects neither. A president's blood is in the water, and a feeding frenzy is on.

The idea that the Trump campaign colluded with Russia to defeat Hillary Clinton by now looks like a ghost story. On Sunday, Sen. Mark Warner, Democratic vice chairman of the intelligence committee, said, "There is a lot of smoke," but there is "no smoking gun at this point."

None of that diminishes the political threat evident in the appearance of former FBI

At the State Department, virtually every position below

Director James Comey before the Senate Intelligence Committee.

It is a familiar spectacle, in which a president is subjected to Washington's version of the ancient trials by ordeal. It did it to Richard Nixon—and Lyndon Johnson, who descended into political madness from watching the evening news report his troubles on three televisions in the Oval Office.

In the Trump trial, James Comey is playing the role of John Dean, the earnest lawyer who presented himself to the Watergate Committee as the last honest man in the Nixon White House. The media's dramaturges love to fashion political saints, thus the elevation of Jim Comey.

The dangers to the viability of the Trump presidency's agenda at this pivotal moment should not be underestimated. Successful governing means putting multiple players in motion toward a common goal—White House staff, Congress and its staffs, and the administration's political appointees, whose job is to push presidential policy through the bureaucratic swamps. That effort goes forward on the shoulders of a skeleton crew.

We are into the sixth month of the Trump presidency, and of 558 key positions requiring Senate confirmation, 427 have no nominee, according to the tabulation by the Partnership for Public Service. The permanent bureaucracy is running much of State, Defense, Justice and Education.

On Fox News Tuesday evening Sen. Lindsey Graham offered the president some wise counsel: "Mr. President: Your words matter now, you're no longer a candidate for office. You're the president of the United States and a lot of us want to help you. Help us help you."

Normalcy is the oxygen of good governance. The Trump White House has arrived at a binary choice: Choose chaos or choose success.

Secretary Rex Tillerson and his deputy John Sullivan has no nominee, including assistant secretaries for every region of the world.

For why this matters, look to Asia, where North Korea's nuclear threat occupies everyone's waking hours. Mr. Trump has met with Japanese Prime Minister Shinzo Abe, and Mr. Tillerson and Defense Secretary Jim Mattis all have visited the region to address North Korea.

The White House has arrived at a binary choice: Choose chaos or choose success.

But if you ask Asian governments about the status of the follow-up, they will tell you they don't know what's next because the U.S. has no assistant secretary for East Asian and Pacific affairs and therefore no daily liaison executing Mr. Trump's policy goals. Much of the Trump government is close to becalmed.

The appointee holdup at State is due, in part, to the Trump White House's virtual ban on anyone in the foreign-policy community who publicly opposed Mr. Trump's candidacy. Presumably this is about loyalty. After this week, though, the White House's fastidiousness may be irrelevant.

Three things happened that bear on the administration's ability to recruit or retain good people: Attorney General

Sessions's reported offer to resign over the president's unhappiness with his recusal from the Russia investigation; Mr. Trump's tweet repudiating his Justice Department lawyers' handling of the travel-ban case; and his tweet taking personal credit for Saudi Arabia breaking relations with Qatar. That required a stabilizing intervention from Secretary Tillerson because the U.S. has 11,000 troops based in Qatar. Welcome to team Trump.

One relevant footnote is George Conway's unexpected decision to withdraw last week as Mr. Trump's nominee to lead the Justice Department's civil division, followed by his Twitter statement supporting the department's handling of the travel-ban litigation. Who needs "House of Cards"?

One simply cannot duck the corollary question to these events: What top lawyer or professional at this juncture will join an administration whose ability to calm the political storms, execute policy or support its own people is in doubt?

On Fox News Tuesday evening Sen. Lindsey Graham offered the president some wise counsel: "Mr. President: Your words matter now, you're no longer a candidate for office. You're the president of the United States and a lot of us want to help you. Help us help you."

Normalcy is the oxygen of good governance. The Trump White House has arrived at a binary choice: Choose chaos or choose success.

Write henninger@wsj.com.

Political Death by 1,000 Tweets

By Karl Rove

Donald Trump's early-Monday-morning quadruple tweet blitz has damaged the legal case for his executive order temporarily halting travel from six Muslim-majority nations. Justice Department lawyers had avoided using the words "travel ban" in hope of separating Candidate Trump's rhetoric from President Trump's action.

That strategy lies in tatters after Mr. Trump tweeted: "The lawyers and the courts can call it whatever they want, but I am calling it what we need and what it is, a TRAVEL BAN!"

A few minutes later Mr. Trump added: "The Justice Dept. should have stayed with the original Travel Ban, not the watered down, politically correct version they submitted." What other president does he think withdrew his original ban and substituted the "watered down" one? In case he has forgotten, both orders bear Mr. Trump's signature.

He also demanded on Twitter that the Justice Department "ask for an expedited hearing" of the immigration order and "seek much tougher version." But those goals conflict, since changing the terms of the order now would simply restart the long march through the courts.

The next message, missed by most commentators, was an even more hazardous IET (improvised explosive tweet). "We are EXTREME VETTING people coming into the U.S.," the president wrote.

But wait! The second executive order says its rationale for suspending visas for 90 days

Trump has mastered the medium but not the substance. His agenda is at stake.

was that conditions in the six nations "present heightened threats." The Department of Homeland Security was given 20 days to "conduct a worldwide review" and determine what "additional information will be needed" to vet visitors properly. Those countries would then have 50 days to "begin providing" the requested information. If any refused, no visas would be issued for their citizens to enter the U.S.

That 90-day timeline expired on Monday, and Mr. Trump insists that "extreme vetting" is already taking place. So why is his administration still seeking judicial approval to halt visas temporarily for these six countries? If what Mr. Trump tweeted is

true, government lawyers and federal judges are wasting their time wrangling over a visa pause that's no longer needed. The president's new vetting standards are already in place, according to him.

On the other hand, it's possible someone is confused. On May 8, a federal appeals court asked a Justice Department lawyer if the administration was drafting new vetting standards. He responded: "We've put our pens down." Mr. Trump seems to think the pens are down because the new vetting standards are written. Meantime, his lawyers say the government hasn't started working on them.

Mr. Trump has figured out how to tweet his way around the mainstream media. Yet by disregarding basic fact checking, he is deepening the already considerable doubts Americans have about his competence and trustworthiness.

That was not the president's only messaging failure over the past week. Last Thursday Mr. Trump wisely withdrew America from the Paris Agreement on climate change. But his announcement was meandering, thin and dour.

The president led off by saying the agreement "disadvantages the United States to the exclusive benefit of other countries." The goal of other

countries, he added, was to saddle America with a "very, very big economic disadvantage." Why question the motives of international partners? The U.S. needs their cooperation on other issues, such as the fight against Islamic State. Mr. Trump instead should have heralded America's success in reducing greenhouse-gas emissions.

Between 2000 and 2014, the U.S. reduced emissions by nearly 6%, according to data from the Energy Information Administration. All this while America's per capita gross domestic product increased by nearly 13%, after adjusting for inflation.

The president should have made the case for following the U.S. example—an argument worth presenting far beyond a single weekday afternoon speech.

Increasingly it appears Mr. Trump lacks the focus or self-discipline to do the basic work required of a president. His chronic impulsiveness is apparently unstoppable and clearly self-defeating. Mr. Trump may have mastered the modes of communication, but not the substance, thereby sabotaging his own agenda.

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

"Highly enjoyable...[a] page turner written with great brio."

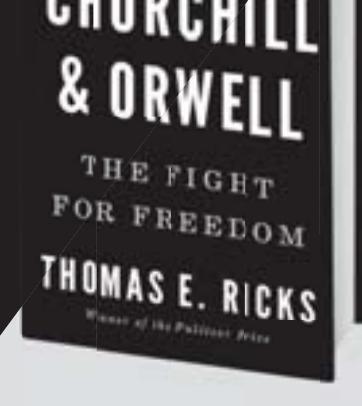
—The New York Times Book Review

"An elegantly written celebration of two men who faced an existential crisis to their way of life with moral courage—and demonstrated that an individual can make a difference."

—San Francisco Chronicle

"Eminently readable, frankly inspirational, and exceptionally timely." —Minneapolis Star Tribune

PenguinPress



BOOKSHELF | By Philip Delves Broughton

A Nation Built By Business

The Land of Enterprise

By Benjamin C. Waterhouse
(Simon & Schuster, 280 pages, \$28)

Throughout the 2016 campaign Hillary Clinton never grasped the contradictions in her own behavior. Her party's base soon tired of her claiming to be a champion of the working classes, only to skitter off to Wall Street the moment the lights went down and speak for \$250,000 a pop. She still doesn't get it. Just days ago, she explained her Goldman Sachs speeches bluntly—"they paid me"—and the left convulsed again.

By contrast, there is a clarity, awful to many on the left and invigorating to many on the right, about what drives President Donald Trump's economic team of bankers, investors and industrialists vowing tax cuts and turbo-charged growth. These are unembarrassed rich men promising even greater riches. The distribution may not be equal, the conflicts of interest at times may be rife, but that's capitalism for you, folks.

In "The Land of Enterprise: A Business History of the United States," Benjamin Waterhouse, a professor at the University of North Carolina, argues that the history of American business is not a sidebar to the work of political, ideological and cultural leaders but instead a "key aspect of our national story that helps explain how the United States developed into the land it is today." Mr. Waterhouse offers a twist on

Calvin Coolidge's aphorism that "the chief business of the American people is business"; he contends, as he puts it, that "the chief business of American history is business" and that the "story of the nation is the story of business history."

This thesis leads us down a particular route of historical interpretation, from the earliest colonists to the present. The Constitutional Convention was a debate less about the proper devolution of powers, Mr. Waterhouse suggests, than about basic economic questions. Those who had financed the Revolutionary War wanted to compel the states to pay them back. Article One of the Constitution, he writes, established the role of the federal government in creating a "stable, profitable environment for private enterprise."

The history of slavery can equally be written as economic history. By the eve of the Civil War, the cash value of the four million slaves in the American South was "worth more than the country's entire productive capacity from manufacturing, trade and railroads combined." The trauma of shifting from one economic model to another, rather than ideological disagreements between the states, provoked the brutal war.

To understand how the United States developed into the land it is today, one must see American history through the lens of business history.

Mr. Waterhouse notes that American presidents between Abraham Lincoln and Theodore Roosevelt, between 1865 and 1901, have long since faded into the historical background while business titans have stepped forward. Those late 19th-century decades were dominated by men like John D. Rockefeller, Andrew Carnegie and J.P. Morgan. It was the period when American businesses began to achieve the scope and scale possible in a vast and growing domestic market.

The aggressive integration of industries and the rough treatment of workers and unions who stood in their way, Mr. Waterhouse suggests, established a pattern that persists. Every time we hear of jobs being outsourced or sacrificed to technology and automation, we are hearing echoes of the Homestead Strike of 1892, when Andrew Carnegie sent in a private security force to battle union steel workers. His plant manager, Henry Frick, is known today for the elegant museum in his former home on Fifth Avenue. But in his lifetime he was known as a brutal enforcer of industrial efficiency.

What has mellowed over time is the rhetoric at the highest levels. Neither President Trump nor Sens. Elizabeth Warren and Bernie Sanders has ever come close to William Jennings Bryan, who railed against the "hard money" policies of East Coast financiers at the 1896 Democratic National Convention. He compared the sufferings of workers to those of Christ when he said: "You shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold!" Taking a swipe at bankers from the comfort of a Senate committee or pinging Canada for softwood dumping would not have cut it with this thunderer.

A cool academic navigating stormy waters, Mr. Waterhouse describes the evolution of a more cooperative approach between business and government after the Depression. Gradually, a balance was struck between legislation intended to provoke healthy competition, innovation and growth, and laws to guarantee social goods, such as clean air, water and food. During World War II, private enterprise was essential to producing the materiel necessary to fight. But even that master of military organization, Dwight Eisenhower, grew skeptical, as president, of the rising influence of what he called the "military-industrial complex." The student politics of the 1960s, Mr. Waterhouse contends, were driven by the Vietnam War but consumed by fears about the congealing mass of commercial and political power.

In the 1980s, members of the environmental movement were attacked by the then-president of the conservative Heritage Foundation as "zero-growth zanies" who "can go out and till their organic gardens and watch the sun come up from the serenity of their redwood hot tubs" but don't care about the fortunes of "those among us who are still trying to make it up the economic ladder." You can hear the same sentiment today up and down the talk-radio dial. Indeed, the tensions between dynamic economic change and resistance to it keep on being refreshed by financial crises, technological advancement and anxiety over what comes next.

In a short compass, "The Land of Enterprise" provides a way to accept many of today's most vituperative political disagreements not as unprecedented disruptions but part of a long-running internal debate. Whether we consider business "just business" or the main business of government determines far more issues than we think.

Mr. Delves Broughton is the author of "The Art of the Sale: Learning From the Masters About the Business of Life."

OPINION

REVIEW & OUTLOOK

The ‘Independent’ Mr. Comey

The Senate Intelligence Committee released James Comey’s prepared testimony a day early on Wednesday, and it looks like a test of whether Washington can apprehend reality except as another Watergate. Perhaps the defrocked FBI director has a bombshell still to drop. But far from documenting an abuse of power by President Trump, his prepared statement reveals Mr. Comey’s misunderstanding of law enforcement in a democracy.

Mr. Comey’s seven-page narrative recounts his nine encounters with the President-elect and then President, including an appearance at Trump Tower, a one-on-one White House dinner and phone calls. He describes how he briefed Mr. Trump on the Russia counterintelligence investigation and what he calls multiple attempts to “create some sort of patronage relationship.”

But at worst Mr. Comey’s account of Mr. Trump reveals a willful and naive narcissist who believes he can charm or subtly intimidate the FBI director but has no idea how Washington works. This is not new information.

When you’re dining alone in the Green Room with an operator like Mr. Comey—calculating, self-protective, one of the more skilled political knife-fighters of modern times—there are better approaches than asserting “I need loyalty, I expect loyalty.” Of course the righteous director was going to “memorialize” (his word) these conversations as political insurance.

Mr. Trump’s ham-handed demand for loyalty doesn’t seem to extend beyond the events of 2016, however. In Mr. Comey’s telling, the President is preoccupied with getting credit for the election results and resentful that the political class is delegitimizing his victory with “the cloud” of Russian interference when he believes he did nothing wrong.

Mr. Comey also confirms that on at least three occasions he told Mr. Trump that he was not a personal target of the Russia probe. But Mr. Comey wouldn’t make a public statement to the same effect, “most importantly because it would create a duty to correct” if Mr. Trump were implicated. This is odd because the real obligation is to keep quiet until an investigation is complete.

More interesting is that Mr. Trump’s frustration at Mr. Comey’s refusal raises the possibility that the source of Mr. Trump’s self-destructive behavior isn’t a coverup or a bid to obstruct the investigation. The source could simply be Mr. Trump’s wounded pride.

The most troubling part of Mr. Comey’s statement is his belief in what he calls “the FBI’s traditionally independent status in the executive

branch,” which he invokes more than once. Independent? This is a false and dangerous view of law enforcement in the American system.

His prepared testimony shows why he deserved to be fired.

Mr. Comey is describing an FBI director who essentially answers to no one. But the police powers of the government are awesome and often abused, and the only way to prevent or correct abuses is to report to elected officials who are accountable to voters. A director must resist intervention to obstruct an investigation, but he and the agency must be politically accountable or risk becoming the FBI of J. Edgar Hoover.

Mr. Comey says Mr. Trump strongly suggested in February that he close the Michael Flynn file, but after conferring with his “FBI senior leadership” he decided not to relay the conversation to Attorney General Jeff Sessions or any other Justice Department superior. If he thought he was being unduly pressured he had a legal obligation to report, and in our view to resign, but he says he didn’t because “we expected” that Mr. Sessions would recuse himself from Russia involvement.

Well, how did he know? Mr. Sessions didn’t recuse himself until two weeks later. Mr. Comey also didn’t tell the acting Deputy AG, who at the time was a U.S. attorney whom Mr. Comey dismisses as someone “who would also not be long in the role.”

This remarkable presumptuousness is the Comey mindset that was on display last year. He broke Justice Department protocol to absolve Hillary Clinton’s mishandling of classified material, without the involvement of Justice prosecutors or even telling then Attorney General Loretta Lynch. Mr. Comey’s disregard for the chain of legal command is why Mr. Trump was right to fire him, whatever his reasons.

Also on Wednesday two leaders of the intelligence community told the Senate Wednesday that they had not been pressured to cover up anything. “I have never been pressured—I have never felt pressured—to intervene or interfere in any way with shaping intelligence in a political way or in relation to an ongoing investigation,” said Director of National Intelligence Dan Coats. National Security Agency Director Mike Rogers added that he never been asked “to do anything I believe to be illegal, immoral, unethical or inappropriate.”

Meanwhile, Mr. Trump announced that he is nominating respected Justice Department veteran Christopher Wray as the next FBI director. Let’s hope Mr. Wray has a better understanding of the FBI’s role under the Constitution than Mr. Comey does.

The Death of Obama’s Slush Funds

Despite the tweets and Comey maelstrom, some good things are happening in the executive branch. An important example is Attorney General Jeff Sessions’s Monday order ending a program to treat legal settlements like political appropriations.

The misuse of settlement slush funds was one of the Obama Administration’s worst practices, which it used to end run Congress’s constitutional spending power. After the GOP took the House and tried to cut spending for liberal interest groups, the Obama Justice Department began to force corporate defendants to allocate a chunk of their financial penalties to those same groups.

Banks were made to fund left-wing activists such as NeighborWorks—though these groups were neither victims nor parties to lawsuits. In 2015 JP Morgan was required to pay \$7.5 million to the American Bankruptcy Institute’s endowment for financial education. In 2016 Volkswagen was required to invest \$2 billion in zero-

emissions technology and promote zero-emissions cars. Government enforcement became an income redistribution mechanism without having to go through Congress.

Mr. Sessions’s brief memo instructs Justice’s 94 U.S. Attorneys to immediately halt the practice. It correctly notes that financial penalties are designed to punish and provide relief to victims—not to generate political payola. Save for limited exceptions—such as payments expressly authorized by statute—the memo instructs that future settlement money will go directly to victims or to the U.S. Treasury.

Credit in particular goes to Virginia Republican Bob Goodlatte, who introduced legislation in 2016 to stop the practice. Mr. Goodlatte has more recently called on Justice to claw back an estimated \$380 million the Agriculture Department paid to special interests to settle a discrimination class action—which is worth investigating. But at least this abuse of enforcement power is over for now.

Qatar’s Reckoning

The rift between Qatar and four of America’s Sunni-Arab allies led by Saudi Arabia broke into the open this week. On Tuesday Riyadh closed ground routes to Qatar, and the Saudis and others blocked Qatari vessels and aircraft from their waters and airspace, all but isolating the tiny Persian Gulf monarchy. President Trump seemed to signal support for the diplomatic blockade on—where else?—Twitter. This is an overdue reckoning for Qatar, albeit with some risk to Western interests.

On Monday Bahrain, Egypt, the Saudis and the United Arab Emirates suspended diplomatic ties with the Qatars. The Saudis spoke for the other three when they accused Doha of “financing, adopting and sheltering extremists,” and they are right. For years the Qatars have maintained a two-faced policy toward the West, their Arab neighbors and the various Islamist movements that threaten Middle East stability.

Qatar hosts a U.S. military base that is crucial to American operations against jihadists including Islamic State. The base is also a guarantor of the tiny country’s independence, against the Saudis as well as Iran, with which Doha shares a natural-gas field in the Gulf.

At the same time the Qatars have supported the Islamist groups that seek to overthrow established regimes. Al Jazeera, the Qatars’ popular television network, provides a platform to Yusuf al-Qaradawi, a leading Islamist ideologue who has praised Hitler for carrying out “divine punishment” against the Jews.

Qatar has also funded and provided a refuge to leaders of the Palestinian terror group Hamas, and it financed Islamist militias in Libya after the fall of Moammar Gadhafi. Qatari individuals and charities fund the Syrian branch of al Qaeda, according to the U.S. State Department, and the Qatari state is open about its support for the Muslim Brotherhood.

It isn’t clear what triggered this week’s rupture, which some attribute to a recent ransom payment of \$1 billion to an Iranian-backed militia that had kidnapped prominent Qatars in Iraq. Others point to Mr. Trump’s tough anti-Islamist rhetoric during his visit to Riyadh last month. The Saudis may have interpreted Mr. Trump’s speech as a green light to confront Qatar after eight years during which his predecessor looked the other way. Mr. Trump bolstered that conclusion with a tweet Tuesday: “During my recent trip to the Middle East I stated that there can no longer be funding of Radical Ideology. Leaders pointed to Qatar—look!”

Mr. Trump can’t seem to resist giving himself credit for everything. But the goal of U.S. policy now should be to restore Arab unity to forge a common front against Sunni radicals and Iranian imperialism. The aim of the current pressure shouldn’t be to permanently isolate Doha but to bring its conduct into line with what is expected of a Western ally. The diplomatic brawl has put Qatar on notice that it must stop supporting radicals, but the country will be an even larger problem if it joins arms with Iran.

Fellow Arab states are fed up with the Gulf monarchy’s mischief.

LETTERS TO THE EDITOR

Federal, State Taxes: Who Supports Whom?

Regarding your editorial “Trump’s Blue State Revival Plan” (June 3): Elimination of the deduction for state and local taxes makes sense from a fairness perspective since all federal taxpayers would then be treated equally. It might even limit the ability of big-spending politicians in high-tax states from further soaking their constituents, which the deduction encourages. However, it is far from generally true that taxpayers in states with relatively low state and local taxes are underwriting the tax windfall in states with high state and local taxes. At the extreme, ultra-high-tax New Jersey received 72 cents in federal spending per dollar paid in federal taxes while Alaska, highlighted as a low-tax state, received \$2.36. Who is underwriting whom? Not only are state and local politicians soaking New Jersey taxpayers, but so too are their representatives in Washington.

PAUL LERMAN, PH.D.
Harrington Park, N.J.
OREN LEVIN-WALDMAN, PH.D.
Suffern, N.Y.

Apparently it is not enough that I pay 39.6% federal income tax, 12.4% Social Security tax, 2.9% Medicare tax, have my deductions limited, pay high state income taxes, high sales taxes and, living in Lake County Ill., pay among the highest property taxes in the U.S. No, according to my old friends, I should also have my taxes taxed.

As a 60-year-old man, I have no realistic job prospects anywhere else, meaning because I have no realistic

ability to move, I get to pay the highest taxes in the country. The only thing that will be reduced if my property taxes are taxed is the value of my house. The real solution is for government to reduce spending and live within its means.

ROB KLEIN
Deerfield, Ill.

Repealing the state and local tax deduction isn’t only unfair, it’s fundamentally stupid policy. It penalizes the very regions that try to account for social costs and benefits on the state and local level instead of ignoring them or foisting them off on somebody else or expecting the federal government to take care of everything.

If there were true states’ rights in this country, California wouldn’t have to shell out for farm subsidies to Iowa, welfare to Kentucky or security expenses for the Trump family chaebol. And if other states send their homeless here on one-way bus or plane tickets, we’d bus them right back.

We’re tired of paying foreign aid to the rest of the country and getting laughed at. The other states have to start paying their fair share. With the money Californians are sending out of state, we could probably afford to maintain our own nuclear deterrent and start building walls across our southern and eastern borders, not to mention the sea wall we’ll probably need in a few decades. From now on, guys, it’s going to be only California First. Believe me.

LIZ ROTH
Los Angeles

Keep California’s Bar Exam Fair and Useful

California should stay the course. Of the three bar exams I’ve passed (New York, California, New Jersey), I consider California’s to be the most fair (“State’s Bar Put to the Test,” U.S. News, June 1). The two days of essays and work assignments gave examiners ample opportunity to measure applicants’ ability to analyze, write and apply their knowledge of the applicable law to given fact patterns and assignments, and the test covered all the major subject areas.

As for the multistate section, it is more a reading-comprehension test that requires fluency with English and an ability to quickly read or scan long passages. If you’ve plowed through bar review workbooks, you’ve undoubtedly already encountered numerous examples of almost every problem on the test.

JULIE JETTON
New York

There is no future in dumbing down the bar exams. Instead, we need a reality check on the Multistate Bar Examination. Young lawyers who appear on my doorstep show a lack of direction, notwithstanding the internships, externships and clinical courses they take. Legal educators I know tell me that the MBE has departed from the traditional manner of testing for concepts and now leans toward testing for memorized material. That isn’t the way the law works, and that shouldn’t be the way the exams are written.

All of my colleagues in my law-

school class passed the bar the first time. While the bar exam might seem to some insurmountable, my experience with those from less demanding schools is disappointing. The admissions standards should anticipate the probability of the candidate passing the bar.

DAVID LUTHER WOODWARD
Pensacola, Fla.

Would you want to go to a brain surgeon who got his or her license or specialty because of any relaxation of standards? I doubt it.

GEORGE A. VANDEMAN
Pacific Palisades, Calif.

As a member of the two toughest bars in the country (California and New York), I respectfully disagree with the prospect of reducing the threshold for the California bar to allow for more applicants to receive a passing score. Because California allows students from unaccredited law schools to sit for the same exam, their pass rate is understandably very low, which lowers the overall pass rate to a somewhat unsightly number. Memo to graduates from all law schools: Study!

WAYNE S. KREGER
New York and Santa Monica, Calif.

The French Were Wonderful With Down Syndrome Son

Sohrab Ahmari’s “French Censors Target Children With Down Syndrome” (op-ed, May 25) revives painful memories of the circumstances of our son Henry’s birth in France. Henry is now a healthy 28-year-old. At birth, his French obstetrician was critical of us for having brought him into the world. That he has Down syndrome was unexpected and at first thoroughly disheartening. Understanding family and friends and more sympathetic members of the French medical community, including Dr. Jerome Lejeune at Necker Children’s Hospital in Paris, steadily gave us heart. Henry’s education and growth were well supported by specialized programs in France, as they were later when we moved back to the U.S. His guileless innocence and pure unadulterated love are a blessing. To have denied him life is unimaginable and would have denied us the priceless gifts of his company and example.

BILL WAINWRIGHT
Martinez, Calif.

Pepper ... And Salt

THE WALL STREET JOURNAL



“I save the can-opener sound track for going home.”

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

RICHARD D. WILKINS
Syracuse, N.Y.

OPINION

What Causes High Tuition? Don't Trust Your Intuition

By Preston Cooper

A typical student in an American public college pays thousands of dollars more in tuition than just a decade ago. Students and parents are worried and frustrated, and many point the finger at state legislators, who have cut funds to state schools. During last year's presidential campaign, Hillary Clinton blamed "state disinvestment" in higher education for soaring tuition and declared her support for "free college."

While the "disinvestment" narrative is simple and appealing, it collapses under scrutiny. If state

When states cut spending by \$100, students at public colleges do pay more—but the increase is only \$5.

funding to public colleges falls by \$100 per student, it seems logical to conclude that tuition must go up by \$100 to compensate. But that isn't what happens. When the Great Recession began in 2008, funding at public colleges fell, as declining tax revenue forced states to make budget cuts. Tuition went up. In the mid-2000s, when the economy was strong, state funding to public colleges rose. Tuition went up then, too.

Tuition goes up no matter what state legislators do. Public colleges, with state boundaries insulating them from competition, and generous federal student aid programs at their disposal, charge as much as they can get away with. Changes in state funding are largely irrelevant.

In a new study, I compare tuition and direct state funding changes at four-year public colleges between 2004 and 2015. This covers both a boom in state funding (2004–08) and a bust (2008–12). Sure enough, the relationship is quite weak. Less than 5% of changes in state funding pass through to higher tuition. In other words, if funding falls by \$100 per student, tuition will rise by less than \$5.

Colleges do tend to cut spending when state funding goes down. But the expenditures they cut are usually in areas unrelated to instruction, such as research and administration. When funding goes up, colleges largely plow that money into higher spending rather than return it to students through lower tuition.

State lawmakers looking to bring down tuition by restoring public college funding cut during the recession will be in for an unpleasant surprise. At current spending patterns, funding would have to increase \$20 for every \$1 reduction in tuition. Bringing tuition at four-year public colleges back to 2004 levels would require a nationwide \$473 billion investment, a 1,000% increase.

Politicians who campaign on "reinvesting" in higher education to lower tuition are basically campaigning to waste taxpayer money. Instead of splashing out funds to colleges in the futile hope that tuition will go down, state governments should give that money directly to students as financial aid. Overall tuition may rise a bit, but after subtracting grants students will end up paying less.

By contrast, proposals to reverse "state disinvestment" could waste billions of taxpayer dollars while doing nothing to help students. State legislators should steer clear of simple and wrong solutions.

Mr. Cooper is a research analyst at the American Enterprise Institute.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp

Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancey, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

Trump as a Democracy Promoter

By Judy Shelton

Much has been made of President Trump's supposed lack of interest in human rights and the promotion of American ideals. Stepping back from his rhetoric and looking at his actions suggests an alternative conclusion.

If it were an easy task to set up a flourishing democracy, the entire world would be experiencing peace and prosperity. But it has never been simple. Many people around the world understand that liberty, opportunity and fairness flow from democratic institutions. But establishing such systems takes time, and progress is uneven. The growing pains of warring internal factions and harsh retributions meted out by ruthless authoritarians slow the march toward democracy.

President Reagan sought to address the issue in a speech before the British Parliament on June 8, 1982. He affirmed it was a mistake to ignore the rise of tyrants: Britain had paid a terrible price in World War II after allowing dictators to underestimate its resolve. He further maintained that democratic nations needed to resist as a matter of self-expression. Reagan said we must think of ourselves as "free people, worthy of freedom and determined not only to remain so but to help others gain their freedom as well."

The 40th president proposed countering totalitarianism and its terrible inhumanity by actively promoting freedom and democratic ideals throughout the world. He envisioned the creation of a bipartisan U.S. political foundation that would assist democratic development by openly providing support to those seeking equality and liberty for their countrymen. Building the infrastructure of democracy—free elections, free markets, free speech and rule of law—would empower people to choose their own way to reconcile their own differences through peaceful means. "Democracy is not a fragile flower," Reagan observed. "Still, it needs cultivating."

That simplistic narrative is wrong. Consider Secretary of State Rex Tillerson's remarks to his department's



President Reagan at the British Parliament, June 8, 1982.

with that uniquely American quality of being unable to ignore injustice—that inability to stand idly by while the rights of others are cruelly violated by despots. Does he appreciate that America's own hard-fought path to democracy and equal rights means we never retreat from leadership or abstain from righteousness in a world prone to malevolence?

One notable event may provide a telling indication. In February, Mr. Trump met in the Oval Office with Lilian Tintori, wife of jailed Venezuelan opposition leader Leopoldo Lopez. Afterward the president tweeted a thumbs-up photo of himself, together with Vice President Mike Pence and Florida Sen. Marco Rubio, standing beside Ms. Tintori. "Venezuela should allow Leopoldo Lopez, a political prisoner & husband of @lilian_tintori (just met w/@marcorubio) out of prison immediately," read his accompanying message.

"Here in Venezuela, jaws dropped," wrote Emilia Duarte, managing editor of the English-language blog Caracas Chronicles, in the Atlantic. "For Venezuelans accustomed to living in fear of their dictatorial government, the sight of the president of the United States siding publicly with the most fearless champion of Venezuelan democracy was powerful."

As someone who has thought deeply about democracy promotion, I take this as evidence that America's leader—an admirer of Reagan—has the head and the heart to act with fundamental decency. American decency is born of gratitude for what this nation's founders had the courage and vision to establish. It is what compels Americans to stand for the rights and liberties of those who can't stand for those rights and liberties themselves. It is what drives the aspiration to share the American values that have made the U.S. not only successful but honorable.

Mr. Trump's decisions ultimately make the difference. "I see in the president somebody who said a lot of things in the campaign," former Secretary of State Condoleezza Rice noted in a recent Journal interview. "But when he was sitting in that chair and watched Syrian babies choking on chemical gas said, 'I can't let that stand.'"

What Mr. Trump apparently felt at a gut level is entirely in keeping

employees last month. He adjured them to "remember that guiding all of our foreign-policy actions are our fundamental values," which include "freedom, human dignity, the way people are treated." As Mr. Tillerson

explained, the objectives of the administration's America First approach—encouraging economic prosperity and maintaining military readiness—are crucial if the U.S. is to promote its values abroad.

Mr. Trump's decisions ultimately make the difference. "I see in the president somebody who said a lot of things in the campaign," former Secretary of State Condoleezza Rice noted in a recent Journal interview. "But when he was sitting in that chair and watched Syrian babies choking on chemical gas said, 'I can't let that stand.'"

What Mr. Trump apparently felt at a gut level is entirely in keeping

His responses to abuse in Syria and Venezuela suggest he cares about freedom and human rights.

explained, the objectives of the administration's America First approach—encouraging economic prosperity and maintaining military readiness—are crucial if the U.S. is to promote its values abroad.

Mr. Trump's decisions ultimately make the difference. "I see in the president somebody who said a lot of things in the campaign," former Secretary of State Condoleezza Rice noted in a recent Journal interview. "But when he was sitting in that chair and watched Syrian babies choking on chemical gas said, 'I can't let that stand.'"

What Mr. Trump apparently felt at a gut level is entirely in keeping

Buying More Chevys Won't Fix Germany's Imbalance

By Jason Furman

President Trump is right: Germany's trade balance is out of whack, and this ought to be called out. Although it's a fool's errand to condemn bilateral imbalances in specific industries—such as auto manufacturing—the important truth remains that Germany overall has the world's largest current-account surplus.

Unfortunately, a fix will not be found in the sort of bilateral trade negotiations Mr. Trump's comments seem intended to provoke. The solution is the sort of global cooperation Mr. Trump disdains: multilateral engagement on the macroeconomic drivers of the German surplus by European countries, the Group of Seven, the Group of 20 and—yes—even the North Atlantic Treaty Organization.

First, the facts. Last year Germany's current-account surplus was \$300 billion, or 8% of its gross domestic product. This largely reflected its trade surplus, but also some net investment income. Germany's surplus was 50% higher even than China's, though the German economy is only one-third as big. It wasn't always this way. In 2000 Germany ran a slight current-account deficit.

The German surplus does not come at American expense in a simplistic, zero-sum sense. The U.S. currently has an unemployment rate of 4.3%. The Federal Reserve appears not to want that figure to go much lower because it views this as close to full employment. So if the U.S. got a boost from increased exports to Germany, the Fed would offset it by raising interest rates faster and lowering domestic demand.

Other European countries could make a more legitimate zero-sum complaint about Germany, even if

they rarely do these days. Trade partners inside the eurozone do not have access to independent monetary tools, and with a single currency there are no exchange rates to adjust. Countries like France and Spain cannot fully offset Germany's surplus absent prolonged and painful declines in relative wages and prices.

Berlin has a huge surplus in its current account, but the bilateral deals Trump has in mind won't help.

What has created Germany's surpluses? Not its trade policies. German tariffs average 1%, slightly below the American average of 1.4%. This should not be a surprise, since lower tariffs generally increase the volume of trade but do not systematically affect the trade balance.

Germany's massive and growing surpluses instead are rooted in macroeconomic forces. The current-account balance, as a simple accounting identity, is the gap between what an economy saves and what it invests. Say Germany's residents save \$100 and invest \$90 domestically. The difference, \$10, is exported as capital. That money is recycled when other nations purchase German exports.

Germany's capital outflows, then, are less an emblem of strength than an indication of the weakness of domestic investment opportunities (or the inability to capitalize on them).

One particularly worrisome consequence—and possibly a cause of tepid investment—is Germany's slow productivity growth. Americans have been disappointed to see their productivity growing at only 1.5% a year since 2000. But Germans have had it much worse, posting productivity gains of 1% a year over the same period. That puts Germany in the bottom half of the Organization for Economic Cooperation and Development.

The solution to this problem, contrary to Mr. Trump, is not for Germans to buy more Chevys and Fords or to sell Americans fewer Mercedes-Benzes and BMWs (many of which, by the way, were made in places like Alabama and South Carolina). Instead it

is to increase Germany's domestic demand. Faster wage growth leading to stronger consumption would help, but the key is stronger public and private investment.

In addition to being a welcome source of demand in the short run, investment would help to expand the supply side of the economy as well. The case is clearest in the public sector, where the relative standing of Germany's infrastructure has fallen over time along with spending on it. Berlin also could do more to catalyze investment in critical sectors like energy and broadband.

Global markets act as a brake on countries with growing current-account deficits. But there is no comparable autocorrect for current-account surpluses. This asymmetry calls for multilateral engagement on the true macroeconomic drivers of Germany's rapidly expanding surplus.

Mr. Trump did make one concrete proposal that would materially help: He called on Germany to fulfill its commitment under NATO to spend 2% of its GDP on defense. Assuming Berlin obliged without cutting spending elsewhere, that would at least make a discernible difference.

Mr. Furman, a senior fellow at the Peterson Institute for International Economics, was chairman of the White House Council of Economic Advisers, 2013–17.

Made in California—but Not the USA?

By Anthony Maglica

I have been a California manufacturer since 1955, when I opened a one-man machine shop in a rented garage. Sixty-two years later, my shop has grown to a million square feet and now employs hundreds of people. It is here that our famous Maglite machined-aluminum flashlights are designed, engineered and manufactured. From our factory in Ontario, Calif., they are exported around the world.

Nowhere but in America could somebody who started with as little as I had come as far as I have. The best way I know to show my gratitude is by keeping alive American manufacturing jobs, ones that involve the same tradecrafts on which my own success was based.

That is why my flashlights are made here, and why the great preponderance of parts and components are either made in our own factory or procured domestically—when possible, locally. But given the globalization of trade, there are some items that simply are not available, or are otherwise impractical to secure, from any domestic source. Buying a part or component abroad is something

Mag Instrument does only as a last resort, and then reluctantly.

Given my commitment to keeping manufacturing in America, it seems only fair that I should be able to stamp my flashlights "Made in USA"—especially when I sell them in

My company manufactures flashlights in the Golden State—but Sacramento considers them foreign.

the very state where they are produced. But thanks to an old and obscure California statute, I am forbidden to use that label.

A state law enacted in the early 1960s forbade marking a product "Made in USA" unless every single part was domestically produced. Over the past few years the requirement for domestic content has been lowered from 100% to 95%, but that still is an impractically high bar for most American manufacturers facing the reality of a global parts-and-components market. So my company cannot sell flashlights in California with a

"Made in USA" label—even though our only factory and almost all our workers are in California, and despite our strong policy of building products as American as they can be.

Fortunately, none of the other 49 states have followed California's lead. They all use the Federal Trade Commission's well-considered and comprehensive standard for "Made in USA" labeling. But absent federal intervention, any other state, at any time, could enact its own varying definition, continuing the process, begun by California, of turning interstate commerce into a Tower of Babel.

A bill now pending in the U.S. Senate would prevent that scenario. The Reinforcing American-Made Products Act of 2017 would make federal law and regulation, including the FTC standard, exclusive on the topic of "Made in USA" labeling for products sold in interstate or foreign commerce. That would pre-empt California's maverick labeling statute and prevent other states from passing laws like it, which only hinder American manufacturing.

Mr. Maglica is founder and president of Mag Instrument Inc.

DOW JONES
News Corp



PVH CORP. &
MANNY CHIRICO
CONGRATULATE

RAF SIMONS
OF CALVIN KLEIN

2017 CFDA
FASHION AWARDS

WOMENSWEAR AND MENSWEAR
DESIGNER OF THE YEAR

PVH

CALVIN KLEIN

TOMMY HILFIGER

HERITAGE BRANDS

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

* * * * *

THE WALL STREET JOURNAL.

Thursday, June 8, 2017 | B1

S&P 2433.14 ▲ 0.16%

S&P FIN ▲ 0.82%

S&PIT ▲ 0.27%

DJ TRANS ▲ 0.65%

WSJ \$IDX ▲ 0.14%

LIBOR 3M 1.221

NIKKEI (Midday) 19993.97 ▲ 0.05%

See more at WSJMarkets.com

Surging U.S. Exports Reshape Oil Market

Pace of up to 1 million barrels a day puts downward pressure on crude prices

By LYNN COOK

American oil exports are emerging as a disruptive new force in global markets.

The U.S. exported 1 million barrels of oil a day during some months this year—double the pace of 2016—and is on track to average that amount for all of 2017, according to a Wall Street Journal analysis of data from the U.S. Energy Department and International Trade Commission.

In another era, a domestic glut and low prices, currently

hovering under \$50 a barrel, might have caused companies to slow the pace of drilling. But since Congress lifted a ban on oil exports at the end of 2015, shipments out of Texas and Louisiana have skyrocketed, taking the fruits of the U.S. fracking revolution to new markets.

"The glut of crude around the world, coupled with extremely low prices to rent oil tankers, is upending petroleum flows," said Kurt Barrow, vice president at consulting firm IHS Markit.

While U.S. exports make up just 1% of global oil volumes, they are a new factor helping to tamp down prices and keep them between \$45 and \$55 a barrel. U.S. oil prices on Wednesday declined 5.1% to

\$45.72 a barrel—the second-lowest level of the year—after weekly inventory data showed a surprise increase in stockpiles. It was the biggest single-day decline since March. (Please see related article on page B11.)

Exports represent a relief valve for U.S. drillers, which are ramping up production at a pace to surpass 10 million barrels a day—which would be a record—by next year if not sooner.

The U.S., which shipped more than 110 million barrels to foreign buyers from January to April, according to ITC data, is benefiting in part from a decision by the Organization of Petroleum Exporting Countries to temporarily reduce output.

The U.S. still imports a lot of foreign crude, averaging 10 million barrels a day last year, because it is the world's No. 1 oil consumer. But that level has dropped sharply in recent years.

A major reason that U.S. exports are rising is that American crude has been selling at a discount of roughly \$2.50 a barrel to Brent, the international oil-price benchmark, for much of this year.

That spread makes it profitable to pay to transport U.S. oil to farther-flung locales. If U.S. oil's discount to Brent gets bigger, American shipments will grow. If it shrinks, less U.S. oil will flow overseas.

Please see OIL page B2

◆ Russia could buy back its Rosneft stake..... B10

Pumped Up

Surging U.S. oil exports are penetrating new markets and meeting increased demand from existing buyers.

Volume of oil bought by new importers in 2017

India

1,468,019 barrels of oil

Hong Kong

732,273

Denmark

683,095

Australia

223,000

Georgia

123,952

Year-on-year increase in oil imports from the U.S. among selected countries

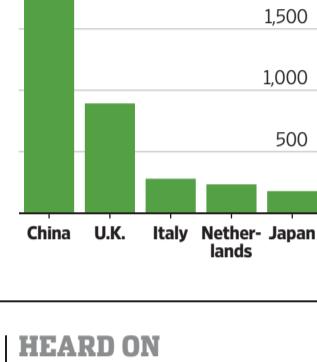
2,500%

2,000

1,500

1,000

500



Note: Imports for January through April

Santander Buys Rival For 1 Euro In Rescue

By JEANNETTE NEUMANN

MADRID—Banco Santander SA has acquired Spanish rival Banco Popular Español SA in an overnight auction for the nominal amount of €1 (\$1.13) after the European Central Bank determined the ailing lender was near collapse.

The rescue of Banco Popular marks a swift and decisive response by the European Union to stop the downward spiral of Spain's most troubled big bank and provides a test of Europe's banking rules enacted after the financial crisis.

While the Spanish banking sector is largely healthy, Banco Popular has proved a weak link. The lender's balance sheet is weighed down by about €37 billion in foreclosures and other nonperforming assets accumulated since the country's real-estate boom went bust.

The sale of Banco Popular also marks the first major move by the Single Resolution Board, the European body charged with dealing with failing banks and ensuring that taxpayer money doesn't go to bailing out troubled lenders.

Instead, the rescue imposed steep losses on junior bondholders and wiped out shareholders, while senior bondholders were spared.

Holders of contingent convertible debt are also in line for losses. European authorities have encouraged banks to issue this type of debt, known as CoCos, in recent years.

Lenders across the region, including Banco Popular, have used CoCos to raise billions of euros of capital. The securities pay coupons like bonds, but convert to shares if the bank's capital ratios sink below a certain level, thus making them the first bondholders to be wiped out in a bank failure. Analysts said the rescue could lead investors to demand greater premiums on bonds issued by European banks struggling with soured loans or low provisions.

The Single Resolution Board's Please see BANKS page B2

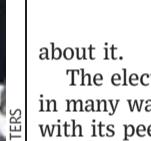


Phones for sale in Lagos, Nigeria. China's Transsion leads Africa's smartphone market, offering features sought by local customers.

HEARD ON THE STREET

By Anjani Trivedi

Stakes Are Rising For Tesla In China



China has become a big part of Tesla, even if Chief Executive Elon Musk hasn't said much about it.

The electric-car maker is in many ways out of sync with its peers in the world's largest electric-car market. Unlike GM, Volkswagen and Ford Motor, it doesn't have a local joint-venture partner or a local dealer network to plug into. Its battery chargers don't comport with China's standard. It doesn't produce locally, so its sticker prices are burdened with a 25% import tax in addition to the cost of shipping cars over.

Yet it has found some success. Revenue tripled last year and represents almost one-fifth of the company's total. It attracted a big Chinese investor in Tencent, which took a 5% stake in March, giving it credibility and contacts.

Shortly thereafter, Chinese state media tweeted a picture of Mr. Musk and Chinese Vice Premier Wang Yang in Beijing. Talk started swirling of a Tesla factory in China, which would end the import tax and possibly qualify Tesla for generous subsidies.

The question is, will whatever strategy Tesla is using to win those sales continue to work? Tesla hasn't said when next year it will launch the Model 3 in China and doesn't disclose sales margins there. Mr. Musk has said almost nothing in presentations or earnings calls about the China strategy, a glaring omission given China's increasing importance.

Tesla may be hitting a rough patch there. Based on customs data, research firm JL Warren Capital figures first-quarter shipments were down 15%, a trend that continued in April. Meanwhile, inventory built up. The number of vehicles sitting at dealerships in March and April was close to the highest ever for Tesla in China.

Tesla has been leaning on marketing tactics that will likely be short-lived. It has raised prices twice over the past year, both times announcing the increase was imminent—which may pull demand forward, but is no way to generate new demand.

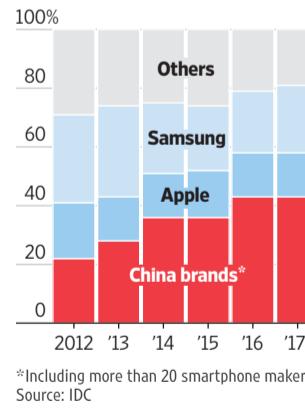
Mr. Musk has hinted at times the company could reveal plans about China production. Given Tesla's ambitions—and its lofty stock price—such a plan could carry serious importance.

By LIZA LIN AND DAN STRUMPF

Dialing Up

Smartphone makers from China are gaining market share with competitive pricing and features.

Global smartphone share by shipment



*Including more than 20 smartphone makers from China
Source: IDC

Share of major Chinese makers by shipment



†First quarter
THE WALL STREET JOURNAL

Meanwhile, Samsung's and Apple's share of the global market has begun to slip.

The other answer can be found in the Pearl River Delta, China's southern tech corridor. With few exceptions, notably Beijing-based Xiaomi Corp., most of the more than 20 Chinese smartphone makers are there, a region rich in the technical know-how and manu-

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BBK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker

facturing infrastructure.

</div

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	E	N
Alibaba Group.....B12	Etihad Airways.....B4	Nasdaq.....B11
Alphabet.....B4,B12	Exxon Mobil.....B12	Netflix.....B12
Amazon.com.....A1,B12	F	P
ANI Technologies.....B3	Facebook.....B12	Penguin Random House.....B3
Anthem.....A6	Fiat Chrysler Automobiles.....B6	Perkins Coie.....B3
Apple.....A1,A2,B1,B4	Ford Motor.....B1,B12	R
Archer Daniels Midland.....B1	G	Regeneron Pharmaceuticals.....B12
B	General Motors.....B1	Rio Tinto.....B6
Banco Bilbao Vizcaya Argentaria.....B2,B12	Glencore.....B10	Rosneft.....B10
Banco Popular.....B1,B12	Goldman Sachs Group.....B12	S
Banco Santander.....B1,B11	Hanjin Shipping.....B2	Tencent Holdings.....B1,B12
BBK Electronics.....B1	HSBC Holdings.....B12	Tesla.....B1,B12
Bertelsmann.....B3	I	Tongda Group Holdings.....B11
BHP Billiton.....B6	Intercontinental Exchange.....B11	Trafigura Group.....B10
Blackstone Group.....B10	L	Transition Holdings.....B1
Bunge.....B1	Lansdowne Partners.....B10	U
C	Loxo Oncology.....B12	Uber Technologies.....B3
Caisse des Dépôts.....B3	M	V
CBOE Holdings.....B11	Man Wah Holdings.....B11	Vertex Pharmaceuticals.....B12
China Water Affairs Group.....B11	Muddy Waters Research.....B11	Volkswagen.....B1
CME Group.....B11		
Covington & Burling.....B3		
D		
Daiwa Capital.....B12		
Delphi Automotive.....B3		

INDEX TO PEOPLE

A	H
Alexander, Eric.....B3	Musk, Elon.....B12
Applebaum, Stuart.....B3	Hamilton, Mason.....B2
B	Hatami, Derrick.....B3
Bao, Susan.....B11	Holder, Eric.....B3
Barrow, Kurt.....B1	Kalanick, Travis.....B3
Blass, David.....B10	Kaur, Kiranjeet.....B4
Block, Carson.....B11	Khater, Sam.....A3
Botin, Ana.....B2	Kin Teck Suan.....B11
C	L
Choi, John.....B12	Leriche, Yann.....B3
Chowdhury, Arif.....B1	Levien, Meredith.....B1
Corbyn, Jeremy.....B10	Kopit.....B6
D	Li Dongsheng.....B1
De Vos, Glen.....B3	M
G	Major, Steven.....B12
Graf, Michael.....B6	Maurer, Caroline Yu.....B12
H	Remy, Ray.....B11
K	Saint-Amans, Pascal.....B6
L	Steenhoek, Mike.....B2
W	Thummel, Rob.....B2
Y	Wach, Tim.....B6
Z	Wang Yang.....B1
	Weidmann, Jens.....A7
	Whitelaw, Casey.....B4
	Wu, Alen.....B4
	Yun, Lawrence.....A3

GRAIN

Continued from the prior page

Such closings could leave grain companies with less grain to market and reduce economic activity by up to \$2.4 billion, according to the research.

Alongside the Ohio River on Wednesday with a barge floating behind him, Mr. Trump highlighted the need to adequately fund the nation's aging locks and dams. "Together we will fix it," he said, though details on his plans remain scant. Mr. Trump echoed estimates by The Waterways Council Inc., a trade group for river-reliant shippers that has called for more spending on rivers infrastructure for years, and pegged the current backlog of high-priority maintenance at some \$8.7 billion.

The Mississippi, Illinois and Ohio rivers are most critical for barge transport of grain. Locks in the Pittsburgh area are among the nation's oldest, and facilities on the Upper Mississippi and Illinois rivers also need maintenance, industry groups say.

The La Grange lock and dam on the Illinois River is in dire need of rehabilitation, according to the Soybean Transport Coalition.

Some grain companies have invested in rail facilities around St. Louis or further south so they have more options in case of problems on the upper river system.

"Reliability is the really big concern we have," said Mike Steenhoek, executive director of the Soy Transportation Coalition, noting that crumbling concrete walls and rusty gate mechanisms are plain to see at locks in the Farm Belt. "It's only a matter of time before you have failure at one of these sites."

Cargill's Mr. Calhoun said while grain traders like Cargill aren't now systematically pricing in lock or dam failures on

U.S. rivers, the threat of a 60- or 90-day closure looms. If such a breakdown were to hamper transport, it could slash the prices U.S. farmers get for their crops at a time when they already face sharply lower commodity prices and incomes.

U.S. farm groups and agricultural conglomerates have complained about underinvestment in locks and dams for years while highways and airports have had priority for government funding. In late 2015, Congress authorized \$405 million to upgrade locks and dams primarily on the Ohio River.

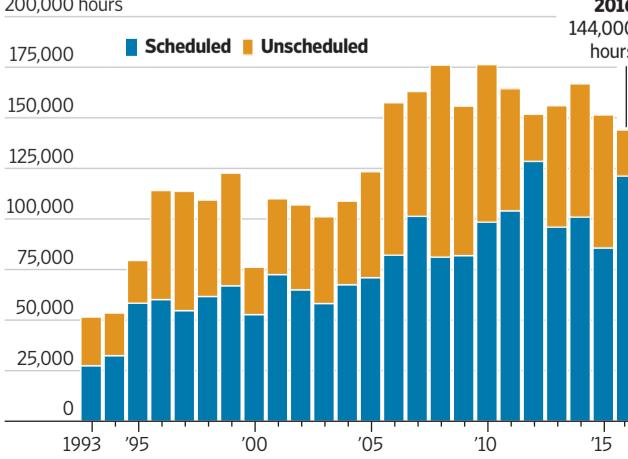
After a 2012 drought reduced water levels and forced emergency maintenance on the Mississippi River, Kenneth Hartman, an Illinois farmer based about 25 miles south of St. Louis, said per-bushel prices offered for his grain dropped by about 14% versus other parts of the state.

Most local buyers of his crops lowered the prices they were offering to compensate for the extra transport costs they faced. "Frankly, on the rivers we haven't done due diligence in keeping things up to speed like a farmer does," Mr. Hartman said.

Added transport expenses also can make U.S. crops less competitive on global grain markets, where they are pitted against crops from ascendant farm powers like Russia and Brazil, whose land is cheaper and labor costs are lower. Export rivals from South America and Eastern Europe have eroded the U.S.'s long-held agricultural dominance in global grain markets.

U.S. exporters absorb some of the financial toll of inefficient transport. Meanwhile, significant delays undermine the perceived reliability of U.S.-grown crops, which could spur foreign-based livestock producers or food companies to seek steadier grain flows from other countries, agriculture officials say.

Amount of time locking systems, which raise and lower boats on rivers, were unavailable for scheduled or unscheduled maintenance.



Closed for Repairs

Amount of time locking systems, which raise and lower boats on rivers, were unavailable for scheduled or unscheduled maintenance.

200,000 hours

175,000

150,000

125,000

100,000

75,000

50,000

25,000

0

1993 '95 '00 '05 '10 '15 2016

Scheduled Unscheduled

Source: U.S. Army Corps of Engineers

BUSINESS & FINANCE

Shipping Is Bottoming Out

By COSTAS PARIS

The shipping industry, which has ailed for years, is finally showing signs of recovery.

The sector has struggled with overcapacity, price wars and freight rates far below break-even levels. Now, thanks to the improving global economy, industry executives and analysts say the worst may be over, at least for container and dry-bulk ship operators. Early hints of a recovery in the oil-tanker business are also starting to emerge.

"Shipping is more than alive and kicking. There is a spring in the air and there is a spring in the world economy," said Singapore Minister of Transport Khaw Boon Wan.

Container shipping, which moves 95% of all manufactured goods, was rattled last year by the bankruptcy of South Korea's **Hanjin Shipping** Co., which stranded billions of dollars worth of cargo at sea. The top 20 operators by capacity posted combined net losses in 2016 of \$5 billion. Since then, the big players have merged or formed alliances and most are expected to swing to a profit this year.

Among other signs of life: The cost to transport a container in the benchmark Asia-to-Europe route rose to \$965 in May, up 55% from a year earlier. At the port of Singapore, which the industry uses to gauge trade flows, container volume in the first quarter rose 5% from a year earlier. And demand for container capacity cut the percentage of idle ships to 3.5% in the first three months of 2017, compared with 6.5% in the previous quarter.

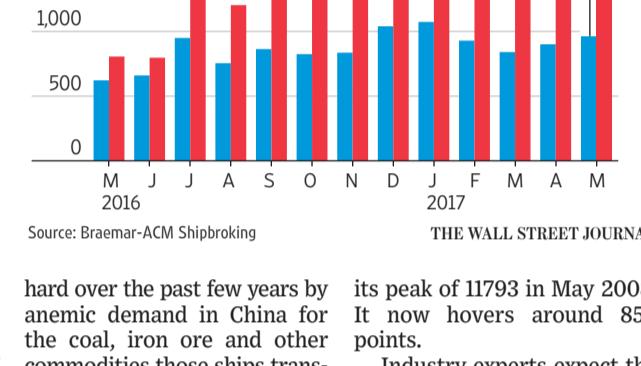
Operators of the biggest dry-bulk cargo ships known as capesize vessels have been hit



The shipping industry has been battered by overcapacity, price wars and depressed freight rates.

Container Rates Recover

Cost per container ■ Asia to Europe ■ Asia to U.S. West Coast



Source: Braemar-ACM Shipbroking

May 2017

\$1,390

\$965

THE WALL STREET JOURNAL.

hard over the past few years by anemic demand in China for the coal, iron ore and other commodities those ships transport. Dozens have suspended operations or gone through painful restructurings. The Baltic Dry Index, which tracks the cost of moving such products, fell to a record low of 290 points in February 2016 from

its peak of 11793 in May 2008. It now hovers around 850 points.

Industry experts expect the market to turn around this year. Demand is forecast to grow about 3%, compared with a 1% growth in capacity. This has been spurred by Chinese iron-ore imports, which rose 11% year-over-year in March to

95.5 million metric tons, the second-largest monthly amount on record. Imports of the thermal coal used in power plants also are up sharply, and so far this year, capesize daily rates have averaged around \$11,000, triple the rate in early 2016.

Tankers, which move the world's crude oil, got off to a rough start this year with too many vessels chasing too little cargo, while inland storage facilities were full. In late May daily charter rates for very large crude carriers, known as VLCCs, moving crude from the Middle East stood at an average \$17,000, below the break-even rate of about \$22,000.

Used tankers have been decreasing in value, with the price of a five-year VLCC falling to \$58 million in May from \$68 million a year earlier. However, a combination of low tanker prices and the scrapping of old ones has prompted a buying frenzy, a sign that prospective owners expect a recovery.

OIL

Continued from the prior page

Another big reason for the increase in exports is what is called backhaul economics, said Mason Hamilton, an analyst with the Energy Department. Tankers carrying crude from the Middle East to Texas used to unload and go home empty. Now U.S. oil can be loaded on those tankers and make a pit stop in Europe on their way back.

In May, Occidental Petroleum Corp. successfully tested docking a supertanker that can hold more than 2 million barrels of crude. The test at its shipping terminal in the Port

of Corpus Christi was part of a plan to eventually export bigger shipments from Texas to Asia and Europe.

The U.S. still ships out nine times more refined petroleum—such as gasoline, diesel and propane—than it does raw crude oil. But that could start to change.

"It takes years to establish markets," Mr. Hamilton said. "Refiners are protective of their refineries. They want a consistent quality stream—no mystery crudes—so they are testing it out."

In 2013, 99% of the small trickle of oil that flowed out of the U.S. on special permits went to Canada. Since the lifting of the export ban, American oil has flowed to more

than 30 countries, with China, Colombia and the U.K. emerging as big buyers.

So far this year, Asian buyers have taken 39% of U.S. shipments as Canada's share

\$2.50

Discount that U.S. crude trades to global benchmark Brent

THE WALL STREET JOURNAL.

has dropped to 30%, according to the latest federal data, which run through April. European refiners have bought 22% and Latin America 9%.

China, the world's largest

oil importer, traditionally gets more than half of its crude from OPEC members such as Saudi Arabia, Angola and Iran. But China, which imported a record 8.6 million barrels a day in December 2016, is stepping up imports of U.S. oil, as well as crude from Brazil, after its own production dropped significantly last year, according to the Energy Department.

BUSINESS NEWS

Hyundai Sales Chief In U.S. Out

By ADRIENNE ROBERTS

Hyundai Motor Co.'s top U.S. sales executive resigned, the latest departure in the Korean auto maker's top American ranks during a string of disappointing sales results.

Derrick Hatami, the auto maker's vice president of national sales in the U.S., departed Monday for a "position outside the company," a Hyundai spokesman said. Hyundai has immediately begun searching for a successor while Sam Brnovich, the auto maker's southern regional general manager, "will support the overall sales organization," the spokesman said.

Mr. Hatami's departure comes after Hyundai posted one of the industry's worst U.S. sales performances in May and months after the company's top American executive left. Dave Zuchowski headed Hyundai's U.S. operations for nearly three years before leaving in December amid stalling market share.

Hyundai's U.S. sales plunged nearly 16% in May, and have fallen roughly 5% so far this year. The Korean auto maker has failed to keep pace with Americans' changing tastes over the past several years—toward crossover wagons and larger sport-utility vehicles amid a run of low gasoline prices, said Adam Kraushaar, who chaired Hyundai's National Dealer Council until the end of 2016.

The auto maker has also been selling too many vehicles to fleet customers such as rental-car agencies, a move that can ding residual values, Mr. Kraushaar said.

Mr. Brnovich's "more than 30 years of experience in the industry will help us continue our momentum heading into the second half of the year," the Hyundai spokesman said, referring to Mr. Hatami's interim successor.

Penguin Will Sell Knickknacks

Major book publisher looks to bolster revenue through 'souvenirs' of reading

By JEFFREY A. TRACHTENBERG

The world's largest consumer book publisher is jumping into the literary knickknacks and T-shirt business.

Penguin Random House, majority owned by Bertelsmann SE, said Wednesday that it has acquired the literary merchandise company Out of Print for an undisclosed sum.

Out of Print licenses literary-themed works and illustrations from copyright holders to make hundreds of products, such as apparel, accessories, tote bags, mugs and scarfs, which it then sells at about 1,000 retail outlets here and abroad.

The company also sells its products online. On its website, Out of Print says its current best sellers include a pair of yellow library card socks for \$10, a banned books matchbox set for \$8, an \$18 Nancy Drew tote bag, and a "When in Doubt, Go to the Library" Harry Potter women's T-shirt for \$22.

"Much in the way that mu-



Merchandiser Out of Print sells book-themed T-shirts after well-known titles like 'Mind of My Mind' and 'Where the Wild Things Are.'

sic stars, sports figures and other entertainers have T-shirts and other apparel and collectibles to connect with their fans in a commemorative way, Out of Print has been doing that with books and authors," said Stuart Applebaum, a spokesman for the publisher.

"It's a revenue stream for our

authors, illustrators and for us. It's also a way to further connect with readers and fans while building additional recognition for our books."

Mr. Applebaum said that Out of Print will continue to license titles from all publishers.

In an interview, Todd Lawton, a co-founder of Out of

Print, said that he and his partner, Jeff LeBlanc, launched the company in 2007 as a way for readers to make fashion statements they would feel good about.

"They want a souvenir from the reading experience and the ability to wear something on the street that makes a connec-

tion with another reader and starts a conversation," he said.

Mr. Lawton, who said the business is profitable, said he and Mr. LeBlanc decided to sell in part because Penguin Random House will help them expand internationally. He added that both are staying with the company as managing directors.

Uber Fires Executive Over Medical Records

By GREG BENSINGER

Uber Technologies Inc. has fired a top executive who obtained medical records of a woman raped by her Uber driver in India and then shared the documents with Chief Executive Travis Kalanick, according to a person briefed on the matter.

Eric Alexander, Uber's president in Asia, sought the medical report in 2014 in pursuit of a theory that local rival Ola pushed the story to damage Uber's reputation in India, this person said. Uber fired Mr. Al-

exander on Tuesday after reporters inquired about the matter, this person said.

The firing raises questions about the comprehensiveness of two investigations into workplace misconduct. On Tuesday, Uber said it fired more than 20 employees over the past few months following one of the investigations. Mr. Alexander wasn't among those employees, the person said.

Mr. Alexander didn't respond to a request for comment. A spokesman for San Francisco-based Uber confirmed Mr. Alexander was

fired Tuesday but declined to provide details. Representatives of Ola, whose parent is **ANI Technologies Pvt. Ltd.**, didn't immediately respond to a request for comment.

The matter stems from an incident in December 2014, when a New Delhi woman said she was taken by her Uber driver to a secluded area and raped. As a result of the allegations, city officials banned Uber and other app-based ride-hailing firms for months over what it said were inadequate background checks.

Mr. Alexander, based in

Hong Kong, obtained the medical records soon after the incident and showed them to Uber officials, including Mr. Kalanick, this person said.

The Uber spokesman said Wednesday the company worked with law enforcement and provided witnesses to the prosecution for the crime. Mr. Alexander was among those who testified at the trial.

The driver was convicted in 2015 and sentenced to life in prison. At the time of the allegations, Mr. Kalanick condemned the rape. Uber ultimately settled with the victim for around

\$3 million, another person familiar with the matter said.

Uber has scrambled to investigate potential misconduct following a February blog post written by a former engineer that alleged the company ignored complaints of sexual harassment and sexism. Uber has ordered two investigations, including one led by former U.S. Attorney General Eric Holder and his law firm, **Covington & Burling LLP**, and another by law firm **Perkins Coie LLP**.

The circumstances of the firing were reported earlier by news site Recode.



Delphi is teaming up with French bus operator Transdev for an on-demand transportation service.

Delphi to Use French Roads For Self-Driving Initiative

By CHESTER DAWSON

DETROIT—Delphi Automotive PLC said Wednesday it is joining with French bus and train operator Transdev to deploy a self-driving on-demand transportation service this year using the automotive supplier's automated driving technology.

The two companies said it would be the first self-driving vehicle service to operate on public roads in Europe, and that they are looking for additional pilot program sites in North America. The French projects target short-distance commutes to and from train stations.

The project showcases Delphi's system for automated braking and steering using multiple sensors as the company attempts to reinvent itself as a high-tech player in the development of next-generation vehicles.

"It really provides a clear pathway to commercialization," Glen De Vos, the company's chief technology officer,

told reporters on a conference call. Delphi plans to make the core technology involved commercially available to other customers by 2019, he said.

Mr. De Vos declined to say how much Delphi will invest in the pilot programs and whether it expects to recoup those costs.

Transdev, a subsidiary of France's state-owned bank **Caisse des Dépôts**, plans to start the service later this year at a research campus south of Paris using a self-driving-capable shuttle bus equipped with Delphi's technology.

They will also collaborate on a similar program starting this year in the northern French town of Rouen in Normandy using a pair of Renault SA's ZOE compact electric vehicles, also with Delphi's self-driving system.

A technician will be present in the vehicles during the startup phase this year, but the companies expect to phase that out in 2018 once the service is tested and has met all regula-

tory requirements. "Our goal is not to have a driver in the vehicle as soon as possible," said Yann Leriche, Transdev's chief performance officer.

The Transdev partnership is the latest move by Delphi to stake a claim in the still embryonic market for self-driving vehicles. Last month, the company decided to split itself into two companies—one focused on advanced driving systems and the other on commodity components. Delphi's current senior management team plans to steer the as-yet unnamed higher tech company, which they view as having more growth potential and long-term value than the traditional "metal-bending" operations that have long been its core business.

Rapid advances in computer-assisted driving technology have attracted growing interest from potential rivals in Silicon Valley and forced Delphi and other automotive companies to adapt to a more competitive environment.

The information contained herein may only be released, published or distributed in the United Kingdom, United States and Nigeria in accordance with applicable regulatory requirements. The information contained herein is not for release, publication or distribution in or into any jurisdiction where it is unlawful to do so.



The Federal Republic of Nigeria Diaspora Bond U.S.\$300,000,000 Diaspora Bonds

Pricing expected following the completion of the roadshow
commencing June 13, 2017, subject to market conditions

A registration statement relating to these securities has been filed with the United States Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective.

An application will also be made to the Financial Conduct Authority in its capacity as competent authority (the UK Listing Authority) for the bonds to be admitted to the official list of the UK Listing Authority and to the London Stock Exchange plc (the London Stock Exchange) for the bonds to be admitted to trading on the London Stock Exchange's regulated market.

Joint Lead Managers

BofA Merrill Lynch

The Standard Bank of South Africa Limited

First Bank of Nigeria Limited

United Bank for Africa Plc

Important Notice

This notice has been prepared and is being communicated by the Federal Republic of Nigeria in relation to the proposed issue of U.S.\$300 million Diaspora Bonds (the Bonds) by the Federal Republic of Nigeria. Bonds will be issued to investors in accordance with the arrangements in place between an investor and its stockbroker, private bank, wealth manager or other financial intermediary, including as to the appropriateness, and/or suitability of an investment in the Bonds by an investor, the application process, allocations, payment and delivery arrangements. Applications to purchase Bonds cannot be made directly to the Issuer.

This notice does not constitute an offer or solicitation of an offer to buy or sell securities in any jurisdiction. This notice is an advertisement and not a prospectus for the purposes of EU Directive 2003/71/EC, as amended (the Directive) or Part VI of the Financial Services and Markets Act 2000. A prospectus (the Prospectus) relating to the Bonds will be prepared and made available to the public in the EU in accordance with the Directive. Investors should not purchase any Bonds except on the basis of information contained in the registration statement relating to the securities and the Prospectus.

The tax treatment of an investor will depend on his/her individual circumstances and taxation law and practice in the applicable jurisdiction at the relevant time (and may be subject to change in the future). None of the Federal Republic of Nigeria or the Joint Lead Managers will provide any legal, tax, accounting or investment advice in relation to the Bonds and they are not responsible for any advice an investor may receive from any third party.

Additional risks and other important information are set out in the registration statement relating to the securities and the Prospectus. Investors should determine whether the investment is appropriate on the basis of all the information contained in the registration statement and the Prospectus and if in any doubt should seek independent professional advice.

Any offers and sales of the securities in the United States will be made only through one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

Copies of the final prospectus relating to the Bonds, when available, may be obtained by contacting: Bank of America Merrill Lynch, Attn: Prospectus Department, NC1-004-03-43, 200 North College Street, 3rd floor, Charlotte, NC 28255-0001; and for requests outside the United States, through The Standard Bank of South Africa Limited; 3rd Floor, East Wing, 30 Baker Street, Rosebank, Johannesburg 2196 South Africa; ICBC Standard Bank Plc (the distribution agent of The Standard Bank of South Africa Limited in the United Kingdom) 20 Gresham Street, London EC2V 7JE, United Kingdom; FBN Merchant Bank Limited, 10 Keffi Street, Ikoyi, Lagos, Nigeria; or United Capital Plc, 12th Floor, UBA House 57 Marina, Lagos, Nigeria.

TECHNOLOGY

WSJ.com/Tech

Google Maps Travels the Outback

App extends to remote areas; sometimes elephants, camels hold the cameras

By MIKE CHERNEY

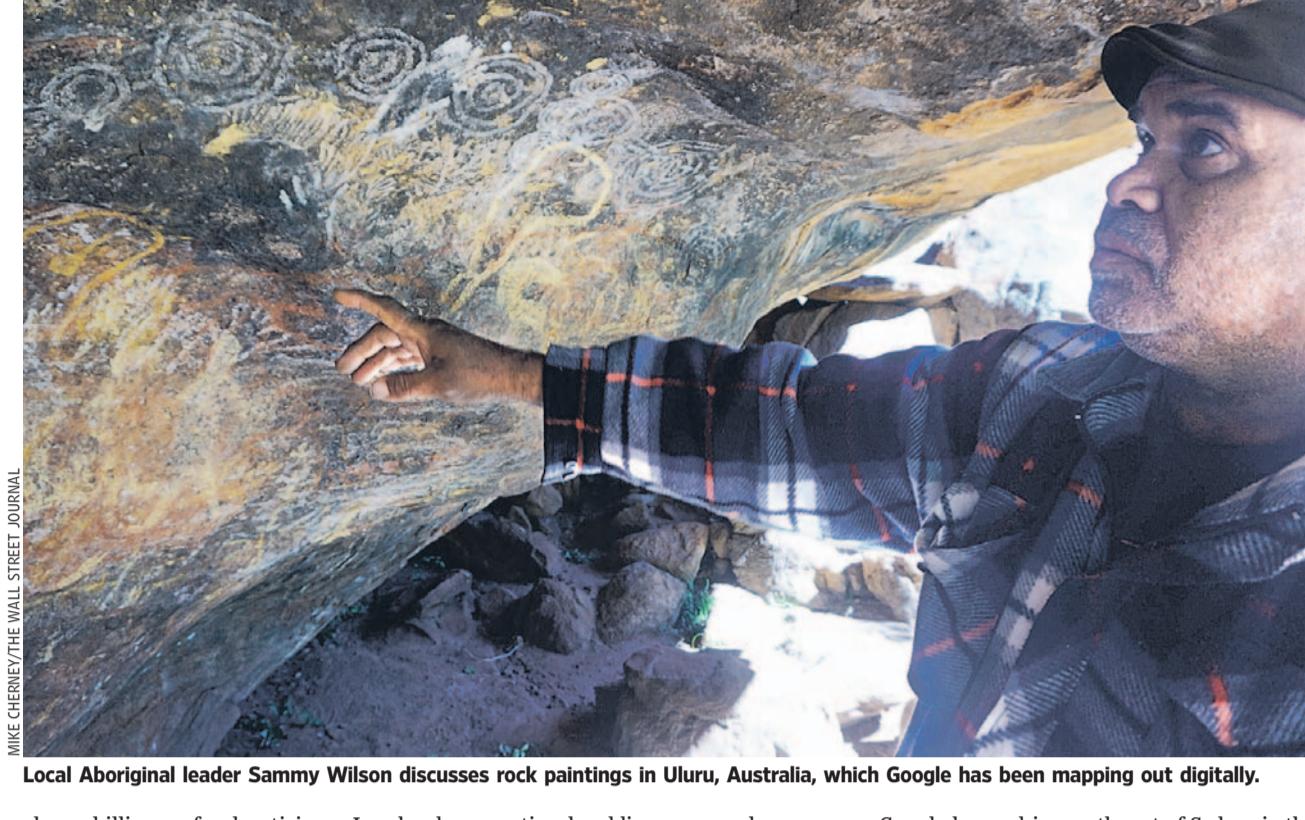
ULURU, Australia—Google is encountering unusual challenges as it aims to capture eye-level imagery of the remotest parts of the globe for its mapping app.

In a recent foray into the Australian outback, Google's amateur cartographers used a backpack to lug bulky camera equipment around Uluru, a popular tourist site also known as Ayers Rock. One hitch: they had to avoid photographing certain parts of the red rock formation that are especially sacred to the local Aboriginal people.

Having taken shots of many of the world's streets using cameras on vehicles, Google is moving to more difficult locations. On the South Pacific island of Vanuatu, where it captured images of a volcano, the company sought to photograph lava without any of its cameras falling in. And in Cambodia, monkeys destroyed its equipment.

The images are being used to enhance Street View, a component of the company's popular Google Maps app, as the company searches for new features that will entice users. Starting this month, users will be able to take a continuous virtual walk around much of Uluru.

Maps are becoming more important to the world's largest technology companies as they



Local Aboriginal leader Sammy Wilson discusses rock paintings in Uluru, Australia, which Google has been mapping out digitally.

chase billions of advertising dollars and build a presence in the autonomous-vehicle industry. The value of ads in the U.S. that are based on a user's location will grow to \$32 billion by 2021 from \$12 billion in 2016, according to estimates from BIA/Kelsey, a media and advertising consulting firm. These location-targeted messages will take up 45% of the mobile-ad market by 2021, the firm said, up from 38% last year.

Google, a part of **Alphabet**

Inc., has been cautiously adding advertising to Google Maps. Last year, it unveiled "promoted pins," location markers appearing in different colors for advertising businesses. The challenge is integrating ads without cluttering the app.

Competitors in mapping include Apple Inc. and a host of other players, such as privately held Here Technologies, which is part-owned by German auto makers Audi AG, BMW AG and Daimler AG. In the market for

general consumers, Google has a clear lead. Google Maps was the fourth most popular mobile app overall in the U.S., while Apple Maps was the 12th most popular, according to a 2016 report from comScore.

On Monday, Apple said it would add to its Maps app the floor plans for airports and malls in such cities as Hong Kong, London and Chicago. It is updating the app to show speed limits and lane navigation for drivers.

At Uluru, a roughly 1,700-mile

drive northwest of Sydney in the central Australian desert, Google worked with a local Aboriginal leader, Sammy Wilson, and amateur cartographers. In other remote locations, animals were enlisted. An elephant helped to map in Thailand, and a camel wore a camera pack in the United Arab Emirates. "This is not a case of driving up there in a four-wheel drive and just going off road," said Casey Whitelaw, engineering director for Google Maps in Sydney.

Samsung Expands in India

BY TIMOTHY W. MARTIN
AND NEWLEY PURNELL

Samsung Electronics Co. said Wednesday that it will invest about \$760 million to double its production capacity for mobile phones and refrigerators in India, a critical market for the world's largest smartphone maker.

The expansion of its factory in Noida, located outside the capital city of New Delhi, underscores the importance of the Indian market, where the South Korean smartphone maker is battling **Apple** Inc. and a handful of lower-cost Chinese and Indian handset makers.

Samsung's new investment will allow the company to potentially shave production costs in one of the few remaining global markets with robust growth prospects.

India is expected to soon overtake the U.S. as the world's second-largest smartphone market after China. Smartphone shipments in India rose 18% last year, compared with 3% growth globally, according to Counterpoint Technology Market Research.

Last month, Apple began shipping a small number of iPhone SE handsets that had been produced at a facility in Bangalore.

Suwon, South Korea-based Samsung leads India's smartphone market with about 24% of the market share, followed by makers like Xiaomi Corp. and Lenovo Group Ltd., according to research firm IDC. Analysts estimate Apple's market share at a meager 3%, but the premium smartphone maker has been increasing its focus on the world's second-most populous nation.

"A bigger manufacturing plant will help us cater to the growing demand for Samsung products across the country," said H.C. Hong, chief executive of Samsung Southwest Asia, in a statement.



India is expected to soon overtake the U.S. in smartphone sales.

SANJIT DAS/BLOOMBERG NEWS

PHONES

Continued from page B1

"We do customer channel checks and survey our large sales force to find out what consumers need and want from their phones, and try and innovate that way," said Alen Wu, Oppo's vice president and marketing director for its China market.

In 2016, Oppo sold more than three phones in China for every two sold by Apple. A year earlier, it was the other way around.

Now, Oppo is taking the same playbook overseas. In Southeast Asia and India, where Oppo found that consumers love taking selfies, they rolled out wide-angle camera lenses designed for group selfies. The Chinese vendor announced plans this year to expand its Indonesia factory, open one in India and push into the Middle East and North Africa.

Similarly, Huawei has streamlined its lineup of smartphones and has put greater emphasis on its phone cameras, including its own version of the depth effect pioneered by the iPhone 7 Plus—with the background blurred and foreground in focus—in a phone costing a third of the iPhone's price.

"In the smartphone space, what we're going to do is catch up with our competitors through innovation," Shao Yang, president of strategy marketing at Huawei's consumer group, told reporters at a briefing this year. "In the next phase, we hope to take the lead by offering the best user experience and the best products for our users."

At Transsion, company executives introduced the dual-SIM-card phone after noticing how African users often carried two SIM cards and swapped them around because call rates between different telecom networks were more expensive than intra-network calls.

The company also found that customers enjoyed taking selfies but were disappointed at how poorly darker skin tones turned out, Transsion's Mr. Chowdhury said. It tweaked the algorithm on its smartphone camera to allow more light exposure, boosting photo clarity.

It paid off. Transsion was the top phone maker in Africa last year, with 38% market share, topping Samsung, according to IDC.

In emerging markets such as Africa and India, low price is crucial to success. But Chinese makers are also making strides in the U.S. Smartphone makers from China increased their market share to 19% in the U.S. last year from 13% in 2012, at the expense of Apple

and Taiwanese maker HTC Corp., IDC data shows.

TCL, which bought the rights to BlackBerry's phone brand at the end of last year after helping the brand manufacture its

38%

African market share of China's Transsion last year

smartphones, plans to use the once-ubiquitous marque to enter the high-end segment in the U.S., TCL's Mr. Li said.

U.S. customers are practical and, apart from Apple users, brand loyalty isn't strong, he

added. This has created an opportunity for Chinese brands to muscle in.

Still, the similarities among Chinese makers and the lack of Apple-like brand cachet means that Chinese smartphone makers are mostly fighting one another for customers.

The challenge for those companies is how to differentiate themselves as they expand beyond their sales强holds, said Kiranjeet Kaur, a research manager at IDC in Singapore.

"Chinese phone makers stand out from their foreign peers because of its features but less so from each other," Ms. Kaur said. "As they enter new markets, they will face more competition from each other."

—Junya Qian in Shanghai contributed to this article.

curity law is to better protect individuals' private data, authorities have said.

A statement by police in Cangnan county in Zhejiang province gave no further information on the Apple outlets involved, or details on the two other people detained. Calls to the police's news department went unanswered.

The statement said the 22, who were detained May 3, charged from 10 yuan (\$1.47) to 180 yuan for each piece of information and that the total amount of money involved was over 50 million yuan.

An Apple spokeswoman in China didn't respond to a request for comment.

China has long struggled to rein in a robust black market in personal information, prompting one political activist last year to purchase and publish, in a form of protest, the private data of several Chinese tech CEOs, including Alibaba Group Holding Ltd. co-founder Jack Ma. The activist showed evidence of one vendor offering to sell personal information ostensibly belonging to Chinese President Xi Jinping for 1,000 yuan.

A core aim of the cyberse-

YouTube Sees Some Ads Pulled In U.K.

By STU WOO

LONDON—Another wave of prominent advertisers, including both major U.K. political parties campaigning for Thursday's election, suspended commercials on YouTube after their ads appeared before videos promoting extremist ideology.

The moves follow a deadly terror attack in London that killed eight, the third lethal attack in the U.K. in three months.

Britain's ruling Conservative Party, the main opposition Labour Party, Etihad Airways, owned by the emir of Abu Dhabi, and privately held meal-delivery business Deliveroo all said they would stop advertising on YouTube, a unit of Alphabet Inc.'s Google, saying the video site needed to better control where commercials appear.

"We have made it clear to Google, it is completely unacceptable for our ads to be running on these videos," a Conservative spokesman said, adding the party won't resume advertising on YouTube "until we receive suitable assurances that this will not happen again."

Labour, Etihad and Deliveroo issued similar statements, as did Marriott International Inc., which said it indefinitely paused YouTube ads in Britain after discovering one of its commercials alongside an "inappropriate" video.

The Times of London reported finding the ads playing before videos promoting Islamic extremists, and the newspaper said it had informed the advertisers.

A YouTube spokeswoman said Wednesday that the site had been reviewing its advertising policies and was working to further improve control of where ads appear, in addition to recently announced changes. "We never want terrorists to have a voice, or spread extremist material on our services," she said.

—Robert Wall contributed to this article.

ADVERTISEMENT

The Mart

To advertise: 800-366-3975 or WSJ.com/classifieds

BUSINESS OPPORTUNITIES

SEEKING PURPOSE DRIVEN CEO SUCCESSOR

Our retiring client is the owner-operator of a top performing home care firm serving elderly clients in Bend, OR ranked #5 of the top 10 boom towns in 2016 according to SmartAsset's annual study. To execute its strategic succession plan, the Company seeks an accomplished executive to acquire and run the business. Current annual owner compensation and earnings exceed \$650k. Acquisition financing for qualified candidates available through Stearns Bank. Comprehensive training and transition support to be provided by current ownership.

Submit resumes to info@osbornehomecare.com

STEARNS BANK
We get the job done!

*Subject to credit approval

OSBORNE HomeCare Group

www.osbornehomecare.com

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

1-800-366-3975

THE WALL STREET JOURNAL.

CFO Network

Annual Meeting

June 12–13,
2017
Washington,
D.C.



World-class CFOs
driving the future of
the global economy.

CFO Network membership
is by invitation.

CFONetwork.wsj.com

Featuring:

Wilbur Ross
U.S. Secretary of Commerce

John McCain
Chairman, Senate Armed Services Committee
U.S. Senator (R., Ariz.)

Elizabeth Warren
U.S. Senator (D., Mass.)

Adam Schiff
Ranking Member, House Permanent Select Committee on Intelligence
U.S. Representative (D., Calif.)

Carla A. Hills
Chair and CEO, Hills & Co.
U.S. Trade Representative (1989–1993)

Proudly supported by:

**CHANGE
HEALTHCARE**

Deloitte.

**ENTERPRISE
FLORIDA.**

Nasdaq

workday
Built for the future.*

THE WALL STREET JOURNAL.
Read ambitiously

BUSINESS NEWS

OECD Moves to Stem Corporate Tax Avoidance

BY NINA TRENTMANN
AND PAUL HANNON

More than 70 countries and jurisdictions signed an agreement Wednesday limiting the ability of multinationals to exploit divergences between tax treaties, a practice known as "treaty shopping" that enables companies to pay lower taxes.

The agreement—the so-called multilateral instrument—is part of an attempt by the Organization for Economic Cooperation and Development to limit companies' ability to shift profits to low-tax locations, a practice known as base erosion and profit shifting.

The U.S. wasn't among the signatories, which include the European Union's 28 member states, China, India and Australia, among others.

The multilateral instrument "is going to kill treaty shopping, which is one of the techniques for companies to avoid tax," said Pascal Saint-Amans, director of the center for tax policy and administration at the OECD.

The U.S., he said, already has robust antibe abuse provisions in place and companies have little opportunity to set up local operations to get tax breaks on their activities in other countries.

The effort to reduce tax avoidance was launched in 2012 following a surge in government spending to contain the financial crisis and the global recession. One goal of the drive was to harmonize a web of more than 3,000 bilateral treaties that provided a host of loopholes for businesses attempting to lower their tax bills.

The signing ceremony in Paris comes just days after the EU at the end of May adopted rules aimed at preventing companies from exploiting differences between EU tax sys-

tems and those of non-EU countries. They are set to go into effect in January 2020.

Corporate treasurers are now looking at the potential implications of the changes on their tax planning. "The multilateral instrument takes away uncertainty, but also removes opportunities for creative tax planning that companies have used in the past," said Michael Graf, co-head of European tax at Dentons Europe LLP, a law firm.

Once the agreement has been ratified by the legislatures of the signing countries—a process expected to take months, if not years—it should guarantee much greater coherence between international tax treaties, Mr. Graf said, ultimately benefiting a majority of multinationals. But some companies might be left with international tax structures that no longer work.

The emphasis on increased coherence between tax treaties will change how multinationals set up their tax structures, said Tim Wach, managing director at Taxand, a Canadian tax advisory firm.

Companies that are in the process of setting up new tax structures—for example a new global treasury center—could face challenges because of this, Mr. Wach said. "These firms will have to deal with uncertainty around whether their solutions are still fit for the purpose," he said.

The agreement includes an improved dispute-resolution process, one of the aspects that finance chiefs and tax directors support, Mr. Wach said. Nevertheless, complexity remains an issue.

"The publication of consolidated versions of the treaties impacted by the multilateral instrument would simplify matters and add greater transparency," Mr. Wach said.



Resolution Copper Mining project's No. 10 shaft is 6,943 feet underground, where temperatures reach nearly 175 degrees Fahrenheit.

Rio Digs Deeper for Copper

BY STEVEN NORTON

SUPERIOR, Ariz.—One of the world's largest untapped copper deposits sits 7,000 feet below the Earth's surface. It is a lode that operator **Rio Tinto PLC** wouldn't have touched—until now.

Not that long ago, an abundance of high-grade copper could be mined out of shallower open pits. But as those deposits are depleted and high-grade copper becomes tougher to find, companies such as Rio have been compelled to mine deeper underground.

Advances in mining technology are making that possible—just as developments in oil and gas drilling heralded the fracking revolution. Now, using everything from sensors and data analytics to autonomous vehicles and climate-control systems, Rio aims to pull ore from more than a mile below ground, where temperatures can reach nearly 175 degrees Fahrenheit.

"Copper has just become a lot harder to get, and we're relying on technology to keep

dealing with that decline in grade," said Craig Stegman, Rio's vice president for operational and technical support for copper and diamonds.

The company bets the Resolution Copper Mining project, a joint venture in Superior between Rio and **BHP Billiton Ltd.**, could one day supply a quarter of U.S. demand each year. It plans to spend \$6 bil-

New technology enables Rio to pull ore from more than a mile below ground.

lion to \$8 billion on the mine, which the company hopes to bring into operation in the mid-2020s, when a lengthy approval process is expected to end. That includes completion of an environmental-impact statement, a process managed by the U.S. Forest Service.

Rio, which is majority owner and sole operator of Resolution, expects it will be

one of its most advanced projects because the company can design the mine with the latest technology in mind, rather than retrofitting it.

Most of the world's copper is extracted from open pits at the Earth's surface, according to the International Copper Study Group. Some mines are deeper than the Resolution mine, but this is Rio's deepest underground mining project to date.

While a deep underground block-cave mine costs much more to develop, Rio says it can match the operating costs per ton of ore of a surface mine, partly because the operation is so mechanized.

"Because Resolution is so deep and so hot, it's really going to push the envelope of technology," said Mary Poulton, professor emerita of mining and geological engineering at the University of Arizona.

As with the development of hydraulic-fracturing and horizontal-drilling techniques to extract oil from shale-rock deposits, locating and extracting the copper requires such new technologies as cheaper, more pow-

erful sensors and breakthroughs in the use of data.

"Whoever gets underground and figures out technology for underground is going to be ahead," said Theophile Yameogo, a partner with Ernst & Young LLP's mining and metals practice.

A 15-minute elevator ride 6,943 feet down Resolution's No. 10 mineshaft leads to a dimly lit cavern where warm water falls from the rocks like rain. Electrical gear buzzes constantly, and a network of pipes pumps water out of the shaft at the rate of 600 gallons a minute. A ventilation system cools the area to 77 degrees.

Over the next few years, Rio plans to deploy tens of thousands of electronic sensors, as well as autonomous vehicles and complex ventilation systems, to help it bring 1.6 billion tons of ore to the surface over the more than 40-year projected life of the mine.

Data coming from those sensors will be fed into analytics engines that will help monitor tasks ranging from underground blasts to the movement of autonomous vehicles.

BUSINESS WATCH

FIAT CHRYSLER

U.S. Emissions Suit Headed to California

The U.S. Justice Department's lawsuit accusing **Fiat Chrysler Automobiles NV** of using illegal software to cheat on emissions tests with diesel-powered vehicles is headed to a California court to join other widespread litigation against the auto maker, according to an order from a group of federal judges.

The U.S. Judicial Panel on Multidistrict Litigation on Wednesday ordered the civil suit

be transferred to a federal court in San Francisco to join proceedings stemming from similar allegations against the Italian-U. S. auto maker.

The Justice Department in May accused Fiat Chrysler of using defeat-device software that allowed nearly 104,000 2014-2016 model-year Jeep Grand Cherokee sport-utility vehicles and Ram pickup trucks with diesel engines to pass government emissions tests and then pollute far beyond legal limits on the road.

Fiat Chrysler declined to comment. The auto maker has denied

using defeat devices and expressed disappointment with the Justice Department's decision to sue. In response to the suit in May, Fiat Chrysler said it planned to "defend itself vigorously, particularly against any claims that the company engaged in any deliberate scheme to install defeat devices to cheat U.S. emissions tests." The company has said a software fix would address the government's concerns.

—Mike Spector

NEW YORK TIMES

New Operating Chief Reflects Digital Focus

New York Times Co. on Wednesday said it promoted its chief revenue officer, Meredith Kopit Levien, to the new role of chief operating officer amid a restructuring of the publisher's digital business units that is part of a broader rethinking of news operations.

In addition to looking after consumer revenue and advertising, Ms. Kopit Levien will oversee the company's product, design and audience-development teams in an effort to continue boosting digital revenue as print revenue declines. NYT Beta, the



The U.S. says Fiat Chrysler used defeat-device software that let some vehicles pass emissions tests.

department that develops new products like the Cooking app, will also report to her.

The company said it was eliminating the position of executive vice president, product and technology, which had been held by Kinsey Wilson since March 2015. Mr. Wilson won't have a permanent role at the company but will serve as adviser, particu-

larly in the continued development of the New York Times' relationships with major digital platforms and its audio strategy, the company said.

Ms. Kopit Levien was appointed chief revenue officer in April 2015. Under her watch, the company has built its digital-only news subscriptions to nearly 2 million.

The New York Times reported a 6% rise in digital ad revenue to \$208.8 million in 2016 and has moved to aggressively expand its branded content unit, T-Brand Studios. The company reported a 16% year-over-year decline in print advertising revenue to \$371.9 million in the same period.

—Lukas I. Alpert

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation			
April index	Chg From (%)	Latest	Week ago
level	March '17	April '16	
Switzerland	0.50	0.50	0.50
Britain	0.25	0.25	0.25
Australia	1.50	1.50	1.75

U.S. consumer price index			
All items	244.524	0.30	2.2
Core	251.642	0.14	1.9

International rates			
Latest	Week ago	—52-Week High	Low

Prime rates			
U.S.	4.00	4.00	4.00
Canada	2.70	2.70	2.70
Japan	1.475	1.475	1.475

Policy Rates			
Euro zone	0.00	0.00	0.00

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective March 16, 2017. **Other prime rates** aren't directly comparable; lending practices vary widely by location. **Discount rate** is effective March 16, 2017. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Liffe US.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; General Electric Capital Corp.; Tullett Prebon Information, Ltd.

ALAN DIAZ/ASSOCIATED PRESS

June 7, 2017

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation			
April index	Chg From (%)	Latest	Week ago
level	March '17	April '16	
Switzerland	0.50	0.50	0.50
Britain	0.25	0.25	0.25
Australia	1.50	1.50	1.75

Treasury bill auction			
4 weeks	13 weeks	26 weeks	
0.840	0.960	0.980	0.980
0.840	0.960	0.980	0.980

Secondary market			
Fannie Mae			

<tbl_r cells="1" ix="2" maxcspan="4" maxrspan

Special Advertising Feature

ILLUSTRATION BY BRETT RYDER

IS YOUR FUTURE IN FRANCHISING? FIND OUT AT THIS YEAR'S EXPO

Get all the advice, support and finance you need to run your own business

INTERNATIONAL FRANCHISE EXPO
Jacob K. Javits Convention Center, New York, NY — June 15-17

Special Advertising Feature

An Expo overview from Tom Portesey

THE 2017 INTERNATIONAL FRANCHISE EXPO IS THE WORLD'S LARGEST FRANCHISE SHOW, SAYS THE PRESIDENT AND CEO OF MFV EXPOSITIONS, THE EVENT'S ORGANIZER

By Julie Bennett

From June 15 to 17, we will have over 10,000 attendees in the Javits Center, meeting representatives of 400 top franchise companies from all over the world," says Tom Portesey, organizer of this year's expo. "In just three days, people who know nothing about franchising can attend seminars and workshops to learn how franchising works, what types of concepts might work for them and how they can finance and open their new franchise businesses.

INTERNATIONAL BRANDS
"Savvy business people from 120 different countries will be there, too, seeking U.S. brands to develop at home or international brands to launch here." The Expo features international pavilions where attendees can find several top brands from a



Tom Portesey of MFV Expositions.

single country, like Australia, the U.K., and Italy. "These exhibitors represent some of the most successful brands in their own countries and they are coming to the Expo to find partners to introduce their brands in the U.S.," Mr. Portesey says.

Some major international players at the Expo include Marche Movenpick from Switzerland, the Retail Food Group from Australia, and Illy Coffee Caffe from Italy.

The Expo also attracts current franchisees who already operate several units of one brand and who are looking for another concept. Several exhibitors, including Golden Corral Buffet & Grill in Raleigh, and Dogtopia, a Scottsdale, Ariz.-based canine day-care franchiser, hope to attract seasoned multi-unit franchisees to their concepts.

"MOST PEOPLE END UP BUYING A FRANCHISE THEY NEVER THOUGHT OF BEFORE."

But the great majority of Expo attendees are people who want to leave their jobs and run their own businesses, according to Mr. Portesey. "They come in and they are amazed at the number of industries [that] franchising covers, and the range of investment needed to own a franchised business.



From canine day care to T-shirts or child-care centers, the show organizers say there's a franchise to fit all skill sets.

"Regardless of their present careers, they will find a franchise that fits their skill sets," he adds.

Serious franchise shoppers should spend time on the Expo's website before going to the show, he advises. It has a list of exhibitors that users can sort by industry, from Accounting and Tax Services to Weight Conditioning/Control/Loss. "Many of the exhibitors let you send them questions right from our Web site," he says.

WHAT TO INVEST

You can also sort through exhibitors by investment level. At the low end, you can become a franchisee of a couple of travel companies—Cruise Planners or Dream Vacations—for less than \$10,000. The total investment for most franchisers exhibiting at the Expo is less than \$500K and only a few concepts—restaurants, child-care centers and large automotive-repair facilities—cost over \$1 million to

open. International visitors can also use the Web site to find out which brands are interested in expanding into their native countries.

Despite his advice about doing your homework before going to the Expo, Mr. Portesey says, "Most people end up buying a franchise they never thought of before."

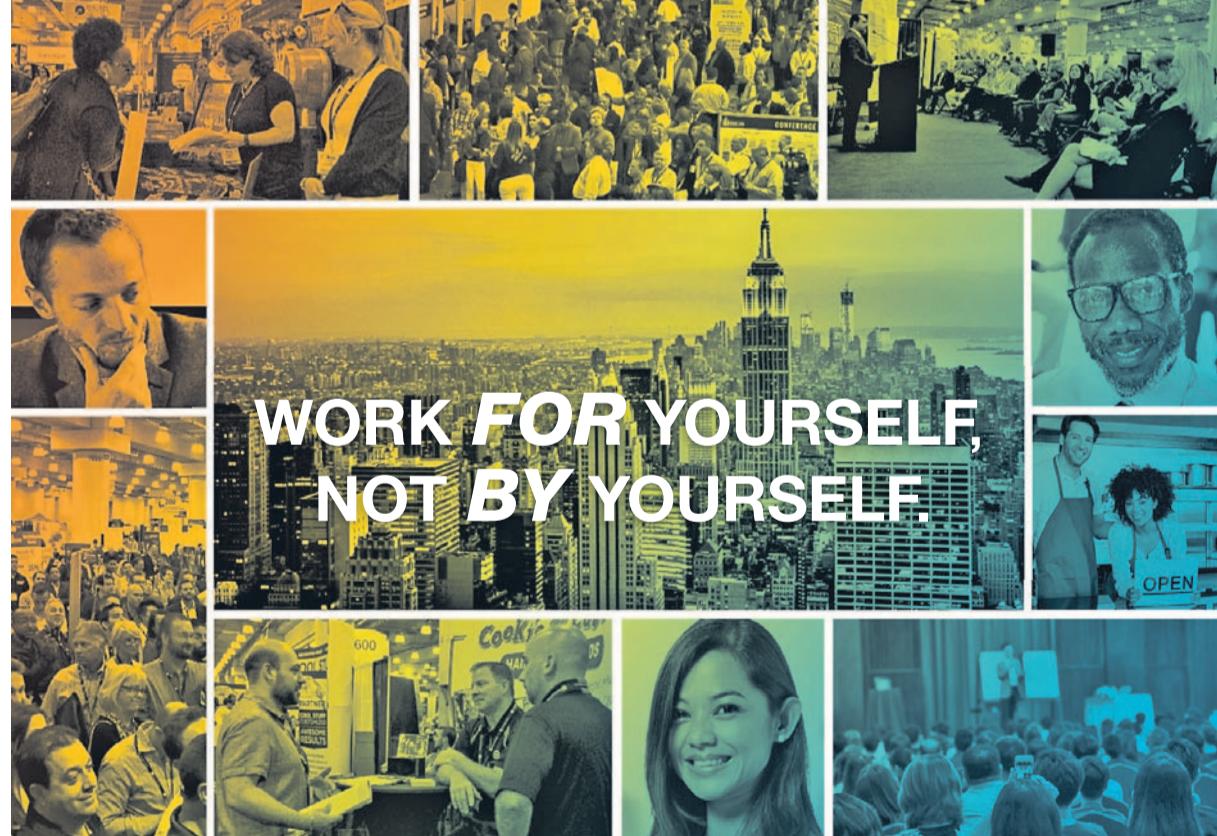
That's certainly true of Big Frog Custom T-Shirts, a franchiser with 77 units open, based in Dunedin, Fla. Ron Bender, its vice president of franchise development, says, "In the past two years, we signed on seven franchisees that we met at previous MFV Expos—and I don't think any of them knew about us until they happened to see our booth."

Mr. Bender hopes to find residents of the Northeast who want to open retail stores in their hometowns. "We love new franchisees to have any kind of sales or marketing experience," Mr. Bender says, "but anyone

who is friendly and outgoing can sell our products."

While most exhibitors offer standard businesses—home maintenance and repair, senior care, limited-service restaurants and fitness centers are the most popular—some provide more unusual products or services. Creamistry, a new dessert concept from Yorba Linda, Calif., for example, uses liquid nitrogen to prepare customized, handcrafted ice cream.

Newer concepts also include salons that specialize in eyelash enhancing, or blow drying women's hair. Fred Vicario, president of Cherry Blow Dry Bar in Cherry Hill, N.J., says he's exhibiting at this year's Expo in the hope of attracting more franchisees—he currently has nine units open—to this low-overhead business. You'll be able to find Mr. Vicario easily, because stylists will be offering free blow dries at his booth. www.ifeinfo.com



THE INTERNATIONAL FRANCHISE EXPO

Over 70
FREE educational
sessions

Connect with over
400 of the leading
franchise brands

Every investment
level, every type
of industry

Franchise sector
expected to grow by
\$36B in 2017

Register for FREE at: www.IFEinfo.com
Use promo code: WJ17

THE JAVITS CENTER
NEW YORK CITY | JUNE 15 - 17, 2017



For more information, visit:
IFEinfo.com

SPONSORED BY



FRANCHISING[®]

Building local businesses,
one opportunity at a time.



U.S.
CHAMBER
OF COMMERCE

Small Business • Franchises • Mergers & Acquisitions



Special Advertising Feature

SHOW INFORMATION

INTERNATIONAL FRANCHISE EXPO

VENUE

Jacob K. Javits Convention Center11th Avenue and 36th Street,
New York,
NY 10001

(212) 216-2000



NY EXPOSITIONS



SHOW DATES

SHOW HOURS

REGISTRATION HOURS

Wednesday, June 14

12:00pm - 5:00pm

Thursday, June 15

10:00am - 5:00pm

9:00am - 5:00pm

Friday, June 16

10:00am - 5:00pm

8:30am - 5:00pm

Saturday, June 17

10:00am - 4:00pm

8:30am - 4:00pm



FASTSIGNS

Booth #214

FASTSIGNS International, Inc. is the worldwide franchisor for the more than 650 FASTSIGNS® sign, graphic and visual communications centers in nine countries. The largest sign franchise in North America, the independently owned and operated FASTSIGNS centers provide comprehensive visual communication solutions to help customers of all sizes – across all industries – meet their business objectives.

fsfastsigns.comCONTACT:
214-346-5679
mark.jameson@fastsigns.com

LIGHTBRIDGE ACADEMY

Booth #539

Lightbridge Academy has met the demand by filling a unique gap in the market, focusing on providing a quality education and care for children while also meeting the needs of working parents. As a franchisee, the Lightbridge Academy Core Values and Circle of Care define a "high-care" culture which creates the strong relationships necessary for long term success.

lightbridgeacademy.comCONTACT:
732-943-6929
mmele@lightbridgeacademy.com

THE WALL STREET JOURNAL.

SHOWCASE YOUR FRANCHISE IN OUR UPCOMING SECTIONS:

The Wall Street Journal is the perfect platform to showcase your franchise opportunities to an audience of qualified investors and entrepreneurs. These special franchise sections will examine the hottest trends and attributes that make a franchise business prosper. Discover your next successful business connection in our upcoming franchise issues.

FOCUS ON FRANCHISE: FOOD/RESTAURANTS

Publishes June 15

FOCUS ON FRANCHISE:

Publishes Aug 24

FOCUS ON FRANCHISE: HOT CONCEPTS

Publishes Oct 19

FOCUS ON FRANCHISE: FOOD/RESTAURANTS

Publishes Nov 20

FOCUS ON FRANCHISE: YEAR IN REVIEW

Publishes Dec 14

The Wall Street Journal is #1 in delivering the affluent with personal income \$200,000+, and liquid assets averaging nearly \$1 million.

To advertise,
contact Roy Oteo, CFE at:
(214) 640-7847
roy.oteo@wsj.com



Source: Fall Ipsos 2016 Affluent Study

© 2017 Dow Jones & Company, Inc. All Rights Reserved.

DOW JONES

The Next Generation of Child Care – An Investment That Grows!

- Avg. Net Profit (EBITDA) \$358,273
- High demand, a NEED - not a want service
- Recession-resistant industry
- Franchises Available in DE, FL, MD, NC, NY, OH, PA, and VA.



Innovators in Educational Child Care

732-943-6929

franchise@lightbridgeacademy.com

THIS ADVERTISEMENT IS NOT AN OFFERING. AN OFFERING CAN ONLY BE MADE BY A PROSPECTUS FILED FIRST WITH THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK. SUCH FILING DOES NOT CONSTITUTE APPROVAL BY THE DEPARTMENT OF LAW. ©2017 Lightbridge Franchise Company, LLC. All rights reserved.

FASTSIGNS®

More than fast. More than signs.®

CURRENTLY SEEKING FRANCHISEESFOR NEW YORK METRO,
CONNECTICUT & NEW ENGLAND!

"We began looking into franchises and FASTSIGNS instantly stood out from the rest. We weren't just blown away by the business model – it was also the great resources and ongoing support they provide franchise partners."

MILTON GUERRERO & WOODY POOLE, VETERANS
FASTSIGNS OF NORTH CHARLESTON, SC**VISIT US AT IFE BOOTH #214**

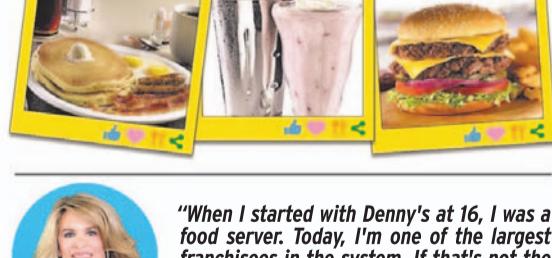
For more information about FASTSIGNS:
Mark Jameson | 214-346-5679
mark.jameson@fastsigns.com | fastsigns.com

MULTI-UNIT DEALS NOW AVAILABLE

the
**11,000 sq ft
cash register!**

**YOUR CHOICE RULES™**

VISIT BOOTH #513 TO LEARN MORE!

**AMERICA'S DINER.
TODAY'S FRANCHISE.**DENNY'S IS ONE OF
THE FASTEST GROWING BRANDS IN
FULL SERVICE RESTAURANTS

"When I started with Denny's at 16, I was a food server. Today, I'm one of the largest franchisees in the system. If that's not the American Dream, I don't know what is."

Dawn LaFreeida
Denny's Franchisee, Owner/Operator of over
70 restaurants in 6 states**VISIT US AT IFE BOOTH #822**

50 DENNYSFRANCHISING.COM
800 304 0222

Entrepreneur
Franchise
500
RANKED
2017

© 2017 DFO, LLC 203 East Main Street, Spartanburg, SC 29316.

This advertisement is not an offer to sell a franchise. An offer can only be made through a prospectus.

Special Advertising Feature

Financing a franchise could be easier than you imagine

THINK YOU CAN'T AFFORD TO START A BUSINESS? THINK AGAIN—THERE'S A LOT OF HELP AVAILABLE

By Julie Bennett

Like many people, Art and Joyce Grimaldi, of Jacksonville, Fla., never dreamed they could be successful business owners. In 2007, upon returning from Iraq, Mr. Grimaldi retired as a reservist from the military and went back to his management position at FedEx. But he and Joyce could not forget a couple they had met on a cruise who owned five Great Clips hair salons in Minnesota.

LOW INITIAL INVESTMENT

"We explored other franchise opportunities," Mr. Grimaldi says, "and still liked Great Clips, because of its low initial investment (about \$160K) and the fact that you can keep your day job. We opened our first salon in May 2012, paying for it with personal savings and money in our Roth IRAs (which can be withdrawn without taxes or penalties)." Art stayed at FedEx and Joyce kept her teaching job.

In late 2013, the couple used money from Mr. Grimaldi's 401(k) plan at FedEx to finance their second salon. "By the time we were ready to open our third salon, in partnership with another Great Clips franchisee," he says, "we wanted to establish business relationships with lenders, so we financed one third of it with cash and borrowed the rest."

Today, the Grimaldis work full time at growing their franchise business—they hope to own 10

ART GRIMALDI



Joyce and Art Grimaldi, left, opened their first Great Clips salon in 2012 and are aiming to open around 17 more.

salons themselves, as well as another 10 with their partner.

"I never thought in a million years I'd be where I am today," Mr. Grimaldi says.

OWNING A BUSINESS

Beth Caron, director of franchise development at Great Clips, in Minneapolis, says, "We've dealt with many candidates who may have never dreamed they'd qualify to own a business. We talk to franchisee prospects about their financials immediately. The absolute last thing we want to do is put someone into business if they are undercapitalized."

Every franchiser has its own financial requirements. To qualify for a Great Clips franchise, candidates must have \$300K in net worth, as well as another \$50K in liquid assets.

"Great Clips has developed

some very strong long-term relationships with financing vendors," Ms. Caron says, adding that the majority of new candidates can borrow money through them, via conventional or Small Business Administration (SBA)-guaranteed loans. Or, like the Grimaldis, they may tap into their retirement funds.

"Qualified borrowers who have taken good care of their personal credit and have been financially responsible can usually find secure financing for their first franchise in four to six weeks," she explains.

You can learn more about franchise financing by talking to lenders who are exhibiting at the IFE. Besides bank and non-bank lenders, they include online services like BoeFly that match franchisees seeking loans with lenders



GREAT CLIPS

willing to make them. You can also attend free educational sessions.

At 12:30 p.m. on Friday and 1 p.m. on Saturday, a representative from the SBA will discuss the government's loan-guarantee program for small-business owners and franchisees.

"I NEVER THOUGHT IN A MILLION YEARS I'D BE WHERE I AM TODAY."

Several sessions will provide overviews of other financing options, including ROBS—Retirement Rollovers into Business Startups. ROBS are complicated and several IFE exhibitors provide them, including Guidant Financial, based in Bellevue, Wash.

David Nilssen, Guidant's CEO and co-founder, says that the financial firm has helped almost 15,000 people access \$4 billion in retirement funds to start a business and estimates 70% are franchisees. To qualify, you must have at least \$50K in your 401(k) plan and you must be "actively involved" in your franchise, Mr. Nilssen says.

FUND YOUR FRANCHISE

Instead of cashing out your 401(k), which would trigger taxes and other penalties, you can pay Guidant—or another provider—about \$5,000 to transfer that money into your new franchise.

Not surprisingly, the IRS places some restrictions on how the funds can be spent and also insists that you start a 401(k) program for your business as a benefit. Guidant and other providers charge a monthly fee to maintain customers' new 401(k) plans, and to keep them from violating any IRS rules and regulations, Mr. Nilssen says.

Franchisee Jon Rasmussen used his personal savings and a retirement rollover to open his first Great Harvest Bread Company franchise in Delafield, Wisc., in 2011.

"I started in the black from day one," Mr. Rasmussen says, "because I didn't have to pay back a bank loan."

Julie Bennett is a freelance writer specializing in franchising matters.

Real food
TRULY
handcrafted
every day
from
scratch.



BAKERY CAFE
Bread. The way it ought to be.



Tastes Great. More Rewarding.

In over forty years of franchising, we have evolved from being a bread bakery, to becoming a full-fledged bakery cafe. Now with our hub and spoke model we offer even more flexibility. Operating in a smaller footprint than a big box fast casual restaurant, with seating up to 40 people.

Smaller Investment. BIG return.

Costs to Open*	Avg. Annual Sales*	EBITA*
2 Stores	\$864,938	\$1,526,030
3 Stores	\$1,270,407	\$2,155,734
5 Stores	\$2,117,345	\$3,681,764

Learn more at www.greatharvest.com or contact Heidi Melendez at heidim@greatharvest.com

*Great Harvest average Sales and Profits reflect the actual average annual gross sales and average annual EBITDA for the year 2015. Estimated Cost to Open based on average cost of a store, multiplied by the number of stores, disclosed in Item 7 of the 3/9/17 Great Harvest Franchise Disclosure Document (FDD). 2 stores are 1 hub & 1 spoke. 3 stores are 1 hub & 2 spokes. 5 stores are 2 hubs and 3 spokes. For more details, refer to Item 19 of our 3/9/17 Great Harvest FDD.

FINANCE YOUR NEW FRANCHISE DEBT-FREE

Guidant Financial can make your dream a reality with 401(k) business financing.

- Debt-Free**
- Tax Penalty-Free**
- 14,000+ Entrepreneurs Financed**

CONTACT US TODAY TO LEARN MORE



guidantfinancial.com | 1-888-472-4455

**Micro Trends,
Macro Context.
In Minutes.**

THE DAILY SHOT

Speed-read the markets

Get a complete look at the trends moving global markets with The Daily Shot. WSJ's latest member-exclusive newsletter delivers a sophisticated, impartial view in 30-plus charts, every morning.

[Sign up at WSJ.com/dailyshot](http://WSJ.com/dailyshot)

SPONSORED BY:
**BrightHouse
FINANCIAL**

© 2017 Dow Jones & Co., Inc. All rights reserved. 3DJ5589

**THE WALL STREET JOURNAL.
Read ambitiously**

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISYE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, June 7, 2017

NYSE

	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
ABB	ABB	ABB	25.30	-0.24	BHPBilliton	BHP	34.88	-0.34	CenterPointEner	CNP	28.32	-0.18	IICU Bank	IBN	10.00	0.17	MorganStanley	MS	43.28	0.34	RoyalBScotRand	RBS	6.64	0.13	CDK Global	CDK	61.98	0.08
AES	AES	AES	11.57	-0.34	BHPBilliton	BBIL	30.34	-0.21	Engen	ENG	57.62	-0.20	InvGroep	IVZ	33.41	...	EmersonElectric	EMR	16.25	-0.51	RoyalCaribbean	RCL	112.15	1.30	CDW	CDW	62.02	0.63
Aflac	AFL	AFL	74.93	-0.14	BridgePntPrt	EPP	16.25	-0.51	InterContinent	ITC	17.00	0.41	Enviro	ENV	33.41	...	Enbridge	ENB	39.11	-0.47	RoyalDutch	RDS/A	53.71	-0.67	Merck	MKCO	23.00	0.28
AT&T	AT&T	AT&T	38.76	-0.03	CentrElec	CE	39.16	-0.04	InterDigital	IDEX	109.60	0.04	Enviro	ENV	144.57	1.59	Enviro	ENV	23.77	-0.08	MicroDev	MDV	21.32	-0.11				
AXIS Capital	AXIS	AXIS	64.31	-0.03	Enviro	ENV	9.46	-0.05	InfoSys	INFY	15.33	-0.26	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Microsoft	MSFT	72.39	-0.13				
AbbottLabs	AbbottLabs	AbbottLabs	46.56	-0.20	Enviro	ENV	23.07	-0.09	IngersollRand	IR	88.13	-0.13	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	MobileDev	MDV	21.32	-0.11				
AbbVie	AbbVie	AbbVie	68.75	-0.19	Enviro	ENV	23.07	-0.09	Ingenred	INGR	116.50	-0.64	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
Accenture	Accenture	Accenture	126.55	-0.22	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AcuityBrands	AcuityBrands	AcuityBrands	173.01	-0.08	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
Adient	Adient	Adient	69.39	-0.14	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AdvanceAuto	AdvanceAuto	AdvanceAuto	130.22	-0.68	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AxonSemG	AxonSemG	AxonSemG	6.38	-0.09	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
Aegon	Aegon	Aegon	4.67	-0.01	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
Albemarle	Albemarle	Albemarle	112.89	-0.12	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
Alcoa	Alcoa	Alcoa	82.22	-0.12	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
Altra	Altra	Altra	14.47	-0.03	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
Altria	Altria	Altria	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaGroup	AltriaGroup	AltriaGroup	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97	1.59	Enviro	ENV	23.77	-0.08	Motorola	MOT	40.32	-0.39				
AltriaHldgs	AltriaHldgs	AltriaHldgs	90.50	-1.16	Enviro	ENV	23.07	-0.09	IronMountain	IRM	63.80	-2.07	Enviro	ENV	145.97													

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.							
June	2.5460	2.5500	2.5350	2.5490	0.0045	1,553	
July	2.5475	2.5585	2.5330	2.5515	0.0045	108,281	
Gold (CMX) -100 troy oz.; \$ per troy oz.							
June	1291.60	1293.10	1284.30	1290.10	-4.30	2,528	
Aug	1297.00	1297.60	1285.00	1293.20	-4.30	369,782	
Oct	1299.80	1300.20	1288.80	1296.70	-4.40	11,000	
Dec	1304.20	1304.20	1292.60	1300.10	-4.50	78,893	
Feb'18	1305.80	1306.40	1295.90	1303.50	-4.40	9,824	
Dec	1317.00	1317.00	1317.00	1320.50	-4.40	5,921	
Palladium (NYM) -50 troy oz.; \$ per troy oz.							
June	847.85	847.85	831.30	834.20	-18.10	245	
July	850.35	851.90	825.70	829.45	-20.15	42	
Sept	848.00	853.25	823.75	828.20	-20.20	33,539	
Dec	844.00	847.50	819.45	822.35	-21.10	747	
Platinum (NYM) -50 troy oz.; \$ per troy oz.							
June	954.60	954.60	954.10	946.40	-15.70	3	
July	962.10	963.10	943.10	947.60	-15.70	54,284	
Silver (CMX) -5000 troy oz.; \$ per troy oz.							
June	17.625	17.690	17.510	17.587	-0.090	20	
July	17.710	17.725	17.505	17.620	-0.090	131,613	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.							
July	47.98	48.23	45.65	45.72	-2.47	50,975	
Aug	48.18	48.36	45.89	45.98	-2.36	255,023	
Sept	48.28	48.50	46.43	46.22	-2.27	205,269	
Dec	48.69	48.89	46.79	46.87	-2.01	315,512	
June'18	48.80	48.92	47.26	47.37	-1.58	125,066	
Dec	48.52	48.63	47.25	47.37	-1.29	162,601	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.							
July	1.4609	1.4667	1.4128	1.4162	-0.0500	106,352	
Aug	1.4690	1.4761	1.4219	1.4249	-0.0500	58,368	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.							
July	1.5288	1.5410	1.4873	1.4913	-0.0632	125,946	
Aug	1.5260	1.5345	1.4810	1.4847	-0.0599	59,113	
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.							
July	3.061	3.095	3.010	3.020	-0.022	315,345	
Aug	3.092	3.127	3.043	3.054	-0.022	150,092	
Sept	3.084	3.113	3.035	3.045	-0.017	162,537	
Oct	3.101	3.131	3.060	3.071	-0.011	181,498	
Jan'18	3.370	3.393	3.342	3.353	-0.002	107,518	
April	2.880	2.897	2.865	2.887	.006	90,515	

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.							
July	378.25	387.00	378.25	384.75	7.50	637,875	
Dec	396.50	400.40	396.25	402.50	6.75	325,640	
Oats (CBT) -5,000 bu.; cents per bu.							
July	256.00	264.75	253.00	260.50	4.25	4,566	
Dec	236.00	238.75	232.50	236.50	.25	1,402	
Soybeans (CBT) -5,000 lbs.; cents per bu.							
July	924.50	934.50	924.50	930.75	7.25	341,160	
Nov	932.75	942.00	932.75	935.75	4.00	218,207	
Soybean Meal (CBT) -100 tons; \$ per ton.							
July	301.40	306.80	301.40	304.90	3.80	182,815	
Dec	306.00	311.10	306.40	309.10	3.00	101,056	
Soybean Oil (CBT) -60,000 lbs.; cents per lb.							
July	31.41	31.52	31.18	31.36	-.03	192,251	
Dec	32.01	32.11	31.76	31.91	-.02	118,387	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.							
July	111.00	112.50	110.00	112.30	13.50	6,494	
Sept	113.40	115.00	113.40	115.00	13.00	2,112	
Wheat (CBT) -5,000 bu.; cents per bu.							
July	599.25	604.50	587.00	595.50	-3.25	29,170	
Sept	600.00	605.25	590.25	599.00	-1.25	18,904	
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.							
Aug	154.725	156.250	151.700	154.800	-.575	33,531	
Sept	153.750	155.575	151.350	154.125	-.725	9,624	
Cattle-Live (CME) -40,000 lbs.; cents per lb.							
June	130.325	132.325	129.750	131.200	1.000	18,175	
Aug	123.500	124.925	122.800	124.175	.575	196,689	
Hogs-Lean (CME) -40,000 lbs.; cents per lb.							
June	81.900	82.225	81.500	81.625	-.025	17,347	
Aug	81.250	81.400	80.300	80.725	-.450	68,331	
Lumber (CME) -110,000 bd. ft. \$ per 1,000 bd. ft.							
July	357.80	362.80	353.80	357.90	2.90	2,990	
Sept	349.00	351.70	344.80	346.50	.60	1,158	
Milk (CME) -200,000 lbs.; cents per lb.							
June	16.39	16.40	16.29	16.29	-.08	4,948	
July	16.81	16.86	16.64	16.67	-.19	4,117	
Cocoa (ICE-US) -10 metric tons; \$ per ton.							
July	1,964	1,985	1,947	1,963	-12	78,950	
Sept	1,989	2,006	1,971	1,983	-14	85,509	
Coffee (ICE-US) -37,500 lbs.; cents per lb.							
July	126.05	126.80	125.45	125.75	.20	89,179	

Interest Rate Futures

Treasury Bonds (CBT) -\$100,000 lbs.; cents per lb.				
July	14.00	14.32	13.75	14.14
Oct	14.26	14.52	13.99	14.33
Sugar-Domestic (ICE-US) -\$12,000 lbs.; cents per lb.				
July	28.00			

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average



S&P 500 Index



Nasdaq Composite Index



Bars measure the point change from session's open

Weeklies P/E data based on as-reported earnings from Birnvi Associates Inc.

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.			
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Stock Market	Nasdaq Composite	Nasdaq 100	Standard & Poor's	500 Index	MidCap 400	SmallCap 600
Industrial Average	21189.84	21113.31	21173.69	37.46	0.18	21206.29	17140.24	17.6	7.1	7.8	2433.14	3.81	0.16
Transportation Avg	9354.07	9225.06	9334.58	60.18	0.65	9593.95	7093.40	18.1	3.2	4.4	2433.14	3.81	0.16
Utility Average	732.19	727.26	730.87	2.76	0.38	732.63	625.44	8.3	10.8	9.9	2433.14	3.81	0.16
Total Stock Market	25198.63	25087.50	25171.45	33.45	0.13	25257.37	20583.16	14.9	8.1	7.3	2433.14	3.81	0.16
Barron's 400	645.72	642.79	645.20	1.99	0.31	647.66	491.89	20.3	7.2	6.8	2433.14	3.81	0.16

Nasdaq Stock Market

Nasdaq Composite	6302.78	6267.18	6297.38	22.32	0.36	6305.80	4594.44	26.6	17.0	13.4
Nasdaq 100	5883.19	5845.96	5877.59	20.82	0.36	5881.46	4201.05	30.0	20.8	15.7

Standard & Poor's

500 Index	2435.28	2424.75	2433.14	3.81	0.16	2439.07	2000.54	14.8	8.7	7.7
MidCap 400	1742.28	1733.01	1736.84	-0.21	-0.01	1758.27	1416.66	13.9	4.6	7.2
SmallCap 600	847.97	843.58	846.20	1.24	0.15	863.08	670.90	16.5	1.0	8.0

Other Indexes

Russell 2000	1400.41	1392.20	1396.67	1.78	0.13	1419.43	1089.65	17.5	2.9	6.2
NYSE Composite	11698.15	11635.57	11667.73	-3.73	-0.03	11718.70	9973.54	9.7	5.5	2.3
Value Line	522.28	518.83	519.98	-1.02	-0.20	529.13	435.06	9.8	2.7	1.5
NYSE Arca Biotech	3668.61	3621.14	3642.11	-6.08	-0.17	3690.05	2818.70	10.5	18.4	11.0
NYSE Arca Pharma	526.32	523.18	524.75	-1.03	-0.19	554.66	463.78	-0.6	9.0	0.8
KBW Bank	90.35	89.21	90.15	1.04	0.17	99.33	60.27	28.4	-1.8	8.4
PHLX® Gold/Silver	87.28	85.61	86.59	-0.79	-0.91	112.86	73.03	-5.5	9.8	-0.04
PHLX® Oil Service	140.00	133.02	133.80	-6.34	-4.53	192.66	133.80	-25.9	-27.2	-23.3
PHLX® Semiconductor	1122.38	1112.32	1118.30	8.22	0.74	1118.30	648.32	57.5	23.4	21.9
CBOE Volatility	10.93	10.12	10.39	-0.06	-0.57	25.76	9.75	-26.2	-26.0	-1.1

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	9,729.8	243.59	-0.07	-0.03	243.71	243.08
General Electric	GE	8,319.3	27.68	...	unch.	27.69	27.53
Office Depot	ODP	2,491.1	5.16	-0.03	-0.64	5.27	5.16
Freeport-McMoRan	FCX	2,313.4	11.62	-0.10	-0.85	11.74	11.62
Bank of America	BAC	2,304.2	22.63	0.03	0.13	22.63	22.49
Comcast Cl A	CMSA	1,906.0	41.90	0.01	0.02	41.90	41.75
Intel	INTC	1,804.2	36.36	0.10	0.28	36.41	36.17
Van Eck Vectors Gold Miner	GDX	1,773.5	23.65	...	unch.	23.71	23.58

Percentage gainers...

Verastem	VSTM	95.6	2.35	0.23	10.85	2.70	2.14
Okta Cl A	OKTA	145.2	27.57	1.88	7.		

BANKING & FINANCE

Russia's Rosneft Stake Sale Had a Twist

Qatar agreed to provision allowing Moscow to reacquire at least portion of shares

Russia's sale of one-fifth of its state-owned oil company to Qatar and commodities giant Glencore PLC last year had an unusual provision: Moscow and Doha agreed Russia would buy a stake back, people familiar with the matter said.

By Sarah McFarlane
in London
and Summer Said
in Dubai

Russian President Vladimir Putin hailed the €10.2 billion (\$11.5 billion) sale of the PAO Rosneft stake in December as a sign of investor confidence in his country. But the people with knowledge of the deal say it functioned as an emergency loan to help Moscow through a budget squeeze.

Moscow agreed with Qatar that Russia would buy back at least a portion of the stake from the rich Persian Gulf emirate, the people said. The Qatar Investment Authority and Glencore, the Switzerland-based commodities giant, formed a partnership to buy the 19.5% stake in Russia's energy jewel at a time when Mr. Putin's government needed cash.

The people with knowledge of the deal say the buyback arrangement was negotiated

with involvement from Mr. Putin and the emir of Qatar, Sheikh Tamim bin Hamad Al Thani. Russia and Qatar saw it as an opportunity to build a bridge between countries that had taken opposing sides in the Syrian civil war, the people said.

One of the people said the buyback would happen in the next 10 years.

Kremlin spokesman Dmitry Peskov said he didn't agree with the characterization of the deal as an emergency loan. He didn't respond to further questions.

Glencore and the Qatar Investment Authority said the deal's contract contained no right for Russia to buy back Rosneft shares from the consortium they created.

"The transaction did not include an option or agreement for Rosneft, Rosneftegaz or the Russian state to buy the stake or parts of the stake acquired by the consortium," Glencore said.

"The consortium alone controls the future ownership of these shares," the Qatar Investment Authority said through a London public-relations firm.

Rosneft, the world's largest listed oil producer, is traded publicly in Moscow, but it isn't easy to buy and sell large pieces of the company because it remains majority-owned by the Russian state and is an instrument of economic power for Mr. Putin.

The people familiar with the deal said a time-limited

Key Players

Carlo Messina, Ivan Glasenberg and Abdullah bin Mohammed bin Saud Al Thani were awarded one of Russia's top honors for foreigners—the Order of Friendship—after the Rosneft deal was announced.



Vladimir Putin



Igor Sechin

Pushed for the sale of a stake in Rosneft

The Rosneft chief talked to Glencore about a deal



Ivan Glasenberg

The Glencore CEO brought in the Qatari, and agreed to invest

€300 million



Abdullah bin Mohammed bin Saud Al Thani

The Qatar Investment Authority's leader agreed to invest

€2.5 billion in Rosneft



Carlo Messina

Chief executive of Italian bank Intesa Sanpaolo, which lent

€5.2 billion to the Glencore-Qatar consortium

Note: €1 = \$1.13 Photos: Associated Press (Putin); Bloomberg News (4)

Sources: Glencore, Intesa Sanpaolo and people with knowledge of the deal

THE WALL STREET JOURNAL.

structure and a buyback agreement for the deal worked for both Qatar and Russia.

Qatar wanted its Rosneft stake to be temporary, the people said. The emir believes it will profit from selling the shares back to Russia at a later date, the people said.

said, betting that oil prices will rise and push up Rosneft's share price. Qatar saw the political benefits of giving Russia access to quick cash as a sort of loan to address a budget deficit that had widened due to lower oil prices, the people said.

After the deal, a range of talks opened between Russian and Qatari businesses on a scale not seen before, Russian news agencies have reported.

For Russia, a temporary deal was also preferred by Igor Sechin, a Putin confidante who runs Rosneft and its parent company Rosneftegaz, one of the people said.

Until the deal with Qatar and Glencore, Mr. Sechin had publicly opposed privatizing any more of Rosneft, which is already 20% owned by BP PLC. That ownership slice came about when BP sold its share of Russian oil company TNK-BP in exchange for the piece of Rosneft, and cash.

According to people familiar with the matter, Mr. Sechin approached Glencore about a deal under pressure from Mr. Putin, who needed to raise cash during a 2016 budget crunch, when oil prices fell to 12-year lows.

Russia's federal budget relies on the oil-and-gas industry for about one-third of its revenue. Glencore executives said the stake was too big for it alone, the people said, so the company brought in its biggest investor, the Qatar Investment Authority.

When the deal was announced in December, Mr. Putin denied it was done "because we lack money for particular budget expenditure items." He said at a news conference that Glencore and Qatar would "improve the management quality" of Rosneft.

The deal was called the largest-ever foreign investment in a Russian company.

Shares of Rosneft rallied around 20% in the four weeks following the deal's announcement on Dec. 7. Those gains have been erased, with the share price down about 25% since the start of the year.

Russia has since pushed Glencore and Qatar to find other investors to demonstrate the foreign interest in the Rosneft stake, sparking talks with firms and sovereign-wealth funds.

Glencore shares rose after the December announcement, partly because the deal enables it to trade 220,000 barrels a day of Rosneft crude for five years—a lucrative piece of Russian market share.

Subsequent public disclosures have revealed parts of the deal's complex structure.

Under the deal, the Rosneft shares aren't held directly by Glencore and Qatar but by a U.K. limited liability partnership, according to British corporate records.

After the deal was announced, Mr. Putin awarded one of Russia's top honors for foreigners—the Order of Friendship—to Qatar Investment Authority's chief executive, Sheikh Abdullah bin Mohammed bin Saud Al-Thani, Intesa's chief executive, Carlo Messina, and Glencore's chief executive, Ivan Glasenberg.

—Giovanni Legorano, James Marson and Scott Patterson contributed to this article.

A Small Lansdowne Fund Is Big Winner

BY LAURENCE FLETCHER

LONDON—A little-known portfolio run by one of London's biggest hedge-fund firms has become one of the sector's top performers this year.

At Lansdowne Partners LLP, which manages about \$19 billion in assets from its base in London's Mayfair district, the tiny Princay fund has gained 13% this year, according to numbers sent to investors and reviewed by The Wall Street Journal.

Managed by Frenchman Samuel Joab, a former fund manager at BlueCrest Capital who focuses on forensic accounting of company balance sheets, the \$65 million Princay fund has profited from positions in bank stocks, support services firms and industrial companies. The gain puts the fund—which largely consists of money from Mr. Joab and his family plus money from top Lansdowne executives—well ahead of an average 2.4% gain among hedge funds this year to May 26, according to data group HFR Inc.

That ranks it among the best-performing hedge funds globally in what is proving to be another challenging year for the sector, according to data compiled by the Journal.

The gains come as a boost for Lansdowne after its flagship Developed Markets fund, run by Peter Davies and Jonathan Regis, lost nearly 15% last year. This year that fund is up about 7%, according to figures sent to investors.



OLI SCARFF/AGENCE FRANCE PRESSE/GETTY IMAGES

Jeremy Corbyn greeted supporters in Wales Wednesday. Some fund managers say a Labour victory could provide a softer Brexit landing.

Not All Investors Fear a Labour Win

Jeremy Corbyn is a self-described socialist who says he will raise taxes and nationalize industries if his Labour Party wins Thursday's U.K. election. Some investors hope he does win.

By Christopher Whittall, Alistair MacDonald and Jon Sindreu

The seemingly counterintuitive choice—markets typically welcome Conservative Party victories—says much about how Britain's vote to leave the European Union has upended the way investors view U.K. politics.

Many investors say that Brexit will turn out to be negative for the British economy, throwing up tariffs and obstacles to trade and hurting the

country's large financial industry. Some fund managers argue that the Conservative Party's harder line on Brexit means that their investments, in the longer run, will do better if Mr. Corbyn's Labour Party wins or ends up leading a coalition government with pro-EU parties.

"If you see a Corbyn win, emotionally you'd see a big trade-off in the pound but afterwards it may stabilize and do a bit better if there is a sense Corbyn can negotiate a softer Brexit," said Mark Dowding, co-head of investment-grade debt at BlueBay Asset Management. "I think Corbyn would probably get an easier ride out of our European partners," he said.

Mr. Corbyn has made significant ground in polls, but most investors still believe

that the Conservatives will win a majority. In mid-April, some polls gave the Conservatives a lead of more than 20 points over the Labour Party. That has narrowed to 8 points, according to a Wall Street Journal average of opinion polls.

To be sure, a large Conservative majority also is viewed as being positive for markets. But that is also due, in part, to Brexit, because many investors believe a big win would shore up Prime Minister Theresa May's ability to push back against Conservative lawmakers who demand an immediate and complete break from Brussels.

Still, there are some investors who see a Labour victory in any iteration as being the worst option for markets. The party's election manifesto

promises to increase income taxes on anyone earning over £80,000 (\$103,200) a year while nationalizing the country's rail companies; water and energy utilities; and postal service provider, Royal Mail PLC.

Mr. Corbyn also has no government experience and is considered a maverick on foreign policy issues.

Given this, some analysts predict an immediate fall in the pound should he win and big declines in U.K. shares, particularly utilities.

Labour's plans for increased fiscal spending could also send yields on U.K. government bonds higher if, as expected, it pushed up inflation, driving the Bank of England to nudge up interest rates earlier than expected. Yields rise when bond prices fall.

BLACKSTONE

New Fund Focuses On Europe Property

Blackstone Group LP, one of the world's largest private real-estate investors, has closed a €7.8 billion (\$8.9 billion) fund that will focus on European commercial real estate, the biggest of its kind ever raised.

The fund will follow an "opportunistic" strategy, meaning it will typically buy riskier properties that need fixing up or repositioning. The goal is to deliver to investors double-digit returns. The fund could have about €24 billion worth of buying power because Blackstone often uses as much as 70% leverage when buying property. Blackstone overall has \$368 billion of assets under management, including

\$102 billion of real estate.

Blackstone has been a major player in the European property market through years of political and financial upheaval. The firm has kept buying through Brexit, the Greek debt crisis and worries about the possible collapse of the euro, partly because prices fell below what it cost to replace the properties.

"There were a lot of negative headlines," said Jonathan Gray, Blackstone's head of real estate. But the firm believed it was being "appropriately compensated" for taking the risks because prices reflected the distress, he said.

Mr. Gray said it might become tougher finding investments for the new fund because other investors are becoming more bullish on Europe.

—Peter Grant

FIDUCIARY RULE

Labor Chief Says 'First Step' Is Taken

Labor Secretary Alexander Acosta said that the first step has been taken in deciding the fate of a landmark retirement-savings rule that goes into partial effect Friday.

Mr. Acosta, at a congressional hearing on President Donald Trump's budget proposal, said the Office of Management and Budget put out a request for information Wednesday on the fiduciary rule.

The OMB didn't return requests for comment.

"That is the first step," Mr. Acosta said. "We need that information and data in order to decide how to proceed."

Mr. Acosta said in a Wall

Street Journal opinion piece last month that the fiduciary rule—which aims to eliminate conflicts in financial advice and ensure that brokers put the interests of retirement savers first—wouldn't be further delayed.

The Labor Department had pushed back the regulation's April 10 implementation deadline by 60 days, to June 9 after Mr. Trump called for a re-evaluation of the rule with an eye toward revision or repeal.

"We looked very carefully whether we could postpone it," Mr. Acosta said. "When a rule is adopted the executive branch cannot just postpone implementation of that rule: You need a new rule to change the old rule."

"No one in government should be able to snap their fingers and undo laws," he added.

—Lisa Beifuss, Eric Morath

COMMODITIES

Trafigura Profit Falls On Lower Volatility

Oil trader Trafigura Group Plc.'s half-year profit fell sharply, suffering from a period of lower volatility in oil prices, even with a rise in traded volumes. The privately held company reported a 22% decline in profit to \$471 million in the six-month period ended March 31.

Its oil-trading volumes rose during the period, however, with the firm expecting to exceed 5 million barrels a day in 2017, up from 4.3 million barrels the previous year. Trafigura is the third-largest oil trader behind Vitol Group and Glencore PLC. Trafigura said its gross profit margin fell to 18% from 27% a year earlier.

—Sarah McFarlane

SEC Set To Name Blass for Funds Post

BY DAVE MICHAELS

WASHINGTON—The Securities and Exchange Commission is poised to hire as its top mutual-fund regulator an attorney whose spouse is about to step down as chief lawyer for the industry's trade group, according to people familiar with the matter.

Dalia Blass is the leading candidate to run the SEC's division of investment management, the people said, a smaller office within the 4,600-person commission that assumed a higher profile after the 2008 financial crisis.

During the Obama administration, the division wrote rules seeking to address concerns from banking regulators that mutual funds holding less liquid bonds could be susceptible to investor runs, triggering a downward spiral in asset prices.

The hire would add another senior SEC official who may need to navigate significant conflicts of interest in the job.

Ms. Blass's husband, David Blass, is general counsel of the Investment Company Institute, a mutual-fund lobbying and research group that opposed many details of the SEC's postcrisis rules.

In recent months, the group's leaders have said the SEC should give the industry a respite from new regulations.

Mr. Blass plans to leave the ICI this week.

Simpson Thacher & Bartlett LLP, a law firm with many Wall Street clients, said in May that Mr. Blass would join the firm as a partner. His job switch would remove a significant ethical hurdle to Ms. Blass's ability to run the SEC's investment management division.

Ms. Blass would still have to recuse herself from any decisions that specifically affect firms that were counseled by Simpson Thacher, whose clients include Blackstone Group LP, Legg Mason Inc. and KKR & Co. She also would have to step aside for one year from matters that directly affect her own former clients at Ropes & Gray LLP, the law firm where she has worked since September 2016.

Her clients there have included Fidelity Investments, Goldman Sachs Asset Management and Pacific Investment Management Co., according to her biography on the firm's website.

An SEC spokesman declined to comment.

FINANCE WATCH

Labor Chief Says 'First Step' Is Taken

Labor Secretary Alexander Acosta said that the first step has been taken in deciding the fate of a landmark retirement-savings rule that goes into partial effect Friday.

MARKETS

Dollar Firms Ahead of Big Day

By CHERYL DULANEY

The dollar firmed Wednesday, a day ahead of highly anticipated testimony from former Federal Bureau of Investigation Director James Comey, the U.K.'s general election and a European Central Bank meeting.

The WSJ Dollar Index, which measures the U.S. currency against 16

others, rose 0.1%, to 88.10. A day earlier, the index closed at its lowest level since Nov. 4.

U.S. intelligence officials began testimony in front of a Senate committee Wednesday. Several rebuffed questions about allegations that President Donald Trump tried to influence a probe of his associates' contacts with Russia. That comes ahead of Thursday's testimony by Mr. Comey, his first public appearance since Mr. Trump dismissed him on May 9.

Written testimony by Mr. Comey, made public on Wednesday afternoon, reiterated his previous claims that Mr. Trump asked him to back off an investigation of former national security adviser Michael Flynn.

Mr. Trump has denied that he attempted to intervene in the probe.

"The market's main tail-risk concern appears to be that Comey's testimony incites enough controversy to further entangle the White House in political mire and make progress towards meaningful positive fiscal and regulatory steps even slower," said analysts at Credit Suisse in a research note.

Meanwhile, the euro slipped 0.2% against the dollar on Wednesday ahead of the ECB's policy meeting.

Investors expected that the ECB will signal a more hawkish outlook on the economy at its meeting, but a report Wednesday indicated the central bank will revise its inflation forecast lower. That would damp the ECB's case for unwinding quantitative easing soon.

The British pound rose 0.4% to \$1.2960 ahead of Thursday's U.K. general election, which investors say could shape the Brexit negotiations.

—Del Quentin Wilber and Byron Tau contributed to this article.

Oil Sinks 5.1% as Stockpiles Rise

Crude inventories rose by over 3 million barrels last week, while a drop had been expected

By ALISON SIDER

U.S. oil prices had their worst day since March, falling to their second-lowest level of the year after U.S. data showed an unexpected increase in oil stockpiles.

U.S. crude inventories rose by nearly 3.3 million barrels last week, according to the U.S. Energy Information Administration

—the first weekly increase since late March. Analysts and traders surveyed by The Wall Street Journal were anticipating a 3.5 million barrel decrease in the amount of oil in U.S. storage tanks.

The unexpected buildup of supplies shook an already anxious market. Investors, many of whom have been burned by oil's bumpy ride to recovery, have been watching the U.S. storage figures each week for signs of the glut that has weighed on the market for nearly three years is dissipating.

U.S. crude futures fell \$2.47, or 5.1%, to \$45.72 a barrel. It was the biggest single-day de-

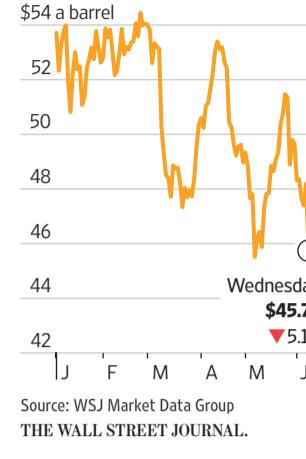
cline since March 8. Brent, the global benchmark, fell \$2.06, or 4.1%, to \$48.06, the lowest level since before the Organization of the Petroleum Exporting Countries and other major producers struck an agreement to cut output in November.

Major sell-offs have become a regular feature of the oil market in recent months as traders and investors try to gauge whether OPEC's efforts are working. Prices have been languishing since OPEC and other major producers, including Russia, in late May said they would extend their pact to reduce output by 1.8 million barrels a day for another nine months but didn't agree to deeper reductions that many market participants were hoping for. Even the eight consecutive weeks of oil being drained from U.S. storage tanks haven't been enough to convince skeptical investors that OPEC's efforts would be enough to bring supplies back into balance with demand.

The unexpected increase in stockpiles spooked many market participants, raising doubts both about OPEC's effectiveness and the strength of U.S. demand for oil and fuel.

"It's continuing to ratchet up fears that 1.8 million barrels over nine months isn't enough to rebalance markets,"

Sliding U.S. crude-oil price



Source: WSJ Market Data Group

THE WALL STREET JOURNAL

said Gene McGillian, research manager at Tradition Energy.

Last week's rise in oil stockpiles was driven by an uptick in imports, a decrease in exports and a pullback by refiners, which churned less oil into fuel during the week.

"It's a crummy report," said John Saucer, vice president of research and analysis at Moebius Risk Group. "It's a divergence from what we've been seeing, and it causes people to regroup and rethink."

Still, some investors said the rise may prove to be an anomaly. Greg Sharenow, portfolio manager at Pacific Investment

Cargoes to Qatar Snarled; LNG Flows

Three days into a diplomatic falling out between Qatar and its neighbors, the flow of container cargoes heading toward the tiny Arab nation are almost choked off, but crucial natural-gas exports haven't been affected.

Qatar is the world's largest exporter of liquefied natural gas, with a 30% market share. Brokers in London and Singapore said Qatari exports of LNG haven't been disrupted by

the rift and Qatar-flagged vessels continue to pass through the Suez Canal.

However, the container liners that supply Qatar with food, clothing and electronics aren't accepting cargo to and from the country.

Saudi Arabia, Egypt, the United Arab Emirates and Bahrain on Monday severed relations with Qatar, accusing it of financing and harboring extremists. They closed off air, sea and land routes.

Natural gas for July delivery fell 2.2 cents, or 0.7%, to \$3.02 a million British thermal units.

this early in the refining season," said Bob Yawger, director of the futures division of Mizuho Securities USA.

If more gasoline is going into storage rather than into vehicles, refiners are likely to continue throttling back, buying less crude oil to make into fuel. "The whole thing is a vicious cycle that is not really leaving a lot of room for upside," Mr. Yawger said.

Gasoline futures fell 6.32 cents, or 4.1%, to \$1.4913 a gallon, the largest daily percentage decline since September.

—Neanda Salvaterra contributed to this article.

China Yield Increase Is Bad News for Small Firms

By SHEN HONG

SHANGHAI—A sharp rise in the cost of borrowing in China's bond markets is the latest sign of conflict between Beijing's effort to rein in financial-system risk and its long-term goal of modernizing the economy.

In a little-noticed shift, Chinese companies in recent weeks have been able to take out medium-term loans at a lower interest rate than bond investors demand.

The average yield on AAA-rated five-year corporate bonds, currently 4.90%, has been above the central bank's corresponding benchmark lending rate of 4.75% since May 3, according to data provider Wind Info.

The highly unusual reversal—it hadn't happened since records began in 2006—is largely due to Chinese regula-

Debt U-turn

Chinese companies have been scrapping planned bond issues at an increasing rate.

Value of bonds delayed or canceled	Number of bonds
2017* 328 billion yuan	382
2016 542	613
2015 338	331
2014 255	227
2013 0.5	1

*Through Wednesday Note: 100 billion yuan = \$14.72 billion

Source: Wind Info

THE WALL STREET JOURNAL

tors' attempts to tamp down speculation by investment funds that borrow heavily to leverage their bets.

"Beijing's deleveraging campaign is the main driver behind higher borrowing costs throughout the economy, from money-market rates to bond yields, and even banks are under pressure too," said Teck Kin Suan, senior economist at United Overseas Bank in Singapore.

The bond-rate surge is bad news for small and midsize private businesses, which typically have little access to bank loans. Corporate-bond issuance has slumped and the number of companies scrapping bond plans has jumped.

The surge also marks a setback for Beijing's longstanding pledge to let capital markets play a bigger role than state-run lenders in funding the world's No. 2 economy.

The People's Bank of China's campaign to tame highly leveraged investing began last summer and intensified in February and March when it twice raised a suite of key money-market interest rates.

Government bonds haven't been spared: The yield on the benchmark 10-year bond rose to a 29-month high of 3.69% on May 12 and has remained elevated since. Yields rise as bond prices fall.

Faced with higher borrowing costs, 382 Chinese companies have delayed or canceled a total of 327.7 billion yuan (\$48.2 billion) in planned new bonds since the start of 2017, up from 348 companies and 284.2 billion yuan in the same period a year earlier.

Total new corporate-bond issuance this year stands at 1.7 trillion yuan, down sharply from 4.1 trillion yuan at this point last year. Subtracting maturing bonds, net corporate-bond financing

since the start of the year stands at a negative 521.3 billion yuan, compared with a positive 1.9 trillion yuan a year earlier.

While the economy has remained robust, growing 6.9% in the first quarter, some economists foresee a slowdown later in 2017 as it becomes harder for companies to raise funds.

China's economy has been fueled in recent years by ever-rising credit, which has sent total corporate debt soaring to the equivalent of 150% of gross domestic product.

"The argument that now more companies will switch to traditional bank lending only stands in theory. In reality, it's very hard to do so because banks are under pressure and even big state-run enterprises are finding it difficult to get cheap loans now," said Liu Dongliang, senior economist at China Merchants Bank.

Treasurys Fall After Testimony Release

By SAM GOLDFARB

U.S. government-bond prices edged lower Wednesday as investors expressed a measure of relief at the release of written congressional testimony from former Federal Bureau of Investigation Director James Comey.

The yield on the 10-year Treasury note settled at 2.180%, compared with 2.147% Tuesday—its lowest close since Nov. 10. Yields rise when bond prices fall.

Mr. Comey's testimony, posted on the Senate Intelligence Committee's website in advance of a hearing Thursday,

vidson & Co.

A key issue for investors is whether Mr. Trump's legislative agenda will be hurt by investigations into possible collusion between Trump associates and Russia, as well as Mr. Trump's response to those probes. Headlines seen as negative for his administration have tended to boost the price of ultra-safe Treasurys while more positive developments have often had the opposite effect.

Demand for bonds in recent days has partially reflected investors' caution ahead of a trio of events Thursday, with a European Central Bank meeting, the U.K. general election and Mr. Comey's public testimony.

Investors also have been lowering their expectations for economic growth and inflation, stemming from soft data and dimming prospects for fiscal stimulus out of Washington.

The 10-year Treasury yield has fallen more than 0.4 percentage point since climbing above 2.6% in early March.

Investors still expect the Federal Reserve to raise short-term interest rates at its next meeting on June 13-14. But many expect a long pause after that, especially given the central bank's plans to start unwinding its balance sheet later in the year.

To some extent, the recent bond rally could reflect "an outright protest" by bond investors "who don't think the Fed should be raising rates in a very low inflationary environment," said Ray Remy, head of fixed-income trading in New York at Daiwa Capital Markets America Inc.

Still, investors responded to the testimony in a way that suggested that it fell short of their worst expectations.

Though unflattering to Mr. Trump on several accounts, the testimony doesn't include "anything that's going to do him in," said Mary Ann Hurley, vice president of fixed income trading in Seattle at D.A. Da-



Santander's Ana Botin. The bank's shares fell on Tuesday.

Depleted Energy

Gains in shares of exchange operators and banks helped offset declines in oil and gas companies in the S&P 500 on Wednesday.



Financials Drive Up Stocks

By JON SINDREU

AND AARON KURILOFF

U.S. stocks rose after two straight sessions of declines, as gains in financial shares boosted major indexes.

Moves have been relatively muted in recent weeks, with

some analysts

and investors

saying signs of improvement in the global economy and corporate earnings will likely continue to support markets.

"As long as earnings are strong and the economic backdrop good, I'm still cautiously optimistic," said Susan Bao, portfolio manager at J.P. Morgan Asset Management.

The Dow Jones Industrial Average rose 37.46 points, or 0.2%, to 21,173.69. The S&P 500 added 3.81 points, or 0.2%, to 2,433.14 and the Nasdaq Composite gained 22.32 points, or 0.4%, to 6,297.38.

Financial stocks rebounded after Tuesday's declines, with

exchange operators among Wednesday's biggest gainers.

Intercontinental Exchange

rose \$2.07, or 3.4%, to \$63.62,

CME Group gained 2.85, or

2.4%, to 119.41 and CBOE

Holdings added 2.11, or 2.4%, to

88.88. Nasdaq Inc. rose

1.34, or 2%, to 69.60. The financial sector led gains in the S&P 500, rising 0.8%.

Shares of financial companies

have recently moved in tandem with longer-term U.S.

government-bond yields. The

yield on the benchmark 10-

year U.S. Treasury note rose to

2.180% Wednesday from

2.147% Tuesday, which was its

lowest settlement since Nov.

10. Yields rise as prices fall.

MARKETS

China's Tech Titans Outpace U.S. Rivals

Shares of Tencent and Alibaba have surged and analysts say they have more room to run

By STEVEN RUSSOLILLO

HONG KONG—If you thought the FANG trade in the U.S. had teeth, it pales in comparison to what is happening in Asia.

Facebook Inc., Amazon.com Inc., Netflix Inc. and Google parent Alphabet Inc., which make up the FANG acronym, have each gained more than 20% this year, propelled by strong earnings growth and overall investor enthusiasm for technology stocks. But Chinese tech giants Tencent Holdings Ltd. and Alibaba Group Holding Ltd. are motoring at an even faster pace. They have each surged more than 40% this year and hover around records.

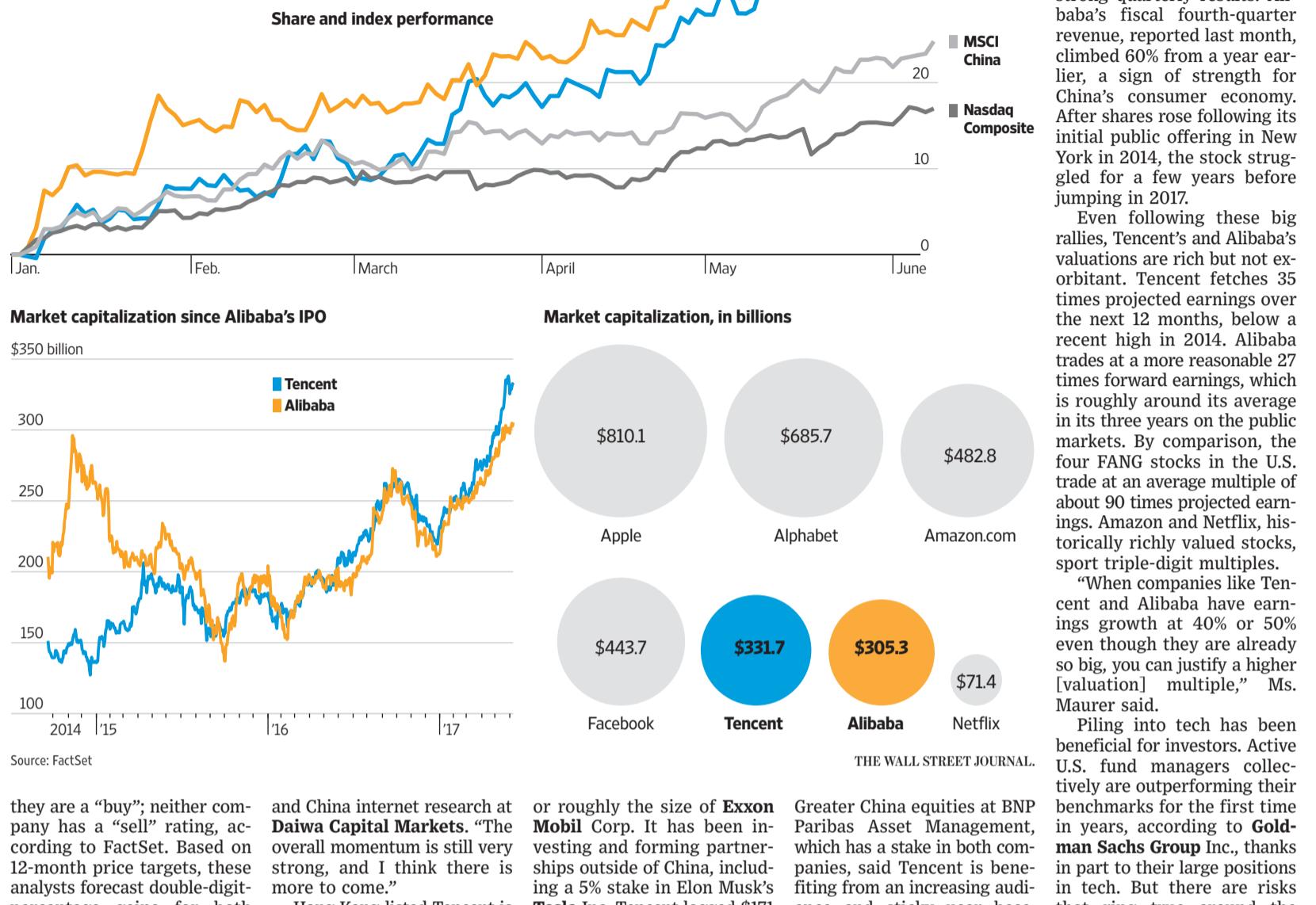
Still, analysts and investors say these stocks have more room to rally. The companies are expanding rapidly, their business models are diversified beyond just pure tech plays, and their share prices are cheaper than the FANG group.

Tencent and Alibaba, which together make up one-fourth of the MSCI China Index by market capitalization, have helped push the index 24% higher this year, far outpacing U.S. benchmarks. The MSCI China Index, which includes mostly Chinese companies listed in Hong Kong and the U.S., is a vehicle for stock investors to gain exposure to China despite capital controls that limit direct foreign investment in domestic markets.

For now, analysts are only getting more optimistic about Tencent's and Alibaba's futures, thanks to strong earnings and revenue growth. More than 90% of analysts who cover both companies say

Piling In

As investors snap up internet and e-commerce stocks, shares in Chinese technology giants are rising even faster than major U.S. firms.



investors even more confidence," Ms. Maurer said.

Alibaba, which is listed on the New York Stock Exchange, is the e-commerce company that runs popular online-shopping websites Taobao and Tmall. It has also surged to records, thanks to a string of strong quarterly results. Alibaba's fiscal fourth-quarter revenue, reported last month, climbed 60% from a year earlier, a sign of strength for China's consumer economy. After shares rose following its initial public offering in New York in 2014, the stock struggled for a few years before jumping in 2017.

Even following these big rallies, Tencent's and Alibaba's valuations are rich but not exorbitant. Tencent fetches 35 times projected earnings over the next 12 months, below a recent high in 2014. Alibaba trades at a more reasonable 27 times forward earnings, which is roughly around its average in its three years on the public markets. By comparison, the four FANG stocks in the U.S. trade at an average multiple of about 90 times projected earnings. Amazon and Netflix, historically richly valued stocks, sport triple-digit multiples.

"When companies like Tencent and Alibaba have earnings growth at 40% or 50% even though they are already so big, you can justify a higher [valuation] multiple," Ms. Maurer said.

Piling into tech has been beneficial for investors. Active U.S. fund managers collectively are outperforming their benchmarks for the first time in years, according to Goldman Sachs Group Inc., thanks in part to their large positions in tech. But there are risks that ring true around the world. A fund-manager survey last month from Bank of America Merrill Lynch found the tech-oriented Nasdaq Composite Index was "the most crowded trade."

they are a "buy"; neither company has a "sell" rating, according to FactSet. Based on 12-month price targets, these analysts forecast double-digit-percentage gains for both companies over the ensuing year.

"Fundamentals for these large-cap internet stocks have been pretty resilient," said John Choi, head of Hong Kong

and China internet research at Daiwa Capital Markets. "The overall momentum is still very strong, and I think there is more to come."

Hong Kong-listed Tencent is the owner of China's largest social network, WeChat, and the world's largest videogame publisher by revenue. The company has a market capitalization of about \$330 billion,

Caroline Yu Maurer, the Hong Kong-based head of

or roughly the size of Exxon Mobil Corp. It has been investing and forming partnerships outside of China, including a 5% stake in Elon Musk's Tesla Inc. Tencent logged \$171 billion in revenue last year. Analysts expect that to nearly double within two years, according to FactSet.

Greater China equities at BNP Paribas Asset Management, which has a stake in both companies, said Tencent is benefiting from an increasing audience and sticky user base. WeChat had 938 million monthly active users in the first quarter, up 23% from a year earlier. "If Tencent can show more signs of monetizing WeChat, it would only give

they are a "buy"; neither company has a "sell" rating, according to FactSet. Based on 12-month price targets, these analysts forecast double-digit-percentage gains for both companies over the ensuing year.

"Fundamentals for these large-cap internet stocks have been pretty resilient," said John Choi, head of Hong Kong

and China internet research at Daiwa Capital Markets. "The overall momentum is still very strong, and I think there is more to come."

Hong Kong-listed Tencent is the owner of China's largest social network, WeChat, and the world's largest videogame publisher by revenue. The company has a market capitalization of about \$330 billion,

Caroline Yu Maurer, the Hong Kong-based head of

or roughly the size of Exxon Mobil Corp. It has been investing and forming partnerships outside of China, including a 5% stake in Elon Musk's Tesla Inc. Tencent logged \$171 billion in revenue last year. Analysts expect that to nearly double within two years, according to FactSet.

Greater China equities at BNP Paribas Asset Management, which has a stake in both companies, said Tencent is benefiting from an increasing audience and sticky user base. WeChat had 938 million monthly active users in the first quarter, up 23% from a year earlier. "If Tencent can show more signs of monetizing WeChat, it would only give

HEARD ON THE STREET

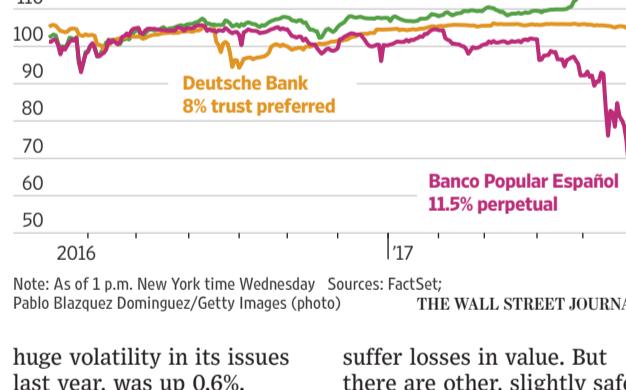
Email: heard@wsj.com

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Banco Popular's Failure Was Handled Well

Falling Down



Note: As of 1 p.m. New York time Wednesday Sources: FactSet; Pablo Blazquez Dominguez/Getty Images (photo)



careful about which bank they buy into.

The main problem for investors is the potential lack of transparency from regulators ahead of a resolution, which is a process that allows regulators to take control of a bank and sort it out. In Popular's case, there was a sudden increase in deposit withdrawals in the past couple of days. Regulators knew this, bondholders didn't. As far as investors knew, the bank hadn't breached its capital requirements and still had hopes of selling itself.

Regulators can make a determination that a bank is failing or likely to fail with information that investors don't have. Regulators shouldn't act too early, but it is right that they should act when waiting threatens the integrity of the financial system or a drawdown of public money. Any investor who doesn't understand that should steer clear of bank equity and debt. Period.

—Paul J. Davies

huge volatility in its issues last year, was up 0.6%.

These bonds come in various kinds, but all are designed to absorb losses beyond what is covered by equity when a bank gets into trouble. The most important are additional Tier 1 bonds that are very close to equity. They can be convertible into equity (when they are CoCos) or sometimes they just

suffer losses in value. But there are other, slightly safer bonds, known as Tier 2 debt, that can also be written down or converted at a regulator's discretion when a bank needs to be resolved. In Banco Popular's case, both were wiped out.

Banco Popular didn't need much capital, it is just that there were no private investors left who were willing to provide it.

Analysts and investors, however, said that the process and the wider market reaction showed these bonds and the resolution rules were working exactly as they should. The move solved the problem of a failing bank without risking taxpayers' cash. Analysts said the outcome also showed the importance of investors being

Musk Cuts Both Ways At Tesla

Tesla is one of the hottest stocks on the planet, thanks to investor belief in Elon Musk. Paradoxically, that might be the biggest risk investors face.

Take the events at Tuesday's annual meeting, for instance: In response to a question about what the company CEO and chairman does in his time away from work, Mr. Musk said, in part, "Sometimes go crazy on Twitter. You know, sort of, red wine, vintage record player, some Ambien, magic! Magic happens." The assembled crowd burst into laughter.

Investors certainly are laughing all the way to the bank at the moment. Tesla's shares are up by about two-thirds just this year, propelling Tesla to a significantly larger market value than more established and profitable General Motors or Ford Motor. The Model 3 mass-market sedan is due to enter production next month.

This is a good time for investors to understand that belief in Mr. Musk's vision, not financial measures, is the main reason to own the stock.

Tesla loses money consistently, and analysts covering the stock have lately been slashing profit projections. For example, analyst consensus called for \$6.26 a share in 2018 adjusted profit a year ago, according to FactSet.

Now, analyst consensus calls for a per-share loss of 89 cents. A similar pattern can be observed out to 2020, but investors clearly don't mind.

Therein lies the danger. The stock depends on Mr. Musk working his magic.

The stock now trades at 79 times the 2019 earnings estimate. At that price, Mr. Musk's utterances should be keeping shareholders up at night.

—Charley Grant

In Biotech Business, No News Is Bad News

Biotech stocks have a special need for catalysts. The relative absence of them of late should concern investors.

The American Society of Clinical Oncology annual meeting passed without much of a stir, at least from an investor's point of view.

There were exceptions, like Loxo Oncology, whose shares rocketed 40% Monday after the company presented encouraging preclinical data. But that didn't translate into a broad stock rally; the S&P Biotechnology Select Industry Index essentially hadn't budged through Tuesday.

At first blush, that shouldn't be too concerning. The index is up 19% this year. But the lack of a stron-

ger rally isn't something to dismiss altogether. The majority of stocks within the index aren't profitable and depend heavily on positive sentiment to attract investors.

Major medical meetings, like the recent ASCO one, are generally the best place to find such catalysts that attract investor interest. In true bull markets, like the one observed from 2013 to 2015, data presented at the meeting send the biotech index sharply higher.

Without such obvious factors on the horizon, biotech stocks are at risk for a reversal. Companies with obvious catalysts should continue to turn in a strong performance. Vertex Pharmaceuti-

cals, the top-performing stock in the S&P 500 in 2017 as of Wednesday's close, will have hotly anticipated cystic fibrosis data later this year. Regeneron Pharmaceuticals shares are up more than 25% this year as its blockbuster dermatology drug Dupixent hits the market.

Expected blockbuster drug launches are in relatively short supply this year. Just three drugs being introduced this year are expected to top \$2 billion in annual sales by 2022, according to research firm Evaluate Pharma.

For investors holding companies without such a hook, it is likely that no news will eventually turn into bad news.

—Charley Grant

OVERHEARD

Another day, another bank raising its forecast for 10-year Treasury note yields. HSBC Holdings, however, is sticking with doing things differently.

Higher yield forecasts were in vogue after President Donald Trump's election win last year, but now Trump fever has faded in the markets. And even with the Federal Reserve apparently heading for a fresh rate increase, the 10-year yield closed Tuesday at 2.147%, its lowest point this year. The yield ended Wednesday's session at 2.180%.

So raising a forecast now certainly bucks the trend. But the striking thing about HSBC's end-2017 call is that at 1.9%, up 0.3 percentage point from its

previous forecast, it is still well below current yields.

Moreover, the bank's strategists, led by Steven Major, maintain that this move simply reflects higher short-dated yields since their last forecast. Those constrain how far long-dated yields can fall.

The bank is maintaining its view that the U.S. economy, being late in the cycle and overindebted, can't take significantly higher yields.

Even now, the average year-end forecast for 10-year yields is 2.8%, HSBC says. Of the 59 forecasts compiled by Bloomberg, it still is the only one below 2% at the end of 2017. Lower for longer apparently still has traction.

—Charley Grant