

THE WALL STREET JOURNAL.

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DJIA 21136.23 ▼ 47.81 0.2% NASDAQ 6275.06 ▼ 0.3% STOXX 600 389.40 ▼ 0.7% 10-YR. TREAS. ▲ 10/32, yield 2.147% OIL \$48.19 ▲ \$0.79 GOLD \$1,294.40 ▲ \$15.10 EURO \$1.1278 YEN 109.41

What's News

Business & Finance

Anthem said it will pull out of the Ohio health-insurance exchange, leaving a second region of the country poised to have no ACA marketplace options. A1

◆ A surge this spring in assets that rarely move in unison is raising concerns about vulnerability to sharp market reversals. B1

◆ Bitcoin backers are dismissing the digital currency's volatility as its price continues to soar. B1

◆ Stocks eased, while 10-year Treasury yields fell to a 2017 low and gold hit a high for the year. The Dow lost 47.81 points to 21136.23. B14, B15

◆ Uber has fired over 20 workers as a result of an investigation into claims of sexual harassment and sexism, according to an employee. B1

◆ U.S. job openings hit a new high in April while hiring slowed, a sign employers are struggling to find workers. A2

◆ Amazon is lowering its Prime membership fee for shoppers on government aid, taking aim at Wal-Mart. B1

◆ GM shareholders rejected Greenlight's plan to split the firm's stock into two classes, in a victory for CEO Barra. B3

◆ A warning by Macy's about its gross margins sent the company's stock tumbling 8.2% and dragged down shares of other retailers. B3

◆ The U.S. and Mexico announced an agreement in principle designed to avert a trade war over sugar. B14

◆ Fox is buying Aftershock, a videogame studio that is working on adaptation of the movie "Avatar." B4

World-Wide

◆ Sessions offered to resign in recent weeks amid tensions with Trump over the attorney general's decision to recuse himself from the investigation into alleged Russian election meddling. A1

◆ Security agencies investigated international links of the London terror attackers, as it emerged that one of them tried to travel to Syria. A1, A7

◆ U.S.-backed forces in Syria launched a long-awaited assault to retake Islamic State's de facto capital of Raqqa. A6

◆ Iraqi troops pushed to the edge of Mosul's Old City, where extremists are fighting to the death. A6

◆ Trump sided with Saudi Arabia and other nations in their blowup with Qatar, stepping into a dispute among allies and generating confusion over U.S. policy. A6

◆ French authorities locked down the area around Paris's Notre Dame after an attack on police that was being probed for possible terror links. A7

◆ Republican senators left a meeting on overhauling the health-care system deeply divided over the fate of Medicaid. A4

◆ The top U.S. diplomat in Beijing quit over Trump's decision to withdraw from the Paris climate accord. A16

◆ Canada signaled it would pursue foreign-policy objectives that contrast with those of the U.S. A16

◆ A Brazilian court began a trial to rule on whether to strip the president of his post over alleged illegal campaign financing. A16

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Markets Take Off in Lockstep, Raising Worries of a Reversal

A broad swath of asset prices have surged in recent weeks, extending a strong 2017 for stocks, bonds, gold and bitcoin. Many analysts cite easy financial conditions that reflect declining borrowing costs and rising stock indexes, despite recent and anticipated Fed rate increases.

S&P 500 technology sector

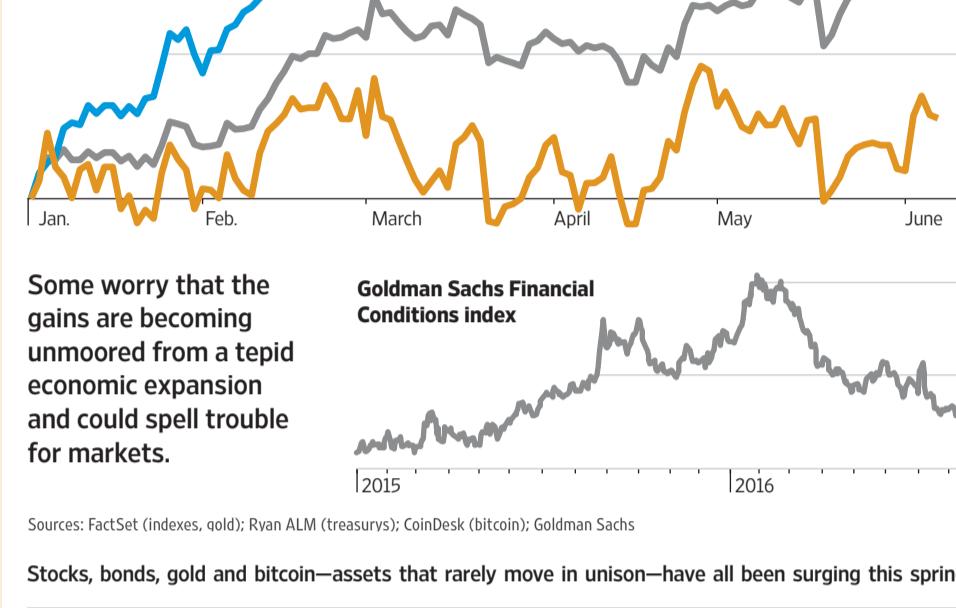
up 21.1%

S&P 500

up 8.5%

Russell 2000

up 2.8%



Some worry that the gains are becoming unmoored from a tepid economic expansion and could spell trouble for markets.

Sources: FactSet (indexes, gold); Ryan ALM (treasuries); CoinDesk (bitcoin); Goldman Sachs

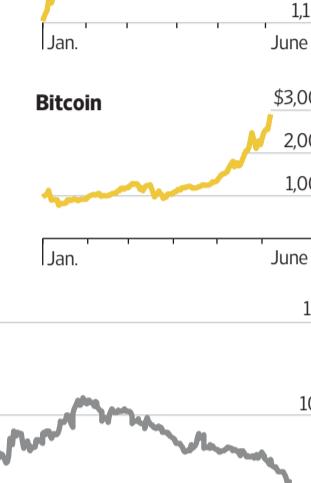
Stocks, bonds, gold and bitcoin—assets that rarely move in unison—have all been surging this spring, confounding investors. B1



*Yields fall as prices rise.

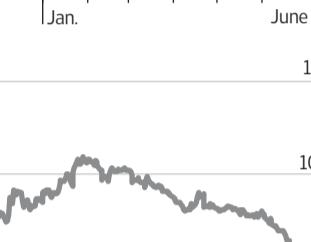
Gold

per troy ounce



Bitcoin

\$3,000



Insurer's Ohio Exit Ups Ante For GOP

Withdrawal by Anthem comes as Republican leadership wrestles with health overhaul

By ANNA WILDE MATHEWS

Anthem Inc. said it will pull out of the health-insurance exchange in Ohio next year, leaving a second region of the country poised to have no marketplace options under the Affordable Care Act and increasing pressure on Republicans as they seek to replace it.

The move would be the first withdrawal by Anthem, a huge exchange insurer that has warned repeatedly that it was weighing its future in the ACA marketplaces, which sell health insurance to individuals. It comes after Humana Inc. and Aetna Inc. both said they will exit all of their current health-law exchanges next year.

Anthem's exit will leave at least 18 Ohio counties with no exchange plans available next year, based on preliminary filings made by insurers, according to the Ohio Department of Insurance. Unless another insurer steps up, 25 counties in western Missouri are facing the same situation, after Blue Cross and Blue Shield of Kansas City said it would leave the exchanges next year.

Anthem said the market remains volatile, and it cited the uncertainty surrounding key issues, including federal "cost-sharing" payments that help reduce costs for low-income ACA enrollees.

Please see HEALTH page A4

◆ GOP senators' Medicaid clash jeopardizes deal..... A4

Sessions Offered to Quit Amid Strains With Trump

BY ARUNA VISWANATHA AND DEL QUENTIN WILBER

Attorney General Jeff Sessions offered to resign from his post in recent weeks, amid tensions with President Donald Trump over his decision to recuse himself from the investigation into alleged Russian meddling in the 2016 election, according to people

familiar with the matter.

The offer wasn't a formal one, and Mr. Sessions, an early and steadfast supporter of Mr. Trump, doesn't want to quit and doesn't believe he should, the people said. But the exchange comes amid increasingly outward signs of displeasure from Mr. Trump and the White House regarding Mr. Sessions and the Justice

Department more broadly.

The disclosure also comes as the Senate Intelligence Committee begins two intensive days of hearings that will include scrutiny of the administration's handling of the Russia investigation, featuring testimony from current and former Justice Department officials.

White House spokesman Sean Spicer wouldn't answer a question Tuesday about Mr. Trump's level of confidence in Mr. Sessions.

"I have not had a discussion with him about that," Mr. Spicer said at the regular White House briefing.

That answer stood in contrast to his response to the Please see TRUMP page A4

In Syria, Fighters Move on Raqqa



NEW PUSH: Members of the U.S.-backed Syrian Democratic Forces gathered on the northern outskirts of Islamic State's stronghold Raqqa on Tuesday, as they prepared to launch a battle to retake the city. A6

DELIL SOULEIMAN/AGENCE FRANCE PRESSE/GETTY IMAGES

London Probe Focuses On Terrorists' Wider Links

U.K. and other Western security agencies were seeking to nail down international connections of the attackers in Lon-

By Benoit Faucon and Laurence Fletcher in London and Giovanni Legorano in Rome

don's weekend rampage, as it emerged that one of them had tried to go to Syria from Italy.

Authorities had been warned about at least two of the attackers but weren't actively monitoring them before the attack, exposing the difficulty national security services have keeping tabs on extremists and communicating with their foreign counterparts.

Security agencies are probing possible links to Islamist networks of Moroccan origin, a Western security official said Tuesday, focusing on the movements and connections of two of the attackers: Youssef Zaghba—a 22-year-old dual Italian-Moroccan citizen police identified on Tuesday—and Rachid Redouane, a 30-year-old Libyan-Moroccan with an Irish identity card.

They are also investigating a mostly South Asian group in London that has been a fertile recruiting ground for Islamic State in Syria, the official said. The third attacker, 27-year-old Khuram Butt, was a Pakistani-born British citizen known to U.K. authorities, but police have

said no intelligence suggested an attack was being planned.

"People are going to look at our front pages today and they're going to say, 'How on earth could we have let this guy or possibly more through the net?'" Foreign Secretary Boris Johnson told Sky News, adding security services would have to answer to how Butt and the others were able to stage the attack.

The three men, all residents Please see ATTACK page A7

◆ A long wait to identify victims..... A7
◆ Threats fall through Europe's security gaps..... A7
◆ Paris police subdue assailant at Notre Dame Cathedral... A7

Nice Jeans, Son—Where's Your \$2 Fee?

* * * * *
School fundraisers let students pay to break dress code

BY TAWNELL D. HOBBS

The uniform policy at Florida's Imagine School at Broad is strict—only khaki or navy bottoms with a school top; no open-toe shoes or sparkly undershirts; sweaters and jackets must be free of emblems other than the school logo.

It is all meant, according to the parent/student handbook, to "create a consistent and safe environment free of distractions."

There is an exception, which comes on Fridays when students at the charter school get to break dress code—as long as they pay up.

Please see JEANS page A8

LONG A PROMISE, GAS GOES GLOBAL

New natural-gas infrastructure and flexible contracts lead world's prices to converge

BY RUSSELL GOLD AND ALISON SIDER

One day in March, the Rioja Knutsen tanker, filled with liquefied natural gas, was traveling from the U.S. to Portugal. Suddenly, Mexico's power company lobbed in a higher bid for its cargo. At the Bahamas, the ship abruptly made a starboard turn and headed south.

How natural gas is bought and sold in the world's scattered regional markets for the fuel is changing rapidly. Ships such as the Rioja Knutsen are stitching those regions together and a single global market is emerging.

This is already how nearly every other hydrocarbon, from crude oil to obscure petrochemicals, is sold. As

gas joins the club, the effects will ripple through energy prices, company profits, the environment and geopolitics.

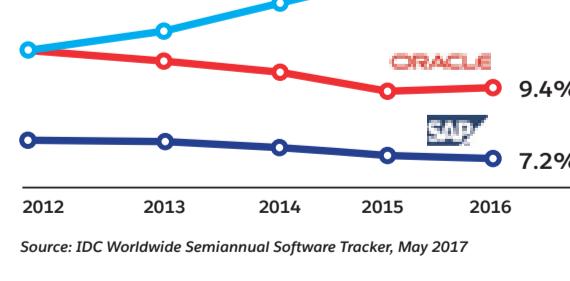
Behind the evolution is improving technology for moving gas as a liquid, which means it can go to many more places rather than simply where a pipeline runs. In addition, a glut of gas has producers working to develop new consumers all over the world. The result is growing flexibility in once-rigid gas contracts and a convergence in prices long dictated by local factors such as weather.

The share of gas moving by sea reached 40% of total trades in 2015, and the International Energy Agency forecasts that seaborne gas will

Please see GAS page A8

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Source: IDC Worldwide Semiannual Software Tracker, May 2017



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U.S. NEWS

Rebuilding Plan Counts on Private Money

BY TED MANN
AND RYAN DEZEMBER

WASHINGTON—President Donald Trump's proposed infusion of funding for infrastructure turns on a critical question: how the administration will get private investors to put up most of the money.

Mr. Trump launched on Monday what he said would be a week focused on U.S. infrastructure with an embrace of a long-debated proposal to privatize the nation's air-traffic control system.

His advisers said the proposal is a model of how they want to approach an overhaul of national infrastructure maintenance, turning to user fees and private-sector management to fund and operate what has been a federal government service.

But there has so far been little detail on Mr. Trump's infrastructure promise. The GOP president has proposed spending \$200 billion over 10 years on programs to encourage greater use of financing from private investors. The administration said that funding will leverage a total expenditure of \$1 trillion to fix and build roads, bridges, dams and broadband lines.



President Donald Trump outlined plans on Monday to privatize the air-traffic control system.

The effort to shift to private funding reflects the difficulty of coming up with taxpayer dollars in an era of constrained budgeting. The last big transportation policy bill to pass Congress, in late 2015, was cobbled together with funding from a Federal Reserve surplus account and other sources that

some lawmakers said were unorthodox.

Mr. Trump's advisers said they can get private investors to flock to put up the capital for such projects by curtailing permitting requirements and regulations, and by offering incentives to states and cities to turn to the private sector for

financing.

"I think you'll see a huge increase in infrastructure fund balances once we put into place the two things we're doing investors care about," DJ Gribbin, the special assistant to the president for infrastructure policy, said.

The administration hopes to

cut lead times to get projects from the planning stage to construction by reducing permitting requirements. That will lessen the political risk that has deterred some private investment, officials said.

Secondly, it plans to encourage cities and towns to raise fees—like roadway tolls or water-usage charges—that will provide the revenue streams for private-equity investors. It isn't clear, however, that private investors will swarm to some of the country's most seriously decrepit infrastructure projects because not all of them will provide commercial returns.

"I'm a huge supporter of increasing private capital in infrastructure," said Heidi Crebo-Rediker, an adjunct senior fellow at the Council on Foreign Relations who served in the Obama administration.

"But it is not a silver bullet, and as a country we are not set up to take on a fully private investment in public infrastructure," she said.

The municipal bond market remains a more attractive source of funding to many state and local officials, she said, and many local governments lack expertise in how to structure public-private deals.

Meanwhile, officials at major transportation agencies have expressed concerns about the administration's infrastructure approach. One official, referring to the administration's desire to shift responsibility for providing direct funding from the federal to state local governments, said the Trump administration was trying to "starve the beast" and force states to find ways to finance privately.

Private-equity executives and bankers who specialize in infrastructure investing said that finding money isn't a problem. It is the dearth of attractive investments.

Last year, investors worldwide committed a record of about \$59 billion to private-infrastructure funds, pushing to more than \$140 billion the amount of ready-to-invest cash in such funds, according to Preqin, a provider of investment-fund data. Much of that money is likely to be spent outside the U.S.

The White House's challenge will be to steer Wall Street's infrastructure money to projects that have traditionally been bypassed, such as toll roads and bridges, because of political hurdles, low returns and long time lines.

U.S. WATCH

EDUCATION

Los Angeles Students' College Tests Are Lost

About 125 students who took the ACT college-admission test at a Los Angeles school are in limbo after their answer sheets were lost in transit, leaving officials scrambling to locate the missing material.

It wasn't the first time ACT answer sheets have been lost, but ACT spokesman Ed Colby said it is "extremely rare" for answer sheets to go missing. He said the company carefully tracks packages as about 5,000 test centers administer the ACT on an average national test date.

In the Los Angeles incident, Mr. Colby said a package of answer sheets from an April 8 testing at University High School didn't arrive at the company's headquarters in Iowa. ACT is working with the test-center supervisor and FedEx Corp. to locate the package, he said. ACT says it will pay for a retake for the students

—Tawnell D. Hobbs

lion, including new incentives to woo reluctant soldiers to re-enlist, officials said.

Some soldiers could get \$90,000 upfront by committing to another four or more years as the Army seeks to reverse some of the downsizing that occurred under the Obama administration after years of growth spurred by the Iraq and Afghanistan wars.

The enlistment campaign was driven by Congress's decision late last year to beef up the Army.

—Associated Press

OREGON

Grand Jury Indicts Man in Train Attack

A grand jury has indicted Jeremy Christian, the man accused of killing two passengers and wounding a third on a Portland train last month.

The indictment returned Tuesday charges Mr. Christian with aggravated murder, attempted murder, assault, menacing, intimidation and unlawful use of a weapon. The 35-year-old will be arraigned on the indictment Wednesday.

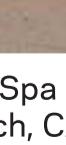
Prosecutors say Mr. Christian boarded the train on May 26 and yelled hateful comments at two black teenage girls, one of whom was wearing an Islamic head covering. Prosecutors say he then turned his attention to three men, stabbing each of them in the neck.

—Associated Press

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Job Openings Suggest a Skills Shortage

BY JEFFREY SPARSHOTT

The number of U.S. job openings hit a new high in April while hiring slowed, a sign that employers are struggling to find workers.

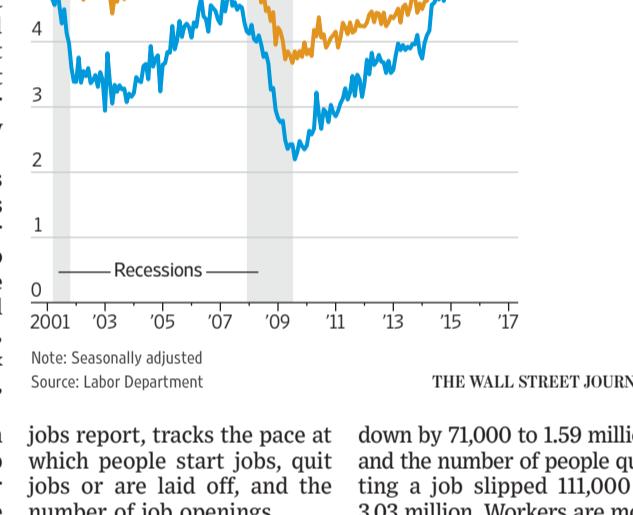
The number of job openings rose by 259,000 to 6.04 million, the Labor Department said Tuesday, the highest level recorded since the government started tracking the figure at the end of 2000. The number of hires, meanwhile, fell by 253,000 to 5.05 million.

"The sharp rise in openings while hirings fell provides some indication that labor markets have tightened so much as to suggest we may be facing a shortage of qualified workers," said Raymond Stone, an economist at Stone & McCarthy Research Associates, in a note to clients.

The latest figures came in the Labor Department's Job Openings and Labor Turnover Survey, known as Jolts. The survey, more detailed but dated than the main monthly

Hunt for Workers

The number of job openings rose to a new high in April, while hiring slowed.



jobs report, tracks the pace at which people start jobs, quit jobs or are laid off, and the number of job openings.

Tuesday's report showed the number of layoffs inched

down by 71,000 to 1.59 million, and the number of people quitting a job slipped 111,000 to 3.03 million. Workers are more willing to quit their job when they are confident they can

easily find another.

The U.S. economy has been advancing at a slow but broadly steady pace through the current expansion, spurring a long stretch of hiring. Now, some economists are surmising the ranks of Americans who are unemployed or out of the workforce might not have the skill set employers are demanding of their employees.

That would lead to a slowdown in hiring, something borne out in Jolts and other recent data. The unemployment rate fell to its lowest level in 16 years in May, the Labor Department said last week, while job creation cooled. The economy has added an average 121,000 jobs over the past three months, about two-thirds of the growth rate recorded last year.

"I think the skills mismatch between what workers have and what employers are demanding might be weighing on the labor market," said Michael Pugliese, an economic analyst at Wells Fargo.

Businesses Push Back on Budget Move

BY ERIC MORATH

A proposal in President Donald Trump's budget to eliminate a regulator and cut government spending is drawing criticism from an unexpected source: Washington's business lobby.

Labor Secretary Alexander Acosta is expected to outline spending-reduction plans at a budget hearing Wednesday. One proposal is to merge the department's body that oversees government contractors into the Equal Employment Opportunity Commission, an independent agency that enforces antidiscrimination laws among all employers.

Some conservative groups, including the Heritage Foundation, see the department's Office of Federal Contract Compliance Programs and the commission as redundant.

The contract office received \$105 million in funding for the current fiscal year. The president's budget proposes cutting that to \$88 million for the next fiscal year before combining the two agencies in the 2019 fiscal year. The commission's funding for the next fiscal year was left unchanged.



A White House plan would merge the Equal Employment Opportunity Commission and another agency.

The proposed merger is consistent with the president's direction for agencies to develop plans to reorganize and would benefit workers and employers by consolidating the oversight of federal employment rules, an official at the White House's Office of Management and Budget said Monday.

But pro-business organiza-

tions, including the Chamber of Commerce, are skeptical. "There is a fear in the business community that this newly formed grouping might result in the worst of all worlds from both agencies," said Randel Johnson, the chamber's senior vice president for labor, immigration and employee benefits.

The federal-contract office enforces stricter regulations set for firms that provide the government with goods and services. In that role, it conducts audits of thousands of

contractors annually, but those investigations are limited to specific locations.

The commission, which oversees all employers, only acts upon complaints. But once it receives a complaint, it can expand an investigation nationally. The commission can seek damages and levy fines. The contract office is limited to collecting only damages but also can bar a firm from receiving federal contracts.

Some businesses see the potential for an agency that combines auditing power with national reach and stronger tools. "This could create a super enforcement agency," said Mickey Silberman, a Jackson Lewis labor attorney who represents businesses. "It could be very powerful combination, potentially, of much broader enforcement authority and the ability to seek much greater remedy from employers."

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U.S. NEWS

Tax Quirk Pushes City Toward Bankruptcy

Hartford, with many exempt properties, spotlights quandary of state capitals

By JOSEPH DE AVILA

Hartford, Connecticut's capital city and hub of the state's insurance industry, is edging closer to joining a small club of American municipalities: those that have sought bankruptcy protection.

The city's \$49.6 million budget hole and the impending departure of one of its biggest employers, Aetna Inc., have shined a light on its unusual predicament: Half of the city's properties are excluded from paying taxes because they are government entities, hospitals and universities.

It has less taxable property than the neighboring suburban community of West Hartford, which has less than half of the population than its urban neighbor. And Hartford's total property-tax receipts are about 25% below that of the tony community of Greenwich.

"The root of the problem is you have a city built on a tax base of a suburb," said Mayor Luke Bronin.

The mayor said the small tax base along with growing fixed costs produced structural budget deficits that prior administrations sought to deal with through asset sales, short-term debt restructuring and property-tax increases.

Mr. Bronin is now asking for financial help from the state. "My goal and my hope is that legislators from around the state of Connecticut will recognize that Hartford cannot responsibly solve a crisis of this magnitude at the local level alone," he said.

Around the U.S., the main source of funding generated by municipalities is property-tax revenue, contributing 47% of the money raised by local gov-



JESSICA HILL/ASSOCIATED PRESS

For capital cities like Hartford, much of the real estate is held by government departments and other entities that are excluded from paying property taxes.

ernments, according to the Lincoln Institute of Land Policy.

For capital cities such as Hartford, much of the real estate is held by government departments that don't pay taxes. Hartford, with a population of about 125,000, is home to the University of Connecticut School of Law, Trinity College, Hartford Seminary and the state Supreme Court.

Other cities in similar situations include Boston, where just over half of the property in the city is tax-exempt. In Baltimore, about 32% of the property is tax exempt, and in Philadelphia, it is 27%.

While most U.S. cities are reporting healthy budget reserves that have returned to prerecession levels, Hartford is among a small but growing group of municipalities that are confronting rising levels of fiscal stress, according to Moody's Investors Service.

Only 64 bankruptcies have been filed by cities, counties, towns and villages since 1954, according to James Spiotto, an attorney who tracks municipalities' bankruptcies.

Victor Medeiros, a public-finance ratings analyst with S&P Global Ratings, which down-

Major Employers Aim to Help Out A Home Base

Hartford officials say they believe Aetna Inc. will keep many of its 6,000 employees in Connecticut even after the company said last week that it was negotiating with several states to move its corpo-

rate headquarters out of the city where it has been based since 1853.

Aetna has said it remains committed to its Connecticut-based employees and its Hartford campus.

The company and the other four biggest taxpayers in the city contribute nearly one-fifth of the city's \$280 million of property-tax revenue. Property-tax receipts make up

nearly half of the city's general-fund revenues.

Aetna, Hartford Financial Services Group Inc. and Travelers Cos. Inc., also among Hartford's biggest employers, have said they would collectively give the city a voluntary payout of \$10 million annually over the next five years to help avoid bankruptcy.

But the companies have said they want to see comprehen-

sive changes that would allow the city to stabilize its finances.

The bigger concerns are getting the city turned around where we can attract private-sector investment here to ultimately begin to drive property taxes down, said Oz Griebel, chief executive of MetroHartford Alliance, a regional business group.

—Joseph De Avila

grated Hartford last month, said the city could face additional downgrades of several notches. The credit-ratings firm will be watching whether Connecticut can reach a timely budget agreement and what level of financial assistance the state will be able to offer the city, he said.

The city must pay nearly \$180 million on debt service, health care, pensions and other fixed costs in the coming fiscal year beginning July 1. That is more than half of the city's budget, excluding education.

Mr. Bronin said one-time budget fixes and tax increases won't cut it anymore. After cutting 15% of the city's non-

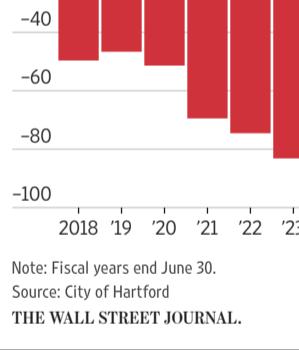
uniformed workforce, he said further trimming of city services would be irresponsible.

Democratic Gov. Dannel Malloy last week said Hartford and the state Legislature would have to accept more oversight of the city's finances in exchange for state assistance. "I do not support additional moneys going to our challenged urban environments without a review process," Mr. Malloy said.

Connecticut House Majority Leader Matt Ritter, a Hartford Democrat, said everyone in the capital understands that it is in the state's best interest to make sure the city has a sustainable future.

Budget Woes

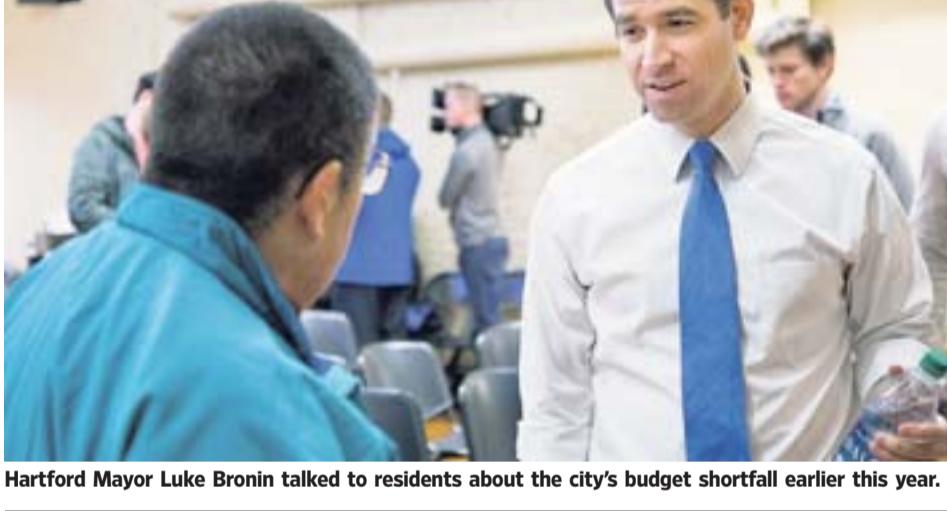
Hartford is projecting a growing gap between revenue and expenditures.



Note: Fiscal years end June 30.

Source: City of Hartford

THE WALL STREET JOURNAL.



Hartford Mayor Luke Bronin talked to residents about the city's budget shortfall earlier this year.

Tougher Hate-Crime Law Advances

By JOSEPH DE AVILA

The Connecticut Legislature gave final approval Tuesday for a bill that would tighten the state's hate-crimes law in response to a rising number of crimes motivated by bias nationwide.

The legislation, which passed the Senate unanimously on Tuesday after winning unanimous approval in the state House of Representatives last month, makes several

changes to the state's existing hate-crimes statute, including making it a felony, rather than a misdemeanor, to intimidate a person based on bigotry or bias.

The bill also increases the penalty for threatening a house of worship and a religiously affiliated community or day-care center. It lowers the threshold for a first-degree hate crime to inflicting "physical injury" rather than "serious injury."

"It will make us a leader in

the fight against these despicable community-destroying acts and serve as a model for other states," said Sen. Martin Looney, the chamber's top Democrat.

The legislation follows a string of hate-crime incidents in the state since the 2016 election, including several bomb threats against Jewish community centers and racist graffiti painted on a Stamford home and at a school in New Haven.

The Federal Bureau of Investigation's most recent national

figures showed 5,850 reported hate crimes in 2015, a nearly 7% increase from the year before.

The Anti-Defamation League hailed the passage of the law, saying the state would have the toughest laws in the U.S. criminalizing bias-motivated violence or intimidation.

The legislation now heads to Gov. Dannel Malloy, a Democrat. A spokesman said he would "review the final language."

Texas Governor Revives Bathroom Bill

By DAN FROSCH

Gov. Greg Abbott plans to call Texas lawmakers back to Austin next month for a special legislative session to address more than a dozen issues—including regulating bathroom use for transgender people, a matter that has sparked a polarizing nationwide debate.

Mr. Abbott included the bathroom measure among 19 items he wants legislators to address when they reconvene on July 18 for 30 days. Mr. Abbott said lawmakers would take up those items after they first pass a bill to reauthorize some Texas agencies to keep them from shutting down.

"We should not be where we are today," he said of the legislature's unfinished business, which, in addition to the

bathroom bill, includes a property-tax overhaul, a school-choice proposal and antiabortion initiatives that Mr. Abbott ordered lawmakers to consider.

Texas' legislature, which meets every other year, ended its session May 29 before lawmakers reached an agreement on the bathroom proposal.

Debate over the proposal, which has been pushed by Lt. Gov. Dan Patrick and fellow social conservatives, has roiled Texas for months, pitting factions of the GOP-controlled statehouse against each other.

The Texas House passed a bill last month that would require students in public and charter schools to use the bathroom and locker room of their "biological sex." But the measure was rejected by the state Senate, which had originally passed a more sweeping

bill that applied to public and government facilities, only to see their House counterparts let that bill stall.

Mr. Abbott, a Republican,

has supported regulating bathroom use by transgender people. And as the legislative ses-

sion wound down, he prodded GOP lawmakers to hammer out a deal between both chambers, but the effort collapsed.

The dispute prompted Mr. Patrick, who presides over the Senate, and House Speaker Joe Straus, a more

moderate Republican who has said the bathroom bill wasn't a priority, to trade sharp words over the measure late last month.

"The House has compromised enough on this issue," said Mr. Straus, adding that it was absurd that the bathroom debate had taken more urgency than dealing with Texas' school-finance system.

Mr. Patrick, meantime, said the House "ignored the need to establish privacy regulations for schools and other local entities."

The governor's inclusion of the bathroom issue drew criticism from opponents of the measure, including gay-rights groups, the American Civil Liberties Union and the Texas Association of Business, which said that it opposed legislation with "discriminatory language."

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U.S. NEWS

GOP Medicaid Clash Puts Deal at Risk

WASHINGTON—Republi-
can senators left their first
decision-making meeting on
overhauling the nation's
health-care system Tuesday
deeply divided over the fate of
Medicaid, a fissure that
threatens to thwart their am-
bitions to dismantle the Af-
fordable Care Act.

By Kristina Peterson,
Stephanie Armour
and Louise Radnofsky

The divide among Senate
Republicans over Medicaid
was wide enough that some
GOP lawmakers and aides said
they now believe it may be im-
possible to broker a deal to
unwind the health law known
as Obamacare. Some senators
are already preparing to move
to another goal, an overhaul of
the tax code.

"It's more likely to fail than
not," Sen. Lindsey Graham (R,
S.C.) said of the health bill,
citing the GOP's hardening fac-
tions over how to handle the
expansion of Medicaid ushered
in by former President Barack
Obama's 2010 health law. "We
need to bring this to an end
and move to taxes."

There are signs that Senate
Majority Leader Mitch McCon-



Sens. Rob Portman of Ohio, left, and Pat Toomey of Pennsylvania, both Republicans, are key players in the Senate's health talks.

nell (R., Ky.) may be ready to
quickly pivot to a tax-code
overhaul if the health-care bill
can't garner sufficient sup-
port. Republicans hold 52
seats in the chamber.

Vice President Mike Pence
would break a 50-50 tie on
health care if one emerges, but
Republicans can still lose no
more than two votes, assuming
all Democrats are opposed. Mr.

McConnell is expected to bring
up the health bill for a vote in
the Senate whether or not it
has enough votes, GOP law-
makers said, which could show
that the chamber faces no
choice other than to move on.

House Republicans, in a bill
passed last month, would con-
tinue the law's expanded fed-
eral-funding levels for Medi-
caid until 2020 and then

gradually phase them out,
likely prompting states to end
the expanded coverage. The
House GOP bill would trim
\$834 billion over 10 years
from Medicaid, according to
the nonpartisan Congressional
Budget Office.

Medicaid is a federal-state
program that provides health
coverage for about one in five
Americans, including children,

the disabled and millions of
poor, working-age people.

The 2010 law ushered in
sweeping changes to Medicaid,
particularly in the 31 states
that opted to expand eligibility
with significant federal funding.
Now, many Republicans
from those states are wary of
passing legislation that could
sharply curtail Medicaid's
funding.

HEALTH

Continued from Page One

Anthem's decision was im-
mediately seized on by both
sides of the debate over the
Republican health bill. Republi-
cans, who have pointed to in-
surers' withdrawals and rate
increases as signs of trouble
with the ACA, said the move
was evidence of the need for
new legislation. President
Donald Trump mentioned the
Anthem withdrawal at a White
House meeting with congressional
GOP leaders Tuesday.

"This is one more reason
why the status quo on health
care is unsustainable," said
Sen. Rob Portman, an Ohio Re-
publican.

Democrats have said An-
them and other insurers are re-
acting to uncertainty created
by GOP lawmakers and the

Trump administration, particu-
larly over the future of the fed-
eral cost-sharing payments.
Democratic Sen. Sherrod Brown
of Ohio blamed Anthem's exit
on "the dangerous game Presi-
dent Trump and Washington
politicians are playing."

Insurers have warned that
there will likely be further
withdrawals and sharp rate
increases in exchange plans if
they aren't given certainty
about the future of the ACA,
particularly the cost-sharing
payments. The House Repub-
lican health bill didn't in-
clude an appropriation for
those payments for next year,
and President Trump has
threatened to stop them.

The Senate is weighing
health-care legislation, though
a meeting of Senate Republi-
cans on Tuesday produced lit-
tle progress, according to
some GOP lawmakers and
aides. Lawmakers are sharply

divided over funding for Medi-
caid, and some say the effort
may fail. The 2010 health law
brought sweeping changes to
Medicaid, including significant
federal funding that helped 31
states expand eligibility.

According to the Kaiser
Family Foundation, 32% of U.S.
counties, a total of 1,021, are
down to just one exchange in-
surer in 2017—up from 7%, or
225, in 2016.

When there are no ACA ex-
change plans in a region, con-
sumers are stranded because
the situation essentially short-
circuits the way the existing
health law is supposed to func-
tion. The law mandates that
most people acquire health cov-
erage and offers subsidies to
help lower-income consumers
buy plans through exchanges.

Anthem is a major presence
in its 14 state exchanges, with
nearly 1.6 million people en-
rolled in its ACA plans, 1.1 mil-

lion of those bought through
the marketplaces. Overall, 302
counties in states including
Georgia, Missouri and Ohio have
only Anthem plans available on
their marketplaces, according to
the Kaiser foundation.

So far, the insurer has filed
2018 ACA plans with regula-

*Anthem's decision
was immediately
seized on by both
sides of the debate.*

tors in other states, including
Virginia, Maine and Connect-
icut, but it could still pull back.
Anthem has said it is evalua-
ting its ACA plans on a state-
by-state basis, and it hasn't
disclosed final decisions for
any state other than Ohio.

In announcing its Ohio deci-
sion, Anthem said setting
prices and making decisions
about ACA plans has become
"increasingly difficult due to
the shrinking individual mar-
ket as well as continual
changes in federal operations,
rules and guidance." The in-
surer said an "increasing lack
of overall predictability simply
does not provide a sustainable
path forward to provide af-
fordable plan choices."

The Ohio insurance depart-
ment said in a statement that it
"is looking for options to help
the approximately 10,500 Ohio-
ans in counties where there
may not be an exchange plan
when this takes effect in 2018."
The department said Ohio has
11 exchange insurers this year,
down from 17 in 2016.

Another region at risk of
having no exchange plans next
year, around Knoxville, Tenn.,
was able to avoid a coverage

gap when BlueCross BlueShield
of Tennessee agreed to re-enter
the area for 2018.

Anthem said it would con-
tinue to offer individual plans
in one Ohio county, Pike, but
they won't be available
through the ACA marketplace.

Insurance analysts have said
that it isn't clear what federal
and state regulators can do to
help people in regions with no
exchange plans, absent a change
in the law. Federal regulators
are able to spare people from
the ACA penalty for having no
coverage, and they could offer a
waiver to people in counties
with no exchange plans, anal-
ysts said. But they say the law
doesn't appear to leave any
wiggle room that would let peo-
ple in places with no exchange
plans obtain subsidies for insur-
ance outside the exchanges.

—Stephanie Armour
and Louise Radnofsky
contributed to this article.

China Treaty Is on Mnuchin's Agenda

By Ian Talley

WASHINGTON—The Trump
administration plans on reviv-
ing talks toward a bilateral
investment treaty that would
give U.S. firms broader access
to the Chinese market, but
only after Washington makes
progress on other trade is-
sues, U.S. Treasury Secretary
Steven Mnuchin said Tuesday.

The Obama administration
had said it was close to com-
pleting a yearslong negotia-
tion with Beijing on a Bilateral
Investment Treaty, but the
Trump administration's focus
on ramping up exports to
China, rather than U.S. invest-
ment in the world's second
largest economy, has quashed
hopes among U.S. business ad-
vocates of the so-called BIT
for a deal anytime soon.

Mr. Mnuchin, speaking at
the U.S.-China Business Council
annual meeting, said a BIT deal



The Trump administration is looking to improve market access for beef exports in China.

with China is on the Trump ad-
ministration's agenda, even
though it isn't a top priority.

First, the administration is
seeking to make progress on a set
of specific market-access issues
such as beef exports, Chinese rules on biotechnol-

ogy imports and energy prod-
ucts. "Then we can turn to the
bilateral investment agree-
ment," the secretary said.

He also said that while the
administration was consider-
ing technical changes to the
interagency security review

process on foreign investment,
it won't use it to leverage bet-
ter trade terms with China.

Some lawmakers and their
advisers have proposed not
only bolstering the processes
used by the Committee on
Foreign Investment in the
U.S., which reviews foreign
deals, but also using it to pur-
sue the administration's goal
of achieving "reciprocity" in
its trade relationship with
China. If Beijing doesn't give
U.S. companies access to Chi-
nese markets, the concept
goes, the U.S. might use the
review process to restrict Chi-
nese access to U.S. markets
until it relents.

Mr. Mnuchin said, however,
"fundamentally, we want to
keep CFIUS as a national secu-
rity review and we want to
deal with economic issues
separately." He added, "I don't
think we want to confuse
those issues."

get Office have all forecast
growth closer to 2%.

—Josh Zumbrun

ECONOMY
**Trump Pick Endorses
3% Growth Estimate**

Kevin Hassett, who has been
nominated to be one of Presi-
dent Donald Trump's top eco-
nomic advisers, defended the
administration's forecasts for
robust economic growth over
the next decade, saying Tuesday
a target of 3% growth is achiev-
able with the right policies.

"I think it's absolutely possible
to return to a place where you
get 3% growth if you design poli-
cies that encourage capital for-
mation in the United States," tes-
tified Mr. Hassett, the president's
pick to be the chairman of the
Council of Economic Advisers, at
the Senate Banking Committee.

The president's budget fore-
casts that the U.S. economy
would expand by 3% a year for
most of the next decade, while
private forecasters, the Federal
Reserve and Congressional Bud-

SOUTHERN BORDER
**President: Put Solar
Panels on Mexico Wall**

With Mexico declining to pay
for President Donald Trump's
southern border wall, the pres-
ident has a new idea: solar panels.

In a meeting Tuesday with
congressional Republicans, Mr.
Trump suggested putting solar
panels on the wall to help the
project pay for itself, two law-
makers who attended said.

"I think it's innovative," said
House Majority Leader Kevin
McCarthy (R., Calif.), referring to
the idea. "To authorize it and to
appropriate it wouldn't cost as
much."

A White House spokesman
didn't offer a comment.

—Laura Meckler
and Natalie Andrews

TRUMP

Continued from Page One
same question recently about
Jared Kushner, Mr. Trump's
son-in-law and a senior White
House adviser.

Asked last week if the
president had confidence in
Mr. Kushner, Mr. Spicer said
"absolutely."

Mr. Trump's displeasure
with Mr. Sessions appears to
trace back to the attorney
general's decision in March to
remove himself from involve-
ment in any Justice Depart-
ment investigation related to
the 2016 presidential race,

following the disclosure that
he had conversations with a
Russian official while advi-
sing the Trump campaign.

That contact appeared at
odds with testimony he gave
during his confirmation hear-
ing.

Immediately following Mr.
Sessions' recusal, Mr. Trump
reiterated his support for the
attorney general, saying at
the time in a series of tweets
that he is "an honest man,"



President Donald Trump berated several White House aides after learning of Jeff Sessions' recusal.

and that "the Democrats are
overplaying their hand." But he
has privately expressed
frustration about that deci-
sion.

One White House official
said the president, who has
denied any involvement with
Russia's alleged hacking of
Democratic and other politi-
cal organizations during the
election, viewed Mr. Sessions'
decision as a sign of weak-
ness, the official said.

Mr. Trump berated several
top aides in the Oval Office
after learning of Mr. Sessions'
recusal, the person said.

Following that recusal, De-
puty Attorney General Rod
Rosenstein named Robert
Mueller III to serve as special
counsel to head the investiga-
tion into the Russia matter, a
decision Mr. Trump has made
it clear he is unhappy with.

Mr. Sessions' resignation
offer also came around the
time the Justice Department

was dealing with Mr. Trump's
unexpected firing of former
Federal Bureau of Investiga-
tion Director James Comey.

The circumstances surround-
ing Mr. Comey's firing will be

front and center during hearings
this week before the Senate Intel-
ligence Committee.

Senators are expected to
press some of these officials
on whether Mr. Trump asked
them to publicly play down
aspects of the Russia probe.

An even higher-profile

hearing follows Thursday

when Mr. Comey will testify

before the same committee.

He is expected to tell senators

Mr. Trump asked him to back

off the FBI's scrutiny of for-
mer national security adviser
Michael Flynn, an allegation
Mr. Trump has disputed.

Mr. Sessions was the first
U.S. senator to endorse Mr.
Trump's presidential bid and
was a vocal advocate for him
during the campaign, at a
time when few established
Republicans were publicly

supporting Mr. Trump. He
was among the first appoint-
ments to the president's cabi-
net, and his staffers and for-
mer aides have taken jobs in
the White House and across
the administration.

On Monday, Mr. Trump
took to Twitter to complain
about the Justice Depart-
ment, which Mr. Sessions
leads, and its approach to his
executive order suspending
visitors to the U.S. from six
predominantly Muslim coun-
tries. Two versions of the
order were rejected by multiple
courts; the second version is
being appealed to the Su-
preme Court.

"The Justice Dept. should
have stayed with the original
Travel Ban, not the watered
down, politically correct ver-
sion they submitted to S.C.,"
Mr. Trump wrote. Still, Mr.
Trump signed both an initial
and a revised version of the
order, and only the president,
not the Justice Department,
is constitutionally empowered
to issue executive orders.

—Michael C. Bender
and Carol E. Lee
contributed to this article.

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WORLD NEWS

Battle to Capture ISIS Stronghold Begins

U.S.-backed forces move to retake Raqqa, terrorist group's de facto capital in Syria

By RAJA ABDULRAHIM

U.S.-backed forces in Syria launched a long-anticipated assault on Islamic State's de facto capital of Raqqa, kicking off a battle aimed at recapturing the last major city where the extremists still exert full control.

Fighters from an alliance of Kurdish and Arab factions operating under the umbrella of the Syrian Democratic Forces entered the easternmost neighborhood of the city late Tuesday, the SDF and anti-Islamic State activist groups said.

SDF forces seized six square miles of eastern Raqqa, largely cut off supply lines to the west of the city and took away Islamic State's ability to cross the Euphrates River by knocking out major bridges, said Pentagon spokesman Capt. Jeff Davis.

The SDF fighters were backed by airstrikes from the U.S.-led coalition fighting Islamic State. U.S. Marines provided artillery support and American pilots flying Apache helicopters aided the push, Capt. Davis said.

As fighting erupted around the outskirts of Raqqa early Tuesday, bakeries in the city closed and most people stayed in their homes, according to a resident. Those who ventured out went to internet cafes to send messages assuring friends and relatives outside the city they were safe or to find out from those who had already fled what escape routes they took, he said.

In announcing the start of the battle early Tuesday, the



Fighters from the Syrian Democratic Forces, leading the push to drive Islamic State from Raqqa, headed toward the city on Tuesday.

SDF warned civilians to stay away from the front lines and from Islamic State buildings and headquarters. The Pentagon estimates there are fewer than 1,000 Islamic State militants remaining in Raqqa.

An estimated 200,000 civilians remain in Raqqa, and a spokesman for the International Rescue Committee warned that civilians could bear the brunt of the assault. Opposition monitoring groups and human-rights organizations have reported a sharp rise in civilian casualties from coalition airstrikes in Syria in recent months.

The start of the operation to

retake the city came as U.S.-backed Iraqi government forces battle to retake the last remaining parts of the Iraqi city of Mosul, which was once the extremist group's largest Iraqi stronghold.

The U.S. and its Western allies have long viewed Raqqa as an epicenter for Islamic State planning for terrorist attacks around the world. Those concerns have been compounded by recent attacks in the U.K. and France.

Lt. Gen. Steve Townsend, commander of the anti-Islamic State coalition, said the operation to retake Raqqa would be

"long and difficult" but would deliver a "decisive blow to the idea of ISIS as a physical caliphate." He said the fight to wipe out Islamic State would continue after the extremist group is routed from Raqqa and Mosul.

Separately, the U.S. military said Tuesday that it attacked allies of the Syrian regime for the second time in three weeks after they ignored repeated warnings to move away from a base near the Jordanian border, far from Raqqa, used by American forces.

The SDF launched its campaign to isolate and retake

Raqqa in November, and has been laying the groundwork for the final push into the city for months. It has seized Islamic State-held towns and villages around the city, cutting off most avenues of escape.

The U.S. has hundreds of special operations forces in northern Syria to train and assist SDF fighters. Besides providing weapons and reinforcement from the air, it is also supplying them with intelligence and logistical support, the U.S. military said.

In anticipation of the battle for Raqqa, Islamic State militants have dug trenches and

Iraqis Close In on Militants in Mosul

MOSUL, Iraq—Iraqi troops pushed to the edge of Mosul's historic Old City on Tuesday.

The fight for Mosul has been going on since mid-October. Thousands of extremists, many from outside Iraq, are fighting to the death in Iraq's second-largest city. The Iraqi military has backed most of the extremists into the Old City, in the western part of Mosul, after clearing the eastern part in January.

Islamic State, which first seized Mosul three years ago, has entrenched itself in the neighborhoods it still holds, using residents as human shields, enlisting snipers to shoot those who flee and using vehicles—some of which are booby-trapped—to block streets.

The militants still control a number of Iraqi towns and rural areas.

—Ben Kesling

planted bombs in fields and along roads leading into the city, anti-Islamic State activists said.

In the past week, coalition aircraft have dropped leaflets urging civilians to evacuate, the coalition and activists said.

The Pentagon said the SDF has encouraged civilians to leave the city to avoid being trapped and used as human shields by Islamic State or being targeted by snipers.

A Raqqa resident said there were no safe paths out of the city.

—Dion Nissenbaum contributed to this article.

Trump Sides With Saudis, Gulf States in Qatar Dispute

By FELICIA SCHWARTZ

WASHINGTON—President Donald Trump, by siding with Saudi Arabia and other regional countries in a dispute with Qatar over allegations the emirate supports terrorism, stepped into a dispute among allies and generated confusion about U.S. policy.

Mr. Trump issued a series of Twitter messages Tuesday following a move by several countries to sever ties with Qatar over accusations that the tiny Gulf state has financed and harbored extremists.

In the messages, Mr. Trump appeared to take credit for the rift and said it resulted from meetings with Gulf Arab leaders during his trip last month to Saudi Arabia.

He tweeted: "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 added: "So good to see the Saudi Arabia visit with the King and 50 countries already paying off. They said they would take a hard line on funding extremism, and all reference was pointing to Qatar. Perhaps this will be the



HADI MIZBAN/ASSOCIATED PRESS

Passengers of canceled flights waited Tuesday at Hamad International Airport in the Qatari capital, Doha.

beginning of the end to the horror of terrorism!"

Mr. Trump's decision to take sides in a tense diplomatic spat between Qatar and Saudi Arabia, the United Arab Emirates and several other Arab countries stands to further inflame tensions in the region.

The blowup holds far-

reaching strategic implications because of Qatar's role as a major U.S. military ally. Qatar's Al Udeid air base hosts the U.S. command center that oversees the U.S.-led air war against Islamic State. The base is America's largest military facility in the Middle East.

The uproar also illuminates longstanding U.S. difficulties

with Qatar, which Washington has often accused of failing to crack down on the financing of militant groups—a criticism also directed at other countries, including Saudi Arabia.

Mr. Trump's tweets contrasted sharply with statements by top aides. Secretary of State Rex Tillerson, while visiting Australia on Monday,

offered to mediate the dispute. The U.S. ambassador to Qatar, Dana Shell Smith, tweeted Monday that the emirate has taken positive steps to confront terrorist financing and praised its role in the coalition against Islamic State.

"I think people are confused. What exactly is the U.S. position?" said Marcelle Wahba, a former ambassador to the United Arab Emirates who is now president of the Arab Gulf States Institute in Washington.

A main concern for Washington is the continued operation of the U.S.-run Combined Air Operations Command, its base in Qatar. Defense Secretary Jim Mattis on Tuesday held a previously scheduled phone call with his counterpart in Qatar, said Pentagon spokesman Capt. Jeff Davis.

"We continue to have our base there and the base continues its operations," Capt. Davis said. "It's still a place where we launch our operations into Iraq and Syria."

While Qatar is unlikely to retaliate by closing the base or ordering U.S. forces out, there could be other consequences.

"My assumption is that the United States...has some confidence that it will not be shut

out of Al Udeid," said Jon Alterman, vice president of the Center for Strategic and International Studies. "But Qatar can certainly make it less convenient to use the base, and the president's tweets give them reason to flex their muscles."

Backers of a U.S. alliance with Qatar say the emirate is crucial to the fight against Islamic State, and Qatar's Sunni Muslim monarchy has used its vast oil and gas resources to build a reputation as the region's top mediator in conflicts ranging from Sudan to Lebanon.

Qatar also has given financial or diplomatic support to Mideast rebel groups, including some that have ties to al Qaeda. And it has riled some of its Sunni allies by adopting a more neutral stance toward Shiite-majority Iran.

Tensions among the Arab countries rose last month when Qatar's official news agency posted comments, purportedly by its emir, that praised Iran. Qatar said the news agency had been hacked and denied the emir had made the comments.

—Sharon Nunn and Gordon Lubold in Washington contributed to this article.

Economic Divide Shapes U.K. Vote

By JASON DOUGLAS AND WIKTOR SZARY

BIRMINGHAM, England—Disparities in wealth, income and opportunity have fueled a backlash against establishment politicians across Europe and in the U.S. In Britain, the economic divide shaping the dynamics of Thursday's parliamentary elections is the gap between London and the rest of the country.

A weekend Islamist terror attack has focused voters' attention and candidates' rhetoric in recent days on security. But a major economic issue driving the campaign is how to close the chasm between the booming capital and less-prosperous regions.

Prime Minister Theresa May's governing Conservative Party has lost ground in opinion polls since she called the snap vote in April, but it is still leading. The latest surveys put her

lead over the main opposition Labour Party anywhere between 4 and 11 percentage points.

Andy Street, the newly elected mayor of the West Midlands Combined Authority, a huge slice of central England encompassing cities such as Birmingham, Coventry and Wolverhampton, is trying to reduce the area's imbalance with London. Emblematic of the split, he says: Infrastructure spending per person in London is seven times as high as in his region.

"It's not bloody surprising we haven't been able to grow the economy that fast," the 53-year-old mayor said.

London is more than eight times as populous as Birmingham, the country's second-largest city, and generates almost a quarter of the U.K. economy's entire annual output, compared with around 15% three decades ago. By contrast, Paris accounts for less



Mrs. May campaigned Tuesday at a bakery in Fleetwood, England.

than 10% of France's economy, while Berlin makes up less than 4% of Germany's.

Last year's Brexit referendum threw the divide between capital and country into sharp relief. London—a global entrepôt and financial hub—overwhelmingly voted to remain in the European Union, as did Scotland and Northern Ireland. Most of England and

Wales chose to leave.

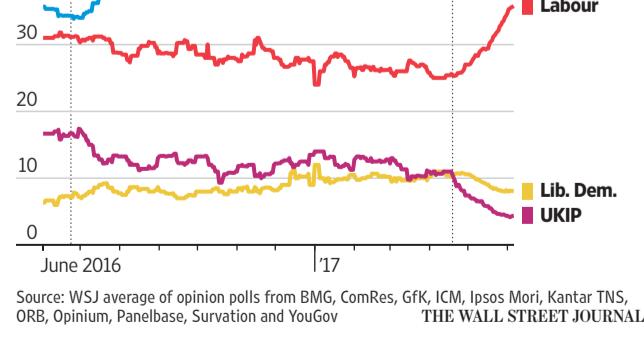
Both main parties are jostling to persuade voters they have the best strategy for renewing regional economies.

The differences are apparent in measures ranging from health and education to income and business launches. London and the South East incubated around a third of all new businesses set up in the

Parliamentary Popularity

The Conservative Party gained ground after Theresa May became prime minister in July, but its lead has shrunk in recent weeks.

Party support, 14-day moving average



Source: WSJ average of opinion polls from BMG, ComRes, GfK, ICM, Ipsos Mori, Kantar TNS, ORB, Opinium, Panelbase, Survation and YouGov

THE WALL STREET JOURNAL.

Collinson, professor of International Business and Innovation at University of Birmingham. "It's important to remember that regions like ours is where the political backlash that caused Brexit came from in the first place," Mr. Collinson said.

◆ Thursday's vote is a new worry for sterling..... B15

WORLD NEWS

A Long Wait to Identify Victims

LONDON—Ignacio Echeverría's family thought their worst fear had come true when British authorities asked them to provide his fingerprints—that he was among the seven dead in the London Bridge attack.

By Jon Sindreu,
Sarah Kent and
Jeannette Neumann

But two days later, Mr. Echeverría's sister, Isabel, said she and her family in Spain were still awaiting confirmation about the fate of Ignacio, a 39-year-old HSBC employee hailed as a hero in the media amid accounts he used his skateboard to defend a woman being stabbed.

Ms. Echeverría said she had gone from one London hospital to another, asking for information but not getting answers. She said she had told British police she wanted to identify her brother's body—but that they had asked her to wait.

Her other brother, Joaquín Echeverría, has started a social media effort to try to discern what happened to Ignacio.

"We just need to know," Ms. Echeverría said. "My mother is suffering."

It has been a tortuous three days for families waiting to learn the fate of loved ones who were near London Bridge on Saturday night when three attackers plowed into pedestrians in a white van and then stabbed dozens of people.

The London Metropolitan Police have identified one victim, a 30-year-old Canadian named Christine Archibald. Other names have come from family members, including the confirmation of the death of nurse Kirsty Boden, 28, and 32-year-old James McMullan of the U.K. A 27-year-old Frenchman identified only as Alexandre was confirmed dead by a French police official.

Three victims remain publicly unnamed and the lengthy identification process has caused some international friction, because the casualties hail from several countries.

On Monday, Spanish foreign

It has been a tortuous three days for families waiting to learn the fate of loved ones.

minister Alfonso Dastis called his U.K. counterpart Boris Johnson to urge Britain to provide details on Mr. Echeverría as soon as possible, the Spanish ministry said.

In the U.K., the police are constrained by a formal process for identifying fatal victims of crimes that is meant to prevent errors.

"Accurately identifying victims is crucial and every care is taken to ensure this is done as quickly as possible, with due consideration to the families," the Metropolitan Police said.

On Tuesday, a police spokesman declined to comment specifically on Mr. Echeverría or the other victims from the Saturday attack.

The Metropolitan Police said Tuesday that special officers were working with all the families of people who were believed dead, including the family of one person who remained missing.

"Identifying large numbers of casualties in a major incident is a complex and challenging process," the police said.

Julie Wallace, of Brisbane, Australia, said she was flying to London because her 21-year-old daughter, Sara Zelenak, has been missing since the attack. She said authorities told her to wait 24 hours, but she can't face doing so.

"I have to go over and do something, I have to go over there," Ms. Wallace told Australia's 97.3FM radio station on Monday.

A gofundme online campaign has raised over 15,000 Australian dollars (\$11,231) for Ms. Zelenak's family to fly to London.

Ignacio Echeverría's family issued a new plea on Tuesday for information, saying British authorities told them they would have to wait another 48 hours.

—Lara O'Reilly contributed to this article.



JACK TAYLOR/GETTY IMAGES

Police observe a minute's silence for victims of Saturday's terrorist attacks. European governments have been pushing their intelligence agencies to work together more closely.

Threats Fall Through Security Gaps

By MATTHEW DALTON

PARIS—Europe's fractured landscape of national police and security forces has for years been an obstacle to stopping terror attacks.

The problem may have cropped up again in the failure to stop Saturday's London terror rampage, with Italy and the U.K. contradicting each other over whether one of the assailants had been flagged as a threat to British authorities.

European governments have been working for more than a decade to push their turf-conscious police forces and intelligence agencies to work together more closely, aiming to prevent threat information from falling between the cracks. That effort

has yet to produce a cross-border law-enforcement agency. Instead, the region has created a number of multilateral institutions and databases that are supposed to prevent extremists deemed security risks in one European country from moving undetected into another.

That approach, however, has left security loopholes, to the consternation of U.S. authorities. The U.S. is concerned largely because it relies heavily on Europe's capitals to provide information about who should be on security lists, such as the U.S. "no-fly" list, EU officials say.

One of Europe's main cross-border security tools is the Schengen Information System, a pan-European law-enforcement database that contains

millions of alerts on stolen cars and documents, arrest warrants and the names of people deemed to be terror threats. The database can also call for a "discrete check," in which a national police force is notified when the subject of an alert has been stopped elsewhere in Europe.

The database's weak point has long been that governments are under few obligations to feed it with information or to consult it in law-enforcement operations.

Before the Paris attacks of 2015, that laxness produced a crucial mistake: Belgium had entered the name of Salah Abdeslam, one of the Islamic State operatives who planned the Paris attacks, in the database

but gave no indication he was a suspected Islamist radical.

Hours after the attack, French police stopped Mr. Abdeslam as he drove from Paris to Belgium. They ran his name against the Schengen database and turned up the alert from Belgium, but then let him go. Mr. Abdeslam remained on the run for months before being arrested in March 2016.

That episode prompted a sharp increase in the amount of information national governments placed into the Schengen database. They also created a special category of alert for people deemed to be suspected "foreign terrorist fighters."

Italian authorities in March 2016 stopped Youssef Zaghaba, a 22-year-old Italian citizen who

was one of the assailants on London Bridge, from boarding a plane to Turkey and discovered extremist propaganda on his phone. That episode would have been enough for some governments to place an alert in the database for him as a security risk, according to an EU official.

The Italians, however, didn't do so, having dropped the investigation against him for lack of evidence.

"We don't have strict rules" on using the database, the EU official said. "It's a matter of human judgment."

Italian authorities said they did flag concerns about Zaghaba in bilateral contacts with Britain, but British authorities said he hadn't been "a person of interest" before Saturday's attack.

Paris Police Subdue Assailant at Cathedral

By MATTHEW DALTON
AND NICK KOSTOV

PARIS—French authorities locked down the area around Notre Dame Cathedral after a man attacked police with a hammer in an assault prosecutors were investigating as a possible terror attack.

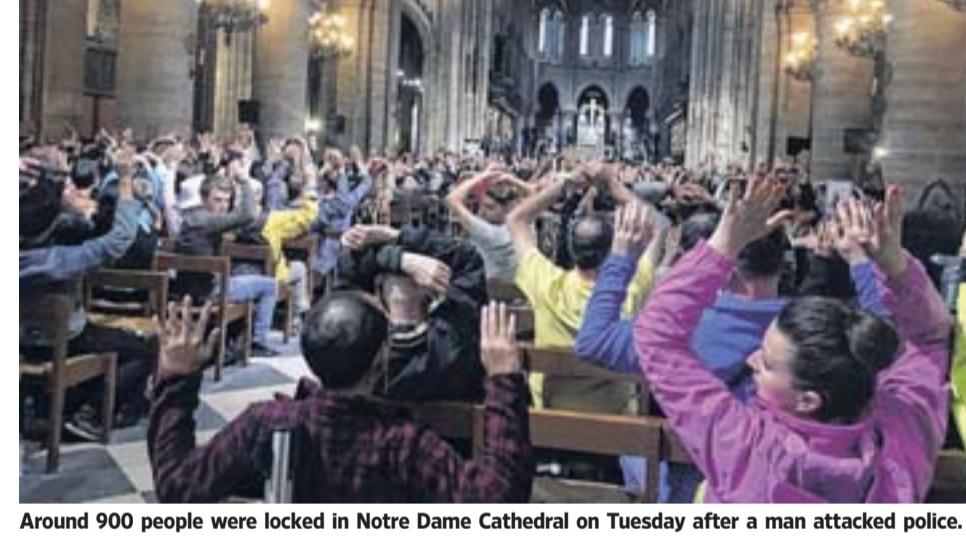
The attacker struck an officer in the head as he patrolled Notre Dame's square on Tuesday and police responded by shooting him in the leg, police said.

Knives were discovered inside a backpack carried by the assailant, police said, adding that he was being hospitalized.

Police said they also found documents on the attacker suggesting he was an Algerian student in his 40s.

The attacker, who was alone, yelled "This is for Syria" when he assaulted police, said Interior Minister Gérard Collomb, adding that authorities were working to verify the suspect's identity.

Antiterrorism prosecutors



NANCY SODERBERG/ASSOCIATED PRESS

Around 900 people were locked in Notre Dame Cathedral on Tuesday after a man attacked police.

were looking into the assault for possible terror links, a spokeswoman for Paris prosecutors said.

The policeman targeted in

and receiving treatment, said Christophe Girard, mayor of the district that includes Notre Dame.

The attack set off a scramble to secure one of the

world's best-known tourist sites as police sent a warning over Twitter for people to stay away from the area and officers toting tactical gear surrounded the area.

Around 900 people were locked in the cathedral for more than two hours, a police officer said.

Photos on social media showed people inside with their hands in the air.

The incident occurred at a time when Europe is on edge.

On Saturday, three attackers killed seven people by driving a truck through a crowd on London Bridge and stabbing revelers in the area's Borough Market.

One Frenchman died in the London attack and eight others were injured. Two other French nationals remain missing.

France has been clamping down on security at soft targets such as tourist sites since 86 people were killed last year in a truck attack on a Bastille Day fireworks display in Nice.

A wire fence has gone up around the perimeter of the Eiffel Tower, forcing visitors who want to walk beneath the monument to undergo security checks.

ATTACK

Continued from Page One
of east London, mowed down pedestrians in a van on London Bridge and slashed their way through the popular Borough Market pub-and-restaurant area before being shot and killed by police.

Another of the seven people killed in the attack was identified Tuesday as 28-year-old Australian nurse Kirsty Boden, whose family said she was killed as she ran toward the attack in an effort to help the victim on the bridge.

In identifying Zaghaba on Tuesday, U.K. police said he hadn't previously been a "subject of interest." But Italian officials said Zaghaba had been prevented from boarding a flight from Bologna to Istanbul in March 2016 after Islamic State propaganda was found on his phone, and that they had shared their concerns about him with the British.

Zaghaba told authorities who stopped him at Bologna's airport that he "wanted to be a terrorist," but then immediately distanced himself from the statement, Bologna Prosecutor Giuseppe Amato told Italian radio station Radio 24.

Italian authorities detained Zaghaba for a short time but didn't have enough evidence to press charges, the Italian officials said. Information about him was shared with international intelligence and police sources, and the U.K. was notified separately because Zaghaba



PETER BYRNE/ZUMA PRESS

A tribute Tuesday in Manchester to victims of the London attack

traveled often to London, Felice Casson, the secretary of the Italian parliament's national security committee said. British officials declined to comment on whether it had received such information.

"We used to worry about the returnees," the Western official said. "Now we don't know what to do about those who could not go to Syria."

In an interview with Italian weekly L'Espresso, Valeria Khadija Collina, identified as Zaghaba's mother, was quoted as saying she last heard from her son Thursday and that he had been trying to reach Syria when he was detained last year. She said he showed her videos of Syria, where he hoped to find "pure Islam"—an idea she said he took from the internet. "I always told him that there were terrible things there that they didn't show," she told the magazine. "But unfortunately I wasn't able to change his mind."

Authorities are investigating possible connections between

Zaghaba and radical networks in Morocco and its diaspora in Europe, the Western security official said. Security officials also want to know whether Redouane linked up with Islamic State networks in Ireland, where he lived from 2012 until at least 2014, or during a 2014 trip to Morocco.

Western security agencies are looking at networks in the Dublin area, from where they say a number of Libyan and Moroccan militants are known to have either left for Islamic State's territory in Syria or communicated with the group.

Redouane was once married to a woman with whom he had a young child, according to two of the woman's social-media contacts. One said the woman had posted on Facebook that the couple split in part over child-rearing differences, with Redouane wanting to control how the child was dressed and trying to stop her from swimming.

In London, authorities are investigating connections between Butt—who neighbors said had

appeared in a TV documentary called "The Jihadis Next Door" that aired last year—and a London Islamist network that has groomed jihadis for decades, including Islamic State recruits. The film showed Butt linked to extremist preacher Mohammad Shamsuddin, a leading figure in an offshoot of the banned al-Muhajiroun network.

At least one neighbor said police had been alerted about Butt. Quilliam, a counter-extremism organization, said Tuesday it had also reported him to police and counterterrorism authorities last summer after he allegedly lunged twice at one of the think-tank's founding advisers.

Haras Rafiq, chief executive of Quilliam, said it was unclear why it appeared that no action was taken on the reports, adding intelligence agencies needed to reflect on that. A police spokeswoman didn't immediately respond to a request for comment.

In the wake of the latest attack, authorities have increased security measures around the city, including putting up protective barriers along several bridges. Much of Borough Market and the surrounding area remained cordoned off on Tuesday.

Police searched a property in the east London neighborhood of Ilford on Tuesday and said they arrested a 27-year-old man. Twelve other people have been arrested and released since the attack.

Matthew Dalton, Pietro Lombardi and Riva Gold contributed to this article.

In Australian Siege, Violent Act Capped A Turbulent Life

SYDNEY—A gunman who shot and killed a Melbourne hotel clerk in what Australian authorities are calling an act of terrorism was previously acquitted of conspiring to attack an army base and kill as many soldiers as possible.

Yacoub Khayre was a 29-year-old Australian citizen, born in Somalia, who arrived in the country with his family as a child refugee. When he set in motion the series of events that ended with his violent death, he was on parole after being incarcerated for a home invasion.

At about 4 p.m. Monday, he entered a serviced apartment building, shot and killed a 36-year-old clerk—who leaves behind a wife and child—and took a woman hostage. After he fired at officers with a shotgun, he was killed by police.

Australia's five-tier terrorism threat system has been set at "probable," the third-highest level, since September 2014. Australian Prime Minister Malcolm Turnbull said the attack in Melbourne calls into question the strength of Australia's parole system, given the gunman's violent history and past connections to extremism.

Rachel Pannett

IN DEPTH

JEANS

Continued from Page One

Move over cupcakes. As uniforms become more common from California to Maine, "Jeans Day" is becoming a fundraising powerhouse.

School leaders praise jeans day as being a consistent moneymaker with no overhead or inventory. It's often used to pay for extras not covered in tight budgets.

"We gave some money to the band department, helped with our playground. We do a lot," said Katharine Irvine, the second vice president of Imagine's parent-teacher organization. To wear jeans at the school on Fridays, students must be members of the Jeans Day Club, which costs \$25 per student or \$35 per family to join.

About 20% of U.S. public schools, or just over 19,000, had some type of uniform requirement in the 2013-14 school year, according to the National Center for Education Statistics. That creates a lot of demand for students to let their fashion-flag fly.

Some argue the fundraisers subvert the reasons why schools adopted uniforms in the first place.

"I'm not paying no dollar to wear jeans," said Demetria Henderson, who has three children at Central Elementary School in Seagoville, Texas. "I tell my kids, 'They want you all to wear uniforms, that's what y'all are going to wear.'"

Yet students seem eager to pay—typically \$1 or \$2—to



At a May fundraiser at Harry Stone Montessori Academy in Dallas, students lined up to pay to wear jeans to school.

BRANDON THOREAU/X FOR THE WALL STREET JOURNAL

shed their khaki pants and plaid skirts for some denim. At Winget Park Elementary School in Charlotte, N.C., jeans day is the parent-teacher organization's most consistent fundraising effort, pulling in several hundred dollars a month.

"Most people can afford a dollar, or some kids will go through the piggy bank," said Winget Principal Jason Bissinger. "It's neat, and a fun and easy way to raise money."

Winget has used jeans-day money to pay for school field

trips, beautification projects, restocking the teacher's lounge and donating to charities. Staff members can also pay to participate.

"Jeans for Jesus" is the popular fundraiser at Mt. Calvary Lutheran School in Diamond Bar, Calif. Students pay \$1 a week to wear jeans on Fridays—or \$5 for a "free dress" day of wearing other kinds of clothing as long as it is deemed appropriate.

The money goes to help pay tuition for families in a finan-

cial bind, said Ann Lovell, an office worker at the school. That goes some way to mitigate the complaint that the burden is heavier on poorer families than more affluent ones.

"We budget very tightly—and we don't have much extra, so this money goes to that," Ms. Lovell said. "It's the easiest fundraiser."

On a recent day at Harry Stone Montessori Academy in Dallas, Principal Niki Jones watched over the jeans-day process. Two students sat at a

table in the school's lobby and collected money from each youngster who showed up in jeans, unless they had a \$25 "season pass," which is a better deal.

A majority of students participated, readily producing two bucks or slapping down handfuls of coins, all money that will help pay for field trips, books and other expenses.

One girl showed up in jeans empty-handed. Ms. Jones sprang into action, producing two bills from her wallet with a

soft rebuke to the girl about often forgetting her cash.

Ashanti Campbell, 14, said she keeps a pair of uniform pants in her locker, in case she forgets her money, which rarely happens. "Since we wear uniforms all week, this is the time we get to be casual," she said.

Some educators say the fundraiser contradicts the premise of requiring uniforms—to eliminate bullying, improve discipline, enhance school pride and keep students focused on education instead of clothing.

"If the whole reason you adopted a uniform policy is that you believe in clothing not being distracting, then why are you undermining your own ideas you set forth for having uniforms anyway?" said Ashlyn Aiko Nelson, associate professor at Indiana University, who has researched fundraisers.

Joe Craig was a big fan of the jeans day when he was a principal in the Lafayette Parish School System in Louisiana. "My school had about 1,600 kids; on Fridays you'd bring in \$800 to \$1,000," said Mr. Craig, who is now the district's chief administrative officer.

The school district changed course and required "free" jeans days, in a move that Mr. Craig said "hurt" but was one he nonetheless understood.

"The logic is, you were selling the dress code, and that wasn't appropriate—pay \$1, you can break the rule," he said.

Not to be outshined, schools with no uniform requirement have found a lesser-known way to raise money—Pajama Day Fridays.

GAS

Continued from Page One

account for a bigger share of trading than pipelines by 2040. Thirty-nine countries now import LNG, up from 17 a decade ago, according to data and analytics firm IHS Markit. Several more, among them Uruguay, Bahrain and Bangladesh, are expected to lift the total to 46 in the next couple of years.

In one sign of how gas is going global, the U.S. and China are working on a trade deal that could send vast quantities of gas pumped in Texas and Pennsylvania to factories in Shanghai and Guangdong. Improved access for U.S. exporters to China's giant energy markets could boost overall global shipments.

Converging prices

The changes are contributing to rapidly narrowing price differences from place to place. In 2012, Asia spot prices for LNG were \$5.74 per million British thermal units higher than natural-gas prices in Europe, according to S&P Global Platts. This year so far, the difference has averaged less than \$1, something analysts expect to continue.

Worries by U.S. political leaders that gas exports would drive domestic prices significantly higher haven't been borne out, at least so far, as Energy Department studies show only marginal effects. The U.S. appears to be exporting its low gas prices rather than importing higher ones from the rest of the world.

As LNG import terminals open in more locations, gas pricing and trading mechanisms are developing as well. Some investors are increasingly using the gas price at a pipeline intersection in Louisiana, called the Henry Hub, as a global benchmark.

Trading in the New York Mercantile Exchange's Henry Hub gas futures contract is becoming more global, said Peter Keavey, global head of energy at Nymex owner CME Group. In May, the Intercontinental Exchange launched the first futures contract reflecting LNG produced in the U.S., based on S&P Global Platts Gulf Coast price assessments.

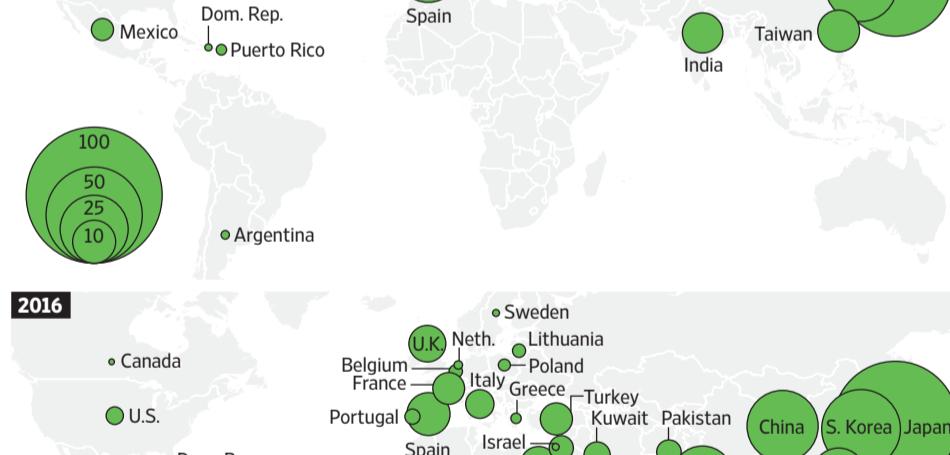
Seaborne gas is reducing some countries' historic dependence on pipelines that run through potentially unfriendly territory. Poland, for instance, opened its first import terminal a year ago, lessening its reliance on gas piped from Russia.

When global trade in LNG began in the 1960s, the cost of liquefying gas was so high it was a niche product, affordable only by developed countries such as Japan.

As the technology proved reliable, trade in LNG became

Going Global

The seaborne trade in liquefied natural gas has grown significantly in recent years. LNG import volumes in millions of metric tons, by country:



Source: IHS Markit

When U.S. gas production soared in recent years, the company converted its facilities into export terminals. It has spent more than \$19 billion on plants at Sabine Pass, La., and Corpus Christi, Texas, that cool gas to minus 260 degrees Fahrenheit, at which point it turns into liquid and can move by tanker.

The U.S. continues to import some gas via pipeline from Canada. By next year, Sabine Pass and other LNG terminals are expected to turn the U.S. into a net gas exporter.

In a quest for customers, Cheniere has invested in a Chilean project to build a power plant, LNG terminal, storage facility and pipeline. The company is willing to put in "early-stage capital, modest amounts of equity...to grow the LNG market," said Anatol Feygin, chief commercial officer.

Oil titans Total SA and Royal Dutch Shell PLC also are offering to build facilities to burn gas. The two and their partners are building an import terminal and pipeline for an estimated \$200 million in Ivory Coast, which will feed a power plant in the West African country's economic hub of Abidjan.

Part of what persuades nations to invest in infrastructure to import and burn gas is a belief its price will stay low. There are no signs supply growth is slowing. Qatar, the longtime LNG leader, recently lifted a self-imposed moratorium on the development of its North Field, the single largest gas reservoir in the world. So far there is little indication Qatar's diplomatic spat with Arab neighbors will affect the gas market.

The volume of LNG expected to be delivered this year, 294.1 million metric tons, is up 22% in three years. It is likely to rise 21% more by 2020, according to IHS data and forecasts.

"We are going into a period of oversupply, and prices will face downward pressure for some time," said Gautam Sudhakar, an LNG analyst with IHS Markit.

Its place in the mix

LNG faces competition even at low prices, because in some places it is cheaper to keep burning coal than to build gas facilities. In India, one of the world's largest consumers of coal, it is renewables such as solar power, rather than natural gas, that may be mounting the strongest challenge. In nuclear power, Japan recently restarted some idled plants and China is building several new ones.

"LNG is going to have to fight for its place in the global energy mix," said Keo Luke-fahr, general manager of natural gas for the Americas arm of PetroChina International. "It has a narrow window to establish itself as a cost-competitive

clean energy resource if it is going to realize its potential in the world's energy supply."

To take advantage of the window, producers are looking for new ways to finance gas-burning projects. Virginia-based AES Corp. is building a \$1 billion project, including an import dock and gas-burning power plant, near the mouth of the Panama Canal, the recent widening of which has enhanced trading by letting larger tankers pass.

The project is aided by a \$150 million loan from the World Bank's International Finance Corp. It became involved both to provide Panama with needed power and because the plant will displace electricity from dirtier fuels such as diesel.

Helping make gas more accessible is a relatively new technology—floating LNG facilities.

Floating terminals

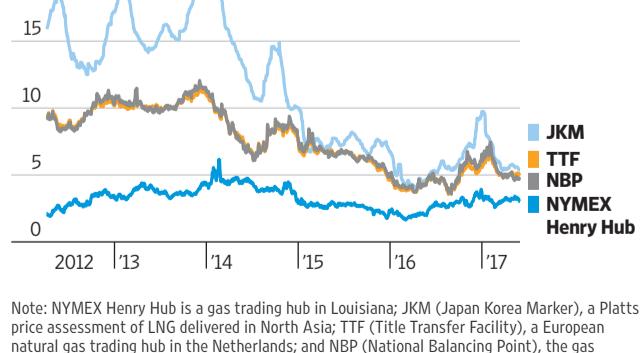
Offshore plants can be built in about half the three years it takes to put up a land-based LNG import terminal. Their mobile nature also is an advantage in certain markets where an importer doesn't have spotless credit. If it can't pay, the terminal can weigh anchor and relocate.

The first floating terminal was christened in 2005. Today there are 25, according to the International Group of Liquefied Natural Gas Importers, a trade association. Excelerate

When Poland got an LNG import terminal it grew less dependent on gas from Russia.

Coming Together

More LNG trade has contributed to a convergence in global gas pricing.



Note: NYMEX Henry Hub is a gas trading hub in Louisiana; JKM (Japan Korea Marker), a Platts price assessment of LNG delivered in North Asia; TTF (Title Transfer Facility), a European natural gas trading hub in the Netherlands; and NBP (National Balancing Point), the gas trading hub in the U.K.

Source: S&P Global Platts

flexibility and fewer onerous restrictions.

At any given time, there are about 170 tankers filled with LNG on the world's oceans, up from 150 a year ago, according to a tracker firm called ClipperData. Before long, traders will be able to "make a very quick phone call to get that gas to whatever market is in distress at that particular time," said Charif Souki, chairman and founder of Tellurian Inc., which is seeking to export gas from the U.S. Gulf Coast.

At the heart of the changes is supply. Huge new discoveries in the U.S., Middle East, East Africa and Australia, along with recovery techniques such as fracking, have expanded the amount of gas available for export. Companies and countries are moving to develop new markets to where they can sell it all.

One pioneer is Houston-based Cheniere Energy Inc. Founded and led for years by Mr. Souki, Cheniere initially developed terminals to import gas along the U.S. Gulf Coast.

Now, contracts are getting shorter and starting to allow gas to be diverted to where demand is greatest. Earlier this year, three large LNG buyers in Japan, China and South Korea agreed to work together to push sellers for more contract

Energy, a Houston company that developed this technology, is working on new floating terminals in Namibia, Bangladesh, Pakistan and elsewhere. The mobile nature also is an advantage in certain markets where an importer doesn't have spotless credit. If it can't pay, the terminal can weigh anchor and relocate.

When the Rioja Knutsen tanker abandoned its Portuguese destination to take advantage of an opportunity in Mexico, the Algerian energy company Sonatrach stepped into the breach, sending a tanker of LNG to Portugal.

That tanker, the Cheikh El Mokrani, returned to Algeria to fill up with a new cargo on April 9. As it idled off the coast, its crew spotted a small whale trapped in a fishing net. A sailor jumped in to untangle it. A video posted online showed the whale swimming free as the rest of the crew cheered.

—Christopher M. Matthews contributed to this article.

GREATER NEW YORK

Guadagno, Murphy Win Nominations

Lieutenant governor, ex-Goldman executive now go head-to-head in N.J. governor race

BY KATE KING

A former Goldman Sachs executive will face Gov. Chris Christie's lieutenant governor in the race for governor of New Jersey in November.

Democrat Phil Murphy and Republican Kim Guadagno were declared the winners of their parties' primary elections by the Associated Press shortly after 9 p.m. Tuesday.

Mr. Murphy fended off five opponents, including former Treasury Department official Jim Johnson and Assemblyman John Wisniewski, who had attacked his Wall Street ties.

Ms. Guadagno won against four opponents, including Assemblyman Jack Ciattarelli, who had sought to link her to the deeply unpopular Mr. Christie.

In remarks to a crowd of supporters in Newark on Tuesday night, Mr. Murphy pledged to "be both pro-growth and progressive," and sharply criticized Mr. Christie's and President Donald Trump's administrations.

"People all across New Jersey are demanding change and I am here to change things," he said. "New Jersey cannot afford a governor who has been complicit in the failures that left New Jersey lagging where we should be leading."

Ms. Guadagno said she would make government "smaller and smarter" if elected governor in November. She said Mr. Murphy would increase spending and raise taxes if elected.



Republican Kim Guadagno and Democrat Phil Murphy celebrated their primary victories Tuesday night. They will face off in November.

"Our campaign is about making New Jersey affordable for everyone," she said.

Voters interviewed at the polls on Tuesday said they wanted a new direction for the financially stressed state, and to see their next governor avoid a scandal such as the George Washington Bridge lane-closure case that overshadowed Mr. Christie's second term.

"In New Jersey there's a lot of corruption, it's sad," said Ruben Lerdo, a 76-year-old retired resident of Bloomfield, who cast his ballot for Mr. Murphy.

"I'd like to see change."

Ms. Guadagno and Mr. Murphy will campaign to win over a New Jersey electorate that is disillusioned with Mr. Christie and eager for lower property taxes, faster economic growth and fairer school funding.

New Jersey's budget is squeezed by massive public pension debt and lackluster revenue growth. In her victory speech, Ms. Guadagno said she wouldn't run for re-election if she failed to lower property taxes during her first term in office.

Ms. Guadagno, a former federal prosecutor and sheriff from Monmouth County, ran a campaign that highlighted her experience in Trenton, while distancing herself from Mr. Christie.

The approach appeared to work with some Republican voters in the Bergen County borough of Ramsey, where several residents said they were disappointed with the outgoing governor, but thought Ms. Guadagno had distinguished herself from Mr. Christie on issues such as transportation funding.

"I think she's got the right

experience," said Hugh McDonald, a 52-year-old attorney who cited Ms. Guadagno's law-enforcement background.

Mr. Murphy, who is also a former U.S. ambassador to Germany, ran a progressive campaign, with a platform that included a \$15 minimum wage, the creation of a public bank and promises to resist the policies of Mr. Trump. On Tuesday he said he would work to improve service on NJ Transit as well as support gun control, Planned Parenthood and equal-pay legislation blocked by Mr. Christie.

his properties. "I knew the documents were false at the time they were submitted to the bank," Mr. Croman told Justice Jill Konviser.

Prosecutors said that between 2012 and 2014, Mr. Croman obtained multimillion-dollar refinancing loans for his buildings, ultimately receiving more than \$45 million in fraudulent loans. He also withheld state payroll taxes from payments to a former property manager, who earned bonuses for forcing rent-regulated tenants out of his apartment buildings, prosecutors said.

"Steven Croman is a fraudster and a criminal who engaged in a deliberate and illegal scheme to fraudulently obtain bank loans," Mr. Schneiderman said in a written statement. "He went to outrageous lengths to boost his bottom line—including falsely listing rent-stabilized units at market rates when his efforts to displace those renters had failed."

Lawyers for Mr. Croman said in a written statement Tuesday that he "intends to fully satisfy the obligations imposed by his plea agreement and looks forward to one day putting this matter behind him."

The attorney general's civil case, which accuses Mr. Croman of tenant harassment, is pending.

A group of tenants from Mr. Croman's buildings, who have organized against his tactics, attended Tuesday's hearing.

Carmen Guzman, 54 years old, who lives in a rent-stabilized apartment in Manhattan's Hell's Kitchen neighborhood, had mixed feelings about the plea agreement.

"It's good that he was found guilty, but I wanted him to go away for longer," said Ms. Guzman, adding that she had once been without electricity for more than a month.

Mr. Croman is scheduled to be sentenced in September.



Commuters peered out of an F Train that broke down in a tunnel.

MTA Is Under Fire After Harrowing Subway Ordeal

BY MARA GAY
AND PAUL BERGER

A day after hundreds of New York City subway riders were trapped on a disabled train with no air conditioning, a spokesman for the mayor said the ordeal was "an unacceptable failure on many levels."

At least five times, passengers recalled, a conductor said they were delayed due to train traffic. About 30 minutes into the ordeal, passengers said they were told the train had suffered mechanical failure.

"The MTA has to do a better job of communicating with straphangers during an emergency," said Austin Finan, a spokesman for Mayor Bill de Blasio.

The southbound F train broke down between the West 4th Street and Broadway-Lafayette stations in lower Manhattan at 6:18 p.m. Monday, according to passengers. Those aboard waited for rescue amid rising temperatures and intermittent darkness.

Kevin Ortiz, an MTA spokes-

People couldn't breathe, literally. We were running out of oxygen...'

man, said the problem was caused by a loss of power to the train. He said it took 45 minutes to fix. "Initial communication to customers by the train crew is currently under review," Mr. Ortiz added.

The harrowing commute

highlighted the growing frustration with the system's worsening problems.

"People couldn't breathe, literally. We were running out of oxygen on an MTA train," said Michael Sciaraffo, 36 years old, who works for the city's parks department.

Some people tried to pry open doors and windows, passengers recalled, hoping to get more ventilation. Men peeled off their suit jackets. Several women sat on the floor cross-legged, fearing they might faint. Condensation filled the windows and drenched the walls.

John Raskin, executive director of the advocacy group Riders Alliance, said the incident represents a turning point when the subway's problems "shifted from being inconvenient to being dangerous and scary."

GEORGINA KING

said the ruling was "music to my ears."

"This land was intended to be used as parkland, not for the development of a megamall," said Mr. Avella, whose district is near the development site.

In their opinion, the judges noted that the state Legislature in 1961 enacted a law allowing the site to be used for a municipal baseball stadium—Shea Stadium—in Flushing Meadows Corona Park. In or-

der to build a mall at the site, lawmakers must approve that specific use, the judges said.

The venture is evaluating next steps for the project, said a spokesman for the developer.

"We are disappointed with the court's decision, which further delays a project that will reverse 100 years of pollution, create thousands of good-paying jobs and turn vacant lots into a vibrant community,"

said the joint venture in an

emailed statement.

The 1-million-square-foot retail center was planned to be the first phase of a \$3 billion mixed-use project that called for about 2,500 apartments.

The developer is studying how the court's ruling will affect other parts of the plan.

A spokeswoman for Mayor Bill de Blasio said the ruling doesn't stop other parts of the project, including housing planned nearby, from moving forward.

Mall Project Denied at Former Shea Stadium Site

BY KEIKO MORRIS
AND CORINNE RAMÉY

New York's highest court on Tuesday blocked the development of a billion-dollar shopping mall on a Citi Field parking lot in Queens, affirming a ruling that the project needs legislative approval to proceed.

A panel of judges from the Court of Appeals said the developer, a joint venture of Sterling Equities, Related Cos. and the owners of the New

York Mets, couldn't build a project dubbed Willets West, which would include a mall with a movie theater and more than 200 stores and restaurants.

The judges said the land, the former site of Shea Stadium, is considered parkland, and building on it would require new legislation.

Sen. Tony Avella, a Queens Democrat who led the coalition of plaintiffs behind the lawsuit opposing the project,

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GREATER NEW YORK

METRO MONEY | By Anne Kadet

The Price of Free Summer Concerts

Kids

The big Mavis Staples concert in Central Park last Saturday cost about \$75,000 to produce. The venue was packed. And admission to the show, kicking off the popular SummerStage concert series, was free. But not for Jack Riordan.

A SummerStage member at the "Producer" level, Mr. Riordan, a banker, paid \$1,250 to attend free shows in the park all summer. Of course, he gets some nice perks in return: Express entry, access to the VIP tent with an open bar and complimentary admission to ticketed benefit concerts such as next week's Elvis Costello performance.

Not to mention use of the VIP restroom. "I've never seen a fancier port-a-potty," he says. "It's air-conditioned!"

Selling VIP access is just one of many strategies local nonprofits employ to fund the growing cost of New York's free summer concerts.

"It's very expensive to

produce a free festival, sadly," says Jill Sternheimer, director of public programming at Lincoln Center for the Performing Arts.

City Parks Foundation Executive Director Heather Lubov says this year's 110 SummerStage concerts will cost about \$7.3 million to produce. The foundation budgets about \$40,000 for artist fees for a Central Park show, she says. SummerStage competes for top talent with dozens of other venues in the city. Production costs, including wages for a 110-man crew, run another \$25,000 to \$30,000 per show.

SummerStage memberships, which range from \$150 for an express pass with bleacher seating to a \$10,000 skybox package, generate about \$250,000, but the program also cultivates fierce loyalists who bring friends, Ms. Lubov notes.

Larger sources of revenue include corporate sponsorships and foundation donations. Benefit concerts generate about \$1.7 million, while venue rentals bring in another \$2.2 mil-



A free BRIC Celebrate Brooklyn! concert in 2014. 'Friends' who pay \$60 to \$250 per season help cover the cost of productions.

lion, according to Ms. Lubov.

Other nonprofits rely more on membership revenue. Due to increased competition for performers, the talent budget rose more than 20% this year, says BRIC President Leslie Schultz, of the BRIC Celebrate Brooklyn! Festival in Brooklyn's Prospect Park. Donations at the door, meanwhile, are declining because fewer concertgoers carry cash.

Filling the gap are the festival's 1,800 "friends" who pay \$60 to \$250 per season for express entry and reserved seats. They generate about 10% of the festival's \$2.5 mil-

lion-\$3 million budget.

Why produce a free festival at all?

Celebrate Brooklyn! was launched to attract people to Prospect Park back when it was seen as a scary place, Ms. Schultz says. Now, it's about allowing people from all walks of life to enjoy performances from the likes of songwriter Andrew Bird and dance troupe Pilobolus.

Free admission also liberates concertgoers to be adventurous. "It's a place for discovery," says Celebrate Brooklyn! regular Alexis Brown.

The Brooklyn Academy of Music's long-running R&B

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Festival at MetroTech, meanwhile, is sponsored by real-estate developer Forest City Ratner Cos. The festival not only serves as an lunchtime party for downtown Brooklyn, it is an attraction used to lure prospective tenants, says Ashley Cotton, the developer's executive vice president of external affairs.

Not to mention the good will generated. Festival producer Danny Kapilian says he works to attract the largest possible audience with the highest quality performers such as Brooklyn native Cory Henry & The Funk Apostles.

"The sponsors who under-

write these performances want to see crowds there," Mr. Kapilian says.

Lincoln Center, meanwhile, says that while its Out of Doors festival aims to lure nearly every community in town with acts ranging from Nick Lowe to the Spanish Harlem Orchestra, it also serves as a marketing tool. People who enjoy a free summer show are more likely to return as ticket buyers, Ms. Sternheimer says. "You prefer a full house," she adds. "But that can't be the only measure of success."

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GREATER NEW YORK WATCH

NEW YORK CITY

Man Is Arrested In Boy's Shooting

A Bronx man was arrested Tuesday in a stray-bullet shooting that seriously wounded a boy celebrating his fifth birthday, the New York Police Department said.

Michael Quiles, 27 years old, is believed to have fired four shots at another man on Washington Avenue in the Morrisania section of the Bronx on Monday at about 5 p.m., police said. One of the bullets struck the boy in the head. The child, whose name wasn't released, was leaving his father's apartment building and heading to a waiting car, police said.

Mr. Quiles couldn't be reached for comment. It wasn't known if he had an attorney. State records show he was convicted of attempted kidnapping and released on parole in October 2016.

—Melanie Grayce West and Zolan Kanno-Youngs

CATSKILLS

Developer Pleads Guilty in Voter Fraud

An upstate New York developer pleaded guilty Tuesday to conspiracy to corrupt the electoral process, admitting to falsely registering voters to advance a real-estate project.

Shalom Lamm, 57 years old, and an associate were indicted last year on accusations that they sought to take over the government of Bloomingburg, N.Y., to further their real-estate development. Federal prosecutors said they bribed voters in anticipation of making hundreds of millions of dollars.

Mr. Lamm is set to be sentenced in September in U.S. District Court in White Plains. His co-defendant, Kenneth Nakdien, pleaded guilty last month to the same charge and also will be sentenced in September.

Manhattan acting U.S. Attorney Joann Kim said Mr. Lamm sought to corrupt the democratic process. "The integrity of our electoral process must be inviolate at every level," he said.

An attorney for Mr. Lamm declined to comment.

Messrs. Lamm and Nakdien planned to build a 396-unit townhouse development in Bloomingburg, a village in the town of Mamakating in the Catskills. When the project ran into local opposition, the developers conspired to falsely register voters to help elect public officials who would support their development, prosecutors said.

Prosecutors said the developers tried to conceal the residence of the voters with sham backdated leases, and even left toothbrushes in empty apartments to make them appear occupied.

—Joseph De Avila and Corinne Ramey

School-Diversity Plan Draws Mixed Reactions

BY LESLIE BRODY

While supporters called New York City Mayor Bill de Blasio's new plan to diversify public schools a step forward, skeptics said Tuesday it would do too little to change one of the most segregated systems in the country.

The plan launches an advisory group on diversity, sets goals for achieving more racially balanced schools, changes an admissions policy at some high schools, and lets community-based public pre-kindergarten sites give priority in admissions to underrepresented children. Now, nine

district pre-K programs do so.

The city Department of Education also said that selective middle schools will stop seeing how applicants rank their choices. In the past, some schools said they likely would admit only students listing them as their first pick. That led some affluent families to

hire consultants to game the system. The change would affect children entering middle school in the fall of 2019.

Mr. de Blasio, who is running for reelection, railed against a tale of two cities in his last campaign and has promoted his education agenda as advancing equity. He has emphasized the difficulty of addressing racial and socioeconomic segregation in schools when children tend to enroll near home, and many neighborhoods are overwhelmingly of one demographic background. About 70% of the city's public-school students are black or Hispanic, and most are poor.

Shino Tanikawa, a parent and vice president of the Community Education Council in District 2 in Manhattan, said the city's new plan is "not strong enough in terms of mandating anything."

She wanted to see the chancellor require that each of the 32 community districts develop its own integration plan—whether by drawing new zone lines, setting aside seats for underrepresented groups or other approaches.

Such efforts often spark

emotional disputes involving thorny issues of race, class and property values.

Chancellor Carmen Farina called the new diversity plan "a wonderful opportunity to do things citywide" that doesn't preclude districts from coming up with their own ideas.

During the next five years, the department wants to increase by 50,000 the number of students in racially representative schools—meaning schools where black and Hispanic students make up between 50% and 90% of those enrolled. The city says 31% of its schools are racially representative now.

Eric Nadelstern, a former deputy chancellor under Mayor Michael Bloomberg, said boosting the number of students in more balanced schools by 50,000 in a district of 1.1 million students was a low target, and the overall plan isn't bold enough.

Richard Kahlenberg, a senior fellow at the Century Foundation, said setting diversity targets was a substantive step, and cities that create them are more successful at integrating than those that don't.

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LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

The Postponed Meeting Vortex

HOW MANY TIMES can you reschedule a meeting?

The consensus among a dozen professionals and managers I interviewed: Three strikes and you're out.

"By the third time I start to get suspicious: This is a brushoff," says Jennifer Pinck, president of a real estate advisory and project-management company in Boston. "You may ascribe it to nefarious intent, but you don't really know." So she always gives a gracious reply: "Look, it sounds like you're really busy. I'm still very interested in meeting with you. Let me know when you have time."

People often book a meeting, coffee or lunch date with good intentions, but end up canceling and rescheduling—endlessly.

Richie Frieman was fuming last fall when a client canceled a coffee date at the last minute via text message. Mr. Frieman, who had driven an hour from his Baltimore office to Washington, D.C., to discuss a speaking engagement with the executive, slammed his laptop shut, thinking, "This is ridiculous. I'm looking at another hour driving back and I've wasted an entire morning," he says.

By the time the executive canceled a second coffee on short notice, citing heavy traffic, Mr. Frieman was in a rage. "I was like, you gotta be kidding me! We have Waze, Google Maps—couldn't you have figured out travel times in advance?" When the executive rescheduled a third time, they finally met, but at a restaurant conveniently near Mr. Frieman's office. "You have to know when you throw somebody overboard twice, you're in the hot seat," says Mr. Frieman, a speaker, illustrator and author. "Guilt is a powerful tool."

Serial reschedulers can do serious damage to their reputation, says Karen Kaufman, a Philadelphia impression-management coach. "You might wonder, do they have the maturity to handle their schedule?" Or maybe they have trouble saying no, or weren't clear on why they were getting together in the first place, she says.

Dawn Fay had every intention of helping an out-of-work acquaintance who asked to meet with her last year for lunch and career ad-



vice. When the woman canceled and rescheduled the first time, Ms. Fay downsized the meeting to breakfast. When the woman wanted to reschedule a second time, Ms. Fay offered to book a phone call. "I understand things happen, but to me, this individual seemed disorganized and not respectful of people's time," says Ms. Fay, a district president in New York for the staffing firm Robert Half International.

The woman said she needed a face-to-face conversation, so Ms. Fay met her over coffee for 20 minutes, but she withheld several business contacts she'd originally planned to give her. "I didn't want them going through what I was going through," she says.

There are ways to keep the peo-

ple you're canceling from feeling slighted: Apologize and show enthusiasm for both the meeting and the person, Ms. Kaufman says.

It isn't always wise to give detailed reasons for a postponement if it makes obvious that the person you're rescheduling isn't your highest priority, says Jodi R.R. Smith, a Marblehead, Mass., etiquette consultant and author.

But giving specifics can lend credibility when you haven't any choice but to cancel. When Lily Herman, a New York writer and editor, had to reschedule numerous meetings recently after injuring her foot, she told her contacts, "Hey, I'm not avoiding you, I literally have a broken bone in my toe and I can't walk," she says.

Diana Nicklaus, a principal at

Saam Architecture in Boston, tries to provide choices for the person she's rescheduling, naming open dates and suggesting, "We can meet before the workday, after the workday, or do something more informal, such as changing the meeting from lunch to coffee," she says.

Some executives give the canceled the gift of more time. Brett Caine, CEO of Urban Airship, a Portland, Ore., digital-marketing company, recalls planning to meet with a software-company CEO who had to reschedule the meeting at the last minute. When they eventually met, the CEO apologized and told him, "Take all the time you need to ask me all the questions you want," Mr. Caine says. "That made a lasting impression."

When Cheryl Heisler reschedules meetings more than once, "it's often because I shouldn't have made that meeting in the first place," she says. She agreed last year to meet with a financial advisor an acquaintance had referred to her, despite doubts about the value of the meeting for her. She wound up rescheduling three times, says Ms. Heisler, president of a career-consulting service in Chicago for lawyers and professionals.

She felt so bad that when they finally got together that she let the advisor choose the location. Her fears were confirmed: "This person just wanted to pick my network clean" and had little to offer in return, Ms. Heisler says. She still picked up the tab.

AUCTIONS

ROCKEFELLER ESTATE TO GO ON THE BLOCK

Paintings, porcelain and silver may fetch more than \$700 million

BY KELLY CROW

BILLIONAIRE BANKER David Rockefeller collected beetles as a boy, but the trove of paintings, porcelain and silver he gathered over his century-long life could top \$700 million when it heads to auction at Christie's next spring.

The Rockefeller estate is poised to be the most expensive art collection the auction industry has ever handled, surpassing designer Yves Saint Laurent's \$484 million estate sale at Christie's eight years ago and shopping-mall magnate A. Alfred Taubman's \$469 million estate sale at Sotheby's two years ago.

Christie's confirmed Tuesday that it had won the right to sell roughly 2,000 pieces from the estate of Mr. Rockefeller, who died in March at age 101, and his wife, Peggy.

Marc Porter, chairman of Christie's Americas, said the house wants to finish cataloging everything before providing details on art or an overall estimate. Mr. Rockefeller's will said the banker expected his estate's liquidated assets to top \$700 million. A former Christie's executive with knowledge of the deal said the house also expects the sale of the collection to cross that bar.

Collectors pay premiums for art owned by fabled families and the Rockefeller name could transform the Christie's sale into auction theater. When Sotheby's offered up a 1950 Mark Rothko abstract from Mr. Rockefeller's collection in 2007, the house billed it as the Rockefeller Rothko, and the painting sold for \$72.8 million, a record at the time for post-war art. Four years ago, when Christie's consigned a Botticelli "Madonna and Child with Young Saint John the Baptist" that once belonged to Mr. Rockefeller's father, the house dubbed the work the Rockefeller Madonna—and sold it for \$10.4 million, above its \$7 million high estimate.

As the last surviving grandson of Standard Oil baron John D. Rockefeller—the country's first billionaire—David Rockefeller grew up in luxury and learned how to collect art by watching his mother, Abby Aldrich Rockefeller, who championed modern artists like Wassily Kandinsky at a time when the world's wealthy were more taken by impressionists such as Claude Monet. Mr. Rockefeller's own tastes initially leaned toward heavyweights like Paul Cezanne and Camille Pissarro, but over time his homes in New York and Maine came to display a broader array of artists, from American painters like Andrew Wyeth to post-war mainstays like Willem de Kooning. As a longtime chairman and chief executive of Chase Manhattan Bank, he traveled widely and grew to admire Asian art.

Dozens of works from his collection already have been pledged to New York's Museum of Modern Art, which his mother helped found in 1929. Mr. Porter said the rest going up for auction are of "equal and astonishing significance."

Family spokesman Fraser Seitel said that in keeping with Mr. Rockefeller's 2010 pledge to give away the majority of his wealth, proceeds from the estate sale will be donated to a dozen charities, universities such as Harvard and cultural institutions like MoMA. In terms of art-related philanthropy, such a gift would rank near the top: In 1991, publisher Walter Annenberg left \$1 billion to the Metropolitan Museum of Art and four years ago, cosmetics executive Leonard Lauder promised to give the same museum roughly \$1 billion worth of cubist art.

"Because he was blessed with great wealth, he always felt a responsibility to give back to society," Mr. Seitel said of Mr. Rockefeller. "He lived that credo every day of his life."

Christie's plans to hold the auction in its New York saleroom in Rockefeller Center.



David Rockefeller, with his wife Peggy in 1973, pledged to give away the majority of his wealth.

LIFE & ARTS

MY RIDE | By A.J. Baime

To Alaska and Beyond for a Family Truck

Three generations of the Norwood family from Midland, Texas, on their 1978 GMC Jimmy, as told to A.J. Baime.

Frank Norwood, 89, a retired insurance agent: "In 1978, I bought the Jimmy new for about \$7,500. I could not imagine that nearly 40 years later, our family would still own this vehicle, and I would have such a story to tell."

"The Jimmy started out as a work truck. I used it to build a log cabin in New Mexico. I made about 125 round trips over three years, over 500 miles each, hauling everything from logs to furniture, sometimes thousands of pounds on a trailer."

"That log cabin is still in our family. Eventually, my son John was driving the Jimmy to Midland High School. We drove the Jimmy on family trips to Alaska, through British Columbia, the Yukon and the Northwest Territories."

"We took it to Wyoming, and to Battle Creek, Mich.—myself, my wife, the grandchildren, and a dog."

"In 2010, I decided to sell the Jimmy. I asked my son John if he wanted it, and he said no."

John Norwood, 51, an oil and gas investor: "I was in the seventh grade when my dad bought that truck. After two years of it being gone from the family, I found the new owner and bought it back. The Jimmy underwent a yearlong restoration."

"The engine is original and has about 250,000 miles on it. (The odometer broke for some time, so we can't be sure.) You can imagine how proud my wife D'Ann and I were when we gave the truck to our son, Andrew, so he could drive it to Midland High, just like I did."

Andrew Norwood, 20, a University of Oklahoma student: "The first time I drove the Jimmy to school, all my



JENNIFER BOOMER FOR THE WALL STREET JOURNAL

friends came around to see it. I had teachers saying, 'I had a truck like that when I was young. If you ever think of selling it...'"

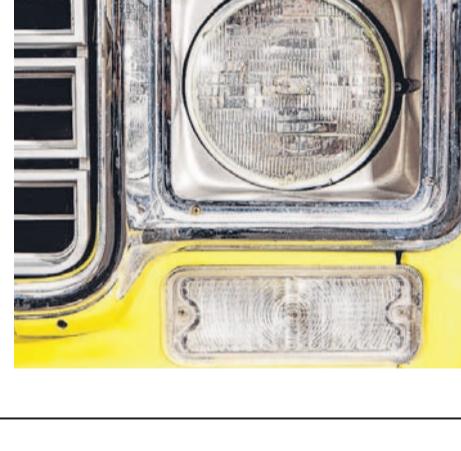
"For a while, the horn would go off every time I made a left turn. I figured out how to go places so I only had to make right turns. The gauges didn't always work, and once I ran out of gas."

"My younger brother Philip just got his driver's license, and in the fall, he will drive the Jimmy to high school."

"The Jimmy is like a brother. You get mad at it, you argue with it, but at the end of the day, you love it."

Contact A.J. Baime at
Facebook.com/ajbaime.

The Norwoods with their 1978 GMC Jimmy, above from left: John and D'Ann Norwood, his father Frank, and sons Andrew, Philip and William. The interior, below left, has been updated. A close-up of the Jimmy's headlight, below right.



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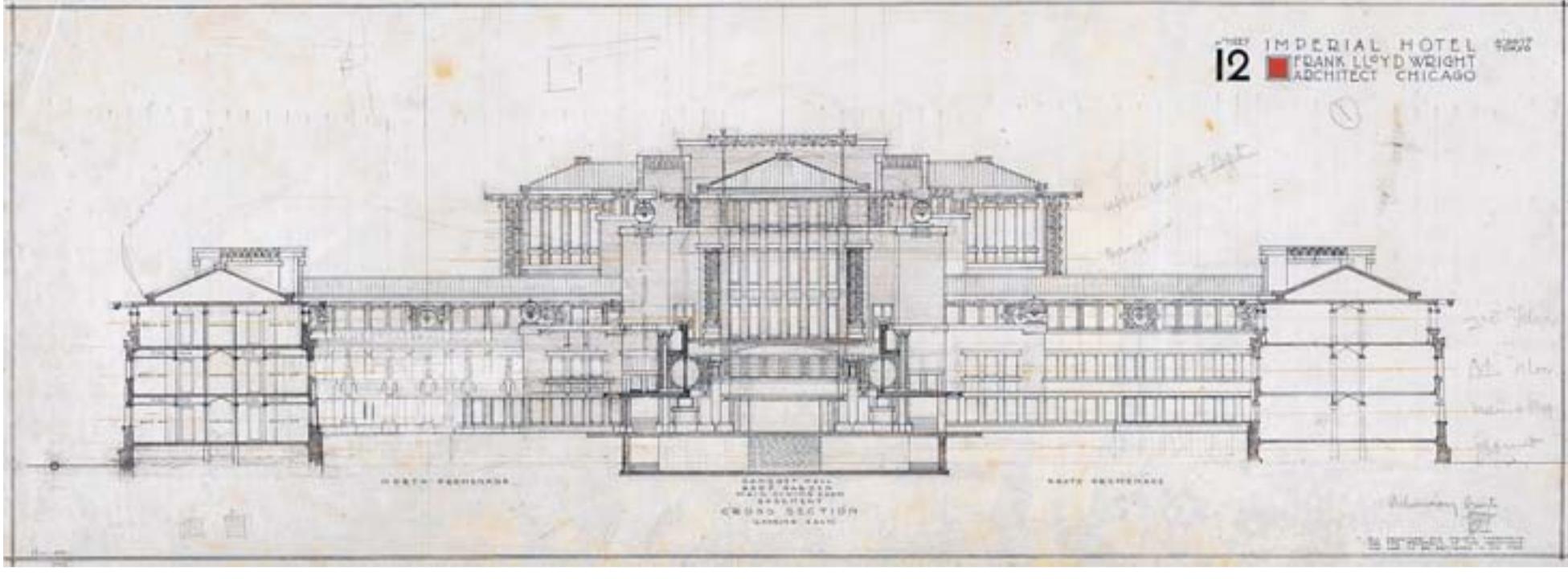
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LIFE & ARTS



BY JULIE V. IOVINE

New York

SIX DECADES after his death, Frank Lloyd Wright is still the most famous architect in America—a publishing house favorite despite library shelves already sagging with thousands of Wright-themed tomes, and the name most often invoked by members of the public asked to recall any architect.

And so the prospect of a major exhibition at the Museum of Modern Art celebrating the architect's sesquicentennial would not necessarily generate much excitement among architects and architecture buffs. And one bearing the title "Frank Lloyd Wright at 150: Unpacking the Archive" might even induce a bit of dread, particularly in light of the fact that some 500,000 pieces of paper are said to be in the archive, now jointly owned by MoMA and Columbia University.

But that would be a mistake.

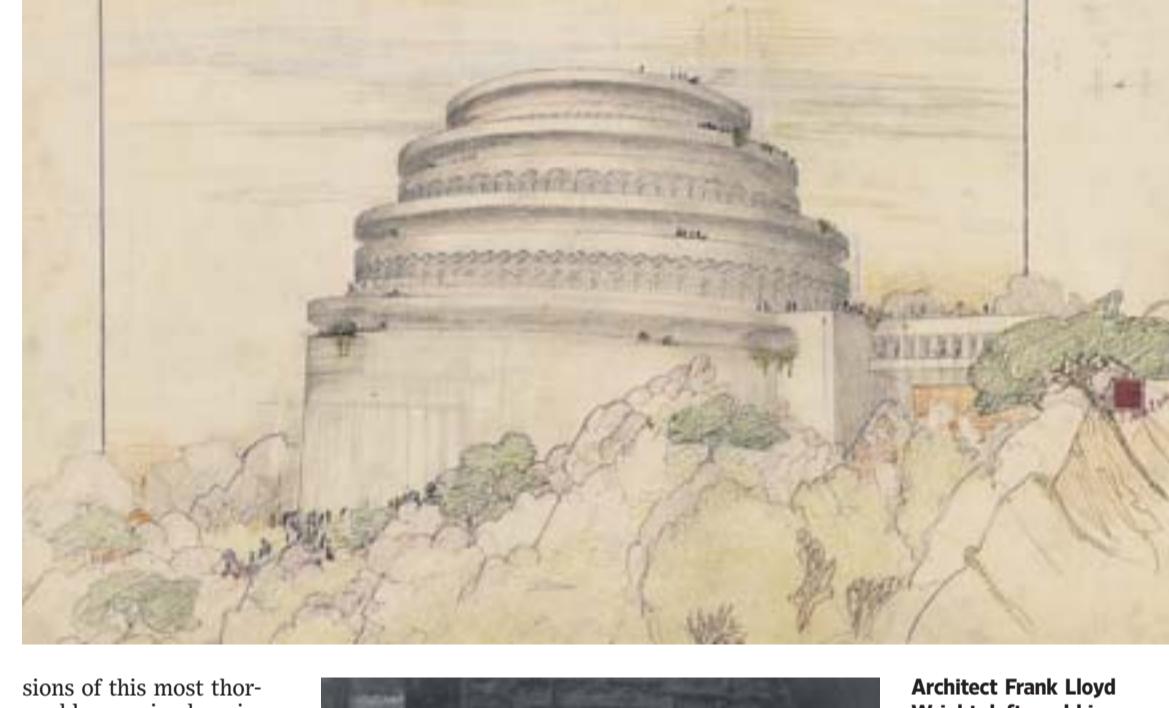
"Unpacking the Archive" is not only an illuminating cross-section of intriguing items underpinning the creation of major works of architecture but also a glimpse into MoMA's evolving approach to art exhibitions—by taking an oblique and selective approach rather than surveying major milestones.

In reconfigured third-floor galleries atop the refurbished and extended Bauhaus staircase—the completed first phase of the museum's ambitious Diller Scofidio + Renfro expansion (details of what comes next were announced last week)—a team of guest historians and in-house curators have been let loose in the archive under the direction of Barry Bergdoll, a MoMA curator in the department of architecture and design and a Columbia University art history professor, and Jennifer Gray, a project research assistant at the museum. Each was asked to pick one or more artifacts from the archive and build a story, an argument or revelation around the selection.

The result is not a show that will trace the career of the architect or explain Wright's masterworks as such exhibitions often do. It does, however, succeed at pumping some vitality back into a reputation bleached of urgency by overexposure to Robie House silk ties, Coonley Playhouse stained-glass coasters and other Wright-themed merchandise. Mr. Bergdoll has called the 12 sections "Madeleine moments" in that they aim to unleash, as did Proust's sugary nibble, a few intensely vivid new impres-

EXHIBITION REVIEW

Frank Lloyd Wright Seen Afresh



sions of this most thoroughly examined genius.

The exhibition is organized along a central spine where an appetizer portion of Wright's greatest and weirdest hits is featured. It ranges from the famous richly hued, below-the-falls perspective of Fallingwater with which Wright seduced his client, Edgar Kaufmann Jr., into approving a daring cantilever design whose construction details had not yet been figured out to a pencil sketch of the wacky Gordon Strong Automobile Objective and Planetarium Project (1924-25), a gigantic roadside whirligig. But there are also surprises, specifically the Meteor Crater Inn project (1948), a faceted stone tower shooting off-kilter over the crater's edge in Arizona that could have been designed by an upstart architect today.

Rooms branching off this central



Architect Frank Lloyd Wright, left, and his designs for the Gordon Strong Automobile Objective and Planetarium Project (1924-25), above, and the Imperial Hotel, Tokyo (1913-23), top

gallery neatly contain the 12 "stories" triggered by archive objects. In one, we can examine the contents of a presentation record—Wright's own commemorative portfolio of photos and plans—one of the architect's most ambi-

tious projects: the Imperial Hotel (1913-23) in Tokyo. It is a particularly rare find as it represents a complete record of the finished building as Wright himself never saw it. The hotel famously survived the Great Kanto Earthquake of 1923 but was subsequently demolished in winter 1967/68. The photos and plans in the album (with Wright's name misspelled on the cover) attest to the hotel's grandiosity. One black-and-white image, showing snow on a tree in a courtyard, seems composed to suggest the woodblock prints of the 19th-century artist Hiroshige, a Wright

name misspelled on the cover)

THE MUSEUM OF MODERN ART/AVERY ARCHITECTURAL & FINE ARTS LIBRARY, COLUMBIA UNIVERSITY, NEW YORK (3)

ART

TAKASHI MURAKAMI TAKES OVER CHICAGO

BY ELLEN GAMERMAN

TAKASHI MURAKAMI'S Tokyo studio is bustling with staff 24 hours a day, seven days a week. Judging by the artist's latest show—his first major museum retrospective in a decade—there is plenty to do.

Yesterday the Museum of Contemporary Art Chicago opened "Takashi Murakami: The Octopus Eats Its Own Leg," featuring the Japanese artist's work from 1982 to the present. Some pieces Mr. Murakami created for the exhibit are so new, the show's organizer didn't learn their titles until days before the opening.

The 55-year-old Mr. Murakami is known for colorful works filled with gleefully distorted eyeballs, smiling daisies, snarling ogres and other psychedelic images. He is famously savvy about commerce and has collaborated with companies such as Louis Vuitton and celebrities including Kanye West.

For the Chicago exhibit, he designed an octopus-like character and dressed up as the

creature for some promotional events.

The walls of the show's final gallery are covered with 45 panels filled with Mr. Murakami's anime-inspired figures. Such immersive installations captivate viewers—and their cellphones. In Washington, the Hirshhorn Museum and Sculpture Garden's show, "Yayoi Kusama: Infinity Mirrors," attracted the institution's largest crowds in 40 years. The exhibit, which engulfed visitors in dazzling rooms, went viral. A hashtag for the show reached 91 million Twitter and Instagram accounts.

The Chicago exhibit is one of the artist's many projects. Mr. Murakami's company, Kaikai Kiki, employs about 270 people in Japan and the U.S. Its locations in Tokyo, Saitama, Kyoto, Sapporo, New York and Seattle handle animation, film post-production and art production.

Mr. Murakami, whose retrospective coincides with the Chicago museum's 50th anniversary, mixes cherubic characters with darker subtexts, like the atomic bomb in the form of happy-go-lucky mushrooms. Lately, he has focused on the aftermath of Japan's



Mr. Murakami covered the walls of the final gallery of his Chicago exhibit with one massive work.

devastating 2011 tsunami and earthquake, with craggy Buddhist monks and strange monsters in his candy-colored canvases, said MCA chief curator Michael Darling.

In the coming weeks, Mr. Murakami's art

will be hard to miss around Chicago. The

show's octopus character and Mr. Murakami's smiling flowers will appear on lamppost banners and on the museum's exterior. The exhibit runs through Sept. 24 before traveling next year to Vancouver and Fort Worth, Texas.

OPINION

Who's Conspiracy Mongering Now?



BUSINESS WORLD
By Holman W. Jenkins, Jr.

The president who tweeted last week to complain about his "covfefe" last year ran a campaign. Whatever you like to believe about certain Trump companions and their conversations with Russian persons, nothing about it suggested an organization capable of participating in an arch conspiracy with a foreign intelligence agency. The campaign was a typically disorganized, free-form, low-budget Trump production. People came and went with head-spinning speed while having distressingly little effect on the candidate.

That's why the storm that is getting ready to break may have a lot less to do with Trump collusion than you think. House Intelligence Committee subpoenas name three former Obama officials related to the "unmasking" of Americans captured in the vast electronic trawl supposedly undertaken purely for foreign intelligence purposes.

One subpoena concerns former U.N. Ambassador Samantha Power, with no intelligence responsibilities but personally close to President Obama. Why?

This comes amid a report from the U.S.'s Foreign Intelligence Surveillance Court about a pattern of Obama violations of the privacy of Americans "incidentally" caught up in foreign surveillance. We already

know of one unmasking illegally leaked to the press for political purposes, Mike Flynn.

More important, we know one case of foreign intelligence seen by U.S. officials turning out to be a Russian plant, i.e., the fake document concerning Hillary Clinton that prompted James Comey's intervention in the campaign.

So add two questions to the list. Did Obama officials use allegations about Trump-Russia connections as an excuse to abuse intelligence collection for political purposes, and how much intelligence that caught their interest was actually fake intelligence planted by Russia? The obvious case being the scurrilous Trump dossier that was widely circulated internally and leaked to the media.

You can doubt his perspicacity, but Mr. Trump's view of Russia is far from inexplicable, and voters got a full blast of it during the campaign. Vladimir Putin walks all over the U.S. because our leaders are weak. Russia relations were a specific case of the general Trumpian pitch. He is a strong leader who, with his amazing personality, would transform bad situations into good ones.

Improved relations with Russia have been the aim of every president since the collapse of the Berlin Wall, and indeed every president since FDR. Presidents and presidents-elect have been using secret emissaries and back channels forever.

If the Trump campaign directed or cooperated in illegal acts by Russia, that would be

collusion in the sense of contributing to a crime. If Mr. Flynn promised privately what Trump was saying publicly, that he would seek better relations with Russia, as a deliberate inducement to encourage Russian meddling in the race, most of us would consider that an impeachable offense.

Every presidency is a mixed bag, but today's intelligence follies cross a Rubicon.

But unable to substantiate any such allegation, the media reach for an error so bad it has a name—the equivocation fallacy. Thus Jared Kushner is accused of, *after the election*, trying to "collude" with Russia in settling the Syrian war—the ad absurdum case of trying to make those seven letters c-o-l-u-d-e substitute for proof of something nefarious.

The qualifications for president are light and Donald Trump meets them all. He's a natural-born U.S. citizen of the requisite age. He received a majority of the electoral vote.

U.S. voters are entitled to elect someone whom their fellow citizens consider an idiot, and may even have good reason for doing so since every election is a binary choice between X and Y.

Let's also recognize that the U.S. voter has hit very few home runs in 228 years. Presidents are a mixed bag—

always. Even Obama idolaters by now should be rethinking how he spent his first two years, which ended up throwing away the last six and helped bring Mr. Trump to power (ironically, thanks to many frustrated "hope and change" Obama voters in the Midwest).

And certainly nothing about Sarbanes-Oxley, the Medicare drug benefit, the Iraq war, or the Department of Homeland Security makes us particularly long for George W. Bush.

Mr. Trump is many things, but he's not an idiot. He has a deep, instinctive understanding of New York political, real estate and media culture, and, like many presidents, now is struggling to apply his mostly irrelevant knowledge to a job he is poorly prepared for. He still strikes us as a good bet not to finish his term—his age, his temperament, the anti-synergy between his business interests and his White House life, the latter not helped by his classy in-laws.

But unless you think everything was hunky dory, or unless you're a member of the class for whom his status is a threat to your status, his election was exactly what you want in a democracy, a timely message from the electorate to the class of people who make it their profession to try to lead us. Never mind what fairer-minded historians write, even liberal ones will say the seminal fact of Mr. Trump's time was how quickly his critics sank to his conspiracy-mongering level and worse.

BOOKSHELF | By Laura Landro

As the End Approaches

The Bright Hour

By Nina Riggs
(Simon & Schuster, 310 pages, \$25)

For all the recent strides in treatment and the inspiring tales of patients who beat the odds, cancer can still be a relentless killer. At age 38, the poet Nina Riggs learned that a spot on her breast, at first thought to be a manageable problem, was in fact triple-negative breast cancer, an aggressive form of the disease often unresponsive to hormonal therapies and drugs and more likely than other forms of breast cancer to spread or recur after treatment. The prognosis for Riggs was, in a word, grim.

Yet "The Bright Hour," her posthumously published memoir, is the antithesis of grim: an irreverent and poignant Baedeker through the country of illness. With two young sons as an extra incentive to survive, Riggs found a top doctor and entered

the ring prepared for a fight; but as each new round of treatment failed and the cancer spread, she also began preparing for the worst.

As end-of-life challenges become a growing part of the national conversation, authors are exploring how to have a good death as well as a good life. Atul Gawande's "Being Mortal" (2014) reflected on end-of-life care, and Paul Kalanithi's memoir of his terminal lung cancer, "When Breath Becomes Air" (2016), described the experience of the doctor as patient as

well as his search for life's meaning. Riggs—whose husband, John Duberstein, shepherded her manuscript to publication following her death in February—adds the perspective of a mother facing the unfathomable: that she will no longer be there to guide her children through to adulthood; that her beloved husband won't be able to teach them all that she can; that someone else will take her place in their lives.

For comfort and inspiration, Riggs turns to literature and poetry, including the work of one writer to whom she has a special connection: her great-great-great-grandfather Ralph Waldo Emerson. His musings help her keep her thoughts from spinning into darkness and chaos. Escaping from chemo one day, she walks into the woods, the taste of the drugs in her mouth and the steroids making her nearly manic. She is reminded of the drawing of a giant eyeball on long legs—dressed in top hat and waistcoat—that a 19th-century artist created to illustrate a passage in the essay "Nature." As Emerson wrote: "Standing on the bare ground—my head bathed by the blithe air, and uplifted into infinite spaces—all mean egotism vanishes. I become a transparent eye-ball; I am nothing; I see all; the currents of the Universal Being circulate through me; I am part or particle of God."

The image is exactly how the drugs make Riggs feel: a ludicrous transparent eyeball taking in all the currents around her. "Emerson felt that nature was the closest we can get to experiencing God, and he believed that in order to truly appreciate nature you must not only look at it and admire it but also be able to feel it taking over the senses," she explains, noting the irony of how her senses are being

As her cancer persists, the author turns to literature, poetry and her own dark sense of humor for comfort and inspiration.

heightened. "Emerson rolling in his grave: Steroids and chemo are the closest I get to God." She also draws succor from one of Emerson's heroes, the French essayist Montaigne, especially his words about the approach of death: "Let us make good use of our time. We still have so much of it that remains idle and ill-used."

But her mind is occupied by less philosophical thoughts as well. When her breast is removed, she and her husband joke about its whereabouts; she gets a breast-shaped cushion to fill her bra, but the dog finds it and devours it. In a terrible coincidence, her friend Ginny is also diagnosed with triple-negative breast cancer. The texting between them includes ideas for a morbid line of thank-you cards aimed at well-meaning but annoying "casserole bitches" who come bearing covered dishes and bat their eyelashes at the nearby husband. (Ginny catches one of them canoodling with her own spouse and adds divorce to her bucket list.) Among the suggestions: "Xanax is white, Zofran is blue, steroids make me feel like throttling you."

It is clear where Riggs gets her dark sense of humor: At the time she is diagnosed, her mother is fighting a long and ultimately losing battle against another malignancy, multiple myeloma, but keeps on with her life of book clubs, family dinners and wisecracking until the bitter end. Her reply to any text intended to cheer her up is a personal emoji with a hand coming out of the grave that says: "literally dying."

The mother-daughter relationship, fraught in the past, becomes a source of strength for both. They read Dr. Gawande's "Being Mortal" together and find that it defines a goal. As Riggs puts it: "how to distill what matters most to each of us in life in order to navigate our way toward the edge of it in a meaningful and satisfying way."

Riggs decides to love the days she has left as she would love any other stretch of days, keeping her children on course and her husband from falling to pieces. When the boys are annoyed that she is going back into chemo because she won't be there to pick them up from school or schlep them to piano lessons, she notes appreciatively that "their enormous self-centeredness is still intact." But they are not unscathed; one son makes a birthday wish that mommy's breast will grow back without cancer. When she decides that it will be educational to show them the linear accelerator that delivers her radiation, they admit later that they hated it and wish they hadn't seen it. "Whoops," she quips with regret, "I guess I just damaged everyone for life a little."

During a respite when the tumors stop growing, Riggs is able to take a trip to Paris with her husband and a family vacation at a theme park. She wants to say to those she loves most: I am sorry for what I am about to do to you. She panics over both the mundane and the momentous, worrying about unreturned library books and "the universe coming undone at the seams." But as she embraces her children in the early morning, she turns to Emerson's words about the start of a new day and the feeling it can bring: "to cease for a bright hour to be a prisoner of this sickly body and to become as large as the World."

Ms. Landro is the author of "Survivor: Taking Control of Your Fight Against Cancer."

A Turning Point for Trumpinology

POLITICS & IDEAS

By William A. Galston

A headline in Politico Monday read: "Trump national security team blindsided by NATO speech." If this report is correct, President Trump left his top team—national security adviser H.R. McMaster, Defense Secretary Jim Mattis and Secretary of State Rex Tillerson—in the dark regarding his May 25 speech at the North Atlantic Treaty Organization headquarters in Brussels. All three officials, Politico reports, believed the president's address would explicitly affirm his commitment to Article 5 of the NATO treaty, which states that an attack on one ally is an attack on all. Only when Mr. Trump began speaking did they realize he had removed the crucial sentence, reportedly with encouragement from chief strategist Steve Bannon.

In this context, it is especially troubling that Lt. Gen. McMaster and Gary Cohn, the head of the National Economic Council, teamed up to publish a startling defense of Mr. Trump's crockery-breaking European tour. The key doctrinal sentence runs: "The president embarked on his first foreign trip with a clear-eyed outlook that the world is not a 'global community' but an arena where nations, nongovernmental actors and businesses engage and compete for advantage."

Lest the reader conclude that the authors regard this as a disagreeable reality, they declare: "Rather than deny this elemental nature of international affairs, we embrace it."

Hooyay for the war of all against all! Lt. Gen. McMaster and Mr. Cohn are attacking a straw man. There is a lot of daylight between Hobbes and

Kant. Anarchy is not the only alternative to World Federalism.

Even if an all-encompassing global community does not exist, smaller subcommunities do, because regimes matter. Political scientists have shown that democracies are unlikely to wage war against one another. The core proposition of America's foreign policy for

Many thought a strong staff could steady the ship of state. No longer.

decades has been that democracies have something in common that mutes their antagonism toward one another and shapes a shared outlook on which to base mutual endeavors. NATO's persistence in the face of changing circumstances offers evidence for this proposition, as does inter-democratic cooperation on a host of international issues.

"At every stop in our journey," Lt. Gen. McMaster and Mr. Cohn continue, "we delivered a clear message to our friends and partners: Where our interests align, we are open to working together." The implication is that where they do not, we aren't.

I cannot imagine a blunter articulation of the transactional myopia that shapes this administration's policies. What about doing the right thing for

its own sake, as President George W. Bush did when he placed America's moral authority and material resources behind the global struggle against AIDS?

Worse, Lt. Gen. McMaster and Mr. Cohn tacitly presuppose a pinched, shortsighted understanding of American interests. This week marks the 70th anniversary of the Marshall Plan. If Mr. Trump had been president after World War II, the U.S. would not have offered such assistance to a struggling Europe. Why spend the equivalent of \$130 billion in today's dollars to give Europeans a hand up? Why not retreat across the Atlantic and leave them to their fate?

President Truman and Secretary of State George Marshall had learned the answer to these questions from Franklin Roosevelt: In the long run, the U.S. will not survive as an island of democracy in a sea of autocracy. If Americans cherish not only their prosperity but also their institutions, they need allies who share their principles. This is an example of what Alexis de Tocqueville termed "self-interest rightly understood." By contrast, Mr. Trump embraces self-interest wrongly understood, and his enablers, who surely know better, are helping him peddle this poison as medicine.

Yes, NATO partners should contribute more to the common defense. But even if they paid nothing, a free and democratic Europe would still serve the interests of the U.S.

The Left Celebrates a Terrorist—Again

By Jillian Kay Melchior

When the fourth bomb exploded in lower Manhattan on New Year's Eve 1982, Detective Richard Pastorella took shrapnel from his stomach to his scalp. It blinded him, maimed his right hand, left him nearly deaf. Surgeons used 22 titanium screws to hold together his ruined face.

The article's author, Susan Glasser, remarks that the episode represents "a significant moment of rupture inside the Trump administration": The president withheld information from his top advisers and then forced them to offer "awkward, unconvincing, after-the-fact claims that the speech really did amount to a commitment they knew it did not make."

I have talked with veteran national-security scholars and officials who regard this as a turning point in their assessment of the administration.

It took a backlash for Oscar López Rivera to lose his 'hero' status.

that "colonized people" have the right to use "all methods within reach, including force."

The Puerto Rican Day Parade had originally designated López Rivera its first-ever National Freedom Hero. After massive backlash, organizers tried to save face. He stepped down from his "formal role," they announced, but will still march.

So will the city's far-left political elite. Although both of the state's U.S. senators said they

wouldn't march, Mayor Bill de Blasio was willing to do so even when the terrorist was the official parade honoree. His office called the uproar "needless controversy." City Council Speaker Melissa Mark-Viverito overtly supported López Rivera.

That's part of a broader trend: Over the past year, the far left has repeatedly venerated terrorists and murderers. Take Rasmea Odeh. In 1969 her group, the Popular Front for the Liberation of Palestine, murdered two college students by planting a bomb in a box of sweets in a Jerusalem grocery.

Odeh awaits deportation after lying about her terrorism conviction on U.S. immigration papers. According to the feminist website Jezebel, she "epitomizes the progressive left movement and exemplifies the women to whom we should be listening." The Women's March gave Odeh a prominent role as it orchestrated the Day Without Women strike. She

has also gone on the campus speaking circuit.

Another leftist cause célèbre: Leonard Peltier, serving a life sentence for murdering two FBI agents at the Pine Ridge Indian Reservation in South Dakota in 1975. He and other assailants ambushed the men, riddling their cars with at least 125 bullets. As one agent lay wounded and another tried to surrender, Peltier shot both point-blank.

The Standing Rock alliance of environmentalists, Hollywood progressives and Native American activists have fought for Peltier's release, portraying his conviction as a legacy of the 1890 Wounded Knee massacre. The progressive media insists that it's conservatives who are violence-prone—especially in the era of Trump. But it's the left that champions monsters like Oscar López Rivera, Rasmea Odeh and Leonard Peltier.

Ms. Melchior is Heat Street's political editor.

OPINION

REVIEW & OUTLOOK

The Senate's Medicaid Moment

Senate Republicans are struggling to agree on health reform, and the biggest divide concerns Medicaid. The problem is that too many seem to accept the liberal line that reform inevitably means kicking Americans off government coverage.

This narrative serves the liberal goal of scaring the public to preserve ObamaCare, but center-right and even liberal states have spent more than a decade improving a program originally meant for poor women and children and the disabled. Even as ObamaCare changed Medicaid and exploded enrollment, these reforms are working, and the House bill is designed to encourage other states to follow.

The modern era of Medicaid reform began in 2007, when Governor Mitch Daniels signed the Healthy Indiana Plan that introduced consumer-directed insurance options, including Health Savings Accounts (HSAs). Two years later, Rhode Island Governor Donald Carcieri applied for a Medicaid block grant that gives states a fixed sum of money in return for Washington's regulatory forbearance. Both programs were designed to improve the incentives to manage costs and increase upward mobility so fewer people need Medicaid.

Over the first three years, the Rhode Island waiver saved some \$100 million in local funds and overall spending fell about \$3 billion below the \$12 billion cap. The fixed federal spending limit encouraged the state to innovate, such as reducing hospital admissions for chronic diseases or transitioning the frail elderly to community care from nursing homes.

The waiver has continued to pay dividends under Democratic Governor Gina Raimondo. Despite joining ObamaCare's Medicaid expansion, Rhode Island has held "per member, per month" spending—the category of block grant adopted by the House—to a minus-0.5% trend over the last five years without cutting eligibility or services. Notably, that measure excludes patients added under Medicaid's ObamaCare expansion, who tend to be healthier and thus require less spending than the typical enrollee. Overall per member, per month costs are falling 2.5% a year.

Block grants are now even routine in none other than Andrew Cuomo's New York. After a scandal where federal investigators concluded the state had systematically manipulated Medicaid payment formulas to generate federal payola for more than two decades, the Democratic Governor agreed in 2014 to a waiver that caps

The states are proving they can reform this program for the poor.

"global" spending at the growth rate of long-term health-care inflation (3.6%).

Meanwhile, Governor Mike Pence, Mr. Daniels' Hoosier State successor, updated the Healthy Indiana Plan with a reform called HIP 2.0 in 2015. His architect was Seema Verma, who now administers Medicaid nationally. Their insight

was that able-bodied, working-age adults living near the poverty line need a different type of coverage than do Medicaid's most vulnerable beneficiaries.

In other words, potential workers with earning capacity are better served by a temporary safety net than by a permanent open-ended entitlement. HIP 2.0 familiarizes members with basic commercial insurance practices like paying a monthly premium. To enroll in plans with a \$2,500 deductible and better benefits and quality than basic Medicaid, like dental coverage, they are required to pay 2% of income to an HSA. The first \$2,500 is picked up by the state, the money rolls over, and unused consumer contributions are refunded pro rata when they leave HIP 2.0.

According to an audit by the Lewin Group, 70% of Hoosiers in HIP 2.0 make regular contributions—85% of them below poverty, which means they recognize the value. If enrollees fall behind, they are bounced back to basic Medicaid. HIP 2.0 is paired with skills-training, job search and career counselors to help people move from public assistance to the workplace.

This reform honor roll could continue: the 21 states that have moved more than 75% of all beneficiaries to managed care, Colorado's pediatric "medical homes" program, Texas's Medicaid waiver to devolve control to localities from the Austin bureaucracy. But liberals and the media ignore this progress as they try to frighten the GOP into doing nothing.

They also ignore that some 600,000 Americans with disabilities, brain injuries and mental illness are now in purgatory on state Medicaid waiting lists, and they compete with new Medicaid's able-bodied adults for scarce resources. Better to prioritize the truly needy while promoting other goals like health outcomes or labor force attachment.

The political reality is that Republicans won't get a better chance to reform an entitlement if they muck this one. ObamaCare is imploding, with Anthem saying Tuesday it will leave 18 counties in Ohio next year. Senate Republicans need to settle their differences or prepare to get run out of town.

Justice Department and clerked for the late Justice Antonin Scalia, as well as the late Judge Robert Bork on the D.C. Circuit Court of Appeals. Following that distinguished tutelage, Mr. Manning has become one of the premier textualists in the legal academy, meaning that he emphasizes the importance of lawyers and judges reading and interpreting the plain text of a law.

Mr. Manning has been deputy dean and perhaps his competence in that role made him a natural choice for promotion. But in an academy

that usually treats conservatives like the walking dead, credit Harvard for promoting on merit regardless of ideology.

John Manning, the new dean of Harvard Law, is a conservative.

We're told Mr. Comey replied via email that he didn't have to answer the questions because he is now a "private citizen." But that same private citizen will be opining in front of a national TV audience before a committee investigating serious questions of law and intelligence. Mr. Comey shouldn't be able to pick and choose which of his memos he sends to Congress and which he can keep for his memoirs. If Mr. Comey wrote those memos while FBI director, as his talkative pals claim, the memos are government work product and he has a duty to provide them to investigators.

The "private citizen" excuse is useful in that it exposes that Mr. Comey's main goal will be providing testimony against Mr. Trump while reviving his own reputation. Tip for Thursday viewing: Notice if Mr. Comey answers questions selectively, ducking those he doesn't like behind the cover of Robert Mueller's special-counsel investigation.

The Intelligence Committee shouldn't let him get away with it. If Mr. Comey wants a public stage to tell his side of the Trump story, fair enough. But he should also be required to provide actual copies of his memos (if they exist), disclose with whom he shared them, and where they are now stored. He should also tell the country if President Trump was a target of the Russia investigation while he supervised it at the FBI.

Oh, and someone should also ask Mr. Comey if it's true, as the Washington Post has reported, that the FBI probe of Hillary Clinton's emails was triggered by a phony document provided by Russian intelligence. The point of this Congressional oversight is to help the public understand how Russia tried to meddle with American democracy, and Mr. Comey's duty didn't end with his dismissal.

Are You Sitting Down?

These pages have been reporting on the intellectual decline of American higher education, but maybe all is not lost. One near-miraculous sign of life is the appointment of constitutional law professor John Manning as the next dean of Harvard Law School.

Mr. Manning, who joined the law school faculty in 2004, takes over a post on July 1 that is typically held by a liberal, most notably by current Supreme Court Justice Elena Kagan. He is a well-known expert on administrative law and statutory interpretation who doesn't hide his jurisprudential conservatism.

The new dean has served two stints at the

Some good questions the former FBI chief prefers not to answer.

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The 'Private' Jim Comey

The media are pitching James Comey's Thursday testimony as the biggest since Watergate, and the former FBI director may provide high Trumpian drama. Let's hope Congress also challenges Mr. Comey on matters he'd rather not talk about.

The politically savvy Mr. Comey has a knack for speaking in congenial forums such as the clubby Senate Intelligence Committee he'll address Thursday. By contrast he is refusing to appear before the Senate Judiciary Committee—where he came under a grilling in May, days before he was fired—though there is no bar to him testifying more than once.

Circa News is also reporting (and we have confirmed) that Mr. Comey is refusing to answer seven questions sent to him in a letter from Judiciary on May 26. The bipartisan request is from Republican Chairman Chuck Grassley and ranking Democrat Dianne Feinstein, as well as the chairman and ranking Member of the Judiciary Subcommittee on Crime and Terrorism.

The questions are aimed at discovering how the contents of Mr. Comey's famous "memo" to himself came to be splashed across the press. This still private memo reportedly says President Trump asked Mr. Comey to back off an investigation into former National Security Adviser Michael Flynn, and its contents surfaced in the New York Times not long after Mr. Comey was fired—courtesy of an unidentified Comey associate.

The Judiciary letter asks if Mr. Comey created other memos about interactions with Justice Department officials or Mr. Trump; if he shared the contents of his memos with people inside or outside the Justice Department; if he retained copies of the memos, and if so to turn them over to the committee.

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LETTERS TO THE EDITOR

Leaving Paris: Good Move or Terrible Error?

Your editorial "Trump Bids Paris Adieu" (June 2) references our research to draw what we consider to be the exact wrong conclusion about the importance of the Paris agreement to addressing climate change. With full implementation of the nationally determined contributions that countries submitted in Paris, it is true that the world likely would still experience an unacceptable rise in global average temperature by 2100; but Paris is nevertheless a vital early step in a longer journey.

Full implementation of the agreement likely would reduce the temperature increase substantially, on the order of one degree Celsius compared with business as usual, according to several analyses. This may not sound like a lot, but consider that temperatures have risen about one degree since the pre-industrial age, and in that time we've seen retreats of mountain glaciers and accelerated sea-level rise. The 10 warmest years since 1880 all occurred in the last 19 years.

More importantly, the Paris agreement provides a mechanism for countries to regularly revisit their contributions and ratchet up their ambitions over time. That the Paris agreement does not do enough today to address climate change is a reason to stick with it and strengthen it—not abandon it. Paris provides an unprecedented framework for global cooperation on this serious threat. In our view, U.S. withdrawal from it is a grave mistake.

RON PRINN, Sc.D.
JOHN REILLY, Ph.D.
*Co-directors, Joint Program on the Science and Policy of Global Change,
Massachusetts Institute of Technology
Cambridge, Mass.*

Affluent countries are wealthy enough to afford air conditioners as the planet warms. The "get rich enough to not care" view ignores that the environmental cost is borne by the poorest populations. Pulling out of the Paris agreement increases the environmental cost on those countries while hogging the supposed economic benefit. America First policies are flagrantly immoral in this context.

TIM BULAT
Yardley, Pa.

In your editorial "Paris Climate Discord" (June 1) you imply that Germany is an example of a failed climate-change abatement program because its emission rate increased in the last two years while its electricity cost has risen greatly. Yes, Germany's emissions were about 0.7% higher in 2016 than in 2014, but that's in the context of its dramatic 27.0% net-emission decrease between 1990 and 2016.

RILEY NEWMAN
Irvine, Calif.

We're on track to meet the Paris climate deal target of a 26% drop in U.S. emissions between 2005 and 2025. U.S. emissions have already

dropped 14.5% since 2005 according to the U.S. Energy Information Administration. Most of the reduction in emissions is due to the increased use of natural gas. The private sector's development of fracking technology made this possible. Our emissions will continue to drop as technology and natural market forces seek to reduce input costs. The Paris climate deal is redundant.

ED KAHL
Woodside, Calif.

We need the answers to three questions if the Paris agreement is to be renegotiated. What are the primary components of the Paris agreement that impact the U.S.? What will it cost us when implemented? When will the agreement be sent to the Senate for ratification?

FRED STABBERT
Scottsdale, Ariz.

Watching whether President Trump exits the Paris accord is like watching your parents decide whether they plan on separating: It matters, but it doesn't really change anything ("Trump Quits Global Climate Accord," page one, June 2). They are still your parents, and they still need to raise you. The decarbonization of the human economy is coming one way or the other. Mounting pressure from generals because of the military threat of climate destabilization; frightening statistical analysis from re-insurers telling us that certain ZIP codes will be uninsurable; demands from shareholders that oil companies divulge the risks of climate change to the future viability of assets—these are the unavoidable details that need to be hashed out like custody and compensation in a nasty divorce.

PAM BRENNAN
Newport Beach, Calif.

The environmental denier is ceding America's leadership in the world. No more will other countries follow our lead, or even agree to cooperate with us, having seen that at any time our president can pull out, rescind and cancel our agreed-upon responsibilities. We are losing the competition to lead the next technological revolution, that of sustainable energy production. China now leads in solar, Denmark in wind and the Netherlands in tides. America leads in turning backward and inward. As our planet's temperature increases, we will suffer more destruction from hurricanes, floods, drought and fires. Instead of creating productive jobs by committing to sustainable energy, we will require jobs to clean up debris, fight fires, build seawalls and bury victims.

BRUCE JOFFE
Piedmont, Calif.

President Trump should terminate the crony capitalism subsidies on which Elon Musk's electric-car dreams are based, not in retaliation but because the subsidies are rent-seeking and bad business.

GERALD KATZ
Edwards, Colo.

Nationalism Won't Defang Islamic Radicals

Regarding Sohrab Ahmari's "The Weekend Interview with Pierre Manent: How Nationalism Can Solve the Crisis of Islam" (May 27): A word of caution when using the term nationalism as a solution for the more strident forms of radical Islam. If we look to Sayyid Qutb (1906-1966) in Egypt, we see a radical whose idealism was baptized in nationalistic resentment of colonialism and its lingering effects.

Fertile minds can be easily stirred with nationalist thinking and, throw in a dash of Salafism, and we're right back where we started.

True, sovereign nations need to be involved in sorting out the issues that arise on their own doorsteps, but we must remember: Any nation whose laws are man-made or accepts military aid from the West is fair game for radicals. Those things violate the concept of Tawhid. Perhaps we should learn more about what motivates radicals. Alwala' wal bara' (loyalty and disavowal) is a good place to start.

JARED WHITE
Montgomery, Ala.

Pierre Manent's attempt to reduce the complications of Islamic fundamentalism—nonseparation of church and state, nonfreedom of speech or conscience, nonequality of religions or sexes, such as treatment of women and non-Muslims in courts of law, etc.—isn't going to solve the basic conflicts. The Islamist resolution may take centuries or mere decades at the

present speed where immigration is speedily overrunning non-Muslim populations. Many Muslims live peacefully in Western nations. However, even in the most hospitable societies where every accommodation is made for practice of faith, including redacting any language which might offend, this doesn't necessarily accelerate the lessening of attachments to the fundamentals of Islam which contradict Western Enlightenment ideals.

The core tenets of the ideology, and not the manner in which the superficial aspects are accepted, leave the West with its grave dilemma. The declared agenda of the Muslim Brotherhood, which aims to take down the West and replace it with a caliphate, won't be satisfied with anything less.

JUDITH HERSHON
Oyster Bay, N.Y.

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

How Theresa May Led the Tories Astray

By Joseph C. Sternberg

Theresa May is gambling this week's election, her political career, and Britain's future on a theory.

The prime minister and her advisers believe that if their Conservative Party moves far enough to the left, it can mop up the economically disaffected but risk-averse voters turned off by Labour's hard-left turn in recent years.

It's not working. Mrs. May's early 20-point lead has all but evaporated. This despite a Labour Party

Britain's Conservatives are forgetting at their peril that parties of the right must be parties of growth.

in disarray with a leader, Jeremy Corbyn, whose views on economics and foreign policy are out of step with most of his own party, let alone the country. Mrs. May will probably still be prime minister after Thursday's vote. But she'll preside over a party adrift and divided, opposite a newly emboldened radical fringe in Labour.

* * *

Mrs. May's strategy is nothing new. Many corners of the Conservative Party never made their peace with Margaret Thatcher's gutsy embrace of free markets. They complained Thatcher had emboldened right-wing ideologues. The economic rejuvenation that the Thatcherites engineered had won over voters for a time. But to the detractors, big losses in 1997 and 2001 revealed that Thatcherism was too socially divisive to be politically sustainable.

Mrs. May became party chairman in 2002 and established herself as a tribune for those trying to return the Conservatives to their supposed moderate glory. In her first speech to a

party conference as chairman, Mrs. May more or less admitted that the caricature of the Tories as the "nasty party" was accurate and that the party needed to broaden its appeal.

At first this meant playing down traditionalist views on social issues such as gay marriage, while promising better management of the welfare state, especially the National Health Service, instead of an overhaul. Under Prime Minister David Cameron the Tories became a party of green-energy mandates and middle-class subsidies such as child-care allowances.

Mrs. May now hopes to complete the party's transformation, with help from advisers who first joined her staff when she was home secretary in Mr. Cameron's government. Nick Timothy and Fiona Hill, now co-chiefs of staff at No. 10 Downing Street, both come from middle-class roots similar to the vicar's daughter Mrs. May. Both have helped engineer her latest twist on Tory modernization.

Mr. Timothy is eloquent on the need to turn the Conservatives into a working-class party. In an essay last year, he wrote of how he was attracted to the Tories in the early 1990s because their education policies would give a working-class boy from Birmingham like him the best opportunity to improve his life. The Tories, he says, should appeal to working-class voters who crave the competence and stability Conservative governance offers. Voters only need to be persuaded the party has their best interests at heart.

There's a disconnect here. Mr. Timothy wrote that by age 12 he had concluded "Labour, in the pursuit of equality, only hold people back, but it



Theresa May as Conservative Party chairman, 2002.

is the Conservatives who help you to go as far as your potential allows." That ought to be an argument for getting government out of the way and reviving economic growth. Instead, translated into practical politics, it becomes a pander to lower-income voters, offering Labour-style handouts instead of Thatcher-style opportunities.

Mrs. May started her tenure as prime minister last year with jeremiads against greedy corporations, flirtations with putting workers on corporate boards, and talk of a "modern industrial strategy." This philosophy reached full flower in the party manifesto last month. That document abandoned Mr. Cameron's pledge not to increase income-tax rates and promised to throw another £8 billion

at an unreformed NHS. The manifesto was light on economic growth and heavy on giveaways, such as a regulatory cap on household energy prices.

The trouble is that voters simply don't trust the Tory conversion. Mrs. May has steadily lost ground to Labour during the campaign, despite Mr. Corbyn's stumbles. Polls show voters credit Mrs. May's promise to deliver the "strong and stable" leadership the country needs, and they trust the Tories more on law and order, immigration and Brexit. On a range of other concerns, however, from the NHS to education and housing, Labour has a significant edge in public confidence, suggesting it's poised for a comeback if the economy falters post-Brexit.

Perhaps this explains Mrs. May's biggest campaign fiasco: her botched proposal to reform old-age-care entitlements. The gist of the plan was to equalize subsidies for elderly people, in part by requiring wealthier beneficiaries to apply more of the value of their homes to the costs of care from nurses making house calls.

This should have been a winner for kinder, gentler Tories. It would have been a boon for poorer retirees in nursing homes, who would have received bigger subsidies. It would have come at the cost of wealthier elderly, who currently enjoy heavily subsidized home care and then get to pass their houses to their heirs.

It failed because no matter how much Tory modernizers say they're on the side of the little guy, a skeptical media—and a lot of Labour-inclined "little guys"—don't believe it. Labour, which promises an additional £30 billion for the NHS and free hospital parking, needed only to brand

the social-care reform as a "dementia tax" and it was doomed.

That raises a question: Can out-Labouring Labour ever be a viable strategy for the Tories—especially when Labour is re-embracing outright socialism? If the party of the right offers only less of the same—money for entitlements, but not as much; strong rhetoric about income inequality, but less action; and so on—voters might as well go with the party they're certain believes in those things. The Tories make a compelling case that they can run the entitlement state more competently. But they'll never beat Labour if they try to convince voters they believe more sincerely in government.

* * *

Mr. Corbyn's perverse political genius is in failing to convert these political trends into a Labour victory. If Bernie Sanders were British, he'd stand a good chance of winning.

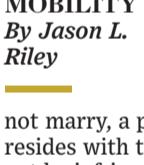
No matter. America's "reformicon" conservatives will be eager to treat a May victory, even a surprisingly narrow one, as vindication of their own attempt to pull the Republican Party to the left. But Mrs. May will win because the opposition is feeble and despite voters' doubts about her economic policies.

Mrs. May and her aides are correct that parties of the right need to do a better job of communicating with voters. But don't mistake that for pandering. Conservatives need to be honest about how freedom—of people, minds and markets—is the solution to our vexing social and economic problems, not their cause.

The main political insight of Thatcher and Reagan was that parties of the center-right must be parties of economic growth. Having wavered since, those parties now risk losing their way entirely. Some centrists will argue, quirks of this campaign notwithstanding, that Mrs. May shows how to win an election. The important question for conservatives to ask is: To what end?

Mr. Sternberg is editorial page editor of *The Wall Street Journal Europe*.

50 Years After *Loving v. Virginia*, Colleges Embrace Segregation



June 12 marks the 50th anniversary of the Supreme Court's 1967 ruling in *Loving v. Virginia*, which held that states could no longer prohibit marriages on racial grounds.

"Under our Constitution, the freedom to marry, or not marry, a person of another race resides with the individual and cannot be infringed by the State," wrote Chief Justice Earl Warren. Like an earlier landmark decision on race, *Brown v. Board of Education* (1954), the *Loving* opinion was unanimous and brief—just 10 pages long. It was also unsurprising.

For starters, nearly two decades earlier, in 1948, the California Supreme Court had already ruled that the state's antimiscegenation law violated the U.S. Constitution's 14th Amendment. Court rulings aside, polling showed that racial attitudes among whites nationwide had shifted significantly in the postwar period. Between 1942 and 1963, white support for school integration grew to 62% from 30%, and white

backing for neighborhood integration jumped to 64% from 35%. By the early 1960s, 79% of whites supported integrated public transportation, up from 44% in the early 1940s.

As Harvard Law Professor Randall Kennedy wrote in "Interracial Intimacies," his book on the history of cross-racial romance, the high court's *Loving* decision helped to further an existing (and welcome) trend. "Although a large majority of whites continued to disapprove of interracial marriage throughout the 1960s—in 1964, 60 percent of adult whites polled declared their support for antimiscegenation laws—the matrimonial color bar eventually suffered the same fate as all the other customs and laws of segregation." Nor were white views the only ones evolving. In 1968 only 48% of blacks approved of mixed marriages.

The *Loving* decision was handed down amid a civil-rights movement in full swing. The 1963 March on Washington had already occurred. The 1964 Civil Rights Act and the 1965 Voting Rights Act had already passed. In 1967 Hollywood released "Guess Who's Coming to Dinner" about an interracial couple planning

to marry, and it became a box-office hit. In 1967 Peggy Rusk, daughter of President Lyndon Johnson's secretary of state, Dean Rusk, married Guy Smith, a black man. Time magazine called it "a marriage of enlightenment" and featured a wedding photo of the couple on its cover.

Students have demanded free tuition and housing for blacks as well as black-only dorms.

The irony is that we will mark the 50th anniversary of *Loving* at a time when race-consciousness is once again ascendant, not only among "alt-right" types, but more tellingly among self-styled progressives and left-wing institutions that once worked so hard to combat Jim Crow policies. The liberals who are cheering the recent removal of Confederate monuments to racial separatism also indulge the separatist rhetoric of groups like Black Lives Matter. Dr. Martin Luther King Jr.'s calls for colorblind policies seem as

dated as concerns about interracial hookups.

College campuses offer near-daily examples of this liberal devolution on racial matters. The most prominent recent episode involves Bret Weinstein, a biology professor at Evergreen State College in Olympia, Wash., who has come under fire from students and fellow faculty members for criticizing the school's "Day of Absence" protest, which involved whites quitting campus for the day.

Sadly, these antics have become commonplace in recent years. Students at the University of Wisconsin have demanded free tuition and housing for blacks. At the University of Michigan, a student group that previously complained about the lack of racial "diversity" and "inclusion" at the school has since requested a safe space on campus reserved for students of color to gather. At the University of Missouri, only students of color were invited to participate in a "die-in" protesting the shooting death of Michael Brown in Ferguson.

If the student demands are getting more outrageous, it's only because the authorities on campus

have become more compliant. Last year, at the urging of the school's black student union, California State University, Los Angeles began offering segregated housing for black students. The University of Connecticut, the University of California, Davis and the University of California, Berkeley are among the colleges that have similar arrangements in place. "While these housing options are technically open to all students," reported the College Fix, "they're billed and used as arrangements in which black students can live with one another."

This year, Harvard held its first-ever commencement ceremony for black graduate students. The New York Times reported that racially segregated end-of-year ceremonies "like the one held at Harvard have become more mainstream, more openly embraced by universities and more common than ever before."

Many on the left today seem unable to decide whether all those Southern segregationists were wrong—or just ahead of their time. Progressives were more certain of themselves 50 years ago, and the court that decided *Loving* was right to follow their lead.

Where Have All the Inspectors General Gone?

By Joseph E. Schmitz

The promises contained in the Trump campaign's "Contract With the American Voter" began with "restoring honesty and accountability, and bringing change to Washington" and ended with a pledge to "drain the swamp and reduce the corrupting influence of special interests on our politics." Now that he's president, Donald Trump has an opportunity to make good on these pledges by

filling 12 vacant inspector general spots at federal agencies including the Defense and Energy departments, Central Intelligence Agency, National Security Agency, and Office of the Director of National Intelligence.

The Inspector General Act of 1978 mandates that inspectors general at cabinet-level agencies "shall be appointed by the President, by and with the advice and consent of the Senate, without regard to political affiliation and solely on the basis of

integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations."

Currently 34 of the federal government's 73 inspectors general require appointment by the president. The rest—typically at federal offices—are appointed by the agencies themselves. According to the Project on Government Oversight, the Interior Department has been without a permanent inspector general since Feb. 23, 2009. The vacancy at the CIA dates to Jan. 31, 2015.

Inspector-general vacancies in the intelligence agencies can be "very, very damaging," to quote former CIA Director John Brennan's recent testimony about Washington's "culture of leaks." Many of the current vacancies are at least in part the fault of Senate Democrats and anti-Trump Republicans, who have deliberately slowed the confirmation process in order to hurt the president.

In the absence of fully vetted, Senate-confirmed appointees, acting inspectors general are charged with monitoring vast, occasionally recalcitrant federal bureaucracies. Often viewed as temporary and toothless, acting inspectors general typically don't have the enforcement clout necessary to investigate misdeeds and root out corruption. In 2012, Sen. Charles Grassley (R., Iowa), issued a statement critical of

the Obama administration's reliance on acting inspectors general rather than fully vetted and Senate-confirmed ones: "Even the best acting inspector general lacks the standing to make lasting changes needed to improve his or her office."

That was nine months before the attack on a diplomatic compound in Benghazi, Libya. The State Department's office of inspector general

The Pentagon is without a permanent watchdog—and so are the CIA and NSA.

Trump should fix this fast.

By law that task falls to the deputy director for management at the Office of Management and Budget. This senior OMB official also serves as the executive chairman of the Council of the Inspectors General on Integrity and Efficiency. In this role, the OMB deputy director for management can and should establish a leadership-driven system for hiring and retaining the best inspectors general. Reining in politically motivated inspectors general who leak sensitive investigatory findings in order to promote their own agendas should also be a priority.

As ex officio leader of the entire inspector-general community, the OMB deputy director for management should also provide dynamic leadership. Unfortunately, a Senate-confirmed appointee has not yet been named. As a result, the inspector-general community is leaderless.

In this era of rampant leaks, "resistance" and "deep state" abuses of power, Senate-confirmed inspectors general and proactive leadership from the top are needed more than ever. These essential government watchdogs ought to be front and center in carrying out President Trump's pledge to drain the swamp.

Mr. Schmitz served as Defense Department inspector general, 2002-05, and is now a partner at the law firm of Schmitz & Socarras LLP.

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WORLD NEWS

Top U.S. Diplomat in Beijing Quits Post

State Department veteran steps down to protest decision to exit Paris agreement

BELJING—The top-ranking U.S. diplomat in Beijing resigned over President Donald Trump's decision to withdraw from the Paris climate accord, depleting already thinned-out

By **Josh Chin,**
Te-Ping Chen
and **Brian Spegele**

State Department ranks and depriving Washington of one of its most experienced China hands.

David Rank, a 27-year veteran of the State Department, has been running the embassy

in Beijing as chargé d'affaires since January. He had been expected to continue in that role until Mr. Trump's pick for ambassador, former Iowa Gov. Terry Branstad, arrives.

Mr. Rank, who couldn't be reached to comment, announced his resignation at a town hall for embassy staff on Monday. He said his conscience prevented him from carrying out his duties after Mr. Trump's decision on the climate-change agreement, people who were at the meeting said.

U.S. Energy Secretary Rick Perry arrived in Beijing this week to attend an international gathering on clean energy and meet with Chinese officials. It would have been Mr. Rank's job to accompany Mr. Perry to those meetings



David Rank, right, had been running the embassy since January.

and help explain the Trump administration's decision to exit from the Paris agreement.

U.S. divisions over energy policy played out against the backdrop of Mr. Perry's visit as another visitor, California Gov.

Jerry Brown, was received at the Great Hall of the People by President Xi Jinping. The Chinese Foreign Ministry described Mr. Xi as telling Mr. Brown he valued local-level cooperation with the U.S. "It was very clear

that he welcomes an increased role on the part of California" to fight climate change, Mr. Brown told reporters.

Mr. Perry wasn't expected to meet with Mr. Xi this week.

Mr. Rank's resignation comes as the Trump administration relies less on experienced career diplomats in its dealings with Asia. A diminished role for the State Department and its embassies has left foreign policy for the region in the hands of a few of the president's advisers, including Jared Kushner, his son-in-law.

Career foreign-service officers at the embassy in Beijing said they were largely kept out of the loop when U.S. Secretary of State Rex Tillerson visited China in March.

Permanent candidates for

scores of senior positions at the State Department, including that of assistant secretary for East Asian and Pacific Affairs, remain vacant.

"Dave Rank is the best America has to offer," said Scott Mulhauser, a former embassy chief of staff in Beijing. "There is a reason he's received ever-tougher postings from presidents and secretaries on all sides of the political spectrum."

Mr. Rank has been succeeded by economic counselor Jonathan Fritz, a spokeswoman for the U.S. Embassy said.

Mr. Rank's departure was reported on Twitter by John Pomfret, a former Washington Post reporter who works for China news startup SupChina. Mr. Fritz couldn't be reached for comment.

Don't Count on China as the World's Next Climate Crusader



CHINA'S WORLD
By Andrew Browne

BEIJING—For years, a wide spectrum of groups in the U.S. lectured, cajoled and entreated China to go green.

Multinationals and nonprofits teamed up with Chinese environmental groups to promote eco-friendly causes; Coca-Cola restored forests in the upper Yangtze.

U.S. labs offered scientific support. Academics collaborated on research. The former Treasury secretary, Hank Paulson, championed China's disappearing wetlands, a haven for migratory birds.

The effort amplified voices within China demanding the government take action. It was, said Orville Schell, a longtime China watcher and environmentalist, "the most effective missionary work in the past couple hundred years."

It is an irony of historic proportions how the roles have reversed: China, the world's worst polluter by far, is now a convert on climate change while the White House under Donald Trump has turned apostate.

In pulling out of the 2015



People made their way through heavy smog on an extremely polluted day in Shengfang, Hebei province, in December.

DANIS SAGOL/REUTERS

Paris climate-change agreement, Mr. Trump has repudiated a signal accomplishment of the Obama presidency: persuading Beijing to become a partner in the effort to prevent the planet from heating up to the point of no return. Without China's support, the Paris deal might have fallen apart.

Mr. Paulson said he was dismayed and disappointed. "We have left a void for others to fill."

Can China step in?

When it comes to the environment, China is still torn by conflicting priorities. It has installed more solar and wind capacity than any other nation—and plans to invest another \$360 billion in renewable energy between now and 2020.

The economy is rebalancing away from heavy industry and manufacturing toward much cleaner services and consumption.

Coal consumption has declined for three straight years. On current trends, many scientists expect that China will reach peak carbon emissions well before its target date of 2030 under the Paris accord. Yet Beijing remains committed to rapid growth. And coal is still king.

This winter was particularly hard on the lungs. A spending splurge meant Beijing's average pollution levels last year were double the national standard set by the State Council.

America's absence from the Paris accord weakens the global fight against climate change, while strengthening China's position in clean technologies of the future. Beijing seems eager to seize the moral high ground. President Xi Jinping has vowed to "protect" the climate-change agreement.

By 2020, every Chinese

coal-fired power station will be required to achieve an efficiency standard so high that not a single U.S. plant could meet it today, according to a report by the Center for American Progress, a liberal think tank.

Meanwhile, Mr. Trump has scrapped the Obama-era Clean Power Plan to curb power-plant emissions.

For much of the past four decades, China has pursued go-for-broke industrialization. Then Beijing's political calculus shifted. Urban residents rebelled at the smog, and when protests threatened social stability, the government began to embrace a green agenda.

That said, among Communist Party leaders the fear of environmental protests is matched by apprehension about the consequences of slower development. They have staked their credibility on China catching up to, and overtaking, America.

President Xi proclaims "supply-side reform," by which he means shutting down overcapacity in heavily polluting state industries.

On the other hand, his monumentally ambitious Silk Road plan to build trading infrastructure from Asia to Europe via the Middle East and Africa will prolong the life of some of the heaviest emitters making steel, glass, aluminum and cement—and export the country's carbon problem.

China may be going green, but it isn't there yet. On the environment as in trade, another area where Mr. Trump seems determined to abandon America's global leadership, don't look to China to supply the crusading zeal.

WORLD WATCH

AFGHANISTAN

Taliban Rocket Hits India Envoy's Home

A Taliban rocket hit the Kabul home of India's envoy to Afghanistan, fueling security concerns as officials gathered in the capital for a peace conference amid the worst outbreak of violence since the U.S.-led invasion in 2001.

The rocket didn't cause any injuries, the Indian Embassy said. The residence is in the Green Zone, home to embassies and military bases. The Taliban said the rocket was intended for the U.S. military's headquarters.

At least 650 people have been killed or wounded in Kabul in the past week, the majority in a truck bombing just outside an entrance to the Green Zone.

The surge in violence has split President Ashraf Ghani's unity government, rekindling fears of ethnic tension.

—Habib Khan Totakhil

YEMEN

Cholera Epidemic Yet To Peak, WHO Says

A cholera epidemic in Yemen has killed at least 681 people and the outbreak has yet to peak, according to World Health Organization figures showing an increase in the death toll of nearly 50% since its last update on May 27.

WHO figures taken between April 27 and June 4 show 86,422 suspected cholera cases were recorded in 19 of Yemen's 23 governorates.

—Reuters

Canada Signals Break With American Isolation

BY PAUL VIEIRA

OTTAWA—Canada signaled it would pursue foreign-policy objectives that are in contrast to the growing isolationism of the U.S., marking a shift away from its historic alignment with its neighbor and most important trading partner.

In a speech to the legislature on Tuesday, Foreign Minister Chrystia Freeland took the unusual step of expressing Canadian government discontent with the U.S., citing concerns about America's growing protectionism, its withdrawal from the Paris climate-change

agreement and the desire by its voters to "shred off the burden of leadership" globally.

Canada plans to strengthen its military presence in the most dangerous parts of the world, Ms. Freeland said, and will on Wednesday release details on spending plans for a new defense policy. A boost in military spending and greater engagement would mark a departure for the Liberal government of Prime Minister Justin Trudeau, who was elected on a campaign promise to end Canada's direct combat role in the fight against Islamic State.

"To rely solely on the U.S.

security umbrella would make us a client state," she said. "Such a dependence would not be in Canada's interest....The fact that our friend and ally has come to question the very worth of its mantle of global leadership puts into sharper focus the need for the rest of us to set our own clear and sovereign course," Ms. Freeland said.

While Ms. Freeland didn't name U.S. President Donald Trump, she left little doubt that she was talking about U.S. leadership as she described the distance between the Canadian government and Trump administration policies on global

trade, climate change, the commitment to the North Atlantic Treaty Organization and the pursuit of women's rights, including access to safe abortions.

The remarks are the latest in a string of warnings from world leaders about the risks of U.S. isolationism. German Chancellor Angela Merkel said Europe can no longer rely on other countries, underscoring her concern with U.S. policy such as Mr. Trump's refusal to publicly back a core tenet of NATO, that an attack on one member is an attack on all.

Ms. Freeland highlighted Canada's differences with the

U.S. even as she faces renegotiating the North American Free Trade Agreement. Mr. Trump was elected in part on a vow to revamp the trade pact incorporating the U.S., Canada and Mexico, which he has blamed for U.S. job losses.

That criticism is misplaced, Ms. Freeland said. "It is wrong to view the woes of our middle class as the result of fiendish behavior by foreigners," she said. "The real culprit is domestic policy that fails to appreciate that continued growth, and political stability, depend on domestic measures that share the wealth."

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—Reuters

Brazilian Court Weighs President's Fate

By SAMANTHA PEARSON
AND PAULO TREVISANI

BRASÍLIA—President Michel Temer faces his biggest test yet as Brazil's top electoral court on Tuesday began a landmark trial to rule on whether to strip him of the presidency over alleged illegal campaign financing.

The closely watched case is set to decide the unpopular leader's fate and affect his plans to overhaul Latin America's biggest economy.

Three years into Brazil's massive "Car Wash" corruption investigation, the Superior Electoral Tribunal, or TSE, is believed by analysts to have ample evidence that the 2014 presidential ticket benefited from illicit funding. Herminio Benjamin, the justice over-

seeing the trial, on Tuesday night dismissed last-minute requests to throw out the case.

Mr. Temer and Dilma Rousseff, who won the 2014 election with Mr. Temer as her vice presidential running mate, are under investigation by the TSE for allegedly using proceeds from the country's corruption scheme at oil company Petrobras to fund their campaign. Mr. Temer and Ms. Rousseff deny wrongdoing. Petrobras has said it was a victim of the scheme.

Until now, the court has moved slowly on the allegations, in part because of legal wrangling over evidence. Legal experts also say the conservative court was reluctant to topple the business-friendly president and plunge Brazil into a new crisis just as the

country emerges from its worst recession on record.

But testimony released by Brazil's Supreme Court in May in which executives of meatpacking giant JBS SA said they paid bribes to Mr. Temer as part of the country's vast corruption scandal has paralyzed his government and put pressure on the TSE to act. Mr. Temer denies he accepted bribes.

"Until two weeks ago, the TSE was headed to [spare Mr. Temer] due to strictly political reasons," said Christopher Garman at political risk consultancy Eurasia Group.

"There was clear consensus in Brasilia that stripping Temer of his mandate could generate a new political, economic and institutional crisis that political and economic elites desperately wanted to avoid," he said. "The million-dollar question now is whether the scandal that rocked Brasilia [in May] has inverted that logic."

Legal experts say the TSE's justices will likely be swayed by a desire to ease a deep political crisis—though it is unclear if that means ousting Mr. Temer or keeping him in power.

Mr. Temer has no clear successor. As the former vice president of Ms. Rousseff, who was impeached last year, Mr. Temer has no vice president.

Popularity Contest

How Brazilians view President Michel Temer compared to former President Dilma Rousseff

■ Temer is worse than Rousseff
■ Like them equally
■ Temer is better than Rousseff
■ Don't know/no answer

45%

40%

35%

30%

25%

20%

15%

10%

5%

0%

2016 2017

Source: IBOPE Inteligência polls for the National Confederation of Industry; most recent of 2,000 people conducted March 16-19; margin of error: +/- 2.0 percentage pts.

THE WALL STREET JOURNAL.

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, June 7, 2017 | B1

S&P 2429.33 ▼ 0.28%

S&P FIN ▼ 0.42%

S&PIT ▼ 0.18%

DJ TRANS ▼ 0.35%

WSJ \$IDX ▼ 0.35%

LIBOR 3M 1.219

NIKKEI (Midday) 19916.85 ▼ 0.32%

See more at WSJMarkets.com

Markets Rally in Unusual Lockstep

Worry increases about vulnerability to sharp reversal as economy grows weakly

BY MIN ZENG
AND BEN EISEN

Stocks, bonds, gold and bitcoin—assets that rarely move in unison—have all been surging this spring, an everything rally that leaves investors confounded about how to play the plodding U.S. expansion and vulnerable to sharp reversals in fortune.

Major U.S. stock indexes have soared to records this month, reflecting some investors' confidence in the continued U.S. economic recovery along with expectations that large technology firms will accrue further market-share

gains. At the same time prices of bonds, which often decline when stocks are rising, have risen lately, as U.S. inflation readings cooled off alongside a slowdown in some key industries.

Gold has gained following terror attacks in the U.K., and turmoil in U.S. politics centering on the administration's legislative prospects and a key congressional hearing this week featuring former FBI director James Comey.

The simultaneous gains have begun to concern some investors. Many point to a wave of money that is driving up asset prices, tied in part to lower bond yields and a lower dollar—a confluence of events they say feels good while it lasts but can't go on forever.

"We do think there are distortions" in the markets, said Iman Brivanlou, who oversees

high-income equities at asset manager TCW Group Inc.

The Dow Industrials this month have posted two record closes, their first since March, and the 30-stock index remains just 0.33% below its all-time

share. Bitcoin has tripled this year, hitting a record high Tuesday.

At the same time, 10-year U.S. Treasury yields on Tuesday sank to their 2017 low at 2.147%, and the price of gold, long viewed as a barometer of market concern about potential risks ahead, settled at \$1,294.40, its highest in seven months.

A Goldman Sachs Group index of financial conditions that takes into account credit spreads, equity prices and other market gauges, this month suggested the easiest conditions since early 2015, before the Federal Reserve began lifting rates.

Another measure of stress in U.S. money markets fell to near its lowest in seven years, while measures of expected stock-market swings have been at the lowest in a decade.

While low interest rates and

2.147%

Yield of the 10-year U.S. Treasury note on Tuesday

high despite a decline Tuesday of 47.81 points to 21136.23.

The Nasdaq Composite Index has hit more than three dozen new highs this year, reflecting the surge of red-hot tech stocks such as Alphabet and Amazon.com, both of which this month have surpassed \$1,000 a

expansive stimulus of the Federal Reserve, European Central Bank and Bank of Japan are viewed as supporting the recovery of markets since the crisis of 2008. Mr. Brivanlou of TCW and others worry that rising asset prices signal complacency at a time when many drivers of the U.S. rebound—including key measures of the health of the housing, auto and retail sectors—are in decline.

Central-bank stimulus typically drives down lending costs, encouraging borrowing and pushing investors to take more risks in search of income. Many worry that after years of those supportive policies, a market view has taken hold that central bankers will come to the rescue when markets fall.

Mr. Brivanlou said it has become more difficult to find high-dividend stocks to buy for

Please see RALLY page B15

Uber Fires Over 20 In Wake Of Probe

BY GREG BENSINGER
AND JOANN S. LUBLIN

Uber Technologies Inc. has fired more than 20 workers as a result of an investigation into claims it has an aggressive, male-dominated workplace that permits sexual harassment and sexism, according to an employee who attended a companywide meeting Tuesday.

The ride-hailing company told its more than 12,000 employees that law firm Perkins Coie LLP investigated 215 claims relating to workplace behavior and that no action was taken on 100 of them, according to this person. The names of those fired weren't disclosed.

Uber declined to comment. The firings mark the initial fallout from two investigations Uber ordered after a February blog post by former software engineer Susan Fowler Rigetti claimed management had ignored complaints from her and other female workers of sexual harassment and sexism by their managers.

Uber is expected to release in the coming days an executive summary of a report prepared by former U.S. Attorney General Eric Holder, who along with his law firm, Covington & Burling LLP, was hired to help investigate the San Francisco company's practices and recommend changes. Perkins Coie was retained, in part, to look into Ms. Fowler Rigetti's claims.

It is highly unusual for a company to dismiss more than 20 people over claims of sexual harassment, sexism or other workplace matters, according to Rick Rossein, a law professor at City University of New York. Bloomberg News earlier reported news of the firings.

Bernard Coleman, Uber's head of diversity, said later on Tuesday that part of the company's cultural problems may stem from focusing too much on its ride-sharing service and not on its workplace during its early years. Fixing these problems now is more difficult because of Uber's size, he said.

The executive, who joined Uber in January after holding the chief diversity role for Hillary Clinton's presidential campaign, said the company will soon roll out diversity and inclusion training.

Uber has scrambled to repair its image in the wake of executive departures, a federal probe into its business operation, a lawsuit by Google parent Alphabet Inc. over alleged trade-secret theft, and the company's admission that it erroneously withheld tens of millions of dollars from New York City drivers over more than two years.

—Douglas MacMillan contributed to this article.

Bitcoin Trades Full Speed Ahead

BY PAUL VIGNA

Bitcoin, the digital currency, hit a record of \$2,967 early Tuesday after having roughly tripled this year.

Given bitcoin's history of volatility, a tumble at some point seems inevitable.

The currency's backers don't necessarily disagree. They just don't care.

"This is probably the third or fourth bubble, if you want to call it that, in digital currency that we've gone through," says Brian Armstrong, founder and chief executive of San Francisco-based bitcoin-services firm Coinbase, which supports bitcoin trading.

Waves of demand for bitcoin tend to bring hype and volatility, but also new money, new ideas and new people to the unregulated currency and its offshoots. The result is that the world of cryptocurrencies is larger than it was before.

"A bunch of new people who had never heard about it are going to learn about it," says Mr. Armstrong.

Tony Horsley, a 78-year-old Atlanta investor whose portfolio includes 12 stable companies including Apple Inc. and Berkshire Hathaway Inc., says bitcoin's huge price run-up in the past two months has made him curious and given him an idea to add "a little excitement to the mix."

"When you get to my age, you can afford to take a few risks," Mr. Horsley says. He hasn't invested yet.

A stateless currency launched in 2009, bitcoin isn't controlled by any entity or government. Maintained by a decentralized network of computers, it is designed to quickly and cheaply match users with each other, sidestepping middlemen like banks.

The number of people using bitcoin is hard to pinpoint, but each new leg up in the price increases its mainstream exposure.

Please see BITCOIN page B2



A Prime Now fulfillment center. Online retail giant Amazon.com is looking to make its Prime membership program more accessible.

PATRICK T. FALCON FOR THE WALL STREET JOURNAL

Amazon Invades Wal-Mart's Turf

BY LAURA STEVENS
AND SARAH NASSAUER

Amazon.com Inc. launched the latest salvo in an e-commerce battle with Wal-Mart Stores Inc. by targeting its stronghold: lower-income consumers.

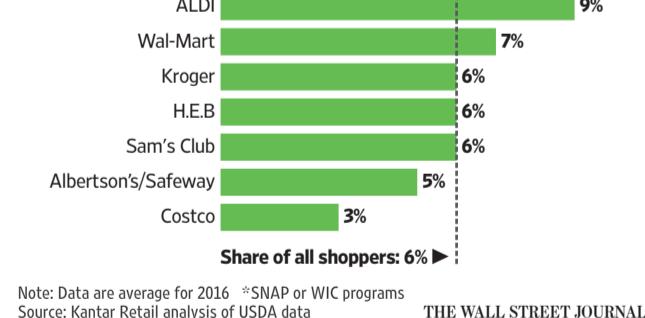
The online retail giant said Tuesday that it will offer a nearly 20% segment of the U.S. population—people who obtain government assistance with cards typically used for food stamps—a \$5.99 monthly Prime membership, less than the \$10.99 a month or \$99 annual plan for other consumers.

The membership buys access to unlimited two-day shipping, video and music content, photo storage and other perks.

Wal-Mart counts on shoppers who receive government assistance for a large percentage of sales. The retailer generated about \$13 billion in sales last year from shoppers using the Supplemental Nutrition As-

Food Stamp Spending

Brick and mortar chains dominate low-income spending. Share of shoppers at each store that used a food assistance program* to purchase food items



Note: Data are average for 2016. *SNAP or WIC programs

Source: Kantar Retail analysis of USDA data

THE WALL STREET JOURNAL

of Amazon Prime customers, according to a survey by Robert W. Baird & Co. analysts.

But these consumers may face several impediments to shopping online: a lack of access to the internet, banking resources like credit cards, and safe places for package delivery.

In addition, food stamps aren't yet eligible for payment online, a factor that has driven much of that traffic to Wal-Mart, dollar stores and other brick-and-mortar shops.

These consumers' habits are changing quickly. Most low-income consumers have mobile phones. Amazon now allows customers to load cash onto their accounts at physical locations.

United Parcel Service Inc. has established package pickup locations, while Amazon has added delivery lockers around the country.

Please see SHOP page B2

◆ Macy's remarks aggravate retail-sector angst..... B3

HEARD ON THE STREET | By Justin Lahart

For the Fed, One Rate Rise May Be Enough

The facts have changed. Will the Federal Reserve change its mind?

There is no such thing as a sure thing, but a Fed rate increase next week is close. Officials at the central bank have made it clear they plan to lift their target range on overnight rates, and futures markets are putting the odds at better than 90% that a move will be made at the meeting that ends June 14.

But when Fed policy makers look beyond next week, they will have to consider a few inconvenient facts: First, even though unemployment is low, wage growth remains weak and inflation has cooled. Second, the economy remains stuck in a slow-growth rut. And third, the chances of near-term tax cuts and fiscal stimulus, which could provide a meaningful economic boost, have fallen.

That is the message not just from the data and the headlines, but from the market. The yield on the 10-

year Treasury note on Tuesday slipped to its lowest in more than half a year—an indication that bond investors have downgraded their growth and inflation expectations.

None of these developments are likely to prevent a rate rise next week, but they could prompt the Fed to rethink its projected rate increases through next year and its plan to begin winding down its balance sheet.

At the outset of the year it seemed as if the economy might be shifting into higher

gear, with the election of President Donald Trump bringing about a burst of optimism at many businesses. But the good vibes didn't translate into better growth. Gross domestic product increased at just a 1.2% annual rate in the first quarter. Most economists reckon it will rebound to about a 3% rate in the current quarter.

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Head of the Class

Year-to-date gains for bitcoin and other high-flying 2017 investments



*As of 4 p.m. EDT Tuesday
Source: WSJ Market Data Group

BITCOIN

Continued from the prior page

sure. It has been used for nefarious purposes such as ransomware and drug trafficking. It also appeals to investors who don't trust their home currency and to entities in developing economies that want more efficient international payments.

Nairobi, Kenya-based Bit-Pesa, another bitcoin-services firm, says it has helped 6,000 users across 85 countries send and receive payments in bitcoin. Global entrepreneurs have launched hundreds of bitcoin-like tokens known as "initial coin offerings," an alternative to venture-capital funding.

Many investors pay for the tokens with bitcoin or a rival digital currency called ethereum. The trend has helped spur demand for both.

Elizabeth Rossetto, Bit-Pesa's co-founder and CEO, says regulators world-wide are increasingly recognizing bitcoin's legitimate uses. "We stopped hearing, 'Go away, it's gonna die,'" she says.

Under a new law, Japan's Financial Stability Agency started recognizing the digital currency as a payment method. Investors have responded by putting new money into bitcoin, and companies ranging from discount airline Peach to energy company Nippon Gas Co. are accepting it from consumers.

Most of the gains this year, about \$1,800 per bitcoin, happened since April 1, according to data provider CoinDesk. The number of daily transactions on bitcoin's network has roughly tripled to around 300,000 from about 100,000 two years ago. The currency, which eased off its record Tuesday morning to \$2,898 in late-afternoon trading, now has a total market value of \$46 billion, up from \$15.3 billion on Dec. 31, 2016, according to CoinMarketCap.

Still, that is tiny compared with the \$1.5 trillion of U.S. currency in circulation. And all the bitcoin in the world are still worth less than the \$65 billion market value of electronic-payments company PayPal Holdings Inc., not to mention the market values of most big banks

and technology companies. Bitcoin believers think the currency is still in the earliest stages. They remain convinced bitcoin will find a use that results in its widespread adoption, which in turn would cause its value to keep soaring. Until then, bitcoin's roller-coaster ride creates winners and losers, even as the surrounding publicity helps expand bitcoin's appeal.

In recent weeks, Coinbase has been putting together a funding round that would value the company at \$1 billion, which would make it one of the most valuable companies focused on digital currencies.

Bitcoin enthusiasts expect jarring turns in the price. "Markets work in bubble cycles," says Charlie Shrem, chief business officer of Jaxx, a cryptocurrency-services business based in Toronto. "There will be a bust, people will get wrecked."

Mr. Shrem knows from experience. The 27-year-old Brooklyn native bought his first bitcoins in 2011 for somewhere around 45 cents each. He rode a wave up, co-founding an early exchange called BitInstant and became one of the first crop of bitcoin millionaires. In 2014, he was arrested for money laundering and running an illegal money-transmitting business. He pleaded guilty to reduced charges and served just over a year in prison.

Backers argue bitcoin's most interesting uses are years away, just as iPhones followed long after the internet. Some early work has focused on bitcoin as a vehicle for international micropayments.

Another possibility is that bitcoin will be used to fund startups through initial coin offerings. ICOs, as they are known, are one of the most meaningful catalysts for digital currencies' price surge this year, according to Eric Piscini, a principal at Deloitte Consulting LLP who specializes in virtual currencies.

Jeff Garzik, an early bitcoin developer who now runs a company specializing in the technology underpinning the currency, says more investors will someday turn to bitcoin.

The current bitcoin movement, he says, "is nothing compared to what you'll see."

and technology companies.

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Amazon accounts for a smaller portion of consumer spending than Wal-Mart, the world's biggest retailer by revenue, said Baird analyst Colin Sebastian, and going after an underpenetrated market like lower-income shoppers could help Amazon close the gap.

Nearly half of U.S. primary household shoppers say they never or rarely shop on Amazon, according to Kantar. About 30% of the approximately 44 million SNAP recipients have access to Prime via a subscription, free trial or family member, according to Kantar.

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The Prime discount is only the latest offensive in the battle between Wal-Mart and Amazon for consumers' wallets.

Until a few years ago, Wal-Mart was established as the brick-and-mortar destination for rural and low-income shoppers, while Amazon catered more to the middle and upper classes, who tended to be closer to urban areas. But as consumers distinguish less and less between online and in-store shopping—and expect all options to be available at the same price—the retail giants have collided more frequently.

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BUSINESS NEWS

Macy's Aggravates Retailer Angst

Remarks about profit margins undercut its shares; revival strategy still in flux

By SUZANNE KAPNER

Macy's Inc. met with investors on Tuesday to lay out its strategy, but ended up triggering a new panic over the beleaguered retail sector.

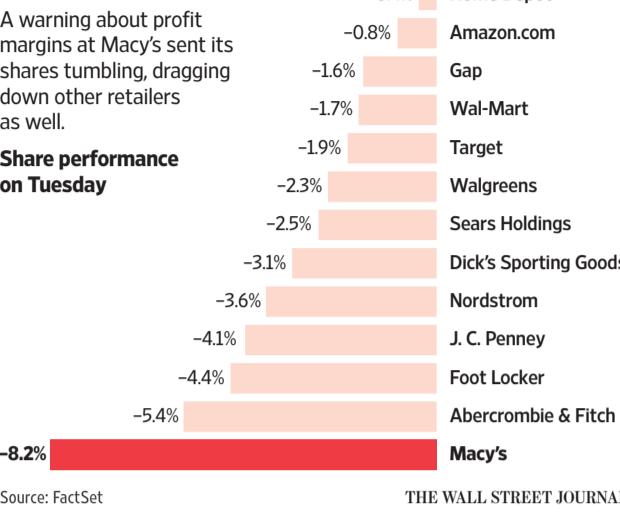
The department-store chain's finance chief, Karen Hoguet, warned that Macy's gross margins would fall about a percentage point in its current quarter compared with a year ago and decline slightly less than a point for the full financial year.

The remarks sent Macy's shares tumbling 8.2% to \$21.90, their lowest close in more than six years, and—in a sign of the sector's fragility—dragged down other retailers as well, including J.C. Penney Co., Kohl's Corp., Nordstrom Inc., Target Corp. and Wal-Mart Stores Inc.

Retail Stocks Slide

A warning about profit margins at Macy's sent its shares tumbling, dragging down other retailers as well.

Share performance on Tuesday



Source: FactSet

THE WALL STREET JOURNAL.

Margins are under pressure, Ms. Hoguet said Tuesday, because Macy's is taking longer than expected to clear excess inventory. She also noted that the retailer was feeling the brunt of heightened promotions of beauty products and stalling watch sales.

The company had said in

February that it expected margin declines but didn't specify their degree. It isn't lowering its sales and profit targets, planning instead to make up the difference through continuing cost-cutting and efforts to improve the performance of its stores.

Chief Executive Jeffrey Gen-

nette, who took the helm earlier this year, outlined some of those plans in what he called the "North Star Strategy."

Mr. Gennette wants to see Macy's reassert itself as a fashion authority with trendier merchandise, less cluttered stores and a marketing plan less dependent on discounts. The strategy also calls for simplified pricing so shoppers don't have to do as much math to figure out what they are paying.

"We are committed to being a promotional department store but want the value to be clear," he told investors.

Some analysts wondered whether improving on what is essentially an old-school department-store model would be enough to ensure Macy's survival in an age when retailing norms are being upended.

"While we appreciate these strategies, near-term fundamentals...are challenged," Jefferies analyst Randal Konik wrote in a research note.

In an interview, Mr. Gennette said Macy's is looking to

the future by continuing to build its digital operations but added that the company also needs to stabilize results from its brick-and-mortar stores.

One way he plans to do that is by opening more Macy's Backstage discount stores inside its traditional locations. Mr. Gennette said shoppers visit Macy's stores with Backstage space more often.

"Our assumption is that traffic will continue to be challenged," he said, so "whatever we put into that box that gets additional trips" will help.

In a nod to how difficult retailing has become, Mr. Gennette acknowledged that the strategy he laid out Tuesday, parts of which he disclosed to

The Wall Street Journal in March, won't be enough to return Macy's to growth. For that, the company is looking at new ways to interact and do business with shoppers, details of which haven't been disclosed.

"The growth will have to come from thinking outside the box," he said.

GM Chief Wins Time To Bolster Shares

By MIKE COLIAS

General Motors Co. shareholders signaled continued patience with Chief Executive Mary Barra's attempts to boost a languishing share price, voting down hedge-fund manager David Einhorn's proposal to split the company's stock into two classes.

More than 90% of GM investors casting ballots at the company's annual meeting Tuesday rejected a plan floated in March by Mr. Einhorn's **Greenlight Capital** Inc. that aimed to shake up GM's capital structure. The plan called for a class of stock that pays dividends and a second that awards all additional earnings growth to investors.

Shareholders also overwhelmingly shunned Mr. Einhorn's slate of three proposed directors, returning 11 incumbent directors backed by the U.S. auto giant.

The results are the latest victory for Ms. Barra, a 55-year-old executive who has taken swift action to help the company emerge from a safety crisis, fend off activist investors and sever underperforming businesses. While GM's stock has declined more than 10% during Ms. Barra's three-plus years at the helm, she has eased investor concerns by producing consistent financial results and implementing a series of share buybacks.

Ms. Barra, speaking with reporters on Tuesday, indicated she isn't ignoring GM's "undervalued" shares, which remain stuck near their initial public offering price of \$33 in 2010 and rank among the cheapest in the S&P 500 based on their price-to-earnings ratio.

"We have to keep earning our way," Ms. Barra said. She emphasized GM must "outperform" peers amid a slowdown in the U.S. market, a challenge analysts have flagged as central to its struggles.

Ms. Barra, who is chairman in addition to CEO, led the boardroom fight against Mr. Einhorn's dual-class idea, claiming it amounted to financial engineering that would have hampered the company's ability to manage cyclical downturns and invest in future technologies. In 2015, before being named chairman, she rallied directors and her management team to fend off a separate group of investors demanding billions in share buybacks and board representation.

In a statement, Mr. Einhorn expressed disappointment that shareholders "elected to maintain the status quo" over what he called a "creative idea" to unlock value in GM's stock. He congratulated the management team on its latest "win."

Shares of GM were little changed at \$34.43 on Tuesday. GM's market valuation of \$51.8 billion trails electric-car maker Tesla Inc.'s \$57.6 billion valuation, an indication that Wall Street prizes future growth opportunities over near-term profit.

◆ Lyft's driverless debut to feature startup, not GM..... B5

China Box Office Wavers on Route To Top Ranking

By ERICH SCHWARTZEL

A slowdown in ticket sales and a drop in China's currency have undermined projections that the country would become the world's No. 1 box-office sometime this year, with a new report indicating the U.S. could keep the top spot through 2021.

In China, already a key market for Hollywood studios, challenging market conditions have depressed what had been torrid growth in the country, according to a report from Pricewater-

more than 80,000 screens in 2021, nearly twice as many as the U.S. will have, according to PwC's annual Global Entertainment and Media Outlook report.

"There are hundreds of new cities being built in China, and all have cinemas being built in them," said Mr. Lieberman. "Where else in the world can you have entirely new cities?"

The screen construction is one of several long-term trends cited by PwC that point to the Asia Pacific region as the primary source of growth for the global cinema industry. Box-office grosses in that part of the world are expected to grow more rapidly than anywhere else in the next five years, according to PwC, hitting a projected \$20.4 billion in 2021. North American box office is projected to tick up to around \$12 billion, from \$11.3 billion in 2016.

Latin America is the only other region projected to grow faster than the global average over the next five years. The North American market, already the most built out, is expected to grow more slowly than any other region.

Stateside, PwC sees significant growth for the theatrical movie industry's biggest competitors, such as at-home entertainment options.

The U.S. market for subscription video-on-demand services such as Netflix Inc. will continue to outpace the country's theatrical movie business, with subscription and video-on-demand rentals hitting \$13.6 billion this year and rising to \$18.8 billion by 2021, according to the outlook.

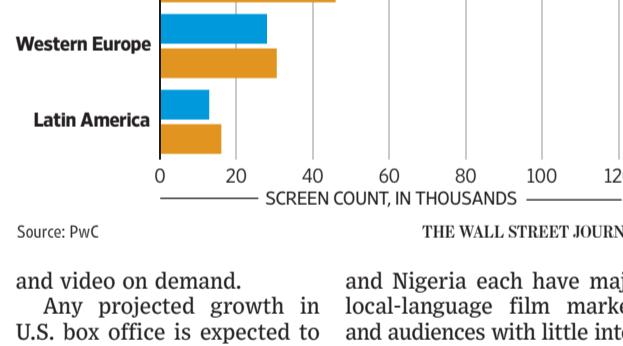
Esports and virtual reality are also expected to shoot up, said Mr. Lieberman, though they are starting from a tiny base, compared with feature films



Fans of the latest 'Pirates of the Caribbean' film at a debut event in Shanghai last month

Screen Surge

Movie theater screen count by region



Source: PwC

THE WALL STREET JOURNAL.

and video on demand.

Any projected growth in U.S. box office is expected to arise almost entirely from increasing ticket prices, said Mr. Lieberman. In China, currently the world's second-largest box-office market, growth is expected to derive from rising admissions.

China's box office is anticipated to grow more than any other country in the next five years. Other markets showing robust growth include India, Nigeria, Peru and Brazil. India

and Nigeria each have major local-language film markets and audiences with little interest in U.S. imports.

Given the sheer scale of the market, the slightest change in consumer habits among China's 1.4 billion citizens can cause drastic swings in the box office, said Mr. Lieberman. The average Chinese citizen goes to the movies less than once a year, compared to the average American, who goes more than four times. "Even if you move that needle a little bit, you're talking about a huge swing," he said.

Nonetheless, China's theater-construction boom is proving lucrative for exhibition companies. IMAX Corp.'s presence in the country is expected to rise, with its 3-D

Brazil's JBS to Sell Operations in 3 Nearby Countries



The world's biggest beef company is entangled in Brazil's corruption scandal. A JBS plant in Brazil.

Brazilian meatpacker JBS SA said Tuesday it agreed to sell its beef operations in Argentina, Paraguay and Uruguay for \$300 million.

The world's biggest beef

company, which has become entangled in Brazil's corruption scandal, will sell its stakes in the beef operations in the three

countries to Pul Argentina SA,

Frigomerc SA and Pulsa SA for

a total of \$300 million, subject

to some adjustment, JBS said.

The buyers are all controlled by

rival Brazilian meatpacker Mi-

nerva SA.

The owners of JBS told Bra-

zilian prosecutors in April that

they had made illicit payments

to politicians for several years in exchange for favors, including easier access to cheaper credit.

JBS's holding company, J&F In-

vestimentos, last week agreed

to pay 10.3 billion reais (\$3.14 billion) to settle investigations

against the companies it

controls.

—Luciana Magalhaes

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Apple Targets New Platform

Augmented reality promises to play big role in the next iPhone, future glasses

BY TRIPP MICKLE

Apple Inc. has set its sights on a new target: becoming the world's largest platform for augmented reality.

The ambitious announcement, which was overshadowed by the introduction Monday of the HomePod speaker, plunges Apple into a race against **Alphabet Inc.**, **Facebook Inc.**, **Snap Inc.** and others to conquer an emerging technology that uses cameras and computers to overlay digital images on a person's view of the real world.

It also bolsters the belief among many industry observers that Apple will build new augmented-reality features into its coming 10th-anniversary edition iPhone, and eventually develop glasses that relay information about the world so people can view maps or restaurant menus without pulling out a device.

Augmented reality shot to prominence nearly a year ago following the release of "Pokémon Go," a game in which players scoured the map of the real world, with the help of location-tracking technology, to find digital monsters superimposed through the smartphone screen. The technology is different from virtual reality, which uses computer headsets to create fully immersive digital worlds.

Roughly 40 million people in the U.S. are expected to use augmented reality this year, up 30% from last year, according to research firm **eMarketer**. It estimates the total will rise to 54 million in 2019.

Craig Federighi, Apple's head of software, demonstrated the potential of Apple's new technology platform, ARKit, at the company's annual Worldwide Developers Conference keynote Monday.

While viewing a table on



The ARKit technology platform was demonstrated during Apple's annual developers conference.

stage through an iPhone screen, Mr. Federighi added virtual images of a steaming cup of coffee and lamp. The images appeared to rest directly on the table, recognizing the real-world surface rather than floating above it.

Apple Chief Executive Tim Cook has been a big proponent of augmented reality, saying he believes it will have broader success than virtual reality because it is less isolating.

Several companies are already working on augmented reality, including headsets in development from **Microsoft Corp.** and **Magic Leap Inc.** Alphabet's **Google Tango** platform has been available on some smartphones for about a year.

Apple's ARKit, though, has the potential to democratize the technology by bringing it to roughly a billion devices without requiring separate hardware or software, as some competitors do. The company says the system uses camera data to find horizontal planes in a room and estimate the amount of light available.

"It's a seminal event in the journey toward AR that Apple's

come out and shipped something," said Matt Miesnieks, co-founder of 6D.ai, a computer-vision startup. He expects developers to use the software because of its relative simplicity and potential to reach across Apple's large user base.

Ikea International A/S and **Lego A/S** are already working on augmented-reality apps us-

Forty million people in the U.S. are expected to use augmented reality this year.

ing ARKit that could allow people to visualize furniture in their home or a virtual image of Lego Batman, Mr. Federighi said.

Representatives of Wingnut AR, an augmented-reality studio from "Lord Of The Rings" director Peter Jackson, showed an ARKit-based experience, seen through an iPad, in which airships battled in a virtual town square that was digitally dropped on a real ta-

ble on stage, with the audience visible in the background.

Apple's announcement came two months after Facebook opened its augmented-reality tools to developers.

Facebook's smaller rival, Snap, popularized simple augmented-reality tools that overlay bunny ears or dog noses on users' faces. It also allows users to add special effects to photos and backgrounds.

By creating an augmented-reality tool kit for developers, Apple could spur its more than 680 million iPhone users to share augmented images through its iMessage service rather than Facebook or Snapchat, developers said.

ARKit indicates Apple solved a difficult technical problem—finding a way to use cameras and sensors in an iPhone to track the outside world, said Mör. Miesnieks. He said the same sensors and algorithms would run a pair of glasses, bolstering his belief that Apple plans to launch eyewear in the future.

Apple declined to comment on whether it could develop glasses.

Fox Buys Its Way Back Into Games With Studio Deal

BY BEN FRITZ

21st Century Fox is getting into the mobile videogame business, acquiring a company that is currently working on an adaptation of the movie "Avatar."

Fox is purchasing the game studio **Aftershock**, which has about 80 employees at offices in Los Angeles and San Francisco, the companies said. The deal is valued in the tens of millions of dollars, according to a person with knowledge of the purchase. Aftershock was spun out of mobile-gaming company **Kabam Inc.** earlier this year after its other assets were bought by Korean company **NetMarble**.

Aftershock is becoming part of a unit created by Fox in January called FoxNext that focuses on videogames, virtual and augmented reality and location-based entertainment.

Like other Hollywood studios, Fox had struggled to determine which of its divisions should oversee efforts in these emerging businesses. FoxNext reports to both the head of television, Peter Rice, and the head of film, Stacey Snider.

"We think the mobile space is interesting because you've seen businesses grow to supersize very quickly and there are

not many segments of entertainment in which you can do that," said Mr. Rice in an interview.

Hollywood studios over the past two decades have vacillated on whether they should produce videogames themselves in order to maintain quality and reap the profits or license them to other companies that have more expertise.

Fox itself has built and exited two game businesses since 2000. Walt Disney Co. last year killed its console videogame publishing business after spending hundreds of millions on it.

Comcast Corp.'s Universal Pictures recently hired new executives to spearhead a move into mobile game publishing.

Aftershock, which started working on an "Avatar" mobile game last year, will look to adapt other film and TV properties from the studio, as well as to create original properties.

Fox is currently working on four film sequels to "Avatar," the first of which is scheduled for release in 2020, 11 years after the original, which earned a record \$2.7 billion worldwide.

Fox and News Corp., parent of The Wall Street Journal, share common ownership.

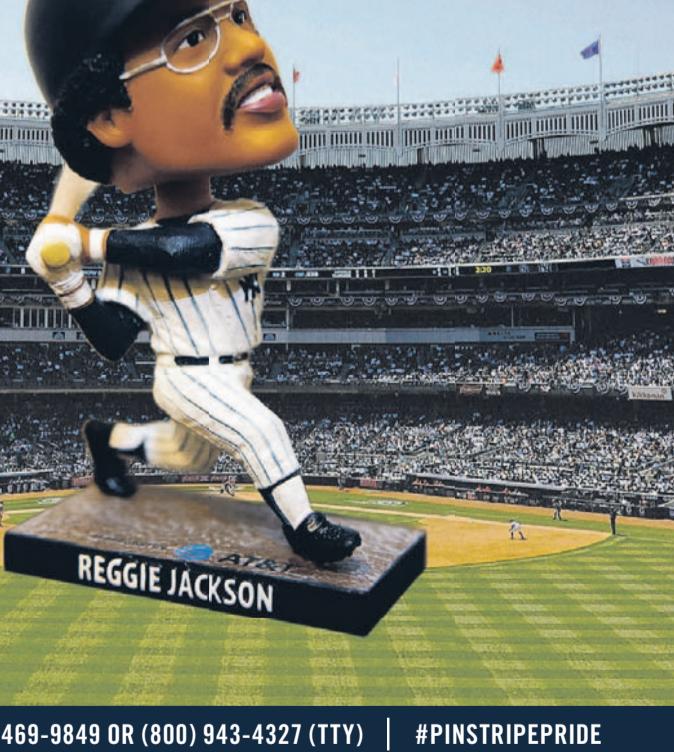


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Pinterest Raises \$150 Million

BY ELIOT BROWN

Pinterest Inc., one of the most highly valued startups, has raised an additional \$150 million in funding as the image-search company continues to tap private investors to support its growth.

The injection from existing investors values Pinterest at \$12.3 billion, a company spokeswoman said, up from an \$11 billion valuation in 2015. Investors paid the same share

price as two years ago, the spokeswoman said, but the valuation went up because additional shares were issued.

Pinterest in April surpassed more than 175 million monthly active users, most of them women, who visit the site to browse through billions of images on topics such as living-room furniture, dinner recipes and tattoos. The company makes its money from ads scattered throughout the site. Last year, Pinterest projected

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INTERNATIONAL NOTICES

Record No. 2017 No 192 COS
THE HIGH COURT COMMERCIALIN THE MATTER OF
NEXVET BIOPHARMA PUBLIC LIMITED COMPANY
AND IN THE MATTER OF
SECTIONS 450(3) AND 450(5) OF THE COMPANIES ACT 2014AND IN THE MATTER OF
THE COMPANIES ACT 2014AND IN THE MATTER OF
THE IRISH TAKEOVER PANEL ACT 1997

NOTICE is hereby given that by an Order dated June 1, 2017 (and perfected on June 1, 2017) made in the above proceedings, the High Court has directed the summoning of a meeting of the holders of Nexvet Shares (as defined in a proposed Scheme of Arrangement between Nexvet Biopharma Public Limited Company (the "Company") and the Scheme Shareholders (the "Scheme") for the purpose of their considering, and voting on, a resolution proposing that the Scheme in its original form or with or subject to any modification(s), addition(s) or condition(s) approved or imposed by the High Court be agreed to (the "Scheme Meeting").

The High Court has directed that the Scheme Meeting be summoned for July 10, 2017 at 10:00 a.m. (Irish time) at the offices of Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland.

The entitlement to attend and vote at the Scheme Meeting or any adjournment thereof shall be determined by reference to the register of members of the Company as at 5:00 p.m. (ET/New York time) on May 30, 2017.

In addition to the approval to be sought at the Scheme Meeting, the Scheme will require the passing of resolutions at a separate Extraordinary General Meeting of the Company ("the EGM") to be convened at the same location on July 10, 2017 at 10:30 a.m. (Irish time) (or, if later, as soon thereafter as the Scheme Meeting shall have been concluded or adjourned).

The High Court has directed that, subject to the approval of the resolution proposed at the Scheme Meeting and the resolutions to be proposed at the EGM, the Company may apply to the High Court on July 11, 2017 for directions in respect of the hearing of the application to sanction the Scheme and related capital reduction, which shall be returnable for hearing on July 28, 2017.

A copy of the Scheme (incorporated as Part 4 of the definitive proxy statement) has been despatched to the Nexvet Shareholders. The holders of Nexvet Shares may obtain free copies of the definitive proxy statement (including the Scheme) and other documents filed by the Company with the U.S. Securities Exchange Commission at www.sec.gov. In addition, investors, shareholders and creditors of the Company may obtain free copies of the definitive proxy statement (including the Scheme) as well as other documents filed by the Company at www.nexvet.com.

MATHESON
Solicitors for the Company
70 Sir John Rogerson's Quay
Dublin 2
Ireland

June 7, 2017

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TECHNOLOGY



The ride-hailing firm is teaming up with startup nuTonomy.

Lyft's Driverless Debut to Feature Startup, Not GM

BY GREG BENSINGER

Last year, ride-hailing firm Lyft Inc. trumpeted a deal with **General Motors** Co. to begin testing a fleet of self-driving Chevrolet Bolt electric taxis on public roads within a year.

It has now been 13 months, and it doesn't appear the cars are coming soon. Meanwhile, Lyft is forging deals with other driverless-car technology companies to get vehicles on the roads.

Lyft said Tuesday it is collaborating with startup **Nu-Tonomy** Inc. in Boston, where the two have hatched a plan to dispatch Renault Zoe cars for customer use in the coming months. Lyft said these cars, not those from GM, will be the first on its network.

"We're planning for future stages of our collaboration that could lead to thousands of NuTonomy cars on the Lyft platform," said Logan Green, Lyft chief executive, in a call with media.

The NuTonomy deal comes three weeks after Lyft announced a deal with **Waymo**, the self-driving car unit of Google parent **Alphabet** Inc., to collaborate on autonomous vehicles. Lyft has been spreading its bets as it eyes a future where it manages a network of vehicles made by other manufacturers.

In January 2016, Lyft said it received a roughly \$500 million investment from GM, making it one of the San Francisco company's biggest shareholders ahead of the auto maker's \$1 billion purchase of self-driving technology startup Cruise Automation later that year. The two companies then announced in May 2016 they would begin testing a fleet of cars within a year.

Lyft's Mr. Green declined to discuss the company's work with GM or Waymo. A spokeswoman noted the company's partnerships are "nonexclusive."

GM said there would be no impact on its relationship with Lyft. "Our plan remains steady-

fast—we are on track to launch our self-driving technology first in a ride-sharing application."

A Waymo spokeswoman declined to specifically address Lyft's NuTonomy partnership.

The deals highlight the eagerness in Silicon Valley, Detroit and beyond to deploy self-driving technology that many believe will reduce deaths and lower the cost of transportation.

A range of companies, including auto maker Ford Motor Co., online retailer Amazon.com Inc. and electric-car maker Tesla Inc., are jockeying for an edge in autonomous vehicles that they hope could reap them billions in profits in the coming years. Waymo, for its part, has been collaborating with Fiat Chrysler Automobiles NV since last year on integrating autonomous technology into its vehicles.

NuTonomy, based in Cambridge, Mass., plans to put Peugeot sport-utility vehicles on Singapore roads for testing by September.

"Nobody can do it alone," said Karl Iangnemna, a co-founder of NuTonomy on the call with reporters. "This is why we focus on Lyft as our first ride-sharing partner in the U.S."

NuTonomy was first to put regular passengers in a self-driving vehicle, beating Uber Technologies Inc. by a matter of weeks last year with its test in Singapore. Uber has since begun testing its own autonomous vehicles in Pittsburgh, Tempe, Ariz., and around the state of California.

Mr. Green said Lyft would be working with Boston officials to ensure it has regulatory authority to put self-driving cars on city streets. He didn't disclose how many vehicles would be deployed, pricing or other details. A Lyft spokeswoman said rides would initially be free during the trial, which will take place in Boston's Seaport District, where NuTonomy is already testing its self-driving vehicles, without passengers.

NOTICE OF PARTIAL REDEMPTION

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PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY COLLEGE REVENUE BONDS ELEVENTH SERIES

NOTICE IS HEREBY GIVEN that, pursuant to the applicable provisions of the governing documents of the above captioned Bonds (the "Bonds"), \$465,000 principal amount of the Bonds will be redeemed on July 1, 2017, at the referenced Redemption Price, together with interest accrued to July 1, 2017. From and after July 1, 2017, interest on the Bonds shall cease to accrue.

The following Bonds will be redeemed and paid upon presentation to the office(s) shown below.

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Payment of the Bonds called for redemption will be made upon presentation and surrender of said Bonds, together with all coupons maturing on and after July 1, 2017, in the case of bearer Bonds at the offices shown below. In the case of registered Bonds to be redeemed in part only, upon presentation of such Bonds for redemption, there will be issued in lieu thereof a new registered Bond or Bonds in principal amount equal to such unredeemed portion.

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Dated: May 31, 2017

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made only by the Offer to Purchase, dated June 7, 2017, and the related Letter of Transmittal and any amendments or supplements thereto, and is being made to all holders of Shares. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction. In jurisdictions where applicable laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser (as defined below) by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

Notice of Offer to Purchase All Outstanding Shares of Common Stock of CardConnect Corp. at \$15.00 Per Share, Net in Cash by Minglewood Merger Sub Inc. a wholly-owned subsidiary of First Data Corporation

Minglewood Merger Sub Inc., a Delaware corporation ("Purchaser") and a wholly-owned subsidiary of First Data Corporation, a Delaware corporation ("First Data"), is offering to purchase all of the outstanding shares of common stock, par value \$0.001 per share (the "Shares"), of CardConnect Corp., a Delaware corporation ("CardConnect"), at a purchase price of \$15.00 per Share (the "Offer Price"), net to the seller in cash, without interest thereon and subject to any required tax withholding, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated June 7, 2017, and in the related Letter of Transmittal (which, together with the Offer to Purchase, as they may be amended or supplemented from time to time, collectively constitute the "Offer"). Stockholders of record who tender directly to Wells Fargo Bank, N.A. (the "Depository") will not be obligated to pay brokerage fees or commissions or, except as may be set forth in the Letter of Transmittal, transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer. Stockholders who hold their Shares through a broker, dealer, commercial bank, trust company or other nominee should consult such institution as to whether it charges any service fees or commissions.

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT ONE MINUTE AFTER 11:59 P.M., EASTERN TIME, ON WEDNESDAY, JULY 5, 2017, UNLESS THE OFFER IS EXTENDED OR EARLIER TERMINATED.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of May 26, 2017 (as it may be amended from time to time, the "Merger Agreement"), by and among CardConnect, First Data and Purchaser. The Merger Agreement provides, among other things, that, following the consummation of the Offer and subject to certain conditions, Purchaser will be merged with and into CardConnect (the "Merger") pursuant to Section 251(h) of the General Corporation Law of the State of Delaware, as amended (the "DGCL"), with CardConnect continuing as the surviving corporation and becoming a wholly-owned subsidiary of First Data. In the Merger, each Share issued and outstanding immediately prior to the effective time of the Merger (the "Effective Time") (other than (i) Shares owned by Purchaser, First Data, CardConnect (or held in CardConnect's treasury), (ii) Shares owned by any direct or indirect wholly-owned subsidiary of First Data (other than Purchaser) or CardConnect, or (iii) Shares held by any stockholder who is entitled to demand and properly demands appraisal of such Shares pursuant to, and who complies in all respects with, Section 262 of the DGCL and who, as of the Effective Time, has neither effectively withdrawn nor lost its rights to such appraisal and payment under the DGCL with respect to such Shares) will automatically be cancelled and converted into the right to receive an amount in cash equal to the Offer Price, without interest thereon and subject to any required tax withholding.

The Offer is not subject to a financing condition. The obligation of Purchaser to accept for payment and pay for Shares validly tendered (and not withdrawn) pursuant to the Offer is subject to the satisfaction of the conditions set forth in Section 15 of the Offer to Purchase (collectively, the "Offer Conditions"). Among the Offer Conditions are: (i) the Minimum Condition (as defined in the Offer to Purchase), which is summarized below, (ii) the Series A Notice Condition (as defined in the Offer to Purchase), which is summarized below, (iii) the Antitrust Condition (as defined in the Offer to Purchase); and (iv) the accuracy of CardConnect's representations and warranties set forth in the Merger Agreement, and the performance of CardConnect's covenants set forth in the Merger Agreement, in each case, to specified standards of materiality. The "Minimum Condition" means that there shall have been validly tendered and not validly withdrawn Shares that, considered together with all other Shares (if any) beneficially owned by First Data and its affiliates (excluding any Shares tendered pursuant to guaranteed delivery procedures that have not yet been received), represent one more Share than 50% of the sum of (i) the total number of Shares outstanding at the time of the expiration of the Offer plus (ii) the aggregate number of Shares issuable to holders of options to purchase Shares granted under CardConnect's equity plans ("Options") from which CardConnect has received notices of exercise prior to the expiration of the Offer (and as to which Shares have not yet been issued to such exercising holders of Options). The first time as of which Purchaser accepts any Shares for payment pursuant to the Offer is referred to as the "Offer Acceptance Time." The holders of shares of the Series A preferred stock, par value \$0.001 per share, of CardConnect (the "Series A Preferred Stock") have the right to receive at least 45 days prior to the Effective Time written notice of their right, pursuant to the terms of the Series A Preferred Stock Certificate of Designation (as defined in the Offer to Purchase), to require redemption of their shares of the Series A Preferred Stock. The Offer is conditioned upon, among other things, either (i) the waiver of such notice by the holders of Series A Preferred Stock or (ii) at least 45 days having elapsed from May 31, 2017, the date on which CardConnect sent such notice to the holders of Series A Preferred Stock (the "Series A Notice Condition"). Therefore, unless the holders of Series A Preferred Stock waive their right to receive such 45 days written notice, the Expiration Date will be extended to no earlier than July 15, 2017.

The term "Expiration Date" means Wednesday, July 5, 2017, unless the expiration of the Offer is extended to a subsequent date in accordance with the terms of the Merger Agreement, in which event the term "Expiration Date" means such subsequent date, or earlier terminated in accordance with the terms of the Merger Agreement.

The Board of Directors of CardConnect: (i) has determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are advisable and fair to, and in the best interests of, CardConnect and its stockholders, (ii) has declared it advisable to enter into the Merger Agreement, (iii) has unanimously approved the execution, delivery and performance by CardConnect of the Merger Agreement and the consummation of the transactions contemplated thereby, including the Offer and the Merger, (iv) has agreed that the Merger shall be effected under Section 251(h) of the DGCL and (v) is recommending that the stockholders of CardConnect tender their Shares to Purchaser pursuant to the Offer, in each case, on the terms and subject to the conditions of the Merger Agreement.

The Merger Agreement provides that, subject to the parties' respective termination rights in the Merger Agreement, Purchaser (or First Data on its behalf): (i) shall extend the Offer from time to time for any period required by any law, interpretation or position of the SEC or NASDAQ applicable to the Offer and (ii) if, as of the then-scheduled Expiration Date, any Offer Condition (as defined above) is not satisfied but is capable of being satisfied by the Termination Date (as defined below) and has not been waived by Purchaser or First Data, to the extent waivable by Purchaser or First Data, Purchaser (or First Data on its behalf) shall extend the Offer on one or more occasions for an additional period of up to ten (10) Business Days per extension as may be necessary to permit the applicable Offer Condition to be satisfied; provided that in no event shall Purchaser: (I) be required to extend the Offer beyond the earlier to occur of (the "Extension Deadline") (A) the valid termination of the Merger Agreement in accordance with its terms and (B) the first (1st) Business Day immediately preceding the Termination Date or (II) be permitted to extend the Offer beyond the Extension Deadline without the prior written consent of CardConnect. Purchaser shall not terminate the Offer, or permit the Offer to expire, prior to the Extension Deadline without the prior written consent of CardConnect. The "Termination Date" means November 27, 2017, which date may be extended by either CardConnect or First Data at its sole election for a period of three (3) months, if the Offer Acceptance Time has not occurred on such date and if all conditions to the Offer that are capable of being satisfied prior to Offer Acceptance Time have been satisfied or waived in accordance with the terms of the Merger Agreement other than the Antitrust Condition.

If the Offer is consummated, Purchaser will not seek the approval of CardConnect's remaining stockholders before effecting the Merger. First Data, Purchaser and CardConnect have elected to have the Merger Agreement and the transactions contemplated thereby governed by Section 251(h) of the DGCL and agreed that the Merger will be effected as soon as practicable following the consummation of the Offer. Under Section 251(h) of the DGCL, the consummation of the Merger does not require a vote or action by written consent of CardConnect's stockholders.

The Merger Agreement provides that, without the prior written consent of CardConnect, neither First Data nor Purchaser shall (i) decrease the Offer Price; (ii) change the form of consideration payable in the Offer; (iii) decrease the maximum number of Shares sought to be purchased in the Offer; (iv) impose conditions to the Offer in addition to, or that expand upon, the Offer Conditions; (v) amend, change or waive the Minimum Condition, the Termination Condition or conditions "d" and "f" set forth in Annex I to the Merger Agreement; (vi) except as provided in the Merger Agreement, terminate the Offer or accelerate, extend or otherwise change the Expiration Date; (vii) provide any "subsequent offering period" (or any extension thereof) within the meaning of Rule 14d-11 promulgated under the Exchange Act; or (viii) otherwise modify or amend any of the other terms of the Offer in a manner that materially and adversely affects, or reasonably could be expected to materially and adversely affect, any holder of Shares or the likelihood of consummation of the Offer and the Merger on a timely basis.

Except as set forth above, subject to the terms of the Merger Agreement and the applicable rules and regulations of the SEC and other applicable laws and regulations, First Data and Purchaser expressly reserve the right to waive any Offer Condition at any time and from time to time, to increase the Offer Price and to make any other changes in the terms and conditions of the Offer.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not withdrawn as, if and when it gives oral or written notice to the Depository of its acceptance for payment of such Shares pursuant to the Offer. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price for such Shares with the Depository, which will act as agent for tendering stockholders for the purpose of receiving payments from First Data and Purchaser and transmitting such payments to tendering stockholders. **Under no circumstances will First Data or Purchaser pay interest on the Offer Price, regardless of any extension of the Offer or any delay in making such payment.**

In all cases, Purchaser will pay for Shares accepted for payment pursuant to the Offer only after timely receipt by the Depository of (i) the certificates evidencing such Shares (the "Share Certificates") or timely confirmation of a book-entry transfer of such Shares into the Depository's account at The Depository Trust Company ("DTC") pursuant to the procedures set forth in Section 3 of the Offer to Purchase and (ii) the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with all required signature guarantees and any other documents required by the Letter of Transmittal or, in the case of a book-entry transfer, an Agent's Message in lieu of the Letter of Transmittal and such other documents.

Shares tendered pursuant to the Offer may be withdrawn at any time prior to the scheduled expiration of the Offer. Thereafter, tenders are irrevocable, except that Shares tendered may also be withdrawn after August 6, 2017, unless Purchaser has already accepted them for payment. For a withdrawal of Shares to be effective, the Depository must timely receive a written or facsimile transmission notice of withdrawal at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If the Shares to be withdrawn have been delivered to the Depository, a signed notice of withdrawal with (except in the case of Shares tendered by an "eligible institution") signatures guaranteed by an eligible institution must be submitted before the release of such Shares. In addition, such notice must specify, in the case of Shares tendered by delivery of Share Certificates, the serial numbers shown on the Share Certificates evidencing the Shares to be withdrawn or, in the case of Shares tendered by book-entry transfer, the name and number of the account at DTC to be credited with the withdrawn Shares. Withdrawals of tenders of Shares may not be rescinded and any Shares properly withdrawn will be deemed not validly tendered for purposes of the Offer. Withdrawn Shares may, however, be retendered by following one of the procedures for tendering Shares described in Section 3 of the Offer to Purchaser at any time prior to the scheduled expiration of the Offer.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

CardConnect provided Purchaser with CardConnect's stockholder list and security position listings for the purpose of disseminating the Offer to Purchase, the related Letter of Transmittal and related documents to holders of Shares. The Offer to Purchase and related Letter of Transmittal will be mailed to record holders of Shares whose names appear on CardConnect's stockholder list and will be furnished for subsequent transmittal to beneficial owners of Shares to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

The receipt of cash by a holder of Shares pursuant to the Offer or the Merger will generally be a taxable transaction to U.S. stockholders for U.S. federal income tax purposes. See Section 5 of the Offer to Purchase for a more detailed discussion of material U.S. federal income tax consequences of the Offer and the Merger. You are urged to consult with your own tax advisor as to the particular tax consequences to you of the Offer and the Merger, including the applicability and effect of any U.S. federal, state, local or foreign tax laws.

The Offer to Purchase and the related Letter of Transmittal contain important information. Stockholders should carefully read both documents in their entirety before any decision is made with respect to the Offer.

Questions or requests for assistance may be directed to Morrow Sodali (the "Information Agent") at the address and telephone numbers set forth below. Requests for copies of the Offer to Purchase, the related Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent or to brokers, dealers, commercial banks or trust companies. Such copies will be furnished promptly at Purchaser's expense. Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Information Agent or the Depository) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

M O R R O W

S O D A L I

BUSINESS NEWS

VW Under Fire Over Plans for Charger Stations

BY MIKE SPECTOR

Several state officials and auto makers are pillorying Volkswagen AG's plan to sell battery juice to Americans driving electric cars, contending the project more resembles an unfair government-backed windfall than penance for cheating on emissions tests.

The German auto giant will build an extensive network of charging stations in the U.S. in coming years, part of a \$2 billion, decadelong promotion of environmentally friendly transportation in a market where electric cars are unpopular. The commitment is part of a broader settlement with government officials and consumers after Volkswagen admitted to installing illegal software on nearly 600,000 diesel-powered vehicles in the U.S. that duped emissions tests.

Seven Republican and Democratic state attorneys general have appealed to the Environmental Protection Agency, arguing Volkswagen's plan could give it an unfair leg up on other car companies. Volks-

wagen says its chargers will only meet a fraction of the projected need for drivers of electric vehicles, and that it isn't blocking other companies from pursuing competing plans.

Its investment into the charging stations is separate from other significant financial penalties the auto maker agreed to in the emissions case. Volkswagen views the plan as consistent with its effort to transform the company to one investing in electric vehicles instead of diesel technology.

With an initial \$300 million investment outside California, Volkswagen plans to create more than 450 charging stations in 39 states, both along highways and at workplaces, retail centers and other sites. The company aims to sell one million electric vehicles globally by 2025. Other auto makers are also making ambitious investments in electric cars.

The attorneys general wrote to the EPA's chief in April, after the agency approved Volkswagen's initial plans. Other auto makers sent letters to California environmental regulators ex-



Vehicles at an electric charging station located outside Volkswagen's factory in Dresden, Germany, earlier this year.

pressing similar concerns.

The EPA had no immediate comment. The California Air Resources Board in late May wrote to Volkswagen asking it to address competition concerns, plans to install charging stations in poorer communities and the potential for fuel depots servicing hydrogen fuel-cell vehicles. Some auto makers seized on Volkswagen's lack of plans for that technology.

A Ford executive, referring to Volkswagen's plan to install 50 ultrafast charging stations in highway corridors, raised concerns that the German auto maker could design them without regard to other car companies' needs while also having access to competitors' customer data.

"Given the importance of this portion of the infrastructure to [battery-electric vehicle] adoption, Ford has reservations about having a key electrification driver dependent on and ultimately controlled by one automotive competitor," wrote John Viera, the Dearborn, Mich., auto maker's global director of sustainability and vehicle environmental matters, in a letter to California regulators.

Rather than a punishment or government-endorsed competitive foothold, Volkswagen views the investment as a good-faith showing after agreeing to pay billions of dollars to owners, dealers and regulators.

Electric Vehicles To Fuel Sales Growth

In the U.S., electric vehicles are expected to eventually make up 6% of overall car sales over the next two decades or so, up from less than 1% currently, according to the Energy Information Administration. By 2025,

"There is a lot of investment that needs to happen. We're just part of it," Mark McNabb, chief executive of Electrify America LLC, the German auto maker's subsidiary undertaking the investment plan, said in an interview.

Volkswagen's stations ultimately will address less than 10% of charging needs, Mr. McNabb said. "I don't think we're a dominant part of the equation."

Tesla Inc. currently has an extensive charging network, featuring 861 stations with 5,655 speedy chargers for drivers of its expensive electric vehicles. Tesla has chargers around the world and in most U.S. states. Volkswagen's success with its chargers isn't guaranteed in an era of cheap gasoline that lowers demand for electric cars, though forecasters expect their popularity to rise.

Volkswagen's push comes on

the heels of its diesel-emissions cheating crisis. Volkswagen pleaded guilty to criminal charges and agreed to legal settlements and penalties that could exceed \$25 billion, depending on how many vehicles the company repurchases.

"We continue to be concerned that Volkswagen will be allowed to benefit from a settlement intended to penalize for defrauding consumers," said a spokeswoman for Arizona Attorney General Mark Brnovich, a Republican, adding the office expects the EPA to "diligently monitor" Volkswagen's program.

A spokeswoman for Rhode Island Attorney General Peter Kilmartin, a Democrat, said that "concerns remain that [Volkswagen] will gain an advantage in the industry despite the company's past malfeasance."

Messrs. Brnovich and Kilmartin were the lead signatories on the letter to the EPA, which also included attorneys general from Connecticut, Iowa, Nevada, Texas and Wisconsin.

Volkswagen has discussed concerns with other auto makers, Mr. McNabb said. The company is working to "future-proof" its planned charging stations so they remain relevant for years, in part by fitting them mostly with standard plugs that most car companies are using when developing their own electric vehicles, he said.

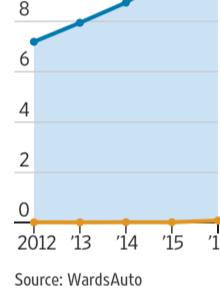
State attorneys general, however, argue Volkswagen's proposal could allow it to distort and possibly corner parts of the market for zero-emission vehicles. Some represent states that are home to large factories for other auto makers that compete with Volkswagen.

Low Charge

Volkswagen's \$2 billion electric-car charging station push comes amid paltry sales of electric, plug-in hybrid, hybrid and fuel-cell vehicles.

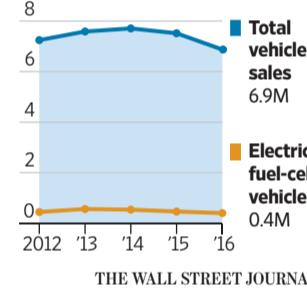
Light trucks

12 million vehicles



Cars

12 million vehicles



Source: WardsAuto

THE WALL STREET JOURNAL

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MANAGEMENT

Paid Parental Leave Gains Momentum

Employee benefit rarely reaches lower echelons of workforce, but White House budget proposal may help change that

BY RACHEL FEINTZEIG

In recent years, corporations such as **Microsoft** Corp., **Blackstone Group** LP and Credit Suisse Group AG have added generous paid-leave policies to give employees time to bond with their newborns.

But for most American workers, having a child often means taking unpaid time off, a situation that can stress finances and wreak havoc with family schedules.

Many of those workers would stand to get relief under a proposal in President Donald Trump's budget to provide six weeks of paid time off for new mothers and fathers.

The proposal, estimated to cost \$19 billion over a decade, likely will be rewritten as Congress crafts its own budget resolutions over the next few months, though that process traditionally takes into account White House priorities. Political support for paid leave is building in some cities and states. Ivanka Trump, daughter of Mr. Trump, has adopted family leave as a signature issue.

The U.S. is the only nation among 41 that doesn't mandate paid parental leave, according to data compiled by the Organization for Economic Cooperation and Development.

Under the 1993 Family and Medical Leave Act, workers are entitled to 12 weeks of unpaid leave. Many new parents also take time off by using their employers' short-term disability benefits, though those policies often only cover a portion of their wages for

some of their leave.

In the U.S., 13% of private-industry workers had access to any kind of paid family leave, according to March 2016 statistics from the Bureau of Labor Statistics, the most recent available. Restaurant and retail chains like **Yum Brands** Inc. have introduced new paid-leave benefits for corporate employees, but the workers who stock shelves and ring up customers rarely have paid parental leave.

Tiffani Hylton fell behind on rent, water and electric payments while taking a six-week, partially paid leave from Wal-Mart in 2016 following the birth of her daughter, Annabelle. Back at work baking doughnuts and bread in a Troy, Ohio, store, she felt sore, exhausted and longed to be with her daughter. After cutting back her hours, she left Wal-Mart last summer.

"Six weeks fully paid, that would have saved me months of stress," she said. "It would have kept us from being stuck in extra debt for months on end, worrying about how we were going to pay for food and diapers."

Salaried employees of **Wal-Mart Stores** Inc. are entitled to 10 weeks of fully paid maternity leave after the arrival of a child; hourly workers can file for some pay using a short-term disability benefit if they qualify.

This fall, **Starbucks** Corp. will give mothers working in its stores six weeks of fully paid parental paid leave. Some baristas have criticized the coffee chain for giving moth-



Kristen Picciolo, a barista at Starbucks, was among a group of employees that petitioned company leaders to implement equal parental-leave benefits for corporate employees and store workers.

ers in its corporate headquarters up to 18 weeks at full pay.

At a shareholders meeting earlier this year, Kristen Picciolo, a barista at a Medina, Ohio, store, asked company leaders to give all Starbucks workers equal leave. "I know as a parent how important it is to spend those first few months with your new baby," she said during the meeting.

A Starbucks spokesman said the company is constantly evaluating its benefits.

"You will not find another

company that has pioneered more innovative benefits for full- and part-time employees," he said in a statement.

A March report from Pew Research Center found that mothers with household incomes under \$30,000 took a median maternity leave of six weeks; those whose households bring in at least \$75,000 took 12 weeks. Some 14% of restaurant employers provide paid maternity leave for hourly workers, according to a 2016 survey from re-

search firm TDn2K.

Whatever the prospects are for Mr. Trump's parental-leave proposal, momentum is building at the state and local levels. Last year, New York's Gov. Andrew Cuomo signed a law that phases in a paid family leave program starting in 2018; by 2021, it is set to provide 12 weeks of paid leave. The Washington, D.C., city council also last year approved a paid family leave program that includes eight weeks of leave for new parents.

Leave Policies Are A Confusing Maze For New Parents

For many new parents in the U.S., navigating the array of policies and rules for taking parental leave is easily as tough as 3 a.m. wake-up cries. "It's a patchwork," said Ellen Galinsky, a senior research adviser at the Society for Human Resource Management, a group for human-resource professionals.

Although more companies are starting to offer at least some pay for maternity leave, the proportion of organizations offering workers fully paid parental leave has decreased over the years, according to a survey of employers by the Society for Human Resource Management. The survey found that of the 58% of firms that provide at least some pay for new mothers, 78% fund those payments through temporary disability insurance plans.

The federal Family and Medical Leave Act provides 12 weeks of unpaid leave for employees who meet certain requirements, such as working for their employer for at least a year and logging at least 1,250 hours in that year.

Some new mothers can tap disability benefits if their company provides them, but such benefits often only cover half or two-thirds of the mother's pay. A few states have temporary disability-insurance programs or paid parental leave programs.

Old-Time Jobs Are Hot Again In a Reaction to Digital Age

BY LAUREN WEBER

Gentrification isn't just taking place in working-class neighborhoods. It's happening to jobs, too.

Walk around parts of Brooklyn, Portland or Pittsburgh, and you'll find stylish cocktail bars, barbers and the occasional butcher shop staffed by young, college-educated employees. For an affluent segment of today's urban economy, these jobs have been revalued from low-status semi-manual labor to glamorous occupations, says sociologist Richard Ocejo.

In his new book "Masters of Craft: Old Jobs in the New Urban Economy," Mr. Ocejo examines the forces driving a resurgence of occupations such as butcher and bartender among young middle-class urbanites. A similar dynamic is at work with a handful of other jobs, including craft brewer, bookbinder, furniture maker and fishmonger.

The Labor Department projects that between 2014 and

2024 the number of bartenders and barbers in the U.S. will grow 10%, while butchers will see a 5% increase, compared with a 7% job growth for all occupations over the same period. Median pay for these jobs was less than \$30,000 a year in 2016.

Millennials are drawn to these occupations, in part, as a reaction to "the ephemerality of the digital age," says Mr. Ocejo, a sociology professor at John Jay College of Criminal Justice and the City University of New York Graduate Center.

Distinct from many of today's most vaunted jobs in fields like information technology and financial services, these trades "are based in using your hands, with actual tools and materials, to provide a tangible concrete product," he says.

To attract young people with college degrees and other options in the labor market, jobs usually have an element of performance to them, Mr. Ocejo says. In most of the careers he studied for "Masters of Craft," workers interact

closely with customers, often in a public setting where their skill and knowledge can be admired. That's why some manual positions like electrician and plumber are unlikely to experience the same "revalorization," he says.

Unlike real-estate gentrification, where the arrival of more affluent people displaces lower-income residents in a neighborhood, hipsters generally aren't displacing workers at more conventional businesses in the same industry, Mr. Ocejo says.

A trendy whole-animal butcher isn't pushing out the local butcher shop, he says, since it likely "closed a long time ago when the Italians moved out." And it isn't hurting the halal butchers in the neighborhood either, since those shops serve a different clientele.

"They've created a niche that didn't exist before, and they're operating along parallel but very, very separate paths" with pre-existing businesses, Mr. Ocejo says.

BUSINESS WATCH

CLAYTON, DUBLIER & RICE

HD Supply Sells Waterworks Division

Private-equity firm **Clayton, Dubilier & Rice** struck a \$2.5 billion deal to buy the largest underground water distributor in the latest bet on future infrastructure spending.

CD&R will buy **HD Supply Holding** Inc.'s waterworks division, which provides industrial and construction products used to build and maintain water and sewage for businesses and local governments.

Infrastructure deals have been heating up on Wall Street after President Donald Trump pledged \$1 trillion in infrastructure investment.

Before the election, CD&R held a stake in HD Supply for seven years, but exited the investment in 2014.

CD&R partner Jim Berges, who was chairman of HD Supply from 2007 to 2015, will serve as CEO of the new independent company.

The waterworks division was one of HD Supply's fastest-growing units last year and accounted for more than a third of its top line.

—Imani Moise



HD Supply will receive \$2.5 billion as infrastructure deals heat up.

ADANI GROUP

Conglomerate Clears Australian Mine

Indian conglomerate **Adani Group** has approved construction in Australia of one of the world's largest coal mines, shaking off concerns about its environmental impact and viability.

The decision comes days after Adani agreed to pay the state government royalties on the coal produced from the 16 billion Australian dollar (\$12 billion) Carmichael mine in the eastern state of Queensland.

Adani has pushed ahead with plans to build the mine that would produce thermal coal to generate electricity and operate for six decades, despite concerns of a looming global supply glut.

The Carmichael mine has faced fierce opposition.

"We have been challenged by activists in the courts, in inner city streets, and even outside banks that have not even been approached to finance the project," Chairman Gautam Adani said. "We are still facing activists. But we are committed to this project."

—Rob Taylor

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INTERNATIONAL PROPERTY REPORT: RUSSIA



The Bolshevik Building, a one-time sweets factory in Moscow, has been converted into residential and retail space.

Bargain Hunters on Prowl

Investors tiptoe back into the commercial market as crisis ebbs and prices remain low

BY THERESA AGOVINO
AND PETER GRANT

Development and investment activity is slowly picking up in Russia's commercial real-estate market as the country emerges from a crippling economic downturn and some investors shrug off concerns about ties between Russia and the new Trump administration.

Domestic players and foreign investors that hunkered down during the Russian economic crisis that hit in 2014 are leading the way. They are beginning to get out their checkbooks partly because prices for office buildings, stores, warehouses and other property in Russia are much lower than in other emerging markets like Eastern Europe and China.

Houston-based **Hines**, which has been investing in Russia for more than two decades, is close to new deals in Moscow to develop a residential complex and buy an office building, said people familiar with the matter. The firm owns about \$2 billion of real estate in that city and St. Petersburg.

Meanwhile, Guernsey-based investment firm **Raven Russia Ltd.**, which began investing in the country in 2005, emerged from roughly a four-year hiatus this year to buy a warehouse and two small office buildings in St. Petersburg for a total of \$83 million.

Raven Russia, which raised £100 million (\$129 million) last month, also signed a memorandum of understanding with a Russian partner to build a network of distribution centers. "We had been waiting for the market to stabilize," said Glyn Hirsch, chief executive officer of Raven Russia. "Of course, there is still risk, but at current prices we think it is worth the risk."

Mr. Hirsch said the St. Petersburg portfolio's yield is about 16%, meaning its annual income comes to about 16% of the purchase price. "Where else in the world are you going to get a return like that?" he said.

To be sure, most foreign investors continue to steer clear of the market, given that Western sanctions put in place in 2014 are still in effect against Russia stemming from its annexation of the Crimea region. Political and economic uncertainty remain high.

The volume of commercial property sales in Russia totaled \$4 billion in 2016, 70% below 2013, according to Real Capital Analytics, a real-estate data firm.

But in recent months sales have rebounded. In the first quarter of 2017, Russian sales volume totaled \$861 million, more than double the same period in 2016, Real Capital said.

Much of the new investment is coming from Russian pension funds and other do-

mestic institutions, said S. Lee Timmins, head of Hines's Eurasia region. In 2012, about 70% of the investment was foreign and 30% domestic.

"Now the ratio has flipped," Mr. Timmins said.

A number of sovereign-wealth funds are in the market looking for deals and joint-venture partners, said Dmitry Mints, CEO of **01 Properties**, one of the country's largest office-building landlords.

Investors are beginning to tiptoe back into the market partly because the biggest stresses on the Russian economy have been easing. The price of oil and the value of the ruble have risen from the depths they hit after the 2014 crisis.

Development activity also has shown signs of picking up. For example, 01 Properties recently completed the conversion of a former 19th-century sweets factory, renamed the Bolshevik Building by Russian leader Vladimir Lenin, into a mixed-use project with residential and retail space.

Gazprom's Building To Tower Over Europe

BY PETER GRANT

St. Petersburg, the jewel box of a city founded more than 300 years ago by Peter the Great as he turned Russia into a major European power, is going through another big—and controversial—transformation, this time by state-owned oil giant PAO **Gazprom**.

The company is developing Europe's tallest building for its new headquarters, to replace the one it has occupied in Moscow for decades. The twisting St. Petersburg tower, which will rise to over 1,500 feet, is already up 80 floors and can be seen throughout much of the region.

The development, named Lakhta Center, was the product of a highly charged debate over whether the immense tower should be built in the traditionally low-rise city. Opponents said it would be a gash on the skyline of what was once Russia's capital for more than 200 years before it moved back to Moscow in 1918 after the Russian Revolution.

Proponents said the project would boost the region's economy. They also have pointed out that the city has a tradition, started by Peter the Great, of being a leader in innovation and modernization.

"It seemed to us that St. Petersburg has never been afraid to move forward in the path of history," Sotiris Tsoulos, of **RMJM Group**, the Edinburgh-based architecture firm that designed Lakhta Center, said in an email. "We had to treat it with the respect that a veteran deserves but also with the freedom that a teenager needs," he said.

Its economic benefits already are apparent. While Gazprom declined to disclose its cost, observers put its value in the billions of dollars, including the new roads and other infrastructure the city is

developing. New housing and office space is being built there even as Russia struggles with an economic downturn caused by low oil prices, the weak ruble and Western sanctions.

At the same time, the story behind the Lakhta Center represents an unusual capitulation by authorities and one of Russia's biggest industrial powers. Opponents weren't able to block the tower completely, as many tried to do.

But local residents and other critics were able to persuade Gazprom and authorities to move the tower from the city center, where it was originally planned, to a site on the Gulf of Finland more than 5 miles from the city center.

Russian real-estate observ-

1,500

The Lakhta Center's approximate height, in feet, when completed

ers say developers and cities often turn a deaf ear to such protests. But in this case "it was very emotional," said Igor Chumachenko, head of real estate for Moscow-based law firm Vegas Lex. "Therefore, the authorities decided to pay attention to the opinion of the public."

Gazprom included a wide range of public uses in the tower. The property will include an observation deck, amphitheater, restaurants, stores, a sports complex and a science museum. "Promenades, bike paths...river tram and yacht stations and other entertainments will appear on the previously abandoned coast of the Gulf of Finland," a spokeswoman for the Lakhta Center said.

In Moscow, Plan Draws Ire

BY NATHAN HODGE

MOSCOW—Vitaly Slavin loves his home in northwest Moscow. Built in 1968, the brick apartment building was one of thousands of prefabricated five-story buildings thrown up during the Soviet housing boom of the 1950s and 1960s.

"It's in solid shape, it's a 10-minute walk to the subway, and there's a park nearby," he said.

But Mr. Slavin's building is one of thousands targeted for demolition by Moscow city authorities in what is shaping up as the city's biggest face-lift in a generation. This spring, the city published a list of 4,500 apartment buildings that will be torn down, the first phase of a renovation plan that will eventually see 8,000 aging buildings demolished and replaced with high-rise apartments.

For the Russian real-estate industry and foreign property investors, the plan is the first bright spot in years in a business that has been hammered along with the rest of the country's economy by the ailing energy sector and Western sanctions put in place after Russia's annexation of Crimea in 2014.

Moscow Mayor Sergei Sob-



One of the thousands of buildings targeted for demolition.

yanin has estimated the first installment of the plan would cost about 300 billion rubles (\$5.3 billion) over three years, according to news agency RIA-Novosti. Officials project the longer-term cost of relocating and rehousing tens of thousands of people over 20 years would cost at least \$53 billion.

The demolition program is moving forward at a time when Russia's property prices in Moscow have stabilized.

But the program touches a potential third rail for some apartment owners who worry they may face eviction-by-edict by government authori-

ties. The city government says owners will be offered new flats in the same area, but some protesters have feared they will be moved to high-rises in the outer suburbs.

The program underscores the conflicting political and economic forces at work in the Russian housing market, which was privatized after communism fell more than 25 years ago but still shows traces of state planning.

It isn't clear how much power owners will have to stop the program if authorities move ahead in a heavy-handed fashion.

Plots & Ploys

INDUSTRIAL Sector Gains Steam

Development of industrial space in the U.S. is at a 10-year high, and there are no signs of a slowdown.

Roughly 247 million square feet of industrial space is expected to be delivered this year, the most since 2007, according to real-estate-services firm JLL. Rents are at records, while vacancies are at a 17-year low.

Construction is heating up in Dallas, the Inland Empire east of Los Angeles, Philadelphia, Denver and Atlanta, which together accounted for more than half of new development starts in the first quarter.

—Esther Fung

FLORIDA Luxury Digs Sold

Developers have sold a 30-story luxury apartment building in Fort Lauderdale, Fla., in a sign that investor appetite for high-end rental properties remains strong even as rents cool.

A joint venture of Rockefeller Group and **Stiles Corp.** has sold Amaray Las Olas, a 254-unit development that opened in 2016. The project helped introduce the concept of apartment buildings offering ultra-luxury conveniences such as full-service dog washing. It set a new standard by fetching rents of about \$3 a square foot. The property was purchased by GID for \$136.6 million, according to public records.

—Laura Kusisto

COMMERCIAL Values Fell in May

Commercial real-estate values declined slightly in May, primarily because of weakness in the retail sector, according to **Green Street Advisors'** latest commercial property index released Tuesday.

The index, which tracks property owned by real-estate investment trusts, fell 0.4% to 125.7. The index has been at roughly the same level since June 2016. Malls fell 2.8% in value from April to May and are down 5% in the past three months, Green Street said. But the value of industrial property continues to rise. Green Street's index for that sector hit a record 124.5 in May, up 8.5% over the past 12 months.

—Peter Grant

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COMMODITIES

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Futures Contracts

Metal & Petroleum Futures

	Contract						Open	High	Low	Settle	Chg	Open interest
	Open	High	hi lo	Low	Settle	Chg	Open					
Copper-High (CMX) -25,000 lbs.; \$ per lb.												
June	2.5350	2.5580		2.5180	2.5445	-0.010	1,625					
July	2.5585	2.5655		2.5155	2.5470	-0.0105	108,838					
Gold (CMX) -100 troy oz.; \$ per troy oz.												
June	1279.40	1295.20		1279.40	1294.40	15.10	2,669					
Aug	1282.50	1298.80		1282.10	1297.50	14.80	344,217					
Oct	1286.40	1302.10		1286.30	1301.10	14.80	11,022					
Dec	1289.60	1305.50		1289.30	1304.60	14.80	78,532					
Feb'18 1297.30 1309.00 ▲ 1297.20 1307.90 14.80 9,763												
Dec	1316.30	1323.20	▲	1316.30	1324.90	14.70	5,911					
Palladium (NYM) -50 troy oz.; \$ per troy oz.												
June	851.95	855.30	▲	851.95	852.30	6.55	252					
July	842.75	851.10	▲	842.75	849.60	6.60	47					
Sept	839.10	853.00	▲	837.30	848.40	6.55	33,066					
Dec	839.95	847.00	▲	837.10	843.45	4.60	688					
Platinum (NYM) -50 troy oz.; \$ per troy oz.												
June	954.60	954.60		954.10	962.10	5.80	14					
July	955.70	969.50		953.30	963.30	5.70	55,490					
Silver (CMX) -5,000 troy oz.; \$ per troy oz.												
June	17.510	17.695	▲	17.510	17.677	0.130	20					
July	17.545	17.745		17.515	17.710	0.129	131,578					
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.												
July	47.40	48.40		46.94	48.19	0.79	535,691					
Aug	47.55	48.54		47.12	48.34	0.76	226,362					
Sept	47.71	48.68		47.28	48.49	0.74	203,838					
Dec	48.24	49.08		47.76	48.88	0.66	320,702					
June'18 48.49 49.10 48.09 48.95 0.45 126,759												
Dec	48.39	48.83		47.96	48.66	0.27	162,334					
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.												
July	1.4594	1.4705		1.4416	1.4662	0.069	111,209					
Dec	1.5199	1.5288		1.5026	1.5248	0.073	57,341					
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.												
July	1.5390	1.5574		1.5224	1.5545	0.0164	135,797					
Sept	1.5230	1.5360		1.5048	1.5318	0.0117	57,244					
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.												
July	2.982	3.063		2.972	3.042	0.060	319,312					
Aug	3.025	3.097		3.014	3.076	0.052	150,286					
Sept	3.010	3.081		3.003	3.062	0.048	162,334					
Oct	3.033	3.101		3.024	3.082	0.046	183,583					
Jan'18 3.318 3.371 3.307 3.355 0.034 111,803												
April	2.872	2.887		2.857	2.881	0.017	91,097					

Agriculture Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Corn (CBT) -5,000 bu.; cents per bu.								
July	372.00	379.75		371.25	377.25	4.25	641,997	
Dec	390.75	398.00		390.00	395.75	3.75	317,704	
Oats (CBT) -5,000 bu.; cents per bu.								
July	243.50	257.75		243.00	256.25	14.00	4,637	
Dec	234.75	237.00		234.75	236.25	4.00	1,372	
Soybeans (CBT) -5,000 bu.; cents per bu.								
July	92.00	93.25		92.00	92.30	1.50	350,322	
Nov	92.65	93.75		92.65	93.75	3.75	211,954	
Soybean Meal (CBT) -100 tons; \$ per ton.								
July	300.40	305.40		300.30	301.10	.50	189,441	
Dec	305.60	309.90		305.10	306.10	.60	97,663	
Soybean Oil (CBT) -60,000 lbs.; cents per lb.								
July	31.31	31.72		31.16	31.39	.08	198,823	
Dec	31.90	32.30		31.74	31.99	.08	116,268	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.								
July	1104.50	1115.50		1104.50	1109.50	5.00	6,693	
Sept	1131.50	1143.00		1131.50	1137.00	5.50	1,960	
Wheat (CBT) -5,000 bu.; cents per bu.								
July	429.25	440.75		429.25	435.75	6.25	252,612	
Sept	444.00	455.00		443.75	450.25	6.50	101,400	
Wheat (KCO) -5,000 bu.; cents per bu.								
July	430.50	442.25		430.50	438.00	8.00	141,899	
Sept	447.75	459.50		447.75	455.75	8.00	59,518	
Wheat (MPLS) -5,000 bu.; cents per bu.								
July	591.25	604.00	▲	591.25	598.75	9.75	28,757	
Sept	593.50	604.25	▲	593.50	600.25	8.75	17,197	
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.								
Aug	160.65	160.90		155.75	155.375	-4.500	33,442	
Sept	159.80	160.225		154.850	154.850	-4.500	9,586	
Cattle-Live (CME) -40,000 lbs.; cents per lb.								
June	132.25	134.225		129.50	130.200	-1.900	20,173	
Aug	127.000	127.650	▲	123.250	123.600	-2.600	197,038	
Hogs-Lean (CME) -40,000 lbs.; cents per lb.								
June	81.25	82.350		80.925	81.650	.925</		

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21136.23 ▼47.81, or 0.23%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 20.08 19.15
P/E estimate * 17.92 16.99
Dividend yield 2.52 2.56
All-time high 21206.29, 06/02/17

Current divisor 0.14602128057775

21400
21000
20600
20200
19800
19400
19000
Mar. Apr. May

Bars measure the point change from session's open

19000
18600
18200
17800
17400
17000
16600
16200
15800
15400
15000
14600
14200
13800
13400
13000
12600
12200
11800
11400
11000
10600
10200
9800
9400
9000
8600
8200
7800
7400
7000
6600
6200
5800
5400
5000

65-day moving average
Session high
DOWN UP
Session open Close
Close Open
Session low

S&P 500 Index

2429.33 ▼6.77, or 0.28%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.08 24.22
P/E estimate * 19.01 17.81
Dividend yield 1.95 2.18
All-time high: 2439.07, 06/02/17

2430
2400
2370
2340
2310
2280
2250
Mar. Apr. May

65-day moving average

2430
2400
2370
2340
2310
2280
2250
Mar. Apr. May

Nasdaq Composite Index

6275.06 ▼20.63, or 0.33%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.65 22.35
P/E estimate * 21.42 19.01
Dividend yield 1.09 1.28
All-time high: 6305.80, 06/02/17

6220
6100
5980
5860
5740
5620
5500
Mar. Apr. May

65-day moving average

6220
6100
5980
5860
5740
5620
5500
Mar. Apr. May

Weekly P/E data based on as-reported earnings from Birinvi 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	21180.47	21118.46	21136.23	-47.81	-0.23	21206.29	17140.24	17.8	7.0	7.7
Transportation Avg	9311.89	9253.62	9274.40	-32.77	-0.35	9593.95	7093.40	18.1	2.5	4.1
Utility Average	731.64	727.60	728.11	-1.15	-0.16	732.63	625.44	8.7	10.4	9.8
Total Stock Market	25214.18	25112.27	25138.01	-71.05	-0.28	25257.37	20583.16	15.2	8.0	7.2
Barron's 400	646.06	640.81	643.21	-1.73	-0.27	647.66	491.89	20.5	6.9	6.7

Nasdaq Stock Market

Nasdaq Composite	6304.21	6269.86	6275.06	-20.63	-0.33	6305.80	4594.44	26.5	16.6	13.2
Nasdaq 100	5890.88	5848.32	5856.77	-21.35	-0.36	5881.46	4201.05	29.8	20.4	15.6

Standard & Poor's

	500 Index	2429.33	-6.77	-0.28		2439.07	2000.54	15.0	8.5	7.6
MidCap 400	1743.34	1731.31	1737.05	-6.57	-0.38	1758.27	1416.66	14.4	4.6	7.2
SmallCap 600	849.22	839.95	844.96	-1.05	-0.12	863.08	670.90	17.3	0.8	8.0

Other Indexes

Russell 2000	1401.79	1386.70	1394.90	-1.55	-0.11	1419.43	1089.65	18.2	2.8	6.2
NYSE Composite	11693.10	11644.14	11671.45	-22.23	-0.19	11718.70	9973.54	10.1	5.6	2.3
Value Line	522.67	519.08	521.00	-1.35	-0.26	529.13	435.06	10.5	2.9	1.6
NYSE Arca Biotech	3669.86	3620.24	3648.19	6.32	0.17	3690.05	2818.70	11.2	18.6	11.1
NYSE Arca Pharma	527.64	525.61	525.77	-1.80	-0.34	554.66	463.78	-0.4	9.2	0.9
KBW Bank	89.47	88.38	89.11	-0.40	-0.45	99.33	60.27	27.0	-2.9	8.0
PHLX® Gold/Silver	87.39	84.22	87.39	4.27	5.13	112.86	73.03	-1.4	10.8	0.3
PHLX® Oil Service	140.62	136.58	140.14	1.18	0.85	192.66	138.35	-21.7	-23.8	-22.1
PHLX® Semiconductor	1117.48	1101.00	1110.08	3.86	0.35	1110.08	648.32	56.2	22.5	21.6
CBOE Volatility	10.77	9.86	10.45	0.38	3.77	25.76	9.75	-25.6	-25.6	-0.9

\$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
VanEck Vectors Gold Miner	GDX	8,503.3	23.82	0.02	0.08	23.84	23.76
SPDR S&P 500	SPY	6,405.7	243.42	0.21	0.09	243.93	243.21
VanEck Vectors Jr Gold	GDXJ	4,625.5	34.00	-0.04	-0.12	34.04	33.87
Janus Henderson Group	JHG	3,069.3	31.60	...	unch.	31.60	31.58
Rapid7	RPD	2,814.2	18.00	-1.02	-5.36	19.02	18.00
Micron Technology	MU	2,476.5	31.62	0.05	0.16	31.62	31.21
General Electric	GE	2,265.8	27.93	...	unch.	27.98	27.85
Cognizant Tech Solutions	CTSH	1,986.4	67.56	0.15	0.22	67.56	67.35

Percentage gainers...

Carvana Cl A	CVNA	208.6	10.30	0.77	8.08	10.75	9.53
KeySight Technologies	KEYS	235.8	42.80	2.55	6.34	44.00	40.25
Ollie's Bargain Outlet	OLLI	24.9	44.30	1			

BUSINESS & FINANCE

Treasury Prices Continue Their Rally

Yield on 10-year note hits lowest level of year ahead of ECB meeting, U.K. vote

By MIN ZENG

The yield on the benchmark 10-year U.S. government note closed at the lowest level in 2017, extending its big slide since reaching this year's peak in March.

The yield settled at 2.147%, down from 2.182% Monday. It marked the yield's lowest close since Nov. 10. It traded above 2.6% in March. Yields fall as bond prices rise.

Tuesday's demand for haven bonds reflects investors' caution ahead of several key events later this week that may affect global markets.

Thursday will be the focus, with the European Central Bank's policy meeting, the U.K. general election and U.S. congressional testimony from ex-FBI Director James Comey.

Other haven assets, including gold, the Japanese yen and the 10-year German bund, also gained ground Tuesday, reflecting some investors cutting back their appetites for danger to hedge potential downside risks for riskier markets.

Some traders said another boost for Treasurys was a report from Bloomberg News, citing people familiar with the matter, that China is prepared to increase its holdings of Treasurys under the right circumstances, as officials judge that the assets are becoming more attractive than other sovereign debt and as the yuan stabilizes.

China, the second-largest foreign holder of Treasurys after Japan, has been the biggest

buyer of Treasury debt during the first quarter of this year after cutting holdings last year, The Wall Street Journal reported last month. In 2016, the country slashed its Treasury holdings by \$188 billion. But in the first quarter of 2017, China increased its holdings by \$29 billion to \$1.088 trillion, the most recent such Treasury data released on May 15 show.

The latest slide in the 10-year Treasury yield strengthened the bond market's turnaround after a big selloff in late 2016. Selling Treasurys was a popular way for investors to bet that a large fiscal stimulus in the U.S. would lead to stronger growth and higher inflation, known as the reflation trade. Confidence over President Donald Trump's fiscal agenda has been waning this year, causing investors to dial back bets on higher yields.

"The bond market tells you that the reflation trade was

overdone," said Michael Collins, senior portfolio manager at PGIM Fixed Income.

While the 10-year Treasury yield has been down by more than 0.2 percentage point this year, U.S. stocks hit a record

some protection in case U.S. stocks suffer a sell-off.

Others argue that many financial markets continue to benefit from generous liquidity thanks to bond buying, known as quantitative easing or QE, from the European Central Bank and the Bank of Japan, which are filling the void as the Federal Reserve has been pulling back support.

"QE is the tide that floats all boats, meaning all asset classes," said Jason Evans, co-founder of hedge fund NineAlpha Capital LP. Mr. Evans said the 10-year Treasury yield at this low level doesn't offer value. But he refrains from placing large bets on the yield to rise, given that the consensus trade at the start of the year—wagering on bond yields to rise—has been derailed.

A number of data releases have raised some questions about whether the U.S.'s growth momentum may be

less robust than investors had expected. Last Friday, the non-farm jobs report showed a smaller-than-expected growth in jobs in May. On Monday, a monthly gauge of the service industry, whose activities accounts for the bulk of the U.S. economy, was reported to have softened in May.

Inflation has been showing signs of deceleration, with some readings falling below the Fed's 2% target again last month. Friday's jobs report also pointed to tepid wage inflation pressure even as the unemployment rate tumbled to a 16-year low.

The inflation outlook is key to the Fed's plan to tighten monetary policy. Investors expect the Fed to raise short-term interest rates next week after a rise in March. But some wonder whether a June increase could be the last one of the year, especially if there are further signs of decelerating inflation.

2.147%

Settlement yield of 10-year Treasurys, lowest since November

last week, with the Dow up more than 1,000 points since the end of 2016.

Higher stocks and Treasury prices have been generating heated debate among investors this year. Some say the bond market is sending out a warning sign for investors to chase riskier assets with lofty valuations. Buying Treasurys offer

U.S.-Mexico Sugar Dispute Cools Down

By ANTHONY HARRUP
AND WILLIAM MAULDIN

WASHINGTON—The U.S. and Mexican governments announced an "agreement in principle" designed to avert a trade war over sugar, helping to set the course for bigger talks on rewriting the North American Free Trade Agreement.

The preliminary pact imposes new limits on Mexican imports to the U.S. and appears to provide longer-term clarity to a market that has been overshadowed for three years by cross-border tensions and prospects of tit-for-tat sanctions over sweeteners from each country.

U.S. Commerce Secretary Wilbur Ross and Mexican Economy Minister Ildefonso Guajardo, who announced the deal Tuesday, have sought to portray healthy economic cooperation between the two countries on sugar, a contrast to President Donald Trump's tough rhetoric on Mexico earlier this year that led to the cancellation of a visit by Mexican President Enrique Peña Nieto.

Mr. Ross said "the Mexican side has agreed to nearly every request made by the U.S. industry," but he added that the U.S. sugar industry overall isn't ready to support the pact. Washington protects U.S. sugar growers and refiners from some foreign competition, but policy makers also have to take into account confectioners who want access to sugar at the lowest price.

"We now need to make a definitive agreement, and

we're hoping in that process the industry will come on board," Mr. Ross said.

U.S. sugar refiners say they are being hurt by imports of refined Mexican sugar, while not getting enough raw sugar for their refineries. The new agreement would reduce the share of refined sugar that Mexico can send to the U.S. to 30% of total sugar sent.

"Mexico may have had little choice but to give in, since this outcome forestalls broader trade tensions with the U.S. and keeps Nafta renegotiation talks on track," said Eswar Prasad, professor at Cornell University and trade expert at the Brookings Institution. "The U.S. has gained a tactical advantage in further trade talks by sticking to its hard-line stance and signaling that it is willing to play hardball to extract ostensibly favorable terms."

Mr. Guajardo said the deal protects Mexico's status as the major supplier to the U.S. market, with the right to supply extra amounts needed in the U.S. The agreement's details will be worked out in coming days, he said.

"This is positive in that we managed not to derail the agreements" that govern U.S.-Mexican sugar trade, said Juan Cortina, president of the Mexican sugar-industry chamber. While it reduces the amount of refined sugar that Mexico can export to the U.S., "it would have been much worse if there hadn't been agreements," he added.

Mr. Cortina said the fact the U.S. industry wasn't on board with the agreement between the two governments,



Sugar towers over machinery at a Louisiana sugar mill. U.S. refiners say they are being hurt by imports of refined Mexican sugar.

Sugar Prices Rise; Outlook Is Bearish

Sugar prices gained, as the U.S. and Mexican governments reached an "agreement in principle" that would maintain Mexican sugar exports to the U.S. market.

U.S. Commerce Secretary Wilbur Ross announced that "a new agreement in principle between the two governments" has been reached, which would allow Mexican sugar to continue to enter the U.S. market

without being subject to any antidumping and countervailing duties.

Raw sugar futures for July delivery added 0.7% to settle at 13.98 cents a pound on the ICE Futures U.S. exchange.

The futures market for sugar settled before the news conference started, but the iPath Bloomberg Sugar Subindex Total Return ETN continued to trade and closed 1.5% higher.

The market was little surprised by the outcome, as "it's in the interest of both sides to do something," said Michael

McDougall, director of commodities agency at Société Générale SA.

Broadly, sentiment in the sugar market was still bearish, as the global market was poised to see a surplus after a two-year deficit.

Sugar prices have fallen 35% since the year's high in early February.

In other markets, cocoa for July fell 0.7% to settle at \$1,975 a ton, arabica coffee for July fell 2.3% to \$1,255 a pound, and July cotton fell 0.4% to 76.02 cents a pound.

—Carolyn Cui

ance, which represents sugar cane and beet producers, as well as refiners.

Because the deal will raise the floor price for raw sugar, it will hurt cereal, beverage and candy makers, said Rick Pasco, head of the Washington-based Sweetener Users Association. Mr. Pasco estimated that U.S. raw sugar prices currently are about 80% above those elsewhere in the world, and Tuesday's trade deal with Mexico would push that premium to 100%.

"If you're a food company looking at long-term investment in the U.S. and you're paying twice the world price, that's got to be a consideration going forward," said Mr. Pasco, who said sugar-using companies support about 600,000 jobs in the U.S.

—Jacob M. Schlesinger and Jacob Bunge contributed to this article.

Accountants Jump Into Immigration Debate

By MICHAEL RAPORT

Accounting is both art and science—but in a bid to help more foreign accountants work in the U.S., it is the science part that the accounting industry wants to emphasize.

Major accounting firms and the industry's trade group are trying to convince Congress to include accounting as part of the "STEM" career fields—science, technology, engineering and mathematics. Those areas get special consideration when the U.S. government determines which foreigners get visas to work in the U.S.

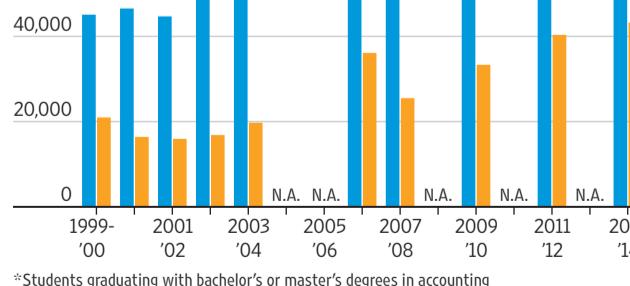
Specifically, the industry wants to expand the STEM definition of mathematics to include accounting. The efforts by firms and the American Institute of Certified Public Accountants are cited in recent lobbying disclosure reports filed with Congress.

President Donald Trump has called for scaling back the H-1B visa program for highly skilled "guest workers," who are largely in STEM disciplines.

Many companies, particularly in the tech industry, argue that the program is vital to their accessing a wider pool

Hiring Picture

The number of accounting graduates U.S. colleges turn out significantly exceeds those hired by CPA firms.



of workers with specialized skills. But critics say H-1B has fostered outsourcing, helping companies replace or forgo U.S. workers in favor of lower-paid foreign workers.

Accounting firms say they aren't seeking lower-paid workers, rather they want the best employees for their needs, wherever they are

tions both in the U.S. and abroad, the group said. Beyond immigration, having the prestige and attention of STEM could help attract more people into accounting, the AICPA said.

Some observers are skeptical. "I think it is a stretch to include accounting as one of the STEM disciplines," said Ronil Hira, an associate professor of political science at Howard University who studies high-skilled immigration and outsourcing.

Mr. Hira says the accounting firms are in fact using the H-1B program to bring lower-paid accountants from abroad into the U.S. The big accounting firms' approved applications for H-1B visas show they are predominantly for jobs in the lowest wage category, essentially entry-level wages, according to a compilation by Mr. Hira of U.S. Labor Department data for 2015 applications that he furnished to The Wall Street Journal.

"The companies see this as highly profitable. The fact that it undercuts U.S. accountants isn't part of their calculations for decision-making," Mr. Hira said.

A spokeswoman for Price-

waterhouseCoopers LLP said most of the firm's H-1B hires received entry-level pay not because the firm was trying to save money but because they were hired right out of school. The other Big Four accounting firms—Deloitte & Touche LLP, KPMG LLP and Ernst & Young LLP—declined to comment on the industry's STEM lobbying, deferring to the AICPA's statement.

It wouldn't appear that accountants are in short supply in the U.S., as U.S. colleges are turning out more accounting graduates than accounting firms are hiring.

But accountants said the labor market is tight for students with CPA-ready skills. So "it is understandable that the public accounting firms would weigh in on this immigration issue," said Terry Warfield, a University of Wisconsin-Madison accounting professor.

STEM degrees aren't required for H-1B visas per se, but data from U.S. immigration authorities suggest more than 80% of the visas go to workers in the computer industry and other scientific and technical fields. So inclusion in STEM might give the accounting industry a boost.

Markets Get Ready for Comey Talks

BY BEN EISEN

Former Federal Bureau of Investigation Director James Comey's congressional testimony Thursday is likely to stand out among the potential market-moving events coming up.

Mr. Comey has been in the spotlight around some of the biggest market moves recently. After he reopened an investigation into Democratic candidate Hillary Clinton's handling of emails just 10 days before the presidential election, the Dow industrials slid for six straight sessions, falling 1.6%.

Mr. Comey will go before the Senate Intelligence Committee, where he is likely to face questions about whether he felt the president tried to influence the FBI's investigation into alleged Russian meddling in the election.

Omer Esiner, chief market analyst at Commonwealth Foreign Exchange, cited as factors driving investors to safety on Tuesday, "uncertainty ahead of the ECB meeting, the U.K. election and testimony by former FBI Director James Comey."

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MARKETS

Yen Rises On Desire For Safer Assets

BY CHERYL DULANEY

The dollar tumbled against the Japanese yen as investors turned cautious ahead of several important political events.

The greenback fell 1% against the Japanese currency to ¥109.41, its biggest daily drop in nearly three weeks.

Other assets seen as safe, including the Swiss franc, gold and U.S. government bonds, also strengthened.

Investors are seeking out safer assets ahead of a series of key events, said Brad Bechtel, a foreign-exchange strategist at Jefferies Group.

"People are protecting themselves ahead of Thursday, just in case there's a curveball," said Mr. Bechtel.

Former Federal Bureau of Investigation Director James Comey is scheduled to testify Thursday about Russian meddling in the U.S. elections. Reports that President Donald Trump allegedly asked Mr. Comey to back off an investigation of former national security adviser Michael Flynn have rattled the dollar.

"The testimony is likely to put the Trump administration under more pressure regarding potential ties with Russia," said Sireen Harajli, a foreign-exchange strategist at Mizuho, in a research note. "This will bring back doubts regarding the administration's ability to implement its economic agenda and [the dollar] may struggle."

The WSJ Dollar Index, which measures the U.S. currency against 16 others, fell 0.3% to 87.98, its lowest closing level since Nov. 4. The index surged to a 14-year high after Mr. Trump's election in November but has unwound those gains in recent months amid uncertainty over the administration's economic proposals and weak economic data.

Also on Thursday, the U.K. holds its parliamentary election, and polls show the lead of Prime Minister Theresa May's Conservative Party narrowing. Analysts say the election outcome could jolt the British pound by affecting the U.K.'s Brexit negotiations.

Also, the European Central Bank will announce its latest policy decision on Thursday. Expectations have been mounting that the central bank could soon begin to unwind quantitative easing, which has sent the euro up 7.2% against the dollar so far this year.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$133,819,533,100
Accepted bids	\$40,000,467,100
"noncompetitively"	\$415,709,400
"foreign noncompetitive"	\$100,000,000
Auction price (rate)	99.934667 (0.840%)
Coupon equivalent	0.852%
Bids at clearing yield accepted	47.91%
Cusip number	912796LG2

The bills, dated June 8, 2017, mature on July 6, 2017.

U.K. Vote Is Pound's New Worry

Investors seek shield against sharp shifts by the British currency as election nears

BY CHRISTOPHER WHITTALL

Investors are rushing to protect themselves against big moves in the British pound ahead of this week's election, the outcome of which many had taken for granted.

One gauge of how much it costs investors to protect themselves against a slide in sterling hit levels on Monday not seen since the U.K.'s surprise vote to leave the European Union last June. That move in so-called one-week risk reversals in currency-derivatives markets came after weeks of calm in which it appeared the ruling Conservative Party was heading for a landslide victory in Thursday's election.

As the opposition Labour Party catches up in the polls, investors are trying to work out what a range of possible voting outcomes could mean for British markets and the country's divorce from the EU. Pushing the rush for protection: Many are really unsure what some of those possible outcomes would mean for markets.

"All of a sudden, this has become an event for markets to worry about," said Hamish Pepper, a foreign-exchange strategist at Barclays PLC in London.

Most analysts believe that a big Conservative win would be the best option for markets, sending the pound higher. A large Tory majority would bring certainty but also give Prime Minister Theresa May a stronger hand when dealing with lawmakers in her own party who are demanding a quick and sharp break from Brussels, something many investors don't want.

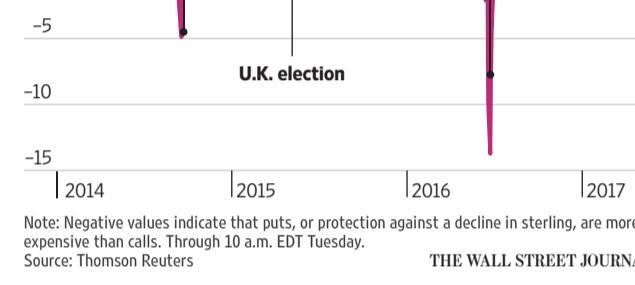
The Conservative Party securing a large majority "would



Investors are trying to determine what Thursday's vote will mean for markets. Prime Minister Theresa May at a campaign event Tuesday. WPA POOL/GETTY IMAGES

Hedging Against Sterling Weakness

One-week sterling-dollar risk reversals, a gauge of how much investors will pay to protect against a sharp move



Note: Negative values indicate that puts, or protection against a decline in sterling, are more expensive than calls. Through 10 a.m. EDT Tuesday.
Source: Thomson Reuters

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be taken relatively well by U.K. asset markets," said Mike Amey, head of sterling portfolio management at Pacific Investment Management Co., given it would give Mrs. May "more credibility" in Brexit negotiations.

A small margin of victory likely would push sterling lower, said Mr. Amey, as Mrs. May

would remain under pressure from within her party to make a clean break from the EU, Britain's biggest trading partner.

The pound gained more than 2% in April, when Mrs. May called a vote. Polls then suggested she would win convincingly. But Labour has crept up.

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.

Labour's leader, Jeremy Corbyn, is considered the party's most left-wing leader in a generation. The self-described socialist has promised to nationalize rail and water companies, raise the minimum wage and increase taxes on corporations and the top 5% of earners. These plans likely would hit U.K. share prices if he were elected, analysts say. Labour's plans for increased fiscal spending could also raise the yields on U.K. government bonds if, as expected, it led to greater government borrowing.

Most analysts expect a Labour victory or an inconclusive result would weigh on the pound initially.

"The knee-jerk reaction would be for sterling to be the buffer for international investors," said Mr. Pepper of Barclays.

But some investors also argue that a Labour-led govern-

ment could boost sterling over the medium term. While the party has said it would respect the Brexit vote, it likely would push harder to stay in the EU's single market.

In between the scenarios of Labour and Tory administrations are a range of minority governments and coalitions. Some investors hope that a minority government would need backing from parties that are against Brexit and that could soften the divorce.

"A second Brexit referendum would suddenly become a real possibility for the first time, making investors reassess their assumptions about Britain and the EU," said Matthew Jennings, investment director for U.K. equities at Fidelity International.

"This week, we will expect volatility in sterling," said Nandini Ramakrishnan, a market analyst at J.P. Morgan Asset Management. "There are so many layers within each result that can affect how the market will think about it."

Stocks Decline as Investors Seek Havens

BY AKANE OTANI
AND CHRISTOPHER WHITTALL

Stocks slipped while gold prices and U.S. government bonds gained, signaling a note of caution among investors.

The pullback drove major U.S. stock indexes to a second straight day of declines after

the Dow Jones Industrial Average, the S&P 500 and the Nasdaq Composite closed at records last week. A rally in energy shares wasn't enough to offset losses elsewhere, including in consumer companies, banks and industrials.

The Dow industrials fell

47.81 points, or 0.2%, to 21,136.23. The S&P 500 lost 6.77 points, or 0.3%, to 2,429.33, and the Nasdaq Composite declined 20.63 points, or 0.3%, to 6,275.06.

With the first-quarter earnings season over and few eco-

nomic reports out Tuesday, some analysts said the broader

stock market lacked potential catalysts for big moves.

Meanwhile, assets that investors typically consider havens rose, with gold prices hitting a 2017 high and the yield on the 10-year Treasury note falling to a 2017 low. Bond yields fall as prices rise.

This year's bond rally stands in contrast to stocks trading near records, said Art Hogan, chief market strategist at Wunderlich Securities, with the bond market signaling a more pessimistic view of the U.S. economy.

"The markets are sending mixed messages out there," he said. "At some point, something's got to give."

Some investors and analysts attributed the moves to caution ahead of several scheduled events, including the U.K. election, testimony by former FBI Director James Comey and next week's Federal Reserve meeting.

Gold for June delivery rose

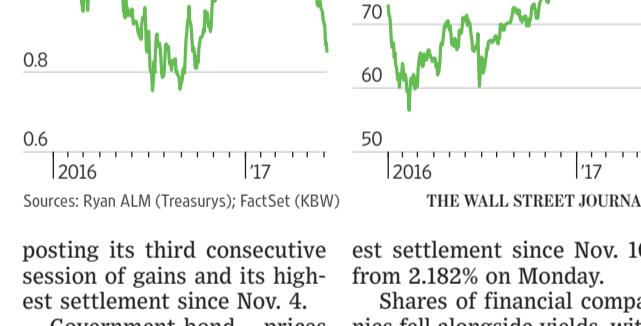
1.2% to \$1,294.40 a troy ounce,

Spread Shrinks

The gap between long-term and short-term rates has narrowed this year, threatening to squeeze lenders' profits and weighing on bank shares.

Yield premium, Treasurys, 10-year vs. two-year

1.4 percentage points



Sources: Ryan ALM (Treasurys); FactSet (KBW)

KBW Nasdaq Bank Index

100



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posting its third consecutive session of gains and its highest settlement since Nov. 4.

Government-bond prices strengthened, sending the yield on the 10-year Treasury note down to 2.147%, its low-

est settlement since Nov. 10, from 2.182% on Monday.

Elsewhere, the Stoxx Europe 600 fell 0.7%. In Asian markets early Wednesday, Japan's Nikkei was down 0.2%, the Shanghai Composite was up 0.4%, while Hong Kong's Hang Seng Index was flat.

A narrower gap between short- and long-term yields typically pressures lenders by compressing the difference between what they pay on deposits and charge on loans.

Shares of retailers fell, with Macy's shedding \$1.96, or 8.2%, to \$21.90, after the company's chief financial officer said margins were under pressure. The company's shares are down 39% this year.

On Tuesday, Kohl's fell 2.19, or 5.8%, to 35.73, and Nordstrom lost 1.51, or 3.6%, to 40.14.

The energy sector jumped 1.2% in the S&P 500 as oil prices climbed. U.S. crude for July delivery gained 1.7%, to \$48.19 a barrel, snapping a two-session streak of losses.

Elsewhere, the Stoxx Europe 600 fell 0.7%. In Asian markets early Wednesday, Japan's Nikkei was down 0.2%, the Shanghai Composite was up 0.4%, while Hong Kong's Hang Seng Index was flat.

RALLY

Continued from page B1
his portfolios in this environment. Right now, he favors real estate investment trusts, not because they are inexpensive but because they are simply less expensive than other assets such as utility stocks.

Higher valuations leave markets vulnerable to potential shocks, many say, and leave the Federal Reserve with the tricky task of trying to normalize monetary policy in a way that limits risk taking without unduly unsettling markets. Investors widely expect the Fed next week to raise its interest-rate target for the fourth time since the crisis.

"You got some sort of a goldilocks environment right now for markets: reasonable growth, benign inflation and highly accommodative central bank policy," said John Stopford, a money manager at Investec Asset Management.

One factor that has reduced potential market stress has been a weakening dollar this year, down 5.3%. A stronger dollar between the summer of 2014 and the end of last year had hurt U.S. corporate earnings from overseas markets, re-

duced the U.S.'s edge in global trade and generated capital flight out of many developing countries. China's central bank for one has been forced to sell Treasury debt to stabilize the local currency and stem outflows.

Now a lower dollar breaks the negative feedback loop and represents another sign of easing financial conditions.

Some money managers say the goldilocks mentality and be-

lieve that central banks stand ready to respond to any shock breed complacency in markets. This partly explains why the U.S. stock markets have been so resilient and volatile so low.

"There is a tremendous amount of complacency in the markets right now," said Gene Tannuzzo, senior portfolio manager at Columbia Threadneedle. In recent months, he has cut back holdings of junk bonds and moved cash into higher-quality fixed income such as mortgage

backed securities. He also bought Treasury debt when the 10-year yield rose to this year's high in March.

Signs are rife the U.S. is in the late stages of the economic growth cycle. Recently, auto sales and home sales have fallen. And despite strong job growth that's pushed the unemployment rate to its lowest in 16 years, employee wages have only increased moderately. Retail shares have been hammered repeatedly, including Tuesday, when Macy's Inc. warned about slow progress in clearing inventories.

Even so, few anticipate a downturn will hit the U.S. over the next 12 months. Michael Collins, senior portfolio manager at PGIM Fixed Income, points to an improving global picture that provides support for risk takers. The eurozone and Japan's growth have both regained some momentum in their economies, and many emerging-market economies are buoyant.

Still, many are turning cautious. Scott Mather, chief investment officer of U.S. Core Strategies at Pacific Investment Management Co., has taken a more defensive positioning last year and this year in the Total Return Fund that he helps oversee.

Oil Rebounds Ahead of Report on Inventories



Oil prices posted only their third gain of the past nine sessions on Tuesday as traders prepared for what is expected to be the latest in a string of inventory declines in the U.S. Light, sweet crude for July

delivery settled up 79 cents, or 1.7%, at \$48.19 a barrel on the New York Mercantile Exchange. Brent gained 65 cents, or 1.3%, to \$50.12 a barrel on ICE Futures Europe. The U.S. Energy Information

Administration is likely to report a ninth-straight week of falling crude stockpiles in its weekly update Wednesday, according to The Wall Street Journal's survey of 12 analysts and traders.

—Timothy Puko

MARKETS

Benchmark Gives a Go Signal to Fed

Measure of money markets' health shows central bank has the leeway to raise rates

By MIN ZENG

A measure that tracks stress in U.S. money markets tumbled to near its lowest level in seven years, a sign of loose financial conditions that could help prompt the Federal Reserve to raise interest rates next week.

The three-month dollar Libor-OIS spread—the difference between the rate at which banks lend to each other and the market's expectations of central bank rates—fell below 0.1 percentage point on Monday and remained there on Tuesday, at 0.0974 percentage point, the lowest since August 2015, according to Steven Zeng, interest-rate strategist at Deutsche Bank AG. The spread's lowest level in recent years was in March 2010, when it hit 0.06 percentage point.

As markets fret over whether the Fed will raise short-term borrowing rates too quickly, potentially constraining growth in the economy, the narrowing Libor-OIS spread is one indication that the U.S. central bank has the latitude to stay on its course of raising interest rates. The Fed lifted rates in December and March and is expected to act again at its June 13-14 meeting.

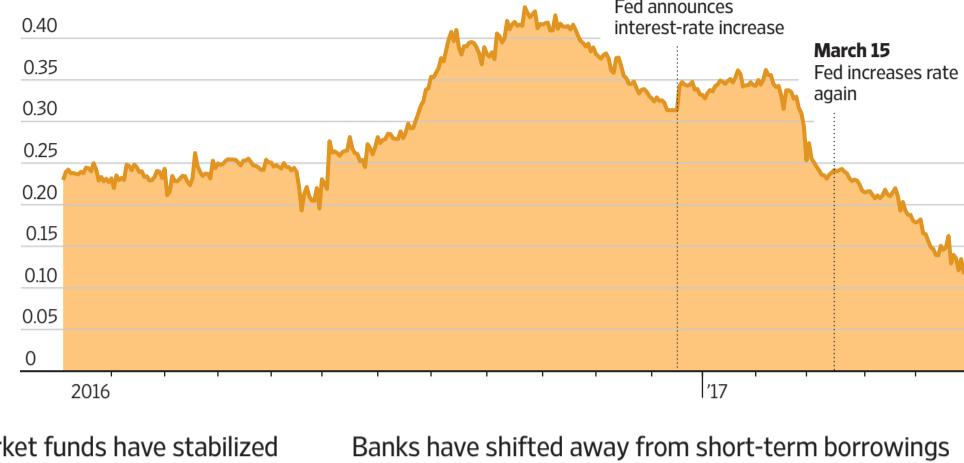
Some other indicators in financial markets, including lower Treasury yields, higher stocks and a weaker dollar, also point to loose financial conditions.

Tracking the Libor-OIS spread (London interbank offered rate and overnight index swap) helps investors and policy makers monitor the health of money markets. A higher reading signals increasing stress, while a lower one indicates easy funding conditions.

Low Stress

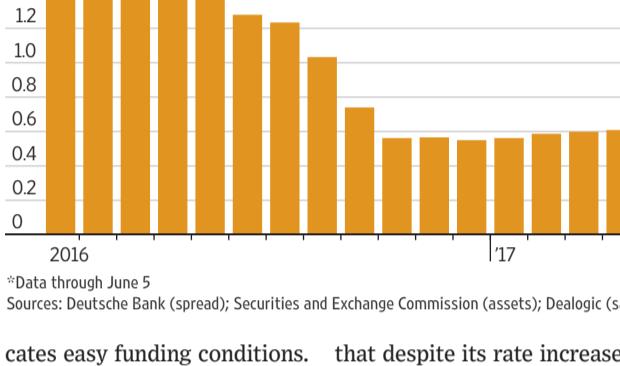
The gap between the London interbank offered rate (Libor) and the overnight index swap (OIS) has narrowed, a sign of easy conditions in money markets even as the Federal Reserve raises short-term rates.

Three month Libor-OIS spread



Assets in prime money-market funds have stabilized after outflows in 2016, contributing to the shrinking Libor-OIS spread.

Prime money-market funds' assets



*Data through June 5

Sources: Deutsche Bank (spread); Securities and Exchange Commission (assets); Dealogic (sales)

that despite its rate increases, market signals remain unresponsive, potentially generating financial asset bubbles," said Mark Cabana, head of U.S. short-rates strategy at Bank of America Merrill Lynch and a former trader and analyst at the Federal Reserve Bank of New York.

Ample liquidity also offers an explanation of why Treasuries have strengthened this year alongside a roaring stock market, a shift from late last year when bonds sold off as shares rallied.

The yield on the 10-year Treasury note settled at 2.147% Tuesday, its lowest level this year and down from

2.609% in mid-March. Yields fall when bond prices rise.

But to many others, the narrowing Libor-OIS difference is more a byproduct of postcrisis banking regulations and the money-market overhaul that kicked in during October. Continued thirst among investors for income in a low-yield world has also contributed to the narrowing spread.

The banking system is more resilient because of the regulations since 2008, as firms shifted away from short-term borrowings without collateral, which have interest rates tied to Libor. Instead, banks are issuing longer-term debt as a way to reduce rollover risk,

that is, the threat from having to replace maturing debt.

"The risk is that funding would run away for the banks in time of market stress," said Steve Kang, an interest-rate strategist at **Citigroup** Inc. "Less reliance on short-term funding means more stable funding for banks, and there is still lots of liquidity in the system."

One form of short-term corporate debt has fallen to roughly half of where it was 10 years ago. U.S. commercial paper outstanding stood at \$987 billion as of May 24, data from the Federal Reserve Bank of St. Louis show. The amount topped \$2 trillion in 2007.

The Libor-OIS compression has also been driven by the return of stability in U.S. money-market funds that focus on riskier instruments, which are called prime money-market funds. New money-market fund regulation that became effective in October caused investors to move money into funds perceived as safer, spurring large outflows from prime money-market funds.

But in the past few months, prime money-market funds have attracted money again, highlighting a global demand for yield. Investors get higher yields on commercial paper relative to Treasury bills, or government debt maturing in a year or less.

"Everyone is starving for yields, chasing different assets," said Jim Madison, money-market trader at Manulife Asset Management.

Prime funds' total assets stood at \$609 billion at the end of April, according to data from the Securities and Exchange Commission. That is down from \$1.7 trillion a year earlier, but the amount was the highest since September.

The Treasury's move to pay down a large chunk of Treasury bills this year linked to the looming debt ceiling was also equivalent to cash injections into global markets. Investors who received the cash needed a new home to invest, adding to the scramble for yields and compressing the Libor-OIS spread further, say some analysts.

Still, investors should expect the Libor-OIS spread to widen from the current extreme levels if the Fed continues to tighten policy, said Jerome Schneider, head of the short-term and funding desk at Pacific Investment Management Co. "Investors should be preparing to embrace higher benchmark rates in the coming months and find ways to be defensive of interest-rate risk while earning income," he said.

Banks have shifted away from short-term borrowings that have rates tied to Libor and into more stable longer-term funding.

Sales of corporate bonds due 18 months or longer



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HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Alibaba, S.F. Express Duke It Out

Data is precious, as a rare public fight between two of China's leading billionaires shows.

The recent spat between e-commerce juggernaut **Alibaba Group Holding** and **S.F. Express**, the delivery giant, may be a touch obscure. Alibaba, which runs China's equivalent of eBay, relies on companies like S.F. Express to deliver parcels around the country. But their relationship broke down when S.F. Express started withholding data from Alibaba's 47%-owned affiliate, **Cainiao Logistics**, which pools information from delivery service providers. That information is vital for Alibaba's customers, who want to know where their parcels are and when they might arrive.

Each has accused the other of trying to grab more data than allowed under their contracts.

Alibaba makes most of its money by charging sellers on its popular Taobao site for advertising, maintaining high margins partly because it hasn't had to build an expensive delivery network.

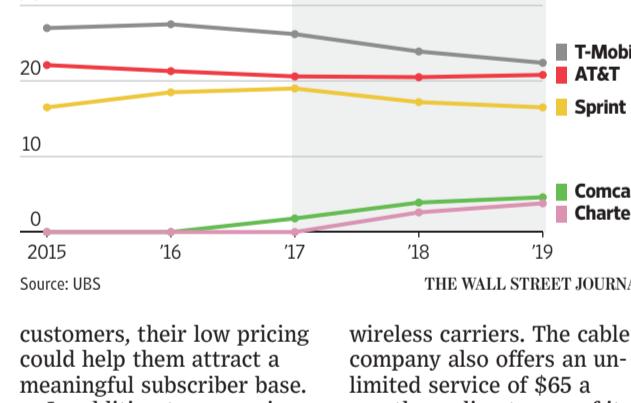
But S.F. Express gets much of its income by operating as a courier for larger commercial customers. In other words, it can afford to keep its data from Alibaba. Alibaba's vast database of customers and merchants has already made it almost a monopoly in China's e-commerce world. Through its **Ant Financial** affiliate, it also dominates payments. Its appetite for yet more information about customer habits is insatiable.

But it relies on others playing ball. If others like S.F. Express stick to their guns, that could prove harder than Alibaba hoped.

Market Ignores Risks to Telecom

Mobile Moment

Share of gross additions of the most valuable phone subscribers



customers, their low pricing could help them attract a meaningful subscriber base.

In addition to a per-gigabyte plan, Comcast offers unlimited wireless service for \$45 a month per line to households that buy its top X1 video package. At one line, that represents a 50% discount to AT&T and is cheaper than all four major

wireless carriers. The cable company also offers an unlimited service of \$65 a month per line to any of its Xfinity internet customers, a 28% discount versus AT&T for a single line.

Assuming Comcast attracts about 5% of the subscribers on the best X1 package and about 2% of other subscribers, it would get

about 1.5 million wireless subscribers by the end of 2018, UBS projects. Combine that with the bank's expectations for Charter, and cable should have more than two million wireless subscribers by the end of next year, climbing to six million by the end of 2020.

For U.S. wireless carriers, that might seem like a manageable risk. Six million people represent only 3% of the U.S. wireless market. But that more than accounts for the industry's annual growth.

The cable operators could fail to hit those subscriber estimates if the technology proves unreliable. Cable lacks the extensive store network of major wireless carriers, and Comcast has yet to allow customers to bring their own devices. The economics of renting airwaves could also curb cable's growth.

Until then, wireless investors should curb their enthusiasm.

—Miriam Gottfried

OVERHEARD

Someday investors might fall in love with stock pickers again. But rebranding active fund managers won't bring the cash flooding back.

On Tuesday, retirement giant **TIAA** launched a new robo-investing service. When using TIAA's new products, investors will be able to choose from three buckets: active, passive or socially responsible. The catch is that passive isn't passive; it is "basic." Active is now "insight," which assumes fund managers actually offer some.

Their record doesn't back that claim. The majority of active managers have beaten their benchmarks just twice in the past decade, and last year just 19% had enough insight to top that standard, according to Goldman Sachs Group.

So far this year, just over half of large-cap mutual-fund managers are beating their benchmarks, but mainly by loading up on hot tech stocks. Not so much insight there.

High Seas Are Set to Deliver a Shock to Energy Sector

Decked

Daily spending in 2020 on refined products

Scenario*	Spending
Base case	\$8.83 billion
Scenario one	9.79
Scenario two	10.04
Scenario three	10.14
Scenario four	10.41
Scenario five	10.46
Scenario six	10.83

*Scenarios involve different levels of fuel switching and use of marine diesel. Based on estimated wholesale prices.

Source: EnSys Energy and Navigistics Consulting

cause ships use fuel oil, which is just about the cheapest, dirtiest stuff to come out of refineries. About 9% of all sulfur dioxide emitted globally comes from ships, contributing to acid rain and many premature

deaths. Even the new cap is 500 times the sulfur content of most road diesels.

But the sudden cut may have a significant global impact. "The shipping industry sees this as a shipping problem, and it isn't," said Martin Tallett, president of refining specialist EnSys Energy, which has studied the issue for years.

While standards have changed for many fuels, the rapid nature of the switch means that if shippers fully comply, there could be price spikes.

Ships that currently use cheap high sulfur fuel oil will have to switch to some other source higher up in the product slate that comes out of refineries. Even with significant investment, refiners

may not be ready and ships may have to burn more expensive marine diesels.

"Marine diesel affects land diesel which affects jet fuel which affects gasoline," explains Mr. Tallett. That could cause the prices of those fuels to go up by 10% to 20%.

The only solution may be to simply refine more oil, which means increasing overall demand, to get enough low-sulfur fuel out of the world's refineries.

The International Energy Agency worried about the impact in a February report, yet it assumes many ships will install marine scrubbers to clean the dirty fuel and that refiners will add units to reduce sulfur content—both expensive propositions.

The drain on U.S. motor-

ists alone would be \$1 billion a year for each penny-per-gallon increase. Furthermore, goods would get more expensive, particularly those transported by ship. Even oil prices might rise by about \$1 a barrel because of the extra cost to ship it using the cleaner fuel.

Is the threat real? While energy traders mainly focus on the next several months, derivative prices indicate it is.

For example, crude futures expiring in July 2020 are just 1% more expensive than those expiring in July 2017. In contrast, Rotterdam high sulfur fuel oil is 16% cheaper and New York ultralow sulfur diesel is 10% more expensive.

Watch this space.

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