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STOXX 600 392.04 ▼ 0.13% BRENT 49.23 ▼ 1.44% GOLD 1277.80 ▲ 0.08% EURO 1.1251 ▼ 0.27% DLR \$110.50 ▲ 0.08%

What's News

Business & Finance

China Huishan Dairy said it is missing most of its cash and has fallen more deeply in debt, further clouding the future of one of China's largest dairies. **B1**

◆ GM's chief faces shareholders Tuesday, under pressure from hedge fund Greenlight to split the auto maker's shares into two classes. **B3**

◆ Investment-grade companies are on track to issue the largest amount of sterling debt since 2012. **B1**

◆ The Supreme Court ruled that the SEC is subject to time limits when requiring financial firms or individuals to forfeit ill-gotten gains. **B5**

◆ CSX CEO Harrison reassured shareholders that he is able to lead a turnaround despite an undisclosed medical condition. **B3**

◆ A new study is stirring debate about whether the benefits of cancer drugs are worth their cost. **B3**

◆ Sunrun asked its board to review claims by former employees that they manipulated sales data around the time of its IPO. **B5**

◆ Rickmers filed for insolvency after it was cut loose by a major industry lender in a sign of crisis for German shipping firms. **B4**

◆ Former executives of the London Metal Exchange are starting a rival electronic trading platform for nonferrous metals. **B5**

World-Wide

◆ May said police had identified all three perpetrators in the London Bridge attack, and she promised a tough new crackdown on extremists. **A1**

◆ Recent attacks underscore the difficulty faced by authorities in stopping low-tech assaults by individuals or small groups. **A3**

◆ Trump called for a return to the original executive order he signed that temporarily banned travelers from several majority-Muslim countries. **A1**

◆ Middle Eastern rivals broke diplomatic and some commercial ties with Qatar, accusing the country of backing terrorism, allegations it denies. **A1**

◆ Qatar's rift with its Arab neighbors threatens one of the Gulf state's economic arteries: air transport. **A4**

◆ South Korea's new administration under Moon Jae-in announced a \$10 billion supplement to its national budget to create more jobs and spur growth. **A5**

◆ Tillerson called on China to pressure North Korea and to stop militarizing islands in the South China Sea. **A5**

◆ President Pena Nieto's ruling party looked headed for victory in gubernatorial elections in the key State of Mexico. **A4**

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U.K. Identifies London Attackers

Prime minister vows tougher crackdown on extremists; authorities don't release names

By JENNY GROSS
AND PAUL HANNON

LONDON—Prime Minister Theresa May on Monday said police had identified all three perpetrators in the London Bridge attack, as commuters and others started returning to the area of the car-and-knife rampage that killed seven and sent revelers fleeing in horror.

Mrs. May said the U.K. needed to do more to take on

Promising a tough new crackdown on extremists, Mrs. May said the threat from Islamist extremism is one of the gravest the U.K. faces.

"We are leading international efforts to take on and defeat the ideology of Islamist extremism around the world," Mrs. May said at a campaign event in central London just days before a general election that appears to be growing tighter. "But as the threat evolves, our response must do so too. We cannot go on as we are."

As Thursday's general election approaches, Mrs. May is coming under pressure from the opposition over security issues. Labour leader Jeremy Corbyn sought to focus on cuts in police forces from 2010 to

and defeat Islamist extremist, including considering whether prison sentences for terrorism-related offenses should be lengthened.

She said Britain's terror threat level would remain at "severe," the second-highest level, adding that supplemental security measures have been put in place around central London.

As Thursday's general election approaches, Mrs. May is coming under pressure from the opposition over security issues. Labour leader Jeremy Corbyn sought to focus on cuts in police forces from 2010 to

2016 when Mrs. May headed the Home Office, which is responsible for policing. He said in a television interview that she should resign.

The Saturday night attack was the third in as many months in Britain and made clear the challenge police and intelligence agencies face in combating a type of assault that needs little planning and uses relatively

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U.S. Ought To Pursue Original Travel Ban, Trump Says

BY REBECCA BALLHAUS
AND BRENT KENDALL

President Donald Trump called for a return to the original, more sweeping version of the executive order he signed that temporarily banned travelers from several majority-Muslim countries from entering the U.S., declaring Monday it was needed to keep the country safe.

Mr. Trump has said his original and revised travel orders were intended to help stop terrorists from entering the U.S., but critics said they discriminate based on religion and they have been blocked in federal court. His latest tweets came in the wake of a terrorist attack in London that killed seven people.

In the series of early-morning tweets, Mr. Trump criticized his Justice Department for recommending a revised version of his executive order after the initial one was rejected by the courts. The administration hoped the revised plan issued in March would pass muster by omitting some of the more aggressive elements of the original order, such as potentially applying it to aliens with legal U.S. residency. But it, too, was quickly blocked by federal courts, with

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Pedestrians pass an officer as they cross London Bridge. Raids continued in neighborhoods in East London as police made more arrests.

Qatar Isolated by Middle East Rivals

Qatar's Middle Eastern rivals sought to isolate the tiny Persian Gulf emirate by severing diplomatic and some commercial ties on Monday, expos-

ing deep divisions among U.S. allies over policy toward Iran and Islamist political and military groups.

In breaking or reducing ties, four Arab countries—Saudi Arabia, Egypt, the United Arab Emirates and Bah-

In addition to breaking re-

lations, Qatar's Gulf Arab neighbors said they would close off air, sea and land routes to Qatar and bar its aircraft and vessels from using their airspace and territorial waters, though they didn't indicate they would in any way restrict Qatar's shipping or air links to other countries. Qatar is the world's largest exporter of liquefied natural gas.

Qatar, whose only land border is with Saudi Arabia, called the measures unjustified and said they were based on false allegations. It denied interfering in the domestic affairs of other members of

the six-member Gulf Cooperation Council.

The step marked the worst diplomatic crisis in decades among some of most powerful states in the Arab world and culminated a rift that surfaced late last month when Qatar's state-controlled news agency carried pro-Iranian comments that it later said were the result of a hack.

The spat among U.S. Middle

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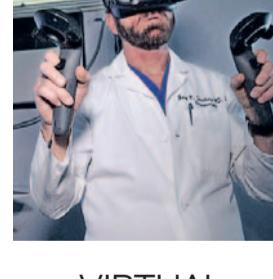
Washington's Missing Regulators

The unusual number of vacant positions on these regulatory commissions has created uncertainty for businesses. **B1**

Active member	Vacant
Commodity Futures Trading Comm.	
Federal Energy Regulatory Comm.	
Federal Trade Commission	
Federal Communications Comm.	
National Labor Relations Board	
Securities and Exchange Comm.	

Source: the commissions
THE WALL STREET JOURNAL.

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VIRTUAL REALITY MEETS REAL WORLD

BUSINESS & FINANCE, B1

Buyout Firms Eye Gusher Of Cash From Aramco IPO

By MAUREEN FARRELL

With less than two weeks' notice last month, more than a dozen of the top global money managers accepted a dinner invitation halfway around the world. The host: Yasir al-Rumayyan, head of Saudi Arabia's Public Investment Fund, which is set to become the world's largest sovereign wealth fund in coming years—and potentially their biggest benefactor, if the kingdom's state-owned oil company goes public as planned.

The guests, which included

Blackstone Group LP Chief Executive Stephen Schwarzman, Carlyle Group LP's David Rubenstein, SoftBank Group Corp.'s Masayoshi Son and Robert Smith of Vista Equity Partners, mingled over nonalcoholic drinks in a large indoor courtyard lined with palm trees at Mr. al-Rumayyan's Riyadh home. At dinner, the private-equity potentates sat at small round tables with Saudi financiers, executives and government officials.

The meeting, which came a

day ahead of President Donald Trump's visit to Saudi Arabia in late May, shows the potential of the Public Investment Fund, or PIF, to reshape the private-equity industry and create the next round of winners and losers in its continuous quest for assets. PIF could be the single biggest source of cash for buyout firms in coming years, private-equity officials say.

"This was a coming-out party for the PIF," said Bill Ford, CEO of private-equity

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Rule No. 1 When Making Baby Rhinos: Try Not to Get Squashed

* * *

Zookeepers want their horned beasts to be surrogates; scratching two-ton tummies

By JIM CARLTON

It's Barbara Durrant's job to get the rhinoceros pregnant. How do you turn a two-ton rhino into a mom? Start with a treat of her favorite grass, perhaps a little cooing and maybe a tummy scratch.

Dr. Durrant, reproductive-sciences director at San Diego Zoo Global, which runs San Diego Zoo and the safari park here, is in a race to prevent extinction of the northern white rhinoceros. For help,

she's turning to Amani and five other southern white rhinoceroses to serve as surrogate mothers.



Helene

The last three known northern whites, in Kenya, can't breed because of age and other factors. That leaves vials of frozen sperm and eggs collected from other northern whites before they died. "It kind of gives me chills," Dr. Durrant said, holding a vial of rhino sperm, "to even hold this vial in my hand."

The zoo wants to create northern white rhino embryos and plant them in wombs of

southern whites, which are more numerous.

The first trick is getting a creature weighing as much as a Ford F-150 pickup to step into a holding chute.

A trainer assisting Dr. Durrant lured one of the rhinos on a recent day with an irresistible bouquet of goodies including orchardgrass, a tall-growing plant sometimes used in pastures for farm animals

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WORLD NEWS

On World Stage, Trump Is Disruptor-in-Chief



CAPITAL JOURNAL

By Gerald F. Seib

Richard Haass, a senior national-security official in the past two Republican administrations, uses an interesting word to summarize President Donald Trump's foreign policy: disruption.

"He tends to see the world as testing us more

than benefiting us," says Mr. Haass, now president of the Council on Foreign Relations.

"And he tends to see every issue in isolation." As a result, "increasingly he will disrupt longstanding arrangements."

Disruptor-in-chief is a title Mr. Trump likely would accept, with pride. Disrupting the status quo is what he does. He set out to disrupt the Republican Party, then the presidential-election process, and, ultimately, Washington. He has done it all.

Less expected, though, are emerging signs that Mr. Trump's disruptive force may turn out to be greater

on international affairs than on domestic policy. Like every president, he is constrained at home by Congress, the courts, the opposition party and public opinion. Like every president, he is finding his latitude greater abroad.

But what he wants to do with that latitude remains a mystery and a concern to a world community trying to figure out whether there is a Trump Doctrine.

After four months, this much seems clear: Trump foreign policy is defined by making U.S. economic concerns a higher priority than anything else; by a view that shared interests top shared values in international relations; by a refusal to accept continuity for its own sake; and by a belief he can cut a better deal than his predecessors did.

Together, those tendencies produce what Mr. Haass calls "a bias toward disruption." The latest evidence came in Mr. Trump's decision last week to ditch the Paris accords on climate change, followed by his weekend tweet that, within hours of the latest terrorist attack in London, scolded that city's mayor for not taking the terror threat seriously enough.

The European reaction to the climate-change decision may have been best captured by a strikingly harsh weekend account in the German magazine *Der Spiegel*. It said



President Trump in Riyadh, Saudi Arabia, in May. He seeks Saudi Arabia's help in deterring Islamic State.

EVAN VUCCI/ASSOCIATED PRESS

Mr. Trump announced his decision in a White House speech "of the most imbecilic variety" that "provided only the most recent proof that discord between the U.S. and Europe is deeper now than at any time since the end of World War II."

That may be hyperbole; strains were pretty deep in the early 1980s, at least with the European public, when hundreds of thousands protested in cities across Western Europe over the deployment of American intermediate-

range missiles there.

Still, as Mr. Trump traveled in the Middle East and Europe two weeks ago, his White House didn't play down the extent to which he was seeking to shake things up. One White House trip summary, for example, referred to a "titanic shift" in policy.

In one speech, Mr. Trump referred to his approach as "principled realism." That seems to mean, among other things, placing shared interests above shared values in

dealing with other nations.

"At every stop in our journey, we delivered a clear message to our friends and partners: Where our interests align, we are open to working together to solve problems and explore opportunities," national security adviser H.R. McMaster and national economic council director Gary Cohn wrote in an op-ed article for The Wall Street Journal at the conclusion of that trip.

Thus, Mr. Trump has built a strong bond with the leaders of Saudi Arabia because

India Takes Step Toward Manned Space Flight



ARUN SANKAR/AGENCE FRANCE PRESSE/GETTY IMAGES

MISSION ACCOMPLISHED: India successfully launched its heaviest rocket Monday, from the island of Sriharikota. India hopes to eventually use the rockets carry astronauts into space, joining the U.S., Russia and China as the only nations to achieve that feat.

FUND

Continued from Page One

firm General Atlantic, who attended the dinner and a subsequent round table. "Every global investor should have a relationship with Mr. al-Rumayyan," who was previously best known for being CEO of a Saudi affiliate of French bank Crédit Agricole and a champion of the kingdom's golf scene.

Saudi Arabia has said it would transfer the assets of state-owned colossus Saudi Aramco into its sovereign-wealth fund when it takes the oil company public, part of a plan to overhaul the Saudi economy and reduce its dependence on oil.

The oil market was jolted Monday, after Saudi Arabia, along with the United Arab Emirates, Bahrain and Egypt, severed relations with Doha and said they would close off routes to the country after accusing Qatar of backing terrorism.

Estimates of Aramco's value range from \$1 trillion to \$2 trillion or more, and the kingdom has said it would seek to sell 5% of the company to the public, possibly next year. That could balloon PIF's assets, which already stand at more than \$180 billion, according to the Sovereign Wealth Fund Institute, and put more than \$50 billion of additional cash at its disposal.

At least 20% of the IPO proceeds are expected to be invested in private equity, according to a person familiar with the kingdom's plans.

For those who manage to secure a slice of the bounty, it won't come free.

PIF is eager to secure more of a say in how funds it backs operate than a traditional limited partner would have, people familiar with its plans said. It could have input in what types of investments these

materialize, as the Aramco IPO is highly complicated and may not ultimately take place at the expected size or time frame.

Sovereign-wealth funds have become increasingly important for private-equity firms, accounting for 19% of their institutional capital as of January, according to research firm Preqin. That is up from 9% in 2013. At a conference last year, Carlyle's Mr. Rubenstein predicted that within five years, sovereign-wealth

private investment research at Cambridge Associates, which advises institutions that invest in private equity.

Blackstone and Japan's SoftBank are the first big winners in the race to secure the mountain of Saudi assets that is up for grabs. Shortly after the dinner, PIF announced it will commit \$20 billion to Blackstone's new \$40 billion infrastructure fund, which is to be the biggest ever raised. It has pledged \$45 billion to SoftBank's Vision Fund, the world's largest technology-investment pool.

Mr. Schwarzman and other Blackstone executives spent more than a year meeting with Mr. al-Rumayyan and senior Saudi officials courting the commitment, according to people familiar with the discussions.

PIF is in discussions to anchor more funds outside infrastructure and technology, people with knowledge of its plans said.

Private-equity funds could ultimately come back to Saudi Arabia. Carlyle's Mr. Rubenstein predicted during the round table that private-equity assets would increasingly flow toward the developing world. Numerous attendees expressed interest in investing in Saudi Arabia and offered advice to Mr. al-Rumayyan on what regulatory changes would make it easier for them to be active there.

—Matt Jarzemsky and Nicolas Parasie contributed to this article.

Buyout Barons

The total assets under management of the largest publicly traded private-equity firms

Firm	Assets*
Blackstone Group	\$368 billion
Apollo Global Management	\$197
Carlyle Group	\$162
KKR	\$138

*includes private equity and other assets. Data through 1Q 2017
Sources: the companies, SEC Filings

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buyout funds make or have veto power over new investments. The sovereign-wealth fund will also likely pay significantly lower fees than other investors do, according to industry experts, because of its size and because it often makes the first seed investment, giving it more leverage.

There is also no guarantee the expected windfall will ma-

funds could overtake public pension funds as the most significant source of capital for private-equity firms, which according to Preqin had \$842 billion available for investment as of March.

"Any time a sovereign-wealth fund decides to increase its allocation by even 1%, it's significant," said Andrea Auerbach, head of global

U.K.

Continued from Page One
primitive means.

The three men mowed down pedestrians on the bridge with a rented van before they got out wielding knives and began randomly stabbing people at the buzzing Borough Market bar-and-restaurant area. Police killed the attackers in a hail of bullets eight minutes after the attack started.

The market and surrounding blocks remained cordoned off on Monday. London's transport authority did reopen the London Bridge subway station, limiting passengers to only one of its many entrances and warning commuters to avoid the station during the morning rush hour if possible.

The nearby rail station, a major entry point to London's financial district for commuters from towns to the southeast of the capital, was also reopened.

Islamic State on Sunday said on its official Amaq news agency that a "covert unit" had carried out the attack, but it couldn't be independently confirmed. The extent of its involvement in inspiring or carrying out the attack wasn't clear.

Police haven't released the identities of the three men.

One of the attackers was found with a document on his body that indicated he had lived in Ireland for a time, and Irish police were investigating, Ireland's state-owned broadcaster RTE reported Monday. The broadcaster earlier reported that he was carrying an Irish identity card.

RTE said the attacker was believed to have been of Moroccan origin. An Irish police spokesman said his agency was "providing every assistance" to U.K. forces but declined to comment on the RTE report.

At least one of the men was born in Pakistan, a Western security official said, adding it wasn't clear when he came to Britain or whether he had acquired British citizenship.

As part of the investigation, raids continued on addresses in neighborhoods in East London early Monday as police arrested more people.

Authorities said officers detained a number of people in Newham and Barking in East London at addresses different from those where they arrested seven women and five men in Barking on Sunday.

Near dawn on Monday, police stormed an address in

nearby East Ham.

Kuldip Kaur, a 56-year-old shopkeeper who lives nearby, said a loud noise awakened her around 4:30 a.m.

"There was a massive bang and a few small bangs after," she said. "I looked from the window and there were blue lights and police everywhere."

The address where the raid was carried out is less than half a mile away from an apartment above a betting shop that was raided on Sunday, ending in a rooftop chase.

The prime minister said the response to terrorism must evolve to match the threat.

Thusyanthan Thuraisingham, who lives a few doors down, said he saw three men and three women being taken out of the property after Monday's dawn raid. Some were in handcuffs, he said, describing two of the men as young and one older, wearing a robe.

One woman was wearing a head covering, he said, and police with rifles were swarming the street.

"I was shocked that could happen right on my street," he said.

—Stephen Fidler, Jason Douglas, Benoit Faucon, Georgi Kantchev and Riva Gold contributed to this article.

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WORLD NEWS

Low-Tech Attacks Prove Harder to Thwart

Prime Minister May says U.K. will review powers of police and intelligence agencies

BY JENNY GROSS
AND STEPHEN FIDLER

LONDON—As British intelligence officers piece together how three attackers carried out Saturday's deadly rampage at London Bridge, counterterrorism chiefs will be trying to establish what went wrong with their strategy.

After avoiding mass-casualty attacks for 12 years, the U.K. has suffered three in quick succession, suggesting the authorities aren't able to stop low-tech improvised assaults carried out by individuals or small groups.

Prime Minister Theresa May said the U.K. would review its strategy in light of the changing threat.

The recent attacks in London, as well as in Stockholm and Nice, where perpetrators used vehicles to mow people down, illustrate the challenge of preventing relatively unsophisticated attacks, even when security services succeed in thwarting higher-level ones.

Raffaele Pantucci, director of International Security Studies at the Royal United Services Institute, said it is too early to say what exact signs police and officials missed.

In both the Manchester and the Westminster attacks, the perpetrators were known to intelligence agencies but deemed not a serious enough



Traffic flows across Westminster Bridge, where a man in a car mowed down pedestrians and stabbed a policeman to death in March.

HANNAH MCKAY/REUTERS

threat to warrant high-level monitoring, underscoring the difficulty for agencies in determining whom to monitor amid a growing pool of extremists, he said.

"The number of people who are featuring on the fringes is only going to be bigger," Mr. Pantucci said. "Clearly, resources are getting stretched." He said policy makers must rethink what they do with extremists.

Should those convicted of lesser terrorism-related offenses be kept in jail for longer? What quantity of resources should be dedicated to focusing on them?

Britain's domestic intelli-

gence agency, MI5, has monitored 20,000 extremists in the past, a security official said after the Manchester attack last month.

Keeping tabs on this many people is a struggle even for the U.K., which has one of the most sophisticated intelligence agencies in the world. Intelligence agents and police have disrupted five credible plots since the Westminster attack in March, Mrs. May said.

There is some evidence that terrorists have regarded the U.K. as a harder target than continental European countries.

Mohamed Abrini, one of the attackers involved in the

Brussels bombings last year, when questioned by Belgian prosecutors said his network hadn't planned an attack in the U.K. England is "more difficult to attack," than other European countries, he said.

"I think England has a more developed secret service, better observation techniques, etc.," he told investigators in April, according to a transcript read in court late last year.

Unlike most other members of the European Union, which don't usually check people moving from one country to another, the U.K. also maintains border checks. Together with strict gun controls, that

makes it harder for terrorists to buy undetected the kind of weaponry used in the November 2015 Paris attacks.

But these advantages are less relevant to thwart self-starting individuals or small groups carrying out less sophisticated operations with everyday materials such as vehicles and knives.

Such people don't need to communicate with coordinators in the Middle East and are harder for the security services to flag, even if they are aware of their existence.

Among the questions counterterrorism chiefs will be asking therefore will be how to widen their surveillance

net—and how to reduce the numbers of people at risk of carrying out attacks.

Mrs. May said the solution requires more than strengthening the capabilities of intelligence agencies. She said a review would examine whether police and intelligence agencies had sufficient powers to deal with the threat and whether prison sentences should be extended for apparently less serious terrorism offenses.

The U.K. must also become better at identifying and stamping out extremist Islamist ideology across society, she said.

"That will require some difficult and often embarrassing conversations, but the whole of our country needs to come together to take on this extremism—and we need to live our lives not in a series of separated, segregated communities but as one truly United Kingdom," she said.

Some analysts said the government should invest more in Prevent, its flagship program aimed at combating extremism. After the Manchester attack, the government said it would go ahead with plans to double down on Prevent, which has faced criticism from Muslim and human rights groups for alienating Muslims and from teachers for inhibiting a dialogue between teachers and pupils.

The program legally requires teachers, health-care workers and other government employees to identify people they believe are vulnerable to radicalization so counselors can intervene.

Canadian Social Worker Is Among Victims in London

BY SARAH KENT
AND DAVID GEORGE-COSH

Christine Archibald moved to the Netherlands only recently to live with the man she was to marry.

On Saturday night, the 30-year-old Canadian social worker was with her fiancé, Tyler Ferguson, on a weekend visit to London when she was struck down by a van that tore through a crowd of pedestrians on London Bridge, according to Mr. Ferguson's family.

"They tried everything, but weren't able to save her," Mr. Ferguson, Mr. Ferguson's brother, said on Facebook.

Ms. Archibald was among seven people killed Saturday evening when three men drove into pedestrians and then went on a stabbing spree through a trendy bar and restaurant district in Central London called Borough Market. At least 48 people were hospital-

ized.

The three attackers were shot dead by police. Islamic State claimed responsibility.

The victims of the attack were a mix of nationalities, reflecting London's nature as a melting pot for different cultures and people. More than one-third of the city's population is foreign-born, and London received 19 million foreign visitors in 2016.

Information about the wounded and killed was still emerging Monday, but they include citizens from France, Australia, New Zealand, Spain and Canada, in addition to the U.K. The French Embassy in the U.K. said Sunday that a French national was among the dead, and another French citizen remained missing.

London Bridge in particular is a popular destination for tourists and locals alike, many of whom were enjoying meals and drinks in Borough Mar-

ket—a high-end farmers market that has stood since the Middle Ages—when the attackers hit. In the Netherlands, where Ms. Archibald and Mr. Ferguson lived, Lon-

don is a popular weekend destination that is only an hour away by plane.

For Mr. Ferguson, Ms. Archibald was "the love of his life," according to a moving

Facebook post about the incident by Mr. Ferguson's sister, Cassie Ferguson Rowe.

"In a split second his entire life was ripped away from him," she wrote. "Hearing his

painful sobs on the phone while he's alone trying to deal with this tears me apart."

Ms. Archibald came from British Columbia and had only recently left Mount Royal University in Calgary, where she received a social work diploma in 2015. The university's president, David Doherty, described her as an "outstanding student," in a statement published on the college's Twitter account.

According to a family statement, Ms. Archibald worked in a homeless shelter in Canada before leaving for Europe.

Her family described Ms. Archibald as a woman with "room in her heart for everyone" who "would have had no understanding of the callous cruelty that caused her death."

Canadian Prime Minister Justin Trudeau said he was "heartbroken" to learn that a Canadian was among those killed in Saturday's attacks.



A group of construction workers left flowers at the south side of London Bridge on Monday.

CLODAGH KILCOYNE/REUTERS

The advertisement features a close-up of the Breitling Avenger Hurricane watch, highlighting its dark dial with multiple sub-dials and luminous markers. The watch has a rugged, military-style design with a prominent crown and two chronograph pushers. The background is dark, making the watch stand out. The word "AVIENGER" is printed vertically along the left side of the watch, and "HURRICANE" is printed horizontally below it. To the right of the watch, the Breitling logo is displayed in a yellow square, consisting of a stylized bird emblem above the word "BREITLING" and the year "1884". Below the logo, the tagline "INSTRUMENTS FOR PROFESSIONALS™" is written. The overall aesthetic is industrial and professional.

The superlative-charged chronograph. 50 mm case in Breitlight®. Exclusive Manufacture
Breitling Caliber B12 with 24-hour military-style display. Officially chronometer-certified.

WORLD NEWS

Syria Presses New Assault On Rebels

By RAJA ABDULRAHIM

Busloads of forcibly displaced Syrians arrive almost weekly to an increasingly crowded corner of northwest Syria, doubling the local population of Idlib province as the regime systematically empties the opposition from its former strongholds elsewhere.

Syrian warplanes pressed forward with airstrikes and bombardments despite an April 7 attack the U.S. launched on regime targets in retaliation for its use of sarin gas in Idlib, targeting hospitals, markets and rescue centers and killing hundreds more civilians, according to opposition activists and human rights groups. The regime's offensive slowed somewhat after an internationally brokered deal to create de-escalation zones in early May, but strikes have persisted, even in the wake of a second U.S. attack on regime forces later that month.

Syrian President Bashar al-Assad appears emboldened rather than chastened in his efforts to eliminate his opponents. His main international backers, Russia and Iran, haven't wavered in their support despite U.S. and Western allegations of ongoing atrocities.

"Idlib has become like the Gaza Strip. Turkey has closed its borders and it has become



THE WALL STREET JOURNAL

an open-air prison," said Muhammad Jaffa, a volunteer who helps displaced people in the northern province, which borders Turkey and is largely surrounded on the other sides by Syrian forces and their allies.

Leaders of the opposition fighting the Assad regime initially hoped the U.S. attacks showed greater willingness in Washington to confront it.

But U.S. defense officials said President Donald Trump only meant for an April strike on a Syrian airfield to deter Mr. Assad from using chemical weapons again, not to signal the beginning of a campaign against the Syrian military.

"And, thus far, I think we've been successful in deterring him from using chemical weapons again," one U.S. defense official said.

Since the April gas attack on



Thousands of Syrians displaced by conflict live in refugee camps like this one near the country's northwestern border with Turkey.

the Idlib town of Khan Sheikhoun, airstrikes by the regime and its Russian allies have killed nearly 400 civilians in Idlib province alone, including more than 160 women and children, according to the pro-opposition Syrian Network for Human Rights—though the attacks have eased somewhat since Russia and Iran, both regime allies, agreed with Turkey to set up four de-escalation zones.

In April, the regime attacked 29 medical facilities in opposition-held territory—14 of them in Idlib—according to the World Health Organization. The regime has also continued to besiege many areas held by the opposition—sieges that have often ended in deals to transfer rebels and residents to Idlib. In May, the last of 12 convoys of buses left the remaining opposition-held

foothold in the city of Homs—once called the "capital of the revolution" by the opposition—and some 17,000 people were moved to Idlib and another rebel-controlled pocket in Aleppo province.

Rebels have also used siege tactics. Pro-regime fighters and civilians began leaving two besieged Idlib towns in April for the city of Aleppo, which the regime recaptured last year.

Over the past year, at least 13 opposition-held towns and neighborhoods have been forced to surrender to the regime after months or years of siege and bombardment.

On Tuesday, the U.N. under-secretary general for humanitarian affairs, Stephen O'Brien, told the U.N. Security Council there needed to be accountability for the regime's use of "starve-and-surrender tactics"

to force evacuations.

"The tactics are all too obvious: make life intolerable and make death likely; push people to choose between starvation and death or fleeing on green buses to locations that are just as unsafe," he said.

Idlib and small parts of three adjacent provinces—together, an area smaller than Connecticut—are now home to many of the displaced Syrians.

Many live in vast tent camps along the Turkish border—some within yards of a wall meant to prevent Syrians from crossing north into Turkey.

Among the displaced people, there are persistent fears the regime is concentrating its enemies in one place to wipe them out more efficiently.

"Everyone is asking: 'Why are they putting us all in this corner?'" said Nissab Yakzan

Shishakly, director of Maram Foundation, which runs three transit centers for newly displaced people in Idlib.

The dangers of the six-year conflict are a persistent presence. On a recent day in the town of Binnish, a math lesson was interrupted by a visit from a civil-defense group known as the White Helmets, which operates in opposition-held areas.

The group members taught the children how to hide under the stairs when warplanes are flying above, how to curl up on the ground and how to identify cluster bombs. At the end of the lesson, the young students were given dolls and plastic trains, and a book on how to avoid stepping on unexploded bombs.

—Noam Raydan, *Nour Alakraa and Dion Nissenbaum contributed to this article.*

Flying Bind: Gulf Rift Imperils Mideast Air Travel

By NICOLAS PARASIE
AND ROBERT WALL

DUBAI—Qatar's rift with its Arab neighbors threatens to hit one of the tiny Gulf state's economic arteries: air transport.

Airlines from the United Arab Emirates—including heavyweights **Emirates Airline** and **Eithad Airways**—Saudi Arabia, Bahrain and Egypt suspended flights to Doha on Monday, hours after their countries announced they were cutting diplomatic, air and maritime links to Qatar. The step marks an escalation in a dispute over Qatar's alleged support for Islamist groups in the region.

Qatar has said its neighbors' moves are founded on "baseless and unfounded allegations" and has vowed to ensure they won't harm the economy.

However, the flight suspensions are a major blow for state-owned, flag carrier **Qatar Airways**, which relies on shuttling passengers from larger nearby countries like Saudi Arabia across its network of more than 150 destinations. The airline carries millions of passengers every year, many of whom stop over



FREDERIC J. BROWN/AGENCE FRANCE PRESSE/GTY IMAGES

Qatar Airways relies on shuttling passengers from larger nearby countries like Saudi Arabia.

in Doha, helping boost tourism and business, which are vital to Qatar's plan to reshape its energy-dependent economy.

Qatar Airways responded by immediately suspending flights to Saudi Arabia. Later in the day, it canceled flights to the U.A.E., Bahrain and

Egypt from Tuesday "until further notice." Passengers would be rebooked or provided refunds for unused portions of flights, the airline said.

"As a hub carrier with a small domestic market, feed traffic is their bread and butter," airline consultant John

Strickland said.

The loss of that traffic, particularly from Saudi Arabia and Egypt, as well as on lucrative Dubai routes, will hurt, Mr. Strickland added. Qatar Airways declined to comment.

Air traffic between Doha, Dubai and Abu Dhabi—three of

the world's busiest international travel hubs—has sharply increased in recent years, as the Gulf carriers expand routes world-wide using newly built airports as bases.

Dubai's Emirates and Abu Dhabi's Etihad operate 11 daily flights in total to Doha. Other airlines, including budget carriers, such as **Flydubai** and **Air Arabia**, also fly regularly to Doha.

The suspension comes as Middle Eastern carriers experience one of the most difficult chapters in their relatively short history.

A prolonged slump in oil prices has dented earnings and subdued business travel and a U.S. ban on carrying some electronics in plane cabins and the threat of a wider travel ban has added to woes.

Qatar Airways has vowed to continue growing despite these headwinds, but being cut off from nearby markets could pose a bigger challenge.

Many Qatar Airways flights to Southeast Asia fly over the U.A.E. and rerouting these would add time and cost as planes burn more fuel, Mr. Strickland said. Saudi Arabia has said it would bar over-

flights, although the U.A.E.'s position remained unclear on Monday. If Qatar Airways's operations are impacted for a protracted period, it could drive away customers.

Routes to Europe and the U.S. should be largely unaffected, although passengers looking to fly via Doha to other Middle Eastern destinations may be forced to make alternative arrangements.

Plus, the ban dents Qatar Airways' ability to steal traffic from the likes of Emirates and Etihad by luring passengers from the U.A.E. with cheap fares to fly to Europe and the U.S. via Doha.

Qatari residents told The Wall Street Journal they were concerned about how the flights suspensions would impact their travel plans. Many overseas residents plan to travel home in June for the end of Ramadan and may consider flying with other regional airlines such as **Turkish Airlines**.

Meanwhile, Qatar may face economic headwinds as it becomes politically and economically isolated from its neighbors. Reflecting these concerns, Doha's stock-market index ended 7.3% lower on Monday.

QATAR

Continued from page A1
East allies carries high stakes for the Trump administration.

The command center overseeing the U.S.-led air war against the extremist group Islamic State is located at a U.S. military base in Qatar, America's largest military facility in the Middle East. On the other side of the dispute is Bahrain, which hosts the Fifth Fleet, one of its largest naval fleets.

Like many of its Gulf Arab neighbors, Qatar has spent tens of billions of dollars on American and European arms in recent years, and it has been part of a U.S.-led coalition carrying out strikes against Islamic State since 2014.

It was unclear whether the change in relations with Saudi Arabia, the U.A.E. and Bahrain, which are also members of the coalition, would affect Qatar's participation in the anti-Islamic State campaign.

At a news conference Monday in Sydney, Australia, U.S. Secretary of State Rex Tillerson played down the rift, saying he hoped it would be resolved diplomatically and offering to mediate. Defense Secretary Jim Mattis, who appeared with Mr. Tillerson, said he doubted the diplomatic rift would have an impact on the

A Timeline of the Rift in Relations

Events that led four Arab nations to cut ties with Qatar:

♦ **Nov. 23, 2013** The six Gulf Cooperation Council countries—Qatar, Saudi Arabia, the United Arab Emirates, Kuwait, Oman and Bahrain—sign a security pact in Riyadh. It stipulates that none of the countries should interfere in others' affairs or back parties that threaten stability.

♦ **March 5, 2014** Saudi Arabia, the U.A.E. and Bahrain withdraw their ambassadors from Qatar, saying it violated No-

ember's security agreement.

♦ **Nov. 17, 2014** The three countries say they will return their ambassadors to Qatar, having put their differences behind them.

♦ **May 21, 2017** Qatari emir Sheikh Tamim bin Hamad Al-Thani meets with new U.S. leader Donald Trump in Riyadh, during his first foreign trip as president.

♦ **May 24, 2017** Qatar says its state news agency was hacked after posting comments by its emir praising Iran and calling Islamist militant group Hamas, which rules the Gaza Strip, the legitimate representative of Palestinians. The incident angers its Gulf neighbors, who block access to Qatari news websites including Al Jazeera.

♦ **June 5, 2017** Saudi Arabia, the U.A.E., Bahrain and Egypt cut diplomatic and some commercial ties with Qatar, accusing it of supporting terrorism.

fight against terrorism.

Qatar has long pursued policies out of step with its neighbors. It has used its financial muscle to back both political and armed groups that the other Sunni monarchies in the region view as a threat.

linked Syria Conquest Front and Afghanistan's Taliban.

"This is a major escalation and I don't think there is an easy way out of it," says Andreas Krieg, an assistant professor in defense studies at King's College London who until recently worked as an adviser to Qatar's government.

Tensions rose late last month when Qatar's official news agency posted comments, purportedly by its emir, that praised Iran and called Hamas the legitimate representative of the Palestinian people.

Qatar later denied that the emir, Sheikh Tamim bin Hamad Al-Thani, made the comments and said its state news agency had been hacked. Saudi Arabia, the U.A.E., Bahrain and Egypt blocked the websites of Al Jazeera and several other Qatari news outlets anyway.

Some observers saw a link between Monday's diplomatic break and President Donald Trump's visit to Riyadh last month. "The Saudis and Emiratis feel emboldened by the alignment of their regional interests—toward Iran and Islamism—with the Trump administration," said Kristian Ulrichsen, a fellow at Rice University's Baker Institute for Public Policy.

—Dahlia Kholail, *Maria Abi-Habib, Rory Jones, Gordon Lubold and Jenny W. Hsu contributed to this article.*

WORLD WATCH

TURKEY

Ankara Threatens to Strip Citizenship

The Turkish government threatened to strip citizenship from U.S.-based cleric Fethullah Gulen and 129 other individuals if they don't return to Turkey within three months to face criminal investigations or prosecutions related to last year's failed military coup.

The development is the latest escalation in what Turkish officials have characterized as a counterterrorism campaign to repatriate hundreds of so-called Gulenists who, in many cases, fled the country amid what they say is a witch hunt against their organization and other political opponents of President Recep Tayyip Erdogan.

Turkish officials accuse Mr. Gulen, a onetime ally of the Turkish leader, of masterminding the coup attempt last July, in which roughly 270 people were killed. Mr. Gulen, who has lived in the U.S. since 1999, has denied any role in the coup, saying he rejects violence.

A spokesman for Mr. Gulen didn't immediately respond to requests for comment.

Turkish officials have requested that U.S. authorities extradite Mr. Gulen to face charges

including terrorism and treason, yet they have been increasingly frustrated with the lengthy and complex nature of that process. U.S. officials say privately that the evidence provided by Turkey doesn't meet American standards of evidence.

—Ned Levin

MEXICO

Ruling Party Nears Win in Key State

President Enrique Peña Nieto's ruling party appeared headed for victory in gubernatorial elections in the key State of Mexico with most of the votes counted, although Mexico's top opposition leader is expected to challenge the results.

With close to 98% of the votes counted, Alfredo del Mazo, the candidate from the Institutional Revolutionary Party (PRI), had 33.7% compared with 30.8% for Delfina Gómez of the National Regeneration Movement.

A victory for Mr. del Mazo would be a relief for Mr. Peña Nieto's beleaguered party ahead of next year's presidential election. The gubernatorial race was seen as referendum on his administration in the PRI's most important bastion.

—Juan Montes and José de Córdoba

WORLD NEWS

South Korea Plans Stimulus Funding

BY KWANWOO JUN

SEOUL—South Korea's new liberal administration under President Moon Jae-in announced a \$10 billion supplement to its national budget to create more jobs and spur economic growth.

The slightly bigger-than-expected additional government-spending plan, which is scheduled to be sent to the National Assembly for approval on Wednesday, comes as job creation takes center stage in Mr. Moon's economic policy.

The left-leaning leader was elected in May on a pledge to create 810,000 new public-sector jobs during his five-year term, underlining a bigger government role in boosting soft domestic demand and reversing high youth unemployment.

Mr. Moon's first executive order was to launch a job-creation committee. "I myself assume the committee chairmanship as I believe that the government should be the biggest employer," he said in a greeting message posted on the committee website over the weekend. "I will make sure every single penny of the national budget will lead to job creation."

The 11.2 trillion won (\$10 billion) additional budget would allow the government to hire 12,000 more employees, including police officers, firefighters, soldiers and schoolteachers, the finance ministry said. The extra budget would also help tens of thousands of people secure jobs in the child-care, health-care and other social-service sectors, it said.

Worsening employment conditions, especially among young people, warrant the extra national budget, the ministry said. South Korea's official youth jobless rate is about 10%, more than double overall unemployment. The figure would be as high as 24% if the tally includes youths who drop out of the labor market or

work in part-time jobs.

Tieying Ma, a Singapore-based economist for DBS Bank, said the high youth unemployment is the result of a "structural, supply-demand mismatch" in the labor market, where too many highly educated young people are looking for decent jobs but the economy isn't creating enough high-quality opportunities.

"Some of the jobs in the manufacturing industry have been relocated overseas, like to China and other emerging markets," Ms. Ma said, adding that the still underdeveloped service industry in South Korea isn't paying enough to attract college graduates.

The finance ministry said it hopes creating more public-sector jobs would boost sluggish demand in the private sector eventually.

The South Korean economy shows some signs of strength in exports, but its domestic demand remains weak. The economy is forecast to grow 2.6% this year after expanding 2.8% in 2016. The ministry said it expects the extra budget spending to add 0.2 percentage point to annual growth this year and next.

Funding for the extra budget will mainly come from surplus tax revenue and state funds from the previous fiscal year, the ministry said, adding that the government won't issue new debt to raise cash for the additional spending plan.

Mr. Moon's governing party needs support from opposition parties in the legislature for the stimulus plan to be endorsed. His ruling Democratic Party has a plurality but falls short of a majority needed for its approval.

Some opposition lawmakers criticized Mr. Moon's economic policy—which also calls for raising taxes, increasing the minimum wage and having companies grant temporary workers full-time status—for not being sustainable.

Civilians Trapped in Battle for Philippine City



DIGGING IN: Islamist militants who seized the Philippine town of Marawi two weeks ago have stockpiled weapons and food in mosques, tunnels and basements to prepare for a long siege, officials said. Among the hundreds of militants tied to Islamic State are fighters from Indonesia, Malaysia, India, Saudi Arabia, Chechnya and Morocco. Some 500-600 civilians, above, are trapped in the heart of the town, and as many as 200 fighters from the Maute militant group and others have prepared for a long standoff, senior military officials said.

U.S. Presses China on Pyongyang

BY GORDON LUBOLD
AND ROB TAYLOR

SYDNEY—U.S. Secretary of State Rex Tillerson forcefully called on China to stop militarizing islands in the South China Sea, to pressure North Korea and broadly to assume a more responsible role in Asia-Pacific stability.

Mr. Tillerson, speaking here on Monday amid annual talks between Australia and the U.S., echoed remarks by Defense Secretary Jim Mattis last week as the U.S. leans heavily on Beijing to persuade North Korea to stop its ballistic-missile and nuclear programs.

But the U.S.-China relationship is also strained by a host of other diplomatic and economic issues, including over the South China Sea, where the U.S. has been needling Beijing with so-called freedom of navigation patrols. China

claims sovereignty over islands in the South China Sea and adjacent waters but denies it is militarizing them.

Mr. Tillerson's comments were some of the most forceful to date at a time when the U.S. also wants China's help on North Korea.

"China is a significant economic and trading power, and we desire a productive relationship, but we cannot allow China to use its economic power to buy its way out of other problems, whether it is militarizing islands in the South China Sea or its failure to put appropriate pressure on North Korea," Mr. Tillerson said at a press conference. "They must recognize that with a role as a growing economic and trading power come security responsibilities as well."

Pyongyang's missile and nuclear programs are an urgent concern for U.S. allies in

the region, including its most recent missile test on May 29.

Recognizing there are few viable military options, the U.S. and its Asian allies are banking on economic and diplomatic approaches to stop North Korea.

They view China as the key to pressuring North Korea since Beijing provides it aid and maintains a robust trading relationship. U.S. officials have praised China for its efforts, but is pressing Beijing to do more.

Asked about Mr. Tillerson's comments, a Chinese Foreign Ministry spokeswoman said China's efforts for peaceful resolutions on the nuclear issue and in the South China Sea were "there for all to see" and that she hoped "relevant countries could fully respect and support efforts made by countries in the region."

North Korea's outlawed nuclear and missile program also has raised worries in Australia

that the country could be targeted in any conflict. It has triggered a debate on whether Australia should join U.S. efforts to deploy a ballistic-missile defense shield.

"We are committed to working very closely together and with our regional partners to impose greater costs on the regime for that destabilizing behavior," Australia's Defense Minister Marise Payne said.

The Chairman of the U.S. House Armed Services Committee, Mac Thornberry (R-Texas), recently proposed a bill that would appropriate \$15 million for joint ballistic missile defense exercises between the U.S., Australia, Japan and South Korea next year. Sen. John McCain (R-Ariz.) has proposed a similar measure that would beef up American presence and training in the region.

—Pei Li in Beijing contributed to this article.

Fostering Progress in a Rapidly Changing World

Information is the most valuable currency in a hyper-connected world. This makes access to information priceless. If data ecosystems around the world could converge seamlessly, it would usher in a new era of growth. For this reason, China Telecom Global has invested heavily in innovation. Its ultimate goal is to drive business growth for carrier partners, MNCs and SMEs, fostering a global community built on connection, rather than competition.

 中国电信
CHINA TELECOM

U.S. NEWS

Democrat Sees No Link to Russia So Far

With summer recess seven weeks away, Republicans weigh health, debt and taxes

By SIOBHAN HUGHES

WASHINGTON—The top Democrat on the Senate Intelligence Committee said there was no proof so far of collusion between Russia and Donald Trump's campaign, as Congress geared up for a week of high drama highlighted by the testimony of former Federal Bureau of Investigation Director James Comey.

"Listen, there's a lot of smoke. We have no smoking gun at this point," Mark Warner of Virginia said on CNN. "But there is a lot of smoke."

As congressional Republican leaders begin a push to produce a legislative accomplishment before an August recess knowing the window of opportunity is closing, a series of hearings into possible Russian interference in the 2016 presidential election—and other challenges that have be set the Trump administration—threaten to derail their plans.

On Wednesday, the director of national intelligence, Dan Coats, and the director of the National Security Agency, Adm. Mike Rogers, will appear before Mr. Warner's committee. On Thursday, Mr. Comey is expected to tell the same panel that Mr. Trump asked him to back off an investigation of former national-security adviser Michael Flynn.

Mr. Warner said his committee will press Mr. Comey about the circumstances surrounding his abrupt firing last month by Mr. Trump. Many Democrats say Mr. Trump may have been attempting to obstruct justice by dismissing Mr. Comey. Mr. Trump said he



Senate Majority Leader Mitch McConnell, shown here on May 16, said last month he wasn't sure he had the votes for a health bill.

bitious energy bill. Some of what they did pass had to be significantly reined in—and prompted a backlash at the polls.

The Republican playbook for confronting these challenges consists of a series of interlocking steps. In the Senate, Republicans are expected to unveil their health plan as early as this week, then wait for the Congressional Budget Office to provide cost and coverage estimates before holding a vote. A CBO analysis can take a couple of weeks.

Sen. John Cornyn of Texas, the second-ranking Senate Republican, said recently the health-care debate would be wrapped up by the end of July. If the Senate passes a bill, it would mark a major win for Mr. Trump and Republican leaders, and could lend momentum to other GOP initiatives. Then, however, the measure would have to be reconciled with the House version to become law. That could take months, or not happen at all during this congressional session.

Defeat of a GOP health plan in the Senate would leave Republicans with one more significant card to play: a tax overhaul.

Republicans from Congress to the White House are planning to lay the groundwork for a tax rewrite during this seven-week legislative period. Mr. Trump is expected to campaign during July and August for a tax overhaul with an official plan released after Labor Day, according to a senior White House official.

To clear a path for that bill,

House Republicans are ex-

pected by mid-June to start a legislative process that would allow the Senate to rewrite the tax code with a simple majority.

—Peter Nicholas, Nick Timiraos and Jay Solomon contributed to this article.

fired Mr. Comey for incompetence. The president and his aides have denied colluding with Russia, which denies meddling in the election.

Meanwhile, as Congress returns to work Monday after a Memorial Day break, Senate Majority Leader Mitch McConnell (R., Ky.) will mount a fresh effort to rewrite the Affordable Care Act, the Obama-era health law. Mr. McConnell said last month he wasn't sure how he would secure enough votes to pass a bill given that no Democrats support the effort.

The House GOP plan, which barely passed that chamber, doesn't have enough support to pass the Senate, which is expected to advance its own

plan. To pass that bill and count on Vice President Mike Pence to provide the tie-breaking vote, the Senate can afford to lose only two GOP votes. That is a tough goal because three conservative Senate Republicans are at odds with at least three moderate Republicans.

The outlook for such a health measure didn't appear to improve over last week's break. "It's unlikely that we will get a health-care deal," Sen. Richard Burr (R., N.C.) told a North Carolina television station in a blunt assessment of the prospects for repealing and replacing the law often called Obamacare.

If the GOP health push fails,

Congress would likely next put its energy into a tax overhaul, while also taking up other measures along the way, in part to project an image of accomplishment amid the turmoil surrounding the White House. Among the bills potentially in the mix is one imposing sanctions on Iran, which cleared the Senate Foreign Relations Committee last month.

The House and Senate plan to leave for a five-week recess starting July 28, though that could be delayed. Pressure on lawmakers ahead of that break has intensified, with the Treasury Department urging Congress to raise the government's debt limit before departing.

This isn't the first time a

party has faced pressure to produce after winning control of the White House and Congress and found expectations colliding with political realities.

One challenge is that Congress and the White House operate on different clocks, and the window of opportunity that opens in the early months of a presidency can narrow rapidly, as lawmakers turn their attention to midterm elections.

When President Barack Obama led a Democratic takeover in 2008, Democrats managed to enact a health law, a stimulus package and the Dodd-Frank banking measure in the early going.

But they missed other goals, such as passing an am-

Fewer High-Tech Visas Are Going to Outsourcers

By LAURA MECKLER
AND NEWLEY PURNELL

WASHINGTON—President Donald Trump has suggested he might find a way to cut the number of coveted H-1B visas awarded to outsourcing firms. But the companies appear to be heading in that direction all on their own, amid technological changes.

Outsourcers' use of H-1B visas, which are reserved for highly skilled foreign workers, fell last year, before Mr. Trump even won the Republican presidential nomination, new data show. The slide occurred alongside increasing criticism of the firms' business model.

Mr. Trump has criticized the lottery that is now used, where companies all have equal chances at the scarce visas, and signed an executive order directing a review of the program. The order called for changes that would ensure visas are awarded to "the most skilled and the highest paid" applicants, to avoid crowding out America workers.

Six of seven prominent Indian-based outsourcing companies that do work in the U.S.

received fewer H-1B visas in 2016 than they did in 2015, and as a group their numbers dropped 37%, according to a new analysis by the National Foundation for American Policy, a think tank that backs increasing the total number of H-1B visas available. Most outsourcers based in the U.S. and elsewhere also saw declines.

For instance, H-1B visas awarded to India's biggest outsourcing company by revenue, **Tata Consultancy Services** Ltd., plummeted by 56% to 2,040 last year from 4,674 in 2015. For **Wipro** Ltd., another major Indian firm, the number also dropped by more than half to 1,474 from 3,079 in 2015.

Other research from previous years shows that the use of H-1Bs by individual outsourcing companies peaked in 2012 and 2013, sliding ever since.

Meantime, the number of visas awarded to some large U.S. technology firms, who have a different business model and compete with outsourcing firms for visas, increased last year. **Amazon.com** Inc., **Microsoft** Corp., **Alphabet** Inc.'s Google and **Apple** Inc. all received more visas than they

did in 2015, the new data show. Such companies typically use the visas to recruit employees with rare skills that attract higher wages than staff employed by outsourcing firms, and have come under less criticism.

Each year, 85,000 H-1B visas are available, and for the last several years they have been awarded by lottery conducted in April because of overwhelming demand.

Following this year's lottery, Mr. Trump criticized the process and ordered changes that would ensure visas are awarded to "the most skilled and the highest paid" applicants. Because many outsourcing jobs are paid the minimum required to comply with certain rules—about \$60,000 a year—many interpreted Mr. Trump's comments as a warning to the outsourcing and possible boon to big tech companies that pay high salaries.

Outsourcing firms also have drawn scrutiny for importing foreign workers to do work once performed by Americans. The companies say they are adhering to the program's rules and only hire foreigners because they cannot find

Americans for the jobs. Some Indian firms also say they are beefing up their hiring of people in the U.S. **Infosys** Ltd. last month said it plans to hire some 10,000 American workers locally over the next two years.

Stuart Anderson, who runs the foundation that released the report, said that the falling numbers undercut critics' arguments that the number of visas should not be increased because outsourcing is abusing the existing program.

"If their numbers are going

to these low levels, then that excuse is no longer valid, if it ever was," he said.

But Ron Hira, an associate professor of public policy at Howard University who has been critical of the outsourcing firms, said that thousands of visas granted to these firms are still substantial.

"How many careers were wrecked by those hires? Remember the business model is often used to replace U.S. workers," he said. He added that some of these firms may now be bringing similar work-

ers to the U.S. using other visa programs.

But the falling numbers reflect, at least in part, changes in the industry, as IT firms grapple with a rapidly shifting technological landscape.

In past years, these firms thrived by offering inexpensive solutions for relatively simple work, deploying armies of tech workers to undertake tasks like maintaining servers and updating software for clients. But demand for such work from many clients has been falling for some time.

TWEET

Continued from page A1
judges citing concerns about religious discrimination.

"The Justice Dept. should have stayed with the original Travel Ban, not the watered down, politically correct version they submitted to [the Supreme Court]," Mr. Trump wrote Monday on Twitter. "The Justice Dept. should ask for an expedited hearing of the watered down Travel Ban before the Supreme Court - & seek much tougher version!"

When Mr. Trump signed the revised executive order, he revoked his original order. If the president wants a broader executive order, the decision rests with him, not the Justice Department.

Mr. Trump once again singled out the courts for criticism, calling them "slow and

political!" Meanwhile, he wrote, "we are EXTREME VETTING people coming into the U.S. in order to help keep our country safe."

He also wrote: "People, the lawyers and the courts can call it whatever they want, but I am calling it what we need and what it is, a TRAVEL BAN!"

When the original executive order was rolled out, the administration said repeatedly that the measure didn't amount to a travel ban. "It's not a travel ban," press secretary Sean Spicer said in a January briefing.

Mr. Trump's administration asked the Supreme Court last week to revive the second version of its executive order, which would put a 90-day halt on the entry of individuals from Iran, Libya, Somalia, Sudan, Syria and Yemen, saying it was needed as a means to "prevent infiltration by foreign terrorists." The order also

sought to suspend the U.S. program for admitting refugees.

While the executive order is written in relatively dry legal terms, lower courts have ruled it must be examined in the context of the statements Mr. Trump made during his presidential campaign regarding Muslims, whose entry to the U.S. he once pledged would face a "total and complete shutdown."

Amid legal scrutiny of Mr. Trump's statements—including his tweets—aides and lawyers in recent weeks have sought to tone down the president's Twitter account, pressuring him to allow lawyers to vet his

tweets before posting them. His latest tweets, however, show Mr. Trump isn't shying away from controversial topics.

The GOP president's tweets come at a delicate time of litigation and could undercut parts of the Justice Department's legal defense of the current version of the travel restrictions.

The department has tried to distance the current executive order from the original one Mr. Trump signed in January, saying the latter one was the product of more collaborative dialogue among national security officials. The department also has sought to characterize the restrictions as more of a temporary pause on travel, rather than a ban. And the department has argued that the current executive order addressed legal concerns courts raised about the more sweeping original version that Mr. Trump touted on Monday.

Challengers to the executive order are scheduled to file legal papers with the Supreme Court on June 12. In past filings, lawyers suing Mr. Trump have sought to use his own statements against him.

Some of those lawyers offered their own tweets Monday morning after Mr. Trump's tweet storm, saying the president's latest comments helped their case.

"We don't need the help but will take it!" wrote lawyer Neal Katyal, who is representing challengers in a case from Hawaii, referring to the president's tweets.

"If we just wait long enough, will he tweet out a whole brief for us?" American Civil Liberties Union lawyer Omar Jadwat wrote on Twitter, also referring to Mr. Trump's comments. Mr. Jadwat is lead ACLU counsel in the case pending at the Supreme Court.



Protesters gather outside a federal court in Seattle last month.

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Aging Pipes, Roofs Plague Campuses

By MELISSA KORN

Lurking inside the ivy-covered gothic towers and brutalist concrete blocks on college campuses are moldy ceilings, failing plumbing and antique boilers whose replacement parts are available only on eBay.

Still reeling from state funding cuts and battered endowments in the wake of the financial crisis, U.S. universities have been putting precious money toward financial aid, academic programs and gleaming buildings that might attract new students—neglecting aging electrical systems and leaky roofs. As a result, schools are staring down a deferred maintenance backlog that has topped \$40 billion, by some estimates, more than the federal government spends on Pell Grants for needy college students each year.

Schools are facing a deferred-maintenance backlog that has topped \$40 billion.

Despite adding student fees for facilities and even demolishing buildings that are beyond repair, the campus To Do lists continue to grow as buildings push 60 years old. For schools already under financial pressure, a burst pipe could spell disaster.

The tab for deferred maintenance at the California State University System's 44 million square feet of academic buildings is \$2.6 billion, while the City University of New York

has earmarked upward of \$3 billion in “critical” maintenance needs over the next five years.

Small private schools like New England College in New Hampshire peg their repair backlog at about the same size as their endowments.

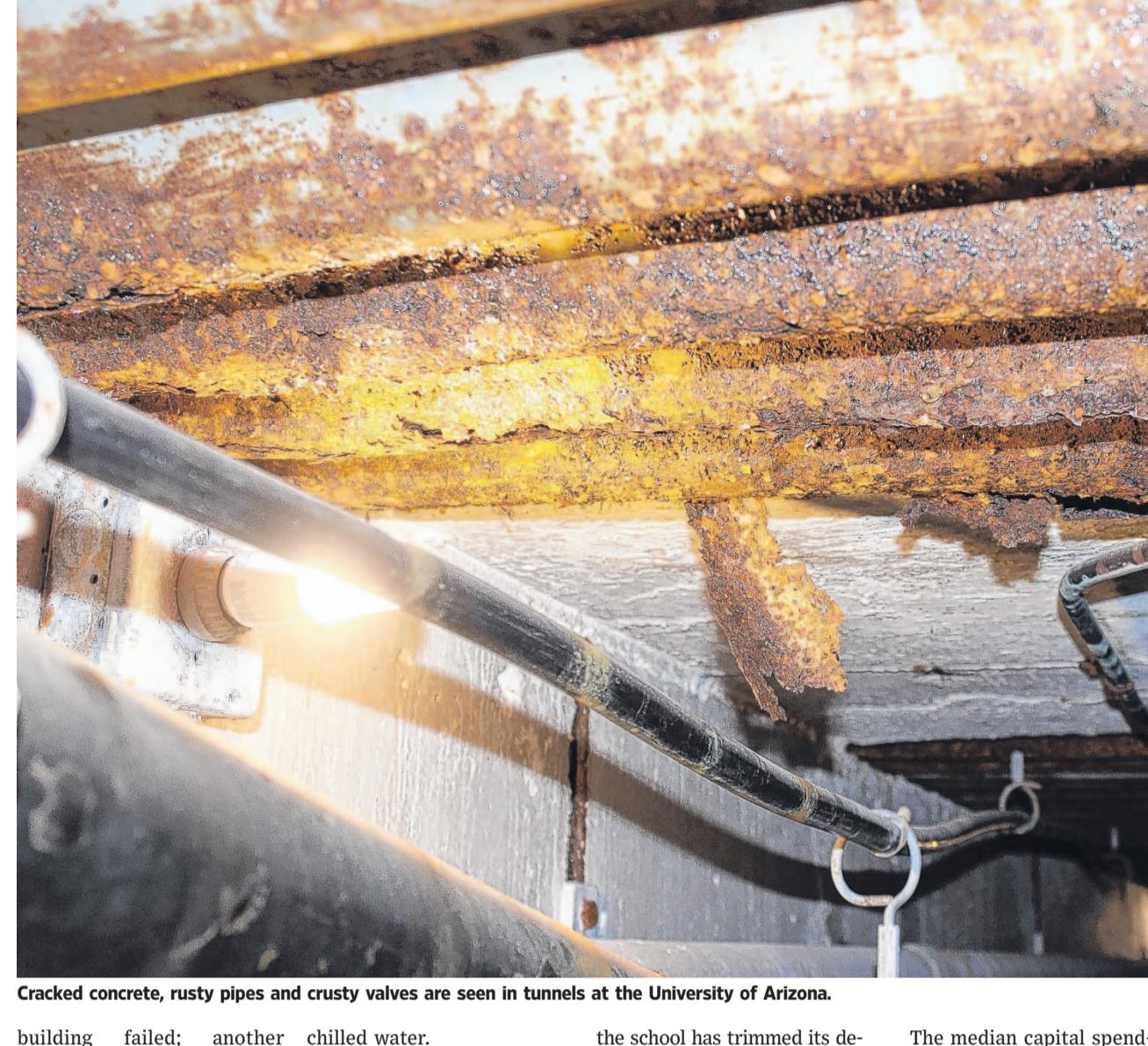
A recent report by Sightlines, a facilities advisory firm, found that the deferred-maintenance backlog at colleges nationwide topped \$100 per gross square foot of space in 2015, up from \$81.72 in 2007.

When ticking off the issues that keep them awake at night, school presidents regularly include upkeep of aging facilities alongside concerns about regulatory compliance and program affordability. For David Anderson at St. Olaf College in Minnesota, it is about fulfilling a fiduciary responsibility because the campus’s physical assets are worth nearly a quarter-billion dollars. Les Wong at San Francisco State University has buildings averaging 50 years old, in an earthquake-vulnerable region.

“It’s like Whac-A-Mole,” said Gregg Goldman, chief financial officer at the University of Arizona, using the arcade mallet game to illustrate how new emergencies pop up right as others are fixed.

That school has about \$350 million in deferred-maintenance needs, including old roofing and heating, ventilation and air-conditioning systems that work overtime in the Tucson desert. Mr. Goldman called the backlog a “ticking time bomb” at a November Board of Regents meeting.

Last summer, a transformer in a 50-year-old research



Cracked concrete, rusty pipes and crusty valves are seen in tunnels at the University of Arizona.

building failed; another caught fire as maintenance staff looked into the problem, forcing employees there and patients at an attached hospital to evacuate. The school found a replacement fuse on eBay.

The University of Illinois at Urbana-Champaign has resorted to using bricks to weigh down rubber and plastic membranes that wick water from the roof, said Doris Reeser, assistant director of capital programs. While building tops aren’t “flapping in the wind” that way, Ms. Reeser said, rain may still get on some research, like at the National Soybean Research Laboratory, where parts of the 99,000-square-foot building also have no ventilation or

chilled water.

Private schools also struggle with the issue, in part because donors are more likely to open their wallets for a new building than for upgraded plumbing.

A basement office for about a dozen Ph.D. students at New York University has fresh carpets and cheery yellow-green walls. It also has a tarp protecting an electrical closet from incessant leaks and ceiling tiles that have turned brown from water damage.

A school spokesman said that NYU doesn’t own all the buildings it occupies and has to work with landlords for some repairs. He said that much of the school’s building stock is old, but noted that

the school has trimmed its deferred-maintenance backlog by \$200 million between 2013 and 2016. He declined to say where it stands now.

Hamilton College in Clinton, N.Y., will break ground this summer on a health-services and counseling facility. Three years ago, it completed a \$47 million theater and studio arts center with space for woodworking and a recording studio.

But the school’s deferred-maintenance backlog is about \$85 million, and while it is replacing a half-dozen roofs and renovating three small dorms in coming months, Hamilton still puts \$6 million a year into plant renewal—half of what an outside consultant recommends.

The median capital spending ratio at private colleges and universities nationwide was 1.29 in fiscal 2015, meaning that schools invested enough money to cover depreciation on existing facilities plus about 30% more. That is the lowest in at least a decade, according to Moody’s Investors Service, and schools with weak credit ratings put in only 83 cents for every dollar of depreciation.

Meanwhile, the University of Arizona may have defused its time bomb—for now. Gov. Doug Ducey, a Republican, approved a budget last month that lets the university issue \$200 million in debt for repairs and almost as much for the construction of new research facilities.

When Low Jobless Rates End Badly

By JOSH ZUMBRUN

There have been only three fleeting periods in the past half-century when the U.S. unemployment rate was as low as it is today. This would be cause for celebration but for one disturbing fact: Each was associated with boiling excesses that led to serious economic trouble.

Low unemployment of the late 1960s preceded an inflation spiral in the 1970s. The late 1990s bred the dot-com bubble and bust. The mid-2000s saw the buildup and collapse of U.S. housing.

While there is reason to believe today’s economy isn’t boiling over as in the past, those episodes call for caution.

“It’s not a matter of superstition, it’s a matter of being mindful of the history of what such a low unemployment rate usually is followed by,” said Michael Feroli, chief U.S. economist of J.P. Morgan Chase & Co.

While initially a welcome development, low unemployment in the 1960s laid the groundwork for a buildup of wage and price pressures, spurred on by low interest rates and aggressive government spending programs.

The unemployment rate dropped to 4.3% in September 1965 and then below 4%. Today’s unemployment rate, also at 4.3%, could drop below 4% in the next year if it maintains its present trajectory.

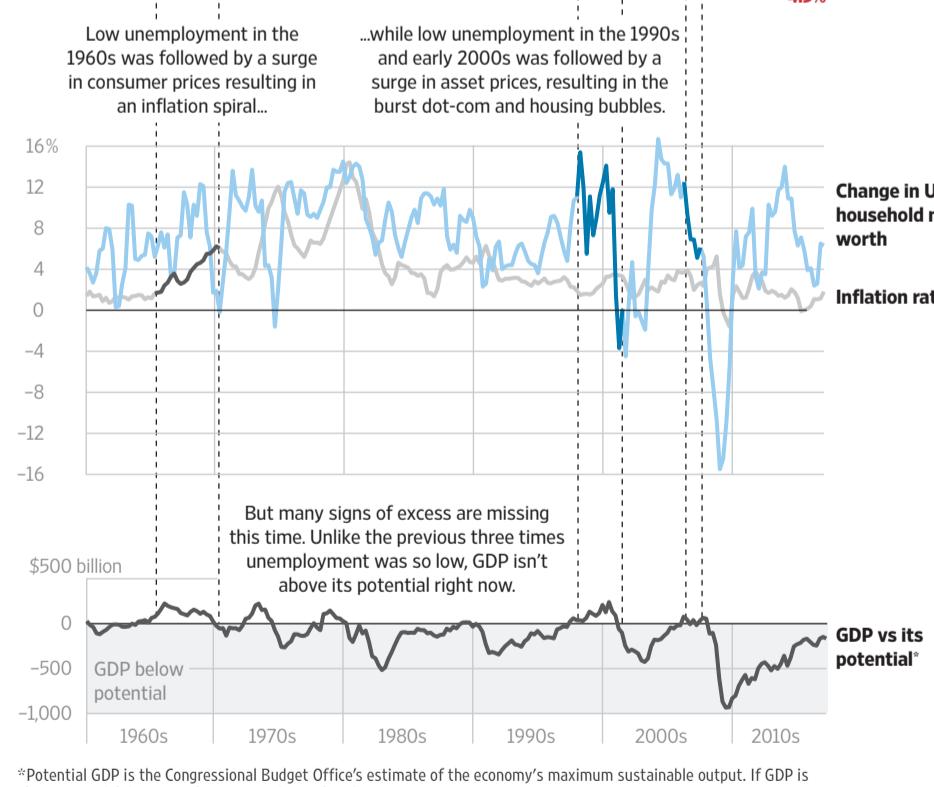
Unemployment fell again to 4.3% in January 1999. This time the inflation rate remained below 2% and it seemed that, unlike the late 1960s, the economy wasn’t overheating.

But asset prices—the stock market in particular—soared after what had already been a long climb. The Dow Jones Industrial Average shot above 10,000 for the first time in March 1998. Highflying tech companies commanded billion-dollar valuations with no profit to report. In hindsight, an internet bubble grew out of control.

Economic theory draws clear linkages between low unemployment and inflation. As companies compete for scarce

Omen or Coincidence?

The unemployment rate has fallen this low three times in the past 50 years.



*Potential GDP is the Congressional Budget Office's estimate of the economy's maximum sustainable output. If GDP is above potential, it means the economy is overheating.

Sources: Labor Department (unemployment, inflation); Federal Reserve (household net worth); Congressional Budget Office (Potential GDP)

THE WALL STREET JOURNAL

workers, they bid up wages and raise prices on goods and services to protect profit margins. The textbooks don’t spell out such a connection between low unemployment and financial bubbles. The tech boom of the late 1990s might have been dismissible as a one-time event had it not been for what happened next.

Unemployment fell back to 4.4% by October 2006. It coincided with a home-price boom that happened even though broader inflation measures remained stable. When housing prices fell, a financial sector deeply exposed to mortgage credit collapsed and the economy entered the longest and deepest recession since the Great Depression.

Wage dynamics also have changed. Hourly wages increased more than 6% a year in

the late 1960s. They rose over 4% a year in the late '90s and in the waning days of the housing bubble. Today, wage growth has been stuck around 2.5%.

“Hitting a low point on the unemployment rate, compared to history, isn’t a sufficient condition to say we’re near a recession,” said Gregory Daco, the head of U.S. Macroeconomics at Oxford Economics. “The wage-inflation dynamic has not picked up, and that’s clearly something different from the past.”

Other measures suggest the economy remains on a more even keel. The Congressional Budget Office estimates that after all these years of sluggish economic growth, today’s economy is still producing goods and services at a slower rate than it is capable of producing.

SUPREME COURT

Justices to Hear Case On Cellphone Data

The Supreme Court agreed to consider whether law-enforcement officials need search warrants to obtain data about the location of cellphone users, a case that raises questions about privacy rights in the digital age.

The court said it would hear an appeal by a defendant who was convicted in part based on evidence prosecutors obtained from wireless service providers about the whereabouts of his cellphone at particular times.

Timothy Carpenter was convicted of armed robberies in Michigan and Ohio, in part based on cell-site location information obtained from MetroPCS and Sprint that placed his phone in the vicinity of several robberies around the time the crimes took place.

The government didn’t obtain a search warrant for the records, which would have required a showing of probable cause to obtain the cell data.

Instead, it sought and obtained the data under the Stored Communications Act, which allows law enforcers to seek records when there are reasonable grounds for believing the information is relevant to a criminal investigation.

Mr. Carpenter sought to suppress the evidence, arguing it was obtained in violation of his Fourth Amendment right to be free from unreasonable government searches.

An appeals court ruled for the

government, citing a 1979 Supreme Court ruling involving home telephone records that said people don’t enjoy Fourth Amendment protection for information they voluntarily reveal to a third party, such as a phone company.

—Brent Kendall

FLORIDA

Ex-Employee Kills 5 In Workplace Shooting

A disgruntled former employee shot and killed five people at a business just outside Winter Park, Fla., near Orlando, Orange County Sheriff Jerry Demings said.

Mr. Demings said there was no indication that the gunman had ties to any terrorist or subversive organizations.

The shooting took place around 8 a.m. Monday in an industrial area at the office of Flamma Inc., which makes awnings and other accessories for recreational vehicles, the sheriff said. Four of the victims died on the scene and one more died later at the hospital, he said. The shooter didn’t identify the alleged shooter or any of the victims.

Mr. Demings said the shooter was a 45-year-old former employee at the company who was terminated in April. The shooter, who died from a self-inflicted gunshot, was armed with a handgun and a knife. The shooting in the Orlando area comes almost a year after the mass shooting at Pulse, a gay nightclub in the city, on June 12, 2016.

—Cameron McWhirter



UNITED NATIONS: Secretary-General António Guterres takes part in the Fijian Traditional Welcome Kava Ceremony to open the Ocean Conference on Monday at the U.N. headquarters in New York.

SPORTS

GOLF | By Jason Gay

Phil Mickelson's Easy Choice

The golf star will skip the U.S. Open for a family moment. Who would argue it's not the right move?



Stephen Curry, above, and the Warriors appear unstoppable.

NBA

WHAT ELSE CAN THE CAVS DO?

BY BEN COHEN

OAKLAND, Calif.—The Golden State Warriors are up 2-0 in the NBA Finals after their 132-113 win over the Cleveland Cavaliers on Sunday night. They're still undefeated in the playoffs. They're two games away from the first 16-0 postseason in NBA history.

The Cavaliers beating them once, let alone four times in the next five games, may not be possible with anything less than perfect basketball. This Warriors team is that good.

Stephen Curry had a triple double of 32 points, 11 assists and 10 rebounds. Here is where it's worth mentioning Kevin Durant also put up 33 points, 13 rebounds and 6 assists. Oh, and Warriors still have Klay Thompson, who scored 22 points, emerging from his postseason slump.

The team with Curry, Durant or Thompson playing well is usually going to win. The team with Curry, Durant and Thompson playing well is always going to win. Even in a game when LeBron James is utterly brilliant with his own triple double of 29 points, 14 assists and 11 rebounds.

"Tonight was a game based on talent," said Warriors coach Steve Kerr, who felt healthy enough to coach from the bench for the first time since April. "But heading to Cleveland, we're going to have to be a lot smarter. We play that same game in Cleveland, there's no way we win."

He didn't have to state the obvious: This is exactly what happened last year. He stated it anyway. "Trust me, we know," Kerr said. "It was 2-0 last year and we lost."

The Warriors are not only better this year than last year—when, again, they were thought to be the best team ever—but they're also better prepared for the playoffs. They're rested. They're healthy. This time they have Curry peaking in the Finals, and this time they also have Kevin Durant.

"They're a different team," James said.



IT'S POSSIBLE the golfer Phil Mickelson will conclude one day that he made a terrible mistake, deciding to skip the 2017 U.S. Open to attend his daughter's high school graduation. The man they call Lefty turns 47 later this month, and the U.S. Open is the only major that has eluded him in his outstanding career—Mickelson has finished second in the tournament a maddening six times.

Graduations are nice, but who knows how many more chances he will get? Won't Mickelson feel a twinge of regret when he realizes his colleagues are teeing off without him at Erin Hills in Wisconsin?

Maybe. But I doubt it.

It's the right move. He knows it, and I think the rest of us do, too.

Mickelson told the media Saturday after his round at the Memorial Tournament in Ohio that he's informed the United States Golf Association of his intention to withdraw from the U.S. Open. He added that he's yet to officially withdraw—were the graduation plan to change, or the long-term forecast for Thursday, June 15's opening round look like a washout, there's a chance Mickelson could make it to the start.

But that's a long shot. A far more likely scenario is that on the day the tournament begins, Mickelson will be in California with his family, and his daughter, Amanda, for commencement ceremonies.

"She's the school president," Mickelson said. "She'll be giving the commencement speech."

I hate schmaltz, and I don't want to be schmaltzy here. Too often we give professional athletes excessive credit for the most ordinary of human behavior—or, conversely, fly off the handle when they make the most human of mistakes. My opinion here is not exactly radical—columnist sides with athlete prioritizing family, what courage!—but there's something reassuring about Mickelson's choice, and his apparent comfort with it.

"Obviously, [the U.S. Open] is the tournament that I want to win the most, and the only way to win is if you play," Mickelson said. "But this is one of those moments where you look back on life, and you just don't want to miss it. I'll be really glad that I was there."

Most of us have faced a choice like this—probably not with such public and dramatic stakes as Mickelson's, but with similar emotional pulls. Surely there are a few of us who have made a choice we regret. I definitely have a few. We almost always know what the correct decision is, but career versus family isn't the easiest battle to navigate.

That's especially the case today,



Phil Mickelson said he plans to withdraw from the U.S. Open to attend his daughter's high school graduation.

when that insidious smartphone brings our work wherever we go. There's not a Saturday I haven't contemplated tossing that thing in the ocean.

I think we're wising up, I really do. Even in sports, where perspectives are always a little askew and caveman-like.

Mickelson's fellow golf pro Hunter Mahan walked away from the Canadian Open—with the lead—when his wife Kandi went into labor in 2013, and his move was widely lauded. You can also see progress in team sports. Yes, there are still dinosaurs among us who gnash and growl that a player who leaves to attend a childbirth is letting down the club, teammates, fans. (Usually, it seems, these dinosaurs have shows on sports radio.)

But many more of us feel like Sarunas Jasikevicius, the coach of the Lithuanian team Zalgiris (and former Maryland Terrapin) whose spirited defense of a player became a viral video last month.

Reporter: Coach, what do you think about Augusto Lima going away in the midst of a series to attend the birth of his child?

Jasikevicius: What do I think about it? I allowed him to go.

Reporter: But is it normal for a player to leave the team during the semifinals?

Jasikevicius: Do you have kids? When you have kids, youngster, you'll understand. Because that's the height of a human experience. Wow, that's a good question, really. Do you think basketball is the most important thing in life?

Reporter: No, but a semifinal is important.

Jasikevicius: To whom is it important?

Reporter: The team.

Jasikevicius: Which one?

Reporter: Zalgiris.

Jasikevicius: Did you see the number of fans at the game? Important? When you see your first child, you will understand what the most important thing in life is. Because nothing can be more majestic in the world than the birth of a child. Not titles, not anything else. Augusto Lima is now in heaven emotionally. I'm really happy for him.

Career versus family isn't the easiest battle to navigate. But we appear to be wising up.

decision; it's just a simpler one. Would Mickelson have made a different decision had he won a bunch of recent tournaments? Who cares? He made the choice he made.

Mickelson has a history with balancing family life with this particular tournament.

Four years ago, he managed to hustle between the U.S. Open in Philadelphia and the West Coast to attend Amanda's eighth grade graduation, and still finished second in the field. More memorably, there was 18 years ago, when Mickelson—with his wife Amy very pregnant—finished runner-up to the late Payne Stewart. At the end, Stewart cupped Mickelson's face and congratulated him on impending fatherhood, and the birth of a child who would be born the following day.

Amanda.

Mickelson was asked Saturday if he planned to help Amanda, who will attend Brown University, with her graduation speech.

"Probably not, no," he said.

"Actually, definitely not."

"She's a better writer, more eloquent speaker than I ever dreamed to be."

There will be plenty of recognizable golf talent in Erin Hills a week from Thursday—stars like Jordan Spieth, Jason Day, Dustin Johnson and recent Masters champion Sergio Garcia. The tournament will go on, and on Sunday, June 18—Father's Day—the winner will get a check close to \$2 million dollars, and one of the most coveted titles in golf.

Phil Mickelson will be elsewhere. And richer for it.

FROM PAGE ONE



Left, Barbara Durrant (at right) helps perform an ultrasound on Amani, a southern white rhinoceros. Right, southern white rhinos at San Diego Zoo Safari Park.



JAKE NICOL/THE WALL STREET JOURNAL

RHINO

Continued from Page One
and a rhino favorite.

Dr. Durrant reached through a metal barrier, and recoiled. "Ouch! She pinched me a little," she said, after her arm got caught between the rhino and the bar of the enclosure.

These rhinos here don't mean ill, their handlers say, but they can injure someone accidentally if they make sudden movements. Trainers practice "protected contact," staying behind steel gates and reaching in to do their work.

That work sometimes is simply warming up Amani and the five other females—Helene, Livia, Nikita, Victoria and Wallis—that arrived at the San Diego Zoo Safari Park two years ago from private reserves in South Africa.

"They're a different team," James said.

their horns, prized in Asia for supposed medicinal qualities biologists say don't exist. Rhino horn contains keratin, the protein in fingernails.

The northern white is one of 1,000 species whose cell material the safari park preserves at about minus 320 degrees Fahrenheit in a locked room called the Frozen Zoo. Along with the rhino genetics are vials from animals such as the California condor, black-footed ferret, Przewalski horse, Somali wild ass and po'ouli, a bird that went extinct in Hawaii about a decade ago.

Trainers offer them treats—bananas, celery, cucumbers—and give them caresses to put them in the mood. "Sometimes our training session is 'Go pet rhinos,'" said zookeeper Jill Van Kempen.

Rhinos tend to bond with individual trainers. "We think they know who we are," said Ms. Van Kempen.

Rhinos are endangered because poachers hunt them for

thing from turtles and pheasants to giant pandas at home and abroad.

This will be her first rhino attempt. The zoo hopes to start inseminations this year with southern rhino sperm to test out procedures, Dr. Durrant said. After that, it plans to try in vitro fertilization of northern whites, transferring embryos into the rhinos' wombs.

On the recent day, Helene ambled into a holding pen for an ultrasound test to check whether she was ready to be a surrogate rhino. Trainer Marco Zeno piled orchardgrass on the ground and cooed "good girl." Two researchers patted her through the barrier as they approached

her reproductive end.

Rhinos are misunderstood, their handlers say. While they sometimes do charge at vehicles in the wild, they do so only when they feel threatened, said Lee Kirchhevel, who leads caravan tours of rhino habitats at the safari park.

Helene grunted contentedly as assistant Parker Pennington nonchalantly reached up to her armpit into the rhino's rectum, holding an ultrasound probe to examine the animal's ovaries to gauge the growth of follicles containing eggs.

The manual-insertion procedure, Dr. Durrant said, "puts our arms to sleep sometimes."

Getting the rhino to this point took months. Handlers first prodded her with a ball-

point pen as she ate, to get her used to the handling and poking from behind.

The 20-minute procedure went smoothly, as Helene remained focused on the orchardgrass. "If they stop eating, you know something is wrong," said Dr. Pennington, a postdoctoral associate in reproductive sciences. "Fight or flight could start to kick in, and you don't want either."

The rhinos have different personalities. "Livia is the one more sensitive; Victoria is cautious around strangers," Dr. Durrant said.

Next up was Amani, the largest. She devoured the treats but started shifting in the chute and wagging her tail—prompting a call for help

from Dr. Pennington, who was arm-deep in the rhino.

Tail-wagging can suggest restlessness, indicating the animal may want to move, shift weight or go do something else with its mass that would be wise for a human to avoid.

"She's getting a little prickly back here. Get her tail," Dr. Pennington said, as Dr. Durrant reached to hold the potentially hazardous appendage to one side.

Zookeeper Weston Popichak hurried to the rhino's side, patting and scratching her stomach through the barrier. That seemed to calm her down.

"These are big animals," he said, "and they may not realize how big they are."

LIFE & ARTS

WEEKEND CONFIDENTIAL | Alexandra Wolfe

Ben Kingsley

The actor on Hamlet, home-cooked meals and his role in a new satire

FIVE YEARS AGO, former Afghan President Hamid Karzai told CNN anchor Wolf Blitzer that he would be honored to have actor Ben Kingsley play him in a film someday. Mr. Kingsley, who resembles Mr. Karzai, does just that in the new movie "War Machine," but he wryly notes, "Be careful what you wish for." The absurdist satire of the war in Afghanistan, which premiered on Netflix last week, doesn't exactly make the former president out to be a hero.

The role is just one of the political and historical figures Mr. Kingsley, 73, has portrayed over the years, including the title character in "Gandhi" (1982), for which he won an Academy Award for best actor, and a Jewish accountant working for Oskar Schindler in "Schindler's List" (1993).

"I have been involved in telling the story of some of our most enlightened moments," he says, as well as stories of "the absolute absence of any humanity whatsoever, in the same century, at the same time." He has also starred in more conventional films, such as "Sexy Beast" (2000) and "House of Sand and Fog" (2003).

His new film, starring Brad Pitt, is loosely adapted from "The Operators," a nonfiction book by the late reporter Michael Hastings that tells the story of former Gen. Stanley McChrystal and America's involvement in Afghanistan. (The book is based on an article that Mr. Hastings wrote for Rolling Stone, in which Gen. McChrystal and his staff disparaged President Barack Obama and his national-security team, ultimately leading to the general's firing.) Many scenes border on farce. When the movie's main character, the fictional Gen. Glenn McMahon, first meets Mr. Karzai, the Afghan president is on his knees trying to plug in his television.

To get into character, Mr. Kingsley watched videos of Mr. Karzai and read about him. Still, playing the character through the prism of satire, Mr. Kingsley says, was "very tough."

Born as Krishna Bhanji, Mr. Kingsley grew up in Manchester, England. His mother was an ac-

tress and model, and his father, who was of Indian descent, was a doctor. When he was young, he says, he felt that his parents, who are now deceased, ignored him, dismissed his feelings and overlooked his accomplishments.

He found solace on stage, where he felt he could be seen and heard. He worked with an amateur theater group in his teens, he says, and "it gave me voice, it gave me space." He adopted the name Ben Kingsley—derived in part from the nickname of his grandfather, a trader known as King Clove.

After college, he joined the Royal Shakespeare Company in 1967. Mr. Kingsley says that his 15 years with the troupe still influence his acting today. "My archetypes are therefore those that come from Shakespeare," he says. "If I can find when I read a script [that] I recognize one of Shakespeare's heroic villains or great lovers, I can then immediately let that channel through me and inform the work." Sometimes he has trouble finding Shakespeare in a script. "If I'm able to, I pass," he says. "If I'm not able to, my accountant says, 'No, you can't pass on this one, you've got to do it.' But he'll still try to find even a faint echo of the Bard.

Playing Hamlet in his 30s led to one of the most memorable moments of his career. The day after a performance, he was out walking, and a young woman headed straight for him. She told him, "I saw 'Hamlet' last night. How did you know about me?" She had strongly identified with the way he portrayed the character's torment. "You take that with you for the rest of your career," he says. "That story for me is very much why I do what I do."

In 2001, Queen Elizabeth bestowed a knighthood on him. "When you look at the broader picture of my life, it was an extraordinary embrace from a silence and an isolation that I had experienced earlier," he says. While he didn't talk publicly about his upbringing for many years, he hopes that speaking out about it now "will somehow touch or heal or move"



Ben Kingsley plays former Afghan President Hamid Karzai in the new film 'War Machine.'

others who have had the same experience, he says.

These days, when he's not traveling for films, Mr. Kingsley likes to spend his time at home in Oxfordshire with his fourth wife, Daniela Lavender, with whom he has a production company. There, most of his days involve studying lines if he's getting ready for a role, gar-

dening, swimming and cooking.

"I do not have a microwave," he says, nor does he eat packaged or processed foods. He grows vegetables from his garden that he freezes for the winter. Some of his favorite dishes are slow-roasted guinea fowl and rack of lamb.

His upbringing has also affected how he has raised his own four

children. Two of his grown sons are actors, and he encourages them whenever he can. Once, when one of his sons was young and had just finished a stage performance, Mr. Kingsley hugged him so tightly that, he says, "I think I broke three of his ribs." He likes telling his children, "Do you have any idea how wonderful you are?"

PARTY PLANNING

BEHOLD THE GOLDEN AGE OF BALLOON-MAKING

BY ERIN GEIGER SMITH

WHEN LACEY CARVER'S daughter Sally turned 2 last month, the Houston mom went all in on birthday balloons.

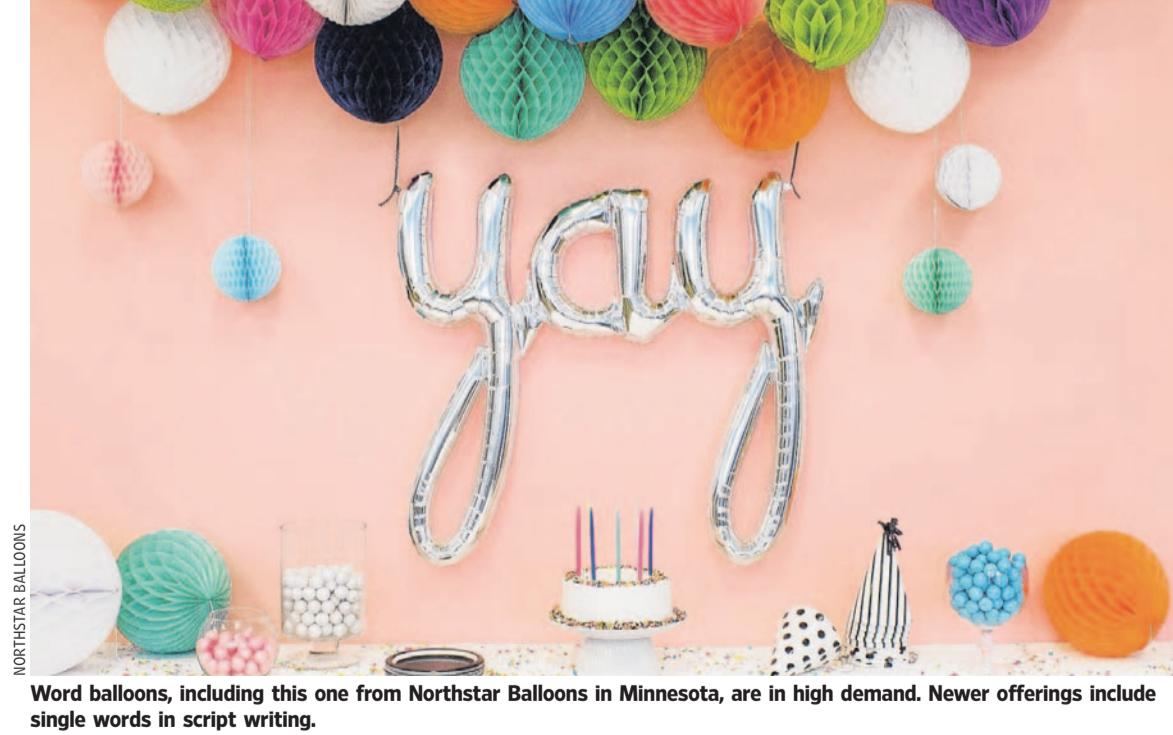
They were clear. They were filled with confetti in shades of pink and blue. Their strings were covered in matching tissue-paper tassels. They were as big as Sally.

The confetti's shades were selected to match the train-themed invitation, but it was just luck the confetti was a spot-on match for the colors of Sally's party dress. "The only decorations I do at a birthday party are balloons," says Ms. Carver, an oil and gas attorney.

Long gone are the days of a simple, primary-colored balloon tied to the back of a chair. Whether or not the birthday party staple needed reinventing, we now live in a golden age of balloon innovation. Decorators are lining doorways with balloon garlands and filling ceilings with black, marbled balloons for black-tie weddings, all to meet customer demand for Pinterest-worthy parties and settings worthy of Instagram likes.

"Like cupcakes, they just got reinvented. Because they're big and they're showy and they're wonderful and they hadn't been touched in a while," Meredith Stuart-Smith, the U.K.-based president of home goods and party supply company Meri Meri, says of the balloon craze. "A staggering percentage of our business is balloons."

Meri Meri's products are sold online and in boutiques world-wide.



Word balloons, including this one from Northstar Balloons in Minnesota, are in high demand. Newer offerings include single words in script writing.

One of their most popular items is a kit that includes a paper cone and gold fringe to turn teal and pink balloons into unicorns. The kit, which makes four and is available at Amazon and Land of Nod, works both as a party activity and party favor, Ms. Stuart-Smith says.

Nico Wyrobek and her sister Nina Kieves grew up in the balloon business—their father owned a large balloon company he sold in

1998—but wanted to attract a new customer base when they launched Minnesota-based Northstar Balloons. They entered the market in 2012, hoping their 34-inch letter balloons, painstakingly developed to be of uniform size, would differentiate themselves from similar products. "We went after that 20-something who was going to make a statement on their wall and leave it there," Ms. Wyrobek says.

Lately, they've upped the ante on balloon communication, offering single-balloon words in cursive writing, like a rose gold "hello" and bright yellow "fun." Many Northstar balloons are also notable in that users blow them up with their own breath and a straw. They can last for weeks. (The fact that the balloons don't need helium is also a selling point, as concerns over rising helium prices

and fear of a helium shortage, overblown or not, is a buzz topic in the balloon industry.)

That convenience factor led the founders of event planning company Little Miss Party to include them in several of their party-in-a-box offerings for anyone celebrating weddings, births or birthdays.

Los Angeles party store Bonjour Fête, also sells a wide variety of specialty balloons, from the ubiquitous metallic letters (\$2.50) to ones with rainbow marble prints (\$6.95 for 8) or sketches of guava tropical leaves (\$6). But what's keeping owner Rachel Huntington busy lately is balloon garlands—balloons, often in solid colors, tied together in an overflowing cluster to line a fireplace, frame a doorway or cover an entire wall. People want something custom, she says, "a handmade, labor-of-love thing."

She'll often insert one balloon inside another to make them more opaque, or put a metallic balloon inside a standard one. "It elevates the traditional balloon and makes it look high-end," Ms. Huntington says. Another frill she says is growing in popularity: intertwining real flowers or greenery with the balloons.

At the most extravagant end of balloon garlands are those created by artist Jihan Zencirli of Los Angeles-based Geronimo Balloons, whose massive installations have included an orange arrangement behind the San Francisco Giants' home plate. For those who don't need to cover an entire building, kits to make balloon garlands at home are available for around \$50.

OPINION

REVIEW & OUTLOOK

U.S. Markers in the South China Sea

The Trump Administration is starting to show some backbone on China's territorial power play against its Southeast Asian neighbors in the South China Sea. But if the Philippines, Vietnam and others are to stand up to Chinese bullying, the U.S. needs to do more to show it is committed to the region's stability.

Early last month the Pentagon endorsed the "Asia-Pacific Stability Initiative," \$7.5 billion in extra spending to beef up the U.S. regional military presence. Then on May 24 the destroyer USS Dewey conducted a "freedom of navigation operation," or Fonop, sailing within 12 miles of Mischief Reef, a collection of rocks China seized from the Philippines in 1995.

Beijing claims territorial waters around the reefs and shoals it controls in the South China Sea, but a United Nations tribunal ruled last year that Mischief Reef and other nearby land features submerged at high tide don't generate such rights under the Law of the Sea.

The U.S. conducted Fonops under the Obama Administration, but always under the rubric of "innocent passage," which could be construed as recognizing Chinese control of the waters. This time the Dewey lingered in the area and conducted a man-overboard drill, clearly signaling that the U.S. considers the area to be international waters.

Beijing condemned the U.S. action as provocative and vowed to increase its military capability to defend its sovereignty. But conducting Fonops isn't provocative; it is a symbolic action required under international law to protect freedom of navigation. If other nations don't challenge China's illegal claims in concrete ways, Beijing can argue in a future tribunal that they gave up their objections.

Fonops may become more perilous if China's military continues to arm its new artificial islands. In December satellite images showed China placing antiaircraft batteries on the bases. A Chinese state-run newspaper reported last month the deployment of rocket launchers on the artificial island on Fiery Cross Reef. As recently as September 2015, President Xi Jinping promised during a visit to the White House that China wouldn't militarize islands in the South China Sea.

A Mosque in America

Each year the U.S. State Department rates other countries on respect for religious liberty, but Americans also sometimes need reminders. So it was good to see the Justice Department last week announce a settlement that will allow a mosque to go up in a New Jersey town that had unfairly tried to stop it.

The settlement comes after five years, 39 public hearings and two suits—one by the Islamic Society of Basking Ridge and the other by the Justice Department. At the heart of the dispute was the town's bid to impose parking requirements on the mosque that it didn't require for Christian churches. In December a federal court ruled against the town.

It's telling that in bringing its suit the Islamic Society of Basking Ridge enjoyed the backing

On May 17 two Chinese Su-30 fighters conducted what the Pentagon called an "unsafe intercept" of a U.S. Air Force WC-135 plane in international airspace over the East China Sea. A week later, on the same day the Dewey was near Mischief Reef, two Chinese J-10 fighters performed more stunts around a U.S. P-3 Orion surveillance plane in the South China Sea. Such unprofessional flying can cause an accident, as happened in April 2001 when a Chinese J-8 fighter collided with a U.S. EP-3 surveillance plane in international airspace.

U.S. Secretary of Defense Jim Mattis addressed China's creeping aggression over the weekend at a security conference in Singapore. "Artificial island construction and indisputable militarization of facilities on features in international waters undermines regional stability," he said. He also blasted China's "blatant disregard for international law" and "contempt for other nations' interests."

Naturally this provoked a furious response from Beijing. On Monday a Chinese Foreign Ministry spokesperson called Mr. Mattis's remarks "irresponsible," and complained that "certain countries outside the region, driven by ulterior motives, insist on making erroneous remarks and calling white black."

The Trump Administration refrained from conducting Fonops until last month, perhaps in the hope that China would pressure North Korea to give up its nuclear weapons and missile programs. Meanwhile, U.S. allies in Southeast Asia have wondered if Washington still views stability and freedom of navigation in the South China Sea as principles worth defending. Withdrawal from the Pacific trade deal also undermined U.S. credibility in the region.

Mr. Mattis must have known he was on the back foot Saturday when he paraphrased Winston Churchill: "Once we have exhausted all possible alternatives, the Americans will do the right thing. So we will still be there and we will be there with you." Some in the audience no doubt recalled that the U.S. stood by in 2012 while China broke an agreement and seized Scarborough Shoal from the Philippines. The question is what the U.S. will do now to deter further Chinese expansion.

of an extraordinary range of religious outfits, from the American Association of Jewish Lawyers and Jurists to the Becket Fund for Religious Liberty to the National Association of Evangelicals, the International Society for Krishna Consciousness and the Sikh Coalition. All recognize that a threat against one faith is a threat against all. In its amicus brief, the Becket Fund noted that Congress passed the Religious Land Use and Institutionalized Persons Act in 2000 precisely to address the kind of unequal treatment the mosque faced in New Jersey.

The good news is that free exercise has prevailed. At a time when the U.S. is pushing Middle Eastern nations to show more respect for the minority religions within their midst, it's also a welcome insistence that it practices at home what it preaches abroad.

How to Make Medicine More Expensive

Registering outrage over the high price of medicine is a national pastime, especially for politicians whose solution is always handing themselves more power. The latest examples come from Nevada and Maryland, where legislators are passing bills to punish drugmakers for no benefit to patients.

On Friday Nevada Republican Governor Brian Sandoval vetoed a bill on diabetes medication. The bill swept through the legislature and may make a comeback, so it's worth examining the details.

The state would have decided what counts as an "essential" diabetes medicine, including insulin and others. Manufacturers would be required to disclose the cost of production and marketing, as well as profits and more. That information is proprietary and hard to calculate, as the cost of medicines is influenced by research and development over many years.

Manufacturers would have to inform the state 90 days in advance of any price increase, which is nothing but a heads up to the folks running the public shaming campaign. Some purchasers would stockpile meds before the price ticks up, which could lead to shortages. The bill requires new disclosures for pharmaceutical representatives, an industry already regulated by the Food and Drug Administration.

In his veto message, Mr. Sandoval rightly said the bill "fails to account for market dynamics that are inextricably linked to health care delivery and access to prescription drugs."

If Nevada's Democrats really want to lower the price of medication, they should support more competition from generic alternatives. Take Glucophage, which helps regulate a diabetic's blood sugar. Glucophage costs about \$43 a month out of pocket for a Medicare D patient, according to data from the Association for Accessible Medicines. A prescription for

the generic Metformin? \$2.31 a month.

One FDA analysis in 2005 revealed that patients pay 94% of the branded price when a medicine has one generic competitor. That falls to about 20% of the price when eight companies are angling for market share. (See the nearby chart.) Yet a drug like insulin is expensive to produce and profit margins are low, so companies invest in areas with higher returns. Proving similarity to a branded drug is another challenge for more complex treatments, particularly alternatives to things like the EpiPen allergy shot that also require deploying a device.

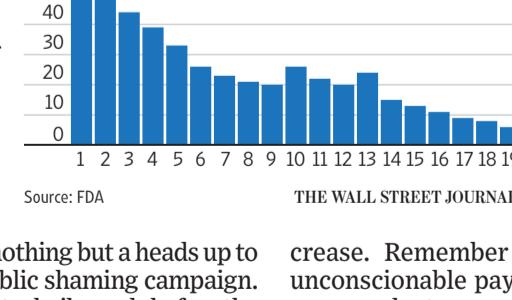
Yet instead of noticing such disincentives, state governments are now attacking the generic industry. In May, Maryland's Republican Governor Larry Hogan allowed a bill to become law without his signature that would unleash the state Attorney General to investigate any generic drugmaker responsible for an "unconscionable" price increase. Remember that the left defines as unconscionable paying money for any healthcare product or service.

The assault is especially bizarre given that generic products fill nearly 90% of all prescriptions but account for only 27% of total drug costs. State and federal programs are among the largest purchasers of generic drugs, and in 2015 generics saved more than \$32 billion in Medicaid alone. Generic drugs saved Maryland \$3.7 billion in 2015.

More than a dozen states have a drug-pricing bill in the hopper. The good news is that FDA Commissioner Scott Gottlieb is preparing a plan to drive more generic innovation and competition, which may include streamlining a duplicative approval process, among other improvements. That would make medicine more available and affordable for patients, unlike the political ploys rolling out of state capitals.

Competition and Drug Prices

Average relative price per dose and the number of manufacturers, 1999-2004



Source: FDA

OPINION

Tech's Radial Tire Lesson

By Andy Kessler

Want to know what scares tech executives? It's not competition from China, WannaCry ransomware attacks or being coded out of existence by Mark Zuckerberg clones. It's radial tires.

Until around 1970, almost all cars and trucks rolled on bias-ply tires. Under the rubber treads, nylon belts ran diagonally, at 30 or 45 degrees, forming a crosshatch. This allowed for stronger sidewalls and cheaper manufacturing. The problem was that bias-ply tires needed to be changed every 12,000 miles.

Then along came radial tires. Introduced in 1949 by Michelin, radials have steel belts inside that run across the tread at a 90-degree angle. They are wider, better at dissipating heat, and safer. Although radials cost a little more to manufacture, they last at least 40,000 miles.

The first American car that came with radials was the 1970 Lincoln Continental. Four years later, Goodyear was making only radial tires. Other companies missed out and paid dearly. By the end of the decade, radials effectively had 100% market share for cars.

Which brings us back to Silicon Valley. In the 1980s and '90s, technology was changing so fast that a new computer was almost disposable. You upgraded every few years. But as innovation slowed, they lasted longer, which meant fewer people buying computers.

Bill Gates was worried about this back in 1991. "When radial tires were invented," he said in an interview, "people didn't start driving their cars a lot more, and so that means the need for production capacity went way down, and things got all messed up. The tire industry is still messed up."

During the dot-com boom, Mr. Gates invoked the analogy again. "Every time I read about optic fibers or wireless, I say to myself, 'Wow, that sounds like radial tires,'" he said. "When they got radial tires did people drive four times as much just because the tires lasted longer? No, the industry shrank."

That fear has come true. When was the last time you upgraded your PC? Exactly. They run and run. Sales of personal computers peaked in 2011 at 365 million. Five years later, only 260 million shipped, down almost 30%. Tech companies continue to post relentless performance increases and cost improvements, except they show up elsewhere—in cloud computing, artificial intelligence and speech recognition.

It's true that tablet computers

caused some of the PC's decline, but they've peaked, too. Steve Jobs introduced the iPad in 2010. Sixty-eight million were sold in 2014. Last year Apple moved barely 45 million, down a third. The company is on pace to sell even fewer this year.

These tablets don't wear out, and the new ones don't have enough additional features or applications to entice users to upgrade. It's a radial tire.

Smartphones are the same story. The iPhone turned heads in 2007. Here was a piece of glass with a computer behind it that you could tap and flip and pinch. Think different indeed. Since then Apple has added bigger screens, better graphics, polycarbonate housing, fingerprint sensors, front-facing cameras, pressure-sensitive displays and Siri. By July, it had cumulatively sold a billion, often to the same customers who upgraded frequently.

Smartphones and computers last longer than ever. Can their makers adapt?

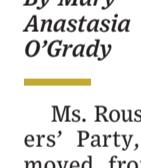
Yet sales essentially have flatlined since 2015. Are smartphones so good that they now last three or four years instead of two? What would it take to make you upgrade? You've probably heard about the 10th-anniversary refresh, the iPhone 8, to be announced this fall. By all accounts it will be incredible. Industry wags suggest it will include the cool features of today's Samsung Galaxy S8—such as edge-to-edge displays. But note the S8 sold only five million in its first month, against 10 million for the Galaxy S4 in 2014.

Maybe the iPhone 8 will have killer new features. The website MacRumors has floated wireless charging and a camera with three-dimensional infrared sensors to measure location and depth, allowing facial recognition, iris scanning and augmented reality. Will it be enough to meet sky-high expectations?

As with PCs, technology gains continue, but they show up elsewhere. At the pace voice platforms are improving—whether it's the Amazon Echo, Google Home, or Apple's new standalone Siri device due to market soon—maybe we don't even need smartphones. Maybe screens are dead—in which case that old Motorola flip phone will make a comeback. After all, flying cars don't need tires, radial or otherwise.

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

Brazil's President Teeters



AMERICAS
By Mary Anastasia O'Grady

Brazil's Superior Electoral Court is expected to rule Tuesday on whether illegal campaign donations, made during Brazil's 2014 presidential race, invalidate the re-election victory of former President Dilma Rousseff and her vice president, Michel Temer.

Ms. Rousseff, of the hard-left Workers' Party, was impeached and removed from office by Congress in 2016 on charges of violating the constitution. Mr. Temer, of the more centrist Brazilian Democratic Movement Party (PMDB), is now president. He had his own finance committee for his vice-presidential campaign so he could be judged independently of Ms. Rousseff. But if the court were to rule against the ticket, he would have to step down.

In that case, the constitution stipulates, the speaker of the Chamber of Deputies, the legislature's lower house, becomes president for a 30-day period. During that time Congress would elect a successor to finish the term, which runs through 2018.

But forces on the left have mounted a public campaign in favor of holding a general election. The threat to the constitution is so serious that the Brazilian daily *O Estado de São Paulo* editorialized on the issue on May 31: "It would be a fraud to the democratic state of law if a particular political group or social stratum could, under certain circumstances, change the rules of the game simply because they are now unappetizing." All true. Brazilians are right to resist.

The world's 9th-largest economy grew 0.5% in 2014; in 2015 it contracted 3.8% and last year lost another 3.6%. Despite his close association with the leftist Ms. Rousseff, Mr. Temer is now trying to put Brazil back on the market-oriented trajectory launched under Fernando Henrique Cardoso, who was president from 1995 through 2002.

Yet Mr. Temer's tenure is tenuous. Even if the electoral court validates his 2014 re-election as Ms. Rousseff's vice president, it is far from certain that he can survive as president for the remaining 19 months of the term.

That challenge was made more difficult on May 19 when Brazil's Supreme Federal Court released plea-bargain testimony from executives of the giant meatpacking company JBS, alleging that they had bribed Ms. Rousseff, Mr. Temer, former president Luiz da Silva and more than 1,800 other politicians.

If that were to happen, Mr. da Silva, who remains a popular figure with his base, would likely be a candidate. He has been indicted for his alleged role in a corruption scheme involving the state-owned oil company Petrobras. If he is found guilty, he will be barred from holding public office. But if he were to win a snap election to replace Mr. Temer, any prosecution against him as president could be carried out only by the Supreme Federal Court and would probably drag on.

That would be a double gut-punch for a country that needs to show that it has graduated from using the rule of *banana landia* to using the rule of law. It has made great strides. But this is a crucial test.

OPINION

Terror and the Teddy Bear Society

By Theodore Dalrymple

The only man I ever met whose ambition was to be a suicide bomber was an inmate at the British prison where I worked as a doctor in the 1990s and 2000s. He was a career criminal of very nasty propensities whose father was Arab and mother English. He had reached his 30s, the age at which criminals usually turn away from crime in favor of something better—in his case the killing of as many infidels as possible, along with himself.

Even the arrests after each attack give comfort to the enemy, which can act with impunity even if known.

Coming to religion is one reason, or pretext, for abandoning crime. In the prison there was much more Islamic evangelism than Christian. I would find Qurans and Islamic pamphlets in drawers, insinuated there by I knew not whom, but never Bibles or Christian pamphlets.

I interpreted religion as the means prisoners used to rationalize giving up common crime while at the same time not feeling defeated by, or having surrendered to, the society around them—for they knew conversion to Islam gave that society the shudders.

The problem for the security services, however, is that there is no invariable profile, social or psychological, of the Muslim terrorist. Nor is there a kind of economic le-

ver that can be pulled so that, with better material prospects, young Muslims will be less attracted to terrorism.

There have, it is true, been no-hoppers among the terrorists, but there have also been medical students and doctors. There was nothing (except himself) impeding the recent Manchester bomber from having a normal or even a highly successful career.

As Prime Minister Theresa May rightly said after the most recent atrocities in London, what the terrorists have in common is an ideology. She rightly called it evil, but it is also stupid. It makes the Baader-Meinhof Gang look like Aristotle.

An ideology, however stupid, is not easy to destroy; believing six impossible things before breakfast is almost par for the human course. One obvious thing to do would be to strangle the foreign funding of so much Islamist activity in Britain. That is no doubt complicated in many ways, but no British government, solicitous of trade relations, has dared even try. The British economy is precarious, and it is difficult to be strong when your economy is weak.

Instead, we have gone in for what a Dutch friend of mine calls “creative appeasement.” Authorities make concessions even before, one suspects, there have been any demands for them. Thus, a public library in Birmingham, one of the largest known to me, has installed women-only tables, a euphemism for Muslim women only.

Whether there was ever a request or demand for sex-segregated seating from Muslims is probably undiscoverable; truth seldom



AFP/GETTY IMAGES

Construction workers at the site of the London Bridge attacks, June 5.

emerges from a public authority. But the justification would almost certainly be that without such tables, Muslim women wouldn't be able to use the library at all.

The Birmingham airport has set aside a room for *wudu*, the Muslim ablutions before prayer. No other religion is catered for in this fashion (nor should they be, in my opinion), so the impression is inevitably given that Islam is in some way favored or privileged. Again, it would be difficult to find out whether they received requests or demands for such a room or merely anticipated them; in either case, weakness is advertised.

This is not a local problem alone. Many European airports now set aside a room for “meditation.” The icon used to indicate it almost always carries more of an Islamic

connotation than any other. A friend told me that when she went into one such room, she was told by a Muslim to remove her shoes, ecumenism being, of course, a one-way street.

My female Muslim patients who had grown up in Britain told me that the school inspectors had never intervened when their parents prevented them from attending school, often for years. On the other hand, white working-class parents were bullied by those inspectors when their refractory 15-year-old daughters refused to go.

A few years ago it came to light that police in Rotherham had for decades systematically turned a blind eye to the mass sexual abuse of children—at least 1,400 victims—by Muslim men. This type of willful neglect by the authorities

came as no surprise to me. On the contrary, it is precisely what I would have expected.

From all this the terrorists surely draw a great deal of comfort. It gives them the impression of living in a weak society that will be easy to destroy, so that their acts are not in the least nihilistic or pointless, as is often claimed. They perceive ours as a candle-and-teddy-bear society (albeit mysteriously endowed with technological prowess): We kill, you light candles.

The other day I passed a teddy-bear shop, that is to say a shop that sold nothing but teddy bears. I am sure that terrorism is good for business, but the teddy bears are more reassuring for the terrorists than for those who buy them to place on the site of the latest outrage.

Another source of comfort for terrorists is that after every new atrocity, the police are able to arrest multiple suspected accomplices. That suggests the police knew the attackers' identities in advance but did nothing—in other words, that most of the time terrorists can act with impunity even if known.

Here, then, is further evidence of a society that will not defend itself seriously. This isn't just a British problem. The April murder of a policeman on the Champs Elysées in Paris was committed by a man who had already tried to kill three policemen, who was known to have become fanaticized, and who was found with vicious weapons in his home. The authorities waited patiently until he struck.

Theodore Dalrymple is the pen name of Anthony Daniels, a British physician.

C'mon, LeBron, Your Emmett Till Analogy Is Simply Cavalier

By Jason Whitlock

On the eve of the NBA Finals, vandals defaced basketball star LeBron James's \$20 million second home in Los Angeles. According to the police report, the perpetrator scrawled the N-word across a gate.

When asked to comment on Wednesday, Mr. James responded like a young politician mentored by Bill Clinton, an expert at giving speeches to elevate his stature with black voters. Mr. James, who campaigned for Hillary Clinton in the 2016 presidential election, measured his words, tone and posture in a way to convince working-class and poor African-Americans that he shared their pain.

“Hate, in America, especially for an African-American, is living every day,” he said. “Even though it’s concealed most of the time . . . it’s alive every single day. And I think back to Emmett Till’s mom, actually. It’s kind of one of the first things I thought of. And the reason that she had an open casket is because she wanted to show the world what her son went through

as far as the hate crime, and being black in America. No matter how much money you have, no matter how famous you are, no matter how many people admire you, being black in America is tough. And we’ve got a long way to go for us as a society, and for us as African-Americans, until we feel equal in America.”

The progressive media hailed Mr. James’s words as the most powerful, uncomfortably authentic and eloquent ones spoken by an American athlete since Muhammad Ali retorted: “I ain’t got no quarrel with them Viet Cong.”

As a member of the Nation of Islam and a protégé of Malcolm X, Ali would never have been so naive as to analogize the pain of spray-paint graffiti to the grief associated with the brutal murder of a 14-year-old boy. Only a coddled multimillionaire celebrity pitchman could be that foolish.

And only a journalism industry addicted to social-media clickbait could sell Mr. James’s poorly crafted victimology as genuine empathy.

In 1955 two white men kidnapped and bludgeoned Emmett Till before

tossing his body in a creek. Till had been visiting his uncle in Money, Miss., a tiny town populated mostly by cotton sharecroppers. The victim’s mother, Mamie Till, chose to have an open-casket funeral so the American press could expose the

The basketball star likens graffiti vandalism to the brutal murder of a 14-year-old boy.

brutality of the killers and of Mississippi’s segregation. An all-white jury acquitted Till’s murderers, who then publicly confessed.

“The locals rallied around the men who killed Emmett Till,” says Devery Anderson, who wrote a 2015 book on the killing. “There were collection jars in all the stores to pay for the murderer’s lawyers. When the press started using the Till case to argue against segregation, the people in the state rallied around the killers because they saw

that pain.

In exchange, Israel received well-informed intelligence from its own pilots and British mercenaries on the ground. The Israelis’ main contact was Neil McLean, a former Special Air Service soldier and member of the British Parliament. McLean passed to Israel details of Egypt’s military activity, even samples of its chemical weapons.

The Egyptian Air Force had been dropping the poison-gas bombs, targeting militias hiding in a network of caves, with increasing frequency and precision. This news alarmed Israelis, many of whom had lost family and friends to Hitler’s poison-gas chambers only two decades earlier. They were haunted by the prospect of a similar fate befalling them in a gas attack on Tel Aviv or

it as protecting segregation and their way of life.”

The Till family was the epitome of the working poor. Emmett Till’s uncle earned about \$1,200 a year as a sharecropper. Mamie Till lived and worked in the Chicago area and earned \$3,900 a year (about \$35,000 now). They didn’t own a gated home in Los Angeles. They employed no staff capable of cleaning a fence within hours.

Mr. James, whose net worth is estimated at \$500 million, had a repugnant and racist slur spray-painted on a home where he wasn’t living by an unknown criminal. The slur was deleted like a bad tweet. Police are conducting a legitimate investigation. Mr. James’s “open casket” discussion of the graffiti so far hasn’t included releasing a picture of the vandalism. Mr. James’s sharing of his “tough” African-American plight has included few details beyond that his staff removed a slur from a gate.

Racism is real. It has real damaging effects, mostly on the poor.

Wealthy black elites are inconvenienced by racism but rarely de-

nied opportunities or seriously harmed.

Mississippi’s love of white supremacy irreparably devastated Mamie Till. Mr. James should know the difference. If he wanted to start a discussion, one about how to help the poor could make a difference. But his social circle includes prominent politicians—people skilled in manipulating the plight of the poor for brand enhancement.

Facebook, Google, Instagram, Snapchat and Twitter, the social-media titans of Silicon Valley and San Francisco, have turned athletes and celebrities into 24-hour-a-day performers. Their lives are now a constant popularity contest, and retweets and likes are the poll numbers.

It should be no surprise that LeBron James is channeling Bill Clinton, who perfected the art of feeling black pain publicly and intensifying that pain with his policies. As long as Mr. James courts popularity, he will never equal Muhammad Ali.

Mr. Whitlock is a co-host of “Speak for Yourself” on Fox Sports 1.

Syria’s Chemical Weapons Might Start a New Six Day War

By Asher Orkaby

When Syrian forces launched a chemical attack on the town of Khan Sheikhoun two months ago, no one was watching more closely than Israel’s military elite. Of all the existential threats their country fears, chemical weapons rank high on the list.

In 1967 Israeli fear of a chemical attack helped spark the Six Day War, the most transformative conflict in the modern history of the Middle East. Continued use of chemical weapons in Syria poses a similar threat to Israeli security—and may foreshadow another regional war.

The first country to use chemical weapons in the Middle East was Egypt. During the 1960s, President Gamal Abdel Nasser deployed poison-gas bombs during the North Yemen Civil War. Unknown to the

Egyptians, Israel had obtained a front-row seat to study their military capabilities.

The conflict involved the Yemen Arab Republic, founded in 1962 after a coup d’état deposed the country’s religious monarch, Imam Muhammad al-Badr. Egypt took the republican side, sending mechanized and heavily armed battalions to aid the revolutionaries.

The monarchist northern tribal militias, aided by a cadre of British and French mercenaries, took shelter in the country’s mountainous highlands. The problem was finding a way to resupply their position. After concluding that an air resupply was vital, the mercenaries began searching for an ally willing to orchestrate airlifts into hostile and unfamiliar territory. In the end they turned to Israel, the only country with something substantial to gain from an extended guerrilla war against Egypt.

Between 1964 and 1966, the Israeli Air Force flew 14 missions to Yemen, airlifting vital weapons and supplies to beleaguered tribal outposts. Although the identity of the supplier was a closely guarded secret, these airlifts constituted an important physical and psychological lift for the tribal militias.

In exchange, Israel received well-informed intelligence from its own pilots and British mercenaries on the ground. The Israelis’ main contact was Neil McLean, a former Special Air Service soldier and member of the British Parliament. McLean passed to Israel details of Egypt’s military activity, even samples of its chemical weapons.

The Egyptian Air Force had been dropping the poison-gas bombs, targeting militias hiding in a network of caves, with increasing frequency and precision. This news alarmed Israelis, many of whom had lost family and friends to Hitler’s poison-gas chambers only two decades earlier. They were haunted by the prospect of a similar fate befalling them in a gas attack on Tel Aviv or

another Israeli city. A sense of looming existential threat pervaded Israeli society, down to the local school district. In one emergency meeting in May 1967, teachers debated security protocols. In the

In 1967, fear of a gas attack convinced Israel it had to destroy Egypt’s air force pre-emptively.

event of an air-raid siren, should students be ushered into the basement bunkers? Or would climbing to the rooftops be better for escaping poison gas?

The fear of a chemical attack undoubtedly factored into Israel’s decision to attack Egypt’s air force preemptively on June 5, 1967. Over five hours Israel destroyed 300 Egyptian planes and disabled 18 airfields, eliminating the short-term threat of chemical warfare. But the long-term danger has remained.

There is a clear parallel to the current conflict in Syria. What made the 1960s crisis in Yemen so dangerous was that the international community didn’t respond to Egypt’s use of chemical weapons. The Yemeni civil war was waved off as merely an intra-Arab conflict. Without visible international assurances that chemical warfare wouldn’t be tolerated, Israel in 1967 felt compelled to eliminate the threat before it arrived.

In the barrage of Tomahawk missiles President Trump launched against Syria in April, the U.S. provided some response to the latest chemical attack. Failure to follow up this show of force with collective international action—making clear to Israel that further chemical warfare is off the table—may push the Middle East toward another destructive regional war.

Mr. Orkaby, a research fellow at Harvard’s Near Eastern Languages and Civilizations Department, is the author of “Beyond the Arab Cold War: The International History of the Yemen Civil War, 1962–68,” out next month from Oxford University Press.

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LIFE & ARTS

ART

A Portrait Speaks Volumes

BY BRENDA CRONIN

JOHN SINGER SARGENT had sworn off society portraits when hundreds of Henry James admirers asked the artist to paint the great novelist for his 70th birthday in 1913. Sargent, in his late 50s himself, had tired of having his paintings rejected by the wealthy and had turned to watercolors and charcoal, but James was a friend whom he had drawn before. In the end, Sargent couldn't refuse the new commission.

James, whose many novels include "Washington Square" and "The Bostonians," adored the result. The picture, which went to the National Portrait Gallery in London after James's death in 1916, is the centerpiece of "Henry James and American Painting," an exhibition opening June 9 at the Morgan Library and Museum in New York.

The show includes other portraits of James, rare memorabilia from his literary life and works by the American painter James McNeill Whistler. The exhibition also provides details on how James wove the visual arts into his writing.

Henry James spent most of his early life in America, but by his 20s, he had settled in Europe. There he became friends with expatriate Americans such as Sargent and Whistler. In 1862, while James was studying law, the American painter John La Farge depicted James, then in his late teens, as a young man on the brink of his aesthetic education in Europe. La Farge became a mentor, introducing the young writer to contemporary ideas of literature and art, according to co-curator Colm Tóibín.

Mr. Tóibín, an Irish writer who has studied and taught James for decades, is the author of "The Master." In that 2004 novel, based on

true events, a humiliated James perseveres after a play he wrote flops in London and goes on to write some of his most celebrated novels.

The new exhibition begins well before that period of the author's life. As James honed his craft, he and the painters he knew were soaking up European culture in Venice, Florence, Paris, London and elsewhere. He "was building up a rich store of experiences which he would use later in his criticism, in his fiction," said Declan Kiely, the head of the Department of Literary and Historical Manuscripts at the

Morgan, who co-curated the exhibition.

To illustrate the way James saw his characters "with the eye of an artist," Mr. Kiely quoted from James's 1881 novel "The Portrait of a Lady"—"Isabel saw all this as distinctly as if it had been

a picture on the wall."

Painting's influence on James's work is evident in "the way he builds character or he builds a scene, stroke by stroke," Mr. Tóibín said. "The visual arts really did nourish him in all sorts of ways."

The Morgan exhibit includes stately portraits of Francis Boott, a prosperous American composer, and his daughter, Elizabeth, by Frank Duveneck, an American painter who was Elizabeth's art teacher and then her husband. The Bootts were basking in the European art scene when they befriended James and informed some of his fiction, such as the young woman and widowed, art-collecting father of "The Golden Bowl" (1904).

The 1913 Sargent portrait of James capped the author's long relationship with the visual arts. "James and Sargent are almost mirror images of each other," Mr. Tóibín said. They were "bachelors, living a sort of ambiguous life between the studio or study and the salon, so they could move easily so-



NATIONAL PORTRAIT GALLERY, LONDON

JOHN SINGER SARGENT delighted Henry James with this 1913 portrait painted for the author's 70th birthday.

cially." Both men also were relentless workers, mining their social lives for material.

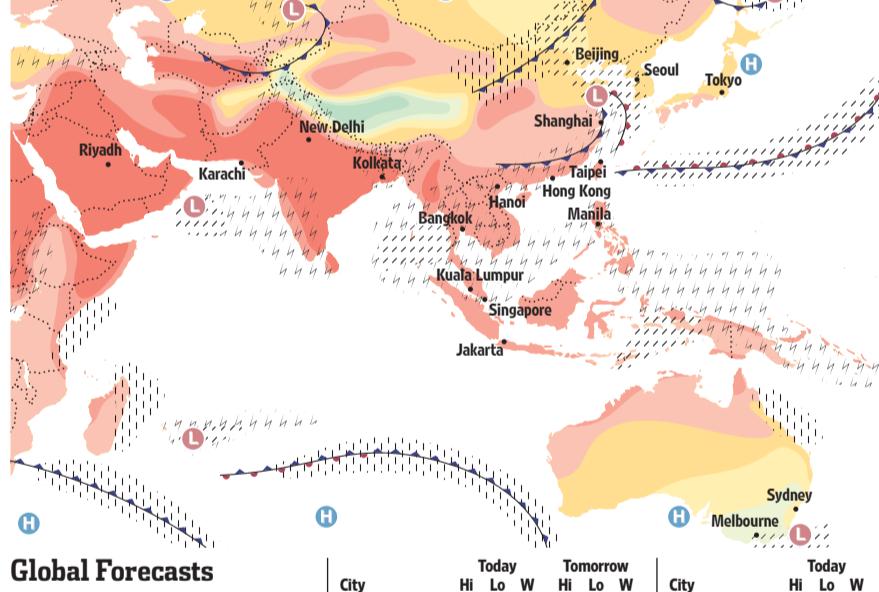
The two got together for more than a half dozen sittings. James rhapsodized about the work as "Sargent at his very best and poor H.J. not at his worst; in short a liv-

ing breathing likeness and a masterpiece of painting." James thought the portrait "made him into a figure of great dignity without making him look too old," Mr. Tóibín said.

Still, James had his errors of judgment. He dismissed the artists

in an 1876 impressionist exhibition, including Edgar Degas and Claude Monet, writing that none of them showed "signs of possessing first-rate talent." James thought impressionism would never really "catch on," Mr. Tóibín said, a view that "is seriously embarrassing now."

Weather

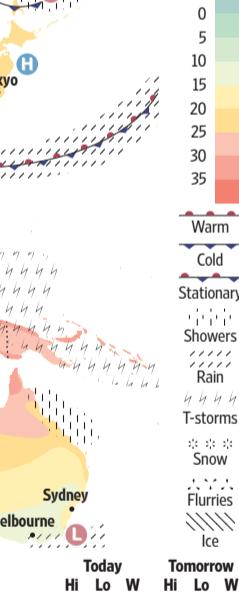


Global Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

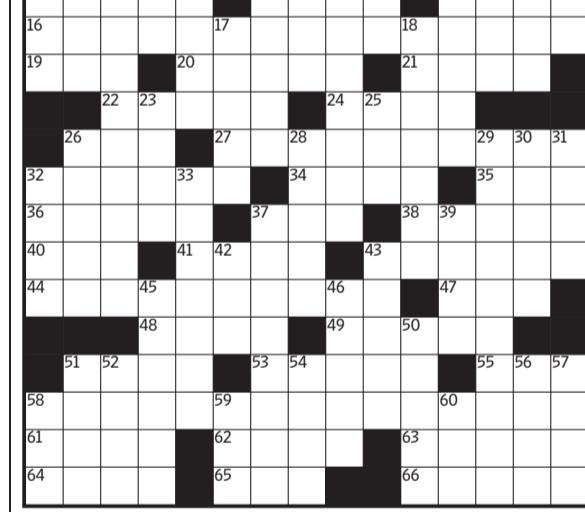
City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	16	12	t	17	13	t
Anchorage	16	10	c	17	11	c
Athens	29	19	s	29	20	s
Atlanta	25	18	sh	26	15	pc
Bahrain	45	27	s	45	26	s
Baltimore	24	13	c	20	12	c
Bangkok	31	25	t	30	25	s
Beijing	20	13	r	32	17	s
Berlin	23	10	t	18	11	t
Bogota	19	9	pc	18	10	c
Boise	30	16	s	36	19	s
Boston	11	10	r	15	10	c
Brussels	16	10	t	19	12	t
Buenos Aires	15	4	s	16	6	pc
Cairo	39	26	s	39	25	s
Calgary	22	10	pc	25	12	pc
Caracas	32	27	pc	32	26	pc
Charlotte	27	16	sh	26	15	pc
Chicago	24	12	s	24	11	s
Dallas	32	20	pc	31	20	pc
Denver	24	12	t	25	12	t
Detroit	21	11	sh	21	11	pc
Dubai	42	30	s	43	30	s
Dublin	16	8	t	16	12	r
Edinburgh	14	8	r	15	8	pc
Frankfurt	19	10	t	19	11	t

AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	19	9	t	20	8	pc
Ottawa	35	27	t	32	27	t
Hanoi	32	25	pc	30	23	t
Hong Kong	32	28	sh	32	27	t
Honolulu	31	23	pc	31	23	pc
Houston	31	21	sh	33	19	s
Istanbul	26	19	s	28	20	s
Jakarta	32	25	t	32	24	t
Johannesburg	19	4	s	19	6	s
Kuala Lumpur	27	13	s	26	15	s
Kolkata	40	25	s	40	24	pc
Kuala Lumpur	22	17	pc	23	17	c
Kuala Lumpur	16	11	t	19	13	pc
Laos	25	15	pc	24	15	pc
Manila	29	14	s	33	17	s
Manila	34	26	t	34	26	t
Melbourne	13	7	c	14	5	pc
Mexico City	28	14	pc	27	14	pc
Miami	32	25	t	31	25	t
Milan	24	13	t	27	16	s
Minneapolis	28	15	s	29	17	s
Monterey	37	22	pc	35	19	pc
Montreal	15	8	r	23	12	pc
Moscow	16	10	c	21	11	pc
New Delhi	33	28	sh	32	28	t
Nashville	28	14	pc	26	14	pc
New Orleans	42	30	t	38	26	t
New York City	28	22	t	30	20	s
Paris	16	11	sh	17	12	c
Philadelphia	26	15	pc	21	14	sh
Phoenix	42	30	t	38	26	t
Pittsburgh	19	11	sh	21	11	sh
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Rio de Janeiro	31	22	pc	29	22	s
Riyadh	41	23	pc	42	25	s
Rome	26	17	pc	26	16	s
Salt Lake City	34	20	s	36	21	s
San Diego	21	17	pc	21	16	pc
San Francisco	19	12	s	21	14	s
San Juan	33	26	s	32	25	pc
Santiago	16	0	s	15	3	pc
Santo Domingo	32	24	s	32	24	s
Sao Paulo	27	19	pc	27	19	c
Seattle	27	13	pc	24	14	pc
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Shanghai	28	22	r	30	23	pc
Singapore	31	27	t	31	26	t
Stockholm	21	9	pc	16	8	r
Sydney	16	11	s	16	14	r
Taipei	33	27	t	33	26	t
Tehran	33	22	s	35	22	s
Tel Aviv	30	21	s	31	21	s
Tokyo	24	19	pc	23	20	c
Toronto	16	10	r	18	11	c
Vancouver	23	11	pc	21	12	pc
Washington, D.C.	26	15	pc	21	14	sh
Zurich	18	8	t	19	7	c

The WSJ Daily Crossword | Edited by Mike Shenk



BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, June 6, 2017 | B1

Yen vs. Dollar 110.4990 ▲ 0.08%

Hang Seng 25862.99 ▼ 0.24%

Gold 1277.80 ▲ 0.08%

WTI crude 47.11 ▼ 1.15%

10-Year JGB yield 0.050%

10-Year Treasury yield 2.176%

Chinese Dairy Says Cash Missing

Huishan's debt also has soared, adding to woes and further clouding its future

By WAYNE MA

BEIJING—One of China's largest dairies says it is missing most of its cash and has fallen more deeply in debt, further clouding its future following the disappearance of its treasurer and the departure of nine of its 10 board members.

China Huishan Dairy Holdings Co., which says it operates the largest number of dairy farms in China, said Monday in a regulatory filing to the Hong Kong stock exchange that it should have had



The company's treasurer disappeared and nine board members left.

about 2.9 billion yuan (\$426 million) in cash and cash equivalents as of March 31.

Instead, the company said that as of May 31 it could lo-

cate only about 467 million yuan, most of which is tied up in restricted bank deposits.

"This significant discrepancy is subject to further clar-

ification," Huishan said, adding that it has "encountered tremendous difficulties" in preparing its financial statements due to the "resignations of key personnel in the group's treasury department."

Huishan said it would hire a forensic accountant to investigate the matter.

Huishan also said it was 26.73 billion yuan in debt at the end of March, up from about 16.04 billion yuan just six months prior. It added that, as of last week, there are 16 new legal proceedings against the company by creditors claiming a total of about 422 million yuan.

Efforts to contact Huishan's investor-relations offices in Shenyang and Hong Kong on Monday were unsuccessful. The company said in Monday's

filing that it "would continue to work with its advisers, creditors and other stakeholders toward formulating and negotiating a possible debt-restructuring plan."

Robin Yuen, a consumer analyst at RHB Securities, said the latest filing indicates the company's financial problems are even more significant than previously understood.

The filing is the latest in a series of disclosures that followed a sharp drop in the company's stock, leading to trading of its shares being halted on the Hong Kong stock exchange.

Ge Kun, an executive director and co-owner of the company, disappeared after sending a letter dated March 21 to Huishan Chairman Yang Kai,

Please see DAIRY page B2

Sterling Bond Market Revives

By CHRISTOPHER WHITTALL

Investment-grade companies are on track this year to issue the largest amount of sterling debt since 2012, as the sterling corporate-bond market bounces back following years of steady declines.

Many investors and bankers have credited the Bank of England's £10 billion (\$12.9 billion) of purchases of high-grade corporate bonds with reinvigorating the market. That buying, which formed part of a larger stimulus package that the BOE announced last August following the U.K.'s Brexit vote, helped lower sterling borrowing costs and lure borrowers back to the market, they say.

Companies have sold £14.2 billion of sterling investment-grade debt through June 1 this year, according to Dealogic, up from £5.4 billion over the same period in 2016.

The question now is whether this year's boost will prove to be a brief stimulus-driven reprieve or if it marks a real turnaround for the market.

Several large, international companies have tapped sterling credit markets in recent months. Beer maker **Anheuser-Busch InBev** SA sold £2.25 billion of debt in mid-May, following deals from U.S. consumer-goods conglomerate **Procter & Gamble** Co. and the financing arm of German car maker **Volkswagen** AG in April.

"The sterling market at one stage looked like it was shrinking to the point of it being a problem. That risk has been diminished," said Mike Amey, head of sterling portfolio management for Pacific Investment Management Co., which oversees \$1.5 trillion in assets. "The Bank of England will be relatively pleased with the way the sterling corporate market has performed."

The BOE surprised some investors when it announced it would buy as much as £10 billion of sterling corporate bonds last August. Officials said at the time that corporate-bond purchases could provide more stimulus than those of government bonds, which it also said it would buy.

But beyond economic stimulus, policy makers also seemed to acknowledge that the BOE's presence could boost the market, noting that "purchases could stimulate issuance in sterling corporate bond[s]" in a statement accompanying the announcement.

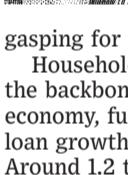
BOE officials had been aware of the shrinking sterling credit market and the challenges that posed for U.K. companies. In an April 2016 post on the BOE's Bank Underground blog, officials said that

Please see BONDS page B2

HEARD ON THE STREET

By Anjani Trivedi

A Double Whammy For Banks In China

 Beijing is squeezing its financial system. Its banks may soon find themselves

gasping for breath.

Household deposits—long the backbone of China's economy, funding inexorable loan growth—are fleeing: Around 1.2 trillion yuan (\$176 billion) left the banking system last month.

Meanwhile, growth in corporate deposits has slowed, reducing the rise in deposits overall to a crawl.

The exodus is proving a double whammy for China's banks. Not only are they losing a stable source of funding, they are also bearing the brunt of higher costs to raise cash as financial conditions tighten.

Much of the money pulled out of conventional deposits is being invested in the rapidly multiplying population of investment funds, which offer higher rates. Yu'E Bao, run by Alibaba-backed Ant Financial, has become one of the world's biggest money-market funds—with \$165 billion under management—offering investors a seven-day annualized rate of over 4%.

Ironically, it and other funds are achieving such returns by investing in financing tools issued by banks. When China liberalized deposit rates in 2015, banks started churning out new investment products, including so-called negotiable certificates of deposit. Issuance of these short-term products in April totaled \$180 billion, up 60% from a year earlier.

Their relatively high rates—up to 4% or 5%—have made them attractive to money-market funds like Yu'E Bao.

But the upshot for banks is that stable deposits on which they pay just 1.5%—the benchmark rate—are being converted into flighty funds on which they must pay up to 5%. And even this source of funding may dry up. Last month, Yu'E Bao capped the size of new investments, likely under pressure from regulators alarmed at its rapid growth.

Adding another constraint on liquidity, government deposits into the banking system are slowing. All the same, banks are pushing out ever more loans to companies and households: The system's total loan-to-deposit ratio, a measure of liquidity, is nearing 80%, its highest level in over a decade.

With most avenues of funding becoming expensive, investors should wonder where the banks will turn next.



JAKE NICOL/THE WALL STREET JOURNAL

Virtual Reality Meets Real World

By BETSY MORRIS

Gary Steinberg, Stanford University's head of neurosurgery, has been operating on brains for more than three decades. Only in the past year has he been able to do something that he says gives him a significant advantage: preview the surgery and practice it.

Donning a virtual-reality headset, the 64-year-old works through thickets of digital blood vessels in a precise computer simulation of a patient's gray matter before he cuts into the real thing.

"I can figure out how best to approach a tumor and practice it so that when I get into the operation, it's as if I've been there before," Dr. Steinberg says. "It makes surgeries safer. Outcomes are better."

Virtual Reality, or VR, has been slow to catch on with consumers, despite the high-profile launches last year of headsets from Facebook Inc.'s Oculus unit and Taiwan's HTC Corp.

But businesses are taking to it for training in industries from construction to medicine

Mart Stores Inc., for example, last week said it would expand VR training to all of its 200 employee training centers this year, after testing it in 31 centers. It plans to make the technology an integral part of training for 140,000 employees annually, says Tom Ward, a Wal-Mart vice president.

to sports. Executives say customized software that works like 360-degree videogames can help teach employees more effectively, less expensively, and often more safely than traditional methods. Wal-

And while they are pricey for many consumers, VR headsets have become affordable for most businesses: the upmarket HTC Vive VR system sells for about \$800.

Research firm International

Data Corp. estimates total shipments of headsets for VR and augmented reality—a related technology that superimposes digital content onto a user's view of the real world—will grow at a compounded annual rate of 58% over the next five years. Business demand will be the main driver, with shipments of headsets for commercial uses growing 80% a year, versus 50% for headsets for consumers, says IDC.

VR training is so new that there has been limited ability to measure its effectiveness as a business tool, and it has shortcomings. Some people feel awkward putting on the headsets, and some experience motion sickness. VR doesn't lend itself to training for jobs that require manual dexterity.

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Saudi Oil Price Rise for Asia

By SUMMER SAID

Saudi Arabia, the world's largest crude exporter, raised all official selling prices for its oil sales to Asia in July amid stronger demand and higher margins for refiners in the region.

For its Far East customers, state-owned **Saudi Arabian Oil Co.**, known as Saudi Aramco, increased official pricing for Arab Light crude to Asia by 60 cents, Arab Super Light by 35 cents and Arab Extra Light by 40 cents from the previous month, the company said in an emailed statement.

Medium and heavy crude prices were also raised by 65 cents and 95 cents, respectively.

All U.S. prices were increased. The biggest rise was 50 cents for light crude and medium crude, while prices for European buyers were increased between 20 cents and 70 cents a barrel.

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Medium and heavy crude

BUSINESS NEWS

Costly Drugs Stir Debate

Breast-cancer patient study finds modest benefit from a two-drug combination

BY PETER LOFTUS

CHICAGO—A new study is stirring debate about whether the benefits of cancer drugs are worth their cost, particularly as drugmakers develop treatments that combine multiple pricey drugs.

The study of about 4,800 women with an aggressive type of breast cancer found that adding Roche Holding AG's drug Perjeta to the company's older treatment Herceptin conferred a slight benefit versus Herceptin alone, after the women had undergone surgery to remove tumors. Some 94.1% of women receiving the combination in the study stayed free of invasive breast cancer three years after the start of treatment, versus 93.2% of those who received Herceptin alone—a difference of less than a percentage point.

That modest benefit comes at a high price: more than doubling the one-year treatment cost to \$158,000 a patient from \$74,500. The combination also had higher rates of certain side effects than Herceptin alone, including severe diarrhea.

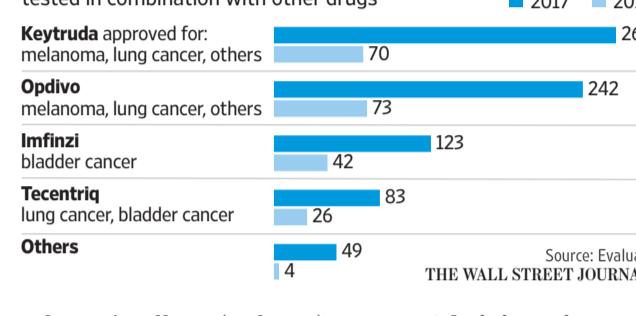
"The marginal improvement of adding Perjeta is tiny for the average person, but the incremental cost is going to be substantial," said Richard Schilsky, chief medical officer of the American Society of Clinical Oncology, which is hosting a conference where the study results were released Monday. He wasn't involved in the study.

Dr. Kathy D. Miller, an oncologist at Indiana University Melvin and Bren Simon Cancer Center in Indianapolis, wrote a critical editorial in the New England Journal of Medicine, published online along with the study results Monday.



Roche's Perjeta and Herceptin were taken together in the study.

Immune Boost



Source: Evaluate

"The toxic effects (and cost) are too great for too many to benefit too few," she wrote.

Roche said the benefit of Perjeta and Herceptin in the new study could mean the difference between relapse and staying disease-free for many women. "We see this as a very meaningful benefit," Daniel O'Day, CEO of Roche's pharmaceutical unit, said in an interview.

The company plans to file for regulatory approval to market the combination for patients after breast-cancer surgery, also known as adjuvant treatment.

The finding comes as many drug companies including Roche, Merck & Co. and AstraZeneca PLC race to test whether new combinations of cancer drugs can improve outcomes versus single-drug therapy or older treatments.

Last month, the Food and

Drug Administration approved adding Merck's Keytruda, which costs \$13,000 a month, to an older combination of lung-cancer treatments that includes Eli Lilly & Co.'s Alimta, which costs more than \$5,700 for a 21-day treatment cycle.

In 2015, the FDA approved the use of a combination of Bristol-Myers Squibb Co.'s Yervoy and Opdivo to treat the deadly skin cancer melanoma, based on a study showing it slowed cancer progression better than either drug alone. The two drugs together cost more than \$250,000 for the first full year of treatment.

For one class of cancer drugs, which harness the body's immune system to attack tumors, the number of clinical trials testing them in combination with other drugs more than tripled to 765 from

215 in late 2015, according to a new report from industry research firm Evaluate Ltd. Roche alone is running 45 clinical trials that test combinations of cancer immunotherapies, said Sandra Horning, chief medical officer of Roche's Genentech unit.

The trend concerns health insurers. UnitedHealth Group Inc. sometimes has to pay much more for the use of cancer combination therapies that contain pricey new brand-name drugs than it does for cheaper combinations of generic drugs that may be just as good, Lee Newcomer, senior vice president of oncology and genetics, said at a panel discussion about cost at the ASCO conference.

In the study, the Perjeta-Herceptin combination had a more pronounced benefit in a subset of women considered at higher risk of relapse, including those with cancer that had spread to lymph nodes, Gunter von Minckwitz, lead researcher for the study and head of the German Breast Group, an academic alliance that runs clinical trials, said in an interview. He said he expects health insurers and government health programs to be more open to paying for the combination's use in higher-risk patients.

Some doctors said they would probably avoid using the Perjeta-Herceptin combination in patients at lower risk of relapse. "Would I have preferred to see a higher benefit? Certainly yes," Eleni Andreopoulou, a breast-cancer specialist at Weill Cornell Medicine and New York-Presbyterian hospital, said in an interview.

Dr. Andreopoulou, who enrolled patients in the study but wasn't a lead researcher, called it a positive result but said she would like

to see more tests developed to predict which patients are more likely to benefit from the combination based on biological traits of tumors, and which aren't.

CSX Assures Holders About CEO's Health

BY PAUL ZIOBRO

RICHMOND, Va.—CSX Corp. Chief Executive Hunter Harrison addressed the railroad's shareholders on Monday and reassured them that he is able to lead a turnaround despite an undisclosed medical condition that requires supplemental oxygen.

Mr. Harrison walked through the lobby of the historic Jefferson Hotel here using an oxygen machine and was connected to the device on stage at the annual shareholder meeting. He told the audience that the board is "fully apprised with my medical condition" and that his doctor has cleared him to work.

The 72-year-old hasn't disclosed details of his condition, but shareholders overwhelmingly voted to approve an \$84 million payment tied to his decision to join CSX earlier this year. CSX, one of two major railroads in the Eastern U.S., said more than 93% of the votes cast were in favor of the reimbursement. All of the company's directors were also approved at the meeting.

Chairman Edward Kelly, the only director to sit on stage along Mr. Harrison, said: "The board is satisfied there is no health issue with respect to Hunter's performance."

The payout is tied to compensation that Mr. Harrison gave up as part of his exit from Canadian Pacific Railway Ltd. in January, freeing him to join activist investor Mantle Ridge LP in a bid to revamp CSX. Mantle Ridge agreed to cover \$84 million in lost compensation as part of a consulting agreement with Mr. Harrison and then asked CSX to reimburse the expense.

CSX shares were off less than 1% at \$54.16 in midday trading Monday.

Prominent proxy advisory firms Glass, Lewis & Co. and Institutional Shareholder Services Inc. had recommended that shareholders vote for the reimbursement, despite some

reservations.

One issue has been Mr. Harrison's health. The executive had a history of health problems, including a bout of pneumonia, and during his first few months at CSX he has at times used a portable oxygen machine and he frequently works from home instead of the railroad's Jacksonville, Fla., headquarters.

Mr. Harrison and other senior executives had said his health is not an issue and that he is fully engaged in the turnaround.

In just few months at the helm, Mr. Harrison has already made big changes at the railroad. CSX has in recent weeks changed the way it sorts long trains at about half of its yards, and has changed the routes and schedules of many of its trains. As a result trains are spending less time idling at yards and hewing more closely to schedules.

The railroad's shareholders back \$84 million payment to Hunter Harrison.

Mr. Harrison is doing this using a so-called precision railroading strategy that at its core involves better utilization of assets and running trains on a tighter schedule. He pursued the same course at past stops leading Canadian Pacific and, before that, Canadian National Railway Co.

While analysts and advocates for Mr. Harrison insist his presence is necessary to turnaround CSX, some critics have questioned his appointment.

"He wrote the book on precision railroading but I'm not sure you need to hire the author to execute the plan," said Renny Ponvert, CEO of Management CV Inc., which analyzes top hires for money managers.

GM Chief Faces Showdown Over Activist's Stock Plan

BY MIKE COLIAS

General Motors Co. Chief Executive Mary Barra faces shareholders this week, under pressure from a hedge-fund investor and fresh scrutiny following the ouster of her counterpart at a crosstown rival.

Shareholders have generally been patient with GM's 55-year-old boss even as the stock trades near the \$33 initial public offering price set in 2010. Ms. Barra emerged victorious in a standoff two years ago against a group of investors demanding share buybacks, and she now opposes a new proposal from Greenlight Capital's David Einhorn to split GM's shares into two classes.

GM investors were set to vote Tuesday on Greenlight's proposal to divide GM stock into a security that pays dividends and a "capital-appreciation" stock that would entitle holders to all additional earnings. The idea has garnered little support from other investors, and follows a string of record profits, stock buybacks and consistent dividends.

"I trust Mary Barra and we back her," said Robert Olstein, chairman of the Olstein Capi-

tal Management, a value-oriented investment firm that owns about 265,000 GM shares. Even so, Mr. Olstein said he is open to more drastic steps to unlock GM's value, though he doesn't think Mr. Einhorn's plan is the right one.

"I understand he's frustrated. I am too," Mr. Olstein said. "But I'm not willing to gamble on his strategy."

Mr. Einhorn's strategy has already been rejected by the board, but will be debated in a GM annual meeting taking place about two weeks after the ouster of Ford Motor Co. CEO Mark Fields. Like Ms. Barra, Mr. Fields led the company during an era of stock-price malaise—Tesla Inc., an electric-vehicle startup selling a fraction of Detroit's volumes, passed both companies in market valuation earlier this year.

Mr. Einhorn has made comments skeptical of Tesla, saying he shorts the stock because he believes its value is overrated. Tesla officials couldn't immediately be reached for comment.

Meanwhile, Mr. Einhorn argues GM is underappreciated, and says dividing shares would attract more interest

from both value and growth-hungry investors and sees it lifting the company's value by more than 50%.

GM disagrees, saying the dividend shares could weigh down the company with future payment obligations and would risk the auto maker's investment-grade rating, which took years to rebuild following its 2009 bankruptcy.

No large shareholder has stepped forward to back Mr. Einhorn's idea. Advisory firms Institutional Shareholder Services Inc. and Glass Lewis & Co. suggested investors shoot it down, citing potential competing interests among the two classes of shares, the threat to GM's financial flexibility and other problems.

Still, Mr. Einhorn's move underscores the frustration among GM investors. Analysts say GM—riding a seven-year surge in U.S. auto sales and growth in China—may need to prove it can withstand a down cycle before investors buy in.

The swift ouster of Mr. Fields last month revealed the growing pressure on CEOs of conventional car companies as they work to combat tech giants edging in on the auto business.



GM's Mary Barra opposes the creation of two classes of stock, as proposed by Greenlight Capital.

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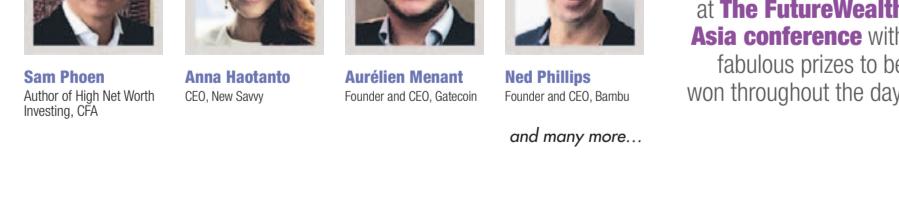


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TECHNOLOGY

WSJ.com/Tech

Tech Teams Wrestle With Accounting Rule

Changes in revenue recognition entail software upgrades, additional stresses

BY VIPAL MONGA

A major accounting rule change is stressing finance staff and creating headaches for technology departments at some of the world's largest businesses.

Public companies like Verizon Communications Inc.,

Hortonworks

CFO JOURNAL

Inc. and **Work-**

JOURNAL day Inc. are fac-

ing higher costs

as they spend months seeking to comply with a new rule that will change how they book revenues.

For large corporations, the task is arduous and complicated: Accountants are scouring thousands of bills and contracts to determine if they must change how they book the sales for fiscal years beginning after Dec. 15.

Meanwhile, tech departments are writing new code, upgrading their systems and investing in expensive new software as they work to ensure their increasingly automated finance operations can keep up.

It isn't clear all of them can.

Almost a third of 300 finance and technology executives surveyed in March by Ernst & Young LLP said they

are at risk of lagging behind in their rush to comply with the new revenue recognition rules. More than a fifth were concerned their finance and tech upgrades wouldn't be complete by the end of the year, leaving only a partially functioning system in place, requiring manual workarounds.

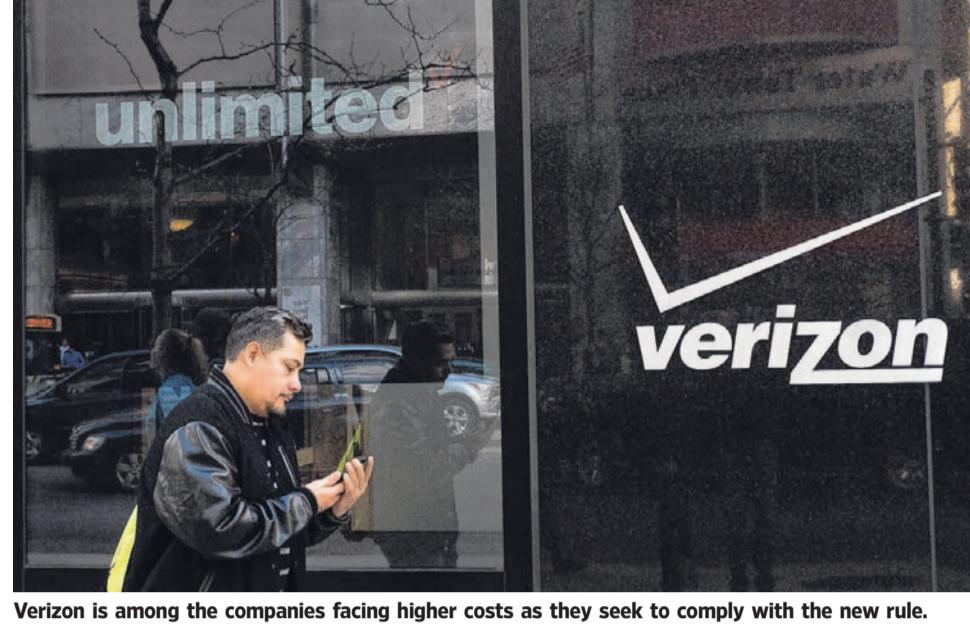
"Companies are finding it is very difficult to translate accounting rules from the new standard into usable business requirements," said John McGaw, a partner with Ernst & Young.

The U.S. Financial Accounting Standards Board, known as FASB, imposed the new rule because it wanted financial statements to more accurately depict the timing, uncertainty and volatility of doing business. The rule will align a company's booking of revenue with the sales of products and services that generate it. In theory, the new standard will allow investors to more easily compare revenue bookings between companies.

Corporations have been wrestling with the implications; many are still assessing how to apply the rules.

Telecommunications giant Verizon sells wireless service and handsets to more than 100 million customers, among its many businesses. The company has long relied on software that automatically logs the information for each contract on its financial statements.

After the accounting change, Verizon will credit



Verizon is among the companies facing higher costs as they seek to comply with the new rule.

more of its revenue to equipment sales and recognize it earlier. In effect, the company will account for revenue from many contracts differently from the way it bills customers, forcing it to reprogram its accounting software.

"It starts as an accounting exercise and ends up as an IT project," said Tony Skidas, controller for the New York-based company. "It uses up a lot of resources and puts pressure on the team."

Verizon began the work three years ago, he said. He wouldn't reveal how much the effort has cost, but employees have already spent thousands of work hours on the project. As the finance staff deter-

mined how the accounting needed to change, Verizon's software programmers wrote new code to transcribe information from the contracts to the financials.

"Doing it all on a spreadsheet is not tenable," said Mr. Skidas.

The revenue rule was initially supposed to go into effect last year, but companies successfully lobbied FASB for a one-year delay. Even with that grace period, many are still struggling to meet the new deadline, said Tony Sonnadi, an accounting consultant and a member of FASB's Emerging Issues Task Force.

"For a large company, it's not unusual to spend eight to

12 months implementing new software," he said.

Large companies often have legacy IT systems cobbled together over decades and through multiple acquisitions.

Changing something as integral as revenue recognition often means dismembering the complex systems and then putting them back together, he said.

Even companies with newer systems are finding the change taxing.

Hortonworks uses a cloud-based system by Oracle to manage its finances. The Santa Clara, Calif., data-analytics business will be able to make changes to its system without tearing down and rebuilding a

legacy back-office system, said a spokeswoman.

Yet, the company's administrative costs will rise, said Scott Davidson, the company's chief financial officer, during a February earnings call. He wouldn't say by how much.

"It impacts every aspect of how you go to market and run the business, requiring changes in systems, processes and reporting both internally and externally to investors both public and private," said Mr. Davidson in a statement emailed to The Wall Street Journal. "It's a very heavy lift for us."

Finance and human-resources software developer Workday employed a team of five full-time accountants to review more than 6,000 contracts as it prepared for the new rule. The Pleasanton, Calif., company adopted the new standard early and changed its accounting on Feb. 1.

"The biggest surprise was how much work it was," said Robynne Sisco, the finance chief. The staff had to manually reallocate revenue between subscription sales and consulting fees. The work took six months to complete, she said.

As some companies adopt the new rule, they will also restate financials going back two years, forcing them to audit multiple years' worth of results. The simultaneous audits made the work even more challenging, said Ms. Sisco.

—Tatyana Shumsky contributed to this article.

VR

Continued from page B1
for example—in the virtual world, you're rarely able to see your hands.

Still, United Rentals Inc. is a believer. The company, which rents generators, backhoes and thousands of other types of equipment, has been testing VR training since December for new sales staff. Instead of giving lectures and showing pictures of construction sites, "we bring the job site into the classroom," says Patrick Barrett, director of training and development.

In its VR training, employees stand on the edge of a virtual construction site, with two minutes to observe and determine what equipment is missing before an avatar of a construction boss approaches and they have to begin their pitch.

"Do they see that excavation—a hole in the ground, filled with water; do they see that opportunity to rent that customer a pump?" asks Mr. Barrett. He predicts it will shorten his weeklong training program by half, and is planning to expand the VR training beyond the new hires.

At Wal-Mart, trainees scan VR produce and deli sections to spot problems like a missing price on the broccoli or a worker who forgets to ask how thick a customer wants the turkey sliced. They also get a virtual preview of a Wal-Mart on one of its busiest holiday shopping days when crowds flood the stores looking for deals. For trainees, "one minute it's 85 degrees outside; the next, you are in the middle of a Wal-Mart Supercenter during peak period," says Mr. Ward. "If you're new to Wal-Mart, it would be difficult to prepare you for that" without VR.

JLG Industries, a unit of Oshkosh Corp., says VR is a safer and more efficient way to train operators of its boom lifts, who must learn to operate the vehicles from platforms extended up to 185 feet off the ground on giant arms. JLG's training-system simulator, built by San Francisco-based ForgeFx Simulations, is networked so that multiple trainees across the globe can operate virtual machines in the same 3-D construction site—all without leaving the ground. "Hands down, it's much safer than a real machine," says Rick Smith, senior director of JLG's global product training.

JLG says it plans to begin marketing the training programs as soon as July to as many as 50 customers who have asked for it.

The National Football League has found VR training so versatile it has taken a stake in Silicon Valley-based

startup Strivr Labs; its software will be used to train players and officials. Strivr also has developed a virtual-reality interview simulator for general managers to practice interviews with prospective players. The practice is designed to hone questions to find the right candidates and also to eliminate some of the implicit bias that's stirred anger in the past. By studying

virtual interviews as if they were field plays, general managers can learn to steer clear of off-limit topics like one's race or sexual orientation.

The use of VR is spreading especially quickly through medicine. VR 3-D modeling of the brain developed by Surgical Theater LLC is already being used for planning and practicing neurosurgeries in hospitals at New York University.

sity, University Hospitals in Cleveland and Mount Sinai, among others.

A clinical study published last year in the Journal of Neurosurgery found that pre-operative practice with Surgical Theater's rehearsal platform reduced the time it took to repair aneurysms, which suggests it also made the surgeries safer.

Meanwhile, at Johns Hopkins University, orthopedic surgeons are developing a way to use augmented reality to superimpose patients' X-rays onto the inside of goggles lenses. This would allow the surgeons to refer to the X-rays as they repair complicated pelvic fractures.

Stanford's Dr. Steinberg calls the emerging new technologies "transformative." "This is potentially going to be the future in how we engage patients, operate and train the next generation of neurosurgeons," he says.



Retailer Wal-Mart Stores is expanding its virtual-reality training.

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BUSINESS NEWS

NFL Adds Liquor to Menu of Ads

BY JOE FLINT

AND SUZANNE VRANICA

The National Football League is ready for a good stiff drink.

In a change of its advertising policy, the NFL will allow its television partners to accept commercials for distilled spirits in the 2017 season, according to a memo reviewed by The Wall Street Journal.

The NFL said it would accept no more than four 30-second hard-liquor spots per game with a limit of two such spots in any quarter or during halftime. In addition, the networks airing the matchups—ESPN, Fox, CBS and NBC—can run two spots in pregame and postgame programs.

The ads have to include a "prominent social responsibility message" and can't have a football theme or target underage drinkers.

The NFL confirmed the policy change. While described as a one-season test, the policy is expected to become permanent, an NFL executive said.

Over the past 10 years, sports leagues have expanded aggressively into wooing new advertisers and league sponsors to bring in more revenue from companies beyond the traditional beer brands, car makers and financial-services firms.

But the ban on spirits had held firm amid concerns of associating hard liquor with famous football players in front

of young fans. Broadcasters and other professional sports leagues started easing into accepting ads from spirits brands several years ago.

Hard-liquor companies spent roughly \$411 million on U.S. ads last year, estimates Kantar Media.

There are still several categories of advertising the NFL wants to continue to keep clear of football.

Most prominent on its list of "prohibited advertising categories" are condoms and other forms of birth control. While those spots aren't allowed, the league has no problems with commercials for performance-enhancing erectile dysfunction drugs.

Also, while many people

like to mix their vodka with an energy drink, they won't get that idea from the NFL, which still wants nothing to do with Red Bull and similar energy drinks.

Earlier this year, a brouhaha erupted after Fox rejected a Super Bowl commercial for GNC, just days before the big game. The Pittsburgh-based vitamin and supplement retailer said at the time that it was notified by Fox that GNC's participation in the Super Bowl as an advertiser wasn't acceptable to the NFL.

GNC is listed under "prohibited companies" on a memo from the NFL and the players union, warning against business relationships with the company because it is associated with substances banned by the NFL.

Gambling also is still a red flag, including ads for any hotel that features gambling even if it isn't referenced in the commercial. That also includes tourism ads for places that allow gambling such as Las Vegas. Lottery ads are acceptable, as is general advertising for horse or dog racing or state and municipal off-track betting organizations.

The NFL is also worried about excessively violent movies and videogames being advertised during their violent games. The league said it would determine whether a videogame or movie crosses that line.

And while marijuana has become legal in many states, the only thing the NFL wants high in its games are the punts.

German Shipping Firm Seeks Bankruptcy

BY WILLIAM WILKES

AND COSTAS PARIS

the bankruptcy of South Korea's Hanjin Shipping last year helped create a perfect storm for the sector, a headache for German banks and investors who own around 21% of the world's container fleet, according to the German Shipowners' Association.

A glut of tonnage in the water brought about a rare wave of industry consolidation over the past two years, with the world's 20 biggest container operators shrinking to about a dozen that posted about \$5 billion in collective losses in 2017.

Despite some signs of the recovery with rebounding volumes, freight rates in the benchmark Asia to Europe trade route are still around half break-even levels, forcing top players like Denmark's Maersk Line and Germany's Hapag-Lloyd to shed thousands of jobs. Industry players said the carnage isn't over, with Asian operators like Hong Kong's Orient Overseas Container Lines and Taiwan's Yang Ming in the cross hairs of bigger players.

Rickmers Holding AG said lender HSH Nordbank AG backtracked on an understanding that it would restructure the company's debt, forcing it to file for insolvency. HSH Nordbank said its board examined the Rickmers business plans carefully before deciding they weren't viable. Rickmers bondholders said they expect the firm's owner, Bertram R.C. Rickmers, to "gut" the company's assets.

Frank Günther, managing director at One Square Advisors, the chief representative for bondholders, said money could be recovered from Rickmers if an investor is found to help finance restructuring.

Mr. Günther said he was surprised HSH Nordbank didn't agree to the original restructuring plans.

"Rickmers is maritime royalty," said Basil Karatzas,

chief executive of New-York based Karatzas Marine Advisors & Co.

"Seeing them file for bankruptcy is like seeing a king get deposed."

The company's bankruptcy puts an exclamation mark on a dismal 12 months for Germany's shipping firms. Plunging world freight rates and

high distrust between the Rickmers group and their major banking lender," said Wolfgang Schirp of Berlin-based Schirp Neusel & Partners, a law firm that owns Rickmers debt and advises other bondholders.



FOCUS ON SPORT/GETTY IMAGES

Liquor ads on NFL game broadcasts will have to include a 'prominent social responsibility message.'

FINANCE & MARKETS

A Comic Plays Bitcoin for Laughs

Serial startup founder finds humor in the digital currency; nerds get the jokes

BY RYAN VLASTELICA

"Do we have any libertarians in the house?"

The comedian, Margaux Avedisian, is setting up her audience.

"You must be so happy with this administration," she continues, after maybe half the 50 audience members cheer. "It actually makes Gary Johnson look like not a bad idea. But he's like Bitcoin Unlimited—never gonna happen."

There's a smattering of laughter, but it's drowned out by the mild gasps and "oohs" that come from the audience. With this crowd, any offense taken isn't in response to the reference to Mr. Johnson, the Libertarian Party's 2016 presidential candidate. Instead, the audience is reacting to the knock against Bitcoin Unlimited, a software update that is controversial in the cryptocurrency's community.

If you aren't laughing—or don't even get the joke—that's understandable. It was told at a cryptocurrency conference, and it's fair to say that Ms.



GARY HAVIDLAND

Avedisian's is a specialized form of comedy, written by a bitcoin nerd, for other bitcoin nerds.

"I've been in crypto since 2012. It was the first time I worked in an industry where compared with everyone else, I was the sane and rational person."

The 33-year-old Ms. Avedisian is a bitcoin investor, founder of two bitcoin-related companies and an adviser and director at others. But what sets her apart is this unique job title: bitcoin comedian. She performed in May at Consensus 2017, a New York conference dedicated to all things bitcoin and blockchain (that's the ledger used for bitcoin transactions), where no explanations were needed.

Ms. Avedisian has traveled the world using bitcoin, accepts tips in the form of the cryptocurrency and has worked at every level of the industry. She has been dubbed, by herself and others, the Queen of Bitcoin, a nickname she wants to shed. "Because I

don't have that much bitcoin," she says, "and because I'd like to not get kidnapped."

"It's not a crypto conference without someone who is, like, in prison or banned from the country."

Ms. Avedisian entered comedy and bitcoin on the same day in 2012, and both decisions were largely impulsive. She has no formal performance training but signed up for an open-mic night. After her set, she met a founder of Tradehill, an early bitcoin exchange. "They were looking for a business-development person, were going to a meeting in San Diego, and had an extra seat on the plane," she says. "I was like, 'Yeah, I'll do that.'"

The move to technology wasn't out of left field. Though she studied psychology and chemistry at Mount Holyoke College, and was trained and certified as an emergency medical technician, Ms. Avedisian also worked at a variety of startups in San Francisco, including Answer in 30, a video-based information

service she co-founded. "I got a little jaded—how many photo-sharing apps do we really need?" she says. "But bitcoin seemed like something that really could disrupt the world and change finance. And it was such a Wild West that you could help shape it."

When Tradehill shut its doors later that year, Ms. Avedisian went on to co-found AlphaPoint Exchange, a financial-software firm specializing in digital-currency networks. She stayed there only three months, then co-founded MonetaGo Inc., which works with financial institutions on blockchain-related issues.

"She's like Zelig," says Michael Terpin, referring to the Woody Allen character who finds himself at every pivotal moment of the Jazz Age. Mr. Terpin is CEO of Transform Group, a public-relations firm focusing on companies that deal with new technologies.

Ms. Avedisian is currently a vice president at Transform, but it was at MonetaGo that she began combining her comedy with her work, starting a weekly comedy show at New

York's Bitcoin Center—an educational and promotional site for the currency—that lasted about two years.

"We initially laughed about it: 'You're going to tell jokes about bitcoin? That plays?'" says Jesse Chenard, CEO of MonetaGo. "But the best comedy is what you live, and she lives bitcoin."

Her material has never been just bitcoin-related. At a variety of venues, she does routines about Florida and San Francisco, as well as her experiences on dating apps and being a woman in tech.

"If everyone had a reference to what bitcoin was, it'd be a lot easier to do jokes about it outside the context of a conference," Ms. Avedisian says. Meanwhile, bitcoin-specific audiences pose unique issues. "They're nerds, so typically they're not the most gregarious audience, and the community can be very cliquish," she says. "I find I get more of a reaction if I roast the audience a bit or reference things that are more obscure."

Those references to things that are obscure to bitcoin outsiders become a sort of inside joke.

For example, the setup to one of her Consensus jokes—"I was in a car with Andreas Antonopoulos," a major figure in the industry—got a bigger laugh than the punchline, about why they weren't in a nicer car given all the digital currencies he holds.

"Bitcoin audiences are open to being made fun of; God knows they've been the butt of the joke for seven years," Mr. Chenard says before Ms. Avedisian's Consensus show.

"There's a whole raft of comedy—or tragedy—that can be created out of the fact that this is literally digital gold, created out of nothing. Of course, it must be easier to have a thick skin when the digital gold you spent \$10,000 on is now worth \$2 million."

Top Court Hands A Setback To SEC

BY BRENT KENDALL AND DAVE MICHAELS

WASHINGTON—The Supreme Court on Monday dealt a setback to Wall Street's top regulator, ruling unanimously that the Securities and Exchange Commission is subject to time limits when requiring financial companies or individuals to forfeit ill-gotten gains from fraudulent conduct.

The court, in an opinion by Justice Sonia Sotomayor, said SEC enforcement actions seeking to "disgorge" ill-gotten gains must be brought within five years.

The case, Kokesh v. SEC, centered on a 2009 SEC lawsuit against Charles Kokesh, a fund manager who mostly invested in startup companies.

The market watchdog alleged that Mr. Kokesh looted \$45 million from the funds to pay his and other corporate officers' salaries and bonuses and to fund office rent. Mr. Kokesh contended, though, that a statute of limitations applied in the case, which he said should have limited the \$34.9 million that a lower court decided he should pay in disgorgement.

The SEC filed the case in October 2009 and alleged that the misconduct occurred from 1995 to July 2007.

The commission had argued that disgorged profits are regularly used to compensate fraud victims and that they shouldn't be subject to a five-year limit.

The Supreme Court rejected that argument.

The SEC declined to immediately comment on Monday's ruling.



Margaux Avedisian

Solar Giant Reviews Sales

BY KIRSTEN GRIND

Executives at solar-energy giant Sunrun Inc. have asked the company's board of directors to independently review claims by former employees that they were manipulating sales data around the time of Sunrun's initial public offering in 2015.

According to a statement on its website, Sunrun made the request to its audit committee following a Wall Street Journal article published May 22.

The story quoted former employees saying they held back on internally reporting hundreds of customers who canceled their contracts for home energy systems during a roughly five-month period in the middle of 2015.

Sunrun didn't directly address the allegations at the time of the Journal's story, saying in a statement from Chief Executive Lynn Jurich it had "reviewed the digital audit trail in our systems" and "turned up no evidence that our employees changed cancellation dates in our systems to delay the reporting



Sunrun asked for a review of sales from the time of its 2015 IPO.

of cancellations."

In its new statement, the company said: "Sunrun's executive team is committed to transparency and looks forward to taking any and all appropriate actions in response to the Audit Committee's eventual findings. We remain committed to doing what is right for our customers and shareholders at all times."

Sunrun, the largest publicly traded residential solar company in the U.S., and

Tesla Inc.'s SolarCity Corp. are under investigation by the Securities and Exchange Commission for masking the number of customers backing out of contracts, the Journal has reported.

Sunrun has declined to comment on the investigation. SolarCity has said the company has focused on reporting the quality of its installed assets, not "pre-install cancellation rates." The SEC has declined to comment.

China Greenchip-A Units

including the length of the auditor's tenure working for the company. Some investor advocates think an audit firm that has been working with a company for decades might get too cozy with management, jeopardizing its ability to perform an impartial audit.

The new rule will take effect in stages. Disclosure of auditor tenure and all other changes except the critical audit matters will begin with reports filed in early 2018. Large companies must begin detailing critical audit matters with reports in mid-2019; all other companies will begin doing so in early 2021. Newer, smaller companies classified as "emerging growth companies" will be exempt from the critical audit matters requirement.

The new rule will make the auditor's report "more complete and relevant" for investors, the board's Chairman James Doty said in an interview with The Wall Street Journal. "Investors want it."

The new requirement will bring the U.S. closer to the U.K. and other European countries where such disclosures in the auditor's report are already required.

Some other new disclosures will also be required, in-

cluding the length of the auditor's tenure working for the company. Some investor advocates think an audit firm that has been working with a company for decades might get too cozy with management, jeopardizing its ability to perform an impartial audit.

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The efforts to revamp the auditor's report date back nearly a decade. The PCAOB made its first formal proposal in 2013.

The new report will retain the current report's up-or-down decision on whether an auditor thinks a company's numbers are "fairly presented." But it will also require auditors to tell invest-

ors about any "critical audit matters"—areas of their audit that were especially challenging or complex or forced them to make tough decisions in evaluating a company's books.

For instance, the auditor's assessment of how a company sets aside loan-loss reserves when it introduces a new loan product could be a critical audit matter. So could the evaluation of a company's estimates and the valuations of the assets it acquires.

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COMMODITIES

LME Ex-Executives Plan Rival Platform

Former executives of the London Metal Exchange are launching an electronic trading platform for nonferrous metals in a move that could challenge the 140-year-old LME.

NFEX Markets said the platform will open in the first quarter of 2018.

The platform's development team will include Martin Abbott, previously the head of the LME, as well as Nigel Owens, also previously from the exchange.

The challenge comes as the LME faces falling volumes, not

least after raising its fees. The average daily volume in 2016 fell almost 8% from 2015, according to the LME website.

Mark Bradley, a member of NFEX's advisory and development team, said in a statement that the new trading platform isn't aimed at replacing "current trading models" and will be complementary with them.

—David Hodari

BITCOIN

Withdrawals Resume At China's Exchanges

Bitcoin exchanges in China are again allowing withdrawals of the virtual currency, having

upgraded their systems in response to heightened government scrutiny.

It ends a three-month moratorium that began shortly after regulators launched an investigation into the exchanges and threatened to shut down ones that skirt the rules. Authorities were concerned bitcoin could be used to bet on a decline in the Chinese yuan, as well as to move money out of the country, evading controls on capital outflows.

China's three major bitcoin exchanges, Huobi and OKCoin of Beijing and BTCC of Shanghai, said they began allowing withdrawals by customers last week.

—Chao Deng

Advertisement

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[Search by company, category or country at asia.wsj.com/funds]

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FUND NAME GF AT LB DATE CR NAV YTD 12-MO 2-YR

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865, Website: www.cam.com.sg CAM-CF Limited OT MUS 05/31 USD 30649.87 1.4 10.8 -3.8

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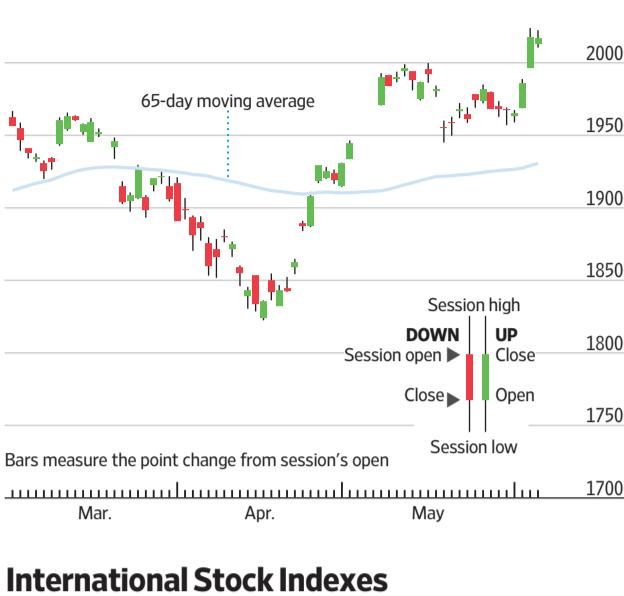
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MARKETS DIGEST

Nikkei 225 Index

20170.82 ▼6.46, or 0.03%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

STOXX 600 Index

392.04 ▼0.51, or 0.13%

High, low, open and close for each trading day of the past three months.



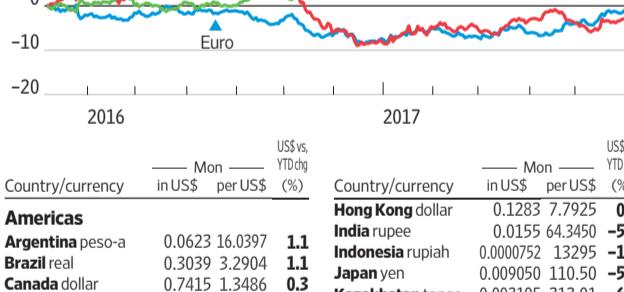
International Stock Indexes

Region/Country	Index	Data as of 12 p.m. New York time					
		Close	Net Chg	% chg	52-Week Range	Close	YTD % chg
World	The Global Dow	2784.74	-5.52	-0.20	2193.75	2791.48	10.1
	MSCI EAFE	1910.05	-6.32	-0.33	1471.88	1956.39	11.3
	MSCI EM USD	1016.90	1.82	0.18	691.21	1044.05	28.0
Americas	DJ Americas	584.86	-0.28	-0.048	480.90	585.32	8.2
Brazil	Sao Paulo Bovespa	62367.41	-143.28	-0.23	48066.67	69487.58	3.6
Canada	S&P/TSX Comp	15355.41	-87.34	-0.57	13609.58	15943.09	0.4
Mexico	IPC All-Share	49446.84	129.46	0.26	43902.25	50154.33	8.3
Chile	Santiago IPSA	3716.34	-7.77	-0.21	2998.64	3786.05	15.3
U.S.	DJIA	21220.37	14.08	0.07	17063.08	21225.04	7.4
	Nasdaq Composite	6300.91	-4.88	-0.08	4574.25	6310.62	17.0
	S&P 500	2438.82	-0.25	-0.01	1991.68	2440.23	8.9
	CBOE Volatility	9.79	0.04	0.41	9.56	26.72	-30.3
EMEA	Stoxx Europe 600	392.04	-0.51	-0.13	908.75	396.45	8.5
	Stoxx Europe 50	3233.92	0.03	0.001	2626.52	3279.71	7.4
France	CAC 40	5307.89	-35.52	-0.66	3955.98	5442.10	9.2
Germany	DAX	12822.94	... Closed	... Closed	9214.10	12878.59	11.7
Israel	Tel Aviv	1427.49	-0.40	-0.03	1372.23	1490.23	-2.9
Italy	FTSE MIB	20721.04	-207.20	-0.99	15017.42	21828.77	7.7
Netherlands	AEX	524.44	-2.30	-0.44	409.23	537.84	8.5
Russia	RTS Index	1044.34	-1.68	-0.16	884.83	1196.99	-9.4
Spain	IBEX 35	10884.70	-21.20	-0.19	7579.80	11184.40	16.4
Switzerland	Swiss Market	9043.96 Closed	7475.54	9136.95	10.0
South Africa	Johannesburg All Share	52870.12	-19.58	-0.04	48935.90	54716.53	4.4
Turkey	BIST 100	98191.97	-675.93	-0.68	70426.16	99278.08	25.7
U.K.	FTSE 100	7525.76	-21.87	-0.29	5788.74	7598.99	5.4
Asia-Pacific	DJ Asia-Pacific TSM	1633.68	0.55	0.03	1308.52	1635.09	14.8
Australia	S&P/ASX 200	5754.90	-33.20	-0.57	5103.30	5956.50	1.6
China	Shanghai Composite	3091.66	-13.88	-0.45	2833.07	3288.97	-0.4
Hong Kong	Hang Seng	25862.99	-61.06	-0.24	20038.42	25924.05	17.6
India	S&P BSE Sensex	31309.49	36.20	0.12	25765.14	31309.49	17.6
Indonesia	Jakarta Composite	5748.24	5.79	0.10	4807.23	5791.88	8.5
Japan	Nikkei Stock Avg	20170.82	-6.46	-0.03	14952.02	20177.28	5.5
Malaysia	Kuala Lumpur Composite	1787.95	11.00	0.62	1614.90	1787.95	8.9
New Zealand	S&P/NZX 50	7499.97 Closed	6664.21	7571.11	9.0
Pakistan	KSE 100	50120.93	1565.63	3.22	36940.88	52876.46	4.8
Philippines	PSEI	8001.38	93.72	1.19	6563.67	8102.30	17.0
Singapore	Straits Times	3238.31	-1.70	-0.05	2729.85	3271.11	12.4
South Korea	Kospi	2368.62	-3.10	-0.13	1925.24	2371.72	16.9
Taiwan	Weighted	10226.84	68.69	0.68	8458.87	10226.84	10.5
Thailand	SET	1566.85	-0.75	-0.05	1406.18	1591.00	1.5

Source: SIX Financial Information/WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	London close on June 5		
	Mon in US\$	Mon per US\$	YTD chg (%)
Country/currency	Mon in US\$	per US\$	(%)
Hong Kong dollar	0.1283	7.7925	0.5
India rupee	0.0155	64.3450	-5.3
Indonesia rupiah	0.0000750	13295	-1.7
Japan yen	0.009050	110.50	-5.6
Kazakhstan tenge	0.003195	313.01	-1.3
Macau pataca	0.1246	8.0256	1.4
Malaysia ringgit-c	0.2345	4.2650	-4.9
New Zealand dollar	0.7141	1,400.4	-3.0
Pakistan rupee	0.0096	104.700	0.3
Philippines peso	0.0203	49.373	-0.5
Singapore dollar	0.7236	1,382.0	-0.2
South Korea won	0.0008926	112.037	-7.2
Sri Lanka rupee	0.0065419	152.86	3.0
Taiwan dollar	0.03324	30.087	-7.3
Thailand baht	0.02937	34.050	-4.9

Country/currency	Mon in US\$	per US\$	(%)
Hong Kong dollar	0.1283	7.7925	0.5
India rupee	0.0155	64.3450	-5.3
Indonesia rupiah	0.0000750	13295	-1.7
Japan yen	0.009050	110.50	-5.6
Kazakhstan tenge	0.003195	313.01	-1.3
Macau pataca	0.1246	8.0256	1.4
Malaysia ringgit-c	0.2345	4.2650	-4.9
New Zealand dollar	0.7141	1,400.4	-3.0
Pakistan rupee	0.0096	104.700	0.3
Philippines peso	0.0203	49.373	-0.5
Singapore dollar	0.7236	1,382.0	-0.2
South Korea won	0.0008926	112.037	-7.2
Sri Lanka rupee	0.0065419	152.86	3.0
Taiwan dollar	0.03324	30.087	-7.3
Thailand baht	0.02937	34.050	-4.9

Sources: Tullett Prebon, WSJ Market Data Group

Key Rates

Latest 52 wks ago

Cur Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans				
HK\$ ALA Group	I299	55.35	... -2.87	26.51
HK\$ AstellasPharma	4503	1414.50	0.04 -12.87	19.67
HK\$ ToyotaMotr	700	596.00	-2.04 -12.33	20.08
AUS AustNZBk	ANZ	27.81	-1.66 -8.58	1.21
AUS BHP	BHP	23.66	-1.70 -5.59	1.21
HKS CKHutchson	0001	100.80	-1.08 -14.68	1.21
HKS CNOC	0883	8.98	0.56 -7.42	1.21
AUS CSL	CSL	132.25	0.19 -31.71	1.21
HK\$ ChinaMobile	0941	85.20	-0.35 	

FINANCE & MARKETS

Energy Markets Eye Qatar

Nation is world's top gas exporter, but rift with neighbors hasn't spooked investors

BY JENNY W. HSU

Any political tension between major Middle Eastern energy-producing nations usually leads to a spike in global oil prices. But as the spat between Qatar and neighboring countries escalates, traders in the world's natural-gas markets will be on high alert, too.

On Monday, Saudi Arabia, Bahrain, United Arab Emirates and Egypt broke diplomatic ties with Qatar, accusing the country of backing terrorism activities. Qatar has denied the allegations.

The diplomatic row led U.S. oil traded on the New York Mercantile Exchange up by as much as 1.6% to \$48.42 a barrel in Asian trading, before it slipped back. Early Monday afternoon in New York, it was down 1.2% to \$47.11.

The relatively calm oil-market response reflects the fact that Qatar, a member of the Organization of the Petroleum Exporting Countries, isn't actually a major petroleum producer. It accounts for about 2% of the group's output, or 618,000 barrels a day in April.

By contrast, the small nation, which lies on the eastern side of the Arabian peninsula, is a vital player in natural-gas markets, as the world's largest exporter of liquefied natural gas. In 2016, it shipped roughly 77.2 million tons of the superchilled gas, equivalent to about one-third of global supply, according to International Gas Union. Most of Qatar's gas is located in its offshore North Field. Only Russia and Iran have more proven gas reserves, according to BP PLC's Statistical Review of World Energy.

To date, there is no indication that Qatar's gas exports will be affected by the row with its neighbors.



Qatar is a much more significant player in the natural-gas market than it is in oil.

Major customers for Qatar's gas are based in Asia; Japan sources about 15% of its gas from Qatar, while China and India are also big customers. Middle Eastern buyers account for less than 5% of Qatar's total exports.

Japan's Jera Co., the world's top LNG importer, said it has received assurances from Qatargas that shipments will continue as scheduled. "We see no impact on LNG supply, but will continue to monitor geopolitical risks going forward," said a Jera spokesman. Qatargas is contracted to deliver about 8 million tons of LNG to Jera a year.

Prices for LNG are often set according to long-term contracts between suppliers and consumers, and are often based on a formula linked to oil prices. However, in recent years a spot market has developed as global gas supplies, from the U.S. to Australia, have increased.

For now, analysts say the latest diplomatic fracas won't yield any immediate impact on the appetite of big consumers. But if tensions worsen, oil prices could rise, which in turn could affect gas prices.

LNG Suppliers

Qatar is the world's largest exporter of liquefied natural gas with nearly a third of the market share.

Qatar	EXPORT VOLUME, IN MILLIONS OF METRIC TONS IN 2016	
	77.2	30.0%
Australia	44.3	17.2
Malaysia	25.0	9.7
Nigeria	18.6	7.2
Indonesia	16.6	6.4
Algeria	11.5	4.5
Russia	10.8	4.2
Trinidad	10.6	4.1
Oman	8.1	3.2
Papua New Guinea	7.4	2.9
Rest of the world	27.8	11.0

Source: International Gas Union

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"As most of Asia's [gas] long-term contracts are still oil-indexed, this may increase contracted LNG prices and thus spot prices," said Kelvin Li, who works at consulting firm Lantau Group.

Even though Qatar isn't a leading oil producer, there is concern that its political rift with Saudi Arabia could prompt it to back out of OPEC's plans to cut crude output. Last year, OPEC agreed to cut its oil produc-

tion by 1.2 million barrels a day to reduce a supply glut. It agreed to extend those production cuts to March next year at its latest meeting last month.

The fallout with Saudi Arabia and other nations could leave Qatar with "little reason to keep the production quota," said Phin Ziebell, a Melbourne-based economist at National Australia Bank.

—Mayumi Negishi contributed to this article

Diplomatic Spat Slams Doha Stocks

By NIKHIL LOHADE

DUBAI—Qatari stocks tumbled on Monday and the country's bond yields rose after Saudi Arabia and other Middle Eastern nations cut diplomatic and transport links to Doha, raising concerns about the economic impact on this Persian Gulf state.

The Qatar Exchange's main stock index closed 7.3% lower

at 9202.62

MONDAY'S MARKETS on relatively high volumes, despite the usual lull

in regional trading during the holy month of Ramadan.

Saudi Arabia, the United Arab Emirates, Bahrain and Egypt severed relations with Doha on Monday and said they would close off air, sea and land routes to the country after accusing Qatar of backing terrorism and meddling in regional affairs.

"The Arab-Qatari rift will significantly undermine Qatar's economy, financial position, and the profitability of its businesses," Ayham Kamel, director for Middle East & North Africa at Eurasia Group, said in a note.

Qatari real-estate, transportation and consumer-goods stocks were among the biggest losers Monday.

Investors are worried that the closure of transport routes between the countries will affect Qatar, which channels a substantial chunk of its imports through Saudi Arabia and the U.A.E. Around half of Qatar's food comes via these two countries, analysts said.

Switching to air and sea routes from these overland connections would increase Qatar's import costs and result in a jump in inflation, Citigroup said in a research note.

The transport ban may also stem the flow of people from other GCC countries into Qatar, which some analysts say account for about half of all

visitor traffic there.

"The most immediate concern will be to establish an alternative supply line for vital food imports," Mr. Kamel said.

The yield on Qatari dollar-denominated government bonds due in 2026 rose around 0.2 percentage point to 3.33%, according to Tradeweb.

Monday's news didn't appear to drag local markets down with Qatar.

Saudi Arabia's stock market reversed early losses to close 0.5% higher, while Dubai-listed stocks fell 0.7% and Abu Dhabi's market was flat.

Shares elsewhere in the world were little changed, although stock in Alphabet, the parent of Google, rose past \$1,000 a share, a milestone few companies have passed..

The main stock index on the Qatar Exchange closed 7.3% lower.

The Dow Jones Industrial Average rose 1 point, or less than 0.1%, to 21208 by midday. The S&P 500 and Nasdaq Composite both slipped less than 0.1%.

Travel and leisure shares lost ground after the weekend terror attack in London.

The Stoxx Europe 600 fell 0.1%, while the U.K.'s FTSE 100 lost 0.3%. Shares in EasyJet dropped 2.8%, while British Airways parent company International Consolidated Airlines Group fell 2.3%.

In Asia, Australia's S&P ASX 200 fell 0.6%, while Japan's Nikkei Stock Average was roughly flat. A decline in large financial shares pulled down the Shanghai Composite Index 0.45%. Small-caps rallied after China's securities regulator eased the pace of new share issuance, boosting the Shenzhen Composite Index 0.7%.

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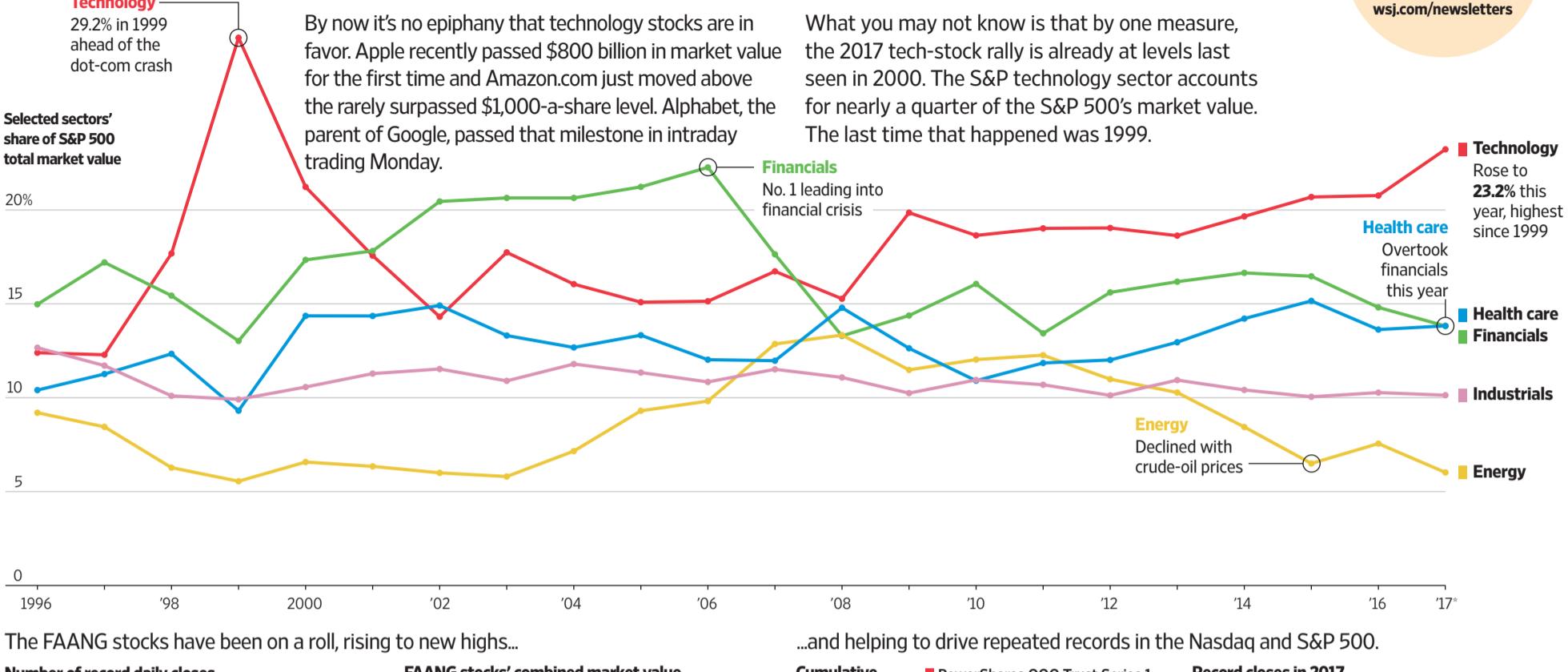
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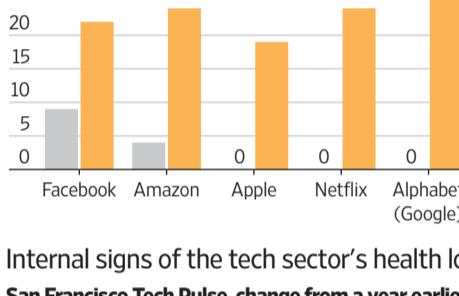
THE DAILY SHOT | By Lev Borodovsky, Ben Eisen and Tom Destefano

The Tech Sector Catches Fire

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The FAANG stocks have been on a roll, rising to new highs...



FAANG stocks' combined market value as a percentage of S&P 500 total market value



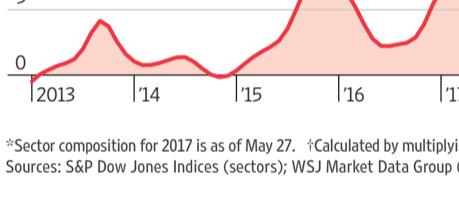
...and helping to drive repeated records in the Nasdaq and S&P 500.

Cumulative inflows in 2017

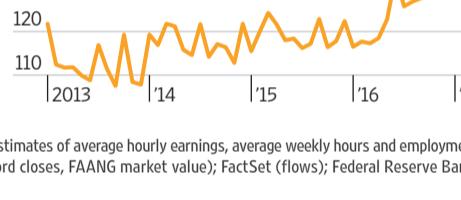


Internal signs of the tech sector's health look relatively ruddy, though gains aren't uniformly shared in the U.S. economy thanks to offshoring and other broader business trends.

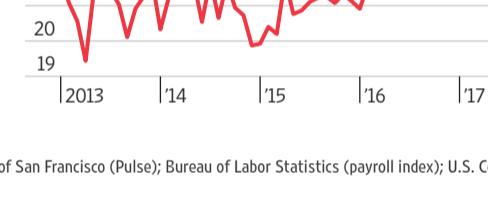
San Francisco Tech Pulse, change from a year earlier



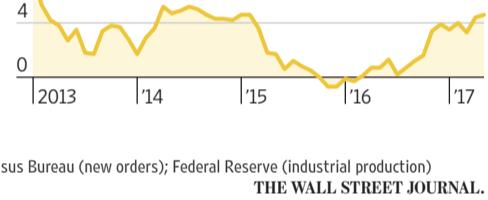
Computer and software employees payroll index[†]



Value of manufacturers' new orders for computers and electronic products



Computer and electronics industrial production, change from a year earlier



[†]Sector composition for 2017 is as of May 27. [‡]Calculated by multiplying estimates of average hourly earnings, average weekly hours and employment

Sources: S&P Dow Jones Indices (sectors); WSJ Market Data Group (record closes, FAANG market value); FactSet (flows); Federal Reserve Bank of San Francisco (pulse); Bureau of Labor Statistics (payroll index); U.S. Census Bureau (new orders); Federal Reserve (industrial production)

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The Hidden Value of Big Trucks

If the world's largest truck maker was valued in line with its closest peer, it would be worth roughly twice as much. There is reason to think a value-unlocking spinoff could come to fruition.

It is the classic conglomerate problem: Daimler Trucks, which dominates U.S. highways with the Freightliner brand, is trapped within the **Daimler** automotive empire.

The fearsome challenges facing the group's larger Mercedes-Benz car division—ranging from the end of the U.S. car boom to intensifying competition with **Tesla** and the autonomous-driving projects of other Silicon Valley companies—inevitably monopolize media and investor attention.

Daimler's stock trades at seven times forward earnings, compared with 16 times for **Volvo**—maker of Mack trucks, among others—which sold its namesake luxury car brand in 1999. This is the widest valuation gap in at least a decade. Worries about car makers are only half the reason; investors are

Hidden Cargo

Forward price/earnings ratios



also optimistic about the prospects of truck makers. The U.S. truck market seems to be rebounding after a difficult 2016. Volvo's shares have been on a tear this year, particularly since first-quarter results in April that showed an 11% increase in orders.

Taxed and capitalized at group rates, the profit of Daimler Trucks gives it an equity value of roughly €10 billion (roughly \$11.28 billion). That rises to €21 billion using Volvo's earnings

multiple. **Volkswagen** is another auto maker with truck gems, namely the Scania and MAN brands, hidden away. The company's market value is €70 billion. Brokerage Evercore ISI calculates that spinning off the trucks business and other moves would, theoretically, almost double the valuation.

This kind of analysis hasn't historically played well on Germany's notoriously conservative corporate scene.

But there are tantalizing

signs of change in Germany Inc. Ownership of the country's stock market has globalized. Activist investor Cevian Capital has won a board seat at steel giant Thyssenkrupp. Most revealingly, Joe Kaeser, boss of German engineering titan Siemens, has advocated once unheard-of maneuvers, such as a partial spinoff of minority stakes in the company's health-care unit and possibly even its core factory-automation business.

It is also hard for automotive executives to ignore Sergio Marchionne's breakup success at **Fiat Chrysler**.

Ferrari's stock has almost doubled since being spun out of the embattled parent company last year.

Evercore ISI puts the chances of a truck spinoff within 12 to 18 months at 30% for Daimler and more than 50% for Volkswagen, where pressure on management is more intense. The potential for change within Germany's automotive industry shouldn't be overstated, but it is greater than investors may assume.

—Stephen Wilmot

OVERHEARD

The American shopping mall is dying. Or is it?

While thousands of retail outlets are closing across the country as customers shift purchases online and a recent study said one-quarter of American malls may shut down within the next five years, the developer of Minnesota's mammoth Mall of America is doubling down. More than doubling down, actually.

Canada's Triple Five Worldwide Group wants to build a 6-million-square-foot complex in Miami. That mall would be the biggest in the country.

They aren't completely bonkers, it seems. Rather than focusing on retail, the company's president said that their focus is "retailtainment," according to the Associated Press.

The facility would be more like an amusement park with an indoor ski slope, a submarine ride and theaters.

Oh, and if you need to do some shopping, they may have a few places to do that too.

RH's First Restoration Task: Trust

Investors of furnishings retailer **RH** lost more than their money when its shares plummeted Friday. They lost their ability to trust the company's management.

Shares of RH, formerly known as Restoration Hardware, fell 26% after it reported first-quarter earnings. The company had preannounced most of its results for the quarter on May 11, so the main reason for the tumble was lower full-year guidance.

Just two months earlier, RH came out with a higher guidance range that caused shares to soar 15% in one session.

Meanwhile, RH's push to cut the number of products it sells is dragging on longer than expected. When RH reported fourth-quarter results in March, the company characterized its effort to focus its product selection as temporal. On a call with analysts Thursday evening, co-President Karen Boone said the process would "continue through the second quarter and into the third quarter, whereas before we thought it would be done."

The undertaking helped drive the 23% increase in sales in the quarter but is weighing on margins because the company is phasing out products by discounting them.

Also weighing on earnings guidance were startup costs related to RH Hospitality, which will offer food and beverage in spaces furnished with RH products that patrons can purchase. The company expects the business unit to be free-cash-flow positive in 12 months, which seems aggressive, said Anthony Chukumba, an analyst with **Loop Capital Markets**.

The uncertainty surrounding RH's major costs suggests guidance could drop further. This time, investors should be on their guard.

—Miriam Gottfried

Are London's Markets Too Calm as Election Approaches?

Slipping

Yield on 10-year U.K. gilts



tion Labour Party gaining support. The Manchester and London attacks have now placed attention on Mrs. May's role as home secretary before she took the top job

last year and on her election mantra of providing "strong and stable" leadership.

And the economic backdrop isn't particularly supportive one for the incumbent government. Growth slowed to 0.2% in the first quarter. Inflation is squeezing real incomes, and consumer confidence is lower than at the previous election in 2015. Bond markets signal a whiff of caution. The 10-year U.K. gilt yield last week fell to 1%, its lowest since October, and the yield curve has flattened. U.K. stocks have rallied along with global markets, although the FTSE 100 is up less than its European and U.S. peers.

U.K. markets initially welcomed the election, figuring a big win for Mrs. May

would help her to negotiate a less disruptive Brexit. But as uncertainty has risen, the pound has halted its upward march against the dollar and is being outpaced by the euro, though it remains stronger than it was before the vote was called.

A surprise outcome in Thursday's vote can't be ruled out. An indecisive result, with no party gaining a clear majority, would cast a deep shadow over the negotiations on the U.K.'s exit from the European Union starting in mid-June. A shock win for Labour would mean a

radical reassessment for fiscal policy, with more deficit spending that could upset the quiescent path of U.K. interest rates. Most important for stocks, Labour has promised higher corporate taxes.

If the election doesn't follow the script of a big win for the Conservatives, then it could be the pound and gilts that suffer: Higher uncertainty over both Brexit and the economic outlook could lead to a steeper curve.

There won't be much time for investors to draw breath. Once the election is over, the focus will move swiftly to the product of the last U.K. vote shocker: Brexit.

—Richard Barley